



U.S. Department
of Transportation
**Federal Highway
Administration**

Office of the Administrator

1200 New Jersey Ave., SE
Washington, D.C. 20590

March 2, 2012

In Reply Refer To:
HIN

Mr. Malcolm Dougherty
Acting Director
California Department of Transportation
1120 N Street
Sacramento, CA 95814

Dear Mr. Dougherty:

It is my pleasure to inform you that your proposal for Construction Oversight of Local Agencies' Federal-aid Projects off the State Highway System has been accepted. As outlined in your TE-045 request, the Federal Highway Administration (FHWA) will allow the California Department of Transportation (Caltrans) to use a narrative cost allocation methodology to recover costs associated with administration and oversight of local public agency projects. We trust this approach will provide a streamlined and accurate tool for cost reimbursement, which FHWA will evaluate for potential application nationwide.

This approval is granted for a 3-year test, from July 1, 2012, through June 30, 2015, subject to the conditions and responsibilities outlined in your November 22, 2011, request. As described in the approval, Caltrans and the FHWA California Division Office will provide separate, shared annual evaluations of the approach. In addition, based upon identified accounting limitations, the source for the Federal-aid share will be limited to State Transportation Program Flexible funds.

Vince Mammano and his team at the California Division are ready to work with Caltrans to get this effort underway. He can be reached at the California Division at 1-916-498-5001.

As you know, I am convinced that the highway community's ability to deliver timely transportation projects to the public depends on turning innovative methods into standard practice. Proposals such as yours further validate the truth that Every Day Counts.

Sincerely,

Victor M. Mendez
Administrator