



January 7, 2019

To: Regional Planning and Highways Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Approval of Use of Federal Funds for Orange County Transportation Authority Projects Related to the Federal Fiscal Year 2018-19 Obligation Authority Plan

Overview

The federal government requires states to obligate federal funds by September 30 of each year. To ensure the timely commitment of all available federal funding by September 2019, the Orange County Transportation Authority prepares an annual obligation plan and requests corresponding Board of Directors authorization to use federal funds.

Recommendations

- A. Approve the use of \$134.670 million in Congestion Mitigation and Air Quality Improvement Program funds for 201 40-foot replacement buses.
- B. Approve the use of \$5.500 million in Congestion Mitigation and Air Quality Improvement Program funds for the project approval and environmental document phase for the Interstate 5 Improvement Project from Avenida Pico to San Diego County Line Project.
- C. Approve the use of \$0.750 million in Surface Transportation Block Grant Program funds for the South County Multi-Modal Study.
- D. Approve the use of \$7.921 million in Highway Infrastructure Program funds for the Interstate 5 Improvement Project from Oso Parkway to Alicia Parkway to replace Surface Transportation Block Grant Program funds.

- E. Authorize staff to process all necessary amendments to the Federal Transportation Improvement Program and execute any necessary amendments and/or agreements to facilitate associated programming actions.

Background

The State of California (State) annually receives Congestion Mitigation and Air Quality (CMAQ) Program and Surface Transportation Block Grant (STBG) Program apportionments from the Federal Highway Administration (FHWA). The Orange County Transportation Authority (OCTA) receives a share of the apportioned funds, approximately \$48.872 million in CMAQ funds, and \$41.266 million in STBG funds for regional projects. However, the federal government typically only provides obligation authority (OA) to use approximately 91 percent (\$82.112 million) of the apportioned funds annually. Fortunately, State law allows an agency to use available statewide OA, up to 100 percent of its available apportionment of funds, after May 1 of each year on a first-come-first-served basis. This allows OCTA to maximize federal funding for Orange County transportation projects and preserves Measure M2 (M2) and local funds. Furthermore, State policy allows agencies to advance OA from future years using expenditure authority from other states that fall behind in federal project delivery.

In August 2017, the OCTA Board of Directors (Board) approved projects for the federal fiscal year (FFY) 2017-18 OA Plan, which supported OCTA's goal to obligate 100 percent of the OA target. As of September 30, 2018, the end of the FFY, OCTA obligated \$131.213 million, or approximately 164 percent, of OCTA's share of FFY 2017-18 OA. The California Department of Transportation (Caltrans) has reported that, based on OCTA's FFY 2017-18 OA Plan, OCTA received \$20.913 million in additional federal funds. These additional federal funds are available because some states do not spend all their federal transportation funding before the deadline. These funds are reverted back to the federal government, which distributes them to states and agencies that are successful in obligating at least 100 percent of these federal funds through a process known as August redistribution.

On April 25, 2018, the FHWA issued guidance for the Highway Infrastructure Program (HIP). The HIP is a new one-time fund source that was included in the U.S. Department of Transportation Appropriations Act of 2018. Approximately \$1.980 trillion dollars were set aside nationwide and apportioned for activities eligible under Title 23 United States Code STBG Section 133(b)(1)(A), which includes activities such as construction of highways, bridges, and tunnels. These funds are available for obligation until September 30, 2021, and Orange County's apportionment is approximately \$7.921 million.

Discussion

The OA Plan brings together prior year and current funding candidates into a single plan that describes how OCTA will meet the OA target for a specific FFY. OCTA's FFY 2018-19 OA Plan (Attachment A) consists of 21 projects that were previously approved for federal funding and three candidate projects presented for approval by the Board for use of federal funding. The OA Plan enables OCTA to use all available FFY 2018-19 OA (\$82.026 million) and be able to use up to \$121.336 million in federal OA that may be available from other regions or future years to capture 100 percent of the funds available to Orange County in FFY 2018-19. Staff is also requesting a change of funding source for a previously approved project.

It should be noted that the Fixing America's Surface Transportation Act contains a provision to rescind \$7.569 billion of federal funding in 2020. The rescission will cancel budget authority for transportation programs with unobligated balances prior to September 30, 2019, and stands to impact major programs, including CMAQ funding. The FFY 2018-19 OA plan is designed to obligate all available CMAQ funding prior by September 30, 2019.

For the FFY 2018-19 OA Plan, staff is seeking Board approval to apply federal funds to the following projects:

- 201 40-foot replacement buses - \$134.670 million in CMAQ funds. This project is eligible for federal funding and consistent with OCTA's Capital Programming Policy (CAP) regarding the use of CMAQ funds as it fulfills rail and bus transit capital project priorities. In 2019, 201 40-foot buses within the current fleet will have met their minimum federal useful life. Utilizing federal funds for this purpose allows OCTA to replace buses as planned and retains local transit funding which, in turn, can help stabilize transit funding for the next decade. These funds will be obligated over multiple years as the total amount exceeds what is available annually;
- The project approval and environmental document phase of the Interstate 5 (I-5) Improvement Project from Avenida Pico to the San Diego County Line Project - \$5.500 million in CMAQ funds. This project is eligible and consistent with OCTA's CAP regarding the use of CMAQ funds, as it is complementary to a Measure M project on the I-5 (Project C);

- The South County Multi-Modal Study - \$0.750 million in STBG funds. Funding for this project is consistent with OCTA's CAP regarding the use of STBG funds, as it will identify potential future transportation needs and challenges including arterial congestion, transit connectivity, local streets and roads, and active transportation needs; and

Staff is also requesting a change in funding source, which helps fund a project that was originally planned to be part of the 2018-19 OA Plan:

- The I-5 Improvement Project from Oso Parkway to Alicia Parkway (I-5 Improvement Project) - \$7.921 in HIP funds in FY 2018-19. The HIP funds will replace previously approved STBG funds for this project. While OCTA has not developed a specific policy for the one-time HIP funds, the CAP requires that OCTA maximize use of all State and federal funds to fulfill commitments to M2 projects within the Next 10 Plan. The I-5 Improvement Project is listed as Project C in the Measure M Next 10 Delivery Plan, and scheduled to start construction in early 2019. The STBG funds will be used towards future M2 freeway projects within the Next 10 Plan.

There are several factors that influence OCTA's ability to achieve the planned uses of the above federal funds that are outside of OCTA's control. Being able to reach the goal of 100 percent obligation of funds is contingent upon factors such as funds being available through the Highway Trust Fund, the release of apportionment by the federal government, each project meeting the federal requirements for obligation, staying on budget, and Caltrans and the FHWA providing project-level approvals. Additionally, the Southern California Association of Governments, Caltrans, and the FHWA must approve the inclusion of the new projects into the Federal Transportation Improvement Program. The Capital Funding Program Report detailing the changes to projects is provided in Attachment B.

Summary

Board approval is sought to maximize the use of OCTA's federal funding in FFY 2018-19 for OCTA projects, to preserve leverage M2 and local funds, position OCTA to receive August redistribution funding, and to avoid potential loss of federal funding budget authority.

Attachments

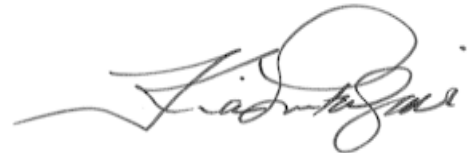
- A. FFY 2018-19 (FY 2019) OA Plan (\$000s)
- B. Capital Funding Program Report

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