



Transportation Financial Status

***County Transportation
Citizen's Advisory Committee
November 13, 2013***

Overview

- Revenues – Major Revenue Sources
- Expenditures – Major Cost Drivers
- Cost Reduction Strategies Since the Great Recession
- Review of Transportation 10-Year Financial Plan Under Several Scenarios
- Key Takeaways



Photo courtesy of Jim Westling, Coconino County Public Works Department

Introduction

- **Coconino County's Largest Financial Asset**
 - **County Owned Roads are Valued at About \$100 Million**
- **Road Assets are Deteriorating Rapidly and Need Major Sustainable Investment**
 - **About 25% - 35% of Major Paved Roads are in Severe or Poor Condition**
 - **Driving on Roads in Need of Repair Costs Arizona Motorists \$887 Million/Yr. in Extra Vehicle Repairs and Operating Costs - \$205/Motorist***

Introduction

- **Major Revenue Sources Down Dramatically**
 - **Highway User Revenue Fund (HURF)**
 - **Down \$2.6 Million or 24.2% Since FY-2007**
 - **Decrease Resulting from State Shifts, Decreased Gasoline Sales, and Great Recession**
 - **Impact Compounded When Compared to Counties Without Snowplowing Services (Approximately \$2 Million Per Year in Coconino County)**
 - **Current Funding Equivalent to FY-1998 Levels**
 - **Federal and State Gas Taxes Have Not Been Increased in Over 20 Years**

Introduction

- **Major Revenue Sources Down Dramatically**
 - **Vehicle License Tax (VLT)**
 - **Down 23.7% Since FY-2008**
 - **Secure Rural Schools**
 - **Funding Expired Sept. 30, 2012**
 - **Congress Re-Authorized for One Additional Year (FY-2014)**
 - **Will Receive Final Payment this Year**

Introduction

- **Insulating the Public: Short-Term Strategies**
 - **Salary Savings through Holding of 15% to 28.5% Vacancies (31.8 FTE's)**
 - **Deferred Equipment Replacement**
 - **Deferred Capital Investment**
- **Provided Short-Term Ability to Maintain Fund Balance**

Introduction

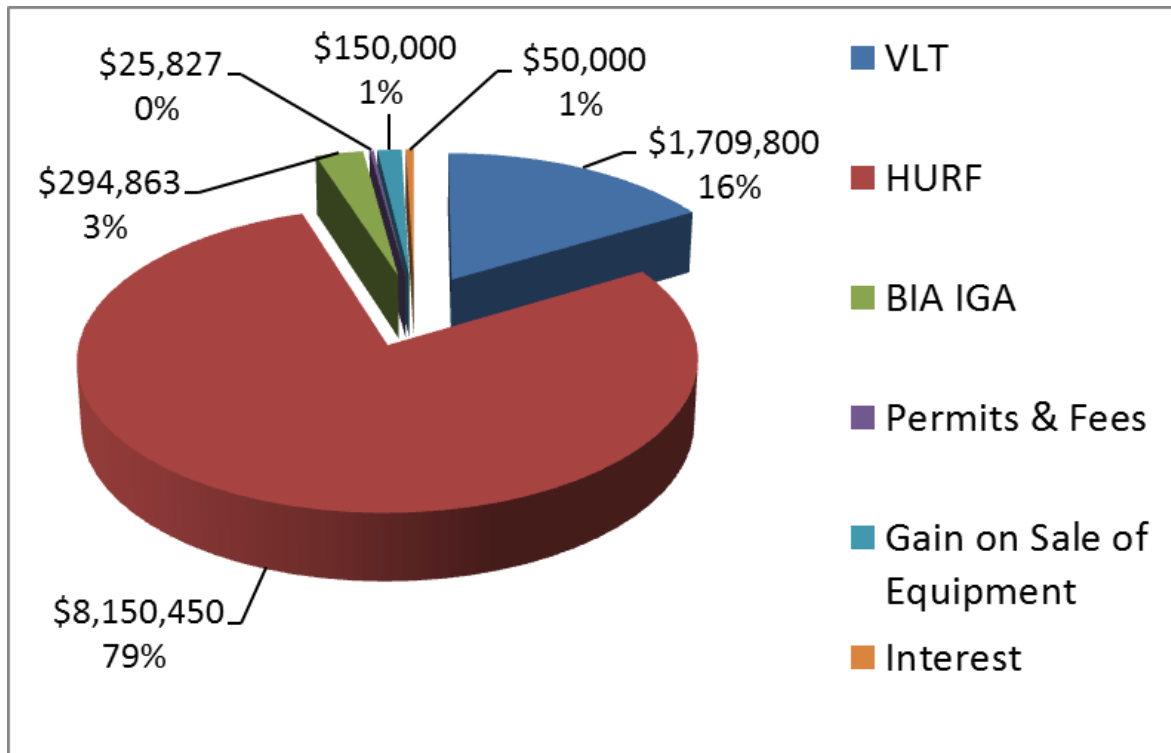
- **Current Challenge**
 - **Serious Structural Deficit is Eliminating Transportation Fund Balance**
 - **Structural Deficit for Operations Approximately \$4.4 Million in FY-2014**
 - **Structural Deficit for Capital Approximately \$5.9 Million in FY-2014**

Transportation Financial Status

Revenues

Revenue Summary

Major Revenue Sources



- Revenue Levels Will Not Return to Historic Levels for Many Years – If Ever
 - State Reallocation Now Permanent
- Predictability and Control of HURF & VLT is in State and Federal Hands

Recurring Revenues

Recurring Revenues

- **Current Recurring Revenue Sources**
 - Highway User Revenue Fund (HURF)
 - Vehicle License Tax (VLT)
 - Bureau of Indian Affairs (BIA) Inter-Governmental Agreement for Term of Agreement (IGA)
 - Other Revenue Sources

Recurring Revenues

- **Highway Users Revenue Fund (HURF)**
 - **\$2.6 Million (24.2%) Reduction from FY-2007 Levels**
 - **Resulting from State Reallocation, Decreasing Gasoline Sales, and Impacts of the Great Recession**
 - **Currently Near FY-1998 Funding Levels**
 - **Approximately \$8.1 Million in FY-2014**
 - **Approximately \$11 Million in FY-2007**
 - **Approximately 79% of Total Revenues**
 - **Revenues Projected in the 10-Year Plan**
 - **Conservative Growth Projected -2% in FY-2015, 2.5% to 3% Thereafter**

Recurring Revenues

- **Vehicle License Tax**
 - **23.7% Reduction Since FY-2008**
 - **Approximately \$1.7 Million in FY-2014**
 - **Approximately \$2.2 Million in FY-2008**
 - **Approximately 16% of Total Revenues**
 - **Revenues Projected in the 10-Year Plan**
 - **Conservative Growth – Average of 3.5%/Yr.**
 - **More Challenging to Project in an Individual Year due to Changes in Payment Options**

Recurring Revenues

- **BIA Inter-Governmental Agreement**
 - **Reimbursement for Road Maintenance Services Provided for the BIA on the Navajo Nation**
 - **Approximately \$300,000 in FY-2014**
 - \$167,000 from BIA
 - \$133,000 from SAFETEA_LU
 - **Projections Based on Current Agreement Terms and Conditions**
 - **Future Negotiations Influence Revenue and Expenditure Projections**
 - **County Portion Funded Through SAFETEA_LU Federal Funding – Future Not Clear**



Recurring Revenues

- **Other Revenue Sources**
 - **Permit Fees and Other Fees, Gain on Sale of Equipment, Interest, Miscellaneous**
 - **Approximately \$225,000 in FY-2014**
 - **Level Varies Significantly Annually**

One-Time Revenues

One-Time Revenues

- **Grants**
 - **Approximately \$93,000 in FY-2014**
 - **Amounts and Availability Often Unknown from Year to Year**
 - **Generally Very Competitive**
 - **Coconino County Has Been Successful in Securing Grant Funding in Recent Years**

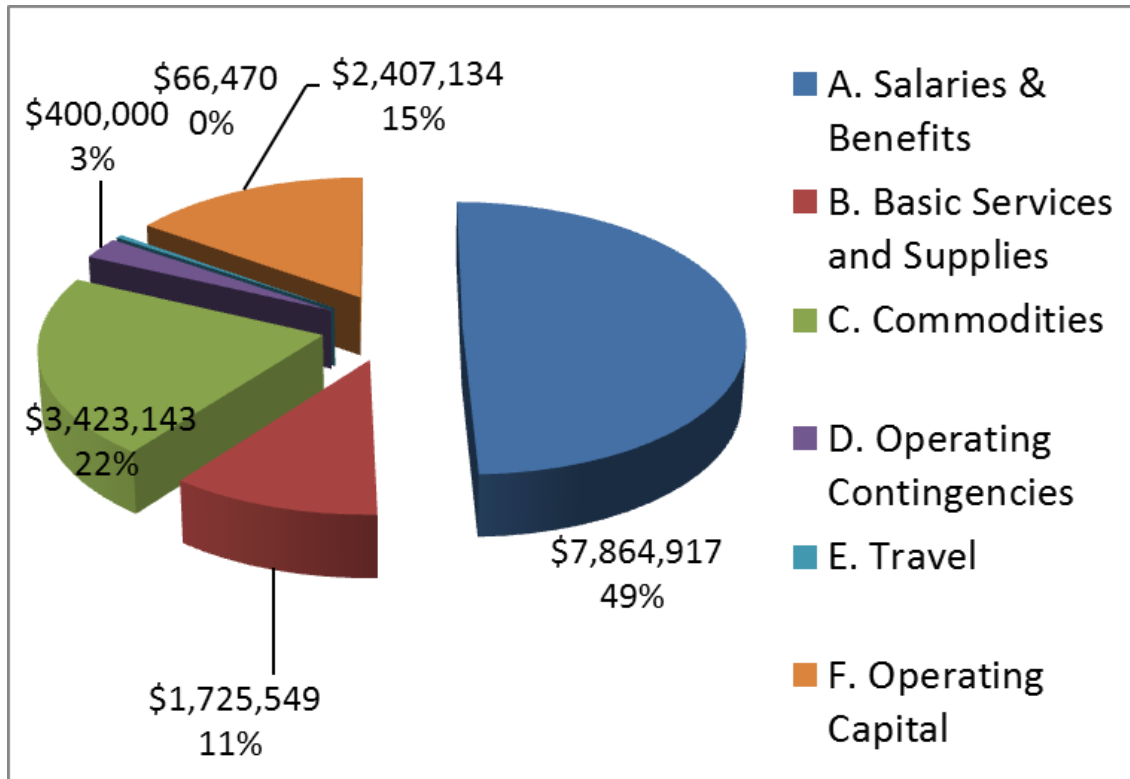
Questions

Expenditures

Operational Expenditures

Operational Expenditure Summary

Major Cost Drivers



- Reflects Service-Based Organization
- Many Cost Drivers Outside of County Control
 - E.G. Fuel, Parts, Services, and Benefits

Operational Expenditures

- **Operational Expenditures**
 - A. **Salaries and Benefits**
 - B. **Operations (Basic Services and Supplies)**
 - C. **Commodities**
 - D. **Operating Contingencies**
 - E. **Travel**
 - F. **Operating Capital**
- **Approximately \$15.9 Million Total in FY-2014**

Operational Expenditures

A. Salaries and Benefits

- **112 Total FTEs Budgeted in FY-2014**
- **Approximately \$7.9 Million in FY-2014**
- **Approximately 49% of Total Operational Expenditures**

Operational Expenditures

B. Operations

- **Basic Services and Supplies**
 - **Utilities, Liability Insurance, IT Hardware and Software, Auto/Equipment Parts and Supplies**
 - **Approximately \$1.7 Million in FY-2014**
 - **Approximately 11% of Total Operational Expenditures**

Operational Expenditures

C. Commodities

- **Fuel, Signs, Road Maintenance Supplies, Ice Control, and Outsourced Chipsealing Services**
 - **Approximately \$3.4 Million in FY-2014**
 - **Approximately 22% of Total Operational Expenditures**

Operational Expenditures

D. Operational Contingencies

- **Fuel and Road Maintenance Overtime**
 - **\$400,000 in FY-2014**
 - **Approximately 3% of Total Operational Expenditures**
 - **Overtime Largely Reflects Level of Annual Snow Removal and/or Disaster Response**
 - **Contingent on Snow Season and/or Disaster Severity**

E. Travel

- **Approximately \$66,000 in FY-2014**
- **Approximately 0.4% of Total Operational Expenditures**

Operational Expenditures

F. Operating Capital

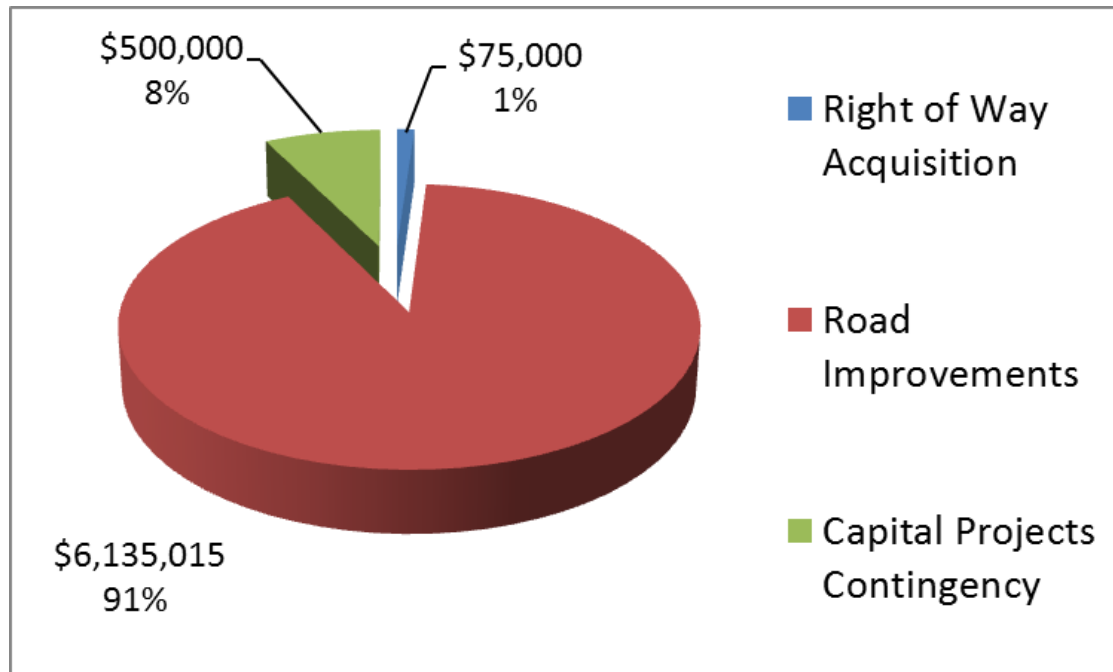
- **Equipment Replacement**
 - **Equipment Replacement Deferred Since FY-2009**
 - Equipment Replacement Expenditures in FY-2008 = \$1.7 Million
 - Equipment Replacement Expenditures FY-2009 through FY-2012 = \$451,000
 - **Plan to Resume Appropriate Equipment Replacement in FY-2014**
 - Currently Budgeting Approximately \$2.4 Million in FY-2014
 - Approximately 15% of Total Operational Expenditures



Capital Investment Expenditures

Capital Investment Expenditure Summary

Major Cost Drivers



- Capital Investments Largely Deferred Since FY-2009
- Further Delay Could Result in Road Failures and Loss of Control for Managing Capital Expenditures
- Capital Investment is a Strategy for Managing Risk

Capital Investment Expenditures

- **Capital Investment Expenditures**
 - Road Improvements
 - Right-Of-Way Acquisition
 - Capital Projects Contingency
- **Approximately \$6.7 Million
Total in FY-2014**



Capital Investment Expenditures

- **Road Improvements**
 - **County and US Forest Service Paved Roads**
 - **Overlays**
 - **Approximately \$6.1 Million in FY-2014**
 - **Approximately 91% of Total Capital Expenditures**



Capital Investment Expenditures

- **Right-Of-Way Acquisition**
 - **\$75,000 Budgeted in FY-2014**
 - **Approximately 1% of Total Capital Expenditures**

- **Capital Projects Contingency**
 - **\$500,000 in FY-2014**
 - **Approximately 8% of Total Capital Expenditures**

Questions

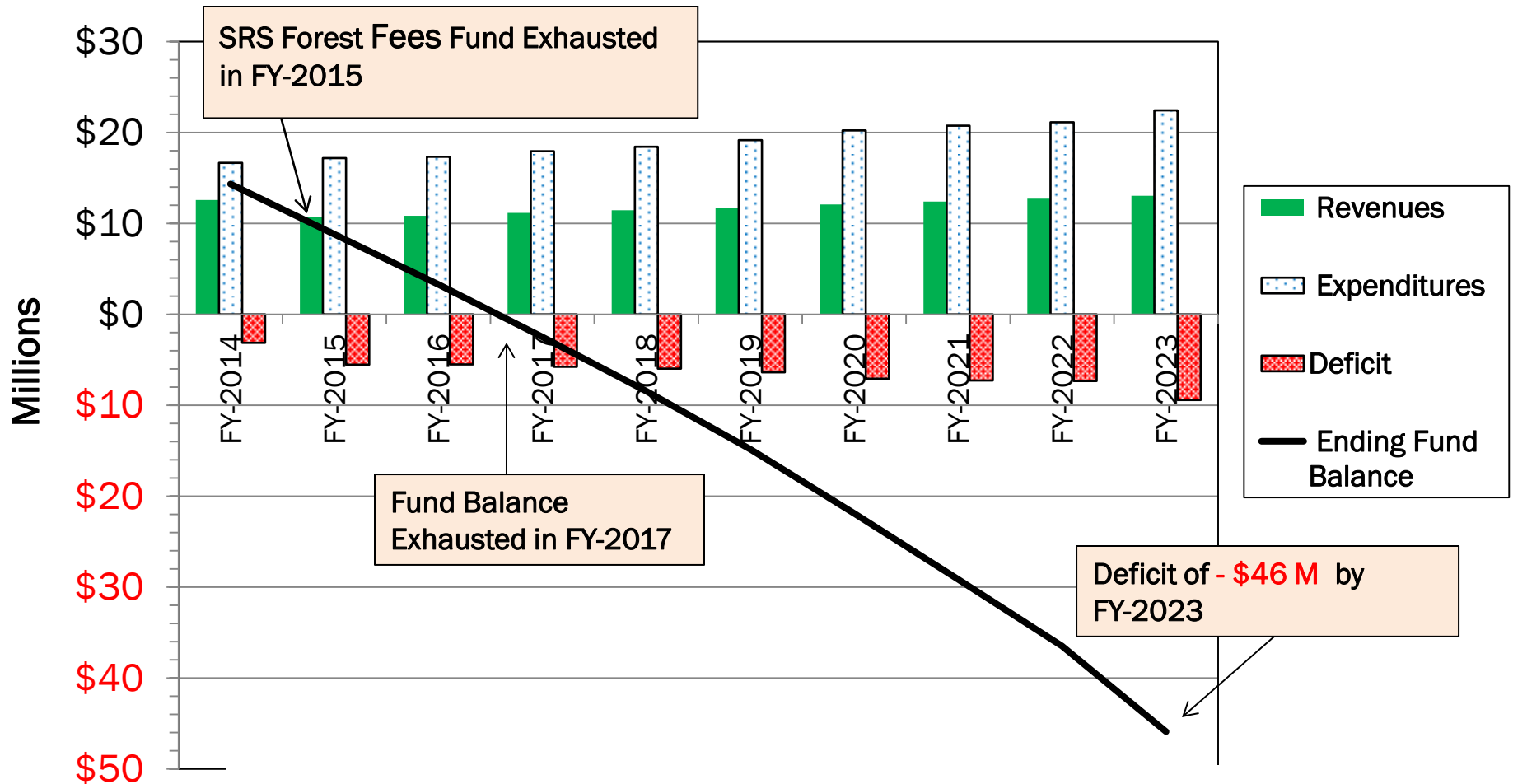
Structural Deficit for Operations

“The Operations Funding Gap”

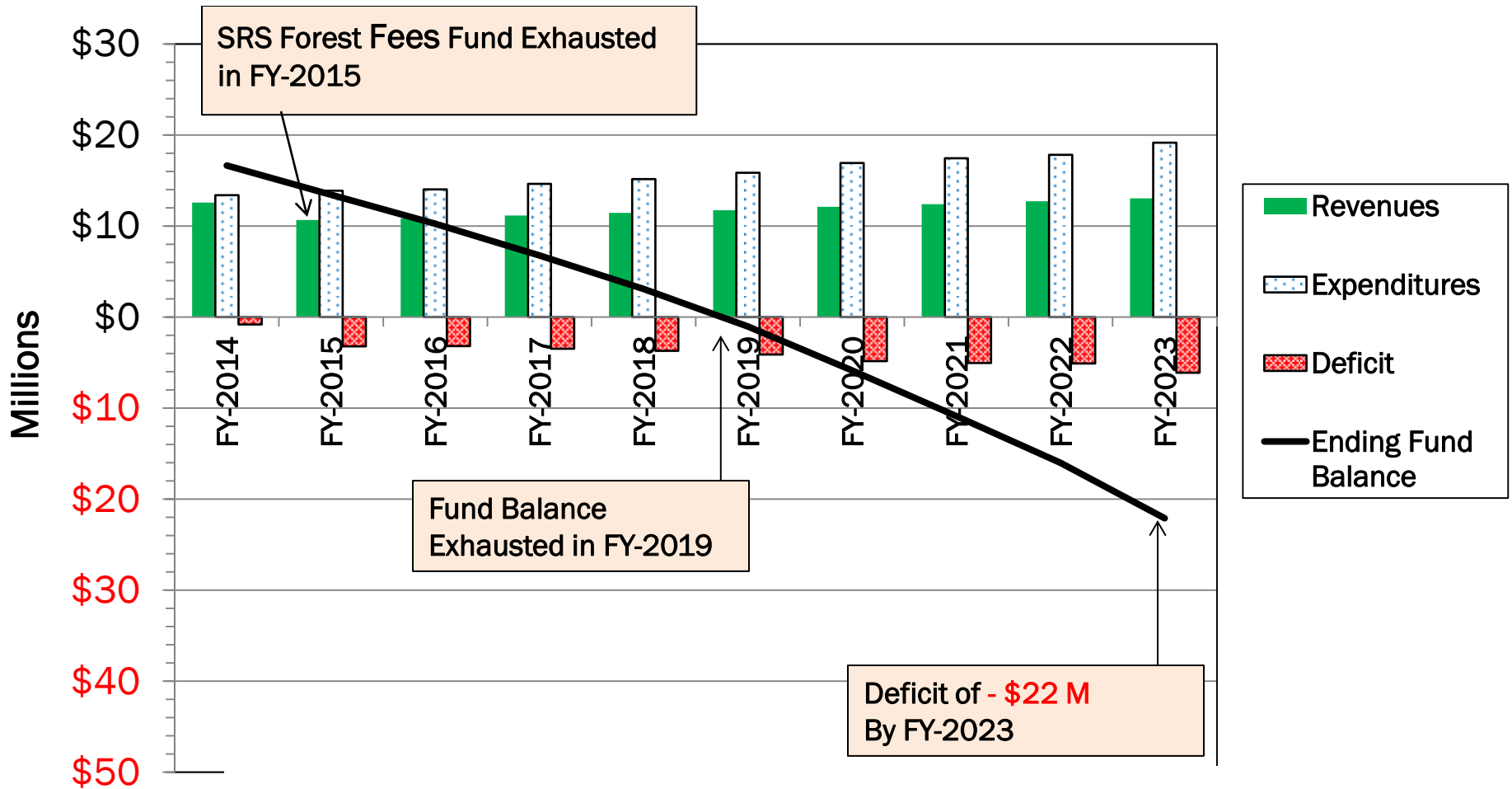
The Operations Funding Gap: County, BIA and USFS Roads

Average Annual Operations Funding Gap (Projected FY-2014 through FY-2023)	
	Average Annual Operational Deficit
County Roads	\$3 Million
BIA Roads	\$100,000
US Forest Service Roads	\$3.3 Million
Total	\$6.4 Million

The Operations Gap: County, BIA and USFS Roads



The Operations Funding Gap: County-Owned Roads Only

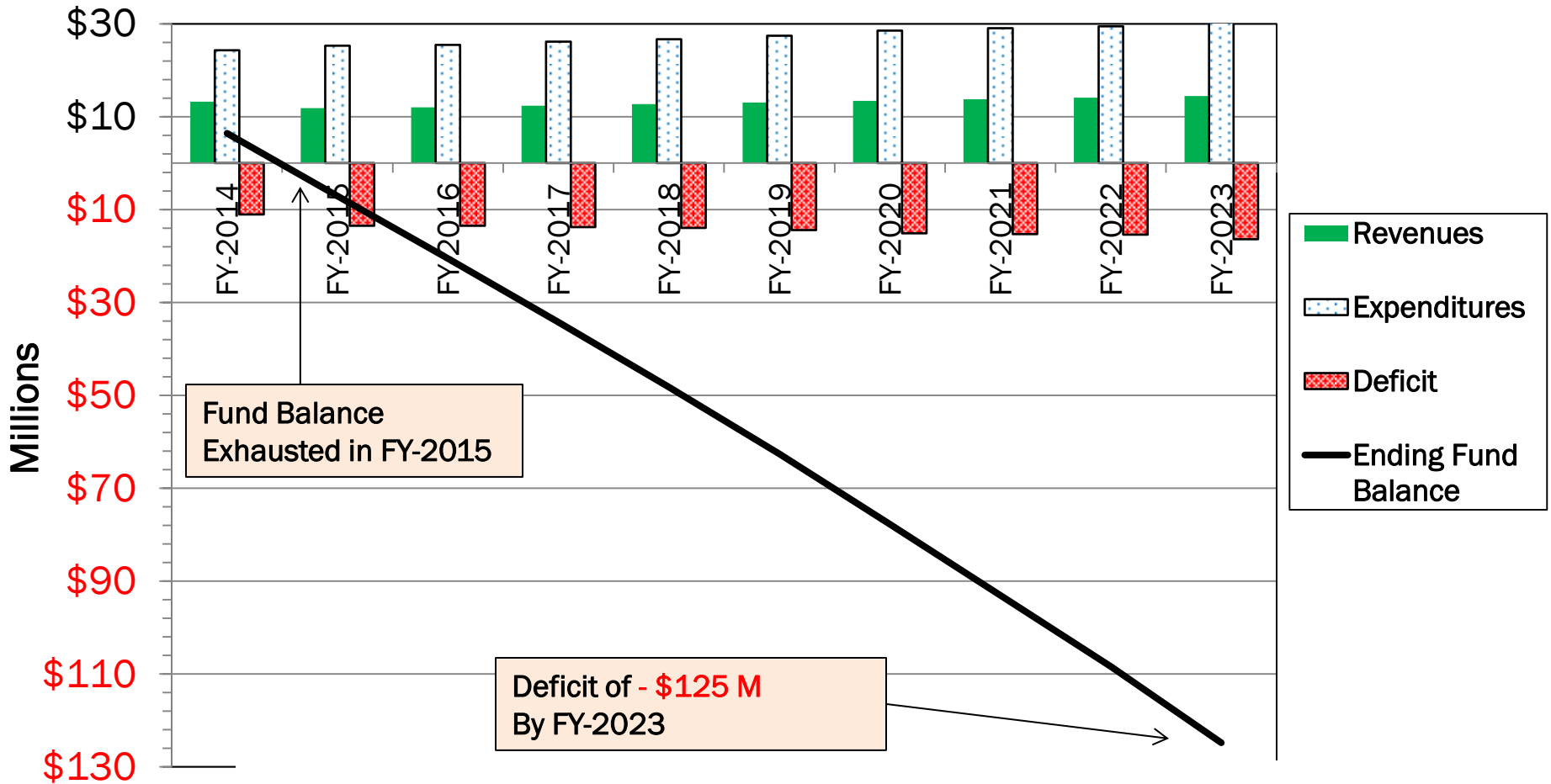


Structural Deficit Including Capital “The Operations and Capital Funding Gap”

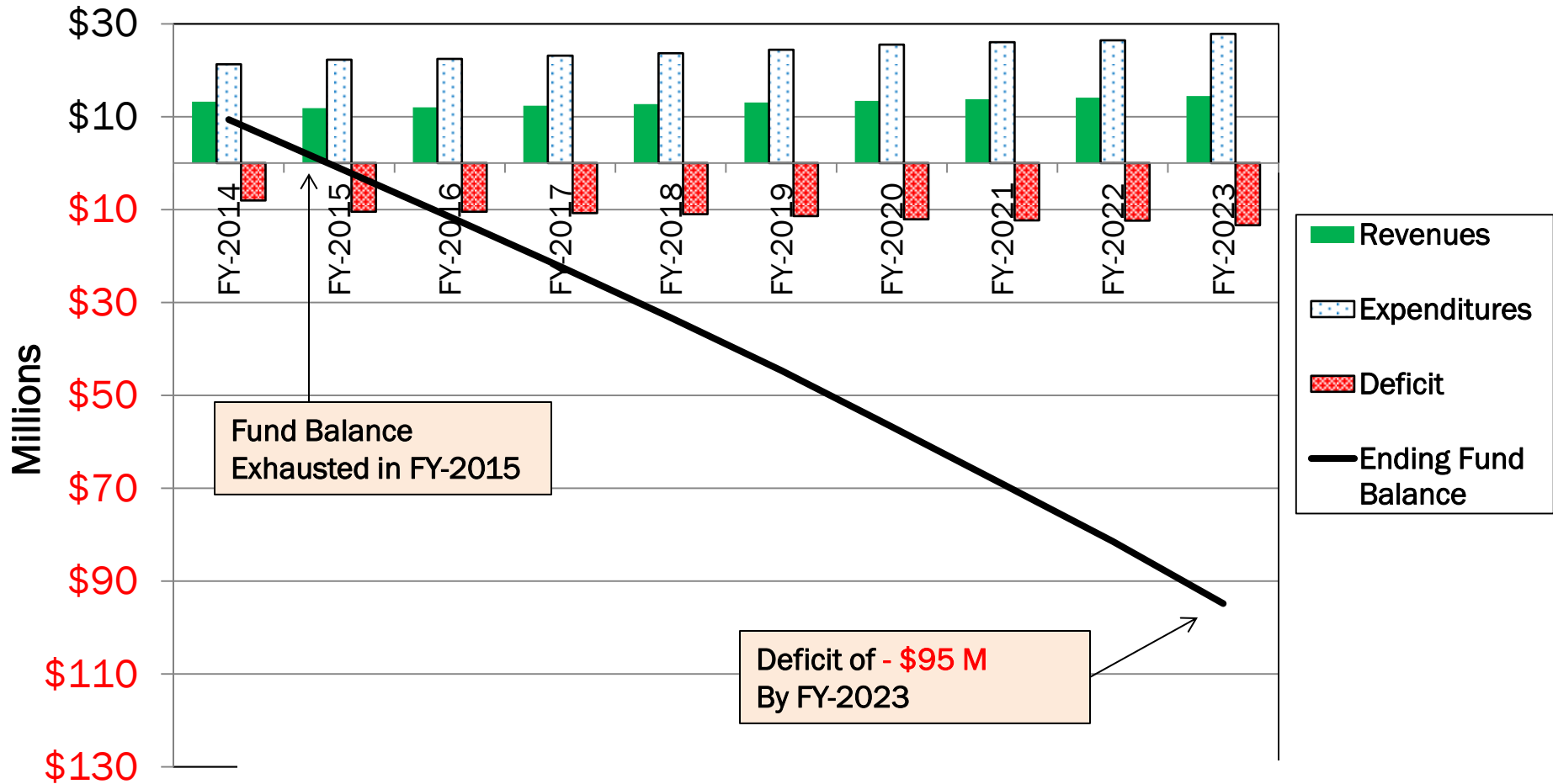
The Operations and Capital Funding Gap: County, BIA and USFS Roads

Average Annual Operations and Capital Investment Funding Gap (Projected FY-2014 through FY-2023)			
	Average Annual Operational Deficit	Average Annual Capital Investment Deficit	Average Annual Total Deficit
County Roads	\$3 Million	\$3.4 Million	\$6.4 Million
BIA Roads	\$100,000	N/A	\$100,000
US Forest Service Roads	\$3.3 Million	\$3 Million	\$6.3 Million
Total	\$6.4 Million	\$6.4 Million	\$12.8 Million

The Operations and Capital Funding Gap: County, BIA and USFS Roads



The Operations and Capital Gap: County-Owned Roads Only



Short-Term Strategies for Managing Through the Great Recession

Temporary Cost Reduction & Efficiency Strategies

- **Insulating the Public Through Temporary Efficiency Strategies Since Onset of the Great Recession (Approximately FY-2009)**
 - **Hold 15% to 28.5% Vacancies (Salary Savings)**
 - **Defer Equipment Replacement**
 - **Defer Capital Investments**
- **Operational Expenses Peaked in FY-2008 at \$13.1 Million**
- **Reduced to \$10.9 Million by FY-2012**

10-Year “What If?” Scenarios

10-Year “What If?” Scenarios

- **Four Scenarios:**
 - **FY-2014 Approved Budget – Current 10-Year Transportation Fund Plan**
 - **Projected Current Revenue and Projected Full Cost of Existing Road Inventory (All-In)**
 - **Projected Current Revenue and Projected Current Expenditures (Current State)**
 - **Projected Current Revenue and Expenditures Reduced to Meet Revenue (Living Within Current Revenues)**
- **The Following Slides Detail the Assumptions and Outcomes of Each Scenario**

Scenario 1:

FY-2014 Approved Budget

- **Assumptions**
 - **10-Year Plan Utilized During the FY-2014 Budget Development Process**
 - **No New Revenue Sources**
- **Outcomes**
 - **\$6.4 Million Average Annual Operational Deficit**
 - **\$4.9 Million Average Annual Capital Deficit**
 - **\$113.3 Million Total Deficit by FY-2023**
 - **Fund Balance Exhausted in FY-2015**

Scenario 2: Projected Current Revenue and Projected Full Cost of Existing Road Inventory

- **Assumptions**
 - No New Revenue Sources
 - Based on FY-2014 Budgeted Numbers
 - 100% FTE's Budgeted and Expended
 - Increased Operations and Maintenance Expenditures to Meet Industry Standard
 - Increased Capital Investment Expenditures to Meet Industry Standard
- **Outcomes**
 - \$6.5 Million Average Annual Operational Deficit
 - \$7 Million Average Annual Capital Deficit
 - \$122 Million Total Deficit by FY-2023
 - Fund Balance Exhausted in FY-2016

Scenario 3: Projected Current Revenue and Projected Current Expenditures

- **Assumptions**
 - No New Revenue Sources
 - Based on FY-2014 Budgeted Numbers
 - 20% Vacancy Rate Budgeted and Expended
 - Current Level of Operations and Maintenance Expenditures Below Industry Standard
 - Current Level of Capital Investment Expenditures Below Industry Standard
- **Outcomes**
 - \$3.8 Million Average Annual Operational Deficit
 - \$2.7 Million Average Annual Capital Deficit
 - \$46 Million Total Deficit by FY-2023
 - Fund Balance Exhausted in FY-2017

Scenario 4: Projected Current Revenue and Expenditures Reduced to Meet Revenue

- **Assumptions**
 - No New Revenue Sources
 - Based on FY-2014 Budgeted Numbers
 - 100% FTE's Budgeted and Expended
 - Increased Operations and Maintenance Expenditures to Meet Industry Standard
 - Zero Capital Investment Expenditures
- **Outcomes**
 - 42% Average Reduction in Operations and Maintenance Service Levels Beginning in FY-2017
 - 100% Reduction in Capital Investment Service Levels Beginning in FY-2015

Key Takeaways

- **About 25% - 35% of Major Paved Roads are in Severe or Poor Condition**
- **Revenues Down Approximately 25%**
- **Rate of Cost Growth Exceeds Rate of Revenue Growth**
- **Completely Removing Service on Forest Service and BIA Roads Still Results in Operational and Capital Deficits**
- **Deficits and/or Severe Service Level Reductions Result from All Scenarios**

Questions

