

Memorandum

To: Chair and Commissioners

Date: October 29, 2007

From: JOHN F. BARNA, JR.
Executive Director

File: Book Item 2.5c(10)
Action

Ref: **Financial Allocation Adjustment per AB 608**

ISSUE: Should the Commission approve the request of the Tehama County Transportation Commission to reduce its project allocations for two STIP projects and, invoking the provisions of AB 608 (2001), credit the Tehama county share for the reduction? Approval of this request would be inconsistent with the Commission's STIP guidelines and represent either a major change in Commission policy or an exception to policy that is without precedent. Thus, approval would have ramifications that extend far beyond the request from Tehama County.

RECOMMENDATION: Staff recommends that the Commission not approve the request for credit of county share.

BACKGROUND: The current system of STIP county shares established by SB 45 (1997) bases shares generally on project programming and project allocations rather than on actual project expenditures. For construction, the general rule in statute is that the cost counted toward share is "the engineer's final estimate of project costs, including construction engineering, presented to the commission for approval" and that "project costs may not be changed to reflect ... construction contract award amounts." The original STIP guidelines adopted after the enactment of SB 45 provided that construction allocations to Caltrans would be counted toward share based on the final engineer's estimate and the estimate of construction engineering support presented to the Commission by the Department. Under the guidelines, further adjustments to the construction allocation made under Commission Resolution G-12 are not counted. For local agency projects, where allocations are based on local grant requests rather than an engineer's estimate and where G-12 procedures do not apply, the allocation and the share count are based on the agency's allocation request.

In 2001, AB 608 amended the statute to create an exception to the general rule, providing, "If the construction contract award amount is less than 80 percent of the engineer's final estimate, excluding construction engineering, the department shall notify the commission and the commission may adjust its project allocation accordingly." The amendment was a response to complaints from some regional agencies that allocations based on Caltrans' engineer's estimates were sometimes too high and that regional agencies had no say in determining what the amount of the allocation request would be. The Commission staff was a party to discussions over

language in the bill and supported it with the understanding that (1) it would apply only to Caltrans projects, and (2) that Commission approval of a downward adjustment in an allocation was permissive, not required. On the first point, the thinking was that regional and local agencies themselves determined the level of allocation requests on local projects. On the second point, the concern was that a low bid and award did not necessarily mean that project costs would ultimately be lower. Lower bids could well lead to increased costs through change orders, and the Commission could engage the Department and the region in a discussion of project cost risks. When the Commission amended the STIP guidelines after the enactment of AB 608, it applied the allocation adjustment provision only to Caltrans construction projects (sections 54 and 55 of the STIP guidelines).

Since 2001, the Commission has made construction allocation adjustments under AB 608 only a few times for Caltrans projects and never for a local project. Caltrans and regions have withdrawn several initial AB 608 requests for Caltrans projects after a discussion of project-specific cost risks.

RELATED ISSUES: If the Commission decides to approve this request, it should determine whether it intends the approval as a change in general policy or as an exception to policy and on what basis. In particular, staff raises the following concerns:

- The present policy and practice provides an incentive for accuracy in programming and allocation requests. Because local agencies determine the levels of their initial allocation requests, a change in policy could be an incentive for agencies to inflate their initial requests and then to request later adjustments. This could tie up STIP capacity and increase the number of allocations coming before the Commission.
- The present policy and practice provides an incentive for local agencies to commit local non-STIP funding to cover a portion of estimated project costs. If actual costs prove to be lower than estimated, the local agency may reduce its non-STIP contribution. Most local agencies now follow this practice.

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: November 7-8, 2007

Reference No.: 2.5c.(10)
Action Item

From: CINDY McKIM
Chief Financial Officer

Prepared by: Norma Ortega
Division Chief
Budgets

Subject: **FINANCIAL ALLOCATION ADJUSTMENT FOR AWARD
RESOLUTION FP-07- , AMENDING RESOLUTIONS FP-06-85 AND FP-06-101**

RECOMMENDATION:

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) consider the resolution below, adjusting the amount allocated for two State Transportation Improvement Program (STIP) projects for Tehama County as follows: the Rawson Road Bridge Replacement project (PPNO 2149) from \$833,000 to \$583,000; and the Taylor's Wash Bridge Replacement project (PPNO 2183) from \$392,000 to \$277,000.

ISSUE:

On April 26, 2007, the Commission approved Resolution FP-06-85, allocating \$833,000 [Regional Improvement Program (RIP)] for the Rawson Road Bridge Replacement project. The project was awarded on July 10, 2007, for \$5,018,341 (\$4,435,341 in Highway Bridge Program (HBP), \$583,000 RIP).

On June 7, 2007, the Commission approved Resolution FP-06-101, allocating \$392,000 (RIP) for Taylor's Wash Bridge Replacement project. The project was awarded on August 21, 2007, for \$1,897,705 [\$1,406,795 HBP; \$275,544 RIP; \$215,366 Local].

BACKGROUND:

Section 188.8 of the Streets and Highways Code allow the Commission to adjust the allocation amount for projects in the STIP if the construction contract award amount for the project is less than 80 percent of the engineer's final estimate resulting in an adjustment to interregional and county shares. The legislation is permissive and it is understood that the adjustments to the allocations are at the discretion of the Commission. Tehama County is requesting such adjustments for the Rawson Road Bridge Replacement project (PPNO 2149) and Taylor's Wash Bridge Replacement project (PPNO 2183). The contract award amounts for these projects are less than 80 percent of the engineer's estimate.

The project award amount for Rawson Road Bridge Replacement project was \$5,018,341. The following table summarizes the fund sources:

Work Phase	Total Funding	HBP Funding	RIP Funding
Construction	\$3,884,629	\$3,439,062	\$445,567
Contingency	\$388,463	\$343,996	\$44,557
Construction Eng.	\$582,695	\$515,860	\$66,835
Mitigation	\$154,200	\$136,513	\$17,687
Additional Retention	\$8,354	-	\$8,354
Total	\$5,018,341	\$4,435,431	\$583,000

The project final amount for Taylor's Wash Bridge Replacement project was \$1,897,705. The following table summarizes the fund sources:

Work Phase	Total Funding	HBP Funding	RIP Funding	Local
Construction	\$1,518,164	\$1,125,436	\$220,435	\$172,293
Contingency	\$151,816	\$112,544	\$22,044	\$17,229
Construction Eng.	\$227,725	\$168,815	\$33,065	\$25,844
Total	\$1,897,705	\$1,406,795	\$275,544	\$215,366
Additional Retention			\$1,456	
Total RIP			\$277,000	

FINANCIAL RESOLUTION:

Resolved, pursuant to Section 188.8 of the Streets and Highways Code, that the amount allocated on April 27, 2007 under Resolution FP-06-85 for the construction of the Rawson Road Bridge Replacement project (PPNO 2149, EA 456354) be adjusted from \$833,000 to \$583,000; and the amount allocated on June 7, 2007, under Resolution FP-06-101 for the construction of the Taylor's Wash Bridge Replacement project (PPNO 2183, EA 455404) be adjusted from \$392,000 to \$277,000, in accordance with the attached vote box.

Attachment

2.5 Highway Financial Matters

Project # Allocation Amount Recipient RTPA/CTC District-County Legislative Districts	Project Title Location Project Description Project Funding	EA PPNO Program/Year PA&ED PS&E R/W CONST	Budget Year Item # Program Code	Allocation Amount State Federal Total Amount
2.5c.(10) Final Allocation Adjustment for STIP Projects – AB 608				Resolution FP-07-__
1				
\$833,000 \$583,000	Rawson Road Bridge Replacement at Red Bank Creek. Near Red Bluff, on Rawson Road Bridge (#08C-0014) at Red Bank Creek. Bridge replacement. (HBP Match)	456354 02-2149 RIP / 05-06	2006-07 601-3093 20.30.600.620	\$833,000 \$583,000
Tehama County Tehama LTC		\$0		\$833,000
02-Tehama Senate: 4 Assembly: 2	(Adjust original RIP allocation from \$833,000 to \$583,000 for CONST pursuant to AB 608. Savings of \$250,000 to be returned to Tehama County's unprogrammed share balance.)	\$0 \$833,000		\$833,000 \$583,000
2				
\$392,000 \$277,000	Lake California Drive Bridge Replacement. Near Cottonwood, on Lake California Drive at Taylor's Wash (#8C-167). Replace bridge. (HBP match)	455404 02-2183 RIP / 05-06	2006-07 601-3093 20.30.600.620	\$392,000 \$277,000
Tehama County Tehama LTC		\$0		\$392,000
02-Tehama Senate: 4 Assembly: 2	(Adjust original RIP allocation from \$392,000 to \$277,000 for CONST pursuant to AB 608. Savings of \$115,000 to be returned to Tehama County's unprogrammed share balance.)	\$0 \$392,000		\$392,000 \$277,000