

MEMORANDUM

DEPARTMENT OF TRANSPORTATION

Chief Engineer's Office

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Date: January 17, 2013

To: Colorado Transportation Commission

From: Timothy J. Harris, Chief Engineer

Subject: Program and Program Management Changes

In an attempt to be proactive and avoid surprises or concerns in the future, I wanted to begin discussions with you regarding what I see as major changes to CDOT's program of construction projects.

In September, you approved distribution of \$69.5 million to various projects in the Regions. That distribution came with the understanding that any unused funds would be returned to the Commission rather than remaining in Region pools. That has always been the practice with SB 1 funds and allocations from the Transportation Commission Contingency, usually for emergency projects, but had not been done on "normal" projects. This prompted the need to make people aware of the requirement so that the funds can be tracked.

Now as we move forward with the development of the RAMP program, I understand that both the Asset Management and Partnership elements of the program will have projects selected and budgeted using a statewide, value based methodology rather than after a Regional allocation process as has been our past practice. Again, this is a change that will require some internal and external discussions.

I see both of these changes as being starting points in moving us to statewide project selection and expenditure management on many more or all projects. Future discussions on Resource Allocation and development of our Cash Management System will codify these changes over the next 12 months.

A challenge will be to find that balance point of controls which allows effective management of funds as well as timely decisions. I don't foresee having the same policies for all types of funds or budgets as all funds don't share the same features or restrictions. Discussion of options and clear communication of decisions will be critical.

As we've done with the ARRA and Bridge Enterprise programs, we will need a more deliberate management of our program elements including:

- Cost estimates of annual expenditures, rather than total project costs;
- Improved coordination of project schedules and resource assignment;
- Improved financial monitoring and reporting; and
- Improved internal controls on project budgeting.

I look forward to discussions this month and in future months as we go through these changes.