



Funding the 5 Year Work Program

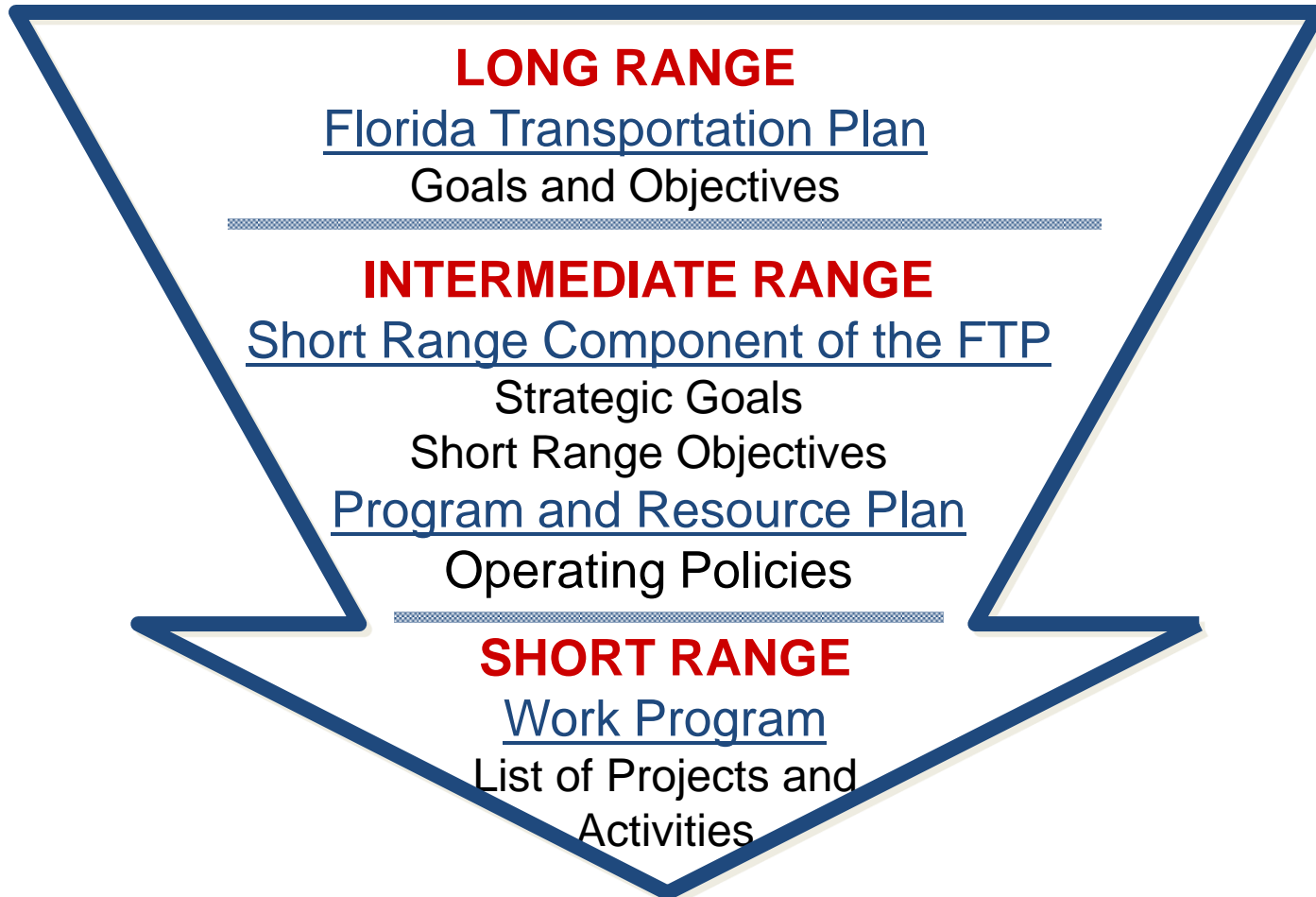
Gold Coast Chapter ITE
August 21, 2009

Topics

- ▶ Funding Sources
- ▶ Estimating Resources
- ▶ Revenue Reduction
- ▶ Finance Plan/Cash Forecast
- ▶ Cash Flow vs. Commitment
- ▶ Budget
- ▶ Funding Priorities
- ▶ Development of the Work Program

Linking Goals to Program Funding

Funding Directed by Policy and Program Objectives Identified in Law and FDOT Plans



Funding Sources

▶ State Funds

- ▶ Fuel Tax (Gasoline, Diesel, Aviation Fuel)
- ▶ Fees (Initial registration, tag, rental car surcharge)
- ▶ Documentary Stamp Revenue

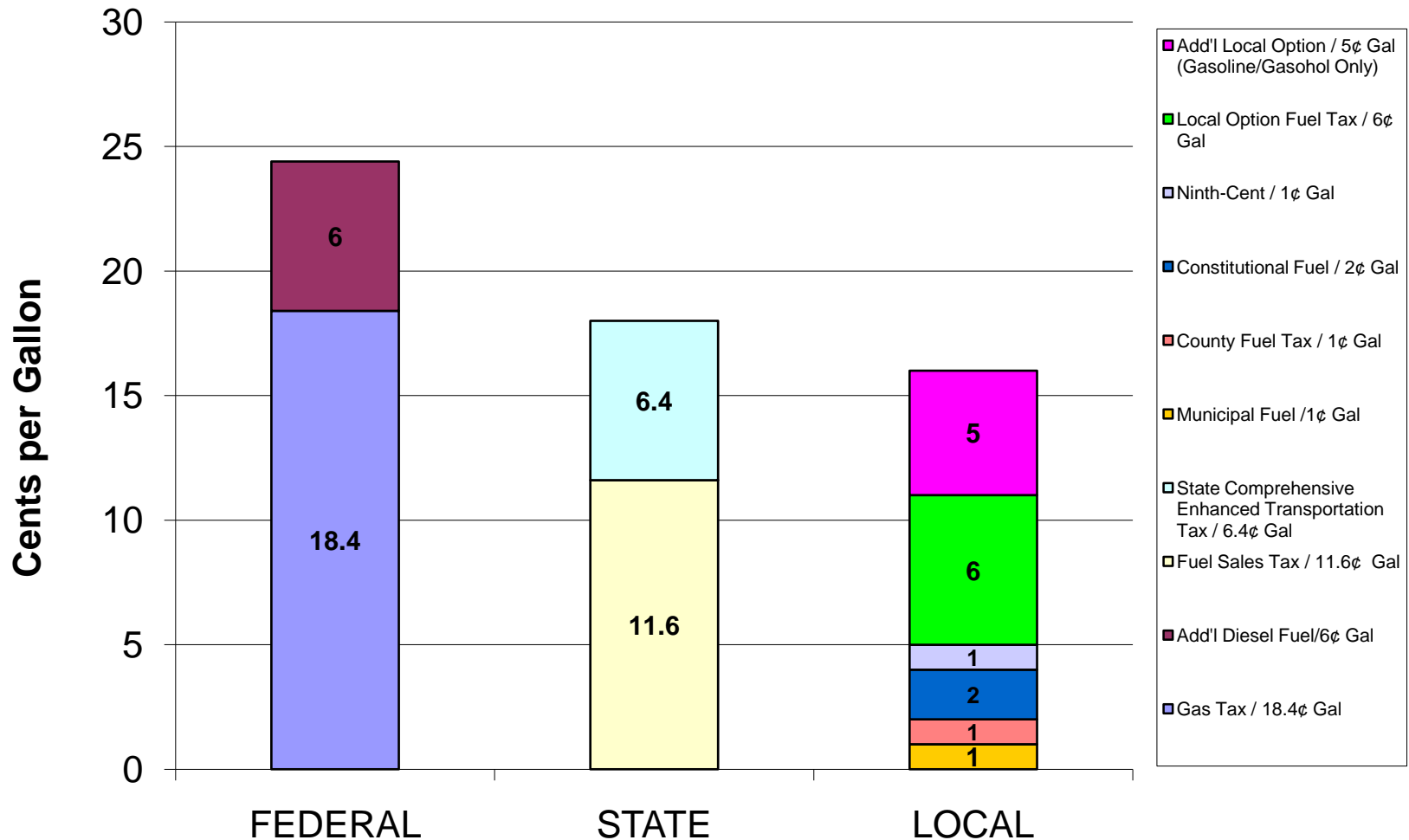
▶ Federal Funds

- ▶ Highways - Federal Gas Tax – distributed to states by formula
- ▶ Transit – Federal Funds distributed via competitive selection process – full-funding grant agreement

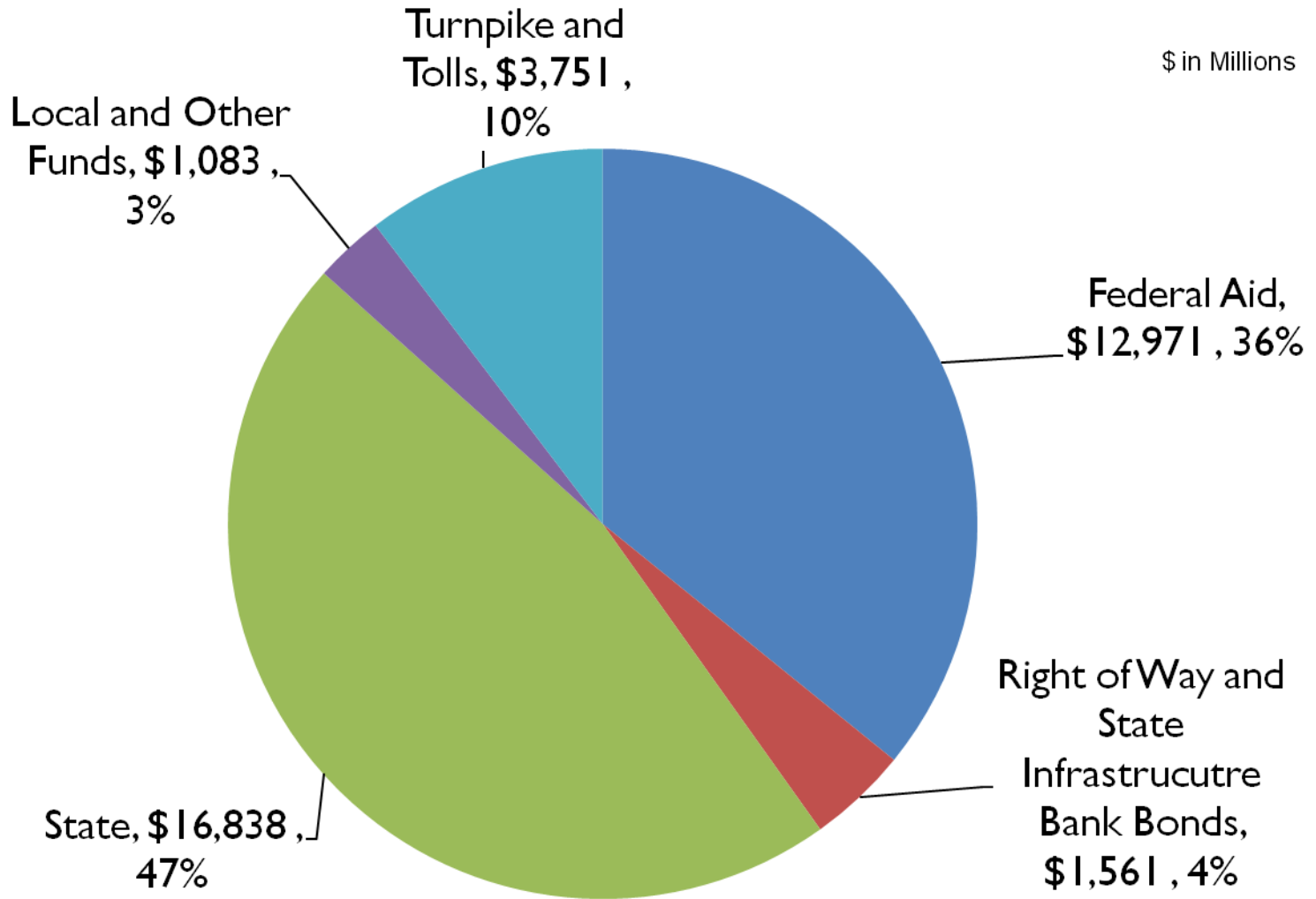
▶ Other Funds

- ▶ Turnpike and Tolls
- ▶ Bonds and Local

2008 Highway Fuel Tax Rates



Five Year Work Program



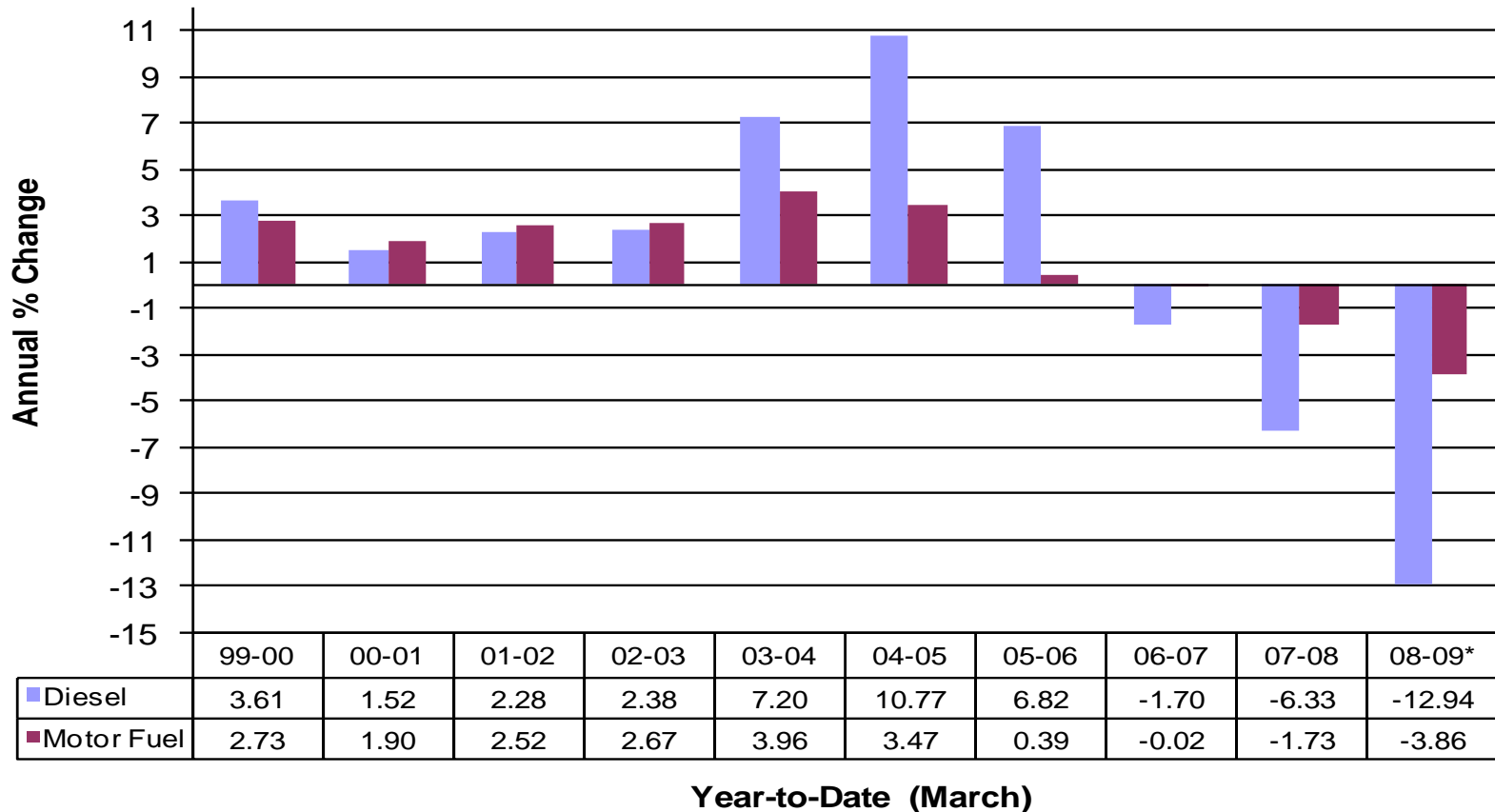
July 1, 2009 Adopted Work Program

Estimating Resources

- ▶ State of Florida Consensus Revenue Estimating Conference (REC) for State and some Local Revenues
- ▶ Florida Department of Transportation (FDOT) Forecast of Federal Aid based on Official US Treasury and US DOT Estimates
- ▶ Independent Experts Forecast Toll Revenues

Fuel Consumption History

Fuel Consumption History
(Gallons in Millions)



Cash vs. Commitment Reductions

	Cash Reduction	Commitment Reduction
FY 2007	(\$372 M)	(\$564 M)
FY 2008	(\$2,117 M)	(\$3,284 M)
FY 2009	(\$3,870 M)	(\$5,628 M)
Total	(\$6,359 M)	(\$9,476 M)

Economics

- ▶ Economic Impacts of Transportation Investments
- ▶ Every \$1 billion spent on highways supports 28,000 jobs and 1/3 of those are in construction-oriented employment
- ▶ Transportation and warehousing industry creates 219,000 jobs, \$8.7 billion in wages, and \$17 billion of Florida's Gross Domestic Product
- ▶ Every dollar invested in transportation results in a return of \$5.60 in economic benefits to businesses and residents of Florida

Economics

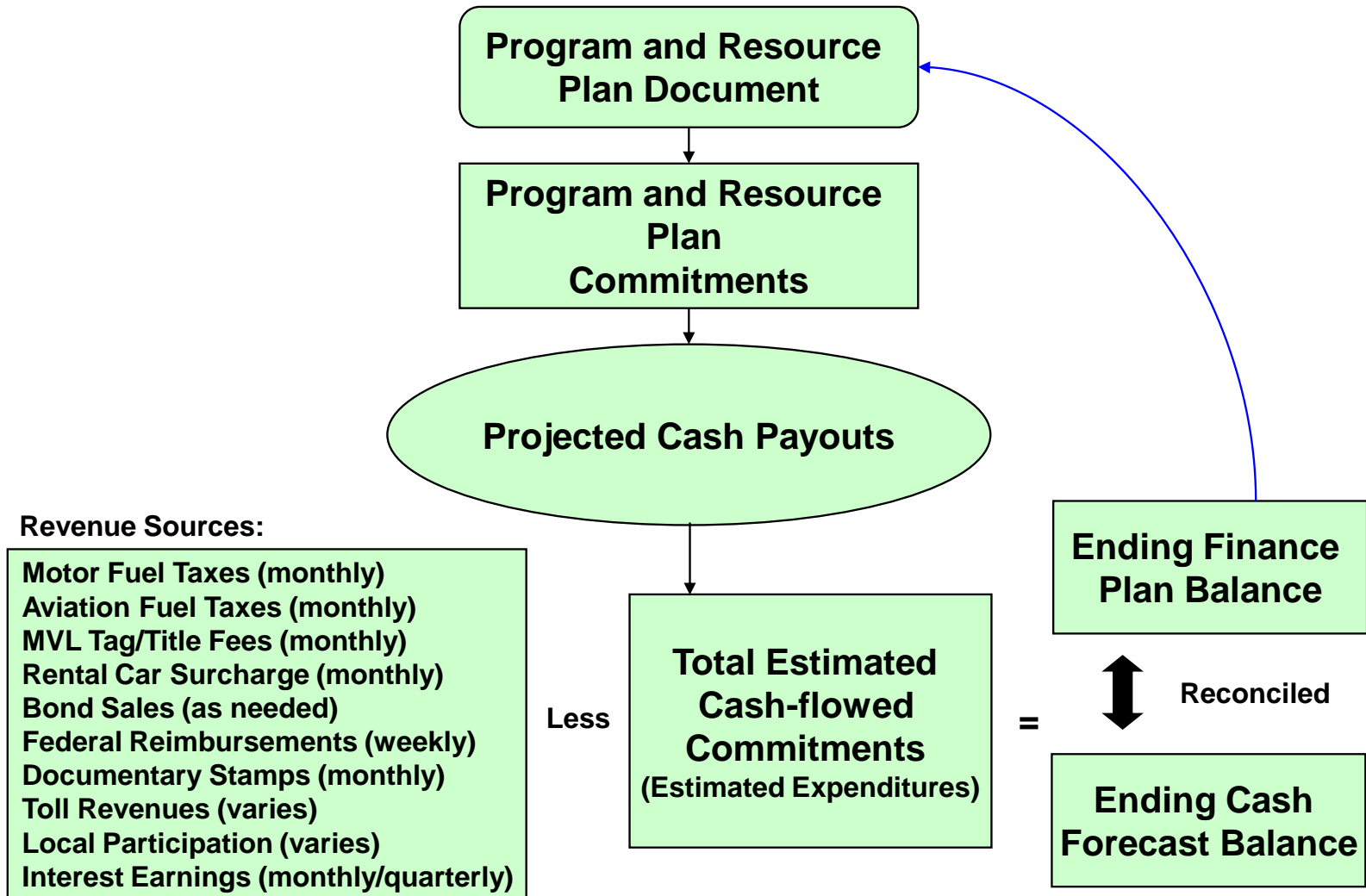
- ▶ Reduction in loss of life and property from Safety Improvements and reduction in lost time from Congestion Relief projects
- ▶ Improved mobility and new development permitted by capacity projects

Finance Plan/Cash Forecast

- ▶ **Prepare independent plans**
 - ▶ Long-range annual 5-year Finance Plan
 - ▶ Short-range monthly 3-year Cash Forecast
 - ▶ Provides cross-check and good solid results

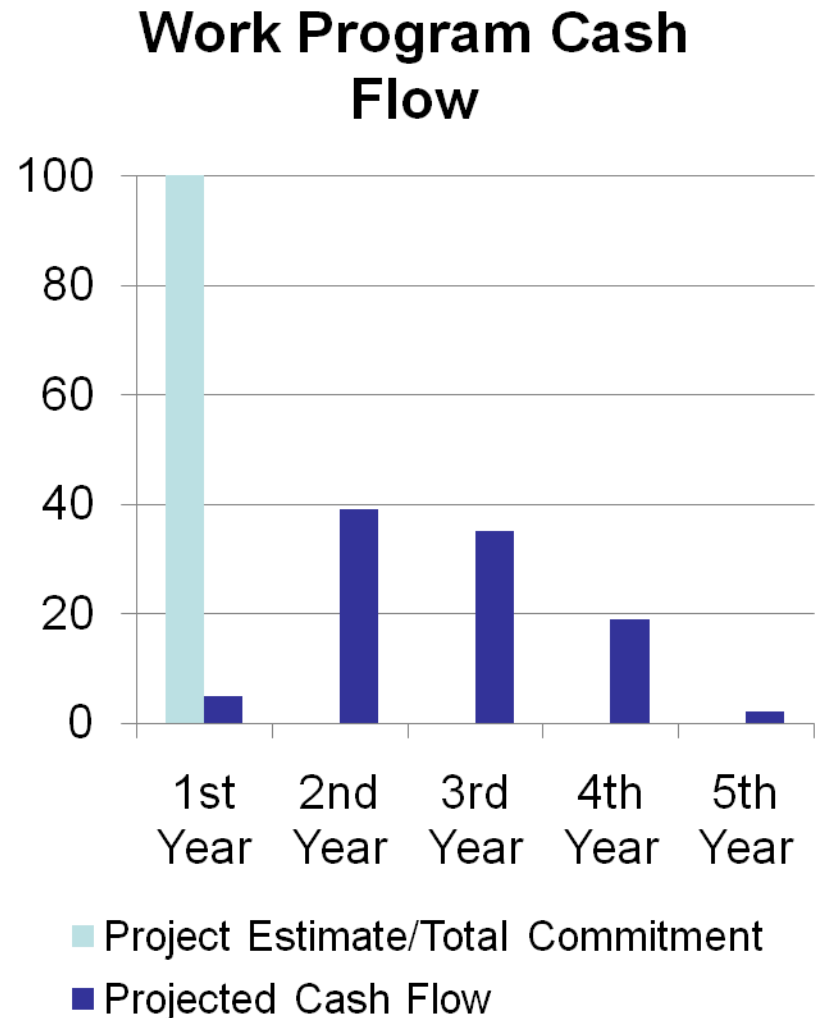
- ▶ **Covers all funds and projects for FDOT**
 - ▶ State Highway System, Public Transportation, and FDOT Owned Toll Facilities (including Turnpike)
 - ▶ State and Federal revenues, toll revenues and local participations on FDOT projects

Finance Plan/Cash Forecast Processes



Cash Flow vs. Commitment

- ▶ FDOT is the only state agency operating on a “cash flow” basis
- ▶ Other agencies require the entire contract amount be on hand the year work begins
- ▶ Major project phases begin before the total amount of cash is available to fund the project phase
- ▶ Project estimates within the Work Program are converted to cash flow projections for multiple years

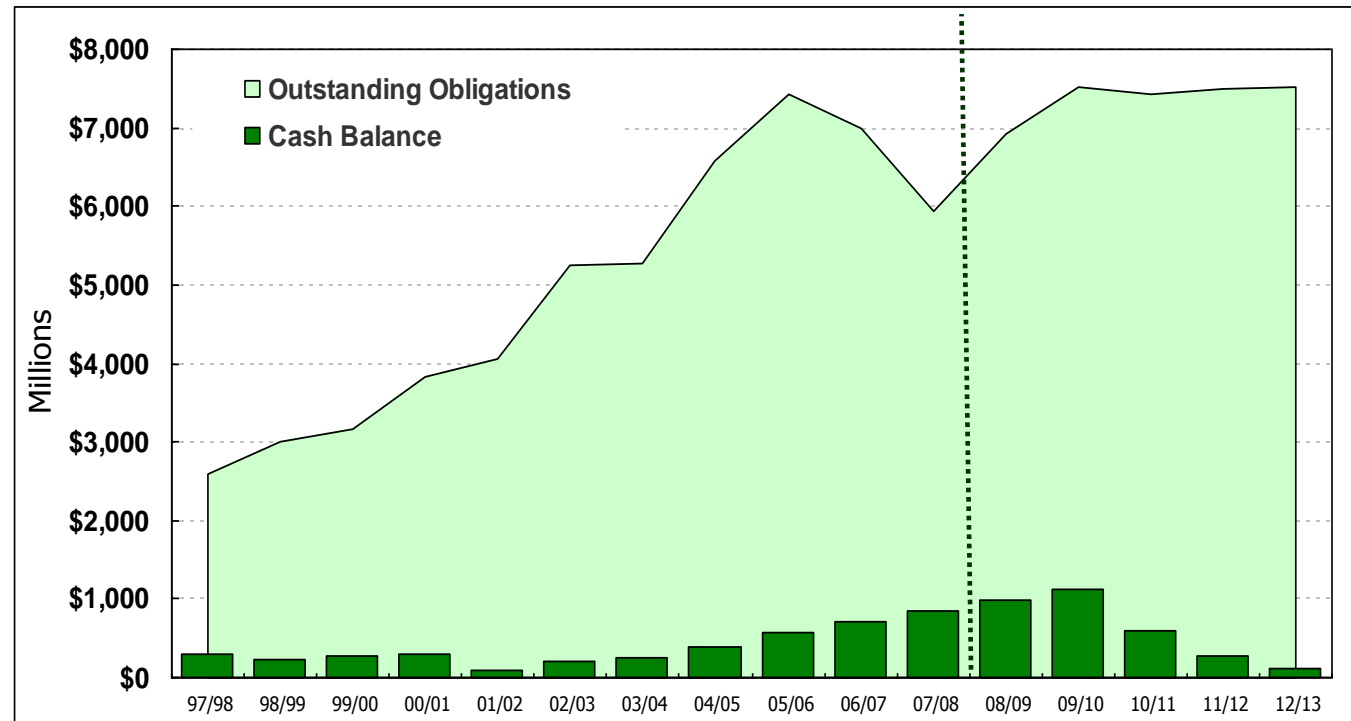


Cash Flow vs. Commitment

State Transportation Trust Fund Annual Low Point Cash Balance and Contractual Obligations

Lowest cash balance in each fiscal year and the outstanding commitments at that point in time

Adopted Program Plan as of June 30, 2008



➤ **FDOT has \$5.9 billion worth of outstanding obligations to road and bridge builders and other transportation contractors as of June 30, 2008**

➤ **The current cash balance to support the commitments outstanding is \$843.7 million**

➤ **The cash balance today is currently 14% of outstanding commitments**

➤ **In order to improve Florida's transportation systems in the future, there is an average of \$7.4 billion planned project commitments per year for the next five years**

➤ **The cash balance low point for the next 5 years is expected to be 0.97% of contractual commitments**

Cash Flow of Commitments

- ▶ Statutorily directed revenues are forecasted to finance current projects as actual expenditures occur
- ▶ The Finance Plan and Cash Forecast estimate cash flows through solid assumptions using historical trends and future predictions
 - ▶ Contracting schedules
 - ▶ Cash payout rates
 - ▶ Participation by other partners

Average Cash Payout Rates

Program Area	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	Total
In-House Support	100%	0%	0%	0%	0%	0%	100%
Consultant Support	10.4%	38.1%	39.5%	11.9%	0.1%	0%	100%
Construction	5.4%	38.9%	35.2%	18.8%	1.7%	0%	100%
Public Transportation	8.1%	41.6%	29.8%	15.6%	4.9%	0%	100%
Right of Way	10.8%	20.0%	20.0%	20.0%	20.0%	9.2%	100%

Construction Project Example							
Work Program FY 2009							
(dollars in millions)							
COMMITMENT	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	Total
\$100	\$5.4	\$38.9	\$35.2	\$18.8	\$1.7	\$0.0	\$100

Example as of August 2008

Cash Flow vs. Commitment

		Cash Balances					
		1st	2nd	3rd	4th	5th	5-Year
		Year	Year	Year	Year	Year	Total
	Beginning Cash	\$ -	\$ 85.3	\$ 73.9	\$ 33.7	\$ 3.0	\$ 0
	Revenue	<u>\$ 100.0</u>	<u>\$ 100.0</u>	<u>\$ 100.0</u>	<u>\$ 100.0</u>	<u>\$ 100.0</u>	<u>\$ 500.0</u>
Year	Commitment						
1	\$273	\$ (14.7)	\$ (106.0)	\$ (95.9)	\$ (51.2)	\$ (4.6)	\$ (273.0)
2	\$100		\$ (5.4)	\$ (38.9)	\$ (35.2)	\$ (18.8)	\$ (98.3)
3	\$100			\$ (5.4)	\$ (38.9)	\$ (35.2)	\$ (79.5)
4	\$100				\$ (5.4)	\$ (38.9)	\$ (44.3)
5	<u>\$100</u>					\$ (5.4)	\$ (5.4)
	\$673						
	Ending Cash	<u>\$ 85.3</u>	<u>\$ 73.9</u>	<u>\$ 33.7</u>	<u>\$ 3.0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Cash and the Work Program

- ▶ FDOT Work Program is fully leveraged
 - ▶ s. 339.135, F.S. requires work program to be balanced to deplete available revenues
 - ▶ Financial models provide for statutorily mandated minimum cash balance and consider actual rates at which projects are committed and paid out
 - ▶ Result - a reduction in cash initially results in a high reduction of project commitment

Cash and the Use of Transportation Funds

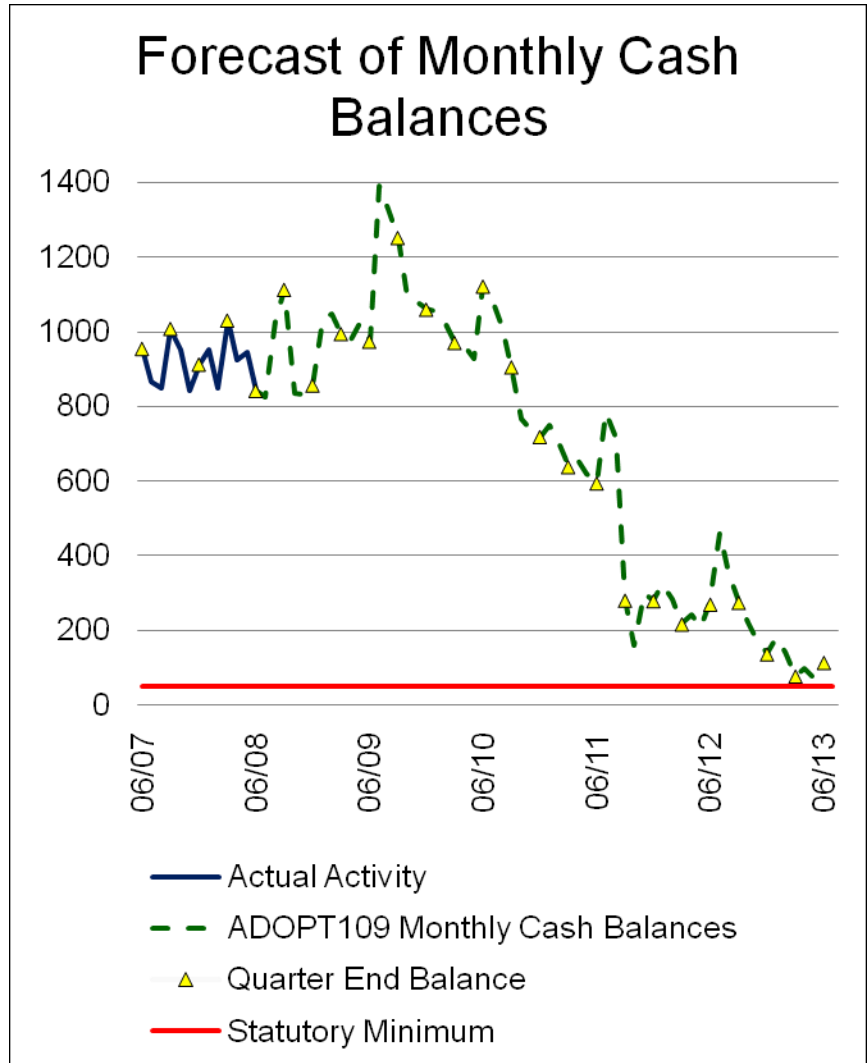
- ▶ FDOT anticipates that future revenues will be available to finance current projects in much the same way that a family anticipates future earnings to pay for a mortgage.
- ▶ FDOT utilizes various cash management techniques to manage variability in revenues and expenditures and any events of unanticipated cash shortfalls.
- ▶ A list of innovative financing tools used in cash management is on the following slide.

Innovative Financing Tools

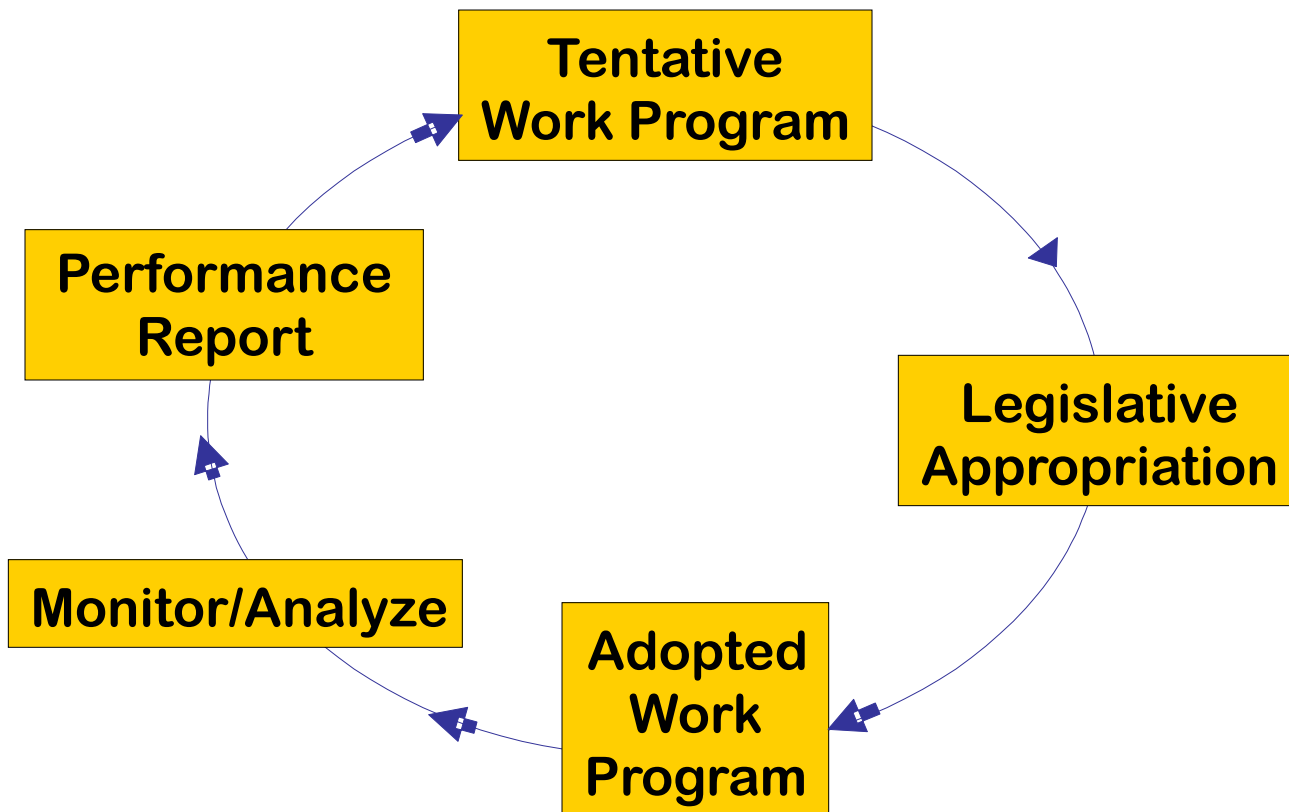
- ▶ **Federal Flexibility**
 - ▶ Advanced Construction
 - ▶ Softmatch including Toll Credits
- ▶ **Reasonable Level of Bonding**
 - ▶ Turnpike & Toll Revenue Bonds
 - ▶ Right of Way and Bridge Bonds
 - ▶ Grant Anticipation Revenue (GARVEE) Bonds
 - ▶ Fixed Guideway Bonds
- ▶ **State Infrastructure Bank (SIB)**
- ▶ **Transportation Infrastructure Finance and Innovation Act (TIFIA) Loans**
- ▶ **Private Activity Bonds**
- ▶ **Public-Private Partnerships (P3)**

Cash Management

- ▶ The actual minimum cash balance needed to support the work program will change based on the level of outstanding commitments the cash balance supports.
- ▶ Since the cash balance can vary as much as \$300 million in one day, a reasonable cash balance and an accurate forecast are critical.
- ▶ To pay for future commitments in the Adopted Work Program, the cash balance will be reduced to \$115.3 million at the end of the five year work program.



Annual Budget Process



Legislative Appropriation includes first year of the 5-Year Tentative Work Program

Budget

- ▶ Legislative Budget Request (LBR) submitted to the Legislature and the Governor by October 15
- ▶ Operating and Fixed Capital Outlay are in accordance with Chapter 216, F.S.
- ▶ Work Program budget amounts in LBR submitted on October 15 derived from the 2nd year of the Adopted Work Program
- ▶ LBR is amended in February after Tentative Work Program is complete
- ▶ General Appropriations Act represents Legislative review and approval of the 5-Year Tentative Work Program and includes budget for the first year of the Work Program

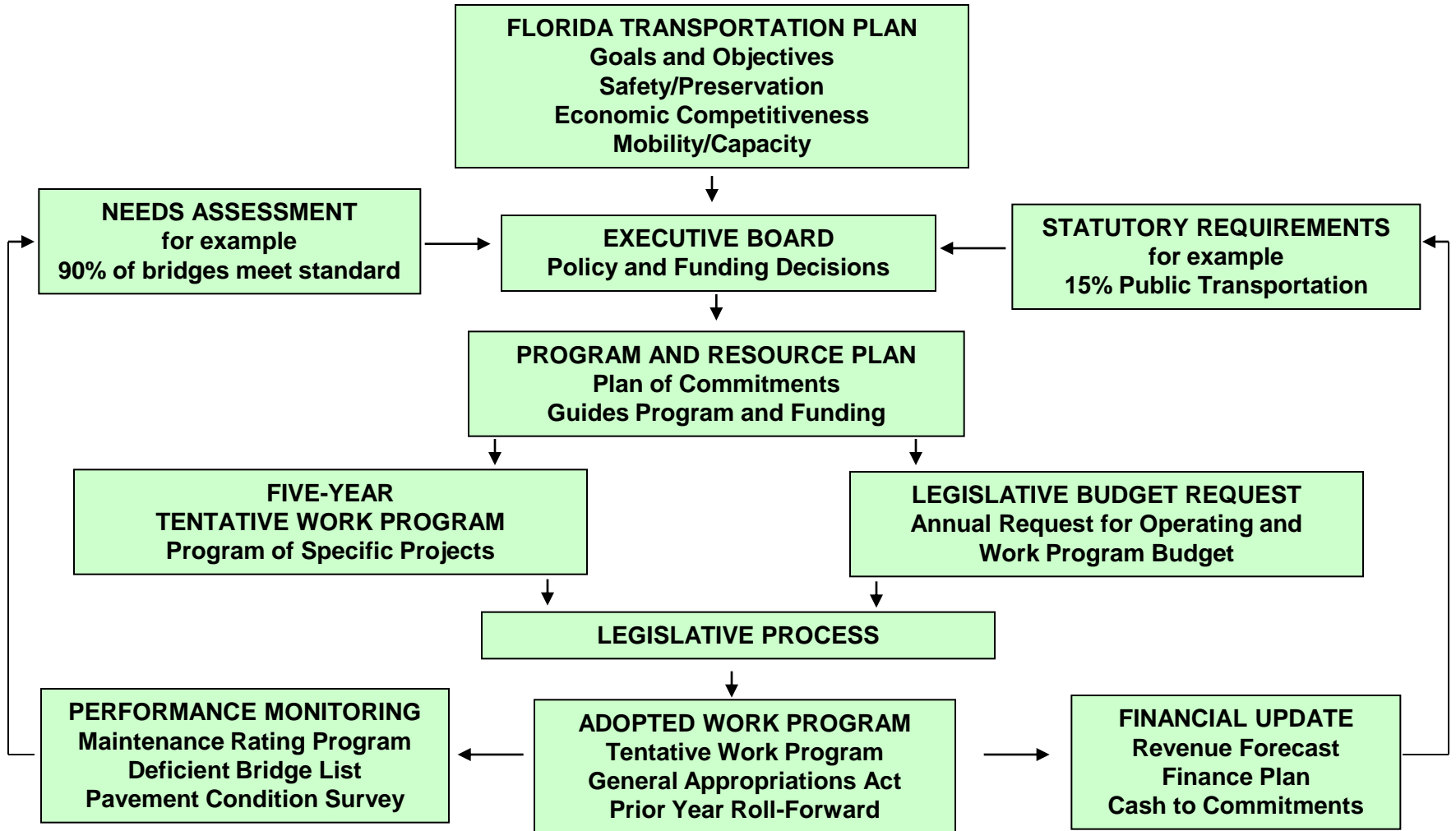
Modifying the Budget

- ▶ Roll Forward – annually, FDOT is authorized by s. 339.135(6)(c), F.S. to “roll forward” budget and funds needed to enable projects not committed in the prior year to be completed
- ▶ A budget amendment is prepared and submitted to the Governor’s Office.
- ▶ The available prior year appropriation balances are NEVER exceeded.

Funding Priorities

- ▶ Safety
- ▶ System Preservation
 - ▶ 80% Pavement Standard
 - ▶ 90% Bridge Standard
 - ▶ 100% Maintenance Standard
- ▶ Capacity

Program Allocation Process



Work Program Development Cycle

Executive Board Policy and Funding Decisions	Spring/Summer								
MPO Priorities	Spring/Summer								
Work Program Instructions Issued				September					
Statewide and District Programs - Projects Identified				September-October					
Public Hearings					November-December				
Detailed and Executive Reviews						January-February			
Transportation Commission Review and Public Hearing								March	
Submit Final Tentative Work Program to Governor/Legislature								March	

5 Year Work Program

- ▶ Five year specific list of projects
- ▶ Objectives and priorities set by law as further defined in the Florida Transportation Plan, which provides policy framework for allocating funding to meet needs – s. 339.155, F.S.
- ▶ BOTTOM UP process – projects are developed in coordination with MPOs and local governments
- ▶ Public Hearings required in s. 339.135(4)(d), F.S.

5 Year Work Program

- ▶ Reviewed by the Florida Transportation Commission during development of the program, with a formal review at a statewide public hearing prior to submittal
- ▶ Evaluation for compliance with laws and policies by FDOT staff and Secretary
- ▶ Submitted to the Governor and Legislature within 14 days of legislative session

Work Program and the Law

- ▶ FDOT submits a 5-year work program that includes all transportation projects planned for each fiscal year – s. 339.135, F.S.
- ▶ The work programs must be planned to deplete the estimated resources available each fiscal year – s. 339.135(3)(b), F.S.
- ▶ The work program must include a balanced 36-month forecast of cash and expenditures and a 5-year finance plan – s. 339.135(4)(b)4, F.S.

Building the Work Program

- ▶ Funds assigned to various programs per statutory requirements:
 - ▶ Milling & Resurfacing Projects
 - ▶ Bridge Repairs & Replacements
 - ▶ Maintenance
 - ▶ 15% set aside for Public Transportation (Aviation, Rail, Transit, Seaports)
- ▶ Contingencies programmed for unforeseen cost overruns and supplementals, fuel indexing, claims in litigation, and estimate changes

Building the Work Program

- ▶ Reserves are programmed for future programs where specifics are not known, such as bridge repair, traffic operation improvements, signals, drainage needs, county programs, etc.
- ▶ Reserves are also programmed for future projects where complete funding is not totally available or specifics are not known. Example: state/federal earmark received, but not enough to fully fund design or construction.