

Memorandum

To: Chairman and Commissioners

Date: January 8, 2008

From: John F. Barna, Jr.
Executive Director

Ref No: 4.12
Agenda Item 17
INFORMATION

Ref: **Proposition 1B Highway Railroad Crossing Safety Account (HRCSA) Guidelines – Northern Hearing**

Issue:

On November 7, 2006, the voters approved Proposition 1B. It includes \$250 million to fund the Highway Railroad Crossing Safety Account (HRCSA) for two sub-programs – \$150 million for highway-railroad grade separations derived from the California Public Utilities Commission's Section 190 grade separation priority list and \$100 million for non-Section 190 high-priority grade crossing improvements. In 2007, the Legislature enacted implementing legislation (SB 88, Committee on Budget and Fiscal Review) that designated the Commission as the administrative agency responsible for adopting guidelines for the program, programming HRCSA funds, and allocating those funds.

Recommendation:

Staff recommends that the Commission receive comments on the HRCSA guidelines and provide direction to staff for revising the draft.

Background:

Proposition 1B provided clear direction on how, when and who would be responsible for implementing some of the other Bond programs. For the HRCSA, it was unclear which agency was the designated administrative agency.

In late August 2007, the Legislature enacted implementing legislation (SB 88) to designate administrative agencies for each of the programs funded by the bond act. SB 88 designated the Commission as the administrative agency responsible for HSCRA program. As required by SB 88, the Commission must hold two hearings on the guidelines – one in northern California and one in southern California. The Commission must adopt the guidelines by February 15, 2008,

Attachment

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Highway-Railroad Crossing Safety Account Program Guidelines

General Program Policy

1. Authority and purpose of guidelines. The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, authorized \$250 million to be deposited in the Highway-Railroad Crossing Safety Account (HRCSA) to be available, upon appropriation by the Legislature, to the Department of Transportation (Caltrans), as allocated by the California Transportation Commission (CTC), for the completion of high-priority grade separation and railroad crossing safety improvements.

In 2007, the Legislature enacted implementing legislation (SB 88) that designated the Commission as the administrative agency for the HRCSA program and directed the Commission to adopt guidelines to establish the criteria and process to allocate funds to an eligible project in the HRCSA program. SB 88 also specified various administrative and reporting requirements for all Proposition 1B programs.

2. Eligibility of applicants and projects. The Commission will consider HRCSA allocations to Caltrans or to a public agency responsible for development of a proposed project. Eligible projects are the capital costs of high-priority grade separation and railroad crossing safety improvements projects. HRCSA projects will be matched at least dollar-for-dollar by local, federal, or private funds. Other state funds, including STIP and other Proposition 1B funds, may be used for a project but will not be counted as match.

Under statute, the project recipient agency must provide a project funding plan that demonstrates that the non-HRCSA funds in the plan (local, state, or federal) are reasonably expected to be available and sufficient to complete the project. The Commission expects that HRCSA project funding will usually be limited to the costs of construction and right-of-way. Project development costs should be covered with other funding.

The useful life of an HRCSA project shall not be less than the required useful life for capital assets pursuant to the State General Obligation Bond Law, specifically subdivision (a) of Section 16727 of the Government Code. That section generally requires that projects have an expected useful life of 15 years or more.

3. Public Utilities Commission (PUC) Priorities. Proposition 1B provided that \$150 million from the HRCSA shall be made available for allocation to projects on the annual PUC priority list developed pursuant to the process established in Chapter 10 (commencing with Section 2450) of Division 3 of the Streets and Highways Code, with two exceptions:

- (1) a dollar for dollar match of non-state funds shall be provided for each project, and
- (2) the \$5 million maximum in Section 2454 shall not apply to HRCSA funds.

The annual PUC priority list process described in Chapter 10 has been in place for many years, funded primarily from State Highway Account funds as provided for under Section 190 of the Streets and Highways Code. The CTC will receive HRCSA allocation requests for projects on the current PUC priority list and for projects nominated for the FY 2008-09 and FY 2009-10 PUC priority list. The CTC will make allocations to those projects in accordance with the procedures and standards described in Chapter 10 for as long as the \$150 million authorization and necessary appropriations are available. The CTC will not adopt a program of projects for these funds other than the annual PUC priority list. As described in Section 2460, if more projects comply with the requirements of Chapter 10 than can be financed from the funds set aside for purposes of that chapter (including HRCSA and Section 190), allocations shall be made to those projects highest on the PUC priority list. The CTC may make allocations for any project when it determines, at the time of allocation, that sufficient funds are available for all projects which are higher on the priority list and which are, or are reasonably expected to become, eligible during the fiscal year.

NOTE: Sections 4 to 11 of these guidelines do not apply to the projects on the annual PUC priority list. The project delivery guidelines beginning with Section 12 apply to all projects that may receive HRCSA funding.

4. CTC Program of Projects. Proposition 1B provided that the other \$100 million from the HRCSA shall be made available to high-priority railroad crossing improvements, including grade separation projects, that are selected outside the annual PUC priority list process. The CTC will adopt a program of projects for these funds from projects nominated by Caltrans, regional agencies or recipient local agencies. These may include projects at any of the following:
 - (a) Crossings where freight and passenger rail share the affected rail line.
 - (b) Crossings with a high incidence of motor vehicle-rail or pedestrian-rail collisions.
 - (c) Crossings with a high potential for savings in rail and roadway traffic delay.
 - (d) Crossings where an improvement will result in quantifiable emission benefits.
 - (e) Crossings where the improvement will improve the flow of rail freight to or from a port facility.
5. Program Schedule. The Commission intends to implement the program of projects on the following schedule:

CTC adoption of HRCSA guidelines.	February 14, 2008.
HRCSA project applications due.	April 4, 2008.
Commission staff releases its proposed program of projects.	May 9, 2008.
CTC adopts the initial HRCSA program of projects.	May 29, 2008.

6. Project nominations. Project nominations and their supporting documentation will form the primary basis for the Commission's HRCSA program of projects. Each project nomination should include:
- A cover letter with signature authorizing and approving the application.
 - A programming request form (Appendix A) and a project fact sheet that includes a map of the project location and that describes the project scope, useful life, cost, funding plan, delivery milestones, and major project benefits. Cost estimates should be escalated to the year of proposed implementation. The project delivery milestones should include the start and completion dates for environmental clearance, land acquisition, design, construction bid award, construction completion, and project closeout.
 - A brief narrative that provides:
 - A concise description of the project scope and anticipated benefits (outputs and outcomes) proposed for HRCSA funding.
 - A specific description of non-HRCSA funding to be applied to the project and the basis for concluding that the non-HRCSA funding is reasonably expected to be available.
 - A description of the project delivery plan, including a description of the known risks that could impact the successful implementation of the project and a description of the response plan for the known risks. The risks considered should include, but not be limited to, risks associated with deliverability and engineering issues, community involvement, railroad agreement, and funding commitments.
 - A description of the function of the proposed crossing project within the appropriate rail and highway corridors, including how the project would improve safety, operations and the effective capacity of the rail corridor and of streets and highways in the area.
 - A description and quantification of project benefits, citing any documentation in support of estimates of project benefits. Where applicable and available, this should include a description of how the project would reduce rail and highway travel times, improve safety by reducing deaths and injuries, and reduce emissions from rail and motor vehicles. Where appropriate, this should also include the potential for enabling or improving high speed train operation.
 - Documentation supporting the benefit and cost estimates cited in the application. This should be no more than 10 pages in length, citing or excerpting, as appropriate, the project study report, environmental document, regional transportation plan, and other studies that provide quantitative measures of the project's costs and benefits, including safety, mobility, and emission reduction benefits.

7. Submittal of project nominations. For the initial HRCSA program of projects, the Commission will consider only projects for which a nomination and supporting documentation are received in the Commission office by 12:00 noon, April 4, 2008, in hard copy. A nomination from a regional agency will include the signature of the Chief Executive Officer or other authorized officer of the agency. A nomination from Caltrans will include the signature of the Director of Transportation or a person authorized by the Director to submit the nomination. A nomination from a city, county, or other public agency will include the signature from an officer authorized by the city council, board of supervisors, or other agency board. Where the project is to be implemented by an agency other than the nominating agency, the nomination will also include the signature of the Chief Executive Officer or other authorized officer of the implementing agency.

The Commission requests that each project nomination include five copies of the cover letter, the project fact sheet, and the narrative description, together with two copies of all supporting documentation. All nomination materials should be addressed or delivered to:

John Barna, Executive Director
California Transportation Commission
Mail Station 52, Room 2222
1120 N Street
Sacramento, CA 95814

Project Selection and Programming

8. Program of projects based on applications. The Commission will develop its HRCSA project priority list from the nominations received by the nomination due date. The listing may take into account the amount of funds appropriated.
9. Project application scoring. The Commission will evaluate and score project applications according to the following weighting:
 - A. 60%, the effectiveness of the project in providing transportation benefits, including the improvement of safety, operations, and effective capacity of rail and highway facilities in a corridor. The Commission will measure operational improvement and capacity benefits in terms of hours of delay saved per dollar expended. The Commission will measure safety benefits in terms of the estimated reduction in the number of deaths and injuries.
 - B. 20%, the date by which the project will be ready for award of the construction contract, giving higher priority to projects delivered earlier.
 - C. 10%, the degree to which the project reduces local and regional emissions of diesel particulates and other air pollutants.
 - D. 10%, the financial contribution from non-state funds in the HRCSA project, giving higher priority to projects with a higher non-state contribution.

10. Evaluation committee. The Department will form a committee to conduct a review and objective evaluation of project nominations, with representatives of staff from the Department of Transportation, the Public Utilities Commission, the High Speed Rail Authority, and the California Transportation Commission.
11. Program adoption. The Commission will adopt its initial HRCSA project priority list after holding at least one public hearing. The Commission anticipates that its adopted HRCSA priority list will exceed \$100 million, just as the annual PUC priority list has consistently exceeded the amount of funding available for that list. The Commission may, if it finds it necessary or appropriate, advise potential applicants to submit new or revised applications annually thereafter.

Project Delivery

12. Project baseline agreements. Within three months after the adoption of a project into the HRCSA program of projects, the Commission, Caltrans and the implementing agency, together with the regional agency and any entity committed to providing supplementary funding for the project, will execute a project baseline agreement, which will set forth the project scope, benefits, delivery schedule, and the project budget and funding plan. For this purpose, the Commission will identify the projects from the annual PUC priority list that appear to be fundable as part of the overall HRCSA program of projects. The Commission may delete a project for which no project baseline agreement is executed, and the Commission will not consider approval of a project allocation prior to the execution of a project baseline agreement.
13. Quarterly delivery reports: As a part of the project baseline agreement, the Commission will require the implementing agency to submit quarterly reports on the activities and progress made toward implementation of the project, including those project development activities taking place prior to an HRCSA allocation and including the status of supplementary funding identified in the adopted HRCSA program.

As mandated by Government Code Section 8879.50, the Commission shall forward these reports, on a semiannual basis, to the Department of Finance. The purpose of the reports is to ensure that the project is being executed in a timely fashion and is within the scope and budget identified when the decision was made to fund the project. If it is anticipated that project costs will exceed the approved project budget, the implementing agency will provide a plan to the Commission for achieving the benefits of the project by either downscoping the project to remain within budget or by identifying an alternative funding source to meet the cost increase. The Commission may either approve the corrective plan or direct the implementing agency to modify its plan. Where a project allocation has not yet been made, the Commission may amend the program of projects to delete the project.

14. Amendments to program of projects. The Commission may approve an amendment of the HRCSA program in conjunction with its review of a project corrective plan as described in Section 13. The implementing agency may also request and the Commission may approve an amendment of the program at any time. An amendment need only

appear on the agenda published 10 days in advance of the Commission meeting. It does not require the 30-day notice that applies to a STIP amendment.

15. Allocations from the HRCSA. The Commission will consider the allocation of funds from the HRCSA for a project or project component when it receives an allocation request and recommendation from Caltrans, in the same manner as for the STIP. The recommendation will include a determination of the availability of appropriated HRCSA and the availability of all identified and committed supplementary funding. The Commission will approve the allocation if the funds are available, the allocation is necessary to implement the project as included in the adopted HRCSA program, and the project has the required environmental clearance.
16. Final delivery report. Within six months of the project becoming operable, the implementing agency will provide a final delivery report to the Commission on the scope of the completed project, its final costs as compared to the approved project budget, its duration as compared to the project schedule in the project baseline agreement, and performance outcomes derived from the project as compared to those described in the project baseline agreement. The Commission shall forward this report to the Department of Finance as required by Government Code Section 8879.50.

The implementing agency will also provide a supplement to the final delivery report at the completion of the project to reflect final project expenditures at the conclusion of all project activities. For the purpose of this section, a project becomes operable at the end of the construction phase when the construction contract is accepted. Project completion occurs at the conclusion of all remaining project activities, after acceptance of the construction contract.

17. Audit of project expenditures and outcomes. The Department of Transportation will ensure that project expenditures and outcomes are audited. For each HRCSA project, the Commission expects the Department to provide a semi-final audit report within 6 months after the final delivery report and a final audit report within 12 months after the final delivery report. The Commission may also require interim audits at any time during the performance of the project.

Audits will be performed in accordance with Generally Accepted Government Auditing Standards promulgated by the United States Government Accountability Office. Audits will provide a finding on the following:

- Whether project costs incurred and reimbursed are in compliance with the executed project baseline agreement or approved amendments thereof; state and federal laws and regulations; contract provisions; and Commission guidelines.
- Whether project deliverables (outputs) and outcomes are consistent with the project scope, schedule and benefits described in the executed project baseline agreement or approved amendments thereof.