

# JOINT TRANSPORTATION COMMITTEE

## Efficiencies in the Delivery of Transportation Funding & Services to Local Governments

### Policy Work Group Meeting #4

November 30, 2010 | 2:00 – 4:00 pm

Puget Sound Regional Council – 1011 Western Ave. Suite 500 – Seattle  
Conference Room

## AGENDA

### Objectives

- Discuss most significant findings and recommendations

**2:00 Welcome** **Mary Fleckenstein, JTC/All**

**2:05 Project Update** **Brian Murphy/Allegra Calder, BERK**

- JTC Briefing and Discussion with WSAC (11/10/10 in Spokane)
- Technical Work Group Meeting (11/22/10)
- Next steps
  - Draft report
  - Presentation to JTC (December 8)
  - Presentations to House and Senate Transportation Committees (January)

**2:15 Discuss Key Findings and Recommendations** **BERK Team/All**

- See page 2

**3:30 Roundtable Comments** **Brian/All**

- Closing comments and other items to consider

**4:00 Adjourn**

## DISCUSSION GUIDE: KEY FINDINGS AND RECOMMENDATIONS

This outline of key findings and recommendations parallels the structure of our final report. Discussion questions are noted throughout.

### Organization of the Final Report

- **Section 2.0** describes current agency functions, using brief narrative descriptions to summarize defining characteristics of each agency, including:
  - Technical Assistance and Regulatory Functions (CRAB and WSDOT)
  - Funding Programs
    - Eligible recipients (cities, counties, ports, etc.; urban, rural; focus on small jurisdictions)
    - Types of projects
  - Funding structure
    - First-in funding (CRAB)
    - Last-in funding (TIB)
  - Use of state and federal funds
  - Management of direct gas tax allocations (CRAB and TIB) or project-specific appropriations (FMSIB and WSDOT)

Full agency profiles will be presented in an Appendix

- **Section 3.0** evaluates the four programs under review as a system, examining whether they are functioning as intended and meeting the needs of their customers today. We also consider how relevant this system might be in the future given potential changes in the funding and policy environment.

This examination is organized as follows:

- **Section 3.2** evaluates programs relative to their founding statutes and program goals.
- **Section 3.3** evaluates programs relative to today's policy environments and the overall needs of local jurisdictions.
- **Section 3.4** considers pending changes in the State's transportation funding and policy environment.
- **Section 4.0** contains an evaluation of how individual agencies are performing in terms of management systems, programs, and processes.

- **Recommendations from Section 3.0** address:  
*Should the State adopt a different model to serve local transportation needs?*
- **Recommendations from Section 4.0** address:  
*Is there an opportunity to improve how the existing agencies function?*

### 3.0 EVALUATION OF EXISTING SYSTEM: FUNDING MODEL, ORGANIZATIONAL STRUCTURE, AND PROGRAM DIRECTION

#### Summary of Findings and Recommendations

- The current system with its mix of direct distribution and competitive funding programs has many benefits
- Agencies are meeting the objectives they were established to fulfill
  - **Assistance for local jurisdictions.** These programs are designed to serve local jurisdictions. When we consider potential opportunities to increase efficiencies, we have to consider impacts to both the State and local entities. In many cases, increasing efficiencies for one party may shift the burden to the other.
  - **In particular, providing assistance for small jurisdictions.** In many cases, the programs are set up to provide services and expertise that local jurisdictions don't have, with the State providing centralized resources and expertise, reducing the need to replicate these locally across the state. This is particularly valuable for smaller jurisdictions.
- Customers are generally very satisfied
- Programs are operating efficiently with minimal overhead costs
- Based on this assessment, we do not see a need or benefit to fundamental changes to the current model to serve local transportation without significant changes in the environment
- Some changes are underway, however, that warrant close attention and have significant implications for the agencies. These topics are discussed on the following pages

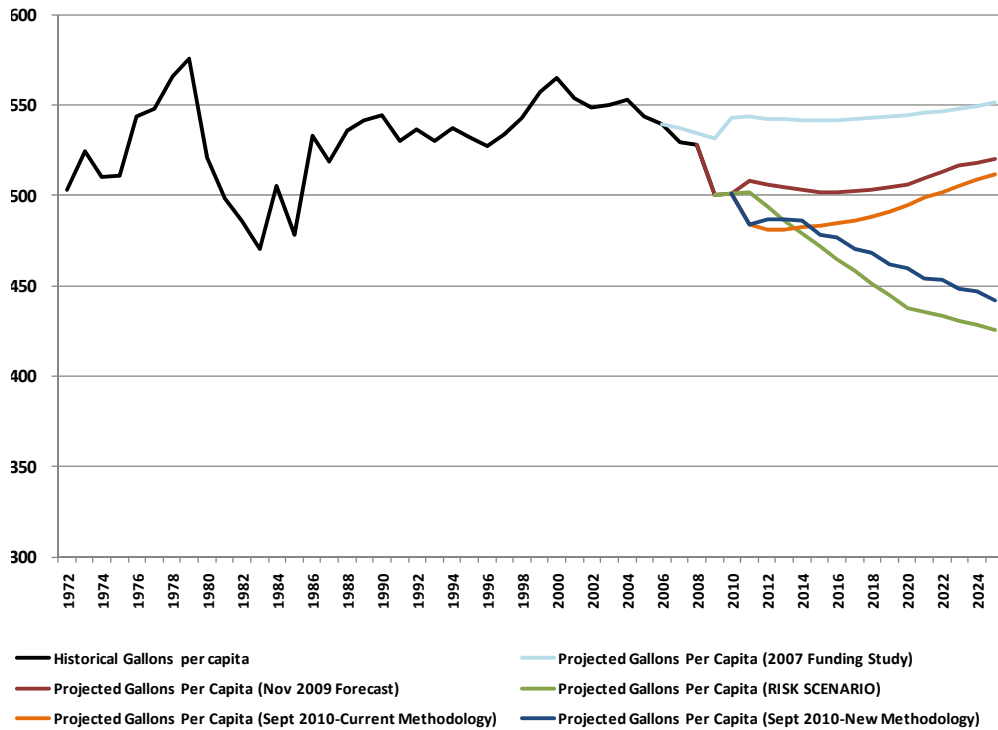
## 1) Diminished Transportation Revenues in the Short-Term

- **General Tax Revenues**

- Local jurisdictions contribute to preservation and new construction projects via their general funds. With diminished tax revenues, their ability to initiate projects is compromised.

- **Gas Tax Revenues**

- Revised forecasts using a new methodology show declines in projected gas tax revenues.



- This reduces local transportation funding in a number of ways: 1) via direct allocation to cities and counties; 2) by directly reducing CRAB and TIB’s revenues
- If gas tax revenues fall as the new projections forecast, CRAB and TIB will face severe financial constraints. This will first limit their ability to put forth a call for new projects and may also impair their ability to service previously awarded projects and – in the case of TIB – bond obligations.
- In response to less drastic reductions, TIB eliminated its call for new projects in 2009 as it needed the full amount of its cash flow to service commitments from past awards (typically the agency uses a portion of its cash flow to service past commitments and a portion to begin new projects). Given that its portfolio of projects had decreased, TIB reduced its engineering staff who work with local jurisdictions on project selection and monitoring by two FTEs. Under the current staffing configuration, three engineers monitor projects across the state.
- If the risk scenario comes to pass, both agencies would very likely have to halt the award of new projects (at least temporarily, and then establish a lower award level). They may also face challenges in meeting the cash flow needs of previously awarded projects and need to reduce staffing levels, with repercussions to local jurisdictions that rely on site visits and support from agency engineers. Severe and sustained reductions of funding may warrant additional consideration of consolidation of CRAB and TIB.

## 2) High Priority Funding Needs for Preservation and Bridge Projects

- Focus group discussions with local jurisdictions surfaced consistent feedback that there are significant and immediate preservation needs. This message was also heard at the WSAC meeting in Spokane on November 10.
- In an environment where local and state revenue sources are not keeping pace with needs, jurisdictions are struggling to maintain and preserve their existing system, let alone expand it.
- Failure to adequately invest in preservation and maintenance now will lead to much greater investment needs in the long-term as deferred maintenance may necessitate replacement.
- **Our recommendations**
  - If a new revenue package generates additional funding for transportation, additional resources should be directed at preservation
  - Without new money, some existing resources should be reallocated to address preservation needs. This should be done carefully and incrementally to cause minimal disruption to previously awarded projects that are progressing in a timely way
  - Agencies should have the flexibility to address preservation projects through their programs in response to customer needs

### Discussion Questions

- How should the State respond to the current need for investment in preservation? How should the programs respond?
- Should a shift to a preservation focus be supported by competitive programs, allocation based on population or lane miles, or allocation based on conditions assessment? What is the role of the agencies in such circumstances?

## 3) Shifts in Federal and State Transportation Funding and Policy Direction

- The current funding situation at both the federal and state levels produces significant uncertainty as to the amount of investment that will be possible in the future, how new investments will be financed, and what projects will be prioritized. Significant changes at either level would necessitate another look at the structure and intent of the agencies.
- It appears likely that there will be important shifts in the nation's transportation policy goals, including **a broader focus on outcomes** and the relationship of transportation to the environment, housing, land use, energy and national defense.
- A shift to performance-based funding at the federal level would likely lead to similar shifts at the State and would suggest continuation of the competitive grant model with its focus on criteria-based selection and accountability. To prepare for this likely evolution, agencies should continue to assess and refine their program outcome measure and other performance metrics to clearly demonstrate results.

## 4.0 EVALUATION OF EXISTING AGENCIES: MANAGEMENT SYSTEMS, PROGRAMS, AND PROCESSES

This Section summarizes agency practices and our evaluation related to the following:

- Technical Assistance and Oversight
- Funding and Grant Programs
  - Overall
  - Promotion of Funding Opportunities
  - Application Process and Timeline
  - Project Selection
  - Reporting Requirements
- **Agency Management**
  - **Portfolio Management**
  - **Financial Management**
  - **Performance Measures**
- Communication with Stakeholders
- Governance and Organizational Structure

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### Agency Management

- **Portfolio Management**
  - Funding agencies have little control over individual projects once they are underway. In the aggregate, however, these projects determine the quality of an agency's portfolio and affect its ability to efficiently manage its finances
  - Our recommendation is to improve and track agencies' ability to manage their project portfolios rather than hold them responsible for individual projects
  - Tools and techniques for portfolio management
    - Timelines and requirements with documented processes to address projects that fall behind schedule and incur cost overruns
    - Common understanding among recipients as to why timeliness matters
    - Up-to-date information about projects
      - Regular reporting requirements
      - Close contact with recipient jurisdictions to stay informed of schedule changes and make adjustments as necessary
    - Transparency: public reporting on a project-level basis
    - Performance measures at a portfolio level

#### Discussion Question

- Are there additional tools and techniques that should be considered to improve portfolio management?

- **Financial Management**

- Sound financial management ensures that agencies are financially healthy, pay customers in a timely fashion and spend appropriations efficiently
  - For CRAB and TIB, financial management is directly affected by their ability to manage their portfolio of projects, ensuring that their cash flows are adequate to cover their commitments as projects go to construction
  - For FMSIB and WSDOT, incremental appropriations (rather than appropriations for the full amount of awarded projects) would enable the agencies to more efficiently manage funds. There may be concerns about adopting such an approach, given there is no guarantee that future legislatures would fund later phases of a project
- An agency's statutory and programmatic requirements (i.e. ability to transfer funds between accounts or regions and capacity to respond to emergency needs) affect how it approaches financial management
  - We recommend merging TIB's two accounts (Urban Arterial Trust Account and Transportation Improvement Account) to support better financial management
- Tools and techniques for financial management
  - Financial performance measures, with targets (like minimum account balance requirements) that are customized to the agency's circumstances
  - Transparency through public reporting on key metrics that incorporate up to date portfolio information

**Discussion Question**

- Are there additional tools and techniques that should be considered to improve financial management?

- **Performance Measures**

- Performance measurement is intended to fulfill one or more of the following objectives: (1) Identify and communicate program outcomes; (2) Improve customer service and project delivery; and (3) Learn from feedback and improve internal processes.
- Given policy trends at the federal and state level, it is expected that performance measurement will become increasingly important—agencies will have to document the results of their programs and how they operate.
- While all four agencies already report on a number of performance measures, we recommend more robust and consistent measurement of their programs and internal processes to better position the agencies to receive continued funding in an increasing challenging budget climate.
- **Program Outcome Measures Recommendations**
  - Link program outcome measures to program objectives and project selection criteria
  - Track measures consistently over time to enable agencies and other stakeholders to see trends and inform decision-making. In some cases, measures reported change from year to year or budget cycle, limiting their effectiveness.
- **Internal Agency Measures Recommendations**
  - The four agencies differ considerably in their tracking of internal agency measures, and there are no consistent performance measures to enable comparison across agencies
  - The TIB dashboard is uniformly admired, however the technology is not easily transportable to other agencies
  - We recommend instituting a manageable set of internal performance measures that would facilitate comparisons across the four agencies in the following areas:
    - Financial Management: Measures could include: budget versus expenditure; administrative expenses as a percent of total dollars awarded; remaining agency project obligation. For CRAB and TIB: cash balance, payment request versus revenue
    - Portfolio Management: Measures could include: percentage of projects completed on time; percentage of current projects delayed (according to defined program milestones); percentage of projects requesting additional funds/increases; project inventory by phase or time to construction
    - Customer Service: Measures could include: transaction processing or average payment cycle; percentage of awards to applications
  - To be effective, these measures should be tracked consistently over time and communicated to stakeholders in the executive and legislative branches of government

**Discussion Question**

- Are there additional performance measures that would help you better understand what is going on?