

State Transportation Board Study Session

FY2016 – FY2020 Tentative
Highway Construction Program

Financial Plan

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January 27, 2015

Agenda Items:

Financial Foundation for the Program:

- What are all the revenue sources (cash) available to fund the program?
- What are the financing mechanisms available to accelerate the projects?

Operating Cash

- Current and projected balances and guideline

Revenue Forecasts

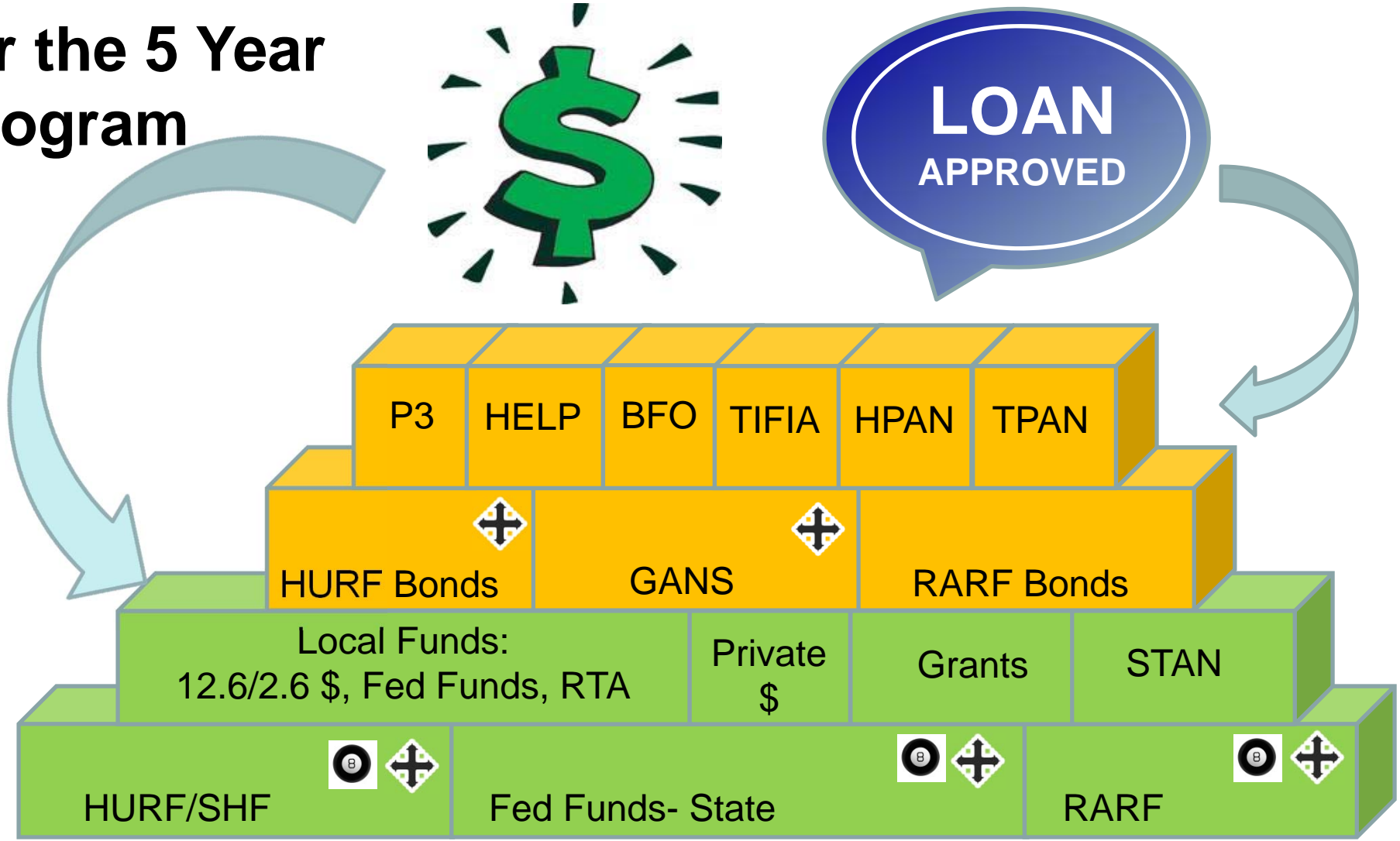
- HURF
- RARF
- Federal Aid

Debt Program, Guidelines and Estimates

Estimated funding available for the 5 Year Program

Financial Foundation for the 5 Year Program

Financial Foundation for the 5 Year Program



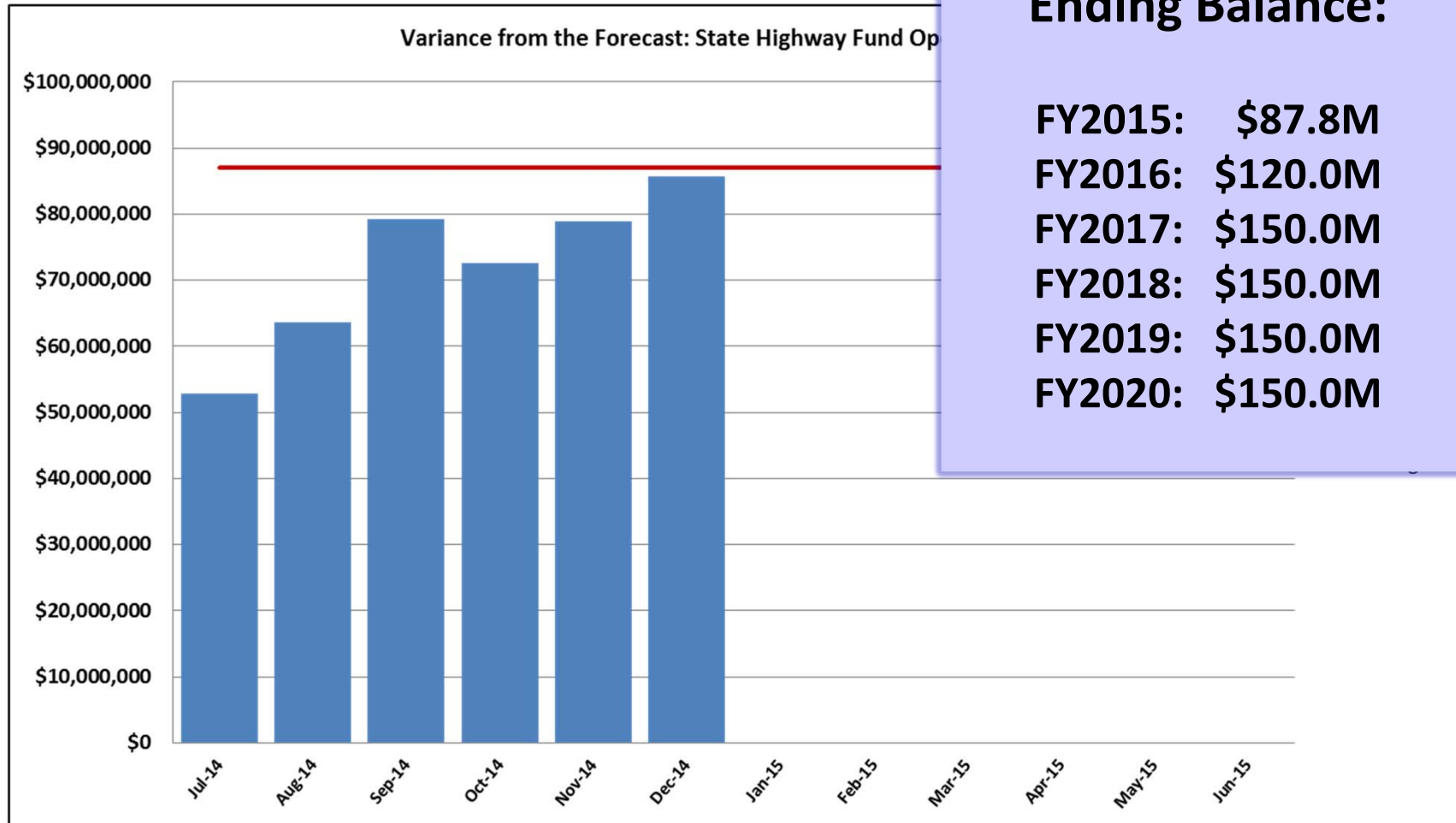
State Highway Fund Operating Cash

Operating Cash Guidelines:

- The Department seeks to maintain an operating cash balance of \$150M (Evaluated annually)
- Adequate operating cash is needed to:
 - Ensure timely payment to contractors: \$35M - \$75M monthly
 - Pay federal matching fund requirements
 - Ensure timely payment of debt service
 - Make payroll: \$11M every 2 weeks
 - Backup to federal delays of funding
- Recent incidents impacting cash:
 - Federal delay of \$56M reimbursement due to Treasury Offset Program issue
 - Reduced federal reimbursement received on GAN debt service was due
 - Delayed \$62M federal reimbursement due to system interface issues.
 - FHWA Cash Management Measures due to HTF insolvency.

State Highway Fund: Operating Cash Balance

Operating Cash Target Ending Balance:



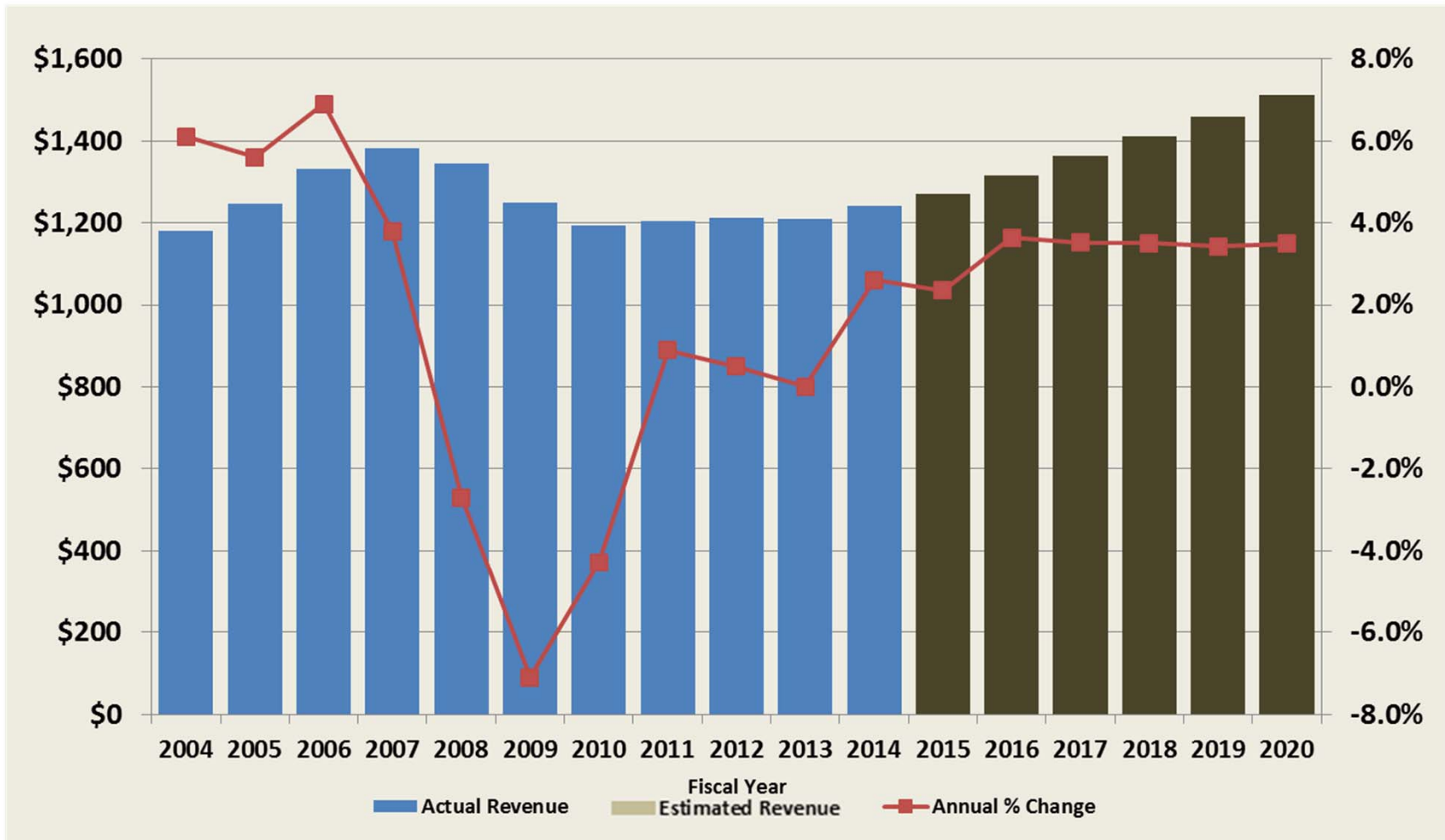
FY2015: \$87.8M
FY2016: \$120.0M
FY2017: \$150.0M
FY2018: \$150.0M
FY2019: \$150.0M
FY2020: \$150.0M

Revenue Forecasts

- HURF
- RARF
- Federal Aid



HURF Revenue History & Forecast

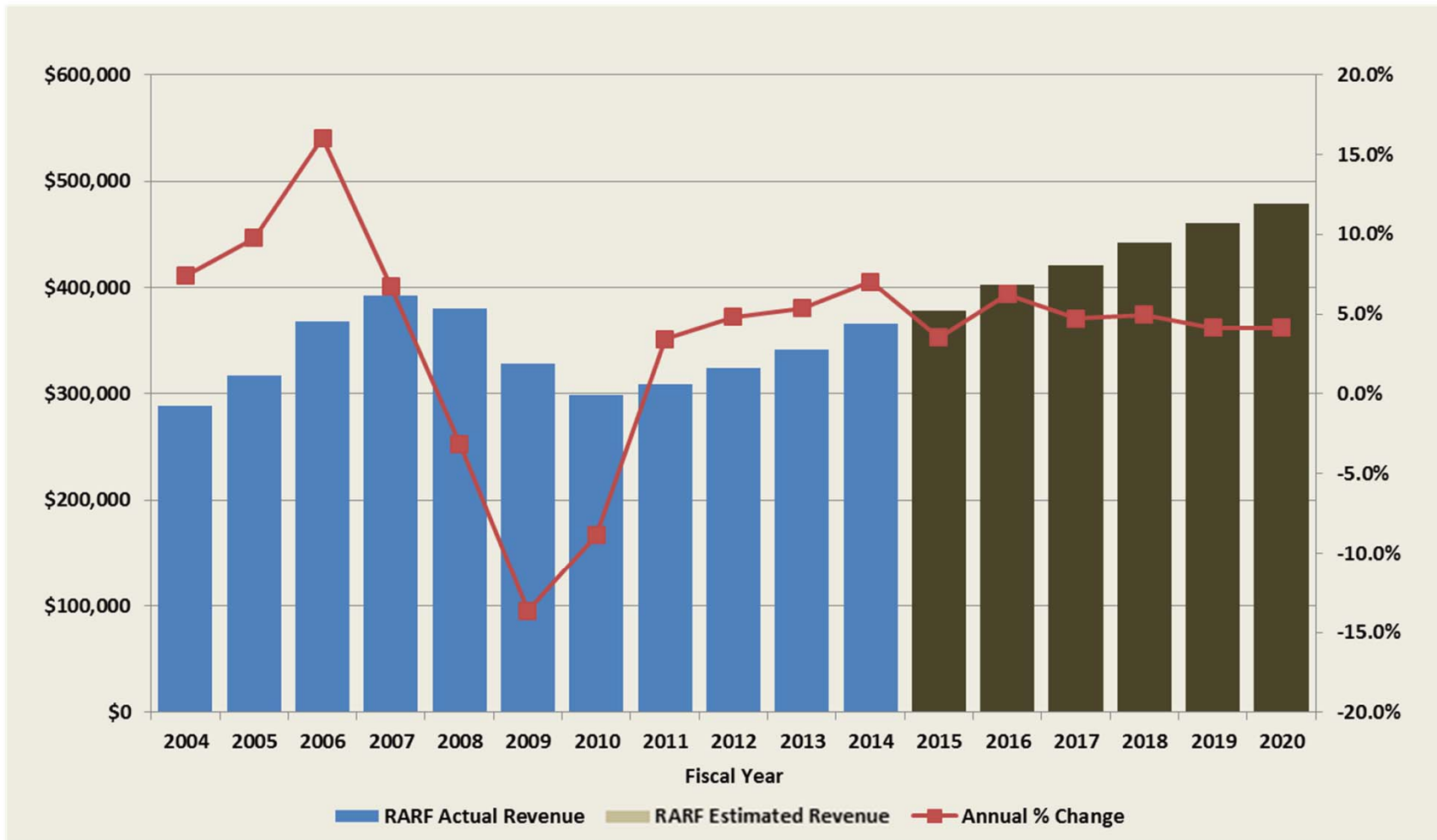


HURF: 2014 Revenue Forecast



| Fiscal Year | Nov. 13 Official Forecast | Sep. 14 Official Forecast | Difference |
|----------------|---------------------------|---------------------------|---------------|
| 2015 | \$1,255.4 | \$1,270.6 | \$15.2 |
| 2016 | 1302.3 | 1316.8 | 14.5 |
| 2017 | 1351.8 | 1363.2 | 11.4 |
| 2018 | 1400.0 | 1411.0 | 11.0 |
| 2019 | 1448.9 | 1459.4 | 10.5 |
| <u>2020</u> | <u>1499.0</u> | <u>1510.4</u> | <u>11.4</u> |
| Total | \$8,257.4 | \$8,331.4 | \$74.0 |
| Ave CGR | 3.6% | 3.5% | |

RARF Revenue History and Forecast

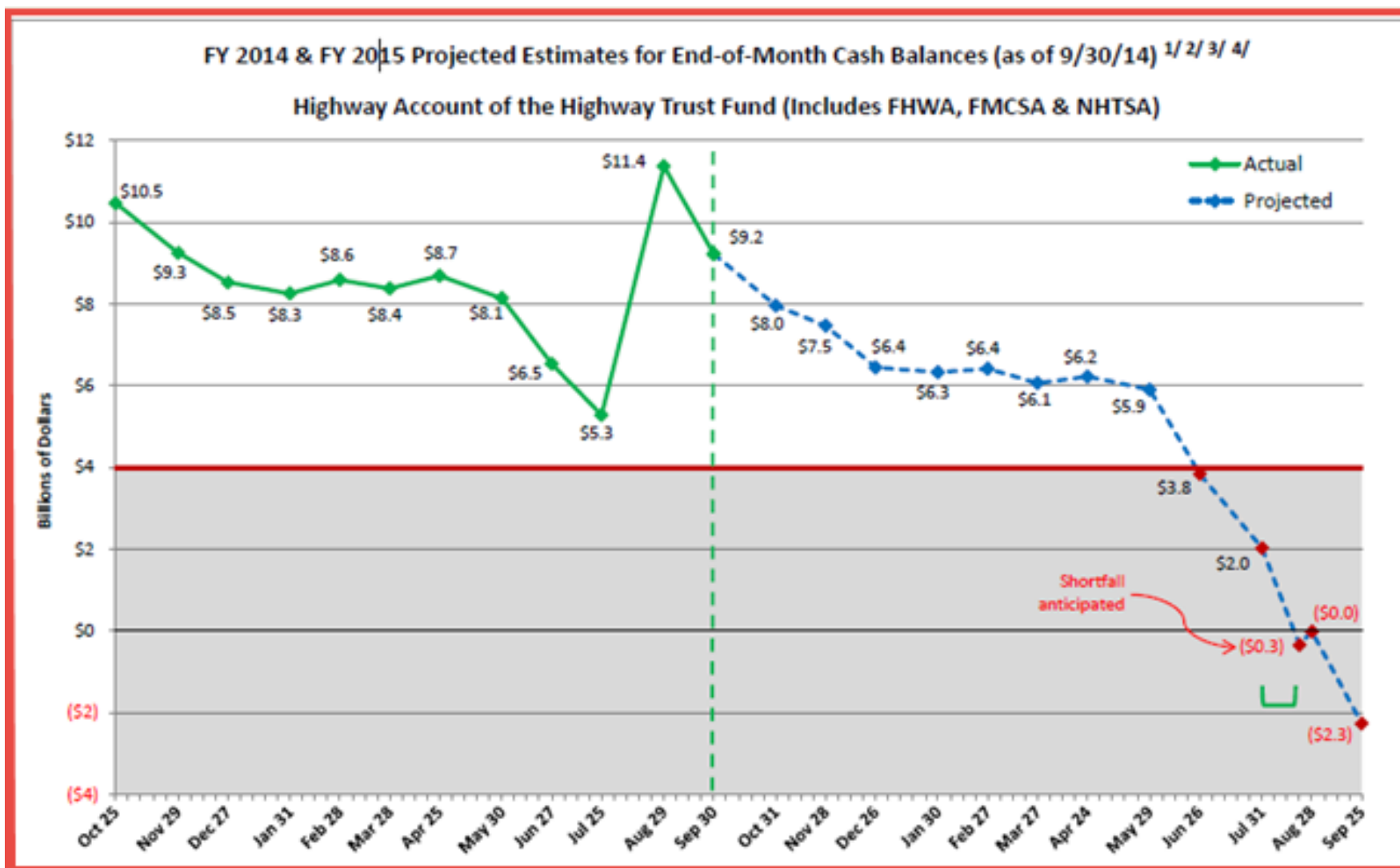


RARF: 2014 Revenue Forecast



| Fiscal | Nov. 13 Official | Sep. 14 Official | |
|--------------------|-----------------------------|-----------------------------|--------------------------|
| <u>Year</u> | <u>Forecast</u> | <u>Forecast</u> | <u>Difference</u> |
| 2015 | \$383.4 | \$378.4 | (\$5.0) |
| 2016 | 405.1 | 402.0 | (3.1) |
| 2017 | 426.7 | 421.0 | (5.7) |
| 2018 | 448.2 | 441.8 | (6.4) |
| <u>2019</u> | <u>469.3</u> | <u>460.1</u> | <u>(9.2)</u> |
| Total | \$2,132.7 | \$2,103.3 | (\$29.4) |

Federal Aid: Highway Trust Fund Projections

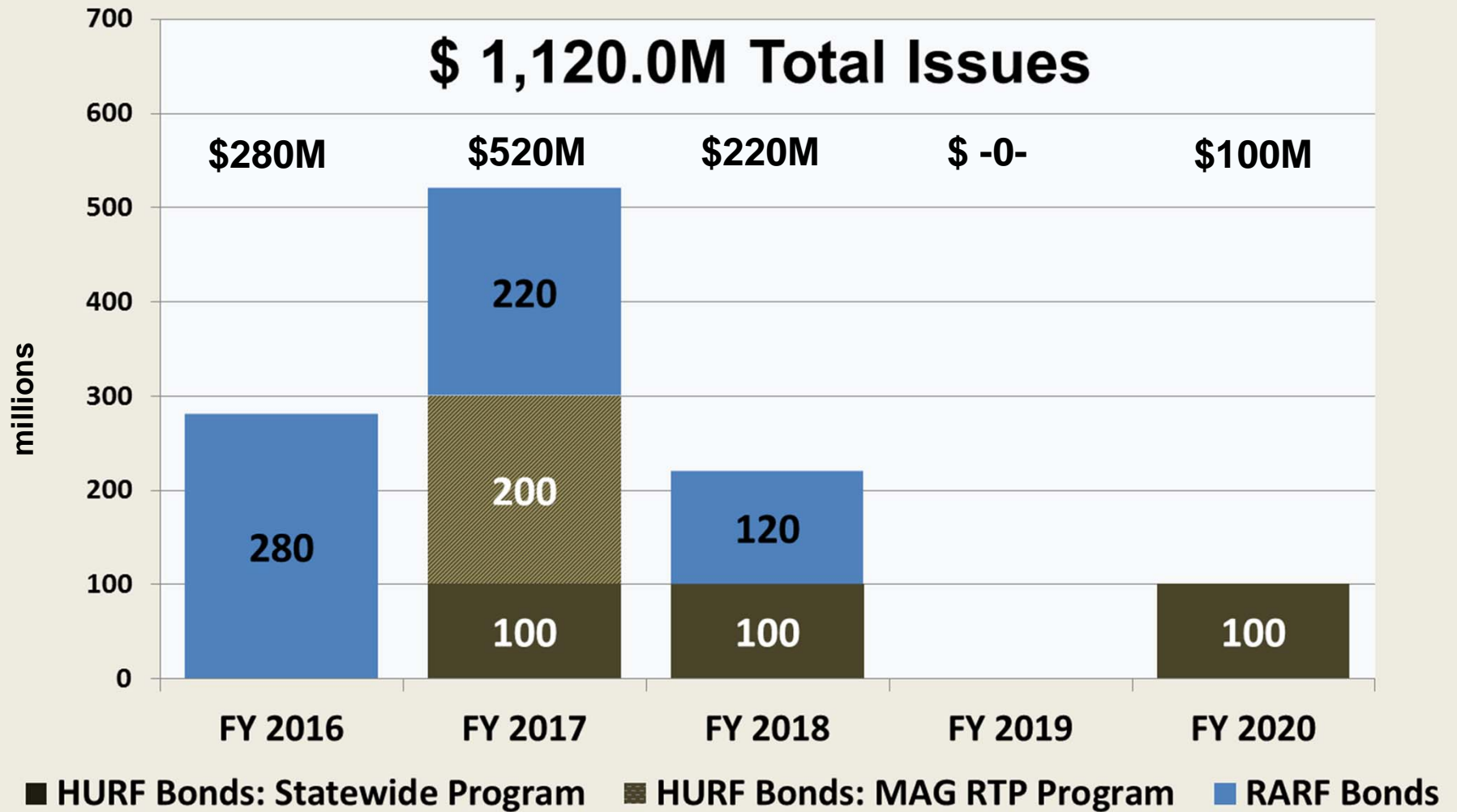




Financing Mechanisms

- HURF Bonds
- RARF Bonds

Total Planned Debt



FY 2016 – FY2020 Highway Construction Program Funding

Statewide Tentative Program Funding: FY2016-2020

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | Total |
|--|--------------|--------------|--------------|--------------|--------------|----------------|
| Sources: | | | | | | |
| Beginning Balance: | 211.3 | | | | | 211.3 |
| SHF Discretionary | 147.6 | 158.5 | 170.5 | 182.6 | 195.5 | 854.7 |
| Debt Service | (115.4) | (123.9) | (117.1) | (117.5) | (128.0) | (601.9) |
| Operating Cash Requirements | (32.2) | (30.0) | - | - | - | (62.2) |
| Net SHF | (0.0) | 4.6 | 53.4 | 65.1 | 67.5 | 190.6 |
| Total Federal Aid | 469.8 | 543.9 | 540.0 | 602.6 | 451.3 | 2,607.4 |
| GAN Debt Service | (56.9) | (19.2) | (19.2) | (19.2) | (19.2) | (133.7) |
| Net Federal Aid | 412.9 | 524.7 | 520.8 | 583.4 | 432.1 | 2,473.7 |
| Financing Mechanisms | - | 100.0 | 100.0 | - | 100.0 | 300.0 |
| State and Federal Aid Available | 624.1 | 629.2 | 674.2 | 648.5 | 599.6 | 3,175.6 |
| Inflation Adjustment | (8.3) | (24.4) | (41.0) | (56.5) | (71.7) | (201.9) |
| Total Sources: | 615.8 | 604.8 | 633.2 | 592.0 | 527.9 | 2,973.7 |

Tentative Program Funding:

FY2016-2020

| Uses: | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | Total |
|---|--------------|--------------|--------------|--------------|--------------|----------------|
| <i>5 Year Construction Program</i> | | | | | | |
| Statewide Program | 401.9 | 306.6 | 332.6 | 354.4 | 319.7 | 1,715.2 |
| PAG Program | 4.0 | 58.5 | 74.1 | 38.0 | 72.9 | 247.5 |
| MAG/RTP major projects | 220.9 | 186.9 | 146.9 | 131.9 | 207.4 | 894.0 |
| | 626.8 | 552.0 | 553.6 | 524.3 | 600.0 | 2,856.7 |
| Modifications to FY15-19 | 25.0 | 25.0 | 25.0 | 25.0 | - | 100.0 |
| Total Uses: | 651.8 | 577.0 | 578.6 | 549.3 | 600.0 | 2,956.7 |
| Ending Balance: | | | | | 17.0 | 17.0 |

Assumptions and Risks



- Legislative Actions: State Budget shortfalls
 - Executive budget holds HURF & SHF harmless
 - Legislative proposal not yet known
 - Fund Transfers and diversions
- Congressional Actions: MAP-21 Reauthorization & Highway Trust Fund insolvency
- Economic conditions
 - 5-7 year recessionary cycle
 - Inflation and Federal Reserve actions
 - South Mountain



Questions