



MEMORANDUM

TO: TRANSPORTATION COMMISSION
FROM: MARIA SOBOTA, ACTING CHIEF FINANCIAL OFFICER (CFO)
DATE: APRIL 15, 2015
SUBJECT: RECOMMENDED CHANGES TO THE APPENDICES (MATRIX) OF POLICY DIRECTIVE 703.0 ANNUAL BUDGET, PROJECT BUDGETING AND CASH MANAGEMENT PRINCIPLES

Purpose

Inform the Transportation Commission and Enterprise Boards of recommended updates to the Appendices of Policy Directive 703.0 Annual Budget, Project Budgeting and Cash Management Principles.

Action

This month, Department staff seeks concurrence regarding the suggested revisions to the appendices (matrix) of Policy Directive (PD) 703.0. Based on TC feedback in April, Department staff will return for final review and adoption.

Background

Policy Directive (PD) 703.0 and the supporting appendixes including the “matrix” were approved in August, 2014 under Resolution TC-3186. At the time of approval, Department staff recommended returning to the Commission following an implementation period in order to report on the use of the new PD and to identify any changes that needed to be made following user feedback. The recommended changes being brought to the TC this month are based on suggestions from across various regions and divisions of CDOT, including senior management.

Details

Based on this feedback, the following changes are recommended by Department staff for inclusion or changes in the appendixes of the approved PD703.0:

- 1.) PD 703.0 Appendix B and C: Asset Management - Clarify that the Transportation Commission acceptance of Asset Management programs are based upon approved “metrics”. Project lists are maintained by Department staff and under the authority of the Chief Engineer, Chief Financial Officer and CDOT Management. Consolidate all Asset types including, ITS-Replacement and Signal Asset Management into 1 line item. Action: Add “Based upon Approved Metrics” to Initial Project Funding sections, list all Asset categories, and delete redundant ITS-Replacement line item.
- 2.) PD 703.0 Appendix B “Annual Budget, Revenue and Financial Position”: Decision Items - Clarify that the \$1,000,000 threshold for new decision items is a “per annum” threshold. Projects exceeding \$1,000,000 by virtue of being multiple fiscal year decision items do not require Transportation Commission approval. Action: Add “Per Annum” to matrix language.
- 3.) PD 703.0 Appendix B “Annual Budget, Revenue, and Financial Position”: Expanding the list of program cost centers eligible for automatic roll forwards of year end fund balances is being considered and will be addressed in May.



- 4.) PD 703.0 Appendix C “Project Related Transactions”: Safe Routes to School - Clarify that the state maintains an advisory committee to make recommendations to the commission, which shall create a list of grant awards. Action: Extract Safe Routes to School from the “Other State Administered” line item and establish a High, Medium, Low Risk procedures for projects on or off Approved List.
- 5.) PD 703.0 Appendix C “Project Related Transactions”: Bridge Enterprise- Clarify that CDOT and Bridge Enterprise projects are treated independently when determining thresholds for taking a combination project to the TC and BE Board of Directors for changes to currently approved project budgets.
- 6.) PD 703.0 Appendix D “Other Transactions”: Add line item to differentiate commercial loans from TC loans, including loans to the Enterprises.
- 7.) PD 703.0 Appendix D “Other Transactions”: Transfers between cost centers as well as Capital, Personal Services and Operating for the High Performance Transportation Enterprise (HPTE) over a certain dollar amount will also require the signature of the HPTE Director.
- 8.) PD 703.0 Appendix D “Other Transactions”: Increases to indirect cost centers would not require TC approval. Action: Add line item for Indirect Costs with approval authority falling under “Moderate Risk” requiring CFO and CE signatures.
- 9.) PD 703.0 Appendix D “Other Transactions”: Clarify that State performed maintenance work in excess of \$50,000 up to \$150,000 shall require TC approval. Contracted out work does not need commission nor 2 signature approval. The state may submit a competitive bid for maintenance projects in excess of \$150,000. Action: Edit language to reference “state performed” and move to “High Risk”.
- 10.) Revise Bridge Enterprise Guidance Document #4 regarding Budget Processes and repeal BE Resolution #74 to align BE project guidance with the revised appendices (matrix).

Key Benefits (if applicable)

The key benefit of Policy Directive 703.0 is to provide one document that provides guidance to the Department as to what items require Transportation Commission and Enterprise Board approval. The recommended changes will continue to assist in streamlining the approval processes for the various transaction types detailed in the matrix.

Options and Recommendations

This month, a draft of the revised appendices (Matrix) is being presented to the TC as informational only (Attachment A). Department staff will seek approval of the revised appendices in May 2015.

Next Steps

- 1) Based on TC feedback in April, Department staff will return with revised appendices in May 2015 for final review and adoption.
- 2) Take revised BE Guidance Document #4 regarding Budget Processes as well as BE Resolution #74 to the BE Board for adoption and repeal.
- 3) Bring a revised Appendices of Policy Directive 703.0 to the High Performance Transportation Enterprise Board of Directors and the Bridge Enterprise Board of Directors for information.
- 4) A revised list of program cost centers eligible for automatic roll forwards of year end fund balances will be finalized and presented to the TC in May.

Attachments: A: Draft of revised appendices of PD 703.0



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 metrics	
(1) 4-year Program of Projects and Corresponding Budget (see Project Related Transact.)	Acceptance of Asset Management Program, Integrated Safety Plan and Programs of Project lists or defined program metrics	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	
(2) Decision Items	Greater than or equal \$1 million per annum (Annual Process)	Less than \$1 million per annum (Annual Process) (requires dual signature)	
(3) 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				
(1) Asset Management Programs: Geohazard, Tunnels, Walls, Bridge On-System, Culverts, Surface Treatment, Property Management, Road Equipment, ITS-Replacement, Signals Replacement (Including RAMP.)	TC Approval Required if not on Approved List or Based upon Approved Metrics	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 Based Upon Approved Metrics				
Maintenance Levels of Service	For all MLOS transactions, including Maintenance Projects, see "Other Transactions"				
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 Based upon Approved Metrics	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 Based Upon Approved Metrics				

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	
FASTER Safety Program	TC Approval Required if not on Approved List or Based upon Approved Metrics	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 Based Upon Approved Metrics				
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	No Commission Approval Required for any action				
Safe Routes to School (State Maintains an Advisory Committee to make Recommendations to the Transportation Commission)	TC Approval Required if not on Approved List	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				

(4)

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	
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				
Transit and Rail	TC Approval Required if not on Approved List or Based upon Approved Metrics Allotment Advice if on Transportation Commission Approved List or Based Upon Approved Metrics	TC Approval Required	Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO	Allotment Advice	
(5) Bridge Enterprise (Note: CDOT and BE projects are treated independently when determining thresholds)	TC Approval Required if not on Approved List or Based upon Approved Metrics Allotment Advice if on Transportation Commission Approved List or Based Upon Approved Metrics	Enterprise Board Approval Required	Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO	Allotment Advice	
High Performance Transportation Enterprise	HPTE Board Approval Required		Requires 2 of 3 Signatures from Executive Director or Designee, Chief Engineer, CFO as well as the Director of HPTE	Allotment Advice	

Appendix C: "Project Related Transactions"

<u>Project Type</u>	<u>Initial Project Funding</u>		<u>Pre-Award Adjustment and Contract Modification Orders (to the currently approved project budget)</u>		<u>Project Closure</u>
	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 as well as the Director of HPTC if applicable. Report To and Inform TC or Enterprise Board	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
(6) Commercial Loans	Change that will trigger a loan and require Legislative Authority		Payment schedule included in quarterly and annual reports
(6) Transportation Commission Loans	TC Approval Required for any loan from the Commission		
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)
(7) 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
(8) Increases to Indirect Costs		Increases >= \$250,000	Increases < \$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
(9) Maintenance Projects (M Projects)	State performed maintenance work (Structure Repairs, Overlays, Seal Coats) costing in excess of \$50,000 up to \$150,000	Emergency projects within Maintenance budget; Year end roll-forwards	State performed maintenance work (Structure Repairs, Overlays, Seal Coats) costing less than \$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