



Washington State Transportation Improvement Board

October 5, 2015

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Stevan E. Gorcester
Executive Director

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David Schumacher, Director
Washington State Office of Financial Management
PO Box 43113
Olympia, WA 98504-3113

Dear Mr. Schumacher,

Thank you for the opportunity to submit a supplemental budget request for the 2015-2017 Supplemental Budget.

The Transportation Improvement Board (TIB) is requesting the following in order to meet financial obligations for local agency transportation projects:

- Transportation Improvement Account (144) – an increase of \$68,348,000
- Small City Pavement & Sidewalk Account (08m) – an increase of \$370,000

The expense projections for both these accounts are well within the fiscal capacity of current law revenues already dedicated for these purposes.

TIB funded projects directly support the Governor's priority for a prosperous economy, sustainable energy and a clean environment, and healthy and safe communities. Through up-to-date criteria driven by our strategic plan, TIB invests state funds in local street and sidewalk projects that enhance arterial safety; support economic development; improve mobility of people and goods; maintain, extend and preserve the life of streets; and encourage high social and environmental design quality. The additional appropriation will allow TIB to continue operations as normal without a delay in reimbursement to local agency grant recipients.

Thank you for your consideration of this request. If you have any questions, please call me at (360) 586-1139.

Sincerely,

Stevan Gorcester
Executive Director

Recommendation Summary

Agency: 407 Transportation Improvement Board

10:09:47AM

10/5/2015

Dollars in Thousands

Annual Average FTEs	General Fund State	Other Funds	Total Funds
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Program: 01C Capital Grants to Counties

2015-17 Current Biennium Total

Total Carry Forward Level

Percent Change from Current Biennium

Carry Forward plus Workload Changes

Percent Change from Current Biennium

M2 HE Increase spending auth to fund 08M	370	370
M2 TD Increase spending auth to fund 144	68,348	68,348

Total Maintenance Level

Percent Change from Current Biennium

68,718	68,718
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Subtotal - Performance Level Changes

0.0

2015-17 Total Proposed Budget

Percent Change from Current Biennium

68,718	68,718
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Agency: 407 Transportation Improvement Board
Decision Package Code/Title: HE Increase spending auth to fund 08M
Budget Period: 2015-17
Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text:

TIB needs an additional \$370,000 appropriation in order to meet its financial obligations for local agency transportation grant reimbursements and have the fiscal capacity to use contingency funds if needed. The expense projections for the 2015 17 biennium are well within current law revenues already dedicated for this purpose.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
08M-1 Small City Pavement & Sidewalk Acct-State	185,000	185,000	370,000
Total Cost	185,000	185,000	370,000

Package Description:

The Transportation Improvement Board (TIB) funds high priority transportation projects in communities throughout the state to enhance the movement of people, goods, and services. The Small City Pavement & Sidewalk Account (account 08M) provides capital grants to two programs:

- Small City Preservation Program Index 91000
- Route Transfer Program Index 41000

TIB projects 08m account expenses for the 2015 17 biennium to be \$4,200,000 and budgets for a five percent contingency of \$200,000. The current appropriation is \$3,931,000. TIB needs an additional \$370,000 appropriation in order to meet its financial obligations for local agency transportation grant reimbursements and have the fiscal capacity to use contingency funds if needed. The expense projections for the 2015 17 biennium are well within the fiscal capacity of projected revenue and current cash balance.

The additional appropriation will be spent in the following programs:

- Small City Preservation Program \$370,000

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This additional appropriation will allow TIB to continue operations as normal, maximizing assistance to local agencies for streets, without a delay in reimbursement to grant recipients. Continuing to reimburse grant recipients for capital street projects within TIB's performance target of 30 days allows local agencies to stay on time with their projects. This requested appropriation level is within current law revenue levels.

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes. TIB's mission is to fund preservation projects in order to keep the pavement condition in small cities from deteriorating. In order to meet strategic plan goals, TIB anticipates spending \$4,000,000 in the 2015 17 biennium.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

Yes. This decision package directly supports the Governor's priority for 1) Prosperous economy, 2) Sustainable energy and a clean environment, and 3) Healthy and safe communities. Specifically, TIB grants are a critical funding partner for local governments in building and sustaining infrastructure systems, and preserving existing infrastructure.

What are the other important connections or impacts related to this proposal?

Without the proper appropriation level the TIB will have to unnecessarily reduce the amount of grants in order to reduce expenses in the short term. This will affect the account's financial model for up to three years. The short term reduction in the 2015 17 biennium would have implications into the next biennium causing an increase in cash balance that is unusable in the short term. Keeping a consistent grant program is important to continually invest the State's resources, which are dedicated to these purposes.

What alternatives were explored by the agency, and why was this alternative chosen?

No other alternatives were explored. Current law revenue is already dedicated for this purpose, and funds are available but not currently appropriated. In order to be fiscally responsible and allocate funds to the best local projects, TIB budgets to current revenue forecasts for future biennia.

What are the consequences of adopting or not adopting this package?

Not funding this package would leave revenues in account 08M unspent, and local government agencies needing grant reimbursement would not receive a portion of available funds.

What is the relationship, if any, to the state's capital budget?

Some projects may also receive funds from the State's capital budget as a separate funding source. The combination of funding sources is often critical in order to fully fund a single project.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

15 17 Expenses: \$4,000,000
15 17 Contingency: \$200,000

15 17 Revenue: \$3,941,300
 15 17 Beginning Cash Balance: \$372,700

Revenue is based on the Transportation Forecast Council Revenue Forecast from September 2015 . Expenses are based on existing grant obligations and future forecasting modeling.

TIB's financial plan uses two methods of forecasting. For future grants a predictive model is based on past grants is used. For current grant obligations TIB uses a combination of the predictive models as well as current knowledge of specific project timelines and expenses.

The TIB forecast model calculates the percentage of the total grant spent in each year based on the grant program type . It is assumed that 75% of grant funds are spent in year one and the remainder in year two .

These models are not meant to predict individual project payments, but rather to predict payments for a program as a whole .

Using this model and current project knowledge, TIB has internally budgeted for the biennium using a balance sheet approach .

Projected Balance Sheets

	FY16	FY17
Balance	\$372,695	(\$16,655)
Revenue (08M)	\$1,970,650	\$1,970,650
	-----	-----
	\$2,343,345	\$1,953,995
Expenses		
Pre-FY 17	\$360,000	\$90,000
FY 17 Call	\$2,000,000	\$500,000
FY 18 Call	\$ 0	\$1,050,000
	-----	-----
	\$2,360,000	\$1,640,000
	=====	=====
End Balance	(\$16,655)	\$313,995
5% Contingency	\$118,000	\$82,000

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

The TIB grant programs are ongoing. In order to be fiscally responsible and allocate funds to the best local projects, TIB budgets to current revenue forecasts for future biennia.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
N Grants, Benefits & Client Services	185,000	185,000	370,000

Agency: 407 Transportation Improvement Board
Decision Package Code/Title: TD Increase spending auth to fund 144
Budget Period: 2015-17
Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text:

TIB needs an additional \$68,348,000 appropriation in order to meet its financial obligations for local agency transportation grant reimbursements and have the fiscal capacity to use contingency funds if needed. The expense projections for the 2015 17 biennium are well within current law revenues already dedicated for this purpose.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
144-1 Transportation Improvement Account-State	34,174,000	34,174,000	68,348,000
Total Cost	34,174,000	34,174,000	68,348,000

Package Description:

The Transportation Improvement Board (TIB) funds high priority transportation projects in communities throughout the state to enhance the movement of people, goods, and services. Through the Transportation Improvement Account (account 144), TIB provides grants through the following programs:

- Urban Arterial Program
- Urban Corridor Program
- Sidewalk Program
- Small City Arterial Program
- Arterial Preservation Program

TIB projects 144 account expenses for the 2015 17 biennium to be \$236,000,000 and budgets for a five percent contingency of \$11,800,000. The current appropriation is \$179,452,000. TIB needs an additional \$68,348,000 appropriation in order to meet its financial obligations for local agency transportation grant reimbursements and have the fiscal capacity to use contingency funds if needed. The expense projections for the 2015 17 biennium are well within current law revenues already dedicated for this purpose.

The additional \$68,348,000 will be spent in the following programs:

- Urban Arterial Program \$50,000,000
- Sidewalk Program \$1,900,000

- Small City Arterial Program \$5,128,000
- Arterial Preservation Program \$11,320,000

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This additional appropriation will allow TIB to continue operations as normal without a delay in reimbursement to local agency grant recipients. Continuing to reimburse grant recipients for capital street projects within TIB's performance target of 30 days allows local agencies to stay on time with their projects.

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes. TIB's mission is to fund high priority transportation projects in communities throughout the state to enhance the movement of people, goods, and services. In order to meet strategic plan goals, TIB anticipates spending \$236,000,000 in the 2015 17 biennium.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

Yes. This decision package directly supports the Governor's priority for 1) Prosperous economy, 2) Sustainable energy and a clean environment, and 3) Healthy and safe communities. Specifically, TIB grants are a critical funding partner for local governments in:

- Building and sustaining infrastructure systems;
- Creating clean transportation choices by building bike lanes and sidewalks;
- Retrofitting culverts in order to protect and restore salmon habitat;
- Building stormwater management systems to ensure good water quality standards; and
- Enhancing street design to decrease the number of traffic related injuries and accidents.

What are the other important connections or impacts related to this proposal?

Without the proper appropriation level, TIB will have to reduce the amount of grants to reduce expenses in the short term. This will affect the agency's financial model for up to six years. The short term reduction in the 2015 17 biennium would have implications into the next biennium causing an increase in cash balance that is unusable in the short term. Keeping a consistent grant program is important to continually putting the State's resources to use.

What alternatives were explored by the agency, and why was this alternative chosen?

No other alternatives were explored. Current law revenue is already dedicated for this purpose, and funds are available but not currently appropriated. In order to be fiscally responsible and allocate funds to the best local projects, TIB budgets to current revenue forecasts for future biennia.

What are the consequences of adopting or not adopting this package?

Not funding this package would leave revenues in account 144 unspent, and local government agencies needing grant reimbursement would not receive funds.

What is the relationship, if any, to the state's capital budget?

Some projects may also receive funds from the State's capital budget as a separate funding source. The combination of funding sources is often

critical in order to fully fund a single project.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

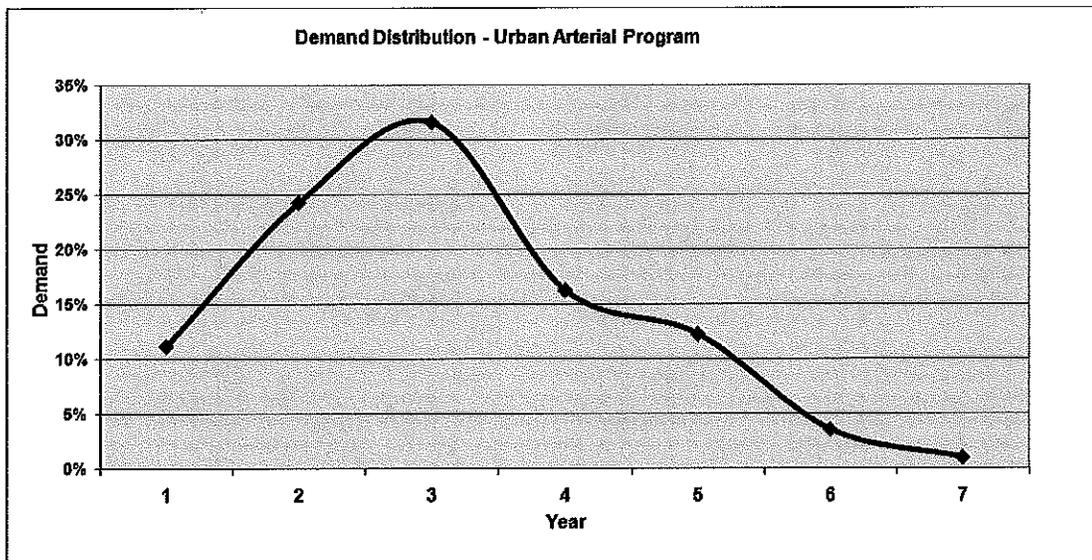
15 17 Expenses: \$236,000,000
15 17 Contingency: \$11,800,000
15 17 Revenue: \$195,699,500
15 17 Cash Balance: \$53,447,509

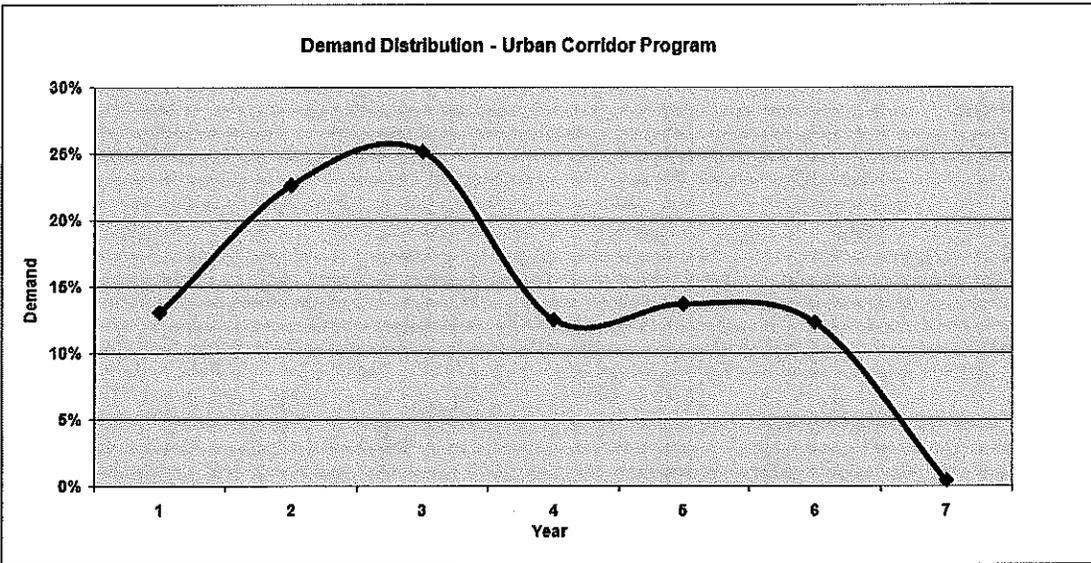
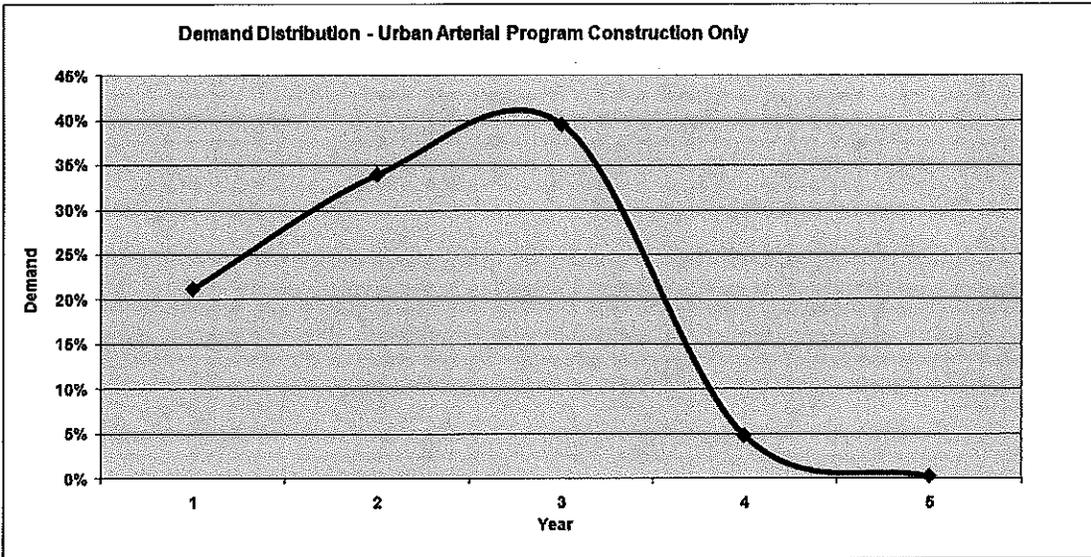
Revenue is based on the Transportation Forecast Council Revenue Forecast from September 2015. Expenses are based on existing grant obligations and future forecasting modeling.

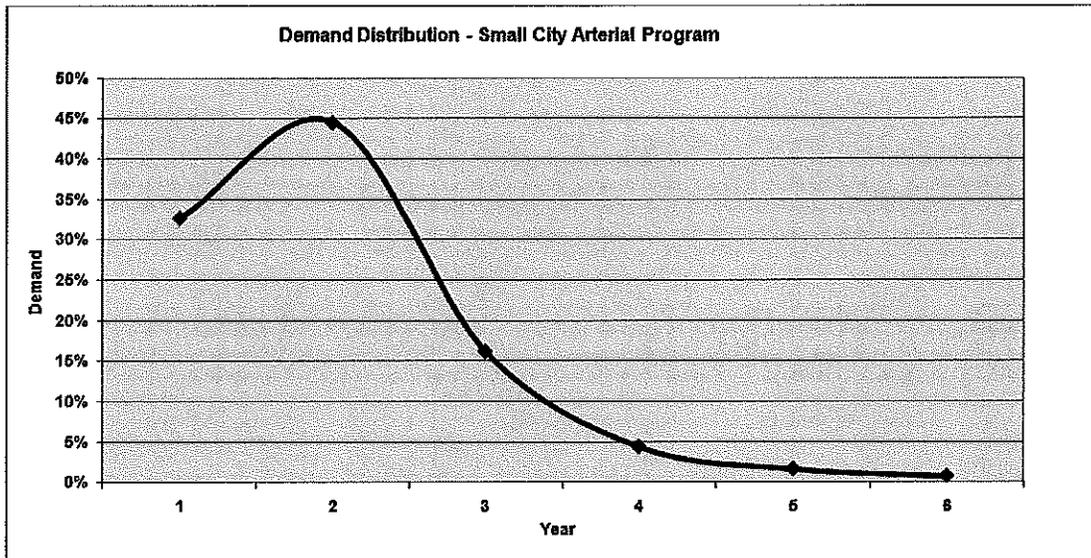
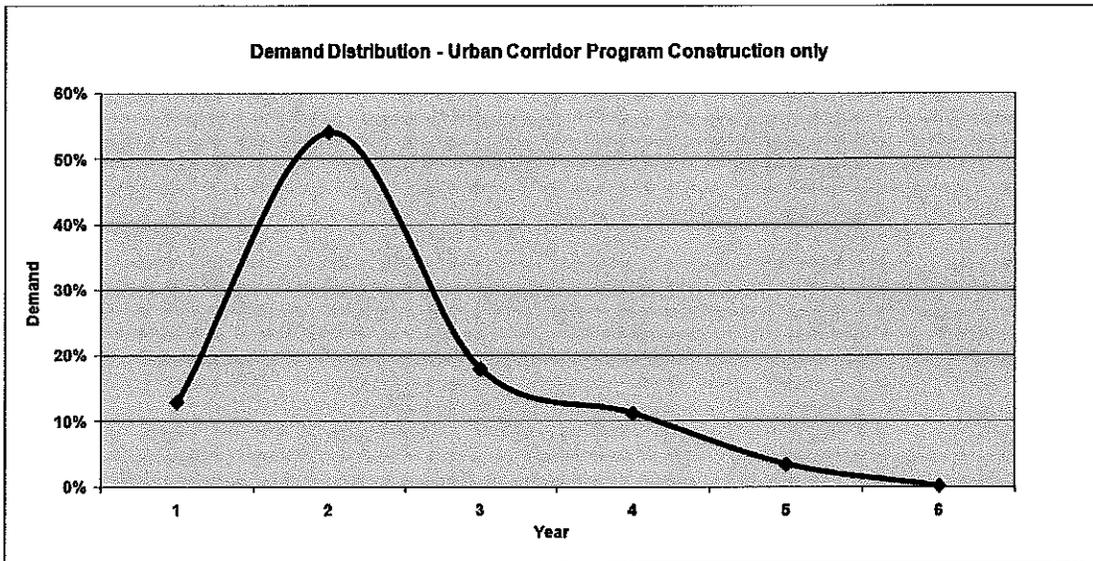
TIB's financial plan uses two methods of forecasting. For future grants a predictive model based on past grants is used. For current grant obligations TIB uses a combination of the predictive models as well as current knowledge of project timelines and expenses.

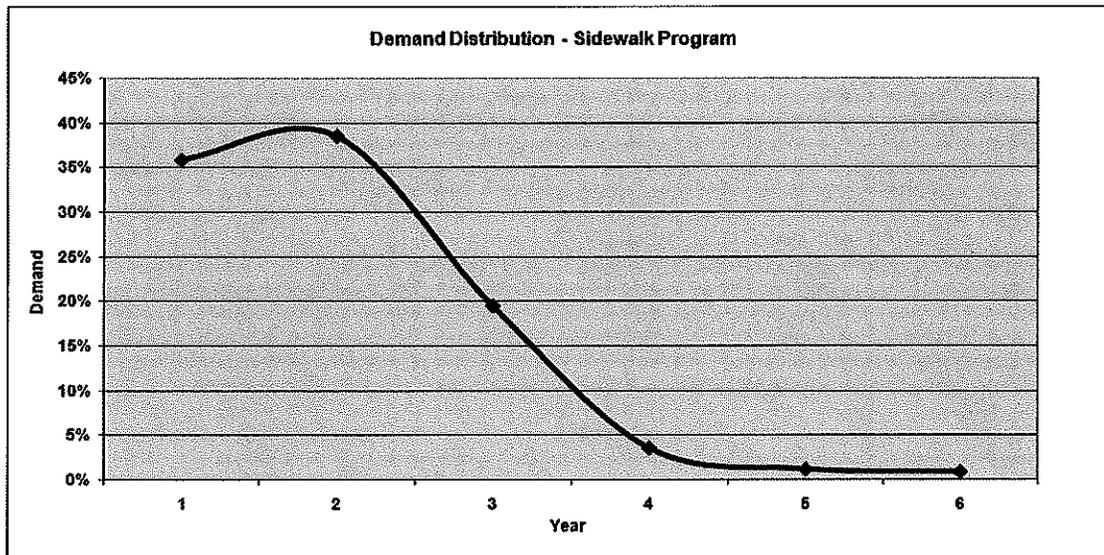
The TIB forecast model calculates the percentage of the total grant spent in each year based on the grant program type.

These models are not meant to predict individual project payments, but rather to predict payments for a program as a whole.









Using these models and current project knowledge, TIB has internally budgeted for the biennium using a balance sheet approach.

Projected Balance Sheets

	FY 16	FY 17
Balance	\$53,447,509	\$25,297,259
Revenue (144)	\$97,849,750	\$97,849,750
	\$151,297,259	\$123,147,009
Expenses		
Pre-FY 17	\$94,000,000	\$61,000,000
FY 17 Call	\$22,000,000	\$30,000,000
FY 18 Call		\$9,000,000
Debt Service	\$10,000,000	\$10,000,000
	\$126,000,000	\$110,000,000
End Balance	\$25,297,259	\$13,147,009
5% Contingency	\$6,300,000	\$5,500,000

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

The TIB grant programs are ongoing. In order to be fiscally responsible and allocate funds to the best local projects, TIB budgets to current revenue forecasts for future biennia.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
N Grants, Benefits & Client Services	34,174,000	34,174,000	68,348,000

ELECTRONIC SUBMITTAL CONFIRMATION FORM

Agency Number: 4070

Agency Name: Transportation Improvement Board

Agencies are required to provide electronic access to each decision package in their budget request as part of the submittal process. Confirm Option 1 or 2 below:

Option 1:

This agency posts all decision packages for our 2015-17 budget request to our public facing website at the following URL:

URL: <http://www.tib.wa.gov/downloads/TIB201517supplementalbudget.pdf>

Option 2:

This agency does not post decision packages and has forwarded copies via e-mail to OFM.Budget@ofm.wa.gov.

These decision packages conform to our agency's ADA accessibility compliance policy.

Agency Contact: Vaughn Nelson

Contact Phone: 360-586-1149

Contact E-mail: VaughnN@tib.wa.gov

Date: 10/5/2015