

**Transportation Improvement Program (TIP)
Subcommittee Meeting**

Houston-Galveston Area Council

Virtual Meeting (Zoom)

Wednesday September 7, 2022

1:30 PM – 3:00 P.M.

AGENDA

Item 1 – Subcommittee Roll Call

Item 2 – Previous Meeting Summary

The summary of the August 3, 2022 meeting will be available at the following link:

<https://www.h-gac.com/transportation-advisory-committee/transportation-improvement-program-subcommittee/agendas-and-minutes>

Item 3 – Cost Overrun Policy (Adam Beckom)

Item 4 – Project Selection Process Update (Vishu Lingala)

Item 5: Announcements

- TAC Meeting – **September 14, 2022**, 9:30 a.m., Hybrid (Zoom).
- TPC Meeting – **September 23, 2022**, 9:30 a.m., Hybrid (Zoom)
- TIP Subcommittee Meeting – **October 5, 2022**, 1:30 p.m., Virtual (Zoom)

Item 6. Adjourn

TRANSPORTATION IMPROVEMENT PROGRAM SUBCOMMITTEE

MEETING SUMMARY

Wednesday, September 7, 2022

1:30 – 3:00 p.m.

Houston-Galveston Area Council
Virtual Meeting (Zoom)

MEMBERS PRESENT

Veronica Chapa-Gorczyński – East End District
Christopher Sims – City of League City
Jildardo Arias – City of Friendswood
Cory Taylor – Chambers County
Stacy Slawinski – Fort Bend County
Robert Upton PE – City of Pearland
David Wurdlow – City of Houston-PW
Yancy Scott – Waller County
Jeff Johnson – Montgomery County
Michael Shannon – Galveston County
Sherry Weesner – TIRZ 5/Memorial Heights
Bruce Mann – Port Houston
Mike Wilson – Port Freeport
Catherine McCreight – TxDOT-HOU
Ruthanne Haut – The Woodlands Township

ALTERNATES PRESENT

Jonathan Brooks – LINK Houston
John Bowen – City of League City
Natalie Lopez – Chambers County
Amy Skicki – Baytran
Anna Mijares – TxDOT-BMT
Alan Clark – METRO
Pamela LeBrane – Fort Bend Transit

Item 1 – Subcommittee Roll Call

The meeting started with a roll call to determine the members and/or alternatives present.

Item 2 – Previous Meeting Summary

The summary of the August 3, 2022 meeting is posted on the H-GAC website.

<https://www.h-gac.com/transportation-advisory-committee/transportation-improvement-program-subcommittee/agendas-and-minutes>

Item 3 – Cost Overrun Policy (Adam Beckom)

Cost overruns are considered on a project-by-project basis and have typically been split 50/50 between federal/local funding sources. There is currently no formal policy in place regarding cost overruns. An 80/20 split is being recommended for overruns that are due to escalating construction costs that result from supply chain issues or unexpected Federal design standard changes, while a 50/50 match policy is proposed for cost increases that are due to project scope changes initiated by the sponsor, and scheduling delays as a result of the lack of project readiness.

To give staff time to pass the request through all the required processes and channels, sponsor agencies are urged to submit requests for Federal funds and provide supporting documents to staff as early as 6 - 9 months before the funds are needed. Staff will continue to gather information as part of the quarterly TIP project review, for the purpose of solving the problem of cost overruns.

*** Discussions that arose from this presentation are summarized below**

Item 4 – Project Selection Process Update (Vishu Lingala)

Vishu Lingala gave an update to the project selection process. The presentation covered two major topics related to project programming and implementation:

A. Addressing Carry-Over Balances

Several sponsors have submitted lists of priority projects they want staff to consider for programming within the short-range, medium-range, and long-range schedules. Three goals were set to guide this project selection process:

1. Develop a workable and fair project selection process;
2. Implement the TPC workgroup priorities; and
3. Spend down the carryover balances.

The primary aim is to spend down the CMAQ and STBG carry-over funds within the next two years. A total of about 585 projects were submitted by the transportation partner agencies. The projects featured several transportation modes and covered all the eight (8) counties of the TMA. Their combined cost came to about \$47.9 billion. The priority project list however contained duplicates as well as projects that were ineligible for Federal funding. Moreover, some of them were already programmed in MPO's plan documents. Further work is therefore needed to properly consolidate and trim the list of projects.

To address the goal of spending down carryover balances before they lapsed, staff conducted a detailed analysis of the projects on the priority list that were already programmed within the TIP or the

H-GAC Ten-Year Plan. The analysis looked at the funding eligibility of these projects and identified existing funding gaps. From the programmed project list, it was determined that a funding gap of approximately \$296 million was associated with projects that were probably eligible for CMAQ funding while a gap of about \$113 million was associated with projects that were probably eligible for STBG funding.

Staff also looked at projects on the priority list which were submitted for implementation in the short-range but had never been programmed in any of the MPO's plan documents. This group contained a total of 239 projects, with a total cost of about \$5,576 million. Analysis revealed that a \$1,675 million gap was associated with the projects that were probably eligible for CMAQ funds. Each of these projects would have to undergo an objective screening of their readiness before programming, to ensure they would be placed on a realistic letting schedule.

B. Project Selection Process and Evaluation Criteria

Vishu next addressed the four approaches under consideration for finalizing the project selection process and evaluation criteria for the TIP and RTP. The approaches include:

1. Split (*the traditional*) comprehensive call into two smaller solicitations of statement of project interest based on project type.
2. Continue the ongoing statement of project interest (SOPI) submittal process and review and recommend projects for funding every year, based on project type and desired outcome, and keep the process on a 5-year cycle.
3. Continue to develop evaluation criteria and conduct a comprehensive call [*the current process*] – possibly adding a freight project category.
4. Split (*the traditional*) comprehensive call into two smaller solicitation of statements of project interests based on funding programs (CMAQ + TASA, Cat 2 + STBG)

Staff plan to meet with the TPC workgroup this month and provide them with a progress report. This will be an opportunity to inform the workgroup about the issues the subcommittee is discussing and to obtain clarification of the workgroup's recommendations.

****Discussions that arose from this presentation are summarized below**

Item 5: Announcements

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Item 6. Adjourn

The meeting adjourned at 3:04 p.m.

Comments and Discussion:*** Discussions on the Cost Overrun Policy**

- The ports pay 100% of cost overruns. A 50/50 split is preferable unless 80% of the overrun will be borne by the sponsor agency.
- Has there been consultation with TXDOT or FTA on the possibility of a cost split other than 50/50 or 80/20?
(TXDOT Response: TXDOT has no problem with varying percentages as long as TDCs are not being split along with other local matches).
- There is support for the 80/20 Federal/Local split as a policy.
- Language is important. We are really talking about unexpected “**cost increases**” (associated with inflation and unexpected regulation changes – with projects set up as 80/20 match) versus “**cost overruns**” (typically due to project scope creep – projects should be set up as a 50/50 match). The quarterly updates would give everyone advance notice about impending cost changes.
- We should consider sorting overruns in terms of the “foreseeable” and the “unforeseeable” types of expense increases or overruns. This would probably help a lot of people understand the issues, especially when the discussion is brought before the policy council.
- A warning flag needs to be raised over how we treat changes in project scope. In some instances, changes in project scope or project limits are driven by the environmental process – in response to community desires. Would it be appropriate to treat such changes as “scope creep” that calls for a 50% rule, or alternatively as a “reasonable adjustment” that results from following the regulatory process and doing what one is supposed to do? The simpler the rule for handling cost requests, the better. A project that involves nuances that are bothersome should be taken before the TAC and TPC for discussion.
- The emphasis placed on project readiness to qualify for being programmed in the TIP is a good idea. If a project must be almost bid ready for it to enter the TIP, there should probably be some way to provide resources to help sponsors develop these projects to where they become TIP ready.
- Should the policy be ongoing or time-based? Do we apply the split rule post letting – to allocate actual cost?
- We don’t want to encourage complacency by project sponsors who fail to do their due diligence because they know if they miss, the worst that could happen would be that 80% would be covered by Federal funds anyway. The policy should take into account such unintended consequences.

****Discussions on the Call for Projects Update**

- Approach No. 3 (the current system) should be eliminated altogether. Going forward, we should select our call for projects solution from approach No. 1, 2, or 4. The old process of conducting a comprehensive call and trying to develop evaluation criteria to satisfy every possible scenario the sponsors can think of is counterproductive and has wasted a lot of time. We would be better served by breaking the call into smaller categories and defining evaluation criteria for those different categories. Having several calls on a more frequent and predictable timeframe would give sponsors motivation to do some early project development and timely evaluation of which projects they would want to use local funds for, and where they intended to apply available federal funds.

- Approaches No. 1, 2, and 4 feed into the earlier subcommittee conversations about using up carry-over balances. This requires programming the right projects at the right time. Doing smaller calls for projects would take pressure off staff. Staff would be able to focus more time and effort on selecting the projects that the federal money gets spent on, and choosing where the projects get programmed for implementation. Projects that are easier to deliver should not be mired in the same bucket as projects that have several major steps to satisfy.
- Regardless of the approach we end up selecting, we should incorporate a review cycle in which every year we assess where we are in terms of project readiness and funding availability, and make sure we are able to obligate the funds available to us in a timely manner. The policy council should also be informed about our plans to make some programming decisions.
- Whatever the approach chosen, I advise that we keep the big goal we are trying to accomplish in mind. The deviation from the original call for projects approach was because we had an immediate need to identify and spend funds. Maybe the alternate scheme we introduce should proceed for a year or two, to get the pipeline of projects to the critical point where we feel comfortable and can breathe again. Then, it may be that the approach changes again. This can be an organic process. There is however a fine line where we don't want it necessarily changing every year. We have asked staff for their recommendations. These things will eventually become clearer as we go further down this process.
- There is a fair amount of flexibility within the options being considered, for how we might structure an approach. The feedback we are getting on these is really helpful. Option 2 that Vishu laid out has one-year increments. It would not necessarily have to be one-year increments. During the first year or two years of the process, it may be a 4-month or a 6-month type increment. It is really just a question of how we go about trying to break these thoughts into pieces that become workable for the advisory committees, for the policy council, and for staff.
- Thanks go to staff. Any of these [*new approaches*] would be an improvement for freight over what we do today. I appreciate the work that went into this, and the consideration. Next, we would need to work out the criteria and decide how much money any one category might get.