

Pittsburgh Downtown-Uptown-Oakland-East End Bus Rapid Transit Project

Pittsburgh, PA

Financial Plan

August 2019

This section presents the capital finance plan for the proposed Downtown-Uptown-Oakland-East End Bus Rapid Transit (BRT) Project, including a summary of project capital costs, summary of funding sources, operating funding, and streamlined financial evaluation. Also attached is backup documentation for the various funding sources summarized herein. Costs developed during this planning phase are consistent with the Small Starts reporting requirements.

Capital Costs

The proposed Downtown-Uptown-Oakland-East End BRT Project will connect Downtown Pittsburgh with the Uptown, Oakland, and other East End neighborhoods. The project includes changes to both physical infrastructure and transit operations along the Downtown-Uptown-Oakland portion of the corridor (BRT Core) along with changes to transit operations and stations in the East End portion of the corridor. This includes Highland Park, Squirrel Hill, and the neighborhoods served by the East Busway. Summary of Project Capital Costs are shown in Figure 1.

Figure 1: Capital Costs

| | |
|---|---------------|
| Estimated Cost of Project Development (YOE) | \$25,668,000 |
| Total capital costs (YOE) | \$249,905,000 |
| Section 5309 Small Starts Funding Anticipated | \$99,950,000 |
| Section 5309 Small Starts Funding Share | 40 % |

The project development began in 2017 with final design of the system expected to begin in 2018. It is anticipated that construction will commence in 2021 and 2024. The project is expected to open for revenue service in 2024/2025.

Capital Funding Sources

Capital funding for the proposed Downtown-Uptown-Oakland-East End BRT Project is proposed to come from federal and state/local (together “non-federal”) sources. Figure 2 lists each anticipated capital funding source, including its status and the potential amount. A description of each program, as well as steps necessary to secure commitments, is also included.

Figure 2: Funding Sources

| Source | Status | Amount | Percent Federal | Percent Local |
|---|-----------|----------------------|-----------------|---------------|
| State Tech. Assist. and Consol. Cap. Grants | Committed | \$1,212,258 | | 100% |
| Allegheny County Pre Development | Committed | \$1,558,514 | | 100% |
| Allegheny County Design Contribution | Committed | \$15,000,000 | | 100% |
| Allegheny County Construction Contribution | Planned | \$15,000,000 | | 100% |
| ATCMTD Smart Cities | Committed | \$12,000,000 | 50% | 50% |
| CMAQ Signals | Committed | \$1,957,200 | 80% | 20% |
| PAAC Capital Contribution | Planned | \$22,800,000 | | 100% |
| City of Pittsburgh - SPC | Planned | \$64,000,000 | 80% | 20% |
| City of Pittsburgh | Planned | \$1,500,000 | | 100% |
| PennDOT Multimodal Grant | Planned | \$2,000,000 | | 100% |
| URA TRID | Planned | \$5,000,000 | | 100% |
| CMAQ Bus and Bike lane markings | Planned | \$3,200,000 | 100% | |
| Project Sponsorship - Private Entity | Planned | \$4,726,624 | | 100% |
| Section 5309 Capital Investment Grant Program | Planned | \$99,950,000 | 100% | |
| PROJECT FUNDING SUBTOTAL | | \$249,904,596 | 65% | 35% |

The Downtown-Uptown-Oakland-East End BRT Project capital costs are funded through a variety of federal, state, and local sources. These include commitments from the Commonwealth of Pennsylvania, City of Pittsburgh, County of Allegheny, PAAC, Federal Highway Administration (FHWA), and Federal Transit Administration (FTA). A portion of the funding is anticipated to come from a real property tax value capture district that will divert a portion of incremental city, county, and city school district revenues to finance certain project costs.

State Technical Assistance and Consolidated Capital Grants (BRT Pre-development). The Port Authority Board passed four resolutions between July 2011 and October 2016 for completion of professional services associated with the development of an LPA, NEPA environmental clearance, and preliminary design for the Downtown-Uptown-Oakland-East End BRT Project. See attached documentation. Funding identified for the project only includes costs incurred or to be incurred once the project was formally entered into project development by FTA on June 1, 2017.

Allegheny County Budget Capital (BRT Pre-development). Allegheny County committed funds within the 2014 and 2015 County budgets to assist the Port Authority with funding needed for completion of professional services associated with the development of a locally preferred alternative (LPA), National Environmental Policy Act (NEPA) environmental clearance, and preliminary design for the Downtown-Uptown-Oakland-East End BRT Project. Funding identified for the project only includes costs incurred or to be incurred once the project was formally entered project development by FTA on June 1, 2017.

Allegheny County Budget Capital (BRT Implementation, \$5M/year over 6 years). Allegheny County has committed to include capital budget funding for the Pittsburgh Downtown-Uptown-Oakland-East end

BRT Project in the 2018, 2019, and 2020 Capital Budgets in an amount of \$5 million/year. In 2018 and 2019, the County budgeted the first \$10 million in funding; the remaining funding for the first three year commitment is planned in 2020. Further the County has extended its commitment to the successful delivery of the BRT project and extended its commitment of \$5 million per year for three additional years, 2021, 2022, and 2023 to assist with funding the construction portion of the BRT project.

Advanced Transportation and Congestion Management Technologies Deployment (ATCMTD) FHWA (Smart Spine Infrastructure within BRT corridor). In October 2016, the U.S. Department of Transportation (USDOT) notified the City of Pittsburgh that the Smart Spine Infrastructure program (referred to as “SmartPGH”) was selected for grant award under the ATCMTD program. The SmartPGH project elements align with the Downtown-Uptown-Oakland-East End BRT Project and have been incorporated into the project costs. The Smart Spine is a \$29 million program, of which \$12 million of this program have been incorporated into the BRT project, \$6 million in local funding and \$6 million of the \$10.8 million ATCMTD grant. This project funding has been approved by SPC.

Congestion Mitigation and Air Quality (CMAQ) Program (Oakland BRT Signalization Improvements). The CMAQ Program funds transportation projects and programs to improve air quality and reduce traffic congestion to help meet the requirements of the Clean Air Act. The 2017 TIP, as well as the Draft 2019 TIP, includes funding for transit signal priority for BRT as identified in the August 2013 CMAQ Application submitted by the Port Authority. The TIP references the improvements as “PAAC – Transit Signal BRT” with monies available in 2018. The agreement requires a 20 percent state/local match; the remaining 80 percent will be from Federal funds. See attached TIP documentation. The PAAC – Transit Signal BRT project elements align with the Downtown-Uptown-Oakland-East End BRT Project and have been incorporated into the project costs.

Port Authority of Allegheny County Capital Funds. As stated in the attached letter from the PAAC Chief Executive Officer, PAAC intends to include \$22.8 million in the FY2020 budget, which is scheduled for Board approval September 27, 2020. This funding will also need the approval of PennDOT.

City of Pittsburgh Has committed to providing local match for and submitting an amendment to Southwestern Pennsylvania Commission’s (SPC) Transportation Improvement Program (TIP) for the purpose of reconstruction of the streets comprising the Uptown segment of the BRT route. The City’s TIP amendment will be for \$64 million (\$51.2 million from the Metropolitan Planning Organization (MPO) regional apportionment and \$12.8 million local funding).

City of Pittsburgh, Station Program. The City of Pittsburgh will provide \$1.5 million to support upgrades to transit shelters it owns, operates, and maintains along the corridor.

Pennsylvania Multimodal Transportation Fund (MTF). The MTF provides grants to encourage economic development and ensure that a safe and reliable system of transportation is available to Pennsylvania residents. The program is intended to provide financial assistance to municipalities, councils of governments, businesses, economic development organizations, public transportation agencies, and rail and freight ports to improve transportation assets that enhance communities, pedestrian safety, and transit revitalization.

The MTF is jointly administered by the Department of Community and Economic Development and PennDOT, under the direction of the Commonwealth Financing Authority. The program authorizing legislation (Act 89 of 2013) also established a separate dedicated PennDOT MTF that stabilizes funding for ports and rail freight, increases aviation investments, establishes dedicated funding for bicycle and pedestrian improvements, and allows targeted funding for priority investments in any mode. Both MTF sources are available to fund a portion of the Downtown-Uptown-Oakland-East End BRT Project costs. The PennDOT MTF has a maximum grant amount of \$3 million annually and can be requested for multiple years. The PAAC intends to submit an application for the 2020-2021 funding cycle, this application will be for a \$2 million single year grant for the project.

Uptown/West Oakland Eco-Innovation Transit Revitalization Investment District (TRID). The TRID program was enabled by PA Act 238 of 2004 (TRID Act) to coordinate land use, transportation, and redevelopment opportunities. The program is an economic development tool which allows for the capture of incremental tax revenues to help fund community revitalization initiatives. The TRID Act authorizes the use of a district-based tax increment financing (TIF) mechanism to capture increases in real property taxes resulting from new development to pay for necessary public infrastructure, including transportation improvements. All or a portion of new tax revenues generated above the initial tax base can be diverted to finance eligible project costs.

Designation of a TRID must be supported by a planning study that establishes existing environmental conditions, proposed/potential redevelopment, market conditions, land use/zoning, necessary infrastructure improvements, and a financial plan. The TRID Plan (*Uptown/West Oakland Eco-Innovation District Plan*) was finalized in September 2017. In addition to the planning study, a TRID requires an administrative agreement, local legislative approval by the participating taxing bodies, and creation of a management entity to oversee implementation. It is estimated the TRID will result in approximately \$5 million of total pledged increment available for the Downtown-Uptown-Oakland-East End BRT Project. Ultimately, the amount of TRID proceeds available will be dependent upon the pledged projects/incremental revenues, credit enhancement, and source of upfront capital. The PAAC is currently analyzing the financial feasibility and estimated revenues to be generated by a TRID. Preliminary modeling is attached to this application.

Congestion Mitigation and Air Quality (CMAQ) Program (Bus and Bike Lane Pavement Markings). The CMAQ Program funds transportation projects and programs to improve air quality and reduce traffic congestion to help meet the requirements of the Clean Air Act. PAAC intends to submit CMAQ application for \$3.2 million in bus and bike lane infrastructure along the corridor as part of the 2019 regional solicitation for CMAQ. The application period closes September 9, 2019. The CMAQ program requires a 20 percent state/local match; the remaining 80 percent will be from Federal funds. If the application is successful, a portion of the \$22.8 million in PAAC capital funds discussed above would be leveraged as local match for the \$3.2 million in CMAQ funds.

Project Sponsorship – Private Entity. PAAC is considering naming rights deals for the BRT project and/or for individual stations. Both concepts have been successful in generating additional revenue for other great lakes region projects such as the Health line in Cleveland and Q line in Detroit. Based upon these conversations and recent experiences in Cleveland and Detroit PAAC feels that \$4.5- \$5 million in capital funding for the project is conservative. PAAC’s marketing department is coordinating efforts to seek private funding for project sponsorship.

Potential Other Funding Source

The following potential sources of non-federal funding have been identified in the event additional capital funding sources are necessary to complete the Downtown-Uptown-Oakland-East End BRT Project.

State Capital Budget Transportation Assistance Program Authorization. Pennsylvania’s state constitution requires a capital budget in addition to the budgets that deal with agency operations and non-preferred appropriations. The Capital Facilities Debt Enabling Act provides the framework for the capital budget process in Pennsylvania, including the itemization of projects under the Capital Budget Project Itemization Act and setting of annual debt limits under the Capital Budget Act. The Transportation Assistance Program represents a portion of the Commonwealth capital budget. The program funds transportation investments, including the purchase of rolling stock and construction or improvement of facilities operated by mass transportation agencies throughout the Commonwealth; the acquisition, construction, and equipping of rural and intercity common carrier surface transportation systems or any components thereof as authorized in Act 10 of 1976; and aviation transportation systems. These projects are administered by the Pennsylvania Department of Transportation (PennDOT).

Congestion Mitigation and Air Quality (CMAQ) Program (Central Business District Signal Improvements). The CMAQ Program funds transportation projects and programs to improve air quality and reduce traffic congestion to help meet the requirements of the Clean Air Act. PAAC intends to submit CMAQ application for \$6.8 million in signal improvements in the Central Business District portion of the BRT corridor as part of the 2019 regional solicitation for CMAQ. The application period closes September 9, 2019. The CMAQ program requires a 20 percent state/local match; the remaining 80 percent will be from Federal funds. If the application is successful, a portion of the \$22.8 million in PAAC capital funds discussed above would be leveraged as local match for the \$3.2 million in CMAQ funds.

Operating Funding Plan

The Operating and Maintenance Plan prepared for the project indicates that the Port Authority had a total operating budget \$462.6 million in FY 2020. It is expected that with the Downtown-Uptown-Oakland-East End BRT Project, the number of weekday service hours will decrease by approximately 152 hours and the weekday service miles will decrease by 2,249. This is due to increased efficiency of service along the corridor with the addition of BRT. In addition, battery electric buses will be introduced to the fleet with the BRT project as well, which is anticipated to decrease fuel costs and maintenance costs. As a result, the operating budget for this corridor will decrease from approximately \$60.9 million annually to \$56.6 million annually—a savings of approximately \$4.3 million annually. As such, the proposed BRT operations can be funded under the existing plan.

Streamlined Financial Evaluation

The Port Authority is eligible for a streamlined financial evaluation of the Downtown-Uptown-Oakland-East End BRT Project based on:

- A reasonable plan to secure funding for local capital costs, as detailed above.
- An expected decrease in projected operating and maintenance cost by \$7.3 million for the Downtown-Uptown-Oakland-East End BRT. This is due to the addition of battery electric buses, which have less fuel and reduced maintenance costs, as well as efficiencies gained by adding BRT to the corridor. The Port Authority’s 2020 system-wide operating budget is \$462.5million, and it is expected to decrease 7.3 million (-1.5 percent) with the Downtown-Uptown-Oakland-East End BRT Project. This is below the maximum 5 percent threshold to be eligible for the streamlined evaluation.
- The Port Authority are in good financial condition, as demonstrated by the three years of audited financial statements (2016 – 2018).

Supporting Documentation

The following supporting financial documentation is included as attachments to this financial plan. These materials included the following:

| Source | Supporting Documentation |
|---|--|
| State Tech. Assist. and Consol. Cap. Grants | 1-PAAC_Resolutions for PB and CDMS contracts (h).pdf |
| Allegheny County Pre Development | 2-County Budget Resolution_2014_Capital (h).pdf |
| | 3-County Budget Resolution_2015_Capital (h).pdf |
| Allegheny County Design Contribution | 4-Support Letter_Ongoing Commitment of Funding for BRT to URA 08-13-19.pdf |
| | 5-Allegheny County Budget Resolution 20-17-RE 10389-17.pdf |
| Allegheny County Construction Contribution | 4-Support Letter_Ongoing Commitment of Funding for BRT to URA 08-13-19.pdf |
| ATCMTD Smart Cities | 6-Support Letter from CoP BRT 8-13-19.pdf |
| | 7-Resolution 12-17 BRT-ATCMTD (h).pdf |
| | 8-City-Smart Spine_Award Memo to PA Division.pdf |
| | 9-2019-TIP ALCO_PGH.pdf |
| CMAQ Signals | 9-2019-TIP ALCO_PGH.pdf (2013) |
| | 10-2017_TIP_ALCO.pdf (2019) |
| | 11-CMAQ_SPC_TIP_Appendix 6_Highway Program List.pdf |
| | 12-PAAC CMAQ BRT TSP Candidate Project Description.pdf |
| PAAC Capital Contribution | 13-BRT Commitment Letter - Port Authority.pdf |
| City of Pittsburgh – SPC | 6-Support Letter from CoP BRT 8-13-19.pdf |

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| City of Pittsburgh | 6-Support Letter from CoP BRT 8-13-19.pdf |
| PennDOT Multimodal Grant | 17 -Intention to Apply for Funding |
| URA TRID | 14-ECOINNOVATION_PLAN.pdf, |
| | 15-Uptown-West Oakland TRID financial analysis.pdf |
| CMAQ Signals | 17 -Intention to Apply for Funding |
| Project Sponsorship - Private Entity | Details are confidential until agreements are signed. |
| State Capital Budget Transportation Assistance Program Authorization | 16-Pennsylvania Senate Bill 651 Amended July 10 2017 Page 94 (h).pdf |