PRAG

100 SECOND AVENUE SOUTH, SUITE 903
ST. PETERSBURG, FLORIDA 33701
TEL: (727) 822-3339 | FAX: (727) 822-3502

PUBLIC RESOURCES ADVISORY GROUP

MEMORANDUM TO:	Board of County Commissioners
FROM:	Public Resources Advisory Group ("PRAG")
SUBJECT:	Greenlight Pinellas Financial Feasibility Report
DATE:	December 9, 2013

Executive Summary

Public Resources Advisory Group ("PRAG") has reviewed the Greenlight Pinellas Preliminary Financial Feasibility Report dated December 4, 2013 (the "Feasibility Report") and the associated financial model prepared by Ernst & Young Infrastructure Advisors ("EYIA"). We have had limited time to complete this review and recognize that the County may request further review and analysis. However, at this time, based on the time and information available, we believe that the findings of the Feasibility Report are reasonable and are consistent with prior representations made by the Pinellas Suncoast Transit Authority (the "PSTA") about the Greenlight Pinellas Program (the "Program").

The Feasibility Report assesses the financial feasibility of the Program. The implementation of the Program will involve replacing the PSTA's existing ad valorem funding source with a dedicated 1% sales tax. The change in the local funding source, along with state and federal funding, is expected to generate sufficient revenues to fund expanded bus service and a light rail transit system. Implementation of the sales tax, and the cessation of the ad valorem funding, is subject to voter approval of the sales tax authorized under Florida Statutes 212.055.

PRAG confirms EYIA's findings that:

- The Base Case financial plan maintained positive cash flows throughout the projection period, and
- Projected target debt service coverage ratios were achieved on an annual basis.

PRAG reviewed the Sensitivity Scenarios developed by EYIA. The Sensitivity Scenarios address the four questions listed below and identify strategies to mitigate the associated risks.

1) What is the minimum annual sales tax growth rate required to maintain financial feasibility?
2) Can the plan work with less federal New Starts money?
3) Can the plan sustain a higher rail price tag?
4) How does the plan absorb sales tax volatility? And what if a recession hits early on?

After review of the Feasibility Report and the financial model, PRAG found that the model accurately portrays the Program as presented by PSTA, all inputs are appropriately sourced and the debt assumptions are reasonable under current market conditions. PRAG finds that the following risk factors could have significant negative impacts on the ability to fully implement the Program:

- Increased acquisition, construction and development costs and/or cost overruns,
- Inability to obtain state and federal capital grants and loans as anticipated, and
- Higher interest rates prior to funding.

PRAG finds that the following risk factors could have negative impacts on the ability to successfully operate the Program as envisioned:

- Failure to meet ridership expectations,
- Failure to control operating expenses,
- Reductions in anticipated sales tax growth, and
- Reduction in the amount and/or anticipated growth of state and federal operating grants.