

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

## Pittsburgh, PA

### Financial Plan

September 2018

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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.

Capital Costs include:

- Estimated Cost of Project Development (YOE): \$2,874,000
- Total capital costs (YOE): \$195,500,000
- Section 5309 Small Starts Funding Anticipated: \$97,750,000
- Section 5309 Small Starts Funding Share: 50 percent

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 fall of 2019 and end in late 2021. The project is expected to open for revenue service in 2021.

#### 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 1 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 1: Funding Sources**

Source	Status	Amount	Percent Federal	Percent Local
Section 5309 Capital Investment Grant Program	Planned	\$97,750,000	100%	
FTA Formula Funds in TIP for Bus Procurement	Committed	\$20,000,000	80%	20%
ATCMTD FHWA (Smart Spine Infrastructure within BRT corridor)	Committed	\$15,500,000	70%	30%
City of Pittsburgh, In-kind Station Improvement Program	Committed	\$12,761,250		100%
Allegheny County Budget Capital (BRT Pre-development)	Committed	\$1,558,514		100%
CMAQ (Oakland BRT Signalization Improvements)	Committed	\$1,957,200	80%	20%
State Technical Assistance and Consolidated Capital Grants (BRT Pre-development)	Committed	\$1,212,258		100%
State Capital Budget Transportation Assistance Program Authorization	Planned	\$9,069,962		100%
Pennsylvania Department of Transportation Multimodal Transportation Fund	Planned	\$15,000,000		100%
Allegheny County Budget Capital (BRT Implementation, \$5M/year over 3 years)	Committed	\$15,000,000		100%
Uptown/West Oakland Eco-Innovation Transit Revitalization Investment District	Planned	\$5,000,000		100%
Pennsylvania Department of Community and Economic Development	Planned	\$690,816		100%
<b>PROJECT FUNDING SUBTOTAL</b>		<b>\$195,500,000</b>	<b>64.5%</b>	<b>35.5%</b>

### Federal Funding Sources

**FTA Formula Funds in TIP for Bus Procurement.** The 2017 TIP, as well as the 2019 which is pending approval, includes FTA Formula Funds for Port Authority of Allegheny County (Port Authority or PAAC) bus procurement (refer to attached documentation for details). Funding is to be available in 2020, and will be using 80 percent Federal funds and 20 percent state/local funds. Although the purchased buses will be battery electric powered, this funding source will cover project cost for the purchase of 25 60-foot articulated diesel buses at \$800,000 per bus. The balance of costs for battery electric buses is included in the project, costs but will be funded separate from this source.

**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 project (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 City is working with the USDOT in finalizing the award agreement, exploring the potential for using a Local Public Agency agreement versus a direct cooperative agreement the City and FHWA, and negotiating a final statement of work. The agreements will require a 30 percent state/local match. This project funding is in process to be entered in the TIP at the end of September 2017. Refer to TIP request documentation attached.

**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.

### **Non-Federal Funding Sources**

The non-Federal portion of the Downtown-Uptown-Oakland-East End BRT Project capital costs are funded through a variety of state and local sources. These include commitments from the Commonwealth of Pennsylvania, City of Pittsburgh, and County of Allegheny. 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.

**City of Pittsburgh, In-kind Station Improvement Program.** The City of Pittsburgh currently holds a contract with a concessionaire to provide bus stations and bus station improvements, including provision of advertisement space. The City is currently developing a request for proposals (RFP) to re-compete the contract. The RFP will include provision of various station elements as defined within the Downtown-Uptown-Oakland-East End BRT Project costs. The existing contract and RFP are included in this application. This program is an ongoing effort by the City and is part of the City’s annual operations.

**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. See attached TIP documentation.

**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.

**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).

A series of legislative actions authorize revenue and General Obligation borrowing to fund the program. Eligible projects must be included in the Capital Budget Project Itemization Act as a line item authorization for future funding consideration. Pennsylvania Senate Bill (SB) 651 is the Capital Budget Project Itemization Act of FY 2017-2018. It establishes the categories under which capital projects may be funded, in part or in whole, through the issuance of general obligation debt or current revenue. The Downtown-Uptown-Oakland-East End BRT Project is included as a \$150 million line item in the Transportation Assistance Program authorization. SB 651 was approved by the Senate in May 2017 and subsequently referred to the House Appropriations committee. It is anticipated the legislation will be approved and sent to the Governor for signature in the Fall of 2017. The actual amount to be authorized is yet to be determined.

**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 Urban Redevelopment Authority of Pittsburgh (URA) applied for the MTF Grant cycle in October of 2017. The project currently is planning for \$3 million a year over five years totaling \$15 Million for the project. Announcement of the grant is planned for fall of 2018.

**BRT Smart Spine Infrastructure Local Match.** As detailed above, the ACTMTD award for the SmartPGH project will require a 30 percent state/local match. This project funding was entered in the TIP at the end of September 2017. Refer to TIP request documentation attached.

**Allegheny County Budget Capital (BRT Implementation, \$5M/year over 3 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, the County

budgeted the first \$5 million in funding; the remaining funding are planned to follow in 2019 and 2020. Refer to the commitment letter attached.

**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*) has been finalized, and it is anticipated the City of Pittsburgh Planning Commission will approve 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 URA is currently analyzing the financial feasibility and estimated revenues to be generated by a TRID. Preliminary modeling is attached to this application.

**Pennsylvania Department of Community and Economic Development.** The mission of the department is to enhance investment opportunities and to improve the quality of life for residents including grant funding of local governments for projects to revitalize infrastructure. The City of Pittsburgh submitted an application on July 31, 2018 to assist in funding a local roadway improvement project that will incorporate BRT improvements at the intersection of Bellefield Blvd. and Forbes Avenue. This grant also leverages City and Private funding. An amount of \$690,816 is planned for the BRT portion of the overall project. An announcement for the grant is planned for Fall of 2018.

### Potential Other Non-Federal Funding Source

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

**Pennsylvania Department of Environmental Protection (as trustee for the Volkswagen Environmental Mitigation Trust Agreement Settlement).** As part of the Volkswagen Environmental Mitigation Trust Agreement Settlement related to clean air, the City is in discussions with the Pennsylvania Department of Environmental Protection to potentially provide a grant to replace diesel buses with additional battery electric buses for the project. This grant may also be used for additional electric charging stations. An amount of up to \$16 Million is available state wide.

### Operating Funding Plan

The Operating and Maintenance Plan prepared for the project indicates that the Port Authority had a total bus operating budget \$301 million in FY 2017. 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, electric battery buses will be introduced to the fleet with the BRT project as well, which will also decrease fuel costs and maintenance costs. As a result, the operating budget for this corridor will decrease from approximately \$62.6million annually to \$54.1 million annually—a savings of approximately \$8.5 million annually. As such, the proposed BRT operations can be funded under the existing plan.

## Streamlined Financial Evaluation

The URA 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 \$8.5 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 2017 system-wide operating budget is \$301 million, and it is expected to decrease to \$292.5 million (-2.8 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 URA and Port Authority are in good financial condition, as demonstrated by the three years of audited financial statements (2015 – 2017).

## Supporting Documentation

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

### 1. FTA Formula Funds in TIP for Bus Procurement

- FFY 2017 SPC TIP
- 2015 – 2018 Transportation Improvement program for Southern Pennsylvania, Public Transportation Project List
- PAAC Funding Match Commitment Letter

### 2. ATCMD FHWA (Smart Spine Infrastructure within BRT corridor)

- Request for amendment to September 2017 TIP
- Draft FY 2019 SPC TIP
- FY 2016 City of Pittsburgh Smart Spine (ATCMD) Award Announcement Attachment
- FHWA Grant Award Memorandum
- BRT Signals Cost Estimate
- PAAC Funding Match Commitment Letter

### 3. City of Pittsburgh, In-kind Station Improvement Program

- Draft RFP for service
- City of Pittsburgh Commitment Letter

### 4. Allegheny County Budget Capital (BRT Pre-development)

- County budget resolution 2014
- County budget resolution 2015
- State Consolidated Capital Assistance Grant Agreement

#### **5. CMAQ (Oakland BRT Signalization Improvements)**

- FFY 2017 SPC TIP
- 2015 – 2018 Transportation Improvement program for Southern Pennsylvania, Appendix 6 Highway Program Project List.
- CMAQ Candidate Project Description
- PAAC Funding Match Commitment Letter
- State Consolidated Capital Assistance Grant Agreement

#### **6. State Technical Assistance and Consolidated Capital Grants (BRT Pre-development)**

- PAAC resolutions for PB and CDM Smith contracts for NEPA and preliminary design.

#### **7. State Capital Budget Transportation Authorization**

- Senate Bill No. 651, page 94

#### **8. Pennsylvania Multimodal Transportation Fund**

- Multimodal Transportation Fund Application

#### **9. BRT Smart Spine Infrastructure Local Match**

- Draft FY 2019 SPC TIP
- Request for amendment to September 2017 TIP
- PAAC Funding Match Commitment Letter

#### **10. Allegheny County Budget Capital (BRT Implementation, \$5M/yr. over 3 yrs.)**

- Allegheny County commitment letter August 29, 2017
- Allegheny County Budget Resolution 20-17-RE 10389-17
- County budget resolution 2016
- PAAC County Funding Req FY 2017-2023

#### **11. Uptown Eco-Innovation Transit Revitalization Investment District**

- Uptown/West Oakland Eco-Innovation District Planning Study



- Uptown/West Oakland TRID financial analysis

**12. Annual Financial Reports - Port Authority of Allegheny County**

- Comprehensive Annual Financial Reports 2015, 2016, 2017, and 2018
- PAAC Capital 12 Year Plan 2017-2028

**13. Annual Financial Reports - Urban Redevelopment Authority of Pittsburgh**

- Comprehensive Annual Financial Reports 2015, 2016, 2017, and 2018

**14. Pennsylvania Department of Community and Economic Development**

- Multimodal Transportation Fund Application