State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

M e m o r a n d u m

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: October 24, 2012

Reference No.: 4.12
Action Item

From: NORMA ORTEGA
Chief Financial Officer

Prepared by: Rachel Falsetti
Division Chief
Transportation Programming

Subject: **STATE ROUTE 99 CORRIDOR PROGRAM RESERVE POLICY RESOLUTION R99-P-1213-01**

RECOMMENDATION:

The purpose of Resolution R99-P-1213-01 is to establish a State Route 99 Corridor Program Reserve of $69 million to address unforeseen expenses for the ongoing State Route 99 Corridor Construction Program.

BACKGROUND:

Proposition 1B, approved by the voters in 2006, established the State Route 99 Corridor Program with an authorization of $1 billion. Shortly thereafter the California Transportation Commission (Commission) programmed the full amount to thirteen projects. Subsequently, as construction award cost savings were captured, another four projects were programmed. For efficiency, several projects have been split into discrete construction contracts for a total of 22 construction contracts.

In its Accountability Implementation Plan– Supplement 2 (AIP), the Commission stated its intent to set aside a 10 percent reserve to be available to contribute to potential construction cost increases necessary to complete construction of the programmed projects. Upon project close-out, the remaining bond funds would be made available for re-programming by the Commission.

To date, three contracts valued at about $24 million have completed construction while an additional nineteen contracts valued at about $691 million were recently allocated. The committed support and Right of Way costs tally to about $183 million dollars. After subtracting the non-project administrative overhead, about $82 million remains for a program reserve and additional programming.

Consistent with the Commission's AIP the California Department of Transportation (Department) recommends that 10 percent of the $691 million construction capital funding just starting construction, or $69 million, be set aside as a program reserve. The Department further recommends that the reserve be reevaluated biannually.

RESOLUTION:

Be it Resolved, that the California Transportation Commission does hereby approve the establishment of a State Route 99 Corridor Program Reserve in the amount of $69 million.

San Joaquin Valley Regional Planning Agencies' Directors' Committee

c/o Madera County Transportation Commission – 2001 Howard Road, Suite 201 – Madera, CA 93637
Phone: 559-675-0721 Fax: 559-675-9328

TAB 48

Madera County Transportation Commission
Patricia Taylor
Chair

Kings County Association of Governments
Terri King
Vice Chair

Stanislaus Council of Governments
Carlos Yamzon
(Interim)

Fresno Council of Governments
Tony Boren

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Merced County Association of Governments
Marjorie Kirn (Interim)

San Joaquin Council of Governments
Andrew Chesley

Tulare County Association of Governments
Ted Smalley

August 13, 2012

Bimla Rhinehart, Executive Director
California Transportation Commission
1120 N Street, Room 2221 (MS-52)
Sacramento, CA 95814

RE: State Route 99 Corridor Bond Program – Request to Allocate and Reserve Cost Savings for San Joaquin Valley Priority Projects

Dear Director Rhinehart:

On behalf of the San Joaquin Valley Regional Transportation Planning Agencies' Directors' Committee, we are providing this transmittal requesting an allocation of cost savings from the State Route 99 Bond Program for the State Route 204 to Beardsley Canal Widening Project in Kern County in addition to establishing programming reserves for the Merced AME widening project, and for construction contingencies.

As you know, the San Joaquin Valley Regional Transportation Planning Agencies have prioritized candidate projects for using cost savings from the State Route 99 Bond Program, in accordance with Commission guidelines. Projects one through three on this list have already been allocated funding from CTC (see attachment).

We understand from our Caltrans District 6 and 10 partners that after a de-allocation of funds from the original 99 Bond project list, the available balance of bond savings will be approximately $77.9 million. At the August 2, 2012 meeting of our Directors' Committee, the current level of cost savings was discussed with Caltrans staff, and we agreed to request the following:

1) Keep in reserve $49.2 million in programming capacity for the Atwater-Merced Expressway Widening and Interchange in Merced County (number four on the list).

2) Allocate $11.229 million for the Widening from SR 204 to Beardsley Canal in Kern County (number five on the list).

3) Keep in reserve the remaining $18 million as a contingency for cost overruns for SR 99 Bond Program projects, and as projects are completed assess reducing the amount.

We believe this is a prudent course of action that allows the Kern number five project to proceed without jeopardizing the future vote request for the Merced number four project, and thereby preserves the agreed-upon priorities.

We encourage and appreciate your efforts to develop funding strategies to implement these projects, as well as the remainder of our bond savings candidate projects. Thank you for your diligent efforts in working with us. Should you need any additional information, please contact me at (559) 675-0721.

Sincerely,

Patricia Taylor, MCTC Executive Director
Chair, San Joaquin Valley Regional Planning Agencies' Directors' Committee

Enclosure: SJV State Route 99 Bond Savings List (March 2012)

cc: SJV RTPA Directors
Sharri Bender Ehlert, Caltrans District 6 Director
Carrie Bowen, Caltrans District 10 Director

San Joaquin Valley Regional Planning Agencies' Directors' Committee

c/o Madera County Transportation Commission – 2001 Howard Road, Suite 201 – Madera, CA 93637
Phone: 559-675-0721 Fax: 559-675-9328

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OCT 23 2012

Madera County Transportation Commission
Patricia Taylor
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Ted Smalley

October 17, 2012

Bimla Rhinehart, Executive Director
California Transportation Commission
1120 N Street, Room 2221 (MS-52)
Sacramento, CA 95814

RE: State Route 99 Corridor Bond Program Reserve Policy – Resolution R99-P-1213-01

Dear Director Rhinehart:

On behalf of the San Joaquin Valley Regional Transportation Planning Agencies' Directors' Committee, we are providing this transmittal stating our collective opposition to the State Route 99 Corridor Program Reserve of $69 million as proposed by the California Department of Transportation (Caltrans) in Resolution R99-P-1231-01, scheduled for the October 24, 2012 California Transportation Commission (CTC) meeting.

As provided in a previous letter to you dated August 13, 2012 (attachment), a request was submitted for an allocation of cost savings from the State Route 99 Bond Program for the State Route 204 to Beardsley Canal Widening Project in Kern County in addition to establishing programming reserves for the Merced AME widening project, and for construction contingencies, in the amount of $18 million as a contingency for cost overruns for SR 99 Bond Program projects. The San Joaquin Valley Regional Transportation Planning Agencies have prioritized candidate projects for using cost savings from the State Route 99 Bond Program, in accordance with Commission guidelines. Projects one through three on this list have already been allocated funding from CTC (attachment).

We understood from our Caltrans District 6 and 10 partners that after a de-allocation of funds from the original 99 Bond project list, the available balance of bond savings would be approximately $77.9 million, which is now $82 million, as stated in the CTC staff report. A proposed program reserve of $69 million would prevent any remaining projects from moving forward for approximately two years or more, if these reserves were not made available until project close-out of the currently programmed projects. Additionally, as stated in the CTC staff report, $69 million is 10 percent of $691 million of construction capital funding. The Commission's Accountability Implementation Plan (AIP) Supplement 2- Project Cost Savings states that, "Ten percent of project bond savings will be held in a SR 99 program reserve and available, upon approval by the Commission, to contribute to funding potential construction cost increases necessary to complete construction of all programmed SR 99 projects." As noted previously, about $82 million remains for a program reserve and additional programming. It is our contention that the 10 percent program reserve should be based on the construction award cost savings of $82 million and not the construction capital funding of $691 million.

The work of our collective agencies in continued cooperation with Caltrans, demonstrates our commitment to project delivery in the San Joaquin Valley. We believe the previously proposed contingency of $18 million is sufficient and allows for progress to continue in delivering SR 99 Bond projects. Currently two of the four remaining projects, the SR 204 Widening Project in Kern County and the Pelandale Interchange Project in Stanislaus County have been Ready-To-List since June 2012, anticipating the realized cost savings to be made available by Caltrans. The Atwater-Merced Expressway Widening and Interchange in Merced County will be Ready-To-List in December 2012, and the Cartmill Avenue Interchange in Tulare County will be Ready-To-List in January 2013.

We encourage and appreciate your continued efforts to work with us in implementing funding strategies to deliver these projects. Thank you for your diligent attention to this matter. Should you need any additional information, please contact me at (559) 675-0721.

Sincerely,

Patricia Taylor, Executive Director, Madera County Transportation Commission
Chair, San Joaquin Valley Regional Planning Agencies' Directors' Committee

Enclosure: Letter to Bimla Rhinehart, August 13, 2012
SJV State Route 99 Bond Savings List (March 2012)

Cc: SJV RTPA Directors
Sharri Bender Ehlert, Caltrans District 6 Director
Carrie Bowen, Caltrans District 10 Director

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CITY OF ELK GROVE
PROUD HERITAGE. BRIGHT FUTURE.

TAB 48

October 23, 2012

Ms. Bimla Rhinehart
Executive Director
California Transportation Commission
1120 N Street, Room 2221
Sacramento, CA 95814

Re: October 21 California Transportation Commission Meeting, Agenda Item 48

Dear Ms. Rhinehart:

I am writing this letter regarding the October 21 California Transportation Commission meeting scheduled agenda item 48, referenced as #4.12 and titled "State Route 99 Corridor Bond Program – Prudent Reserve Policy"

The City of Elk Grove has a project that is ready to advertise, which is truly shovel ready. It has been ready since August. This $6.7 million project is the Elk Grove Blvd On-ramp to Highway 99. The City delivered the project with our own funds. The project is included in North Region's project delivery priority list that was developed more than 2 years ago as a strategic plan to optimize the use of State Route 99 Prop 1B bond funded projects.

This North Region plan was a multi agency effort supported by all impacted local agencies, their respective COGs (SACOG and BCAG) and Caltrans. Projects on this list have been methodically delivered consistent with the agreed upon priorities of this list. Delivered projects have come before your Commission and have received allocations. Recent allocations have used funds from project savings.

In September, our Elk Grove Project would have been submitted for an allocation of funds but the Region, collectively and strategically, decided to wait until other large projects were awarded to see if additional project savings would become available for additional project allocations. It seems unfair, and it is certainly unfortunate, that we can no longer make a funding request due to this reserve policy. We had no knowledge that such a policy was being considered.

Because of this, I am asking that the item to create this reserve policy be postponed until the impacts of all shovel ready projects are identified. I also ask that some priority be given to shovel ready projects so that projects like ours can be funded as soon as possible.

Lastly, I believe the following questions should be considered before a reserve policy is created:

- Are there other projects like ours that are shovel ready and will now be delayed because of the reserve policy?
- Is 10% an appropriate level of reserve? Maybe a project specific risk analysis should be made to determine what projects are truly at risk for additional funding
- Is the 15%/85% North South split an appropriate policy to follow this far into the program and should it impact the reserve policy?

I plan to speak at the Commission meeting regarding this matter. Please provide a copy of this letter to the Commissioners.

Should you have any additional questions or advice on this matter, please do not hesitate to contact me at (916)478-2287.

Sincerely,

Richard W. Shepard, P.E.
Public Works Director

cc: Laura Gill, City Manager
Jody Jones, Caltrans District 3Director,
Norma Ortega, Caltrans Chief Financial Officer
Rachel Falsetti, Caltrans Division Chief Transportation Programming
Andre Butros, CTC Chief Deputy Director