

FY 2009 New Starts and Small Starts Evaluation and Rating Process

July 20, 2007

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This document describes the methodology that the Federal Transit Administration (FTA) will use to evaluate, rate, and recommend funding for candidate New Starts and Small Starts projects beginning May 2007, including FTA's evaluations for the *FY 2009 Annual Report on Funding Recommendations*. This methodology is a modest departure from the process used in the evaluation of projects included in the *Annual Reports on New Starts* for fiscal years 2004-2008 and remains generally consistent with FTA's *Final Rule on Major Capital Investment Projects* issued on December 7, 2000. It reflects several provisions found in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and also incorporates a) changes adopted in the June 4, 2007 *Guidance on New Starts and Small Starts Policies and Procedures*; and b) the *Interim Guidance and Instructions for Small Starts* issued in July 2006 (with an update to the *Interim Guidance* anticipated in July 2007). Collectively, these changes are intended to reflect as much of the spirit of SAFETEA-LU as can be implemented prior to completion of the statutorily-required rulemaking process as well as FTA-initiated (and industry-requested) efforts to streamline the New Starts reporting and evaluation processes. Changes in the FY 2009 New Starts and Small Starts evaluation process include:

- **Adjusted Cost Effectiveness Breakpoints:** As announced in the April 29, 2005, Dear Colleague letter, FTA has adjusted the breakpoints for rating the cost effectiveness of proposed New Starts projects based on the Gross Domestic Product deflator. *Applies to New Starts and Small Starts.*
- **New Measures for the Mobility Improvements Criteria.** As adopted in the June 2007 *Guidance on New Starts and Small Starts Policies and Procedures*, FTA adds three new measures and eliminates two previous measures in its evaluation of the anticipated mobility improvements of proposed New Starts projects. *Applies to New Starts.*
- **Elimination of the evaluation of Operating Efficiencies as a Stand-Alone Criterion.** As adopted in the May 2007 *Guidance on New Starts and Small Starts Policies*, FTA will no longer evaluate operating efficiencies as stand-alone criteria. Instead, this document clarifies that the operating efficiencies of proposed New Starts projects are adequately captured under FTA's measure for cost effectiveness. *Applies to New Starts.*
- **Consolidated Measures for Local Financial Commitment.** As adopted in the June 2007 *Guidance on New Starts and Small Starts Policies*, FTA has reduced the sub-factors used to develop the ratings for the stability and reliability of the capital and operating finance plans from five to three by eliminating the completeness of the capital and operating plan sub-factors and merging the existing capacity and cost estimates and planning assumptions sub-factors together. The three remaining subfactors will be weighted as follows to arrive at a summary capital/operating rating: (1) current capital/operating condition 25%; (2) commitment of capital/operating funds 25%; and (3) cost estimates/planning assumptions/capacity 50%. *Applies to New Starts; only applies to Small Starts which do not meet the streamlined evaluation process described in Section 1.B of this document.*
- **Assigning of High ratings to the Local Financial Commitment of Small Starts which Qualify for the Streamlined Financial Evaluation Process.** As adopted in the June 2007 *Guidance on New Starts and Small Starts Policies and Procedures*, FTA will assign a rating of *High* for Local Financial Commitment for any Small Starts project which a) qualifies for the streamlined financial evaluation process described in *Section 1.B*; and b)

proposes a no greater-than 50 percent share of New Starts project costs. *Applies to Small Starts.*

- **Expanded Measures for the “Other Factors” Criteria.** As adopted in the June 2007 *Guidance on New Starts and Small Starts Policies and Procedures*, FTA will now formally rate the “Making the Case” document which supports each proposed New Starts and Small Starts’ justification as part of the “other factors” criteria. FTA will also assign a rating under other factors if the project is part of a local congestion pricing strategy. *Applies to New Starts and Small Starts.*
- **Implement a Five-Tiered Scale for Assigning Overall Project Ratings.** As adopted in the June 2007 *Guidance on New Starts and Small Starts Policies*, FTA will replace the current three-tiered overall project rating scale of *High, Medium, and Low* with a five-tiered rating scale of *High, Medium-High, Medium, Medium-Low or Low* as directed in SAFETEA-LU. *Applies to New Starts and Small Starts.*

Section I of this document introduces the legislative background of FTA’s project evaluation and rating responsibilities; identifies each of the statutory criteria used by FTA in its evaluation process; and summarizes the overall project evaluation and rating process. *Sections II and III* describe the specific project justification and local financial commitment measures and ratings, respectively, including an explanation of the rating ranges and thresholds for each individual measure, and how they are rolled up into aggregate criteria ratings. *Section IV* concludes with a summary of what the overall project rating will mean for funding recommendations in the President’s Budget for FY 2009. All funding recommendations in the President’s Budget are subject to the availability of appropriations.

This document is supplemented by two additional documents. *Guidelines and Standards for Assessing Transit-Supportive Land Use* and *Guidelines and Standards for Assessing Local Financial Commitment* provide additional detail on the process FTA uses to evaluate these two criteria. These materials are posted on FTA’s website under *New Starts Project Planning and Development*: http://www.fta.dot.gov/planning/newstarts/planning_environment_2620.html.

FTA reminds the audience of this document that project evaluation is an on-going process. It is based on an analysis of the documentation submitted to FTA by local agencies to support their proposed project. As New Starts and Small Starts projects proceed through project development, the estimates of costs, benefits, and impacts are refined. The FTA ratings and recommendations are updated at least annually to reflect new information, changing conditions, and refined financing plans.

I. LEGISLATIVE BACKGROUND

SAFETEA-LU continues the evaluation process provisions first established by the Transportation Equity Act for the 21st Century (TEA-21) in 1998. SAFETEA-LU requires the U.S. Department of Transportation to submit an annual report to Congress (*Annual Report on Funding Recommendations*) that includes the Secretary’s evaluation, ratings, and a proposal on the allocation of funds among applicants for amounts to be made available to finance grants and loans for capital projects for new fixed guideway systems and extensions to existing fixed guideway systems and the new Small Starts projects.

Like TEA-21, SAFETEA-LU mandates that proposed New Starts projects must receive FTA approval to advance from “alternatives analysis” to “preliminary engineering,” and from “preliminary engineering” to “final design.” This approval is based, in large part, on an evaluation of the proposed project’s New Starts criteria. Specifically, a project must achieve an overall rating of at least *Medium* in order to advance into each stage of development. Likewise, Small Starts projects must receive FTA approval to advance from “alternatives analysis” to “project development,” a single development phase that incorporates the features of both preliminary engineering and final design. Small Starts projects must also receive at least a *Medium* rating to advance. FTA also evaluates and rates projects for the purposes of developing its annual funding recommendations.

FTA’s evaluation includes a review of the information submitted to support each proposed project and the assignment of a rating to each evaluation criterion. Based on these criteria-specific ratings, FTA assigns candidate New Starts projects summary ratings for project justification and local financial commitment, and develops the overall project rating. FTA also assigns ratings to Small Starts projects on a subset of the New Starts evaluation criteria. *Sections 1.A* and *1.B* below present the criteria used by FTA in its New Starts and Small Starts evaluation process; *Section 1.C* provides an overview of how these criteria fit into the overall evaluation process; and *Section 1.D* summarizes how overall project ratings are derived.

1.A Project Justification Criteria

Similar to TEA-21, SAFETEA-LU Section 3011(a) (49 USC 5309(d)) requires that projects proposed for New Starts funding be justified based on a comprehensive review of the following criteria:

- Mobility Improvements;
- Environmental Benefits;
- Operating Efficiencies¹;
- Cost Effectiveness; and
- Transit Supportive Land Use Policies and Future Patterns

SAFETEA-LU also continues the TEA-21 requirement of considering “other factors.”

SAFETEA-LU further requires that FTA consider in its review the economic development effects of New Starts projects. FTA desires through the rulemaking process to work with the industry on the development of appropriate factors for measuring the economic development effects of candidate projects, and therefore will not consider economic development explicitly in the FY 2009 evaluation cycle as a specific criteria for evaluation. However, FTA does encourage candidate New Starts project sponsors to submit information which they believe demonstrates the economic development impacts of their proposed transit investments as an “other factor.” FTA will consider this information per the process used for rating other factors as described in *Section II.F* of this document. FTA will also consider under “other factors” the substantive arguments made for the worthiness of the project reflected in the “Making the Case”

¹ FTA considers operating efficiencies to be evaluated as part of the cost effectiveness measure and so it does not receive a separate rating.

document, and if the project is a principle element of a congestion management strategy, in general, and an auto pricing strategy, in particular, as well as other locally-reported factors.

In the interim period before issuance of a final rule governing Small Starts, Small Starts will be evaluated on the basis of the following project justification criteria:

- Cost Effectiveness;
- Transit Supportive Land Use Policies and Future Patterns; and
- Other Factors, including economic development, as well as if the project is a principle element of a congestion management strategy, the “Making the Case” document, and any other locally-reported factors

The development of this information is intended to be less complex than required for New Starts. A subset of very simple and low cost transit projects, termed “Very Small Starts” projects, will be evaluated and rated using an even more simplified process. These Very Small Starts have the following features:

- Substantial transit stations,
- Traffic signal priority/pre-emption, to the extent, if any, that there are traffic signals on the corridor,
- Low-floor vehicles or level boarding,
- “Branding” (distinguishing through marketing and physical characteristics) of the proposed service,
- 10 minute peak/15 minute off peak frequencies or better while operating at least 14 hours per weekday (not required for commuter rail or ferries),
- Are in corridors with existing riders who will benefit from the proposed project that exceed 3,000 per average weekday and
- Have a total capital cost less than \$50 million (including all project elements) and less than \$3 million per mile, exclusive of rolling stock.

Very Small Starts projects that meet these criteria, adequately documented in the Small Starts project submission to FTA, will receive a rating of *Medium* for project justification. FTA finds that projects which meet these characteristics are by their nature cost effective and have transit supportive land-use appropriate to the proposed level of investment.

Section III of this appendix presents the specific measures FTA will use in the FY 2009 evaluation cycle to represent each of the project justification criteria, and how FTA will evaluate them.

1.B Local Financial Commitment

Similar to TEA-21, SAFETEA-LU Section 3011(a) (49 USC 5309(d)) requires that proposed projects also be supported by an acceptable degree of local financial commitment, including evidence of stable and dependable financing sources to construct, maintain and operate the transit system. Section 5309(d) further allows for an evaluation of the extent to which the project proposes a local financial commitment that exceeds the required non-Federal share of the cost of the project.

The measures to be used for the evaluation of the local financial commitment to a proposed project in the FY 2009 evaluation cycle are:

- The proposed share of total project costs from sources other than the Section 5309 New Starts or Small Starts program, including Federal formula and flexible funds, the local match required by Federal law, and any additional capital funding;
- The strength of the proposed capital financial plan; and
- The ability of the sponsoring agency to fund operation and maintenance of the entire system as planned once the project is built.

Section IV describes how FTA will use these measures in its evaluation of candidate New Starts projects.

Small Starts projects may qualify for a highly simplified financial evaluation if the project sponsor can demonstrate the following:

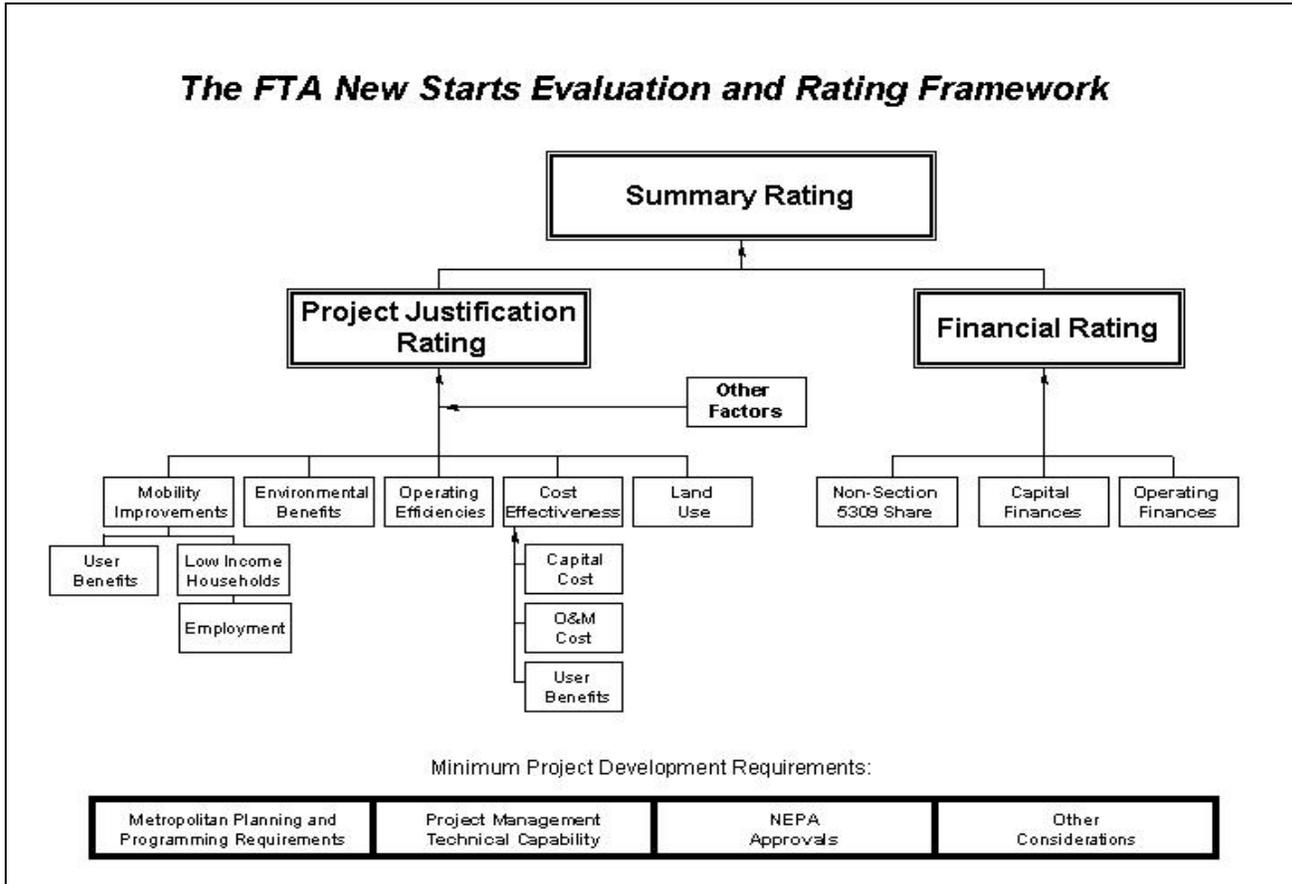
- A reasonable plan to secure funding for the local share of capital costs or sufficient available funds for the local share (all non-New Starts funding must be committed before receiving a Project Construction Grant Agreement);
- The additional operating and maintenance cost to the agency of the proposed Small Starts project is less than 5 percent of the agency's operating budget; and
- The agency is in reasonably good financial condition.

Small Starts projects that meet these criteria and request greater than 50 percent Small Starts funding to cover project construction costs will receive a local financial commitment rating of *Medium*. Small Starts projects that request 50 percent or less in Small Starts funding will receive a *High* rating for local financial commitment. Small Starts projects which cannot qualify for this highly simplified financial evaluation will be evaluated and rated in the same manner as other New Starts projects.

I.C The Evaluation Process

FTA evaluates proposed New Starts projects against the full range of criteria for both project justification and local financial commitment, as described in Figure I-1 on the following page. Small Starts are evaluated against a subset of these measures including cost effectiveness, land use, other factors (including economic development impacts), and local financial commitment. The specific project justification and local financial commitment measures included in Figure I-1 are described in detail in *Sections II* and *III* of this document, respectively.

Figure I-1 New Starts Evaluation Process



I.D Overall Project Ratings

SAFETEA-LU Sections 5309(d) and (e) require that FTA assign overall ratings on a 5-tier scale of *High*, *Medium-High*, *Medium*, *Medium-Low*, or *Low* to each New Starts or Small Starts project subject to evaluation.

The overall project rating is determined by averaging the rating for project justification and local financial commitment. When the average of these ratings is unclear (e.g. project justification rating of *Medium-High* and local financial commitment rating of *Medium*), FTA will round up the overall rating to the higher rating (e.g. project justification rating of *Medium-High* and local financial commitment rating of *Medium* yields an overall rating of *Medium-High*) except in the following circumstances:

- A *Medium* overall rating requires a rating of at least *Medium* for both project justification and local financial commitment.
- A *Medium-Low* overall rating requires a rating of at least *Medium-Low* for both project justification and local financial commitment.

FTA reminds project sponsors that candidate projects cannot receive a designation of **Not Rated** if they receive a *Medium* or higher rating for local financial commitment but are unable to produce acceptable information in support of their project justification criteria. In

cases where such information is either not submitted or submitted but deemed to be unreliable, FTA will assign a rating of *Low* to the affected project justification criteria.

I.E Ratings: An On-going Process

Again, it is important to emphasize that project evaluation is an on-going process. FTA evaluation and rating occurs annually in support of budget recommendations presented in the *Annual Report on Funding Recommendations* and when a project sponsor requests FTA approval to advance their proposed New Starts project into preliminary engineering and final design or Small Starts projects into project development. Consequently, as proposed New Starts and Small Starts projects proceed through the project development process, information concerning costs, benefits, and impacts is refined and the ratings are updated to reflect new information.

II. SUMMARY PROJECT JUSTIFICATION RATING

The following summarizes FTA's process for evaluating the project justification criteria of proposed New Starts projects.

II.A Project Justification Rating

FTA assigns a summary project justification rating of *High, Medium-High, Medium, Medium-Low* or *Low* to each project based on consideration of the ratings applied to the project justification criteria presented in *Section I.A* and each of the specific measures identified in Table II-1 on the following page:

Table II-1 New Starts and Small Starts Project Justification Criteria and Supporting Measures and Categories

Criterion	Measures/Categories
Cost Effectiveness (New Starts and Small Starts)	<ul style="list-style-type: none"> • Incremental Cost per Hour of Transportation System User Benefit
Transit Supportive Land Use and Future Patterns (New Starts and Small Starts)	<ul style="list-style-type: none"> • Existing Land Use • Transit Supportive Plans and Policies • Performance and Impacts of Policies
Mobility Improvements (New Starts only)	<ul style="list-style-type: none"> • User Benefits per Passenger Mile • Number of Transit Dependents Using the Project • Transit Dependent User Benefits per Passenger Mile • Share of User Benefits Received by Transit Dependents Compared to Share of Transit Dependents in the Region
Environmental Benefits (New Starts only)	<ul style="list-style-type: none"> • EPA Air Quality Designation

For mobility improvements and transit supportive land use, projects are aligned for each measure and category in a continuum of values from *Low* to *High* and broken into five groups, with each group assigned a numerative rating of 1 (*Low*) to 5 (*High*). The thresholds that distinguish the five groups are not pure quintiles (that is, 20 percent each of the total number of projects being evaluated for the measure) but rather logical break points in the aligned data that separate one group from another. Where criteria are represented by more than one measure, ratings for each measure are rolled up and averaged into criterion-specific ratings, where the numerative rating is converted into a corresponding *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low* rating. The mobility improvements and land use rating process are described in greater detail in *Sections II.C* and *II.D* below.

For the cost effectiveness criterion, specific dollar breakpoints are defined for *High*, *Medium-High*, *Medium*, *Medium-Low* and *Low* ratings (these breakpoints are presented in *Section II.B* below). Decision rules for the environmental benefits criterion are described in *Sections II.E* and *II.F* below.

Criterion-specific ratings are subsequently combined to form the summary *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low* justification ratings for each project presented in *Section I.E*.

FTA assigns a weight of 50 percent each to the cost effectiveness and land use criteria in order to establish a summary project justification rating. For New Starts, when the average of the cost effectiveness and land use rating falls equally between two ratings (say, between a *Medium* and a *Medium-High* rating), the mobility improvements rating is introduced as a “tiebreaker.”

Specifically, when mobility improvements are rated *Low*, the summary rating will "round down" to the lower of the two ratings; for all other mobility improvement ratings (and for all Small Starts projects, which are not rated for mobility improvements), the rating is "rounded-up" to establish the summary project justification rating. For example, a New Starts project with a cost effectiveness rating of *Medium-High* and a land use rating of *Low* - along with a mobility improvements rating of *Medium* - would receive a summary project justification rating of *Medium*.

Based upon its prior experience in evaluating New Starts projects, FTA has previously determined that locally-generated and reported information in support of the operating efficiencies and environmental benefits criteria does not distinguish in any meaningful way differences between competing major transit capital investments. Based upon this experience, FTA further believes that the anticipated operating efficiencies of proposed New Starts projects are adequately captured under its measure for evaluating project cost effectiveness. Consequently, beginning in June 2007, FTA will no longer explicitly evaluate the operating efficiencies of proposed New Starts projects. FTA will continue to rate the environmental benefits of proposed New Starts projects, as described in Section II.E of this document, but will not consider this rating in the determination of an overall project justification rating.

If well documented, and considered by FTA to be a significant benefit to a proposed project that is not otherwise captured in the other evaluation criteria, "other factors" may increase or decrease a summary project justification rating by no more than one step (for example, from *Medium-Low* to *Medium* or from *Medium-High* to *High*). Consistent with SAFETEA-LU, FTA will give particular attention to well-documented and justified economic development impacts in its evaluation of "other factors" for candidate New Starts and Small Starts projects. FTA will also consider under "other factors" the substantive arguments made for the worthiness of the project reflected in the "Making the Case" document, and if the project is a principle element of a congestion management strategy, in general, and an auto pricing strategy, in particular, as well as other locally-reported factors. The evaluation and rating of individual project justification criteria is discussed below.

Failure to submit acceptable information (for example, reliable travel forecasts to support the cost effectiveness, and mobility improvements criteria) will result in a *Low* rating for the affected project justification criteria.

II.B Cost Effectiveness

In its evaluation of the cost effectiveness of a proposed project, FTA considers the incremental cost per hour of transportation system user benefits in the forecast year. Transportation system user benefits reflect the improvements in regional mobility - as measured by the weighted in- and out-of-vehicle changes in travel-time to users of the regional transit system - caused by the implementation of the proposed New Starts project. The cost effectiveness measure is calculated by (a) estimating the incremental "base-year" annualized capital and operating costs of the project (over a lower cost "baseline" of transit service), and then (b) dividing these costs by the projected user benefits. The result of this calculation is a measure of project cost per hour of projected user (i.e. travel-time) benefits expected to be achieved if the project is added to the regional transit system. Proposed projects with a lower cost per hour of projected travel-time benefits are evaluated as more cost effective than those with a higher cost per hour of projected travel-time benefits.

FTA believes that the cost per hour of transportation system user benefits is a sound measure for cost effectiveness - and preferable to the prior measure of incremental cost per new rider - because it (1) captures the benefits which accrue to *all* transit users (including existing transit riders), including both direct time savings and other attributes of premium transit services such as service reliability, safety and security, branding, span of service, etc. (2) better reflects the *cause* of ridership increases – improvements in travel time and other attributes of major transit capital investments such as reliability, security, and permanence – rather than simply the patronage *outcome*; (3) reflects the nature of the service being provided by the candidate project (for example, the measure distinguishes the benefits of long vs. short trips); and (4) does not penalize those agencies which are already providing a high level of transit service in a corridor for which a major capital investment is proposed.

Table II-2 below presents the thresholds FTA will use in FY 2009 for assigning a *High, Medium-High, Medium, Medium-Low* or *Low* cost effectiveness rating for each proposed project. FTA publishes updates to these breakpoints annually to reflect the impact of inflation:

Table II-2 Cost Effectiveness Breakpoints

High	\$11.99 and under
Medium-High	\$12.00 - \$15.49
Medium	\$15.50-\$23.99
Medium-low	\$24.00-\$29.99
Low	\$30.00 and over

Very Small Starts include low-cost elements such as service branding, low-floor buses operating at improved frequencies, transit stations with real-time passenger information, and traffic signal priority, all of which FTA has determined to be cost effective by their very nature. Therefore, Very Small Starts projects automatically receive a *Medium* rating for cost effectiveness.

II.C Transit-Supportive Existing Land Use and Future Patterns

In its evaluation of the land use for New Starts projects, FTA explicitly considers the following transit supportive land use categories and factors:

1. **Existing Land Use**
2. **Transit Supportive Plans and Policies**, including the following factors:
 - Growth management;
 - Transit supportive corridor policies;
 - Supportive zoning regulations near transit stations; and
 - Tools to implement land use policies.
3. **Performance and Impacts of Policies**, including the following factors:
 - Performance of land use policies; and
 - Potential impact of transit project on regional land use.

FTA also permits project sponsors to submit information in support of an optional “other land use considerations” category.

The evaluation of transit supportive existing land use and future patterns is similar for Small Starts projects, but eliminates the growth management and “other land use considerations” factors and simplifies the reporting of information supporting the remaining factors. More information on the land use evaluation process for Small Starts projects can be found in Appendix A of the *Interim Guidance and Instructions for Small Starts*.

FTA considers projects which meet the minimum existing ridership threshold of 3,000 daily boardings to be in corridors with transit-supportive land use appropriate to the proposed level of investment. Therefore, Very Small Starts projects automatically receive a *Medium* rating for transit supportive land use plans and policies.

Based on information submitted to FTA by local agencies, FTA gauges each category by the factors identified above. FTA assigns one of five numerical ratings (“1” to “5”) to each project for each of these factors. Each factor is weighted equally within its category, averaged, and combined into category-specific ratings. These category ratings are then combined equally (that is, each land use category rating contributes one-third of the value) and converted to a descriptive rating of *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low* to determine the overall land use rating. In rare cases, when based on unusually compelling “other” land use considerations, FTA may increase the land use rating by one point.

Additional detail on FTA’s land use rating process is contained in *Guidelines and Standards for Assessing Transit-Supportive Land Use*. Table II-3 on the following pages summarizes the ratings applied by FTA in the assessment of each land use category and supporting factor at each stage of project development.

Table II-3 Ratings Applied in Assessment of Land Use Criterion

I. EXISTING LAND USE		
<i>Existing Land Use</i>		
Phase of Project Development	Land Use Assessment Ratings	
Preliminary Engineering and Final Design	HIGH (5)	Current levels of population, employment, and other trip generators in station areas are sufficient to support a major transit investment. Most station areas are pedestrian-friendly and fully accessible.
	MEDIUM (3)	Current levels of population, employment, and other trip generators in station areas marginally support a major transit investment. Some station areas are pedestrian-friendly and accessible. Significant growth must be realized.
	LOW (1)	Current levels of population, employment, and other trip generators in station areas are inadequate to support a major transit investment. Station areas are not pedestrian-friendly.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Existing corridor and station area development; • Existing corridor and station area development character; • Existing station area pedestrian facilities, including access for persons with disabilities; and • Existing corridor and station area parking supply. 		
II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Growth Management (DOES NOT APPLY TO SMALL STARTS)</i>		
Phase of Project Development	Land Use Assessment Ratings	
Preliminary Engineering and Final Design	HIGH (5)	Adopted and enforceable growth management and land conservation policies are in place throughout the region. Existing and planned densities, along with market trends in the region and corridor are strongly compatible with transit.
	MEDIUM (3)	Significant progress has been made toward implementing growth management and land conservation policies. Strong policies may be adopted in some jurisdictions but not others, or only moderately enforceable policies (e.g., incentive-based) may be adopted regionwide. Existing and/or planned densities and market trends are moderately compatible with transit.
	LOW (1)	Limited consideration has been given to implementing growth management and land conservation policies; adopted policies may be weak and apply to only a limited area. Existing and/or planned densities and market trends are minimally or not supportive of transit.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Concentration of development around established activity centers and regional transit; and • Land conservation and management. 		

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Transit-Supportive Corridor Policies</i>		
Final Design	HIGH (5)	Conceptual plans for the corridor and station areas have been developed. Local jurisdictions have adopted or drafted revisions to comprehensive and/or small area plans in most or all station areas. Land use patterns proposed in conceptual plans and local and institutional plan revisions are strongly supportive of a major transit investment.
	MEDIUM (3)	Conceptual plans for the corridor and station areas have been developed. Local jurisdictions have initiated the process of revising comprehensive and/or small area plans. Land use patterns proposed in conceptual plans and local and institutional plan revisions are at least moderately supportive of a major transit investment.
	LOW (1)	Limited progress, to date, has been made toward developing station area conceptual plans or revising local comprehensive or small area plans. Existing station area land uses identified in local comprehensive plans are marginally or not transit-supportive.
Preliminary Engineering	HIGH (5)	Conceptual plans for the corridor and station areas have been developed. Discussions have been undertaken with local jurisdictions about revising comprehensive plans. Land use patterns proposed in conceptual plans for station areas (or in existing comprehensive plans and institutional master plans throughout the corridor) are strongly supportive of a major transit investment.
	MEDIUM (3)	Conceptual plans for the corridor and station areas are being developed. Discussions have been undertaken with local jurisdictions about revising comprehensive plans. Land use patterns proposed in conceptual plans for station areas (or existing in local comprehensive plans and institutional master plans) are at least moderately supportive of a major transit investment.
	LOW (1)	Limited progress, to date, has been made toward developing station area conceptual plans or working with local jurisdictions to revise comprehensive plans. Existing station area land uses identified in local comprehensive plans are marginally or not transit-supportive.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Plans and policies to increase corridor and station area development; • Plans and policies to enhance transit-friendly character of corridor and station area development; • Plans to improve pedestrian facilities, including facilities for persons with disabilities; and • Parking policies. 		

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Supportive Zoning Regulations Near Transit Stations</i>		
Final Design	HIGH (5)	Local jurisdictions have adopted zoning changes that strongly support a major transit investment in most or all transit station areas.
	MEDIUM (3)	Local jurisdictions are in the process of adopting zoning changes that moderately or strongly support a major transit investment in most or all transit station areas. Alternatively: strongly transit-supportive zoning has been adopted in some station areas but not in others.
	LOW (1)	No more than initial efforts have begun to prepare station area plans and related zoning. Existing station area zoning is marginally or not transit-supportive.
Preliminary Engineering	HIGH (5)	A conceptual planning process is underway to recommend zoning changes for station areas. Conceptual plans and policies for station areas are recommending transit-supportive densities and design characteristics. Local jurisdictions have committed to examining and changing zoning regulations where necessary. Alternatively, a “high” rating can be assigned if existing zoning in most or all transit station areas is already strongly transit-supportive.
	MEDIUM (3)	A conceptual planning process is underway to recommend zoning changes for station areas. Local jurisdictions are in the process of committing to examining and changing zoning regulations where necessary. Alternatively, a “medium” rating can be assigned if existing zoning in most or all transit station areas is already moderately transit-supportive.
	LOW (1)	Limited consideration has been given to preparing station area plans and related zoning. Existing station area zoning is marginally or not transit-supportive.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Zoning ordinances that support increased development density in transit station areas; • Zoning ordinances that enhance transit-oriented character of station area development and pedestrian access; and • Zoning allowances for reduced parking and traffic mitigation. 		

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Tools to Implement Land Use Policies</i>		
Final Design	HIGH (5)	Transit agencies and/or regional agencies are working proactively with local jurisdictions, developers, and the public to promote transit-supportive land use planning and station area development. The transit agency has established a joint development program and identified development opportunities. Agencies have adopted effective regulatory and financial incentives to promote transit-oriented development. Public and private capital improvements are being programmed in the corridor and station areas which implement the local land use policies and which leverage the Federal investment in the proposed corridor.
	MEDIUM (3)	Transit agencies and/or regional agencies have conducted some outreach to promote transit-supportive land use planning and station area development. Regulatory and financial incentives to promote transit-oriented development are being developed, or have been adopted but are only moderately effective. Capital improvements are being identified that support station area land use plans and leverage the Federal investment in the proposed major transit corridor.
	LOW (1)	Limited effort has been made to reach out to jurisdictions, developers, or the public to promote transit-supportive land use planning; to identify regulatory and financial incentives to promote development; or to identify capital improvements.
Preliminary Engineering	HIGH (5)	Transit agencies and/or regional agencies are working proactively with local jurisdictions, developers, and the public to promote transit-supportive land use planning and station area development. Local agencies are making recommendations for effective regulatory and financial incentives to promote transit-oriented development. Capital improvement programs are being developed that support station area land use plans and leverage the Federal investment in the proposed major transit corridor.
	MEDIUM (3)	Transit agencies and/or regional agencies have conducted some outreach to promote transit-supportive land use planning and station area development. Agencies are investigating regulatory and financial incentives to promote transit-oriented development. Capital improvements are being identified that support station area land use plans and leverage the Federal investment in the proposed major transit corridor.
	LOW (1)	Limited effort has been made to reach out to jurisdictions, developers, or the public to promote transit-supportive land use planning; to identify regulatory and financial incentives to promote development; or to identify capital improvements.

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

II. TRANSIT-SUPPORTIVE PLANS AND POLICIES		
<i>Tools to Implement Land Use Policies (Continued)</i>		
Ratings based on assessment of the following:		
<ul style="list-style-type: none"> • Outreach to government agencies and the community in support of land use planning; • Regulatory and financial incentives to promote transit-supportive development; and • Efforts to engage the development community in station area planning and transit-supportive development. 		
III. PERFORMANCE AND IMPACTS OF LAND USE POLICIES		
<i>Performance of Land Use Policies</i>		
Final Design	HIGH (5)	A significant number of development proposals are being received for transit-supportive housing and employment in station areas. Significant amounts of transit-supportive development have occurred in other, existing transit corridors and station areas in the region.
	MEDIUM (3)	Some development proposals are being received for transit-supportive housing and employment in station areas. Moderate amounts of transit-supportive development have occurred in other existing transit corridors and station areas in the region.
	LOW (1)	A limited number of proposals for transit-supportive housing and employment development in the corridor are being received. Other existing transit corridors and station areas in the region lack significant examples of transit-supportive housing and employment development.
Preliminary Engineering	HIGH (5)	Transit-supportive housing and employment development is occurring in the corridor. Significant amounts of transit-supportive development have occurred in other, existing transit corridors and station areas in the region.
	MEDIUM (3)	Station locations have not been established with finality, and therefore, development would not be expected. Moderate amounts of transit-supportive housing and employment development have occurred in other, existing transit corridors and station areas in the region.
	LOW (1)	Other existing transit corridors and station areas in the region lack significant examples of transit-supportive housing and employment development.
Ratings based on assessment of the following:		
<ul style="list-style-type: none"> • Demonstrated cases of development affected by transit-oriented policies; and • Station area development proposals and status. 		

Table II-3 Ratings Applied in Assessment of Land Use Criterion (cont.)

III. PERFORMANCE AND IMPACTS OF LAND USE POLICIES		
<i>Potential Impact of Transit Project on Regional Land Use</i>		
Preliminary Engineering and Final Design	HIGH (5)	A significant amount of land in station areas is available for new development or redevelopment at transit-supportive densities. Local plans, policies, and development programs, as well as real estate market conditions, strongly support such development.
	MEDIUM (3)	A moderate amount of land in station areas is available for new development or redevelopment at transit-supportive densities. Local plans, policies, and development programs, as well as real estate market conditions, moderately support such development.
	LOW (1)	Only a modest amount of land in station areas is available for new development or redevelopment. Local plans, policies, and development programs, as well as real estate market conditions, provide marginal support for new development in station areas.
Ratings based on assessment of the following: <ul style="list-style-type: none"> • Adaptability of station area land for development; and • Corridor economic environment. 		

As Table II-3 indicates, FTA takes into consideration the stage of development of a proposed project in its evaluation of land use information. For example, the planning and policy oriented factors (existing land use, containment of sprawl, and corridor policies) are relevant in evaluating projects in all stages of project development, but particularly useful for projects early in project development. On the other hand, the implementation-oriented factors (supportive zoning regulations, implementation tools, and performance of land use policies) are more applicable in evaluating projects more advanced in preliminary engineering or final design.

II.D Mobility Improvements

In its evaluation of the mobility improvements that would be realized by implementation of a proposed project, FTA evaluates four measures:

1. User Benefits per Passenger Mile on the Project
2. Number of Transit Dependents Using the Project
3. Transit Dependent User Benefits per Passenger Mile on the Project
4. Share of User Benefits Received by Transit Dependents Compared to Share of Transit Dependents in the Region

The mobility rating is the average of the rating for the first measure above (which applies to all riders of the New Starts project) and the combined ratings for the subsequent three (that apply only to transit dependents). The process FTA uses to establish measure-specific ratings and the overall mobility improvements rating is described below:

User Benefits per Passenger Mile on the Project This measure reflects the travel time savings, as measured by minutes of transportation system user benefits in the forecast year anticipated from the proposed project compared to its baseline alternative. In order to rate projects in comparison to other proposed New Starts, this measure is normalized by the annual passenger miles traveled on the New Starts project in the forecast year. The result is a measure of the intensity of the user benefits.

As noted previously, projects are aligned in ascending order of user benefits per passenger mile and categorized into five groups, separated by the logical breakpoints indicated by the submitted data for the measure. Projects in the highest grouping (that is with the most user benefits per passenger mile) receive a “5,” while projects in the lowest grouping receive a “1.”

Number of Transit Dependent Individuals Using the Project and Transit Dependent User Benefits per Passenger Mile on the Project These two measures represent the number of transit dependents affected by the project and the intensity of the benefit per passenger. The first is self explanatory while the second is defined identically to the user benefits per passenger mile measure above but for transit dependent passengers. To obtain a rating for each, measure, values for each of the measures are aligned in ascending order and categorized into 5 groups, separated by breakpoints that identify logical groupings of values. Projects in the highest grouping receive a “5,” while projects in the grouping with the lowest values receive a “1.” These ratings are then used to obtain a single rating for both measures. The single rating is not a result of averaging but the result of a lookup table that determines the single rating based on the ratings of the two measures.

Share of User Benefits Received by Transit Dependents Compared to Share of Transit Dependents in the Region This measure represents the extent to which the project benefits transit dependents compared to their regional representation. For example, if 10% of the user benefits for the project accrued to transit dependents, but they represented 20% of the region’s population, the measure would be 0.5, indicating that the project did not benefit transit dependents compared to their share of the region’s population. To obtain a rating, project values for the measure are aligned in ascending order and categorized into 5 groups, separated by breakpoints that identify logical groupings of values. Projects in the highest grouping receive a “5,” while projects in the grouping with the lowest values receive a “1.”

The final rating for mobility for transit dependents is determined by adjusting the rating for transit dependent persons using the project and their user benefits per passenger mile by the share rating. A share rating below “3” could result in lowering the transit dependents rating while a share rating that is higher than “3” could increase the rating. The effect of the share rating is determined by whether its significance (ratings of “1” or “5” are more significant) and whether the rating it affects is near a breakpoint.

II.E Environmental Benefits

In its evaluation of environmental benefits that would be realized through the implementation of a proposed project, FTA considers the current air quality designation by EPA. This measure is defined for each of the transportation-related pollutants (ozone, CO, and PM-10) as the current air quality designation by EPA for the metropolitan region in which the proposed project is located, indicating the severity of the metropolitan area’s noncompliance with the health-based EPA standard (NAAQS) for the pollutant, or its compliance with that standard. Specifically, FTA follows the following decision rule when assigning ratings for environmental benefits:

- Projects in non-attainment areas for any transportation-related pollutants receive a *High* rating.

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- Projects that are in attainment areas receive a *Medium* rating.

As noted previously, FTA has found that information submitted in support of the environmental benefits criterion does not distinguish with any meaning the merits of competing New Starts projects. While FTA reports the information submitted by project sponsors on environmental benefits to Congress in the *Annual Report on Funding Recommendations*, it does not formally incorporate this measure in its evaluation of New Starts projects.

II.F Other Factors

Consistent with Section 5309(d) and (e), FTA also includes a variety of other factors when evaluating project justification, including:

- Effect of the project on economic development;
- The nature and extent of the transportation problem or opportunity in the project corridor as described in the “Making the Case” document;
- If the project is a principle element of a congestion management strategy, in general, and an auto pricing strategy, in particular; and
- Any other factor which the project sponsor believes articulates the benefits of the proposed major transit capital investment but which is not captured within the other project justification criteria.

Consistent with SAFETEA-LU, FTA intends that economic development should be an “other factor” of particular significance for the FY 2009 evaluation cycle. Through its ongoing rulemaking process, FTA hopes to define specific measures for evaluating the economic development impacts of candidate New Starts projects. Until such measures are defined and subject to industry comment, FTA encourages project sponsors to submit information which they feel best justifies the anticipated economic development impacts of their proposed New Starts or Small Starts investments. FTA is particularly interested in quantifiable economic development benefits which can be clearly distinguished from a) the transportation system user benefits which comprise one variable of FTA’s measure for cost effectiveness, and b) land use impacts which are reported and evaluated in support of the transit supportive land use plans and policies criteria. Specifically, FTA desires to avoid both the double-counting of benefits *and* the crediting of benefits to projects which may be more appropriately attributable to other supporting local economic development initiatives, policies, and/or incentives by isolating the specific impacts resulting from the presence of fixed guideway transit in a given corridor. FTA’s objectives for measuring economic development are outlined in Part II of its January 11, 2006 *New Starts Policy Guidance*, and will be further articulated in a formal notice of proposed rulemaking. The rating of economic development can only be positive, as absence of information for economic development has no effect on the project justification rating.

As described in FTA’s *Guidance on New Starts/Small Starts Policies and Procedures*, dated June 4, 2007, FTA will rate the substantive arguments made for the worthiness of the project reflected in the “Making the Case” document. The project rating will be based on the magnitude of substantiated project merits drawn from the analytical results of planning and project development studies. The intent is to rate more highly projects that are designed to meet demonstrated needs and that demonstrate significant benefits. A high rating for the case of the

project will result in an increase in the overall project justification rating, as described below. A low rating for the case of the project may reduce the overall project justification rating.

FTA will also assign a rating for projects that are a principle element of a congestion management strategy, in general, and an auto pricing strategy, in particular. The rating will be based on the effectiveness of the strategy. Ratings will only positively effect the project justification rating, as absence of a strategy has no effect on the project justification rating.

The final rating for other factors results from the ratings of each of the considerations discussed above plus consideration of any other factor the project sponsor believes important but which is not captured under any of the other project justification criteria. This rating is introduced *after* the assignment of an initial project justification rating. If the other factors rating is higher than the summary project justification rating, FTA may increase this initial justification rating by a maximum of one step (i.e. from *Medium* to *Medium-High*). If it is lower, FTA may decrease this initial justification rating. In less compelling cases, other factors may be reported alongside other project information in the *Annual Report on Funding Recommendations*, but not formally considered in the project's evaluation and rating. Where information in support of being considered as an "other factor" is not determined to be worthy of such recognition, it is neither considered in FTA's evaluation nor reported.

III. SUMMARY LOCAL FINANCIAL COMMITMENT RATING

The following provides a summary of FTA's process for evaluating the local financial commitment of proposed New Starts and Small Starts projects. Small Starts projects that meet the criteria described in *Section I.B* receive a summary local financial commitment rating of *Medium* or *High*, depending on their New Starts share. Those Small Starts projects that cannot meet those criteria must be evaluated and rated based on the criteria described in this section.

III.A Local Financial Commitment Rating

FTA assigns a summary local financial commitment rating of *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low* to each project following consideration of individual ratings applied to the following measures for local financial commitment:

1. **Share of non-Section 5309 New Starts funding;**
2. Stability and reliability of the proposed project's **capital finance plan**, including the following factors:
 - Current capital condition;
 - Commitment of capital funds;
 - Reasonable capital planning assumptions and cost estimates and sufficient capital funding capacity.
3. Stability and reliability of the proposed project's **operating finance plan**, including the following factors:
 - Current operating financial condition;
 - Commitment of operations and maintenance (O&M) funds;
 - Reasonable operations planning assumptions and cost estimates and sufficient O&M funding capacity.

These ratings are based on an analysis of the financial plans and documentation submitted to FTA by local agencies. FTA's evaluation takes into account the stage of project development, particularly when considering the stability and reliability of the capital and operating finance plans. Expectations for firm commitments of non-Federal funding sources become increasingly higher as projects progress further through development (preliminary engineering, followed by final design), and are rated accordingly.

The summary local financial commitment rating considers the non-Section 5309 New Starts funding share of project capital costs. The following ratings are assigned to this criterion:

- >60 percent = *Low* rating
- 50-60 percent = *Medium* rating
- 35-49 percent = *Medium-High* rating
- < 35 percent = *High* rating

FTA rates the capital and operating finance plans according to the standards defined in Tables III-1 and III-2 on the following pages. Additional detail on FTA's process for rating local financial commitment is contained in its *Guidelines and Standards for Assessing Local Financial Commitment*.

Numerical ratings from 1 to 5 (*Low* to *High*) are assigned to each of the three subfactors under the capital and operating finance plan measures. These subfactors are weighted as follows to arrive at summary ratings for the capital and operating finance plan measures: (1) current capital/operating condition 25%; (2) commitment of capital/operating funds 25%; and (3) cost estimates/planning assumptions/capacity 50%. FTA weighs the proposed non-New Starts share as 20 percent of the summary local financial commitment rating; the strength and reliability of the capital plan counts as 50 percent of the rating; and the strength and reliability of the operating plan accounts for 30 percent of the rating. These ratings are combined and converted by FTA into a summary local financial commitment rating of *High*, *Medium-High*, *Medium*, *Medium-Low* or *Low*.

Small Starts projects which do not qualify for the streamlined financial evaluation process presented in *Section 1.B* of this appendix are subject to the full financial evaluation and must meet the "PE" standards described in Tables III-1 and III-2 before entering project development and the final design criteria before receiving a Project Construction Grant Agreement.

Failure to submit either a capital or operating financial plan for evaluation will result in a *Low* rating for local financial commitment.

Table III-1 Capital Plan Rating Standards

	High	Medium-High	Medium	Medium-Low	Low
Current capital condition	- Average bus fleet age under 6 years. - Bond ratings less than 2 years old (if any) of AAA (Fitch/S&P) or Aaa (Moody's) or better	- Average bus fleet age under 6 years. - Bond ratings less than 2 years old (if any) of A (Fitch/S&P) or A2 (Moody's) or better	- Average bus fleet age under 8 years. - Bond ratings less than 2 years old (if any) of A - (Fitch/S&P) or A3 (Moody's) or better	- Average bus fleet age under 12. - Bond ratings less than 2 years old (if any) of BBB+ (Fitch/S&P) or Baa (Moody's) or better	- Average bus fleet age 12 years or more. - Bond ratings less than 2 years old (if any) of BBB (Fitch/S&P) or Baa3 (Moody's) or below
Commitment of capital funds	For final design – 100% of Non-Section 5309 New Starts funds are committed or budgeted. For PE – Over 50% of Non-Section 5309 New Starts funds are committed or budgeted. The remaining funds are planned.	For final design - Over 75% of Non-Section 5309 New Starts funds are committed or budgeted. For PE – Over 25% of Non-Section 5309 New Starts funds are committed or budgeted. The remaining funds are planned.	For final design - Over 50% of Non-Section 5309 New Starts funds are committed or budgeted. For PE - No Non-Section 5309 New Starts funds are committed or budgeted, but the sponsor has a reasonable plan to secure all needed funding.	For final design – Between 25% and 50% of Non-Section 5309 New Starts funds are committed or budgeted. For PE - No Non-Section 5309 New Starts funds are committed. The sponsor has no reasonable plan to secure the necessary funding.	For final design - Under 25% of Non-Section 5309 New Starts funds are committed or budgeted. For PE - The sponsor has not identified any reasonable funding sources for the Non-Section 5309 New Starts funding share.
Capital cost estimates and planning assumptions/ Capital funding capacity	Financial plan contains very conservative capital planning assumptions and cost estimates when compared with recent historical experience. The applicant has access to funds via additional debt capacity, cash reserves, or other committed funds to cover cost increases or funding shortfalls equal to at least 50% of estimated project costs.	Financial plan contains conservative capital planning assumptions and cost estimates when compared with recent historical experience. The applicant has available cash reserves, debt capacity, or additional funding commitments to cover cost increases or funding shortfalls equal to at least 25% of estimated project costs.	Financial plan contains capital planning assumptions and cost estimates that are in line with historical experience. For final design - The applicant has available cash reserves, debt capacity, or additional committed funds to cover cost increases or funding shortfalls equal to at least 10% of estimated project costs. For PE - The applicant has a reasonable plan to cover cost increases or funding shortfalls equal to at least 25% of estimated project costs.	Financial plan contains optimistic capital planning assumptions and cost estimates. The applicant has a reasonable plan to cover only minor (under 10%) cost increases or funding shortfalls. For PE –The applicant has a reasonable plan to cover cost increases or funding shortfalls equal to at least 10% of estimated project costs.	Financial plan contains capital planning assumptions and cost estimates that are far more optimistic than recent history suggests.

Table III-2 Operating Plan Rating Standards

	High	Medium-High	Medium	Medium-Low	Low
Current Operating Financial Condition	<ul style="list-style-type: none"> - Historical and actual positive cash flow. No cash flow shortfalls. - Current operating ratio exceeding 2.0 - No service cutbacks in recent years. 	<ul style="list-style-type: none"> - Historical and actual balanced budgets. Any annual cash flow shortfalls paid from cash reserves or other committed sources. - Current operating ratio is at least 1.5 - No service cutbacks in recent years. 	<ul style="list-style-type: none"> - Historical and actual balanced budgets. Any annual cash flow shortfalls paid from cash reserves or annual appropriations. - Current operating ratio is at least 1.2 - No service cutbacks or only minor service cutbacks in recent years 	<ul style="list-style-type: none"> - Historical and actual cash flow show several years of revenue shortfalls. Any annual cash flow shortfalls paid from short term borrowing. - Current operating ratio is at least 1.0 - Major Service cutbacks in recent years 	<ul style="list-style-type: none"> - Historical and actual cash flow show several years of revenue shortfalls, or historical information not provided. - Current operating ratio is less than 1.0 - Major service cutbacks in recent years
Commitment of O&M Funds	<p>For final design - 100% of the funds needed to operate and maintain the proposed transit system are committed or budgeted.</p> <p>For PE – Over 75% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. The remaining funds are planned.</p>	<p>For final design - Over 75% of the funds needed to operate and maintain the proposed transit system are committed or budgeted.</p> <p>For PE - Over 50% of the funds needed to operate and maintain the proposed transit system are committed or budgeted. The remaining funds are planned.</p>	<p>For final design – Over 50% of the funds needed to operate and maintain the proposed transit system are committed or budgeted.</p> <p>For PE – While no additional O&M funding has been committed, a reasonable plan to secure funding commitments has been presented.</p>	<p>For final design - Sponsor has identified reasonable potential funding sources, but has received less than 50% commitments to fund transit operations and maintenance.</p> <p>For PE - Sponsor does not have a reasonable plan to secure O&M funding. No unspecified sources.</p>	<p>For final design - Sponsor has not yet received any funding commitments to fund transit operations and maintenance and has not identified any reasonable plan for securing funding commitments.</p> <p>For PE - Sponsor has not identified any reasonable funding sources for the operation and maintenance of the proposed transit system.</p>
Operating Cost Estimates and Planning Assumptions/O&M Funding Capacity	<p>The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are very conservative relative to historical experience.</p> <p>Projected cash balances, reserve accounts, or access to a line of credit exceeding 50 percent (6 months) of annual systemwide operating expenses.</p>	<p>The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are conservative relative to historical experience.</p> <p>Projected cash balances, reserve accounts, or access to a line of credit exceeding 25 percent (3 months) of annual systemwide operating expenses.</p>	<p>The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are consistent with historical experience.</p> <p>Projected cash balances, reserve accounts, or access to a line of credit exceeding 12 percent (1.5 months) of annual systemwide operating expenses.</p>	<p>The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are optimistic relative to historical experience.</p> <p>Projected cash balances, reserve accounts, or access to a line of credit are less than 8 percent (1 month) of annual systemwide operating expenses.</p>	<p>The assumptions supporting the operating and maintenance cost estimates and revenue forecasts are far more optimistic than historical experience suggests is reasonable.</p> <p>Projected cash balances are insufficient to maintain balanced budgets.</p>

III.B Local Financial Commitment Rating Decision Rules

In addition to the non-Section 5309 New Starts program share, capital and operating financial rating considerations and weights described above, FTA uses the following decision rules to calculate the overall local financial commitment rating.

- If the Section 5309 New Starts share, which accounts for 20 percent of the local financial commitment rating, brings the overall local financial commitment rating to less than *Medium*, it will be excluded from the calculation. In other words, a New Starts share of less than 80 percent can improve the project's rating but it cannot hurt it. This rule was applied for the first time in FY 2007 in order to respond to direction in SAFETEA-LU that FTA evaluate the percent of the Section 5309 New Starts program share, as required by Section 5309(d)(4)(B)(v), while ensuring that no project is required to provide more than the required 20 percent match as provided in Section 5309(h)(5). If and how this rule is applied in future years will be subject to rulemaking.
- If either of a proposed project's capital or operating finance plan receives a *Medium-Low* or *Low* rating, the summary local financial commitment rating for the project cannot be higher than a *Medium-Low*.
- To receive a summary local financial commitment rating of *Medium-High*, both the capital and operating finance plans must be rated at least *Medium-High*.

IV. RATINGS AND FUNDING RECOMMENDATIONS

Section 5309(d)(1)(B)(ii) directs FTA to consider proposed New Starts projects for Full Funding Grant Agreements (FFGA) and proposed Small Starts for Project Construction Grant Agreements (PCGA), only if they receive a *Medium*, *Medium-High*, or *High* overall project rating. (Note that for the FY 2007 funding recommendations FTA did not use the *Medium-High* overall rating; similarly, the FY 2008 evaluation cycle contemplates only using *High* and *Medium* as a basis for funding recommendations.) FTA notes, however, that project ratings are intended only to reflect the worthiness of each project, not the readiness of a project for an FFGA or PCGA. A rating of *High* or *Medium* does not translate directly into a funding recommendation in any given fiscal year. Proposed projects that are rated *High* or *Medium*, will be eligible for multi-year funding recommendations in the Administration's proposed budget if other requirements have been met (completion of the Federal environmental review process, demonstrated technical capability to construct and operate the project, development of a firm and final cost estimate and financial plan, etc.) and if funding is available. In addition, notwithstanding their overall project rating, as a general practice the Administration will target its funding recommendations to those proposed New Starts projects able to achieve a *Medium* or higher rating for cost effectiveness, unless the project has been exempt from this policy.

When determining annual funding allocations among proposed New Starts and Small Starts, the following general principles are applied:

- Any project recommended for new funding commitments should meet the project justification, local financial commitment, and process criteria established by Sections 5309(d) and 5309(e) and be consistent with Executive Order 12893, *Principles for Federal Infrastructure Investments*, issued January 26, 1994.

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- Existing FFGA commitments should be honored before any additional funding recommendations are made, to the extent that funds can be obligated for these projects in the coming fiscal year.
 - The FFGA and PCGA define the terms of the Federal commitment to a specific project, including funding. Upon completion of an FFGA or PCGA, the Federal funding commitment has been fulfilled. Additional project funding will not be recommended. Any additional costs beyond the scope of the Federal commitment are the responsibility of the grantee, although FTA works closely with grantees to identify and implement strategies for containing capital costs at the level included in the FFGA or PCGA at the time it was executed.
 - Funding for initial planning efforts such as alternatives analysis is no longer eligible for Section 5309 funding under SAFETEA-LU, but may be provided through grants under the Section 5303 Metropolitan Planning or Section 5307 Urbanized Area Formula programs; from Title 23 “flexible funding” sources; or from the newly created Section 5339 Alternatives Analysis program.
 - Firm funding commitments, embodied in FFGAs or PCGAs, will not be made until projects demonstrate that they are ready for such an agreement, i.e. the project’s development and design has progressed to the point where its scope, costs, benefits, and impacts are considered firm and final.
 - Funding should be provided to the most worthy investments to allow them to proceed through the process on a reasonable schedule, to the extent that funds can be obligated to such projects in the upcoming fiscal year. Funding decisions will be based on the results of the project evaluation process and resulting project justification, local financial commitment, and overall project ratings.

Again, FTA emphasizes that project evaluation and rating is an on-going process. As proposed New Starts and Small Starts projects proceed through the project development process, information concerning costs, benefits, and impacts is refined and the ratings may be updated to reflect new information.