Memorandum

To: Chairman and Commissioners **Date:** 12/12/2007

From: JOHN F. BARNA, JR
Executive Director

Item 18
Reference No. 4.5
ACTION

Subject: TECHNICAL CHANGES TO ADOPTED PROPOSITION 1B GUIDELINES

RESOLUTION CMIA-G-0708-001, AMENDING RESOLUTION G-06-17
RESOLUTION SR99-G-0708-001, AMENDING RESOLUTION G-06-22
RESOLUTION TCIF-G-0708-002, AMENDING RESOLUTION TCIF-G-0708-001

ISSUE: Should the Commission approve technical changes to adopted Proposition 1B programs such as the Corridor Mobility Improvement Account (CMIA) and State Route 99 Account (SR 99)?

RECOMMENDATION: Staff recommends that the Commission approve the proposed technical changes as presented.

BACKGROUND: In clarifying legislation to Proposition 1B, the Governor signed into law Senate Bill 88 (SB 88), on August 24, 2007, which designates the Commission as the administrative agency for the CMIA, SR 99, Trade Corridors Improvement Fund (TCIF), State Transportation Improvement Program (STIP), State and Local Partnership Program Account; Local Bridge Seismic Retrofit Account; Highway-Railroad Crossing Safety Account; and the State Highway Operation and Protection Program (SHOPP) funded by Proposition 1B. SB 88 imposes various requirements for the Commission relative to adopting program guidelines, making allocations of bond funds, reporting on project progress, and providing for audits of project expenditures and outcomes.

The purpose of these technical changes is to clarify the Commission's policy and expectations for already adopted Proposition 1B programs, in particular the CMIA, SR 99, and TCIF, and thus to provide guidance to the Department of Transportation (Caltrans), regional agencies, and project sponsors and implementing agencies in carrying out their responsibilities under these program.

Attachment:

Technical Changes to Adopted Proposition 1B Programs

TECHNICAL CHANGES TO ADOPTED

PROPOSITION 1B PROGRAM GUIDELINES

ADOPTED DECEMBER 12, 2007

Purpose

Proposition 1B enacted by a vote of the people of California on November 7, 2006, authorized the issuance of $19.925 billion in State general obligation bonds for specific transportation programs such as the Corridor Mobility Improvement Account (CMIA), State Route 99 (SR 99), Trade Corridors Improvement Fund (TCIF), State and Local Partnership Program, State and Local Transit Program, Local Bridge Seismic Program, Grade Separation Program, and the augmentation of the existing State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (SHOPP). Consistent with the requirements of Proposition 1B, the California Transportation Commission (Commission) programs and allocates bond funds in each of the above-mentioned programs.

In clarifying legislation to Proposition 1B, on August 24, 2007, the Governor signed into law Senate Bill 88 (SB 88) which designates the Commission as the administrative agency for the CMIA, SR 99, TCIF, STIP, State and Local Partnership Program Account; Local Bridge Seismic Retrofit Account; Highway-Railroad Crossing Safety Account; and SHOPP funded by Proposition 1B. SB 88 imposes various requirements for the Commission relative to adopting program guidelines, making allocations of bond funds, reporting on project progress, and providing for audits of project expenditures and outcomes.

The purpose of these technical changes is to clarify the Commission's policy and expectations for already adopted Proposition 1B programs, in particular the CMIA, SR 99, and TCIF, and thus to provide guidance to the Department of Transportation (Caltrans), regional agencies, and project sponsors and implementing agencies in carrying out their responsibilities under these program.

Project Delivery

Project baseline agreements: Within three months after the adoption of a project into a program of projects, the Commission, Caltrans and the implementing agency, together with the regional agency and any entity committed to providing supplemental funding for the project, will execute a project baseline agreement, which will set forth the project scope, benefits, delivery schedule, and the project budget and funding plan. The funding plan will identify the source and amount of supplemental funding. The Commission may delete a project for which no project baseline agreement is executed, and the Commission will not consider approval of a project allocation prior to the execution of a project baseline agreement.

Quarterly delivery reports: As a part of the project baseline agreement, the Commission will require the implementing agency to submit quarterly reports on the activities and progress made toward implementation of the project, including those project development activities taking place prior to a bond funding allocation and including the commitment status of supplemental funding identified in the project baseline agreement.

As mandated by Government Code Section 8879.50, the Commission shall forward these reports, on a semiannual basis, to the Department of Finance. The purpose of the reports is to ensure that the project is being executed in a timely fashion and is within the scope and budget identified when the decision was made to fund the project. If it is anticipated that project costs will exceed the approved project budget, the implementing agency will provide a plan to the Commission for achieving the benefits of the project by either down scoping the project to remain within budget or by identifying an alternative funding source to meet the cost increase. The Commission may either approve the corrective plan or direct the implementing agency to modify its plan. Where a project allocation has not yet been made, the Commission may amend the program of projects to delete the project.

Final delivery report: Within six months of the project becoming operable, the implementing agency will provide a final delivery report to the Commission on the scope of the completed project, its final costs as compared to the approved project budget, its duration as compared to the project schedule in the project baseline agreement, and performance outcomes derived from the project as compared to those described in the project baseline agreement. The Commission shall forward this report to the Department of Finance as required by Government Code Section 8879.50.

The implementing agency will also provide a supplement to the final delivery report at the completion of the project to reflect final project expenditures at the conclusion of all project activities. For the purpose of this section, a project becomes operable at the end of the construction phase when the construction contract is accepted. Project completion occurs at the conclusion of all remaining project activities, after acceptance of the construction contract.

Audit of project expenditures and outcomes: The Department of Transportation will ensure that project expenditures and outcomes are audited. For each project the Commission expects the Department to provide a semi-final audit report within 6 months after the final delivery report, and a final audit report within 6 months after the final delivery report supplement. The Commission may also require interim audits at any time during the performance of the project.

Audits will be performed in accordance with Generally Accepted Government Auditing Standards promulgated by the United States Government Accountability Office. Audits will provide a finding on the following:

- Whether project costs incurred and reimbursed are in compliance with the executed project baseline agreement or approved amendments thereof; state and federal laws and regulations; contract provisions; and Commission guidelines.
- Whether project deliverables (outputs) and outcomes are consistent with the project scope, schedule and benefits described in the executed project baseline agreement or approved amendments thereof.