



**February 4, 2019**

**To:** Executive Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Capital Programming Policies Update

### **Overview**

The Orange County Transportation Authority's Capital Programming Policies provide guidance on the use of Measure M2, state, and federal funds. Project-specific funding commitments are recommended to the Board of Directors based on these policies. Updated policies are presented for review and approval based on recent state and federal actions, as well as other changes.

### **Recommendation**

Approve the updated Capital Programming Policies.

### **Background**

The Capital Programming Policies (CPP) include programming policies for Measure M2 (M2) funding programs that fall under the M2 Ordinance and associated guidelines. Major state and federal fund sources are also included in the CPP. Most of these state and federal programs provide funding to Orange County on a formula basis. The funding sources have specific transportation improvement goals as defined by the enabling legislation and additional state and federal rules, which are considered in the development of current programming policies. There are 23 state and federal fund sources included in the CPP. A description of state and federal funding programs and level of funding available to the Orange County Transportation Authority (OCTA) is provided in Attachment A.

### **Discussion**

The CPP is intended to guide users of future revenues as they become available. The overall goal is to realize the maximum benefit from each source in relation to OCTA's programs and projects, consistent with OCTA's goals, including stewardship, fiscal sustainability, and mobility. Programming requests are brought forward to the Board of Directors (Board) based on state, federal,

and local funding program timelines, the achievement of design or project delivery milestones, project needs, cost savings, and other factors. For example, in 2018, the Board considered and acted on more than 20 staff reports that included programming decisions for various highway, streets and roads, and transit projects. The list of staff reports with recommended and approved programming actions is provided in Attachment B.

This update to the CPP includes changes based on the new state guidelines related to SB 1 (Chapter 5, Statutes of 2017, the Road Repair and Accountability Act of 2017), minor changes to the Federal Transit Administration (FTA) programs, the addition of one new federal highway program, and use of federal funds to support regional planning activities, mirroring a similar state policy.

The current state and federal transportation funding policies were last updated in May 2017. The proposed policy changes are further discussed below and described in more detail in Attachment C.

### State Programs

SB 1 will provide an estimated \$5.25 billion annually for transportation purposes, with investments targeted towards fix-it-first purposes on local streets and roads, highways, transit operations and maintenance, capital investments, and active transportation. The state has developed guidelines for several formula programs, and these programs are proposed to be added into the CPP.

The new SB1 programs include the Local Partnership Program-Formula (LPP-F), State of Good Repair (SGR), and Trade Corridor Enhancement Program (TCEP). Two of these programs, LPP-F and TCEP, essentially replace Proposition 1B-State Local Partnership Program (SLPP), and the California Freight Investment Program (CFIP) state funding programs.

LPP-F is provided to reward existing counties and agencies that have passed transportation sales tax measures similar to the previous Proposition 1B SLPP funding program. The SLPP has concluded, and a policy is proposed that the LPP-F Program funds be distributed to ready-to-deliver OCTA M2 projects with an equitable balance of funding to freeways, streets and roads, transit capital, and eligible environmental clean-up.

SGR funds have a specific goal of keeping transit in a good working condition and are proposed to be used towards bus capital projects and maintenance, rehabilitation, and replacement of existing OCTA assets. This is a new state funding program being provided for transit, which offers considerable flexibility. The proposed policy attempts to maintain that flexibility to use the funds for bus transit.

Prior to SB 1, the state was developing guidelines for the CFIP, which drew funding primarily from the Federal National Highway Freight Program. However, with the passage of SB 1, the state instead created guidelines to distribute both state and federal funds through the TCEP. This program is very similar to the CFIP with a program goal to provide funding for infrastructure improvements on freight corridors and fund projects designed to improve corridors with high volumes of freight. Staff is proposing to apply the existing policy for CFIP to TCEP, which is to first seek to fund eligible M2 projects that meet the requirements and goals of the program, then fund other eligible Orange County projects.

### Federal Programs

In April 2018, the Federal Highway Administration notified the State of California that \$1.98 billion in Highway Infrastructure Program funds were being made available through the Department of Transportation Appropriations Act, 2018, (P.L. 115-141), which was enacted on March 23, 2018. Total funding distributed to California was \$185 million, of which \$7.92 million is apportioned to OCTA through the same formula as the Surface Transportation Block Grant (STBG) Program. The existing distribution of \$7.92 million has already been programmed through Board action to the Interstate 5 Improvement Project from Oso Parkway to Alicia Parkway. The focus of this funding program is improvements to highway infrastructure, as the name implies, and fund activities similar to the STBG Program. This is a one-time funding program, but may be revisited in the future and, therefore, should be added to the CPP.

The proposed CPP also includes minor changes to FTA Section 5307 and Section 5339 transit funding programs to de-emphasize the prioritization of eligible projects and to mirror how the funds are distributed through Board action on the annual FTA program of projects (POP). OCTA typically links the POP to specific fiscal year budgets, and project/program needs are addressed through the budget process. Eligible uses remain unchanged.

For the STBG Program, the updated policy proposes using up to five percent annually, approximately \$2 million, toward regional planning activities. This policy mirrors a state policy (five percent for planning and programming) included in the State Transportation Improvement Program. This new policy allows the use of both state and federal funds for regional planning efforts, including corridor studies and updates to the Long-Range Transportation Plan. In recent years, the Board has approved federal funding for planning activities, and this update to the policy is consistent with recent actions. The STBG policy is also updated to remove “grade separation” as a specific project type as this type of project can be funded under the “local streets and roads” project, which continues to be eligible under the updated policy.

As noted above, programming requests will be brought forward based on state, federal, and local funding program timelines, achievement of design or project delivery milestones, project needs, cost savings, and other factors.

The existing CPP are provided as Attachment D. The approved state, federal, and M2 capital programming commitments are included in the Capital Funding Program provided in Attachment E.

***Summary***

This CPP update includes changes based on the new state guidelines, minor changes to FTA programs, the addition of one new federal program, and use of federal funds to support regional planning activities.

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***Attachments***

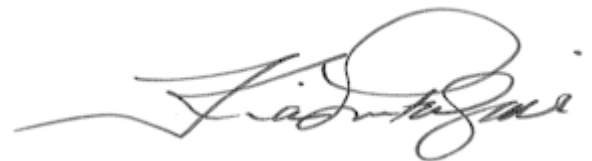
- A. State and Federal Funding Sources
- B. List of Board of Directors Reports with Programming Actions for Programs in the Capital Programming Policies, January 2018 – December 2018
- C. Proposed Changes to Capital Programming Policies by Fund Source, February 2019
- D. Existing Capital Programming Policies by Fund Source, February 2019
- E. Capital Funding Program Report

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