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Most metro mayors endorse FasTracks tax increase attempt

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By Kevin Flynn

A majority of metro Denver mayors recommended this morning that RTD ask voters this fall for another four-tenths of a cent increase in the sales tax to restock the beleaguered \$6.9 billion FasTracks rapid transit program with construction and operating funds.

Not all of them believe it can pass, but 23 of the 38 mayors in the Metro Mayors Caucus agreed that it's better to get the answer from voters sooner — yes or no on more tax money — than to wait until fall 2010. That's because their recommendation includes, in the name of regional equity, looking at substantial hits to two lines ready to go to full build-out — the lines to Denver International Airport and to Arvada-Wheat Ridge — if voters don't approve more money for the later lines at risk of not being built.

There was little dissent among the mayors who attended the downtown Denver meeting; the other 15 mayors who didn't attend will weigh in soon.

"There has to be risk to all corridors," Boulder Mayor Matt Appelbaum said. Boulder's Northwest Rail corridor is one of the later lines that currently lacks full funding. "For us it's going to be critical that the risk to everyone is real and significant. That's the piece that's still fuzzy, but we have to agree on that solution."

The strategy allows RTD to continue full-ahead planning for the lines to Denver International Airport and Arvada-Wheat Ridge. And just as importantly to mayors whose remaining rail lines are at risk of being curtailed without a tax increase, the recommendation leaves time afterward to scale back the airport and Arvada lines to ensure what they see as equity — everyone losing something.

"We're feeling very maligned up here right now," said Mayor Chuck Sisk of Louisville, also on the Northwest Rail project, after noting the north metro area didn't make out as well on recent stimulus package projects.

The DIA and Arvada-Wheat Ridge corridors are the furthest along toward start of construction, expected in 2011, Completion is scheduled for 2015.

The mayors want all other new revenue possibilities to be explored first. But months of study has led to the conclusion that the \$2.2 billion construction deficit and future operating costs are too great to be fixed with Band Aid approaches.

The legislature gave RTD the authority in the recently passed FASTER transportation funding bill to go to the ballot at any time for up to another half-cent sales tax increase. RTD says four-tenths is likely needed. The tax would be set to gradually ratchet down after the agency goes through tight years in the 2020s when projected costs are expected to peak.

While an RTD poll showed public support for a tax increase, many officials have expressed skepticism that voters would go for it. RTD's other choices include slowing down the projects to keep pace with the lower revenue collections – taking as long as 2034 to finish – or building only partial lines and halting the program when the initial funding runs out.

“Nobody said this was going to be easy,” Aurora Mayor Ed Tauer said of asking voters for money in hard times. “It is a really big lift, so let’s not kid ourselves.”

Mayor Doug Clark of Littleton, one of the most skeptical about RTD's numbers and record of making projections, said the agency can't guarantee even the four-tenths cent increase will cover the bill.

“How many times can you go to the voters and tell them you can build something for a certain amount and then be wrong?” he said.

RTD General Manager Cal Marsella said while he can't offer guarantees, the new projections take a highly pessimistic view on the economy, and the plan would build in reductions in the sales tax as growth and revenue goals are met.

The issue was discussed at a meeting of the Metro Mayors Caucus, which in 2004 unanimously backed the original FasTracks sales tax increase of four-tenths of a cent that was supposed to cover all of the then-\$4.7 billion program.

The wild swings in the economy and the worldwide recession have radically altered the original cost and revenue projections for the 12-year build-out of FasTracks, and resulted in a \$2.2 billion gap between what it will take and what RTD will have by the 2017 completion date.

In addition, the reduced projections of revenue from the original four-tenths cent sales tax have eroded the amount available to operate and maintain the completed system, especially from 2017 through 2031, when the current expectation is RTD would be short of cash to run the trains.

Most of the 37 mayors from the metro Denver region attended the meeting. They agreed that if FasTracks must be cut, it should be shared “equitably” but that all attempts should be made to complete the original full scope by the 2017 completion date. They also urged RTD to use every opportunity to start any construction earlier to avoid costly inflation in the outer years.

But the demands by mayors from the north and east metro area were unyielding: RTD needs to find a way to put the DIA and Arvada lines “at risk” too if theirs lose out. Otherwise, their taxpayers would be paying for others' lines while getting almost nothing from FasTracks.

The only exception is the West Corridor light rail through Lakewood and Golden, which already is under contract and construction underway. It is to open in 2013.

“I guess, philosophically, people have come around to the concept that we need to get everybody in mutual jeopardy, something I talked about for a long time,” said Thornton Mayor Erik Hansen, whose city would be served by the North Metro commuter rail corridor. That's one of four new corridors and three existing ones that couldn't be fully built or extended without significant new revenue to RTD.

“Let's not award the contract (for the DIA or Arvada lines) until after resolution of this new ballot question,” Hansen said.

Because RTD's current schedule for those lines has it awarding a contract in June 2010, no FasTracks work would be slowed down if RTD went to the ballot in November. The mayors agreed their stance shouldn't slow RTD from seeking bids, scheduled for two months from now, or submitting an application in August for up to \$1 billion in federal funds for the DIA and Arvada corridors.

RTD packaged those two lines – called the East Corridor and the Gold Line – along with the maintenance facility and rail yard for the commuter trains into a single project it calls Eagle P3. "Eagle" is a combination of "East" and Gold Line" and "P3" stands for Public-Private Partnership.

In such an arrangement, RTD saves the upfront construction costs by contracting with a private consortium – made up of design firms, contractors, rail car builders, financiers, operators and others – to build the project. RTD then signs a 50-year deal to make annual payments to the private team.

The private partners would bring equity contributions to the table, take over design and construction as was done with the successful T-REX project, and operate the rail service on RTD's behalf.

It's like the difference between paying cash up front to build your house versus taking out a mortgage and paying for it with interest over 50 years. The cash RTD saves can be applied to the other at-risk rail corridors.

If RTD is forced by political compromise to trim back the East and Gold Line to ensure all corridors suffer from its failure to build the entire program, that would put the \$1 billion in federal funding at risk and mean that the airport line wouldn't make it to DIA at all.

In addition, the DIA and Arvada lines had been selected by the Federal Transit Administration to be include in a showcase program called Penta-P (five "P"s – Public Private Partnership Pilot Program), which allows for expedited approvals, higher cost thresholds for federal aid and other advantages in order to demonstrate the cost-savings potential of pursuing public projects with private equity partners.

Delays or cutbacks to the DIA and Arvada lines, especially if they result in lower ridership estimates, could jeopardize RTD's participation in that special program.

Hansen and other backers of the compromise, however, say that mutually assured pain gives incentive to all parts of the metro area to support a solution that brings total completion.

But the mayors weren't all-stick on the issue, offering some creative carrots to RTD meant to enhance the chances of all lines being done.

In particular, they proposed that RTD include the North Metro corridor to Commerce City-Thornton and the Northwest Rail corridor to Boulder-Longmont with the Eagle P3 – essentially asking three bidding teams that organized to compete for the job to build all four instead of just two.

They also urged a united lobbying effort with the federal government to approve the new approach, and allow RTD more flexibility.

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