



Virginia Department of Rail and Public Transportation

Master Equipment Leasing Program for Transit Capital

2018 General Assembly Feasibility Study

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Legislative Mandate

- Investigate MELP option to finance statewide transit capital to:
 - Achieve cost savings through bulk purchases
 - Establish revolving loan fund
- Examine feasibility of existing MELP program
- Use TCPRAB findings to identify potential TTF revenue sources to capitalize lease payments
- Report to General Assembly and Governor by November 1



MELP Overview

- Master Equipment Leasing Program
- Empowered the Treasury Board to undertake credit purchase financing of personal property equipment needs of all **state agencies** and institutions.
- Payment of the purchase price is deferred through installment payments and includes interest payments



MELP Overview

- Treasury seeks line of credit from financial institution
- Installment purchase program
- Rates calculated against index + spread and reflect Commonwealth's AAA rating
- Rates fixed at time of closing
- Interest rates are tax exempt



Department of General Services



- Utilizes MELP for purchases of centralized vehicle fleet and equipment
- Most loans fixed at 2.5% rate
- 3, 5, 7, or 10 year terms
- Most often used to flatten needs gaps on annualized basis

Treasury Observations

- MELP may be used by state agencies only. Local governments and agencies ineligible
- Borrowers must pledge asset being financed
- Financing must be approved by Treasury Board
- Generally small lines of credit used by few agencies
- Approximately \$25 - \$30m available annually.
- FY 2018 \$25 million available/ \$16m obligated
- Applicant needs/terms vary based upon available revenues



Initial Findings



- Existing MELP structure currently unable to finance transit capital assets
 - Prohibition on non-state entities
 - Impact to statewide debt capacity
 - Borrower requirement to pledge asset conflicts with FTA and State contingent interests.
- DRPT would need to create unique MELP-like structure for transit capital
 - Loan terms would need to be consistent with assets' useful life, e.g. 12 years for buses
 - DRPT could leverage TTF resources to secure debt on behalf of local transit agencies.

TSDAC
Future
Policy
Considerations

- Do public agencies have need for a low-interest credit program?
- Would agencies be willing to authorize holding of vehicle title for term of a loan?
- What are short-term and long-term statewide transit capital needs post prioritization implementation?



Next Steps

- Assess feasibility of existing financing programs for local agencies and DRPT
 - Virginia Resources Authority
 - Repayment made by local agency
 - VTIB
 - Does not allow state backed debt
- Examine other revolving loan, credit programs for public transportation used in other states.
- Examine acceleration of future statewide transit capital needs under lending program scenarios
- Examine available funding for capitalization of program
- Develop model MELP program structure for Virginia transit capital financing





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