

# **Financial Management Services**

**September 11, 2020**

## **FY2021 – FY2025 Re-developed Tentative Highway Construction Program**

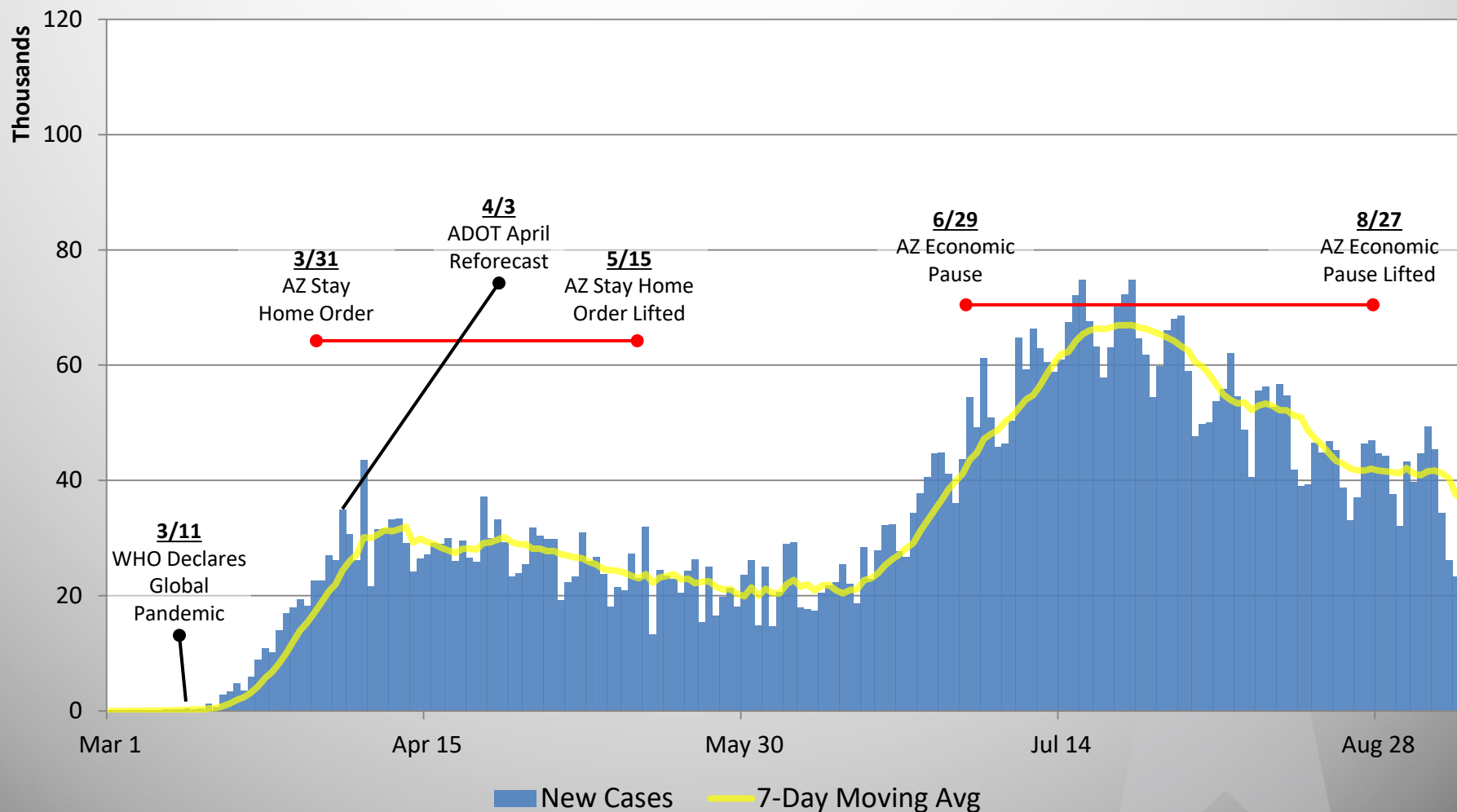
**Year of COVID**

**Prepared by: Kristine Ward, CFO**

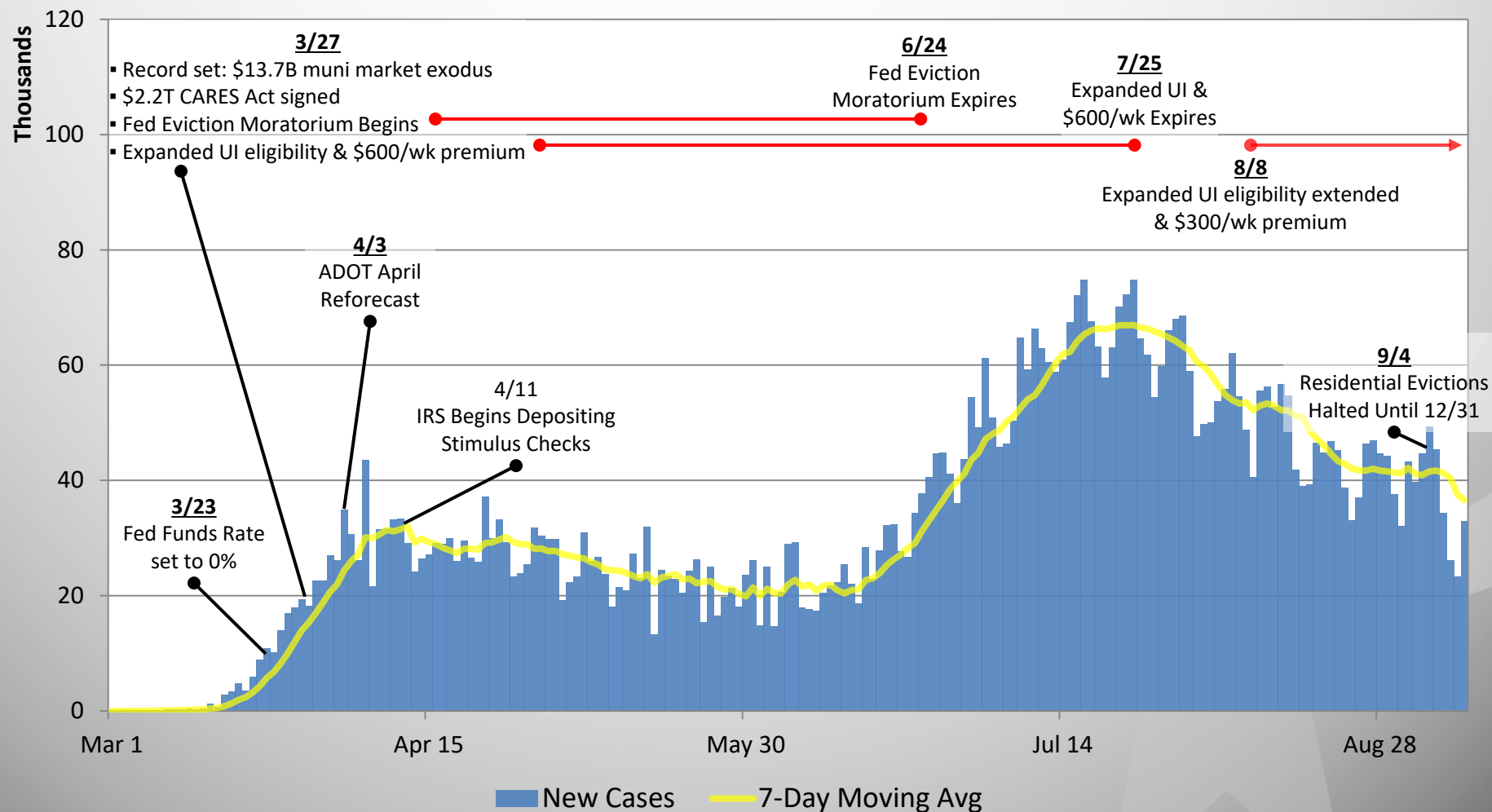
# **FY2020 Year in Review**

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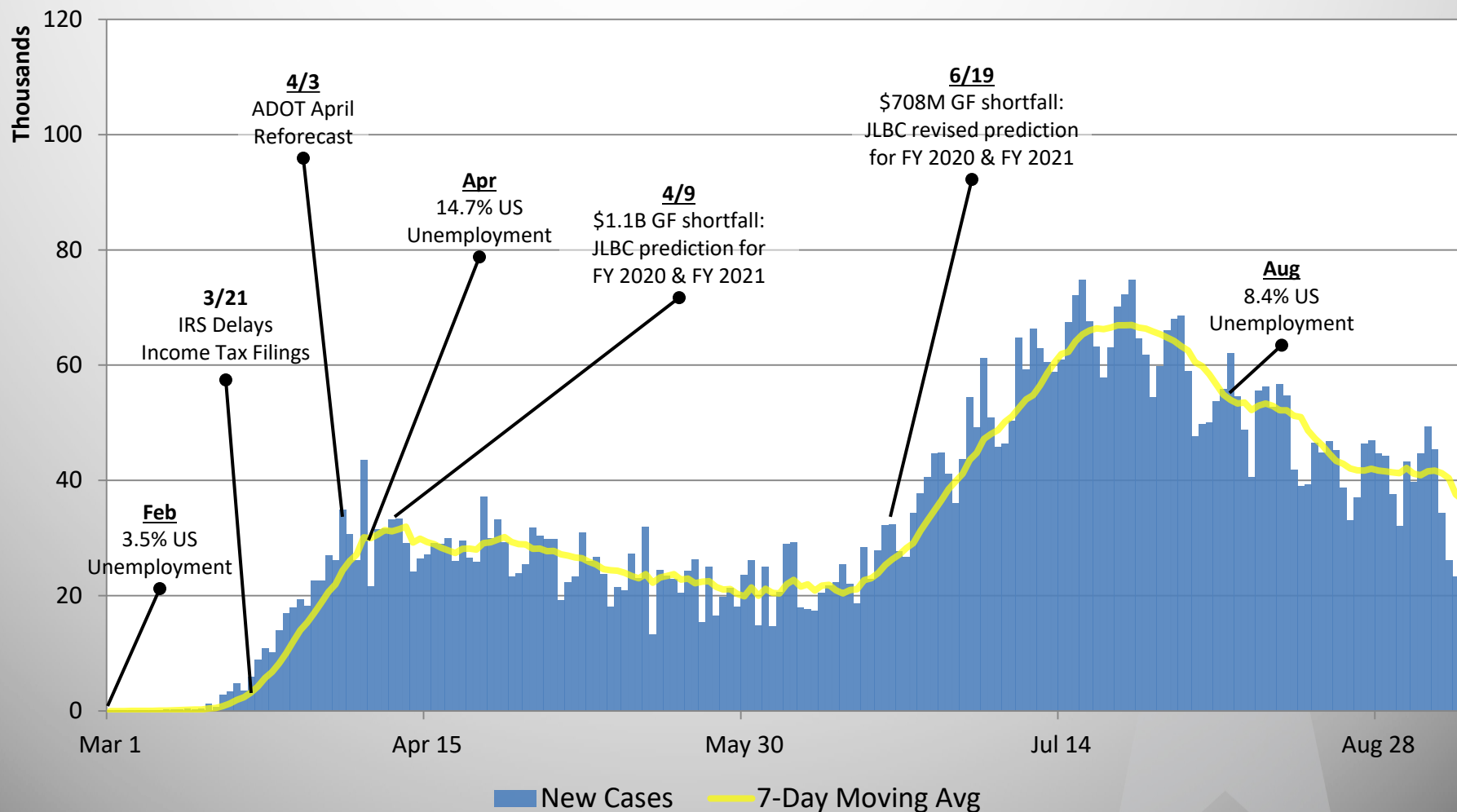
# Pandemic Events and US Cases



# Economic Actions and Concerns

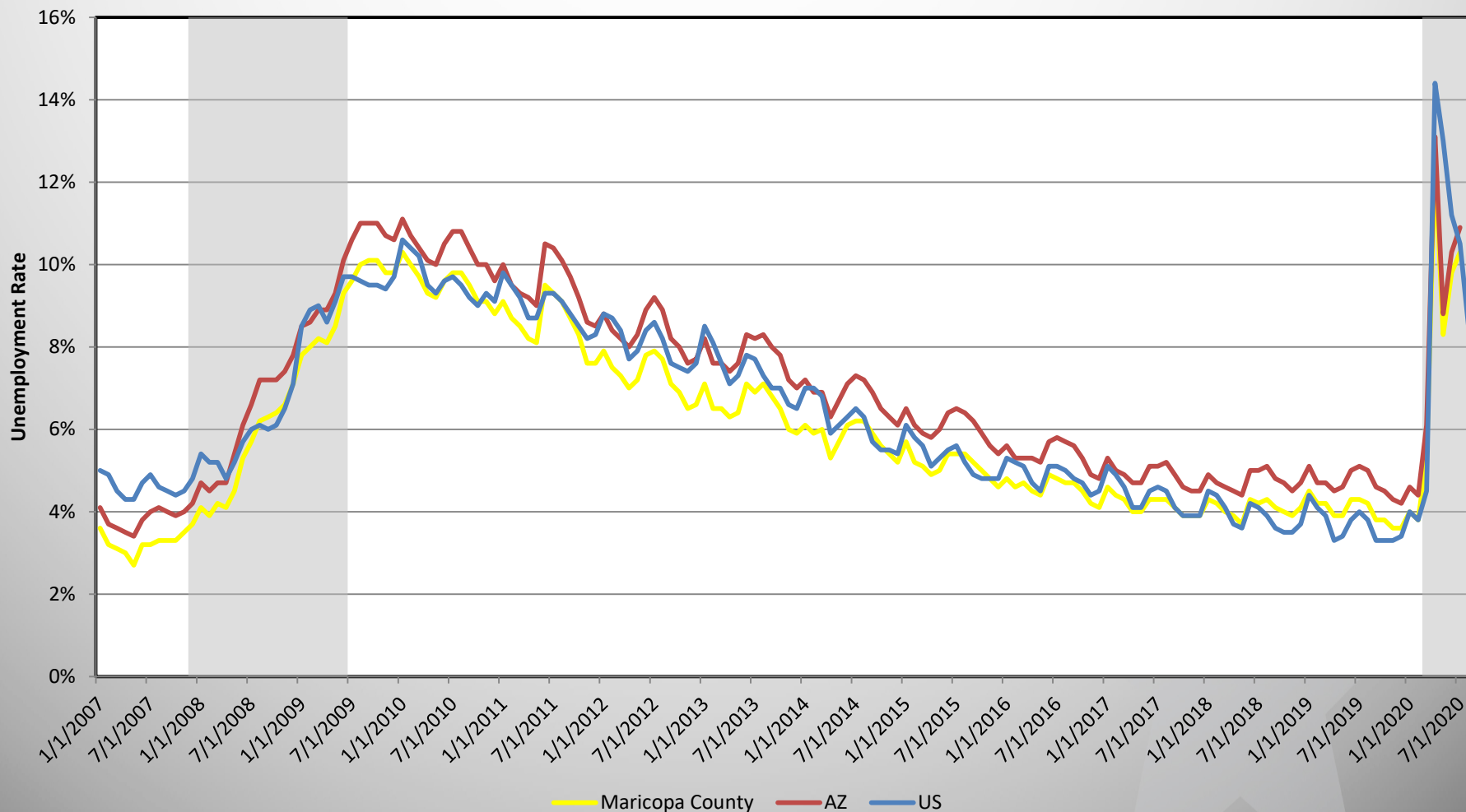


# Economic Actions and Concerns



# Unemployment Rate

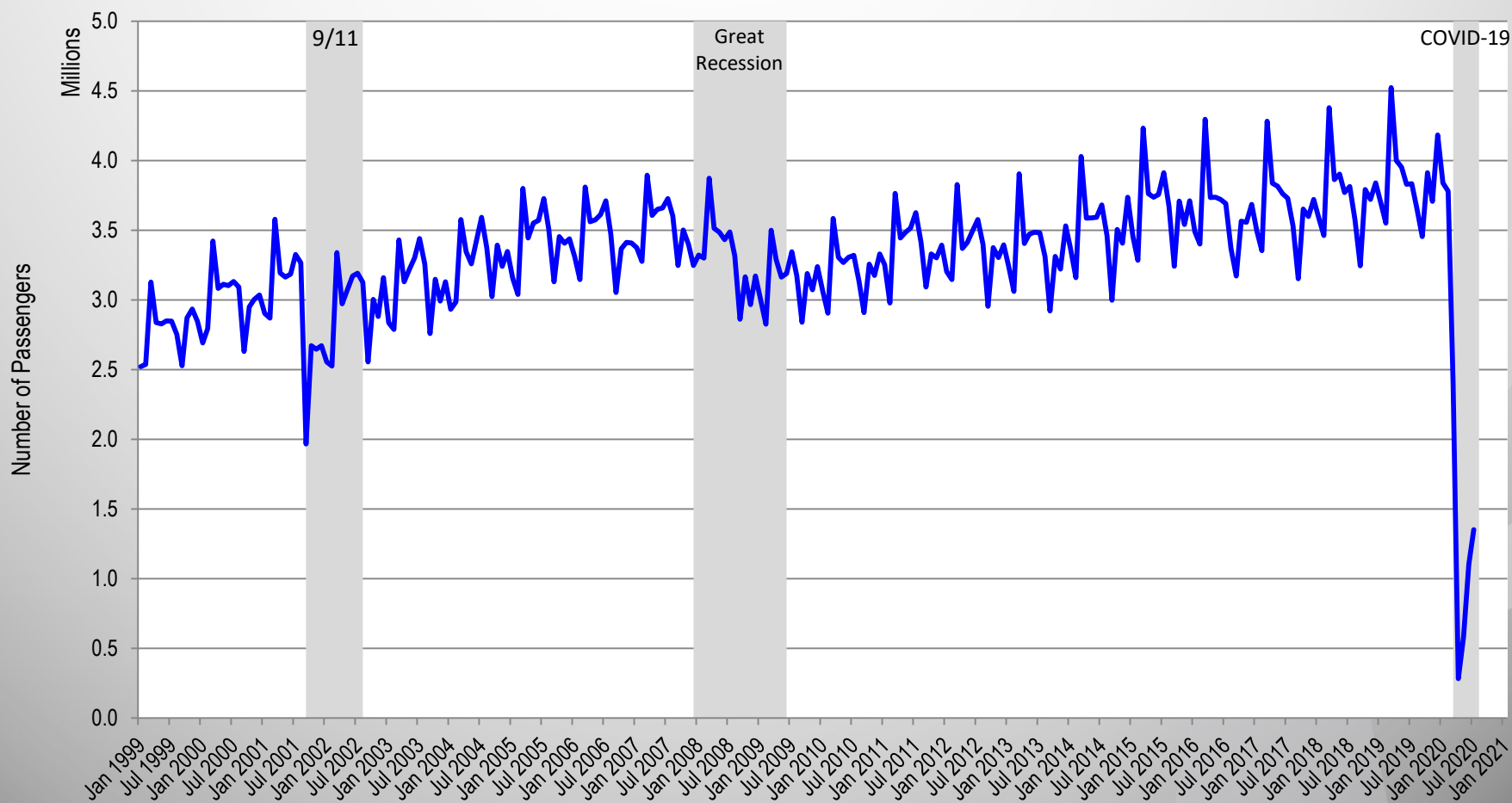
(January 2007 - August 2020)



Source: U.S. Bureau of Labor Statistics.

# Phoenix Sky Harbor

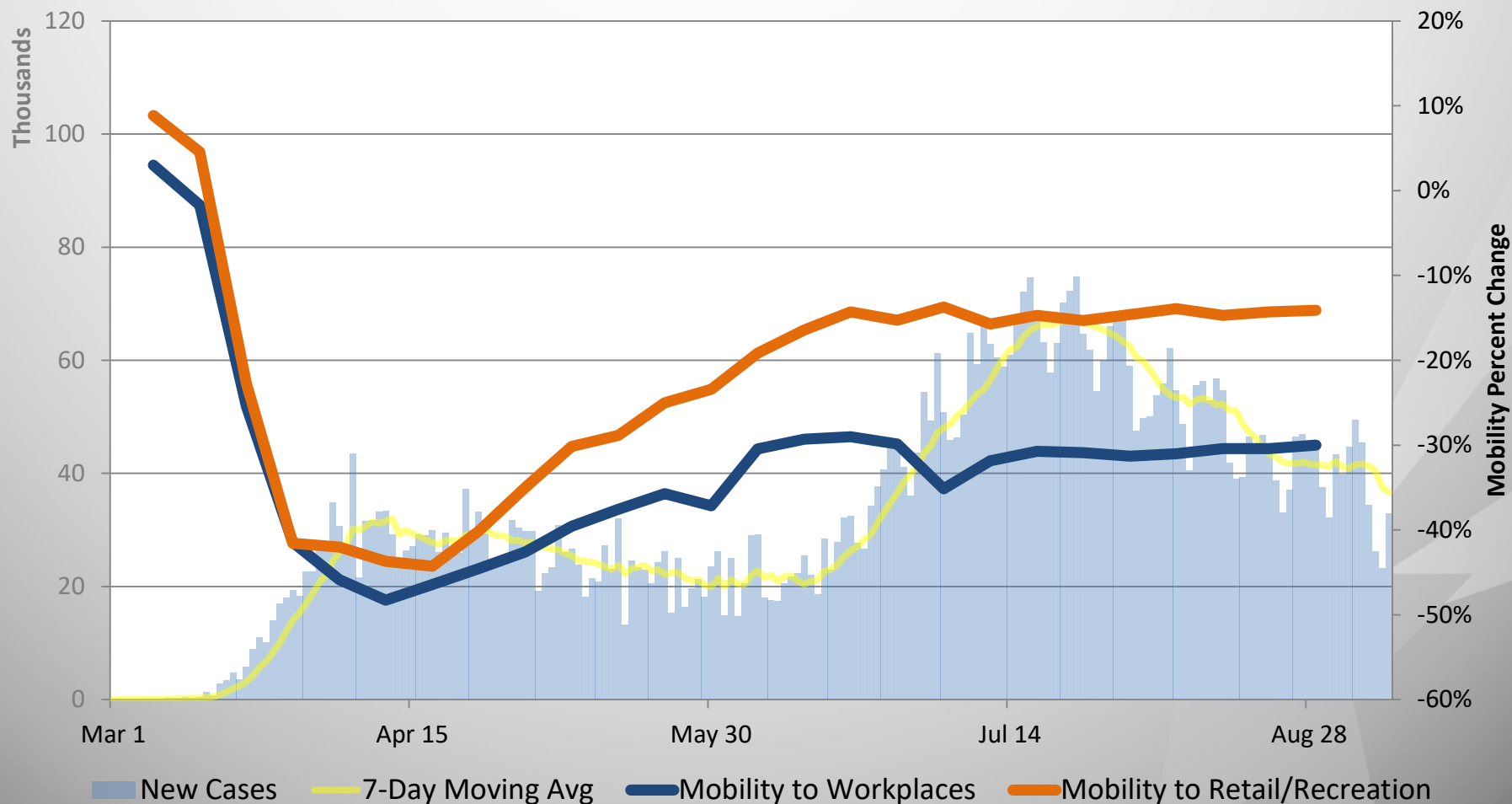
Monthly Passenger Traffic: January 1999 – July 2020



Source: Phoenix Sky Harbor International Airport.

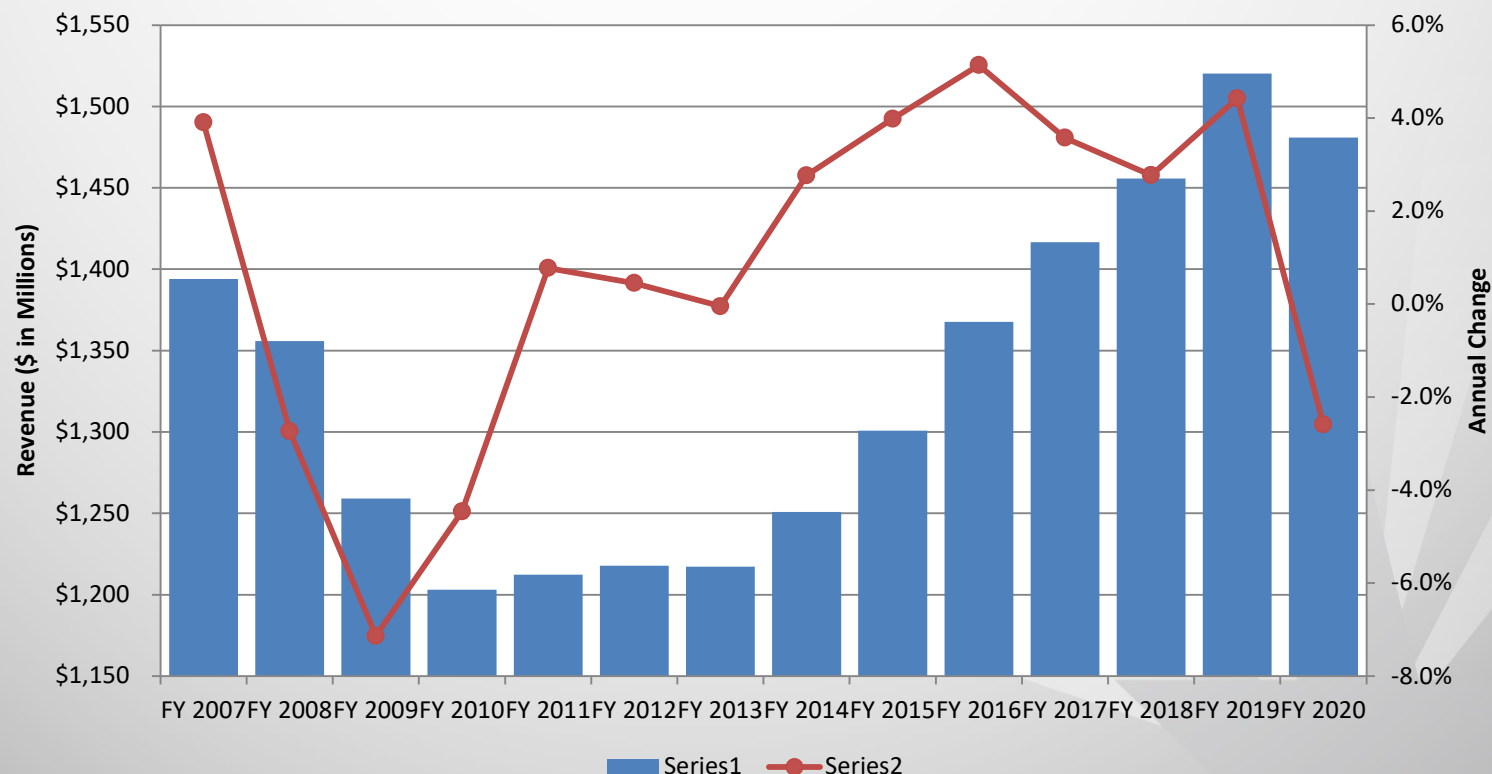
# Pandemic Statistics and Concerns

## US Mobility





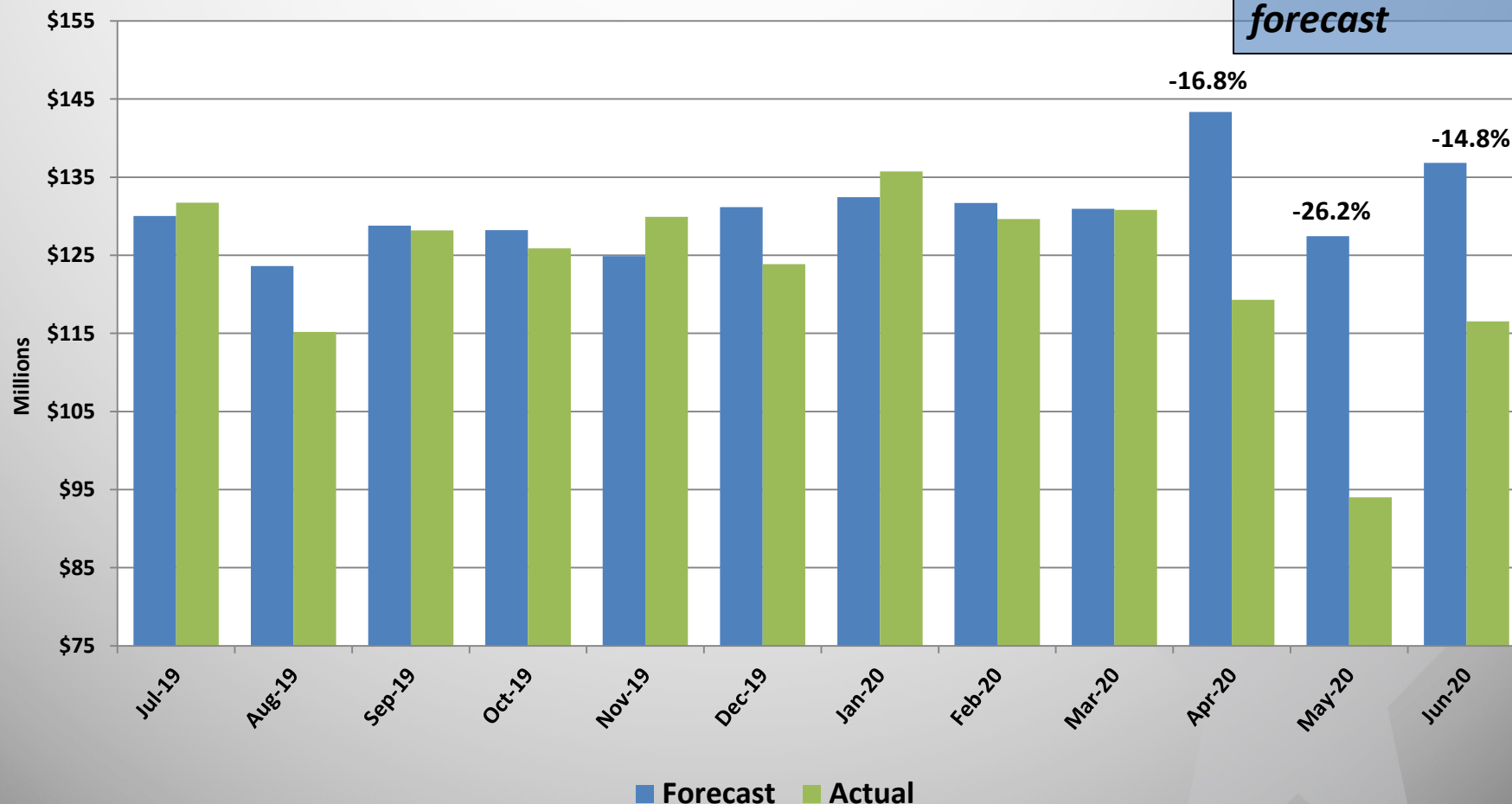
# Highway User Revenue Fund (HURF): FY2020 Revenues



	FY 2019 Actual	FY 2020 Actual	Change	FY 2020 Estimate	Change
Total	\$ 1,520.2	\$ 1,480.8	-2.6%	\$ 1,569.4	-5.6%

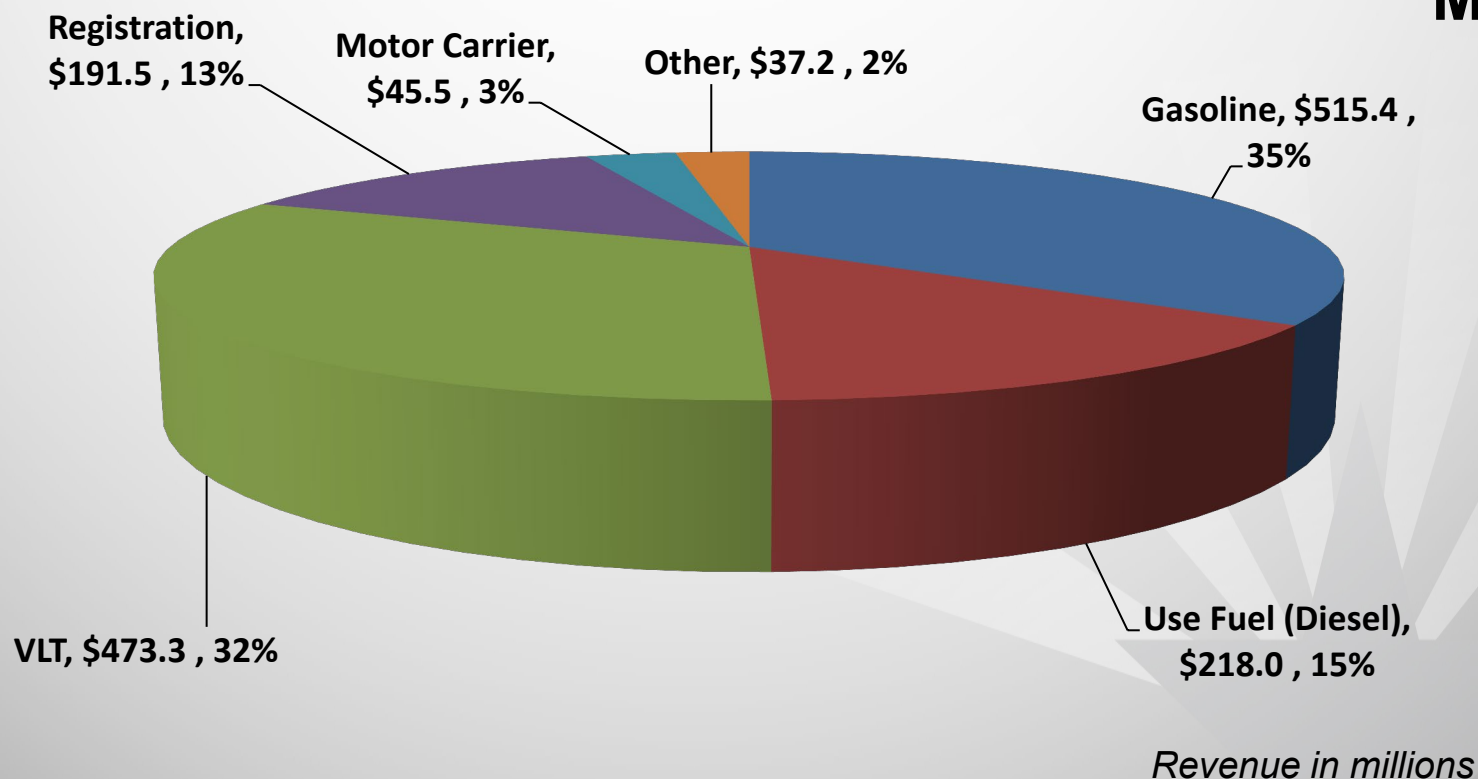
# Highway User Revenue Fund: FY2020 Forecast vs Actual

*HURF revenues  
for FY2020 were  
\$88.6M below  
forecast*

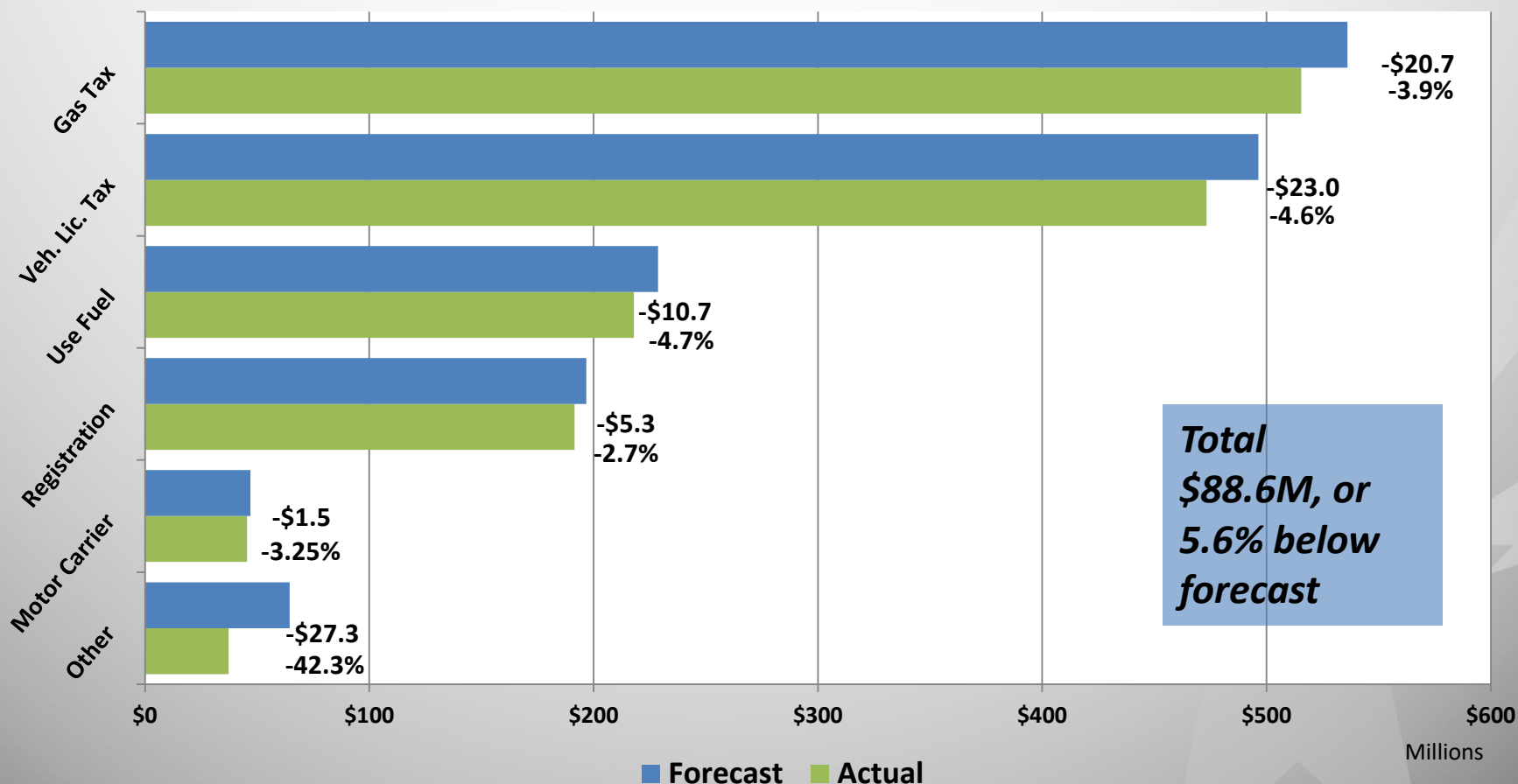


# Highway User Revenue Fund: FY2020 Sources

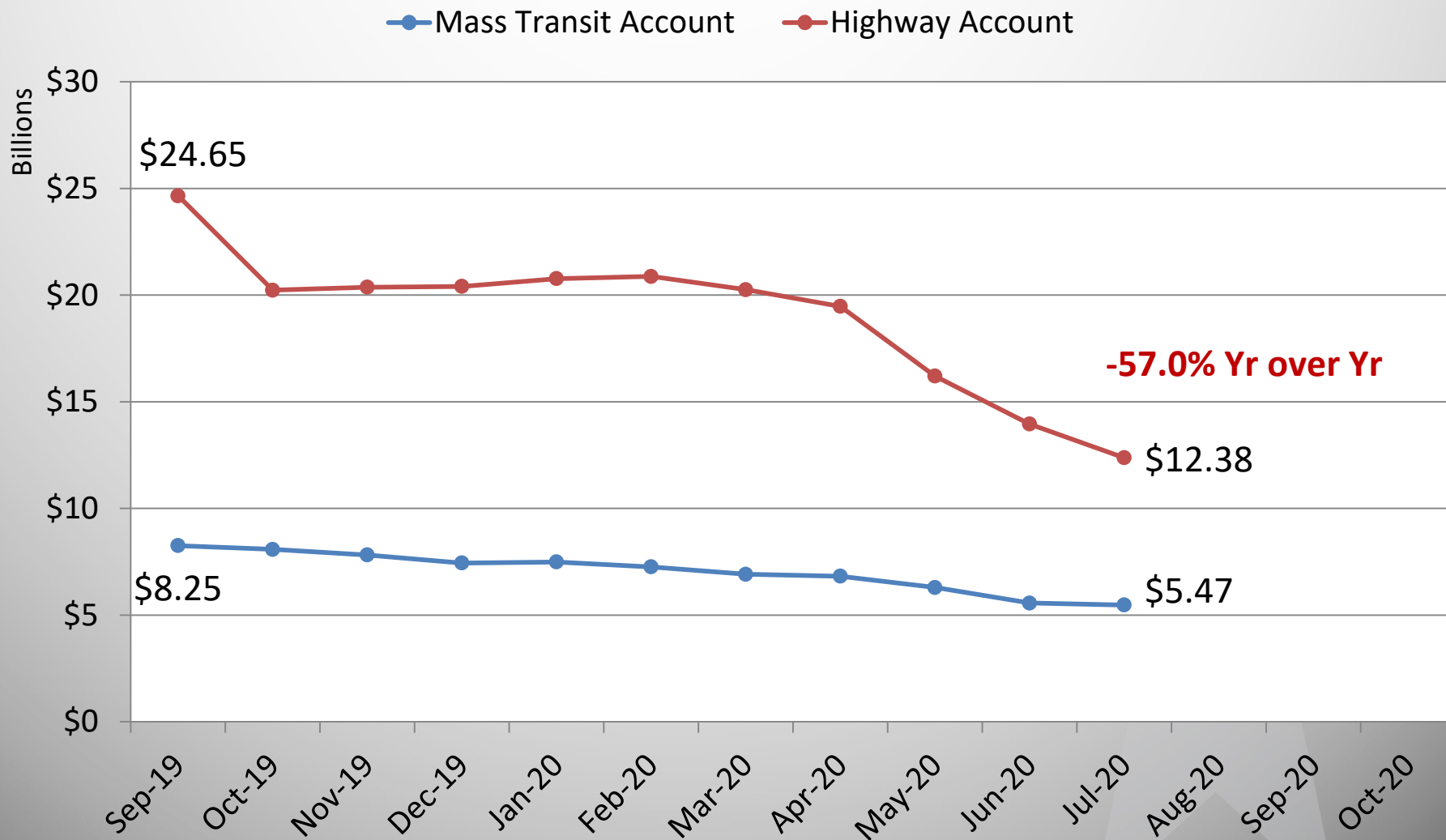
**Total: \$1,480.8  
Million**



# Highway User Revenue Fund (HURF): FY2020 Forecast vs Actual by Category

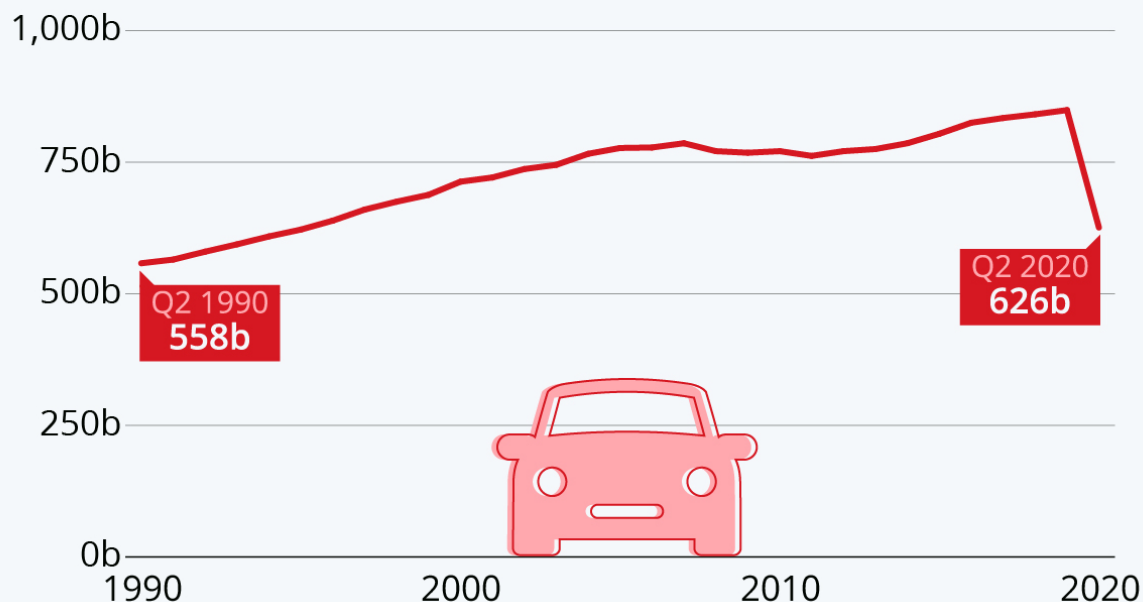


# Highway Trust Fund Balance – FY 2020



# Road Traffic Falls to 1995 Levels Amid Pandemic

Total vehicle miles traveled on all roads and streets in the U.S. in Q2 of the respective year\*

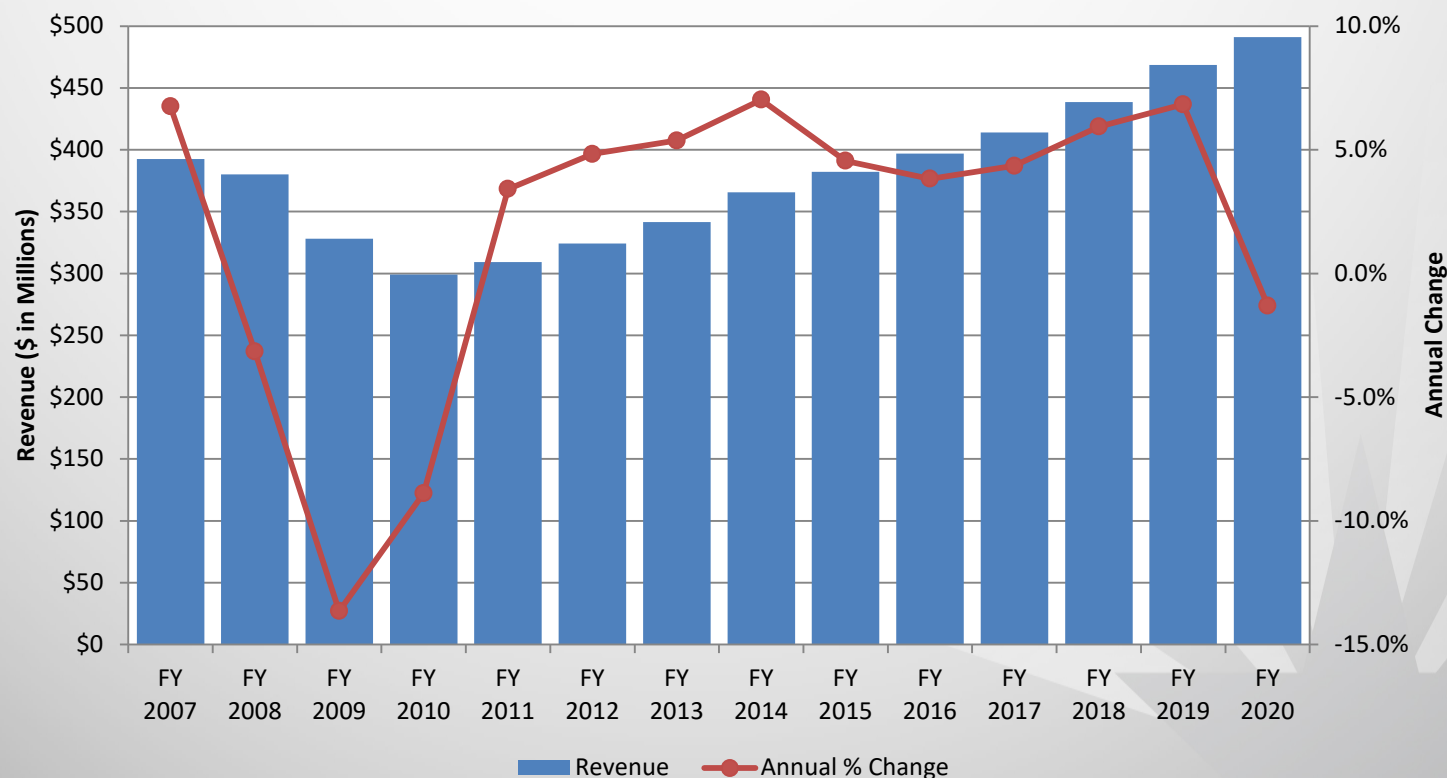


\* based on hourly traffic count data collected at approximately 5,000 continuous traffic counting locations nationwide

Source: U.S. Federal Highway Administration



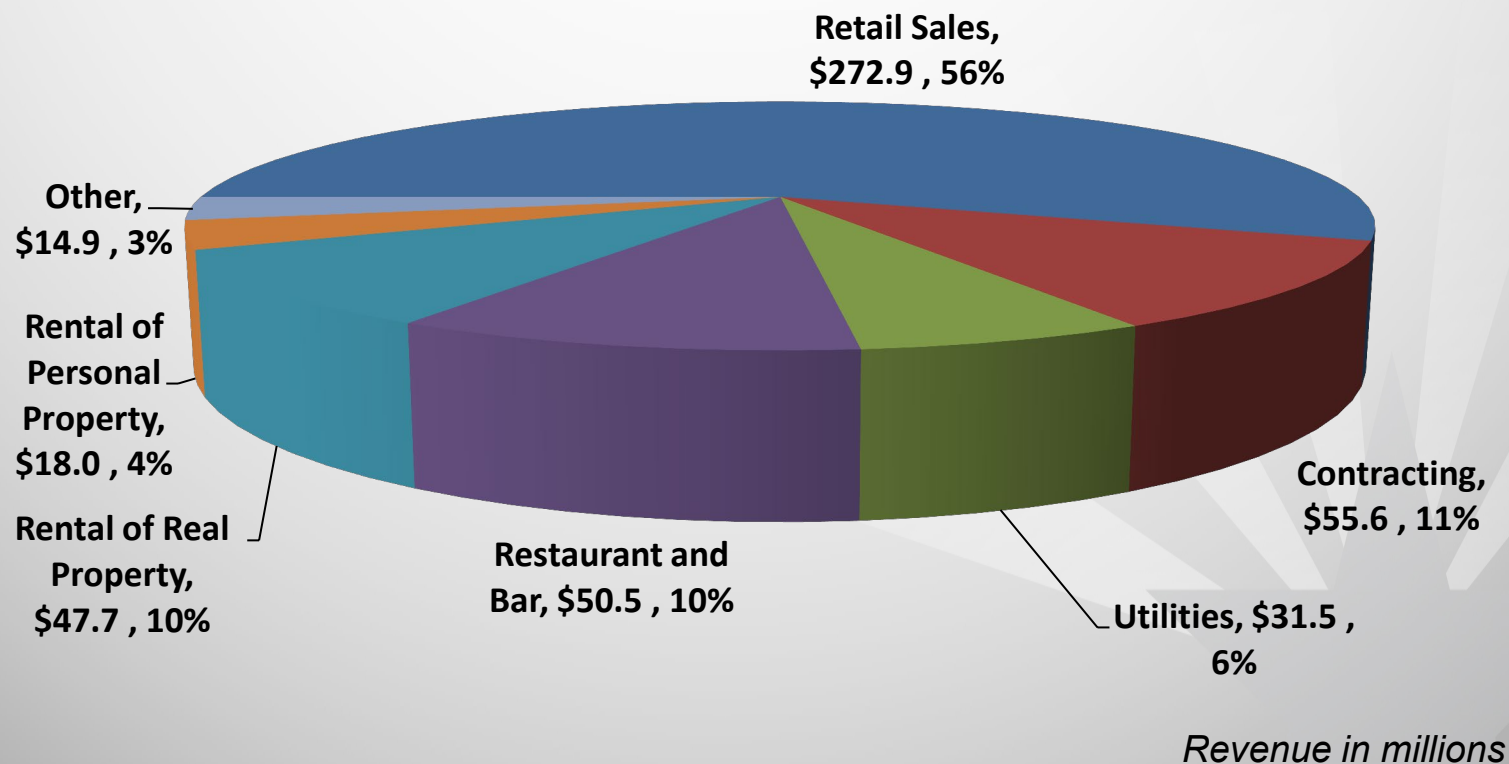
# Regional Area Road Fund (RARF): FY2020 Revenues



	FY 2019 Actual	FY 2020 Actual	Change	FY 2020 Estimate	Change
<b>Total</b>	<b>\$ 468.6</b>	<b>\$ 491.1</b>	<b>4.8%</b>	<b>\$ 497.7</b>	<b>-1.3%</b>

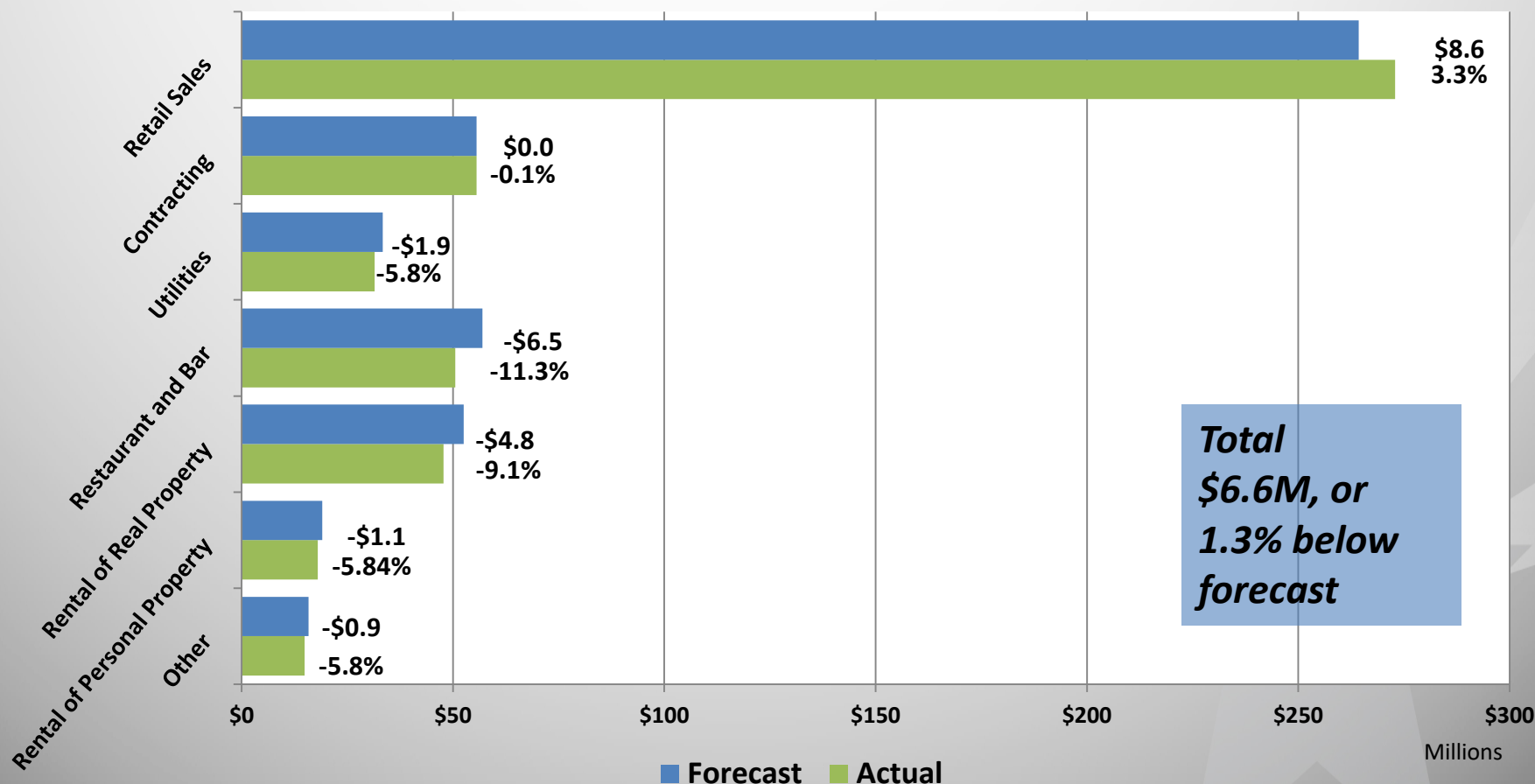
# Regional Area Road Fund: FY2020 Sources

**Total: \$491.1  
Million**



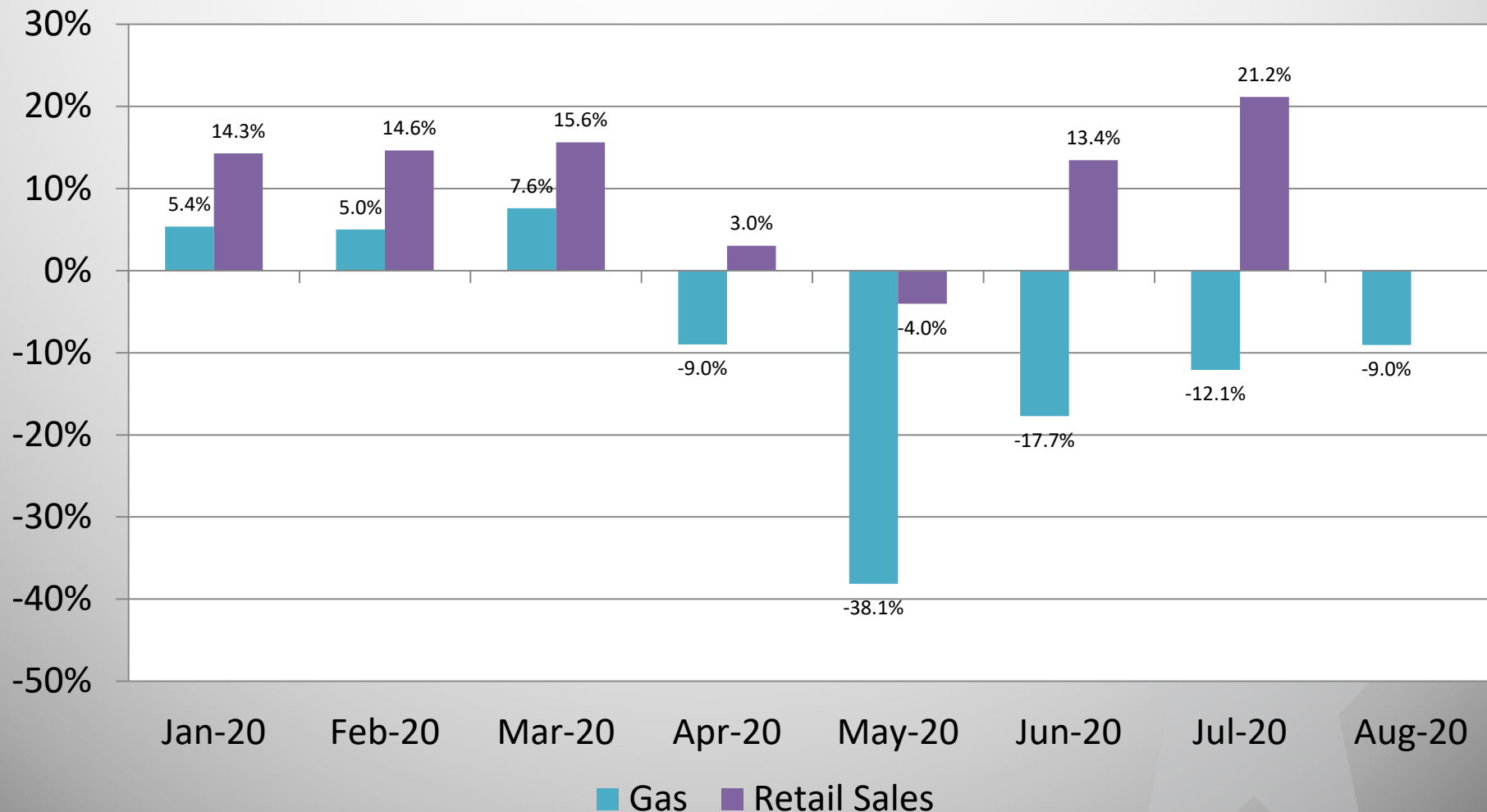


# Regional Area Road Fund (RARF): FY2020 Forecast vs Actual by Category



# Gas vs Retail Sales

Year over Year Percent Change – Actual FY 2020 vs FY 2019



# Forecasting Process Review

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# Revenue Forecast Process:

## 2020 RAP Panel Composition

- Maricopa Association of Governments (MAG), Transportation Professional
- City of Phoenix, Economist
- City of Peoria, prior JLBC, Fiscal Specialist
- JLBC, Fiscal Specialist 
- Previous State Treasurer's Office, Financial Professional 
- Office of Economic Opportunity, Economist
- Previous JLBC & Commerce, Economist 
- The Maguire Company, Economist 
- Vison-Econ, Economist 
- Elliot Pollack Company, Economist 
- ASU, Economist 
- HDR, Economist – Contracted to develop & run forecasting model for ADOT

# Sample RAP Panel Data

ARIZONA NOMINAL PERSONAL INCOME GROWTH									
		2021	2022	2023	2024	2025	2030	2035	2040
Panelist 1									
	Median	1.0%	4.5%	4.6%	4.7%	4.8%	4.6%	4.5%	4.2%
Panelist 2									
	Median	0.7%	3.5%	4.5%	4.5%	4.5%	4.5%	4.0%	4.0%
Panelist 3									
	Median	3.0%	4.5%	5.0%	5.0%	5.0%	5.0%	4.5%	4.5%
Panelist 4									
	Median	0.5%	4.3%	4.8%	4.8%	4.6%	4.4%	4.3%	4.2%
Panelist 5									
	Median	0.6%	4.2%	6.2%	5.5%	4.5%	4.5%	4.0%	3.5%
Panelist 6									
	Median	2.0%	5.0%	4.9%	4.9%	4.8%	4.6%	4.5%	4.3%
Panelist 7									
	Median	0.5%	3.0%	5.0%	5.5%	5.0%	4.5%	4.5%	4.5%
Panelist 8									
	Median	0.6%	4.0%	4.5%	4.8%	4.8%	4.6%	4.5%	4.2%
Panelist 9									
	Median	4.9%	5.0%	5.0%	5.0%	4.9%	4.6%	4.5%	4.3%

[illegible]

[illegible]

# Western Blue Chip Consensus Forecast

Arizona - CY 2020



Jan 2020-Aug 2020 Updates

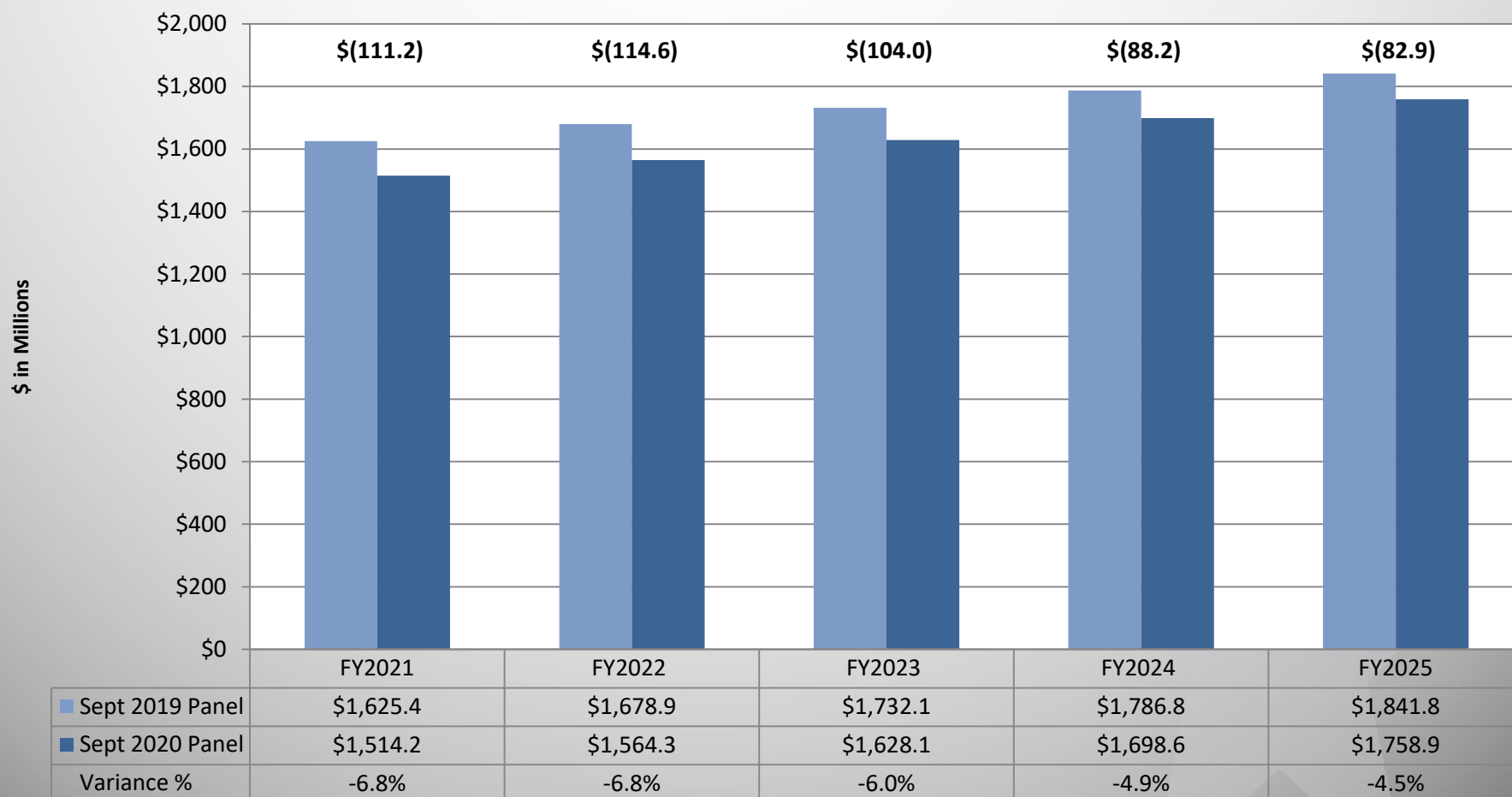


# Highway User Revenue Fund (HURF) Forecast

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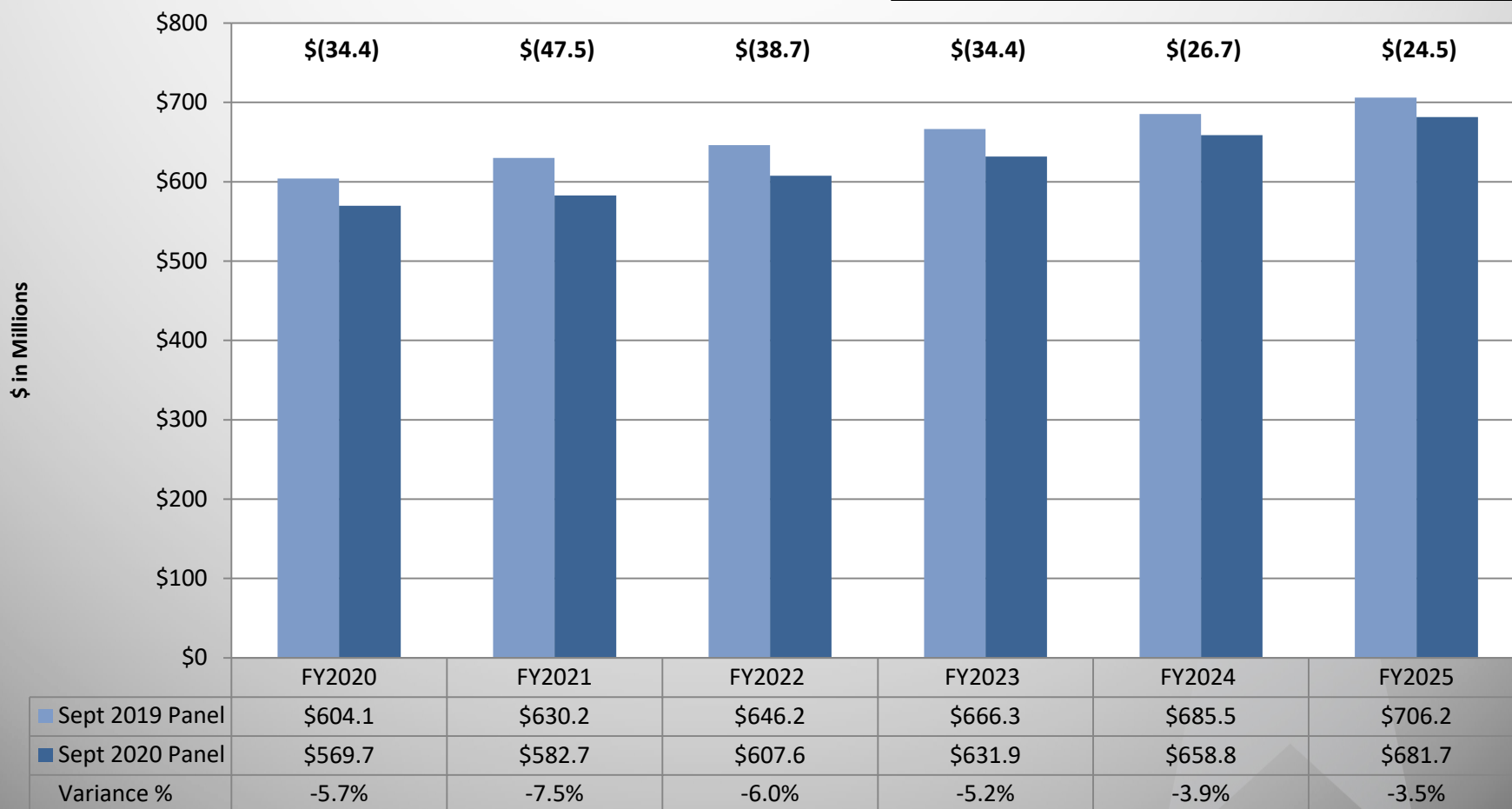
# Risk Analysis Process Results: HURF 2019 vs 2020 Panel

*HURF forecasts  
were reduced by  
\$500.9M, or 5.8%.*



# Risk Analysis Process Results: State Hwy Fund (SHF) Impacts

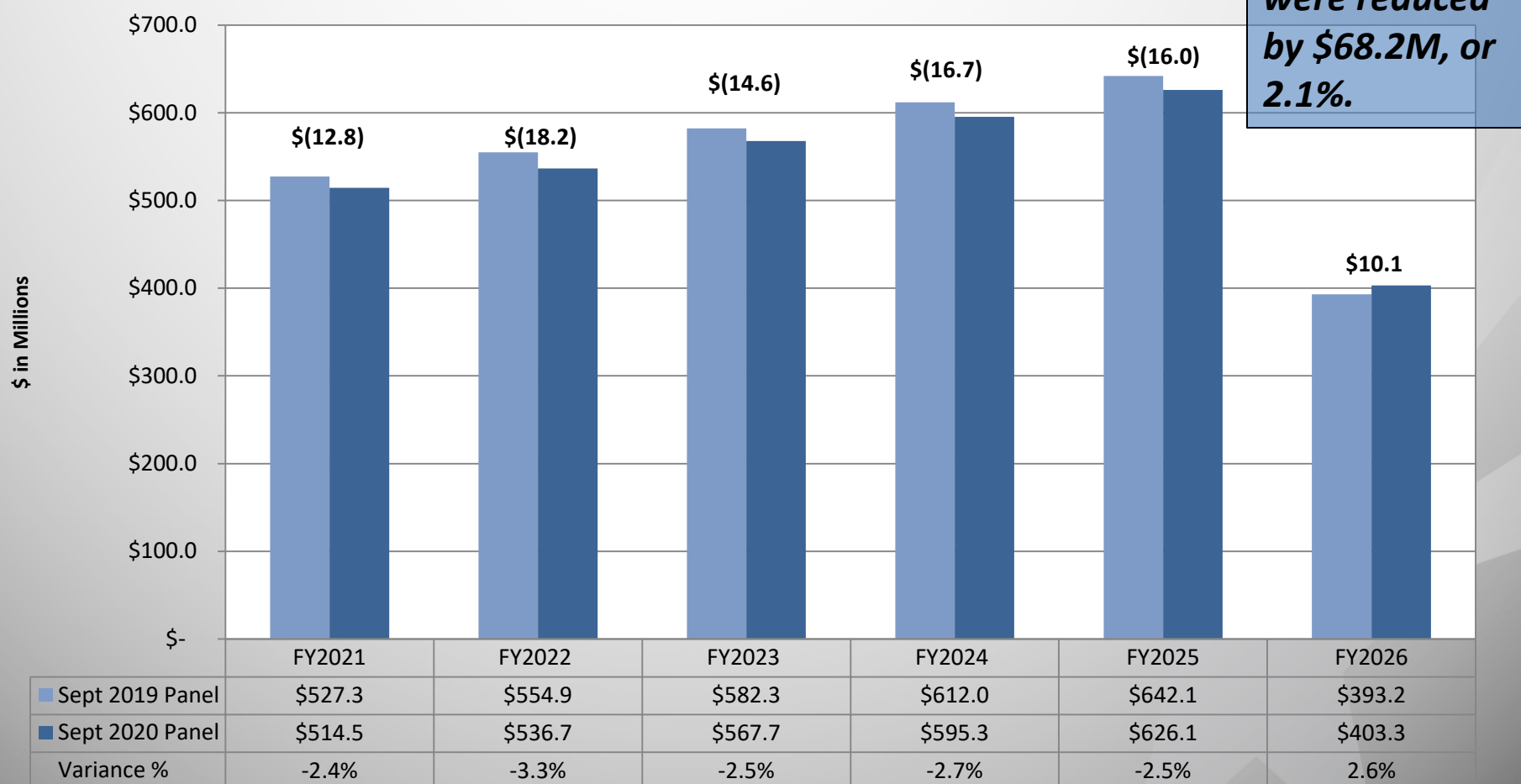
*There are \$206.2M less SHF funds available for ADOTs operating costs & the Highway Construction Program due to reduced HURF forecasts.*





# **RARF Forecast**

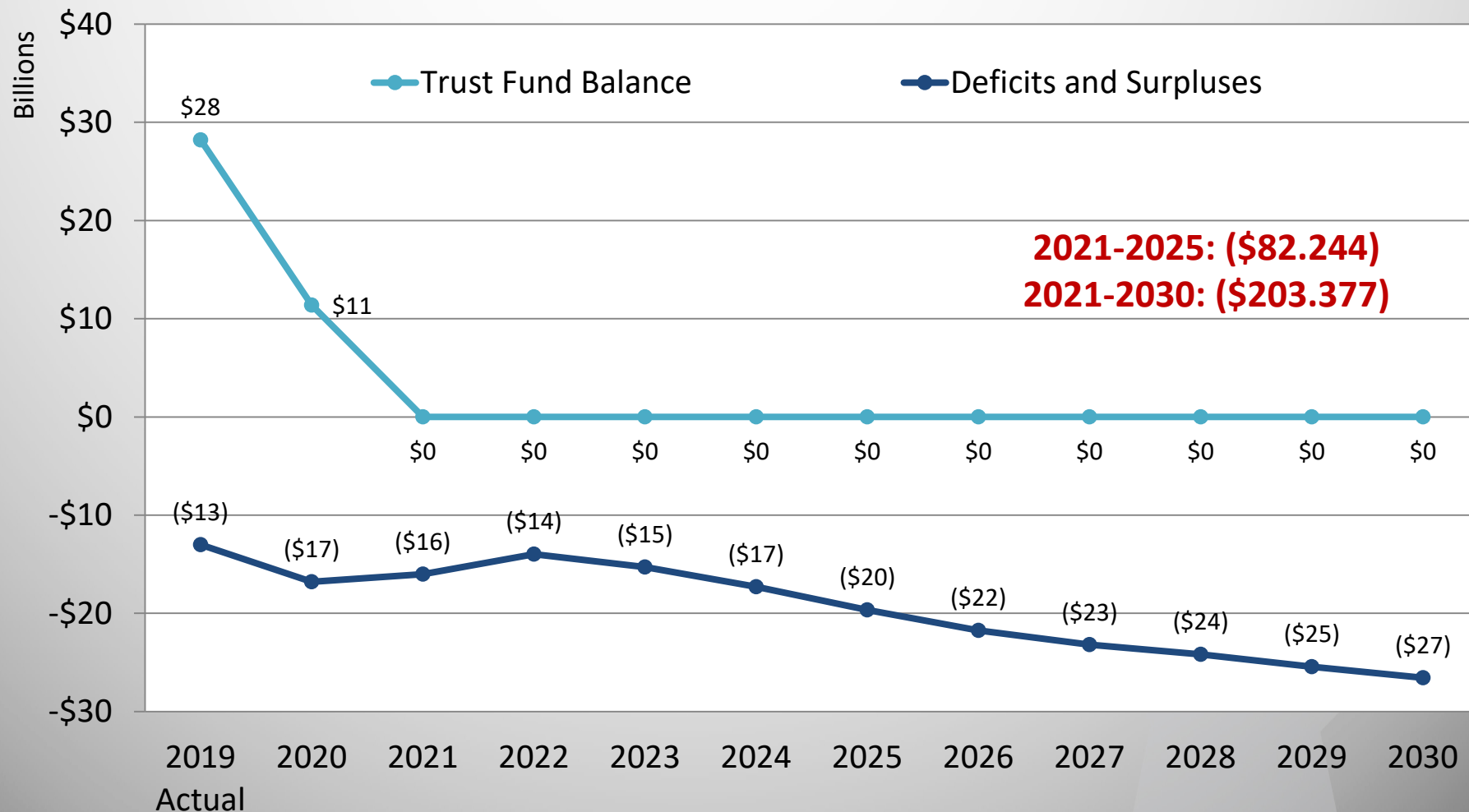
# Regional Area Road Fund Forecast: RAP Results 2019 vs 2020 Panel



# Federal Funding Forecast

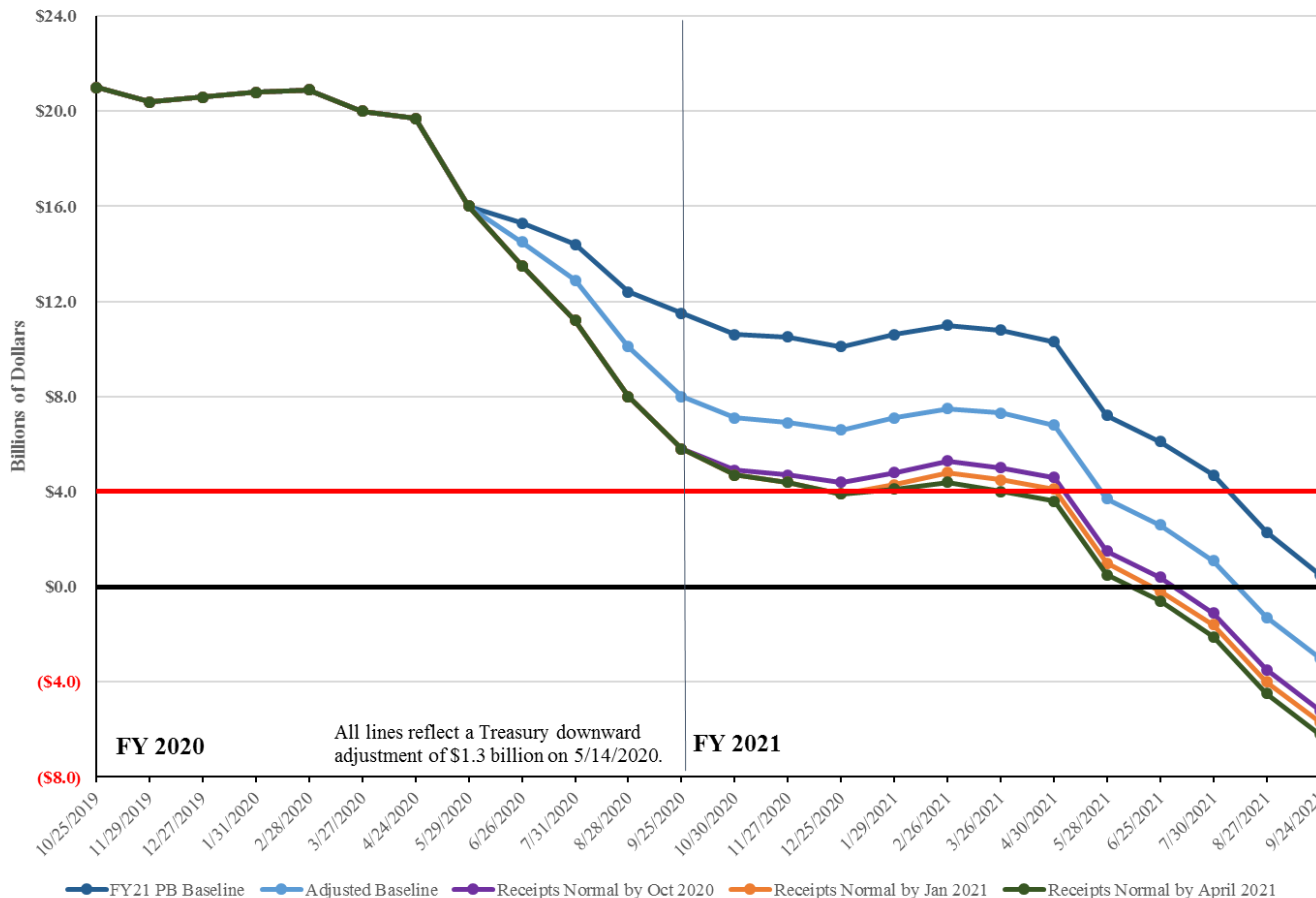
A large, faint, light gray star graphic is positioned in the bottom right corner of the slide. The star has multiple points and a central circle, with rays emanating from its center towards the top left.

# Highway & Mass Transit Trust Fund Projections



# What is the longer-term impact of the COVID-19 virus on the Highway Account?

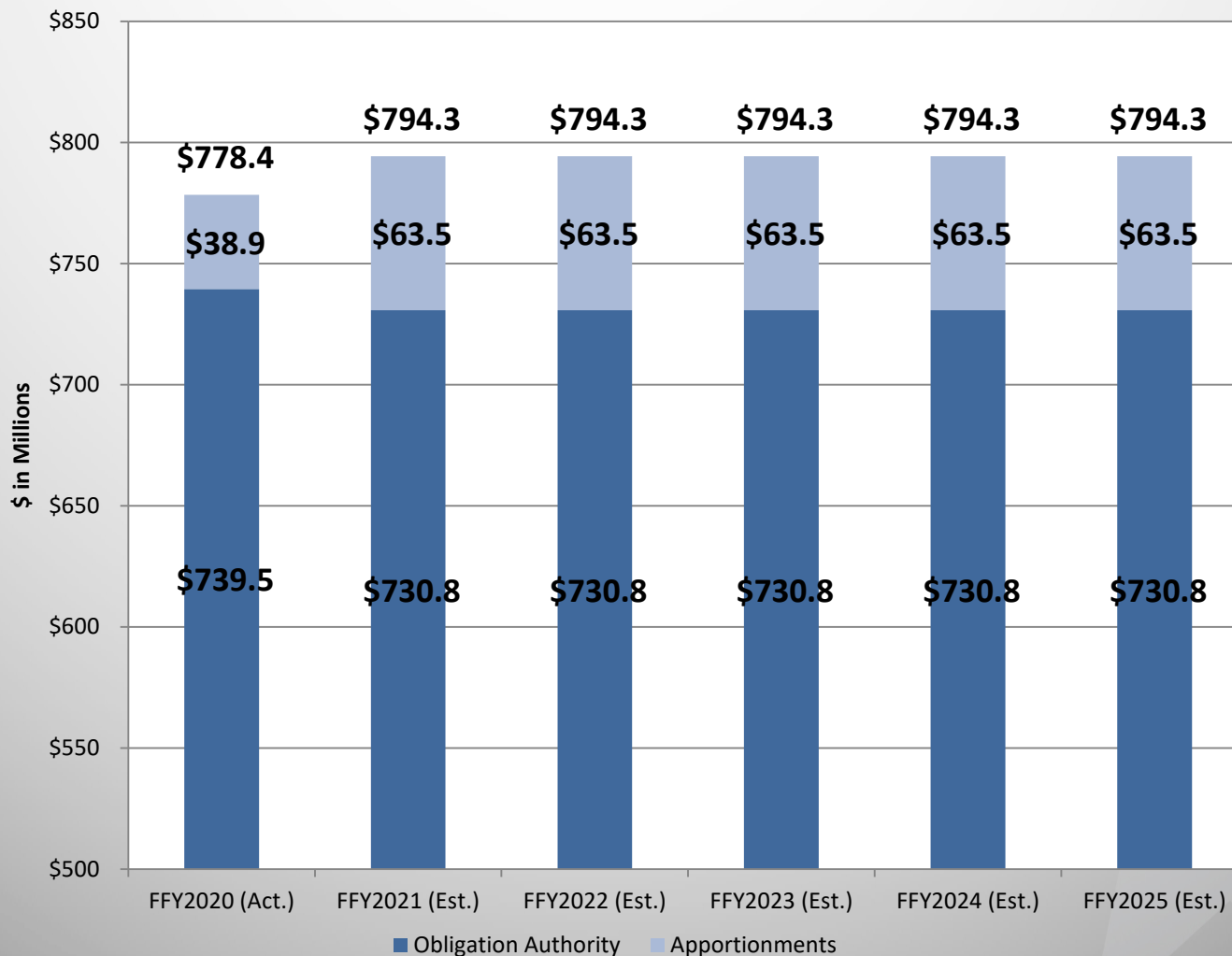
Projected Estimates for End-of-Month Cash Balances (reflects actual data as of 5/22/2020)  
Highway Account of the Highway Trust Fund (Includes FHWA, FMCSA, NHTSA, & OST)



- When will the Highway Account reach a critical point?



# Federal Funding Forecast: Apportionments & Obligation Authority (OA) Estimates





# **FY2021 – FY2025 Highway Construction Program Funding**

# Tentative Program Funding: Sources

	FY2021	FY2022	FY2023	FY2024	FY2025	Total
<b>Sources:</b>						
<b>SHF Discretionary</b>	226.4	245.4	241.8	268.4	280.0	1,262.0
Debt Service	(144.2)	(144.2)	(142.5)	(142.5)	(132.5)	(705.9)
Operating Cash Requirements	50.0	-	-	-	-	50.0
HURF Sw ap	(15.3)	(15.3)	(15.3)	(15.3)	(15.3)	(76.5)
<b>Net SHF</b>	116.9	85.9	84.0	110.6	132.2	529.6
<b>Federal Aid</b>	661.5	634.3	621.7	669.0	635.7	3,222.3
HURF Sw ap	17.0	17.0	17.0	17.0	17.0	85.0
TIGER Grant	-	-	-	-	-	-
INFRA/FastLane Grant	45.0	45.0	-	-	-	-
Competative Hwy Bridge Grant	10.4	-	-	-	-	-
<b>Total Federal Aid</b>	733.9	696.3	638.7	686.0	652.7	3,407.7
GAN Debt Service	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)	(150.0)
<b>Net Federal Aid</b>	703.9	666.3	608.7	656.0	622.7	3,257.7
<b>Financing Mechanisms</b>	113.8	106.0	142.3	37.6	187.6	587.3
<b>State and Federal Aid Available</b>	934.7	858.1	835.0	804.2	942.5	4,374.6
General Fund Appropriation	-	-	-	-	-	-
Inflation Adjustment	-	(22.5)	(40.9)	(57.6)	(74.6)	(195.6)
<b>Total Sources:</b>	<b>934.7</b>	<b>835.6</b>	<b>794.1</b>	<b>746.6</b>	<b>867.9</b>	<b>4,179.0</b>

Dollars in Millions

# Tentative Program Funding: Uses

	FY2021	FY2022	FY2023	FY2024	FY2025	Total
<b>Uses:</b>						
<b>5 Year Construction Program</b>						
Statewide Program	594.2	500.7	522.0	506.1	537.6	2,660.6
PAG Program	60.8	81.3	35.2	31.0	47.6	255.9
MAG/RTP major projects	284.2	238.0	242.9	228.3	264.8	1,258.2
<b>Total Uses:</b>	939.2	820.0	800.1	765.4	850.0	4,174.7

Dollars in Millions

# **Funding Gap & Mitigation Strategies**



## Funding Gap & Mitigation Strategies

\$206.2M less State Highway Funds available

\$260.0M less bonding capacity

**\$466.2M Total Funding Gap**

### Mitigation Strategies:

(\$206.6M) Operating & L,B,&I Budget Reductions

(\$175.3M) 5Yr Hwy Construction Program Reductions

(\$84.3M) Use of SHF Cash Balance

**(\$466.2M) Total Mitigation Strategies**



## Potential Risks:

- **Corona Virus Update & latest economic impacts assessment**
- **Federal Update - Long term Reauthorization, HTF & Cash management measures, Stimulus packages**
- **State Budget Update/State Legislative Action**
- **No special distributions**
- **Fund Sweeps**

# Questions

