

Fiscal Year 2020 Local Federal Fund Exchange Program Report

April 9, 2021

Background

In the fall of 2015, the County Road Association (CRA) proposed a Local Federal Fund Exchange (LFFE) Program to the Rural Task Force (RTF) Program Advisory Board. The RTF Program Advisory Board agreed to begin a pilot program to assess the validity of an exchange program. To ensure State Transportation Improvement Program (STIP) stability, and as the stewards of the federal aid process, MDOT agreed to an exchange program and developed suitable guidelines. Steve Puuri from CRA, Denise Jones, Eric Mullen, and Pam Boyd, all from the Michigan Department of Transportation (MDOT), worked together to develop the Local Federal Fund Exchange (LFFE) Program Pilot Guidelines and Procedures document. Sample agreements and procedures were developed and put into place. The pilot called for a limit of five federal fund exchanges, to allow for any issues to be worked out.

Although there were several entities negotiating federal fund exchanges in Fiscal Year (FY) 2016, only one exchange (Montcalm County to Kent County) took place. The lack of exchanges in FY 2016 is attributed to the timing of the completed guidelines and procedures, as well as additional questions that were raised by potential participants.

Due to the lack of transactions in FY 2016, the pilot was continued in FY 2017 and the exchanges remained limited to five transactions. There were five federal fund exchange transactions completed in FY 2017. Concerns raised by RTF Program Advisory Board members and MDOT management were addressed with updates to the FY 2018 LFFE Program Guidelines. The agreement was not changed from the original template developed in 2015. The FY 2018 LFFE Program was expanded to allow 15 exchanges. Steve Puuri created a webpage on the CRA website to assist buyers and sellers in identifying potential partners for fund exchanges. This site also outlines the exchanges, funding amounts, rate of exchange, and the date the agreements are signed. Thirteen exchanges were successfully executed in FY 2018. The issues and solutions addressed are listed in *The Rural Task Force (RTF) Local Federal Fund Exchange Program Proposal for FY 2018*, Appendix A.

In FY 2018, a more formal process for handling the exchanges was developed. This included requesting transfers of Surface Transportation Block Grant (STBG) - allocation and obligation authority through the MDOT finance office, notification to the participating counties, and the MDOT Local Agency Programs (LAP). A *Selling County Project Information* spreadsheet was developed and distributed to all the selling counties, to track the local funds that were exchanged for the federal STBG funds. This spreadsheet documented that those projects, previously listed on the S/TIP by the selling county, were completed.

In FY 2019, the Program Guidelines were further updated regarding the sellers reporting responsibilities and to outline the capability of a county road commission to enter into an agreement with a city or village that has a project in the S/TIP to include those funds in the county's exchange with the understanding that the city or village project will be funded with a portion of the non-federal exchanged funds. The Agreement Template was also updated for FY 2019 with the change in the trigger for the Buyer to pay the Seller. The old trigger was the date of obligation of the Buyer's project. It is now the date that the allocation transfer is confirmed by MDOT staff. This was done to protect the Seller in case the Buyer did not get their project obligated in the specific fiscal year.

Description of FY 2020 Program

All the changes made in 2019 were carried into the 2020 program. No other significant changes were made.

In the FY 2020 program, 17 exchanges were executed. A total of \$9,408,785 of federal funds were exchanged.

FY 2020 local federal fund exchanges

Buying County	Buying RTF	Federal Amount	Selling County	Selling RTF	Local Payback Amount	Date of Agreement
Oakland	Urban	\$756,480.00	Menominee	12B	\$605,184.00	August 22, 2019
Clinton	6	\$351,639.00	Arenac	7D	\$281,311.20	November 4, 2019
Bay	7B	\$459,921.00	Iosco	7D	\$367,937.00	December 18, 2019
Kent	Urban	\$937,000.00	Montcalm	8A	\$702,750.00	December 11, 2019
Bay	7B	\$418,224.00	Gladwin	7C	\$334,579.20	August 4, 2019
Bay	7B	\$572,737.00	Osceola	8A	\$458,189.60	December 18, 2019
Oakland	Urban	\$436,704.00	Baraga	13A	\$349,367.20	October 10, 2019
Oakland	Urban	\$691,000.00	Delta	12B	\$552,800.00	August 22, 2019
Oakland	Urban	\$584,255.00	Emmet	10A	\$467,404.00	June 6, 2019
Oakland	Urban	\$280,000.00	Dickinson	12B	\$224,000.00	September 5, 2019
Oakland	Urban	\$229,687.00	Keweenaw	13A	\$183,749.60	October 24, 2019
Oakland	Urban	\$754,269.00	Ontonagon	13B	\$603,415.20	March 5, 2020
Oakland	Urban	\$871,428.00	Newaygo	14	\$697,142.40	September 26, 2019
Muskegon	14	\$586,822.00	Mecosta	8A	\$469,457.60	August 21, 2019
Oakland	Urban	\$534,866.00	Ogemaw	7D	\$427,893.00	November 7, 2019
Oakland	Urban	\$340,000.00	Iron	13B	\$272,000.00	September 7, 2019
Grand Traverse	10C	\$603,753.00	Houghton	13A	\$483,002.40	March 2, 2020
Total Federal funds Exchanged		\$9,408,785.00				

Summary

The information provided by the Sellers demonstrates that the program is beneficial to the participating agencies and the communities they serve. The exchanges are negotiated after project selection to ensure that other RTF members are not negatively affected by the exchange. All the FY 2020 STIP projects that the federal funds were exchanged from were built, are in the process of being built, or are banked for next fiscal year's projects.

The information compiled from the *Selling County Project Information* spreadsheets for the FY 2020 LFFE Program is included in Appendix B. Comments provided by the Sellers as to the value of the program are included in Appendix C. The value of the program can be seen in Appendix B where it is shown by the scope increases and additional projects completed with the exchanged funds remaining after the STIP project was completed.

Appendix A

The Rural Task Force (RTF) Local Federal Fund Exchange Program Proposal for FY 2018

November 2, 2017

It is the responsibility of the Michigan Department of Transportation (MDOT) to ensure stability of the State Transportation Improvement Program (STIP) including a fair and transparent process for project selection and adherence to the federal transportation planning process. MDOT is recommending changes to the Local Federal Fund Exchange Program to uphold this responsibility. With the expansion of the Local Federal Fund Exchange Program, it is to be made available to all RTF agency members, including small cities, villages and transit agencies (as outlined in the Recommendations under Issue 4).

Below is a summary of issues and recommendations that have been compiled from a MDOT staff report (that evaluated the 2016 and 2017 Local Federal Fund Exchange Program pilot), notes from meetings and internal MDOT discussions.

Note:

The term “federal-aid projects” includes all “federal-aid eligible activities” listed in the STIP.

1. Issue

To ensure that federal funds are used appropriately and verify that the non-federal transportation dollars are used to implement the seller’s original federal-aid project(s), as prioritized within the Rural Task Force (RTF) project selection process.

Recommendations

- The Local Federal Fund Exchange Program agreements will be modified to specify the federal-aid project(s) and funding amounts, that the buying and selling agencies will utilize. Rural funding must be utilized on federal aid projects, in rural counties, as well as rural areas within urban counties (as defined by the adjusted census urban boundary).
- If the selling agency does not intend to utilize the non-federal transportation dollars that they have obtained for the prioritized federal-aid project(s), then MDOT may not allow the agreement to move forward.

2. Issue

Ensure that stability of the STIP is maintained, particularly in the first two years of the STIP, as required by the Federal Highway Administration (FHWA).

Recommendation

- In addition to the recommendations above, to ensure that the current year federal-aid project(s) in the STIP are not abandoned, the Local Federal Fund Exchange Program agreements will be modified to specify the federal-aid project(s) and funding amounts, that the buying and selling agencies will utilize.

3. Issue

Federal-aid exchanges of future year funding are problematic because of the uncertainty of the amount of federal aid and the lack of ability to track any future year dollars in any financial system at MDOT.

Recommendations

- Federal-aid exchanges will remain limited to current fiscal year exchanges. Federal funds must be obligated in the year of allocation to avoid fiscal constraint issues in the STIP.
- The ability to bank non-federal transportation dollars and use them in subsequent years is allowed, on a limited basis, to fund larger scale projects and should be maintained as part of the Program. MDOT staff will work with the CRA Engineering Specialist to update the 2018 Local Federal Fund Exchange Program guidelines and agreements. These updates will include a tracking protocol that will identify future non-federal transportation dollar project(s) (or activities) and the year of project implementation. A two-year limit will apply to the banking of non-federal transportation dollars.

4. Issue

The concerns expressed by RTF Program Advisory Board members, regarding the reduction in funding due to counties participating in the Local Federal Fund Exchange Program, could negatively impact the total funding available within the individual RTF.

Recommendations

- Implementation of the RTF prioritized federal aid project(s) utilizing non-federal transportation dollars, must be in adherence to the RTF project selection process (ensuring participation from counties, small cities, villages and transit agencies), thus safeguarding against negative financial impacts to all agencies within the RTF.
- MDOT, working with CRA, made the Local Federal Fund Exchange Program pilot available to the County Road agencies. However, with the expansion of the Local Federal Fund Exchange Program, it is to be made available to all RTF agency members (including small cities, villages and transit agencies).
- Recognizing that other agencies have not been involved in the development and review of the current Local Federal Fund Exchange Program, if there is interest from other RTF agencies to participate, MDOT will work with the RTF Program Advisory Board and the requesting RTF agencies (such as Michigan Municipal League (MML) and Transit Association members) to determine the applicability and logistics of participating in the Program and establish the process and methodology for participation. The objective in subsequent years is to have one program agreement that can be utilized by all participants in the Local Federal Fund Exchange Program.

5. Issue

Tracking those projects or activities using non-federal transportation dollars coming back to the selling agency (to ensure that STIP stability and the impacts to the federal aid system, can be evaluated and demonstrated).

Recommendations

- It is the expectation of MDOT that the RTF members will proactively work with their Regional Planning Agency (RPA) representative to monitor and track all project and funding exchanges and to ensure accuracy of financial reports pertaining to the exchange of federal and state funds.
- MDOT staff will work with the CRA Engineering Specialist to update the 2018 Local Federal Fund Exchange Program guidelines and agreements. This will include reporting requirements from the selling agency to the appropriate RPA representative. This information will then be included in the monthly status report, which is sent from the RPA representative to the MDOT RTF staff.

Note: The Act 51 report is not an effective tool for tracking federal aid exchange projects or activities, due to the timeline in which they are submitted (May) and approved (September) of the following fiscal year.

6. Issue

Changing federal aid allocation estimates are not specifically addressed in the current Local Federal Fund Exchange Program agreements.

Recommendations

- The funding amount identified in the Local Federal Fund Exchange Program agreements is (and shall remain) for a specified dollar amount. If the buyer and seller choose to adjust the agreement, an amended agreement is required, and a copy is to be provided to the MDOT RTF Coordinator.
- If there is a significant dollar change to the original agreement (exceeding \$10,000), then the amended agreement amount would need to be approved by the appropriate RTF committee (to ensure fair distribution of funds between all agencies on the RTF committee). A copy of the updated agreement and RTF meeting notes are also to be submitted to MDOT RTF Coordinator.

7. Issue

To ensure adherence of the objectives of the Local Federal Fund Exchange Program, non-federal transportation dollars that are returned to the seller must be used as outlined in the guidelines and agreements.

Recommendation

- MDOT staff will work with the CRA Engineering Specialist to update the 2018 Local Federal Fund Exchange Program guidelines and agreements to include language, stating that agencies that do not follow Program guidelines, the terms of the agreement

or misuse the Program funds, will not be allowed to participate in the Local Federal Fund Exchange Program for the next four years without MDOT approval.

8. Issue

Request for expansion of Local Federal Fund Exchange Program.

Recommendations

- Expanding the Program from five to fifteen transactions is acceptable for FY 2018, provided these recommendations are included in the Local Federal Fund Exchange Program guidelines and agreements, and MDOT receives timely tracking, reporting and accurate project updates from the RPA representatives (for assessment of the Program expansion).
- Prior to the expansion of the Local Federal Fund Exchange Program in subsequent years, MDOT will evaluate the Local Federal Fund Exchange Program. The focus will be in respect to ensuring adherence to guidelines, STIP stability, and tracking of the Program are followed. MDOT is confident that expansion of the Program is achievable, through a cooperative effort between the RTF members, RPA representatives, the RTF Program Advisory Board and MDOT.
- MDOT will provide an evaluation of the 2018 Local Federal Fund Exchange Program and recommended changes (if any) for the 2019 Local Federal Fund Exchange Program, at the RTF Program Advisory Board meeting in August 2018. Following the RTF Program Advisory Board meeting, MDOT staff will work with the CRA Engineering Specialist to finalize the FY 2019 Local Federal Fund Exchange Program guidelines and agreements, no later than October 1, 2018.

9. Issue

Consideration that a date should be set for Local Federal Fund Exchange Program agreements to be in place.

Recommendations

- MDOT will allow participation in the Local Federal Fund Exchange Program as late as March 31, within that fiscal year. This date is to ensure that participating agencies have the ability to obligate the funding within that fiscal year (particularly for the buying agency).
- Any agreements requested after March 31, shall only be considered by MDOT, on a case-by-case basis. Consideration factors will include the amount of obligation authority remaining, the status of project plans for delivery, etc. Each written request would require written MDOT acceptance (email is acceptable), prior to the execution of the agreement.

Note: The buying agency shall assume the risk of losing the ability of utilizing these funds, should their project not be obligated within that FY.

Summary

Based upon analysis of the 2016 and 2017 Local Federal Fund Exchange Program pilot, MDOT recommends that program enhancements outlined above be added to the Local Federal Fund Exchange Program guidance and agreements, to enable better evaluation, monitoring and reporting. Once agreement is reached on all of the above recommendations, MDOT staff will work with the CRA Engineering Specialist to update the 2018 Local Federal Fund Exchange Program guidelines and agreements, to reflect these enhancements.

This guidance will be included in the information packet for the RTF Program Advisory Board meeting, scheduled for November 2, 2017.

Appendix B

2020 Local Federal Fund Exchange seller information

Note that many counties report on the total cost of the projects that they applied the exchanged funds to rather than just the portion of exchanged funds used on the project. These projects were originally programmed with federal and local funds, sometimes Transportation Economic Development Fund Category D, so the total project cost would exceed the federal funds exchanged.

Arenac \$281,311.20 Received from exchange						
Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
209595	2020	Reed Road	Maple Ridge Road to Main Street Road	Reconstruction	10/18/2020	\$281,311.20
<p>Program has been working very well for us over the past few years. Not over spending on hiring Engineering Firm. Project gets constructed faster. Not spending funds and time waiting to get to the project to bid. Great program for those Counties that don't have the PE on staff, or extra staff. Not dealing with paperwork/requirements from MDOT. We believe more funding gets put on the road where it needs to be. Help small counties that don't have extra money for match money. We plan to doing the Fund Exchange Program every year. Like to see the State-D funds on exchange program.</p>						
Baraga \$349,367.20 Received from exchange						
Job Number	Fiscal Year	Project Name	Location/Limits	Project description	Completed Date	Project Cost
130407	2020	Arnheim Road	From 1.5 miles west of US-41 (1.8 miles in length)	Resurface	In Progress	
207533	2020	Pelkie Road	M-38 to Houghton County Line	Asphalt Overlay	In Progress	
207535	2020	Murmela Road	Risky Road to Plains Road	Resurface	In Progress	
<p>Update could not be given for projects, as they are still waiting to be completed.</p>						
Delta \$552,800.00 Received from exchange						
Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
205811	2020	Brampton 27.5 Road (County Road 186)	M-35 to US-2	Asphalt Overlay	9/11/2020	\$425,714.00
205831	2020	18th Road (County Road 414)	Danforth Road (County Road 412) to C-13 at G Road	Asphalt Overlay	6/18/2020	\$567,852.00
<p>Saving money and being efficient is always a benefit. By doing all the shoulder work in house and painting we have saved Thousands of dollars, and no bid savings go back into the community pot. Not to mention the ease of getting a project from cradle to grave. On the other side it is also very beneficial to buy Federal dollars at times. We would have never been able to pave both of these roads this year if we would have run it through the task force. CR186 is most likely the only one that would have been finished.</p>						
Dickinson \$224,000.00 Received from exchange						
Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
129724	2020	CR 581	From M-69 to .75 miles North	Reconstruction	N/A	\$442,130.92
<p>Programed as 0.75 milec rush, shape & pave. Did cold-in-place recycle for 1.75 miles (Scope change, additional length)</p>						
Emmet \$467,404.00 Received from exchange						
Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
130371	2020	Wilderness Park Drive	Cecil Bay Road east for 2.1 miles	Reconstruction	In Progress	
<p>Because of Covid-19, we had to cut \$700,000 out of our budget. That was a project that was delayed until this year. The project is out to bid right now for spring construction. Without the exchange process, we would not have been able to postpone the project and would likely would have lost our federal-aid for 2020 or would have had to lay truck drivers off.</p>						

Gladwin \$334,579.20 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
130254	2020	Howard Road	Shaffer Road to Dundas Road	Gravel Base Reconstruction	12/1/2020	\$264,617.12
206753	2020	Chappel Dam Road	Pratt Lake Road south .5 miles	Asphalt Overlay	8/1/2020	\$70,271.13
209455	2020	Three Rivers Road	.5 miles south of Secord Dam Road to 1 mile north of Secord Dam Road	Asphalt Overlay	8/1/2020	\$225,696.74

Houghton \$483,002.40 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
207991	2020	Old Mill Hill Road	0.41 miles southwest of Canal Road to Canal Road	Father's Day Flood Local Match	92% Complete	\$3,341,905.16
204721	2020	Coal Dock Road	M-26 to Hilltop Road	Father's Day Flood Local Match	6/25/2020	\$675,577.88

Without the match monies the projects could not have proceeded.

Iosco \$367,937.00 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
205876	2020	Lincoln Road	East Tawas City Limits to Aulerich Road	Asphalt Overlay	7/29/2020	\$300,300.00
205877	2020	South Branch Road	Wickert Road to Jose Lake Road	Asphalt Overlay	7/29/2020	\$67,637.00

Iron \$272,000.00 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
206902	2020	CR 424	CR 639 to Treeline Drive Added approximately 275' to original bid length.	Resurface	8/21/2020	\$384,287.32

All 272,000 of exchange funds were used on this project

Can package with other Iron CRC locally-bid projects to get benefit of scale on county-wide basis. More flexibility/control of timing of bids. Flexibility of extension (or reduction if necessary) of limits depending on bids. Add approximately 275' on this particular project. On this particular project a savings of approximately \$24,000 (construction only) was seen vs. the adjacent MDOT bid project. This is based on the difference in bid unit prices for like items. Of the 13 identical bid items, 2 unit prices were less on the MDOT bid job, 2 were the same for both projects, and 9 unit prices were less on the buyout project, this does not include the reduced amount of preliminary and project closeout engineering required on the exchange project vs. the MDOT bid project process.

Keweenaw \$183,749.60 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
210173	2020	Lac La Belle Road	US-41 southeast 2.86 miles	Resurface	8/29/2020	\$382,736

We were able to put together the bid package, request bids, review bids and award bids in a 3 week period. The speed with which we did this allowed us to work on other projects and issues. We spent less time and money on prelim. engineering, project reviews and letting, and more on the actual road. A win-win for the taxpayer while providing an equal to or better project.

Mecosta \$469,457.60 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
206838	2020	Chippewa Lake Drive (105th Ave), 90th Avenue, 15 Mile	20 Mile to Dwight, 20 Mile to 19 Mile, 205th Avenue to 215th	Chip Seal	6/25/2020	\$101,079.16
206938	2020	120th Avenue	M-20 to 16 Mile Road	Resurfacing	5/21/2020	\$358,469.48

We were able to complete our chip seal projects at a lower cost as well as crush and shape and widening on the section of 120th Avenue instead of just the Resurfacing we were planning through the federal fund program. In doing so we still had a surplus of funds left that we were able to put towards additional Chip Seals.

Menominee \$605,184.00 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
129723	2020	Counry Road 348	Church Street to Orley Lane	Reconstruction	8/31/2020	\$ 976,202.00

Used 100% of the exchange on this project. (\$605,184) A savings of ~15% was realized on this project as result of reduced administration and oversight in designing the project, preparing the bid documents, and letting the project locally. Construction benefits were from reduced quality assurance procedures along with reduced contract documentation. Project was delivered with equal level of quality as an MDOT let project.

Montcalm \$702,750.00 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
123371	2020	County Road 506 (County Farm Road)	Wise Road to Sheridan Village Limits	Cold Mill, Asphalt Overlay	9/30/2020	\$763,165.59

County wide bids for materials allowed us to complete this project under estimated costs vs. letting through the MDOT system with Federal Funds

Newaygo \$697,142.40 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
210491	2020	36th	Elm Avenue to M-37	Reconstruction	10/15/2020	857,371.67

Selling allows for an increase in material let for the bid insuring all eligible monies are spent with contractors and also allows for the scope of the project to be expanded tremendously

Ogemaw \$427,893.00 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
206004	2020	State Road	Beach to Clark	Reconstruction	2021	

Project to be completed in 2021 due to flood repairs in 2020. LFFE gave us the flexibility to work on areas with damage

Ontonagon \$603,415.20 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
207108	2022	Gardner Road	Beaver Trail to FH 1180	Resurfacing	N/A	TBD
207545	2022	Mud Creek Road	Beaver Trail North 1.2 miles	Resurfacing	N/A	TBD

Ability to combine multi years money to realize savings.

Osceola \$458,189.60 Received from exchange

Job Number	Fiscal Year	Project Name	Limits	Project description	Completed Date	Project Cost
119138	2020	80th Ave	7 Mile Road to 15 Mile Road	Chip Seal	8/4/2021	\$234,174
129667	2020	Old US 131	Meceola Road to 3 Mile Road	Chip Seal	8/4/2021	\$88,866
206878	2020	Hersey Road	Hersey Village Limits to 135th Ave	Chip Seal	8/4/2021	\$109,181
209745	2020	200th Ave	18 Mile Road to 20 miles Road	Chip Seal	8/4/2021	\$59,503
209746	2020	Old US 131	US-10 to 7 Mile Road	Chip Seal	8/4/2021	\$62,924
	2020	17 Mile Rd	110th Avenue to 80th Avenue	Chip Seal	8/4/2021	\$75,641

Appendix C

Arenac County

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Baraga County

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Delta County

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Dickinson County

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Emmet County

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Houghton County

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Iron County

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Menominee County

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Montcalm County

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Ontonagon County

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