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

I. PURPOSE

To establish the policy by which the Colorado Department of Transportation will determine and submit the annual budget 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, regions and offices of the Colorado Department of Transportation.

IV. DEFINITIONS

See Appendix A “Definitions”

V. POLICY

A. Scope. This Policy Directive applies to all funds and accounts administered by the Department. 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 applying effective and efficient cash management strategies.

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 programs or groups of projects within the STIP;
- c. Appropriations for construction and maintenance projects are as high as can be justified in conformance with state and federal laws;
- d. 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.

C. Principles.

1. 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.
2. It is necessary to obtain Commission approval for project modifications only when the modification is of high risk as defined by:
 - a. increases in project costs Substantively change the total funds allocated to a program as determined by the Transportation 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.
3. Level of Department and Commission governance is aligned to level of risk. Reference Appendix B "Annual Budget, Revenue, and Financial Position"; Appendix C "Project Related Transactions"; and Appendix D "Other Transactions".

D. Annual Budget.

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 extending over at least 48 months, for use in all of the Department's programs and budgets.
2. Pursuant to § 43-1-113(2), C.R.S., annually, on or before December 15, the Commission shall adopt and the Department shall submit a proposed draft budget allocation plan for the beginning of the fiscal year beginning on July 1 of the succeeding year. No later than April 15 of each year, the Commission

shall adopt and submit a final budget allocation plan to the Office of State Planning and Budget.

3. The level of Department and Commission risk regarding the annual budget shall be defined as outlined in Appendix B.

E. Project Budgets.

1. Projects typically will be managed within a four-year program or programs of projects; for example, a four-year surface treatment program or a four-year FASTER Safety program.
2. The Department shall approve the scope, schedule and cost of each project through development and construction, and shall report to the Commission to obtain initial approval of the scope, schedule and cost of each project; and to approve subsequent substantive changes to the scope, schedule and cost of each project as outlined in Appendix B.

F. Statewide Transportation Improvement Program (STIP).

1. Pursuant to 23 C.F.R. 450.216, the Department is required to develop a STIP.
2. 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.
3. The Department shall develop a rolling four (4) year STIP.
4. The STIP must list regionally significant projects individually. Other projects will be grouped into programs.
5. The STIP will be amended at least once a year for major changes. Upon the conclusion of a fiscal year, a new fiscal year will be amended into the STIP as the fourth federally recognized year.
6. Minor changes will be made by Administrative Modification which will be approved by the Department Executive Director.

VI. DOCUMENTS REFERENCED IN THIS POLICY DIRECTIVE

1. Appendix A – “Definitions”
2. Appendix B – “Annual Budget, Revenue, and Financial Position”
3. Appendix C – “Project Related Transactions”
4. Appendix D – “Other Transactions”

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5. Appendix E – “Project Budgeting Process Flowchart”

VII. IMPLEMENTATION PLAN

1. The OFMB shall establish procedures to implement this Policy Directive.
2. The OFMB shall train all CDOT employees who are impacted by or involved with this Policy Directive.
3. This Policy Directive shall be effective upon signature.

VIII. REVIEW DATE

This directive shall be reviewed on or before August 2019.

 Secretary, Transportation Commission

 Date of Approval

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Appendix A - Definitions

“Allotment Advice” shall mean project level budget actions, initiated by Department staff, that is approved by OFMB staff without Commission approval.

“Approval” shall mean administrative permission to proceed with a project, program, or other anticipated expenditure 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. For purposes of this Policy Directive, 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. CDOT maintains several budgets including those for Colorado Bridge Enterprise, High Performance Transportation Enterprise, the Aeronautics Division, and the core budget of CDOT, all of which are included in the State’s annual budget – the Long Bill.

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

“Confirmation Item” shall mean approved action prior to TC meeting, but included on formal Budget Supplement document.

“Department” shall mean the Colorado Department of Transportation pursuant to § 43-1-103, C.R.S.

“Programs” shall mean a logical grouping of similar projects in scope; or small and miscellaneous in nature.

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

“STIP” shall mean Statewide Transportation Improvement Program – A federally required, fiscally constrained, program that depicts transportation projects for a minimum of four fiscal years up to eight (8) fiscal years.

“STIP Administrative Modification” shall mean minor changes to project costs, funding sources, or initiation dates. “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.

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“STIP Amendment” shall mean any major change to a project, including addition or deletion, major change to cost, initiation dates, or scope including amending a year into the STIP.

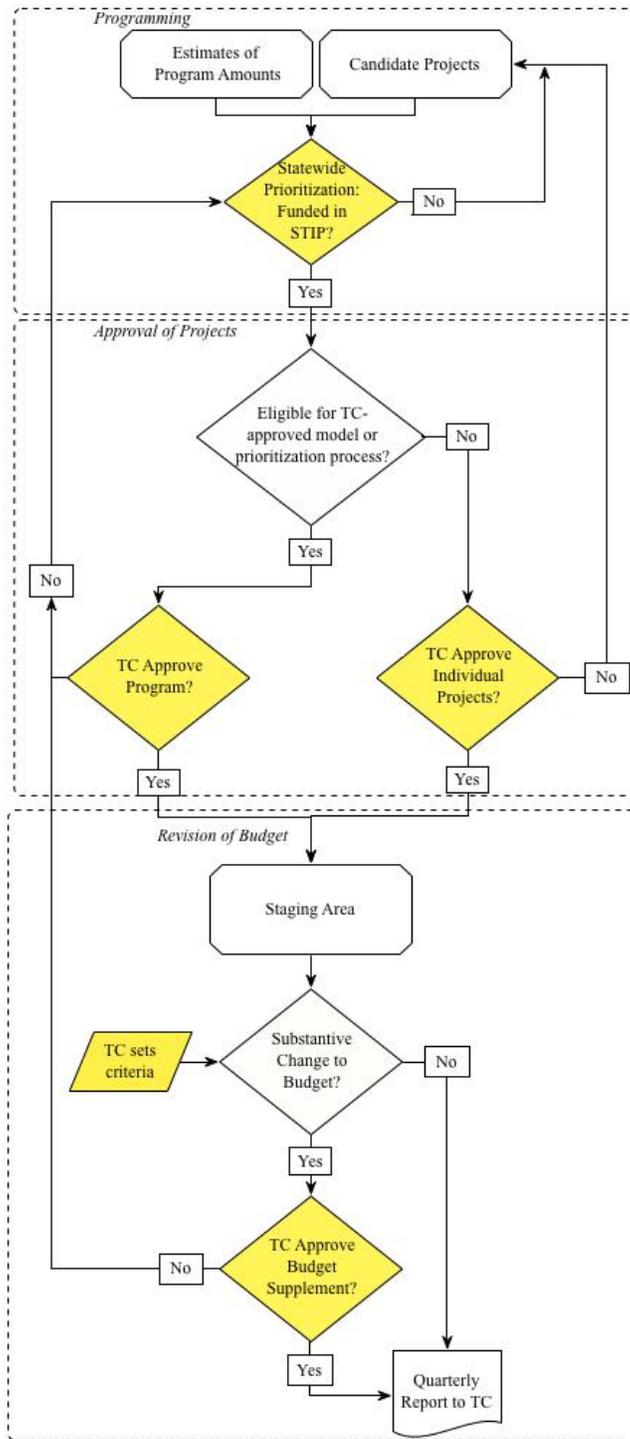
“TC Approval Required” shall mean project level budget actions, initiated by Department staff requiring Commission approval as part of a budget supplement packet.

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

“Transportation Commission Approved List” shall mean a list of projects approved by the Transportation Commission for an Annual Program per established processes.

Appendix E - Project Budgeting Process Flowchart

(as of April 2014)



Appendix B: "Annual Budget, Revenue, and Financial Position"

| Event Type | High Risk: TC Review and Approve | Moderate Risk: 2 Signatures ED (or Designee), Chief Engineer, CFO Report To and Inform TC | Low Risk: Staff Manage |
|---|--|---|--|
| STIP | STIP Amendments no less than annually | Quarterly analysis of fiscal constrained project schedule | Administrative Modifications |
| Capital Development Committee | | Requests made to the CDC using quantitative model | |
| 4-year Program of Projects and Corresponding Budget (see Project Related Transact.) | Acceptance of Asset Management Lists, Integrated Safety Plan and Programs of Projects as they become available | Quarterly report of allotments to projects | Locally and Regionally administered programs; or as programmed in STIP or as shown in project schedule for STIP amendments and budget supplements |
| | | Annual forecast of amounts required to complete projects | |
| Cash Balances and Revenue Forecasts | Annual Risk Assessment | Quarterly reports on construction lettings and revenue forecasts | OCM limit on construction lettings each month |
| | | Annual reports | |
| Revenue-Based Budget | Annual Budget Adoption: November - review draft budget March - adopt final | August - Review final budget including legislative items | Local agency project contributions, Federal Discretionary allocations, State administered grants |
| Common Policies | Presented as informational | Reviewed annually | |
| Decision Items | Greater than or equal \$1 million (Annual Process) | Less than \$1 million (Annual Process) (requires dual signature) | |
| Cost Center Roll Forwards | Greater than or equal \$1 million (Annual Process) | Less than \$1 million (Annual Process) (requires dual signature) | E0249-010 (Equipment) , S0014-010 (Haz Mat), S0193-010 (Engineering Training) , S0247-010 (Road Equip) , OI440-010 (ITS), SM265-010 (Property Management), SM275-010 (Camp George West HVAC) |
| Budget Pool Roll Forwards | | Reclassifications of previous FY funds to RAMP or other programs | RPP and Local Program Pools |
| Project Budgets (see Project Related Transactions) | Individual projects <u>Not</u> on Approved List | Individual projects on Approved List | Individual projects on Approved List |
| | Additions greater than or equal to 15% and greater than or equal to \$500,000 | Additions between 10%-15% or between \$250,000- \$500,000 | Additions less than 10% or less than \$250,000 |
| Cash-Based Expenditures | Budget increases greater than or equal to 10% of program and greater than \$1 million | Budget increases less than 10% of program and less than \$1 million | Quarterly review of the project schedule; expenditure forecasts and 'plan' vs. 'actual' analyses |

Appendix C: "Project Related Transactions"

| Project Type | Initial Project Funding | Pre-Award Adjustment and Contract Modification Orders (to the currently approved project budget) | | | Project Closure |
|---|---|---|--|--|------------------------|
| | | Greater than or equal to 15% and greater than or equal to \$500,000 or greater than or equal to \$5,000,000 above the original approved amount | Between 10%-15% or between \$250,000-\$500,000 above the original approved amount | Less than 10% or less than \$250,000 above the original approved amount | |
| 2013 Emergency Relief and Permanent Repairs | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | | | Allotment Advice | |
| Emergency Requests (from the Transportation Commission Contingency Relief Fund or other programs) | Requires Commission Chairperson approval for Confirmation Item | | | Allotment Advice | |
| Non-emergency Transportation Commission Contingency Reserve Fund Requests | TC Approval Required | | | | |
| Asset Management Programs: Geohazard, Tunnels, Walls, Bridge On-System, Culverts, Surface Treatment, Property Management. (Including RAMP.) | TC Approval Required if not on Approved List or Model | TC Approval Required | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | Allotment Advice | |
| | Allotment Advice if on Transportation Commission Approved List or Model | | | | |
| Transportation Systems Management & Operations - Replacement | Allotment Advice | TC Approval Required | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | Allotment Advice | |
| Transportation Systems Management & Operations - New Capital | TC Approval Required | | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | Allotment Advice | |
| Highway Safety Improvement Program | TC Approval Required if not on Approved List or Model | TC Approval Required | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | Allotment Advice | |
| | Allotment Advice if on Transportation Commission Approved List or Model | | | | |

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| FASTER Safety Program | TC Approval Required if not on Approved List or Model | TC Approval Required | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | Allotment Advice | |
| | Allotment Advice if on Transportation Commission Approved List or Model | | | | |
| Strategic Projects (e.g. 7th Pot) | TC Approval Required | | | Allotment Advice | |
| Federal Discretionary Grants - State Match Required | TC Approval Required | | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | Allotment Advice | |
| Federal Discretionary Grants - No State Match Required | No Commission Approval Required for any action | | | | |
| Regional Priority Program | No Commission Approval Required for any action with quarterly reporting to Transportation Commission | | | | |
| Other State Administered Programs - Congestion Relief, Hot Spots and Railroad Crossings, Planning and Research, Safe Routes to School | No Commission Approval Required for any action | | | | |
| Local contributions to state project | No Commission Approval Required for any action | | | | |
| Local Administered Programs: CMAQ, TAP, STP-Metro, Bridge Off-System, Metro Planning | No Commission Approval Required for any action | | | | |
| Maintenance Levels of Service | For all MLOS transactions, including Maintenance Projects, see "Other Transactions" | | | | |

Appendix C: "Project Related Transactions"

| Project Type | Initial Project Funding | Pre-Award Adjustment and Contract Modification Orders (to the currently approved project budget) | | | Project Closure |
|--|---|---|--|--|------------------------|
| | | Greater than or equal to 15% and greater than or equal to \$500,000 or greater than or equal to \$5,000,000 above the original approved amount | Between 10%-15% or between \$250,000-\$500,000 above the original approved amount | Less than 10% or less than \$250,000 above the original approved amount | |
| Transit and Rail | TC Approval Required if not on Approved List or Model | TC Approval Required | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | Allotment Advice | |
| | Allotment Advice if on Transportation Commission Approved List or Model | | | | |
| Bridge Enterprise | Enterprise Board Approval Required if not on Approved List or Model | Enterprise Board Approval Required | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | Allotment Advice | |
| | Allotment Advice if on Bridge Enterprise Board Approved List or Model | | | | |
| High Performance Transportation Enterprise | HPTE Board Approval Required | | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | Allotment Advice | |

| Project Type | Initial Project Funding | | Pre-Award Adjustment and Contract Modification Orders (to the currently approved project budget) | | Project Closure |
|---------------------------------|--|---|--|---|------------------------|
| | Greater than or equal to 7.5% if more than \$100,000 or greater than or equal to \$1,000,000 above the original approved amount | Less than 7.5% or less than \$100,000 above the original approved amount | Greater than or equal to 7.5% if more than \$100,000 or greater than or equal to \$1,000,000 above the original approved amount | Less than 7.5% or less than \$100,000 above the original approved amount | |
| RAMP Operations and Partnership | TC Approval Required | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | TC Approval Required | Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO | |

Appendix D: "Other Transactions"

| Transaction Type | High Risk: TC Review and Approve | Moderate Risk: 2 Signatures ED (or Designee), Chief Engineer, CFO Report To and Inform TC | Low Risk: Staff Manage |
|--|--|--|--|
| FTE Requests | Increasing the total # of CDOT FTE's | Salary cap relief | Filling existing vacancies or Reclassifying to best meet business needs |
| Loans | Change that will trigger a loan and require Legislative Authority | | Payment schedule included in quarterly and annual reports |
| Transfers between budget lines | TC Approval Required for current year funds | Reclassifications of previous FY funds to RAMP | |
| Budget Pool Level Transfers between Regions and/or HQ | Regional Priorities Program and 7th Pot | See Project 4 Year Budget for Quarterly report of allotments to projects to include Statewide administered programs (e.g. Asset Management programs, TSM&O, Safety) | Local administered programs (e.g. CMAQ, TAP, Metro) |
| Transfers between cost centers and program pools | Total Year to Date >= \$1,000,000 | Individual Transfers >= \$250,000 | Individual Transfers < \$250,000 |
| Transfers between Capital and Operating Budget or Personal Services | Total Year to Date >= \$1,000,000 | Individual Transfers >= \$250,000 | Individual Transfers < \$250,000 |
| Transfers between Personal Services and Operating Budget | | Individual Transfers >= \$250,000 | Individual Transfers < \$250,000 |
| Aeronautics | Allocations for administrative costs | | |
| MLOS | Annual Budget including Maintenance Program Areas | Budget transfers across regions | Budget transfers across sections or program areas within a region |
| Maintenance Projects (M Projects) | | Structure Repairs, overlays, seal coats and all work where the total cost exceeds \$50,000; Emergency projects within Maintenance budget; Year end roll- forwards | Work where the total cost is < \$50,000 |
| Earmarks and Federal discretionary funds | Application requiring state match not available from current program | State match is available, though project requires additional funds for completion, reference guidelines for other funds | Application requiring no state match |
| Other Programs (Administration & Operations) | To be reviewed on a biennial basis beginning in FY16 (FY 2015 total budget allocation of \$276,507,411) | | |
| Transportation Commission Transition Fund | > = \$1,000,000 | < \$1,000,000 | |
| Contingency Funds | Any use of Transportation Commission Contingency Reserve Fund and Snow and Ice Contingency Reserve | Project contingencies allotted in projects but managed collectively (eg: program contingency) (requires dual signature) | Project contingency as part of approved project budget |

Resolution # TC-

Adoption of Policy Directive 703.0 “Annual Budget, Project Budgeting and Cash Management Principles”

WHEREAS, pursuant to § 43-1-106(8)(h), C.R.S., the Colorado Transportation Commission (“Commission”) has the authority to promulgate and adopt all Colorado transportation programs and associated budgets, including prioritizing projects for the construction, reconstruction, repair, and maintenance of the state highway system; and

WHEREAS, Policy Directive 703.0 “Transportation Commission Budget Policy” was approved by the Commission on February 17, 2011; and

WHEREAS, Policy Directive 703.0 is intended to establish one document that provides guidance to the Department as to what budgetary items require Transportation Commission approval; and

WHEREAS, the Department seeks to maximize the flow of funds to construction and maintenance projects and, in doing so, apply effective and efficient cash management strategies; and

WHEREAS, the Transportation Commission (“Commission”) recognizes financial risk as a necessary element in maximizing the flow of funds to projects; and

WHEREAS, the Commission, with Department recommendation, will annually reevaluate substantive risk as associated with overall financial risk; and

WHEREAS, the Commission will annually approve Appendices B, C and D, (collectively known as the “Matrix”) attached to Policy Directive 703.0, which align the level of Department and Commission governance to the level of risk; and

NOW THEREFORE BE IT RESOLVED, the Commission herein approves Policy Directive 703.0 “Transportation Commission Budget Policy.”