



Transportation Committee

Item #14-8-7E
Information

July 31, 2014

MTP/SCS Project Level Economic Analysis

Issue: SACOG has completed a national scan of performance-based planning at the project level to identify lessons learned which can be used in developing the 2016 MTP/SCS.

Recommendation: None. This item will be presented to all three Board committees for information and discussion.

Discussion: Since the adoption of the 2008 Metropolitan Transportation Plan (MTP), the SACOG Board has steadily increased the focus on prioritizing cost-effective transportation projects with high performance benefits. In the most recent long-range plan, the 2012 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS), the policies and strategies emphasize the importance of prioritizing cost-effective transportation investments in a time of funding constraints.

Coinciding with the adoption of the current MTP/SCS in 2012 was the passage of a new federal transportation bill, *Moving Ahead for Progress in the 21st Century* (MAP-21). The legislation signals a new federal and state emphasis on outcome-based performance measurement and has led to a series of rule-making activities and updated funding programs that elevate the importance of performance-based planning. Other markers that signal this paradigm shift include the recent state Cap and Trade legislation that dedicates a full 35 percent of the total funding to programs that help meet the greenhouse gas performance targets of Senate Bill 375.

While significant performance outcomes were realized in the 2012 MTP/SCS, the increasing financial strain to maintain the region's transportation system in a state of good repair remained a challenge to investigate more thoroughly. The 2016 MTP/SCS update policy framework, as adopted in January, addresses this challenge by emphasizing a "fix-it first" agenda and establishing a framework for a number of interrelated planning activities to inform the plan update. An economic analysis of significant projects is one such effort that will complement the active phasing analysis and help fine-tune the timing and priorities of MTP/SCS projects.

To support the Board's director, Matt Carpenter, our Director of Transportation Services, spent much of the last few months researching the state-of-the practice across the nation for performance-based planning at the project level. He will make a presentation to the Committee highlighting some of his findings.

Among the findings that Matt will highlight will be how state departments of transportation (DOTs) and regional transportation planning agencies are applying new economic analysis tools and strategies towards their planning and programming activities. Economic Impact Analysis (EIA) is a well-established technique to measure overall plan impacts, but a key limitation is that it is not used for project selection efforts or to phase the implementation of individual projects. In light of this, an emerging area of economic analysis practice is the application of benefit/cost techniques.

Numerous DOTs and a handful of regional agencies are using various benefit/cost techniques to prioritize system maintenance or expansion investments. National case studies reveal the significant opportunity to compare the cost-effectiveness of significant transportation projects to how well they support performance measure targets. The case studies also reveal, however, the challenges to confront in effectively applying benefit/cost techniques. These challenges include forecasting true and comprehensive life-cycle costs for individual projects and the application of benefit/cost techniques to compare projects from different travel modes (i.e., road vs. transit vs. active transportation).

One of the conclusions from Matt's research was that a new project-level economic analysis method used by the Metropolitan Transportation Commission (MTC) for its MTP/SCS-equivalent plan adopted last year may offer SACOG a technique to build upon. Matt's presentation will include summary information on the MTC method that will be followed by a September Board meeting briefing from Steve Heminger, MTC's Executive Director, on how they applied the analysis method to guide project selection efforts. I am confident the Board will find this information of interest and that it will generate active and useful Board dialogue.

Approved by:

Mike McKeever
Chief Executive Officer

MM:MC:gg

Key Staff: Matt Carpenter, Director of Transportation Services, (916) 340-6276
Kacey Lizon, MTP/SCS Manager, (916) 340-6265