

STAFF REPORT

SUBJECT: Project Study Report Policy

MEETING DATE: March 18, 2010

AGENDA ITEM: 11

STAFF CONTACT: Brittany Odermann

RECOMMENDATION: Discuss board adoption of a Project Study Report Work Program policy.

SUMMARY:

At the January 21st SBCAG board meeting, staff was directed to prepare an agenda item on Caltrans Project Study Reports for discussion and potential action by the board. The board's interest in this subject relates to the timing of preparing Project Study Reports (PSRs) in the context of the financially constrained and prioritized Measure A strategic plan and budget and staff resource challenges the state of California and Caltrans, respectively, are facing. At both the regional and state level, a "shelf" of PSRs exists for projects that exceed the available funding capacity. Since PSRs have a limited shelf life, they go stale and must be updated if the project does not progress and receive funding commitments to ensure completion. Establishing policies for development of PSRs could help ensure that an appropriate shelf of PSRs is created for the region's highest priority projects that have a reasonable chance of being funded in the near term while the PSR is still valid. The work program being proposed will help ensure that SBCAG's priorities are conveyed to Caltrans and that District 5 can assign its limited staffing resources in a manner consistent with the region's priorities.

SBCAG staff has prepared a draft policy for the creation of a PSR Three-Year Work Program for Santa Barbara County. The work program would be adopted annually for submittal to Caltrans for inclusion into Caltrans' statewide Three-Year PSR Strategic Plan. At the March meeting, staff will review the State and regional context in which the policy is being developed, the regional shelf of projects with PSRs, the draft policy, and the prospective PSR work program which would emerge from applying the policy. Staff does not recommend that the policy be adopted at this time. Caltrans is still finalizing a statewide PSR Strategic Plan and the policy SBCAG staff has developed may turn out to be inconsistent with the new statewide policies incorporated into the statewide PSR Strategic Plan. Staff recommends that the progress of the Strategic Plan be monitored and when it is finalized that SBCAG staff, TTAC and Caltrans District 5 have sufficient time to review it, consider its implications, and modify the draft PSR policy developed by SBCAG staff to ensure the statewide and regional policies for PSRs are coordinated and complementary. The PSR policy would then be brought back to the board for adoption.

DISCUSSION:

A Project Study Report is the first stage in the Caltrans project development process of identifying a solution for a specific transportation deficiency. A PSR is required before using state or federal funds for capital improvements on or near the State Highway System or for any major work affecting the state highway system that will require Caltrans approvals, whether publicly or privately funded. As the owner and operator of the state highway system Caltrans is responsible for PSR development and oversight of PSRs developed by resources outside the agency. A PSR is a pre-programming document that provides preliminary information on a project's scope, schedule, and cost before funds are committed for subsequent phases of development (environmental, design, right-of-way and construction).

On a statewide basis, PSR development has been (from the regional agency perspective) largely demand driven and financially unconstrained. Regional or local agencies have requested that Caltrans prepare or oversight a PSR and Caltrans (again, from a regional agency perspective) has nearly always agreed to provide the resources to develop the document. Sometimes, regional agencies have been consulted by Caltrans on the PSR requests from local agencies or private parties (developers) to determine if a project being proposed for a PSR fits into the Regional Transportation Plan priorities. But at other times Caltrans has launched work on a PSR based on having available resources and its own perception of the priority of a project. There has not been a clear and consistent methodology that Caltrans has communicated to its partner agencies about guidelines or criteria it uses to develop its PSR resources budget, how it applies its resources, or whether or when it will or won't work on a PSR. Consequently, there has been a statewide perception (or reality) that the PSR process is loose and informal, and PSRs are done on a first come, first served, demand-driven basis.

In Santa Barbara County, this informal approach for PSRs over the last 20 years did not create many significant challenges for SBCAG and SBCAG largely rolled along with this approach. Measure D projects had been almost entirely 100% measure funded so many major highway improvements had been completed by SBCAG in the 1990s without the need for state funding. The Highway 101 widening project on the South Coast had been stopped in the early 1990s due to public and environmental concerns and the partial funding accumulated for it was reallocated to other projects including the 101 operational improvements under construction today. Thus, the need to reserve matching funding for the project disappeared. It was unclear for nearly a decade if the widening project would ever be restarted and delivered. These two factors created a void of high-priority, critical need projects at SBCAG and made STIP matching funds available for lower priority projects. This void was filled by motivated projects sponsors who were willing to compete at the regional level for funding and commit to seeing their projects through to completion. Some of the projects still in the STIP today were initiated during this era and remain unfunded and/or undelivered.

In February 2009, the cumulative effect of this informal PSR approach across the state came to the attention of the California Legislative Analyst's Office (LAO) as they scoured the state budget looking for costs that could be cut to help reduce the State's general fund deficit or improve the State's overall fiscal health. The LAO noticed that Caltrans had developed a huge shelf of PSRs; projects on the shelf amounted to over \$20 billion, many times more than the fiscal capacity of the STIP and SHOPP programs. Yet the Caltrans budget continued to request funding for the agency to develop PSRs. The LAO submitted a report to the legislature recommending that Caltrans be required to improve its management of PSR resources to reduce spending resources on projects that are not tied to a reasonable funding source in the near term. Additionally, the report recommended that Caltrans tie PSR resources to workload needed to develop and update PSRs, provide criteria for selecting PSR projects, and increase reimbursed work for PSR quality assurance (oversight). In the budget adopted last year, the

legislature required that Caltrans submit to it a report by March 1, 2010 explaining how it intends to reform the PSR process.

In response to these recommendations from the LAO, the legislative requirement for a report on PSR reform, and increasingly difficult state budget issues, Caltrans HQ has developed a three-year PSR Strategic Plan in coordination with the statewide Regional Transportation Planning Agencies group to begin to manage PSR resources throughout the state in a way that is different from the current process. Development of the PSR Strategic Plan has been on-going for 18 months and has been rocky, to say the least. Some of the ideas contained in the PSR Strategic Plan—for example, requiring that the party requesting the PSR or PSR oversight pay for it—have been flat out opposed by groups like the Self Help Counties Coalition. Consequently, Caltrans is on its fourth draft of the plan and the plan was not submitted to the legislature by March 1. It is currently in the Governor's office being reviewed and has not been released to the public.

Likewise, the passage of Measure A and adoption of a fiscally constrained cash flow scenario requires that SBCAG change its policies and adopt a different approach to delivering projects if the Measure A program is going to be delivered successfully. Policies governing project development that carefully advance projects that may compete for matching funds are now necessary to deliver the Highway 101 Widening project on a priority basis. It is abundantly clear that the current wide open, first-come, first-served approach to initiating, funding and delivering projects in Santa Barbara County, relying on motivated projects sponsors to compete for funding, is inconsistent with the disciplined strategy in the Measure A Strategic Plan of scheduling and delivering projects in sequence—projects not needing matching funds first, then the 101, then projects needing matching funds. Without a change in policy (or adoption of a policy), it is unlikely that the strategy in the Measure A Strategic Plan will be implemented as successfully as it can be with projects delivered in accordance with priorities established by the SBCAG board and in the Measure A Investment Plan. The Strategic Plan is a blueprint for delivering Measure A projects promised to voters and is much like the capital improvement programs adopted by each of the cities and the county.

For these two reasons—the evolving statewide framework for preparing and maintaining an appropriate shelf of PSR's and the need to follow regional priorities in delivering the Measure A projects—it is prudent for the SBCAG Board to adopt a policy to determine when PSRs should be initiated and apply that policy to a regional PSR work program for annual submittal to Caltrans.

The draft policy for a PSR work program attached to this staff report is probably being presented prematurely since SBCAG staff has not seen the March 1 draft of the statewide PSR Strategic Plan. The PSR work program policy may therefore not be fully coordinated with the PSR reforms that Caltrans may present in its report to the legislature. It would be prudent, therefore, to wait until Caltrans has submitted its PSR Strategic Plan to the legislature before finalizing a work program policy for this county.

That being said, draft #1 of SBCAG's PSR work program has been developed keeping in mind the new local context of fiscal constraint reflected in the Measure A Strategic Plan and the State context, including the reductions in State PSR resources that we are learning that Caltrans is facing. Caltrans representatives will attend the board meeting to answer questions about the State context in more detail.

State Context

The state budget crisis, coupled with the scrutiny placed on the large PSR shelf of projects, has affected the total funding available for PSR resources at Caltrans. The following table shows the number of person years (PYs) Caltrans was allocated for PSR development over the last three fiscal years. Between FY 08/09 and 09/10 there was a thirty percent reduction in PSR resources statewide and an over 40% reduction in PSR resources allocated to District 5. In general, 85% of PSR resources are used by Caltrans to develop PSRs for their maintenance program (SHOPP) and 15% is dedicated for STIP and other Non-SHOPP projects. This leaves a very limited amount of resources for non-SHOPP PSR development and oversight in our region. All of the PSR development for projects in the Measure A program will fall under the non-SHOPP category.

Person Years (PYs) Available at Caltrans for Work on PSRs			
Fiscal Year	Statewide PYs	District 5 Total PYs	District 5 Non-SHOPP PYs
07/08	432	25	3 to 4
08/09	431	24	3 to 4
09/10	302	14	2 to 3

These resources must be shared throughout the five-county District 5 region including San Benito, Santa Cruz, Monterey, San Luis Obispo and Santa Barbara counties. SBCAG is not necessarily entitled to a formula “share” of PYs for preparing non-SHOPP PSRs; Caltrans District 5 will have the discretion of deciding how to allocate its resources across the district. With 2 to 3 PYs for all non-SHOPP projects in the five counties in FY 09/10, and perhaps fewer in 10/11, Caltrans will just not have enough resources to develop or provide oversight on any and all PSR requests. Even if SBCAG or a local agency were to pay Caltrans to prepare the PSR or conduct oversight, Caltrans indicates that they wouldn’t gain additional PYs in the current fiscal year to perform additional work. They would still face a significant resource constraint.

Consequently, Caltrans District 5 has indicated to SBCAG that starting now, they would like RTPAs in the district to clearly define and prioritize PSR needs. As part of that effort, District 5 has also recently been requiring that SBCAG sign off on requests for Caltrans to prepare PSRs or provide PSR oversight resources. The new process that is emerging is that Caltrans (statewide) will develop a more formal three fiscal year work program with a rolling horizon. Regional agencies will submit PSR requests or “nominations” to be included in the statewide work program. The statewide work program would be completed in December of each year to go into effect July 1 of the following year, the first day of the next fiscal year. Therefore, regional agencies would need to submit their work programs to Caltrans in November. At this time, there is nothing that SBCAG staff has seen in prior drafts of the statewide PSR Strategic Plan to indicate that PSR requests must go through RTPAs or that local agencies or private parties would be precluded from submitting PSR requests directly to Caltrans as has been done in the past. It is likely, however, that Caltrans District 5 will seek input from SBCAG on our priorities before assigning its limited resources to any PSR work.

Local Context

Part of the push and pull of developing a statewide PSR work program is fiscally constraining PSR resources at the same time as ensuring that there are enough “speculative” projects on the shelf with PSRs completed to use funding if it should become available in the boom and bust

funding cycles that transportation experiences in California. What is the current shelf of projects in this county that have PSRs?

Both the STIP and Measure A program contain many projects with future funding needs, and many have PSRs and could constitute shelf projects. Attachment 1, Project Shelf, shows that our potential shelf includes projects that could use \$500 million in funding if additional funding became available through another round of federal stimulus programs or state bond programs. Historically, the board has put a priority on funding currently programmed projects, first, before beginning new projects that will require additional financial resources. In addition, the Measure A strategic plan development effort has shown us we need to operate in a very fiscally disciplined way to deliver the main tenets of the program: deliver the Highway 101 widening as soon as it is ready to go; and provide funding annually to local agencies as was done during Measure D. That requires that only named projects not needing matching funds go ahead of the 101 widening, and those needing matching funds will come after. So SBCAG must time project development work accordingly. During Measure D, since the measure projects were mostly measure funded, the strain on matching funds wasn't so great and a looser, first come, first served approach to regional project delivery worked.

SBCAG PSR Work Program

Since the PSR is the first stage in project development, it is an important place to implement financial constraint and begin assessment of timed project delivery by determining when the PSR process should begin. In order to do this and to develop a PSR work program that meets the intent of the Caltrans' strategic plan, SBCAG staff developed a draft policy the Board could adopt to establish an annual three-year work program. Attachment 3 to this staff report is the first draft of the policy. Adopting a work program through application of the established criteria will help to deliver the Measure A program in sync with the Measure A Strategic Plan and associated cash flow scenario. The work program will be an important tool in managing our "shelf" regionally to have projects ready when and if additional funding becomes available. The PSR work program that would result from applying this policy is also included in Attachment 3.

COMMITTEES:

The PSR policy was presented to TTAC at their March 4th meeting. Some TTAC members expressed concern about the timing of the policy and agreed that it may be premature to adopt the policy and associated work program in advance of the Caltrans PSR Strategic Plan being finalized, sent to the legislature, and released to the public. Members did express general support for the policy and suggested that an additional criterion for prioritizing PSRs be added to consider the amount of Caltrans resources that would be needed for the work (work requiring fewer resources could be a higher priority, for example) and whether PSR preparation was being paid for by the requesting agency and would then presumably take fewer resources to oversight.

TTAC members did not take any action but recommended that the item be brought to the SBCAG Board for discussion at the March meeting.

RECOMMENDATION:

Discuss board adoption of a policy for PSR preparation.

ATTACHMENTS

1. Project Shelf

2. PID Background
3. PSR Policy Outline

PSR Project Shelf

Attachment 1

Projects with PSRs	Matching Fund Needs/Shortfall (\$ millions)
Linden/Casitas, IC/imps	\$44,000
Las Positas & Cliff Dr intersection improv	\$1,750
Summerland Operational Improvements	\$3,000
Cabrillo Pedestrian Undercrossing (Phase II Milpas)	\$6,000
Rt 166 Widening Guadalupe-Santa Maria	\$50,000
Hwy 101 Santa Maria River Bridge Widening	\$32,000
Hwy 101 Union Valley Parkway	\$8,000
Highway 246 Passing Lanes Phase I	\$3,000
Highway 101 HOV Widening - Phase 4 Segment 1	\$73,000
Highway 101 HOV Widening - Phase 4 Segment 2	\$54,400
Highway 101 HOV Widening - Phase 4 Segment 3	\$54,400
Highway 101 HOV Widening - Phase 4 Segment 4	\$54,400
Highway 101 HOV Widening - Phase 4 Segment 5	\$54,400
Highway 246 Passing Lanes Phase II	\$30,000
Hwy 101/135 Interchange	\$21,000
Hwy 101/Betteravia Road Interchange	\$4,600
Hwy 101/McCoy Lane Interchange	\$18,000
Total	\$493,950

Background on Project Initiation Documents

- PID guidelines (1991)

The “Guidelines for the Preparation of Project Study Reports” were adopted by the CTC in September 1991 to prescribe the standard project initiation process.

- SB45 (1997)

They were updated again in 1999 following passage of SB 45, which established the framework for project development support components to be programmed prior to the programming of right-of-way and construction capital components

- Annual Call for New Projects

Call for Projects Process – 3 years beyond current STIP Cycle

- LAO Audit and Report (2009)

In February 2009, the Legislative Analyst Office’s Budget Analysis report made recommendations relating to PID management. (In particular, the management of “Shelf” PIDs.)

- PID Strategic Plan (initiated 2009, still in progress)

A taskforce was formed in response to the LAO’s findings and is focused on the efficient fiscal management of state highway projects. Caltrans HQ, the statewide RTPA group, and local partners collaborated to develop a Strategic Plan. The Taskforce is still in process of developing the PID Strategic Plan that outlines a streamlined process for the development of PIDs to be more in tune with the current fiscal climate.

- General

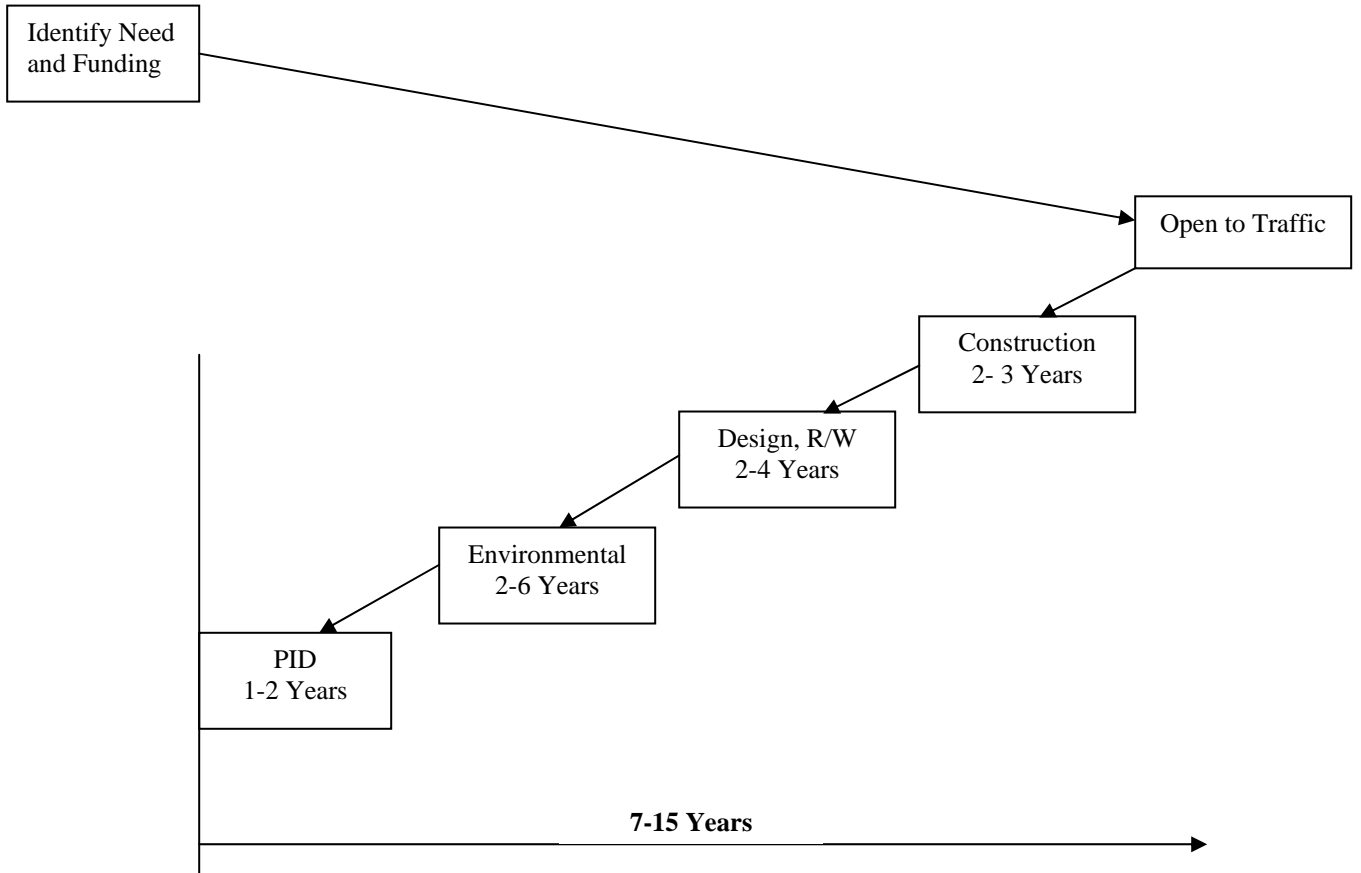
All projects on the State Highway System require an approved PID or equivalent document to construct with the State right-of-way. Caltrans and CTC guidelines require preparation of a PID or equivalent document to be eligible for State and Federal Funding (STIP and SHOPP)

The PID guidelines were established to assure a consistent approach in the development of transportation projects on the state highway system

The PID achieves conceptual approval of proposed improvement.

When Do You Start a PID

- **Identify Need**
- **Determine when it's needed**
- **Work backwards**



Caltrans Resources, Then and Now

Statewide PID Resources

07/08: 432 PYs

08/09: 431 PYs

09/10: 302 PYs (funded at 75% of actual expenditure rate)

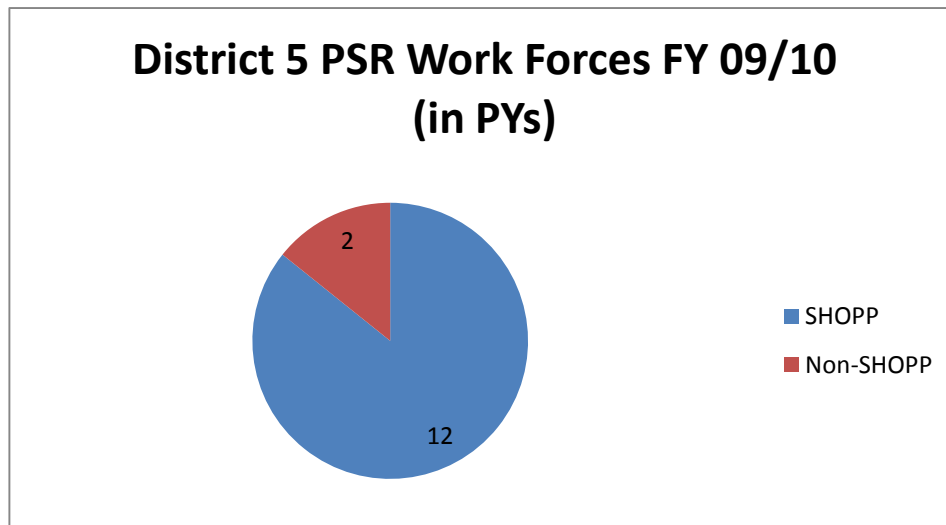
District 5 Resources to Develop PIDs

07/08: 25 PYs

08/09: 24 PYs

09/10: 14 PYs (= 11 PYs at actual expenditure rate)

- STIP resources are identified as needed for Caltrans to develop or oversight PIDs for fundable projects.
- In general, 85% of resources are used for SHOPP, 15% for STIP.
- Currently, the majority of SHOPP resources are expended on Safety and Mandates only.



In general, 85% of District 5's PYs are being directed to SHOPP PSRs.

The other 15% of resources are spread across the district. District 5 covers San Benito, Santa Cruz, Monterey, San Luis Obispo and Santa Barbara counties.

SBCAG's PSR Work Program Policy
[Non-SHOPP Projects]
Draft #1

1. In order for SBCAG to request that Caltrans work on a PSR in Santa Barbara County, the project must be in the PSR work program adopted by the SBCAG Board.
2. The work program will be adopted in November of each year so that Caltrans can consider it for inclusion in the statewide PSR work program that will go into effect July 1 of the following year.
3. Consistent with the statewide PSR work program, SBCAG's work program will be a three fiscal year, rolling horizon work program. It will include all PSR needs that SBCAG foresees for the next three years that meet the PSR work program eligibility criteria that are part of this policy.
4. The work program will include PSRs that SBCAG is requesting Caltrans:
 - a. initiate work on with Caltrans work forces; or
 - b. update with Caltrans work forces; or
 - c. oversight (if a PSR is prepared by local or private work forces)
5. All PSR needs that meet the eligibility criteria will be included in the work program and prioritized by fiscal year. SBCAG's work program will take into consideration, but not be constrained by, Caltrans' estimated work force availability.
6. Local project sponsors can request that a PSR be included in SBCAG's work program by submitting a request to SBCAG. If the agency will have more than one project in the work program,

including carryover projects, and privately funded projects, the requesting agency's policy body must rank the request relative to its other PSRs.

7. PSRs in SBCAG's work program will be prioritized by fiscal year to assist Caltrans in applying its resources. General guidance in prioritizing PSR work requests will be:
 - a. By work request:
 1. Updates of PSRs for currently programmed projects
 - a. The older the PSR needing an update, the higher the priority.
 2. New PSRs; and
 - b. By funding source:
 1. Measure A funded projects
 2. Other publicly funded projects
 3. privately funded projects; and
 - c. By project type
 1. Safety
 2. Operational
 3. Capacity increasing
 4. Transportation enhancement; and
 - d. By priority within a local jurisdiction
 1. If a sponsor agency has more than one PSR work request in the work program, by the priority the agency's policy body gives to its own PSR requests.
8. The work program, or amendment requests, will be voted on by TTAC before being brought to the SBCAG board for adoption.
9. If more resources become available for the upcoming fiscal year at Caltrans than anticipated when the work program is being

developed, Caltrans may work on PSRs in year two (or three) of the work program. This will not require an amendment to the work program. If Caltrans has fewer resources than anticipated, Caltrans may not be able to work on all PSRs in the first fiscal year of the work program. SBCAG will request that Caltrans provide notice of the “cut line” each fiscal year as soon as it is established.

10. A project sponsor that believes its project deserves special consideration for SBCAG’s PSR work program that should override the eligibility criteria or alter the prioritization ranking in the work program may submit a written appeal to the SBCAG board.
11. The PSR work program can be amended at any time by a majority vote of the SBCAG board.
12. The Executive Director will be authorized to sign off on the Caltrans PSR initiation request form and PSR charter for all projects in the work program.

SBCAG's PSR WORK PROGRAM ELIGIBILITY CRITERIA

- A. On-system, publicly funded capacity increasing projects (includes AB 1600 projects)
 - 1. The project is itemized in the Regional Transportation Plan (RTP)
 - 2. It has an adopted feasibility study by a local policy body or SBCAG that includes a financing plan and delivery schedule based on the cash flow and schedule of the Measure A Strategic Plan.
 - 3. Start of construction date or scheduled right of way capital purchases are within 12 years of the respective year that the project would be included in the three year PSR work program.

- B Publicly funded, on system, operational or safety projects that are non-capacity increasing, and publicly funded off system projects (includes AB 1600 projects)
 - 1. The project is itemized in the RTP or supported by a policy or project category in the RTP.
 - 2. The local policy body or SBCAG has adopted a financing plan and delivery schedule based on the based on the cash flow and schedule of the Measure A Strategic Plan.
 - 3. Start of construction date or right of way capital purchases are within 12 years of the respective year

that the project would be included in the three year PSR work program.

C. Privately funded on system projects

1. The project is itemized in the RTP or supported by a policy or project category in the RTP.
2. Start of construction date is within 12 years of the respective year that the project would be included in the three year PSR work program.

DRAFT #1					
SBCAG's PSR Three Year Work Program					
FY 2010/11 – FY 12/13					
Fiscal Year of Work Program	Priority	Project	Sponsor Agency	Work Requested	Scheduled Date - Start of Construction or ROW Purchases
2010-11					
	1	Ekwill\Fowler	Goleta	Carryover- Continue oversight of PSR update	2013 (CON)
	2	Las Positas – Cliff Drive Intersection (Hwy 225)	Santa Barbara	Oversight PSR Update	2013 (CON)
	3	Hwy 166 Safety Improvement	SBCAG	Oversight new PSR\Prepare PSR	2014 (CON)
	4	San Jose Creek Bikeway \ Highway 217	Goleta	Oversight new PSR	2013 (CON)
2011-12					
	1	Las Positas – Cliff Drive Intersection (Hwy 225)	Santa Barbara	Carryover- continue oversight of PSR update	2013 (CON)
	2	Hwy 166 Safety Improvement	SBCAG	Carryover – continue oversight\preparation of new PSR	2014 (CON)
	3	San Jose Creek Bikeway \ Highway 217	Goleta	Carryover -- Continue oversight of new PSR	2013 (CON)
2012-13					
	1	Goleta Overpass Project	Goleta	Oversight new PSR	2023 (ROW)