

Memorandum



CITY OF DALLAS

DATE May 7, 2010

TO Members of the Transportation and Environment Committee:
Linda Koop (Chair), Sheffie Kadane (Vice Chair), Jerry R. Allen, Tennell Atkins,
Carolyn R. Davis, Delia Jasso, Pauline Medrano, Ron Natinsky,
Vonciel Jones Hill

SUBJECT Long-Range Financial Plan Implications of Revised Sales Tax Projections for DART

On May 10, 2010, DART staff will brief the Committee on their evaluation of sales tax projections and its impact on the agency's Financial Plan and rail transit expansion plans.

Please feel free to contact me if you need additional information.

A handwritten signature in black ink, appearing to read 'Jill A. Jordan'.

^{for}Jill A. Jordan, P.E.
Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr. City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest Turner, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Edward Scott, Director, Controller's Office
Frank Libro, Public Information Office
Theresa O'Donnell, Director, Sustainable Development and Construction
Helena Stevens-Thompson, Assistant to the City Manager – Council Office

Long-Range Financial Plan Implications of Revised Sales Tax Projections for DART

City of Dallas Transportation and
Environment Committee

May 10, 2010

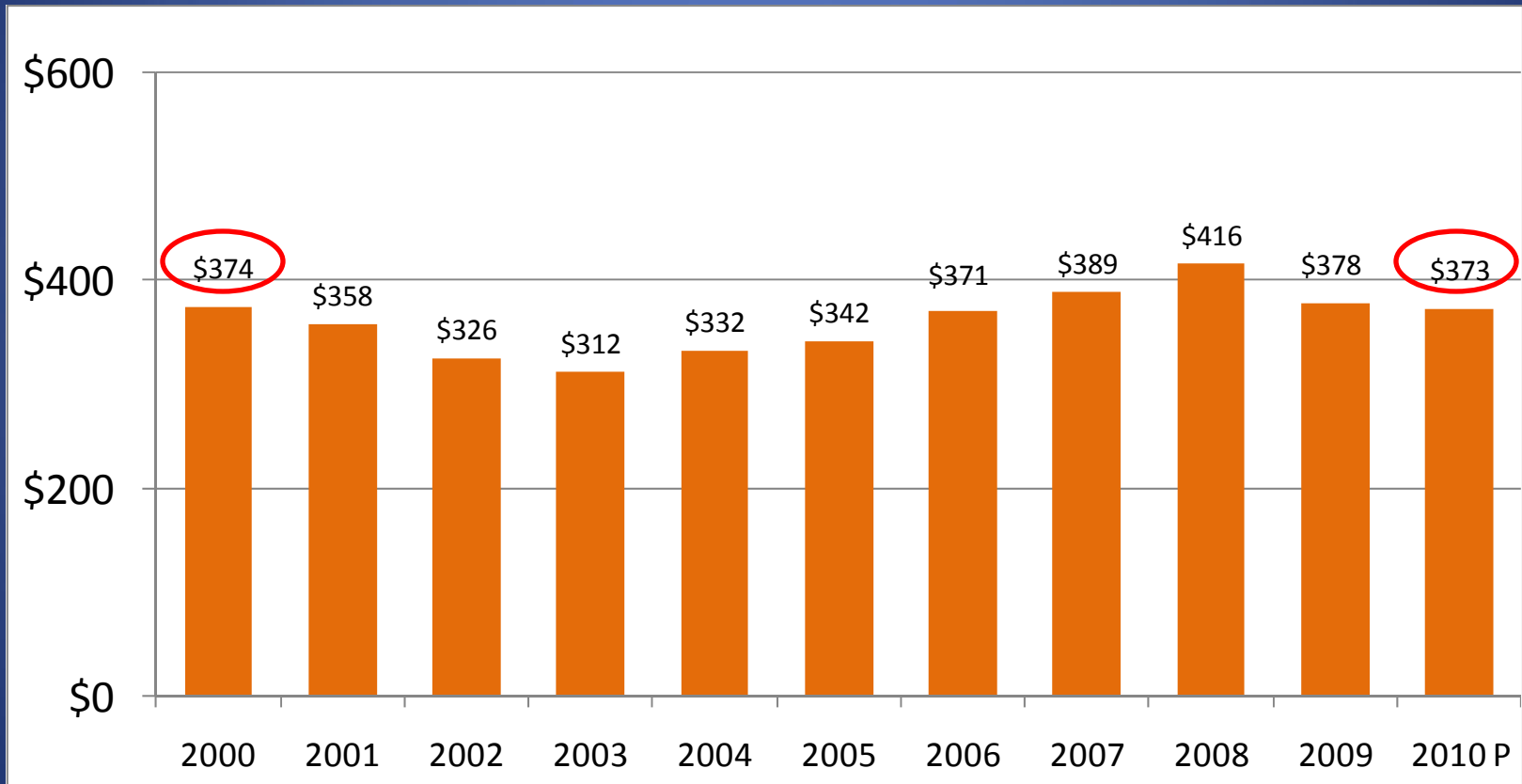


Comprehensive Sales Tax Forecast Review was Required

- Depth and duration of current decline argued for full review
- Underlying supplemental data raised concerns
 - Ten years of flat sales tax receipts
 - Dallas County changing demographic base
 - NCTCOG 2030 population forecasts for DART member cities much lower than regional forecast
- Greater risk of overshooting debt capacity

'The Lost Decade'

2000 – 2010 Sales Tax Receipts (in millions)



About Dallas County

In the 60's and 70's, the County's population was generally younger, better educated, and more affluent than the national average.

However, the County's population now either more closely resembles or has fallen behind the national population in terms of income and educational attainment.

From Dallas County Commissioners Court Presentation to Leadership Southwest – February 17, 2009



About Dallas County

	DALLAS COUNTY		UNITED STATES	
	<u>1970</u>	<u>2006-2008</u>	<u>1970</u>	<u>2006-2008</u>
Median age	26.3 yrs	33.2 yrs	28.1 yrs	36.7 yrs
% 65 yrs+	6.6%	8.5%	9.9%	12.6%
Median family income	\$10,680	\$53,710	\$9,327	\$63,211
% Poverty	10.7%	16.8%	13.6%	13.2%
% College degree	14.5%	26.4%	10.8%	27.4%
% No HS diploma	43.5%	25.4%	46.2%	15.5%

From Dallas County Commissioners Court Presentation to Leadership Southwest – February 17, 2009



NCTCOG Regional Population Forecasts

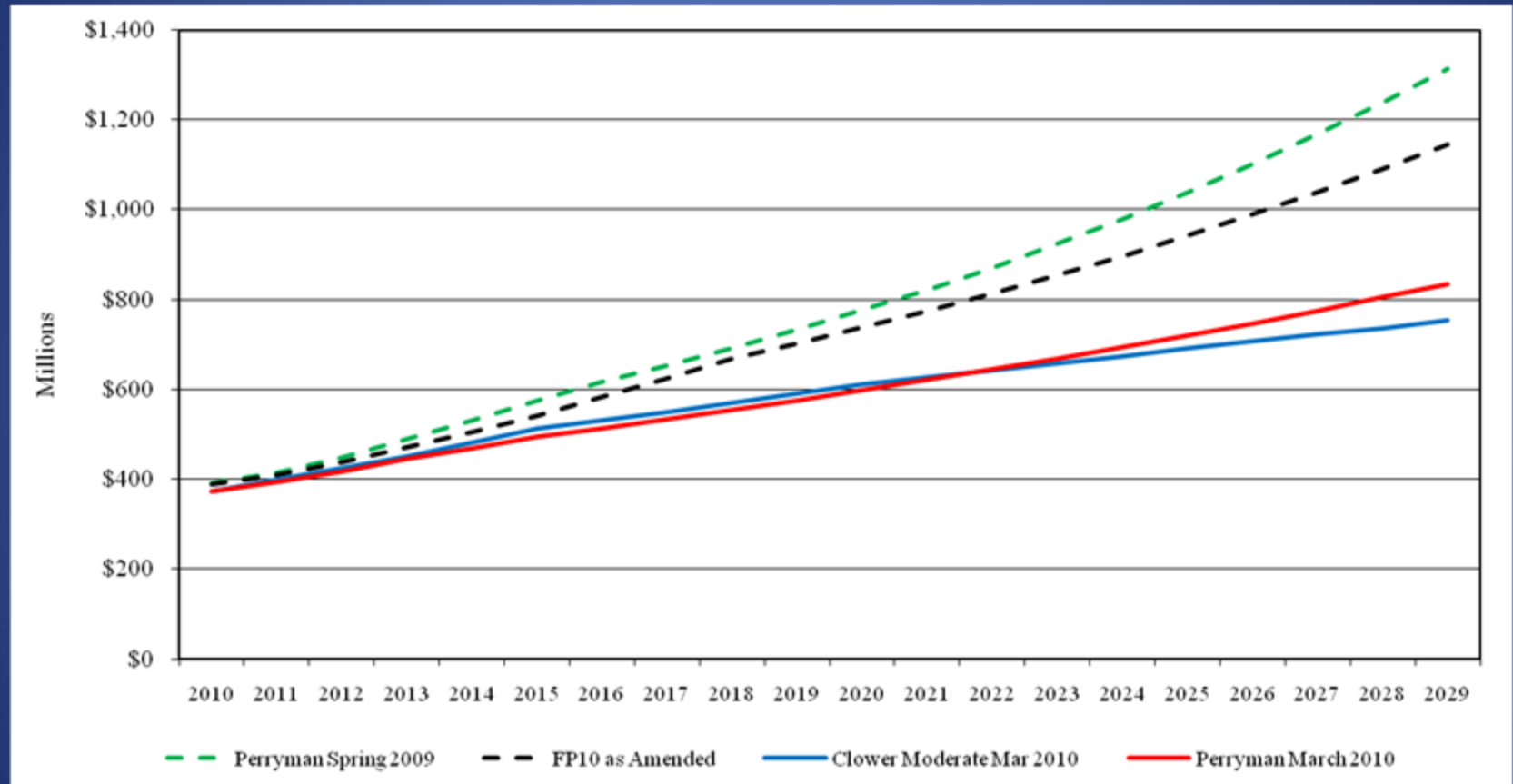
ITEM	2000	2005	2010	2015	2020	2025	2030
POPULATION							
DART MEMBER CITIES	2,162,155	2,276,106	2,343,956	2,382,404	2,421,910	2,481,933	2,544,119
DART SERVICE AREA+	1,025,357	1,361,280	1,602,823	1,791,702	2,020,173	2,213,872	2,438,558
OTHER INTRA REGION	1,879,881	2,143,839	2,381,402	2,782,112	3,204,501	3,649,205	4,124,552
10-COUNTY URBAN REGION	5,067,393	5,781,225	6,328,181	6,956,218	7,646,584	8,345,010	9,107,229
POPULATION ALLOCATION							
DART MEMBER CITIES	42.67%	39.37%	37.04%	34.25%	31.67%	29.74%	27.94%
DART SERVICE AREA+	20.23%	23.55%	25.33%	25.76%	26.42%	26.53%	26.78%
OTHER INTRA REGION	37.10%	37.08%	37.63%	39.99%	41.91%	43.73%	45.29%
10-COUNTY URBAN REGION	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
COMPOUNDED ANNUAL GROWTH RATES							
DART MEMBER CITIES	BASE YEAR	1.03%	0.59%	0.33%	0.33%	0.49%	0.50%
DART SERVICE AREA+	BASE YEAR	5.83%	3.32%	2.25%	2.43%	1.85%	1.95%
OTHER INTRA REGION	BASE YEAR	2.66%	2.12%	3.16%	2.87%	2.63%	2.48%
10-COUNTY URBAN REGION	BASE YEAR	2.67%	1.82%	1.91%	1.91%	1.76%	1.76%

NCTCOG Regional Employment Forecasts

ITEM	2000	2005	2010	2015	2020	2025	2030
EMPLOYMENT							
DART MEMBER CITY	1,715,735	1,889,986	2,016,850	2,147,554	2,288,349	2,375,055	2,466,437
DART SERVICE AREA+	493,705	590,285	682,450	766,057	868,515	944,081	1,035,267
OTHER INTRA REGION	948,762	1,088,930	1,197,653	1,347,213	1,501,805	1,704,279	1,915,014
10-COUNTY URBAN REGION	3,158,202	3,569,201	3,896,953	4,260,823	4,658,669	5,023,415	5,416,718
EMPLOYMENT ALLOCATION							
DART MEMBER CITY	54.33%	52.95%	51.75%	50.40%	49.12%	47.28%	45.53%
DART SERVICE AREA+	15.63%	16.54%	17.51%	17.98%	18.64%	18.79%	19.11%
OTHER INTRA REGION	30.04%	30.51%	30.73%	31.62%	32.24%	33.93%	35.35%
10-COUNTY URBAN REGION	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
COMPOUNDED ANNUAL GROWTH RATES							
DART MEMBER CITY	BASE YEAR	1.95%	1.31%	1.26%	1.28%	0.75%	0.76%
DART SERVICE AREA+	BASE YEAR	3.64%	2.94%	2.34%	2.54%	1.68%	1.86%
OTHER INTRA REGION	BASE YEAR	2.79%	1.92%	2.38%	2.20%	2.56%	2.36%
10-COUNTY URBAN REGION	BASE YEAR	2.48%	1.77%	1.80%	1.80%	1.52%	1.52%

Impact on the 20-Year Financial Plan

March 2010 Sales Tax Projections

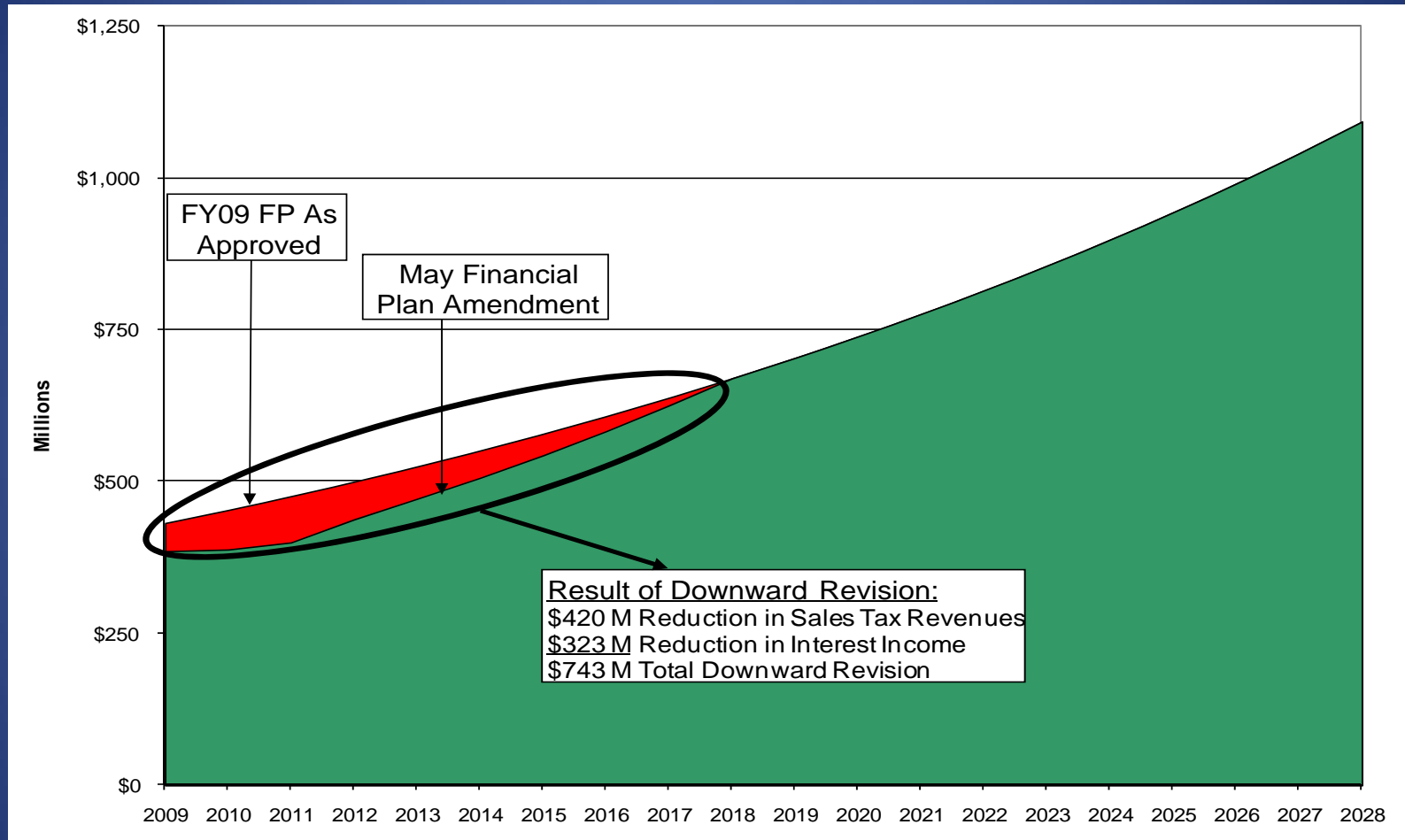


March 2010 Sales Tax Projections

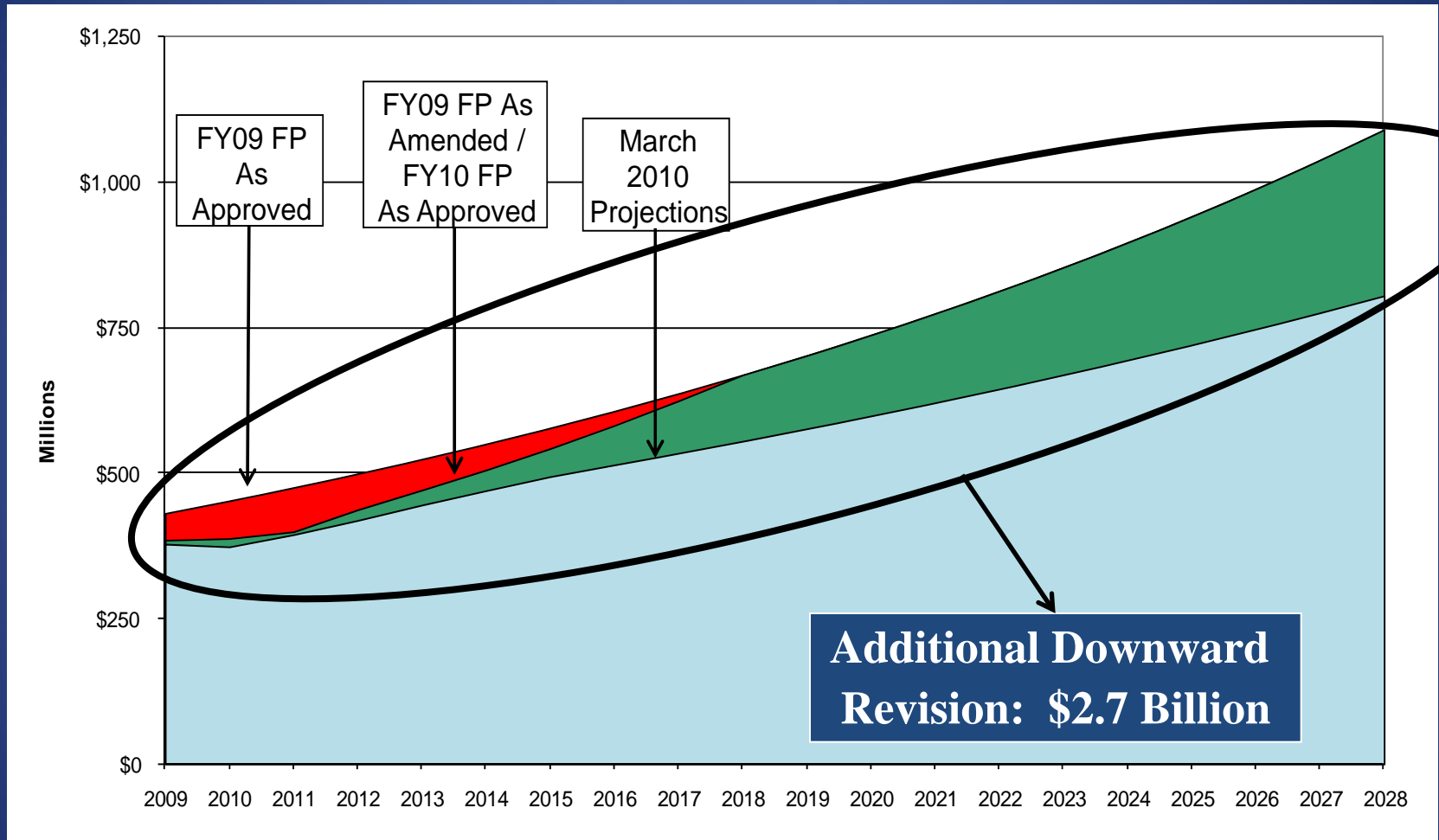
(in millions)

	Clower Moderate Fall 2008	Perryman Spring 2009	FP10 as Amended	Clower Moderate Mar 2010	Perryman March 2010
2010	\$388	\$392	\$388	\$373	\$373
2011	399	413	409	398	394
2012	437	449	439	424	419
2013	471	489	471	452	445
2014	n/a	532	506	481	470
2015	n/a	575	543	513	494
2016	n/a	617	582	531	514
2017	n/a	653	625	550	534
2018	n/a	691	669	569	555
2019	n/a	732	703	590	576
2020	n/a	776	738	611	598
2021	n/a	822	775	626	621
2022	n/a	871	814	642	645
2023	n/a	924	854	658	669
2024	n/a	979	897	675	695
2025	n/a	1,038	942	692	721
2026	n/a	1,101	989	707	748
2027	n/a	1,167	1,039	722	777
2028	n/a	1,238	1,092	737	806
2029	n/a	1,313	1,146	753	837
Total	n/a	\$15,773	\$14,622	\$11,702	\$11,891
Change from FP	n/a	\$1,151	n/a	(\$2,920)	(\$2,731)

May 2009 Sales Tax Revision



March 2010 Sales Tax Revision



March 23 Conclusions

- Must return to a structurally balanced status by FY13
- Existing operating expenses and service levels will need to be reduced, in any event
- Revised estimates will still provide funding of all current obligated projects plus all State-of-Good-Repair obligations
- With possible exception of I-3 project, capital expansion programs not currently under contract most likely cannot fit within a revised Financial Plan

Revenue/Sources Adjustments

(in millions)

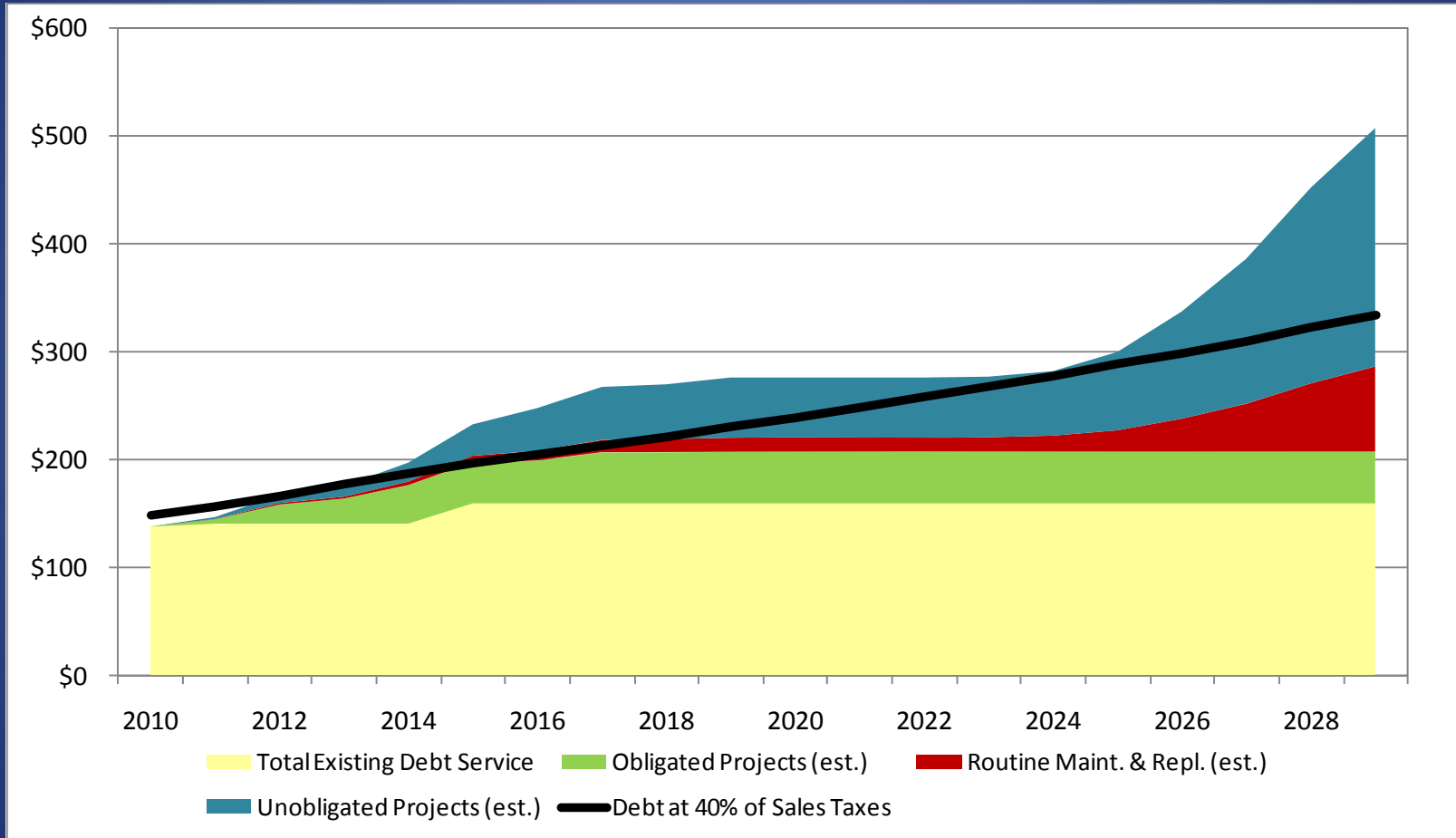
	FP10 As Amended	Revised Estimate	Difference
Sources of Funds			
Sales Taxes	\$14,621.9	\$11,891.4	(\$2,730.5)
Operating Revenues	2,561.6	2,465.9	(95.7)
Interest Income	308.3	304.4	(3.9)
Federal Formula Funds	1,240.1	1,271.5	31.4
Federal Discretionary	1,832.0	417.6	(1,414.4)
Debt Issuances	6,238.0	2,550.0	(3,688.0)
Other Sources	443.5	460.5	17.0
Total Sources of Funds	\$27,245.4	\$19,361.3	(\$7,884.1)

Debt Service Should be Limited to 40% of Annual Sales Taxes (based on a 2X Coverage Ratio)

Fiscal Year	Revised Sales Tax Projections (\$M)	Max = 40% (\$M)	Debt in Revised FP (\$M)	Debt in Revised FP (%)
2010	\$373.0	\$149.2	\$140.5	37.7%
2011	393.9	157.6	148.0	37.6%
2012	418.5	167.4	154.6	36.9%
2013	445.1	178.0	162.6	36.5%
2014	469.9	188.0	194.4	41.4%
2015	493.9	197.6	220.3	44.6%
2016	514.2	205.7	225.3	43.8%
2017	534.3	213.7	226.8	42.4%
2018	555.0	222.0	227.1	40.9%
2019	576.3	230.5	230.8	40.0%
2020	598.4	239.4	233.1	39.0%
2021	621.2	248.5	233.4	37.6%
2022	644.8	257.9	233.7	36.2%
2023	669.2	267.7	234.0	35.0%
2024	694.6	277.8	234.3	33.7%
2025	720.8	288.3	248.7	34.5%
2026	748.1	299.2	279.3	37.3%
2027	776.8	310.7	296.8	38.2%
2028	806.5	322.6	324.5	40.2%
2029	836.9	334.8	339.0	40.5%
Total Allowable Debt Service		\$4,756.6	\$ 4,587.2	

Annual Debt Service

(Test vs. FY10 FP As Amended, in millions)



Summary of Potential Adjustments

(in millions)

	FP10 As Amended	Revised Pro Forma FP	Difference
Sources	\$27,245.4	\$19,361.3	(\$7,884.1)
Capital Uses	11,431.3	5,216.2	(6,215.1)
Debt Service	5,609.7	4,587.2	(1,022.5)
Operating Uses	11,090.1	10,051.6	(1,084.8)

Capital Program Summary Data

FY 2010 Capital / Non-Operating Program Summary (in millions)

PROJECT NAME:	FY10 - FY14 Total	FY15 - FY19 Total	FY20 - FY24 Total	FY25 - FY29 Total	20-Year Total	External Funding
Obligated*	\$1,893.6	\$96.9	\$0.0	\$0.0	\$1,990.5	\$553.8
Routine Maintenance & Replacement	\$134.5	\$196.6	\$319.3	\$1,704.0	\$2,354.4	\$103.1
Unobligated	\$804.0	\$715.3	\$478.0	\$4,603.6	\$6,600.8	\$1,464.5
Total	\$2,832.1	\$1,008.8	\$797.3	\$6,307.6	\$10,945.7	\$2,121.4

*Routine Maintenance & Replacement projects that are already under contract (or otherwise obligated) are shown as obligated

Unobligated Capital Project Summary

FY 2010 Unobligated Capital / Non-Operating Project Summary (in millions)

PROJECT NAME:	FY10 - FY14 Total	FY15 - FY19 Total	FY20 - FY24 Total	FY25 - FY29 Total	20-Year Total	External Funding
All 2030 Projects (Rail, Bus, HOV)	\$16.4	\$30.1	\$450.9	\$4,591.4	\$5,088.9	\$1,035.5
LRT Expansion (I-3, D2, SOC-3, Major Project Reserve)	\$717.5	\$681.6			\$1,399.2	\$400.0
RapidCard (Fare Collection System)	\$22.0		\$23.3	\$10.1	\$55.5	\$17.6
Capital Planning / Non-Operating Reserves	\$11.5	\$3.5	\$3.7	\$2.0	\$20.8	
General Mobility / Road Improvements	\$13.9				\$13.9	\$8.8
BRT Elm and Commerce Bus Lanes Reconstruction	\$7.0				\$7.0	
Other Miscellaneous (8 Projects)	\$15.6				\$15.6	\$2.7
Total Unobligated	\$804.0	\$715.3	\$478.0	\$4,603.6	\$6,600.8	\$1,464.5

Capital Expenditures in Revised Financial Plan, by Category (in millions)

Capital Uses of Funds	Obligated	Routine Maintenance & Replacement	Unobligated
Agency-wide	\$86.9	\$263.1	\$57.1
Bus	329.0	623.5	7.0
Light Rail	1,364.8	1,154.2	268.5
Commuter Rail	53.8	166.6	0.0
Paratransit	32.4	73.3	0.0
HOV	92.2	7.7	3.4
Gen Mobility & Non-Ops	31.3	4.6	34.6
Total Capital Projects	\$1,990.5	\$2,293.1	\$370.6
		Capital P&D & Start-Up	562.1
Total Capital Uses			\$5,216.2

Other Capital Considerations

- Availability of new significant external funding could change prospects for some projects
- There may be opportunities for significant capital savings
 - Likely to see a reduced number of replacement LRVs
 - Also, reduced number of buses, conversion to cab-on-chassis
- However, possible significant additional capital requirements
 - Ongoing effort to identify future capital exposure to systems obsolescence of long-lived assets (such as the recently-discussed LRV propulsion systems)

Other Capital Considerations (Cont'd)

There are compelling arguments for funding I-3, if at all possible:

- All planning & engineering work complete
- Rail has been purchased and delivered
- Light Rail Vehicles are under contract and have been ordered
- Low interest rates are unlikely to hold
- Build America Bonds (BABs) funding at 35% credit level ends December 2010
- DFW Airport has committed to providing station at Terminal A by 2013
- Favorable construction cost environment
- Good candidate for potential external funding sources recently announced by DOT

Summary

- The Financial Plans under consideration will permit DART to meet its current obligations and state-of-good-repair requests on an ongoing basis.
- The next six months of economic performance will be a primary determinant of what can be accommodated within an updated capital plan.