

Metro Board Approved Policy

Surface Transportation Program Lapsing Policy

Adopted: July 25, 1996

Historical Perspective

This policy was amended on July 22, 2004.

The STP is a program established by the 1991 Federal Intermodal Surface Transportation Efficiency Act (ISTEA) and continued with the passage of the Transportation Equity Act for the 21st Century (TEA-21) and the TEA-21 Restoration Act in 1998. Eighty percent of the STP apportionment is distributed among the urbanized and non-urbanized areas of the State through Metropolitan Planning Organizations (MPOs) and Regional Transportation Planning Agencies (RTPAs).

ISTEA prescribes the distribution of STP funds as follows:

- 10% of available funds shall only be available for highway-railway crossing programs and hazard elimination programs.
- 10% of available funds shall only be available for transportation enhancement activities.
- 50% of available funds must be obligated in urbanized areas of the state with an urbanized area population of over 200,000, and other areas of the state, in proportion to their relative share of the state's population. Of the amounts required to be obligated in areas under 200,000 population, the state must obligate in areas under 5,000 population not less than 110 percent of the amount of funds apportioned to the state for the federal-aid secondary system for fiscal year 1991.
- 30% of the available funds may be obligated in any area of the state.

In October 1993, the Board adopted a lapsing policy for funds programmed through the Transportation Improvement Program (TIP) Call for Projects. The Board adopted this lapsing policy to ensure the timely use of funds and prompt completion of projects.

In July 1996, the Board approved applying the TIP Call for Projects lapsing policy to STP-L funds. At that time, the unobligated Los Angeles County balance of STP-L funds was \$85.3 million.

On July 1, 1996 the agency assumed management of the STP-L program from Caltrans. In managing the STP-L program, the agency will:

- Apportion funds each year to 89 cities and the County of Los Angeles
- Track fund balances for each agency
- Prepare agency and project specific financial reports on the STP-L programs; and
- Identify STP-L funds that are subject to lapse each year.

Due to the lack of State funding, the agency's lapsing policy for locally funded projects needs to be more strict and enforced. To accomplish this goal, staff recommends that the current Memorandum of Understanding (MOU) lapsing provision ("Timely Use of Funds") be changed from forty-two (42) months back to the original thirty-six (36) months to expend funds for all locally funded agreements signed after July 2, 2004. In 1999, the agency changed its policy to 42 months to provide sponsors more time to develop and deliver their projects. It was thought that this additional time would reduce the number of projects that were not meeting the lapsing deadlines. Since that time, we have noted that the additional time has made no impact in expediting delivery. Additionally, reverting back to a 36-month lapsing policy would be more consistent with both federal and state lapsing policies.

In July 2004, The Board approved on consent calendar revising the agency's policy for the lapsing of local funds for Surface Transportation Program effective July 1, 2004 for all locally funded Call for Projects agreements.



Metro

ATTACHMENT C
TIMELY USE OF FUNDS – MOU
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8. TIMELY USE OF FUNDS / REPROGRAMMING OF FUNDS:-

8.1 Grantee must demonstrate timely use of the Funds by:

- (i) executing this MOU within ninety (90) days of receiving formal transmittal of the MOU from MTA, or by December 31 of the first Fiscal Year in which the Funds are programmed, whichever date is later; and
- (ii) meeting the Project milestones due dates as agreed upon by the MTA and Grantee in Attachment C (Scope of Work) of this MOU. Contracts for construction or capital purchase shall be executed within nine (9) months from the date of completion of design. Project design (preliminary engineering) must begin within six (6) months from the identified milestone start date. Funds programmed by the MTA for Project development or right-of-way costs must be expended by the end of the second fiscal year following the year the Funds were first programmed; and
- (iii) submitting the Quarterly Progress/Expenditure Report as described in Part II, Section 5.1 of this MOU; and
- (iv) *expending the Funds granted under this MOU for allowable costs within 42 months 36 months from July 1 of the Fiscal Year in which the Funds are programmed, unless otherwise stated in this MOU.* All Funds programmed for [INSERT YEAR (S) OF PROGRAMMED FUNDS] are subject to lapse by [SEE W:\MTA forms\Project Management (CP&D)\Current MOU and LOA Agreements for DRIVE LAPSING TABLE FOR LAPSING DEADLINE DATE].

If the Grantee fails to meet any of the above conditions, the Project shall be considered lapsed and will be submitted to the MTA Board for deobligation. Expenses that are not invoiced within 60 days after the lapsing date are not eligible for reimbursement.

8.2 In the event that the timely use of the Funds is not demonstrated as described in Part II, Section 8.1 of this MOU, the Project will be reevaluated by the MTA as part of its annual Call for Projects Recertification/ Deobligation process and the Funds may be deobligated and reprogrammed to another project by the MTA Board. If one year of project funding is lapsed, subsequent year(s) funding will also be lapsed, effectively deobligating the entire Project. In the event that all the Funds are reprogrammed, this MOU shall automatically terminate.

MAINTENANCE OF EFFORT – MOE

The MTA Board reinstated a Maintenance of Effort (MOE) requirement on September 26, 2002, for Proposition 10%, and 25% funds. The reinstated requirement was consistent with the California Streets and Highways Code 2182.1(b)

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which states that before receipt of any Call for Projects funds, Grantee must expend from its General Funds an amount not less than the annual average of its General Funds during the Fiscal Year (FY) 2000-01, 2001-01, 2001-02 for street, road, and highway purposes, as reported to the Controller pursuant to Section 2151. In the event that the State of California suspends the MOE requirement, the MTA will also suspend this requirement.