



COLORADO

Department of Transportation

Division of Accounting and Finance

4201 East Arkansas Avenue, Room 235
Denver, Colorado 80222
(303) 757-9262

DATE: April 16, 2013

TO: Transportation Commission

FROM: Scott Richrath, Chief Financial Officer

SUBJECT: New Policy Directive 703.0 (PD703.0)

Purpose

This memo serves as the first draft response to a 2013 request from the Transportation Commission (TC) to the Division of Accounting and Finance (DAF) to re-evaluate Policy Directive (PD) 703 governing the Budget Supplement process.

Action Required

1. The TC is being asked to review the initial draft of PD703.0 and provide feedback to me at today's workshop or by phone ((303) 757-9793) or email (scott.richrath@state.co.us) no later than April 30.

Feedback is particularly critical on the topic of what items shall require TC approval, what items shall be presented for informational purposes, and what items can be addressed by the Executive Director and staff. This PD703.0 could be reduced in size once the TC has reviewed and recommended deletions.

2. Determine today whether to conduct another full workshop in May targeting June adoption, or instead to target adoption in May.

Context

In February 2013, the Transportation Commission asked the former Chief Financial Officer (CFO) Ben Stein to revisit PD703 to better moderate supplemental budget actions presented to the TC. This request, in conjunction with significant and ongoing modifications to the overall budgeting process brought about by Asset Management, RAMP, a pending audit of FASTER Safety, and the implementation of Cash Management, made it necessary to not only revisit TC policy pertaining to supplemental budget actions but the entire CDOT budgeting process. In recent months and this month, I have presented monthly budget supplements showing how supplements may be streamlined under a new PD.



Following an extensive review of existing policies and procedures, a revised policy directive was drafted. This month, I am presenting the first draft of the new PD703.0 which represents a much broader financial policy.

Discussion

This new policy directive will allow CDOT to more effectively achieve its goals and objectives around accelerating the development of highway construction projects and increasing the annual output of those projects. While there are many significant changes in this new policy directive, they will be supported by a foundation of clear guidelines outlined in the OFMB manual. The OFMB manual will be updated no later than September 30, 2014. The sections of the policy directive that saw major changes and additions along with a brief narrative describing the content therein are:

- **Overall Project Budgeting Process:** Projects will now follow an expenditure-based budgeting process, with the project's planned schedule driving the project's budget by year of expenditure. Under expenditure-based budgeting, as the project is developed, changes in its scope and schedule will drive changes in the STIP and departmental budget. The Department will be responsible for approving each project through development and construction; reporting to the Commission for initial project approval. Subsequent approvals by the Commission will only be required for Substantive¹ project changes.
- **Four Year Rolling Project Budget:** Once the budget for the development and construction phases is approved, projects will now be managed within a four-year rolling budget. Project Managers will now be free to spend any portion of the full four-year amount in the current year or over the next three years. This effectively removes annual budget controls in the form of annual allotments, and will allow projects to develop more freely. It also requires a more active management of projects by all parties including project managers and the budget office.
- **Annual Budgeting Process:** With the removal of annual budget controls to allow for advanced construction, new controls on expenditures will be implemented by regulating the value of construction and maintenance contracts that are let each month. Additionally, the annual budget² for the next fiscal year shall reconcile to the programming of funds to projects in the staging area and the Commission will adopt a final budget allocation plan.
- **Program Approval:** As a result of the changes in project budgeting from an annual allotment to a four-year rolling budget, the Commission will now be responsible for approving the advanced budgeting of programs not individual projects. Once the Commission annually approves the

¹ Defined in PD703.0, "Substantive" shall be used to mean exceeding the approved amount over a scope, schedule or budget threshold set by the Department's Executive Director or designee.

² Defined as annual allocation of resources that is adopted by the TC and approved by the Governor.



rolling four-year budget, those budgeted funds may be expended without further Commission approval. Individual project budgets will now be approved by the Chief Engineer. **See Attachments- Project Approval Flowchart, Project Approval Details and Financial Flow of Project.**

- **Supplements to the Annual Budget:** Along with the new PD, the budget supplement will be submitted less frequently for Commission approval. Moving forward, only projects that require substantive changes in the annual budget and projects not included as part of a TC approved program would be included in the supplement. Additionally, the Executive Director will submit a memo, at least annually, seeking approval to increase the threshold at which increases to projects costs can be approved. The established threshold will continue to be a percentage of original project costs and/or specified dollar amount.
- **STIP Budgeting Process:** The STIP budgeting process will not be performed as frequently. The frequency of STIP amendments will be reduced and eventually the Department will stop using the STIP as a budget control mechanism, relying instead on the Department’s budget module in its financial systems. By reducing amendments, the Department will be better able to distinguish between temporary changes that facilitate the movement of cash among projects and changes to project scope.
- **Creation of a Staging Area:** The Department will maintain a prospective³ STIP, a budget and a prospective schedule of encumbrances called the Staging Area⁴. The Staging Area will serve as a comprehensive financial planning tool for projects and only permanent changes in project schedule or cost will now be reflected in the STIP⁵. The proper management of the Staging Area will allow projects to proceed to construction prior to any STIP amendments or budget supplements required to fund them. The Staging Area will be intensively managed and overseen by the SMT and the Commission.
- **Revenue Estimates:** In order to manage financial risks associated with moving to an expenditure-based budget and a rolling four year budget for projects, the Department will produce both short and long-range revenue forecasts. These forecasts will be updated once per quarter and the results will be used to update quarterly reports on the state of the Staging Area. The Commission may review and comment on any quarterly revenue forecast and will also review the revenue estimate risk assessment during the annual budget process.

³ Prospective is a financial term meaning the statement of financial position over a future period that is currently expected to come about during that period.

⁴ Defined in PD703.0, “Staging Area” shall mean a placeholder for projects that are programmed in the STIP, or that CDOT expects will be programmed into the STIP in the next amendment of the STIP, and budgeted in any given fiscal year.

⁵ Defined in PD 703.0, “STIP” shall mean Statewide Transportation Improvement Program - A federal required, fiscally constrained, program that depicts transportation projects for a minimum of four fiscal years.



Summary of Discussion

In its current form, PD703 is generally narrow in scope; providing guidance on supplemental budget actions that require TC approval and supporting budget based project funding. However, the new PD703.0 is broader in scope; shifting focus from project to program approval by the Commission while addressing other budget topics (including annual budget polices) and supporting new cash management policies that are driven by expenditure-based financial procedures. The new PD 703.0 requires changes to existing CDOT business principles and to support the implementation of these new practices, the Commission should exercise a high level of oversight over routine budget matters; focusing its attention on exceptional budget matters that involve significant materiality or financial risk.

Commission Input Requested

The Transportation Commission is being asked to review the new PD703.0 in April, submitting comments and recommendations to Scott Richrath by April 30th. The TC will then be asked to repeal PD703 and adopt the revised PD703.0 in May or June 2014.

Options for TC Consideration

Option 1: Adopt the revised PD703.0 as is.

Option 2: Amend and focus on items requiring TC approval and items for information only. Adopt in a subsequent month, advising on the need for a future workshop.

Option 3: Maintain existing PD703.

Staff Recommendation

Staff recommends Option 2.

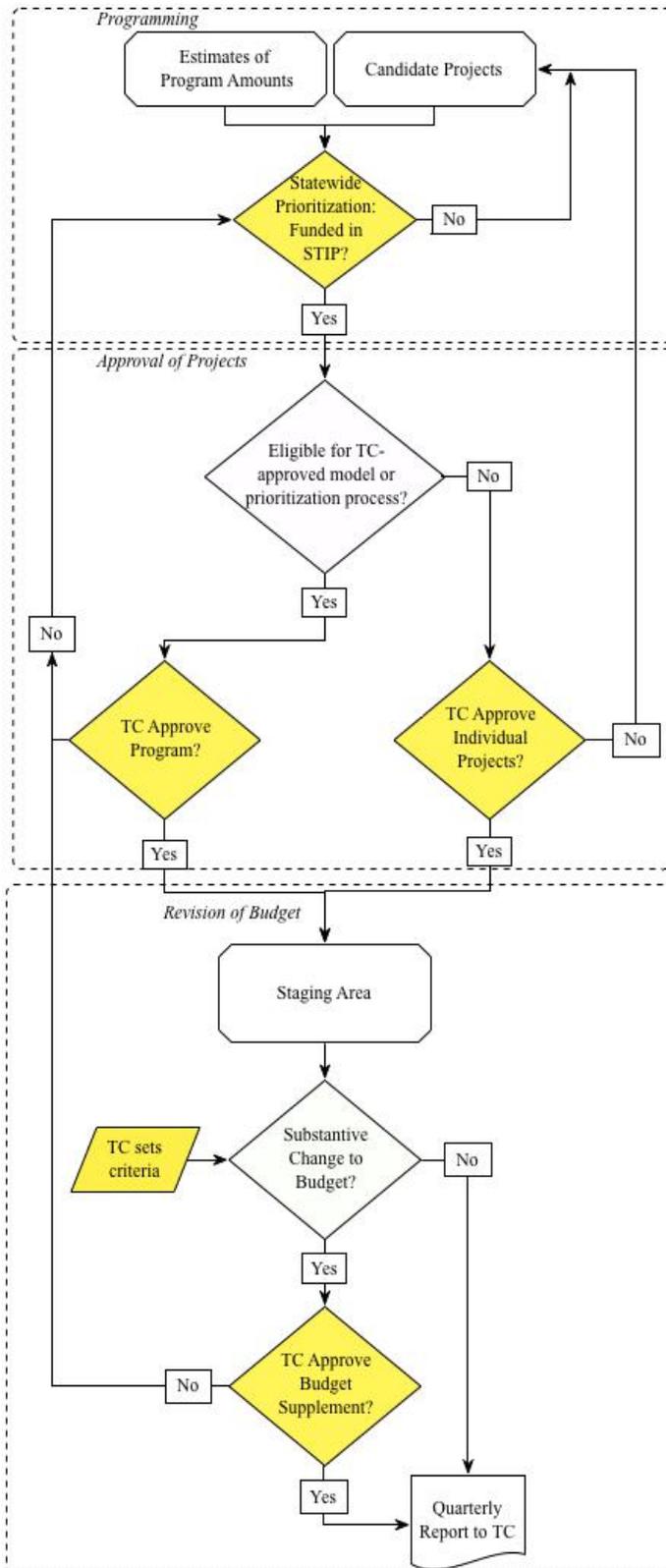
Review and provide feedback by April 30th so that the revisions can be integrated and presented in May, targeting May or June 2014 for adoption by the Commission.

If you have any questions, please feel free to contact me at (303) 757-9793.

Attached-Project Approval Flowchart
Attached-Project Approval Details
Attached-Financial Flow of Project



Attachment 1-Project Approval Flowchart



Attachment 2-Project Approval Details

Projects within these programs approved by the TC will not require individual project approval under proposed PD 703.0

Asset Management

- Surface Treatment
- On-System Bridge & Bridge Enterprise
- Maintenance Levels of Service
- TSM&O-Replacement

FASTER Safety

Safety (HSIP, Hot Spot, Railroad)

Local Agency

- Off-System Bridge
- CMAQ
- STP-Metro
- Safe Routes to School
- Enhancement/TAP

Regional Priority Program (RPP)?

Projects within these programs will continue to require TC approval through a budget supplement per PD 703.0. Should statewide Asset Management models or prioritization processes be developed for any of the following Asset Management programs; the TC may move these programs to the list above.

Asset Management

- Rockfall
- Tunnels/Walls/Culverts
- Property Management

Transportation Contingency

Snow and Ice Reserve

Strategic Corridor (SB 228)

TSM&O - New Capital

Operations incl. Maintenance Support

Transit & Statewide Rail Grants

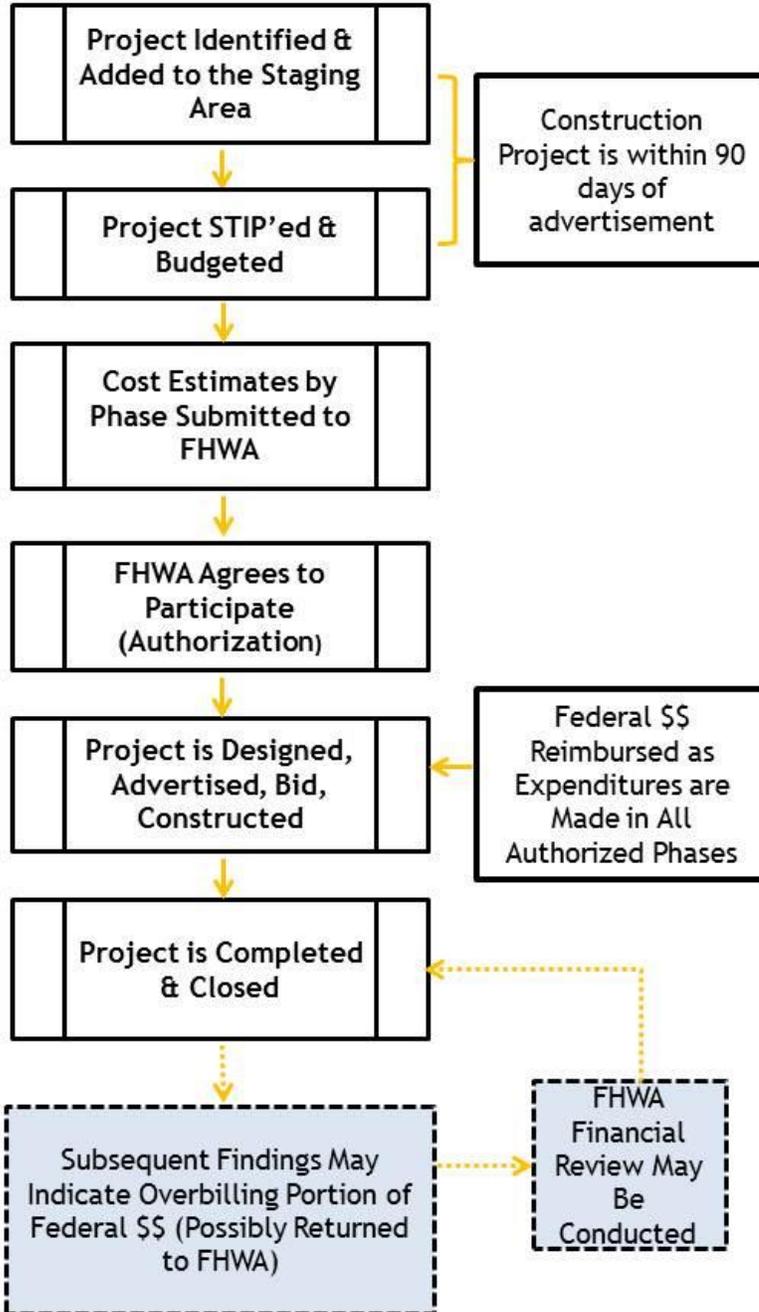
Regional Priority Program (RPP)?



Attachment 3-Financial Flow of Project

Regular FHWA Project

- Staging Area
- STIP
- Budget



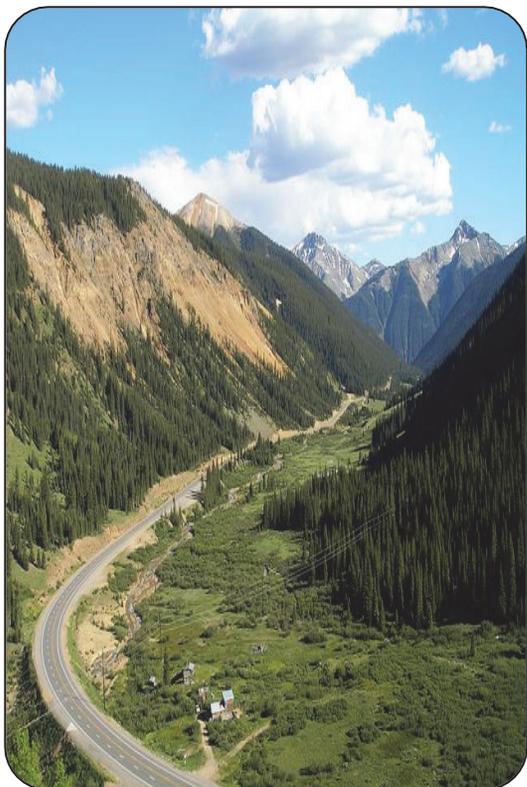
- Expend and Reimburse





COLORADO

Department of
Transportation



Policy Directive 703.0 Review
April 2, 2014
Maria Sobota, Budget Director



Policy Directive Comparison

Prior PD703

- Narrower in scope
- Established directive for individual project approval by the TC
- Provided guidelines for authorizing projects that fell outside of an TC approved annual program
- Supported budget based project funding



Revised PD703.0

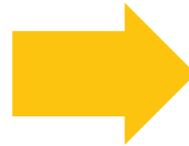
- Broader in scope
- Shifts focus from project to program approval by the TC
- Includes additional budget topics, including annual budget policies
- Supports cash management policies encompassing:
 - Principles
 - Processes
 - Budgeting



Policy Directive Comparison- Project Approval Specifics

Prior PD703

- Approval required for advanced budgeting
- Outlines approval process for projects that fall outside of an annual program budget
- Requires Transportation Commission (TC) to approve project adjustments of 15% or \$250,000
- Addresses Local Agency contribution
- Emergency relief requires TC approval

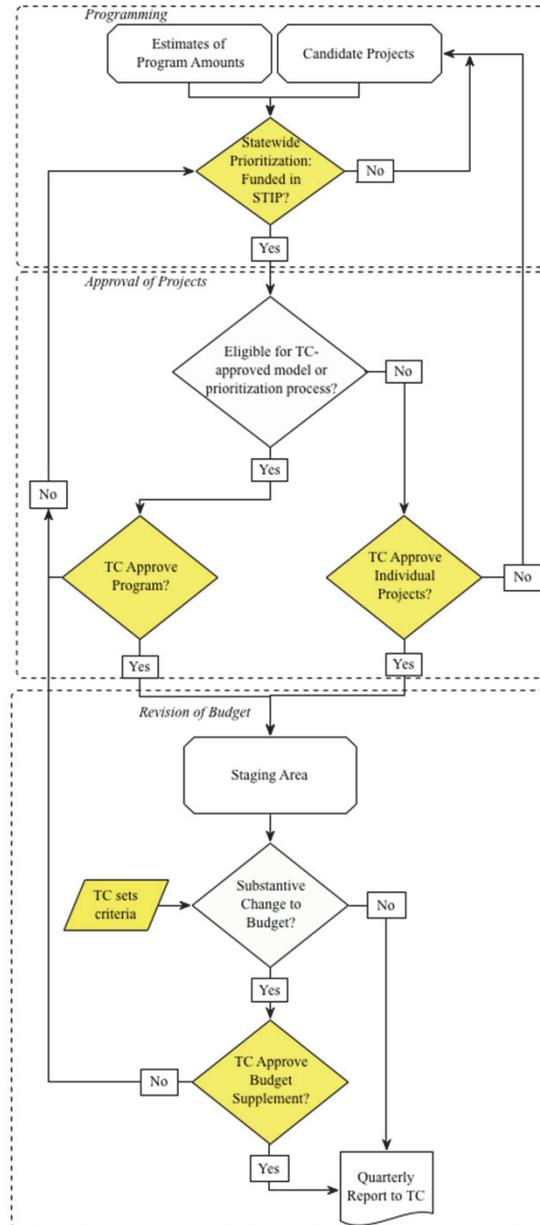


Revised PD703.0

- No approval required for advanced budgeting
- In conjunction with the TC requires Executive Director or designee and TC to establish project overrun thresholds
- Does not specifically address Local Agency
- Emergency relief requires TC approval



Project Process Flowchart





PD 703.0 Project Approval Details

- Projects within these programs approved by the TC will not require individual project approval under proposed PD 703.0



Asset Management (Delphi)

- Surface Treatment
- On-System Bridge & Bridge Enterprise
- Maintenance Levels of Service
- TSM&O - Replacement

FASTER Safety

Safety (HSIP, Hot Spot, Railroad)

Local Agency

- Off-System Bridge
- CMAQ
- STP-Metro
- Safe Routes to School
- Enhancement/TAP

Regional Priority Program (RPP)?

- Projects within these programs will continue to require TC approval through a budget supplement per PD 703.0. Should statewide Asset Management models or prioritization processes be developed for any of the following Asset Management programs, the TC may move these programs to the left box.



Asset Management

- Rockfall
- Tunnels/Walls/Culverts
- Property Management

Transportation Contingency

Snow and Ice Reserve

Strategic Corridor (SB 228)

TSM&O - New Capital

Operations incl. Maintenance Support

Transit & Statewide Rail Grants

Regional Priority Program (RPP)?



Key Components of Cash Management Under PD 703.0

Cash Management Principles



- Financial risk-taking
- Project draw-down information & increased communication
- Trust between project and financial managers
- Shift in focus of the TC

Cash Management Processes



- Long-term and short term revenue forecasts
- Creation of a staging area for financial planning
- TC will approve programs not projects (refer to flowchart)

Cash Management Budgeting



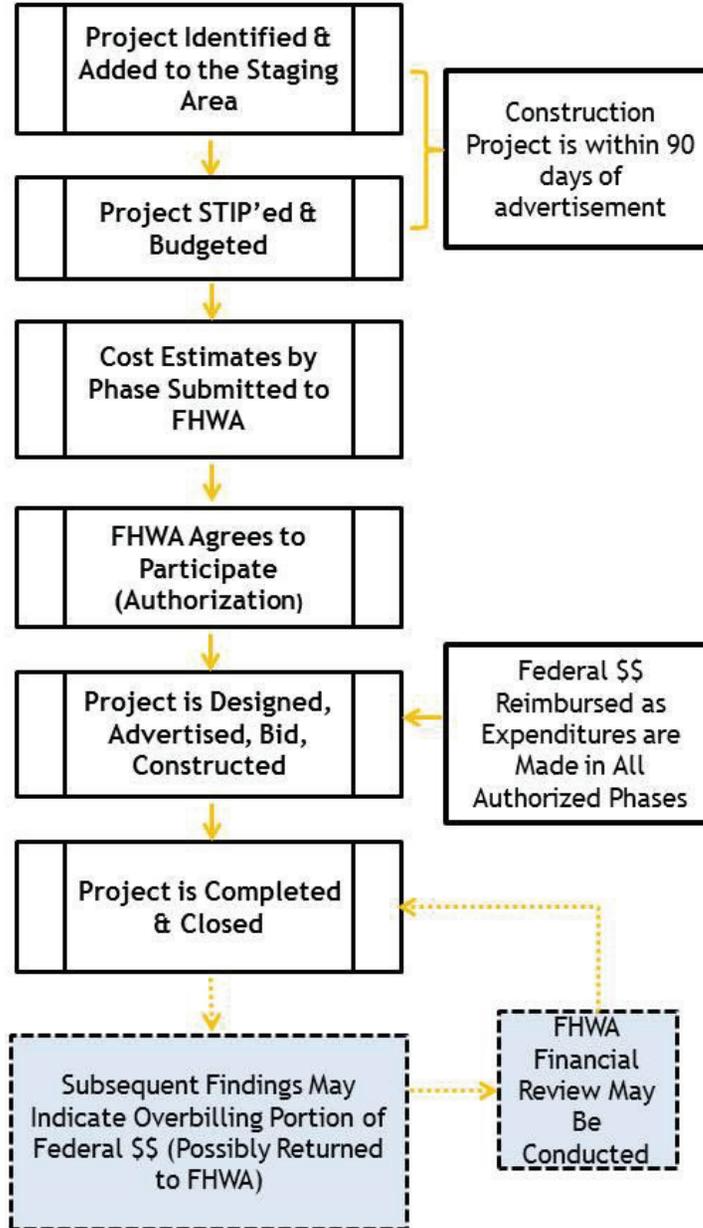
- Uses cash availability instead of annual allotments to control expenditures
- Projects managed within a 4-year rolling budget
- STIP no longer used as budgetary control



Financial Flow of Project

- Staging Area
- STIP
- Budget
- Authorize /Obligate
- Encumber /Award

Regular FHWA Project



- Expend and Reimburse

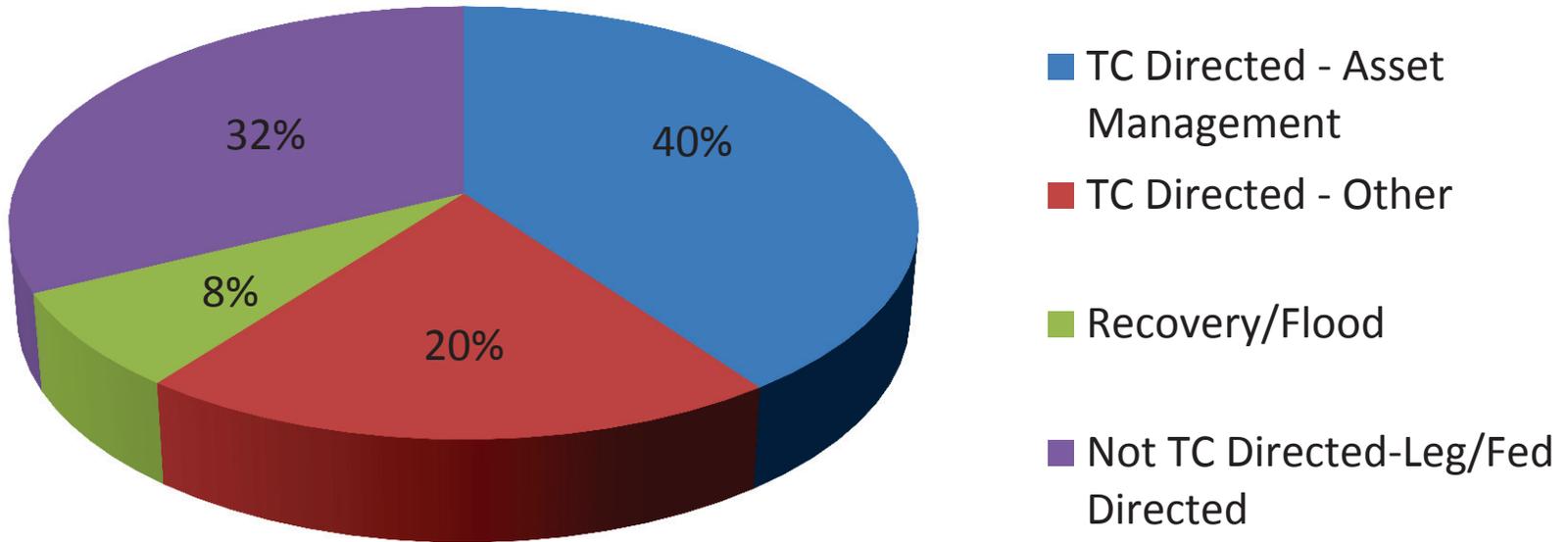


Outreach & Collaboration

- Drafted in partnership with Dye management, Government Relations and key Office of Cash Management members, including interim Program Management Office
- Met with RTD's on March 5th and April 2nd to review draft and incorporated feedback into current version
- Met with Regional Business Managers on March 12th to review draft and incorporated feedback



Fiscal Year 2015 Budget





TC Directed Projects- Outside of Asset Management

- TC Contingency
- Snow & Ice Reserve
- TSM&O - New Capital
- Bridge Off System
- Operations including Maintenance Support
- Transit & Statewide Rail Grants
- Regional Priority Program



Does the TC desire incremental budget, zero-based budget or semi-annual review?





Next Steps

- Submit for TC review in April
- Request feedback from TC members by April 30
- Incorporate TC recommendations
- Repeal PD703 and adopt PD 703.0 in May or June
- Revise OFMB Manual by September 30, including Interim Project Budgeting Guidance



COLORADO DEPARTMENT OF TRANSPORTATION		<input checked="" type="checkbox"/> POLICY DIRECTIVE <input type="checkbox"/> PROCEDURAL DIRECTIVE	
Subject			
Policy on Annual Budget, Project Budgeting and Cash Management Principles			703.0
Effective	Supersedes	Originating Office	
TBD	02/17/11	Office of Finance Management and Budget	

I. PURPOSE

To establish the policy by which the Colorado Department of Transportation will determine and submit its annual and project budgets to the Colorado Transportation Commission. The Commission will focus on substantive budget matters, i.e. those budget matters that involve material change or significant risk, and will exercise oversight on routine budget matters.

II. AUTHORITY

Colorado Transportation Commission pursuant to § 43-1-106(8)(h), C.R.S.

III. APPLICABILITY

This Policy Directive applies to all Divisions and Offices of the Colorado Department of Transportation, with the exception of the Aeronautics Division. It shall take effect with the July 1, 2014 beginning of state Fiscal Year 2015 and shall apply to the budget preparation for state Fiscal Year 2016 and beyond.

IV. DEFINITIONS

“Approval” shall mean administrative permission to proceed with a project or program that will require one or more officials to exercise their expenditure authorities in order to enter into one or more commitments to pay for goods or services that are needed to accomplish the project or program objectives. In CDOT, the Colorado Transportation Commission approves projects.

“Budget” shall mean a financial plan that shows intended authorizations, appropriations, and allotments of funds into and out of an accounting entity. When all inflows and outflows of funds of the accounting entity are shown in the budget, the budget becomes a prospective statement of revenues and expenditures for that entity.

“Cash Management” shall refer to the balancing of expected cash outflows with expected cash inflows.

“Department” shall mean the Colorado Department of Transportation pursuant to § 43-1-403, C.R.S.

“Encumbrance” shall mean a legally binding promise to pay, which is made under statute or the law of contract. This is the same as a commitment or an obligation.

“Fiscal Constraint” shall mean a program of projects that does not exceed reasonably expected revenues in any given fiscal year.

“Obligation” shall mean a federal commitment to pay a state or other entity the federal share of a project’s eligible costs.

“Project: shall mean highway improvement activities contained under a single sub account number in CDOT’s SAP financial management information system.

“Staging Area” shall mean a placeholder for projects that are programmed in the STIP, or that CDOT expects will be programmed into the STIP in the next amendment of the STIP, and budgeted in any given fiscal year.

“STIP” shall mean Statewide Transportation Improvement Program – A federal required, fiscally constrained, program that depicts transportation projects for a minimum of four fiscal years.

“Substantive” shall be used to mean exceeding the approved amount over a scope, schedule or budget threshold set by the Department’s Executive Director or designee.

“Transportation Commission” or “Commission” shall mean the Colorado Transportation Commission pursuant to § 43-1-406, C.R.S.

V. POLICY

A. Scope. This Policy Directive applies to all funds and accounts administered by the Department but does not include the Colorado Aviation Fund. The scope includes the formation and execution of the Department’s budget and the approval of the Department’s programs.

B. Objective. The objective of this Policy Directive is to document annual budget and project budgeting policies followed by the Department with the Commission’s approval to maximize the flow of funds to the Department’s construction and maintenance projects.

1. The Commission will evaluate the Department’s ability to apply effective and efficient cash management strategies using the following criteria:

a) Available revenues in the Statewide Transportation Improvement Program (STIP) are as high as can be justified within relevant state and

federal laws;

b) Those revenues are fully allocated to projects the STIP;

c) Appropriations for construction and maintenance projects are as high as can be justified within relevant state and federal laws;

d) Those apportionments are fully encumbered to projects as early as practical; and

e) Conjointly with meeting the Department's objectives around the timely delivery of projects, the minimum monthly cash balances of each fund are not significantly different than the target cash balances approved for that fund by the Commission.

2. The Commission will measure the Department's performance in the administration of the budget and cash management principles by the extent to which these criteria are met.

C. Principles.

1. Projects will be managed within a four-year project budget. The Department may spend funds programmed to a project in the current year and the next three years if sufficient cash and spending authority are available. The intent is to develop and deliver a greater number of construction projects in a shorter period of time.

2. The rolling budget for a project will change as the expected schedule and cost of the project change. As projects are developed, the Department shall approve changes to the scopes, schedules and expected costs of projects. The Department shall alter its programs and its budget to reflect those changes as they are made.

3. Financial risk is a necessary element in maximizing the flow of funds to projects. The Department may take necessary financial risks in order to accelerate projects while implementing the necessary controls in order to stay in compliance within overall risk management measures.

4. Level of governance is aligned to substantive risk. The Commission will rely on the Executive Director or designee to exercise judgment as to what constitutes a substantive budget matter.

D. Revenue Estimates.

1. The Department shall produce a long-range revenue forecast, by year and extending over at least 20 years, and a short-range revenue forecast, by month and

extending over at least 48 months, for use in all of the Department's programs and budgets.

2. The Department shall update its forecasts once per quarter and use the results of those forecasts to update its quarterly report on the state of the Staging Area.
3. All of the Department's revenue forecasts are to be reported to the Executive Director or designee with accompanying narratives that explain the assumptions and the significance of the results. The Commission may request, review, and comment on any quarterly revenue forecast.
4. Through the annual budget process, the Department will complete and the Commission will review, amend as appropriate, and approve the revenue estimate risk assessment.

E. The Staging Area.

1. The Department shall maintain a prospective STIP, a budget and a prospective schedule of encumbrances called the Staging Area.
2. The Department will maintain in the staging area a financial plan for all aspects of the funding of projects, including:
 - a) The programming of projects into the STIP;
 - b) The allotment of funds to projects in the Department's appropriations; and
 - c) The encumbrance of funds against the contractual commitments that pertain to projects.
3. All projects likely to proceed to construction within the next eight years should be included in the Staging Area.
4. The Department shall report each quarter on:
 - a) The state of the Staging Area in the current year;
 - b) The state of the Staging Area in the next seven years;
 - c) Those projects that are in the Staging Area but not yet in the STIP or the four-year budget; and that the Department expects to include the STIP and in the four-year budget when those documents are next amended; and
 - d) What TIP amendments and updates of which the Department has been

advised by its planning partners; and that the Department expects to include in the STIP when that document is next amended.

F. Program Approvals and Allocations of Funds to Projects.

1. The Department shall use the STIP as the principal expression of its programs and projects for the execution of highway construction projects that have been selected by the Commission.
2. In every second year, the Department shall submit an update of the STIP to the Commission for approval.
3. In every year between STIP updates, the Department shall submit an amendment of the STIP to the Commission for approval.
4. Updates or amendments shall include the latest estimates of revenues, project schedules, project costs and other information that are necessary to produce the STIP then use the STIP Staging Area to plan the upcoming amendment or update.
5. Once per quarter, the Department shall submit a summary report of these simulations and plans, and will submit an update or an amendment at the end of the year.
6. The frequency of STIP amendments will be reduced to as little as one per year, so that the Department will eventually cease to use the STIP as a budget control mechanism. Project and program budget controls will rather be maintained through the Department's budget module in its financial systems.
7. Projects need not be included in the fiscally constrained portion of the STIP before funds are allotted to them in the budget and their development or construction is allowed to proceed. Rather, they shall be maintained in the staging area then added to the STIP during its next update or amendment.
8. The Department may allot funds to projects in the budget when the project:
 - a) is within 90 days of letting;
 - b) is included in the staging area, and
 - c) is expected to be included in the first four years of the STIP during its next update or amendment.
9. The Commission's approval of the STIP, an update of the STIP or an amendment of the STIP shall include Commission's approval of the programs included in the STIP and estimated costs of the projects within those programs.

10. Further Commission approvals are not necessary in order to proceed with projects whose expected costs do not Substantively change the fiscal constraint in the STIP or the total funds allocated to other programs.

11. It is necessary to obtain Commission approval for project modifications only when:

- a) increases in project costs Substantively change the total funds allocated to a program, and in these cases, the Executive Director or designee shall report the limit decided to the Commission;
- b) project location or scope changes deviate Substantively from the approved project prioritization process or list; and
- c) any other modifications to the project Substantively increase the risk to a project already identified as holding significant risk.

G. Spending Limits for Projects (Project Budgets).

1. The Department shall approve the scope, schedule and cost of each project through development and construction, and shall report to the Commission to initially approve the scope, schedule and cost of each project; and to approve subsequent substantive changes to the scope, schedule and cost of each project.

2. The spending limit or project budget for each project shall be the sum of the following elements:

- a) The most recent estimate of the cost of the project through development and construction;
- b) The most recent estimate of charges of indirect costs and overhead costs, including construction engineering;
- c) The most recent estimates of the most likely amounts to be paid out to contractors through cost adjustments and incentive payments;
- d) Allowed project contingencies; and
- e) Other elements the Department includes in the spending limit imposed on each project.

3. The Department shall not spend more funds on a project than are within the approved spending limit, or project budget, for that project.

4. The Department shall re-estimate the spending limit, or project budget, of each project at least annually and these estimates shall be incorporated into the Staging Area when the Department approves them.

5. Spending limits shall be revised to reflect the Department's latest and most likely expectations of future costs.
6. The Department's budgets shall be formed and amended, as outlined below, to reflect approved changes to the estimated costs of projects.
7. The Department may sum the spending limits, or project budgets, of individual projects into pools and report and include those pools as single items in the Department's budgets and in the STIP.

H. Allotments of Funds to Projects in a Four-Year Budget.

1. Once per quarter, the Department shall submit a summary report of these allotments.
2. Advance budgeting of a project shall mean the use of apportionments and federal obligations that are programmed in the fifth through eighth years of the STIP.
3. Such advance budgeting will be considered an exceptional budget matter that requires the Commission's specific approval. Use of funds in the second through fourth years of the STIP shall not require Commission approval.
4. Once the Commission approves the advance budgeting of a program, Commission the funds so budgeted may be expended without further approval.

I. Allotments in an Annual Budget.

1. Pursuant to statutory requirement to submit a draft budget by each December 15 and therefore no later than November of each year, the Department will submit a draft budget to the Commission for consideration and adoption and thereafter, for submission to the Office of State Planning and Budget.
2. This draft will identify all anticipated revenues, including any carry forward balances, will allot funds to programs and will in all other respects meet the requirements of state law. *See* § 43-1-113 (2), C.R.S.
3. The annual budget for the next fiscal year shall reconcile, at a material level of detail, to the programming of funds to projects in the staging area. Pursuant to § 43-1-113(c)(I), C.R.S., prior to April 15 of each year, the Commission shall adopt a final budget allocation plan, which shall, upon approval of the Governor, constitute the budget for the Department for the ensuing fiscal year.

J. Contingencies.

1. The Department shall maintain in the staging area, in the STIP and in the Department's budgets funds for two types of contingencies:
 - a) Project contingencies. The Department shall determine the amounts provided for contingencies in each program and project through a statewide contingency pool allocation. The Department shall report these amounts to the Commission.
 - b) Transportation Commission Contingency Account.
 - i. In advance of submitting the annual budget, the Department shall recommend an amount of that budget that should be reserved for allotment and expenditure at the Commission's discretion.
 - ii. The amount approved by the Commission shall be included in the Department's annual budget for cash appropriations in the State Highway Fund as the Transportation Commission Contingency Account.

K. Budget Allotment Classification Change.

1. Mid-year moves to/from Capital Expenditures to Operating Expenditures exceeding \$1 million require Commission approval.

L. Operating Expense Decision Items and Capital Development Committee Requests.

1. Decision items greater than \$1 million require approval by the Commission. Decision items less than \$1 million can be approved by the Department's Executive Director or designee. In addition, legislative decision items and capital development committee requests must be approved by the Commission prior to submission to the legislature.

M. Full-time equivalent (FTE) Increases to Establishment.

1. The Executive Director or designee shall approve and the Commission shall be informed of any additions of part or all of a full-time equivalent position (FTE) to the Department's establishment.

N. Supplements to the Annual Budget.

1. Commission-approved re-allotments as outlined above must be included in a budget supplement that is submitted to the Commission for approval.

2. Once a supplement is approved, the Department's annual budget is deemed to be amended to include the supplement.
3. All budget supplements must comply with all state and federal laws.
4. The Department may accumulate Substantive re-allotments in the STIP Staging Area into as few as one budget supplement per quarter.

O. Incremental Encumbrance.

1. The Department shall limit the encumbrance of funds in the financial management information systems to the amounts expected to be spent in the current fiscal year.

P. Forecasts and Expenditure Controls.

1. Each quarter, the Department shall provide a budget and cash report to the Commission which will include:
 - a) A forecast of the expected revenues, expenditures and closing cash balance for current month and for each of the next twelve months for each of the State Highway Fund and the Colorado Bridge Enterprise Fund;
 - b) An estimate of the maximum amount of highway construction contracts that can be let and the maximum amount of grants that can be released in each of the next three months; and
 - c) A determination of the maximum amount of highway construction contracts that will be let and the maximum amount of grants that will be released in the next month.
2. The Department may not let more than the maximum amount of highway construction contracts or release the maximum amount of grants than the Executive Director or designee has determined for that month.

Q. Target Cash Balances.

1. Once per year, the Department shall submit target cash balances for the State Highway Fund and the Colorado Bridge Enterprise Fund to the Commission for review.

R. Measures to Attenuate Expenditures.

1. The Department shall report to the Commission at least annually on measures

that could be taken to attenuate expenditures: to cancel expenditures or defer them until cash balances are restored by the exercise of the department's expenditure controls.

2. The Department's annual report shall describe the nature and amount of each such expenditure as well as the conditions that must be met in advance to allow for its attenuation.

3. Should circumstances dictate, the Department would attenuate any or all of the expenditures contained in the most recent report to the Commission without further consideration by the Commission.

S. Annual Risk Assessment.

1. The Department's annual report shall include a revenue and expenditure risk assessment.

VI. DOCUMENTS REFERENCED IN THIS POLICY DIRECTIVE

1. Appendix "A" Project Budgeting Process Flowchart
2. Appendix "B" Annual Budget Process Flowchart
3. Appendix "C" Financial Flow of Project

VII. IMPLEMENTATION PLAN

1. The Office of Financial Management and Budget shall update its existing Manual to include specific procedures regarding this Policy Directive by June 30, 2014.
2. The Office of Financial Management and Budget shall train all CDOT employees who are impacted by or involved with this Policy Directive on the relevant changes in procedure within six months of the approval date.
3. This Policy Directive shall be effective upon signature.

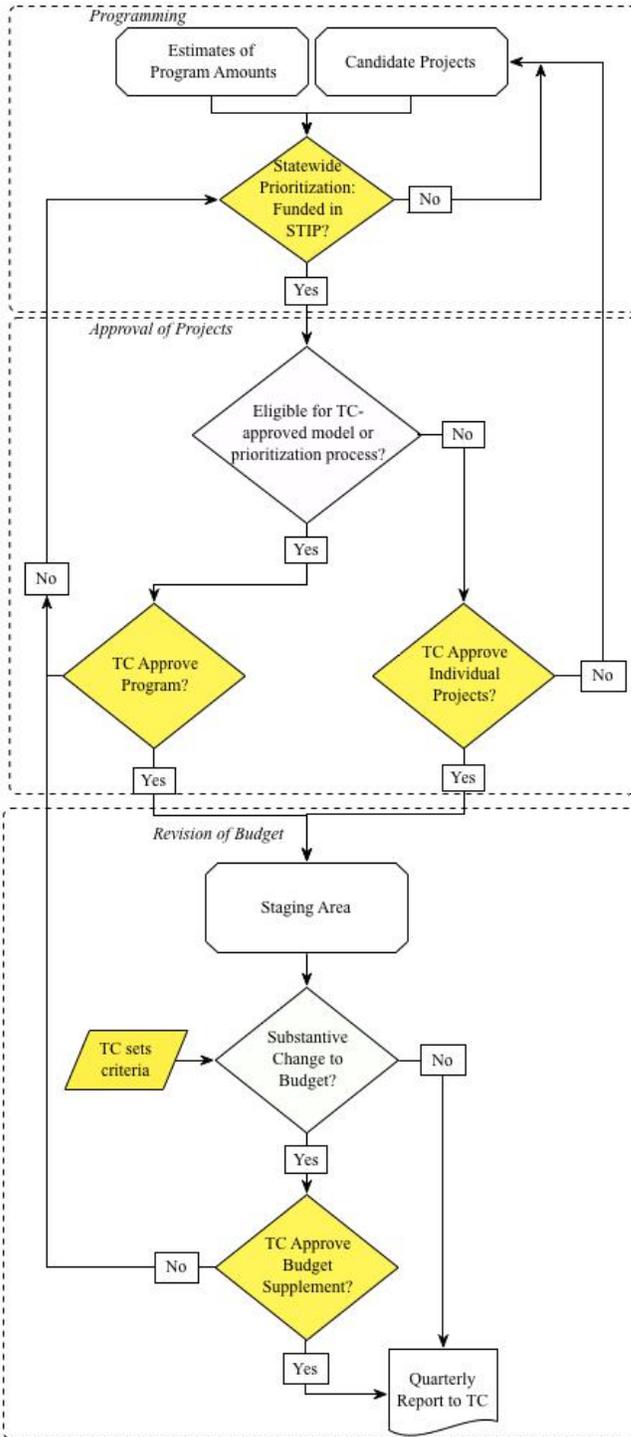
VIII. REVIEW DATE

This directive shall be reviewed on or before April 2018.

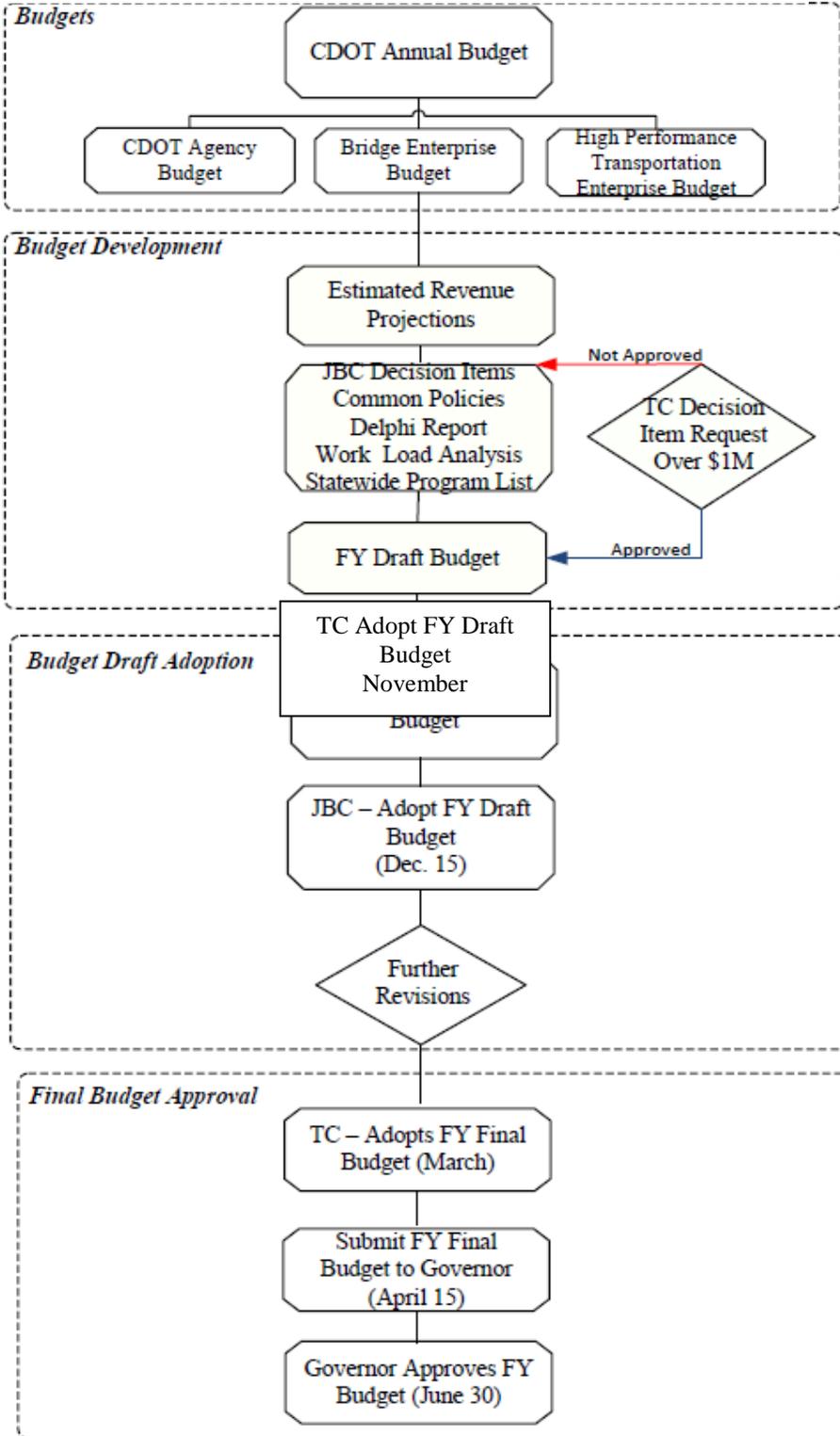
Secretary, Transportation Commission

Date of Approval

Appendix A- Project Budgeting Process Flowchart



Appendix B-Annual Budget Process Flowchart



Appendix C-Financial Flow of Project

