

# MEMORANDUM

DIVISION OF ACCOUNTING AND FINANCE



## Office of Financial Management and Budget

4201 East Arkansas Avenue, Room 235  
Denver, Colorado 80222  
(303) 757-9262

DATE: December 19, 2013

TO: Transportation Commission

FROM: Scott Richrath, Chief Financial Officer

SUBJECT: Policy Directive 703 (PD703) Update

### Purpose

This memo serves as an update to a previous request from the Transportation Commission to the Division of Accounting and Finance (DAF) to re-evaluate Policy Directive 703.

### Action Required

In March 2014, DAF will ask the Transportation Commission to repeal PD703 and adopt a new, broader financial policy. Today, the TC is being asked to comment on the recommended content to be included in the new policy.

### Background

In February 2013, the Transportation Commission asked the former Chief Financial Officer (CFO) Ben Stein to revisit Policy Directive 703 to better moderate supplemental budget actions presented to the TC. In its current form, PD703 provides guidance on supplemental budget actions requiring TC approval.

In light of significant ongoing and anticipated modifications to the budgeting process brought about by Asset Management, RAMP, a pending audit of FASTER Safety, and Cash Management, I propose that staff revisit TC policy pertaining to not only supplemental budget actions but to the entire CDOT budgeting process. This month I am presenting an outline and draft content for the new policy directive.

It is my intent to have the policy directive address CDOT goals and objectives around the budgeting process and have a procedural directive to address the specific guidelines for each section. The sections of the new policy directive to be addressed and a brief narrative describing the content therein are:

- Annual budgeting process – Will address the CDOT annual budget for the upcoming fiscal year that includes multiple inputs and processes that need to be efficiently integrated. These inputs and processes are required to follow a specific timeline to ensure on time delivery of the Draft and Final Budgets to the Joint Budget Committee (JBC).
- Project budgeting process – Will address the CDOT budgeting process and system changes to achieve expenditure-based, cash management goals. These changes will impact most of CDOT's project and financial processes. As much as possible, CDOT is developing standardized strategies and processes across all types of programs.
- Current year budget supplement – Will address the CDOT budgeting supplemental process modifications to achieve efficiency. The Transportation Commission strategic decisions will drive specific guidelines concerning the budget supplement and alignment with cash management goals.

- Cash management principles – Will address proactive cash management and expenditure-based financial procedures to enable cash to flow efficiently. Multiple financial processes and systems may need to be modified to achieve these critical CDOT goals.
- Project incremental budgeting and contracting – Will address achieving cash management efficiency. Projects will be budgeted and encumbered into contracts restricting funds in the year they are to be expended. Current SAP systems can achieve this with slight system and process modifications.
- Programs – Will address budgeting for specific non-standard programs. By the nature of federal regulations, state statutes, and CDOT policy, some programs need more explicit guidelines than others.
- FY 2012 – FY 2017 STIP – Will address standard definition of “keeping the FY2102-FY2017 STIP whole”. At the inception of RAMP, there was a discussion to keep the FY12-17 STIP whole whenever possible. This is open to many interpretations and will be addressed to achieve a consistent application.

### **Commission Input Requested**

The Transportation Commission is being asked to comment on the recommendation to repeal PD703 in March 2014 and adopt a new, broader financial policy.

If you have any questions, please feel free to contact me at (303) 757-9793.



## Transportation Commission Workshop – December 19, 2013 Policy Directive 703 Update

Scott Richrath



# Policy Directive 703 Revision Update - Agenda

- Background and Recommendation - Policy Directive 703 (PD703)
- Transportation Committee (TC) Action Request



## PD 703 Background and Recommendation

- February 2013 - TC asked Ben Stein to revisit PD703;
- September 2013 - Scott Richrath informed TC a draft of a revised PD703 would be available for their review in December;
- Significant modifications to the budgeting and supplement process will be brought about by:
  - Asset Management
  - RAMP
  - Pending audit of FASTER Safety
  - Cash Management
- By March, 2014 staff will revise TC policy to include the entire CDOT budgeting process.



# Transportation Commission Action Request

- In March, 2014, the Division of Accounting and Finance will ask the TC to repeal PD703 and adopt a new, broader financial policy.
- Today, the TC is being asked to comment on the content to be included in the new policy.
- The components of the new policy will reference a procedural directive with specific guidelines pertaining to the following topics:
  - Annual budgeting process, inputs and related timelines;
  - Project budgeting process addressing changes to achieve expenditure based procedures and cash management goals;
  - Current year budget supplement modifications to achieve efficiency;
  - Cash management principles addressing proactive cash management and expenditure based financial procedures enabling efficient cash flow;
  - Project incremental budgeting and contracting;
  - Budgeting for specific, non-standard programs; and the
  - FY 2012 – FY 2017 STIP.



**Division of Accounting and Finance**  
**Policy Directive 703 Repeal and New Financial Policy Directive**  
**Content Recommendation**  
**December, 2013**

CDOT's goal is to implement standardized financial processes and strategies that promote efficiency and transparency for CDOT internal and external customers. The components of a new policy directive will reference a procedural directive with specific guidelines pertaining to each topic identified within. The topics included in this policy directive are:

- **Annual budgeting process** – Will address the CDOT annual budget for the upcoming fiscal year which includes multiple inputs and processes that need to be efficiently integrated. These inputs and processes are required to follow a specific timeline to ensure on time delivery of the Draft and Final Budgets to the Joint Budget Committee (JBC).
- **Project budgeting process** – Will address the CDOT budgeting process and system changes to achieve expenditure-based, cash management goals. These changes will impact most of CDOT's project and financial processes. As much as possible, CDOT is developing standardized strategies and processes across all types of programs.
- **Current year budget supplement** – Will address the CDOT budgeting supplemental process modifications to achieve efficiency. The Transportation Commission strategic decisions will drive specific guidelines concerning the budget supplement and alignment with cash management goals.
- **Cash management principles** – Will address proactive cash management and expenditure-based financial procedures to enable cash to flow efficiently. Multiple financial processes and systems may need to be modified to achieve these critical CDOT goals.
- **Project incremental budgeting and contracting** – Will address achieving cash management efficiency. Projects will be budgeted and encumbered into contracts restricting funds in the year they are to be expended. Current SAP systems can achieve this with slight system and process modifications.
- **Programs** – Will address budgeting for specific non-standard programs. By the nature of federal regulations, state statutes, and CDOT policy, some programs need more explicit guidelines than others.
- **FY 2012 – FY 2017 STIP** – Will address standard definition of "keeping the FY2102-FY2017 STIP whole". At the inception of RAMP, there was a discussion to keep the FY12-17 STIP whole whenever possible. This is open to many interpretations and will be addressed to achieve a consistent application.