

COUNCIL DIRECTION ON THE 2028-2030 REGIONAL FLEXIBLE FUNDS ALLOCATION

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ISSUE STATEMENT

In Metro role as the federally designated Metropolitan Planning Organization (MPO) – must conduct the activities associated with selecting regional transportation investments funded with the region’s allotment of federal funds, commonly known as Regional Flexible Funds. As a relatively small (~5%), but important piece of the region’s total funding spent on transportation, historically, the region strategically invested Regional Flexible Funds in transportation programs and capital projects critical to advancing the Regional Transportation Plan (RTP) that otherwise would not get implemented or implementation would be significantly delayed. The investment mechanism employed in the past is to bond Regional Flexible Funds as matching funds to leverage significant federal discretionary funding for the region’s high capacity transit system.

Since kicking off the process for the 2028-2030 Regional Flexible Fund Allocation (RFFA) in February 2024, the Metro Council adopted Resolution 24-5415, the 2028-2030 Regional Flexible Fund Allocation (RFFA) Program Direction in July 2024. As part of the adopting action, regional leadership agreed to move forward with developing a new project bond proposal (also referred to as Step 1A.1) for consideration by the region. The development of the bond commitment proposal is concurrent to the Step 2 allocation of Regional Flexible Funds to local transportation projects. The funding available in the Step 2 allocation in the current cycle and future cycles are directly affected by the decision on the Step 1A.1 new project bond proposal.

Under the direction of the bond purpose and principles adopted in the Program Direction, the focus of the new project bond proposal is on regional and corridor scale transit. The Program Direction includes other key objectives for the bond development process and final proposal. Additional factors including partner and public input, technical analyses, and bonding mechanism requirements are to influence the bond proposal. After a nomination period held in summer 2024 and an eligibility screening undertaken in early fall 2024, nine (9) candidate projects are in consideration (Attachment 1) reflecting different categories of transit projects, reflecting the three different transit categories – large transit capital, safe access to transit, and transit vehicle priority – in which projects can be nominated. A portion of the technical analyses – a candidate project evaluation – was completed in December 2024, with the results shared with regional partners on how well projects performed towards advancing the Program Direction objectives specified for the bond.

Using the technical information as one input, now regional partners are asked to give input towards concepts/themes to direct staff in the development of bond scenarios. The input is to prioritize up to five bond scenarios, which will then get assessed for the financial implications to the Regional Flexible Funds program.

At the outset of the 2028-2030 Regional Flexible Fund Allocation cycle, Metro staff briefed Councilors on the schedule and solicited input on key outcomes they wish to see result from cycle. Input on the general Regional Flexible Fund Allocation program and Step 2 was provided. Emphasis of input was placed on the development of the bond proposal. This included a desire to see a bond proposal developed in consideration of federal discretionary leveraging opportunities, strategically investment of regional dollars to garner large greater impact towards the region's goals, maintaining a fiscally responsible level of debt that does not harm other allocations part of the Regional Flexible Fund, and ensuring region-wide investment.

Based on Council input as well as input from TPAC, JPACT, and regional partners, this staff report updates on the Step 1A.1 process to date and solicits further input on bond investment packages (also known as scenarios). The Council input on bond scenarios will then lead into the financial analysis of scenarios to further understand whether Council objectives identified at the beginning of the process are being met.

Council will be requested to take action on a resolution to adopt the final selection of investments and projects to be funded through the bond (Step 1A.1) and Step 2. This is scheduled to occur in July 2025.

ACTION REQUESTED

Staff requests input on utilizing an approach that balances performance across all of the identified objectives to help shape bond scenarios to undergo further financial analysis.

IDENTIFIED POLICY OUTCOMES

The 2023 RTP identifies five goal areas for transportation investments. These are:

- a. **Equitable Transportation** – Transportation system disparities experienced by Black, Indigenous and people of color and people with low incomes, are eliminated. The disproportionate barriers people of color, people who speak limited English, people with low incomes, people with disabilities, older adults, youth and other marginalized communities face in meeting their travel needs are removed.
- b. **Safe System** – Traffic deaths and serious crashes are eliminated and all people are safe and secure when traveling in the region.
- c. **Climate Action and Resiliency** – People, communities and ecosystems are protected, healthier and more resilient and carbon emissions and other pollution are substantially reduced as more people travel by transit, walking and bicycling and people travel shorter distances to get where they need to go.
- d. **Mobility Options** – People and businesses can reach the jobs, goods, services and opportunities they need by well-connected, low-carbon travel options that are safe, affordable, convenient, reliable, efficient, accessible, and welcoming

- e. **Thriving Economy** – Centers, ports, industrial areas, employment areas, and other regional destinations are accessible through a variety of multimodal connections that help people, communities, and businesses thrive and prosper.

In their 2023 direction, Metro Council determined these goals should be emphasized in the upcoming RFFA process.

The adopted Program Direction included as a bond principle, the identified projects within the preferred bond investment package, “significantly and comprehensively advance the RTP goals of safe system, equitable transportation, mobility options, thriving economy, and climate action and resilience.” As a result, the Step 1A.1 development process incorporated a technical evaluation to assess how each candidate project advances the implementation of the 2023 RTP and progresses towards the region’s five goals. The technical evaluation resulted in showing all nine candidates advance the region towards the 2023 RTP goals. Candidate projects associated with large transit capital infrastructure tended to perform best at advancing the RTP goals as compared to the other categories, but projects within the same categories performed similarly. (Further detail on the technical analysis can be found in Attachment 3.)

POLICY QUESTION(S)

Regional Flexible Fund investments fulfill the region’s various responsibilities as a Metropolitan Planning Organization (MPO), and to meet state requirements and investment agreements related to air quality, greenhouse gas emissions, and mobility options. Knowing that, a main objective of the Regional Flexible Funds Allocation process is to strategically direct these dollars to fulfill critical parts of RTP policy and meet multiple mandates. Since these funds may be used on a wide variety of transportation system needs, these funds have been used on important system investments where other funding sources are limited or unavailable.¹ In particular, bonding Regional Flexible Funds has advanced the implementation of the region’s high capacity network, which implements multiple RTP policies and fulfills key portions of the strategies to meet state requirements. As a calculated financing tactic, bonding Regional Flexible Funds resulted in leveraging over \$2.2 billion in matching federal discretionary dollars.

As the region considers bonding Regional Flexible Funds once again in order to advance regional and corridor scale transit projects, staff seeks Council input on:

1. Utilizing an approach that balances maximizing acceptable performance across all the bond themes of: RTP outcomes performance, leveraging of other funds, inclusion of all transit category types, corridor scale projects, project readiness, and geographical representation, to develop bond package scenarios to undergo further financial analysis and inform the selection of a preferred bond package.
2. Any other input to the Step 1A.1 new project bond proposal development process that may better reflect regional priorities.

¹ To the degree of flexibility federal transportation funding can provide.

POLICY OPTIONS FOR COUNCIL TO CONSIDER

The next step in the development of the new project bond proposal is to create scenario/investment packages to evaluate the financial implications. To support the development of the bond scenarios, the technical evaluation results and the input received from regional and county coordinating committees on themes and concepts are the basis for beginning scenario development. The following bullets outline a summary of the major themes heard through the committees and discussions with the JPACT Metro Councilors.

- Maximize advancing the RTP goals and outcomes, with particular emphasis on equity, safety, and climate.
- Ensure the costs of bonding creates positive value and therefore:
 - Emphasize discretionary funding leverage
 - Take into account project readiness for implementation
- Represent a mix of transit investment types by having the three transit project categories represented
 - Honor the deliberation by JPACT to expand bonding for other types of transit projects beyond high capacity transit.
- Emphasize regional and corridor-scale projects meeting regional needs.
- Ensure all Program Direction objectives are met, including having regional flexible funds invested throughout the region
 - To create public support and unified lobbying power for federal discretionary dollars.

Metro staff aims to have a limited and manageable number of bond scenarios taken through the detailed financial assessment to understand the overall commitment, tradeoffs, and costs for advancing revenues. In addition, Metro plans to provide reference scenarios, such as a No Bonding scenario, to provide context for a bonding recommendation. As previously stated, the preferred bond scenario acted upon by TPAC and JPACT will need to meet all the objectives outlined by the 2028-30 RFFA Program Direction.

Based on the inputs available to date, Metro staff developed an initial draft set of scenarios which focuses on maximizing an individual theme. Table 1. outlines the draft scenarios according to the theme and input received. The theme of funding projects throughout the region (geographic representation) is not an individual project performance theme, but rather assessed on the package of projects identified. It may be utilized, along with other bond packaging considerations, such as the financial analysis, as a factor in selecting projects to include in a proposed bond package.

Table 1. Bond Scenarios to Maximize Individual Themes

Scenario	<i>Maximized RTP Outcomes</i>	<i>Leverage</i>	<i>Categorical Representation</i>	<i>Regional/Corridor Scale</i>	<i>Readiness</i>
Projects	82 nd Avenue Transit Project	82 nd Avenue Transit Project	82 nd Avenue Transit Project	82 nd Avenue Transit Project	82 nd Avenue Transit Project
	TV Highway Transit Project	TV Highway Transit Project	TV Highway Transit Project	TV Highway Transit Project	TV Highway Transit Project

	Montgomery Park Streetcar Extension	Montgomery Park Streetcar Extension	Better Bus Program	Sunrise Gateway Corridor Project	Montgomery Park Streetcar Extension
	Transit Access and Vehicle Priority – Burnside Bridge	Transit Access and Vehicle Priority – Burnside Bridge	Sunrise Gateway Corridor Project	Transit Access and Vehicle Priority – Burnside Bridge	Transit Access and Vehicle Priority – Burnside Bridge
	OR99E (McLoughlin Boulevard)	185 th MAX Overcrossing			
Other Themes Achieved					
Readiness	high	medium-high	medium-low	medium	high
Leverage	high-medium	high	medium-low	medium	high
RTP Outcomes	high-medium	medium-high	medium	medium-high	high
Category Representation	high	medium	high	high	medium
Corridor/Regional Scale	medium	medium	medium-high	high	medium-high
Geographic Representation	high	low	high	high	low

These draft bond scenario concepts try to maximize performance according to an individual theme. *As identified in the “other themes achieved”* section of the table, maximizing performance under one theme can conflict with other themes. For example, themes which aim to maximize funding leverage opportunities, readiness, and RTP goals advancement contrasts against Program Direction objectives to represent investments across the region or regional partner input on priorities that recognize the different state of transit system development in differing parts of the Metro region by investing in different types of transit projects with bond proceeds.

Based on the initial exercise in shaping bond scenarios, Metro staff propose approaching the bond scenario development with the aim to achieve a balance of maximizing acceptable performance across all the bond themes rather than prioritizing a single theme or input. The development of these scenarios will be informed by the input and performance analysis to date. These scenarios will be utilized, along with financial analysis of bond funding capacity and costs and program direction objectives, to frame the development of a preferred bond proposal.

Metro staff is seeking any Council guidance on this approach or input on balancing the Program Direction themes and objectives.

Financial assessment has not begun on the bond scenarios, so at this time it is still undetermined as to whether the scenario as an investment package can meet certain key bond principles as outlined in the Program Direction. Lastly, at this time, a bond mechanism remains unselected, but Metro staff has worked to identify the two most likely bond mechanisms to utilize. Working under an assumption with the two most likely bond mechanisms, Metro staff has calculated the available bond proceeds ranges between \$70 million at the low end to \$84 million at the highest end. In exchange for the proceeds, the ultimate cost of bonding, in year of expenditure, is estimated to be \$109 million at the low end and \$127 million at the high end.

STAFF RECOMMENDATIONS

None at this time.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

One of Metro's duties as a Metropolitan Planning Organization (MPO) in carrying out the metropolitan planning process is to allocate federal funds. Every three years, Metro begins a process to allocate funding in three-year timeframes. Regional Flexible Funds are allocated to programs and capital projects. The RFFA process generally takes 18-22 months to complete. Capital projects selected in the RFFA process are to be ready for funding obligation during federal fiscal years 2028-2030 and will be included in the 2027-2030 Metropolitan Transportation Improvement Program (MTIP).

As a component of the State Transportation Improvement Program (STIP), the MTIP development timeline is driven largely by the Oregon Department of Transportation (ODOT) timeline for adopting the 2027-2030 STIP. This schedule calls for the draft STIP to be made available for public comment in early 2026. To conform to this timeline, the 2028-2030 RFFA must be finalized by summer 2025 in order to incorporate the awarded projects into the draft 2027-2030 MTIP document. This means a Program Direction must be adopted by late spring or early summer 2024 in effort to conduct the Step 2 allocation process. Staff drafted a schedule which calls for JPACT and Council to take action on the entire 2028-2030 RFFA investment package in summer 2025. Adhering to this timeline for the RFFA decision is critical to meet the MTIP and STIP development schedule.

RFFA Program Direction and Development of New Project Bond (Step 1A.1)

The RFFA Program Direction documents how the regional flexible funds are to be spent to carry out the policy objectives and investment priorities of the adopted RTP. In July 2024, Metro Council adopted Resolution 24-5415, the 2028-2030 RFFA Program Direction which defined four parts of the Regional Flexible Fund program and guided by the goals and policies set by the Regional Transportation Plan (RTP). These four parts are:

- Step 1A – Existing debt service repayments for existing project bonds
- Step 1A.1 – New project bond proposal
- Step 1B – Regional Programs (e.g. Regional Travel Options, Transit-Oriented Development)
- Step 2 – Competitive allocation to local projects

As part of the adoption action, the region agreed to move forward to develop a new project bond (known as Step 1A.1) for regional consideration. If adopted, the Step 1A.1 will get incorporated into Step 1A.

At an estimated amount of available Regional Flexible Funds for the 2028-2030 cycle is \$153 million dollars. With the adoption of the Program Direction in July, the Step 1A and the Step 1B allocations are set. These are:

- Step 1A – \$51.78 million
- Step 1B – \$40,580,629

Without consideration of a new project bond or expansion of a Step 1B regional program, the remaining balance of Regional Flexible Funds would make up the amount available for Step 2. Step 2 funding for local capital projects on the regional transportation system is a critical funding source for local agencies at a time when transportation funding for local capital projects is highly limited. Until the decision on the new project bond (Step 1A.1) action is taken, the amount of available funding to allocate for Step 2 remains as a general range knowing future Regional Flexible Funds bond obligation payments (Step 1A) would receive priority. Therefore the decision to proceed with a new bond commitment presents a risk of potential reductions to remaining Step 1B region-wide programs and planning and to Step 2 funding.

Part of the impetus for pursuing a new project bond proposal for the 2028-2030 timeframe is because region's scheduled bond repayments decrease by approximately \$13.5 million, creating newly available unencumbered Regional Flexible Funds. The region's history to strategically utilize project bonding to build out regional transportation projects resulted in the region securing over \$2 billion dollars in federal grants and other state and local funding to projects awarded previous bond funding, including the MAX light rail system and Division Transit Project.² At this time, Metro is involved with two high capacity transit projects preparing to enter the Federal Transit Administration Capital Investment Grant (CIG) process, where the projects would become eligible for upwards of \$150 million in federal discretionary matching funds. Bond proceeds for these two candidate projects would further position and make the two high capacity transit projects more competitive in the CIG process.

The Program Direction directs Metro staff to develop a new project bond proposal utilizing a portion or approximately the \$13.5 million in capacity created by the cost reduction of dedicated payments to existing bond commitments in the 2028-2030 cycle. In developing the proposal for consideration, the Program Direction outlines explicit objectives the final bond proposal must accomplish, as described in the following sections.

New Project Bond Purpose

As adopted in the Program Direction, the new Regional Flexible Fund project bond would serve the following purposes, consistent with previous project bond commitments undertaken with Regional Flexible Funds:

² Does not include funds leveraged by the Better Bus program, active transportation projects which received bond proceeds and three major arterial projects – OR 217, Rose Quarter, and I-205.

- A method to utilize regional revenues on regional or corridor scale 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.

New Project Bond Principles

Based on partner input, experience with previous bonding, and identified good administrative practices, a new bond proposal should address and balance the following principles:

- The allocation of bond proceeds is made in consideration of other transportation spending in the region by other agencies and of the Metro allocation of Carbon Reduction Program funds.
- The new project bond size and scale are to be a reasonable balance between the overall objectives of the Regional Flexible Fund, which includes:
 - Contribute toward regional-scale projects of high impact on priority regional outcomes
 - On-going support for programmatic regional transportation investments
 - Support for smaller capital projects that are impactful on regional outcomes
- Attempts to maintain prior funding levels of Existing Step 1 programmatic allocations and Step 2 capital project funding (with the previously established 3% annual growth rate) 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 other Step 1 programs and Step 2 capital projects in the case of revenues being less than forecasted in all future years.
- Is 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.
- Is made available for public comment during the 2028-2030 RFFA cycle comment and decision period.
- Leverages significant discretionary federal and state and/or local funding, including support for a pipeline of Federal Transit Administration (FTA) Capital Improvement Grant projects.
- 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.

New Project Bond Development Process to Date

Following the adoption of the 2028-2030 Regional Flexible Fund Program Direction, where regional leadership agreed to move forward in the development of a new project bond proposal for consideration, Metro held a project nomination period in late summer 2024.

Following a six week nomination period where Metro staff were available for consultation to discuss different project ideas, a total of 10 project nominations were received for the new project bond. Subsequently in early fall 2024, an eligibility screening was conducted where one nomination was deemed ineligible to proceed due to the nominated project not being included in the financially constrained Regional Transportation Plan (RTP). Once the screening was finalized, a total of nine (9) bond nominations underwent a candidate project evaluation. The candidate project consists of three separate evaluations which assesses 1) the consistency towards the bond purpose and principles; 2) the performance towards Regional Transportation Plan outcomes; and 3) project delivery risks outstanding. The technical information provided is one of many inputs and to assist decisionmakers in shaping different bond scenarios and the eventual selection of a preferred bond scenario for regional consideration.

Metro staff conducted the first two evaluations. For the bond purpose and principles evaluation and the RTP goals advancement, each project was evaluated based on the objectives as identified in Program Direction. The third evaluation focused on project delivery, where Metro utilized an external firm to assess the delivery challenges of each individual project in need of addressing. The analysis of the individual projects lead to the following summary of results and findings. Further detail of the methodology and results can be found in Attachment 3.

Table 2. Candidate Project Evaluation Results

2028-3030 Regional Flexible Fund Allocation: Step 1A.1 Candidate Project Performance Evaluation Results Summary												
Evaluation Section	Measure	Capital Investment Grant (CIG)/Large Transit Projects			First/Last Mile & Access to Transit Projects				Transit Vehicle Priority			
		Montgomery Park	82nd Ave	TV Highway	Sunrise	Burnside Bridge	OR99E	72nd Ave	185th Overcross	Better Bus	Burnside Bridge	
Bond Purpose & Principles Consistency	Use regional revenues on regional or corridor scale projects											
	Candidate projects proposed with bond proceeds for construction activities are well advanced through project development activities and have an achievable funding strategy to complete the project.											
	The allocation of a new project bond proceeds to regional projects is made in consideration of other transportation spending in the region by other agencies and Metro											
	Leverage significant discretionary federal, state and/or local funding											
RTP Goals & Outcomes Advancement	Improves transit service for residents in an Equity Focus Area											
	Increases speed, frequency and reliability of high capacity transit											
	Provides safer and more convenient access to transit											
	Improves access to jobs and essential services by transit											
	Identified by communities who face disparities in the transportation system as a priority											
Project Delivery Assessment	Number of mitigations	3	2	2	3	1	1	1	2	2	1	
	Level of mitigation effort	Med/Med/Low	Low/Low	Low/Med	Low/Low /Med	Low	Med	Low	Low/Low	Low/Low	Low	

The following are findings from the technical evaluation.

- Candidates which comprehensively packaged elements from more than one transit project category (e.g. major transit capital infrastructure, pedestrian transit access,

and signal priority) performed best in advancing RTP outcomes. The comprehensive packaging and the scale of the capital project better advance regional goals.

- Nonetheless, all the candidate projects demonstrated RTP goals advancement. Some candidate projects tended to show greater local impact in advancing RTP outcomes. Candidate projects within the same categories (e.g. transit vehicle priority) tended to perform similarly in advancing RTP goals.
- Candidates which have a funding strategy that matches the program direction performed best in the bond purpose and principles consistency assessment.
 - Articulation specifically on the role the bond proceeds play in leveraging other funding and targeting different discretionary opportunities and local commitment of funding effected the different ratings for the candidate projects.
- While each project is in different stages of development, the project delivery assessment identified at least one or more areas of project delivery challenges for each candidate, with mitigations needed for project delivery.
 - The nominating agencies demonstrated an awareness of the project delivery challenges the candidate project faces and seek to address those challenges through their development processes. This led to no one candidate project receiving a high mitigation effort rating.
 - Project development only candidates tend to show ability to deliver the project development work as proposed with the bond proceeds, but additional project delivery mitigations will be needed in progressing the project into construction.
 - The major transit capital candidates were assessed under additional criteria specific to the Federal Transit Administration (FTA) Capital Investment Grant (CIG) process. The results highlight the additional rigor required of those candidate projects to meet project delivery milestones in efforts to meet the CIG program requirements.

BACKGROUND

See Attachment 4 which provides an overview of the 2028-2030 Regional Flexible Fund Allocation Step 1A.1 schedule.

ATTACHMENTS

- Attachment 1 – Summary of Candidate Projects in Consideration for the 2028-2030 Regional Flexible Fund Step 1A.1 New Project Bond
- Attachment 2 – Resolution 24-5415, Exhibit A – 2028-2030 Regional Flexible Fund Allocation Program Direction
- Attachment 3 – Memo on the Technical Evaluation Results for the New Project Bond Candidate Projects
- Attachment 4 – 2028-2030 Regional Flexible Fund Step 1A.1 Next Steps

[For work session:]

- Is legislation required for Council action? Yes No