

CONTRACT STA-27-CAE-001

**CAPITAL ALLOCATION AND EXPENDITURE CONTRACT
FOR ENVIRONMENTAL MITIGATION RELATED
TO THE CONSTRUCTION OF THE
CAPITAL SOUTHEAST CONNECTOR EXPRESSWAY
UNDER THE TRANSPORTATION PROJECT ENVIRONMENTAL MITIGATION
PROGRAM**

This Contract shall apply retroactively to **July 1, 2026**, by and between the Sacramento Transportation Authority, a local transportation authority formed pursuant to the provisions of Public Utilities Code 180000 et seq., hereinafter referred to as “Authority”, and the Capital SouthEast Connector Authority, a joint powers authority (hereinafter referred to as “Entity”).

RECITALS

WHEREAS, in 2004, the electors of Sacramento County approved, by two-thirds vote, sales tax Measure ‘A’ and Authority Ordinance No. 04-01 (“Measure A Ordinance”); and

WHEREAS, the Measure A Ordinance includes the “Sacramento County Transportation Expenditure Plan 2009–2039” (“Expenditure Plan”); and

WHEREAS, the Expenditure Plan includes funding for environmental mitigation related to the construction of the I5/SR99/SR50 Connector (hereinafter referred to as “Connector Expressway”) under the Transportation Project Environmental Mitigation Program (“TPEMP”); and

WHEREAS, the Expenditure Plan includes \$15 million for planning, development and acquisition of the Cosumnes River Permanent Open Space Preserve for the Connector Expressway and/or any other environmental mitigation needed to offset project impacts from such project consistent with the adjacent local jurisdictions’ land use planning documents and processes. The \$15 million is comprised of \$5 million each from the Local Arterial Program, Smart Growth Incentive Program; and the Transportation Project Environmental Mitigation Program.

WHEREAS, the AUTHORITY and ENTITY are parties to a prior and separate Allocation and Expenditure Contract for Environmental Mitigation related to the construction of the Connector Expressway for \$5 million dollars funded from the Local Arterials Program dated August 26, 2019 (“2019 Contract”); and

WHEREAS, the AUTHORITY and ENTITY are parties to a prior and separate Allocation and Expenditure Contract for Environmental Mitigation related to the construction of the Connector Expressway for \$5 million dollars funded from the Smart Growth Incentive Program dated June 18, 2021 (“2021 Contract”); and

WHEREAS, only \$5 million dollars of the \$15 million remains available for Environmental Mitigation related to the construction of the Connector Expressway; and

WHEREAS, the parties desire to enter into this Contract to allocate and govern reimbursement of the remaining \$5 million in Transportation Project Environmental Mitigation Program funds for eligible environmental mitigation activities related to the Connector Expressway, and to provide accountability and tracking for the use of those funds; and

WHEREAS, the prior Transportation Project Environmental Mitigation Program Contract expired pursuant to its terms on June 30, 2026, and the parties desire to continue funding eligible environmental mitigation activities related to the Connector Expressway; and

WHEREAS, the parties acknowledge that eligible TPEMP activities may have continued following expiration of the prior contract and desire to provide for reimbursement of eligible activities without interruption, subject to compliance with this Contract and all applicable Measure A requirements; and

WHEREAS, it is the intent of the Authority that Measure A funds allocated to the Transportation Project Environmental Mitigation Program continue to be used in a manner consistent with the Measure A Ordinance and Expenditure Plan, and that the transition between the prior contract and this Contract not disrupt eligible environmental mitigation activities related to the Capital SouthEast Connector Expressway;

NOW, THEREFORE in consideration of the mutual covenants contained herein, Authority and Entity agree as follows:.

THE PARTIES AGREE AS FOLLOWS:

1. Effective Date and Retroactivity. This Contract shall become effective upon full execution by both parties. Notwithstanding the date of execution, the parties agree that the terms of this Contract shall apply retroactively to July 1, 2026. Eligible expenditures incurred on or after July 1, 2026, that otherwise comply with the requirements of this Contract, may be reimbursed from funds allocated pursuant to this Contract.
2. Purpose. The purpose of this Contract is to:
 - a. Provide for the disbursements of transportation mitigation fee revenue on a reimbursement basis by the Authority to Entity for environmental mitigation to offset potential impacts related to the construction of the Connector Expressway in the next five years which may include planning, development and acquisition of the Cosumnes River Permanent Open Space Preserve as provided for by the Measure A Transportation Expenditure Plan under the Transportation Project Environment Mitigation Program (TPEMP).
 - b. Set forth Entity's obligations with respect to the receipt and expenditure thereof.
3. Description of the Projects. The two projects related to this Contract are:

- a. CAPITAL SOUTHEAST CONNECTOR EXPRESSWAY. The Connector Expressway is a modern, four-lane expressway that will connect Interstate 5 to U.S. Highway 50 and the Cities of Elk Grove, Rancho Cordova and Folsom. The project's first phase includes construction of four continuous lanes from Interstate 5 and Highway 99 in Elk Grove to the new Silva Valley interchange at Highway 50 in El Dorado Hills, expanded at-grade intersections at all major access points, and a continuous path for pedestrians and bicyclists. It is currently being implemented by the Entity. Only the portion of the project located in Sacramento County is eligible for Measure A funds.
- b. COSUMNES RIVER PERMANENT OPEN SPACE PRESERVE. The Cosumnes River Permanent Open Space Preserve (hereinafter referred to as "Preserve") is a natural preserve centered along the Cosumnes River, its floodplains and riparian habitat in southern unincorporated Sacramento County. The Preserve contains over 50,000 acres of wildlife habitat and agricultural lands and is home to more than 250 bird species, more than 40 fish species, and over 400 plant species.

The Preserve is located within the South Sacramento Habitat Conservation Plan (SSHCP) area. The SSHCP is a regional effort to create a preserve system that will protect habitat, open space, and agricultural lands in south Sacramento County, including the Cosumnes River watershed, while providing development and infrastructure projects with a streamlined and predictable federal and state permitting process. Using mitigation fees collected under the SSHCP, 36,282 acres would become part of an interconnected preserve system, including approximately 1,000 acres of vernal pool habitat. The SSHCP will help protect 28 plant and wildlife species.

The SSHCP is administered and implemented by the South Sacramento Conservation Agency (SSCA), a joint powers authority that includes Sacramento County and the Cities of Rancho Cordova and Galt.

- 4. Definitions. Unless the context otherwise requires, as used in this Contract, the following terms shall have the following meanings:
 - a. "Act" means the Local Transportation Authority and Improvement Act set forth in the provisions of the Public Utilities Code commencing with Section 180000.
 - b. "Board" means the Governing Board of the Sacramento Transportation Authority.
 - c. "Capital Improvement Program Reimbursement Request Support Policy" means the Authority policy that covers support requirements for reimbursement requests, issued in June 2023.

- d. "Definitions of Eligible Expenditures" means the Definitions of Eligible Expenditures as approved by the Authority Governing Board in August 2021.
 - e. "Measure A" or "Ordinance" means Sacramento Transportation Authority Ordinance No. STA 04-01 and the Transportation Expenditure Plan which was updated for the Decennial Review by the Authority Governing Board in April 2021.
 - f. "Expenditure Plan" means the Transportation Expenditure Plan, 2009–2039 incorporated into Ordinance.
5. Amount of Allocation and Period of Expenditure. Funding in the amount of \$5,000,000 is available to Entity under this contract for expenditure on mitigation for the Connector Expressway. This sum is available to and shall be claimed by Entity prior to December 31, 2028. Expenses incurred prior to December 31, 2028, will be eligible for reimbursement. The final invoice shall be submitted within 60 days of December 31, 2028.
6. Compliance. The use and expenditure of transportation mitigation fee revenue by Entity shall be in full compliance with the provisions of the Act, the Ordinance, applicable resolutions of the Board, this Contract, the Definitions of Eligible Expenditures, Capital Improvement Program Reimbursement Request Support Policy, and all other applicable contractual and legal requirements.
7. Entity Certifications.
- a. Maintenance of Effort. Entity certifies that it is currently in compliance with, and will remain in compliance throughout the term of this Contract and the maintenance of effort requirements set forth in the Ordinance:
 - i. Entity shall not reduce the amount of its non-federal, non-state, non-Measure A transportation expenditure while receiving sales tax revenue.
 - b. State and Federal Funding. Entity certifies that it will continue to seek maximum funding for transportation improvements through State and Federal grant programs and to not supplant these grant funds.
8. Disbursement of Revenues.
- a. Disbursements of revenue pursuant to this Contract shall be made on a reimbursement basis.
 - b. Claims for payment shall be submitted no more often than monthly.

- c. All claims shall be approved by the Entity's Project Manager prior to submission to Authority.
- d. All claims shall be approved by Entity's Project Manager prior to submission to Authority.

9. Reporting.

- a. Entity shall submit a status report to Authority with each request for disbursement. Information in the status report shall include:
 - i. The amount of fees paid in connection with the Entity's analysis, evaluation and assessment of, and purchase of mitigation credits and fee agreements benefitting and related to the SSCA to fund the Cosumnes River Preserve (through the SSHCP process).
 - ii. The anticipated quantity and type of mitigation credits needed for the Connector Expressway within Sacramento County through construction of projects segments in the next five years and through construction of the entire project.
 - iii. The quantity and type of mitigation credits received under the SSHCP or through separate environmental mitigation banks.
 - iv. The quantity and type of mitigation credits anticipated to be received from other agreements such as land purchases for future dedication or similar efforts.
 - v. The status of the sections of the Connector Expressway permitted via the mitigation credits.
- b. Entity shall submit Capital Project Status reports in approved Authority format semi-annually. For a Capital Project with multiple phases or segments, a separate Capital Projects Status report for each phase or segment shall be required if the phase or segment has a separate environmental document, final design PS&E, or construction contract. At the discretion of the Authority Executive Director, consolidation of these reports may be allowed. Information in the Capital Project Status report shall include:
 - a. Total anticipated project cost
 - b. Amount funded to date
 - c. Expenditures by quarter
 - d. Project status
- c. Capital Project Status reports will be due to the Authority thirty (30) days after the end of each calendar quarter. Information in the Capital Project Status report shall also include the Capital Project work performed during the reimbursement period.

- d. At least annually and at the request of the STA Executive Director, a representative from the entity shall provide a presentation on the status of the Capital Project funded under this contract during a regularly scheduled meeting of the STA Governing Board.

10. Audits.

- a. Authority staff will review payment claims on a selected basis.
- b. Annual audits of the STA will be performed by an independent auditor and reviewed by the Independent Taxpayer Oversight Committee (ITOC). As part of that audit, Entity expenditures will also be audited.
- c. Claims found to have inadequate supporting documentation may be denied by the STA Executive Director. Funds spent for any expenditures found to be in noncompliance with this Contract may be withheld from future payments. The Board may reallocate any funds so withheld for other Measure A projects or programs.

11. Designation of Project Manager. Entity shall designate a Project Manager who shall be the responsible representative of Entity to Authority staff relating to administration of this Contract.

12. Indemnity and Hold Harmless. Entity shall indemnify and save harmless the Sacramento Transportation Authority, its officers, employees, and agents, and each and every one of them, from and against all actions, damages, costs, liability, claims, losses, and expenses of every type and description to which any or all of them may be subjected, by reason of or resulting from, directly or indirectly, the performance of this Contract by Entity whether or not caused in part by passive negligence of a party indemnified hereunder. The foregoing shall include, but not be limited to, any attorney fees reasonably incurred by Authority.

THE PARTIES PROMISE AND AGREE TO ABIDE BY THE TERMS OF THIS CONTRACT AS SET FORTH ABOVE.

**CAPITAL SOUTHEAST CONNECTOR
AUTHORITY**

**SACRAMENTO TRANSPORTATION
AUTHORITY**

DEREK MINNEMA, Executive Director

Kevin Bewsey, Executive Director

Date

Date