

Arizona Department of Transportation

STRATEGIC PLAN

Fiscal Years
2011 – 2015





Arizona Department of Transportation

Office of the Director

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Janice K. Brewer
Governor

John S. Halikowski
Director

December 17, 2009

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Mr. John Arnold, Director
Governor's Office of Strategic Planning and Budgeting
1700 West Washington, Suite 500
Phoenix, AZ 85007

Dear Mr. Arnold:

Subject: Transmittal Statement

This Five-Year Strategic Plan for Fiscal Years 2011 – 2015 is filed in accordance with the Laws of 2002, Chapter 210, and is available on the Arizona Department of Transportation (ADOT) Internet site at:

http://www.azdot.gov/Inside_adot/PDF/StrategicPlan.pdf

Agency Head: John S. Halikowski
Title: Director

Signature: _____

Date: December 17, 2009

EXECUTIVE SUMMARY

Without having adequate revenues, the Arizona Department of Transportation (ADOT) is contending with maintaining and updating the state's highway infrastructure, managing capacity problems, and sustaining current customer service levels. ADOT is facing a \$100 million budget shortfall that will require office closures and reductions in services, highway construction, maintenance, and staff. More than \$500 million has been diverted from transportation funds in the past two years to address the state's budget challenges in areas other than transportation.

ADOT's plan to reduce its use of state highway funds by 25 percent includes temporarily suspending operations at 13 highway rest areas, closing 12 Motor Vehicle Division field offices, deferring \$370 million in highway construction projects, deferring maintenance activities, consolidating customer services, and reducing staff by 10 percent.

While ADOT received \$350 million in federal funding for "shovel ready" projects through the American Recovery and Reinvestment Act of 2009, state funding for other projects will be cut by \$370 million over the next four years. The challenge ahead: Arizona must have sufficient state highway money to match federal transportation funding collected through gas taxes. Without matching funds, Arizona risks losing its share of federal funds, meaning gas taxes paid by Arizonans would help pay for improvements in other states. In the 2009 fiscal year, ADOT used all of its federally allocated funding.

The primary strategic issue ADOT will address over the next five years is maintaining the state's transportation infrastructure and current customer-service levels in an environment in which revenue sources continue to decline and infrastructure continues to age. To address this issue, ADOT has developed two goals:

- Identifying new funding opportunities to meet the state's transportation infrastructure needs
- Maximizing current resources to fulfill the public's needs.

Strategies to accomplish these goals will concentrate on improving effectiveness, reducing costs, increasing efficiency, sustaining current service levels, and enhancing relationships with local, regional, and federal transportation planning partners.

AGENCY DESCRIPTION

The Arizona Department of Transportation is the state agency responsible for collecting transportation revenues and for planning, constructing, and maintaining Arizona's highway infrastructure for the safe and efficient movement of people and products throughout the state. The transportation system, with more than 18,000 travel-lane miles, supports the state's economy and quality of life. In addition, ADOT issues development grants to public airports for improvement projects, and it owns and maintains the Grand Canyon National Park Airport.

The Motor Vehicle Division's responsibilities include providing motor vehicle title and registration services, issuing driver credentials, inspecting vehicles, providing e-government (ServiceArizona) services, registering aircraft, and collecting and disbursing fuel taxes and other revenues. Sixty-one customer-service locations, including 12 locations scheduled for closure following federal approval, provide services to all segments of the population. Third-party providers offer residents an alternative and convenient way to do business with MVD. The division operates five public information call centers and conducts administrative hearings, including actions involving DUI-related offenses and driver license suspension/revocation. Motor Vehicle Enforcement Services ensure that commercial vehicles comply with size, weight, and safety laws.

ADOT works with various customers and stakeholders to identify significant transportation issues in Arizona and to improve existing systems and practices. The Arizona Long-Range Transportation Plan builds on numerous studies and plans that guide ADOT in identifying future needs, developing solutions, and delivering projects that address the transportation challenges Arizona will face over the next 20 years. The Five-Year Transportation Facilities Construction Program and the collection of the maximum amount of transportation revenue are critical to the delivery of major state transportation projects by assisting decision makers in prioritizing projects and allocating corresponding funds.

Revenues collected from fuel taxes, motor carrier fees, motor vehicle registration fees, vehicle license taxes (VLT), and other miscellaneous fees build and operate the state's transportation systems and fund other related expenditures. The health of these revenues directly impacts ADOT's ability to successfully deliver a range of transportation projects that will help create jobs and deliver economic and quality-of-life benefits for Arizona residents and businesses.

MISSION

To provide a safe, efficient, cost-effective transportation system.

VISION

The standard of excellence for transportation systems and services.

VALUES

Employees are the cornerstone of our success.

Accountability – We take responsibility for our actions.

Integrity – We hold ourselves to the highest ethical and professional standards.

Respect – We treat everyone with respect and dignity.

TRANSPORTATION CHALLENGES

A safe, efficient transportation system that provides the public with transportation options is critical to the state's economy and affects the daily life of every Arizonan. Roadways and airports connect people to jobs, education, friends and family, medical care, entertainment, and the goods needed for everyday life. This vital infrastructure, however, is showing signs of aging. Maintenance costs for materials and equipment are soaring while revenue sources are dwindling. Demands on all modes of the transportation system will persist as a result of current trends in population growth, increased passenger travel and a higher volume of freight traffic, and a desire for livable communities.

Declining revenues not only limit infrastructure maintenance activities but hinder improvements in the transportation system and the ability to sustain current customer service levels. ADOT is the lead agency to address the gap between what it takes to design, build, and maintain a system that efficiently moves people throughout the state and the resources available to do so.

Funding the State's Transportation System

Aside from recent savings related to construction programs, all of ADOT's costs have steadily increased over the years while inflation has eroded revenues needed to respond. Identifying new, sustainable funding sources that can provide a steady and reliable stream of revenues is critical to maintain and enhance the existing transportation system as well as address future needs.

Revenues to support ADOT's activities and public services are not keeping pace with current spending levels, thereby affecting the department's ability to fund programs at levels previously assumed. Revenues began trending downward in FY 2007, and that decline accelerated in FY 2009 with the worst performance on record due to recessionary economic conditions at the state and national levels. The Highway User Revenue Fund (HURF) posted a 7.1 percent year-over-year decrease in FY 2009 while the Maricopa County Regional Area Road Fund (RARF) recorded a 13.7 percent year-over-year decrease in the same year.

Only two years ago, the State Aviation Fund, responsible for funding airport improvement projects, was robust. Recent economic conditions have led to a decline in revenues (e.g., reduction in aircraft registration fees, flight property taxes, Grand Canyon National Park Airport revenue, aviation fuel tax revenue, etc.), as well as a transfer of monies from the fund to help balance state budget deficits. Additionally, a gradual decline in discretionary federal funds received by the state's airports is contributing to the deferral of important safety, security, and capacity enhancements.

The challenges in FY 2010 are likely to continue for the next couple of years. Solutions are limited to increasing revenue through new funding sources, protecting transportation funds from further transfers, and enhancing delivery methods for MVD and other services or developing alternatives for them. We believe that further cost reductions will jeopardize our core mission and serve poorly a public that depends on our services.

In the future, ADOT will be challenged to discover "innovative ways" to acquire revenue to pay for and provide services in a radically changed environment.

Maintaining the Infrastructure

The costs of maintaining Arizona's existing transportation infrastructure are significant. In FY 2009, almost \$110 million was spent on various maintenance activities including roadway and shoulder, signage, guardrail and wildlife fence repairs, striping, emergency response, snow removal, and preservation projects. The costs for materials — especially liquid asphalt, herbicides and de-icer chemicals, equipment rental fees, and service contracts to clean and maintain rest areas — all continue to rise steadily while available resources, including staffing levels, are declining.

New lane miles, growth in traffic volume and continued aging of the highway system are the major factors contributing to increases in highway maintenance needs. Expansion of the highway system adds capacity while also increasing the demand for maintenance. The FY 2010 budgetary spending limit is approximately \$94 million; a 28% decrease from the FY 2008 budget (\$131 million) and 15% less than last year's budget (\$110 million). This amount is insufficient to maintain the existing system, especially with the completion of 388 new lane miles in FY 2010.

A smaller budget, increased costs, and system aging and expansion mean ADOT's maintenance activities have become more reactive. Less time is being spent on preventive and routine roadway maintenance activities (i.e., roadway striping, signing, traffic signal repair, etc.) designed to ensure safety. Foregoing infrastructure improvements such as repaving taxiways and runways and removing obstructions threatens the safety and integrity of Arizona's airport network as well.

Performing preventive maintenance on a precise schedule is the most cost-effective strategy to maintain the highway infrastructure at a level of service that ensures safety and public acceptance. Publicizing this issue and seeking additional financial support for system preservation are critical to Arizona's transportation system in the 21st century.

Similarly, the deferral of preventive and routine maintenance on aging highway-support facilities results in continued deterioration of building systems such as failing roofs, unserviceable HVAC equipment, and inoperable roll up doors. Storage buildings and repair shops that preserve and extend the life of the highway maintenance fleet continue to deteriorate. The incidence of mold hazards in these facilities continues to increase year by year. The statutory formula for building-renewal funding identifies an annual repair need of \$8 million, whereas \$1 million is currently available.

Improving Safety

In 2008 on Arizona roadways, 937 people lost their lives. Although this number represents an improvement over the 1,071 fatalities in 2007, Arizona's implicit safety goal is "Zero Fatalities, Every One Counts."

The causes of crashes are primarily attributed to human behavior along with roadway, vehicle, and environmental conditions. Besides ensuring roads and vehicles are in safe condition, driver behaviors (i.e., speeding, reckless driving, and alcohol or drug impairment) also must be addressed.

The result of a 25% budget reduction coupled with the potential of an additional 15% cut will continue to aggravate already-diminished highway safety. Highway maintenance activities will focus on safety while maintenance activities to keep state highways operational will occur less frequently or not at all. Emergency response time and the time it takes to clear snow and ice from roadways will continue to increase, leaving some roads impassable; only emergency pavement work will be performed; highway stripes and signs will be replaced only when they are degraded to where the lines or messages are not visible or readable; vegetation control will be performed only when plants block the sight line or become a fire hazard; and, the lack of necessary resources to comply with environmental regulations could cost the department millions of dollars in fines and cleanup costs. Maintenance activities at the state-run Grand Canyon Airport also will be limited to focus on airfield safety.

MVD enforcement officers ensure that commercial vehicles comply with size, weight, and safety requirements at the state's 22 ports of entry and through mobile enforcement operations. The ongoing hiring freeze has reduced the number of enforcement officers available (21% reduction from 2008) to weigh and inspect commercial vehicles entering the state of Arizona, resulting in more safety violations and less revenue collected from permits sold and citations issued.

Almost \$16 million was collected from permit sales in FY 2006, \$14 million in fiscal years 2007 and 2008 and less than \$13 million in FY 2009. Permit sales in FY 2010 are expected to total less than \$10 million. The value of citations written for overweight and safety violations in FY 2008 was \$3 million. Just two years later, in FY 2010, the value will be less than \$2 million.

Although all areas of ADOT are engaged in the effort to keep Arizona's roads safe, more needs to be done. In response to the Arizona Strategic Highway Safety Plan, ADOT is working on its own Safety Action Plan to help identify opportunities to

enhance coordination both internally and externally with tribal, county, city, and other state agencies. Developing clearly defined safety goals and performance measures and an agreed-upon definition of safety are essential if progress is to be made in reducing the number of fatalities in Arizona.

Managing Congestion

In 2004, the Brookings Institution released a study that identified ten "megapolitan" regions of the United States in which two of every three Americans are expected to live within 30 years. Among those megapolitan regions was Arizona's Sun Corridor, which stretches from Santa Cruz County to central Yavapai County. Since then, numerous organizations have recognized the emergence of the Sun Corridor megapolitan region and the challenges it presents. ADOT's effort called Building a Quality Arizona projects a population of nearly 15 million people by 2050.

As this growth occurs, adding vehicles to an existing road network will certainly reduce travel speed, thereby exacerbating the congestion problem. ADOT strives to build and maintain a reliable and accessible multimodal transportation system that efficiently moves people and goods throughout the state.

Building a Quality Arizona provides a vision to deal with growth in the transportation area through the year 2050. The demand for transportation options is expected to increase unless the highway network in 2050 is sufficient to support the projected population growth. Adequate options need to be provided to ensure urban mobility and statewide connectivity as communities evolve to the point where public transit and non-motorized modes become viable options.

Congestion in 2050 using the existing plus the committed highway network is substantially reduced in every Building a Quality Arizona scenario through roadway enhancements, new corridors, and the creation of alternative high capacity routes. Investments in commuter, intercity and high-speed rail will further enhance system performance.

Sustaining Quality Customer Service and Enhancing Revenue Collection

Providing customer service at levels previously assumed and acceptable to the public will become more challenging as ADOT is forced to operate with fewer resources. This change was a result of 73 customer service representatives leaving their positions, a high vacancy rate and an ongoing hiring freeze.

In 2009, ADOT conducted a Customer Performance Measurement Study, with a federal grant, designed to help ADOT develop customer-oriented performance measurements and identify areas for improvement. Interviews took place with ADOT managers, stakeholders, residents, and community leaders. Overall, satisfaction ratings of ADOT services were high, but there are opportunities to improve.

The MVD Needs Assessment Project estimates it will cost between \$35 million and \$39 million to modernize the division's legacy systems, which are more than 30 years old. It is expected this effort could significantly increase revenue collection with more than \$18 million accruing directly to the state and other government agencies each year. The majority of these increases would be due to MVD's improved ability to enforce compliance for fees and taxes that are due to the state. Improving operational processes in MVD would save more than \$5 million per year once the project is complete. In addition to the obvious financial benefits, modernizing MVD's systems would also improve services to other agencies and Arizona citizens.

Despite the ongoing decline in resources, ADOT will continue to develop strategies to improve its responsiveness to Arizona residents throughout the state. Transportation service priorities include: increasing the number of MVD issues resolved via telephone/Web site, maintaining the condition of highways, minimizing work zone delays, and managing traffic flow.

STRATEGIC ISSUES

The significant decline in transportation revenues is degrading ADOT's ability to perform mission-critical functions. A steady and sustainable stream of revenues is needed to maintain and enhance the existing transportation system, including customer services provided by the agency, and to address future needs as the state grows. Identifying and capitalizing on opportunities that can increase efficiency are essential to achieve maximum results with fewer resources.

GOALS

1. Maximize available resources to provide essential services to ADOT's customers.
2. Identify and explain the need for new, sustainable funding opportunities dedicated to multimodal transportation projects.

STRATEGIES

1. Prioritize and focus on the products and services most critical to serving the public, collecting revenue, and maintaining the transportation infrastructure.
2. Align the organizational structure to optimize effectiveness and reduce costs.
3. Increase efficiency of service delivery processes and systems.
4. Refine ADOT's performance measures.
5. Research, evaluate, and explain alternative funding sources to help finance and maintain a multimodal transportation system.

FUNDING AND FTE SUMMARY – FY 2010

	FUND	FTE
General Fund	\$ 63,100	2.0
Highway Fund	398,222,300	4,175.5
Other Appropriated Funds	38,617,900	370.5
Non-Appropriated Funds	2,343,323,100	68.0
Federal Funds	<u>547,000,000</u>	<u>0.0</u>
Program Total	\$ 3,327,226,400	4,616.0

RESOURCE ASSUMPTIONS *

Description	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
FTEs	4,616.0	4,616.0	4,616.0	4,616.0	4,616.0
Highway Fund	402,253,700	402,253,700	402,253,700	402,253,700	402,253,700
Other Appropriated Fund	38,617,900	38,617,900	38,617,900	38,617,900	38,617,900
Non-Appropriated Fund	2,327,323,100	2,327,323,100	2,327,323,100	2,327,323,100	2,327,323,100
Federal Fund / Grants	563,000,000	563,000,000	563,000,000	563,000,000	563,000,000
General Fund	63,100	63,100	63,100	63,100	63,100
TOTAL FUNDS	3,331,257,800	3,331,257,800	3,331,257,800	3,331,257,800	3,331,257,800

*Estimates