



# COLORADO

## Department of Transportation

Division of Accounting and Finance

4201 East Arkansas Avenue, Room 262  
Denver, CO 80222

### MEMORANDUM

**TO:** TRANSPORTATION COMMISSION  
**FROM:** MARIA SOBOTA, CHIEF FINANCIAL OFFICER (CFO)  
**DATE:** SEPTEMBER 14, 2016  
**SUBJECT:** FY 2015-16 REVENUE RECONCILIATION AND FY 2016-17 TRANSPORTATION COMMISSION CONTINGENCY RESERVE FUND (TCCRF) RECONCILIATION

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#### Purpose

This memorandum summarizes the preliminary Fiscal Year (FY) 2015-16 revenue reconciliation and FY 2016-17 Transportation Commission Contingency Reserve Fund (TCCRF) surplus balance reconciliation.

#### Action

The Division of Accounting and Finance (DAF) is asking the Transportation Commission (TC) to review surplus fund balances from FY 2015-16. Funding considerations that are reviewed will be vetted through the normal monthly supplement process.

#### Background & Details

At the close of each fiscal year, DAF compares the forecasted revenues to the actual revenues and recommends a course of action to the TC for any surpluses or deficits. DAF will provide the TC with future updates of the reconciliation of FY 2015-16 revenue in October.

#### *FY 2015-16 Preliminary Revenue Reconciliation*

Currently, FY 2015-16 reconciliation reports for CDOT and the Enterprises reveal the following surplus/deficit amounts (see Attachment A):

- CDOT had estimated revenues for the FY 2015-16 budget of \$1.497 billion and received actual revenues, including additional federal obligation authority (FY 2015-16 redistribution), in the amount of \$1.582 billion, creating a surplus of \$85.8 million. The surplus is primarily due to higher than forecasted State Highway User Tax Fund (HUTF) revenues, as well as Miscellaneous Revenue and higher than expected federal redistribution.
  - HUTF revenues were \$26.1 million higher than originally forecasted in the FY 2015-16 Annual Budget, totaling \$438.5 million. Motor fuel tax collections and vehicle registrations were higher than originally anticipated.
  - CDOT Miscellaneous Revenues were \$8.0 million higher than originally anticipated in the FY 2015-16 Annual Budget, totaling \$27.2 million. Damage claims and service charges were higher than previous forecasts.
  - Division of Aeronautics funding was lower than anticipated, totaling \$15.2 million in FY 2015-16, a decrease of \$4.2 million from the FY 2015-16 Annual Budget.



- **Federal Transit Administration (FTA)** grants were \$3.0 million higher than anticipated in DAF's original FAST Act estimate due to an increase in rural grants.
  - **National Highway Traffic Safety Administration (NHTSA)** grants increased in FY 2015-16 by \$2.9 million to \$10.5 million due to an increase Transportation Safety Administration (TSA) grant funding.
- The Colorado High Performance Transportation Enterprise (HPTE) estimated revenues for FY 2015-16 of \$2.6 million, and received actual revenues in the amount of \$4.7 million, a surplus of \$2.1 million. The FY 2015-16 budget was prepared in December 2014 and at that time, HPTE expected only \$375,000 in Managed Lanes Revenue. However, Managed Lanes Revenue came in significantly higher than expected, totaling \$2.0 million.
  - The Colorado Statewide Bridge Enterprise estimated revenues for the FY 2015-16 of \$124.1 million, and received actual revenue in the amount of \$124.4 million, creating a surplus of \$0.3 million. This surplus is primarily due to FASTER Bridge Surcharge revenue.

**FHWA Redistribution**

The preliminary FY 2015-16 revenue reconciliation was drafted using supplemental documents provided by the Colorado Department of Revenue (DOR) and the Federal Highway Administration (FHWA). Given that the federal fiscal year ends September 30, 2016, there is a possibility that FY 2015-16 reconciling amounts may change. CDOT is eligible to receive an increase in the annual allocation known as Federal Redistribution. The amount available to states varies each year. For FY 2014-15, CDOT received \$27.8 million. CDOT has been notified of the FY 2015-16 amount, which is \$48.0 million.

**Transportation Commission Contingency Reserve Fund (TCCRF) Surplus Fund Reconciliation**

At the end of each fiscal year, the remaining cost center fund balances are calculated. Approved roll forward requests are deducted from this amount and actual flexible revenue is added to this amount. The final amount is rolled into the TCCRF. For FY 2015-16, this estimated roll forward to the TCCRF is \$80.1 million. Table 1 (below) illustrates this reconciliation and also shows the projected TCCRF balance at the end of FY 2016-17. The TC will be asked to examine FY 2016-17 TCCRF funding considerations, which are high estimates. Staff has discussed possible uses for surplus funds. Discussions have included the following:

**RoadX**

The RoadX program is requesting \$13.75 million of additional funds in FY 2016-17 to support upcoming initiatives and opportunities. Additional program and funding information is included in the TC Technology Committee Workshop. Specifically, RoadX has the following funding needs:

1. \$4.0 million for the development and deployment of a more robust cellular connected vehicle environment along the Smart 70 corridor with HERE of North America.
2. \$8.5 million for the development of a Big Data Platform blueprint.
3. \$0.75 million to establish a Statewide Broadband Office with the Office of Economic Development and International Trade (OEDIT).
4. \$0.50 million to investigate how pedestrians and bicyclists can better interface with connected vehicles.



### Transportation Systems Management & Operations (TSM&O)

The Division of TSM&O is seeking an additional \$11.5 million in FY 2016-17 to continue the efforts in the strategic areas that began in FY 2014-15. These funds will specifically go towards the strategic efforts and projects below:

1. Corridor Operations and Bottleneck Reduction Assistance (COBRA) Program
2. Enhanced Contracted Motorist Safety Patrol for Region 1, and I-25 North to Fort Collins and I-25 South to Colorado Spring
3. Statewide Traffic Incident Management Program
4. Statewide Traffic Management Centers contracted operators and training
5. Programmatic Support for Traffic Engineering and Safety Programs
6. TSM&O Evaluation for all CDOT projects
7. TSM&O Planning Studies and Project Development

TSM&O also plans to submit a decision item through their Work Plan Budget to request the \$11.5 million be added to their FY 2017-18 funds and ask that the decision become part of TSM&O's base budget.

### Transportation Asset Management (TAM)

Department staff have identified the need for an additional \$10.0 million in FY 2016-17 and beyond for specific asset programs (see Attachment B). The following asset programs are being recommended for additional funding based on region input and because they focus on high risk assets that, if allowed to fail, would cause damage to other assets, cost significantly more to repair, or cause significant disruption of service:

1. Geohazards - \$1.8 million
2. Tunnels - \$2.9 million
3. Culverts - \$0.9 million
4. Walls - \$4.4 million

### Division of Highway Maintenance

The Division of Highway Maintenance (DHM) is requesting \$10.0 million of additional funds be set aside to fund MPS (MPA 150) projects (to be determined). The funding is to be focused on preservation treatments to extend the useful life of Colorado's roadways. Projects will be selected statewide from the pavement management model's recommendations for preventative treatments on fair and poor condition roadway surfaces. The Maintenance Resurfacing Program has a different role than Surface Treatment Program. The Surface Treatment Program is CDOT's primary tool to systematically plan and deliver long range pavement work to manage the statewide network condition using the full complement of project treatments afforded by our contracting industry. The Maintenance Resurfacing Program is crucial in CDOT's ability to provide lower square-yard cost pavement treatments. In addition, the Maintenance Resurfacing Program can rapidly address isolated changes in pavement condition that require speedy and targeted pavement treatment to ensure continued safety and functionality for highway travelers.

Based on conversation with the TC in September, the above requests may be brought for TC approval as part of the October 2016 budget supplement process (RoadX/TSM&O/TAM) or in the future (DHM).

### Next Steps

In October 2016, DAF will:

- Provide updates to the FY 2015-16 revenue reconciliation and federal redistribution;
- Provide final recommendations for use of the surplus TC Contingency for inclusion in the October 2016 Budget Supplement.



Table 1: Cost Center & Revenue Reconciliation

FY 2015-16 Cost Center & Revenue Reconciliation	
<b>FY 2015-16 Roll Forwards to TC Contingency:</b>	
Estimated Remaining Cost Center Fund Balances	\$ 53,090,521
Automatic Roll Forwards (State Highway Fund)	\$ (44,997,114)
Total Approved Roll Forward Requests:	\$ (3,949,972)
· Roll Forward Requests Approved by TC - August	\$ (2,630,000)
· Roll Forward Requests Approved by Executive Management Team - August	\$ (1,319,972)
Remaining Balance after Roll Forwards	\$ 4,143,435
Estimated State Flexible Fund Revenue over the FY 2015-16 Budget	\$ 34,601,913
Federal Obligation Redistribution Estimate for FY 2015-16 Budget	\$ 48,047,076
Damage Recovery, Sale of Property and CDC Funds (Applied Directly to Cost Centers Facilitating Highway Repairs)	\$ (6,735,325)
<b>Estimated FY 2015-16 Surplus to TC Contingency</b>	<b>\$ 80,057,099</b>
<b>FY 2016-17 Transportation Commission Contingency Reserve Fund (TCCRF) Reconciliation</b>	
Estimated FY 2015-16 Surplus to TC Contingency	\$ 80,057,099
FY 2016-17 September Beginning TCCRF Balance	\$ 76,456,318
<b>FY 2016-17 September Beginning TCCRF Balance (with FY 2015-16 Roll Forwards)</b>	<b>\$ 156,513,417</b>
FY 2016-17 September Pending Budget Supplement Items:	\$ (2,278,012)
· State Match for ER Permanent Repair Projects	\$ (159,217)
· Reimbursement of OJT and DBE Advancement	\$ 269,072
· Savings from Region 1 SH6 Vasquez Blvd. Pump Station	\$ 178,983
· Road Usage Charge Pilot Match for Grant	\$ (200,000)
· HPTE Fee for Service	\$ (2,366,850)
FY 2016-17 Pending September TC Action Through Resolution:	\$ (5,600,000)
· Region 2 Building CSP	\$ (5,600,000)
<b>FY 2016-17 September TCCRF Balance</b>	<b>\$ 148,635,405</b>
October 2016 Monthly Budget Supplement Staff Recommendations (For TC Consideration):	
· RoadX	\$ (13,750,000)
· TSM&O	\$ (11,500,000)
· Asset Management	\$ (10,000,000)
FY 2016-17 TCCRF Funding Considerations:	
· FY 2016-17 State Match for Emergency Relief/Permanent Recovery	\$ (9,500,000)
· FY 2016-17 Right of Way Acquisitions	\$ (20,000,000)
· FY 2016-17 State Match for Spring 2015 Floods	\$ (2,500,000)
· Estimated Miscellaneous TCCRF Funding Requests (9 months)	\$ (18,000,000)
· Striping Initiative To Be Determined	\$ (1,000,000)
· Maintenance Resurfacing Program Initiative, To Be Determined	\$ (10,000,000)
<b>Projected Contingency Balance - June, 2017</b>	<b>\$ 52,385,405</b>

**Attachments**

Attachment A - FY 2015-16 Preliminary Revenue Reconciliation

Attachment B - FY 2016-17 Asset Management Funding Consideration



**Attachement A: Colorado Department of Transportation  
FY 2015-16 Preliminary Revenue Reconciliation\***

REVENUE SOURCE	FY 2015-16		Comparison	NOTES
	March 2016 Amended Budget (FAST Act)	Actuals	Actuals - Forecast	
<b>1 STATE FUNDS</b>				
2 HUTF Revenue to CDOT	412,477,300	438,529,305	26,052,005	
3 CDOT Miscellaneous Revenue	19,200,000	27,249,908	8,049,908	\$6,235,325 already distributed to cost centers. \$1,814,582 left to allocate.
4 General Fund Revenue to CDOT	199,200,000	199,700,000	500,000	Includes Capital Construction funds (\$500,000), which have already been budgeted to a project.
5 State Infrastructure Bank	500,000	396,767	(103,233)	
6 State Safety Education Funds	3,000,000	3,303,474	303,474	
7 Aeronautics Funds	19,444,747	15,205,891	(4,238,856)	Result of two large refundings from previous years
<b>8 TOTAL STATE FUNDS</b>	<b>653,822,047</b>	<b>684,385,344</b>	<b>30,563,297</b>	
<b>9 FASTER FUNDS</b>				
10 FASTER Safety - State Share to CDOT	106,300,000	107,318,330	1,018,330	
11 FASTER Safety - Local Share for Rail and Transit	5,000,000	5,000,000	0	
<b>12 TOTAL FASTER FUNDS</b>	<b>111,300,000</b>	<b>112,318,330</b>	<b>1,018,330</b>	
<b>13 FEDERAL FUNDS</b>				
14 Federal Highway Administration - Flexible	380,910,776	380,910,776	0	
15 Federal Highway Administration - Inflexible	117,108,534	117,108,534	0	
16 Federal Transit Administration	20,108,125	23,113,215	3,005,090	
17 National Highway Traffic Safety Administration	7,640,000	10,523,109	2,883,109	
18 Federal Aviation Administration	0	295,372	295,372	
<b>19 TOTAL NON- EMERGENCY FEDERAL FUNDS</b>	<b>525,767,435</b>	<b>531,951,006</b>	<b>6,183,571</b>	
<b>20 LOCAL MATCHING FUNDS</b>				
21 Local Match for FHWA Funding	21,153,486	21,153,486	0	
22 Local Match for FTA Funding	10,213,973	10,160,038	(53,935)	
<b>23 TOTAL LOCAL MATCHING FUNDS</b>	<b>31,367,459</b>	<b>31,313,524</b>	<b>(53,935)</b>	
<b>24 Total Colorado Department of Transportation Revenue</b>	<b>1,322,256,941</b>	<b>1,359,968,204</b>	<b>37,711,263</b>	
<b>ADDITIONAL FEDERAL OBLIGATION AUTHORITY - PERMANENT RECOVERY &amp; REDISTRIBUTION</b>				
25 Federal Highway Administration - Permanent Recovery	174,500,000	174,500,000	0	
26 Federal Highway Administration - Redistribution	0	48,047,076	48,047,076	
<b>27 TOTAL ADDITIONAL FEDERAL OBLIGATION AUTHORITY</b>	<b>174,500,000</b>	<b>222,547,076</b>	<b>48,047,076</b>	
<b>28 Total Colorado Department of Transportation Revenue &amp; Obligation Authority</b>	<b>1,496,756,941</b>	<b>1,582,515,280</b>	<b>85,758,339</b>	
<b>Notes:</b>				
Total CDOT Flexible Revenue & Federal Obligation	1,011,788,076	1,094,437,065	82,648,989	
Total CDOT Inflexible Revenue & Federal Obligation	484,968,865	488,078,216	3,109,350	

**Colorado Statewide Bridge Enterprise  
FY 2015-16 Preliminary Revenue Reconciliation\***

REVENUE SOURCE	FY 2015-16		Comparison	NOTES
	March 2016 (FAST Act)	Actuals	Actuals - Forecast	
<b>29 STATE FUNDS</b>				
30 Other Enterprise Charges				
31 Interest Income - Exempt	3,000,000	2,439,828	(560,172)	
32 Miscellaneous Revenue	0	85,755	85,755	
<b>33 TOTAL STATE FUNDS</b>	<b>3,000,000</b>	<b>2,525,583</b>	<b>(474,417)</b>	
<b>34 FASTER FUNDS</b>				
35 FASTER - Bridge Surcharge	100,100,000	100,891,411	791,411	
<b>36 TOTAL FASTER FUNDS</b>	<b>100,100,000</b>	<b>100,891,411</b>	<b>791,411</b>	
<b>37 FEDERAL FUNDS</b>				
38 Buy America Bonds Credit	6,000,000	5,947,931	(52,069)	
39 Re-distributed FHWA for BE Projects	15,000,000	15,000,000	0	
<b>40 TOTAL FEDERAL FUNDS</b>	<b>6,000,000</b>	<b>5,947,931</b>	<b>(52,069)</b>	
<b>41 Statewide Bridge Enterprise Revenue</b>	<b>124,100,000</b>	<b>124,364,925</b>	<b>264,925</b>	

**Colorado High Performance Transportation Enterprise  
FY 2015-16 Preliminary Revenue Reconciliation\***

REVENUE SOURCE	FY 2015-16		Comparison	NOTES
	March 2016 (FAST Act)	Actuals	Actuals - Forecast	
<b>42 STATE FUNDS</b>				
43 Tolling Fee Revenue (Enterprise)	0	358,372	358,372	
44 Tolling Violations	0	780	780	
45 Interest Income - Exempt	200,000	337,182	137,182	
46 Fee for Service	2,000,000	2,000,000	0	
<b>47 TOTAL STATE FUNDS</b>	<b>2,200,000</b>	<b>2,696,334</b>	<b>496,334</b>	
<b>48 LOCAL CONTRIBUTIONS</b>				
49 Managed Lanes Revenue	375,000	1,999,755	1,624,755	Transponder sales & Concessionaire payment
<b>50 TOTAL LOCAL CONTRIBUTIONS</b>	<b>375,000</b>	<b>1,999,755</b>	<b>1,624,755</b>	
<b>51 High Performance Transportation Enterprise Revenue</b>	<b>2,575,000</b>	<b>4,696,089</b>	<b>2,121,089</b>	
<b>52 Total Transportation Revenue &amp; Federal Obligation</b>	<b>1,623,431,941</b>	<b>1,711,576,294</b>	<b>88,144,353</b>	

**Notes:**

\*Revenue is subject to change pending final audit.

## Attachment B: Asset Management Funding Consideration



### **COLORADO** Department of Transportation

Office of the Chief Engineer  
4201 East Arkansas Ave, Suite 262  
Denver, CO 80222

**DATE:** September 14, 2016  
**TO:** Transportation Commission  
**FROM:** Joshua Laipply, Chief Engineer  
Debra Perkins-Smith, Division of Transportation Development Director  
William Johnson, Performance and Asset Management Branch Manager  
**SUBJECT:** TAM Request for Additional Funding FY 2016-17 and Ongoing, and Temporary Suspension of Federal Funds Transfer to BE

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#### Purpose

This memorandum summarizes a request to increase funding to select asset management programs for FY 2016-17 and on-going, and to temporarily suspend the \$15.0 million federal funds transfer to the Bridge Enterprise from FY 2017-18 through FY 2019-20.

#### Action

Staff is seeking Transportation Commission (TC) approval for an increase to FY 2016-17 funding for select assets. Upon approval, CDOT staff will implement the changes in the FY 2016-17 Budget and future budgets.

#### Background

In November 2014 the Transportation Commission (TC) Asset Management Committee approved the planning budget for the FY 2016-17 asset program. The budget for FY 2016-17 will be adopted by the TC in November 2016. The total budget for asset programs in FY 2016-17 is \$755.0 million, based on \$588.0 million of baseline and \$167.0 million of retired TransBond debt service.

In January 2015, the TC approved the performance metrics and targets for all 11 asset classes in Policy Directive 14. Staff use the performance metrics and targets to allocate the \$755.0 million budget between the different asset classes. Staff forecast performance, based on the planning budget, through 2025. In February 2016, the Commission heard a general overview of the asset management program. In March 2016 and April 2016 the asset managers from the eleven asset classes provided an in-depth review, including information on inventory, condition, performance metrics, and targets. Included with the March and April workshops was information about funding each asset program needed to achieve their performance targets by 2025.

#### Details

Analysis from the Asset Investment Management System (AIMS), and other sources, shows that there is about a \$230.0 million shortfall in funding that would prevent some asset classes from achieving their target by the year 2025. Forecasted performance is presented in Table 1 below:



Table 1. Asset Management Forecasted Performance

Asset Class	Metric	Target	Current Performance	Forecasted Performance in 2025 - (based on planning budget) Without Additional Investment	Forecasted Performance in 2025 with Additional Funding
Surface Treatment	Percentage high-moderate drivability life for the State highway system based on condition standards and treatments set for traffic volume categories	80%	79%	73%	no change
Bridge	Percentage of deck area on structurally deficient CDOT-owned bridges	<=10%	5.40%	6.30%	no change
	Maintain the percent of NHS total bridge deck area that is not structurally deficient at or above 90%	90%	94.7%	TBD	no change
	Maintain the percent of state highway total bridge deck area that is not structurally deficient at or above 90%	90%	94.4%	TBD	no change
	Percentage of CDOT-owned bridges over waterways that are scour critical	5%	7.6%	TBD	some improvement
	Percentage of bridge crossings over Interstates, U.S. routes and Colorado state highways with a vertical clearance less than the statutory maximum vehicle height of 14 feet-6 inches	0.4%	0.4%	TBD	no change
	Percentage of bridge crossings over Interstates, U.S. Routes and Colorado state highways with a vertical clearance less than the minimum design requirement of 16 feet-6 inches	4.8%	4.8%	TBD	no change
	Percentage of CDOT-owned bridges posted for load	0.0%	0.1%	TBD	no change
	Percentage of CDOT-owned bridges with a load restriction	3.0%	2.5%	TBD	no change
	Percentage of leaking expansion joint by length on CDOT-owned bridges	15% or less	18.9%	TBD	some improvement
	Percentage of CDOT-owned bridge deck area that is unsealed or otherwise unprotected	30% or less	35.1%	TBD	some improvement
MLOS	Statewide Letter Grade	B-	B-	C-	no change
Road Equipment	Average Percent Useful Life	70%	90%	66%	no change
ITS*	Average Percent Useful Life	90%	114%	50%	no change
Geohazards	Percent of segments at or above risk grade C	80%	78%	72%	some improvement
Buildings	Statewide Letter Grade	90% C or Better	80% C or Better	71.81% C or Better	no change
Tunnels	Percent of network tunnel length with all elements in equal or better condition than 2.5 Weighted Condition Index	80%	91%	78%	80%
Culverts	Percent Culverts which are structurally deficient (have a culvert rating of 4 or less)	5%	4.40%	6.40%	5%
Walls	Percentage of CDOT-owned walls, by square foot, that are structurally deficient (have a rating of 4 or less).	1%	4.80%	3.20%	1%
Traffic Signals	Percent intersections with at least one signal assembly beyond 100% Useful Life	15%	27%	35%	no change

■ Target Achieved  
■ Target Not Achieved

**Summary of Recommendations**

Department staff recognizes that there is not enough funding available to close the shortfall of nearly \$230.0 million per year. However, analysis shows that small increases in funding to some programs could have a significant impact towards achieving performance targets. CDOT staff are recommending two actions for decision by the TC:

1. Temporarily suspend the annual TC approved \$15.0 million federal funds transfer from Capital Construction fund to Bridge Enterprise for the period FY 2017-18 through FY 2019-20. The temporary suspension of the funds transfer will not have a negative effect on the BE program, nor will it change the overall funding allocated to bridges. The funds will be used for bridge preventive maintenance projects like deck overlays and membranes, joints, and scour mitigation.

Department staff has identified where additional funding should be allocated based on expected performance. Additionally, the asset programs being recommended for additional funding have been prioritized based on region input and because they focus on high risk assets that, if allowed to fail, would cause damage to other assets and cost significantly more to repair, or cause significant disruption of service to our customers.



2. The request for an additional \$10.0 million in FY 2016-17 funding and ongoing would be put towards the following programs:
  - a. Geohazards - \$1.8 million
  - b. Tunnels - \$2.9 million
  - c. Culverts - \$0.9 million
  - d. Walls - \$4.4 million

#### **Options and Recommendations**

1. **STAFF RECOMMENDATION:** Approve both the Asset Management Funding Consideration for \$10.0 million for FY 2016-17 and the temporary suspension of the \$15.0 million Bridge Enterprise transfer from FY 2017-18 through FY 2019-20 (see next steps).
2. Request more information from the Division of Transportation Development for either request.
3. Deny both requests and/or request alternative funding arrangements for Asset Management in FY 2016-17 and ongoing.

#### **Next Steps**

Upon guidance from the TC, Department staff will seek approval for the FY 2016-17 funds through the monthly budget supplement process and will include the FY 2017-18 funding request through the annual budget process.





# COLORADO

## Department of Transportation

Division of Accounting and Finance

4201 East Arkansas Avenue, Room 262  
Denver, CO 80222

### MEMORANDUM

**TO:** TRANSPORTATION COMMISSION  
**FROM:** MARIA SOBOTA, CHIEF FINANCIAL OFFICER (CFO)  
**DATE:** SEPTEMBER 14, 2016  
**SUBJECT:** FY 2017-18 BUDGET WORKSHOP

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#### Purpose

This memorandum summarizes the FY 2017-18 revenue projections in preparation for the Transportation Commission's (TC) review of the FY 2017-18 Draft Annual Budget in October.

#### Action

The Division of Accounting and Finance (DAF) is asking the TC to review and comment on the FY 2017-18 revenue estimates.

#### Background & Details

At the beginning of each fiscal year, DAF creates the initial development of CDOT's revenue allocation for the upcoming fiscal year, followed by developing and balancing the upcoming fiscal year annual budget.

#### *FY 2017-18 Revenue Estimates*

A comparison of the preliminary FY 2017-18 revenue estimates versus FY 2016-17 for all Transportation Revenue is summarized as follows (see Attachment A - FY 2017-18 Revenue Forecast Comparison):

- CDOT's FY 2017-18 estimated revenues for next fiscal year's Draft Annual Budget are \$1.443 billion, which is an increase of \$9.8 million from FY 2016-17; the majority of the increase is driven by flexible state and federal revenue, offsetting a reduction in State General Fund revenue from the expected Senate Bill (SB) 09-228 transfer.
  - **Highway User Tax Fund** estimated revenue in FY 2017-18 is expected to increase by \$32.8 million to \$459.4 million.
  - As of September 2016, **SB 09-228 projections** remain at the legislatively approved \$158.0 million in FY 2016-17. However, the current projection in FY 2017-18 assumes \$111.6 million to CDOT.
  - State Share of **FASTER Safety funds** to CDOT in FY 2017-18 is expected to increase by \$4.7 million to \$112.5 million due to an increase in Colorado's population.
  - **Federal flexible revenue** in FY 2017-18 is expected to increase by \$7.8 million to \$389.3 million due to the FAST Act.
  - **Federal inflexible revenue** in FY 2017-18 is expected to increase by \$4.9 million to \$122.2 million due to the FAST Act.



- **National Highway Traffic Safety Administration (NHTSA)** grants are expected to increase in FY 2017-18 by \$3.1 million to \$11.5 million due to an increase Transportation Safety Administration (TSA) grant funding.
  - CDOT has submitted a request for a \$2.1 million increase in FY 2017-18 **Permanent Recovery funding** to \$129.5 million. This forecasted increase is subject to change based on FHWA approval.
- Colorado’s High Performance Transportation Enterprise (HPTE) FY 2017-18 estimated revenues for next fiscal year’s Draft Annual Budget are \$2.7 million, which is a reduction from FY 2016 -17. This is because there is no predicted tolling revenue estimate as of yet for FY 2017-18. HPTE expects to have an updated FY 2017-18 revenue estimate for TC review in October.
  - Colorado’s Statewide Bridge Enterprise (CBE) FY 2017-18 estimated revenues for next fiscal year’s Draft Budget are \$127.3 million, which is an increase of \$0.7 million from FY 2016-17; the majority of the increase is driven by the forecasted increase in FASTER Safety Bridge Surcharge revenues, the primary funding source for CBE.

The attached FY 2017-18 Revenue Forecast Comparison also identifies revenues estimated for flexible (TC-directed) and inflexible programs. FY 2017-18 revenues specific to a program are considered inflexible (i.e., Fast Act and State mandated programs such as safety education and Aeronautics) and have been automatically adjusted based on the total FY 2017-18 revenue assumptions. All other program revenues are considered flexible and are estimated based on the FY 2016-17 budget amounts as adopted by the TC in March 2016.

**10-Year Revenue Forecast**

DAF maintains a robust revenue model utilizing numerous data points that creates revenue projections for CDOT at least 10 years into the future. Due to potential Senate Bill (SB) 09-228 transfers and higher gas tax revenues due to an increasing population, CDOT will continue to see a minor increase in nominal revenues over the next 10 years (see Attachment B). However, adjusting for inflation, the real value of CDOT revenues over the next 10 years will decrease.

**Options and Recommendations**

N/A

**Next Steps**

In October 2016, DAF will:

- Provide updated FY 2017-18 revenue projections to the TC.
- Provide the FY 2017-18 Draft Annual Budget to the TC. Decision items will be collected and presented to the TC in early 2017 for implementation in the FY 2017-18 Final Annual Budget.
- Provide the initial FY 2017-18 Narrative Budget for TC review.

**Attachments**

- Attachment A - FY 2017-18 Revenue Forecast Comparison
- Attachment B - Actual vs. Forecasted Revenue (1991-2026)



**Attachment A: Colorado Department of Transportation  
FY 2017-18 Revenue Forecast Comparison**

REVENUE SOURCE	FY 2016-17 Revenue Projections	FY 2017-18	Comparison	NOTES
	Updated Adopted Budget (June 2016)	September 2016 Forecast	FY 2017-18 Forecast - FY 2016-17 Budget	
<b>1 STATE FUNDS</b>				
2 HUTF Revenue to CDOT	426,590,727	459,397,270	32,806,543	Result of increased registration fee revenues resulting from growing Colorado population
3 CDOT Miscellaneous Revenue	27,026,368	26,503,188	(523,181)	
4 General Fund Revenue to CDOT	158,500,000	112,100,000	(46,400,000)	Subject to change after September OSPB/LCS forecasts
5 State Infrastructure Bank	420,804	400,000	(20,804)	
6 State Safety Education Funds	4,274,859	3,455,576	(819,283)	
7 Aeronautics Funds	17,437,440	19,010,000	1,572,560	
<b>8 TOTAL STATE FUNDS</b>	<b>634,250,198</b>	<b>620,866,034</b>	<b>(13,384,164)</b>	
<b>9 FASTER FUNDS</b>				
10 FASTER Safety - State Share to CDOT	107,853,157	112,517,819	4,664,662	Increased as a result of growing Colorado population
11 FASTER Safety - Local Share for Rail and Transit	5,000,000	5,000,000	0	
<b>12 TOTAL FASTER FUNDS</b>	<b>112,853,157</b>	<b>117,517,819</b>	<b>4,664,662</b>	
<b>13 FEDERAL FUNDS</b>				
14 Federal Highway Administration - Flexible	381,485,317	389,300,083	7,814,766	Federal apportionments expected to grow from year to year over length of FAST Act
15 Federal Highway Administration - Inflexible	117,298,611	122,220,605	4,921,994	Federal apportionments expected to grow from year to year over length of FAST Act
16 Federal Transit Administration	19,401,078	19,798,092	397,014	
17 National Highway Traffic Safety Administration	8,339,629	11,506,821	3,167,193	
18 Federal Aviation Administration	335,657	100,000	(235,657)	
<b>19 TOTAL NON- EMERGENCY FEDERAL FUNDS</b>	<b>526,860,292</b>	<b>542,925,601</b>	<b>16,065,310</b>	
<b>20 LOCAL MATCHING FUNDS</b>				
21 Local Match for FHWA Funding	21,116,465	21,560,914	444,449	
22 Local Match for FTA Funding	10,433,356	10,376,921	(56,435)	
<b>23 TOTAL LOCAL MATCHING FUNDS</b>	<b>31,549,821</b>	<b>31,937,835</b>	<b>388,014</b>	
<b>24 Total Colorado Department of Transportation Revenue</b>	<b>1,305,513,468</b>	<b>1,313,247,289</b>	<b>7,733,821</b>	
<b>ADDITIONAL FEDERAL OBLIGATION AUTHORITY - PERMANENT RECOVERY &amp; REDISTRIBUTION</b>				
25 Federal Highway Administration - Permanent Recovery	127,400,000	129,500,000	2,100,000	Request to FHWA for Permanent Recovery funds has been submitted. CDOT awaiting response from FHWA. This forecast is subject to change.
26 Federal Highway Administration - Redistribution				
<b>27 TOTAL ADDITIONAL FEDERAL OBLIGATION AUTHORITY</b>	<b>127,400,000</b>	<b>129,500,000</b>	<b>2,100,000</b>	
<b>28 Total Colorado Department of Transportation Revenue &amp; Obligation Authority</b>	<b>1,432,913,468</b>	<b>1,442,747,289</b>	<b>9,833,821</b>	
<b>Notes:</b>				
Total CDOT Flexible Revenue & Federal Obligation	993,602,412	987,300,541	(6,301,872)	
Total CDOT Inflexible Revenue & Federal Obligation	439,311,056	455,446,749	16,135,693	

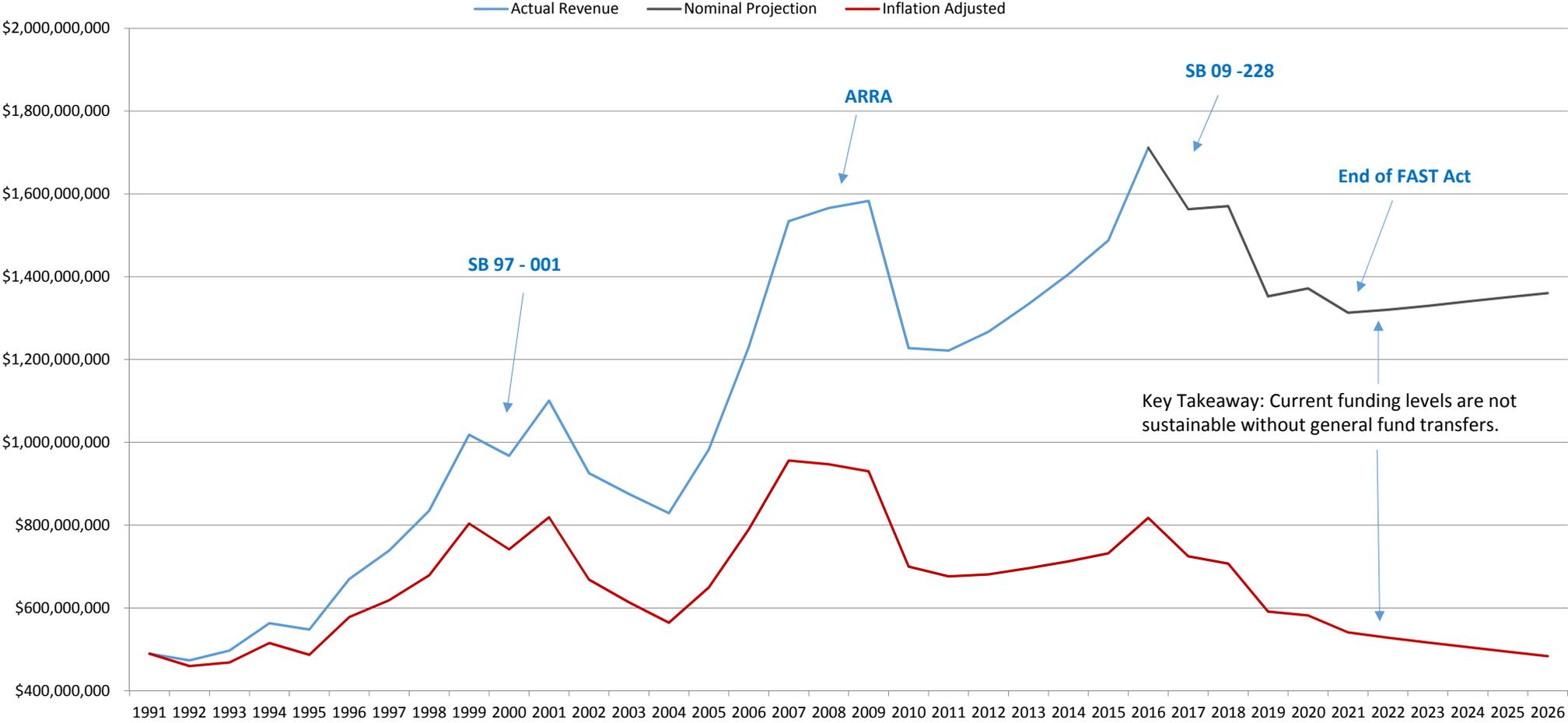
Colorado Statewide Bridge Enterprise FY 2017-18 Revenue Forecast Comparison				
REVENUE SOURCE	FY 2016-17 Revenue Projections	FY 2017-18	Comparison	NOTES
	Adopted Budget (March 2016)	September 2016 Forecast	FY 2017-18 Forecast - FY 2016-17 Budget	
29 <b>STATE FUNDS</b>				
30 Other Enterprise Charges	0	0	0	
31 Interest Income - Exempt	3,500,000	1,711,000	(1,789,000)	Decreased interest income based on decreased forecasted cash balance.
32 Cost Recovery	0	0	0	
33 <b>TOTAL STATE FUNDS</b>	<b>3,500,000</b>	<b>1,711,000</b>	<b>(1,789,000)</b>	
34 <b>FASTER FUNDS</b>				
35 FASTER - Bridge Surcharge	102,100,000	104,630,664	2,530,664	
36 <b>TOTAL FASTER FUNDS</b>	<b>102,100,000</b>	<b>104,630,664</b>	<b>2,530,664</b>	
37 <b>FEDERAL FUNDS</b>				
38 Buy America Bonds Credit	6,000,000	6,000,000	0	
39 Re-distributed FHWA for BE Projects	15,000,000	15,000,000	0	
40 <b>TOTAL FEDERAL FUNDS</b>	<b>6,000,000</b>	<b>6,000,000</b>		
41 <b>Statewide Bridge Enterprise Revenue</b>	<b>126,600,000</b>	<b>127,341,665</b>	<b>741,665</b>	

Colorado High Performance Transportation Enterprise FY 2017-18 Revenue Forecast Comparison				
REVENUE SOURCE	FY 2016-17 Revenue Projections	FY 2017-18	Comparison	Comparison
	Adopted Budget (March 2016)	September 2016 Forecast	FY 2017-18 Forecast - FY 2016-17 Budget	March - September
42 <b>STATE FUNDS</b>				
43 Tolling Fee Revenue (Enterprise)	2,719,192	375,000	(2,344,192)	Awaiting Tolling Revenue forecast from HPTE
44 Tolling Violations	0	0	0	
45 Interest Income - Exempt	208,800	200,000	(8,800)	
46 Fee for Service	2,080,000	2,080,000	0	Subject to change per HPTE pending Work Plan Budget request.
47 <b>TOTAL STATE FUNDS</b>	<b>5,007,992</b>	<b>2,655,000</b>	<b>(2,352,992)</b>	
48 <b>LOCAL CONTRIBUTIONS</b>				
49 Managed Lanes Revenue	695,000	0	(695,000)	Awaiting Managed Lanes revenue forecast from HPTE
50 <b>TOTAL LOCAL CONTRIBUTIONS</b>	<b>695,000</b>	<b>0</b>	<b>(695,000)</b>	
51 <b>High Performance Transportation Enterprise Revenue</b>	<b>5,702,992</b>	<b>2,655,000</b>	<b>(3,047,992)</b>	
52 <b>Total Transportation Revenue &amp; Federal Obligation</b>	<b>1,563,136,460</b>	<b>1,570,663,954</b>	<b>7,527,494</b>	

Notes:

Total FY 2017-18 Revenue is \$2.08M less than sum of CDOT, HPTE, & CBE revenue due to Fee for Service from CDOT to HPTE

# Attachment B: Actual vs Forecasted Revenue 1991-2026



- Notes:
1. Revenues include CDOT, HPTE, and CBE total Revenues
  2. Assumes a 3% CCI inflation rate
  3. No Permanent Recovery funds included in revenue forecasts after FY 2017-18
  4. No Senate Bill 09-228 General Fund transfers forecasted after FY 2017-18
  5. Federal Funding levels are forecasted to decrease after FAST Act ends in FY 2019-20



# COLORADO

Department of Transportation

Division of Accounting and Finance

4201 East Arkansas Avenue, Room 262  
Denver, CO 80222

## MEMORANDUM

**TO:** TRANSPORTATION COMMISSION  
**FROM:** DAVID SPECTOR, DIRECTOR OF HIGH PERFORMANCE TRANSPORTATION ENTERPRISE  
**CC:** MARIA SOBOTA, CHIEF FINANCIAL OFFICER  
**DATE:** SEPTEMBER 14, 2016  
**SUBJECT:** APPROVAL OF THE FIRST AMENDMENT TO THE FISCAL YEAR 2016-17 INTRA-AGENCY AGREEMENT BETWEEN CDOT AND HPTE

### Purpose:

To present information about the first amendment to the Fiscal Year (FY) 2016-17 Fee for Service Intra-Agency Agreement (IAA), including an expanded scope of work (SOW), between the Colorado Department of Transportation (CDOT) and the High Performance Transportation Enterprise (HPTE).

### Action:

Department Staff is seeking Transportation Commission (TC) approval of the resolution (shown in Attachment A) authorizing the proposed amendment to the IAA between CDOT and HPTE for FY 2016-17.

### Background on the Fee for Service Intra-Agency Agreement for FY 2016-17:

In exchange for the specialized nature of the expertise and services HPTE provides to CDOT, CDOT pays HPTE for those services through an annual 'fee-for-service' IAA. This IAA includes the HPTE scope of work and the process by which HPTE is able to earn the value of the services it provides to CDOT in an exchange transaction. As part of the IAA, the services that are to be provided by HPTE to CDOT and the value being compensated for each are detailed in a scope of work for that upcoming fiscal year. For FY 2016-17 HPTE staff presented the TC with information on the following schedule:

- In May 2016 HPTE staff presented the TC with an informational memo for comment regarding key areas of work HPTE would be leading on behalf of CDOT for the upcoming fiscal year.
- In June 2016 the TC was presented with a finalized SOW and approved an updated Fee for Service Intra-Agency Agreement (IAA) between CDOT and HPTE for FY 2016-17.

### Background on the Proposed Amendment to the Current IAA:

In connection with Senate Bill (SB) 16-123 being postponed indefinitely, CDOT and HPTE agreed to implement changes to allow High Occupancy Vehicles (HOV) only Express Lane users and motorcycles to travel for free in HOV Express Lanes ("HOV Changes"). CDOT has requested HPTE to lead this implementation effort on its behalf. However, the tasks related to this implementation were not included in the fee for service agreement and original SOW for FY 2016-17 that was approved in June 2016. These activities were not included at that time because CDOT authorized a \$2,080,000 budget for HPTE for (FY) 2016-17 and the SOW must reflect services that can be delivered for the authorized budget.

HPTE and CDOT have acknowledged that implementing these procedural changes for HOV only drivers will result in additional work for HPTE, and that budget requests and fee for service scope revisions will be accommodated as this work is performed. As such, the proposed first amendment to the FY 2016-17 IAA includes an expanded scope of work and required budget to complete specific tasks that are outlined in Attachment B.



Additional areas of work that CDOT has tasked HPTE with for FY 2016-17 and the requested budget associated with each are outlined below in Table 1:

Table 1: Summary of IAA Amendment

Additional Scope of Work Activities	Requested Budget
Manage all public outreach and education regarding the new HOV Changes, including direct and indirect costs of paid and earned media	\$ 51,364
Pay for direct and indirect costs of tolling partner E-470 to implement the necessary system changes to allow HOV Changes in daily business transactions, including coordination and management of process.	\$1,819,736
Implement the preferred interim solution of purchasing and sending current HOV only users a rebate (in the form of a gift card) for previously purchased transponders.	\$131,000
Hire a tolling services manager who will oversee daily tolling operations and the collection of toll revenue. Requested budget is the value of the position.	\$114,750
HPTE Staff time and indirect costs related to fulfilling statutory duties and above activities.	\$ 250,000
<b>Total Budget Needed</b>	<b>\$2,366,850</b>

Additional details regarding these activities, as well as HPTE’s full scope of work for FY 2016-17, can be found under the Amendment to HPTE 2016/17 Scope of Work/Fee for Service in the Discuss and Act section of the September TC packet. The total budget required to complete these additional tasks is integrated into the third CDOT budget supplement to the FY 2016-17 budget and will be presented to the TC for consideration and approval.

Key Policy Considerations

- The HOV Changes were mutually agreed to by Executive Director Bhatt and Director Spector, and presented as a unified plan to the General Assembly.
- As the manager and day-to-day operator of the Express Lanes, HPTE is best positioned to implement the HOV Changes most effectively and efficiently.
- CDOT budget and Communications staff are aware and supportive of these SOW changes.
- Approval of the amended IAA will fairly compensate HPTE for the additional work and services it is providing to CDOT.

Commission Options/Decision Matrix

- 1) **Staff Recommendation:** Review and approve the first amendment to the IAA, that describes additional SOW tasks related to HOV Changes, for FY 2016-17.
- 2) Review the revised scope of work and IAA, but with instructions to add scope of work for particular projects or programs. Staff would revise the scope of work and return with a revised document and increased budget supplement in October.
- 3) Review the revised scope of work and IAA, but with instructions to the eliminate scope of work for particular projects or programs. Staff would revise the scope and return with a revised document and decreased budget supplement in October.

Next Steps

- If needed, additional tasks related to the implementation of HOV Changes or any other activities that are currently outside the revised scope of work will be captured in a future IAA and budget amendment and brought before the TC for approval.
- The timing for approval, budget amount, and scope of the IAA is currently dictated by the original two-year SOW agreement between CDOT and HPTE, which was agreed to prior to FY 2015-16. Starting in FY 2017-18, HPTE’s development of a proposed budget and proposed scope of work will proceed along the same timeline, ensuring that the two are aligned.

Attachments:

- Attachment A: Resolution Approving a First Amendment to the Fee for Service Intra-Agency Agreement between CDOT and HPTE for FY 2016-17
- Attachment B: First Amendment (FY 2016-17) to Fee for Service Intra-Agency Agreement

