

## STAFF REPORT

**SUBJECT:** Project Study Report Policy

**MEETING DATE:** April 15, 2010

**AGENDA ITEM:** 12

**STAFF CONTACT:** Brittany Odermann

**RECOMMENDATION:**

Defer adoption of a PSR policy until the state budget is adopted and Caltrans publishes the statewide Project Initiation Document Strategic Plan.

**SUMMARY:**

At the March 18th SBCAG board meeting, staff presented for discussion and possible action a draft policy for the creation of a Project Study Report (PSR) Three-Year Work Program for Santa Barbara County. The board took no action on the matter but directed staff to agendize the Goleta Overpass PSR and the PSR Work Program policy as separate items for April for further discussion and possible action.

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. 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 draft policy attached to this staff report would result in the creation of a three-year PSR work program. The work program would be adopted annually for submittal to Caltrans for inclusion into Caltrans' statewide Three-Year Project Initiation Document (PID) Strategic Plan. Adoption of the policy is probably still premature since Caltrans has not published the final statewide PID Strategic Plan and the state budget has not been adopted so the extent of the resource constraints Caltrans will be under is unknown. SBCAG's PSR policy may therefore not be fully coordinated with the PSR reforms that Caltrans may present to the legislature in the PID Strategic Plan. It would be prudent, therefore, to wait until Caltrans has submitted its PID Strategic Plan to the legislature, and a state budget is adopted, before adopting a work program policy for this county. Other than the Goleta Overpass and SB Cottage Hospital Circulation Improvement projects (which are covered under Item 11 on this meeting agenda) staff is not aware of any pending PSR initiation requests so there is no immediate need for the board to adopt a PSR policy.

## **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 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 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 funding available for lower priority projects. This void was filled by motivated projects sponsors who were willing to request that a PSR be initiated, 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 Project Initiation Document (PID) 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 PID Strategic Plan has been on-going for 18 months and has been rocky, to say the least. Some of the ideas contained in the PID 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. As of the writing of this staff report the Draft PID Strategic Plan had been submitted to the Governor's Office and State Department of Finance, but had yet to be submitted to the Legislature. The Department of Finance has asked Caltrans to revise portions of the plan.

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 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.

For these two reasons 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 delayed March 1 draft of the statewide PID 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 PID 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.

#### 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 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 number 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.

<b>Fiscal Year</b>	<b>Statewide PYs</b>	<b>District 5 Total PYs</b>	<b>District 5 Non-SHOPP PYs</b>
<b>07/08</b>	432	25	3 to 4
<b>08/09</b>	431	24	3 to 4
<b>09/10</b>	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 or provide 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, which is updated annually. 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 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.

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 4, 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 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 1 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 2.

**RECOMMENDATION:** It is recommended that board adoption of a PSR policy be deferred until the state budget is adopted and Caltrans publishes the statewide Three-year Project Initiation Document Strategic Plan.

**COMMITTEE REVIEW:** At its April 1 meeting, TTAC voted 11 - 1 to recommend the board defer adoption of the PSR policy and that TTAC have the opportunity to review any policy that is brought forward in the future prior to Board action. The city of Lompoc cast the "no" vote.

TTAC also voted unanimously to recommend that any PSR request submitted to SBCAG before a PSR policy is adopted be brought to TTAC and the Board for consideration of approval.

### **ATTACHMENTS**

1. PSR Work Program Policy Draft #1
2. PSR Work Program
3. PID Background
4. Project Shelf

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
  - b. By funding source:
    1. Measure A funded projects
    2. Other publicly funded projects
    3. privately funded projects
  - c. By project type
    1. Safety
    2. Operational
    3. Capacity increasing
    4. Transportation enhancement
  - 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

<b>DRAFT #1</b>					
<b>SBCAG's PSR Three Year Work Program</b>					
<b>FY 2010/11 – FY 12/13</b>					
Fiscal Year of Work Program	Priority	Project	Sponsor Agency	Work Requested	Scheduled Date - Start of Construction or ROW Purchases
<b>2010-11</b>					
	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)
<b>2011-12</b>					
	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)
<b>2012-13</b>					
	1	Goleta Overpass Project	Goleta	Oversight new PSR	2023 (ROW)

## 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

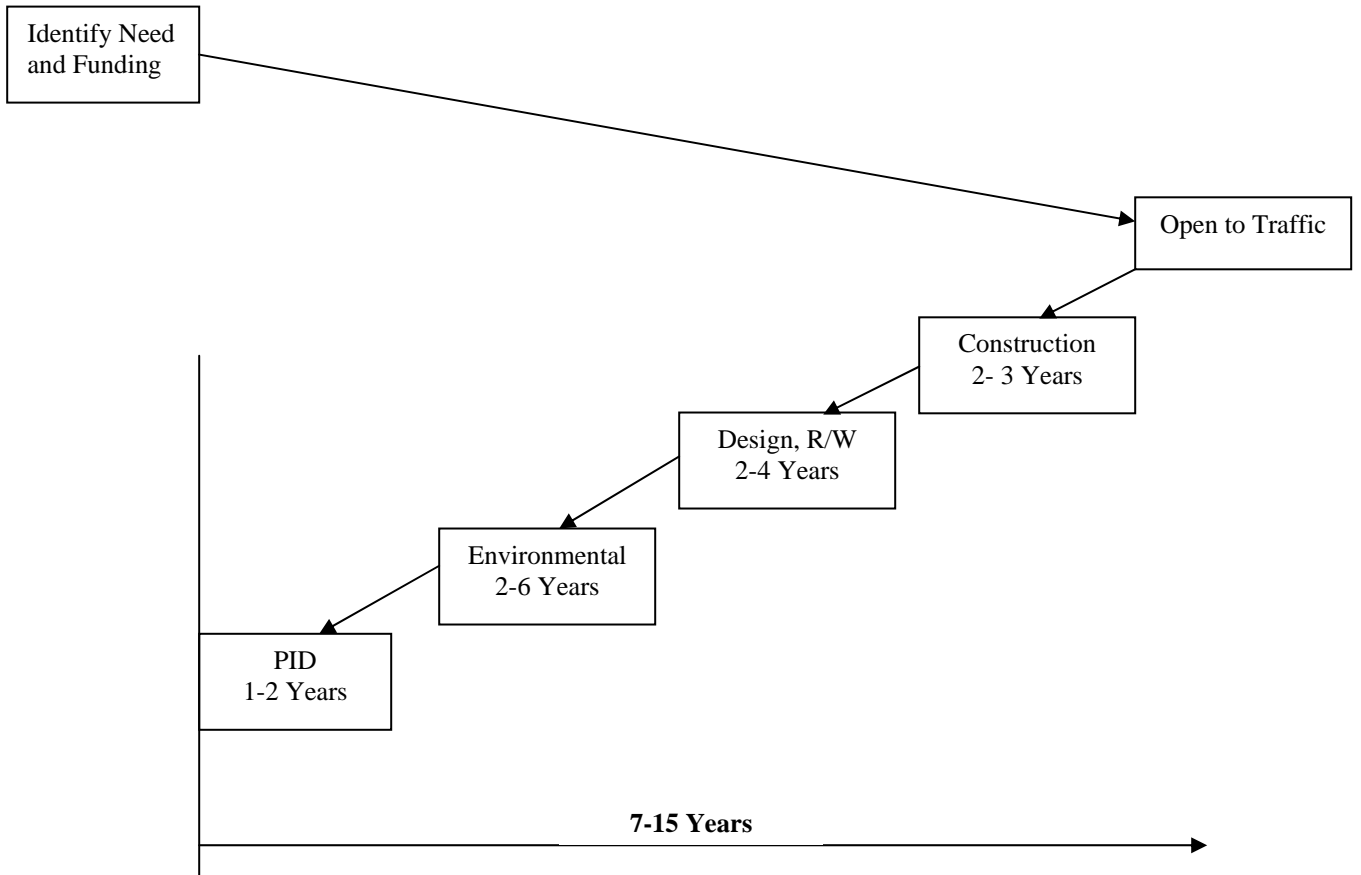
All projects on the State Highway System require an approved PID or equivalent document to construct with the State right-of-way. Caltrans and CTC guidelines require preparation of a PID or equivalent document to be eligible for State and Federal Funding (STIP and SHOPP)

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)

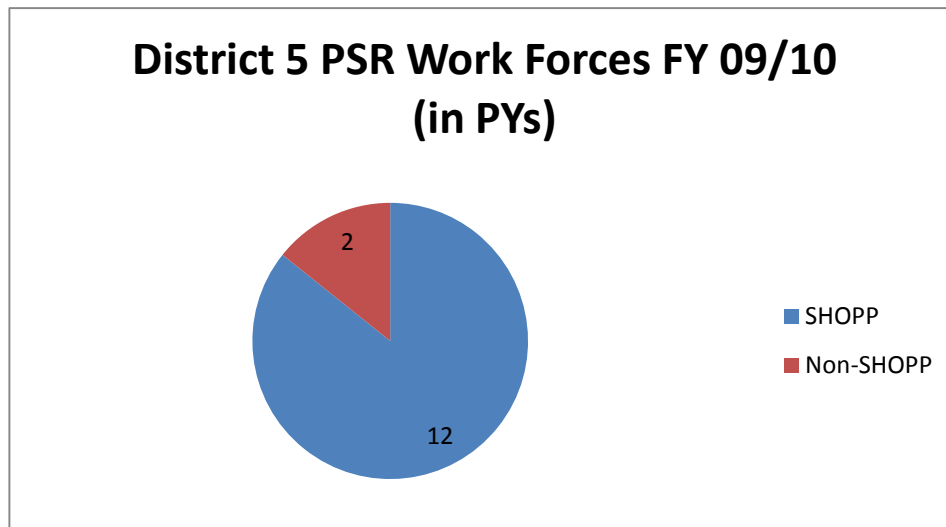
## District 5 Resources to Develop PIDs

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.

**Project Shelf**

Projects with PSRs	Matching Fund Needs/Shortfall (\$ millions)	Project Status
Linden/Casitas, Interchange Improvements	\$44,000	Environmental completion May 2010; Construction scheduled 2015/16
Las Positas & Cliff Dr Intersection Improvs	\$1,750	PSR being updated by city of SB.
Summerland Operational Improvements	\$3,000	Ready for construction.
Cabrillo Pedestrian Undercrossing (Phase II Milpas)	\$6,000	Environmental completed; final design pending UPRR approval of project concept.
Rt 166 Widening Guadalupe-Santa Maria	\$50,000	PSR complete, may need to be updated. Environmental funding (STIP) programmed in FY 11/12.
Hwy 101 Santa Maria River Bridge Widening	\$32,000	Ready for construction
Hwy 101 Union Valley Parkway Interchange (new int.)	\$8,000	Environmental complete, ROW acquisition started, final design started. Scheduled for construction in FY 11/12.
Highway 246 Passing Lanes Phase I	\$3,000	Environmental completion April 2010. Scheduled for constuction in FY 13/14.
Highway 101 HOV Widening - Phase 4 Segment 1	\$73,000	Environmental underway. Scheduled for construction in FY 16/17
Highway 101 HOV Widening - Phase 4 Segment 2	\$54,400	Environmental underway. Scheduled for construction in FY 18/19
Highway 101 HOV Widening - Phase 4 Segment 3	\$54,400	Environmental underway. Scheduled for construction in FY 20/21
Highway 101 HOV Widening - Phase 4 Segment 4	\$54,400	Environmental underway. Scheduled for construction in FY 22/23
Highway 101 HOV Widening - Phase 4 Segment 5	\$54,400	Environmental underway. Scheduled for construction in FY 24/25
Highway 246 Passing Lanes Phase II	\$30,000	Environmental completion April 2010. Construction scheduled FY 30/31
Hwy 101/135 Interchange Improvement	\$21,000	Environmental initiated.
Hwy 101/Betteravia Road Interchange Improvement	\$4,600	Project has a draft Project Study Report.
Hwy 101/McCoy Lane Interchange (new Int.)	\$18,000	Project has a draft Project Study Report.
<b>Total</b>	<b>\$493,950</b>	