



“Piedmont” Regional Peer Exchange on Program Financial Management

Summary Report

APRIL 19-20, 2018

“Piedmont” (NC-SC-GA) Regional Peer Exchange on State Department of Transportation (DOT) Program Financial Management

April 19-20, 2018
Asheville, NC

Day One: Focus Area Discussions

Project Planning and Prioritization

What is a fair and equitable approach for prioritizing / scoring projects across modes?

- The North Carolina Department of Transportation (NCDOT) presented on their Strategic Transportation Investments (STI) Prioritization Process, which is a data-driven process embedded in law that considers multiple points of view, works on a consensus basis and accommodates local priorities through local input points. Based on their experience NCDOT offered the following advice for developing a prioritization methodology: start simple, engage key partners / stakeholders (including local input through MPOs and RPOs) from the start, be transparent and cultivate champions in the department.
- Planning processes typically do not include all long-term lifecycle costs in considering the cost of a project. This can present complications when comparing traditional delivery to a P3 approach that includes operations and maintenance (O&M) as estimating lifecycle costs for maintenance to a specific standard of performance can be challenging. Estimating lifecycle costs and setting performance standards continues to evolve as state DOTs tie investment levels to asset performance.
- Evaluating a planning and prioritization methodology:
 - Does the plan reflect reality? How closely is funding tied to prioritization results? What is the STIP delivery rate on prioritized capital projects?
 - Does the process use mode-specific criteria or aim to set common goals across modes?
 - Is the prioritization process dynamic (responsive to changing needs and priorities over time)?
 - How accurate are the cost estimates used in the planning process?
 - What controls are part of the process to rein in scope and cost changes during early project development stages?

How can we balance economic development and investment needs in rural parts of the state with capacity needs in urban areas?

- State DOTs and rural agencies don't always agree on which projects are most critical for rural areas. Prioritization processes that give significant weight to projects of local significance or allocate funding specifically for use by local agencies seem to be most effective way to ensure that the priorities of rural agencies and communities are met.
- The downside to balancing programs through the planning/prioritization process (e.g., geographical, modal, by corridor or legislative district) is the added complexity of “navigating layers of constraints” including federal program categories and requirements to get essential projects funded.

How can we improve the transparency of our project planning and prioritization process and share our asset management strategy by communicating our success?

- Transparency is the key to credibility. When the process is transparent stakeholders (contractors, legislators, citizens) can see the relationship between funding, investment and performance and they can be champions for the state DOT.
- All three state DOTs have or are planning to have public dashboards that display information related to project scoring and programming. All three make public key elements of the quantitative prioritization process.

- Project costs that typically increase from initial estimates complicate the programming process. It is useful to scope projects early in the environmental review, establishing purpose and need and evaluating alternatives, and to also closely track cost estimates.
- State DOTs have had to undergo a culture shift to become more proactive about public relations in order to communicate successes, combat misinformation, and improve transparency. Regular meetings with the press, addressing challenging issues head-on, and employing social media to share success stories and social impacts are all strategies being used.

Procurement Approaches and Utilization of Financing Tools

What does “alternative delivery” mean in your state?

- For all three states, most alternative delivery projects are design-build – though there have been some design-build-finance (DBF) projects and some P3 (DBFOM) projects. The states have fairly extensive experience and robust practices around the use of design-build delivery with the screening process well integrated into activities across the DOTs.
- The focus on this topic is indicative of a larger shift within DOTs to designing and delivering projects under financial constraint with more specific purpose and goals and fitting the procurement tool to the needs of the project.
- Design-bid-build remains the typical procurement choice for a pipeline of similar and well understood projects. Design-build is useful for emergency procurements, attaining schedule certainty, and allowing more flexibility to define success and allow for variable scope.

How do we build industry acceptance and interest to grow a robust alternative delivery program (project pipeline)?

- Major increases in capital investment programs, such as those being experienced by the three states, can create constrained markets for labor and materials. The group discussed the value of a smooth and growing work flow for contractors. All three state DOTs are working proactively to facilitate a robust and competitive market of industry partners.
- Being transparent with industry partners is a key strategy; this involves frequent communication regarding the project pipeline and planning / funding practices. Project screening and delivery method documents are essential resources for the state DOTs but also need to be accessible to industry partners.
- There was discussion about giving consideration to maintaining a competitive pool of contractors when selecting alternative delivery methods, including the impacts on smaller contractors that often must take on the role of subcontractors. The group raised some concerns about the ability of the transportation industry to fully address future workforce demand / training issues.

How can we streamline project-level implementation with alternative financing/delivery?

- Having the full toolbox of delivery and financing tools improves the ability of state DOTs to advance prioritized projects – especially major initiatives – within the constraints of their overall programs. Georgia DOT (GDOT) described its experience with DBF procurements as “cash flow funding” through which it generates spending curves for certain projects and marries delivery and financing approaches within overall program budget constraints.
- NCDOT gave an overview of its GARVEE Program used to help finance Federal-aid projects on strategic corridors that meet priority interstate maintenance needs and/or improve travel service. To date, NCDOT has issued \$1.3 billion of GARVEEs for 49 projects across the state. The presentation included discussion of the authorizing legislation, the roles of members of the financial team, program best practices, various governing documents (including the memorandum of understanding (MOA) among the NCDOT, State Treasurer and FHWA, the Master Trust Indenture, and the internal GARVEE Resource Document) and the GARVEE database used to track projects and integrate with the cash model.
- South Carolina (SCDOT) then described its Transportation Infrastructure Bank (SCTIB), which was created in 1997 (along with other “first wave” state infrastructure banks (SIBs) capitalized with federal funds) in order to assist larger projects and allow the state DOT to devote resources to other important projects. The Cooper River Bridge was a major design-build project funded by an early partnership between the SCTIB, SCDOT, FHWA, Charleston County and the South Carolina State Ports Authority. Although the SCDOT works closely with the SCTIB and provides some administrative, financial and technical assistance, the bank has its own set of revenues, a separate board of directors (politically appointed) and a separate project selection process. Some of the SCTIB projects are sponsored by local County Transportation Committees that have their own dedicated revenues and can fund and build non-state projects.

Lunch Discussion: Making the Investment Case

Georgia's Transportation Funding Act

- GDOT described how it provided detailed information linking transportation asset conditions to potential investment levels (including bridge conditions in each legislative district) to inform the General Assembly, which passed the Transportation Funding Act (TFA) in 2015. This legislation provided much-needed funding to repair, improve and expand the state's transportation network. The TFA has nearly doubled GDOT's program by providing an additional estimated \$900 million per year through increased fuel taxes and other fees.

Georgia's Major Mobility Investment Program (MMIP)

- GDOT reviewed how it is implementing its MMIP – an \$11 billion program of 11 major mobility projects (interchange reconstructions, express lanes, interstate widenings and non-tolled commercial vehicle lanes) using innovative delivery and financing tools. The MMIP is projected to result in \$1 billion of additional personal income and \$2 billion in state economic growth.
- GDOT identified the anticipated delivery models for the MMIP projects (DB, DBF and DBFOM) and illustrated how it plans to leverage its federal program through utilization of GARVEEs, PABs and TIFIA loans.
- GDOT concluded the working lunch with a discussion about how it is integrating management of the MMIP with the DB Program and the P3 Program within its P3 Division with the help of external resources (general engineering consultant, program management consultant and construction engineering inspection) along with the State Road and Tollway Authority as a strategic partner (tolling consultant and systems integrator).

Forecasting Existing Revenues and Evaluating Potential Revenues

We rely on experienced staff with a deep knowledge of our state's historical revenue and expenditure trends; what statistical software or new methods could provide more accuracy in our revenue forecasting?

- NCDOT presented information on their partnership with SAS to integrate data from multiple agencies and improve forecasts. North Carolina develops a consensus forecast of revenues multiple times each year from three models that utilize the same base data – an in-house state DOT forecast, a legislative fiscal research forecast and a state Office of Management and Budget (OMB) forecast.
- SCDOT described their process for developing forecasts by revenue type each month based on prior-year activity, comparing actuals to date with forecasts, analyzing variances and measuring time horizon accuracy.

What are effective strategies for planning, programing, and funding projects under continuing resolutions and in times of uncertainty about the federal program?

- The group discussed future forecasting given uncertainty in the federal program. Most state forecasts assume that FAST Act funding levels continue, but the group expressed skepticism about the value of long-term forecasts considering all the unknowns. If a significant reduction in federal funding does occur, state DOTs would need to continue positioning themselves to work with legislators and the public to try and secure new state-level funding.
- There was discussion about using advance construction strategically as a buffer against uncertain federal funding, especially early in the state fiscal year (beginning in July) when state funds are available, while waiting for federal funds to become available during the federal fiscal year (beginning in October).
- The general consensus was that establishing a diversified revenue portfolio and establishing the state DOT with key stakeholders as a reliable and effective steward of funding is the most effective strategy for preparing for a potential federal funding cliff.

Cash Management (including Federal Funds) and Systems

What are some cash management goals and practices?

- Cash depends on external factors. NCDOT described how it manages cash for capital spending from the state Highway Trust Fund (HTF) and cash for operations and maintenance from the Highway Fund, which is more certain from year-to-year. GDOT and SCDOT track combined cash for both capital and operations.
- NCDOT is required to maintain cash at least equal to 7.5 percent state revenues (excluding federal funds) and has a target of 20-25 percent. The cash ceiling (maximum balance) is supposed to be \$1 billion – if the balance exceeds this ceiling the legislature must be notified. NCDOT officials meet once a month, bringing in major project managers periodically, to review cash balances.
- GDOT does not have similar limits or targets since it must have cash on-hand sufficient to fully fund projects before they can be let. GDOT does meet with the state Treasurer regularly to review 30/60/90-day projections of cash needed to cover expenditures.
- SCDOT uses an Excel cash model that includes all expenditures and revenues. There are about 1,400 projects in 21 categories (safety, bridge, repaving, etc.) and the forecast time horizon is 2034.

How can we improve our obligations management, specifically our ability to consistently receive timely and accurate project data from all departments?

- The group discussed how senior managers from different offices periodically get together to review the available funds in federal program categories and decide how to obligate them (let contracts) for projects in the STIP. NCDOT has a Program Control Office that is responsible for scheduling contract lettings and managing federal obligation authority (including the conversion of advance construction). GDOT has interdisciplinary monthly meetings of key offices to review the status of projects and coordinate the authorizations of state funds and federal funds.

How can we improve transparency to contractors and others of the state's methodology for distributing funds to projects?

- All of the states make information about project funding available on-line to stakeholders and the public. For example, NCDOT has a 12-month contract "let" list. Each month a comprehensive program overview is presented to the Board of Transportation and posted online – this includes cash on hand, revenues, expenditures, comparisons to forecasts, etc.

What are some ways to improve how we manage federal funds?

- SCDOT described how it has used both bridge credits and toll credits to satisfy the non-federal match on some projects.
- There was discussion about the need for FHWA guidance to implement the recently-enacted (FAST Act) provision enabling 100 percent federal share for "innovative delivery" projects.
- There was discussion also about difficulties the states have faced in not being able to extend project end dates in FMIS – in particular older AC projects.

Day Two: Institutional Capacity Assessment

Participants engaged in a "Question Storming" exercise to identify capacity building needs.

Think ahead to a year or two years from today. What questions, if you were able to answer them in the coming months, would help you to be more successful in your job and/or help your organization to be more successful in meeting your goals during that timeframe? What answers could be transformative in large ways or small?

After independently developing individual questions, the participants were organized into small groups (color coded by discipline or focus area) to discuss their ideas and report out their top three questions to the full group. Many groups had similar questions.

How can we (as FHWA) help the state DOTs be more successful? (Grey Group)

- Provide more funding.
- Provide more flexible programs or fewer program categories.

- Improve FMIS reports (e.g., reintegrate reports that used to be in prior versions of FMIS).
- More generally, streamline reporting processes and eliminate unnecessary and repetitive reporting requirements.
- FHWA could incorporate more input from state DOTs on future FMIS modifications.

How can we move toward automation that provides accurate data, integrates systems (e.g., site manager, FMIS, other financial systems) and allows more time to analyze data instead of compiling data? (Green Group) (Blue Group)

- Do we just need to hit reset on our current financial management information system?
- Is there potential for someone to develop a new integrated system given the challenges of state-specific rules and systems and US DOT regulations?
- What data elements are needed to meet state and federal requirements and internal planning needs?

How can we attract and retain great employees and develop them into great leaders/stewards? (Blue Group) (Red Group) (Yellow Group) (Grey Group) (Green Group)

- Changing the mindset for worker development (young workers are not as likely to stay at DOT for entire career).
- Understanding future skill sets and resource needs.
- Mitigating risk of employees moving to the private sector.
- Managing job expectations (e.g., program management vs community planning).
- Undertaking succession planning; retaining institutional knowledge.

What is the future role of the transportation/infrastructure industry (US DOT, state DOTs, private sector, locals)? (Blue Group)

- Uncertain federal role going forward; increasing trend towards private sector filling the gap.
- DOTs' shifting role from "infrastructure builder" to "asset manager" to "mobility provider." Trend towards integration of transportation with other infrastructure services (water, wastewater, broadband, etc.).

How do we leverage emerging technology (drones, AI, CAV, etc.) to better achieve our missions & goals? (Red Group)

- How can we be proactive in engaging with these new technologies rather than reactive to emerging trends?
- How can we harness new technology to help us adapt legacy processes to current needs and reality?

State DOT Participants

Name	State	Position
Kevin Baker	South Carolina	Cash Management
Kristin Barnes	North Carolina	District Engineer
Miranda Caldwell	South Carolina	Obligations Management
Amy Clawson	North Carolina	Federal Aid
Lynsee Gibson	South Carolina	Director of Program Controls
Kelly Gwin	Georgia	Planning Branch Chief
Brian Keys	South Carolina	Deputy Secretary for Finance and Administration
Robert Lewis	North Carolina	Chief Operating Officer
Scott Ludlam	South Carolina	Director of Budgets and Financial Planning
Michelle Overby	North Carolina	Cash Management
Selena Riordan	Georgia	Budget Director
Angela Robinson	Georgia	Financial Management Director
Kace Smith	South Carolina	Chief Financial Officer
Connie Steele	Georgia	Director of Finance
Mike Sullivan	South Carolina	Chief of Statewide Planning
Burt Tasaico	North Carolina	Director, Strategic Initiatives & Program Support
Darryl VanMeter	Georgia	Asst. Director, P3 Division/Innovative Delivery Administrator
David Wasserman	North Carolina	Strategic Prioritization Office and STIP Western Region Manager
Angela Whitworth	Georgia	Treasurer
Leigh Wing	North Carolina	Programming
Randall Young	South Carolina	Chief Engineer for Project Delivery

FHWA Participants

Name	Organization	Position
Loretta Barren	North Carolina FHWA	Transportation Planner
Andrew Callihan	FHWA Resource Center (Financial Services)	Financial Program Specialist
Audrey Davis	North Carolina FHWA	Financial Manager
Rickele Gennie	South Carolina FHWA	Operations Engineer
Jessica Hekter	South Carolina FHWA	Planning & Program Delivery Team Leader
George Hoops	North Carolina FHWA	Planning & Program Development Manager
Yolanda Morris	South Carolina FHWA	Transportation Planner
Bryan Smith	South Carolina FHWA	Financial Manager
John Sullivan	North Carolina FHWA	Division Administrator
Russell Wright	Georgia FHWA	Financial Team Leader