

DUS News Digest

January 6, 2012 to January 13, 2012

Fitch Affirms Denver Union Station Project Authority, CO's Sr Notes at 'A'; Stable Outlook..Page 2
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By Sun Herald

AUSTIN, Texas -- As part of its continuous surveillance effort, Fitch Ratings has affirmed its 'A' rating on the following Denver Union Station Project Authority, CO (DUSPA) bonds:

-- \$145.6 million senior lien note, series 2010 (Denver Union Station Project).

The Rating Outlook is Stable.

SECURITY

The bonds are secured by a senior lien on pledged revenues comprised of a \$12 million annual payment from the Regional Transportation District, Colorado (RTD) and property, sales, and hotel tax revenue generated by development in a defined project area adjacent to the Denver Union Station (DUS) facility. RTD's \$12 million payment to DUSPA is evidenced by its FasTracks bonds which are secured by a first lien on RTD's 0.4% sales and use tax (approved by voters in November 2004) and excess 0.6% sales and use tax revenue after RTD's senior sales tax bonds are paid.

KEY RATING DRIVERS

COVERAGE NOT DEPENDENT ON DEVELOPMENT REVENUES: The senior lien note rating relies solely on the RTD portion of pledged revenue, since it covers senior lien debt service and RTD's obligation is evidenced by a bond, payment of which is an operating expense and subordinate to RTD's FasTracks sales tax bonds which are rated 'AA' by Fitch. RTD's ability to make this payment is very strong despite past declines in sales tax revenue, given the payment's small size relative to RTD's 0.4% sales tax revenue for its FasTracks program, which includes the DUS project.

RATING DIFFERENTIAL DUE TO LEGAL PROVISIONS: The senior lien notes are rated below Fitch's rating on RTD's certificates of participation (rated 'AA-') because they are not secured by a hard asset, a debt service reserve fund (DSRF) is not currently fully-funded, and the DSRF, once funded, can be used to meet any deficiencies in the payment of a subordinate lien note placed with the federal Department of Transportation under its Railroad Rehabilitation and Improvement Financing Act (RRIF). This structure leads Fitch to consider the senior lien note to be effectively without a reserve fund.

BARRIERS TO ADDITIONAL DEBT: While additional debt is allowed by the indenture, the senior and subordinate note holder is somewhat protected by an additional bonds test and the veto rights of any of the four parties (Transportation Infrastructure and Finance Innovation Act (TIFIA), RRIF, City and County of Denver, and RTD).

HIGH PROFILE TRANSIT PROJECT: DUS is an important project to RTD, Denver, and other area municipal entities, as evidenced by voter support for the project, the city's many approvals that were required to proceed, other entities' revenue allocations, and the city's moral obligation pledged on the RRIF loan. DUS will serve as the new hub for Denver's large and growing transit

system, enabling RTD to co-locate its existing light rail system and bus network with its ongoing FasTracks expansion.