



STATE OF NORTH CAROLINA  
DEPARTMENT OF TRANSPORTATION

PAT MCCRORY  
GOVERNOR

ANTHONY J. TATA  
SECRETARY

September 20, 2013

North Carolina General Assembly  
Joint Legislative Transportation Oversight Committee  
16 West Jones Street  
Raleigh, NC 27601

Dear Honorable Chairs:

The North Carolina Department of Transportation ("NCDOT") is submitting its annual report for the state fiscal year ended June 30, 2013 in accordance with the provisions of North Carolina General Statutes §143C-6-11. Among the reporting requirements are 1) NCDOT's cash management policies and 2) results.

NCDOT's 2013 - 2023 Draft Work Program (including the State Transportation Improvement Program) was submitted September 5, 2012 to the North Carolina Board of Transportation. The Draft Policy to Projects document outlines the projects that NCDOT planned to undertake for the decade 2013 -2023. As directed, NCDOT manages operations to the legislative budget and on a cash-flow basis. The development of a Policy to Projects Program Plan in this manner allows the Department to align the delivery of prioritized projects and programs to planned financial resources.

NCDOT's current planning efforts incorporate recent legislative directives in the implementation of the Strategic Transportation Investments bill (HB817) to leverage existing funding to enhance the state's infrastructure, providing greater opportunity for economic growth.

NCDOT continues to progress towards a results-based performance organization. Cash management planning is a defined performance measure. Please find the attached annual report for State Fiscal Year 2013.

If you need additional information, please contact me at 919-707-4320.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Foster".

Mark Foster,  
Chief Financial Officer  
North Carolina Department of Transportation

Attachments

## **Executive Summary:**

GS 143C-6-11 (k) Highway Appropriation requires NCDOT to:

1. Utilize cash flow financing to the extent possible to fund transportation projects with the goal of reducing the combined average daily cash balance of the Highway Fund and the Highway Trust Fund to an amount equal to the twelve percent (12%) of the combined estimate of the yearly receipts of the Funds. The target amount shall include an amount necessary to make all municipal-aid funding requirements of the Department.
2. Establish necessary management controls to facilitate use of cash flow financing, such as establishment of a financial planning committee, development of a monthly financing report, establishment of appropriate fund cash level targets, review of revenue forecasting procedures, and reduction of accrued unbilled costs.
3. Report annually, on October 1 of each year, to the Joint Legislative Transportation Oversight Committee on its cash management policies and results.

## **Financial Planning**

### **Policy to Projects Program and Resource Plan:**

NCDOT uses statistical models to plan cash balance targets and to forecast construction expenditures. The output of this process along with legislative program budgets, Project Lists, historical outcomes, and revenue projections guide the development of the Work Plan, including the State Transportation Improvement Program (STIP). The Project List (and letting schedule) reflects planned project letting schedules that may be adjusted during the life of the program due to normal preconstruction and construction activities such as design alternatives, right of way and permitting. NCDOT continuously monitors and updates the Project List and forecasting models in response to changes in the program schedule, project scope, project cost estimates, and revenue forecasts. Outcomes have to be managed monthly based upon current economic conditions, program directives, project schedules, contract provisions, contractor awards, as well as revenue collections. Managing risk within these changing real world conditions is expected and can impact overall results. However the 5 and 10 year Policy to Projects Program (Work Programs) serves as a plan to best align delivery of projects, programs, and services in a way that optimizes financial resources.

The variables and methodologies used to develop the Work Program can be found at <http://www.ncdot.gov/performance/reform/>.

### **SFY 2013 Forecast to Actual:**

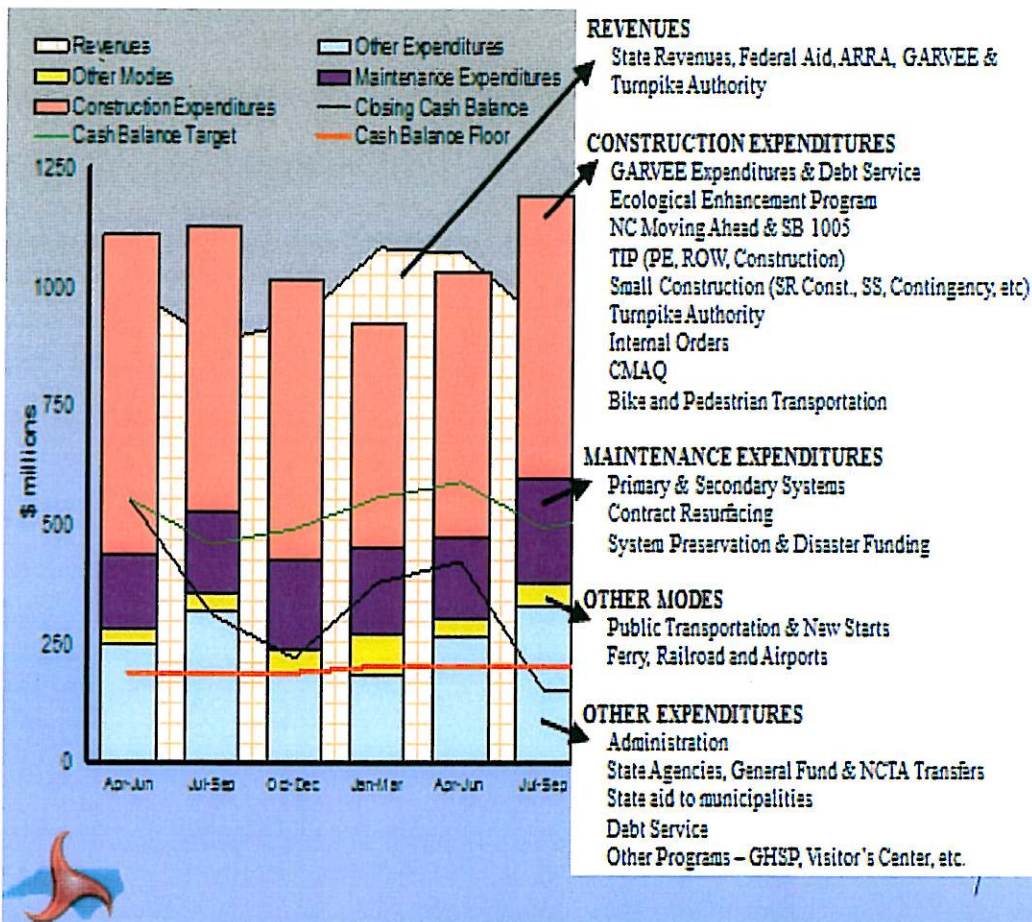
The department's cash balance as of June 2013 was \$1,067 million (excluding bond proceeds held by Trustee). The cash balance is reflective of the federal aid billings, cash reserved to service debt, mitigation delays, and the planning time to deliver initiatives recently prioritized in the legislature's 2013-2015 Biennium budget and NCDOT prioritization process.

**Results:** As of June 30, 2013 actual revenues collected equaled \$4,518.8 million versus planned collections of \$4,948.0 million which is 8.7% or \$429.2 million less than forecast. For the same period, actual expenditures equaled \$4,538.0 million versus \$5,091.9 million or 10.9% less than forecast. The combined average forecast variance was -9.8%. Variances were in large part due to delays associated with NCTA Monroe Connector, Garden Parkway and Mid-Currituck Bridge projects. Excluding NCTA, actual revenues collected equaled \$4,518.8 million versus planned collections of \$4,629.1 million which is \$110.2 million (-2.4%) less than forecast while actual expenditures equaled \$4,538.0 million versus \$4,585.0 million forecasted or \$47 million (-1%) less than planned. The combined average annual variance, excluding NCTA, for revenues and expenditures totaled -1.7%.

### **Cash Model Reports:**

Financial reports and issues are reviewed monthly by the Financial Planning Committee as chaired by the NCDOT Chief Financial Officer. Financial Updates are presented to the NCDOT Board of Transportation including a summary model view that presents the following components.

<http://www.ncdot.gov/about/board/>



The Projected Cash Balance is represented by black line with the green line representing twelve percent (12%) of the combined estimate of the yearly receipts of the Funds with the red line representing a cash floor equal to five percent (5%) of the estimates of yearly receipts.

### **Benefits of Cash Management:**

The Department is using the provisions in GS 143C-6-11 to meet NCDOT's mission and goals by:

- Promoting sound financial management
- Integrating all business functions
- Maximizing cash to deliver projects and programs
- Providing interactive planning and forecasting tools
- Enabling innovative financing
- Establishing management controls to minimize financial risk

Additional information is available <http://www.ncdot.gov/performance/reform/>.

## NCDOT Finances

Select Financial Report:

SFY13: Thru June 2013

Mark L Foster  
Chief Financial Officer

### Receipts

#### Planned to Actual Receipts

Planned	\$4,948.0
Actual	\$4,518.8
Variance	-8.7%
Forecast adjusted for NCTA	-2.4%

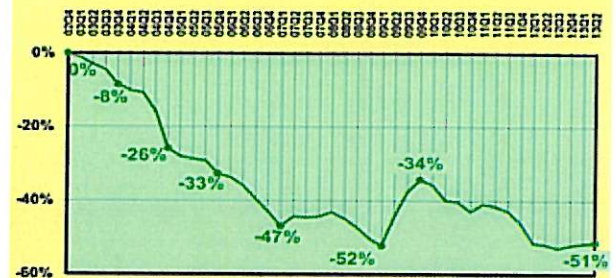
### Expenses

#### Planned to Actual Expenses

Planned	\$5,091.9
Actual	\$4,538.0
Variance	-10.9%
Forecast adjusted for NCTA	-1.0%

### Purchasing Power

Purchasing Power of NCDOT Highway Construction Dollars (From CY 2002 to CY 2013 2nd Quarter)



### Forecast to Actual

Receipts		Expenses		Agency Transfers	
State	\$3,070,749,116	Construction	\$2,096,838,249	Direct Transfers:	
Federal	1,111,736,910	Construction Stimulus	19,940,009	General Fund	\$27,595,861
Federal Stimulus	64,253,645	Construction NCTA	95,283,972	Highway Patrol	196,209,049
Local	40,710,154	Maintenance	1,137,658,873	Public Instruction	26,330,000
Grants	86,374,176	Transit & Other modal	211,300,925	Other Agencies	35,175,324
Debt - GARVEE	58,047,991	Transit-Stimulus	11,806,009	<b>Total</b>	<b>\$285,310,234</b>
Debt - NCTA	76,495,267	Rail-Stimulus	38,565,766		
Toll Rev./Int.	10,416,388	Debt Service	162,033,333	MEMO: GAP Funding for NCTA	
		Finance Cost - NCTA	80,027,377	from Highway Trust Fund	
		Admin	231,877,929	<b>Triangle Expressway - \$25,000,000</b>	
		Agency Transfers	285,310,234	<b>Monroe Connector - \$24,000,000</b>	
		State Aid Municipalities	142,804,499	<b>Mid-Currituck - \$0</b>	
		Other Programs	24,557,766		
<b>Total</b>	<b>\$4,518,783,647</b>	<b>Total</b>	<b>\$4,538,004,941</b>		
<b>Forecast</b>	<b>4,947,998,511</b>	<b>Forecast</b>	<b>5,091,857,896</b>		
<b>Variance</b>	<b>\$(429,214,864)</b>	<b>Variance</b>	<b>\$(553,852,955)</b>		
<b>Variance %</b>	<b>-8.7%</b>	<b>Variance %</b>	<b>-10.9%</b>		
<b>Variance % (Forecast adjusted for NCTA)</b>	<b>-2.4%</b>	<b>Variance % (Forecast adjusted for NCTA)</b>	<b>-1.0%</b>	<b>Forecast adjusted for NCTA</b>	
				<b>Average Annual Variance Percent to Forecast -1.7%</b>	

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