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OPEN MEETING NOTICE

KANSAS STP/BR PRIORITIES COMMITTEE

February 9, 2012

9:30 – 11:00 AM

Broadway Room, 1st Floor, MARC Offices
600 Broadway, Suite 200, Kansas City, Missouri 64105

AGENDA

1. Welcome and Introductions
2. Approve the December 1, 2011 Meeting Summary*
3. 2012-14 STP/BR Program
Review of the current program.
4. MARC Local Match
Discussion of a project fee proposal.
5. Future STP/BR Programming
Discussion regarding the next STP/BR programming cycle.
6. Other Business
7. Adjournment

* Action Items

Next Regularly Scheduled Meeting: May 10, 2012

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Special Accommodations: Please notify the Mid-America Regional Council at (816) 474-4240 at least 48 hours in advance if you require special accommodations to attend this meeting (i.e., qualified interpreter, large print, reader, hearing assistance). We will make every effort to meet reasonable requests.

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Kansas STP/Bridge Priorities Committee
February 9, 2012
Meeting Summary

Members Present

Joe Johnson, City of Leawood, Chair
Tim Green, City of Lenexa, Vice-Chair
Doug Brown, City of Overland Park
Kevin Bruemmer, City of Bonner Springs
Ron Freyermuth, City of Shawnee
David Greene, City of Garner
Bill Heatherman, Unified Govt of WyCo/KCK
Mary Jaeger, City of Olathe
Hye Jin Lee, City of Merriam
Mike McDonald, City of Leavenworth
Bruce McNabb, City of Prairie Village
Ken Miller, City of Lansing
Danielle Murray, City of Mission
Allison Smith, KDOT
Michael Spickelmier, Leavenworth County

MARC Staff Present

Ron Achelpohl
Marc Hansen
Terry Anderson

Mell Henderson
Heidi Schallberg

Alternates and Other Attendees:

Cory Clark, GBA
Kristen Leathers, Affinis
David L. Marten II, KDOT
Dan Miller, City of Overland Park
Melissa Prenger, Parsons Brinckerhoff
Michael Webb, City of Edwardsville
Doug Wesselschmidt, City of Shawnee

1. Welcome and Introductions

Joe Johnson welcomed the attendees and introductions were made. A quorum was present.

2. Approval of Meeting Summary

Doug Brown moved and Kevin Bruemmer seconded to approve the December 1, 2011 summary as drafted; motion carried.

3. Review of the current 2012-2014 STP/BR Program

Marc Hansen provided a current project list for review. FFY 2012 and 2013 now reflect zero balances and FFY 2014 is overprogrammed by almost \$1.35M. He shared that the three project changes recommended by the committee during the December meeting were still going through the TIP process and expected approval from Federal Highway the week of February 20th.

4. MARC Local Match

Background: MARC has historically relied on in-kind sources to match the federal funds that support MARC transportation planning staff and activities. Due to a number of reasons, MARC has been investigating options for how a broader set of sources might meet the match requirements. One of those options is a project fee tied to MARC's programming work that selects specific projects to receive federal funding.

Mell Henderson presented a local match proposal mainly due to a formal request from USDOT partners that MARC "seek out other sources of CPG matching funds to mitigate the risk posed by heavy reliance on cost sharing activities." Attached is the full draft proposal that Mell reviewed in detail and then requested comments and questions. Staff plans to share the proposal with all MARC programming committees and the Total Transportation Policy Committee (TTPC) and input received from the discussions would be taken back to the MARC Board Executive Committee, the group that created the proposal. Attendees requested that staff share the collected feedback on the proposal when available and Mell agreed to provide their request.

The East-West Gateway, St. Louis' MPO, requires applicants to pay an application fee and reimburses funds to projects not selected for funding. Other MPOs have raised dues to cover costs.

Questions and comments:

- Some concerns were shared about paying the .5% fee quickly after a project is selected for funding and prior to inclusion in the Transportation Improvement Program (TIP). Cannot write a check in two months.
- Unsure how the credit piece will work – may be difficult to track.
- What is the impact to MARC if we don't do this? Allison Smith shared that KDOT would not be able to pay bills from MARC.
- Some concern that the fee is non-refundable.

- Several expressed preference to pay when the project is funded or at obligation. Mell shared that the delay might work but would need a bridge fund. A suggestion was made to add the fee requirement into the city/state agreement.
- Regarding the occasional times where funding is reduced or increased, there will need to be some procedural guidelines put in place based on past circumstances.
- Staff shared that the MARC Board members were bringing up these same issues.
- Is the .5% fee going to increase in the future? MARC is governed by a board of local government officials who would make that decision.
- What happens when a project is split in two funding years? It would be difficult to pay the combined amount up front.
- One jurisdiction shared that they are not able to obligate future general funds unless they are bond funds.
- Could participation in committee meetings be used for in-kind match? Some programs do but we have not in transportation.
- What has MARC done to reduce expenses? MARC has returned unused funds to the states and for several years have been providing services at 80% of the funds. Allison mentioned that other MPOs hire consultants, not MARC, and feels that for what MARC does, they are streamlined.
- Would like a two-page information sheet to share with elected officials that shows programming size, resources and deliverables.
- It would help to have a one-year notice if the fee will be required up front.

Mell shared that the executive committee's next meeting is later this month. The desire is to have something in place before the next programming round.

5. Future STP/BR Programming

Ron Achelpohl explained that the normal programming cycle would be April or soon thereafter this year. Staff is actively monitoring the reauthorization progress and by the end of March we will know more. The evaluation/scoring process will need to be reviewed. There are two MARC committees that are providing recommendations. The Destination Safe Coalition is providing input as to how to incorporate safety into the criteria and the Technical Forecast Committee may change the way we look at activity centers. Staff expects to bring any input from these committees to the May meeting for discussion and perhaps have a Call for Projects in June. Bill Heatherman recommended that the call not be delayed waiting for a new bill but include a default set of rules; others agreed. Bill also recommended that the committee review and approve the scoring criteria and call for project schedule and discuss how to handle overprogramming. Attendees determined the need for a meeting on April 5th at 9:30 a.m. instead of waiting for the regularly scheduled May meeting.

6. Other Business

Allison shared information on the upcoming Safe Routes to School workshops.

With no further business, the meeting was adjourned at 10:55 a.m.

Next Meeting

Next regular meeting: Thursday, 9:30 a.m., May 10, 2012

MARC Transportation Program
Local Match Proposal
January 2012

Background

Under current funding levels, MARC's Transportation Program annually requires \$750,000 to \$775,000 in local match for the federal Consolidated Planning Grant (CPG) funds it receives to support MARC's role and responsibilities as the region's metropolitan planning organization. While MARC has typically relied on in-kind services from state and local governments to provide the required match, MARC is now pursuing a broader portfolio of sources to match federal planning funds for the following reasons:

- It is becoming increasingly difficult to find appropriate, allowable and sufficient in-kind match;
- MARC's USDOT partners have formally requested that MARC "seek out other sources of CPG matching funds to mitigate the risk posed by heavy reliance on cost sharing activities;"
- KDOT has implemented a new policy on "Matching Funds for the Consolidated Planning Grant" which discourages the use of in-kind match and includes access to Kansas toll credits on a sliding scale over a 5-year period to transition MPOs away from in-kind match and toward cash match;
- If MARC is unable to match the federal planning funds, it would interrupt the required planning process that establishes the region's eligibility to receive and spend federal funds to construct, maintain and operate the region's transportation network;
- Under current federal rules, Kansas and Missouri could see additional MPOs designated as a result of the 2010 Census, which would likely result in a reduction in funding to existing MPOs; and
- MARC has been highly productive, conducting the planning process on essentially 80% of its intended resources for many years. As the transportation planning process has become increasingly broad and complex, additional resources would help MARC ensure its planning efforts remain sufficient to meet federal requirements and support local government planning and decision-making.

In 2010, MARC staff prepared a Local Match Discussion paper that described a menu of state and local funding options that might be pursued to expand the portfolio of methods MARC uses to meet its local match obligations. As a follow-up to that discussion paper, MARC also engaged in conversations with KDOT and MoDOT staff to assess the viability of the options and their receptivity to addressing local match as a shared responsibility between the region's local jurisdictions and the two state DOTs.

The options examined included:

- State Funding
 - In-kind contributions – state work activities
 - In-kind contributions – toll credits
 - Cash Match – exchange for federal funds
 - Cash Match – project specific participation
 - Cash Match – direct contribution
- Local Funding
 - In-kind contributions – local work activities
 - Cash match – project specific participation
 - Cash match – local dues increase
 - Cash match – project application/selection fee

Policy

Based on the evaluation of the options and discussion with KDOT and MoDOT, MARC staff proposed the following policy:

MARC's policy for securing local match for the transportation planning program is to view and pursue match as a shared responsibility between the states of Kansas and Missouri and the local governments in the region. Further, the policy is to seek a combination of in-kind services as well as cash receipts to meet the match requirements.

Strategy

State Funding

Both states are willing to assist MARC in meeting its local match obligation through the continued use of in-kind contributions of state-funded work activities (MoDOT) and toll credits (KDOT). Their contribution will vary from year to year and will require MARC to secure additional sources of local match. The two states provided 41% of the required match in 2009, 32% in 2010 and 100% in 2011, and are projected to provide 100% of the match in 2012. MARC will also work with both states to identify projects where MARC, the states and local governments can financially partner on projects, which may include the use of state or local cash which MARC could use as match for federal planning funds.

Local Funding

MARC should continue to identify opportunities where it can financially partner with local governments on specific projects, and use the local financial participation as match for federal planning funds. MARC should also continue to seek out in-kind contributions from local governments to assist in meeting the local match obligation. However, to address the concerns and risks posed by relying solely on in-kind match, MARC should also initiate measures to build a source of local funds to ultimately meet 25% to 33% of the annual match requirement (or roughly \$200,000 to \$250,000 per year). Two methods are proposed to establish this pool of local funds: an allocation from the annual MARC dues, and the establishment of a project fee associated with MARC's project selection and programming activities. The allocation from existing dues will result in each MARC member making a small contribution towards meeting the match requirement. The project fee will result in those receiving transportation project awards through MARC's project selection/programming processes making a larger contribution toward meeting the match requirement.

Allocation from Existing MARC Dues – In the 2011 budget, MARC initiated a Transportation Reserve Fund by setting aside 10% of the MARC dues collected in that year. For 2011, that resulted in an amount of \$40,805, or 10% of the dues collected in 2011 being directed to the Transportation Reserve. This set-aside will continue in future years. A portion of these funds will be used to pay for expenses of MARC's transportation planning program that are not eligible for federal reimbursement (such expenses currently come out of MARC's General Fund).

Project Fee – Beginning in 2012, MARC proposes to collect a percentage-based fee related to the funding programs for which MARC conducts project selection processes. These funding programs include:

- KS and MO Surface Transportation Program (STP)
- KS and MO Congestion Mitigation/Air Quality (CMAQ)
- MO Transportation Enhancements (TE)
- KS and MO Bridge Rehabilitation (BR)
- Job Access/Reverse Commute/New Freedoms (JARC/NF)

Over a two-year period (the way MARC typically programs), approximately \$80,600,000 would be available through these programs combined under current funding levels. A project fee of 0.5% (i.e. \$5,000 for every \$1 million in federal funds) in combination with the allocation from existing dues would be required to meet the target of 25% to 33% of the total match, as shown below.

$$\begin{array}{r} \$80,600,000 \\ \times \quad 0.5\% \\ \hline \$403,000 \\ / \quad 2 \text{ years} \\ \hline \$201,500 \text{ per year} \end{array}$$

To illustrate this fee, two scenarios were created. The first looked back at the last completed rounds of funding for each of the programs above prior to 2010. The second replaced the STP and CMAQ projects with the recommendations finalized in 2010. Due to a number of reasons, (prior year over-programming, transferring projects to Recovery Act funds, projects being turned back by sponsors, etc.) neither of these scenarios was “typical” in terms of the total funds being programmed. However, they did provide information about how the fee might be applied.

Some observations and suggested parameters:

- A similar fee has been successfully implemented in the St. Louis region, and was identified for further consideration in the earlier analysis based on the equity and fairness of its application.
- The fee is not solely the responsibility of local governments. In each of the scenarios, other sponsors (KDOT, MoDOT, KCATA, etc.) would also pay some of the fees (12 to 15% in the two scenarios).
- The list of jurisdictions receiving projects varies each cycle. While some of the larger jurisdictions tend to consistently get projects each cycle and would pay the fee each time, many jurisdictions are more intermittent in the frequency, number and/or size of projects awarded.
- MARC typically conducts the project selection processes for the various funding programs at different times, so the fees would not all be due at the exact same time. It is assumed the fee would be collected for each program after the projects are selected by TTPC but prior to including them in the Transportation Improvement Program (TIP).
- Due to the mix of projects that the funds support, it is anticipated that the fees might come from various departments and sub-budgets (public works, parks, planning, capital, operating, etc.) within a particular local government. However, local governments would need to budget for the fee in the event that one or more of their applications was selected for funding.
- In order to ensure stability in the local match funds, and to minimize ongoing tracking by MARC, the fee would be proposed as non-refundable, suggesting that the fee would not be adjusted should there be changes to the selected project as it moved through final design, engineering and construction stages.

Feedback

In 2011, MARC staff presented the fee proposal in two separate meetings with MARC’s planning partners (KDOT, MoDOT and KCATA) that administer the federal funds that MARC programs, and with the co-chairs of MARC’s programming committees (limited attendance). Reactions from those two groups included the following:

- Should the fee be set high enough to meet the entire match requirement? *A lower fee would be more reflective of the current economic climate.*
- Will the fee impact the mix of projects that are submitted to MARC for consideration? *Not expected, but MARC will monitor.*
- Will smaller jurisdictions be shut out of the project programming process due to the fee? *No. The fee will be a fraction of the amount jurisdictions will need to match any federal funds they pursue.*
- Should the fee be expanded to other programs where MARC is advising the state DOTs on project selection (i.e. MO 5310 vehicles and KS Transportation Enhancements)? *No. MARC doesn’t select the projects in those other processes.*
- If projects selected for funding and thus triggering a fee are directly tied to a private development, can the local project sponsor require the private entity to pay the fee on their behalf to MARC? *This is a local policy matter at the discretion of the local jurisdiction.*
- Will MARC pay a fee to itself for the projects that it is awarded? *No. MARC will already be contributing 10% of the annual dues to support the transportation program.*
- Would it be easier for jurisdictions to budget a general dues increase (predictable) rather than be prepared to find the funds for the fee if projects are awarded (unpredictable)? Could they consider making an annual supplemental dues payment to MARC in lieu of paying project fees? *This is a local policy matter; MARC could provide credit toward future fees for any such dues payments.*
- For some local governments, it will be a multiple week process to get authorization to process payment of the fee to MARC; if MARC is waiting on collection of the fees to add projects to the TIP, it could slow down the TIP process. *It typically takes 3-4 months from project recommendation to TIP approval. MARC will work with local jurisdictions to initiate the payment process early to minimize such impacts.*

- There is a need to link the value of MARC’s work to the source of the fees (i.e., if the fees come from local public works budgets, will MARC spend it on activities that are of value to public works departments?). *MARC will work with local jurisdictions to ensure its work is relevant to their needs.*
- There is support for using some of the new revenue to MARC to fund planning projects that local governments can compete for (like the new livable communities pilot program) so they have an opportunity to see some of the funds directly support their own work. *MARC will work with local jurisdictions to ensure its work is relevant to their needs.*
- MARC should visit with the membership of the programming committees and TTPC prior to implementing this proposal. *Part of proposed implementation approach below.*

Proposed Implementation Approach

MARC staff proposes to implement the local match policy and strategy in the following manner:

1. MARC will continue to look for opportunities to financially participate with state and local governments on specific planning projects and utilize the state and local participation as match for federal planning funds.
2. As has been the past practice, MARC will annually pursue in-kind match from KDOT, MoDOT and local governments in the region. MARC will continue to seek and use as much in-kind match as is possible.
3. Beginning in 2011, MARC implemented a transfer of 10% of the MARC dues collected to a new Transportation Reserve Fund. For 2011, the transfer is \$40,805. MARC will continue making this transfer in future years.
4. Beginning in 2012, MARC will implement a new project fee of 0.5% of federal funds awarded to any project selected through a MARC transportation project selection/programming process. The non-refundable fee would be charged to the project sponsor, and would be due prior to the project being added to the region’s Transportation Improvement Program. MARC will not pay the project fee for MARC projects, as the fee would come from the Transportation Reserve Fund and would not result in any net increase in funding to MARC.
5. For those local and state governments that provide in-kind match or project-specific cash that is used by MARC as match, MARC will calculate the value of match provided and utilized by MARC over the prior two years. Those entities will be given a “credit” for that prior match by reducing the level of fee they would owe related to a two-year programming cycle. Should a local jurisdiction choose to make supplemental dues payments to MARC for Transportation to have more budget predictability, MARC will also provide “credit” for those supplemental payments against any fees.
6. MARC will seek to use the additional funds in ways that are supportive of the needs of local governments paying the fees. MARC will solicit proposal from local governments as the Unified Planning Work Program is developed each year to identify planning work that MARC could conduct with the funds (i.e. research, data collection/analysis, modeling, tool development, etc.) that would be supportive of local government planning needs. MARC will also look for opportunities to leverage the additional funds to secure additional grants that can be used in support of local jurisdiction priorities. MARC may also use some of the funds to contribute to or otherwise support specific local planning studies that would advance elements of the region’s long-range transportation plan and related goals/policies.
7. MARC will monitor the impacts of the implementation of the project fee to see if there are measurable differences in the mix of projects submitted for consideration for funding or in the sizes of jurisdictions applying for projects.

Next Steps

MARC staff suggests that this proposal be shared with all of MARC’s transportation programming committees and with the Total Transportation Policy Committee. Input gathered from those consultations will be used to craft a final proposal for consideration by the Board Officers and ultimately the MARC Board of Directors.