

## STAFF REPORT

### IN CONSIDERATION OF RESOLUTION NO. 24-5415, FOR THE PURPOSE OF ADOPTING THE 2028-2030 REGIONAL FLEXIBLE FUNDS ALLOCATION PROGRAM DIRECTION FOR THE PORTLAND METROPOLITAN AREA

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#### ISSUE STATEMENT

The Joint Policy Advisory Committee on Transportation (JPACT) and Metro Council, jointly in their role as the federally designated Metropolitan Planning Organization (MPO) board, conduct an allocation process to select transportation projects and programs to receive the MPO allocation of federal surface transportation funds, known as the Regional Flexible Funds (RFF). These funds are required to be used for projects and programs which advance the policy set forth in the most recently adopted Regional Transportation Plan (RTP).

This resolution codifies the specific program direction for how the region is to invest these flexible funds for federal fiscal years 2028 through 2030 in accordance with federal rules, regional policy direction and investment priorities established in the RTP, an interim regional funding approach, and objectives identified for the upcoming allocation cycle.

#### ACTION REQUESTED

Adopt Resolution No. 24-5415.

#### IDENTIFIED POLICY OUTCOMES

Resolution No. 24-5415 directs the investment of Regional Flexible Funds in the region's transportation system in a manner to advance the five RTP goal areas: Equitable Transportation, Safe System, Climate Action and Resilience, Mobility Options, and Thriving Economy. The 2023 RTP development and adoption process, reaffirmed the need to continue making near-term progress on the first four goals listed while also considering a strengthened economy. These priorities were identified by stakeholders and elected officials as the most critical outcomes to achieve through investments in the regional transportation system. Therefore, they form the foundation for the RFFA program direction and focus the funding on transportation projects and programs which demonstrate demonstrable progress in these areas.

#### POLICY QUESTION(S)

The Regional Flexible Funds provide the opportunity for the region:

- 1) To make investments in the regional transportation system which have a direct impact towards advancing regional goals and objectives.
- 2) To focus investment on areas of the system which are critical but do not have other dedicated sources of funding; and

- 3) To leverage other sources of funding from other federal, state, and other local sources.

Through this resolution, the 2028-2030 RFFA program direction identifies an approach to allocate Regional Flexible Funds which strategically utilize these funds to fulfill RTP policy direction. As a limited source of funding, comprising of approximately 5% of the region's investment in the transportation system, the policy question presented is whether to support the recommended program direction for the 2028-2030 RFFA cycle, knowing that the 2023 RTP identified an enormous amount of need for the regional transportation system in efforts to achieve the region's transportation goals.

#### **POLICY OPTIONS FOR COUNCIL TO CONSIDER**

At the May 7, 2024, Metro Council work session, Council received an update presentation on the regional discussion occurring with JPACT on the 2028-2030 RFFA program direction. In that work session, Metro staff walked Council through the proposed options for the program direction through early May. Input and feedback received to date established the following proposed major elements for the 2028-2030 RFFA program direction to move forward.

1. The elements of the 2025-2027 RFFA program direction will carry over unless modified through action on the adoption of the 2028-2030 RFFA program direction. In summary, the elements carry over include:
  - a. The Regional Flexible Funds both in its allocation and investment will follow all commiserate federal rules and regulations. This includes undertaking a policy driven allocation and there is no suballocation of funding to geographic areas.
  - b. The existing two-step framework continues in the 2028-2030 RFFA. Council recognizes the purposes for and affirms the importance of continuing regional investments made through Step 1B. These investments respond to various federal, state, and regional obligations and commitments identified in planning documents and investment into areas of the system which lack a dedicated funding stream, but crucial to achieving the region's goals for the transportation system.
  - c. Center the allocation and investment of the Regional Flexible Funds in a manner that directly advances the implementation of the 2023 RTP. As a result, advancing the five interconnected RTP goals are the priority for all Regional Flexible Funds investment.
2. In efforts to make impactful progress and advance implementation of the 2023 RTP, the Council agrees with regional partners desire to commit future Regional Flexible Funds into a new project bond for regional transportation projects. The proposed emphasis is to make various capital and supportive investments in the region's transit system in efforts to meet multiple RTP goals while also responding to the input received during the adoption of the 2023 RTP of where to prioritize next steps. In taking action to adopt the program direction for the 2028-2030 RFFA, Council and regional partners direct Metro staff to develop and undertake a process to identify the candidate regional projects to receive proceeds from the new project bond and build a bond proposal for consideration by the region. As part of the directive, a set of principles included as part of the 2028-2030 RFFA program direction outlines objectives and framework in which to develop a proposal for which projects are eligible and identified to receive bond proceeds. The principles for the new project bond are listed in the Strategic Framing and Discussion section of this staff report.
3. Council and regional partners reaffirmed the revisions and refinements for the Step 2 capital grant allocation the Regional Flexible Funds. The Step 2 capital project funding is an important means of ensuring the vision defined in the RTP comes to fruition at the community scale. Over the years, these funds contributed to transformational community

projects throughout the region. Continuing to provide funding for local jurisdiction projects that support the RTP goals locally is a key component of achieving the regional vision. After discussions with regional partners, Council supports adjustments to the existing Step 2 evaluation criteria, process, and cycle objectives in efforts to maintain the allocation of Regional Flexible Funds remain focused on RTP implementation. The proposed evaluation criteria, cycle objectives, and selection process for Step 2 applications reflects a balance of different considerations, including input received by partners, maintaining federal requirements, readiness for the federal aid process, and the RTP goals.

The 2028-2030 RFFA Program Direction to be adopted by Resolution No. 24-5415 follows the direction outlined and developed with Council and regional partner input.

### **STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION**

Resolution No. 24-5415 supports Metro's goals to address racial equity, climate action, safe streets, mobility, and economy by making the most strategic investments into the region's transportation system. It continues the development of the region's multimodal transportation network, particularly on complete streets and investment into the region's transit system. By contributing future Regional Flexible Funds into a new project bond to invest in all aspects of the transit network, regional partners look to address the significant feedback heard during the adoption of the 2023 RTP to make greater progress towards the regional vision by expediting the implementation of the regional transit strategy. Demonstrated through the Climate Smart analysis, investment in the transit system has shown the greatest impact towards meeting the region's climate goals while also advancing other regional goals and policies including advancing equitable transportation, providing more mobility, and implementation of the region's 2040 growth strategy. The investments in regional transit projects also help provide jobs, support important economic sectors – such as construction – and opens the opportunity to advance complimentary Metro efforts, including the Construction Careers Pathway Program. Nonetheless, the transportation funding landscape is limited and making meaningful investment in the transit system requires major capital investments, which can be provided through a new project bond commitment of Regional Flexible Funds.

Experience from previous bond commitments and lessons learned demonstrate that through thoughtful planning and strong administrative practices, a new project bond has the ability to achieve positive outcomes and address multiple transportation needs despite taking on greater debt. As 2028-2030 RFFA program direction instructs Metro staff to develop a new project bond proposal for consideration by the region, it is necessary to outline parameters for the development of the new project bond agreed to by JPACT and the Metro Council. In efforts to outline the parameters, the following establishes the purposes a new project bond serves, consistent with previous project bond commitments undertaken with Regional Flexible Funds:

- A method to utilize regional revenues on regional or corridor scale transportation projects.
- Advance the ability to construct projects earlier than would otherwise be possible.
- Leverage significant discretionary federal revenue that will otherwise be allocated to other metropolitan areas.
- Continuing the past practice to use bonded RFFA revenues to advance transportation projects that improve equitable access to jobs and services, reduce climate impacts, and improve safe travel on the transportation system.

#### **Principles for a New Project Bond**

Based on input received, previous experience, and good administrative practices, development of a new bond proposal must address and balance the following principles:

- The allocation of new project bond proceeds to regional projects is made in consideration of other transportation spending in the region by other agencies and the Metro allocation of Carbon Reduction Program funds.
- The new project bond size is to be guided by:
  - Ability of future revenues to maintain support of the primary elements of the Regional Flexible Fund, which include:
    - Contributions to the development and implementation of regional or corridor-scale projects of high impact on priority regional outcomes (Step 1A)
    - On-going support for programmatic regional transportation investments (Step 1B)
    - Support for local capital projects that are impactful on regional outcomes (Step 2)
  - Attempts to maintain prior funding levels of existing Step 1B programmatic allocations and Step 2 capital project funding (with the previously established 3% annual growth rate for both) for forecasted revenues in 2028-2030.
  - Keeps a debt payment to forecasted revenue ratio at a level that minimizes the risks of severe reductions to Step 1B programmatic investments and Step 2 capital projects in the case of revenues being less than forecasted in all future years impacted by the bonding.
  - Attempts to contain extension of bond commitment beyond the next four RFFA cycles (through the year 2039) to preserve the ability of future JPACT and Metro Council bodies the ability to direct spending to priority projects and to minimize risk to the agency guaranteeing the bonding of these revenues.
- The projects identified for new project bond proceeds are a reasonable trade-off between the advantages of funding priority projects earlier than would otherwise be possible with the reduction in purchasing authority for future allocation cycles.
- The projects identified significantly and comprehensively advance the RTP investment priority outcomes of safe system, equitable transportation, mobility options, thriving economy, and climate action and resilience.
- Leverages significant discretionary federal and state and/or local funding, including support for a pipeline of Federal Transit Administration (FTA) Capital Investment Grant projects.
- Candidate projects proposed for bond proceeds for construction activities are well advanced through project development activities and have an achievable funding strategy to complete the project.
- The list of identified projects for bond proceeds is made available for public comment during the 2028-2030 RFFA cycle comment and decision period.

Furthermore, to achieve and implement the purpose and principles described above, regional and/or corridor-scale projects to be supported through the new project bond must be one or more of the following project types:

- Capital Investment Grants (CIG) projects or transit projects leveraging other federal funding
  - Regional contribution to funding plans of existing priority projects
  - Next Corridor funding
- First/last mile transit investments
  - includes safe access to transit
- Transit vehicle priority investments, such as Better Bus or transit signal priority improvements

A draft summary work program for the new project bond development process for the 2028-2030 Regional Flexible Fund Allocation is attached.

1. **Known Opposition:** None known at this time. Some regional partners are cautious taking on a new bond commitment because of possible lack of flexibility to take advantage of opportunities in the future. Otherwise partners await the details on the process to identify which projects would be in contention to receive bond proceeds from a new project bond. But regional partners are in agreement with the effort to move forward with the program direction and begin both the new bond development process and Step 2 capital grant allocation.
2. **Policy Development Stakeholders:** Starting with input received during briefings with Metro Councilors, TPAC and JPACT developed the 2028-2030 RFFA program direction, using input received throughout winter to spring 2024. Additionally individual briefings with TPAC community representatives and non-profit partners were also undertaken. As requested, Metro staff also briefed and gathered input at coordinating committees. The RFFA program direction supports and implements the 2023 RTP goals, which were determined through an extensive public process undertaken throughout the development of the Plan.

TPAC deliberated the 2028-2030 RFFA Program Direction asking procedural questions for the next steps and clarifications on the new project bond principles. After significant discussion, TPAC members put forward small amendments to clarify language and address minimum cost thresholds in the Step 2, both of which passed. With no further discussion TPAC recommended JPACT approve Resolution 24-5415 as amended and reflected in Exhibit A to Resolution 24-5415.

JPACT further deliberated the draft 2028-2030 RFFA Program Direction at their June meeting. Input on the Program Direction emphasized considerations for the new project bond development in terms of the nominations of candidates, the evaluation criteria for projects under consideration for the bond, ensuring that the bond development process provides a fair chance for projects throughout the region be considered, and bond proceeds are provided to projects throughout the region. The input provided by JPACT will be considered and as applicable incorporated to the new project bond development process as Metro staff define the details on the process to share starting in July 2025.

3. **Legal Antecedents:** Updates the 2057-2027 Regional Flexible Funds Allocation Policy Report, adopted by Metro Council Resolution 21-5194 on September 9, 2021. Implements the 2023 RTP adopted on November 30, 2023 by Metro Council Ordinance 23-1496.
4. **Anticipated Effects:** Adoption of this resolution will provide the program direction, objectives and procedures that will be used during the 2028-2030 Regional Flexible Fund Allocation process to: 1) develop a new project bond proposal to be approved by JPACT and adopted by the Metro Council; and 2) nominate, evaluate, and select projects to receive federal transportation funds as detailed in program direction document (Step 2).
5. **Financial Implications:** There are no impacts for Metro's current budget. This resolution proposes policy for determining future allocations. The amounts are illustrative and rely on a continuation of funding at historic levels with modest inflationary increases to maintain existing operating levels. The proposal maintains Step 1B funding for region-wide

programs, regional planning, and MPO functions on the same proportion and requires the same 10.27 percent match from local participants. Final allocations will depend on available federal funding.

## **BACKGROUND**

The 2028-2030 RFFA program direction builds upon previous RFFA direction established by JPACT and Metro Council. Updated to align with new regional policy from the 2023 RTP and the supportive modal and topical strategies, the program direction specifically focuses on the five RTP goals noted. It continues the two-step funding approach applied since the 2014-2015 allocation cycle, which directs funding towards region-wide investments and supports construction of capital projects in specific focus areas.

Through previous RFFA investments made under this two-step approach, the region has helped expand the MAX light rail and Portland Streetcar systems with planning and construction funding. It has provided funding to develop a pipeline of active transportation projects to be ready for future funding opportunities. It has supported highway bottleneck projects by targeting funding to associated arterial improvements. It has supported funding for system and demand management strategies and improving transit usage through housing and commercial investments. It has helped freight move more reliably with improved safety for all users. Through the Step 2 capital investments to local jurisdictions, it has helped construct dozens of projects that help people walk, bicycle or access transit more safely and easier.

The 2028-2030 RFFA Program Direction continues investments in these key regional system needs, focusing on project outcomes that advance the RTP goals. New to the 2028-2030 RFFA cycle is the consideration of a new project bond for Step 1A. The nature of the new project bond proposal, developed in parallel with the Step 2 allocation process, will propose final allocation amounts and future commitments of Regional Flexible Funds. Project selection criteria for the Step 2 investments are intended to illustrate how projects perform in each of the RTP goal areas. Further work will be conducted during the summer of 2024 to develop performance measures relevant to each of the goals and to apply in the outcomes evaluation of candidate projects.

Adoption of Resolution No. 24-5415 enables staff to proceed with the next steps in the 2028-2030 RFFA process and maintain a timeline to have a final list of investments recommended by JPACT in the summer of calendar year 2025. Council consideration and action on a JPACT-approved project list is anticipated in July 2025. Maintaining this schedule is critical for the region to stay coordinated with the state's preparation of the Metropolitan Transportation Improvement Program (MTIP) and the Statewide Transportation Improvement Program (STIP), which is scheduled to be submitted to the federal Department of Transportation in the summer of 2026.

If the RFFA projects are not selected and approved for inclusion in the MTIP and STIP in a timely manner, the region's ability to spend federal transportation funds could be negatively impacted.

## **ATTACHMENTS**

Resolution No. 24-5415

Exhibit A – 2028-2030 RFFA Program Direction

New Project Bond Development Process | Work Plan Summary