

CITIZEN'S TRANSPORTATION OVERSIGHT COMMITTEE
Arizona Department of Transportation

Meeting Minutes
May 18, 2010

A Citizen's Transportation Oversight Committee (CTOC) meeting was held at the Arizona Department of Transportation, 206 South 17th Avenue, Phoenix, Arizona 85007 on May 18, 2010, 4:00 p.m., with Chairman Roc Arnett presiding.

Members Present:

F. Rockne Arnett, Chairman
Jack Lunsford, Member-at-Large
Susan Brechbill, Maricopa County District 2
Nelson Ladd, Maricopa County District 3
Sharolyn Hohman, Maricopa County District 5

Members Absent:

Kyle Robinson, Maricopa County District 1
Larry Woods, Maricopa County District 4

Others Present:

John Sellers, Citizen	Trent Kelso, HDR Engineering
Julian Avila, ADOT, CCP	Rob Wagner, Citizen
Adrienne Weinkamer, Legal Council	Brock Barnhart, ADOT, CCP
Deb Sydenham, ADOT, CCP	Randi Brook, ADOT
Elizabeth Neville, RFS	Kwi-Sung Kang, RFS Office
Steve Hull, RFS/CTOC	Bob Hazlett, MAG
Gail Lewis, ADOT, CCP	Andy Smith, Pinal County
Mike Taylor, RPTA	

1. Call to Order:

Chairman Roc Arnett called to order the Citizen's Transportation Oversight Committee meeting at 4:00 p.m.

2. Pledge of Allegiance:

Chairman Arnett led the Committee and the public in the Pledge of Allegiance.

3. Welcome and Opening Comments:

Chairman Arnett welcomed the public, public officials, members of CTOC and staff to the meeting.

4. Recognition of New Members:

New Committee members Susan Brechbill, District 2 and Sharolyn Hohman, District 5 were introduced and Jack Lunsford was welcomed back as Member-at-Large. Larry Woods was not able to attend but will be representing District 4.

5. Recognition of Departing Member:

CTOC recognized and thanked Committee member Peggy Jones, of District 5 for her faithful and dedicated service over the past three years. Sharolyn Hohman accepted the plaque on Peggy's behalf.

6. Call to the Public:

There were no comments.

7. Approval of Minutes for the 01/26/10 meeting:

Chairman Arnett called for a motion to approve the minutes of the January 26, 2010, meeting.

Board Action: Mr. Lunsford moved to approve the January 26, 2010, minutes. The motion was seconded by Ms. Brechbill and carried unanimously.

8. Proposed Interstate 11:

Bob Hazlett, MAG Senior Engineer, gave a presentation about a potential new freeway corridor that is under discussion for designation as part of a greater Interstate 11 corridor that would reach to Las Vegas and potentially the Pacific Northwest. Portions of the corridor would follow routes proposed in the Hassayampa and Hidden Valley Framework studies. COG and MPO discussions have included key connections, economic development, commercial trucking and freight connections. A map of rail movements across the United States was shared. About one-third of all freight movements in the United States pass through Arizona. Trucking and goods movement end up at the ports. A bar graph was shared indicating LA-Long Beach as the busiest port in the United States and one of the busiest in the world. It is close to capacity and will need to handle three times more than it does today. The Punta Colonet Port in Mexico can be of benefit to Arizona. Trans-Pacific shipping routes and approximate travel times indicate less travel time from the Far East to Los Angeles than to the eastern part of the United States. A map of inland port opportunities and rail lines was shared and include Punta Colonet and Guaymas Ports in Mexico and Union Pacific and BNSF Railway and the Hassayampa Corridor. Charts showing population growth indicate Phoenix and Las Vegas as two of the fastest growing metropolitan areas in the United States. Since 1956, I-82 in Washington State and I-70 from Denver to Utah were added to the Interstate Highway System in the west. Other additions have been freight related. I-11 could provide connections and opportunities for back haul and freight. Potential gaps and issues include the Boulder City bypass, bridging the Colorado River at Hoover Dam, US - 93 widening and the extension into Phoenix – along Grand Avenue or bypassing Phoenix. The Hassayampa and Hidden Valley Framework Studies were completed. One idea is the Hassayampa Freeway would serve as the I-11 corridor stretching around Phoenix. The potential interstate corridor has advanced to the statewide framework and accepted by the State Transportation Board in January 2010. It cannot be called I-11 legally until Congress acts. A government/private interest coalition called Can Do – Connecting Arizona and Delivering Opportunity has been put together to get the I-11 designation. The Freight Framework Study was mentioned and is proposed for FY2011 to look at freight connections in terms of rail, port opportunities and to get more information to help with I-11. It is being done in cooperation with CAAG and Pima Association of Governments and the Yuma Metropolitan Planning Organization.

Questions Asked:

Chairman Arnett asked about the rail lines and Tucson's involvement.

Mr. Hazlett replied that there are additional maps that indicate port opportunities in Yuma, Tucson and Kingman.

Mr. Lunsford asked about the meaning of the disjointed line on the map that represents I-11 beyond Las Vegas.

In reply, initially there was little discussion of taking I-11 much further north than Las Vegas.

Chairman Arnett asked staff for copies of the presentation.

In reply, Mr. Kang will make them available.

9. Public Private Partnership Program:

Gail Lewis, ADOT, Director of the Office of P3 Initiatives and International Affairs presented on a new law that was enacted last year concerning Public Private Partnership (PPP or P3) projects. ADOT is the lead agency to implement the new law and will give an update on progress to establish policies and procedures to solicit, evaluate and implement P3 projects. Deb Sydenham, AICP, ADOT Deputy Director, Office of P3 Initiatives was introduced. P3's are becoming critical and are funded mostly with gas tax collections and vehicle license tax funding. Fund uncertainties include decreasing gas tax and vehicle license tax funds, state shortfalls and sweeps, decreasing Federal gas tax funds, the Highway Trust Fund depletion and diversion of funds to shore up the General Fund. Effects on ADOT activities due to funding decreases include little or no new construction, reduced, deferred or eliminated maintenance, reduced or eliminated ADOT operations and service levels and severe limitations on bonding capacity. Public Private Partnerships can begin to address the budget uncertainties. P3's are where significant design, construction, financial and operational risk is transferred from the public sector to the private sector. Arizona passed a law in 2009 that allows ADOT significant authority to enter into negotiations and agreements. It includes transit, rail and maintenance operations. A number of revenue sources can be utilized as repayment including revenue bonds, Grant Anticipation Notes and tolls and fees. The law allows ADOT to solicit projects but also receive unsolicited projects. Perils of P3's include public opposition to "selling" public assets, inadequate public debate – closed door deals, uncertainty about existing investment climate, extended negotiations with no results and opposition to tolls for both the public and trucking companies. ADOT's P3 principles include the development of a program based on national best practices, development of a transparent process, integrating P3 projects into statewide transportation plans, using P3 projects to better leverage the state's limited resources, creating P3 projects that are financially viable over the long-term and creating P3 projects that will enhance mobility and improve safety. The P3 Program Framework is very complex and outside the normal course of ADOT business and takes advantage of being a relative late-comer by using best approaches proven by others. The foundation of the P3 program included hiring consultants to assist in the development of articulating ADOT's primary objectives in using public private partnerships, developing RFP's for long term advisory services, developing rules, policies and procedures, developing a web site and identifying what internal ADOT resources are necessary. Program managers are actively engaged and are HDR and Jacobs Engineering. Legal advisors are hired. A financial advisor is being hired. Screening criteria is being developed for both solicited and unsolicited projects. There is interest in exploring P3's for rail, transit and maintenance. A structure of the ADOT P3 office was shared and includes a steering committee, outside professionals, stakeholders, advisory committee and the State Transportation Board. Solicited proposals begin with consultants help to prepare an initial list of criteria and then to overlay that with the five-year and twenty-year plan and review those that overlap and then move forward with the procurement process. Unsolicited projects are when an outside consultant comes with ideas and if viable, moves on to a written proposal. ADOT will charge administrative fees adequate to cover costs. Outreach initiatives include a web site, email address, preliminary site on ADOT's web site and a calendar of meetings. In conclusion, failure could result in P3 capital moving away from Arizona. P3's are a long-term funding strategy, not an

immediate solution. P3's are not the answer, but another tool. We have one chance to do it right. Take aways are transparency, long-term financial viability, doing it right – not necessarily fast, interest in multimodal, maintenance and not just using toll roads.

Questions Asked:

Chairman Arnett asked if the plan includes the upgrading of I-10.

Ms. Lewis replied that it potentially could if adding capacity or enhancing of I-10 was needed in some way. This could include the addition of another lane.

Mr. Lunsford commented, if you added an additional lane on the outside of the freeway, you could still P3 that project because you are expanding capacity.

In reply, that is correct.

Mr. Lunsford asked how close this language patterns after language included in the TIME initiative.

Ms. Lewis stated she believes the TIME language was more general. Otherwise, it is close and the basic principles are there.

Chairman Arnett added that there is a way for ADOT to bridge the procurement probe which was not done previously.

Ms. Lewis stated that is correct.

Mr. Ladd asked about the rest areas and if they could be called enhancements, and what role does ADOT have in that decision?

In reply, unfortunately P3 funding for rest areas is forbidden by Federal law. They must be completely public.

Mr. Lunsford asked if you can compare that situation to what you would see in Midwestern states where there is an overpass like structure and a commercial enterprise.

Ms. Lewis answered that if it was built prior to 1957 it was grandfathered in. Every interstate built after 1957 does not have commercial rest stops.

Mr. Lunsford asked if you put out for a solicited bid, is this the traditional bid, if so, it defeats the purpose.

Ms. Lewis agreed.

Ms. Brechbill commented that the concept behind an unsolicited proposal is that they do not have to compete, if the proposal is good enough, they would get approval. You should rethink that. If a person is going to pay these fees and still have to be put out for bid, you will never get unsolicited proposals.

In reply, Ms. Lewis commented we are in the beginning stages and there are states that have done it both ways. She outlined examples of fees and reimbursement possibilities.

Mr. Ladd asked about implications of SB 1070.

Ms. Lewis replied HDR is local; Jacobs, the lead consultant is in Denver and the lawyers are in California. A public bid was put out and several bids were received from Arizona and around the country.

Mr. Lunsford asked about the possibility of a relationship between P3's and I-11.

Ms. Lewis stated that it is a possibility but if P3's are going to be less financially successful it's because the traffic demand modeling was not done as well as it could have been or was overly optimistic. Demand modeling has not been done on I-11 yet so we cannot begin to speculate on whether that could be a viable P3.

Chairman Arnett stated his opinion that more likely a P3 would be for a rail component from Punta Colonet to Phoenix and a joint use of rail roads.

Chairman Arnett asked in the evaluations of the law firms, did they come up with ideas and suggestions in moving forward the concepts and thinking outside the box to get the P3's working. In reply to the question Ms. Lewis stated that the public procurement process is specific and the Attorney General's Office is involved as well.

10. FY 07-08 Financial Compliance Audit:

Steve Hull, ADOT, Special Assistant to CTOC, presented the findings of the Financial Compliance Audit for fiscal years ending June 30, 2007 and 2008. For background information Proposition 300 funds were for freeways and the money was funneled through ADOT. Proposition 400 expanded to cover arterial streets, transit and light rail. Discussions were held to determine what was going to be asked for in the audit and about the proper scope of work. Pursuant to A.R.S. 28-6356(F)(5), it is stated: CTOC wishes to contract with an independent auditor who is a certified public accountant to conduct a Financial Compliance Audit of all expenditures from the Regional Area Road Fund (RARF) and the Public Transportation Fund (PTF). The sum of RARF and PTF is the Proposition 400 sales tax. The Financial Compliance Audit will include fiscal years 2007 and 2008. The audit will be performed in accordance with generally accepted governmental auditing standards. The auditing firm will provide the auditor's report to CTOC. Through ADOT and the Department of Administration there are pre-qualified auditing firms. RFP letters were sent to four firms. Proposals were received from Heinfeld, Meech & Co., P.C., for \$37,750 and Henry & Horne, LLP for \$10,500. A contract was signed with the low bid - Henry & Horne and they were directed to proceed. The auditor has delivered a report and it was shared with CTOC members and is available to the public. The report states that they examined proper use and allocation of RARF and PTF revenue and costs in accordance with A.R.S. § 42-6105(E), 28-6303(D) and 48-5103(A)(3). The audit was conducted in accordance with standards set by the American Institute of CPA's. It is their opinion that the RARF and PTF revenues and expenditures were allocated and used properly, in all material respects, with the aforementioned requirements for FY 07-08.

Questions Asked:

Mr. Lunsford commented about the audit conducted in accordance to different standards in which he typically sees.
Mr. Hull was not able to answer the question about the differences in standards and those used in this audit.
Chairman Arnett stated that we reviewed this at a prior meeting and this audit complies with the law.
Ms. Brechbill extended congratulations for an audit with no negative findings.

11. FY 09-10 Financial Compliance Audit:

Mr. Hull then requested approval to proceed with selection of an auditor to perform the Financial Compliance Audit for fiscal years June 2009 and June 2010. The scope of work is the same as the FY 07-08 audit. It is proposed to use the same firm if practicable and consistent with ADOA and ADOT rules and regulations. If that is not possible, approval is sought to work with ADOA and ADOT to solicit proposals and select an audit firm consistent with ADOA and ADOT rules and regulations. Findings will be reported back to CTOC when the FY 09-10 Financial Compliance Audit is complete.

Board Action: Chairman Arnett asked for a motion to move forward with the FY 09-10 Financial Compliance Audit.
Mr. Ladd motioned to move forward with the FY09-10 audit.
Ms. Brechbill amended the motion to give staff authorization to proceed similar to two years ago to secure an audit firm, do the audit and come back to CTOC if necessary.

Mr. Ladd withdrew his motion.
Mr. Lunsford seconded Ms. Brechbill's motion. This second motion carried unanimously.

Questions Asked:

Ms. Hohman asked about the 08-09 audit.
In reply, Mr. Hull stated that in the audit for FY07-08 were two separate years, and FY09-10 are two separate years.

Chairman Arnett asked about the mention of performance in the compliance and performance audit.
In reply, Mr. Hull stated in regard to CTOC, there are two audits; one is the annual Financial Compliance Audit and the other is a Five-Year Performance Audit that is separate and in another statute.

12. Staff Report:

Mr. Hull reported that MAG is in the process of adopting a new Twenty-Year Regional Transportation Plan and in the process of adopting a new Five-Year Construction Program. The mid-phase public hearing was held in March. MAG is making some changes in the Five-year Program to adapt to revenues and public comments. MAG is tentatively scheduled to adopt this in July at their Regional Council Meeting. ADOT will adopt the freeway portion at the June State Transportation Board meeting. The Regional Freeway Certification for January 2010 has been published. The purpose is to ensure revenue; cost and scheduling for the Freeway Program remain in balance. Copies were available. The CTOC 2009 Annual Report is in progress. The Five-Year Performance Audit looks at the freeway program to see if money is being used wisely, efficiency, spending money on the right projects, how decisions and changes are made and why. It will take about one year to accomplish. The State Auditor's Office solicited input and developed a scope of work. A pre-proposal conference with potential bidders is being held in June 2010. March RARF collections were \$23.5 million, which is about seven percent lower than the same month last year. Mr. Hull asked if there were any freeway construction questions.

Questions Asked:

Chairman Arnett asked when the Performance Audit was due.
In reply, Mr. Hull stated that the law states it has to begin every fifth calendar year. It begins in 2010 and will take about one year to complete.

13. Recommendations for Future Agenda Items:

Chairman Arnett asked for any future agenda items.

Mr. Hull mentioned that Committee member Mr. Robinson asked to discuss gas tax revenue and possibly send a letter to legislators and the governor asking for action to improve our revenue stream. I can put together a presentation on the history of gas tax revenue if the Committee would like.

Mr. Lunsford suggested an update about reauthorization. If we are sending a resolution about the problems around gas tax, perhaps in context, an update about reauthorization would also be beneficial.

Ms. Brechbill suggested a legislative recap on laws that affect transportation.

Chairman Arnett stated he would like to consider the consolidation of transit in the valley including staff consolidation.

14. Next Scheduled CTOC Meeting:

Tuesday, July 27, 2010, 4:00 pm:
Arizona Department of Transportation
206 South 17th Avenue, Auditorium
Phoenix, Arizona 85007

14. Adjournment:

Board Action: There was a motion to adjourn. The motion was seconded and carried unanimously.

The meeting adjourned.