



MEMORANDUM

Elaine Hart

TO: Mayor and Council Members

FROM: Elaine Hart, Chief Financial Officer, Financial Services Department

DATE: May 20, 2014

SUBJECT: Follow-up to Resolution 20131017-035 Project Connect

On October 17, 2013, Council passed Resolution 20131017-035 affirming its support of the regional vision for high capacity transit adopted by the CAMPO Transit Working Group. This resolution also directed the City Manager to:

- Provide a financing plan for the City's share of Project Connect including, but not limited to, the use of value capture revenue,
- Work with relevant service providers to develop any necessary draft interlocal agreements (ILA) regarding the funding of Project Connect,
- Ensure that any revenue sources provided by the City of Austin for Project Connect are retained in a restricted fund, and
- Present this draft financing plan and draft interlocal agreements no later than April 30, 2014.

Although Resolution 20131017-035 calls for a draft financing plan by April 30, selection of an urban rail Locally Preferred Alternative is a critical assumption impacting both capital and operating cost estimates for a financing plan that is still outstanding. A briefing on the *Central Corridor High-Capacity Transit Study Recommended Locally Preferred Alternative (LPA)* is on Council's May 22 agenda. At that time, several LPA options will be outlined along with related capital and operating cost estimates. The schedule is for Council to approve one of these LPA options by the end of June.

Financial Services staff has been meeting regularly since 2013 with the Central Corridor team working on the Recommended LPA and stand ready to work on an overall financing plan and further definition of potential funding sources to support rail operating costs.

The most significant Project Connect cost element for the City of Austin is the capital cost related to the proposed urban rail LPA. General obligation bonds will be the financing source for that cost element with a potential bond election in November 2014. General obligation bonds, local sales tax, and Federal Transportation Agency (FTA) grants are typical funding sources for transit capital. Financial Services provided a presentation on *General Obligation Bond Capacity Analysis* at the April 29, 2014, Council work session. This presentation included the estimated tax increase necessary to support new bond capacity at various levels. While not specific to a particular project, the analysis provided scenarios that could be assumed for financing capital costs of the urban rail LPA. The

following table provides scenarios for new debt capacity, with estimated tax rate increases (assuming assessed value growth) spread over five years and debt projected to be sold over six years.

Tax Rate Increase over 5 Years	New Debt Capacity
1-cent	\$115 million
2-cents	\$265 million
3-cents	\$440 million
4-cents	\$615 million
5-cents	\$790 million
6-cents	\$965 million

Capital Metropolitan Transportation Authority is expected to be the operator of the urban rail which will require an Interlocal Agreement (ILA) between the City of Austin and Capital Metro. Kyle Keahey provided a briefing on the *Recommended Locally Preferred Alternative* at the May 16 Central Corridor Advisory Group (CCAG) meeting. Mr. Keahey indicated that current operating cost estimates were rough estimates and that more detailed, refined operating estimates would be worked out over the next few years as the National Environmental Policy Act (NEPA) process progresses. He emphasized that the urban rail project is in the early stage of the planning process. We believe it is premature to negotiate an ILA with Capital Metro until there is a positive vote on a rail bond election and more certainty regarding operating cost estimates gained through the NEPA process.

We have identified potential City funding sources that may be considered for use in contributing funding toward rail operating costs including parking revenue, receivables from Capital Metro (quarter cent), and public improvement district (PID) special assessment revenue (if approved by the PID tax payers). Tax increment financing (TIFs), although often mentioned as a potential funding source, is considered a non-traditional funding source for rail project capital costs and is not recommended as a funding source for operating costs. In 2012, our rail consultant did not recommend use of TIF funding indicating that TIF estimates would only provide minimal relief for general obligation debt for rail capital needs. However, the consultant did note Riverside/Pleasant Valley as a potential TIF area to consider for providing some funding for rail capital costs, although this area was not part of the recommended "Core + North" rail investment in 2012. The market studies used for this TIF analysis are now dated as underlying assumptions and market conditions have changed.

I am available should you have any questions.

CC: Marc A. Ott, City Manager
 Michael McDonald, Deputy City Manager
 Robert Goode, Assistant City Manager
 Rob Spillar, Director, Austin Transportation Department
 Assistant City Managers and Deputy CFOs

Attachment: Resolution 20131017-035

RESOLUTION NO. 20131017-035

WHEREAS, Central Texas, known for its quality of life, environmental resources and economic vitality, has seen its population grow by 475,000 within the CAMPO counties between 2000 and 2010 (from 1.284 million to 1.759 million population) and is expected to grow by an additional 380,000 by 2040; and

WHEREAS, to address the transportation needs of a growing Central Texas, it is important for the region to develop a multi-modal approach to expanding and improving its transportation infrastructure; and

WHEREAS, the Capital Area Metropolitan Planning Organization, as part of its efforts to address the transportation needs of the region, reconvened its Transit Working Group to consider the potential system design, organization and funding of high capacity transit in Central Texas through 2040; and

WHEREAS, the Transit Working Group of CAMPO has adopted a Project Connect "Vision" plan that confirms the role and importance of commuter rail and the planned Central Corridor/Urban Rail service as a foundational investment in an integrated high capacity transit system in Central Texas; and

WHEREAS, the City of Austin wishes to provide the benefits of passenger rail service to its citizens; and

WHEREAS, the City Council created Transit Oriented Development (TOD) zoning in 2005 and subsequently adopted Station Area Plans for the Saltillo, MLK and Lamar/Justin TODs; and

WHEREAS, in March 2013, the City Council received a staff recommendation for a comprehensive funding strategy for various near-term transit needs identified by Project Connect and that they be completed by early 2014; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

Council again affirms its support of the regional vision adopted by the CAMPO Transit Working Group for high capacity transit and directs the City Manager to provide City Council a financing plan for the City's share of Project Connect, including, but not limited to, the use of value capture revenue.

BE IT FURTHER RESOLVED:

The City Manager shall work with the relevant service providers to develop any necessary draft interlocal agreements regarding the funding of Project Connect.

BE IT FURTHER RESOLVED:

The City Manager is directed to ensure that any revenue sources provided by the City of Austin for Project Connect are retained in a restricted fund.

BE IT FURTHER RESOLVED:

The City Manager shall present this draft financing plan and draft interlocal agreements no later than April 30th, 2014.

ADOPTED: October 17, 2013

ATTEST:


Jannette S. Goodall
City Clerk