



## ***Road Map for the Future***

**The BIA & Forest Service Equations:  
Service Levels, Costs and Revenues**

***The Future of Coconino County's  
Transportation Services***

**January 8, 2013**

# *Today's Excursion*

- **Recap Framework**
- **BIA Roads**
- **U.S. Forest Service Roads**
- **Financial Information**
- **Conclusions**



Photo courtesy of Jim Westling, Coconino County Public Works Department

# ***Framework for the Journey***

- **Our Largest Financial Asset – The County Owned Roads, which are Valued at About \$100 Million**
- **Road Assets are Deteriorating Rapidly and Need Major Sustainable Investment – About 25% - 35% of Major Paved Roads are in Severe or Poor Condition**
- **Major Revenue Sources Down Dramatically**
  - **Highway User Revenue Fund - Down 25%; at 1998 Level Largely Resulting from State Shifts**
  - **Vehicle License Tax (VLT) – Down 27%**
  - **Secure Rural Schools Funding Expired Sept. 30**

# ***Framework for the Journey***

- **Serious Structural Deficit is Eliminating Transportation Fund Balance**
  - **Cost Reductions, Lack of Investment & Grants Provided Short-Term Ability to Maintain Fund Balance**
- **County Resident Survey Shows Residents Highly Value Road Services & Emergency Services**
- **Roads Crucial for Economic Vitality, Citizen Safety & Quality of Life**
- **County at Crossroads – Direction Must be Set Now to Achieve Sustainable, Long-Term Transportation Services**

# *Framework for the Journey*

- **What is Our Destination?**
- **Continue Applying Three-Prong Financial Approach:**
  - **Identify Further Efficiencies in Operations to Reduce Costs & Align Service Levels with Revenues**
  - **Establish Prudent Reserves**
  - **Consider Revenue Options**
- **Create Processes & Valid Data that Fuel Good Investment Decisions**
- **Educate Our Constituents About the State of the County's Transportation System**
- **Make Difficult Decisions Regarding Transportation "Equation" – Level of Investment, Service Levels, Revenues**

# *Framework for the Journey*

- ***Why Now? County at Critical Juncture***
- **Structural Deficit in Operations Averages \$4.4M/Year over the Next 10 Years (does not include capital expenditures)**
- **Transportation Fund Balance Expected to be Exhausted within the Next Five Years**
- **Funding Landscape Transformed**
  - **HURF Funding Reduced and Susceptible to Market Forces & State Legislative Reductions**
  - **Secure Rural Schools Funding Expired**

# ***Trip Planner***

## ***Series of Board Work Sessions:***

- **October 16<sup>th</sup> Work Session:**
  - Discussed Framework & Process for Achieving Our Destination
  - Set the Foundation for the Rest of the Journey
- **December 4<sup>th</sup> Work Session:**
  - The County Roads “Equation:” Service Levels, Costs & Revenues

# ***Trip Planner***

- **TODAY'S WORK SESSION – January 8:**
  - Forest Service & BIA Roads “Equations:” Service Levels, Costs & Revenues
- **4<sup>th</sup> Work Session – February**
  - Detailed Presentation on Financial Elements for Transportation Services
    - Operational & Capital Expenditures
      - Efficiency Improvements/Cost Reductions
    - Revenues – Recurring & One-Time
    - Review of 10 Year Transportation Plan
    - Revenue Options
    - Grant Funding Sources
      - Map 21
      - Grants and Funding Processes (FMPO & NACOG)

# ***Trip Planner***

- **5<sup>th</sup> Work Session – February**
  - **Financial Road Map:**
    - **10 - 20 Year Financial Planning Scenarios –  
Discuss Potential Financial Plans for Balancing  
Service Levels & Revenues For Creating  
Sustainable, Long-Term Transportation Services**
- **6<sup>th</sup> Work Session – March**

***Finalizing the Road Map for Sustainable, Long-Term  
County Transportation Services***

# *Today's Journey*

- **BIA Roads on Navajo Nation**
- **U.S. Forest Service Roads**

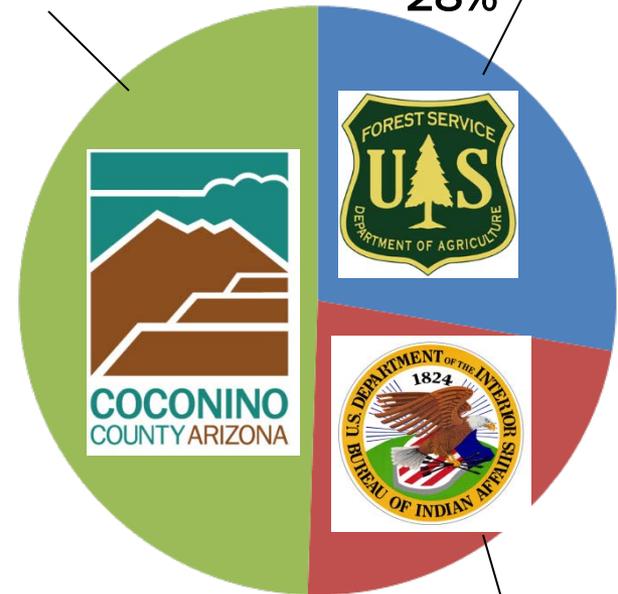


# Road Ownership

- 930 Total Miles Maintained:
- 460 Miles Statutorily Owned & Maintained by the County
- 258 Miles of Forest Service Roads Maintained through Schedule A Agreement (Not Mandated)
- 212 Miles of Navajo Nation Roads Maintained Through IGA with BIA (Not Mandated)

County Owned,  
460 Miles,  
49%

USFS,  
258 Miles,  
28%

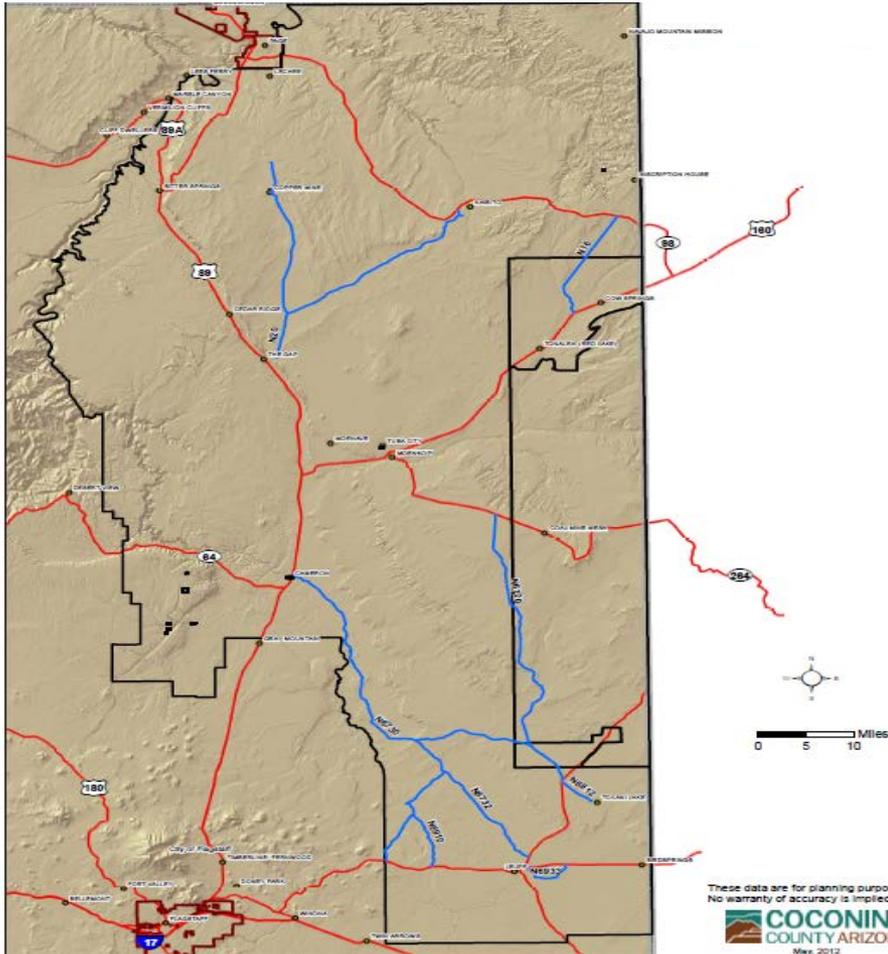


BIA,  
212 Miles, 23%

# ***BIA Roads***



# County Maintained Roads on the Navajo Nation



-  County Maintained Roads/School bus Routes
-  Major Route

# ***Maintenance History of BIA Gravel Roads***

**Prior to 1996: No Reservation Roads Maintained by the County**

**1996: Agreement with the BIA:**

- **Total Costs = \$377,986**
- **County Provided \$367,056 (HURF Funds)**
- **BIA Provided \$50 per mile for 218 miles = \$10,930/Year**
- **County HURF Revenue Included On-Reservation Gas Tax Revenue**

**1998:**

- **Total Costs = \$465,103**
- **County Provided \$454,173 (\$349,183 HURF Funds + \$104,990 TEA Funds)**
- **BIA Provided \$10,930**

# ***Maintenance History of BIA Gravel Roads***

## **1999:**

- **Total Costs = \$214,354**
- **County Provided \$203,424 (\$99,377 HURF Funds + \$104,047 TEA 21 Funds)**
- **BIA Provided \$10,930**
- **Navajo Nation Replaced Federal Gas Tax with a Their Own Gas Tax and Formed NDOT. County No Longer Receives any Gas Tax Revenue from the Fuel Sales on the Nation.**

## **2002:**

- **Total Cost = \$598,928 (scope increased to 222 miles)**
- **County Provided \$587,803 (\$479,091 HURF Funds + \$108,712 TEA 21 Funds)**
- **BIA Provided \$11,125**

# ***Maintenance History of BIA Gravel Roads***

**2005:**

- **Total Costs = \$899,506**
- **County Provided \$899,506 (\$776,386 in HURF Funds + \$123,120 in SAFETEA\_LU Funds, which replaced TEA 21)**

**2007:**

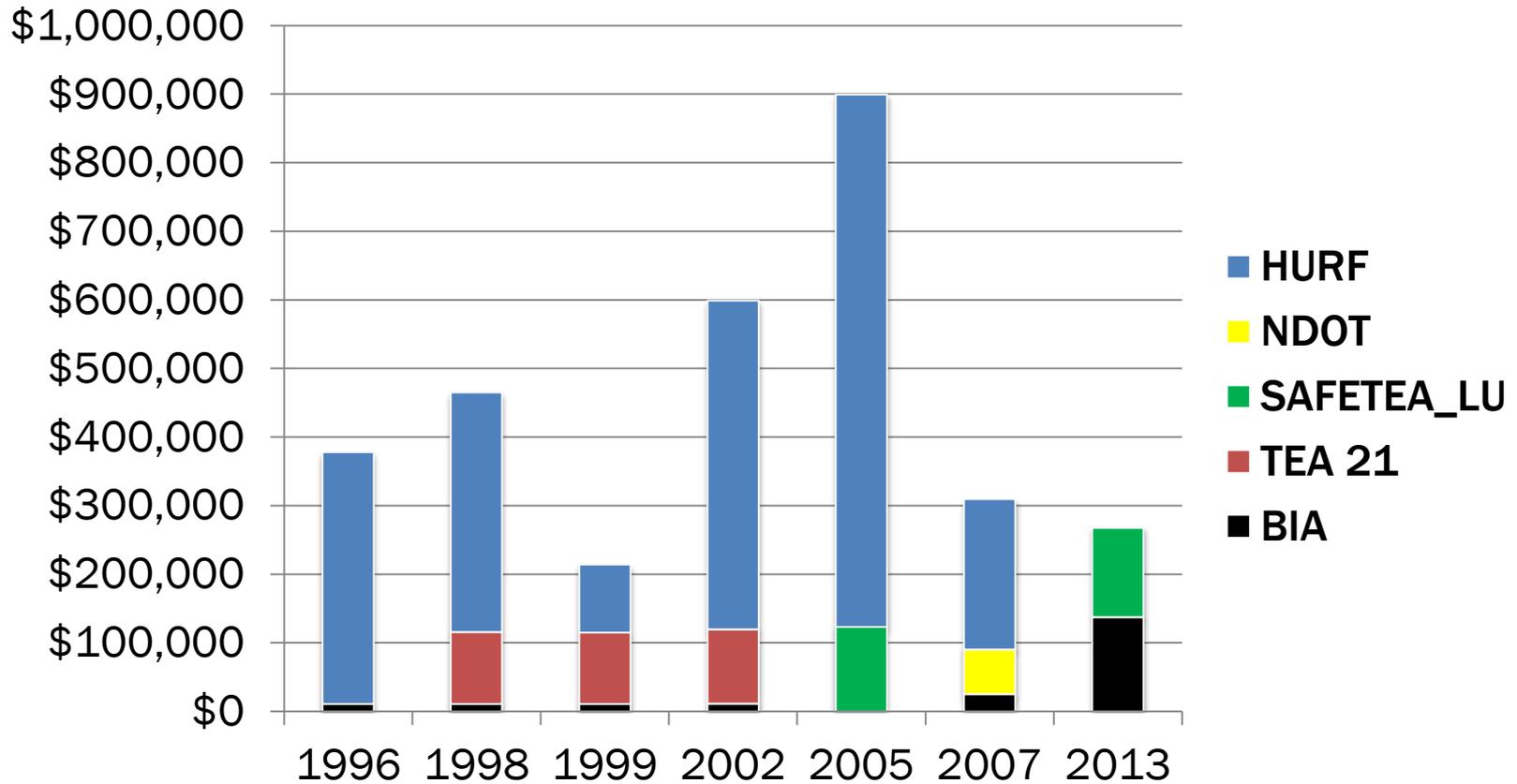
- **Total Costs = \$309,354 (County & BIA Reduce Costs)**
- **County Provided \$218,983 (HURF Funds)**
- **NDOT Provided Grant of \$65,385 per Year for Four Years (Expired in 2010)**
- **County Negotiated BIA Increase to \$150/Mile = \$24,986**

# ***Maintenance History of BIA Gravel Roads***

## **2011:**

- **County Employs New Negotiating Strategy, Which Results in New Agreement Where All Direct Costs Beyond County Contribution is Covered by BIA and Several Other Key Terms are Now Included in the Agreement**
- **Initial Negotiations Included County, NDOT, and BIA. NDOT Later Withdrew From Negotiations.**

# *Contribution Summary to BIA Roads*



# ***New BIA Contract Terms***

- BIA Provides \$167,420/Year = \$787/Mile
- County Provides \$130,000 (SAFETEA\_LU Funds)
- Total Funding Commitment = \$297,420
- 212 Miles Maintained
- County Will Cease Activities When These Amounts are Reached
- BIA Roads Shall be Maintained on Average 4 Times Per Year
- Current Year Costs are Tracking to Contract

# ***New BIA Contract Terms***

- **County is Not Authorized to Perform Weather Damage Repair – Must be Directed by BIA**
- **County May be Requested by the BIA to Perform Other Work that is Estimated and then Funded Separately**
- **In Addition to the SAFETEA\_LU Funding, the County also Covers Indirect Costs and Equipment Replacement (Est. Cost - \$100K)**

# ***BIA Road Maintenance Service Level***

- **County Shall Only Grade Roads to Provide a Passable Driving Surface and to Maintain Existing Road Elevation and Side Drainage Ditches**
- **Blading – An Average of 4 X Per Year**
  - **To Blade a Mile of Road May Take 4 to 7 Passes**
- **Ditch Maintenance**
- **Culvert Maintenance  
(Not Replacement)**



# ***BIA Road Maintenance Resources***

- **Direct** Costs are About \$300,000 per Year
- Road Maintenance - 2½ FTE Positions  
Comprised of:
  - 2 Senior Operators
  - ½ Time Supervisor
- **Equipment**
  - 2 Motor Graders
  - 2½ Pick Ups
  - Equipment Mtn.  
Provided by County



# ***INTERACTIVE MAP***



# ***BIA Roads Conclusions***

- Cost Arrangement is Relatively Expenditure/Revenue Neutral ***For Direct Costs***
- Indirect Costs and Equipment Replacement are Not Included in the Agreement
- Additional Service Requires Contract Amendment with BIA
- Agreement Renewal Date – October 1, 2013 (Year 3 Of 5)





# ***Questions & Comments***

# *U.S. Forest Service Roads*

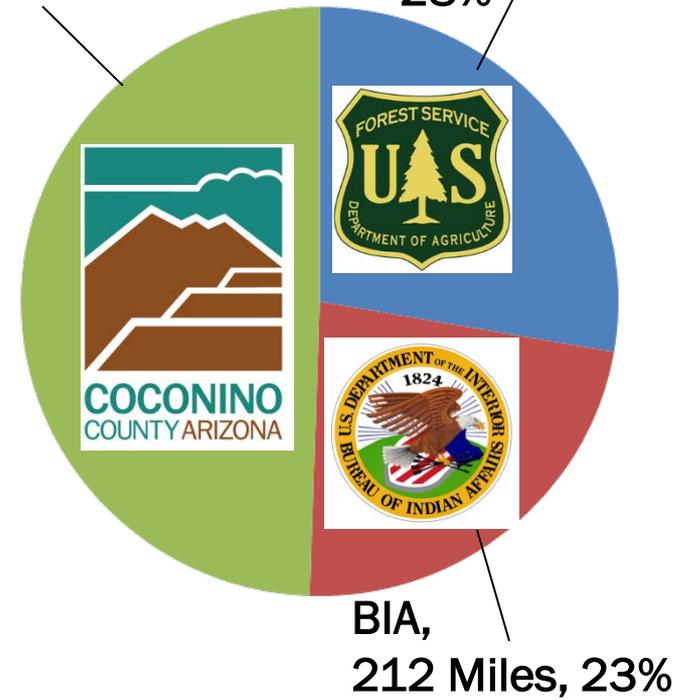


# Road Ownership

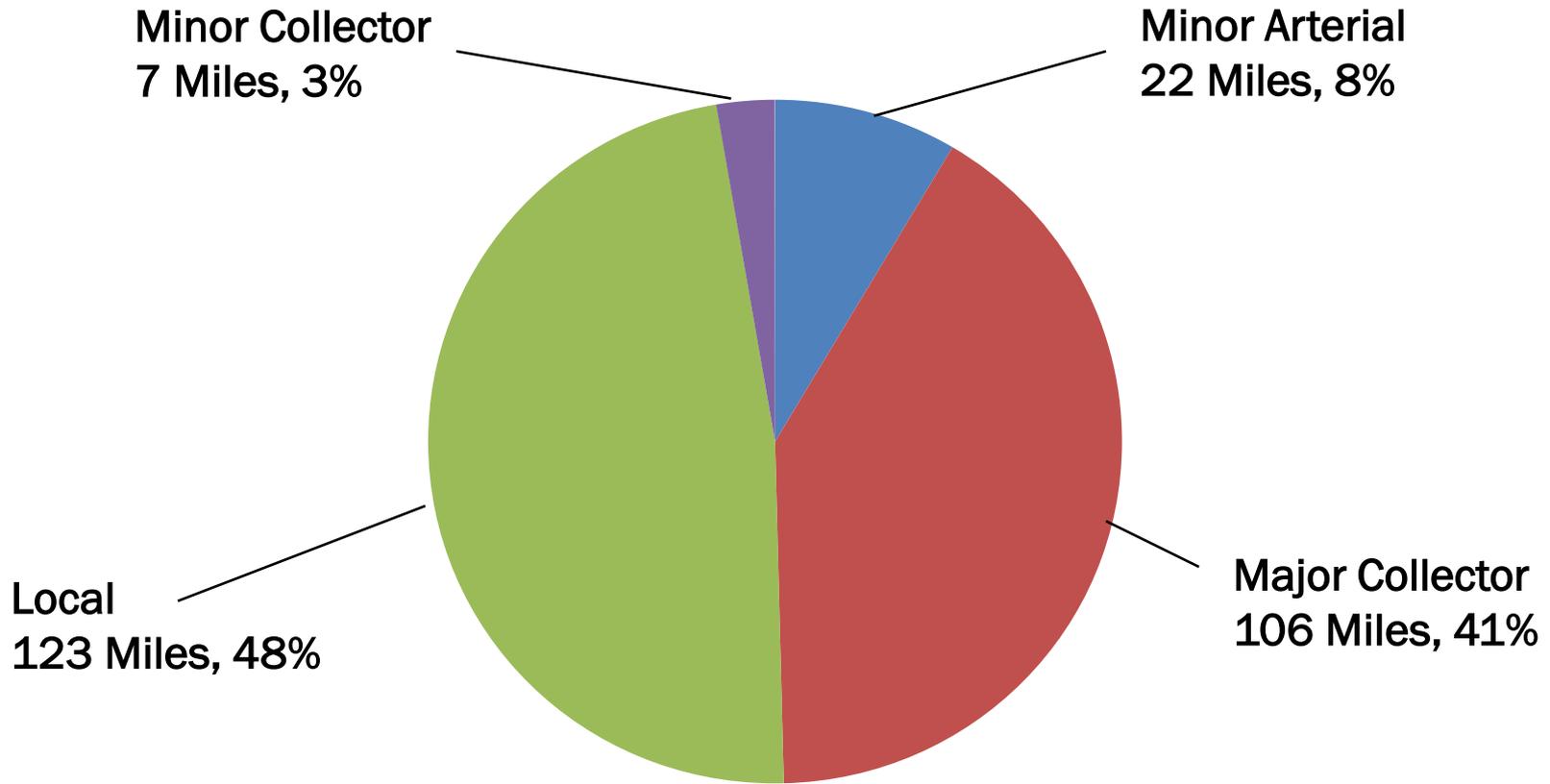
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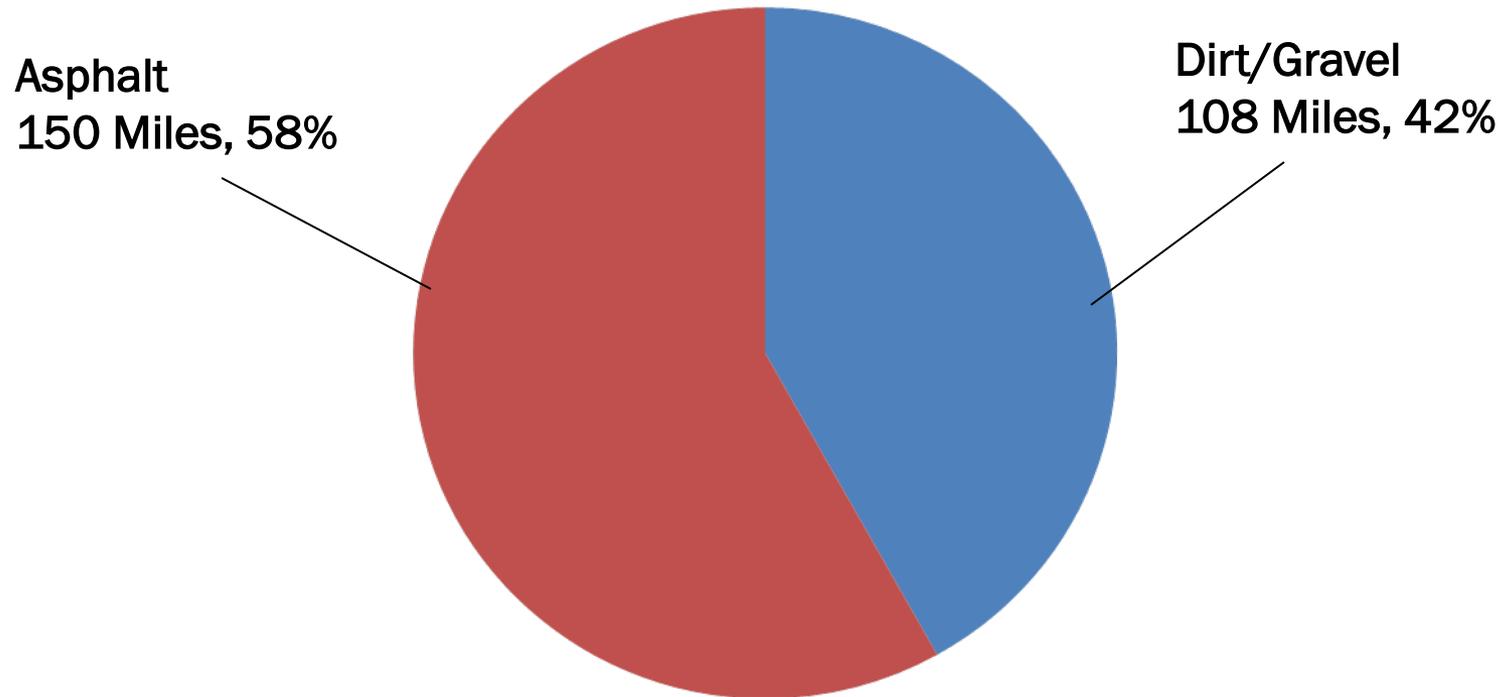


# ***U.S. Forest Service Road Classification***



# *U. S. Forest Service Roads*

## *Road Surface*

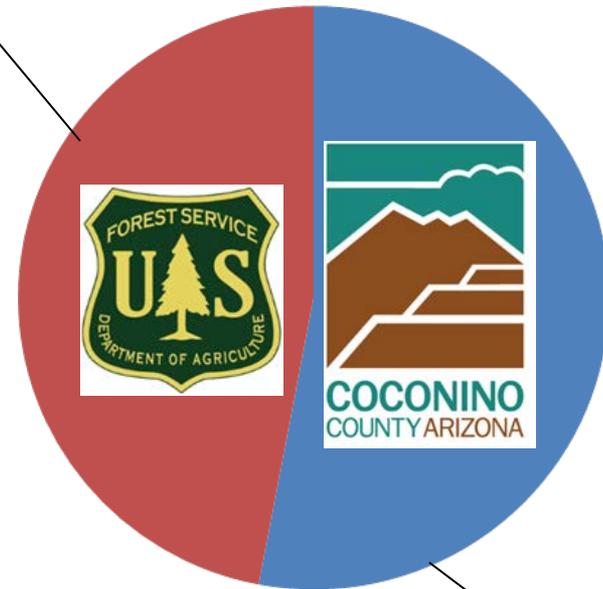


# Asphalt Surface Roads

USFS  
150 Miles, 47%

## Surface Type

- Of the County's Total 319 Asphalt Miles, 150 miles (47%) are USFS Roads
- 58% of USFS Roads are Asphalt (many minor arterials and collectors)



County  
169 Miles, 53%

# ***U.S. Forest Service Roads Authority to Maintain***

- **Maintenance is NOT a State Mandate**
- **Authorized Through Road Maintenance Agreement (Schedule A )**





***U.S. Forest – County  
Road Maintenance Agreement***

# ***History of Maintaining USFS-Owned Roads***

- **Environmental Litigation & Other Factors Lead to Reduction of and Ultimate Closing of Lumber & Timber Industries in 1980s & 1990s**
- **Timber Industry Paid Fees to USFS & Was Responsible for Building & Maintaining USFS Roads Used to Support Logging Operations**
- **Federal Forest Revenues Declined Sharply & Industry No Longer Invested in Roads**

# ***Forest Service Roads Agreement***

- Agreement Established in 1987 to Maintain USFS Owned Roads in Response to a Request for Cooperative Assistance
- The Agreement Included a List of 171 Miles of Forest Service Roads to be Maintained (Schedule A Roads)
- The Number of Miles to be Maintained Increased to 283 in 1998
- Historically and Currently, Criteria Used:
  - Farm to Market Roads
  - Roads to Material Pits
  - Shortcuts to Highways
  - Roads to Private Homes Or Subdivisions

# ***Forest Service Roads Agreement***

- **Maintenance Defined within the Agreement as “Preserving and Keeping the Roads as Nearly as Possible in their Original Condition as Constructed or Reconstructed to Provide Satisfactory and Safe Road Service”**



***County Maintenance of  
U.S. Forest Service Roads***

# ***Maintaining USFS-Owned Roads***

- **Over 1/2 of County-Maintained USFS Roads are Minor & Major Collectors or Minor Arterials and Serve as “Core” Transportation Routes (Leupp, Townsend, Lake Mary, Perkinsville Roads)**
- **Public Works Has Not Distinguished Between USFS Roads And County Roads**
- **Maintenance Was Performed Based on Greatest Need**
- **Estimate of \$700,000 for USFS Winter Road Maintenance**

# ***USFS Dirt/Gravel Road Maintenance***

- **Blading**
- **Frequency (Service Level)**
- **Adding Road Material**
- **Drainage - Ditch & Culvert  
Cleaning**



# ***USFS Paved Road Maintenance***

- Focus is Chip Sealing
- Ten Year Plan Updated Annually
- Chip Sealing Covers the Most Roads with Limited Funds
- FY2011 \$27,000 per Mile for 21 miles
- FY2012 \$28,000 per Mile for 32 miles
- ***\$500,000 to \$900,000*** Investment Annually

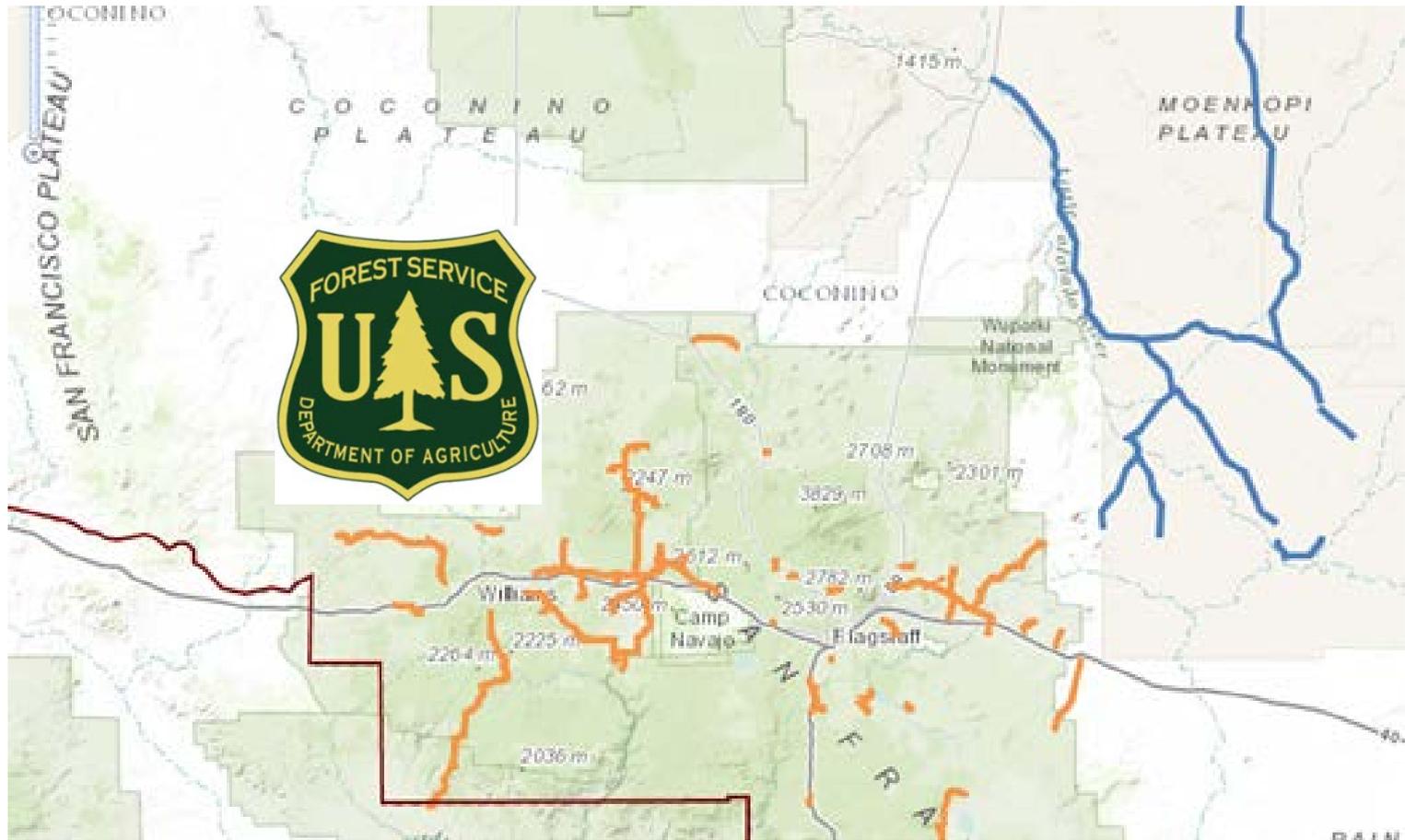


# ***USFS Paved Road Maintenance (Some Identified Needs)***

<b><u>ROAD</u></b>	<b><u>LENGTH</u></b>	<b><u>ADT</u></b>	<b><u>EST. COST</u></b>
■ East End of Townsend	4 miles	3,000	\$2.25M
■ Flagstaff Landfill Road	3 miles	400	\$1.5M
■ Mormon Lake Westside	7 miles	500	\$3.8M
■ Rt. 66 Wagon Wheel	1 mile	2,500	\$700K
■ Sherwood Forest Access	3 miles	200	\$1.5M
■ Perkinsville	7 miles	1,500	\$3.5M
■ Deer Farm	1 mile	300	\$500K
■ Lake Mary Road	11 miles	1,300	\$26M

See Handout for Greater Detail

# INTERACTIVE MAP





# ***U.S. Forest Service Road Related Maintenance & Funding Issues***

# ***Key Issues – Forest Service Roads***

- **SRS Funding Did NOT Replace Historic Federal and Private Funding of USFS Road Maintenance**
- **SRS is Not Required to be Used to Maintain Forest Service Roads – County Elected to Maintain USFS Roads Irrespective of No Funding Source Historically**
- **Now SRS Funding Has Expired & HURF Funding is Significantly Reduced**
- **Key Decision – Level of HURF Subsidy to Maintain Forest Service Roads in Relationship to Maintaining County-Owned Roads**

# ***Key Issues – Forest Service Roads***

- **Schedule A Paved Roads Need Major Investment Due to Deterioration**
- **Impacts & Costs to Road Maintenance from 4FRI**
- **USFS Travel Management Plan Impacts**
- **Requests to Maintain Roads Not on Schedule A**
- **Federal Capital Funding is Now More Competitive**

# ***Forest Service Roads Funding***

- In 2000, the Secure Rural Schools and Community Self-Determination Act (SRS) was Enacted
- SRS Fees are Not Mandated for Use on USFS Roads
- SRS Fees have Reduced Over Time
  - FY11=\$1.65m, FY12=\$1.5m, FY13=\$1.2m, FY14=\$0
- Forest Fees Have Funded 50% to 60% of Maintenance Costs
- HURF Funds have Provided the Balance
- SRS Expired Sept 30, 2012
- SRS Roads Fund Balance Exhausted in FY 2014

# ***Forest Service Roads Funding***

## **FY 2012 Actual Costs:**

**Road Maintenance Costs \$2.6 million**

**Winter Road Costs +/- \$700,000**

**Total Cost: \$3.3 million\***

**SRS Revenue: \$1.5 million**

**HURF Subsidy: \$1.8 million**

**\* Includes In-Directs and Equipment Replacement**

# ***Federal Road Grant Program (Capital Funding Only)***

- **MAP 21 - Federal Lands Access Program (FLAP)  
Replaces Central Federal Lands Program**
- **CFL Funded Lake Mary Road Project at \$8.9M for  
17 Miles**
- **More Roads Eligible for Project Funding = More  
Competition for Funding**
- **\$250 Million Nationally; \$14 Million for AZ**
- **Requires 5.7% County Match**
- **Project Funding Applications Likely Due in April;  
Projects Engineered & Managed by Feds**
- **Current Priority Remains Lake Mary Road**

# ***Four Forest Restoration Initiative (4FRI)***

- **30,000 – 50,000 Acres per Year of Forest Thinning**
- **Areas Near Flagstaff are Initial Priority**
- **Major Impacts to County Maintained Forest Service Roads and County-Owned Roads**
- **No Funding Mechanism for Road Maintenance Has Been Identified**

# ***Recommendation – Forest Service Roads***

## ***Negotiate New, Financially Sustainable Agreement for Maintaining Forest Service Roads***

- **Develop Necessary Information & Then Work with Board to Develop Transportation Services Plan & Negotiation Strategy**



# ***Questions & Comments***

# ***BIA & USFS Roads: Financial Information***



# ***Current Financial Challenges***

## ***Transportation Fund is Diminishing Quickly***

- **Operations Structural Deficit Averages at Least \$4.4M over the Next Ten Years (does not include capital investment)**
- **Transportation Fund Balance Could be Exhausted in 2015**

# ***Current Financial Challenges***

## **Major Subsidies Impacting the Transportation Fund:**

- **\$100K of HURF Funds Being Used to Subsidize the BIA Road Agreement**
- **Based on 2012 Costs for Maintaining Forest Service Roads (\$3.3M), the Remaining \$2.1 Million of Forest Fees Fund Balance and \$1.2 Million of HURF Funds Will be Used to Subsidize Forest Service Road Maintenance in FY 2014**
- **This Will Exhaust the Forest Fees Roads Fund**
- **Costs Noted Do NOT Include 4FRI Impacts**

# *Conclusions*



# ***Conclusions***

## **BIA Roads:**

- **BIA Road Maintenance is Effectively Expenditure/Revenue Neutral**
- **Renegotiate Current Rate at Next Renewal Interval to Include Indirect Costs and Equipment Replacement**

# ***Conclusions***

## **U.S Forest Service Roads:**

***Negotiate New, Financially Sustainable Agreement for Maintaining Forest Service Roads***

- **Develop Necessary Information & Then Work with Board to Develop Transportation Services Plan & Negotiation Strategy**

# ***Conclusions***

- **Address Operational Deficit & Increased Capital Needs**
- **Continue Applying Three-Prong Financial Approach:**
  - **Identify Further Efficiencies in Operations to Reduce Costs & Align Service Levels with Revenues**
  - **Establish Prudent Reserves**
  - **Consider Revenue Options**



# ***QUESTIONS & COMMENTS***