

8.0 FINANCIAL PLAN

One of the most important elements of this plan, and a key to its implementation, is the preparation of a sound financial program. The financial challenges facing the county must be addressed if it is to successfully accommodate multiple transportation demands (e.g., preservation, operations, system expansion, new alignments, and multi-modal needs). This section defines and programs project needs, forecasts future transportation revenues and expenditures, identifies the projected funding gap, and then provides investment strategies that can generate the funds to address these fiscal constraints.

8.1 Project Scope and Programming

Based on the information presented in **Sections 2–6**, a preliminary list of county transportation projects was developed for implementation between 2023 and 2040 (excluding programmed projects). The preliminary project list is presented in **Appendix C**. For each project identified, a planning-level construction cost estimate was developed including anticipated right of way costs. Projects address a wide range of future transportation needs including: rehabilitation, reconstruction, bridge replacement, system connectivity, capacity expansion, safety, trail needs, etc.

Planning-level cost estimates were developed for various project types based on a range of per-unit costs. While costs may vary widely based on project-specific considerations, a general cost estimate is useful in determining the county's overall funding needs between 2023 and 2040. More specific cost estimates will be developed on a project-by-project basis as the county compiles its program. All per unit cost estimates developed for this analysis are expressed in 2018 dollars (the year of analysis) to provide a consistent cost between projects.

In some instances, the analysis involved in developing lists of potential projects resulted in multiple types of improvements recommended for the same segment of roadway. For example, a roadway's pavement condition may indicate that a future pavement improvement will be necessary, while forecasted traffic volumes along the same segment roadway may suggest that a future capacity improvement will be necessary. In these instances, the estimated cost for the type of project with the highest cost was used (i.e. capacity expansion versus reconstruction). The estimated cost for the overlapping portion of the other type(s) of project were removed to avoid double counting. For example, the cost estimates used for urban capacity projects are assumed to include trails; therefore, where potential trail projects were identified at the same location as potential urban capacity projects, the trail project-specific cost estimate is excluded from the list.

From the overall list of projects, the Project Management Team selected a subset of "Higher Priority Projects" based on information about the timing and level of need for certain projects. **Table C-1** in **Appendix C** presents the level of priority for these transportation projects.

8.2 Future Revenue/Expenditure Analysis

Developing revenue projections for the county consisted of reviewing the county's transportation funding historical funding trends and projecting funding into future years. Four funding sources were included in the analysis: county funds, wheelage tax revenue, state aid allotments, and highway safety improvement program funding. All funding amounts were converted to 2018 dollars to be consistent with cost estimates and allow for the calculation of a funding gap.

In the past, Sherburne County has successfully applied for funding as part of discretionary grant programs; however, these funding sources are not guaranteed, nor do they provide a consistent stream of funding. Therefore, these sources were excluded from this analysis. Additionally, in September 2018, the Sherburne County Board of Commissioners adopted a resolution implementing a half-cent countywide sales tax to fund transportation. This new funding source was not included in the funding gap analysis; however, it is estimated that the sales tax will generate \$3.2 million annually.

The main sources used by the county to further Sherburne County's transportation improvements include:

- Local Property Tax: between \$5.8 million and \$6.5 million annually from 2011-2017
- State Aid: between \$1.7 million and \$3.4 million annually from 2008-2017
- Wheelage Tax: \$750,000 annually from 2015-2017
- Highway Safety Improvement Program (HSIP): average of \$300,000 annually

Over the 18-year period from 2023-2040, these sources are estimated to generate approximately \$244.4 million.

Regarding future transportation expenditures, as noted, various Sherburne County transportation projects have been identified to address future needs over the same period of time. Expenditure categories include:

- Rehabilitation and maintenance
- Reconstruction
- Freight projects
- Capacity expansion
- New connectivity linkages
- Trails
- Safety projects
- Traffic control modification projects
- Jurisdictional transfers
- Bridge rehabilitation/replacement

Based on the preliminary cost estimates developed for projects between 2023 and 2040, a total estimated cost of \$468.2 million was calculated for these projects, including \$175.8 million for the higher priority projects.

From this analysis, it is apparent the county is facing a major funding shortfall, if it is to meet anticipated transportation demands over the planning period. The projected twenty-year funding gap is estimated to be about \$223.8 million. If this gap is to be fully addressed, approximately \$9.2 million in new revenue will be needed each year after factoring in the newly enacted countywide transportation sales tax revenue of \$3.2 million per year. While this shortfall represents a significant amount of investment, if new or expanded financing methods are implemented, the amount of local resources needed to close this gap could be reduced. Therefore, to assist local leaders in addressing the future funding gap, both general and specific funding strategies are provided by the plan.

8.3 Funding Strategies

County staff are well versed in state and federal funding programs and are actively seeking a variety of funding sources to supplement local funding sources.

The funding strategies implemented by county staff should consider present constraints and opportunities; however, the funding picture will likely fluctuate many times over the next 20 years. Therefore, the county leaders must employ several funding and implementation strategies to provide the transportation infrastructure needed to meet expected growth.

In general, this means:

- Local leaders should continue to aggressively seek new and innovative forms of non-local assistance, and support legislation that will generate additional transportation funding assistance.
- Public-private partnerships should be considered as an appropriate way to equitably distribute the costs of roadway construction or reconstruction resulting from development.
- Agencies may need to partner, pool resources, and jointly lobby for outside funding assistance for major projects that could provide significant long-term benefits to the county.
- State-aid transportation needs should be adjusted/updated to increase annual funding allotments.
- Non-traditional funding methods for major projects should be investigated (i.e., bonding, congressional appropriations, fees, third party, and cooperative agreements).

Specific Transportation Investment Programs

It is recommended that county leaders actively investigate and if appropriate, pursue the following specific funding programs/strategies to address future transportation investment needs:

Federal

- Continue to seek federal funding for county transportation projects that have a significant impact to communities and the county's transportation system. Programs include the Surface Transportation Program (STP), the Highway Safety Improvement Program (HSIP), and Transportation Enhancement (TE) program administered by

MnDOT. These programs are competitive and vary in funding availability. Other federal programs include BUILD and INFRA which are nationally competitive and generally require support from or in cooperation with MnDOT, private partners, or other local jurisdictions.

State

- Continue to seek funding from state bonding bills for construction or reconstruction of county roads that address major system deficiencies, contribute to economic development, or redevelopment efforts.
- Continue to apply for MnDOT's Local Bridge Replacement Program to construct new or reconstruct deficient bridges.
- Continue to apply for other MnDOT grant programs that support larger statewide initiatives such as Corridors of Commerce.
- Continue to work with cities and school districts to apply for MnDOT Safe Routes to School Grant Program (infrastructure or non-infrastructure projects) for city/county trail projects within two miles of schools.
- Review appropriateness of MnDOT Local Road Program which is meant to assist the state and local jurisdictions resolve spot transportation issues such as channelization or signal projects on the state system.
- Secure MnDOT Local Roadway Improvement Program (LRIP) funding to improve local roadways.
- Work with communities and businesses to evaluate the potential of successful grant applications for joint grant programs offered occasionally between MnDOT and the Department of Employment and Economic Development (DEED) to make improvements to the local transportation network. An example of this is the Transportation and Economic Development (TED) grant.
- Seek MnDOT Turnback Account Funding to upgrade future trunk highways if transferred to the county.
- Utilize MnDNR Recreation Grant Programs as noted below for trails, and county and township road needs:
 - State Park Road Program
 - Local Trail Connections Program
 - Regional Trail Grant Program
 - Federal Recreation Trail Program
- Increase state-aid annual allocation by seeking designation for additional county roads and submitting updated Sherburne County needs data.

Local

- Integrate the county-wide half-cent transportation sales tax funding source (\$3.2 million anticipated annually, with \$1.4 million to be applied to the Northstar and Link operations and maintenance) into the capital improvement program. Evaluate and prioritize high-priority projects for implementation.

- Consider a General Obligation Bond issue for a specific set of road projects with amortization payments captured from growth-induced property valuations or increased state-aid allotments generated by the motor vehicle sales tax.
- Consider a Street Reconstruction Bond Issue for identified projects with amortization similar to general obligation bonds; however, the levy for these bonds is outside typical levy limitations.
- Review Sherburne County's Cost Participation Policy with local city and township representatives to ensure that the participation reflects the appropriate level of benefit received by each agency for proposed improvements and expand the participation agreements to townships in the county.
- Utilize Special Assessments for the construction, reconstruction or improvement of CSAH or county roads as allowed under Minnesota Statute 429.
- Continue to prepare Cooperative Agreements with cities or townships for mutually desired capacity expansion, reconstruction, or trail improvements. (e.g., city secures the right of way and the county constructs the improvement as part of a county roadway project).
- Consider setting aside county funds to be matched with city funds to complete corridor preservation work for growth areas by reserving or securing right of way prior to development inflating the cost of land.
- Continue to review the prioritized long- and short-range project improvement list to update project priority based on recent events and new funding opportunities.

Private

- Consider instituting a Negotiated Developer Fee System to offset transportation costs generated by specific developments/growth, by requiring a traffic impact study to define costs and assign cost participation levels.
- Continue to seek private sector participation through the dedication of road right of way during the platting process.
- Utilize Third-Party Agreements (e.g., city, county or private developer) to construct turning lanes, traffic signals, intersection or access improvements where all parties have an interest in, and agree to share in, the responsibility for a roadway improvement.