

Project Tracking Policies for PSRC's Federal Funds (Revised January 2020)

Overview and Purpose

The Puget Sound Regional Council's (PSRC) project tracking program was first implemented in 2000 to monitor delivery of projects awarded PSRC's federal funds, and has evolved over time to reflect new and emerging circumstances. Over time the project tracking program has helped improve the region's delivery of federal funds and helped to minimize project delays.

The purpose of PSRC's project tracking policies is to ensure the timely and predictable use of all regionally managed federal funds. Doing so will assist the central Puget Sound region to:

- Reduce project delays that lead to increased costs;
- Ensure the traveling public benefits from investments at the earliest point possible;
- Create or sustain jobs needed to stimulate the regional economy;
- Meet federal funding delivery expectations;
- Preserve PSRC funds and ensure they are kept locally and not redistributed to other regions; and
- Position the region to receive unused obligation authority from other states by demonstrating the ability to deliver projects.

Project tracking policies are in place for both Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) funds managed by PSRC. Each is described in greater detail in the sections below.

Section 1: FHWA Funding Policies

PSRC has primary responsibility for project selection and distribution of the following FHWA funding programs from the Fixing America's Surface Transportation (FAST) Act:

- Surface Transportation Block Grant Program (STP)
- Congestion Mitigation and Air Quality Improvement Program (CMAQ)
- Transportation Alternatives Program (TAP)

A shared regional and countywide process is conducted to recommend and select projects for PSRC's FHWA funds. The total available FHWA funding is split between the regional and countywide forums based on a regionally adopted funding split. Funding recommendations for PSRC's FHWA funds are forwarded to the PSRC Transportation Policy Board by the Regional Project Evaluation Committee (RPEC) and the policy forums within each county, and are based on the requirements of the FAST Act and guidance provided by adopted regional and local plans and a policy framework adopted prior to PSRC's project selection processes. A separate regional process is conducted for the selection of projects for PSRC's TAP funds, on an ad hoc basis. The Transportation Policy Board recommends the distribution of funds of all PSRC FHWA funds with final approval by the Executive Board.

Annual Delivery Targets

PSRC's project tracking program for FHWA funds has evolved over the years to ensure successful delivery of projects, by addressing issues of delayed projects and the potential risk of

losing unused funding. This evolution has included responding to the annual delivery target requirement begun in 2013 for all regions of the state. The annual targets are equal to the annual allocation of FHWA funds. Under this statewide strategy, PSRC must deliver its target for its FHWA funds by August 1st of each year or a portion of the funds may be lost through redistribution to other regions. Delivery is defined as complete and accurate obligation packages submitted to WSDOT by August 1st, to allow processing time for obligation by the end of the federal fiscal year, September 30th.

1A. Obligation Deadlines

The obligation deadline for all FHWA funds awarded by PSRC is June 1st of the program year designated. For the purposes of PSRC's project tracking policies, obligation is defined as the submittal of a full and complete obligation package to the sponsor's WSDOT regional office.

Federal legislation requires the Regional Transportation Improvement Program (TIP) to be fiscally constrained by year. Projects awarded PSRC FHWA funds will receive an award letter that includes the designated year the funds will be available to obligate. While the obligation deadline is June 1st of each year, FHWA funds are available to obligate as soon as the federal fiscal year begins, which is October 1st of the prior year.¹ For example, if 2022 is selected as the program year, the funds will be available to obligate beginning October 1st, 2021 and the deadline for obligating the funds is June 1st, 2022.

Under certain circumstances, sponsors may request an extension beyond the June 1st obligation date; these policies are described in Section 1C below. If no extension is granted, sponsors must meet the obligation deadline of June 1st or the funds will be returned.

PSRC will provide the following additional outreach on upcoming obligation deadlines and consequences for non-delivery.

- Notification of each project's obligation deadline (by phase) will be included in every sponsoring agency's PSRC award letter.
- Additional notification will be provided at the beginning of each year to inform sponsors of their projects with a June 1st obligation deadline that year.
- Project Progress Reports will be regularly monitored to evaluate project risks, and communications will occur between PSRC, the project sponsor and the countywide forums to proactively address project risks and potential delays.

1B. Partial Obligations

Obligation deadlines apply to the entire amount of a PSRC award for a given phase. However, under some circumstances sponsors with funds programmed to a construction phase may only be authorized to obligate a portion of the award. In these cases, an opportunity may exist for the sponsor to utilize the remaining unobligated funds as the project progresses (e.g., to accommodate bids coming in higher than the engineer's estimate or other unanticipated costs such as unexpected environmental mitigation). In such cases, any amount that remains from a partial obligation for a construction phase may be retained in the project for 90 days after bid opening, after which the unobligated portion will be returned for redistribution. Note: this

¹ Assuming the funds are made available through Congressional action

provision applies only to awards to construction phases and does not apply to any other project phases (i.e. planning, preliminary engineering/design, or right of way).

1C. Extensions

Sponsors that do not anticipate meeting their June 1st obligation deadline and have PSRC funds awarded to a right of way or construction phase may apply for an extension. Please note: For project phases in 2021 and beyond, extensions will no longer be automatically granted. This process is described in greater detail below. For project phases with PSRC funds in 2020, extensions to December 31st will continue to be granted if sponsors can demonstrate they can meet that deadline and submit their request to PSRC by April 1st.

For project phases in 2021 and beyond, extensions will not be granted to projects that are delayed due to shifting priorities within the agency, insufficient funding, lack of certification acceptance status, or work was not begun in a reasonable time to meet the deadline. All other requests will be reviewed and considered under the provisions provided below.

Requests for extensions are due to PSRC by February 15th of the designated program year. Requests will be reviewed by PSRC staff in consultation with WSDOT and the chairs of the Regional Project Evaluation Committee (RPEC) and the countywide forums. Determinations are to be completed by PSRC staff and communicated to sponsors by mid to late March.

When requesting an extension, sponsors must choose one of two pathways:

1. Standard Extension – provides a 45-day extension for projects that need a short amount time to obligate the PSRC FHWA funds beyond the June 1st deadline, but the expectation is that obligation will occur within the same federal fiscal year. If granted, the extended obligation deadline will be **July 15th** of the programmed year. Standard extension requests will be reviewed by PSRC staff in consultation with WSDOT and the chairs of RPEC and the countywide forums. Determinations will be completed by PSRC and processed administratively.
2. One-Year Extension – provides a one-year extension for projects that are significantly delayed. If granted, the extended obligation deadline will be **June 1st of the following programmed year**. One-year extensions are reviewed for eligibility by PSRC staff in consultation with WSDOT and the chairs of RPEC and the four countywide forums. A recommendation will be provided by PSRC to the Transportation Policy Board, for final action by the Executive Board.

No funding award to a given phase will be granted more than one extension. Note: As outlined above, extensions are restricted to right of way and construction phases only. Should a request for an extension be denied by PSRC staff, project sponsors may appeal directly to PSRC's Transportation Policy Board.

All funds granted an extension that remain unobligated after the extension deadline will be returned to the recommending forum for redistribution to projects on the adopted contingency list. Under circumstances that call for a supplemental funding action to meet an annual delivery target, the standard contingency distribution may not apply.

1D. Scope Changes

PSRC funds are awarded to projects with the expectation they will be completed as originally described and scheduled. Funded projects were evaluated, underwent a public review and comment period, and were included in a regional air quality analysis based upon their scope of work submitted at grant application.

Requests to change a project's description must be reviewed and approved in advance by PSRC staff to ensure that the modified description is consistent with the project's original scope, purpose, intent, and/or utility. If such a request is deemed to deviate from the original scope of work, the request will be denied in consultation with WSDOT and the chairs of RPEC and the countywide forums. Should a request for an extension be denied by PSRC staff, project sponsors may appeal directly to PSRC's Transportation Policy Board.

1E. Returning PSRC Funds

PSRC funds may be returned through the previously identified project tracking policies, through cost savings at time of grant completion, or on a voluntary basis by sponsors due to project cancellations, the obtaining of other grant funding such that PSRC funds are no longer required, or other circumstances. The following guidelines are identified for sponsors wishing to return PSRC funds:

- a. Sponsors voluntarily returning funds should provide PSRC with a letter or a memorandum signed by a responsible official (mayor, council member, commissioner, department director, etc.) requesting the return. The letter should identify the project from which the funds are being returned, the funding source and amount being returned, and a summary of the reason for the return.
- b. For projects that are at risk of failing to meet the obligation deadline per PSRC's project tracking policies, the sponsoring agency will be notified approximately three months in advance of the deadline that the removal of any remaining unobligated funds may be forthcoming. After the obligation deadline has passed, sponsors will be notified that the unobligated funds are no longer available and will be returned for redistribution. All projects that return funds may compete for funding during the next or subsequent project selection processes.

1F. Distribution of New and Returned Funds

Contingency lists of prioritized projects are approved as part of each project selection process, in case additional funds become available prior to the next process. New funds, defined as additional funds to the region from higher than estimated allocations or other sources, and returned funds, defined in the section above, will be distributed to either the adopted contingency list in effect at the time, or applied to the next project selection process. Additional set-aside funding is not provided during these distributions, but returned funds may be directed to set-asides based on each county's adopted processes. Under the circumstances referenced earlier when a supplemental funding action is required to meet an annual delivery target, the standard contingency process may not be applicable.

1G. Expenditure Monitoring

There are no current PSRC policies for monitoring the expenditures of PSRC's FHWA funds. However, FHWA requires WSDOT to conduct a quarterly review of local agency projects with federal funds for which no expenditures have been billed during the past 12 months, referred to

as “inactive” projects. In the last several years, these requirements have been more rigorously enforced, and sponsors of inactive projects risk losing their federal funding. Sponsors are expected to submit bills for reimbursement on a monthly basis, and WSDOT is proactively reaching out to sponsors of projects with no billing activity within 9 months, to encourage billing progress and the avoidance of being deemed inactive. Inactive projects are required to submit detailed documentation and justification to FHWA or risk the project being closed and federal funds repaid.

PSRC will assist with this monitoring through the twice-yearly Project Progress Report form, and ongoing communication and education to project sponsors. Sponsors should be aware of billing procedures and expectations for projects with obligated federal funds, as well as the circumstances that lead to projects being deemed inactive by FHWA. For more information, see Chapter 23 of the Washington State Local Agency Guideline (LAG) Manual at: <http://www.wsdot.wa.gov/LocalPrograms/LAG/>.

1H. Rebalancing and Supplemental Funding Actions

As previously discussed, the Regional TIP must be fiscally constrained by year. The following procedures will apply when there are not enough projects able to deliver in a given year, and additional measures need to be taken in order to meet the required annual delivery target for PSRC’s FHWA funds.

The overarching guiding principles are to work within the established procedures for project selection and project tracking, to the extent feasible. This means:

- Achieving delivery with a neutral impact on overall PSRC funds is preferred (i.e., no net change to funding totals in the TIP); and
- Adhering to existing policies and procedures to the extent possible, including geographic equity principles and respect for the original project selection process in terms of how awards were granted and prioritized contingency lists adopted.

Due to obligation deadline extensions, returned funds or other circumstances, if there is not enough remaining programming in a given year to achieve the delivery target, the recommended process is as follows, in priority order:

1. Advance projects from later years of the TIP
 - Sponsors of projects with PSRC’s FHWA funds in the later years of the TIP will be asked if they are willing and able to advance to the current year and obligate by the deadline. PSRC will review project milestones to confirm the feasibility of this advancement.
2. Exchange federal funds for local or state funds between phases or stages of a single project, or between projects within the same agency
 - If there are not enough projects able to advance to the current year to meet the delivery target, sponsors of projects with PSRC’s FHWA funds in both the current year and later years of the TIP will be asked if they are willing and able to perform an exchange between federal and local funds, with the goal of obligating more federal funds in the current year but keeping all projects whole with the exchange. PSRC will review project milestones and budgets to confirm the feasibility of this exchange, and also to ensure this is a viable option that will:

- i. help with delivery
 - ii. do no harm to either the donor or receiving project(s), and
 - iii. remain consistent with the project scopes and schedules as originally awarded
 - Projects that exchange federal funds for local funds will still be subject to PSRC's project tracking policies (i.e., progress reporting and monitoring) and will not be allowed to reapply for PSRC funding for that phase. In addition, monitoring will occur of any changes or cancellations to any de-federalized projects, for future review and discussion.
3. Fund immediately ready to go projects from the current adopted contingency lists
- If Strategies 1 and 2 above do not result in enough existing projects able to meet the annual delivery target, PSRC will survey sponsors of every project on the adopted contingency lists for the ability to obligate by mid-July of the current year, to meet the state's August 1st deadline. PSRC will review every project's milestones to confirm the feasibility of obligating by the deadline.
 - As feasible, PSRC will apply geographic equity and equity by recommending forum:
 - i. if more projects are available to obligate than necessary to meet the delivery target, the standard 50/50 split among forums will be applied, and projects will be selected in rank order
 - ii. if all available, immediately ready to go projects are needed to meet the delivery target, then geographic equity will simply be incorporated into the standard analysis over time
4. Increase the federal share of awarded projects
- If there remains a gap to meeting the delivery target after Strategies 1 through 3 have been implemented, then all projects that are able to deliver in the current year will be eligible for an increase to the existing federal award amount as a supplemental funding action. The amount will be determined based on the remaining delivery gap, by funding source.
 - i. A consistent percentage increase will be applied to all eligible projects, to reach a pre-determined amount based on the need. The amount will be no less than \$100,000 for any project, and no more than the maximum federal share allowable for any project. If this does not yield enough to meet the delivery gap, projects from the previous years will be reviewed.
 - ii. The recommendation includes a provision that projects participating in Strategy 2 that achieve the maximum federal share due to the exchange may select a project from the previous year to apply the increase, in the amount that would otherwise have been eligible.
5. Award new funds to new projects, outside of the standard PSRC project selection process
- If the implementation of Strategies 1 through 4 above are still not enough to meet the current year's delivery target, PSRC will solicit new projects for a supplemental funding action that are able to readily accept federal funds for immediate use. The likely types of projects will be those that are ongoing in

nature, such as bus purchases, transportation demand management activities, maintenance and preservation, or projects that are more operational in nature. Another category may be very large capital construction projects that have other federal funds and can easily absorb additional federal funds.

- i. Given the short turnaround times for this exercise, PSRC staff would identify a small number of likely candidates and reach out to potential sponsors for immediate delivery, with input from the chairs of RPEC and the four countywide forums.

1I. Exceptions

At times there may be issues facing a project that require an exception to the policies as described above. Requests for such an exception will be evaluated on a case-by-case basis, but any exception granted must result in circumstances consistent with the overarching goals of the project tracking program – i.e. project delays and increased costs are reduced, projects are delivered in a timely manner, and the exception is processed in a fair and equitable manner. Therefore, short-term time extensions and/or the movement of funds between phases will be considered under certain circumstances as defined below. Depending on the request, exceptions will be processed administratively or require approval by PSRC boards, as provided below.

Exceptions that will be Considered

a. Administrative Exceptions:

The following circumstances will be allowed to occur without an exception needing to be approved, as long as the applicable project phases remain fully funded:

- a) The transfer of PSRC funds between phases at the time of grant closeout; and/or
- b) The transfer of PSRC funds between any phases below the threshold of \$50,000.

b. Exceptions Requiring Board Approval

Short-term time extensions and/or the movement of funds between phases above \$50,000 will be considered by the board if the following three parameters are met:

- a) The phase(s) involved in the exception request remain fully funded;
- b) The applicable phase can be implemented within six months of PSRC Board action; and
- c) There is a compelling need for the exception.
 - i. Examples of a compelling need include a funding gap which the transfer will fill, or significance of opportunity lost if the exception is not granted (i.e. there is a risk of losing other non-PSRC funding if not granted or there would be a significant impact on the timing of completion and coordination with other projects).
 - ii. The transfer of funds to reduce the local match commitment provided in the competitive project selection process is not considered a compelling need.
- d) Requests for additional funding will only be considered during the implementation of a contingency process or supplemental funding action.

Exceptions that will not be Considered

The following requests will not be considered for an exception to the project tracking policies, unless deemed necessary as part of a rebalancing and/or supplemental funding action process:

1. Scope changes
2. Transfer of PSRC funds from one project to another
3. Time extensions for unobligated funds beyond what is already available, as the current policies already allow an opportunity for an extension
4. Additional time to pursue funding for cost overruns
5. De-federalizing (i.e. swapping PSRC funds for local and/or state funds with the intent of de-federalizing the project)

Review and Approval Process

PSRC staff will review all exception requests in coordination with WSDOT and the chairs of RPEC and the countywide forums, and prepare a recommendation to PSRC's Boards. Sponsors applying for an exception will be made aware of when their request will be reviewed and will have an opportunity to answer any questions the group may have. In the event a consensus cannot be reached among this group, exception requests will be reviewed by RPEC for a final recommendation. All exception requests will be provided to PSRC's Boards for final action.

Section 2: FTA Funding Policies

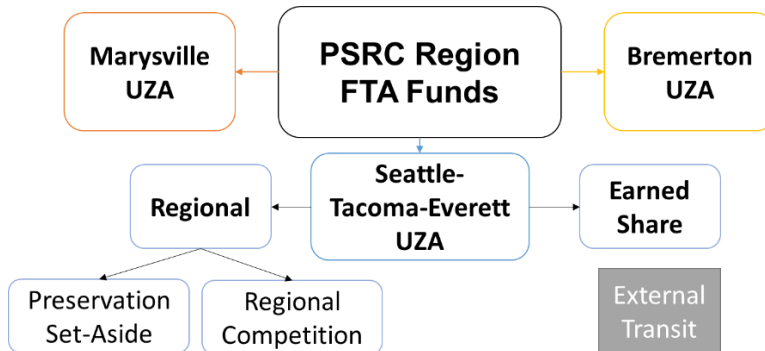
PSRC has primary responsibility for project selection and distribution of the following Federal Transit Administration funding programs from the FAST Act:

- Urbanized Area Formula (Section 5307)
- State of Good Repair - High Intensity Fixed Guideway (Section 5337)
- State of Good Repair - High Intensity Motor Bus (Section 5337)
- Bus and Bus Facilities (Section 5339)

Projects that receive PSRC's FTA funds are selected through a process coordinated with FTA and the public transit agencies in the region. The process splits the available FTA funds between an earned share process and a regional process. The earned share funding amounts are based on the service and operating characteristics of the agencies in the region's three urbanized areas (UZAs): Bremerton, Marysville, and Seattle-Tacoma-Everett (STE). These funds are distributed to each public transit agency based on their earnings. Per adopted regional policy, three agencies external to the STE UZA are also able to access the FTA funds earned from service they provide to the area.

The remaining FTA funds come to the region based on regional attributes such as population density. This portion of the funds is distributed within the STE UZA through a regional competition and a preservation set-aside.

PSRC's FTA Funding Process Overview



Funding recommendations for PSRC's FTA funds are based on the requirements of the FAST Act, guidance from adopted regional and local plans, and the policy framework adopted prior to each PSRC project selection process. Recommendations are first reviewed by PSRC's Regional FTA Caucus, Transportation Operators Committee (TOC), and Transportation Policy Board. The Transportation Policy Board then recommends the distribution of funds for final approval by the Executive Board.

2A. *Obligation Deadlines*

Regional FTA Funds

Sponsors of projects are required to designate an estimated obligation date for each project phase with PSRC's FTA funds. Regional funds, including regional competitive and preservation set-aside funds, are only allowed a one-year grace period beyond their estimated date to obligate funds. Funds will be considered obligated once the sponsor has created a corresponding grant application in FTA's Transit Award Management System (TrAMS). If unobligated by the end of the grace period, funds will be removed from the project. Returned funds from cancelled projects or projects that did not meet their deadlines will be distributed to either the adopted contingency list in effect at the time or applied to the next project selection process.

When any regional FTA funds are nine months past their estimated obligation date (before the one-year grace period expires), PSRC staff will contact the project sponsor to gather information on the reasons for the delay. If the sponsor requests an obligation date extension, PSRC staff will review and prepare a recommendation to the Regional FTA Caucus and TOC for their review and recommendation to the Transportation Policy Board. The length of any obligation date extension will be determined on a case-by-case basis and may be allowed for any date within the four-year time span of the current Regional Transportation Improvement Program.

Earned Share FTA Funds

All funds also have an FTA-designated lapse date based on their appropriation year and funding source. If funds are not obligated by their lapse date, FTA will redistribute them to another region. Earned share funds do not have a required PSRC obligation deadline, but funds will be regularly monitored to ensure they do not become at risk of lapsing. As they are used solely to track when funds were first programmed and monitor progress, estimated obligation dates cannot be changed for earned share funds.

PSRC will provide regular reports to the Regional FTA Caucus and TOC on obligations for all FTA funded projects. The reports will include detailed information on any regional FTA funds that are approaching the end of their one-year grace period. Project funding expenditures are not monitored except to determine when projects have fully completed their scope of work.

2B. Programming Adjustments

On an annual basis, FTA requires that PSRC review the estimates used to program FTA funds against the actual allocation approved by Congress and make adjustments to reconcile the two amounts as necessary. Since Kitsap Transit and Community Transit are the only transit agencies operating in the Bremerton and Marysville UZAs, FTA funds within those UZAs are distributed entirely through the earned share process. The STE UZA earned share funds are distributed to transit agencies in the UZA using the national FTA distribution formula.

For regional competitive funds, any increase in the regional portion of funds will be applied to the adopted contingency list, while a reduction in the regional portion of funds will be applied to previously awarded projects. The preservation set-aside is a fixed amount that will not be adjusted; however, the distribution among agencies is revised based on their annually adjusted earned share percentages.

The FTA annual adjustments may reflect either an increase or a reduction in funding for each transit agency. For projects impacted by the adjustments, sponsors must also make at least one of the following changes:

- Update project scopes to reflect the funding increase or decrease;
- Keep the project budget constant by adding or removing funds from other sources;
- Provide information on why no changes are necessary due to increases or decreases in project costs.

Once reviewed by PSRC staff, project adjustments will be recommended to the Regional FTA Caucus and TOC and subsequently to PSRC's Boards for action.

2C. Project Funding and Scope Changes

Funding Changes

Sponsors may submit requests to redistribute funds between their Earned Share projects outside of the annual adjustments process. PSRC staff will gather the following information for each request:

- Need to redistribute funds between projects;
- Impact of the redistribution on the programming and budgets of impacted projects and;
- Impact of the funding changes on the scopes of impacted projects.

Regional competitive funds cannot be moved between projects. Preservation set-aside funds can only be moved to eligible preservation and maintenance projects.

For the STE UZA, all earned share funding redistribution requests will be recommended by both the Regional FTA Caucus and TOC. Funding redistribution requests by external transit agencies

or for Bremerton or Marysville UZA funding will only be reviewed by the TOC. Once reviewed by the committees, requests will be recommended to PSRC's Boards for action.

Sponsors may also request to move earned share and preservation set-aside funds between project phases. Sponsors can request to redistribute funds between existing project phases through the regular TIP modification process. Requests to move funds to new project phases will first need to be reviewed by the Regional FTA Caucus and TOC and subsequently recommended to PSRC's Boards for action. Regional competitive funds cannot be moved between project phases.

Scope Changes

PSRC funds are awarded to projects with the expectation they will be completed as originally described and scheduled. Funded projects were evaluated, underwent a public review and comment period, and were included in a regional air quality analysis based upon the scope of work they submitted at the time of their grant application.

Any requests to change a project's description must be reviewed and approved in advance by PSRC staff to ensure that the modified description is consistent with the project's original scope, purpose, intent, and/or utility. For earned share funds, the sponsoring agency will make a request to the Regional FTA Caucus and TOC, who will review and make a recommendation to the Transportation Policy Board. For regional competitive funds, if such a request is deemed to deviate from the original scope of work, the request will be denied. Should a request be denied by PSRC staff, project sponsors may appeal directly to the Transportation Policy Board.

Section 3. Project Progress Reports

All project sponsors must submit status reports to PSRC that identify actual and/or expected progress for their projects. These progress reports – for all PSRC funded projects - are to be completed by sponsors twice a year at the request of PSRC staff, and will be used to track the progress of individual projects. In addition, the reports will serve to monitor the region's overall progress towards achieving its annual FHWA delivery expectations. Requests will coincide with the timing associated with PSRC's annual delivery deadlines.

Progress reports will be used to determine whether projects are on track or delayed in meeting their milestones. If a sponsor reports that the scope of work is complete and all project funds have been expended, the project will then be marked as complete and no further reports will be requested. Projects identified as operationally complete will still be considered active until they have expended all federal funds and completed their full scope of work.

Performance reports for PSRC's FHWA and FTA funds will be provided to PSRC's Transportation Policy and Executive Boards on a regular basis. These reports will summarize the region's progress at delivering transportation projects, and provide information on competitive project awards that did not meet their obligation deadline and were returned for redistribution.