dcstreetcar

General Task Force Meeting

March 13, 2013

Overview

- Recap of Finance Discussion
  - Sources
  - Funding scenarios
- Delivery Model Comparison

Finance Committee

Recap

- Discussion of potential revenue sources
  - implementation steps
  - timing
  - scale of revenue potential
- Emphasis on need for simplicity and speed
- Identification of revenue sources not yet considered
  - E.g., “tag tax” or parking tax
- Suggestion of broader regional transportation funding source
  - Streetcar funding would be one beneficiary
  - Example: regional sales tax
  - Committee to address in its findings

Finance Committee—*Proposed Sources Recap*

Source	2020 Contribution	Notes
Sales and Use Tax	$37 m (1/2 cent increase) $73 m (one cent increase)	• Local sales tax not necessarily favored by the District • Potentially allows capture of revenue from non-residents • Strong credit quality • Could potentially be delivered quickly, if/when decision made to use • Expansion into broader regional funding concept?
Property tax increments	$37 m	• Need to consider future extensions of tax increment districts, not just along 22-mile Priority System • Need to dedicate portion of increment to affordable housing along the route
Bus savings	$18 m	• Still under study, but saving assumed from current $32m annual spend • Current assumption is that savings would be available from 2018, but refinement needed for capex spend

Please note these are proposed funding sources still under evaluation by the Taskforce and the District.

Finance Committee—*Proposed Sources Recap*

Source	2020 Contribution	Notes
Special Assessments	$28 m (inc. residential) $22 m (exc. residential)	• Strong view from private sector members of Committee that assessments should be last resort • Noted that value proposition is very different on corridors, and assessments should be targeted • Need for assessments to be phased/ abated to offset the negative impacts of construction • Use of assessments for streetscape works? • Could be a fixed assessment (per NY Ave), so pro-rata assessment will decline as value increases.
Others		Smaller contributions from other sources: — FTA and CMAQ funds — Motor Vehicle Fuel Tax — Parking Meter Revenue — Performance Parking Revenue — Vehicle "Tag tax"

Please note these are proposed funding sources still under evaluation by the Taskforce and the District.

Proposed Funding Scenarios

- DDOT now developing scenarios to illustrate funding combinations for next Finance Committee
- Scenarios illustrate alternative combinations of largest funding levers:
  - Special Assessments
  - Property Tax Increment / General Fund transfers
  - Sales and Use Tax Revenue
  - Federal funds

Please note these are proposed funding scenarios still under evaluation by the Taskforce and the District.

Proposed Delivery Options

Principle

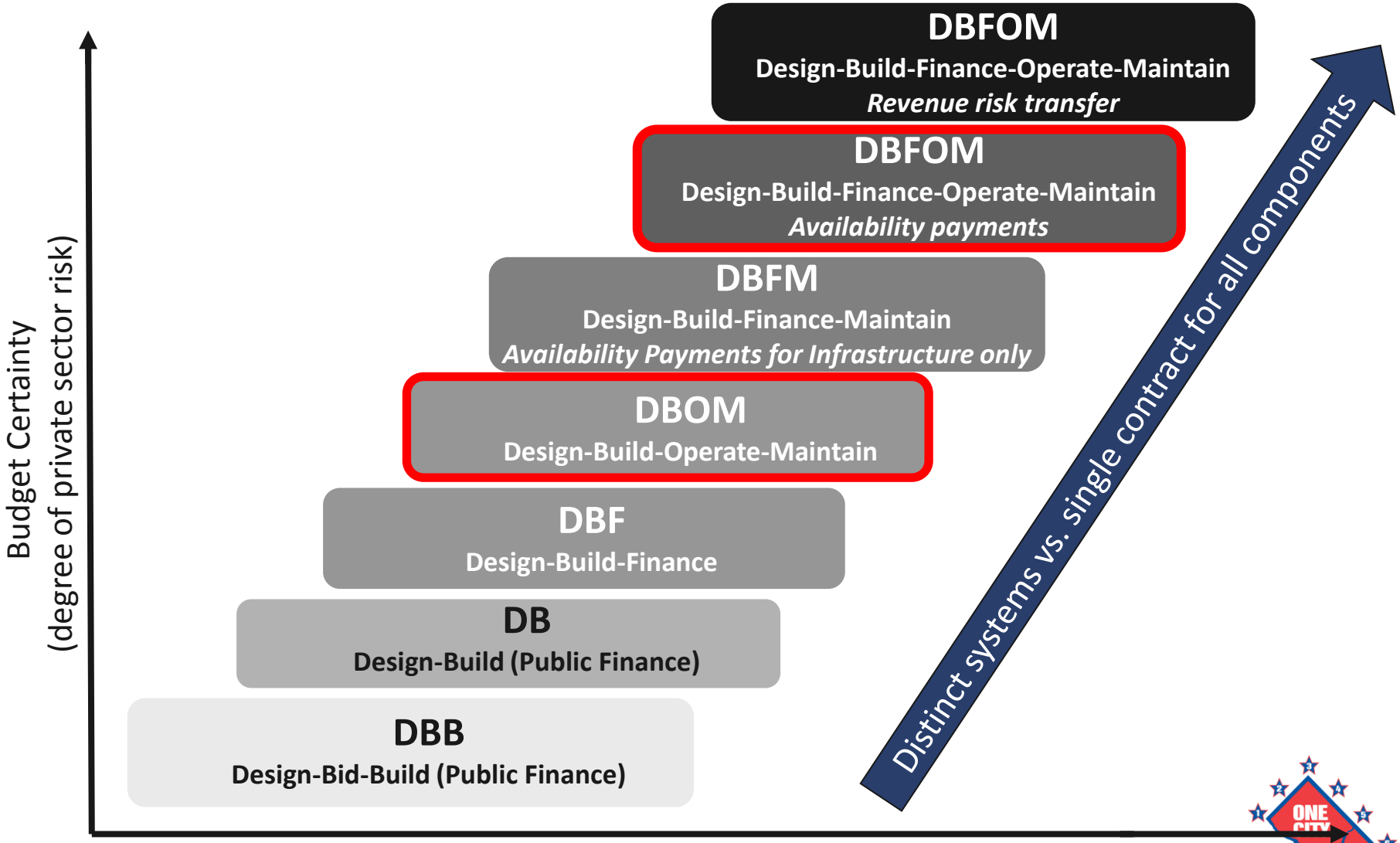
- Delivery model best suited to the project will be that which best addresses the project's objectives and risks.

Key considerations:

- Systems integration, and integration of bus operations
- Cost and schedule certainty
- Future phasing – ability to lock in pricing
- Scale and complexity of design
- Technology risk
- District debt cap
- Lifecycle costs

Please note these are proposed delivery options still under evaluation by the Taskforce and the District.

Proposed Delivery Options - *Overview*

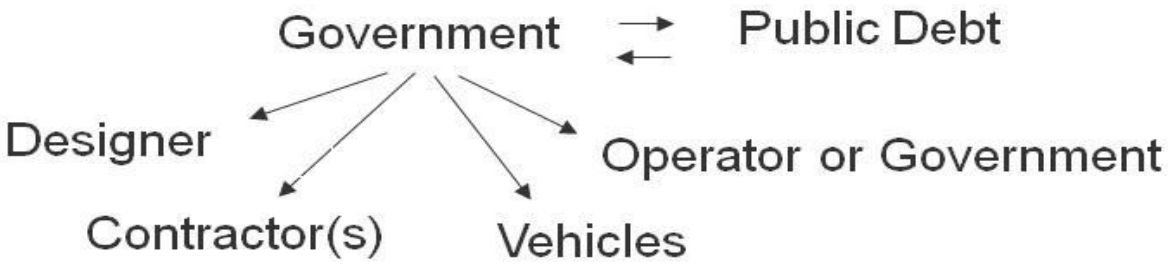


Please note these are proposed delivery options still under evaluation by the Taskforce and the District.

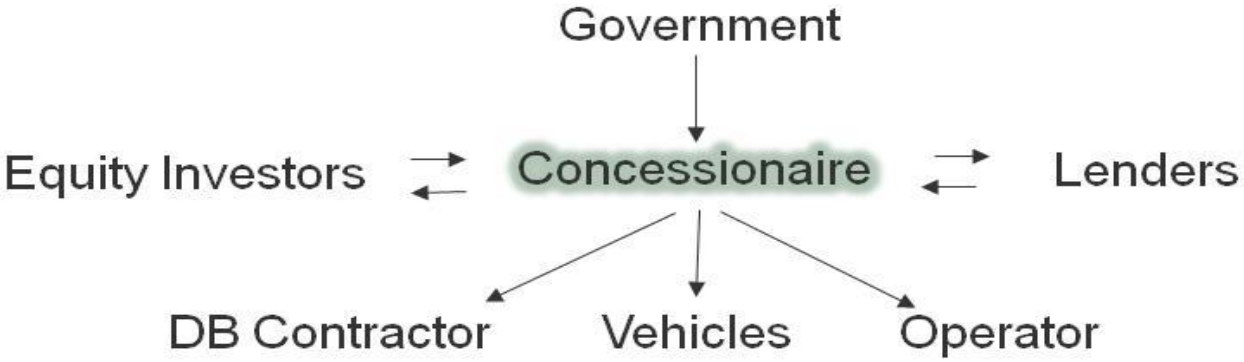
Proposed Delivery Options

Examples of Alternatives

Design-Bid-Build ("DBB")



Public-Private Partnership ("DBFOM")



Design-Build-Operate-Maintain (DBOM)

Overview

- Contractor responsible for design, construction, operation and maintenance of the project – but not finance.
- Contractor delivers agreed upon performance standards for construction and operation for defined contract period, although two separate contracts (DB and OM) likely.
- DBOM contractor may acquire the vehicles.
- During construction, Contractor paid on milestone basis.
- During operations, Contractor receives O&M payments subject to performance deductions.
- Use of tax-exempt debt may limit the maximum contract duration to 15 years.

Design-Build-Finance-Operate-Maintain (DBFOM)

Overview

- Concessionaire responsible for design, construction, financing, operation and maintenance of system.
- Concessionaire required to deliver agreed performance standards for construction and operation for ~30 year contract period.
- Concessionaire receives availability payments from the public sponsor.
- Payments subject to performance deductions.
- Publicly-funded capital contributions can be incorporated to lower private capital funding requirement
- Concessionaire investment at risk for performance

Key Distinctions between Models

Design-Build-Operate-Maintain (DBOM)

- **DBOM** has lower cost of finance.
  - If TIFIA and milestone payments available to concessionaire, required private capital and difference in cost of finance would decrease.
- **DBOM** may better accommodate future system expansion.
- **DBOM** provides transfer of construction risk for limited (~2-year) period, O&M/lifecycle cost risk for ~15 years.

Design-Build-Finance-Operate-Maintain (DBFOM)

- **DBFOM** provides significantly higher performance risk protection over a longer period, locking in capital, O&M/lifecycle costs for 30 years.
  - Performance based, so **DBFOM** Concessionaire responsible for major components not fulfilling design lives, midlife overhaul or premature component failures
- Availability Payments under **DBFOM** outside debt cap.
- **DBFOM** payment profile may be preferable.

Replacement of Operator

	DBFOM	DBOM
Termination of operator for convenience	Operator integrated into 30 concession, so District's ability to terminate for convenience would be for entire Concessionaire - with compensation payment	Operating contracts no longer than ~15 years, so relatively low cost for District to terminate or/ replace Operator for convenience under DBOM
Termination of operator for poor performance	Poor performance, financial deductions would increase and ultimately impact ability to repay private lenders • Lenders would exercise "step-in rights" and replace operator at own expense to protect Concessionaire's ability to repay its debt • Concessionaire would remain in place despite new operator	Poor performance would lead to financial penalties, allowing District to ultimately terminate operating contract, and replace at the District's cost

Public Comment

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Upcoming Taskforce Meetings

All of our Taskforce Meetings are held at **1350 Pennsylvania Ave NW within Room G-9 from 4:30-6:30pm**. In the event the room changes we will provide adequate notice in advance. The dates are as follows:

- April 10th 2013
- May 8th 2013
- June 12th 2013
- July 10th 2013
- August 14th 2013
- September 11th 2013
- October 9th 2013
- November 13th 2013

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Questions?

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