COLORADO
Department of Transportation
Division of Accounting and Finance

MEMORANDUM

TO: THE TRANSPORTATION COMMISSION

FROM: JEFF SUDMEIER, CDOT CHIEF FINANCIAL OFFICER

DATE: JANUARY 21, 2021

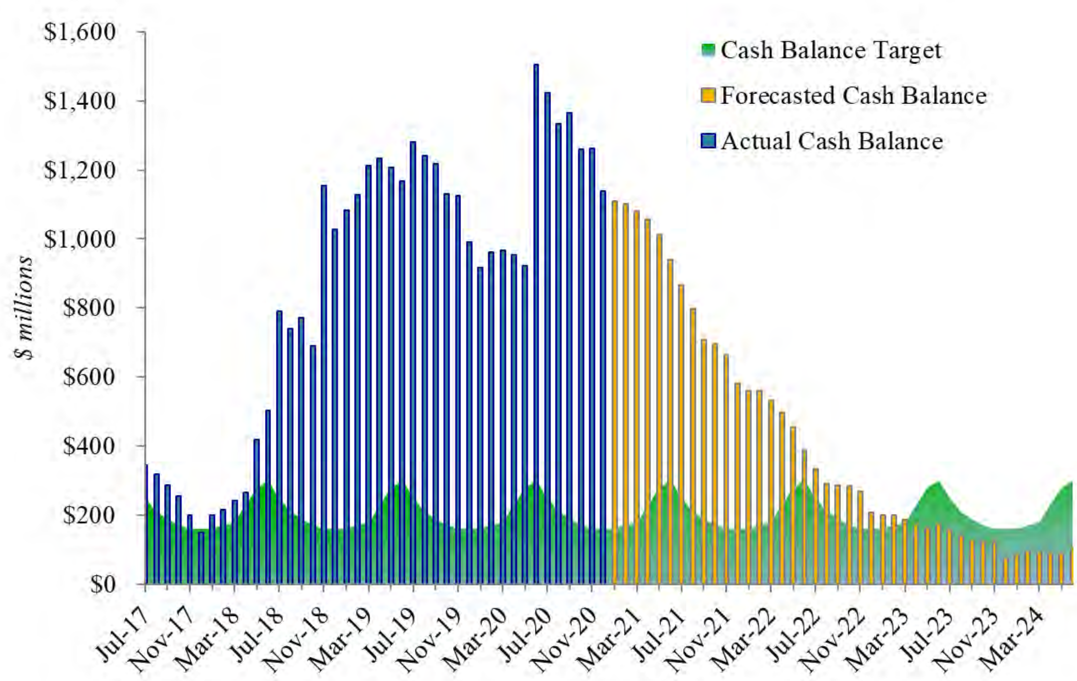
SUBJECT: MONTHLY CASH BALANCE UPDATE

Purpose
To provide an update on cash management, including forecasts of monthly revenues, expenditures, and cash balances in Fund 400, the State Highway Fund.

Action
No action is requested or required at this time.

Background
Figure 1 below depicts the forecast of the closing Fund 400 cash balance in each month, as compared to the targeted minimum cash balance for that month (green shaded area). The targeted minimum cash balances reflect the Transportation Commission's directive (Policy Directive #703) to limit the risk of a cash overdraft at the end of a month to, at most, a probability of 1/1,000 (1 month of 1,000 months ending with a cash overdraft).

Figure 1 – Fund 400 Cash Forecast



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Summary

Due to the events in response to the global COVID-19 pandemic, including the statewide stay-at-home order in early 2020 and evolving public health order restrictions thereafter, the Department anticipated a significant immediate impact to revenue collections, followed by a longer downturn. Reduced motor fuel tax collections, due to decreased travel, along with corresponding reductions in other sources, has negatively impacted the short-term revenue and associated cash forecast. The initial forecast at the start of the economic disruption estimated a loss of approximately $50 million between March 2020 and February 2021. Between March 2020 and December 2020, motor fuel collections are about $52 million less than the same time frame last year.

Based upon motor fuel sales collection data over the last six months and VMT levels stabilizing slightly below historic norms, the current forecast now assumes a 7% reduction of pre-pandemic monthly gross gallons of gasoline consumed through March 2021, followed by a 5% reduction thereafter through December 2021.

The forecast continues to reflect the Department's anticipated cash balance based on the current budget allocation plan and associated planned project expenditures. As the COVID-19 pandemic continues to unfold and more data and information become available, staff will closely monitor the impact to the Department's revenue stream, update the cash forecast, and regularly inform the Transportation Commission.

The projected closing cash balance in December 2020 (some final figures were unavailable at the time of writing on January 12th) was $1.14 billion; $978 million above that month's cash balance target of $160 million. The large cash balance results from the additional revenues listed below.

Cash Revenues

The forecast of revenues and capital proceeds includes:

Senate Bill 17-267: $425 million in November 2018, $560 million in June 2020, and then $0 thereafter.

Senate Bill 18-001: $346.5 million in July 2018, and $105 million in July 2019.

Senate Bill 19-262: $60 million in July 2019.

The forecast does not include $500 million of revenues in each of FY21 and FY22 from SB 17-267 COP proceeds. Forecasts starting this month are restated to include the transit portion of all SB 17-267 COP proceeds, and the portions of projects that are to be funded from these sources. Cash balances will be drawn down closer to the target balances over the course of fiscal years 2021, 2022, and 2023 as projects funded with SB 18-001, SB 17-267, and SB 19-262 progress through construction.

December's closing cash balance is $16.9 million lower than November's forecast of that balance, due largely to lower than forecasted federal reimbursements and higher than forecasted expenditures on facilities, equipment, and services.

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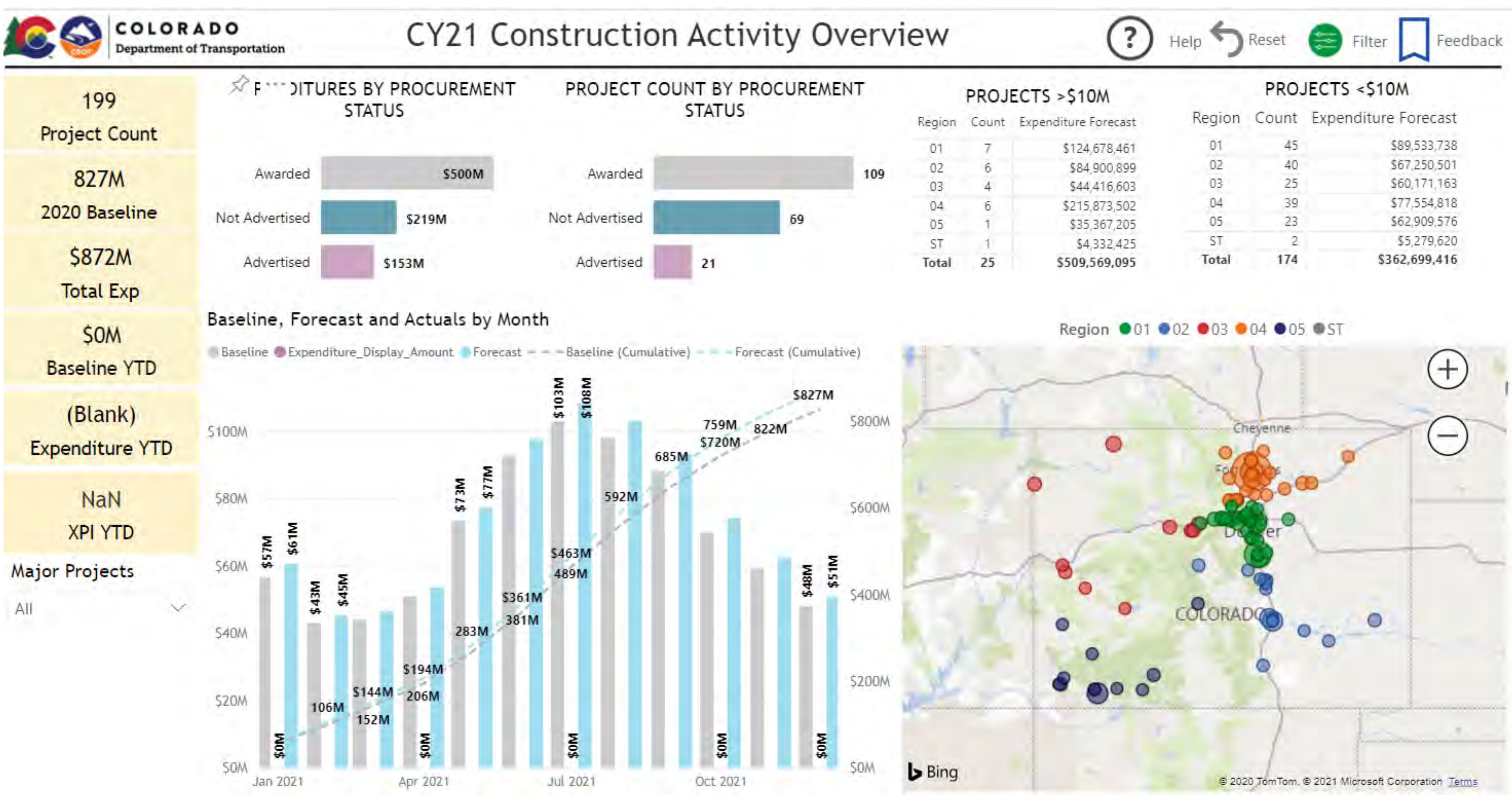
Cash Payments to Construction Contractors

The current forecast of payments to construction contractors under state contracts (grants paid out under inter-government agreements for construction are accounted for elsewhere in the expenditure forecast) from Fund 400 is shown in Figure 2 below.

Figure 2 – Forecasted Payments - Existing and New Construction Contracts

$ millions	*CY 2017 (actual)*	*CY 2018 (actual)*	*CY 2019 (actual)*	*CY 2020 (forecast)*	*CY 2021 (forecast)*	*CY 2022 (forecast)*	*CY 2023 (forecast)*	*CY 2024 (forecast)*
Expenditures	$642	$578	$669	$774	$890	$764	$492	$427

The graph below details CY21 baseline, forecast, and actual expenditures (based on December month end SAP data). CDOT's construction contractor expenditures for CY21 is forecasted to be $872M, as indicated below. The current baseline is $827M and will be finalized for the January month-end forecast.



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STATE OF COLORADO 1876

COLORADO
Department of Transportation
Division of Accounting and Finance

MEMORANDUM

TO: THE TRANSPORTATION COMMISSION
FROM: JEFF SUDMEIER, CHIEF FINANCIAL OFFICER
DATE: JANUARY 21, 2021
SUBJECT: FY 21 Q2 ANNUAL REVENUE FORECAST INFORMATION UPDATE

Purpose

To provide an update to the annual Highway User Tax Fund (HUTF) forecast for the current FY 2020-21 Annual Budget and the proposed FY 2021-22 Annual Budget.

Action

This is for information purposes only. No action is requested or required by the Transportation Commission regarding this item.

Background

The Office of Financial Management and Budget (OFMB) maintains an annual revenue model that is used to guide CDOT's budget-setting process. OFMB's revenue team updates the model each quarter to monitor the course of a current year's fiscal performance, as well as inform the budget for future out-years. Some of the data used by the model includes, but is not limited to:

- National economic performance indicators, such as the year-over-year percent change in real U.S. GDP growth.
- State population and demographic data, annual vehicle miles traveled (VMT) in Colorado, and the historical performance of the state's HUTF.
- Bureau of Labor Statistics & Bureau of Economic Analysis data, such as historical and forecasted year-over-year percent changes in personal income and the consumer price index.
- The forecasted and aggregated annual interest rates on new car loans, and future retail gasoline prices from the Energy Information Administration.
- Estimated vehicle costs, including federal or state rebates for certain vehicles, as well vehicle fuel efficiency, and annual vehicle scrappage rates.

The model also includes federally or state-appropriated funding from grants or other sources, such as the Federal Highway and Federal Transit Administrations (FHWA & FTA), and the National Highway Traffic Safety Administration (NHTSA).

The outputs from this model are used to develop the Annual Budget Revenue Allocation Plan (i.e. the Budget One-sheet). During the annual budget development process, CDOT staff reconcile annual projected revenues with the expenditure requests from all of the Department's divisions and executive management and update the Revenue Allocation Plan as decisions are made. Staff provides draft and final versions of the Revenue Allocation Plan for formal review and approval by the Transportation Commission, which then becomes CDOT's official budget for the next fiscal year.

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Summary

The ongoing economic disruptions from the COVID-19 pandemic continue to cause distortions to expected traffic volumes and subsequent revenue collections for the state's HUTF. Based on the gross gallons of gasoline sold at the end of FY 2019-20, it is estimated that VMT dropped last fiscal year by 6.8% compared to FY 2018-19. Combined with the disruption to motor vehicle registration revenues that occurred simultaneously, FY 2019-20 witnessed a total shortfall in revenue of ($33.7) million compared to the originally forecasted budget. OFMB projected during the last update in September that VMT would recover by about 4.0% in FY 2020-21, and resume normal, pre-pandemic VMT growth again at 1.37% starting in FY 2021-22. The revised HUTF forecasts for both fiscal years amounted to a reduction of ($37.6) million and ($45.6) million, respectively, given the available data and trends at the time, and barring additional significant disruptions to the economy and traffic patterns similar to the effects of the state's Stay-at-Home order during March and April.

Updates to Revenue Projections (FY 2020-21 and FY 2021-22)

The updated forecast, which now includes actual motor fuel sale data from Q1 of FY 2020-21, illustrates a marginally larger shortfall relative to the revised budgets for FY 2020-21 and FY 2021-22 of ($7.3) million between the two years combined.

Figure 1 - Budget & Forecast of Annual HUTF Revenue

CDOT HUTF Distribution (In millions $)

			vs. Original			*vs. Revised*	
	Original	**Revised**	*Difference*	*% Change*	**Updated**	*Difference*	*% Change*
FY 2020-21 Budget	$587.0	$549.4	*($37.6)*	*-6.4%*	$546.1	*($3.3)*	*-0.6%*
FY 2021-22 Forecast	$592.5	$546.8	*($45.6)*	*-7.7%*	$542.9	*($3.9)*	*-0.7%*

Data from the Department of Revenue for gross gallons of gasoline sold in July, August, and September indicate that sales were lower by 11%, 11.7%, and 8.1%, respectively, compared with the same months in 2019. In the meantime, updates from the Division of Transportation Development regarding monthly VMT rates compared to pre-pandemic levels demonstrate that traffic volumes were down 6.2% in October, and 6.9% in November.

Given the current trend in fuel sales and using VMT as a proxy where motor fuel data is still unavailable, the forecast assumes that gasoline consumption will remain on average at 7% below pre-pandemic levels through March, and then begin to recover in April to 5% until the end of June. Driving and traffic patterns impacted by the pandemic appear to have recovered and plateaued over the last few months and will likely continue at the same rate for the remainder of the winter. However, the administering of vaccinations during that same timeframe, combined with the anticipated second phase of vaccine distribution among other population segments starting sometime in the spring, will likely lead to more traveling within the state as the weather begins to warm up. This forecast update ultimately results in a modest downward revision in total VMT growth to 3.30% in FY 2020-21, thus resulting in the slight reduction in forecasted revenue driven by lower motor fuel collections.

The total forecasted annual VMT growth for FY 2021-22 remains the same as last quarter's update at 1.37% and is expected to remain at relatively similar levels for the near future due to longer-lasting changes in traffic patterns, such as persistent trends in telecommuting beyond the pandemic. This will continue to impact fuel sales for some time.

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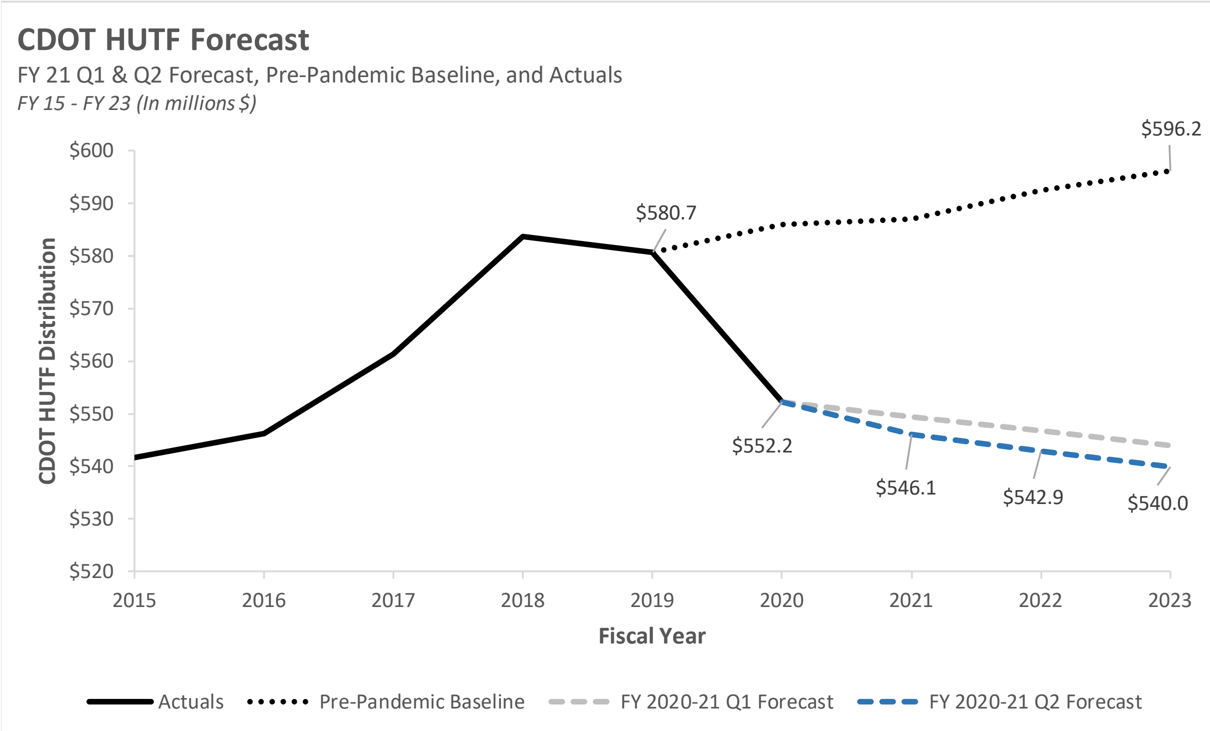
Figure 2 - Updated Projection of HUTF Forecast



The latest quarterly statewide HUTF forecasts from the Office of State Planning and Budget (OSPB) and Legislative Council Staff (LCS) project similar total revenues for FY 2020-21 at $10.5 million and $6.7 million, respectively, more than OFMB's latest projection of $1,066 million. However, the forecasts between the Department's and those from both OSPB and LCS begin to diverge in FY 2021-22, due largely to anticipated total motor fuel receipts. Both agencies forecast a 5% increase in fuel sales next fiscal year relative to their current projections for FY 2020-21, whereas OFMB continues to project revenues from fuel remaining relatively flat in the short-term for now.

Update to FY 2020-21 & FY 2021-22 Budget

At this time, staff does not believe the changes to revenue projections are substantial enough to warrant modifications to the allocations for the FY 2020-21 budget or the FY 2021-22 proposed budget. The updates for both fiscal years represent less than a 1% drop in revenue versus the Office's previous quarterly forecast and continued economic uncertainty in the meantime suggests that the Department's situation could still improve or worsen. OFMB staff will continue monitoring the state's HUTF revenues throughout the remainder of FY 2020-21, review its forecast again as more data and information become available, and return to the Transportation Commission in April with recommendations on whether more changes are needed.

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COLORADO
Department of Transportation
Division of Transit & Rail
2829 W. Howard Place
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DATE: January 5, 2021
TO: Transportation Commission
FROM: David Krutsinger, Director - Division of Transit and Rail
Michael Timlin, Senior Manager of Mobility Operations
Kyle French, Bus Operations Manager
RE: Bustang – Winter Operation Plans

Purpose
The purpose of this memo is to provide information regarding Bustang's winter operation plan, currently in effect.

Action
Informational only, no action is required.

Background
The Bustang interregional bus service resumed operations on June 28, 2020. To relaunch service, CDOT, the Colorado Department of Public Health and Environment (CDPHE), and the Office of Emergency Management (OEM) partnered together to create an operational plan that outlined the regulations and requirements the Bustang service to resume service safely. Part of those plans called for Bustang to reduce service and reduce seats available on each vehicle.

Bustang services have been running at a reduced capacity as of their relaunch on June 28 and have implemented stringent social distancing measures onboard. To meet the requirements of the CDPHE while maintaining the ability to provide transportation for essential purposes to stakeholders, we have further adapted our reduced service for the winter months.

Details
Weekday Services –
Thus far, the North and South Lines have not experienced any significant growth requiring any schedule modifications are warranted. Ridership on the North and South line remains steady with the posted schedule, and we will continue to monitor ridership as the Spring semester begins.

To adapt to the West line's ever-increasing ridership, we have added one round trip each weekday from Denver Union Station to the Vail Transit Center. We trust that this addition will assist in accommodating this "Pandemic" Winter peak demand. However, many "Loop Extra" buses continue to operate daily to handle 130-160 rides per day, indicating the West Line is well ahead in returning to pre-COVID ridership level.

Weekend Services –
To address the passenger load on the South Line, with the addition of stops at the Denver Health Center and the Sky Ridge Medical Complex, we have added trips in each direction, in the morning and evening hours, along the South Line.

Bustang Outrider Service – On January 1, 2021, Bustang Outrider launched our newest service between Craig and Denver. This service, operating one round trip per day, seven days a week, provides a vital transportation option for passengers along I-70 and US 40. This route is the first of four to be launched under Phase 3 of the Bustang Outrider rural transportation program.

Seasonal Services –
All seasonal and event Bustang services remain postponed for the time being with plans to launch Estes Park this coming Summer.

<u>Additional Information</u>
The State of Colorado is currently in Phase 1A and 1B of the statewide vaccination program. As Phase 1B includes transit workers, CDOT and the DTR team will remain vigilant in making sure that transit employees statewide, including that of our contractors, can get vaccinated in a reasonable amount of time as per guidance from the CDPHE and the Colorado State Emergency Operations Center.

<u>Next Steps</u>
- Continue to monitor state, local, and federal pandemic responses and guidelines.
- Continue to monitor ridership, proposing new service levels and schedules as needed.
- Meet with Boulder and Estes Park officials and other Stakeholders regarding possible Seasonal Denver – Boulder – Estes Park Weekend Service starting in June-July 2021.