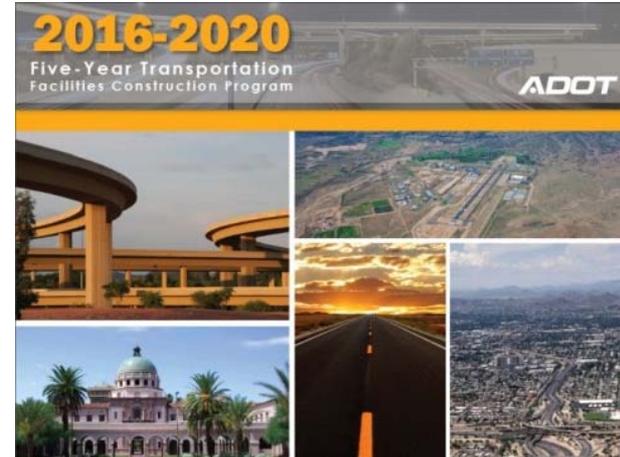


Contingency Sub-program Review

Presentation by:
Kristine Ward, CFO
August 25, 2015

What are Contingency Funds?

The contingency funds are listed as sub-programs in the 5-year Program



			Fund Source	FY 2016	FY 2017
◆ DEVELOPMENT SUPPORT, ENGINEERING - STATEWIDE					
70016	211.01	Construction Preparation: Technical Engineering Group	FA	\$4,232	\$0
70017			FA	\$0	\$2,500
70018			FA	\$0	\$0
70019			FA	\$0	\$0
70020			FA	\$0	\$0
				\$4,232	\$2,500

Page 48

			Funding	FY 2016	FY 2017
◆ PROGRAM OPERATING CONTINGENCIES, CONSTRUCTION					
72316	234.00	Program Cost Adjustments	FA	\$5,000	\$0
72317			FA	\$0	\$5,000
72318			FA	\$0	\$0
72319			FA	\$0	\$0
72320			FA	\$0	\$0
				\$5,000	\$5,000

Page 51

Contingency Sub-program

Where does the \$ come from...

- Cancelled or Deferred Projects
- Construction Awards under Estimate
- Project Close-out
- Budget Transfers
- Design Budget Changes
- Other funding revisions



Where does the \$ go...

- Construction Awards over Estimate
- New Projects
- Advanced Projects
- Construction Change Orders/Overruns
- Design Budget Changes
- Other funding revisions

All Expenditures from Contingency are approved by the Board except Construction Change Orders/Overruns

Cancelled Projects

- Budget from projects that are removed or delayed within the Program, due to:
 - New priorities
 - Project is not ready to deliver



STAY TUNED! EVENT MAY BE RESCHEDULED.

Construction Awards Over/Under

- Actual awarded construction contract is more or less than estimated, due to:
 - Changes in quantities
 - Fluctuations prices
 - Additional work items identified by the contractor



Project Close-out

- Leftover funds after project is complete, due to:
 - Project was completed below budget

Budget Transfers

- Transfers of budget authority within the Program, due to:
 - Unused budget

New Projects

- New projects established to utilize Contingency Sub-program funding



Advanced Projects

- Advance projects from a future year in the program, due to:
 - Additional funding availability
 - Switching projects between program years

Construction Change orders/Overruns

- Decreases or increases in construction projects costs AFTER the project is awarded, due to:
 - Change orders or other overruns during construction



Design Budget Changes

- Decrease or increase for preliminary engineering projects AFTER the initial obligation of funding, due to:
 - Clearance requirements that become apparent after design work has started

Other Funding Revisions

- Funding needs that fall outside of the definitions of all other adjustment types.

End of Year Close-out Process

- In April, FMS & ITD conduct project and funding “shake-down”
- FMS tells ITD how much is available in Contingency
- ITD programs projects subject to State Transportation Board approval
- Close-out process is iterative over that last three months of the fiscal year to make sure that all available funds are used

FY2015 Year in Review, Construction Contingency Fund

Description	#	Amounts
Beginning Balance – 07/01/2015		<u>\$5,000,000</u>
Advanced Construction Projects	37	(\$76,793,452)
Budget Transfers	5	\$21,207,353
Cancelled Projects	8	\$33,372,000
Construction Budget Changes	7	(\$7,800,000)
Construction Awards (Over)/Under	81	\$13,289,161
Construction Change Orders/Overruns	62	(\$11,566,399)
Design Budget Changes	24	(\$979,060)
New Projects	48	(\$14,028,453)
Other Funding Revisions	131	\$15,484,829
Project Close-out (Final Vouchers)	<u>457</u>	<u>\$22,814,021</u>
Ending Balance – 06/30/2015	860	\$0

Why do we need a Contingency Sub-program?

- Fiscal Constraint required, by program year
- Ensures Program Stability to manage project changes
 - Underway projects - \$650M-\$700M
 - 1000+ projects
 - 873 contingency sub-program transactions in FY15
- Best practice – GFOA Financial Policy
- Rating Agencies

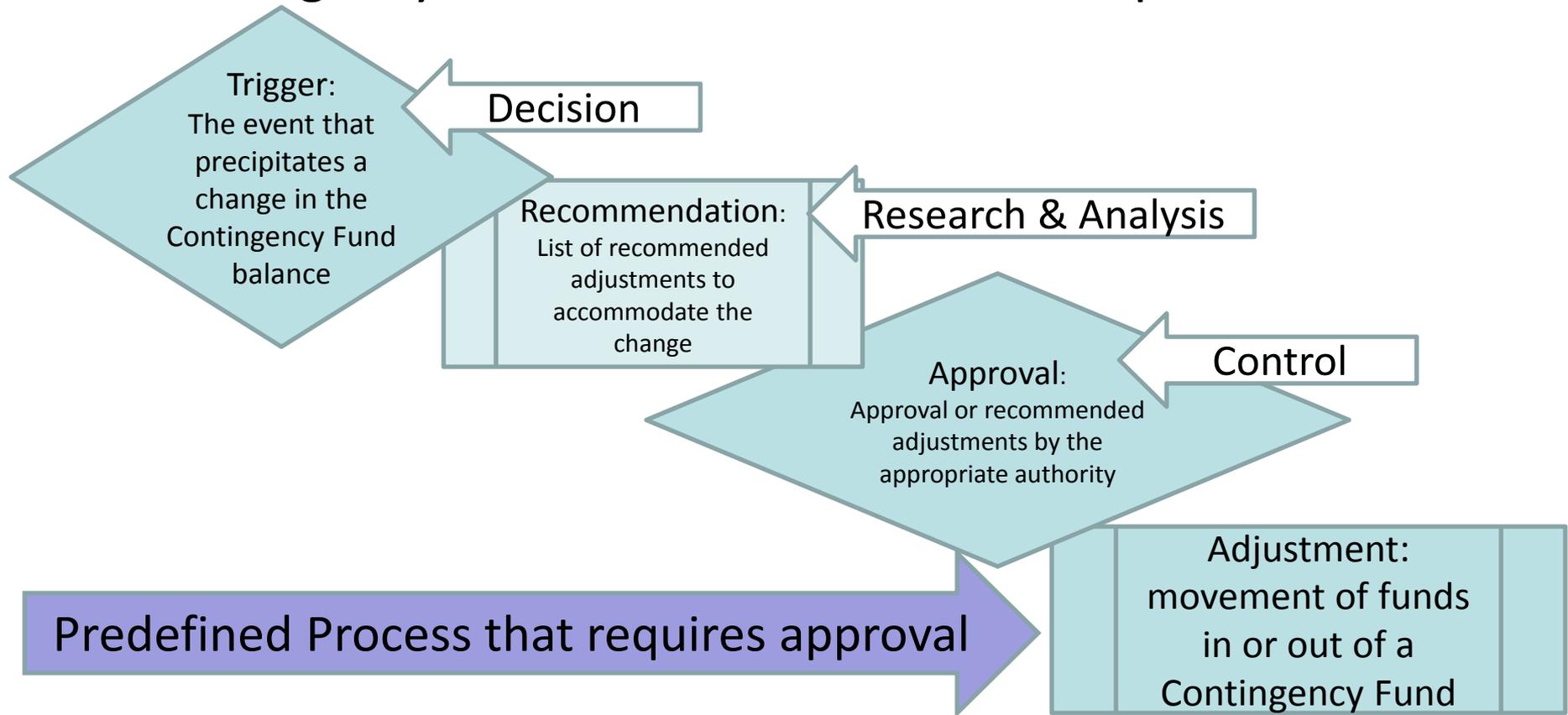
Questions

Fiscal Constraint and why do we need a contingency fund

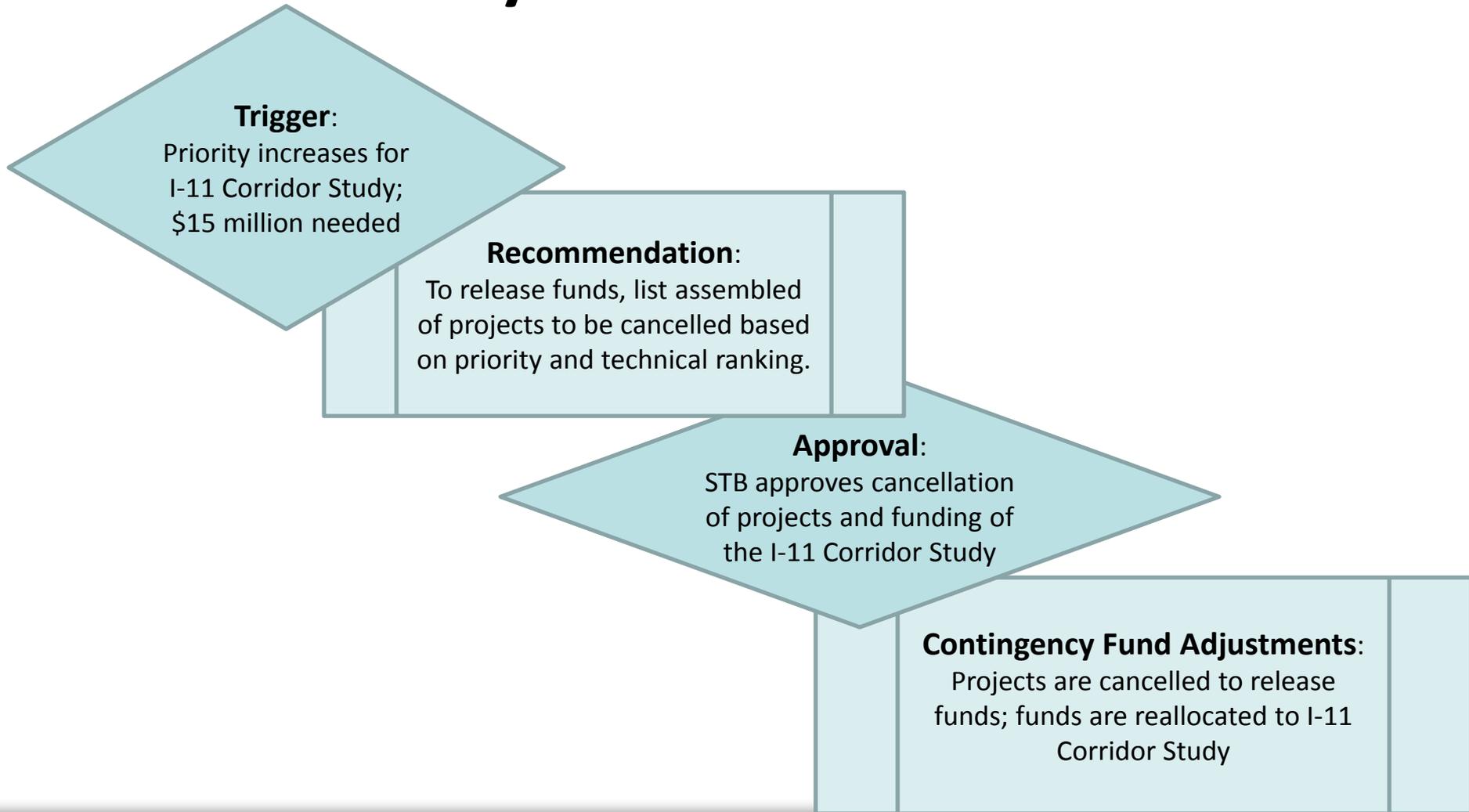
- ▶ Fiscal Constraint
- ▶ What if they just want to spend the money? Cut someplace else
- ▶ Spend money on already approved projects?
- ▶ Why not just add a project now? Why wait
- ▶ What would happen if we didn't have a contingency fund?
- ▶ What is the Board's authority as it pertains to funds v. projects?

How are Contingency Funds used?

- ▶ Regardless of the underlying reasons, adjustments to the Contingency Funds follow the same basic process



Example: Projects cancelled to fund I-11 Corridor Study



Example: Awards Over/Under Estimate

Trigger:

I-10 Pavement Preservation
(Pima/Cochise County) -
\$5046K under
SR189 Mariposa POE Ped X -
\$1353K over

Approval:

State Transportation Board

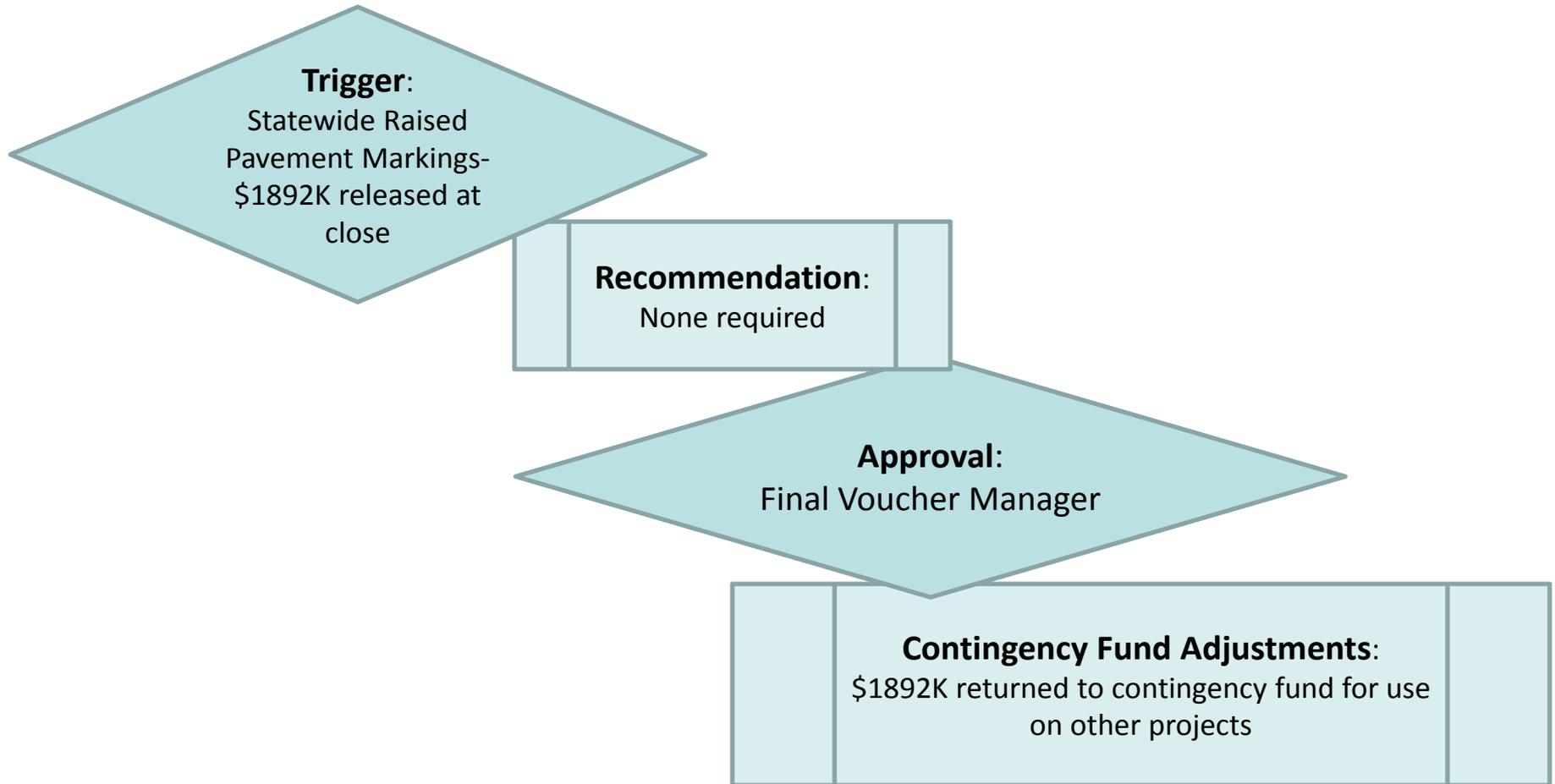
Approval:

Federal Aid Administrator

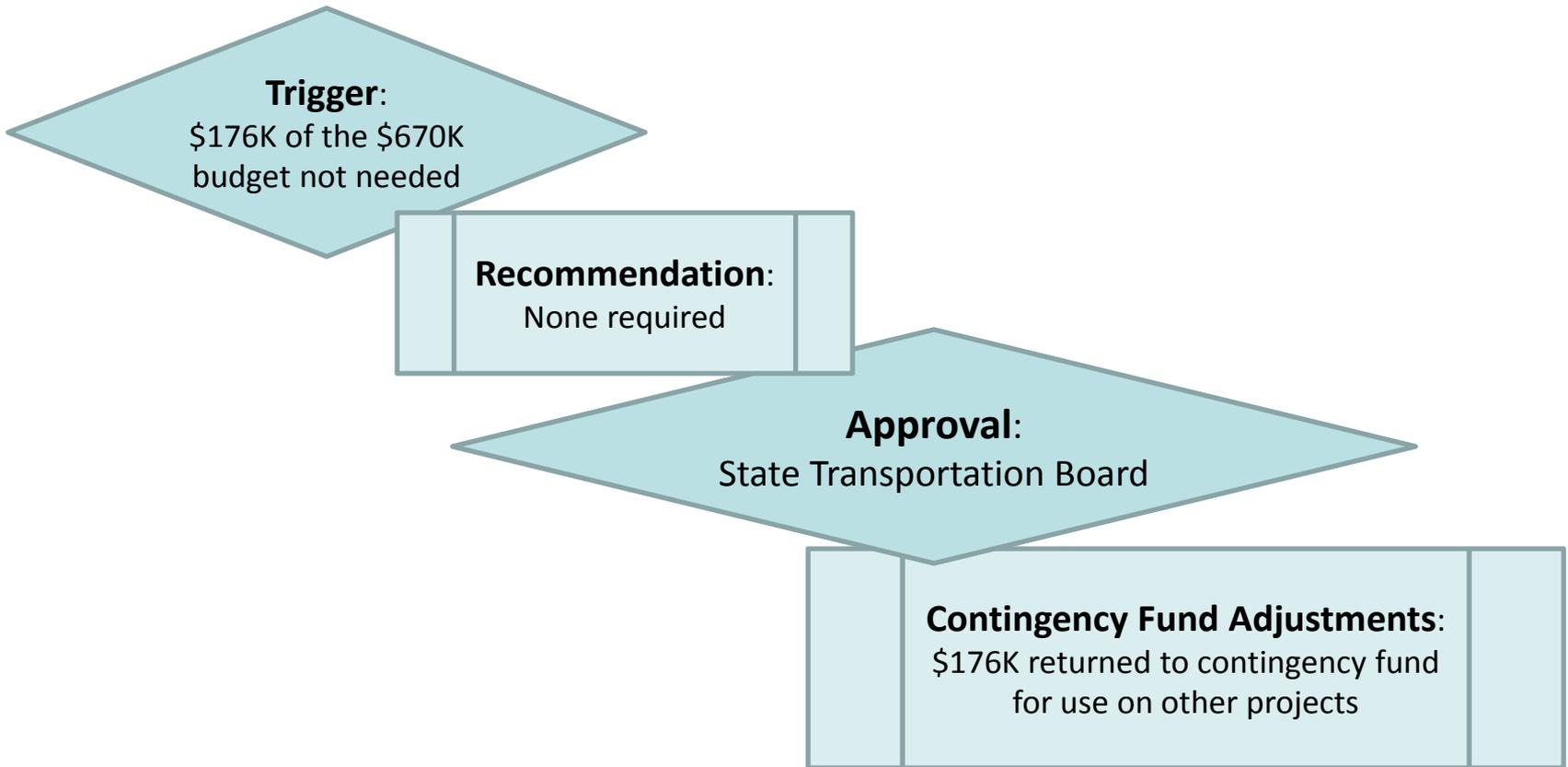
Contingency Fund Adjustments:

When the award comes in over the estimate,
funds are taken from the Contingency Fund;
when the award comes in below estimate, funds
are added to the Contingency Fund

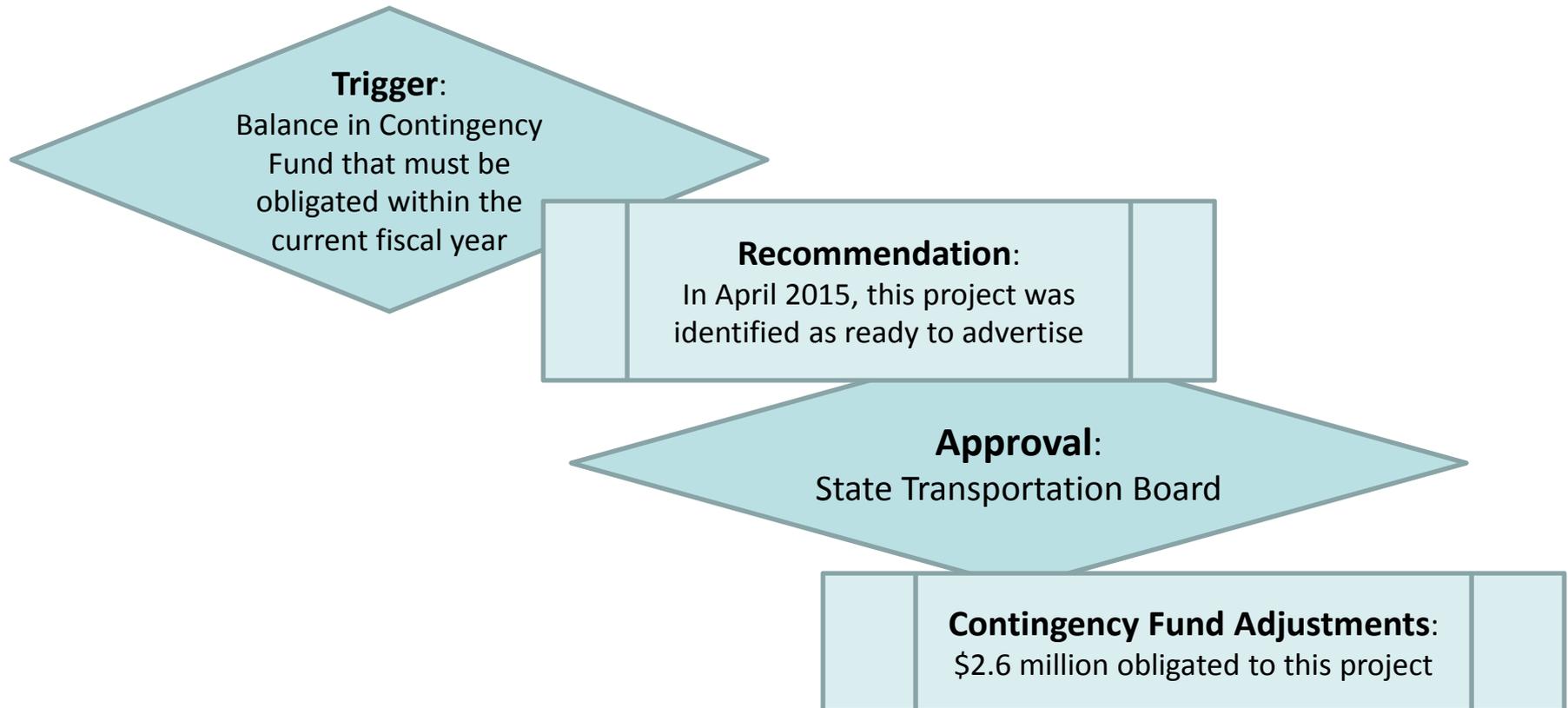
Example: Project Close-Out process identifies unconsumed funds



Example: Budget transfer from the Rest Area Preservation Sub-program



Example: SR191 Replace Fence and Cattle Guards



Example: SR195; Ave B to County 14th Street Pavement Preservation

Trigger: Identified new project request from Pavement Pres subprogram

Recommendation:
None needed

Approval:
State Transportation Board

Contingency Fund/Subprogram Adjustments: Used \$1200K from subprogram to fund project

Example: I-15; Nevada State Line to MP13

Trigger:

Advanced from FY2016 to
soak up Emergency Fund
reimbursement in FY2015

Recommendation:

This project deemed ready for
earlier advertisement

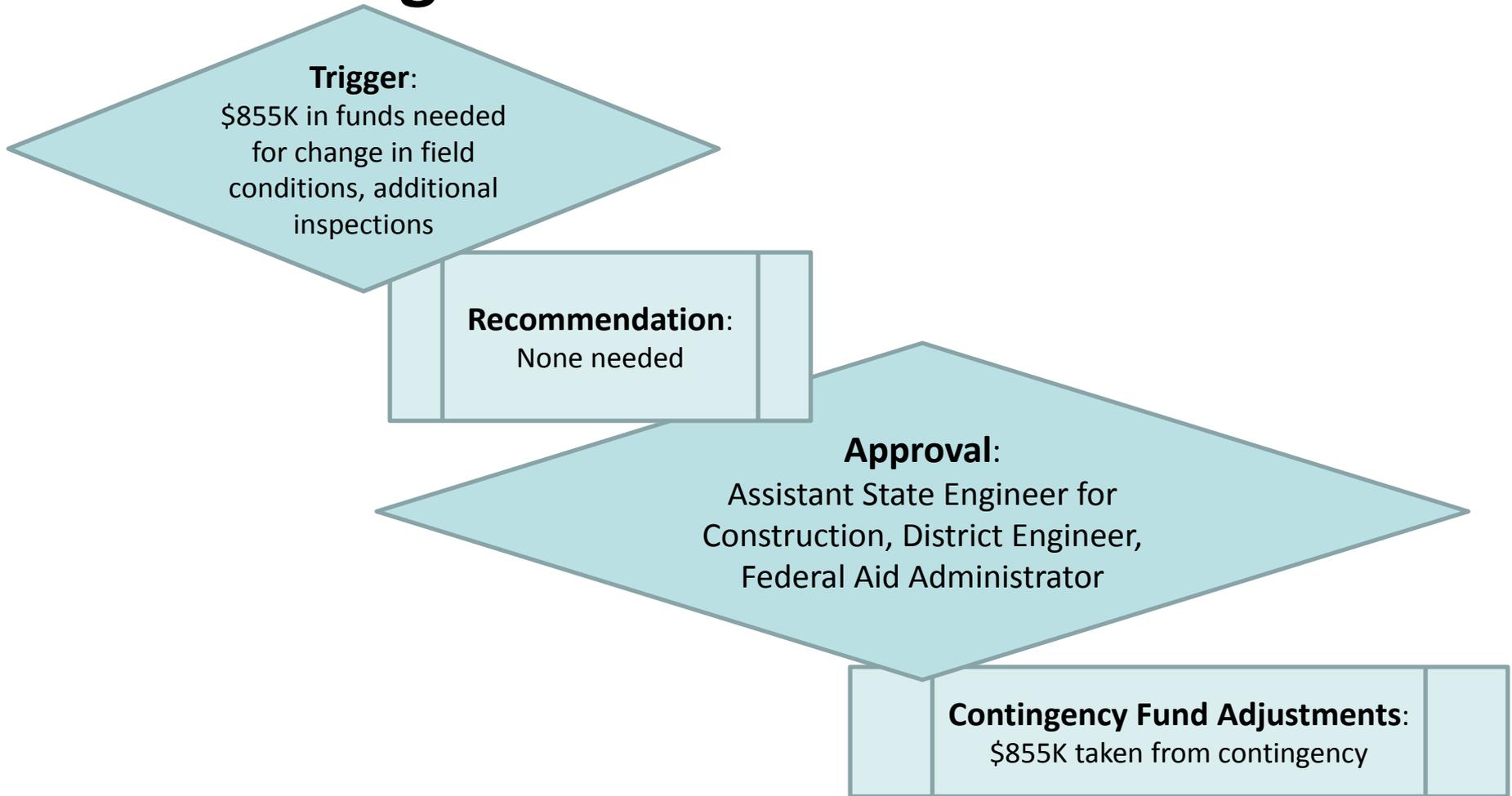
Approval:

State Transportation Board

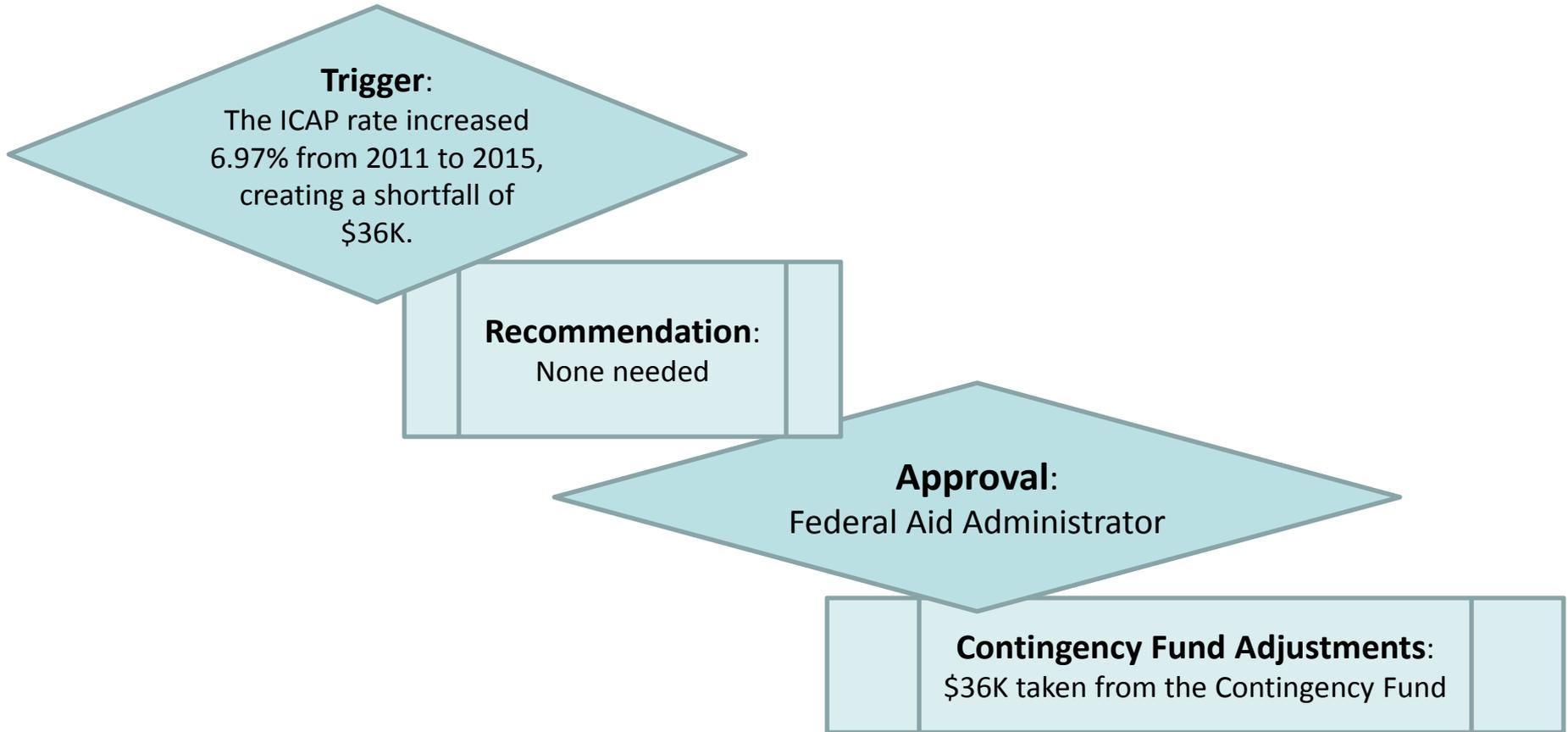
Contingency Fund Adjustments:

\$22000K obligated to this project

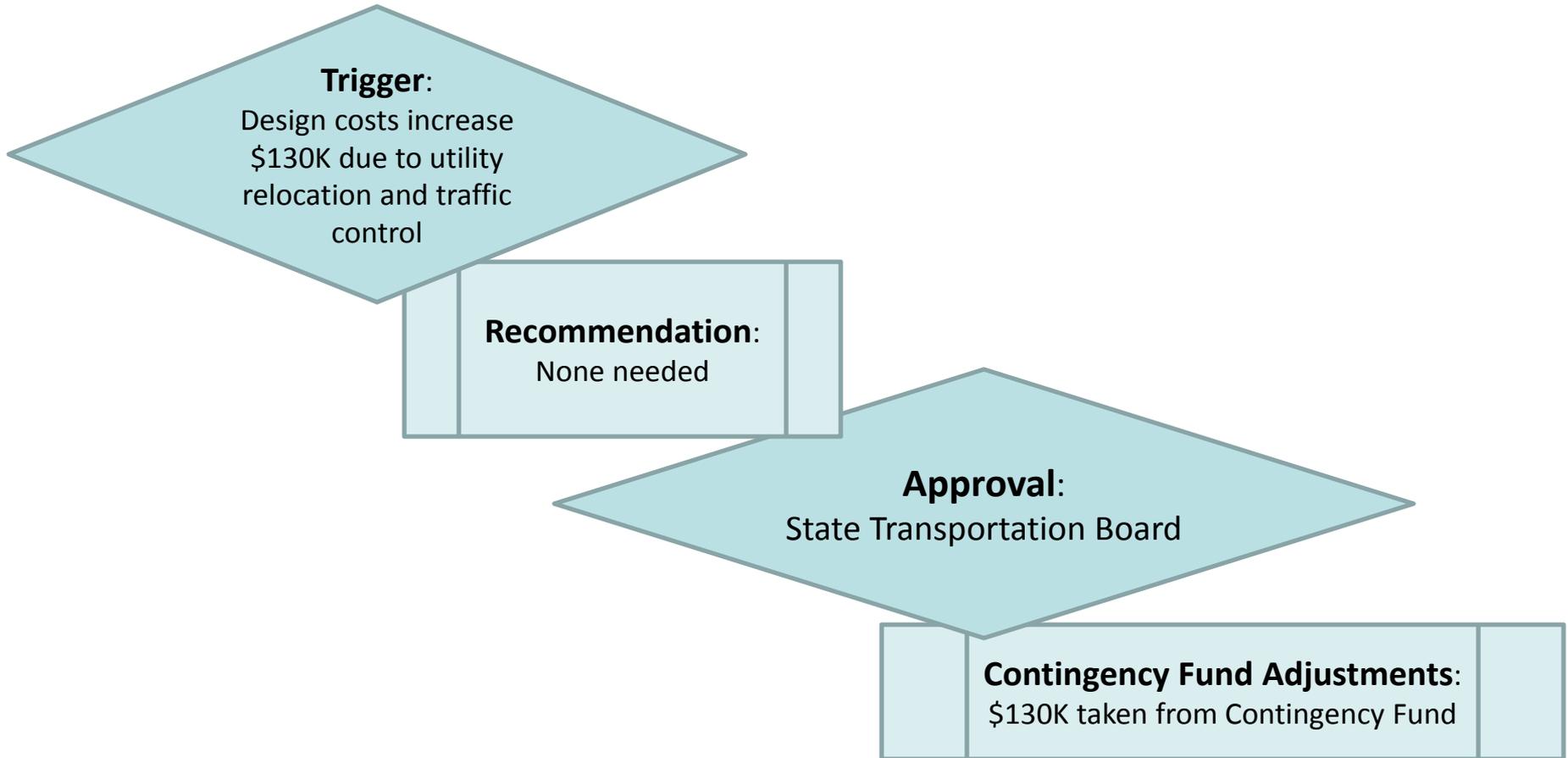
Example: I-40; Peacock and Big Sandy Wash Bridges



Example: Mariposa Port of Entry, Nogales



Example: US 60 Reroute Irrigation



The Approval Process – Engineering, Construction and the FHWA



ADOT Engineering and Construction

- If the preliminary engineering estimate is different than the programmed estimate; the project is reviewed by senior management prior to PRB submission
- Construction change orders and overruns are approved by senior management and then are subject to final approval from the Federal Aid Administrator



Federal Aid Administrator

- Construction awards over/under
- Project close-out and reallocation of unused funds
- Construction change orders and overruns
- Other funding revisions

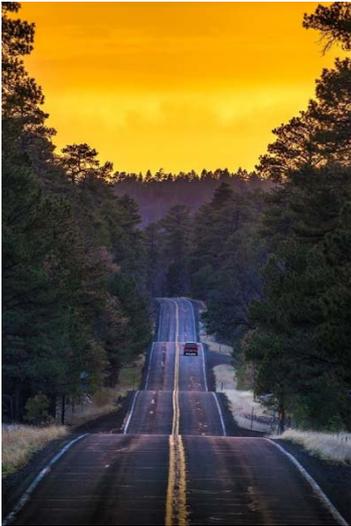
The Approval Process – ADOT's Project Review Board



ADOT's Project Review Board (PRB) has the authority to approve changes in the Scope, Schedule and Budget if:

- The project has no significant change to the scope of the construction project AND
- The project budget increase is less than \$50,000 or 15% of the original programmed estimate AND
- The project schedule does not move between different fiscal years.

The Approval Process – Arizona State Transportation Board



Contingency Fund adjustments that require Arizona State Transportation Board approval:

- Cancelled Projects
- Budget Transfers
- New Projects
- Advanced Construction Projects
- Design Budget changes

Other actions requiring State Transportation Board approval:

- Significant change in project scope
- Project budget increase that is more than \$50,000 or 15% or the original programmed budget
- Schedule change that will move delivery of the project out of the current fiscal year

FY2015 Year in Review, by Adjustment Type (# in FY2015 for all programs)

Update adjustment names to match the rest of the presentation (Final Voucher ---- Project Close-out)

Adjustment Type	# in FY2015
Cancelled Projects	22
Construction Awards Over/Under	106
Project Close-out	518
Budget Transfers	2
New Projects	358 (248 subprogram)
Advanced Projects	5
Construction Change Orders/Overruns	66
Design Budget Changes	156
Other Funding Revisions	267
Total Adjustments	1,500

Budget Transfers

- transfers of budget authority within the Program, due to:
 - Unused budget
- Example(s):
 - Rest Area Preservation Sub-program: \$176K transferred into Contingency

Advanced Projects

- Advance projects from a future year in the program, due to:
 - Additional funding availability
 - Switching projects between program years

Examples:

- I-15; Nevada State Line to MP13: Used \$22M from contingency sub-program associated with ER funding reimbursement. Project originally cancelled/deferred due to 89 landslide.

FY2015 Year in Review, Construction Contingency Fund

Description	Amounts
Beginning Balance – 07/01/2015	<u>\$5,000,000</u>
Advanced Construction Projects	(\$24,017,452)
Budget Transfers	\$29,037,353
Cancelled Projects	\$33,372,000
Construction Awards (Over)/Under	\$13,289,161
Construction Change Orders/Overruns	(\$11,494,671)
Design Budget Changes	(\$979,060)
New Projects	(\$90,297,181)
Other Funding Revisions	\$23,275,829
Project Close-out (Final Vouchers)	<u>\$22,814,021</u>
Ending Balance – 06/30/2015	\$0

Construction Awards Over/Under

- Actual awarded construction contract is more or less than estimated, due to:
 - Changes in quantities
 - Fluctuations prices
 - Additional work items identified by the contractor
 - Bid savings realized by combining multiple projects

Design Budget Changes

- Decrease or increase for preliminary engineering projects AFTER the initial obligation of funding, due to:
 - Clearance requirements that become apparent after design work has started

Other Funding Revisions

- Funding needs that fall outside of the definitions of all other adjustment types.

FY2015 Year in Review, Construction Contingency Sub-program

Description	#	Amounts
Beginning Balance – 07/01/2015		\$5,000,000
Advanced Construction Projects	5	(\$24,017,452)
Budget Transfers	5	\$29,037,353
Cancelled Projects	8	\$33,372,000
Construction Awards (Over)/Under	81	\$13,289,161
Construction Change Orders/Overruns	61	(\$11,494,671)
Design Budget Changes	24	(\$979,060)
New Projects	102	(\$90,297,181)
Other Funding Revisions	130	\$23,275,829
Project Close-out (Final Vouchers)	<u>457</u>	<u>\$22,814,021</u>
Ending Balance – 06/30/2015	873	\$0