

COUNTY LOCAL FEDERAL FUND EXCHANGE PROGRAM GUIDELINES

Updated October 2020

The County Local Federal Fund Exchange Pilot Program is a voluntary program which allows county road commissions that are eligible to receive federal-aid transportation funds under the Rural Surface Transportation Program (STP) to exchange them with each other for non-federal transportation dollars.

The purpose of the County Local Federal Fund Exchange program is to allow flexibility and enable the most efficient use of federal highway aid and other transportation dollars. The counties will realize savings when the costly and time-consuming administrative and reporting requirements of federal-aid projects are no longer required for projects funded with non-federal transportation dollars. The county that receives the federal funds will be able to realize the full dollar value of the federal aid because there will be no additional expense associated with the use of additional federal aid on federal aid funded projects.

In order to ensure that participating agencies have the ability to obligate the funding within that fiscal year (particularly for the buying agency) all agreements should be in place by March 31st of the fiscal year of obligation. 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.

Federal-aid exchange Agreements will remain limited to current fiscal year exchanges. Preliminary arrangements can be made ahead of time for multiple years pending the availability of Federal funds in the year of the agreement. The amount of the exchange is determined by the STP funds programmed to the projects in the STIP for the selling county. 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. A two-year limit will apply to the banking of non-federal transportation dollars.

In order to ensure adherence to the objectives of the Local Federal Fund Exchange Program any 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.

Eligible Participants

Any county road commission that is eligible to receive federal funding for transportation may elect to exchange federal aid funds for non-federal transportation funds dollars. A county road commission may 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 specifics of this agreement are the responsibility of the parties involved. Any agreements between the RTF members shall be presented to the Regional RTF Committee for their consent.

Eligible Funds

Federal STP funds allocated to a Rural Task Force (RTF) or Metropolitan Planning Organization (MPO) and available for use by a county road commission may be exchanged through the County Local Federal Fund Exchange Program. The RTF STP funds are made up of STP Rural and STP Flexible funds. A purchasing county may request the receipt of STP Flexible funds through an exchange if the project that is to use those funds contains urban road segments. Key points regarding the receipt of STP Flexible funds:

- The Flexible Funds in the RTF program were introduced to replace the TEDF Category D Federal funds; STP Flexible Funds will continue to follow the same rules as the STP Rural Funds in the RTF Program.
- MDOT will only allow a separation of STP Flex funds within the RTF program as part of an LFFE exchange.
- The MDOT Federal Funding Specialist shall estimate the total amount of STP Flex Fund allocation available each year. This will be confirmed or adjusted once the actual allocation is confirmed.
- When the counties are executing buyers' intent resolutions for an exchange, they must designate if they plan to receive STP Flex Funds or STP Rural Funds. This process is the same for urban or rural counties that wish to purchase STP Flex Funds.
- The CRA/MML Engineering Specialist, will monitor the federal exchange Buyers Intent Resolutions, to assure that the estimated STP Flex Funds are not exceeded for the fiscal year. A maximum limit of 95% of the estimated STP Flex Funds will be used to determine the total dollar amount of the exchanges for the given fiscal year.
- Five new allocations have been created, one for each of the urban counties which are not part of the RTFs. This would be Kent, Genesee, Oakland, Wayne, and Macomb.
- These allocations will not receive any target allocation. They will only receive adjustments based on any LFFE exchanges that the county received allocation from.
- A new template and financial system code have been created to point to the STP Flex Funds.
- Projects utilizing the purchased STP Flex Funds, identified by the new flex financial system code, must cap this fund source within the project so that they do not overspend

the available STP Flex Funds if the project engineering (obligation), contract award, or closeout comes in higher than programmed. Agencies can program STP Urban Funds to provide the assurance that bid overruns and/or extras are shared with the federal funds.

Exchange Rate

The exchange rate for the program shall be negotiated between the participating county road commissions.

Identifying an Exchange Partner

County road commissions that wish to exchange federal aid for non-federal transportation fund dollars may identify another county road commission to exchange funds with or utilize the assistance of the County Road Association of Michigan to engage a partnering county.

Exchange Approval Process

The exchange process includes action steps during three distinct phases: while a county is “Seeking an Exchange Partner” the period, when “Exchange Partners Are Identified,” and the “Final Steps” to assure that each county complete the transaction. Some of the action steps listed below may occur concurrently to accelerate the exchange process.

Seeking an Exchange Partner

Selling County

Once a Selling County decides it is in its best interest to exchange their anticipated federal STP rural funds they shall:

- Notify the County Road Association that they are seeking a potential exchange partner.
- Establish an estimated amount and year in which the exchange shall take place.
- Notify the Rural Task Force (RTF) and/or Metropolitan Planning Organization (MPO) that an exchange is being considered. The notification will identify the project(s) in the S/TIP that will be completed with non-federal funds, as part of the federal exchange agreement. Any funds remaining after the completion of these project(s) may be applied to federal aid eligible activities as described in the Conditions section of this document.

During this pending negotiation phase the Selling County shall not concurrently negotiate with more than one exchange partner. When an exchange partner has been identified, the Selling County shall notify the County Road Association.

Purchasing County

The Purchasing County who is seeking to acquire the federal funds shall:

- If requesting STP Flexible funds this should be specified so that the status of available funds can be evaluated.
- Notify their MPO or RTF that a federal exchange agreement is being considered.
- Submit a state or urbanized area Transportation Improvement Program (S/TIP) project name consistent with their intended use.
- Identify the S/TIP primary work type and project description consistent with its intended use of the federal funds.
- Comply with all RTF or MPO policies and procedures.
- Identify the anticipated federal amount to be received through the exchange.
- Inform the RTF or MPO and the MDOT RTF Program Manager of the anticipated additional federal STP rural funds and identify the RTF or MPO source of the funds.
- Identify the year the federal funds must be obligated.

Exchange Partners Are Identified

Once trading partners have committed to pursuing an exchange, each County shall notify their respective RTF or MPO and MDOT Statewide Planning Section that an exchange is being pursued; and each county shall execute an Agreement Covering the Transfer of Federal Aid Funds in Exchange For Non-Federal Transportation Dollars. This Agreement shall be subject to any allocation adjustments or obligational authority limitation that the RTF or MPO receive prior to culminating the exchange. If the agreed to exchange amount varies less than ten percent then both parties shall be required to execute a "Confirmation of Availability of Federal STP Allocation" form and provide copies to the RTF or MPO and to the MDOT RTF Program Manager in the Statewide Planning Section. Should the amount of Allocation of STP funds finally available for obligation to Party A increase or decrease by more than 10 percent from the Agreement amount, Party B may seek to renegotiate the terms of payment or terminate this Agreement. Any change in the amount of the Agreement greater than 10 percent must have concurrence of the appropriate regional RTF board. Before the agreement is amended.

Purchasing County

- Prior to the federal funding obligation, the Purchasing County shall submit the Job to the RTF or MPO adhering to their normal procedure; The Job shall be programmed into JobNet for inclusion in the STIP.
- The Purchasing county may have the Job programmed into JobNet that will utilize the funding received through the purchase prior to the execution of the exchange agreement based on the intent resolutions in order to avoid delays in the STIP approval process and obligation.

- The templates and financial system code listed below should be used to program the purchasing counties job.

JobNet Coding for STP funds Purchased in an LFFE Exchange		
Description	Template	Financial System Code
STP Flexible funds purchased by an Urban County*	STP-RTF Exchange-Urban Counties	STPF
STP Rural funds purchased by an Urban County	STP-RTF Exchange-Urban Counties	STPR
STP Flexible funds Purchased by a Rural County	STP – Rural/Flexible	STPF
STP Rural funds Purchased by a Rural County	STP – Rural/Flexible	STL
*Urban counties are Genesee, Kent, Macomb, Oakland, and Wayne.		

- If STP flexible funds are being utilized, the purchasing county must indicate that this funding source is capped on the LAP application funding page.
- The Purchasing County shall submit an executed copy of the Agreement between the counties to the MDOT RTF Program Manager in the Statewide Planning Section. The purchasing county shall indicate that the exchange is for rural or flexible funds in this submittal.
- If an adjustment to the agreement is to be made within the 10% of the original agreement a *Confirmation of Availability of Federal STP Allocation* form must be submitted to the MDOT RTF Program Manager and signed by a manager or engineer representing each county.
- If an adjustment to the agreement is to be made that is greater than 10% of the original agreement the *Confirmation of Availability of Federal STP Allocation* form must be submitted to the MDOT RTF Program Manager and must be approved and signed by the Board of each county.

Final Steps

Upon completion of the above steps:

- The Purchasing County can obligate its federal-aid eligible project in accordance with all applicable MDOT Local Agency Programs (LAP) and FHWA requirements.
- Within 30 days of MDOT Planning transferring the STP funds to the Purchasing County STP rural allocation balance, the Purchasing County shall transfer the agreed upon amount of non-federal dollars to the Selling County. The MDOT RTF Program Manager will notify the exchange participants when the transfer is complete.

- Upon receiving the non-federal funds, the Selling County shall document its receipt of the non-federal dollars as revenue from a “Federal Fund Exchange” and report the expenditures consistent with ACT 51 Reporting requirements, as the identified project(s) are performed.
- The Selling County will fill out the Selling County Information Excel file for the projects that are completed using the non-federal dollars received from the sale. The updated information sheet will be submitted to MDOT planning as activities listed are completed. This data will be included in the RTF Monthly Status Report and used to evaluate the program in a report to be developed annually.

The Purchasing County will receive the federal exchange funds in accordance with MDOT federal-aid project reimbursement guidelines.

Conditions

All agreements for the exchange of federal aid are subject to the surface transportation guidelines established by MDOT and FHWA.

The Selling County must use all non-federal transportation dollars received under an exchange agreement for its federal aid eligible activities and improvements (excluding routine maintenance) as outlined in Section 10c(l) of Michigan Public Act 51 of 1951 (MCL247.660c, Section 10c(l)}, **OR**, as matching funds on any federal aid project undertaken on their county road system.

Federal funds cannot exceed federal participation rules for the project.