

ITEM 12 - Information

May 18, 2005

Briefing on Work Plan for Conducting the Financial Analysis for the 2006 Update to the Financially-Constrained Long Range Plan (CLRP)

Staff

Recommendation: Receive briefing on the enclosed review of the 2003 financial analysis and the work plan for conducting the financial analysis for the 2006 CLRP.

Issues: None

Background: Under federal planning regulations a triennial update to the CLRP for the Washington region is required in 2006. A key element of this update is a financial analysis which reviews and updates projected transportation revenues and costs for operating, maintaining, and expanding the regional transportation system through 2030.

At its April 1, 2005 meeting, the TPB Technical Committee was briefed on the enclosed scope of work.

MEMORANDUM

May 11, 2005

TO: Transportation Planning Board

FROM: Ronald F. Kirby
Director, Department of
Transportation Planning

SUBJECT: The Financial Analysis for the 2006 Update to the Constrained
Long Range Transportation Plan (CLRP)

Introduction

In preparation for the 2006 update of the CLRP, a new 2006 financial analysis will be performed. This memorandum reviews the results of the 2003 financial analysis and then identifies assumptions and issues that need to be addressed in the new analysis. The 2003 results are excerpts from the report: *Financial Analysis for the 2003 Constrained Long Range Transportation Plan*, prepared by Cambridge Systematics, Inc. July 2003.

2003 Revenue Results

Table 1 shows anticipated revenues for the Year 2003 Update of the Financially Constrained Long Range Plan. Revenues are shown in five columns: District of Columbia, Suburban Maryland, Northern Virginia, Regional, and Total. The regional revenues are WMATA fares and federal funds anticipated for WMATA preservation (infrastructure renewal program) expenditures. Revenues are shown for the categories of combined federal/state, local, and private/tolls/bonds. Private/tolls/bonds includes anticipated developer contributions. Transit fares are forecasted for WMATA and local systems.

Table 1. Revenues – Financially Constrained Long-Range Plan (2004-2030)

	Millions of Constant 2003 Dollars				TOTAL
	District of Columbia	Suburban Maryland	Northern Virginia	Regional	
Federal/State	\$10,151	\$26,981	\$15,593		\$52,725
Local Jurisdictions		4,255	6,258		10,513
Private/Tolls/Bonds	2,383	359	1,981		4,723
Subtotal	\$12,534	\$31,595	\$23,832	\$0	\$67,961
Local Transit Fares		\$301	\$1,458		\$1,759
WMATA Fares/Others				\$14,985	14,985
Subtotal	\$0	\$301	\$1,458	\$14,985	\$16,744
WMATA Fed Preservation (IRP)				\$5,486	\$5,486
<u>Special Federal</u>					
New York Avenue	(Incl. Above)				\$0
Largo Extension		\$141			141
Dulles Corridor			\$1,353		1,353
Other Transit					0
Woodrow Wilson Bridge		1,013	618	\$0	1,631
<u>Subtotal Special Federal</u>	\$0	\$1,154	\$1,971	\$0	\$3,125
GRAND TOTAL	\$12,534	\$33,050	\$27,262	\$20,471	\$93,317

Special federal revenues are shown for the Largo Metrorail extension, the Dulles Corridor, and the Woodrow Wilson Bridge. The region's anticipated federal grants under Federal Transit Administration Section 5309 New Starts or other types of federal grants are assumed to average of \$120 million per year and total \$1.49 billion. Since under Section 5309, current distributions nationwide are around \$1.1 billion per year, the assumption of \$120 million per year on average is aggressive but not unreasonable given the region's national importance and Metrorail's high ridership.

2006 Revenue Update Issues To Be Addressed

- The current revenue and budget uncertainties in the District of Columbia, Maryland, Virginia, and local jurisdictions will influence future projections through the year 2030.
- The new "Metro Matters" revenues need to be included.
- The WMATA fare assumptions need to be reviewed and updated.
- Since the reauthorization of the federal transportation program is almost finished, the update should be able to identify new federal funding levels, including funding for special areas such as the FTA new starts program.

2003 Expenditure Results

Table 2 summarizes estimated expenditures in year 2003 dollars for the years 2004 through 2030. The columns are again shown for the District of Columbia, Suburban Maryland, Northern Virginia, Regional, and Total. Regional figures are WMATA fares, and federal aid to WMATA for preservation and system expansion

The rows for highway expenditures are Operations/Preservation, Expansion, Other, and Woodrow Wilson Bridge. The District of Columbia identified few expansion highway projects under anticipated funding constraints. The highway operations/preservation estimates for Suburban Maryland include local government estimates and an estimate prepared by the consultant for the share of Maryland DOT expenditures which might be attributed to the region. The consultant used an assumption that the proportion of statewide operations and preservation spent for the region would be similar to the proportion of expansion expenditures in the region. The consultant also assumed a proportion for highways and a proportion for transit of MDOT regional expenditures on operations and preservation.

Table 2. Expenditures – Financially Constrained Long-Range Plan (2004-2030)

	Millions of Constant 2003 Dollars				TOTAL
	District of Columbia	Suburban Maryland	Northern Virginia	Regional	
Highway					
Operation/Preservation	\$4,323	\$10,600	\$7,259		\$22,182
Expansion	452	6,356	4,148		10,956
Other		97	1,116		1,213
Woodrow Wilson Bridge	(Incl. Above)	1,425	1,123		2,548
Highway Subtotal	\$4,775	\$18,478	\$13,646	\$0	\$36,899
Transit					
<u>Local/Commuter Rail</u>					
Operations & Preservation		\$6,629			\$6,629
Expansion			\$3,918		3,918
			1,196		1,196
<u>Local/Commuter Rail Subtotal</u>		\$6,629	\$5,114		\$11,743
<u>WMATA</u>					
Operating ¹	\$6,578	\$4,724	\$4,647	\$14,985	\$30,934
Preservation (IRP)	619	767	588	5,441	7,415
System Expansion (SEP)	4	4	15	45	68
System Access & Capacity (SAP)	558	973	532		2,063
<u>WMATA Subtotal</u>	<u>\$7,759</u>	<u>\$6,468</u>	<u>\$5,782</u>	<u>\$20,471</u>	<u>\$40,480</u>
<u>New Starts</u>					
New York Avenue	(Incl. Above)				\$0
Largo Extension		\$167			167
Dulles Corridor			\$2,720		2,720
Other Projects & Studies					0
Other New Starts – Federal ²					
MD/BiCounty Transitway		381			381
MD/Corridor City Transitway		871			871
MD/Other New Starts		56			56
<u>New Starts Subtotal</u>	<u>\$0</u>	<u>\$1,475</u>	<u>\$2,720</u>	<u>\$0</u>	<u>\$4,195</u>
Transit Subtotal	\$7,759	\$14,572	\$13,616	\$20,471	\$56,418
GRAND TOTAL	\$12,534	\$33,050	\$27,262	\$20,471	\$93,317
Revenues – Expenditures	\$0	\$0	\$0	\$0	\$0
<u>WMATA Request</u>					
Operating	\$6,578	\$6,584	\$4,650	\$14,985	\$32,797
Preservation (IRP)	803	767	588	5,441	7,599
System Expansion (SEP)	4	4	15	45	68
System Access & Capacity (SAP)	1,062	973	765		2,800
TOTAL	\$8,447	\$8,328	\$6,018	\$20,471	\$43,264

¹ Maryland forecasts were for the Maryland WMATA operating subsidy growing with inflation.

² Please see detailed breakdown for Maryland in Table 2.A.

Highway Operations/Preservation expenditures for Northern Virginia were prepared by or coordinated by VDOT. VDOT also coordinated the other line item estimates for Northern Virginia.

The District of Columbia did not identify transit expenditures other than through WMATA. Local/Commuter Rail transit expenditures for Suburban Maryland were based upon the Counties and Cities estimates for their systems, plus an estimate of MDOT expenditures made by the consultant. MDOT supplied a statewide estimate for multimodal operations and preservation revenues and expenditures, since the system is preserved and operated on a statewide and multimodal basis.

2006 Expenditure Update Issues to be Addressed

- The figures shown in Table 2 for WMATA expenditures represent the regional agreement on those expenditures for the 2003 CLRP. WMATA's requests for (non-federal) agency expenditures for near term preservation capital expenditures for expansion of services to accommodate ridership growth on existing lines need to be updated to reflect "Metro Matters" funding.
- The operation/preservation costs for the current highway system need to be reviewed and updated. The cost estimates and schedules for the major expansion projects need to be reviewed and updated.
- The cost estimates and schedule for the "new starts" transit projects such as Dulles Corridor and Corridor City Transitway need to be reviewed and updated.

2003 Methodology

The 2003 analysis methodology to forecast revenues and expenditures was similar to previous financial analyses in 1997 and 2000. Each agency and jurisdiction was requested to provide year by year forecasts of their transportation expenditures and revenues through the year 2030. All the agencies provided forecasts of expenditures and revenues.

District of Columbia

The District prepared its forecasts of revenues and expenditures using Cambridge Systematics forecasts of federal aid for highways and the District's own forecasts of their transportation revenues and expenditures. The District's gasoline tax and other transportation fees in the District comprise only a small portion of the District's own funds for transportation programs, and the District

uses general revenue sources to fund its programs. Therefore, the District forecasts revenues and expenditures for transportation as a sum of federal aid and local sources to be spent on transportation. The District prepared detailed forecasts of revenues and expenditures by year for all its programs and for specific expansion projects. Not all projects could be fully funded within the forecast of revenues.

Maryland

Forecasts of transportation revenues and expenditures were developed by Maryland DOT, Montgomery County, Prince Georges County, Frederick County, and the City of Rockville.

The Maryland DOT uses a model system to forecast future transportation revenues. MDOT's revenues include federal aid and state revenue sources, all of which are combined into a multimodal trust fund. MDOT provided detailed forecasts for the Maryland portion of the region of revenues and expenditures for highway and transit system expansion projects, and forecast expenditures on specific highway and transit expansion projects. Revenues were not available for all potential expansion projects.

MDOTs revenue forecasts are trend based, so that they incorporate the factors which in the past have caused revenues to increase. These would include not only increases in fuel consumed, but also past increases in fuel tax rates, other state fees, and federal aid.

Northern Virginia

VDOT and VDRPT prepared forecasts of state highway and state public transportation revenues and expenditures. Each local agency and transit operator provided their forecasts. In addition, VDOT coordinated efforts with the local jurisdictions and agencies to prepare consistent summary forecasts of revenues and expenditures for all of Northern Virginia's agencies and jurisdictions. The forecasts of revenues indicated a significant shortfall existed when compared to needed expenditures.

VDOT forecasts of highway revenues assumed no change in tax rates over the period of 2003 to 2030. VDOT bases federal revenue forecasts on forecasts by the Department of Energy of motor fuel usage.

WMATA

WMATA prepared detailed forecasts of capital and operating expenditures and of needed revenues, and forecasts of federal funds and funding by the District,

Maryland, and Northern Virginia. WMATA forecast operating costs for the existing system and for expansions of the system in the future. WMATA prepared forecasts of capital expenditures needed to increase service levels on existing lines as well as for system expansion. WMATA prepared forecasts of capital rehabilitation expenditures for the existing system and for system additions.

2006 Methodology Update Issues

- In light of the current fiscal conditions and changes since the 2003 analysis, the assumptions regarding the projected growth for state and local revenues and expenditures through 2030 need to be assessed and possibly changed.
- Assumptions need to be made regarding any potential new sources of transportation revenues at the local, state or regional levels.

Work Plan for Conducting the Financial Analysis for the 2006 Update to the Constrained Long Range Transportation Plan (CLRP)

In preparation for the 2006 update of the CLRP, a new 2006 financial analysis will be performed. The 2003 financial analysis, which was conducted with consultant support and completed in July 2003, provides a starting point for the 2006 analysis.

Work Tasks

DDOT, MDOT, VDOT, WMATA, and local jurisdiction transportation agencies working closely with the consultant, will develop the following information by jurisdiction in 2005 constant dollars through the year 2030:

1. Projected annual costs to operate and maintain the region's existing transportation system (highway, HOV, transit— including bus, rail and commuter rail— bicycle and pedestrian).
2. Projected annual revenue from federal, state, and local governments, private funding sources, and transit fares dedicated to transportation uses.
3. Estimated capital and operating costs to build, operate, and maintain existing and potential new projects in the 2006 CLRP.
4. Projected annual revenue from potential new funding mechanisms to be made available for transportation priorities in the 2006 CLRP.

A report on the financial analysis for the 2006 CLRP will be prepared by consultant. A draft scope of work for the consultant support is attached.

Work Schedule

2005

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|--------|---|
| April | - TPB work plan for conducting the 2006 financial analysis for the CLRP |
| May | - TPB receives briefing on the results of the 2003 financial analysis and on the assumptions and issues to be addressed in the 2006 analysis
- Consultant support request for proposals (RFP) issued |
| July | - Consultant contract begins.
- Update operations/preservation costs for existing system |
| August | - Update revenue forecasts from current funding sources |

- September - Update annual cost estimates for existing and potential new projects in 2006 CLRP
- October - Estimate revenues from potential new funding mechanisms
- November - Draft analysis report presented to TPB
- December - TPB approves financial analysis

Anticipated 2006 CLRP Schedule

2006

- January - TPB approves solicitation document
- February - TPB releases CLRP and TIP project submissions for comment
- April - TPB approves project submissions for inclusion in conformity determination
- July - TPB releases draft conformity determination, draft CLRP and TIP for comment
- September - TPB adopts conformity determination, draft CLRP and TIP
- December - Federal approval of 2006 CLRP and FY 2007-2012 TIP

Analysis of Financial Resources for the 2006 Financially Constrained Long Range Transportation Plan in the Washington Region

Scope of Work

Background

In September 1994 the National Capital Region Transportation Planning Board (TPB) adopted the first financially constrained Long-Range Transportation Plan (CLRP) for the Washington Region. Federal regulations require that the CLRP be updated at least once every three years, and be shown to be financially feasible by containing only those programs and projects for which funding can reasonably be expected, once the costs of maintaining and operating the current system are considered.

The 1994 CLRP was based upon a 1993 financial analysis¹ conducted to inform the planning process. The 1993 analysis compared the annual costs of constructing, maintaining, and operating the transportation system through the plan period with annual revenues from existing and proposed funding sources dedicated to transportation uses for the same period.

For the 1997 CLRP another financial analysis² was conducted to incorporate changes to the CLRP, update the cost and revenue projections, and advise the TPB on steps required to maintain the CLRP's balance between costs and revenues. In 1998 the enactment of the Transportation Equity Act for the 21st Century (TEA-21) increased federal funding for highways and transportation. Thus, in early 1999, the 1997 financial analysis was updated³ to incorporate changes in federal and state revenue projections for use in updating the 1999 CLRP and to establish the baseline funding for the projects and actions for the 2000 update of the CLRP.

For the 2000 CLRP analysis, the state and local transportation agencies worked closely with a consultant to coordinate the assumptions and methodologies used to make the 25-year forecasts of revenue and expenditures. The extensive financial analysis and the project submissions were reviewed by the TPB Technical Committee

¹Price Waterhouse LLP, *Estimating Financial Resources for Transportation in the Washington Area: Surface Transportation Costs and Funding (1993-2010)*, prepared for the TPB November 1993.

²Price Waterhouse LLP, *1997 Update Analysis of Financial Resources for the Constrained Long Range Plan*, prepared for the TPB November 1997.

³Cambridge Systematics, Inc., *1999 Update Analysis of Financial Resources for the Constrained Long Range Plan*, prepared for the TPB April 1999.

and the TPB at work sessions and meetings during the spring of 2000⁴ .

For the 2003 CLRP another financial analysis⁵ was conducted to incorporate changes to the CLRP, update the cost and revenue projections, and advise the TPB on steps required to maintain the CLRP's balance between costs and revenues. The 2003 CLRP was adopted by the TPB in December 2003.

In preparation for the next comprehensive update of the CLRP to be adopted in September 2006, a new 2006 financial analysis will be performed. The development of the 2006 analysis will involve the following:

- C The annual costs to operate and maintain the Washington region's existing transportation system (highway, HOV, transit— including bus, rail and commuter rail— bicycle and pedestrian) will be estimated by jurisdiction for the year 2006 and forecast in constant 2005 dollars through the year 2030.
- C The annual revenue from federal, state, and local governments, private funding sources dedicated to transportation uses, and transit fares will be estimated for the current year and forecast in constant dollars through the year 2030.
- C The capital and operating costs in constant dollars to build, operate, and maintain existing and potential new transportation projects and strategies in the 2006 CLRP will be estimated.
- C The potential annual revenue from potential new funding mechanisms to be made available for the transportation priorities in the 2006 CLRP will be estimated for the current year and forecast in constant dollars through the year 2030.

Consultant Support Required

Consultant support will be required for the following tasks:

Task 1: Update Operation/Preservation Cost Estimates for the Existing Transportation System

Using published information and other sources, through consultation with public agencies, and considering life cycle costs, the consultant will prepare estimates of the

⁴Cambridge Systematics, Inc., *Analysis of Resources for the Financially Constrained Long Range Transportation Plan for the Washington Area*, prepared for the TPB, October 2000.

⁵Cambridge Systematics, Inc., *Financial Analysis for the 2003 Constrained Long Range Transportation Plan (CLRP) for the Washington Area*, prepared for the TPB, July 2003.

operating and maintenance costs for the most recent year available (2004) for the region's existing highway and transit systems and for bicycle and pedestrian facilities. Both operating and maintenance costs will be estimated for each system by state, the District of Columbia, and by county or city. Past trends in these costs will be identified, and the future annual operating and maintenance costs forecast (in constant dollars) over the period through 2030. The consultant will compare the new results to the corresponding results obtained in the 2003 financial analysis. A technical memorandum documenting the results of this task will be delivered to COG.

Task 2: Update Revenue Estimates from Current Funding Sources

Using published information and other sources, through consultation with public agencies, and considering the state and federal data in the 2003 financial analysis, the consultant will prepare estimates of revenues from the federal, state, and local governments, including cities, counties and regional authorities; private contributions from developers, and transit fares and tolls dedicated to transportation uses in the region for the most recent year (2004). Revenue sources dedicated to particular elements of the system, such as highway or transit, will be identified. Past trends in these revenues will be identified, and the future annual revenues forecast (in constant dollars) over the period through 2030. The consultant will compare the new results to the corresponding results obtained in the 2003. A technical memorandum documenting the results of this task will be delivered to COG.

Task 3: Update Annual Cost Estimates for Expanding the Transportation System

The 2003 CLRP includes capital and operating cost estimates (and the completion years) for the expansion projects and facilities in the plan. These cost estimates were provided by the state DOTs, the DC Department of Public Works, the Washington Metropolitan Area Transit Authority (WMATA), and local jurisdiction agencies in the region. These agencies will be asked to provide the capital and operating cost estimates for the transportation projects and priorities proposed for the 2006 update of the CLRP. The consultant will review all available project cost data and recommend refinements where necessary. The consultant will consider "cash flow" requirements and then prepare annual estimates of the capital and operating costs of all new facilities (in constant dollars) over the period through 2030. The consultant will compare the new results to the corresponding results obtained in the 2003 financial analysis. A technical memorandum documenting the results of this task will be delivered to COG.

Task 4: Prepare Revenue Estimates for New Funding Mechanisms

Significant new revenues from enhanced funding mechanisms and new revenues sources will be needed to include new, additional transportation priorities in the 2006

CLRP. The consultant will review potential regional revenue sources⁶ and estimate future yields through 2030. The potential sources of revenues to be considered include the entire range of transportation user fees, including gasoline taxes, vehicle miles traveled (VMT) taxes, parking fees, conventional tolls, high occupancy/toll (HOT) lanes, and vehicle registration fees. Other potential sources of revenue to be considered include the range of non-user fees such as income and sales taxes, or other mechanisms. A technical memorandum documenting the results of this task will be delivered to COG.

Task 5: Prepare Final Report on Financial Plan for 2006 CLRP

The consultant will prepare a final report based upon the results of tasks 1 through 4. In accordance with federal transportation planning regulations, the report will provide the financial information necessary for updating the CLRP in 2006.

Meetings

In support of this work, the consultant will be required to attend meetings of and make presentations and/or progress reports to a technical steering group, the TPB Technical Committee, and the TPB, as necessary during the course of the work.

Work Schedule

Assuming the work begins on July 1, 2005, the consultant is to complete tasks 1 and 2 by September 1 and tasks 3 and 4 by October 1. The draft final report is due by November 1 and the final version by December 21, 2005.

Project Cost and Consultant Selection

The total funding available for this project is \$65,000. Key factors in the selection will be consultant experience in forecasting transportation revenue sources for metropolitan areas, estimating transportation capital and operating costs, and long range financial planning and analysis.

⁶The review will include the January 2005 report of a panel established by COG, the Greater Washington Board of Trade, and the Federal City Council, that recommended the jurisdictions in the region implement a dedicated revenue source sufficient to address WMATA capital maintenance and system enhancement needs through 2015.