South Bay Cities Council of Governments

June 8, 2015

TO: SBCCOG Steering Committee

FROM: Steve Lantz, SBCCOG Transportation Director

SUBJECT: South Bay Highway Program Implementation Plan Update Consultant Assistance

Adherence to Strategic Plan:
Goal A: Environment, Transportation, and Economic Development. Facilitate, implement, and/or educate members and others about environmental, transportation, and economic development programs that benefit the South Bay. Strategy 5 – Actively pursue opportunities for infrastructure funding for member agencies.

BACKGROUND

The SBCCOG updates its South Bay Highway Program Implementation Plan (SBHP-IP) list of project allocations in an annual SBHP Metro Budget Request.   The policies and procedures related to SBHP program development, administration and project oversight are documented in the SBHP-IP which is updated as needed to reflect changes in policies or procedures. The SBHP-IP was last updated in 2013. Since that time, several additional policies have been adopted by the SBCCOG Board of Directors or identified by staff for inclusion in an update of the SBHP-IP. Several issues have arisen since the SBHP-IP was last updated in 2013. Key issues include:

Project Tiering: The SBHP-IP that was initially approved in 2011 included smaller, less complex Early Action projects that could be completed in five years and larger and more complex Strategic Positioning projects that could be defined and environmentally cleared in the same time frame. Beginning in 2013, Metro policies allowed SBHP funds to be used as a local match for funding applications in Metro's Call for Projects (CFP). With this new match opportunity, the SBHP policies were revised to identify three tiers of projects: 1. Smaller Projects (less than $1 million) that could be funded 100% with SBHP funding; 2. Mid-sized projects ($2 million - $9 million) for which 20% of the project cost could be provided from SBHP funding; and 3. Larger corridor projects (more than $10 million) that would require multiple funding sources and involve multiple jurisdictions (e.g.: multiple local jurisdictions and Caltrans). Administrative policies and procedures for developing and implementing each of the three tiers need to be documented in the SBHP-IP update.

Project Deferral / Deobligation: Metro Funding Agreements require lead agencies to estimate project progress and funding cash flow and to report monthly on project progress and quarterly on funding progress / reimbursement requests. Failure to provide the required reports or make progress consistent with the lead agency's funding agreement commitments may result in project termination and project funding deobligation. Under a separate agreement with Metro, the SBCCOG provides SBHP project development assistance to lead agencies, as well as program

administration and project oversight assistance to the lead agencies and Metro. SBCCOG staff uses the required reports to monitor project progress, cumulative expenditures and reimbursements, and to identify projects that may be at risk for funding expiration, deferral or de-obligation. To guide implementation of the project oversight assistance the SBCCOG Board of Directors in 2014 adopted a project deferral / deobligation policy and procedure. This procedure needs to be included in the SBHP-IP Update.

SBHP Funding Allocation Priorities / Policies / Procedures: The initial SBHP-IP included a Candidate Project list of projects that were designated eligible for SBHP funding but that had yet to be requested for SBHP funding allocation by a lead agency. During the first five years of the SBHP program, lead agencies have requested SBHP project allocations. Most of the projects requested in the first five years have been for smaller Early Action projects, Metro Call for Projects match requests, or for pre-construction planning, design and environmental clearance of larger projects. The allocations have been approved on a first-come, first approved basis and have been funded within the constrained annual funding allocations programmed to the South Bay Operational Improvements line item in Metro's Long Range Transportation Program Expenditure Plan.

SBHP project funding requirements are about to increase dramatically as Early Action and Strategic Positioning projects enter the right-of-way acquisition and construction phases. Metro has offered to provide second-decade SBHP funding on an accelerated basis for projects that are shovel ready. However, the SBHP-IP lacks policies, criteria or a methodology to determine funding priority for new commitments. In addition, the SBHP-IP has no policy guidance for prioritizing allocations that use accelerated funds

The SBHP Candidate Project list currently identifies funding needs that are approximately double the amount of funding available over the remaining 25 years of Measure R revenue collection. Acceleration does not resolve the longer-term SBHP funding shortfall. As a result, there is an immediate need to establish policies and procedures in the SBHP-IP Plan that ensure larger projects will be funded using multiple funding sources to leverage SBHP funding and to establish the proportionate share or maximum cap for SBHP funding of any project over $2 million.

SBHP Candidate Project List / Project Assessment Methodology Update: The methodology for assessing candidate projects for the Early Action program was adopted by the SBCCOG Board after review and comment by the Infrastructure Working Group in September 2010 and incorporated into the South Bay Highway Program Implementation Plan. The SBHP Candidate Project list has not been updated since 2011. The assessment criteria and methodology used to establish SBHP funding eligibility since 2010 needs to be updated in the SBHP-IP to reflect recent Metro decisions to allow new project types subject to a cumulative SBHP program cap (e.g.: bikeways and sound walls). In addition, Caltrans and Metro are encouraging local agencies to implement Complete Streets projects. Some elements of these projects are eligible for SBHP funding and some elements are not. A clear eligibility policy for these types of projects needs to be added to the SBHP-IP.

SBHP Project Development Funding Prioritization Policy: During the first five years of the SBHP program, SBHP funding has been used to pay for up to 100% of project development costs related to identification, planning and environmental clearance of projects that have SBHP elements (e.g.: Complete Streets projects). SBCCOG staff has justified the use of SBHP funds in order to sufficiently define a developmental project to a level that clearly defines the SBHP-eligible elements and costs. Metro has allowed lead agencies to use SBHP funds to prepare feasibility studies and Project Study Reports needed for Metro Call for Projects applications.

Metro staff has expressed concern that future SBHP funding may not be eligible for planning work related to project elements that are not eligible for SBHP funds. Metro has recommended a proportionate share of SBHP and non-SBHP funds be established for project-related development tasks once a project has been identified in a feasibility study, Project Study Report, or Project Study Report Equivalent.

A policy needs to be incorporated into the SBHP-IP that clearly establishes the point in the project development process that SBHP funding will be limited to SBHP-eligible project elements. This point of demarcation between project development and project delivery could be the initiation of a Caltrans Project Approval / Environmental Documentation (PAED) process on State Highways and freeways or an equivalent planning process on local arterials.

An SBHP-IP policy needs to clearly identify the commitments needed from a lead agency for active SBHP projects. In addition, the SBHP-IP needs to include a method for establishing a proportionate share of SBHP funding for projects that include eligible SBHP project elements in projects that also include ineligible project elements (e. g.: Complete Street projects, bikeways, sound walls, etc.).

SBHP Matching Fund Development: SBHP projects have been implemented to date using SBHP funding without significant funding from other sources beyond the Metro Call for Projects (CFP). In order to leverage SBHP funding, it is increasingly clear that the SBCCOG and Metro need to assist lead agencies to identify and seek matching funds outside the Metro CFP for larger projects. A new SBHP-IP policy is needed to guide use of SBHP funds to develop and secure non-SBHP funding for future projects. The guidance needs to identify potential sources of matching funds for SBHP eligible project elements and for ineligible elements of projects that include SBHP-eligible elements.

Technical Consultant Assistance Needed: The magnitude of the 2015 SBHP-IP Update requires additional consultant assistance from the SBHP Bench. To update the SBHP-IP, the SBCCOG staff is developing an RFP for task orders to current SBHP Bench consultants for technical assistance. The SBCCOG will send a scope of work to the firms placed on the SBHP Bench list of pre-qualified proposers for the SBHP Program Development Activities - SBHP Implementation Plan Updates and Related Procedures.

Interested proposers will be asked to submit a proposal including work plan, cost, schedule, and staffing plan within seven days, or the first business day following a legal holiday. The SBCCOG staff realizes that some pre-qualified SBHP Bench proposers may feel that they possess all of the skills and resources required for this assignment, whereas others may believe

that teaming with other firms will yield the most responsive proposal. Where two or more firms desire to submit a single proposal in response to this RFP, they will be asked to propose on a prime-subcontractor basis, rather than as a joint venture. The SBCCOG will select a consultant based on the proposals received.

The RFP tasks may include, but may not be limited to:

1) Identify new eligible projects, including identifying the criteria that makes them eligible, a realistic and achievable project implementation schedule, a conceptual funding plan specific to the project, a recommended lead agency, and project readiness assessment;

2) Update the SBHP sequencing and prioritization policy:

3) Update the project evaluation system to prioritize and group projects;

4) Update SBHP-IP policies, criteria and a methodology to determine funding priority for new commitments;

5) Develop a funding plan and strategy that leverages Measure R funds to the greatest extent possible so as to secure additional Federal, State, regional, and private sector funding in cooperation with Metro, Caltrans, SCAG, the SBCCOG, and cities;

6) Identify on-going assistance to be provided to the SBCCOG or lead agencies with local, regional, state, federal and private grants development, grant application preparation, and grants management;

7) Update policies related to lead agency roles / commitments needed for a candidate project to be allocated SBHP project funding;

8) Document project reporting requirements, respective roles, and deferral / deobligation policy consistent with the related SBCCOG Board actions taken in 2014 and 2015;

9) Incorporate administrative policies and procedures for developing and implementing each of the three SBHP project tiers (< $2 million, $2-9 million, > $10 million);

10) Develop SBHP-IP policy for prioritizing allocations that use accelerated SBHP funds;

11) Develop SBHP-IP policy that clearly establishes the point in the project development process that SBHP funding will be limited to SBHP-eligible project elements;

12) Develop SBHP-IP policy to guide use of SBHP funds to develop and secure non-SBHP matching funding for future projects;

13) Develop SBHP-IP policy related to strategies for project-acceleration through bonding and other innovative financing techniques;

14) Identify in the SBHP-IP new laws, regulations, policies, and procedures that may require inter-governmental collaboration between the SBCCOG and its members, Metro, SCAG, state and federal agencies, or legislative advocacy by the SBCCOG;

15) Document in the SBHP-IP the requirements and schedule required by SCAG and Metro to ensure that the projects are in all required regional transportation planning documents (e.g.: RTP/SCS, SRTP, LRTP, RTIP);

16) Update the SBHP-IP Cost Overrun policy and procedures to better assign responsibility for overruns and eligibility for additional SBHP funding;

17) Provide technical support in the preparation of the 2015 SBHP-IP Update as requested by SBCCOG staff including outreach, agency coordination, and document design and production. Before completed, the report will have gone through thorough review by SBCCOG staff and committees, member agencies, Metro, and Caltrans. The Consultant will incorporate comments from this review process to complete the final report; and

18) Update the SBHP-IP Procedures Manual to reflect policies adopted in the 2015 SBHP-IP.

RECOMMENDATION

The SBCCOG Board may receive and file this report.

Approved by: Jacki Bacharach