



NORTH CAROLINA Department of Transportation



Report on NCDOT Cash Balances and Build NC

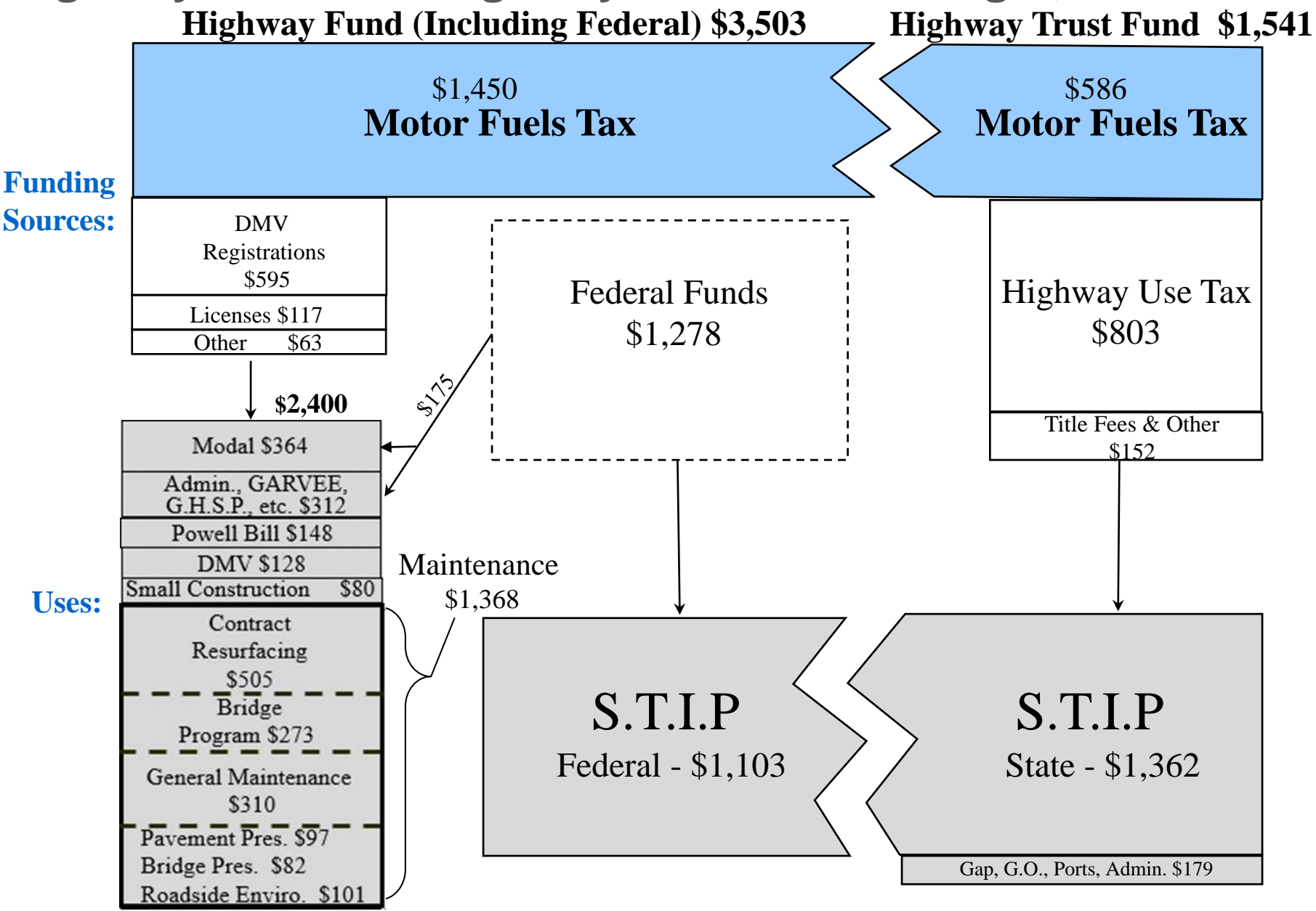
Evan Rodewald, Chief Financial Officer, NCDOT

March 6, 2019

Overview of Report on NCDOT Cash Balances

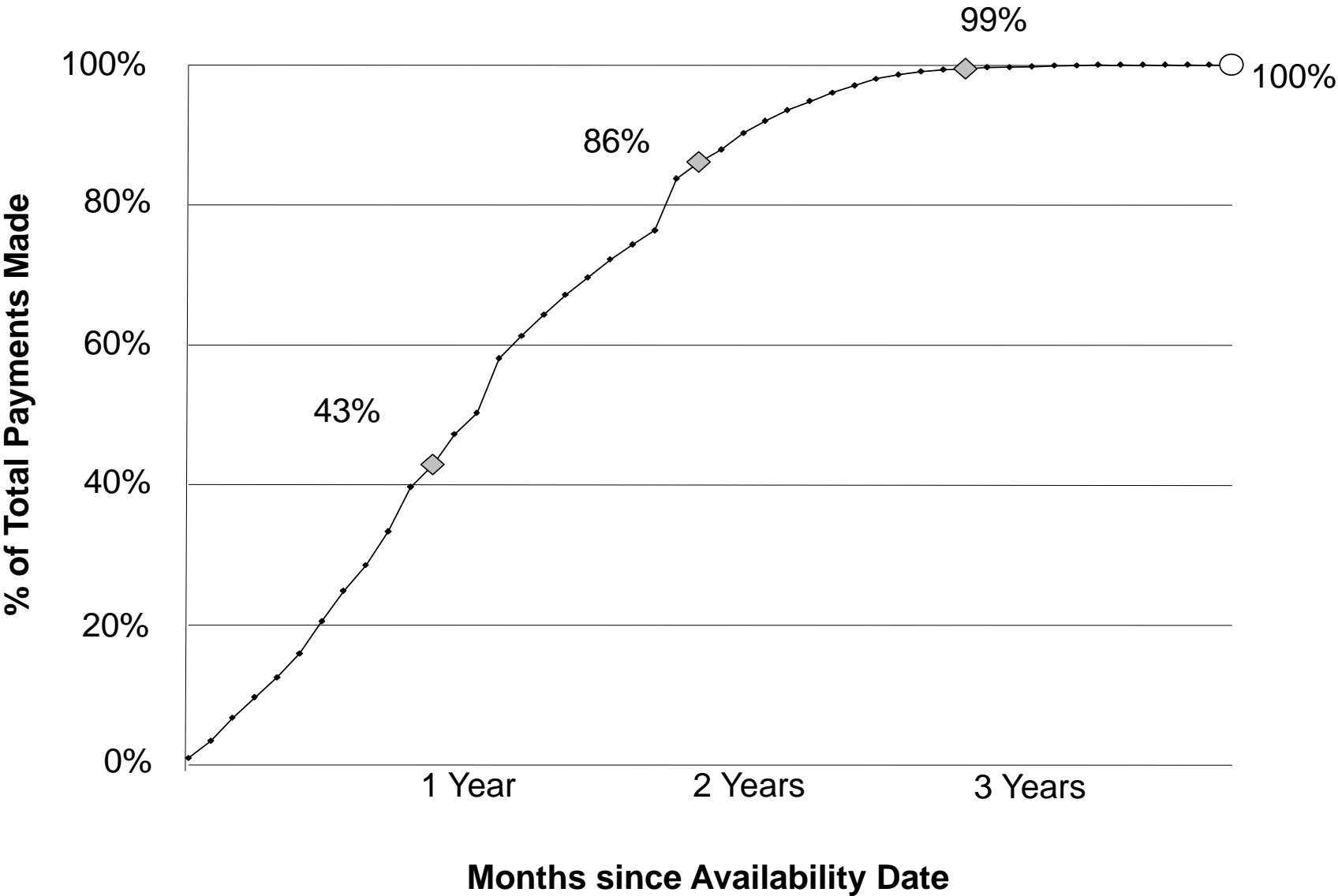
- **NCDOT Funding**
- **History of Cash Model**
- **Current Trends in Cash Balances**
- **Status of Build NC Implementation**

Highway Fund and Highway Trust Fund Budget, SFY 2018-19

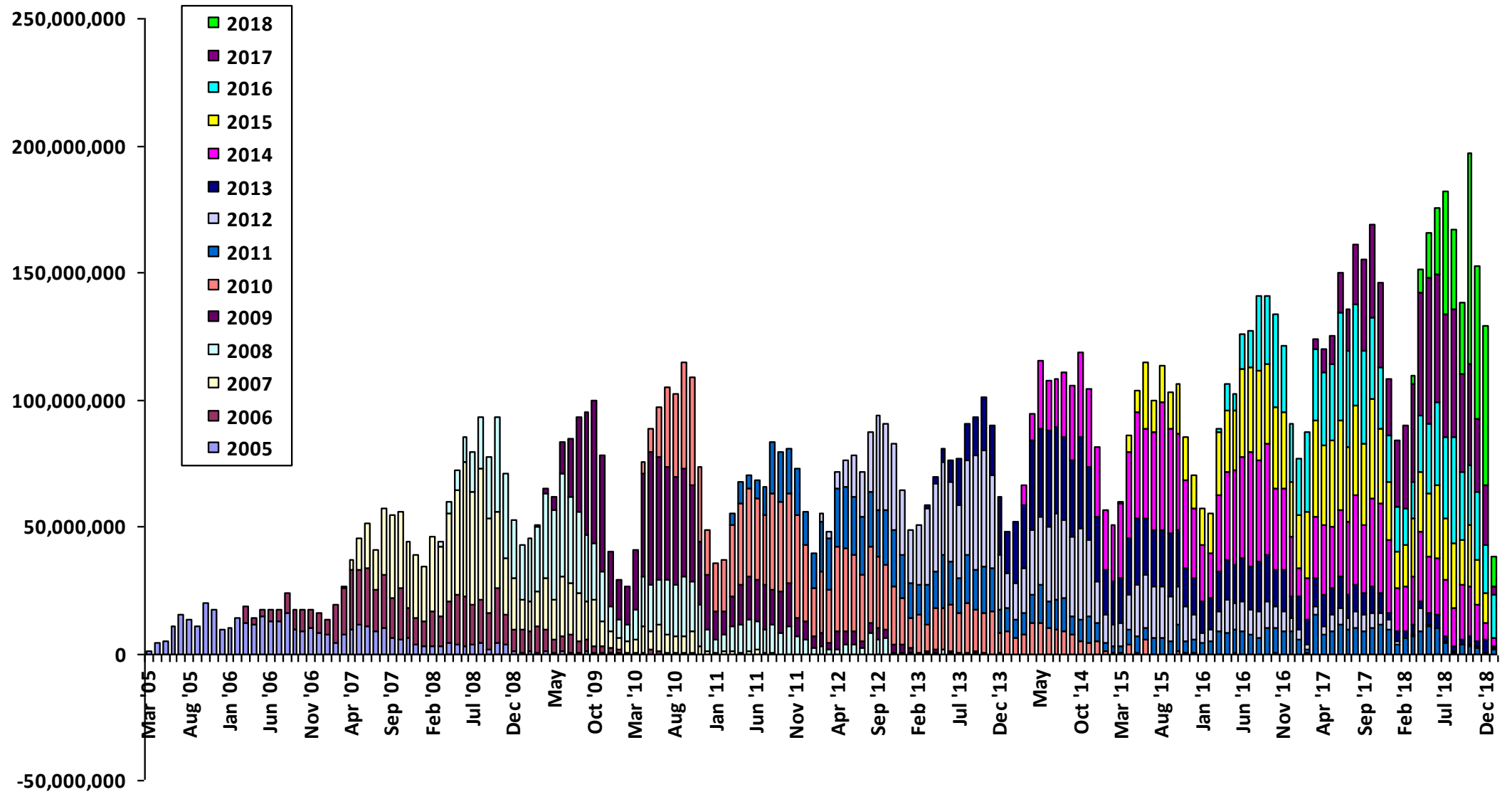


Note: \$ in millions

Payout Curve for Typical Construction Project



Construction Payment History by Year of Letting/Obligation



Factors and History Behind NCDOT Cash Management Practices

- NCDOT is a capital driven organization: \$2.5 billion annually for STIP alone.
- Capital projects pay out over several years.
- Before 1989, most STIP funding was federal. Federal funds are paid by reimbursements and do not accumulate.
- Creation of the HTF resulted in significant new State revenues for STIP. These funds started accumulating. By June 2001, cash balances were \$1.1 billion.
- In 2001, the General Assembly studied the issues and directed NCDOT to manage cash in order to accelerate project delivery.

Background and Purpose of Cash Model

- Session Law 2001-424, Section 27.23(a), required NCDOT to :
 - “...utilize **cash flow financing** to the maximum extent possible...”
 - “Establish necessary management controls to facilitate use of cash flow financing”
 - “Strengthen the project delivery process by reorganization of preconstruction functions in order to expedite project delivery and maximize use of cash flow financing of projects.”
- **Cash model** is forecasting tool NCDOT uses to meet the managerial and financial goals established under this legislation
 - Allows NCDOT to balance cash needs and project delivery

Session Law 2014-100

SECTION 34.23.(c) In any month in which the Department's total cash balance on hand from the Highway Fund and the Highway Trust Fund exceeds one billion dollars (\$1,000,000,000), the Department shall report its cash balance no later than the 15th day of the following month as follows:

(1) To the Board of Transportation.

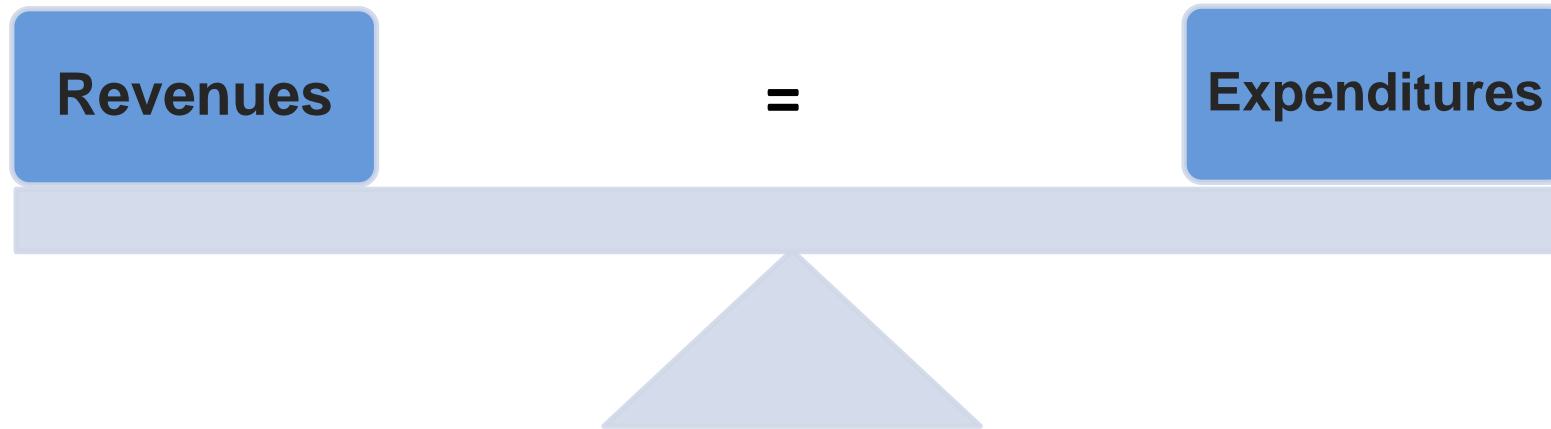
(2) If the General Assembly is in session, to the Chairs of the House of Representatives Appropriations Subcommittee on Transportation, the Chairs of the Senate Appropriations Committee on Department of Transportation, and the Fiscal Research Division.

(3) If the General Assembly is not in session, to the Chairs of the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

The report shall include an explanation from the Department of the reasons the cash balance has exceeded the amount specified in this subsection, the actions to be taken by the Department to reduce the cash balance, and the estimated amount of time it will take to bring the cash balance to the target identified in G.S. 143C-6-11(k)(1), as amended by subsection (a) of this section.

SECTION 34.23.(d) Subsection (c) of this section becomes effective July 1, 2015.

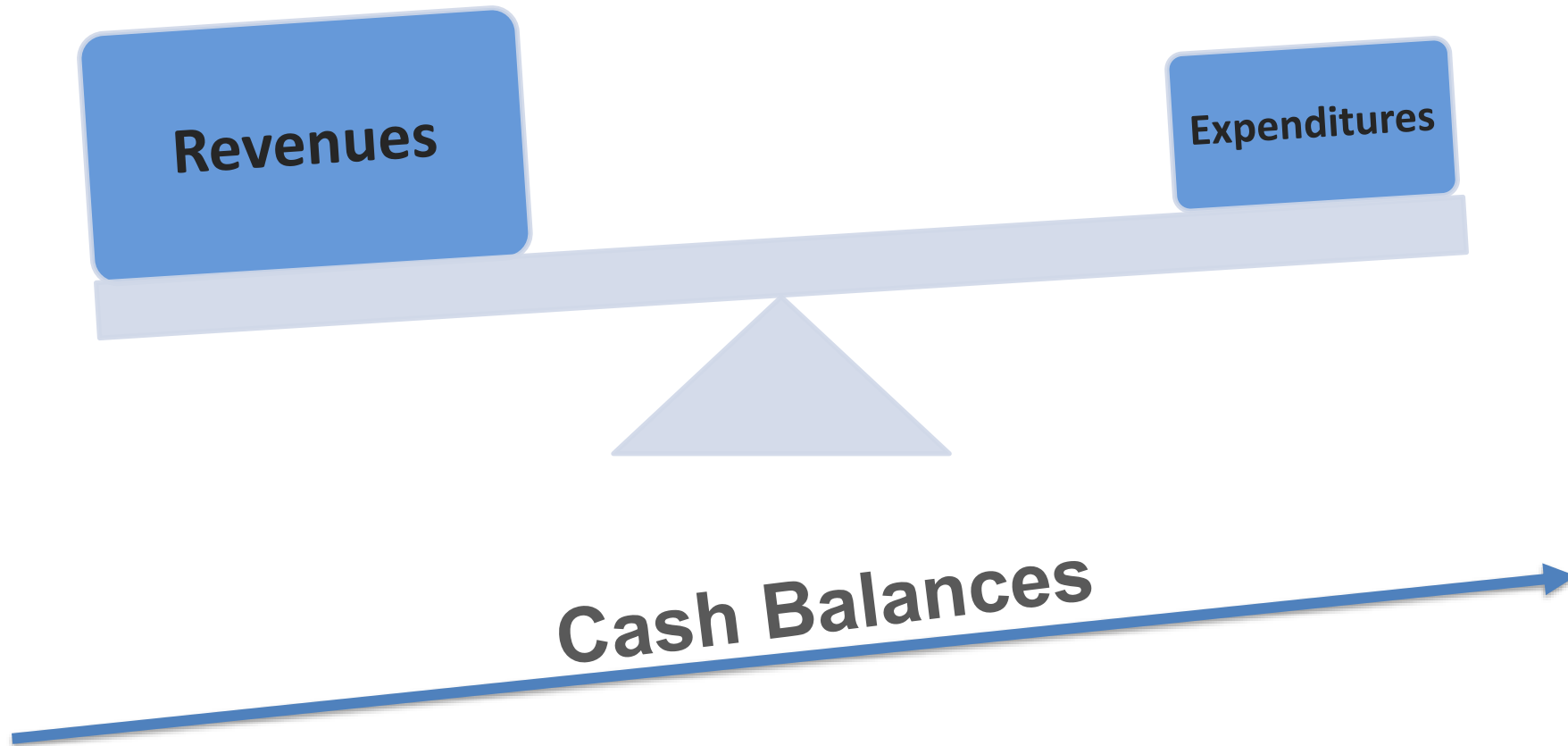
Long-term Cash Management/Project Delivery Goal



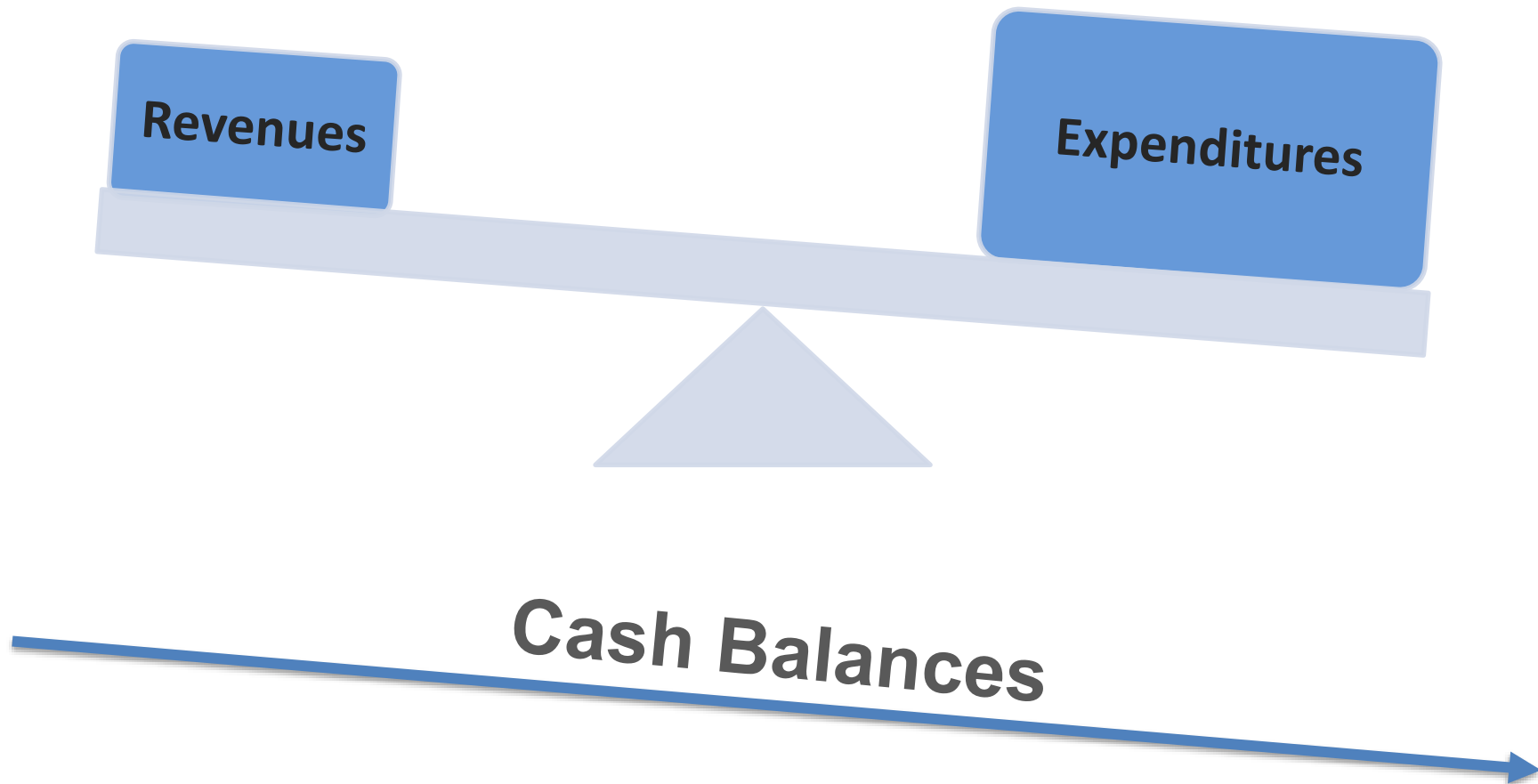
Cash Balances Remain Constant



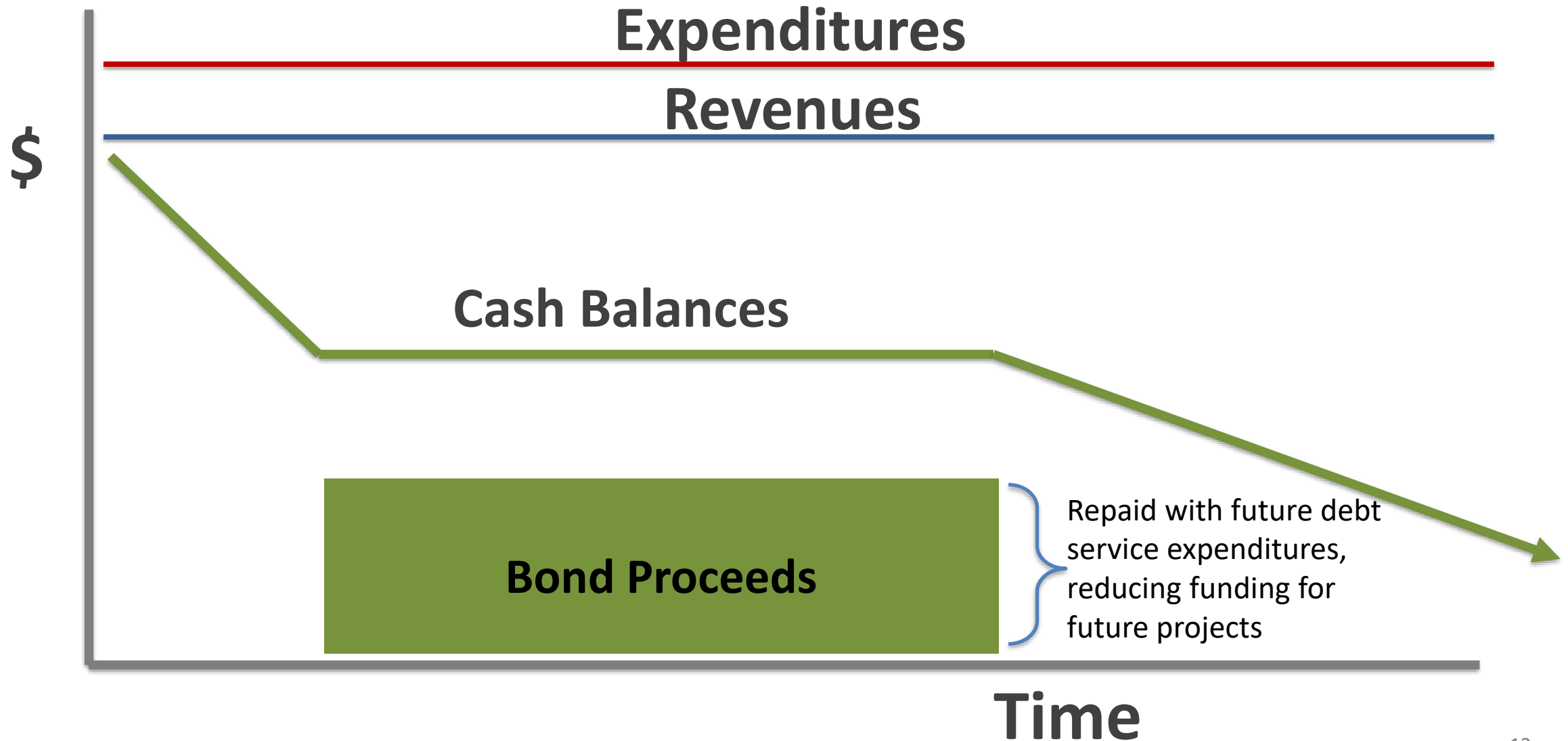
How Cash Typically Accumulates



Impact of Accelerated Projects



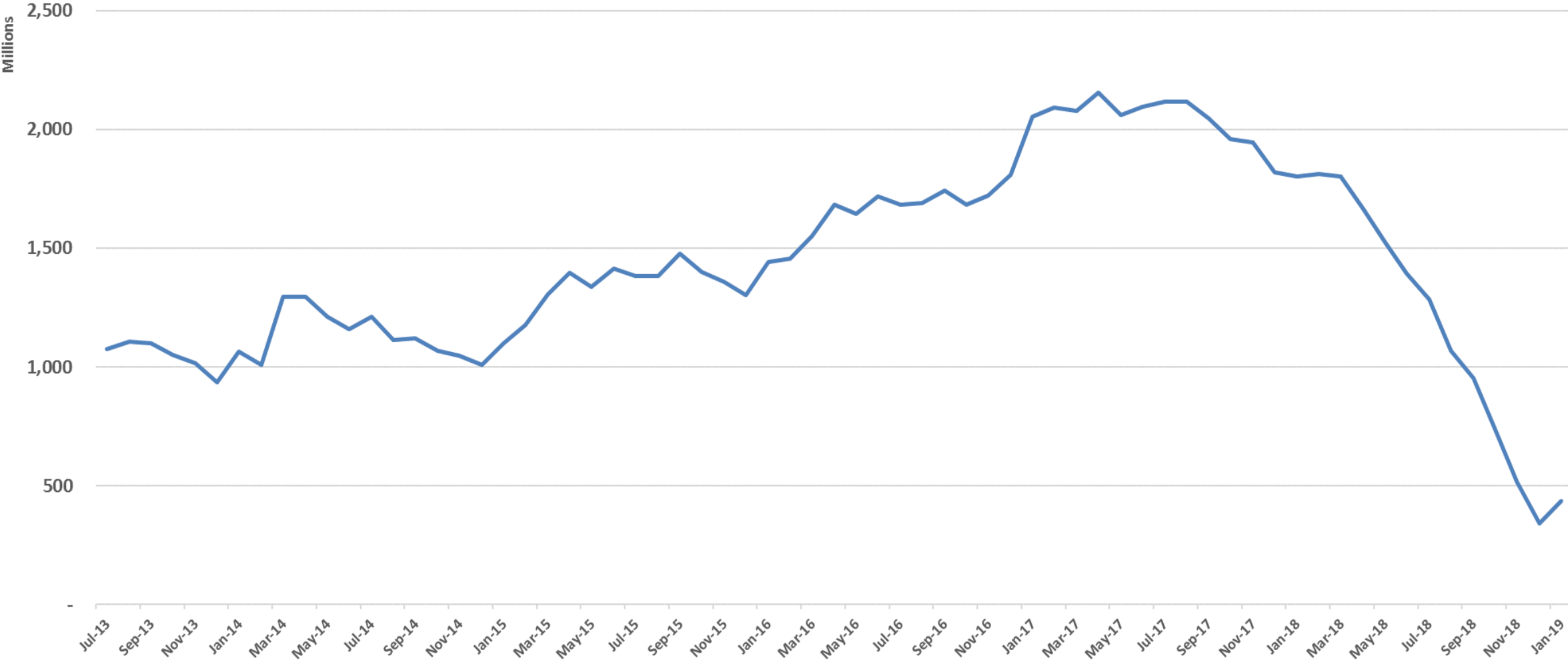
Use of Bond Proceeds to Accelerate Projects



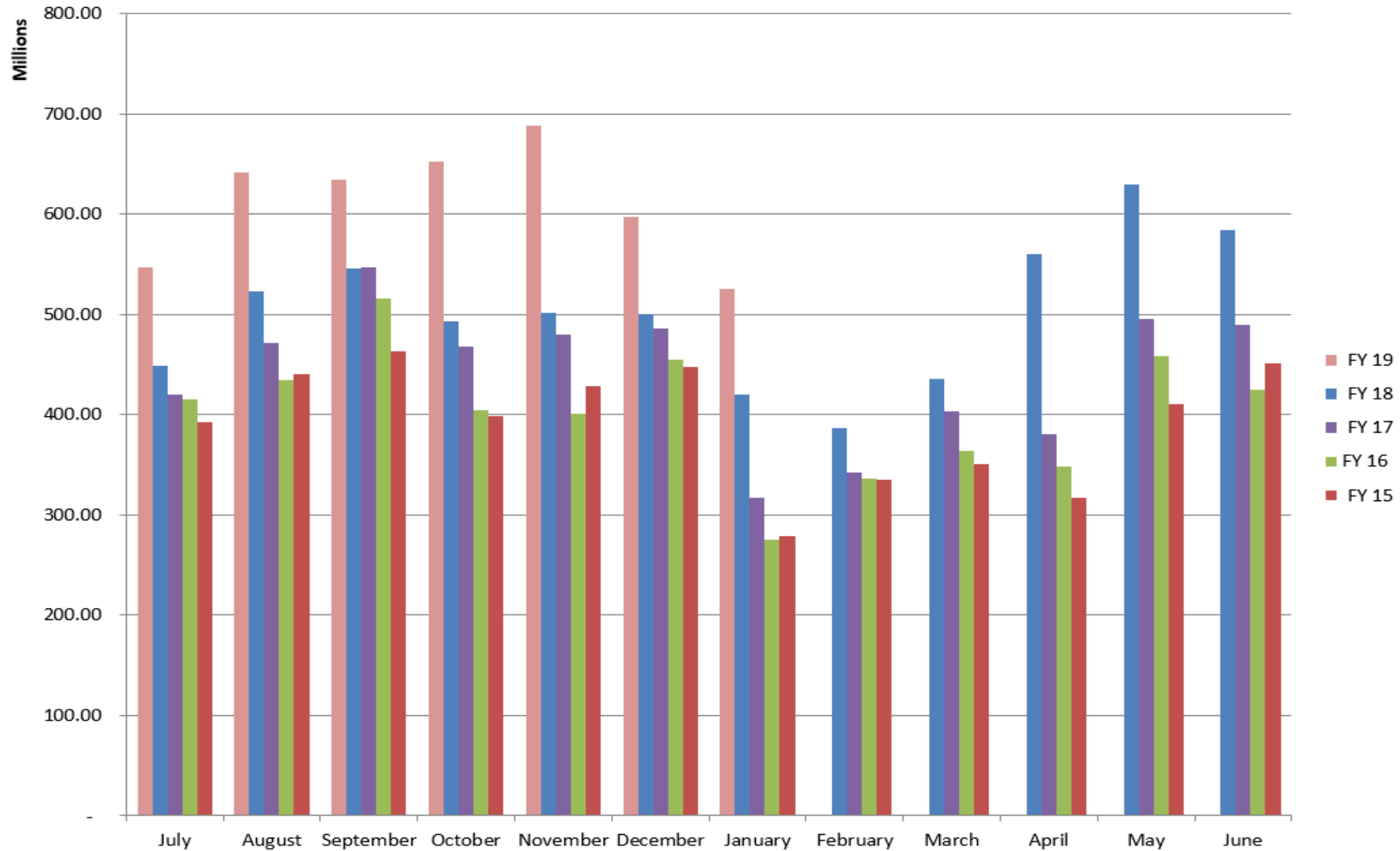
Cash Balance

- The month ending cash balance for January 2019 was \$435 Million
- The daily cash balance for February 28 was \$391 Million (February not yet closed)
- Average cash balances for January – March will be well below \$1.0 Billion threshold required for the Build NC issuance

Closing Cash Balance by Month SFY2013-14 to January 2019



Monthly Disbursements by Fiscal Year

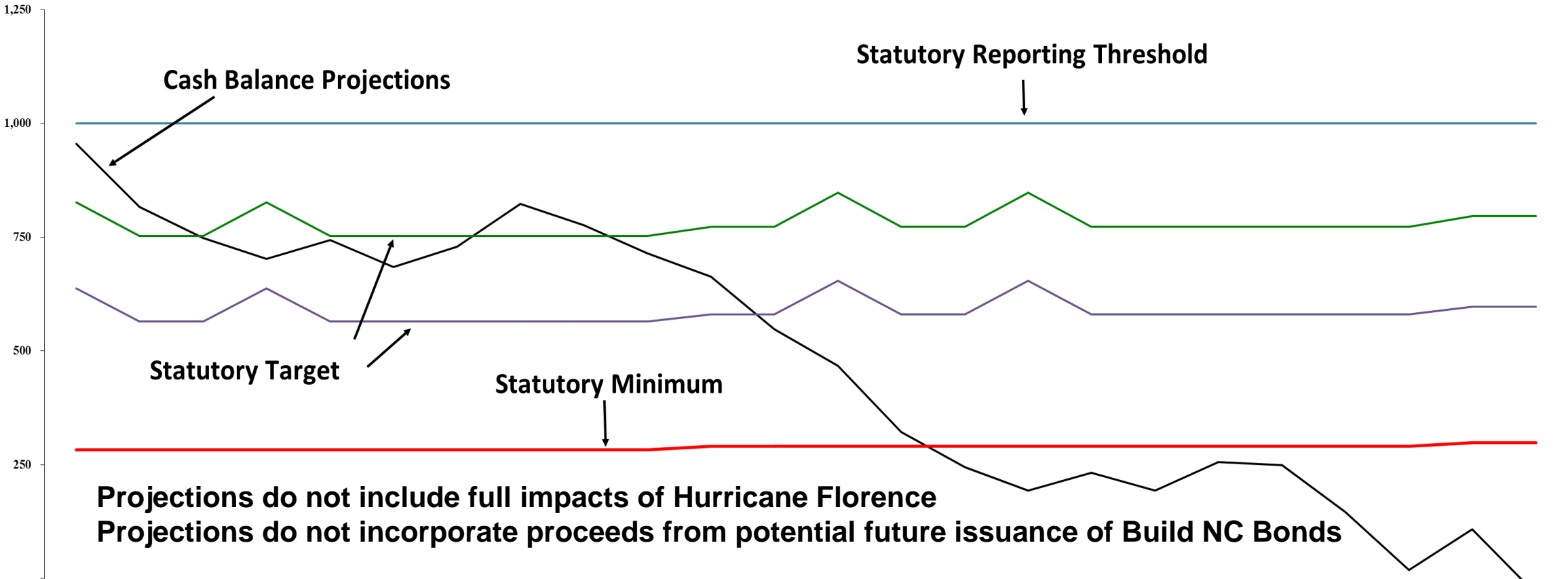


Project Delivery and Financial Indicators

(\$ in millions)	FY 2016-17	FY 2017-18	Difference %	July 2017 - January 2018	July 2018 - January 2019	Difference %
PE Lettings (Awards)	348	690	98%	434	368	-15%
Maintenance Lettings	802	1,214	51%	683	646	-5%
Construction Lettings	1,462	2,035	39%	887	1,707	92%
PE Expenditures	266	409	54%	188	270	44%
ROW Expenditures	319	363	14%	193	285	48%
Construction Expenditures	1,861	2,327	25%	1,296	1,512	17%
Maintenance Expenditures	1,411	1,743	24%	945	1,268	34%

Monthly Projected Ending Cash Balance

(As Presented to JLTOC on November 8, 2018)



	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Cash Balance Projections	955	817	748	702	743	684	730	823	777	714	663	547	467	321	244	193	232	193	256	249	146	18	108	(34)
Statutory Target - 20%	826	753	753	826	753	753	753	753	753	753	773	773	848	773	773	848	773	773	773	773	773	773	796	796
Statutory Minimum	282	282	282	282	282	282	282	282	282	282	290	290	290	290	290	290	290	290	290	290	290	290	299	299
Statutory Reporting Threshold	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Statutory Target - 15%	638	565	565	638	565	565	565	565	565	565	580	580	655	580	580	655	580	580	580	580	580	580	597	597

Cash Update – Key Points

- Legislative and departmental objective to expedite projects by deploying excess cash balances has been achieved.
- Cash balances will remain below \$1.0 billion threshold for the foreseeable future.
- Florence and other disasters have accelerated the draw-down of cash reserves.
- Build NC and GARVEE issuances will help support cash levels.
- Cash forecast being updated to reflect additional expenditures, particularly those related to natural disasters, recent STIP changes and bond issuances.

Build N.C. Bond Program

- Governed by S.L. 2018-16
- 50% of proceeds for Regional Tier, 50% for Division Tier
- Limitations:
 - \$300 million annually
 - \$3.0 billion over 10 years
 - Maximum term: 15 years
 - Debt Affordability Advisory Committee targets (Debt service \leq to 6% of Revenues)

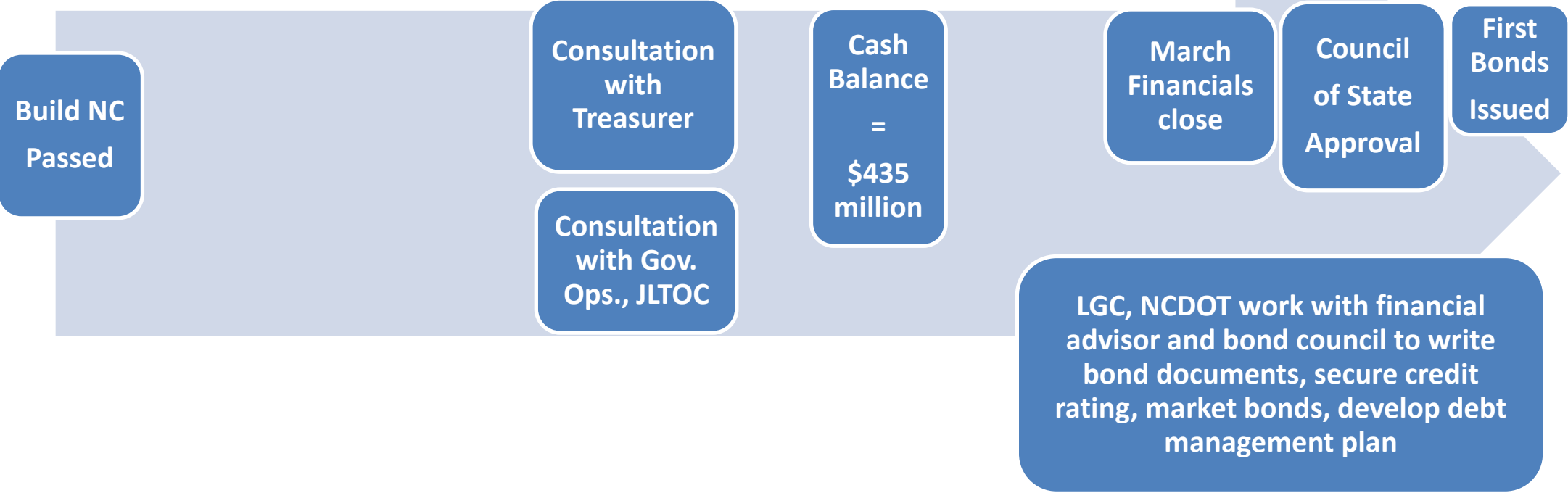
Build N.C. – Other Legal Requirements

- Issuance requires recommendation from Treasurer and determination that following conditions met:
 - Average Cash Balance < \$1.0 billion (January - March).
 - Debt affordability targets not exceeded.
 - NCDOT has consulted with Treasurer, JLTOC and Gov. Ops.
- Council of State approval required per G.S. 142-84.
 - Requires involvement of NCDOT, Treasurer, Department of Administration and OSBM.

Preliminary Information Related to Build N.C.

- L.G.C. staff and OSBM working with NCDOT to issue \$300 million in bonds prior to June 30th
- PFM Financial Advisors estimates credit rating at AA+
- Interest rate for AAA bond maturing in 10 years: 2.15%
(Source: Thomson Reuters Municipal Market Data as of March 4, 2019)

Build N.C. Timeline



June 2018	July 2018	Aug 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	March 2019	April 2019	May 2019	June 2019
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Build N.C. Bond Projects

<u>STIP NUMBER</u>	<u>DIVISION</u>	<u>PROJECT DESCRIPTION</u>			
U-5833	13	SR 2159 (PINE RIDGE ROAD) TO US 74.	U-2729	9	MUSEUM DRIVE TO SR 4000 (UNIVERSITY PARKWAY) IN WINSTON-SALEM.
U-5840	14	US 25 TO MILLS GAP ROAD.	U-5308	8	SR 3106 (KENNEDY ROAD) TO I-85 IN TRINITY.
R-5742	14	GEORGIA STATE LINE TO US 64.	U-5917	2	RED BANKS ROAD TO SR 1708 (FIRETOWER ROAD).
U-5745	5	SR 1183 (UNIVERSITY DRIVE) INTERSECTION IN DURHAM.	U-5799	12	SR 1933 TO FORT DOBBS ROAD.
R-2527	8	NC 73 TO TROY BYPASS.	R-5759	11	US 421 TO 2ND STREET.
U-5896	7	SR 1009 (SOUTH MAIN STREET) IN HIGH POINT.	R-2582A	1	I-95/NC 46 IN ROANOKE RAPIDS TO SR 1312 (ST. JOHN CHURCH ROAD) IN NORTHAMPTON COUNTY.
R-2530B	10	BIRD ROAD IN ALBEMARLE TO WEST OF THE PEE DEE RIVER	U-6032	10	I-485 TO CONCORD MILLS BOULEVARD.
R-4707	7	US 29 / SR 4771 (REEDY FORK PARKWAY)	U-5747B	5	SR 1635 (MCCRIMMON PARKWAY) IN MORRISVILLE.
U-5750	5	NC 540 TO PERIMETER PARK DRIVE IN MORRISVILLE.	U-5026	4	SR 1770 (SUNSET AVENUE) IN ROCKY MOUNT.
R-5735	14	END OF 4-LANE DIVIDED SECTION TO SR 1556 (MARTINS CREEK ROAD).	U-4713A	10	SR 3448 (PLEASANT PLAINS ROAD) TO SR 1009 (JOHN STREET)
U-2714	4	US 70 BYPASS TO SR 1306 (FEDELON TRAIL) IN GOLDSBORO.	R-3830	8	NC 42, US 421 (HORNER BOULEVARD) IN SANFORD TO SR 1579 (BROADWAY ROAD) AND SR 1579 (BROADWAY ROAD / NORTH MAIN STREET), NC 42 (AVENTS FERRY ROAD) TO SR 1538 (EAST HARRINGTON AVENUE) IN BROADWAY.
U-5827	5	POPLAR PIKE LANE IN MORRISVILLE TO SR 2123 (LITTLE DRIVE) IN RESEARCH TRIANGLE PARK.	U-2581BA	7	SR3045 (MOUNT HOPE CHURCH ROAD) TO SR 3175 (BIRCH CREEK ROAD).
U-5839	14	US 23/74 TO US 23 BUSINESS (MAIN STREET).	U-3609B	4	SR 1560 (ROYAL AVENUE) TO NORTH OF SR 1572 (SAULSTON ROAD) IN GOLDSBORO.
R-5100B	12	SR 1100 (BRAWLEY SCHOOL ROAD) TO NC 150.	R-5734B	14	SR 1652 (WIDE HORIZON DRIVE)/SR 1152 (BELDEN CIRCLE) TO SR 1649 (PRENTISS BRIDGE ROAD).
R-5740	1	SR 1331 (RED BANK ROAD) TO SR1300 (NEW HOPE ROAD).	U-5302	5	SOUTH OF SR 1006 (OLD STAGE ROAD) TO SOUTH OF SR 2538 (MECHANICAL BOULEVARD) / GARNER STATION BOULEVARD IN
R-5777B	2	US 70 AT WEST THURMAN ROAD/EAST THURMAN ROAD.	R-2303E	3	US 421/US 701/SR 1296 (SUNSET AVENUE) TO SR 1935 (CECIL ODIE ROAD).
R-5812	2	NC 58 (KINGOLD BOULEVARD) TO NC 91.	R-4463A	2	US 17 TO SOUTH OF US 70
U-5818	13	I-40 WESTBOUND RAMPS TO 0.3 MILE WEST OF I-40 EASTBOUND RAMPS.	U-5748	5	SR 2044 (LIGON MILL ROAD) / SR 2224 (MITCHELL MILL ROAD) IN RALEIGH.
R-5100A	12	I-77 TO NC 150.	R-3421A	8	ROCKINGHAM BYPASS, US 74 BYPASS WEST OF ROCKINGHAM AT SR 1109 (ZION CHURCH ROAD) INTERCHANGE TO SOUTH OF SR 1140 (OLD CHARLOTTE HIGHWAY)

Questions?



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