

## Chapter 4

### Financial Analysis and Fiscal Constraint

#### 4.1 Introduction

Federal regulations require that the adopted MTP must be “fiscally constrained,” meaning that the cost of projects included in the MTP cannot exceed the anticipated funding for the region. This chapter presents a financial analysis of funding resources that the HTMPO can reasonably expect to receive to fund the projects in the plan and to support operations and maintenance of the transportation system.

#### 4.2 Roads and Highway Revenue Analysis

In the Houma-Thibodaux Urbanized Area, the amount of state and federal funding for transportation projects is determined by LADOTD, in consultation with the MPO, on an annual basis. LADOTD has a statewide pool of transportation funds that is used for small urban transportation projects in the state. The money in this fund is not allocated by any formula; rather it is distributed to best address the unmet needs in any of the six small urban areas (under 200,000 in population) of the state, at the discretion of LADOTD and in consultation with the small urban MPOs. This means that the actual amount of state and federal funds spent in any single small urban area can vary widely from year to year. For this reason, revenue forecasts are based on averages. First, historical average amount of funding is calculated, and then a future average amount of funding is projected based on these historical trends.

##### *4.2.1 Historical Funding*

In order to determine the financial feasibility of implementing a program of projects in the MTP, an analysis of historical funding was conducted. A database of project lettings in the Houma-Thibodaux Study Area from 1981 through 2008 was obtained from LADOTD. This database contained all sources of State and Federal funding. This database also contained both recurring and non-recurring funds. In order to estimate the reasonably expected future revenues, the non-recurring funds were excluded from each year’s total historical revenue.

In the next step, the projects were grouped by year. To estimate the cost of historical projects in 2008 dollars, an average annual Consumer Price Index (CPI) factor was calculated using the historical South Urban areas CPI factors that are shown in Table 4-1. A three (3.0) percent annual inflation factor was used for this study and applied to the historical project costs resulting in the estimate of the revenue in 2008 dollars.

| Table 4-1<br>CONSUMER PRICE INDEX FACTORS<br>South Urban                       |                  |                    |                                  |                  |                    |
|--|------------------|--------------------|----------------------------------|------------------|--------------------|
| All Cities   |                  |                    | City Size - 50,000 - 1.5 Million |                  |                    |
| Year   | All Items<br>CPI | Annual<br>% Change | Year                             | All Items<br>CPI | Annual<br>% Change |
| 1988   | 116.4            |                    |                                  |                  |                    |
| 1989   | 121.5            | 4.38%              |                                  |                  |                    |
| 1990   | 127.9            | 5.27%              |                                  |                  |                    |
| 1991   | 132.9            | 3.91%              |                                  |                  |                    |
| 1992   | 136.5            | 2.71%              |                                  |                  |                    |
| 1993   | 140.8            | 3.15%              |                                  |                  |                    |
| 1994   | 144.7            | 2.77%              |                                  |                  |                    |
| 1995   | 149.0            | 2.97%              |                                  |                  |                    |
| 1996   | 153.6            | 3.09%              |                                  |                  |                    |
| 1997   | 156.9            | 2.15%              |                                  |                  |                    |
| 1998   | 158.9            | 1.27%              |                                  |                  |                    |
| 1999   | 162.0            | 1.95%              | 1999                             | 104.2            |                    |
| 2000   | 167.2            | 3.21%              | 2000                             | 107.4            | 3.07%              |
| 2001   | 171.1            | 2.33%              | 2001                             | 109.6            | 2.05%              |
| 2002   | 173.3            | 1.29%              | 2002                             | 110.8            | 1.09%              |
| 2003   | 177.3            | 2.31%              | 2003                             | 113.1            | 2.08%              |
| 2004   | 181.8            | 2.54%              | 2004                             | 116.2            | 2.74%              |
| 2005   | 188.3            | 3.58%              | 2005                             | 120.0            | 3.27%              |
| 2006   | 194.7            | 3.40%              | 2006                             | 123.9            | 3.25%              |
| 2007   | 200.4            | 2.93%              | 2007                             | 127.4            | 2.82%              |
| 2008   | 208.7            | 4.14%              | 2008                             | 132.6            | 4.08%              |
| <b>Annual growth rate</b>  |                  |                    | <b>Annual growth rate</b>        |                  |                    |
|  | 1988 - 2008      | 2.82%              |                                  | 1999 - 2008      | 2.44%              |
|  | 1993 - 2008      | 2.49%              |                                  | 2004 - 2008      | 2.68%              |
|  | 1998 - 2008      | 2.51%              |                                  |                  |                    |
|  | 2003 - 2008      | 2.75%              |                                  |                  |                    |
| <b>Source: Bureau of Labor Statistics, 2010;<br/>Neel-Schaffer, Inc., 2010</b> |                  |                    |                                  |                  |                    |

After converting the revenue into 2008 dollars, the database was then grouped into by project type and funding source and shown in Table 4-2.

### 4.2.2 Funding Sources

The implementation of a financially constrained plan for the Houma-Thibodaux Metropolitan Area will necessarily involve several sources of funding. These sources include various programs at the local, State and Federal levels. Since many of the improvement projects are located on the State and Federal Highway System, substantial financial assistance could be obtained through funding programs of the LADOTD and the Federal Highway Administration (FHWA).

The historical funding database was used to aggregate all of the State and Federal funded projects from 1981 through 2008 by funding source. Table 4-2 summarizes those funding levels.

| Table 4-2<br>Historical Funding by Source<br>All State and Federal Projects |                      |                      |       |                     |                     |
|---|----------------------|----------------------|-------|---------------------|---------------------|
| Source  | Actual Dollars       | 2008 Dollars         | Years | Annual Average      | 28 Year Average     |
| Interstate (FAI, I4R, IM)   | \$0                  | \$0                  |       | \$0                 |                     |
| Federal Aid (FAP, FAS, NHS, SOS, OFA, HAZ, ENH, RR)                         | \$104,684,805        | \$154,448,282        | 28    | \$5,516,010         | \$5,516,010         |
| STPFLEX   | \$66,254,071         | \$84,021,763         | 16    | \$5,251,360         | \$3,000,777         |
| STP<200K  | \$18,982,871         | \$22,729,580         | 14    | \$1,623,541         | \$811,771           |
| FBR (ON, OFF)   | \$59,963,675         | \$84,267,406         | 26    | \$3,241,054         | \$3,009,550         |
| CMAQ  | \$0                  | \$0                  |       |                     |                     |
| DEMO  | \$8,944,139          | \$10,212,255         | 4     | \$2,553,064         | \$364,723           |
| TIMED   | \$119,791,817        | \$187,641,513        | 9     | \$20,849,057        | \$6,701,483         |
| State Bonds   | \$50,762,500         | \$101,130,306        | 20    | \$5,056,515         | \$3,611,797         |
| State Cash  | \$22,826,734         | \$31,604,304         | 28    | \$1,128,725         | \$1,128,725         |
| State General Fund  | \$10,148,704         | \$10,357,570         | 2     | \$5,178,785         | \$369,913           |
| Overlay   | \$62,211,488         | \$104,725,713        | 20    | \$5,236,286         | \$3,740,204         |
| Miscellaneous   | \$3,691,592          | \$4,822,587          | 28    | \$172,235           | \$172,235           |
| <b>TOTAL</b>  | <b>\$528,262,395</b> | <b>\$795,961,279</b> |       | <b>\$55,806,633</b> | <b>\$28,427,189</b> |
| <b>Federal</b>  | <b>\$258,829,560</b> | <b>\$355,679,286</b> |       | <b>\$18,185,029</b> | <b>\$12,702,832</b> |
| <b>State</b>  | <b>\$269,432,835</b> | <b>\$440,281,993</b> |       | <b>\$37,621,603</b> | <b>\$15,724,357</b> |

The following section describes the State and Federal funding sources as well as several local programs which can be used to fund local projects.

### *Potential Funding Sources – Federal*

#### **SAFETEA-LU**

The *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* authorizes the Federal surface transportation programs for highways, highway safety, and transit for the five-year period 2005 – 2009. SAFETEA-LU builds on the firm foundation of the two previous landmark bills that brought surface transportation into the 21<sup>st</sup> century – the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the Transportation Equity Act for the 21st Century (TEA 21).

SAFETEA-LU provided total funding of \$244.1 billion nationally for the above five year period and is currently extended under continuing resolutions. This legislation includes several categories of funding, under which many of the projects in the financially constrained plan will be eligible for federal funding assistance. These categories are:

#### *Interstate Maintenance (IM)*

This category provides financing to restore, resurface, and rehabilitate the Interstate system. Reconstruction is also eligible if it does not add capacity.

#### *National Highway System (NHS)*

This category covers all Interstate routes and a large percentage of urban principal arterials. The Federal/State funding ratio for arterial routes is 80/20. The Interstate System, although a part of NHS, will retain its separate identity and will receive separate funding at a 90/10 ratio. The U.S. Congress passed the National Highway System bill in 1996.

#### *Priority or Demonstration Projects*

This category provides special funds for projects selected by the U.S. Congress. These funds are prescriptive in availability and timing. The conflict in timing between needs and availability of funds for Priority Projects necessitates the use of an advanced construction technique for payment.

#### *Surface Transportation Program (STP)*

The STP is block grant funding program with subcategories for States and Urban Areas.

These funds can be used for any road (including NHS) that is not functionally classified as a local road or rural minor collector. The State portion can be used on roads within an urbanized area and the urban portion can only be used on roads within an urbanized area. The funding ratio is 80/20.

Subcategories of the STP funds are:

- STP greater than 200,000 population (STP>200K)
- STP less than 200,000 population (STP<200K)
- STP less than 5,000 population (STP <5K)
- STP Flexible (STP-FLEX)
- STP Hazard Elimination (STP-HAZ)
- STP Enhancement (STP-ENH)

#### *Bridge Replacement and Rehabilitation Program (FBR)*

These funds can be used to replace or repair any bridge on a public road. The Federal/State funding ratio is 80/20.

#### *Congestion Mitigation and Air Quality (CMAQ)*

Urban areas which do not meet ambient air quality standards are designated as nonattainment areas by the U.S. Environmental Protection Agency (USEPA). These funds are apportioned to those urban areas for use on projects that contribute to the reduction of mobile source air pollution through reducing vehicle miles traveled, fuel consumption or other identifiable factors. The matching ratio for this program is 80/20 except for traffic signal systems, park & ride lots and ridesharing projects which are 100% federally funded. The eligibility of specific projects under these funding categories is based on the functional classification system mandated by SAFETEA-LU.

#### **Potential Funding Sources – Local**

Any costs not covered by Federal and State programs will be the responsibility of the local governmental jurisdictions. Local funding can come from a variety of sources including property taxes, sales taxes, user fees, special assessments and impact fees.

Each of these potential sources is important and warrants further discussion.

#### *Property Taxes*

Property taxation has historically been the primary source of revenue for local governments in the United States. More than 80 percent of all tax revenues at this level come from this tax. Property is not subject to federal government taxation, and state governments have in recent years shown an increasing willingness to leave this important source of funding to local governments.

### *General Sales Taxes*

The general sales tax is also an important revenue source for local governments. The most commonly known form of the general sales tax is the retail sales tax. The retail sales tax is imposed on a wide range of commodities, and the rate is usually a uniform percentage of the selling price.

### *User Fees*

User fees are fees which are collected from those who utilize a service or facility. The fees are collected for the purpose of paying for the cost of a facility, financing the cost of operations and/or generating revenue for other uses. Water and sewer services are the most commonly known public improvements for which a user fee is charged. This method of generating revenue to finance public improvements has also been employed to finance the cost of public parks, transit systems and solid waste facilities. The theory behind the user fee is that those who directly benefit from the public improvement pay for the cost of the improvement.

### *Special Assessments*

Special assessment is a method of generating funds for public improvements, whereby the cost of a public improvement is collected from those who directly benefit from the improvement. In many instances, new streets are financed by special assessment. The owners of property located adjacent to the new streets are assessed a portion of the cost of the new streets, based on the amount of frontage they own along the new streets.

Special assessments have also been used to generate funds for general improvements within special districts, such as central business districts. In some cases, these assessments are paid over a period of time, rather than as a lump sum payment.

### *Impact Fees*

Development impact fees have been generally well received in other states and municipalities in the United States. New developments create increased traffic volumes on the streets around them. Development impact fees are a way of attempting to place a portion of the burden of funding improvements on developers who are creating or adding to the need for improvements.

### *Bond Issues*

Property tax and sales tax funds can be used on a pay-as-you go basis, or the revenues from them can be used to pay off general obligation or revenue bonds. These bonds are issued by local governments upon approval of the voting public.

### ***System Maintenance and Operation***

The maintenance and operation of the transportation system was considered in the development of the plan and staged program. Typically, maintenance costs are applicable to the system as a whole. Where possible, maintenance projects are identified individually. However, it is not possible to develop project specific maintenance schedules beyond the near term. The maintenance costs identified in this plan are the responsibility of various governmental jurisdictions.

The balancing act of meeting identified transportation improvement needs and maintaining the present transportation system will continue to place local decision makers and revenue forecasts somewhat at odds. Recommendations in this plan are conservative because they factor in the impact of maintenance costs in the determination of available funding. Some of the existing programs for highway and bridge infrastructure are listed below.

#### *Interstate Maintenance Program (IM)*

This federal funding category is intended to “rehabilitate, restore, and resurface” the Federal Interstate system. Currently there are no Interstate State highways that traverse through the Houma-Thibodaux study area. But, when US 90 is designated as Interstate 49, the route will be eligible for funding under this category. \$25.2 billion is authorized nationwide for the 5 years of the SAFETEA-LU for this category. Approximately \$85 million is available to the State of Louisiana annually for this program

#### *Federal Bridge Replacement Program (FBR)*

This federal funding category is intended to provide funding to any bridge on a public road. Funding under this program amounted to \$21.5 billion for fiscal years 2005 through 2009. Statewide, approximately \$122 million per year was available through 2009.

### ***State of Louisiana Overlay, Maintenance and Operations Program***

A variety of both federal and state funds are used to implement the statewide overlay, maintenance and operations program including Surface Transportation Funds, National Highway System Funds, General Louisiana Trust Fund monies, and State of Louisiana general funds.

The Plan projects for the 25-year period were allocated to appropriate funding programs to develop an estimated need by fund source for the Plan.

#### ***4.2.3 Forecast Funding Availability***

The feasibility of the Financially Constrained Plan can be assessed by comparing the estimated cost of the programmed improvements to the projected funds available from various funding sources. The projection of funding was made by analyzing historical data on expenditures for street and highway construction in the study area.

Historical information obtained from LADOTD indicates that, on average, in the last 28 years contracts totaling \$19 million per year in 2008 dollars have been let for construction and maintenance of the transportation infrastructure within the Houma-Thibodaux Study Area. This historic figure was calculated excluding expenditures on projects funded through non-recurring sources of funds. These non-recurring funding sources are Interstate, DEMO and TIMED. The costs were then totaled and divided to obtain an average annual expenditure in 2008 dollars.

An inflation factor of 3% per year was then applied to the \$19 million to forecast the annual availability of funds through 2035. The total State and Federal funds forecast to be available over the life of the Financially Constrained Plan will be approximately \$770 million.

#### ***4.2.4 Financially Constrained Plan***

As stated previously, an average of \$19 million per year is forecast to be available in State and Federal funds for transportation improvements in the Houma-Thibodaux MPO Study Area. By factoring in a 3% annual inflation rate the total amount forecast to be available through 2035 is \$770 million. The annual amounts were then aggregated to the three time periods of the MTP resulting in the following levels of State and Federal funding to be available for each Stage.

- STAGE 1 (2010-2015) - \$130,000,000
- STAGE 2 (2016-2025) - \$275,000,000
- STAGE 3 (2026-2035) - \$365,000,000

### **4.3 Transit Revenue Analysis**

Residents of the Houma-Thibodaux Metropolitan planning area are served by one urban public transportation provider, two rural public transportation providers, and four agencies that provide transportation for the elderly and disabled.

The urban agency is Good Earth which receives both section 5307 urban funding and section 5316 Job Access and Reverse Commute (JARC) funding. The rural public transportation providers are Terrebonne Parish Government/Council on Aging and Assumption Parish Police Jury/Council on Aging. Both these agencies receive section 5311 rural operating and capital assistance as well as section 5310 elderly & disabled capital assistance. The Terrebonne Parish Council on Aging also receives section 5309 capital assistance. The four agencies that receive only section 5310 funding to provide transportation services to the elderly and disabled are Terrebonne ARC, Assumption ARC, Lafourche ARC, and Lafourche Council on Aging.

#### ***4.3.1 Historical Funding***

Historical funding of the local transit providers by funding source for the last five years was obtained from LADOTD and is shown in Table 4-3.



| <b>Table 4-3</b>  |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>Historical Transit Revenue by Source and Provider</b>      |                  |                  |                  |                  |                  |
|   | <b>2005/2006</b> | <b>2006/2007</b> | <b>2007/2008</b> | <b>2008/2009</b> | <b>2009/2010</b> |
| <b>Agency: Terrebonne Parish Government/Good Earth</b>        |                  |                  |                  |                  |                  |
| Section 5316 - JARC Operating Assistance                      | \$ -             | \$ -             | \$ -             | \$ 294,556       | \$ 334,835       |
| Section 5307 - Urban funding                                  | \$ 1,277,478     | \$ 1,281,425     | \$ 1,334,550     | \$ 1,450,423     | \$ 1,548,433     |
| ARRA - Transit Capital Investment                             | \$ -             | -                | \$ -             | \$ -             | \$ 2,052,316     |
| <b>Agency: Terrebonne Parish Government/Council on Aging</b>  |                  |                  |                  |                  |                  |
| Section 5311 - Rural Operating Assistance                     | \$ 241,442       | \$ 334,556       | \$ 337,482       | \$ 455,066       | \$ 331,444       |
| Section 5311 - Rural Capital Assistance                       | \$ -             | \$ -             | \$ 91,513        | \$ 133,634       | \$ -             |
| Section 5310 - E&D Capital Assistance                         | \$ 43,203        | \$ 86,406        | \$ 228,780       | \$ 48,396        | \$ -             |
| Section 5309 Capital Assistance                               | \$ -             | \$ 183,075       | \$ 45,756        | \$ 48,396        | \$ -             |
| ARRA - Transit Capital Investment                             | \$ -             | \$ -             | \$ -             | \$ -             | \$ 1,367,737     |
| <b>Agency: Terrebonne ARC</b>                                 |                  |                  |                  |                  |                  |
| Section 5310 E&D Capital Assistance                           | \$ -             | \$ -             | \$ -             | \$ 133,634       | \$ -             |
| <b>Agency: Assumption Parish Police Jury/Council on Aging</b> |                  |                  |                  |                  |                  |
| Section 5311 - Rural Operating Assistance                     | \$ 336,726       | \$ 336,286       | \$ 370,840       | \$ 382,522       | \$ 411,708       |
| Section 5311 - Rural Capital Assistance                       | \$ -             | \$ -             | \$ -             | \$ 37,498        | \$ 43,748        |
| Section 5310 E&D Capital Assistance                           | \$ 40,403        | \$ 30,975        | \$ 73,439        | \$ -             | \$ -             |
| ARRA - Transit Capital Investment                             | \$ -             | \$ -             | \$ -             | \$ -             | \$ 138,754       |
| <b>Agency: Assumption ARC</b>                                 |                  |                  |                  |                  |                  |
| Section 5310 E&D Capital Assistance                           | \$ 43,203        | \$ 30,975        | \$ 45,756        | \$ 79,909        | \$ 37,498        |
| <b>Agency: Lafourche Council on Aging</b>                     |                  |                  |                  |                  |                  |
| Section 5310 E&D Capital Assistance                           | \$ 43,315        | \$ 43,203        | \$ 45,756        | \$ 96,793        | \$ 142,875       |
| <b>Agency: Lafourche ARC</b>                                  |                  |                  |                  |                  |                  |
| Section 5310 E&D Capital Assistance                           | \$ 32,196        | \$ 74,178        | \$ 45,756        | \$ 145,188       | \$ 47,625        |

#### **4.3.2 Forecast Funding Availability**

The directors of both Good Earth and the Assumption Parish Council on Aging acknowledged a need for increased capital expenditures to meet growing demand. All public transportation providers should anticipate increased demand due to the aging Baby Boomer population and the desire for people to age in place. In forecasting area transit needs it was assumed that vehicles would be replaced on a seven year cycle and that inflation would average 3% per year.

American Recovery and Reinvestment Act of 2009 (ARRA – “stimulus”) funds were received by Good Earth, Terrebonne Parish Council on Aging, and Assumption Parish Council on Aging.

Although stimulus funds are not a regular source of income, it is assumed that the agencies will continue to apply for grants and be successful in some cases. This assumption is reflected in the estimated revenue shown in Table 4-4 by funding source.

| <b>Source</b>    | <b>2010-2035</b>     |
|------------------|----------------------|
| All section 5307 | \$58,148,370         |
| All Section 5309 | \$1,822,964          |
| All Section 5310 | \$16,260,832         |
| All Section 5311 | \$23,666,510         |
| All Section 5316 | \$9,803,750          |
| ARRA/Grants      | \$7,500,000          |
| <b>TOTAL</b>     | <b>\$117,202,426</b> |

#### **4.3.3 Financially Constrained Plan**

As stated previously, the total amount forecast to be available for transit projects and operations through 2035 is \$117 million. The annual amounts were then aggregated to the three time periods of the MTP resulting in the following levels of State and Federal funding to be available for each Stage.

- STAGE 1 (2010-2015) - \$17,474,680
- STAGE 2 (2016-2025) - \$42,987,666
- STAGE 3 (2026-2035) - \$56,740,080

Table 4-5 shows the estimated revenue by stage and source for the three stages.

| <b>Source</b>           | <b>2010-2015</b>    | <b>2016-2025</b>    | <b>2026-2035</b>    |
|-------------------------|---------------------|---------------------|---------------------|
| <b>All section 5307</b> | \$8,467,466         | \$21,195,681        | \$28,485,223        |
| <b>All Section 5309</b> | 265,457             | 664,489             | 893,018             |
| <b>All Section 5310</b> | 2,367,875           | 5,927,241           | 7,965,716           |
| <b>All Section 5311</b> | 3,446,277           | 8,626,687           | 11,593,546          |
| <b>All Section 5316</b> | 1,427,605           | 3,573,568           | 4,802,577           |
| <b>ARRA/Grants</b>      | 1,500,000           | 3,000,000           | 3,000,000           |
| <b>TOTAL</b>            | <b>\$17,474,680</b> | <b>\$42,987,666</b> | <b>\$56,740,080</b> |