



COLORADO

Department of Transportation

Division of Accounting and Finance

2829 Howard Place
Denver, CO 80204

MEMORANDUM

TO: STATEWIDE TRANSPORTATION ADVISORY COMMITTEE (STAC)
FROM: JEFF SUDMEIER, CHIEF FINANCIAL OFFICER (CFO)
DATE: OCTOBER 26, 2018
SUBJECT: FY 2019-20 ANNUAL BUDGET

The FY 2019-20 Proposed Annual Budget (One Sheet) and the FY 2019-20 Proposed Budget Allocation Plan (Narrative Budget) were presented to the Transportation Commission (TC) at their October meeting. In November, the TC will be asked to approve the FY 2019-20 Proposed Budget. The TC will be asked to adopt the final budget in March 2019, after updates are made to reflect updated revenue forecasts, decision items, and Common Policy decisions from the Joint Budget Committee and Office of State Planning and Budget. Staff will review the Proposed Annual Budget with STAC on October 26, and again in January or February to discuss anticipated updates.

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 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.

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).
- Request 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)

