



Financial Update

Draft FY 2018 - 2023 CTF Six-Year Financial Plan and Draft Six-Year Improvement Program Funding

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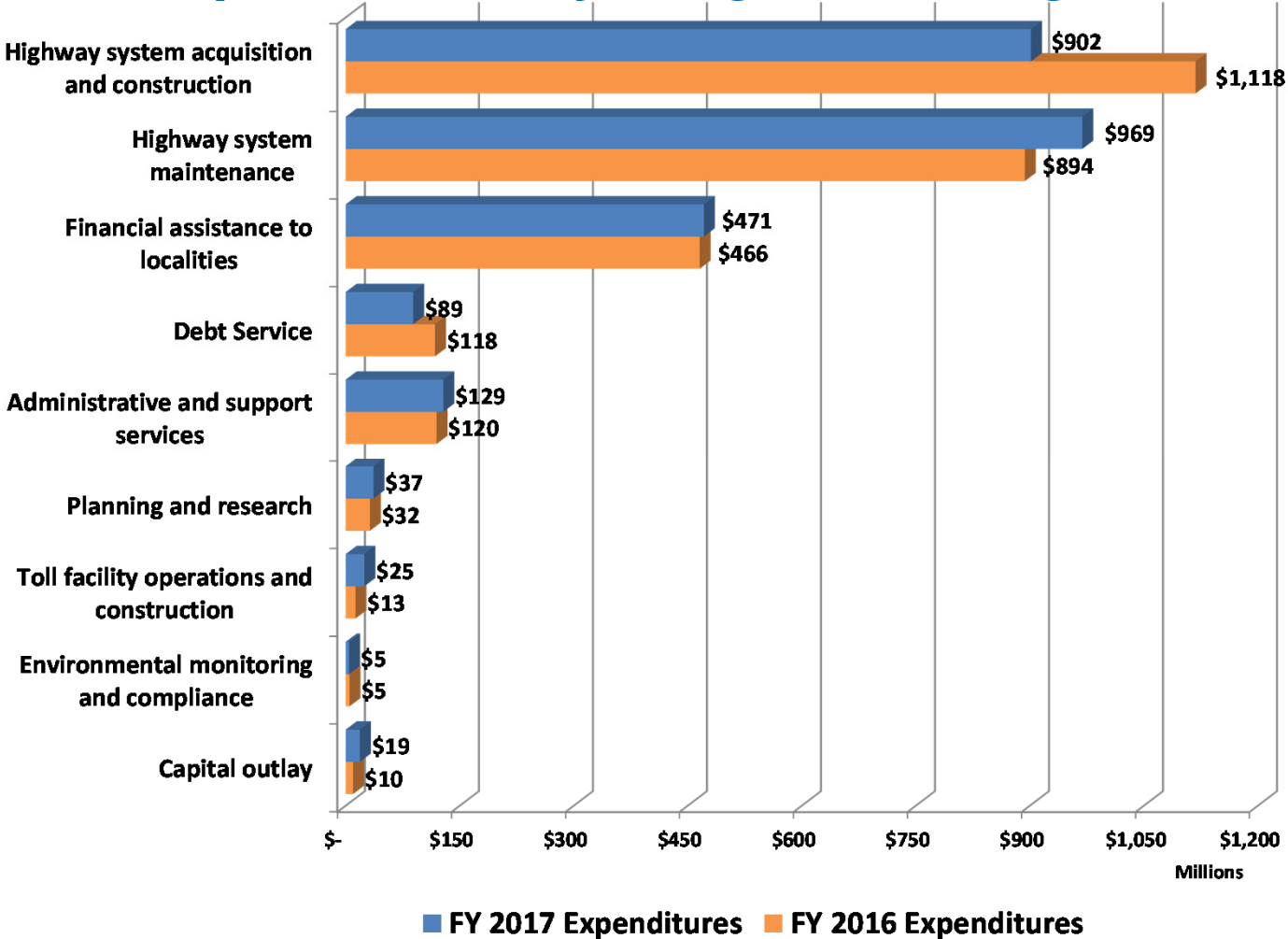
Commonwealth Transportation Fund Highway Maintenance & Operating Fund and Transportation Trust Fund Revenues

Revenue	FY 2017 Estimate	Year-to-Date - December			% Annual Growth Required by Estimate
		FY 2017	FY 2016	% Change	
Motor Fuel Taxes	\$ 868,900	\$ 386,529	\$ 382,308	1.1	0.9
Priority Transportation Fund (PTF)	163,142	163,142	150,346	8.5	8.5
Motor Vehicle Sales and Use Tax	976,500	503,174	480,828	4.6	2.1
State Sales and Use Tax	1,023,100	451,287	449,343	0.4	2.3
Motor Vehicle License Fees	253,000	124,469	123,059	1.1	(0.2)
International Registration Plan	68,100	27,373	27,290	0.3	0.6
Recordation Tax	47,200	25,675	22,503	14.1	6.8
Interest Earnings	3,300	1,724	859	100.7	(10.8)
Misc. Taxes, Fees and Revenues	17,300	8,589	7,526	14.1	(6.1)
Total State Taxes and Fees	\$ 3,420,542	\$ 1,691,962	\$ 1,644,062	2.9	1.9

Source: Commonwealth of Virginia/Department of Accounts, HMOF and TTF Revenues, Summary Statement of Selected Revenue Estimates & Collections, Fiscal Years 2016 and 2017. 2017 Estimate updated December 2016



VDOT Expenditures by Program through December



Commonwealth Transportation Fund (CTF) Draft Fiscal Years 2018 – 2023 Six-Year Financial Plan Overview

- ❑ **The Six-Year Financial Plan (SYFP) identifies the planned funding for allocation to Highways, Transit, Ports and Aviation**
- ❑ **The Draft Fiscal Years 2018 – 2023 SYFP allocates \$34.6 billion to Transportation programs**
- ❑ **Includes the use of \$809 million of GARVEE and CPR Bonds**
- ❑ **Transfers \$2.9 billion to the two Transportation Regions**
- ❑ **Dedicates \$13.2 billion for Maintenance and Operations**
- ❑ **Provides \$8.9 billion for Construction**

Revenue Estimate Updates

- ❑ **State Revenue forecast down \$419 million from previous estimates for FYs 2017-2022**
 - **Based on the December 2016 state transportation revenue forecast provide by the Department of Taxation**
 - **Largely driven by lower expectations for Retails Sales and Use Taxes and for Sales Tax on Fuel; increased expectations for Motor Vehicle Sales and Use Tax**

Revenue Estimate Updates

- ❑ **Federal revenue is based on Federal FY 2017 apportionments and Obligation Authority levels provided under the FAST Act**
 - **\$73 million increase over previous SYFP**
 - **After FAST Act ends in 2020, assumes increase of 1.7% annually**
Formula obligation authority 94.9%
 - **Current federal budget extension through April, obligation authority at 90% of apportionment.**
If this is not adjusted, the potential impact is a reduction of approximately \$50 million annually, including the current fiscal year

Commonwealth Transportation Fund

Draft Fiscal Years 2018–2023 Six-Year Financial Plan

Estimated Revenues (in millions)

	2018	2019	2020	2021	2022	2023	Total	FY 2017-2022	Difference
State Transportation Revenues									
HMO	\$ 2,031.0	\$ 2,064.8	\$ 2,081.8	\$ 2,101.5	\$ 2,118.3	\$ 2,139.4	\$ 12,536.8	\$ 12,591.0	\$ (54.2)
TTF net interest	1,166.8	1,183.4	1,199.2	1,218.5	1,233.6	1,255.0	\$ 7,256.4	7,454.5	(198.1)
PTF (From TTF)	204.0	210.0	221.1	243.5	255.6	248.0	1,382.3	1,293.4	88.9
Local and Other Revenues	416.5	381.6	379.4	388.3	402.1	415.5	2,383.5	2,531.6	(148.1)
Total	<u>3,818.3</u>	<u>3,839.8</u>	<u>3,881.5</u>	<u>3,951.8</u>	<u>4,009.6</u>	<u>4,057.9</u>	<u>23,559.0</u>	<u>23,870.5</u>	<u>(311.5)</u>
Federal Revenues	<u>1,052.0</u>	<u>1,085.6</u>	<u>1,110.6</u>	<u>1,128.8</u>	<u>1,147.4</u>	<u>1,135.8</u>	<u>6,660.2</u>	<u>6,597.2</u>	<u>63.1</u>
Total Revenues	<u>4,870.2</u>	<u>4,925.5</u>	<u>4,992.1</u>	<u>5,080.7</u>	<u>5,157.0</u>	<u>5,193.7</u>	<u>30,219.2</u>	<u>30,467.6</u>	<u>(248.5)</u>
Other Financing Sources									
GARVEE Bonds	113.1	85.7	101.2	98.0	76.3	100.0	574.3	699.5	(125.2)
Capital Improvement Bonds	122.9	61.6	50.0	-	-	-	234.5	357.4	(122.9)
Route 58	-	-	150.9	249.1	-	195.7	595.7	400.0	195.7
Total	<u>236.0</u>	<u>147.3</u>	<u>302.1</u>	<u>347.1</u>	<u>76.3</u>	<u>295.7</u>	<u>1,404.5</u>	<u>1,457.0</u>	<u>(52.4)</u>
Total Operating Revenues and Other Financing Sources	<u>\$ 5,106.2</u>	<u>\$ 5,072.8</u>	<u>\$ 5,294.2</u>	<u>\$ 5,427.8</u>	<u>\$ 5,233.3</u>	<u>\$ 5,489.4</u>	<u>\$ 31,623.7</u>	<u>\$ 31,924.6</u>	<u>\$ (300.9)</u>
Pass Through Revenues									
Regional Transportation Funds	492.5	492.5	492.5	492.5	492.5	492.5	2,955.0	3,223.6	(268.6)
Grand Total	<u>\$ 5,598.7</u>	<u>\$ 5,565.3</u>	<u>\$ 5,786.7</u>	<u>\$ 5,920.3</u>	<u>\$ 5,725.8</u>	<u>\$ 5,981.9</u>	<u>\$ 34,578.7</u>	<u>\$ 35,148.2</u>	<u>\$ (569.5)</u>



Programmatic Changes for VDOT

- ❑ **All programs considered to address revenue reductions while specific adjustments were provided for some key items**
- ❑ **Capital Outlay Assumptions updated over six-year period**
 - Reductions made in first portion of period with restoration beginning in later years
 - Net impact is a reduction of \$18 million over the period from previous assumptions
- ❑ **Administration and Construction Management**
 - Minimized growth
 - Transferred construction related function to Construction Management
 - No net change

Programmatic Changes for VDOT

□ Core Development/Construction Inspector Trainee Programs

- The Core Development Program (CDP) builds the pipeline for the Virginia Department of Transportation by cultivating technical, leadership, and core competencies of diverse top-notch talent.
- CDP develops entry-level employees with the critical skills required for long-term success and exposes participants to the diverse types of work the Department of Transportation performs.
- The Construction Inspector Trainee Program develops inspectors through classroom training, mentoring and on-the-job experience. Individuals completing this program have verified, highly desirable and proficient skills as construction inspectors and will be ready to transition into vital roles at VDOT.
- Programs support agency need for succession planning and inspectors
 - Funding continued need for FY 2018, need for funding decreases over period.
 - Net impact of \$11.8 million

Programmatic Changes for VDOT

- **Environmental Program - Addressing requirements of VDOT's Municipal Separate Storm Sewer System (MS-4) permit**
 - MS4 is a federal permit for VDOT to discharge stormwater from Urbanized Areas.
 - MS4 permit requires VDOT to minimize pollutants in stormwater discharge.
 - Pollutant reductions are achieved in accordance with Total Maximum Daily Loads (TMDLs) pollution budgets developed by the DEQ for unhealthy waterways.
 - VDOT's MS4 is identified as one of those pollutant "sources" for a number of waterways.
 - The pollution budget calculates the maximum amount of a pollutant that can occur in a specific waterbody and allocates the necessary reductions for that waterway to reach a healthy status.

Programmatic Changes for VDOT

□ Environmental Program - Addressing Total Maximum Daily Load (TMDL) (continued)

- While VDOT has currently been assigned reduction requirements for 22 different TMDLs, many of these requirements can be met either through existing best management practices or have overlapping requirements with the Chesapeake Bay TMDL.
- The largest and most expensive TMDL is the Chesapeake Bay TMDL, which became a permit requirement in late 2013.
 - 5-year permit cycles (2018, 2023, 2028)
- MS4/TMDL investment needed to address requirements
 - \$500,000 provided in FY 2018
 - \$5,000,000 in 2019 and 2020 and increased to \$10 million beginning in FY 2021.
(New Service Area to highlight the funding invested in these efforts will be recommended)
 - Net impact of \$40.5 million

Programmatic Changes for VDOT

□ Update index for Maintenance growth

- Producers Price Index (PPI) data no longer available
- Consumer Price Index (CPI) now used for Maintenance Program and City Street Payments
- Average annual growth factor increases from 1.95% to 2.48%
- Without other actions, change would increase program by approximately \$250 million over period

□ Reductions to Maintenance Programs

- Given impact of revenue reductions and the positive impact of State of Good Repair, reductions were imposed after applying CPI growth
 - FY 2018 \$25 million one-time
 - FY 2019 \$12 million one-time
 - FY 2020 \$75 million base reduction
- Adjustments were applied to the VDOT Maintenance Program and to City and County Street Maintenance Payments based on pro rata shares (77% and 23%, respectively).

□ Priority to restore reductions if revenues estimates increase

Programmatic Changes for VDOT

□ Given the significance of the update, recommend the following:

- Hold the Revenue Sharing Program at \$100 million, as planned
- Distribute the remaining funds for construction to High Priority Projects Program and District Grant Program, after previous commitment to State of Good Repair Program.
- Innovation and Technology Transportation Fund (ITTF) and Unpaved Roads each reduced from \$25 million per year to an average of \$20 million per year beginning in FY 2021

Commonwealth Transportation Fund Draft Fiscal Years 2018 – 2023 Six-Year Financial Plan Estimated Allocations (in millions)

	2018	2019	2020	2021	2022	2023	Total	2017 - 2022 SYFP	Difference
Debt Service	\$ 379.9	\$ 397.9	\$ 394.7	\$ 442.2	\$ 443.5	\$ 463.9	\$ 2,522.0	\$ 2,413.5	\$ 108.6
Other Agencies & Transfers	44.86	45.95	46.18	47.32	47.57	48.75	280.6	284.2	(3.57)
Maintenance & Operations	2,131.6	2,175.3	2,138.7	2,242.3	2,235.0	2,281.6	13,204.5	13,098.6	105.8
Administration & Other Programs	419.6	411.1	439.2	483.3	490.9	471.6	2,715.6	2,635.8	79.8
Toll Programs	76.6	34.7	35.2	35.8	38.9	38.9	260.1	227.3	32.8
Rail and Public Transportation ¹	588.3	528.0	524.8	487.7	497.0	475.5	3,101.3	3,310.8	(209.5)
Public Transportation							-		
Rail Assistance							-		
Other Programs and Administration							-		
Port Trust Fund	41.2	42.7	43.4	44.1	44.5	45.3	261.2	269.8	(8.5)
Airport Trust Fund	23.5	24.4	24.7	25.2	25.4	25.9	149.0	153.9	(4.9)
Commonwealth Space Flight Fund	15.8	15.8	15.8	15.8	15.8	15.8	94.8	94.8	0.0
Construction ¹	1,385.0	1,389.7	1,615.0	1,576.4	1,356.2	1,571.7	8,894.1	9,436.1	(542.0)
Total Operating Programs	\$ 5,106.2	\$ 5,065.4	\$ 5,277.7	\$ 5,400.0	\$ 5,194.8	\$ 5,439.1	\$ 31,483.2	\$ 31,924.6	\$ (441.4)
Pass Through Programs									
Northern Virginia Transportation Authority Fund	332.1	334.5	337.5	343.8	349.9	356.4	2,054.2	2,116.4	(62.2)
Hampton Roads Transportation Fund	160.4	165.4	171.5	176.5	181.1	186.4	1,041.3	1,107.2	(65.9)
Subtotal	492.5	499.9	509.0	520.3	531.0	542.8	3,095.5	3,223.6	(128.1)
Total	\$ 5,598.7	\$ 5,565.3	\$ 5,786.7	\$ 5,920.3	\$ 5,725.8	\$ 5,981.9	\$ 34,578.7	\$ 35,148.2	\$ (569.5)

¹ Allocations reflect 2017-2022 SYFP assumptions for funding for highways that was programmed for rail and public transportation. Distribution to Public Transportation, Rail Assistance, Other Programs and Administration to be determined.

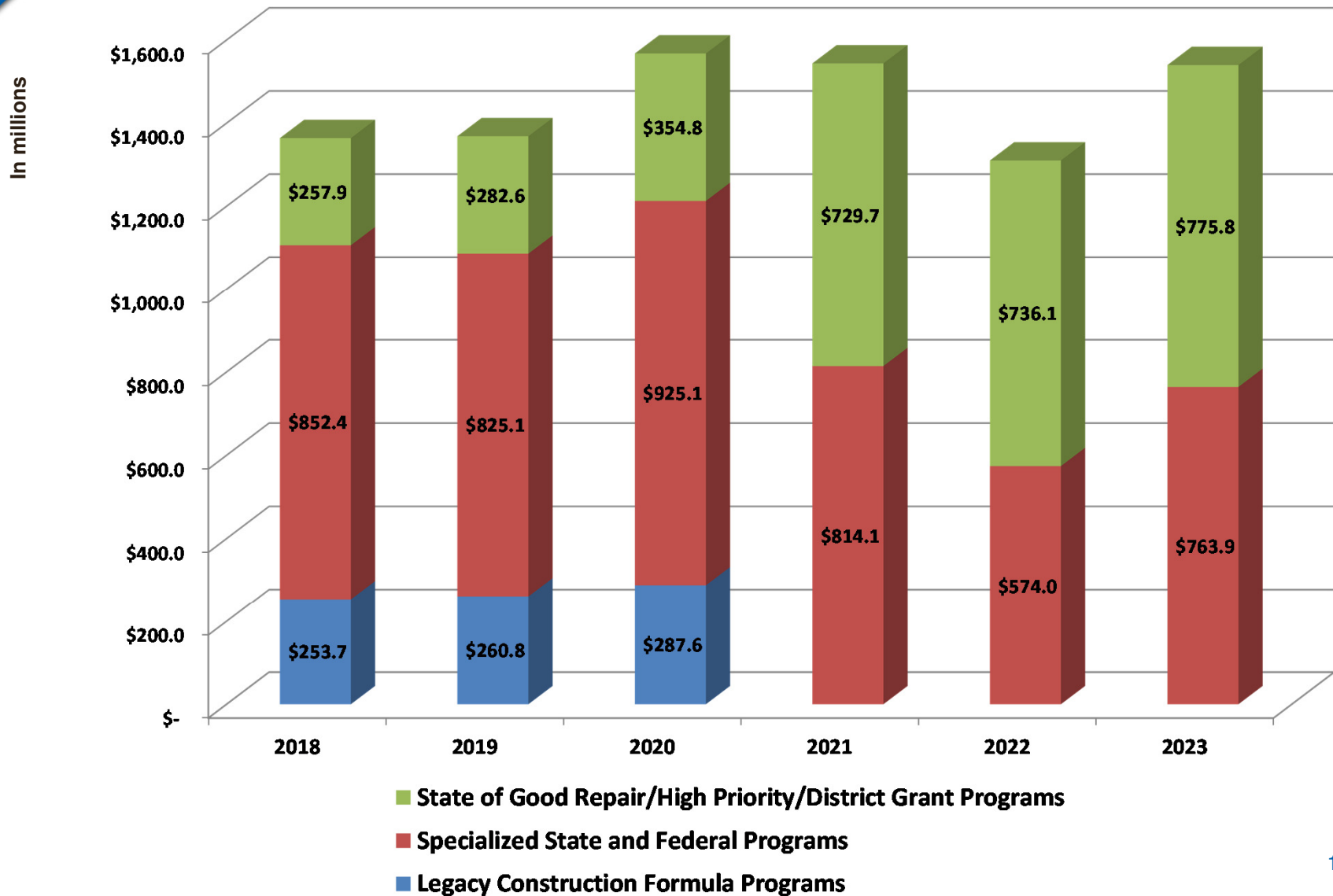




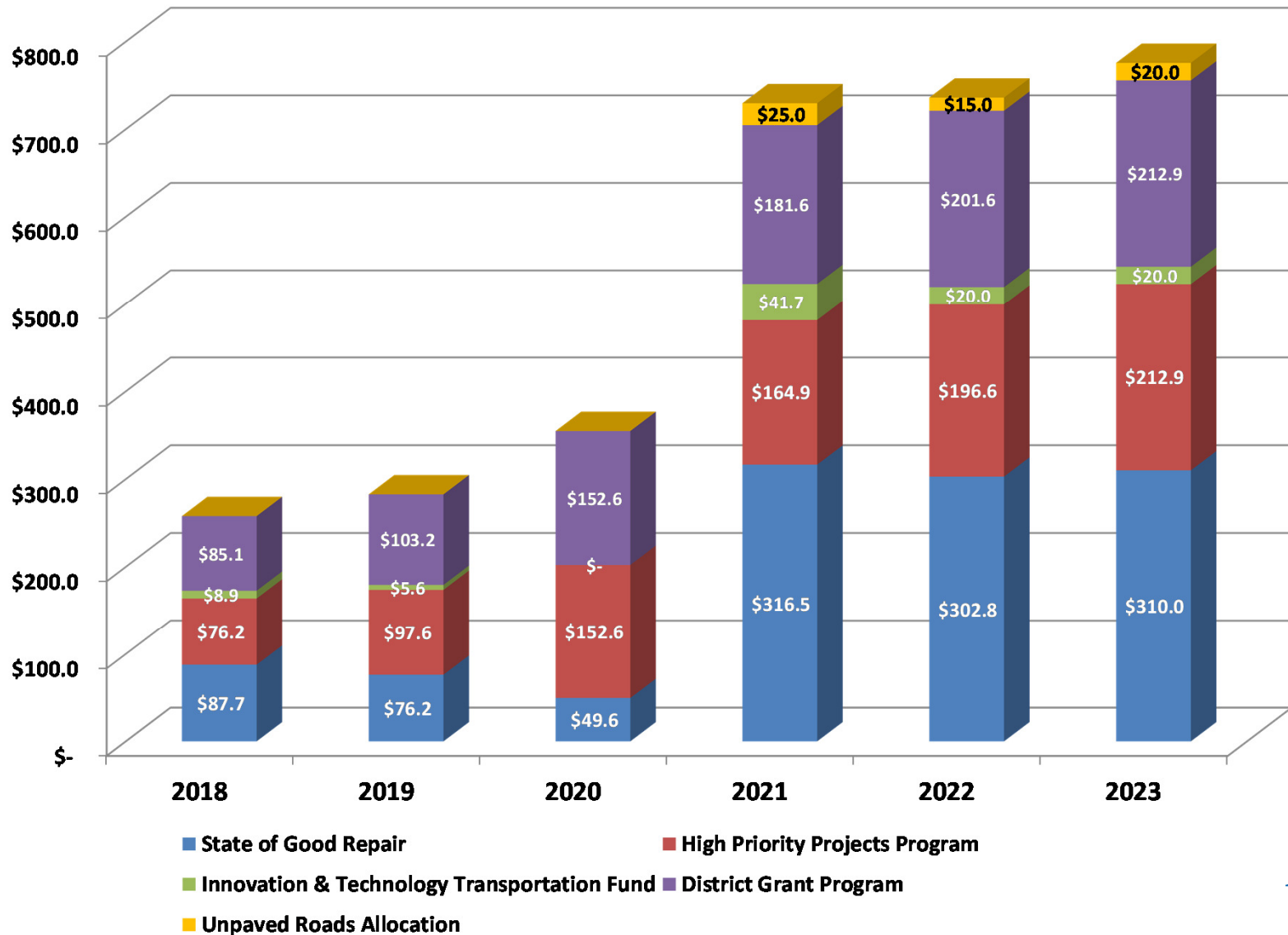
Construction Program (in millions)

Total Construction Program		<u>\$ 8,894.1</u>
Debt Programs (Dedicated funds after Debt Service)	\$ 105.8	
Financial Assistance (Access Programs & Metro Planning)	\$ 94.7	
Legacy programs (Phaseout of CTB Formula)	\$ 802.2	
Specialized State and Federal Programs (Revenue Sharing, Route 58 Program Bonds, RSTP)	\$ 4,754.6	
Subject to HB 1887 Distribution	<u>\$ 3,136.8</u>	
		Formula State of Good Repair \$ 1,142.8
		Formula High Priority Projects Program \$ 997.0
		Innovation & Technology Transportation Fund (ITTF) Set aside \$ (96.2) <i>(\$61.2 million programmed in Round 1)</i>
		Subtotal - High Priority Project Program <u>\$ 900.8</u>
		Formula District Grant Program \$ 997.0
		Unpaved Set aside \$ (60.0) <i>(\$25m programmed in Round 1)</i>
		Subtotal - District Grant Program <u>\$ 937.0</u>
		Amount Distributed by SMART SCALE <u>\$ 1,837.8</u>
		Amount dedicated to SMART SCALE Round 1 (2017) <u>\$ 1,269.7</u>
		Amount available for SMART SCALE Round 2 (2018) <u>\$ 568.1</u>

Construction Funding Available



State of Good Repair, High Priority Projects Program, District Grant Program Formula Distribution



SMART SCALE Round 2 (in millions)

Round 2 funding is enhanced by funds released from previously funded projects

	Total	High Priority Projects	District Grant Program
Formula amount available for SMART SCALE Round 2 (2018)	\$ 568.1	\$ 284.0	\$ 284.1
Released I-66 Contribution (Round 1)	\$ 300.0	\$ 300.0	\$ -
Released Light Rail (Net DRPT Component)	\$ 149.6	\$ 74.8	\$ 74.8
Amount available for SMART SCALE Round 2 (2018)	\$ 1,017.7	\$ 658.8	\$ 358.9

Construction Distribution by District

District Grant Program - Round 2

District	Percentage	Estimated Amount (in millions)	Unpaved Road Allocation Distribution	Available for DGP Distribution
Bristol	6.8%	\$ 26.6	\$ 5.9	\$ 20.7
Culpeper	6.3%	24.7	4.9	19.9
Fredericksburg	6.9%	27.4	0.9	26.4
Hampton Roads	20.0%	78.7	0.6	78.1
Lynchburg	7.1%	27.9	5.3	22.7
Northern Virginia	20.9%	82.3	2.3	80.0
Richmond	14.7%	57.9	2.1	55.7
Salem	9.6%	37.6	6.0	31.6
Staunton	7.8%	30.8	7.0	23.9
Total	100.0%	\$ 393.9	\$ 35.0	\$ 358.9

Conclusion

- Significant revenue reduction addressed in program
- Key program areas were increased to address specific needs
- Reductions were applied to the base maintenance program as part of addressing the revenue reduction
- Formula amount available for SMART SCALE round 2 was reduced from prior expectation
- SMART SCALE funds previously committed to I-66 Outside the Beltway in Round 1 added back to the High Priority Projects Program
- VB Light Rail funds released and provided to High Priority Projects Program and District Grant Program
- Round 2 will distribute \$1.0 billion toward the requested \$9.3 billion