

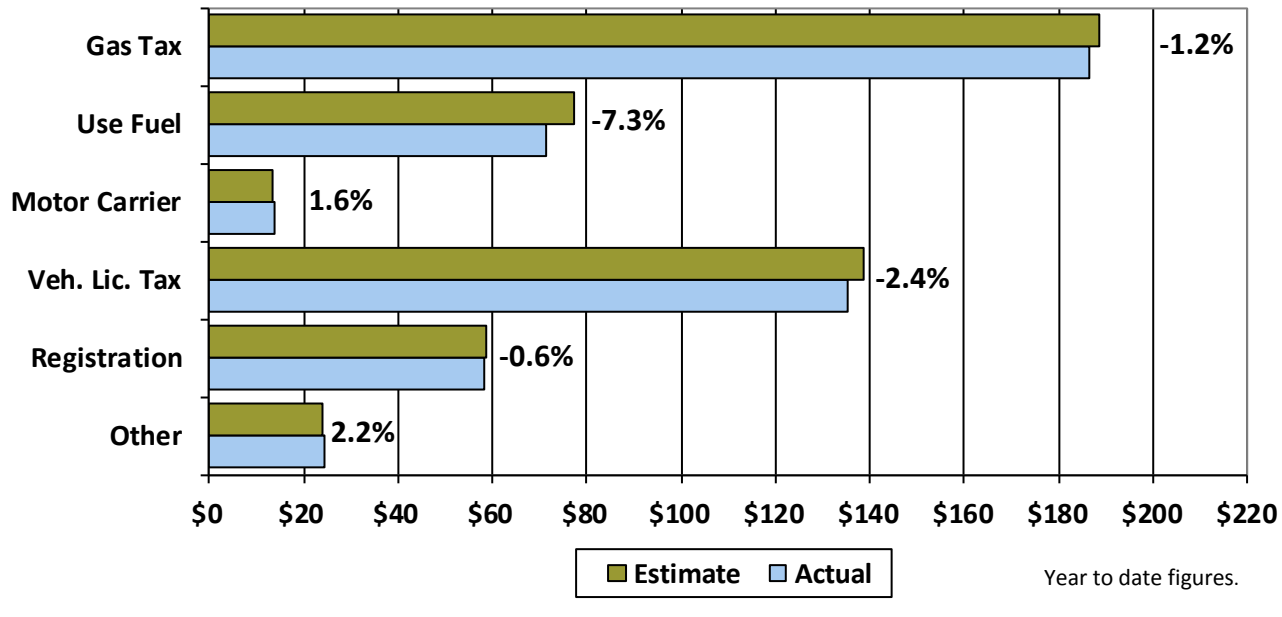
HIGHWAY USER REVENUE FUND

CURRENT REVENUE TRENDS

NOVEMBER 2012

(DOLLARS IN MILLIONS)

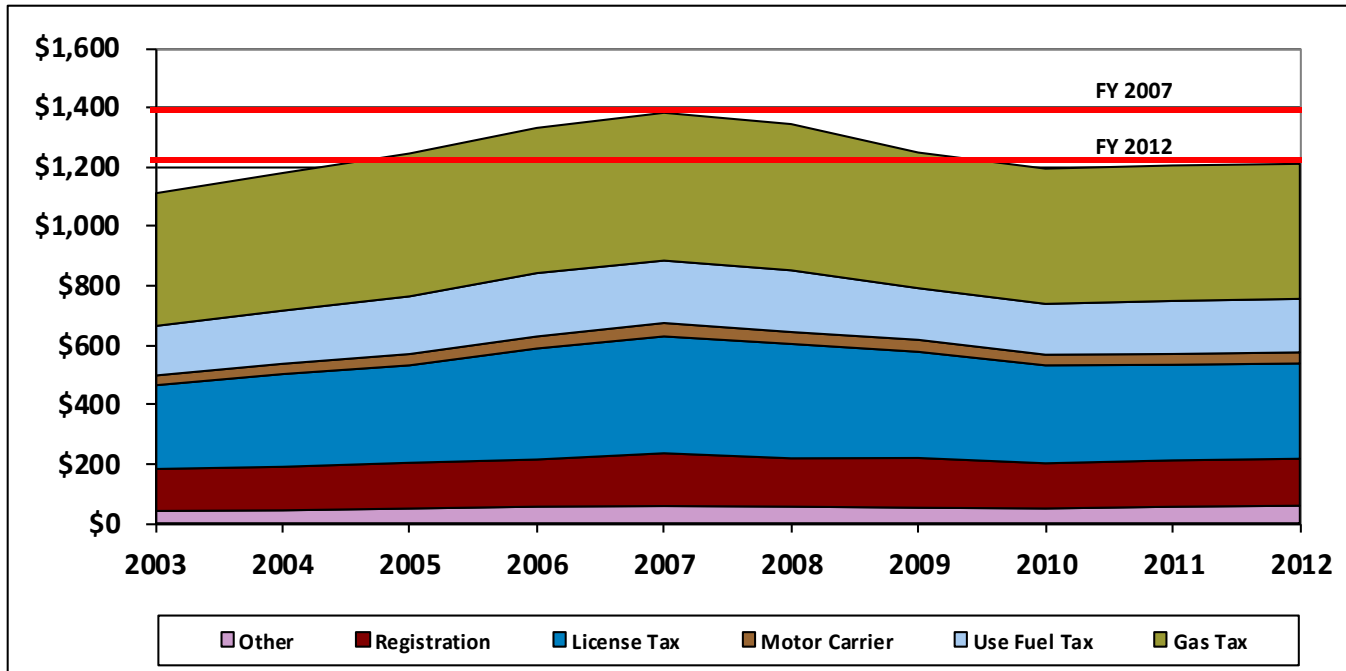
November			Year-To-Date		
FY 2012 Act.	FY 2013 Act.	Change	FY 2012 Act.	FY 2013 Act.	Change
\$94.6	\$96.3	1.8%	\$490.0	\$490.0	0.0%
FY 2013 Act.	FY 2013 Est.	Change	FY 2013 Act.	FY 2013 Est.	Change
\$96.3	\$98.8	-2.5%	\$490.0	\$500.8	-2.1%



HIGHWAY USER REVENUE FUND

HISTORICAL REVENUE TRENDS BY CATEGORY

NOVEMBER 2012
(DOLLARS IN MILLIONS)



HURF Series 2013: Bond Resolution



- Board Resolution reflects authorization for planned January issuance of Subordinated Highway Revenue Bonds not to exceed \$815 million
- Purpose of issuance is two-fold:
 - Refund existing Bonds for debt service savings in light of low interest rate environment
 - Provide \$230 million of funding in accordance with the 5-Year Construction Program

HURF Series 2013: Bond Resolution



- Expected ratings on issue are consistent with existing ratings and reflect very high credit quality:
 - “AA+” from Standard & Poor’s Ratings Service
 - “Aa2” from Moody’s Investors Service

HURF Series 2013: Debt Service and Refunding Parameters



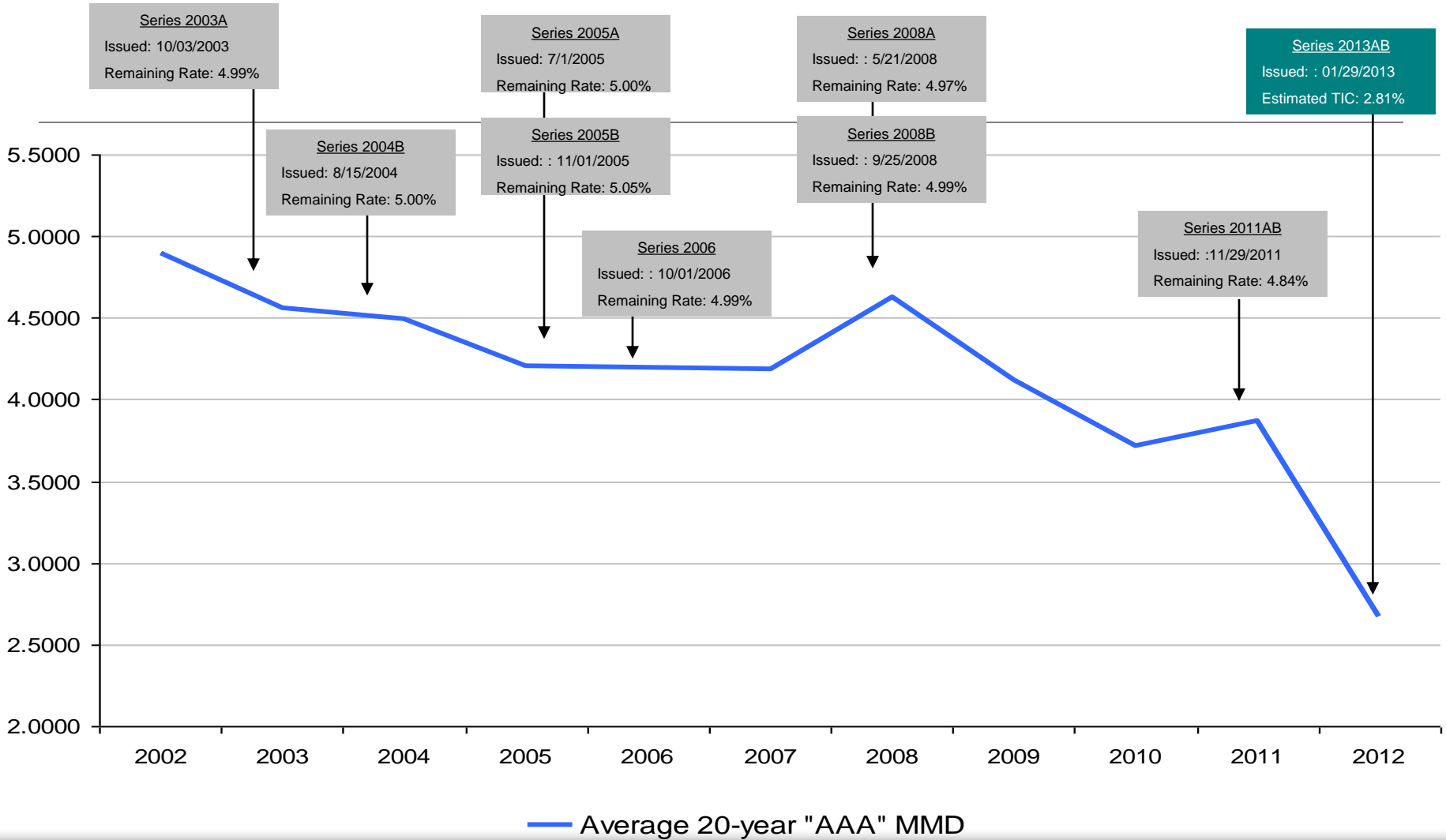
- Planned new money component of financing will be structured to wrap around Board's existing debt service on HURF Bonds
 - Similar to approach used on all recent HURF Bond sales
 - Designed to meet required additional bonds test in statute and legal documents

HURF Series 2013: Debt Service and Refunding Parameters

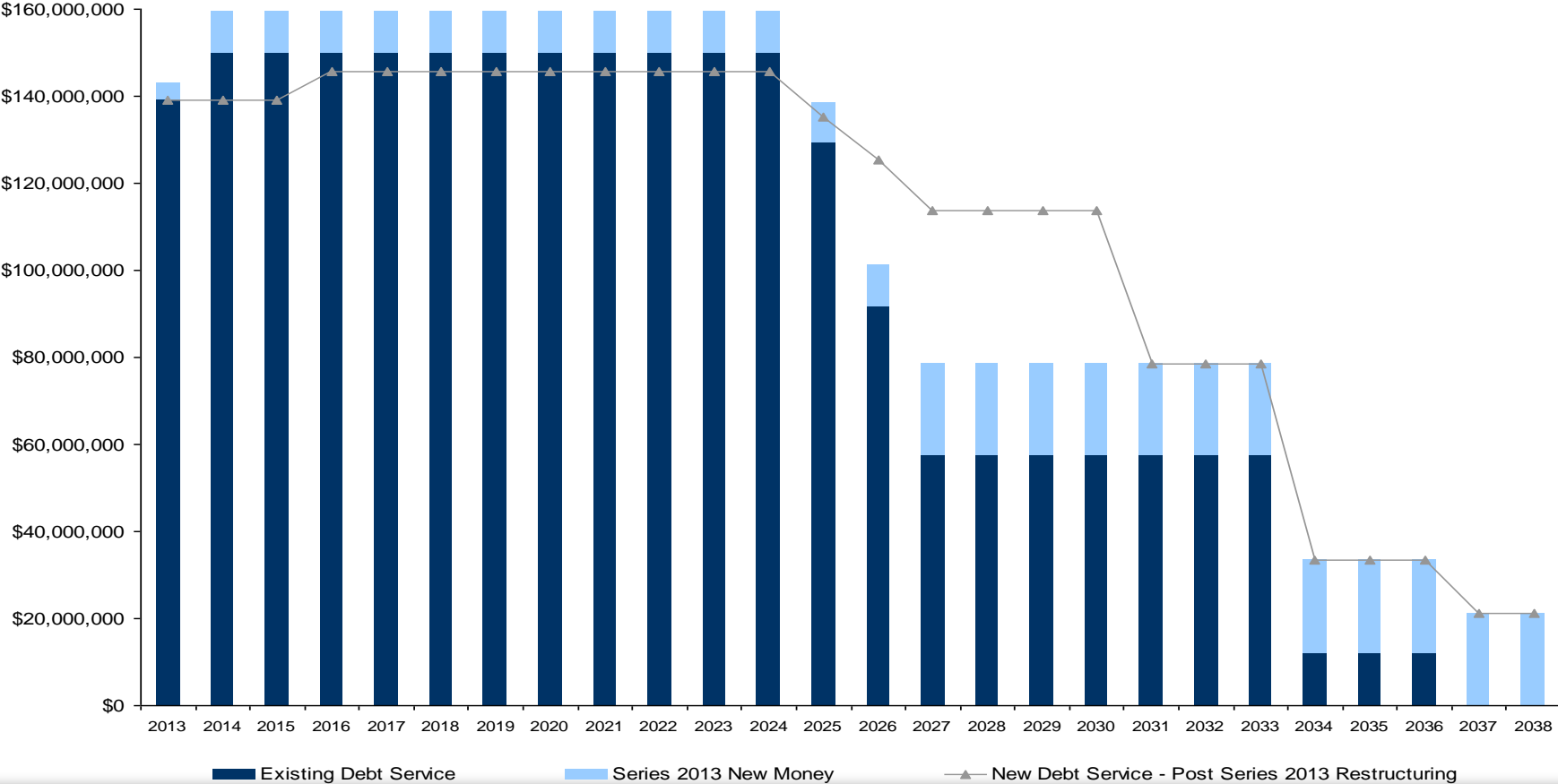


- For refunding component, possible Bonds to refinance consist of estimated \$552.9 million of outstanding HURF Bonds
 - Refunding amount is contingent on interest rates at planned time of financing in January
 - Estimated refunding savings based on current market rates and net of issuance costs amount to:
 - \$36.7 million on a present value or current dollar basis
 - Amounts to savings of approximately 6.65%, well above standard minimum threshold of 3.00%

HURF Series 2013: Bond Resolution



HURF Series 2013: Debt Service Comparison



HURF Series 2013: Debt Financing Risks



- Planned structure and estimated debt service savings of refunding are based on current market rates
- Congressional actions to address the federal fiscal cliff could include measures that adversely affect the value of tax exemption of municipal bonds
 - Possible proposals being discussed include elimination of tax exemption or limiting the amount of exemption and deductions certain taxpayers may claim
 - If prior to closing of Bond issue, measures proposed or enacted affect value of tax exemption, investors may demand significantly higher interest rates
 - In that case, such measures could affect the ability to complete and close the financing

The Forecasting Process

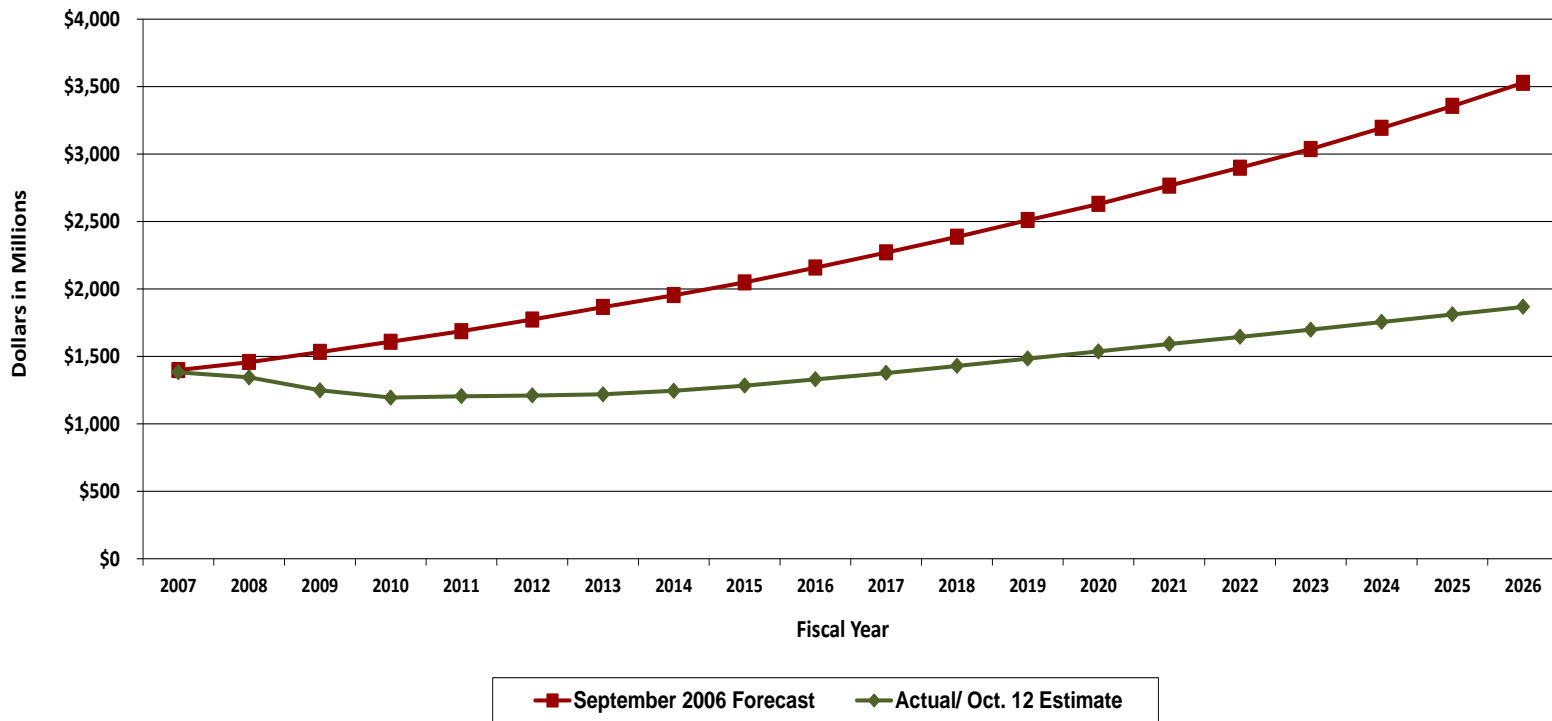


- **RAP Session for HURF and RARF**
 - **Risk Analysis Process**
 - **Gathering of economists and experts**
 - **Review and estimation of several variables**
 - **Population growth**
 - **Personal Income growth**
 - **Gasoline Prices**
 - **Estimates provided to consultant, HDR Decision Economics**
 - **Results: Growth rates for various revenue sources with associated probability**

HIGHWAY USER REVENUE FUND

September 2006 Forecast versus Actual/October 2012 Forecast

Revenue Lost (Dollars in Millions)

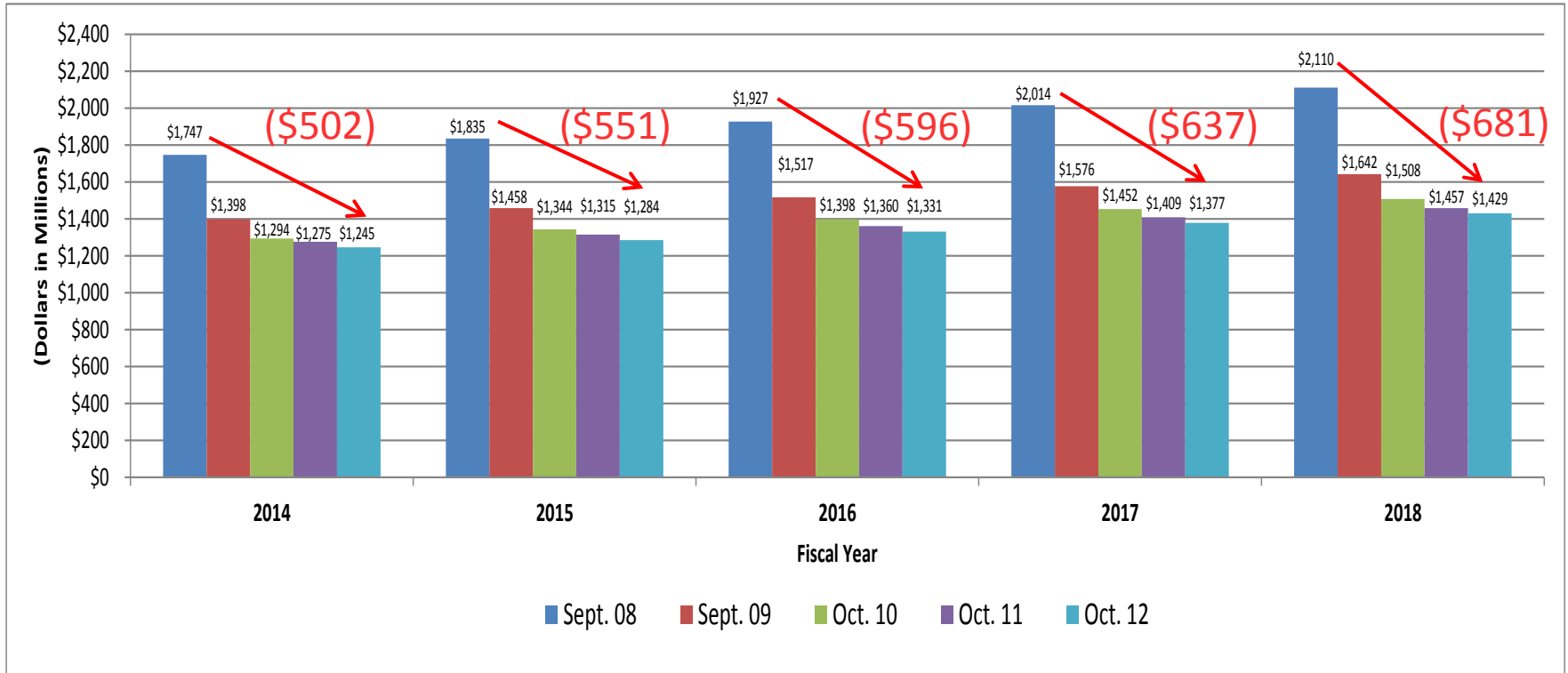


HIGHWAY USER REVENUE FUND

September 2008 Through October 2012 Forecast Comparison

Revenue Decline

(Dollars in Millions)



Year	Forecast				
	Sept. 08	Sept. 09	Oct. 10	Oct. 11	Oct. 12
2014	\$1,747	\$1,398	\$1,294	\$1,275	\$1,245
2015	\$1,835	\$1,458	\$1,344	\$1,315	\$1,284
2016	\$1,927	\$1,517	\$1,398	\$1,360	\$1,331
2017	\$2,014	\$1,576	\$1,452	\$1,409	\$1,377
2018	\$2,110	\$1,642	\$1,508	\$1,457	\$1,429
Total	\$9,633	\$7,591	\$6,995	\$6,816	\$6,666

Program Revisions: FY2013 - FY2017



Original Funding Estimate:		\$2,497.1
Reduced revenue estimates	\$ (64.1)	
Revised Fund Transfer Assumptions	\$ (61.8)	
Expense Reductions	<u>\$ 29.9</u>	
	\$ (96.0)	
Reduced Federal Aid Available	\$ (235.8)	
Impact of Revised Estimates	\$ (331.8) or	<u>\$ (350)</u>
Revised Funding Estimate:		\$2,147.1

FY2014-2018 Program Funding



	FY2018 New 5 th Year	Tentative FY2014-2018 Program
St. Hwy Funds Available	\$ 58.8	\$ 151.6
Federal Aid Available	\$ 488.1	\$ 2,194.5
Inflation Adjustment	\$ (20.0)	\$ (100.0)
	\$ 526.9	\$ 2,246.1
Total Funds Available for Program	\$550.0	\$ 2,246.1

The Process & Next Steps



- **Casa Grande Resolves (May 1999)**
- **Regional Allocation of Available Funding**
 - **Off-the-top (per Resource Allocation Advisory Committee, 1999)**
 - **Ports**
 - **Rest Areas**
 - **MAG Region: 37%**
 - **PAG Region: 13%**
 - **Greater Arizona: 50%**