



“Transportation Spending Could Make or Break Arizona”

December 1, 2013

THE ARIZONA REPUBLIC

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“More States Raise Taxes to Pay for Transportation”

November 27, 2013





***Recap -
Strategies for Addressing the
Transportation Financial Issue***

***County Transportation Advisory
Committee***

December 4, 2013

Strategies for Addressing the Transportation Financial Issue

Two Overall Strategies:

- Reduce Service Levels to Match Revenues
- Develop Potential Revenue Opportunities

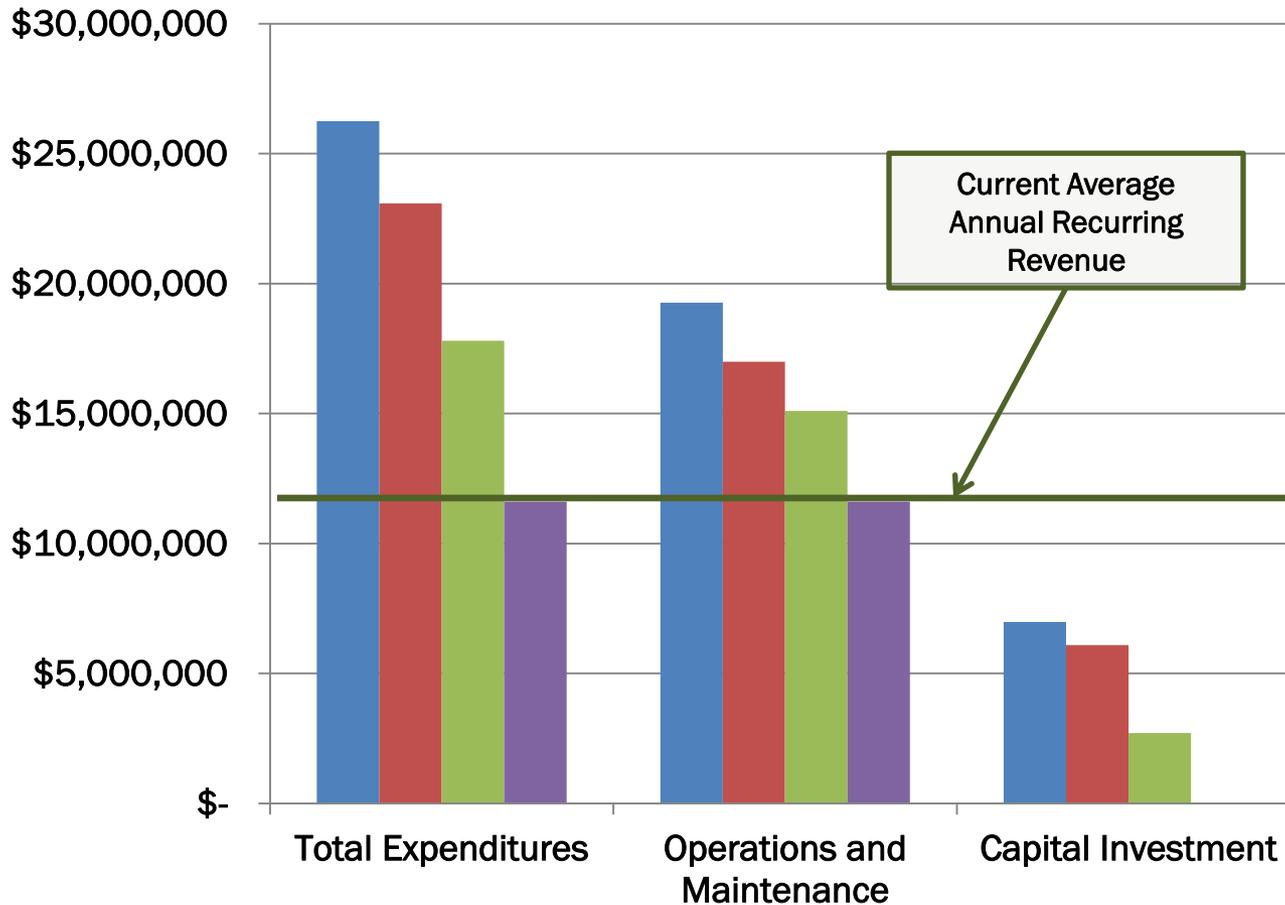


Reduce Service Levels

Reduce Service Levels

- **Reduce Road Maintenance Service to Meet Current Revenue Level:**
 - **44%+ Expenditure Reductions (35% Additional Reduction from Current Reduced Costs)**
 - **40% Vacancy Rate Would be Required**
 - **Equipment Replacement Only Upon Failure**
 - **Defer All Capital Investment (Except Grant Funded Projects)**

Expenditure Scenario Summary



- **Industry Standard:**
Near Historic O&M Level;
Industry Standard for Capital Investment (4% of Total Road Miles Annually)
- **Approved FY-2014 Budget:**
12% Reduced O&M Service Level;
13% Below Industry Standard for Capital Investment (3.5% of Total Road Miles Annually)
- **Current Reduced Service Level:**
22% Reduced O&M Service Level;
62% Below Industry Standard for Capital Investment (1.5 % of Total Road Miles Annually)
- **Reduce Service Levels to Meet Current Revenues:**
40% Reduced O&M Service Level;
100% Below Industry Standard for Capital (0% of Total Road Miles Annually)

Asset Replacement Value

Pavement Maintenance Investments:

- **1% Equates to Replacing the Asset in 100 Years**
- **2% Equates to Replacing the Asset in 50 Years**
- **3% Equates to Replacing the Asset in 33 Years**
- **4% Equates to Replacing the Asset in 25 Years**

Roads in the County Last

Approximately 20 to 30 Years with

Preventive Maintenance

Services Eliminated or Reduced

- Only Plow and Cinder During Daylight Hours – 7AM to 4PM
- Snow Packed Roads will be the Rule – Potholes and Ruts
- Close Very Low ADT Roads or Roads with Alternate Routes
- Traffic Delays will Increase and Become More Frequent
- Commute Times will Increase
- Road Speeds will be Reduced for Safety Reasons
- Chains or 4-Wheel Drive will be Advisable or Required on Some Roads
- Potholes, Cross-Road Cracks & ‘Alligating’ will be Extensive on Paved Roads

Services Eliminated or Reduced

- **Re-Surfacing Frequency Extended from 7 to 14 Years**
 - **Potholes, Washboards and Large Protruding Rocks will Litter the Dirt Road Surfaces**
 - **Dust Complaints in Neighborhoods will Increase**
- **Some Roads will See Grading Frequency Significantly Reduced**
- **Will Only Maintain Cross-Road Culverts – No Parallel Ditches**
- **Drainage Issues will Damage Roads**
- **Road Failures More Prevalent**
- **Shoulder Maintenance will be Eliminated**
- **Property Values may Decline Relative to Local Road Condition**

Reduce Service Levels

Traffic Issues

- **Speed Limits on Paved and Dirt/Gravel Roads Will be Reduced for Safety**
- **Increased Traffic Delays**
- **Increased Commute Times**
- **Increased Vehicle Maintenance Costs**
- **Accident Frequency Could Increase**

No Pavement Maintenance Projects

No Capital Projects Such As :

- Pinewood Blvd: I-17 to Munds Wash Bridge
- Munds Wash Bridge
- Townsend-Winona: Rio Rancho to I-40
- Kachina Trails: “T” Intersection to Pumphouse Wash Bridge
- Lake Mary Road (FLAP Process)
- Rt. 66 Bridge Replacement – Bellemont
- Leupp Road
- Double A Ranch Road
- Flagstaff Meadows Unit 1

Overall Chip Seal Plan Cut by 40%

Summary:

Reduced Service Levels

- **Public Works Estimates that a 45%+ Reduction in Road Maintenance Service Levels is Needed to Stay Within the Current Level of Funding**
- **In Addition, There Would be No Funding for Capital Projects Except Grant Funded Projects**
- **Revenues will Generally Decline Over the Long Term Due to Reduction in Gasoline Sales Reflecting More Efficient Vehicles**
- **Rate of Cost Growth Exceeds Rate of Revenue Growth**
- **Last Two Items Equal Further Service Level Reductions Over the Long Term**



Develop Potential Revenue Opportunities

Summary of Potential Revenue Opportunities

Revenue Opportunity	Possible Revenue Amount	Recurring or One-Time?	Results in Public Debt?	Funds Operations and Maintenance, or Capital?	Local Control?	Funded by County Property Owners or by All Sales Tax Payers?	Public Vote Required?	Defined Sunset?
Transaction, Use, or Impact Fees	Minimal with Respect to Need	Recurring	No	Both	No: State Action Required	Individual Permittees	No	Defined by State Legislature
Grants	Average of \$1.4 Million/Yr Secured over Last 10 Years	One-Time	No	Capital Only	No	Matching Funds Provided by County	No	Defined by Grant Term
Property Tax Override	Approximately \$800,000/Yr	Recurring	No	Both	Yes	County Property Owners	Yes	7 Years
Capital Projects Sales Tax	Tied to Specific Capital Projects	One-Time	No	Capital only	Yes	All Sales Tax Payers	Yes	Once Total Amount Collected
General Obligation Bonds	Approximately \$264 Million	One-Time	Yes	Capital Only	Yes	County Property Owners	Yes	Once Debt Service is Paid in Full
County Transportation Sales Tax	Annual Average Over 10 Years: 1/4 Cent = \$6.1M 3/8 Cent = \$9.1 1/2 Cent = \$12.2M	Recurring	No	Both	Yes	All Sales Tax Payers	Yes	Approved by Voters (Generally 15 to 30 Years)



***Connecting Scenario Costs,
Revenues & Service Levels***

Scenario	Service Level	Costs Beyond Revenues (Annual Average Over Ten Years)	Revenue Generated: 1/4 Cent Sales Tax (Annual Average Over Ten Years)	Revenue Generated: 3/8 Cent Sales Tax (Annual Average Over Ten Years)	Revenue Generated: 1/2 Cent Sales Tax (Annual Average Over Ten Years)	Conclusions
Industry Standard	Near Historic O&M Service Level Industry Standard for Capital Investment (4% of Total Paved Road Miles Annually)	\$14.6 Million	\$6.1 Million \$1 Million Deficit in FY-2015 \$71 Million Deficit by FY-2023	\$9.1 Million \$5.6 Million Deficit in FY-2016 \$45.5 Million Deficit by FY-2023	\$12.2 Million \$1.9 Million Deficit in FY-2016 \$20 Million Deficit by FY-2023	Sales Tax Revenues Not Sufficient to Increase Service Levels to Industry Standard
Approved FY-2014 Budget	12% Reduced O&M Service Level 13% Below Industry Standard for Capital Investment (3.5% of Total Paved Road Miles Annually)	\$11.5 Million	\$6.1 Million \$5.4 Million Deficit in FY-2017 \$37.8 Million Deficit by FY-2023	\$9.1 Million \$2.4 Million Deficit in FY-2017 \$16.8 Million Deficit by FY-2023	\$12.2 Million No Deficit Capital Investment at Industry Standard	
Current Reduced Service Level	22% Reduced O&M Service Level 62% Below Industry Standard for Capital Investment (1.5% of Total Paved Road Miles Annually)	\$6.1 Million	\$6.1 Million No Deficit \$5 Million Fund Balance Generated by FY-2023 Capital Investment at 1.5% of Total Paved Road Miles Annually	\$9.1 Million No Deficit \$30 Million Fund Balance Generated by FY-2023 Capital Investment at 3.5% of Total Paved Road Miles Annually	\$12.2 Million No Deficit \$55 Million Fund Balance Generated by FY-2023 Capital Investment at Industry Standard \$1.8 Million Annual Capacity to Increase O&M Service Level	1/4 Cent Sales Tax Revenues Sufficient to Sustain Current, Reduced Service Level 3/8 and 1/2 Cent Sales Taxes Create Capacity to Increase Service Levels
Reduce Service to Meet Current Revenues	40% Reduced O&M Service Level 100% Below Industry Standard for Capital Investment (0% of Total Paved Road Miles Annually)	\$0	\$0 Reduced O&M Service Level Annually as Rate of Cost Growth Exceeds Rate of Revenue Growth	\$0 Reduced O&M Service Level Annually as Rate of Cost Growth Exceeds Rate of Revenue Growth	\$0 Reduced O&M Service Level Annually as Rate of Cost Growth Exceeds Rate of Revenue Growth	Would Not Address Structural Deficit Additional Service Level Reductions Would be Needed Annually

Overall Takeaways

- **County Currently Spending More on Road Maintenance Than Road Funding by Burning Down Reserves**
- **Reserves Will be Exhausted by FY-2015**
- **Current Revenues are 35% Below Current Reduced Spending**
- **1/2 Cent Sales Tax Does Not Address Meeting Industry Standards for O&M and Capital; However, Is Only Option**

Overall Takeaways

- **Transportation Sales Tax Only Revenue Option that Produces Significant Funding Capacity**
- **Some Tax Capacity Created by Expiration of County Parks & Open Space Capital Sales Tax of 1/8 Cent in Fall 2014**
- **Taxpayers' \$100 Million Asset at Serious Risk**
- **But Clear that Without Additional, Significant Revenue, Drastic Cuts to Service Must be Implemented to Maintain County's Overall Financial Stability**

Questions

