MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
TRANSPORTATION POLICY COMMITTEE MEETING

April 20, 2005
MAG Office, Saguaro Room
Phoenix, Arizona

MEMBERS ATTENDING

Mayor Elaine Scruggs, Glendale, Chair
Councilmember Peggy Bilsten, Phoenix, Vice Chair
Kirk Adams, The Adams Agency
F. Rockne Arnett, Citizens Transportation Oversight Committee
Mayor Ron Badowski, Wickenburg
Stephen Beard, SR Beard & Associates
Mayor Steven Berman, Gilbert
Dave Berry, Swift Transportation
Jed S. Billings, FNF Construction
Mayor James Cavanaugh, Goodyear
Vice Mayor Pat Dennis, Peoria
Mayor Ron Drake, Avondale
Mayor Boyd Dunn, Chandler
* Rusty Gant, ADOT
* Mayor Hugh Hallman, Tempe
Mayor Keno Hawker, Mesa
Eneas Kane, DMB Associates
Mayor Mary Manross, Scottsdale
* Jacob Moore, Salt River Pima-Maricopa Indian Community
David Scholl, Westcor
Councilmember Daniel Schweiker, Paradise Valley
Supervisor Max W. Wilson, Maricopa County
Mayor J. Woodfin Thomas, Litchfield Park

* 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 Elaine Scruggs at 4:10 p.m.

2. Pledge of Allegiance

The Pledge of Allegiance was recited.

Chair Scruggs announced that Vice Mayor Pat Dennis was participating via telephone conference call. Chair Scruggs stated that transit tickets for those who used transit to attend the meeting and parking garage ticket validation were available from MAG staff. Chair Scruggs noted that materials for agenda items #4B, #4C, #5A, #5B, and #7 were at each place.

3. Call to the Audience

Chair Scruggs 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. She noted that an opportunity is provided to comment on agenda items posted for action at the time the item is heard. Chair Scruggs noted that no public comment cards had been turned in.

4. Approval of Consent Agenda

Chair Scruggs stated that any member of the committee can request that an item be removed from the consent agenda and considered individually. Chair Scruggs stated that agenda items #4A, #4B, and #4C were on the consent agenda. She noted that no public comment cards had been turned in on the consent agenda. No requests to consider an item individually were noted.

Vice Chair Bilsten moved to approve consent agenda items #4A, #4B, and #4C. Mayor Thomas seconded, and the motion carried unanimously.

4A. Approval of March 16, 2005 Meeting Minutes

The Transportation Policy Committee, by consent, approved the March 16, 2005 meeting minutes.

4B. Amendment to the FY 2004-2007 MAG Transportation Improvement Program to Add a Phoenix Federally Funded High Priority Transportation Project for FY 2005

The Transportation Policy Committee, by consent, recommended approval of an amendment to the FY 2004-2007 MAG TIP to add the Federally funded, Phoenix Rio Salado Parkway design project. The City of Phoenix has been notified that it has been awarded $1,653,333 in Federal High Priority Transportation funds to start the design of the Rio Salado Parkway corridor, from 7th Street to the South Mountain Freeway. This notification was made as part of a special appropriation that occurred during the recent Transportation Appropriations Bill. In order for the project to proceed, the current Transportation Improvement Program (TIP) needs to be amended to include this new project. As the project involves only design at this stage, the project is regarded as exempt for air quality conformity purposes. The Transportation Review Committee recommended approval of the amendment. On April 13, 2005, the Management Committee recommended approval of an amendment to the FY 2004-2007 MAG TIP to add the Federally funded, Phoenix Rio Salado Parkway design project.

4C. Federal Fiscal Year 2005 MAG Federal Funds Interim Closeout and Amendment/Adjustments to the FY 2004-2007 MAG Transportation Improvement Program and FY 2005 and FY 2006 Unified Planning Work Programs and Annual Budgets

The Transportation Policy Committee, by consent, recommended approval of the interim closeout of Federal FY 2005, as shown in Table One and recommended amending/adjusting the FY 2004-2007 MAG Transportation Improvement Program and the FY 2005 and FY 2006 Unified Planning Work Programs and Annual Budgets to allow the projects to proceed. In this phase of the closeout process, approximately $17.9 million is available for the interim closeout, plus a possible $1.5 million in redistributed Obligation Authority. On March 24, 2005, the MAG Transportation Review Committee recommended allowing 15 projects, totaling $12.9 million, to defer from Federal Fiscal Year 2005 to later years. This is in addition to $4.6 million in uncommitted funds available since the initial closeout and $350,000 in reimbursed funds received so far this year. Projects on Table One: (1) CHN03-107R-Chandler: Ryan Rd: Arizona Ave to McQueen Rd; Pave dirt road, CMAQ, $162,000; (2) GBD05-202-Gila Bend: Martin Ave: Old Main St to Stout St; Pedestrian improvements, STP-MAG, $188,600; (3) GLB04-205-Gilbert: Gilbert Rd: US-60 to Guadalupe Rd; and US-60: Dobson Rd to Gilbert Rd; ITS project along Gilbert Rd and US-60, CMAQ, $400,660; (4) GLB05-107R-Gilbert: Eastern Canal: Baseline Rd to Guadalupe Rd (Santan Vista Trail phase I); Multi-use path, CMAQ, $549,769; (5) GDL04-201-Guadalupe: 8413 S Avenida Del Yaqui; Emergency signal, STP-MAG, $47,000; (6) GDL05-202-Guadalupe: Guadalupe Rd: Highline Canal to Calle Bella Vista; Add sidewalks, bus stops and cross walks, CMAQ, $500,000; (7) LPK05-101-Litchfield Park: Litchfield Rd Bypass at Wigwam Boulevard; Construct bicycle underpass, CMAQ, $886,420; (8) MMA05-214-Maricopa County: PM-10 roads, various locations; Paving dirt roads (2005), CMAQ, $1,032,400; (9) MES04-125C-Mesa: Country Club Dr: 8th Ave to Baseline Rd (including US-60 TI); Install real-time adaptive signal system, CMAQ, $788,810; (10) PEO03-101-Peoria: Carefree Hwy: Lake Pleasant to Beardsley Canal; Pave dirt road, CMAQ, $845,000; (11) PHX04-110-Phoenix: Grand Canal at I-17; Construct bicycle grade separation structure, CMAQ, $3,300,500; (12) SCT04-119C-Scottsdale: Scottsdale Rd: Pima Fwy to Indian School Rd; Construct smart corridor traffic control system, CMAQ, $1,822,800; (13) SCT04-113R-Scottsdale: Hayden Rd at Via de Ventura intersection; Add north and southbound left turn lanes for dual lefts:, CMAQ, $1,600,000; (14) TMP04-102-Tempe: Curry Rd: Scottsdale Rd to McClintock Dr; Design and construct pedestrian facilities, CMAQ, $438,200; (15) TMP05-105-Tempe: University Dr: Perry Lane to Price Rd; Design and construct pedestrian facilities, CMAQ, $400,000. Total of MAG Federal Funds Requested for Deferral: $12,962,159. Members were requested to submit to MAG staff any projects that they wish to compete for the funds available by the deadline of Friday, April 29, 2005. On April 13, 2005, the Management Committee recommended approval of the interim closeout of Federal FY 2005, as shown in Table One and recommended amending/adjusting the FY 2004-2007 MAG Transportation Improvement Program and the FY 2005 and FY 2006 Unified Planning Work Programs and Annual Budgets to allow the projects to proceed.

5A. Approval of the Draft FY 2006-2010 MAG Transportation Improvement Program for an Air Quality Conformity Analysis

Paul Ward addressed the committee on the Draft FY 2006-2010 MAG Transportation Improvement Program (TIP). He said that the TIP includes all Title 23 Federally funded projects and all regionally significant projects. Mr. Ward stated that a TIP is required every two years; however, MAG generally drafts a TIP every year. He advised that sufficient detail on the projects is required to permit air quality analysis in accordance with the U.S. conformity requirements. Mr. Ward then described the TIP process, with approval by the Regional Council anticipated in July. He stated that the 1,100 projects in the TIP include more than 500 street, 250 transit, 140 freeway, and 100 bicycle and pedestrian projects and represent more than $5.65 billion. Mr. Ward then went on to discuss the source of funds and allocation of funds. He referred to the Errata Sheets that were provided and advised that the last opportunity to make changes to projects in the TIP, with the exception of the description or funding, will be prior to Regional Council approval for a conformity analysis. Chair Scruggs thanked Mr. Ward for his presentation. No questions from the committee were noted.

Mr. Arnett moved to recommend approval of the Draft FY 2006-2010 MAG Transportation Improvement Program for an air quality conformity analysis. Mr. Beard seconded, and the motion carried unanimously.

5B. Approval of the Draft MAG Regional Transportation Plan - 2005 Update for an Air Quality Conformity Analysis

Roger Herzog stated that the 1990 Clean Air Act Amendments require that transportation plans and programs be in conformance with applicable air quality plans. To comply with this requirement, it is necessary to conduct a conformity analysis on an update to the MAG Regional Transportation Plan (RTP). He stated that the 2005 Update includes the plan modifications approved by the Regional Council for air quality conformity analysis on March 23, 2005 and proposed plan modifications, included in the TPC agenda packet, for air quality conformity analysis distributed for agency review on February 25, 2005. Mr. Herzog advised that these modifications are subject to the interim advancement policy that was approved in February 2005. Mr. Herzog added that the changes will modify the MAG Regional Transportation Plan that was adopted by the MAG Regional Council on November 25, 2003. He added that final approval of the RTP 2005 Update by the Regional Council after the conformity analysis is anticipated in July. Chair Scruggs thanked Mr. Herzog for his report. No questions from the committee were noted.

Vice Mayor Bilsten moved to recommend approval of the Draft MAG Regional Transportation Plan - 2005 Update for an air quality conformity analysis. Mayor Thomas seconded, and the motion carried unanimously.

6. Interim Draft of the Arterial Life Cycle Program Policies and Procedures

Eric Anderson addressed the TPC on the draft policies and procedures that will guide the Arterial Life Cycle Program. He said that guidance from the TPC on four policy issues was requested. Mr. Anderson stated that two overall goals were defined in developing the policies: to maintain the fiscal balance of the arterial street program by ensuring that project costs do not exceed available revenues; and to deliver all of the Proposition 400 projects in an efficient and cost effective manner.

Mr. Anderson stated that Policy #1 is the reimbursement amount for advanced projects. He said that he would use an example project to show different scenarios for Options A, B, and C. The example project cost $10 million in 2002 dollars, is scheduled for construction in 2016 and is being advanced to 2005. He said that the $10 million project includes $7 million in regional funds and $3 million in local funds.

Mr. Anderson explained that the Life Cycle budget, to be issued this summer, would show the year each project will be constructed and the amount of each project adjusted for inflation from 2002 to 2005 dollars. He said that under the adjustment to 2005 dollars, the regional share of the example project cost then would be approximately $7.57 million.

Mr. Anderson stated that including the reimbursement for inflation and assuming the inflation rate of three percent for ten years, the regional share of $7.57 million would grow to $10.49 million. That would be the amount reimbursed to the city in 2016 dollars.

Mr. Anderson stated that Option A has no allowances for future inflation or interest costs for advanced projects. Using the example, the amount reimbursed to the advancing city with Option A in 2016 would be $7.57 million, the amount listed in the 2005 Life Cycle Program. Mr. Anderson stated that under Option A, a city would have less incentive for early implementation of projects. He added that the incentive would be the benefit of having the project completed. Mr. Anderson stated that under Option A, the difference between the $7.57 million and $10.49 million would accrue to the program.

Mr. Anderson stated that Option B includes an allowance for inflation. He said that under Option B, the amount reimbursed to a city in 2016 for advancing a project to 2005 would be $10.49 million, which is the amount listed in the 2005 Life Cycle Program plus inflation for the next ten years. Mr. Anderson stated that Option B provides an incentive for early implementation and there would be no net fiscal impact to the program. He added that the reimbursement would be the same amount as if the project had not been advanced.

Mr. Anderson stated that Option C includes an allowance for inflation and interest costs. He said that under the example, the amount reimbursed to a city in 2016 for advancing a project to 2005 would be the amount listed in the 2005 Life Cycle Program, plus inflation from 2006 to 2015, plus interest costs of financing for advancement. Mr. Anderson stated that Option C provides more incentive for early implementation and has net negative fiscal impact on the program. Mr. Anderson stated that under the example project, the amount reimbursed to the advancing city would be $13.82 million.

Supervisor Wilson said that he thought the largest benefit of being first was solving a transportation problem. He expressed concern with projects in years two, three, and four having their money and those at the end coming up short. Supervisor Wilson stated that he wanted to ensure that all projects in the RTP are funded. Mr. Anderson said that the rate of inflation being applied is the Consumer Price Index, as discussed at the last TPC meeting. Supervisor Wilson asked if an annual reexamination of the policies was advised. Mr. Anderson replied that he thought the policies might require reexamination. Mr. Anderson added that the annual Life Cycle will provide indications where adjustments might be needed. Supervisor Wilson asked if streets with very overloaded traffic would be an incentive to move up in priority. Mr. Anderson replied that congestion was one of the elements considered in the phasing. He added that this might change over time and the TPC might choose to reprioritize.

Mayor Manross stated that she preferred Option B because the inflation factor is built in. She said that jurisdictional equity has always been a goal and including the inflation rate is a way to accomplish that. Mayor Manross stated that a city should be reimbursed as if the project was built in later years. Mayor Manross noted that Option B does not affect the bottom line, and it seems a fair, simple, and straightforward option.

Mayor Hawker expressed his preference for Option B. He said that Mesa has more than 50 percent of its projects in the arterial program, many in later phases. He commented that a shortfall would hit those in Phase 4 the hardest. Mayor Hawker stated that Mesa probably would want to advance projects from Phase 4 because it will not be able to schedule the projects without closing adjacent streets at the same time. He commented that with Option B, cities know the money is there and the risk is theirs if the program comes up short.

Mr. Beard stated his preference for Option B. He said that this option preserves the integrity of the program. He remarked that he did not feel it was advisable to increase costs too early. Mr. Beard stated that Option B will increase costs for cities with the financing cost, but cities will make that decision with the benefit of the community in mind.

Councilmember Schweiker stated that he preferred Option B, because it demonstrates fiscal responsibility.

Mayor Thomas stated that he preferred Option B. He asked about surplus project funds. Referring to the example project, the $7.57 million local share in 2005 dollars is advanced from 2016, and costs only $6.8 million. Mayor Thomas asked if the check would be written for $10.49 million or for the actual cost and then apply inflation? Mr. Anderson replied that the reimbursement would be based on the actual cost for the advanced project plus inflation. He added that reallocating project surplus funds is the next issue to be discussed. Mayor Thomas asked if the issue of a project costing more would also be discussed. Mr. Anderson stated that the regional contribution is capped. If costs increase, that will be the responsibility of the jurisdiction. He explained that cost plus adjustment for inflation is the only way costs can be controlled and the plan delivered.

Mayor Cavanaugh stated that a negative fiscal impact to the program needs to be avoided. If private funds are used, it is imperative to have some sort of allowance. Mayor Cavanaugh stated that interest rates are somewhat the function of inflation. He said that it seemed like double-dipping if both inflation and interest are allowed. Mayor Cavanaugh stated that it seemed that Option B satisfies the requirements.

Mr. Berry commented on Option B. He asked if the inflation adjustment would be applied prospectively or in the phase due. Mr. Anderson replied that inflation adjustments would be based on historical information. Mr. Berry said that under Option B, the example project could be seen as a creditor. He asked what would be the payment priority? Mr. Anderson replied that in the example, the project would be repaid in 2016, ahead of 2017-2025 projects. Mr. Berry commented that it seemed if a jurisdiction borrowed and the program came up short in the year repayment was due, the inflation rate should go at risk. Mr. Berry asked if it is anticipated that jurisdictions would borrow money to advance projects? Mr. Anderson replied that would vary by the jurisdiction and size of project. Mr. Berry asked about the agency that could borrow at the lowest rate. Mr. Anderson replied that bonding is built in to the program overall. He said that the bonding entity will be ADOT, and the arterial program bonding will be added on, so that MAG does not need to establish a financial organization. Mr. Anderson stated that bonding will be in the senior position and any subsequent financing by a jurisdiction will be secondary.

Chair Scruggs commented that a $3 million project in 2002 would grow to $3.3 million in 2005 and to about $4.8 million in 2016. She said that it seemed that applying inflation and interest could amount to triple-dipping.

Mayor Hawker stated that he had not heard ADOT would be in the first position on all of the funds. He asked for clarification on how that would work with firewalls and if it was part of the legislation. Mr. Anderson stated that freeway and arterial funds would go through ADOT as the fiduciary agent. He added that staff did not want to set up a separate financial organization at MAG to manage the arterial funds. Mr. Anderson stated that transit funds flow directly to RPTA. Mayor Hawker if ADOT has first priority, it makes it more difficult for cities to sell bonds. Mr. Anderson stated that cities cannot issue pledges on these monies because they do not have direct access to the money.

Mr. Berry asked if there was a role to have an infrastructure bank. Mr. Anderson replied that he thought funding for arterials might be available through ADOT's HELP program. Mr. Berry said that he thought that borrowing at lowest cost would benefit the entire MAG system. Mr. Anderson stated that interest payments in the HELP program go back into the fund and he would look into whether the HELP program could be applied to the MAG program. Mr. Berry commented on having another layer to fund the bank. Chair Scruggs directed staff to work on that after adoption of the policies.

Chair Scruggs noted consensus on Option B.

Mr. Anderson stated that Policy #2 is the shortfall of program funds. If the Program falls short on revenues, how will the Arterial Street Life Cycle Program be adjusted to restore fiscal balance? A.R.S. 28-6352 (B) requires that costs for projects do not exceed available revenues. Mr. Anderson stated that staff think that downturns have been sufficiently built in to the revenue projections. If the population does not grow as fast as projected, that could impact the revenues from the sales tax. Mr. Anderson advised that the extension of TEA-21 reauthorization is awaited because those funds are key to the MAG program. Mr. Anderson commented that the projections were very conservative and two options were developed to restore fiscal balance in the event of a shortfall.

Mr. Anderson stated that Option A says that projects would be delayed in priority order, and some projects would go beyond the 20-year program. Mr. Anderson noted that if revenues then picked up, those delayed projects would be brought back into the program in the same order.

Mr. Anderson stated that Option B says that budgets for the remaining projects could be adjusted proportionately downward until the program is in balance. He noted that if there is a downturn in 2015 and a rebound in 2017 or 2018, the question is what would be done with those projects done in 2015?

Chair Scruggs asked how projects would be adjusted under Option B. Mr. Anderson replied that the local share might increase or the scope could be reduced.

Mayor Dunn asked if a jurisdiction could be reimbursed for what it advanced? Mr. Anderson replied that could be done. He added that a tracking mechanismwould be needed. Mayor Dunn commented that the last time there was a shortfall, the cities found ways to get the projects done. If a project is important to a jurisdiction, it will find a way to complete it.

Mayor Manross asked if a shortfall in the arterial program could be handled in the manner that MAG handles shortfalls outlined in the freeway guidelines. She indicated that she favored delaying projects in order if there is a shortfall. Mr. Anderson replied that delaying projects would be the easiest administratively and they could be brought back in if more revenue is received.

Mayor Hawker asked how much money would be expected to finish delayed projects if the half cent sales tax expires and is not extended. Mr. Anderson replied that presumably the program would be funded with federal funds. Mayor Hawker commented that different decisions might be needed in 20 years than the ones being made by this group today. He stated that the program will be tracked annually and that will show any variations.

Mayor Drake stated that he agreed with Option A to delay projects in order.

Vice Chair Bilsten expressed concern with moving projects out of the 20-year program. She said that it is one thing to adjust funds, but another to delay a project. Vice Chair Bilsten commented that once a project is taken out of the schedule, you never get it back–as happened with the Paradise, Grand Avenue, and Loop 303.

Mayor Manross expressed that she appreciated that viewpoint. She brought up that the plan amendment process would be followed if there is a significant change or loss of revenue. She said that there are better safeguards and more accountability on this program than in the past. Mayor Manross stated that the ability to reexamine the guidelines every so often is needed.

Mr. Berry suggested that if plans need to change because of a large shortfall, that would trigger an extensive public review and consultation process. Mr. Berry asked if it would help by including this in the policy now or addressing it when going through the process at that time? Mr. Anderson referenced what Mayor Hawker said, the decisions made in 2018 or 2019 might be different than decisions made today. He said that another factor is knowing if this is a cycle or a fundamental shift. Mr. Anderson stated that each year the forecasts will be reviewed and a new Life Cycle produced so we will know the fiscal balance and if adjustments are needed.

Mr. Arnett noted that at ADOT, in some years projects had to be adjusted or extended. He expressed concern with the reauthorization of TEA-21 because there is a chance it might not be reauthorized and that will result in a big economic problem. Mr. Arnett stated that he preferred Mayor Hawker's approach on putting too many decisions in place now.

Mr. Beard referenced Mr. Arnett's statement. He suggested there might be a general policy that if there is a shortfall, the implications would be considered by the TPC. Mr. Beard stated that delaying all projects is not a simple policy, and would require a bank. He said that he preferred keeping the policy general and include things the TPC might consider if a shortfall happens.

Mayor Berman asked if it is even possible to bind a future TPC to the decisions of this TPC. The region could have a very different TPC in 15 years. Mayor Berman stated that he was inclined to have a general policy and leave it to them to decide. Mr. Anderson stated that future TPCs could change the policies. He said that the policies lay the ground rules for implementation. Mr. Anderson indicated that a general policy could work, but detail on the precise nature of the shortfall, etc., would need to be specified.

Mayor Thomas stated that when a project is moved out of the plan, that would be a trigger to require the amendment process.

Chair Scruggs recounted the difficulties encountered in 1996 when there was no money as a result of the recession, and in 1999 when there was money that then had to be allocated. She said she was uncomfortable with not having a policy in place and dealing with it later, because that is not the time to be making decisions. Chair Scruggs commented that if the TPC cannot decide the shortfall issue, then it will not be able to decide the surplus issue. She remarked that she did not believe that those in the future will be well-served to have no policy in place.

Dennis Smith stated that generally, the accelerations and delays were followed in order. For Proposition 300, to make the 2007 program work, funds were borrowed beyond the program to 2014. Mr. Smith stated that the option is available to bond beyond the 20-year program to ensure all projects are done. He added that generally, in 1996, the priority line was kept intact.

Vice Chair Bilsten stated her agreement with Chair Scruggs. She said that it is important for those who come after to have a policy in place, and they can modify it if need be.

Mayor Badowski stated that the question that came to his mind about past experiences was why not use the same consensus to allocate money as to allocate a shortfall? He said that he could see interest in advancing projects, so that problem might not be presented for awhile.

Mr. Smith explained how the decisions were based on priorities already established. He said that now the priorities will be the Life Cycle program. In 1996, some projects were so close to construction that they could not be accelerated, only those farther out.

Supervisor Wilson stated that he did not want to be in the same position as in 1996. He said that he wanted to protect the plan that the voters voted on and have policies in place to do that.

Chair Scruggs commented that the removal of the Paradise was influenced more from opposition by citizens than funding shortfalls, unlike the removal of Grand Avenue that was not opposed. Mr. Smith noted that the Paradise project was already at the stage that right-of-way had been purchased. Then there was a recession and a new ADOT director and the revenue forecasts were very conservative. Mr. Smith stated that a conservative revenue estimate was built into the 1994 plan, and when the 1994 election failed, the Governor's office suggested moving projects off the plan. Mr. Smith stated that later in 1996, when Eric Anderson analyzed the revenue forecast, he found there was about an additional $500 million available. He stated that MAG worked with ADOT to put back into the plan the elements that had been removed. Following that, in 1999, with TEA-21 reauthorization, MAG was able to bond past 2007 to 2014 to deliver the program.

Chair Scruggs commented on Option B. She said that Loop 303 had been moved out of the plan. In reality, the money was there, but instead other projects not in the original plan were done. Because the 303 had been moved off, it did not get done. Chair Scruggs stated that if Option B is chosen, some communities will be able to pay extra money and get their projects done. She added that some cities will have budgeted for 30 percent, not 45 percent. Chair Scruggs stated that she felt that everyone should have an expectation that what is in the plan stays in the plan. She added that the policy could be changed later.

Mr. Berry suggested Option A, "Delaying projects in priority order," but removing the phrase "which means some projects would go beyond the 20-year program."

Mr. Kane expressed his agreement with Mr. Berry's suggestion. He commented that he thought the line was being crossed between planning and funding. Mr. Kane stated that the funding estimate wound up affecting the planning. He said that the faith created in the elements of the plan should remain intact. Mr. Kane added that arbitrarily cutting off projects at the end of the plan to meet funding estimates is not the right way to proceed.

Councilmember Schweiker stated his agreement with Chair Scruggs to have a policy in place that will offer some guidance to future TPCs. He stated that he also agreed with Mr. Berry and Mr. Kane that Option A excluding the phrase is the right option. Councilmember Schweiker stated that it is better to keep projects, even unbuilt, in the plan and follow the intent of the voters.

Mayor Drake stated his agreement to stay with the plan.

Chair Scruggs asked if it would be of any help to the plan if a city delayed reimbursement for a couple of years if there is a shortfall. Mr. Anderson replied that it might help the plan, but would depend upon the circumstances. He added that a lot of options are available, such as federal funds and finding new financing options. Mr. Anderson said that if there is a massive shortfall, such as the loss of federal funds, the plan would need to be redone.

Mr. Scholl stated that he favored delaying projects in order. He asked about projects that jurisdictions advance and with the reimbursement date at the end. Mr. Scholl said that he felt there were too many equity issues associated with other options. He added that based on wanting to incent cities to advance projects, those in the last four to five years would not want to be at the end due to the risk. Mr. Anderson stated that the concept was discussed with the freeway acceleration policy a few years ago. He said that it was a way to ensure reimbursement for a project. Mr. Anderson added that this is one of the risks taken if a project is advanced and if there is no money for reimbursements.

Chair Scruggs stated that it was made known in the acceleration policy that reimbursement was at risk.

Mayor Thomas commented on regional funds being used for cleaning ADOT highways. He suggested using these funds in the event of a shortfall, and then maybe the State would come back and provide the services. Mr. Anderson stated that the freeway maintenance and noise mitigation funds are on the freeway side of the firewall.

Mr. Kane stated that Mr. Scholl presented a valid point about risk. He expressed concern with having an equitable balance being affected by the financial strength of one city versus another.

Supervisor Wilson asked the probability that the plan could be completed in 15 years if the economy continues to thrive? Mr. Anderson replied there was a reasonable probability of that happening.

Chair Scruggs noted consensus on Option A, "Delaying projects in priority order," and removing the phrase "which means some projects would go beyond the 20-year program."

Mr. Anderson stated that Policy #3 deals with surplus program funds. How will the surplus be allocated? Some level of unanticipated revenues should be kept in an economic cycle contingency fund to guard against economic downturns. Funds over this amount could be used.

Mr. Anderson stated that Option A would accelerate the remaining projects, meaning there would be available funds at the end of the Program. Option B would add new projects to the Program after the other approved Program projects. He noted that this option made the most sense to staff. Option C would augment RTP project budgets up to 70 percent of project costs. This would be the case if the actual project costs were higher than listed in the RTP. Mr. Anderson noted there are equity issues with Option C.

Mr. Berry suggested declaring victory as another option, ending the tax, and putting out a new plan. Mr. Anderson noted that the arterial program is only 10 percent of the tax. If all programs were completed, this could probably be done.

Vice Chair Bilsten stated that she favored advancing projects in order.

Mr. Beard recommended advancing projects in order, but he would hesitate to add new projects until a few years into the program. He said that adding projects should be in the last three to five years; otherwise, stay with the projects in the plan and advance them in order until it is ensured there will be money left at the end of the program.

Mayor Manross stated her agreement to advance projects in order and adding new projects at the end.

Mr. Kane asked if there was an amount that might be desirable for the rainy day fund. Mr. Anderson replied that had not been examined specifically. He said that Valley Metro is looking at a 12 percent cash balance. Mr. Anderson stated that staff will have to look at the overall cash flow and come back with a recommendation.

Mayor Hawker commented that advancing projects, in effect, has created a rainy day fund. As long as projects are being accelerated, spend the money and do not leave a lot in reserve. Mr. Anderson stated that the immediate purpose of a rainy day fund is to ensure reimbursement funds to cities are available.

Mayor Cavanaugh stated that he agreed with advancing existing projects in order, but had a problem with adding new projects at the end. He said he thought if they are new, the decision should be made at that time. Mayor Cavanaugh stated that the TPC could express it is staying with the original plan by saying, "existing projects advanced in order."

Mayor Manross stated that she was not opposed to Mayor Cavanaugh's option, and suggested adding "possible new projects." She said if the program is fortunate enough to have surplus funds, there will have to be a process to add projects. Mayor Manross commented that she felt there were sufficient safeguards in place for the process to work.

Mayor Thomas stated that he keeps hearing there are not enough transportation opportunities. He said that he thought that adding new projects at the end offers encouragement to people to look beyond the 20-year program.

Chair Scruggs suggested that the following phrase might be used: "During the first half of the tax, no new projects will be added, with the possibility of projects in the second half."

Supervisor Wilson stated that the TPC should go with Option A, the plan the voters voted on. He commented that when that is done, the voters could be asked if they want to add projects.

Mayor Berman stated his agreement with Supervisor Wilson. He said that a deal was made with voters. From a marketing standpoint, if the program is completed ahead of time, that would be an opportune time to go back to the voters.

Chair Scruggs noted consensus for Option A in Policy #3, to accelerate the existing projects in order. She asked TPC members to submit side issues, such as the infrastructure bank and the rainy day fund, to staff and requested that staff bring those issues to the TPC in the next six months.

Mr. Anderson stated that Policy #4 is the use of surplus project funds. If a project comes in under budget and does not use its full regional allocation, how should these surplus project funds be used? Option A says that surplus project funds could be allocated to another RTP arterial street project in the jurisdiction to augment the budget up to 70 percent of the project costs. This would be the case if the costs for the project as defined in the RTP were higher than listed in the RTP. The scope of the project could not be increased. Option B says that if there are no other projects in the jurisdiction eligible for additional funding, then the jurisdiction could propose a new project. New projects would be added to the end of the adopted program.

Mr. Scholl asked Mr. Anderson that this would apply only if there is no program deficit. Mr. Anderson replied that was correct.

Mayor Manross stated that she believed that project surplus money should stay in the jurisdiction, either adding an arterial project or enhancing another arterial project. She said that this is an incentive to save on costs, and benefits not only the city where the project is built, but also all of the other cities in the region.

Supervisor Wilson stated his agreement to keep the money in a jurisdiction, until all of the projects are completed.

Chair Scruggs asked about the cost estimates. Mr. Anderson replied that the project cost estimates were provided by the cities. Chair Scruggs commented that a city could provide a high estimate. Mr. Anderson replied that he thought the projected costs were generally low. He added that the local share is anticipated to increase, but the regional share is fixed.

Vice Chair Bilsten stated that she believed the entire plan needs to be completed. She said that at the end of 20 years, if there are extra funds, then that is a different issue. Mr. Anderson noted that the concept is that the net dollars to cities remains the same.

Vice Mayor Dennis stated that this is a regional plan and the priority should be getting the plan done. She stated that surplus funds should be set aside and a new plan developed. Vice Mayor Dennis stated that she did not want to put the money into new projects and not be able to keep our promise to the voters.

Mayor Hawker stated that he favored surplus project funds staying in the community that made the savings, otherwise, there is no incentive to save money. This gives the incentive to be responsible and operate cost effectively. Mayor Hawker stated that some projects in Mesa might be over-budget and some might be under-budget and will not be an issue when averaged out. However, those without flexibility will be penalized. He said that he thought jurisdictions should keep the savings–this would not affect the scope of the plan because the dollars would not change. Chair Scruggs asked Mayor Hawker if he meant the surplus project funds would stay in the community to be used for its existing projects and if it had no existing project, new projects could be added at the end of the program? Mayor Hawker replied that was correct.

Mayor Manross stated her agreement. Mayor Manross stated that keeping the project surplus in the jurisdiction is an incentive and she did not see how this would slow down or inhibit other projects. She added that adjustments could be made if warranted during the annual review.

Chair Scruggs commented that it sounded like the incentive was over-estimating projects. Mr. Anderson stated that the project budgets were already locked in. Chair Scruggs asked for clarification of how a city could save money on a project. Mr. Arnett said that the scope could be changed. For example, a less costly berm might be chosen instead of a concrete wall. The city could use the savings on another project.

Vice Mayor Dennis commented that since estimates were done for a project on Lake Pleasant Road in Peoria, costs have increased tremendously and the city is now taking money from another area to finish it.

Mr. Beard stated his agreement with surplus project funds staying in the same jurisdiction. He commented on adding new projects. Mr. Beard stated that if a city has surplus project funds and no project to use it on, the project surplus could go into a program reserve. The jurisdiction could come back and request the surplus from the reserve later.

Mr. Anderson said that another example of cost savings could be funds extracted from developers. He said that we want to ensure there is an incentive for all jurisdictions to do this and not be penalized. Mr. Anderson advised that it reduces the incentive to do this if they think they will lose the surplus funds.

Mayor Berman commented that he did not think there would be surplus funds until the last project is completed. He said that he thought it unfair to those at the end of the program.

Mr. Anderson stated that a priority has been balanced funding. He indicated that he thought readjustments of projects is reasonable if the program is held harmless. Mr. Anderson stated that staff recommended moving surplus project funds within a jurisdiction as long as it is neutral to the program and no new projects are added until the end.

Vice Chair Bilsten asked the recommendation if a jurisdiction completes a project without any regional funds? Mr. Anderson replied that the surplus project funds would be kept in the same jurisdiction for another project.

Mayor Manross stated her support for Mr. Anderson's recommendation because it is fair to jurisdictional equity.

Mr. Scholl asked if the surplus project funds applied to another project in a city could be collected for the program in a later deficit. Mr. Anderson replied that the funds would be treated as other project funding and could not be collected.

Mayor Cavanaugh commented that he understood all projects would need to be completed, regardless of jurisdiction, before any jurisdiction can add a new project. Mr. Anderson replied that was correct. The savings would be used on an existing project within a jurisdiction. If a jurisdiction has no other existing project, the surplus would go into a reserve fund and new projects added at the end.

Supervisor Wilson said that he thought surplus funds would go to a project in another jurisdiction to complete the plan. Mr. Anderson commented that the project savings would not be spent until all other projects are completed. Chair Scruggs said that the issue is after projects in a jurisdiction are built, does the jurisdiction get to add new projects even if the entire program is not built? Mr. Anderson stated that new projects would not be started until the last program in the current plan is completed.

Mayor Hawker commented that if a city saves $2 million, he did not think it should have to wait until the end to be able to use the money. He remarked that the city should get the savings in the time it was supposed to get it. Mayor Hawker stated that a city that saved $2 million by being creative would be penalized because the funds would be at risk if it had to wait until the end to use them.

Chair Scruggs asked Mayor Hawker for clarification if he meant using the surplus funds for a project that was not in the original plan. Mayor Hawker affirmed that was correct.

Mayor Berman commented that there are two ways to save–be lucky or reduce the scope. He expressed concern with projects in Phase 4. We need to be a team and take care of the projects promised to the public.

Vice Mayor Dennis stated that the plan needed to be done first. She commented on tracking savings that a city will be able to use at the end of the program.

Chair Scruggs stated that the question is if there is a surplus, then a program shortfall, do we build the plan or does the jurisdiction that saved the money get to use it for new projects?

Vice Mayor Dennis stated that the plan needed to be done first and savings tracked. At the end of 20 years, if a city's savings are available, then they could be used.

Mayor Thomas asked about the standards. Mr. Anderson stated that a jurisdiction's standards were used.

Mayor Cavanaugh commented that crediting savings is not as important as the integrity of the entire plan. He said that he felt that every arterial should be completed before anything is added.

Mayor Hawker stated that he would go with the will of the other TPC members and would support adding projects at the end.

Chair Scruggs noted consensus for Policy #4 that if a jurisdiction saves money, the savings can be applied to another project in the jurisdiction. If a jurisdiction has no other existing project, the savings would go into an account so the entire plan is built. If funds are available after the program is completed, then the jurisdiction would get new projects.

Mr. Anderson stated that the four policy issues would be incorporated into the draft policies and procedures. He said that the document would be reorganized and simplified and then sent out. Mr. Anderson stated that a workshop will be held in mid-May for member agency staff review. He said that the TPC will further discuss the policies and procedures with partial adoption at the May TPC meeting. Mr. Anderson stated that final adoption is anticipated in June.

7. Legislative Update

Tom Remes provided an update on legislative issues of interest. He referred to the bill summary chart that showed the status of legislation to-date. He stated that HB 2123, the HELP loan bill, is a favorable bill. He said the bill is on the Governor's desk.

Mr. Remes stated that HB 2122 is a strike-everything bill that deals with RTP performance audit requirements. He said that the bill currently is pending for a second vote.

Mr. Remes stated that HB 2781 is the temporary 10 cents per gallon tax rebate between Memorial Day and Labor Day. He said that the money will come from the General Fund. Mr. Remes stated that the bill is scheduled to be heard on April 21 in the Appropriations Committee. Mayor Manross asked what is anticipated for this bill. Mr. Remes replied that it appears there is not much support.

There being no further business, the meeting adjourned at 6:23 p.m.

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Chair

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Secretary