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MEETING OF THE  
**Valley Metro Operations and  
Capital Committee**

MEETING DATE

October 29, 2009

TIME

12:30 p.m.

LOCATION

**METRO Rail Office**  
**13<sup>th</sup> Floor Conference Room**  
**101 N. 1<sup>st</sup> Avenue, Suite 1300**  
**Phoenix, AZ**



**REVISED**

October 27, 2009

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**Meeting of the Valley Metro Operations and Capital Committee  
METRO Rail – 13<sup>th</sup> Floor Conference Room  
101 N. 1<sup>st</sup> Avenue, Suite 1300  
Thursday, October 29, 2009  
12:30 p.m.**

**Action  
Recommended**

1. American Recovery and Reinvestment Act of 2009 Unused and Redistributed Funds Policy Options

1. For action

Paul Hodgins, Capital Programming Manager, will lead a discussion on the unused and redistributed funds policy options and will request the VMOCC forward the following to the Transit Management Committee (TMC) for consideration.

- Transit Capital Project Proposed Prioritization Guidelines, Unspent ARRA Funds;
- An amendment to the Transportation Improvement Program (TIP) to include regional operating assistance and regional ADA assistance; and
- The allocation of operating assistance be split between bus and rail based on operating cost, further allocated to bus based on bus revenue miles and rail based on METRO's operating cost allocation methodology and the ADA assistance be based on ADA trips.

2. Public Comment

2. For information

An opportunity for general public comment on issues related to Valley Metro RPTA. Up to three (3) minutes will be provided for each speaker.

3. Next VMOCC Meeting

3. For information

The next meeting of the VMOCC is tentatively scheduled for **November 17, 2009 at 10:00 a.m.** The location for the meeting is to be determined.

Qualified sign language interpreters are available with 72 hours notice. Materials in alternative formats (large print, audiocassette, or computer diskette) are available upon request. For further information, please call Nichole Myers, Valley Metro at 602-262-7433 or TDD at 602-495-0936.

To attend this meeting via teleconference, contact Rosalia Lopez at 602-262-7433 for the dial-in-information.

The supporting information for this agenda can now be found on our website at: [www.ValleyMetro.org](http://www.ValleyMetro.org).



# Valley Metro Operations and Capital Committee Information Summary

Agenda Item #1

## **Date**

October 13, 2009

## **Subject**

American Recovery and Reinvestment Act of 2009 Unused and Redistributed Funds Policy Options

## **Summary**

Based on current bids for American Recovery and Reinvestment Act (ARRA) projects, for both transit and highways, it appears that there may be significant savings on projects. Because of the deadlines for obligating ARRA funds, a process for prioritizing unspent ARRA funds must be developed in order to ensure that decisions can be made quickly to reallocate unspent funds.

There are three deadlines that must be considered for ARRA funds. The first deadline, which has passed, was September 1 to obligate at least 50 percent of the apportioned funds. The region obligated nearly 80 percent. The remaining 20 percent must be obligated by March 5, 2010. The projects for the remaining funds have been identified and all are on track to obligate on time. The Mesa park-and-ride project was one that had not obligated, which was why the savings needed to be reallocated quickly to ensure the deadline could be met.

Finally, there may remain an opportunity to amend the grant beyond March 5 and shift savings or redistributed ARRA funds from MAG to additional projects. FTA has said they would review requests on a case by case basis. This amendment process must be complete by September 30, 2010 and will only be allowed for the following reasons:

- To add previously unobligated ARRA resources to a grant;
- To allow up to 10% of ARRA funds to be used for operating assistance, and
- To allow the addition of a new scope that will be funded using cost savings from bids coming in under the previous estimate.

Beyond September 30, 2010 any unspent ARRA funds can only be shifted to other line items within the ARRA grant.

Given the short deadlines, it is important that any new projects be ready to obligate. For any construction project, this means that it must be in the Transportation Improvement

Program (TIP), and the National Environmental Policy Act (NEPA) documentation must be complete and must have been submitted to Phoenix for approval.

RPTA developed priorities for the transit TIP in the mid 1990s. These priorities were never approved by the Board, but were agreed to by the members' transit staff. These priorities have been used as a base to develop priorities for the ARRA reallocation process. The general structure of those priorities has been maintained and the details modified to meet the ARRA needs. The suggested priorities reflect the Board's preference for construction projects and the project list will identify which projects are Proposition 400 projects and which are not. The suggested priorities also reflect comments received to date through the committee process.

### **Fiscal Impact**

None

### **Considerations**

The remaining ARRA funds should obligate by the March deadline. The four park-and-ride projects (three in the City of Mesa and one in the City of Scottsdale) are all on track to have the environmental work complete and submitted in time to obligate funding. Any unspent funds will likely be realized after all of the projects obligate and therefore become Phoenix' responsibility as the federal designated recipient and grant manager. There may also be opportunities for additional ARRA funds including federal redistribution of flex funding from the Metropolitan Planning Organization to transit.

Additional projects can be amended into the ARRA grant before September 30, 2010. Any savings identified over the next six to nine months may be reprogrammed to other projects that are ready to obligate. The attached Proposed ARRA Priorities list will be used to prioritize the project list.

After the Board allocated the ARRA funds in March, Congress made a change in the ARRA to allow up to 10 percent of apportioned ARRA formula funds for operating costs (approximately \$6.4 million). An additional 10 percent is also allowed for ADA operating costs. Between those two categories, nearly \$13 million could be shifted from other projects that could be drawn down and allocated to all purchasers of service in the region. Preventive maintenance is another category of operating expense that is eligible for capital assistance. Using ARRA funds for operating assistance is in conflict with the Board's original direction to use ARRA for local construction projects. However, at that time operating assistance was not an option. Using the funds for operating assistance and preventive maintenance could help the region bridge the gap during the economic downturn and avoid planned service reductions in the transit system.

The Valley Metro Operating and Capital Committee (VMOCC) discussed the proposal. They suggested that operating assistance and preventive maintenance should be a much higher priority, perhaps even the first priority, for any savings. The committee did not take any action, but several members spoke in favor of prioritizing operating assistance high on the list.

Likewise, the Transit Management Committee (TMC) talked about having operating assistance and preventive maintenance much higher in the priorities. Given the continued decline in tax revenues, it does not make sense to construct new facilities while having to cut service. TMC suggested that savings should be used to maintain existing service which will save local jobs. This certainly meets the goal of ARRA to create or maintain jobs. There was concern expressed that the distribution methodology for the operating assistance should be such that all service purchasers benefit.

It is unlikely that all of the project savings will be identified by September 30, 2010. After that time, funds can only be shifted to other projects in the grant. Savings beyond that time would be shifted to preventive maintenance to benefit all purchasers of service.

The following options are recommended to distribute operating assistance to ensure that all purchasers can benefit. The distribution method must account for different urbanized areas, different modes and levels of funding. These options were discussed by City of Phoenix, MAG and RPTA staff.

#### Operating Assistance

Operating assistance is limited to the formula funds in an urbanized area and therefore can only be distributed to cities within each urbanized area. The Avondale urbanized area has only bus and paratransit service. ADA has a separate category of operating assistance available and it was agreed that paratransit would not receive a share from this category. Any ARRA funds saved in the Avondale urbanized area that becomes operating assistance would be used to offset bus operating costs. The Avondale urbanized area would be allowed to use up to \$133,360 of its formula funds for operating assistance, which would have to be generated from savings within its ARRA grant.

The Phoenix/Mesa urbanized area also has light rail operations in addition to bus and paratransit. Again, since ADA has a separate category, paratransit would be excluded from operating assistance. There was much discussion regarding whether light rail should also be excluded from operating assistance. There are two primary reasons for excluding rail. First, the apportionment of ARRA funds was based on a formula derived using data reported to FTA in FY 2007. Light rail was not in operation in FY 2007 and therefore did not contribute data to the formula and therefore shouldn't receive any benefits from the formula funds. Second, assistance to light rail would only benefit three cities' budgets and not the entire urbanized area. The Phoenix/Mesa urbanized area would be allowed to provide up to \$6,442,122 in operating assistance from the formula grant.

Should the policy decision be to allocate assistance to light rail, then a method would be needed to split the funds between bus and rail. The services are dissimilar and data may not provide for a good comparison. Total operating costs might be the best alternative to split between modes. In very approximate terms, bus service in the region costs \$200 million per year and light rail costs \$30 million. Given that ratio, the operating assistance would be split with 87 percent to bus and 13 percent to light rail.

METRO uses track miles to allocate costs and would likely use the same methodology to allocate any operating assistance so that it would be allocated equitably among the three cities that fund light rail operations.

The region has historically used revenue miles to allocate costs for bus service and it is logical to use revenue miles to allocate operating assistance. In that way, each purchaser of service receives the same credit against their cost per revenue mile. All purchasers of bus service in each urbanized area would benefit equally based on the revenue miles that each funds.

#### ADA Operating Assistance

ADA service is operated as a shared ride service, often with non-ADA passengers. This makes using revenue miles or hours difficult, because ADA only miles or hours cannot be identified easily. The group agreed that ADA assistance would be best allocated based on ADA trips provided. The Avondale urbanized area would be allowed to use up to \$133,360 of its formula funds for ADA assistance. The Phoenix/Mesa urbanized area would be allowed to provide up to \$6,442,122 in ADA assistance from the formula grant.

#### Preventive Maintenance

For ease, the group agreed that whatever method is used for operating assistance would be used to allocate preventive maintenance funds. The amount of formula funds that could be provided for preventive maintenance is limited to the funds available in the formula grant.

The MAG Transportation Review Committee (TRC) is currently looking at options for allocating ARRA savings from MAG's sub-allocation of highway funds. Those funds have a March 2, 2010 deadline to obligate. One of the options discussed at TRC was to transfer the funds to transit for operating assistance and preventive maintenance. It is important to note that highway funds cannot be used for operating assistance or for preventive maintenance. Any funds transferred to transit would be used for eligible capital projects using the prioritization policy adopted by the Board. These funds would not be limited to a specific urbanized area since they originated in the MAG region.

However, there may be an opportunity to swap projects between the formula grant and highway flex grant to free up formula funds for operating line items. For example, the Scottsdale/Loop 101 Park-and-Ride has \$5 million allocated from the transit formula grant. If MAG were to flex \$5 million from highway funds, the Scottsdale project could be shifted to the flex grant, allowing the \$5 million in formula funds to be shifted to operating assistance or preventive maintenance. At the time that MAG identifies any funds to flex to transit, a determination will be made by the region (Phoenix, MAG and RPTA) in consultation with FTA as to whether a swap will be entertained by FTA. If not, then the funds would be used for the highest priority transit capital projects.

#### Construction Projects

The attached sample project list demonstrates how the priorities would be used. The list is the one that was developed earlier this year during the initial ARRA discussions. The project list will need to be updated to include the latest status for TIP, NEPA and the most recent cost estimate. City of Phoenix staff will verify the status of projects that are identified as ready to ensure a smooth grant amendment process. The list should be maintained and updated regularly. For those projects that are ready, the Prioritization Guidelines would be used and priorities assigned to the projects. The list will identify which projects are Proposition 400 projects. Prop. 400 projects could receive preference over non-Prop. 400

projects that are in the same priority category. Based on the proposed guidelines, it is unlikely that any capital projects would be recommended for funding, except from ARRA highway funds that might be flexed from MAG.

### Current ARRA Projects

Projects currently in the ARRA grants may require additional funding, or a project may include other funding sources which could be relieved through additional ARRA funds. For instance, if a project has local funds, then those could be supplanted unless they are matching other federal funds, since ARRA funds cannot be used to match other federal funds. If the local funds are overmatched (provide more than the minimum local share), then the overmatched funds could be supplanted. In order to ensure that projects can be completed, existing ARRA projects should receive first priority for savings except that increased costs to do increases in scope should not qualify.

### TIP Amendment

In order to proceed with adding operating assistance and ADA assistance to the current formula grants, MAG would need to modify the TIP to include those line items. For that, they require authorization from RPTA. The recommendation includes allowing an amendment to the current TIP to include those line items so that Phoenix can amend the ARRA grant. Currently identified savings from the Arizona Avenue/Country Club Drive BRT project will be used to establish balances in those line items.

### **Committee Action Process**

VMOCC – September 24, 2009 for information

TMC – October 7, 2009 for information

Board of Directors – October 22, 2009 for information

VMOCC – October 29, 2009 for action

TMC – November 4, 2009 for action

BFS – November 19, 2009 for action

Board of Directors – November 19, 2009 for action

### **Recommendation**

It is recommended that the VMOCC forward to the TMC for consideration the following:

- Transit Capital Project Proposed Prioritization Guidelines, Unspent ARRA Funds;
- An amendment to the Transportation Improvement Program (TIP) to include regional operating assistance and regional ADA assistance; and
- The allocation of operating assistance be split between bus and rail based on operating cost, further allocated to bus based on bus revenue miles and rail based on METRO's operating cost allocation methodology and the ADA assistance be based on ADA trips.

### **Contact Person**

Paul Hodgins

Capital Programming Manager

602-262-7433

### **Attachments**

Transit Capital Project Proposed Prioritization Guidelines, Unspent ARRA Funds

## **Transit Capital Project**

### **Prioritization Guidelines**

Unspent or Redistributed ARRA Funds

#### **1 Provide Services and Improvements Required by Law**

- 1.1 Upgrade facilities and fleet to comply with applicable laws

#### **2 Provide Equipment and Facilities for Existing Service**

- 2.0 Current ARRA projects that require additional funds
- 2.1 Operating assistance – bus and rail operations
- 2.2 ADA operating assistance
- 2.3 Preventive maintenance costs
- 2.4 Maintain existing operating facilities
- 2.5 Maintain existing passenger facilities
- 2.6 Construct regional park-and-rides to support existing services
- 2.7 Construct transit centers to support existing services

#### **3 Passenger Enhancements**

- 3.1 Provide bus stop improvements for existing bus stops (no NEPA issues)
- 3.2 Provide enhancements to existing passenger facilities

#### **4 Provide Equipment and Facilities for Expansion of Service**

- 4.1 Expand existing operating facilities
- 4.2 Construct new operating facilities
- 4.3 Construct regional park-and-rides for service expansion
- 4.4 Construct BRT capital improvements
- 4.5 Construct transit centers for service expansion

#### **5 Other Desired Support Services**

- 5.1 Purchase replacement fleet
- 5.2 Purchase fleet for service expansion
- 5.5 Other support costs and enhancements



# Valley Metro Operations and Capital Committee Information Summary

Agenda Item #2

**Date**

October 27, 2009

**Subject**

Public Comment

**Summary**

An opportunity for general public comment on issues related to Valley Metro RPTA. Up to three (3) minutes will be provided for each speaker.

**Fiscal Impact**

None

**Considerations**

None

**Prior Committee Action**

None

**Recommendation**

None

**Contact Person**

None

**Attachments**

None



# Valley Metro Operations and Capital Committee Information Summary

Agenda Item #3

**Date**

October 27, 2009

**Subject**

Next VMOCC Meeting

**Summary**

The next meeting of the VMOCC is tentatively scheduled for **November 17, 2009 at 10:00 a.m.** The location for the meeting is to be determined.

**Fiscal Impact**

None

**Considerations**

None

**Prior Committee Action**

None

**Recommendation**

None

**Contact Person**

None

**Attachments**

None