

# NORTHEAST OHIO AREAWIDE COORDINATING AGENCY

## MEMORANDUM

**TO:** RTIS members

**FROM:** John Hosek, Director of Transportation Programs

**DATE:** April 19, 2007

**RE:** STP Account Situation

### **Overview**

In this memorandum, I offer a brief assessment of NOACA's STP account. This is followed by a review of current STP policies. Last are draft recommendations for RTIS consideration.

### **Financial Situation**

For the first time in memory, the fiscally constrained TIP for SFY 2008 showed a negative balance. The STP account is over \$5 million in the red. We are pushing ready projects further and further out. That is, projects that could be constructed in 2008 are being delayed due to insufficient funds. This impact ripples through the TIP. Projects that might be ready in 2011 are being left out of the programmed TIP altogether.

We are using the State Infrastructure Bank (SIB) more than ever. In fact, we are attempting to take on more debt so that we can reschedule projects that are ready. We have no policy on how much debt we should or can take on.

From my perspective we are in "the worst of times" --- a time with reduced federal revenues and increasing project costs. Yet we continue to accept applications for NOACA STP funds, review them and add projects to the Transportation Plan and/or the Transportation Improvement Program (TIP). I believe we continue to fuel expectations that we will be able to fund or finance projects without any problem. Even when we explain to applicants the financial situation, many applicants appear to think they will be exempt from the problems.

### **Policy Situation**

After a suspension of CMAQ applications, we developed a policy for selecting CMAQ funded projects that the Board approved on April 13, 2007. We already have a Board approved policy for selecting Transportation Enhancement projects. However, we do not

have a specific policy for selecting NOACA STP funded projects, or specific policies on how STP funds will be used. In the Regional Transportation Investment Policy (RTIP) there is one statement that indirectly refers to the use of STP funds. The High Cost Project policy states that we will only invest up to 50 percent of NOACA funds for capacity projects. NOACA can only use STP funds for capacity projects.

In February 2007, the Board approved an RTIP amendment regarding Asset Management. The policy set thresholds for pavements. By 2010, 90 percent of all federal aid routes in the region are to have a PCR rating of 60 or better. By 2015, the goal is 95 percent. The policy also states the following:

- NOACA controlled federal funds will be used to achieve the thresholds. (FYI, only STP funds can be used for pavements.)
- An Asset Management Council (AMC) was set up. Among other tasks, the AMC is to:
  - Proactively work and coordinate with communities and agencies regarding the development and selection of projects that will help to achieve Board-approved pavement management benchmarks.
  - Every two years (to coincide with the development of the Transportation Improvement Program (TIP), develop a recommended list of projects to be programmed. Multiple scenarios should be developed to account for changing financial and project planning circumstances.
    - The multiple scenarios are to be delivered to the Regional Transportation Investment Subcommittee (RTIS) and the TAC.

## **Recommendation**

The developing financial situation has been well documented. For example, the RTIS has already discussed about increasing the local match for certain types of projects. Regarding policies, I think necessary now to think through and develop STP funding policies to address the needs of our infrastructure and the allocation of scarce resources.

My recommendation is to:

- Consider suspending the processing of applications for NOACA STP funds beginning with the first quarter of SFY 2008. This suspension could be for a minimum of two quarters to enable the RTIS to address the STP account issues, or as long as the RTIS needs to address the problems.
- Set up special RTIS meetings to discuss a new STP policy that takes into consideration:
  - Our financial situation (short and long term), including project cost increases
  - Debt management
  - AMC work, including the proactive work noted above

- Increasing the local match for all or certain types of projects
- Types of projects to use STP funds on, including:
  - Future funding for capacity projects
  - Future funding for non pavement STP projects such as the Work Access programs, TLCI program, etc.

The special meetings can also include discussion of other policy additions or amendments that might be needed. Please feel free to contact me if you have any questions.