



Metro District Program and the Statewide Environment

Senate Transportation Committee

March 2, 2006



Overview

- Volatile programming and revenue forecasting environment require significant flexibility
- Program adjustments needed for the 2006-2010 program
- 2006-2010 program management solution
- Outcome = Projects get built



Programming and revenue forecasting environment

- **Project development takes many years to evolve from concept to construction:**
 - 20 Year Plan (Concept) *NEEDS VS. REVENUE*
 - 10-Year Work Plan (Preliminary Engineering)
 - 4-Year STIP (Final Design)

- **Short and long-term spending plans are based on un-certain state and federal revenue projections**

- **Project cost estimate environment is extremely volatile**

- **Projects are developed locally; funding is managed centrally to ensure STIP commitments are met**

- **Goal is to deliver projects statewide**



Statewide need for 2006-2010 program adjustments

■ SAFETEA-LU delayed 2 years

- Higher than anticipated SAFETEA-LU earmark projects resulting in smaller growth if federal formula funds
- Earmarks requiring state matching funds
- In Metro District, Mn/DOT has delayed or deferred projects to manage the program (e.g., I-694/I-35E Unweave, I-494/TH 169)

*Very little
hammer*

■ Projects Estimates

- Scope changes, local requests
- Contingencies, risks
- Rising price of fuel, steel, concrete and land for right of way

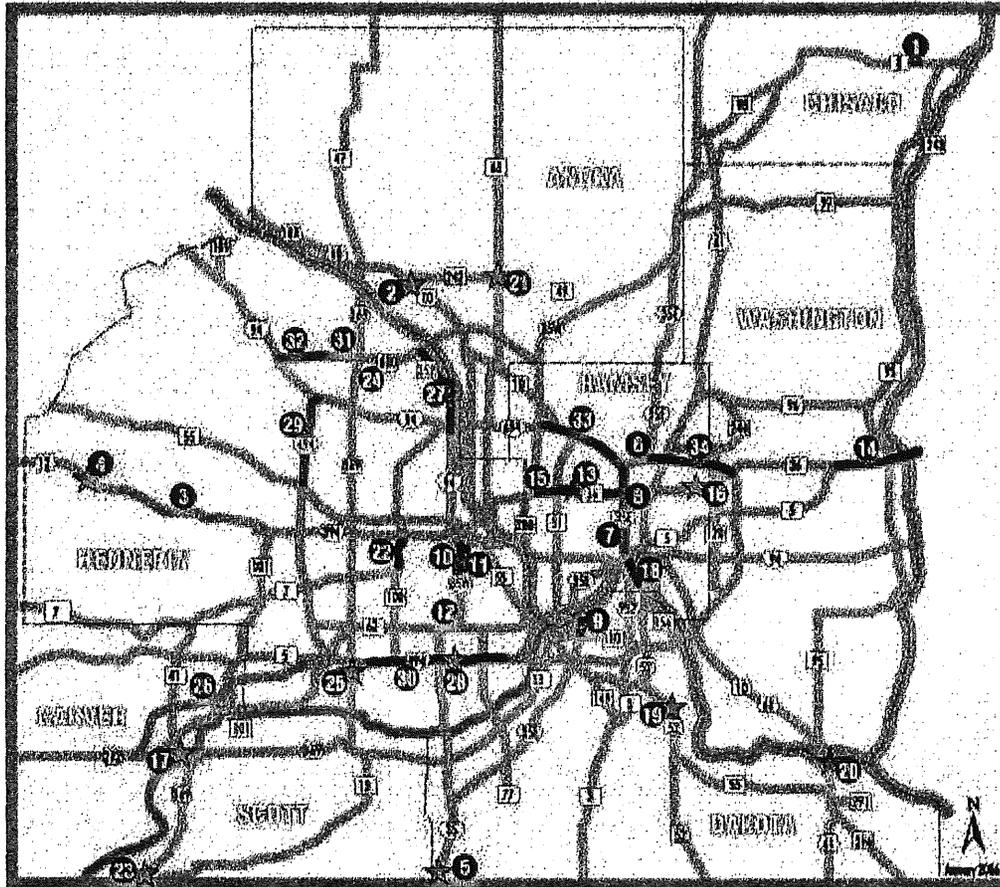


National perspective

- **Highway construction material costs skyrocket 22 % in past 2 years ...** iron and steel rose more than 60%; asphalt paving mixtures up 10 %; ready mix concrete up 18%; diesel fuel for construction vehicles rose 88% ... Source: American Road & Transportation Builders Association, January 31, 2006
- **Analyst: Construction costs 'through the roof' ...** highway and street construction leaped 16% ... Source: *Midwest Construction News*, February 2006
- **ARTBA: Materials cost increases diminishing value of SAFETEA-LU funding ...** increase over the past two years is eroding the impact of the new federal highway bill ... Source: *AASHTO Journal*, February 3, 2006
- **Structural steel prices leveling after posting strong gains last year ...** average price for wide-flange, channel and I-beams fell 1% during the first two months of 2006, a modest rollback compared to the 10% price increase during the last four months of 2005 ... Source: *Engineering News Record*, February 27, 2006



Metro Area Program



Twin Cities Metro Area Major Project Planned Investments

Project Timing

-  2006 - 2008 TIP
-  2008 - 2014
-  2015 - 2023
-  2024 - 2030
-  Currently unscheduled pending sufficient funds



I-35W/Crosstown example

- 2001 cost estimate of \$135 million
- Project deferred (Legislative Mandate).
- 2002 re-designed project cost estimate of \$175 million
- 2003 preliminary design cost estimate of \$210 million
- 2004 municipally approved project cost estimate \$234 million
- 2006 cost estimate of \$251 million



Metro Area Program Impacts

■ I-494 Design/Build

- 2003 est: \$80 million
- Let price: \$136 million
- Difference: \$56 million
- Original estimate did not include the I-394 collector-distributor road, work north of I-394 and other improvements added before the project went to bid

■ U.S. 212

- 2003 est: \$225 million
- Let price: \$238 million
- Difference: \$13 million
- Material costs increased

■ I-694/I-35E Weave

- 2003 est: \$106 million
- Let price: \$116 million
- Difference: \$10 million
- Material costs increased



Statewide perspective

- **District 8 – TH 23 (4-lane expansion, north of Willmar)**
 - FY 2001 Estimate: \$35 million
 - Let Price (FY 03): \$38 million
 - % Increase 8%

- **District 4 – TH32/TH10 (interchange near Hawley)**
 - FY 2003 Estimate: \$6.5 million
 - Let Price (FY 05): \$8.6 million
 - % Increase 32%

- **District 6 – US 52 (interchange at Oronoco)**
 - FY 2003 Estimate: \$22.85M
 - Let Price (FY 06): \$30.95M
 - % Increase 35%



The \$300 million need

- **2006-2008 Additional Funding Needs:**

- \$150 million of additional funding need associated with I-35W/Crosstown, I-494, TH 212, and I-694/I-35E Unweave projects
- \$60 million of additional funding needs associated with Wakota design fix, match for SAFETEA-LU earmark projects, TH 100 interim project, TH 65/TH 242, TH 36/McKnight

- **2009 – 2010 Additional Funding Needs:**

- \$90 million need due to changing revenue projections:
 - Federal funds increased in program categories historically managed by the Met Council, leaving less for Metro District
 - Target formula share for Metro District reduced beginning in 2009



Solution- financial strategies to manage \$300 million funding need

- **\$100 million** of SAFETEA-LU Federal Formula funding increases
- **\$50 million** of Metro Council – Transportation Advisory Board loan of SAFETEA-LU Federal Formula funding increases
- **\$60 – 85 million** of Statewide Corridor Funds:
 - In 2009 and 2010, \$60 - 85 million of Statewide Corridor Funds
- **Make additional adjustments to the Metro District program**
 - Examples include set asides, Wakota payback, reduced advance design, etc.

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Effect on Greater Minnesota (2006 – 2008)

- **\$85 million of \$150 million could have gone to Greater Minnesota under target formula (57%)**
- **An estimated additional \$45 million – 90% of the additional federal formula funds received in 2007-08 – will go to Greater Minnesota**
- **The potential net transfer from Greater Minnesota could be approximately \$40 million over 2006-08**

Outcome - financial strategies to manage program funding needs

- **No projects in Greater Minnesota are deferred or delayed**
- **During 2006-10 it is projected that 53% of all federal highway formula funding will go to Greater Minnesota and 47% to the Twin Cities Metro**
- **In 2010, it is likely that Greater Minnesota will receive most of the funding in the Statewide Bridge and Corridor Funds**
- **Maximize the use of Trunk Highway Funds**

Solution - financial strategies to manage program funding needs

Adapt to the environment

- Mn/DOT's Cost Management/Cost Estimating Initiative is intended to improve cost estimates and reduce scope changes, particularly on large-scale urban projects where scope changes can significantly increase costs.



Outcome – projects get built

SFY 2003-2005

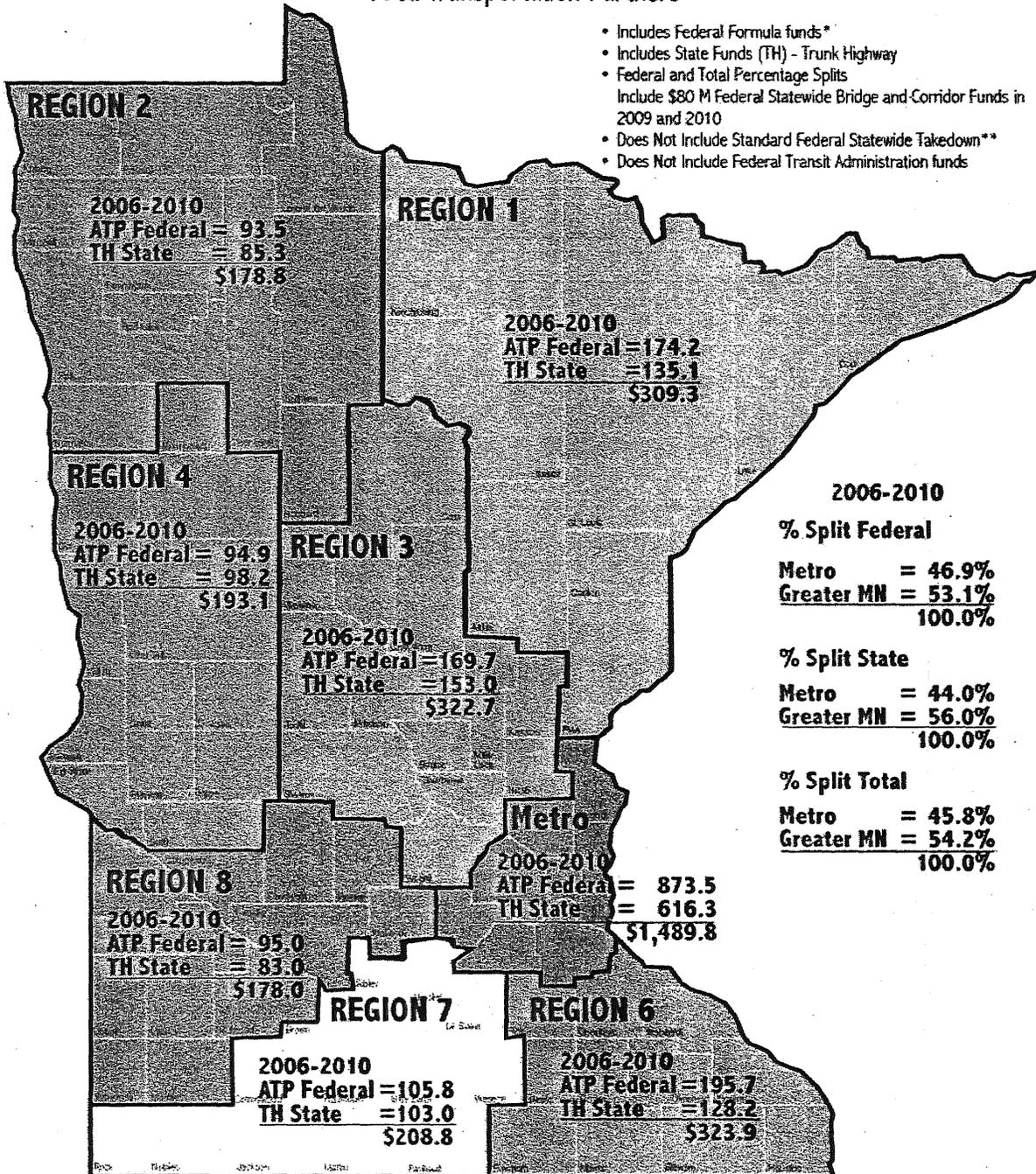
	Greater Mn	Metro	Total
Construction	1,177,947,117	1,004,486,336	2,182,433,453
Right-of-Way	142,467,678	77,953,448	220,421,126
Consultant	33,626,614	19,742,854	67,171,831
Total	\$1,354,041,409	\$1,115,985,001	\$2,470,026,410
	54.8%	45.2%	100.0%

Outcome – projects get programmed



2006-2010 STATE TRANSPORTATION IMPROVEMENT PROGRAM \$ MILLIONS

Area Transportation Partners



* Does not include Metropolitan Planning, Recreational Trails, Safe Routes, Coordinated Borders or Earmarked Funds

** Standard Statewide Takedowns include State Planning & Research, Construction Engineering and \$15 M District C
ATP - Area Transportation Partnership

Source: Office of Investment Management,
Minnesota Department of Transportation



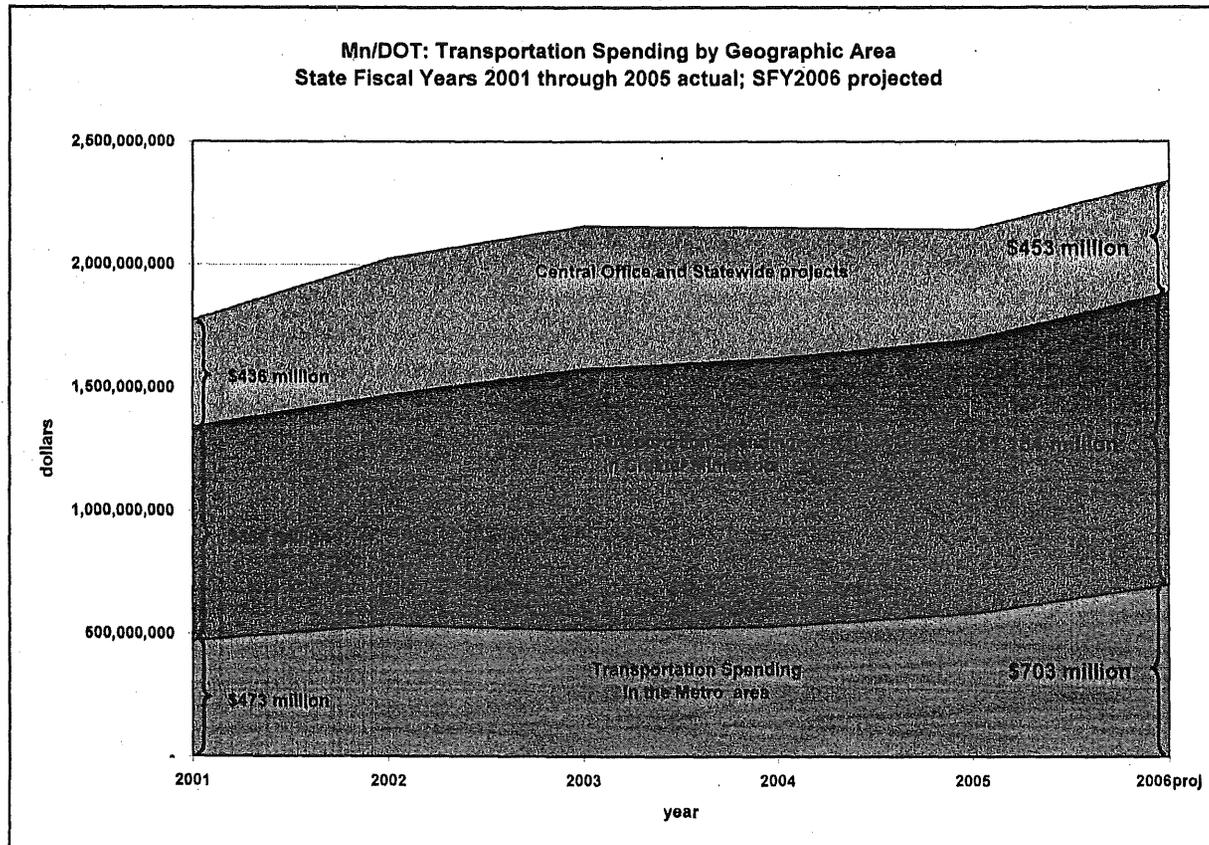
Total Mn/DOT expenditures

- **Statewide spending on transportation has increased (charts follow)**

Statewide spending on transportation has increased from SFY 2001 through SFY 2006 (projected)

Minnesota State Spending on Transportation						
	2001	2002	2003	2004	2005	2006proj
metro	473,226,777	536,424,332	517,477,628	534,220,891	585,175,582	703,620,711
outstate	865,114,605	934,837,687	1,060,291,276	1,087,907,542	1,112,595,519	1,184,325,878
statewide	436,347,506	552,032,093	577,956,647	527,684,141	445,015,320	452,998,902
Grand Total	1,774,688,888	2,023,294,111	2,155,725,550	2,149,812,574	2,142,786,420	2,340,945,492

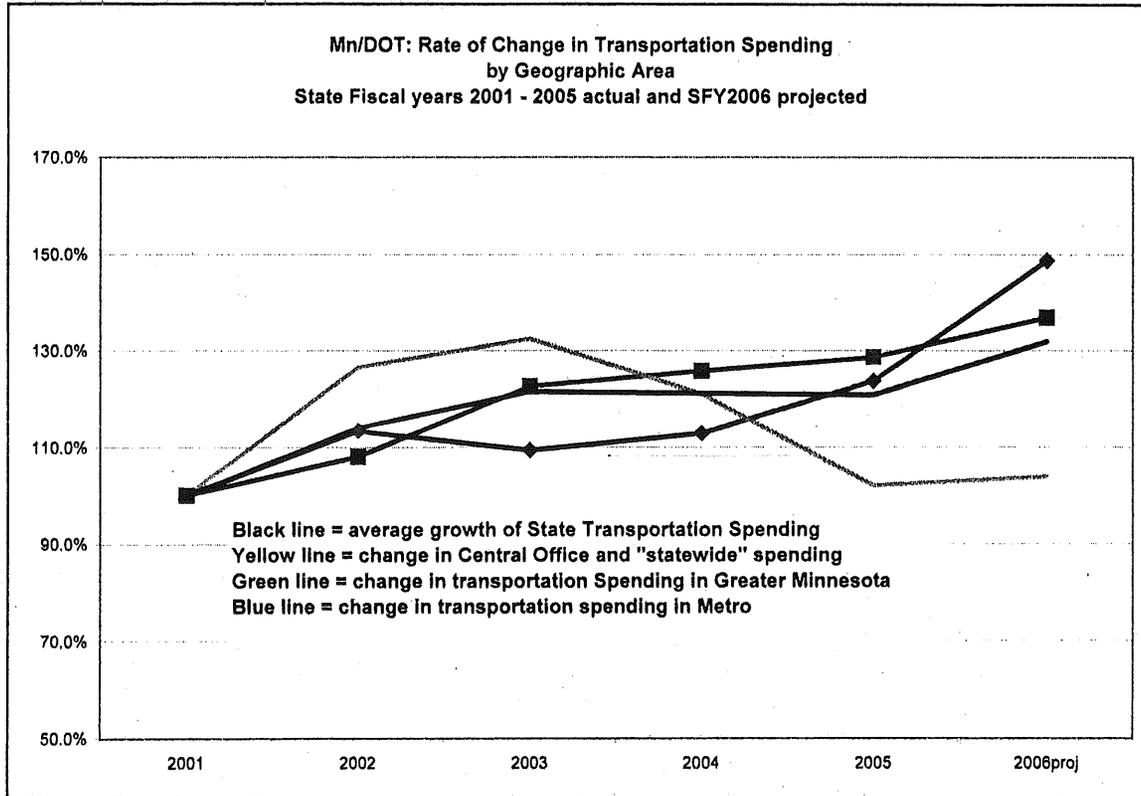
Spending has increased in Both Metro and Greater Minnesota



Transportation spending grew faster in Greater Minnesota than in the Metro area from FY2003 – 2005 .

However, spending in the metro area is expected to grow somewhat faster than in Greater Minnesota for FY2006.

Beginning in 2003, Mn/DOT has reduced central office expense (overhead) and statewide projects in order to increase spending in the districts.





Conclusion

Mn/DOT's approach to Metro District funding needs:

- It is the most feasible alternative
 - Delaying a major project such as I-35W/Crosstown would result in additional project cost increases
 - The magnitude of Metro's funding needs was unclear prior to the passage of SAFETEA-LU
- Now that SAFETEA-LU has passed...
 - There is sufficient funding to avoid delaying any major project except the I-494/TH169 interchange
 - It is fiscally responsible to maintain the projects currently programmed, rather than to delay a critical project that is ready to be built

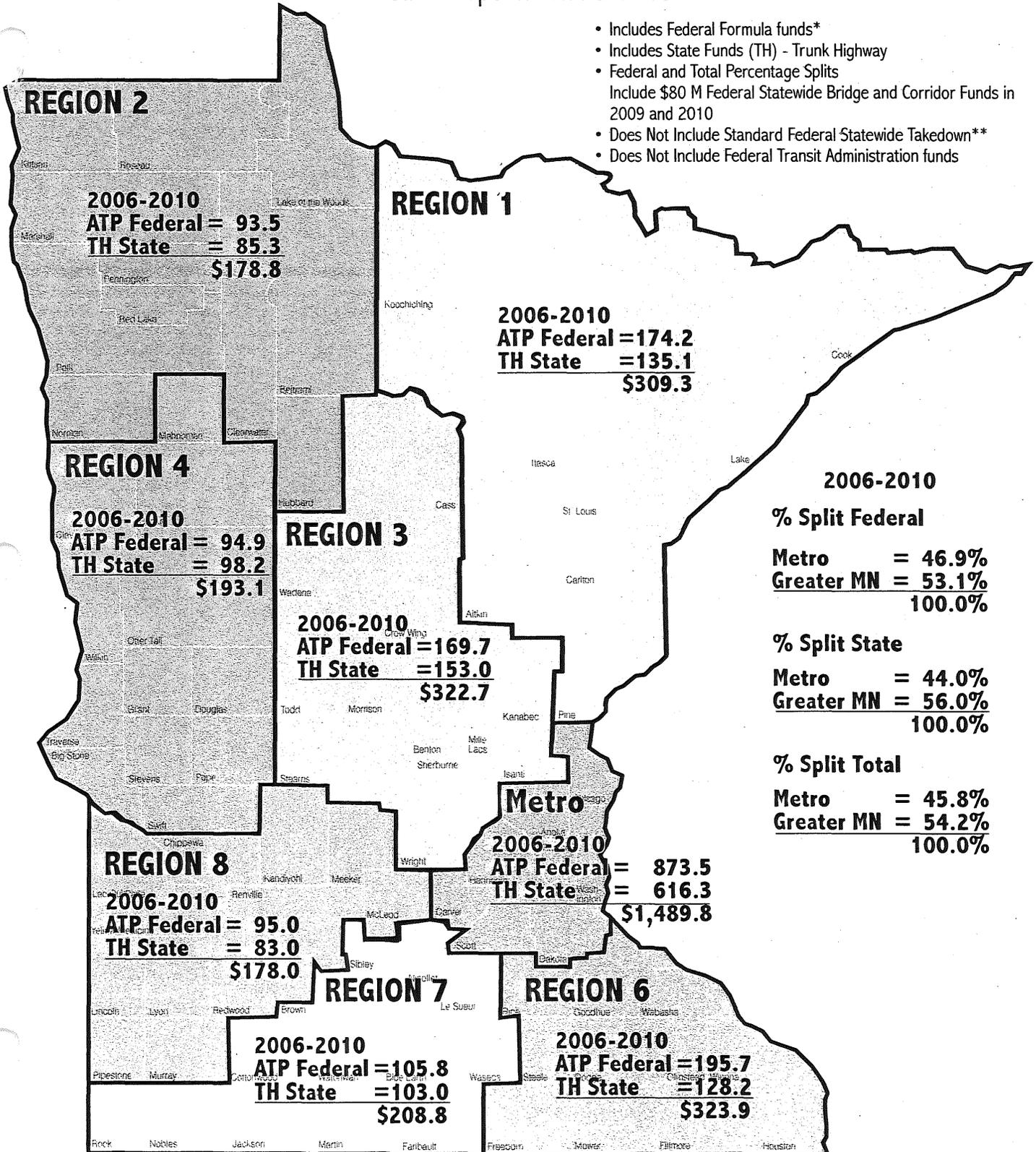


2006-2010 STATE TRANSPORTATION IMPROVEMENT PROGRAM \$ MILLIONS

(B)

Area Transportation Partners

- Includes Federal Formula funds*
- Includes State Funds (TH) - Trunk Highway
- Federal and Total Percentage Splits
Include \$80 M Federal Statewide Bridge and Corridor Funds in 2009 and 2010
- Does Not Include Standard Federal Statewide Takedown**
- Does Not Include Federal Transit Administration funds



2006-2010	
% Split Federal	
Metro	= 46.9%
Greater MN	= 53.1%
	100.0%
% Split State	
Metro	= 44.0%
Greater MN	= 56.0%
	100.0%
% Split Total	
Metro	= 45.8%
Greater MN	= 54.2%
	100.0%

* Does not include Metropolitan Planning, Recreational Trails, Safe Routes, Coordinated Borders or Earmarked Funds
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