

**Staff Report
Flexible Funds Advisory Committee Meeting
February 4, 2011**

Background

At their January meeting, the Oregon Transportation Commission (OTC) considered a package of staff recommended non-highway projects for the first round of funding for the newly created Flexible Funds Program. The commission heard a presentation from staff regarding the process used to develop the package of projects being recommended. They also heard testimony from applicants wanting to present their case for funding directly to the commission. Generally, testimony spoke favorably of the process and was supportive of the OTC for developing the Flexible Funds Program.

One of the significant areas of discussion was related to the TriMet proposal for funding to complete the Milwaukie Light Rail Project. The OTC recognized that this project was a significant project that provided substantial benefits to the Metro area, but, was concerned with how to fund the \$15 million shortfall or to meet TriMet's request for a multi-year commitment to secure a bond repayment stream, which required a commitment of more than \$19 million in the next ten years.

The commission directed staff to convene the Flexible Funds Advisory Committee and obtain its feedback on a number of issues or questions related in part to the funding options for the Milwaukie Light Rail Project and the program's criteria. The Commission requested that feedback from the committee be available before the February OTC meeting.

Based upon the outcomes of the committee meeting and the development of the staff's finance proposal for the TriMet Milwaukie Light Rail Project, you will find attached a recommended list of projects to be funded using flexible funds for the 2009-2011 cycle. The only modifications to the list from the January meeting are: changing the amount of the TriMet recommended funding from \$1.9 to \$2.1 million, and the removal of the McLoughlin sidewalk project.

Flexible Funds Committee Meeting Overview

The Flexible Funds Advisory Committee met in Salem on February 4, 2011. The committee, chaired by Commissioner Mary Olson, heard a brief program update from staff. The update focused on the process used to develop the first round of projects for the OTC to consider. Deputy Director Jerri Bohard then introduced committee members to the discussion around funding for the TriMet Milwaukie Light Rail Project. Commissioner Olson communicated the OTC's perspectives and questions for the committee to consider. A facilitated discussion followed, in which the committee was asked to respond to several questions related to the TriMet funding request in particular and to the overall operation and direction for the Flexible Funds Program.

Commission Questions for the Committee

Commissioner Olson introduced the committee to the questions that the OTC generated as it discussed the Flexible Funds Program and recommended projects at the January 2011 commission meeting. Those questions centered around the following topics:

- Should bonus points be awarded for safety?
- Should bonus points be awarded for local economic impacts?
- Should providing mobility for senior and disabled and low-income employees receive a higher priority?
- If projects are such a high priority, why are they not funded with local funding options?
- Should projects from this round be rolled over into the next round of funding?
- Is the 10 percent limit for project funding the right maximum size?
- Does the committee support multi-year funding requests?
- How should excess funds or savings be reallocated?

Proposed Funding for Milwaukie Light Rail

Staff, under the direction of Director Garrett and Deputy Director Bohard, had crafted an ODOT funding package that, in combination with FTA funds and other matching funds, would fill the last “gap” in local funding for the \$1.5 billion project. A major factor causing the gap was FTA’s decision to fund only 50 percent match, rather than the 60 percent that TriMet had expected. In response, TriMet scaled back the project by over \$100 million and found additional local financial support but still was short of the required funding for the project.

Deputy Director Bohard explained that the proposed ODOT package would contain a mix of funding sources, including: Flexible Funds Program funding from both this cycle (\$2.1 million) and the next cycle (\$2.4 million) as well as funding from unused Project Readiness, Capital Bus Program, OTIB loan, and reallocating Flexible Funds for the McLoughlin sidewalk project. Under this proposal, TriMet would receive approximately \$13 million, and would agree to refrain from requesting Capital Bus Program funds for bus purchases for the next three biennia, and would have funding responsibilities for the McLoughlin sidewalk project if the light rail project came in under the estimate. As a result of this support for the project from the Flexible Funds Program, available funds for the next cycle would need to be reduced by approximately \$2.4 million to accommodate the Milwaukie Project.

Committee Perspectives

Discussion revolved around two primary topics. First, funding arrangements for the TriMet project and the implications of that for the overall operation of the Flexible Funds Program; and secondly, other issues related to the current and future funding cycles and for the operation of the program.

There was general recognition by committee members that the light rail project was important to the state and should be funded, including with Flexible Funds Program funds from this cycle and the next cycle. Members mentioned the magnitude of this project in terms of ridership and economic impacts and the overall benefits it would bring to Oregon. Some concerns were expressed as well. These included the impact funding this project might have on the Flexible Funds Program, and that the project request for funding did not seem to be consistent with the program in terms of funding level and overall length of commitment. Still,

at the conclusion of the committee's discussion there was general support and understanding that the funding proposal that ODOT proposed was reasonable and fair.

Committee Feedback on Questions

The committee came to a very strong consensus recommendation on some of the questions. These are clearly identified below. For the others, they did not have time to discuss in great detail, but the general themes and directions are captured.

- Rollover of projects to the next cycle: The committee consensus was to not support rolling projects from this cycle to be automatically funded in the next cycle. The committee strongly believed that projects would need to compete for the funds each cycle.
- Reallocation of funds if projects are delayed: The committee consensus was that for this first round of funding any left over funds from savings or cancelled projects should not go to the next tier priority projects because the next funding cycle is so close. There was also support that savings from this cycle be made available to support the TriMet project and thereby reduce the commitment from the next cycle. For future cycles there was general discussion that the next priority projects should be funded when savings or cancellations occur, but the group recognized more work needed to be done to describe the methodology. However, this would not be an issue until between the second cycle and the third cycle of the grant process.
- Multi-year funding commitment: The committee did not reach consensus on this point. Some believed that the program should limit proposed projects to one funding cycle. However, there was some support to allow an exception if a significant opportunity presented itself that had significant statewide and regional benefits. In these circumstances the committee believed the OTC could make an exception. However, even under this circumstance most members believed it should be limited to only two consecutive funding cycles. One concept proposed was an "emergency" provision, but this was not defined.
- Local funding for projects: The committee strongly expressed its view that local funding for projects was not an option. Local governments do not have the funding to accomplish these types of projects.
- Addition of bonus points for specific areas of focus (safety, economic development and senior and disabled transportation): The committee generally did not support the concept of having bonus points for these specific areas. Members generally supported incorporating them into the criteria for the program and application evaluation. They recognized this could be part of re-evaluating the criteria for the second cycle.
- The 10 percent limit (maximum) for project funding: The committee generally did not support changing the limit. Most members believed this to be a reasonable level and helped keep large projects and entities from encumbering all or a majority of the funding available. However, the discussion was limited.

Next Steps

Deputy Director Bohard suggested that the committee meet as least twice to finalize the criteria for the next round of projects. It is anticipated that the next meeting will be in approximately one month. The committee will be considering lessons learned, revisiting the criteria in preparation for the second application cycle. The new criteria will be brought to the commission for its approval. Once that effort is completed, the committee would begin to develop the evaluation criteria and then review and evaluate other ODOT non-highway programs, bringing forward any recommendations to the OTC on those issues. This would likely occur in late summer or early fall. The tentative schedule anticipates public testimony before the OTC on the second cycle of Flexible Funds Program projects, to take place in February 2012.