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CALIFORNIA TRANSPORTATION COMMISSION

FRONT LOADING OF STATE AND FEDERAL SHARE OF

JOINT STATE-LOCAL PROJECTS

RESOLUTION G-98-17

- 1.1 WHEREAS SB 45 repealed the state's Financial Guidelines for Local Agency Reimbursement, dating from the Transportation Blueprint and 1991, which called for local agencies to be reimbursed for expenditures on joint state-local STIP projects proportionally according to the percentage of state-federal and local funds programmed for the project; and
- 1.2 WHEREAS Caltrans proposes to continue the practice of proportional reimbursement in the interim pending adoption of Allocation Guidelines required by SB 45; and
- 1.3 WHEREAS Commission Resolution G-92-14, which was suspended during the funding shortfall of 1994, allowed the Commission to waive the practice of proportional reimbursement for local projects in favor of front-loading the state-federal share, on a case by case basis where specific benefits could be demonstrated; and
- 1.4 WHEREAS regional and local agencies in some circumstances must bear additional financing costs or face delays in building projects to come up with required local shares of joint state-local projects; and
- 1.5 WHEREAS multi-agency financial agreements for STIP projects may require completion of specific project milestones before all or part of an agency's funding share becomes available for use on the project; and
- 1.6 WHEREAS front loading of the state-federal share can forestall certain local agency costs, from arrangement of financing or stretchout of project schedules, and expedite project delivery, thus putting transportation revenues to use expeditiously for the benefit of transportation programs overall; and

- 1.7 WHEREAS front loading of the state-federal share, on the other hand, reduces interest income that could be earned on the amount advanced from the State Highway Account, thus eventually reducing the amount of state funds available to the STIP; and
- 1.8 WHEREAS the State Highway Account from time to time carries a fund balance adequate to cover comfortably all foreseeable expenditure draws, as was the case during 1992 and 1993 and again during 1997 and 1998; and
- 1.9 WHEREAS regional and local agencies advanced funding to the state share of STIP projects during 1994 and 1995 when the State Highway Account had a minimal balance and the Commission otherwise rationed funding allocations to STIP projects; and
- 1.10 WHEREAS state statutes allow through guidelines the front-loading of state shares of jointly funded STIP projects, and provisions in TEA-21 allow the federal funding share to be front-loaded; and
- 1.11 WHEREAS the Commission has a financial responsibility to ensure that STIP projects can be funded and completed in a timely manner;
- 2.1 NOW THEREFORE BE IT RESOLVED that the Commission will consider full or partial front-loading of the state-federal share of joint state-local projects on a case-by-case basis, under the conditions spelled out in this policy, when requested by the local agency project sponsor and regional agency, and
- 2.2 BE IT FURTHER RESOLVED that the Commission expects direct electronic reimbursement to be the first choice for funding the state-federal share of joint state-local projects, and
- 2.3 BE IT FURTHER RESOLVED that the local agency seeking front-loading of the state-federal share of a joint state-local project must:
 - a) demonstrate what savings front-loading of the state-federal share would yield in the form of reduced financing costs or accelerated project construction;
 - b) certify, as part of its request, by resolution of its governing board, that it will have the required local share to complete the project on a specified timely schedule;
 - c) provide the Commission with a new financial plan for the project showing the timing and amounts of funding contributions by all funding partners;
 - d) agree to reimburse the state as of completion of the project for lost interest attributable to funds advanced from the State Highway Account to the project, at the state's pooled money investment fund rate as of the date Caltrans and the local agency complete the front-loading agreement; and
 - e) agree to final proportional shares (or fixed dollar contributions) of state-federal and local funding according to programming shown in the STIP, for final construction expenditures, which may include repayment to the state of any front-loaded state-federal share amount that turns out to be proportionally too high at project close-out; and

- 2.4 **BE IT FURTHER RESOLVED** that the Commission expects Caltrans to draw up the Fund Transfer Agreement with the local agency in accordance with the terms and conditions of this policy, including any special conditions that the Commission may attach on a case by case basis, and advance state and federal funding shares only to the extent of expected project construction costs, not including contingencies, to avoid having to back out excess state reimbursement at project close out; and
- 2.5 **BE IT FURTHER RESOLVED** that the Commission may allow a local agency sponsor to use project savings, in the same proportional state-federal and local shares, to extend project scope in a way that provides additional transportation benefits, with the state-federal share of the additional work front-loaded as well, and with the understanding that such use of savings may effect county shares under SB 45; and
- 2.6 **BE IT FURTHER RESOLVED** that, if the local agency fails to complete a usable project after expending the state-federal share, the Commission expects to recover the state-federal share, either from the local agency directly, or by withholding state funding from other STIP or local assistance projects to be built by that agency, or through use of future county share commitment(s) to complete a usable project, or as a last resort from other STIP projects in that county or region; and
- 2.7 **BE IT FURTHER RESOLVED** that the Commission intends to review and consider changing, suspending, or discontinuing this policy, without prior notice, if:
- a) the State Highway Account balance falls to a low enough level that front-loading is no longer prudent considering other expenditure demands on the account;
 - b) the Commission determines that it has the authority to make local assistance project allocations in the form of up-front grant payments; or
 - c) state financial conditions change substantially for any unforeseen reason, such as emergency repair needs or lack of budgetary access to state or federal funds.