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City Manager's Report
August 22, 2023, City Council Meeting
Prepared by: M. Cleve Morris, City Manager
Item #: 12.3

Subject: Receive and file a report regarding a reimbursement request for the Upper Broadway Bike Lane-Schnell School Road to Point View Drive project (CIP #41508) and a new Standard Operating Procedure for Transportation Project Invoicing.

Recommendation: Receive and file the report and provide any direction to staff.

Purpose: To review a reimbursement request for the Upper Broadway Bike Lane-Schnell School Road to Point View Drive project (CIP #41508), a new Standard Operating Procedure for Transportation Project Invoicing, and provide any direction to staff.

Strategic Plan Strategy:

Fiscal Stability /Sustainability: 6. Meet financial commitments and reporting requirements.

Background: In an effort to maximize its transportation dollars and improve its infrastructure, the City has taken great strides in securing State and Federal transportation funding through Caltrans, the El Dorado County Transportation Commission, and the Sacramento Area Council of Governments as well as partnering with El Dorado County Transit Authority in recent years. These funding sources are generally paid on a reimbursement basis and often require local matching funds. In other words, the City has to expend money on a particular transportation project phase of work and then submit to the agency administering the funds for reimbursement afterwards. The terms of reimbursement, including the requirements for the frequency and timing of invoicing for reimbursement, are established in Agreements between the local agency and the agency administering the funds (most often, this is a Program Supplement Agreement). For example, the City has successfully obtained over \$53,126,349 in State and Federal Transportation fund reimbursements over the past twenty years.

The Upper Broadway Bike Lane-Schnell School Road to Point View Drive project (CIP #41508) is one of the larger transportation projects the City has designed and constructed in recent years.

Currently, the project has a total revenue budget of \$7,035,079 as shown below:

Funding Source	Revised Project Budget
State ATP Augmentation	\$ 1,886,000
Federal ATP	1,792,000
CMAQ	1,637,360
State Transit Assistance	356,864
Measure L Fund	840,000
TDA Article 3	234,000
STBGP Exchange	200,000
Measure H Fund	50,000
Sewer Enterprise Fund	19,500
Water Enterprise Fund	19,355
Total	<u>\$7,035,079</u>

The City secured \$1,886,000 in State ATP Augmentation funds for the very first time to partially pay for the project. Of the \$1,886,000 amount, \$207,600 is for Plans Specifications and Estimates (PS&E) costs and \$292,400 was for Right of Way (ROW) costs.

On May 12, 2023, staff submitted an invoice to Caltrans for the Upper Broadway Bike Lanes-Schnell School Road to Point View Drive project (CIP #41508) for State ATP Augmentation funds. The invoice was for PS&E in the amount \$190,655.40 and ROW in the amount of \$92,662.68 for a total of \$283,318.08.

On May 19, 2023 the City received a response from Caltrans disputing the invoice and noting the following:

Timely Use of Funds (TUF)

- a. PSE 6/30/20
- b. RW 6/30/20
- c. CON 12/10/22

There are different deadlines for State and Federal Funding depending on the program for which the funding comes from. In this case, the funding came from the State ATP program which has more restrictive deadlines than other funding sources. The City was awarded the funds in May of 2018. In the allocation letter it states funds must be expended by June 30, 2020. (Please see attached allocation letter). Because this project also has federal funds, a finance letter was issued for the federal funds in that phase of the project. The finance letter also showed a reversion date of June 30, 2023 for the state ATP funds (Please see the attached finance letter.) Staff interpreted the June 30, 2020 date to mean the City had until June 30, 2020 to spend the \$500,000 and until the reversion date of June 30, 2023 to invoice the funds for reimbursement. However, based on the terms of the Program Supplement Agreement for the ATP funds, the City had to invoice and be reimbursed for the \$500,000 in ATP funds no later than 180 days past the expenditure deadline of June 30, 2020. The work was completed prior to the June 30, 2020 date. However, the City's invoice was not submitted until May 23, 2023. Staff apologizes for this delay.

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Discussion: When this error was discovered, the City Manager, City Engineer and the Assistant City Manager/Director of Finance immediately began discussions to see what could be done to avoid the potential loss of the \$283,318.08 in unreimbursed costs and the remaining \$216,681.92 funds that could potentially be used for environmental mitigation that still has not been completed for a total of \$500,000 in funding

Upon discovery, we worked closely with EDCTC Executive Director, Woodrow Deloria, who was able to work with the California Transportation Commission staff (CTC) on a remedy that would require the Commission's (CTC) approval. The item was scheduled on the August 16-17, 2023 CTC agenda for approval. The Mayor, City Manager, and the City Engineer as well as Executive Director Deloria attended the meeting to answer any questions. The item was approved on the consent calendar without questions.

This incident daylighted an area where improvement was needed and allowed staff to develop a better process to ensure it does not happen in the future. The City Manager, Assistant City Manager/Director of Finance and the City Engineer worked together to prepare the attached Standard Operating Procedure for Transportation Project Invoicing (Transportation Invoice SOP). We believe that by following this procedure, we will avoid further incidents such as this and the potential loss of funding.

The Transportation Invoicing SOP outlines the following purpose and procedures:

Purpose:

1. To ensure the timely invoicing of Caltrans and other agency administered grants and the successful reimbursement of State and/or Federally funded project expenditures.
2. To prevent active projects with remaining available funds be at risk for loss of funding.
3. To ensure the timely closeout of completed State and/or Federally funded projects.

Procedure:

1. All transportation projects with outside funding will be invoiced at a minimum of quarterly, and in accordance with the various administration agreements and requirements of each funding source.
2. If work has not been done within the quarter, or if less than \$1,000 in project expenditures are available, Engineering will be notified and will program work within the next 30 days.
3. An invoice will then be issued no less than 30 days following the end of the quarter.

The Transportation Project Invoicing SOP further defines details to ensure the City is not placed on the Inactive Project List for federal funded projects or risk losing grant funds of any source on transportation projects.

The SOP has gone into effect immediately and will be monitored and updated as necessary to ensure it meets its purpose.

Options:

1. Receive and file SOP.

2. Make changes to the SOP and receive and file.
3. Reject the SOP and provide further direction to staff.

Environmental: NA

Cost: Minimal staff time to research and prepare the SOP.

Budget Impact: None



M. Cleve Morris, City Manager



Dave Warren, Assistant City Manager/Dir. of Finance



Rebecca Neves, City Engineer

Attachments:

- Att. A: Allocation Letter
- Att. B: Finance Letter
- Att. C: Draft SOP