



Local Programs Procedures

LPP 98-05 Expedited Payment Procedures

Reference: *Local Assistance Program Guidelines*, Chapter 15, "State and Local Transportation Partnership Program"; and *Local Assistance Procedures Manual*, Chapter 5, "Accounting/Invoices"

Effective Date: January 1, 1999

Approved: _____

ALAN P. GLEN
Assistant Program Manager
Design and Local Programs

This LPP provides information on expedited payment procedures for local assistance projects.

EXISTING PROCEDURES

Procedures for reimbursement and other accounting functions for local federal-aid or State highway projects are handled through Caltrans' Local Programs Accounting (LPA). Local agency invoices that are submitted for reimbursement of participating project costs are routinely processed for payment within 25 days of receipt by LPA.

Some current procedures allow for expediting the payment process. These procedures are as follows:

- A lump sum advance payment is available through the State and Local Transportation Partnership Program (SLTPP) when the State's share is \$300,000 or less (Section 15.5 of the *Local Assistance Program Guidelines* and Chapter 5 of the *Local Assistance Procedures Manual*).
- Local agencies may seek reimbursement of 100% of all eligible project costs in the SLTPP until the State share has been fully paid out (Section 15.5 of the *Local Assistance Program Guidelines* and Chapter 5 of the *Local Assistance Procedures Manual*).
- A lump sum advance payment is available for Planning, Programming, and Monitoring (PPM) funds, and Rideshare projects programmed in the 1998 State Transportation Improvement Program (STIP) when the State's share is \$300,000 or less (Sections IV and VII of Caltrans' *Procedures for Administering Local Grant Projects*).

LPP 98-05
Expedited Payment Procedures
Page 2

NEW PROCEDURES

Two other expedited procedures (underlined below) are also available, but these are only available for use on an exception basis and are not described in the publications noted above.

Accelerated Payment of Invoices through the State Controller's Office

Payment of invoices through the State Controller's office may be accelerated upon payment of a fee by the local agency. Because of the labor intensive effort by both Caltrans and the State Controller's Office, this process is not to be used routinely. This acceleration can result in payment of invoices within five to ten days of receipt, a fee of \$75 for five days and \$10 for ten days. Normal invoicing through the State Controller will require about 25 days. A letter authorizing LPA to deduct the State Controller's Office fee should be sent to LPA with the invoice.

Alternative Construction Progress Payment Procedure

This procedure is designed to assist local agencies in the implementation of their local transportation projects when they are experiencing severe cash flow problems. These problems could be the result of either 1) unusual cash shortages within the local agency caused by economic or other conditions, 2) the need to provide up front payment on an unusually large federal or state transportation project or 3) cash drain to repair damages caused by flood, earthquake or other acts of nature.

Most federal and state funded local agency projects are invoiced in arrears. This means that local agencies must first make payments to their contractors and then request reimbursement from Caltrans for the costs. Since this process can take a month, some agencies have experienced severe cash flow problems when implementing their projects.

Since this alternative procedure requires extra work by Caltrans and thus adversely affects other agency processing, it will be used only for the construction phase of projects and should be used only as a last resort.

Recent construction contract administration process reviews have found that most local agencies are not invoicing Caltrans for money that is due them in a timely manner. Local agencies that have money due to them from local assistance projects or programs, but have not invoiced in a timely manner, will not be eligible to use this procedure since this would not demonstrate a cash flow problem.

LPA will provide the invoice format to be used for this expedited procedure. Local agencies should follow the following procedures when requesting use of these alternative payment procedures:

1. Local agency governing board must pass a resolution requesting use of this procedure for a specific project. The resolution must include the reasons for the request and a statement that all other options have been considered and that the project cannot be implemented, or will be delayed, unless this procedure is used. Local agency must also provide a written schedule of estimated monthly construction payments for the project. This resolution and estimated payment schedule should accompany the local agency's Request for Authorization to the District Local Assistance Engineer for the construction phase of their project. The estimated payment schedule will be forwarded to LPA through the headquarters Office of Local Programs Area Engineer.
2. After approval of the Request for Authorization and execution of the Program Supplement (which must include language allowing payment based on estimated costs), an invoice requesting payment for the first month's estimated payment (less local matching funds), may be submitted to LPA. This invoice can be submitted anytime within thirty calendar days prior to the date of the first month's payment to the contractor. This will allow payment to be made to the local agency at approximately the same time they are required to pay the contractor.
3. The estimated payment amount shown on second and subsequent invoices must reflect most current estimated payment to the contractor. In addition, the invoices will reflect the difference between the estimated payment claimed on the prior invoice and the actual payment made to the contractor.
4. Local agency must provide a final invoice and a final report of expenditures, showing actual project costs (including claims), within 180 days of project completion. This final invoice, the final report of expenditures, and final inspection form is sent to the District Local Assistance Engineer for written approval.
5. If Caltrans has overpaid, a check for the amount of overpayment by Caltrans, along with a copy of the final invoice, must be sent to LPA within 30 calendar days of the final invoice approval by Caltrans.
6. Failure by a local agency to adhere to all the terms of this procedure will result in termination of the alternative payment procedure for that project.
7. For projects with Federal funds, only two month's payments will be made under these procedures if a PR-2 has not been signed by FHWA.

LPA will reimburse local agencies for invoices based on estimated payments to the contractor in the same manner as normal reimbursement billings are paid.