

Transportation Advisory Board of the Metropolitan Council of the Twin Cities

TO: Transportation Advisory Board

FROM: Technical Advisory Committee

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DATE: June 14, 2012

RE: 2011 Regional Solicitation: Funding Targets, Contingency Plans and Funding Options.

2011 REGIONAL SOLICITATION: DEVELOPING FUNDING OPTIONS AND CONTINGENCY PLANS.

TAB directed the technical committees 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 and the full TAC at its meeting on June 6.

Action Steps

The technical committees discussed each of the seven action steps below in the development of funding options for the TAB's consideration. The TAC offers a recommendation on many of these steps after considering staff comments and consultation with Federal Highway Administration and MnDOT Program Management staff.

- 1) the selection of projects and inclusion in the 2013-2016 TIP,
- 2) how to inform project sponsors that the region's sunset date policy may change significantly,
- 3) the application of an inflation factor and obligation level,
- 4) development of funding targets,
- 5) contingency plans for the possibility of lower federal funding levels,
- 6) illustrative list of projects at the amount from the existing highway trust fund (30% less over four years), and
- 7) funding options at 100% of previously assumed funding levels

1) The selection of projects and inclusion in the 2013-2016 TIP

Typically, the TAB would direct staff to include the selected projects in the draft TIP before it is adopted by the Board for the purpose of a public hearing. Because the regional solicitation process was suspended for several months in anticipation of reauthorization of SAFETEA-LU, the TAB has already adopted the draft 2013-2016 TIP for a public hearing, scheduled for 3:30 PM on June 20. Staff consulted with FHWA staff and MnDOT Program Management about how and when to include the 2011 regional solicitation projects in the 2013-2016 TIP. Agency staff felt strongly that including the 2011 regional solicitation projects in the draft 2013-2016 TIP during the public comment period was a significant departure from the draft that was advertised and made available to the public, and the 2011 solicitation projects should be amended into the approved 2013-2016 TIP. Additionally, agency staff recommended holding a public hearing and comment period on the amendment.

The TAB can still select projects in the 2011 regional solicitation process on June 20 and inform project sponsors that they will be amended into the approved 2013-2016 TIP later this year. Project sponsors can begin working with MnDOT State Aid on developing their projects between the time of selection and approval of the TIP amendment, so no additional time will be lost in getting the selected projects ready for authorization.

2) Change in the region's sunset date policy

The 2011 regional solicitation document informs applicants that if selected, their project will have a sunset date of March 31 of the year following their original program year. The TAC working group on local program delivery issues may recommend 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 any change to the sunset date policy.

3) Obligation Level and Inflation Factor

The TAC recommends using 85% as the obligation level for the 2011 regional solicitation. The obligation level is the percent of the federal funds that can be spent in each federal program, and it is a federal requirement to apply an obligation level or percentage when programming federal funds. This percentage was agreed to by the TAC after consultation between Metropolitan Council/TAB staff and MnDOT Metro District staff. MnDOT is also using the 85% obligation level for programming federal projects in the 2013-2016 TIP, and the TAB has used this obligation level in the previous two regional solicitations.

The region applied a 3% average inflation amount for projects selected in the 2009 Solicitation (2% for 2013 projects and 4% for 2014 projects). MnDOT State TIP guidance recommends 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. This level of inflation would reduce 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 recommends 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).

4) Development of Funding Targets

TAB directed the TAC to develop funding options using 100% of the SAFETEA-LU funding levels used in 2009. The table below shows how the funding levels are calculated for each of the four programs in the regional solicitation. The annual solicitation obligation amount is calculated by multiplying the apportionment amount by the obligation level (85%). The regional solicitation allocates funding for two years (2015 and 2016) so the annual amount is doubled. In the 2009 solicitation, the TAB overprogrammed by \$8.3 million. The region repays the overprogramming over time when local project sponsors drop projects from the TIP. Over the last two years since the 2009 solicitation, local project sponsors have dropped almost \$18 million from the TIP. Since the amount dropped is greater than the overprogramming in 2009, the TAB can re-program the difference after repaying the overprogrammed amount. The TAC proposes to add \$9.447 million back into the 2011 solicitation, proportionate to the program from which the funds were dropped. The final adjustment is the \$7 million reduction from the CMAQ program for regional TDM programs. The final amounts for each program are shown in the far right column.

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

Program	SAFETEA apportionment reduced to 85% obligation level	Annual solicitation obligation target	2011 Regional solicitation obligation target (2 yrs)	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	\$85,765,000	+\$6,431,204		\$92,196,204
CMAQ	\$29.25M x 85%=	\$24,862,500	\$49,725,000	\$0	-\$7,000,000	\$42,725,000
TE	\$9.34M x 85%=	\$7,939,000	\$15,878,000	+\$1,129,091		\$17,007,091
BIR #	\$?? M x 85%=	\$5,000,000	\$10,000,000	+\$1,887,478		\$11,887,478
Total		\$80,684,000	\$161,368,000	+\$9,447,773	-\$7,000,000	\$163,815,773

BIR is generally programmed at a flat amount of \$10 million. 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 HCRRRA 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 HCRRRA 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

5) Contingency Plan Options for Lower Federal Funding Levels

The TAB also directed the technical committees to develop contingency plans should reauthorization of SAFETEA-LU provide less money than programmed. The TAC forwards two contingency plans based on the annual funding level discussed by the House T&I Committee about one year ago that would reduce the funding levels to what is available from the Highway Trust Fund. Staff estimates the reduction to be approximately 30%, or about \$24 million from the regional solicitation target amount.

Contingency plan #1

The first contingency plan is to either reduce the federal funding for all of the projects selected for 2015 and 2016 by an 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. The TAC generally did not favor this contingency plan because it would result in substantial risk to cities, counties and agencies who would be preparing projects with an expectation of certain funding levels and a reduction of funds at a late stage in project development could risk the viability of projects being delivered in their program year.

Contingency plan #2

The second contingency plan is to only defer projects to later program years until the total program is balanced to the new reauthorization amount. Projects already in the TIP for years 2013 and 2014 that were programmed in the 2009 regional solicitation would have to be deferred to 2014 and 2015 and the projects programmed for years 2015 and 2016 from the current solicitation would have to be deferred from into program years 2016, 2017 and perhaps 2018 depending on how much the amounts were reduced. This option would likely result in delaying the next regional solicitation to 2014 because much of the federal funds that would be available for the next solicitation would be used to accommodate the project deferrals. The TAC recommended this contingency plan.

6) 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 2015 and 2016 from the four federal programs without adjustments is \$80.684 million. The TAC offers for the TAB's information the table below showing how less than one year's funding 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	Available funding targets		Funding target adjustments			Final target	
	SAFETEA apportionment reduced by 30% and 85% obligation level	Annual solicitation obligation target	2011 Solicitation obligation target for 2015 and 2016	Add adjustments from dropped projects after paying for overprogramming	CMAQ allocation for TDM program		Subtract 30% shortfall from 2013 and 2014 programmed target
STP-UG	\$50.45M x 70% x 85% =	\$30,017,750	\$60,035,500	+\$6,431,204		-\$25,729,500	\$40,737,204
CMAQ	\$29.25M x 70% x 85% =	\$17,403,750	\$34,807,500	\$0	-\$5,500,000	-\$14,917,500	\$14,390,000
TE	\$9.34M x 70% x 85% =	\$5,557,300	\$11,114,600	+\$1,129,091		-\$4,763,400	\$7,480,291
BIR #	\$ NA x 70% x 85% =	\$3,500,000	\$7,000,000	+\$1,887,478		-\$3,000,000	\$5,887,478
Total		\$56,478,800	\$112,957,600	+\$9,447,773	-\$5,500,000	-\$54,470,400	\$68,494,973

BIR is generally programmed at a flat amount of \$10 million. Assume that obligation level has already been applied.

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 \$13 million. 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 the TAC forwards this just for illustration, the TAB may want to consider this as an additional option to avoid potential project deferrals and reductions in federal funding awards as described in the contingency plans. 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.

7) 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 SAFEATEA-LU. Staff presented two options to the TAC. These two options are described below with points of discussion from the TAC meeting. The TAC agreed to forward both options to the TAB for consideration but without recommendation. The TAB may also develop its own options or tweak either of these two.

Option 1

The first option presented is an option that funds projects proportionate to the amount requested per STP category. This funding option results in overprogramming of around \$4M.

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 significant underprogramming in that category. The TAC agreed 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.

Option 1 (Inflated By 11%)

	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

Option 2

The second option would fund three more STP projects in the Augmenter category, two fewer projects in the Bike/Walk category, and one fewer project in the Expander category. This funding option results in overprogramming of less than \$2 million.

Three of the five Augmenter projects are exclusively reconstruction projects with added bicycle/pedestrian components for aging roadways in the core of the metropolitan area. The TAB changed the criteria for the Augmenter category to give more credit for projects to reconstruct the oldest major roads in the core. This move fit well with the strategies in Policy 11 of the Transportation Policy Plan to invest in aging infrastructure before building new highway expansion. In addition, the Augmenter projects are all “complete streets” projects with bike lanes or trails, 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, and one of these additional projects is on an arterial bus rapid transit route.

Option 2 (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