

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
TRANSPORTATION REVIEW COMMITTEE

October 23, 2008

Maricopa Association of Governments Office
302 North First Avenue, Suite 200, Saguaro Room
Phoenix, Arizona

MEMBERS ATTENDING

Phoenix: Tom Callow	*Litchfield Park: Mike Cartsonis
ADOT: Kwi-Sung Kang for Floyd Roehrich	Maricopa County: John Hauskins
*Mesa: Scott Butler	
Avondale: Shirley Gunther for David Fitzhugh	Paradise Valley: Robert M. Cicarelli
Buckeye: Jose Hevedia for Scott Lowe	Peoria: David Moody
Chandler: RJ Zeder for Patrice Kraus	*Queen Creek: Mark Young
El Mirage: Lance Calvert	RPTA: Bob Antila for Bryan Jungwirth
Fountain Hills: Randy Harrel	Scottsdale: Dave Meinhart for Mary O'Connor
*Gila Bend: Vacant	Surprise: Randy Overmyer
*Gila River: David White	#Tempe: Carlos de Leon
Gilbert: Stephanie Prybyl for Tami Ryall	*Valley Metro Rail: John Farry
Glendale: Terry Johnson	*Wickenburg: Gary Edwards
Goodyear: Cato Esquivel	*Youngtown: Lloyce Robinson
Guadalupe: Jim Ricker	

EX-OFFICIO MEMBERS ATTENDING

Regional Bicycle Task Force: Jim Hash, City of Mesa	*Pedestrian Working Group: Brandon Forrey, City of Peoria
*Street Committee: Darryl Crossman, City of Litchfield Park	*Transportation Safety Committee: Kerry Wilcoxon, City of Phoenix
*ITS Committee: Mike Mah, City of Chandler	

* Members neither present nor represented by proxy. + - Attended by Videoconference
- Attended by Audioconference

OTHERS PRESENT

Eric Anderson, MAG	Eileen Yazzie, MAG
Monique de los Rios-Urban, MAG	Kristen Taylor, City of Avondale
Bob Hazlett, MAG	Pat Dennis, City of El Mirage
Roger Herzog, MAG	Jim Creedon, Landry and Creedon
Sarath Joshua, MAG	Bill Hayden, ADOT
Nathan Pryor, MAG	David Johnson, Town of Buckeye
Tim Strow, MAG	Jenna Goad, City of Glendale

1. Call to Order

Mr. Tom Callow from the City of Phoenix called the meeting to order at 10:10 a.m.

2. Approval of September 25, 2008 Draft Minutes

Mr. Callow asked if there were any changes or amendments to the meeting minutes, and there were none. Mr. David Moody from City of Peoria moved to approve the minutes. Mr. David Meinhart from the City of Scottsdale seconded the motion, and the minutes were subsequently approved by unanimous voice vote of the Committee.

3. Call to the Audience

Mr. Callow stated that he had not received any request to speak cards from the audience and moved onto the next item on the agenda.

4. Transportation Director's Report

Mr. Callow invited Mr. Eric Anderson from MAG to present the Transportation Director's Report. Mr. Anderson informed the Committee that MAG was tracking national discussions on reauthorization of the current authorization bill, which would end in September 2009. Mr. Anderson reported that the reauthorization discussions have been held by numerous national organizations including the National Association of Regional Councils (NARC), the Association of Metropolitan Planning Organizations (AMPO), and Transportation for America (T4 America).

Mr. Anderson expressed concern about proposals that would tie federal funds to performance based factors, such as a reduction in vehicle miles travel (VMT). Mr. Anderson informed the Committee that he participated in the T4America reauthorization discussions, where this was discussed. Mr. Anderson expressed concerns about the feasibility of reducing absolute VMT in rapidly growing areas.

Mr. Anderson announced that MAG also was tracking issues in California including the passage of Senate Bill 375, which required the integration of land use and transportation. He reported that Senate Bill 375 also required planning organizations address green house gases and the reduction in VMT. He emphasized the reduction in VMT was not per capita, but absolute reductions in VMT.

Mr. Callow asked if there were any questions or comments about this agenda item. There were none, and this concluded the Transportation Director's Report.

5. Status Report on the Proposition 400 Freeway Program

Mr. Callow then asked Mr. Anderson to provide a Status Report on the Proposition 400 Freeway Program. Mr. Anderson announced that his presentation on the Freeway Life Cycle Program would focus on MAG's responsibilities, revenues, costs, and potential strategies to keep the program in balance.

First, Mr. Anderson addressed MAG's responsibilities. He referenced state laws, which requires MAG to recommend project priorities/schedules, issue an annual report on the implementation of Proposition 400, and require program costs and revenues be in balance for freeways, transit, and arterial streets. State law also requires MAG to maintain the Regional Transportation Plan (RTP) to the Regional Council and requires that MAG approve material cost changes. Mr. Anderson stated that federal transportation law requires that the RTP and Transportation Improvement Program (TIP) to be financially constrained and meet air quality conformity standards.

Mr. Anderson displayed a chart on Proposition 400 sales tax revenues. He reported July 2008 revenues were down 11.2 percent, and August revenues were down approximately eight percent. He added that September revenues were down 7.2 percent over September 2007. Mr. Anderson stated sales tax revenues were down twelve of the last thirteen months compared to the previous years. He reported that the Arizona Department of Transportation was in the process of revising the Highway User Road Fund (HURF) and Regional Area Road Fund (RARF) projections.

Next, Mr. Anderson displayed a map showing homes with negative equity in the metropolitan area. He reported that 40 percent of the homes purchased in the last five years had negative equity in the home. Mr. Anderson noted the impact of housing equity on consumer confidence stating that negative equity generally results in a reduction in major purchases by consumers.

Then, Mr. Anderson displayed a graph of homes that sold for a loss in the Maricopa/Pinal Metropolitan Statistical Area. He informed the Committee that during the second quarter of fiscal year (FY) 2008, 52 percent of homes were sold at a loss. Of those, 38 percent were in foreclosure. He noted that the inventory of foreclosures continues to increase as the number of foreclosure notices continued to exceed the number of foreclosed homes sold. Mr. Anderson recounted the general consensus of the risk panel attended in August, which agreed that the housing market would not improve until 2010.

Continuing on, Mr. Anderson directed the Committee's attention to chart of contracting taxable sales at the state level, noting the lack of data at the regional level. He commented that contracting taxable sales peaked in 2006 and had been in a steep decline since. Mr. Anderson continued on to a chart taxable sales on residential and nonresidential construction, excluding public works and highway construction. He noted that the non-residential construction peaked in 2007 and would continue to decline.

Mr. Anderson stated that the supply of vacant office space and residential vacancies was likely to increase. He forewarned that increased supply would delay the construction of new commercial properties. As a result, a sharp decline in commercial construction was likely to occur.

Next, Mr. Anderson addressed motor vehicle sales, another significant source of sales tax revenues in the region. Mr. Anderson reported that in mid-2006, motor vehicle sales statewide totaled \$800 million per month. He stated that motor vehicle sales had declined to \$500 million per month, approximately a 40 percent decrease. Mr. Anderson also noted a decrease in tourism, which resulted in lower revenues from the hotel/motel industry.

Mr. Anderson displayed a graph on the home furnishing market. He stated the decline was not evident in the graph, but cautioned that a significant decline in home furnishing and building material sales was anticipated due to the decline in the housing market. Mr. Callow reported that the Salt River Project (SRP), a valley-based electric company, averaged between 20,000 to 45,000 new hook ups annually. To date, SRP had received 22 requests for new connections for the year. Mr. Callow added that SRP expects this will be the first year in fifty years for a decrease in connections.

Mr. Anderson reported that in FY 2008 transportation sales tax revenues decreased 3.2 percent. He stated that this was the first year the region experienced a decline in sales tax revenue from the previous fiscal year and warned FY 2009 would likely be the same. Mr. Anderson noted that the annually decline in sales tax was unprecedented. He informed the Committee that ADOT researched the sales tax base in Maricopa County back to 1960, and determined that until FY 2008 the sales tax revenues had never declined.

Continuing on, Mr. Anderson stated that the FY 2008 revenues of \$379 million were \$30 million lower than projected. He informed the Committee that currently ADOT was in the process of revising RARF revenue projections. His expectation was that the overall revenue projections would decrease by more than \$1 billion over the life of the tax and that the projections for the Freeway Life Cycle Program would decrease by \$700 million.

Mr. Anderson expressed concerns about the Highway User Revenue Fund (HURF). He reported a significant decline in HURF revenues, which are comprised of gas tax revenues (approximately 50%), vehicle license tax (20-25%), and registration and motor carrier fees. He stated that \$1.34 billion was collected in FY 2008, which was \$96 million below the projections. He cautioned that the HURF revenue would likely be notably lower in the revised projections. He also explained that ADOT receives half of the HURF revenue to fund department operations and state highway projects. The remaining HURF revenues are allocated to cities, towns and counties.

Next, Mr. Anderson discussed the impact of the lower revenue forecasts on the bonding ability of the Freeway Life Cycle Program. He informed the Committee that bonding ability was built into the Freeway Life Cycle Program. Mr. Anderson explained that the ability to bond was negatively impacted by the meltdown in the national financial markets. He reported a significant increase in financing costs. In example, he reported that the effective interest rates on bonds over the last four weeks have increased about 1.5 percent, when financing was available. Mr. Anderson commented that the bond market had almost shut down because due to the freeze in the credit market.

Mr. Anderson stated in an effort to balance the FY 2009 general fund, the state Legislature transferred \$85 from the Arizona Department of Transportation (ADOT) to the Department of

Public Safety (DPS). He stated that the transfer had reduced ADOT's bonding capacity. He reported that last year, the Legislature authorized ADOT to issue 30 year bonds instead of 20 year bonds. ADOT thought it would have an additional \$800 million in bonding capacity; however, the bonding capacity had diminished due to the transfers to DPS and lower HURF revenue.

Then, Mr. Anderson discussed construction costs. Mr. Anderson stated that since the adoption of the Regional Transportation Plan in 2003, the cost of highway and street construction had increased nationally by 77 percent, approximately four times the consumer price index. Mr. Anderson said that the prices for concrete, steel, and asphalt had risen significantly, but that the biggest impact on prices resulted from the increase in oil prices, which affected all aspects of construction. He noted that the price of asphalt declined from the previous month.

Mr. Anderson stated that the cost and availability of asphalt for road projects would continue to be an issue. Due to costs, manufacturers are opting to produce higher value products in lieu of asphalt, which reduces availability. He added that if the price of gasoline continued to decline the cost of asphalt may improve; however, this would have a minimal impact on availability.

Next, Mr. Anderson addressed Freeway Life Cycle Program revenues from FY 2006 to FY 2025. The total revenues for the FLCP are \$17.7 billion and include \$8.4 billion in RARF revenues, based on the current ADOT projections. Again, he cautioned the Committee that the revised forecast may decrease by \$600 million in RARF for the FLCP. He added that the HURF forecast and ADOT funding issues would also have a negative impact on the forecasted revenues for the program.

Mr. Anderson also discussed non-projects costs of \$6.1 billion pertaining to the program. He noted that freeway program non-project costs included \$2.4 billion for debt service, \$3.5 billion for future inflation, and approximately \$250 million for transfers and miscellaneous costs. Mr. Anderson informed the Committee that ADOT reviewed costs and updated the FLCP project costs over the summer. The estimated cost of the FLCP was increased to \$15.5 billion. Mr. Anderson stated the cost increase was \$6 billion, or 64 percent, higher than the \$9.4 billion estimated in the RTP. According to Mr. Anderson, higher project costs would increase the program deficit from \$3.8 to \$4.5 billion.

Mr. Anderson lauded the implementation of projects programmed in the FLCP. He displayed a chart of RTP freeway program projects that have been completed, are underway, or advertised through FY 2009. Mr. Anderson advised that \$2.1 billion in funding has been committed to freeway projects through FY 2009. Mr. Anderson noted that the \$13.3 billion in funding for projects programmed in the FLCP from FY 2010 to FY 2025, which have yet to be constructed.

Next, Mr. Anderson addressed strategy options. He stated that one of the federal strategies includes reauthorization of the federal transportation act, which is rumored to have a significant freight component. Mr. Anderson suggested a collaborative effort between the state and the region as well as the business community could mean assistance for I-10, and potentially I-17 and SR-85, as freight corridors. He stated that a joint effort could maximize the region's ability to obtain a fair share of federal funds for Arizona if a freight trust fund was established.

Mr. Anderson proposed environmental streamlining as a potential strategy. He stated that environmental work continues to be a big issue in the region. Mr. Anderson commented that consultant costs for the South Mountain Environmental Impact Statement (EIS) was between \$10 million and \$12 million. He noted the high cost of environmental work is not attributed to the actual cost of the studies, but the annual cost of delay in finalizing the EIS. By streamlining the environmental process, costs associated with delay could be reduced.

The next strategy Mr. Anderson addressed was state appraisal methods. He reported that one of the recommendations of the 1991 performance audit included the “before and after” appraisal method. He noted that in the Arizona appraisal process, a seller gets fair market value and if it is not a total take, the value of the leftover property also is enhanced by the facility. He explained that this method allows ADOT to allocate a portion of the purchase price of property back to the remaining parcel.

Mr. Anderson reported that the “before and after” appraisal method was not implemented after the 1991 performance audit. He stated that in the 1980s and 1990s, attempts were made to implement the process; however, it never proceeded past the committee level. He stated that 17 states and the federal government allow the method and remarked that it might be an opportune time to approach the state Legislature about implementing the method. He added that \$3 billion of right-of-way was included in the RTP.

Mr. Anderson also discussed management strategies that might be improved. He proposed that MAG review design concept reports (DCR) before they are finalized by ADOT. Mr. Anderson stated that when ADOT consultants and engineers finalize DCRs, additional features may be included, which are then locked into the scopes and increase project costs. By reviewing the DCRs for consistency with the RTP, suggested scope changes that merit discussion from a policy perspective could be reviewed before DCRs are finalized. In addition, DCR reviews through the MAG Committee process could determine if the regional infrastructure was compatible with the proposed scope changes are included in the DCRs,

Next, Mr. Anderson suggested peer reviews as a potential strategy. He stated that external peer reviews could bring in experts to provide some expertise on projects before spending millions of dollars. Mr. Anderson stated that conducting peer reviews would demonstrate good financial stewardship and potentially save money in the future by doing projects better today.

Mr. Anderson emphasized that it was important to pay attention to the situation at hand, but that it was equally important to not make radical changes that could be regrettable later. He commented that he felt the program was in good shape in the near term, perhaps for the first ten years, and added that he thought the problems would be in the last half when higher costs and lower revenue would impact the program. Mr. Anderson stated that awareness was an important part of the process as well as taking a proactive approach to addressing the issues.

Continuing on, Mr. Anderson suggested considering alternate options, such as building a parkway like the Arizona Parkway mentioned in the Hassayampa Valley study, as an interim to or in lieu of a full freeway. He reported that Arizona Parkway concept could carry near freeway level capacities and could be built for substantially less money than a freeway. In addition, a parkway could be converted to a freeway when and if funding became available. He also commented that parkways require less right-of-way than a freeway and could be built

at a marginal cost increase compared to conventional arterials.

Mr. Callow asked if there were any questions about Mr. Anderson's presentation. Mr. David Meinhart from the City of Scottsdale inquired about the VMT targets discussed during the Transportation Director's Report and asked if MAG would be updating the regional population data and growth projections in lieu of the economic factors discussed.

Mr. Anderson explained that MAG planned to update the socio-economic data, including population and growth projections, after the 2010 Census. He continued stating that updating socio-economic data was a complex, time-consuming process that generally spans multiple years. Mr. Anderson conceded that updating the data may be a consideration in the future. He added the cost of gasoline was one factor that could impact if the socio-economic data was updated sooner. He explained that a significant increase in fuel costs could have a substantial impact on travel patterns including migration. However, he cautioned that it might be too early to make such a decision at this point in time. A brief discussion of land use and transportation followed.

Mr. Moody from the City of Peoria inquired about the time frame for the new life cycle projections. Mr. Anderson stated that MAG would like to have a draft of the revised program by March 2009. He explained that MAG would need to review the ADOT revenue projections and financing options before releasing a draft. Mr. Anderson emphasized the goal was to keep elasticity in the plan to avoid cutting projects. A brief discussion followed.

Mr. Callow asked if there were any additional comments in the agenda item. There were none, and this concluded the discussion on the TRC guidelines for recommending projects to receive federal funding.

6. TRC Guidelines for Recommending Projects for Federal Funding

Ms. Eileen Yazzie, MAG Transportation Programming Manager, addressed the Committee about the Transportation Review Committee (TRC) Guidelines for Recommending Projects for Federal Funding. First, Ms. Yazzie thanked those who attended the Street Committee and Federal Funding Working Group meetings. Ms. Yazzie reported that the Street Committee meetings had to be broken into two meetings due to the number of applications submitted for funding. She then disseminated a sample of the project review sheets used during the Street Committee meetings. In addition, she directed the Committee members to the MAG website for those interested in obtaining additional information about projects submitted.

Next, Ms. Yazzie recapped the TRC Working Group discussion about TRC guidelines for recommending projects for federal funding. During the meeting, participants discussed methods for reviewing project data from the technical advisory committees and the air quality rankings. She announced that the Working Group did not develop any concrete conclusions. However, the Working Group agreed to meet again to discuss the issue. Ms. Yazzie stated that the next meeting may be held before the next Transportation Review Committee meeting on December 4, 2008. She added that the outcome from that meeting could be presented at the TRC meeting in December.

Mr. Lance Calvert from the City of El Mirage asked Ms. Yazzie if she could review the number of applications submitted and the amount of funding requested. Ms. Yazzie stated that a handout was provided at the September meeting of the TRC, which detailed this information.

Ms. Yazzie stated that 51 applications were submitted on time and complete. Fifteen of the 51 applications submitted were for street sweepers and requested approximately \$2.3 million in funding in FY 2009. Ms. Yazzie reported that \$1.3 million in funding was available. According to Ms. Yazzie, approximately 20 applications for paving of unpaved roads were submitted requesting \$16 million in funding for FY2011; however, only \$3 million in funding was available that year. For FY 2012, 15 projects requesting \$10 million were submitted to pave unpaved roads while \$5 million in funding was available.

Mr. Callow asked if there were any additional comments in the agenda item. There were none, and this concluded the discussion on the TRC guidelines for recommending projects to receive federal funding.

7. Arterial Life Cycle Program Status Report

Continuing on to the next agenda item, Mr. Callow invited Ms. Christina Hopes from MAG to provide a status report on the Arterial Life Cycle Program (ALCP) for the period between April 2008 and September 2008. Ms. Hopes reported that \$379 million in Regional Area Road Fund (RARF) revenues were collected for all modes during fiscal year (FY) 2008. Of that, \$40 million was allocated to the ALCP for arterial capacity and intersection improvements. She also reported that during the first two months of FY 2009, \$58 million in RARF revenues were collected for all modes with \$6 million of that allocated to the ALCP. She announced that to-date more than \$954 million in RARF revenues have been collected for all modes with more than \$100 million allocated to the Arterial Life Cycle Program.

Then, Ms. Hopes compared forecasted and actual RARF revenue collections for FY 2008 and the first two months of FY 2009. Ms. Hopes stated that \$408 million in RARF revenues for all modes was forecasted for FY 2008. She informed the Committee that actual revenues were 7.2 percent lower than forecasted for the year. Ms. Hopes reported that \$61.6 million in RARF revenue collections were forecasted for the first two months of FY 2009. Actual revenue collections for all modes was 5.8 percent lower than forecasted for that period.

Ms. Hopes announced that MAG had not received the revised forecast from the Arizona Department of Transportation (ADOT) and added that MAG anticipated receiving the revised forecast in the next month. She stated that MAG Staff would keep the Committee updated on the status of the revised forecast.

Next, Ms. Hopes summarized the end-of-year findings for FY 2008. She informed the Committee that \$74.8 million in reimbursements were programmed for FY 2008. During the year, member agencies received \$28.3 million in reimbursements from the Regional Area Road Fund. She added that \$46.5 million in reimbursements were deferred from FY 2008 to later years in the program. Of the funds deferred, \$26.5 million was RARF and \$19 million was STP-MAG. Ms. Hopes attributed the deferral of the STP-MAG funds to the Northern Parkway project, which did not receive a reimbursement in FY 2008.

Ms. Hopes announced that member agencies received \$14.98 million in reimbursements from the RARF Closeout. She reported that nine projects were submitted for RARF Closeout requesting \$28.7 million in reimbursements. Four of the nine projects were selected to receive RARF Closeout funds. Ms. Hopes added that without the RARF Closeout, \$41.8 million in funding would have been deferred from FY 2008 to later years in the program.

Ms. Hopes also announced that approval of the FY 2009 Arterial Life Cycle Program by the MAG Regional Council on June 25, 2008. She reported that as of FY 2009, the remaining regional budget for each project would be reported to the dollar in the published ALCP. In addition, completed projects would be indicated under project status. Ms. Hopes also announced the FY 2009 ALCP was available for download on the MAG ALCP website at <http://www.mag.maricopa.gov/project.cms?item=5034>.

In closing, Ms. Hopes announced the MAG Staff was in the process of updating the ALCP Policies and Procedures. Toward the end, MAG would hold an ALCP Working Group meeting in November to discuss proposed revisions to the current policies. Mr. Callow thanked Ms. Hopes for her presentation and asked if there were any questions or comments for the agenda item. Being none, and this concluded the Arterial Life Cycle Program Status Report.

8. Member Agency Update

Mr. Callow asked members of the Committee if they would like to provide updates; address any issues or concerns regarding transportation at the regional level; and asked if any members in attendance would like to address recent information that was relevant to transportation within their respective communities. There were none, and Mr. Callow moved to the next agenda item.

9. Next Meeting Date

Mr. Callow informed members in attendance that the next meeting of the Committee would be held on December 4, 2008. There being no further business, Mr. Callow adjourned the meeting at 11:03 a.m.