ADOT HURF Exchange Program and Inactive Policy

HURF Exchange Program History

- Created by Legislature in 1997:
  - Program is at ADOT's discretion
  - Targeted to rural cities, towns, and counties
  - Authorizes ADOT to provide State Highway Funds (SHF) in exchange for federal aid; only legal use of SHF on local projects
  - Minimum exchange rate of 90¢/$1
  - Projects must be on federal aid system (no local roads)
- Primarily used for construction phase
- Program active 1998-2009 (last project completed in 2014)
- Extremely popular with project sponsors and ADOT - facilitated 145 projects exceeding $91 million
- Suspended in 2009 because SHF revenues declined so precipitously and ADOT could no longer afford the program

Historical Utilization by COG/MPO

COG/MPO	Total HURF Exchange $ Paid Out	# of Projects	Average Project Size ($)
CAG	11,493,081.45	38	302,449.51
CYMPO	1,316,373.00	2	658,186.50
FMPO	2,006,459.28	5	401,291.86
MAG	320,394.43	1	320,394.43
NACOG	18,953,257.13	40	473,831.43
PAG	26,419,484.18	13	2,032,268.01
SEAGO	9,982,072.90	5	1,996,414.58
WACOG	13,102,205.06	31	422,651.78
YMPO	7,561,414.52	10	756,141.45
Total	**$ 91,154,741.95**	**145**	**$ 628,653.39**

Issues Under Previous Program

- Informal approach to program management:
    - No formal agency policy or procedures
    - Limited historical/institutional knowledge following 8-yr suspension
    - Lack of clarity regarding types of fed aid, eligible recipients, etc.

- Limited visibility and understanding regarding SHF impacts and risks

- Inactive projects despite less onerous requirements:
    - Lack of emphasis regarding project delivery expectation and accountability
    - No finance feedback mechanism to project sponsors and COGs/MPOs
    - Problems obtaining close out information and closing projects timely

HURF Exchange Program 2.0

- New ADOT policy FIN 5.01 - establishes a clear expectation of timely project delivery
- Effective 10/1/17 (Federal Fiscal Year 18)
- Limited to discretionary federal aid only (Under 200K and Under 5K STBGP population only)
- Swap rate remains 90¢/$1
- COG/MPO project ledgers will reflect all HURF Exchange transactions
- Current policies and procedures used for federal aid projects will also apply to HURF Exchange:
  - Loan/transfer executed by March 31st
  - Authorization requests submitted by May 15th
  - Use or lose by June 30th
  - Inactive project management
- ADOT can suspend the program if SHF revenues decline due to appropriations, transfers or special distributions

HURF Exchange Program 2.0, cont.

- Amount available for the next five years will be determined annually in conjunction with the development of the ADOT 5-year program
- All work phases eligible; some federal requirements still apply in construction if federal aid used in design (NEPA, Buy America)
- Currently underway projects phases not eligible
- Final voucher to be conducted on all projects
- Projects subject to audit

HURF Exchange Program 2.0, cont.

- Suspension process is included in policy
- Repayment required if project not built within 2 years of completion of HURF exchange-funded design
- ADOT may choose not to engage in a HURF Exchange in cases of misuse of, or failure to repay, HURF Exchange funding
- Project which cannot make progress may be deobligated after consultation with local agency and appropriate COG/MPO
- De-obligated or released funds returned to COG/MPO for reprogramming
- HURF Exchange follows ADOT Inactive Policy, projects are tracked for progress. ADOT works with PM to identify projects going inactive and work with local agency to get project on track

HURF Exchange Eligible Projects and Costs

- Eligible projects:
  - Primary purpose is improvement of efficiency and safety of motor vehicle travel on roadways;
  - On the federal aid system (no local roads) and eligible for STBGP funding in Under 200K and Under 5K population categories;
  - All phase(s) programmed in approved, fiscally-constrained TIP; and
  - All phase(s) approved by the COG/MPO Technical Advisory Committee.

- Ineligible costs:
  - Maintenance
  - Scoping
  - Incurred prior to date of finance authorization
  - Items outside project right of way
  - Utility work not directly and unavoidably related to the project
  - Betterments for utilities.

HURF Exchange Eligible Entities

- Population figures used for HURF Exchange are:
  - 2010 Federal Census – used for determination of STBGP < 5,000 and STBGP 5,000 to 200,000 funding – allocated based on regional planning area
  - Arizona Office of Economic Opportunity – per Executive Order 2011-04, the population estimates provided by AOEO have to be used in determining usage of State Highway Funds

- Example of Population Calculations:
  - Unincorporated population of Pinal County based on 2017 AOEO numbers: 219,026
  - This population is then allocated to each planning region in Pinal County (CAG, MAG, SCMPO) based on the percentage of the unincorporated population in each planning region in 2010
  - For example, SCMPO was 16.95% of the total, applied to the 219,026 comes up with 37,125 for unincorporated Pinal County in SCMPO, therefore they would be an eligible HURF Exchange entity

HURF Exchange Eligible Entities, cont.

- Eligible Entities:
  - All cities and towns not located within the federally defined Phoenix/Mesa and Tucson Urbanized Areas and unincorporated portions of counties within a regional planning area with 200,000 or fewer residents

- Ineligible Entities:
  - Cities and towns located within the Phoenix/Mesa or Tucson Urbanized Areas – these entities are factored in the STBGP funding for areas of greater than 200,000 population (Urban STBGP) and that funding is not part of the HURF Exchange
  - Tribal entities are not eligible as direct recipients of HURF Exchange funding, but may work with eligible project sponsors

HURF Exchange Eligible Entities, cont.
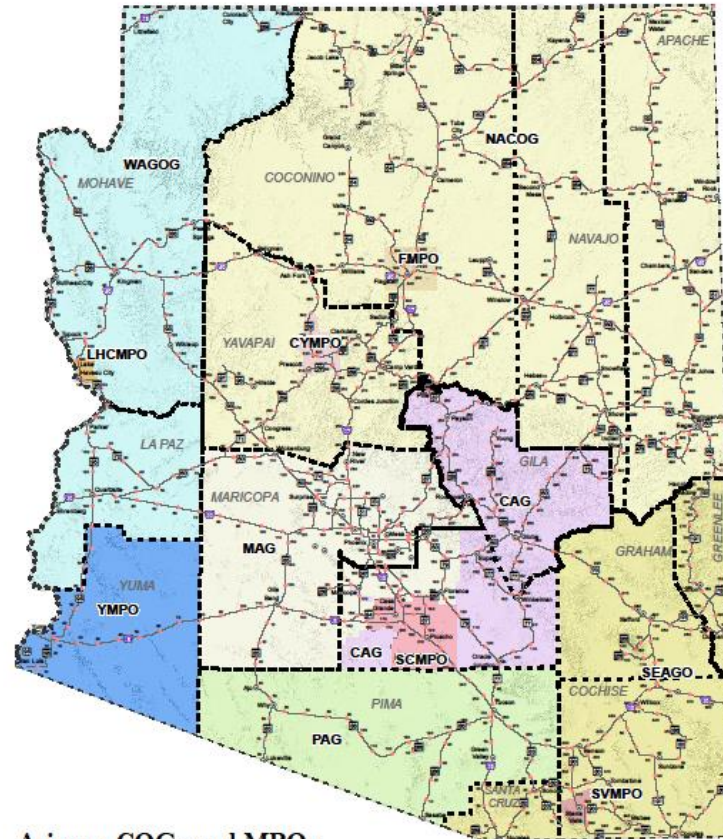
Arizona COGs and MPOs
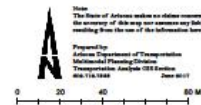
HURF Exchange Program Benefits

- Less restrictive design and construction standards
- Fewer requirements
- Less project oversight
- Lower project costs
- Self-administered as opposed to ADOT-administered
- Constructed and open to traffic more quickly than federal aid projects
- Fewer projects for ADOT to administer
- 90% of funds received up-front (by phase) instead of reimbursed*
- Less than half of states have swap programs

*Final 10% is a reimbursement

HURF Exchange Program Risks

- Subject to several risks associated with the State Highway Fund:
  - o Fund sweeps, appropriation, transfer and distributions
  - o HURF revenue performance
  - o Timely and continuous receipt of federal aid reimbursements
  - o Significant changes in federal aid or pro rata match requirements
  - o Economic/market conditions

- Loss of federal aid project delivery knowledge and experience in local agencies

HURF Exchange Program Rollout

- Policy, Intergovernmental Agreement (IGA) and related documents) developed and reviewed by internal stakeholders (Project Management Group, various technical sections, Local Public Agency section, FMS, Communications, Government Relations and Attorney General's office)
- ADOT has held numerous presentations of the planned HURF Exchange program:
  - Jan 2017 – Brief overview to senior ADOT staff
  - Mar 2017 – COG/MPO Planner Meeting, EDC Stakeholder Meeting (attended by some large cities)
  - Apr 2017 – Road and Streets, Yuma MPO TAC meeting
  - Jun 2017 – MAG Streets Committee
  - Aug 2017 – ADOT District Presentation, North AZ COG TAC meeting
  - Nov 2017 – Director/Governor's Office
- ADOT has planned presentations/webinars for the rollout of the HURF Exchange program:
  - Dec 2017/Jan 2018 – League of Cities and Towns, Rural Transportation Advisory Council, County Supervisor Association
  - Jan 2018 – Webinar for ADOT staff, COGs/MPOs and local agencies

HURF Exchange Project Initiation

HURF EXCHANGE PROJECT INITIATION SAMPLE LETTER
Place on Sponsoring Agency's Letterhead
*Note: All items in red should be removed and replaced with the required information prior to submission to the ADOT Local Public Agency Section.

(Insert Date)

ADOT Local Public Agency Section
205 S. 17th Ave. Mail Drop EM11
Phoenix, AZ 85007

Re: **Request for Local Government Project Initiation**
       Sponsoring Agency:
       Project Name:
       COG/MPO:
       COG/MPO TIP ID Number:
       Approved for Fiscal Year(s):
       Funding Type: HURF Exchange

To Whom It May Concern:

On behalf of the **(Insert sponsoring agency's name)**, I am writing to request initiation of a HURF Exchange pro and assignment of an ADOT project number and Project Manager for the above referenced project.

All phases of this project have been approved and programmed for HURF Exchange funding in the total amou of $ **(Insert total amount of requested funding).**

Attachments to this Request include:
*Note: All initiation requests that are submitted to the ADOT Local Public Agency Section will be returned *without* action unless all items listed below are submitted with this initiation letter.

☐ Completed HURF Exchange Project Scoping Form
☐ Completed HURF Exchange Project Cost Estimate Form
☐ Completed HURF Exchange Project and Draw Schedule Form
☐ ADOT Functional Classification Map (available at https://www.azdot.gov/maps/functional-classificatio maps)
☐ A legible copy of the local MPO/COG TIP page, with project highlighted and all phases shown in the fiscally constrained portion of the TIP

Please contact us if you have any questions regarding this request or require additional information. Thank yo

Sincerely,

Project Manager Name
Title
Agency
Address
City, AZ, Zip code
Phone Number
Email address

- Submitted to ADOT LPA Section to request project establishment
- All required forms must be submitted with initiation request
- Please include legible copy of approved TIP showing project programmed
- Please include functional classification map showing roadway classification
- Once package is received and verified will begin project establishment process and development of IGA
- After project authorization will appear on COG/MPO ledger in HURF Exchange column
- If project is not approved, ADOT LPA Section will inform local agency

HURF Exchange Project Scoping Form

HURF Exchange Project Scoping Form			
Note: The Project Scoping Form, Project Cost Estimate and Project and Draw Schedule forms (all contained in this file) must be completed and submitted with the project initiation request. Eash phase requires advanced authorization by ADOT. HURF Exchange funding may not be combined with federal aid.			

INSTRUCTIONS: This form is required to accompany a HURF Exchange Project Initiation request.	**Enter information into GREEN CELLS**		
PROJECT INFORMATION (information provided in this section will auto-populate to the Project Cost Estimate and Draw Schedule tabs)			
Project Sponsor			
Sponsor Contact			
Contact Phone #			
Contact Email			
Project Name			
Project Location			
Functional Classification (select from list)			
Termini Begin/End			
ADOT District (select from list)			
ADOT USE ONLY			
ADOT Project Number (5 digit)		IGA Number	
Funding Information			
COG/MPO (select from list)			

TIP Informtaion	Description	Design	Right of Way	Construction
	Year Programmed			
	TIP Number			
	HURF Exchange Amount			
	Sponsor Amount			
	Total Amount	**$0.00**	**$0.00**	**$0.00**

Scope of Work Summary	
Delivery Method (select from list)	
Scoping document attached? (select from list)	
Major Items of Work (press Alt-Tab to create a new line; press Alt-Tab-Tab to create a new paragraph)	

- Included with Project Initiation package submitted to ADOT LPA Section
- Provides brief overview of project
- Shows funding by type, phase and year

HURF Exchange Cost Estimate Form

HURF Exchange Project Cost Estimate

Note: The use of HURF Exchange funding for any phase requires submission of the following information and authorization by ADOT. HURF Exchange funding may not be combined with federal aid.

INSTRUCTIONS: This form is required to accompany a HURF Exchange Project Initiation request. List all items necessary to develop and construct the project. The sponsoring agency is responsible for verifying all costs and their accuracy. Construction cost overruns will be the responsibility of the sponsoring agency.

Enter values into GREEN CELLS

PROJECT INFORMATION
(information provided in this section will auto-populate to the Project and Draw Schedule tab)

Project Sponsor	
Project Sponsor Contact Name, Number and Email	
Project Name	
Project Location	
Functional Classification	
Termini Begin/End	
COG/MPO and TIP Number	

ADOT USE ONLY	ADOT Project Number	

STAGE I – SCOPING (15% Preliminary Design)
NOT ELIGIBLE FOR HURF EXCHANGE FUNDING

STAGES II, III, IV and V - DESIGN

DESIGN COSTS

ITEM DESCRIPTION	UNIT	QUANTITY	UNIT PRICE	TOTAL
PS&E's - Plans, Special Provisions, Cost Estimates & Schedules (10%-20% of construction cost.)	Lump Sum	1		$0.00
GEOTECHNICAL INVESTIGATION (If a report is necessary, anticipate 5% of construction cost) Includes testing, Geotech Report, Materials & Pavement Design Report) *Enter $0 in Unit Price column if none required.*	Lump Sum	1		$0.00
DRAINAGE REPORT (If a report is necessary, anticipate 5% of construction cost) *Enter $0 in Unit Price column if none required)*	Lump Sum	1		$0.00
STORM WATER POLLUTION PREVENTION PLAN (Required if there is over 1 acre of total disturbance, 1% of construction cost) *Enter $0 in Unit Price column if none required.*	Lump Sum	1		$0.00
SUBTOTAL – PROJECT DESIGN COSTS This Tool calculates costs with HURF Exchange Funds at 100% and Sponsor Additional Funds at 0%. Adjust the amounts in these two columns if a different cost share applies.				**$0.00**

- Included with Project Initiation package submitted to ADOT LPA Section
- Allows project to be line itemed out for major work activities
- Sections for design, right of way, and construction
- Fund sourcing between HURF funding and local dollars
- Ensures project is fiscally constrained and able to be delivered

HURF Exchange Project & Draw Schedule

HURF Exchange Project and Draw Schedules

Note: The use of HURF Exchange funding for any phase requires submission of the following Project and Draw Schedule, and authorization by ADOT. HURF Exchange funding may not be combined with federal aid.

INSTRUCTIONS: This form is required to accompany a HURF Exchange Project Initiation request. Enter the Estimated Completion Dates as requested for each Stage of Development and Construction. Also enter the Expected Draw Dates for both phases. Draw date amounts are calculated based on Project Totals on the Project Cost Estimate tab.

Enter dates into GREEN CELLS

Project Information
(fields below will auto-populate based on information entered on the Project Cost Estimate tab)

Project Sponsor	0
Project Sponsor Contact Info	0
Project Name	0
Project Location	0
Functional Classification	0
Termini Begin/End	0
COG/MPO and TIP Number	0

ADOT USE ONLY	ADOT Project Number	0

Project Development

Development Schedule		HURF Exchange Funding Draw Schedule		
Stage	Estimated Completion Date	Draw %	Amount	Expected Draw Date
Authorization Request		30%	$ -	
Start of Work		30%	$ -	
Stage II		30%	$ -	
Stage III		10%	$ -	*
Stage IV		Total	$ -	
Bid Ready				

Right of Way

Acquisition Schedule		HURF Exchange Funding Draw Schedule		
Activity	Estimated Completion Date	Draw %	Amount	Expected Draw Date
Start of Work		30%	$ -	
Authorization Request		30%	$ -	
All Parcels Acquired By		30%	$ -	
		10%	$ -	*
		Total	$ -	

Construction

Construction Schedule		HURF Exchange Funding Draw Schedule		
Activity	Estimated Completion Date	Draw %	Amount	Expected Draw Date
Authorization Request		30%	$ -	
Start of Work		30%	$ -	
Bid Advertisement		30%	$ -	
Bid Opening		10%	$ -	*
Bid Award		Total	$ -	
Notice to Proceed				
Substantial Completion				
Final Project Walk-through				
Final Acceptance				

* The Final 10% is reimbursed to the Sponsor as follows:

‣ For projects involving multiple phases funded with HURF Exchange - the final 10% for each phase, except for the last, will be reimbursed within 30 days of the receipt and approval of an invoice and documentation demonstrating the phase is complete.
‣ At final Project completion - the final 10% will be reimbursed upon completion of the project final voucher by ADOT.

- Included with Project Initiation package submitted to ADOT LPA Section
- Provides schedule for project phases, should align with programming in TIP
- Contains draw schedule to show when local agency will request reimbursement on project phases
- At final project completion, last 10% is reimbursed to local agency upon completion of final voucher

HURF Exchange Invoice Reimbursement

ARIZONA DEPARTMENT OF TRANSPORTATION
HURF EXCHANGE DRAW AND FINAL REIMBURSEMENT INVOICE

COG/MPO:		Project Phase:	
Local Entity:			
TIP ID Number:			
Project Number:			
Project Name/Location Desciption:			
REMIT PAYMENT TO: (Entity Name and Address - Project Sponsor)			

Date Started:	Estimated Completion Date:	% Billed:	% Complete:

	Expected Draw Date	Actual Draw Date	Actual Invoice Amount	Estimated Draw Amount	Actual Draw Amount
Draw # 1 (30%)					
Draw # 2 (30%)					
Draw # 3 (30%)					
Draw # 4 (10% - Final Reimbursement)					

SUMMARY OF WORK FOR WHICH PAYMENT IS REQUESTED

Items	Description	Previous Accumulative Amount	Current Month	Accumulative Amount
				$0.00
				$0.00
				$0.00
				$0.00
				$0.00
				$0.00
				$0.00

Submitted By:	Date:	Total To Date	$0.00
Approved By:	Date:	Total Previous Report	$0.00
	ADOT Project Manager		
Approved By:	Date:	Current Report	**$0.00**
	FMS Resource Admin		

Attachments:

Invoices
Status Reports

- Submitted to LPA Section to request reimbursement
- First 90% is reimbursed prior to incurring costs, final 10% is reimbursed after work is complete
- If funding reimbursement falls behind schedule needs to communicated to ADOT LPA Section

HURF Exchange Close Out Letter

HURF EXCHANGE PROJECT - SAMPLE CLOSEOUT LETTER TO ADOT
Place on Sponsoring Agency's Letterhead
*Note: All items in red should be removed and replaced with the required information prior to submission t
the ADOT Local Public Agency Section.

(Insert Date)

ADOT Local Public Agency Section
205 S. 17th Ave. Mail Drop EM11
Phoenix, AZ 85007

Re: HURF Exchange Project Closeout

ADOT Project Number:
Project Name:
Project Location:
COG/MPO:
COG/MPO TIP ID Number:

To Whom It May Concern:

The **(Insert sponsoring agency's name)** received the final deliverables on **(Insert date)** for the above reference
HURF Exchange project.

The undersigned certifies that:
1. The work in the subject contract has been inspected for deficiencies;
2. The required project review was conducted by representatives of **(Insert sponsoring agency's nam**
   (Insert COG/MPO) and ADOT on **(Insert date)**;
3. The contractor has fulfilled all contractual obligations; and
4. The contractor was paid in full by **(Insert sponsoring agency's name)** on **(Insert date)**.

Attached is the following required documentation:
*Note: All Final Acceptance letters to the ADOT Local Public Agency Section will be returned *without* action
unless all items listed below are submitted with this letter.

☐ An invoice for the final 10% of HURF Exchange funding for eligible costs on the project;
☐ Documentation reflecting payment in full by **(Insert sponsoring agency's name)** to the contractor; an
☐ The project final acceptance letter from **(Insert sponsoring agency's name)** to the contractor.

Please consider this project as accepted and complete. Please contact us if you have any questions regarding t
request or require additional information. Thank you.

Sincerely,

Project Manager Name
Title
Agency
Address
City, AZ, Zip code
Phone Number
Email address

- Submitted to LPA Section to request project close out and reimbursement of final 10% of project phase costs
- Must include documentation showing all costs have been paid by local agency
- Must include project acceptance letter from local agency to contractor

HURF Exchange Program Resources

- ADOT HURF Exchange Policy – FIN 5.01
- ADOT HURF Exchange web page – HURF Exchange Website
- ADOT HURF Exchange overview - HURF Exchange Overview
- HURF Exchange IGA template – HURF Exchange IGA Template
- HURF Exchange FAQ - HURF Exchange FAQ
- ADOT Federal Aid Highway Program web page: Federal Aid Highway Program homepage
- COG/MPO Federal Formula Funding Ledgers – posted on the ADOT Federal Aid Highway Program web page
- Functional Classification Maps: Functional Classification Maps

ADOT HURF Exchange

Questions???

ADOT Inactive Policy

Inactive Projects Overview

- Inactive Projects are those projects which have not had any billings in over 180 days
- Represents a significant financial risk to the Department – at it's peak there were over 3000 individual project phases inactive with $160 million tied up, these are dollars that could potentially be used on other projects
- Has had numerous iterations:
  - Traditionally focused on federal funding
  - Usually occurred every 3 to 4 years as a focus area
  - Involved stakeholder meetings, bringing State and Federal partners together
  - Limited focus on policy/procedure, nothing ever developed
  - No standardization or sustainability
  - Dealt with projects as a whole and did not address individual project phases

Inactive Projects History

- Effort to develop a sustained Inactive Policy began in early 2015:
    - First focus was on cleaning up old projects that had large balances
    - Heavy emphasis on local projects, especially Scenic Byways

- Fall/Winter 2015 to Spring 2016 – determined which local projects were complete and asked local agency to provide close out letter, if none received let agency know ADOT would close project
    - Received a lot of response from communities and were able to close out large number of projects

- Summer 2016:
    - Began focusing on all project regardless of fund source or dollars that were inactive
    - Worked internally with finance staff to close old non-federal projects or projects that were done and missed

Inactive Projects History – continued

- Fall/Winter 2016 :
    - First formal policy draft sent for review to internal ADOT staff
    - Changed focus of inactive projects from the full project to looking at individual project phases
    - Developed strategy to clean up old inactive projects based on type of project and dollars inactive

- Spring 2017 :
    - Numerous revisions to policy, including comments from local partners, most based on timing of when project phases would be closed out

Inactive Projects Today

- Today
  - Final policy and technical bulletin have been completed
  - Developing website to list inactive projects and provide ease of use to customers
  - Revised performance measures to reflect open inactive projects at the work phase level (design, right of way, construction)
  - Updated measures to track projects pending closeout
  - Added performance measure to track new inactive projects on a week-by-week basis``
  - Developing new performance measures to track inactive project aging
- Next Steps
  - Conducting outreach presentations with RTAC, League of Cities, Towns, Counties and County Supervisor Assoc, these will be in concert with HURF Exchange rollout``
  - Conducting training webinars for internal staff and external stakeholders
  - Publish policy and technical bulletin

Inactive Policy / Technical Bulletin

- Policy
  - Emphasizes funding projects when they are ready to proceed and closing out projects timely
  - Defines inactive projects and how information is communicated to customer (website/emails)
  - Discusses how projects are deobligated and what happens to released funding
- Technical Bulletin
  - Emphasizes timing of project funding and closeout
  - Covers closing out specific project phases during project life cycle (closing out design when project is in construction, etc)
  - Discusses releasing funds and where funds are released when phases are closed out
  - Project de-obligations

Inactive Policy Resources

- ADOT Inactive Projects Policy – FIN 8.01 (*still being finalized for publication)
- ADOT Inactive Technical Bulletin – FMS 18.01 (*still being finalized for publication)

ADOT Inactive Policy

Questions???