

## ARTERIAL LIFE CYCLE PROGRAM WORKING GROUP MEETING

DATE: Tuesday, May 22, 2012

TIME: 1:30 p.m.

WHERE: MAG Regional Meeting Center, Suite 200 - Ironwood Room  
302 North 1st Avenue, Phoenix

### AGENDA

- I. INTRODUCTIONS
  
- II. FY2013 ALCP PROGRAM DEFICIT
  - A. Actual and Forecasted Revenues
  - B. Programmed Expenditures
  
- III. PROPOSED SCENARIOS
  - A. Scenario 1: Bonding & Inflation
  - B. Scenario 2: No Bonding
  - C. Scenario 3: No Bonding & No Inflation
  - D. Alternative Scenarios
    1. Bonding & No Inflation
  
- IV. PROGRAMMING REIMBURSEMENTS
  - A. Methods applied by MAG
  - B. Alternative methods proposed by Member Agencies
  
- V. NEXT STEPS
  - A. Revised FY2012 Program Deadlines
  
- VI. CLOSING COMMENTS OR SUGGESTIONS

## ARTERIAL LIFE CYCLE PROGRAM WORKING GROUP MEETING

MAG Regional Meeting Center, Suite 200 - Ironwood Room

Tuesday, May 22, 2012 - 1:30 p.m. - 3:30 p.m.

### MEETING SUMMARY

#### INTRODUCTIONS

- See Appendix for attendees

#### FY2013 ALCP PROGRAM DEFICIT

##### Actual and Forecasted Revenues

- RARF revenue forecast released in the Fall 2011 projected a decrease in program revenues.
- Federal fund stream in the program was updated. The amount of available funds for the program decreased.
- For the last several years, actual revenue collections have been below the forecasted amounts.

##### Programmed Expenditures

- Inflation has averaged 2.4 percent over the last two years.
- Inflation required per the ALCP Policies and Procedures adopted on December 9, 2009.
- Actual/Forecasted revenues have not kept up with inflation. The result is an increased burden on the fiscal balance of the program.
- Cashflow discussion
  - Failure to reimburse projects has a slight negative impact due to inflation increasing program expenditures
  - No negative fiscal impact if reimbursements are not inflated

##### Fiscal Balance

- Required under state law
- Bonding used to finance program
- Bonding allows for reimbursements to be programmed before revenues are expected
- Debt service from bonding is the biggest burden on the program
- Historically, MAG has not bonding in the first two years of the program because we have had a chronic issue with agencies deferring reimbursements for the current fiscal year

programmed for reimbursement. No need to bond in the current year if we are not expending all the revenues on hand.

#### Proposition 400 Audit

- In January 2012, MAG Staff suspended Major Project Changes, as requested by the audit, until additional evaluation criteria could be identified.
- Additional reporting requirements.
  - Sign-in at Working Group meetings is required

#### PROPOSED SCENARIOS

##### Scenario 1: Bonding & Inflation

- Bonding used to advance programmed reimbursements to the greatest extent possible.
- Programmed reimbursements would be deferred due to a deficit of program funds under this option; however, the deferrals would be less severe than Scenarios 2 & 3.
- \$30-45 million would need to be removed from the program to restore the balance of program funds.
- MAG Staff would coordinate with Lead Agency Staff on the projects to unfunded to restore the balance.
- Funds would be removed from each Phase of the program to minimize the shifting of reimbursements.

##### Unfunded Reimbursements

- Over \$196 million removed from the program to date
- An extensive reprogramming occurred last year
- Lead Agencies were encouraged to reprogram projects based on priorities
- Each Agency was required to reduce program reimbursements based on their share (%) of the program
  - Agency shares have changed based on transfers of Lead Agency responsibilities
  - Some agencies reduced more/less than their share due to the transfer of Lead Agency responsibilities. How to address? Suggestions included:
    - Leave as is
    - Recalculate based on current share
    - For multi-jurisdictional projects, split deferrals based on shares
    - No consensus made during meeting. Agencies to submit additional comments/ideas to MAG Staff.

### Scenario 2: No Bonding

- Debt service expense from bonding would be eliminated.
- Illustrative scenario sent to Working Group to demonstrate impacts of scenario.
- Memo sent to Lead Agencies stated that deferrals would be four to six years on average. Actual shift was closer to two to four years.
- \$10 million would need to be deferred from the program to restore the fiscal balance of the ALCP.

### Scenario 3: No Bonding & No Inflation

- Scenario 3 would operate the same as Scenario 2; however, programmed reimbursements would not be adjusted for inflation.
- Illustrative scenario sent to Working Group to demonstrate impacts of scenario.
- Reimbursements would be deferred to a lesser extent than Scenario 2 because the burden on the program would be reduced.
- No additional funds would be deferred to an unfunded year of the program

### Alternative Scenarios

- Reduced all reimbursements by the percentage necessary to rebalance the program
  - Group decided not to use this scenario

### Comments

- General consensus was to use Scenario 3 to rebalance the program
- Suggestion to review the issue of inflating the reimbursements when forecasted revenues improve
- MAG Staff will present proposed scenario to the Transportation Policy Committee for policy guidance
- MAG will release a revised draft of the ALCP based on TPC direction
- Estimated approval of the FY13 ALCP slated for August/September committee cycle
- Draft program will be presented to the Transportation Review Committee, Management Committee, Transportation Policy Committee, and Regional Council for approval

### PROGRAMMING REIMBURSEMENTS

#### Methods applied by MAG

- Based on available revenues
- Agency priorities and previous programming taken into consideration

- MAG solicits input from Agencies on proposed draft
- Exchanges encourage to meet agency needs

#### Alternative methods proposed by Member Agencies

- None

#### NEXT STEPS

##### Revised FY2012 Program Deadlines

- MAG Staff will release a revised program schedule for FY2012 based on the Working Group's input on the preferred rebalancing scenario
- Due dates and deadlines will be shifted
- Approval of the Draft FY2013 is estimated for the August/September 2012 Committee cycle

##### Future Working Group Meetings

- Several Working Group meetings will be scheduled throughout calendar year 2012. Items to be discussed include:
  - Congestion Management Process (CMP)
    - Process will be used to evaluate changes to the ALCP
    - CMP workgroup held first meeting April 26 after TRC, Next meeting June 28.
    - ALCP Working Group can review criteria currently in CMP Report/Tool and make recommendations
  - Project Change Requests
    - Needs to be revised based on Proposition 400 audit recommendations
  - Revisions to the ALCP Policies and Procedures
    - Have not be revised since 2009
  - RARF Closeout
    - Lead Agencies have requested that policies and procedures for RARF Closeout be reviewed and revised
    - Concerns expressed about prioritization

#### CLOSING COMMENTS OR SUGGESTIONS

None



