

ADOT HURF Exchange Program

HURF Exchange Program History

- Created by Legislature in 1997:
 - Program is at ADOT's discretion
 - Targeted to rural cities, towns, and counties
 - Authorizes ADOT to provide State Highway Funds (SHF) in exchange for federal aid; only legal use of SHF on local projects
 - Minimum exchange rate of 90¢/\$1
 - Projects must be on federal aid system (no local roads)
- Primarily used for construction phase
- Program active 1998-2009 (last project completed in 2014)
- Extremely popular with project sponsors and ADOT - facilitated 145 projects exceeding \$91 million
- Suspended in 2009 because SHF revenues declined so precipitously and ADOT could no longer afford the program

Historical Utilization by COG/MPO

COG/MPO	Total HURF Exchange \$ Paid Out	# of Projects	Average Project Size (\$)
CAG	11,493,081.45	38	302,449.51
CYMPO	1,316,373.00	2	658,186.50
FMPO	2,006,459.28	5	401,291.86
MAG	320,394.43	1	320,394.43
NACOG	18,953,257.13	40	473,831.43
PAG	26,419,484.18	13	2,032,268.01
SEAGO	9,982,072.90	5	1,996,414.58
WACOG	13,102,205.06	31	422,651.78
YMPO	7,561,414.52	10	756,141.45
Total	\$ 91,154,741.95	145	\$ 628,653.39

Issues Under Previous Program

- Informal approach to program management:
 - No formal agency policy or procedures
 - Limited historical/institutional knowledge following 8-yr suspension
 - Lack of clarity regarding types of fed aid, eligible recipients, etc.
- Limited visibility and understanding regarding SHF impacts and risks
- Inactive projects despite less onerous requirements:
 - Lack of emphasis regarding project delivery expectation and accountability
 - No finance feedback mechanism to project sponsors and COGs/MPOs
 - Problems obtaining close out information and closing projects timely

HURF Exchange Program 2.0

- New ADOT policy FIN 5.01 - establishes a clear expectation of timely project delivery
- Effective 10/1/17 (Federal Fiscal Year 18)
- Limited to discretionary federal aid only (Under 200K and Under 5K STBGP population only)
- Swap rate remains 90¢/\$1
- COG/MPO project ledgers will reflect all HURF Exchange transactions
- Current policies and procedures used for federal aid projects will also apply to HURF Exchange:
 - Loan/transfer executed by March 31st
 - Authorization requests submitted by May 15th
 - Use or lose by June 30th
 - Inactive project management
- ADOT can suspend the program if SHF revenues decline due to appropriations, transfers or special distributions

HURF Exchange Program 2.0, cont.

- Amount available for the next five years will be determined annually in conjunction with the development of the ADOT 5-year program
- All work phases eligible; some federal requirements still apply in construction if federal aid used in design (NEPA, Buy America)
- Currently underway projects phases not eligible
- Final voucher to be conducted on all projects
- Projects subject to audit

HURF Exchange Program 2.0, cont.

- Suspension process is included in policy
- Repayment required if project not built within 2 years of completion of HURF exchange-funded design
- ADOT may choose not to engage in a HURF Exchange in cases of misuse of, or failure to repay, HURF Exchange funding
- Project which cannot make progress may be deobligated after consultation with local agency and appropriate COG/MPO
- De-obligated or released funds returned to COG/MPO for reprogramming
- HURF Exchange follows ADOT Inactive Policy, projects are tracked for progress. ADOT works with PM to identify projects going inactive and work with local agency to get project on track

HURF Exchange Eligible Projects and Costs

- Eligible projects:
 - Primary purpose is improvement of efficiency and safety of motor vehicle travel on roadways;
 - On the federal aid system (no local roads) and eligible for STBGP funding in Under 200K and Under 5K population categories;
 - All phase(s) programmed in approved, fiscally-constrained TIP; and
 - All phase(s) approved by the COG/MPO Technical Advisory Committee.
- Ineligible costs:
 - Maintenance
 - Scoping
 - Incurred prior to date of finance authorization
 - Items outside project right of way
 - Utility work not directly and unavoidably related to the project
 - Betterments for utilities.

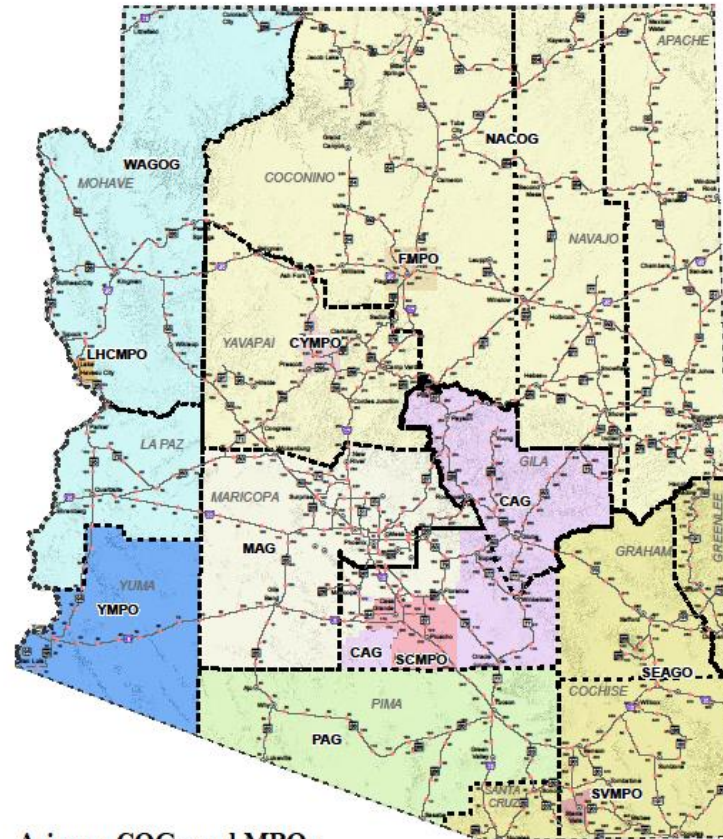
HURF Exchange Eligible Entities

- Population figures used for HURF Exchange are:
 - 2010 Federal Census – used for determination of STBGP < 5,000 and STBGP 5,000 to 200,000 funding – allocated based on regional planning area
 - Arizona Office of Economic Opportunity – per Executive Order 2011-04, the population estimates provided by AOEO have to be used in determining usage of State Highway Funds
- Example of Population Calculations:
 - Unincorporated population of Pinal County based on 2017 AOEO numbers: 219,026
 - This population is then allocated to each planning region in Pinal County (CAG, MAG, SCMPO) based on the percentage of the unincorporated population in each planning region in 2010
 - For example, SCMPO was 16.95% of the total, applied to the 219,026 comes up with 37,125 for unincorporated Pinal County in SCMPO, therefore they would be an eligible HURF Exchange entity

HURF Exchange Eligible Entities, cont.

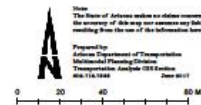
- Eligible Entities:
 - All cities and towns not located within the federally defined Phoenix/Mesa and Tucson Urbanized Areas and unincorporated portions of counties within a regional planning area with 200,000 or fewer residents
- Ineligible Entities:
 - Cities and towns located within the Phoenix/Mesa or Tucson Urbanized Areas – these entities are factored in the STBGP funding for areas of greater than 200,000 population (Urban STBGP) and that funding is not part of the HURF Exchange
 - Tribal entities are not eligible as direct recipients of HURF Exchange funding, but may work with eligible project sponsors

HURF Exchange Eligible Entities, cont.



Arizona COGs and MPOs

- CAG
- MAG
- SEAGO
- CYMPO
- NACOG
- SVMPO
- FMPO
- PAG
- WACOG
- LHCMPO
- SCMPO
- YMPO



HURF Exchange Program Benefits

- Less restrictive design and construction standards
- Fewer requirements
- Less project oversight
- Lower project costs
- Self-administered as opposed to ADOT-administered
- Constructed and open to traffic more quickly than federal aid projects
- Fewer projects for ADOT to administer
- 90% of funds received up-front (by phase) instead of reimbursed*
- Less than half of states have swap programs

*Final 10% is a reimbursement

HURF Exchange Program Risks

- Subject to several risks associated with the State Highway Fund:
 - Fund sweeps, appropriation, transfer and distributions
 - HURF revenue performance
 - Timely and continuous receipt of federal aid reimbursements
 - Significant changes in federal aid or pro rata match requirements
 - Economic/market conditions
- Loss of federal aid project delivery knowledge and experience in local agencies

HURF Exchange Program Rollout

- Policy, Intergovernmental Agreement (IGA) and related documents developed and reviewed by internal stakeholders (Project Management Group, various technical sections, Local Public Agency section, FMS, Communications, Government Relations and Attorney General's office)
- ADOT has held numerous presentations of the planned HURF Exchange program:
 - Jan 2017 – Brief overview to senior ADOT staff
 - Mar 2017 – COG/MPO Planner Meeting, EDC Stakeholder Meeting (attended by some large cities)
 - Apr 2017 – Road and Streets, Yuma MPO TAC meeting
 - Jun 2017 – MAG Streets Committee
 - Aug 2017 – ADOT District Presentation, North AZ COG TAC meeting
 - Nov 2017 – Director/Governor's Office
- ADOT has planned presentations/webinars for the rollout of the HURF Exchange program:
 - Dec 2017/Jan 2018 – League of Cities and Towns, Rural Transportation Advisory Council, County Supervisor Association
 - Jan 2018 – Webinar for ADOT staff, COGs/MPOs and local agencies

HURF Exchange Program Resources

- ADOT HURF Exchange Policy – FIN 5.01
- ADOT HURF Exchange web page – [HURF Exchange Website](#)
- ADOT HURF Exchange overview - [HURF Exchange Overview](#)
- HURF Exchange IGA template – [HURF Exchange IGA Template](#)
- HURF Exchange FAQ - [HURF Exchange FAQ](#)
- ADOT Federal Aid Highway Program web page: [Federal Aid Highway Program homepage](#)
- COG/MPO Federal Formula Funding Ledgers – posted on the ADOT Federal Aid Highway Program web page
- Functional Classification Maps: [Functional Classification Maps](#)

Questions???