

MEMORANDUM

DEPARTMENT OF TRANSPORTATION

4201 East Arkansas Avenue
Denver, Colorado 80222



TO: Colorado Transportation Commission

FROM: Scott Richrath, Transportation Performance Branch Manager

SUBJECT: November Asset Management Committee Meeting

DATE: November 15, 2012

Purpose

This memorandum summarizes the discussion planned for the November meeting of the Colorado Transportation Commission Asset Management Committee. There are three attachments in support of this meeting:

- (1) the minutes from the September Committee meeting,
- (2) the minutes from the October Committee meeting, and
- (3) a summary of the least cost analysis for pavement.

Actions Requested

In preparation for budget scenarios for the December meeting, staff requests that the Committee:

- Determine appropriate net inflation assumption.
- Establish “baseline” budgets for five asset classes, and plan to budget for adjustments throughout the year.
- Provide guidance on building scenarios using the \$167 million additional funding available beginning in 2018 due to TRANS Bonds maturity.
- Provide guidance on building scenarios using or excluding SB 228 (~\$150M FY16-FY20).
- Discuss the impact of Accelerated Project Delivery actions on the budget.

Background

The Transportation Commission Asset Management Committee held its first meeting in September, during which staff provided background on the provisions in MAP-21 related to asset management, and began discussions about the Fiscal Year (FY) 2014 budget that starts on July 1, 2013. How financial resources are allocated to the transportation assets has been based on direction from the Transportation Commission in the form of the goals and objectives specified in Policy Directive 14, currently under discussion in conjunction with the Long Range Plan and MAP-21. The Committee intends to provide FY14 budget recommendations to the Commission in the December/January timeframe.

Fleet Asset Management

The November meeting will include a focus on fleet equipment asset management. CDOT has 3,000+ pieces of fleet equipment ranging from snowplows to variable message boards. Staff will provide an overview of the fleet equipment including:

- the current condition of the fleet, including a closer examination of the FY13 CDOT Fleet Replacement Plan,
- more than 900 pieces of equipment with average replacement costs of \$145,000 to \$315,000,
- the historic fleet final budget (ranging from \$14 million to \$26 million) and performance,
- a comparison of the impact of inflation assumptions on fleet’s percent useful life, with a deterioration of nearly 20 additional percentage points under the 7% assumption versus the 3% assumption, and
- future funding and possible fleet enhancements for the Multi-Asset Management System (MAMS).

Fully implementing fleet management in SAP is a significant enhancement planned for the fleet program. Modifications are also planned for the MAMS system, which currently prioritizes replacement based on the net present value of maintenance costs while using percent useful life as the performance metric. The net present value analysis will be modified to include capital and maintenance programs by incorporating regional maintenance budgets.

FY14 Budget Guidance

Conclusions from the October meeting:

- 20-year time horizon is appropriate.
- The Surface Treatment Program experiences the greatest funding volatility of the five asset classes.
- Staff should assume \$86 million annual advancement of Surface Treatment.
- Letter grades are not useful because extraordinary amounts are needed to move through letter grades.

Per Executive Director guidance of October 21, the November meeting will also include a discussion on the baseline funding assumptions staff will use for the FY14 budget setting process. Staff will provide an overview of assumptions that are critical to decision-making, including:

- an historic examination of annual inflation ranging from 2.39% to 6.52%,
- a focus on Commission's discretionary portion of the CDOT FY14 budget, with more than \$500 million planned for pavement, bridge, maintenance, fleet and ITS and just less than \$100 million for other discretionary programs,
- historic initial and final budgets, depicting average annual CDOT budget growth of more than 30% from the beginning of the fiscal year to the end,
- revenue forecasts through 2023, showing little growth other than SB 228 from FY16 through FY20.

Committee feedback will then be used to develop budget scenarios for the December meeting for the five assets within the Multi-Asset Management System (pavement, bridge, maintenance levels of service (MLOS), fleet equipment and ITS). Assuming 3% net inflation to account for efficiency/productivity provides a more gradual deterioration of the Maintenance program than a 4.87% inflation assumption rate.

It should be noted that fleet equipment and ITS presentations are being brought to the fall budget setting process for the first time, recognizing the facts that the fleet is aging and that CDOT's ITS infrastructure is growing rapidly while the maintenance of the new equipment does not have a dedicated funding source. ITS will be a focus of the December meeting.

The Transportation Asset Management Committee invites all Commissioners to attend.