



MEMORANDUM

TO: TRANSPORTATION COMMISSION
FROM: JEFF SUDMEIER, CHIEF FINANCIAL OFFICER (CFO)
DATE: OCTOBER 18, 2018
SUBJECT: FY 2019-20 ANNUAL BUDGET

Purpose

This memorandum summarizes information to be discussed during the October Transportation Commission (TC) budget workshop including the FY 2019-20 Proposed Annual Budget and FY 2019-20 Narrative Budget.

Action

The TC is being asked to review the FY 2019-20 Proposed Annual Budget (One Sheet) and the FY 2019-20 Proposed Budget Allocation Plan (Narrative Budget), and to provide feedback to the Department in preparation for the approval of the FY 2019-20 Proposed Budget in November 2018. The TC will be asked to adopt the final budget after revenue forecasts are updated in March 2019.

Background & Details

FY 2019-20 Decision Items

Beginning with the FY 2016-17 Annual Budget, the Division of Accounting and Finance (DAF) moved to a Work Plan Budget process, whereby each Division/Region within CDOT would submit their own budget allocation plan. In FY 2017-18, DAF expanded this process to include all Division/Region Decision Items. In accordance with Policy Directive (PD) 703.0, all decision item requests will be reviewed by the Executive Management Team (EMT). Requests of \$1 million or greater will be presented to the TC (if necessary) in February 2019 for approval and placement into the FY 2019-20 Final Annual Budget. Requests for less than \$1 million will be considered for approval by the EMT. The results of decision items will be included in the final budget for approval in March of 2019.

FY 2019-20 Proposed Annual Budget

The FY 2019-20 Proposed Annual Budget is included as Attachment A. The accompanying Proposed Budget Allocation Plan (see <https://www.codot.gov/business/budget/cdot-budget/draft-budget-documents/fy-2019-20-proposed-narrative-budget/view>) contains current program description and funding detail supporting the annual budget. The Narrative Budget will not be returned to the TC for further review and approval unless the TC requests substantial changes.

The FY 2019-20 Proposed Annual Budget is balanced, with all flexible revenue allocated. 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 FY 2019-20 Revenue Forecast. Asset Management and Maintenance programs are funded according to the FY 2019-20 Asset Management Planning Totals, approved by the TC in August 2016. All other program revenues are



considered flexible and are estimated based on the FY 2018-19 budget amounts as adopted by the TC in March 2018 (and amended in August 2018).

Changes to the FY 2019-20 Proposed Annual Budget since the initial draft presented to the TC in September are detailed below. Changes presented this month are technical changes that involve either updates to Budget Program names or changes to how allocated funds are broken out within the budget.

- **Maintenance Levels of Service (MLOS) (Lines 3-12):** As part of CDOT's agreement with Plenary on US 36, CDOT makes monthly payments for maintenance performed by Plenary on the General Purpose lanes on the US 36 corridor. Over the last few years, this amount has been taken "off the top" of MLOS. This amount (\$2.3 million) has now been broken out separately on Line 12, with each of the other Maintenance Program Areas (MPAs) reduced so that the total MLOS amount of \$265.7 million remains unchanged. Depending on an updated revenue forecast, decision items, and Common Policy changes, staff may return to the TC prior to approval of the FY 2019-20 Final Annual Budget with a recommendation to increase MLOS funding by \$2.3 million so that going forward this cost is not borne by the other MPAs.
- **Mobility Operations (Lines 40-42):** The Division of Transportation Systems Management and Operations (TSMO) recently rebranded as "Mobility Operations." As such, lines 40-42 have been updated to recognize the new name. As described last month, two separate budget programs - Congestion Relief and Traffic Incident Management, have been combined into a single budget program named "Real Time Operations."
- **ITS Asset Management (Line 42):** The ITS Asset Management budget program has in past years included certain ITS costs (i.e. staff salaries, etc.) in the ITS Asset Management budget which are not associated directly with ITS maintenance activities (i.e. on the ground staff costs) or capital replacement. In order to more accurately reflect the amount going exclusively to ITS maintenance, these costs have been separated out and added to the Maintenance Operations program described below. \$8 million has been moved from ITS Asset Management to Maintenance Operations. The total amount dedicated to these activities has not changed.
- **Department Operations and Maintenance Operations (Lines 71-72):** Operations (including maintenance support) has been broken into two different Budget Programs, Department Operations and Maintenance Operations, in order to provide greater visibility between the budget allocated to maintenance support activities and other operations activities. Maintenance Operations includes support costs for the Division of Highway Maintenance, and for ITS Maintenance. Department Operations include other support functions such as standards and specifications, materials testing, training, engineering estimates, etc. The total of these two programs is \$8 million higher than the single Operations budget program in the Proposed budget presented in September, reflecting the previously described shift of \$8 million from ITS Asset Management to Maintenance Operations.

The September TC workshop included discussion relating to asset management, including how funding levels for "core" asset management programs have remained relatively static for the last several years. Attachment C provides some additional information to inform this discussion, including a comparison of the FY 2017-18 and FY 2018-19 budgets to the Proposed FY 2019-20 Annual Budget. While this information does show slight increases in funding going to Transportation Operations (i.e. ITS, RoadX, Real Time Traffic Operations, etc.) and to Administration/Department Operations, the majority of revenue growth over the last three years has gone to inflexible pass-through programs or to debt service associated with SB 17-267. Attachment C also provides several options for the Commission to consider relating to funding for asset management in FY 2019-20. Options include:



- Making no changes to current allocations
- Allocating up to \$11.5 million currently budgeted to TC Program Reserve to Asset Management.
 - If this option is preferred, staff recommends waiting until the budget is finalized in February to consider this change further. This will keep these funds “flexible” to increase or decrease based on Decision Items, updated revenue forecasts, changes in Common Policy, or changes to SB 17-267 debt service based on the November election.
- Allocating up to \$22.4 million currently budgeted to ADA Compliance to Asset Management.
 - If this option is preferred, staff will look to alternate sources to fund ADA Compliance in FY 2020, including TC Program Reserve, the FY 2020 SB 1 transfer, or proceeds from a ballot initiative, if successful.
- Decreasing allocations to other flexible programs, and reallocating to Asset Management.

In addition to any direction provided by the Commission with respect to the above, or other changes directed by the Commission, the FY 2019-20 Proposed Annual Budget provided in November for approval may also include changes relating to Common Policy updates from the Governor’s Office and/or changes to SB 17-267 based on the November election.

Options

1. Direct staff to return in November for approval of the FY 2019-20 Proposed Annual Budget, without changes. Revisit the allocation of TC Program Reserve in February.
2. Direct staff to return in November for approval of the FY 2019-20 Proposed Annual Budget, with an additional allocation to Asset Management programs based on Commission direction to reduce allocations to other programs (TC Program Reserve, ADA Compliance, or other flexible programs)
3. Direct staff to return in November for approval of the FY 2019-20 Proposed Annual Budget with other changes.

Next Steps

In November 2018, DAF will:

- Update Administration (line 74) based on Common Policy updates provided by the Governor’s Office. This update may alter other line items, including Department Operations (line 70) and TC Program Reserve (line 122).
- Provide the FY 2019-20 Proposed Annual Budget for TC approval, including changes related to topics discussed during October.
- Ask the TC for adoption of the FY 2019-20 Proposed Annual Budget for submission to the Office of State Planning and Budget (OSPB) on or before December 15, 2018.

Attachments

Attachment A - FY 2019-20 Proposed Annual Budget (One Sheet)

Attachment B - Presentation



**Colorado Department of Transportation
Attachment A: FY 2019-20 Proposed Annual Budget**

CDOT	Budget Category		Directed By	FY 2018-19 Budget	FY 2019-20 Budget	Variance	Funding Source	
1	Maintain - Maintaining What We Have							
2		CDOT Performed Work						
3		Roadway Surface	TC	37,487,230	36,511,573	(975,657)	-3%	
4		Roadside Facilities	TC	25,002,562	24,351,835	(650,727)	-3%	
5		Roadside Appearance	TC	10,964,746	10,679,373	(285,373)	-3%	
6		Structure Maintenance	TC	6,311,352	6,147,090	(164,262)	-3%	
7		Tunnel Activities	TC	6,141,692	5,981,845	(159,847)	-3%	
8		Snow and Ice Control	TC	81,365,315	79,247,670	(2,117,645)	-3%	
9		Traffic Services	TC	67,177,234	65,428,853	(1,748,381)	-3%	
10		Planning and Scheduling	TC	17,761,243	17,298,982	(462,261)	-3%	
11		Material, Equipment and Buildings	TC	18,211,358	17,737,382	(473,976)	-3%	
12		Toll Corridor General Purpose Lanes	TC	2,377,268	2,315,396	(61,872)	-3%	
13								
14				272,800,000	265,700,000	(7,100,000)	-3%	
15								
16		Contracted Out Work						
17		Surface Treatment /1	TC	313,682,698	222,000,000	(91,682,698)	-29%	
18		Structures On-System Construction /1	TC	47,589,367	46,620,000	(969,367)	-2%	
19		Structures Inspection and Management /1	TC	9,450,000	10,010,000	560,000	6%	
20		Geohazards Mitigation /1	TC	8,400,000	9,700,000	1,300,000	15%	
21		Highway Safety Improvement Program	FR	43,054,370	43,939,531	885,161	2%	
22		Railway-Highway Crossings Program	FR	3,395,698	3,466,442	70,744	2%	
23		Hot Spots	TC	2,167,154	2,167,154	-	0%	
24		Traffic Signals /1	TC	17,810,758	16,072,823	(1,737,935)	-10%	
25		FASTER - Safety Projects	TC	67,360,121	69,940,120	2,579,999	4%	
26		Permanent Water Quality Mitigation	TC	6,500,000	6,500,000	-	0%	
27								
28				519,410,166	430,416,070	(88,994,096)	-17%	
29								
30		Capital Expenditure						
31		Road Equipment /1	TC	26,800,000	22,100,000	(4,700,000)	-18%	
32		Capitalized Operating Equipment	TC	3,028,000	3,028,000	-	0%	
33		Property /1	TC	20,200,000	17,600,000	(2,600,000)	-13%	
34								
35				50,028,000	42,728,000	(7,300,000)	-15%	
36								
37				Total:	842,238,166	738,844,070	(103,394,096)	-12%
38	Maximize - Safely Making the Most of What We Have							
39		CDOT Performed Work						
40		Mobility Operations: Planning, Performance, and Programs	TC	2,794,487	2,794,487	-	0%	
41		Mobility Operations: Real-Time Operations	TC	10,552,288	10,552,288	-	0%	
42		Mobility Operations: ITS Asset Management	TC	23,500,000	21,200,000	(2,300,000)	-10%	
43								
44				36,846,775	34,546,775	(2,300,000)	-6%	
45		Contracted Out Work						
46		Safety Education	Comb	11,203,720	11,888,720	685,000	6%	
47		Office of Communications		950,000	950,000	-	0%	
48		Office of Transportation Safety		9,543,720	10,008,720	465,000	5%	
49		Mobility Operations		710,000	930,000	220,000	31%	
50								
51		Regional Priority Program	TC	48,677,000	48,375,000	(302,000)	-1%	
52		ROADX	TC	12,096,525	12,096,525	-	0%	
53		ADA Compliance		5,000,000	22,400,000	17,400,000	348%	
54								
55				76,977,245	94,760,245	17,783,000	23%	
56		Capital Expenditure						
57		Mobility Operations: ITS Investments	TC	10,000,000	10,000,000	-	0%	
58								
59				10,000,000	10,000,000	-	0%	
60								
61				Total:	123,824,020	139,307,020	15,483,000	13%
62	Expand - Increasing Capacity							
63		CDOT Performed Work						
64								
65		Contracted Out Work						
66		Strategic Projects	SL	583,500,000	555,000,000	(28,500,000)	-5%	
67		National Freight Program	FR	20,791,883	23,102,092	2,310,209	11%	
68								
69				604,291,883	578,102,092	(26,189,791)	-4%	
70				Total:	604,291,883	578,102,092	(26,189,791)	-4%
71	Deliver - Program Delivery/Administration							
72		Department Operations	TC	32,230,682	23,736,229	(8,494,453)		
73		Maintenance Operations	TC		16,494,453	16,494,453	125%	
74		Projects Initiatives	TC	2,605,000	2,605,000	-	0%	
75		DTD Planning and Research - SPR	FR	14,192,374	14,533,590	341,216	2%	
76		Administration (Appropriated)	SL	35,845,120	35,845,120	-	0%	
77		HPTE FEE for Service	TC	5,169,500	5,169,500	-	0%	
78								
79				90,042,676	98,383,892	8,341,216	9%	
80				Total:	90,042,676	98,383,892	8,341,216	9%
81	Pass-Through Funds/Multi-modal Grants							
82		Aeronautics						
83		Division of Aeronautics to Airports	AB	24,235,195	29,483,195	5,248,000	22%	
84		Division of Aeronautics Administration	AB	1,264,805	1,264,805	-	0%	
85								
86				25,500,000	30,748,000	5,248,000	21%	
87		Highway						
88		Recreational Trails	FR	1,591,652	1,591,652	-	0%	
89		Safe Routes to School /2	TC	2,500,000	3,125,000	625,000	25%	
90		Transportation Alternatives Program /2	FR	12,319,571	12,292,436	(27,135)	0%	
91		STP-Metro /2	FR	54,037,405	54,767,363	729,958	1%	
92		Congestion Mitigation/Air Quality /2	FR	50,196,268	50,196,268	-	0%	
93		Metropolitan Planning /2	FR	8,421,886	8,568,424	146,538	2%	
94		Bridge-Off System - TC Directed /2	TC	3,164,139	3,164,139	-	0%	
95		Bridge-Off System - Federal Program /2	FR	6,245,256	6,245,256	-	0%	
96								
97				138,592,975	139,950,540	1,357,565	1%	
98		Transit						
99		Federal Transit /2	FR	38,924,000	39,266,000	342,000	1%	
100		Strategic Projects - Transit	SL	38,000,000	50,000,000	12,000,000	32%	
101		Multimodal Transportation Options Fund		71,750,000	22,500,000	(49,250,000)	-69%	
102		Southwest Chief and Front Range Rail Commission		2,500,000	-	(2,500,000)	-100%	
103		Transit and Rail Local Grants	SL	5,000,000	5,000,000	-	0%	
104		Transit and Rail Statewide Grants	TC	3,000,000	3,000,000	-	0%	
105		Bustang	TC	5,200,000	5,200,000	-	0%	
106		Outrider Rural Regional Opps	TC	2,500,000	2,500,000	-	0%	
107		Transit Administration and Operations	TC	1,000,000	1,000,000	-	0%	
108								
109				167,874,000	128,466,000	(39,408,000)	-23%	
110		Infrastructure Bank						
111		Infrastructure Bank	TC	400,000	400,000	-	0%	
112								
113				400,000	400,000	-	0%	
114				Total:	332,366,975	299,564,540	(32,802,435)	-10%
115	Transportation Commission Contingency/Debt Service							
116		Permanent Recovery						
117		Permanent Recovery		-	-	-	#DIV/0!	
118								
119								
120		Contingency						
121		TC Contingency	TC	-	15,000,000	15,000,000	#DIV/0!	
122		TC Program Reserve	TC	759,009	11,536,834	10,777,825	1420%	
123		Snow & Ice Reserve	TC	10,000,000	10,000,000	-	0%	
124								
125				10,759,009	36,536,834	25,777,825	240%	
126		Debt Service						
127		Senate Bill 267 - Debt Service	DS	28,500,000	50,000,000	21,500,000	75%	
128		Certificates of Participation - Property	DS	2,361,784	2,361,544	(240)	0%	
129		Certificates of Participation - HQ/R2/R4	DS	9,368,100	9,369,650	1,550	0%	
130		Certificates of Participation - Energy	DS	1,046,627	1,045,263	(1,364)	0%	
131								
132				41,276,511	62,776,457	21,499,946	52%	
133								
134				Total:	52,035,520	99,313,291	47,277,771	91%
				2,044,799,240	1,953,514,905	(91,284,335)	-4%	

Flexible Funds

/1 FASTER Safety funds (\$40.0M) were substituted for flexible funds in appropriate Asset Management Programs.

/2 Includes local match

Key to acronyms:

LOC=Local Matching Funds
SIB=St. Infrastructure Bank Interest

DS=Debt Service Covenants
AB=Aeronautics Board

SH=State Highway funding
FHWA=Federal Highway Administration

SL=State Legislation
SA=State Aviation
Comb=Combination

(0)

**State Bridge Enterprise
Attachment A: FY 2019-20 Proposed Annual Budget**

State Bridge	Budget Category	Program Area	Directed By	FY 2018-19 Budget	FY 2019-20 Budget	Variance	Funding Source
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3							
4		Maintenance	BEB	300,000	300,000	-	09-108
5		Support Services	BEB	350,000	350,000	-	09-108
6		Bridge Preservation		100,000	100,000	-	
7							
8		Contracted Out Work		750,000	750,000	-	
9							
10		Bridge Enterprise Projects	BEB	95,596,000	97,496,000	1,900,000	09-108
11				95,596,000	97,496,000	1,900,000	
12							
				Total:	96,346,000	98,246,000	1,900,000
13	Maximize - Safely Making the Most of What We Have						
14		CDOT Performed Work					
15							
16				-	-	-	
17		Contracted Out Work					
18							
19				-	-	-	
20							
21							
				Total:	-	-	-
22	Expand - Increasing Capacity						
23		CDOT Performed Work					
24							
25				-	-	-	
26		Contracted Out Work					
27				-	-	-	
28							
29							
30							
				Total:	-	-	-
31	Deliver - Program Delivery/Administration						
32							
33		Administration and Legal Fees		1,660,000	1,660,000	-	09-108
34							
35				1,660,000	1,660,000	-	
36							
				Total:	1,660,000	1,660,000	-
38	Pass-Through Funds/Multi-modal Grants						
39		Highway					
40							
41				-	-	-	
42							
43							
				Total:	-	-	-
44	Bridge Enterprise Contingency / Debt Service						
45		Contingency					
46		Contingency	BEB				09-108
47							
48		Debt Service					
49		Debt Service	BEB	18,234,000	18,234,000	-	FHWA/SH
50							
51				18,234,000	18,234,000	-	
52							
				Total:	18,234,000	18,234,000	-
53							
				116,240,000	118,140,000	1,900,000	
				Revenue	116,240,000	118,140,000	1,900,000

Key to acronyms:

BEB= Bridge Enterprise Board

DS= Debt Service Covenants

**High Performance Transportation Enterprise
Attachment A: FY 2019-20 Proposed Annual Budget**

HPTE	Budget Category	Program Area	Directed By	FY 2018-19 Budget	FY 2019-20 Budget	Variance	Funding Source
1	Maintain - Maintaining What We Have						
2		CDOT Performed Work					
3							
4		Contracted Out Work					
5							
6							
7							
				Total:	-	-	
8	Maximize - Safely Making the Most of What We Have						
9		CDOT Performed Work					
10							
11							
12		Contracted Out Work					
13							
14		Property					
15							
				Total:	-	-	
17	Expand - Increasing Capacity						
18		CDOT Performed Work					
19		Maintenance	HPTEB				Tolls/Managed Lanes Revenue
20							
21							
22		Contracted Out Work					
23		Express Lanes Operations	HPTEB	10,942,648	11,342,648	400,000	Tolls/Managed Lanes Revenue
24							
25				10,942,648	11,342,648	400,000	
26							
				Total:	10,942,648	11,342,648	400,000
28	Deliver - Program Delivery/Administration						
29							
30		Administration and Legal Fees		5,194,500	5,194,500	-	Fee for Service
31							
32							
33				5,194,500	5,194,500	-	
34							
				Total:	5,194,500	5,194,500	-
36	Pass-Through Funds/Multi-modal Grants						
37		Highway					
38							
39							
40							
				Total:	-	-	-
41	HPTE Contingency / Debt Service						
42		Contingency					
43							
44		Debt Service					
45							
46							Fee for Service
47							
				Total:	-	-	-
				16,137,148	16,537,148	400,000	
				Revenue	16,137,148	16,537,148	400,000
				HPTE Fee For Service Allocation Adjustment	(5,169,500)	(5,169,500)	-
				Total Consolidated Allocations	2,172,006,888	2,083,022,553	(88,984,335)
				Total Consolidated Revenue	2,172,006,888	2,083,022,553	(88,984,335)

Key to acronyms:

HPTEB=High Performance Transportation Enterprise Board



COLORADO
Department of Transportation
Division of Accounting and Finance

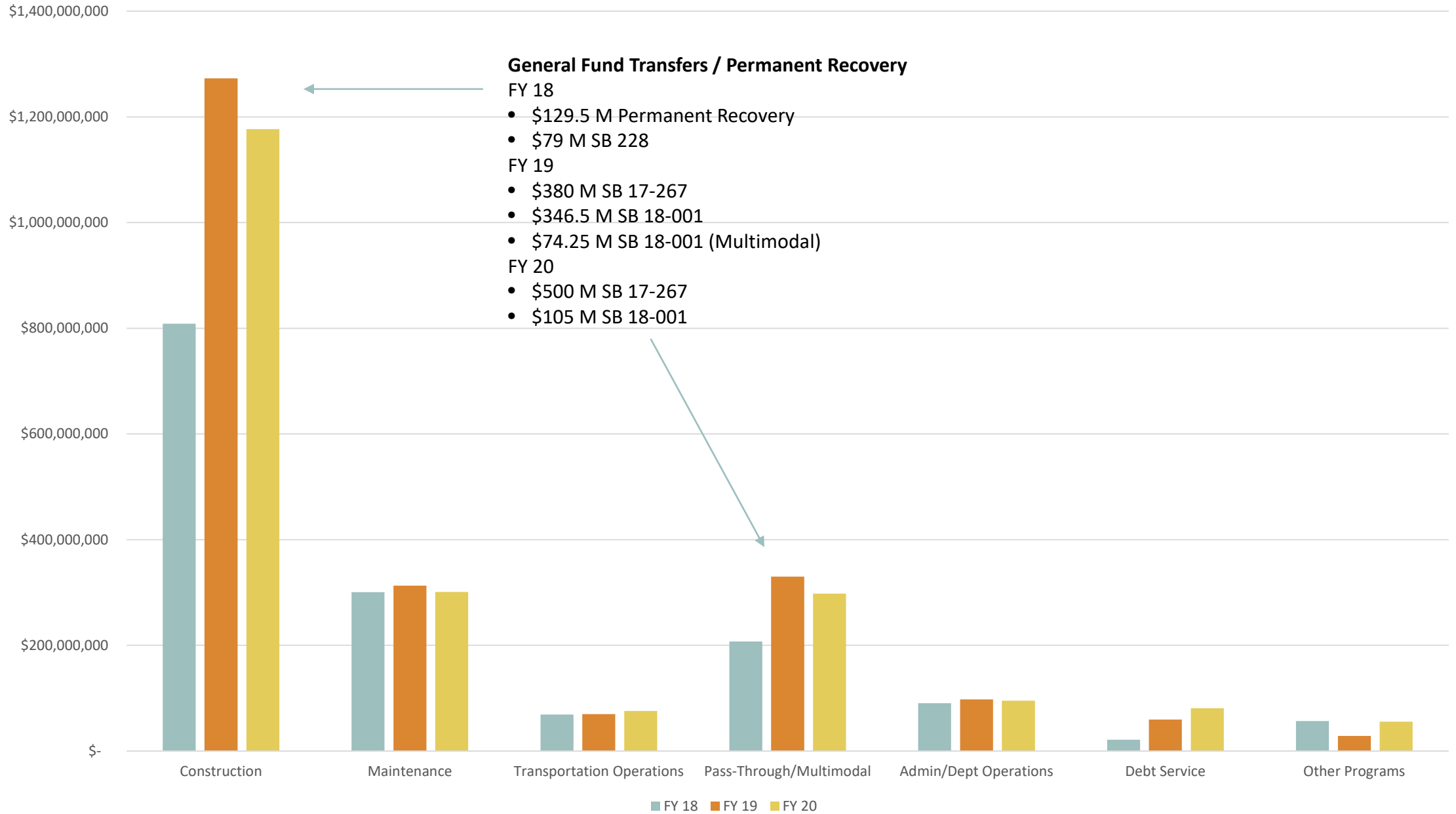
BUDGET WORKSHOP

TRANSPORTATION COMMISSION

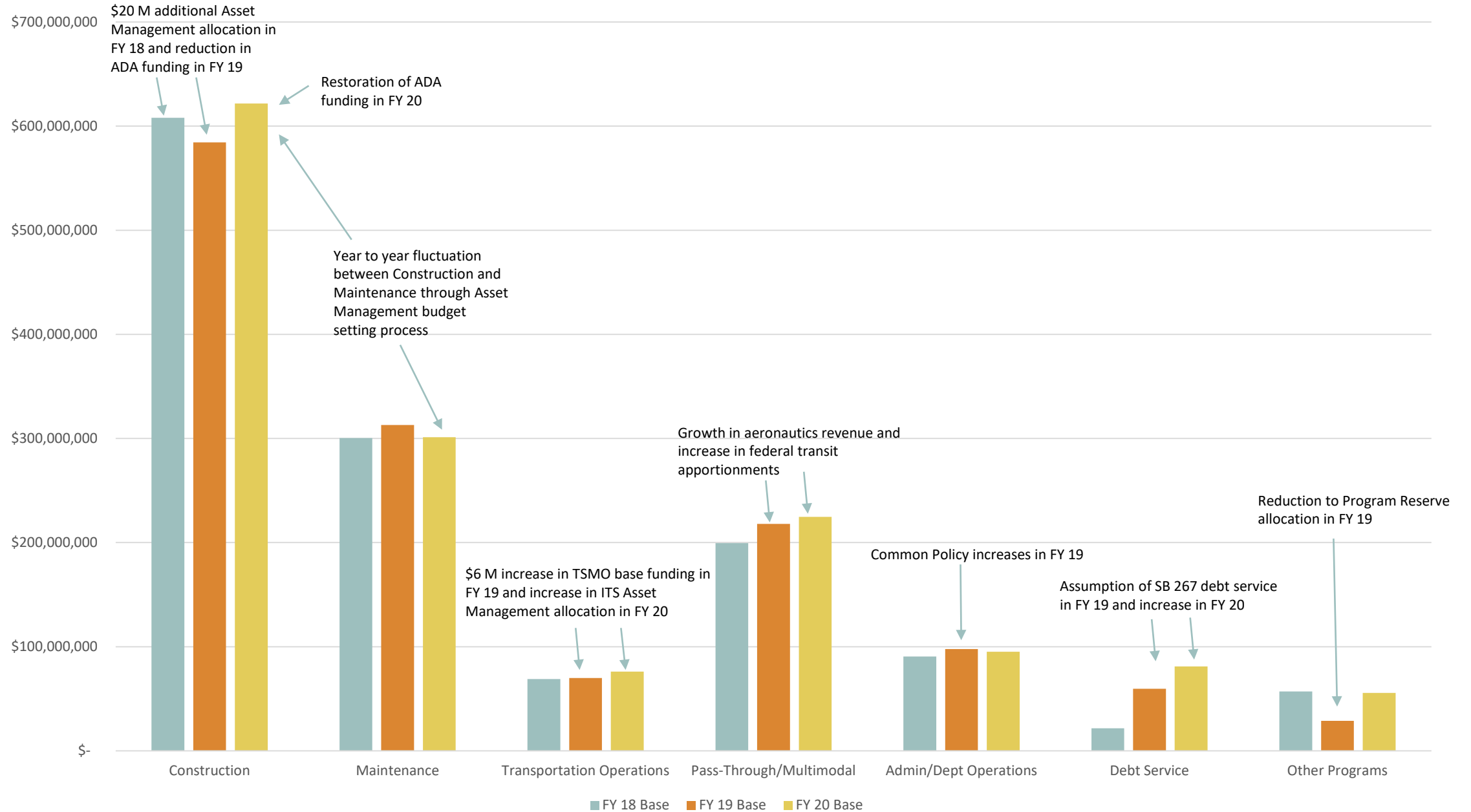
JEFF SUDMEIER, CFO

OCTOBER 17, 2018

CDOT Budget FY 2018 - FY 2020



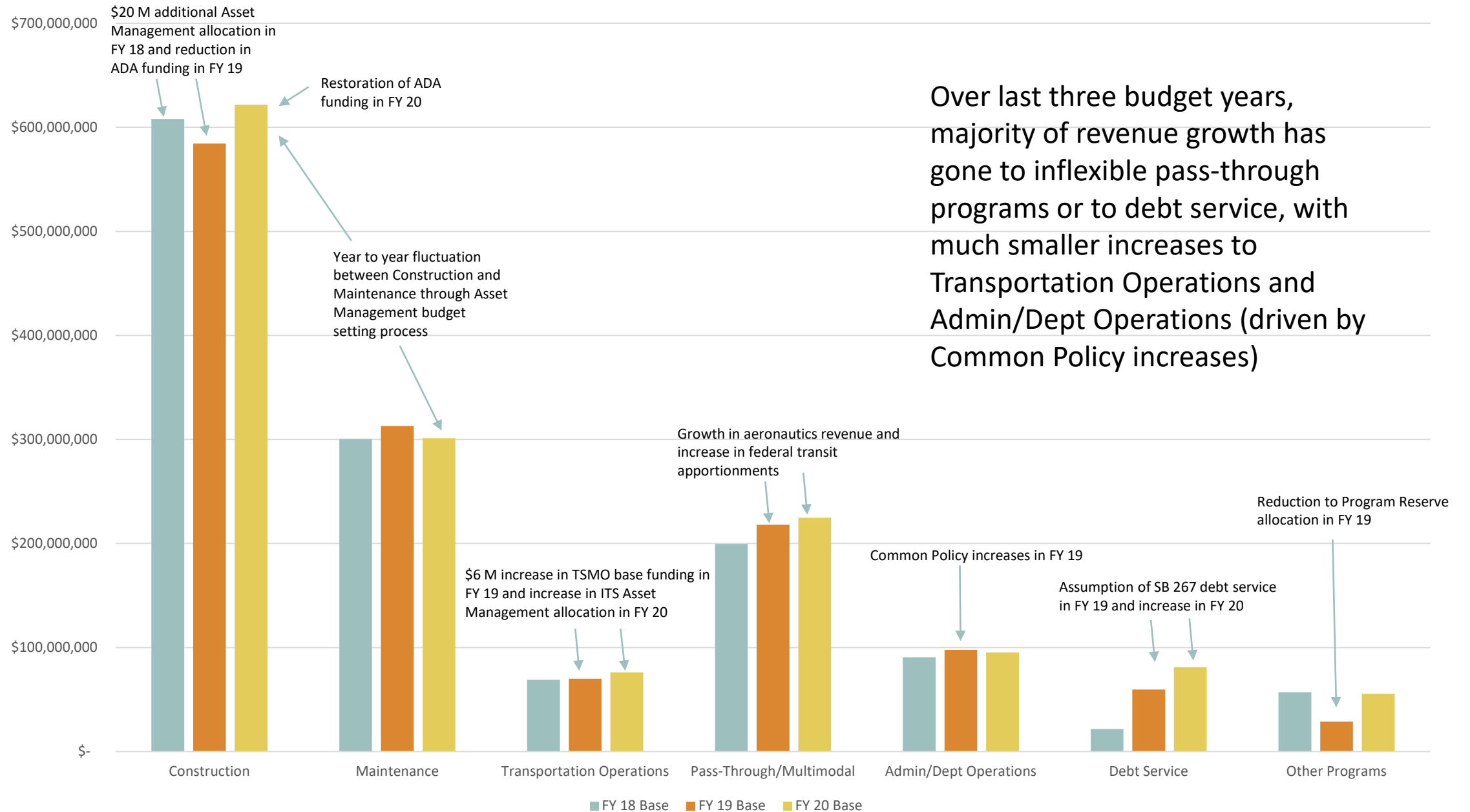
CDOT Base Budget* FY 2018 - FY 2020



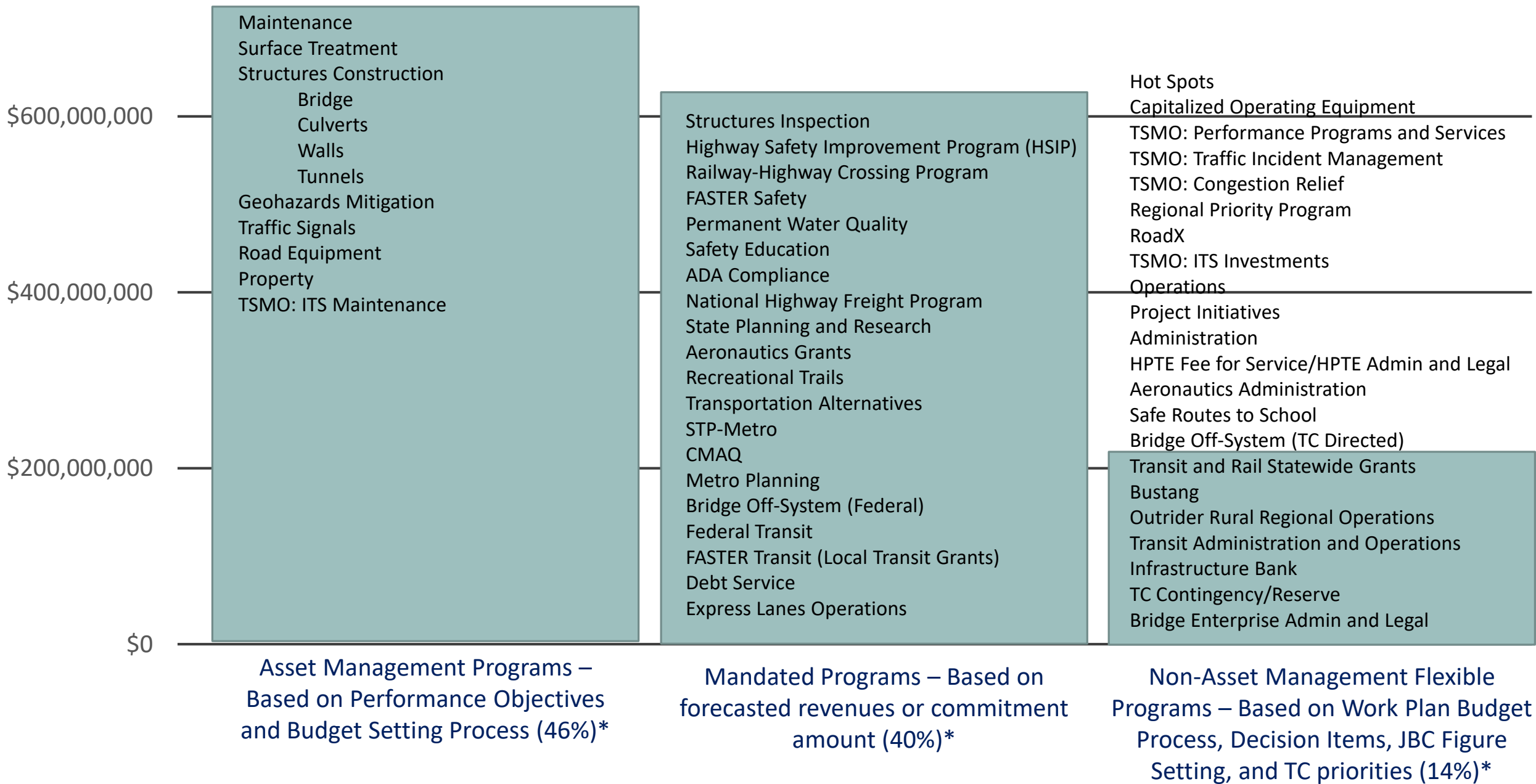
*Excluding SB 1, SB 228, SB 267, and Permanent Recovery

CDOT Base Budget* FY 2018 - FY 2020

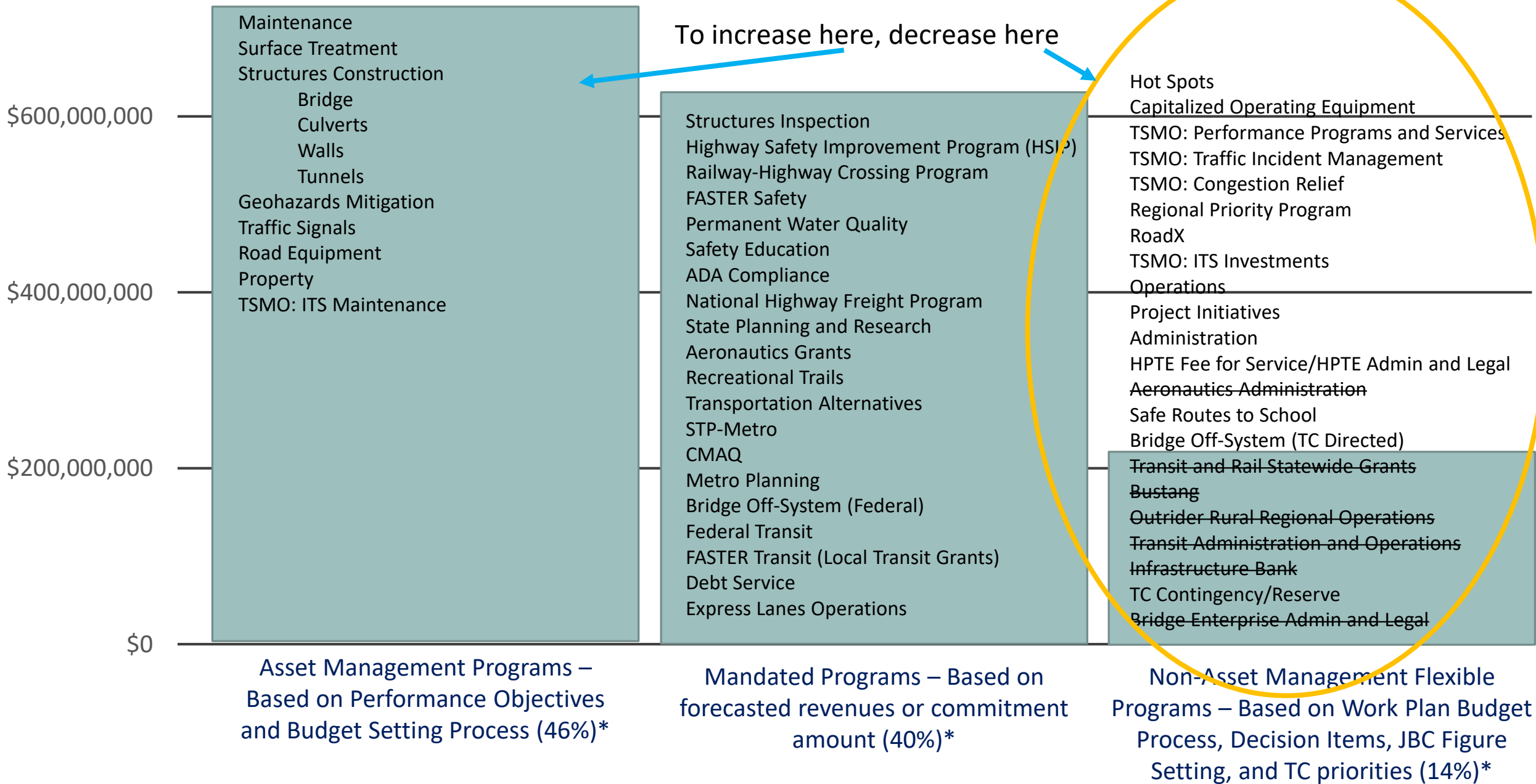
Over last three budget years, majority of revenue growth has gone to inflexible pass-through programs or to debt service, with much smaller increases to Transportation Operations and Admin/Dept Operations (driven by Common Policy increases)



*Excluding SB 1, SB 228, SB 267, and Permanent Recovery



*Excluding SB 1 and SB 267



*Excluding SB 1 and SB 267

Options for Discussion

- Allocate ~\$11.5 M allocated to TC Program Reserve to Asset Management
 - Would leave no “cushion” for Common Policy increases, Decision Items, change to SB 267 debt service, etc. later in the budget cycle
 - May be able to “wait and see” and allocate whatever is not needed for above in February
- Allocate some or all of the \$22.4 M currently allocated to ADA Compliance to Asset Management now and fund FY 20 ADA Compliance out of Program Reserve at a later date.
 - Consistent with approach in FY 19 of funding ADA Compliance from other sources
- Decrease funding to one of the other identified programs, increase funding for Asset Management