

# CHAPTER 8

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# FINANCIAL PLAN



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**W A M P O**

Wichita Area Metropolitan Planning Organization



## Overview

This chapter presents the financial plan to pay for proposed projects and strategies contained in the MTP 2035. Federal transportation legislation requires WAMPO to include a financial plan in the MTP 2035. The purpose of the financial plan is to demonstrate that the projects included can actually be implemented over time. This financial plan demonstrates that the region can reasonably anticipate having enough funding to pay for the projects that are proposed.

This chapter explains how transportation improvements are funded in the WAMPO region including a discussion of the major federal, state, and local revenue sources. The chapter also explains the key elements of the financial plan, the data collected, and the assumptions made about future revenue and costs. The forecasts of future transportation revenue and costs are presented and summarized, including discussion of both costs for new construction projects and operations and maintenance of the existing transportation network. Finally, the chapter includes discussion of WAMPO's long-term ability to pay for all of the needed transportation projects and potential strategies that the region can pursue to increase funding for transportation.

The MTP 2035 includes a detailed financial plan appendix that includes much of the information collected for this plan (**Appendix 5: Financial Plan Data**).

## What Is a Financial Plan and Why Is it Needed?

A financial plan is an important part of the MTP 2035 that demonstrates that the plan can be reasonably implemented. The development of this plan is guided by federal laws and regulations on metropolitan planning, most recently updated by SAFETEA-LU. The federal regulations, specifically 23 CFR 450, direct WAMPO to complete the following:

- A financial plan that demonstrates how the adopted transportation plan can be implemented.
- For purposes of transportation system operations and maintenance, the financial plan shall contain

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### What is a financial plan?

A projection of future income and expenses.

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Road Project



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### What is year of expenditure?

A term used by federal legislation to explain that WAMPO must take into account inflation of revenues and costs, based on when revenues are expected to be available and projects are expected to be implemented.

Revenues for the 25 year MTP 2035 are not available at one time, they flow in over time. Also, project costs change over time due to inflation.

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### What is fiscal constraint?

Project costs do not exceed reasonably anticipated revenues. Basically, it is a determination that we can pay for the projects proposed in the MTP 2035.

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### What is the Eligible for Funding List?

The list of projects included in the MTP 2035 that are qualified to receive federal transportation funds over the next 25 years. The list was developed using the project selection process (**Appendix 3: Project Selection Process**).

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system-level estimates of costs and revenue sources that are reasonably expected to be available to adequately operate and maintain federal-aid highways.

- For the purpose of developing the metropolitan transportation plan, the MPO, public transportation operator(s), and state shall cooperatively develop estimates of funds that will be available to support metropolitan transportation plan implementation.
- The financial plan shall include recommendations on any additional financing strategies to fund projects and programs included in the metropolitan transportation plan.
- Revenue and cost estimates that support the metropolitan transportation plan must use an inflation rate(s) to reflect “year of expenditure dollars,” based on reasonable financial principles and information, developed cooperatively by the MPO, state(s), and public transportation operator(s).
- For illustrative purposes, the financial plan may (but is not required to) include additional projects that would be included in the adopted transportation plan if additional resources beyond those identified in the financial plan were to become available.

Essentially, the financial plan anticipates the transportation revenue available between 2010 and 2035 and compares it to the anticipated costs of projects proposed as a part of the MTP 2035.

A financial plan shows that the decisions made as part of the MTP 2035 are financially balanced, or fiscally constrained. **Fiscal constraint** means that the region is making transportation project choices that are in line with the reasonably anticipated funding available. The region will be able to pay for and maintain the transportation projects proposed to be built. One of the benefits of this approach to planning is that it forces residents, stakeholders, and all individuals involved in preparing the MTP 2035 to make realistic decisions about the number, types, and details of projects to include on the project lists located in **Appendix 4: Project List**.

It is important to understand that the projects listed in **Appendix 4** on the **Eligible for Funding List** are eligible for funding but are not guaranteed to receive any type of



federal, state, and/or local funding. Projects must be in the Eligible for Funding List to be considered for the federal transportation funding. This is the first step; in order for the projects to actually receive federal funds, they must be included in another WAMPO document, the **Transportation Improvement Program (TIP)**. The TIP is a four year implementation plan for projects. Projects must be included on the Eligible for Funding List before they can be included in the TIP.

### How Are Transportation Improvements Funded in the WAMPO Region?

Transportation funding in the WAMPO region comes from a wide variety of sources and programs. These can essentially be categorized at three different levels:

- **Federal Funds:** Transportation funds originating from the United States Government, including funds from the **Highway Trust Fund (HTF)**, funded by fuel taxes, and by other transportation funding sources designated by Congress. These are the funds most commonly administered through WAMPO.
- **State Funds:** Transportation funds originating from the State of Kansas and usually administered by the Kansas Department of Transportation (KDOT).
- **Local Funds:** Funds designated for transportation projects by counties, cities, local jurisdictions, as well as any specific local districts or units of government.

Many transportation projects are funded by a combination of federal, state, and/or local funding. For example, to access federal funds, local and state governments usually must provide some form of matching funds, often 20% of the cost of the project. Federal funds are typically reimbursed; local governments must pay for the project and are then reimbursed up to the federal funding limit for the project. From 2007 and 2009, an estimated \$620 million was spent on transportation projects in the WAMPO region. This does not include funding for routine operations and maintenance. **Exhibit 8.1** shows the breakdown by source of these funds.

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#### What is the TIP?

The short range implementation program that allows federal transportation funds to be spent on local or regional projects.

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#### What is the HTF?

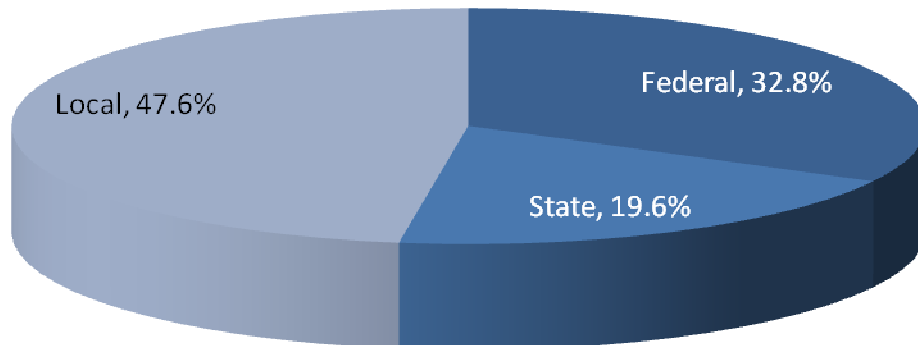
A federal fund for transportation projects that receives revenue from users of the transportation system, such as fuel taxes, truck sales taxes, and fines on trucks.

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**Exhibit 8.1: 2007 to 2009 Breakdown of WAMPO Region Transportation Funding by Source**



Nearly half of the funding for transportation came from local sources, approximately one third came from federal sources, and approximately one fifth came from state sources.

### **Federal Funding**

The United States Department of Transportation (USDOT) administers over 100 different funding programs for transportation planning, operations, maintenance, and construction. Most federal transportation funding is provided from the HTF. This fund was created as a user-supported fund. The revenues of the HTF were intended for financing highways with the taxes dedicated to the HTF paid by the users of highways. Transportation legislation over the last 25 years has expanded the use of HTF revenue to fund other modes of transportation such as transit and bicycle/pedestrian facilities. The HTF receives revenue from federal gasoline taxes, taxes on other fuels, tire taxes, truck and trailer sales taxes, taxes on heavy trucks, and fines for overweight and non-compliant trucks. The HTF was setup as a pay as you go fund, meaning that most federal transportation funding was limited to the amount in the HTF unless Congress provides money from other sources. If the balance in the HTF fund (similar to a bank balance) is reduced to zero, regular federal payments for transportation projects must be reduced or stopped. This has been an issue in recent years as revenue into the HTF has not always been enough to fund the commitments



made in transportation funding legislation, such as SAFETEA-LU. With the dwindling balance of the HTF, the long-term forecast for future federal funding of transportation is uncertain. SAFETEA-LU expired in September 2009 and thus far, the funding for this legislation is authorized under continuing resolutions. A long-term transportation funding bill is in the works, but likely will not be passed until after the adoption of the MTP 2035. The following paragraphs address the most common federal programs, mostly paid for out of the HTF, which WAMPO and its partner agency KDOT administer.

### *Funding through Federal Highway Administration*

The Federal Highway Administration (FHWA), part of the USDOT, provides much of the federal funding administered by WAMPO. Substantial FHWA funding programs include:

- **Metropolitan Planning Program (PL)** funds are provided to urbanized areas with populations greater than 50,000, including the WAMPO region. Although the funds are provided by FHWA, they are dedicated to support transportation planning for all modes of transportation including the preparation of plans such as the MTP 2035.
- **Surface Transportation Program (STP)** funds are used to fund road and bridge projects, transit capital improvements, and planning activities. In order to be eligible for STP funds, road and bridge projects must be on the federal-aid system.
- **Highway Bridge Replacement and Rehabilitation Program (BR)** funds are used to fund bridges on a wide variety of public roads. 85% of the funding is dedicated to bridges that are on roads eligible to receive federal-aid funding while 15% must be spent on bridges not on the federal-aid system.
- **Congestion Mitigation/Air Quality (CMAQ)** funds are provided to assist urbanized areas in meeting the National Ambient Air Quality Standards (NAAQS). See **Chapter 10: Air Quality** for more information on the NAAQS. In states with locations that currently violate the NAAQS, much, if not all, of the CMAQ funding must be spent on projects that are in conformance with the state's air quality implementation plan. This is not currently the case for Kansas as no regions or counties in the State currently violate the NAAQS. Historically, WAMPO

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What is the federal-aid system?

Roadways that are eligible for federal transportation funds. It includes all roads designated as rural major collector and above.

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has designated this money for a variety of needed transportation projects. If Wichita or other areas in Kansas end up violating the NAAQS, this money will need to be designated to transportation projects aimed at improving air quality.

- **Highway Safety Improvement Program (HSIP)** funds are provided for improvements to roads with the purpose of reducing traffic fatalities and injuries. Some of these funds are designated for use in rural areas.
- **Transportation Enhancement (TE)** funds are a part of the STP program for projects such as bicycle/pedestrian trails, aesthetic enhancements, lighting, and other projects that enhance the transportation system other than basic road and bridge improvements.
- **National Highway System (NHS)** funds are provided to KDOT to improve highways on the designated federal National Highway System, which includes most interstate highways as well as many U.S. highways and state highways.
- **Interstate Maintenance (IM)** funds are provided to KDOT to address maintenance issues on interstate highways including rehabilitation and resurfacing. These funds cannot be used to add capacity to the interstates.

### *Funding Through Federal Transit Administration*

The Federal Transit Administration (FTA) provides funding for transit services in the WAMPO region through a wide variety of programs. Many transit funding programs are known by a section number as well as names. The FTA transit funding programs are:

- **Operating and Planning (Section 5307)** funds support urban transit systems, like Wichita Transit, in communities over 50,000 in population. These funds are allocated to urban areas based on population, population density, and performance evaluations of the transit system.
- **Capital Investment (Section 5309)** funds are discretionary funds for major transit capital investments. These are funds that transit providers in the WAMPO region must compete with other regions to obtain.



- **Special Needs (Section 5310)** funds support transit services that are focused on serving elderly persons and/or people with disabilities. These funds are allocated based on the concentration of elderly persons and people with disabilities in the WAMPO region compared to other urban areas nationally.
- **Rural Capital and Operating (Section 5311)** funds support transit service in rural areas and in those regions with less than 50,000 people. Kansas receives a grant based on the percentage of the population that lives outside urbanized areas. Some of this funding is allotted to the WAMPO region for the non-urbanized portions of Sedgwick County and through the region's involvement as a part of Coordinated Transit District (CTD) #12.
- **Job Access and Reverse Commute (JARC - Section 5316)** funds support transportation services to access employment opportunities and needed support services for low-income individuals and families, including welfare recipients. The WAMPO region receives a share of this funding based on census data estimates of the number of low-income people living in Kansas and in the region.
- **New Freedoms (Section 5317)** funds support new transit services or features to accommodate the needs of people with disabilities that are beyond the minimum requirements for the Americans with Disabilities Act (ADA).



Transit Project

In addition, FTA contributes metropolitan planning funds similar to the PL program previously listed under FHWA funding. Funding from the STP, CMAQ, and TE programs listed under FHWA funding above may also be used for transit related improvements.

### *Other Federal Transportation Funding*

There are other common sources of federal transportation funding that support projects in the WAMPO region. These include:

- **Safe Routes to School Program** provides funds to states and local governments to promote safe walking and biking to school.
- **Airport and Airways Trust Fund** provides funds for aviation activities. Airports in the WAMPO



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ARRA Funded Project

region sometimes receive grants for improvements from the Federal Aviation Administration (FAA) that come from the Airport and Airways Trust Fund.

- **Federal Directed Funding** is funding contained in a piece of federal legislation that designates funds for a specific transportation project or service, and only that project or service. Often these designated funds come from one or more of the federal funding sources discussed above, reducing the total amount those programs can spend on other projects.
- **American Recovery and Reinvestment Act (ARRA)**, more commonly known as stimulus funding, funded several transportation projects in the WAMPO region in 2009 and 2010. This is not recurring funding although similar programs may occur in the future depending on economic conditions. This financial plan for the MTP 2035 is not dependent on future ARRA type programs as a source of transportation funding.

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### What is T-LINK?

An initiative of the State of Kansas to develop a strategic approach for meeting the state's future transportation needs.

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### What is the CTP?

The most recent Kansas transportation funding program. It was a ten year program that concluded in 2009. The CTP allocated approximately \$1.3 billion per year for the entire state.

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### State Funding

KDOT has been conducting a detailed analysis of transportation funding in the state through the **Transportation – Leveraging Investments in Kansas (T-LINK)** process. The outcome of this process may be a new long-term funding program for transportation in Kansas. The most recent major transportation program in Kansas was the **Comprehensive Transportation Funding Program (CTP)**, which was authorized by the State legislature in 1999 and was a ten-year program that has concluded. The average yearly expenditure on transportation from the CTP was approximately \$1.3 billion for the entire state. As a result, this financial plan has been constructed acknowledging uncertainty in long-term funding at both the state and federal level. State funding for transportation in Kansas comes primarily from four sources: motor fuel taxes, motor carrier property taxes, motor vehicle registration fees, and sales taxes. State funding for transportation in Kansas is split two ways. There is direct funding of projects by KDOT and there are transfers of fuel, property tax, and sales tax receipts to local governments through the Special City and County Highway Fund (SCCHF). The SCCHF funds are provided to local governments to maintain key links in the state transportation system.



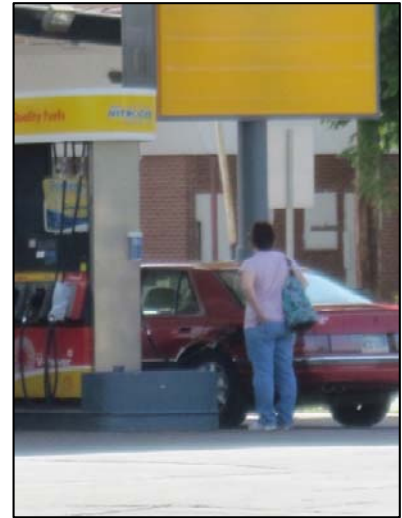
## Local Funding

Local governments fund transportation through a wide mix of property taxes, sales and use taxes, gas tax transfers, and other local tax revenue. Sedgwick, Butler, and Sumner counties and the larger cities in the region fund major improvements through their **capital improvement programs (CIP)** (or similarly named) and operations and maintenance efforts through their public works departments. Smaller communities tend to fund capital projects on a case by case basis and not as part of an overall improvement program. Sedgwick County and the cities of Wichita and Andover have a portion of sales tax revenue dedicated to transportation improvements. Local CIP funding is often done through general obligation bonds or other bonding initiatives, where future revenue and transfers from other levels of government are used to pay off bonds over time. Local governments, particularly the City of Wichita, have also used **tax increment financing (TIF) districts** to pay for some transportation projects, including downtown related improvements. A TIF district sets aside future increases in property tax revenue from properties in the district to pay off bonds or other debt connected with developing/redeveloping the district, including transportation facilities.

A majority of transit funding in the WAMPO region flows through the City of Wichita's budget, with funding for the Derby Dash and some CTD #12 funding being an exception. Much of this transit funding comes from federal and state transfers discussed in the sections above. Wichita's operating budget has a specific transit fund and provides an operating subsidy to Wichita Transit.

## What Are the Elements of a Financial Plan?

Although several detailed assumptions and data sources are involved in preparing the financial plan for the MTP 2035, it essentially has four main elements: revenue, expenditure, inflation, and operations and maintenance.



A Person Pumping Gas

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### What is a CIP?

A short range financial plan, which identifies capital projects and equipment purchases, provides a planning schedule, and identifies funding sources.

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### What is a TIF district?

A tax increment financing (TIF) district sets aside future increases in property tax revenue from properties in the district to pay off bonds or other debt connected with developing/redeveloping the district, including transportation facilities.

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### Revenue

The revenue element is an estimate of how much money will be available to spend on new transportation projects in the region between 2010 and 2035. The estimate is based on trends in past revenues, expected trends in future revenues, and includes only revenues that WAMPO reasonably anticipates will be available to fund transportation projects. It includes revenues from most of the sources discussed in the previous section.

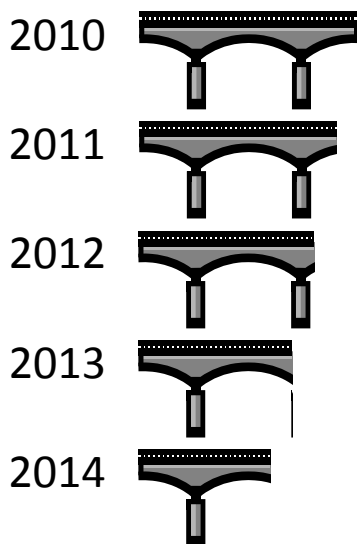
### Expenditure

The expenditure element is an estimate of the total cost of the projects listed on the Eligible for Funding List in **Appendix 4**. It is based on estimates provided by the project sponsors when they submitted their projects for inclusion in the MTP 2035.

### Inflation

The revenue and expenditure estimates are adjusted to account for inflation. Inflation reflects the fact that a dollar today is typically worth less a year from now. Over time, projects cost more to build and revenue tends to increase, although not necessarily at the same rate. In recent years, the cost of construction projects has generally grown faster than the revenue available to fund transportation. **Exhibit 8.2** shows an example of how inflation reduces the amount of a bridge that can be paid for in future years with the same amount of funding. In preparing the financial plan, federal regulations require WAMPO to estimate the future costs of projects in their “year of expenditure.” In other words, WAMPO must account for the estimated cost of the project in the year the region expects to build it, not the cost in 2010. In order to complete these estimates, WAMPO inflated each estimated future project cost to a future estimated year of construction. WAMPO also inflated the anticipated revenue for transportation to reflect the fact it is also anticipated to grow over time. The assumptions discussed later in this chapter provide details on how WAMPO accounted for inflation in preparing the financial plan.

**Exhibit 8.2: Impact of Inflation**



This graphic illustrates the effect of inflation on building a bridge. Inflation increases the cost of building a bridge over time. The amount of money it costs to build a bridge in 2010 may only be enough to build 70% of the bridge in 2014.



### Operations and Maintenance

WAMPO prepared a separate estimate of the cost to operate and maintain the existing transportation infrastructure in the region. This includes things like snow and ice removal, street cleaning, street repairs and repaving, sign replacement, power for lights and signals, cost for fuel for transit and maintenance vehicles, maintenance staff and transit drivers, and bus maintenance. WAMPO estimated the amount of funding to be spent on operation and maintenance activities and assessed whether there was sufficient funding to maintain the existing transportation system in good order. A separate section of this financial plan discusses the anticipated operation and maintenance costs and revenue.



Street Repaving

### How Did WAMPO Collect Information to Prepare the Financial Plan?

WAMPO involved all of the local cities and counties, transportation providers in the region, KDOT, FHWA, and FTA in developing information to prepare the financial plan.

In November 2008, a survey was sent to each of the local communities in the region asking them to provide historic and estimated future capital funding information. This included local funding sources, transfers from State and federal governments, and any special bond initiatives or other funding sources. WAMPO also obtained data on transit funding from Wichita Transit and CTD #12. KDOT provided historic funding data and commented on the prospects of future funding trends at the State level. WAMPO received updated information from KDOT on May 21, 2009. Finally, WAMPO used its own historic funding data, specifically related to federal funds, to assist with the estimates.

A follow up survey requesting operations and maintenance funding was distributed to the same agencies in January 2009.

WAMPO collected project cost information from project sponsors as the basis for forming cost estimates. Project sponsors were required to submit estimates of



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construction costs, right-of-way costs, engineering costs, and annual operations and maintenance costs for the projects they wished to include in the MTP 2035. Project sponsors also submitted an approximate year of construction or implementation for these projects. WAMPO worked directly with KDOT and Wichita Transit to obtain estimates of costs for state and transit projects respectively. All cost estimates were submitted in 2010 dollars. These served as the basis to make “year of expenditure” estimates of future project costs, as described below in the section on forecasting project costs.

### Coordination with Funding Partners



MTP-PAC Meeting

In addition to the surveys, WAMPO actively coordinated with its funding partners including FHWA, FTA, KDOT, and Wichita Transit. The MTP Project Advisory Committee (MTP-PAC) consisted of representatives of all the agencies listed above. The MTP-PAC discussed and reviewed financial plan information at several meetings and endorsed the assumptions within the plan. Additional meetings were held concurrently with FHWA and KDOT on August 14, 2009 and April 26, 2010. Specific meetings with Wichita Transit to discuss projects and finances were held on September 28, 2009 and November 10, 2009. All agencies were given the opportunity to review and comment on the financial plan in May 2010.

### What Assumptions Did WAMPO Make to Forecast Future Revenue for Transportation?

Using the data collected, as discussed above, WAMPO developed a series of assumptions to forecast future revenue. Most of the revenue forecasts were based on historic data and short-term future estimates (2010 to 2015). The MTP-PAC then reviewed a series of different scenarios for anticipating how transportation revenue would grow in the future between 2010 and 2035. The MTP-PAC picked a revenue forecast that inflated different types of revenue at different rates. **Exhibit 8.3** explains revenue growth assumptions used in producing the revenue forecast.



**Exhibit 8.3: Assumptions Used in Generating Revenue Forecasts**

<b>Type of Revenue</b>	<b>Annual Revenue Growth Rate Applied</b>	<b>Reason for Annual Revenue Growth Rate Selection</b>
<b>Federal and State Grants</b>	0.0% per year	Based on the uncertainty of future federal and state funding with no federal transportation act in place and recent depletion of the Highway Trust Fund. Same assumption used in developing the base assumptions by KDOT in the T-LINK Calculator, which can be found online and provides financial assumptions ( <a href="http://www.kansastlink.com/calculator/">www.kansastlink.com/calculator/</a> ).
<b>Gas Tax Revenue</b>	1.5% per year	Based on long-term trends and future expectations. Same assumption used in developing the base assumptions by KDOT in the T-LINK Calculator.
<b>Sales Tax Revenue</b>	3.0% per year	Based on long-term trends and future expectations. Same assumption used in developing the base assumptions by KDOT in the T-LINK Calculator.
<b>Other Local Tax Revenue</b>	5.9% per year	Based on average growth of property tax based revenue in Sedgwick County over a 10-year period.
<b>Cash Carry or Interest Carry</b>	0.0% per year	These are minor sources of funding that are not expected to grow.

As shown in the exhibit above, WAMPO was conservative in its approach to anticipating future federal and state transportation grant funding. This seemed prudent as neither a new comprehensive federal or state transportation funding package has been passed at the time of the MTP 2035 development. To assume any increase in state and federal grant funding beyond a continuation of prior levels is difficult at this time given the current state of the economy and the on going depletion of the federal HTF. It was more practical to forecast reasonable increases in funding derived from direct collection or receipt of gas taxes, sales taxes, and property taxes by local governments in the WAMPO region based on past trends.



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Wichita Transit Center

Future transit funding for new or expanded capital programs from existing transit grants was forecast using the same assumptions shown on **Exhibit 8.3**, depending on the source. No new types of grants, such as a one-time new starts type grant, were anticipated in estimating the future revenue available. However, it should be noted that this financial plan examines regional transportation funding in aggregate and not by specific mode of transportation. Funding of future transit expansion projects, as listed in the project list in **Appendix 4** and discussed in the **Section 6.3: Public Transportation** of this plan, was not limited to dedicated transit funding.

Funding for the operations and maintenance of the transportation system was calculated separately from future revenue/funding for new projects or initiatives. However, the basic inflation factors shown in **Exhibit 8.3** were applied to the operations and maintenance funding estimates as well. These are discussed further in the operations and maintenance portion of this financial plan.

### How Much Revenue Is Expected to Be Available to Fund Transportation Projects?

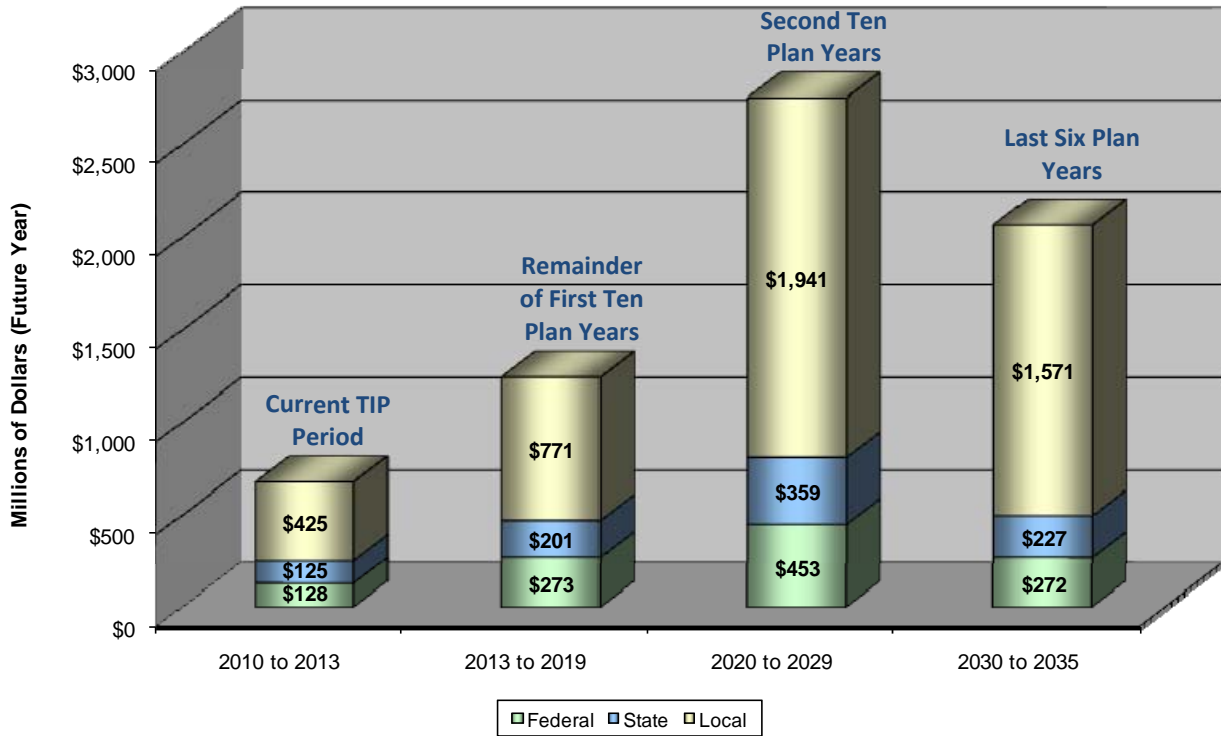
Using the above assumptions, WAMPO produced a forecast of the amount of revenue that will be reasonably available to fund transportation projects and strategies between 2010 and 2035. This section discusses the revenue available for new projects and new or expanded services. A discussion on funding for operations and maintenance activities is presented later in this chapter.

Between 2010 and 2035, WAMPO forecasts that approximately \$6.7 billion in transportation revenue will be available to fund new projects and new or expanded services. This \$6.7 billion is in inflated dollars based on the years that the revenue is expected to be received. **Exhibit 8.4** shows the anticipated flow of available revenue between 2010 and 2035 by key time period for the plan. The time periods correspond to the current Transportation Improvement Program (TIP) (2010 to 2013), the remainder of the first ten years of the plan (2014 to 2019), the next ten years of the plan (2020 to 2029), and the last years of the plan (2030 to 2035). In order to allow comparison between the time periods, **Exhibit 8.5**



provides the breakdown in funding per year for each time period. Anticipated revenue per year grows over the course of the plan primarily due to inflation and not due to any new anticipated grants or programs.

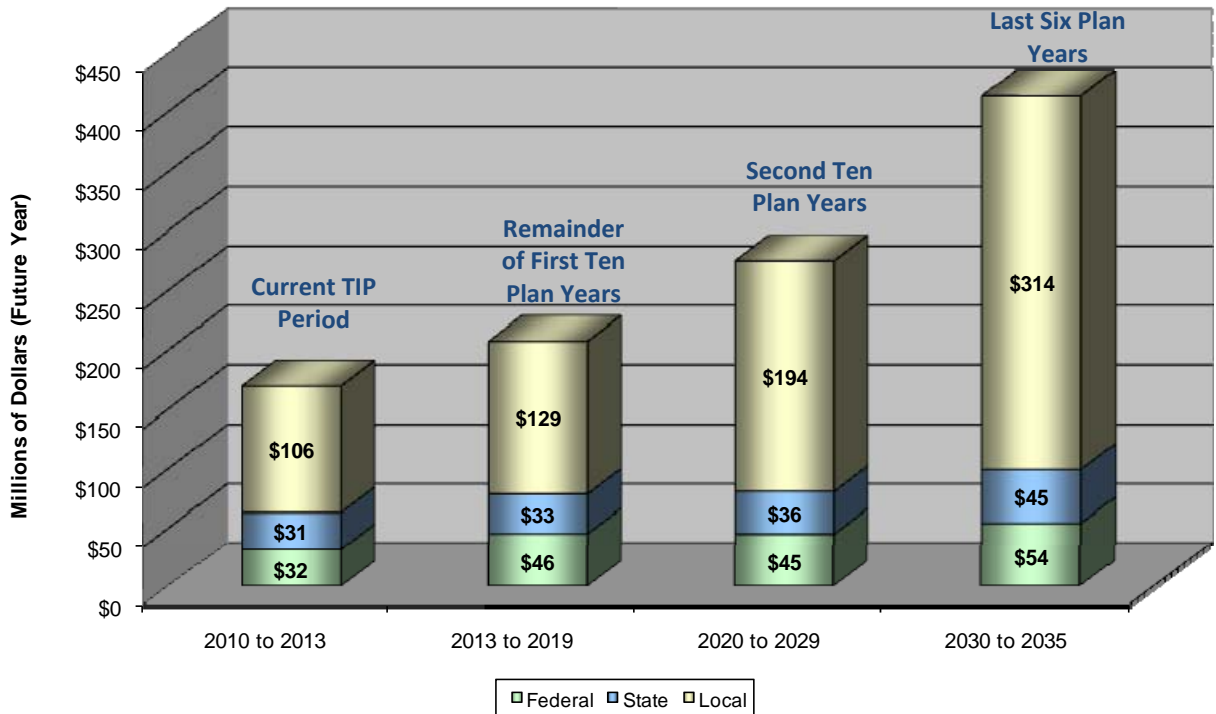
**Exhibit 8.4: Forecast Available Transportation Revenue by MTP 2035 Time Period**





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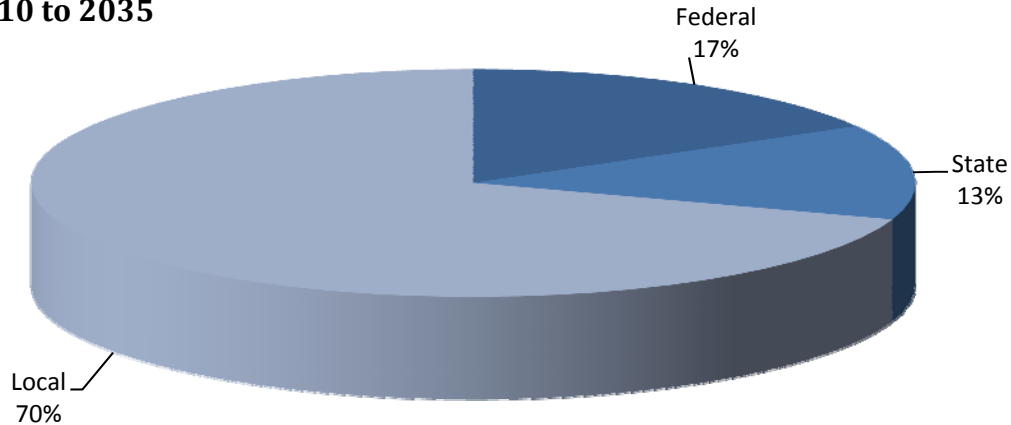
**Exhibit 8.5: Forecast Available Transportation Revenue Average Dollars Per Year**



**Exhibit 8.6** shows the anticipated breakdown between federal, state, and local funding for the entire period of the plan (2010 to 2035). Compared with **Exhibit 8.1**, which showed the recent historical breakdown by source, the plan forecasts an increasing emphasis on local funding for transportation. The percent share of federal and state funding is anticipated to decrease over the course of the plan. This is due to the assumption that federal and state grants for transportation will not grow, while sources of local funding such as sales taxes and property taxes are anticipated to keep growing over time. The revenue forecast includes a minimum of \$295 million in revenue tied to capital funding for transit. However, as previously discussed, transit funding was not limited to that amount in assessing projects and initiatives for inclusion in the MTP 2035.



**Exhibit 8.6: Breakdown of Forecast WAMPO Region Transportation Funding by Source 2010 to 2035**



The detailed results of the data collected from local communities and KDOT on transportation revenue along with the forecasts of future transportation revenue by source are included in tables located in **Appendix 5**. A summary of the forecast funding for key federal transportation programs administered by WAMPO appears in **Exhibit 8.7**.

**Exhibit 8.7: Anticipated Future Funding for Key Federal Transportation Programs Administered by WAMPO**

Program	Anticipated Total Funding (2010 to 2035) in Future Year Dollars
Surface Transportation Program (STP)	\$181 million
Highway Bridge Replacement and Rehabilitation Program (BR)	\$51 million
Congestion Mitigation/Air Quality Program (CMAQ)	\$69 million



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### What Assumptions Did WAMPO Make to Forecast Future Transportation Costs?

WAMPO requested that project sponsors provide a cost estimate in 2010 dollars for the construction, right-of-way, engineering, and annual operations and maintenance costs for each proposed project. These cost estimates became the basis of forecasting future transportation costs. The cost of each project was then inflated to an estimated cost for the “year of expenditure” (the year the project is anticipated to be constructed or implemented). This was completed using exact years for the early years of the plan, reflecting projects programmed or anticipated to be programmed in the region’s TIP. For projects anticipated in later years, the projects were placed into time frames when they are anticipated to be constructed or implemented. The MTP-PAC recommended the timing for each project based on the anticipated timing submitted by the project sponsor and available funds for each time period. Projects receiving lower scores as part of the evaluation of projects were shifted into later time periods if a shortage of funds was forecast to exist in the earlier time periods.



MTP-PAC

WAMPO used an annual inflation rate of 4% per year to inflate the costs of the future year projects. This inflation rate is the default rate recommended by FHWA guidance on preparing MPO financial plans and also corresponds to the inflation rate WAMPO uses for its TIP. This ensures consistency between the two documents.

### How Much Will Proposed Projects Cost?

The total cost for all of the projects submitted for inclusion in the MTP 2035 was more than the approximate \$6.7 billion in available transportation funding between 2010 and 2035. In order to maintain fiscal constraint, the MTP-PAC endorsed a list of projects that are eligible for federal funding. The plan also includes an illustrative list of projects that could be funded if new funds become available or if there is a change in priorities and the MTP 2035 is amended. These lists are included in **Appendix 4**. The Eligible for Funding List contains approximately \$6.7 billion in projects to be implemented as part of the MTP 2035. **Exhibit 8.8** shows a breakdown of the estimated project costs by time period. **Exhibit 8.9** provides an

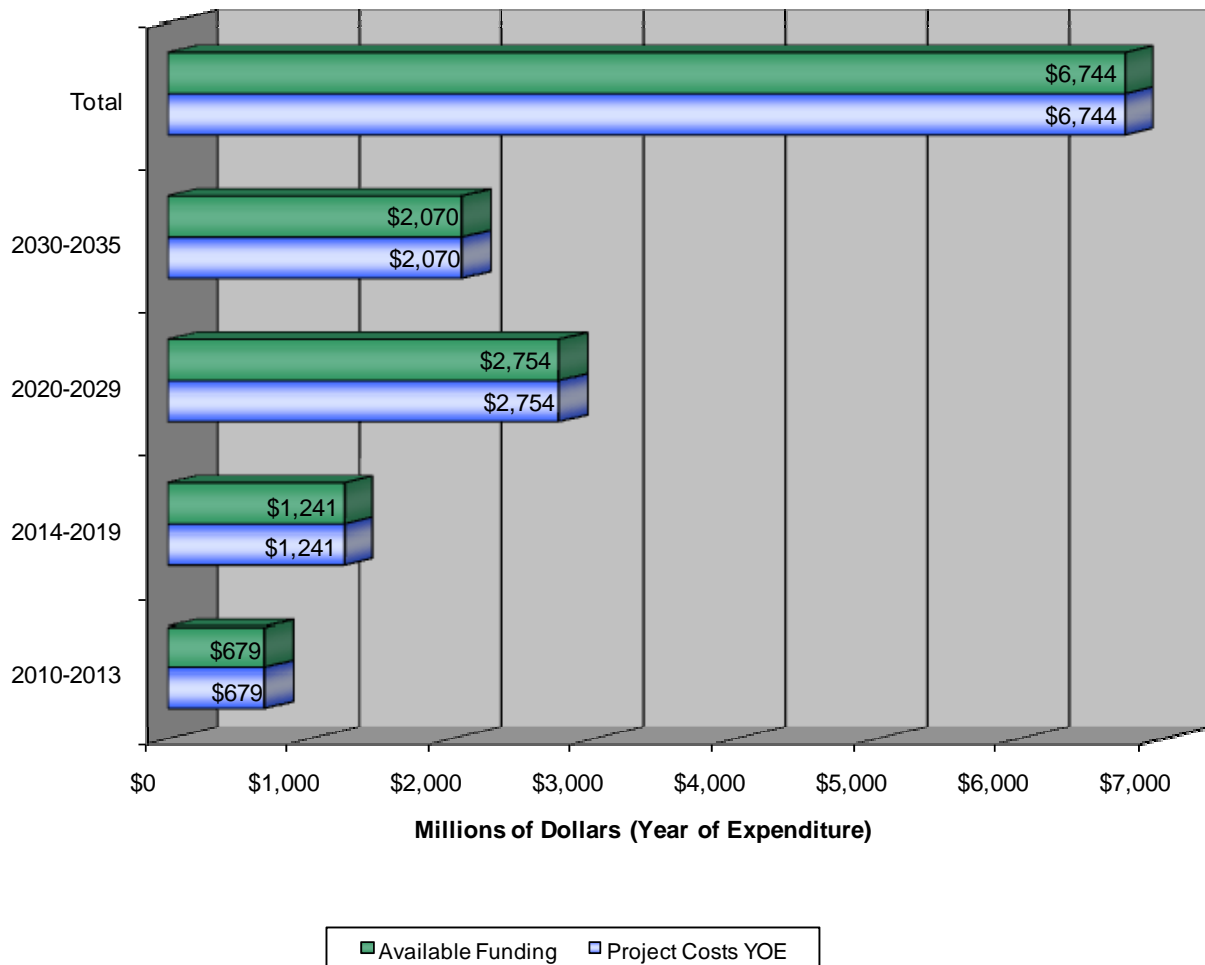


illustration of the anticipated project costs compared to the anticipated revenue forecast discussed earlier.

**Exhibit 8.8: Anticipated Project Costs per Key MTP 2035 Time Period**

Time Period	Anticipated Total Project Costs in Millions of Dollars (Year of Expenditure)
2010-2013	\$679 million
2014-2019	\$1,241 million
2020-2029	\$2,754 million
2030-2035	\$2,070 million
<b>Total</b>	<b>\$6,744 million</b>

**Exhibit 8.9: Comparison of Anticipated Project Revenues and Costs by Time Period**





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It is also important to understand the breakdown of project cost and funding for projects for each mode of transportation. **Exhibit 8.10** provides details on how much funding is being allotted for each main project type based on the Eligible for Funding List. Many projects provide facilities of more than one project type such as a road project that includes bridge replacements/upgrades or a road or bridge project that includes sidewalks and/or bicycle lanes. ***Exhibit 8.10 also shows that the cost of projects included in the Eligible for Funding List do not exceed the anticipated available funds over the life of the plan.*** **Exhibit 8.11** shows the percentage breakdown of funding in the plan by main project type.

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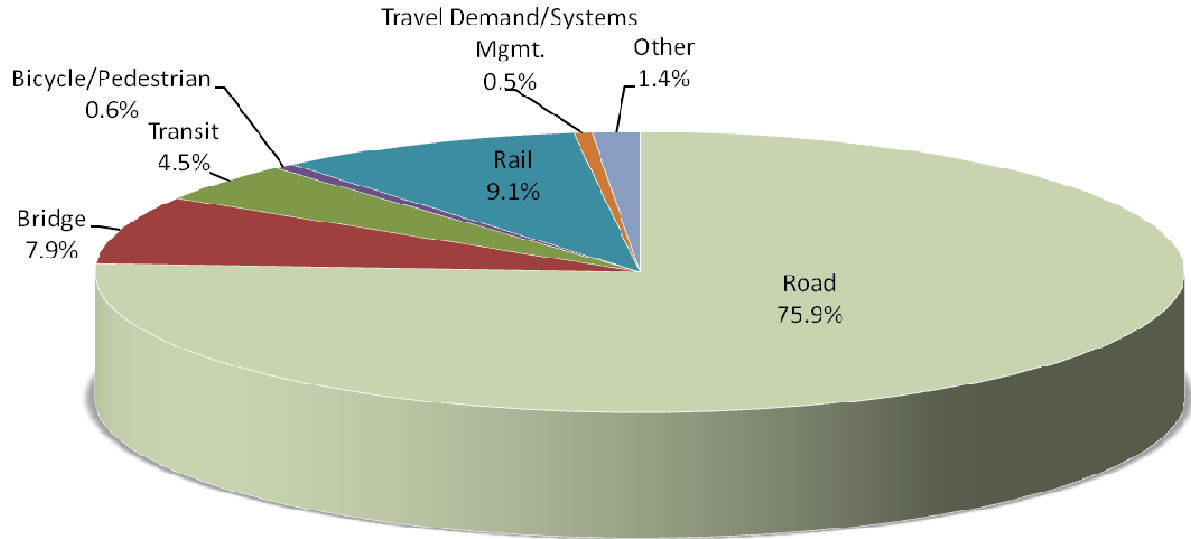
**Exhibit 8.10: Breakdown of Funding by Main Project Type and Time Period**

Project Type	Timeframe	Project Costs in Millions (Year of Expenditure)	Available Funding Millions (Year of Expenditure)
<b>Road</b>	2010-2013	\$577	
	2014-2019	\$1,004	
	2020-2029	\$1,754	
	2030-2035	\$1,784	
	Total	\$5,119	
<b>Bridge</b>	2010-2013	\$63	
	2014-2019	\$106	
	2020-2029	\$211	
	2030-2035	\$152	
	Total	\$532	
<b>Transit</b>	2010-2013	\$18	
	2014-2019	\$58	
	2020-2029	\$127	
	2030-2035	\$101	
	Total	\$304	
<b>Bicycle/ Pedestrian</b>	2010-2013	\$13	
	2014-2019	\$18	
	2020-2029	\$8	
	2030-2035	\$3	
	Total	\$42	
<b>Rail</b>	2010-2013	\$0	
	2014-2019	\$2	
	2020-2029	\$612	
	2030-2035	\$0	
	Total	\$614	
<b>Travel Demand/ Systems Mgmt.</b>	2010-2013	\$2	
	2014-2019	\$31	
	2020-2029	\$4	
	2030-2035	\$0	
	Total	\$37	
<b>Other</b> (includes Air Quality, Noise, Safety)	2010-2013	\$5	
	2014-2019	\$23	
	2020-2029	\$37	
	2030-2035	\$29	
	Total	\$94	
<b>Overall</b>	2010-2013	\$678	\$679
	2014-2019	\$1,242	\$1,241
	2020-2029	\$2,753	\$2,754
	2030-2035	\$2,069	\$2,070
	Total	\$6,742	\$6,744



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**Exhibit 8.11: Breakdown of MTP 2035 Project Funding by Main Project Type**



The costs discussed above are for new transportation projects or services. The costs for operating and maintaining the transportation system are discussed in the paragraphs below.

### Is There Enough Forecast Revenue to Fund the Region's Transportation Needs?

The revenue forecasts developed for the MTP 2035 did not show enough revenue to fund all of the projects submitted by project sponsors. As a result, WAMPO has designated some of the projects submitted as being on an **Illustrative List** of projects should new funding be made available above what is forecast in this plan. The projects are still included as part of the MTP 2035 as they are important regional transportation projects; however, they will not be eligible to receive federal transportation funding unless additional sources of transportation revenue are identified or regional priorities change. The list of illustrative projects is included in **Appendix 4**. All of the illustrative projects are road projects, at least in terms of their primary function. WAMPO has chosen to designate all submitted projects primarily focused on other modes of transportation: transit, bicycle and pedestrian, rail, travel demand management, etc. as eligible for federal funding. The total Illustrative List would cost approximately an additional

#### What is the Illustrative List?

The list of projects were submitted during the MTP 2035 Call for Projects but not included on the final project list. These are unfunded needs in the region that could be constructed if additional funding becomes available or priorities change.



\$620 million, assuming they would not be funded until the end of the planning period for this plan.

### What Are the Funding Expectations for Operations and Maintenance?

This part of the financial plan discusses how the WAMPO region will pay to operate and maintain the region's transportation system between 2010 and 2035. The importance of operations and maintenance is discussed in detail in **Section 6.8: Operations, Maintenance, and System Management**. SAFETEA-LU placed increased emphasis on ensuring adequate funding to operate and maintain the existing transportation system, particularly the federal-aid system. Per the USDOT, if existing facilities are not adequately operated and maintained, then there will be minimal benefits from adding new projects.

WAMPO collected data on the funding available for operations and maintenance. In this context, operations and maintenance is the routine and regular activities needed to keep the existing transportation system safe and working effectively. It does not include major rehabilitations and reconstruction of bridges and roads. Those items are included in the project lists. Very little funding for routine operations and maintenance in the WAMPO region comes from the federal government. Federal maintenance funding is typically used for major rehabilitation projects, which are included in the project lists. However, WAMPO identified substantial amounts of state gas tax funding and local sales, property, and gas tax, as well as other funding dedicated to operations and maintenance. Based on estimates of existing and future operation and maintenance funding, WAMPO has forecast that there will be approximately \$2.6 billion in operations and maintenance funding to support the region's transportation infrastructure between 2010 and 2035. **Exhibit 8.12** shows how this forecast operations and maintenance funding is broken down by time period.



Needed Maintenance



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**Exhibit 8.12: Anticipated System-Wide Operations and Maintenance Funding by Time Period**

Time Period	Anticipated Funding in Millions of Dollars (Year of Expenditure)
2010-2013	\$255 million
2014-2019	\$447 million
2020-2029	\$1,046 million
2030-2035	\$819 million
<b>Total</b>	<b>\$2,567 million</b>

This operations and maintenance funding is in addition to the \$6.7 billion in project funding identified as part of this financial plan.

WAMPO has also estimated the system-wide cost to operate and maintain the region’s transportation network between 2010 and 2035. When submitting projects for inclusion in the MTP 2035, project sponsors were asked to provide an estimate of the annual operations and maintenance costs. This information helped to develop the system level operations and maintenance costs.

As an example, the operations and maintenance cost provided by project sponsors was used to develop a **per lane mile cost estimate**. The total number of lane miles was multiplied by the per lane mile estimate to come up with the system level operating and maintenance estimate. A similar approach was used to develop system level operations and maintenance costs for major bridges, bicycle and pedestrian facilities, and transit facilities.

The estimates considered the cost of operating and maintaining the following:

- All roads in the WAMPO region designated as collectors or above by the region’s Functional Classification Map.
- Major bridges over rivers, rails, and freeways that would not be covered by road operation and maintenance estimates.
- Regional pathways for bicycles and pedestrians.
- The regional transit system including fixed route and paratransit.

### Per lane mile cost estimate.

The following provides an example calculation:

Project	O&M Cost	Lane Miles
A	\$5,000	2
B	\$10,000	4
C	\$15,000	9
<b>Total</b>	<b>\$30,000</b>	<b>÷ 15</b>
	<b>= \$2,000 per lane mile</b>	

### What are lane miles?

The length of a road multiplied by its number of lanes. For example, a one mile road with four lanes has four lane miles.



**Exhibit 8.13** lists the assumptions made in estimating each of the operation and maintenance cost categories on a system-wide basis. All operations and maintenance cost estimates were grown to a year of expenditure using the same 4% annual cost inflation rate that was used for estimating future capital project costs. Using the previously presented growth rate assumptions in **Exhibit 8.3**, WAMPO has determined that there would be approximately \$2.3 billion in system-wide operation and maintenance costs between 2010 and 2035. **Exhibit 8.14** provides a breakdown of these costs by category.

**Exhibit 8.13: Operations and Maintenance Cost Assumptions**

Item	Values	Assumptions
Total Lane Miles in WAMPO Region for Roads Classified as Collector or higher	4,413 (2010) 4,760 (2035)	Number of roadway miles was derived from the WAMPO Functional Classification database. Number of lane miles was estimated by using the average number of lanes for each Functional Classification class from the WAMPO Travel Demand Model.
Annual Cost per Lane Mile for Road Maintenance (including minor bridges)	\$8,500 (2010) \$22,650 (2035)	Based on the average annual maintenance costs submitted for projects. Grown at 4% inflation per year to 2035.
Number of Major Bridges (Freeway bridges, bridge over rivers, rail, flood control)	102 (2010) 106 (2035)	Count of bridges in the WAMPO region plus new projects.
Annual Cost per Major Bridge for Maintenance	\$40,000 (2010) \$106,600 (2035)	Based on the average annual maintenance costs submitted for projects. Grown at 4% inflation per year to 2035.
Number of Miles of Regional Pathways	123 (2010) 155 (2035)	Pathways plan information with proposed projects added.
Annual Cost per Mile for Regional Pathways	\$3,500 (2010) \$10,000 (2035)	Based on the average annual maintenance costs submitted for projects. Grown at 4% inflation per year to 2035.



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**Exhibit 8.14: Total System Operations and Maintenance Summary**

Mode	Total Cost 2010 to 2035 in Millions of Dollars (Year of Expenditure Dollars)
Road	\$1,890 million
Major Bridge	\$200 million
Bicycle/Pedestrian	\$26 million
Transit	\$165 million
<b>Total System O&amp;M Cost</b>	<b>\$2,281 million</b>
O&M Revenue	\$2,567 million
<b>Net Remaining for Local Road O&amp;M</b>	<b>\$286 million</b>

This analysis results in approximately \$290 million between 2010 and 2035 in operations and maintenance funding for use on local roads such as neighborhood streets that will also require maintenance over time, although not at the same level as freeways, highways, arterial roads, and collector roads included in the estimates above. ***Overall, the MTP 2035 financial plan demonstrates sufficient funding to operate and maintain the transportation system between 2010 and 2035.***

### What Strategies Can the Region Pursue to Increase Transportation Funding?

As discussed above, there is a shortage of funding available to fund all transportation infrastructure improvements identified through the MTP 2035 process. Raising taxes to finance this infrastructure is typically not politically feasible. New solutions for funding transportation may be needed to allow communities in the WAMPO region to achieve desired transportation improvements.

The solution to this challenge may require exploration of a number of innovative financing options and consideration of new strategies to generate the necessary revenues to support transportation. The opportunity to use new financing strategies can work effectively in some locations and not in others; ultimately the local community must determine and develop the transportation assets that they are willing to support.

A number of new funding and financing strategies are outlined below to provide the communities within the region with a range of tools to consider as they plan for their future transportation needs. In many cases, it may be



necessary to package several of these tools to generate the necessary resources to support critical transportation projects. The regulations and policies governing many of these programs are subject to change; care should be taken to review the current requirements of both the funding agencies as well as specific programs. These strategies can be summarized in three categories: special financing districts; tolls, shadow toll, and user fees; and privatization and public-private partnerships. None of these strategies are specifically endorsed for implementation as part of the MTP 2035. They are provided only as a “toolbox” of ideas to be explored further by the region.

### Special Financing Districts

There are a number of financing mechanisms available to local governments. Some of these mechanisms require special authorization by statute and others can be used in the absence of enabling legislation. Careful review of current legislation is recommended to determine any requirements or additional enabling authorization that may be required before using these tools.

### *Tax Increment Financing*

Tax Increment Financing (TIF) allows a community to capture, for a specific period of time, the tax revenues generated from the increased value of properties within an established TIF district. The TIF allows communities to capture increased taxes that result from development or redevelopment of an area. The increased revenue increment is used to repay the financing that funded the improvements that created the increase in property values. Generally, proceeds collected from a TIF district can be used for a wide range of public purposes including transportation infrastructure, property acquisition, demolition, rehabilitation, streetscapes, and many other improvement projects within the district.

TIF funds for infrastructure improvements can benefit both the public and private sectors creating the increased property values to create additional tax revenues to pay for the improvements. Careful planning is required for TIF financing to ensure that the improvement projects and the area where these projects will be constructed can create the necessary return to repay the financing. The districts must be fully assessed to determine if the proposed



Improvements Because of Arena



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improvements can attract the level of private investment required to generate additional tax revenues. With careful analysis and planning, TIF funds can be used very successfully to provide the financing for transportation enhancements. The City of Wichita has used TIF funding for several major revitalization projects.

### *Special Districts*

A “special district” designation allows a local government to deliver specific public services within a defined boundary and assess a special tax to cover the cost of these services. Many special districts are created to serve a single purpose, such as wastewater treatment, but there are multi-function districts that provide a range of special services including transit, roadways, parking, streetscapes, and other services determined to be critical to the operation and success of the district.

Special districts are governed by State law but generally can be established by a local community or through a business or voter initiative. Special districts enjoy many of the governing powers similar to that of a local unit of government. They can enter into contracts, employ workers, acquire and dispose of real property, issue debt, impose special taxes, collect taxes and assessments, and charge and collect fees for their services.

Special districts assess costs only to those businesses or residents who benefit from their services. A developer may use a special district to collect taxes or assessments from companies within the district in order to provide special trolleys, new parking facilities, new roadways that enhance the access to the area, or special lighting and entertainment areas. Special districts generally are not a tool for low or moderate income areas where residents cannot afford to pay additional charges.

### *Transportation Development Districts*

Kansas has allowed for the creation of special Transportation Development Districts (TDD) for the purpose of financing various improvements from revenues generated within the district. Revenues can be special assessments and/or a transportation district sales tax (up to 1%) that is assessed or charged only within the district. The existing legislation also provides for special obligation bonds that are not General Obligation Bonds for the local



government and are not payable from the local government's general revenues. These bonds are repaid from the revenues generated within the transportation district. Proceeds from the issuance of bonds for the TDD are used to fund, design, construct, improve, and maintain transportation projects or to support the construction of transportation projects.

The creation of a TDD requires request of the property owners and a detailed review by the local government's staff and appropriate legislative committees. A hearing or hearings are required prior to the approval of a TDD and the application for a TDD must include information about the district's boundaries, proposed projects, and the proposed funding.

### **Tolls, Shadow Tolls, and User Fees**

Traditional toll roads require users to pay a fee for using the roadway. A number of states and communities have turned to tolling to finance major highway projects. Often a regional tolling authority, such as the Kansas Turnpike Authority, is created to manage the construction of the highway corridor, to maintain the road once it is completed, and to collect and account for the toll revenues that are generated. Toll roads have been developed in 31 states providing improved highway access to tourism areas, major metropolitan cities, and long distance corridors.



Toll Plaza

The Kansas Turnpike is a tolled highway facility that runs from the Oklahoma border through the WAMPO region to Kansas City. The turnpike is owned and maintained by the Kansas Turnpike Authority headquartered in Wichita. Toll financed projects are usually large scale mega projects that require funding in excess of \$500 million.

### ***Shadow Tolling or Pass-Through Financing***

Shadow tolling, or pass-through financing, is a way for developers of transportation infrastructure to fund a road and be reimbursed for the costs of construction for a highway project. A public or private entity would finance, construct, maintain, and operate the new or expanded road project and then be reimbursed by a public sector entity, in most cases a state agency, through periodic payments for each vehicle that uses the highway. Enabling legislation must be in place in Kansas for this type of financing tool to



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be used. This type of financing has been effectively used by other states including Texas and Kentucky.

Once these highway projects are built they function just like a traditional tax-funded roadway in that they do not require toll collection equipment, toll plazas, or toll collection employees. This innovative financing strategy has allowed local communities to build much needed transportation projects more quickly than traditionally funded highways projects. These projects require environmental studies and mitigation plans, design engineers, right-of-way acquisition, utility relocation, and construction responsibilities; but these project elements are performed by the developer, who can be a private entity, a city or county, a regional toll way authority, or other approved agency.

### **Privatization and Public-Private Partnerships**

The use of public-private partnerships to construct transportation projects is becoming more common around the country. There are a number of models that bring together the private sector and public entities to build and finance various transportation improvements.

Privatization and public-private partnerships are designed to lower the cost of providing certain public improvements or services without diminishing the quality of the services.

### ***Design/Build Strategies***

Design/build strategies have become a popular infrastructure delivery process allowing developers and governments to reduce costs and shorten the time needed to complete a major capital project. In a design/build process, the design of the project and the construction are performed by the same business entity. This can reduce the cost of the project and creates a significant incentive to incorporate design and construction efficiencies and advanced technologies into the project. These savings result in lower project costs which are shared with the community.

### ***Public-Private Partnerships***

Public-private partnerships are contractual arrangements allowing infrastructure to be provided to a community/region by a private sector partner.



Communities can develop partnerships with private sector providers to design, finance, construct, and perhaps even operate infrastructure including roads, transit services, as well as other transportation facilities. Generally, these partnerships involve private ownership of the physical assets or a long-term lease of the infrastructure as well as the right to collect fees or other revenues for the provision of the infrastructure.

One of the primary advantages of a public-private partnership is the opportunity to build infrastructure faster and more cost effectively than the public sector and, in some cases, the financing is also carried by the private sector enabling the local government to avoid exceeding their debt limitations. The private sector brings competitive advantages to construction and they are generally unencumbered by the multitude of regulations that public sector organizations must deal with including bond covenants, design standards, approvals, and others.

### *Impact Fees*

Impact fees are becoming more and more common as a revenue resource, particularly in areas where new development is generating significant demands on the transportation infrastructure and other public services. Impact fees provide a mechanism allowing the local government to assess a fee for new development to help cover the costs associated with providing public services and infrastructure to these new projects. Detailed studies are needed to calculate the appropriate impact fees and insure a high level of confidence in the equity of the fees.

In the current real estate market conditions, many residential developers are concerned about the effects that these fees have on home buyers, particularly for purchasers that seek more affordable housing options. Some communities have elected to finance impact fees making them more affordable to the home buyer. This technique pays for the new community infrastructure needed for a new development through a Capacity Unit Assessment (CUA) program. Under this program a local government essentially carries the pro rata share of the infrastructure associated with each new housing unit collecting only an annual portion of the fee until the full value of the fee is collected.



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### Financial Plan Summary

WAMPO has developed a fiscally constrained financial plan for the MTP 2035. This financial plan has identified approximately \$6.7 billion in anticipated transportation revenue between 2010 and 2035 for capital projects. An equivalent dollar amount of needed regional transportation projects has been included on the Eligible for Funding List in **Appendix 4**. These project costs have been estimated according to their year of expenditure and represent the highest regional project priorities. However, an additional \$620 million in desired projects have also been identified and placed on the Illustrative List in **Appendix 4**. These projects can be added to the Eligible for Funding List if new or increased funding is identified, or priorities change, during the implementation period of this plan. It is important to note that projects listed in this plan are not guaranteed funding. Project funding is only guaranteed if the project is subsequently included in the regional TIP and/or a local capital improvement program/funding plan and funding is obligated for the project.