

South Bay Cities Council of Governments

March 27, 2014

TO: SBCCOG Measure R Oversight Committee
SBCCOG Board of Directors

FROM: Jacki Bacharach, Executive Director
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SUBJECT: SBHP Measure R Administrative and Support Cost Policy

BACKGROUND

The 2014 -2020 SBHP Metro Budget Request includes an extensive list of project development studies that will be undertaken using the new SBCCOG technical bench task order procurement approach. These studies vary in scope and cost depending on the status of project development. The studies range from simple feasibility studies and funding agreement technical assistance to complex design and right-of-way task orders that will ready a project to apply for construction funding in the 2015 Metro Call for Projects. (See glossary of terms, Exhibit 1).

Although the Metro Board is not expected to approve the SBHP budget request until March 2014, Metro Staff authorized SBCCOG to proceed with the proposed project development studies as soon as possible using the SBCCOG's existing program development funding authority. SBCCOG staff and consultants met with most of the lead agencies for the studies during December 2013 to organize the task order process and initiate scope of work development. In reviewing the projects, lead agency staff expressed concerns that their staff time was not included in some of the study budgets.

Since the inception of the SBHP, Measure R funding has been used for lead agency administrative and support costs under two models, one for Early Action projects and the other for Strategic Positioning projects and Call for Projects funding agreements. For Early Action projects, eligible staff costs were funded subject to the limitations described in the Metro funding agreement executed between the local agency and Metro. Metro's funding agreements allow support costs and administration costs, as follows:

a. Definition of Project Support Costs – in-house labor, consultant, and/or sub-consultant contract costs directly associated with the Project as specified in the SOW, and occurring during PA&ED, PS&E, ROW, and/or Construction.

b. Definition for Administration Costs – costs for agency staff and consultants necessary for maintaining, monitoring, coordinating, reporting, and budgeting of the Project (i.e. personnel not responsible for direct delivery of the Project, funding agreement assistance, office supplies, equipment...etc.)

c. Project Support costs are limited to up to 10% of the Project Budget, or higher if justified on a case-by-case basis. Project Support costs must be reasonable and appropriate to the activities and phases related to the Project. Administration costs for Measure R funding agreements are limited to up to 10% of Project Support Costs.

Lead agencies have typically absorbed their administrative and support costs prior to executing a project funding agreement with Metro. For Strategic Positioning and Call for Projects projects, Metro has not allowed Caltrans or local agencies to be reimbursed for their administrative or support costs prior to completion of PSRs / PSREs, or technical work needed to support funding agreement attachments. In addition, consultant costs and SBCCOG administrative and support costs in the development of the SBHP Program itself are eligible uses of the Measure R funding.

To provide consistency with Metro's current policy, SBCCOG staff is recommending lead agencies absorb their administrative costs for smaller project development studies (e.g.: funding agreement assistance, PSR's, PSRE's, and feasibility studies under \$500,000) and that the SBCCOG allow local agency administrative and support costs for: more complex feasibility studies with budgets in excess of \$500,000 (e.g. Del Amo Blvd feasibility study.; PAEDs; Plans, Specifications and Environmental Documentation; right-of-way acquisition; and construction costs.)

Staff is also recommending that the total Measure R SBHP funding reimbursement of lead agency administrative costs be limited to 10% of the costs budgeted for each phase of project development as documented in SBCCOG-approved task orders (e.g.: planning, design, environmental certification, right-of-way acquisition and construction) and that support costs be limited to 10% of the administrative costs in each phase on the same basis. The phased eligibility would ensure that administrative and support costs are only reimbursed as the project development steps occur. In addition, no administrative or support costs would be reimbursed before the task order begins or after the task order is completed.

Finally, no task order will be issued without a written commitment by the local agency to support the project by participating in the development process (consultant team selection, overseeing task orders and staff efforts) that results in timely completion of the project, including seeking non-SBHP funding through the Metro Call for Projects or other state and federal funding sources.

One of the benefits of the phased development process using task orders is that the lead agency and the SBCCOG can determine the discrete decision points in the project development scope of work and process. This should provide timely project delivery and prevent projects from languishing in an unclear planning state while Measure R funding is locked up on a dormant or abandoned project.

The SBCCOG will work with the Measure R Oversight Committee and Infrastructure Working Group to develop a detailed procedure for incorporation into the next South Bay Highway Program Implementation Plan Update. A conceptual procedure could be as follows:

1. Local jurisdiction requests the SBCCOG to provide task order assistance to develop a project and commits to be lead agency on project implementation;
2. SBCCOG requests funding for the study in semi-annual Metro SBHP Budget Request;
3. SBCCOG and local jurisdiction develop scope, schedule and budget and secure technical consultant from SBCCOG SBHP bench;

4. SBCCOG and local jurisdiction execute a “time and materials” support and administrative cost reimbursement agreement;
5. Within 3 months of completing a task order, the local jurisdiction must inform the SBCCOG in writing whether it intends to abandon, defer, or continue development of the project. Deferred projects will be de-programmed during the semi-annual update of the SBCCOG Measure R SBHP Metro Budget Request which will result in the loss of their scheduled funding commitment, and will be returned to the SBHP candidate project list so that other projects can be timely pursued. Abandoned projects will not be returned to the SBHP candidate project list. If the project is to continue and the local jurisdiction needs further assistance, the local jurisdiction may request additional task order assistance from the SBCCOG in time for the request to be included in the next available semi-annual budget request.

The Infrastructure Working Group reviewed and supported the proposed policy and procedure at its January 15, 2014 meeting.

RECOMMENDATION

The Measure R Oversight Committee recommends SBCCOG Board approval at the March 27, 2014 Board meeting. The conceptual recommendation is to adopt a new SBCCOG policy that limits SBHP Measure R funding of local agency administrative costs to 10% of PAEDs, Plans, Specifications, and Environmental documentation (PS&Es), right-of-way acquisition, and construction costs. Support costs will be limited to 10% of administrative costs (unless a higher percentage is recommended by the SBCCOG Measure R Committee and approved by the Board on a case-by-case basis. Local jurisdictions will absorb their local agency administrative and support costs related to feasibility studies, PSRs and PSREs, and funding agreement development assistance task orders less than \$500,000.

Item VI-B.1, Exhibit 1

Glossary of Terms

Early Action Projects- The Measure R South Bay Highway Program Implementation Plan includes a list of Measure R funded smaller highway operational improvement projects for which local jurisdictions committed to complete construction within five years of signing a Metro funding agreement for the project. In exchange, the SBCCOG and Metro agreed to waive any local match and fully fund the projects with SBHP Measure R funding.

Feasibility study – A small preliminary study to identify the need for and potential benefits and issues related to the proposed project.

Funding agreement assistance – Metro funding agreements require some detailed analysis in their project descriptions and attachments. SBCCOG has provided limited consultant technical assistance to lead agencies using task orders within the SBHP Development Program. Once a funding agreement is signed between the lead agency and Metro, the SBCCOG ceases to provide consultant technical assistance to the lead agency which must fund project development and delivery pursuant to its Metro funding agreement.

Lead Agency - The South Bay jurisdiction responsible for developing and delivering an SBHP project. Local Agencies include cities, L. A. County, Metro and Caltrans District 7.

Metro Call for Projects – The bi-annual funding process used by Metro to select projects and commit funding to a range of multi-modal transportation projects in eight modal categories. Eligible applicants include cities, L. A. County, Caltrans, transit operators and joint powers authorities. Funding is allocated from a range of federal, state and regional sources. The 2013 Call for Projects awarded approximately \$185 million.

PAED / PR – The Caltrans project development step following the PSR is undertaken to prepare a Project Approval Report and an Environmental Document Report (PAED). The two elements are prepared in parallel in order to assess alternatives and document environmental impacts and mitigations for the alternatives. Information from the Draft PAED information is used to guide the final Project Report which provides more detailed geometry and engineering detail of each alternative in order to select the locally preferred alternative. A PR in addition to a PAED is required by Caltrans for projects over \$3 million that are on state routes and / or state owned rights-of-way (ROW). The final PA/ED and PR are completed and approved at the same time to expedite the project approval process.

Project Study Report (PSR) - After a potential project is identified on Caltrans property, Caltrans requires preparation of a project study report (PSR). The study is used to confirm the purpose and need for the project, to clarify a scope of work that is obtainable and for which consensus is possible. Metro requires all Call for Projects applications on Caltrans property to include a PSR signed by Caltrans and the applicant.

Project Study Report Equivalent (PSRE) – For projects that are not on Caltrans property, Metro requires a PSRE to be included in any Call for Projects application. The PSRE is somewhat less detailed than the PSR and does not require sign-off by Caltrans.

PS&E/ Final Design – Once a PR is approved and the locally preferred alternative is selected, Caltrans is able to complete the final design, which includes Plans, Specifications and Engineering (PS&E).

SBHP – The SBCCOG’s name for the Measure R South Bay Highway Program that is listed in Metro’s Measure R Ordinance Attachment A - Measure R Expenditure Plan. Metro’s title for the South Bay Highway Program is “Interstate 405, I-110, I-105, and SR 91 Ramp and Interchange Improvements (South Bay)”. Negotiations resulted in a broadened interpretation that includes highway operational improvements within a mile of the freeway or a state highway in the South Bay.

Strategic Positioning Projects - In addition to Early Action projects, the South Bay Highway Program Implementation Plan identified several candidate projects that would take more than five years to complete and would require matching funds beyond the Measure R funds identified for SBHP projects. These complex projects include Del Amo Boulevard and several Caltrans projects on South Bay freeways. The SBCCOG and Metro Boards authorized initial planning funds for three of the Strategic Positioning projects in 2010. The projects are managed by Metro rather than the SBCCOG.