Financial Impact of Options

Summary of Financial Impact of Cog Options Under Consideration As Of October 2, 2018						
		A **June 26 Agreement**	**B** **Cog's Sept 17 Proposal**		**C** **Oct 2 Proposal**	
Scenario	**Option Summary:**	Cog pays City $500,000 in 2018 and 2019. City waives use tax and rebates excise tax if it exceeds "Base Excise Tax" for 50 years.	Cog pays City $500,000 in 2018 and 2019 and $250,000 in 2020. City waives use tax and rebates excise tax if it exceeds 2.5% through year 25 and 3.8% in years 26-50. Revenue from ticket sales over 400,000 taxed at 5.0%.	Change from June 26 Agreement	Cog pays City $500,000 in 2018 and 2019 and $250,000 in 2020. City waives use tax and rebates excise tax if it exceeds "Base Excise Tax" but with 3.8% minimum tax in years 26-50, and in all years revenue from ticket sales over 375,000 is taxed at full 5.0%.	Change from June 26 Agreement
"Low": 2.15% increase in ticket prices going from $28 to $75 over 50 years, with ridership increasing from 300,000 by 10,000/Yr to 350,000 until new cars are purchased in year 15, then increasing by 10K/Yr to Max of 385,000 ("Cog's Numbers").	Rebates/Tax Savings	$3,862,602	$5,592,319	$1,729,718	$2,430,639	($1,431,962)
	Taxes	$14,285,895	$12,556,178	($1,729,718)	$15,717,858	$1,431,962
"Med": 2.75% increase in prices going from $28 to $100 over 50 years, and riders increasing to 400,000 in year 15.	Rebates/Tax Savings	$7,865,912	$6,852,307	($1,013,605)	$3,358,284	($4,507,628)
	Taxes	$14,329,194	$15,342,799	$1,013,605	$18,836,822	$4,507,628
"High": 3.7% increase in ticket prices from $28 to $150 over 50 years, with ridership increasing to 400,000 in year 15 and 450,000 in year 26.	Rebates/Tax Savings	$15,888,609	$6,825,501	($9,063,108)	$3,757,167	($12,131,441)
	Taxes	$14,332,739	$23,395,847	$9,063,108	$26,464,181	$12,131,441
	Pros:	Partnership on addressing traffic congestion and other issues	Partially protects City from inflationary impacts by capturing revenue from ticket sales exceeding 400,000, and setting a minimum tax rate of 3.8% in later years. Generates more to significantly more tax revenue to City under Med and High scenarios. Provides for $250,000 additional up-front payment.		Protects City from inflationary impacts by capturing revenue from ticket sales exceeding 375,000, and setting a minimum tax rate of 3.8% in later years. Generates more to significantly more tax revenue to City under Med and High scenarios. Provides for $250,000 additional up-front payment.	
	Cons:	Cog gets all benefit of potential higher revenue and City's ability to continue service levels is eroded.	Worse than current agreement under Low scenario.		Still a 50-year agreement.	
Note: All values are Net Present Value (NPV) for the cash flow over 50 years.						

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- City Budget Impact <u>Without</u> Agreement:
  - Must cut $600,000 from current year (2018) budget, $600,000 from 2019 proposed budget, and similar cuts from future budgets
  - To make up the future year cuts the City Council could ask voters to approve increasing the City's property tax by 9 mills (from the current 13.072 mills to 22.072 mills; a 59% increase equal to about $325/yr for a home with $500,000 market value), but if voters approved a new tax, new revenue would not be available until 2020
- City Budget Impact <u>With</u> Agreement:
  - \+ $500,000 revenue in 2018 and 2019, and $250,000 in 2020 even though Cog is closed
  - \+ $16 million to $26 million NPV ($34 million to $68 million non discounted) tax revenue over term of agreement