

The Board of Supervisors of Maricopa County, Arizona convened at 1:00 p.m., February 1, 2006, in the Board of Supervisors' Conference Room, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman, District 2; Fulton Brock, Vice Chairman, District 1; Andy Kunasek, District 3, Max W. Wilson, District 4, and Mary Rose Wilcox, District 5. Also present: Lori Pacini, Deputy Clerk of the Board; Shirley Million, Administrative Coordinator; David Smith, County Manager; and Paul Golab, Deputy County Attorney. Votes of the Members will be recorded as follows: aye-no-absent-abstain.

Chairman Stapley announced that a situation requiring immediate action by the Board that concerned the Regional School District had just been discovered and County staff were preparing materials for an emergency meeting to be held shortly. He said he hoped the meeting would not last long and asked for understanding from those present.

~ Supervisor Brock left the meeting ~

TRANSPORTATION ISSUES

Introduction

David Smith, County Manager

Mr. Smith said that Maricopa County has had to play "catch up" since the 1960's in getting new modes of transportation adopted. He explained that only 14 months after a major election to extend the transportation investment by \$15.8 billion there are "a number of major choke points on the highway system that has gotten about as bad as it's ever been." He added that many of the problems are self-evident and that the cost could grow as high as \$21 billion.

Smith explained that Maricopa County is undergoing a unique kind of rapid growth and encountering important development impacts that other growth areas in the country are not experiencing. He added, "This hyper-growth not only may not slow down but it could accelerate. I think we are going to need some unique one-of-a-kind solutions to cope with the additional need and additional problems that are presenting themselves daily in a variety of ways." He said that some very good problematic and financially intelligent choices must be made by the community in the near future to solve these problems.

Chairman Stapley recognized several political dignitaries in the audience: Avondale Mayor Marie Lopez Rogers, Chris Urweiller, Vice Mayor of Buckeye; and he mentioned that some legislators were expected to arrive for this discussion on transportation.

County Growth Indicators

Joy Rich, Assistant County Manager

Ms. Rich reported on growth indicators in unincorporated Maricopa County. Population projections show an estimated 3.7 million residents in 2006 and the 2050 population is estimated to be 7.6 million. The trend in residential building in the Valley continues to rise and she expects a variety of large development master plans for unincorporated County islands to be turned in to Planning & Development shortly. She presented maps of these projected growth areas and said that there is currently a total of 167,000 new units at various stages of planning or construction and the projected master plan developments would generate approximately 447,000 in additional population in the foreseeable future. She added that these numbers are just for unincorporated Maricopa County and there is no sign of a slowdown in the County. Discussion on specific growth areas ensued.

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EMERGENCY SESSION

Chairman Stapley recessed the meeting to convene an emergency meeting of the Board of Supervisors at 1:20 p.m. to hear a report on the potential sale of a real estate asset by officials at Maricopa County Regional School District No. 509.

STUDY SESSION RECONVENED

Chairman Stapley reconvened the session on transportation by calling on the representatives from Maricopa Association of Governments (MAG) and the Arizona Department of Transportation (ADOT).

MAG and ADOT Projects, Costs and Timeframes for Implementation of Proposition 400

Eric Anderson, Maricopa Association of Governments
Bill Hayden, Arizona Department of Transportation

Eric Anderson said that monies will flow into the Regional Transportation Plan for the next 20 years but the projects in the program need to be in place today. He reviewed the components of the highway portion of the Regional Transportation Plan.

Supervisor Wilson asked if inflation numbers would be included in his presentation. Mr. Anderson said he could only give a general idea of where costs are at. He said that there have been tremendous increases in construction costs since the plan was drawn up and that land costs vary according to location. He added that the cost of land in the rapidly growing West Valley is escalating very quickly. He explained the components in the several phases of the transportation plan. Discussion ensued on these phases, the traffic congestion on specific freeway stretches, the need for more money and the possibility of going back to the voters for an additional tax increase to cover an accelerated timetable in expanding the freeway system.

Bill Hayden said that ADOT has found that costs of construction, labor, transportation, etc., have already increased by 20 to 50 percent and this increase is compounded by accelerating right-of-way costs that have greatly impacted the original plan. He added. "The plan was behind before it even got started." He estimates that approximately \$2.9 billion will be spent in the first five years. Discussion ensued on possible new funding sources and on the rights-of-way that are already owned by the State or County that can be used instead of purchasing new ones.

Proposal and Funding Strategies, Including Alternatives

Tom Manos, Chief Financial Officer

Mr. Manos presented several options for the advancement of Proposition 400 transportation projects. He said he tried to remain faithful to a number of basic criteria in providing efficient mechanisms to accelerate the projects with funding from non-county resources. He said the cost would be substantial and it was impossible for Maricopa County to solve the transportation crisis with the funding that is available to it. He searched for a model that could be used throughout the County and perhaps across County lines. He also attempted to minimize the financial risk to the County while maintaining the County's conservative use of debt.

He discussed a proposal submitted by four West-Valley cities, Avondale, Buckeye, Goodyear and Litchfield Park, and focused on "the money-part" of the proposal. Mr. Manos estimated the total cost of implementing the proposal at \$250 million but said it is "popularly anticipated" that the actual cost would

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be substantially higher, even as much as 30-35% higher. The interest on the estimated amount would be \$90 million. The four-city proposal has the County borrowing the \$250 million with the cities levying a 1/10 cent sales tax for paying back only the interest. He said that the revenue stream for this should be sufficient to cover both principle and interest, but in this proposal the revenue stream was sufficient to cover only the interest. He added that this would make it difficult to find lenders. Another difficulty is the Project Advancement Agreement with ADOT for reimbursement of the principle that has a limited running time. ADOT cannot enter into an advance agreement for a period exceeding five years. Also, ADOT can only make reimbursement payments with "available funds," which means that if funds are not available in their five yearly budgets, payback would not occur. This also creates anxiety for any lender. He explained, "It appears that the first phase bonds could be paid-off within five years but the bonds could not be paid off in the second phase." These several issues, along with the scrutiny under which sales tax growth assumptions are viewed by underwriters, rating agencies and insurance companies, do little to encourage their participation.

Mr. Manos concluded with the belief that legislation is already in place to allow the County to do this if this is the Board's decision. He advised that this decision also involves the County's good financial reputation, earned by strictly adhering to pay-as-you-go expansion methods. He said, "There is no getting around it, that if something goes wrong – the sales tax doesn't come in as fast as anticipated or if ADOT has to push the reimbursement back – it's going to be the County that is responsible for the debt service. Agreeing to this proposal would put a large liability on the County's balance sheet, and we've worked awfully hard to get those liabilities off our balance sheet." In addition, he said it was important to consider the actual value of such a model for any for future projects. He considers this value to be limited. He mentioned several other projects the County is interested in that would also have multi-million dollar interest costs. He said, "You wouldn't have to go very far before the County just wouldn't have the capacity to do this, even if you wanted to have those kinds of liabilities."

Chairman Stapley clarified, "What you said is if we get in the transportation business, fill the role of the cities and the state, we put at risk our other mandated services." Manos replied, "I believe that is true."

In answering a question from the Chairman, Manos replied that the County's current bonding capacity is very high at 15% of assessed valuation, or \$3.5 billion. He continued, "Capacity needs to be defined in two ways. There's the legal capacity and the underwriting capacity." He warned, "I think you'd reach the underwriting capacity, where people didn't want to buy any more of your bonds, before you'd reach the legal capacity."

Steve Cleveland, Goodyear, represented the West Valley towns in the proposal, said this was about trying to accelerate a significant piece of the freeway infrastructure in the County. He said there is a significant commercial impact in having to wait for the completion dates in the original transit plan, in terms of economic development to the County and in the congestion experienced on a two-lane road. He said he had memories of transportation issues when he first moved here, and added, "This is the East Valley revisited" and he hoped the experience gleaned in solving the East Valley problems would assist in the current effort. He said that right now, "The Southwest Valley is the deadliest portion of the County. Fatalities per mile are (approximately 7 times) greater in the Goodyear portion of the I-10 than in the rest of the State and in the Nation. It has reached the point where the public is saying, 'What are you going to do about it.'"

~ Supervisor Brock entered the meeting ~

He stated that each of the West Valley cities is still in the process of evaluating what the best solution would be and no consensus has been reached. He said that no "one tool or one bank" would be able to

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fund all of the issues that have arisen, and the proposal to the County is just one option under consideration. He said the proposal invites the County to look at the potential benefits, cost consequence and risks of County participation. He discussed some other options they are looking at including: available federal funds, local funding, forming improvement district(s), individual investors and issuing bonds.

He said they are looking for ways to finance the interest at the local level backstopped by a banker (the banker would put up the capital, the cities pay the interest payments) and he added that they are seeking combinations of funding. He said they seek County participation in the search for the best solution. He added, "It is about safety, it is about congestion and it is really about air quality."

Mr. Cleveland advised that the Elections Department wants to put this on the September ballot and he feels it should wait for the November ballot because so many of their residents do not return to the Valley until October. He asked that the Board work with the towns to help address this and major related issues.

Supervisor Wilcox thanked Mr. Cleveland for his work and assessment of this matter. She agreed with Tom Manos that the risk in their plan is too great for the County to agree to and she focused more on partnering with the West Valley towns, adding that there is now a foundation from which to begin.

Supervisor Kunasek asked how Mesa had financed their rate to guarantee both the principle and interest for their transportation loan. Mr. Manos replied that they pledged an existing excise tax plus the anticipated ADOT reimbursement.

Supervisor Wilson commented, "We cannot put the County where it would be in jeopardy. We have a pay-as-we-go program."

Chairman Stapley introduced two state legislators who had arrived at the meeting during discussion. Representative Gary Pierce from Mesa and Representative John Nelson representing the Litchfield Park area. The Chairman asked both men to join the group discussion at the conference table.

Tom Manos said it would be a huge burden for any of the West Valley cities to take this financing upon themselves and the County has tried to devise a financing mechanism that would take the cities' pledge and turn it into a debt instrument that could finance the advanced construction. He spoke of forming a special taxing district that would encompass just the four cities in the proposal, giving them the authority to issue debt secured by excise taxes for the sole purpose of advancing Proposition 400 projects in that area. He said that if this works on the West Side it could be a model for other parts of the County and he believed it could work across county lines as well. He said that this would keep any liability off city and county balance sheets. Discussion ensued on additional possible options, i.e., Highway Project Advancement Notes (HPAN's), a city excise tax – based revenue bond, federal assistance, impact fees and privatization. Discussion also included the Legislative relief that would be necessary and the active legislation now being considered in HB 2206, SB 1248 and HB 2756. Representatives Pierce and Nelson joined in the discussion and offered insights in the legislative process and priorities as considered from the legislative viewpoint. All pledged to continue working together in finding a fast solution to the growing transit problems.

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MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned.

ATTEST:

Don Stapley, Chairman of the Board

Lori Pacini, Deputy Clerk of the Board