

Memorandum

TAB 53

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: March 15-16, 2017

Reference No.: 4.6 – **REPLACEMENT ITEM**
Action Item

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Chief Financial Officer

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Programming

Subject: **AMENDMENT TO THE MAJOR DAMAGE RESTORATION RESERVATION
RESOLUTION G-17-03**

ISSUE:

Should the California Transportation Commission (Commission) increase the Commission adopted 2016 State Highway Operation and Protection Program (SHOPP) Major Damage Restoration Reservation by \$500,000,000 above the current \$155,000,000 reservation amount to a new total of \$655,000,000?

RECOMMENDATION:

The California Department of Transportation (Department) recommends that the Commission approve Resolution G-17-03 which increases the SHOPP Major Damage Restoration Reservation by \$500,000,000 from \$155,000,000 to \$655,000,000, and becomes effective immediately.

BACKGROUND:

On August 17, 2016, the Commission approved Resolution G-11-16, which amended Resolution G-00-11 and that requires the Department to request an amendment to the adopted SHOPP program if the annual Major Damage Restoration Reservation is not sufficient to fund emergency projects. As part of the conditions set forth in G-11-16, the Department must request additional funding at the next regularly scheduled Commission meeting following the need for an increase to the Major Damage Restoration Reservation. Federally funded emergencies are not included in SHOPP programming capacity because the specific need for the funds cannot be predicted. Therefore, a reservation amount is set-aside each year to respond to emergencies as they occur and the Department seeks reimbursement for projects included in federally approved emergency declarations. Such projects are granted additional federal obligation authority.

DISCUSSION:

As of the January 2017 regularly scheduled Commission meeting, the Department was on track to manage within the adopted Major Damage Restoration Reservation. However, beginning on January 3, 2017, a series of storm systems, resulting from atmospheric river conditions, swept across California bringing high winds, record setting precipitation and flooding. Coupled with the extreme drought conditions over the past several years, the storm systems generated flash flooding, erosion, and substantial mud and debris flows which caused severe damage to the state highway system in over 300 locations throughout the State.

On January 23, 2017, and by Executive Order on February 10th, 2017, the Governor declared a State of Emergency in 52 of California's 58 counties. On February 7, the Federal Highway Administration (FHWA) acknowledged the Department's Notice of Intent to Seek Emergency Relief funding in those 52 counties. Additionally, on February 14, at the Governor's request, the President approved a Major Disaster Declaration for California, providing additional Federal Emergency Management Agency (FEMA) disaster assistance in 34 counties for the period of January 3-12, 2017. The Department will seek the maximum amount of eligible federal reimbursement for projects necessitated by these emergencies. The exact amount that will be reimbursed is not yet known. Emergency reimbursement projects typically receive 100 percent federal highways emergency relief funding.

The Commission adopted 2016 SHOPP originally had a \$155,000,000 Major Damage Restoration Reservation. As of December 31, 2016, the Department had used \$92,857,000 of those Reservation funds for contracts to respond to emergencies. Between January 1 and March 6, 2017, the Department contracted for an additional \$264,438,000 in emergency projects, thus exceeding the adopted Reservation amount by \$202,295,000. The Department is currently processing several dozen more emergency response contracts that have not yet been awarded and anticipates the need for additional Major Damage Restoration Reservation funding capacity as more storms occur through the balance of the rainy season and the spring snow melt commences. The Department anticipates additional emergency funding needs in the amount of \$300,000,000 through June 2017 and is requesting \$500,000,000 in additional Reservation capacity above the original \$155,000,000 amount.

The sudden, significant increase in the number of capital projects needed to immediately respond to the emergencies is addressed primarily by the Department's Maintenance Program which has authority to issue emergency contracts required to stabilize and reopen state highway system facilities. The very large number of emergency and urgent responses required of the Department's Maintenance crews necessarily reduced the amount of other regular, routine maintenance activities those crews could work on and continues to affect workload. The amount of routine work that has not been done has not been quantified.

The work done under emergency contracts does not necessarily restore facilities to pre-disaster conditions; the emergency work is focused on getting the facilities reopened as safely and quickly as possible. When a follow-on permanent restoration project is needed, reservation funds from the SHOPP Major Damage (Permanent Restoration) program are used. The Department will not be able to determine the scope, schedule and cost of permanent restoration projects until proper site evaluations and project development activities can be conducted. These activities will take place in future years.

The sheer magnitude of this year's damage is likely to impact the delivery schedules of some already programmed SHOPP projects as Department Project Delivery staff are redirected to assist with emergency related work, and may diminish funding capacity for some SHOPP projects. The Department is evaluating which SHOPP projects may be impacted and is striving to minimize those impacts. If additional SHOPP fiscal capacity is needed in Fiscal Year 2016-17, the Department will:

- Assess what, if any, savings may be expected from Fiscal Year 2016-17 project delivery that could create current- year capacity;
- Evaluate projects that are scheduled to be delivered in Fiscal Year 2016-17 for a construction vote to determine if they can be postponed into the following fiscal year; or
- Possibly move 2017-18 projects into a subsequent fiscal year in order to create funding capacity for 2016-17 projects that need to move out.

The Department will report how the current emergencies will affect future project delivery at the May 2017 Commission meeting and if necessary, to bring needed project amendments forward at that time or at the June 2017 meeting for Commission action. The Department will closely coordinate with Commission staff as we progress through the process.