

**de**streetcar



# Finance and Governance Task Force

February 20, 2013

# Overview

- The first 4 meetings of the task force as a whole will focus on the project finance plan
- Materials will be distributed prior to the meeting and presented by DDOT and the PMT
- Discussion at the meeting will be used to inform content for the following meeting
- Committees should meet in between Task Force sessions

## 1. Program Background

*January 2013*

- Initial review

## 2. Initiate Estimate Preparation (Sources and Uses)

*February 2013*

- Estimates of capital and operating costs; schedule
- Review of funding sources

## 3. Project Delivery Dynamics

*March 2013*

- Project Delivery review; P3 dynamics
- Interface between delivery, sources and uses.
- Initial finance plan concepts

## 4. Finance/Delivery Plan

*April 2013*

- Draft finance plan

Release of RFQ



# Initiate Estimate Preparation:

## *Sources and Uses*

- To federalize or not – what are the options?
- How much additional funding is needed to leverage DDOT's current contributions? How do we raise the necessary additional funding?
- How does the debt cap impact financing options?



# Federalization: Pro(s) and Con(s)

Federalization is required for FHWA funds, FTA capital grants (New Starts/ Small Starts, etc.), and federal TIFIA loans (no matter who is the borrower).

## Pro(s)

- FTA matches up to 50% of transit capital costs and FHWA matches up to 80% of roadway/streetscape improvements.
- TIFIA is a subordinate, long-term credit source w/low, fixed interest rates, flexible repayment terms (interest accrual, back-ended principal).

## Con(s)

- Additional lead time (e.g. planning/environmental) and cost impacts (e.g. Buy America).
  - New Starts has multi-year, multi-stage, highly competitive application process with poor track record for streetcars.
  - TIFIA program is highly subscribed and competitive.

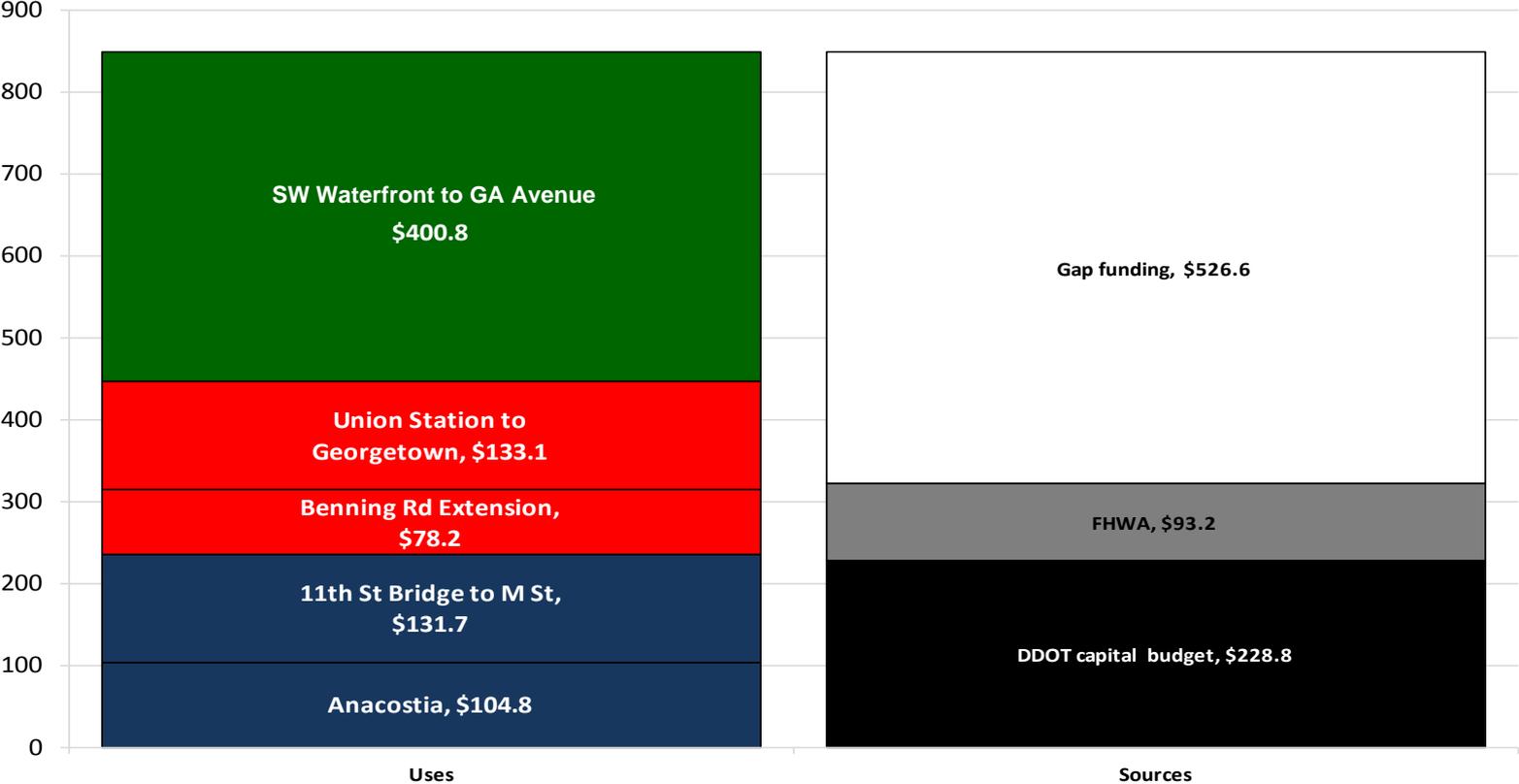


# Sources and Uses of Capital Funds

## Sources & Uses of Capital Funds

FY12 - FY21

millions of year-of-expenditure dollars



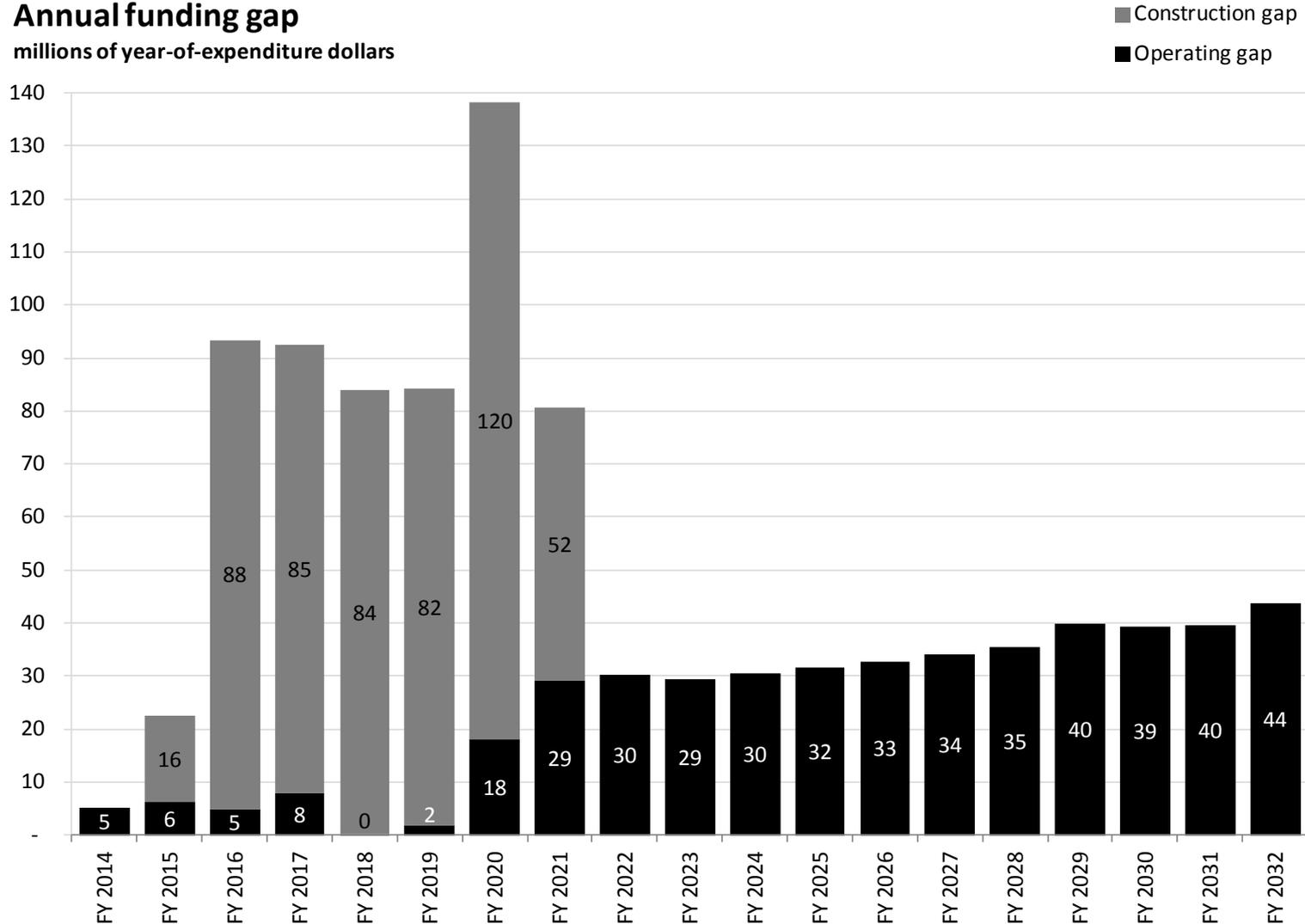
DDOT capital budget includes \$32.8M for FY12-FY13 and \$196M for FY14-FY17



# Funding Gap(s)

## Annual funding gap

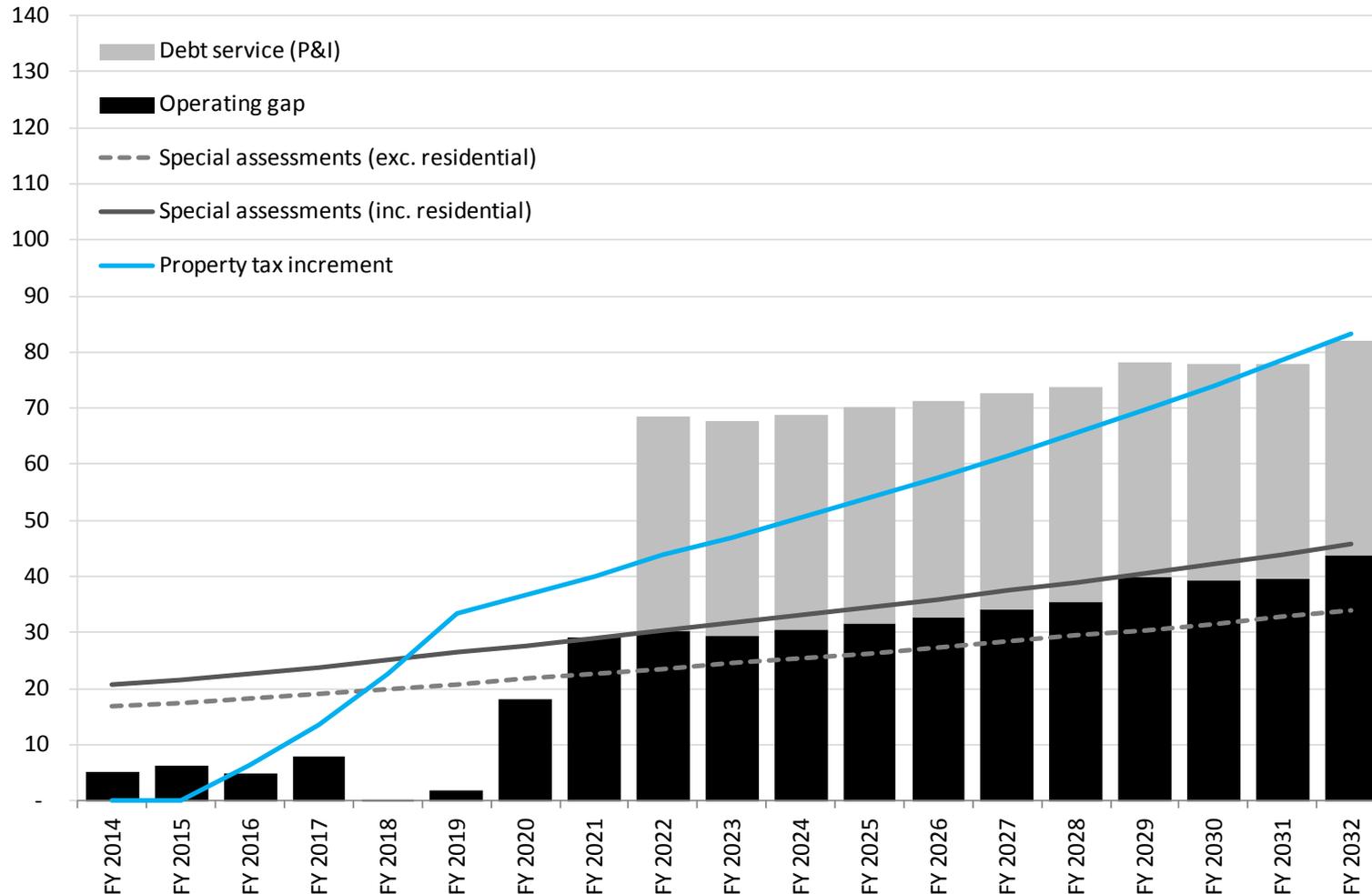
millions of year-of-expenditure dollars



# Potential Source: *Value Capture*

## Annual funding gap and potential value capture revenue

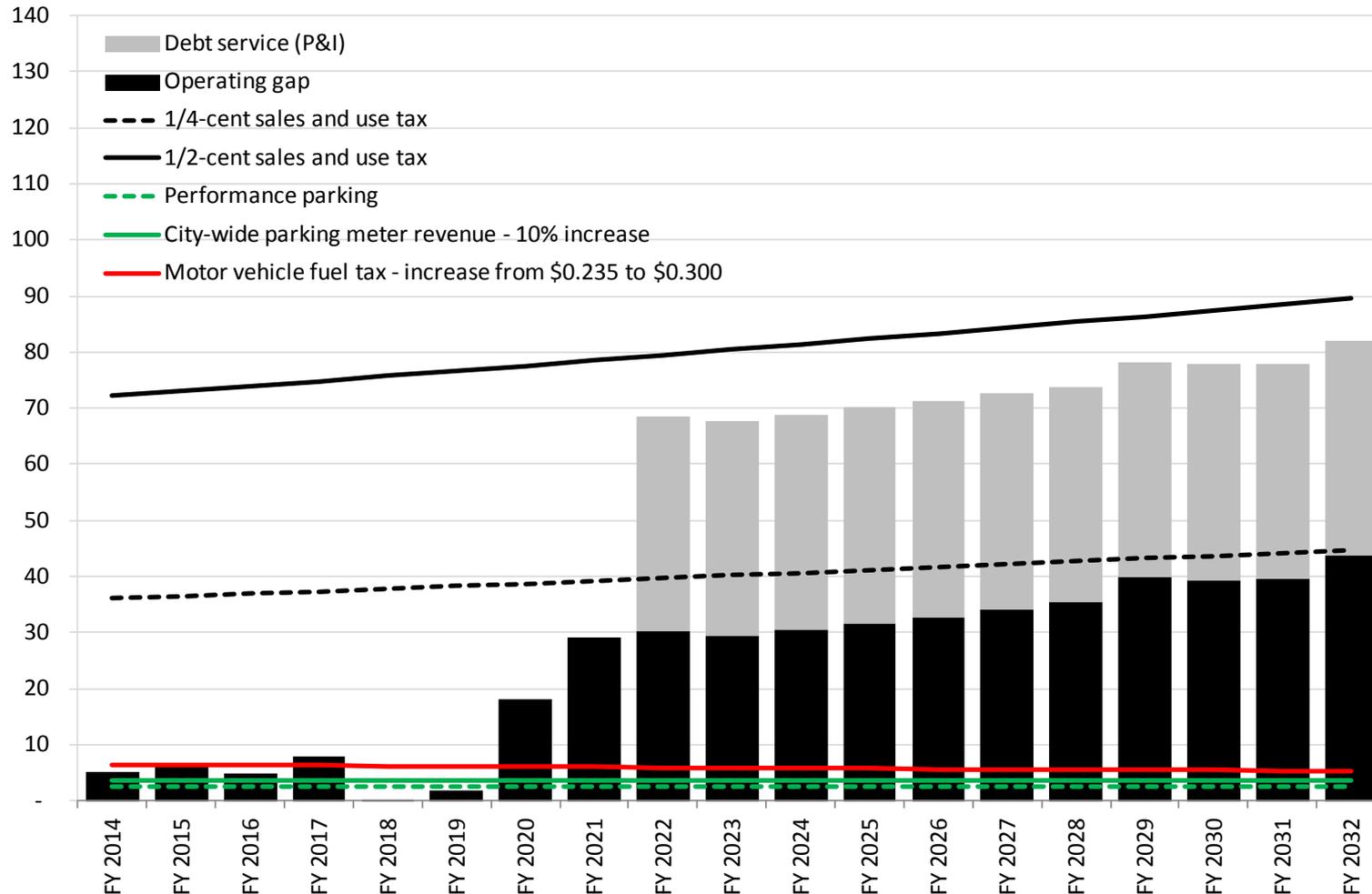
millions of year-of-expenditure dollars



# Other Potential Revenue Sources

## Annual funding gap and other potential revenue sources

millions of year-of-expenditure dollars



# Debt Cap

- Debt secured by revenues backed by District's power to tax triggers cap.
- Is there additional room under the debt cap for streetcar?
- Will the debt cap be raised?
- How could a Public-Private Partnership (P3) avoid triggering the debt cap?
  - "Availability Payment" - payment for performance, irrespective of demand.

Availability defined in 2 ways:

- "Pure availability" requires the asset, or a section of the asset, to be open, functioning and unobstructed, permitting full use by the public.
- "Constructive availability" also requires the asset to meet performance, safety, and quality criteria specified in the contract .



# Availability Payment-Based P3 Structure:

- Transfers the risks of designing, building, financing, operating and maintaining a project to a private partner;
  - Provides schedule and long-term cost certainty to District;
- Caps both the government's obligation AND private upside and therefore can compare favorably to public debt;
- Results in public retention of demand risk, reducing risk premium in private cost of capital but potentially increasing public exposure to shortfalls;
- Preserves strong incentives for concessionaire to provide efficiency gains in the construction, operations and maintenance of the project; and
- May be subordinated in part or whole to other government debt.



# Next Steps: *Next Task Force Meetings*



All meetings are held in **G-9** and begin at **4:30p**

- **March 13** (*Project Delivery Dynamics*)
- **April 10** (*Project Finance Plan*)



# Public Comment

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## Questions?

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