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Sent: Monday, November 14, 2005 2:38 PM

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Subject: INFO: Office of Inspector General: Interest in Financial Planning/Fiscal Constraint

Folks -

I wanted to give you a heads-up on a recent query by the Office of Inspector General (OIG) into the financial planning of States/MPOs in preparing their plans and programs, as well as the oversight on these activities provided by the FTA Regions and FHWA Divisions. Of particular concern to the OIG is how FTA and FHWA ensure that fiscal constraint is demonstrated in the financial plans of TIPs and STIPs.

The OIG has been apprised of past or current issues in New Jersey, Pennsylvania, Indiana, Washington, DC, Delaware, Maine, Connecticut, California, Kentucky, and Georgia. We don't know that the OIG will actually contact your Offices about those States, but in case they do, below is a summary of their recent visit to TRO-2 re: the New Jersey STIP. At that meeting, the OIG explained that the visit was part of a nationwide effort to understand the STIP process. The following questions were raised in that visit:

- How does the FTA Region determine the fiscal constraint of TIPs/STIPs, as well as the acceptability of the underlying financial plans? What information is exchanged with MPOs, transit operators, and State DOTs? What is the sequence of information exchanged during this process?
- How is fiscal constraint in the TIP/STIP determined specifically with respect to transit projects, including operation and maintenance costs?
- What is the TIP amendment process, and does the MPO have written procedures?

Please feel free to call me at (202) 366-1944 if you have any questions, or if the OIG does, in fact, contact you.

For your info, attached is a short "clarification" of how transit operating and maintenance costs should be treated in the financial plans that underlie long-range plans and TIPs.

<<O_M Clarification.doc>>

Thanks.

Interim Guidance on Fiscal Constraint in Plans and TIPs: Clarification of Transit O&M

This discussion clarifies applicability of the *Interim FTA/FHWA Guidance on Fiscal Constraint for STIPs, TIPs, and Metropolitan Plans (Interim Guidance)* to transit operations and maintenance (O&M) activities. Three (3) concepts are noted for transit operators to demonstrate their financial ability to operate, manage, and maintain their systems, as described below.

1. The requirement for funding to be “available or committed” applies ONLY to projects and strategies required to be listed in the TIPs and STIPs of non attainment and maintenance areas. For these projects, the requirement applies to all fund sources – federal, non-federal, private, etc. – necessary to complete the project, or phase of project, as programmed.
2. With the exception of federally supported transit operating costs in urbanized areas with populations less than 200,000, transit O&M activities are not required to be listed in TIPs/STIPs. However, the supporting financial plans for TIPs/STIPs must demonstrate the ability of transit operators to adequately operate and maintain their existing systems, as well as any new projects and strategies listed in the TIP/STIP. “Adequate” levels of transit service and associated O&M costs are determined by local officials, who may elect to defer maintenance and/or increase operating revenues as a means of balancing their budgets.
3. Financial Capacity Certifications may be utilized to fulfill the requirement for demonstrating transit operators’ ability to operate and maintain their systems. FTA Circular C 7800.1A – “Financial Capacity Policy” requires FTA grantees to certify their ability to: a) operate and maintain current assets, b) operate and maintain new projects listed in the TIP/STIP, and c) maintain the same level of service during a 20-year period, or a single equipment replacement cycle. These self-certifications are subjected to FTA review during STIP approval and, subsequently, at the time of grant application. Circular C 7800.1A also calls for Unified Planning Work Programs to include “...development of analytical revenue and cost forecasting techniques needed to assess financial capacity...”