



NORTH CAROLINA

Department of Transportation



Joint Legislative Transportation Oversight Committee

Financial and Spend Plan Update

As of February 2022

Stephanie King, Chief Financial Officer

April 7, 2022

The Fast Five



Financial Status

- Revenue and expenses are in alignment with forecast estimates. Outstanding commitments have significantly increased over the past year.
- Cash as a percentage of commitments is 30%.
- Actively engaging with industry partners on COVID economic impacts of labor and material in the heavy construction period. Material and domestic labor shortages continue.



Federal Program Update

- Omnibus appropriations bill funding the federal government for the balance of fiscal year 2022 has passed. DOT will optimize FHWA reimbursements.
- Focus will be to seek reimbursement from FHWA for expenses after converting advance construction projects to billable funds available in IIJA.
- Preparing for August Redistribution request for additional billing authority.



Build NC

- Working with State Treasurer's Office to plan 3rd Build NC issuance for \$300m par to advance 25 projects with regional and divisional designations.
- Council of State approval April 5th.
- Planned financial close May 19th.



Improvements to financial processes

- Implemented a short-term COVID adjustment for SAS models in January 2022. Working with SAS on long-term solution to utilize leading economic indicators for project expenditure forecasting.
- Developing tools to monitor project level expenses against project spend plan forecasts.
- Developing a Spend Plan Management Governance Plan for all programs that illustrates current, short- and longer-term variance reporting and actions.



SFY 23 & SFY24 Draft Spend Plans Development

- Areas are currently developing spend plans for the next 2 fiscal years, due April 20th.
- Plan to provide the Spend Plan to Board of Transportation and OSBM in May and request their consideration of approval in June prior to the beginning of the new fiscal year.
- After the Legislative Session concludes, funding for Expansion and other items will be included in a Spend Plan Amendment.

Actions For The SFY2022 – SFY2023 Spend Plan

The below timeline reflects key changes and updates to the SFY 2022 – SFY 2023 Spend Plan including Amendment #1 & Amendment #2



Original Spend Plan

- Original Spend Plan was approved by the Board of Transportation and the Office of State Budget & Management July 1, 2021 and June 30, 2021, respectively.
- Revenues were based on the consensus revenue forecast from February 2021.
- The underlying budget used for the spend plan was the SFY 2021 Continuation Budget less nonrecurring items.



Spend Plan Amendment #1

- Spend Plan Amendment #1 was approved by the Board of Transportation and the Office of State Budget & Management December 8, 2021 and December 7, 2021, respectively.
- Changes were made based on the State Budget (S.L. 2021-180) passing on November 18, 2021.
- Reductions to some business areas due to external partners work force & supply chain issues due to COVID-19.

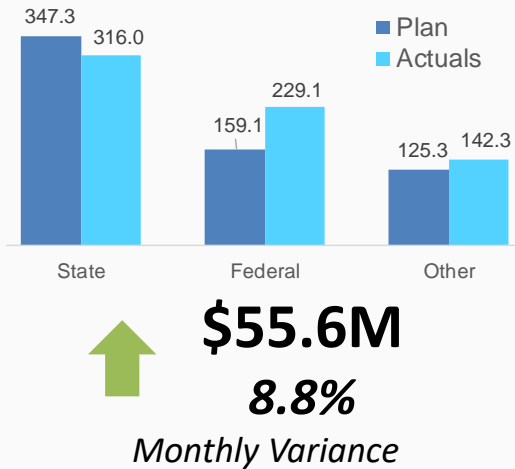


Spend Plan Amendment #2

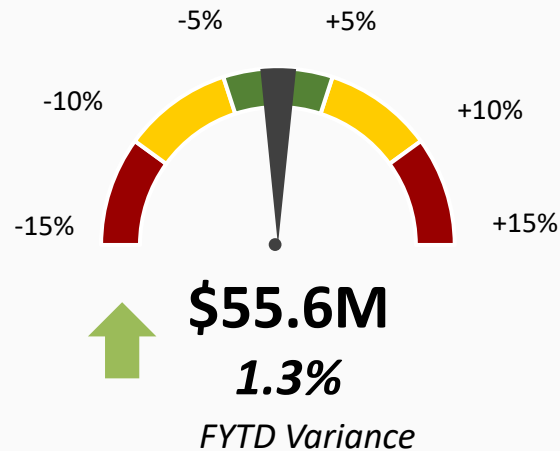
- Spend Plan Amendment #2 was approved by the Board of Transportation and the Office of State Budget & Management March 9, 2022 and February 25, 2022, respectively.
- BuildNC legislation received a technical correction that allowed for a new bond issuance by the end of SFY 2022. The June planned issuance was incorporated in Spend Plan Amendment #2. We received approval from the Treasurer to move forward with the May issuance on March 2, 2022.
- NCDOT received \$190 million from the Department of Commerce per S.L. 2021-180 & S.L. 2021-189.

Revenues

February 2022 Spend Plan



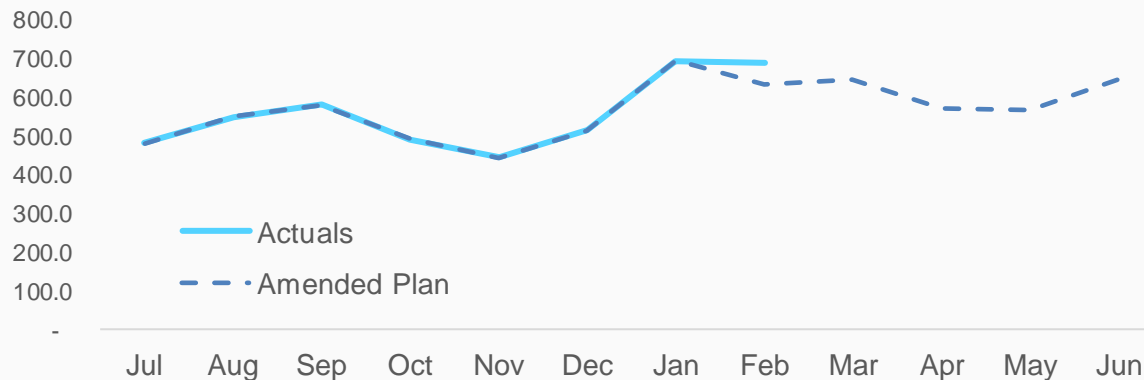
Spend Plan FYTD Performance



Revenue Commentary

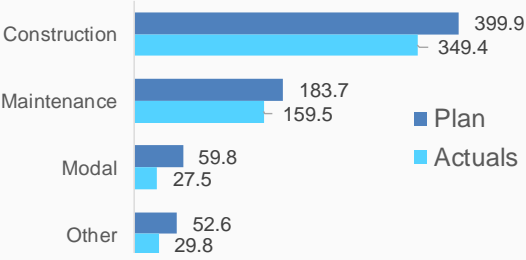
- Major state revenue sources remain in alignment with forecast
- FYTD Revenue variance of 1.3% reflects positive revenue inflows and strength in major state revenue sources
- Anticipate increases in federal reimbursement in the coming months since passage of Appropriations Bill
- Strength in major revenue sources, highlighted by YOY growth in HF and HTF Revenues of 3.4% and 6.2% respectively
- Updated Consensus Revenue Forecast by Fiscal Research, OSBM, and NCDOT expected in early May
- The 10-year revenue update by OSBM and NCDOT will be completed by early May
- Revenue update starts with verifying FY2022 assumptions and forecast

FY 2022 Spend Plans and Actuals (\$M)



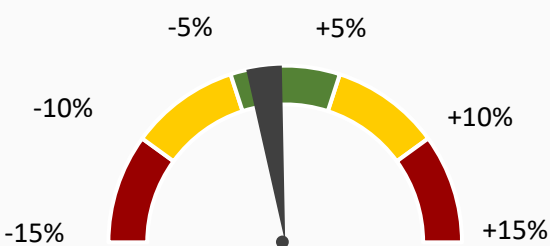
Expenses

February 2022 Spend Plan



 **(\$129.8M)**
-18.6%
Monthly Variance

Spend Plan FYTD Performance



 **(\$129.8M)**
-3.2%
FYTD Variance

Expense Commentary

- Total monthly variance was due to underspending in all categories: Construction (50.5M), Maintenance (24.2M), Other Modes (32.3M), and Administration/Other Program (23.3M)
- FYTD expenditures have increased 21.2% from the prior year, including a 9.7% increase in Construction spend and a 62.4% increase in Maintenance spend
- Actively conversing with industry partners to better understand labor and material issues.
- Reviewing SAS analytics for improved forecasting

FY 2022 Spend Plans and Actuals (\$M)



Financial Highlights

Cash

Cash Balance

\$2,397M

Highway Fund:	Trust Fund:	Other*:
\$1,438m	\$938m	\$21m

FY22 FCST Avg. Monthly Expenditures

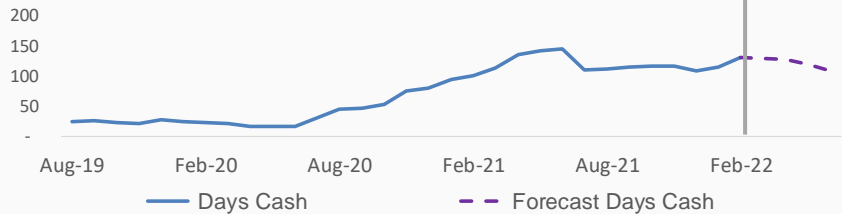
\$558M

Days Cash On Hand

131.7

Last Month: 115.5

Days Cash on Hand

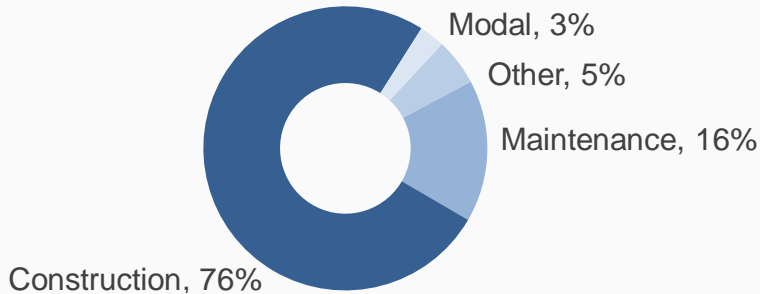


Commitments

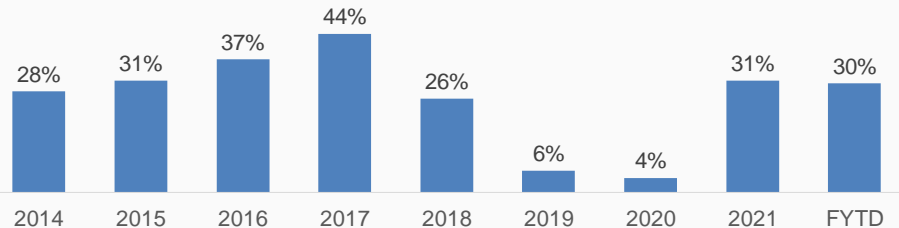
Open Commitments

\$7,913M

Last Month: \$7,231m



Cash as a % of Open Commitments

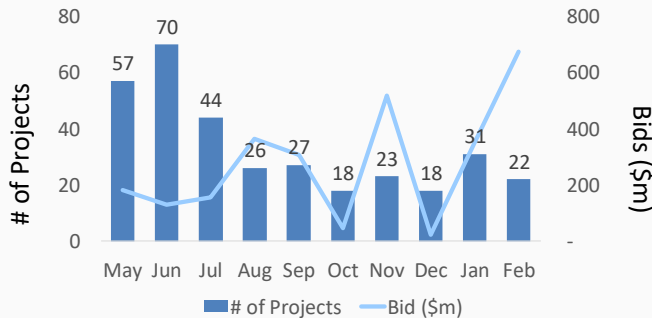


Project Activity

New Active Projects
February

22 Projects

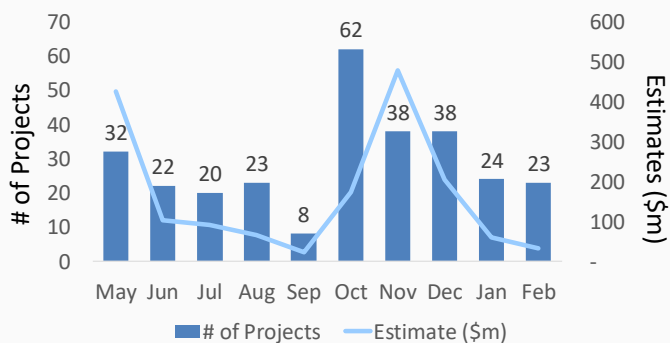
\$673.6M
(Bid Amounts)



Accepted Projects
February

23 Projects

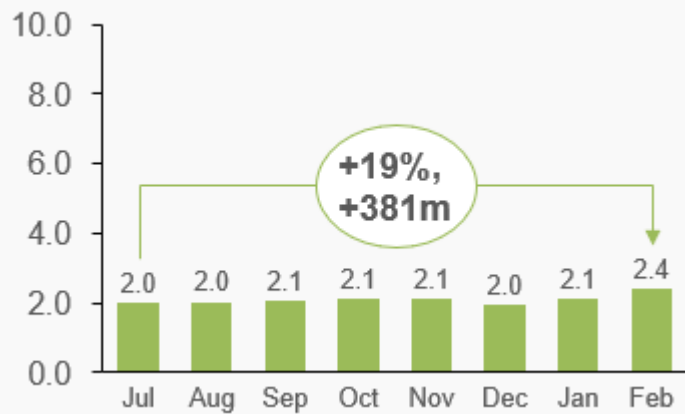
\$33.6M
(Estimate to Date)



*Includes Ferry Capital

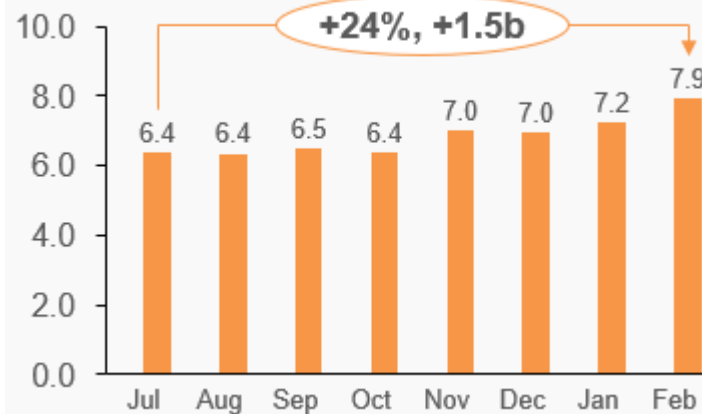
SFY22: Increase in Open Commitments and Cash

Cash at Closing (\$b)



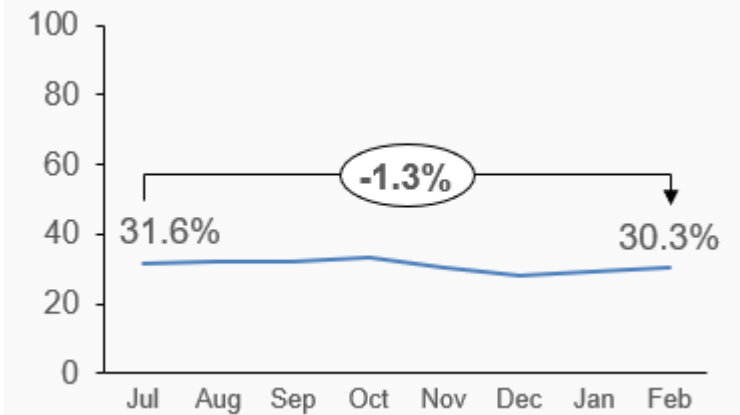
Closing cash balances have increased by \$381m, or 19%, as of February close

Open Commitments (\$b)



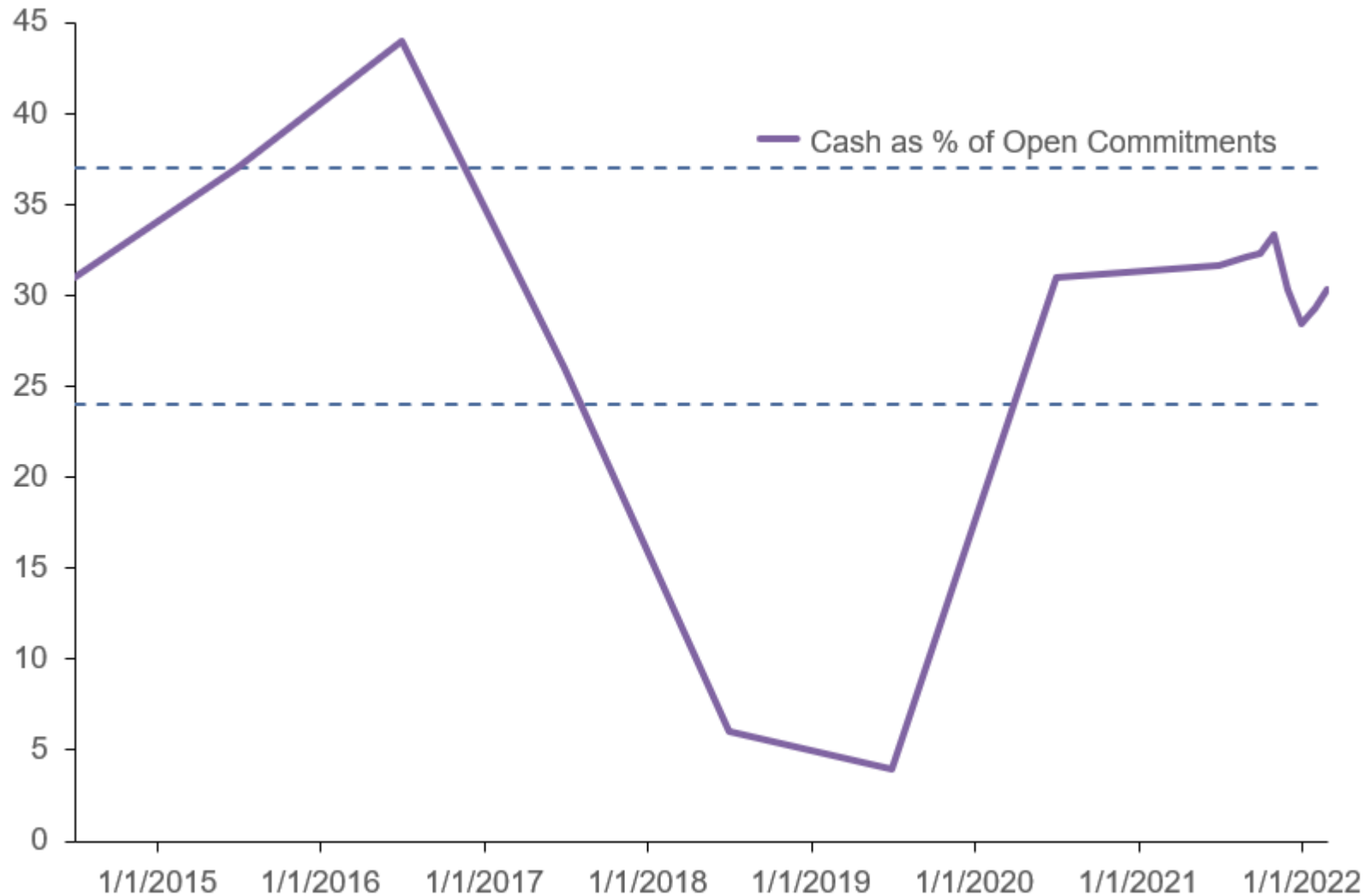
However, open commitments have also increased by \$1.5b, or 24%, through the fiscal year

Cash as % of Open Commitments (%)



Because both cash and open commitments have increased, cash as a % of open commitments has remained stable

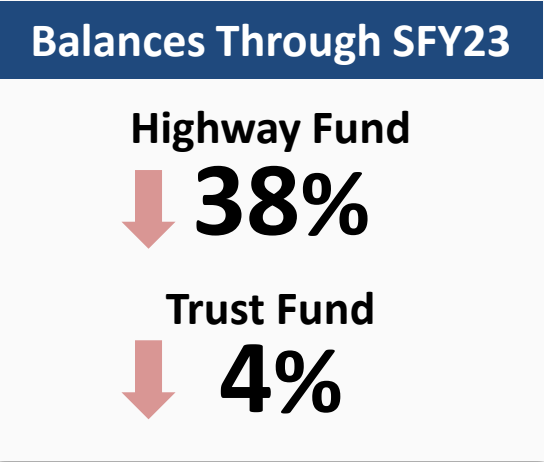
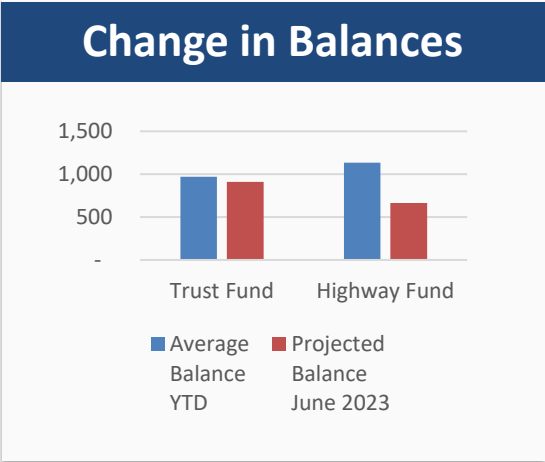
Looking Forward: Guiding Boundaries



Staying On Track

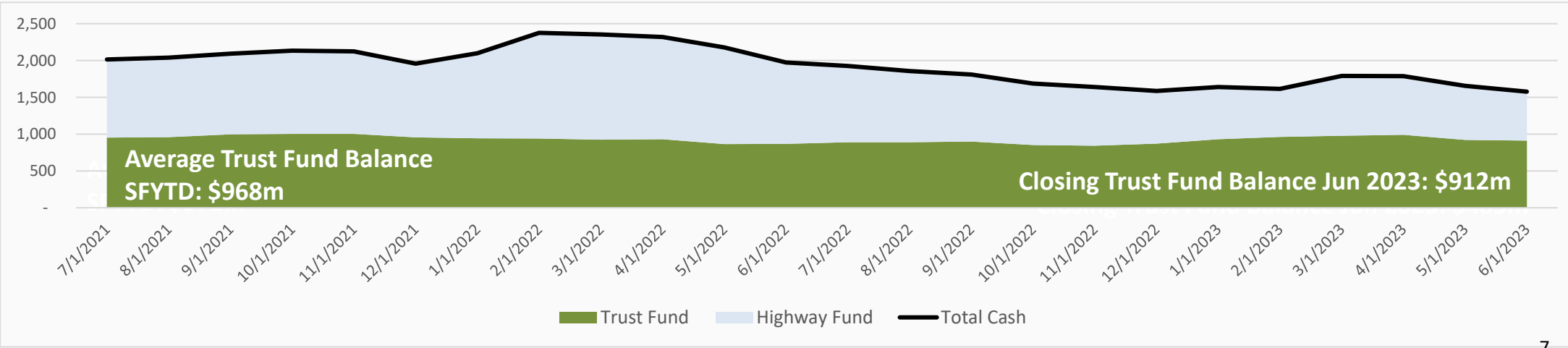
- The ratio of cash to open commitments is a metric to measure NCDOT's preparedness to meet its cash obligations as they arise
- From 2016 through 2019, NCDOT's cash to open commitment ratio shifted with high volatility, mirroring actual cash levels during that time
- It may be helpful to establish boundaries for optimal ratio levels in order to inform decisions to commit additional dollars to future projects

Cash – Highway Fund vs Trust Fund



- Balances changed from 46% in January to 38% in February for the HF and 49% to 4% in the TF.
- The SFY 2022 Build NC proceeds plays a large part in the projected increase in TF balance.
- SAS model refinements are now being applied to refinement of project forecasting for Build NC and USDOT Discretionary Grant projects.

Projected Closing Cash Balances (\$m): SFY22–SFY23



Actual Revenues and Expenditures Compared to Spend Plan

Actuals		Variance - Fiscal Year to Date			Track Against Full Year Spend Plan		
Description	Actuals As of 02/28	Fiscal YTD Spend Plan	\$ Variance, FYTD	% Variance, FYTD	Full Year Spend Plan (Mar 10, 2022)	% of SFY 2022 Spend Plan	
State revenues	2,795.21	2,826.49	(31.28)	-1%	4,234.09	66%	<div></div>
Federal aid	791.65	721.73	69.92	10%	1,298.29	61%	<div></div>
Federal aid - USDOT Discretionary Grants	12.69	10.96	1.73	16%	36.14	35%	<div></div>
Turnpike Federal Aid	0.30	0.27	0.03	12%	0.27	112%	<div></div>
Other	422.21	352.03	70.18	20%	553.64	76%	<div></div>
Garvee	223.48	253.55	(30.06)	-12%	328.18	68%	<div></div>
BuildNC	194.69	219.57	(24.88)	-11%	362.91	54%	<div></div>
Total Revenues & Other Receipts	4,440.24	4,384.61	55.63	1%	6,813.52	65%	<div></div>
Garvee Expenditures	291.57	327.45	(35.88)	-11%	646.32	45%	<div></div>
Garvee Debt Service	154.33	131.63	22.70	17%	131.63	117%	<div></div>
Division of Mitigation Services (Formerly EEP)	(49.14)	(49.16)	0.02	0%	(39.36)	125%	<div></div>
BUILDNC Expenditures	320.89	334.84	(13.95)	-4%	569.30	56%	<div></div>
BUILDNC Debt Service	21.62	21.62	-	0%	93.04	23%	<div></div>
Statewide Transportation Initiative	850.61	758.38	92.23	12%	1,025.79	83%	<div></div>
NC Mobility Fund	0.00	0.00	0.00	15%	0.00	115%	<div></div>
TIP	468.49	556.94	(88.46)	-16%	966.36	48%	<div></div>
TIP - USDOT Discretionary Grants	93.73	113.30	(19.57)	-17%	288.80	32%	<div></div>
Turnpike Authority	4.71	4.27	0.43	10%	4.75	99%	<div></div>
Internal Orders	(12.86)	(8.21)	(4.65)	57%	(4.21)	305%	<div></div>
Congestion Mitigation & Air Quality (CMAQ)	19.24	22.59	(3.35)	-15%	40.92	47%	<div></div>
Total Construction	2,163.19	2,213.66	(50.47)	-2%	3,723.35	58%	<div></div>
Other Construction - Secondary Roads	7.75	9.07	(1.32)	-15%	15.00	52%	<div></div>
Other Construction - Spot Safety Improvements	9.69	10.35	(0.66)	-6%	15.00	65%	<div></div>
Other Construction - Contingency	6.99	8.13	(1.13)	-14%	15.00	47%	<div></div>
Other Construction - Mobility/Modernization	81.08	75.42	5.66	8%	149.57	54%	<div></div>
General Maintenance Reserve	252.11	261.57	(9.46)	-4%	471.00	54%	<div></div>
Contract Resurfacing	321.13	329.87	(8.73)	-3%	524.00	61%	<div></div>
Roadside Environmental	68.84	70.05	(1.21)	-2%	105.60	65%	<div></div>
Pavement Preservation	49.00	53.53	(4.53)	-8%	83.00	59%	<div></div>
Bridge Program	123.59	133.63	(10.04)	-8%	250.00	49%	<div></div>
Bridge Preservation	40.19	42.69	(2.51)	-6%	72.00	56%	<div></div>
Undeclared Disasters including Snow & Ice	55.99	42.74	13.24	31%	93.70	60%	<div></div>
Disaster Funding - FEMA	36.83	40.34	(3.51)	-9%	66.90	55%	<div></div>
Total Maintenance	1,053.19	1,077.39	(24.21)	-2%	1,860.77	57%	<div></div>
Public Transportation	105.79	104.24	1.55	1%	115.00	92%	<div></div>
Public Transportation - New Starts	24.07	26.00	(1.93)	-7%	26.00	93%	<div></div>
Ferry Operations	40.70	40.36	0.34	1%	66.26	61%	<div></div>
Railroad program	18.86	23.49	(4.64)	-20%	106.40	18%	<div></div>
Airports	84.00	111.65	(27.64)	-25%	257.40	33%	<div></div>
Total Other Modes	273.42	305.74	(32.32)	-11%	571.06	48%	<div></div>
Administration	185.11	208.04	(22.93)	-11%	347.71	53%	<div></div>
Transfers to Other State Agencies	39.57	39.12	0.45	1%	67.78	58%	<div></div>
Transfers to General Fund/NCTA - GAP Funds	97.75	97.75	-	0%	110.00	89%	<div></div>
State aid to municipalities	159.21	159.21	(0.00)	0%	159.21	100%	<div></div>
Debt Service	-	-	-	na	-	na	<div></div>
Other Programs	13.55	13.88	(0.33)	-2%	22.57	60%	<div></div>
Total Other Expenditures	495.19	517.99	(22.81)	-4%	707.28	70%	<div></div>
Total Expenditures	3,984.98	4,114.79	(129.80)	-3%	6,862.45	58%	<div></div>

Cash Forecast – SFY 22 - SFY 25



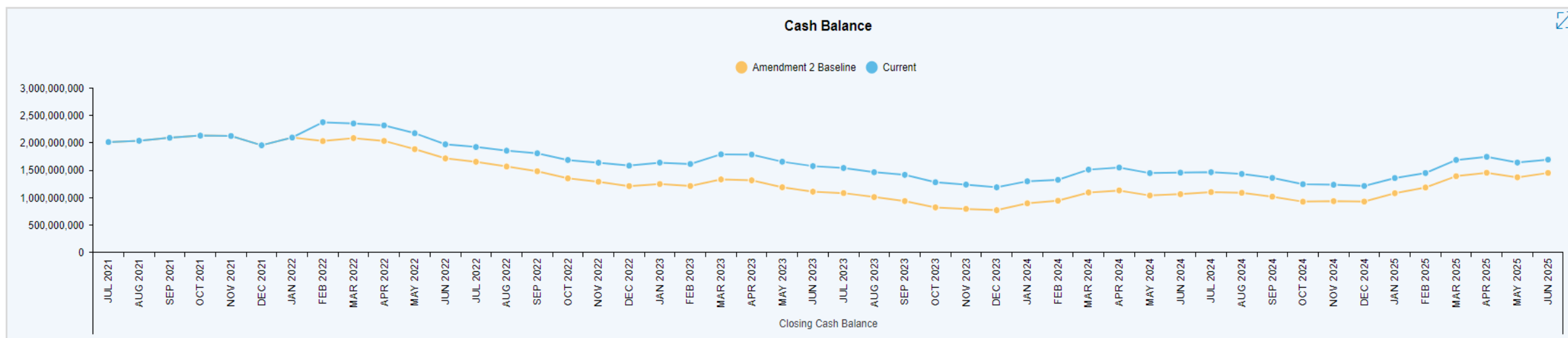
Cash Model Analysis - Flexible Analysis for Plan and Actual Data



Plan Data Version Comparison Plan/Actual Extended Analysis

Fiscal Year: 2022 - 2025 Actuals As of: 009/2022
Version: 4

Plan Version (2) Fund Type (2)
Current (4), Amendment 2 Baseline ... Highway Fund (1500/1502), Highwa...



- Reflects Spend Plan Amendment 2 and Current Version (February Actuals and Updated Capital Construction Forecasts)
- SAS Project Expenditure Model (w COVID factor) for current active projects
- Build NC Sales –\$300M in SFY 2022, SFY 2024, and SFY 2025
- GARVEE sales – \$300M in September 2021 and \$300M in SFY 2025
- Federal Revenue same as SFY 2021
- \$100M of August Redistribution

Questions?



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