

Memorandum

To: Capital Area MPO Executive Board

From: CAMPO Staff

Date: May 3, 2018

Re: FFY 2020 LAPP Program

The next round of LAPP applications will be open in August 2018, and will be for the FFY 2020 project cycle. Staff has reviewed the issues brought up during the FFY 2019 cycle and provided recommendations to address those issues.

Issues addressed in this memo:

- Implementing Cost Estimate Requirements for LAPP Project Submittals
- Including a summary of LAPP Selection Committee Recommendations with the annual Draft LAPP Investment Program
- Updating the Threshold for Administrative Approval of Project Modification Requests
- Maintaining the Current Policy on Allowing LAPP Applicants to Use Bond Referendum Funding as their Local Match for LAPP Projects
- Requiring Agencies Applying for Transit Funding to Disclose if they Intend to Use Wake Transit Funding as a Match for their Project
- Annual Target Modal Investment Mix

Issue: Implementing Cost Estimate Requirements for LAPP Project Submittals

CAMPO staff has recently observed a significant amount of LAPP projects face cost overages that have resulted in the awardee requesting additional funding support from CAMPO to complete their LAPP project. While this practice is allowed, awarding additional funding to existing projects lowers the amount of CAMPO funding available to program to new projects and does not encourage strong cost-estimates during the application period.

Staff Recommendation: CAMPO Staff recommends introducing new cost-estimate requirements for LAPP submittals in which cost estimates must be within 2 years of the application year. A contingency requirement is also proposed and detailed below. By introducing these requirements, CAMPO can help deter some of the project cost overages by ensuring that submitted cost estimates closely reflect the current market and will be more-protected from major inflation increases. This requirement will also benefit local agencies by providing more confidence with their project submittal, thus reducing the need to request additional funding. NCDOT provides helpful resources, including bid averages and regularly-updated cost sheets, that can assist applicants who have estimates that do not fall in the 2-year range.

The proposed contingency requirements are as follows:

All LAPP project submittals must include a contingency of at least 25%.

Due to the higher level of uncertainty in projects that are at earlier stages of the implementation process, CAMPO will apply *strongly recommended* variable contingencies by phase. These contingencies will taper down the further along a project is in execution. Applicants who have not completed the Preliminary Engineering phase for their project are recommended to apply a 45% contingency to all phases included in their LAPP cost estimate. Applicants who have completed Preliminary Engineering and are pursuing Right of Way funding and beyond are recommended to apply a 30% contingency. Applicants who have completed Preliminary Engineering and Right of Way are required to apply the 25% minimum contingency when applying for Construction funding. Applicants may request to waive the strongly recommended contingencies during their presubmittal meeting; justification must be provided.

Issue: Including a summary of LAPP Selection Committee Recommendations with the annual Draft LAPP Investment Program

The LAPP Selection Committee is responsible for assisting CAMPO staff with project scoring and prioritization to develop a recommended list of projects to be funded each year. The recommended LAPP Investment Program is then presented for the TCC and Executive Board prior to adoption. In previous years, details of the decisions made at the LAPP Selection Committee were addressed during the presentation of the Recommended LAPP Investment Mix. The LAPP Steering Committee has requested CAMPO Staff provide further detail on the choices made by the Selection Committee when presenting the recommended LAPP Investment Program.

Staff Recommendation: CAMPO Staff will provide a write-up of the LAPP Selection Committee decision-making justification to the TCC and Executive Board as part of the LAPP Investment Program adoption process.

Issue: Updating the Threshold for Administrative Approval of Project Modification Requests

The adoption of the LAPP Program in 2010 includes provisions that allow the CAMPO Executive Director to administratively approve requests for project modifications of scope or budget by up to 10% of the LAPP Program. Executive Board review and approval is required for requests that exceed 10% and other projects that are submitted for further review at the CAMPO Executive Director's discretion. At the time this policy was adopted, the LAPP pool of funding was roughly \$10 million, which gave the CAMPO Executive Director the ability to approve scope modifications up to \$1 million. Now that the LAPP funding pool has grown to \$25 million, the CAMPO Executive Director can administratively approve modifications up to \$2.5 million.

Staff Recommendations: Staff recommends updating the policy on the threshold for scope modifications that can be approved administratively to maintain transparency and continued involvement with

significant LAPP decisions to our TCC and Executive Board. The proposal is to change the administrative approval threshold from 10% of the current LAPP Program to a \$1 million project cost increase. CAMPO will report all approved additional funding to the TCC and Executive Board during the LAPP end of year report.

Issue: Maintaining the Current Policy on Allowing LAPP Applicants to use bond referendum funding as their local match for LAPP Projects.

During the LAPP FFY2019 project selection process, the question was raised if allowing a municipality to match LAPP funds with local bond funds interferes with one of the LAPP project eligibility requirements that LAPP funding cannot supplant local funding. The specific eligibility requirement states, “Does not supplant local funds- LAPP funds are limited in nature, and should therefore be used to leverage, not supplant, local funds to further transportation initiatives in the region.” The CAMPO TCC provided input on this issue in a survey distributed prior to the LAPP FFY2020 Steering Committee meeting. This input indicated that a large majority of respondents did not take any issue with local agencies using bond referendum funding as their local match for LAPP projects.

Staff Recommendation: CAMPO staff recommends maintaining the current LAPP policy of not restricting applicants from using bond referendum funding as their local match. Since transportation bond funding is specifically designated to provide a set of transportation improvements in a jurisdiction, the addition of LAPP funding to a specific project provides more available local funding to complete other projects on a given bond list. For this reason, staff does not feel as though this action is a form of supplanting local funds. Furthermore, implementing a policy against using bond referendum funding could unfairly target jurisdictions that have received this funding source, while we should be encouraging local jurisdictions to pursue all funding options to further transportation initiatives in our region.

Issue: Requiring Agencies Applying for Transit Funding to Disclose if they Intend to use Wake Transit Funding as a Match for their Project

The LAPP FFY2019 funding cycle was the first year in which agencies within Wake County were eligible to apply for both LAPP funds and Wake Transit funds for their transit projects. Transit projects that are currently eligible for LAPP funds include capital projects with the exception of rolling stock (vehicles). These projects are also eligible for funding through Wake Transit. As the LAPP program is currently set up, there is not a policy or practice in place that coordinates with Wake Transit Plan implementation to determine if projects submitted for LAPP funds are also in consideration for Wake Transit funds. The survey mentioned above also invited TCC members to provide input on whether or not the LAPP program should implement any policy to restrict agencies from submitting projects to both LAPP and Wake Transit or using Wake Transit as a local match for LAPP. Respondents of the survey indicated that this issue is of slightly greater importance than the bond funding issue discussed above; however, most responders still felt that the issue was either ‘not important at all’ or ‘neutral’.

Staff Recommendation: Staff recommends requiring agencies submitting transit project to disclose if they have or intend to have Wake Transit plan funding as an additional source of funding so that CAMPO can monitor this topic. Since this is a developing issue with unknown consequences, staff does not recommend any scoring or eligibility change to the FFY2020 LAPP Program on this subject. If an issue or

concern is raised regarding agencies using both Wake Transit Plan and LAPP funding for a specific project in the future, the topic can be readdressed in further rounds of LAPP development when more information is available.

Issue: Annual Target Modal Investment Mix

The discussion has been raised during the FFY2018 and FFY2019 LAPP development process on whether or not the Target Modal Investment Mix should be revisited. In previous LAPP cycles, the target modal investment mix has been developed by analyzing the needs in the current 30-year MTP and the 10-year TIP. Wake Transit Tax District Funding has made a drastic increase in available funding for transit projects in Wake County. As discussed prior to the adoption of the FFY2019 LAPP program, the introduction of SPOT has caused a large gap in funding for secondary roadway projects in the region. The LAPP FFY2019 program had a target modal investment mix of 64% roadway, 12% transit, and 24% bicycle and pedestrian funding. This varied slightly from previous years, in which the mix was 65% roadway, 15% transit, and 20% bicycle and pedestrian. The survey mentioned above invited TCC members to provide input on the Target Modal Investment Mix for FFY2020. Responses on this subject were mixed. A strong majority of respondents indicated that increasing the target for roadway projects is an important issue. Decreasing the targets for transit and using a different method to determine the target modal investment mix were deemed as unimportant issues to a strong majority of our respondents. Input for how to determine a new target modal investment mix was not submitted.

Staff Recommendations: CAMPO staff recommends increasing the target modal investment mix for roadway projects by 4% to bring the total roadway percentage to 68%. This 4% would come from the transit mix, leaving the total transit at 8%. The bicycle and pedestrian modal mix would remain at 24% from FFY2019. This determination comes from the growing need for secondary roadway projects since the creation of SPOT, survey results from the TCC indicating a desire for additional roadway funding, as well as the additional available funding for transit through the Wake Transit plan. As discussed in the LAPP FFY2019 program development, LAPP is witnessing an increasing gap between the amount of available funding and the level of funding applied for in both the roadway and bicycle and pedestrian modes. By altering the modal mixes to provide additional support to roadway projects, the LAPP program could distribute additional funding to where there is a greater need.