

Section VII. Economic Feasibility

It [Sioux Falls 2015] must be both dynamic and flexible to accommodate the changing needs of a growing community, yet steady enough to allow for reasonable long-term investment strategies by both the public and private sector.

Sioux Falls 2015 XII-1

A. Funding Process

Under TEA-21 metropolitan planning requirements, all financial plans must consider revenues that can reasonably be expected for transportation uses within the planning period. The plans must also consider the estimated costs of constructing, maintaining, and operating the planned transportation system. These two estimates will then identify any funding shortfalls.

Proposed projects must then be included in the Transportation Improvements Program, which is then approved by the State of South Dakota. The TIP represents a financially constrained prioritized program of transportation improvements in the following multimodal areas: streets and highways, public transportation, aviation, railroads, bicycles, and pedestrian. Projects are prioritized within each program year by funding category.

In order to meet this constraint, funds from numerous government agencies need to be used. These are summarized within the following sections. Each summary is only a description of possible funding programs; no funds are allocated within this Long-Range Plan.

B. US Department of Transportation

TEA-21 was reauthorized in June 1998 as the nation's largest public works law; up to \$217 billion will be spent on making the transportation system equitable. Just over \$200 billion is guaranteed through 2003: \$165 billion for highway and multimodal surface transportation, \$35 billion for transit, and the rest for highway safety and motor carrier freight programs. TEA-21 ties future apportionment to the contributions to the Federal Highway Trust Fund.

Other programs within this bill include:

The transportation enhancements program, which supports community projects—from historic preservation of transportation facilities to habitat preservation and rail-to-trail conversion—could receive up to \$600 million a year over the next six years, a 40 percent increase over previous levels.

The congestion mitigation and air quality improvement program, which funds efforts to curb congestion and to encourage transit use and other alternatives to cars, has increased from roughly \$6 billion under the old law to \$8 billion through 2003.

The transportation and community and system preservation pilot program will support state and local studies of the connections between transportation and sustainable land use, particularly private development.

C. SD Department of Transportation

The SDDOT receives funds from the Federal Highway Trust Fund to allocate to the MPOs. Based on historic trends, the state's apportionment based on trust fund contributions can be projected at an annual growth rate of 6 percent. TEA-21 established this distribution and could possibly be changed by Congress in the future.

Currently, the state has a fuel tax of 22 cents per gallon; consumption has also increased along with Vehicle Miles of Travel. With the increase in consumption, the fuel tax revenue has increased and has been able to offset the increased costs of maintenance and construction.

"As the population trends change, the STIP, the Strategic Plan, Modal Plans, Corridor Studies, Special Studies, and the Statewide Intermodal Long Range Plan will accommodate them. Eventually, more resources may be required for transportation in metropolitan areas." *SILRP p. 58*

D. Local Match

To implement transportation improvements either through special studies or actual construction, the respective government agency must supply a local match to the federal or state funds.

All projects sponsored by the City of Sioux Falls are excerpted from the City's Capital Improvement Plan (CIP) and Other Capital Equipment Plan (OCEP), as required by the City Charter. The CIP is a five-year plan for construction and infrastructure improvements.

The City has identified the following nine funding sources as part of the Capital Improvement Program planning process:

- a. Assessments (Special)—Cost recoveries that are levied against real property based upon the cost of improvements made by the City.
- b. Bond Funds—Funds derived from the issuance of general obligation or revenue bonds by the City. These bonds constitute an obligation of the City to repay principal and interest over a specified number of years from general or other revenues of the City.

- c. Enterprise Assessments—Cost recoveries that are levied against real property based upon the cost of improvements by the City. These costs are levied within a specific enterprise fund (water, wastewater, landfill, etc.)
- d. Federal Funds—Grants or loans from the federal government which are required to be used for specific purposes or projects.
- e. Federal Funds—The FHWA Planning Funds are budgeted in the Work Program based on the 2000 Allocation and Distribution Formula as agreed upon by the local governmental entities and the SDDOT. The FTA funds are provided through an agreement between SDDOT and local governmental agencies as part of a 49 U.S.C. Section 5303 Grant for public transportation planning activities. Both sources of funds are matched by the entity utilizing the funds. The current matching ratios are as follows:

Federal Agency	Local Match	Federal Match
FHWA	18.05%	81.95%
FTA	20%	80%

Roadway system improvements can be partially funded by the Roadway Safety Improvement Program and the Surface Transportation Program, whereas public transportation improvement revenue is based on estimates from the Section 5307 (formula) funds and Section 5309 (discretionary) funds.

- f. General Funds—The fund used to account for all financial resources, except those required to be accounted for in another fund. The City’s general fund accounts for revenues and expenditures of general property taxes, first penny sales tax, licenses and permits, etc.
- g. Other Funds—Special revenue or trust funds with account for revenues that are restricted for specific purposes.
- h. State Funds—Grants or loans from the State of South Dakota for specific purposes or projects.
- i. Sales Tax (2nd Penny)—An additional 1 percent tax levied on gross receipts of retail business and services with the City’s jurisdiction that may be used for specific purposes, primarily capital improvement projects and debt retirement.
- j. User Fees—Fees charged for goods and services to recover the costs associated with providing those goods and services.

Approximately \$224 million is scheduled to finance the City’s Capital Improvement Program during the next five years. Approximately 70 percent of the capital funds budgeted will be spent on street, infrastructure, and utility improvements. Expanded uses of the 1 percent capital improvement sales tax will finance not only street and related utility improvements, but also serve several projects designed to improve the quality of life in Sioux Falls.

The Sioux Falls Metropolitan Area Transportation Improvements Program (TIP) represents a prioritized program of transportation improvements in the following multimodal areas: streets and highways, public transportation, aviation, railroads, bicycles, and pedestrian. The following table depicts the projected annual funding totals for the City of Sioux Falls' portion of the TIP:

Chart 9

City of Sioux Falls Projected TIP Funding Levels
(local funds only)

Year	Proposed Funding Level
2000	\$22,446,992
2001	\$20,387,478
2002	\$16,999,491
2003	\$20,618,270
2004	\$21,136,348
2005	\$23,134,160

Minnehaha and Lincoln Counties fund their annual provisional budgets with the following sources: Wheel Tax, Intergovernmental Revenue, Charges for Goods and Services, and Miscellaneous Revenue.

E. Future Trends

TEA-21 has directed transportation planners to rethink current trends as well as reshape future trends. Until recently, the trend was that highways were the responsibility of the government and their construction had limited impacts on communities. Nowadays, the government funding is very much in demand and highway projects must compete for the funds. The city and the region continue to grow, while the community has become more educated and involved with the associated impacts.

Therefore, TEA-21 is encouraging more efficient use of the roadway capacity through ITS and other modes of transportation. Technology, design-build, public involvement, and creative public-private financing could very likely become a high priority and future trend.

TEA-21's financial reasonableness requirement was intended to have MPOs give proper consideration to the needs of the planning area. At the same time, the intent of TEA-21 is that the TIP financial constraint be more exact than a 25-year projection.

Preliminary estimates for implementing the proposed projects in the plan have been developed enough to give the MPO a reasonable cost. The cost estimates for **expansion** and major management of facilities and services is approximately \$435 million over the next 25 years. The cost to manage and **maintain** the existing transportation system is approximately \$410 million over the next 25 years.

Chart 10

Projected Annual Revenues Based on a Historic Trend

	Local	State	Federal
Streets and Highways (1999 Dollars)	\$20,892,865	\$1,208,000	\$4,704,837
Public Transportation (1999 Dollars)	\$ 3,039,222	\$46,575	\$2,533,750

For public transportation, user fees also generate average annual revenue of \$1,234,085 (based on 1999 actual revenue and projected growth at 5 percent per year). Local revenue is utilized to fund the public transportation system to the extent that federal and state revenue and user fees are not adequate. Local financial support for public transportation in Sioux Falls has historically been strong. If the City is able to obtain Section 5309 (discretionary) funds for bus replacement as has been done in the past, it will significantly reduce the local funds needed for public transportation services. The amount of local funding available will directly impact the level of public transportation services provided.

The City's sales tax generates two-thirds of the local revenues, and as the city continues to grow, it is reasonable to assume these revenues will also increase. If the federal funds diminish after TEA-21, the MPO is still within reason to project revenues at over \$845 million for the next 25 years. Financial needs in excess of the estimate would require greater than historic revenue growth, increasing other revenues, decreasing expenditures, and/or reviewing more cost-effective improvements.