

NORTHSIDE-SOUTHSIDE STUDY



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FINANCIAL ANALYSIS REPORT



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1.0 Introduction

The purpose of the Northside-Southside Financial Analysis Report is to analyze the financial capacity of the City of St. Louis and MetroLink (Metro), in partnership with East–West Gateway Council of Governments (EWG), to construct the Northside-Southside MetroLink minimum operable segment (Northside-Southside Project), as well as identify additional potential revenue sources and strategies to complement the project’s capital finance plan. This report focuses on the capital funding requirements of the project.

The project team conducted a financial analysis to develop a project schedule and escalate capital costs according to several implementation scenarios, as detailed below. The team further developed a financial model to test these scenarios. The model contains several assumptions to reach the analysis result, which are detailed in this report.

Based on these assumptions and analyses, the project team found a funding gap ranging between 15.9 percent and 22.2 percent of the total project capital costs. Table 1-1 summarizes the results of the two most promising scenarios. The funding gap may become larger or smaller in subsequent phases of Project Development, as assumptions influencing its alignment, unit costs, inflation, implementation schedule, and financing costs are revised to align with more current conditions.

Table 1-1: Scenario Summary (YOE\$ Millions, unless otherwise stated)

Cost in 2017\$: \$667.3

	Total Project Costs before Financing (YOE\$ M)	Financing Costs (YOE\$ M)	Total Project Cost (YOE\$ M)	Funding Gap (YOE\$ M)	% of Project Cost Not Funded
Scenario 4	\$897.1	\$44.6	\$941.7	\$149.9	15.9%
Scenario 2	\$897.1	\$49.7	\$946.8	\$210.6	22.2%

Source: WSP

Throughout the report the years correspond to fiscal years; for example, if the NEPA process starts in FY 2020, FY 2020 should be read as July 2019 through June 2020.

In addition, given the capital funding gap, resources will need to be identified to not only cover that gap but also to provide for the operating costs of the project.

It must be stressed that capital funding deficits are typical at this level of major transit capital Project Development. Part of Project Development includes exploring and securing all needed capital and operating revenues to successfully execute the investment. For that reason, this report concludes with a discussion of a range of funding options that may be considered to help reduce – but not entirely fill – the identified capital funding gap.



2.0 Planned / Committed Funding and Financing Sources

The following funding and financing sources are considered committed or planned for the purpose of this financial assessment. Each funding and financing source is detailed in the following sections.

- Funding Sources
 - Economic Development Sales Tax (committed)
 - Federal Capital Investment Grant (CIG) Program: New Starts (Planned)
- Financing Tools
 - Transportation Infrastructure Finance and Innovation Act (TIFIA) loan (planned in Scenario 4)
 - Capital Markets Sales Tax Bond (planned in Scenario 2)

Local Funding - Economic Development Sales Tax

Approved by St. Louis voters in April 2017, the Proposition 1A - Economic Development Sales Tax generates a 0.5 percent sales tax to fund economic development projects. The proceeds of the half cent Economic Development Sales Tax are intended for the uses outlined in Table 2-1. Proposed expenditures are presented to the Economic Development Board each year and then approved by the Board of Aldermen.

For this analysis, 60 percent of the tax revenue is used to fund the Northside-Southside Project. The “Transit” category is committed to the Northside-Southside Project, as indicated in the ballot language: “Shall the City of St. Louis impose a sales tax at a rate of one half of one percent for economic development purposes including (1) North/South Metrolink...”¹

Table 2-1: Economic Development Sales Tax Breakdown

Category	Percentage of Proceeds	Projected FY 2018 Allocation
North/South Metrolink	60%	\$12,153,207
Neighborhood Revitalization	10%	\$2,025,535
Workforce Development	10%	\$2,025,535
Public Safety	10%	\$2,025,535
Infrastructure	10%	\$2,025,535

Federal Funding - Capital Investment Grant (CIG) Program

The Northside-Southside Project could qualify as a New Starts project. The financial analysis assumes 50 percent of project costs will be covered by the Federal Transit Administration’s (FTA) Section 5309 CIG program, which provides discretionary federal funding for major fixed guideway transit projects across the United States. The *Preliminary New Starts Project Justification Evaluation Technical Report* (May 2018) describes the CIG program, the criteria, and the measures that FTA uses to evaluate candidate projects,

¹ <https://www.stlouis-mo.gov/internal-apps/legislative/upload/boardbill/BB227-wd6.pdf>



and establishes that the Northside-Southside Project is eligible for a CIG, which is a competitive nationwide program offered by FTA.

Financing Instruments

In this analysis, the financial model analyzed five scenarios, as described in Chapter 3. After the initial analysis and discussion with EWG and Metro, three scenarios were excluded from further consideration. The analysis presented in this report, therefore, focuses on the two most promising scenarios. The two scenarios assume two different financing instruments, which are required to leverage future revenues to close the gap between annual project needs and available pay-go resources. Scenario 4 assumes a TIFIA loan, while Scenario 2 assumes a Capital Markets Sales Tax Bond.

Scenario 4: Transportation Infrastructure Finance and Innovation Act (TIFIA)

The TIFIA program provides federal credit assistance in the form of direct loans, loan guarantees, and standby lines of credit to finance surface transportation projects of national and regional significance. TIFIA leverages federal funds by attracting private and non-federal investment to projects that critically improve the nation's surface transportation program. TIFIA credit assistance provides improved access to capital markets, flexible repayment terms, and potentially more favorable interest rates than can be found in private capital markets for similar instruments. TIFIA financing enables the applicant to receive more favorable interest rates for the project's share of non-federal borrowing due to lowered investment risk.

TIFIA can help advance qualified, large-scale projects that otherwise might be delayed or deferred because of size, complexity, or uncertainty over the timing of revenues. Many surface transportation projects (i.e., highway, transit, railroad, intermodal freight, and port access) are eligible for assistance. Each dollar of federal funding applied to TIFIA (as the subsidy amount) can provide approximately \$10 in credit assistance and leverages approximately \$30 in transportation infrastructure investment.

Up to 50 percent of the capital cost of an eligible project may be financed through TIFIA, although in practice United States Department of Transportation (USDOT) lends no more than 33 percent of costs to a single project. The combined share of TIFIA proceeds and other federal funding for a given project may not exceed 80 percent of the total project cost. To date, TIFIA has financed 16 transit projects. Several of these projects have combined TIFIA financing and funding from FTA's New Starts program, making project financing more manageable by providing up-front grant funding to cover a share of project costs and low-cost federal loans to leverage each project's local match.

TIFIA extends loan rates effectively equivalent to the prevailing 30-year U.S. Treasury Bond rate at financial close plus one basis point. The program permits repayment over a term of up to 35 years after a project's substantial completion, and gives borrowers the flexibility to defer principal and capitalize interest payments for up to 5 years. Principal payments may be structured to ramp up with projected growth in revenues pledged to service TIFIA debt. Either the City of St. Louis or Metro - whichever applies for a TIFIA loan – must pledge revenues to service the debt. A key assumption is that revenues pledged are stable enough to make debt service payments on a full and timely basis. The structure of the debt with pledged revenues must meet a credit-rating threshold of being rated at least investment (Baa3/BBB-) grade by two rating agencies. Projects must meet all federal funding eligibility requirements (including National Environmental Policy Act [NEPA], Buy American Act, Davis-Bacon Act of 1931, and others). Loans may be prepaid in whole or in part at any time without penalty.



TIFIA is flexible and cost-effective. The limited pool of financial capacity, the highly competitive nature of the program, and the cap on the percentage of TIFIA financing by project are the program's biggest disadvantages.

Scenario 2: City Bonding (Capital Markets Sales Tax Bond)

A Capital Market Sales Tax Bond is a financial instrument used to finance a revenue stream, such as a sales tax. Specifically, a municipal bond is used as a debt security that is issued by the state or local government. The bond proceeds are securities issued for the purpose of financing the infrastructure needs of the issuing state or local government. In this case, the financed infrastructure need is a local transit system, the Northside-Southside Project. The interest rate, repayment period, and principal payments are predetermined by the municipal issuer, which may be the City or Metro.

One of the primary reasons municipal bonds are considered separately from other types of bonds is because of the tax advantage. Interest paid by the issuer to bond holders is often exempt from gross income for federal income tax purposes, as well as state income taxes. This financial tool is low-risk, which makes the bonds attractive.

3.0 Financial Analysis

Financial Model Assumptions

The following assumptions were used in the financial model to analyze the two funding and financing scenarios described in Chapter 2. These assumptions are further summarized in Table 3-1.

- **Inflation Rate:** The inflation rate of 3 percent used in this financial model was based on direction from the Metro Chief Financial Officer.
- **Sales Tax Growth Rate:** The sales tax growth is based on assumptions made by Metro; Metro has experience forecasting a sales tax growth rate, as its operating revenue comes from a sales tax. A sales tax is a consumption tax levied on goods, paid by the consumer and submitted by the retailer to the governing tax authority. The sales tax growth rate used in this analysis is 0.5 percent.

Scenario 4: Transportation Infrastructure Finance and Innovation Act (TIFIA)

- **TIFIA – Interest Rate:** The interest rate on a TIFIA direct loan is equal to or greater than the yield on U.S. Treasury securities of comparable maturity on the date of execution of the credit agreement. In this analysis, a conservative 4.0 percent is used as the interest rate. Two additional interest rates were also assessed: 5.0 percent and 3.0 percent.
- **TIFIA – Issuance Cost:** Issuance costs are the fees associated with the issuance of bonds by the TIFIA Loan Office. The costs generally include USDOT, underwriter, rating agency, counsel, trustee, and financial advisor fees. The issuance cost used in this analysis is 1.0 percent.
- **TIFIA – DSRF (Debt Service Reserve Fund):** Debt service reserves are cash assets that are designated by the borrower to provide additional security for full and timely payments to bond holders (the federal government) in the event there is a short-term interruption in pledged revenues. The DSRF used in this analysis is 10.0 percent.
- **TIFIA – Debt Service Coverage Ratio (DSCR):** The debt-service coverage ratio is a measure of the cash flow available to pay current debt obligations. The ratio is pledged revenue as a multiple



of debt obligations due within one year, including interest and principal. In this analysis, a DSCR of 1.2 was assumed.

- **TIFIA – Loan Term (year):** The final maturity date of a direct loan must be no later than 35 years after the date of substantial completion of the project. For this analysis, the loan term is set at 35 years.

Scenario 2: City Bonding (Capital Markets Sales Tax Bond)

- **City Bonding – Interest Rate:** The interest rate used for the Capital Market Sales Tax Bond is based on the credit quality of the bonds being offered and market conditions at the time the bonds are sold. The use of borrowed capital from the state or local government incurs interest and debt obligations. In this analysis, a long-term interest rate of 5.0 percent is assumed.
- **City Bonding – Issuance Cost:** Issuance costs are the fees associated with the issuance of bonds by the state or local government for the Capital Market Sales Tax Bond. The costs generally include underwriter, rating agency, counsel, trustee, and financial advisor fees. The issuance cost used in this analysis is 1.0 percent.
- **City Bonding – DSRF (Debt Service Reserve Fund):** The debt service reserves are cash assets that provide additional security for full and timely payments to bond holders in the event there is a short-term interruption in pledged revenues. The DSRF used in this analysis is 10.0 percent.
- **City Bonding –Debt-Service Coverage Ratio (DSCR):** The debt-service coverage ratio is a measure of the cash flow available to pay current debt obligations. The ratio is pledged revenue as a multiple of debt obligations due within one year, including interest and principal. For the purpose of this analysis, a DSCR of 1.2 was assumed.
- **City Bonding – Loan Term (year):** The loan term is a determined repayment time that the borrower agrees to repay the borrowed money. For Scenario 2, the loan term is 30 years.

Table 3-1: Financial Model Assumptions

Inflation Rate	3.0%
Sales Tax Growth Rate	0.5%
Bonding Assumptions	
TIFIA Bonding - Interest Rate	4.0%
TIFIA Bonding - Issuance Cost	1.0%
TIFIA Bonding - DSRF	10.0%
TIFIA Bonding - DSCR (ratio)	1.2
TIFIA Bonding - Loan Term (years)	35
City Bonding - Interest Rate	5.0%
City Bonding - Issuance Cost	1.0%
City Bonding - DSRF	10.0%



City Bonding - DSCR (ratio)	1.2
City Bonding - Loan Term (years)	30

Scenarios

Initial Analysis

As previously discussed, the financial model initially analyzed five scenarios to evaluate a variety of funding and financing scenarios to fund the project costs of the Northside-Southside Project. The original five scenarios are summarized in Table 3-2.

Table 3-2: Assumptions for Each Scenario (Initial Analysis)

	Assumption	Funding Revenues	Financing
Scenario 1	Sales tax revenues cover costs of NEPA	Economic Development Sales Tax and CIG New Starts Funding	City Bonding
Scenario 2	Sales tax revenues cover costs of Project Development, including NEPA	Economic Development Sales Tax and CIG New Starts Funding	City Bonding
Scenario 3	Sales tax revenues cover costs of NEPA	Economic Development Sales Tax and CIG New Starts Funding	TIFIA Loan
Scenario 4	Sales tax revenues cover costs of Project Development, including NEPA	Economic Development Sales Tax and CIG New Starts Funding	TIFIA Loan
Scenario 5	Alignment terminates at Cherokee. Sales tax revenues cover costs of Project Development, including NEPA	Economic Development Sales Tax and CIG New Starts Funding	TIFIA Loan

Scenario 1, Scenario 3, and Scenario 5 were excluded from further consideration for the following reasons:

- Scenario 1
 - Largest funding deficit
 - NEPA projected to start as early as July 2018, which does not give the project team enough time to collect sufficient revenues from the sales tax
- Scenario 3
 - Large funding deficit
 - Project projected to start as early as July 2018, which does not give the project team enough time
 - TIFIA loan is unlikely due to the anticipated 9-year deferment of loan repayment period (typically 5 years is the maximum)
- Scenario 5
 - Large funding deficit



- Project projected to start as early as July 2018, which does not give the project team enough time
- Shorter alignment may lose local support
- May not meet GIG project justification requirements

After reviewing the five scenarios, the two scenarios with the smallest funding deficits were selected to continue the assessment.

Detailed Analysis

The original assumptions for the scenarios (Table 3-2) were based on the sales tax revenue being sufficient to pay for NEPA and New Starts “Project Development” prior to the start of the NEPA process. However, several assumptions were modified to mitigate risk, including:

- The sales tax growth rate was divided in half.
- Revenue for the sales tax was collected for only 9 months the first year (rather than 12).
- Rather than collecting 70 percent (Transit + Infrastructure) of the sales tax revenues, the model was changed to assume only the 60 percent Transit set-aside,

These changes resulted in slower accumulation of funds. However, rather than changing the project start date to wait for there to be sufficient funds collected prior to the start of the NEPA process, the financial analysis maintained the assumption that the NEPA process will begin in FY 2020 (July 2019). Assuming FY 2020 for the beginning of the NEPA process, sales tax revenues are forecast to be sufficient to cover the cost of NEPA and Project Development (generally defined as achievement of 30 percent design the development of technical information which justifies the merits of the project to FTA, the preparation of financial and project management plans to implement and operate the project, and the securing of 30 percent of the non-CIG share of capital funding), in a **pay-as-you-go** format. It is anticipated that both the NEPA process and Project Development will last for approximately 2 years, respectively, with roughly a year of overlap, as presented in Figure 3-1.

If these assumptions are changed so that the **full cost** of NEPA and Project Development are collected prior to initiating the NEPA process, the start of the NEPA process would be delayed until FY 2022 (July 2021). This would be approximately two years later than currently assumed.. The most significant risk of delaying the project by two years is that the project cost would be expected to increase by roughly 6 percent or more due to the effects of inflation, and financing costs may be higher due to a rise in interest rates. In addition, the project may lose political support during those two years.

For the purpose of this report, the following analysis of the project is based on the assumption that the NEPA process begins in FY 2020 (or July 2019).

The following two scenarios are summarized in Table 3-3 and Table 3-4.

Table 3-3: Assumptions for Each Scenario (Detailed Analysis)

	Assumption	Funding Revenues	Financing
Scenario 4	Sales tax revenues cover costs of NEPA and Project Development.	Economic Development Sales Tax and CIG New Starts Funding	TIFIA Loan
Scenario 2	Sales tax revenues cover costs of NEPA and Project Development.	Economic Development Sales Tax and CIG New Starts Funding	City Bonding



Table 3-4: Summary of Results for Each Scenario

Cost in 2017\$: \$667.3

	Total Project Costs before Financing (YOE\$ M)	Financing Costs (YOE\$ M)	Total Project Cost (YOE\$ M)	Funding Gap (YOE\$ M)	% of Project Cost Not Funded
Scenario 4	\$897.1	\$44.6	\$941.7	\$149.9	15.9%
Scenario 2	\$897.1	\$49.7	\$946.8	\$210.6	22.2%

Figure 3-1 illustrates the project timeline for the two scenarios. Additionally, Figure 3-2 and Figure 3-3 on the following page presents the costs for each scenario for each phase of project implementation.

Figure 3-1: Project Timeline for Scenario 4 and Scenario 2

PROJECT SCHEDULE

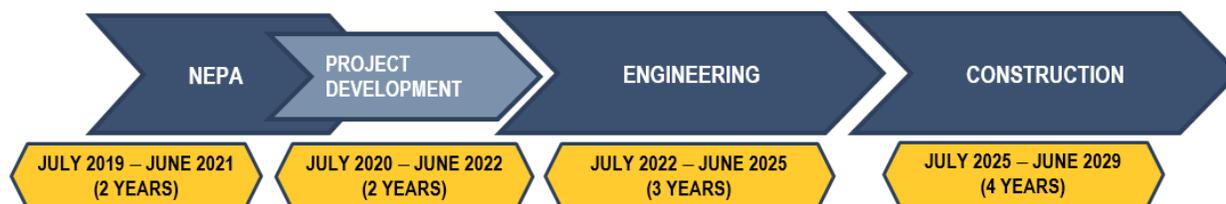


Figure 3-2: Costs Incurred for Each Phase of Project Implementation - Scenario 4



Figure 3-3: Costs Incurred for Each Phase of Project Implementation - Scenario 2



Scenario Results

As previously mentioned the financial model analyzed two scenarios to evaluate the most viable funding and financing scenario to fund the capital cost of the Northside-Southside Project. For both scenarios, the project schedule start years are assumed as follows:



Table 3-5: Project Schedule Start Years for Scenarios (YOES\$ Millions)

Environmental Review Period (NEPA) Start Year	FY2020 (July 2019)
Project Development Period Start Year	FY2021 (July 2020)
Engineering Period Start Year	FY2023 (July 2022)
Construction Period Start Year	FY2026 (July 2005)
Construction Period End Year	FY2029 (June 2029)

The following presents the risks and benefits of each scenario.

Scenario 4 – TIFIA Loan

Benefits of Scenario 4: TIFIA Loan

- The of NEPA and Project Development costs are projected to be covered by sales tax revenues.
- TIFIA loan proceeds are projected to be needed in July 2022 to adequately fund the project. The NEPA process is anticipated to be complete in June 2021 which provides a year for the following the completion of the NEPA process for the the project sponsor to secure a TIFIA loan before the proceeds are anticipated to be necessary for the project (July 2022).
- TIFIA financing enables the project to receive a more favorable interest rate for the non-CIG share of project cost.
- TIFIA annual drawdown may be structured to ramp up with projected project costs.
- The project sponsor has the flexibility to defer principal payments and capitalize interest payments for up to 5 years.

Risks of Scenario 4: TIFIA Loan

- Funding deficit of 15.9 percent, or \$149.9 million (YOES\$).
- TIFIA program is a highly competitive program and there is a limited pool of financial capacity.
- In the analysis for Scenario 1, the payment deferral is 6 years, which is one year longer than the typical allowance for the TIFIA program. As mentioned in Section 2.3, the typical payment deferral allowed by the TIFIA department is 5 years. It is a risk to increase the payment deferral by one year.



Table 3-6: Details of Scenario 4 TIFIA Loan (YOE\$ Millions)

1. Project Costs (Uses)	
Construction Costs	527.1
ROW Costs	36.4
Vehicles Costs	129.0
Professional Services Costs	123.8
Unallocated Contingency Costs	80.9
Subtotal Project Costs	897.1
Financing Costs (DSRF, COI, interest incurred through Construction, and Application Fee)	44.6
Total Project Costs w/ Financing Costs	941.7
2. Project Funds (Sources)	
TIFIA Loan	176.4
Sales Tax Funds Used for Pay-Go	147.6
FTA CIG Funds *	467.9
Non-CIG Funds - To be Identified	149.9
Total Sources	941.7
3. Total Project Funded	
% of Project Funded	84.1%
Amount of Project Funded	791.8
4. Total Deficit for Project	
% of Project Cost Not Funded	15.9%
Total Deficit / Funding Gap	149.9

* Total CIG Funds can only be used if Non-CIG Funds are identified

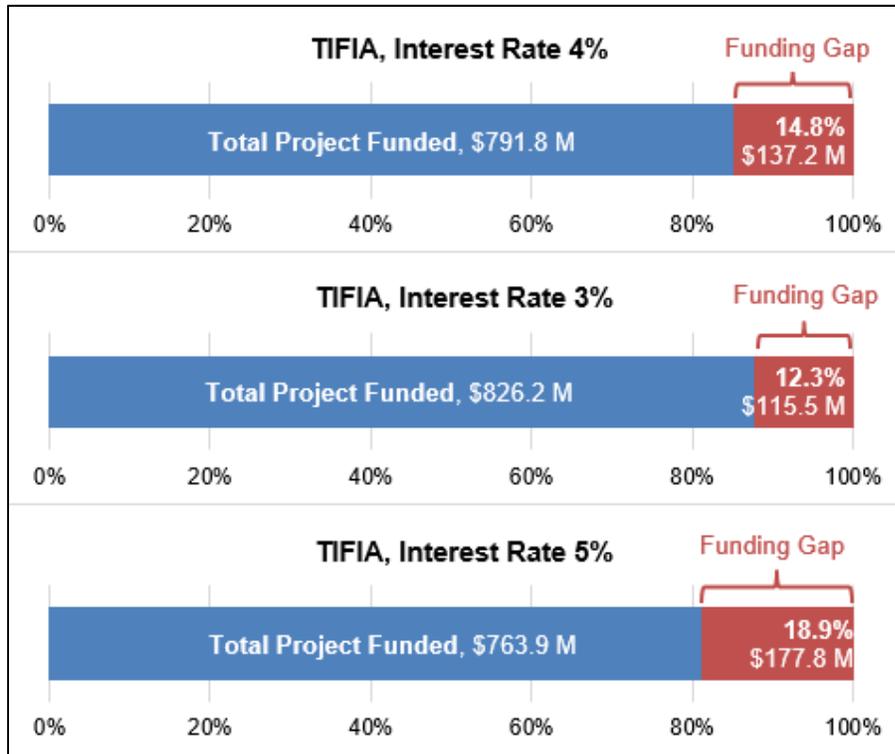
Alternative TIFIA Scenarios

As noted, the TIFIA interest rate can fluctuate depending on instability in the U.S. Treasury Bond rate. Figure 3-4 shows the funding gap difference between using a 3 percent, 4 percent, and 5 percent TIFIA



interest rate. The first bar chart (TIFIA, Interest Rate 4 percent) is the assumption used in Scenario 4, as previously explained.

Figure 3-4: TIFIA Interest Rate Comparison (YOE\$ Millions)



Scenario 2 Capital Markets Sales Tax Bond

Benefits of Scenario 2: Capital Markets Sales Tax Bond

- NEPA and Project Development costs are projected to be covered by sales tax revenues.
- Obtaining a Capital Markets Sales Tax Bond is less risky than obtaining a TIFIA loan due to the larger amount of money available in the Capital Markets (private market).

Risks of Scenario 2: Capital Markets Sales Tax Bond

- Larger funding deficit of 22.2 percent, or \$210.6 million (YOE\$).
- Higher interest rate than a TIFIA loan.
- A Capital Markets Sales Tax Bond require full bond amount to be borrowed at the time bonds are issued.
- The borrower does not have the flexibility to defer principal payments.

Table 3-7: Details of Scenario 2 Capital Markets Sales Tax Bond (YOE\$ Millions)



1. Project Costs (Uses)	
Construction Costs	527.1
ROW Costs	36.4
Vehicles Costs	129.0
Professional Services Costs	123.8
Unallocated Contingency Costs	80.9
Subtotal Project Costs	897.1
Financing Costs (DSRF, COI, and Interest Incurred through Construction)	49.7
Total Project Costs w/ Financing Costs	946.8
2. Project Funds (Sources)	
Gross Bond Proceeds	162.8
Sales Tax Funds Used for Pay-Go	71.2
Sales Tax Used to Pay Interest During Construction	31.8
FTA CIG Funds *	470.4
Non-CIG Funds - To be Identified	210.6
Total Sources	946.8
3. Total Project Funded	
% of Project Funded	77.8%
Amount of Project Funded	736.1
4. Total Deficit for Project	
% of Project Cost Not Funded	22.2%
Total Deficit / Funding Gap	210.6

** Total CIG Funds can only be used if Non-CIG Funds are identified*

Source: WSP

Operating and Maintenance (O&M) Costs

Although this report focuses on funding and financing the capital costs of the Northside-Southside Project, in addition to addressing the capital funding gap, project stakeholders will need to find a reliable revenue source to meet the project’s operating and maintenance (O&M) costs. It is anticipated that the



annual operating costs of the Northside-Southside Project will be approximately \$24 million in the first full year of operations, 2030. It is expected that annual O&M costs will increase with inflation. Fare revenues can be used to cover a portion of the annual O&M costs; however, it is unlikely that fare revenues will cover the annual O&M costs. Metro’s FY2017-2019 Operating and Capital Budget assumes that 20 percent of the operating cost will be covered by fare revenues. Assuming the Northside-Southside line could generate enough fare revenue to cover 20 percent of its operating costs, a reliable funding source still would need to be identified for the other 80 percent of the O&M costs, or approximately \$19 million annually. Table 3-8 illustrates the total O&M cost gap. Opening year 2030 O&M costs were estimated by escalating the 2017\$ O&M cost of \$16.7 million by 3 percent per year.

Currently, Metro’s sales revenues, as shown in Table3-9, are supporting ongoing system operations. Therefore, it is unclear how much can go towards a new system / fixed guideway.

Table 3-8: Committed Local Sales Tax Revenues

Sales Tax Name
City of St. Louis Half Cent Sales Tax
County of St. Louis Half Cent Sales Tax
City of St. Louis ¼ cent sales tax (Prop M)
County of St. Louis ¼ cent sales tax (Prop M)
City of St. Louis Prop M2 sales tax (Prop M2)
County of St. Louis Half Cent Sales Tax (Prop A)

Table 3-9: Operating and Maintenance (O&M) Costs in FY 2030 (YOE\$ Millions)

	FY 2030
O&M Costs (in opening year)	23.8
Farebox Recovery	20.0%
Total O&M Cost Gap	(19.06)

Source: WSP

4.0 Potential Funding and Financing Sources

Chapter 3.0 identifies a funding gap (ranging between approximately \$150 and \$210 million) to cover the Northside-Southside Project capital costs. The Northside-Southside Project may be eligible for several local, state, regional, and federal programs, as outlined in the following sections, which may partially address this deficit. The following identifies these funding and financing programs, outlines information about them, and describes their potential applicability to the Northside-Southside Project. It must be stressed, however, that while a combination of one or more of these program resources may help reduce the capital funding deficit, they do not possess the capacity to fully bridge the gap, and it is likely that a new revenue source(s) will need to be established in order to construct and operate the project.



Local Funding (Economic Development Sales Tax Infrastructure Set-Aside)

Metro collects several sales tax revenue streams from across the region, including the City and County of St. Louis. However, Metro has indicated that these sales tax revenues are committed to meeting its ongoing system-wide capital and operating needs.

The City of St. Louis’ Economic Development Sales Tax, however, has not been fully programmed, as described below.

Approved by St. Louis in April 2017, the Economic Development Sales Tax, Proposition 1A measure generates a 0.5 percent sales tax to fund economic development projects. The proceeds of the half cent Economic Development Sales Tax are intended for the uses outlined in Table 4-1. As previously stated, the “Transit” category is already committed to the Northside-Southside Project (60 percent of the proceeds). The use of 10 percent for “Infrastructure” improvements has not yet been committed. It is possible that this category of revenue could be made available to the project, pending approval of the Economic Development Board.

Table 4-1: Economic Development Sales Tax Breakdown

Category	Percentage of Proceeds	Projected FY 2018 Allocation
Transit	60%	\$12,153,207
Neighborhood Revitalization	10%	\$2,025,535
Workforce Development	10%	\$2,025,535
Public Safety	10%	\$2,025,535
Infrastructure	10%	\$2,025,535

State and Regional Funding

The Missouri Department of Transportation (MoDOT) provides funding from general revenues and the state transportation fund as assistance for 34 transit agencies across the state. Two MoDOT funding and financing programs appear to be potential sources for the Northside-Southside Project.

MODOT Statewide Transportation Assistance Revolving (STAR) Fund

The Statewide Transportation Assistance Revolving (STAR) Fund is a MoDOT program authorized by the Missouri General Assembly in 1997. The following types of projects are eligible for STAR loans: air, water, rail or mass transit facility construction; mass transit vehicles; and vehicles for elderly or handicapped persons. There is roughly \$3.0 million in total program funds; however, MoDOT is limited to disbursements of \$1.0 million annually. MoDOT would need legislative approval to exceed this annual appropriated amount. The STAR loan program has been widely used for airport facility improvements in recent years, but there remains some capacity and therefore this may be a viable source for the NS SS Project.



Missouri Transportation Financing Corporation (MTFC)

The Missouri Transportation Finance Corporation (MTFC) includes any highway project eligible for federal assistance under Title 23 of the U.S. Code and any transit capital project eligible for federal assistance under Title 49 of the U.S. Code. There is roughly \$78 million in total program funds available each year. This program has not been widely used and therefore, program funding balances continue to accumulate.

A recent example of a large MTFC loan is the Gateway Multimodal Transportation Center. The Gateway project cost roughly \$8.4 million to build.

There is some risk in using this financing source for the Northside-Southside Project. If this finance instrument is proposed to be used in parallel with TIFIA, this may undermine its attractiveness to USDOT as a loan subject.

Federal Funding

The St. Louis region receives FTA formula funds for a number of capital purposes; however, like Metro's local sales, these funds are committed to meeting the ongoing capital needs of its existing system.

USDOT's National Infrastructure Investments program – currently named Better Utilizing Investments to Leverage Development (BUILD) and formerly known as Transportation Investment Generating Economic Recovery (TIGER) - has provided up to \$25 million for transit capital projects in recent years. However, FTA would view a New Starts financial plan that was dependent on two different discretionary sources as highly risky. In addition, the program is dependent upon annual appropriations, and cannot be considered a reliable source of funding beyond FY 2019.

The Federal Highway Administration's (FHWA) administers a number of funding programs.

However, three formula programs are administered by MoDOT and EWG on a discretionary basis. These programs are described below.

Congestion Mitigation and Air Quality (CMAQ) Improvement Program

FHWA's CMAQ program funding is distributed to air quality maintenance or non-attainment areas using a formula based on an area's population by county and the severity of its ozone and carbon monoxide problems within a non-attainment or maintenance area. Funds are available to transportation projects and programs for the purpose of reducing congestion and improving air quality. CMAQ funding can be used for the capital costs of transit projects and up to 5 years of the operating costs of new transit service. CMAQ is one of the competitive programs that EWG administers.

EWG awards CMAQ funding to eligible projects in the region. For FY 2018 – FY 2021, EWG programmed roughly \$28 million of CMAQ funds for projects in the City and County of St. Louis.²

² https://www.ewgateway.org/wp-content/uploads/2017/11/1_FY2018-2021-TIP-Approved.pdf



Surface Transportation Block Grant (STBG) Program

Surface Transportation Block Grants (STBG) are distributed by formula to states and metropolitan planning organizations. It is a flexible funding source for a range of transportation projects, including transit capital improvements.

STBG funds are awarded by EWG to the City and County of St. Louis. EWG administers STBG funding in the St. Louis region and has programmed roughly \$93 million between FY 2018 and FY 2021 for projects in the City and County of St. Louis.³ STBG funds are also administered by MoDOT, which makes available a small portion of its allocation to urban areas throughout the state.

Transportation Alternatives Program (TAP)

The Transportation Alternatives Program (TAP) provides funding for a variety of smaller scale transportation projects such as pedestrian and bicycle facilities, safe routes to school projects, community improvements such as historic preservation, and vegetation management, and environmental mitigation related to storm water and habitat connectivity.

TAP funds are awarded by EWG to the City of St. Louis and the County of St. Louis. For FY 2018 – 2021, there is roughly \$2 million of TAP funds available to the City and County of St. Louis.⁴

³ https://www.ewgateway.org/wp-content/uploads/2017/11/1_FY2018-2021-TIP-Approved.pdf

⁴ https://www.ewgateway.org/wp-content/uploads/2017/11/1_FY2018-2021-TIP-Approved.pdf