



TO: Transit Planning Advisory Committee

FROM: Nicole Kreiser, Wake County, TPAC Budget and Finance Subcommittee Co-Chair

RE: Transit Financial Model for FY 2017

DATE: November 9, 2016

The TPAC has assigned GoTriangle as the lead agency to update the Wake Transit Financial Plan and the financial model. Accordingly, the financial model shall contain the agreed upon financial assumptions of the TPAC for Wake Transit Work Plan revenues involving federal, state and local sources. The model also includes the multi-year capital and operating costs as well as the liquidity targets and debt ratios relevant to rating agency metrics.

GoTriangle has asked Wake County to serve on its behalf to update the Wake Transit Financial Plan and the financial model for FY 2017 while the County transitions modeling of the Wake Transit Plan to GoTriangle. Wake County and GoTriangle have jointly reviewed the model, and the modeling has also been shared with the TPAC Budget and Finance Subcommittee members for their review and feedback. Updates to the changes in assumptions have also been presented to the TPAC at the October 19th and November 2nd regular TPAC meetings.

Attached is the FY 2017 Financial Model Assumptions Template, which details the assumptions made in the Wake Transit Financial Plan adopted by GoTriangle, CAMPO, and the Wake County Board of Commissioners. It also compares those assumptions to changes made for FY 2017 and the assumptions contemplated for the FY 2018 Transit Work Plan.

As detailed in the Wake County Transit Plan, the plan is fiscally constrained and is contingent on a variety of assumptions. The changes shown for 2017 reflect assumptions that will evolve as information is modified and projections are updated to reflect actual results. This will continue as the projects in the Transit Plan continue to be studied and new information influences the cost and timing. Additionally, overall inflation assumptions, availability of local sources of revenue and growth assumptions, competition for federal funding for projects, successful access to capital markets, and regional partnerships will continue to influence the overall financial outlook of the Transit Plan.

For FY 2017, the most significant changes in assumptions are:

Local Revenue Sources

1. Removal of FY 2017 funding of the \$7 county car registration fee due to anticipated timing with DMV. A full fiscal year is now planned starting in FY 2018 vs one-quarter fiscal year in 2017. The one-quarter year funding for FY 2017 was estimated at \$1.449 million.

Federal Revenue Sources

2. Removal of \$24 million of federal funding towards bus acquisition expansion vehicles in the plan. This impacted a planned \$4 million of revenue for FY 2018.
3. Removing of federal reimbursement for BRT and CRT planning costs spent in FY 2018. Original cost curves provided for the projects indicated that those would be eligible for reimbursement; the plan has been updated such that the 50% assumption for federal funding reimbursement of dollars spent on BRT and CRT will begin for dollars spent beginning in FY 2019. This impacted \$4.65 million of revenue.

Expenditure Changes

4. Allocation of existing GoTriangle staff and cost allocations paid out of rental tax dollars to the Wake Transit Plan. Previously, these rental tax dollars were assumed to be for new transit services only. A recurring cost of \$487,972 inflated at 2.5% a year, has been added to the model. A one-time cost of \$700,000 allocated to systemwide planning is shown for FY 2017.
5. The addition of tax district administration and transit plan administration. A recurring \$1.2 million has been added to the plan, inflated at 2.5% a year. \$337,500 is the impact for FY 2017; the \$675K annualized impact plus additional positions contemplated for FY 2018 results in a \$1.2 million impact beginning in FY 2018. This will be finalized for the FY 2018 work plan.
6. The addition of other items shown in the multi-year operating and capital programs, including the acceleration of \$4.7 million of bus operations for FY 2018 and FY 2019 and \$4.8 million in additional bus infrastructure for FY 2018. These will be finalized with adoption of the FY 2018 work plan.
7. The reduction of \$45 million of bus infrastructure between FY 2019 and FY 2026; an original \$208.3 million was included in the financial plan. As project timelines are refined, this reduction may be reduced or allocated to other projects in the plan. These changes will also be continued to be refined for the adoption of the FY 2018 work plan.
8. The reduction of professional services in bus operations for FY 2019 from \$15 million to \$5 million. This will continue to be refined for future work plans.

The first few years of the Transit Plan involve significant design and further study of projects. The approach of the plan is strategic in leveraging federal and state funds, combined with existing and new sources of local funding, to deliver projects that connect regionally, connect Wake County's communities, provide frequent urban mobility, and link local service. The changes outlined above are pragmatic adjustments that continue to balance intensive capital investments with significant increases in frequent services and corresponding operating costs. The plan continues to maintain the necessary liquidity measures and other measures of fiscal health to support the goals of the Wake Transit Financial Plan. As stated above, the changes in assumptions will continue to be updated and refined as the FY 2018 work plan is finalized.