Transit Finance Work Group: Corridors Summary
1. Cost estimates and defining funding gap
   – Incorporate federal financing options
   – Subtract federal grants and fare revenues
   – Federal grant assumptions per CATS and Task Force

2. Closing funding gap with only a new dedicated sales tax
   – Order of magnitude before other alternatives (shock value)

3. Closing funding gap with new dedicated sales tax and additional sources of revenue (getting back to reality)
   – Implementation strategies that can help bracket capital and operating costs
1. COST ESTIMATES AND DEFINING FUNDING GAP (CAPEX & OPEX ESTIMATES PROVIDED BY CATS)
• Cost estimates provided by CATS based on industry standards, not recent studies of actual corridors
• Current ½% sales tax capacity is fully utilized by current system and pledged to BLE finance plan
• Baseline schedule with order of corridors similar to 2030 Plan

<table>
<thead>
<tr>
<th>(millions)</th>
<th>2013 $</th>
<th>YOE $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Cost</td>
<td>$3,030</td>
<td>$4,546</td>
</tr>
<tr>
<td>O&amp;M Cost Opening Yr</td>
<td>$62</td>
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<tr>
<td>O&amp;M Cost in FY 2035</td>
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<td>$135</td>
</tr>
</tbody>
</table>
50% New Starts Match on Southeast LRT (Reality Check?)

$75m Small Starts for Streetcar

FTA formula funds and fare revenue during operations

<table>
<thead>
<tr>
<th>(billions)</th>
<th>Cost</th>
<th>Funding Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$4.5</td>
<td>$3.3</td>
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</table>
Financing the Capital Investment

• Financing only defers timing of payments

• Federal Loan Programs – TIFIA and RRIF
  – Low, fixed interest rates equivalent to Treasury rates
  – Long-term debt with interest accrual and flexible repayment terms
    • Other below-market borrowing options likely to emerge over time (Infra Bank)
  – Conventional tax-exempt revenue bonds
  – Availability payment PPPs (incorporating TIFIA, RRIF, Private Activity Bonds)

• Opportunities for Transit Corridors
  – North Corridor – RRIF loan up to 100% of eligible costs
    • Norfolk Southern alignment allows eligibility – NS could be borrower
  – TIFIA Loan for Program of Projects concept to explore
  – Streetcar and West Corridor – TIFIA loans at 33% of eligible costs
    • 49% maximum allowed but 33% maximum assumed (most ever awarded)
  – Southeast Corridor – TIFIA loan at 30% of eligible costs
    • New Starts 50% match would limit federal participation to 80%
Sources and Uses of Funds:
Capital Gap Remains & Spread Over Time Thru Loans

Total Construction Period Sources & Uses of Funds
Millions of YOE dollars

- RRIF loan draws, $813
- FTA Small Starts, $75
- TIFIA loan draws, $703
- FTA New Starts, $1,172

North
Streetcar
Southeast
West

Gap, $469
Gap, $537
Gap, $318

Annual Sources & Uses of Funds
Millions of YOE dollars

FY 2013
FY 2014
FY 2015
FY 2016
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
FY 2025
FY 2026
FY 2027
FY 2028
FY 2029
FY 2030
FY 2031
FY 2032
FY 2033
FY 2034
FY 2035
FY 2036
FY 2037
FY 2038
FY 2039
FY 2040
FY 2041
FY 2042
FY 2043
FY 2044
FY 2045

Note: Funding gap excludes unfunded costs related to capital renewal and replacement (e.g., vehicle mid-life overhauls and replacements)
2. CLOSING FUNDING GAP IF NEW SALES TAX WERE THE ONLY OPTION – CAUTION: THIS IS SCARY!
What Amount of Sales Tax Does it Take to Close Capex + Opex Gaps (assuming no other sources)?

- 0.78% (roughly) sales tax to close **all** funding gaps in construction, O&M, and debt service for all corridors

**Next Steps:**
- Introduce alternatives Task Force has discussed to get back to reality
- Develop “regional equity” approach to help individual corridors proceed independently
- Get a handle on the cost-side of the equation

<table>
<thead>
<tr>
<th></th>
<th>0.24%</th>
<th>31%</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streetcar</td>
<td>0.21%</td>
<td>27%</td>
</tr>
<tr>
<td>Southeast</td>
<td>0.19%</td>
<td>24%</td>
</tr>
<tr>
<td>West</td>
<td>0.14%</td>
<td>18%</td>
</tr>
</tbody>
</table>

**Total New Sales Tax**

|          | 0.78% | 100% |
Getting Back to Reality – Cap Sales Tax Expectation at Current Levels

- Limit new sales tax to $\frac{1}{2}\%$
- Cap each corridor at a maximum $\frac{1}{4}$ of new sales tax revenues

Next Up:
- Solve remaining funding gap for each corridor through other (non-sales tax) innovative means

<table>
<thead>
<tr>
<th>Area</th>
<th>Sales Tax Rate</th>
<th>Funding Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>0.125%</td>
<td>25%</td>
</tr>
<tr>
<td>Streetcar</td>
<td>0.125%</td>
<td>25%</td>
</tr>
<tr>
<td>Southeast</td>
<td>0.125%</td>
<td>25%</td>
</tr>
<tr>
<td>West</td>
<td>0.125%</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Total New Sales Tax</strong></td>
<td><strong>0.50%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
3. CLOSING FUNDING GAPS
ASSUMING A NEW ½% SALES TAX
New Sales Tax Scenario + Other Sources

- Actions to enhance opportunities on all corridors
  - Advocate for sales tax expansion or increase in existing rate
    - Tax could be multi-modal
    - Explore option of sunset after capital expansion (“Pennies for Progress”)
  - Revisit scopes, cost estimates and schedules to reduce funding requirement and accelerate delivery
    - Make transit an incremental cost wherever possible
  - Pursue expanded DB, DBOM, DBF & DBFOM (PPP) enabling legislation to improve leverage options, cost and schedule certainty, and access to private capital
  - Improve TIF legislation – Consider a “System Plan” boundary to pool benefits of network
    - Work out corridor-level caps to preserve regional equity and corridor independence
    - Progress serious study of revenue potential
  - Reinvest savings from existing service
  - Package multi-corridor benefits from:
    - Ads, naming rights, sponsorships
    - Energy-related revenues and financing vehicles
    - Parking and future road / VMT-pricing mechanisms
    - Air rights

<table>
<thead>
<tr>
<th>(millions)</th>
<th>Funding Gap (YOE$) 2013-2045 with new ½% sales tax &amp; 25%/corridor</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>$695</td>
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<tr>
<td>Streetcar</td>
<td>$322</td>
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<tr>
<td>Southeast</td>
<td>$485</td>
</tr>
<tr>
<td>West</td>
<td>$55</td>
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</table>
North Corridor

• Other funding possibilities:
  – NCDOT - economic benefit of relief on I-77 & potential maintenance of traffic savings during construction
    • NCRR participation?

• Next steps:
  – Validate costs – capex in particular
  – Advance talks with Norfolk Southern and other sources of private financing to explore partnership and PPP possibilities
  – Refine value capture estimates from NCDOT/Red Line Task Force Study
    • Engage local towns to enact TIF and SAD districts as proposed
  – Pursue discussions with new leadership at NCDOT
• Other funding possibilities:
  – Zoning incentives to attract development
  – Integration with future street and utility work with fixed r-o-w facilities
  – On-street and off-street parking fees

• Next steps:
  – Assess innovative project delivery methods to accelerate, lock in pricing for capex and opex, and address system integration and technology risks
Southeast Funding Gap with ½% New Sales Tax Capped at 25%

50% FTA grant assumption essential to feasibility at $2.34B
Southeast Corridor

• Other funding possibilities:
  – Revenue sharing from HOT lanes
  – Revenue from Park and Ride lots
  – Joint highway/transit improvements to complete US-74

• Next steps:
  – Complete planning work to define alignment, refine cost and ridership estimates, develop phasing options, and select mode(s)
  – Assess feasibility of 50% federal share assumption and begin movement to enter New Starts pipeline if deemed realistic
West Corridor Funding Gap with ½% New Sales Tax Capped at 25%

West assumes no federal New/Small Starts funding and has the lowest “gap” even before CLT participation.
West Corridor

- Other funding possibilities:
  - Contribution from CLT Airport Passenger Facility Charges (PFC) for segment operating on airport property
    - Include space for maintenance and storage “inside the fence”?
    - Offset on West Corridor opex for service to airport passengers?
    - Premium fare for airport passengers, discount for airport employees
- Next steps:
  - Develop framework for partnership with Airport
  - Assess options for accelerating delivery to reduce inflation impact on costs and improve pricing for the complete streetcar network – could close small remaining “gap”
  - Engage industry in dialogue on PPP and other innovative delivery options