

**Appendix D: TIP Financial Plan.**

## APPENDIX D

### FINANCIAL PLAN

#### Introduction

The joint FTA/FHWA Planning regulations identify three primary purposes of the financial plan for Transportation Improvement Programs:

*To demonstrate how the TIP, if approved, will be implemented;*

*To identify resources from public & private sources that are reasonably expected to be made available to carry out the TIP; and*

*To recommend additional financing strategies to carry out needed projects and programs.*

To demonstrate is to show or to prove by illustration and explanation. This financial plan represents an attempt to identify and document the full cost of operating, maintaining, and improving the entire transportation system in the three counties encompassing northwest Indiana.

**Summary.** The transportation network in the three-county area consists of approximately 5,900 miles of roadways of all classifications, 10 public transit systems, and many bicycle and pedestrian facilities. Local funding is the primary source of funding for the routine operation and maintenance of the system. With the exception of transit, where federal funds are used to offset some of the operating costs, federal funds are used almost exclusively for transportation system improvements only.

Between the years 2014 and 2017, taxpayers will provide, and INDOT and local units of government (excluding transit operators) will spend about \$1.04 billion to maintain and improve the region's surface transportation system. We conservatively estimate that of this total, about 40% (\$406.7 million) will be spent on maintenance and operations costs. Another 53% (\$548.1 million) will be spent on federal aid preservation and maintenance projects. The remainder, \$123.2 million (7% of the total) will be expended on capacity increasing projects—primarily roadways.

**Local Data Sources.** The source of the financial data for Local Public Agencies (LPA's) is from annual reports filed with and maintained by the Indiana State Board of Accounts (SBOA). These data were accessed using the new Indiana Gateway for Government Units (Gateway), located at <http://www.in.gov/sboa/3700.htm>.

**Adequacy of Funding for the Existing Transportation Network.** Routine maintenance of existing local highway infrastructure is typically funded with revenues from those state and local sources permitted by the Indiana General Assembly. These funds are considered to be marginally adequate for maintaining the local highway infrastructure in its current condition with funding for local highway reconstruction, rehabilitation and expansion historically provided from limited state and federal sources. The maintenance of designated Interstate, national and state highways is the jurisdiction of the Indiana Department of Transportation (INDOT).

## State Sources of Revenue

Operations & Maintenance. Resources for operations and maintenance costs for the existing INDOT highway network were most recently quantified in their new 2014-2017 Statewide Transportation Improvement Program (STIP). The Indiana General Assembly appropriates funds into four expense categories for routine operations and maintenance in the state's biennial budget. Projected expenses for this four-year period and an annual average are shown following:

Projected INDOT Investments for Highway Operations and Maintenance 2014-2017				
Fund	Four-Year Total (Statewide)	Average Per Year (Statewide)	Average Per Year (Region)	Four Year Total (Region)
<b>Highway Operating</b>				
Personal Services	\$ 863,544,996	\$ 215,886,249	\$ 17,702,672	\$ 70,810,690
Other Operating Expense	227,252,424	56,813,106	4,658,675	18,634,699
<b>Highway Vehicle &amp; Road Maintenance Equipment</b>	61,200,000	15,300,000	1,254,600	5,018,400
<b>Highway Maintenance Work Program</b>	268,000,000	67,000,000	5,494,000	21,976,000
<b>Subtotal Highway Operations &amp; Maintenance</b>	<b>\$ 1,419,997,420</b>	<b>\$ 354,999,355</b>	<b>\$ 29,109,947</b>	<b>\$ 116,439,788</b>

The portion of INDOT's operations and maintenance expense attributable to Northwest Indiana are estimated. These estimates are based on the percentage of INDOT system miles that are located in Lake, Porter, and LaPorte Counties. Our most recent data (from 2005) indicates that about 8.2% of all INDOT road miles are within the region.

Actual projected highway construction and reconstruction project costs for the four year period from the 2014-2017 STIP are shown following:

Projected INDOT Investments Highway Construction 2014-2017				
Fund	Four-Year Total	Average Per Year (Statewide)	INDOT Projects in TIP	Average Per Year (Region)
Highway Construction (State Funds)	\$ 2,661,810,000	\$ 665,452,500	\$ 50,771,858	\$ 12,692,965
Highway Construction (Federal Funds)	2,643,300,000	660,825,000	275,597,248	\$ 68,899,312
<b>Subtotal Highway Construction</b>	<b>\$ 5,305,110,000</b>	<b>\$ 1,326,277,500</b>	<b>\$ 326,369,106</b>	<b>\$ 81,592,277</b>

## Local Sources of Revenue—Highways

Routine maintenance, operations and improvements of existing local road and highway infrastructure is typically funded with revenues from local sources. Under Indiana law, the following accounts serve as the basic local sources of revenue for highway, road and street work:

- Motor Vehicle Highway Account
- Local Road and Street Account
- Cumulative Capital Improvement Funds
- Cumulative Capital Development Funds
- Cumulative Bridge Funds

Actual revenue and expense data for the region's 44 Local Public Agencies for calendar year 2012 were downloaded from Indiana State Board of Account's Gateway website and is displayed in the following table. Indiana requires all funds to balance out at the end of each calendar year—in instances where expenses in a fund exceeded revenue, revenue from other (un-named) funds was transferred into the fund (as an "Expense Transfer"). For purposes of the TIP, revenues and expenses have been flat-lined at

2012 levels. The principal source of funds for local road and street construction and maintenance operations comes from the Motor Vehicle Highway (MVH) and Local Road and Street (LRS) Accounts.

**Motor Vehicle Highway (MVH)**

This accounts for the construction and maintenance of streets, alleys and the operations of street maintenance activities of the public works department. Resources are derived from state motor vehicle (gasoline tax) distributions. It also includes the purchase of materials, labor and/or equipment required in the maintenance and construction of roads and bridges.

**Local Road and Street (LRS)**

This accounts for the operation and maintenance of the local and county road and street systems. Resources are derived from state gasoline tax distributions. These funds are used for engineering, construction or reconstruction of roads, streets or bridges.

**Cumulative Capital Improvement Funds (CCI)**

The money from this fund may be used for road construction or improvement, acquisition of land or right-of-way for streets, roads, alleys, sidewalks, thoroughfares and maintenance. This fund is collected from the state cigarette tax.

**Cumulative Capital Development Funds (CCD)**

This fund provides money for any purpose for which property taxes may be imposed.

**Cumulative Bridge Fund (Cum Bridge)**

This source of revenue provides funds for the cost of construction, maintenance, and repair of county highway bridges, approaches, and grade separations. County Commissioners may levy a tax in compliance with IC 6-1.1-41 in assessed valuation of all taxable personal and real property within the county. LaPorte County also maintains a “High Cost” Bridge fund.

**Expense Transfers from General Fund and Other Sources**

Indiana law requires all funds to be balanced at the end of the year. When over-spending has occurred in one or more accounts, a transfer of funds from another account is made so that the account will balance (i.e., expenses will equal revenues).

**Local Financial Summary.** The 2012 data shows revenue at about \$81.2 million for the year versus \$72.6 million in expenses. For the period of the TIP (2014-2017), we project revenue of about \$325 million and expenses of about \$290 million. From this we can only conclude that ***there will likely be sufficient local financial resources to maintain the current rate of expenditure.*** The table below and on the following page show the baseline 2012 data.

**Highway Operations and Maintenance: Baseline Annual Financial Data by Fund for Counties and Municipalities**

**Base Year: 2012**

(For 2012)	MVH (Highway)		LRS		CCI		CCD		Cum Bridge		Expense
	Receipt	Disbursement	Receipt	Disbursement	Receipt	Disbursement	Receipt	Disbursement	Receipt	Disbursement	Transfers
Lake County	\$ 4,999,855	\$ 4,941,171	\$ 810,130	\$ 762,641	\$ -	\$ -	\$ 9,483,240	\$ 8,327,811	\$ 3,002,973	\$ 1,545,825	\$ -
Cedar Lake	338,523	309,514	125,715	104,380	30,661	35,181	181,993	289,707	-	-	61,890
Crown Point	2,495,320	2,096,123	363,629	357,587	76,041	163,359	716,174	1,624,885	-	-	590,790
Dyer	437,357	382,354	158,293	158,355	60,135	-	344,928	559,891	-	-	99,887
East Chicago	818,842	815,624	270,973	300,749	78,767	99,134	-	-	-	-	46,925
Gary	2,403,441	2,263,087	976,258	1,391,271	213,300	242,183	358,972	73,367	-	-	17,937
Griffith	759,681	757,128	163,463	125,061	52,036	16,203	-	-	-	-	-
Hammond	2,612,188	3,471,251	781,255	991,633	214,382	399,469	218,629	12,562	-	-	1,048,461
Highland	960,418	921,838	294,961	358,204	71,474	68,102	623,060	362,819	-	-	-
Hobart	1,316,092	1,345,492	317,529	-	77,071	-	825,232	1,139,899	-	-	-
Lake Station	731,304	651,238	147,575	258,538	33,345	74,951	-	-	-	-	72,503
Lowell	952,482	865,283	88,841	61,035	24,603	26,217	141,373	-	-	-	-
Merrillville	915,507	888,029	369,122	379,686	438,482	369,939	647,565	188,194	-	-	-
Munster	1,654,694	1,633,224	264,668	251,231	67,751	121,888	283,251	252,748	-	-	-
New Chicago	58,759	72,272	25,585	6,497	5,398	12,705	-	-	-	-	1,732
St. John	605,144	540,294	166,691	118,509	39,387	17,467	157,605	261,883	-	-	-
Schererville	1,268,353	1,064,690	283,097	218,858	77,559	69,318	700,441	761,080	-	-	-
Schneider	22,324	15,371	6,175	3,144	735	2,433	-	-	-	-	-
Whiting	136,727	75,397	45,490	59,162	13,254	-	-	-	-	-	-
Winfield	348,582	298,232	58,782	27,865	11,625	11,571	125,056	93,535	-	-	-
<b>Total</b>	<b>\$23,835,593</b>	<b>\$23,407,612</b>	<b>\$ 5,718,232</b>	<b>\$ 5,934,406</b>	<b>\$ 1,586,006</b>	<b>\$ 1,730,120</b>	<b>\$ 14,807,519</b>	<b>\$ 13,948,381</b>	<b>\$ 3,002,973</b>	<b>\$ 1,545,825</b>	<b>\$ 1,940,125</b>

(For 2012)	MVH (Highway)		LRS		CCI		CCD		Cum Bridge		Expense
	Receipt	Disbursement	Receipt	Disbursement	Receipt	Disbursement	Receipt	Disbursement	Receipt	Disbursement	Transfers
Porter County	\$ 3,476,776	\$ 4,130,821	\$ 963,166	\$ 562,317	\$ -	\$ -	\$ 1,706,527	\$ 2,129,918	\$ 640,789	\$ 1,106,752	\$ 1,142,550
Beverly Shores	106,041	91,801	25,683	27,588	1,626	614	10,574	3,208	-	-	-
Burns Harbor	152,420	48,995	15,960	1,600	3,066	-	32,438	84,810	-	-	-
Chesterton	861,508	942,542	131,350	70,775	34,670	-	270,731	186,887	-	-	-
Dune Acres	5,934	36,470	5,605	8,594	615	1,012	9,840	11,406	-	-	35,488
Hebron	99,715	96,918	35,429	43,568	9,877	15,256	25,345	32,331	-	-	17,707
Kouts	89,647	76,082	19,665	20,227	4,984	3,088	5,779	8,953	-	-	-
Ogden Dunes	198,591	178,888	18,283	18,304	2,944	1,665	-	-	-	-	-
Portage	2,947,799	3,002,930	353,379	480,880	694,677	597,000	429,944	470,823	-	-	125,834
Porter	539,227	606,862	59,145	5,712	12,885	-	100,651	79,502	-	-	-
Town of Pines	31,581	20,611	11,379	13,410	1,878	2,630	-	-	-	-	-
Valparaiso	1,412,266	1,562,136	345,217	610,690	84,156	-	281,196	258,400	-	-	308,391
<b>Total</b>	<b>\$ 9,921,505</b>	<b>\$10,795,056</b>	<b>\$ 1,984,261</b>	<b>\$ 1,863,665</b>	<b>\$ 851,378</b>	<b>\$ 621,265</b>	<b>\$ 2,873,025</b>	<b>\$ 3,266,238</b>	<b>\$ 640,789</b>	<b>\$ 1,106,752</b>	<b>\$ 1,629,970</b>

<b>LaPorte County</b>	\$ 3,447,902	\$ 3,060,659	\$ 740,934	\$ 635,001	\$ -	\$ -	\$ 444,626	\$ 110,798	\$ 893,869	\$ 1,184,990	\$ -
Kingsbury	6,466	-	2,733	3,000	642	197	-	-	-	-	-
Kingsford Heights	40,204	33,026	17,195	14,125	3,956	20,000	2,906	-	-	-	2,890
La Crosse	15,075	14,610	7,839	3,151	1,462	-	1,175	-	-	-	-
LaPorte	1,037,388	853,571	205,938	142,526	58,490	6,503	436,036	222,032	-	-	-
Long Beach	485,790	376,385	16,364	-	15,347	-	40,816	-	-	-	-
Michiana Shore	11,184	-	15,619	17,808	8,830	-	3,148	-	-	-	-
Michigan City	2,089,591	1,943,950	299,556	291,904	83,590	102,576	909,014	789,123	-	-	-
Pottawattamie Park	7,469	3,000	5,934	-	-	-	-	-	-	-	-
Trail Creek	92,700	107,771	31,541	49,981	2,878	14,297	10,907	60,000	-	-	94,023
Wanatah	292,951	110,532	11,427	-	2,780	-	14,650	1,714	-	-	-
Westville	149,156	172,626	44,743	46,868	15,524	15,000	19,045	-	-	-	6,026
<b>Total</b>	<b>\$ 7,675,876</b>	<b>\$ 6,676,130</b>	<b>\$ 1,399,823</b>	<b>\$ 1,204,364</b>	<b>\$ 193,499</b>	<b>\$ 158,573</b>	<b>\$ 1,882,323</b>	<b>\$ 1,183,667</b>	<b>\$ 893,869</b>	<b>\$ 1,184,990</b>	<b>\$ 102,939</b>

**REVENUES**

	MVH	LRS	CCI	CCD	Cum Bridge	Other	Total Revenues	Expense Transfers	Adjusted Total Revenues	Estimated 2014-2017 Revenue Projection
Lake	\$23,835,593	\$ 5,718,232	\$ 1,586,006	\$14,807,519	\$ 3,002,973	\$ -	\$ 48,950,323	\$ 1,940,125	\$ 50,890,448	\$ 203,561,792
Porter	9,921,505	1,984,261	851,378	2,873,025	640,789	-	16,270,958	1,629,970	17,900,928	71,603,712
Laporte	7,675,876	1,399,823	193,499	1,882,323	893,869	-	12,045,390	102,939	12,148,329	48,593,316
<b>TOTAL</b>	<b>\$41,432,974</b>	<b>\$ 9,102,316</b>	<b>\$ 2,630,883</b>	<b>\$19,562,867</b>	<b>\$ 4,537,631</b>	<b>\$ -</b>	<b>\$ 77,266,671</b>	<b>\$ 3,673,034</b>	<b>\$ 80,939,705</b>	<b>\$ 323,758,820</b>

COSTS (EXPENSE)								Estimated 2014-2017 Costs (Expense) Projection
	MVH	LRS	CCI	CCD	Cum Bridge	Other	Total Costs (Expense)	
Lake	\$23,407,612	\$ 7,158,029	\$ 3,061,050	\$ 7,386,014	\$ 2,812,369	\$ -	\$ 43,825,074	\$ 175,300,295
Porter	10,795,056	1,863,665	621,265	3,266,238	1,800,279	-	18,346,503	73,386,012
Laporte	6,676,130	1,204,364	158,573	1,183,667	1,184,990	-	10,407,724	41,630,896
<b>TOTAL</b>	<b>\$40,878,798</b>	<b>\$10,226,058</b>	<b>\$ 3,840,888</b>	<b>\$11,835,919</b>	<b>\$ 5,797,638</b>	<b>\$ -</b>	<b>\$ 72,579,301</b>	<b>\$ 290,317,203</b>

The 2013 session of the Indiana General Assembly adjusted the state’s motor fuel tax fund distribution mechanism. It removed a \$160 million annual takedown to help fund the operating costs of the State Police. These funds will instead be divided between INDOT (57%) and municipalities and counties (43%). This action will cause increases in the MVH and LRS revenue in 2014-2017 for all 44 Local Public Agencies.

Please note that these data does not include revenue for improvements in highway infrastructure made by municipal water and sewer agencies, improvements made with federal funds from either the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Transportation, U.S. Economic Development Administration (EDA), local Tax Increment Finance (TIF) Districts or other governmental bonding entities.

### Sources of Revenue—Public Transit

Public transit in Indiana is financed through a variety of funding mechanisms that varies in accordance with the transit operator’s organizational structure. Northwest Indiana has five (5) municipal transit operators that are departments of a unit of government, one (1) that is organized under Indiana’s Public Transportation Corporation statute, three (3) that are not-for-profit corporations, and (1) one commuter rail operator. Each is governed differently and have different revenue streams.

Public transit is financed, in general through a combination of multiple sources of funding—some of which subsidizes the service itself and some of which subsidizes the service user. A broader discussion of the current state of public transit funding is discussed at length in the Transportation Plan.

An identification of specific public transit revenues will be incorporated into the TIP and this Financial Plan when the new transit projects are amended into the TIP in late 2013.

### Reasonably Expected Federal Aid for Local Projects

NIRPC anticipates that funding in all federal aid categories will be flat-lined for the foreseeable future. For MPO-selected projects, FFY 2013 funding level in each program has been multiplied by four to calculate the amounts reasonably expected in 2014-2017.

There is a significant amount of MPO federal revenue (63.7 million) allocated to carryover projects. These funds have already been obligated (\$39 million by FTA and \$24.7 million by FHWA).

### MPO-Controlled Federal Funds: U.S. Federal Highway Administration (FHWA)

#### *Surface Transportation Program (STP) Group I and Group II*

STP are apportioned to states by a formula embedded in federal law by Congress. This formula also allocates funds to each state's urbanized areas.

Portions of Lake and Porter Counties lie within the Chicago Urbanized Area, which is the third most populous urbanized area in the nation. We anticipate approximately \$11.1 million in STP Group I funds per year over the life of the TIP—or a total of \$44.4 million.

STP Group II funds are also allocated by INDOT to the Michigan City/LaPorte Urbanized Area. We anticipate receiving about \$1.5 million per year, for a four-year total of \$6.0 million.

### ***Congestion Mitigation/Air Quality (CMAQ) Program***

Congestion Mitigation and Air Quality (CMAQ) funds provide a flexible funding source to state and local transportation agencies for transportation projects and programs that contribute to improved air quality. Eligible activities include (among others) traffic signal, signal interconnect, intersection improvements and other direct traffic congestion relief projects, new public transit services, alternative fuels, bicycle and pedestrian facilities, and diesel retrofit and repower projects.

CMAQ funding is only available for use in areas that are identified as non-attainment for failing to achieve the National Ambient Air Quality Standards (NAAQS), as well as former nonattainment areas that are now in compliance (maintenance areas). Currently Lake and Porter Counties are classified as non-attainment; LaPorte County was found to be in attainment.

INDOT makes separate allocations of CMAQ funds to each qualifying non-attainment area. We anticipate CMAQ apportionments of about \$3.6 million per year in the Lake-Porter County Non-Attainment Area and about \$0.5 million per year in LaPorte County. Over the life of the TIP we anticipate new funding of about \$14.4 million in the Lake-Porter Area and \$1.0 million in LaPorte County. (This TIP assumes that LaPorte County will cease being allocated CMAQ funds beginning in Federal Fiscal Year 2015.)

### ***Highway Safety Improvement Program (HSIP)***

This program provides federal funds on an annual basis for highway safety-related projects. Fundable projects are those that are likely to reduce vehicle crashes. The Lake-Porter County area is allocated about \$1.4 million per year and LaPorte County receives about \$0.16 million per year. We anticipate that, over the life of the TIP, new HSIP funding for Lake and Porter Counties to be about \$5.6 million and \$0.6 million for LaPorte County.

### ***STP Transportation Enhancement (TE) and Transportation Alternatives Program (TAP)***

Prior to October 1, 2012, Congress mandated that ten percent (10%) of Indiana's statewide STP allocation be expended on transportation "enhancement" activities. These activities encompassed a broad range of activities, including bicycle/pedestrian recreational trails, streetscaping projects, historic preservation, and similar projects. Since its inception in 1991, transportation enhancement projects were selected competitively by INDOT. Beginning in FFY 2009, each MPO was allocated a pool of TE funds and projects were selected by the MPO's.

Beginning in FFY 2013, each MPO is being allocated a pool of TAP funds for projects that are selected by the MPO.

The TIP contains funding “legacy” TE projects (pre-2009), MPO-funded TE projects (2009-2012) and new TAP projects (FFY 2013).

## **INDOT-Controlled Funds: U.S. Federal Highway Administration (FHWA)**

### ***National Highway Performance Program***

NHPP Interstate: The State of Indiana has about 135 miles of Interstate highways located in the three-county metropolitan planning area. INDOT will spend federal NHPP funds on these facilities at a rate of 90% federal/10% state funds.

NHPP Other: In addition to 135 miles of Interstate highway, there are 103 miles of other expressways and principle arterial highways that comprise the National Highway System (NHS) in northwest Indiana. INDOT will spend federal NHPP funds on these facilities at a rate of 80% federal/20% state funds. NHPP-Other funds can also be used for Bridge rehabilitation or replacement projects.

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

STP funds provide states and local agencies with flexible funding that may be used for projects on any Federal-aid highway facility, including the NHS. INDOT allocates some STP funds to Indiana’s urbanized areas (for use on local projects). It utilizes the balance for its own projects. A wide variety of projects are eligible for STP funding, but INDOT uses these funds primarily for roadway maintenance, bridge rehabilitation and replacement, and safety improvement projects.

### ***INDOT-Selected Local STP Projects***

STP Group III funds are apportioned for use in all incorporated areas in Indiana with a population between 5,000 and 49,999. STP Group III funds are not available to cities and towns in the STP Group I and II fund categories (i.e., those within the urbanized areas). STP Group III funds are administered by INDOT and made available to qualifying municipalities on competitive basis. In Northwest Indiana, only the Towns of Lowell and Westville qualify for STP Group III funding.

STP Group IV funds are apportioned for projects in areas where the population does not exceed 5,000 or in unincorporated areas. STP Group IV projects are competitively selected (like those under the Group III program) by INDOT. In Northwest Indiana, Lake County, LaPorte County and Porter County are eligible for STP Group IV funds in addition to incorporated rural communities of Hebron, Kingsbury, Kingsford Heights, Kouts, LaCrosse, Schneider and Wanatah. The TIP has several STP Group IV projects.

### ***Bridge (BR) Funds (Legacy)***

Prior to October 1, 2012, Congress had authorized funding for a stand-alone Bridge funding program. The MAP-21 legislation consolidated this program with other programs. There are a number of legacy (pre-2013) Bridge Program projects listed in the TIP.