



**AUSTIN LIGHT RAIL**

Frequently Asked Questions:  
Plan of Finance

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**January 2025**

# FAQ – PLAN OF FINANCE

As we progress with the Austin Light Rail Implementation Plan, this Frequently Asked Questions (FAQ) addresses the questions we have frequently encountered, providing detailed responses to further the dialogue and enhance transparency.

ATP's coordination with the Federal Transit Administration (FTA) is critical to advancing the plan of finance for Austin Light Rail. Since the prior FAQ in May 2023, we have reached two significant milestones to progress those efforts. In May 2024, ATP entered the Project Development (PD) stage of the FTA New Starts Capital Investment Grant (CIG) Program. The PD stage is the first of two stages ATP must complete before execution of a Full Funding Grant Agreement (FFGA). As part of the PD stage, each applicant must obtain an acceptable project rating, as determined by the FTA. In August 2024, ATP submitted a preliminary ratings package to the FTA to begin the process of obtaining this required project rating to complete the PD stage.

ATP is also diligently advancing the design and environmental analysis of Austin Light Rail Phase 1, as marked by the January 2025 publication of the Draft Environmental Impact Statement (DEIS) as required under the National Environmental Policy Act (NEPA). Per NEPA, the DEIS will be shared with the public and stakeholders for thorough review and comment. ATP will continue to engage the community by seeking feedback on the DEIS during a specified review period currently anticipated to extend through March 2025.

This plan of finance update incorporates the most current cost information for Austin Light Rail, which continues to be refined through the ongoing advancement of design. It also requires a focused examination of market trends, including the expected normalization of interest rates and annual inflation. This approach ensures that the plan of finance reflects the prevailing economic environment for delivering major infrastructure projects. With each step taken so far, and as we proceed with planning in the PD phase, we gain a clearer understanding of potential costs and financial considerations, which we are eager to share with the Austin community. As reported to our Board in March 2024, project costs are estimated within the range of \$6.8 - \$7.1 billion, plus financing costs, which remain within the financial affordability envelope.

**Figure 1: Recent Major Project Milestones**

Milestones
Selected Locally Preferred Alternative (Austin Light Rail Phase 1)
Entered the Project Development stage of the FTA New Starts CIG Program
Submitted the Draft Environmental Impact Statement (DEIS) to the FTA
Submitted Initial Ratings Package to the FTA in advancement of the New Starts CIG process
Published DEIS for public review and comment

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## QUESTION 1

### What is the current cost estimate for the Austin Light Rail Implementation Plan?

ATP has developed estimated capital costs for Austin Light Rail based on preliminary design. These costs have been vetted by a separate, independent cost estimating team looking at various elements of the project to confirm cost assumptions.

These estimated costs fall within the budget afforded by the current Prop A revenue stream and assumed federal grant support. The cost estimates were prepared in compliance with the eligibility requirements of the FTA New Starts program and adhere to the FTA Standard Cost Categories (SCC), as outlined in the table below.

**Figure 2: Standard Cost Categories**

SCC#	SCC Name	Typical Elements Included
10	<b>Guideway &amp; Track Elements</b>	Guideway at grade, aerial structures, underground tunnels and track elements
20	<b>Stations, Stop, Terminals, Intermodal</b>	Stations, stops, shelters, platforms, automobile parking structures, elevators & escalators
30	<b>Support Facilities: Yards, Shops, Admin Buildings</b>	Administration buildings, maintenance facilities, storage and yards
40	<b>Sitework &amp; Special Conditions</b>	Demolition, clearing, earthwork, site utilities and relocation, environmental mitigation
50	<b>Systems</b>	Train control & signals, traffic signals & crossing protection, power supply, communication, fare collection
60	<b>Land, Existing Improvements</b>	Purchase or lease of real estate, relocation of existing households and businesses
70	<b>Vehicles</b>	Light rail vehicles, non-revenue vehicles & spare parts
80	<b>Professional Services</b>	Project development, engineering, project management, legal, permits, surveys and inspection
90	<b>Unallocated Contingency</b>	Additional contingency not already embedded in the above categories
100	<b>Finance Charges</b>	Debt financing instruments include federal TIFIA loans, contract revenue bonds, and grant anticipation notes



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## QUESTION 1 (continued)

The initial capital cost estimate has been escalated to year-of expenditure (YOE) costs based on a cost escalation forecast, tailored to the capital components of the project, local construction costs, and the estimated construction schedule. As additional engineering and design is completed during the PD phase, the cost estimate will be regularly evaluated and revised.

The table below presents the current estimated capital costs for Austin Light Rail by SCC, including contingency on the capital cost elements. As indicated in the table below, the total YOE capital cost is estimated to be roughly \$6.8-7.1 billion. Actual costs incurred will be subject to final contract and real estate negotiations. To deal with these unknown variables, both allocated and unallocated contingency amounts are being carried throughout the cost categories.

**Figure 3: Estimated Capital Costs (in YOE Dollars)**

Cost Category (SCC)	YOE \$B (with allocated contingency)*	Share of Total YOE Capital Cost
<b>Light Rail + Civil (10/20/40/50)</b>	\$3.1-3.2B	46%
<b>Real Estate (60)</b>	\$1.0-1.1B	15%
<b>Maintenance Facility + Vehicles (30/70)</b>	\$1.0-1.1B	15%
<b>Professional Services (80)</b>	\$1.1-1.2B	16%
<b>Unallocated Contingency (90)</b>	\$0.52-0.54B	8%
<b>Total Capital Costs</b>	<b>\$6.8-7.1B</b>	<b>100%</b>

*\*Figures may not add due to rounding*

## Financing Cost

As is the case with large capital projects, a portion of the costs incurred to complete the project are financed with short-term and long-term debt. Currently, \$1.1 billion in financing costs are estimated to be incurred which will also be eligible for reimbursement under the anticipated federal grant. When calculating total reimbursable cost under the federal grant, eligible cost encompasses both capital costs and financing costs.

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## QUESTION 2

### How is ATP thinking about contingency?

Contingency is an essential part of ATP’s Austin Light Rail planning efforts. A responsible plan of finance incorporates an allocation of funds to address unforeseen increases in capital costs, details not yet developed at the current stage of design, and changing economic factors or market conditions.

Including contingency in the budgeted project cost is considered best practice in the industry and is essential for prudent capital budgeting. Even with the most careful planning, complex infrastructure projects in urban areas are likely to experience unanticipated challenges. It is the project’s contingency that allows the public owner to address such challenges if they arise and mitigate impact to the overall project.

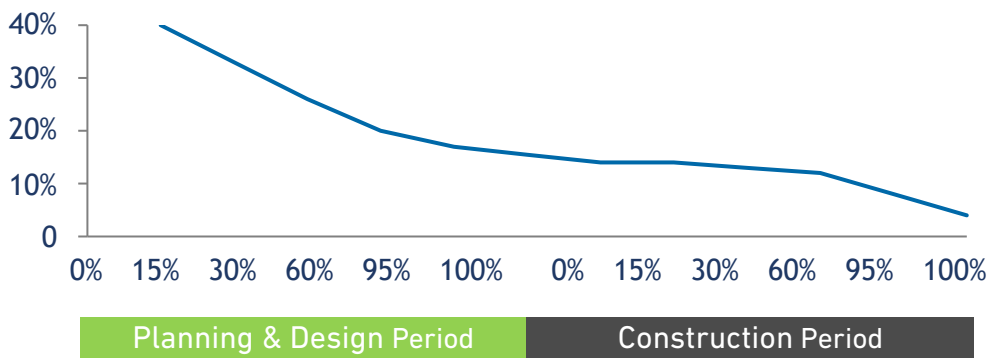
The level of contingency required by FTA is driven by project risks as identified by ATP and FTA. ATP will conduct risk workshops which will help guide contingency considerations and enhance our levels of confidence in estimated project costs before formalizing our New Starts CIG funding request to the FTA.

The current project estimate includes an approximate 32% total contingency at this stage of project development spread across:

- **Allocated contingency:** Assigned to specific SCC elements based on the assessed level of risk. For example, site utilities may have a higher allocated contingency due to higher level of risk at this stage compared to light rail vehicles.
- **Unallocated Contingency:** Held as a general contingency category for the project that is to be applied to specific cost categories as additional project risks are identified.

The contingency level generally decreases as preliminary engineering and construction progress, and the contingency dollars are assigned to known project elements. Those dollars get moved from contingency into actual costs that arise up through completion of construction. Any unused contingency dollars at the end of the project could be used to either enhance project elements or be put toward an extension of the system.

**Figure 4: FTA Recommended Contingency in Accordance with OP40 Guidance**



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## QUESTION 3

### How will ATP pay for the Austin Light Rail project?

ATP plans to fund the Austin Light Rail project through a strategic combination of Prop A revenue and federal grants. The plan of finance has been designed to deliver the most value from Prop A dollars dedicated by the voters to ATP to fund development, design, construction, operations, and maintenance of the project.

Local funding for the project is generated from property taxes, a steady local revenue source. Projected Prop A revenues have been, and continue to be, ATP's basis for establishing affordability thresholds and delivering a fully funded project. Federal grants are expected to be the second largest funding source after local Prop A revenues. ATP aims to secure funding through FTA's New Starts CIG program for approximately half of the project's capital costs.

ATP's Prop A revenue and federal grants are together expected to support a project with total capital costs estimated at \$6.8-7.1 billion (in YOE dollars, including contingency). Financing costs incurred to support the implementation of Austin Light Rail will be funded using Prop A revenue and federal grants. Major financing instruments include low-cost, flexible federal loans provided under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program and contract revenue bonds, employed by many peer agencies to access the municipal bond market. Both of these financing instruments are secured by Prop A revenue.

Project costs have been escalated from the 2024 cost estimate to account for annual inflation through the construction period, currently anticipated to extend from 2027 – 2033. The required sources of funds have been sized accordingly to accommodate these YOE costs. The estimated funding profile is shown below.

**Figure 5: Sources of Funds**

Source	YOE \$B	Summary
Prop A Revenues	\$1.8-1.9B	Prop A will be used on a cash basis throughout the design & construction (D&C) period
Federal Grants	\$3.4-3.6B	FTA grant receipts are made available to pay for light rail and to repay ATP grant anticipation notes as necessary
Contract Revenue Bond Proceeds	\$0.58-0.61B	Bonds, offering financing during the D&C period, are backed by Prop A revenue
TIFIA Loan Draws	\$1.0-1.1B	TIFIA loan, for which Prop A revenues pledged as a source of repayment
<b>Total Sources</b>	<b>\$6.8-7.1B</b>	<b>Austin Light Rail Capital Costs</b>

*\*Figures are preliminary and may not add due to rounding*

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## QUESTION 4

### How much money will ATP receive in federal grants?

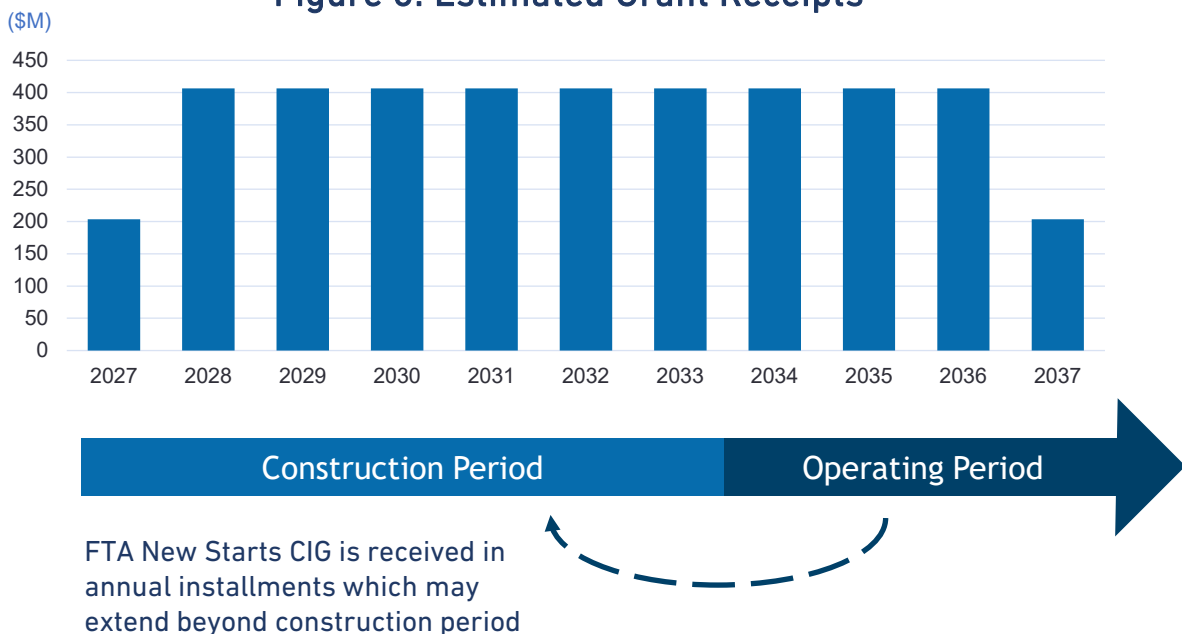
The FTA will be a key partner in the success of Austin Light Rail with an expectation that federal grants will pay for approximately half (49.4%) of the anticipated capital costs.

ATP will pursue every available opportunity to obtain federal grant dollars, the most significant of which is the FTA’s CIG New Starts program. ATP is planning a light rail project that meets FTA criteria to qualify for and maximize this critical grant opportunity. Every step of the planning process is designed to enhance collaboration with our FTA partners and to bring greater clarity to the assumptions for grant receipts. Other existing grant programs, as well as those created as part of the Infrastructure Investment and Jobs Act, will continue to be explored in parallel.

ATP’s financial analysis takes into account not only the total amount of federal funding for the project but also the annual appropriation amount that ATP reasonably expects to receive. Based on precedent, the current Financial Plan assumes that New Starts CIG receipts would be appropriated to the project and paid out over a ten-year time horizon.

The majority of the federal grant receipts are expected to be utilized to pay for construction costs on a cash basis. However, if federal grant receipts extend beyond the construction period in the funding schedule provided by FTA, ATP anticipates needing to issue short-term debt in the form of ATP grant anticipation notes (GANs), to bridge the gap between construction and receipt of grant funding.

Figure 6: Estimated Grant Receipts



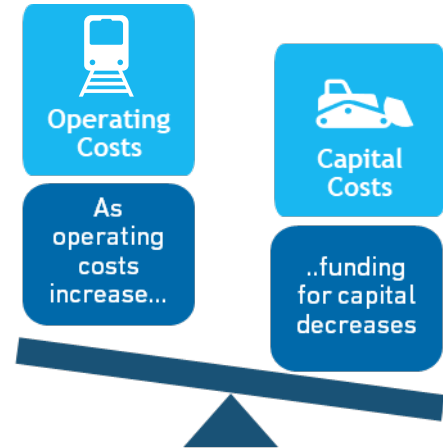
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## QUESTION 5

### How will ATP pay for Austin Light Rail operations?

The Prop A revenue stream afforded to ATP by voters in November 2020 will pay for the construction, operations and maintenance of Austin Light Rail. Therefore, to determine the size of Austin’s first light rail investment, it is essential ATP also contemplates the long-term cost of operating and maintaining the system.

ATP benefits from a predictable and stable source of revenue which can be reasonably forecasted over time. From this forecast, ATP can allocate a portion of these revenues to cover costs required to operate Austin Light Rail for years into the future, after which remaining revenues are available to fund construction (including repayment of principal and interest on debt). When determining an affordable size for light rail construction, maintaining sufficient funds to operate and maintain the asset is a primary planning consideration.



The light rail project currently under NEPA review has annual operations and maintenance costs ranging from approximately \$54 million to \$58 million in 2024 dollars (subject to inflation over time). These costs cover day to day operations, annual state of good repair investments, and lifecycle costs. Lifecycle costs encompass both mid-life overhauls and end-of-life replacements of systems, vehicles, and facilities essential for the efficient operation of light rail and the provision of quality service. The list below captures some of the operations and maintenance work required to maintain a high-quality level of service for Austin Light Rail.

#### Day to Day Operations

- Light rail operators
- Maintenance technicians
- Dispatchers
- Fare collection
- Cleaning and trash collection
- Landscaping
- Insurance
- Administration and utilities

#### State of Good Repair and Lifecycle

- Track and guideway
- Communication and systems
- Stations and platforms
- Power substations
- Technology upgrades
- Elevators and escalators
- Maintenance of Way Equipment
- Vehicles



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## QUESTION 6

### What assumptions is ATP carrying in the financial model for Austin Light Rail?

ATP's current financial model builds upon many of the assumptions established at the time of the Prop A referendum. The strength of the Prop A revenue stream is in its predictability and the ability for ATP to accurately forecast the amount of revenue available for Austin Light Rail. The revenue projection from Prop A remains largely consistent with the initial estimates.

The financial model is updated periodically to reflect changing market conditions; namely inflation projections, interest rates and real estate acquisition cost for right-of-way. It is also updated as additional cost information is made available through our continued technical work and community outreach. As these assumptions are refined, the assumed use of ATP's funding and financing instruments are also improved to present the most efficient financial strategy based on the current model inputs.

The estimated capital expenditures and those related to operating and maintaining the project are dependent on the continued technical and financial analysis, community engagement, and market and stakeholder sounding that continues to progress. As currently estimated, capital costs range from \$6.8-7.1 billion in YOY dollars.

In addition to our baseline assumptions, ATP has tested various sensitivity scenarios to ensure the financial plan can accommodate unexpected capital and operating cost increases. While this work is a core component of our financial due diligence, the FTA also evaluates financial plans on the reasonableness of their assumptions. In satisfaction of these requirements, these tests enable ATP and its key partners to ensure its financial plan is robust and capable of handling potential cost fluctuations. Details on the assumptions for various components of the financial model, including revenue, capital expenditures, and O&M expenditures, can be found below.

#### Revenues

Prop A growth capped at 3.5%/year per State law with an additional 0.25% included for new development through 2030

FTA New Starts CIG assumed to fund approximately half of project capital cost (49.4%)

#### Capital Expenditures

- Capital cost escalation of 4.5% in the near term, reducing to 3.5% reflecting more normalized market
- Contingency assumption vary across specific SCC elements but total ~32% project-wide
- Assumes maximum TIFIA loan eligibility equal to 49% of eligible costs

#### O&M Expenditures

- Operations and maintenance estimates are \$54 - \$58 million (2024\$) and will be refined as the Concept of Operations is advanced
- Operating cost escalation of 3.0% reflecting more normalized inflationary market