

Memorandum

To: Chair and Commissioners

Date: March 30, 2009

From: ANDRE BOUTROS
Interim Executive Director

File: Reference No. 4.4
Action Item

Ref: Proposition 1B Bond Program Status Report

ISSUE: Should the Commission approve the proposed outline for the Proposition 1B Bond Program Status Report?

RECOMMENDATION: Commission staff recommends that the Commission approve the proposed outline for the Proposition 1B Bond Program Status Report.

BACKGROUND: Senate Bill 88 designates the California Transportation Commission as the administrative agency for the Corridor Mobility Improvement Account, Route 99, Trade Corridor Improvement Account, State & Local Partnership, Local Bridge Seismic Retrofit Account, Highway Railroad Crossing Safety Account, STIP and SHOPP programs funded by Proposition 1B. As the administrative agency, the Commission is required to report on a semiannual basis to the Department of Finance on the progress of the projects in these Proposition 1B programs. The purpose of the report is to ensure that the projects are being executed in a timely manner and within the approved scope and budget.

On September 25, 2008, in a letter to Diana Antony, Bond Accountability Manager, the Commission notified the Department of Finance that it had requested the Department of Transportation to compile and provide these reports to the Commission on a quarterly basis. As the Department of Transportation was maintaining this information on the Proposition 1B Bond Accountability Website, the Commission directed the Department of Finance to <http://www.bondaccountability.dot.ca.gov/bondacc/> as the means to fulfill its reporting obligation under Senate Bill 88. Confirming the Commission's decision, in October 2008, the Department of Finance issued a Bonds Bulletin stating that administering agencies could submit reports in electronic format or reference the report's link available on the respective website.

In February 2009, the Legislative Analyst's Office (LAO) reported that the Commission failed to provide the reports mandated by Senate Bill 88 to the Department of Finance. The LAO did not consider the information provided on the Proposition 1B Bond Accountability Website adequate to comply with the reporting requirements of Senate

Bill 88 as it did not provide an overall assessment of the status of the Proposition 1B Bond Program.

The Proposition 1B Bond Program Status Report, to be issued in June of each year, and the Commission's Annual Report, issued in December, will provide the reports mandated by Senate Bill 88 and address the issues raised by the LAO.

Attached is a proposed outline for the June 2009 Proposition 1B Bond Program Status Report.

Proposition 1B Bond Program Status Report
April 2009 Commission Meeting
Outline

- I. Background
- Senate Bill 88 designates the Commission as the administrative agency for the CMIA, Route 99, TCIF, STIP, State and Local Partnership Program, Local Bridge Seismic Retrofit Account, Highway Railroad Crossing Safety Account and SHOPP funded by Proposition 1B. Senate Bill 88 also requires the Commission to report to the Department of Finance, on a semiannual basis, on the progress of the Proposition 1B bond projects in these programs.
- II. Delivery Trends & Challenges
- The department and the regions have realized lower construction costs on a number of bond projects due to the current favorable bid environment.
 - A high percentage of bond projects are exceeding the preconstruction budget, primarily due to support and Right of Way cost increases.
 - The Department and the regions to continue to propose using projected construction savings to fund preconstruction cost increases. The Commission is concerned that such proposals include a high level of risk, as the projected savings may not materialize.
 - The Commission is not receiving some environmental documents in a timely manner in order to take statutorily required action prior to allocation.
- III. Availability of Bond Funding
- Due to state's ongoing fiscal challenges and a tight credit market, in December the Pooled Money Investment Board (PMIB) suspended disbursements from the Pooled Money Investment Account (PMIA), which provides short term financing for bond projects. The PMIB later provided limited funds for bond projects currently under construction.
 - The impacts of the state's fiscal crisis and the resulting actions of the PMIB include the risk of suspending bond projects currently under construction. The risks also include delaying projects which are currently ready to award the construction contract as well as projects which are ready for allocation.
 - The outlook for bond funding appears to be improving, due to the success of the recent bond sale by the State Treasurer's Office. However, the state's ongoing fiscal challenges, the tight credit market and the national recession continue to pose risks to bond funding.

IV. Availability of Local Funding

- Many bond projects rely on local contributions, a major source of which is local sales tax funds. However, due to the downturn in the economy, sales tax revenues have declined about 5 percent to 20 percent in the past one to two years, potentially placing bond projects at risk.

V. Program Specific Issues

- The TCIF Program is currently overprogrammed and additional funds to cover this overprogramming have not yet been secured.
- The Commission required Corridor System Management Plans (CSMP) for projects included in the CMIA and Route 99 Programs. Many projects have missed or delayed the delivery of the CSMPs.

VI. Accountability

- The Commission has experienced difficulties in receiving timely and useful information from the Department and the regions.
- A high percentage of projects in the CMIA program are experiencing cost increases and project sponsors are proposing funding strategies that are not consistent with the Commission's Accountability Implementation Plan.
- The Legislative Analyst's Office (LAO) reported in February 2009 that the Commission had failed to provide its statutorily required Proposition 1B Reports to the Department of Finance. This status report will address that finding.