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TRANSPORTATION FINANCE
- Bond Financing
- Federal Credit
- Public Private Partnerships
- Other Finance Tools

Visit our website at: http://www.financingtransportation.org
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

- **70s – 80s:** AC used as an end-of-year transition tool
- **90s:** AC used as a funds management tool
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

prepared for
American Association of State Highway and Transportation Officials
Center for Excellence in Project Finance

prepared by
High Street Consulting Group
www.highstreetconsulting.com

2019

Advance Construction

Research Brief
March 2019

Available on the BATIC Institute website at financingtransportation.org
Total Advance Construction Balance Nationwide (1997-2018)

- 61% increase in AC balances since 2010

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<th>Year</th>
<th>Balance ($ billion)</th>
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Change in Advance Construction Balance as % of Obligation Limitation (2010 and 2018)

- 32 states showed an increase
- 17 states showed a decrease

Legend:
- 2010 AC Balance / 2010 Oblim
- 2018 AC Balance / 2018 Oblim
Virginia

Advance Construction Balance
(1997-2018)

2018 Federal Obligation Authority
Delaware

Advance Construction Balance (1997-2018)

2018 Federal Obligation Authority
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

- 2011: 231%
- 2012: 282%
- 2013: 272%
- 2014: 307%
- 2015: 340%
- 2016: 362%
- 2017: 312%
- 2018: 297%
- 2019: 395%
North Carolina Garvee Bond Sales by Year and Associated Interest Rates
Advance Construction: Garvee and Non-Garvee

Fiscal Year


$ in Millions

$0 $500 $1,000 $1,500 $2,000 $2,500 $3,000 $3,500 $4,000 $4,500

Non-GARVEE GARVEE

$ in Millions

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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:

www.financingtransportation.org

UPCOMING BATIC INSTITUTE OFFERINGS

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Little Rock, Arkansas
Fall 2019

2019 Legislation Update
Webinar
October 16, 2019

Update on Enacted State Public-Private Partnership Legislation
Webinar
November 2019