



# Financial Plan

## Chapter 12



### Introduction

Funding for our nation's transportation system is at a crossroads. Federal and state transportation revenue streams are rapidly losing pace with needed investments. A few key factors are eroding these sources of revenue. First, state and federal gas taxes have not changed since the early 1990s, when the cost of a postage stamp was 29 cents. Second, recent increases in oil prices and an increased trend toward green technology have caused people to adjust their driving habits and buy more fuel-efficient cars. Federal programs such as the recently "successful" Cash for Clunkers program have made strides toward rejuvenating the automobile industry and decreasing emissions, but those advances have come at the cost of decreasing our federal and state transportation revenue.

In addition to these recent trends, SAFETEA-LU recently expired in September 2009, and it could be several months until our nation has a new comprehensive transportation funding bill in place. Regardless of when it is implemented, it is unlikely that it will adequately fund all of the nation's transportation needs. When it is enacted, however, the Midland-Odessa MPO stands ready with a prioritized list of transportation improvement projects.

Various suggestions have been made to bolster federal and state transportation funding mechanisms, including increasing the gasoline tax and/or indexing it to the consumer price index, increasing local vehicle registration fees, and imposing a local tax dedicated to transportation improvements. However, such tax increases are typically very politically unpopular. Other suggestions include transitioning to a tax based upon miles driven, rather than gasoline consumed. GPS and other technologies to implement this type of solution have been around for years, but concerns over privacy are likely to prevent this type of solution from materializing. At the local level, the Texas State Legislature recently declined the opportunity to allow some counties to impose a local option tax which would allow local officials to put a tax on the ballot which would raise the gas tax as well as auto registration and licensing fees.

A recent July 2009 publication, *Funding the Future*, was developed by the Texas Association of MPOs, the Texas Transportation Institute, the Center for Transportation Research, and the Texas Department of Transportation. The purpose of the report was to develop a forecast for transportation finance in the state. The report's main finding is that barring significant changes in policy, future transportation funding will only be available to maintain the existing system, and even then, only at a level that still falls short of the state's roadway condition goals. Future population growth and the likely increases in driving that will follow will be outpaced by the improvements in fuel efficiency.

# Financial Plan

## Chapter 12



The Texas Transportation Commission recently approved funding levels for its 2010-2020 Unified Transportation Program and also approved funding projections for 2021-2035 assuming no funding for system expansion (mobility) projects be available beyond 2020. Furthermore, the Commission recommended that MPOs specifically vote on strategies to enhance future funding prior to inclusion in their MTPs and that MPOs explicitly identify projects that require revenue enhancement in order to be funded.

### Financial Constraint

Federal planning regulations require that the financial plan presented in Metropolitan Transportation Plans (MTP) be financially constrained, which means that the estimated cost for all transportation improvements presented in the plan cannot exceed the amount of reasonably expected revenues projected from identified funding sources. This requirement ensures that the plan is based upon realistic assumptions and is not simply a wish list.

Developing a financially constrained plan is particularly challenging. For example, during the last MTP update five years ago, it would have been difficult to predict the massive infusion of federal funds made available through the recent American Recovery and Reinvestment Act (ARRA). Today, many projections point toward future funding levels that can barely cover the costs related to operating and maintaining the existing system. Furthermore, new and innovative financing strategies are still emerging and have little to no history that would allow planners to confidently project future funding from those fledgling sources. Simply put, it is very hard to predict the levels and sources of funding 25 years from now.

Nevertheless, the MPO has conducted a careful analysis of what funds are to be reasonably expected, how those funds may be allocated, and how and when projects will be financed. To be sure, actual funding availability over the next 25 years will depend largely upon future actions and public policy directives initiated at the federal and state levels.

### Revenue Projections

The first step in the process of demonstrating financial constraint is to determine what revenues can be reasonably expected over the life of the plan. Most regional roadway projects are financed through federal and state funds which are mostly derived from taxes on fuel and fees from vehicle registration. Transit projects are also funded through federal, state, and local sources, as well as revenue received through fares.



# Financial Plan

## Chapter 12



### *Roadway and Bicycle/Pedestrian Funding Revenue*

To assist in financial planning and program administration, TxDOT has developed two high-level funding programs. The first, the Statewide Preservation Program (Maintain It), consists of the following three funding categories related to system maintenance:

- Category 1: Preventive Maintenance and Rehabilitation
- Category 6: Bridge Replacement and Rehabilitation
- Category 8: Safety

The second program is the Statewide Mobility Program (Build It) which is comprised of the following nine funding categories related to system expansion:

- Category 2: Metropolitan Area (for areas over 200,000 population)
- Category 3: Urban Area (for areas under 200,000 population)
- Category 4: Statewide Connectivity
- Category 5: Congestion Mitigation and Air Quality (for non-attainment areas)
- Category 7: Metropolitan Mobility/Rehabilitation (for areas over 200,000 population)
- Category 9: Transportation Enhancements
- Category 10: Supplemental Projects
- Category 11: District Discretionary
- Category 12: Strategic Priority

Due to the fact that the Midland-Odessa region was considered to have a population less than 200,000 at the time of the 2000 Census and is in attainment of air quality standards, the Midland-Odessa MPO is not eligible to receive Category 2, Category 5, or Category 7 funds.

As a starting point for estimating future funding levels, historical TxDOT expenditures in Ector and Midland counties were gathered from 2001 to 2008. The total sum was then divided by eight to obtain an annual average for each category. The results of this analysis are shown in Table 12-1.

# Financial Plan

## Chapter 12



Actual allocations were projected by TxDOT for Categories 1, 3, 4 and 11. In recognition of TxDOT's recently articulated system preservation goal, which state that 90 percent of all state roadways will be in good or better condition by 2019, all projected funds for Category 11 have been allocated to Preventive Maintenance / Rehab. Also, in following with TxDOT's funding forecast, no Category 3 funds are anticipated after 2020, and no Category 4 funds are anticipated in this MTP. As previously mentioned, any funding in addition to these projections must come from local sources and be voted upon by the MOTOR Policy Board. There must also be evidence of local support for a new funding stream (such as a local gas tax).

Table 12-1: Annual Average Funding Levels by Category, 2001-2008

System Preservation	Average Annual Amount
Category 1: Preventive Maintenance and Rehabilitation	\$12,194,215
Category 6: Bridge Replacement and Rehabilitation	\$168,609
Category 8: Safety	\$495,816
System Expansion (Mobility)	
Category 3: Urban Area (non-TMA) Corridor	\$4,341,944
Category 4: Statewide Connectivity	\$258,979
Other Build It Categories	
Category 9: Transportation Enhancements	\$1,246,536
Category 10: Supplemental Projects	\$447,585
Category 11: District Discretionary	\$3,252,400
Category 12: Strategic Priority	\$1,353,871
<b>Total</b>	<b>\$23,759,955</b>

Categories 6, 8, 9, 10 and 12 are allocated on a project-specific basis. TxDOT funding projections indicate no Category 12 funding for the Midland-Odessa region for 2010-2035. Statewide funding levels were approved for Categories 6, 8, 9 and 10, but since these categories are project specific, breakdowns by district were not provided. For this reason, MOTOR used historical data to project funding levels for Categories 6, 8, 9 and 10. The following assumptions were made in projecting these funding levels:

- Half of the funds historically available in Categories 9 and 10 will be available in 2010-2019. No Category 10 funds will be available thereafter
- Twenty five percent of funds historically available in Category 9 will be available per year in 2020-2035

For the purposes of this plan, TxDOT's funding categories have been consolidated into six main categories: system preservation, preventive maintenance and rehabilitation, bridge replacement and rehabilitation, system expansion, safety, transportation enhancements, and landscaping projects. In essence, this amounts to grouping Category 3 and Category 4 together, and allocating Category 11 and Category 12 for specific purposes. Based upon the methodology described above and the consolidation of categories, the projected amount of funding for roadway projects is shown in Table 12-2.



# Financial Plan

## Chapter 12



Table 12-2: Projected Roadway Funding

Category	2010-2020 Projected Amount	2021-2035 Projected Amount	Total 2010-2035 Projected Amount
System Preservation	\$230,350,928	\$244,499,938	\$474,850,866
Bridge Replacement and Rehabilitation	\$1,686,090	\$2,697,744	\$4,383,834
System Expansion (Mobility)	\$6,975,816	\$0	\$6,975,816
Safety	\$21,220,160	\$33,952,256	\$55,172,416
Transportation Enhancements (Bicycle/Pedestrian)	\$6,232,680	\$4,986,144	\$11,218,824
Landscaping	\$2,237,925	\$0	\$2,237,925
Total	\$268,703,599	\$286,136,082	\$554,839,681

### *Transit Funding Revenue*

EZ Rider services are funded through Section 5307, Urbanized Area Formula Grant Program. These funds can be used for operations, planning, and maintenance activities. In order to estimate future revenue for EZ Rider transit services, recent §5307 funding allocations and expenditures were used as a baseline. Then, based upon similar practices used in programming transit funds in the TIP, modest increases in operations (8.8 percent), planning (12.5 percent), and maintenance (3.5 percent), were assumed to occur once every five years. Starting with 2010 amounts of \$4,390,000 for operations, \$100,000 for planning, and \$906,250 for maintenance, the percent increases start in 2011, and are again assumed in 2016, 2021, 2026, and 2031.

The cost for EZ Rider vehicles is funded by either §5307 or §5309 (Capital Investment Program) funds. While §5309 funds are discretionary in nature, the MPO is relying upon §5309 funds to be available to make the required vehicle purchases during the life of this plan. As presented in Chapter 9: Transit Plan, the funds expected total nearly \$27 million.

The provision of Elderly and Disabled Transit Services by West Texas Opportunities is funded through Section 5310, Elderly and Persons with Disabilities Program. In order to estimate future revenue for this service, recent §5310 funding allocations were used as a baseline, along with modest increases of eight percent per year, every five years beginning in 2010. Starting with a 2010 amount of \$183,150, the percent increase starts in 2011 and is again assumed to occur in 2016, 2021, 2026, and 2031.

# Financial Plan

## Chapter 12



Table 12-3: Projected Transit Funding

Category	2010-2019 Projected Amount	2020-2035 Projected Amount	Total 2010-2035 Projected Amount
\$5307: Operations	\$49,650,000	\$101,260,000	\$150,910,000
\$5307: Planning	\$1,168,500	\$2,539,000	\$3,707,500
\$5307: Maintenance	\$9,473,750	\$16,545,000	\$26,018,750
\$5309	\$8,473,305	\$18,503,054	\$26,976,359
\$5310	\$2,026,150	\$3,956,000	\$5,982,150
Total	\$70,791,705	\$142,803,054	\$213,594,759

### Cost Estimates

Federal planning regulations require that all project cost estimates include the cost of the total project and account for inflation. Cost estimates for all roadway and bicycle/pedestrian projects were carefully prepared using a consistent methodology and locally derived unit cost estimates. In addition, total project cost was calculated based upon project-specific factors developed in cooperation with staff from TxDOT's Odessa District. To account for preliminary engineering, construction engineering, contingencies, right-of-way, and indirect costs, a set of percentages were developed. Based upon the scale of the project, the construction cost estimate was increased by 20 percent, 25 percent, or 30 percent to account for the total project cost. In addition, a 4 percent compounded rate to account for the effect of inflation was applied to all base year (2010) project costs.

To estimate the year of expenditure, a cash-flow analysis was performed in order to ensure adequate revenue had been generated before the project costs were incurred. This conservative approach pushed many projects in the latter years of the plan. However, this is a more reasonable approach than assuming all anticipated funding is immediately available and basing year of expenditure simply on the amount of time for project development.

### Estimated Revenue vs. Estimated Costs

Table 12-4 and Table 12-5 demonstrate that the Midland-Odessa MPO's 2035 long-range MTP is financially constrained. In other words, the revenue anticipated during the life of this plan is adequate to cover the projected costs.



# Financial Plan

## Chapter 12



Table 12-4: Roadway and Bicycle/Pedestrian Fiscal Constraint

	System Preservation	Bridge	System Expansion	Safety	Transportation Enhancements	Landscaping	Total
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expected Revenue 2010-2019	\$230,350,928	\$1,686,090	\$6,975,816	\$21,220,160	\$6,232,680	\$2,237,925	\$268,703,599
Expected Revenue 2020-2035	\$244,499,938	\$2,697,744	\$0	\$33,952,256	\$4,986,144	\$0	\$286,136,082
<b>Total Revenue</b>	<b>\$474,580,866</b>	<b>\$4,383,834</b>	<b>\$6,975,816</b>	<b>\$55,172,416</b>	<b>\$11,218,824</b>	<b>\$2,237,925</b>	<b>\$554,839,681</b>
RC-01 (2015)			\$6,975,816				\$6,975,816
BP-01 (2012)					\$1,577,908		\$1,577,908
RQ-01 (2012)						\$129,792	\$129,792
RQ-02 (2013)						\$365,581	\$365,581
RQ-03 (2014)						\$140,383	\$140,383
BP-02 (2015)					\$1,839,579		\$1,839,579
BP-03 (2017)					\$1,358,042		\$1,358,042
BP-04 (2021)*					\$2,050,553		\$2,050,553
BP-05 (2027)*					\$2,021,921		\$2,021,921
2010-2035 Various Grouped CSJ Projects	\$474,580,866	\$4,383,834		\$55,172,416			\$534,137,116
<b>Total Costs</b>	<b>\$474,580,866</b>	<b>\$4,383,834</b>	<b>\$6,975,816</b>	<b>\$55,172,416</b>	<b>\$8,848,003</b>	<b>\$635,757</b>	<b>\$550,596,691</b>

# Financial Plan

## Chapter 12



Table 12-5: Transit Fiscal Constraint

	EZ Rider Operations	EZ Rider Planning	EZ Rider Maintenance	EZ Rider Vehicle Replacement	Elderly and Disabled Service	Total
<b>Expected Revenue 2010-2019</b>	<b>\$49,650,000</b>	<b>\$1,168,500</b>	<b>\$9,473,750</b>	<b>\$8,473,305</b>	<b>\$2,026,150</b>	<b>\$70,791,705</b>
<b>Expected Revenue 2020-2035</b>	<b>\$101,260,000</b>	<b>\$2,539,000</b>	<b>\$16,545,000</b>	<b>\$18,503,054</b>	<b>\$3,956,000</b>	<b>\$142,803,054</b>
<b>Total Revenue</b>	<b>\$150,910,000</b>	<b>\$3,707,500</b>	<b>\$26,018,750</b>	<b>\$26,976,359</b>	<b>\$5,982,150</b>	<b>\$213,594,759</b>
2010	\$4,390,000	\$100,000	\$906,250		\$183,150	\$5,579,400
2011	\$4,820,000	\$112,500	\$937,500		\$197,800	\$6,067,800
2012	\$4,820,000	\$112,500	\$937,500		\$197,800	\$6,067,800
2013	\$4,820,000	\$112,500	\$937,500		\$197,800	\$6,067,800
2014	\$4,820,000	\$112,500	\$937,500		\$197,800	\$6,067,800
2015	\$4,820,000	\$112,500	\$937,500	\$5,231,607	\$197,800	\$11,299,407
2016	\$5,290,000	\$126,500	\$970,000		\$213,500	\$6,600,000
2017	\$5,290,000	\$126,500	\$970,000		\$213,500	\$6,600,000
2018	\$5,290,000	\$126,500	\$970,000		\$213,500	\$6,600,000
2019	\$5,290,000	\$126,500	\$970,000		\$213,500	\$6,600,000
2020	\$5,290,000	\$126,500	\$970,000	\$18,503,054	\$213,500	\$25,103,054
2021	\$5,810,000	\$142,500	\$1,003,000		\$230,500	\$7,186,000
2022	\$5,810,000	\$142,500	\$1,003,000		\$230,500	\$7,186,000
2023	\$5,810,000	\$142,500	\$1,003,000		\$230,500	\$7,186,000
2024	\$5,810,000	\$142,500	\$1,003,000		\$230,500	\$7,186,000
2025	\$5,810,000	\$142,500	\$1,003,000	\$3,241,698	\$230,500	\$10,427,698
2026	\$6,380,000	\$160,000	\$1,038,000		\$249,000	\$7,827,000
2027	\$6,380,000	\$160,000	\$1,038,000		\$249,000	\$7,827,000
2028	\$6,380,000	\$160,000	\$1,038,000		\$249,000	\$7,827,000
2029	\$6,380,000	\$160,000	\$1,038,000		\$249,000	\$7,827,000
2030	\$6,380,000	\$160,000	\$1,038,000		\$249,000	\$7,827,000
2031	\$7,004,000	\$180,000	\$1,074,000		\$269,000	\$8,527,000
2032	\$7,004,000	\$180,000	\$1,074,000		\$269,000	\$8,527,000
2033	\$7,004,000	\$180,000	\$1,074,000		\$269,000	\$8,527,000
2034	\$7,004,000	\$180,000	\$1,074,000		\$269,000	\$8,527,000
2035	\$7,004,000	\$180,000	\$1,074,000		\$269,000	\$8,527,000
<b>Total Costs</b>	<b>\$150,910,000</b>	<b>\$3,707,500</b>	<b>\$26,018,750</b>	<b>\$26,976,359</b>	<b>\$5,982,150</b>	<b>\$213,594,759</b>



# Financial Plan

## Chapter 12



### Conclusion

At the time of the writing of this MTP, the future of transportation funding is uncertain at best, and woefully inadequate at worst. Dire funding projections at one end of the spectrum, and federal windfalls such as funds from the ARRA at the other, make it difficult to predict future transportation funding with any real degree of certainty. Recognizing the uncertainty related to future funding, the Midland-Odessa MPO has taken a “middle of the road” approach in developing its financial plan. Nevertheless, the Midland-Odessa MPO will continue to seek out innovative funding options and partnerships with state and local governments, as well as private entities, such as local economic development interest groups. Furthermore, the MPO understands that future windfalls may come at any time, and when they do, the MPO can utilize its prioritized list of projects to quickly recommend which projects should be advanced next. In any case, if the federal and state funding issues aren’t resolved soon, much-needed projects will either require significant local contribution or run the risk of not being implemented.

# Financial Plan

## Chapter 12



This page intentionally left blank.