

**ACTION TRANSMITTAL No. 2016-18**

**DATE:** January 15, 2016

**TO:** TAC Funding and Programming Committee

**PREPARED BY:** Steve Peterson, Planning Analyst (651-602-1819)

**SUBJECT:** 2014 Regional Solicitation Transit Inflation Correction

**REQUESTED ACTION:** Recommend to TAC that an inflation adjustment be added for bus purchases in three Transit Expansion projects, selected in the 2014 Regional Solicitation, that were not inflated.

**RECOMMENDED MOTION:** That TAC Funding and Programming recommend to TAC that an inflation adjustment be added for bus purchases in three Transit Expansion projects, selected in the 2014 Regional Solicitation, that were not inflated.

**BACKGROUND AND PURPOSE OF ACTION:** In March 2015, TAB approved adding an inflation factor to projects that were awarded federal funds as part of the 2014 Regional Solicitation. The inflation factors included the following:

- 4% inflation for 2017 projects
- 6% inflation for 2018 projects
- 8% inflation for 2019 projects

However, transit vehicles were specifically called out not to be inflated. The reason for this was that Metropolitan Council staff understood that bus purchases were negotiated as part of multiyear contracts with costs that remained flat. Some transit representatives at TAC F&P and TAC meetings questioned this assumption. After further examining the issue during the summer of 2015, staff have learned that there is an inflation factor built into these contracts (i.e., buses purchased in 2018 are more expensive than buses purchased in 2017). As a result, bus purchases should have been inflated just like all other project elements.

The Regional Solicitation application required all applicants to list project costs using current-year dollars as opposed to the actual year of construction four to five years later. In talking with Minnesota Valley Transit Authority and Metro Transit staff, the transit vehicle costs used in the submitted cost estimates reflected current year prices. Therefore, there were inconsistencies between what was required in the application and the guidance given to TAB regarding which project elements should be inflated. As a result, some transit project elements, such as transit stations, were inflated, while other project elements, such as bus purchases, were not inflated.

Going forward, staff suggests inflating all project elements and this is reflected in the draft 2016 Regional Solicitation package. At this time, staff requests retroactively including inflation for the bus purchases resulting from the 2014 Regional Solicitation. This would impact just the uninflated bus purchases in the three projects below.

<b>Proj Num</b>	<b>Name</b>	<b>Sponsor</b>	<b>Yr</b>	<b>Current Fed Amt</b>	<b>Adjusted Fed Amt</b>	<b>Increased Fed Amt</b>
TRS-TCMT-18B	Penn Avenue Corridor Buses	M Transit	2018	\$4,121,340	\$4,368,620	\$247,280
TRS-TCMT-18A	Emerson-Fremont Corridor Bus and Technology Improvements	M Transit	2018	\$6,671,726	\$7,072,030	\$400,304
TRS-TCMT-19	Chicago Ave Corridor Buses	M Transit	2019	\$3,130,547	\$3,380,991	\$250,444
<b>TOTAL</b>						<b>\$898,028</b>

**RELATIONSHIP TO REGIONAL POLICY:** TAB develops and issues a Regional Solicitation for federal funding. TAB also sets inflation rates for program years.

**STAFF ANALYSIS:** To correct the inconsistent guidance given in the 2014 Regional Solicitation, the above-listed projects with bus purchases included should be inflated like all other project elements. Correcting this oversight will add \$898,028, in federal funds to the projects. In discussing this issue with MnDOT Metro District and Central Office staff, they believe that there will be adequate federal funding available in 2018 and 2019 to accommodate this correction.

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**ROUTING**

<b>TO</b>	<b>ACTION REQUESTED</b>	<b>DATE COMPLETED</b>
TAC Funding & Programming Committee	Review & Recommend	
Technical Advisory Committee	Review & Recommend	
Transportation Advisory Board	Review & Recommend	
Transportation Committee	Review & Recommend	
Metropolitan Council	Review & Release	