

GREENHOUSE GAS REDUCTION FUND



Draft Guidelines for LOW CARBON TRANSIT OPERATIONS PROGRAM

November 7, 2014



Draft Guidelines – GGRF – LCTOP

Low Carbon Transit Operations Program – Draft Guidelines

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Greenhouse Gas Reduction Fund
Low Carbon Transit Operations Program

EXECUTIVE SUMMARY

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities. Approved projects in LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. For agencies whose service area includes disadvantaged communities, at least 50 percent of the total moneys received shall be expended on projects that will benefit disadvantaged communities. Senate Bill 852 (Statutes of 2014) appropriates \$25 million for LCTOP for 2014-15 and Senate Bill 862 continuously appropriates 5 percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund (GGRF) for LCTOP beginning in 2015-16.

Senate Bill 862 establishes the LCTOP as a formulaic program instead of a state-level competitive program. The California Department of Transportation (Caltrans) is responsible for ensuring that the statutory requirements of the program are met in terms of project eligibility, greenhouse gas reduction, disadvantaged community benefit, and other requirements of law. However, as a formulaic program, local agency recipients are responsible to ensure projects selected provide maximum public benefits. As such, recipients are strongly encouraged to select those projects that maximize public benefits for transit ridership, greenhouse gas reduction, disadvantaged community benefit, and other co-benefits. Recipient agencies are encouraged to work closely with their Metropolitan Planning Agencies, Regional Transportation Planning Agencies, local governments, and affected communities, to achieve co-benefits including but not limited to encouragement of infill development, low-income housing, protection of disadvantaged communities from displacement, active transportation benefit, and other environmental and health benefits. Caltrans may require reporting on project co-benefits, not for eligibility analysis but to gauge the effectiveness of the overall program. This program will be administered by Caltrans in coordination with Air Resources Board and the State Controller's Office (SCO).

HISTORY

Assembly Bill 32 (AB 32), the California Global Warming Solutions Act of 2006, took a long-term, comprehensive approach to addressing climate change and its effects on the environment and natural resources. In order to slow the effects of climate change, AB 32 set the requirement that by 2020 California must reduce greenhouse gas emissions to the level of 1990, a reduction of approximately 15 percent of the normally expected level of emissions. AB 32 additionally calls for continued greenhouse gas reduction beyond 2020. The Air Resources Board (ARB) was directed to be the lead agency to implement the law. The ARB worked in coordination with multiple state agencies through the Climate

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Action Team. AB 32 required ARB to develop a Scoping Plan, laying out the strategy to meet the goals set in law. Part of the Scoping Plan establishes the GGRF, which is funded by fees annually collected from large sources of greenhouse gases and also from proceeds of ARB's quarterly auction of emissions credits.

The Sustainable Communities and Climate Protection Act of 2008 (SB 375) supports the State's climate action goals to reduce greenhouse gas emissions through coordinated transportation and land use planning to encourage more sustainable communities. Metropolitan Planning Organizations are directed to develop a "sustainable communities' strategy" as an integral part of their Regional Transportation Plan.

Passed in 2011, Senate Bill 535 (SB 535) directs State and Local agencies to make significant investments that improve California's most vulnerable communities. The identification of "disadvantaged communities" is assigned to the California Environmental Protection Agency (CalEPA), and the establishment of guidelines for qualifying expenditures is assigned to the California ARB.

As one of the programs established in the Transit, Affordable Housing, and Sustainable Communities Program by SB 862 in 2014, the Low Carbon Transit Operations Program will draw funds from the Greenhouse Gas Reduction Fund to support transit agencies in their efforts to increase transit ridership and to meet the statewide greenhouse gas reduction goals of AB 32 and the associated regional greenhouse gas reduction goals of SB 375. SB 862 directs Caltrans, in coordination with ARB, to develop guidelines describing methodologies to meet the criteria for LCTOP. The Strategic Growth Council will review the LCTOP Guidelines for consistency with state policy goals.

IMPLEMENTATION

Working with the California State Transportation Agency (CalSTA), Caltrans participated in workshops to gather input from local agencies and the public to help develop the guidelines. Input from these workshops has been an integral part of the development of these guidelines. Final LCTOP Guidelines will include ARB guidance related to measurement of greenhouse gas reduction benefits and qualification of benefits for and in disadvantaged communities. After final LCTOP Guidelines are adopted, Caltrans will invite eligible transit agencies to submit projects for Caltrans review. Caltrans, in consultation with ARB, will determine whether proposed projects and expenditures are eligible for funding before authorizing the SCO to release funds to the project sponsors.

The following Draft LCTOP Guidelines describe the process that recipient transit agencies must follow to qualify and receive a share of the Fund. These funds are available to provide operations, maintenance, and capital assistance for transit agencies with the goals of reducing greenhouse gas emissions, improving mobility for the California public, and include a priority to serve disadvantaged communities. Caltrans anticipates that the final interim guidelines will be adopted in December 2014.

In Fiscal Year 2014-15, the Budget Act appropriated \$25 million to the Low Carbon Transit Operations Program from the GGRF. Eligible transit agencies will be notified of their share of the available funds on December 1, 2014, and Caltrans will provide the interim guidelines by December 19, 2014. The recipient

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agencies will have until February 1, 2015 to submit expenditure proposals to Caltrans. The projects will then be reviewed by Caltrans and ARB to assure compliance with the requirements of SB 862 and the interim guidelines. By April 1, 2015, Caltrans will submit a final list of approved expenditures to SCO, and the approved amount of funds will be available for release by April 15, 2015. Details of this procedure are included in the following guidelines.

Low Carbon Transit Operations Program – Draft Guidelines

Roles and Responsibilities – Partner Agencies

1. **Air Resources Board (ARB)**
 - ARB will develop the methodology for measurement of greenhouse gas reduction and provide guidance to the State agencies administering the GGRF proceeds.
 - ARB will adopt guidelines for investing GGRF proceeds in California’s most disadvantaged communities.
 - ARB will coordinate with Caltrans to help develop the guidelines for LCTOP.
 - ARB will work with Caltrans to determine the eligibility of the projects submitted by the Project Sponsors.
2. **Strategic Growth Council (SGC) (GC 75200.1)**
 - SGC will review and coordinate the activities of member agencies of the council for each program under the Affordable Housing and Sustainable Communities Program.
 - SGC will review the grant guidelines of each program.
 - SGC will coordinate outreach to promote access and program participation in disadvantaged communities.
3. **State Controller’s Office**
 - a. SCO will prepare a list of eligible project sponsors and the formulaic share of funds each is to receive in the state fiscal year, per PUC Sections 99313 and 99314. By December 1, 2014, the SCO shall notify eligible project sponsors of the funding level each agency may receive from the \$25 million appropriated by SB 852. In 2015-16 and each fiscal year thereafter, the SCO shall notify eligible project sponsors of the estimated dollar level each will receive. Starting in 2015-16, the estimate of funding available for the fiscal year shall be based on the estimate provided to the SCO by Caltrans in consultation with the Department of Finance (DOF).
 - b. SCO will allocate LCTOP funds to eligible project sponsors based on the notification list of approved expenditures submitted to Caltrans by local agencies. Caltrans, in coordination with ARB, will review the projects submitted by local agencies for compliance with the criteria established in law, then Caltrans will authorize SCO to release the funds.
4. **Department of Finance**

Upon enactment of the annual budget, DOF will consult with Caltrans to provide information on the amount of auction proceeds reflected in the budget for the fiscal year.

Roles and Responsibilities – Administrative Agencies

5. **Caltrans**, in coordination with the ARB, develops the guidelines for the LCTOP, defining the criteria for project eligibility and reporting requirements. Caltrans will have Guidelines that will explain the following process to apply for LCTOP funds:
 - a. Project eligibility for capital, operational and maintenance projects

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- i. Greenhouse gas reduction benefit
- ii. Compliance with required benefits for disadvantaged communities
- iii. The useful life of a project
- iv. Project delivery milestones
- v. Total project cost and funding plan
- b. Allocation Request Process
 - i. Required forms
 - ii. Request review and approval
- c. Project Reporting requirements
 - i. Semi-annual Reports
 - ii. Final Reports
 - iii. Expanded Transportation Development ACT (TDA) audit
- d. Program Reporting requirements
 - i. Annual Legislative Report
 - ii. Annual Expenditure Record
- e. Audits
 - i. Audit of project expenditures and outcomes
 - ii. Audit of recipients of LCTOP funds
 - iii. Spot audits of projects

Caltrans will be the administering agency for this program and will provide assistance and guidance to local agencies in receiving their allocation by:

- a. Providing process directions through written Guidelines and support staff available for consultation
 - b. Setting up the schedule for the allocation process
 - c. Project evaluation, in collaboration with ARB, to determine approval of the allocation requests
 - d. Sending a list of approved expenditures for each transit agency to SCO for release of funds
 - e. Monitoring progress of projects through reporting requirements
 - f. Coordinating with ARB and SCO to assure compliance with LCTOP criteria
 - g. Reviewing project completion
 - h. Conducting spot audits and on-site monitoring as needed
 - i. Preparing annual program report for the Legislature
- 6. Eligible Project Sponsors, qualified by Public Utilities Code (PUC) 99313 and 99314**
- A transportation planning agency and county transportation commission, or the San Diego Metropolitan Transit Development Board, that is eligible for State Transit Assistance funds, per PUC 99313, is eligible for allocations from the GGRF for this

program. The allocation share is determined by formula based on the ratio of the population of the area under its jurisdiction to the total population of the state.

- A transit operator, including a transportation planning agency, a county transportation commission, or the San Diego Development Board, that is eligible for State Transit Assistance funds per PUC 99314, is eligible for allocations from the GGRF for this program. The allocation share is determined by formula based on the ratio of the revenue of the transit operator's jurisdiction to the total revenue of all operators in the state.

7. Project Lead/Recipient Agency

- The project lead/recipient agency is responsible for overseeing or performing all work up to completion of the project when multiple project sponsors contribute LCTOP funds to a joint project.
- The project lead/recipient agency receives all LCTOP funds directly from the SCO and is accountable for all reporting. If funds are transferred to a sub-recipient, the original/initial recipient agency is still responsible for providing all information required in progress and final reports, as directed by statute. A sub-recipient agency could be a transit agency qualifying under Public Utility Code section 99314, who received a transfer of from a project lead / recipient agency qualifying under Public Utility Code section 99313. A sub-recipient agency is responsible for complying with any agreement it has with the Recipient agency.
- All project documentation (i.e., Reports, Transportation Development Act Audits, Corrective Action Plans, Reassignment of GGRFs requests, Final Reports, and any additional information needed in case of an audit) is the responsibility of the project lead/recipient agency. In addition, the original/initial recipient agency is responsible for ensuring the project is completed as described in the allocation request and in compliance with all items included in the Certifications and Assurances document.

Project Eligibility Criteria

Projects must be evaluated to ensure it provides a greenhouse gas reduction benefit and evaluated to see if the investments could result in projects that benefit disadvantaged communities, and/or are located within a disadvantaged community.

LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. ARB has provided all agencies administering GGRF monies with the following guidance on how to incorporate these priorities in project criteria.

- 8. Greenhouse Gas Reduction criteria** *(measurement criteria to be provided by ARB and will be included at that time)*

9. Disadvantaged Communities criteria (provided by ARB in the Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies, 10/20/14 version):

For transit agencies whose service areas include disadvantaged communities (DAC) as identified in Section 39711 of the Health and Safety Code, at least 50 percent of the total moneys received shall be expended on projects or services that benefit the DAC. The California Environmental Protection Agency (Cal EPA) shall identify disadvantaged communities based on geographic, socioeconomic, public health, and environmental hazard criteria. This process will utilize CalEnviroScreen, a tool that assesses all census tracts in the State to identify areas disproportionately affected by multiple types of pollution and areas with vulnerable populations.

Eligible Project Sponsors shall consult the CalEPA website (<http://oehha.ca.gov/ej/ces2.html>) to determine which, if any, disadvantaged communities fall within their service areas, and report those in the format proscribed by Caltrans. Only the Cal EPA designation of disadvantaged communities shall be used for the purpose of the LCTOP. Eligible Project Sponsors with service areas that include disadvantaged communities shall consult the ARB's website (<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/auctionproceeds.htm>) for the most recent information on the criteria to evaluate projects which are (1) located within a disadvantaged community, and (2) not within a disadvantaged community, but still provide a benefit to a disadvantaged community. Where applicable, eligible Project Sponsors shall describe the benefits of selected projects to disadvantaged communities in the format proscribed by Caltrans. **Projects eligible for these funds must be designed to avoid displacement of disadvantaged community residents and businesses.**

The ARB's criteria for disadvantaged communities, as adopted by the Board on September 18, 2014, are listed below. If these criteria are later updated, and these LCTOP guidelines have not been updated, the ARB updated criteria will take precedent over the criteria listed below.

The following criteria is provided to assist the recipients in determining if projects will provide direct, meaningful, and assured benefits to a disadvantaged community. **Each criterion is independent; a project need only meet one criterion to qualify as eligible to be considered as located within or providing benefits to one or more disadvantaged communities.**

Projects will achieve greenhouse gas (GHG) reductions by reducing passenger vehicle miles travelled through incentives, infrastructure, or operations improvements (e.g., providing better bus connections to intercity rail, encouraging people to shift from cars to mass transit). The applicable ARB criterion below is split into two parts: Low Carbon Transportation and Transit Projects.

Low Carbon Transportation:

Projects will achieve GHG reductions through the use of zero and near zero-emission passenger vehicles, buses, trucks, and freight technology.

DRAFT CRITERIA TO EVALUATE PROJECTS

Step 1 – Located Within: Evaluate the project to see if it meets at least one of the following criteria for being located in a disadvantaged community census tract and provides direct, meaningful, and assured benefits to a disadvantaged community.

Project must meet at least one of the following criteria focused on reducing air pollution for disadvantaged community residents:

- a. Project provides incentives for vehicles or equipment to those with a physical address in a disadvantaged community; or
- b. Project provides incentives for vehicles or equipment that will be domiciled in a disadvantaged community; or
- c. Project provides incentives for vehicles or equipment that reduce air pollution on fixed routes that are primarily within a disadvantaged community (e.g., freight locomotives) or vehicles that serve transit stations or stops in a disadvantaged community (e.g., zero-emission buses); or
- d. Project provides greater mobility and increased access to clean transportation for disadvantaged community residents by placing services in a disadvantaged community, including ride-sharing, car-sharing, or other advanced technology mobility options (e.g., neighborhood electric vehicles, vanpooling, shuttles, smartphone application-based ride-sharing services, bikesharing services).

Step 2 – Provides Benefits To: If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a disadvantaged community.

Project must meet at least one of the following criteria focused on reducing air pollution for disadvantaged community residents:

- a. Project provides incentives for vehicles or equipment to those with a physical address in a ZIP code that contains a disadvantaged community census tract; or
- b. Project provides incentives for vehicles or equipment that operate primarily in “impacted corridors,” [Note: ARB will publish a list of “impacted corridors” based on its assessment of which freight corridors have a substantial air quality impact on disadvantaged communities.]; or

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- c. Project provides incentives for vehicles or equipment that primarily serve freight hubs (e.g., ports, distribution centers, warehouses, airports) located in a ZIP code that contains a disadvantaged community census tract; or
- d. Project provides greater mobility and increased access to clean transportation for disadvantaged community residents by placing services that are accessible by walking within ½ mile of a disadvantaged community, including ride-sharing, car-sharing, or other advanced technology mobility options (e.g., neighborhood electric vehicles, vanpooling, shuttles, bikesharing services).

Transit Projects:

Projects will achieve GHG reductions by reducing passenger vehicle miles travelled through incentives, infrastructure, or operational improvements (e.g., providing better bus connections to intercity rail, encouraging people to shift from cars to mass transit).

DRAFT CRITERIA TO EVALUATE PROJECTS ¹

Agencies can also use criteria in other applicable tables.

Step 1 – Located Within: Evaluate the project to see if it meets at least one of the following criteria for being located in a disadvantaged community census tract and provides direct, meaningful, and assured benefits to a disadvantaged community.

Project must meet at least one of the following criteria focused on increasing transit service along transit lines or corridors that have stations or stops in a disadvantaged community, or improving transit access for disadvantaged community residents, or reducing air pollution in a disadvantaged community:

- A. Project provides improved transit or intercity rail service for stations or stops in a disadvantaged community (e.g., new transit lines, more frequent service, greater capacity on existing lines that are nearing capacity, improved reliability, bus rapid service for disadvantaged community residents); or
- B. Project provides transit incentives to residents with a physical address in a disadvantaged community (e.g., vouchers, reduced fares, transit passes); or
- C. Project improves transit connectivity at stations or stops in a disadvantaged community (e.g., network/fare integration, better links between transit and active transportation); or
- D. Project improves connectivity between travel modes for vehicles or equipment that service stations or stops in a disadvantaged community (e.g., bicycle racks on transit vehicles); or
- E. Project creates or improves infrastructure or equipment that reduces air pollution at a station, stop or transit base in a disadvantaged community (e.g., auxiliary power, charging stations); or
- F. Project creates or improves infrastructure or equipment that reduces air pollution on regular routes that are primarily within a disadvantaged community (e.g., rail electrification, zero-emission bus); or

¹ If applicable, other criteria in ARB's guidance may be used.

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- G. Project provides greater mobility and increased access to clean transportation for disadvantaged community residents by placing services in a disadvantaged community, including ride-sharing, car-sharing, or other advanced technology mobility options associated with transit (e.g., neighborhood electric vehicles, vanpooling, shuttles, smartphone application-based ride-sharing services, bikesharing services); or
- H. Project improves transit stations or stops in a disadvantaged community to increase safety and comfort (e.g., lights, shelters, benches).

Step 2 – Provides Benefits To: If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a disadvantaged community.

Project must meet at least one of the following criteria focused on increasing transit service along transit lines or corridors that are accessible to disadvantaged community residents, or improving transit access for disadvantaged community residents, or reducing air pollution in a disadvantaged community:

- A. Project provides improved local bus transit service for riders using stations/ or stops that are accessible by walking within ½ mile of a disadvantaged community (e.g., more frequent service, rapid bus service); or
- B. Project improves local bus transit connectivity for riders using stations or stops that are accessible by walking within ½ mile of a disadvantaged community (e.g., better links to active transportation, bicycle racks on local bus); or
- C. Project provides improved intercity rail (and related feeder bus service), commuter bus or rail transit service for riders using stations or stops in a ZIP code that contains a disadvantaged community census tract (e.g., new lines, express bus service); or
- D. Project provides improved intercity rail (and related feeder bus service), commuter bus or rail transit connectivity for riders using stations or stops in a ZIP code that contains a disadvantaged community census tract (e.g., network/fare integration, better links between local bus and intercity rail, bicycle racks on rail); or
- E. Project will increase intercity rail (and related feeder bus service), commuter bus or rail transit ridership, with at least 25% of new riders from disadvantaged communities; or
- F. Project provides greater mobility and increased access to clean transportation for disadvantaged community residents by placing services that are accessible by walking within ½ mile of a disadvantaged community, including ride-sharing, car-sharing, or other advanced technology mobility options associated with transit (e.g., neighborhood electric vehicles, vanpooling, shuttles); or
- G. Project improves transit stations or stops that are accessible by walking within ½ mile of a disadvantaged community, to increase safety and comfort (e.g., lights, shelters, benches); or
- H. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 25% of project work hours performed by residents of a disadvantaged community; or
- I. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 10% of project work hours performed by residents of a

disadvantaged community participating in job training programs which lead to industry-recognized credentials or certifications.

10. Eligible Projects

Per Public Resource Code 75230 (d) (1-3) moneys shall be expended to provide transit operating or capital assistance that meets all of the following criteria:

- Expenditures supporting new or expanded bus or rail services, or expanded intermodal transit facilities, and may include equipment acquisition, fueling, and maintenance, and other costs to operate those services or facilities,
- The recipient transit agency demonstrates that each expenditure directly enhances or expands transit service to increase mode share, and
- The recipient transit agency demonstrates that expenditures reduce greenhouse gas emissions.

A. Transit Capital Projects (as defined in Title 49 USC 5302)

- New or expanded bus or rail services, facilities and equipment (e.g., new construction, expansion or modernization of buildings, bus shelters, or transit centers with a priority to those that reduce greenhouse gas emissions and/or that benefits a disadvantaged community)
- Purchase of equipment for rehabilitation, safety or modernization (e.g., bus engines, computer systems, and signage)
- Expanded intermodal transit facilities (e.g., modernization of bus shelters, transit centers, and operations and maintenance facilities, etc.)
- Bus rapid transit (BRT) improvements (e.g., construction or expansion of BRT lanes or equipment)
- Rolling stock (e.g., purchase, replace or rehabilitate transit vehicles, such as buses, vans, paratransit vehicles, and rail transit vehicles)
- Purchase of equipment and/or materials that will enhance or modernize transit operations
- Purchase of equipment that will enhance or modernize maintenance of transit facilities and transit fleet

B. Transit Operations Projects

- Fueling for transit fleet
- Costs of operational revisions that will increase mode share, increase ability to reduce GHG emissions, and benefit the residents of a DAC.
- Outreach to community to increase transit ridership
- Transit passes or discounts that increase transit ridership
- Other costs to operate transit services or facilities

C. Transit Maintenance Projects

- Costs of revisions to maintenance procedures that will enhance reliability and safety, and will achieve higher ridership
- Costs of converting equipment to enhance efficiency of fleet and maintenance equipment
- Other costs to maintain transit services or facilities

Transit operations and maintenance investments made in one year may be included in subsequent years' project plans. For example, if a transit operator uses LCTOP funds to expand transit service in one year, future years' projects may include the continuation of that same service, through the funding of related operations or maintenance costs.

Transit capital investments that include the purchase of new zero-emission vehicles may be presumed to meet the service enhancement and mode-share increase requirements of Public Resource Code 75230 (d).

11. Useful Life

To be eligible, capital projects must have a useful life not less than that typically required for capital assets (rolling stock, infrastructure, rail infrastructure, equipment) pursuant to the State General Obligation Bond Law, (Chapter 4 (commencing with Section 16720) of part 3 of Division 4 of Title 2) specifically subdivision (a) of Section 16727. Buses and rail rolling stock, including paratransit vehicles, are considered to be equipment with a useful life of two years or more.

12. Transit Plan

Projects **must** be consistent with the project sponsor's most recent short-range transit plan, regional plan, or publicly-adopted plan (including a transportation improvement program) that programs funds for transit projects. If the project sponsor is in a Metropolitan Planning Organization area, the project should also be consistent with the Sustainable Communities Strategy, as required by SB375. A certified Board Resolution authorizing the capital, operational, or maintenance project also meets this requirement.

13. Project Full Funding Plan

The project sponsor must provide a Total Project Cost and Funding Plan for the project that shows **all** fund sources (not just the LCTOP portion) needed to complete the project. **The executive authority of a project sponsor must sign the statement on the funding plan cover sheet to assume all fiscal responsibilities.** If future year LCTOP funding is to be dedicated to the project, include those funds on the Total Project Cost and Funding Plan sheet as well.

If this transit project is part of a development project that is inclusive of multiple types of projects and funding (i.e., transit, development, housing, mixed land use, etc.), the LCTOP project must be

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able to be clearly identified for the purposes of reporting and tracking. Please supply a copy of the total development plan, of which the transit project is identified as an integral component.

14. Documentation (forms) for Allocation requirements

- a. **List of Proposed Expenditures** - Per PRC 75230 (h) (1) the sponsor shall submit a list of proposed expense types for anticipated funding levels.
- b. **Authorized Agent Form** – The executive authority of a project sponsor must submit to Caltrans a signed and dated Authorized Agent form that is Board Approved, identifying the agent who has the authority to act for the project sponsor to submit the Allocation Request and reporting documents. If there is a change in the authorized agent, the project sponsor must submit a new form. This form is required even when the authorized agent is the executive authority himself.
- c. **Certifications and Assurances** – Before submitting an Allocation Request, the project sponsor must submit a self-certification that he/she will meet all requirements of the LCTOP guidelines, including reporting deadlines. Only allocation requests from agencies with a signed Certifications and Assurances document on file will be accepted.
- d. **Allocation Request and Project Description** -- Project sponsors must submit to Caltrans a description of the proposed transit capital, operational or maintenance project or projects it intends to fund with the LCTOP allocation. A guide for this form will be available on-line. The LCTOP Allocation Request is the basis for Caltrans' verification that the project is consistent with LCTOP project requirements. This document includes:
 - Identification of project sponsor
 - Signature page signed by project sponsors (must have an Authorized Agent form on file)
 - A detailed summary of the project
 - Detailed Description of major benefits (compliance details of improved mobility, increased mode share, greenhouse gas reduction, and benefits to disadvantaged communities)
 - Project Schedule for all relevant phases (allocations will only be made to fund phases or projects scheduled to start within six months of receipt of funds)
 - Total project cost and funding plan (must include all funding sources)
 - Projected cash flow schedule

Any contributing project sponsor(s) must also sign the allocation request indicating the dollar amounts to be contributed, or provide a signed letter detailing this information. If there are multiple contributing project sponsors, each sponsor must sign the allocation request indicating their respective portion of funds being contributed or submit a signed letter with the required information as described above.

Allocation Request Submittal -- The signed original allocation request (including relevant sections of the publicly-adopted plan or Board Resolution) and letter of verification from the regional entity must be mailed to:

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LCTOP Program
California Department of Transportation
Division of Rail and Mass Transportation, MS #39
P.O. Box 942874
Sacramento, CA 94274-0001

A scan of the allocation request may be e-mailed, but a signed original must follow by mail. Agencies who fail to submit revisions made to the Allocation Request as requested by Caltrans staff and/or are delinquent in other required reports and submittals will not receive additional allocations of LCTOP funds until all delinquent items have been submitted and approved.

- e. **Corrective Action Plan (CAP)** – To change an approved allocated project, including any changes to the originally approved scope, schedule, or cost, the project sponsor must first obtain approval from Caltrans by submitting a CAP form. This must be done before the funds can be applied to any use other than the current project’s approved scope of work. Funds may not be used on a different project until the CAP has been submitted and approved. The CAP must indicate the current approved scope, funded amounts, and schedule in the “Original” column on the left. The revised scope, funding amounts, and schedule are to be listed in the “Revised” column on the right. If a project has already undergone changes with previously approved CAPs, the current approved information should be entered in the “Original” column, rather than the information from the original allocation request. If the project schedule is being revised to reflect any delays or obstacles, an adequate justification must be given and the amended LCTOP project completion date must fall within the original Budget Act time limits.

All CAPs must have the Justification for Change box filled in. If a justification is not deemed adequate by Caltrans staff, the agency will be asked to provide a revised justification before the CAP is approved.

If it is found that an agency has begun spending funds on a task or project outside the approved scope of work prior to submitting a CAP, the agency will be placed on the list of high risk project sponsors. Caltrans is entitled to recover any and all funds that are spent on any ineligible costs.

Upon receipt of the CAP, Caltrans has 45 days to review and approve/not approve the document.

- f. **Letter of No Prejudice (LONP)** – (for project ready to proceed before allocation). Project Sponsors may apply to Caltrans for a Letter of No Prejudice (LONP) for one or more projects or project components. If approved by Caltrans, the LONP allows a project sponsor to expend its own funds (i.e., incur reimbursable expenses) for any Caltrans approved project component and to be reimbursed in the future as funds become available through auction of Cap and Trade credits. Caltrans gives equal opportunity of available funding to project sponsors with

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an approved LONP as well as those that require an allocation approval to begin. (See LCTOP LONP Guidelines) Upon receipt of the LONP request, Caltrans has 45 days in which to review and approve/not approve the document.

Agencies who fail to submit revisions made to the LONP Request as requested by Caltrans staff and/or are delinquent in other required reports and submittals will not receive additional allocations of LCTOP funds until all delinquent items have been submitted and approved.

Project sponsors proceed at their own risk, as project expense reimbursement under the LONP depends on the availability of auction funds in the GGR Fund.

15. Documentation for Reporting Requirements

a. Project Reporting Requirements (responsibility of Project Sponsor)

- **Semi-Annual Progress Report** - Project sponsors are required to report semiannually to Caltrans on the activities and progress of each approved and allocated project to ensure those activities funded from auction proceeds are timely, within approved scope and cost, and are achieving the intended purpose for which they are to be utilized. Project sponsors must notify Caltrans when allocated LCTOP funds have been encumbered and must provide completed and signed progress reports every six months until the approved project is completed, and the project final report has been filed.

The report consists of two sections, the “Semi-Annual Report” and the “Semi-Annual Itemized Expenditure Table.” This report must contain accurate and up-to-date information on the progress of each project. Reports will only be accepted by Caltrans staff when determined to be complete and accurate.

- All projects are expected to begin work within six months of receiving an allocation. Should a project experience any delays, the cause of such delay must be reported in the table in Section 7 Amendment, under “Justification for Change.” Any justification deemed inadequate by Caltrans staff will be questioned and the agency will be asked to provide further information.
- Projects that have not begun within one year of the receipt of funds must include a clear description of the circumstances delaying the project that leaves no question that the circumstances were unforeseen, extraordinary, and beyond the control of the agency. The description must include information indicating what steps the agency plans to take to keep the project on track. Agencies with a project that is repeatedly delayed will be encouraged to reassign the funds allocated to that project to either an ongoing project or a pending allocation request that can utilize the funds immediately. The agency may then request the funds for the delayed project once the project is ready to proceed within six months.

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Reports are due 45 days after the end of the fiscal year (June 30) and 45 days after the end of calendar year (December 31).

All reports must reflect accurate and complete project information. Any incomplete or inaccurate reports will not be accepted and will be considered delinquent until submitted with corrections and/or additional information as requested by Caltrans staff. Agencies found to have submitted inaccurate information will be placed on the list of high risk project sponsors and could be subjected to a Spot Audit [see Section 15 (b)].

- Final Project Report – Once a project has been completed, the Project Sponsor must notify Caltrans, Division of Rail and Mass Transportation by e-mail or letter. Within six months of completion, the project sponsor must submit a Final Project Report. The forms will be available on-line. The Final Project Report includes:
 - a. Final Project Report form. This report must include the comparison of actual project performance of the final project to the projected performance when the allocation was requested.
 - b. Final Project Itemized Expenditure Table.
 - c. Verification of project completion as scoped. The project sponsor must provide evidence of project completion. In the majority of cases, evidence of project completion can be satisfied by submitting one or more of the following:
 - Photographs of the completed project
 - A copy of the final invoicing
 - A copy of the punch list from the facility's final walk-through, or
 - If the project is a vehicle, supply the Vehicle Identification Number (VIN) of the vehicle(s) acquired.

The above list is only a few samples of what can be used to show evidence of completion of a project. Please feel free to contact the LCTOP office to discuss what other means may exist for your circumstances.

- d. Savings -- If the project has been completed with a savings, the report should indicate the amount of savings and how those funds will be applied towards an eligible LCTOP project. Any project cost savings not reassigned to a current project, should be applied to the next allocation request submitted, and used prior to, or along with, the allocation of additional funds. LCTOP staff will inquire about the status of any outstanding cost savings every six months until said savings are exhausted.

Please ensure that expenditure interest and all other information in the final report is properly reported. Incomplete or incorrect reports will not be accepted and will be

considered delinquent until corrections are provided. Agencies with delinquent reports will not receive further LCTOP allocations until the correct reports have been received by Caltrans.

b. Program Reporting Requirements (responsibility of Caltrans)

- i. Annual Legislative Report:** Per Health and Safety Code Section 39721 administering agencies shall report to the Department of Finance and the Department of Finance shall submit an annual report to the Legislature on the status of projects and their outcomes.
- ii. Annual Expenditure Record:** GC, GGRF, Section 16428.9, requires State agencies that have been appropriated monies from the GGRF to prepare an expenditure record. An expenditure record is prepared for a program, not for individual projects. It provides elements that describe the proposed use of the monies and must be submitted prior to expenditure of those monies for projects. The State ARB shall develop guidance on reporting and quantification methods for all state agencies that receive appropriations from the fund to ensure the requirements of this section are met. Caltrans submits the Expenditure Record to ARB prior to expending any funds (from ARB’s “Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies: Expenditure Record and Fiscal Procedures”).

16. Audit Responsibility

a. Project Audit (Transportation Development Act)

Annual audit of public transportation operators required under the Transportation Development Act (TDA), per PUC 99245, **must include verification of receipt and appropriate expenditure of funds**. Project sponsors receiving LCTOP funds in a fiscal year for which a TDA audit is conducted must submit a copy of the audit to Caltrans by **six months after the close of the fiscal year (December 31)**. Caltrans will make the audits available to the Legislature and the SCO. Project sponsors may request a 90-day extension from the December 31 deadline to March 31. They must notify Caltrans in writing via e-mail or a formal letter.

Project sponsors who fail to submit an expanded TDA audit documenting all LCTOP funding allocated to date will not receive future LCTOP allocations until the required document(s) have been submitted to Caltrans.

b. Spot Audit/On-site Monitoring – conducted by Caltrans

Spot audits and/or on-site monitoring can take place at any time at the discretion of the Caltrans without prior warning given to the agency. Either a spot audit or monitoring may be conducted on a specific issue or function. Any evidence or information that supports the need for a compliance audit action or monitoring will be pursued by Caltrans. High risk project sponsors are likely to become the subject of an audit or on-site monitoring.

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Agencies or projects will be placed on the high risk list for the following:

- Delinquent with reporting and/or providing documentation as stipulated in the LCTOP guidelines
- Agencies with frequent errors or have not conformed to the requirements of previous awards
- Agencies engaged in multiple reassignments of funds
- Projects with 0 percent progress one year after allocation
- Special situations

Caltrans will select agencies each year and perform an extensive review of all LCTOP related information from that agency. If selected, an agency may be asked to provide additional documents pertinent to the LCTOP program and projects that have been funded. If inconsistencies are found, agencies will be provided an opportunity to correct those errors. If discrepancies are not corrected, the agency will not be eligible to receive future funding.

17. Funding Process/Appropriation

Funding for this program shall be provided in Fiscal Year 2015-16 and beyond by a continuous appropriation of 5 percent of the proceeds from the auction of greenhouse gas emission allowances in the Greenhouse Gas Reduction Fund, administered by ARB. The auctions occur four times a year and proceeds are deposited into the Greenhouse Gas Reduction Fund.

The State Controller's Office will list eligible project sponsors and the amount of funds each will receive, per PUC Sections 99313 and 99314, based on a formula from previously allocated State Transit Assistance (STA) funds to local agencies. The allocation is split evenly between funds received based on population and funds received based on revenue generated.

- Reassigned Funds:** Project sponsors may find that they have surplus funds at the completion of an approved LCTOP project, or they may determine that the funded LCTOP project is no longer the highest priority as an eligible fund use. As a result, the project sponsor may apply to reassign funds to a different project. If the project is complete and there are surplus funds, an agency should include the proposed use for the surplus funds as part of the required Final Report. If the use of surplus funds has not yet been determined, Caltrans staff shall treat the project as on-going – not completed – until the agency identifies a project to receive the surplus funds.

If the agency elects to reprioritize eligible projects and redirect approved LCTOP funds, a Corrective Action Plan (CAP) for the original project must be submitted. The CAP must indicate the current approved amount in the "Original" column and the lower revised project cost in the "Revised" column. The CAP must list the amount of surplus funds (and

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any interest if applicable) that will be transferred and the project that will receive the reassigned funds in the “Justification for Change” box.

When reassigning funds to a NEW project:

- A CAP form is needed for the project that is transferring funds to the new project, and a new Allocation Request is needed for the project receiving the funds.
- The Allocation Request for the reassigned funds should be treated the same as an Allocation Request submitted for new funding, and all required documents must be submitted in the same manner.
- The new project must expend the funds within the time limits of the applicable Budget Act.
- The new allocation request has all the authorized signatures of the same agencies as the original project, so that all contributing project sponsors are aware of the new use of their contributed funds.
- The project sponsor may not expend the surplus funds on the new project before receiving a Reassigned Funds Approval Letter from Caltrans authorizing the sponsor to do so.

If reassigning funds to an EXISTING project:

- The project sponsor submits a CAP for the project that will no longer be using LCTOP funds. The funds should be listed in both the Original and Revised columns and the Justification section should list the project that will receive the reassigned funds.
- An additional CAP is to be submitted for the existing project receiving the reassigned funds. This CAP should list the original fund amounts and the revised amounts based on the transfer of funds following the steps listed above.
If Caltrans staff determines an agency has a pattern/history of reassigning the same funds multiple times, the agency may be placed on the list of high risk project sponsors and could be subject to a Spot Audit (see section 15. b).

Agencies who fail to submit revisions made to the CAP as requested by Caltrans staff and/or are delinquent in other required reports and submittals will not receive additional allocations of LCTOP funds until all delinquent items have been submitted and approved.

- b. **Interest Earned:** Interest on LCTOP funds must be used in the same manner as the principal. Interest earned must only be used for approved LCTOP projects, in the following ways:
- If project costs exceed the amount on the approved allocation request, any interest earned may be applied to the project, if a project sponsor first submits a Corrective Action Plan (CAP) (available on the Caltrans, Division of Rail and Mass Transportation website, or from Caltrans LCTOP staff) and Caltrans approves that CAP before any interest earned is applied to the project.

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- Interest remaining after project closeout must be applied to another approved LCTOP project. Any unused interest not applied to a current project should be applied to the next allocation request submitted, and used prior to, or along with, the allocation of additional funds.
 - The LCTOP staff will inquire about the status of unused interest every 6 months until said interest earned is exhausted.
- c. **Savings:** If the project has been completed with a savings, the report should indicate the amount of savings and how those funds will be applied towards an eligible LCTOP project(s). Any project cost savings not reassigned to a current project, should be applied to the next allocation request submitted, and used prior to, or along with, the allocation of additional funds. The LCTOP staff will inquire about the status of any outstanding cost savings every six months until said savings are exhausted.

18. Program Process and Timeline

Budget Act Appropriation of \$25 Million for 2014-15:

1. By December 1, 2014, the SCO will release the estimate of funding available for each transit operator for 2014-15.
2. Caltrans will release the final program guidelines by December 19, 2014. Eligible recipients may begin submitting project information to Caltrans, in the format proscribed by Caltrans, to confirm eligibility of proposed expenditures. Project proposals will be due by Feb. 1, 2015, to Caltrans' Division of Rail and Mass Transportation.
3. In coordination with ARB, Caltrans shall confirm eligibility of the proposals submitted by the recipient agencies, develop a list of approved expenditures, and notify the eligible recipients of any deficiencies that must be addressed for approval. The list will include project descriptions and any certifications required by the program guidelines, such as timely expenditures of funds. Caltrans and ARB shall finalize a list of approved projects, and submit the list to the SCO by April 1, 2015.
4. Upon Caltrans notification to the SCO of project eligibility, and upon a Caltrans finding, in consultation with DOF, that funds in the Greenhouse Gas Reduction Fund are sufficient to support a full allocation, the SCO will release the approved amount of funds to each approved recipient by April 15, 2015, up to 75 percent of their full allocation. If auction proceeds prior to the Caltrans notification are not sufficient to fund the 75 percent allocation, Caltrans may direct the SCO to reduce the initial allocation. After the fourth auction of the fiscal year occurs, the SCO may release the remainder of funds by June 30, 2015.

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5. Due to the Budget Act appropriation, Eligible recipients must receive project approval to encumber funds by June 30, 2015, and request allocation by June 30, 2017.

Continuous Appropriation Effective 2015-16:

1. By July 10 of each fiscal year, or within 10 days of budget enactment, whichever is later, Caltrans will consult with DOF and notify SCO of the estimated amount available to the Program in the fiscal year.
2. By September 1 of that fiscal year, or within 60 days of Caltrans notification, whichever is later, the SCO releases the estimate of funding available for each transit operator for the fiscal year.
3. Upon release of the funding level by SCO, eligible recipients may begin submitting project information to Caltrans, in the format proscribed by Caltrans, to confirm eligibility of proposed expenditures in the fiscal year. All project proposals must be received by November 1, of that fiscal year. In addition to the “baseline plan” that may not exceed the SCO estimate of funding available, eligible recipients may submit a “supplemental plan” that may include additional expenditures up to 20 percent of the SCO estimate of funding. Eligible recipients are encouraged to request allocations in a timely manner to realize public benefit, but may also retain the continuous appropriation allocation across multiple fiscal years to accumulate funding for a larger expenditure. Additionally, an eligible recipient may choose to resolve uncertainty on the level of auction proceeds by postponing submittal of an expenditure plan until all auction for a fiscal year are complete, and then submitting a plan to expend those known funds in the following fiscal year.
4. In coordination with ARB, Caltrans shall confirm eligibility of the proposals submitted by the recipient agencies, and will then develop a list of approved expenditures, and will notify the eligible recipients of any deficiencies that must be addressed for approval. The list will include project descriptions and any certifications required by the program guidelines, such as timely expenditures of funds. Caltrans will submit the final approved list of approved expenditures to SCO by January 15, 2016.
5. Upon Caltrans notification to the SCO of project eligibility, the SCO will release the approved amount of funds available to each recipient from prior auctions by February 15, of that fiscal year. The SCO shall not allocate to any recipient an amount greater than that entity’s share of auction proceeds received to that date. The SCO will release any additional amount of approved funds from subsequent auction by June 30, of that fiscal year.

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Continuous Appropriation Cycle 2 and Ongoing Adjustments:

In addition to the funds available for the new fiscal year, the SCO shall provide adjustments for any unallocated funds available to an eligible recipient from a prior fiscal year.

DRAFT

TIMELINE FOR PROCESS – LCTOP fy 14-15 and 15-16

2014-15

SCO releases notification of funding available to transit operators for 2014-15 (shares of the \$25M)	Dec. 1, 2014
Caltrans releases LCTOP interim final guidelines	Dec. 19, 2014
Agencies submit expenditures proposals, due by:	Feb. 1, 2015
Caltrans and ARB concurrently review expenditures and submit approved projects to the SCO. Caltrans prepares expenditure record	April 1, 2015
SCO releases approved amount of funds to recipients	April 15, 2015

2015-16 and continuous

Caltrans/DOF notifies SCO of estimated amount available to the Program	July 10 (or within 10 days of budget enactment)
SCO notifies transit operators of available funds for fiscal year	Sept. 1 (or within 60 days of DOF notice)
Transit agencies submit expenditure proposals to Caltrans, due by:	Nov. 1, 2015 (or 60 days after fund notification is released)
Caltrans, in collaboration with ARB, reviews and approves a list of eligible projects and submits list to SCO	Jan. 15
SCO releases approved amount of funds to recipients <i>up to the recipient's share of auction proceeds received to date</i>	Feb. 15

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