

STAFF REPORT



MEETING DATE:	February 24, 2022
SUBJECT:	Approve Regional Surface Transportation Program (RSTP) Policy Update
AGENDA ITEM:	15
STAFF CONTACT:	Jessica Carlson, Chief Fiscal Officer

STAFF RECOMMENDATIONS:

It is recommended that the board of directors:

1. Approve the Regional Surface Transportation Program (RSTP) Policy Update pursuant to the attached; and
2. Authorize the executive director to approve minor administrative amendments to RSTP policies.

DISCUSSION:

SRTA receives RSTP apportionments that may be used for a variety of highway, bridge, transit, and active transportation infrastructure projects. It is SRTA's longstanding practice to exchange federal RSTP funds for state exchange funds to reduce our local agency partners' administrative burdens. Future policy changes from the Federal Highway Administration (FHWA) and Caltrans may convert the population-based allocations for state exchange funds to a competitive process like that used for federal RSTP funds. Currently, SRTA receives approximately \$1.8 - \$2.5 million in state exchange funds annually, which SRTA distributes to Shasta County and the cities of Anderson, Redding, and Shasta Lake based on population, as is defined in Section 182.6 of the Streets and Highways Code (S&HC). Once the SRTA Board of Directors approve projects for RSTP use, local jurisdictions enter into a Sub-Recipient Cooperative Agreement (SCA) with SRTA to use funds and request reimbursement. All SCAs have a project performance period of three years. SRTA currently holds approximately \$4.5 million in an RSTP account awaiting invoicing from jurisdictions for reimbursement of eligible costs.

An RSTP policy update is necessary to add clear language that promotes a timely use of exchange funds and allows for reallocation of unused funds to more current projects in the region. Staff also recommends updating the RSTP calendar included in the policy to align with the current approval procedure.

ALTERNATIVES:

The board of directors may not act and the RSTP policies would remain unchanged. Used funds held with SRTA are subject to selective audit by Caltrans and may be required to be returned to the State.

OTHER AGENCY INVOLVEMENT:

The Fiscal Committee agreed to the staff recommendation at the February 9, 2021, meeting. Shasta County and the cities of Anderson, Redding, and Shasta Lake participate in the RSTP program.

FISCAL IMPACT:

The recommended action has no fiscal impact. There are currently no expired RSTP funds.



Keith R. Williams, AICP, Senior Transportation Planner

Attachment: RSTP Policy Chapter 3.40, amended February 24, 2022.

CHAPTER 3.40 - ADMINISTRATION OF REGIONAL SURFACE TRANSPORTATION PROGRAM (RSTP)

(POLICY ADOPTED BY THE SRTA BOARD OF DIRECTORS OCTOBER 22, 2013, Amended ~~2/27/18~~02/24/2022)

3.40.010 - BACKGROUND

A. Background

The Regional Surface Transportation Program (RSTP) was established by California Statute utilizing Surface Transportation Block Grant Program Funds that are identified in Section 133 of Title 23 of the United States Code. The program provides flexible funding that may be used by states and eligible entities for projects to preserve and improve the conditions and performance on any Federal-aid highway, bridge and tunnel projects on any public road, pedestrian and bicycle infrastructure, and transit capital and intercity passenger projects.

RSTP originates from the federal excise tax on gasoline. The State of California distributes the funds to regional agencies and counties based on population and other factors.

As a rural Metropolitan Planning Organization (MPO), the Shasta Regional Transportation Agency (SRTA) is allowed to participate in an exchange of these federal funds for nonfederal State Highway Account funds. Prior to an annual distribution of funds based on availability and qualified invoicing, an Exchange Agreement is executed between SRTA and the State Department of Transportation (Caltrans), exchanging federal funds for state funds. This exchange provides for fewer administrative burdens than a federalized project and opens the funds for uses beyond federal statute. In addition to RSTP funds allocated to the region, the county of Shasta receives a guaranteed RSTP apportionment, which SRTA typically allows the county to exchange directly as a part of the annual exchange process with Caltrans. SRTA distributes the regional funding, once it has been exchanged for state funds, to local public transportation agencies, as defined in the California Streets and Highways Code, as a responsibility of its Regional Transportation Planning Agency (RTPA)/MPO designation.

Alternatively, SRTA may retain the RSTP without exchanging for state funds. If this option is selected, then the list of eligible recipients expands, the scope of eligible projects narrows, and SRTA would be required to develop a competitive process to allow eligible entities to submit projects for funding that achieve RSTP objectives.

B. Project Eligibility

1. State Exchange Funds

In using state exchange funds, SRTA agrees to allocate all funds within the RSTP agreement to projects either defined under Title 23 - Section 133 of the Federal Aid for Highways, and/or projects allowed under Section 182.6 of the California Streets and Highways Code. The latter are transportation projects as defined by Article 19 of the California Constitution. Under those provisions, eligible projects include:

- a. The research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for non-motorized traffic), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, and the administrative costs necessarily incurred in the foregoing purposes.

- b. The research, planning, construction, and improvement of exclusive public mass transit guideways (and their related fixed facilities), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, the administrative costs necessarily incurred in the foregoing purposes, and the maintenance of the structures and the immediate right-of-way for the public mass transit guideways, but excluding the maintenance and operating costs for mass transit power systems and mass transit passenger facilities, vehicles, equipment, and services.

For RSTP exchange funds, SRTA defines a project as one being used for a transportation purpose, eligible under Article XIX of the California State Constitution, and having undergone a public nomination process that directly involves local government representatives.

2. Federal Funds

If the federal funds are not exchanged for state funds, then sub-recipients must ensure that projects are ones as defined under Section 133(b) of Title 23 and have undergone a competitive project selection process.

C. Financial Oversight

RSTP funds will be subject to financial and compliance audits, as well as execution of a sub-recipient cooperative agreement (SCA) between SRTA and each sub-recipient of RSTP funds outlining fund use, timing, reporting, and compliance parameters.

In the event of an adverse audit finding requiring repayment, a sub-recipient must return the payments to SRTA for repayment to the state. If an adverse finding is not corrected, a hold will be placed on future RSTP and other SRTA payments to the sub-recipient until such time as the adverse findings are corrected to the satisfaction of SRTA and the state.

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

Among the items that are likely to be included in the SCA between the sub-recipient and SRTA are:

1. Compliance with Davis-Bacon Act: The Davis-Bacon Act requires that all laborers and mechanics employed by consultants or sub-consultants to work on construction contracts in excess of \$2,000 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).
2. The jurisdictions are required to submit an annual document stating that RSTP exchange funds have been used for eligible transportation projects, and that the jurisdictions are in compliance with the Davis-Bacon Act. Jurisdictions must submit documentation prior to distribution of current year exchange funds.
3. Compliance with Title 2, CFR part 225, *Cost Principles for State, Local, and Indian Tribal Governments*.
4. Compliance with Title 2, CFR part 200, Uniform Guidance.

5. Agree that Contract Cost Principles and Procedures, Part 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31 shall be used to determine the allowability of individual project costs items.
6. A special fund for the purpose of depositing exchange funds has been established within a jurisdiction's special gas tax street improvement fund or county road fund.

D. Eligible Entities

RSTP funds exchanged for state funds may be disbursed to eligible entities per Section 182.6 of the California Streets and Highways Code to public transportation agencies. This may include: cities and counties; an RTPA/MPO, such as SRTA; and a public transit operator.

If the funds are not exchanged, the number of eligible entities expands, as defined under 23 USC Section 133(g)(4)(B).

E. Project Selection

SRTA receives the RSTP State Exchange amount by April from Caltrans, while the State Department of Finance (DOF) issues population estimates for the current year in early May. Allocations to the jurisdictions are then formulated by population. State statute calls for the nomination of projects by cities, counties, public transit operators, and other public transportation agencies through a process that directly involves local government representatives. SRTA will submit a call for projects to eligible entities for project selection consideration before its June meeting at its April meeting. This call for projects will include an estimated amount of available funds by jurisdiction. ~~This may take place either annually, biennially, or triennially.~~ Eligible agencies will submit a prioritized list of nominated projects. SRTA staff issues a draft SCA in early June to the jurisdictions with the projects they have submitted for consideration. If the SRTA Board of Directors alters the June staff recommendation of project selection/distribution, then modified SCAs will be issued. If the SRTA board approves the June staff recommendation, then the respective final SCA will be forwarded to the jurisdictions for approval. Upon project selection by the SRTA Board of Directors, the first-year projects will constitute those that are approved for reimbursement from the first year's estimated RSTP allocation. Subsequent projects approved will be prioritized by year and will receive reimbursements based on available funds. SRTA staff will prepare sub-recipient cooperative agreements (SCAs) for each responsible project entity for review and execution. Reimbursement eligibility will be ~~based~~ from the time the SCA is fully executed; no reimbursement for subsequent years will occur in advance of the program year funding availability. Consistent with Chapter 18 of the Caltrans Local Assistance Program Guidelines, no reimbursements in arrears will be authorized.

If funds are not exchanged, MPOs obligating RSTP funds are required to develop a competitive process to allow eligible entities to submit projects for funding.

F. Calendar

TIMING	PROCEDURES
February	SRTA staff solicits projects from the eligible entities with estimated funds availability. This may occur annually, biennially, or triennially.
April	<u>SRTA receives the State Exchange amount from Caltrans.</u> selects projects.
May	<u>SRTA uses the CA Department of Finance (DOF) population estimates and formulates each jurisdiction's allocation amount.</u> SRTA completes RSTP exchange agreement with Caltrans and notifies Caltrans, District 2 Local Assistance of past year's distributions (annual report).
May	<u>SRTA staff forwards annual allocation and call for projects to jurisdictions.</u> SRTA completes RSTP Sub-Recipient Cooperative Agreement (SCA) with project sponsors and submits to sponsors for review/execution.
June	<u>SRTA staff forwards jurisdiction's draft RSTP Sub-Recipient Cooperative Agreement (SCA) with allocation amount and draft proposed projects.</u> Caltrans returns fully executed exchange agreement.
June	SRTA receives and files fully executed SCAs from project sponsors.
June-July	SRTA invoices Caltrans for exchange funds.
July-August	<u>SRTA completes RSTP Exchange Agreement with Caltrans and notifies Caltrans, District 2 Local Assistance of past year's distributions (annual report).</u> <u>Caltrans returns fully executed RSTP Exchange Agreement. SRTA invoices Caltrans for RSTP exchange funds.</u> SRTA receives and deposits RSTP funds from Caltrans into a separate account.
July-August to subsequent years (no more than three years duration for each allocation)	Project sponsors invoice SRTA, SRTA verifies project invoices, and releases funds.

G. Funding Distributions

State statute notes that regional exchange funds "shall be apportioned for projects implemented by cities, counties, and other transportation agencies on a fair and equitable basis based upon annually updated five-year average of allocations." SRTA has previously determined that these funds shall be shared among the jurisdictions based on the ratio of the jurisdiction's latest population estimate to that of the total county's population.

SRTA shall annually determine the allocation based on the following:

1. Population estimates from the latest CA Department of Finance [\(DOF\)](#) E-1 Tables available at the time of project approval.
2. The total amount allocated to each jurisdiction shall include both the annual RSTP funds and the state-mandated annual set-aside for the county of Shasta.
3. The total shall first be allocated by population to each jurisdiction. The state-mandated annual set aside for the county of Shasta shall be subtracted from the county of Shasta's allocation to determine the amount the county of Shasta will receive of annual RSTP funds.

Notwithstanding this process, the board of directors may reserve the right to allocate outside the formula allocation process.

Six months prior to the end of the performance period in the SCA, unused funds should be identified and considered for reallocation by the SRTA Board of Directors. Previously allocated funds may become eligible for redistribution to other current projects, or for projects in the next RSTP cycle, with SRTA Board of Directors approval.

H. Invoicing and Reimbursement

Local agencies will submit invoices for project costs incurred and will be reimbursed for eligible costs under Section B and all other provisions of these policies, and pursuant to the SCA. Invoices must be received in a timely manner, in accordance with the SCA. Unused funds may be subject to redistribution under Section G.