STATE TRANSPORTATION BOARD
STUDY SESSION
Tuesday, June 1, 2010
Human Resource Development Center (HRDC) Grand Canyon Room
1130 N. 22nd Ave.
Phoenix, AZ 85009

Chair Montoya announced a new order to the Agenda: Item 4, Item 3, Item 1, and Item 2.

Pledge

[The pledge was recited, led by Victor Flores.]

Roll Call

In attendance: Bob Montoya, Bill Feldmeier, Felipe Zubia, Victor Flores, and Kelly Anderson. Steve Christy and Bobbie Lundstrom were absent.

Call to Audience

[None heard.]

ITEM 4: Acquisitions of Scenic Easements with Transportation Enhancement Funds – Tammy Flaitz

Ms. Flaitz, Manager of the Transportation Enhancement and Scenic Roads Section, introduced herself, noting she also oversees the Safe Roads to School Program.

She began with a background of the Transportation Enhancement Program. It is a federal set-aside program, with 10% of surface transportation program funds that come to the State being set aside for enhancement activities. The projects have to relate to surface transportation, and Arizona is using 11 of the 12 eligible categories.

It is a reimbursement program, and according to ADOT policy, 50% of the funds allocated through the State are spent on local roadways, and 50% are for ADOT State highways and roadways. The majority of projects are awarded through a competitive application process.

There is a Transportation Enhancement Review Committee (TERC) which reviews applications on an annual basis, and it is comprised of representatives from the MPOs, COGs, Federal Highway Administration, ADOT and other agencies.

The 12 eligible project categories are:
1. Provision for pedestrians and bicycles
2. Provision for safety and education activities
3. Acquisition of scenic enhancements or historic sites

4. Scenic and historic roadway programs
5. Landscaping and other beautification
6. Historic preservation (related to surface transportation)
7. Rehabilitation of historic transportation buildings
8. Rails to Trails
9. Control and removal of outdoor advertising
10. Archaeological planning and research
11. Environmental mitigation to address highway runoff and wildlife mortality
12. Establishment of transportation museums

Each of those areas has FHWA eligibility criteria associated with it. In the case of Item #3, Scenic Enhancements, the guidelines state that the acquisitions must benefit travel experience and preserve the scenic or historic integrity of the property. It must be distinct and offer the public a pleasing or memorable visual or historic experience, and must be protected and preserved for perpetuity.

In 2003 an application was recommended by the TERC which came through the Board. There was concern that there would be continued commercial activity that would occur once the easement was purchased.
At a 2005 Study Session, the topic was again discussed and the TERC recommendation was that there be a cover letter drafted that would define the Board's position concerning easements, specifically detailing the merits of public vs. private gain. The motion that was approved was removal of scenic easements as an approved category for enhancement funds.

In 2009, the issue came up again at the TERC annual meeting and also at the mid-term meetings. There was discussion at that time in support of revisiting the issue. They looked at other states that utilize the same activity area. For the most part, state procurement laws and federal requirements dictate that funds be distributed through a local jurisdiction or state agency. Any individual or local entity or group may apply for an enhancement grant in Arizona. However, the applicant has to work through the local MPO or COG and the intergovernmental agreement that is between ADOT and the local jurisdiction. Arizona is in line with most other states on this.

Mr. Zubia reported that they (TERC) were approached by the Nature Conservancy, who were concerned with the removal of the category of Scenic Easements a few years prior and asked that the TERC Committee consider adding it back. Through that process, the TERC Committee did review it last fall at their annual meeting but he was not aware of the prior discussions about removing that category. At that time, the TERC did discuss it and did feel it was a category worthy of inclusion again. TERC wanted the Board to reconsider adding the category back in for future consideration. The reason for it was that the value of retaining scenic view corridors had come to the forefront with the emergence of sustainability issues. He stated that he supports it going back into the category with the Board's concurrence. He did note that it would not necessarily mean that every project brought forward would be approved.

Mr. Flores commented they cannot do anything today, as it is not on the agenda. Chair Montoya said it could be agendized for the next meeting.

Mr. McGee noted that he thinks the Department's position is that the Board should probably take a look at it, whether or not they want to bring it in as a potential category for funding under the TE program. If the project meets the requirements of the federal law and has merit, maybe the Board should consider it. He reported that this topic came about several projects were approved by the TERC and came to the Board, but some Board members had concerns, feeling that the benefit of the project may have been more for the owner than for the public. The Department's plan for this meeting was to present the issue and provide a little background for the Board.

Mr. Flores thought they should have more information on why it was taken off and why it should be put back on.

Chair Montoya expressed interest in getting minutes from that time to inform the newer members of the history. He recounted what he thought was the "tipping point" in their decision to remove the category, and stated that he does not have an objection to adding it back in, but would like to see limitations placed on it.

Mr. Feldmeier commented that he would vote "no" to bring it back on, as it was a support mechanism for the private sector. He was curious when the Board rejected the category, what worthwhile applicants were out there who fell between the cracks. He wondered what they (the Board members) are missing. Mr. Zubia replied they are missing flexibility as a Board to decide as these projects come up. When there is a blanket elimination of the category, the ability to make the decision as a Board is denied. Mr. Feldmeier remarked that in that case, he would want the category reinstated.

Chair Montoya asked Mr. McGee to prepare a brief for the next Board meeting. He also asked if they would have the ability to limit the projects to specific groups, such as nonprofits. Mr. McGee answered that he believes the State can do whatever it wants to do, as long as it is more restrictive than the federal law. He could work with the Attorney General's office and FHWA to get a more definitive answer.

Mr. McGee asked the Chair if it would be appropriate for staff to draft a motion for the next meeting to try and get the language in place so that if it was put on the agenda, it would be very clear what action the Board would take. He clarified that it would not be circulated ahead of time with the intent to get buy-in, but that staff would work with one or two members as a subgroup to fashion the language.

Mr. Flores said his only concern was that those who would go through the trouble of applying might find at the 11th hour that they are not eligible. He hoped the applicants would be able to understand the parameters upfront.

Chair Montoya suggested that rather than putting it on the Agenda for next month, that they get the research done and get the opinion of the Attorney General's office before voting on it. It is fair to give the Board the same knowledge that he and Mr. Zubia have so the other members can make an informed decision.

Ms. Flaitz remarked that her presentation was developed from information she got from minutes and documents, and there was not extensive background information there. The rest of the information will have to come from the recollections of those who were involved. She added it is possible that the instructions for the applications would include the parameters for eligibility. Each of the MPOs would be made aware of the restrictions and provide response back to the applicants if they do not meet the parameters.

ITEM 3: Board Resolution on the Need for Adequate Funding for Transportation – John McGee

Mr. McGee recalled that at the February Board meeting there was a discussion about revenues and actions the Board might be able to take in order to try and increase funding for transportation. As the Board knows, it does not have any statutory authority to levy any taxes. As a result of that discussion, he recommended they form a small subcommittee to take a look at the issue. In addition to himself, the members were Mr. Fink and Mr. Zubia.

The subcommittee met about six weeks ago, discussing funding issues in transportation locally and nationally and what kind of approach the Board might be able to take to help in that regard. They concluded that the best thing the Board could do, would be to develop a resolution directed at the elected officials at the State and Federal government that does two things:

1) Addresses the needs/issues, explaining why the transportation revenues are facing the challenges they are facing (long-term)
2) Call upon the elected officials to do something about it

The subcommittee developed a two-page draft resolution that was presented to the Board for their review. After giving recognition to the officials for their assistance, the resolution calls for the local State and Federal elected representatives to take those actions necessary to provide adequate, long-term sustainable funding to ensure the development of safe, efficient multi-modal transportation systems. It also asks the Federal officials to take action necessary to allow greater flexibility in funding in order to be able to transfer monies between program categories.

Based on input at this meeting, Mr. McGee said they could make any changes deemed appropriate and then bring the resolution back at a Board meeting for replication.

Mr. Zubia mentioned that, starting in 2008, they began to see the first dip in revenues. At the time, they thought maybe it was seasonal. Also at that time, "Building a Quality Arizona" was developed, which looked for funding for transportation improvements well into the future. The best the subcommittee could come up with was a resolution affirmatively stating the Board's position with regard to what they see the issues to be, as well as a resolution that would state the Board's position on how to deal with the issues going forward.

He commented that the "whereas" parts go into the history, but the two paragraphs at the end encapsulate all the issues the Board has been discussing over the years:

- Adequate funding
- Long-term funding

- Sustainable funding
- Development of safe and multi-modal transportation system
- Funding that is responsive to inflation
- Fuel efficiency and accompanying technological changes
- Protected funding

Mr. Feldmeier remarked that he did not hear anything about rest areas in the resolution. Mr. McGee said that was included as part of the greater flexibility for the State to transfer funding between program categories. The intent was to allow the use of Federal funds for operation, although it was not spelled out.

Director Halikowski commented that the Department has researched the privatization of rest areas very thoroughly, to the point that at the national meeting of state transportation officials, Arizona was asked to host the round table on commercialization of rest areas. He thought it would be helpful to include something in the resolution regarding the issue, perhaps commercialization under the P3 law of transportation facilities in general.

Director Halikowski mentioned that through their planning process they will continue to work cooperatively with the local COGs and MPOs. Furthermore, he and Ms. Toth and Mr. McGee met with the State Universities because they want to ask Congress to consider a transportation research center for Arizona. That would be helpful, so they are not relying on other states for information that may not be pertinent to Arizona.

Mr. Feldmeier asked about follow-up to the resolution. Mr. Zubia replied that it is within Director Halikowski's leadership role to bring others along and make it a national issue. Director Halikowski suggested this resolution could also be used as a yardstick for how they are doing on the particular issues. Mr. McGee commented that the importance of having the resolution is that it gives the Department a document that they can send along with other information demonstrating that they are working with the Board on this issue.

Chair Montoya remarked that once the resolution is agreed on by the Board it will be something the Department can use to support its position.

Chair Montoya asked Director Halikowski about the recent round-table discussion he led. Director Halikowski replied that the round-table discussion was very well attended, with a lot of states very interested in working together for funding flexibility, because they are facing the same problems. They consider rest stops to be an integral part of the national highway system, and believe they were put there primarily for safety. Texas, in fact, calls theirs "Safety Stops." All of them are having trouble using state funds for maintenance in these times. The National Association of Truck Stop Operators is in opposition to any commercialization of rest areas, although they are not opposed to the states seeking flexibility from the federal government for maintenance and operations.

Chair Montoya was curious if there might be a "hybrid" operation that the Truck Stop Operators would agree to. Director Halikowski replied that many of them are not interested in competing for locations other than what they now have, as they felt the rest areas are not amenable to their market. He hoped there would be more discussion on that.

There was a brief discussion on which legislators support the Department. Mr. McGee commented that sending a resolution is helpful in informing the elected officials of the Department's position, and he is beginning to feel a "little optimistic" that their message is beginning to be heard. Director Halikowski said he would direct the Department's legislative staff to contact the offices of the Congressional delegation to see if they would come in and talk to the Board.

Mr. Feldmeier pointed out that the Department does not want to compete with the trucking industry, but wants to form a partnership with them.

Mr. McGee requested that if any other Board members have specific input for the resolution that they send it to his attention. It would then be the Chair's option to put it on a future agenda for adoption.

ITEM 1: FY 2011-2015 Program, Final Recommendations – Jennifer Toth

Ms. Toth noted she would be presenting some program additions and program deferrals in relation to the draft Five-Year Program based on input received on the website and the three Board hearings on the Five-Year Program.

One proposed addition is on the I-40 Lone Tree Traffic Interchange, to add an engineering feasibility study in FY2011 for approximately $300K. This would allow for study of the traffic interchange and engineering detail to take a hard look at what will work in that area. It would also help determine some funding options associated with connectivity of the local roadway.

Chair Montoya asked if they were going to come up with proposed costs, because they set a tentative cap of $28-30M as far as what ADOT is willing to invest. The stakeholders should know it may cost $50-60M so that they can be prepared. Also, he wondered about the amount of vehicular traffic at that interchange.

Ms. Toth responded that the cost estimates would be a part of the study. In terms of the connectivity associated with the interchange, it can play a role in terms of negotiation, making sure the City is ready to move at the same time that ADOT is ready.

The other project to be added into the program is SR260, Thousand Trails to I-17. They are asking to defer $7M from FY2010 into FY2015. This was associated with the SR260 project where they had $11M programmed in FY2010 and only used $4M.

Mr. Flores mentioned that they had received letters for the Lone Tree Interchange and letters from Santa Cruz individuals. He remarked that there ought to be consideration when you look at the economic impact of a local traffic interchange versus one that affects trucking. He was curious how the decision is made as to which interchange is included in the projects.

Ms. Toth replied that the Greater Nogales and Santa Cruz County Port Authority and Fresh Produce Association said their most pressing areas of concern were the Exit 12/Ruby Road/ East Frontage Road at Exit 17.

At this point there is already a permit associated with the Love's Truck Stop. Some improvements related to that permit will help alleviate some of their concerns. Specifically, there will be two right-turn lanes added, one on the northbound East Frontage Road south of Ruby Road, and one on Ruby Road east of the Frontage Road traffic signal interchange. In addition, there will be internal circulation within the Love's Truck Stop to help alleviate the traffic going out onto the Frontage road. Also, there will be turn lanes in the retail outlet. All slated improvements will be done to ADOT standards.

They are also looking at the other two projects on the eastbound frontage road at Exit 17, southbound access. ADOT has not had the opportunity to study those particular interchanges and would look at traffic impact as well as conduct a study associated with the subprogram line item.

Mr. Flores asked what prevents their inclusion in the Five-Year Plan. Ms. Toth replied that in terms of studying them, there are many subprograms that they can pool monies from.

Mr. Flores brought up Ms Lundstrom's concern in Santa Cruz, and wondered if ADOT could meet her needs. Ms. Toth responded that she thinks they can by looking at what improvements are associated with the permit, and exploring specific items needed to be addressed on the frontage road issues. Until they are able to discover the exact traffic operations problems, they are not able to determine what type of project would be appropriate.

Mr. Flores mentioned that the letters that came from Flagstaff are obviously answered in the Five-Year Plan, and he was curious if there would be return correspondence to close that loop for the Santa Cruz/Nogales letters. Ms. Toth answered affirmatively, adding that they hope to have that done by the next week.

Mr. McGee commented on how they make the determination between Lone Tree and other projects. He said that regarding Lone Tree, Flagstaff presented that to ADOT over a year ago and went through some quite specific steps to bring it to the Department with a fair amount of time given for consideration. The other projects are somewhat new, and there needs to be evaluation before including them in the program. He also pointed out that one of the reasons they are looking at the Lone Tree project is because of the route transfer aspect, which adds significant value to the Department.

Ms. Toth mentioned that they are proposing to add a turnback study for the Fain Road proposal in the overall work program turned into the Federal Highway Administration. This study would further outline what the project and the associated costs would be.

Mr. Feldmeier returned to the topic of SR260 and the deferral of $7M. He said when the Board met in Cottonwood last year, there was significant conversation by the people in that area about moving that project forward, and there was talk of a turnback there. He thinks they can create a mechanism to turn back a section of road that is quickly becoming urbanized before it gets to the point where it will take too long to divest it. He wants to make the deal now and do the project later.

Mr. McGee explained that what they are doing by recommending that item is recognizing that the first phase of the SR260 project from Thousand Trails to Western Drive came in $7M under budget. The County had borrowed a certain amount of money to construct that project; there was $7M left over, meaning that ADOT did not have to repay that amount of the debt that Yavapai County had brought forward. All they are doing now is recognizing they do not have to pay $7M that they thought they were going to have to pay, and they thought it was good policy to keep the money on that corridor. This action preserves the money in the program and keeps it tied up in that corridor.

Mr. Roehrich added they have ongoing coordination with Camp Verde as well as some businesses and landowners about what that corridor is supposed to look like. The Forest Service alternative alignment has not been studied by ADOT yet, and pushing the project out gives them the timeframe to finalize the "deal," put the IGAs in place, initiate the environmental impact statement for the alternative alignment, and put together a strategy to get the rest of the funding. FY 2015 is the optimum timeframe for putting it all together without having to move it every year.

Mr. Feldmeier requested that Mr. Hammit prepare a timeline for him on this project.

Ms. Toth continued with her report, going through the FY2010 project deferral list. These projects are currently in the program for FY2010 and they will be asking to defer them into FY2011.

For the PAG region, there are two projects on the I-10, Cienega Creek to Marsh Station: $3.4M to relocate the railroad tracks to the north side of I-10 and remove the railroad overpass on I-10, and $9.4M for reconstruction of the main line and bridge over Cienega Creek. Reconstruction cannot occur until the railroad project occurs, and the railroad is not ready to proceed at this time.

- The I-19 and SR86 projects are still in design and they recommend deferral of those construction projects that are in the program in FY2010.
- In the greater Arizona area there is $340,000 in design, and design has not started for a railroad overpass to SR77 on US70.
- US70, St. Carlos River Bridge for $10M and US90, San Pedro River Bridge for $4.6M bridge replacement projects are being moved out.
- US93 and 191 are right-of-way projects that need to be moved out.
- SR260 Doubtful Canyon section $1.62M to construct the water lines in order to move forward with construction.

The main reason for moving these out is that the design work is not complete in order to advertise for construction.

Chair Montoya asked why those designs were not completed and Floyd Roehrich replied that some of these projects ran up against a shortage of resources or time. They delivered over 200 projects this year.

Ms. Toth said there are also some State Park deferrals they are looking at. She slowed a slide which showed the timeframe for each of the projects. The first three are construction projects, the next two are design projects, and the last is a construction project. They are moving them out to be more in line with the State Park road improvement program.

Kwisung Kang spoke about the MAG program. ADOT has fully implemented MAG scenario which was approved by the Regional Council on October 2009. ADOT continuously works with MAG staff to refine the program in order to maintain positive cash balances in every fiscal year to FY 2026. ADOT is scheduled to adopt the proposed final Five Year Program in June 18, 2010 at the Transportation Board meeting in Flagstaff. MAG is scheduled to adopt their Transportation Improvement Program (TIP) on July 28th at the MAG Regional Council meeting. There is a one-month gap between ADOT and MAG process due to MAG conducting an Air Quality Conformity Analysis prior to adopting their program.

Mr. Kang went over FY 2011 – 15 program changes:

- Adjust project schedules to fit the MAG scenario in order to balance the budget.
- Adjust project schedules to align with the current study and design schedules.
- Update costs for design, R/W and construction based on current prices.
- Incorporated Freeway Management System master plan.
- Repackage South Mountain Corridor based on the plan identified in the DCR.
- Deleted existing projects and transfer scope and funding to Design-Build projects on SR202L (Santan) and SR101L (Agua Fria and Pima).

Mr. Kang showed two advanced Design-Build projects:

- SR202L (Santan), construct 11 miles of HOV lanes between I-10 and Gilbert Road.
- SR101L (Agua Fria and Pima), construct 29 miles of HOV lanes between I-10 and Tatum Blvd.

Mr. Kang mentioned two deferral projects from FY10 to FY11:

- SR101L, Pima Road Extension, Design for $300,000.
- SR801 (I-10 Reliever), SR303L – SR202L, R/W protection for $10,000,000.

Mr. Kang stated that there is a total of $3.4 billion programmed the next five years in the MAG region and the cash flow supports this program.

ITEM 2: FY 2011-2015 Program, Financial Plan – John Fink

Mr. Fink presented slides about his subject. For FY2011-12015, they are looking at a program of about $6.1B, roughly 59% of that representing the Regional Transportation Plan, and 41% representing the Statewide Program.

Funding for the program is comprised of the following sources:

- Federal = 49% ($3B)
  - That portion of the program has been increasing over the last few years as they become more dependent on federal aid.
- Program bonding = 36% ($2.2B)
  - This is mainly bonding associated with delivering the Regional Transportation Plan.
- Combined State and RARF funding = 15% (slightly less than $1B)

Development of the financial plan for the Statewide Program is done annually on a cash-flow basis. They do a macro model, not looking at individual projects, but looking at a lump sum. The major funding sources for the Statewide Program are Federal funds, State Highway Funds, bonds and GANs.

Mr. Fink presented slides showing estimated HURF revenues ($6.59B) for FY 2011-2015:

- The ADOT discretionary portion of that is about 49% ($2.53B).
- Cities/towns/counties represent about 47% of that ($1.3B).
- MAG/PAG controlled access funds represent about 7% ($460M).
- "Other" category is primarily DPS transfers that represent about 5% ($350M).
- General fund (VLT transfers) is about 2% ($20M).

The numbers seemed very low to him so he looked back to see when the last time the estimated HURF revenues for programming purposes were at or below that level, and it was in June of 2004. In six years, they have not made any progress on the revenue side. The category where there is any significant difference in the estimates is the "Other" category.

To the HURF discretionary revenues of $2.53B, he is adding an estimate of $90M for miscellaneous revenues, generating a total of about $2.62B in discretionary funds.

- From the discretionary funds, they need to be able to fund ADOT's operations, fund debt-service on HURF bonds, DPS transfers and a few other things. The operating program will take about $1.62B, debt service will take about $690M (26%), DPS $150M (6%), leaving a tiny sliver for the capital program of about $20M, or 1%.

On the Federal funds side, $4.17B is estimated to be available to the State. ADOT's share is projected to be about 75% ($3.15B). Locals (MAG and PAG) receive a portion of Federal funds available to the State and that goes to debt service.

They augmented the $20M from discretionary funds with about $350M of HURF bonds, representing about 9% of the total funding available, and also added $170M of Grant Anticipation Notes (5%).

Regarding cash balances for the statewide program, they estimate funds in the range of $142M to $172M are needed for operating cash balances. That figure is based on expected expenditures. They strive to maintain eight weeks of cash as a guideline.

The financial plan developed for the FY2010-2014 program estimated that they issue $195M in HURF bonds in FY2014 and $120 in GANs in FY2011 for a total of $315M of new debt issues. They do not expect any HURF debt capacity for FY2014, so the $195M for that year utilizes all the capacity they anticipate.

At this time they still expect $195M in FY2014, with an additional $150M of HURF capacity in FY2015, giving a total of $345M.

Also, looking at the number of Federal aid projects for this year, he felt it was appropriate to increase the GANs issuance from $120M to $170M. That has the net impact of increasing the amount of debt they expect to issue by $200M.

ADOT does a semi-annual certification for the MAG program. Financial planning for the MAG program is done on a capped basis. In this case, they use a micro model, rather than a macro model.

Major funding sources available to the MAG are:

- Federal funds
- State highway funds
- RARF bond funds
- HURF bond funds
- GANs

For the MAG program from FY2011-2015, they are expecting total sources and uses to be about $4.97B. On the sources side, RARF revenues are expected to be about $1.1B (22%), RARF bonds about $1.72B (35%), HURF funds $350M (7%). The Other category is $1.49B (30%) and Federal funds are expected to be about $300M (6%). He expects a large chuck of the "Other" category to be Federal funds.

On the uses side, they are looking at construction of about $2.19B (34%), right-of-way acquisition $1.17B (23%), design about $250M (5%), maintenance and mitigation about $90M (2%) and debt service, $1.27B (26%).

[Mr. Fink showed a slide of estimated cash balances.]

The anticipated bond issuances for MAG total about $1.72B over 5 years. Last year they expected to issue roughly $500M in FY2011, but that has dropped down to $180M, mainly related to timing of when they will need cash for project expenditures.
The total debt summary for the five-year period is about $2.235B.

- For HURF, they expect over the 5 years to issue a total of $345M
- RARF, $1.72B for the 5 years
- GANs, $170M for the 5 years

During the same period, they expect to repay about $1.13B, so they will be adding roughly $1.1B over the 5 years to the total debt outstanding.

He presented a slide showing estimated debt to revenue (total debt outstanding divided by total anticipated revenues) going back to 1996. Over the next five years, it will trend a little higher, due mainly to increasing the amount of debt issued for the Regional Transportation Plan. What is also driving the numbers for the current year was updating the numbers for revenue projection.

Fortunately this year the FY2011 State budget is already adopted, and that budget does include a total APS and State/Federal Fund transfers of about $166M. ADOT's share of that is about $127.1M. In the development of the Financial Plan, he assumed an operating budget of $322M due to the amount authorized.

For FY2012/FY2013, he assumed that the HURF State Highway fund and funding for DPS will be at FY2011 levels but will return to statutory levels in FY2014 or 2015. He based his assumption on the indications that the economy is picking up.

For the next five years, a HURF revenue growth rate of 3.2% is projected. For the federal funds, he assumed a growth of about 2.5% and assumed the operating budget will grow about 3% per year.

[He presented a slide showing the history of DPS transfers from HURF and State Highway Funds going back to 2002.]

Some of the issues involved in developing the financial plan were:

- High degree of uncertainty regarding timing of the economic recovery
    - Impact on HURF and RARF revenues
    - Impact on State General Fund
- Passage of Prop. 100
    - Potentially reduces pressure to divert transportation funds
- Federal Funding becoming bigger part of program
    - More dependent on federal reauthorization and financial condition of highway trust fund
- Abatement of construction cost pressure
    - Depends on weak economy

For both statewide and MAG programs, cash balances are at or near guidelines for each year of the program. Funding is available to deliver the FY2011-2015 Five-Year Program as presented and the program is fiscally constrained.

Moving on to aviation, Mr. Fink informed the Board that the plan is done annually on a cash-flow basis, and macro basis.

The major funding sources for aviation are:

- Flight property tax
- Aircraft registration tax
- Federal grants and aviation fuel taxes

Over the five years, the estimated sources and uses are expected to be about $124M. Flight property taxes represent about $60M (48%); aircraft registration, about $38M (31%); federal grants $15M (12%); and all other categories (including Grand Canyon Airport) are $11M (9%).

On the uses side, the capital budget is $87.2M (70%), Grand Canyon Airport $13M (11%), operating budget $11.6M (9%) and the other categories are about $11.8M (9%).

Following are assumptions going into the planning of the Aviation budget:

- Passage of Proposition 100
  - Reduced pressure to increase sweeps of aviation funds
- Primary revenue will be flagged in FY 2011
- Federal funding will remain in range of $60-70M for FY2011

Until the State General Fund revenues stabilize, a conservative program is warranted for the MAG programs, and on the aviation side it is imperative that Congress pass FAA reauthorization.

Mr. Zubia was curious why they could not consider a blanket statement programming at 90-95% of the assumptions, following the creed of "undersell and over deliver." Mr. Fink replied that he was fairly conservative in his assumptions in creating the Financial Plan. If he sees things changing to the point that it is no longer possible to deliver the program as the Board has adopted it, then he will be back and recommend making adjustments to the program. They are required to maintain a fiscally constrained program. If sources go down, the program has to be adjusted, and they are fully prepared to make mid-course corrections. Mr. Zubia acknowledged that, but commented that corrections can be painful.

Mr. Roehrich remarked that it is much easier to fund projects at their start because of the development process, environmental clearance processes, agreements and so forth. It is much easier to adjust the program downward than upward.

Chair Montoya reported that he has had questions from stakeholders regarding the status of the McGuireville project. Mr. Roehrich noted that project is scheduled to be completed by late summer. He reminded the Chair that this contract was dependent on a responsibility hearing on the contractor, and they are in the process of working through the issues.

Motion by Mr. Zubia, seconded by Mr. Feldmeier to adjourn the meeting at 12:07 p.m. In a voice vote, the motion passed unanimously.

Bob Montoya, Chairman
State Transportation Board

John Halikowski, Director
Arizona Department of Transportation