

MEMORANDUM

To: NFRMPO Technical Advisory Committee (TAC)

From: Medora Bornhoft

Date: August 19, 2020

Re: NFRMPO Process for Local Match Assistance - Action (Revised)

Background

At the July TAC meeting, TAC members discussed the proposed NFRMPO Process for Local Match Assistance. No changes were requested. To facilitate TAC Action, this memo repeats the information included in the July TAC packet with non-substantive updates to the Background and Action sections.

This memo identifies available strategies and processing steps for local match assistance for communities unable to afford local contributions for approved transportation projects due to the COVID-19 pandemic. While these strategies allow for the delay, reduction, or elimination of local contributions, there is a downside to most of the strategies. The purpose of identifying strategies for local match assistance is to maximize the delivery of projects currently included in the NFRMPO's Transportation Improvement Program (TIP) given anticipated revenue shortfalls.

NFRMPO staff is proposing to process requests for local match assistance for projects funded through NFRMPO Calls for Projects on a case-by-case basis and to use existing NFRMPO procedures to formally complete requests for assistance where necessary. To clarify how this would work, this memo outlines four steps in the process and describes how the assistance strategies align with existing NFRMPO procedures.

The process is designed for projects selected by the NFRMPO Planning Council for Congestion Mitigation and Air Quality Improvements (CMAQ), Surface Transportation Block Grant (STBG), Transportation Alternatives (TA), and/or Multimodal Options Fund (MMOF) funding. The process is for projects already selected by the NFRMPO Planning Council and **not** for any projects that may be awarded funds in future Calls for Projects held by the NFRMPO.

Projects selected for funding by other agencies, such as CDOT, FHWA, or FTA, may be eligible for the local match assistance strategies identified in this Memo. Project sponsors must contact the funding agency to initiate a request for local match assistance.



Local Match Assistance Strategies

There are five local match assistance strategies available to NFRMPO member communities:

State Infrastructure Bank (SIB)

The Colorado SIB offers a range of loans with low interest rates and credit assistance enhancement products for state- and federally funded projects. SIB loans may be executed at any time prior to project closeout. The SIB is a well-established strategy and the rules, regulations, and application are available on CDOT's website: <https://www.codot.gov/business/budget/colorado-state-infrastructure-bank-co-sib.html>. Currently, the SIB has \$5M in funding available. The downside to financing a project is the cost of interest; however, interest payments may be less expensive than increases in construction costs due to inflation.

Toll Credits

Toll credits reduce or eliminate local match for federally funded projects. Toll credits can be applied at any time prior to project closeout. **Attachment 1**, CDOT's Toll Credit Fact Sheet, explains how toll credits work for various project scenarios. Toll credits are relatively new to the State of Colorado. Toll credits are considered "soft match" and **do not** provide any new funds, which means the project would either have to reduce scope to make up for the loss in local funding, or, if federal funds become available, receive an additional allocation of federal funds to retain the project scope. The downside of toll credits is the reduction in project scope or reduction in overall impact of federal funds within the region.

Tapered Match

The tapered match strategy allows the local match for a federally funded project to be delayed. The project must receive approval from FHWA to use tapered match prior to authorization. This strategy is not new to FHWA but is new to Colorado. Since the federal share of the project is reimbursement-based, the local agency would still need to be able to front the federal share, but the local share could be provided in a later fiscal year. For more information on tapered match, visit https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_aid/matching_strategies/tapered_match.aspx. A potential downside of the tapered match strategy is the local match is paid in a lump sum at the end instead of being spread out over time.

Swap Project Funding Year

Swapping the project funding year is a strategy wherein one or more project sponsors with projects funded in the same funding program but in different fiscal years agree to swap funds allowing one project to advance and another project to delay. The FY2020-FY2023 TIP allows a project funded with NFRMPO-controlled CMAQ, STBG, and/or TA funding to swap funds one time with another project awarded funding in an approved Call for Projects. There is no downside to using this strategy, although it can be difficult to find a project with which to swap.

Delay Project

Local agencies may choose to delay their project to a later fiscal year, which is also known as "rolling" a project. The project would still be subject to the NFRMPO delay policy, if applicable, and any deadlines established by FHWA and CDOT. Failure to meet deadlines could result in the loss of federal funds for the



project. The downside of delaying a project is the delay of benefits to the regional transportation network and delaying the obligation of federal funds.

At this time, the NFRMPO is **not** proposing to alter the TIP delay policy to create a special exemption for projects delayed due to COVID-19 for the following reasons:

- 1) The delay policy encourages the obligation of federal funding, which benefits the regional transportation network with timely improvements and increases the likelihood of the State receiving additional federal allocations. Other strategies are available, as identified above, to assist local agencies with local match.
- 2) The delay policy's first one-year extension and second one-year extension options remain available for projects at the discretion of TAC and Planning Council.
- 3) The FHWA end date(s) for projects that might benefit from a special exemption may have already been set.
- 4) The full financial impact of the COVID-19 pandemic is not yet known. A special exemption for COVID-19-related delays may be prudent to consider at a later date if the first and second one-year extensions do not provide enough time for projects to proceed.

Process for NFRMPO-funded Projects Requesting Assistance

Broadly, the process uses consultation with impacted agencies to select a strategy, any processing requirements of other agencies such as CDOT and FHWA, and existing NFRMPO procedures to complete requests for assistance. The reliance on existing NFRMPO procedures means that some types of requests would be processed as TIP Modifications and other types of requests as TIP Amendments. Using existing processes also means local assistance requests could be completed as necessary without establishing a specific deadline for submitting a local assistance request. [Please note Step 3 must be initiated prior to initiating Step 4, but in some cases Step 3 cannot be finalized until Step 4 is completed.](#)

Step 1 – Notification. Local agency notifies the NFRMPO of need for local match assistance by contacting Becky Karasko and Medora Bornhoft.

Step 2 – Strategy Selection. Local agency coordinates with the NFRMPO and CDOT to discuss which, if any, strategy is applicable to the project. The local agency selects which strategy or strategies to pursue. In some cases, no strategy will be applicable to the project.

Step 3 – CDOT/FHWA Processing. Local agency follows process established by CDOT and FHWA, if applicable. The CDOT processes for the SIB, swap project funding year, and project delays are established, the process for toll credits is under development, and there currently is no process for tapered match. The FHWA must approve requests for tapered match and does not have a role for the other strategies.

Step 4 – NFRMPO Processing. Local agency communicates with NFRMPO staff on the [status of approval/acceptance](#) ~~of~~by CDOT and/or FHWA on request(s). Existing NFRMPO procedures for TIP Modifications, TIP Amendments, and/or Additional Funding Allocations are used to adjust the project in the



TIP and either notify or receive approval from the NFRMPO Planning Council. The TIP Amendment and Modification Process from the *FY2020-2023 TIP, Attachment 2*, would determine which type of TIP revision is applicable. Specifically, the requests would be processed as follows:

- **SIB** – The request is completed by the NFRMPO as a TIP Modification per the second item listed in the Administrative Modification section of *Attachment 2*.
- **Tapered Match, Swap Project Funding Year, and Delay Project** – The request is completed by the NFRMPO as a TIP Modification per the third item listed in the Administrative Modification section of *Attachment 2* or as a TIP Amendment if the delay impacts air quality conformity.
- **Toll Credits with a Scope Reduction** – The request is completed by the NFRMPO as a TIP Amendment if scope change is significant, as described in the sixth item in the Policy Amendment section of *Attachment 2*, otherwise it is completed as a TIP Modification.

Toll Credits without a Scope Reduction – The request is held until a CDOT Region 4 reconciliation identifies unprogrammed federal funding, which could be due to higher planning estimates or project forfeitures/project closeouts. The requests for toll credits would be presented to TAC and Planning Council as part of the Additional Funding Allocations process and would compete with the partially funded projects eligible for additional federal funds from the relevant Call for Projects. The reconciliations are completed quarterly, and proposed allocations would be brought to TAC and Planning Council for approval if unprogrammed federal funds are available. Project adjustments would then be amended or modified into the TIP.

Action

Staff requests TAC members approve the proposal to rely on existing NFRMPO procedures for local match assistance requests. This item will not go to Planning Council for Discussion or Action unless TAC requests changes to existing NFRMPO procedures.



Toll Credits for Local Agency Match Relief-2020

What is the purpose of this Fact Sheet?

In response to the 2020 economic downturn associated with COVID-19, CDOT is developing guidance and recommendations for local agencies and planning organizations on how to maintain delivery of the Federal Aid Program, primarily Congestion Mitigation Air Quality, Transportation Alternatives, Bridge Off-System, Surface Transportation Block Grant (Urban Areas), Highway Safety Improvement Program, and any other locally administered projects.

What are Toll Credits?

CDOT is able to provide some relief by using its balance of “toll credits” with the Federal Highway Administration (FHWA). Toll credits are earned when the state, a toll authority, or a private entity funds a capital transportation investment with toll revenues earned on existing toll facilities. Toll credits act as a “soft match” and are not “real dollars,” but rather a tool which State DOTs can utilize to reduce or eliminate requirements for non-federal matching funds. Note: Increasing federal share in projects come from existing resources and are not additional federal apportionments or obligation authority to the state.

How can Toll Credits be applied to a Project?

For projects selected through Metropolitan Planning Organization (MPO) processes, requests for match relief should be made through the MPO and then submitted to CDOT. Requests for projects not in an MPO should be made through the appropriate CDOT Region Office, or in the case of federal transit (FTA) projects, through the CDOT Division of Transit and Rail.

There are 2 scenarios where toll credits may be used to assist:

1. If the scope of the project can be reduced, the project can proceed with no local match and 100% federal funding. Example, a \$100,000 project is reduced in scope to \$80,000 and eliminate the match element.
2. If additional federal funding can be identified and programmed within the TIP and STIP a project can proceed with no local match and 100% federal funding. Example, a \$100,000 project is kept at \$100,000 by procuring additional federal funds being sourced (from existing available funding) to replace the diminished local contribution, thus eliminating the match.

Key Points

- For existing project awards
- Determined on case by case basis
- In response to permanent reduction of local revenue
- May require a reduction of scope equal to lost local contribution
- Eliminates required match, but NOT a cash replacement
- IGA revisions may be required due to scope reduction and change in reimbursement terms

For more information contact:
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MPOs should contact:
Marissa Gaughan – CDOT DTD
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Scenarios

Below are a few examples of how Toll Credits can be used on a project. In some cases it may be necessary to identify other available resources including federal funds.

REDUCED TOTAL COST - NO LOCAL OVERMATCH					What does this mean?	REDUCED TOTAL COST - LOCAL OVERMATCH					What does this mean?
Fund Type	Original Cost	Original Rates	Revised Project Cost	Revised Rates	Your project must reduce scope by the amount of the local match to fit in the revised budget.		Original Cost	Original Rates	Revised Project Cost	Revised Rates	Your project must reduce scope by the amount of both the local match AND the local overmatch to fit in the revised budget.
Federal	\$80,000	80%	\$80,000	100%		Federal	\$80,000	80%	\$80,000	100%	
Local "Match"	\$20,000	20%	\$0	0%		Local "Match"	\$20,000	20%	\$0	0%	
Local "Over Match"	\$0	N/A	\$0	N/A		Local "Over Match"	\$100,000	N/A	\$0	N/A	
Total Cost	\$100,000	100%	\$80,000	100%		Total Cost	\$200,000	100%	\$80,000	100%	
NO CHANGE TO TOTAL COST - NO LOCAL OVERMATCH					What does this mean?	NO CHANGE TO TOTAL COST - LOCAL OVERMATCH					What does this mean?
	Original Cost	Original Rates	Revised Project Cost	Revised Rates	You must secure additional federal resources in the amount of the lost match and program them in the STIP. These funds may be available currently as unprogrammed dollars or may require the cancellation or reduction of other projects.		Original Cost	Original Rates	Revised Project Cost	Revised Rates	You must secure additional federal resources in the amount of the lost match AND the local overmatch and program them in the STIP. These funds may be available currently as unprogrammed dollars or may require the cancellation or reduction of other projects.
Federal	\$80,000	80%	\$100,000	100%		Federal	\$80,000	80%	\$200,000	100%	
Local "Match"	\$20,000	20%	\$0	0%		Local "Match"	\$20,000	20%	\$0	0%	
Local "Over Match"	\$0	0%	\$0			Local "Over Match"	\$100,000	N/A	\$0	N/A	
Total Cost	\$100,000	100%	\$100,000	100%		Total Cost	\$200,000	100%	\$200,000	100%	

Attachment 2

FY2020-2023 TIP: TIP Amendment and Modification Process

Policy Amendments

The following items require a Policy Amendment:

1. Any project, outside of a CDOT STIP funding pool, added to the TIP using federal funds including CMAQ, STBG or TA funds, or if the project is an Air Quality Significant Project (see examples above).
2. Any project that has all Federal funding removed or is deleted from the TIP.
3. The addition or deletion of \$5M or more in federal or state funds for any project.
4. A change in funding sources from local/state to include any amount of federal funds.
5. A change in the total amount of a CDOT STIP pool by \$5M or more in state or federal funding due to Transportation Commission action, including a change in the Federal resource allocation.
6. Any significant change in the scope of a project. A scope change is defined as any sponsor-directed alteration that requires a modification in a project's activity, location, or schedule which triggers a review of the National Environmental Policy Act (NEPA) process or air quality analysis. Common scope changes are: (1) engineering change, (2) quantity change, (3) location change, and (4) schedule change. Specifically, any schedule changes that might impact the TIP's air quality conformity as the completion date of a regionally significant project would occur in a different time frame than that modeled by APCD.

Administrative Modifications

The following items require an Administrative Modification:

1. A change between federal funding sources.
2. A change in project funding less than \$5M of state or federal funding, and does not change the scope of the project.
3. A transfer of funds between project years, with concurrence of Project Sponsors, and not impacting air quality conformity.
4. A change of less than \$5M in the total amount of a CDOT STIP pool in state or federal funding due to Transportation Commission action, including a change in the Federal resource allocation.
5. Changes in the projects included in a CDOT STIP pool due to Transportation Commission action, including a change in the state resource allocation.