STAFF REPORT

MEETING DATE:	**6/25/13**
SUBJECT:	**Accept Regional Surface Transportation Program (RSTP) Budget & Consider Related Policy**
AGENDA ITEM:	**12**
STAFF CONTACT:	**Dan Little**

SUMMARY:

At each board of director's meeting this year, staff is presenting information regarding various capital, operating and planning programs administered by SRTA (see attached pie chart). This presentation will focus on Regional Surface Transportation Program (RSTP) funds allocated to the region in support of local agency capital projects ($2.5 million annually). Going forward, SRTA proposes board of directors' approval of an annual RSTP budget, and an update to the attached RSTP policies in October.

STAFF RECOMMENDATION:

It is recommended that the board of directors:

1. Receive a presentation from staff regarding RSTP funds and policy;
2. Approve the fiscal year 2012/13 RSTP budget; and
3. Provide direction to staff regarding RSTP policy alternatives for consideration in October.

DISCUSSION:

RSTP funds are the largest source of capital funds consistently available for use by SRTA; yet, the board of directors and the public has little knowledge of these funds. This is because no substantive board action related to RSTP funds has occurred since 2003. Policy 5-3 (attached), delegates all SRTA decision-making authority regarding the selection of RSTP projects to the cities and county. It also sub-allocates RSTP funds on a population basis. Going forward, the SRTA board of directors will take annual action to – at a minimum – approve an RSTP budget.

The Shasta region currently receives over $2.5 million in RSTP funds annually – SRTA receives a direct allocation of over $1.8 million and has authorized the state to provide an additional $672,168 directly to the county of Shasta. RSTP funds originate from the federal excise tax on gasoline; however, for smaller regions like SRTA, the state allows exchange of the federal dollars for state cash. This offers greater flexibility and fewer administrative requirements. RSTP funds can support a broad range of projects (see attached Policy 5-2). In the Shasta region, however, they are currently used to augment city and county road budgets.

Consideration of Updated RSTP Policies. The agency is in the process of updating RSTP policies and procedures for consideration by the board of directors at the October 2013 meeting. The attached fact sheet is intended to facilitate discussion. With development of the updated policies, the board of directors may choose to regain limited or full authority over RSTP project selection. This should be considered at this time for several reasons:

1. SRTA has not revisited its delegation of RSTP project selection authority in over ten years.
2. A readily available and flexible source of SRTA capital funding helps implement board of directors' priorities and policy.
3. In competing for major capital grants, the region has been limited by a lack of stable funds to develop "shovel ready" projects; this is increasingly critical to grant success.
4. Two other sources of capital funding available to SRTA have been significantly reduced or eliminated, while SRTA's subventions to local agencies have increased.
    a. The federal transportation enhancement program was eliminated (about $700,000 annually) and the State Transportation Improvement Program (STIP) has reduced SRTA funding from about $5 million annually to $2 million in recent years.
    b. RSTP funds sub-allocated by SRTA to local agencies have increased by 50% in the last three years. This is partly due to reductions in the above programs as well as efforts by SRTA to change state distribution formulas resulting in increased RSTP shares.
5. In reclaiming limited or full SRTA authority of RSTP project selection, the funds could still be directed entirely to local agency projects – In other words, there would be no financial impact to the cities and county collectively.
6. The state has indicated that it may not be able to sustain the exchange program which would trigger federal requirements that prohibit SRTA's delegation of project selection responsibility.
7. State legislation authorizing the exchange program is being rewritten to better align with federal requirements. This may also prohibit SRTA's current practice to delegate project selection to local agencies.
8. Approval of RSTP projects through the SRTA board of directors would likely result in greater public transparency and opportunities for input.

ALTERNATIVES:

The following alternatives are provided for consideration by the board of directors:

1. Continue to sub-allocate SRTA's RSTP funds to local agencies on the basis of population, effectively delegating all project selection to the cities and county (status quo);
2. Reclaim limited authority on a portion of the RSTP funds for regional priorities as determined by the board of directors. This could focus some of the funds on project development in a way that leverages grants for regional city and county projects. The portion retained by SRTA could be limited to increases in RSTP funds from last year's budget, thereby maintaining historical funding amounts available to cities and the county; or
3. Reclaim all SRTA authority over the use of RSTP funds and distribute them to local agencies based on local and regional needs as determined by the SRTA Board of Directors.

It is recommended that the board of directors discuss these alternatives and provide guidance to staff for development of new policies in October. Board of directors' guidance can be informal, or through a formal vote. SRTA staff would then work with staff from the affected agencies regarding the specific RSTP policies.

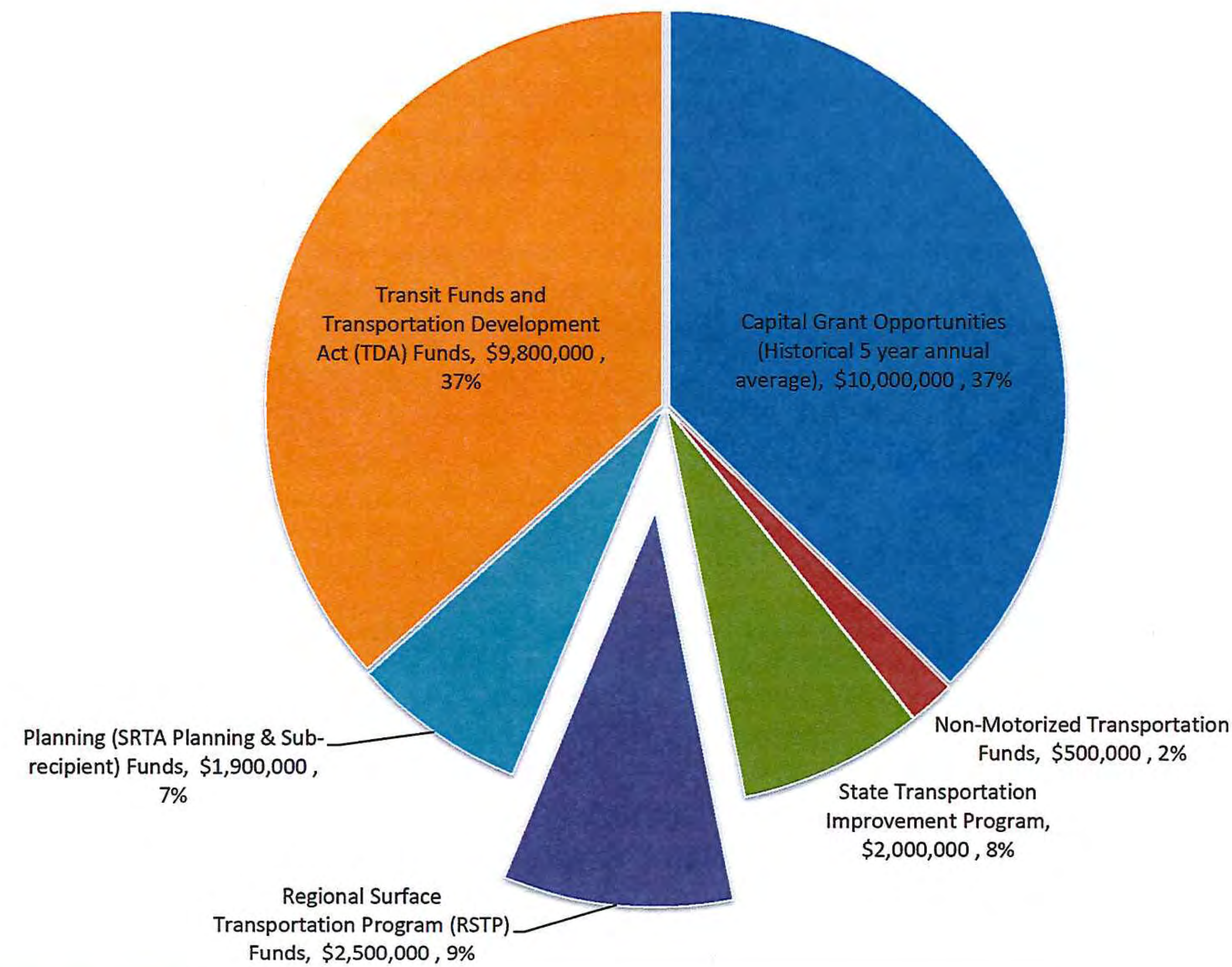
FINANCING:
Selection of any of the policy alternatives would have no fiscal effect on the region as a whole. Individual cities or the county could receive higher or lower RSTP amounts in any given year depending on local agency candidate projects considered together with the priorities of the SRTA Board of Directors. It should also be noted that the county of Shasta's current $672,168 RSTP allocation received directly from the state would not be affected by these policies given current state law – SRTA policies would only apply to the $1.8 million allocated to SRTA as shown in the attached fact sheet.

Unless otherwise directed by the board, the attached FY 2012/13 budget would distribute RSTP funds pursuant to current policy (status quo). Any policy revisions would apply to the FY 2013/14 RSTP budget.

Daniel S. Little, AICP, Executive Director

Attachments: Funds Administered by SRTA
Fact Sheet: RSTP Funds
SRTA Policy 5-2: RSTP, Approved February 28, 2006
SRTA Policy 5-3: RSTP Funding Allocations by Jurisdiction
FY 2012/13 RSTP Budget

FUNDS ADMINISTERED BY SRTA
$26.7 Million Annually

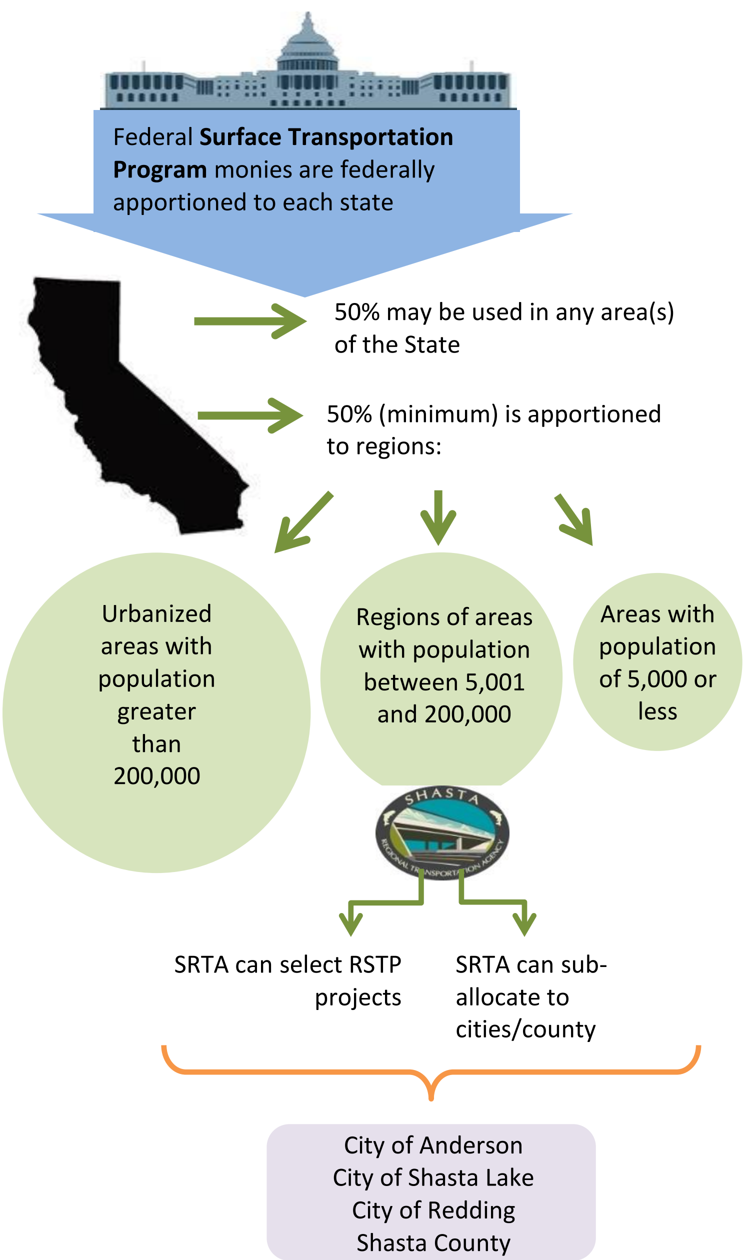


Fact Sheet: Regional Surface Transportation Program (RSTP)

Under the Surface Transportation Program (STP), federal gas tax dollars are apportioned to states for roads, transit, non-motorized, and other transportation needs. In California these funds are administered by Caltrans. In turn, Caltrans assigns a portion of the STP funds to regional transportation agencies such as SRTA. Normally, SRTA would be required by federal law to select projects. For regions under 200,000 population however, the exchange of federal STP funds for state cash is allowed. The state program is called the Regional Surface Transportation Program (RSTP). State exchange frees projects from federal requirements; however, the exchange program may be eliminated due to pending legislation or a lack of available state cash.

HOW THE REGION RECEIVES STP

In 2012, the federal Moving Ahead for Progress in the 21st Century Act (MAP-21) was enacted, which changed state allocations to regions. The graphic below illustrates how federal monies are distributed.



SRTA's POLICY FOR STP/RSTP FUNDS

SRTA Policy 5-2 and 5-3 describe how the agency administers RSTP funding. SRTA exchanges federal funds for state transportation dollars. SRTA then sub-allocates funds to Anderson, Redding, Shasta Lake, and the county of Shasta by a formula that results in population-based shares.

SRTA delegates project selection authority to each of the eligible entities. The cities and county use the RSTP funds to augment local road budgets.

At any time, SRTA may choose to regain some or all of its project selection authority.

IN SHASTA COUNTY

For the 2012-13 fiscal year, approximately $1.8 million of RSTP funding was allocated to SRTA for the Shasta region. This table illustrates how this amount was sub-allocated to the jurisdictions. The county received an additional $672,168. ($2.538 million total RSTP)

Jurisdiction	Total Sub-allocation
City of Redding	$1,433,257
City of Anderson	$73,722
City of Shasta Lake	$65,484
Shasta County	$292,969 + $672,168*
*The county gets this amount each year.	

<table>
<tr><td colspan="2">SHASTA COUNTY RTPA
POLICY AND PROCEDURE MANUAL</td><td>Number

5-2</td></tr>
<tr><td>SECTION: Rules of the Regional Transportation Planning Agency (RTPA)</td><td colspan="2" rowspan="3">Regional Surface Transportation Program (RSTP)</td></tr>
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POLICY FOR THE ADMINISTRATION OF REGIONAL SURFACE TRANSPORATION PROGRAM (RSTP) FEDERAL EXCHANGE AND STATE MATCH REQUEST

BACKGROUND

The RSTP exchange program is the successor to the Transportation Equity Act for the 21st Century (TEA-21). In accordance with Section 182.6 of the Streets and Highways Code, funds may be exchanged for nonfederal State Highway Accounts funds. Funding is allocated on an annual basis from the Department of Transportation (DOT). The amount of funding allowable is calculated by the DOT.

The RTPA agrees to allocate all state funds within the RSTP agreement to projects defined under Title 23 – Section 133 of the Federal Aid for Highways, and in accordance with the State of California Constitution. Section 133(b) eligible projects may include:

- **Highway (limited access facilities):** construction, reconstruction, resurfacing, restoration, operational improvements, safety improvements and programs, research and development, and technology transfers
- **Bridges:** construction, reconstruction (including seismic retrofit), resurfacing, and restoration
- **Transit:** anything eligible for Federal Transit Administration (FTA) funding, including fixed guideways, vehicles, maintenance facilities, safety improvements and programs, research and development, and technology transfers
- **Streets and roads (conventional facilities):** all functionally classified highways are eligible except for those classified as local roads or rural minor collectors. Activities include construction, signalization and signal timing, widening, restriping, resurfacing, and bus turnouts
- **Carpool projects**
- **Park and Ride lots**
- **Bicycle and pedestrian projects**
- **Traffic monitoring, management, and control facilities and programs:** includes capital and operating
- **Infrastructure-based intelligent transportation system (ITS) projects**
- **Surface transportation planning programs**
- **Transportation enhancement activities:** (as defined by law)
- **Transportation control measures**
- **Development and establishment of management systems**

- **Wetlands mitigation and wetlands banking**
- **Natural habitat restoration**
- **Landscaping**
- **Application of anti-icing and de-icing compositions to bridges and elevated structures**
- **Modification of sidewalks to comply with the Americans with Disabilities Act (ADA). Publicly or privately owned or operated vehicles and facilities that provide Intercity passenger bus service:** (capital improvements only)
- **Any activities eligible under the CMAQ or TEA programs**

Financial Controls: City and county agencies must establish a separate account within their "Special Gas Tax Street Improvement Fund" or "County Road Fund" to deposit and account for State exchange and match payments received directly from the RTPA.

City and county expenditures of exchange and match funds will be subject to financial and compliance audits by State of California auditors.

Compliance with Davis-Bacon Act: The Davis-Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 276 to 276a-7).

Annual Certification: Agencies are required to submit an annual document stating that RSTP exchange funds have been used for eligible projects as defined in Section 133(b), and that the agency is in compliance with the Davis-Bacon Act. Agencies must submit documentation prior to distribution of current year exchange funds.

In the event of an adverse audit finding, the agency must return the State cash to the RTPA for allocation to other eligible projects. If an adverse finding is not corrected, a hold will be placed on future exchange and match payments to the RTPA until such time as the adverse findings are corrected to the satisfaction of the State.

PROCEDURES

December	Notification from DOT for Federal Fiscal Year allocation
January-February	RTPA provides to DOT Federal Apportionment Exchange Buyout Program annual report = cash received from DOT and cash disbursed by RTPA
May	RTPA completes RSTP agreement
June	DOT returns fully executed agreement
June-July	RTPA invoices DOT for exchange funds
July	Agency verification of expenditure of funding for eligible projects
July-August	Upon receipt of funds, RTPA disburses funds to agencies

SHASTA COUNTY RTPA POLICY AND PROCEDURE MANUAL	Number 5-3 Rev.1
SECTION: Rules of the SCRTPA APPROVAL DATE: June 26, 2007 Page No. 1 of 2	Regional Surface Transportation Program (RSTP) Funding Allocations by Jurisdiction

POLICY FOR THE DISBURSEMENT OF REGIONAL SURFACE TRANSPORATION PROGRAM (RSTP) FEDERAL EXCHANGE AND STATE MATCH REQUEST TO JURISDICTIONS

BACKGROUND

In March of 1993 (Resolution 5-93) the SCRTPA agreed to accept Exchange program funds as allocated under Section 182.6 of the Streets and Highways Code. Funds may be exchanged for nonfederal State Highway Accounts funds.

Resolution 5-93 states that funds are to be divided among the jurisdictions in the same manner as they are allocated to the SCRTPA. These funds shall be shared among the jurisdictions based on the ratio of the jurisdiction's latest urban area population estimate to that of the total County's urban area. Funds derived under Section 182.6 (d) (2) shall be allocated to the County as specified by law, and the balance of the funds shall be allocated between the cities and the County on the basis of the ratio of each jurisdiction's population growth from 1980-1990 to the County population growth during that period.

Each of the entities has the capability of selecting and prioritizing projects using those funds allocated to them. The SCRTPA delegates to each of the eligible entities project selection authority for projects to be funded under this program.

PROCEDURES

The annual exchange funds are allocated to the SCRTPA on an annual basis from the Department of Transportation (DOT). The amount of funding allowable is calculated by the DOT.

Two factors are used to determine the amount allocated by jurisdiction. Amounts are first allocated based upon the population in the urban area based on 110% of the Federal Aid Urban (FAU) that preceded ISTEA . The remainder of funding, "other", is allocated based upon the growth in each entity from 1980 to 1990. The urban population is updated annually using the Department of Finance's E-1 report. These population figures determine the percentage of funding allocated to each jurisdiction based on the old FAU funding figures.

The amount of funds received from exchange that exceed the Old FAU are presented as "other" and are allocated based upon prior population figures for each jurisdiction as presented on the attached allocation schedule.

The City of Shasta Lake was incorporated on July 2, 1992. Prior to incorporation, Shasta Lake's population was included in the unincorporated area of Shasta County. In order to obtain census data, the United States Census Bureau must incorporate a city for one year before it is recognized as a city. The first documented census data for the City of Shasta Lake occurred in 1994/1995. The City of Shasta Lake became eligible for exchange funds at this time, and was removed from the County's population.

An allocation summary is disbursed to the jurisdictions that combine the Old FAU population allocations, and "other" funding allocations.

FINANCIAL CONTROLS
City and county agencies must establish a separate account within their "Special Gas Tax Street Improvement Fund" or "County Road Fund" to deposit and account for State exchange and match payments received directly from the SCRTPA.

City and county expenditures of exchange and match funds will be subject to financial and compliance audits by State of California auditors.

Any federal monies received from the SCRPTA must be audited under Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Agencies are required to submit an annual document stating that RSTP exchange funds have been used for eligible projects as defined in Section 133(b). Agencies must submit documentation no later than July 31 of each year in order to receive distribution of current year exchange funds.

In the event of an adverse audit finding, the agency must return the State cash to the SCRTPA for allocation to other eligible projects. If an adverse finding is not corrected, a hold will be placed on future exchange and match payments to the jurisdiction until such time as the adverse findings are corrected to the satisfaction of the SCRTPA.

Shasta Regional Transportation Agency
Regional Surface Transportation Program (RSTP)
July 2012 through June 2013

Revenue	
42650 · Exchange Funds	1,865,432.00
Total Revenue	1,865,432.00
Expenditures	
69000 · Payments to Cities and Counties	
69100 · City of Redding	
69130 · Exchange Funds	1,433,257.00
Total 69100 · City of Redding	1,433,257.00
69200 · City of Anderson	
69230 · Exchange Funds	73,722.00
Total 69200 · City of Anderson	73,722.00
69300 · City of Shasta Lake	
69330 · Exchange Funds	65,484.00
Total 69300 · City of Shasta Lake	65,484.00
69400 · County of Shasta	
69430 · Exchange Funds	292,969.00
Total 69400 · County of Shasta	292,969.00
Total 69000 · Payments to Cities and Counties	1,865,432.00
Total Expenditures	1,865,432.00
Revenue Over Expenditures	**0.00**

Shasta County directly receives $672,168 in RSTP funds annually in addition to amounts shown.