

June 4, 2012

2011 REGIONAL SOLICITATION: DEVELOPING FUNDING TARGETS.

TAB directed the technical committee to develop funding options using 100% of the SAFETEA-LU funding levels used in 2009 but with contingency plans should reauthorization provide less federal money. Before the TAB can make decisions on allocation of federal funds, it must make a decision on any inflation percentages that will be applied to selected projects and the level of obligation authority that the region will have, and a few other questions. The following information describes options presented by staff and any recommendations made by the TAC Funding & Programming Committee at its meeting on May 31.

Action Steps

The TAC must forward any recommendations and options to the TAB at this meeting regarding:

- 1)the timing and urgency for the TAB to make a decision on selecting projects from the 2011 Solicitation,
- 2)how to inform project sponsors that the region's sunset date policy may change significantly,
- 3)funding level assumptions,
- 4)the application of an inflation factor,
- 5)contingency plan options for the possibility of lower federal funding levels,
- 6)some funding options at 100% of previously assumed funding levels and,
- 7)a funding option for levels at the amount from the existing highway trust fund (30% less over four years)

1) Timing, urgency and TIP amendment/adoption process

The TAB wanted to vote on funding options at its June meeting immediately prior to the Public Hearing for the draft 2013-2016 TIP. Typically, the TAB would direct staff to include the selected projects in the draft TIP. This may be a large enough departure from the Draft and really the key role that the TAB has in its development that this may seem rushed from the standpoint of public input. If the TAB does not vote on funding options in June or if we need to have more opportunity for public reaction to this decision, the TAB will need to prepare a TIP amendment for all of these projects at a later date and hold a public hearing on that amendment. If this is the case, there is no urgency for the TAB to act in June since the TIP amendment could not be approved until the fall. Project sponsors for projects that are highly ranked could be sent the message that they will be added to the TIP when the 2013-2016 TIP is approved and to begin working even though the projects are not officially in the TIP yet.

2) Change in the region's sunset date policy

The TAC working group on local programming issues will be recommending a change to the sunset date policy that would apply to selected projects from the 2011 Solicitation. The TAB will need to make applicants aware of the upcoming change to the policy when it notifies applicants of their selection.

3) Obligation Level and Funding Targets

The TAC Funding and Programming Committee recommended using the obligation level and funding targets developed by Metropolitan Council/TAB staff in consultation with Mn/DOT Metro District staff. The TAB requested that the TAC forward funding options to spend 100% of previously expected funding levels. MnDOT is using the SAFETEA-LU levels of funding in the 2013-2016 STIP and beyond with a contingency plan to defer projects should reauthorization reduce the amount of funding available. MnDOT is also using the 85% obligation level used in the previous two regional solicitations.

The funding assumptions are detailed in the following table:

2011 REGIONAL SOLICITATION FUNDING BASED ON SAFETEA-LU (\$286 billion over 5 years)

Program	SAFETEA Apportionment reduced to 85% obligation level	Annual solicitation obligation amount	Adjustments from dropped projects after paying for overprogramming	CMAQ allocation for TDM program	Total federal funds for 2011 Solicitation (2yrs)
STP-UG	\$50.45M x 85%=	\$42,882,500	\$6,431,204		\$92,196,204
CMAQ	\$29.25M x 85%=	\$24,862,500	\$0	-\$7,000,000	\$42,725,000
TE	\$9.34M x 85%=	\$7,939,000	\$1,129,091		\$17,007,091
BIR #	\$?? M x 85%=	\$5,000,000	\$1,887,478		\$11,887,478
HSIP ~	\$?? M x 85%=	\$8,400,000	\$232,386		\$17,032,386
RCS #	\$?? M x 85%=	\$1,700,000	\$0		\$3,400,000
Total		\$90,784,000	\$9,680,159		\$184,248,159

~ HSIP guidance from 2009 solicitation states funding available is \$8.4 million per year. Assuming obligation level has already been applied so using this amount.

BIR and RCS generally programmed at a flat amount. Assume that obligation level has already been applied.

This table adds in funds from adjustments to the SAFETEA-LU targets from the balance of funds left available because of withdrawn regional projects. The TAB typically overprograms federal funds in the regional solicitation anticipating that some local projects will not be delivered and dropped from the TIP. When the TAB overprograms, MnDOT must underprogram by an equal amount. The TAB essentially repays the overprogramming by subtracting the federal amount of the dropped projects from its balance. If the federal amount of dropped projects is less than the overprogramming to be repaid, the TAB will subtract the difference from the next solicitation. In this case, the federal amount of the dropped projects is greater than the overprogramming to be repaid, so the TAB can add in the difference to the 2011 regional solicitation. The extra funds assumed from these adjustments to be available are detailed in the tables on the following page.

2011 SOLICITATION: RECONCILING 2009 OVERPROGRAMMING (\$8,300,000) AND WITHDRAWN PROJECTS FROM THE REGIONAL PROGRAM

<u>Running Total</u>	<u>Amount Withdrawn</u>	<u>Project #</u>	<u>Date Withdrawn</u>	<u>Federal Fund Type</u>	<u>Project Description</u>
-\$6,794,674	\$1,505,326	027-635-026	10/27/10	BIR	CSAH 35, PORTLAND AVE (HENNEPIN CSAH 35) OVER HCRRA CORRIDOR, MPLS-REPLACE BR 90494
-\$5,424,153	\$1,370,521	027-752-018	10/27/10	BIR	CSAH 152, CEDAR AVE(HENNEPIN CSAH 152) OVER HCRRA CORRIDOR,MPLS-REPLACE BR 90437
\$735,847	\$6,160,000	164-090-012	2/24/11	STP-UG	MIDTOWN GREENWAY-ST PAUL, PHASE 2 FROM CP RR CORR, PRIOR AVE TO CP RR CORR AT AYD MILL TRAIL, ST PAUL-RW ACQUISITION, CONSTRUCT PED/BIKE TRAIL, ETC
\$1,365,847	\$630,000	164-020-100	2/24/11	BIR	EDGE CUMBE RD OVER RAVINE, HIGHLAND PARK, ST PAUL-REPLACE BR L8804 & APPROACHES
\$2,393,047	\$1,027,200	091-090-049	5/9/11	TEA	BELTLINE BLVD, ST LOUIS PARK-CONSTRUCT BRIDGE ON HOPKINS TO MIDTOWN GREENWAY REGIONAL LRT TRAIL
\$2,824,687	\$431,640	082-622-008	1/10/12	HSIP	WASHINGTON CSAH 22 & HARDWOOD AVE, COTTAGE GROVE-INSTALL TRAFFIC SIGNAL & LEFT TURN LANES
\$6,216,159	\$3,391,472	082-596-003	1/24/12	STP-UG	MN36, LAKE ELMO AVE (WASHINGTON CSAH 17), LAKE ELMO-CONSTRUCT OVERPASS, N & S FRONTAGE ROADS
\$8,610,159	\$2,394,000	062-678-012	3/12/12	STP-UG	RAMSEY COUNTY RECONSTRUCTION OF COUNTY ROAD B2 (CSAH 78) BETWEEN FAIRVIEW AV AND SNELLING AV.
\$9,680,159	\$1,070,000	107-090-005	3/31/12	TEA	LONG MEADOW LAKE, BLOOMINGTON, REPLACE BR 3145 ON OLD CEDAR AVENUE WITH A BIKE/PED BOARDWALK
total withdrawn	\$17,980,159				

amount dropped	percentage dropped	amount of underprogramming added back to 2011 Solicitation	
\$11,945,472	66%	\$6,431,204	STP-UG
\$0	0%	\$0	CMAQ
\$2,097,200	12%	\$1,129,091	TEA
\$3,505,847	19%	\$1,887,478	BIR
\$431,640	2%	\$232,386	HSIP
\$17,980,159	100.00%	\$9,680,159	Total

4) Inflation Factor

The region applied a 3% average inflation amount for projects selected in the 2009 Solicitation (2% for 2013 projects and 4% for 2014 projects). It is our understanding that MnDOT is preparing for a significantly higher inflation level over the next five years of 5% per year, which would result in an inflation amount of around 25% for a project programmed in 2016 and 20% or above for 2015, resulting in an amount of roughly \$40 million from the funding levels for the 2011 Solicitation. In the past we have used MnDOT STIP guidance to help the TAB make a decision on applying an inflation factor. Since the TAB caps the amount of federal funds on regionally-selected projects, the risk of increased costs is only held by the local project sponsors. It is the TAB's decision as to how much of an inflation cushion they want to put into the projects selected for funding. The highest inflation rate the TAB has ever applied is 9% and 12% (10.5% average) in the 2007 solicitation. The TAC Funding & Programming Committee recommended applying roughly half the inflation factor that MnDOT is using to plan for its program of projects (10% for 2015 and 12% for 2016). For the purpose of developing funding options, all construction projects will be inflated by 11% (the average of the total).

5) Contingency Plan Options for Lower Federal Funding Levels

The TAB directed the technical committees to develop options based on previous funding targets with contingency plans should reauthorization provide less money than programmed. We propose offering two contingency solutions based on the annual funding level discussed by the House T&I Committee about one year ago that would cut federal funding by about 30%. This would reduce the funding levels to what is available from the Highway Trust Fund. The first contingency plan is to either reduce the federal funding for all of the projects selected for 2015 and 2016 by a percentage amount that would get us to the available funding levels, or to apply an inflation factor at the time of award with the stipulation that the inflation amount may be removed if Congress does not approve as much funding. Taking back only the inflation amount may also require some project deferrals to 2017.

The second contingency plan would be to push projects from 2013 and 2014 into 2015 and push projects from the 2011 solicitation out to 2017 and 2018. This second option would likely result in delaying the next regional solicitation to 2014. This contingency plan would delay when the TAB could program new projects but it would give more time to develop a reformed solicitation package.

6) 100% Funding Options

The TAB directed the technical committees to forward funding options to program projects from the 2011 Solicitation based on previous funding levels under SFEATEA-LU. Staff presented two options to the TAC Funding & Programming Committee. These two options are described below with points of discussion from the F&P Committee meeting. The first option presented is an option that funds projects proportionate to the amount requested per STP category. The second option is a policy-based option focusing more on reconstruction of aging roadways for multimodal transportation. These funding options result in overprogramming of around \$4M.

**Funding Request-Based Scenario (Inflated By 11%)
- option to fund a portion of 10th Ave Bridge Request**

	Funding Requested	% of Total STP	Target (\$91.8M avail STP)	Funding Option	% of STP total	# of Projects
AA	\$ 42,077,873	16%	\$ 14,913,520	\$ 15,131,520	16%	2
AR	\$ 41,325,512	16%	\$ 14,646,863	\$ 16,743,425	18%	3
AE	\$ 80,104,085	31%	\$ 28,391,022	\$ 28,476,735	30%	6
AC	\$ 29,451,186	11%	\$ 10,438,285	\$ 9,213,000	10%	3
PA	\$ 30,929,295	12%	\$ 10,962,167	\$ 10,434,000	11%	2
BW	\$ 36,239,791	14%	\$ 12,844,348	\$ 15,185,311	16%	3
Total STP	\$ 260,127,742	100%	\$ 92,196,204	\$ 95,183,991	100%	19
BIR			\$ 11,887,478	\$ 11,887,478		7
TE			\$ 17,007,091	\$ 17,090,224		18
CMAQ			\$ 42,725,000	\$ 43,572,795		6 Transit, 7 TSM
Total			\$ 163,815,773	\$ 167,734,488		57

10th Ave Bridge Not Fully Funded
Skips 10th Ave Bridge

This option divides up the STP funding to close to the percentage of the total STP request by each category. One project, to rehabilitate the 10th Avenue Bridge in Minneapolis, was submitted for Transportation Enhancements and BIR funds. It ranked very highly in the TE category but is on the bubble for funding (ranked 7th) in the BIR category. If we program 6 BIR projects, we are left with a significant underprogramming in that category. The Funding & Programming Committee accepted the proposal to remove this project from the TE list, allowing one additional TE project to be funded, and programming a portion (\$3,400,000) of the BIR request for this project. This project would have received only \$1M in the TE category so this would allow the project to be funded at a higher level than if it were to receive TE funds.

The Funding & Programming Committee had a lengthy discussion on this proposal. The members agreed to forward it to the TAC for consideration but without recommendation. This method of selecting projects has been used in the past but many members did not feel it was a good option because it has no basis in policy. Because the largest number of applications came in for Expander projects, the Funding Request-Based option essentially favors more minor arterial highway expansion. There were comments that the policy direction in the region has changed in recent years toward doing more with less and favoring preservation over expansion.

The TAC F&P Committee also discussed a second option. This option is based on applying the strategies under Transportation Policy Plan Policy 11: Highway System Management and Improvements, which states that “the Metropolitan Highway System and “A” minor arterial system will be managed and improved to provide for maximum person throughput, safety and mobility using existing facility capacity, pavement and right-of-way where feasible.” The TAB moved in this direction by changing the focus in the criteria for the Augmenter projects to encourage more reconstruction of aging roadways in the core of the metropolitan area. To fit this policy objective, this option adds three more Augmenter projects (5 total) and removes one Expander (5 total), and two Bike/Walk projects (1 total). The committee also considered another option to fund only one Connector and continue to fund six Expanders. However, the option to keep funding for three Connector projects keeps with the theme of funding more preservation projects. This option would provide more funds to roads in the fully-developed areas of the region. The three additional Augmenter projects are all “complete streets” projects with bike lanes, sidewalks, and other pedestrian enhancements. While these elements are not as optimal for bicycling and walking as the trails submitted in the Bike/Walk category that would not be funded with this option, they do fit the regional goal of using existing infrastructure and right-of-way to provide bicycle and pedestrian connectivity and safety.

Policy-Based Scenario (Inflated By 11%)

	Funding Requested	% of Total STP	Target (\$91.8M avail STP)	Actual	% of STP total	# of Projects
AA	\$ 42,077,873	16%	\$ 14,913,520	\$ 29,774,996	32%	5
AR	\$ 41,325,512	16%	\$ 14,646,863	\$ 16,743,425	18%	3
AE	\$ 80,104,085	31%	\$ 28,391,022	\$ 24,035,580	26%	5
AC	\$ 29,451,186	11%	\$ 10,438,285	\$ 9,213,000	10%	3
PA	\$ 30,929,295	12%	\$ 10,962,167	\$ 10,434,000	11%	2
BW	\$ 36,239,791	14%	\$ 12,844,348	\$ 2,980,639	3%	1
Total	\$ 260,127,742	100%	\$ 92,196,204	\$ 93,181,641	100%	19
BIR			\$ 11,887,478	\$ 11,887,478		7
TE			\$ 17,007,091	\$ 17,090,224		18
CMAQ			\$ 42,725,000	\$ 43,572,795		6 Transit, 7 TSM
Total			\$ 163,815,773	\$ 165,732,137		57

10th Ave Bridge Not Fully Funded
Skips 10th Ave Bridge

The TAB may also develop its own options or tweak either of these two or any other that the F&P or TAC develops. There was a suggestion at TAC F&P to offer more than just one that provides more funding to Augmenters but one that would provide more funding to Bike/Walk or Expanders or Principal Arterials though these options were not explored.

7) For Illustration: Only Expect Levels of Funding from the Existing Highway Trust Fund

Using 100% funding under SAFETEA-LU, the total, annual amount available to program in the six STP programs is \$90.784 million. The TAC Funding & Programming Committee would also like to offer for the TAB's information the table below to only program only one year's funding for 2016 that would be available under the most conservative reauthorization outcome (70% of previously expected funding over the full four years) beginning in FFY 2013. If Congress does not find any additional funding outside of the trust fund, it would result in available funding that is only 70% of the total for four years. Because the TAB has committed to funding its existing obligations for 2013 and 2014, some of these projects would need to be deferred to 2015 because there would not be enough funding in either 2013 or 2014 to fund all of the projects currently programmed. This scenario would leave roughly one year's worth of funds to program for 2016.

Program	SAFETEA Apportionment reduced by 30% and 85% obligation level	Available funding targets		Funding target adjustments		Final target estimate
		Annual solicitation obligation target	2011 Solicitation obligation target for 2015 and 2016	Add adjustments from dropped projects after paying for overprogramming	Subtract 30% shortfall from 2013 and 2014 programmed target	2011 solicitation total obligation target for 2015 and 2016
STP-UG	$\$50.45\text{M} \times 70\% \times 85\% =$	\$30,017,750	\$60,035,500	\$6,431,204	\$25,729,500	\$ 40,737,204
CMAQ	$\$29.25\text{M} \times 70\% \times 85\% =$	\$17,403,750	\$34,807,500	\$0	\$14,917,500	\$ 19,890,000
TE	$\$9.34\text{M} \times 70\% \times 85\% =$	\$5,557,300	\$11,114,600	\$1,129,091	\$4,763,400	\$ 7,480,291
BIR *	$\$ \text{NA} \times 70\% \times 85\% =$	\$3,500,000	\$7,000,000	\$1,887,478	\$3,000,000	\$ 5,887,478
HSIP *	$\$ \text{NA} \times 70\% \times 85\% =$	\$5,880,000	\$11,760,000	\$232,386	\$5,040,000	\$ 6,952,386
RCS *	$\$ \text{NA} \times 70\% \times 85\% =$	\$1,190,000	\$2,380,000	\$0	\$1,020,000	\$ 1,360,000
Total		\$63,548,800	\$127,097,600	\$9,680,159	\$54,470,400	\$ 82,307,359

* The TAB allocates funds from these three programs at a flat annual rate agreed to by MnDOT.

This funding scenario would force a decision about whether to continue funding the TDM program or whether to fund it at a reduced level since fully-funding it would result in a total CMAQ amount left over of about \$11M. A suggestion was made at the TAC F&P Committee that the TDM program remain funded at its previous level of \$2.75M per year as a base amount to keep the programs in operation but removing the additional

funding that they received when the TAB increased the amounts for the TDM program to \$7.0 million from \$5.5 million. This additional amount was to be allocated through a separate solicitation process yet to be developed.

Although this is provided just for illustration, the TAB may want to consider this as an additional option to avoid project deferrals and reductions in federal funding awards as described in the other options. This is also likely to ensure that there will be funding left to program with the “new solicitation” for program years 2017 and 2018. If the TAB were to allocate this 70% amount, a contingency plan will need to be developed for a situation in which Congress passes an act with considerably more funding than this. For instance, the TAB may need to adopt priorities for another solicitation in which it solicits for projects that are more “shovel ready” like ARRA or some similar program but it could take its time to develop those priorities in advance of a new Act.