

Highway Expansion and Extension Loan Program Annual Report for FY 1999

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TRANSMITTAL LETTER

December I, 1999

The Honorable Jane Dee Hull
Governor, State of Arizona

The Honorable Brenda Burns
President, Arizona State Senate

The Honorable Jeff Groscost
Speaker, Arizona House of Representatives

Members of the Legislature, and
Citizens of the State of Arizona

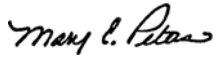
Pursuant Pursuant to the requirements of Title 28, Chapter 21 Arizona Revised Statutes, I am pleased to transmit the 1999 Annual Report of the Highway Expansion and Extension Loan Program (HELP).

HELP was authorized in 1998 as Arizona's state infrastructure bank. The HELP Fund acts much like a bank, providing a financing mechanism to accelerate highway projects throughout the state. Although HELP is only in its second year, significant progress has been made in fully implementing the program. Accomplishments include:

- HELP application package and evaluation guidelines developed with, and approved by, the State Transportation Board.
- First applications for loans received in June 1999; two projects submitted and approved by the State Transportation Board in August 1999.
- Solicited second round of applications for loan financing in August 1999, with four project applications submitted in October 1999. These projects are currently under review.
- First issue of Board Funding Obligations approved. First issue will accelerate the purchase of right of way for the urban freeway system in accordance with Senate Bill 1201 (effective August I 999).

The HELP Advisory Committee will continue to diligently implement this innovative financing program in the months and years ahead. Thank you for the opportunity to be a part of the solution as Arizona addresses its transportation needs.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary E. Peters". The script is cursive and fluid.

Mary E. Peters
Chair, HELP Advisory Committee

INTRODUCTION

In 1996, the Arizona Department of Transportation was authorized to administer a state infrastructure bank under a cooperative agreement with the Federal Highway Administration (FHWA), pursuant to Section 350 of the National Highway System Designation Act of 1995. As a result, the Highway Expansion and Extension Loan Program (HELP) was established in 1998 pursuant to Title 28, Chapter 21, Article 5, Arizona Revised Statutes. HELP is Arizona's state infrastructure bank.

The HELP Fund was initially capitalized with grants from FHWA and state matching funds. HELP operates similar to a bank, providing financial assistance in the form of loans or credit enhancement for eligible transportation projects across the state.

HELP operates under the authority of the State Transportation Board. Pursuant to statute, a seven-member HELP Advisory Committee is responsible for reviewing loan and other financial assistance requests and making loan recommendations to the

Transportation Board. The current members of the HELP Advisory Committee include:

Mary Peters, Arizona Department of Transportation, Chair

Bruce Hilby, Phoenix

Gary Magrino, Yuma

Jeff Martin, Mesa

Cliff Potts, Payson

Tami Ryall, Gilbert

Paul Schwartz, Sun City

1999 PROGRAM HIGHLIGHTS

HELP continued to expand and refine its program in 1999 with the addition of new funding sources, the approval of new loans and the continuation of the pilot loans for the Cities of Mesa and Chandler. A few of the highlights for the program in 1999 are listed below.

- Passage of Senate Bill 1201

Senate Bill 1201 created an innovative financing mechanism to advance transportation projects around the state. This legislation allows the State Transportation Board, in conjunction with the State Treasurer's Office, to issue up to \$300 million of Board Funding Obligations (BFOs). The first issue of BFOs was authorized in October and will provide \$100 million for loans to advance urban freeway projects as stipulated by the legislation.

In addition to the BFOs, the HELP Fund was also authorized to borrow \$20 million from the State Highway Fund in Fiscal Year 2000. This amount is required to be repaid to the State Highway Fund no later than December 31, 2008.

Also contained in Senate Bill 1201 was the requirement that through December 31, 2004, the Transportation Board provide loans from the HELP Fund in the following manner: 50 percent of the monies to be expended in Maricopa County, 25 percent in Pima County, and 25 percent in the other 13 counties.

Other legislative action in 1999 appropriated \$20 million to the HELP Fund from the state general fund in each of the fiscal years 2001, 2002, and 2003.

- HELP Loans

In addition to the two pilot loans that were approved in 1998 for Mesa and Chandler, the State Transportation Board approved three additional HELP loans in 1999 for projects in Tucson, Lake Havasu City (Kingman District) and for right-of-way purchases for the urban freeway system in Maricopa County. Details of the outstanding loans and the new projects are shown on page four.

In November, HELP received four new loan applications. Entities submitting loan requests included the Town of Chino Valley, the City of Tucson, the City of Chandler and Cochise County. The HELP Advisory Committee will review these applications and make recommendations for funding to the State Transportation Board by January 2000.

- Policies and Procedures Guidelines

In anticipation of an increase in the number of HELP applications, staff researched and developed a set of comprehensive policies and procedures to formalize the tracking and administration of the HELP program within the Department.

FINANCIAL AND OPERATIONAL STATUS OF PROJECTS

The State Transportation Board has approved funding for three loan requests to date, including the two pilot loans and the purchase of right-of-way in the Maricopa urban freeway system. Two additional projects have been approved although funding is pending subject to the finalization of inter-governmental agreements.

Shown below are the status of the project loans that have been funded, and a description of loans that have been approved, but not funded.

- **Chandler Project**

The Chandler project attracted private sector capital with a portion of the City's interest payments paid by a major developer. The Chandler project is on the Price Freeway between Warner Road and Frye Road. The Project is scheduled for completion at the end of 2000, one year earlier than programmed.

- **Mesa project**

The Mesa project is on the Red Mountain Freeway between Country Club and Gilbert Road. The Project schedule will be advanced two years through a HELP loan. The City of Mesa provided a \$36.4 million loan with local monies to fund the construction phase of the project, representing a major share of the total project cost. The project schedule was delayed from the original application due to delays in obtaining a required Environmental Impact Study. The original loan was restructured to accommodate the new schedule. Construction draws are now scheduled to occur in January 2000.

- **ADOT Project - Maricopa Urban Freeway System**

The Urban Freeway System is scheduled for completion by Fiscal Year 2007. This Project entails the accelerated purchase of right-of-way for various routes on the Urban Freeway System including segments of the Red Mountain (Loop 202) Freeway and the Santan Freeway.

- **Tucson Project**

The Sixth Avenue Reconstruction Project is part of the current Pima Association of Governments' Transportation Plan for the City of Tucson. The Project's funding is part of the Surface Transportation Program from Fiscal Year 99/00 through Fiscal Year 03/04. The \$2 million HELP loan will partially fund the initial phase of this Project. Similar projects over the last five years along Sixth Avenue in Tucson have revitalized business and development. This Project represents a significant opportunity for revitalization of Sixth Avenue and for the community of South Tucson as well.

- **Kingman District / Lake Havasu Project**

The Kingman District/Lake Havasu Project entails 1.67 miles of advanced reconstruction along State Route 95 and is part of the ADOT five-year construction program for Fiscal Years 1999/03. The approved \$2.59 million HELP loan will advance the design portion from Fiscal Year 01 to Fiscal Year 00 and construction from Fiscal Year 2003 to Fiscal Year 2001. The infrastructure provided by the project will support a development offering commercial and industrial opportunities for the City of Lake Havasu and surrounding communities. The developer is participating financially in the Project by paying the interest portion of the HELP loan.

LOAN STATUS

	PURPOSE OF LOAN	PROJECT LOCATION	LOAN APPROVAL DATE	INTEREST RATE*	AUTHORIZED LOAN AMOUNT	FINAL MATURITY	CONSTRUCTION DRAWS TO DATE **	OUTSTANDING LOAN BALANCE
CITY OF MESA	New Construction Urban Freeway System	Red Mountain Freeway Country Club to Gilbert	3/20/98	To be Determined	\$24,000,000	10/31/01	0	0
CITY OF CHANDLER	New Construction - Urban Freeway System	Price Freeway Warner to Frye	3/20/98	3.5880%	\$26,000,000	7/31/02	\$12,807,164	\$12,807,164
ADOT	Purchase of Right-of Way for Urban Freeway System	Various: As stipulated in Senate Bill 1201	11/15/99	To be Determined	\$100,000,000	6/30/01	0	0
CITY OF TUCSON	Street Improvement	6 th Avenue: 19 th Street to I-10	Pending	To be Determined	\$2,000,000	To be Determined	0	0
LAKE HAVASU CITY	Reconstruction	SR 95 1.67 Miles of Four Lane Divided Highway	Pending	To be Determined	\$2,590,000	To be Determined	0	0

*The interest rate will be determined when the first construction draw is made. The rate will approximate 70% of comparable U.S. Treasury obligations.

**Project schedule was delayed due to delays in obtaining the approval of an Environmental Impact Study. The first construction draw is scheduled to occur in January 2000.

HELP FUND

The HELP Fund balance on a cash basis as of June 30, 1999 was \$37,214,565. As shown in the following table, the HELP Fund balance reflects monies from federal deposits, state match amounts, Board Funding Obligation deposits and investment earnings. Additional funds are expected when transfers are made from the State Highway Fund, loan repayments occur and additional Board Funding Obligations are issued. The figures below are shown on a cash basis.

ITEM	FY 1999	FY 2000 (as of 10/31/99)
Beginning Balance	\$38,066,753	\$37,214,565
Federal Deposits	\$5,567,176	--
State Match	\$24,795	--
Interest Earnings	\$2,267,711	\$904,270
Interest On Loans Received	\$28,798	\$48,095
Board Funding Obligations	--	\$25,000,000*
Loan Disbursements	(\$8,739,804)	(\$4,067,360)
Administrative Expenditures	(\$864)	(\$268)
Ending Balance	\$37,214,565	\$59,099,382

*Monies received from the State Treasurer's Office as of October 28, 1999

STATE TRANSPORTATION BOARD

John I. Hudson, Chairman
District 6 (Yavapai, Yuma, Mohave and La Paz Counties)

Jerry C. Williams, Vice Chairman
District 3 (Cochise, Greenlee and Santa Cruz Counties)

Burton S. Kruglick,
Member at large (Statewide)

F. Rockne Arnett,
Member District 1 (Maricopa County)

Katie Dusenberry,
Member District 2 (Pima County)

Igno Radicke,
Member District 4 (Gila Graham and Pinal Counties)

Bill Jeffers,
Member District 5 (Navajo, Apache, and Coconino Counties)



Progress on the Chandler project during September of 1999. The project is scheduled for completion by the end of 2000, which will be one year earlier than programmed.