



Finance Work Program Budget

Presentation to Florida Transportation Commission

January 13, 2009

Today's Presentation

- Basic Concepts
 - Funding Sources
 - Estimating Resources
 - Finance Plan/Cash Forecast
 - Cash Flow vs. Commitment
 - Funding Priorities
 - Work Program
 - Budget

- Today's Challenges
 - Revenue Reductions
 - Economic Impacts

Funding Sources

➤ State Funds

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

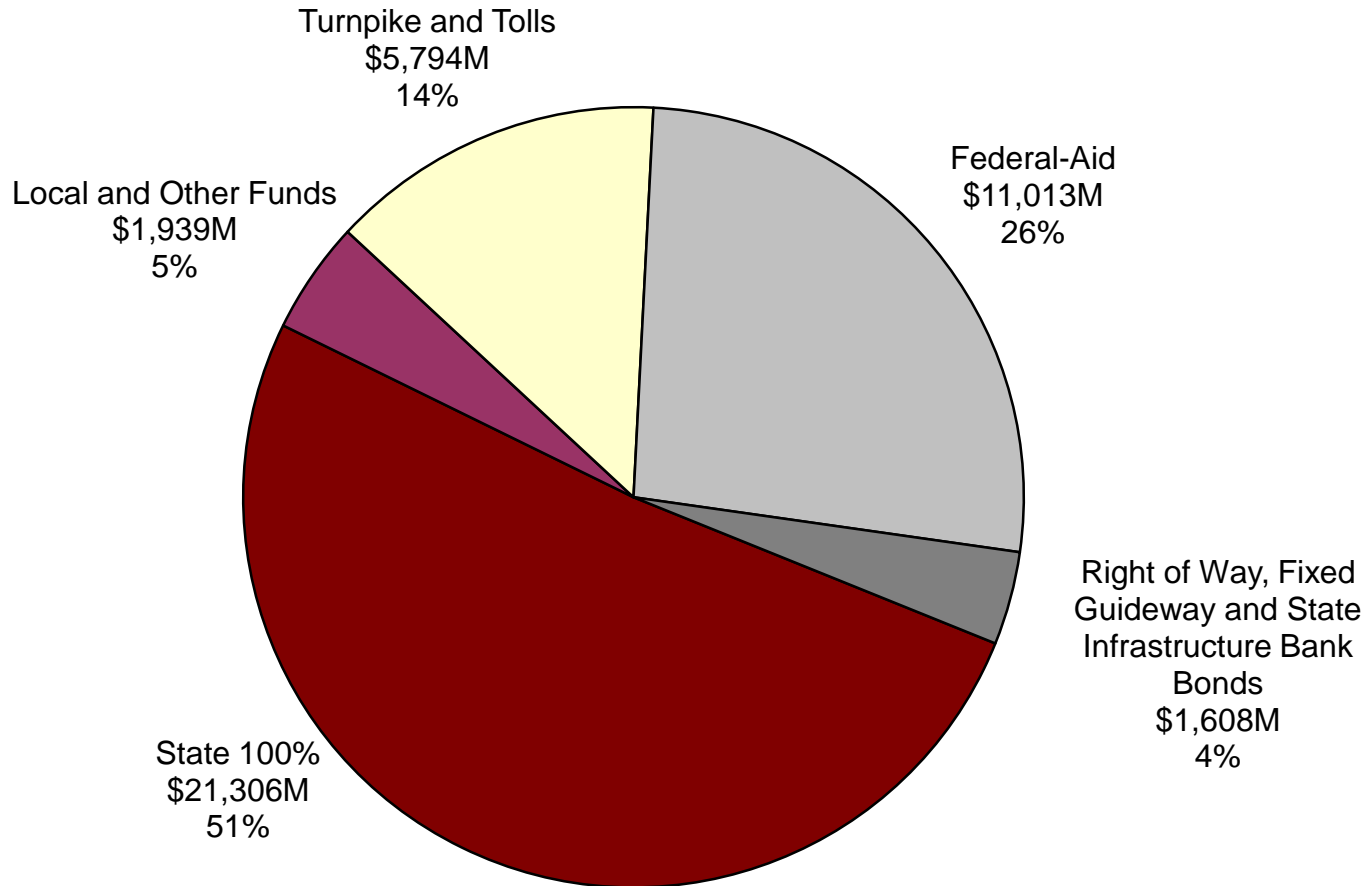
➤ Federal Funds

- 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

Five Year Work Program



Average Annual Funding \$8.3 Billion

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

Finance Plan/Cash Forecast

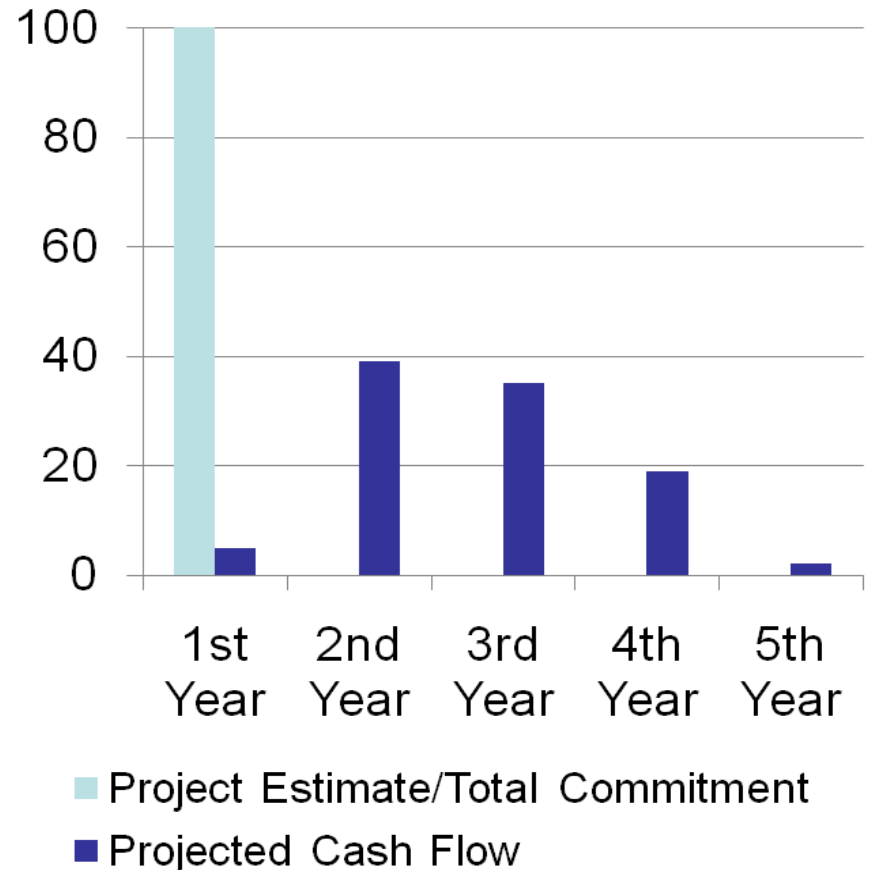
- Prepare independent plans
 - Long-range annual 5-year Finance Plan
 - Short-range monthly 3-year Cash Forecast
 - Provides cross-check and good solid results

- 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

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

Work Program Cash Flow

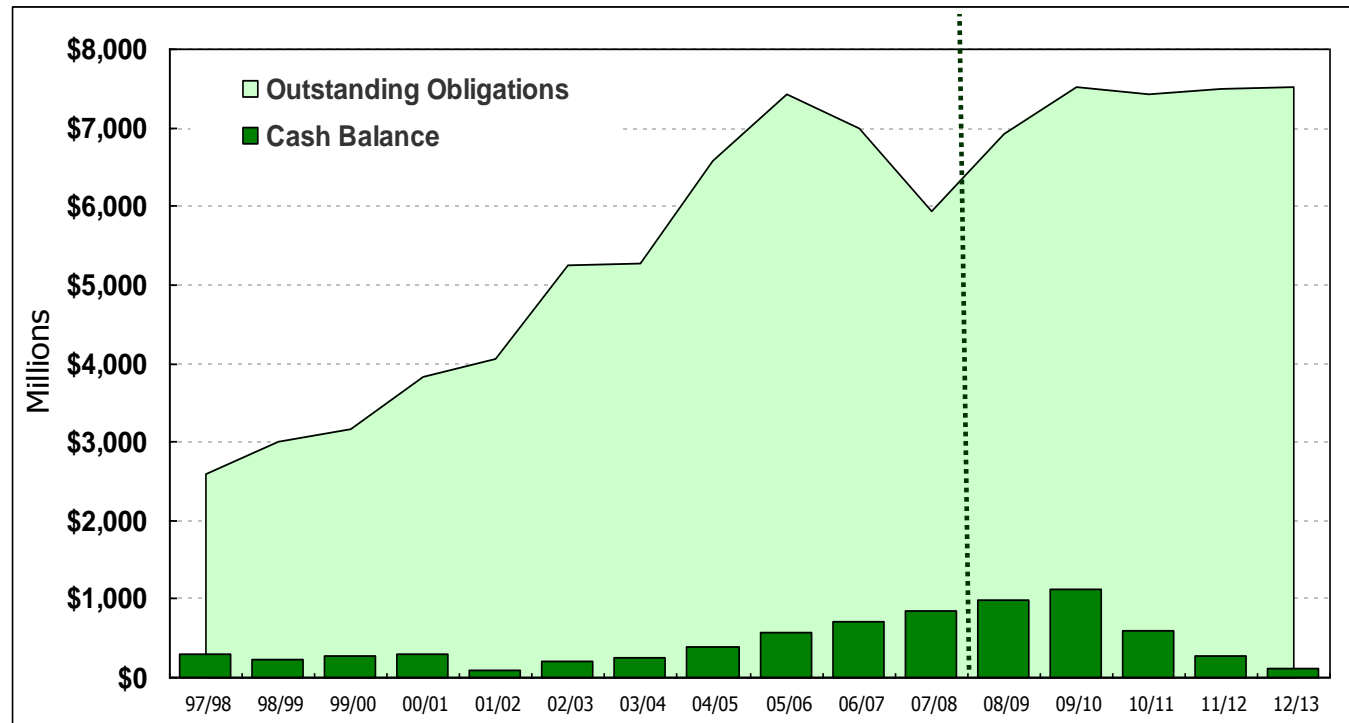


Cash Flow vs. Commitment

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

\$100

————— **Project Cash Flow** —————→

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	Total
	\$5.4	\$38.9	\$35.2	\$18.8	\$1.7	\$0.0	\$100

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	\$ 100.0	\$ 100.0	\$ 100.0	\$ 100.0	\$ 100.0	\$ 500.0
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	\$ 85.3	\$ 73.9	\$ 33.7	\$ 3.0	\$ 0	\$ 0

Cash and the Law

- Tentative and Adopted work programs shall be based on a complete, balanced financial plan for the State Transportation Trust Fund (STTF) and other funds managed by the FDOT – s. 339.135(3)(a), F.S.
- The work programs must be planned to deplete the estimated resources available each fiscal year – s. 339.135(3)(b), F.S.
- Must maintain a cash balance of not less than \$50 million or 5 percent of the unpaid obligation balance (whichever is less) at the closing of each quarter – s. 339.135(6)(b), F.S.

Cash and the Use of Transportation Funds

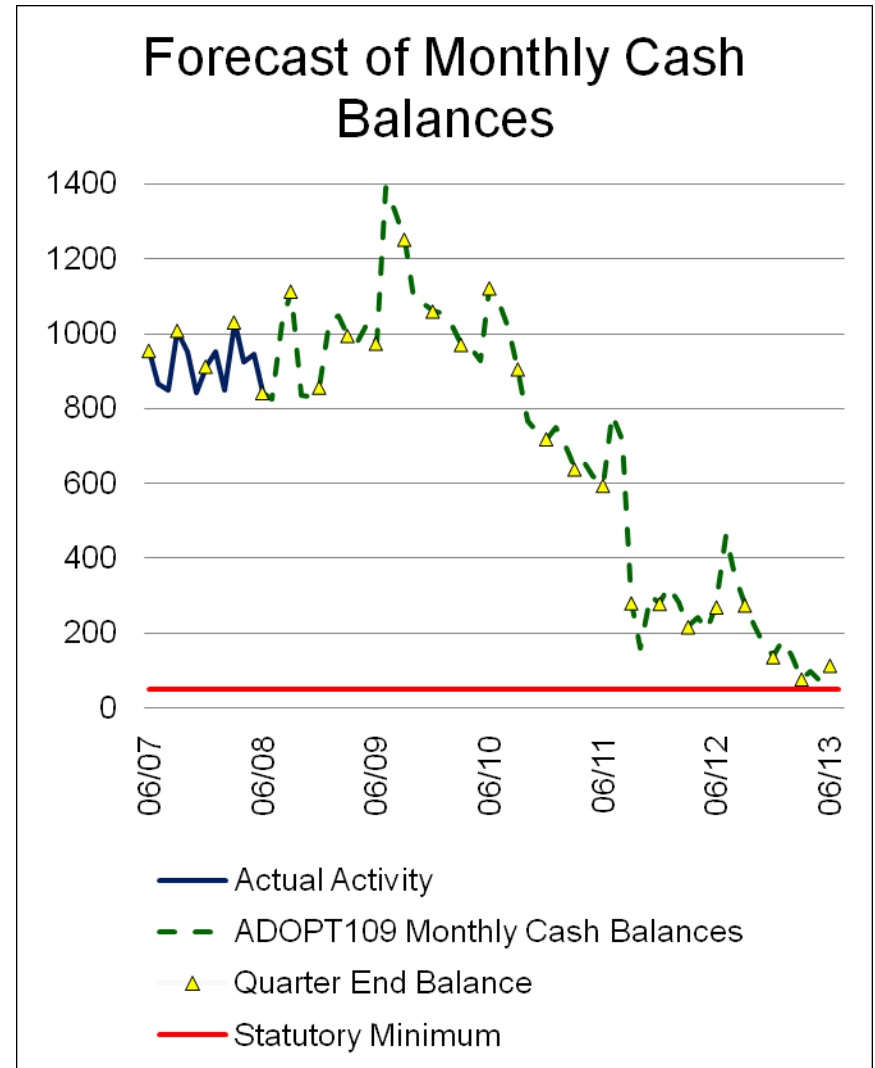
- FDOT anticipates that future revenues will be available to finance current projects in much the same way that a family anticipates future earnings to pay for a mortgage.
- FDOT utilizes various cash management techniques to manage variability in revenues and expenditures and any events of unanticipated 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.



Funding Priorities

1. Safety

2. System Preservation

3. Capacity

Section 334.046(4), Florida Statutes

Department mission, goals and objectives.

(a) **Preservation.**--Protecting the state's transportation infrastructure investment. Preservation includes:

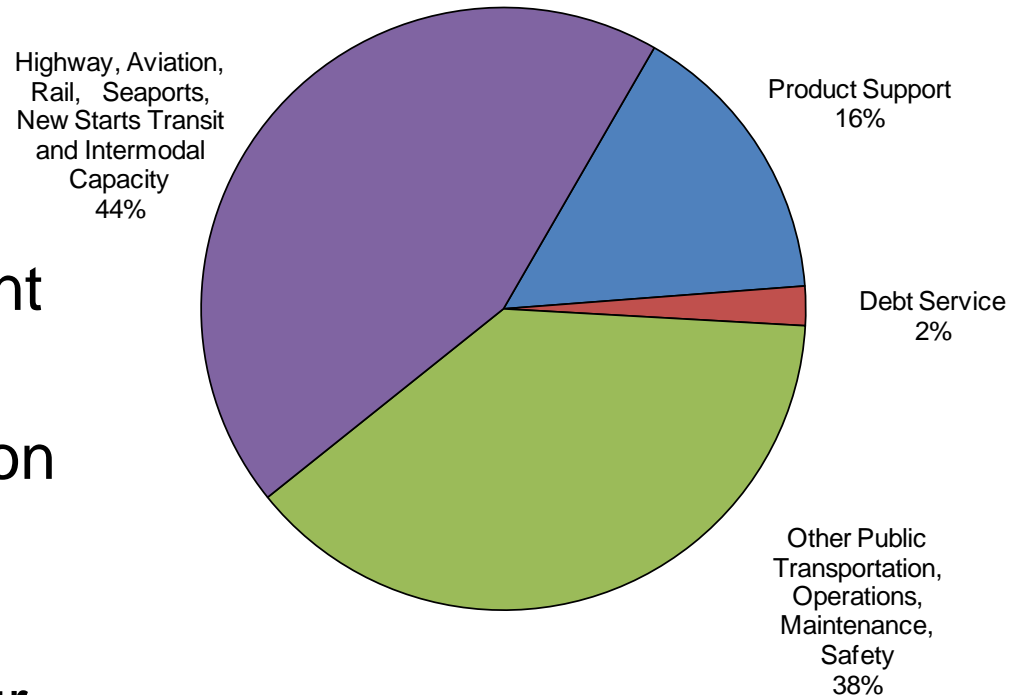
1. Ensuring that 80 percent of the pavement on the State Highway System meets department standards;
2. Ensuring that 90 percent of department-maintained bridges meet department standards; and
3. Ensuring that the department achieves 100 percent of the acceptable maintenance standard on the state highway system.

Care and Feeding

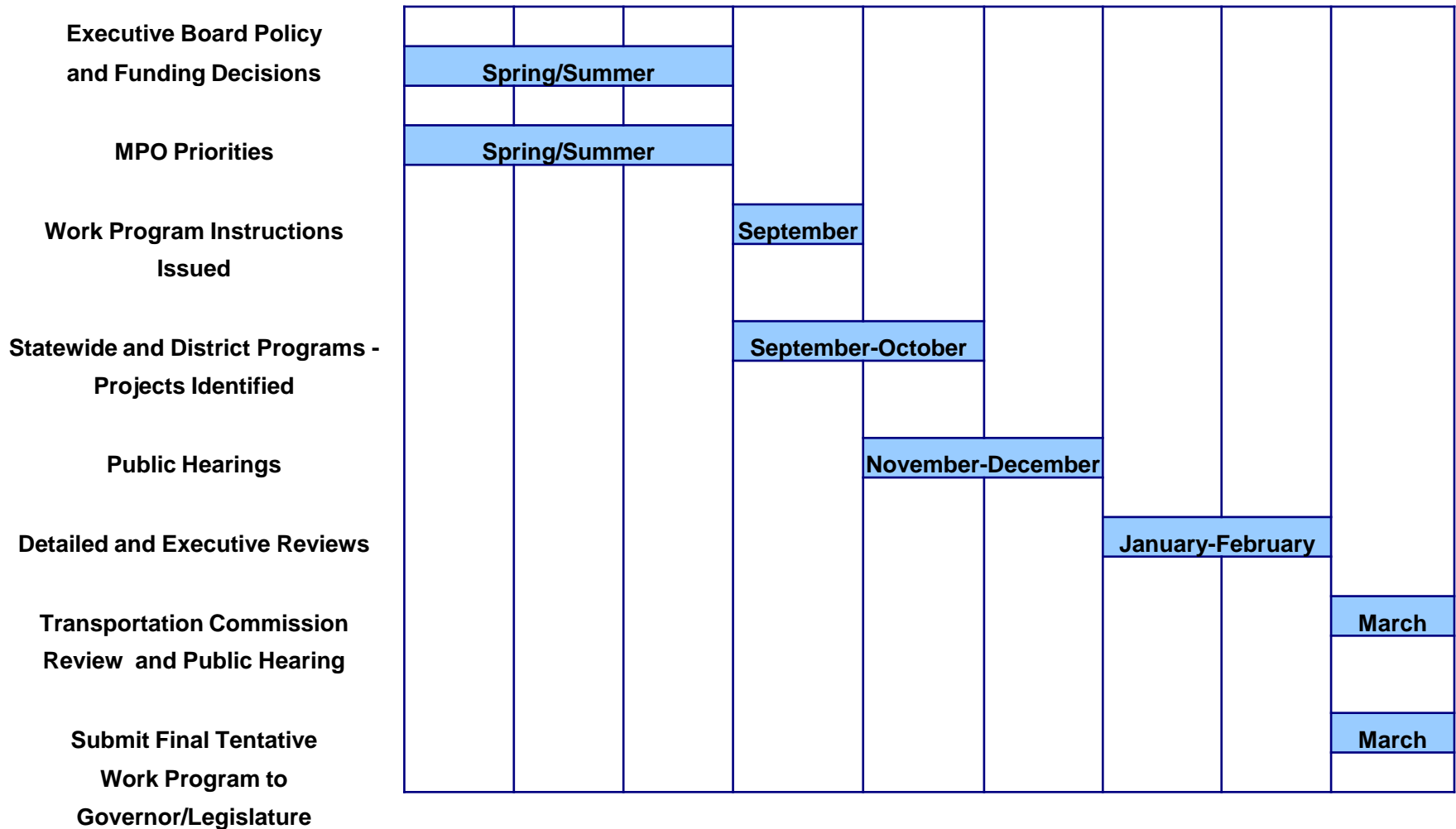
➤ Care and Feeding

- This year's budget is ~\$8.2 billion
- Approximately \$4.6 billion is spent on maintaining the current infrastructure
- Leaves only \$3.6 billion to fund capacity improvements

➤ Approximately 56% of our budget each year is spent on maintaining our current transportation system.



Work Program Development Cycle



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.

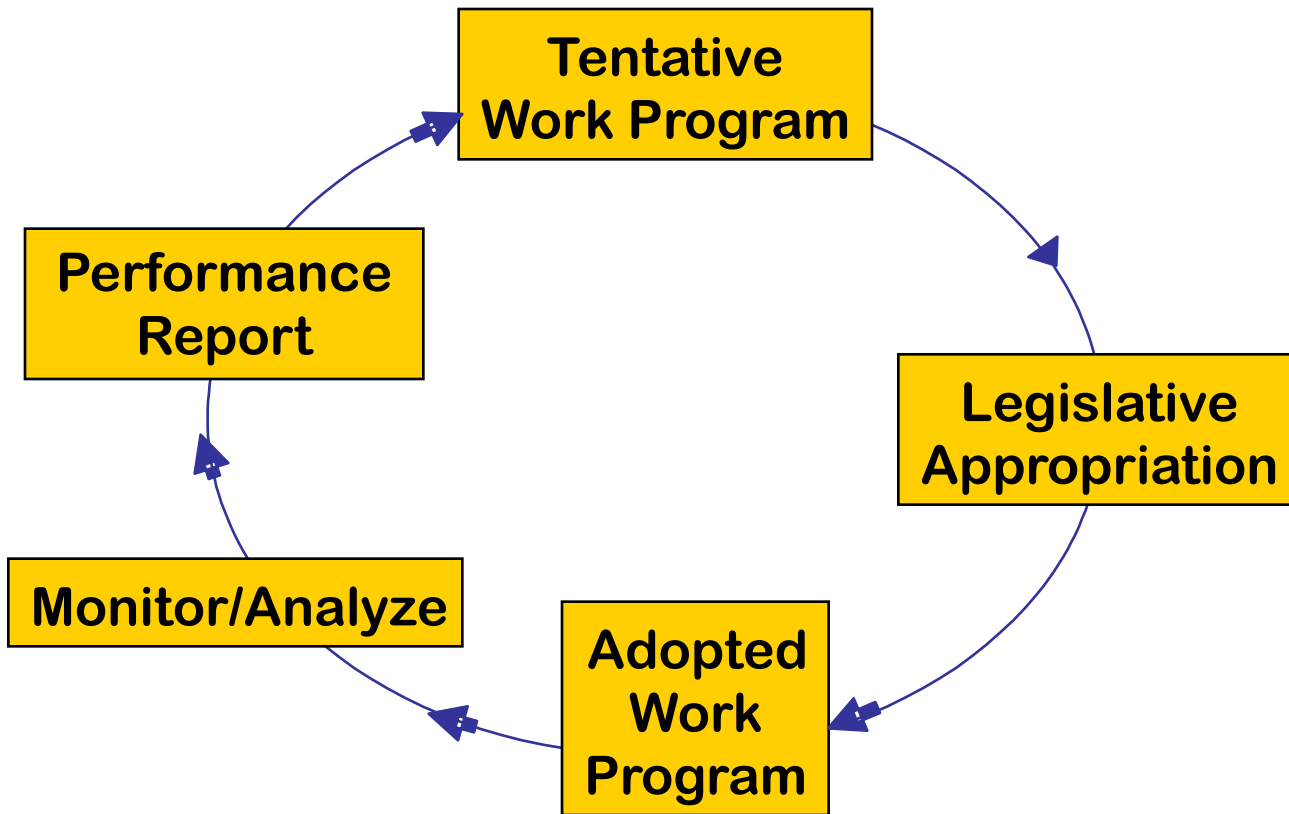
2008/09 FDOT Budget

2008/09 FDOT Budget	
	Amount (Millions)
Salaries and Benefits	464.9
Other Personal Services	5.8
Expenses	79.7
Contracted Services	48.9
Transportation Materials/Equipment	35.5
Operating Capital Outlay	8.7
Vehicle Acquisition	9.2
Toll Contracts/Expressway Payments	90.4
Transportation Disadvantaged	113.3
Other Special Categories	58.4
Transfers to Other Agencies	6.4
Subtotal Operating	921.2
Fixed Capital Outlay	7.9
FDOT Work Program	7,274.5
Department Total	\$8,203.6

Unlike most other state agencies which can submit unconstrained budget requests, FDOT must submit a budget request that is balanced to available resources.

Total 2008/09 FDOT Budget by Budget Entity		
	Positions	Amount (Millions)
Transportation Systems Development	1,803	\$2,480.6
Highway Operations	4,070	4,311.8
Executive Direction	800	90.2
Information Technology	283	40.3
Turnpike Enterprise	492	1,280.7
Department Total	7,448	\$8,203.6

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

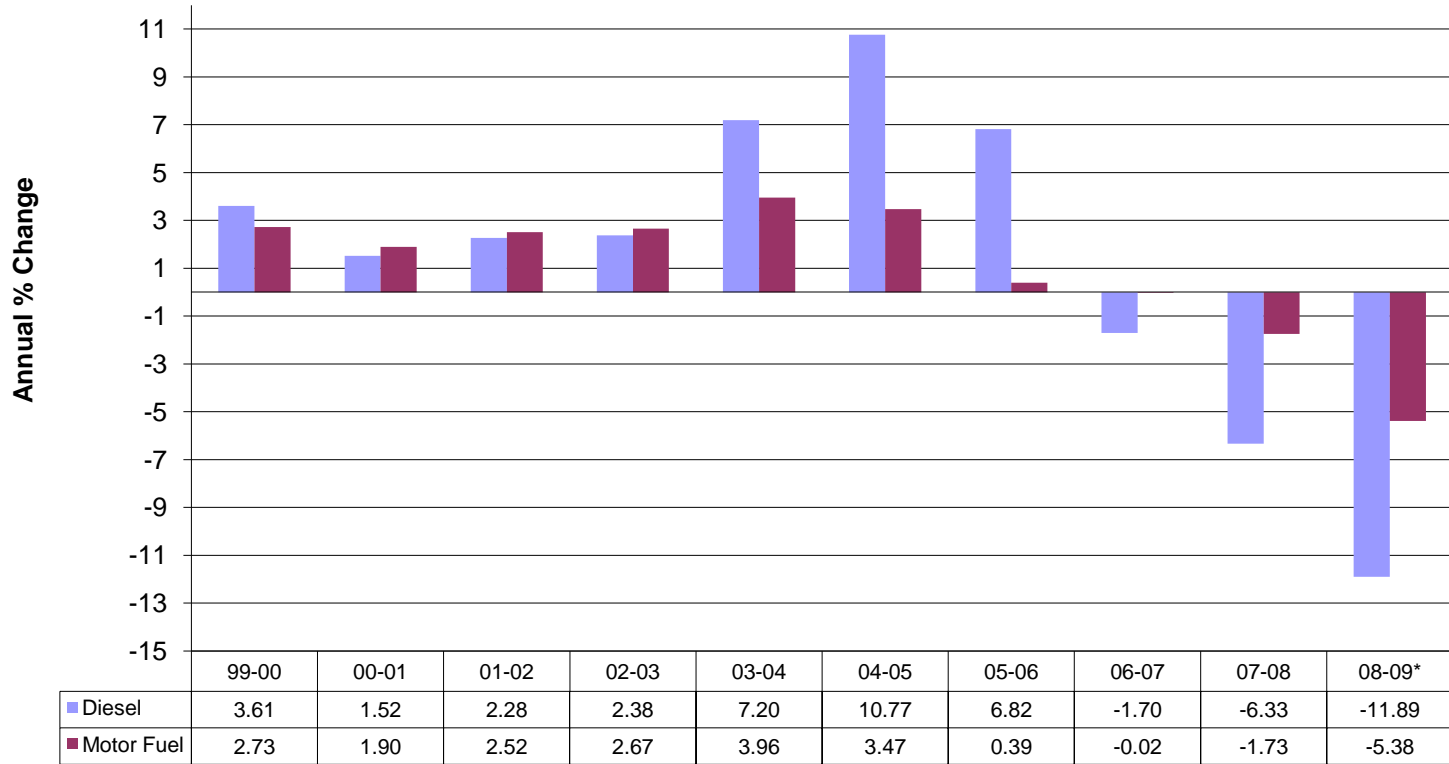
Modifying the Budget

- 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.

Today's Challenges

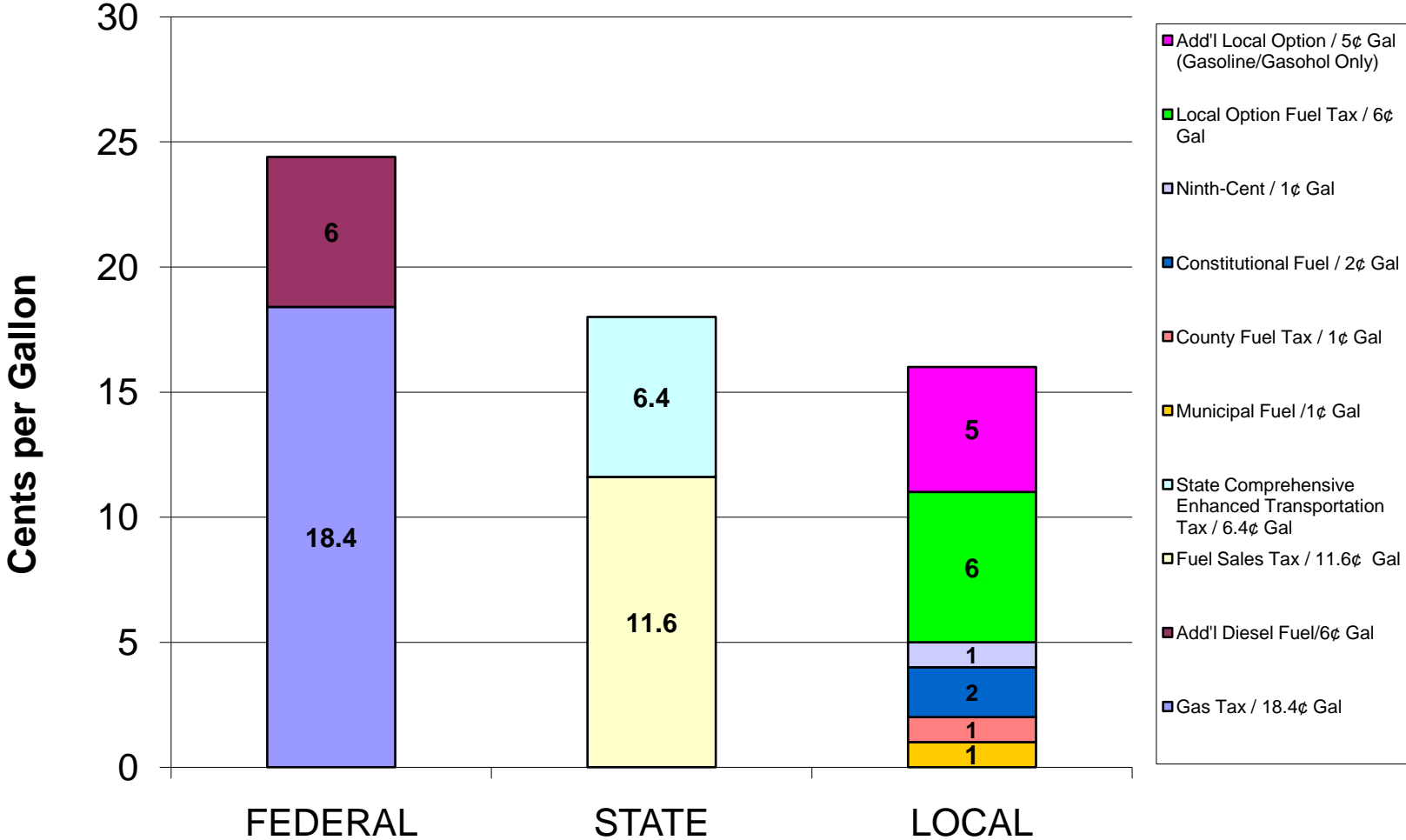
- Estimated State and Federal Forecasts of traditional transportation revenues continue to decline
- Growth rate for future forecasts are tempered as fuel consumption has dropped
- Higher than expected construction material costs
- Transportation projects which stimulate the State economy are deferred

Fuel Consumption History



Year-to-Date (November)

2008 Highway Fuel Tax Rates



State fuel taxes are indexed each January 1 to the Consumer Price Index. Neither the Federal or Local fuel taxes are indexed.

Cash vs. Commitment Reductions

- s. 339.135, F.S. requires the Work Program to be balanced to available revenues
- Declining revenues translate into significantly higher commitment reductions

REC Date	Cash Reduction	Commitment Reduction
November 2006	(\$140 M)	(\$164 M)
March 2007	(\$232 M)	(\$400 M)
November 2007	(\$847 M)	(\$1,409 M)
March 2008	(\$339 M)	(\$563 M)
June 2008 (GM)*	(\$931 M)	(\$1,312 M)
August 2008 (GM)	(\$390 M)	(\$533 M)
November 2008	(\$1,303 M)	(\$2,131 M)
November 2008 (GM)	(\$538 M)	(\$721 M)
Total	(\$4,720 M)	(\$7,233 M)

*2008 Legislative Session

Economic Impacts

- 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