



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

ROY COOPER
GOVERNOR

JAMES H. TROGDON, III
SECRETARY

MEMORANDUM

TO: President Pro Tem Phil Berger
Speaker Tim Moore
Senator Dan Blue
Representative Darren Jackson

FROM: Secretary James H. Trogdon, III PE

DATE: August 14, 2019

SUBJECT: Fiscal Year 2019 & 2020 Program Delivery and Cash Management

Due to the combination of weather events and the success of the accelerated program delivery effort across the state, the Department of Transportation is near the level of 7.5% cash balance as required by G.S. 143C-6-11(f). As a result, we have implemented spending reductions during last and this fiscal years that are listed below. We are monitoring and assessing these measures daily and will implement additional cost saving measures as necessary.

The department appreciates the legislative support that resulted in the passage of the BUILDNC bond program and SB 605. These, along with our existing GARVEE bond program and recent federal grant awards allow the department to advertise over \$2.5 billion this upcoming year for capital projects. Unfortunately, the severe weather impacts have reduced the cash available to enable the department to sustain its operations and maintenance programs, which are paid for from a different fund, at similar levels. Since disaster response can only be paid for from the operations and maintenance program, we will not have the fiscal capacity to respond to major weather events over the next year under the current transportation appropriation.

SPENDING REDUCTIONS IMPLEMENTED IN SPRING OF 2019:

- Suspended all contract advertisements for contract resurfacing and pavement preservation activities from March 2019 to present; contract advertisements for FY 2020 will be modified and reduced
- Reduced bridge replacement and bridge preservation contract advertisements; bridge projects that are critical in nature will proceed
- Suspended all non-essential travel and training statewide

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- Suspended all non-critical facilities maintenance and repairs statewide
- Suspended all non-essential purchases for materials and/or other supplies statewide
- Suspended all leasing of rental equipment statewide
- Suspended supplemental contract maintenance activities statewide, except where contractors are assisting with safety or other emergency related activities that cannot be fulfilled in house
- Maintenance crews focusing activities on those that do not require heavy/costly material purchases, unless items are needed for emergencies or other safety related issues

OPERATIONS REDUCTIONS CURRENTLY UNDERWAY:

- Statewide reduction of temporary employee usage
- Statewide reduction of embedded consultant usage
- Statewide reduction of other contract employees, e.g. mowing contractors
- Statewide hiring reduction for all vacancies
- Reduced Highway Fund programs by 10 percent compared to the base budget and 15 percent compared to the conference budget
- Delay for one year contract advertisements not tied to a bond sale or a federal discretionary grant
- Delay for 6 months ROW acquisition unless the project is tied to a bond sale or a federal discretionary grant
- Close and/or reduce labor hours at rest areas after peak season, unless they are on the interstate

Map Act project expenditures exceed \$300 million and weather events for FY 2019 were nearly \$300 million. To put this in perspective, right of way acquisition for these same parcels would have cost about \$100 million if Map Act damages and legal fees were not applied. Historically, we anticipate \$65 million annually for weather events. Over the past three years we have averaged \$222 million annually in weather costs. This historically comes from our General Maintenance Reserve account that is currently budgeted at \$321 million.

NCDOT's highest priority is maintaining a safe and reliable transportation system and we will continue to work towards that goal. We are also working with contractors, consultants, staff and stakeholders to review hardship cases and will consider limited exceptions or other modifications/reductions.

I sincerely appreciate the ongoing support of transportation across North Carolina by the General Assembly, and I will continue to update you on our cash balance and efforts to stay above 7.5% as required by G.S. 143C-6-11(f).

cc: Chairs, Senate Appropriations on Department of Transportation
 Chairs, House Appropriations on Department of Transportation
 NC Board of Transportation