

Bell, Tammi [DOT]

From: Nordholm, Gail [DOT]
Sent: Wednesday, October 21, 2009 11:01 AM
To: Bell, Tammi [DOT]
Subject: Continued Restrictions on FM Fund Borrowing

TO: County Engineers
tammi.bell@dot.iowa.gov

CC: District Local Systems Engineers, Service Bureau
and Office of Local Systems

FROM: Office of Local Systems

SUBJECT: Continued Restrictions on FM Fund Borrowing

DATE: October 21, 2009

Our ongoing review of the Farm-to-Market (FM) fund and recent information about large payments from the fund due to construction activity in recent weeks shows that the FM fund balance is currently very low and there is concern about meeting current contract obligations.

Therefore, until further notice, the restrictions outlined in our April 13, 2009 notice will remain in effect. This notice is available at:

http://www.iowadot.gov/local_systems/mailing/2009/april/fm_restrict_borrowing.pdf

We are currently evaluating different options for modified restrictions and will be working with the FM Fund Advisory Committee to determine which of these options should be implemented in the future. As soon as a decision has been made, we will send another notice that outlines the new restrictions.

If you have any questions, **please do not reply to this note**. Instead, you may contact me as shown below.

Thank you,

LeRoy H. Bergmann
Office of Local Systems
Phone: 515-239-1506
Fax: 515-817-6675
leroy.bergmann@dot.iowa.gov

Mailings are available at the Office of Local Systems Weekly Mailings web page at:

http://www.iowadot.gov/local_systems/mailing/main_mailing.htm

Bell, Tammi [DOT]

From: Bell, Tammi [DOT]
Sent: Monday, April 13, 2009 7:25 AM
To: Bell, Tammi [DOT]
Subject: Restrictions on Farm-to-Market (FM) Fund Borrowing

TO: County Engineers
Tammi Bell Iowa DOT - Local Systems tammi.bell@dot.iowa.gov

CC: District Local Systems Engineers, Service Bureau, Office of Finance (Ron Juelfs), and Office of Local Systems

FROM: Office of Local Systems

SUBJECT: Restrictions on Farm-To-Market (FM) Fund Borrowing

DATE: April 13, 2009

Last October we sent out a memo removing the earlier restrictions we had placed on FM fund borrowing. Since that time several counties have let high-cost Surface Transportation Program (STP) projects with less than 50% Federal funding and the “surge” of Federal funds for American Recovery and Reinvestment Act (ARRA) projects is putting a large obligation on the FM fund. Even though the Federal pro-rata share of ARRA funding is 100%, many counties have developed projects where the ARRA funds make up a relatively small percentage of the project costs. There is also a possibility that the large volume of work being let to utilize the ARRA funds will increase project costs.

Our current projections of FM cash flow indicate that anticipated FM receipts will not be enough to meet anticipated project obligations. As a result, we need to initiate some restrictions on FM borrowing, effective with the July 2009 letting and continuing through the December 2009 letting.

The following restrictions shall apply to counties that are currently borrowed ahead or would be borrowed ahead by letting a project that incurs additional FM obligations:

1. Projects using FM funds only will not be approved for letting.
2. FM-only projects may not be combined into one contract with other projects that are not subject to these restrictions.
3. Projects using a combination of FM funds and Federal or State funds will

not be approved for letting, unless one of the following conditions applies:

- a. The project uses ARRA funds, regardless of the FM portion.
- b. The portion of project costs paid for with FM funds is 25% or less of the total project cost. If FM funds will be used for engineering or right-of-way costs, these costs must be included in the total when calculating the percentage of project costs paid for with FM funds.

Counties that are not borrowed ahead may proceed with their FM-only or other funded projects as long as the estimated cost does not put them into a borrowing situation. To avoid being borrowed ahead, a county may transfer other funds such as Local Secondary Road funds into its FM account.

We used information in the Transportation Program Management System (TPMS) to develop our projections that indicate a need for increased restrictions on FM borrowing. **PLEASE** make sure your information in TPMS is current and as accurate as possible.

If you have any questions, **please do not reply to this note**. Instead, you may contact me as indicated below.

Thank you,

LeRoy H. Bergmann
Office of Local Systems
515-239-1506
Fax: 515-817-6675
leroy.bergmann@dot.iowa.gov

Mailings are available at the Local Systems Weekly Mailing web address
http://www.iowadot.gov/local_systems/mailing/main_mailing.htm