

## MEMORANDUM

**To: Iowa Public Transit Agencies**

**From: Kristin Haar, Iowa DOT Public Transit Director**

**Subject: Iowa DOT Assistance with Bus Price Increases – Proposal**

**Date: November 8, 2022**

**Background:**

Like most of the public transit entities in the United States, Iowa’s public transit agencies are encountering dramatic bus price increases due to supply chain shortages and lingering manufacturing delays due to the COVID-19 pandemic. In early summer 2022, the Iowa public transit agencies purchasing from the Iowa DOT’s statewide vehicle procurements received notices from the bus vendors that their bus purchase contracts would be cancelled because the vendors could not provide the product at the previously agreed upon price. These prices had just been set in December 2021 through a statewide vehicle procurement. In order to ensure the public transit agencies could again enter into contracts with the bus vendors, the Iowa DOT requested price adjustments from all vendors on the statewide vehicle procurement, thus establishing new price ceilings for federal participation in vehicle purchases, as outlined below in the FY 2023 Programming Guidance for Transit Vehicles Update 1.



### FY 2023 Programming Guidance for Transit Vehicles Update 1

Vehicle Type	Standard Description	Typical Capacities (Seats/Wheelchairs)		Ceiling* for Federal Participation	Federal Replacement Threshold
Minivan	Minivan	3/1, 1/2	85% of	\$83,955	4 yr./100,000 mi.
Non-ADA standard minivan	Non-ADA standard minivan	6	80% of	\$43,570	4 yr./100,000 mi.
Conversion van**	Conversion van	8/1, 4/2	85% of	\$79,749	4 yr./100,000 mi.
Non-ADA standard van**	Non-ADA standard van	14	80% of	\$43,690	4 yr./100,000 mi.
Light-duty (LD) bus (138" wb)	138" LD bus	8/1, 4/2	85% of	\$128,397	5 yr./150,000 mi.
Non-ADA LD bus (138" wb)	Non-ADA 138" LD bus	13	80% of	\$78,160	5 yr./150,000 mi.
Light-duty bus (158" -170" wb)	158" LD bus	13/1, 6/2	85% of	\$131,698	5 yr./150,000 mi.
Non-ADA LD bus (158" -170" wb)	Non-ADA 158" LD bus	17-21	80% of	\$80,410	5 yr./150,000 mi.
Light-duty bus (176" wb)	176" LD bus	14/2, 10/3	85% of	\$130,637	5 yr./150,000 mi.
Non-ADA LD bus (176" wb)	Non-ADA 176" LD bus	25	80% of	\$86,310	5 yr./150,000 mi.
Low Floor Light-duty (LD) bus (138" wb)	138" LD bus Low Floor	8/1, 4/2	85% of	\$123,463	5 yr./150,000 mi.
Low Floor Light-duty bus (158" -170" wb)	158" LD bus Low Floor	13/1, 6/2	85% of	\$112,246	5 yr./150,000 mi.
Low Floor Light-duty bus (176" wb)	176" LD bus Low Floor	14/2, 10/3	85% of	\$153,597	5 yr./150,000 mi.
Medium-duty (MD) bus (to 28 ft.)	28' MD bus	12/2, 8/3	85% of	\$144,045	7 yr./200,000 mi.
Medium-duty bus (29-32 ft.)	30' MD bus	13/2, 10/3	85% of	\$184,748	7 yr./200,000 mi.
Medium-duty bus (33-36 ft.)	35' MD bus	17/2, 14/3	85% of	\$190,005	7 yr./200,000 mi.
Medium-duty bus (37-42 ft.)	40' MD bus	21/2, 18/3	85% of	\$199,823	7 yr./200,000 mi.
Heavy-duty (HD) bus (26-29 ft.)	26' HD bus	18/2, 14/3	85% of	\$449,020	10 yr./350,000 mi.
Heavy-duty bus (30-34 ft.)	30' HD bus	26/2, 22/3	85% of	\$508,060	10 yr./350,000 mi.
Heavy-duty bus (35-39 ft.)	35' HD bus	34/2, 30/3	85% of	\$516,380	12 yr./500,000 mi.
Heavy-duty bus (40-42 ft.)	40' HD bus	42/2, 38/3	85% of	\$543,480	12 yr./500,000 mi.

**Engine Type:** For LD buses add \$8,000 to programmed cost for diesel engines. [Be sure to list "diesel" in project description.] Alternate fuel engine: add funding required to ceiling shown and justify cost increase separately in Notes section of TPMS Transit for compressed natural gas (CNG), liquid natural gas (LNG), battery electric or other clean air engine/features. Included in ceiling for MD HD buses.

**Low-Floor:** Included in ceiling for HD buses; but, for purchasing MD buses, add \$75,000 to programmed cost.

**Urban Fixed-Route Configuration:** Included in ceiling for HD buses; but, for purchasing farebox, light-emitting diode (LED) destination signs, passenger signal devices(s), PA system, and standee grab bars add \$7,000 to programmed cost for LD and MD buses.

**Vehicle Surveillance Systems:** If a vehicle will be equipped with an expansion (not replacement) digital video and audio surveillance system, the program ceiling for that vehicle type should be increased: 1) for van type vehicles that will be equipped with at least two cameras by \$2,500 (\$2,125 federal); 2) for LD buses that will be equipped with at least four cameras by \$4,000 (\$3,400 federal), with at least six cameras by \$6,000 (\$5,100 federal); 3) for MD/HD buses that will be equipped with at least six cameras by \$8,000 (\$6,800 federal), and with at least eight cameras \$10,000 (\$8,500 federal).

While incorporating the price adjustments into the Iowa DOT's statewide transit vehicle procurements was helpful for the ability of public transit agencies to again enter into contracts with the bus vendors, the issue remained that the federal funding contracts between the Iowa DOT and Iowa's public transit agencies would likely not cover the entire amount eligible for federal funds. The public transit agencies would be responsible for a much larger local match if a remedy was not found.

**Evaluation Process:**

Iowa DOT staff, utilizing the FY23 Programming Guidance for Transit Vehicles Update 1, above and found at <https://iowadot.gov/transit/funding/FY23-Programming-Guidance.pdf>, went through all open vehicle contracts and determined the number of vehicles still needing to be purchased, calculated the price difference between the original contract amount and the new programming guidance. The list is divided into urban and rural systems to account for the different sources of funding the Iowa DOT receives for replacement vehicles. It has been determined that on open capital vehicle contracts, the extra funding needed by the rural and small urban systems (serving populations under 50,000) to make up the increased costs between the previously programmed costs and the new FY 2023 Ceiling for Federal Participation is \$5,817,309. For large urban systems (serving populations of 50,000-199,999 and large urban systems over 200,000), the federal ceiling deficit is \$2,030,393. The extra funding needed and federal ceiling deficits will be called shortfalls throughout the rest of this document.

The Iowa DOT also has not yet issued contracts for the Fiscal Year 2021 (FY21) FTA Section 5339A-funded bus replacements. The list generated for use of those formula funds used a previous programming guidance document at the lower federal funding participation amounts. Therefore, similar to the open contracts process described above, the Iowa DOT staff went through that list to determine the extra funds needed to make up for the bus price increases. The shortfall for rural and small urban systems from the FY21 Section 5339A formula list is \$1,955,606 and the shortfall for large urban systems (serving populations between 50,000 and 199,999) is \$475,384.

**Shortfall Totals (assumes 85% federal participation ceiling):**

- Total shortfall for the rural and small urban transit agencies is \$7,772,915.
- Total shortfall for the large urban transit agencies (including agencies serving populations between 50,000 and 199,999 and those serving populations over 200,000) is \$2,505,777.
- Grand total funding shortfall of the urban and rural systems combined is **\$10,278,692.**

**Funding Available to Assist:** Iowa DOT staff went through closed capital contracts of previously purchased vehicles to determine leftover funds available to redistribute to other vehicle purchases. The total amount of funding found through that effort was \$1,435,998. Of that total, \$1,081,716 is rural and small urban systems funding and \$354,282 is large urban funding (for systems between 50,000 and 199,999 in population).

Knowing the bus price increases would likely be an issue needing additional considerations, the Iowa DOT did not yet take a bus replacement list to the Iowa Transportation Commission for use of the FY22 5339A formula funding and Congestion Mitigation Air Quality (CMAQ) monies. Therefore, Iowa DOT has available \$3,000,000 in CMAQ funds, \$4,000,000 in Section 5339A funding for rural and small urban public transit systems (serving populations under 50,000 population), and \$1,077,552 in large urban Section 5339A funding (for those urban areas 50,000 – 199,999 in population).

The total of all funds available to assist with the bus price increases is \$9,513,550. However, the rural/urban allocations must be taken into account for redistribution of the 5339A formula funding. The CMAQ dollars can be used for either urban or rural projects.

**Funding Proposal:**

In order to propose a solution, a fair way to divide the CMAQ dollars must be determined. Dividing up the \$3,000,000 in FY22 CMAQ dollars could be done in several ways. No option covers the entire shortfall for urban or rural bus replacements.

1. Using the *percentage of total shortfall to determine CMAQ funding:*

Rural/small urban percentage of total shortfall: 75.6% resulting in \$2,268,000 in CMAQ dollars to cover shortfall

Large urban percentage of total shortfall: 24.4% resulting in \$732,000 in CMAQ dollars to cover shortfall

2. Using the *percentage of 5339A formula funding Iowa DOT receives for rural vs. urban bus replacements to determine CMAQ funding:*

Rural percentage of FY22 5339A formula funding: 78.8% resulting in \$2,364,000 in CMAQ dollars to cover the shortfall

Urban percentage of F22 5339A formula funding: 21.2% resulting in \$636,000 in CMAQ dollars to cover the shortfall

3. With the funds available, covering the *same percentage (92.6%) of the shortfall for both rural and small urban vehicle contracts and large urban vehicle contracts:*

Covering 92.6% of the rural and small urban shortfall results in \$2,112,586 in CMAQ dollars used.

Covering 92.6% of the large urban shortfall results in \$887,414 in CMAQ dollars used.

<b>Rural &amp; Small Urban Shortfall = \$7,772,915 (assumes 85% federal participation ceiling)</b>			
	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
- FY22 5339A funding	\$4,000,000	\$4,000,000	\$4,000,000
- Closed contracts	\$1,081,716	\$1,081,716	\$1,081,716
- CMAQ	<u>\$2,268,000</u>	<u>\$2,364,000</u>	<u>\$2,112,586</u>
Remaining costs	\$423,199	\$327,199	\$578,613
% Shortfall covered	94.6%	95.8%	92.6%

<b>Large Urban Shortfall = \$2,505,777 (assumes 85% federal participation ceiling)</b>			
	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
- FY22 5339A funding	\$1,077,552	\$1,077,552	\$1,077,552
- Closed contracts	\$354,282	\$354,282	\$354,282
- CMAQ	<u>\$732,000</u>	<u>\$636,000</u>	<u>\$887,414</u>
Remaining costs	\$341,943	\$437,943	\$186,529
% Shortfall covered	86.4%	82.5%	92.6%

The preferred option covers the shortfall most evenly, percentage-wise, for all affected transit agencies. **The recommendation is to use Option 3.**

Iowa DOT has heard from several public transit agencies that they would rather have the bus contracts as fully funded as possible for fewer buses rather than a lower percentage funding more buses. Therefore, contracts for shortfall coverage funding will be drawn up at a maximum of federal participation of 85%, depending on funding source (5339A funds up to 85% and CMAQ funds up to 80%) and funding availability as we work down the list. The oldest open bus replacement contracts will receive 5339A funding until exhausted at the 85% level, then moving into the CMAQ dollars at 80% funding. It is likely that a few contracts will not receive extra funding, but these would be the buses on the FY21 bus replacement list, not yet issued contracts and not ordered, and it is hoped the public transit agencies could find alternate ways to find the increased local match by the time they do place the orders. Some transit agencies also might take this opportunity to right-size their fleet and if those buses are needed and if not, remove them from their fleet and the PTMS list. Another option, if enough funding is not available locally, would be to pull the vehicle(s) off the FY21 list, return the FY21 funding, and have the bus placed back into the PTMS rankings for the FY23 formula selections.

**Implementation Process:**

Iowa DOT will hold a virtual meeting with transit agencies on November 16, 2022, to discuss this proposal and gain input. A final recommendation will be provided to Iowa DOT leadership by December 1 and presented to the Transportation Commission at the December 13 Commission Workshop.

Following Commission approval, Iowa DOT staff will determine the exact amount each vehicle under contract or on the FY21 PTMS replacement list will receive and will notify the transit agency of the amount. If more than a 30% increase, a TIP and STIP amendment will need to be completed prior to Iowa DOT issuing contracts. The Public Transit Team will work with Iowa DOT’s Program Management Team and the transit agencies will need to work with their MPOs and RPAs to make this happen in an efficient manner. Contracts for the shortfall coverage will be released after the TIP and STIP are amended. If the increase is less than 30%, resulting only in an administrative modification to the TIP and STIP, the contract(s) will be released after those modifications are complete.