STAFF REPORT

MEETING DATE:	**April 24, 2018**
SUBJECT:	**Amend Regional Surface Transportation Program (RSTP) Policies; Authorize Exchange for State Funds; Authorize Call for Projects**
AGENDA ITEM:	**10**
STAFF CONTACT:	**Kathy Urlie, Senior Transportation Planner**

SUMMARY:

An amendment to SRTA's policies for the administration of Regional Surface Transportation Program (RSTP) funds is needed to address recent Caltrans Audits and Investigations (A&I) findings. Whereas last year's RSTP distributions where held up by the audit, two years of funding are now available for projects nominated by local agencies.

STAFF RECOMMENDATIONS:

It is recommended that the SRTA Board of Directors:

1) Approve the attached amended RSTP policies, pursuant to Resolution 18-08;
2) Affirm that SRTA elects to receive state exchange funds for federal funds; and
3) Authorize the executive director to solicit call for projects for FY 2016/17 and 2017/18 RSTP funding.

DISCUSSION:

Background – The Regional Surface Transportation Program (RSTP) provides flexible funds for a variety of highway, bridge, transit, and pedestrian and bicycle infrastructure projects. It is SRTA's longstanding practice to exchange federal RSTP funds for state exchange funds to reduce administrative burdens and allow funds to be used for local streets and roads. SRTA receives around $1.6 million annually, which is distributed to the county and three cities based on population. The county of Shasta directly receives an additional $672,000 annually.

During the Caltrans A&I review of SRTA, several projects were identified that had not undergone a project nomination process as is required by Section 182.6 of the California Streets and Highways Code. Furthermore, RSTP exchange funds cannot be used to fund projects after the fact; they must be nominated and selected in advance of RSTP exchange distributions. SRTA's policies need to be revised and future RSTP-funded projects must adhere to the nomination process.

RSTP Policy Amendment – The attached RSTP policy amends the October 22, 2013, policy to include a clear project nomination process, as well as include several state requirements. Additionally, the attached resolution authorizes the executive director, or designee, to enter into any required agreements with the state of California for RSTP funds.

The funds available by jurisdiction are included in the table below.

RSTP Exchange Jurisdiction	FY 2016-17 Formula Amount	FY 2017-18 Estimated Amount*	Total
Anderson	$135,225	$135,225	$270,450
Redding	$1,173,065	$1,173,065	$2,346,130
Shasta Lake	$134,397	$134,397	$268,794
County#	$196,324	$196,324	$392,648
Total	$1,639,011	$1,639,011	$3,278,022

*Based on 1/1/2017 State DOF E-1 Population Estimate. Will be updated with 1/1/2018 estimate when available—typically May. Annual allocation will also be updated when received from Caltrans.
#Does not include $672,168 the county exchanges each year directly with state.

Project nominations and staff recommendations will be presented at the June 19, 2018, SRTA Board of Directors meeting for approval.

Notwithstanding these policy revisions, the board of directors reserves the right to distribute funds outside the formula allocation process.

A sub-recipient cooperative agreement with SRTA will be required for local agencies to be reimbursed. In addition to various other requirements included in the Sub-Recipient Cooperative Agreement, project reimbursement by local agencies will be required in the event of adverse audit findings.

ALTERNATIVES:
The board of directors may modify the policy, change the distribution formula, or reserve some or all of the funds for regional priority projects determined by the board.

OTHER AGENCY INVOLVEMENT:
The Technical Advisory Committee (TAC) concurs with the staff recommendation.

FISCAL IMPACT:
There is no direct fiscal impact to SRTA; however, local agency projects would no longer be eligible for RSTP exchange funding without the proposed policies and adherence thereto. Although the exchange funds were delayed one year for the audit to be completed, there was no loss of RSTP exchange funds to the jurisdictions.

Daniel S. Little, AICP, Executive Director

Attachments:
SRTA Resolution 18-08: Amend Regional Surface Transportation Policies and Procedures and Authorize Agreements with State of California for Exchange Funds
SRTA Financial and Accounting Procedures Section 2.55.030 – Administration of the Regional Surface Transportation Program (RSTP)

RESOLUTION

RESOLUTION NUMBER:	**18-08**
SUBJECT:	**Amend Regional Surface Transportation Policies and Procedures and Authorize Agreements with State of California for Exchange Funds**

WHEREAS, the Shasta Regional Transportation Agency (SRTA) is the designated Regional Transportation Planning Agency and Metropolitan Planning Organization for Shasta County; and

WHEREAS, SRTA accepts Regional Surface Transportation Program (RSTP) exchange funds as provided for under Section 182.6 of the California Streets & Highways Code; and

WHEREAS, all prior SRTA and Shasta County Regional Transportation Planning Agency—SRTA's predecessor—RSTP policies, procedures and resolutions are hereby rescinded by approval of SRTA's amended RSTP policies and procedures: Section 2.55.030 – Administration of the Regional Surface Transportation Program; and

WHEREAS, the amended RSTP policies and procedures outline project eligibility, financial oversight, eligible entities, project selection, timing, and funding distributions; and

WHEREAS, the RSTP policies and procedures stipulate that RSTP exchange funds will be provided to eligible recipients subject to execution of a sub-recipient cooperative agreement with SRTA:

NOW, THEREFORE, BE IT RESOLVED the Shasta Regional Transportation Agency:

1. Approves the amended SRTA policies and procedures for the Administration of the Regional Surface Transportation Program (RSTP); and
2. Authorizes the Executive Director, or designee, to enter into any agreements necessary with the State of California to exchange federal RSTP funds for state funds.

PASSED AND ADOPTED this 24th day of April 2018, by the Shasta Regional Transportation Agency.

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Susie Baugh, Chair
Shasta Regional Transportation Agency

2.55.030 – Administration of Regional Surface Transportation Program (RSTP)

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

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 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. 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	SRTA selects projects.
May	SRTA completes RSTP exchange agreement with Caltrans and notifies Caltrans, District 2 Local Assistance of past year's distributions (annual report).
May	SRTA completes RSTP Sub-Recipient Cooperative Agreement (SCA) with project sponsors and submits to sponsors for review/execution.
June	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	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 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.

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.