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April 1, 1999

TO: Regional Transportation Planning Agencies
County Transportation Commissions
Cities, Counties, and Transit Agencies

Caltrans' final Procedures for Administering Local Grant Projects in the State Transportation Improvement Program (STIP) have been forwarded under separate cover. These procedures are to comply with changes to the programming and funding statutes brought about by Chapter 622 of the Statutes of 1997 (SB 45, Kopp) and replace the proposed procedures Caltrans issued for use on an interim basis on June 28, 1998.

The procedures have been reorganized and edited significantly in response to the comments and recommendations received while operating under the interim procedures. (See attached summary of major comments.) The procedures have also been modified to remain consistent with and complementary to the various guidelines and policies adopted by the California Transportation Commission, including the 1998 Interim STIP Guidelines (last revised on January 15, 1999), the Commission Guidelines for Allocation, Monitoring, and Auditing of Funds for Local Assistance Projects (January 14, 1999), Ten Reforms for Programming and Funding of Local System Rehabilitation Projects through the STIP Process (January 14, 1999), various Commission Resolutions, and the adoption of the 1998 STIP Augmentation.

We will incorporate these final procedures into our *Local Assistance Program Guidelines* and *Local Assistance Procedures Manual* as soon as possible. Subsequent revisions to procedures for administering local agency STIP projects will then be issued as Manual Change Transmittals. If you do not have these manuals, they are on our Local Programs Internet site at *http://www.dot.ca.gov/hq/LocalPrograms/*. Instructions for ordering the manuals, including updates are also available on the Local Programs web site.

Sincerely,

Original Signed by John P. Garlock for Robert L. Buckley

ROBERT L. BUCKLEY
Program Manager
Design and Local Programs

Attachment

SUMMARY OF MAJOR COMMENTS/CHANGES
Procedures for Administering Local Grant Projects in the
State Transportation Improvement Program

Regional Transportation Planning Agency (RTPA) Concurrence One RTPA objected to, and several others questioned the interim procedure that allows the local project sponsor's request for allocation of funds to be forwarded to the Commission without RTPA concurrence. However, most agencies agreed that as long as requests for allocation of funds to a project are equal to, or less than the amount programmed in the STIP, formal concurrence from the RTPA should not be required. The final procedures have been revised to acknowledge that individual planning agencies may place this requirement on the project sponsors in their region if their governing board has passed a resolution to that effect. RTPA concurrence will also be required when local agencies request allocations in excess of programmed amounts or for allocations that involve changes in the project description.

Award Deadline A few agencies questioned the 12 month deadline for the award of a construction contract or capital purchase order after the funds are allocated. This is the same standard that is applied by the Commission to Caltrans projects. This is also consistent with adopted revisions to the *1998 STIP Interim Guidelines*.

Contract Claims A few agencies expressed concern that settlement of contract claims may take longer than the 180 days allowed from completion of contract to submittal of the final invoice by the local agency. As a result, the language has been modified to clarify that Caltrans may extend the 180 day deadline for submittal of the final invoice to accommodate the settlement of contract claims.

State-only Funding Many questions were received in regard to the process to receive State-only funding. Caltrans issued a Project Funding Policy memorandum on December 2, 1998. The Procedures have been revised based on the policy and the memorandum is attached to the Procedures. Included is an inventory of 1998 STIP projects that have been approved for State-only funding and procedures for requesting an exception to Federal funding.

In accordance with Commission policy, State-only funding will also be provided for all eligible storm damage repair and local road rehabilitation projects identified in the 1998 STIP Augmentation, regardless of cost. Any additional storm damage repair or local road rehabilitation projects that may later be amended into the 1998 STIP, will be provided with State-only funding, up to a statewide program level of $300 million for local road rehabilitation. This is not a commitment that State-only funding will be available for these projects at the time of allocation. If funds are available when requested, Caltrans will approve the request without further Commission action. . If funds are not available, the agency requesting the funds will be contacted to provide information regarding the need for State-only funding

The Commission has not made a commitment for State-only funding for other projects requesting those funds in the 1998 STIP Augmentation. They have, however, indicated priority will be given for that funding at time of allocation if State-only funds are available. Project Sponsors must follow the request for Exceptions to Federal funding as outlined in the Caltrans' "Project Funding Policy."

Allocation of PS&E Components Several questions were received regarding allocation of funds for preparation of Plans, Specification and Estimate (PS&E) in advance of approval of the environmental document. As a result, language has been added to clarify that allocations for PS&E will be made only after documentation of environmental clearance under the California Environmental Quality Act (CEQA).

Delegated Allocation Authority The most frequent comment received was in regard to the need to, and in the amount of time it takes to process a request for commission allocations. In response, Caltrans proposed, and the Commission adopted five resolutions delegating to Caltrans limited authority to approve allocations for Planning, Programming and Monitoring (PPM) funds, project development components, RSTP/Match reserves, Rideshare projects, and for local storm damage and rehabilitation projects.

Shifting Cost Changes Between Project Components The interim procedures provided that project component cost changes not exceeding ± 20 percent of the component allocations may be shifted to other components of the same project as long as reimbursements do not exceed the total amount allocated for all components. Some planning agencies suggested the limit should be lower, and others thought it should be higher. To provide flexibility consistent with the procedures for Caltrans projects, the final procedures have been modified to clarify that the shifting of costs between the project development components is only limited by the total amount of both

allocations. Cost changes between project development, right of way, and construction will remain limited to within ±20% of the amount programmed for each component.

Regional Rideshare Projects A new section to cover procedures for Regional Rideshare (TDM) projects has also been added. Many expressed concern that some of the agencies that will be implementing these projects are small and need a continuous flow of funding to stay in business. New procedures for these projects were developed that provide funding effective with the start of the STIP period.

Combined Highway & Rail/Transit Procedures Attachments I and II of the proposed Procedures addressing highway and rail/transit projects have been integrated under the new heading "Capital Projects." Generally, the process is the same for both types of projects, but separate state statutes that address fixed guideway projects (SB 580) and commission resolutions require additional review and approval procedures for the rail/transit type of projects. These requirements are identified and where appropriate, separate sections covering the procedures that have been added. Procedures for transfers of federally funded transit projects to the Federal Transit Administration for administration have also been added.

TEA Restrictions on County Shares Many questions were received regarding the TEA restriction on county shares. With the exception of TEA projects grandfathered into the 1998 STIP from the 1996 STIP, the Commission does not intend to program TEA projects into the 1998 STIP. As a result, procedures for administering TEA restrictions on County Shares are no longer appropriate and this section has been eliminated.

Allocations that Exceed Programmed Amount To provide flexibility, language in the *1998 STIP Interim Guidelines* was revised so that the Commission will consider making an allocation which exceeds the amount programmed in the STIP if a region has adequate reserves in the STIP or if the Commission finds it can approve an advance to the county share from STIP reserves. These procedures have been changed to reflect this new language.

Eligibility of Local Road Rehabilitation Projects Commission guidelines have indicated Commission intent that local road projects be held to the same standard (5-year life) applied to the use of regionally-programmed Federal funds (RSTP), although most of the projects would be funded without Federal funds. To ensure that local road rehabilitation projects programmed in the 1998 STIP Augmentation meet these guidelines, procedures have been added for Regional Transportation Planning Agency certification of compliance prior to Caltrans processing of requests for funding allocations.

Storm Damage Repair Projects

Commission guidelines have also indicated that STIP funding is available to fund repair of storm damage on local streets and roads resulting from storms occurring in the winter of 1997/98. Repair of storm damage in declared disaster areas is eligible only to the extent that such damage can't be funded with Federal Emergency Relief (ER) funds or Federal Emergency Management (FEMA) funds. Caltrans will review eligibility of those projects as part of the allocation process. Eligible projects must be on an inventory, submitted to the commission, of remaining storm damage project to be funded.

Consultant Contract Preaward Audit Requirements Preaward audits are required for all engineering and design related service contracts (and subcontracts) more than $75,000 financed with Federal-aid funds. The procedures clarify that this requirement applies to all local STIP projects, regardless of the type of funding.

Request for Funding Allocation Form and Checklist A "Request for Funding Allocation" form and checklist for highway projects has been developed to assist the local agency with determination of the following requirements:

- proper form to use,
- approval authority (Commission or Caltrans),
- projects approval of State-only funding,
- eligibility of storm damage repair and local road rehabilitation,
- required environmental documentation, and
- calculation of the estimated timely use of funds deadlines.

PROCEDURES
FOR ADMINISTERING LOCAL GRANT PROJECTS
IN THE
STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)

Highway, Rail and Transit Projects

Planning, Programming & Monitoring Funds

RSTP/CMAQ Match Reserves

Rideshare Projects

CALIFORNIA DEPARTMENT OF TRANSPORTATION
(CALTRANS)

April 1, 1999

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2. ALLOCATION PROCEDURES (RAIL/TRANSIT PROJECTS)
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I. State-only Funding Memorandum w/attachments (December 1, 1998)
II. Local Road Rehabilitation Project Certification
III. Pavement Management System (PMS) Certification
IV. Funding Allocation Checklist (Local Highway Projects)
V. Request for Funding Allocation (Local Highway Projects)
VI. State-only Master Agreement (Local Highway Projects)
VII. State-only Finance Letter (Local Highway Projects)

I. PURPOSE

Senate Bill 45 (SB 45), approved in 1997, made major changes in the State's transportation programming process. The purpose of this document is to assist responsible local agencies, regional planning agencies, the California Transportation Commission (Commission), and Caltrans in the administration of local grant projects (all highway and rail/transit project work not implemented by Caltrans) programmed in the State Transportation Improvement Program (STIP). The procedures also address the Planning, Programming, and Monitoring (PPM) funds, RSTP/CMAQ match reserves, and Rideshare projects. These procedures replace the 1991 *Financial Guidelines* which no longer applies to projects programmed in the STIP.

All 1996 STIP projects, including Transportation Enhancement Activity (TEA) projects, Rail/Transit projects receiving bond funds (Propositions 116 and 108) or funds programmed in the old Transit Capital Improvement Program (FYs 1996-97 and 1997-98), will be administered in accordance with these procedures. Highway projects on the State highway system receiving State transportation funds and implemented by local agencies will be developed in accordance with Caltrans' *Procedures Manual for Special Funded State Highway Projects*. The specific implementation procedures for each project will be spelled out in a cooperative agreement, or for projects with construction cost of $1,000,000 or less in State transportation funds, in the conditions of a Caltrans encroachment permit.

II. IMPACT OF SB 45 ON LOCAL GRANT PROCEDURES

The *1998 STIP Interim Guidelines*, adopted by the Commission on January 15, 1998, (amended February 18, 1998 and January 14, 1999), describes the new programming procedures relative to the fund estimates and project selection process. SB 45 also enacted new provisions regarding the timely use of funds for projects adopted into the 1998 STIP or subsequent STIPs. The *Guidelines for Allocating, Monitoring, and Auditing, of Funds for Local Assistance Projects*, adopted by the Commission on February 17, 1999, describe the new procedures to protect the State's funds and to verify funds are used in a timely manner. For local grant projects, no adjustment will be made to the county share balance after the allocation for any amount not expended by the local agency. Time limits were also placed on the allocation of funds programmed in the STIP. These procedures address the potential impact that the new timely use-of-funds provision will have on county share balances.

After a project is programmed in the STIP, three major steps in the administration of local grant projects are impacted by SB 45—fund allocation, project reimbursement, and project completion. Of these three steps, SB 45 has the most impact on the fund allocation process. Local entities, regional planning agencies, the Commission, and Caltrans all play an important role in this step. Procedures for project reimbursement and project completion have not been changed except for the time limits placed on reimbursements in the liquidation of the encumbered funds. Project

implementation procedures (including environmental, right of way acquisition, design standards, preparation of plans, specifications and estimates, and construction) are not changed by SB 45.

A. TIMELY USE OF FUNDS

Funds programmed for local grant projects are available for allocation only until the end of the fiscal year programmed in the STIP, as it may be amended. Whenever programmed funds are not allocated within this deadline, the funds will be deleted from the STIP. The Commission will, however, adjust the share balance to restore the funds in the next county share period. The Commission may, at the request of a regional agency, amend the STIP for project funding that has not yet been allocated, reprogramming the funding to a later fiscal year and thus postponing the application of these timely use of funds provisions. (See *1998 STIP Interim Guidelines*.)

1. Project Development and Right of Way

Funds allocated for Environmental Studies and Permits, for PS&E, and for right of way costs are available for expenditure only until the end of the second fiscal year following the year in which the funds were allocated.

2. Construction and Equipment Purchases

After funds are allocated, the local agency has twelve months to award a contract. Unless the Commission grants an extension, as described below, the allocated funds for projects not awarded by this deadline will be rescinded with no adjustment to county shares. After award of a contract, the local agency has up to 36 months to complete the construction or vehicle purchase contract. At the time of allocation, the Commission may approve a longer time period for completion of work if necessary to accommodate the project expenditure plan.

Project completion is defined as when all work identified in the project agreement has been completed and accepted by the officer or body constituting the awarding authority of the local agency. Caltrans will provide monthly reports to the Commission on projects which have not been awarded within six months of the date of the Commissions' allocation.

3. Transfers to the Federal Transit Administration

After funds are allocated by the Commission, Caltrans will transfer the appropriate Federal funds to the Federal Transit Administration for administration. (See below for procedures.) The date the funds are transferred will be considered as meeting the timely use of funds deadline for the federally funded portion of the appropriate project component. However, the timely use of funds limitations will apply to the reimbursement of the State match, when State match is provided.

4. Commission Extension

The Commission may grant a one-time extension of up to 20 months to each of the deadlines specified above if it finds that an unforeseen and extraordinary circumstance beyond the control of the responsible agency has occurred that justifies the extension. The extension will not exceed the period of delay directly attributed to the extraordinary circumstance and will in no event be for more than 20 months.

5. Invoices

The local agency must invoice Caltrans for project development and right of way costs no later than 180 days after the end of the last eligible fiscal year of expenditure. For construction costs, the local agency has 180 days after project completion to make the final payment to the contractor and prepare the final Report of Expenditures (or Project Close-Out Report for rail/transit projects) and final invoice, and submit to Caltrans for verification and payment. Extension of the deadline for submittal of the final invoice may be approved by Caltrans to accommodate the settlement of contract claims.

6. Project Schedule Changes

Accurate schedules and strict compliance with the timely use of funds deadlines, as they may be extended, are essential to insure that Caltrans has the legal authority to reimburse the local agency for eligible expenditures. If a local agency must significantly amend its schedule for a project component after funds have been allocated, it will be responsible for promptly notifying Caltrans of the changes, even though the schedule remains within the timely use of funds deadlines. This is especially critical when delays change the amount of funds required in a fiscal year. Failure to advise Caltrans of such changes could jeopardize the Federal/State funds available for the project.

B. SHARE BALANCES AND ADJUSTMENTS

1. No Adjustment for Under Expenditure of Allocated Funds

For the purposes of share balances, the costs counted for local grant projects will be the amounts actually allocated by the Commission. No adjustment will be made after the allocation vote for any amount not expended by the local agency.

2. Shifting Allocated Funds Between Project Components

In order to provide a degree of flexibility to local agencies in administering projects, allocated funds may be shifted between project components without Commission action to accommodate cost changes within the following limits:

- Funds may be shifted between the two project development components (environmental studies and permits, and preparation of plans, specifications, and estimates) up to the combined amount of the allocations.
- Funds may be shifted between project development, right of way and construction limited to within ±20 percent of the amount programmed for each component or the amount allocated for each component (if the amount allocated is less than the amount programmed).

Shifting of allocated funds between components will not impact county share balances. County share balances will be based on the amounts allocated for each component.

C. STATE-ONLY FUNDING

The Commission will assume that all projects will meet Federal requirements unless State-only (non-Federal) funding has been approved. Projects proposed for State-only funding are subject to Caltrans' recommendation prior to the Commission approval. Caltrans issued a "Project Funding Policy" memorandum on December 2, 1998 that provides the Department's funding guidelines for STIP projects. (Attachment I) Included in the memorandum is an inventory of existing commitments to State-only funding (as of 11/30/98). The inventory is made up of the following:

- 1998 STIP Projects Flagged for State-only
- Grandfathered Projects – '96 STIP
- Projects Granted State-only Funding (SOF) (as of 10/15/98)

In accordance with the "Project Funding Policy," state-only funds are also approved for the following:

- All Capital projects under $750,000 (the total amount programmed for all components) except for:
  - Park & Ride and Bus Stop projects costing $30,000 or more.
  - Safety (HB-1) and Railroad crossing projects on State highways costing $100,000 or more.
- State funds used to match Federal funds.
- STIP Rideshare projects.
- Rail projects that are not eligible for Federal funding, and are not for acquiring rolling stock.
- STIP Planning, Programming, and Monitoring funds.
- Projects recommended by Caltrans approved by the California Transportation Commission (CTC) at the time of programming.
- Projects granted exceptions by Caltrans (after 10/15/98)

In accordance with Commission policy, State-only funding will also be provided for all eligible storm damage repair and local road rehabilitation projects identified in the 1998 STIP Augmentation, regardless of cost. Any additional storm damage repair or local road rehabilitation projects that may later be amended into the 1998 STIP, will be provided with State-only funding, up to a statewide

program level of $300 million for local road rehabilitation. This is not a commitment that State-only funding will be available for these projects at the time of allocation. If funds are available when requested, Caltrans will approve the request without further Commission action. If funds are not available, the agency requesting funds will be contacted to provide information regarding the need for State-only funding.

The Commission has not made a commitment for State-only funding for other projects requesting those funds in the 1998 STIP Augmentation. They have, however, indicated priority will be given for that funding at time of allocation if State-only funds are available. Project Sponsors must follow the request for Exceptions to Federal funding as outlined in the Caltrans' "Project Funding

Projects are not to be advertised until the Request for Allocation has been approved. If State-only funding is not available, it will likely require the project to be re-advertised adding additional time to receiving your allocation and beginning construction. Projects awarded before the allocation is approved will not receive funding unless the contract contains a contingency clause that states funding is contingent upon approval of the allocation. If Federal funds are determined appropriate, advertising for construction shall not occur until a Federal Request for Authorization has been approved and the agency has been notified to begin construction.

D. PROGRAMMING

Several actions must take place during the programming of the STIP to establish the scope, estimated cost, and schedule of local grant projects. (See Flow Charts 1 and 2.)

- The local agency completes a Project Study Report or equivalent
- The local agency completes and submits a Project Nomination (Fact) Sheet to the regional planning agency
- The regional planning agency includes the project in the Regional Transportation Improvement Program (RTIP)
- The Commission adopts the project into the STIP

These actions are described in the *1998 STIP Interim Guidelines* and summarized below.

1. Project Study Report (PSR) or Equivalent

A new project may not be included in an RTIP without a complete project study report (or equivalent for local grant projects). This requirement applies to the programming of project development components as well as the right of way and construction. This requirement does not apply to the programming of project planning, programming, and monitoring or to the STIP match of RSTP/CMAQ funds. A PSR is a report that meets the standards of the Commission's PSR guidelines. For a transit project, the Commission's Uniform Transit Application is a PSR equivalent. A PSR equivalent will, at a minimum, be adequate to define and justify the project

scope, cost and schedule to the satisfaction of the regional planning agency. This step is very important because it is the basis of the State funding commitment.

2. Project Nomination Sheet

The local agency must submit a Project Nomination Sheet to the regional planning agency for each new project nominated in the RTIP. This includes the basic project information regarding the scope, cost and schedule displayed as shown in the Appendix to the *1998 STIP Interim Guidelines*. This is the key document used as the basis to start the allocation process for STIP highway projects. It shall be submitted with the Request for Funding Allocation, as described below.

3. Regional Transportation Improvement Program (RTIP)

Based on Project Nomination Sheets submitted by local agencies, each regional planning agency adopts and submits its RTIP containing its programming proposals from the county share to the Commission for adoption. In addition to project nominations, the RTIP may also propose programming various reserves. The allocation process for Planning, Programming, and Monitoring (PPM), RSTP/CMAQ Match and Rideshare Projects are described in the appropriate section below.

4. State Transportation Improvement Program (STIP)

Upon a finding that the RTIP is consistent with the *1998 STIP Interim Guidelines* and is a cost-effective expenditure of State funds, the Commission adopts the RTIP projects nominated from the county share in the STIP. Although the PSR equivalent is not submitted with the RTIP, the Commission or its staff may request copies to document the project's cost or deliverability.

5. STIP Amendments

The Commission may amend the STIP at the request of the regional planning agency that originally nominated the local grant project(s). (See Section 48 "STIP Amendments" in the *1998 STIP Interim Guidelines*.) An amendment may change the scope, cost or program year of any STIP project, but the Commission will not amend the STIP to change programming of any funds after they have been allocated. Local agencies should be aware that the Commission will amend the STIP only after providing at least 30 days public notice.

All regional requests for STIP amendments shall be submitted directly to the appropriate Caltrans district. Caltrans will review proposed amendments and forward them to the Commission for public notice and action. Caltrans, in cooperation with regions and Commission staff, will develop and implement a set of procedures to standardize and streamline the amendment process and to enhance the accountability of regions for amendments of projects which are not administered by Caltrans.

6. Federal Transportation Improvement Program (Federal TIP)

All projects in the STIP will be Federal/State funded unless State-only funding has been approved for the project. Before the local agency's "Request for Authorization to Proceed" can be approved, projects with any Federal funding (STIP or local Federal-aid) must be included in the Federal TIP (or Federal Statewide Transportation Improvement Program in rural areas) approved by Federal Highway Administration (FHWA) and the Federal Transit Administration. For all new projects falling outside an MPO's boundary that require Federal funding, Caltrans will process a Federal TIP amendment upon adoption of the STIP. The MPOs will be responsible for submitting Federal TIP amendments for their counties.

7. 1998 STIP Augmentation

The Commission initiated this special programming cycle in order to make new programming capacity identified in the revised 1998 STIP Fund Estimate available for immediate programming rather than wait for the 2000 STIP. The 1998 STIP Interim Guidelines were revised relative to the STIP Augmentation on January 14, 1999.

8. Eligibility of Local Road Rehabilitation Projects

The Commission guidelines define eligible projects on local road and transit systems to include rehabilitation work and to exclude maintenance. The guidelines have indicated the Commission's intent that local road pavement rehabilitation projects be held to the same standard (5-year life rather than 10-year life) applied to the use of regionally-programmed Federal funds (RSTP), although most of the projects would be funded without Federal funds.

Current Federal standards for RSTP projects are described in Chapter 4 "Surface Transportation *Local Assistance Program Guidelines* and Chapter 11, "Design Standards", of the *Local Assistance Procedures Manual*. Eligible rehabilitation work includes improvement of local roads through resurfacing, restoration, or rehabilitation (3R). 3R work is generally regarded as heavy, non-routine maintenance designed to achieve a ten-year service life. Eligible 3R work includes:

- placing additional asphalt concrete over a structurally-sound highway or bridge that needs treatment to extend its useful service life,
- restoration of a road, structure, or collateral facility (drainage, retaining wall, etc.) to the condition existing after original construction,
- upgrading guardrail or widening shoulders.

Projects that provide less than a 10-year life are considered Preventative Maintenance. Eligible strategies include, but are not limited to roadway activities such as joint and shoulder rehabilitation, heater re-mix, seal coats, and corrective grinding of PCC pavement. These activities are eligible provided:

- The local agency certifies that it has a Pavement Management System (PMS).
- The decision process used by the city or county to determine project strategies was based on the established PMS.
- The PMS determined the project strategy to be cost effective and have a service life of 5 years or more.
- The work does not degrade any existing safety or geometric aspects of the facility.

Routine maintenance, such as spot application projects (pot hole repairs - other than removal and replacement of localized failures in areas to be resurfaced, cleaning drainage ditches and culverts, etc.), is not eligible.

Each local road rehabilitation projects proposed for funding in the 1998 STIP Augmentation was programmed subject to verification at the time of allocation that the project meets the standard for rehabilitation and does not include ineligible maintenance costs. To ensure that local road rehabilitation projects meet the Commission guidelines, the Regional Transportation Planning Agencies will certify compliance prior to Caltrans processing of requests for funding allocations. A form is attached for this purpose. Regional Transportation Planning Agencies may use this form or equivalent. Also provided is a Pavement Management System (PMS) certification for those agencies requesting funding for projects with less than a 10 year service life.

9. Eligibility of Storm Damage Repair Projects

The added increment of STIP programming capacity resulting from the amendment of the 1998 STIP Fund Estimate is available to fund repair of storm damage on local streets and roads resulting from storms occurring in the winter of 1997/98. Repair of storm damage in declared disaster areas is eligible for STIP funding only to the extent that such damage can't be funded with Federal Emergency Relief (ER) funds or Federal Emergency Management Administration (FEMA) funds.

In accordance with the *1998 Interim STIP Guidelines*, STIP amendments for storm damage repair projects will be accepted for notice until December 1, 1999. These projects should be scheduled and programmed so that allocations for capital funding occur no later than June 2, 2000. Projects are to be programmed based on an inventory, submitted to the Commission, of remaining storm damage projects to be funded.

Caltrans will review the eligibility of projects identified as Storm Damage repair on a project-by-project basis upon receipt of a Request for Funding and a copy of the inventory submitted to the Commission. The local agency will be required to certify the storm damage isn't eligible for ER or FEMA funds.

III. PROCEDURES FOR HIGHWAY, RAIL AND TRANSIT PROJECTS

A. ALLOCATION OF FUNDS

1. All Projects

The Commission will consider allocation of funds for a project or project component when it receives an allocation request and recommendation from Caltrans. Caltrans' recommendation will include a determination of the availability of funding and a recommendation on the source of funding. The recommendation on the source of funding shall include the amounts by fund account, as well as the fund type within the account including the type of Federal funds. The Commission will approve the allocation only if the funds are available and are necessary to implement the project as programmed in the STIP. Allocations for final PS&E will be made only after documentation of environmental clearance under the California Environmental Quality Act (CEQA). Allocation for right of way acquisition or construction will be made only after documentation of required environmental clearance for the project (CEQA and NEPA, if appropriate). All fund allocations are subject to the timely use of funds provisions as described above.

All allocations shall be rounded to the nearest $1000. The Commission will consider making an allocation which exceeds the amount programmed in the STIP if a region has adequate reserves in the STIP or if the Commission finds it can approve an advance to the county share from STIP reserves. The regional planning agency responsible for programming the project shall approve requests for all allocations which exceed the amount programmed. The regional planning agency may also request the Commission to amend the STIP to increase the programmed amount. (See "STIP Amendments.") Programmed funds not allocated are subject to the timely use of funds provision described above.

If a project or project component is ready for implementation earlier than the fiscal year that it is programmed in the STIP, the implementing agency may request an allocation in advance of the programmed year. The Commission will consider making allocations in advance of the programmed year based on making a finding that the allocation will not delay availability of funding for other projects programmed in earlier years than the project to be advanced and with the approval of the responsible regional agency if county share funds are to be advanced.

2. Caltrans' Delegated Allocation Authority for Project Development Components

To keep the number of routine, ministerial commission allocation requests to a minimum and streamline and shorten the procedures, the Commission has delegated limited allocation authority to Caltrans. Under this delegation, Caltrans may approve allocations to project development components of local grant projects programmed in the 1998 STIP. The delegated authority has the following limits:

- Project development components (environmental studies and PS&E) programmed for $750,000 or less (each component)
- Requests for funding allocations equal to or less than the programmed amount
- Request for funding allocations for which the description and/or scope of the project has not changed
- Projects provided with Federal/State funding unless the project meets Caltrans' State-only funding policy
- An annual cap to be established by the Commission at the beginning of each fiscal year

3. Caltrans' Delegated Allocation Authority for Storm Damage and Local Street and Road Pavement Rehabilitation Projects

The Commission has delegated authority to Caltrans for allocation of funds to local storm damage and pavement rehabilitation projects. This delegation excludes requests for allocation greater than the programmed amount or for projects that have a change in scope which must still be forwarded for Commission allocation. The original resolution has been revised to also allow Caltrans to make allocations, with the approval of the responsible regional agency, for projects which are delivered a year earlier than the year programmed in the STIP.

Projects that involve the addition of a lane, major realignment or major upgrading of geometric standards are considered reconstruction, not rehabilitation. However, rehabilitation projects may include selective improvements to highway geometry and other roadway features including safety appurtenance and still be considered to be eligible for this delegation.

4. Caltrans' Delegated Allocation Approval Documentation

Caltrans will approve Requests for Funding without further Commission action as long as the requests meet the limitations of the delegated authority. Except for storm damage and local street and road pavement rehabilitation projects, requests for allocations in advance of the programmed year must be submitted to the Commission for approval, as described above. Copies of Caltrans' allocation approval documentation will be provided to the responsible Regional Transportation Planning Agency. Caltrans will also provide the Commission with quarterly reports on the project

development allocations made under the delegation and monthly reports on the storm damage and rehabilitation project allocations.

B. HIGHWAY PROJECT ALLOCATION PROCEDURES

After a highway project is adopted or amended into the STIP, the next step is to submit a request for funding allocation to the Caltrans District Local Assistance Engineer. However, depending on the type of project and funding, several additional actions may be required to obtain authorization to proceed and establish the date for the beginning of reimbursable work. (See Flow Chart 1.) These additional actions include the following:

- The local agency submits a Request for Funding Allocation
- The local agency submits a Request for Authorization to Proceed (Projects with Federal funds)
- Caltrans and the local agency enter into an Administering Agency-State Master Agreement
- The Commission (or Caltrans under the limited delegation authority) makes the Funding Allocation
- Caltrans approves the local agency's Request for Authorization to Proceed (E-76), or provides Authorization to Proceed in writing for projects with no Federal funds

Since the re-engineering of local assistance procedures, Caltrans does not verify the local agency's capability to do the specific project component as part of the allocation procedures. Instead, Caltrans maintains a process review program as the main method for determining if local agencies are in compliance with all applicable Federal and State laws, related regulations, and procedures. Local agencies under sanctions imposed by Caltrans as a result of deficiencies identified in a process review may not be allowed to administer new projects until corrective action has been implemented. (Local agencies may appeal sanctions using the "Local Programs Dispute Resolution Process" described in the *Local Assistance Procedures Manual.)*

1. Request for Funding Allocation (See attached form and checklist)

Local agencies are responsible for submitting requests for funding allocations once their project is in the adopted STIP. The requests shall be submitted to Caltrans' District Local Assistance Engineer for review and processing through Caltrans' headquarters Office of Local Programs (OLP) to the Budgets Program. As long as the amount requested is equal to or less than the programmed amount and does not change the description and/or scope of the project, formal concurrence from the regional planning agency is not required. (All requests to split or combine projects shall be approved by the regional transportation agency.) Because of the potential impact the new timely use of funds provisions will have on county share balances, regional planning agencies are responsible for monitoring the amount and timing of all fund allocation requests. Caltrans will develop a reporting system to assist in this effort. (Note: If the regional transportation planning agency's governing board passes a resolution requiring their approval prior

to submittal to Caltrans, the local agency shall provide written evidence of such approval on the Request for Funding Allocation.)

If changes have been made that require a STIP amendment, a copy of the regional planning agency's STIP amendment request shall be attached. Caltrans will process the fund allocation request concurrently with the CTC approval action on the STIP amendment.

Local agencies requesting Federal/State funds (or State-only funding that has already been approved), shall submit the "Request for Funding Allocation" form (see attached). The local agency shall provide the following information in the Request for Funding Allocation:

Project Identification - the STIP identification (PPNO and EA), the project name and location, and the Assembly and Senate Districts.

Description of Proposed Improvement - a detailed description of the project scope from the Project Nomination Sheet. If changed from the Project Nomination Sheet, attach written concurrence from the Regional Transportation Planning Agency.

Fund Allocation Summary – the total amount of funding allocation, including STIP programmed amounts by fiscal year, the amount of previous and current fund allocations (by project component)

State-only Funding Approval (if appropriate) – if the request is for State-only funding, identification of the type of approval (i.e., identified in the adopted STIP, an approved exception, meets Caltrans policy, etc.)

Project Funding Plan by Fiscal Year - the type of STIP funding, identification of all other sources of funding, and any specified funding conditions. If expenditures and reimbursement will extend beyond the fiscal year of allocation, provide a schedule by fiscal year of anticipated cash flow. (If attached Project Nomination Sheet includes this detail, a separate funding summary is not required.)

Request for Additional STIP Funding – if the request exceeds the amount programmed for any component, provide information on the amount of additional funding required, county reserves available, county share advance (if county reserves are inadequate to fund the shortfall), and justification for the addition.

Status of Project – status of environmental studies, right of way certification, and estimated ready to advertise dates

Estimated Timely Use of Funds Deadlines – the estimated deadlines for the various timely use of funds deadlines based on the requested funding approval date (date of Commission

meeting, or for delegated allocations, the date Caltrans would approve). Caltrans will identify the actual deadlines when the requested funding is approved.

A "Funding Allocation Checklist" has been developed (attached) to assist the local agency with determination of the proper form to use, approval authority, and calculation of the estimated timely use of funds deadlines. The checklist shall be completed by the local agency and attached to the request. A copy of the Project Nomination Sheet shall also be attached to the request. The local agency shall forward a copy of the funding request to the regional planning agency.

The local agency should allow 60 days from submittal of the Request for Funding Allocation to Caltrans until Commission approval. (Where all the prerequisite requirements are satisfied, Caltrans should be able to process the delegated approval of project allocations within two weeks.)

Note: If State-only funding has not been approved, the local agency must submit the Request for Funds/Exceptions to Project Funding Policy form in accordance with the instructions on requesting Exceptions to Project Funding Policy (see attached "State-Only Funding" memo).

2. Request for Authorization to Proceed Package

To initiate the authorization to proceed for the initial phase of a federally funded highway project and authorization for additional phases, each local agency must prepare a Request for Authorization to Proceed package. This package, along with required Federal documents (Field Review Form, Finance Letter, Detail Estimate, Right of Way Certification, PS&E Checklist, Construction Administration Checklist, etc.), provides the information needed by Caltrans to formally authorize the start of each phase of reimbursable work, prepare the project agreement and set up the project in the Federal and State accounting systems. Federal/State funded projects will be authorized in accordance with procedures described in the *Local Assistance Procedures Manual*. Approval of the "Request for Authorization" by Caltrans establishes the date for the start of reimbursable work for each project component.

For State-only projects with no other Federal funds administered by the FHWA, the Request for Funding Allocation (and State-only Finance Letter) will serve as the basis for requesting the allocation and authorization to proceed, preparing the project agreement and setting up the project in the State accounting system. The State-only Finance Letter (attached) provides the information needed by Caltrans to set up the project in the State accounting systems.

Normally, additional lead-time is needed to prepare the Request for Funding Allocation and prepare an agenda item for Commission action. Therefore, the funding request may precede the Request for Authorization to Proceed. However, if all required information is available, both requests should be submitted at the same time.

3. State Master Agreements

The Administering Agency-State Master Agreements define the general terms and conditions which must be met by the local agency to receive Federal-aid or State funds. Caltrans currently has Federal Master Agreements with most of the agencies with candidate projects. Projects of agencies that have no recent experience with Federal-aid administered by the FHWA (from the STIP or other local sources) will require a new Federal Master Agreement before the local agency may start reimbursable work.

A new master agreement (attached) and program supplement have been developed for State-only funded projects. Projects with State-only STIP funding, but with other Federal funds administered by the FHWA, will be administered under the Federal Master Agreement. Caltrans will initiate the new State-only Master Agreement when local agencies submit their first request for funding allocation for projects with no Federal funding.

4. The Commission Funding Allocation

All submittals must be complete before Caltrans will forward the request with the funding recommendation for Commission approval (or approve under delegated allocation authority). Caltrans may request a copy of the PSR, or equivalent, to resolve issues regarding the project description and/or scope of the project. Incomplete submittals will be returned for correction.

5. Federal Authorization to Proceed (E-76)

For those local agencies that have a Federal Master Agreement in place, Caltrans will approve the local agency Request for Authorization to Proceed (E-76) upon notification that the Commission has approved the allocation approval. (Under delegated allocation authority, Caltrans will approve the “Request for Authorization” and the allocation at the same time.) Otherwise, Caltrans will approve the request upon receipt of the executed Administering Agency-State Master Agreement.

6. Start of Reimbursable Work

For Federal funded projects, approval of the Federal Authorization to Proceed (E-76) establishes the date for the start of reimbursable work for the phase of work authorized.
For State funded projects, Caltrans will issue a written authorization to proceed that establishes the date for the start of reimbursable work.

Execution of the program supplement agreement will be deemed a contractual obligation by the State for the payment of the State share of the project for eligible costs incurred after the date of authorization. Actual reimbursement for the eligible cost of work cannot occur in advance of

entering into the program supplement agreement and, for Federal projects, execution of the PR2/2A agreement.

C. RAIL/TRANSIT PROJECT ALLOCATION PROCEDURES

After a Rail/Transit project is adopted or amended into the STIP (and Federal TIP, unless State-only), the next step is to obtain a funding allocation. However, depending on the type of project and funding, several additional actions, as described below, may be required to complete the allocation process and establish the date for the beginning of reimbursable work. (See Flow Chart 2.)

1. SB 580 Review (for Fixed Guideway Projects)

For exclusive fixed guideway projects, Caltrans must complete a SB 580 Review. The first part of this review, called agency certification, is to ensure that a local agency has an accounting system capable of effectively managing State or Federal funds. This is a one-time certification, unless there are significant changes in management or the accounting and reporting procedures of the agency.

A project certification is also required for each project programmed in the STIP to ensure that the local agency has provided for enough funding to complete the project. This certification is also to ensure that the local agency has a project management system in place to oversee the project development. The project certification can be done in conjunction with the agency certification or as a separate certification.

A local agency is encouraged to get the SB 580 Review done early, soon after it gets a project in the State program, especially if the project is a large and complex one, or its later approvals may be slowed down. A local agency should contact their Caltrans District Public Transportation, or Planning Program to obtain a copy of the handbook on SB 580 Review procedures and for assistance in completing the procedures.

2. Grant Application to the Federal Transit Administration

Transit projects with any Federal funding must be transferred to the Federal Transit Administration for administration. The first step in this process is to apply for this transfer by submitting a Grant Application to the Federal Transit Administration. Eligible transit agencies with projects programmed in the STIP with Federal/State funds should submit the Grant Application soon after the project is programmed in the STIP to avoid delays. Transit agencies that are not familiar with this process should contact the Federal Transit Administration directly to obtain instructions and assistance in completing the application. Local agencies that are not eligible to administer transit projects must enter into an agreement with an eligible transit agency to administer their project.

For transit related projects (parking structures, multi-modal stations, etc.) which could be administered by either the FHWA or the Federal Transit Administration, the applicant or MPO, has the option of selecting the administering agency. Administration by the FHWA should only be considered on an exception basis. Exceptions should be discussed with Caltrans early to avoid delays in the allocation of process.

3. Fund Allocation Package

Under Government Code Section 14085 and various Commission resolutions, Caltrans has additional review and approval responsibilities for Rail/Transit projects. In order for Caltrans to ensure that Rail/Transit project allocation funding requests are consistent with the project that was programmed, certain detailed information will need to be provided to Caltrans District Public Transportation or Planning Program by the local agency.

When the local agency is ready to proceed with the project, it submits an allocation package to Caltrans. (Note: If the regional transportation planning agency's governing board passes a resolution requiring their approval prior to submittal to Caltrans, the local agency shall provide written evidence of such approval on the Request for Funding Allocation.)

The purpose of the allocation package submittal is to provide the California Transportation Commission and Caltrans enough information to make an informed decision, per Government Code § 14529.1. The Department must ensure that the local agency has the resources and capabilities to implement the project in a timely manner, that the Department has an opportunity to monitor the progress being made, and that the funds requested are in fact for use on the project as programmed in the STIP. The allocation package is also used by Caltrans to prepare the Fund Transfer Agreement and perform the SB 580 Project Review simultaneously.

The allocation package should contain the following items:

Request for Funding Allocation - the letter should state the amount of funds being requested and address any changes to the project that was programmed, if any. If there are changes to a project, the local agency must submit a letter of concurrence from the regional agency before the request will be forwarded to the Commission.

Project Description - a description of the project for which the funds will be used. This allows the district and headquarters (HQ) to compare the project that is programmed to the project for which the funds are being requested and initiate the Fund Transfer Agreement. The descriptions must be the same or an amendment may need to be requested.

Scope of Work - describes in detail what work will be done and what the estimated costs will be. If this is a partial allocation, prior and/or future allocations should be listed to end

up with a total project cost estimate.

Financial Plans - details, by quarter, when the expenditures for these funds will be incurred:

- Breakdown the type and amount of funds, what items/components the funds will be expended on (i.e., environmental, preliminary engineering, right of way, construction, vehicles, etc.)
- Detail the local or Federal funds that will be used in conjunction with these funds
- Detail any previously allocated funds on the project, including local and Federal funds
- Detail any future funds planned for the project, including local and Federal funds

Delivery Schedule - a chart or narrative detailing when planned work will begin and end.

Right of Way - if right-of-way will be purchased, documents should include the following:

- The number of parcels being purchased using the requested funds
- The names of the current owner(s)
- Current use of the land
- For non-operating rail right-of-way under $2 million, submit an estimate of the cost, per CTC Resolution #G-95-09
- For non-operating rail right-of-way over $2 million or operating rail right of way, regardless of the amount, submit an appraisal, per CTC Resolution #G-95-09
- Hazardous Waste Indemnification Resolution, signed by an authorized representative of the agency or their Board stipulating:
    - That the agency will exercise due diligence and identify hazardous materials, and provide, at the seller's or the buyer's expense, clean-up and remediation of hazardous materials present on or below the parcels;
    - That the agency agrees that no State funds would be sought for clean-up, damages or liability costs associated with the hazardous materials; and
    - That the agency shall indemnify the State of existing and future liabilities that may result from the hazardous materials. Per CTC Resolution #G-91-2.

Vehicle Purchase - if vehicles will be purchased, provide the following information:

- Is this a group purchase? If yes, with whom? If no, why not?
- Type of fuel required to operate vehicle
- Size of vehicle (if transit vehicle), and the number of passengers it will carry

4. The Commission Funding Allocation

Caltrans will review the package to ensure all necessary items are included and that, in fact, the agency is ready to proceed with the project before submitting the funding request package and funding recommendation to the Commission (or approving those requests for project development allocations that have been delegated to Caltrans).

5. Transfer of Funds to the Federal Transit Administration

Upon notification that the grant has been accepted by the Federal Transit Administration, that FHWA has approved the Federal TIP, and the Commission has made the funding allocation, Caltrans will prepare and submit the Federal authorization document to the FHWA for the transfer of Federal funds.

6. Start of Reimbursable Work

For projects receiving Federal funds, the Federal Transit Administration will provide authorization to proceed and establish the date for the start of reimbursable work after the transfer of the funds has been completed by the FHWA.

For State funded projects, the date for the start of reimbursable work is the date of the Commission allocation resolution (or Caltrans' approval date of those requests that meet the delegation of allocation authority conditions). Actual reimbursement of eligible work cannot occur until the local agency and Caltrans have executed the Fund Transfer Agreement.

D. REIMBURSEMENT

After the Commission allocates the funds and the start of reimbursable work has been authorized, the following actions must be completed before the local agency can actually be reimbursed for the work:

- Appropriation of funds in the Budget Act
- Project specific agreement(s) is/are prepared and executed
- Local agency submits progress invoices

A summary of these procedures is listed below.

1. Appropriation of Funds in the Budget Act

Funds for the new Regional Improvement Program must be appropriated by the Legislature in the Budget Act before they may be encumbered.

2. Project Agreement

A project specific agreement (Program Supplement to the Administering Agency-State Master Agreement for highway projects or an executed Fund Transfer Agreement for Rail/Transit projects) must be in place to encumber funds for a project in the State accounting system and to allow payments to be made to the local agency. Caltrans will prepare the Program Supplement or a Fund Transfer Agreement and submit it to the local agency for signature upon notification that

the Commission has allocated the funds (and Caltrans has approved the Request for Authorization to Proceed for Federal projects).

For Federally funded highway projects, Caltrans will also enter into a project specific agreement (PR2/2A) with the Federal Highway Administration for the reimbursement of the Federal funds.

For Federally funded Rail/Transit projects, the local agency will enter into an agreement with the Federal Transit Administration for the reimbursement of the Federal funds. The Fund Transfer Agreement prepared by Caltrans will only cover the reimbursement for the State matching funds. If the local agency provides the match and receives 100% Federal STIP funding, this agreement will not be required.

3. Consultant Preaward Audit Requirements

Preaward audits are required for all engineering and design related service contracts (and subcontracts) more than $75,000 financed with State or Federal-aid funds. The objective of the audit is to:

- Determine if the consultant agreement specifically provides for the following:
  - Three year record retention period and right to audit
  - Method of payment
  - Reference to cost principles set forth in 48 CFR Chapter 1, Part 31 for allowability of individual items of cost; 49 CFR, Part 18 for administrative procedures; and OMB Circular A-110, which are administrative procedures for nonprofit subrecipients
- Determine if the Consultant's cost proposal contains a breakdown of the estimate for performing the work, and that the proposed costs are reasonable in relation to actual historical costs and estimating procedures
- Determine if the Consultant's cost accounting system is capable of accumulating reasonable, allocable, and allowable costs

It is Caltrans' policy to apply the Federal preaward audit guidelines regardless of the source of funding.

Procedures for administering the audit are described in the Local Programs Procedure (LPP) 99-01 "Interim Preaward Audit Requirements. At the discretion of the local agency, either Caltrans or the local agency shall perform (or contract to perform) the required preaward audit of a consultant contract. On consultant (and subconsultant) contracts less than $250,000, a preaward audit may not be required if a preaward audit was conducted on the consultant within the last 12 months by any local, State (including Caltrans) or Federal agency and other conditions, as described in the LPP, are met.

LPP 99-01 has been issued on interim basis and will be updated in the near future based on the recommendations of a recently established work group (made up of Caltrans, FHWA, and local agencies) that will look for ways to streamline and improve the process.

4. Progress Invoices

The local agency will be reimbursed for eligible participating costs in arrears upon submittal of progress invoices to Caltrans for expenditures actually made. The local agency must invoice Caltrans for reimbursement in accordance with the timely use of funds deadlines described above. Invoices shall be submitted no more frequently than monthly to minimize the administrative costs to the State and local agency. Invoices shall not be submitted until the local agency receives the fully executed Program Supplement and PR2/2A agreement (Federal projects) for highway projects or an executed Fund Transfer Agreement for Rail/Transit projects.
Progress Invoices will be submitted to Caltrans as follows:

Type of Project	Caltrans Office
Highway (or Transit Related Project Administered by the FHWA)	HQ Accounting Service Center Attn. Local Programs Accounting
Intercity Rail	HQ Rail Program
All other Rail/Transit Projects	District Public Transportation or Planning Programs

5. Shifting Allocated Funds Between Project Components

Local agencies will be required to submit a request to the District Local Assistance Engineer (or District Public Transportation or Planning Programs for Rail/Transit projects) for the shift of any funds and a revised Finance Letter (for Highway Projects) to Caltrans for approval. Local agencies shall be responsible for ensuring funds are available in the appropriate project component before submitting invoices to Caltrans.

E. PROJECT COMPLETION

1. Report of Expenditures/Project Close-Out Report

Upon acceptance of a completed project and final payment to the contractor, the local agency is responsible for preparing and submitting to Caltrans final report documents, including the final invoice, which collectively constitute a Report of Expenditures or Project Close-Out Report. These reports provide key information required to initiate timely project closure and payment.

These reports should describe project change and reasons for the change, if any, compared to the scoping document for the project.

These reports and the final invoice will be submitted to Caltrans as follows:

Type of Project	Caltrans Office
Highway (or Transit Related Project Administered by the FHWA)	District Local Assistance Engineer
Intercity Rail	HQ Rail Program
All other Rail/Transit Projects	District Public Transportation or Planning Programs

2. Caltrans' Verification

Caltrans will review the completed project and verify that it was completed in accordance with the scope and description of the project authorization documents before processing the final invoice. The agency is responsible for maintaining written source document records that identify agency costs and project development payments made to consultants, vendors and contractors. Contract records must be retained by the local agency for a minimum period of three years from the date of final payment.

3. Audit Requirements

Local agencies receiving Federal funds are subject to the audit requirements of the Federal Office of Management and Budget's Circular A-133. A single audit is required if an agency receives more than $300,000 in Federal funds from all sources. Local agency expenditures for all local assistance programs are subject to financial and compliance audits by the State Controller's Office Audits and Investigations. Normally, project audits are not necessary if the expenditures for a project are covered by a single audit report accepted by the appropriate Federal agency.

F. ADDITIONAL GUIDANCE

1. Highway Projects

The proceeding sections give a brief summary of Reimbursement and Project Completion procedures for local highway projects. (Flow Chart 3 shows the process from the appropriation of funds in the budget to payment of the final invoice.) For a more detailed explanation of all the various procedures required to administer Federal and State funded local highway transportation projects, see the *Local Assistance Procedures Manual*. These procedures are based on Caltrans'

reengineering concepts of eliminating multiple reviews and delegating most project responsibilities and accountability to the administering agencies. Caltrans no longer approves local right-of-way certifications, PS&E packages, and except for process reviews does not review construction activities. Instead, the local agency self-certifies right-of-way, PS&E, and local agency construction administration procedures.

Federal program efficiencies enacted by ISTEA and TEA-21 allow this delegation for most Federal-aid project activities, but do not apply to the National Environmental Policy Act (NEPA). Because Caltrans is considered by the FHWA to be the applicant for all local grant projects with any Federal funding administered by the FHWA, Caltrans reviews and processes locally prepared NEPA, and other federally required environmental documents.

Local grant projects must also meet the requirements of the California Environmental Quality Act (CEQA). The local agency is the lead agency under CEQA and provides CEQA approvals and clearances. Caltrans is only involved in the review of local agency CEQA documents which impact a State route through the Intergovernmental Review (IGR) planning process.

2. Rail/Transit Projects

Caltrans and the Commission take a more active role in Rail/Transit projects. The *Transit Funding Reference Guide* outlines the various Caltrans policies and Commission resolutions that local agencies need to adhere to. The following are topics covered in the *Transit Funding Reference Guide* directly relating to project reimbursement and close-out:

- Guidelines for Caltrans Right of Way Review for Rail Projects
- Quarterly Report Guidelines
- Bond Certification
- Fund Transfer Agreements
- Expedited Pay

IV. PLANNING PROGRAMMING AND MONITORING (PPM) FUNDS

The *1998 STIP Interim Guidelines* allow the programming by a region from its county share for each year of the STIP an amount for project planning, programming and monitoring by the transportation planning agency. To streamline the allocation process for these funds, the Commission has delegated allocation authority to Caltrans. To simplify the process further, all agencies will receive State-only funding for eligible PPM activities. Caltrans has prepared standard agreements for the distribution of these funds which allow lump sum “up front” payments to all agencies which programmed $300,000 or less per fiscal year. Agencies receiving over $300,000 will be paid on a reimbursed basis. Each agency will be required to prepare a PPM plan to be included as part of the agreement.

Caltrans has prepared project specific agreements for all agencies that have programmed funding in the 1998/99 year of the STIP. Planning agencies will request allocations and agreements for the next year as they near completion of expenditures for the first cycle of agreements.

V. RSTP/CMAQ MATCH RESERVES

The *1998 STIP Interim Guidelines* allow the programming by a region of a reserve from its county share for each year of the STIP to match Regional Surface Transportation Program (RSTP) and the Congestion Mitigation and Air Quality program (CMAQ) program funds. The match funds are available for any eligible Federal RSTP and CMAQ projects and permissible under Article XIX of the California Constitution. The match must also be less than or equal to the required minimum State-match of Federal participating costs.

To streamline the process and relieve the Commission of numerous, routine allocations, Caltrans has been delegated authority to allocate 1998 STIP funds from the RSTP/CMAQ match reserves to local agencies. At the beginning of each fiscal year, Caltrans will request that each region identify specific projects to be matched from the reserve programmed, the responsible agency, and specific project match limits. Caltrans would then work directly with the local agencies to administer the reserves. As long as the local agency's request for funding allocation is equal to or less than the amount identified by the regional planning agency for the project, Caltrans will approve the request without further Commission or planning agency action.

Caltrans will prepare and approve an allocation document each time match funds are approved for a project and forward copies to the appropriate regional planning agency. Caltrans will also provide the Commission with quarterly reports on the allocations made under this delegation. The match funding will be subject to the same timely use of funds provisions that apply to highway projects identified in the STIP (see above). The regional planning agencies will be responsible for monitoring the allocation of the reserves each year to insure that all reserves programmed have been allocated before the end of the fiscal year. Caltrans will provide the Commission with quarterly reports on the allocations made under the delegation.

VI. RIDESHARE PROJECTS

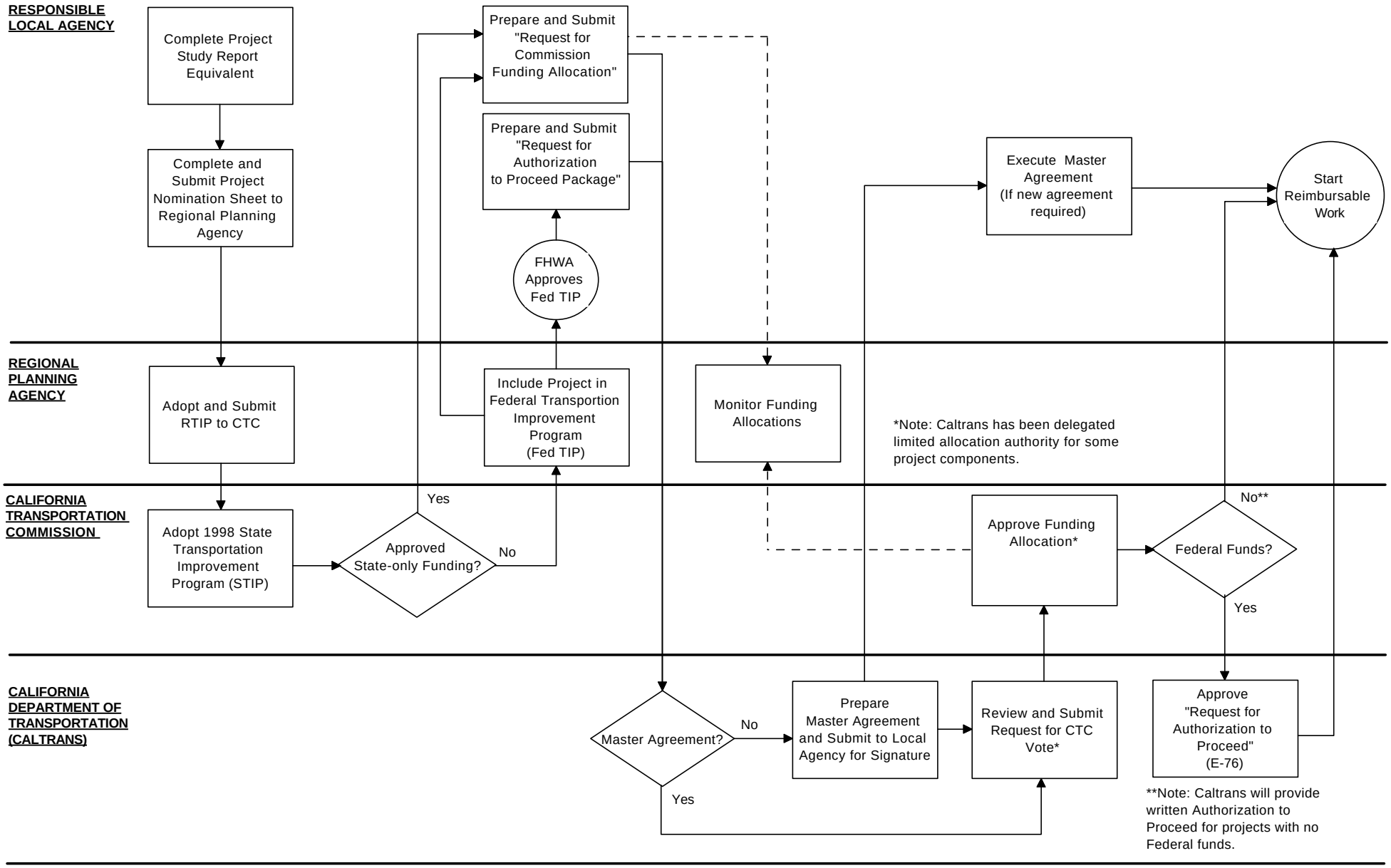
The *1998 STIP Interim Guidelines*, adopted by the Commission on January 15, 1998, allows the programming of non-capital expenditures for transportation demand management projects that are a cost-effective substitute for capital expenditures. The Commission programmed eighteen rideshare projects into the adopted 1998 STIP as eligible projects.

To streamline the process and provide a continuous flow of funds for eligible expenditures, Caltrans has been delegated responsibility for the allocation of 1998 STIP funds for these rideshare projects. State-only funding will be provided for all projects to allow the same simplified process

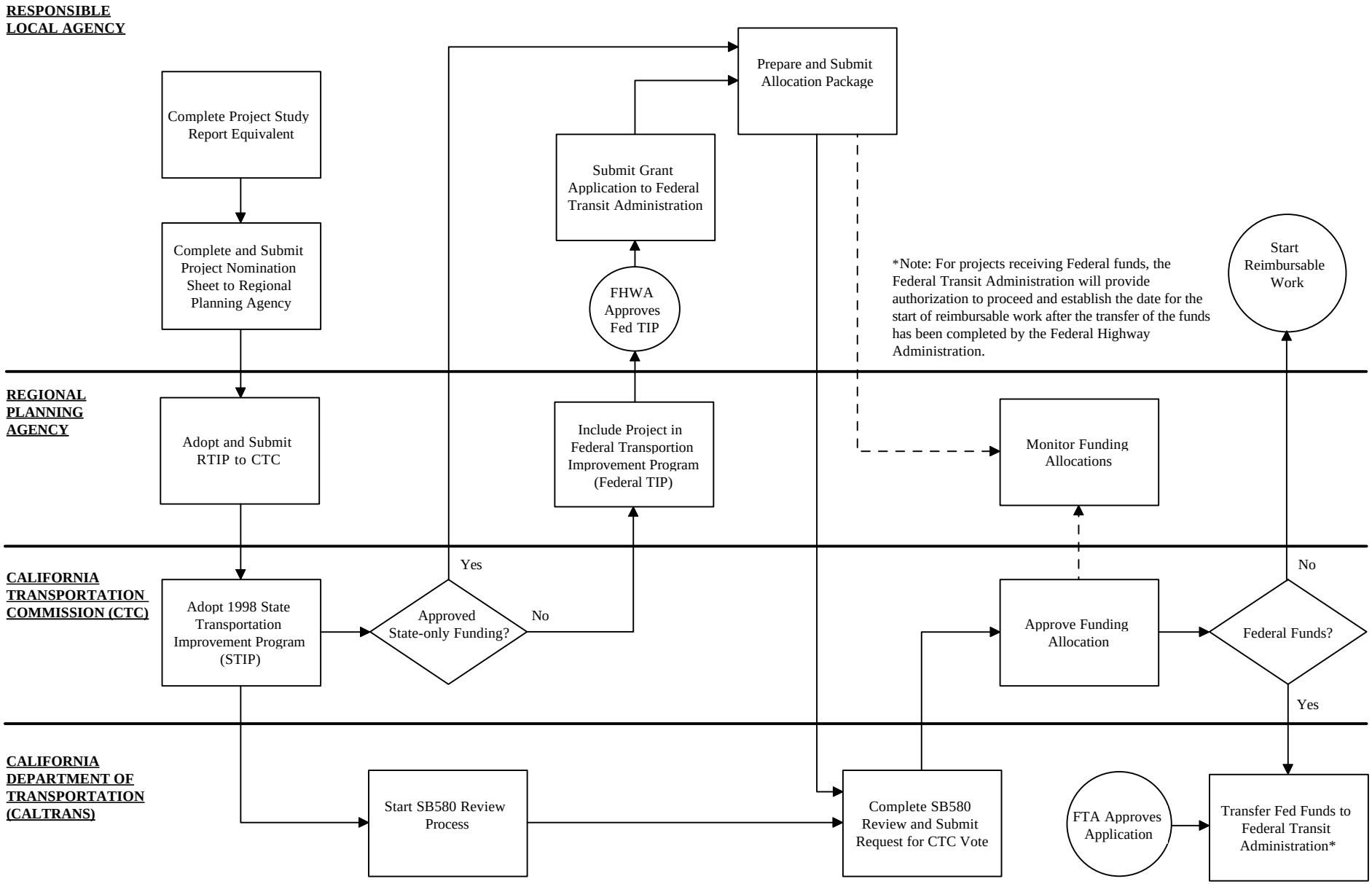
for all the rideshare projects. As long as the local agency's request for funding allocation is equal to or less than the programmed amount for each rideshare project, Caltrans will approve the request without further Commission action. Requests for allocations in advance of the programmed year must be submitted to the Commission for approval, as described above. Because of the potential impact the new timely use of funds provisions will have on county share balances, copies of allocation approval documentation will be provided to the responsible Regional Transportation Planning Agency. Caltrans will also provide the Commission with quarterly reports on the allocations made under the delegation.

Caltrans has prepared standard agreements for the distribution of these funds which allow lump sum "up front" payments for amounts of $300,000 or less per fiscal year. Agreements for over $300,000 per year will provide for payments on a reimbursed basis. Upon receipt of a request for a fund allocation from the project sponsor, Caltrans will prepare the project specific agreement and submit it to the local agency for execution. Project sponsors will request allocations and agreements for the next year as they near completion of expenditures for the first cycle of agreements.

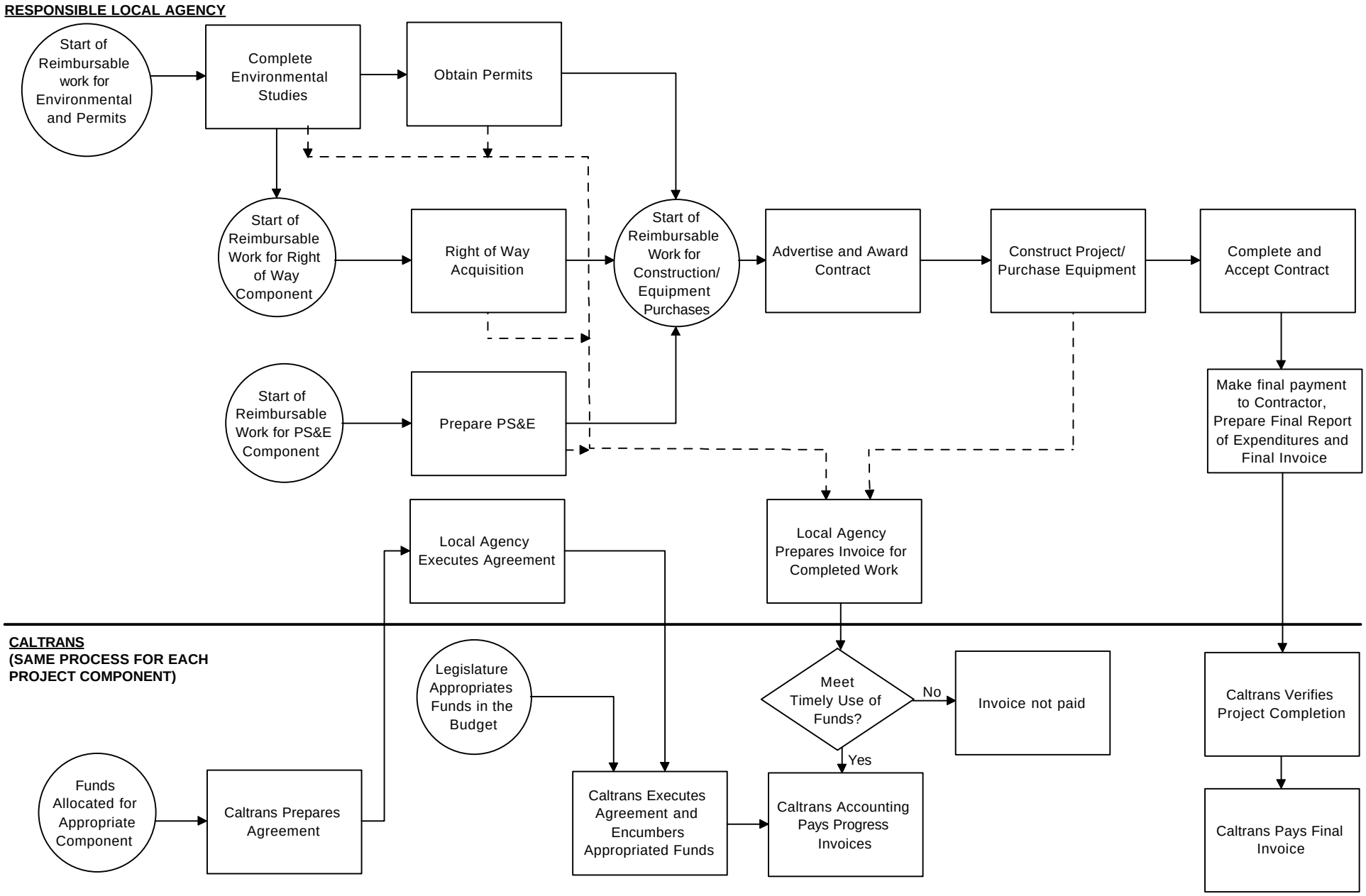
ALLOCATION PROCEDURES (HIGHWAY PROJECTS)



ALLOCATION PROCEDURES (RAIL/TRANSIT PROJECTS)



REIMBURSEMENT & PROJECT COMPLETION



Attachment I

State of California

Business, Transportation and Housing Agency

Memorandum

To: CHAIR AND MEMBERS
California Transportation Commission

Date: December 1, 1998

File:

From: **DEPARTMENT OF TRANSPORTATION**
BUDGETS PROGRAM

Subject: State-Only Funding

At the October California Transportation Commission (CTC) meeting, the Department of Transportation (Caltrans) addressed the State-only funding issue by providing an inventory of all existing commitments to State-only funding, a list of 1998 State Transportation Improvement Program (STIP) projects requesting State-only funds, and an estimate of the State-only funding capacity over the next six years.

While our analysis indicates there is sufficient State-only capacity for the CTC to approve some STIP projects with State-only funds at the time of programming, I want to emphasize that the additional State-only funding capacity estimate of approximately $900 million must be available not only for STIP projects, but also for Caltrans' response to emergencies and for projects that will have unanticipated need for State-only funding.

However, based on the analysis of State-only commitments and capacity, we are approving the use of State funds for all projects in the Adopted 1998 STIP flagged for State-only funding. We are, however, asking the project sponsor to complete the form for an Exception to Project Funding Policy by February 1, 1999 for each of these projects so that we can appropriately plan for these draws.

Attached are final copies of:

- The approved State-only inventory (attachment 1).
- Caltrans' Project Funding Policy (attachment 2).
- Instructions on requesting exceptions to the Project Funding Policy (attachment 3).

We have also recommended some changes to the STIP guidelines to address the State-only issue. If you have any questions regarding this information, please contact me at (916) 654-4556.

Joan M. Borucki

JOAN M. BORUCKI
Program Manager
Budgets

Attachments

c: Robert I. Remen, CTC
CHouse, Deputy Director Finance
Regional Agencies
District Directors

FINAL STATE ONLY INVENTORY
AS OF 11/30/98

(1,000s)

EXISTING INVENTORY	FY 98/99	FY 99/00	FY 00/01	FY 01/02	FY 02/03	FY 03/04	TOTAL
State Operations	$ 1,038,000	$ 1,061,000	$ 1,084,000	$ 1,108,000	$ 1,132,000	$ 1,157,000	$ 6,580,000
C/O Support [1]	$ 484,000	$ 475,000	$ 470,000	$ 471,000	$ 466,000	$ 464,000	$ 2,830,000
SHOPP Minor [2]	$ 90,000	$ 92,000	$ 93,000	$ 95,000	*$ 97,000*	*$ 99,000*	$ 566,000
SHOPP Match [2]	$ 123,800	$ 202,400	$ 165,800	$ 163,400	*$ 166,995*	*$ 170,669*	$ 993,063
Local Assistance:							
Match [3]	$ 90,592	$ 115,970	*$ 118,521*	*$ 121,129*	*$ 123,794*	*$ 126,517*	$ 696,523
Rural Assistance	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 12,000
STIP:							
Grandfather Projects [B]	$ 182,901	$ 157,216	$ 60,209	$ 198,790	$ 45,200	$ 20,000	$ 664,316
TDM/Rideshare	$ 7,311	$ 6,719	$ 7,034	$ 7,156	$ 6,248	$ 6,355	$ 40,823
CMAQ, HBRR, HES, ER Match	$ 9,888	$ 6,771	$ 5,278	$ 4,904	$ 5,128	$ 3,686	$ 35,655
Planning, Programming & Monitoring	$ 5,725	$ 5,407	$ 3,418	$ 3,092	$ 3,041	$ 3,056	$ 23,739
Intercity Rail (RIP)	$ 3,365	$ 5,849	$ -	$ -	$ -	$ -	$ 9,214
Intercity Rail (IIP)	$ 96,850	$ 74,730	$ -	$ 29,000	$ -	$ -	$ 200,580
STIP Projects < $750 K (RIP)	$ 10,341	$ 4,208	$ 4,238	$ 1,239	$ 99	$ 76	$ 20,201
STIP State Match (RIP)	$ 95,849	$ 74,087	$ 71,609	$ 62,821	$ 52,868	$ 93,894	$ 451,128
STIP State Match (IIP)	$ 6,136	$ 13,375	$ 22,019	$ 20,428	$ 45,977	$ 41,587	$ 149,522
STIP Projects Granted SOF [C]	$ 80,331	$ 2,956	$ -	$ -	$ -	$ -	$ 83,287
TOTAL EXISTING INVENTORY	$ 2,327,089	$ 2,299,688	$ 2,107,126	$ 2,287,959	$ 2,146,349	$ 2,187,840	$ 13,356,051
1998 STIP PROJECTS: FLAGGED FOR STATE ONLY							
Proposed State-Only Funded Projects [A*]:	$ 73,254	$ 125,490	$ 131,005	$ 21,161	$ 12,983	$ 15,226	$ 379,119
GRAND TOTALS:	$ 2,400,343	$ 2,425,178	$ 2,238,131	$ 2,309,120	$ 2,309,120	$ 2,203,066	$ 13,735,170

[1] Capital Outlay Support projections include PSR/PSSR activities.

[2] The SHOPP is a four year program therefore the final two years are projected. The Minor Program is augmented $2 M each year. SHOPP match is escalated at 2.2 % a year.

[3] The Local Assistance match utilizes the 1999/00 Budget Year projection as a base and it is escalated at 2.2% each year there after. Includes the rural exchange program.

[4] Other projects with identified SOF may be included in the listing of STIP Projects Granted SOF.

*** Updated from the 10/15/98 draft listing.**

Please Note: These numbers do not reflect the current TEA proposal.

Please Note: THESE NUMBERS ARE BASED UPON PROGRAM LEVELS NOT CASH.

Attachment 1

FINAL STATE ONLY INVENTORY
AS OF 11/30/98

(1,000s)

Attachment A

1998 STIP Projects: Flagged For State-Only [4]							
Alameda - Grade Seps. Wash'n Blvd. & Pasco Padre SO	$ 4,000	$ -	$ 21,910	$ -	$ -	$ -	$ 25,910
Alameda - SB Ramp Metering HOV Lane - Sunol Grade SO (RIP) *	$ -	$ 1,639	$ 95	$ -	$ 12,983	$ -	$ 14,717
Alameda - Translink (automated fare equipment) SO	$ -	$ -	$ 1,254	$ -	$ -	$ -	$ 1,254
Contra Costa - Translink (automated fare equipment) SO	$ -	$ -	$ 801	$ -	$ -	$ -	$ 801
Los Angeles - Alameda Corridor: 26 Grade Separations SO	$ 23,205	$ 57,383	$ 59,305	$ 10,107	$ -	$ -	$ 150,000
Sacramento - Arden Garden Connector ($5580 loc) SO	$ 3,604	$ -	$ -	$ -	$ -	$ -	$ 3,604
Sacramento - Widen Greenback, Dewey - SJ ($1511) SO	$ 634	$ 2,763	$ -	$ -	$ -	$ -	$ 3,397
San Benito - Hollister, 4.3 KM urban arterial SO	$ 7,000	$ -	$ -	$ -	$ -	$ -	$ 7,000
San Diego - Mission Valley East Corridor final design & R/W acquisition *	$ 27,777	$ 200	$ 29,892	$ -	$ -	$ -	$ 57,869
San Diego - MTDB - Mid-Coast Rail Project * **	$ -	$ -	$ -	$ -	$ -	$ 5,032	$ 5,032
San Diego - MTDB - Oceanside to Escondido Rail Project * **	$ -	$ -	$ -	$ -	$ -	$ 10,194	$ 10,194
San Diego - Rte 125 Fanita, Navajo to Grossmont College SO	$ -	$ 18,000	$ -	$ -	$ -	$ -	$ 18,000
San Diego - Rte 56 Carmel County to Black Mountain SO	$ 1,934	$ 45,505	$ -	$ -	$ -	$ -	$ 47,439
San Diego - Rte 78 Twin Oaks Valley Rd. Interchange SO	$ 5,100	$ -	$ -	$ -	$ -	$ -	$ 5,100
San Francisco - Muni ext., 3rd Street to Caltrain Bayshore SO *	$ -	$ -	$ 13,946	$ 11,054	$ -	$ -	$ 25,000
Santa Clara - North Bus Yard Reconstruction SO	$ -	$ -	$ 2,295	$ -	$ -	$ -	$ 2,295
Santa Clara - Translink (automated fare equipment) SO	$ -	$ -	$ 1,507	$ -	$ -	$ -	$ 1,507
TOTALS:	$ 73,254	$ 125,490	$ 131,005	$ 21,161	$ 12,983	$ 15,226	$ 379,119

[1] Capital Outlay Support projections include PSR/PSSR activities.

[2] The S HOPP is a four year program therefore the final two years are projected. The Minor Program is augmented $2 M each year. SHOPP match is escalated at 2.2 % a year.

[3] The Local Assistance match utilizes the 1999/00 Budget Year projection as a base and it is escalated at 2.2% each year there after. Includes the rural exchange program.

[4] Projects In The Adopted STIP With Identified SOF. Otherprojects with identified SOF may be included in the listing of STIP Projects Granted SOF. Projects with costs < $750 K are assumed SOF approved.

* Updated from the 10/15/98 draft listing.

**Currently identified as reserves without regard to fiscal year; however, due to the need to match federal funds currently earmarked for the project, State-Only funding will be granted.

Please Note: THESE NUMBERS ARE BASED UPON PROGRAM LEVELS NOT CASH.

FINAL STATE ONLY INVENTORY
AS OF 11/30/98

(1,000s)

Attachment B

Grandfathered Projects - '96 STIP							
Alameda - Improve Alameda Transit Center	$ 400	$ -	$ -	$ -	$ -	$ -	$ 400
Alameda - Improve West Oakland Bay Area Rapid Transit Center	$ 200	$ -	$ -	$ -	$ -	$ -	$ 200
Kern - (San Joaquin Corridor) - Oakland to Bakersfield	$ -	$ -	$ 2,000	$ -	$ -	$ -	$ 2,000
Los Angeles - Alhambra to El Monte on Valley Blvd between Rt 710	$ 2,625	$ 7,500	$ -	$ -	$ -	$ -	$ 10,125
Los Angeles - At Santa Fe Ave. - Grade Separation	$ 15,066	$ -	$ -	$ -	$ -	$ -	$ 15,066
Los Angeles - At Washington Blvd. - Grade Separation	$ 11,982	$ -	$ -	$ -	$ -	$ -	$ 11,982
Los Angeles - Del Amo Blvd at Route 405 - construct 4 lane overss	$ 12,647	$ -	$ -	$ -	$ -	$ -	$ 12,647
Los Angeles - El Segundo & Hawthorne - recnst intersection	$ 945	$ -	$ -	$ -	$ -	$ -	$ 945
Los Angeles - Fremont Ave from Mission Rd to Valley Blvd	$ 1,994	$ -	$ -	$ -	$ -	$ -	$ 1,994
Los Angeles - Metro Rail - Pasadena Blue Line Extension	$ 41,600	$ 41,600	$ 41,600	$ 69,900	$ -	$ -	$ 194,700
Los Angeles - Metro Rail-Red Line-construct East Line & MidCity Ext	$ -	$ -	$ -	$ 50,000	$ 20,000	$ 20,000	$ 90,000
Los Angeles - Near Marina Del Rey (Dreamworks)	$ -	$ -	$ -	$ 3,672	$ -	$ -	$ 3,672
Los Angeles - Santa Monica Blvd from Rte 405 to Moreno Dr.	$ 2,135	$ 8,350	$ 3,050	$ -	$ -	$ -	$ 13,535
Los Angeles - Sierra Madre Villa/Union Station-Pasadena Blue Line Ext	$ -	$ -	$ -	$ 50,000	$ 13,200	$ -	$ 63,200
Los Angeles - Terminal island - Seaside Toll Plaza-Grade Sep	$ 9,662	$ -	$ -	$ -	$ -	$ -	$ 9,662
Orange - (San Diegan Corridor) - Santa Ana and Orange - Lincoln Ave	$ -	$ 10,894	$ -	$ -	$ -	$ -	$ 10,894
Riverside - Metrolink - San Bernardino Line	$ 5,211	$ -	$ -	$ -	$ -	$ -	$ 5,211
Sacramento - (Arden Garden connector) DP Blvd to Garden Hwy	$ 3,604	$ -	$ -	$ -	$ -	$ -	$ 3,604
Sacramento - Downtown Sacramento from 7th & K to 7th & North B St LR Ext *	$ 12,550	$ -	$ -	$ -	$ -	$ -	$ 12,550
Sacramento - Downtown Sacramento from 7th & K to 4th & B St LR Vehicles **	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sacramento - (Folsom Corridor) Sunrise Blvd To Hazel Ave - LR Extension *	$ -	$ 81,075	$ -	$ -	$ -	$ -	$ 81,075
Sacramento - (South Corridor) Dwntwn Sacto To Meadowview/Calvine LR Ext *	$ 8,843	$ -	$ -	$ -	$ -	$ -	$ 8,843
San Diego - (San Diegan Corridor) - Elvira to Friar	$ 12,160	$ -	$ -	$ -	$ -	$ -	$ 12,160
San Diego - (San Diegan Corridor) - Sorento to Miramar	$ 10,530	$ -	$ -	$ -	$ -	$ -	$ 10,530
San Diego - Oceanside to Escondido - design-22 mile ext, 15 ttns, 1 maint	$ 3,300	$ 3,300	$ -	$ -	$ -	$ -	$ 6,600
San Francisco - Muni Station Projects - Station Improvements	$ 500	$ -	$ -	$ -	$ -	$ -	$ 500
San Francisco - On Cesar Chavez St from Mississippi St to Rt 101	$ 4,556	$ -	$ -	$ -	$ -	$ -	$ 4,556
San Joaquin - (San Joaquin Corridor) - Oakland to Bakersfield	$ -	$ 4,187	$ -	$ 25,000	$ 12,000	$ -	$ 41,187
San Mateo - Twenty-fifth Ave - Grade Separation To Lower Tracks	$ 5,500	$ -	$ -	$ -	$ -	$ -	$ 5,500
Santa Clara - Tasman Corridor - Milpitas to Sunnyvale & Mountain View	$ 14,028	$ -	$ -	$ -	$ -	$ -	$ 14,028
Yolo - West Sacto - Marshall Rd to Route 50	$ 2,863	$ 310	$ 13,559	$ 218	$ -	$ -	$ 16,950
TOTAL:	$ 182,901	$ 157,216	$ 60,209	$ 198,790	$ 45,200	$ 20,000	$ 664,316

*** Uplated from the 10/15/98 draft listing.**

**** Rolling Stock not eligible for SHA funding.**

Please Note: THESE NUMBERS ARE BASED UPON PROGRAM LEVELS NOT CASH.

FINAL STATE ONLY INVENTORY
AS OF 11/30/98

(1,000s)

Attachment C

Projects Granted SOF (as of 10/15/98):																
Alameda - Isabel Ave Extension	$	10,239	$	-	$	-	$	-	$	-	$	-	$	10,239
Plumas - Graeagle - Johnsville Road ($10K partially allocated) *	$	60	$	1,056	$	-	$	-	$	-	$	-	$	1,116
Sacramento - Power Inn Grade Separation	$	4,000	$	-	$	-	$	-	$	-	$	-	$	4,000
San Mateo - BART - SFO Extension	$	46,000	$	-	$	-	$	-	$	-	$	-	$	46,000
Santa Barbara - North of Beulton - New Interchange (IIP) *	$	3,000	$	-	$	-	$	-	$	-	$	-	$	3,000
Santa Clara - Tasman Corridor East - Partial SOF Allocation ($11,960 in Federal Funding) *	$	12,820	$	-	$	-	$	-	$	-	$	-	$	12,820
Shasta - Pine Grove Avenue from I-5 to Ashby Road	$	3,460	$	-	$	-	$	-	$	-	$	-	$	3,460
Shasta - Sac River Bridge, Phase A *	$	252	$	1,900	$	-	$	-	$	-	$	-	$	2,152
Ventura - Montalvo Wye Upgrade & Rail Rehabilitation	$	500	$	-	$	-	$	-	$	-	$	-	$	500
TOTAL:	$	80,331	$	2,956	$	-	$	-	$	-	$	-	$	83,287

Please Note: THESE NUMBERS ARE BASED UPON PROGRAM LEVELS NOT CASH.

*** Updated from the 10/15/98 draft listing.**

Attachment 2

State of California

Business, Transportation and Housing Agency

Memorandum

To: DEPUTY DIRECTORS
DISTRICT DIRECTORS
PROGRAM MANAGERS
SERVICE CENTER DIRECTORS

Date: December 2, 1998

File:

From: **DEPARTMENT OF TRANSPORTATION**
BUDGETS PROGRAM – MS 24

Subject: Project Funding Policy

The purpose of this memorandum is to outline the Department of Transportation's (Caltrans') funding guidelines based upon our evaluation of the Federal Transportation Enhancement Act for the 21st Century (TEA-21), and the 1998 Adopted State Transportation Improvement Program (STIP).

Policy

Caltrans maximizes the return of Federal dollars to California. All projects that are eligible for Federal participation must follow the Federal process to ensure maximum reimbursement to California. This policy applies to all capital projects, including transit programmed in the STIP and SHOPP unless specifically mentioned as eligible for State-only funding.

State-only funds are approved for the following:

- All Capital projects under $750,000 except for:
  - Park & Ride and Bus Stop projects costing $30,000 or more.
  - Safety (HB-1) and Railroad crossing projects on State highways costing $100,000 or more.
- State funds used to match Federal funds.
- STIP Rideshare projects.
- Rail projects that are not eligible for Federal funding, and are not for acquiring rolling stock.
- STIP Planning, Programming, and Monitoring funds.
- Projects recommended by Caltrans approved by the California Transportation Commission (CTC) at the time of programming.
- Projects granted exceptions by Caltrans.

This policy change impacts Deputy Directive 11 - Federal Aid Project Funding. A revised directive will be issued shortly. If you have any questions regarding this policy, please contact Joan Borucki at Calnet 8-464-4556, or public phone (916)) 654-4556.

CRAIG L. HOUSE
Deputy Director
Finance

c: Regional Agencies

State of California

Business, Transportation and Housing Agency

Memorandum

To: REGIONAL AGENCIES
DISTRICT DIRECTORS

Date: December 1, 1998

File:

From: **DEPARTMENT OF TRANSPORTATION**
BUDGETS PROGRAM – M.S. 24

Subject: Exceptions to Project Funding Policy

The Department of Transportation's (Caltrans') policy is to maximize the return of Federal dollars to California. All projects that are eligible for Federal participation must follow the Federal process to ensure maximum reimbursement to California. However, in a few situations, a project sponsor may need to request the flexibility allowed by using State-only funds on a project. The decision to fund a project with State dollars is a function of both the cash flow of the State Highway Account, and the ability of the State and Local Agencies to obligate Federal funds.

When requesting an exception to the current Federal funding policy, the request must be submitted in writing to the Caltrans' district liaison. Caltrans' district staff will then forward the request to the appropriate Caltrans' program, who will then send it to the Caltrans' Budgets Program with a recommendation at least one-month prior to the proposed California Transportation Commission (CTC) allocation cutoff date (this schedule is published yearly by the Caltrans' CTC Liaison Office). The request must include the following information:

- A description of the project, specifically what work is being accomplished.
- Key timelines including the beginning and ending dates of the project, proposed advertising date, contract and construction award dates.
- A detailed funding description of all elements of the project. This requires outlining all the funding sources for each phase of the project, when the funds are needed and a cash-flow projection.
- A reason why Federal funds should not be used on the project.
- Regional Agency concurrence with the request, if being requested by someone else.

Evaluation Criteria

Caltrans will consider, at a minimum, the following criteria when evaluating each request for State-only funds:

Obligational Authority - An assessment of the current status of meeting the State's obligational authority will be made to determine if the State has a sufficient candidate pool in the appropriate Federal funding categories to ensure complete annual obligation of Federal funds.

Budget Authority - Caltrans will assess whether sufficient State appropriations exist in the current budget to ensure that any additional approval of State-only funds can be met.

Funding Used on the Project - A review of the funding sources used on the project will be made. If Federal funds have been used on any portion of the project, it may be difficult to support the need for State-only funds. However, if the STIP funding is a small amount of the total projects, and the STIP funds would be the only Federal funding, it may not be desirable to federalize the entire project to capture Federal funds for the STIP funding.

Environmental Clearance - For projects already in the pipeline, ascertain whether significant delay in getting the project ready for allocation is expected by obtaining National Environmental Policy Act (NEPA) approval.

Identified in STIP as State Only – If State funds are scarce, then projects approved by the CTC, as viable candidates for State-only funds will have priority, as funds become available.

Key Things to Keep in Mind

A few things to keep in mind when considering the possibility of requesting State-only funds:

- A time delay to meet NEPA alone will not be justification for State-only funding.
- Projects are not to be advertised until a final decision on the funding source is made. If this occurs, it will likely require the project to be readvertised adding additional time to receiving your allocation and beginning construction.
- Projects awarded before the CTC fund vote is secured, will not receive funding unless the contract contains a contingency clause that states funding is contingent upon CTC action.
- If Federal funds are determined appropriate, advertising for construction shall not occur until a form FNM-76 has been approved by the Federal Highway Administration, or by Caltrans under stewardship delegations and the agency has been notified to begin construction.

Attached is a form that outlines what is needed in order to evaluate a request for exception to the Federal funding policy. A decision on your request may be delayed if the above instructions are not followed, or if insufficient information is provided to make a decision. If you have any questions regarding this information, please contact Norma Ortega at (916) 657-5003, or Dick Petrie at (916) 654-3043.

Joan M. Borucki

JOAN M. BORUCKI
Program Manager
Budgets

Attachment

c: RRemen/CTC
DPetrie
JNicholas
Chouse
NOrtega
Program Managers

State of California

Business, Transportation and Housing Agency

Memorandum

To: **Joan Borucki**
Budgets Program - Mail Station 24

Date:

File:

From:

Subject: Request for Funds/Exception to Project Funding Policy

It is recommended that the California Transportation Commission be requested to vote **AMOUNT** from **DESCRIPTION OF FUNDING SOURCE (BOTH FEDERAL & STATE)** funds in the **FISCAL YEAR** fiscal year for the following project:

PROJECT DESCRIPTION:

JUSTIFICATION:

A. Type of work

B. Need for Project/Proposed Improvements

C. Status of Project

1) Environmental Clearance Status

2) R/W Clearance Status (If currently R/W certified as #3, when will the certification be upgraded to a #1 or #2?)

3) Status of Construction (if applicable)

D. Total Project Funding Plan By Fiscal Year (list all funding sources & anticipated fund usage by year)

E. Allocation

1) Amount of allocation request:

2) Is this a partial allocation request? ☐ YES ☐ NO

3) If this is a partial allocation, what will be the total cost of the project? When will the additional allocation be needed?

4) Is the project identified as State-Only in the adopted programming document?

☐ YES ☐ NO

5) If requesting State-Only funding, please state specific reasons per project funding policy:

F. Advertisement: We request that this project be advertised in **MONTH YEAR**.

Attachment II

LOCAL ROAD REHABILITATION PROJECT CERTIFICATION (1998 STIP Augmentation Projects)

Local Agency Letterhead

To: (Regional Transportation Planning Agency) Date :
(Address)

The City/County of _____ submits the following local road rehabilitation projects for certification that each project is in compliance with California Transportation Commission guidelines.

Street/Road	From ---------- to ----------	Local Road Facility (Pavement, drainage structure, bridge, cut slope, embankment, etc.)	PPNO	Rehabilitation Strategy (Resurfacing, chip seal, seal coat, restoration of existing facility, etc.)	Service Life (Years)

All projects listed above meet the following standards:

- The type of work is eligible for local road rehabilitation, and excludes routine maintenance work, as described in Section II-D-8, "Eligibility of Local Road Rehabilitation Projects" of the *Procedures for Administering Local Agency Grant projects in the State Transportation Improvement Program.*
- For pavement rehabilitation, the estimated number of years the work will extend the service life of the facility is documented in a PSR or equivalent signed by a registered civil engineer.
- Pavement rehabilitation strategies with less than 10 years service life have been determined by a Pavement Management System (PMS) to be cost effective and have a service life of 5 years or more. (Attach PMS certification if appropriate.)
- The work does not degrade any existing safety or geometric aspect of the facility.

City/County Signature _____ Title:_____

Regional Transportation Planning Agency/County Transportation Commission Certification:

The _____(Regional Transportation Planning Agency/County Transportation Commission) certifies the projects listed above meet California Transportation Commission guidelines.

Signature _____ Title _____ Date:_____

Attachment III

PAVEMENT MANAGEMENT SYSTEM CERTIFICATION (State Transportation Improvement Projects)

Local Agency Letterhead

To: (Regional Transportation Planning Agency/County Transportation Commission) Date :
(Address)

The City/County of _____ certifies that it has a Pavement Management System (PMS) in conformance with the criteria described in Caltrans' *Procedures for Administering Local Grant Projects in the State Transportation Improvement Program (STIP)*, dated April 1, 1999. The *Procedures* require that a system be in place to meet standards for pavement rehabilitation projects programmed in the 1998 STIP.

The system was developed by _____ and contains, at a minimum, the following elements:

- Inventory of all existing pavements under the City/County jurisdiction.
  Centerline miles _____
  Total lane miles (or equivalent units) _____
  The last update of the inventory was completed _____, 19__

- Identification of sections of pavement needing rehabilitation
  Total lane miles (or equivalent units) _____

- Estimate of the cost to rehabilitate deficient sections $_____

- A procedure to identify rehabilitation strategies that are cost effective
  (Briefly describe it on an attached sheet.)

You may direct any questions regarding the system to _____ at _____.
(name) (phone number)

Signature _____ Title:_____

Attachment IV

PPNO:_____
EA: _____
_____
_____
(Brief Project Desc.)

FUNDING ALLOCATION CHECKLIST
Local Highway Projects

This checklist is to be completed by the local agency and attached to the Request for Funding Allocation. (Not required for PPM and Rideshare Projects. See Allocation Procedures for Rail/Transit projects for description of Fund Allocation Package requirements.)

Type of Project

- ☐ New Highway Facility
- ☐ Widen Existing Facility
- ☐ Pedestrian and bicycle facilities
- ☐ Soundwalls
- ☐ Grade separation
- ☐ Intermodal facilities
- ☐ Other (describe) _____
- ☐ Storm Damage Repair
- ☐ Local Road Rehabilitation
- ☐ Reconstruction (See Section III.A.3 of Procedures for definition) (describe) _____
- ☐ Transportation system management
- ☐ Safety

Fund Allocation Summary

1998 STIP (as amended) Regional Improvement Program			Fund Allocation		
Project Component	Amount	Fiscal Year	Previous	This Request	Total
Environmental Studies & Permits	$_____	_____/_____	$_____	$_____	$_____
Plans, Specifications & Estimate	$_____	_____/_____	$_____	$_____	$_____
Right of Way	$_____	_____/_____	$_____	$_____	$_____
Construction	$_____	_____/_____	$_____	$_____	$_____
Total	$_____		$_____	$_____	$_____

HIGHWAY FUNCTIONAL CLASSIFICATION
(Check appropriate box)

Eligible for Federal-aid

- ☐ Urban Principal Arterial
- ☐ Urban Minor Arterial
- ☐ Urban Collector
- ☐ Rural Principal Arterial
- ☐ Rural Minor Arterial
- ☐ Rural Major Collector

Ineligible for Federal-aid

- ☐ Urban Local
- ☐ Rural Minor Collector
- ☐ Rural Local

STATE-ONLY FUNDING APPROVAL

1. Indicate type of funding
   - ☐ Federal/State (Skip to question No. 5)
   - ☐ State-only

2. Is the State-only funding approved?
   - ☐ Yes
   - ☐ No

   If yes, indicate the type of approval and then skip to question No. 5
   - ☐ Project included in. the *Final State Only Inventory as of 11/30/98* (Attach. 1 of December 1, 1998 State-only Funding Memorandum. (Indicate title of list)
     - ☐ 1998 STIP Projects Flagged for State-Only
     - ☐ Grandfathered Projects – '96 STIP
     - ☐ Projects Granted SOF (as of 10/15/98)
   - ☐ Capital project under $750,000 (total amount programmed for all components in the STIP)
   - ☐ State funds used to match Federal funds
   - ☐ Granted State-only funding exception by Caltrans after the 10/15/98 list (attached copy of approval)

3. Is this a storm damage repair or local road rehabilitation project equal to or greater than $750,000 identified in the 1998 STIP Augmentation?
   - ☐ Yes
   - ☐ No

   In accordance with Commission policy, State-only funding will be provided for all rehabilitation projects identified in the STIP Augmentation, regardless of cost. However, this is not a commitment that State-only funding will be available at the time of allocation. If the answer to this question is "Yes", attach specific reasons why Federal funds should not be used on the project at this time. See "State-only Funding (December 1, 1998 Memorandum) for evaluation criteria Caltrans will consider before approving this request.

4. If the answers to questions 2 and 3 are both "No", complete the Checklist and submit the "Request for Funds/Exception to Project Funding Policy" form described in "State-only Funding" (December 1, 1998 Memorandum), for approval by the Commission. (Regional Transportation Planning Agency concurrence required.)

LOCAL ROAD REHABILITATION PROJECTS

5. Has the Regional Transportation Planning Agency (RTPA) certified that the project meets the standard for rehabilitation?
   - ☐ Yes
   - ☐ No

   If "Yes", attach copy of Local Road Rehabilitation Project Certification and skip to next section.
   If "No", this Request for Funding Allocation will not be processed until the Certification is provided.

STORM DAMAGE REPAIR

6. Type of work (i.e., debris removal, repair, restore, or reconstruct pavement, or other surface courses, shoulders, embankments, cut slopes, roadside development, steam channels, rock slope protection, cribbing, bridges, retaining walls culverts etc.) _____

7. Is the project to repair storm damage identified in an inventory submitted to the Commission?
   - ☐ Yes
   - ☐ No

   If "No", the work is not eligible as a reimbursable STIP cost

8. Was the damage caused by the 1997/98 storm (as documented in a PSR equivalent signed by a professional engineer)?
   - ☐ Yes
   - ☐ No

   If "No", the work is not eligible as a reimbursable storm damage project.

9. Is this damage eligible for reimbursement with Federal Emergency Relief (ER) funds or Federal Emergency Management Administration (FEMA) funds? Note: See Chapter 11, "Disaster Assistance" of the *Local Assistance Program Guidelines* for description of eligible work.
   - ☐ Yes
   - ☐ No

   If "Yes", the work is not eligible as a reimbursable storm damage project.

   - ☐ Not in an area declared a disaster. (by Presidential or Gubernatorial proclamation)
   - ☐ Other. Attach copy of Damage Assessment Form (submitted to Caltrans for projects on highways eligible for Federal aid) or Damage Survey Form (submitted to the California State Office of Emergency Services for projects on highways ineligible for Federal aid). If storm damage was not submitted to either Caltrans or OES, explain why not and attach PSR equivalent that describes the work.

DELEGATED ALLOCATION AUTHORITY BY CALTRANS

10. Is this Request for STIP Funding Allocation eligible for approval by Caltrans?
    - ☐ Yes
    - ☐ No

    If "Yes", indicate type of eligibility
    - ☐ Storm damage repair or local road rehabilitation project identified in the 1998 STIP Augmentation
    - ☐ Project development component <$750,000

    Note: For local road rehabilitation projects identified in the 1998 STIP Augmentation, the RTPA must certify project is in compliance with Commission guidelines prior to Caltrans processing of requests for funding allocations. Attach copy of Certification.

11. Has the project description or scope changed from the Project Nomination Sheet?
    - ☐ Yes
    - ☐ No

12. Will this request cause the Total Allocation to exceed the amount programmed for any component?
    - ☐ Yes
    - ☐ No

13. Will this request require a funding advance?
    - ☐ Yes
    - ☐ No

If the answer to question 11, 12, or 13 is "Yes", the "Request for STIP Funding Allocation" must be approved by the California Transportation Commission, regardless of the type of project, and include written concurrence from the Regional Transportation Planning Agency. (Note: A Commission Resolution allows Caltrans to advance Storm Damage and Rehabilitation projects one Fiscal Year.)

ENVIRONMENTAL CLEARANCE REQUIREMENTS

14. Is this request limited to funding for the Environmental Studies component?
    - ☐ Yes
    - ☐ No

    If "No", a completed CEQA Environmental Document is required.

15. Is this request for a project with any Federal funds (STIP or non-STIP)?
    - ☐ Yes
    - ☐ No

    If "No", skip question 16, a NEPA Environmental Document is not required.

16. Is this request for Right of Way or Construction funding?
    - ☐ Yes
    - ☐ No

    If "Yes", a completed NEPA Environmental Document is required.

CONSULTANT CONTRACT PREAWARD AUDIT REQUIREMENTS

17. Will consultants perform any portion of the work on the requested component?
    - ☐ Yes
    - ☐ No

    If "Yes", answer the following questions?

    Any contracts >$75,000?
    - ☐ Yes
    - ☐ No

    If "No", Preaward audit not required, skip to question #11.

18. Status of the audit
    - ☐ Completed (attach "Audit Disposition" letter)
    - ☐ To be completed by Caltrans ("Preaward Audit Request Letter" must be sent to DLAE).
    - ☐ To be completed by local agency or hired Certified Public Accountant at a later date. Submit "Audit Disposition" letter to the DLAE prior to entering into a contract with the consultant(s).

ESTIMATED TIMELY USE OF FUNDS DEADLINES

19. Requested Funding Allocation Approval date _____

20. Is this request for Project Development costs (Environmental Studies or PS&E)?
    - ☐ Yes
    - ☐ No

    If "Yes", complete the following:

    Estimated expenditure deadline for this project development allocation: _____
    (Enter June 30th of the end of the second fiscal year after the requested approval date.) **Expenditures after this date will not be reimbursed and no adjustment will be made to the county share balance for the under-expenditure unless the Commission extends the deadline.**

21. Is this request for Right of way costs?
    - ☐ Yes
    - ☐ No

    If "Yes", complete the following:

    Estimated expenditure deadline for this right of way allocation:_____

    (Enter June 30th of the end of the second fiscal year after the requested approval date.) **Expenditures after this date will not be reimbursed and no adjustment will be made to the county share balance for the under-expenditure unless the Commission extends the deadline.**

22. Is this request for Construction costs?
    - ☐ Yes
    - ☐ No

    If "Yes", complete the following:

    Estimated award deadline for this allocation:____(date)_____
    (Enter the date that is 12 months after the date of the requested approval date.) **If the project is not awarded by this date, the funding will be rescinded with no adjustment to county shares unless the Commission extends the deadline.**

    Based on the requested funding approval date shown above, we estimate that we will award a contract for this project on _____ (enter date) and complete the contract on _____ (enter date).

    Estimated expenditure deadline for this construction allocation _____ (Enter the date that is 36 months after the estimated award date shown above.) **If it is estimated the contract will not be completed and accepted by this date, attach justification for the extra time required to complete the contract.**

REGIONAL TRANSPORTATION PLANNING AGENCY CONCURRENCE

23. Will this request require approval of an exception to the project funding policy described in the December 1, 1998 "State-only Funding" memo? (Question 2)
    - ☐ Yes
    - ☐ No

24. Will this request change the project description, scope, exceed the amount programmed, or require an advance? (Questions 4, 5 and 6)

25. Has the Regional Transportation Planning Agency passed a resolution requiring their concurrence on all requests for STIP funding allocations?
    - ☐ Yes
    - ☐ No

If the answer to question 23, 24, or 25 is "Yes", the RTPA must sign the "Request for Funding Allocation" form.

Prepared by _____ Date _____ Phone No. _____

Attachment V

REQUEST FOR STIP FUNDING ALLOCATION
Local Highway Projects

Local Agency Letterhead

To: (DLAE Name)
District Local Assistance Engineer
Caltrans, Office of Local Assistance
(District Address)

Date :

PPNO:_____
EA: _____
(Brief Project Description)
(Location)_____
(County)_____
Assembly District: ____
Senate District: ____

Dear (DLAE Name)

We request that [the California Transportation Commission *or* Caltrans] *(indicate approval authority per Checklist instructions)* allocate (total dollar amount of this request) of Regional Improvement Program funding for this project.

Project Description:

(Enter description of project location and scope from Project Nomination Sheet

A. Fund Allocation Summary

Project Component	Fund Allocation (This Request)
Environmental Studies & Permits	$_____
Plans, Specifications & Estimate	$_____
Right of Way	$_____
Construction	$_____
Total	$_____

B. Total Project Funding Plan by Fiscal Year

List all funding sources and anticipated fund usage by year. If there are any funding conditions, describe type of conditions, i.e. proportional split of funds across all components, STIP funds first, etc.
(If attached Project Nomination Sheet includes this detail and it is still current, it is not necessary to repeat the information here.)

C. Type of STIP Funding

Indicate type of STIP funding required. (Federal/State or State-only)

D. Request for Additional STIP Funding

If this request exceeds the amount programmed for any component, provide justification and the following information:

Additional funding required $_____
County reserves available $_____
County share advance required $_____ (If county reserves are inadequate to fund the shortfall)

E. Request for Advance of STIP Funding

If this request for funding is for STIP funding programmed in a future Fiscal Year, provide justification.

F. Status of Project

1) Completion of Environmental Document:
CEQA - Describe document type and date. (Required for all components except environmental studies)
NEPA - Describe document type and date. (Required for Right of Way and Construction, if applicable)

2) Right of Way Certification:
If this request is for Federal Construction funding, indicate the date right of way has been certified (or will be certified) for the project.

3) Construction
If this request is for Construction funding, whether project is ready to advertise (or the date the project will be ready to advertise.)

G. Timely Use of Funds

We request that [the Commission *or* Caltrans]allocate these funds [at the _____ meeting. *or* by _____.] *(use appropriate wording per Checklist instructions)*

H. Local Agency Certification:

This Request for Funding allocation has been prepared in accordance with the *Procedures for Administering Local Grant Projects in the State Transportation Improvement Program (STIP)*. I certify that the information provided in the attached checklist is accurate and correct. I understand that if the required information has not been provided this form will be returned and the funding allocation may be delayed. Please advise us as soon as the fund allocation has been approved. You may direct any questions to _____ at _____
(name) (phone number)

Signature _____ Title:_____ Date:_____
(Title)

I. Regional Transportation Planning Agency/County Transportation Commission Concurrence:
(See attached Request for Funding Allocation Checklist for requirements.)

Concurred

Signature _____ _____ Date:_____
(Title) (Agency/Commission)

J. Caltrans District Local Assistance Engineer Acceptance:

I have reviewed the information submitted on the Request for Funding and agree it is complete and has been prepared in accordance with the *Procedures for Administering Local Grant Projects in the State Transportation Improvement Program*.

Signature _____ Date:_____
(Title)

Attachments:
- Project Nomination sheet
- Funding Allocation Checklist
- Others (as required, i.e., State-only funding exception approval, Justification for construction deadlines longer than 36 months, Preaward Audit Request, Audit Disposition letter, State-only Finance Letter, Local Road Rehabilitation Project Certification, etc.)

Distribution: (1) Original + 1 copy to DLAE (2) copy to Regional Planning Agency/County Transportation Commission

MASTER AGREEMENT

ADMINISTERING AGENCY – STATE AGREEMENT
FOR
STATE FUNDED PROJECTS

District __
Agreement No. _____
(Agency Name)
Administering Agency

This AGREEMENT, made effective this ___ day of _____, 2000 is by and between the (type) of (Agency), hereinafter referred to as 'ADMINISTERING AGENCY,' and the State of California, acting by and through its Department of Transportation, hereinafter referred to as 'STATE.'

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WITNESSETH

WHEREAS, the Legislature of the State of California has enacted legislation by which certain State funds are made available for use on local transportation facilities; and

NOT FOR

WHEREAS, ADMINISTERING AGENCY has applied to the California Transportation Commission (CTC) and/or STATE for funding from the STATE Transportation Improvement Program (STIP), or other programs, as defined in the Local Assistance Program Guidelines for use on local transportation facilities as local administered PROJECT(s), hereinafter referred to as "PROJECT"; and

WHEREAS, said PROJECT will not receive any federal funds; and

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WHEREAS, STATE is willing to enter into an AGREEMENT with ADMINISTERING AGENCY to delineate those certain obligations placed upon ADMINISTERING AGENCY relative to the use of said State funding and the prosecution of said PROJECT by ADMINISTERING AGENCY.

NOW, THEREFORE, the parties agree as follows:

ARTICLE I - PROJECT ADMINISTRATION

1. This AGREEMENT shall have no force or effect with respect to any programmed project unless and until a PROJECT-specific program supplement, adopting all of the terms and conditions of this AGREEMENT, hereinafter referred to as "PROGRAM SUPPLEMENT," has been fully executed by the parties.

2. A Financial commitment of state funds will occur only following the execution of this AGREEMENT together with the subsequent execution of each applicable PROGRAM SUPPLEMENT.

3. ADMINISTERING AGENCY further agrees, as a condition to the release and payment of State funds encumbered to the PROJECT described in the PROGRAM SUPPLEMENT, to comply with the terms of this AGREEMENT and all of the agreed-upon Special Covenants andConditions attached to or made a part of the PROGRAM SUPPLEMENT, identifying and defining the nature of that specific PROJECT.

4. The PROGRAM SUPPLEMENT shall designate the ADMINISTERING AGENCY responsible for implementing the various phases of the PROJECT, the State funding program, and the matching funds to be provided by ADMINISTERING AGENCY and/or others. Adoption and execution of the PROGRAM SUPPLEMENT by ADMINISTERING AGENCY and STATE, incorporating the terms and conditions of this AGREEMENT into the PROGRAM SUPPLEMENT as though fully set forth therein, shall be sufficient to bind the ADMINISTERING AGENCY to these terms and conditions when performing the PROJECT. Unless otherwise expressly delegated in a resolution by the ADMINISTERING AGENCY'S governing body and concurred in by STATE, the PROGRAM SUPPLEMENT shall be managed by the ADMINISTERING AGENCY's governing body.

5. PROJECT shall be acquired, designed, and constructed (a) as required in the Local Assistance Program Guidelines, (b) such other STATE procedures as are identified in the PROGRAM SUPPLEMENT, and (c) as is specified in this AGREEMENT.

6. Unless otherwise provided in the PROGRAM SUPPLEMENT, the ADMINISTERING AGENCY shall advertise, award, and administer the PROJECT construction contract or contracts.

7. The estimated cost and scope of PROJECT will be as described in the PROGRAM SUPPLEMENT and STATE funding participation is limited to the amounts established by STATE. A contract awarded by ADMINISTRATING AGENCY for an amount in excess of said approved estimate may exceed said PROGRAM SUPPLEMENT cost estimate provided (a) ADMINISTERING AGENCY provides the necessary additional funding or (b) a PROJECT cost increase in State funding is first requested by ADMINISTERING AGENCY and is approved by STATE in the form of an amended PROGRAM SUPPLEMENT or a STATE approved encumbrance document adding (or deleting) PROJECT funds.

8. Subsequent to the inclusion of the PROJECT in a plan or program approved by STATE and the ADMINISTERING AGENCY entering into this AGREEMENT and the PROGRAM SUPPLEMENT, the ADMINISTERING AGENCY may request and receive payment for eligible work as follows:

(a) STATE will reimburse the STATE's share of eligible participating PROJECT costs monthly in arrears upon ADMINISTERING AGENCY's submittal of signed acceptable monthly progress pay invoices (in duplicate) for expenditures actually made by ADMINISTERING AGENCY.

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(b) If PROJECT involves work on the STATE highway system, that PROJECT shall also be the subject of separate standard forms of STATE encroachment permits issued to ADMINISTERING AGENCY and any contractors and, where appropriate, an executed cooperative agreement between STATE and ADMINISTERING AGENCY to determine how PROJECT is to be acquired, designed, or constructed and to establish ownership and future maintenance obligations.

(c) State funds will not participate in any portion of PROJECT work performed in advance of either the effective date of the executed PROGRAM SUPPLEMENT for said PROJECT or the effective date of this AGREEMENT.

9. The total of all ADMINISTERING AGENCY invoices (submitted monthly or quarterly in arrears) for reimbursement of participating PROJECT costs, including all required ADMINISTERING AGENCY matching funds, must not exceed the actual total allowable PROJECT costs, including, but not limited to, all completed preliminary engineering work, right of way acquisition, design and construction included within the PROJECT description contained in the PROGRAM SUPPLEMENT.

10. Invoices shall be submitted on ADMINISTERING AGENCY letterhead and shall reference (a) this AGREEMENT number, (b) the PROJECT title and number, (c) the progress billing number for the PROJECT, and (d) shall be formatted and costs reported in accordance with the current version of Chapter 5, "Accounting/Invoices," of the Local Assistance Procedures Manual published by STATE.

11. STATE programmed amounts may be increased to cover PROJECT cost increases only (a) if such funds are available, (b) STATE concurs with that proposed increase, and (c) STATE executes an amending PROGRAM SUPPLEMENT or a STATE approved encumbrance document encumbering those funds.

12. When additional State funds are not available, the ADMINISTERING AGENCY agrees that the payment of State funds will be limited to the amounts already approved in the PROGRAM SUPPLEMENT and all STATE approved encumbrance documents and that any increases in PROJECT costs must be defrayed with ADMINISTERING AGENCY funds.

13. The legislature of the State of California and the Governor of the State of California, each within their respective jurisdictions, have prescribed certain employment practices with respect to contract and other work financed with State funds. ADMINISTERING AGENCY shall ensure that work performed under this AGREEMENT is done in conformance with the rules and regulations embodying such requirements where they are applicable.

14. ADMINISTERING AGENCY and its subcontractors shall establish and maintain an accounting system conforming to Generally Accepted Accounting Principles (GAAP) to support reimbursement payment vouchers or invoices which segregate and accumulate costs of PROJECT work elements and produce monthly reports which clearly identify reimbursable costs, matching costs, and other expenditures by ADMINISTERING AGENCY.

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15. ADMINISTERING AGENCY and all subcontractors shall comply with the Uniform Administrative Requirements for State and Local Governments set forth in the Code of Federal Regulations (CFR), Title 49, Part 18. In addition, the ADMINISTERING AGENCY agrees to comply with the cost principles and procedures set forth in Office of Management and Budget Circular A-87. The ADMINISTERING AGENCY agrees that a reference to either Office of Management and Budget (OMB) Circular A-87 or the Code of Federal Regulations, Title 49, Chapter 1, Part 31, whichever is applicable and the code of Federal Regulations, Title 49, Part 18, will be included in any subcontracts entered into as a result of this AGREEMENT.

16. After completion of all work under this AGREEMENT, and after all PROJECT costs are known, ADMINISTERING AGENCY shall contract for a financial audit of PROJECT costs if those costs are in excess of $300,000. This Audit, to be accomplished at the ADMINISTERING AGENCY's expense, may be done on an individual PROJECT basis, or PROJECT may be included in the ADMINISTERING AGENCY's annual Single Audit. If an individual audit of PROJECT is done, the auditor must prepare a Final Audit Report. If ADMINISTERING AGENCY chooses the Single Audit option, an audit report is required for the State funding share. This report should be prepared in accordance with the guidelines set forth in OMB Circular A-133. Compliance testing performed for this audit should determine whether the ADMINISTERING AGENCY has a system that is adequate to accumulate and segregate reasonable, allowable and allocable costs to assure that:

(a) Reimbursement claims submitted to STATE for the PROJECT are supported by payment vouchers and canceled checks.

(b) Charges for the various categories of eligible PROJECT costs incurred by the ADMINISTERING AGENCY are fully supported and recorded in the ADMINISTERING AGENCY's accounting records in accordance with generally accepted accounting principles.

(c) The ADMINISTERING AGENCY complied with CFR 49 Part 18, Uniform Administrative Requirements for State and Local Governments and OMB A-87, Cost Principles for State and Local Governments. Any instances of noncompliance or costs determined ineligible in accordance with these regulations but claimed for reimbursement should be identified and set forth in the auditor's report.

17. The "State Report of Expenditures" must be completed by ADMINISTERING AGENCY within one hundred eighty (180) days of PROJECT completion in the format described for State funded projects in Chapter 17, "Project Completion" of the Local Assistance Procedures Manual. The Final Invoice must be submitted with the "State Report of Expenditures". The Audit must be completed by the December 30th following the fiscal year of PROJECT completion. Project completion is defined as when all work identified in the approved PROJECT Application and PROGRAM SUPPLEMENT has been completed and final costs are known. The report documents (State Report of Expenditures and Final Audit Report) will be sent to the appropriate STATE office. Failure to comply with these reporting requirements may result in the withholding of future allocations for other projects.

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18. STATE reserves the right to conduct technical and financial audits if it is determined to be necessary. After any financial audit, ADMINISTERING AGENCY shall promptly refund any excess State funds erroneously reimbursed to ADMINISTERING AGENCY.

19. Should ADMINISTERING AGENCY fail to refund all moneys due STATE as provided hereunder or should ADMINISTERING AGENCY breach this AGREEMENT by failing to complete PROJECT, then, within thirty (30) days of STATE's demand, or within such other period as may be agreed to in writing between the parties hereto, STATE, acting through the State Controller, the State Treasurer, the California Transportation Commission (CTC), or any other public agency, may withhold or demand a transfer of an amount equal to the PROJECT amount paid by STATE from future apportionments or any other funds due ADMINISTERING AGENCY from the Highway Users Tax Fund or any other funds and/or may withhold approval of future ADMINISTERING AGENCY projects.

20. Should ADMINISTERING AGENCY be constituted as a joint powers authority, a special district, or any other public entity not directly receiving funds through the State Controller and ADMINISTERING AGENCY is declared by STATE to be in breach of this AGREEMENT or otherwise in default, STATE is authorized to obtain reimbursement from whatever sources of funding are available, including the withholding or transfer of funds, pursuant to Article I-19, from any or all, joint and several, of those constituent entities comprising the joint powers authority or by the bringing of an action against ADMINISTERING AGENCY and its constituent member entities to recover all funds provided by STATE hereunder. The ADMINISTERING AGENCY acknowledges that the signatory party represents the ADMINISTRING AGENCY and further warrants that there is nothing within the Joint Powers Agreement itself that would restrict or otherwise limit STATE's ability to recover state funds improperly spent by the ADMINISTERING AGENCY in contravention of the terms of this AGREEMENT.

21. When PROJECT is not on the STATE highway system, but includes work to be performed by a railroad, the contract for such work shall be prepared and administered by ADMINISTERING AGENCY or by STATE, as the parties may hereafter agree. In either event, ADMINISTERING AGENCY shall enter into an agreement with the railroad providing for future maintenance of protective devices or other facilities installed or constructed under that contract.

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ARTICLE II – ENGINEERING

1. "Project Development Costs" includes all preliminary work directly related to the PROJECT up to contract award for construction, including, but not limited to, environmental studies, preliminary surveys and reports, laboratory work, soil investigation, preparation of plans, specifications and estimates, advertising for bids, awarding contract, as well as project development contract administration.

2. "Construction Engineering" eligible costs include actual inspection and supervision of PROJECT construction work, construction staking, laboratory and field testing, preparation and processing of field reports, and records, estimates, final reports, and allowable expenses of employees/consultants engaged in such activities.

3. Unless the parties shall otherwise agree in writing, ADMINISTERING AGENCY's employees or its subcontractor engineering consultant shall be responsible for all PROJECT engineering work. When construction engineering is performed by STATE, charges by STATE invoiced to ADMINISTERING AGENCY shall include an assessment on direct labor costs in accordance with Section 8755.1 of the State Administrative Manual. Any portions of STATE charges not contractually absorbed by STATE shall be paid from PROJECT or other funds administered by ADMINISTERING AGENCY.

4. Costs incurred by ADMINISTERING AGENCY in the period prior to the effective date of this AGREEMENT or prior to a later date specified in a PROGRAM SUPPLEMENT or after termination date for PROJECT described in the PROGRAM SUPPLEMENT or this AGREEMENT are not allowable by STATE as reimbursable or matching costs.

ARTICLE III - RIGHT-OF-WAY

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1. All related rights-of-way necessary for the construction of PROJECT shall be acquired by ADMINISTERING AGENCY, and no contract for construction of PROJECT or any portion thereof shall be advertised until those necessary rights-of-way have been secured.

2. The furnishing of rights-of-way as provided for herein includes, and is limited to, the following, unless the PROGRAM SUPPLEMENT provides otherwise:

NOT FOR

(a) expenditures to purchase all real property required for PROJECT free and clear of liens, conflicting easements, obstructions and encumbrances, after crediting PROJECT with the fair market value of any excess property retained and not disposed of by ADMINISTERING AGENCY.

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(b) the payment of damages to real property not actually taken but injuriously affected by the proposed improvement.

(c) the cost of relocating owners and occupants pursuant to Government Code Sections 7260-7277.

(d) the cost of demolition and sales of all improvements on the right-of-way after credit for sale proceeds.

(e) the cost of all unavoidable utility relocation, protection or removal.

(f) the cost of all necessary hazardous material and hazardous waste treatment, encapsulation or removal and protective storage for which ADMINISTERING AGENCY is not responsible and where the actual generator cannot be identified and recovery made.

3. Should ADMINISTERING AGENCY, in acquiring right-of-way for PROJECT, displace an individual, family, business, farm operation or nonprofit organization, the ADMINISTERING

AGENCY shall provide relocation payments and services as required by California Government Code Sections 7260-7277.

4. State funds will not participate in any PROJECT costs arising out of delays to construction or a demolition contractor's orderly prosecution of the PROJECT work because utilities have not been timely removed or relocated or due to the unavailability of rights-of-way.

5. If any protection, relocation or removal of utilities is required within STATE's right-of-way, such work shall only be performed in accordance with then current STATE policies and procedures. ADMINISTERING AGENCY shall require any utility company performing relocation work in the STATE's right-of-way to obtain a STATE Encroachment Permit prior to the performance of said relocation work. Any relocated utilities shall be correctly located and identified on the PROJECT as-built plans.

ARTICLE IV - MISCELLANEOUS PROVISIONS

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1. The cost of security, protection, or maintenance performed by ADMINISTERING AGENCY or contractor forces during any temporary suspension of the work or at any other time may not be charged to the PROJECT.

2. Neither STATE nor any officer or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by ADMINISTERING AGENCY under or in connection with any work, authority, or jurisdiction delegated to ADMINISTERING AGENCY under this AGREEMENT. It is also understood and agreed that, pursuant to Government Code Section 895.4, ADMINISTERING AGENCY shall fully defend, indemnify and hold STATE, its officers and employees harmless from any liability imposed for injury (as defined be Government Code Section 810.8) occurring by reason of anything done or omitted to be done by ADMINISTERING AGENCY under or in connection with any work, authority, or jurisdiction delegated to ADMINISTERING AGENCY under this AGREEMENT.

3. Neither ADMINISTERING AGENCY nor any officer or employee thereof, shall be responsible for any damage or liability occurring by reasons of anything done or omitted to be done by STATE under or in connection with any work, authority, or jurisdiction delegated to STATE under this AGREEMENT. It is also understood and agreed that pursuant to Government Code Section 895.4, STATE shall fully defend, indemnify and hold ADMINISTERING AGENCY harmless from any liability imposed for injury (as defined be Government Code Section 810.8) occurring by reason of anything done or omitted to be done by STATE under or in connection with any work, authority, or jurisdiction delegated to STATE under this AGREEMENT.

4. Auditors of state shall be given access to books and records of ADMINISTERING AGENCY and its consultants, contractors and subcontractors for the purpose of verifying PROJECT costs and STATE's share to be paid or credited to ADMINISTERING AGENCY for matching funds. ADMINISTERING AGENCY shall include clauses in its contracts for PROJECT obligating consultants, contractors and subcontractors to conform and cooperate in

any audit of their PROJECT costs including providing copies of all requested documents and financial records.

5. ADMINISTERING AGENCY will maintain and operate the PROJECT property acquired, developed, rehabilitated, or restored for its intended public use as proposed in those documents supplied by ADMINISTERING AGENCY as part of PROJECT funding applications and as described in this AGREEMENT until such time as the parties might amend this AGREEMENT to otherwise provide. With the approval of STATE, ADMINISTERING AGENCY or its successors in interest in the property may transfer this obligation and responsibility to maintain and operate the PROJECT property to another public entity.

6. Upon ADMINISTERING AGENCY acceptance of the completed PROJECT construction contract or upon the construction contractor being relieved of the responsibility for maintaining and protecting any portion of the work, the ADMINISTERING AGENCY having jurisdiction over the PROJECT shall maintain, repair and restore any damaged portions of the completed work in a manner satisfactory to the authorized representatives of STATE. If, within ninety (90) days after receipt of notice from STATE that a PROJECT, or any portion thereof, under ADMINISTERING AGENCY's jurisdiction is not being properly operated, maintained, repaired or restored and ADMINISTERING AGENCY has not satisfactorily remedied the conditions complained of, the approval of future projects of ADMINISTERING AGENCY will be withheld until the PROJECT shall have been put in a condition satisfactory to STATE. The provisions of this section shall not apply to a PROJECT which has been vacated, as preapproved by STATE, through due process of law.

7. The ADMINISTERING AGENCY obligation to maintain, referred to in paragraph 6 above, includes not only the physical condition of the PROJECT but its continued operation as well. PROJECT shall be maintained by an adequate and well-trained staff of engineers and/or such other professionals and technicians as the PROJECT requires. Said maintenance staff may be employees of ADMINISTERING AGENCY, another unit of government, or a contractor under an agreement with ADMINISTERING AGENCY. All maintenance will be performed at regular intervals or as required for efficient operation of the complete PROJECT improvements.

8. Without the written consent of STATE, this AGREEMENT is not assignable by ADMINISTERING AGENCY, either in whole or in part.

9. No alteration or variation of the terms of this AGREEMENT or the PROGRAM SUPPLEMENT shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.

10. This AGREEMENT is subject to any additional restrictions, limitations, conditions, or any statute enacted by the State Legislature or adopted by the CTC that may affect the provisions, terms, or funding of this AGREEMENT in any manner.

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11. ADMINISTERING AGENCY agrees to use all PROJECT funds reimbursed hereunder only for transportation purposes that are in conformance with Article XIX of the California State Constitution.

ARTICLE V - CONDITION OF ACCEPTANCE

ADMINISTERING AGENCY shall conform to all State statutes, regulations, and the Local Assistance Program Guidelines and Local Assistance Procedures Manual as published by STATE and incorporated herein, including all subsequent approved revisions thereto, hereafter collectively referred to as PROCEDURES, applicable to PROJECT, unless otherwise designated in the approved PROGRAM SUPPLEMENT.

This AGREEMENT and any PROGRAM SUPPLEMENT(s) executed under this AGREEMENT shall terminate upon sixty (60) days' prior written notice by STATE except that obligations relative to the respective parties indemnification shall not expire and the ADMINISTERING AGENCY's duties assumed under Sections 4, 5, 6 and 7 of Article IV shall continue for so long as PROJECT remains operable.

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IN WITNESS WHEREOF, the parties have executed this AGREEMENT by their duly authorized officers.

NOT FOR

STATE OF CALIFORNIA Department of Transportation	AGENCY
By_____ Chief, Office of Local Programs Project Implementation	By _____ (Authorized Representative)
Date_____	Date_____

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FINANCE LETTER

(for state-only funded projects)

DEPARTMENT OF TRANSPORTATION
DIVISION OF ACCOUNTING
LOCAL PROGRAM ACCOUNTING BRANCH

ATTN: _____

Date: _____
Agency: _____
Project No. _____
EA No. _____
PPNO: _____

	TOTAL PROJECT COST	STATE (RIP) (State-only) FUNDS			LOCAL FUNDS	OTHER FUNDS
Environmental & Permits						
Plans, Specs & Estimate						
Right of Way						
Contract Items $						
Supplemental Work $						
Contingencies $						
Agency Furn. Mat. $						
Const. Engr. $						
Force Acc't Amt. $						
Construction						
TOTAL:	$0	$0	$0	$0	$0	$0

Allocation by: CTC _____ or OLP _____
date: _____ _____
date: _____ _____

Remarks: _____

Signature: _____
Title: _____

Attachment VII
4/1/99