

5. 2025 Project Delivery Process () (Est. Time:)



Transportation Committee

Meeting Date: December 5, 2024

Agenda Item No. 5

2025 Project Delivery Process

Action

Author: Miguel Mendoza

Attachments: Yes

Referring Committee: Not Applicable

Issue:

The annual Delivery Plan sets the policy for prioritizing projects within our programs for starting federally reimbursable work.

Request:

Approve

Recommendation for Board:

That the Board approve the Delivery Plan Process for federal fiscal year (FFY) 2025.

Recommendation for Committee:

That the Transportation Committee recommend that the board approve the Delivery Plan Process for federal fiscal year (FFY) 2025.

Background:

Our Delivery Plan assists member agencies in ensuring that federally funded transportation projects begin within the designated time frame. The term "delivering" a project refers to obtaining the necessary state or federal approval for a project or project phase to commence with reimbursable work. Once approval is granted, constructing the project does not require direct involvement from SACOG.

Each year our Project Delivery and Metropolitan Transportation Improvement Program (MTIP) Team helps project sponsors across the six counties deliver their projects, focusing on those federal funds that we control, primarily the Congestion Mitigation and Air Quality program (CMAQ) and Regional Surface Transportation Program (RSTP). Our staff aids projects that have been funded through programs like the State Transportation Improvement Program (STIP), Active Transportation Program (ATP), Highway Bridge Program (HBP), and Highway Safety Improvement Program (HSIP). However, the management of these funds cannot be handled in the same way due to project delivery requirements set by other agencies, such as Caltrans Local Assistance or the California Transportation Commission (CTC).

Our Delivery Plan strategy supports both individual, project-level delivery and programmatic-level delivery. That is, we help sponsors deliver their individual projects, while at the same time, we seek to deliver 100 percent (or more) of each of our programs (i.e., funds), such as RSTP and CMAQ. We want our funds to be utilized by sponsors instead of remaining unused.

Discussion/Analysis:

As described in Attachment A, 2025 Delivery Plan Process, staff proposes to manage the 2025 Delivery Plan in the same way as in prior years. The 2025 Delivery Plan Process outlines the rules and procedures by which we will track project and programmatic delivery, prioritize projects, and hold project sponsors accountable.

Our Delivery Plan has remained the same over the years because it has proven effective at achieving programmatic delivery and forgiving in handling delivery failure. At the programmatic level we try to use over 100 percent of our region's obligation authority and 100 percent of our CMAQ and RSTP apportionments yearly. At a project level, we understand that some projects experience unforeseen delays while others are ready to advance. This system aims to create opportunities for project advancement while allowing for some project delays.

As in prior years, the Delivery Plan involves three groups or tiers of project priorities. The Delivery Plan is designed to incentivize early delivery using a first-come, first-served system. If sponsors are ready to go early, they are more likely to deliver. The inverse is also true: This system disincentivizes delivery failure as a last-come, last-serve system. If sponsors wait too long, or if many projects come in early, the annual available funding may run out before the sponsor is ready. For sponsors that arrive too late, the Delivery Plan lays out options. (Due to program requirements, projects funded with ATP, HSIP, and HBP funds cannot be advanced utilizing the three-tier system.)

The Project Delivery and MTIP Team meets regularly with project sponsors and Local Assistance to coordinate, educate, and troubleshoot project delivery.

Fiscal Impact/Grant Information:

Included in OWP/Budget

List of Attachments:

Delivery Plan Process
Project Delivery Graphic

Attachment A

2025 DELIVERY PLAN PROCESS

CMAQ and RSTP projects will be grouped into the following three prioritized tiers:

| Classification | Project Group | Level of Priority | Obligation Authority (OA) |
|-----------------------------|---|--------------------------------------|---|
| Tier 1 | Projects with CMAQ or RSTP funds in 2025 (the current year) | Priority until February 1, 2025 | Subject to SACOG OA limitation |
| Tier 2 | Projects with RSTP or CMAQ funds programmed in any year (2026-2028) | Priority until May 1, 2025 | Subject to SACOG OA limitation |
| Tier 3 Project Loans | Projects for which sponsors want to borrow CMAQ or RSTP funds (usually to cover cost overruns or to advance STIP funds) | Will be considered after May 1, 2025 | Subject to California OA availability, SACOG staff discretion |

Promoting Early Delivery

The Delivery Plan Process is a first-come, first-served system. This incentivizes early delivery. Projects programmed in the Metropolitan Transportation Improvement Program (MTIP) for FFY 2025 are considered “Tier 1” projects and given the highest priority until February 1, 2025. The sponsors of these projects are expected to submit their fully completed Request for Authorization (RFA) to Caltrans District 3 Office of Local Assistance between October 1, 2024, and February 1, 2025.

Starting February 1, 2025, projects in FFY 2025 will lose their highest priority status and will share equal priority with projects in “Tier 2,” projects with CMAQ or RSTP in any other year. During this period, any project in the SACOG region may “obligate” (encumber) the remaining RSTP or CMAQ funds in FFY 2025 until no apportionments are left.

Starting May 1, 2025, Tier 1 and Tier 2 will share equal priority with projects that have been approved by SACOG staff for “Tier 3 Project Loans.” These are CMAQ or RSTP funds (or other SACOG-controlled funds) loaned to projects, usually to cover cost overruns or to advance STIP funds. The process and conditions for such loans are already well established in the SACOG region, and the proposed 2025 Delivery Plan will adhere to them.

Mitigating Late Delivery

The Delivery Plan Process is also a last-come, last-served system. The downside to this system is that, if sponsors wait too long or if too many sponsors come in early, the funding for the year may dry up before a sponsor can deliver.

Each year, we run out of either federal apportionments or obligation authority. A sponsor needs both to obligate federal funds. Apportionments are the actual RSTP or CMAQ funds while obligation authority (OA) is the budget authority or funding permission necessary to obligate apportionments. We can’t predict the exact date when apportionments or OA will run out. It may occur as early as February or as late as August. It depends on various factors, particularly how aggressive our delivery has been that year and in prior years. When either apportionments or OA run out, federal obligations stop, preventing projects from starting federally reimbursable work. We recommend sponsors aim to submit by December 1 each year to maximize the odds of successful delivery.

There are multiple options for sponsors who find that we have run out of OA or apportionment. We invite sponsors to meet with SACOG staff to find the best option:

1. Stop and wait.

Stop the project and wait for apportionment and/or OA to replenish. For some, that could mean waiting until the following October or February, depending on the project's Delivery Tier.

2. Move ahead with local funds.

Move ahead with the project by using "advance construction," in which the sponsor begins a project with local funds until federal funds are available.

3. Move ahead with partial obligation.

Sometimes SACOG can make a fraction of the federal funds available for obligation, enough to allow for cash flow while the sponsor waits for the entire amount to become available.

4. Loans from/to Other Regions

SACOG staff can pursue interest-free loans from other regions to increase the amount of available apportionment or OA. Should we run out of OA or apportionment, we may be able to borrow it from another region. On rare occasions and circumstances, we may find it useful, necessary, or helpful to loan apportionment or OA to another region.

Because loans require quick action, staff will take any proposed loan agreements to the Executive Director using board delegation. Current board delegation gives the Executive Director discretion to commit SACOG for such purposes. Consistent with past practices, staff would then report back to the board in the year-end delivery update.

Balancing Project Delivery / Delivery Failure

