

Metropolitan Transportation Commission Programming and Allocations Committee

July 11, 2007

Item Number 3c

Resolution No. 3434 Strategic Plan Framework

Subject: Resolution 3434 – Regional Transit Expansion Program – Strategic Plan

Background: As part of the 2001 Regional Transportation Plan (RTP), the Commission approved a consensus agreement on Bay Area transit expansion. Resolution 3434 – the successor plan to Resolution 1876 – identified 19 rail and bus projects as priority for transit expansion. Roughly \$9.7 billion in funding was identified for \$10.5 billion in project costs. The plan included an array of funding from federal, state, and local sources and matched funds to projects based on competitiveness and eligibility.

The Commission acted in 2005 to update Resolution 3434 to add a transit-oriented development policy element to the transit expansion program. Most recently, Resolution 3434 was updated in April 2006 to reflect changes in the cost and funding picture of projects, select an initial federal Small Starts project candidate, and add one new project – expansion of the region’s ferry network. Roughly \$11.2 billion in funding was identified for \$13.5 billion in project costs as part of this update. In short, both program costs and revenues had grown since 2001, but so had the overall funding shortfall – to over \$2 billion.

Summary: The purpose of the Strategic Plan is to provide a framework for successful program and project delivery. Resolution 3434 is intended to be a comprehensive plan over a multi-year plan; however, there may be a benefit in better defining a companion implementation sequencing that will focus the region’s resources on those projects most ready to proceed. The Strategic Plan is proposed to be updated every two years to reassess revenue and cost assumptions, project delivery progress, and evolving transit trends and opportunities. The plan will also establish, when necessary, a priority list, to identify projects that are ready-to-go, have local community support, and demonstrate detailed cost information and a reasonable funding strategy.

The initial version of the Strategic Plan will address: 1) escalating project costs; 2) near-term funding requests; and 3) the development of the financially constrained element of the 2009 Regional Transportation Plan.

Recommendation: Authorize staff to develop a strategic financing and phasing plan for Resolution 3434, the Regional Transit Expansion Program.



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Memorandum

TO: Programming and Allocations Committee

DATE: July 11, 2007

FR: Deputy Executive Director, Policy

RE: Resolution 3434 – Strategic Plan

Staff requests authorization to develop a strategic plan for Resolution 3434, the Regional Transit Expansion Program. This memo outlines a proposed framework and timeframe for the development of the Resolution 3434 Strategic Plan.

Background

As part of the 2001 Regional Transportation Plan (RTP), the Commission approved a consensus agreement on Bay Area transit expansion. Resolution 3434 – the successor plan to Resolution 1876 – identified 19 rail and bus projects as priority for transit expansion. Roughly \$9.7 billion in funding was identified for \$10.5 billion in project costs. The plan included an array of funding from federal, state, and local sources and matched funds to projects based on competitiveness and eligibility.

The Commission acted in 2005 to update Resolution 3434 to add a transit-oriented development policy element to the transit expansion program. Most recently, Resolution 3434 was updated in April 2006 to reflect changes in the cost and funding picture of projects, select an initial federal Small Starts project candidate, and add one new project – expansion of the region’s ferry network. Roughly \$11.2 billion in funding was identified for \$13.5 billion in project costs as part of this update. In short, both program costs and revenues had grown since 2001, but so had the overall funding shortfall – to over \$2 billion.

Based on Commission direction during the 2006 update, staff is also beginning a process this month to evaluate and select another regional candidate project for the Small Starts program. A recommendation would return to the Commission in late 2007.

A Framework for Project Delivery

The purpose of the Strategic Plan is to provide a framework for successful program and project delivery. Resolution 3434 is intended to be a comprehensive plan over a multi-year plan; however, there may be a benefit in better defining a companion implementation sequencing that will focus the region’s resources on those projects most ready to proceed. The Strategic Plan is proposed to be updated every two years to reassess revenue and cost assumptions, project delivery progress, and evolving transit trends and opportunities. The plan will also establish, when necessary, an implementation priority list, to identify projects that are ready-to-go, have local community support, and demonstrate detailed cost information and a reasonable funding strategy.

Specifically, the initial version of the Strategic Plan will address: 1) escalating project costs; 2) near-term funding requests; and 3) the development of the financially constrained element of the 2009 Regional Transportation Plan.

Cost Increases

Construction related costs continue to increase rapidly and challenge project delivery, as noted during the 2006 Resolution 3434 program update and as experienced in recent regional bridge and highway contracts. Staff anticipates that the current Resolution 3434 funding shortfall will increase considerably in this strategic exercise from the 2006 estimate of \$2.3 billion. It is increasingly evident that funding currently projected to be available over the next 25 years cannot deliver the entire Resolution 3434 program. Furthermore, trying to deliver all projects at once hampers efforts to deliver particular projects that are ready-to-go.

Near-Term Funding Requests

Staff anticipates significant requests for bridge toll allocations over the next twelve months. To protect the regional investment, sponsors need to demonstrate a path to actually deliver the projects. At this time, many projects are lagging in their delivery plans. In some cases, the Resolution 3434 sponsor is requesting an allocation for a project with a revised scope or a phase of the project that is less than the whole project. The Strategic Plan would include a review of project cash flow needs and evaluate the impact of project scope and phasing changes on the regional transit network and the intent of original funding commitments, including those reflected in state law (i.e. Regional Measure 2).

2009 Regional Transportation Plan

The Commission is currently developing the Transportation 2035 Plan, starting with defining a vision of how the region should grow and how the transportation network supports this growth. Central to the Transportation 2035 vision is the Resolution 3434 transit expansion program. This is an opportune time to review Resolution 3434 financial assumptions and whether projects qualify for inclusion in the financially constrained element of the long-range plan.

Schedule

Staff is proposing the following timeline for developing the Resolution 3434 Strategic Plan:

Fall 2007 – Update project information including costs, scope and schedule

Late 2007 – MTC staff develops Draft Strategic Plan

Early 2008 –MTC adopts Strategic Plan

Project Updates/Evaluations

Staff will gather the most recent sponsor information in the following areas: 1) project delivery status; and 2) viability of funding plan.

In the area of project delivery, the analysis will include status of the environmental review, level of project design completion, expected date of operations, and other information related to delivery milestones and delivery risks. Proposed scope changes and phasing plans will be evaluated to focus investments on projects that deliver effective transit alternatives. In addition, staff will work with sponsors to clarify any technical sequencing needs/dependencies among projects.

The project funding plan analysis will evaluate the most recent cost estimate, status of funding commitments, and cash flow needs. The evaluation will identify projects that are unable to deliver an effective transit solution with the funding available.

Initial Strategy Areas

Recognizing that financial and project delivery constraints exist that preclude all Resolution 3434 projects from moving forward at one time, some program delivery strategies may be useful based on the project update/evaluation described above.

One strategy would be to pursue accelerating the funding available to an otherwise ready-to-go project, if cost savings and an earlier start state can be achieved. As a longer-term effort, staff continues to search for new funding opportunities and debt financing solutions for the program and will develop programming policies if new funding becomes available. In addition, staff will evaluate the possibility of shifting funds between projects to accelerate project delivery for one and committing potential new funding to the project from which funds may be shifted.

Next Steps

After receiving input from this Committee, staff will begin the process described above. After evaluating program and project information, staff will release a draft Resolution 3434 Strategic Plan at a Committee meeting in late 2007 for further discussion and public input.

Recommendation

Authorize staff to develop a strategic financing and phasing plan for Resolution 3434, the Regional Transit Expansion Program.

Therese McMillan