

CALIFORNIA DEPARTMENT OF TRANSPORTATION
TRADE CORRIDORS IMPROVEMENT FUND (TCIF)
ACCOUNTABILITY IMPLEMENTATION PLAN

BACKGROUND

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (SB 1266), was approved by the voters as Proposition 1B on November 7, 2006 provided for \$2 billion to be transferred to the Trade Corridors Improvement Fund (TCIF) for infrastructure improvements along corridors that have a high volume of freight movement. The funds are available to the California Transportation Commission (Commission) upon appropriation in the annual Budget Bill by the Legislature and subject to such conditions and criteria as the Legislature may provide by statute, for infrastructure improvements along federally designated "Trade Corridors of National Significance" in this state or along other corridors within this state that have a high volume of freight movement.

The TCIF program is subject to the provisions of Government Code Section 8879.23(c)(1), as added by Proposition 1B, and to Section 8879.50, as enacted through implementing legislation in 2007 (SB 88 and AB 193). The implementing legislation designated the Commission as the administrative agency responsible for programming TCIF and the agency authorized to adopt guidelines for the program. Senate Bill 88 (SB 88) imposes various requirements for the Commission relative to adopting program guidelines, making allocations of bond funds, and reporting on projects.

FRONT-END ACCOUNTABILITY

A. Establishment of Guidelines

The Commission adopted TCIF Guidelines on November, 27, 2007).

B. Nominations and Selection

Under Proposition 1B, TCIF eligible projects may include, but are not limited to the following improvements; highway capacity, freight rail system, port capacity and efficiency projects, truck corridor, airport ground access, or improvement projects that maximize State access to federal border infrastructure funds.

In its TCIF Guidelines, the Commission recognized that the need for goods movement improvements far exceed the amount authorized in the TCIF program, that other funding sources should be explored, and that delivery challenges could limit project funding. The Commission supported increasing TCIF funding by approximately \$500

million from the State Highway Account (SHA) to fund state-level priorities that are critical to goods movement. The Commission programmed about 20% more than the \$2.5 billion authorized by Proposition 1B from the State Highway Account and potential future funding sources. The Commission plans to review the programming and delivery status of all projects in 2010 on a schedule coordinated with development of the 2010 State Transportation Improvement Program (STIP).

As part of the TCIF program guidelines, target allocations were established for four regions. The regions formed coalitions comprised of local agencies that worked together to identify the highest priority corridor projects and prepare nomination applications. The Commission screened, evaluated and scored project nominations according to specific criteria, as described in Section 10 of the TCIF Guidelines

Project nominations were submitted to the Commission no later than January 17, 2008. Hearings on the project nominations were held the week of February 18, 2008. On March 13, 2008 the Commission issued its staff recommendations and on April 10, 2008 the Commission adopted a list of 79 projects with a commitment of \$3 billion in TCIF funding.

C. Baseline Agreements

Within three months after the adoption of a project into the TCIF program of projects, the Commission, the Department and the implementing agency, together with the regional agency and any entity committed to providing supplemental funding for the project, will execute a project baseline agreement, which will set forth the project scope, benefits, delivery schedule, and the project budget and funding plan. The funding plan will identify the source of supplemental funding. For investments in rail projects, the Commission expects a memorandum of understanding (MOU) to be in place by the time of execution of the project baseline agreements between the private railroads, appropriate regional agencies, and appropriate state agencies that details how and when public and private funding would be made available. In addition, the Commission expects the MOU would stipulate what public benefits would accrue to the affected regions and by when those benefits would be realized. The Commission may delete a project for which no project baseline agreement is executed, and the Commission will not consider approval of a project allocation prior to the execution of a project baseline agreement.

D. Allocation of Funds

TCIF funds will be allocated in a manner that addresses the state's most urgent needs, balances the demands of various ports, provides reasonable geographic balance between regions, and places emphasis on projects that will improve trade corridor mobility while reducing emissions of diesel particulate and other pollutant emissions.

The Commission will consider the allocation of funds from the TCIF for a project or project component when it receives an allocation request and recommendation from the Department, in the same manner as for the STIP. The recommendation will include a

determination of the availability of appropriated TCIF and the availability of all identified and committed supplemental funding. The Commission will approve the allocation if the funds are available, the allocation is necessary to implement the project as included in the adopted TCIF program, and the project has the required environmental clearance.

The Commission will determine the amount of TCIF funding for each project based on a project-by-project review and assessment of its benefit to the state and the program. The Commission will give funding priority to projects with higher levels of committed supplemental funding. TCIF is not to supplant revenues otherwise available through existing private sector revenue streams. Applicant agencies are required to provide a project funding plan through construction that demonstrates that federal, local, or private supplemental funds will be reasonably available and sufficient to complete the project.

IN-PROGRESS ACCOUNTABILITY

Implementing agencies are responsible for managing the scope, cost and schedule of the project consistent with the adopted programs and executed baseline agreements. The Commission will receive routine program and project progress reports from the Department for all TCIF projects. The Commission may schedule routine status meetings with implementing agencies and perform routine assessments of project progress as compared to the executed baseline agreements. The purpose of these assessments is to identify possible issues of concern, establish an understanding of related impacts, and prepare agenda items for the Commission. The Department will provide ongoing program monitoring and review. The following outlines the in-progress accountability steps necessary to assure that bond funded projects are successfully delivered consistent with the TCIF project baseline agreements.

A. Corrective Plans

Commission staff will develop thresholds for variances to approved project scope, schedule, cost and benefits. The purpose of these thresholds is to identify potential concerns early in the process so that prompt corrective action can be taken by implementing agencies to minimize impacts to the project. Commission staff anticipates placing projects that are unable to maintain delivery and cost commitments on a “watch list”. Project costs that exceed the approved project budget require the implementing agency to provide a corrective plan to the Commission for achieving the benefits of the project by either revising the project’s scope or by identifying an alternative funding source to meet the cost increase.

B. Amendments

The Commission will consider program or project amendments at its regular meetings. Program or project amendments requested by implementing agencies shall receive the approval of the same entities that originally signed the project baseline agreement before presentation to the Commission. The Commission may approve an amendment of the TCIF program in conjunction with its review of a project corrective plan. The

implementing agency may also request, and the Commission may approve, an amendment of the program at any time.

Amendment requests will include documentation that supports the requested change and its impact on the scope, cost, schedule or benefits. The Department will coordinate all amendment requests for all TCIF projects. The Commission may perform additional analysis to ensure a full understanding of the resulting impacts. Where a project allocation has not yet been made, the Commission may amend the program of projects to delete the project.

C. Progress Delivery Reports

The Department produces periodic reports as described below:

1.) Quarterly Reports

The Commission requires the implementing agency submit quarterly reports to the Department on the activities and progress made towards implementation of the project, including project development activities taking place prior to a TCIF allocation. Caltrans, in cooperation with the agencies signatory to the baseline agreements, will report to the Commission each quarter on the status of each project in the TCIF program. The quarterly progress report shall include information appropriate to assess the current state of the project. The progress report shall include approved budgets, actual expenditures, and forecasted cost for each funding source and for each phase as identified in the baseline agreement. In addition, the report shall identify and discuss any significant issues that may impact implementation of the project including financial constraints and commitments, and programming risks and impacts. Implementing agencies will submit the quarterly updates on the progress of projects to the Department. This information will be posted on the Governor's Bond Accountability Website on a quarterly basis.

2.) Semi-Annual Reports

As mandated by Government Code Section 8879.50, the Commission will send project status reports on a semi-annual basis to the Department of Finance (DOF) and the Legislature on the status of each program. The purpose of the report is to ensure that projects are being executed in a timely fashion and within the scope and budget identified in the baseline agreement. The semi-annual report will also indicate whether the Commission has approved a corrective plan by the implementing agency for achieving the benefits of a project that is anticipated to exceed the approved baseline budget. The corrective shall clearly state whether the project is being down scoped to remain in the budget or whether an alternative funding source has been identified to meet the cost increase.

FOLLOW-UP ACCOUNTABILITY

A. Final Delivery Report

Within six months of the project becoming operable, the implementing agency will provide a final delivery report to the Commission on the scope of the completed project, its final costs and duration as compared to those described in the project baseline agreement, and performance outcomes derived from the project as compared to those described in the project baseline agreement. The final delivery report shall be supplemented at the completion of the project to reflect final project expenditures at the conclusion of all project activities. The Commission will forward this report to the DOF as required by Government Code Section 8879.50.

B. Supplemental Final Delivery Report

The implementing agency will also provide a supplement to the final delivery report at the completion of the project to reflect final project expenditures at the conclusion of all project activities. Project completion occurs at the conclusion of all remaining project activities, after acceptance of the construction contract.

C. Audits

The Department will ensure that project expenditures and outcomes are audited. At the minimum, for each TCIF project the Department will provide a semi-final audit report to the Commission within 6 months after the final delivery report; and a final audit report within 6 months after the final delivery report supplement. The Commission may require interim audits at any time during the performance of the project.

Audits will be performed in accordance with Generally Accepted Government Auditing Standards promulgated by the United States Government Accountability Office. Audits will provide a finding on the following:

- Whether project costs, incurred and reimbursed, were in compliance with the executed project baseline agreements or approved amendments; state and federal laws and regulations; contract provisions; and Commission guidelines.
- Whether project deliverables and outcomes were consistent with the project scope, schedule and benefits described in the executed project baseline agreement or approved amendments.