

## 2021 Regional Funding Round Policy Framework

### (A) Investment Priority

### (B) Application Process

### (C) Project Selection Process

Board direction, external stakeholder input, and staff analysis over the last six months has focused on refinements in these three topic areas for the 2021 regional funding round. The result is a draft Framework with policy and process recommendations organized by each topic area. Staff recommendations are intended to successfully implement a new funding round comprised of four primary programs: **Regional Program, Community Design, Innovative Mobility, and a Disadvantaged Communities Pipeline Projects** program.

Preliminary draft guidelines for the two Regional Program categories (Transformative, Maintenance & Modernization) are provided in Attachment D. In October, draft guidelines will be provided for the new Community Design program, Innovative Mobility program, and the Disadvantaged Communities Pipeline Projects program. Staff will continue engaging external stakeholders into September and October to vet and produce the final guidelines and associated applications for each program.

The draft budget for the 2021 regional funding round was included as an informational item in the August committee cycle. Board input and direction in August and September led to refinements and a final version of the budget for board action in October.

### (A) Investment Priorities

#### Maximize our ability to meet ambitious regional policy goals and commitments

- **Meet federal and state performance objectives and policy goals.** Prior funding rounds have successfully helped the region meet federal and state performance targets, including safety and greenhouse gas emission reductions. These are critical requirements that the region must show progress on to remain competitive for state and federal funding.
- **Position region for competitive state and federal funding.** SACOG's technical assistance and performance-based planning reputation supported successful state grant applications that were awarded more than \$120 million in transportation funding awards since 2018. State competitive programs in particular are increasingly looking for equity-focused investments.
- **Maintain excellence in regional project delivery record.** As a top state leader, the SACOG region has secured over \$20 million in additional federal funds obligation authority for project sponsors since 2018 through emphasizing programming readiness and active delivery coordination with project sponsors.
- **Implement policies (17 through 25) from the 2020 MTP/SCS.** The plan's emphasis on fix-it-first system maintenance needs and expanding multi-modal travel options were reflected in the regional funding awards for the 2018 and 2019 cycles. Accelerating infill, access to economic opportunity, and prioritize benefit to disadvantaged communities are among the policy priorities for 2021.

- **Integrate equity considerations more fully into regional investment priorities.** Details on this to be guided through early efforts of the recently launched board working group on race, equity, and inclusion.

### Provide investments for both large and small projects across the region

- **‘Transformative’** for all system expansion projects and for larger (\$5m +) non-expansion projects that have significant regional benefit. Typically, the project implementation risks are higher, but these projects often provide notable regional benefits, and the performance benefits can be measured with more confidence. Selection criteria focus on: (1) performance benefit, (2) cost-effectiveness, including financial leverage, and (3) project delivery readiness. Attachment D offers additional details. **Key objectives:**
  - **Offer more large, one-time funding awards.** Prior funding rounds emphasized small/medium sized awards (typically \$5m or less), but this new category would not have that limitation. As a result, some larger one-time project awards may be recommended if performance benefits are high and regional benefit is significant.
  - **Incentivize sponsors to initiate larger, longer-term implementation projects with regional benefits.** Application and project selection refinements provide opportunities for a limited number of larger non-expansion projects to get multi-round (>2 year) funding commitments. These larger scale projects typically have a more regional impact. Examples include intelligent transportation systems (ITS) along a long corridor, or a larger urban complete streets/rural corridor improvement that connects multiple jurisdictions.
- **‘Maintenance & Modernization’** for non-expansion projects less than \$5 million that improve the management and condition of existing transportation assets. Typically, these projects have fewer implementation risks but provide localized performance benefits that are more difficult to measure. Selection criteria focus on: (1) asset condition and use, (2) agency CIP priorities and delivery record, (3) implementation timing, and (4) added value from modernization features (e.g. safety, multi-modal). Additional details in Attachment D. **Key Objectives:**
  - **Create a pipeline of smaller projects that can be implemented relatively quickly to boost the economy.** These are typically cost-effective local agency investment priorities that are ready to build now. All are exempt from a new air-quality conformity determination.
  - **Support the MTP/SCS ‘fix-it-first’ priority and enhance benefits to disadvantaged communities.** All projects improve existing transportation assets and, therefore, are more focused on Centers & Corridors and Established Communities where the benefits to disadvantaged communities are generally higher.
  - **Provide more certainty for project sponsors.** Application process and project selection process refinements help better match local agency CIPs to regional funding opportunities, and make sponsor priorities a key consideration for the award recommendations.

### Continue other project-based investments

These investments from prior funding rounds are also recommended. Additional detail is provided in the draft regional funding round budget committee item. Board action on these programs and associated budgets is recommended for October, following additional stakeholder engagement.

- **Innovative Mobility.** Supports efforts by SACOG and external stakeholders to complete a broad range of activities, including TDM programs, telecommuting incentives, and Civic Lab. A 50/50

budget split between SACOG-led activities and competitive grants is proposed for the \$6 million investment.

- **Rural-Urban Connections Federal Funds Exchange.** These funds provide a non-federal revenue source to eligible agencies. The exchange allows sponsors to implement projects sooner and with fewer delivery complications. An increase in the Exchange to \$1.5m for the 2021 round expands sponsor eligibility beyond rural counties to include small communities. Previously known as the RSTP exchange program.
- **Green Region & electrification projects.** As one of the streamlining recommendations, staff recommends discontinuing the stand-alone Green Region program. Requests for electrification-related capital or project development needs will instead be funded through the Regional Program.

### Support more place-based planning & pre-construction project development activities

- **Accelerate Infill and provide cleaner transportation options**
  - Linking the Green Means Go and Community Design programs may help attract state economic recovery funds as well as private investments that can leverage SACOG funds.
  - All SACOG jurisdictions now formally support Green Means Go and there are active efforts to have member agencies identify Green Zones. Accelerating infill in Green Zones will be supported through Community Design program investments.
  - Coordination of these programs would also allow for additional leverage with the region's new Regional Early Action Planning (REAP) funds and support investments in disadvantaged communities.
- **Incentivize more agencies to plan and deliver projects for the future**
  - Allow for larger project development awards that reduces the need to phase or segment the delivery of a project for construction.
  - Leverage REAP funding to accelerate projects in Green Zones and increase the Community Design non-competitive funding awards from \$100k to up to \$500k for eligible planning studies and technical project development activities.
- **Increase focus of investments and engagement on issues of race, equity, and inclusion**
  - Fund \$3m in guaranteed grants to member agencies for planning pilot projects in disadvantaged communities in order to build a shelf of equity-focused projects.
  - Provide local match waivers for project applications for disadvantaged communities to remove barriers for historically underinvested and under-resourced communities.
  - Provide revolving local match for state grant programs that focus on equity in order to incentivize local and state investments that benefit disadvantaged communities.
  - Introduce refined evaluation criteria for projects to better understand how equity was considered in the decision-making process at every step. This will also help prioritize more projects that benefit disadvantaged communities.

### Help local agencies secure new funding sources & implement projects on schedule

- **Revolving Local Match Fund.** Committing a strategic amount of regional funding towards local match needs on competitive federal and state grants should lead to more successful applications being submitted. The challenge is making the most of limited available funding. **Key criteria:**
  - Limit to no more than 10% of the Regional Program budget total; create time limits to recirculate match contributions to other sponsors if an application is unsuccessful.
  - Target specific federal and state grant programs with \$2m caps per application.

- **Project Funding Gaps.** The recent economic volatility is creating budget gaps for numerous projects with prior SACOG funding. This program provides strategic funding to cover some of these needs and ensure near-term projects to stimulate the economy move forward. Similar to the match fund, the challenge is making the most of limited available funding. **Key criteria:**
  - Limit to no more than 5% of the Regional Program budget and \$1.5m cap per project request.
  - Project must have had a prior regional funding award and sponsor must provide a strong case as to the funding gap being unanticipated (i.e., solid work on the engineers estimate and other project development documentation completed)
  - Must be spent on projects scheduled for construction within a year of the award.

## (B) Application Process

### Complete advance consultations with project sponsors

- Before applications are submitted, **SACOG staff and external working group member(s) work with project sponsors to review their transportation investment needs** for a two to five-year period. Consultation focuses on sponsor priorities in context of the funding round policy framework.
- **Use the consultations to identify reasonable context-sensitive modernization features** (e.g., safety or multi-modal improvements) for project sponsor applications while also offering SACOG staff input on the performance benefit and competitiveness of potential project applications.
- **Engage potential new project sponsors, including disadvantaged communities, who were underrepresented in previous funding rounds.** Focus on technical assistance that offers capacity building benefits.

### Formally incorporate project sponsor priorities into the process

- **Formalize process where project sponsors rank their priority of their applications.** Advance consultations with SACOG staff take place first.
- **Project sponsor priority in the Maintenance & Modernization program.** Sponsor priorities are a priority selection criterion in this category for member agencies and transit districts. Rankings from other special districts and Caltrans must be coordinated with the relevant member agency.

### Simplify and streamline the overall process

- **Program Simplifications**
  - Reduce from three Regional Program categories in 2019 to just two distinct program categories in the 2021 round (Transformative, Maintenance & Modernization).
  - Discontinue the Green Region program, but support electrification in the Regional Program.
  - Avoid launching a new Green Means Go program in 2021, but incorporate relevant strategies from it to accelerate infill and leverage state funding into the existing Community Design program.
- **Shorter Applications**
  - Maintenance & Modernization Program Category with a very short (2-3 page) application.

- Transformative Program Category requires a full application, but shorter than 2018 cycle applications.
- Community Design application is also shorter than 2018 cycle applications, while still including Green Means Go elements.
- **Fewer resources required of Project Sponsors**
  - Projects that applied in prior round can provide simple updates, not full application, to be considered for funding in 2021.
  - Reduce from 3 to 2 the number of performance outcomes the sponsor responds to in the application for a new project. Also, SACOG staff runs the project performance assessment (PPA) for projects, eliminating the need for additional data collection by project sponsors.
  - Do not have sponsors fill out SACOG-specific exhibits – instead, just use the state’s uniform project programming request (PPR) for funding and do not require CMAQ calcs to be provided.

## (C) Project Selection Process

### Broaden involvement opportunities for project evaluation

- **Project sponsors offered additional opportunities to serve on working groups.** This requires managing against conflicts of interests from project sponsors also applying for funding awards.
- **Further integrate the engineers review group into the overall project evaluation effort.** For example, ask the engineers to assess both deliverability and cost effectiveness of projects.
- **Offer interview stage to applicants.** Opportunity to review project performance outcomes and project risk assessment review before staff recommendation is made.
- **Align Project Sponsor Priorities for “Maintenance & Modernization” Investments with MTP/SCS Policy Commitments.** This is reflected through emphasizing fix-it-first system maintenance improvements that also support multi-modal travel options.
- **To be determined:** how best to evaluate projects for benefits to disadvantaged communities?

### Increase opportunities for “Transformative” project investments

- **Uphold prior performance review for project applications.** Sponsors do not need to prepare a new analysis and full application if MTP/SCS status, project scope, and policy/performance benefits remain unchanged.
- **Award a limited number of multi-round (> 2 years) funding commitments on non-expansion projects that have strong performance outcomes and provide high regional benefit.** These awards would save time and money from reducing the frequency of segmenting a project or multiple phases of investment along a single corridor and play a role in accelerating infill.
- Similar to multi-round funding commitments, **projects receiving a large Transformative Program award within a single round must fully exemplify high performance and support for board-adopted MTP/SCS policy priorities.** As a condition for a large award, the board may require, in some instances, a project sponsor to forgo applying for funds in the next funding round.

### Ensure rigorous deliverability review & risk assessments of applications

- Programming risk assessments to be completed by multi-disciplinary working group members with early feedback to project sponsors on any issues identified.
- Risk assessments are especially important because delivery failure of larger projects has an outsized impact on maintaining the region's strong delivery record.