California Transportation Commission

Corridor Mobility Improvement Account (CMIA) & State Route 99 (SR 99)

Accountability Implementation Plan

Supplement 2

Project Cost Savings

1. **General:** The Accountability Implementation Plan for the CMIA and SR 99 programs was approved by the Commission in October 2007 and Supplement 1 (Financial Accountability) was approved by the Commission in June 2008. The Commission later extended the applicability of the Accountability Implementation Plan and Supplement 1 to the Trade Corridors Improvement Fund (TCIF) and the Highway Railroad Crossing Safety Account (HRCSA) Proposition 1B bond programs. The purpose of Supplement 2 is to clarify and expand the Commission's policy regarding project cost savings for CMIA and SR 99 projects and to communicate to project sponsors and implementing agencies the expectations related to financial accountability, and more specifically, how project savings will be administered. Supplement 2 also addresses the special provisions for cost savings on projects subject to Assembly Bill X3-20 or a private placement Bond Purchase Contract. As such, Supplement 2 revises only the **Project Cost Savings** provisions of Supplement 1 for CMIA and SR 99 projects with the exception of the provisions related to *Cost Savings on Projects Subject to Assembly Bill X3-20* and *Cost Savings on Projects Subject to a Private Placement Bond Purchase Contract.* These provisions may also apply to certain TCIF and HRCSA projects under the limited circumstances detailed in Supplement 2. Absent these special circumstances, the **Project Cost Savings** provisions of Supplement 1 remain in effect for TCIF and HRCSA projects as originally adopted. All other provisions of Supplement 1 remain in effect for all designated bond programs (CMIA, SR 99, TCIF and HRCSA) as originally adopted.

2. **Project Cost Savings/CMIA Projects**: Since the adoption of the CMIA program, the Commission approved a Financial Accountability plan (Supplement 1) that allows funds to be de-allocated from a project at contract award when the cost to award the construction contract is lower than the total sum of allocated funds. However, funds de-allocated from the project at contract award were to remain available to address potential cost increases necessary to complete the project or to supplement a funding plan for another project or contract only upon prior Commission approval. In the latter case the project sponsor would have to commit to funding any cost increases to ensure the completion of both projects – the original project where the savings were realized and the resulting new project using the savings in bond funds. The Commission has continued to emphasize its intent that the use of CMIA bond funds

will be limited to the cost of construction, and that bond funds will not be utilized to cover project cost increases. As a condition of adopting a project into the CMIA, the Commission resolved that all project cost increases beyond the February 2007 program adoption are the responsibility of the nominating and sponsoring agencies.

When the cost to award the construction contract is lower than the total sum of allocated funds, the project sponsor is required to provide documentation identifying a proportional credit to each of the respective funds shown in the original (or amended) baseline agreement for the construction component. The project sponsor may consider crediting the funding source that contributed additional funds in preparation for contract advertisement prior to applying the proportional credits to the funding sources in the original (or amended) baseline agreement. This supplement provides that remaining bond funds de-allocated from the project at project award, and will be administered in the following manner:

- Ten percent of the project's bond savings will be held in a CMIA program reserve and available, upon approval by the Commission, to contribute to funding potential construction cost increases necessary to complete the project where the savings were taken from. Upon project close-out, the remaining bond funds will be available for re-programming by the Commission.
- Remaining project bond savings, beyond those reserved for potential construction cost increases and are not subject to the constraints of Assembly Bill X3-20 or a private placement Bond Purchase Contract, will be available for programming by the Commission for additional or enhanced benefits, consistent with the statutory intent of the CMIA program.

Under the Bond Act, a CMIA project must be on the state highway system or on a major access route to the state highway system on the local road system. To include a project in the CMIA program, the Commission must find that it "improves mobility in a high-congestion corridor by improving travel times or reducing the number of daily vehicle hours of delay, improves the connectivity of the state highway system between rural, suburban, and urban areas, or improves the operation or safety of a highway or road segment." The Bond Act also requires the Commission, in adopting a program for the CMIA, to find that the program is geographically balanced, consistent with the north/south split that applies to the STIP (40% north, 60% south), and to find that it "provides mobility improvements in highly traveled or highly congested corridors in all regions of California." Further, the Bond Act requires the Commission to find that the program targets funding "to provide the mobility benefit in the earliest possible timeframe." It also mandates that the inclusion of a project in the CMIA program be based on a demonstration that the project can commence construction or implementation no later than December 31, 2012.

In addition, Commission policies reflected in the CMIA program guidelines include provisions for program updates and allow the Department of Transportation and regional agencies to request program amendments in the same manner as for STIP amendments, except that "CMIA program amendments will not add new projects that were not included in the nominations for the initial program" received by the Commission on or before January 16, 2007.

The Commission will consider proposals to program projects nominated and considered during the original CMIA process that were not programmed as part of the 2007 CMIA Adopted Program of Projects or projects which will enhance the benefits of already programmed CMIA projects. The Commission expects the Department of Transportation and individual projects sponsors to jointly propose those projects that meet eligibility requirements detailed in the CMIA Guidelines, including, but not limited to, the following:

- The proposed corridor enhancement project either (1) reduces travel time or delay, (2) improves connectivity of the state highway system between rural, suburban, and urban areas, or (3) improves the operation or safety of a highway or road segment.
- The project improves access to jobs, housing, markets, and commerce.
- The project can commence construction no later than December 31, 2012.

The Commission expects that bond funding contributions for these additional projects will be limited to the costs of construction and that projects will have a full funding commitment through project completion and closeout. The Commission also intends to program project savings consistent with the north/south provisions of the original CMIA Program.

3. **<u>Project Cost Savings/SR 99 Projects</u>**: Similar to the CMIA program, the de-allocation of bond funds are allowed from a project in the SR 99 program at contract award when the cost to award the construction contract is lower than the total sum of allocated funds. De-allocated funds will remain available to address potential cost increases necessary to complete the project, or may be utilized to supplement a funding plan for another project or contract only upon prior Commission approval. The SR 99 program distributed funds based on 15 percent to the north for the Sacramento Valley and counties north of Sacramento/San Joaquin County line and 85 percent to the south for the San Joaquin Valley. Project savings will remain within the geographic boundaries where the savings were attained.

   When the cost to award the construction contract is lower than the total sum of allocated funds, the project sponsor will provide documentation identifying a proportional credit to each of the respective funds shown in the original (or amended) baseline agreement for the construction component. The project sponsor may consider crediting the funding source that contributed additional funds in preparation for contract advertisement prior to applying the proportional credits to the funding sources in the original (or amended) baseline agreement. This supplement provides that remaining bond funds will be de-allocated from the project at project award, and will be administered in the following manner:

- 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. Upon project close-out, the remaining bond funds will be available for re-programming by the Commission.
- The remainder of bond savings may also be used to add new projects or enhancements on already programmed SR 99 projects. Prior to making any proposals to program additional projects into the SR 99 program, the Department of Transportation will consult with the San Joaquin Valley and/or the Sacramento Valley Regional Transportation Planning Agencies to identify corridor priorities for the reprogramming of project savings. When proposing additional projects into the 99 Bond Program, consideration must be given to existing projects and needs identified in the SR 99 Business Plans, Corridor System Management Plans, and project deliverability within the timelines established in the SR 99 Guidelines. The following criteria will be used to reprogram any SR 99 project savings:
    - Proposed new project or enhancement is identified in the SR 99 Business Plan, or in a Corridor System Management Plan (CSMP) produced as a result of SR 99 bond programming.
    - Proposed new project can begin construction by December 31, 2012.
    - SR 99 Bond funding, or a combination of bond funding and other committed funds, will complete the funding needs for the new project.
    - Project selection will take into consideration the priorities outlined in the Sacramento and San Joaquin Valley Route 99 Business Plans.

4. **Cost Savings on Projects Subject to Assembly Bill X3-20**: Under the provisions of Assembly Bill X3-20, if a metropolitan planning organization, county transportation commission, regional transportation planning agency, or other local agency uses federal Recovery Act funds to fund a project programmed under a Proposition 1B Bond Program with the effect of displacing the need for those bond funds on the project, the Commission will allocate funds for one or more qualifying projects in the appropriate program, in the jurisdiction of that agency, and in the same amount of the displaced bond funds. Requests to re-program such funds are subject to the eligibility requirements of the appropriate Proposition 1B program and subject to Commission approval.

5. **Cost Savings on Projects Subject to a Private Placement Bond Purchase Contract**: If a metropolitan planning organization, county transportation commission, regional transportation planning agency, or other local agency enters into a private placement Bond Purchase Contract with the Treasurer of the State of California to secure funding for a Proposition 1B Bond Program project(s), the provisions of the Bond Purchase Contract state that if Bond proceeds remain after completion of the Projects, such proceeds will be expended for other projects

qualified under the Bond Act and located in the same geographic region as the projects funded with those proceeds.

6. **<u>Cost Savings on Projects with a Letter of No Prejudice (LONP)</u>:** For projects using LONPs, allocations will be adjusted to reflect the cost to award the contract, thus making the savings available for reserve and reprogramming.

7. **<u>Submittals of Project Proposals</u>**: Proposals to program additional CMIA or SR 99 projects will be evaluated on their merits if they are received by February 1, 2010. Proposals to program additional CMIA or SR 99 projects received on or after February 2, 2010 will be evaluated on an ongoing, first come, first serve basis. Proposals must include:

   - A cover letter from the sponsoring agency with signature authorizing and approving the proposal to program the project.
   - A letter from the Department of Transportation with signature authorizing and concurring with the proposal to program the project.
   - An updated Project Programming Request (PPR) form that describes the project scope, cost, funding plan, project delivery milestones, and major benefits.
   - A brief narrative (1-2 pages) that updates information submitted as part of the original nomination.

   The proposals must be submitted in hard copy and addressed or delivered to:

   Bimla G. Rhinehart, Executive Director
   California Transportation Commission
   Mail Station 52, Room 2222
   1120 N Street
   Sacramento, CA 95814