

# ARIZONA DEPARTMENT OF TRANSPORTATION POLICIES AND PROCEDURES

## FIN-5.01 HURF Exchange Program

Effective: October 1, 2017

Supersedes: None

Responsible Office: Financial Management Services,  
Office of the Chief Financial Officer

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### 1.01 PURPOSE

To ensure the timely and effective use of Highway User Revenue Fund (HURF) Exchange funds for the benefit of the traveling public. Due to the less restrictive and more flexible nature of HURF Exchange funding, projects are expected to cost less and progress much more rapidly than federal aid projects.

### 1.02 SCOPE / APPLICABILITY

This policy applies to the Arizona Department of Transportation's (ADOT) management of the HURF Exchange program, as well as ADOT's interactions with Arizona Councils of Governments (COG) and Metropolitan Planning Organizations (MPO) wishing to participate in the HURF Exchange program and any local project agency (LPA) wishing to receive HURF Exchange funding.

### 1.03 AUTHORITY

[A.R.S. § 28-6993\(G\)](#)

### 1.04 BACKGROUND

Annually, ADOT provides federal Surface Transportation Block Grant Program (STBGP) funding on a discretionary basis to Arizona's Councils of Governments (COG) and Metropolitan Planning Organizations (MPO), which then program the funds for specific local projects in the applicable region. To use STBGP funding, federal law requires LPAs to be "certified" by the Federal Highway Administration (FHWA) to administer federal aid projects. Since most cities/towns/counties with population of 200,000 or less receive very little federal funding, it is not cost effective to become certified. Therefore, these LPAs must contract with a certified entity (usually ADOT) to develop and construct federally funded projects.

The use of federal funding also requires compliance with certain federal environmental, procurement and other regulations. These requirements typically result in longer project duration and higher costs than if the project were built with non-federal funds.

ADOT routinely administers federally-funded projects and can generally deploy the discretionary federal funding quickly. In light of this, the COGs/MPOs and ADOT supported legislation in 1997 authorizing the exchange of HURF monies distributed to the State Highway Fund (SHF) for

COG/MPO STPBG funding. Known as “HURF Exchange,” this program is targeted to cities/towns/counties with population of 200,000 or less. It enables these LPAs to build projects using state funding, avoiding the expensive and time-consuming federal regulatory requirements. Because the HURF Exchange results in reduced costs and administrative burden for participating LPAs and transfers that burden to ADOT, the statute allows ADOT to pay \$.90 cents in SHF for each \$1 of federal funding exchanged.

The HURF Exchange program is offered at ADOT’s discretion.

## 1.05 DEFINITIONS AND ACRONYMS

<b>Apportionments</b>	Surface Transportation Block Grant Program (STBGP) funds provided by ADOT to COGs/MPOs on a discretionary basis.
<b>Authorization</b>	The approval by ADOT of the use of HURF Exchange funding for a project phase.
<b>Arizona Financial Information System (AFIS)</b>	The Arizona State accounting system
<b>Change in scope</b>	Any change to a project or project phase which increases the footprint or adds or decreases features to a project (for example: pedestrian bridge, roundabout, traffic signal, etc.).
<b>COG</b>	Council of Governments
<b>COG/MPO ledger</b>	The COG/MPO federal aid funding ledger. This document reflects the authorization status of projects in the current federal fiscal year, apportionments and obligation authority, transfers and loans, available and lapsing funds. Ledgers are prepared by ADOT Resource Administration for each COG/MPO and posted monthly on ADOT’s website at: <a href="http://www.azdot.gov/about/FinancialManagementServices/transportation-funding/federal-aid-highway-program">http://www.azdot.gov/about/FinancialManagementServices/transportation-funding/federal-aid-highway-program</a> .
<b>Date of Authorization</b>	The date on which the State approves the use of HURF Exchange funding for a Project phase. This is also the date on which HURF Exchange funded costs for the Project phase may begin to be incurred.
<b>Eligible Costs</b>	Costs directly associated with the design, acquisition or right of way, and construction of the project, including necessary safety items. Other items unavoidably required for the primary purpose of the project, which is to improve the efficiency and safety of motor vehicle travel on the roadway, may be considered part of the eligible costs.

	These items may include utility relocation, sidewalks, ADA ramps and safety features.
<b>Federal Highway Administration (FHWA)</b>	A division of the US Department of Transportation specializing in highway transportation
<b>Fiscal Management Information System (FMIS)</b>	FHWA’s major financial information system for tracking federally-funded projects
<b>Final Voucher unit</b>	FMS unit responsible for preparing a final project accounting for each project.
<b>Financial Management Services (FMS)</b>	ADOT division responsible for project funding, accounting, final vouchers, accounts receivable, accounts payable and other accounting and financial management functions.
<b>Fully executed IGA</b>	An IGA which has received all required approvals and opinions and has been signed by all parties.
<b>HURF Exchange sub-fund</b>	A sub-fund of the State Highway Fund (SHF) to which SHF monies are transferred for approved and authorized HURF Exchange projects.
<b>HURF Exchange Project Forms</b>	The following Excel forms prescribed by ADOT to be used by Project Sponsors for HURF Exchange projects, completed, approved and signed as required: <ul style="list-style-type: none"> <li>• HURF Exchange Project Scoping Form</li> <li>• HURF Exchange Project Cost Estimate</li> <li>• HURF Exchange Project and Draw Schedule</li> <li>• HURF Exchange Draw and Final Reimbursement Invoice</li> </ul>
<b>Ineligible costs</b>	Costs which are not eligible. Ineligible costs include, but are not limited to, the following: <ul style="list-style-type: none"> <li>• Maintenance, which is scheduled or unscheduled work that is performed to preserve existing infrastructure, in reaction to an event (crash) or season (potholes), or work requiring regular reoccurring attention, such as fence repair, culvert cleanouts, etc.</li> <li>• Scoping.</li> <li>• Costs incurred prior to date of finance authorization.</li> <li>• Any items outside of the project right of way.</li> <li>• Utility relocation which is not directly and unavoidably caused</li> </ul>

by the HURF Exchange project.

- Betterments of utilities.
- Any other costs which are not eligible costs as defined above.

<b>Infrastructure Delivery and Operations (IDO)</b>	ADOT division responsible for the management, design and construction of state and local transportation projects.
<b>IGA</b>	Intergovernmental agreement
<b>Maintenance</b>	Scheduled or unscheduled work that is performed to preserve existing infrastructure, in reaction to an event (such as an accident) or season (such as potholes), or work requiring regular reoccurring attention, such as fence repair, culvert cleanouts, and other ongoing work.
<b>Monthly Receipts and Expenditures Report</b>	A monthly report prepared by the General Ledger unit of ADOT Financial Management Services reflecting receipts and expenditures by fund/sub-fund.
<b>MPO</b>	Metropolitan Planning Organization
<b>Multimodal Planning Division (MPD)</b>	ADOT division responsible for managing the planning of the statewide transportation network.
<b>Obligation</b>	The application of State Highway Funds on a project phase in AFIS.
<b>Obligation Authority</b>	The amount of apportionments which may be obligated in a federal fiscal year. ADOT provides obligation authority, on a discretionary basis, to COGs/MPOs.
<b>Project Sponsor</b>	The Arizona city, town or county with which ADOT will enter into an IGA for the HURF Exchange project.
<b>Resource Administration Database</b>	The Access database used by Resource Administration to track federal aid and HURF Exchange funding and produce the COG/MPO ledgers.
<b>Resource Administration</b>	ADOT's Financial Management Services Resource Administration unit, which processes and obligates project funding.
<b>Substantial completion</b>	The Project is substantially complete when all of the following have occurred: <ol style="list-style-type: none"> <li>a. All lanes of traffic of the completed project are finished and accepted and traffic can move unimpeded through the project at the posted speed;</li> </ol>

- b. All signage is in place and accepted;
- c. All guardrails, drainage devices, ditches, excavation and embankment have been accepted; and
- d. The only work left for completion is incidental, away from the paved portion of the road, and does not affect the safety or convenience of the traveling public.

**Surface Transportation Block Grant Program (STBGP)**

A category of funding under the federal aid highway program. The subcategories of STBGP applicable to the HURF Exchange program are Under 200,000 population and Under 5,000 population. These categories appear on the COG/MPO ledgers as “STP Other.”

**TIP** Transportation Improvement Plan

**1.06 POLICY**

**A. Availability and Amount**

1. Availability of the HURF Exchange Program is at ADOT’s discretion. ADOT reserves the right to discontinue the program at any time. Appropriations, transfers, distributions or revenue shortfalls which diminish SHF revenues may result in the immediate discontinuation of the program.
2. The amount of HURF Exchange available will be determined annually in conjunction with the development of the ADOT Five Year Transportation Facilities Construction Program (5-year Program).
3. The only types of federal aid eligible for exchange are the Under 200,000 population and Under 5,000 population categories of STBGP provided to COGs/MPOs. The annual amount of HURF Exchange available to each COG/MPO for programming will be based on its pro-rata share of discretionary funding in these categories.
4. Federal aid apportionments and obligation authority will be exchanged for SHF based on the process discussed in Section 1.06.E. The HURF Exchange rate is \$.90 in SHF for each \$1.00 in federal obligation authority exchanged.
5. All discretionary funding, including federal aid and HURF Exchange funds, must be transferred or loaned to another COG/MPO or ADOT by March 31, or obligated to projects by June 30, of each fiscal year. Any funding remaining at July 1 will revert to ADOT.

**B. Funds Management**

1. STBGP funds will be converted to HURF Exchange funding only at the time an approved HURF Exchange project phase seeks finance authorization. Conversions not associated with a HURF Exchange project finance authorization will not be processed.

2. HURF Exchanges and HURF Exchange project transactions will be reflected on the COG/MPO federal aid funding ledgers produced by the ADOT Resource Administration database.
3. ADOT General Ledger will transfer funding from the SHF into the HURF Exchange sub-fund as each project phase is authorized. An exhibit for the HURF Exchange sub-fund will be presented in the Monthly Receipts and Expenditures Report.
4. A monthly reconciliation will be performed by ADOT Resource Administration of the AFIS HURF Exchange sub-fund and the Resource Administration database.
5. HURF Exchange projects will be subject to ADOT’s Inactive Project Obligation policy and procedures, which includes inactive projects.

**C. Eligible Entities, Projects and Costs**

1. Entities eligible for HURF Exchange funding include Arizona cities, towns and counties with population of 200,000 or less, according to the most recent annual population estimates produced by the Arizona Department of Administration pursuant to Executive Order 2011-04, and unincorporated areas.
2. To be eligible for the HURF Exchange program, a project must:
  - a. Have as its primary purpose the improvement of the efficiency, reliability and safety of the traveling public;
  - b. Be on the federal aid system and be eligible for federal STBGP funding (limits eligibility to projects on roads classified as rural minor collectors or above; projects on local roads are not eligible);
  - c. Have all phase(s) approved by the COG/MPO Technical Advisory Committee and be programmed as HURF Exchange in the approved, fiscally-constrained portion of the Transportation Improvement Plan (TIP); and
  - d. Demonstrate a realistic schedule indicating all phases of the project will be completed within three years of the date of finance authorization of the design phase.
3. HURF Exchange funds may be used only for Eligible Costs directly related to the design, right of way and construction of eligible HURF Exchange projects. Ineligible costs are the responsibility of the Project Sponsor and include, but are not limited to, the following:
  - Maintenance.
  - Scoping.
  - Costs incurred prior to date of finance authorization.
  - Any items outside of the project right of way.

- Utility relocation which is not directly and unavoidably caused by the HURF Exchange project.
  - Betterments of utilities.
  - Any other costs which are not defined as Eligible Costs.
4. Project phases authorized with federal aid prior to October 1, 2017 are not eligible for HURF Exchange funding. The phase must be completed with its current funding type.
  5. Subsequent phases of federally-funded projects authorized prior to October 1, 2017 are eligible for HURF Exchange funding, subject to applicable federal requirements. These projects may still be subject to oversight by ADOT and/or the Federal Highway Administration (FHWA).
  6. As of the effective date of this Policy, all new projects, and each phase thereof, must be programmed with HURF Exchange **or** federal funds, either of which may include local funds. After October 1, 2017, any new projects authorized with federal funds will not be eligible for HURF Exchange.

#### **D. Project Initiation and Intergovernmental Agreements (IGA)**

1. All HURF Exchange projects require an IGA and must be initiated through the ADOT Local Public Agency (LPA) section. The Project Sponsor will request project initiation and must provide the following HURF Exchange Project forms, completed, approved and signed as required:
  - a. Project Initiation Letter
  - b. HURF Exchange Project Scoping Form
  - c. HURF Exchange Project Cost Estimate
  - d. HURF Exchange Project and Draw Schedule
  - e. In addition, the initiation request must also include a map showing the project location and the functional classification of the roadway, a copy of the transportation improvement plan (TIP) listing reflecting the HURF Exchange programming and any other documents which may be required.

For each phase of the project, additional documents will also be required at the time of authorization of the phase based on the delivery method as discussed in Section E, Finance Authorization.

2. Upon receipt of a complete submission, the LPA Section will:
  - a. Establish an ADOT project number and assign an ADOT Project Manager (ADOT PM), and

- b.** Initiate an IGA, which must be fully executed before the project can seek authorization.
- 3.** The ADOT PM will review any projects funded with federal aid prior to the effective date of this Policy with FHWA to identify applicable federal requirements. The ADOT PM will request a list of such requirements in writing for incorporation into the IGA.
- 4.** The ADOT PM will also review the project scope to identify any ineligible costs under the HURF Exchange program. Such costs will be the responsibility of the Project Sponsor.
- 5.** Changes in the project scope, schedule or budget will require amendment of the IGA. To help avoid this, ADOT PMs should carefully review and discuss project documentation with Project Sponsors to ensure the project scope can actually be completed on time and with the funding provided.
- 6.** A fully executed IGA does not guarantee funding or constitute permission to begin work. The Project Sponsor must request and receive authorization for each project phase in advance of starting work as discussed in Section E, Finance Authorization. Expenditures incurred prior to the date of finance authorization of the applicable phase are not eligible for HURF Exchange.

#### **E. Finance Authorization**

- 1.** Upon full execution of the IGA, the Project Sponsor may request authorization for each project phase based on the schedule in the IGA. Subsequent phases will not be authorized until preceding phases are completed, with the exception of a right of way phase that must be undertaken concurrently with design.
- 2.** Each phase of a HURF Exchange project must be ready to proceed and Project Sponsors must submit the authorization request to the ADOT PM no later than May 15<sup>th</sup> of the fiscal year in which the phase is programmed. The ADOT PM will process authorization requests promptly to ensure authorization can be affected by June 30<sup>th</sup>. Funding for project phases which cannot proceed pursuant to this schedule will not be obligated. In such circumstances, the IGA will terminate and the applicable COG/MPO is responsible for transferring or loaning the funds to another COG/MPO or ADOT by March 31, or programming it to other projects which can authorize by June 30 of the applicable fiscal year. Any remaining funding will revert to ADOT on July 1.
- 3.** Depending on the delivery method, the following documents must accompany the authorization request for each project phase:
  - a.** HURF Exchange Project Cost Estimate (if different from that submitted in section D.1)
  - b.** HURF Exchange Project and Draw Schedule (if different from that submitted in section D.1)

- c. A copy of the transportation improvement plan (TIP) listing reflecting the HURF Exchange programming for the phase.
- d. For projects performed using the Project Sponsor’s own forces, the HURF Exchange invoice requesting the first 30% draw of HURF Exchange funding should also be submitted at this time.

Depending on the nature of the work, other documents may also be requested by the ADOT PM.

4. Upon receipt of a complete authorization submission, the ADOT PM will prepare a Project Funding Request (PFR) for the applicable phase of the project, checking the HURF Exchange box. The PFR, including all the documents listed in subsection 3 above, will be emailed to the ADOT Resource Administration email box no later than May 31st.
5. Upon receipt of a complete and accurate PFR, Resource Administration will review the project phase information to ensure eligibility under the HURF Exchange program. Once eligibility is confirmed, Resource Administration will transfer 100% of the federal apportionments and obligation authority from the applicable COG/MPO ledger to ADOT. This transaction will appear as a “transfer out” on the ledger.
6. Resource Administration will next transfer HURF Exchange funding to the COG/MPO at 90% of the federal obligation authority transferred to ADOT for the project phase. This transaction will appear as a “transfer in” of HURF Exchange funding on the COG/MPO ledger.
7. Resource Administration will record the Expected Draw Dates and amount for each HURF Exchange project and project phase in the HURF Exchange Invoice Log.
8. For projects with federally-funded phases authorized prior to the effective date of this policy, Resource Administration will also amend the end date of the project in FMIS and AFIS based on the schedule reflected in the IGA.
9. Upon completion of the ledger transfers, Resource Administration will approve the PFR and notify ADOT General Ledger by email to transfer the HURF Exchange amount for the applicable project phase from the SHF to the HURF Exchange sub-fund.
10. General Ledger will notify Resource Administration by email when the transfer is complete.
11. Upon notification from General Ledger of the completion of the transfer, Resource Administration will obligate the HURF Exchange funds on the applicable project phase, establish the project phase budget in AFIS and inform the ADOT PM via email the project phase is open. Resource Administration will also copy the LPA section group email box.

12. For projects performed using the Project Sponsor's own forces, Resource Administration will approve and forward the HURF Exchange invoice requesting the first 30% draw to Accounts Payable for payment.
13. Resource Administration will update the HURF Exchange Invoice Log with the date the invoice was received, approved and sent to Accounts Payable.
15. Within five business days of the receipt of the email from Resource Administration, the ADOT PM will provide a Notice To Proceed to the Project Sponsor, indicating that the project phase may be advertised, consultants may be selected or work can begin.
16. Project Sponsors must begin work, initiate selection of consultants/contractors or advertise the project, as applicable, within 60 days of the date of authorization.
17. Within 60 days of the selection of consultants or the award of a contract for each project phase, as applicable, Project Sponsors are required to submit the final itemized project scope, budget and schedule including the dates the work will start and end and the anticipated dates of each progress payment request. The submission is to include the consultant scope with itemized costs, or the itemized cost breakout for the awarded contract, as applicable. IGA amendments may be required if the final, itemized project budget, scope, and schedule varies from that reflected in the IGA. A TIP amendment may also be required.
18. For all project phases, after deducting ineligible costs, if the final project phase amount is less than the amount authorized, the ADOT PM will inform Resource Administration via email, which will release the excess HURF Exchange funding from the project phase and return it to the COG/MPO. This transaction will be reflected on the applicable COG/MPO ledger as a credit in the HURF Exchange column. These funds must be transferred or loaned to another COG/MPO or ADOT by March 31, or obligated to other projects by June 30, of the fiscal year in which the funding is released.  
  
If the final, itemized project phase amount is greater than the amount of HURF exchange funding obligated, the Project Sponsor is responsible for the difference.
19. As each subsequent phase is authorized and the final 10% HURF Exchange payment has been made pursuant to Section 1.06.F.1.d, any preceding phases will be closed in AFIS pursuant to ADOT's Project Obligation policy and any remaining funds will be returned to the COG/MPO for reprogramming. These funds must be transferred or loaned to another COG/MPO or ADOT by March 31, or obligated to projects by June 30, of the fiscal year in which the funding is released.

#### **F. Project Billing**

1. The invoicing schedule for each phase of HURF Exchange projects will follow a standard protocol of 30%/30%/30%/10%:

- a. Prior to the start of the phase - the Project Sponsor will submit to the ADOT PM HURF Exchange Draw and Final Reimbursement Invoice for 30% of the HURF Exchange funding for that phase. After adjusting the project phase budget as discussed in Section 1.06.E.12, ADOT will advance 30% of the HURF Exchange amount to the Project Sponsor within 30 days of receipt and approval of the invoice and documents required in Sections 1.06.E.3.a and 1.06.E.12.
  - b. At 30% completion of the phase work – at least 30 days but not more than 60 days prior to when the funds will be needed, the Project Sponsor will submit to the ADOT PM a HURF Exchange Draw and Final Reimbursement Invoice for an additional 30% of the HURF Exchange funding. The invoice must include copies of project phase invoices received and/or expenses incurred and paid to date which demonstrate the work is progressing to the 30% mark. ADOT will advance the next 30% to the Project Sponsor within 30 days of receipt and approval of the invoice and accompanying documentation.
  - c. At 60% completion of the phase work - at least 30 days but not more than 60 days prior to when the funds will be needed, the Project Sponsor will submit to the ADOT PM a HURF Exchange Draw and Final Reimbursement Invoice for an additional 30% of the HURF Exchange funding. The invoice must include copies of project phase invoices received and/or expenses incurred and paid to date which demonstrate the work is progressing to the 60% mark. ADOT will advance the next 30% to the Project Sponsor within 30 days of receipt and approval of the invoice and accompanying documentation.
  - d. Final 10%:
    - i. For Projects involving multiple phases – the final 10% for each phase, except for the last, will be reimbursed within 30 days of the receipt and approval of a HURF Exchange Draw and Final Reimbursement Invoice and documentation demonstrating the phase is completed.
    - ii. At final Project completion - The final 10% of HURF Exchange funding will be reimbursed as outlined in the Section G, Project Close-out.
2. Projects are expected to progress according to the scope, schedule and budget in the IGA and submitted pursuant to Sections 1.06.E.3.a and 1.06.E.11. In accordance with ADOT Inactive Project Obligation policies and procedures, Project Sponsors will be required to justify the viability of those projects which do not demonstrate adequate progress. If such justification is not provided, the funding will be deobligated by ADOT. Deobligated HURF Exchange funds will be credited to the applicable COG/MPO and must be transferred or loaned to another COG/MPO or ADOT by March 31, or obligated to projects by June 30 of the fiscal year in which the funds are credited.
  3. Expenditures made prior to the date of finance authorization are not eligible for HURF Exchange.

4. All HURF Exchange submissions and invoices are to be submitted to the assigned ADOT PM, who is responsible for reviewing, approving and forwarding invoices to FMS for payment within 10 days of receipt.
5. Any invoicing protocol proposed for the IGA which varies from the 30%/30%/30%/10% structure must be approved in advance in writing by the ADOT Chief Financial Officer.

#### **G. Project Close-out**

1. Within 15 days of substantial completion of the construction phase, the Project Sponsor is to notify the ADOT PM. The PM will notify the applicable ADOT district the project is substantially complete and will schedule a final project walk-through.
2. The Project Sponsor, applicable COG/MPO and an ADOT district representative (and possibly FHWA if federal funds were used to design the project) must complete the final project walk-through before the close-out package is submitted.
3. Within 60 days of the completion of the project, the Project Sponsor will submit the close-out package to the ADOT PM. The close-out package must include a HURF Exchange Draw and Final Reimbursement Invoice for the final 10%, the Project Acceptance letter from the Project Sponsor to the contractor, and a close-out letter to ADOT.
4. The ADOT PM will review and approve the close-out package and submit it to Resource Administration.
5. Resource Administration will review the close-out package to ensure all documentation has been received. Upon confirmation, Resource Administration will forward the close-out package to the FMS Final Voucher unit.
6. A final voucher review will be conducted on all HURF Exchange projects. ADOT will reimburse the final 10% of the cost of the project to the Project Sponsor within 30 days of the completion of the final voucher. Upon payment of the final 10%, the project will be closed out in AFIS, any remaining funding will be released from the project and no further invoices will be processed.
7. Any released funding will be returned to the COG/MPO, and will appear as a credit to the project in the HURF Exchange section on the COG/MPO ledger. The released funds must be transferred or loaned to another COG/MPO or ADOT by March 31, or obligated to projects by June 30 of the fiscal year in which the funds are credited.

#### **H. Miscellaneous**

1. Any HURF Exchange funds deobligated, released or otherwise removed from projects will be returned to the applicable COG/MPO for reprogramming. The funding will appear on the ledger as a credit to the project in the HURF Exchange section on the COG/MPO ledger. The released funding must be transferred or loaned to another

COG/MPO or ADOT by March 31, or obligated to projects by June 30, of the fiscal year in which the funds are released. Any remaining funding will revert to ADOT on July 1.

2. ADOT employees are required to track their time on each HURF Exchange project using the administrative phase. These costs will not be billed to Project Sponsors without amendment of this policy in advance.
3. Total duration of a HURF Exchange project is a maximum of three years, including all phases:
  - a. If a project has not reached substantial completion within three years of the date of finance authorization of the first HURF Exchange funded phase, the Project Sponsor must repay all HURF Exchange funds to ADOT. Upon receipt of an invoice from ADOT, the Project Sponsor has 30 days to remit the full amount.
  - b. If a project developed (including Right of Way acquisition) with HURF Exchange funds is not constructed within two years of the completion of design, the Project Sponsor must repay all HURF Exchange funds to ADOT. Upon receipt of an invoice from ADOT, the Project Sponsor has 30 days to remit the full amount.

Any repaid funds will be deposited in the HURF Exchange sub-fund of the SHF and will be credited to the applicable COG/MPO to be transferred or loaned to another COG/MPO or ADOT by March 31, or obligated to projects by June 30 of fiscal year in which the funds were repaid. The returned funds will appear on the ledger as a credit to the project in the HURF Exchange section.

4. Project Sponsors are required to retain all records related to a HURF Exchange project for a period of five years after the date of the final payment of HURF Exchange funding from ADOT.
5. All HURF Exchange projects are subject to audit. ADOT may refer projects to the State Auditor General or ADOT's Internal Audit unit in cases of suspected misuse of HURF Exchange funding.
6. Any HURF Exchange funding used for ineligible costs or purposes, or otherwise misused, must be repaid by the Project Sponsor within 30 days of receipt of an invoice from ADOT. The repaid funds will be credited to the applicable COG/MPO to be transferred or loaned to another COG/MPO or ADOT by March 31 or obligated to projects by June 30 of the fiscal year in which the funds were repaid.
7. ADOT reserves the right to refuse to enter into further HURF Exchange transactions with a Project Sponsor which owes repayment of previous HURF Exchange funding or has misused funds.
8. ADOT assumes no liability or financial responsibility for HURF Exchange projects. Project Sponsors are solely responsible for complying with all applicable laws, rules and

regulations, for any additional funding required to complete the project and for any claims due to delays, change orders or any other circumstances.

#### **I. Shutdown Process**

1. Certain situations result in the diminishment of SHF revenues, and may result in the immediate discontinuation of the program. These include, but are not limited to: appropriations, transfers, or distributions of HURF or SHF funds; legislative fund sweeps; declining revenues or revenue shortfalls; delays in federal reimbursements; significant changes in federal aid funding or pro rata match requirements; and economic or market conditions. In such situations, ADOT may choose to discontinue the HURF Exchange program.
2. ADOT will implement a shutdown process as follows:
  - a. FMS will determine the effective date of the shutdown.
  - b. FMS will notify IDO, MPD, the JPA group and the COGs/MPOs of the shutdown date as soon as possible.
  - c. HURF Exchange IGAs which are fully executed as of the shutdown date will be honored. No further HURF Exchange IGAs will be executed or initiated after the shutdown date.
  - d. COGs/MPOs must reprogram any remaining HURF Exchange projects with federal aid within 60 days of the shutdown date. All applicable federal requirements will apply.
  - e. All federal aid projects (with the exception of those of CA agencies) will be administered by ADOT. ADOT staff will charge their time directly to the projects and the Project Sponsor will be billed for these charges.
  - f. The March 31 deadline for the transfer or loan to another COG/MPO or ADOT and the June 30 deadline for obligation of funds to projects and reversion to ADOT on July 1 will continue to apply.

#### **1.07 CORRESPONDING POLICIES AND DOCUMENTATION**

Executive Order 2011-04, Designating the Arizona Department of Administration as the State Agency Responsible for Preparing Official Population Estimates and Projections for the State of Arizona

Arizona Department of Administration, Office of Economic Opportunity - State, County and Place Level Population Estimates: <https://population.az.gov/population-estimates>

FIN-2.01 Funds Control Policy

FIN-5.09 Charging/Distributing Costs to Local, State and Federal Projects

MGT-14.01 Department-wide Agreement Policy

ADOT Local Public Agency Projects Manual: <http://azdot.gov/docs/default-source/business/lpa-manual.pdf?sfvrsn=50>

ADOT Project Development Process Manual: <http://azdot.gov/docs/projects/project-development-process.pdf?sfvrsn=0>

ADOT Project Funding Request

ADOT Inactive Project Obligation policy and procedures

State of Arizona Accounting Manual: <https://gao.az.gov/publications/SAAM/>

Functional Classification Maps: <http://www.azdot.gov/maps/functional-classification-maps>