

**NORTH CAROLINA DEPARTMENT OF
TRANSPORTATION**



**FY24
Capital Cost of Contracting
Program Guidance**

North Carolina Department of Transportation
Integrated Mobility Division
January 6, 2023

Introduction

The Integrated Mobility Division (IMD) has created a separate FY24 grant for Capital activities related to Capital Cost of Contracting. This grant opportunity is a sub-section of the State's allocation of Section 5311 or 5339 funding and has been developed to promote the development and expansion of microtransit systems across the state.

Capital cost of contracting is used in cases when transit agencies elect to work with a contractor to provide transit operations or maintenance services or vehicles that will be used in public transportation service. The Federal Transit Administration (FTA) will provide funding assistance for the capital used for these types of transit service contracts with a private company. The capital consumed during the contract period typically includes a proportionate share of funding provided by the FTA, the private contractor along with the transit agency. FTA refers to this concept of assisting with the capital used in the contract period as "Capital Cost of Contracting."

Only costs that are attributed to the *privately* owned assets by contractor are eligible for funding assistance. Capital items, like rolling stock, purchased with federal, state or local funding assistance are not eligible expenses for capital cost of contracting.

Eligible Applicants, Eligible Activities and Reimbursement

Current Section 5311 sub-recipients are eligible to apply for funding for Capital Cost of Contracting, but application restrictions, i.e., complete project, duplicate project, regional participation, may apply. Transit agencies may utilize Capital Cost of Contracting when offering additional types of transit service like microtransit, that have not been traditionally offered in a particular location.

Microtransit is defined as small-scale, on-demand public transit service that can offer fixed routes and schedules, as well as flexible routes and on-demand scheduling. IMD will prioritize funding provided for Capital Cost of Contracting to systems with demonstrated regional coordination or demonstrated leadership on innovative approaches to improving mobility.

Examples may include:

- Completion of regional transit plans;
- Demonstrated partnerships with other transit agencies or regional organizations;
- Presence of regional commuter networks;
- Completion of economic development planning or planning for Transit Oriented Development (TOD);
- Example projects to enhance first and last mile connectivity services to fixed route transit;
- Advanced scheduling software integration; and,
- Integration with other multimodal mobility options within the region.

Eligible Activities

The Capital Cost of Contracting grant is targeted to project-specific activities typically included in common transit service contracts with a private provider. Both FTA and IMD will allow a transit agency to fund a percentage of leased service or contracted maintenance capital costs. The percentages are shown in **Table 1** are based on the type of contract exercised by the transit agency. The allowed percent of funding assistance is based on the traditional 80 percent federal share, typical for most capital purchases. The percentages apply whether the service is local, express, shuttle, paratransit or demand-responsive service.

The eligible activities and the corresponding allowed funding percentages are found in [Appendix F of the FTA Section 5311 circular 9040.1G](#), Formula Grants for Rural Areas and are included in **Table 1**.

Table 1: Percent of Contract by Type Allowed for Federal Capital Assistance

Type of Contract	EBS G-Code	Total Contract Value Eligible for Federal Participation	Total Contract Value Eligible for State Participation	Local Funding Participation
1. <u>Service Contract</u> (Contractor provides maintenance and transit service; recipient provides vehicles)	G-600	32%	10%	58%
2. <u>Service Contract</u> (Contractor provides transit service only; recipient provides vehicles and maintenance)	N/A	0%	10%	90%
3. <u>Vehicle Maintenance Contract</u> (Contractor provides maintenance; recipient provides vehicles and transit service)	G-601	80%	10%	10%
4. <u>Vehicle Lease Contract</u> (Contractor provides vehicles; recipient provides maintenance and transit service)	G-602	80%	10%	10%

Type of Contract	EBS G-Code	Total Contract Value Eligible for Federal Participation	Total Contract Value Eligible for State Participation	Local Funding Participation
5. <u>Maintenance/Lease Contract</u> (Contractor provides vehicles and maintenance; recipient provides transit service)	G-603	80%	10%	10%
6. <u>Turnkey Contract</u> (Contractor provides vehicles, maintenance, and transit service)	G-604	40%	10%	50%
7. <u>Vehicle/Service Contract</u> (Contractor provides vehicles and transit service; recipient provides maintenance)	G-605	8%	10%	82%

Period of Performance

The performance period for this grant is July 1, 2023 – June 30, 2024.

Program Monitoring, Oversight, and Exclusions

The Regional Grant Specialists from the N.C. Department of Transportation-Integrated Mobility Division will provide technical assistance and monitor the implementation of the project. The list of [Regional Grant Specialist assignments](#) is linked here, as well as at the end of the program guidance.

Upon contract award, monthly claim submittals for reimbursements are encouraged. Claim rate will be monitored closely to ensure funding is being utilized expeditiously. If a transit agency is not submitting claims and not utilizing the funding, DOT reserves the right to invoice the agency to return the funding for use by another agency.

Local Matching Funds Requirement:

Matching activities for other Federal funds are not allowed. In addition, the remainder of the matching funds based on the contract type must be provided by the local entity. For example, if

40% of the eligible 80% federal share is provided, the remainder of the contract percentage must be funded through other local, state or applicable federal sources.

*Sample scenario: Transit System ABC wants to contract with a private provider for a third-party turnkey contract in value of \$1 million dollars. Capital Cost of Contracting may fund half of the eligible 80% of the contract value (see **Table 1** – Turnkey contract percentage), or \$400,000. The remaining \$600,000 contract value must be funded through local and state contributions (*if state contributions are available).*

A templated **Calculation Spreadsheet** will be provided to each transit agency to be used for calculation of the required local match. The completed Calculation Spreadsheet will be a required attachment in the application process. Services shall only be reimbursed once, and not for duplicative services. Please contact your Regional Grant Specialist for additional information.

As with all FTA formula program grants administered by NCDOT, the local match must be provided from sources other than United States Department of Transportation funds (USDOT). Examples of possible local match sources include:

- Undistributed cash surplus
- Replacement cash fund or reserve
- Service agreement with a state or local social service agency or a private social service organization
- Amounts appropriated or otherwise made available to a department or agency of the Government (other than the USDOT) that are eligible to be expended for transportation
- Employment training, aging, community services, vocational rehabilitation services
- TANF
- Other non-USDOT federal funds for local match (must check each individual program for agency-specific funding regulations)
- Non-Federal sources that may be used for any or all of the local share include:
 - State or local appropriations
- Dedicated tax revenues
- Private donations
- Net income generated from advertising and concessions

Farebox revenue is not an applicable source of local match.

- Applicants are responsible for verifying the eligibility of non-USDOT federal funds the applicant proposes to use as their local match.
- Income from contracts to provide human service transportation may be used either to reduce the net project cost (treated as revenue) or to provide local match for operating assistance. In either case, the cost of providing the contracted service must be included in the total project cost. No FTA program funds can be used as a source of local match for other FTA programs, even when used to contract for service.

- The state-funded Rural Operating Assistance Program (ROAP) funds can also be used as matching funds. These funds are allocated to the county or to a transportation authority. Applicants should inquire with the county manager and/or county finance office about the availability of the ROAP funds.

Required Documents for Application Submittal

Application Master Documents must be included with the Capital Cost of Contracting grant application. The FY24 master documents are:

- Program Resolution
- Local Share Certificate for Funding
- Public Hearing Notice
- Public Hearing Affidavit
- Public Hearing Minutes
- Public Hearing Outreach
- Public Hearing Record
- Anticipated DBE/MBE/WBE/HUB Vendor Award
- Transportation Advisory Board Composition
- Conflict of Interest Policy
- DBE Certification Form
- UEI Verification
- Equal Employment Opportunity Form
- Title VI Certification
- Non-Profit Addition Required Submittals
 - IRS Letter
 - Articles of Incorporation
 - By-Laws
 - Members of Board of Directors
- Application Checklist

Capital Cost of Contracting grant specific supporting documents include as applicable:

- Service Contracts
- Vehicle Maintenance Contract
- Vehicle and/or Maintenance Lease Agreements
- Turnkey Contract
- Completed Local Match Calculation Template *(template provided)

Submitting Claims

Claims for FY24 Capital Cost of Contracting funds will be submitted through the Enterprise Business Services (EBS) process. Each EBS claim must be accompanied by documentation supporting expenses in the claim. Claims are preferred to be submitted monthly or, at a minimum, quarterly. Additional required documentation required by IMD must include:

- *Signed* IMD Claim Cover Sheet
- *Signed* Claim Cover Letter on Agency/County Letterhead
- *Signed* DBE Vendor Form
 - The Record Subcontractor Payment in the Home section in EBS must be completed if a vendor payment was made.
- Expense Documentation – Appropriate G codes must be listed on the expense documentation. G-codes can be found in Table 1 in this document.
 - Copies of checks or other payment verification
 - Vendor invoices and/or receipts
- Progress Reporting Form (integrated into EBS starting SFY23)
- Claim Checklist
- The first claim should include the signed and executed contract (or MOU/MOA) between the transit agency/county and the private transit provider.

Program Auditing and Documentation

In addition, documentation of trips reported to IMD must be retained for at least *five years* following submittal of final reports and/or claims.

If you have any questions, please contact your Regional Grant Specialist. This link includes a [map of geographic responsibilities](#) for each Regional Grant Specialist.