

ODOT FINANCIAL PLAN NARRATIVE

An annual Financial Plan Update, detailing project estimates for design, right-of-way, utilities, construction, operation and maintenance for the HSIPRP will be developed. Included in this plan will be cash flow analyses indicating the sources of required funding and timing for receipt of funds. A cost and revenue history as well as trend projections will be included. A cash flow diagram, reflecting previous and anticipated expenditures will be a key component of the financial plan. Measures for minimizing cost escalations through cost containment strategies, provisions for value engineering opportunities and auditing expenditures of funds will also be vital parts of the plan. A mitigation plan for revenue shortfall will be developed in order to ensure the viability of the HSIPRP should revenue projections not meet expectations or should probable cost projections be exceeded. The plan will be updated annually based on the federal fiscal year.

Projects of this magnitude always involve funding risks. These funding risks evolve from the lack of priority that is given to the project by stakeholders and project sponsors. As Project Sponsor for the High Speed Rail initiative, The State of Oklahoma has demonstrated the priority it places on providing quality passenger rail service through its commitment to AMTRAK's Heartland Flyer that operates between Oklahoma City and Ft. Worth. This commitment is in the form operational and financial support through the Department of Transportation.

The Governor and the State Legislature created appropriate legislation to provide annual funding for the State's commitment to passenger rail service. This financial commitment provides the necessary dedicated revenue to support the operation and maintenance cost (O & M) for the Heartland Flyer. The annual O & M cost for the Heartland Flyer is completely subsidized with state funds at approximately \$2.3 million annually. With that continued level of commitment, it is the intension of the State to provide full funding for the O & M cost of the Oklahoma City to Tulsa High Speed Rail corridor.

State of Oklahoma	Existing	Committed	State revenues	\$2.3m	100%
State of Texas	Existing	Committed	State revenues	\$2.3m	100%
State of Oklahoma	New	Planned	State revenues		
City of Oklahoma City	New	Planned	City revenues		
City of Tulsa	New	Planned	City revenues		

The State of Oklahoma is financially committed to delivering this project with the assistance of no less than two significant partners and stakeholders. The City of Oklahoma City and the City of Tulsa have agreed in principle to financially participate in the project. The State of Oklahoma is willing and able to commit the necessary funding to complete the capital project and provide any necessary match to funding provided by the federal government. Financial contributions by the other stakeholders will provide relief to the State but it will not diminish the State's financial commitment.

The specific source of the funding to satisfy the necessary financial support is unknown at this time, it is the commitment of the State of Oklahoma along with the City of Oklahoma City and the City of Tulsa to provide priority funding for the operation and maintenance of the rail line.

In 2005 the Governor and the State Legislature elevated the priority of transportation in the State Oklahoma. By doing so the Department of Transportation (ODOT) began receiving annually increasing amounts of money for various modes of transportation including passenger rail service. Each year ODOT received \$17.5 million plus the amount received the previous year. The money is provided to ODOT as a dedicated portion of Income Tax revenue provided for transportation before any other allocations are made to other components of state government. Legislation in 2007 and 2008 provided for an increase in the amount of annual change that is provided for transportation. With these pieces of legislation, the annual increase added to the previous year allocation grew to \$30 million from \$17.5 million. Also, the level of funding allocated from Income Tax revenues will cause the state funds for transportation to more than double from \$200 million to \$570 million annually. These legislative efforts indicate the commitment the State of Oklahoma made to create a preeminent state wide transportation system which includes high speed rail as a major component.

The following statutory reference provides the legal authority for the State of Oklahoma to build and oversee a rail capital investment, specifically passenger rail infrastructure: §66-321 the "Oklahoma Tourism and Passenger Rail Act". The provisions of this act are utilized to manage and oversee the operations and funding of the current Heartland Flyer train that operates between Oklahoma City and Ft. Worth, Texas.

The Department of Transportation has a history of acquiring, and significant experience managing, railroad infrastructure. In the early 1980s, the Department of Transportation began acquiring abandoned rail lines under the statutory authority provided by the "Railroad Revitalization Act" contained in state statute §66-302.1. During that period of time the legislature appropriated \$40.9 million for the acquisition and preservation of rail lines in Oklahoma. In 2009 dollars that amount equates to \$97 million. Today the state of Oklahoma owns 953 miles of railroad that are leased to short line railroads.

The Department of Transportation (ODOT) has a history of receiving unqualified opinions on annual audits conducted by the State Auditor and Inspector (SA&I). Copies of these audits are available from the SA&I or ODOT. Additionally, ODOT is periodically reviewed or audited by the USDOT Office of Inspector General and the Federal Transit Administration. The Federal Highway Administration conducts both financial and operation reviews related to ODOT's highway program.

The Department of Transportation has significant experience funding and financing all aspects of major transportation infrastructure projects. ODOT provides essential funding for cost overruns and that amount is accounted for as a part of the project estimate and budget. Consequently, when overruns occur the necessary financing has been provided

and does not impede progress toward completion of the project. The average cost of overruns on the construction program administered by ODOT is less than 1% annually.

**Oklahoma Department of Transportation
Comptroller Division
Unaudited Balance Sheet
June 30, 2009**

Assets	Cash	\$ 236,851,886
	Lease Receivables	20,120,951
	Federal Highway Admin. Project Agreements	<u>1,364,325,410</u>
	Total Assets	<u>\$ 1,621,298,246</u>
Liabilities and Fund Balances		
	<u>Liabilities</u>	
	Accounts Payable	\$ 2,252,428
	Deferred Revenue	<u>35,777,165</u>
	Total Liabilities	\$ 38,029,592
	<u>Fund Balances</u>	
	Reserve for Encumbrances	\$ 1,400,627,709
	Undesignated	<u>182,640,945</u>
	Total Fund Balances	\$ 1,583,268,654
	Total Liabilities and Fund Balances	<u>\$ 1,621,298,246</u>