

# 2016 Annual Report



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FINANCIAL MANAGEMENT SERVICES

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## Economic Highlights

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## ECONOMIC HIGHLIGHTS: YEAR IN REVIEW

### FY 2016 Funding Highlights

The Department's two main funding sources, the Highway User Revenue Fund (HURF) and the Regional Area Road Fund (RARF), also known as the Maricopa County Transportation Excise Tax, posted positive results in FY 2016. HURF revenue collections were \$1,356.8 million, 5.1 percent above FY 2015 and 1.9 percent above the forecast. RARF revenues equaled \$396.8 million, an increase of 3.8 percent over FY 2015, though it was 1.0 percent below the estimate.

In addition to HURF and RARF revenues, the Department receives federal funding through the Federal Highway Administration (FHWA). In federal fiscal year 2016, Arizona received \$743.6 million in federal aid apportionments. On December 4, 2015, President Obama signed the Fixing America's Surface Transportation (FAST) Act into law, providing long-term funding certainty for surface transportation infrastructure planning and investment.

ADOT also relies on bonding to provide funds for projects. ADOT issues Highway Revenue Bonds (HURF), Transportation Excise Tax Bonds (RARF) and Grant Anticipation Notes (GANs) to help fund the Board's Five Year Transportation Facilities Construction Program. In 2016, ADOT had a total of \$2.567 billion in outstanding principal across these three credits. The FY 2016 municipal bond market experienced historically low interest rates, significantly lowering ADOT's cost to service bonds.

Construction began on the Loop 202 South Mountain Freeway, the largest project in State history. ADOT partnered with a private developer to design, build, and maintain the freeway for 30 years.

### Historic HURF and RARF Revenues (\$ in Millions)

FUND	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
RARF	\$392.5	\$380.1	\$328.2	\$299.0	\$309.2	\$324.2	\$341.6	\$365.6	\$382.2	\$396.8
HURF	\$1,382.5	\$1,344.5	\$1,248.6	\$1,194.4	\$1,205.1	\$1,210.6	\$1,210.0	\$1,241.3	\$1,290.4	\$1,356.8

In FY 2016, HURF and RARF revenues were near the pre-recession revenues last seen in FY 2007. RARF surpassed FY 2007 revenues by 1.1 percent, while HURF was 1.8 percent below FY 2007 revenues.

### FY 2016 Economic Highlights in Arizona

Arizona continued to experience measured economic growth in fiscal year 2016 with employment, personal income and population all posting modest growth over fiscal year 2015.

The Arizona unemployment rate decreased from 6.0 percent in June 2015 to 5.8 percent in June 2016.

Arizona's non-farm employment increased 3.2 percent in FY 2016.

Personal income estimates in Arizona grew 4.9 percent in FY 2016.

Arizona's population estimates grew 1.6 percent in FY 2016.

Average gas and diesel prices fell to \$2.17 a gallon for gas and \$2.58 a gallon for diesel in FY 2016.

### FY 2016 Economic Highlights in Maricopa County

The population in Maricopa County grew by 1.9 percent in FY 2016.

Personal income estimates in Maricopa County rose by 5.3 percent in FY 2016.

The consumer price index in Phoenix, a measure of inflation, rose by 1.0 percent in FY 2016.

# ECONOMIC HIGHLIGHTS: IMPACT OF THE GREAT RECESSION

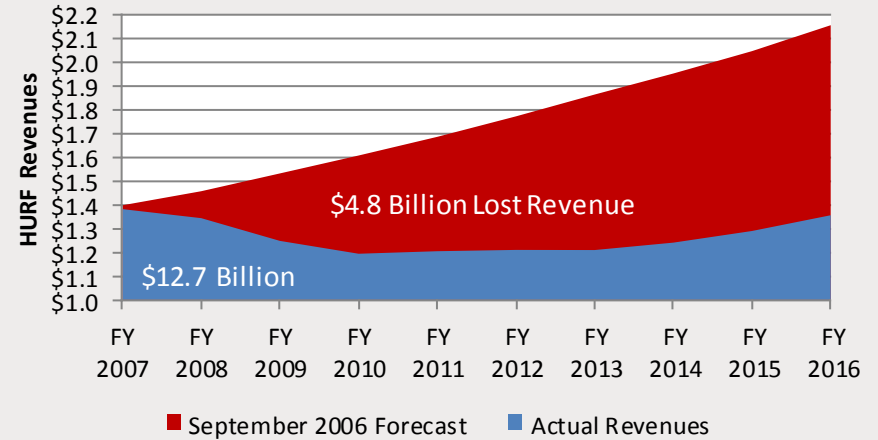
## Impact of the Great Recession on HURF and RARF

The Great Recession impacted all aspects of the Arizona economy including receipts for the Highway User Revenue Fund (HURF) and the Regional Area Road Fund (RARF). By FY 2010, HURF and RARF revenues both fell to 13.6 percent and 23.8 percent below their FY 2007 highs respectively. FY 2016 was the first year RARF revenues surpassed their FY 2007 high, while FY 2016 HURF revenues were 1.8 percent below their FY 2007 high.

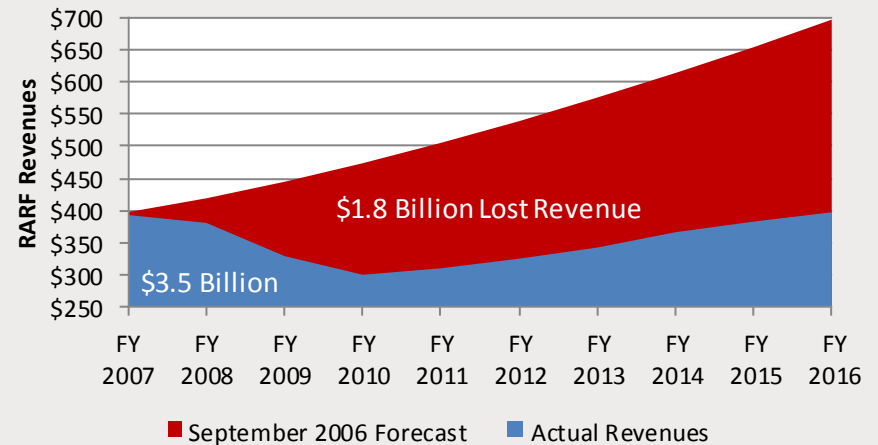
If revenues had remained at FY 2007 levels through FY 2016 (without any growth), RARF would have received an additional \$405.3 million and HURF an additional \$1.1 billion. However, the impact is actually much larger since, absent a recession, HURF and RARF revenues would have continued to grow in those years. From FY 2000 through FY 2007, HURF revenues averaged 4.4 percent growth. In that same time period, RARF revenues averaged 6.7 percent. In September 2006, before the Great Recession began, ADOT created an official long-term forecast of HURF and RARF revenues. Using that forecast as the basis of growth absent the recession, HURF lost \$4.8 billion in revenues and RARF lost \$1.8 billion. That is roughly four years worth of revenues lost over a ten-year period due to the Great Recession.

The graphs on the right illustrate the lost revenues due to the Great Recession. The blue areas are the actual revenues received by HURF and RARF. The red areas are the revenues HURF and RARF would have received if they had met the September 2006 forecasts.

## HURF Revenues Lost (\$ in Billions)

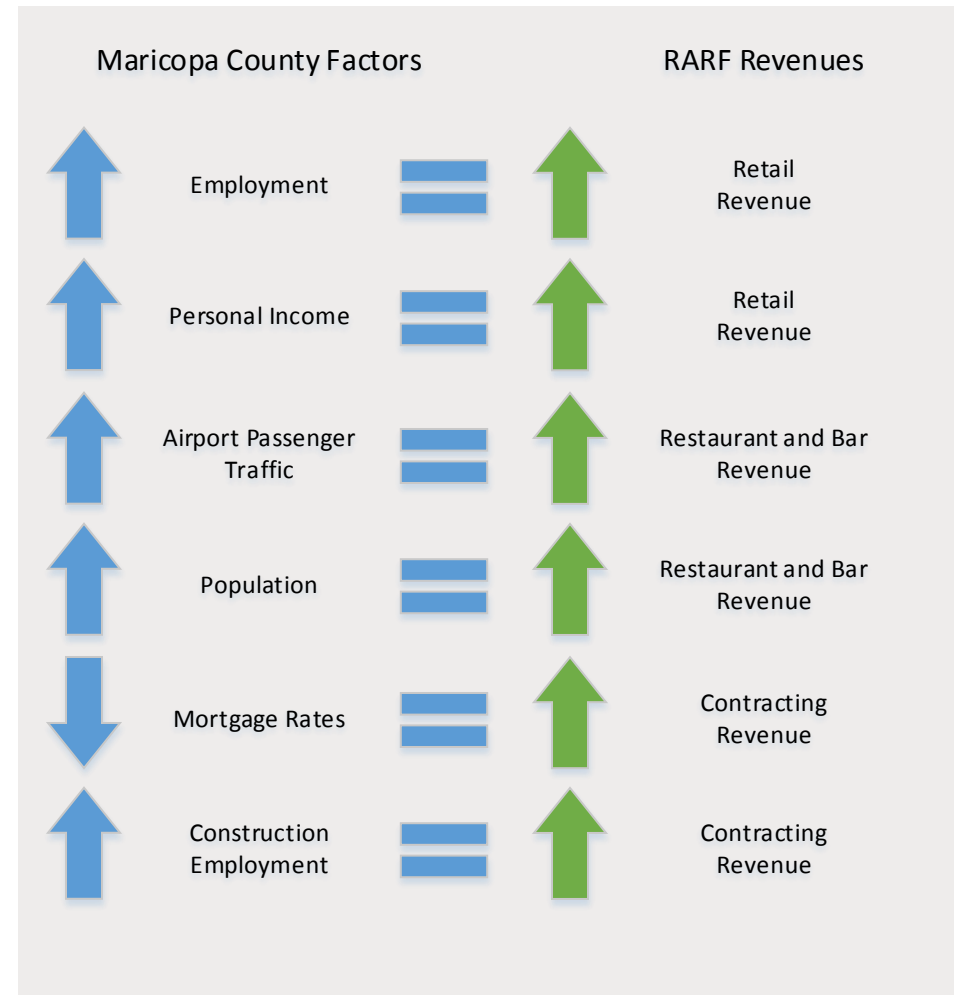
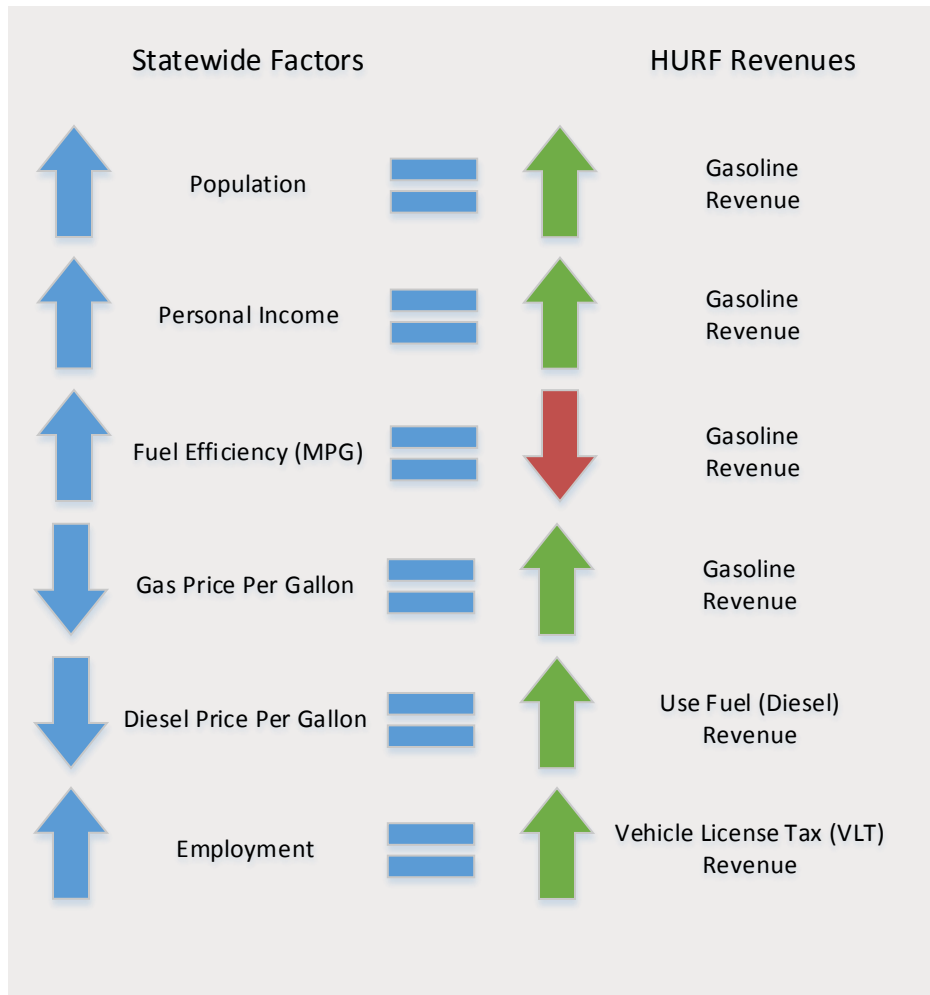


## RARF Revenues Lost (\$ in Millions)



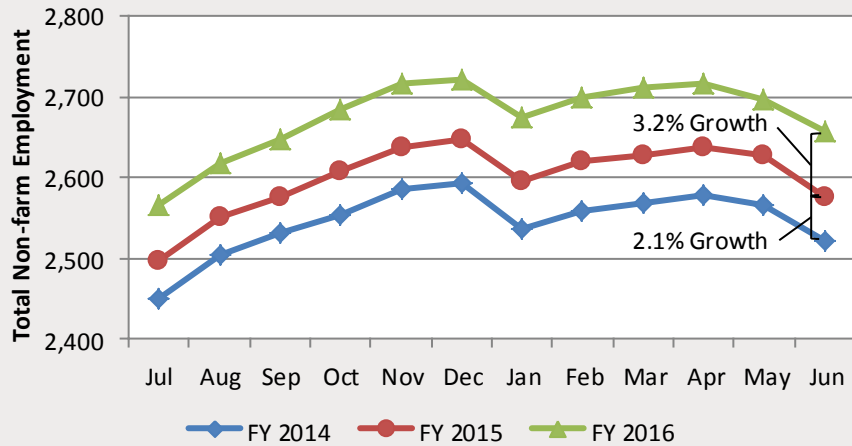
## ECONOMIC HIGHLIGHTS: ECONOMIC FACTORS INFLUENCING ARIZONA TRANSPORTATION REVENUE SOURCES

- The Highway User Revenue Fund (HURF) Revenues are impacted by statewide economic factors. For example, a growing population in Arizona will result in increased gas tax revenues.
- The Regional Area Road Fund (RARF) is supported by a ½ cent sales tax in Maricopa County. Thus, RARF revenues are influenced by factors within Maricopa County and the Phoenix Metropolitan Area.
- By using forecasts of the economic factors that influence HURF and RARF revenues, the Department is able to create forecasts of HURF and RARF revenues. Below are examples of economic factors the Department uses in its forecast model and how they affect HURF and RARF revenues.

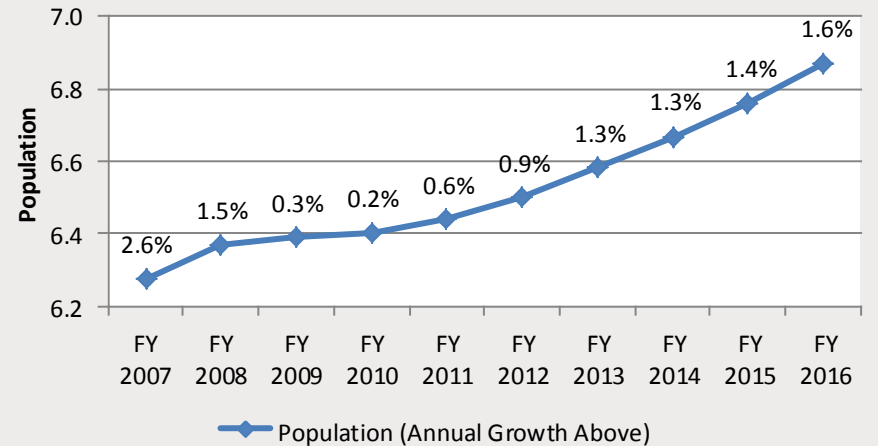


# ECONOMIC HIGHLIGHTS: ECONOMIC INDICATORS

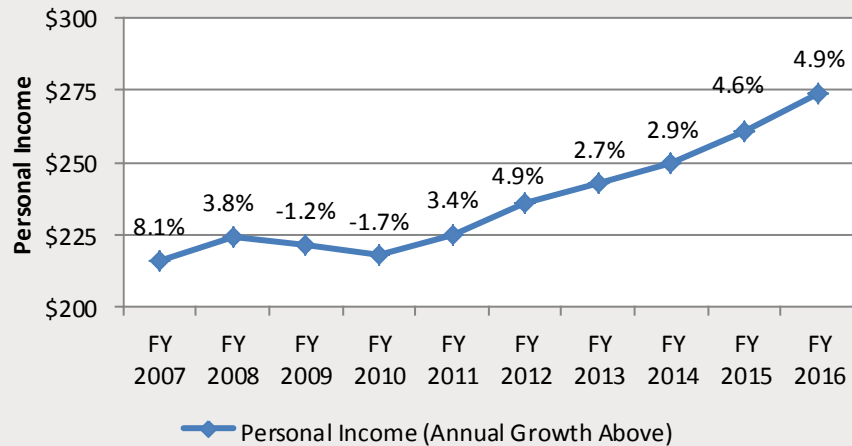
## Arizona Total Non-farm Employment (Thousands of Jobs)



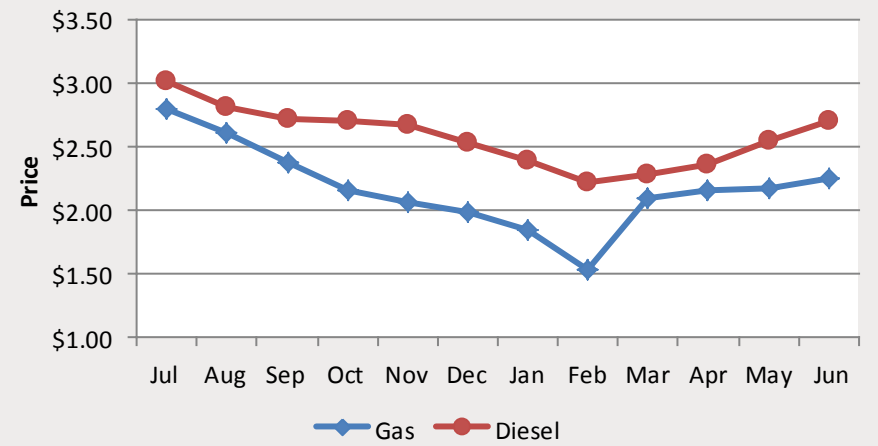
## Arizona Population (in Millions)



## Arizona Personal Income (\$ in Millions)



## Arizona Gas and Diesel Price Per Gallon in FY 2016



# Sources and Uses

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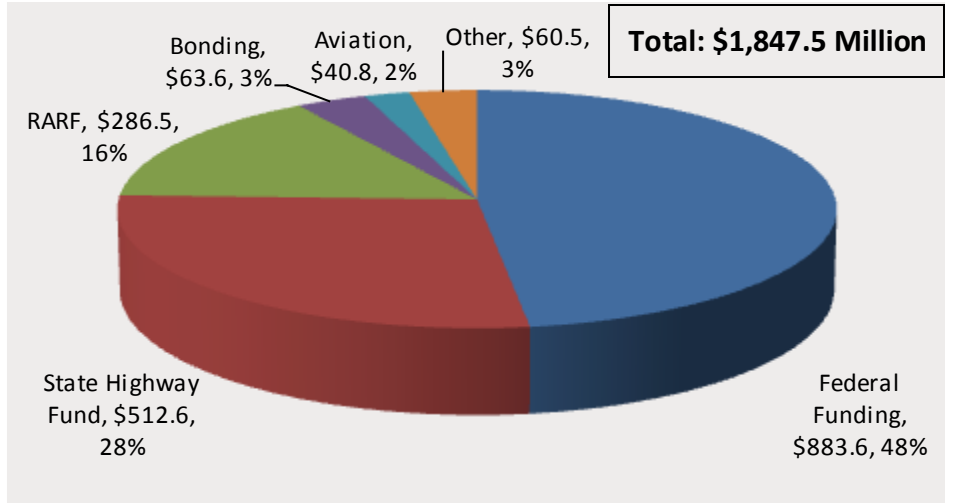


## SOURCES AND USES: FY 2016

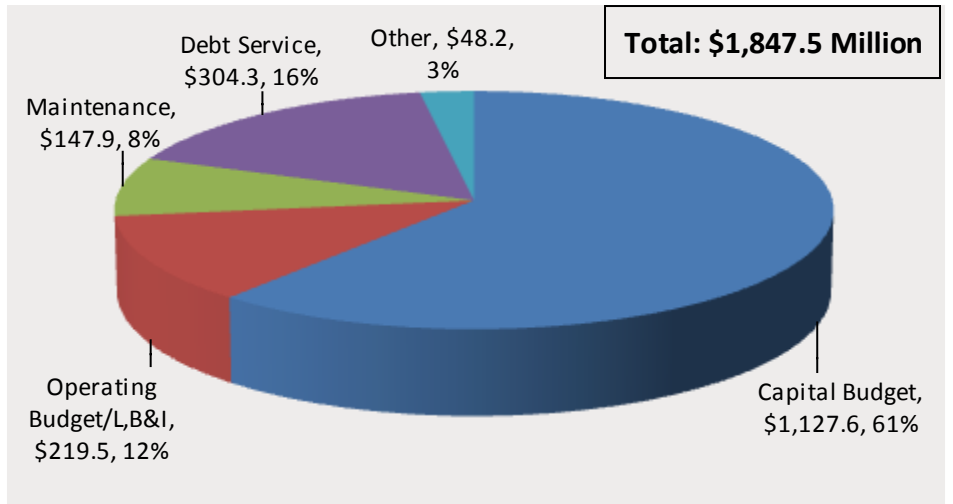
### Overview

- The Department's FY 2016 Financial Program totaled \$1.85 billion.
- The Department's primary funding source in FY 2016 was Federal Funds, which accounted for 48 percent of the funding. The State Highway Fund accounted for 28 percent of the funding, while the Regional Area Road Fund provided 16 percent. The remaining 8 percent of funding came from bonding, aviation and other sources.
- The capital budget accounted for the vast majority of the use of funds in FY 2016, expending 61 percent of total funds. The capital budget includes any projects that expand the capacity of Arizona's transportation system. Debt service accounted for 16 percent of the funds and 12 percent were used for the operating budget and land, buildings and improvements (L, B & I). Another 8 percent was spent on maintenance, while 3 percent went to other uses.

### Sources (\$ in Millions)



### Uses (\$ in Millions)



## Revenue Sources

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## Highway User Revenue Fund

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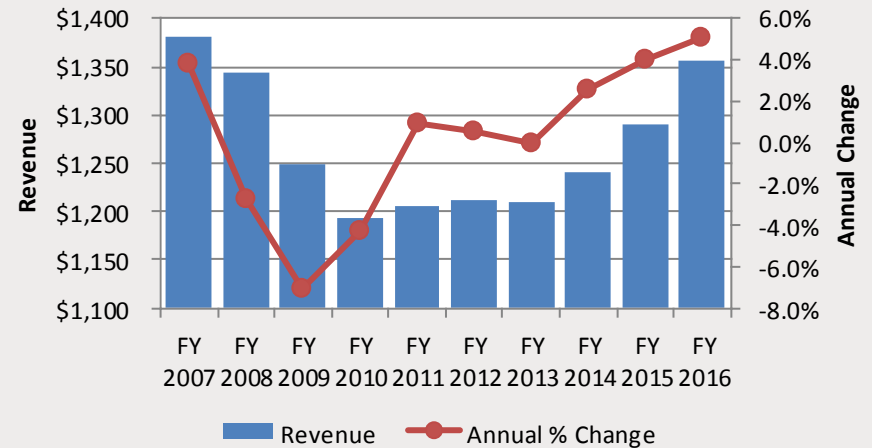
# HIGHWAY USER REVENUE FUND (HURF)

## Highlights

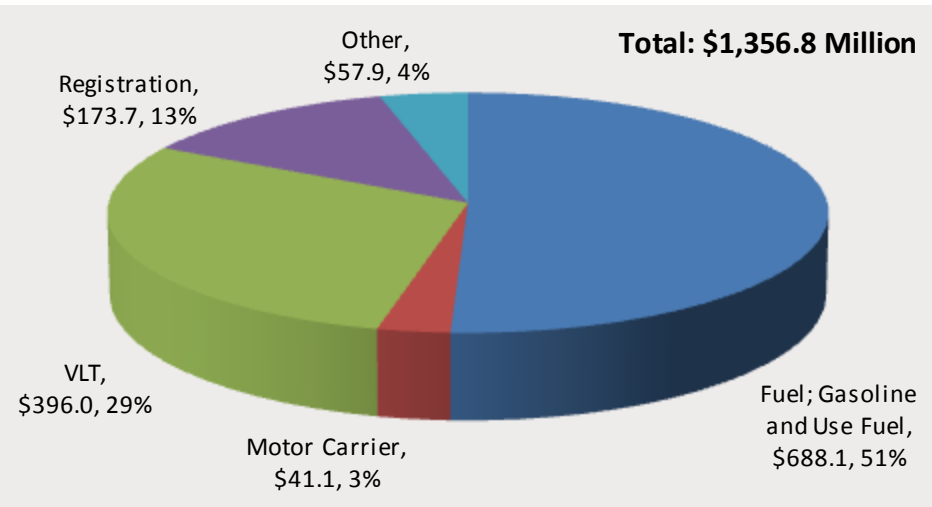
- FY 2016 HURF revenues totaled \$1,356.8 million, which was 5.1 percent above FY 2015. This was the strongest year-over-year growth seen since the Great Recession. FY 2016 HURF revenues are only 1.8 percent below the pre-recession high in FY 2007.
- All of the six HURF revenue categories experienced positive year-over-year growth rates, but growth was the strongest in the vehicle license tax (VLT) category at 7.1 percent.
- Gas tax was the only revenue category that registered positive year-over-year growth every month in FY 2016.

**Quick Fact:** HURF, or the Highway User Revenue Fund, is a major source of Arizona transportation projects. HURF funding comes from gas taxes, use fuel taxes, motor carrier fees, vehicle license taxes, registration fees and other miscellaneous revenue.

## Revenue History (\$ in Millions)



## HURF Sources: FY 2016 (\$ in Millions)



## Monthly Comparison (\$ in Thousands)

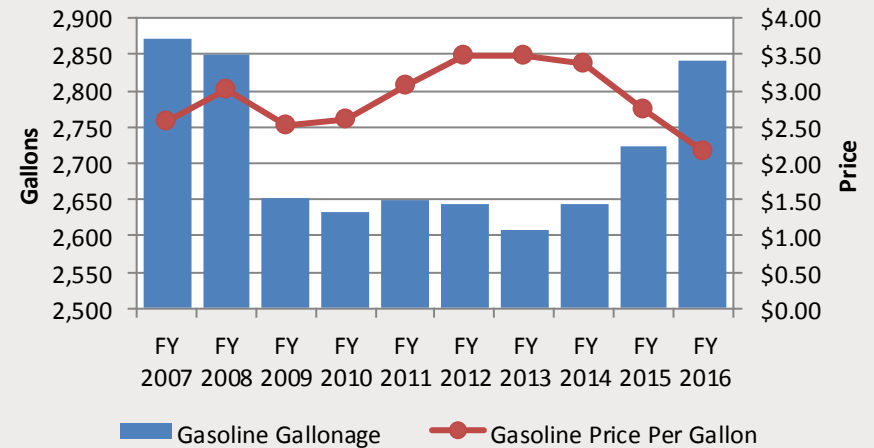
	FY 2015 Actual	FY 2016 Actual	Change	FY 2016 Estimate	Change
July	\$105,953	\$112,198	5.9%	\$109,750	2.2%
August	103,784	108,456	4.5%	108,147	0.3%
September	104,092	110,398	6.1%	109,190	1.1%
October	101,931	110,199	8.1%	106,036	3.9%
November	102,418	108,351	5.8%	105,413	2.8%
December	105,850	111,965	5.8%	111,029	0.8%
January	110,249	114,573	3.9%	112,174	2.1%
February	109,134	113,786	4.3%	114,578	-0.7%
March	108,363	119,020	9.8%	111,099	7.1%
April	120,165	121,891	1.4%	121,549	0.3%
May	108,263	110,563	2.1%	108,202	2.2%
June	110,238	115,352	4.6%	113,833	1.3%
<b>Total</b>	<b>\$1,290,439</b>	<b>\$1,356,752</b>	<b>5.1%</b>	<b>\$1,331,000</b>	<b>1.9%</b>

# HIGHWAY USER REVENUE FUND: GAS TAX

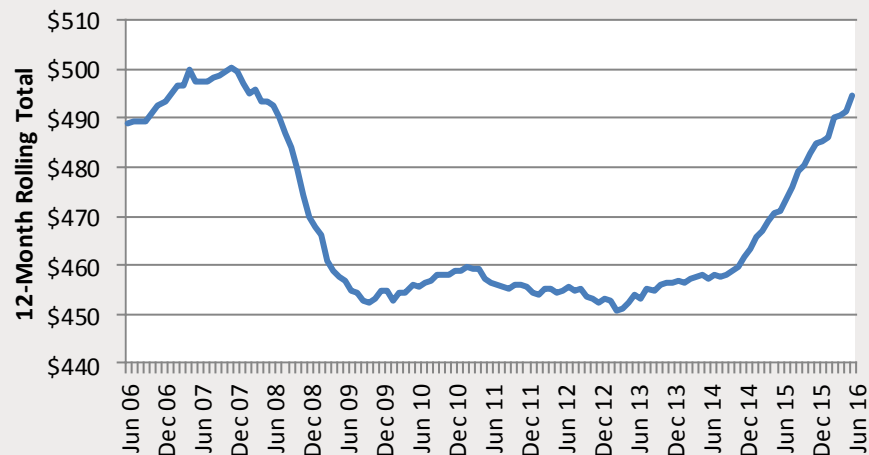
## Highlights

- Gasoline gallonage sold increased from 2.723 billion gallons in FY 2015 to 2.841 billion gallons in FY 2016, a 4.3 percent increase. Gasoline gallonage sold in FY 2016 is only 1.0 percent below the record peak set in FY 2007 before the Great Recession.
- Gasoline price per gallon has decreased over the past five fiscal years, from \$3.50 in FY 2012 to \$2.17 in FY 2016, below the \$2.58 in FY 2007.
- State Gas Tax Revenue Per Capita has decreased from \$79 in FY 2007 to \$69 in FY 2014. From FY 2014 to FY 2016, Per Capita Revenue only increased to \$72. Factors that contributed to the decrease in Gas Tax Revenue Per Capita from FY 2007 include curtailed consumer gasoline consumption and modest state population growth.
- FY 2016 Gas Tax revenues of \$494.8 million were only 0.6 percent below the FY 2007 peak Gas Tax collections of \$497.7 million.

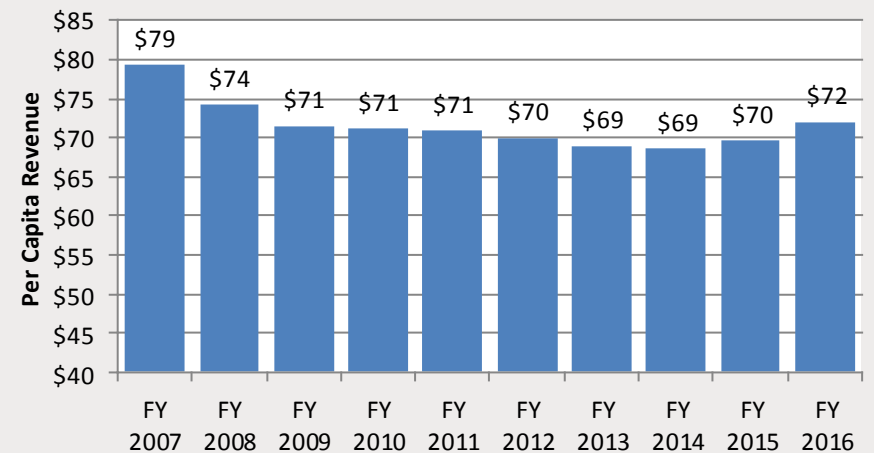
## Gasoline Gallons Sold and Price Per Gallon (Gallonage in Millions)



## Gas Tax 12-Month Rolling Total (\$ in Millions)



## State Gas Tax Revenue Per Capita



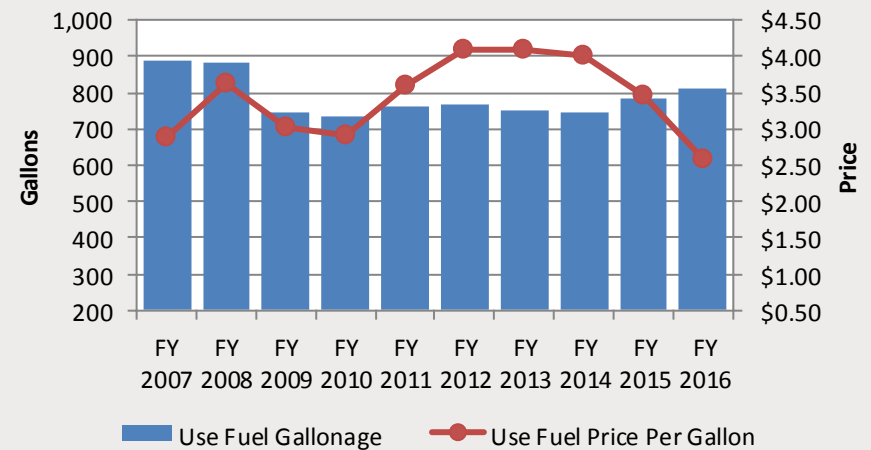
## HIGHWAY USER REVENUE FUND: USE FUEL TAX (DIESEL)

### Highlights

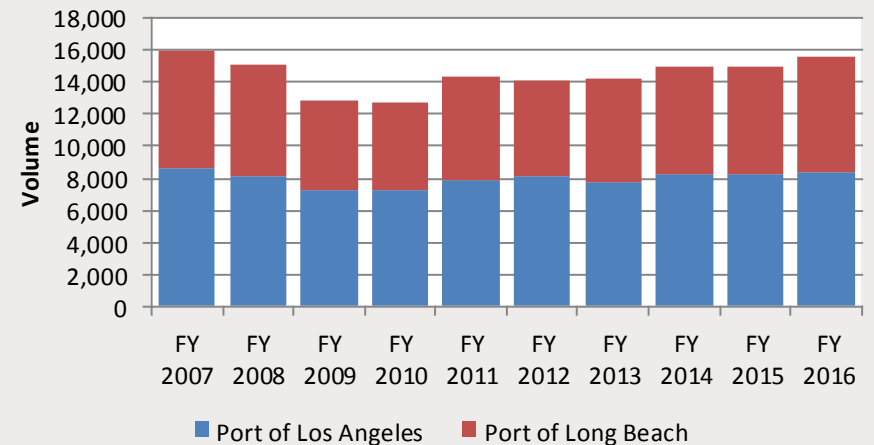
- Use Fuel gallonage consumed increased from 783.2 million gallons in FY 2015 to 811.7 million gallons in FY 2016, an increase of 3.6 percent.
- Use Fuel gallonage peaked before the Great Recession in FY 2006 at 890.0 million gallons when the use fuel price per gallon was \$2.82. Even though the use fuel price per gallon in FY 2016 was \$2.58, use fuel gallonage is still 8.8 percent below the pre-recession peak.
- Use Fuel tax collections in FY 2016 were 4.8 percent above FY 2015, an increase from \$184.5 million in FY 2015 to \$193.3 million in FY 2016.
- A direct relationship typically exists between the Port of Los Angeles and Port of Long Beach shipping container volume and use fuel consumption in Arizona because of the movement of goods from California through Arizona to destinations throughout the United States. Shipping container volume at the two major ports in California peaked in FY 2007 during the economic boom and experienced a sharp drop in FY 2009 and FY 2010 during the Great Recession. Container volume increased 3.6 percent in FY 2016 from FY 2015, but was still below FY 2007 levels.

**Quick Fact:** TEU, or Twenty-foot Equivalent Unit, is a maritime industry standardized measurement used for counting cargo containers of differing lengths. An increase in TEUs in the Port of Los Angeles and Port of Long Beach will typically be accompanied by an increase in use fuel consumption in Arizona by the transportation industry.

### Gallons Consumed and Price Per Gallon (Gallonage in Millions)



### Shipping Container Volume (Volume in Thousands of TEUs)



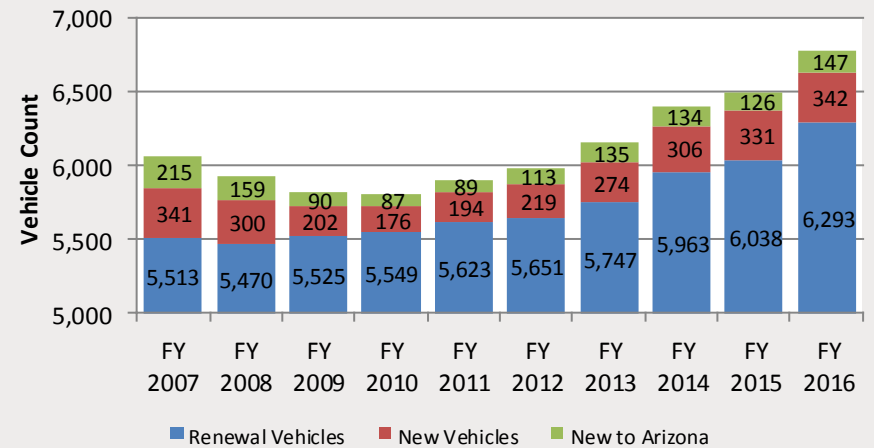
# HIGHWAY USER REVENUE FUND: VEHICLE LICENSE TAX (VLT)

## Highlights

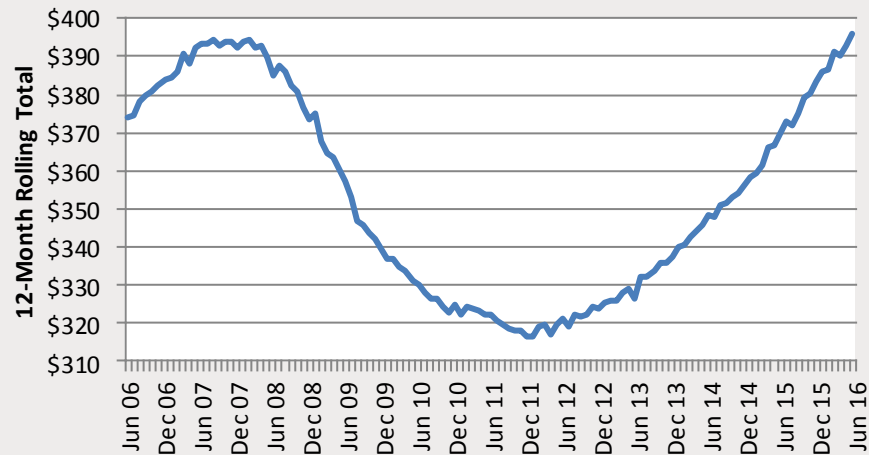
- FY 2016 VLT revenues increased 7.1 percent above FY 2015 which represented the strongest year-over-year growth since FY 2007.
- The number of vehicles that paid the VLT increased from the post-recession low of 5.8 million in FY 2010 to 6.8 million in FY 2016.
- All three registration classes experienced strong growth in FY 2016, but new to Arizona registrations led the way with 16.2 percent year-over-year growth.

**Quick Fact:** The Vehicle License Tax (VLT) is a tax on vehicles based on the retail price of a vehicle (adjusted down as the vehicle ages). While all the other HURF revenue sources are fixed, like the 18 cent gas tax, VLT revenues will increase with inflation as new vehicle prices increase. Currently, VLT is the only HURF revenue source that can keep pace with increasing transportation costs.

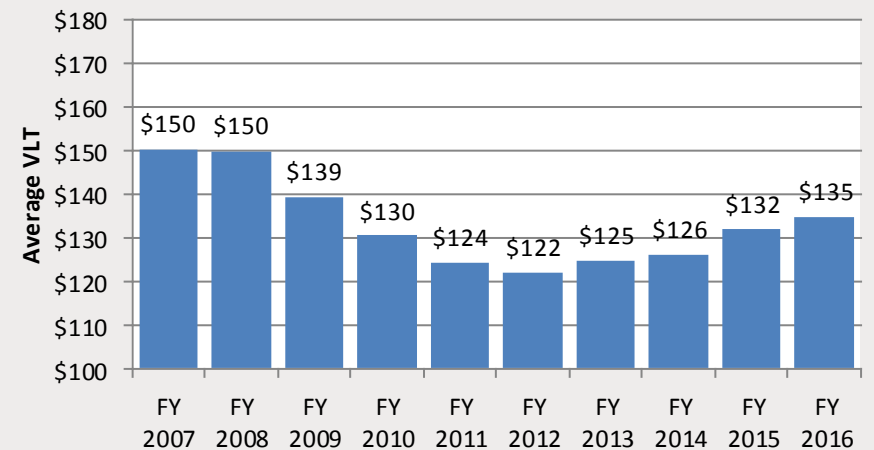
## Vehicle Count by Class (in Thousands)



## VLT Revenue 12-Month Rolling Total (\$ in Millions)



## Average VLT Paid per Vehicle



## HIGHWAY USER REVENUE FUND: COLLECTIONS AND DISTRIBUTIONS (\$ IN THOUSANDS)

### Collections

Fiscal Year	Gas Tax	Use Fuel Tax	Motor Carrier	Vehicle License Tax	Registration	Other	Total	Percent Change
2007	\$497,702	\$210,282	\$45,226	\$393,497	\$177,788	\$57,979	\$1,382,474	3.8%
2008	492,536	207,859	40,177	385,186	162,765	55,953	1,344,477	-2.7%
2009	456,812	173,931	40,483	357,498	167,565	52,294	1,248,583	-7.1%
2010	455,436	171,308	35,807	329,915	152,236	49,714	1,194,417	-4.3%
2011	456,299	178,684	36,300	322,017	156,148	55,626	1,205,073	0.9%
2012	454,770	180,242	37,350	320,979	158,124	59,122	1,210,586	0.5%
2013	453,851	177,240	37,310	326,541	157,801	57,280	1,210,024	0.0%
2014	457,415	176,368	38,842	348,509	163,715	56,484	1,241,332	2.6%
2015	470,903	184,500	40,227	369,719	168,589	56,502	1,290,439	4.0%
2016	494,814	193,291	41,058	395,952	173,693	57,943	1,356,752	5.1%
<b>Total</b>	<b>\$4,690,538</b>	<b>\$1,853,706</b>	<b>\$392,781</b>	<b>\$3,549,813</b>	<b>\$1,638,424</b>	<b>\$558,896</b>	<b>\$12,684,157</b>	

### Distributions

Fiscal Year	State Highway Fund	MAG 12.6%/2.6%	PAG 12.6%/2.6%	Cities and Towns	Counties	Arizona Department of Public Safety	Economic Strength Project Fund	Other Miscellaneous Appropriations	Total
2007	\$584,531	\$78,581	\$26,194	\$418,114	\$260,465	\$12,983	\$1,000	\$607	\$1,382,474
2008	565,381	76,006	25,335	404,434	251,942	12,913	1,000	7,465	1,344,477
2009	442,020	59,422	19,807	356,458	222,056	86,912	1,000	60,908	1,248,583
2010	437,848	58,862	19,621	339,823	211,693	81,118	1,000	44,453	1,194,417
2011	441,554	59,360	19,787	342,892	213,605	81,615	1,000	45,260	1,205,073
2012	328,878	44,212	14,737	304,092	193,524	125,607	1,000	198,535	1,210,586
2013	460,839	61,952	20,651	332,234	206,965	122,320	1,000	4,063	1,210,024
2014	474,132	63,739	21,246	342,230	213,192	120,208	1,000	5,585	1,241,332
2015	496,230	69,731	23,244	374,413	233,241	86,445	1,000	6,136	1,290,439
2016	518,948	72,785	24,262	391,173	243,682	98,008	1,000	6,895	1,356,752
<b>Total</b>	<b>\$4,750,361</b>	<b>\$644,651</b>	<b>\$214,884</b>	<b>\$3,605,862</b>	<b>\$2,250,365</b>	<b>\$828,128</b>	<b>\$10,000</b>	<b>\$379,907</b>	<b>\$12,684,157</b>



# Highway User Revenue Fund

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State Highway Fund



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FINANCIAL MANAGEMENT SERVICES

# HIGHWAY USER REVENUE FUND: STATE HIGHWAY FUND (SHF)

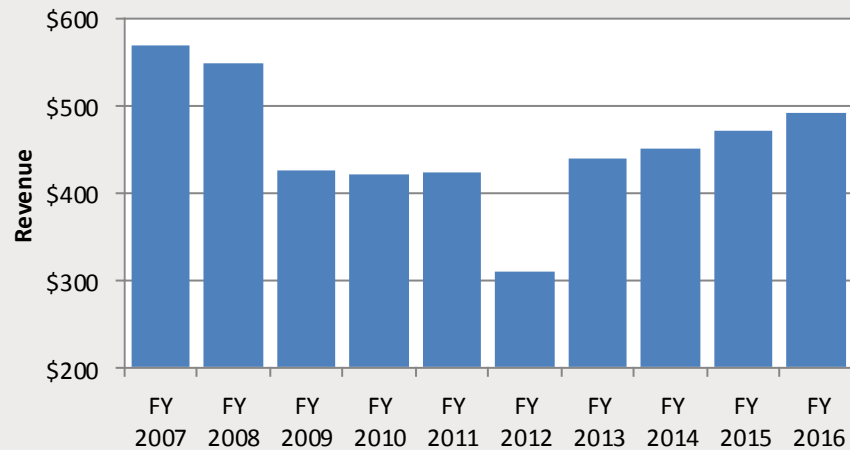
## Highlights

- The State Highway Fund (SHF) receives 50.5 percent of the HURF revenue that is available for distribution after all “off the top” distributions have been made. “Off the top” distributions are special distributions that occur before HURF is distributed between the SHF and counties, cities and towns.
- In FY 2016, gross HURF distributions to the SHF totaled \$612.0 million. After various statutory, policy and appropriated distributions, the SHF received a net of \$491.9 million for the year.
- The State Highway Fund is impacted by both the health of the economy and transfers established by legislative appropriation.
- State Highway Funds available for construction were negative from FY 2008 through FY 2012 due to the Great Recession. Since FY 2013, State Highway Funds available for construction have been positive every year.

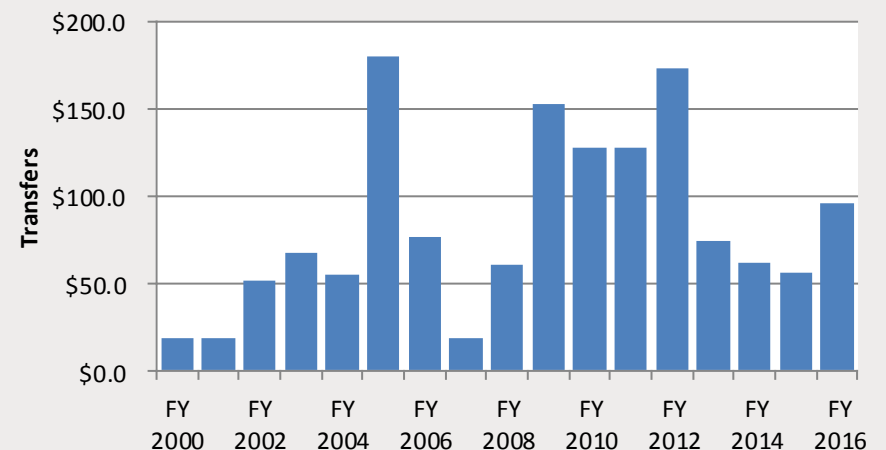
## State Highway Fund (\$ in Thousands)

	FY 14 Actual	FY 15 Actual	FY 16 Actual
<b>HURF Collections</b>	<b>\$1,241,332</b>	<b>\$1,290,439</b>	<b>\$1,356,752</b>
Less: Economic Strength Fund	1,000	1,000	1,000
MVD for Registration Compliance Program	672	652	653
Transfer To Automation Projects Fund	5	0	0
Department of Public Safety Transfer	117,592	83,674	95,035
Cities and Counties Distribution		30,000	30,000
<b>Net HURF Available for Distribution</b>	<b>\$1,122,064</b>	<b>\$1,175,113</b>	<b>\$1,230,064</b>
Less: Cities	342,230	358,409	375,170
Counties	213,192	223,271	233,712
MAG/PAG (12.6% & 2.6% Funds)	84,986	88,947	93,019
DPS Parity Compensation Fund	2,616	2,771	2,973
MVD Third Party Retainage (2% of VLT or \$4)	21,822	23,469	27,010
State General Fund (Five-Year VLT)	1,205	1,204	1,488
State General Fund (Abandoned Vehicle Fee-VLT)	3,704	4,279	4,754
<b>Net State Highway Fund</b>	<b>\$452,310</b>	<b>\$472,761</b>	<b>\$491,938</b>
Plus Other Income:			
MVD Retained Fees	14,239	13,621	14,778
Miscellaneous Receipts	27,960	29,698	45,428
Less: Operating Budget	336,634	350,539	340,975
Capital Outlay and Building Renewal	2,268	6,669	6,788
Capital Non-Lapsing Carryovers			
Department of Public Safety Transfer from Highway Fund	6,744	6,744	7,169
Transfer To Automation Projects Fund	2,348		
Debt Service	112,237	109,716	144,111
<b>Net State Highway Funds Available for Construction</b>	<b>\$34,278</b>	<b>\$42,412</b>	<b>\$53,101</b>

## Net State Highway Fund Revenue History (\$ in Thousands)



## Transfers Taken from SHF's Share of HURF and VLT (\$ in Millions)



## Regional Area Road Fund

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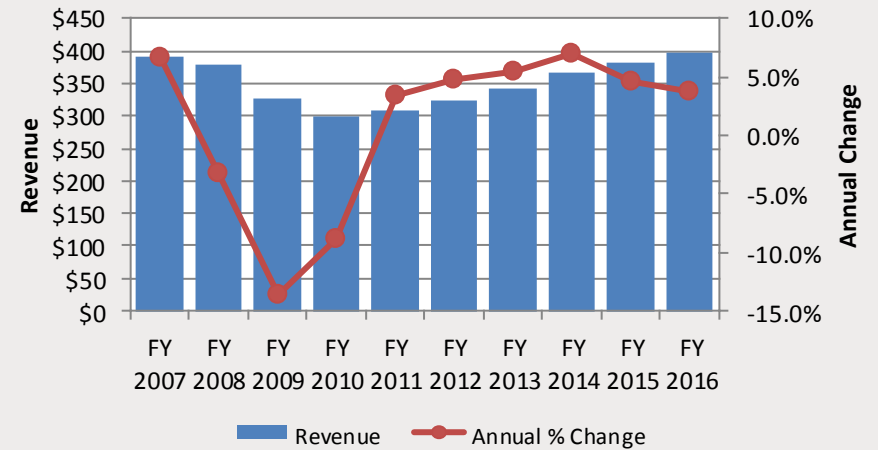
## REGIONAL AREA ROAD FUND (RARF)

### Highlights

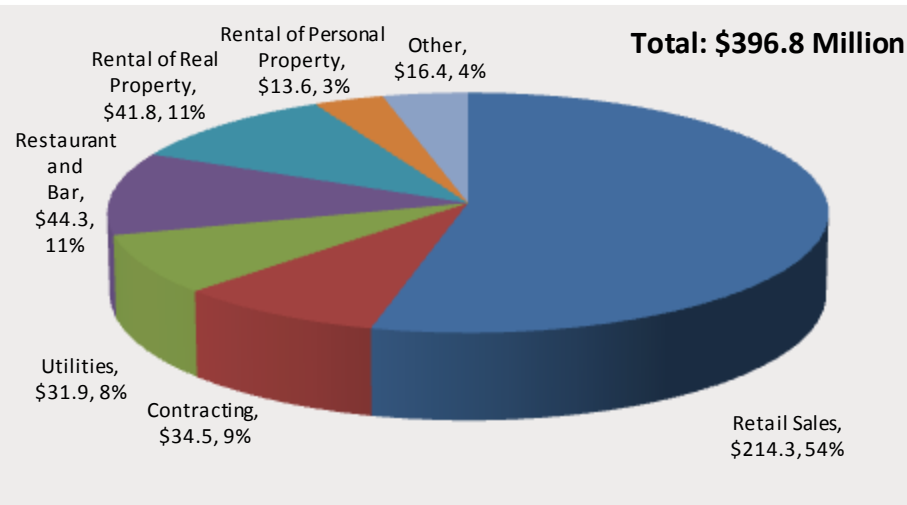
- FY 2016 RARF revenues totaled \$396.8 million, an increase of 3.8 percent over FY 2015, RARF's sixth straight year of positive year-over-year growth. FY 2016 is the first year total RARF revenues have exceeded the pre-recession high in FY 2007.
- Compared to FY 2015, all of the major RARF revenue categories, except Contracting and Other, experienced positive year-over-year growth. Legislation effective February 2015 reclassified certain contracting activities as retail. This explains some of the negative growth.

**Quick Fact:** The Regional Area Road Fund (RARF) is funded through a half-cent transaction privilege tax, commonly called a half-cent sales tax, dedicated to transportation funding in Maricopa County. RARF revenues come from taxes on retail, contracting, utilities, restaurant and bar, rental of real and personal property and other sources.

### Revenue History (\$ in Millions)



### RARF Sources: FY 2016 (\$ in Millions)



### Monthly Comparison (\$ in Thousands)

	FY 2015 <u>Actual</u>	FY 2016 <u>Actual</u>	<u>Change</u>	FY 2016 <u>Estimate</u>	<u>Change</u>
July	\$30,448	\$31,765	4.3%	\$32,477	-2.2%
August	30,193	31,814	5.4%	30,969	2.7%
September	30,315	31,444	3.7%	31,738	-0.9%
October	30,609	32,122	4.9%	31,966	0.5%
November	30,063	32,117	6.8%	31,741	1.2%
December	31,376	32,154	2.5%	32,757	-1.8%
January	36,974	37,384	1.1%	38,925	-4.0%
February	29,998	31,504	5.0%	31,923	-1.3%
March	32,308	33,192	2.7%	33,382	-0.6%
April	35,270	36,015	2.1%	36,918	-2.4%
May	32,055	33,455	4.4%	33,934	-1.4%
June	32,583	33,846	3.9%	34,270	-1.2%
<b>Total</b>	<b>\$382,191</b>	<b>\$396,810</b>	<b>3.8%</b>	<b>\$401,000</b>	<b>-1.0%</b>

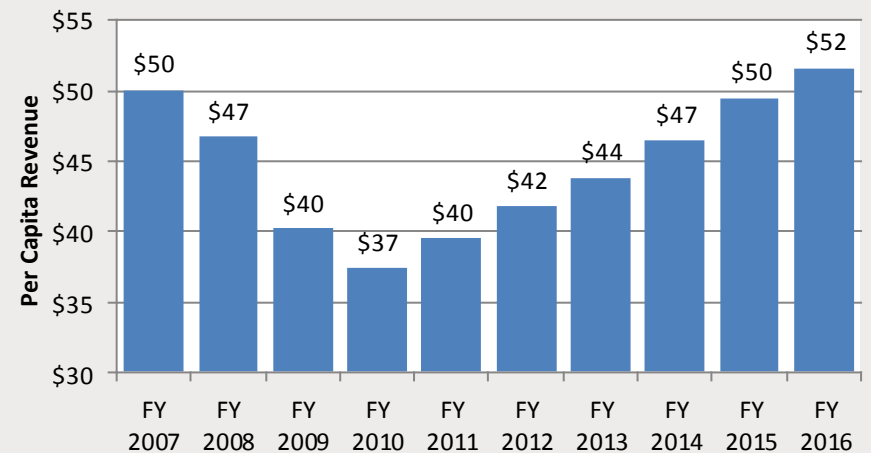
## REGIONAL AREA ROAD FUND: RETAIL SALES

### Highlights

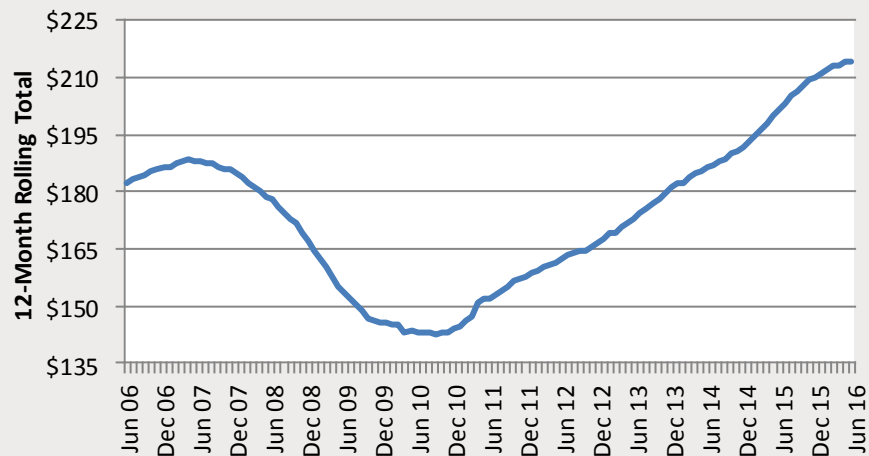
- RARF retail sales revenue in FY 2016 was \$214.3 million, 14.1 percent above the pre-recession peak of \$187.8 million in FY 2007.
- RARF retail sales revenue has a direct relationship with personal income and non-farm employment in the Greater Phoenix Area.
- RARF retail sales revenue per capita has increased each fiscal year since FY 2010 and has surpassed the pre-recession peak in FY 2007.
- Similarly, Greater Phoenix per capita personal income and non-farm employment have steadily increased since FY 2010 and have passed the peak experienced in FY 2007.

**Quick Fact:** Retail sales is the largest category in RARF and accounted for 54 percent of total RARF revenues in FY 2016.

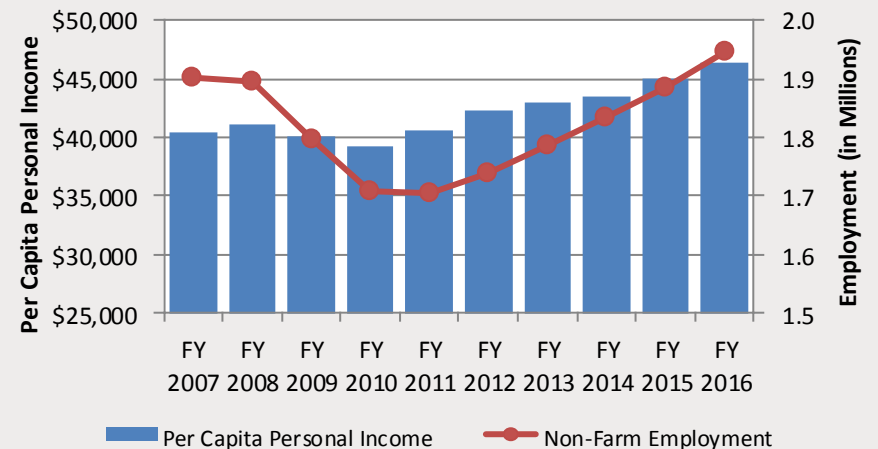
### Retail Sales Tax Revenue Per Capita



### Retail Sales Tax 12-Month Rolling Total (\$ in Millions)



### Phoenix Area Per Capita Personal Income and Non-Farm Employment

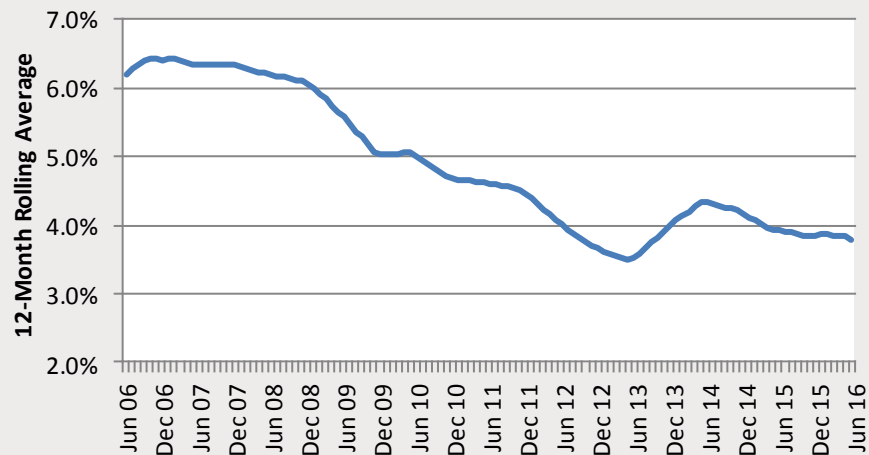


## REGIONAL AREA ROAD FUND: CONTRACTING

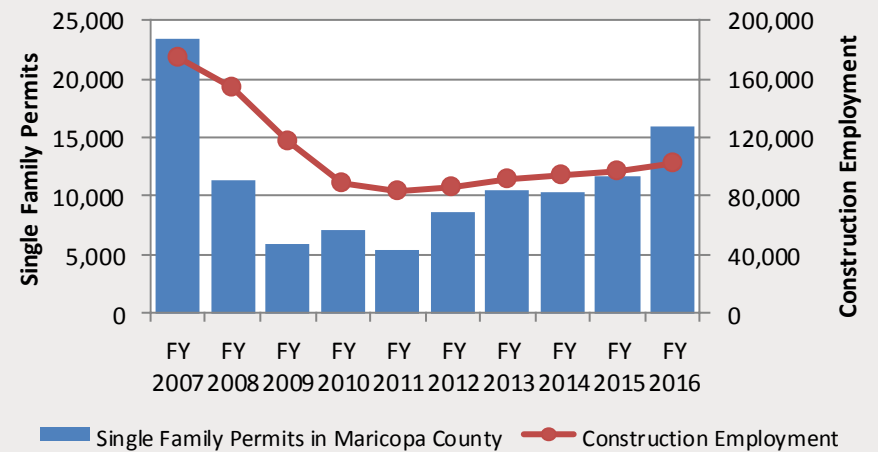
### Highlights

- FY 2016 RARF contracting revenues were \$34.5 million, a decrease of 5.7 percent from FY 2015. Contracting revenues increased each year from FY 2011 through FY 2014. In the middle of FY 2015, new legislation became effective that reclassified certain contracting activities as retail sales, which contributed to the year-over-year decrease experienced in FY 2016.
- Single family housing permits are a leading indicator of construction activity to come, as permits must be purchased before structures can be built. Single family housing permits in Maricopa County peaked in FY 2005 at approximately 46,000 permits, while construction employment and RARF contracting revenue peaked in FY 2007.
- Interest rates for home mortgages in FY 2016 were still well below pre-recession levels.

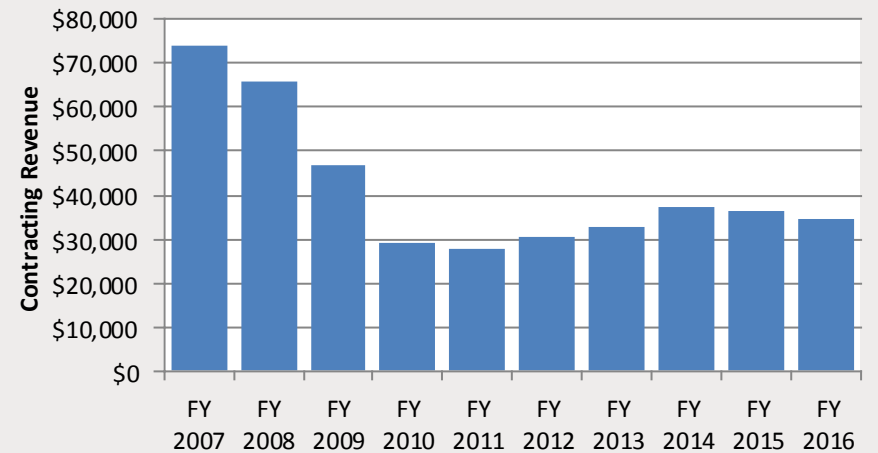
### 12-Month Average Mortgage Rate (30 Year, Fixed-Rate, Conventional)



### Greater Phoenix Single Family Permits and Construction Employment



### Contracting Revenue (\$ in Thousands)



## REGIONAL AREA ROAD FUND: RESTAURANT AND BAR

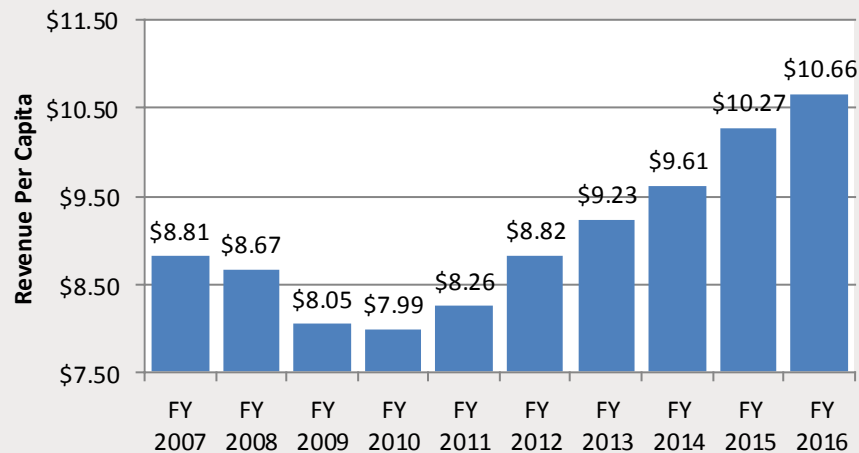
### Highlights

- Phoenix Sky Harbor passenger counts and personal income in the Greater Phoenix Area both typically exhibit a direct relationship with RARF restaurant and bar revenues.
- Greater Phoenix personal income has steadily increased over the past six years as has RARF restaurant and bar revenue per capita.
- Food service employment within the Greater Phoenix Area was estimated at 153,900 in FY 2016 compared to 147,900 in FY 2015.
- The 12-month total of Phoenix Sky Harbor passengers hit a post-recession low in September 2009. At the end of FY 2016 the rolling total of passengers was just over 44 million passengers, an increase of 17.3 percent from the September 2009 low.

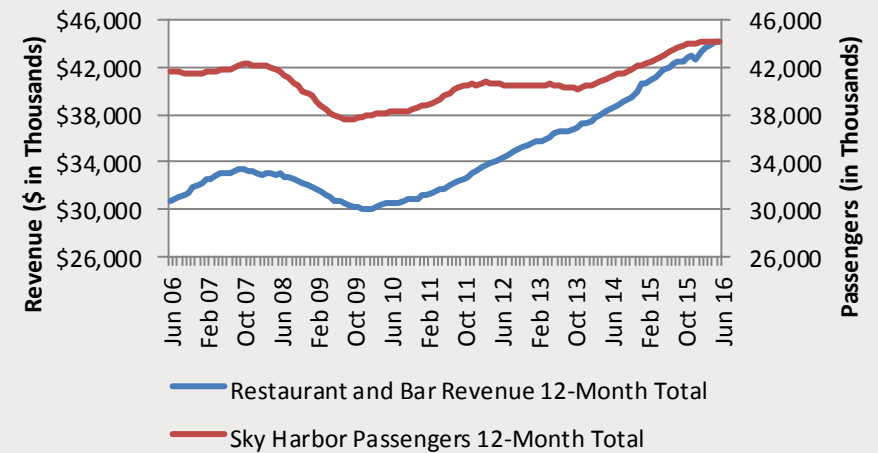
### Greater Phoenix Personal Income and Food Services Employment



### Restaurant and Bar Revenue Per Capita



### Restaurant and Bar Revenue and Phoenix Sky Harbor Passenger Count



## REGIONAL AREA ROAD FUND: COLLECTIONS AND DISTRIBUTIONS (\$ IN THOUSANDS)

### Collections

Fiscal Year	Retail Sales	Contracting	Utilities	Restaurant and Bar	Rental of Real Property	Rental of Personal Property	Other	Total	Percent Change
2007	\$187,817	\$73,864	\$26,697	\$33,073	\$36,398	\$15,053	\$19,548	\$392,452	6.7%
2008	177,845	66,046	28,630	33,021	38,605	15,111	20,808	380,066	-3.2%
2009	153,681	46,865	28,511	30,763	37,757	13,470	17,139	328,186	-13.7%
2010	143,205	28,953	29,385	30,558	35,825	11,983	19,115	299,024	-8.9%
2011	152,003	28,012	29,511	31,729	35,731	11,606	20,643	309,234	3.4%
2012	162,391	30,513	30,217	34,278	36,415	11,966	18,389	324,170	4.8%
2013	172,935	32,661	30,976	36,429	38,096	12,130	18,349	341,577	5.4%
2014	186,406	37,243	31,271	38,532	38,547	12,092	21,470	365,561	7.0%
2015	201,843	36,624	31,087	41,865	40,162	12,876	17,734	382,191	4.5%
2016	214,340	34,543	31,929	44,262	41,794	13,574	16,368	396,810	3.8%
<b>Total</b>	<b>\$1,752,464</b>	<b>\$415,325</b>	<b>\$298,214</b>	<b>\$354,510</b>	<b>\$379,330</b>	<b>\$129,862</b>	<b>\$189,563</b>	<b>\$3,519,269</b>	

### Distributions

Fiscal Year	Regional Area Road Fund (RARF)			Public Transportation Fund	Dept of Revenue Administrative Fee*	Total
	Freeways	MAG/Valley Metro	Arterial Streets			
2007	\$213,119	\$8,095	\$41,050	\$130,188		\$392,452
2008	205,576	8,334	39,832	126,324		380,066
2009	176,235	8,555	34,376	109,020		328,186
2010	159,604	8,742	31,327	99,351		299,024
2011	165,321	8,845	32,379	102,689		309,234
2012	173,334	8,928	34,019	107,889		324,170
2013	182,806	9,119	35,875	113,776		341,577
2014	196,106	9,283	38,397	121,774		365,561
2015	205,305	9,423	40,145	127,318		382,191
2016	212,021	9,560	41,388	131,259	\$2,582	396,810
<b>Total</b>	<b>\$1,889,426</b>	<b>\$88,884</b>	<b>\$368,789</b>	<b>\$1,169,588</b>	<b>\$2,582</b>	<b>\$3,519,269</b>

\*Reflects the deduction from collections of a fee paid to the Arizona Department of Revenue pursuant to Arizona Revised Statutes Section 42-5041 to recover a portion of administrative, program and other operating costs incurred in collecting the transportation excise taxes.



## Federal Aid Program

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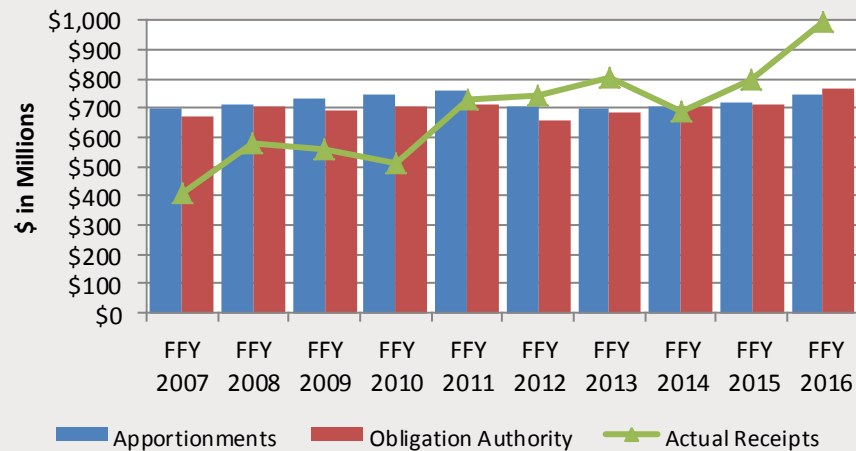


## FEDERAL AID PROGRAM

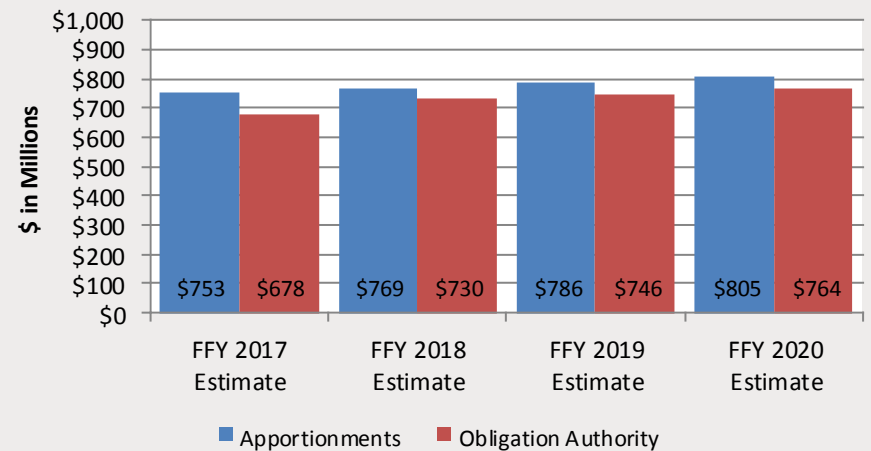
### Federal Aid Funding Outlook

- On December 4, 2015, President Obama signed the Fixing America's Surface Transportation (FAST) Act into law—the first federal law in more than a decade to provide long-term funding certainty for surface transportation infrastructure planning and investment. The FAST Act authorizes \$305 billion nationally over fiscal years 2016 through 2020 for highway construction, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology, and statistics programs. Among the core changes are the establishment of a National Freight Program. The baseline funding for the FAST Act is a 5 percent increase over MAP-21 and grows by 2 percent annually over the life of the Act.
- Arizona receives federal apportionments by various funding programs and then is provided obligation authority (OA) to obligate a certain share of the apportionments. In federal fiscal year 2016 that share was 94.9 percent. Arizona received \$743.6 million in federal aid apportionments in FFY 2016, along with \$766.9 million in obligation authority (OA). The OA amount included \$62.6 million in August redistributions, leading to an OA amount greater than the apportionment amount.
- The Federal Aid program is a reimbursement program. The state or local jurisdiction funds the cost of the project and is then reimbursed a certain percentage (generally 94.3 percent in Arizona) by the Federal Highway Administration (FHWA).

### Federal Apportionments, Obligation Authority and Actual Receipts



### FAST Act Apportionment and Obligation Authority

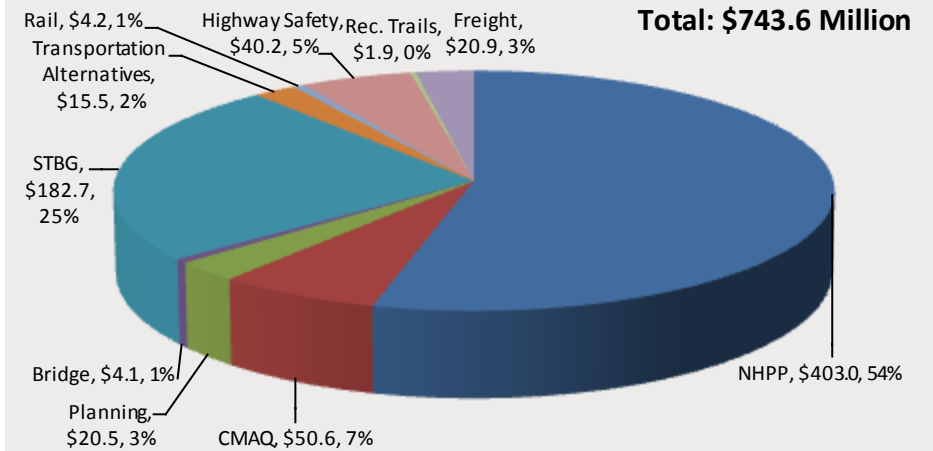


# FEDERAL AID PROGRAM

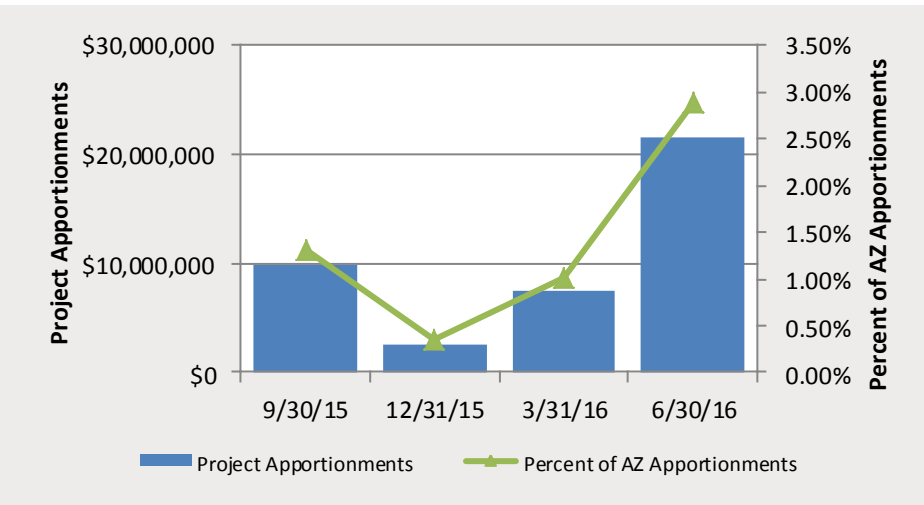
## Overview

- The FAST Act continues the National Highway Performance Program (NHPP), which accounted for 54.1 percent of Arizona FFY 2016 federal aid apportionments. While other apportionments are often allocated for specific purposes, like highway safety or freight, NHPP funds can be used for virtually any construction, maintenance or improvement on transportation facilities located on the National Highway System.
- ADOT tracks the dollar amount of inactive projects to ensure federal funds are used efficiently. On June 30, 2016, ADOT's inactive projects were 2.3 percent of Arizona's federal apportionments while the MAG/PAG/GAZ inactive projects were 0.6 percent of Arizona's federal apportionments. These inactive projects totaled \$21.5 million.
- Obligation Authority is tracked on a monthly basis to ensure all federal aid is utilized. Spikes occur towards the end of the state fiscal year and the federal fiscal year as final reconciliations are completed.

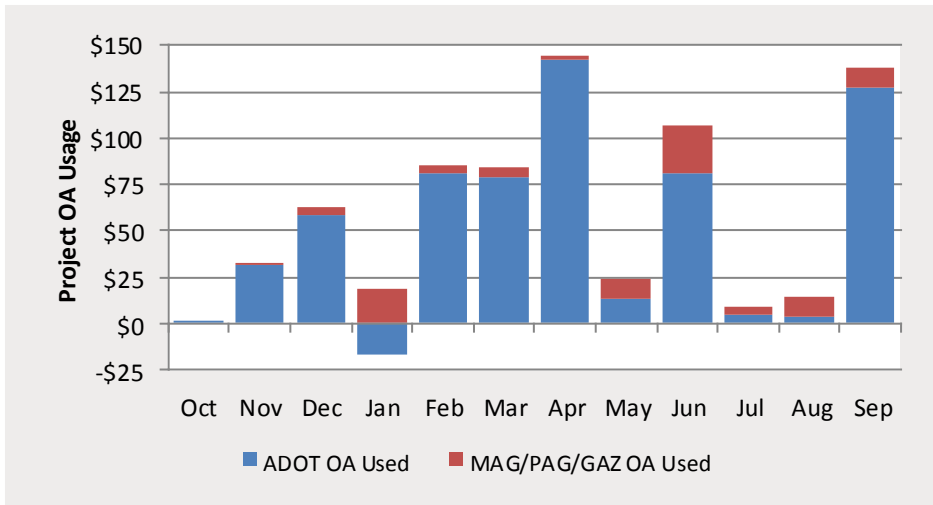
## FFY 2016 Apportionments (\$ in Millions)



## Inactive Projects by Quarter



## FFY 2016 Obligation Authority (OA) Usage by Month (\$ in Millions)



## Debt Financing Program

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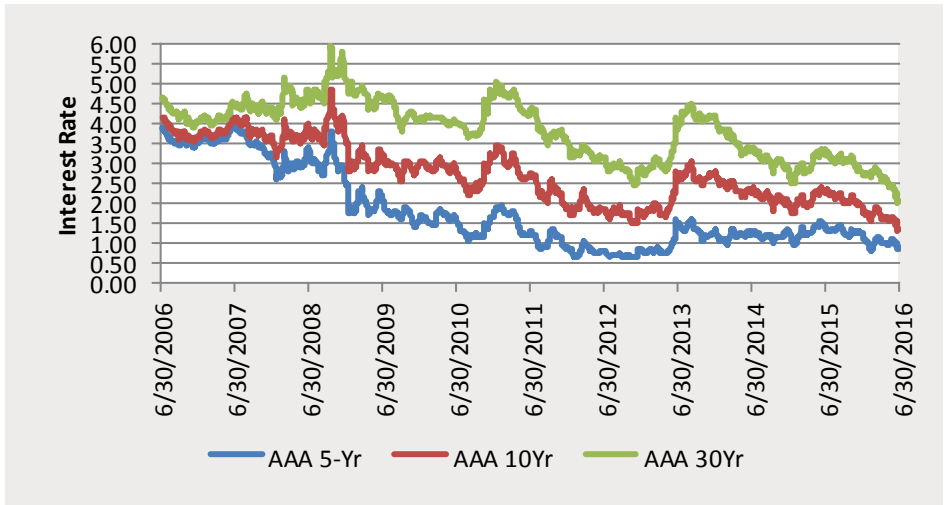
# DEBT FINANCING PROGRAM

## Highlights

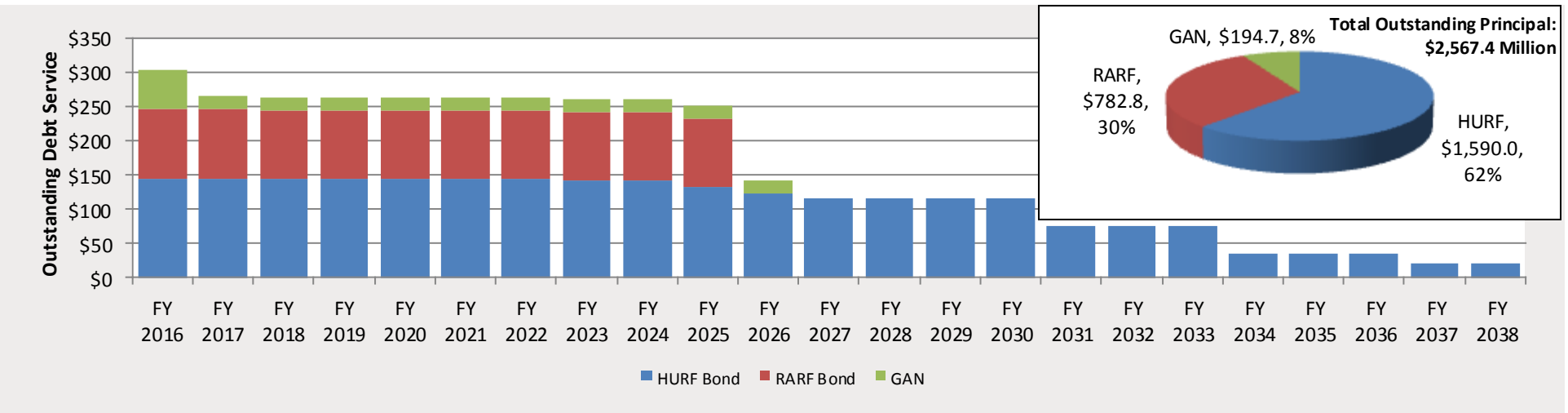
ADOT issues Highway Revenue Bonds (HURF), Transportation Excise Tax Bonds (RARF) and Grant Anticipation Notes (GANs) to help fund the Board's Five Year Transportation Facilities Construction Program. In 2016, ADOT had a total of \$2.567 billion in outstanding principal across these three credits. ADOT's bonds and notes are currently rated as follows by the three primary credit rating agencies:

Type of Bond	Rating Agency		
	Standard & Poor's	Moody's	Fitch
HURF (Senior Lien)	AAA	Aa1	-
HURF (Subordinate Lien)	AA+	Aa2	-
RARF	AA+	Aa1	-
GAN	AA	Aa2	AA

## Tax Exempt Municipal Market Data

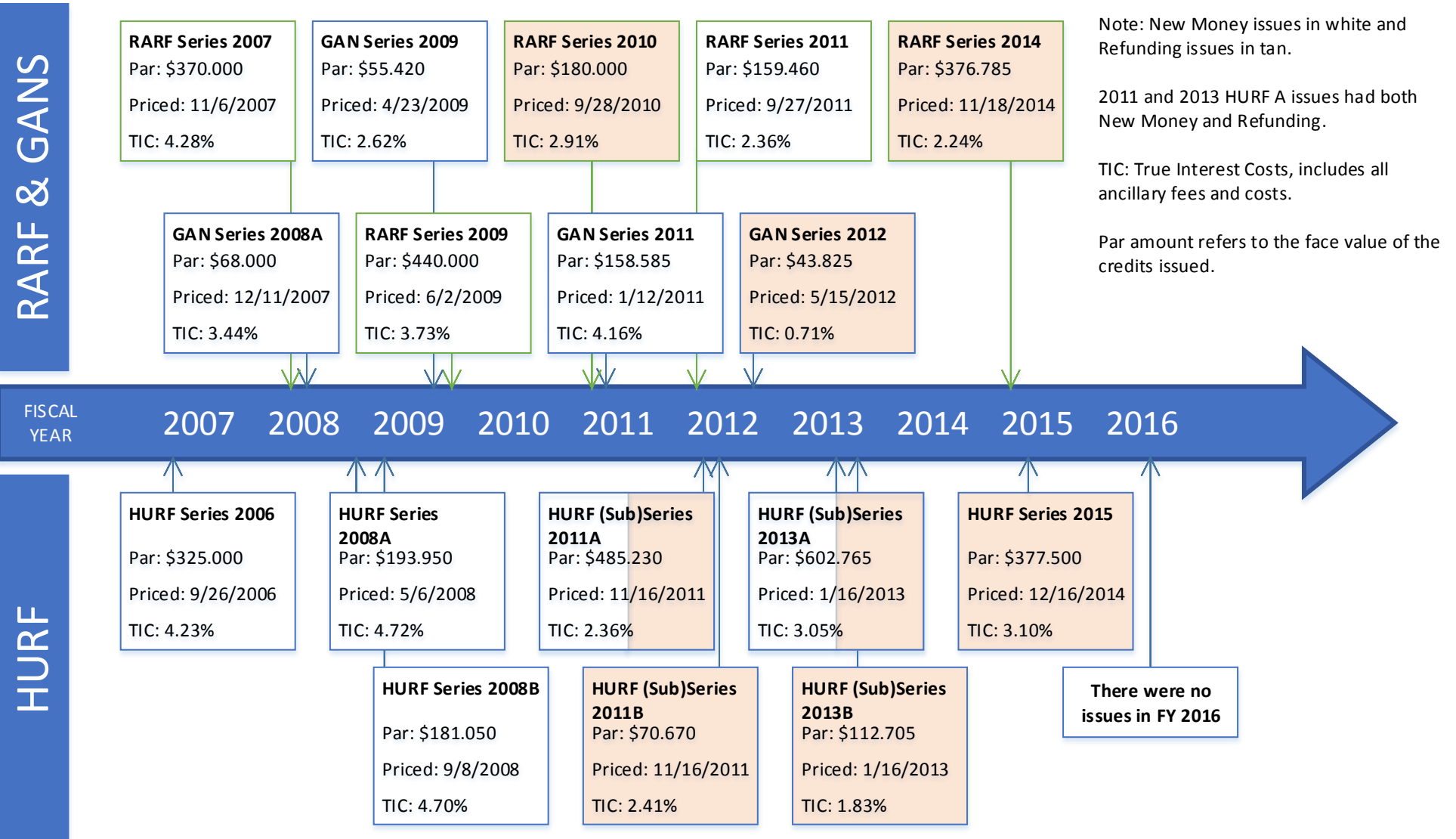


## ADOT Total Debt Service by Fiscal Year (\$ in Millions)



# DEBT FINANCING PROGRAM

Debt Issuance History FY 2007 – FY 2016 (\$ in Millions)

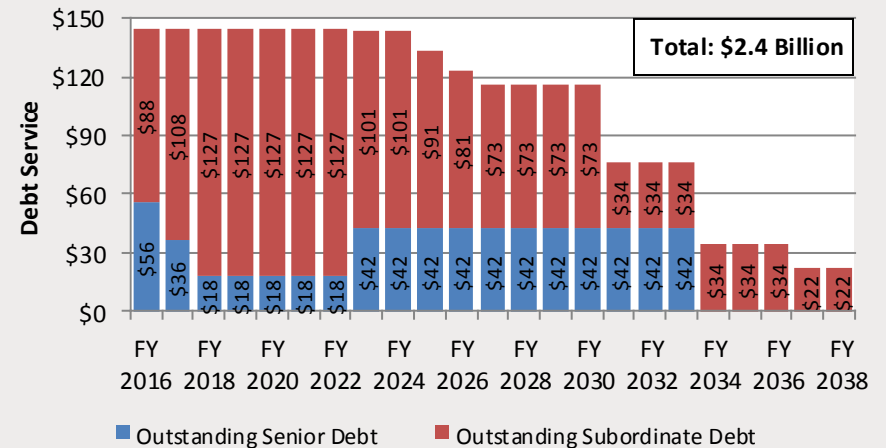


## DEBT FINANCING PROGRAM: HIGHWAY USER REVENUE (HURF) BONDS

### Highlights

- HURF bonds are secured by and repaid from HURF revenues received by the State Highway Fund.
- As of June 30, 2016, outstanding HURF bond principal totaled \$1.59 billion, including \$405.8 million of senior lien bonds and \$1.18 billion of subordinate lien bonds.
- Total annual HURF debt service (for both senior and subordinate bonds) peaks at approximately \$145 million in fiscal years 2018-2022 and then declines to \$22 million in fiscal years 2037-2038. These amounts do not reflect any new or refunding issues which may occur during this period.
- There were no new or refunding HURF transactions in FY 2016.

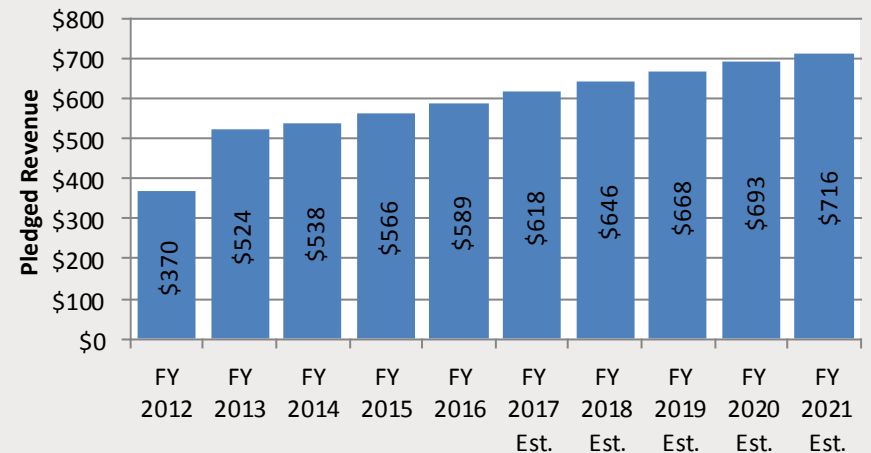
### HURF Bond Debt Service (\$ in Millions)



### HURF Bond Parameters

Statutory Authorization	
Maximum Debt Amount	None
Additional Bonds Test	3:1
Maximum Term	30 Years
Subordinated Debt Allowed	Yes
Resolution Requirements	
Additional Bonds Test	4:1 Senior
	3:1 Subordinate

### Revenue Pledged to HURF Bonds (\$ in Millions)

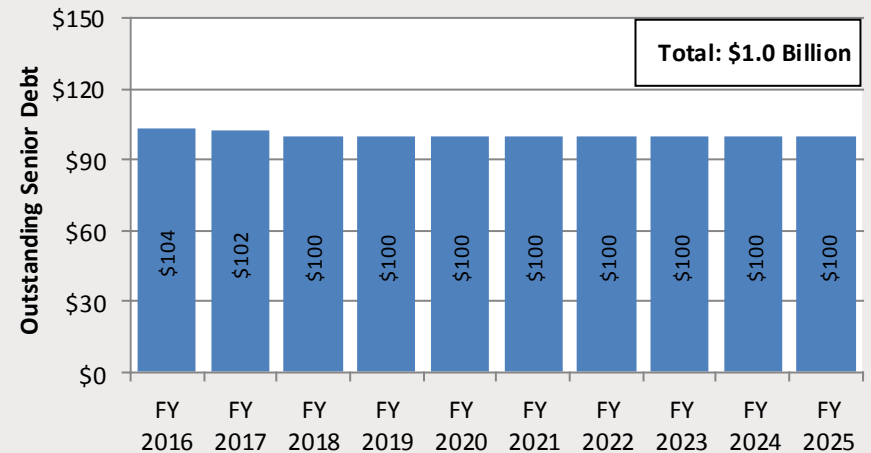


## DEBT FINANCING PROGRAM: REGIONAL AREA ROAD FUND (RARF) BONDS

### Highlights

- RARF bonds are secured by a pledge of 66.7 percent of transportation excise taxes collected in Maricopa County. The 20-year tax was approved by Maricopa County voters in 2004 to help fund the Regional Transportation Plan. The tax expires as of December 31, 2025.
- As of June 30, 2016, outstanding RARF bond principal totaled \$783 million of senior lien bonds; no subordinate lien bonds have been issued.
- Total annual RARF debt service is approximately \$100 million through FY 2025. This amount does not reflect any new or refunding issues which may occur during this period. There were no new or refunding RARF transactions in FY 2016.

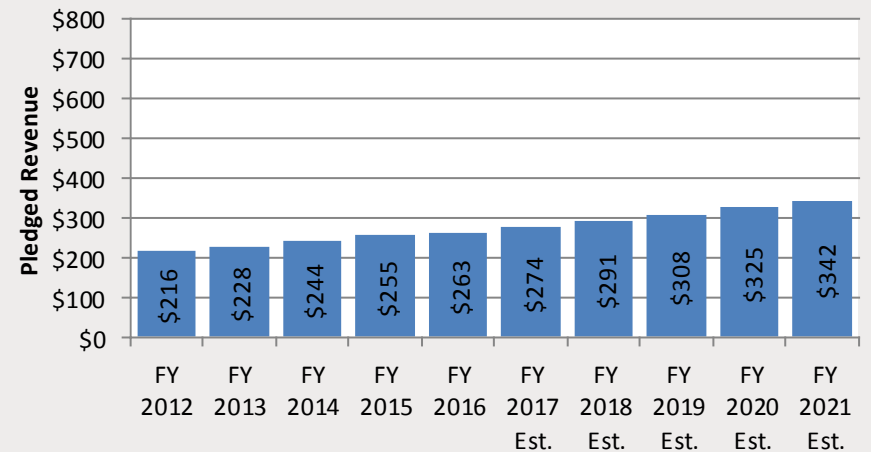
### RARF Bond Debt Service (\$ in Millions)



### RARF Bond Parameters

Statutory Authorization	
Maximum Debt Amount	None
Additional Bonds Test	None
Maximum Term	Lesser of 20 years or the expiration of tax
Subordinated Debt Allowed	Yes
Resolution Requirements	
Additional Bonds Test	2:1 Senior
	1.2:1 Subordinate
	1:1 Third Lien

### Revenue Pledged to RARF Bonds (\$ in Millions)



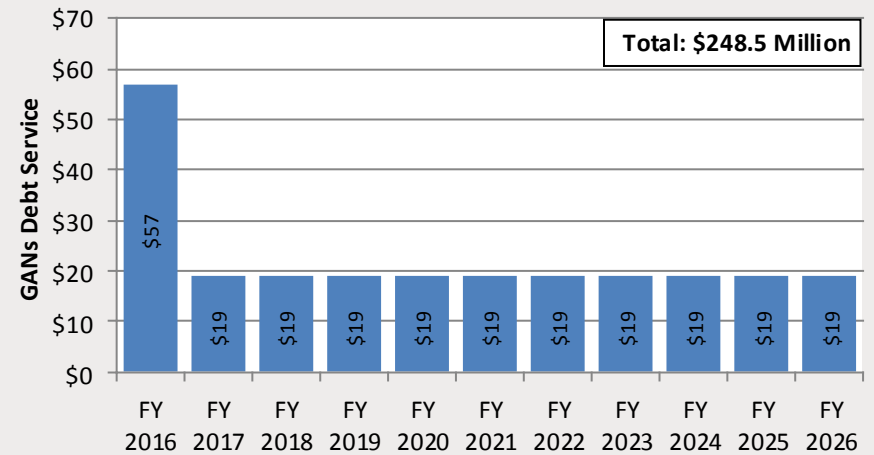


## DEBT FINANCING PROGRAM: GRANT ANTICIPATION NOTES (GANs)

### Highlights

- GANs are generally issued by the State Transportation Board (STB) for terms of 15 years or less. These Notes are secured by and repaid from a pledge of ADOT's future federal aid revenues under certain grant agreements with the Federal Highway Administration (FHWA).
- As of June 30, 2016, outstanding GANs principal totaled \$194.7 million of Senior lien bonds; no Subordinate lien bonds have been issued.
- Total annual GANs debt service peaks in FY 2016 at \$57 million and then declines to approximately \$19 million for fiscal years 2017-2026. This amount does not reflect any new or refunding issues which may occur during this period.
- There were no new or refunding GANs transactions in FY 2016.

### GANs Debt Service (\$ in Millions)



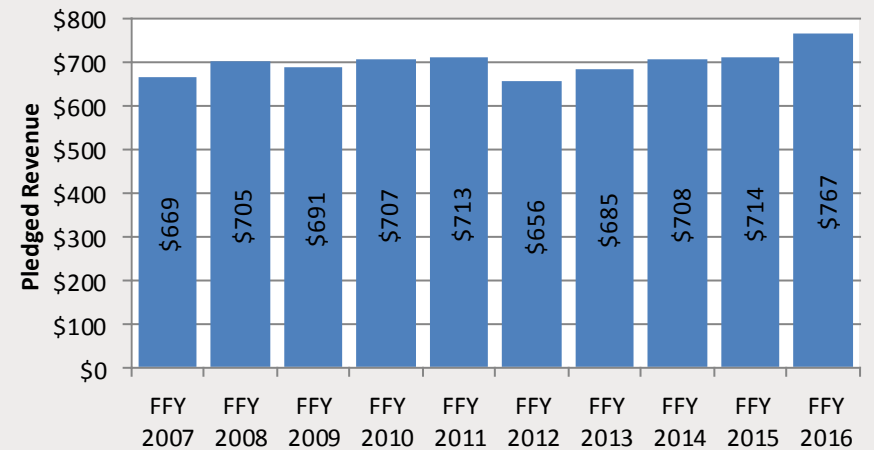
### GANs Parameters

Statutory Authorization	
Maximum Debt Amount	None
Additional Bonds Test	None
Maximum Term	None
Subordinated Debt Allowed	Yes

Resolution Requirements	
Additional Bonds Test	1.5:1 Current Federal Authorization
	3:1 Future Federal Authorization

### Revenue Pledged to GANs - Historical (\$ in Millions)



# Cash Management

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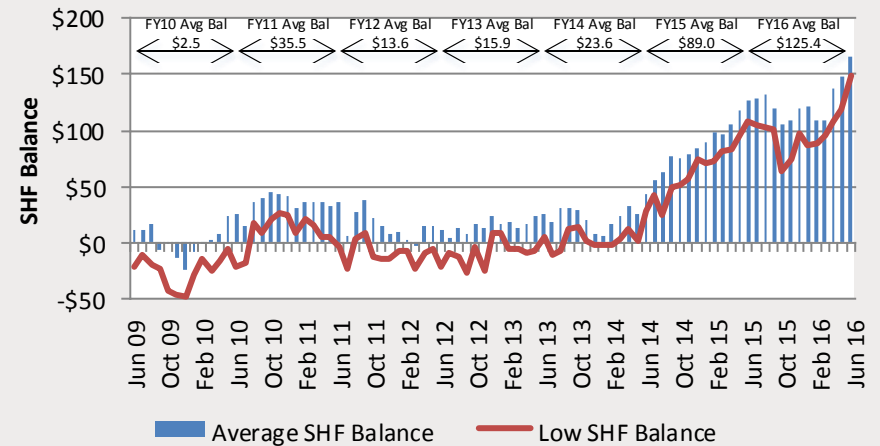


# CASH MANAGEMENT

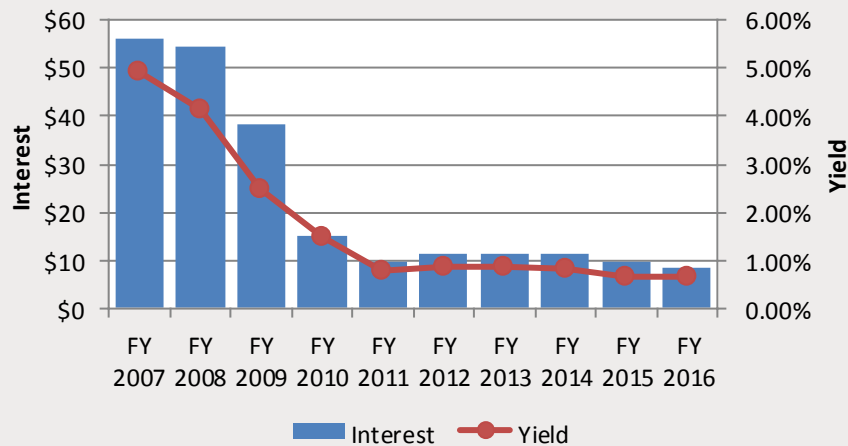
## Highlights

- In FY 2016, the State Highway Fund (SHF) discretionary cash balance continued to recover from historically low levels. The Department has targeted a six-month average balance of \$180 million in the SHF in order to decrease risk. The SHF had a six-month average balance of \$132.0 million at the end of FY 2016.
- The Maricopa Association of Governments (MAG) Regional Transportation Plan Freeway Program (RTPFP) Cash Flow finished FY 2016 with an ending balance of \$663.3 million or \$572.2 million above the estimated ending balance. The variance was mainly due to the delay of the South Mountain project expenditures.
- Investment interest earned in FY 2016 amounted to \$8.5 million, a decrease of \$1.0 million from the previous year. The low interest rates of recent years have kept the investment interest earned well below the \$56.3 million experienced in FY 2007.

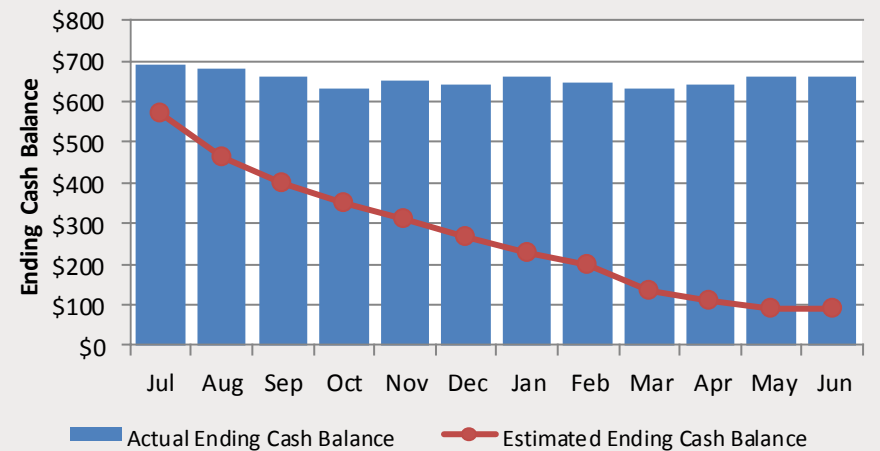
## State Highway Fund: Low and Average Cash Balance (\$ in Millions)



## Investment Interest Received by Fiscal Year (\$ in Millions)



## MAG RTPFP Cash Flow Ending Balance in FY 2016 (\$ in Millions)



# Audited Financial Statement

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FY 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Arizona Department of Transportation  
Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Governmental Funds  
for the Fiscal year ended June 30, 2016

	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds (See Exhibit 10)	Total Governmental Funds
<b>Revenues</b>								
Transportation excise taxes	\$ -	\$ 262,970,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,970,657
Vehicle registration, title, license, and related taxes and fees	364,211,789	-	550,527,971	346,608,419	-	-	19,464,123	1,280,812,302
Fuel and motor carrier taxes and fees	282,499,056	-	-	412,719,819	-	-	40,708,727	735,927,602
Flight property taxes	-	-	-	-	-	-	9,620,180	9,620,180
Reimbursement of construction expenditures - federal aid	492,327,144	299,345,147	-	-	-	-	68,313,014	859,985,305
Other federal grants and reimbursements	20,700,502	-	-	-	-	-	85,959,020	106,659,522
Reimbursements from Arizona counties and cities	4,818,225	759,848	-	-	-	-	18,657,310	24,235,383
Distributions from other state agencies	743,960	-	-	-	-	-	-	743,960
Interest on loans receivable	47,593	-	-	-	-	-	159,142	206,735
Income from investments	3,453,468	3,130,734	-	399,013	753,778	1,188,218	139,025	9,064,236
Sales and Charges for Services	9,188,717	-	-	-	-	-	-	9,188,717
Grand Canyon National Park Airport	-	-	-	-	-	-	343,849	343,849
Rental income	3,388,112	1,862,395	-	-	-	-	306,146	5,556,653
Other	4,257,314	-	6,305	1,890,639	20,192	-	815,625	6,990,075
<b>Total revenues</b>	<b>1,185,635,880</b>	<b>568,068,781</b>	<b>550,534,276</b>	<b>761,617,890</b>	<b>773,970</b>	<b>1,188,218</b>	<b>244,486,161</b>	<b>3,312,305,176</b>
<b>Expenditures</b>								
Current:								
Administration	63,851,491	3,464,117	2,317,783	4,794,082	57,123	120,920	6,585,071	81,190,587
Highway	104,691,671	4,608,219	-	-	-	-	53,710,908	163,010,798
Highway maintenance	98,652,620	10,119,771	-	-	-	-	109,238	108,881,629
Motor vehicle	100,505,490	1,276	985,310	759,168	-	-	3,779,137	106,030,381
<b>Total current expenditures</b>	<b>367,701,272</b>	<b>18,193,383</b>	<b>3,303,093</b>	<b>5,553,250</b>	<b>57,123</b>	<b>120,920</b>	<b>64,184,354</b>	<b>459,113,395</b>

FY 2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Arizona Department of Transportation  
Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Governmental Funds  
for the Fiscal year ended June 30, 2016

	General Fund (State Highway Fund)	Maricopa Regional Area Road Construction Fund	Motor Vehicle Division Clearing Fund	Highway User Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds (See Exhibit 10)	Total Governmental Funds
<b>Revenues</b>								
Transportation excise taxes	\$ -	\$ 262,970,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,970,657
Vehicle registration, title, license, and related taxes and fees	364,211,789	-	550,527,971	346,608,419	-	-	19,464,123	1,280,812,302
Fuel and motor carrier taxes and fees	282,499,056	-	-	412,719,819	-	-	40,708,727	735,927,602
Flight property taxes	-	-	-	-	-	-	9,620,180	9,620,180
Reimbursement of construction expenditures - federal aid	492,327,144	299,345,147	-	-	-	-	68,313,014	859,985,305
Other federal grants and reimbursements	20,700,502	-	-	-	-	-	85,959,020	106,659,522
Reimbursements from Arizona counties and cities	4,818,225	759,848	-	-	-	-	18,657,310	24,235,383
Distributions from other state agencies	743,960	-	-	-	-	-	-	743,960
Interest on loans receivable	47,593	-	-	-	-	-	159,142	206,735
Income from investments	3,453,468	3,130,734	-	399,013	753,778	1,188,218	139,025	9,064,236
Sales and Charges for Services	9,188,717	-	-	-	-	-	-	9,188,717
Grand Canyon National Park Airport	-	-	-	-	-	-	343,849	343,849
Rental income	3,388,112	1,862,395	-	-	-	-	306,146	5,556,653
Other	4,257,314	-	6,305	1,890,639	20,192	-	815,625	6,990,075
<b>Total revenues</b>	<b>1,185,635,880</b>	<b>568,068,781</b>	<b>550,534,276</b>	<b>761,617,890</b>	<b>773,970</b>	<b>1,188,218</b>	<b>244,486,161</b>	<b>3,312,305,176</b>
<b>Expenditures</b>								
Current:								
Administration	63,851,491	3,464,117	2,317,783	4,794,082	57,123	120,920	6,585,071	81,190,587
Highway	104,691,671	4,608,219	-	-	-	-	53,710,908	163,010,798
Highway maintenance	98,652,620	10,119,771	-	-	-	-	109,238	108,881,629
Motor vehicle	100,505,490	1,276	985,310	759,168	-	-	3,779,137	106,030,381
<b>Total current expenditures</b>	<b>367,701,272</b>	<b>18,193,383</b>	<b>3,303,093</b>	<b>5,553,250</b>	<b>57,123</b>	<b>120,920</b>	<b>64,184,354</b>	<b>459,113,395</b>

## Financial Management Services Administration

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Kristine Ward, Chief Financial Officer



Contact Information:  
Phone: (602) 712-7441  
Fax: (602) 712-6672  
Email: [kward@azdot.gov](mailto:kward@azdot.gov)

Kristine Ward was appointed as the Chief Financial Officer of the Arizona Department of Transportation in December 2011. Prior to joining ADOT, Ms. Ward served as the Deputy Director for the Department of Revenue (DOR) from 2005-2011. As Deputy Director she oversaw all aspects of Department operations including the accounting and processing of the State's 5+ million tax documents and \$12 billion in tax revenue. Before joining DOR, Ms. Ward served three administrations, Governor Symington, Governor Hull and Governor Napolitano, in the Office of Strategic Planning and Budgeting (OSPB) in various roles including Director and Deputy Director. At OSPB she oversaw and coordinated 120+ state agency budgets totaling \$20.6 billion and represented the Governor in budget matters.

Ms. Ward holds a Bachelor of Science degree in Business with a concentration in finance from Bowie State University and a Master's degree in Public Administration from Arizona State University.

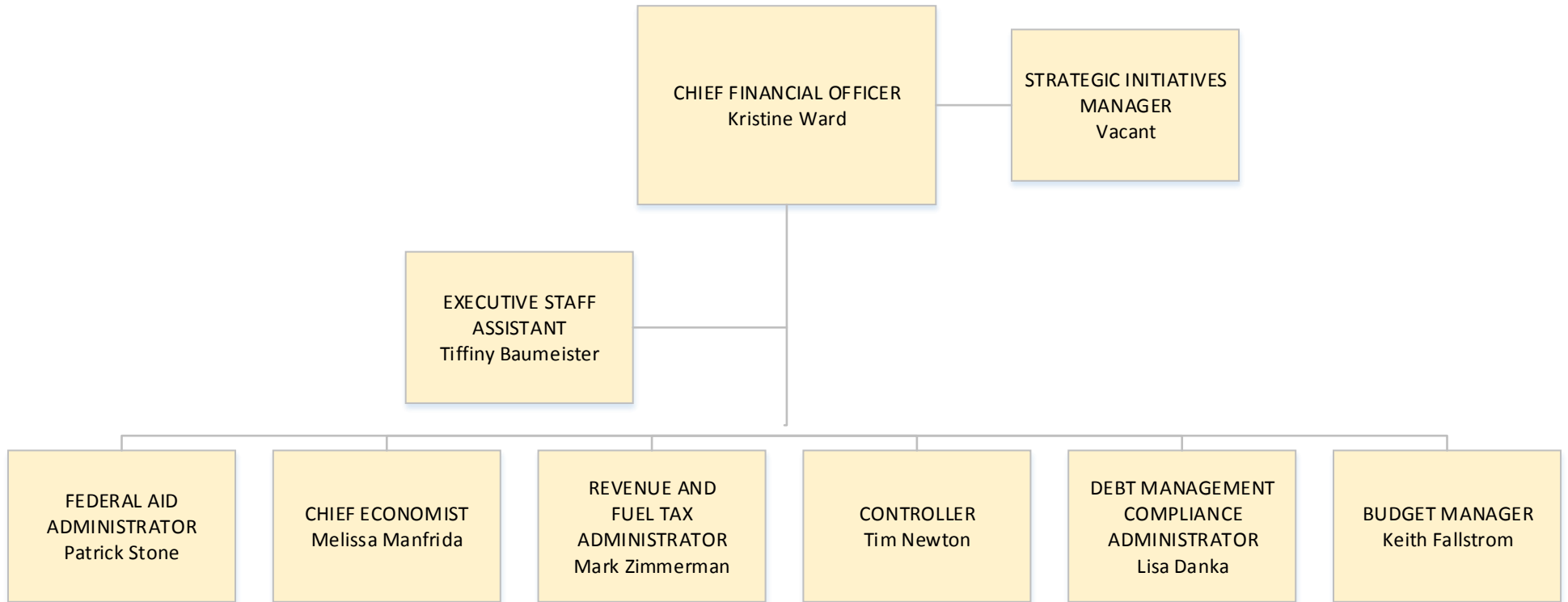
The Financial Management Services Division (FMS) of the Arizona Department of Transportation is responsible for managing the financial foundation on which Arizona's highways and bridges are built and administered. This includes forecasting, collecting, distributing and accounting for all the funds available to construct and maintain Arizona's highway system. FMS also provides support to internal and external customers regarding transportation finances. To accomplish this vital mission, FMS is comprised of six core units and approximately 115 employees.

The key areas of Financial Management Services are:

- Financial Planning and Cash Management - responsible for revenue forecasting, coordinating daily cash investments, cash flow management and analyzing the fiscal impact of legislation.
- Budget and Research - responsible for developing and monitoring the Department's budget and conducting research and analysis.
- Revenue and Fuel Tax Administration - responsible for the accounting, collections and distribution of Highway User Revenue Fund (HURF) revenues and the administration of motor fuel taxes.
- Resource Administration - responsible for managing the financial life cycle of transportation projects and programs.
- Fiscal Operations - administers and directs all accounting and payroll activities.
- Debt Management and Compliance - oversees the administration of the debt and financing programs under the authority of the State Transportation Board.



# FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: ORGANIZATION CHART



Melissa Manfrida, Chief Economist



Contact Information:  
Phone: (602) 712-8241  
Fax: (602) 712-6672  
Email: [mmanfrida@azdot.gov](mailto:mmanfrida@azdot.gov)

Since becoming ADOT's Chief Economist in June 2015, Ms. Manfrida has overseen the Office of Financial Planning and Cash Management. She began working for the State of Arizona in 2007 as an Economist, supervising activities for the Occupational Employment Statistics and Mass Layoff Statistics programs. In February 2014, Ms. Manfrida joined ADOT as an Economist directing the development of the Highway User Revenue Fund (HURF) and Regional Area Road Fund (RARF) revenue forecasts, providing financial impact analysis on pending legislative proposals, and developing various financial reports including the annual report.

Ms. Manfrida holds a Bachelor of Science degree in Applied Statistics from Rochester Institute of Technology and a Master's Degree in Business Administration from Arizona State University.

The Financial Planning and Cash Management unit is responsible for forecasting the Department's revenues, including the Highway User Revenue Fund (HURF) and Maricopa County Transportation Excise Tax. Accurate revenue forecasts are essential for planning and ensuring the effective delivery of the Five-Year Highway Construction Program and for the Department's day-to-day operating needs. Financial Planning and Cash Management is responsible for tracking the statewide and Maricopa Association of Governments (MAG) Regional Transportation Plan Freeway Program (RTPFP) cash flows and daily cash investment activities.

Specific duties include:

- Develops the Highway User Revenue Fund (HURF) and Maricopa County Transportation Excise Tax revenue forecasts that are then incorporated into the State Transportation Boards' Five Year Transportation Facilities Construction Program and the MAG RTPFP Life Cycle Program.
- Responsible for the Statewide and MAG RTPFP cash flow forecasts that track the revenues, expenditures and available cash balances for the State Transportation Board's Five Year Transportation Facilities Construction Program and the MAG RTPFP Life Cycle Program.
- Manages the Department's daily cash investment activity and coordinates the semi-annual debt service payments.
- Evaluates financial impact of pending legislative proposals from the national and state level.
- Develops ad hoc financial and investment analyses.

Keith Fallstrom, Budget Manager



Contact Information:  
Phone: (602) 712-6594  
Fax: (602) 712-3442  
Email: [kfallstrom@azdot.gov](mailto:kfallstrom@azdot.gov)

Mr. Fallstrom started with the State of Arizona in 2000 at the Governor's Office of Strategic Planning and Budgeting (OSPB). As a budget analyst, he assisted agencies with the preparation and implementation of their budgets and strategic plans. Mr. Fallstrom also helped develop the Executive Budget Recommendation and lobbied the legislature for its passage. After OSPB, Mr. Fallstrom worked at the Arizona State Land Department as the Budget and Accounting Manager and then as the Administration Division Director, where he was responsible for the administrative functions of the agency, including accounting, procurement, budget, facilities, and human resources. In July 2011, Mr. Fallstrom became the Controller at ADOT. In November 2015, he became Budget Manager over the Budget and Research Office.

Mr. Fallstrom holds a Bachelor of Science degree in Physics and a Master's degree in Public Administration from Brigham Young University.

The Budget and Research Office serves a central role in research and analysis of financial question within ADOT. The Budget and Research Office helps ADOT allocate its scarce resources to maximize the return on the taxpayer's investment. The office also looks for efficiencies and explores opportunities to decrease expenditures and increase revenue.

The responsibilities of the Budget and Research Office include:

- Preparing the annual budget request to the Arizona State Legislature.
- Analyzing, allocating and monitoring budgetary expenses.
- Facilitating alignment with ADOT strategic focal areas and resource allocation.
- Ensuring compliance with state and federal regulations as they pertain to the budget.
- Researching and analyzing cross-agency budgetary issues and opportunities to achieve efficiencies.
- Providing budget support to ADOT Divisions.

Mark Zimmerman, Revenue and Fuel Tax Administrator



Contact Information:  
Phone: (602) 712-8381  
Fax: (602) 712-3445  
Email: [mzimmerman@azdot.gov](mailto:mzimmerman@azdot.gov)

Mr. Zimmerman serves as the Senior Division Administrator for the Revenue and Fuel Tax Administration (RFTA). Mr. Zimmerman has worked for the State of Arizona since 1993, beginning his career with the Arizona Department of Economic Security as an Unemployment Tax Auditor. Since 2000, Mr. Zimmerman worked for ADOT's Office of Audit and Analysis as a Revenue Field Auditor, Audit Manager, and in 2007, served as the Director of Revenue Audit. In March 2010, Mr. Zimmerman was appointed as Deputy Division Administrator for RFTA, and in late 2012, began serving as the Senior Division Administrator.

Mr. Zimmerman holds a Bachelor of Arts degree in Liberal Studies from Arizona State University and is a Certified Fraud Examiner (CFE).

Revenue and Fuel Tax Administration (RFTA) is responsible for the accounting of Highway User Revenue Fund (HURF) and Vehicle License Tax (VLT) revenues as well as the licensing, collection, reporting and compliance with all motor fuel tax laws. HURF is defined in the Arizona Constitution and the Arizona Revised Statutes and is a major funding source for Arizona's highways and streets.

Specific responsibilities include:

- Collecting and accounting for HURF and VLT revenues. Through various taxes and fees, HURF and VLT generate over a billion dollars in revenue each year.
- Ensuring accurate and timely distribution of all HURF revenues. Arizona Statute and State Transportation Board policy dedicate specific proportions of HURF and VLT revenues to the state highway fund and city and county governments. These monies provide funding for highway, street, transportation and general purpose projects.
- Administering Arizona's motor fuel tax laws. Motor fuel is defined as gasoline, diesel and aviation fuel. The State of Arizona requires licensed fuel suppliers to collect and remit taxes to ADOT on behalf of consumers and users. In addition, the unit administers the International Fuel Tax Agreement (IFTA) which simplifies the reporting of fuel usage taxes by interstate motor fuel carriers.

Patrick Stone, Federal Aid Administrator



Contact Information:  
Phone: (602) 712-7469  
Fax: (602) 712-6672  
Email: pstone@azdot.gov

Mr. Stone became the Department's Federal Aid Administrator in April 2014 and is responsible for overseeing the State's federal aid highway funding program and tracking the State Transportation Board's Five-year Transportation Facilities Construction Program budget. He has dedicated his entire 27 year professional career to working for the Arizona Department of Transportation. Mr. Stone began his career in ADOT's Finance Department, working in Fixed Assets and General Ledger before assuming the duties of Accounts Payable Manager in 1998. In 2004, he joined the Program Budget team as the Program Budget Manager. In 2006, he accepted a position in the Right of Way Group as the Operations Manager before being appointed as the Assistant Chief Right of Way Agent in 2008. In 2012, Mr. Stone became the Local Public Agency Program Manager until accepting his current position.

Mr. Stone holds a Bachelor of Arts degree in History from Arizona State University.

The Resource Administration unit is responsible for managing the financial life cycle of transportation projects and programs. The life cycle begins with the programming of funds in the State Transportation Board's Five-Year Transportation Facilities Construction Program and the Statewide Transportation Improvement Program (STIP). It continues with the assigning and expenditure of funds during the design, right of way and construction phases, culminating with the final project accounting. Throughout the entire finance life cycle, the unit manages various funding sources and monitors projects and programs to ensure efficient and effective utilization of public transportation funds.

Specific objectives include:

- Tracking the utilization of funds and the delivery of projects in the Five-Year Transportation Facilities Construction Program and STIP.
- Managing the State's annual allocation of over \$700 million of federal highway funding, which is used by a variety of project sponsors throughout the State, including ADOT, local governments, regional planning organizations and other state agencies. These funds must be authorized on a project-by-project basis and fully obligated by the end of each federal fiscal year.
- Reporting to stakeholders on the status and disposition of projects and funding, including management, project development and construction staff, regional planning organizations and other state and federal agencies.
- Reallocating funding from inactive projects to ensure federal funds are used efficiently.

Tim Newton, Controller



Contact Information:  
Phone: (602) 712-6721  
Fax: (602) 712-3442  
Email: [tnewton@azdot.gov](mailto:tnewton@azdot.gov)

Mr. Newton began his accounting career with the State of Arizona in January 2000 as an Auditor at the Office of the Auditor General. His career has included being the CFO and Acting Program Administrator at the Comprehensive Medical and Dental Program (currently a division of the Department of Child Safety) and Accounting Administrator at the Department of Economic Security before he joined ADOT in December 2014 as the Accounting Administrator. Mr. Newton oversaw all cost accounting activities for the Department including Project Accounting and Final Voucher. Mr. Newton became ADOT's Controller in January 2016.

Mr. Newton is a Certified Public Accountant who holds a Bachelor of Science degree in Accountancy from Northern Arizona University. He also holds a Bachelor of Art degree in Humanities from Griffith University.

Fiscal Operations directs all general accounting and cost accounting activities, in accordance with generally accepted accounting principles (GAAP), Governmental Accounting Standards Board (GASB) Pronouncements and State and Federal regulations.

The responsibilities of Fiscal Operations include:

- Provide general accounting for the Department including Accounts Payable, Accounts Receivable, Cost Accounting, Fixed Assets, General Ledger and Payroll Services.
- Develop, interpret and administer financial policies, rules and regulations for the Department.
- Prepare annual financial reports, including the Arizona Department of Transportation Comprehensive Annual Financial Report (CAFR).
- Track, analyze and validate costs associated with highway construction and other projects including the reconciliation and closing of federally funded projects.
- Invoice, collect and deposit federal funds in a timely and efficient manner.
- Administer the Department's financial information system, including overseeing the Department's transition to the new Arizona Financial Information System (AFIS) in FY 2016.

Lisa Danka, Debt Management and Compliance Administrator



Contact Information:  
Phone: (602) 712-7441  
Fax: (602) 712-6672  
Email: ldanka@azdot.gov

Ms. Danka joined ADOT in November 2009 and is currently responsible for ADOT's debt financing and Highway Expansion and Extension Loan (HELP) programs. Prior to assuming the Debt Management and Compliance Administrator role, Ms. Danka led the Resource Administration Unit and was responsible for the federal aid highway program. Before joining the Department, Ms. Danka was the Assistant Deputy Director for Finance and Investment at the Arizona Department of Commerce. In this role, she oversaw eight business tax credit, grant and loan programs, private activity bonds, and served as the Executive Director of both the Greater Arizona Development Authority and Commerce and Economic Development Commission.

Ms. Danka holds a Bachelor of Arts degree in Political Science from Western Illinois University and a Master's degree in Business Administration from Bradley University. Ms. Danka has completed the Wharton Transportation Executive Program.

The Debt Management and Compliance Administrator manages all aspects of the Department's debt financing programs. As of June 30, 2016, ADOT had \$2.6 billion in principal outstanding. The Debt Management and Compliance Administrator keeps a thorough record of every debt issue and ensures the department meets all of the obligations relating to them.

Specific responsibilities include:

- Ensuring compliance with legal covenants, disclosure requirements and tax regulations concerning the Department's debt financing programs.
- Implementing an in-house compliance management database and archive of the Department's debt finance programs.
- Performing test audits of outstanding debt issues.
- Managing the Highway Expansion and Extension Load Program (HELP), a state infrastructure bank which provides loans to public entities. HELP enables eligible transportation projects to be built sooner than currently programmed.

# Financial Management Services Administration

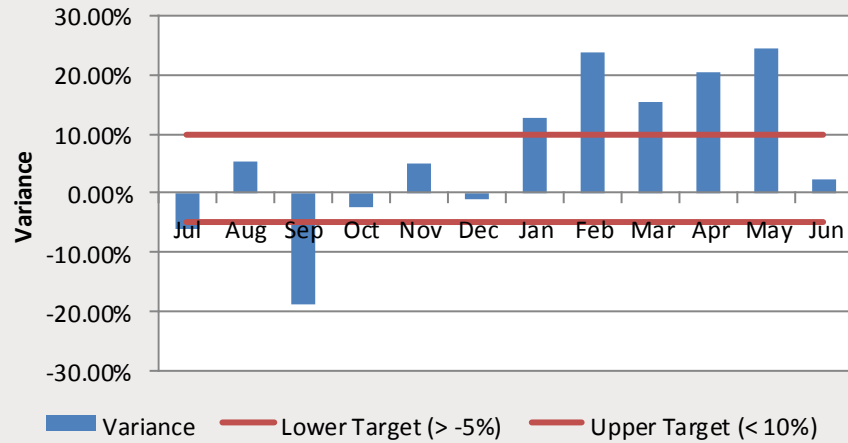
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Performance Measures



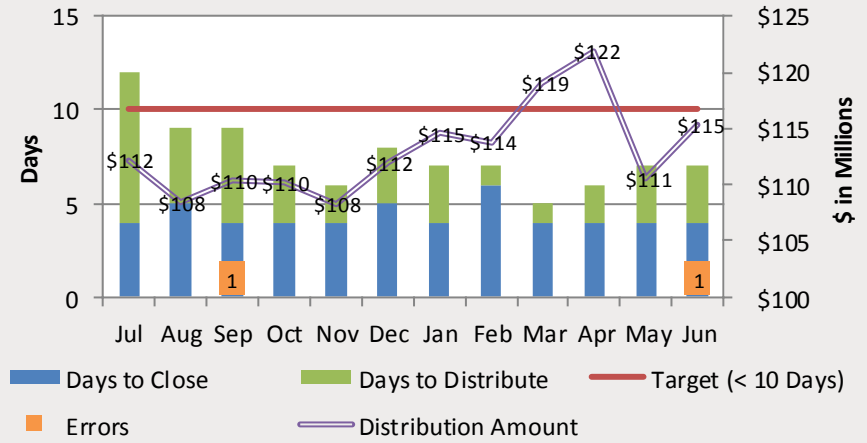
# FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: FY 2016 PERFORMANCE MEASURES

## State Highway Fund Operating Cash Variance From Forecast



The State Highway Fund (SHF) is the primary fund supporting the Department's operating and capital programs. During the Great Recession, SHF Operating Cash reached critical levels due to lower HURF revenues and legislative sweeps. These critical levels resulted in operating budget reductions and reductions to the Five Year Transportation Facilities Construction Program. Ultimately SHF Operating Cash needs to be replenished in order to have working capital to cover operating costs, debt service and provide a state match for federal funds. This measure shows how the actual monthly SHF Operating Cash replenishment is tracking against the goal to meet the Department's funding needs. SHF Operating Cash needs to consistently fall within the target range to provide stability in operating budget and Five Year Transportation Facilities Construction Program.

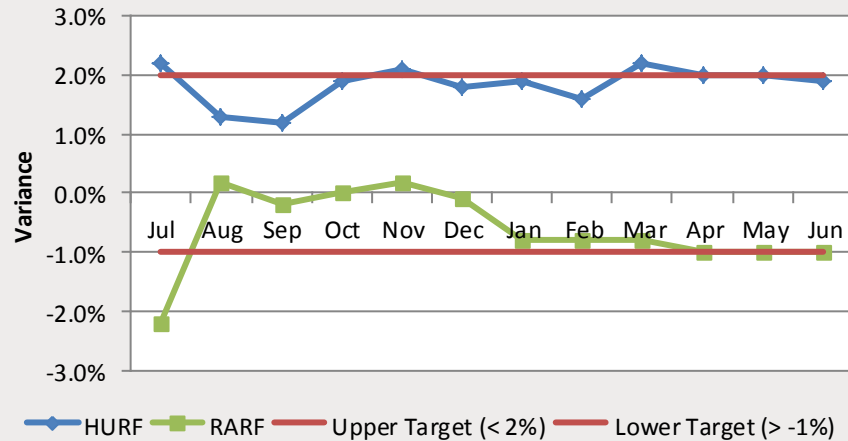
## Highway User Revenue Fund Distribution Timeliness and Accuracy



Licensed suppliers and restricted distributors of gas and use fuel submit monthly fuel tax reports electronically on or before the 27<sup>th</sup> of each month for the preceding month's activity. Once all the monies are reconciled, the Highway User Revenue Fund (HURF) is distributed to counties, cities and towns. Delayed closing of monthly HURF revenues can have an adverse effect on county, city and town operations. The money distributed is used to fund everything from highway construction to employee's paychecks.

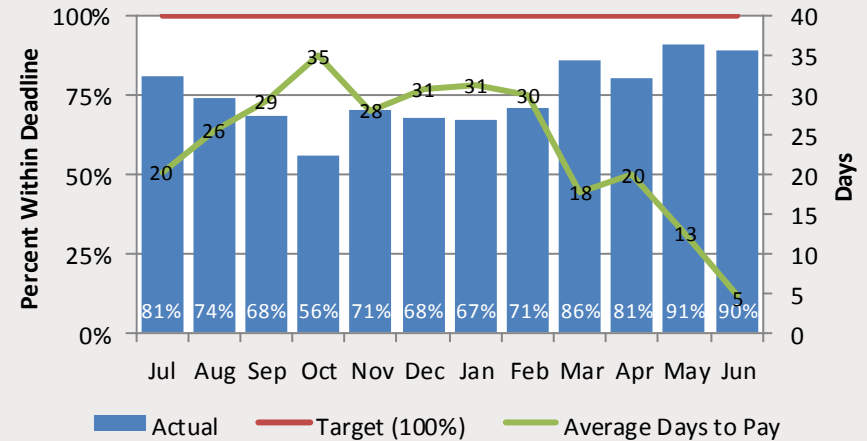
# FINANCIAL MANAGEMENT SERVICES ADMINISTRATION: FY 2016 PERFORMANCE MEASURES

## HURF and RARF Forecast Variance



The Highway User Revenue Fund (HURF) and Regional Area Road Fund (RARF) are the primary funding sources for statewide transportation projects and regional Maricopa County projects. Accurate forecasts are crucial for planning the Five-Year Highway Construction Program and the Maricopa Regional Transportation Plan. The stability of both of these programs rely on accurate forecasts. If revenues do not match forecasts, programs may have to be altered to reflect the new funding environment. The Department uses forecasts to maintain fiscal constraint and maximize highway maintenance and development. Both forecasts are used by counties, cities and towns for their own transportation plans as portions of the HURF and RARF funds are distributed to them. Bond rating agencies also rely on accurate forecasts.

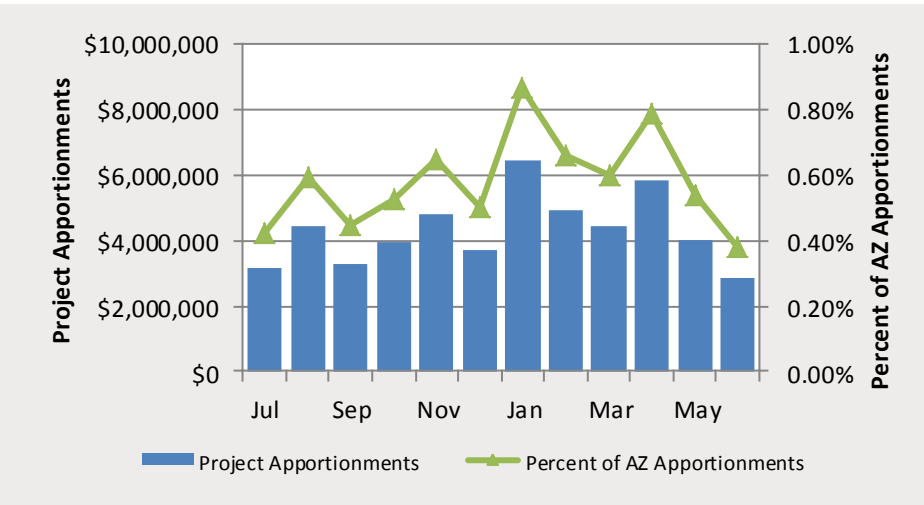
## Accounts Payable % of Payments Made Within Statutory Deadline



Arizona Revised Statutes §35-342, §28-411 and §28-6924 govern the Department's payment of invoices. Not only is paying promptly statutorily required, it assists in budgeting and helps maintain good relationships between the Department and its vendors.

The Department is working toward automating utility payments and streamlining invoice delivery to speed up invoice payment and increase accuracy. It is also implementing electronic documents and signatures to facilitate faster invoice processing and better communication between vendors and ADOT.

Federal Projects Inactive for at least Twelve Months



The Department constantly monitors the activity of projects to ensure that all funds are used efficiently and projects are completed in a timely manner. Many factors outside of the Department’s control can influence the activity of a project including environmental clearances, ROW purchases and weather. However, the Department is committed to improving internal processes to keep projects moving as efficiently as possible. Key areas that the Department addresses to ensure projects remain active include timely advertising of contracts, efficient awarding of contracts, beginning work quickly, invoicing for reimbursement frequently and ensuring sustained progress on each project.

## Listing of Acronyms

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## ACRONYMS

Acronym	Description
ADOT	Arizona Department of Transportation
AFIS	Arizona Financial Information System
CAFR	Comprehensive Annual Financial Report
CMAQ	Congestion Mitigation and Air Quality Improvement Program
COG	Council of Governments
DPS	Department of Public Safety
FAST Act	Fixing America's Surface Transportation Act
FFY	Federal Fiscal Year (October 1 <sup>st</sup> through September 30 <sup>th</sup> )
FHWA	Federal Highway Administration
FMS	Financial Management Services
FY	State Fiscal Year (July 1 <sup>st</sup> through June 30 <sup>th</sup> )
GAAP	Generally Accepted Accounting Principles
GANs	Grant Anticipation Notes
GASB	Government Accounting Standards Board
GAZ	Greater Arizona
HTF	Highway Trust Fund
HURF	Highway User Revenue Fund
IFTA	International Fuel Tax Agreement
ITD	Intermodal Transportation Division
L,B&I	Land, Buildings and Improvements
MAG	Maricopa Association of Governments
MPD	Multimodal Planning Division
MPO	Metropolitan Planning Organization
MVD	Motor Vehicle Division
NHPP	National Highway Performance Programs
OA	Obligation Authority
PAG	Pima Association of Governments
RARF	Regional Area Road Fund, also known as the Maricopa County Excise Tax
RFTA	Revenue and Fuel Tax Administration
RTHP	Regional Transportation Highway Program
RTP	Regional Transportation Plan
RTPFP	Regional Transportation Plan Freeway Programs

Acronym	Description
SETIF	Safety Enforcement and Transportation Infrastructure Fund
SHF	State Highway Fund
STAN	Statewide Transportation Acceleration Needs
STB	State Transportation Board
STBG	Surface Transportation Block Grant Program
STIP	State Transportation Improvement Program
STP	Surface Transportation Program
TEU	Twenty-foot Equivalent Units
TIC	True Interest Costs
VLT	Vehicle License Tax