

AGENDA FOR CHANGE

Final Report

RECOMMENDATIONS TO REENGINEER THE PROCESSES
USED TO DEVELOP AND BUILD LOCAL HIGHWAY PROJECTS



Prepared by: A Joint City, County and Planning Agency Task Force

Date: March 1, 1995

Sponsored by: Caltrans, Office of Local Programs

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This report summarizes the final recommendations of a multi-agency task force assembled by Caltrans. The task force was charged with developing an Agenda For Change to amend the processes used to administer California's Local Assistance Highway Program. This report should be used in conjunction with the AGENDA FOR CHANGE - Preliminary Working Papers report issued by the task force on December 20, 1994. These two reports were prepared on behalf of all cities, counties, metropolitan planning organizations, and regional transportation planning agencies who constitute the client agencies for the processes in question.

The task force thanks the 47 agencies that prepared written responses to the December 20 draft report. All comments were considered in the preparation of the final recommendations. There was widespread enthusiasm for making the changes outlined in the draft report.

The task force is deeply indebted to the resource staff provided by Caltrans and the Federal Highway Administration (FHWA). Their active participation was critically important to the identification and evaluation of potential changes. It is recognized that Caltrans and/or FHWA may not agree fully with implementation of all task force recommendations as they are presented. There are differences of opinion on specific recommendations within the client agency group. In order to achieve harmony, the task force urges Caltrans to involve the client agencies as much as possible in planning specific implementing actions.



Jack Dye
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BACKGROUND:

In September, 1994, Caltrans decided to critically examine its practices for administering the state's local assistance program for highways. Director James van Loben Sels sent a letter to all cities, counties, metropolitan planning organizations (MPOs) and regional transportation planning agencies (RTPAs) outlining four potential strategies for changing the local assistance processes. Responses to his letter indicated that major changes should be pursued.

Caltrans Office of Local Programs consulted with the League of California Cities, County Engineers Association of California (CEAC), and MPO/RTPA groups to select representatives to develop the desired changes. The Office also began an intensive effort to document its current practices and to identify potential areas of change. A work plan was developed blending the techniques of reengineering with the customer focused principles of Total Quality Management.

The reengineering task force was formed consisting of customer representatives from city and county public works departments and from MPOs and RTPAs. Representatives from Federal Highway Administration and Caltrans headquarters and district organizations were also assigned to provide needed expertise.

The task force met for three consecutive Thursday and Fridays beginning December 1, 1994. They published a set of draft recommendations in a report entitled AGENDA FOR CHANGE preliminary working papers. The report was sent to all California cities counties, MPOs, and RTPAs for evaluation and comment. Responses were requested by January 26, 1995.

During the review period, the Governor released his proposed budget for Fiscal Year (FY) 1995-96. This budget reflected a 50% staff reduction for the Local Assistance program effective July 1, 1995. The Caltrans Office of Local Programs used the task force report to identify labor intensive activities that Caltrans could stop doing in order to meet the required resource reductions. The actions that Caltrans proposes are consistent with the task force findings but go well beyond the scope envisioned by the task force. Local agencies will have significantly increased responsibility and accountability for the development and delivery of their projects.

The task force reconvened on February 16 and 17, 1995. They evaluated the written responses received, discussed the expected impacts associated with upcoming budget reductions, and adopted their final recommendations. A common theme in the responses was that Caltrans Local Assistance help needs to be available in some form when needed and requested by local agencies trying to cope with complex and

unfamiliar requirements. Significant concern was expressed about the proposed cut in Local Assistance staffing and its negative impact on the support that would be available to the local agencies.

The task force shares this concern but agrees with the Caltrans action plan for reducing or stopping the work activity that is consistent with the recommendations made by the task force. This does not mean, however, that the task force unanimously agrees with the full extent to which Caltrans work activity will be curtailed. Caltrans clearly has made a commitment to install needed changes. The task force urges Caltrans to 1) increase efforts to educate and train local agencies, and 2) develop a specific action plan for addressing the balance of the Agenda for Change recommendations as outlined below.

FINAL RECOMMENDATIONS FOR CHANGE:

The task force recommendations are listed in three groups:

- A. Financial
- B. Engineering
- C. Environmental and Right of Way

The December 20 draft recommendations are used as a base. Deletions are shown by strikethru while additions are shown in **BOLD**. Additional details can be found in the December 20 draft report.

A. FINANCIAL PROCESS RECOMMENDATIONS

A1. Simplify Federal Transportation Improvement Program (FTIP) programming and FTIP amendment process.

- ~~a. Develop a comprehensive database for use by FHWA, Caltrans, MPO/RTPA and project sponsors to track approved FTIP projects and FTIP amendments. See *Merged into* recommendation A5a.~~
- b. Eliminate TIP programming requirement for air quality neutral projects. ***If this cannot be done, reduce the number of projects programmed in the FTIP by using multi-year lump sums in each year of the FTIP for air quality neutral projects.***
- ~~c. Reduce the number of projects programmed in the FTIP by using multi-year lump sums for air quality neutral projects.~~

A1. (Continued)

- d. Program statewide non-discretionary projects at the State level, on a lump sum basis (do not require the projects to be programmed or amended into the regional FTIP). *This recommendation would not affect the current processes for project selection in the statewide non-discretionary programs.*
- e. Do not require FTIP amendments for changes in cost that do not involve major changes in project scope. Metropolitan Planning Organization (MPO)/Regional Transportation Planning Agency (RTPA) would approve cost changes and modify spending plan to maintain financial constraint in FTIP.
- f. Reduce under-funding of projects (programming less than the maximum Federal amount) and eliminate Federal restrictions on cost changes for under-funded projects. Also, formally revoke 50% rule on Federal funding. Allow projects to be programmed with less than 50% Federal participation rate.
- g. Develop and issue clear MPO/RTPA guidelines to project sponsors defining requirements for FTIP amendments.
- h. *Allocate Transportation Enhancement Activities (TEA) funds to MPOs/RTPAs and allow them to program projects similar to Regional Surface Transportation Program (RSTP) and Congestion Mitigation and Air Quality (CMAQ), rather than requiring competition for TEA projects on a statewide basis with California Transportation Commission (CTC) involvement.*
- i. *Provide flexibility across fiscal years in the FTIP to allow local agencies to deliver and construct projects early without amending the FTIP. Financial constraint by year would still apply, so other projects would be delayed.*

Note: None of these recommendations would modify current responsibilities for preparation of RTIPs (Caltrans would still prepare RTIPs for some RTPAs).

- A2. Streamline financial processes related to pre-construction activities to reduce paperwork and provide earlier reimbursement for project activities.
- ba. Allow locals to proceed with preliminary engineering on air quality neutral projects prior to FTIP approval.
 - ab. Use the approved FTIP as the document that establishes Federal eligibility for the projects *that impact air quality* and provides authorization to proceed with preliminary engineering.
 - c. Develop a master agreement with FHWA that covers all Federal funding and eliminate individual project agreements (PR-2/PR-2A).
 - d. Develop a simplified, automated process for obligating funds on each project as they are needed for each phase of work (Also, see recommendation A5a).
 - e. Use the master agreement with project sponsors to cover all projects developed by the sponsor and eliminate individual project agreements (program supplements).
 - f. Develop a simplified, automated process to encumber funds on each project as they are needed to cover project work, similar to a timed release of funds (Also, see recommendation A5a).
 - g. Provide a checklist up front to project sponsors that defines project requirements and allow project sponsor to begin work on the various phases without separate authorizations for each phase (reimbursement would not be provided until funds are encumbered).
 - h. Eliminate requirement for pre-award audit of consultant contracts for each project. Audit firms annually that have multiple contracts.
 - i. Allow project sponsors to use their own formats for contract documents with consultants.
 - j. Encourage blanket delegation of signature authority from City Councils/County Boards of Supervisors to local public works officials for performance of project work.
 - k. Allow obligation of Federal funds throughout the fiscal year. (Currently, projects cannot be obligated near the beginning and end of each Federal fiscal year).

A2. (Continued)

1. Transfer Transportation System Management (TSM) match funds to Federal Transit Authority (FTA) along with STP, CMAQ and any other Title 23 funds being transferred to FTA for transit projects in the TIP.

A3. Delegate advertisement and award process to project sponsors.

- a. Provide a checklist up front to project sponsors on advertising and award requirements and delegate these responsibilities to the project sponsor (at the option of the project sponsor).
- b. Reduce advertising and award information submitted to Caltrans and FHWA to only that required for financial tracking purposes (award amount and Disadvantaged Business Enterprise (DBE) data for exempt projects; bid item amounts for lowest three bidders, total bid amount for remaining bidders, DBE data and certification that all bidders received contract addenda for non-exempt projects).
- c. Challenge Federal regulations and State requirements related to the submittal of any advertising and award information.
- d. Allow project sponsors to use their own formats for contract documents with construction contractors.
- e. Eliminate the requirement for the CTC to vote funds prior to advertising and awarding TEA, Environmental Enhancement and Mitigation (EEM) and Proposition 116 Bicycle projects.

Note: The task force also proposed increasing the definition of a Minor project to \$1 million and increasing the threshold for contract amendment review to \$100,000. While this does not fall within the scope of the local assistance reengineering effort, the proposal will be forwarded to others within Caltrans for consideration.

A4. Reduce paperwork and provide faster reimbursement to project sponsors for construction progress payments.

- a. Develop an automated system for electronic submittal of invoices on project sponsor's letterhead and electronic fund transfer for payment (Also, see recommendation A5a).
- b. Provide annual up-front payment to project sponsor for estimated project construction costs.

A4. (Continued)

- c. Eliminate review of construction progress invoices by Caltrans and delegate to the project sponsor the responsibility, accountability and risk for proper payment (at the option of the project sponsor).
- d. Require project sponsors to utilize the expedited payment process (invoices are sent directly to Headquarters Accounting for payment with district review during the payment process and corrections made on the next invoice).
- e. Remove the State Controller from the payment process and delegate authority to Caltrans to pay project sponsor directly.
- f. Specify a short timeline for required responses from FHWA, FTA, Caltrans, other Federal and State agencies and local agencies in each step in the process.
- g. Eliminate duplication of invoice review (for mathematical accuracy) by the Caltrans District Local Assistance Engineer and Headquarters Local Programs Accounting.
- h. Simplify expedited payment process within Caltrans to reduce paperwork.
- i. *If Local Agency Automated Pay System (LAAPS) is eliminated, develop an alternative (such as electronic fund transfer, a loan of state funds, or a credit account) to eliminate the need for local agencies to provide up-front money for construction of projects.*

A5. Simplify and automate project programming, authorization, accounting and tracking requirements.

- a. Under the oversight of a multi-agency steering committee, develop a comprehensive database for use by FHWA, Caltrans, MPOs/RTPAs and project sponsors to track project progress and financial data from approved FTIP through final vouchering. This database should be accessible to all parties involved in the project programming and implementation process and should allow input by all parties to selected fields. The database would provide electronic capability for tracking project status and progress, authorization to proceed, obligations, encumbrances, electronic invoicing and payment, LAAPS payments, expenditures, final vouchering, etc.

A5. (Continued)

- b. Reduce the number of funding codes used to track project costs. Projects could be programmed in the FTIP consistent with the various funding buckets, but tracking of actual project costs by fund code should be eliminated.

A6. Expand buyout options similar to county exchange program.

- a. Expand County/RTPA exchange to other fund sources, such as TEA, nonrural STP, CMAQ, etc.
- b. Expand the buyout of Federal funds (such as Bridge or Hazard Elimination Safety [HES]) in those agencies currently exchanging their STP funds to get more agencies completely out of Federal requirements.
- c. Establish a brokering process to allow buyout of Federal funds using sales tax measure funds, other local funds, etc. These local funds could be used to buy out Federal funds directly or could be brokered through the State Highway Account to free up State funds for subventions to project sponsors or planning agencies.
- d. Use incentives to encourage larger local agencies to buy out Federal funds from smaller agencies (e.g., buy out a larger agency's bridge funds if they agree to buy out a smaller agency's CMAQ or STP funds).

A7. Improve communication between FHWA, Caltrans, MPOs/RTPAs, Counties, Cities and Other Project Sponsors on Federal, State and Regional requirements related to project programming and implementation.

- a. Make manuals and guides more user friendly and provide for more timely updates. Provide more training and workshops on the various process requirements.
- b. Increase use of electronic communication through bulletin boards, automated manuals, *list of certified DBEs*, etc.

Note: The task force recommends unanimously that the responsibility for processing E-76s and paying project level invoices should NOT be delegated from Caltrans to MPOs/RTPAs.

B. ENGINEERING PROCESS RECOMMENDATIONS

- B1. Delegate pre-construction engineering activities to local agencies but provide reviews at local agency's option.
- a. Make the field review and required field review form optional. The approved FTIP, and other programming documents would provide the scoping documentation.
 - b. Make Caltrans review of Plans, Specifications & Estimates (PS&E) optional. A Caltrans determination as to whether the local agency is qualified to proceed without Caltrans review (as in Local Agency Certification Acceptance or Local Agency Design Certification), would not be required.
- B2. Delegate advertisement and award process to project sponsors but provide assistance when requested.
- a. Caltrans involvement would be a Project Sponsor's option. Included in this delegation would be approval of justification for local-furnished materials, contract addenda approval, and authority to award contract or reject bids without Caltrans concurrence.
 - b. Eliminate requirement for Caltrans approval of exceptions to competitive bidding.
 - c. Local agency, in award of contract, will be delegated responsibility for compliance with DBE contract provisions, including evaluation of eligibility of listed DBEs and contractor's good faith efforts in determining responsiveness to bid conditions.
- B3. Minimize Caltrans involvement in construction activities.
- a. Make Caltrans construction oversight optional. Delegate decision to hold pre-construction conference and approval of all change orders.
 - b. Delegate responsibility for DBE compliance to local agency.
 - c. Local agency will certify completion of the project in lieu of final inspection by Caltrans.
 - d. Accept local agency certification that the local agency process for project control and acceptance of materials meets or exceeds contract specifications and program requirements.

- B4. Reduce burden of Federal/State DBE requirements on locally-administered projects. (Listed below are various implementation alternatives of Idea B33.)
- a. Local agency advertises project(s) with local goals only, independent of any State or Federal program requirements, definitions, standards, or eligibility.
 - b. Local agency advertises project(s) with zero goal, retaining all of the other policy and program requirements of the Federal DBE program. Credit for participation by eligible DBEs would be reported.
 - c. Publicize and expand Provide exception process to relieve some local agencies from achievement of DBE program goals.
 - d. Seek relief from program goal achievement of 20% participation.
 - e. *Allow a DBE contractor, acting as the prime contractor, to count toward the DBE goal.*

- B5. Allow local design and construction standards on local roads.
- a. Where local conditions justify standards less than AASHTO, provide a procedure for local agencies to use local standards.
 - b. Allow local agencies to use standard specifications other than Caltrans' or "Standard Specifications for Public Works Construction" (the Green Book), without prior approval from Caltrans.

- B6. Other recommendations.
- a. ~~Eliminate Local Agency Certification Acceptance if optional Caltrans review and approval recommendations are implemented.~~
 - b. Don't pursue other "self certification" ideas that require Caltrans determination as to whether the local agency is qualified to proceed without Caltrans review, (as in Local Agency Design Certification).

C. ENVIRONMENTAL AND RIGHT OF WAY (R/W) PROCESS
RECOMMENDATIONS

- C1. Streamline and simplify the process through changes in law and regulation.
- a. Eliminate Federal environmental requirements.

C1. (Continued)

- b. Take FHWA out of the process.
- c. Delegate the review of environmental documents from FHWA to Caltrans.
- d. Delegate FHWA review and approval authority for environmental documents to Caltrans.
- e. Use California Environmental Quality Act (CEQA) in lieu of National Environmental Policy Act (NEPA).
- f. Eliminate R/W certification from local agency to Caltrans for rehabilitation projects.

C2. Eliminate multiple reviews by Caltrans and FHWA by delegating as much as possible.

- a. Eliminate Caltrans' involvement in reviewing documents from sponsor - send directly to FHWA.
- b. Confirm environmental determination made at TIP stage - not revisit.
- c. Target one shot review by FHWA or Caltrans.
- d. Eliminate Caltrans' involvement in R/W process.
- e. Question Caltrans Right of Way sufficiency review.

C3. Increase certification of local agencies where possible and desired. Caltrans will provide advice and guidance when requested.

- a. Extend *local agency* Certification Acceptance *concept* to the environmental process.
- b. Mandate use of certified agencies. (*Env.*)
- c. Pool resources of certified agencies. (*Env.*)
- d. Use self-certification for monitoring/mitigation.
- e. Pursue consultant certification. (*Env.*)

C3. (Continued)

- f. Certify locals to perform all R/W activities.
- g. Mandate use of certified agencies. (*R/W*)
- h. Pool resources of certified agencies. (*R/W*)
- i. Caltrans formally pre-approves (certifies) consultants by firm and by individual to perform R/W activities.

C4. Provide timely, accurate and updated guidance and training.

- a. Continuously update manuals.
- b. Increase training of local agencies.
- c. Allow different procedures and products for non-traditional projects - more flexibility.
- d. Make Caltrans manual and practice consistent.
- e. *Clarify extent of preliminary engineering allowable concurrent with environmental process.*

C5. Increase priority of local agency projects within Caltrans.

- a. Elevate priority in Caltrans for review of local agency environmental documents.
- b. Focus environmental review through dedicated Caltrans staff.
- c. Provide adequate staff to match priorities.
- d. Establish mandatory review time.
- e. Expand Caltrans Right of Way attendance at field review.

C6. Review and modify procedures to assure that they add value to the process. This should be done with greater emphasis on risk taking.

- a. Maximize use of Categorical Exclusion and Environmental Assessment/Finding of No Significant Impact (FONSI).

C6. (Continued)

- b. Maximize use of programmatic Categorical Exclusion - review programmatic requirements.
- c. Recognize & take appropriate risk.
- d. Work with regulatory agencies to develop a more programmatic approach to meeting the intent of Federal law.
- e. Automatic Categorical Exclusion with no special studies.