

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: March 23-24, 2011

Reference No.: 3.13
Information Item

From: NORMA ORTEGA
Chief Financial Officer

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Subject: **PROJECT SAVINGS POLICY FOR STIP PROJECTS ON THE STATE HIGHWAY SYSTEM**

ISSUE:

The California Department of Transportation (Department), under the conditions specified by the California Transportation Commission (Commission) in the approval of Resolution FP-10-15 at the Commission's January 2011 meeting, wants to proceed with meeting the terms of the Master Agreement with the Riverside County Transportation Commission (RCTC) for the 60/215 East Junction project (PPNO 0116F) in Riverside County.

BACKGROUND:

Due to the state budget crisis of 2003 when the state was unable to allocate funds, the Department and the RCTC agreed to deprogram the Interregional Improvement Program (IIP) funds from three "ready-to-go" projects and replace the funding with local funds. In turn, the Department agreed to reprogram an equal amount of IIP funds onto a fourth project in Riverside County to be delivered at a later date. The arrangement was documented within a Master Agreement between RCTC and the Department. During the 2008 State Transportation Improvement Program (STIP) adoption, \$20.733 million in IIP funds were programmed to the 60/215 East Junction project.

At the May 2010 Commission meeting, \$13.833 million of IIP funds were allocated to construction and the remaining \$6.9 million was programmed to construction support. The project was jointly funded with \$17.763 million of local construction funds. The bids were opened in January 2011. If the contract is awarded to the lowest bidder, the project allotment will be 14 percent lower than the Engineer's Estimate.

At the January 2011 Commission meeting, the RCTC requested an exception to the Commission's policy of proportional cost sharing at award. Specifically, RCTC requested that the first \$13.833 million of expenditures be billed to the STIP and that all potential award savings be credited to the local funds. The RCTC also agreed with the condition that, should Commission approve that request, the Department will consider the allocation to be a grant and there will be no G-12 funds available for the project.

The Commission approved this request contingent upon the reporting of the amount of local funds spent on the original projects. To that end, the Department and the RCTC worked together to analyze expenditure reports for those projects. To completely and fully meet the terms of the Master Agreement, the Department has agreed to program a total of \$28.441 million in IIP funds; however, because of cost savings from these projects, which were delivered using local funds, the actual amount comes out to be \$25.694 million. The 60/215 East Junction project was previously programmed for \$20.773 million; this leaves a balance of \$4.961 million in IIP funds that will need to be programmed.

The Department, at the May 2011 Commission meeting, will request that this remaining \$4.961 million in IIP funds be used to replace the current \$4.961 million in the Riverside County Regional Improvement Program (RIP) funds programmed for construction for the I-215 HOVBi County Gap Closure Project (PPNO 0041G).

Upon the completion of that action, the terms and conditions of the Master Agreement will be considered fully and completely met.