

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
TRANSPORTATION POLICY COMMITTEE MEETING

July 21, 2010
MAG Office, Saguaro Room
Phoenix, Arizona

MEMBERS ATTENDING

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| Mayor Scott Smith, Mesa, Chair | Phil Matthews, Salt River Pima-Maricopa |
| Councilwoman Peggy Neely, Phoenix, | Indian Community |
| Vice Chair | Mayor Jackie Meck, Buckeye |
| # Mayor Bob Barrett, Peoria | * Vice Mayor Les Presmyk, Gilbert |
| * Stephen Beard, HDR Engineering, Inc. | * Mayor Marie Lopez Rogers, Avondale |
| Dave Berry, Swift Transportation | * David Scholl |
| * Jed Billings, FNF Construction | # Mayor Elaine Scruggs, Glendale |
| Mayor James Cavanaugh, Goodyear | Karrin Kunasek Taylor, DMB Properties |
| Councilmember Jack Sellers, Chandler | Mayor Lyn Truitt, Surprise |
| Councilmember Shana Ellis, Tempe | * Supervisor Max W. Wilson, Maricopa County |
| Councilmember Dick Esser, Cave Creek | * Victor Flores, State Transportation Board |
| * Mark Killian, The Killian Company/Sunny | * F. Rockne Arnett, Citizens Transportation |
| Mesa, Inc. | Oversight Committee |
| # Mayor Jim Lane, Scottsdale | |
- * Not present
Participated by telephone conference call
+ Participated by videoconference call

1. Call to Order

The meeting of the Transportation Policy Committee (TPC) was called to order by Chair Scott Smith at 4:00 p.m.

2. Pledge of Allegiance

The Pledge of Allegiance was recited. Chair Smith noted that Mayor Bob Barrett, Mayor Jim Lane, and Mayor Elaine Scruggs were participating in the meeting by telephone. He welcomed Mayor Bob Barrett and Phil Matthews to their first TPC meeting.

Chair Smith noted that on July 14, 2010, the Management Committee recommended approval of agenda items #4C, #4D, and #4E that were on the TPC Consent Agenda. He stated that the

following items were at each place: For agenda item #4B, an updated American Recovery and Reinvestment Act (ARRA) Status Report, and for agenda item #4C, a revised summary transmittal and table that were updated to reflect the recommendation of the Management Committee and the addition of new ARRA project change requests.

3. Call to the Audience

Chair Smith stated that an opportunity is provided to the public to address the Transportation Policy Committee on items that are not on the agenda that are within the jurisdiction of MAG, or non action agenda items that are on the agenda for discussion or information only. Citizens will be requested not to exceed a three minute time period for their comments. An opportunity is provided to comment on agenda items posted for action at the time the item is heard.

Chair Smith noted that no public comment cards had been turned in.

4. Approval of Consent Agenda

Chair Smith stated that agenda items #4A, #4B, #4C, #4D, and #4E were on the consent agenda. He stated that public comment is provided for consent items, and noted that no public comment cards had been received. Chair Smith asked members if they would like to remove any of the consent agenda items or have a presentation. No requests were noted. Vice Chair Neely moved to recommend approval of consent agenda items #4A, #4B, #4C, #4D, and #4E. Mr. Berry seconded, and the motion carried unanimously.

4A. Approval of the April 21, 2010, Meeting Minutes

The Transportation Policy Committee, by consent, approved the April 21, 2010, meeting minutes.

4B. American Recovery and Reinvestment Act (ARRA) Status Report

A Status Report on the American Recovery and Reinvestment Act (ARRA) funds dedicated to transportation projects in the MAG region details the status of project development. The report covers highway, local, transit, and enhancement projects programmed with ARRA funds and the status of project development milestones per project.

4C. Project Changes – Amendment and Administrative Modification to the FY 2008-2012 MAG Transportation Improvement Program

The Transportation Policy Committee, by consent, recommended approval of amendments and administrative modifications to the fiscal year (FY) 2008-2012 MAG Transportation Improvement Program, and as appropriate, to the Regional Transportation Plan 2007 Update. The FY 2008-2012 MAG Transportation Improvement Program (TIP) and Regional Transportation Plan 2007 Update were approved by the MAG Regional Council on July 25, 2007. Since that time, there has been a request from Phoenix to add a new transit project. This transit project received federal

discretionary funds and needs to be programmed in the TIP. On July 1, 2010, the Transportation Review Committee (TRC) recommended approval of the transit project for amendments and administrative modifications to the FY 2008-2012 MAG Transportation Improvement Program, as appropriate, to the Regional Transportation Plan 2007 Update. In addition, the Arizona Department of Transportation has recently requested a new embankment project on SR-87. On July 14, 2010, the MAG Management Committee recommended approval of the transit project and a new embankment project on SR-87 for amendments and administrative modifications to the FY 2008-2012 MAG Transportation Improvement Program, as appropriate, to the Regional Transportation Plan 2007 Update. Since the mailout of the TPC agenda, there have been requests made by Chandler, El Mirage, Litchfield Park and Tempe to modify nine project funding types and costs, which are all related to ARRA project savings.

4D. L101 High Occupancy Vehicle Lane Budget Increase

The Transportation Policy Committee, by consent, recommended approval that the L101 HOV project budget be increased by \$9.0 million, that the project include the proposed realignment of the freeway in the vicinity of Maryland Avenue, that the FY 2008-2012 MAG Transportation Improvement Program be modified, and that the Maryland Avenue Overpass Ramps be included as an illustrative project in the Regional Transportation Plan 2010 Update. The L101 High Occupancy Vehicle (HOV) Design - Build project budget is \$138.5 million. This project will complete the HOV lane construction from Tatum Boulevard to I-10 in the West Valley. ADOT has recommended that the proposed project budget be increased by \$9.0 million to include the realignment of the freeway in the vicinity of the Maryland Overpass as part of the design - build project in order to accommodate planned direct access ramps in the future. The initial plan for the Maryland Overpass included direct connection ramps to provide access to a nearby park-and-ride lot and the Westgate/University of Phoenix stadium complex. After reviewing the program cash flow, MAG staff recommends the project budget be increased by \$9.0 million to \$147.5 million. A modification to the FY 2008-2012 MAG Transportation Improvement Program will be needed. In addition, the City of Glendale has requested that the Maryland Overpass Ramps be included in the Draft Regional Transportation Plan (RTP) 2010 Update as an illustrative project. The Draft RTP 2010 Update is scheduled for approval by the MAG Regional Council on July 28, 2010. On July 1, 2010, the Transportation Review Committee voted to recommend approval. On July 14, 2010, the Management Committee recommended approval.

4E. Draft Fiscal Year 2011 Arterial Life Cycle Program

The Transportation Policy Committee, by consent, recommended approval of the Draft fiscal year (FY) 2011 Arterial Life Cycle Program contingent on a finding of conformity of the FY 2011-2015 MAG Transportation Improvement Program and Regional Transportation Plan 2010 Update with applicable air quality plans. The Regional Transportation Plan (RTP) identified 94 arterial street projects to receive funding from the regional sales tax extension and from MAG Federal Funds. The Arterial Life Cycle Program (ALCP) provides information for each project spanning a 20-year life cycle. Information contained in the ALCP includes project location, regional funding, fiscal year for work, type of work, status of project and the Lead Agency. As part of the ALCP process,

Lead Agencies update project information annually, at a minimum. MAG staff has programmed the Draft FY 2011 ALCP based on the information provided by Lead Agencies and from projected revenue streams of the Regional Area Road Fund (RARF), MAG Surface Transportation Program (STP-MAG) funds, and Congestion Mitigation and Air Quality (CMAQ) funds. An electronic copy of the Draft FY 2011 ALCP also is available for download from the MAG website. On July 1, 2010, the Transportation Review Committee voted to recommend approval. On July 14, 2010, the Management Committee recommended approval.

5A. FY 2010 MAG Final Phase Public Input Opportunity

Jason Stephens, MAG Public Involvement Planner, reported on MAG's public involvement process conducted on transportation plans and programs for the Final Phase public input opportunity. He noted that all of the information presented today is included in the Final Phase report. Mr. Stephens stated that MAG participated in a variety of special events and small group presentations, and also gathered comments from MAG committee meetings and e-mail, telephone and website correspondence. He stated that the process also included a transportation public hearing on June 21, 2010, hosted by MAG with representatives from Arizona Department of Transportation, Citizen's Transportation Oversight Committee, Valley Metro, METRO and the City of Phoenix Public Transit Department in attendance. Mr. Stephens stated that a majority of the comments received from the public focused on transit and expressed concerns for cuts in service, the loss of Local Transportation Assistance Funding, the need for Dial-a Ride service, and cuts to routes on the Super Grid. He advised that all of the questions are answered on the spot or within 48 hours. Chair Smith thanked Mr. Stephens for his report. No public comment cards were received. No questions for Mr. Stephens were noted.

Councilmember Esser moved to recommend acceptance of the Draft FY 2010 MAG Final Phase Public Input Opportunity Report. Mayor Truitt seconded, and the motion passed unanimously.

5B. Approval of the Draft MAG Regional Transportation Plan 2010 Update

Roger Herzog, MAG Senior Project Manager, stated that the Draft MAG Regional Transportation Plan (RTP) 2010 Update is a comprehensive, performance based, multimodal and coordinated plan, identifying transportation improvements in the region over the next 20 years. Mr. Herzog noted that the Draft RTP 2010 Update includes a number of elements, including transportation modes of freeways, highways, arterial streets, public transit, freight, and bicycles, and the elements of travel demand management, safety, regional development, and transportation revenues.

Mr. Herzog stated that the major modal programs in the RTP total approximately \$59 billion. That total broken down includes about \$24 billion for arterial streets, about \$18 billion for freeways and highways, and about \$17 billion for transit. He said that about half of the RTP is funded by local/other funds and half of the RTP is funded by regional funds, which include federal transit and highway funds, ADOT funds, and the half cent sales tax for transportation.

Mr. Herzog stated that the RTP 2010 Update includes a 20-year planning period, which is a federal requirement, through FY 2031. He indicated that one of the major issues addressed since the 2007 Update was the historic decline of revenue that resulted in a 25 percent decrease in the long range revenue forecast. Mr. Herzog stated that reduced revenues presented a major challenge to balance the modal program, which was addressed through the MAG committee process for more than one year and resulted in balanced programs included in the RTP 2010 Update.

Mr. Herzog stated that an important element is the public input process, which began about one year ago, and culminated in the public hearing in June. He said that these public hearings were held in addition to the public input opportunities provided at MAG committee meetings.

Mr. Herzog stated that the Draft 2010 Update was approved by the Regional Council for air quality conformity analysis on April 28, 2010. A technical air quality conformity analysis was performed on the RTP and concluded that the Plan and the FY 2011-2015 MAG Transportation Improvement Plan meet all air quality conformity requirements. Mr. Herzog noted that on June 24, 2010, the MAG Air Quality Technical Advisory Committee recommended acceptance of the Draft Air Quality Conformity Analysis. Mr. Herzog stated that the final step is the approval process of the Draft RTP 2010 Update through the MAG committee process. He noted that the MAG Transportation Review Committee recommended approval of the RTP 2010 Update on July 1, 2010, and the MAG Management Committee recommended approval on July 14, 2010. Chair Smith thanked Mr. Herzog for his presentation. No public comment cards were received. No questions from the Committee were noted.

Councilmember Sellers moved to recommend approval of the Draft MAG Regional Transportation Plan (RTP) 2010 Update, contingent on a finding of conformity of the FY 2011-2015 MAG Transportation Improvement Program and RTP 2010 Update with applicable air quality plans. Vice Chair Neely seconded, and the motion passed unanimously.

5C. Approval of the Draft FY 2011-2015 MAG Transportation Improvement Program

Eileen Yazzie, MAG Transportation Program Manager, reported on the Draft FY 2011-2015 MAG Transportation Improvement Program (TIP). She said that the TIP provides a five-year window of the 20-year Regional Transportation Plan and provides specific project details, costs, and schedules. She said that this is done to comply with federal regulations for the fiscal constraint of the short range plan and planning and environmental guidance.

Ms. Yazzie stated that MAG is operating under the current federal legislation, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, known as SAFETEA-LU. She noted that this transportation act expired this past year, and Congress has since approved Continuing Resolutions while working on a new transportation act. Ms. Yazzie advised that MAG will have the opportunity to adjust the TIP if Congress passes new legislation. She said the Transportation Improvement Program is required to report on all federally funded projects and regionally significant projects, and that enough information is provided to run an air quality analysis. Ms. Yazzie stated that the federal regulations also mandate that the TIP covers

a minimum four-year time period, and is reported every four years. She noted that the MAG FY 2011-2015 TIP covers five years.

Ms. Yazzie stated that data for the TIP comes from current MAG transportation programs, the MAG Work Program, member agencies, and federal, state, and local agencies and programs through the Transportation Programming Guidebook and the TIP Data Entry System. Ms. Yazzie stated that input is provided by members of the public, MAG technical advisory committees, and MAG staff.

Ms. Yazzie then spoke of the great undertaking by the MAG technical committees to rebalance the freeway program and program the federal funds. She noted that the FY 2011-2015 MAG TIP includes more than 1,200 projects, the majority of which are street and transit projects.

Ms. Yazzie reviewed the funding for the FY 2011-2015 MAG TIP, which totals more than \$7 billion. She stated that highway projects include street, bicycle, pedestrian, safety, freeway, Intelligent Transportation System (ITS), and bridge projects in the region, and about two-thirds of their funding comes from regional and local revenue sources. Ms. Yazzie then addressed transit projects by stating that 5307, 5309, and CMAQ are types of federal transit funds that account for 45 percent of the \$1.3 billion in transit funding in the FY 2011-2015 MAG TIP. She advised that this does not include transit operations. Ms. Yazzie stated that about \$360 million of the \$412 million of committed local transit funds are associated with the City of Phoenix airport Sky Train project, and the remaining \$64 million is for transit capital projects.

Ms. Yazzie reviewed the approval schedule. She said that during July 2010, the Management Committee, Transportation Policy Committee, and Regional Council review and take action on the Draft FY 2011-2015 MAG TIP, the Draft Regional Transportation Plan 2010 Update, and Draft air quality conformity analysis, followed by action by the Governor's designee, the Federal Highway Administration and the Federal Transit Administration.

Chair Smith thanked Ms. Yazzie for her presentation. He noted that no public comment cards were received. Chair Smith asked the TPC if they had questions.

Vice Chair Neely noted that the TIP has to comply with air quality requirements and she asked if approval of the TIP would be halted at the federal level due to the region's air quality issues. Dennis Smith, MAG Executive Director, replied that staff has confidence in the air quality conformity analyses for the TIP and Plan, however, their concern is for the EPA's intention to disapprove the MAG Five Percent Plan for PM-10. He explained that the disapproval means that no amendments to the first four years of the TIP would be allowed if the TIP goes into a conformity freeze.

Chair Smith asked the timeline that a conformity freeze could occur. Mr. Smith replied that the timeline for EPA's final ruling is in January 2011 and MAG hopes to request an extension that would allow time for the EPA to consider MAG's information on exceptional events. He noted that staff heard that the EPA took action on some sand and gravel operations and there could be

approvability issues due to lack of enforcement. Mr. Smith added that this would make exceptional events moot. He stated that approvals of the TIP and Plan are anticipated before a conformity freeze would occur.

Ms. Yazzie added that action on the 2010 conformity analysis for the TIP and Plan by the Federal Highway Administration and the Federal Transit Administration are scheduled for August/September timeframe, after the Regional Council takes action, which is scheduled for July 28, 2010. She said that once the Regional Council takes action on the conformity analysis, TIP and Plan, they would move forward. Ms. Yazzie stated that all of the state's approved TIPs are then rolled into the State Transportation Improvement Program.

Chair Smith asked for clarification that the action by the Federal Highway Administration and Federal Transit Administration are separate actions from the EPA action. Ms. Yazzie replied that was correct. She said that the Programming Guidebook is currently under development and it will refocus on efforts through the work of the member agencies and MAG staff to ensure the TIP is as accurate as possible.

Vice Chair Neely asked the status of the fifth year of the approved TIP if there is a conformity freeze, which she understood would keep MAG from changing the first four years of the TIP. Mr. Smith replied that staff is seeking guidance from the Federal Highway Administration's air quality specialist about changes to the TIP. He said that transit and safety projects probably would not be restricted, but capacity building and amending the TIP probably would not be allowed.

Chair Smith asked for clarification if the scenario with EPA does not happen in January this discussion would not apply. Mr. Smith replied that was positive thinking.

Ms. Yazzie stated that federal regulations define TIP amendments and administrative modifications. In a conformity freeze, the regulations focus on amendments, but do not mention modifications. She said that it looked like there might be some leverage with administrative modifications.

Chair Smith provided background on the EPA action by saying that the EPA is challenging MAG's compliance under air quality issues. If the EPA is successful, unless there are challenges or extensions, the EPA will take action in January 2011 and the MAG programs will be punished with a conformity freeze.

With no further discussion, Vice Chair Neely moved to recommend approval of the Draft FY 2011-2015 MAG Transportation Improvement Program (TIP), contingent on a finding of conformity of the TIP and Regional Transportation Plan 2010 Update with applicable air quality plans and that the programming of transit preventive maintenance be reviewed for potential amendments/modifications no later than December 2010. Councilmember Esser seconded, and the motion passed unanimously.

6. Use of Public Private Partnerships in the MAG Region

Eric Anderson, MAG Transportation Director, introduced John McGee, Executive Director for Planning and Programming at the Arizona Department of Transportation (ADOT) and Mary Peters, former Secretary of the U.S. Department of Transportation, former Director of ADOT and currently a consultant to ADOT for its public private partnership (P3) program. Mr. Anderson stated that Mr. McGee would provide an overview of the P3 policies and procedures of the program at ADOT, Ms. Peters would provide an overview of P3s from the national perspective, potential federal reauthorization legislation, and P3 projects in the nation, and Mr. Anderson would provide next steps and recommendations. Mr. Anderson stated that this is an introductory session and a P3 item would be on future agendas for the next few months. He stated that P3s are complex and fast moving and contain a number of policy laden elements on how to handle P3s in the region in which the TPC would need to make recommendations to the Regional Council.

Mr. Anderson stated that Proposition 400 sales tax collections have declined monthly since September/October 2007 and are tracking close to the level of 2004 collections. He added that four to five years of sales tax growth have been lost. Mr. Anderson stated that the sales tax, which expires in 2025, is projected to collect approximately \$300 million in revenue this year. He reported that the growth of sales tax collections has recently been at zero, which is good news, because it had been negative. Mr. Anderson stated at the beginning of the sales tax in 2005, ADOT projections showed that revenue generated over the life of the sales tax was \$14.4 billion, and that projection last year has been revised to \$11.4 billion, a reduction of \$3 billion. Mr. Anderson remarked that he expected that when ADOT revises the projections in the next two to three months, another \$500 million will be peeled off over the life of the tax.

Mr. Anderson reported on the extensive effort to rebalance the freeway program, including moving \$6.3 billion of projects into a fifth year of the RTP. He added that similar reductions were made to rail and bus programs. Mr. Anderson said that rail projects were delayed and there are significant funding issues on both the capital and maintenance side, new bus rapid transit service in the RTP was delayed to the 2026-2030 timeframe. He stated that there is a lot of need in the region and he felt the sales tax will rebound. Mr. Anderson stated that the economy usually recovers in one or two years, but this is a more protracted situation. He pointed one additional factor: experts have expressed that the houses bought in the last couple of years by investors could end up back on the market. Mr. Anderson expressed his feeling that there would be future growth and there would be additional need on freeways, transit and local streets.

Mr. Anderson stated that P3s are another tool to get projects moving that might have stalled otherwise. He said that a lot can be learned from the past experiences of others and MAG's challenge is to choose what will work for this region and the policy framework. Mr. Anderson stated that a solid policy foundation is needed to know what the policy makers and elected officials want to accomplish.

Mr. Anderson displayed a slide of five bulleted items and said that the first three bullets, knowledge, understanding and experience, would be discussed tonight and the fourth and fifth

bullets, policy and identification of potential projects, were for later discussion. The five bullets: 1) Develop common knowledge base of P3s. 2) Understanding of the Arizona law and the ADOT P3 program. 3) Experience of other regions in using P3s to build and manage transportation. 4) Development of a policy statement on principles for the use of P3s in the MAG region. 5) Identification of P3 opportunities in the MAG region.

Mr. McGee then continued the presentation by saying that ADOT P3 staff Gail Lewis addressed the TPC a few months ago on P3s and they have gone around the state familiarizing people with the new P3 law. He stated that House Bill (HB) 2396, which was passed in 2009, establishes a statute to guide the process of P3s for transportation projects. Mr. McGee stated that enhanced, upgraded or new facilities, including roads, rail, transit and rest areas, are eligible for P3s. He explained that the Legislature included the enhanced, upgraded and new facilities provision to ensure that tolls would not be collected on an existing facility.

Mr. McGee explained that the law is very flexible and allows for many types of partnerships: design, build, maintenance, financing, and operations. He said that the bill also authorizes ADOT to use a number of revenue sources for repayment, such as revenue bonds, Grant Anticipation Notes, tolls and fees. Mr. McGee stated that the law allows for ADOT to solicit projects and for the private sector to submit unsolicited projects. He commented that ADOT feels allowing unsolicited projects is important because it encourages the private sector to come forward with innovative ideas, however, care needs to be exercised because unsolicited projects can end up running a program. Mr. McGee stated that the P3 law also gives ADOT significant authority to enter into negotiations and develop agreements.

Mr. McGee stated that after HB 2396 passed, the ADOT staff developed guiding principles based on national best practices, and they determined that a transparent process for the evaluation and implementation of P3 projects was necessary to be successful. Mr. McGee stated that ADOT's goal is to integrate P3 projects into statewide transportation plans and use P3 projects to better leverage the State's limited resources. He commented that in the past, long-term financial viability of P3s has not always happened.

Chair Smith asked how projects without long-term financial viability have been able to receive funding from an investor or during the underwriting process. Mr. McGee replied that in the early days traffic and revenue forecasting were not well defined and were overly optimistic. He said they have developed over time, but ADOT wants to ensure that does not happen with P3 projects in Arizona. Mr. McGee added that they are looking for financial equity to be put into projects.

Mr. Berry stated that when he heard the term financially viable, he thought of users, not banks. Mr. McGee stated that they not only want to look at deals that are in the interest of the taxpayers, but also will have the financial projections that show they will be successful.

Mr. Berry asked if that means the rate of return for financial institutions would be guaranteed, because viability is in the eye of the beholder. Mr. Berry suggested adding to the statement to include users of the facility and the taxpayers of the state, because otherwise it looks like we are

looking out for the banks. He added that there are examples where the taxpayers felt their interests were not protected.

Mr. McGee stated that another of ADOT's goals is to create P3 projects that will enhance mobility and improve safety.

Mr. McGee stated that the ADOT P3 office has made a lot of progress in the last ten months since HB 2396 became law. He said that two Program Managers have been hired; HDR (including Ms. Peters) and Jacobs are the policy and program advisors; Nossaman, preeminent in the P3 arena, is the legal advisor; and PFM is the financial advisor. Mr. McGee noted that a technical and engineering consultant and a traffic and revenue consultant are still to be hired. Mr. McGee stated that the P3 office has had consultations with COGs, MPOs, local governments, developers, etc., around the state to raise awareness of the law. He indicated the office will assist in public policy discussions, which really are beginning at this evening's TPC meeting. Mr. McGee stated that the P3 office is exploring P3s in many areas.

Ms. Peters continued the presentation with an overview of P3s nationally. She said that the United States has lagged internationally on P3 infrastructure projects. Ms. Peters stated that until recently, sufficient public money was available for funding projects, but the country is now in a transitional phase. She stated that the Highway Trust Fund has been in danger of insolvency since 2008 and Congress has injected \$34.5 billion to keep it solvent. Ms. Peters stated that gas taxes are not keeping pace any longer – being impacted now and in the future by more fuel efficient cars.

Ms. Peters commented that P3s can be part of the solution in the right circumstances and can bring capital to the table to meet needs. She explained that leveraging public dollars with private sector dollars can get the taxpayers a better deal, and gave as an example that \$200 billion in private capital could be leveraged to \$475 billion assuming a 60/40 debt equity basis. Ms. Peters said that she felt the ratio of debt equity would be more important now than in the early days of P3 projects in the nation and investors having more money on the table will be desired. The advantage to the P3s, in addition to bringing in capital, is life cycle asset management to not only build a project, but also maintain and operate it over time.

Ms. Peters stated that two examples of Phase One in the evolution of P3s were the Chicago Skyline and Indiana Toll Road that were existing toll facilities that received an upfront payment of cash and were operated by the private sector to recoup their investment. She remarked that this option would not be done here because Arizona does not have any existing toll facilities, and also she was not sure that is the best way to use the P3 tool.

Ms. Peters stated that Phase Two in the evolution of P3s is what she called the one-off projects, which are either unsolicited proposals or a project to meet a need without looking at the system in totality. She indicated that she thought the program put together by ADOT can meet needs, are best for a P3 application and are Phase Three of the evolution of P3s in the country. Ms. Peters noted that to date, more than 80 successful projects in the nation have been completed through P3s since

1985. She said that current projects include adding HOT lanes to the I-495 Capitol Beltway, the Port of Miami tunnel, and the I-635 in Texas.

Ms. Peters stated that in her experience, she felt that Arizona has the combination of the best laws among the 28 states with P3 laws, and is well thought through and negotiated. She stated that this law, coupled with good, transparent processes and policies, gives Arizona a tremendous opportunity to move forward with a good outcome. Ms. Peters stated that private capital is available, but if there is a convoluted process, the investors will not come. She remarked that the goal is a P3 process that protects the citizens and also applies to the right projects at the right time.

Ms. Peters stated that even though the federal transportation program is operating under a series of continuing resolutions, there are a number of current federal programs that allow projects to be moved forward, including the Value Pricing Program, the Express Lane Demonstration, the Interstate System Reconstruction & Rehabilitation Pilot and Construction Toll Pilot Program, STEP-15, Congestion Reduction/Corridors of the Future, TIFIA, Private Activity Bonds, and Build America Bonds. Ms. Peters stated that the STEP-15 program, developed while she was Secretary of Transportation, is a program for innovative projects, and could be coupled with the P3 law in Arizona. She remarked that she felt the TIFIA program was the best tool currently available: a patient lender, low market interest rates, payment over a long period of time, and the ability to rebalance the debt later. Ms. Peters stated that Private Activity Bonds and Build America Bonds are both very good programs also. She stated that taking private funds and leveraging them with public funds can build projects today at today's costs, instead of at future, higher costs.

Ms. Peters then addressed federal legislation and said that the reauthorization bill has stalled and the country is operating under continuing resolutions. She remarked that she thought there would be a series of extensions. Ms. Peters stated that reauthorization is a convoluted process and a lot of interests are being balanced. She mentioned that the Highway Trust Fund has required infusions of general funds to remain solvent, and she thought this might continue, possibly to 2013, and that the funding would be at 2009 levels for the next year or so. Ms. Peters indicated that a reauthorization bill might not be passed until after the 2012 presidential election.

Ms. Peters reported that there is no support in Congress for increasing the fuel tax, which has not increased since 1993. She said that the bill proposed by Chairman Oberstar contains an increase, but Secretary LaHood has said that an increase is off the table. Ms. Peters stated that Chairman Oberstar's bill, which contains some increased spending, limitations on public/private partnerships, and additional federal processes and air quality conformity processes, is not likely to go anywhere. She advised that upcoming elections could change the chairmanship and the ranking member said that if he becomes chair, it will be start over on the bill. Ms. Peters stated that P3s are not the panacea, but they can be an important tool to help deliver important transportation projects and attract private capital.

Mr. McGee presented an overview of ADOT's approach. He stated that ADOT wants its P3 programs to be an enabler for good projects, not a cheerleader for bad projects. Mr. McGee stated that it is easy to become invested in an idea and it is sometimes difficult to stop a project. He stated

that best practices have shown that successful projects must be acceptable to the public, which he felt begins with the public officials. Mr. McGee stated that P3s are a long-term funding and traffic management strategy, not a one-time tool. He indicated that he felt the MAG region has a unique opportunity to determine how P3 projects should fit into the overall mix of funding and traffic management strategies for the region over the long-term. Mr. McGee stated that over the years, MAG has demonstrated a good record to look at transportation needs in the long term, develop good plans, strategies, and funding options, and get buy-in from the public. He said that Proposition 300 and Proposition 400 attest to that success and he commended MAG. Mr. McGee stated that there is only one chance to do this right, and a lot of ways to do things wrong, so failure could result in P3 capital moving away from Arizona.

Vice Chair Neely asked the approval process for a project, for example, would ADOT, the federal government, or the state Legislature have a role. Mr. McGee replied that the way HB 2396 is written, P3s would not go back to the Legislature, which they do in many states. He remarked for that reason, any P3s done by ADOT would have to be done right, or the Legislature will change the law and require any P3s be brought through them. Mr. McGee stated that this requirement is a high hurdle in those states that have this provision. He stated that it is not a federal requirement, but there is a provision in the House version of the reauthorization bill to establish a privatization office that would review any P3 in any state or region. Mr. McGee expressed that from a policy standpoint he felt this is a bad idea and ADOT does not support it.

Vice Chair Neely stated that she was hearing ADOT was not looking at this from a toll situation, but as leveraging funds from our current tax base to be able to pay a private partner. Mr. McGee replied that the Arizona P3 program is extremely flexible. He said that not all P3 projects have to have a toll associated, it could be a financing mechanism, such as an availability payment. Mr. McGee added that this is why it is important to have these discussions of P3s, so ADOT knows how the region feels about alternatives – what it supports and what it does not support. He said that the P3 office does not want to pursue a P3 project with a potential investor that is not supported by the public and elected officials.

Vice Chair Neely asked what happens to non-viable projects. Mr. McGee replied that the solutions have been varied. In some cases, the project devolved to the state, which then operated the facility. He said that some facilities declared bankruptcy, and although they kept on operating and collecting fees, the investors did not get all of the money back. Mr. McGee stated that liability and operations would change in some manner. He said that the important point is that failure becomes a reflection on how the program was managed. Mr. McGee stated that some people will say a failure would not matter because we would still have the facility, however, after a couple of failures, the capital investors will not come here and will invest elsewhere.

Mr. Anderson stated that there are two different P3 projects. The first is not visible to the public and is a way to deliver a project. The second is through tolls, managed lanes or HOT lanes. Mr. Anderson said that the San Diego Association of Governments is running managed lanes on I-15 where the toll rates change every few minutes according to demand. Mr. Anderson stated that the first steps in the P3 process by the TPC is having a common knowledge base of P3s, the

understanding of the Arizona P3 law and program, and learning the experience of other regions in using P3s. Mr. Anderson stated that understanding of these three points is needed before proceeding to the development of a policy statement on the principles of P3 use in the MAG region and identification of P3 opportunities in the MAG region. He added that MAG staff is not making assumptions about which P3 options to pursue – that is the TPC’s decision.

Mr. Anderson stated that briefings on P3s to the TPC will include the types of P3 projects, alternative project delivery methods, program areas (management system cameras, message boards, etc.) that might be better operated by the private sector, and congestion pricing and tolling (such as dynamic pricing, static pricing, HOV policy, and truck-only policy). Mr. Anderson stated that much can be learned from the experience of others, and the TPC will hear P3 examples from other areas, such as a number of P3s in Texas. Mr. Anderson stated that there are projects that were not successful, such as the privately financed South Bay Expressway in San Diego that went bankrupt. He explained that the traffic and revenue projections used for its financing assumed growth that never occurred. Mr. Anderson stated that the FHWA is willing to organize a workshop on congestion pricing and offered to bring in experts and elected officials who have past experience on P3s.

Mr. Anderson stated that important elements of a P3 Policy Statement include congestion management vs. revenue generation (balancing the rate of the toll with relieving congestion), governance (how it is operated, coordinating operations with the California system due to the continuation of drivers back and forth, contract out for back office operations of toll roads). Mr. Anderson stated that some of the proceeds from the San Diego dynamic pricing are being used toward financing transit infrastructure in the I-15 corridor. He said that there is a lot of work to be accomplished over the next few months.

Chair Smith asked members if they had questions.

Ms. Taylor asked if privatization of transit could be an option. Mr. Anderson replied that the bus system in this region is contracted out. He stated that there may be P3 opportunities with the Punta Colonet port to complete missing rail links, and for concepts on I-10. Mr. Anderson stated that perhaps a managed lane concept to leverage those investments could provide bus transit or light rail on I-10.

Ms. Taylor stated that she was interested in hearing Ms. Peters’ and Mr. McGee’s perspectives on the current status and predictions for the long term on equity and credit markets. Ms. Peters stated that there was a lot of capital in the market at the time the Indiana Toll Road and Chicago Skyline projects were built. She said that there were lessons learned from the housing market where the intent was to flip debt quickly and those who came in early did not have a lot of skin in the game. Ms. Peters stated that going forward, investments will see a lot more equity and less debt. She added that capital investors are out there and will invest where they feel is the best opportunity. Ms. Peters stated that there are not a lot of places to get a good return on an investment and infrastructure investments yield ten, twelve, fifteen percent on an investment. She said that in

2007/2008, there was as much as \$500 billion available to invest in the United States and she estimated that number was now \$250 billion to \$400 billion.

Mayor Cavanaugh stated that public funds have been committed and approved in the RTP 20-year program. He asked if there was anything to limit P3s for those already approved projects. Mr. Anderson replied that he was not aware of any restrictions, and he felt it was a policy decision. He stated that the TPC could recommend and the Regional Council could concur to keep the Proposition 400 projects publicly funded, but the implication of that is you would have to wait until the funding becomes available. Mr. Anderson stated that the public expectation is that they voted for Proposition 400, they did not vote for tolls. He added that it is extremely important to ensure that the public support is there for P3 projects.

Mr. Berry stated that he was not an elected official, but he would not want to toll a Proposition 400 road. He indicated that he felt it would have to be an extraordinary project for the public to accept a change in funding from what they voted.

Mayor Cavanaugh expressed that he did not necessarily agree with Mr. Berry, because some of the projects are 20 years down the road. He stated that there are some projects, such as the 801 or 303 south of the Gila, might only be implemented with a P3, and he did not want to reject that option at this point.

Chair Smith stated that with the financial crisis, the world has changed since Proposition 400 was passed. He said that in addition, the public perception of transportation in general has changed since light rail opened and he felt they were more open to different ideas. Chair Smith stated that some of this change in perception is a product of the financial crisis, but some is due to the good that has been done and he did not want to foreclose ideas that the public could find acceptable.

Mr. Smith stated how great ADOT has been to keep MAG involved in this. He said that ADOT and MAG have been partners since 1985 and other states only approach the MPO when it is time to put a P3 project in a TIP. Mr. Smith commented on financial viability by saying that the modeling numbers are very important. He said that some of the P3 deals that fell apart were due to pumped up modeling numbers. Mr. Smith stated that MAG has the model for the entire region extending into Pinal County. He said that political support is important. Mr. Smith stated that when MAG was going to do a demonstration project to put tolls on HOV lanes in the early 1990s, editorials were published in the Tucson newspaper opposing the project. He remarked on packaging the deal to show there is a benefit, such as getting a project you might not get otherwise or building a project 20 years sooner. Mr. Smith also noted the San Diego option to get some funding for transit.

Vice Chair Neely stated that P3s were an interesting idea to looking at the future. She said that she was more interested in looking at the option for getting funding for transit than in looking at the toll option. Vice Chair Neely stated that P3s could also provide an opportunity for advancing projects and she would like to consider applying the guidelines MAG currently has in place for project advancements. Vice Chair Neely stated that P3s could be beneficial and there is time to

methodically consider the policies that need to be in place. She added that she was excited about the possibilities and perhaps P3s could fund a couple of experimental projects that would not financially burden future generations. Vice Chair Neely stated that she was not prepared to say let us do tolls, but now is the perfect time to reinvest and look at P3s. She said that commuter rail has been discussed in the West Valley and Pinal County has needs. Vice Chair Neely expressed her thanks for the presentation.

Mr. Anderson stated that P3s could provide the opportunity not only for implementing delayed projects sooner, but also funding projects that have only partial funding, for example, I-10 has \$600 million to \$700 million programmed, but the total cost is estimated at \$1.5 billion. Mr. Anderson stated that the RTP includes the buildout of Loop 101 and Loop 202. However, if the projected growth to six million or seven million people by 2030 or 2040 occurs, there is no room to expand and options to manage traffic on the current system will be needed. Mr. Anderson stated that some of these options will be explained at future TPC meetings.

Chair Smith thanked Secretary Peters and Mr. McGee for attending the meeting.

7. Loss of the Local Transportation Assistance Fund (LTAF)

Mr. Anderson reported that during the 2010 legislative session, the Local Transportation Assistance Fund (LTAF) was removed from state law with the funding diverted to the state's general fund to help balance the state budget. Mr. Anderson stated that statewide, the LTAF represented about \$32.2 million of mostly transit funding, and some small communities use the funds for roads. He stated that in the MAG region, this represents a loss of about \$22 million in transit funding. Mr. Anderson stated that a Resolution will be considered at the League of Arizona Cities and Towns Conference. He added that the Arizona Transit Association is also working on replacement funding sources to LTAF funding.

Mr. Anderson stated that he put together a list of the criteria he thought might be important to consider for replacement funding: Generate \$35 million to \$100 million per year, provide a permanent, stable and secure source of transit funding for transit, defining the state's role in transit funding, finding short term funding now and try to find a permanent solution later, no impact on state shared revenue, and provide a nexus to transportation.

Mr. Anderson stated that possible alternatives include the Lottery, Proposition 100 that expires in 2013, a property tax, broadening the sales tax base, and sin taxes.

Mr. Anderson stated that the requested action was possible action to recommend that MAG support efforts to pursue alternative state funding sources for transit services.

Chair Smith asked members if they had questions.

Mr. Berry asked if a surcharge at the fare box was considered. Mr. Anderson replied that it was discussed as an alternative, however, the amount represents such a small portion of revenue, that tripling or quadrupling the fares would be required.

Chair Smith asked for clarification on the requested action. Mr. Anderson replied that action would go no farther than exploring alternative funding sources. He said that two or three options could come out of current staff work and these would be brought back to the TPC and Regional Council.

Chair Smith asked if the idea was to look for funding sources or for the State to restore LTAF funding. Chair Smith stated that Arizona is now one of five states not supporting state funding of transit. He asked if this was an effort to return support for local transit at the State level. Mr. Anderson replied that he thought that was the objective, and what this action does is take it to the next level.

Mr. Berry asked the reason for limiting action to transit, because the state has taken hundreds of millions of dollars from the roadway program. He suggested expanding the action to include all of transportation because there are needs that go beyond transit. Mr. Berry stated that there is a feeling by some at the Legislature that cities get a lot of vehicle license tax money and they should just use that for transit, even though the cities already have important uses for their portions of the vehicle license tax. He said that he was unsure what taking action would accomplish and there was the potential for kicking a hornet's nest.

Chair Smith stated that there was a dedicated funding source for LTAF, and his biggest concern is the Legislature eliminated it, not just swept it. He said that by this action, the Legislature said it did not want to be in the transit funding business at the state level and is willing to pass it along to the cities. Chair Smith stated that this is a policy issue, and the requested action is not as much policy as it is procedure. He commented that the question is whether MAG should be pursuing reversal of the elimination of LTAF at the state. Mr. Anderson commented that maybe what MAG wants is the Legislature to reevaluate its decision.

Councilman Sellers moved to support the League of Arizona Cities and Towns resolution and including support for alternative funding sources. Councilman Esser seconded.

Chair Smith called for discussion of the motion.

Vice Chair Neely stated that she was not willing to support the motion until she knew the intent of the transit operators. She indicated that making this a legislative action could be considered later. Bryan Jungwirth, Valley Metro Deputy Director, announced that the Valley Metro Board was scheduled to take this up in September.

Vice Chair Neely stated that action by MAG is premature until the transit organizations take action. She added that she felt the discussion should be led by the transit organizations.

Mr. Smith stated that the Legislature quit being involved in highway funding in 1991/1992 because there has been no increase in the gas tax since then. He stated that the region has a freeway system because MAG did something in 1985. Mr. Smith expressed his agreement with Mr. Berry that this is about all of transportation, because all of transportation have lost money. He said that perhaps MAG could get enabling legislation to allow a vote of the people. Mr. Smith stated that the polls

show that people support transit. He also said that a long-term solution from the Legislature might not happen.

Mr. Berry made a friendly motion to table this item until October 2010. Vice Chair Neely seconded.

Chair Smith commented to Councilmember Sellers that people may not disagree with supporting a resolution, but action might be premature until some issues are sorted out.

Mr. Smith noted that delaying action until October would preclude MAG weighing-in at the League Conference.

Mr. Berry stated that if the motion passed, discussion could take up in October, when there would be the advantage of knowing the stakeholders' deliberations.

With no further discussion, the vote on the motion passed unanimously.

8. Request for Future Agenda Items

Topics or issues of interest that the Transportation Policy Committee would like to have considered for discussion at a future meeting will be requested.

No requests from the Committee were noted.

9. Comments from the Committee

Topics or issues of interest that the Transportation Policy Committee would like to have considered for discussion at a future meeting will be requested.

No comments from the Committee were noted.

Adjournment

It was moved by Ms. Taylor and seconded by Mayor Meck to adjourn the meeting at 5:50 p.m.

Chair

Secretary