

Highway Expansion and Extension Loan Program

Annual Report 2003

TRANSMITTAL LETTER

December 1, 2003

The Honorable Janet Napolitano
Governor, State of Arizona

The Honorable Ken Bennett
President, Arizona State Senate

The Honorable Jake Flake
Speaker, Arizona House of Representatives
Members of the Legislature, and Citizens of the State of Arizona

Pursuant to the requirements of Title 28, Chapter 21, Article 5 Arizona Revised Statutes, I am pleased to present the 2003 Annual Report for the Highway Expansion and Extension Loan Program (HELP).

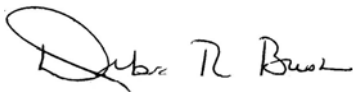
The impact of the program can be seen throughout Arizona with 43 loans made to date. During the past year, construction was completed on several projects including the final segment of State Route 51 connecting with Loop 101 in north Phoenix, and the construction of Fain Road in Yavapai County. In addition, progress continues on a number of other projects including the Interstate 10 and Interstate 19 traffic interchange in Tucson and the reconstruction of State Route 260 in Gila County.

Like the State, the HELP program has faced several funding challenges over the past year. Part of the solution for the State's budget shortfall in 2003 included repayment of a \$20 million State general fund appropriation that HELP received in 2001. In addition, the future availability of Board Funding Obligations (BFOs) to capitalize the HELP became a concern as State fund balances declined. This uncertainty limited the ability of the HELP to approve and fund new loans in 2003.

The outlook for the HELP has improved with the issuance of a new series of BFOs. This funding will allow the HELP to provide future loans for projects that are critical to completing the Maricopa County Regional Freeway System in 2007. In addition, the improved outlook for the HELP will allow additional loans to be made for projects in Pima County.

The State Transportation Board, HELP Advisory Committee and ADOT staff look forward to assisting with the financing of important transportation projects in the coming years.

Sincerely,



Debra R. Brisk

Deputy Director

INTRODUCTION

The Highway Expansion and Extension Loan Program (HELP) provides the state and its communities with an innovative financing mechanism to accelerate the funding of road construction projects. This mechanism is referred to as a State Infrastructure Bank (SIB) and was initially authorized by Congress in 1995. A SIB operates like a bank by providing loans or credit enhancement for transportation projects.

HELP, Arizona's SIB, was established in 1998, and is operated under the authority of the State Transportation Board. A seven member HELP Advisory Committee accepts loan applications, reviews and evaluates requests for financial assistance, and makes recommendations to the Transportation Board on loan and financial assistance requests.

The current members of the State Transportation Board are:

Ingo Radicke, Chair	Globe
Bill Jeffers, Vice Chair	Holbrook
Richard "Dick" Hileman	Lake Havasu City
Dallas "Rusty" Gant	Wickenburg
James Martin	Willcox
Joe Lane	Phoenix
S. L. Schorr	Tucson

The current members of the HELP Advisory Committee are:

John McGee, Chair (as designee of Victor Mendez)	ADOT
Bill Beyer	Glendale
David Felix	Sierra Vista
Jim Glock	Tucson
Cliff Potts	Payson
Tami Ryall	Gilbert
Paul Schwartz	Peoria

2002 HIGHLIGHTS

Even though no additional loans were made in 2003, significant progress was made on existing loan projects around the state. Some of the projects completed during the year included:

1. *McLane Road, Payson* – This widening and resurfacing project was completed, increasing safety while allowing the city to retain the historic nature of the road.
2. *Avenue A, 40th Street to Desert Avenue, Yuma* – Completion of this project offers a newly widened four-lane road, allowing better access to the Convention Center and the new Border Patrol Complex.
3. *Redondo Drive Traffic Interchange, Yuma* – The new interchange allows for easier access to the new commercial area and the new community college site.
4. *US 60 / SR 79 Traffic Interchange, Florence Junction* – A HELP loan was used to purchase right of way for a newly designed interchange.
5. *Fain Road, Yavapai County* – A new collector road, Fain Road, connects SR 69 with Highway 89A, relieving some of the congestion on SR 69 into Prescott.
6. *SR 51 to Loop 101, Phoenix* – This project accelerated the completion of the last segment of SR 51, which now runs from I-10 to Loop 101 on the north.
7. *Shannon Road, Pima County* – Major congestion has been eased with completion of a project to widen Shannon Road, adding new turn lanes and bicycle lanes.
8. *Ajo Way, Pima County* – Ajo Way was widened to six lanes improving congestion in the newly developing north area of Pima County.

With the completion of these projects, the true importance of the HELP program is realized. These projects were accelerated, and in some cases, made possible using HELP loans. The influence of the HELP program is statewide as evidenced by the percentage distribution of loan dollars by region as of September 30, 2003:

Maricopa County	44.7%
Pima County	22.5%
13 other Counties	32.8 %

The HELP has also been one of the most active State Infrastructure Banks in the nation: second in number of approved loans; third in total amount of approved loans; and second in loan amounts disbursed to recipients. The following table summarizes loan activity by state:

State Infrastructure Bank Loan Agreements by State

As of June 30, 2003

State	Number of Agreements	Loan Agreement Amount (\$000)	Disbursements to Date (\$000)
Alaska	1	2,737	2,737
Arizona	43	435,942	352,880
Arkansas	1	31	31
Colorado	8	5,890	5,890
Delaware	1	6,000	6,000
Florida	37	515,600	244,212
Indiana	2	6,000	5,715
Iowa	2	2,874	2,874
Maine	23	1,758	1,635
Michigan	23	17,034	13,033
Minnesota	15	95,719	77,000
Missouri	13	92,057	72,853
Nebraska	1	3,360	3,360
New Mexico	2	14,133	14,133
New York	5	15,450	12,000
North Carolina	2	1,713	1,713
North Dakota	2	3,565	1,565
Ohio	47	196,370	140,989
Oregon	14	19,221	18,321
Pennsylvania	34	24,252	21,265
Puerto Rico	1	15,000	15,000
Rhode Island	1	1,311	1,311
South Carolina	6	2,643,000	1,545,693
South Dakota	1	11,740	11,740
Tennessee	1	1,875	1,875
Texas	41	252,191	244,192
Utah	1	2,888	2,888
Vermont	4	1,049	1,016
Virginia	1	18,000	12,739
Washington	3	2,375	442
Wisconsin	3	1,814	1,814
Wyoming	8	77,977	42,441
Total	347	4,488,926	2,879,357

Source: Federal Highway Administration; ADOT.

FINANCIAL CONDITION OF HELP FUND

Arizona Department of Transportation

Highway Expansion and Extension Loan Program Fund

Statement of Net Assets

For the fiscal year ended June 30, 2003 and 2002

(Unaudited)

Assets	<u>2003</u>	<u>2002</u>
Current assets:		
Restricted cash on deposit with the State Treasurer	\$ 96,010,168	\$ 141,334,598
Receivables:		
Accrued interest	249,902,	666,035
Loans	52,903,160	51,019,947
Due from other Arizona Department of Transportation funds	1,269,916	553,125
Due from Arizona counties and cities	<u>308,496</u>	<u>177,279</u>
Total current assets	<u>150,813,642</u>	<u>193,750,984</u>
Noncurrent assets:		
Receivables:		
Loans	<u>83,979,755</u>	<u>55,099,529</u>
Total noncurrent assets	<u>83,979,755</u>	<u>55,099,529</u>
Total assets	<u>234,793,397</u>	<u>248,850,513</u>
Liabilities		
Current Liabilities:		
Accrued payroll and other accrued expenses	4,867	3,905
Compensated absences	18,685	17,313
Notes payable	<u>151,545,066</u>	<u>-</u>
Total current liabilities	<u>151,568,618</u>	<u>21,218</u>
Noncurrent liabilities:		
Interfund Payable	20,000,000	20,000,000
Notes payable	<u>-</u>	<u>145,536,466</u>
Total noncurrent liabilities	<u>20,000,000</u>	<u>165,536,466</u>
Total liabilities	<u>171,568,618</u>	<u>165,557,684</u>
Net assets		
Restricted for loans and other financial assistance	<u>63,224,779</u>	<u>83,292,829</u>
Total net assets	<u>\$ 63,224,779</u>	<u>\$ 83,292,829</u>

FINANCIAL CONDITION OF HELP FUND

Arizona Department of Transportation Highway Expansion and Extension Loan Program Fund

Statement of Activities

For the fiscal year ended June 30, 2003 and 2002

(Unaudited)

	<u>2003</u>	<u>2002</u>
<u>Operating revenues:</u>		
Interest on loans receivables	<u>3,881,239</u>	<u>\$2,226,502</u>
Total operating revenues	<u>3,881,239</u>	<u>2,226,502</u>
<u>Operating expenses:</u>		
Salaries and related benefits	217,411	251,220
Supplies	1,388	1,043
Professional and outside services	118,463	139,498
Travel	1,561	6,126
Interest on notes payable	6,008,600	4,821,052
Other	<u>1,116</u>	<u>45,783</u>
Total operating expenses	<u>6,348,539</u>	<u>5,264,722</u>
Operating income <loss>	<2,467,300>	<3,038,220>
<u>Non-operating revenues <expenses>:</u>		
Interest on investments	2,399,250	5,540,498
Destitution to other state agencies	<20,000,000>	-
Total non-operating revenues <expenses>	<u><17,600,750></u>	<u>5,540,498</u>
Changes in net assets	<20,068,050>	2,502,278
Total net assets - July 1	<u>\$83,292,829</u>	<u>80,790,551</u>
Total net assets - June 30	<u><u>\$63,224,779</u></u>	<u><u>\$83,292,829</u></u>

**LOAN STATUS AS OF SEPTEMBER 2002
STATEWIDE LOANS**

PROJECT SPONSOR	PURPOSE OF LOAN	PROJECT LOCATION	LOAN APPROVAL	INTEREST RATE*	MAXIMUM LOAN	FINAL MATURITY	DRAW TO DATE	OUTSTANDING LOAN BALANCE
ADOT	Reconstruction	SR260, Show Low to Pinetop	02/18/2000	2.93%	\$5,664,000	Feb-02	\$4,666,837	Paid in full 02/25/2002
TOWN OF CHINO VALLEY	Construction	Center Street	03/17/2000	4.50%	\$300,000	Jan-05	\$300,000	\$120,000
ADOT	Design, Right of Way	Various projects state wide	05/19/2000	3.46%	\$5,707,000	Mar-04	\$5,165,861	\$1,438,276
CITY OF SIERRA VISTA	Construction	Buffalo Soldier Trail 7th St. to SR 90	07/21/2000	4.00%	\$1,970,000	Jun-03	\$1,970,000	Paid in full 6/13/03
LA PAZ COUNTY	Reconstruction	Salome Road - Centennial Wash	12/18/2000	2.93%	\$2,000,000	Jan-04	\$1,448,568	Paid in full 05/31/2002
ADOT	Reconstruction	SR 260, Pinetop to Hon-Dah	01/19/2001	2.93%	\$8,400,000	May-03	\$6,038,856	Paid in full 5/20/03
SANTA CRUZ COUNTY	Reconstruction	South River Road	01/19/2001	3.11%	\$1,150,000	Jan-05	\$643,827	\$448,667
ADOT	Design	Naha 'Ta' Dziil Rd Sanders TI	03/16/2001	3.32%	\$1,000,000	Jun-04	\$1,000,000	\$800,000
CITY OF YUMA	Reconstruction	Ave. A, 40th Street to Desert Avenue	04/20/2001	1.65%	\$1,000,000	Dec-06	\$1,000,000	\$1,000,000
TOWN OF TAYLOR	Reconstruction	Paper Mill Road	05/18/2001	3.42%	\$1,000,000	Jun-05	\$1,000,000	\$400,000
ADOT	Reconstruction	SR 260, Christopher Creek	05/18/2001	2.85%	\$41,900,000	Jul-05	\$31,860,853	\$4,673,712
TOWN OF PAYSON	Reconstruction	McLane Road	06/15/2001	3.56%	\$1,100,000	Jul-06	\$1,100,000	\$891,590
CITY OF YUMA	Reconstruction	I-8, Giss Parkway - Redondo Drive TI	06/15/2001	1.77%	\$2,000,000	Jul-06	\$2,000,000	\$1,500,000
ADOT	Design, Right of Way	SR89A, Glassford Hill Section	09/21/2001	1.76%	\$3,216,000	Sep-03	\$2,031,263	Paid in full 9/17/03

TOWN OF MIAMI	Reconstruction	Rose Road & Sullivan Street	01/18/2002	2.20%	\$80,000	Jun-05	\$80,000	\$53,000
ADOT	Construction	SR 89A, Glassford Hill Section	03/15/2002	1.35%	\$13,855,000	Jun-04	\$12,821,863,	\$5,721,863
YAVAPAI COUNTY	Construction	SR 89A, Glassford Hill Section	03/15/2002	1.83%	\$4,500,000	Jun-05	\$4,500,000	\$3,937,500
ADOT	Right of Way	US 60/SR 79 Traffic Interchange	03/15/2002	1.56%	\$4,000,000	Oct-04	\$2,681,459	\$2,681,459
ADOT	Design	SR 95, Parker to Lakeside	03/15/2002	1.14%	\$500,000	Jan-05	\$244,234	\$244,234
GILA COUNTY	Reconstruction	Fossil Creek Road	04/19/2002	1.43%	\$1,237,500	Mar-08	\$1,237,500	\$1,237,500
ADOT	Construction	SR 260, Cottonwood to Camp Verde	05/17/2002	1.99%	\$5,000,000	Jun-06	\$5,000,000	\$5,000,000
YAVAPAI COUNTY	Construction	Fain Road Realignment	06/21/2002	2.25%	\$4,500,000	Jun-06	\$4,500,000	\$4,500,000
CITY OF LAKE HAVASU CITY	Reconstruction	SR 95, North City Limits	06/21/2002	1.18%	\$789,508	Feb-04	\$789,508	\$789,508
CITY OF SAFFORD	Construction	20th Avenue	08/16/2002	2.42%	\$2,000,000	Oct-07	\$2,000,000	\$2,000,000
TOWN OF THATCHER	Construction	20th Avenue	08/16/2002	1.56%	\$2,000,000	Oct-07	\$2,000,000	\$1,915,500
ADOT	Construction	Avenue 3E Traffic Interchange	03/15/2002	0.86%	\$9,900,000	Jun-04	\$4,359,407	\$4,359,407
GILA COUNTY	Reconstruction	Six Shooter Canyon Road	04/19/2002	To be Determined	\$600,000	Jun-08	-	-
GILA COUNTY	Construction	Six Shooter Road and Bridge	04/19/2002	To be Determined	\$487,500	Jun-08	-	-
ADOT	Design	Fort Grant Road Traffic Interchange	06/21/2002	To be Determined	\$650,000	Nov-06	-	-
TOWN OF MAMMOTH	Reconstruction	Main Street	12/14/2001	-	\$334,800	-	Withdrawn	-

LOAN STATUS AS OF SEPTEMBER 2002
PAG LOANS

PROJECT SPONSOR	PURPOSE OF LOAN	PROJECT LOCATION	LOAN APPROVAL	INTEREST RATE*	MAXIMUM LOAN	FINAL MATURITY	DRAWS TO DATE	OUTSTANDING LOAN BALANCE
CITY OF TUCSON	Street Improvements	6th Avenue, 19th Street to I-10	03/17/2000	4.50%	\$2,000,000	Jan-05	\$2,000,000	Paid in full 05/01/2001
ADOT	Design, Right of Way	Various projects in Pima County	05/19/2000	1.77%	\$5,285,000	Jun-05	\$5,285,000	\$1,000,000
CITY OF TUCSON	Street Improvements	6th Avenue, Ajo Way to Rodeo Wash	06/15/2001	2.91%	\$4,500,000	Jan-06	\$4,500,000	\$2,900,000
ADOT	Construction	I-10 / I-19 Interchange	09/21/2001	2.11%	\$62,500,000	Jan-06	\$42,148,982	\$19,145,523
PIMA COUNTY	Street Improvements	Ajo Way, Country Club to Alvernon Way	12/14/2001	3.23%	\$3,700,000	Jul-07	\$3,700,000	\$2,590,000
PIMA COUNTY	Street Improvements	Shannon Road Ina Rd to Magee Rd	12/14/2001	3.23%	\$1,400,000	Jul-07	\$1,400,000	\$950,000
TOWN OF ORO VALLEY	Construction	Tangerine Road Widening	08/16/2002	1.19%	\$1,716,000	Jul-05	\$1,716,000	\$1,716,000
ADOT	Design	I-10 Mainline Widening, Grant to Congress	03/15/2002	0.86%	\$5,500,000	Jun-04	\$1,513,435	\$1,513,435

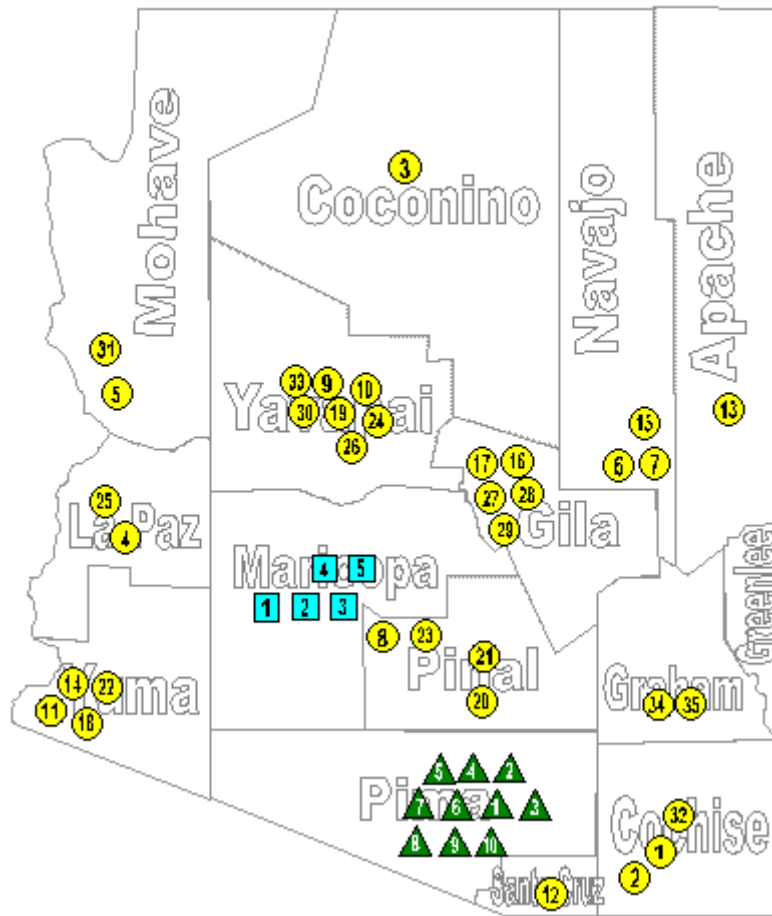
**LOAN STATUS AS OF SEPTEMBER 2002
MAG LOANS**

PROJECT SPONSOR	PURPOSE OF LOAN	PROJECT LOCATION	LOAN APPROVAL	INTEREST RATE*	MAXIMUM LOAN	FINAL MATURITY	DRAWS TO DATE	OUTSTANDING LOAN BALANCE
CITY OF MESA	New Construction Urban Freeway System	Red Mountain Freeway: Country Club to Gilbert	03/20/1998	4.41%	\$24,000,000	Mar-03	\$24,000,000	Paid in full 3/21/03
CITY OF CHANDLER	New Construction Urban Freeway System	Price Freeway: Warner to Frye	03/20/1998	3.59%	\$26,000,000	Jul-02	\$26,000,000	Paid in full 11/30/2001
ADOT	Purchase of Right of Way for Urban Freeway System	Various: As stipulated in Senate Bill 1201	11/15/1999	3.92%	\$100,000,000	Jun-01	\$90,324,109	Paid in full 6/28/2001
ADOT/ CITY OF PHOENIX	Construction	SR 51 Completion Union Hills - L101	11/17/2000	2.48%	\$22,500,000	Jun-05	\$22,500,000	\$21,150,000
ADOT	Right of Way, Construction	Regional Freeway System	09/21/2001	3.30%	\$50,000,000	Dec-86	\$50,000,000	\$50,000,000

* Interest rate will be determined by the State Transportation Board when the first construction draw is made.

* Interest rate will be determined by the State Transportation Board when the first construction draw is made.

HELP Projects



Map Table				
	STATEWIDE			
	Project Name	Project Description	Loan Amount	City / Location
1	Carr Canyon Rd - Hunter Canyon Rd	Design	\$457,000	Cochise County
2	Buffalo Soldier Trail	Construction	\$1,970,000	Sierra Vista
3	Van's Trading Post to East of SR264	Design	\$500,000	Coconino County
4	Salome Rd Centennial Wash Crossing	Reconstruction	\$2,000,000	La Paz County
5	Lake Havasu Blvd to Old London Bridge Rd	Design	\$1,850,000	Mohave County
6	SR260 Showlow - McNary - Eager	Reconstruction	\$5,664,000	Showlow
7	Pinetop to Hondah	Reconstruction	\$8,400,000	Pinetop
8	US60 / SR79 TI	Design	\$600,000	Pinal County
9	HWY 89 - Center Street traffic signal	Construction	\$300,000	Chino Valley
10	Glassford Hill	Design	\$1,500,000	Prescott Valley
11	Ave 3E SR280 TI	Design	\$800,000	Yuma
12	South River Rd	Reconstruction	\$1,150,000	Santa Cruz County
13	St. Johns - Sanders Highway	Design	\$1,000,000	Apache County
14	Ave. A Reconstruction	Reconstruction	\$1,000,000	City of Yuma
15	Paper Mill Rd. Improvement	Reconstruction	\$1,000,000	Town of Taylor
16	SR260 Christopher Creek Segment	Reconstruction	\$41,900,000	Gila County
17	McLane Road Reconstruction	Reconstruction	\$1,100,000	Payson
18	I-18 / Giss Parkway / Redondo Dr. TI	Reconstruction	\$2,000,000	Yuma
19	89A Glassford Hill	Design	\$3,216,000	Prescott Valley
20	Main Street	Reconstruction	\$334,800	Mammoth
21	Sullivan Street / Rose Road	Reconstruction	\$80,000	Miami
22	Ave 3E	Reconstruction	\$9,900,000	Yuma
23	US60 / SR79 TI	Reconstruction	\$4,000,000	Pinal County
24	89A Glassford Hill	Reconstruction	\$13,855,000	Prescott Valley
25	SR95	Reconstruction	\$500,000	Parker
26	89A Glassford Hill	Reconstruction	\$4,500,000	Prescott Valley
27	Fossil Creek Road	Reconstruction	\$1,237,500	Gila County
28	Six Shooter Canyon Road	Reconstruction	\$600,000	Gila County
29	Six Shooter Road and Bridge	Construction	\$487,500	Gila County
30	SR260 Cottonwood to Camp Verde	Construction	\$5,000,000	Yavapai County
31	SR95 North City Limits "Centre"	Construction	\$789,508	Mohave County

32	Fort Grant Road TI	Construction	\$650,000	Cochise County
33	Fain Rd. Realignment	Construction	\$4,500,000	Yavapai County
34	20th Avenue	Construction	\$2,000,000	Safford
35	20th Avenue	Construction	\$2,000,000	Thatcher
			\$126,841,308	
	PAG			
	Project Name	Project Description	Loan Amount	City / Location
1	I-10 - I-19 TI	Design	\$3,285,000	Pima County
2	I-10 - I-19 TI	Design	\$1,000,000	Pima County
3	I-10 Mainline Prince Rd	Design	\$1,000,000	Pima County
4	6th Avenue Project	Street improvements	\$2,000,000	Tucson
5	6th Avenue Project Phase II	Street improvements	\$4,500,000	Tucson
6	JCT I-10 / I-19 Phase 1&2	Construction	\$62,500,000	Tucson
7	Shannon Road: Ina Rd - Magee Rd	Street Improvements	\$1,400,000	Pima County
8	Ajo Way: Country Club Rd- Alvernon Way	Street Improvements	\$3,700,000	Pima County
9	I-10 Mainline Grant to Congress	Design	\$5,500,000	Pima County
10	Tangerine Road	Construction	\$1,716,000	Oro Valley
			\$86,601,000	
	MAG			
	Project Name	Project Description	Loan Amount	City / Location
1	Price Freeway - Warner to Frye	Construction	\$26,000,000	Chandler
2	Red Mountain Country Club to Gilbert	Construction	\$24,000,000	Mesa
<i>Above two loans are not included in totals</i>				
3	Squaw Peak Freeway SR51	Construction	\$22,500,000	Phoenix
4	Mag System Right of Way	Right of way	\$100,000,000	Maricopa County
5	MAG Regional Freeway System	RFS Completion	\$50,000,000	Maricopa County
48	Total projects		\$172,500,000	
		GRAND TOTAL	\$385,942,308	

Prepared By:
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