

Chapter 5 – Financial Plan

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA_LU) requires that the MTP incorporate a financial plan for the planning period. The MTP is required to be “financially constrained”, meaning the estimated implementation costs for the planned transportation improvements are in balance with the projected revenues available from identified funding sources. This requirement for a financially constrained MTP ensures that the plan is based upon realistic considerations of the estimated costs for the planned improvements and how they are to be funded. A financially constrained MTP supports the Metropolitan Planning Organization (MPO) in prioritizing area transportation needs and developing a transportation system that maximizes the use of available financial resources.

FUNDING SOURCES

The purpose of this section is to identify funding sources and project costs associated with the transportation improvements identified in the Laredo Metropolitan Transportation Plan Update. Transportation improvements in the Laredo MPO can be funded through a variety of sources including federal, state and local funds. In fact many projects are funded through a combination of these sources.

Federal and State

The Texas Department of Transportation recently streamlined project funding categories from 24 main categories to 12. Projects now fall under the Statewide Preservation Program (SPP), which is supported by the department's “Maintain It” strategy, or the Statewide Mobility Program (SMP), which is supported by the “Build It” strategy. **Table 5-1** provides a general overview of the 12 TxDOT funding categories.

The Laredo MPO is eligible for funding in the following categories:

- 1- Preventive Maintenance and Rehabilitation
- 3 – Urban Area (non-TMA) Corridor Projects
- 4- Statewide Connectivity Corridor Projects
- 6 – Structures Replacement and Rehabilitation
- 8 – Safety
- 9- Transportation Enhancements
- 10 – Supplemental Transportation Projects
- 11 – District Discretionary
- 12 – Strategic Priority



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Table 5-1
Funding Summary
Laredo Metropolitan Transportation Plan Update

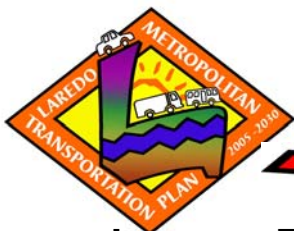
Funding Category		Program Authority	Allocation Program	Summary / Restrictions	Funding		
#	Name				Fed	State	Local
MAINTAIN IT							
1	Preventive Maintenance and Rehabilitation	Commission	Districts	Preventive maintenance and rehabilitation of the existing state highway system including interstate main lanes, structures, signs, markings, striping.	90% 80% 0%	10% 20% 100%	
6	Structures Replacement and Rehabilitation	Commission	none	Rehab of bridges on and off the state system, replacement of existing highway-railroad grade crossing or railroad underpasses	80% 80% 0%	20% 10% 100%	10%
BUILD IT							
2	Metropolitan Area (TMA) Corridor Projects	Commission	none	Mobility and added capacity projects for TMA MPOs	80% 0%	20% 100%	
3	Urban Area (non-TMA) Corridor Projects	Commission	none	Mobility and added capacity projects for non-TMA MPOs	80% 0%	20% 100%	
4	Statewide Connectivity Corridor Projects	Commission	none	Mobility and added capacity projects which serve the mobility needs of statewide connectivity	80% 0%	20% 100%	
5	Congestion Mitigation & Air Quality Improvement	Commission Allocation Projects selected by MPO in consultation with TxDOT and TCEQ	Districts	Addresses attainment of air quality standards in non-attainment areas	80% 80%	20%	20%
7	Metropolitan Mobility/ Rehabilitation	Commission Allocation. Projects selected by MPO & TxDOT	Districts	Transportation needs within MPOs with populations of 200,000 or greater	80% 80% 0%	20% 0% 100%	0% 20% 0%
8	Safety – Federal Hazard Elimination Program	Commission Allocation. Selected statewide by federally mandated safety indices	Traffic Operations Division	Safety related projects	90% 0%	10% 100%	
	Safety – Federal Railroad Signal Safety Program	Commission Allocation. statewide	Traffic Operations Division	Installation of automatic RR warning devices	90% 0%	10% 100%	



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Funding Category		Program Authority	Allocation Program	Summary / Restrictions	Funding		
#	Name				Fed	State	Local
9	Transportation Enhancements	Commission selection and approval	none	Projects beyond normal what is normally expected for transportation enhancements	80% 80%	20% 0%	0% 20%
	Safety Rest Area Program	Commission allocation. Selected statewide by Maintenance Division	Maintenance Division	Projects to renovate, build, relocate safety rest areas	80%	20%	
10	Supplemental Transportation Projects - State Park Roads	Commission Allocation. Projects selected by Tx Parks & Wildlife	Transportation Planning & Programming Division	Construction and rehabilitation of roadways within or adjacent to state parks	0%	100%	0%
	Supplemental Transportation Projects RR Grade Crossing Replanking Program	Commission allocation	Traffic Operations Division	Replacement of rough railroad crossing surfaces	0%	100%	
	Supplemental Transportation. Projects RR Signal Maintenance Program	Commission allocation	Traffic Operations Division	Contributions to RR Companies based on number of crossings	0%	100%	
10	Supplemental Transportation Projects Construction Landscape Programs	Commission allocation. Projects selected by Districts	Design Division	Landscape, aesthetic, and environmental improvements	0%	100%	
	Supplemental Transportation Projects Landscape Cost Sharing Program	State	Design Division	Allows the department to execute joint landscape improvement projects through partnerships	0%	100%	
	Supplemental Transportation Projects Landscape Improvement Program	Districts	Design Division	Landscape projects for non-attainment air quality or near non-attainment areas	0%	100%	
	Supplemental Transportation Projects Supplemental (Federal)	Federal allocations	None	Federal programs such as Forest Highways, Indian Reservation Highways, Federal Land Highways and Ferry Boat Discretionary	80% 100% 0%	20% 0% 100%	
11	District Discretionary	Commission Allocation. Projects selected by districts	Districts	Projects selected at district's discretion	80% 0% 80%	20% 100% 0%	0% 0% 20%
12	Strategic Priority	Commission Selection. Project-specific	None	Projects must promote economic development, provide system continuity with adjoining states, increase efficiency on military deployment routes	80% 0%	20% 100%	

Source: Texas Department of Transportation



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INNOVATIVE FINANCING TECHNIQUES

With continued growth and development occurring across the state, traditional funding sources are no longer adequate to keep up with transportation needs. As a result in June 2003, HB 3588 was passed, which provides local officials the necessary tools to develop and improve Texas' transportation infrastructure. The new legislation gives local authorities more power and provides them with innovative techniques to finance transportation improvements allowing projects to be planned and built at a much faster rate. Innovative financing techniques include the following methods found in the new transportation bill and other tools available to local authorities to supplement the traditional "pay-as-you-go" method of financing highway projects:

Texas Mobility Fund

The Texas State Legislature created the Texas Mobility Fund in order to accelerate completion of TxDOT projects and improvements. The Fund allows the state to issue bonds, which is backed by a dedicated revenue source. HB 3588 authorizes certain transportation related fees such as motor vehicle inspection fees and driver's license fees to be moved from the state's General Revenue Fund to the Texas Mobility Fund.

Bonds

Bonds allow the state to borrow money to pay for projects over time. Bonds are secured by the existing State Highway Fund and the state can leverage up to \$3 billion for transportation projects. Proceeds from bonds would be used to fund highway improvements with at least \$600 million dedicated to safety projects.

Toll Roads

A toll road is the fastest method to generate revenue, which means projects can start sooner and finish quicker, reducing construction delays. ***Toll equity*** allows state funds to be combined with other funds to build toll roads. ***Toll Conversion*** allows the commission to transfer segments of any non-tolled state highway to a county or regional toll authority for operation and maintenance providing local authorities another option that can accelerate maintenance and expansion improvements.

Regional Mobility Authority

Regional Mobility Authorities (RMA) can construct, maintain and operate transportation projects. RMAs can generate revenue through issuing bonds and collecting tolls. Additionally, RMAs can purchase right-of-way and lease portions for use by businesses including hotels, restaurants and gas stations.

Comprehensive Development Agreements

A Comprehensive Development Agreement combines all phases of a toll road project into one contract. This includes the design, construction, right of way acquisition, and maintenance phases of a typical project. By combining them all into one contract, it also helps reduce the cost of completing a project and accelerates its completion.



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Pass-Through Toll Agreements

This type of agreement is where the driver pays no tolls. A local government or private entity makes a transportation improvement and is reimbursed from the state based on the number of vehicles using the highway. This allows the local area more funding to complete projects quicker while providing a more “fair” way to allocate funds, based on usage.

State Infrastructure Bank

TxDOT has a state infrastructure bank (SIB), which offers various loans and credit enhancement products for highway projects. SIB loans are available that can help pay for various phases of a project.

RURAL RAIL TRANSPORTATION DISTRICT

Rural Rail Transportation Districts (RRTDs) are special government entities or subdivisions of the State of Texas that have the power to purchase, operate, and/or build new railroad and intermodal facilities. RRTDs are formed by action of one or more county's commissioners courts under rules outlined in Vernon's Texas Civil Statutes Title 112, Chapter 13, Article 6650c. RRTDs have the power of eminent domain and can be used to construct new rail lines or acquire and rehabilitate existing rail lines and can be used to develop rail served industrial parks, intermodal facilities and transload facilities. Funding for RRTD projects can be derived from a variety of sources including revenue bonds, grants, private rail funding, sale and lease of property, rents for use of right-of-way and public and private partnerships. RRTDs cannot levy or collect ad valorem taxes. A Rural Rail Transportation District has been established by Webb County.

HISTORICAL FUNDING

Historical funding levels by federal, state, and local agencies over the past ten years provides an important baseline for projecting future funding levels for the next 25 year period.

Federal and State

TxDOT provided historical funding for the Laredo MPO for the past 10 years (FY1995 – FY2004). Over the past 10 years state and federal funding for construction only in the area totaled approximately \$383 million.

Transit

El Metro has received approximately \$48.6 million dollars in federal, state and local revenues over the past five years.



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Table 5-2
Historical and Projected Funding, Laredo MPO
 Laredo Metropolitan Transportation Plan Update

	Estimated (2005-2007)	Projected Short Term (2008-2011)	Projected Long Term (2012-2030)	Projected Funding Plan Horizon (2005-2030)
Recurring Highway Program Formula Funds at 4% Rate of Growth	\$142,377,574	\$217,867,174	\$1,660,833,767	\$2,021,078,515
Approved and Appropriated Non-Recurring funds		\$86,602,115		\$86,602,115
Awarded Non-Recurring Special Program Funds		\$97,563,267		\$97,563,267
Project Cycle - consultation with TxDOT		\$323,277,466		\$323,277,466
Subtotal Highway Funds				\$2,528,521,363
Recurring Transit Program Formula Funds (TPC/YOA dollars)		\$21,207,913	\$161,671,068	\$182,878,982
Transit Capital 2309 Discretionary Earmarks		\$34,481,648		\$34,481,648
Subtotal Transit Funds				\$217,360,630
Total MTP Horizon Federal and State Funding				\$2,745,881,992

Notes:

Historic funding is recurring revenue and does not include earmarks or special non-recurring program funds
 Historic funding has been adjusted to reflect total program dollars using the same percentages as TxDOT uses for expenditures

Projected short term matches current TIP years

Projected funding from original document - seems to understate the revenues

Earmarks from TxDOT WP spreadsheet

Special category funding from TxDOT WP spreadsheet for border stations (map ID 17-18)

Project Cycle funding = 725,310,022 (total TIP amount from WP) minus the sum of recurring, earmark and special program

Transit numbers from transit TIP

PROJECTED FUNDING AVAILABILITY

Federal and State Funding

Historical funding expenditures, area growth, slated projects, and received earmarks were used in developing projected funding over the 25 year time frame. The estimated funds received from the beginning of the Plan period to the beginning of the current TIP are presented as well as projections for expected federal, state and local funding for the current TIP years and the remaining Plan years. As one end of the North American Free Trade Agreement (NAFTA) corridor, the Laredo area faces many unique transportation challenges. Because of this and increased border security, from time to time the area receives a large infusion of funds for one-time national-scope projects such as the building of an international bridge or the construction



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of Border Security stations. Since this funding comes in peaks and valleys, individual years may be higher or lower than the average. This creates a challenge in predicting future funding.

Methodology for Year of Expenditure and Total Project Cost Calculations

Recently adopted SAFETEA-LU regulations require the presentation of funding in Year of Expenditure dollars (accounting for inflation) and Total Project Cost. When this Plan was initially adopted inflation was not accounted for in the funding figures and only construction costs were presented.

Total Project Cost was calculated using the same methodology as that used by the Texas Department of Transportation. The four components that, along with construction costs, make up the total cost of a project are calculated as a percentage of the construction cost. For two components TxDOT uses two different figures therefore the average was used in these calculations. The four components and the percentages used are: preliminary engineering – 4.9%, construction engineering – 5%, contingencies – 7%, and indirect costs – 5.68%.

Traditionally TxDOT has used a 4% compounded rate to account for the effect of inflation on project costs. That same rate has been used in the figures presented here.

For transit capital improvement projects, total project costs in year of expenditures dollars was developed using cost figures for each project based on current industry trends and historical cost data. Professional fees were estimated to be 10% of construction cost, contingency was calculated at 15%. These total project costs were then inflated to year of expenditure dollars.

TxDOT has adopted an inflation rate of 4% compounded annually to forecast year of expenditure dollars. To calculate the revenue growth at this rate, the total project cost for each transit project was calculated in base year dollars and then was inflated by 4% compounded annually to the anticipated year of project implementation using the following formula:

$$YOR\$ = ACY\$ * (1 + 0.04)^n$$

Where:

YOR\$ = year of receipt dollars

ACY\$ = Annualized Constant Year Dollars

n= number of years from base years

Local Transportation Improvement Funding

City of Laredo funding for construction is projected to equal \$27 million in the short-term strategy and \$41 million in the long-term from 2015-2029. County funding for construction and maintenance within the MPO boundary is projected to equal \$9 million in the short-term and \$14 million in the long-term.

Public Transportation Funding

Future transit funding was projected based on expenditures during 2005-2007 and the 2008-2011 TIP years. Operating funding was grown to year of expenditure dollars using a 4% annually compounded rate of growth.



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ESTIMATED FUNDING VS EXPENDITURES

Table 5-3 compares project funding availability with the total estimated cost of the Plan's transportation improvements. Since the Plan was amended to reflect year of expenditure dollars and total project cost several years into implementation of the Plan, the financial landscape has changed and the Laredo Urban Transportation Study finds itself in receipt of targeted funding that allowed the movement of illustrative projects to the short-term list. Although unanticipated at the time of Plan development, these expenditures are reflected in the calculations presented in Table 5-3. A detailed list of short-range and long-term federal, state and local transportation improvements is provided in Chapter 6.



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Table 5-3
Estimated Funding VS Project Expenditures
Laredo Metropolitan Transportation Plan Update

Program Item	Estimated 2005-2007 Funding	Actual 2005-2007 Expenditures	Projected Short Term Funding (2008-2011)	Projected Short Term Expenditures (2008-2011)	Projected Long Term Funding (2012-2030)	Projected Long Term Expenditures (2012-2030)	Projected Total MTP Funding (2005-2030)	Projected Total MTP Expenditures (2005-2030)
Recurring Highway Formula Funds	\$142,377,574	\$138,863,690	\$217,867,174	\$217,867,174	\$1,660,833,767	\$1,660,833,767	\$2,021,078,515	2,017,564,631
Highway Project Earmarks			\$86,602,115	\$86,602,115			\$86,602,115	86,602,115
Highway Non-recurring Special Program Funds			\$97,563,267	\$97,563,267			\$97,563,267	97,563,267
Project cycle funds based on consultation with TxDOT			\$323,277,466	\$323,277,466			\$323,277,466	323,277,466
Highway Subtotal	\$142,377,574	\$138,863,690	\$725,310,022	\$725,310,022	\$1,660,833,767	\$1,660,833,767	\$2,528,521,363	2,525,007,478
Recurring Transit 5307 Formula Funds	\$11,829,000	\$11,829,000	\$21,207,913	\$19,977,010	\$161,671,068	\$161,069,979	\$194,707,982	192,875,989
Transit 5309 Earmarks			\$34,481,648	\$34,481,648			\$34,481,648	34,481,648
Transit Subtotal	\$11,829,000	\$11,829,000	\$55,689,561	\$54,458,658	\$161,671,068	\$161,069,979	\$229,189,630	227,357,637
Total MTP	\$154,206,574	\$150,692,690	\$780,999,583	\$779,768,680	\$1,822,504,835	\$1,821,903,746	\$2,757,710,992	2,752,365,116

All Expenditures are total project costs and Year of Expenditure (YOE) dollars based on a cost inflation of 4% compounded annually

All revenues are year of award dollars based on a Rate of Growth (ROG) of 4% compounded annually