



CITY OF TUCSON MODERN STREETCAR PROJECT

September 30, 2010

REPORT TO THE RTA BOARD

At a special meeting on May 13, 2010, the RTA Board requested an update on the status of the Tucson modern streetcar project. The focus of this update will be on project costs and the corresponding funding.

The attached *Sources and Uses* chart describes the September 8, 2010 cost estimates which were updated as the 60% plans were submitted. Most of the cost categories were reduced from the May 13 report as more defined quantities and their more recent costs were reported. It should be noted that there is \$14.2 million reserved for *unallocated contingencies*. This reserve of \$14.2 million can be viewed as a conservative approach as it is not assured that this reserve will all be needed. Nonetheless it is a prudent strategy to base the finance to include the \$14.2 *unallocated contingencies*.

The Sources and Uses chart shows a \$10.3 million un-appropriated funding issue. The City is striving to gain the \$10.3 million from the FTA New Starts "Exempt" program. To date, Tucson has been awarded \$5.8 million of New Starts "Exempt" monies for the modern streetcar and is qualified to receive another \$18.99 million. This would eliminate the shortfall completely and actually place the project in a *planned surplus scenario*. The attached letters from Congressman Grijalva and the reply correspondence from FTA Administrator Matthew Welbes document that the project funding is in the "*Annual Report on Funding Recommendations* that is submitted by FTA to Congress each year until such time as it has received all of the appropriations it needs to reach completion." It is important to note that if the City is successful in obtaining the full \$18.99 million and that creates a project surplus, the unused funds will be deducted from the RTA \$75 million project contribution and can later be used for operating costs for the streetcar.

Since the \$10.2 million is not appropriated revenue at this time, the City has determined it is prudent to have a fall back plan if the shortfall is not fully funded with the New Starts program. This back up plan relies on the sale of Grant Anticipation Notes (GANs). There are other finance vehicles that will accomplish the same goal and may ultimately be used; however, GANs is an attractive funding mechanism. Grant Anticipation Notes have been used successfully by ADOT and many other public agencies to bridge funding shortfalls and build projects in a timely fashion. GANs are favorable financing instruments as they historically have low interest costs and are basically a loan backed by future FTA funding. The sale of GANs or other finance instrument would add \$2.2 million in interest expense to the project cost. Additionally, the interest costs are an eligible expense against a future appropriation. A conservative approach was used to determine the interest expense which is based on a five percent yield for up to seven years.

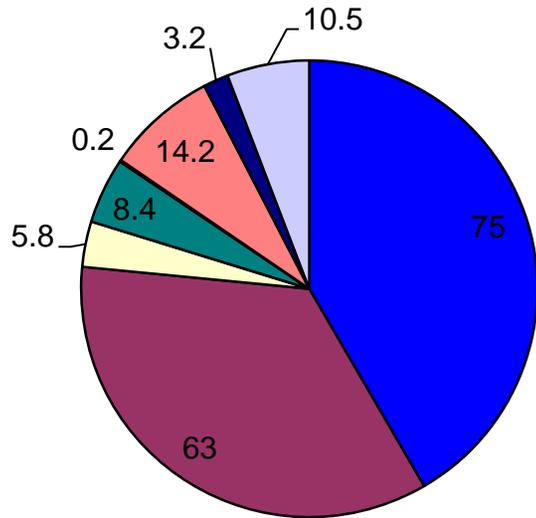
Attachments:

- Sources and Uses Chart
- Letter from Congressman Raul Grijalva
- Letter from Mr. Matt Welbes, FTA Executive Director



Sources and Uses Tucson Modern Streetcar (Millions of Dollars)

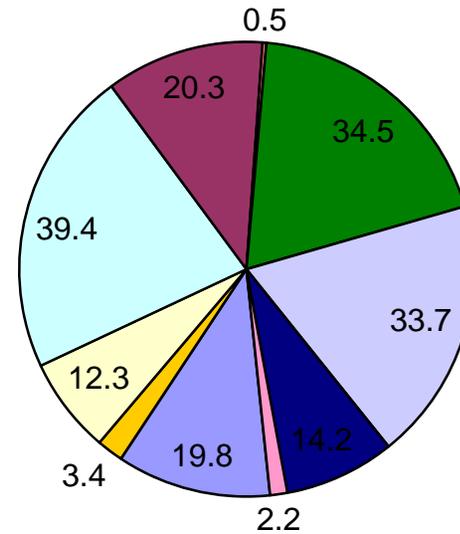
Downtown Streetcar Sources



- RTA
- FTA TIGER
- FTA 5309 Funds
- Tucson Water
- Pima County Sewer
- FHWA-STP Flex
- Gadsden Contribution
- New Starts or GANs

TOTAL: \$180.3

Downtown Streetcar - Uses



- Guideway and Track
- Stops
- MFS
- Sitework
- Systems
- Right-of-Way
- Vehicles
- Planning, Design, Construction Management
- Unallocated Contingencies
- Finance Costs

TOTAL: \$180.3

RAÚL M. GRIJALVA
7TH DISTRICT OF ARIZONA

COMMITTEE ON NATURAL RESOURCES
Subcommittee on National Parks, Forests and Public
Lands, Chair
Subcommittee on Water and Power

COMMITTEE ON EDUCATION AND LABOR
Subcommittee on Workforce Protections
Subcommittee Early Childhood, Elementary and
Secondary Education

CONGRESSIONAL PROGRESSIVE CAUCUS,
Co-Chair



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<http://grijalva.house.gov/>

July 27, 2010

Mr. Matt Welbes
Executive Director
Federal Transit Administration
1200 New Jersey Ave., SE
Washington, DC 20590

Dear Mr. Welbes:

I want to thank you for meeting with Ms. Mary Okoye, Director of Intergovernmental Affairs for the City of Tucson, regarding the status of the City's pending application for Small Starts/Exempt category funding of the Tucson Modern Streetcar.

I also want to thank you, Administrator Rogoff and Secretary LaHood for the award of the TIGER grant for the streetcar project. This \$63 million grant, together with the City's match, may well cover all of the cost of the project. However, it is important as a fail-safe that we leave open the possibility of requesting additional authorized funds from Congress. Thus, I ask that the Small Starts/Exempt application remain pending should costs rise due to unforeseen circumstances. As they have already received \$6 million in Congressional funding, this would allow me to seek the remaining \$19 million the City is eligible to receive under the Small Starts/Exempt category.

In addition, I understand you do plan to continue to list the project as "pending" in your February 2011 Report to Congress, which I feel is important as we move forward for the next two years.

I deeply appreciate the Department's great support for this vital transit project in my District.

Sincerely,

Raúl M. Grijalva
Member of Congress

scanned: Peter Rogoff. Streetcar



U.S. Department
of Transportation
**Federal Transit
Administration**

Executive Director

1200 New Jersey Avenue S.E.
Washington DC 20590

AUG 30 2010

The Honorable Raul M. Grijalva
U.S. House of Representatives
Washington, DC 20515

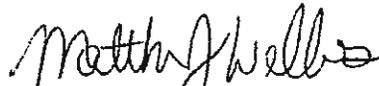
Dear Congressman Grijalva:

Thank you for your letter dated July 27 regarding the Tucson Modern Streetcar project. The U.S. Department of Transportation was pleased to award Transportation Investment Generating Economic Recovery (TIGER) funds to the project. The Federal Transit Administration (FTA) looks forward to the project's implementation in accordance with the deadlines associated with that funding.

As discussed in your letter, the project is also seeking FTA New Starts funding. The amount of New Starts funding sought would be less than \$25 million, making the project exempt from FTA evaluation and rating under the statutory New Starts criteria. As requested, FTA will continue to list the project in the *Annual Report on Funding Recommendations* that is submitted by FTA to Congress each year until such time as it has received all of the appropriations it needs to reach completion.

If I can provide further information or assistance, please do not hesitate to contact me at (202) 366-4040.

Sincerely yours,


Matthew J. Welbes