



# Advance Construction

WEBINAR SERIES: INNOVATION IN PRACTICE

September 18, 2019

# Webinar Logistics



**PowerPoint Presentation available on BATIC Website**



**Submit questions in Q&A box**



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# Webinar Overview

**Intro to  
Advance  
Construction**

**Virginia**

**North  
Carolina**

**Delaware**

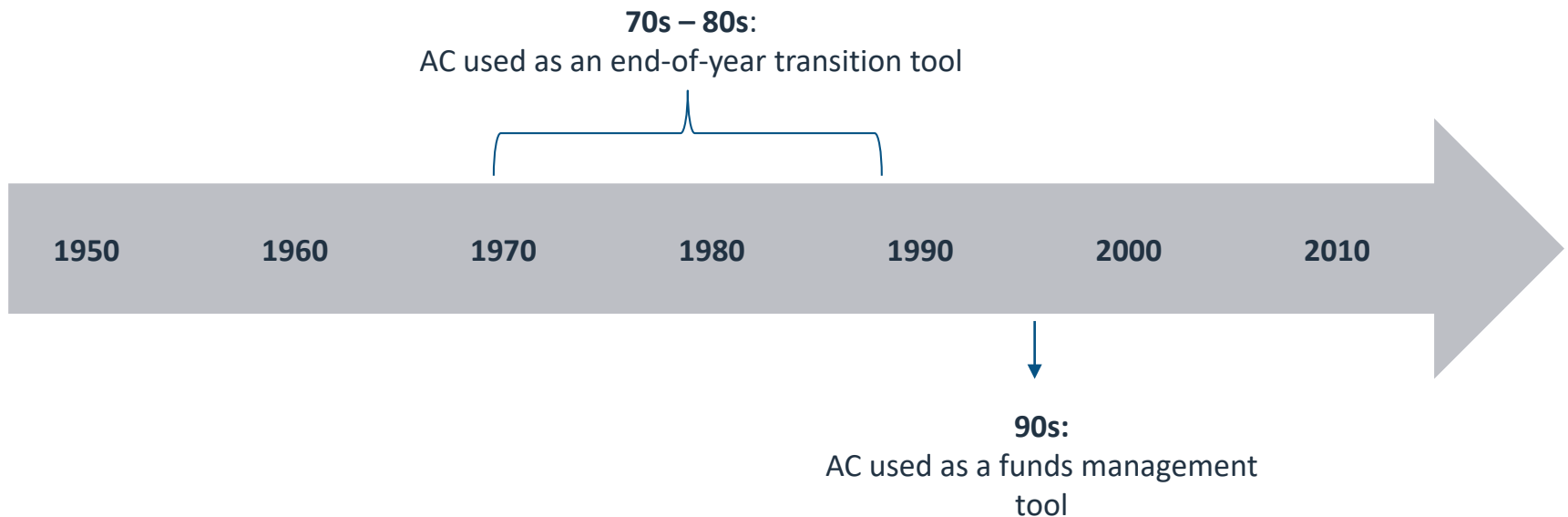
**Q&A**

# Introduction to Advance Construction

Max Inman  
Mercator Advisors

# Purpose and History

Advance Construction (AC) authority allows FHWA to approve a project without the obligation of federal funds



# AC Research and Resources

2011

USE OF  
**ADVANCE CONSTRUCTION**  
IN FINANCING TRANSPORTATION PROJECTS



transportation finance briefing papers  
providing up-to-date research results for state departments of transportation

AMERICAN ASSOCIATION OF  
STATE HIGHWAY AND  
TRANSPORTATION OFFICIALS  
**AASHTO**  
The National Center for Transportation Excellence

prepared for  
American Association of State Highway and Transportation Officials  
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2019

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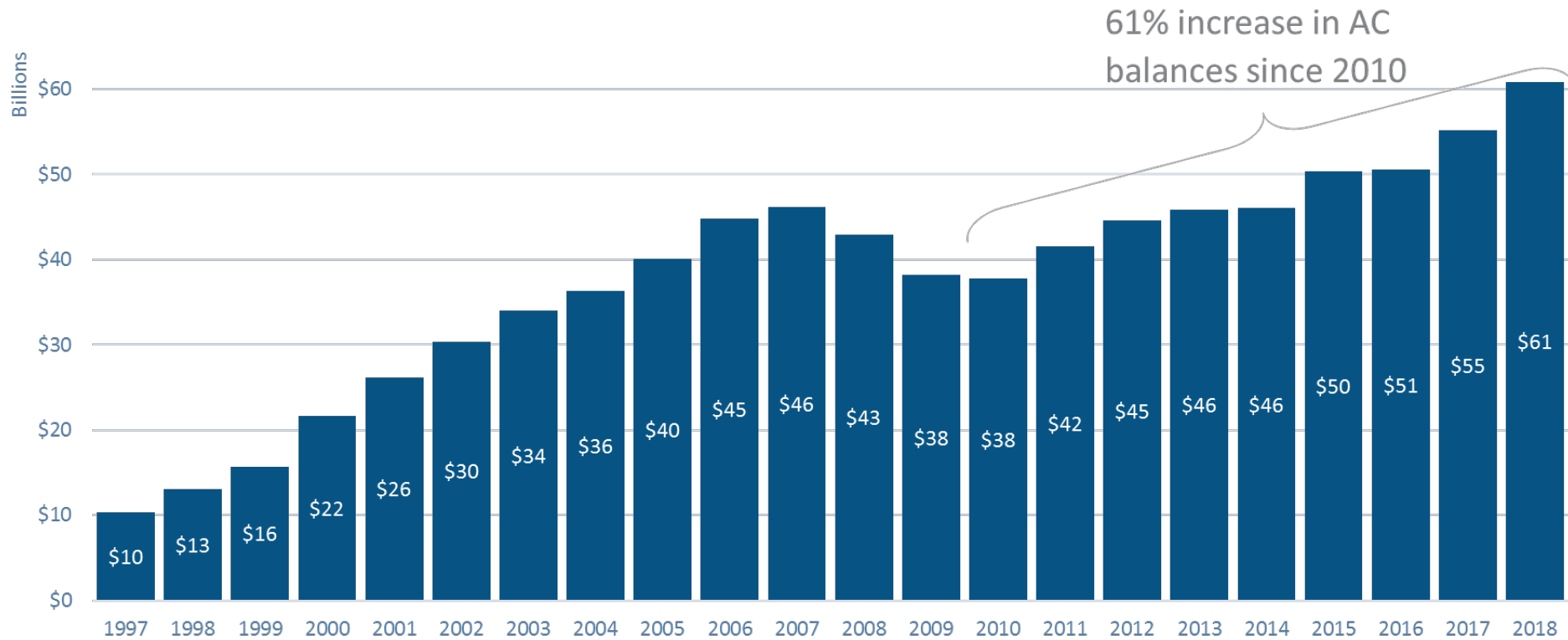
Advance Construction

Research Brief

March 2019

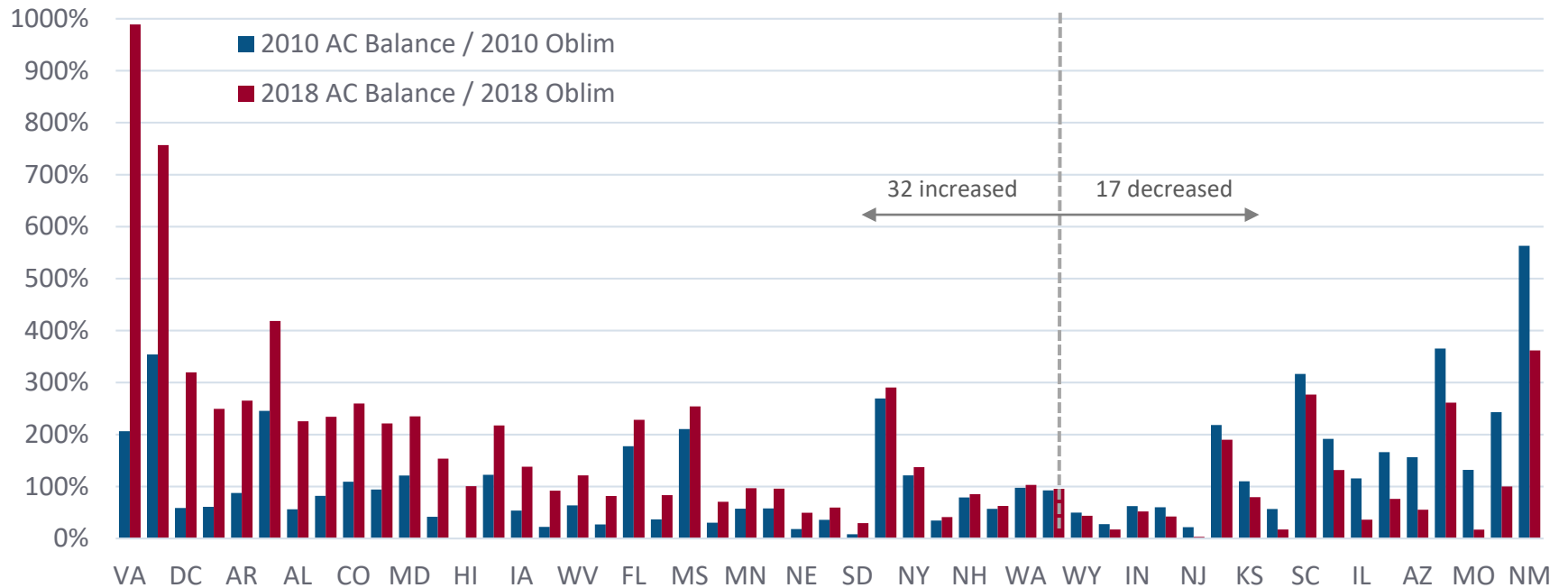
Available on the BATIC Institute website at [financingtransportation.org](https://financingtransportation.org)

# Total Advance Construction Balance Nationwide (1997-2018)

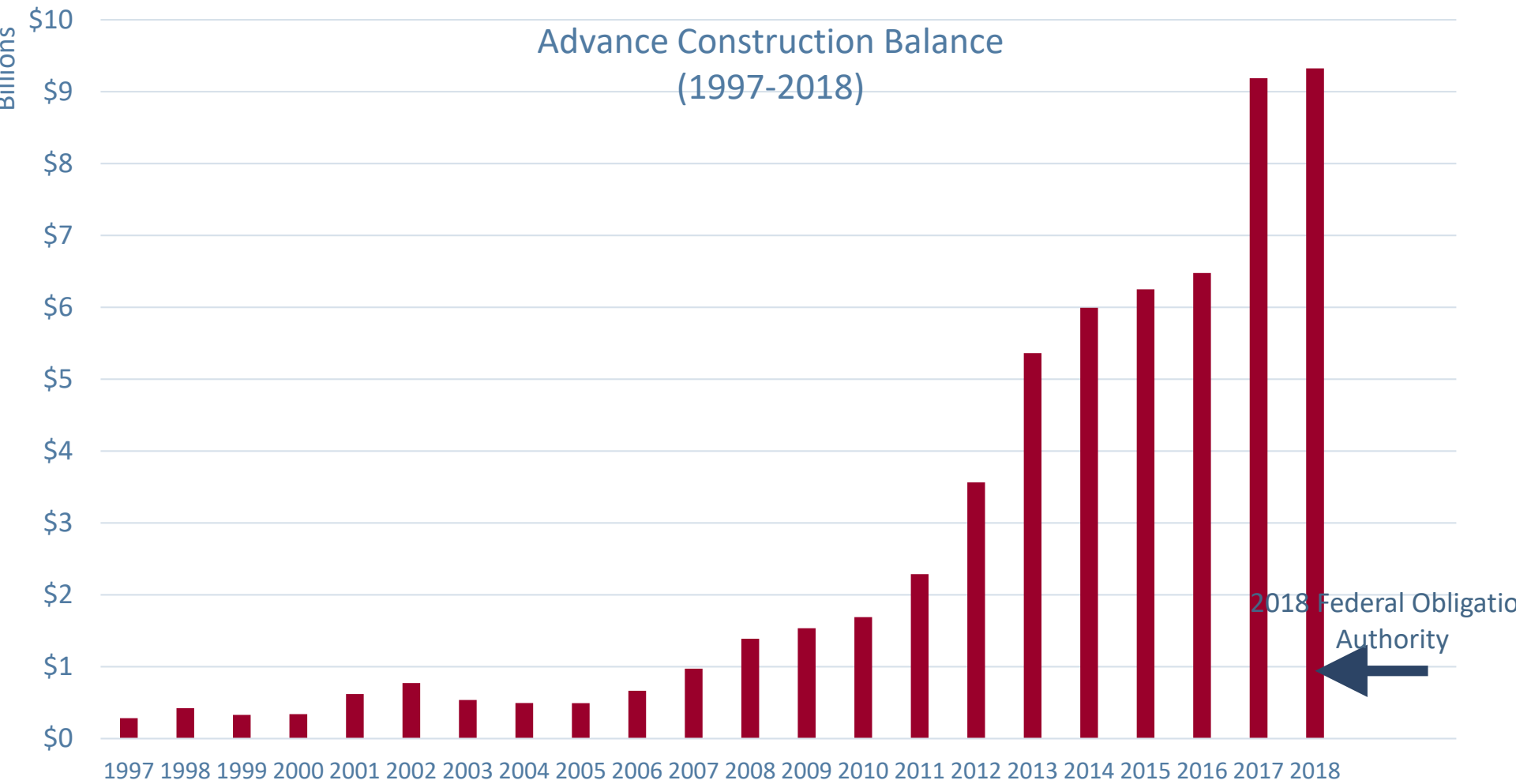




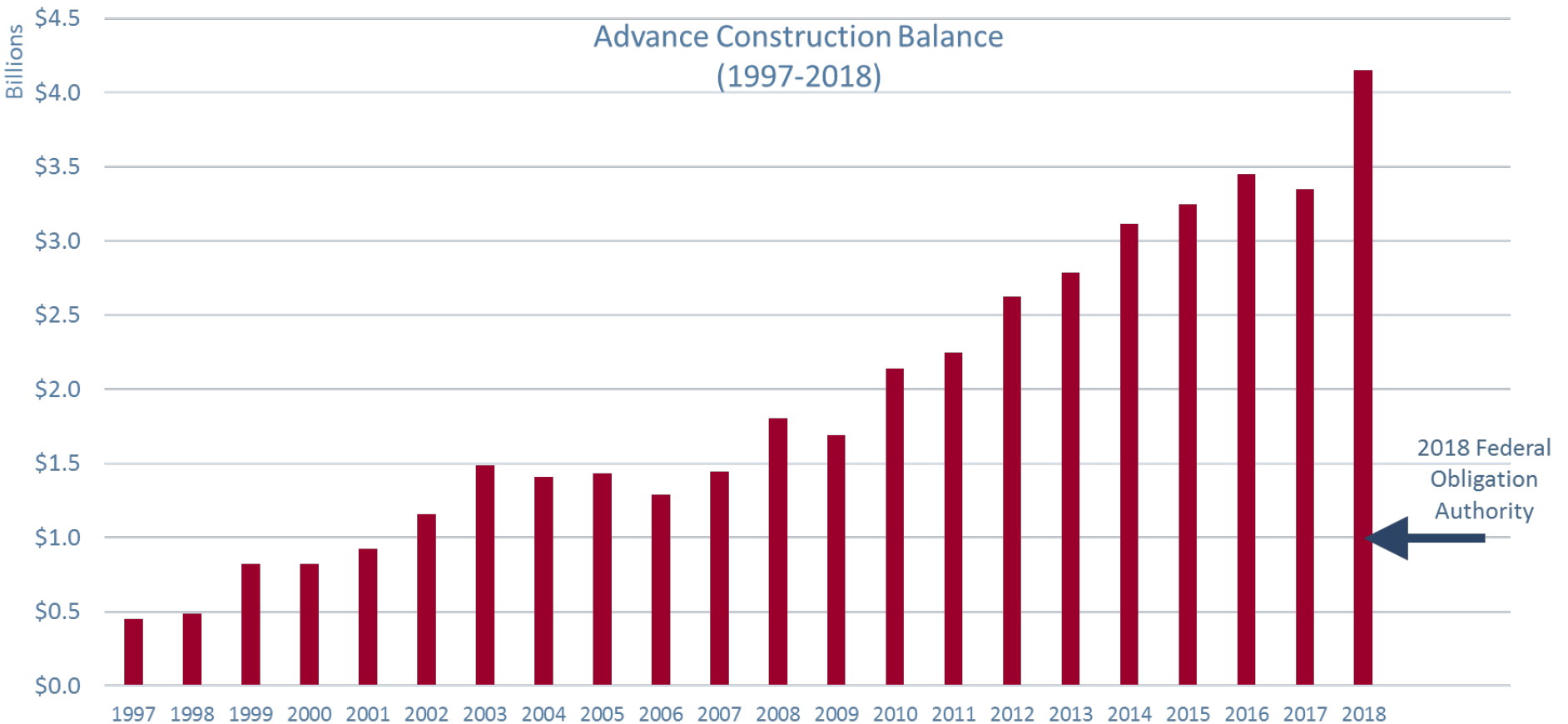
# Change in Advance Construction Balance as % of Obligation Limitation (2010 and 2018)



# Virginia

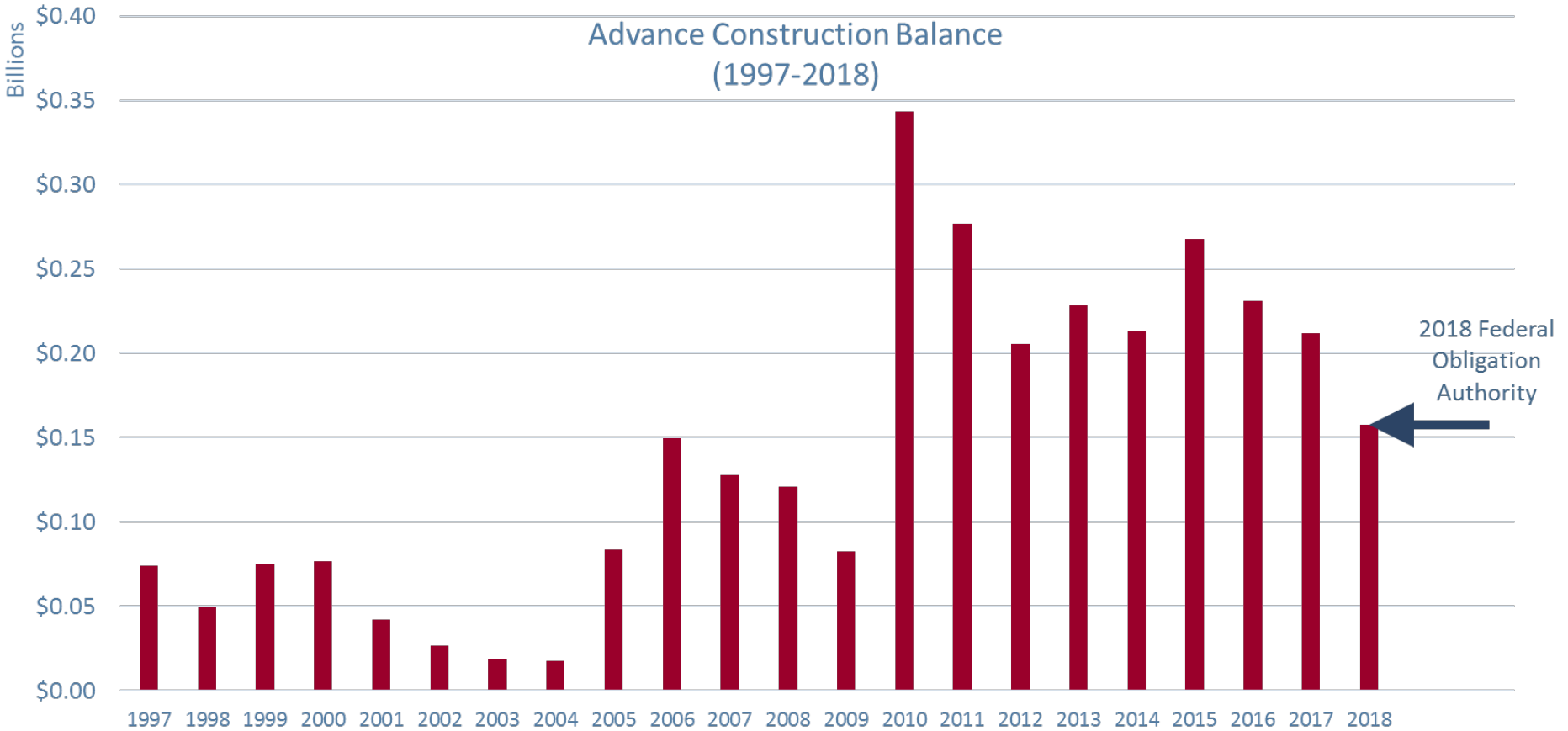


# North Carolina



# Delaware

Advance Construction Balance  
(1997-2018)



# How States Use Advance Construction (Survey Responses)

- **Cash flow management**
- **Manage Federal authorization act extensions and continuing resolutions**
- **Implement GARVEE bond projects or programs**

# Virginia Department of Transportation

Wendy E. Thomas  
Federal Programs Management Division Administrator

# Advance Construction (AC) in Virginia

- **VDOT uses AC to extent allowed under federal regulations**
- **Approach allows for maximum flexibility in use of federal funds in meeting our annual obligation authority**
- **VDOT federalizes all projects eligible for federal reimbursement**
  - Exemptions are granted programmatically or individually and are not the norm
- **At the time of authorization, VDOT:**
  - Obligates any programmed federal funds
  - Uses AC to reflect planned future federal funds and all non-federal funds (including local, private, and other funds) not needed to fulfill federal matching requirements
- **AC converted on basis of federal funds programmed in budget year**

# Virginia's AC Balance

- **AC balance increased from \$1.7 billion on 9/30/2010 to \$9.3 billion on 9/30/2018**
- **Primary drivers:**
  - Overall increases in federal funding between 2010 in 2018
  - Extensive GARVEE bond program with significant impacts to AC balances in 2012, 2013, and 2017
  - Use of public-private partnerships (P3s) with private funding
  - Federalization of preventative maintenance and operations programs



# AC Approach on Locally Funded Projects

- **Virginia's transportation funding approach:**
  - Generally centralized
  - Co-funding/multi-funding is typical
  - Federalize all projects eligible for federal reimbursement to allow for maximum flexibility
- **AC provision used to reflect any future federal funds and all non-federal funds not needed to fulfill federal matching requirements or to cover known non-participating costs**
- **Together, this means that virtually all locally funded projects are federalized and use some level of AC**

# Use of AC to Minimize Inactivity

- **Virginia adheres to “ready to proceed” concept in federal funds management**
- **Two key approaches using AC:**
  - Construction phase advertisement authorization with possible conversion or partial conversion at award modification
  - For preventative maintenance and operations program projects, conversion occurs after completion on basis
- **Significant reduction in number of projects reaching inactive status since 2014**
  - Particularly noticeable reduction in inactive locally administered projects

# North Carolina Department of Transportation

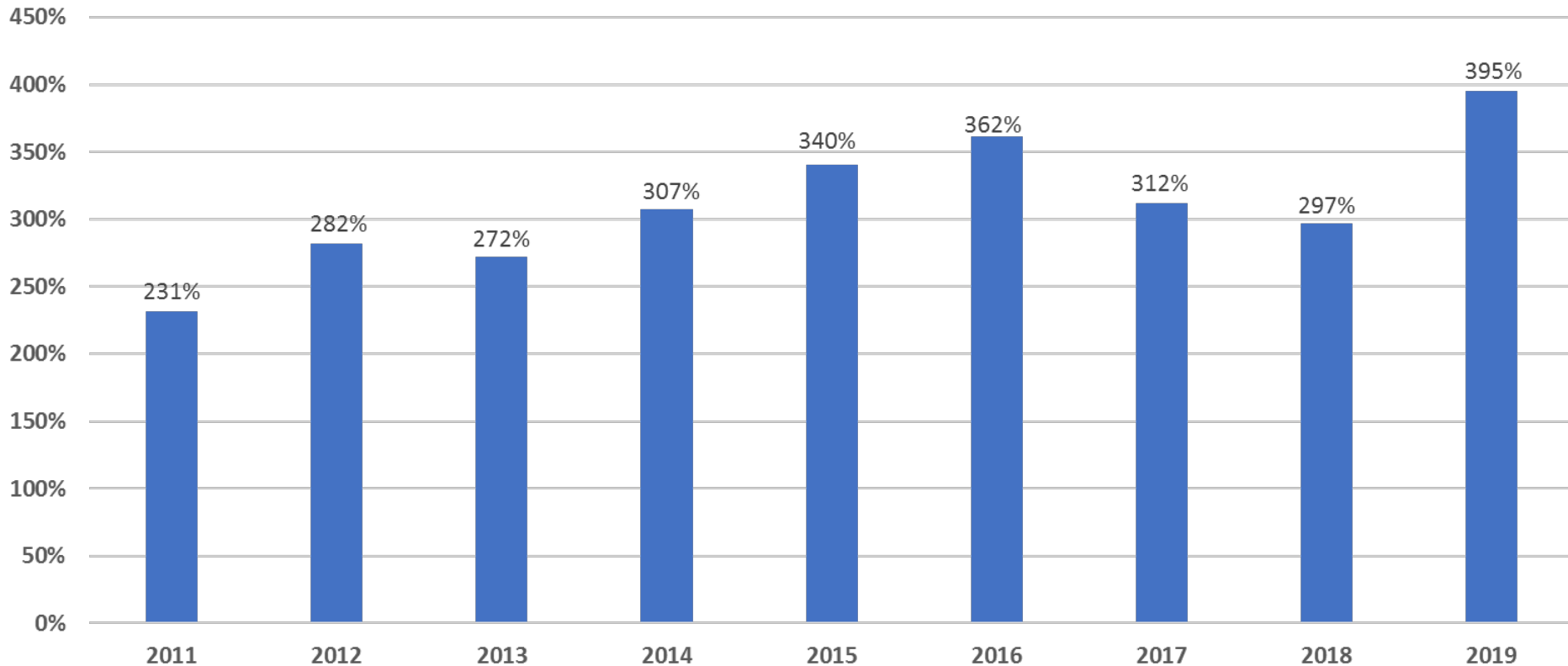
Van Argabright  
Director of Division of Planning & Programming

# Advance Construction in North Carolina

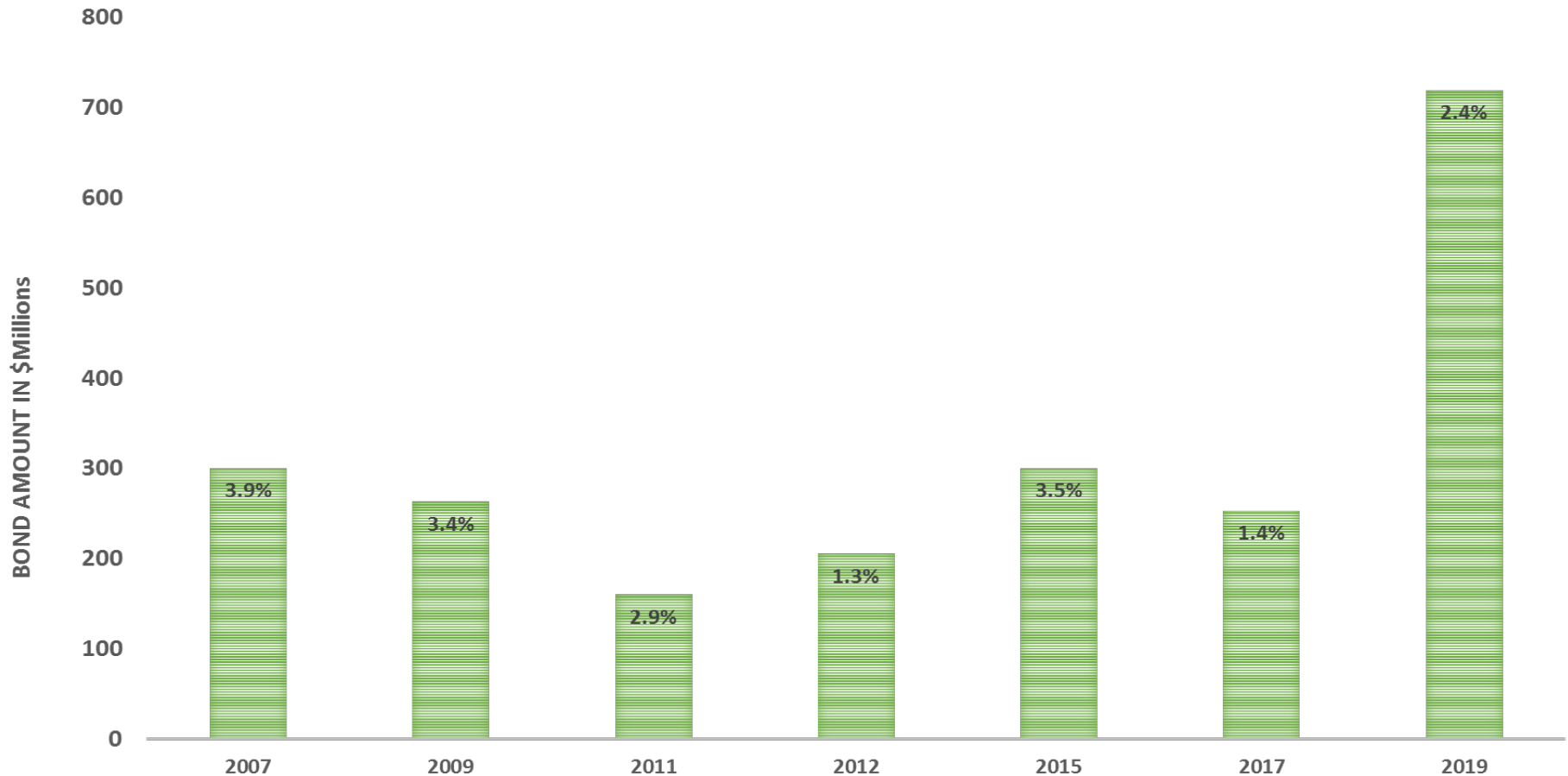
- **NC's FFY 2019 Apportionment Total is \$ 1.1 Billion**
- **NC currently has \$ 4.1 Billion in Advance Construction, or almost 4 years worth of Federal Funding**
- **The use of AC varies among funding categories:**
  - NHPP is almost \$ 3.5 Billion or 5.4 years of NHPP Apportionments
  - STP is \$ 738 Million or 2.3 years of STP Apportionments
  - Safety is \$ 157 Million or 2.2 years of HSIP Apportionments
  - Other Categories are less than 1 years Apportionments

# Advance Construction Compared with Annual Federal Obligation Limits

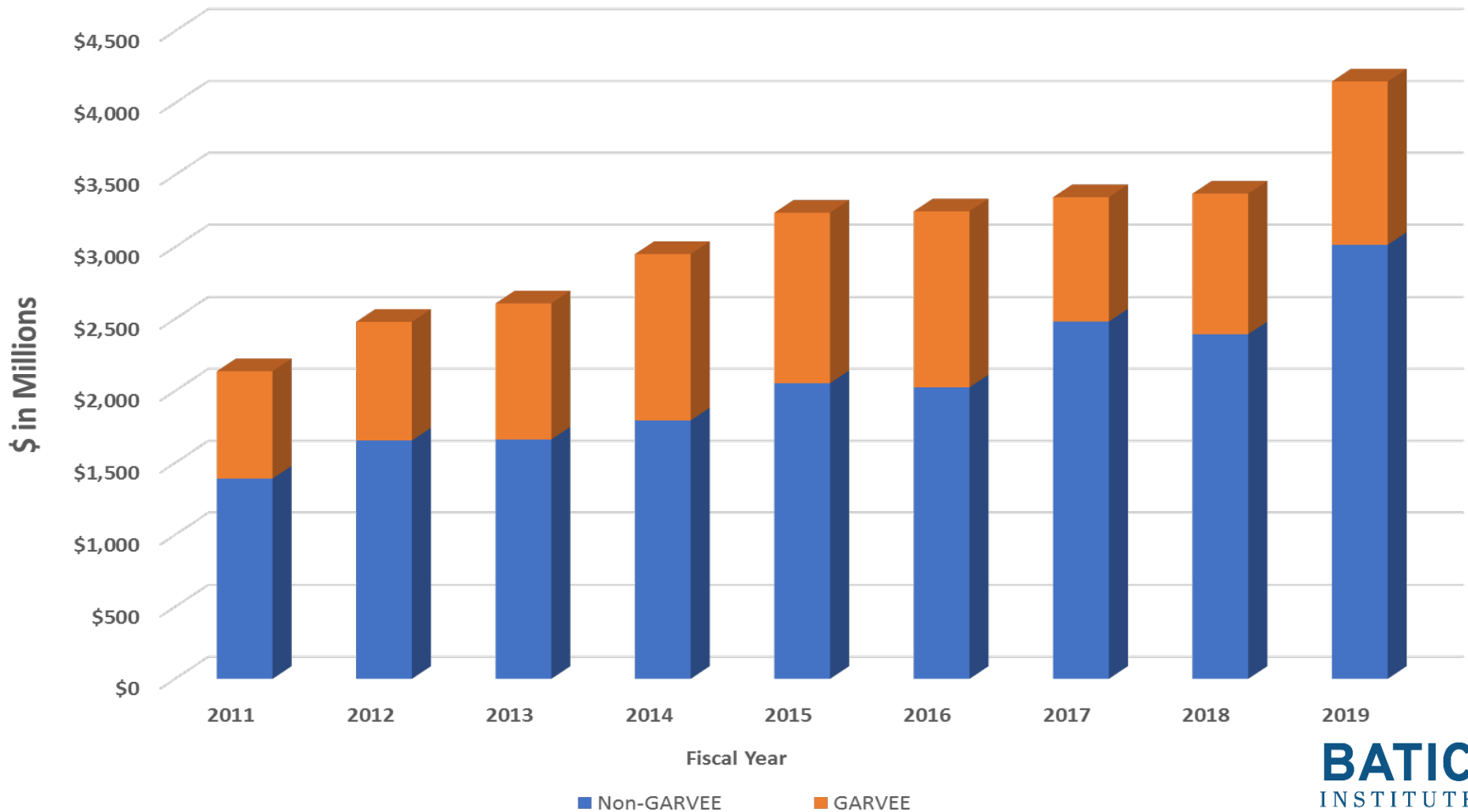
AC AS A PERCENTAGE OF OBLIGATION LIMIT



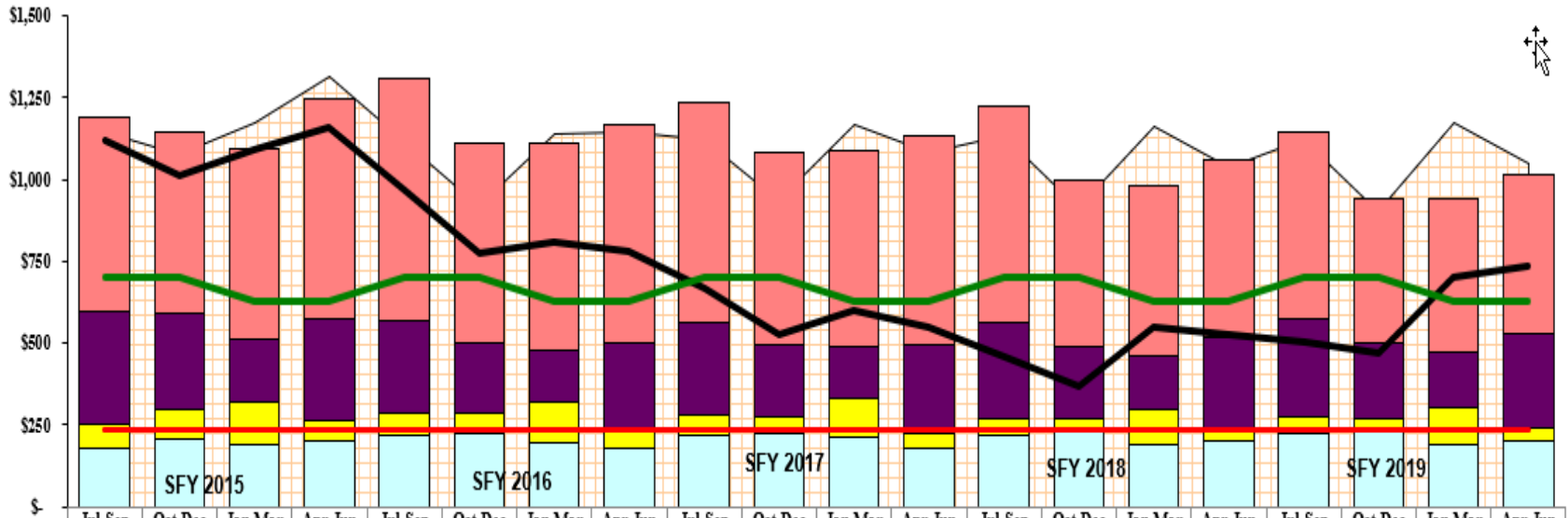
# North Carolina Garvee Bond Sales by Year and Associated Interest Rates



# Advance Construction: Garvee and Non-Garvee



# 60-Month Cash Model



	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Revenues	\$1,147	\$1,080	\$1,171	\$1,315	\$1,115	\$919	\$1,142	\$1,142	\$1,124	\$938	\$1,166	\$1,081	\$1,132	\$912	\$1,162	\$1,037	\$1,120	\$904	\$1,174	\$1,049
Construction Expenditures	593	553	579	672	736	606	630	667	675	590	603	634	662	510	522	540	568	441	472	483
Maintenance Expenditures	344	296	191	313	284	216	158	271	283	216	158	270	290	222	162	277	303	231	169	289
Other Modes	70	91	130	60	69	64	122	54	60	52	116	46	50	40	109	38	51	40	110	38
Other Expenditures	181	206	191	204	217	223	197	177	219	226	214	181	221	229	190	203	221	230	191	204
Closing Cash Balance	1,120	1,010	1,090	1,156	965	776	809	783	670	524	599	549	458	371	550	529	506	468	700	734
Cash Balance Target	702	702	629	629	702	702	629	629	702	702	629	629	702	702	629	629	702	702	629	629
Cash Balance Floor	236	236	236	236	236	236	236	236	236	236	236	236	236	236	236	236	236	236	236	236

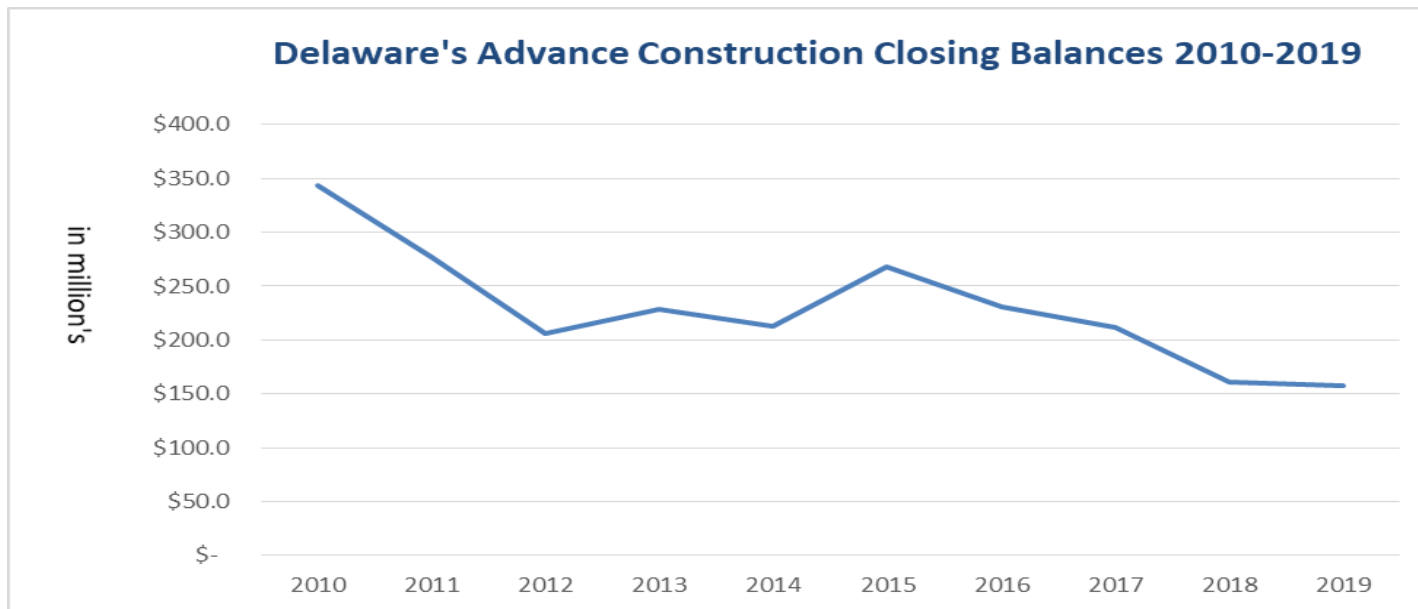


# Delaware Department of Transportation

Lanie Thornton  
Director, Finance

# Advance Construction in Delaware

- In 2010 Advance Construction Balance was 2X annual apportionment
- Large in part due to the Department issuing \$125M in GARVEE bonds that significantly increased Advance Construction Balances in 2010
- In 2018 Advance Construction Balances went down \$182M from 2010



# Decision to Lower Advance Construction Balances for the Department

- Concerted effort to reduce all forms of debt in 2015
- Agreed upon that an Advance Construction balance of 2X annual obligation limitation was a risk and an internal policy on AC was established that which constituted AC Balance < 1.5% of Annual Obligation Limitation
- Strategic Capital Program planning: bridge and rehabilitation project planned

# Steps to Lower the AC Balance

- **Transportation Revenue package passed in 2015 to offset debt**
- **Department restructured outstanding debt**
- **Utilized innovative financing options for the US301 Interchange project**
- **Implemented budget controls for operating program to limit growth that resulted in capital reinvestments from costs savings**
- **Adjusted AC projects and timing in the six-year plan**
- **Strong fiscal management resulted in a rating upgrade for the Department which lowered debt costs for newly incurred debt**

# Statewide Transportation Improvement Program and AC Conversions

- Delaware Capital Transportation Program is produced bi-annually as of 2019, meets federal requirements for a Statewide Transportation Improvement Program (STIP)
- MOU between DelDOT, MPO's, and federal agencies for modifications and amendments to STIP
- Overall Delaware has minimal issues with including or modifying AC projects in our STIP

# State of Delaware Policies on use of Advance Construction

- **Annually Delaware's program for Capital Transportation projects is approved through the Bond and Capital Improvement Act**
- **At a State level there is not a policy that restricts the use or level of Advance Construction funding in Delaware**

Let's hear from you



# Wrap-Up

## Thank you for attending today's webinar

The BATIC Institute will post responses to all questions received today on its website

The recorded webinar will also be available on the BATIC Institute website:

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Webinar  
**November 2019**