

COUNCIL DECISION REQUEST

SUBJECT: Main Street Enhancement Grant

MEETING DATE: July 23, 2009

PAYSON GOAL: NEW:

EXISTING:

ITEM NO.:

TENTATIVE SCHEDULE:

SUBMITTED BY: LaRon Garrett/Ray Erlandsen  AMOUNT BUDGETED: 0

SUBMITTAL TO AGENDA

EXPENDITURE REQUIRED: \$178,478 ±

APPROVED BY TOWN MANAGER

CONT. FUNDING REQUIRED: 0



EXHIBITS (If Applicable, To Be Attached): ADOT Correspondence from Tom Jensen

POSSIBLE ACTION:

I move to:

- (1) Submit a formal request to ADOT to extend the approved timeline and postpone the completion date from August 2009 to August 2012.
OR
- (2) Submit a formal request to ADOT to revise/decrease the project's scope and budget by eliminating all paving and curbing.
OR
- (3) Submit a formal request to ADOT to withdraw the project as approved and resubmit when the Town has the financial ability to provide the required leverage funds to complete the project.

SUMMARY OF THE BASIS FOR POSSIBLE ACTION:

Payson's Main Street Enhancement Grant was originally submitted in 2003 and was modified in 2008. The grant's parameters are spelled out in the Initial Project Assessment (IPA) dated August 2008.

The IPA called for the project to go out to bid in March and April 2009, with utility relocation in May and construction in June – August. However, the Town of Payson has not initiated the work due to financial concerns: In addition to the \$54,200 already spent on planning and design, the Town is also responsible for at least another \$147,256 (\$68,778 in matching funds as well as at least \$78,478 in other project costs not included in the grant, such as paving, curbing and utilities.)

One other fiscal concern exists due to the structure of the grant itself, which is a reimbursement program. This means the Town is responsible for all costs, including the grant share, and will then be reimbursed for eligible costs up to \$300,993. This will prevent the Town from proceeding with grant funds first while waiting for the Town's financial situation to improve.

At this point the Town's options are to (1) request an extension of the completion deadline, (2) to seek approval to revise the project by changing the scope of work and decreasing the budget, or (3) to cancel the project and resubmit in the future. The attached letter (Exhibit A) from ADOT provides details about each of these options.

*Added 7-21-09
2:00pm*

JUL 23 2009 *H.1*

COUNCIL DECISION REQUEST

PROS: Since no federal funds have yet been spent, this is the appropriate and optimal time to seek permission to postpone, revise, or cancel the project without any negative impact on future enhancement grant applications.

CONS: None.

PUBLIC INPUT (if any):

BOARD/COMMITTEE/COMMISSION ACTIONS/RECOMMENDATIONS (if any) (give dates and attach minutes):

FUNDING:

Account Number:	Title:	Amount: \$
Account Number:	Title:	Amount: \$
Account Number:	Title:	Amount: \$
Account Number:	Title:	Amount: \$
		Total Cost: \$

CFO: _____ Date: _____



Janice K. Brewer
Governor

John S. Hallkowski
Director

Arizona Department of Transportation

Intermodal Transportation Division

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

July 20, 2009

Floyd Roehrich Jr.
State Engineer

Ms. Bethany Beck
Grants Coordinator
Town of Payson
303 N. Beeline Hwy.
Payson, AZ 85541

RE: Payson West Main Street Project (ADOT Project Number SL550)

Dear Ms. Beck:

During a June 10 meeting with the staff from the Town of Payson, I was requested to provide a response to questions about the options the Town is considering for its revised Main Street improvements Transportation Enhancements (TE) project. These questions focused on options that are being locally considered as a result of local resource constraints on the Town's ability to fund the project as planned. With these circumstances in mind, the intent of this letter is to provide responses to your questions that may be useful in assisting the Town as it chooses a way to move forward. The Arizona Department of Transportation (ADOT) TE staff provides technical assistance to project sponsors relating to program implementation. When appropriate, ADOT staff will provide project information and recommendations to the Transportation Enhancement Review Committee (TERC), which reviews and selects projects for funding, determines policies and provides direction to ADOT staff, and considers project level items that relate to the objectives of the TE program.

The current Main Street project has been reduced from its original scope. The revised project area and its elements include the replacement of rolled curb with a new vertical curb and gutter, installing new sidewalk, providing ADA compliant ramps, and providing landscaping, lighting, and benches. The revised project scope resulted from the input obtained from citizens, business owners, Green Valley Redevelopment Area (GVRA) members, elected officials, and town staff in public workshops in November 2007.

First, it should be clarified that the ADOT TE Program should not be perceived as a grant program. As the ADOT Transportation Enhancement Program Handbook indicates, "It is a reimbursement program." This means that project sponsors must be prepared to pay upfront for all project costs that are incurred. When the Town sufficiently completes the design process, including obtaining all required associated clearances and agreements through ADOT, the next step will be to request reimbursement of Federal funds through ADOT for eligible expenditures incurred during construction.

Certain options have been considered within the Town; namely project extension, revision, or cancellation. Specifically, you asked about the ramifications of revising the project in order to reduce the total project cost by removing elements like paving and parking.

Project Extension

One option the Town is considering is extending the amount of time it needs to complete the project as recently revised. Depending on the circumstances posed by a revised project completion date that would be developed, the Transportation Enhancement Review Committee (TERC) may need to be consulted for further guidance. If the Town selects this option and needs significantly more time to construct the project, it will important to fully describe the extenuating circumstances that are causing the delay. The request should also discuss and reference how the change in project timing will affect or remain consistent with the project's objectives as identified in the Town's Initial Project Assessment (IPA).

There are times when delaying a project might escalate the costs of constructing the project as planned. If new costs or the availability of local funds adversely affects the completion of the project, the Town may need to consider revising the scope of the project to meet local budget constraints. If a change in scope is identified, it will be highly likely that the TERC will need to be consulted for guidance.

Although it is expected that projects should be completed within a three-year period, past practice has been to allow flexibility in order to meet the needs of the sponsor. If the Town decides to delay the project, ADOT staff would request information that would describe if the scope is expected to remain unchanged and when the project would expect to re-start. This information would also be used to update the ADOT TE Section Manager and the TERC about the status of the project.

Project Revision

If the Town decides to propose a change to the project, it will be important to show that the project is able to meet the intent of the original project as approved by the TERC. The proposed project revision should also describe the impacts of the changes to the most recent cost estimate that was provided in the IPA. A revision to project scope and budget will affect the Initial Project Assessment that has been prepared. A change to the project might involve additional time and costs to amend the project, including the IPA, especially because the changes to the project's scope and budget were derived from local plans, processes, and public meetings. If the Town has not begun the process of assembling the information that will be needed to receive environmental, utilities, or rights-of way clearances from ADOT, these considerations will not likely need to be factored into the additional costs of making changes to the project. If the Town chooses to propose a further reduction in the scope of the project, it is highly likely that ADOT TE staff will need to forward the information to the TERC for guidance.

Project Cancellation

If the Town determines it is not feasible to proceed with the project as more recently modified, the Town's initiative to contact the Arizona Department of Transportation (ADOT) and cancel the project will be not be viewed negatively by ADOT and the TERC. It is understood that extenuating circumstances can and do occur. The TERC prefers that sponsors contact ADOT at the time it is determined the project is no longer feasible to perform as planned. While there is no guarantee a future application will receive TERC approval for funding, the Town's decision to cancel a previously awarded project will not be a negative factor in any decision about awarding new project funding.

Before closing, these are brief answers to specific questions that have been raised regarding potential project revisions:

1. ***Can in-kind donations be utilized as matching funds?*** No. Matching funds must be cash provided by the Town.
2. ***May the Town use volunteer labor to reduce project costs?*** No, all labor associated with the project must channeled through the proper procurement process and cannot be volunteered.
3. ***Could the Town use the reimbursement funds first and then spend the Town's own funds at a later date?*** No. This is a reimbursement program. The Town is responsible for all costs up front, including the Federal share available for reimbursement. Reimbursement for eligible costs begins after all the following steps are completed:
 - a. the design is finalized and accepted by ADOT;
 - b. all clearances for environmental, rights-of-way, and utilities have been received from ADOT;
 - c. a Joint Project Agreement has been signed by both ADOT and the Town of Payson; and
 - d. the Federal Highways Administration (FHWA) has approved the obligation of its funds for construction of the project.

4. **May the Town put the project on hold indefinitely or finish it when the economic outlook improves?** Although it is expected that projects should be completed within a three-year period, past practice has been to allow flexibility in order to meet the needs of the sponsor while satisfying the objectives of the project as approved. When projects substantially change over time and experience delays, the TERC and the FHWA need to be consulted for project guidance. It would not be advisable to assume this project could remain inactive for an indefinite period of time. If the Town re-starts the project to the phase where eligible costs have been reimbursed with Federal funds and it does not complete the project, the Town will be required to return the funds.
5. **Has ADOT ever cancelled a project for lack of progress?** Yes. Although the ADOT Enhancement program does everything in its power to provide technical assistance to ensure the project as envisioned can succeed, ADOT must also adhere to federal guidelines and is not in a position to allow projects to linger indefinitely.

Arizona has devised its Enhancement program to encourage grassroots participation. The program also operates on the expectation that local communities have the best understanding about how to plan, develop, and build a solid Enhancement project. Once a project application is approved, the sponsor assumes responsibility for successfully delivering the project. When projects are considered and awarded, ADOT Enhancement staff can provide technical assistance to communities about program requirements or identify issues that may need to be considered during project implementation.

If issues occur as projects proceed, the project manager will work with the sponsor to resolve those issues. If a project's scope, schedule, or budget changes, the project manager needs to evaluate the effects of the changes to the approved project. If there is uncertainty about a project or proposed change, the project manager may need to consult with the ADOT Transportation Enhancement Section Manager. If the project deviates from the original application, staff may also be required to present the change to the TERC for review and determination.

If there are additional questions or concerns, please feel free to contact me. I look forward to continue working with the Town.

Sincerely,



Tom Jensen, Project Manager
Transportation Enhancement & Scenic Roads Section
1615 W. Jackson St., Mail Drop EM10
Phoenix, AZ 85007-3217
Phone: 602-712-6685 Fax: 602-712-3347

CC:
Tammy Flaitz, ADOT
Project File