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December 3, 2014

The Honorable  
Common Council  
City Hall, Room 205

Re: File #141247, Milwaukee Streetcar Project

Dear Council Members:

File number 110372, passed by the Common Council on July 6, 2011 required the City Comptroller to prepare a report independently validating Streetcar Project estimates, once the engineering and design was 60% complete.

The City recently reached this milestone, and the Comptroller's Office reached out to the Southeastern Wisconsin Regional Planning Commission (SWRPC) to assist in reviewing the projections of the project. This review was specific to Phase 1 of the Streetcar project; a 2.1 route-mile streetcar line between the planned Operations and Maintenance Facility location on N. 4th St. underneath IH 794 and Burns Commons, just east of the intersection of N. Farwell Ave. and E. Ogden Ave. The memorandum generated by SWRPC, Review and Evaluation of City of Milwaukee Streetcar Project Estimates, was submitted to Council under a separate cover letter on November 17, 2014, and includes validation of capital cost estimates, annual operations and maintenance cost estimates, vehicle requirements, private vendor availability, ridership projections and annual revenue estimates.

The requirements of file number 110372 related to the review of City debt service costs and Parking Fund revenues for the initial phase of the Streetcar project are included in this letter.

### **Capital Costs**

The SWRPC report (Table A) indicates the estimated cost of Phase I streetcar construction is \$98.8 million. Of this \$98.8 million, \$54.9 million is currently being funded through a federal grant while \$9.7 million is being funded by TID 49 – Cathedral Place. The proposed amendment #3 to TID 56 – Erie/Jefferson Riverwalk (file number 141264) would fund, in part, \$18.3 million of streetcar infrastructure. The proposed creation of TID 82 – East Michigan (file number 141263) would fund, \$31.0 million of streetcar construction of which \$15.9 million is for Phase 1. Table A, below itemizes the funding sources of estimated Phase 1 streetcar construction costs.

Table A - Funding Sources of Estimated Phase 1 Capital Costs		
Federal Grant		\$ 54,900,000
City Share		
TID 49 (Approved by Common Council)	9,700,000	
TID 56 (Part of Proposed Amendment #3)	18,300,000	
TID 82 (Phase I Portion of Proposed Funding for Streetcar)	15,900,000	
Total City Share		43,900,000
Total Estimated Capital Cost for Phase 1		\$ 98,800,000

### Financing Costs

The City's portion of estimated Phase 1 capital costs, associated interest and issuance expenses, and total debt service costs are shown in Table B.

Table B - Debt Service Costs of Phase 1 Capital Costs			
	Capital Cost	Estimated Financing Costs <sup>1</sup>	Total Debt Service Costs
TID 49 (Approved by Common Council)	\$ 9,700,000	\$ 5,498,384	\$ 15,198,384
<b>Proposed Additional Funding</b>			
TID 56 (Streetcar Portion of Proposed Amendment #3)	18,300,000	10,587,057	28,887,057
TID 82 (Phase 1 of Streetcar Portion of TID)	15,900,000	9,198,591	25,098,591
Additional Funding for Phase 1	34,200,000	19,785,648	53,985,648
City Financing Costs for Streetcar Phase 1	\$ 43,900,000	\$ 25,284,032	\$ 69,184,032

<sup>1</sup> Interest and issuance expense

Currently, estimated Phase 1 streetcar capital costs are \$98.8 million while approved funding totals only \$64.6 million, leaving a gap of \$34.2 million. However, the proposed amendment #3 to TID 56 is estimated to provide \$18.3 million of additional funding. Based on the property values provided by DCD for the 833 East office tower, the proposed TID 82, even without the development of the Couture project, would provide \$15.9 million. The proposed amendment to TID 56 and the Proposed TID 82 are estimated to cover the \$34.2 million in additional costs related to Phase 1 of the Streetcar project.

TID 49, amendment #1, approved by the Council (file number 110324), is expected to provide \$9.7 million of funding for the Streetcar project. The debt service costs associated with TID 49 amendment #1, will require an estimated additional eleven years for this TID to break even. Debt service related to the Phase 1 streetcar portion of TID 56, amendment #3 will require this TID remain open an estimated seven additional years to break even. Debt service expense associated with the Phase 1 streetcar portion of the proposed TID 82, assuming only the development of the 833 East building, will require an estimated twelve years for this TID to break even.

The years required to pay estimated debt service related to TID-funded, Streetcar Phase 1 capital costs, is shown in Table C.

Table C - Years To Pay Debt Service For Streetcar Phase 1	
TID 49 (Approved by Common Council)	11
TID 56 (Part of Proposed Amendment #3)	7
TID 82 (Part of Proposed Funding for Streetcar Phase 1)	12

Based on the financial data provided by DCD, the estimated funds provided by TID 49, the proposed amendment #3 to TID 56, and the proposed creation of TID 82, should be sufficient to cover the streetcar Phase 1 capital costs. TIDs 49 and 56 would have broken even prior to these amendments.

### Operating Revenue

The Milwaukee Streetcar Environmental Assessment completed in July 2011 proposed parking revenue as the major funding source for operation and maintenance of the Milwaukee Streetcar. Since that time, the City applied for and has been awarded \$3.18 million in Congestion Mitigation & Air Quality Improvement Program (CMAQ) funds for Milwaukee Streetcar Project operating assistance. It is anticipated the \$3.18 million will fund approximately the first 18 months of operating costs not anticipated to be covered by passenger revenue and streetcar sponsorships.

Table D - Streetcar Phase 1 Proposed Funding of Operating Costs			
	Year 1	Year 2	Year 3
Annual Operating Cost Estimate*	\$2,650,000	\$2,650,000	\$2,650,000
<b>Proposed Funding</b>			
Passenger Revenue	590,000	590,000	590,000
Streetcar Sponsorship	270,000	270,000	270,000
CMAQ Funds	1,790,000	1,390,000	
Parking Revenue		400,000	1,790,000
<b>Total</b>	<b>\$2,650,000</b>	<b>\$2,650,000</b>	<b>\$2,650,000</b>
*source: 2014-2018 CMAQ Program Application, Milwaukee Streetcar Project			

The Department of Public Works will request CMAQ funding to cover an additional 18 months of operating costs for the Streetcar. If additional CMAQ funds are awarded, parking revenue may not be needed for years two and three of Streetcar operations, depending on total operating costs and the amount of CMAQ award.

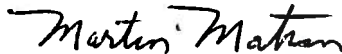
The Administration has indicated that increased Parking Meter Revenue would be the likely source of funding for future Streetcar operations and maintenance if alternative revenue sources are not found. On-Street Parking Meter Revenue for years 2011-2013, as shown below on Table E, totals approximately \$4.6 million annually.

Table E - Annual Parking Revenues			
	2011	2012	2013
On-Street Parking Meter Revenue	\$ 4,626,000	\$ 4,658,000	\$ 4,649,000

Once CMAQ funding is no longer available, an increase of approximately \$1.8 million in parking revenue may be necessary to generate sufficient funds to cover Streetcar operating costs. The Administration has indicated that increased revenue could be achieved through parking meter rate increases and potentially extended hours for metered parking by 2018, if alternative funding sources are not available.

Please contact our office if you have questions related to this report.

Sincerely yours,



Martin Matson  
Comptroller

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