



Land Use and Natural Resources Committee

Meeting Date: 4/5/2018

Agenda Item No.: 2018-April-7.

Subject: Draft Regional Funding Round Programming Targets (Estimated time: 10 minutes)

Information:

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Approved by: Kacey Lizon

Attachments: Yes

1. Issue:

What initial input does the Committee have on the draft programming targets for the 2018 Regional Funding Round?

2. Recommendation:

None, this is for information and Committee input on the draft programming targets. Staff anticipates bringing a final funding target recommendation to the Board for action in May.

3. Background/Analysis:

Over the last 15 years, SACOG has conducted regional funding rounds every two or three years. The focus and selection process evolves over each round in response to Board direction and input from stakeholders across the region. Projects are selected to receive flexible funds for road, transit, bicycle, and pedestrian projects within the four-county region (Sacramento, Sutter, Yolo, and Yuba counties). The funding round is one of SACOG's most impactful means to support the implementation of the Metropolitan Transportation Plan/ Sustainable Communities Strategy (MTP/SCS).

The flexible funds recommended for programming selected projects are primarily derived from state and federal transportation revenues. Based on the latest revenue forecasts, and an analysis of needs to maintain good regional project delivery, staff recommends programming a total of \$192 million through programming rounds in 2018, and the following one or two years later. The proposed programming will support competitive regional funding programs, both traditional and new, and also fulfill other agency financial commitments. The \$192 million of proposed new programming is comprised of four revenue sources:

- \$74 million in Federal Congestion Mitigation Air Quality (CMAQ)
- \$60 million in Federal Regional Surface Transportation Program (RSTP)
- \$58 million in State Transportation Improvement Program (STIP)

- \$1 million in SACOG Managed Funds

Attachment A provides descriptions of each revenue source and the anticipated years funds will be available for allocation.

4. Discussion/Analysis:

The proposed \$192 million funding target is comprised of two years of new STIP revenues and three years of new federal revenues. This robust programming target will yield long-term benefits for both local agencies and the region. Local agencies will benefit from more funding to support near-term construction and other projects, as well as project development efforts for longer-term projects. The recommended regional funding level is also important leverage for agencies to pursue grants from competitive federal and state programs, which generally require local matching funds.

The recommended programming targets also provide opportunities for new SACOG funding programs, and create a larger pool of programmed projects that can spend federal funds each year. Programming three years of federal funds infuses the Metropolitan Transportation Improvement Program (MTIP) with enough new projects to support ongoing success in delivering projects. Through programming three years of federal funds, SACOG will again have enough projects to draw from when developing the annual regional delivery plan. This results in successfully positioning our region to meet delivery targets, capture unused allocations from other regions, and avoid losing federal funds. Of particular interest is to program enough funds to reduce risks from a federal rescission of Congestion Mitigation & Air Quality (CMAQ) funds that is anticipated in 2020.

SACOG has remained a state leader in project delivery through establishing strategic funding targets each regional funding round cycle and ongoing collaborations with project sponsors across our region. **Table 1 in Attachment B** provides recommended funding levels by program, and offers a comparison to budget totals from the last funding round in 2015. The following sections offer background on each of the funding target line items.

Traditional Competitive Programs. Agenda Items #7 and #11 provide the policy framework and detailed descriptions for each of these programs:

- **Community Design Program:** Staff recommends that 15% of the traditional competitive program funding total be directed to Community Design. This proportion is equivalent to the percentage share from the 2015 funding round.
- **Regional Program:** The 2018 Regional Program is a proposed merger of the former Regional/Local and Bicycle & Pedestrian Programs from the last funding round, designed to achieve the streamlining goals described in Agenda Item #11. Staff recommends that 85% of the traditional competitive program funding total be directed to the Regional Program. To support active transportation investments, staff recommends that a minimum of 8.1% of the funds be committed to bicycle and pedestrian projects. The active transportation minimum investment level is equivalent to the share of funding the Bicycle & Pedestrian program received in the last funding round.

New Competitive Programs & Other Commitments. Equally important to the successful implementation of the MTP/SCS are new investment programs. These new or updated programs are the subject of more detailed staff reports in Agenda Items #8 and #9:

- **Air Quality Transportation Control Measures (TCMs):** The 2015 funding round fulfilled the region's required financial contributions towards three TCMs that were part of the old Ozone State Implementation Plan (SIP). As discussed in Agenda Item 4, the Spare the Air Program is the one TCM in the new Ozone SIP that requires ongoing regional investment. Because the programming target includes two years of federal CMAQ funds for the 2018 round, staff recommends that SACOG's annual contribution for the Spare the Air Program (\$471,230) be included for these two years, resulting in a \$942,460 investment. An additional year of SACOG's Spare the Air funding commitment would occur as part of the 2019/2020 funding round because another year of CMAQ would be programmed at that time. The final three years of SACOG's six-year commitment to Spare The Air would be included as a budget action in a later, post-2020, regional funding round.
- **Green Region Program:** Staff recommends funding this new program at the "high" level described in Agenda Item #8 for one year. By funding at this level, SACOG will be better positioned to leverage additional funding from private and public funding sources. The one year of funding in 2018 also allows the Board to evaluate outcomes and investment priorities from the first year of Green Region before additional funds are committed in 2019/2020.
- **Next Generation TDM Program, including Civic Lab pilots:** Staff recommends funding this updated and expanded program at the level recommended in Table 1 and Agenda Item #9. This funding level supports efforts by SACOG and external stakeholders to complete a broad range of TDM activities and implement 2018 Civic Lab pilots. By funding one year in 2018, the Board will be able to evaluate outcomes and revisit program policy priorities before additional funds are committed in 2019 and/or 2020.
- **SACOG Planning & Monitoring:** Staff recommends continuing the precedent of programming 1% of the total RSTP programmed to support ongoing technical assistance and programming support by SACOG staff. The \$533,800 total in the funding targets table is derived from the total RSTP anticipated to be programmed in 2018. An additional \$66,200 could become available for planning & monitoring efforts through the later (2019, 2020) funding round when the remaining RSTP is anticipated to be programmed.
- **RSTP Exchange:** Staff recommends a total funding level for the 2018 round that is set at the 2015 regional funding round level. Additional exchange funds could be programmed as part of the later (2019, 2020) funding round. Historically, the RSTP exchange funds are provided directly to the public works agencies for Sutter, Yolo, and Yuba counties. The funds provide a non-federal revenue source that helps rural projects be implemented sooner and with fewer delivery complications.

Later Programming. The 2015 funding round included delayed programming through a Tier 2 list. While the circumstances were different, the prior funding round set a precedent

for programming regional funds in the intervals between comprehensive regional funding rounds.

- **Tier 2 Programming in 2017:** Because of the negative STIP, SACOG created a Tier 2 list as part of the 2015 funding round. This was a list of projects selected as priorities for funding if cost savings were realized from Tier 1 projects and/or new funding became available from the State. Due to the passage of Senate Bill 1, the Board was able to program the remaining \$31.9 million of Tier 2 projects in the fall of 2017. This total was \$8 million less than the original Tier 2 list cost from 2015 due to strong delivery practices that included negotiated funding agreements with external agencies.
- **2019/2020 Programming Round:** Staff recommends waiting to program \$65.8 million of the available funding until 2019 and/or 2020 for a number of reasons. A post-2018 funding round is an opportunity to align regional programming with the timing of the draft preferred scenario for the MTP/SCS update. It is likely that a number of important near-term priority investments will be identified through the new plan's focus on economic prosperity. A post-2018 funding round also provides an opportunity for the Board to evaluate the first year of the new Green Region and Innovation Programs before committing additional regional funds. A final reason for holding back some regional funds is the risk of a Senate Bill 1 repeal that could impact Board policy priorities for programming regional funds.

5. Fiscal Impact/Grant Information:

The recommended \$192 million funding target provides an estimated \$3.48 million (1.8% of the funding target total) for SACOG's operating budget. The funding will cover staff and non-staff costs to manage the project delivery of selected projects and to continue providing technical assistance for local agencies implementing projects across the region.

ATTACHMENTS:

Description

Attachment A

Attachment B

Attachment B: Regional Funding Round Revenue Source Background

The recommended funding target of \$192 million is comprised of the following revenue sources:

- **Federal Congestion Mitigation Air Quality (CMAQ):** \$74 million in funds are estimated to be available in FFY 2020 through 2022 for capital projects, programs, and transit operating assistance that can demonstrate air quality improvement benefits. Staff assumes a flat estimate based upon prior apportionment shares developed by Caltrans. Estimates are not finalized until the actual year of programming and are influenced by the federal transportation act.
- **Federal Regional Surface Transportation Program (RSTP):** \$60 million in funds are estimated to be available in Federal Fiscal Year (FFY) 2020 through 2022 for a wide variety of capital projects, programs, and road rehabilitation on federal aid-eligible corridors. Staff assumes a flat estimate based upon prior apportionment shares developed by the California Department of Transportation (Caltrans). Estimates are not finalized until the actual year of programming and are influenced by the federal transportation act.
- **State Transportation Improvement Program (STIP):** \$58 million in funds are estimated available for state fiscal years 2020 through 2024, with most of this capacity anticipated in the last two years of the STIP (State Fiscal Years 2023 and 2024). Staff assumes a flat estimate based upon prior apportionment shares. STIP funds may be used for a wide variety of capital projects. SACOG makes recommendations, with final programming authority for these funds residing with the California Transportation Commission (CTC).
- The funding target includes an additional \$1 million in **SACOG Managed Funds** for projects to be programmed in FFY 2019 through 2021. As in past funding rounds, staff recommends that SACOG Managed Funds be used for small projects that are not eligible or would face extreme difficulty in using federal funds through the Community Design or Regional Programs.

Although these funds will be programmed some years into the future, project sponsors are unlikely to be delayed until their programmed year to implementing their projects. SACOG is committed to helping projects deliver on time or earlier than programmed using creative project delivery tools, such as advances and loans.

Table 1: 2018 + Later (2019, 2020) Programming Targets & 2015 Programming Actuals			
	2015 Round: Actuals	2018 + Later (2019, 2020) Round: Targets	
Traditional Competitive Programs			Notes:
Community Design	\$18,244,500	\$16,338,700	15% share of traditional programs total in 2015 and 2018
Bicycle & Pedestrian	\$9,841,900		8.1% of traditional programs total in 2015. Recommendation to absorb into the 2018 Regional program.
Regional/Local	\$93,550,200		76.9% of traditional programs total in 2015. Recommendation to absorb into the 2018 Regional program.
Regional Program		\$92,586,000	85% share for 2018, with 8.1% minimum for bike/ped to be consistent with 2015 percentage share
Sub-Total	\$121,636,600	\$108,924,700	2015 sub-total reflects \$89,758,100 for Tier I & \$31,878,000 in later programming for Tier II projects
New Competitive Programs & Other Commitments			Notes:
Air Quality Transportation Control Measures	\$9,600,000	\$942,500	Reflects 2 years of funding SECAT, Spare The Air & TDM in 2015; 2 years of funding Spare The Air in 2018
Green Region		\$11,670,000	1 year of "high" funding or 2 years of "medium" level for program in 2018
Innovation Programs (TDM, Civic Lab pilots)		\$3,000,000	1 year of funding for TDM and Civic Lab pilots in 2018
SACOG Planning & Monitoring	\$425,300	\$533,800	Reflects 1% of RSTP programmed in both 2015 and 2018 rounds
RSTP Exchange	\$1,106,300	\$1,106,300	2018 total recommended to be set at the funding level for the 2015 round.
Sub-Total	\$11,131,600	\$17,252,600	
Later Programming	\$31,878,000*	\$65,822,700	Proposed 2019 Round to align with timing of MTP draft preferred scenario and year 1 evaluations of new programs; 2015 Round had a Tier 2 list that was allocated in 2017.
GRAND TOTAL	\$132,768,200	\$192,000,000	Reflects 2 years of federal funds for 2015 cycle vs. 3 years of federal funds proposed for 2018 + Later (2019,2020)

* the 2015 "Traditional Competitive Programs" budget amounts include the "Later Programming" total.