



SACOG Board of Directors

Item #16-10-7 Consent

October 13, 2016

Approve 2017 SACOG Delivery Plan and Flexible Funding Round Processes

Issue: What process should be adopted for developing the 2017 SACOG Delivery Plan and the next Flexible Funding Round?

Recommendation: The Transportation Committee recommends (Peters abstained) that the Board approve the proposed 2017 Delivery Plan process and delay the next Flexible Funding Round by up to one year.

Committee Action /Discussion: This item was presented in full form to all three committees. Comments in support of the staff recommendations for the 2017 Delivery Plan process and approach were made in each committee meeting. At the Transportation Committee, the acting committee, a concern was raised by a director about a one-year delay for the next regional funding round. Staff clarified that the staff recommendation is for up to one year and that in the event that unexpected new funding is available from the State in 2017, the Board may want to revisit the timing assumption. Additional committee discussions affirmed the value of the funding round delay to develop new project selection tools and methods, as well as a means to broaden stakeholder involvement in a possible redesign of the programs. Staff explained that these efforts would occur at the same time new funding opportunities are pursued and support is offered to local agencies to implement programmed projects through the 2017 Delivery Plan process.

The October committee briefings built upon discussions in the prior month at the Transportation Committee. In these briefings, staff summarized the draft 2017 Delivery Plan recommendations and provided an overview of how project delivery relates to the Metropolitan Transportation Improvement Program (MTIP) and the agency's programming rounds.

Each year, SACOG helps project sponsors deliver their projects with SACOG-controlled federal funds from the Congestion Mitigation and Air Quality (CMAQ) program, Regional Surface Transportation Program (RSTP), and Regional Improvement Program (RIP /STIP). These funds are awarded to project sponsors who have successfully competed in prior Flexible Funding Round programs (Regional/Local, Community Design, Bicycle & Pedestrian, Air Quality, etc.). Project sponsors navigate a complicated federal aid funding process to request and spend these funds in a timely manner. Delivery timing, prioritization tiers, and general practices are all outlined in an annually approved Delivery Plan Process. SACOG's annual Delivery Plan prioritizes who can request federal funds during the current federal fiscal year (FFY) by balancing past commitments, funding availability, and project readiness.

The 2017 Delivery Plan provides the policy guidance for the FFY that runs between October 1, 2016, and September 30, 2017. As in prior years, the Delivery Plan proposes three tiers, described below, that reward project sponsors for preparing shovel-ready projects as early as possible:

- Tier 1 projects have funding programmed in the current FFY of the Metropolitan Transportation Improvement Program (MTIP). These projects will have priority to request authorization for SACOG's federal funds until February 1, 2017.
- Tier 2 projects have RSTP and CMAQ funds programmed in any year of the MTIP. These projects will have priority to request authorization for SACOG's federal funds until May 1, 2017.
- Tier 3 projects are those projects not programmed in the MTIP or that have RIP/STIP funds programmed in later years. After May 1, 2017, project sponsors can request authorization to encumber borrowed RSTP or CMAQ funds to deliver a project earlier than its other identified funds might allow. SACOG will consider these requests taking into account sponsors' delivery needs, regional delivery targets, and available apportionment.

This 2017 Delivery Plan process is outlined in more detail in Attachment A. Due to program requirements, projects funded with Active Transpiration Program funds cannot be advanced utilizing the tier system.

As part of the adoption of the 2016 Delivery Plan, staff committed to exploring refinements to the 2017 process. This was linked at the time to Board dialogue concerning the 2015 Flexible Funding Round and the corresponding decrease in available 2018 STIP revenue. Within the Board-adopted 2015 Funding Round policy frameworks, it was agreed that all 2015 funding round applicants would be required to submit a quarterly report/update on each project receiving funding. In the December 2015 Board action, this was expanded to all projects in the RIP/STIP. The proposed 2017 Delivery Plan clearly articulates these new quarterly reporting requirements for all projects.

As the quarterly updates represent a new level of data collection, SACOG staff will be consulting with all member agencies on a format to provide updates that is simple for project sponsors, but can help inform SACOG, the Board, and jurisdictions on how projects are progressing overall, and if there are projects that may need timing shifts and/or assistance with delivery challenges that have arisen. The process for soliciting this input is included in the proposed engagement calendar.

Also discussed in Attachment A are a number of factors that suggest that the next SACOG Flexible Funding Round could benefit from a delay as a means for better connecting the future funding round structure and processes with delivery policy, since the delivery and the funding round processes are intrinsically linked. Included in the discussion with the Board Committees in this cycle will be the use of Obligation Authority (OA) (see Attachment A-1), available apportionments, and the overall timing of the next Flexible Funding Round.

Approved by:

Mike McKeever
Chief Executive Officer

MM:RDO:rh
Attachment

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Attachment A

PROPOSED 2017 DELIVERY PLAN PROCESS

Projects will be classified under the following prioritized three tiers:

The 2017 Delivery Plan proposes to use the same tier process as earlier plans.

Classification	Project Group	Level of Priority	Obligation Authority (OA)
Tier 1	Projects programmed in the MTIP for FFY 2017.	Priority until February 1, 2017	Subject to SACOG OA limitation
Tier 2	Projects programmed with RSTP and CMAQ in any year of the MTIP	Priority until May 1, 2017	Subject to SACOG OA limitation
Tier 3 project loans	Projects not programmed in the MTIP- or RIP/STIP- funded projects programmed in later years that desire a loan.	Will be considered after May 1, 2017	Subject to California OA availability

As shown in the above table, projects programmed in the SACOG MTIP for FFY 2017 will be Tier 1 projects and given the highest priority. The hope is that between October 1, 2016 and February 1, 2017 sponsors of these projects will submit their fully completed Request for Authorization (RFA) to Caltrans District 3 Office of Local Assistance. Should there be problems fully completing the RFA and those problems carry over beyond February 1, 2017 that project will lose its highest priority status and compete with projects in Tier 2. This will continue until May 1, 2017 the earliest date when SACOG will allow approved Tier 3 project loans to request authorization. Tier 3 project loans are for unprogrammed projects or projects with RIP funds programmed in later years. The 2017 Delivery Plan offers the opportunity to unprogrammed projects seeking loans for implementation from SACOG. The process and conditions for such loans are already well established in the SACOG region, and the proposed 2017 Delivery Plan will adhere to them.

SACOG's Obligation Authority (OA) limitation is calculated based upon prior year delivery. The amount of OA available for SACOG to use in 2017 will be determined by delivery outcomes from the 2016 cycle. It is determined by SACOG's regional delivery, statewide delivery, and the proportion of over-delivery by the state and regional agencies. Appendix A-1 describes this in greater detail.

Regional OA can be used to increase obligation authority on existing federal earmarks. However, this does not calculate into a region's ability to access above and beyond its own OA and increase a future share of August redistribution. Only under limited circumstances would an OA request be considered.

As in past years, staff proposes to expand SACOG's project delivery potential by borrowing apportionments and/or obligation authority (OA) or obtaining loans, as appropriate, from other regional agencies or from the state. Extending these practices for the 2017 Delivery Plan may help fund additional projects or keep funds within the region. With respect to borrowing or loaning funds, under normal circumstances, staff will take any proposed loan agreements to the Board for its review and approval prior to signature by the Chief Executive Officer. In the event that there is an urgent need for SACOG to execute a loan agreement, current Board delegation gives the Chief Executive Officer discretion to commit SACOG for such purposes. Consistent with past practices, staff would then report back to the Board at the earliest opportunity or in the year-end delivery update.

Quarterly Project Update and Engagement Calendar:

Delivery Plan Year	Reporting Period	Detail	Date Requested
2017	Quarter 2	Reporting on progress made during October, November, December. <i>Details to be developed after collecting additional input from project sponsors</i>	December 2016
2017	Quarter 3	Reporting on progress made during January, February, March	March 2017
2017	Quarter 4	Reporting on progress made during April, May, June	June 2017

SACOG staff will be initiating in Quarter 2 a discussion on the format for collection of data with member agencies through a workshop/meeting. The goal of the engagement is to inform Quarter 2 reporting for the first three months of the 2017 Delivery plan (which is in the Federal Fiscal Year starting in October). Staff will engage with sponsors on an approach that is both streamlined and efficient.

Four-County Flexible Funding Round Delay Consideration:

In December 2015, the SACOG Board programmed projects using two years of federal apportionment funds, for federal fiscal years (FFY) 2018 and 2019, and it also programmed funding for STIP projects out to state fiscal year (SFY) 2020/21 as part of the 4-County Flexible Funding Round. Due to the lack of RIP/STIP funding, some projects identified for such funds were re-matched with federal apportionment funds, while other projects remain unfunded but have the commitment of SACOG to be funded using future funding (either federal apportionments or RIP/STIP).

Many of these projects have been included in SACOG’s four year programming document, the Metropolitan Transportation Improvement Program (MTIP). The most current version of the MTIP is anticipated to be approved by the Federal Highway Administration and Federal Transit Administration in December 2016. The years of programming in the MTIP are FFYs 2017, 2018, 2019, and 2020.

- Within the 2017-20 MTIP there are sufficient funds for the 2017 Delivery Plan Process. The breakdown:
 - \$122 million in CMAQ and RSTP apportionments are programmed to projects in the 6-county region, representing about three years’ worth of apportionments.
 - \$60 million in STIP funds are programmed to projects in the 6-county region that could deliver using state funds or be considered for federal funds through the Tier 3 loan process. If all these projects currently programmed with state funds ultimately get matched with federal funds than 1.5 years’ worth of CMAQ and/or RSTP federal apportionments would be required.
 - \$23.9 million in unprogrammed future funding commitments for consideration of a Tier 3 loan opportunity, which would translate into half a year’s worth of federal apportionment.

- \$6 million of RSTP apportionments that the El Dorado County Transportation Commission (EDCTC) could program for delivery in 2017.
- \$1.776 million of unallocated STIP funding.

However, staff has identified a number of factors affecting the allocation of future funding, including the current outlook of programmed project phases that already extends out 3-4 years and may get delayed even further without a recovery in RIP/STIP funding. Other factors include the serious challenge many local agencies are facing in securing sufficient leveraging funds, coupled with Board interest in tighter use-it-or-lose delivery policies and a more streamlined project selection process that is performance-based. Given these objectives, a delay in next funding round by one year has notable benefits. It would allow staff to spend 2017 refining technical analysis project selection tools and methods while also fully collaborating with local agency partners to shape new policies related to project delivery and the new Flexible Funding Round. For these reasons, staff recommends that the Board consider authorizing the delay of the Flexible Funding Round from 2017 to 2018.

While the Transportation Committee received a more detailed briefing on the Delivery Plan Process at its September 1 meeting, the presentation scheduled for the September 15 Board meeting did not take place because of the longer closed session. Staff now plans to provide a briefing at the Land Use and Natural Resources (LUNR) Committee and Government Relations & Public Affairs (GRPA) prior to the October 20 full Board meeting.

APPENDIX A-1

Obligation Authority and Apportionment:

Obligation Authority (OA) is described below to clarify the connection of the Tier process with the State of California's policy on the use of OA. In a given year SACOG is limited by both the amount of apportionment (funding) available and OA (capacity to spend funding) available.

In the *Tier 1 and Tier 2 timeframe* or October 1, 2016- March 30, 2017, it can be assumed that:

- \$29.5 million is the available apportionment for CMAQ in the MTIP (FFY 16/17). \$12 million is held for prior loan repayment. A net of \$17.5 million apportionment is available.
- \$29.4 million is the available apportionment for RSTP in the MTIP (FFY 16/17).
- SACOG has no apportionment balances reaching 3 years of age which are subject to AB1012 at this time. SACOG has approximately \$18 million of funds that are two years of age and will carry over into 16/17.
- The total apportionment available is \$59 million. The \$12 million for prior loan repayment reduces available apportionment to \$47 million. The addition of apportionment that is two years of age increases this amount to approximately \$65 million.
- As noted above, SACOG's OA for 2017 is dependent upon SACOG's delivery of OA in 2016 (known amount will be available in October). It is influenced by both SACOG's stand-alone project delivery and statewide project delivery.

Delivery Scenario:

- Based upon the assumption that the State is able to deliver 100% or more of its OA (making CA eligible for nationwide redistribution) and other regions deliver in a similar manner:
 - Should SACOG deliver 100% of its 2016 OA, then ~\$49 million of OA will be available in 2017.
 - 75% (\$49 million) of SACOG's \$65 million in apportionment is usable in this timeframe. The remaining 25% (\$16 million) is accessible after May 1.
 - Should SACOG deliver 125% (over by \$10 million) of its 2016 OA, then ~\$41 million of OA will be available in 2017
 - 63% (\$41 million) of SACOG's apportionment is usable in this timeframe. The remaining 27% (\$24 million) is accessible after May 1.

In the Tier 3 timeframe, or May 1, 2017 to the end of the 2017 delivery season, it can be assumed that:

- This is SACOG's opportunity to deliver beyond the 63-75% of its apportionment without taking OA loans, assuming that:
 - Other California regions do not use all their OA before May 1
 - The State qualifies for August Redistribution
- This is when SACOG could request loans for additional apportionment if it goes beyond what is available.

Long Term Delivery Strategy:

- SACOG must use the post-May 1st window in 2017-2019 to deliver all CMAQ and RSTP apportionments to avoid an upcoming federal rescission in 2020. The balance of OA and apportionments will be evaluated in future delivery plan processes.

APPENDIX A-2

The following is the possible plan schedule and quarterly reporting action points:

Quarter	Tier	Date	SACOG Staff Activity
Q1	2016 Tier 3	Aug 1-31, 2016	<ul style="list-style-type: none"> 8/24/16: 2017 Delivery Plan process introduced to the Regional Planning Partnership (RPP)
Q2		Sept 1-30, 2016	<ul style="list-style-type: none"> 9/1/16: 2017 Delivery Plan process introduced to the Transportation Committee 9/1/16: SACOG requests 2017 project delivery information from sponsors Q1 9/28/16: 2017 Delivery Plan process presented to the RPP 9/28/16: 2017 Delivery Plan process action at the Transportation Committee
Q3	2017 Tier 1	Oct 1-31, 2016	<ul style="list-style-type: none"> Submit project delivery information to SACOG for Q1 SACOG prepares initial Delivery Plan for Tier 1 and Tier 2 projects using Q1 report; Monitor Tier 1 progress 10/20/16: SACOG Board approves 2017 Delivery Plan Process
		Nov 1-30, 2016	<ul style="list-style-type: none"> Monitor Tier 1 progress
	Dec 1-31, 2016	<ul style="list-style-type: none"> Monitor Tier 1 progress Dec 1, 2016: SACOG requests 2017 project delivery information from sponsors Q2 	
Q4	2017 Tier 2	Jan 1-31, 2017	<ul style="list-style-type: none"> Submit project delivery information to SACOG for Q2 Monitor Tier 1 progress
		Feb 1-28, 2017	<ul style="list-style-type: none"> Monitor Tier 2 progress Feb 1, 2017: Tier 2 opens
Q1	2017 Tier 3	March 1-30, 2017	<ul style="list-style-type: none"> Monitor Tier 2 progress March 1, 2017: SACOG requests 2017 project delivery information from sponsors Q3
		Apr 1-30, 2017	<ul style="list-style-type: none"> Submit project delivery information to SACOG for Q3 Monitor Tier 2 progress Apr 1, 2017: SACOG submits 2016 Delivery Plan to Caltrans
	May 1-30, 2017	<ul style="list-style-type: none"> Monitor All Tier progress May 1, 2017: Tier 3 opens (considered by SACOG staff) 	
Q1	2017 Tier 3	June 1-30, 2016	<ul style="list-style-type: none"> Monitor All Tier progress June 1, 2017: SACOG requests 2017 project delivery information from sponsors Q4
		July 1-31, 2017	<ul style="list-style-type: none"> Submit project delivery information to SACOG for Q4 Monitor all Tier progress New authorization due end of month
		Aug 1-31, 2017	<ul style="list-style-type: none"> 2018 Delivery Plan process introduced