

**Metropolitan Transportation Commission
Programming and Allocations Committee**

June 8, 2022

Agenda Item 5a - 22-0936

Major Project Advancement Policy (MAP) Funding Framework

Subject:

Staff will provide an overview of the MAP funding framework and report on discussions held and feedback received at the May 25-26 Commission Workshop.

Background:

Following the recent adoption of Plan Bay Area 2050, there is a need and an opportunity for regional coordination to meet the funding and project delivery challenges of the current and future set of major transportation projects in the region. The Commission and the Blue Ribbon Transit Recovery Task Force (BRTRTF) have noted the importance of regional leadership and coordination to support development and delivery of large and regionally-significant transportation projects across all modes. To further this regional coordination, MTC is developing the Major Project Advancement Policy (MAP).

The MAP will be a regional policy to support implementation of Plan Bay Area 2050, aimed at delivering the next round of major transportation projects, building off the Bay Area's previous Regional Transit Expansion Program, MTC Resolution No. 3434. For large, regionally significant projects in Plan Bay Area 2050, the MAP will seek to achieve regional coordination on federal, state, and regional discretionary funding requests and develop MTC's role in risk management and ensuring consistency with regional policies.

The MAP will consist of three components:

- **Funding Strategy:** Develop full funding plans for projects in the MAP. Identify appropriate discretionary funding sources and prioritize or sequence funding requests. Endorsements and sequencing strategies may be developed for fund sources such as Federal Transit Agency Capital Investments Grant program (New Starts, Small Starts and Core Capacity) and programs of the federal Bipartisan Infrastructure Law, state sources such as the Transit and Intercity Rail Capital Program, Senate Bill 1 programs, general state budget augmentations and other state sources. Other non-local fund sources may also be considered for endorsement and sequencing strategies.

- Policy Reinforcements: Monitor project progress and consistency with policy commitments in Plan Bay Area 2050 and other regional policies. The policy areas covered may include benefit/cost ratios, equity, land use, and connected mobility.
- Risk Management: Develop a regional risk management approach to evaluate and monitor risks throughout project lifecycles, from early project development and network coordination through construction.

Stakeholder Engagement

The MTC Programming and Allocations Committee received staff updates and provided direction in April and May 2022 on MAP development. Additionally, the MAP was discussed at the May MTC Policy Advisory Council. Further information on the MAP, including updated information from sponsors and the project evaluation was presented on Day 2 of the Commission Workshop Staff is seeking further Commission and public input on the MAP in the coming months.

Key Dates for Public/Partner/Stakeholder Engagement and Input (other opportunities may be added):

March 30	Partnership Board*
April/May/June	Outreach to Partnership Board, Transit Agencies, County Transportation Agencies, Federal and State and Local funding partners
April/May/June	Targeted outreach to transit agencies, funding partners, and stakeholders
April 6	Partnership Transit Finance Working Group
April 13	MTC Programming and Allocations Committee*
May 11	MTC Programming and Allocations Committee*
May 11	MTC Policy Advisory Council*
May 25-26	MTC Commission Workshop*
June 8	MTC Programming and Allocations Committee*
July 13	MTC Programming and Allocations Committee*
September 14 and 28	MAP Recommendations to MTC Programming and Allocations and Commission for Approval*

*Denotes opportunity for public comment

MAP Funding Envelope

Staff are in the process of developing estimates for the Bay Area share of major state and federal funding sources, referred to as the “funding envelope” to use in developing the MAP and prioritizing projects for funding. The estimates are based on the Plan Bay Area 2050 financial forecast, adjusted with assumptions of funding that could be available from the Bipartisan Infrastructure Law and State budget surplus. The envelope also includes \$10.6 billion in anticipated/unspecified funding as a proxy for future new funding streams or programs. The table below summarizes the currently projected funding envelope by transportation mode. The funding envelope estimate is lower than what had been shared at the Commission Workshop in May. The previous estimate had contained some fund sources that are primarily intended for expenditure on state of good repair, not new capital projects. The revised estimate below has been adjusted to remove those funds. The estimated funding envelope could change again depending on what transpires with regard to additional transportation funding that may be included in the FY 2022-23 State Budget.

Project Type/Mode	FY 2022 – FY 2035 Funding Forecast
Total	\$30.5 billion
Transit	\$12. billion
Multi-Modal	\$13 billion
Roads/Bridges	\$5 billion
Bike/Ped	\$0.5 billion

Summary of Project Information

In April 2022, MTC collected information from project sponsors about projects eligible to be included in the MAP.

Eligible Tier 1 projects are in the first time period, or “bin”, of Plan Bay Area 2050—to be completed by 2035—and have a total cost of \$250 million or more. The table below shows the number of projects and capital cost that were anticipated to be in this category based on the Plan Bay Area 2050 project list, and the total eligible projects submitted by project sponsors. The

table does not include a few projects that were submitted but are not in Plan Bay Area 2050. Still, the funding need for major tier-1 projects is larger than the forecasted funding envelope.

	Anticipated Based on PBA2050 Project Listing	Eligible MAP Project Submittals
Number of Projects	33	65
Total Project Cost	\$33 billion	\$50 billion
Funding Gap	~\$12 billion	\$35 billion

Eligible Tier 2 projects are in the second time period, or “bin”, of Plan Bay Area 2050—to be completed in 2036 or later—and have a total cost of \$1 billion or more. Tier 2 projects are at a minimum several years away from entering construction and are not the focus of the MAP, but may be listed in the MAP for early project phases only. The table below shows the number of projects and capital cost that were anticipated to be in this category based on the Plan Bay Area 2050 project list, and the total eligible projects submitted by project sponsors.

	Anticipated Based on PBA2050 Project Listing	Eligible MAP Project Submittals
Number of Projects	12	18
Total Project Cost	\$59 billion	\$68 billion

Evaluation Process and Criteria

Staff have begun developing an evaluation of the projects to inform sequencing of projects for oversubscribed funding programs. The evaluation will consist of scoring across several criteria, including metrics consistent with the five focus areas of Plan Bay Area 2050, which aim to make the Bay Area more affordable, connected, diverse, healthy and vibrant. The proposed evaluation criteria include funding, schedule, project dependency/connectivity metrics as well as PBA 2050 metrics (Benefit-Cost, Equity Score, and Guiding Principles Assessment). Scoring is subject to change with project progression and changes.

Summary of May Commission Workshop on Project Delivery

On May 25th and 26th, the Commission held a workshop titled Delivering the Next Generation of Transit Major Projects: Setting the Bay Area up for Success, with an objective of understanding the importance and specifics of major transit projects to achieving PBA2050 goals as well as the significant time, effort, funding, and risk associated with delivering mega projects. Expert panelists discussed best practices, lessons learned, and risk management approaches and potential MTC regional value-add in project delivery. Finally, the Commission discussed how the Major-project Advancement Policy (MAP) will bring together a funding strategy, policy reinforcements, and risk management toward successful project delivery of the Next Generation of Transit for the Bay Area.

A key take-away from the Commission included direction that MTC should expand its Risk Management role for major transportation projects, specifically focused early in the project delivery pipeline and in a way that does not duplicate current project oversight efforts done by the Federal Transit Administration, project sponsors, and others. The MTC role could focus on some of the following:

- Sponsor cost estimates throughout the project development and construction phases are consistently underestimated. As part of the Plan Bay Area process and at certain points throughout the project development process, independent cost reviews would serve the region well in assigning and endorsing discretionary funding sources to projects.
- Establishing appropriate contingencies, at the project or portfolio level, demonstrated early in the funding plan development are important to avoid cost increases during construction.
- Establishing project schedules that reflect the complexities of project development and construction to avoid escalation.

Additionally, project delivery governance and management structures, as well as existing and future capabilities to deliver projects was discussed. Staff noted that results from the Regional

Rail Partnership study could further inform these discussions. A final report from this study is expected in Summer 2022.

In light of Commissioner comments at the workshop staff are considering the following questions related to the MAP:

1. How can the MAP incorporate the risk of upward cost pressure on projects given the stage the project is in— i.e., design, environmental, construction, etc.—and how might that risk impact project sequencing and/or the level of contingency funding projects are required to assume?
2. Should the Risk Management component of the MAP include the development of a stage-gate process that requires project sponsors to demonstrate specific project readiness requirements at key milestones prior to receiving MTC funding endorsement in the MAP for the next project phase?
3. Should the MAP be updated at regular intervals, or as needed, based on specific “triggers” or milestones? If updated at regular intervals, how often?

Further direction from Commissioners on the questions above is requested. As noted in the schedule above, staff intends to bring forward recommendations on the MAP Risk Management Program and Policy Reinforcements for Committee and Commission review in late 2022.

Issues:

None identified.

Recommendations:

Information

Attachments:

Major Project Advancement Policy Presentation



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