METRO COUNCIL OFFICE

MEMORANDUM TO: All Members of the Metropolitan Council

FROM: Mike Jameson, Director and Special Counsel
Mike Curl, Finance Manager
Metropolitan Council Office

COUNCIL MEETING DATE: January 23, 2018

RE: Analysis and Fiscal Notes

Unaudited Fund Balances as of 1/10/18:

4% Reserve Fund	$39,816,604*
Metro Self Insured Liability Claims	$6,181,457
Judgments & Losses	$3,749,188
Schools Self Insured Liability Claims	$4,597,074
Self-Insured Property Loss Aggregate	$7,543,492
Employee Blanket Bond Claims	$668,126
Police Professional Liability Claims	$2,303,735
Death Benefit	$1,396,899

*This assumes unrealized estimated revenues in FY18 of $24,419,059.

Note: No fiscal note is included for any legislation without significant financial impact.

– RESOLUTIONS –

<u>RESOLUTION NO. RS2018-1009</u> (VERCHER) – This resolution would authorize the Department of Law to settle the personal injury claim of Maria Guillen-Chavez against the Metropolitan Government in the amount of $20,000.

On January 18, 2017, an employee of the Metro Codes Department drove a Metro vehicle into the intersection of Murfreesboro Pike and Pin Hook Road against the traffic signal, striking the vehicle driven by Ms. Guillen-Chavez. Ms. Guillen-Chavez was transported to Southern Hills Hospital and diagnosed with a cervical strain, concussion, and contusions.

The Department of Law recommends settlement of this claim for $20,000, based upon $13,901.70 for reimbursement of medical expenses, plus $6,098.30 for pain and suffering. Ms. Guillen-Chavez previously received compensation for the total loss of her vehicle.

Disciplinary action against the employee consisted of a written reprimand.

Fiscal Note: This settlement would reduce the balance of the Self-Insured Liability Fund by $20,000.

<u>RESOLUTION NO. RS2018-1010</u> (VERCHER & OTHERS) – See attached grant summary spreadsheet.

<u>RESOLUTION NO. RS2018-1011</u> (VERCHER) – See attached grant summary spreadsheet.

<u>RESOLUTION NO. RS2018-1012</u> (VERCHER, GILMORE) – See attached grant summary spreadsheet.

<u>RESOLUTION NO. RS2018-1013</u> (VERCHER, GILMORE) – See attached grant summary spreadsheet.

<u>RESOLUTION NO. RS2018-1014</u> (GILMORE) – This resolution would approve an agreement between the Centers for Disease Control and Prevention (CDC) and the Metropolitan Board of Health to provide an associate for the Public Health Associate Program (PHAP).

The PHAP is a long-established program whereby the CDC pays for an employee to obtain professional experience by working at a local or state health department for two years. The CDC employee receives two years of real-world public health experience. Metro would be provided with an associate to assist in developing, implementing, and evaluating public health programs.

Pursuant to this agreement, a PHAP associate would be assigned to the Tuberculosis Program in the Metro Public Health Department from October 2, 2017 until September 30, 2019.

Fiscal Note: Metro would be responsible to pay minor ancillary expenses for the CDC employee, but would not pay their salary or benefits.

RESOLUTION NO. RS2018-1015 (VERCHER, WITHERS) – See attached grant summary spreadsheet.

RESOLUTION NO. RS2018-1016 (O'CONNELL & OTHERS)
RESOLUTION NO. RS2018-1017 (O'CONNELL & OTHERS)
RESOLUTION NO. RS2018-1018 (O'CONNELL & OTHERS)
RESOLUTION NO. RS2018-1019 (O'CONNELL & OTHERS) – These resolutions would each authorize the construction, installation and maintenance of aerial encroachments -- each consisting of double-faced, illuminated, projecting signs -- at four separate locations: 118 7th Avenue North (RS2018-1016); 204 21st Avenue South (RS2018-1017); 318-320 Broadway (RS2018-1018); and 111 17th Avenue South (RS2018-1019). A canopy using an existing framework would also be authorized under RS2018-1016.

In each instance, the resolution requires the applicants to indemnify the Metropolitan Government from all claims in connection with the construction and maintenance of the signs, and to provide a $2 million certificate of public liability insurance ($4 million in the case of RS2018-1019) with the Metropolitan Clerk naming the Metropolitan Government as an insured party. The applicants must also hold the Metropolitan Government harmless from all claims connected with their installations.

In each case, the Metropolitan Government retains the right to pass resolutions or ordinances regulating the use of the surrounding streets, including the right to construct and maintain utilities, and to order the relocation of facilities at the expense of the applicants. Metro further retains the right to repeal the approvals of the encroachments without liability.

The plans for each encroachment must be submitted to the Director of Public Works for approval, along with all work and materials; and each installation, when completed, must be approved by the Director.

Construction of the signs and canopy must be carefully guarded and completed promptly, so as to cause the least inconvenience to the public.

The Planning Commission has approved the proposals in RS2018-1016 and RS2018-1018 and has deferred indefinitely the proposals in RS2018-1017 and RS2018-1019 at the request of the applicants.

– ORDINANCES ON SECOND READING –

BILL NO. BL2017-941 (ALLEN) – This ordinance would amend Chapter 12.42 of the Metro Code of Laws (MCL) regarding permit parking programs to establish a Commercial Permit Parking Program. The Commercial Permit Parking Program would operate similarly to the Residential Permit Parking Program found in Chapter 12.42, Article I of the MCL.

Section 11.905 of the Metro Charter requires ordinances affecting traffic or the use of streets to be submitted to the Traffic and Parking Commission for a recommendation prior to passage on second reading. This ordinance has not yet been considered by the Traffic and Parking Commission, pending potential amendments by the sponsor.

Under the proposed terms of the ordinance, the chief traffic engineer would be authorized to restrict parking in certain commercial areas to vehicles bearing a valid parking permit, subject to approval by the Traffic and Parking Commission. The chief traffic engineer would use the following factors to determine whether an identified area is eligible as a Commercial Permit Parking Area (CPP):

- The desire and need of the tenants for commercial parking and their willingness to bear related administrative costs;
- Proximity (within ¼ mile) of the commercial area to major “parking attractors” such as universities and hospitals;
- Location within the Urban Zoning Overlay;
- Scarcity of convenient off-street parking for tenants;
- Whether persons working in the commercial area cannot be accommodated by the available off-street parking spaces;
- Substantial and extended use of business curb space by non-tenants for parking; and
- Traffic, noise, and safety problems caused by vehicles cruising for parking.

The Council member representing the Council district in which the CPP is located would submit a petition requesting the creation of the CPP. The petition would require signatures from seventy-five percent (75%) of the business entities within the geographic limits as stated in the petition. Each petition would require the names of petitioners, which may include the signature of an authorized representative or agent of a commercial entity, the time of day the permits will be required, a clear description of the geographic limits of the area(s) requested, and a maximum time limit that non-permit holders could legally park. The petition, along with a written recommendation from the Council member, would be submitted to the chief traffic engineer for review by staff of the traffic and parking commission. The chief traffic engineer must recommend, by a report to the traffic and parking commission, whether to designate the area as a CPP, specifying the time or limitations recommended and the proposed fees.

Once approved, parking signs would be installed on streets designated as the CPP. A designated number of permits would be available, calculated by the chief traffic engineer. A permit would be issued to eligible persons upon application and payment of the application fee.

Proof of employment within the CPP would be required. All motor vehicles with permits would be required to have current Tennessee registration, unless the applicant is enrolled as a full-time student in a college or university within the area of the metropolitan government. The permit would be renewed annually upon conditions and procedures specified by the chief traffic engineer.

All traffic and parking regulations still apply to holders of a commercial parking permit. Service vehicles parked in commercial parking areas while making service calls to businesses and free-floating car sharing vehicles displaying a clearly visible permit would be exempt from the posted time limits.

Persons falsely representing eligibility for a commercial parking permit, or who provide false information in an application for a commercial parking permit, would be in violation of the ordinance, punishable by surrender of their permit and/or a fine of not more than fifty dollars.

BILL NO. BL2017-951 (S. DAVIS & HURT) – This ordinance would establish a Community Oversight Board (COB) to conduct investigations and provide citizen oversight of officers of the Metropolitan Nashville Police Department (MNDP). A detailed analysis of the ordinance was submitted for the January 2, 2018 Council meeting. However, this ordinance was deferred indefinitely at the January 2, 2018 Council meeting.

Pursuant to Rule 24 of the Council Rules of Procedure, the sponsor has requested that the ordinance be returned to the agenda for purposes of overriding the indefinite deferral. Per this same rule, debate upon the deferral override will be limited to (*a*) the sponsor of the ordinance and (*b*) the chairs of the three committees that previously requested deferral, or their designees. If a majority of the voting Council members approve an override of the committees' recommendation of indefinite deferral, the ordinance will be placed on the agenda at the next regular Council meeting. If the override request is disapproved, the Clerk is required to permanently remove the item from the Council agenda.

BILL NO. BL2017-1031 (ELROD, GILMORE, & OTHERS) – This ordinance would adopt for referendum a public transit program, as well as a surcharge to fund the program, and further request the Davidson County Election Commission to call a referendum election on May 1, 2018 to approve the proposed transit program and surcharge. The following analysis summarizes the state enabling legislation that allows for local transit program funding, the required content of -- and procedures for considering – the current ordinance, and the referendum election mandated by the state legislation.

State enabling legislation -- Tennessee's IMPROVE Act

In April 2017, the Tennessee General Assembly approved the IMPROVE Act ("Improving Manufacturing, Public Roads and Opportunities for a Vibrant Economy"), formally known as

Public Chapter 181. This Act increased taxes on gasoline and diesel fuel, while decreasing various other taxes, for purposes of updating Tennessee's transportation infrastructure. The Act further included enabling legislation allowing local governments to approve tax surcharges to fund transit projects, subject to voter approval. This enabling legislation, codified at Tenn. Code Ann. § 67-4-3201, *et seq*., gives rise to the current ordinance.

The IMPROVE Act authorized local governments to levy a surcharge (a tax or combination of taxes) on certain pre-existing local privilege taxes and to use the resulting revenues for public transit system projects that are part of an overall transit improvement program. The specific privilege taxes subject to surcharge are: (1) local option sales and use tax, (2) business tax, (3) motor vehicle tax, (4) local rental car tax, (5) tourist accommodation tax, and (6) residential development tax. Any applied surcharge constitutes a separate charge from pre-existing local taxes.

However, under the IMPROVE Act, surcharges cannot be levied on these privileges unless first approved by a majority of the local government's registered voters who vote in an election regarding such surcharges.

<u>Surcharge limits, amounts, and exemptions</u>

Any allowed surcharge is subject to certain maximum rates and amounts under Tenn. Code Ann. § 67-4-3202(g). For example, any surcharge on the local option sales and use taxes cannot separately exceed the established maximum rate for such tax. No combination of tourist accommodation taxes or fees, hotel occupancy taxes, local tourism development zone business taxes, state sales and use taxes, local option sales and use taxes, or surcharges on any combination of these taxes can exceed a combined rate of 20% on hotels, motels, or other tourist accommodations. No surcharge can be applied to a business tax, local rental car tax, or residential development tax that would separately exceed 20% of the current applicable rate of the business tax, local rental car tax, or residential development tax. And no combination of a motor vehicle tax plus the surcharge on that tax can exceed a combined total of $200 on any person subject to such taxes and surcharges.

The ordinance under consideration proposes surcharges within these limits as follows:

(1) a sales tax surcharge of 0.5% for the first five years, increasing to 1% in 2023;
(2) a hotel/motel tax surcharge of 0.25% for the first five years, increasing to 0.375% in 2023;
(3) a 20% surcharge on the business/excise tax; and
(4) a 20% surcharge on the rental car tax.

The state legislation establishes certain exemptions from surcharge levies. While surcharges may be placed on local option sales and use taxes, the surcharge can apply only to the first $1,600 on the sale or use of any single article of personal property. Surcharges may not apply to dealers with no location in Tennessee who pay local sales taxes. Also, Tenn. Code Ann.

§ 67-4-3204 exempts the following goods and services from the surcharge on local option sales and use taxes:

(1) water sold to or used by manufacturers and taxed at the state rate;
(2) sales of tangible personal property to a common carrier for use outside the state;
(3) video programming for television, cable, and internet services;
(4) telecommunication services;
(5) electronically transferred digital audio-visual works, digital audio works, and digital books ("specified digital products"); and
(6) sales of tangible personal property when obtained from any vending machine or device and taxed at the local rate of 2.25%.

<u>Uses of surcharge revenues</u>

Under Tenn. Code Ann. § 67-4-3205, revenues raised from approved surcharges must be used for costs associated with the planning, engineering, development, construction, implementation, administration, management, operation, and maintenance of the proposed transit system projects. The surcharge revenues can be combined with other funding from local, state, or federal programs and can also be used to match state funds and federal grants. Additionally, the revenue could be combined with private moneys and used to provide the local government's share of costs associated with a public-private initiative; or pledged to the payment of bonds issued for the purpose of financing the program.

Surcharge revenues can be directed or transferred to certain implementing agencies to carry out the transit improvement program. (In this instance, the ordinance identifies the Metropolitan Transit Authority and the Department of Public Works as the implementing agencies.)

If the program or project becomes unfeasible or impossible to implement, state law allows the surcharge revenues to be directed to a separate transit program or project approved by the Metro Council or by registered voters in an election.

<u>The required program and plan of financing</u>

Before any surcharge can be imposed, a transit improvement program must be developed and adopted in accordance with prescribed steps. The program must describe in "reasonable detail" the transit system projects and services to be funded and implemented. The program must specifically state:

(1) the type and rate of surcharge that will provide funding;
(2) the surcharge termination date or the conditions which will terminate or reduce it;
(3) any other sources of funding for the program;
(4) an estimate of the initial and recurring cost of the program;
(5) the implementing agencies responsible for carrying out the program; and
(6) the geographic location of the public transit system projects.

Per state legislation, prior to adoption of the program, the Metropolitan Government must:

(1) solicit public comment;
(2) make reasonable efforts to notify or coordinate with other surrounding local governments; and
(3) prepare a "plan of financing" that demonstrates the program's financial feasibility, including the methodology and assumptions used in the forecasts and projections.

The plan of financing must also include the amount of the program's infrastructure to be financed through issuance of bonds or other debt. (Here, as set forth in the Fiscal Note below, the plan of financing includes long-term financing through bonds and/or public-private partnerships representing 34% of the funding.) The plan of financing analysis must be based on forecasts and projections for at least a 10-year period following the planned inception date.

<u>The proposed Program</u>

The ordinance under consideration provides a 231-word summary of the transit improvement program ("the Program") describing the proposed projects and services, their geographic locations, proposed surcharges, conditions of termination, implementing agencies, other sources of funding, and a summary of the initial and recurring costs. (As set forth more fully in the Fiscal Note below, the capital cost of the Program is estimated at $5,354,000,000 in present day value, with recurring operations and maintenance costs of approximately $99,500,000 in present day value as of the year improvements are completed).

The proposed Program itself is submitted as Exhibit A to the ordinance – a 55-page document entitled "Let's Move Nashville: Metro's Transportation Solution." As described in the "Transit Improvement Program Summary" (page 5), specific elements of the Program include:

1. Light rail transit, or equivalent service, along five corridors (Northwest corridor, Gallatin Pike, Murfreesboro Pike, Nolensville Pike and Charlotte Avenue). The Program provides separate descriptions of each corridor;
2. Rapid bus routes to Bordeaux, along Dickerson Pike to Briley Parkway, along Hillsboro Pike to the Mall at Green Hills, and along West End to White Bridge Road and to Charlotte;
3. A frequent transit bus network (providing 15 minute or better peak service on the busiest bus routes and longer hours of service);
4. Neighborhood transit centers in 19 separate locations served by two or more bus routes, featuring bike-share, digital wayfinding, real-time information, and improved pedestrian connections);
5. Improved commuter rail service with improvements to the Music City Star rail line, longer hours of service, installation of Positive Train Control (PTC) and enhanced frequencies;

6. Downtown improvements, such as a transit tunnel for direct connection of a multimodal transit center in SoBro, an LRT transit station near 5th & Broad and the existing transit center, Music City Central.
7. Expanded AccessRide and mobility on demand services with increased access in multiple areas, real-time information, call-ahead service and same-day schedule availability, and integrated connections; and
8. Crosstown routes that include four new routes on Trinity Lane, Edgehill Avenue, Bell Road, and the Airport-Opry Mills Connector, as well as connected activity centers and neighborhoods outside downtown that require no transfer.

The Program further includes multiple enhancements to existing MTA bus system services, including easier-to-use services, and improvements to transit access. It proposes free or reduced fares for Nashvillians who are living at or below the poverty level, living with disabilities, senior citizens, or under age 18. By connecting multiple areas of Nashville using multimodal systems, the Program intends to provide an alternative to conventional vehicles on the road and their associated traffic patterns and congestion, thereby improving mobility, safety, quality of life, and health. The Program further endeavors to compliment affordable housing policies and create significant employment opportunities. It estimates total capital investment at $5.4 billion (in 2017 dollars) spent over 15 years, creating approximately 45,000 jobs (defined as full- or part-time jobs lasting one year) resulting in approximately $3.1 billion in labor income in Davidson County over the 15 year period.

The Program projects completion of capital improvements in 2032 and estimates that by 2040 76% of all Davidson County residents and 89% of all Davidson County jobs will be located within ½ mile of planned transit improvements.

<u>Required review by independent certified public accounting firm</u>

The state legislation requires local governments to obtain a determination or opinion from an independent certified public accounting firm stating that the assumptions in the local government's plan of financing provide a reasonable basis for its forecasts or projections. Prior to obtaining that determination or opinion, the local government must obtain approval from the Tennessee Comptroller of the Treasury for the selection of the firm and the procedures to be used by the firm in making the determination or opinion.

In this instance, the Tennessee Comptroller previously approved the selection of Kraft CPAs, and that firm issued a letter on December 15, 2017 declaring the feasibility of the financing plan for the proposed program. Following this determination / opinion, state legislation requires that it be published in its entirety, along with the plan of financing, on the Metropolitan Government’s website.

Process before the Metro Council

Per state law, the ordinance must contain a brief summary of the transit improvement program for which the proposed surcharge revenue will be used, written in a clear and coherent manner, not exceeding 250 words. It must describe the projects and services to be funded and implemented and, as noted, must provide the following:

(1) the type and rate of surcharge that will provide funding;
(2) the surcharge termination date or the conditions that will terminate or reduce it;
(3) any other sources of funding for the program;
(4) an estimate of the initial and recurring cost of the program;
(5) the implementing agencies responsible for carrying out the program; and
(6) the geographic location of the projects.

Per state law, Ordinance No. BL2017-1031 shall be adopted if passed by majority vote of the Metro Council. If adopted, a copy of the ordinance must then be provided to the Tennessee Department of Revenue before the referendum election.

Referendum election

As noted above, state legislation provides that surcharges cannot be levied unless and until approved by a majority of the local government's registered voters who vote in an election regarding such surcharges.

Here, if the ordinance is adopted by the Metro Council, a certified copy of the ordinance would then be sent to the Davidson County Election Commission with a request to hold a referendum election on May 1, 2018 to approve or reject the surcharge levy. (Assuming each prerequisite step is completed, the Election Commission would be directed by state law to call such an election.)

The ballots used in the referendum election must have printed upon them (1) the proposed surcharge, (2) a brief summary of the program as it appeared in the Council-approved ordinance, and (3) options to vote "for" or "against" the ordinance levying the surcharge.

Post-referendum election process

At the referendum election, if approved by a majority of the registered voters who vote in that election, the ordinance would be deemed approved. But if the election results in the rejection of the levy of the surcharge, a subsequent election regarding a similar surcharge cannot be held for at least twelve (12) months from the date of the election.

In the event of voter rejection of the surcharge, no further action would be required. In the event of approval, state law would next require the Metropolitan Government to furnish a certified copy of the adopted ordinance to the Tennessee Department of Revenue within ten (10) days of the approval. But no surcharge could be collected until the first day of a month occurring at least 60 days after approval date. Any surcharge would then apply only to tax periods beginning on or after October 1, 2017.

The subsequent financing and operations of a transit improvement program must be accounted for in a manner approved by the Tennessee Comptroller of the Treasury in conformity with generally accepted accounting principles. The Comptroller would retain the authority to audit the revenues and expenditures of the program, its financing or operations, and to charge a reasonable fee for its services.

Any approved surcharge would remain in effect until either (*a*) the date specified within the ordinance, (*b*) the occurrence of a "condition of termination" described in the ordinance, or (*c*) such surcharge is repealed in the same manner as adopted. In this instance, the ordinance does not specify a termination date, but rather a "condition of termination" wherein the surcharge would end "once all debt issued for the program has been paid and the Metropolitan Council determines upon the adoption of a resolution that the revenues from the surcharges are no longer needed for operation of the program."

Fiscal Note: Wilmot Inc. was hired to prepare economic impact analysis of the various components of the entire Program. According to their study, they estimate that it would take $4.362 billion in capital costs between the Project design and construction period of 2018 through 2032 to build the Light Rail Transit (LRT) Corridor Transit System, which includes LRT, Commuter Rail improvements, a Downtown Tunnel and O&M facilities. However, this would result in $5.902 billion in total economic impact to the Davidson County region, consisting of labor income and value added.

The necessary capital improvements for the bus improvements portion of the overall plan would not be as expensive, costing $992 million in capital costs during the same Project design and construction period of 2018-2032. This would be projected to result in a net economic impact to the Davidson County region of $1.092 billion in labor income and value added.

Paying for these improvements and their operations and maintenance would only be possible by the new local surcharges authorized for transit by the IMPROVE Act of April, 2017. The Project would be funded in part by increases to four surcharges, as follows:

1. *The Local Option Sales Tax (LOST) in Davidson County is currently set at 2.25%. This is on top of the base rate of 7% for the state. The Council currently has the authority to increase this to as much as 2.75%. At least one-half of the entire LOST revenue must be allocated to public education. The IMPROVE Act has now authorized Metro to increase LOST by as much as an additional 2.25% for transit purposes. The Project does not propose to increase LOST by this much. Instead, it would increase by 0.5% (2.75% total) during the period of September 1, 2018 through December 31, 2022. After that, it would increase by an additional 0.5% (3.25% total) and remain at that level unless changed by some future Council.*

2. *The Hotel Occupancy Tax is currently set at 6%, plus an additional $2.50 per night additional occupancy tax. The IMPROVE Act authorized an increase in the current rate by as much as 20%, which would allow Davidson County to charge an additional 1.25%. Again, the Project does not propose to use this entire additional capacity. Instead, an additional 0.25% (6.25% total) would be charged during the period of July 1, 2018 through December 31, 2022. After that, it would increase by an additional 0.125% (6.375% total) and remain at that level unless changed by some future Council.*

3. *The Business Tax currently ranges from 0.02% to 0.3% of gross income in Davidson County, depending on the classification of the business. The current average paid for this tax is $1,673 per year. The Improve Act authorized as much as a 20% increase in this tax. The Project proposes to increase the Business Tax by this full 20% starting January 1, 2019.*

4. *The Local Rental Car Tax is currently set at 1%. The IMPROVE Act authorized as much as a 20% increase in this rate, which would mean an additional 0.2% for Davidson County. The Project proposes to increase the Local Rental Car Tax by this full amount starting July 1, 2018.*

Long-Term Financing is also addressed by the Project in five main areas, as follows:

1. *Up to $500 million in federal financing would be sought through the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, representing approximately 6% of the funding through the design and construction period. The TIFIA Program provides Federal credit assistance to eligible surface transportation projects, including highway, transit, intercity passenger rail, some types of freight rail, intermodal freight transfer facilities, and some modifications inside a port terminal.*

   There are three distinct types of financial assistance available:
   a) *Secured direct Federal loans to project sponsors offering flexible repayment terms and providing combined construction and permanent financing of capital costs*
   b) *Loan guarantees that provide full-faith-and-credit guarantees by the Federal Government, and*
   c) *Lines of credit that are contingent sources of funding in the form of Federal loans that may be drawn upon to supplement project revenues, if needed, during the first 10 years of project operations. [23 U.S.C. 603 and 604].*

2. *Bonds and/or public-private partnerships, representing approximately 34% of the funding through the design and construction period.*

3. *Federal Support, consisting of combined federal funding of $1.5 billion from the Capital Investment Grant (CIG) Program and formula grants. The Project assumes CIG grant*

awards would cover approximately 25% of the total costs during the design and construction period.

4. *Farebox recovery rates for the ADA and high-capacity corridor services are anticipated to generate approximately $192 million, which would be approximately 2% of the sources during the design and construction period.*

5. *Other revenues, including funding from the Airport, Music City Center, and investment income. For example, the Murfreesboro LRT line to the airport would be projected to receive $200 million in funding from the airport. The total funding from this final group would generate approximately 3% of the sources during the design and construction period.*

The Wilmot analysis addressed the potential benefits of the Project as well as the costs. Capital investment totals (in 2017 dollars) would be expected to be $5.354 billion over 14 years. A total of 44,753 local job equivalents (one person in a job for one year) would be created, associated with more than $3.112 billion in labor income in Davidson County. This is projected to create an increase of $4.016 billion to the Gross Regional Product (GRP). Spending for operations and maintenance would include $541 million for bus system improvements and $148 million for LRT between 2018 to 2032.This would support 9,136 local job equivalents (calculated prior to extending the Charlotte line to White Bridge Road).

The total economic impacts would be projected to be $5,354 billion (2017 dollars) over the 14 years of capital investment, related to 44,753 local job equivalents and $3.112 billion in labor income. The increase for the gross regional product would be $4.016 billion.

For reference, three sources utilized by the Transit Improvement Program are attached to this analysis. These include the following:

1. *Plan of Finance Overview – Discusses the various revenue sources that are planned to be used to fund the Project,*
2. *Financing Plan Assumptions – Summarizing the assumptions that were used during the preparation of the Project, and*
3. *Detailed Cash Flows.*

BILL NO. BL2018-1041 (O'CONNELL, VERCHER, & OTHERS) – This ordinance would approve a lease agreement between the Metro Government and the Joslin Sign and Maintenance Company, Inc. (Joslin) for the real property located at 630 Murfreesboro Pike and would authorize the Director of Public Property Administration, or the Director's designee, to execute the lease.

The Metropolitan Government has determined that this property is needed to provide approximately 97 parking spaces for the new police headquarters and Family Justice Center, currently under construction. Pursuant to the terms of the lease agreement, Metro would pay Joslin $4,000 per month in fixed monthly rent for the use of this property. The lease would terminate five (5) years after the date of commencement of the lease (with commencement beginning upon completion of the parking lot). However, Metro would have the right to terminate the lease upon written notice of six (6) months to Joslin.

At the end of the term, the lease may be extended up to two (2) times for additional periods of five (5) years each upon the same terms and conditions of this lease at the option of Metro, provided Metro gives written notice to Joslin of not less than one hundred twenty (120) days prior to the termination date of the lease term then in effect.

Future amendments to the lease agreement could be made by resolution.

This ordinance has been approved by the Planning Commission.

Fiscal Note: Metro would pay $4,000 per month to Joslin during the term of this lease.

– ORDINANCES ON THIRD READING –

BILL NO. BL2017-608 (HAGAR, RHOTEN, & OTHERS) – This ordinance would make multiple changes to the Metro Code of Laws (MCL) concerning Short-Term Rental Property (STRP) regulations.

In its most significant provisions, the ordinance as amended would establish two STRP uses: (1) STRP (owner-occupied) – an accessory use to residential uses; and (2) STRP (not owner-occupied) – a commercial use permitted with conditions in zoning districts where multi-family residential uses are allowed (RM2 through RM20-A, RM40 through RM100-A, MUN and MUNA, MUL and MUL-A, MUG and MUG-A, MUI and MUI-A, OG, OR20 through OR40-A, ORI and ORI-A, CN and CN-A, CL and CL-A, CS and CS-A, CA, CF, DTC North, DTC South, DTC-West, DTC Central, SCN, SCC and SCR). STRPs that are not owner-occupied would be prohibited in AG, AR2a, R, R-A, RS and RS-A districts. Additionally, the ordinance would allow properly issued and maintained permits issued under previous regulations to be renewed, but only until a phase-out date of June 28, 2020.

Additional changes made under the ordinance are as follows:

- Section 1 would amend the STRP definition in Section 17.04.060 of the MCL, and would specify that STRPs must contain no more than four (4) sleeping rooms, (for both owner-occupied and not owner-occupied.) “Owner-occupied” would be defined to require the owner to be a natural person or persons, as opposed to a limited liability entity (e.g., a corporation or LLC) or unincorporated entity (e.g., partnership, joint venture, or trust).
- Section 2 would modify the district land use tables per Section 17.08.030 of the MCL by deleting STRPs.
- Section 3 would further modify the district land use tables by adding owner-occupied STRPs as an accessory use.
- Section 4 would further modify the district land use tables by adding not owner-occupied STRPs as a use permitted with conditions.
- Section 5 of the ordinance would modify the title of Section 17.16.250.E of the MCL, presently titled “Short Term Rental Property (STRP)”, to “Short term rental property (STRP) — Owner-Occupied”.
- Section 6 would replace Subsection 17.16.250.E.1 in the MCL with similar provisions regarding permit requirements.
- Section 7 would add a new subsection to Section 17.16.070 of the MCL establishing regulations for STRPs that are not owner-occupied. As amended, Section 7 would further clarify that revoked STRP permits may not be reissued for a period of one year from the date of revocation.

This ordinance was originally introduced on February 7, 2017 and has been deferred seven (7) times. However, under Rule 23 of the Council Rules of Procedure, ordinances affecting zoning under Title 17 are not indefinitely deferred upon the third deferral thereof.

BILL NO. BL2017-937 (SHULMAN) – This ordinance, as substituted, would amend Title 17 of the Metro Code of Laws (MCL) regarding short term rental properties.
Title 17 of the MCL currently regulates short term rental properties (STRP). Under current law, permits are issued for three types of STRPs: owner-occupied (Type 1); not owner-occupied (Type 2); and not owner-occupied multifamily (Type 3). An STRP is permitted as an accessory use in all zoning districts that allow residential use, provided a permit is obtained.

Ordinance BL2017-937 would separate STRPs into two categories: "Short term rental property (STRP) – Owner-Occupied" and "Short term rental property (STRP) – Not Owner-Occupied". STRP – Owner-Occupied would be allowed as an accessory use in certain specified zoning districts, while STRP – Not Owner-Occupied would be allowed as a use permitted with conditions in certain specified zoning districts.

A new section 17.16.070.U would be created to regulate STRP – Not Owner-Occupied. Under proposed Section 17.16.070.U.1, an owner of the property would be required to obtain an STRP permit from the Department of Codes Administration. Any advertising would be required to prominently display the permit number of the STRP unit. Within the Urban Zoning Overlay (UZO) district, no more than three percent (3%) of single-family or two-family residential units in each census tract would be permitted as STRP – Not Owner-Occupied use. Outside of the UZO district, no more than one percent (1%) of single-family or two-family residential units in each census tract would be permitted as STRP – Not Owner-Occupied use. In single-family and one- and two-family zoning districts, a Not Owner-Occupied unit could not be located within 1,320 feet (¼ mile) from the property line of another Not Owner-Occupied use – often referred to as an "anti-clustering" provision. Only one (1) permit could be issued per lot in single-family and two-family zoning districts. STRP – Not Owner-Occupied units would be permitted as an accessory use to multi-family use associated with Manufacturing, Artisan in IWD, IR, and IG zoning districts. Notwithstanding these limitations, the ordinance would allow permits issued under previous regulations to be renewed (provided such permits were properly issued and maintained in good standing).

Under this proposed Section 17.16.070.U, the permit application process would remain the same. Signage for STRP – Not Owner-Occupied would be regulated under the comprehensive provisions under Chapter 17.32 of the Metro Code.

This ordinance would further amend Section 17.16.250.E to apply only to STRP – Owner-Occupied. An operating permit would be required prior to operating an STRP – Owner-Occupied, issued by the Department of Codes. Advertisements would be required to prominently display the permit number, and only one permit per lot would allowed for single-family and two-family zoning districts. The owner would be required to reside on the same and would further be required to be a natural person or persons as opposed to a limited liability entity (*e.g.*, a corporation or LLC) or an unincorporated entity (*e.g.*, a partnership, joint venture, or trust). For two-family dwellings, the ownership of the two-family units could not be divided and the units would be required to be owned by the same person with one unit being the primary residence of the owner. For these two-family dwellings, an instrument would be required to be prepared and recorded with the register's office covenanting that the two-family dwelling could only be used under these conditions as long as the STRP – Owner-Occupied permit is valid.

Regulations for STRP – Not Owner-Occupied are provided under proposed Section 17.16.070.U.4 and identical regulations for STRP – Owner-Occupied are provided under proposed Section 17.16.250.E.4. Occupants would be required to abide by all noise regulations, as well as public peace, morals, and welfare, parking and waste management provisions in the Code – essentially providing a more specific recitation of what constitutes a "strike" for zoning appeals purposes. State and local fire and building codes would apply, specifically including required smoke alarms. Parking would be required in accordance with MCL section 17.20.030, and no recreational vehicles, buses or trailers could be visible. Food preparation would be prohibited. Maximum occupancy would be limited to no more than (*i*) twice the number of sleeping rooms, plus four, or (*ii*) ten, whichever is less, and the limit would have to be posted within the STRP. If an STRP advertises a larger number of occupants than allowed, it would be grounds for permit revocation. STRP owners could not be paid for stays of less than 24 hours or more than 30 days. The local responsible party's contact information would need to be conspicuously posted within the unit and he/she would be required to answer calls 24/7 throughout each rental period.

Permits for both STRP – Not Owner-Occupied and STRP – Owner-Occupied expire 365 days after issuance unless renewed prior thereto. Renewals could be submitted by mail, online, or in person by units with no documented complaints. Such STRP owners would be allowed a 30-day grace by the zoning administrator, given a reasonable explanation for delay. The renewal application would require the renewal fee as well as the information required in the original application, again verified by affidavit. For those with documented complaints, no grace period applies. STRP permits could not be assigned or transferred to others.

The Department of Codes would be obligated to notify permit holders upon the filing of a complaint. If the zoning administrator determined that two (2) Code violations had occurred within a 12 month period, the STRP permit could be revoked following 15 days' written notice of the alleged violations. Administrative appeals to the BZA could be pursued by permit holders after a revocation. Once revoked, no new permit could be issued for one year. Operating an STRP without a permit would carry a fifty dollar fine, with each day of operation constituting a separate offense. For such operators, a waiting period of one year would apply before eligibility for an STRP permit. In comparison to the existing Code, BL2017-937 would limit the discretion of the Board of Zoning Appeals in instances where offenders claim unawareness of the requirement to obtain permits.

This ordinance has been approved by the Planning Commission.

BILL NO. BL2017-981 (WITHERS) – This ordinance would amend Title 17 of the Metropolitan Code of Laws regarding short term rental properties and establish a renewal allowance for existing permitted uses.

STRPs are regulated under Section 17.16.250 of the Metropolitan Code. As currently defined, "Owner-occupied" means the owner of the property permanently resides in the STRP or in the principal residential unit with which the STRP is associated on the same lot. Similar to BL2017-608, the ordinance under consideration would amend this section of the Code to create a two-tiered definition for short term rental properties: (1) “Short term rental property (STRP) – Owner-Occupied” and (2) “Short term rental property (STRP) – Not Owner-Occupied”.

The ordinance would amend the definition of “owner occupied” to require that the owner be a natural person or persons, as opposed to a limited liability entity (*e.g.*, a corporation or LLC), or an unincorporated entity (*e.g.*, a partnership, joint venture, or trust).

Like BL2017-608, this ordinance would allow “STRP – Owner-Occupied” as an accessory use in specified zoning districts and allow “STRP – Not Owner-Occupied” as a use permitted with conditions in specified districts (excluding single-family and one-and two-family zoning districts).

The permit requirements found in Section 17.16.250.E would apply only to “STRP – Owner-Occupied” and references to permitting different types of STRPs would be deleted. The limit of one permit per lot in single-family and one and two-family zoning districts would be removed.

A new section regulating “Short term rental property (STRP) – Not Owner-Occupied” would be added as a new Section 17.16.070.U. These requirements would largely mirror the Owner-Occupied requirements for permits, application, signage, and regulations. (This ordinance would not allow new “STRP – Not Owner-Occupied” permits in Single-Family and One and Two-Family districts, so census tract limitations are not provided.)

The renewal fee for STRP – Owner-Occupied properties would remain at $50 pursuant to Section 17.16.250.E.4.i. (The fee is not yet specified for STRP – Not Owner-Occupied).

As noted, this ordinance mirrors BL2017-608 in several respects. However, this ordinance would allow for permits issued under previous regulations to be renewed (assuming they were properly issued and maintained).

This ordinance has been approved by the Planning Commission with an amendment restructuring the text for clarity.

BILL NO. BL2017-982 (WITHERS) – Section 17.16.250 of the Metro Code of Laws lists the requirements for residential accessory uses within the zoning code. The ordinance under consideration would replace the current Section 17.16.250.E.1 regarding permit requirements for short-term rental properties.

Currently, Section 17.16.250.E.1 requires that the owner of an STRP obtain a permit from the Department of Codes Administration and requires that any advertising for an STRP (*a*) prominently display the permit number for the STRP unit; or (*b*) include an image of the permit or link to an image in which the number is legible. This section also defines the three types of STRP permits: owner-occupied (Type 1); not owner-occupied (Type 2); and not owner-occupied multifamily (Type 3). A limit of no more than 3% of single and two-family residential districts within a census tract are permitted for Type 2 STRPs, and only one permit per lot is allowed for single-family and one and two-family zoning districts.

The ordinance under consideration would retain the permit and advertising requirements, but would remove the three STRP types and the 3% limitation for Type 2 STRPs. In addition, it would allow for a permit to be issued for either dwelling unit in two-family dwellings, provided that (i) the entire two-family dwelling is owned by a single owner, and (ii) one of the dwelling units is the primary residence of the owner. It would also specify that only one (1) could be issued per lot in single-family and two-family zoning districts.

If adopted alone, this ordinance would eliminate distinctions between the types of short term rental properties. However, if adopted in conjunction with BL2017-608 (Hagar and others), BL2017-937 (Shulman), or BL2017-981 (Withers), its impact would be limited to allowing duplexes to be considered for owner-occupied permits under certain circumstances.

This ordinance has been approved by the Planning Commission with an amendment restructuring the text.

BILL NO. BL2017-1032 (ROBERTS) – This ordinance would amend Section 7.08.040 of the Metropolitan Code of Laws regarding beer permit application requirements and conditions.
Currently, Metro Code Section 7.08.040.A requires the owner of a business desiring to sell, distribute, manufacture or store beer within the Metro area to file, in person, a written application with the Metropolitan Beer Permit Board.

The ordinance under consideration would change this to allow the owner of a business desiring to sell, distribute, manufacture or store beer within the Metro area to file an application in person or by any method deemed acceptable by the Metropolitan Beer Permit Board.

BILL NO. BL2017-1033 (O'CONNELL, BEDNE, & ELROD) – This ordinance would authorize Spectrum Properties/Emery, LLC (Spectrum) to install, construct, and maintain underground encroachments in the right-of-way located at 818 18th Avenue South. These would consist of irrigation, including high-efficiency weather-based controllers, encroaching the right-of-way.

Spectrum has agreed to indemnify and hold the Metropolitan Government harmless from any and all claims in connection with the installation and maintenance of the encroachments, and would be required to provide a $2 million certificate of public liability insurance with the Metropolitan Clerk naming the Metropolitan Government as an insured party.

This proposal has been approved by the Planning Commission.

BILL NO. BL2017-1034 (PULLEY, BEDNE, & ELROD) – This ordinance would authorize the acquisition of certain permanent and temporary easements by negotiation for the Valley Brook Road Stormwater Improvement Project for property located along 3421 Valley Brook Road.

Future amendments to this ordinance may be approved by resolution.

This has been approved by the Planning Commission.

BILL NO. BL2017-1035 (SYRACUSE, BEDNE, & ELROD) – This ordinance would abandon existing sewer main and easements and accept new water main, a fire hydrant, a manhole and any associated easements, for properties located at 720, 724, and 728 Ermac Drive.

Future amendments to this ordinance may be approved by resolution.

This has been approved by the Planning Commission.

BILL NO. BL2017-1036 (HAYWOOD, BEDNE, & ELROD) – This ordinance would authorize the negotiation and acceptance of permanent and temporary easements for the Brick Church Pike Stormwater Improvement Project for property located at 4941 Brick Church Pike.

Future amendments to this ordinance may be approved by resolution.

This has been approved by the Planning Commission.

BILL NO. BL2017-1037 (VANREECE, BEDNE, & ELROD) – This ordinance would abandon existing sanitary sewer main, a sanitary sewer manhole and easements and accept new sanitary sewer main, sanitary manholes and any associated easements for properties located at 903 and 905 Curdwood Boulevard.

Future amendments to this ordinance may be approved by resolution.

This has been approved by the Planning Commission.

GRANTS AND DONATIONS LEGISLATION – JANUARY 16, 2018

Legislative Number	Parties	Amount	Local Cash Match	Term	Purpose
RS2018-1010	**From**: Community Foundation of Middle Tennessee **To**: Mayor's Office of Resilience	Not to exceed $5,200	$0	Initial Council approval date through June 30, 2018	The proceeds from this grant would be used to support the ongoing efforts of the Nashville Financial Empowerment Center.
RS2018-1011	**From**: National Institute of Food and Agriculture **To**: Office of the Mayor	$400,000	$101,968	N/A	This resolution would approve an application for a Community Food Projects Competitive Grant. If awarded, the proceeds from the grant would be used to offer greater access to fresh fruits and vegetables to food-insecure patients through the Nashville Fruit and Vegetable Rx Program.
RS2018-1012	**From**: Association of Food and Drug Officials **To**: Metropolitan Board of Health	Not to exceed $3,000	$0	January 1, 2018 through December 31, 2018	The proceeds from this grant would be used to provide training to staff members to enhance conformance with Voluntary National Retail Food Regulatory Program Standards.

Legislative Number	Parties	Amount	Local Cash Match	Term	Purpose
RS2018-1013	**From**: Association of Food and Drug Officials **To**: Metropolitan Board of Health	Not to exceed $3,000	$0	January 1, 2018 through December 31, 2018	The proceeds from this grant would be used to fund travel expenses for Health Department staff to attend Food Environmentalist Training.
RS2018-1015	**From**: Tennessee Department of Labor and Workforce Development **To**: Nashville Career Advancement Center	Not to exceed $23,509	$0	October 1, 2017 through September 30, 2018	The proceeds from this grant would be used to support delivery of Supplemental Nutrition Assistance Program (SNAP) employment and training. $21,159 of the proceeds would be allocated to the program. The remaining $2,350 would be used to pay administrative costs.

- Madison Discussion: Fifty-Forward Madison - Tuesday, November 28; 5:30 p.m. -7:30 p.m.
- Bellevue Discussion: Bellevue Middle School - Thursday, November 30; 5:30 p.m. -7:30 p.m.
- West Nashville Discussion: West Police Precinct - Wednesday, December 6; 5:30 p.m. - 7:30 p.m.[6]
- Donelson Discussion: Fifty-Forward Donelson - Thursday, December 7; 5:30 p.m. -7:30 p.m.[6]
- Antioch Discussion: Southeast Community Center - Saturday, December 9; 10:00 a.m. - 12:00 p.m.[6]

Plan of Finance Overview

The Let's Move Nashville Program will be funded by a combination of new voter-approved local surcharges, federal grants and loans, long-term financing, fares, and other revenues. These surcharges will terminate on December 31, 2068.

Local Option Transit Surcharges

The IMPROVE Act – signed into law by Governor Bill Haslam in April 2017 – provided Nashville and other local governments with the option to levy additional local surcharges specifically for transit purposes. The Program will be funded in part by newly authorized surcharges on: the local option sales and use tax, hotel occupancy tax, business tax, and local rental car tax. The surcharges require local voter referendum approval, anticipated on May 1, 2018, with revenue collections beginning mid-2018. Nashville must receive majority approval from the Metropolitan Council to add the referendum to the primary ballot.

Table 16 summarizes the total capital costs for implementation years 2018 - 2032 and the first full year of service (2032) operating costs of the Program are in today's dollars (2017).

However, a number of factors might increase the costs of the program over time. The actual capital and operating costs incurred will increase with inflation and are expressed as year of expenditure (YOE) dollars. Additionally, the annual operating costs will be incurred year-over-year for the duration of the Plan of Finance. Financing the construction cost also increases the total cost of the Program (similar to the way one would pay interest on a loan to purchase a home). These factors, together with the sources and uses of funds, are described in detail in the Plan of Finance located in the Appendix.

The Metro Council must approve by ordinance the language of the referendum placing the surcharges and Program on the ballot.

Local Option Sales and Use Tax

Prior to the passage of the IMPROVE Act, Tennessee levied a 7 percent state sales tax and authorized counties to assess an optional 2.75 percent local sales tax with the requirement that half of the local option revenues be dedicated to public education. Davidson County, which includes the City of Nashville, currently levies a 9.25 percent tax, including a 7 percent state sales tax and 2.25 percent local option sales tax. In 2017, the IMPROVE Act authorized counties to levy up to a 100 percent increase in the existing local option sales tax for transit purposes, allowing Davidson County to levy up to an additional 2.25 percent in local option sales taxes for transit purposes.

The Plan of Finance assumes an incremental increase of the local option sales tax. Specifically, the Program will be funded in part by a proposed 0.5 percent local sales tax increase for the period from August 1, 2018 through December 31, 2022, and will increase an additional 0.5 percent local sales tax on January 1, 2023, for a total of 1 percent thereafter.

6 Scheduled meetings

Table 16. Summary of Capital and Operating Costs for 2018 to 2032

Bus System Improvements	Mode	Total Capital Cost (2018 to 2032)	Annual Operating Cost (2032)
		2017 $M	
Make Service Easier To Use	Bus	$29	$0.9
Improve Existing System	Bus	$288	$35.4
Improve Access to Transit	Bus	$9	$9.3
Make Service More Comfortable	Bus	$83	$0.1
Develop a Network of Regional Transit Centers	Bus	$145	$1.0
Bordeaux	Rapid Bus	$59	Included in Improve Existing System Operating Costs
West End	Rapid Bus	$62	
Hillsboro	Rapid Bus	$48	
Dickerson	Rapid Bus	$65	
Reduction of Existing MTA Subsidy	Other	$90	NA
Low-Income Subsidy	Other	NA	$2.5
Other Transportation Improvements	Other	$114	NA
	Subtotal	**$992**	**$49.2**

Rail Corridors	Mode	Total Capital Cost (2018 to 2032)	Annual Operating Cost (2032)
		2017 $M	
Gallatin Pike	LRT	$789	$8.8
Northwest Corridor	LRT	$252	$7.1
Charlotte Avenue	LRT	$697	$7.2
Murfreesboro Pike	LRT	$828	$11.4
Nolensville Pike	LRT	$666	$8.5*
Downtown Tunnel	LRT & Rapid Bus	$936	$3.3
O&M Facility - Primary	LRT	$100	NA
O&M Facility - Secondary	LRT	$64	NA
Music City Star	Commuter Rail	$30	$4.0
	Subtotal	**$4,362**	**$50.3**
	Grand Total	**$5,354**	**$99.5**

Note: Numbers may not add due to rounding.
*Nolensville Pike LRT will open in 2032 with its first full year of operating costs occurring in 2033. A full year of operating cost is shown here to better represent ongoing operations and maintenance costs.

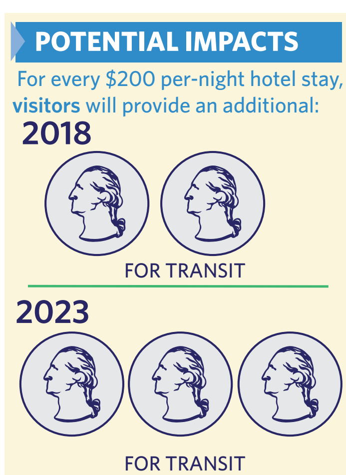
In terms of the potential impact on individuals, a resident or visitor purchasing $100 worth of taxable goods within Davidson County would pay an additional 50 cents in sales tax from August 1, 2018 through December 31, 2022, and a total of $1 in additional sales tax from January 1, 2023 and thereafter. According to the Nashville Area Chamber of Commerce, Davidson County receives nearly $6 billion annually in direct visitor/tourist spending.

The Chamber of Commerce estimates that approximately 47 percent of all sales tax collected in Davidson County is from visitors, tourists, or out-of-county residents.

Hotel Occupancy Tax

Prior to the passage of the IMPROVE Act, Davidson County levied a maximum 6 percent hotel occupancy tax plus a $2.50-per-night additional occupancy tax. The IMPROVE Act authorized up to a 20 percent increase in the existing local hotel occupancy tax, allowing Davidson County to levy up to an additional 1.2 percent in local hotel occupancy taxes for transit purposes.

Similar to the local option sales and use tax, the Plan of Finance assumes an incremental ramp-up of local hotel occupancy taxes. The Program will be funded in part by a proposed 0.25 percent local hotel occupancy privilege tax increase from July 1, 2018 through December 31, 2022, and a 0.375 percent increase from January 1, 2023 and thereafter.



In terms of the potential impact on individuals, a person spending $200 for a room in a Davidson County hotel would pay an additional 50 cents from July 1, 2018 through December 31, 2022, and 75 cents from January 1, 2023 and thereafter.

Business Tax

The IMPROVE Act also authorized up to a 20 percent increase in the existing local business tax for transit purposes. The business tax rates currently range from one-fiftieth of 1 percent to three-tenths of 1 percent of the business's gross income depending on the business's classification. At the current rate, the average business in Davidson County pays $1,673 per year (the median paid is $255). Exemptions are available for some businesses conducting amusement, farming, and other activities. Nashville's Transit Improvement Program will be funded in part by a proposed 20 percent local business tax increase. For a Davidson County business that currently pays $1,000 in taxes, the increase would mean an additional $200.

Local Rental Car Tax

Prior to the passage of the IMPROVE Act, Davidson County assessed a 1 percent local rental car tax. The IMPROVE Act authorized up to a 20 percent increase in the existing local rental car tax for transit purposes, allowing Davidson County to levy up to an additional 0.2 percent in local rental car taxes for transit purposes. Nashville's Transit Improvement Program will be funded in part by a proposed 20 percent rental car tax increase.

Long-Term Financing

Program financing is expected to be supported by up to $500 million in federal financing through the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. In addition to TIFIA, long-term financing through bonds and/or public-private partnerships will be used to help implement the Program. TIFIA represents approximately 6 percent of the funding through the design and construction period. Long-term financing through bonds and/or public-private partnerships represent approximately 34 percent.

Federal Support

The Plan of Finance assumes combined federal funding of $1.5 billion from the Capital Investment Grant (CIG) Program and formula grants during the anticipated design and construction period from 2018 to 2032.

The discretionary CIG program provides funding for fixed guideway investments such as new and expanded light rail, commuter rail, and bus rapid transit investments. Proposed investments must meet statutorily defined eligibility requirements in order to apply and compete for these grants administered by FTA and appropriated by Congress. The two categories of CIG Grants that would be pursued are:

- **New Starts projects** are new fixed guideway projects or extensions to existing fixed guideway systems with a total estimated capital cost of $300 million or more, or that are seeking $100 million or more in CIG program funds.
- **Small Starts projects** are new fixed guideway projects, extensions to existing fixed guideway systems with a total estimated capital cost of less than $300 million and which are seeking less than $100 million in CIG program funds.

In recent years, transit agencies that have obtained FTA CIG funds have requested grant awards of approximately 50 percent of total project costs. The Program assumes that the projects would receive CIG grant awards of approximately 25 percent of the total costs.

Total estimated federal CIG funding is estimated to be $1.4 billion, which is approximately 16 percent of the sources during the 2018-2032 construction period.

Additionally, the Plan of Finance anticipates the use of annual federal formula funds to support the implementation of the bus program improvements and life-cycle costs associated with bus and rail car vehicles rehabilitation and replacement. Over the 15-year period from 2018 to 2032, total estimated federal formula funds and capital replacement grants are anticipated to total $153.3 million.

Farebox and Other Revenue

The Program reflects passenger fare revenue for bus service enhancements that will result in a 23 percent farebox recovery rate and operating revenue for ADA service will result in an 8 percent fare box recovery ratio. The assumptions are based on MTA's 2014 and 2015 National Transit Database reports.

For the HCC's, it is assumed that passenger fare revenue for the high-capacity corridor services will result in a 28 percent farebox recovery rate. This is based on a review of the differentials in LRT and bus fare box recovery ratios achieved by transit systems across the country. In the systems reviewed, the LRT farebox recovery ratio ranged from 3 percent to 10 percent higher than bus farebox recovery. For this analysis, it was assumed that the farebox recovery ratios for high-capacity corridors would be 5 percent higher than MTA's bus system.

During the anticipated design and construction period from 2018 to 2032, the Program is anticipated to generate approximately $192 million in farebox revenue, representing approximately 2 percent of the sources during that period.

The Other Revenues category includes a combination of funding participation from the Nashville International Airport, contributions from the Music City Center, and investment income. Specifically, the finance plan includes $200 million in revenues from the BNA to support the Murfreesboro LRT line to the airport. Revenues from the Music City Center, which is currently being funded by an existing hotel occupancy tax, will start in 2018 at $3 million per year beginning in 2028.

During the anticipated design and construction period from 2018 to 2032, total funding from Other Revenues is anticipated to provide 3 percent of sources.

State Funding

While the Nashville MTA currently receives approximately $4.7 million in State Operating Assistance for the existing transit system; the Program currently anticipates the State will not increase this amount for this Program.

Financing Plan Assumptions (1/2)

Category	Description
Local Option Surcharges	■ Local sales tax — Base amount: 2017 tax base projection from Nashville — 5-year tax increase ramp: – August 1, 2018 – December 31, 2022: 0.5% increase ($88.7 mm base year) – January 1, 2023 – thereafter: 1.0% increase — Growth rates: UT tax study (2018-2032) ■ Hospitality tax — Base amount: 2017 tax base projection from Nashville — 5-year tax increase ramp: – July 1, 2018 – December 31, 2022: 0.250% increase ($2.9 mm base year) – January 1, 2023 – thereafter: 0.375% increase — Growth rates: UT tax study (2018-2032) ■ Business tax — Base amount: 2017 tax base projection from Nashville — Tax increase: $7,340,000 (base year) – Starting January 1, 2020 — Growth rates: Moody's Nashville CPI Projections ■ Rental car tax — Base amount: 2017 tax base projection from Nashville — Tax increase: $316,101 (base year) – Starting July 1, 2018 — Growth rates: Moody's Nashville CPI Projections
Long Term Financing (Revenue Bonds or P3)	■ Issuance on June 1 of any year with required capital to meet funding gap ■ Term: 30 years ■ Interest rate: 5.5% ■ Amortization: Sculpted for 7 years after project completion, aggregate level debt service thereafter ■ Issuance expenses: 1% of par + $1 million per issuance

Financing Plan Assumptions (2/2)

Category	Description
TIFIA	■ Amount: Up to $500 mm ■ Disbursements: Annual, beginning June 1, 2021 ■ Interest rate: 4.75% ■ Term: 35.5 years ■ TIFIA project completion: 12/1/2027 ■ Amortization based on recent TIFIA precedent: — Accrete interest through 5 years following "TIFIA project completion" — Interest only for 5 years — Amortize 50% of accreted balance over succeeding 15 years — Amortize remaining 50% with level debt service payments over final 10 years
Other Cash Flow Line Items	■ BNA Airport Participation: $200 mm in 2026 ■ Convention Center Contribution: $3 mm through 2027, $5 mm thereafter ■ Reduction to existing MTA subsidy: $15 mm (annual) from 2019 through 2024 ■ Subsidy for low-income passengers: $2.5 mm (annual) ■ Other transportation projects: $9.5 mm (annual); average $10.4 mm during construction ■ Investment income: 0.5% of beginning cash balance each year ■ Arranger fee: 0.5% for each respective corridor ■ Professional fees: COI + legal issuance fees (see '*Long Term Financing*' assumptions)

Project Costs (2018-2032)

($ in millions)

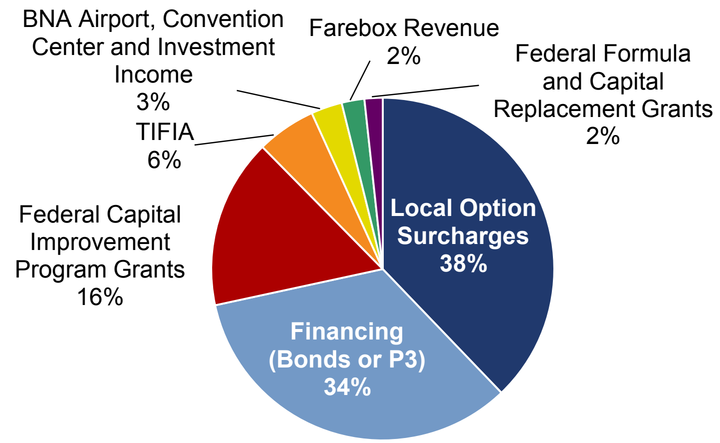
	$ 2017 (Uninflated)	$ YOE
Gallatin Pike – Light Rail Transit	789	952
Charlotte – Light Rail Transit	697	876
Nolensville Pike – Light Rail Transit	666	904
Murfreesboro (Excluding Airport) – Light Rail Transit	663	860
Murfreesboro (Airport) – Light Rail Transit	165	214
Northwest Corridor – Light Rail Transit	252	316
Music City Star – Commuter Rail	30	40
Downtown Transit Connection	936	1,108
O&M Facilities	164	204
Total Rail Corridor Improvements	**$ 4,362**	**$ 5,475**
Rapid Bus Corridor Improvements	233	261
Existing System Expansion	758	886
Total Bus System Enhancements	**$ 992**	**$ 1,146**
Total Project Costs	**$ 5,354**	**$ 6,621**

Sources and Uses During Construction (2018-2032)

($ in millions)

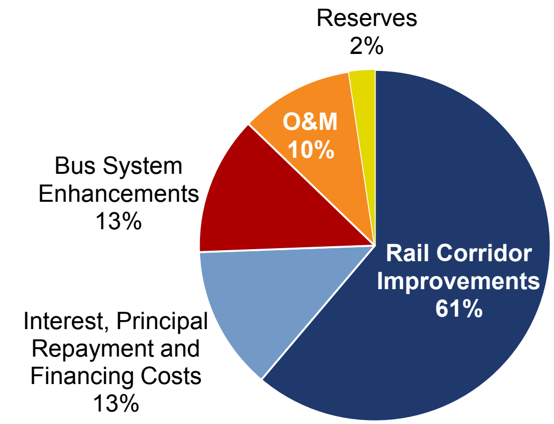
Sources	$ mm	%
Local Option Surcharges	$ 3,387	37.8 %
Farebox Revenue	192	2.1 %
Financing (Bonds or P3)	3,022	33.8 %
TIFIA	500	5.6 %
Federal Capital Improvement Program Grants	1,434	16.0 %
Federal Formula and Capital Replacement Grants	153	1.7 %
BNA Airport Participation, Convention Center Contribution and Investment Income	262	2.9 %
Total Sources	**$ 8,951**	**100.0 %**

Breakdown of Sources



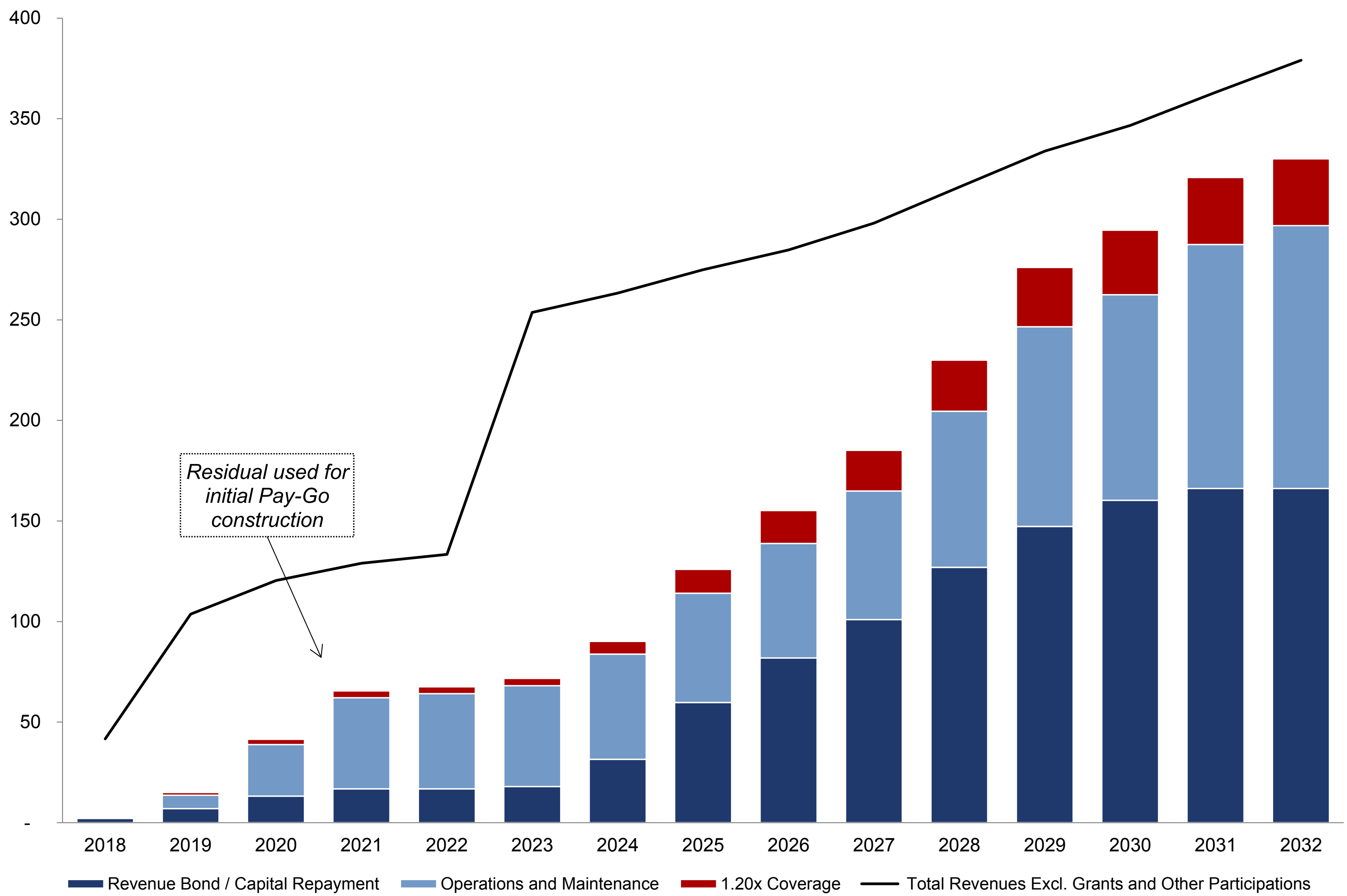
Uses	$ mm	%
Rail Corridor Improvements	$ 5,475	61.2 %
Bus System Enhancements	1,146	12.8 %
Interest, Principal Repayment and Financing Costs	1,185	13.2 %
O&M	934	10.4 %
Reserves	211	2.4 %
Total Uses	**$ 8,951**	**100.0 %**

Breakdown of Uses

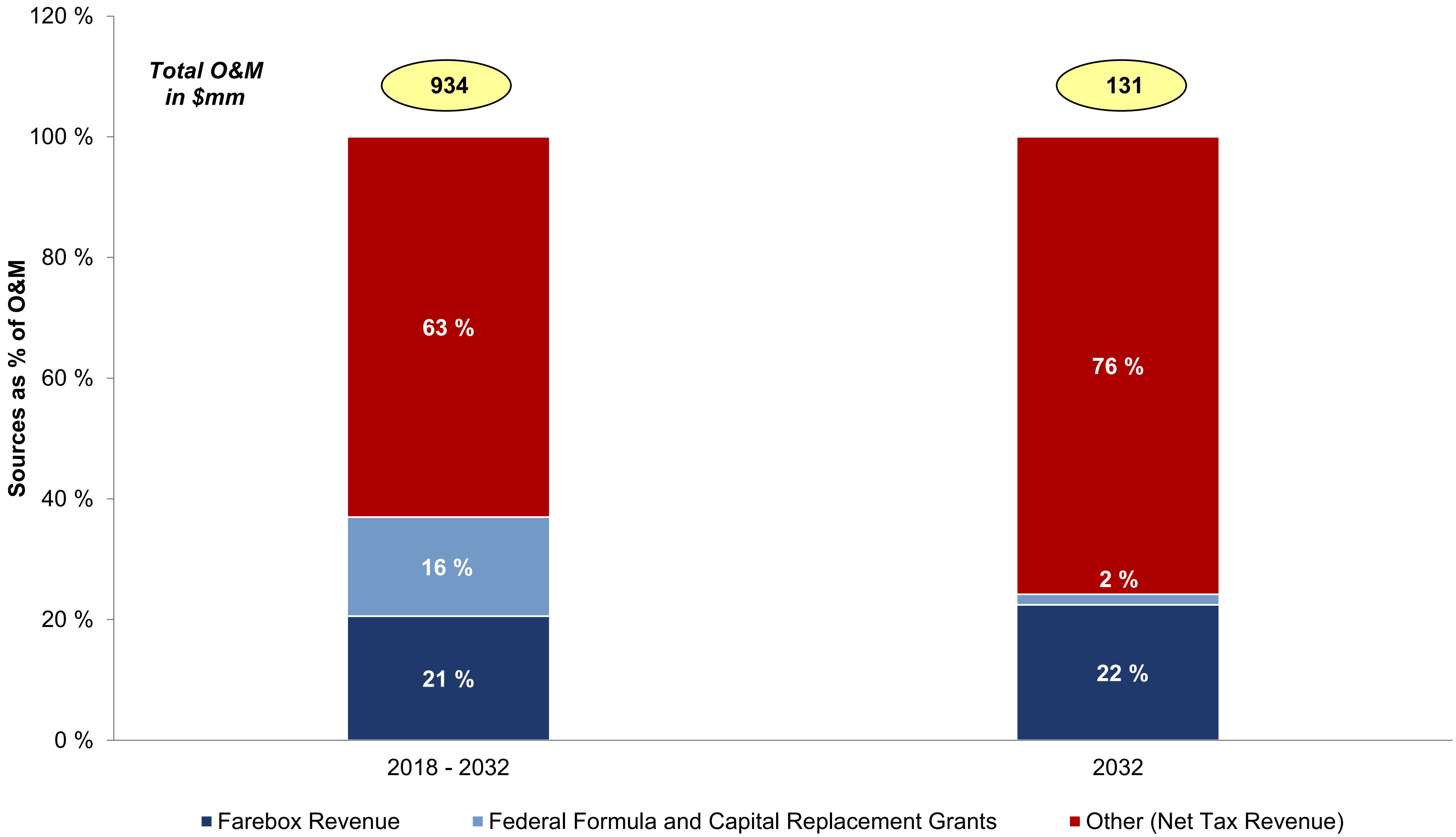


Annual Operating Cash Flow

($ in millions)



O&M Recovery Rates from Farebox Revenue and Federal Formula Grants



Detailed Cash Flows (1/2)

2018-2026
($ in YOE 000s)

Calendar Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Beginning Cash Balance	**-**	**54,463**	**60,210**	**70,891**	**71,510**	**67,377**	**70,504**	**92,660**	**121,637**
Funding Sources									
Operating Sources									
Farebox Corridor Revenues	-	-	-	-	-	-	-	-	-
Farebox - Bus Service Increases	-	491	4,582	8,865	9,072	9,282	9,494	9,708	9,929
Farebox - access-a-Ride Increases	-	149	235	282	331	382	435	489	610
Total Operating Sources	**-**	**640**	**4,817**	**9,147**	**9,403**	**9,664**	**9,929**	**10,196**	**10,539**
Non-Operating Sources									
Local Sales Tax Increase	38,502	96,256	100,580	104,371	108,043	225,564	234,213	244,756	253,523
Hospitality Tax	1,523	3,250	3,477	3,694	3,932	6,321	6,745	7,208	7,680
Business Tax	-	-	7,916	8,103	8,292	8,483	8,678	8,873	9,075
Local rental car surcharge	158	325	333	341	349	357	365	373	381
Long Term Financing (Bonds or P3)	78,000	97,000	131,000	-	-	40,000	456,000	569,000	237,000
TIFIA Loan Proceeds	-	-	-	236,000	161,000	103,000	-	-	-
Capital Sources (5307 - Urbanized Area Formula, Etc)	2,095	39,890	6,896	7,059	7,797	5,648	7,236	14,914	4,116
Federal Capital Improvement Program Grants	-	-	-	-	143,396	143,396	143,396	143,396	143,396
Other Federal Grants	-	-	-	-	-	-	-	-	-
BNA Airport Participation	-	-	-	-	-	-	-	-	200,000
Convention Center Contribution	1,500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Investment Income	-	272	301	354	358	337	353	463	608
Total Non-Operating Sources	**121,778**	**239,993**	**253,504**	**362,921**	**436,166**	**536,106**	**859,985**	**991,984**	**858,779**
Total Sources	**121,778**	**240,633**	**258,321**	**372,068**	**445,569**	**545,770**	**869,914**	**1,002,181**	**869,318**
Funding Uses									
Operating Uses									
Service Increases - Bus	-	2,312	20,104	39,177	40,469	42,706	43,986	45,282	46,311
Service Increases - ADA	-	1,861	2,933	3,526	4,141	4,778	5,434	6,107	7,625
Rapid Bus Corridor Operating Expenses	-	-	-	-	-	-	-	-	-
Rail Corridor Operating Expenses	-	-	-	-	-	-	-	-	-
Free Transit Passes for Low-Income Passengers	-	2,500	2,568	2,632	2,694	2,757	2,821	2,885	2,950
Total Operating Uses	**-**	**6,674**	**25,606**	**45,335**	**47,305**	**50,241**	**52,241**	**54,274**	**56,886**
Capital Uses									
Initial Capital Costs (Bus & ADA)	20,951	62,184	54,049	55,321	62,344	40,499	40,264	41,170	23,282
Lifecycle Maintenance Costs (Bus & ADA)	-	-	-	-	-	-	-	18,098	-
Vehicle Expansion and Replacement Costs (Bus & ADA)	-	67,343	2,983	3,053	3,124	3,197	6,420	3,497	3,576
Reduction in Existing MTA Subsidy	-	15,000	15,409	15,793	16,164	16,541	16,924	-	-
Local Transportation Improvements	-	-	-	9,966	10,200	10,438	10,680	10,924	11,170
Rapid Bus Corridor Initial Capital Costs	4,475	13,137	63,853	104,569	74,595	-	-	-	-
Rail Corridor Initial Capital Costs	37,964	48,997	70,203	120,583	213,177	397,024	684,100	774,271	676,120
Rapid Bus Lifecycle Maintenance Costs	-	-	-	-	-	-	-	-	-
Rail Lifecycle Maintenance Costs	-	-	-	-	-	-	-	-	-
Rail Vehicle Expansion and Replacement Costs	-	-	-	-	-	-	-	-	-
Total Capital Uses	**63,390**	**206,661**	**206,496**	**309,284**	**379,605**	**467,699**	**758,387**	**847,960**	**714,149**
Capital Repayment									
Revenue Bonds Debt Service / Payment Availability	2,145	6,958	13,228	16,830	16,830	17,930	31,570	59,758	81,923
TIFIA Loan Debt Service	-	-	-	-	-	-	-	-	-
Total Capital Repayment	2,145	6,958	13,228	16,830	16,830	17,930	31,570	59,758	81,923
Total Professional Fees	1,780	14,593	2,310	-	5,963	6,771	5,560	11,212	3,370
Total Uses	**67,315**	**234,885**	**247,640**	**371,449**	**449,703**	**542,642**	**847,758**	**973,204**	**856,328**
Net Cash Flow	**54,463**	**5,748**	**10,681**	**619**	**(4,133)**	**3,128**	**22,156**	**28,977**	**12,990**
Ending Cash Balance	**54,463**	**60,210**	**70,891**	**71,510**	**67,377**	**70,504**	**92,660**	**121,637**	**134,627**
Operating Reserve - Bus & HCC (3 Months)	-	1,043	4,716	4,916	477	719	484	492	637
Debt and Capital Repayment Reserve (5% Par)	3,900	8,750	15,300	15,300	15,300	17,300	40,100	68,550	80,400
TIFIA Debt Service Reserve	-	-	-	-	-	-	-	-	-
Ending Unrestricted Cash Balance	**50,563**	**50,417**	**50,875**	**51,294**	**51,600**	**52,486**	**52,077**	**52,595**	**53,591**

Detailed Cash Flows (2/2)

2027-2032 and Totals
($ in YOE 000s)

Calendar Year	2027	2028	2029	2030	2031	2032	2018 - 2032
Beginning Cash Balance	**134,627**	**158,746**	**185,945**	**201,266**	**266,914**	**227,359**	
Funding Sources							
Operating Sources							
Farebox Corridor Revenues	1,185	4,468	9,943	10,170	14,871	16,835	57,472
Farebox - Bus Service Increases	10,159	10,396	10,636	10,879	11,126	11,380	125,998
Farebox - access-a-Ride Increases	743	811	883	958	1,038	1,122	8,467
Total Operating Sources	**12,087**	**15,674**	**21,462**	**22,007**	**27,035**	**29,337**	**191,938**
Non-Operating Sources							
Local Sales Tax Increase	264,422	275,914	287,168	298,423	308,848	321,761	3,162,345
Hospitality Tax	8,211	8,766	9,163	9,814	10,331	11,045	101,158
Business Tax	9,285	9,502	9,721	9,943	10,169	10,401	118,440
Local rental car surcharge	390	399	409	418	428	437	5,462
Long Term Financing (Bonds or P3)	457,000	486,000	254,000	217,000	-	-	3,022,000
TIFIA Loan Proceeds	-	-	-	-	-	-	500,000
Capital Sources (5307 - Urbanized Area Formula, Etc)	2,230	2,696	4,613	2,587	43,304	2,257	153,341
Federal Capital Improvement Program Grants	143,396	143,396	143,396	143,396	143,396	-	1,433,958
Other Federal Grants	-	-	-	-	-	-	-
BNA Airport Participation	-	-	-	-	-	-	200,000
Convention Center Contribution	3,000	5,000	5,000	5,000	5,000	5,000	53,500
Investment Income	673	794	930	1,006	1,335	1,137	8,921
Total Non-Operating Sources	**888,608**	**932,467**	**714,400**	**687,587**	**522,809**	**352,038**	**8,759,125**
Total Sources	**900,695**	**948,141**	**735,862**	**709,595**	**549,844**	**381,375**	**8,951,062**
Funding Uses							
Operating Uses							
Service Increases - Bus	47,385	48,490	49,611	50,744	51,897	53,079	581,554
Service Increases - ADA	9,283	10,136	11,035	11,980	12,975	14,026	105,841
Rapid Bus Corridor Operating Expenses	-	-	-	-	-	5,807	5,807
Rail Corridor Operating Expenses	4,234	15,957	35,511	36,322	53,110	54,320	199,452
Free Transit Passes for Low-Income Passengers	3,017	3,087	3,159	3,232	3,306	3,381	40,990
Total Operating Uses	**63,918**	**77,670**	**99,315**	**102,278**	**121,288**	**130,613**	**933,643**
Capital Uses							
Initial Capital Costs (Bus & ADA)	4,008	8,240	9,332	5,420	5,543	1,179	433,788
Lifecycle Maintenance Costs (Bus & ADA)	-	-	-	-	-	-	18,098
Vehicle Expansion and Replacement Costs (Bus & ADA)	3,659	3,745	7,360	4,091	85,499	4,279	201,826
Reduction in Existing MTA Subsidy	-	-	-	-	-	-	95,830
Local Transportation Improvements	11,424	11,689	11,961	12,238	12,518	12,802	136,010
Rapid Bus Corridor Initial Capital Costs	-	-	-	-	-	-	260,628
Rail Corridor Initial Capital Costs	686,989	686,598	441,742	356,507	198,343	82,587	5,475,203
Rapid Bus Lifecycle Maintenance Costs	-	-	-	-	-	-	-
Rail Lifecycle Maintenance Costs	-	-	-	-	-	-	-
Rail Vehicle Expansion and Replacement Costs	-	-	-	-	-	-	-
Total Capital Uses	**706,080**	**710,272**	**470,395**	**378,255**	**301,902**	**100,848**	**6,621,383**
Capital Repayment							
Revenue Bonds Debt Service / Payment Availability	101,008	126,940	147,290	160,243	166,210	166,210	1,115,073
TIFIA Loan Debt Service	-	-	-	-	-	-	-
Total Capital Repayment	101,008	126,940	147,290	160,243	166,210	166,210	1,115,073
Total Professional Fees	5,570	6,060	3,540	3,170	-	-	69,899
Total Uses	**876,576**	**920,942**	**720,540**	**643,947**	**589,400**	**397,670**	**8,739,998**
Net Cash Flow	**24,118**	**27,199**	**15,322**	**65,648**	**(39,555)**	**(16,295)**	**211,064**
Ending Cash Balance	**158,746**	**185,945**	**201,266**	**266,914**	**227,359**	**211,064**	
Operating Reserve - Bus & HCC (3 Months)	1,741	3,420	5,393	723	4,734	2,312	
Debt and Capital Repayment Reserve (5% Par)	103,250	127,550	140,250	151,100	151,100	151,100	
TIFIA Debt Service Reserve	-	-	-	-	-	-	
Ending Unrestricted Cash Balance	**53,754**	**54,974**	**55,623**	**115,092**	**71,525**	**57,651**	