

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: August 27, 2015

Reference No.: 3.6
Action

From: WILL KEMPTON
Executive Director

Subject: **PROPOSITION 1B SEMI-ANNUAL STATUS REPORT**

ISSUE:

Should the California Transportation Commission (Commission) approve the attached Proposition 1B Semi-Annual Status Report for submittal to the Department of Finance?

RECOMMENDATION:

Commission staff recommends that the Commission approve the attached Proposition 1B Semi-Annual Status Report for submittal to the Department of Finance.

BACKGROUND:

Senate Bill 88 designates the Commission as the administrative agency for the Proposition 1B funded Corridor Mobility Improvement Account, State Route 99 Corridor Account, Trade Corridor Improvement Fund, Traffic Light Synchronization Program, Highway Railroad Crossing Safety Account, Local Bridge Seismic Retrofit Account, and State & Local Partnership Program. As the administrative agency, the Commission is required to report on a semiannual basis to the Department of Finance on the progress of the projects in these proposition 1B programs. The purpose of the report is to ensure that the projects are being executed in a timely manner and within the approved scope and budget.

The Proposition 1B Semi-Annual Status Report, issued in July of each year, and the Commission's Annual Report, issued in December, provide the reports mandated by Senate Bill 88.

Attached is the proposed Proposition 1B Semi-Annual Report. Upon Commission approval, the attached report will be submitted to the Department of Finance with the current Proposition 1B Quarterly Reports presented at the June 2015 Commission Meeting.

Attachments

LUCETTA DUNN, Chair
BOB ALVARADO, Vice Chair
DARIUS ASSEMI
YVONNE B. BURKE
JAMES EARP
DARIO FROMMER
JAMES C. GHIEMMETTI
CARL GUARDINO
FRAN INMAN
JAMES MADAFFER
JOSEPH TAVAGLIONE

STATE OF CALIFORNIA

EDMUND G. BROWN Jr., Governor



SENATOR JIM BEALL, Ex Officio
ASSEMBLY MEMBER JIM FRAZIER, Ex Officio

WILL KEMPTON, Executive Director

CALIFORNIA TRANSPORTATION COMMISSION

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August 27, 2015

Ms. Diana Antony
Manager, Bond Accountability
Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814

Dear Ms. Antony:

Senate Bill 88 designates the California Transportation Commission (Commission) as the administrative agency for the Corridor Mobility Improvement Account, State Route 99 Corridor Account, Trade Corridor Improvement Fund, State & Local Partnership Program, Local Bridge Seismic Retrofit Account, Highway Railroad Crossing Safety Account, State Transportation Improvement Program (STIP) Augmentation and State Highway Operation & Protection Program (SHOPP) funded by Proposition 1B funds. As the administrative agency, the Commission is required to report on a semi-annual basis to the Department of Finance on the progress of the projects in these Proposition 1B programs. The purpose of the report is to report whether the projects are executed in a timely manner and within the approved scope and budget.

In accordance with Senate Bill 88, the Commission has prepared the attached Proposition 1B Semi-Annual Status Report (Report). The Report provides an overview of the status of the Proposition 1B Programs for which the Commission is the administrative agency, as well as an analysis of the key issues impacting the programs at this time. In addition, as the administrative agency, the Commission requires recipient agencies to report on the activities and progress made toward the implementation of the bond funded projects on a quarterly basis. The most recent quarterly reports are also attached for your information.

Ms. Diana Antony
August 27, 2014
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If you have any questions, please contact the Commission's Chief Engineer Stephen Maller at (916) 653-2070.

Sincerely,

WILL KEMPTON
Executive Director

Attachments

cc: Malcolm Dougherty, Director, Department of Transportation
Kurt Scherzinger, Bond Program Manager, Department of Transportation

CALIFORNIA TRANSPORTATION COMMISSION

Proposition 1B Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006

Semi-Annual Status Report July 2015

BACKGROUND

Proposition 1B, approved by the voters in November 2006, authorized the issuance of \$19.925 billion in State general obligation bonds for specific transportation programs intended to relieve congestion, facilitate goods movement, improve air quality, and enhance the safety of the state's transportation system. These transportation programs included the Corridor Mobility Improvement Account (CMIA), State Route 99 (SR 99) Corridor Account, Trade Corridors Improvement Fund (TCIF), State Transportation Improvement Program (STIP) Augmentation, State Highway Operations and Protection Program (SHOPP), Traffic Light Synchronization Program (TLSP), Highway-Railroad Crossing Safety Account (HRCSA), Local Bridge Seismic Retrofit Account (LBSRA), and State & Local Partnership Program (SLPP). Consistent with the requirements of Proposition 1B, the Commission programs and allocates bond funds in each of the above mentioned programs.

Clarifying legislation to Proposition 1B, Senate Bill 88 (SB 88), enacted in 2007, includes implementation and accountability requirements for Proposition 1B projects and further defines the role of the Commission as the administrative agency for the Proposition 1B programs. SB 88 requires the Commission to report to the Department of Finance, on a semiannual basis, on the progress of the projects in these Proposition 1B programs. This report, as well as the Commission's Annual Report issued in December of each year, satisfy the reporting requirements of SB 88.

To date, the Commission has programmed all \$12.025 billion of the Proposition 1B funds within its purview. The Commission has allocated \$11.4 billion of the programmed Proposition 1B funds, to construction ready projects.

Construction Cost Trends

Lower construction cost trends continued in Fiscal Year 2014-15. The Department of Transportation (Department) received on average 5.4 bids per advertised contract, slightly lower than the prior fiscal year. The average low bid was 7.8% below the Engineer's Estimate for Fiscal Year 2014-15 versus 8.6% below the Engineer's Estimate for Fiscal Year 2013-14.

Close-Out Phase

With almost all of the Proposition 1B funds allocated and most of the allocated bond projects under construction, the Commission continues to monitor the progress of the projects through the close-out phase of the program. As projects are completed, the Commission is working with Caltrans and project sponsors to determine the degree to which benefits identified at the time of programming are achieved. Although, for many of the projects, the benefits will not be immediately identifiable, the Commission will continue to monitor and require that the project sponsor report the benefits achieved over time. In addition, the Commission will continue to consult with Caltrans ensuring that Caltrans' annual audit plan encompasses audits of completed bond funded projects.

PROGRAM SPECIFIC UPDATES

Corridor Mobility Improvement Account (CMIA)

Proposition 1B authorized \$4.5 billion in general obligation bond proceeds to be deposited in the Corridor Mobility Improvement Account. Funds in the CMIA are available for performance improvements on the state highway system, or major local access routes to the state highway system, that relieve congestion by expanding capacity, enhance operations, or otherwise improve travel times within highly congested travel corridors.

In February 2007, the Commission programmed 54 projects valued at \$9.1 billion using \$4.5 billion in bond funds that leveraged another \$4.6 billion in federal, state and local funds. In delivering the CMIA program, the Commission successfully capitalized on cost savings realized at construction contract award and recycled the savings to grow the program to 90 projects valued at \$12.3 billion. The Commission delivered the CMIA Program within the statutory December 31, 2012 project award delivery deadline. Due to complexity, timing and construction phasing, some of the 90 projects were split resulting in 129 discrete construction projects.

Consistent with the Proposition 1B savings policy approved in January 2014, the Commission in June 2015 swapped approximately \$72 million in CMIA project close-out and administrative savings with an equal amount of STIP funds on six projects that are eligible to receive CMIA program funds. This action freed up State Highway Account capacity to fund SHOPP projects. As CMIA projects are completed and final close-outs are done, the Department will continue to capture CMIA fund savings, if any, and will continue to swap the CMIA funds with STIP funds to maximize State Highway Account capacity.

As of June 30, 2015, 77 projects in the CMIA program have completed construction with 51 of these having submitted Final Delivery Reports to the Commission.

State Route 99 (SR 99) Corridor Account

Proposition 1B authorized \$1 billion in general obligation bond proceeds to be deposited in the SR 99 Corridor Account. Funds in the SR 99 Corridor Account are for safety, operational enhancements, rehabilitation, or capacity improvements on SR 99. The SR 99 traverses approximately 400 miles of the state's central valley. In total, there are 23 SR 99 Corridor Account projects. Due to complexity, timing and construction phasing, some of the SR 99 corridor projects were split, resulting in 27 discrete construction projects. The Commission capitalized on contract award savings and recycled the savings to grow the program to a current value of more than \$1.3 billion.

As of June 30, 2015, 13 projects in the SR 99 program have completed construction with 5 of these submitting Final Delivery Reports to the Commission.

Trade Corridors Improvement Fund (TCIF)

Proposition 1B authorized \$2 billion of state general obligation bonds for the Trade Corridors Improvement Fund. Funds in the TCIF are available for infrastructure improvements along federally designated "Trade Corridors of National Significance" in California or along other corridors within the state that have a high volume of freight movement. Acknowledging that the freight infrastructure needs of the state far exceed the \$2 billion provided under Proposition 1B, the Commission supported a strategy to increase TCIF funding by \$500 million from the State Highway Account via the SHOPP Program to fund state-level priorities that are critical to goods movement. In April 2008, the Commission adopted a program approximately 20 percent larger than the \$2.45 billion available (\$50 million was reserved for program administration). The 20 percent over programming assumed that new revenue sources would become available and would be dedicated to funding the adopted program. Unfortunately, new revenue sources to address the 20 percent over programming never materialized. The Corridor Coalitions diligently addressed the over programming and achieved the \$2.45 billion program funding level by using project award savings as well as by removing projects from the program.

There are currently 87 projects in the TCIF program valued at over \$7 billion. Out of the 87 projects in the program, 22 have completed construction with 9 of these submitting Final Delivery Reports to the Commission. The Commission continues to work with the coalitions and project sponsors to recapture cost savings at construction contract award and/or close out and redirect the savings to new projects that meet the TCIF criteria.

As of June 30, 2015, the Commission allocated \$2.4 billion (\$1.91 billion in TCIF Bond and \$0.490 billion in TCIF SHOPP) out of the \$2.45 billion available, leaving \$50 million available for future allocations. In FY 2014-15 the Commission allocated \$56.5 million to eight projects in the TCIF program.

Traffic Light Synchronization Program (TLSP)

Proposition 1B authorized \$250 million for the Traffic Light Synchronization Program. The TLSP is subject to the provisions of the Government Code Section 8879.23(k) (2) that require Caltrans to develop a program for traffic light synchronization or other technology-based improvements to safety and the effective operation of local streets and roads.

Government Code Section 8879.64(b), added by Senate Bill (SB) 88, directed that \$150 million from the TLSP Program be allocated to the City of Los Angeles for upgrading and installing traffic signal synchronization within its jurisdiction. SB 88 also designated the Commission as the administrative agency responsible for programming the funds and authorized it to adopt guidelines for the TLSP program.

On May 28, 2008, the Commission adopted a \$245 million TLSP program (\$5 million was reserved for program administration), programming 22 traffic light synchronization projects totaling \$147 million for the City of Los Angeles and \$98 million for 59 additional traffic light synchronization projects for other agencies throughout the state.

As of June 30, 2015, the Commission allocated \$237 million in bond funds for TLSP projects. Of the 81 projects include in the TLSP Program, 3 remain unallocated, 64 have completed construction with 40 of these submitting Final Delivery Reports to the Commission.

Highway-Railroad Crossing Safety Account (HRCSA)

Proposition 1B authorized \$250 million for the Highway-Railroad Crossing Safety Account program to fund the completion of high-priority grade separation and railroad crossing safety improvements. A total of \$245 million in HRCSA funds (\$5 million was reserved for program administration) were made available for allocation by the Commission, upon appropriation by the Legislature.

The HRCSA program has two parts as follows:

Part 1 - Government Code Section 8879.23(j)(1) provides \$150 million (less \$3 million reserved for program administration) for projects on the priority list established by the Public Utilities Commission (PUC) pursuant to the process established in Chapter 10 (commencing with Section 2450) of Division 3 of the Streets and Highways Code.

Part 2 - Government Code Section 8879.23(j)(2) provides \$100 million (less \$2 million reserved for program administration) for high-priority railroad crossing improvements that are not part of the PUC priority list process.

There are currently 37 projects programmed in the HRCSA program valued at \$1.3 billion. Of the 37 projects included in the program, one remains unallocated and 15 have completed construction and submitted Final Delivery Reports to the Commission.

As of June 30, 2015, the Commission allocated a total of \$225 million to both Part 1 and 2 of the HRCSA Program, leaving \$20 million available for future allocations.

Local Bridge Seismic Retrofit Account (LBSRA)

Proposition 1B authorized \$125 million for the Local Bridge Seismic Retrofit Account. The LBSRA funds provide the 11.5 percent required match for federal Highway Bridge Program funds available to the state for seismic retrofit work on local bridges, ramps and overpasses, as identified by Caltrans.

In April 2007, Caltrans identified 479 local bridges as eligible to receive LBSRA funds. The 479 local bridges were those bridges remaining from the local bridges initially identified as needing seismic retrofit under the Local Bridge Seismic Retrofit Program (LBSRP) funded with Federal Highway Bridge Funds programmed and allocated by the Commission. Subsequently, Caltrans and local agencies revised the list of eligible bridges to 385.

The Commission allocates LBSRA funds to Caltrans for sub-allocation to Local Agencies. As of June 30, 2015, the Commission allocated \$74.2 million and Caltrans sub-allocated \$46 million in LBSRA funds to Local Agencies. In fiscal year 2014-15 the Commission allocated \$7 million and Caltrans sub-allocated \$1.1 million in LBSRA funds to Local Agencies for 5 eligible projects.

Progress of LBSRA projects is tracked by Caltrans on the federal fiscal year since 88.5% of funds used to retrofit local bridges are federal Highway Bridge Program funds. Funds not sub-allocated by the end of the federal fiscal year revert back to the LBSRA for re-allocation by the Commission.

As of June 30, 2015, of the 385 local bridges eligible to receive LBSRA funds, all have completed their retrofit strategy development stage, 68 are in the design stage, 70 are under construction, and 247 were seismically retrofitted.

State Local Partnership Program Account (SLPP)

Proposition 1B authorized \$1 billion to be deposited in the State-Local Partnership Program Account to be available, upon appropriation by the Legislature, for allocation by the Commission over a five-year period to eligible transportation projects nominated by an applicant transportation agency.

In 2008, the Legislature enacted implementing legislation (AB 268, Chapter 756, Statutes of 2008) to add Article 11 (commencing with Section 8879.66) to Chapter 12.491 of Division 1 of Title 2 of the Government Code. This statute defined the program, eligibility of applicants, projects and matching funds. The program was split into two sub-programs – a formula program to match local sales tax, property tax and/or bridge tolls (95 percent or \$950 million) and a competitive program to match local uniform developer fees (five percent or \$50 million).

A total of \$981 million was programmed and allocated throughout the five-year program ending June 30, 2013 (\$19 million was reserved for program administration). With the end of the program, the Commission's role is now directed to project delivery and

accountability. No further allocations will be made from the SLPP Account. As of June 30, 2015, 185 projects (133 formula and 52 competitive) have completed construction, with 140 (94 formula and 46 competitive) of these submitting Final Delivery Reports to the Commission.

Intercity Rail Improvement (IRI) Program

Proposition 1B authorized, through the Public Transportation Modernization, Improvement, and service Enhancement Account, \$400 million for intercity passenger rail improvement projects. A minimum of \$125 million is designated for procurement of intercity passenger railcars and locomotives. There are currently 17 projects in the IRI program. As of June 2015, the Commission has allocated \$307 million to 15 projects, five of these projects have been completed.

ACCOUNTABILITY

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, SR99, TCIF, STIP Augmentation, SLPP, LBSRA, HRCSA, and SHOPP Augmentation funded Proposition 1B programs. SB 88 imposes various requirements for the Commission relative to adopting guidelines, making allocations of bond funds, reporting on projects funded by the bond funds, and ensuring that the required bond project audits of expenditures and outcomes are performed.

In addition, Executive Order S-02-07, issued by Governor Arnold Schwarzenegger on January 24, 2007, significantly increases the Commission's delivery monitoring responsibility for the bond funded projects. Specifically, the Commission is required to develop and implement an accountability plan, with primary focus on the delivery of bond funded projects within their approved scope, cost and schedule.

A key element of the Commission's responsibility for accountability as an administrative agency for specific bond programs is submitting reports to the Department of Finance on a semiannual basis. The purpose of these reports is to ensure that projects are proceeding on schedule and within their estimated cost. As part of its Accountability Implementation Plan, the Commission requires bond fund recipients to report to the Commission on a quarterly basis. These reports are reviewed by the Commission and posted on the Bond Accountability website. In addition, the Commission prepares the Semi-Annual Proposition 1B Status Report and the Annual Report to the Legislature, which includes the status of the Proposition 1B Programs.

Another key element of bond accountability is the audit of bond project expenditures and outcomes. Specifically, the Commission is required to develop and implement an accountability plan which includes provisions for bond audits. Under the Executive Order, expenditures of bond proceeds shall be subject to audit to determine whether the expenditures made from bond proceeds:

- Were made according to the established front-end criteria and processes.
- Were consistent with all legal requirements.

- Achieved the intended outcomes.

The Commission's Accountability Implementation Plan includes provisions for the audit of bond projects. In order to ensure that the Commission is meeting the auditing requirements as the administrative agency, as mandated by SB 88 and the Governor's Executive Order, the Department is performing the required audits on behalf of the Commission. The Department in consultation with the Commission develops annually the Audit Plan for the Proposition 1B Bond Program.

DRAFT