

## ARTERIAL LIFE CYCLE PROGRAM WORKING GROUP MEETING

DATE: Monday, July 30, 2012  
TIME: 1:30 p.m.  
WHERE: MAG Regional Meeting Center, Suite 200 - Ironwood Room  
302 North 1st Avenue, Phoenix

### REVISED AGENDA

- I. INTRODUCTIONS
- II. OVERVIEW OF MAP-21 FINANCIALS
- III. FY 2013 DRAFT ALCP
  - A. Previous Actions and Consensus
  - B. Comments Received
  - C. Next Steps
- IV. CONGESTION MANAGEMENT PROCESS
  - A. Overview
- V. ALCP PROJECT CHANGE PROCESS
  - A. Current Process
  - B. Proposition 400 Audit Recommendations
  - C. Comments/Proposed Revisions to the existing Project Change Process
- VI. ALCP POLICIES AND PROCEDURES
  - A. Comments/Proposed Revisions submitted to MAG
- VII. CLOSING COMMENTS OR SUGGESTIONS

## Christina Hopes

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**From:** Christina Hopes  
**Sent:** Tuesday, May 15, 2012 8:38 AM  
**To:** 'Al Kattan'; 'Allan Grover (E-mail)'; 'Andrew Granger (andy.granger@peoriaaz.gov)'; 'Chris Casey (E-mail)'; 'Chris Kmetty (chris.kmetty@peoriaaz.gov)'; 'Clemenc Ligocki (E-mail)'; 'Dan Cleavenger (dan.cleavenger@mesaaz.org)'; 'Dan Cook (E-mail)'; 'Dave Meinhardt (E-mail)'; 'Eric Anderson'; 'Evelyn Ng'; 'Fredda Bisman (fredda.bisman@mwmf.com)'; 'Gary Neiss'; 'Jennifer Jack (jennifer.jack@srbmic-nsn.gov)'; 'John Hauskins (johnhauskins@mail.maricopa.gov)'; 'Jorge Gastelum (jgastelum@cityofelmirage.org)'; 'Ken Hall (kenneth.hall@mesaaz.gov)'; 'Kent Andrews (kent.andrews@srbmic-nsn.gov)'; 'Kurt Sharp'; 'Larry Landry (E-mail)'; 'Leah Hubbard (leah.hubbard@gilbertaz.gov)'; 'Liz Denning'; 'Lynne Hilliard - MCDOTX'; 'Maria Angelica Deeb (maria.deeb@mesaaz.gov)'; 'Mike James'; 'Paul Mood'; 'Paul Young'; 'Phillip Matthews (E-mail)'; 'Quinnell Hui (qhui@fh.az.gov)'; 'Randy Harrel (rharrel@fh.az.gov)'; 'RJ Zeder'; 'Robert Beckley (robert.beckley@surpriseaz.com)'; 'Roger Herzog'; 'Scott Butler'; 'shane.silby@phoenix.gov'; 'Steve Tate'; 'Teri Kennedy'; 'Terry Max Johnson (E-mail)'; 'Todd Taylor'; 'Tony Camp'; 'Wayne Anderson (E-mail)'  
**Subject:** ALCP Shortfall Scenarios and Working Group Meeting  
**Attachments:** FY13 Revenue Shortfall Memo.pdf; Scenario 2 (NoBond2012\$).pdf; Scenario 3 (NoBond2011\$).pdf; DraftFY13ALCP\_FirstDraft.pdf; ALCP Working Group Agenda 5.2012.pdf

Members of the ALCP Working Group,

MAG Staff has developed two drafts of the FY2013 ALCP to illustrate the potential impact of Scenarios 2 and 3 on rebalancing the ALCP. Under Scenario 2 (No Bonding Inflated to 2012\$), \$20 million in programmed reimbursements would need to be removed from the program. Under Scenario 3 (No Bonding & No Inflation), no additional reimbursements would need to be removed from the program to restore the fiscal balance. A draft of Scenario 1 was not developed. Scenario 1 would be similar to the first draft of the ALCP previously released. However, Lead Agencies would need to remove approximately \$30 million to restore the fiscal balance to the program.

Please note that these drafts are for illustrative purposes only. MAG will coordinate with each Lead Agency to minimize the impact to priority projects once a rebalancing scenario has been selected.

Also, a revised agenda for the ALCP Working Group Meeting on May 22<sup>nd</sup> is attached.

Feel free to contact me with any questions or concerns.

Christina

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**From:** Christina Hopes  
**Sent:** Tuesday, May 01, 2012 10:53 AM  
**Subject:** ALCP Shortfall and Working Group Meeting

**Sent to Intergovs  
5/1/2012**

Member of the ALCP Working Group and Transportation Review Committee,

On May 22, 2012, MAG Staff will conduct an ALCP Working Group meeting to discuss a deficit of program fund in the Arterial Life Cycle Program and proposed scenarios to restore fiscal balance program. Attached are the agenda for the Working Group Meeting and a memorandum addressing requests to restore reimbursements to FY2012 status, declining revenues, increased expenditures, and rebalancing efforts.

At the Working Group meeting, attendees will discuss proposed scenarios to rebalance the program. Three scenarios are presented in the attached memorandum. However, Member Agencies are encouraged to develop and propose alternative scenarios to balance the program.

Please let me know if you will be able to attend the ALCP Working Group meeting, which is scheduled for:

Date: Tuesday, May 22<sup>nd</sup>  
Time: 1:30 PM

May 1, 2012

**TO:** Members of ALCP Working Group  
 Members of the Transportation Review Committee

**FROM:** Christina Hopes, Transportation Planner II

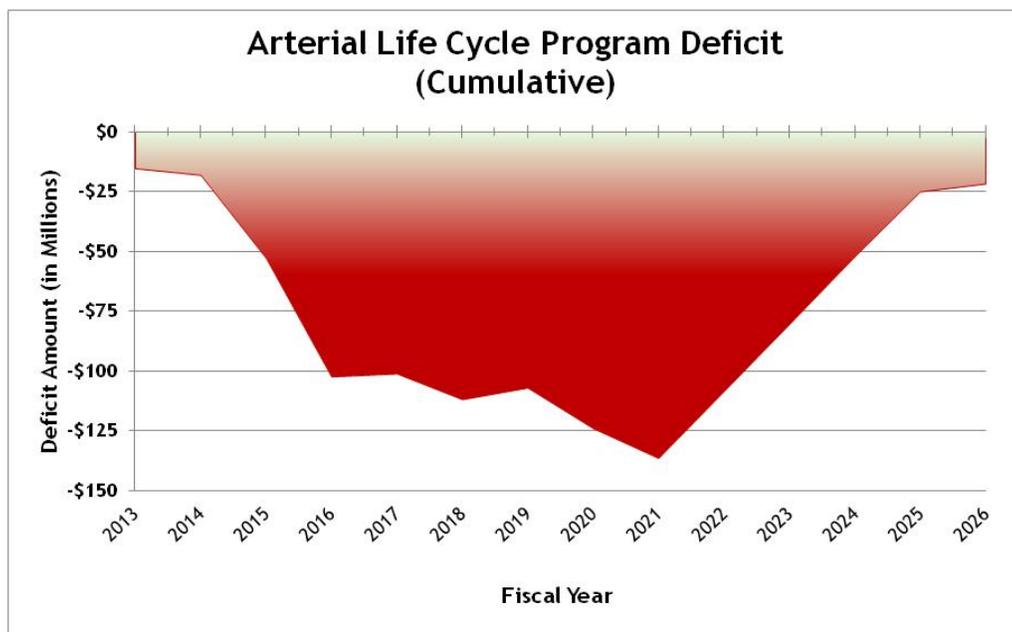
**SUBJECT:** DRAFT FISCAL YEAR 2013 ARTERIAL LIFE CYCLE PROGRAM DEFICIT

MAG Staff has received multiple requests that programmed reimbursements in the Draft Fiscal Year (FY) 2013 Arterial Life Cycle Program (ALCP) be restored to the same fiscal years listed in the adopted FY2012 ALCP. Annually, MAG updates the ALCP based on revised revenue forecasts, program expenditures, and project schedule changes. During the update process, reimbursements may shift due to availability of program funds<sup>1</sup>. At this time, MAG is unable to accommodate requests to restore funding to the fiscal years listed in the adopted FY2012 ALCP due to a deficit of program funds.

**OVERVIEW**

Starting in FY2013, there is a deficit of program funds projected in the Arterial Life Cycle Program. The deficit is the result of decline in anticipated revenues and an increase in program expenditures. Figure 1 illustrates the forecasted program deficit for the period between FY2013 and the expiration of the half-cent transportation sales tax in FY2026.

**FIGURE 1**



\* Figure compares forecasted revenues to programmed reimbursements in the FY13 Draft ALCP. Bonding not included in revenue calculations

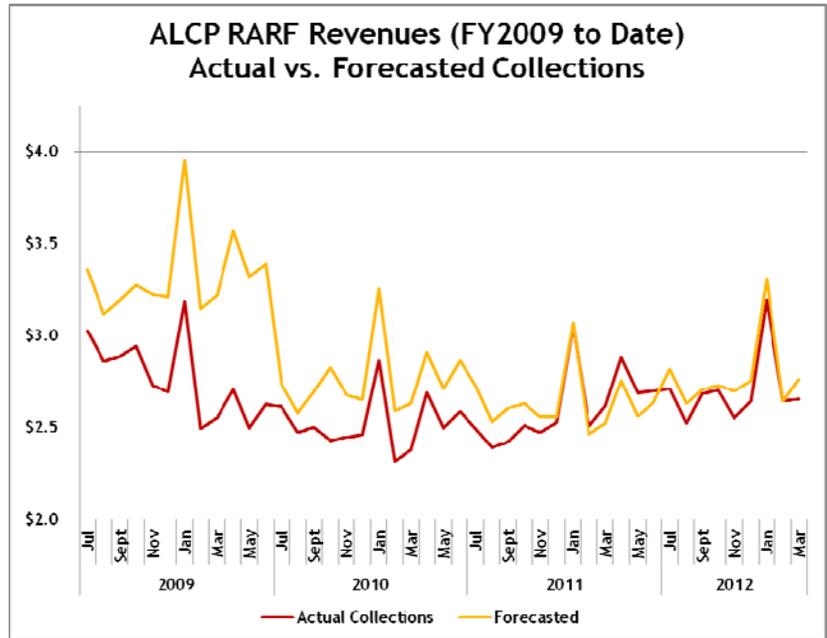
<sup>1</sup> Section 200.C of the ALCP Policies and Procedures adopted by the MAG Regional Council on December 9, 2009.

**DECLINING REVENUES**

Regional Area Road Fund (RARF) collections have steadily declined over the last several years due to the state of the economy. Decreased revenue collections resulted in a deficit of program funds in the Arterial Life Cycle Program (ALCP) and \$201 million in programmed reimbursements were removed from the program to-date in an effort to restore the fiscal balance to the program. In November 2011, the revised RARF revenue forecast was released and was incorporated into the revenue stream in the Draft FY2013 ALCP. The revised forecast indicated the continued decline in revenue collections, which resulted in an immediate negative impact on the program.

For the last several years, actual revenue collections have been below the forecasted amounts. Figure 2 illustrates the forecasted and actual RARF revenue collection between FY 2009 and March 2012.

**FIGURE 2**

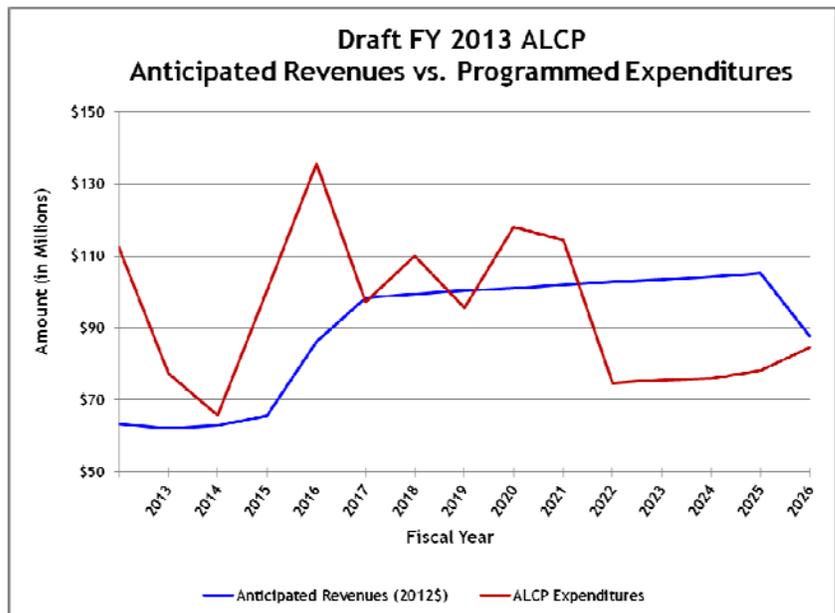


**INCREASED EXPENDITURES**

The Regional Transportation Plan (RTP) adopted in 2003 established the regional reimbursements for projects programmed in the ALCP. Original project budgets were expressed in 2002 dollars. During the annual update, MAG Staff inflates remaining budgets carried forward to the next year to account for the past year’s inflation<sup>2</sup>. Inflating programmed reimbursements increases program expenditures.

Over the past few years, inflation has steadily increased while program revenues have steadily decreased. In 2011 and 2012, programmed reimbursements were inflated an average of 2.5%. Figure 3 illustrates the difference between anticipated program revenues from all sources (RARF, STP, CMAQ) and programmed expenditures in the Draft FY2013 ALCP.

**FIGURE 3**



<sup>2</sup> Per Section 240 of the ALCP Policies and Procedures adopted by the MAG Regional Council on December 9, 2009.

### DECREASED BONDING CAPACITY

MAG Staff rebalances the ALCP annually to ensure the fiscal constraint of the program. The rebalancing process includes a review of the program cashflow, which is affected by actual/forecasted revenues, reimbursements paid, programmed reimbursement, bond funds, and debt service payments. The decrease in forecasted revenues reduced the bonding capacity in the program. Historically, bonding has been a key element to avoid deferring programmed reimbursements to a later year in the program.

### REBALANCING EFFORTS

MAG delayed the release of draft of the FY13 ALCP while staff actively worked on strategies to maintain the fiscal balance of the program. After extensive analysis, MAG decided to release the draft, *which is not fiscally balanced*, for member agency review. Three scenarios to balance the draft have been developed and are discussed below.

#### *Scenario 1: Bonding & Inflation*

Bonding is one finance mechanisms used by MAG Staff to advance programmed reimbursements in the ALCP. However, the debt service associated with bonding places a burden on program revenues since the interest cost for the bonds are an additional cost to the ALCP. Annually, MAG Staff programmed reimbursements are adjusted to keep up with inflation. In the last two years, programmed reimbursements have been inflated an average of 2.5% annually. Inflation also places a burden on programmed revenues. Under Scenario 1, MAG would use bonding to advance programmed reimbursements to the greatest extent possible. It should be noted that programmed reimbursements would be deferred due to a deficit of program funds under this option. In addition, \$30-45 million would need to be removed from the program to restore the balance of program funds.

#### *Scenario 2: No Bonding*

The debt service associated with bonding places a burden on program revenues. Under Scenario 2, debt service expense would be eliminated. Lead Agencies can anticipate programmed reimbursements to be deferred between four to six years on average under this Scenario. In addition, \$10-15 million in programmed reimbursements would need to be deferred from the program to restore the fiscal balance of the ALCP.

#### *Scenario 3: No Bonding & No Inflation*

Annually, MAG Staff programmed reimbursements are adjusted to keep up with inflation. Scenario 3 would operate the same as Scenario 2; however, programmed reimbursements would not be adjusted for inflation. Under this Scenario, reimbursements would be deferred to a lesser extent than Scenario 2 because the burden on the program would be reduced. It is estimated that up to \$5 million in programmed may need to be removed from the program to restore the fiscal balance to the ALCP.

The ALCP is funded from three revenue sources: the half-cent sales tax (RARF), Surface Transportation Program Funds, and Congestion Mitigation and Air Quality Program Funds. During each annual update, the funding sources assigned to reimbursements may change in an effort to maximize the use of available resources. All programmed reimbursements, regardless of funding source, will be affected by the preferred Scenario recommended by the ALCP Working Group.

### ALCP WORKING GROUP MEETING

On May 22, 2012, MAG Staff will conduct an ALCP Working Group meeting to discuss proposed scenarios to balance the Draft FY2013 Arterial Life Cycle Program. Member Agencies are encouraged to develop and propose alternative scenarios to balance the program.

Please contact me with any questions or concerns at (602) 254-6300 or chopes@azmag.gov.

## 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





## Christina Hopes

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**From:** Christina Hopes  
**Sent:** Monday, July 16, 2012 10:28 AM  
**To:** (chris.casey@phoenix.gov); (clemligocki@mail.maricopa.gov); Al Kattan; 'Allan Grover'; Andrew Granger (andy.granger@peoriaaz.gov); Chris Kmetty (chris.kmetty@peoriaaz.gov); Dan Cleavenger (dan.cleavenger@mesaaz.org); Dan Cook; Dave Meinhart (dmeinhart@scottsdaleaz.gov); Eric Anderson; Evelyn Ng; Fredda Bisman (fredda.bisman@mwmf.com); Gary Neiss; Jennifer Jack (Jennifer.Jack@SRPMIC-nsn.gov); John Hauskins (johnhauskins@mail.maricopa.gov); Jorge Gastelum (jgastelum@cityofelmirage.org); Ken Hall (kenneth.hall@mesaaz.gov); Kurt Sharp; Leah Hubbard (leah.hubbard@gilbertaz.gov); Lee Jimenez (leejimenez@mail.maricopa.gov); Liz Denning (Liz.Denning@chandleraz.gov); Lynne Hilliard (lynnehilliard@mail.maricopa.gov); Maria Angelica Deeb (maria.deeb@mesaaz.gov); Mike Gillespie (Michael.gillespie@gilbertaz.gov); P. E. Lance Calvert (lcalvert@cityofelmirage.org); patrice.kraus@chandleraz.gov; Paul Young; Peter Christensen (peter.christensen@peoriaaz.gov); Phil Matthews (phil.matthews@srbmic-nsn.gov); pmood@fh.az.gov; Quinell Hui (qhui@fh.az.gov); Randy Harrel (rharrel@fh.az.gov); RJ Zeder (robert.zeder@chandleraz.gov); Robert Beckley (Robert.Beckley@surpriseaz.gov); Roger Herzog; Scott J. Butler; shane.silby@phoenix.gov; Steve Tate; Teri Kennedy; Terry Max Johnson (tjohnson@glendaleaz.com); Todd Taylor (TTaylor@ScottsdaleAz.Gov); wendy.kaserman@queenecreek.org

**Subject:** FY13 Draft ALCP  
**Attachments:** FY13Draft\_JulyVersion.pdf

**Sent to Intergovs  
7/18/2012**

ALCP Working Group,

Attached is the current draft of the Fiscal Year (FY) 2013 Arterial Life Cycle Program. The draft has been rebalanced based on the guidance provided by participants at the ALCP Working Group meeting conducted on May 22, 2012. Lead Agency Staff is strongly encouraged to review fiscal years for work and amount programmed by work phase for accuracy.

Please note, a two year transportation reauthorization has been signed. MAG Staff is coordinating with the Arizona Department of Transportation on potential impacts the reauthorization may have on the program. As a result, it is possible that reimbursements may shift again when the next draft is released.

All comments and revisions on the current draft *are due no later than July 27 by 5pm*. Any requests to advance programmed reimbursements should be accompanied with a list of programmed reimbursements that could be deferred/exchanged to accommodate the advancement request.

Feel free to contact me with any questions or concerns.

Christina Hopes, AICP  
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