

## **PRESENTATIONS OF PFM TO TRANSIT TASK FORCE**



# Montgomery County, Maryland

## Transit Task Force

*Discussion on  
Capital, Operating and Financial Scenarios*

**March 6, 2012**  
*presented by*

**Public Financial Management, Inc.**

# Objectives



- Present RTV financial scenarios—based on Finance Working Group efforts
- Seek Transit Task Force feedback
- Revise/adjust scenarios based on feedback provided and incorporate results into Task Force Report



# Discussion Items

- Assumptions
  - Capital costs
  - Operating costs
  - Fares
  - Financial scenarios
- Scenario results



# Capital Costs

- Based on Traffic Group estimates, except for CCT which reflects Kittelson and MTA estimates
- Costs adjusted based on Finance Working Group direction
- Two Implementation Scenarios tested
- 3% annual inflation assumed

Base Nine Year	Extended Twenty Year
Phase 1 Construction Begin: 2014 End: 2019	Phase 1 Construction Begin: 2014 End: 2021
Phase 2 Construction Begin: 2015 End: 2020	Phase 2 Construction Begin: 2020 End: 2027
Phase 3 Construction Begin 2018 End: 2021	Phase 3 Construction Begin 2025 End: 2032

# Capital Costs--\$000's



	2011\$	Base Plan	Extended Plan
<b>Phase 1</b>			
Phase 1 Summary by Category			
10 GUIDEWAY & TRACK ELEMENTS (route miles)	\$ 101,573	\$ 119,612	\$ 123,329
20 STATIONS, STOPS, TERMINALS, INTERMODAL (number)	\$ 65,304	\$ 76,901	\$ 79,291
30 SUPPORT FACILITIES: YARDS, SHOPS, ADMIN, BLDGS	\$ 18,008	\$ 21,206	\$ 21,865
40 SITEWORK & SPECIAL CONDITIONS	\$ 158,189	\$ 186,281	\$ 192,071
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<b>Phase 1 Total</b>	<b>\$ 823,651</b>	<b>\$ 973,696</b>	<b>\$ 994,202</b>
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# Capital Costs--\$000's



	2011\$	Base Plan	Extended Plan
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Phase 3 Summary by Category			
10 GUIDEWAY & TRACK ELEMENTS (route miles)	\$ 19,858	\$ 25,542	\$ 33,376
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Technology Costs	\$ 22,000	\$ 25,917	\$ 27,559
Maintenance Facilities	\$ 97,000	\$ 112,482	\$ 115,924
Parking Facilities	\$ 22,500	\$ 26,368	\$ 30,485
Route Operations Analysis	\$ 1,000	\$ 1,077	\$ 1,077
<b>Total</b>	<b>\$ 1,825,722</b>	<b>\$ 2,201,124</b>	<b>\$ 2,459,190</b>



# Operating Assumptions

- Operating costs based on Parsons Brinckerhoff cost per mile assumptions and RTV system route length
- Fares \$1.00 in 2016—increased every five years with inflation
- Boardings based on Parsons Brinckerhoff per mile estimates
- Tested under Base and Extend Implementation schedules

Base Nine Year	Extended Twenty Year
Phase 1 Ramp-up Initial: 2016 Full Service: 2020	Phase 1 Ramp-up Initial: 2016 Full Service: 2022
Phase 2 Ramp-up Initial: 2017 Full Service: 2021	Phase 2 Ramp-up Initial: 2022 Full Service: 2028
Phase 3 Ramp-up Initial: 2020 Full Service: 2022	Phase 3 Ramp-up Initial: 2027 Full Service: 2033



# Funding Sources

- Costs funded by revenues potentially derived from:

## Capital Costs

- ½ Mile District property taxes
- Property tax on 90% of County assessable base
- State/County funding
- Private sector contributions

## Operating Costs

- ½ Mile District property taxes
- Property tax on 90% of County assessable base
- Property tax on 100% of County assessable base

- Scenarios with differential tax rates and/or operating expenses charged to a special tax district assume change in legislation
- Financial scenarios tested effects of different combinations of funding sources

# Funding Sources



- Property tax growth
  - Based on County projections reflecting assumptions for reassessments and new construction
  - 2013-2018—0.9% ramping up to 6.3% annually
  - 2019 and thereafter—generally 6.0% annually
- State/County—\$20 million starting in 2014, increasing to \$35 million in 2017 and \$45 million in 2019, continuing thereafter
- Private sector contributions—assumed for all scenarios—equal to one-third of right-of-way and station costs



# Capital Costs Financing Assumptions

- Mix of cash and debt used to finance capital costs
- Debt structures assume combination of two year bond anticipation notes for construction financing and 30 year bonds
- Bonds rated in 'AA' category
- Conservative interest rate assumptions reflecting ten year average of benchmark tax exempt rates plus additional spread based on expected credit rating
- Debt service coverage—(Pledged annual capital revenues divided by annual debt service)
  - Minimum 1.40x
  - Increases to and remains around 1.50x



# Conceptual Financial Scenarios

- Scenario A
  - Capital costs funded by ½ mile non-residential property tax district and State/County contributions
  - Operating costs funded by property tax on 90% of County tax base
  - Base implementation schedule
- Scenario B
  - Capital costs funded by
    - ½ mile non-residential property tax district
    - Up to \$0.03 tax on commercial properties outside ½ mile district and within 90% of County's tax base and residential properties within 90% of County's tax base
    - State/County contributions
  - Operating costs funded by property tax on 90% of County tax base
  - Base implementation schedule

# Conceptual Financial Scenarios



- Scenario B1
  - Capital costs funded by
    - ½ mile non-residential property tax district
    - Up to \$0.03 tax on commercial properties outside ½ mile district and within 90% of County's tax base and residential properties within 90% of County's tax base
  - Operating costs funded by property tax on 90% of County tax base
  - Base implementation schedule
- Scenario C
  - Capital costs funded by
    - ½ mile non-residential property tax district
    - Up to \$0.03 tax on commercial properties outside ½ mile district and within 90% of County's tax base and residential properties within 90% of County's tax base
    - State/County contributions
  - Operating costs funded by property tax on 90% of County tax base
  - Extended implementation schedule

# Conceptual Financial Scenarios



## ■ Scenario C1

- Capital costs funded by
  - ½ mile non-residential property tax district
  - Up to \$0.03 tax on commercial properties outside ½ mile district and within 90% of County's tax base and residential properties within 90% of County's tax base
- Operating costs funded by property tax on 90% of County tax base
- Extended implementation schedule

## ■ Scenario D

- Capital costs funded by property tax on 90% of County tax base and State/County contributions
- Operating costs funded by property tax on 90% of County tax base
- Base implementation schedule

# Conceptual Financial Scenarios



- Scenario D1
  - Capital costs funded by property tax on 90% of County tax base and State/County contributions
  - Operating costs funded by property tax on 90% of County tax base
  - Extended implementation schedule
- Scenario E
  - Capital costs funded ½ mile district property tax on all properties
  - Operating costs funded by property tax on 100% of County tax base
  - Base implementation schedule

# Conceptual Financial Scenarios



- Scenario F
  - Capital costs funded by property tax on 90% of County tax base
  - Operating costs funded by property tax on 100% of County tax base
  - Extended implementation schedule

# Summary Findings



## Projected Maximum Tax Rates

Tax Base	Scenario								
	A	B	B1	C	C1	D	D1	E	F
Half Mile District	\$ 0.44	\$ 0.31	\$ 0.43	\$ 0.13	\$ 0.24			\$ 0.25	
90% County	\$ 0.08	\$ 0.11	\$ 0.11	\$ 0.09	\$ 0.09	\$ 0.15	\$ 0.10		\$ 0.11
100% County								\$ 0.08	
10% County									\$ 0.06

## Projected Maximum Annual Tax Paid for \$400,000 Residential Property

Tax Base	Scenario								
	A	B	B1	C	C1	D	D1	E	F
Half Mile District								\$ 980.00	
90% County	\$ 320.00	\$ 440.00	\$ 440.00	\$ 360.00	\$ 360.00	\$ 580.00	\$ 400.00		\$ 420.00
100% County								\$ 300.00	
10% County									\$ 220.00

## Projected Maximum Annual Tax Paid for \$250 Square Foot Assessed Value Commercial Property

Tax Base	Scenario								
	A	B	B1	C	C1	D	D1	E	F
Half Mile District	\$ 1.09	\$ 0.76	\$ 1.08	\$ 0.31	\$ 0.59			\$ 0.61	
90% County	\$ 0.20	\$ 0.28	\$ 0.28	\$ 0.23	\$ 0.23	\$ 0.36	\$ 0.25		\$ 0.26
100% County								\$ 0.19	
10% County									\$ 0.14

# Summary Findings

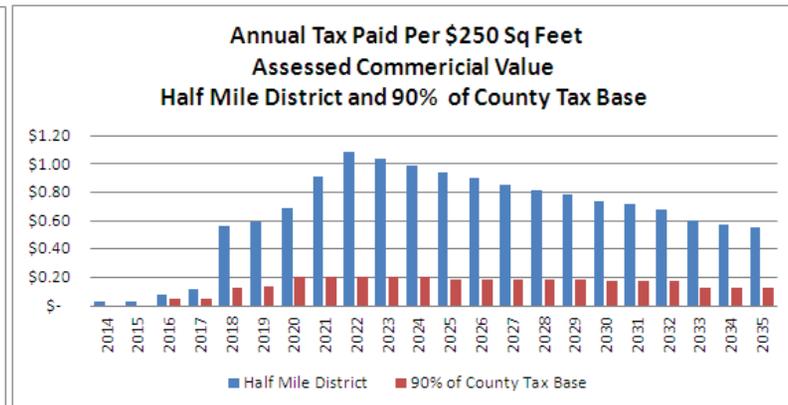
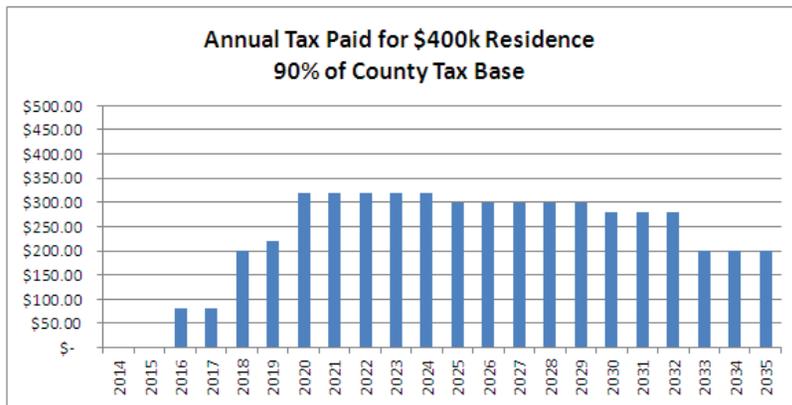
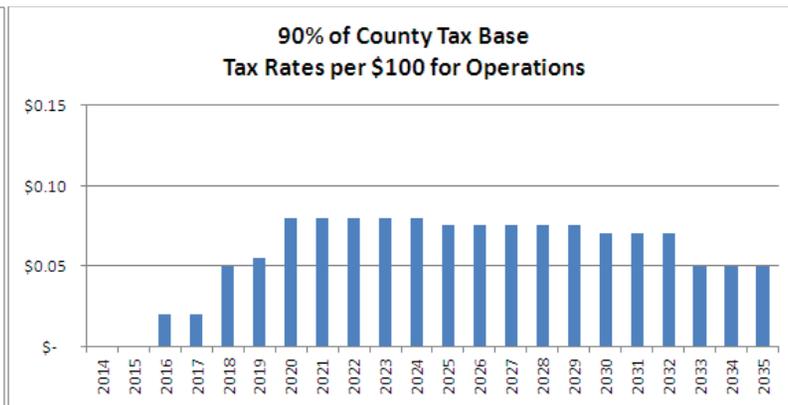
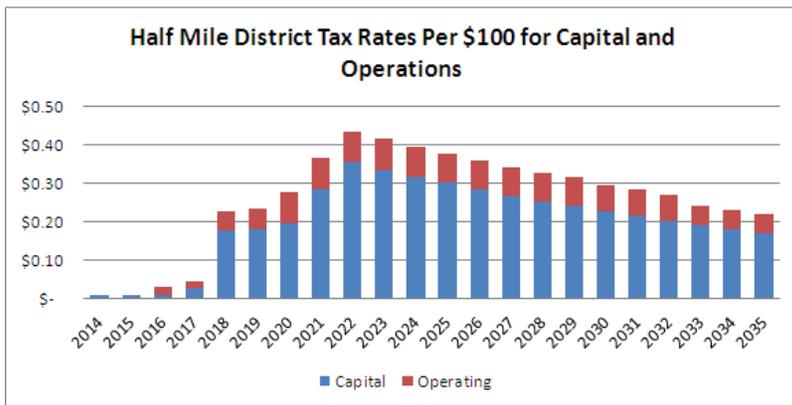


- Each scenario requires approximately \$2.0 billion in debt issuance based on established financing parameters
- Tax rate varies from scenario to scenario based on
  - Base of taxation
  - Availability of State/County funding
  - Implementation schedule
- Scenarios A, C, C1 and F have the lowest tax burden on residential properties
- For commercial properties scenarios C, C1, D , D1 and F have the lowest burden
- As shown in the following slides—tax rates ramp-up with construction and debt issuance and decline/stabilize once service is opened



# Scenario A Results

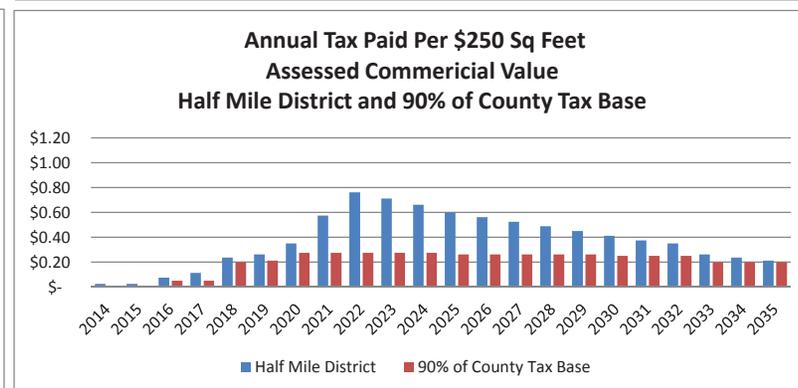
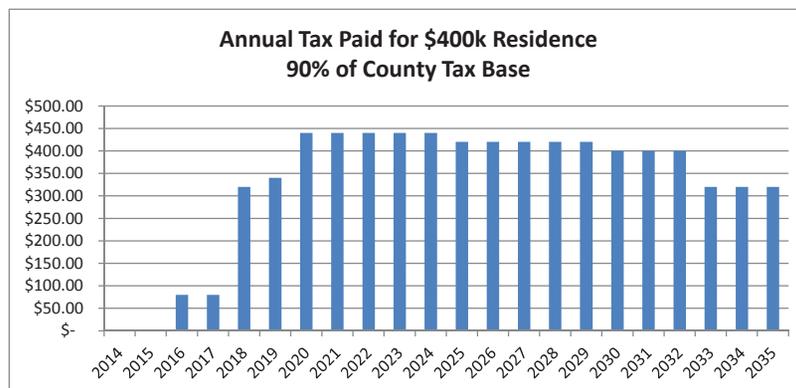
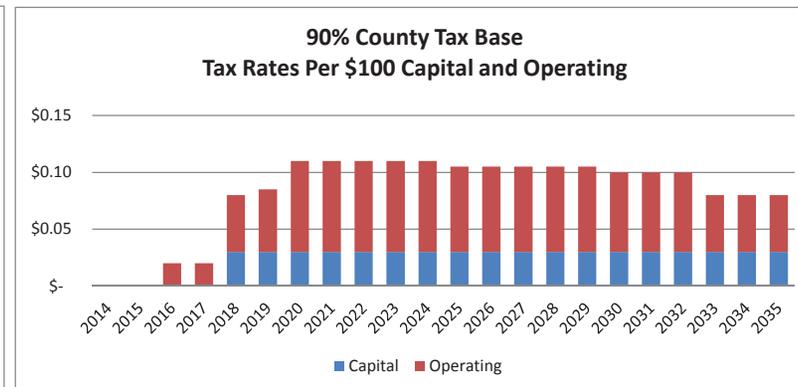
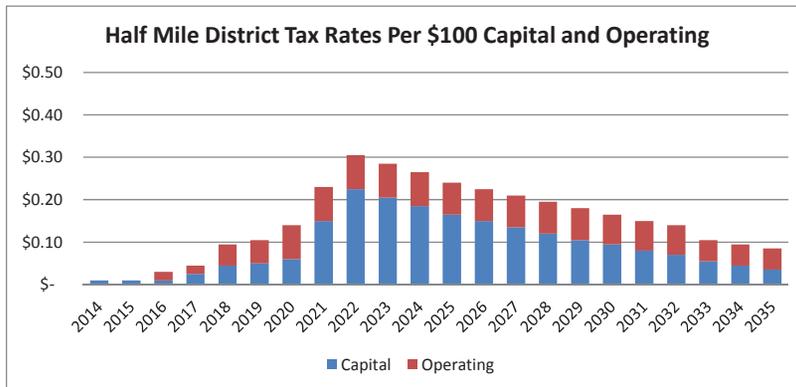
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- Base implementation schedule





# Scenario B Results

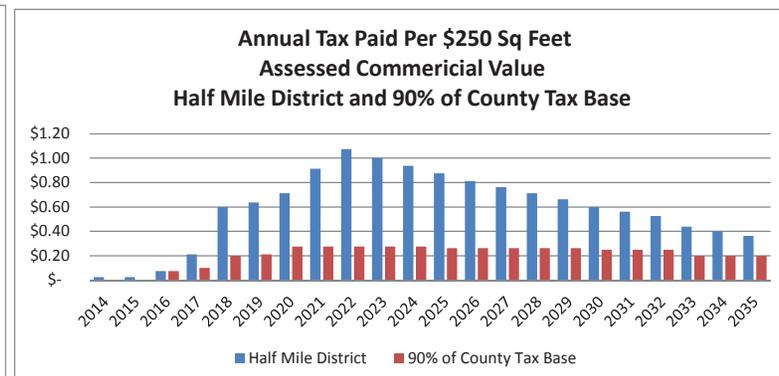
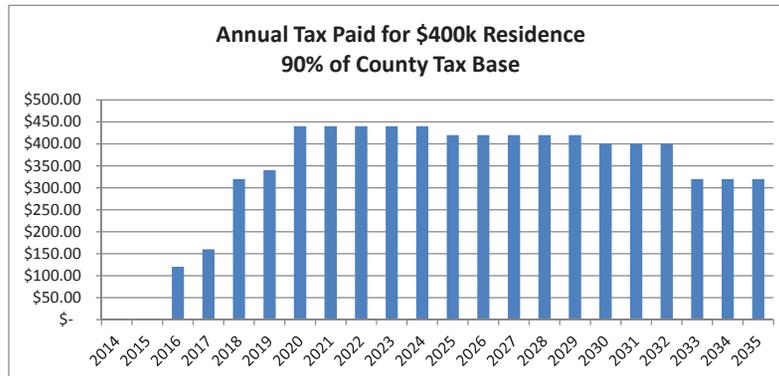
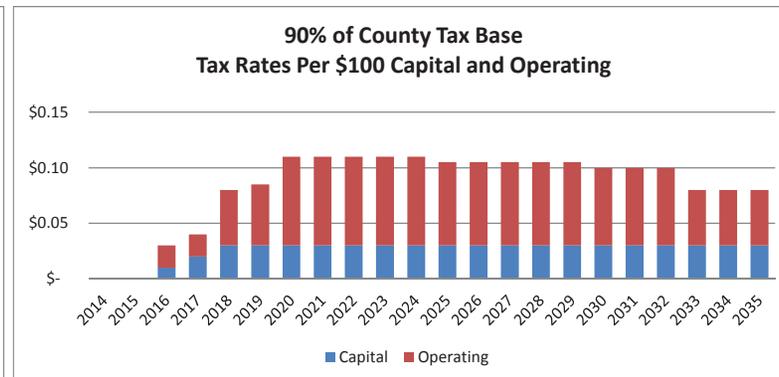
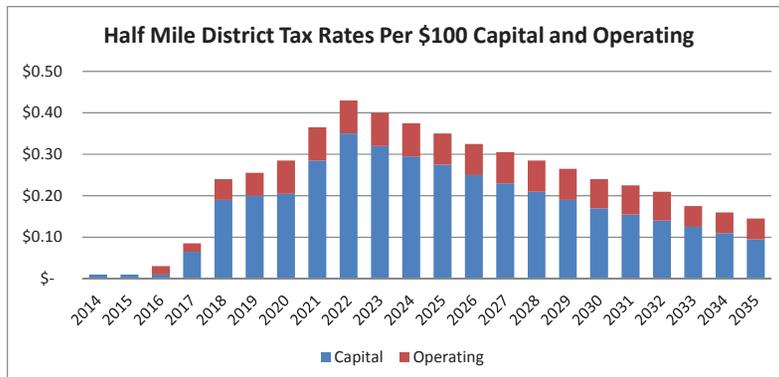
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# Scenario B1 Results

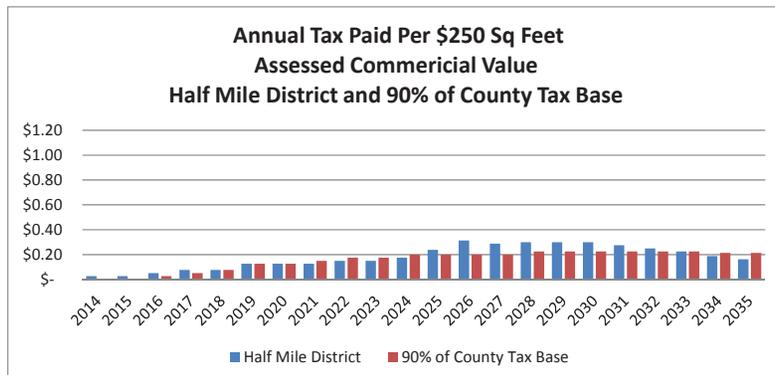
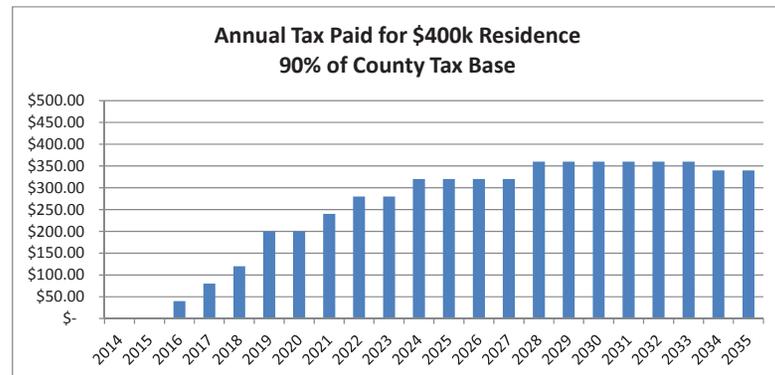
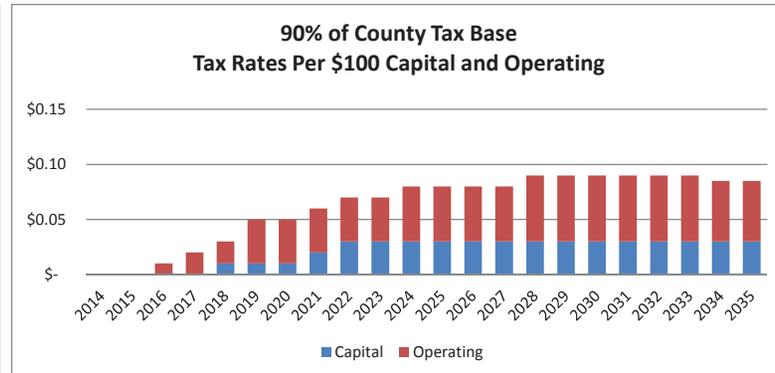
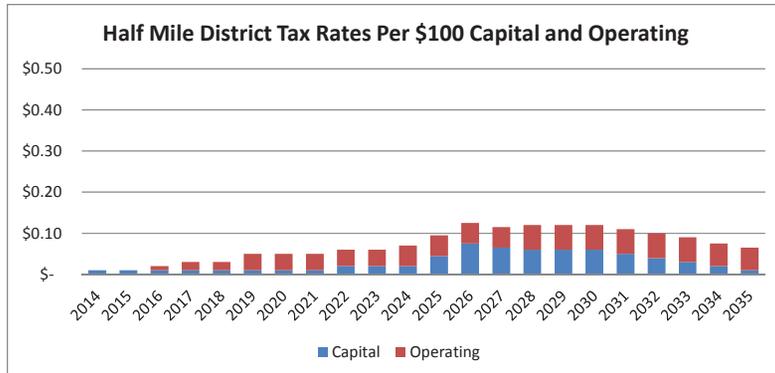
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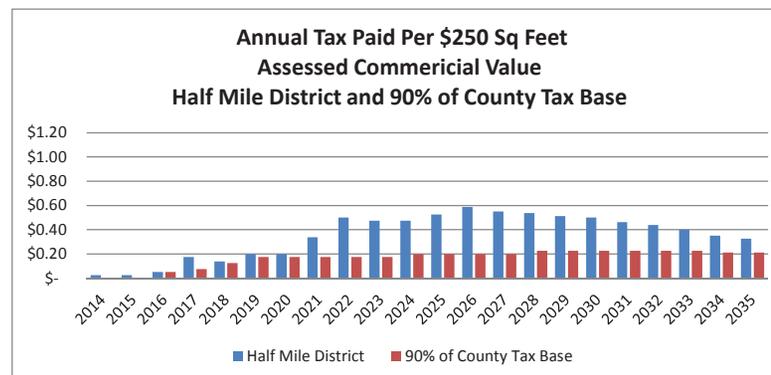
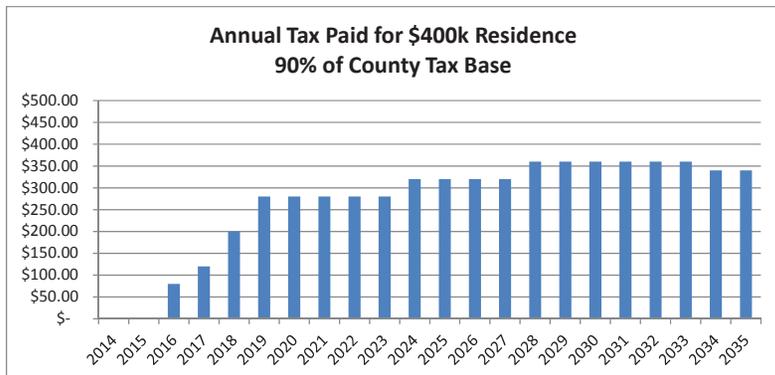
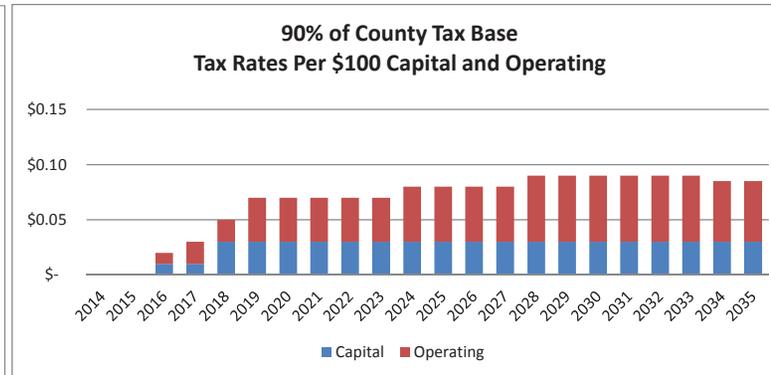
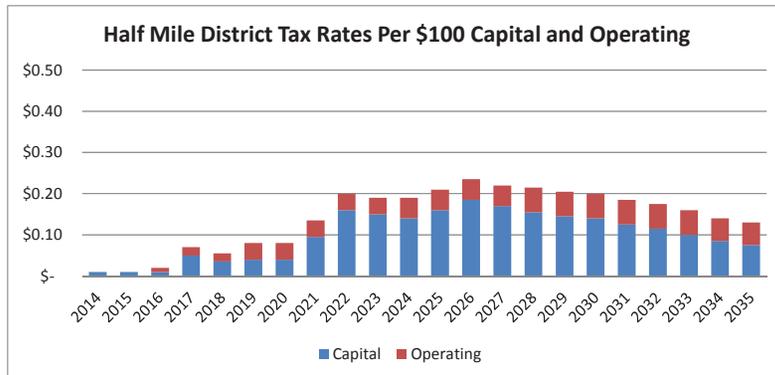
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# Scenario C1 Results

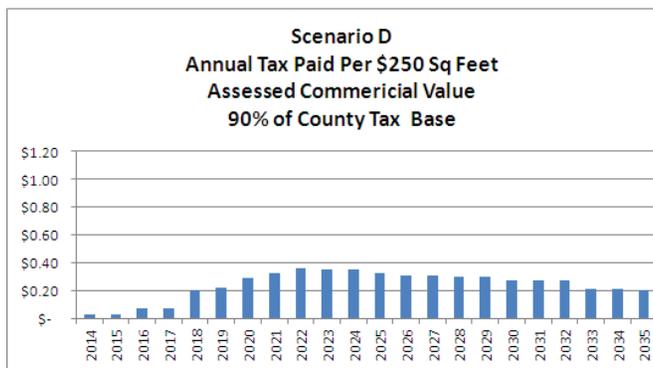
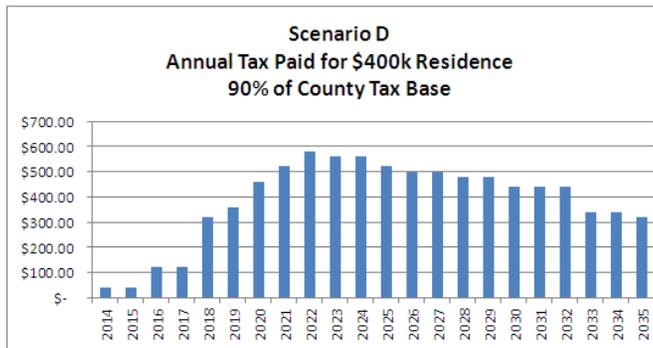
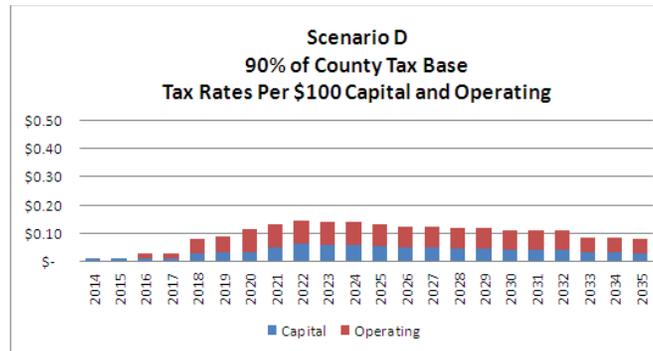
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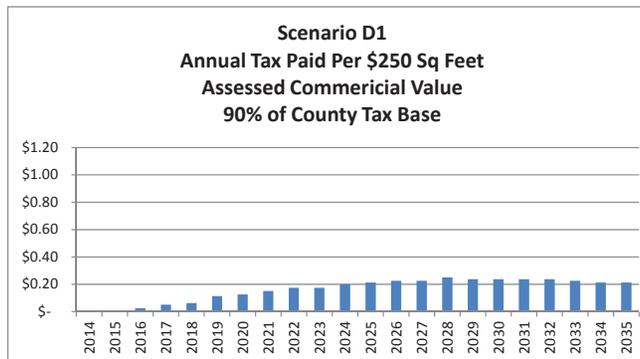
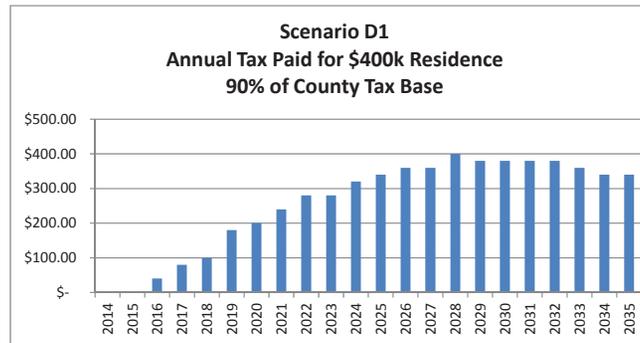
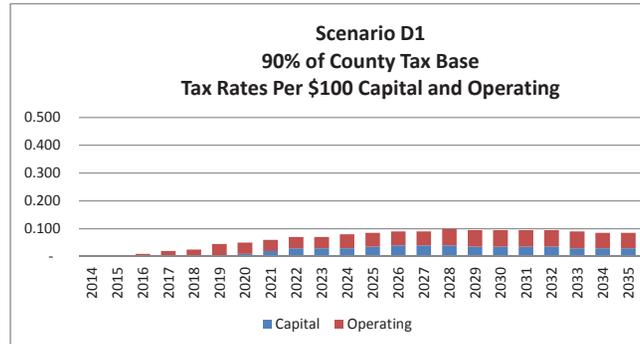
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# Scenario D1 Results

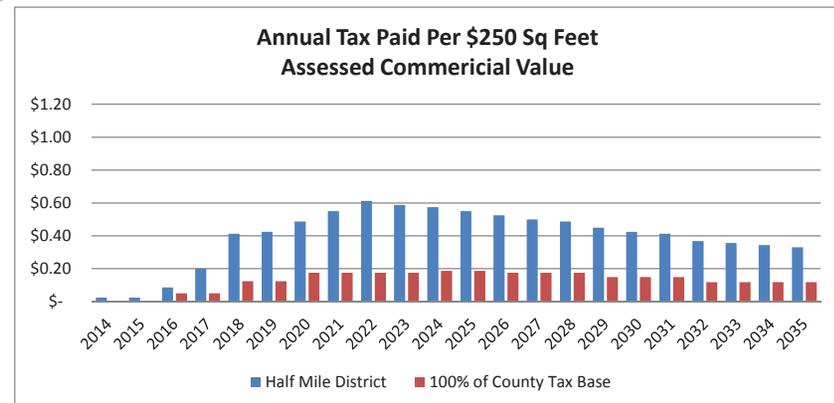
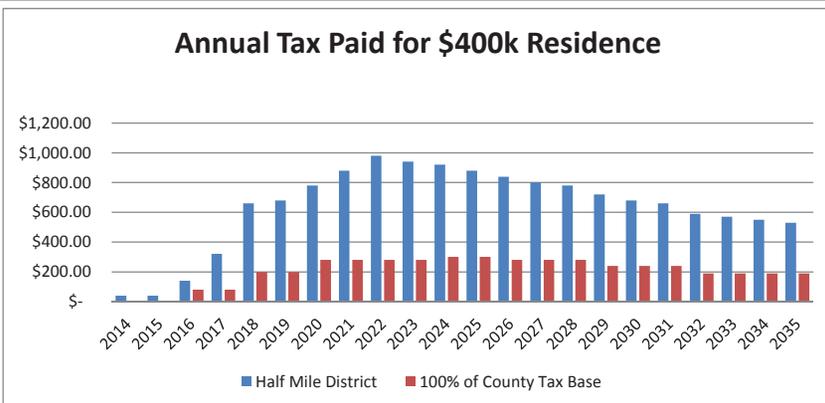
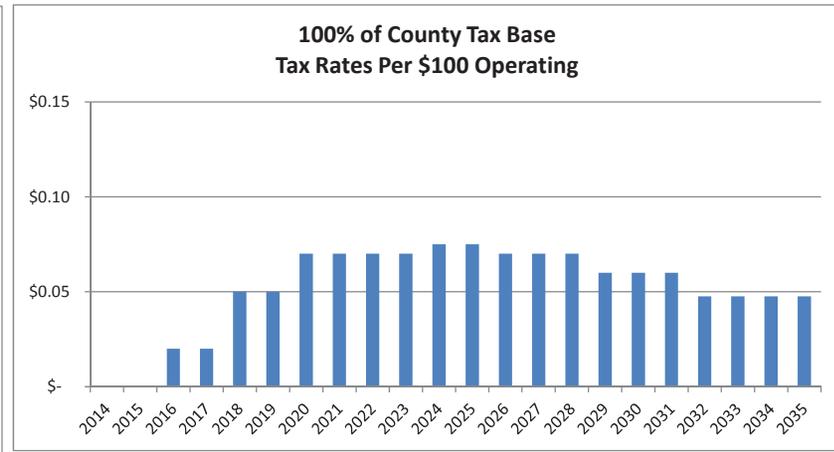
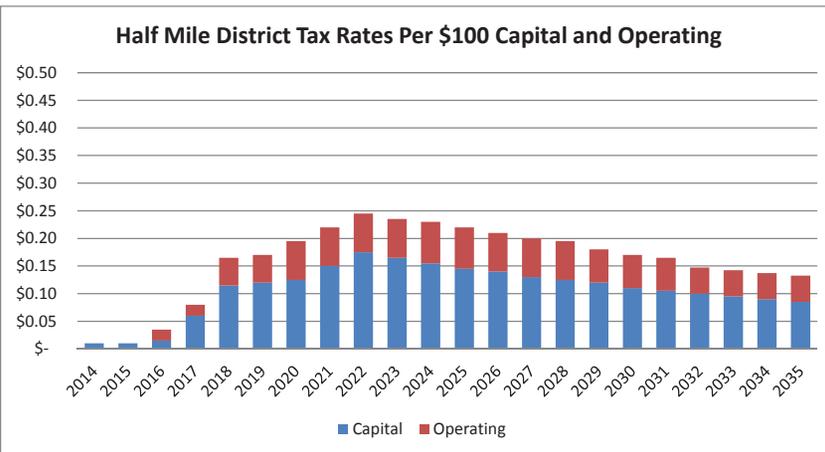
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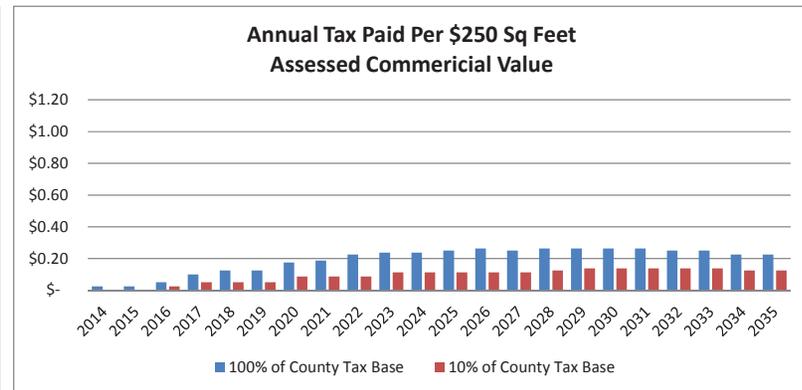
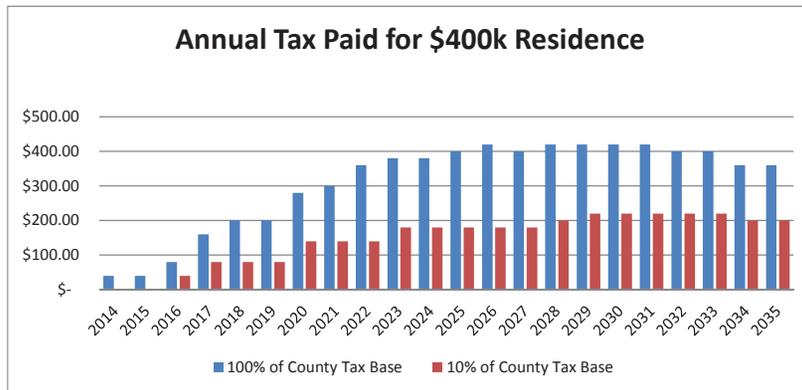
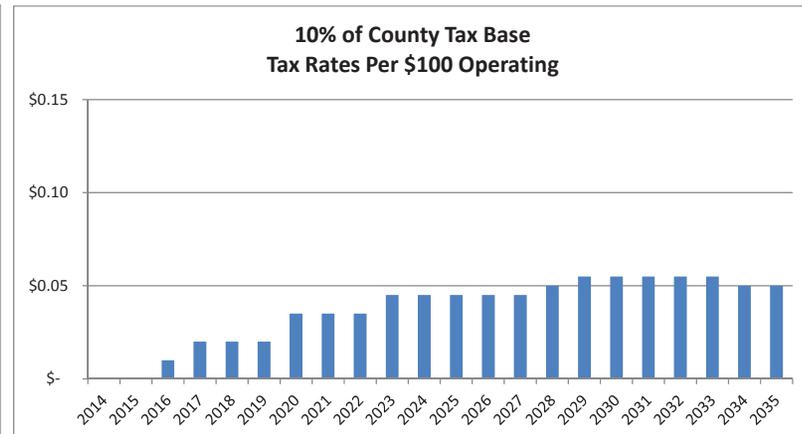
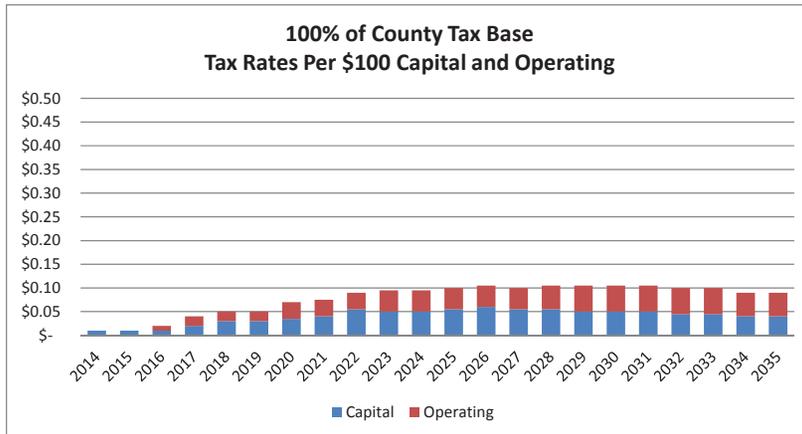
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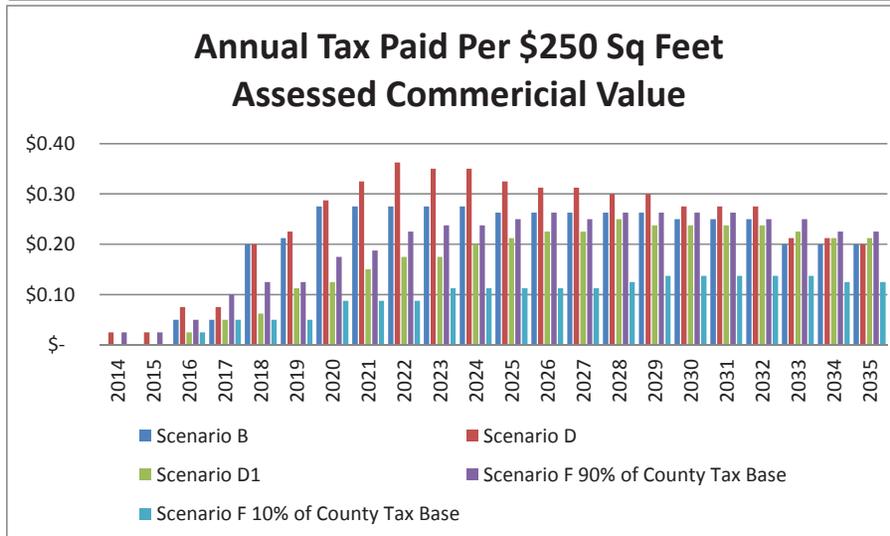
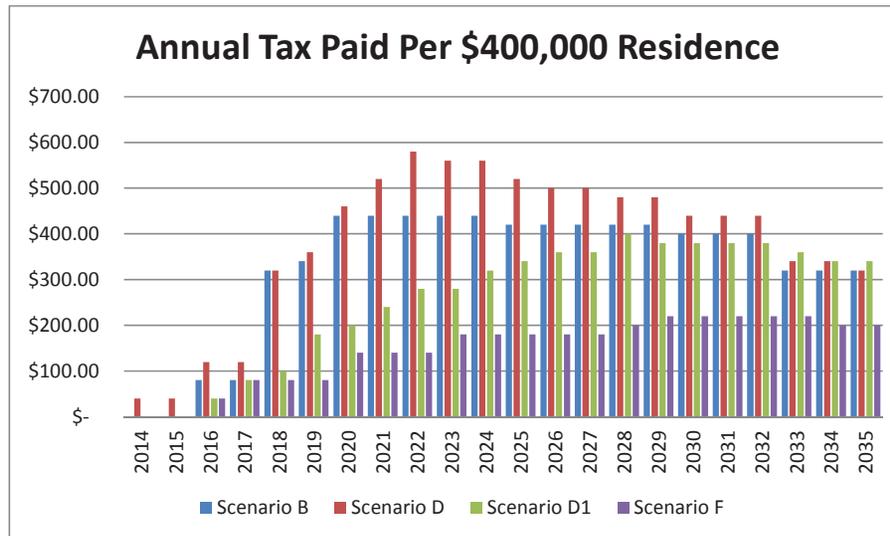


# Scenario F Results

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- Operating costs funded by property tax on 100% of County tax base
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# Scenarios D, D, D1 and F Residential and Commercial Tax Burden Comparison





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Maintenance Facilities	\$ 97,000	\$ 112,482	\$ 115,924
Parking Facilities	\$ 22,500	\$ 26,368	\$ 30,485
Route Operations Analysis	\$ 1,000	\$ 1,077	\$ 1,077
<b>Total</b>	<b>\$ 1,825,722</b>	<b>\$ 2,201,124</b>	<b>\$ 2,459,190</b>



# Operating Assumptions

- Operating costs based on Parsons Brinckerhoff cost per mile assumptions and RTV system route length
- Fares \$1.00 in 2016—increased every five years with inflation
- Boardings based on Parsons Brinckerhoff per mile estimates
- Tested under Base and Extend Implementation schedules

Base Nine Year	Extended Twenty Year
Phase 1 Ramp-up Initial: 2016 Full Service: 2020	Phase 1 Ramp-up Initial: 2016 Full Service: 2022
Phase 2 Ramp-up Initial: 2017 Full Service: 2021	Phase 2 Ramp-up Initial: 2022 Full Service: 2028
Phase 3 Ramp-up Initial: 2020 Full Service: 2022	Phase 3 Ramp-up Initial: 2027 Full Service: 2033



# Funding Sources

- Costs funded by revenues potentially derived from:

## Capital Costs

- ½ Mile District property taxes
- Property tax on 90% of County assessable base
- State/County funding
- Private sector contributions

## Operating Costs

- ½ Mile District property taxes
- Property tax on 90% of County assessable base
- Property tax on 100% of County assessable base

- Scenarios with differential tax rates and/or operating expenses charged to a special tax district assume change in legislation
- Financial scenarios tested effects of different combinations of funding sources

# Funding Sources



- Property tax growth
  - Based on County projections reflecting assumptions for reassessments and new construction
  - 2013-2018—0.9% ramping up to 6.3% annually
  - 2019 and thereafter—generally 6.0% annually
- State/County—\$20 million starting in 2014, increasing to \$35 million in 2017 and \$45 million in 2019, continuing thereafter
- Private sector contributions—assumed for all scenarios—equal to one-third of right-of-way and station costs



# Capital Costs Financing Assumptions

- Mix of cash and debt used to finance capital costs
- Debt structures assume combination of two year bond anticipation notes for construction financing and 30 year bonds
- Bonds rated in 'AA' category
- Conservative interest rate assumptions reflecting ten year average of benchmark tax exempt rates plus additional spread based on expected credit rating
- Debt service coverage—(Pledged annual capital revenues divided by annual debt service)
  - Minimum 1.40x
  - Increases to and remains around 1.50x

# Conceptual Financial Scenarios



- Scenario D-a1
  - Capital costs funded by property tax on 90% of County tax base and State/County contributions
  - Operating costs funded by property tax on 90% of County tax base
  - Tax rates smoothed to reduce maximum tax rate
  - Base implementation schedule
- Scenario D1-a1
  - Capital costs funded by property tax on 90% of County tax base and State/County contributions
  - Operating costs funded by property tax on 90% of County tax base
  - Tax rates smoothed to reduce maximum tax rate
  - Extended implementation schedule

# Conceptual Financial Scenarios



- Scenario F –a1
  - Capital costs funded by property tax on 90% of County tax base
  - Operating costs funded by property tax on 100% of County tax base
  - Tax rates smoothed to reduce maximum tax rate
  - Extended implementation schedule

# Summary Findings



## Projected Maximum Tax Rates

	D-a1	D1-a1	F-a1
<b>Tax Base</b>			
Half Mile District			
90% County	\$ 0.12	\$ 0.08	\$ 0.10
100% County			
10% County			\$ 0.05

## Projected Maximum Annual Tax Rate Paid for \$400,000 Residential Property

	D-a1	D1-a1	F-a1
<b>Tax Base</b>			
Half Mile District			
90% County	\$ 480.00	\$ 320.00	\$ 400.00
100% County			
10% County			\$ 180.00

## Projected Maximum Annual Tax Rate Paid for \$250 Square Foot Assessed Value Commercial Property

	D-a1	D1-a1	F-a1
<b>Tax Base</b>			
Half Mile District			
90% County	\$ 0.30	\$ 0.20	\$ 0.25
100% County			
10% County			\$ 0.11



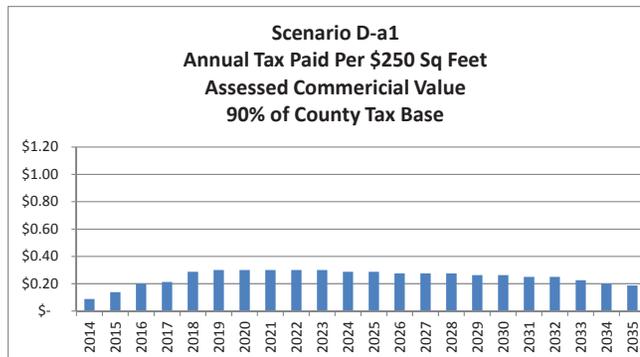
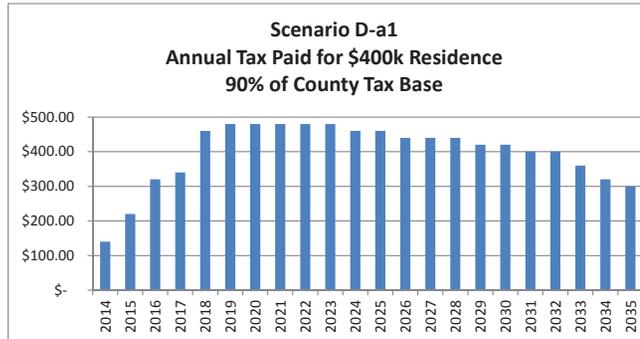
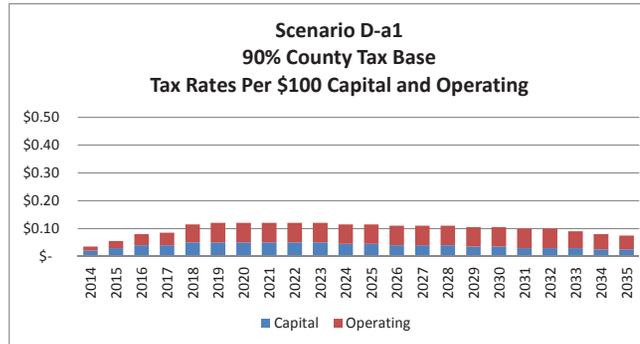
# Summary Findings

- Charging a somewhat higher initial tax rate reduces the maximum rate charged by
  - \$0.03 Scenario D-a1 compared to Scenario D
  - \$0.02 Scenario D1-a1 compared to Scenario D1
  - \$0.01 Scenario F-a1 compared to Scenario F

# Scenario D-a1 Results



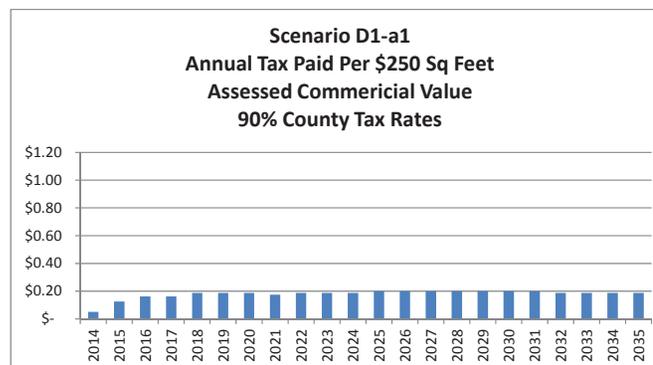
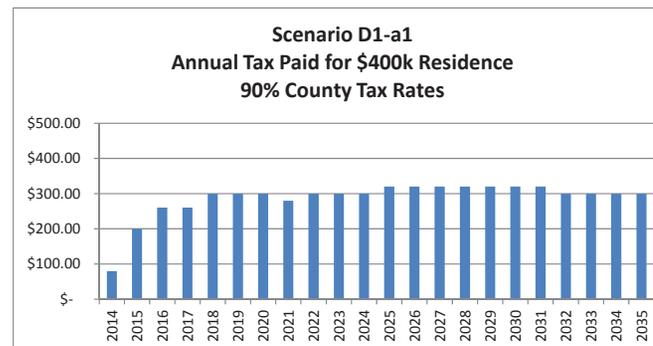
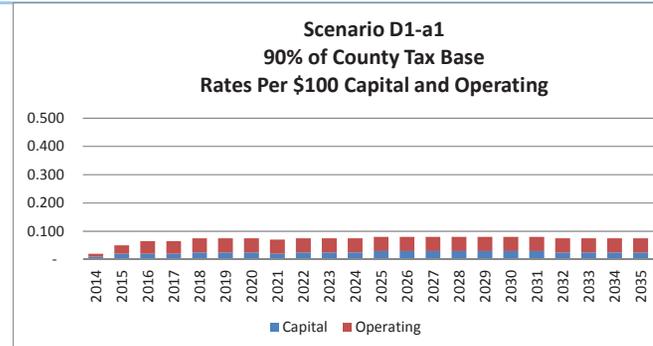
- Capital costs funded by property tax on 90% of County tax base and State/County contributions
- Operating costs funded by property tax on 90% of County tax base
- Tax rates smoothed to reduce maximum tax rate
- Base implementation schedule





# Scenario D1-a1 Results

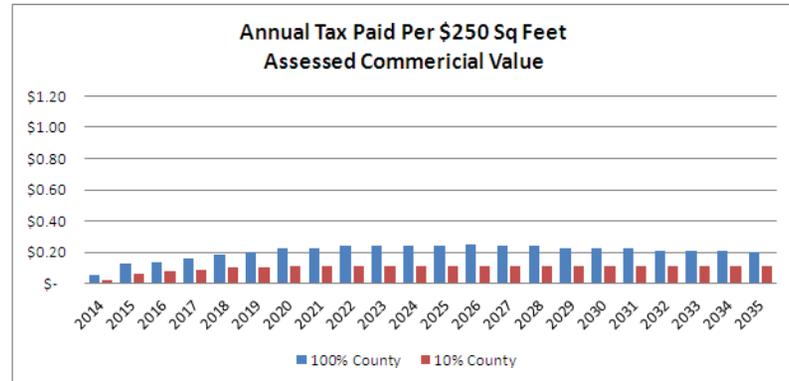
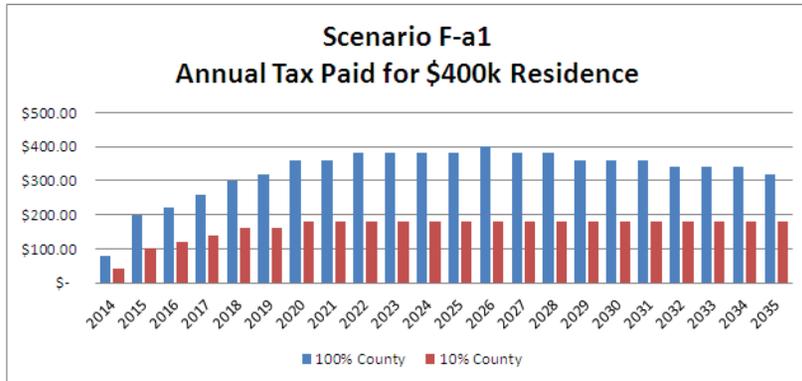
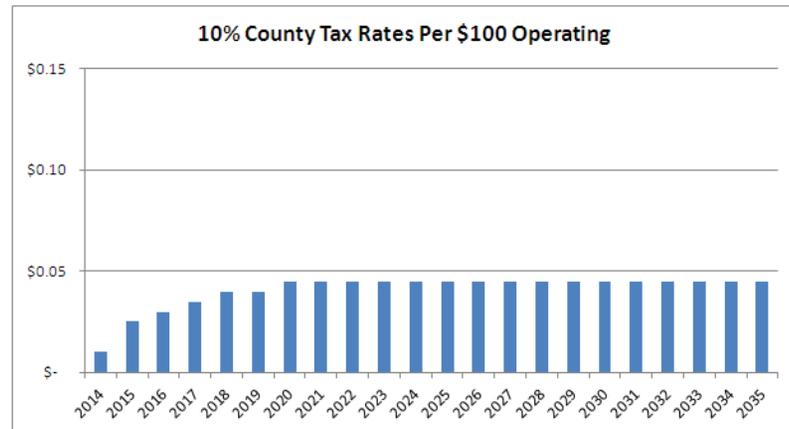
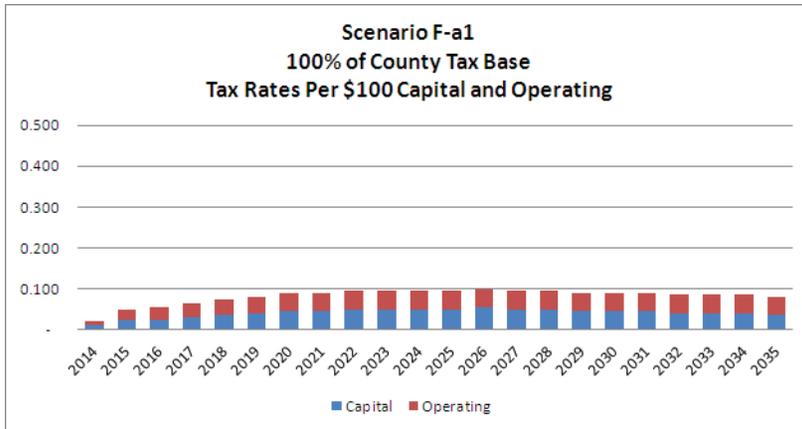
- Capital costs funded by property tax on 90% of County tax base and State/County contributions
- Operating costs funded by property tax on 90% of County tax base
- Tax rates smoothed to reduce maximum tax rate
- Extended implementation schedule





# Scenario F-a1 Results

- Capital costs funded by property tax on 90% of County tax base
- Operating costs funded by property tax on 100% of County tax base
- Tax rates smoothed to reduce maximum tax rate
- Extended implementation schedule





# Montgomery County, Maryland

## Transit Task Force

*Discussion on  
Alternative State Funding Scenarios*

**March 16, 2012**  
*presented by*

**Public Financial Management, Inc.**

# Conceptual Financial Scenarios



- Scenario D-a2
  - Capital costs funded by property tax on 90% of County tax base
  - Annual debt service related to CCT's share of RTV system costs (36%) funded by State
  - Remaining 64% of annual debt service funded by County property tax through 2020 and evenly split between County and State beginning in 2021
  - Operating costs funded by property tax on 90% of County tax base
  - Base implementation schedule

# Conceptual Financial Scenarios



- Scenario D1-a2
  - Capital costs funded by property tax on 90% of County tax base and State/County contributions
  - Annual debt service related to CCT's share of RTV system costs (36%) funded by State
  - Remaining 64% of annual debt service funded by County property tax through 2020 and evenly split between County and State beginning in 2021
  - Operating costs funded by property tax on 90% of County tax base
  - Extended implementation schedule

# Summary Findings



## Projected Maximum Tax Rates

	D-a2	D1-a2
Tax Rate	\$0.13	\$0.09
Residential Property (*)	\$520.00	\$340.00
Commercial Property (**)	\$0.33	\$0.21

(\*) Annual maximum tax burden assumed \$400,000 residential property

(\*\*) Annual maximum tax burden assumed for commercial property assessed valuation of \$250 per square foot

# Summary Findings

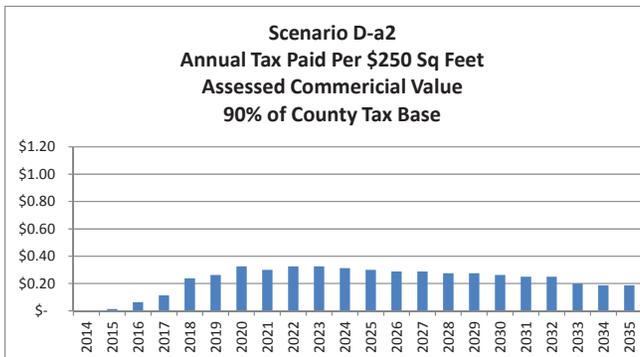
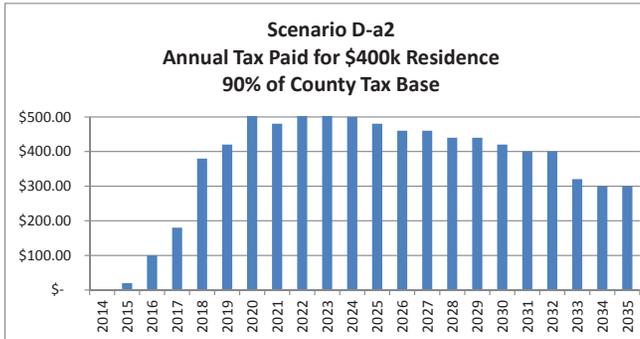
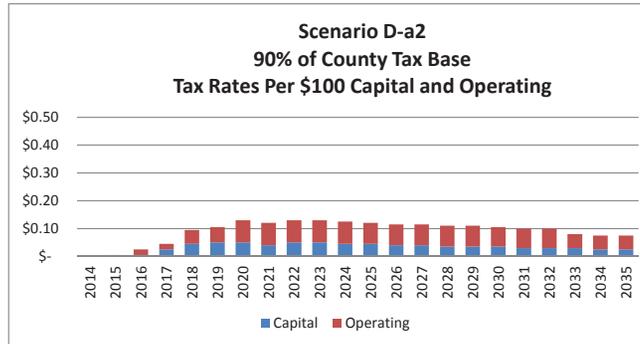


- State funding assumption reduces the maximum rate charged by
  - \$0.02 Scenario D-a2 compared to Scenario D
  - \$0.01 Scenario D1-a2 compared to Scenario D1

# Scenario D-a2 Results



- Capital costs funded by property tax on 90% of County tax base
- Annual debt service related to CCT's share of RTV system costs (36%) funded by State
- Remaining 64% of annual debt service funded by County property tax through 2020 and evenly split between County and State beginning in 2021
- Operating costs funded by property tax on 90% of County tax base
- Base implementation schedule



# Scenario D1-a2 Results

- Capital costs funded by property tax on 90% of County tax base and State/County contributions
- Annual debt service related to CCT's share of RTV system costs (36%) funded by State
- Remaining 64% of annual debt service funded by County property tax through 2020 and evenly split between County and State beginning in 2021
- Operating costs funded by property tax on 90% of County tax base
- Extended implementation schedule

