

MEMORANDUM

DIVISION OF ACCOUNTING AND FINANCE



Office of Financial Management and Budget

4201 East Arkansas Avenue, Room 235
Denver, Colorado 80222
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DATE: October 17, 2013

TO: Transportation Commission

FROM: Scott Richrath, Chief Financial Officer

SUBJECT: Budget Workshop II

Purpose

Last month you participated in Budget Workshop I of III, which included FY2015 revenue projections, a discussion on Decision Item Requests, and an Asset Management discussion. This memorandum summarizes the budget workshop planned for the October Transportation Commission (TC) meeting. In your packet you will find the following documents:

- Budget Workshop Presentation
- FY2015 Draft Budget Allocation Summary (Three Scenarios)
- FY2015 Budget overview letter to Governor Hickenlooper
- FY2015 Budget Narrative

Decisions

The Transportation Commission is being asked to act on a recommended FY2015 Budget scenario, including decisions on each of two FY2015 Decision Item Requests

Budget Workshop Presentation

The budget workshop will address the following topics:

- Decision Items
- FY2015 Budget Allocation Scenarios
- FY2015 Narrative Budget
- Office of Cash Management
- RAMP/Project Guidelines

Some of these topics are detailed in the memo below.

FY2015 Draft Budget Allocation Summary

Each year at this time the Office of Financial Management and Budget (OFMB) conducts budget workshops for the upcoming fiscal year's budget. Asset Management programs are based on outcomes from the CDOT Delphi workshop and subsequent TC guidance to staff. For other TC-directed programs, budget amounts are initially based on the FY2014 Final Budget. Contrary to TC-directed programs, programs which are based one-to-one on revenue amounts, that is, the revenues obtained for a particular program that must be allocated to that program, are based on the current FY2015 Budget Revenue Forecasts. CDOT, Bridge Enterprise, and High Performance Transportation Enterprise budgets are developed separately. This variance is shown at the bottom of the CDOT budget.

Last month, in response to the devastation caused to Colorado's roadways by the floods, CDOT was given approval to use the \$118M in the TC Contingency Fund to respond to emergency relief flood efforts. Approval to use contingency to fund flood emergency relief projects is delegated to four members of senior management, two of whom must sign any request.

Adjustments made by staff, in part from your guidance from Budget Workshop I, leave a surplus of \$8.4M in the baseline scenario (Scenario 1). These three scenarios are offered for your consideration:

Scenario 1

- Programs are allocated as described on page one using FY2015 Revenue Forecasts.
- Assumption is made that no Decision Item Requests are approved.
- Variance (surplus) of \$8.4M for the TC to allocate is shown.

Scenario 2

- Programs are allocated as described on page one using FY2015 Revenue Forecasts.
- Assumption is made that all Decision Items are approved as requested (\$13.7M).
- Variance (shortfall) of \$5.3M for TC consideration is shown.

Scenario 3

- Programs are allocated as described on page one using FY2015 Revenue Forecasts.
- Assumption is made that Decision Item funding approved is the amount that balances the budget (\$8.4M).
- Variance is zero.

FY2015 Decision Item Requests

Last month, you discussed Decision Item Requests. It was determined that any Decision Item under \$1M could be moved forward by the Senior Management Team (SMT) with adequate justification. These two Decision Items total \$740K. You requested more detailed information and a qualitative cost/benefit analysis on two decision items. They are:

- TSM&O Programs: To initiate new programs that will reduce the number of accidents and help relieve congestion (\$12M).
- Portable Digital Trunk Radios: To maintain the current level of Digital Trunk Radio communications, upgrades are needed, with ongoing radio purchases as the electronics become outdated (\$1M per year for the next five years).

These two decision items are addressed in the CDOT Budget Workshop presentation.

Total of all Decision Item Requests is \$13.7M.

FY2015 Budget Narrative and Budget Overview Letter to Governor Hickenlooper

Executive Director Hunt and I previewed the FY2015 budget letter, including RAMP, floods, and Cash Management, in a September 25th meeting with Governor Hickenlooper. The FY2015 Budget Narrative and budget letter were included in your packet for your review.

Allocations in the FY2015 Budget Narrative document are based on Scenario 1, with the surplus added to the Transportation Commission Contingency pending allocation decisions. Scenarios with Decision Items for the Transportation Commission's consideration have an adjustment in the Operations line to reflect those amounts.

Next Steps

In November, we will:

- Conduct a final draft budget workshop incorporating any changes you request this month;
- Provide the FY2015 Narrative budget incorporating any changes you request this month;
- Ask for approval and adoption of the Draft FY2015 Budget for immediate submission to the Joint Budget Committee for review prior to the December 1 deadline.

Policy Directive 703 – Supplemental Budget Actions for Projects and Programs

In February, the Transportation Commission asked the prior Chief Financial Officer (CFO) Ben Stein to revisit Policy Directive 703 to better moderate supplemental budget actions presented to the TC. In light of significant ongoing and anticipated modifications to the budgeting process brought about by Asset Management, RAMP, a pending audit of FASTER Safety, and Cash Management, as new CFO, I propose that staff revisit TC policy pertaining to not only supplemental budget actions but to the entire CDOT budgeting process.

I respectfully propose to present a draft of a new policy in the coming months after staff has had the opportunity to analyze how existing policies and practices impact the Fiscal Year 2015 budgeting process.

If you have any questions, please feel free to contact me at (303) 757-9793.