

FOR THE PURPOSE OF APPROVING AN INCREASED MULTI-YEAR COMMITMENT OF REGIONAL FLEXIBLE FUNDS FOR THE YEARS 2028 THROUGH 2039, FUNDING TRIMET 82ND AVENUE TRANSIT PROJECT, TRIMET TUALATIN VALLEY HIGHWAY TRANSIT PROJECT, PORTLAND STREETCAR MONTGOMERY PARK EXTENSION, SUNRISE GATEWAY CORRIDOR PROJECT, AND EARTHQUAKE READY BURNSIDE BRIDGE PROJECT, AND AUTHORIZING EXECUTION OF INTERGOVERNMENTAL AGREEMENTS

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ISSUE STATEMENT

As the metropolitan planning organization (MPO) for the urban area of the Portland region, Metro distributes federal transportation funds from programs: the Surface Transportation Block Grant Program (STBG), the Transportation Alternatives (TA) set aside, and the Congestion Mitigation and Air Quality (CMAQ). The allocation of STBG, TA set aside, and CMAQ are at the discretion of the Joint Policy Advisory Committee on Transportation (JPACT) and the Metro Council. The process of distributing these funds is known as the Regional Flexible Funds Allocation (RFFA). Together, the Joint Policy Advisory Committee on Transportation (JPACT) and the Metro Council function as the Metropolitan Planning Organization (MPO) Board and decision-making body over the allocation of the Regional Flexible Funds. Metro conducts the RFFA on a three-year funding cycle, with the current allocation cycle encompassing the federal fiscal years of 2028-2030, the Portland metropolitan region is forecasted to receive \$161 million from these programs.

The July 2024 adoption of Resolution 24-5415 the *2028-2030 Regional Flexible Fund Allocation Program Direction* charged Metro staff to develop a new project bond proposal for consideration by regional policymakers. As the first Regional Flexible Fund Allocation cycle following the adoption of the *2023 Regional Transportation Plan (RTP)*, both policymakers and advocates expressed a strong desire to expedite the implementation of the RTP to see the outcomes and goals achieved. The new bond proposal, backed by the commitment of Regional Flexible Funds anticipated in federal fiscal years 2028 through 2039, takes advantage of capacity created by previous Regional Flexible Funds bond commitments that expire in 2028.

Resolution 25-5510 and the accompanying exhibits reflect the outcomes of an 18 month process to develop the 2028-2030 Regional Flexible Fund bond proposal (Step 1A.1) that included an open solicitation for projects, technical evaluation, scenario concepts, and public comment.

ACTION REQUESTED

Approve Resolution No. 25-5510, committing Regional Flexible Funds to bond debt service through 2039 and allocating \$88.5 million in bond proceeds to regional investments as recommended by JPACT, and detailed in the Exhibits.

IDENTIFIED POLICY OUTCOMES

The *2023 Regional Transportation Plan* (RTP) identifies five goal areas for transportation investments: Equitable Transportation, Safe System, Climate Action and Resiliency, Mobility Options, and Thriving Economy. During deliberations to adopt the 2023 RTP, JPACT and the Metro Council determined that these five goals should be emphasized in the 2028-2030 RFFA process and they reaffirmed this interest in Resolution 24-5415, the *2028-2030 Regional Flexible Fund Allocation Program Direction*. Adopted through Resolution 24-5415, the program direction includes principles to guide and inform the development of the new Regional Flexible Fund bond proposal, known as Step 1A.1, that is focused on regional and corridor scale transit.

POLICY QUESTION(S)

Should the Metro Council approve the resolution and direct staff to move forward with allocating funding to the selected projects as recommended by JPACT?

POLICY OPTIONS FOR COUNCIL TO CONSIDER

Metro Council action to approve the proposed 2028-2030 RFFA Step 1A.1 new project bond would:

- 1) commit a portion of future Regional Flexible Funds toward debt repayment starting in 2028 through 2039; and
- 2) approve the allocation of \$88.5 million in bond proceeds among five capital projects that would deliver regionally significant transit investments as outlined in Table 1 and **Exhibit A of Resolution 25-5510**.

Table 1: 28-30 Regional Flexible Fund Step 1A.1 Bond Proposal

Project	Bond Proceeds Allocation
Tualatin Valley Highway Transit Project	\$28M
82 nd Avenue Transit Project	\$28M
Earthquake Ready Burnside Bridge	\$10M
Portland Streetcar Montgomery Park Extension	\$10M
Sunrise Gateway Corridor Project	\$12.5M
Total Bond Package	\$88.5M

The proposed bond significantly advances and implements the policy objectives of the adopted 2023 RTP and the 2028-2030 RFFA Program Direction by building regional-scale transportation projects sooner than otherwise possible. Consequently, the long-term commitment of Regional Flexible Funds would reduce the amount of funds available for

local capital projects (Step 2) starting with the 2028-2030 cycle and for the subsequent three Regional Flexible Fund cycles.

If the Metro Council does not approve the Regional Flexible Fund bond proposal for project funding, staff would need to return to JPACT for additional deliberation. Options could include developing an alternative bond proposal or allocating the Regional Flexible Funds as part of the Step 2 allocation to support local transportation projects. However, a remand of the package of projects back to JPACT could result in a delay in the development and adoption of the 2027-2030 Metropolitan Transportation Improvement Program (MTIP), scheduled for Metro Council action in June 2026. The MTIP is the federal capital improvement program for the region and a delay in its adoption could result in the region being unable to spend federal funding until it is approved by the Federal Highway Administration and Federal Transit Administration.

This action does not authorize Metro staff to begin to issue bonds. If the Metro Council approves this proposal, staff will work with Metro's Finance department and Office of Metro Attorney, as well as regional partners, to determine the appropriate bonding mechanisms and borrower(s). Staff would then return to the Metro Council at a later date for discussion of the bonding action itself.

STAFF RECOMMENDATIONS

Staff recommends Metro Council approval of Resolution 25-5510.

The bond proposal package of projects funded through this resolution were selected by JPACT based on balancing across different components:

- Meeting the 2028-30 RFFA Program Direction objectives, including the bond purpose and principles
- Project technical evaluation scores, based on the policy objectives outlined for the five 2023 RTP goal areas
- Additional considerations including project readiness, leveraging of discretionary funding, and geographic representation of investment
- Public support, based on the results of the public comment project ratings

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

Step 1A.1 New Project Bond

As described in the adopted Program Direction, the proposed Step 1A.1 new project bond would serve multiple purposes:

- Use 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 Regional Flexible Fund revenues to advance transportation projects that improve equitable access to jobs and services, reduce climate impacts, and improve safe travel on the transportation system.

The region's history of bonding against future Regional Flexible Funds to build regional transportation projects has been a strategic success. Bonding resulted in securing over \$2 billion dollars in federal grants alone and another \$1.4 billion in state and local funding to projects, including the MAX light rail system and the Division Transit Project.

Nonetheless, bonding and committing future Regional Flexible Funds towards debt repayments directly impacts the allocation of Regional Flexible Funds to local transportation projects in the Step 2 process. At a time when transportation funding resources at the local and state level remain scarce, the Step 2 allocation remains highly competitive and oversubscribed cycle after cycle. For the 2028-2030 cycle, the Step 2 competition received 24 applications requesting just over \$140 million, far exceeding the approximately \$49 million available.

How does this advance Metro's racial equity goals?

Advancing equity is a primary policy objective for the Regional Flexible Fund Allocation. Equitable transportation was one of five goals and outcomes used in the technical evaluation of the bond candidate projects and the selection of projects to include in the bond proposal package for JPACT referral. The projects selected were evaluated on the degree to which they addressed providing new transit or upgrading transit services, increasing transit speed and reliability, and/or enhanced the pedestrian or bicycling infrastructure to access transit within 2023 RTP Equity Focus Areas¹. Additionally, a qualitative element was assessed to understand whether communities who face disparities in the transportation system view the project as a priority.

How does this advance Metro's climate action goals?

Another of the primary policy objectives for the 2028-2030 RFFA is to advance the region's Climate Action and Resiliency policies as outlined as part of the 2023 RTP. Selected projects were evaluated on how they could help the region reduce greenhouse gas emissions and/or prepare for natural disasters. The projects funded through the 2028-2030 RFFA Step 1A.1 bond are focused on expanding high capacity transit, making accessing the region's transit system easier, helping buses move faster, and the seismic resiliency of a key bridge in the region's network of emergency transportation routes.

¹ Equity Focus Areas are defined as communities where the rate of people of color, people in poverty and people with low English proficiency is greater than the regional average and double the density of one or more of these populations.

Known Opposition/Support/Community Feedback

Metro conducted a five-week public comment period between March 26 through April 30, 2025. During the comment period, Metro received:

- 282 project-specific comments from 225 participants through an online open house available in English and Spanish. In addition, participants provided 139 open ended comments through the open house.
- 27 emails from members of the public, with two providing general, non-project specific comments and 25 providing project specific comments. Two of those 25 provided comments on more than one project.
- A total of 38 comments from members of the public directed to JPACT. Of the 38 comments, 17 of those were via oral public testimony at the April 17th JPACT meeting and 21 were via email.
- Two comments from public agencies via email, and four comments from public agencies at JPACT as written or public testimony

The comments received included those which were in support of the projects people were commenting on as well as some of the comments about projects expressed support for a project concept but hedged with concern about a project aspect. For example, some comments showed support for the concept of an Earthquake Ready Burnside Bridge, but concern about the fundamentals of the proposed design. Some comments did express overall concern about a project or indicated that a proposed project wasn't a priority. Excerpts from comments can be found in the Engagement Report (**Exhibit C**) and all of the comments can be found in the appendices (**Exhibit D**).

Legal Antecedents

This resolution commits Regional Flexible Funds and allocates bond proceeds to projects backed by federal transportation funds and were allocated in accordance with the federal transportation authorizing legislation (currently known as Infrastructure Investment and Jobs Act, or IIJA) as implemented through the Code of Federal Regulations Title 23, Part 450, Subparts A and C and relevant rules issued by the USDOT. The commitment of Regional Flexible Funds to bond and allocate the proceeds to regional transit investments throughout the region implements the direction set forth in the 2028-2030 Regional Flexible Fund Allocation Program Direction as defined by Metro Resolution No. 24-5415, For the Purpose of Adopting the 2028-2030 Regional Flexible Funds Program Direction for the Portland Metropolitan Area, adopted July 11, 2024.

Anticipated Effects

Adoption of this resolution would direct staff to begin the next steps to implement bonding. Identified as one of the first steps is the development of a work plan is anticipated following the adoption of Resolution 25-5510 outlining the next steps and timeline for bond implementation.

A follow-on step is to enter into Intergovernmental Agreements with:

- 1) lead agencies of the projects to receive the bond proceeds; and
- 2) agencies acting as borrowers, if identified and delegated by Metro Council; and

- 3) agencies to exchange Regional Flexible Funds to implement bonding and make funds available to the projects.

Additionally, adoption of the resolution would direct staff to program Regional Flexible Funds projects in the Metropolitan Transportation Improvement Program (MTIP) to facilitate issuing bonds. At the time determined between Metro MTIP staff and the lead agency of the project to receive bond proceeds, the programming in the MTIP in the amounts specified to the identified transportation project may occur at separately from the programming Regional Flexible Funds to allow for bond issuances to occur.

Financial Implications (current year and ongoing)

Adoption of this resolution does not have an immediate and direct financial impact on Metro. This resolution does provide the revenue capacity for Metro or another local agency to take future action to utilize Regional Flexible Funds to repay bonded debt by authorizing these funds for that purpose. A future action by Metro or another local agency to commit to a bond payment schedule to generate bond revenue is when a direct and immediate financial impact would be incurred.

This resolution will commit federal transportation funding beginning in federal fiscal year 2028 through 2039 to repay debt incurred by bonding. Up to \$135 million of Regional Flexible Funds over the 12 years will be authorized to provide \$88.5 million to five projects and cover financing and administrative costs.(See Exhibit A to Resolution 25-5510) However, Metro may utilize program funding capacity if available to make project or bond payments earlier to save on costs.

To facilitate bonding, an exchange of Regional Flexible Funds for local funds will need to take place prior to bonding. The local agency partnering to exchange the Regional Flexible Funds for local funds will also utilize their local funding capacity to provide the required 10.27% local match needed for Regional Flexible Funds.

Projects receiving bond revenue allocations will meet funding contributions to their projects per a financial plan based on their project application and further defined in a project specific inter-governmental agreement.

BACKGROUND

Throughout the 2028-2030 Regional Flexible Fund Allocation, staff have briefed the Metro Council to solicit input and direction. Briefing dates and topics included:

- January/February 2024: Kickoff briefings
- April 2024: Work session on the program direction
- July 2024: Adoption of Resolution 24-5415, *2028-2030 Regional Flexible Fund Allocation Program Direction*
- January 2025: Work session on the Step 1A.1 bond proposal scenario development

- June 2025: Work session with updates on the 2028-2030 Regional Flexible Fund Step 1A.1 bond proposal and Step 2 competitive allocation processes

In addition to engagement with the Metro Council, staff facilitated the discussion of bonding Regional Flexible Funds and selection of the projects to receive bond proceeds through two transportation-specific Metro advisory committees – TPAC and JPACT. These committees were forums for discussion, coordination, consultation, and decision-making by elected officials and their staffs, representing cities and counties of the region, public agencies and transportation providers, including the Oregon Department of Transportation, Oregon Department of Environmental Quality, the Port of Portland, TriMet and South Metro Area Regional Transit (SMART). In addition, Metro staff accepted all invitations to share information on the proposed bond and gather input. As a result, Metro staff attended over 21 coordinating committee meetings and two City of Portland citizen advisory committees throughout the entire 18-month process.

To develop the Regional Flexible Fund Step 1A.1 bond proposal, the following activities were undertaken and completed:

- **Eligibility Screening & Technical Evaluation:** Following a nomination period in late summer through early autumn 2024, Metro completed an eligibility screening followed by a technical evaluation of the nominated projects. The technical evaluation for the bond candidate projects focused on the policy objectives outlined for the five 2023 RTP goal areas, as well as consistency of the candidate project with the purpose and principles adopted in the Program Direction for the bond. A project delivery risk assessment was also undertaken. To inform the decision-making process and guide staff work to develop bond scenarios, Metro staff shared the results of both the eligibility screening and the technical evaluation with TPAC and JPACT throughout autumn and winter 2024.
- **Bond Scenarios Development:** Metro staff solicited input on concepts and priorities for the development in bond scenarios in early 2025. With the input provided by TPAC, JPACT, coordinating committees, and the Metro Council at a work session, Metro staff developed a bond proposal for Step 1A.1 in March 2025. JPACT acted at its March 20, 2025 meeting to forward a bond proposal for public comment. While not a formal legislative action, JPACT's unanimous vote signaled strong support for a transit-focused bond for the five candidate projects.
- **Community Engagement/Public Comment:** Following the action at the March 2025 JPACT meeting, Metro held a five-week public comment period that opened on March 26th and closed on April 30th. Metro used online open house to create a learning opportunity on transportation funding as well as solicit comment from community members on the Step 1A.1 bond proposal. Metro published the engagement report and appendices as shown in **Exhibit C** and **Exhibit D** at the end of May 2025.
- **Bond Proposal Implementation Procedures/Course of Action:** Since the completion of the public comment period, Metro staff have been working with the Finance department, the Office of the Metro Attorney, and with project partners to outline the next steps to implement a new revenue bond backed by the long-term

commitment of Regional Flexible Funds. Various legislative conditions as well as general and specified conditions to the projects to receive bond proceeds are outlined as part of **Exhibit B**. The conditions of approval are a formal way to document circumstances under which issuing of bonds will occur and expectations on the projects to remain aligned with the adopted Program Direction bond purpose and principles as the projects move through the different project delivery phases.

ATTACHMENTS

- 28-30 Regional Flexible Fund Step 1A.1 Bond Action Cover Memo
- 28-30 Regional Flexible Fund Step 1A.1 Bond Package Action Update from TPAC