



Durham – Orange Finance Task Force

January 10, 2019

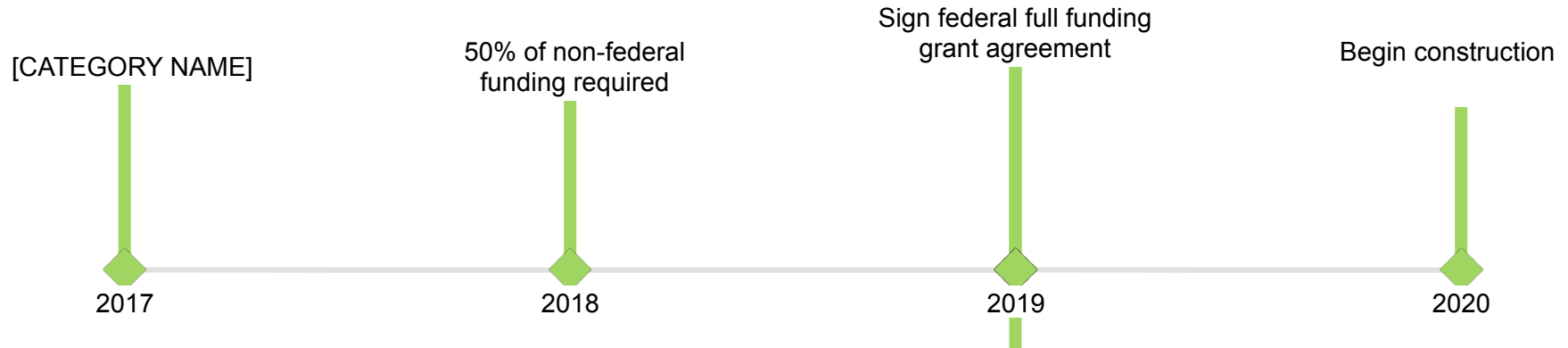
Objectives

- Common understanding
 - Timeline
 - Current financial picture
 - FTA Requirements
- Establish Next Steps
 - County / City Analyses
 - Consensus approach to funding commitment / backstop
 - Draft Agreement(s)
 - Set Schedule for presentations and votes

Introduction

- Timeline
- State funding is capped at \$190M.
 - \$57.6M State Funding shortfall offset by borrowing on future dedicated transit tax revenue from Durham
- Pettigrew changes + additional contingency
- \$87.5M from private funding and non-monetary contributions needs commitment or backstop
- FTA requires reasonable plan for access to additional funds equal to 10% of the Project cost.

Timeline



Early September, 2018 –

- A plan for the \$57.6 M in funds shortfall from the State included for the required FTA submittal.

End of November 2018 –

- FTA Risk Assessment Workshop

January, 2019 –

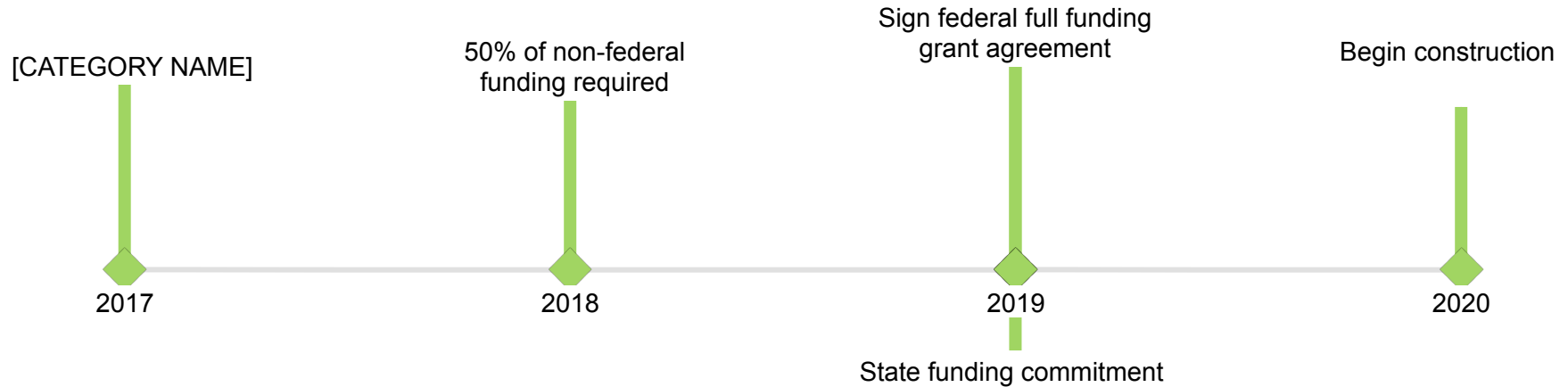
- Anticipated FTA Risk Assessment Results
- Draft STIP
- \$102.5M private/other funding commitment needed (\$15M committed to date)

February 2019 –

- All remaining funding commitments must be in place
- Submit final financial plan

September 2019 – Target date to execute an FFGA

Timeline



February 2019 :

- Update to Cost Share Agreement – For State funding shortfall and any additional allocation of Transit Tax dollars
- Update to Transit Plans
- Supplemental Durham Funding Agreement
- Resolution for a reasonable plan for access to additional funds equal to 10% of the Project cost.

April 2019 :

- State Funding requirement – All local funding committed

November 2019 :

- State Funding requirement – All local and federal funding committed

Capital Funding Share

As agreed by Durham and Orange counties – September 2018

Capital Funding Source	Total Capital Funding Share	
Federal*	50%	\$1.238B
State	25% 10% <u>7.7%</u>	\$190M
Local / Other	42.3%	\$1.048B
<i>Committed Transit Revenues</i>	\$738.4M + \$57.6M (Durham) \$149.5M (Orange)	
<i>Private /Other Sources</i>	\$102.5M	
Total	100.0%	\$2.476B
* Federal funding capped at 50% match of \$2.476B in YOE		

GoTriangle Mitigation Measures

	Initiatives	Gains / Losses
FTA New Starts Grant	Discussions on allocation from \$100M / Yr to \$125M / Yr	Reduction in project borrowing; potential finance cost saving of \$55M +
State Funding*	State funding shortfall	Identified capacity of \$57.6M through Durham dedicated Transit Tax dollars
TIFIA Loan**	Interest rate assumption reduced from 5% to 4.25%	Saves \$4.4M per year in debt service

- Continued focus on the Private Capital Campaign
- Indicative Credit Assessment received
- Updated Moody's Sales Tax forecast for 2018 under development

* State funding contribution delayed in draft STIP; starts in 2024 with \$8M, \$38M 2025-2028 and \$30M 2029.

** TIFIA – Low interest Federal Loan

Private Capital Campaign Backstop

Considerations:

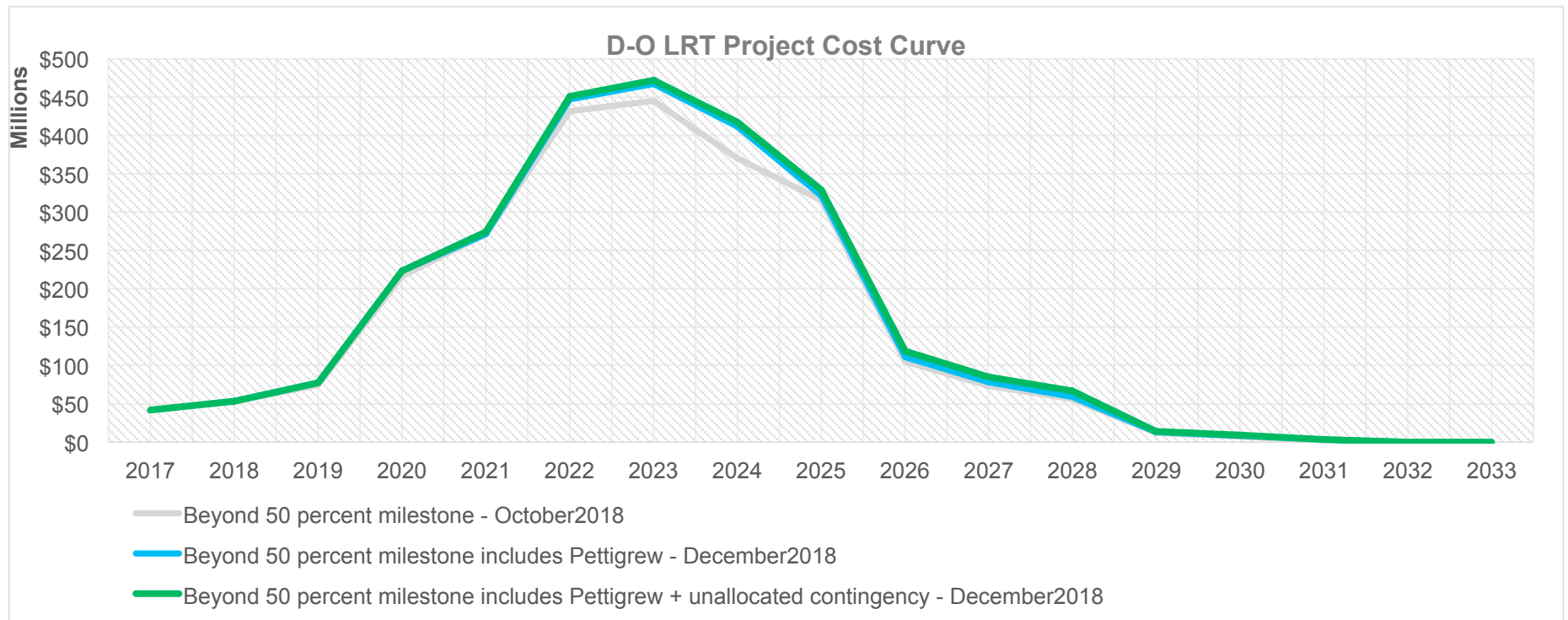
- Private Capital Campaign critical to maintaining sufficient balance during construction period – especially for Orange County
- Backstop structure required to satisfy FTA requirement for all funds to be committed
- Private Capital Campaign two factors:
 - **Timing** – Future commitments to GoTransit Partners will be available to reimburse expenses paid by backstop funds
 - **Funding** – Shortfalls not made up in future commitments will need to be permanently funded by a secondary source

	Baseline Financial Plan Assumptions	Minimum Backstop Needed
Right of Way Donation	<ul style="list-style-type: none"> • \$40M in 2020 	<ul style="list-style-type: none"> • \$25M in FY20*
Private Capital	<ul style="list-style-type: none"> • \$18.1M in FY20 • \$4.9/year for 9 years starting in FY21 to FY29 	<ul style="list-style-type: none"> • \$18.1M/year in FY20 or FY21 • \$4.9/year for 9 years starting in FY21 to FY29

* Right of Way Donation - \$15M Committed

Project Cost

- The revised baseline financial plan includes:
 - Updated cost curve beyond 50% design milestone
 - \$81M increased project costs due to Pettigrew changes
- FTA Risk Assessment could identify a need for additional contingency in the Project budget



Financial Plan and Updated Considerations

	Baseline*	Key Changes**	Potential Offset
Project Cost	\$2.476B		
Pettigrew Changes Impact		\$81M + (Submitted to FTA)	FFGA \$125M / Yr
Additional Contingency		\$100M + (Awaiting Feedback)	FFGA \$125M / Yr
FTA New Starts Grant	\$1.238B	No Change	
State Funding	\$190M	Delay in state funding	Transit Tax Dollars - Additional Capacity
Local Transit Tax Revenue			
Limited Obligation Bonds	\$245M	Increased to \$290M to \$375M	FFGA \$125M / Yr
Locally Funded Finance Charges	\$73M	Increased to \$80M to \$90M	Transit Tax Dollars - Additional Capacity
TIFIA Loan	\$457M	Increased to \$482M	Transit Tax Dollars - Additional Capacity
In Kind Donation (ROW)	\$40M	Committed \$15M	Backstop for \$25M
Private Monetary Contributions	\$62.5M		Backstop for \$62.5M
Transit Tax Dollar - Additional future funds	\$57.6M	Increased to \$75M to \$130M	
Additional Funding Sources Needed***		Additional funding of \$156M to \$260M	

* Baseline – Agreed in September 2018 Financial Plan submittal

** Ranges represent different scenarios over 20 years

*** Excludes plan for access to additional funds equal to 10% of the Project cost

Potential Funding Options

Additional Contribution Analysis

Definition

Scenario 1	Includes - (Beyond 50% design + Pettigrew Tunnel + \$85M backstop to private capital campaign)
Scenario 2	Includes - (Beyond 50% design + Pettigrew Tunnel + Increased Unallocated Contingency + \$85M backstop to private capital campaign)

Scenario Report Matrix

Scenario Report Matrix		
Cost	\$2.615 B Scenario 1	\$2.667 B Scenario 2
Base Case (Beyond 50% design + Pettigrew Tunnel)		
Base Case + revenue \$3m X 10 Years		
Base Case + revenue \$5m X 10 Years		
Base Case + revenue \$6.5m X 10 Years + Backstop*		
Base Case + revenue \$10m X 10 Years		
Base Case + revenue \$15m X 10 Years		
Base Case + revenue \$4m X 20 Years + Backstop*		
Base Case + revenue \$5m X 20 Years		
Base Case + revenue \$6.8m X 20 Years + Backstop*		
Base Case + revenue \$9.5m X 20 Years		
Base Case + revenue \$13m X 20 Years		



Minimum Viable Financial Plan
Potentially Viable (not modeled)

Additional revenue assumed to cumulate from 2021 till the year of draw-down is required.

* Match Capital Campaign Schedule:

- ROW donation – \$15M FY20 (Committed), \$25M in FY20
- Private capital – \$19.1M/year in FY20, \$4.9/year for 9 years starting in FY21 to FY29

Potential Funding Options

- Range of Scenario considerations to fund the Private Capital Campaign backstop and Pettigrew Tunnel over 20 years

Option 1 – Match Capital Campaign Schedule			
Year	Capital Campaign Backstop	Additional Annual Contribution	Total
2020	\$43,120,000	\$ -	\$43,120,000
2021	4,931,111	4,000,000	8,931,111
2022	4,931,111	4,000,000	8,931,111
2023	4,931,111	4,000,000	8,931,111
2024	4,931,111	4,000,000	8,931,111
2025	4,931,111	4,000,000	8,931,111
2026	4,931,111	4,000,000	8,931,111
2027	4,931,111	4,000,000	8,931,111
2028	4,931,111	4,000,000	8,931,111
2029-2040	-	4,000,000	4,000,000
Total	\$87,500,000	\$68,000,000	\$155,500,000

Option 2 – 20 Year Level Payments			
Year	Capital Campaign Backstop	Additional Annual Contribution	Total
2020	-	\$9,250,000	\$9,250,000
2021	-	\$9,250,000	\$9,250,000
2022	-	\$9,250,000	\$9,250,000
2023	-	\$9,250,000	\$9,250,000
2024	-	\$9,250,000	\$9,250,000
2025	-	\$9,250,000	\$9,250,000
2026	-	\$9,250,000	\$9,250,000
2027	-	\$9,250,000	\$9,250,000
2028	-	\$9,250,000	\$9,250,000
2029-2040	-	\$9,250,000	\$9,250,000
Total	-	\$185,000,000	\$185,000,000

Additional revenue assumed to cumulate from 2021 till the year of draw-down is required.

* Match Capital Campaign Schedule:

- ROW donation – \$15M FY20 (Committed), \$25M in FY20
- Private capital – \$19.1M/year in FY20, \$4.9/year for 9 years starting in FY21 to FY29

Potential Funding Options

- Range of Scenario considerations to fund the Private Capital Campaign backstop, Pettigrew Tunnel and Additional Contingency over 20 years

Option 1 – Match Capital Campaign Schedule			
Year	Capital Campaign Backstop	Additional Annual Contribution	Total
2020	\$43,120,000	\$ -	\$43,120,000
2021	4,931,111	6,800,000	11,731,111
2022	4,931,111	6,800,000	11,731,111
2023	4,931,111	6,800,000	11,731,111
2024	4,931,111	6,800,000	11,731,111
2025	4,931,111	6,800,000	11,731,111
2026	4,931,111	6,800,000	11,731,111
2027	4,931,111	6,800,000	11,731,111
2028	4,931,111	6,800,000	11,731,111
2029-2040	-	6,800,000	6,800,000
Total	\$87,500,000	\$136,000,000	\$223,500,000

Option 2 – 20 Year Level Payments			
Year	Capital Campaign Backstop	Additional Annual Contribution	Total
2020	-	\$ -	\$ -
2021	-	13,000,000	13,000,000
2022	-	13,000,000	13,000,000
2023	-	13,000,000	13,000,000
2024	-	13,000,000	13,000,000
2025	-	13,000,000	13,000,000
2026	-	13,000,000	13,000,000
2027	-	13,000,000	13,000,000
2028	-	13,000,000	13,000,000
2029-2040	-	13,000,000	13,000,000
Total	-	\$260,000,000	\$260,000,000

Additional revenue assumed to cumulate from 2021 till the year of draw-down is required.

* Match Capital Campaign Schedule:

- ROW donation – \$15M FY20 (Committed), \$25M in FY20
- Private capital – \$19.1M/year in FY20, \$4.9/year for 9 years starting in FY21 to FY29

Next Steps

- Risk Assessment report expected from FTA in 2+ weeks
- County / City analyses of options
- Draft and finalize agreements
 - Cost-sharing agreement covering use of transit tax district funds
 - Additional agreement(s) for other funds
- Confirm schedule for presentations and votes
 - Orange County
 - Durham County
 - City of Durham
 - MPO (Transit Plans)



Appendix – Reference

Addressing Durham Questions

1. Update information on GoTriangle federal risk assessment and the additional project funding it will require?; and, What, if any, updated information does GoTriangle have on the additional project costs associated with the newly proposed tunnel in downtown Durham as well any additional design elements not included in current project scope and budget?
2. What, if any, updated information does GoTriangle have on current status and projected outcome of the private fundraising campaign?
3. What updated information does GoTriangle have on your ability to cost efficiently change or value engineer the current project scope as a means to cover potential cost impacts of questions 1,2 and 3?
4. Based upon Durham County's request, GoTriangle's financial advisors and staff have indicated that GoTriangle has the ability and some financial capacity to issue new debt to cover components of the above project cost increases, potentially/ likely requiring backstop from local government partners. Please update us on your current financial review and the ability of GoTriangle (and its board) to issue debt sufficient to cover all of the above potential new project costs if local revenues could be made available to backstop some portion of the potential debt created by 1,2 and 3 above and any mitigation by question 4. Please outline potential backstop revenues that may be needed for each of the individual cost components in questions 1,2 and 3 with any mitigation by 4.
5. Based upon response to question 5, please outline how the official commitment by local government partners to backstop the potential additional debt works within the FTA approval phases and timing. Currently a resolution by all local government parties is envisioned as the first step to the commitment with an interlocal or similar agreement to follow, please address how this method could work in the FTA process phases and timing.
6. What is the critical path timeline for locking down all of the necessary funding commitments?
7. When will a sensitivity analysis of the project funding model be shared?

Planning for Future Risks

- In order to execute a federal grant, FTA will likely require a reasonable plan for access to additional funds equal to 10% of the Project cost to protect the Project against unforeseen cost-overruns during construction that go beyond the budget contingency.
- The plan consists of documenting available funds including:
 - GoTriangle fund balance/cash reserves
 - GoTriangle additional borrowing capacity
 - These funds would not be committed to the project but would need to be available (e.g., not committed to something else)
 - FTA typically does not require resolutions/votes for funds within the project sponsor's control
 - Approved funding partner plans to address possible cost-overruns with designated financial capacity

Transit Oriented Development

Within ¼ mile of the stations, an opportunity for:

43,500 New Jobs (2057)

44,000 New Residents (2057)

4 Million New Annual Transit Trips (2040)



Transit Oriented Development

Benefits of Station Area development along corridor:

DOLRT Corridor Total	2018 – 2045
Station Areas (basis for all financial estimates below)	7,026 acres
Potential Redevelopment Areas Within Station Areas	1,361 acres
Net New Property Value	\$3.3 to \$4.5 billion
Net New Annual Tax Revenue	\$44.6 to \$60.3 million
Net New Accumulated Tax Revenue (through 2057)	\$1.4 to \$1.9 billion

Financial estimates are reported as discounted present value based on an inflation-adjusted discount rate of 2.5%

Transit Oriented Development

Benefits of Station Area development by Micro-Market:

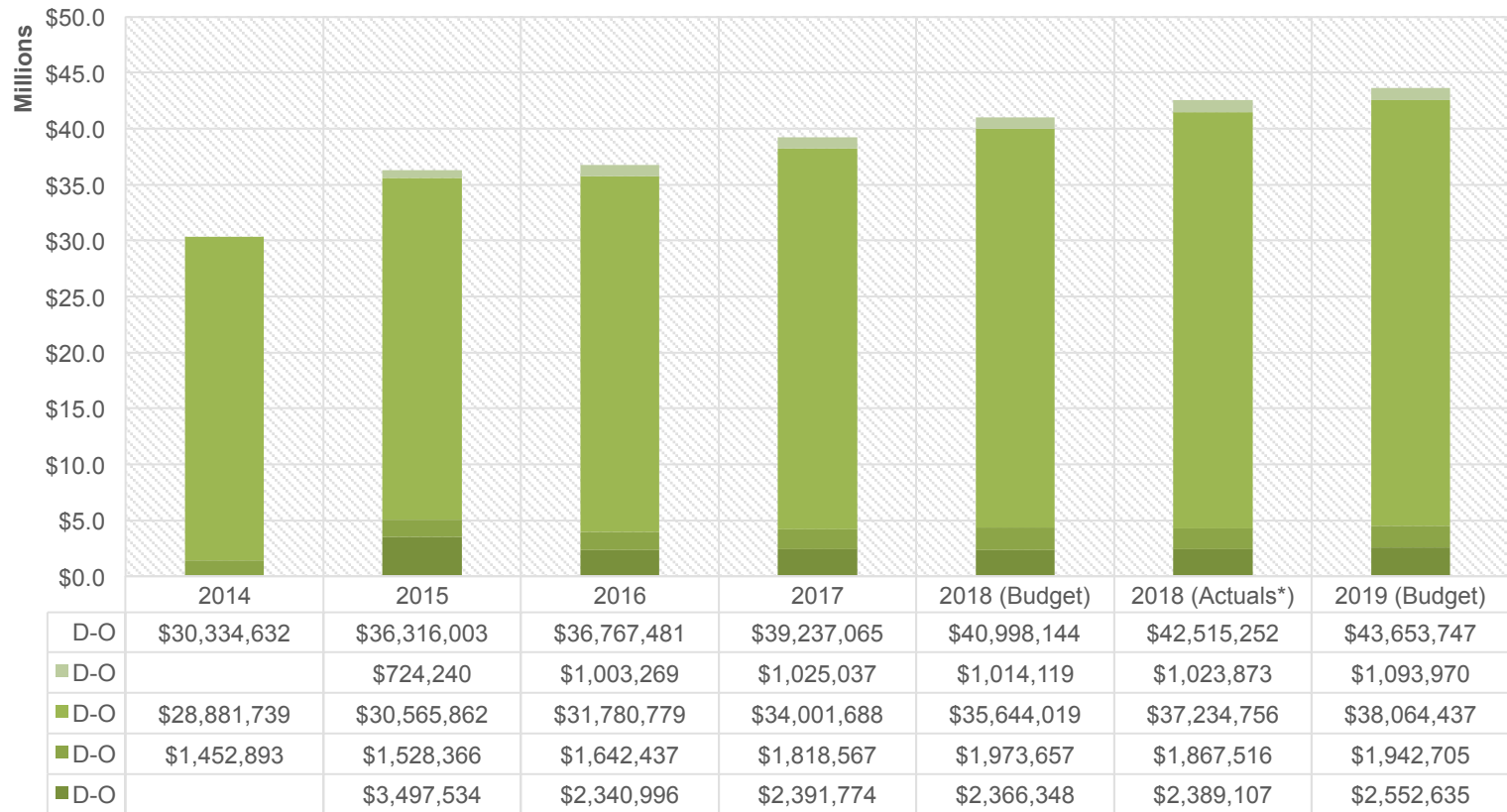
Accumulated Tax Revenue by Jurisdiction through 2045

	Lower Estimate	Higher Estimate
Durham BID	\$15M	\$20M
Town of Chapel Hill	\$58M	\$78M
Orange County	\$66M	\$90M
City of Durham	\$285M	\$385M
Durham County	\$401M	\$543M
Total	\$0.84 B	\$1.14 B

Financial estimates are reported as discounted present value based on an inflation-adjusted discount rate of 2.5%

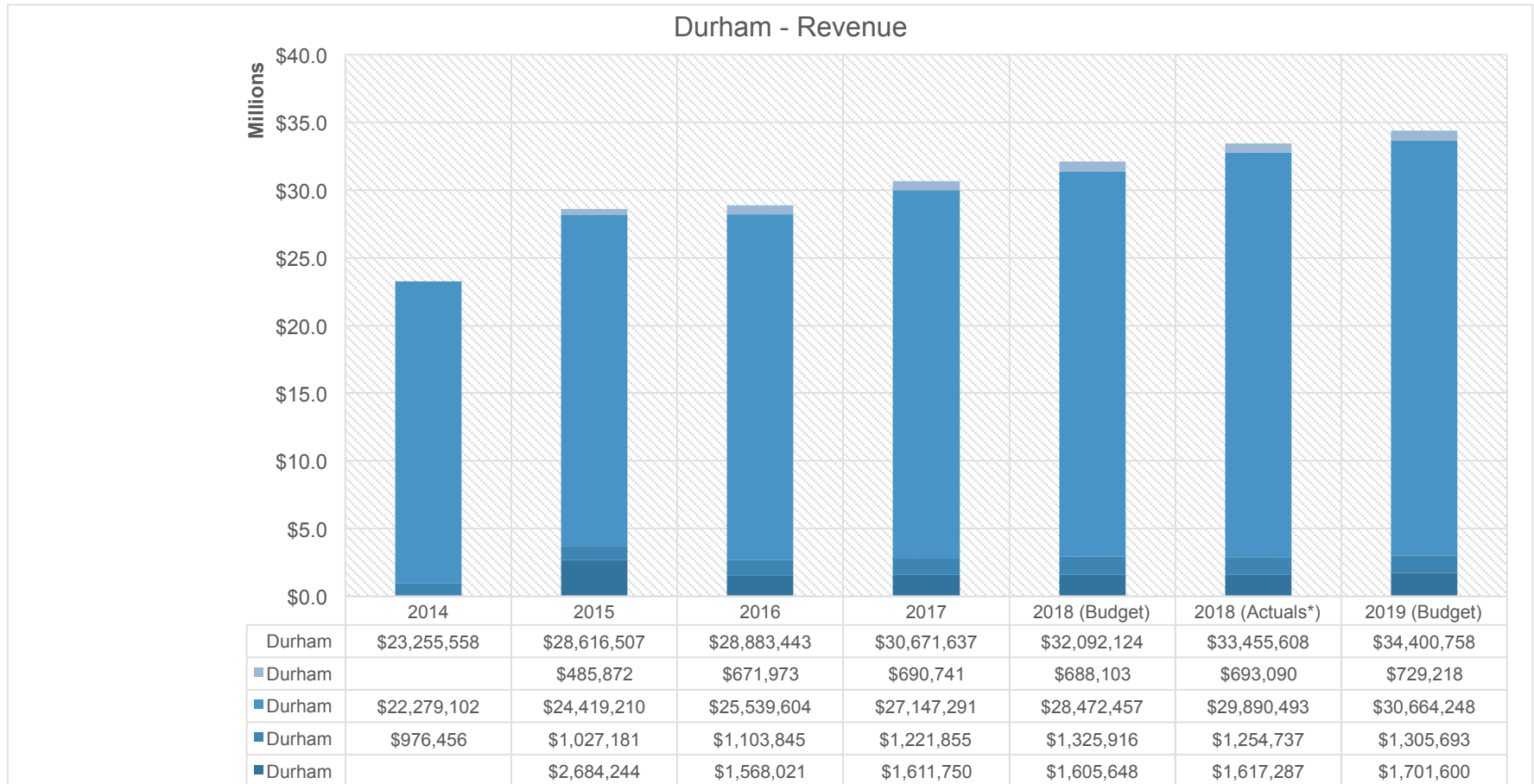
D-O Transit Revenue – FY18

Durham and Orange Revenue



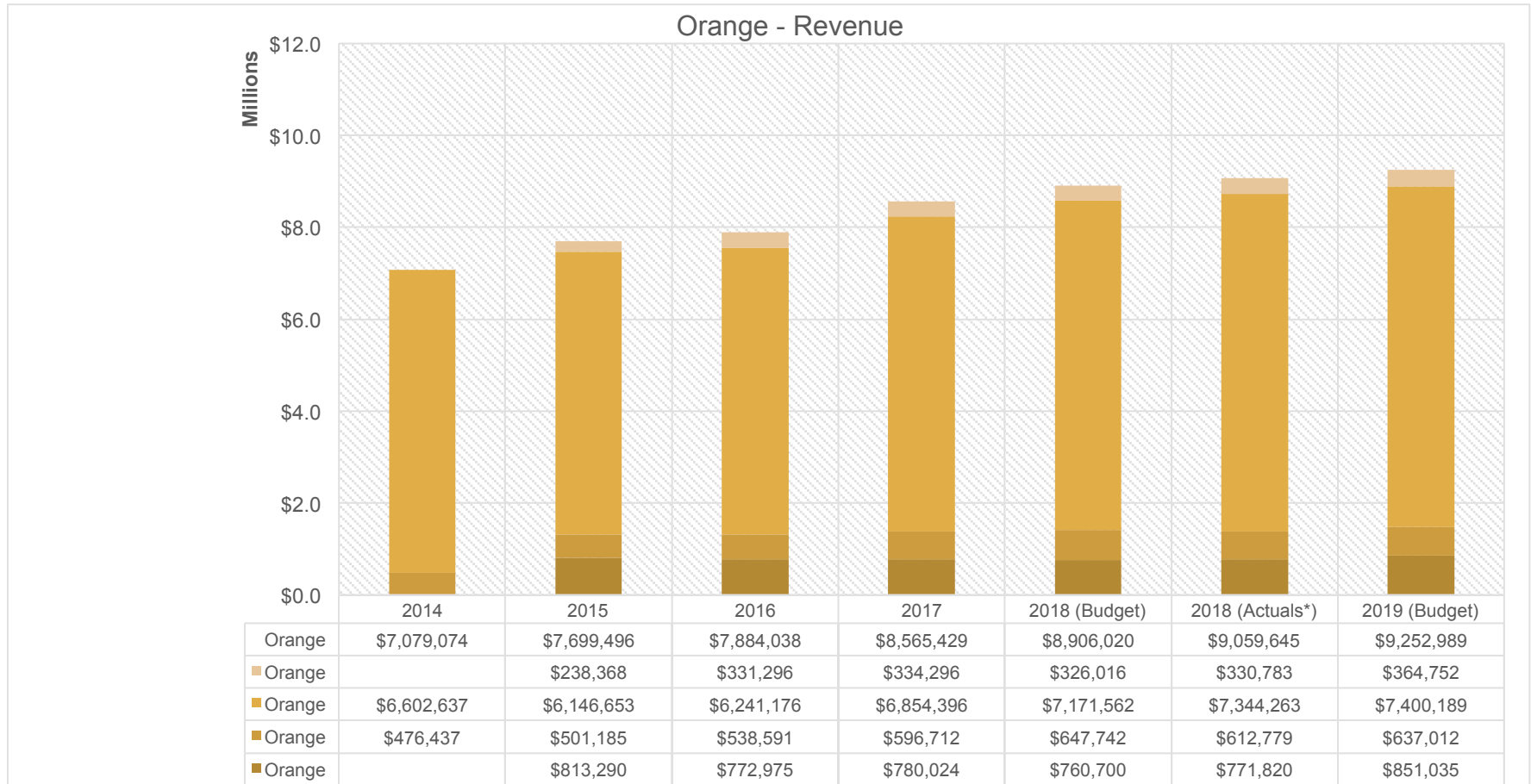
*Durham and Orange Transit Tax Revenue for FY18 was approximately \$1.5M (3.7%) higher than Transit Plan Projections.

Durham Transit Revenue – FY18



*Durham Transit Tax Revenue for FY18 was approximately \$1.4M (3.9%) higher than Transit Plan Projections.

Orange Transit Revenue – FY18



*Orange Transit Tax Revenue for FY18 was approximately \$0.2M (3%) higher than Transit Plan Projections.

Potential Funding Options

Additional Contribution Analysis

Scenario Report Matrix		
Cost	\$2.638 B	\$2.647 B
	Scenario 1	Scenario 2
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