MINUTES
OF THE
STATE TRANSPORTATION BOARD
STUDY SESSION
9:00 A.M., Thursday, January 9, 2003
Arizona Department of Transportation
Board Room
206 South 17th Avenue
Phoenix, Arizona 85007

The State Transportation Board met in official session for a study session at 9:00 a.m., Thursday, January 9, 2003, with Chairman Dusenberry presiding. Other Board members present included: Vice Chairman Ingo Radicke, Rusty Gant, Dick Hileman, Joe Lane and Jim Martin. Also present were Director Victor Mendez, Debra Brisk, Deputy Director; Dick Wright, State Engineer; John McGee, Chief Financial Officer, Administrative Services Division; and Dale Buskirk, Acting Director, Planning Division. There were approximately 30 people in the audience.

Chairperson Dusenberry welcomed those present and led the audience in the Pledge of Allegiance.

CALL TO THE AUDIENCE

David Martin, Associated General Contractors of America, reviewed recommendations his organization developed with regard to outreach and funding. With regard to outreach, he said it is their position that there should be a comprehensive educational outreach to Arizona's congressional delegation and that ADOT should continue to seek candidates to serve on the Transportation and Infrastructure Committee. He said they also believe ADOT should organize and create national coalitions for TEA-21 reauthorization and a complete evaluation of organizational allies should be compiled. He recommended ADOT find a leader among Transportation Department Directors who will aggressively participate in deliberations with other department directors that are in a similar situation as Arizona. He said his organization further believes a coalition of donor states should be created, ADOT should meet with and seek the support of the CANAMEX Corridor Coalition for high priority projects and a statewide transportation summit with all major stakeholders should be organized.

In terms of funding, Mr. Martin recommended the funding guarantee established in TEA-21 be preserved, stating it is vitally important that Congress and the President continue to keep the commitment to spend all fuel tax revenue for surface transportation improvements. He said annual fuel tax revenues should not be redirected to subsidize AMTRAK, short line railroads or the operations of the Department of Transportation and should be spent consistent with TEA-21's focus on maintaining and improving the nation's roads and bridges. He also recommended ADOT ensure that any increase in the use of ethanol does not reduce Highway Trust Fund revenues, stating it should be taxed at the same rate as gasoline. Finally, he asked ADOT to seek a retroactive index of the gas tax.

A written copy of the Associated General Contractors' recommendations was submitted for the record with a more comprehensive list of recommendations to be submitted in the future.

Development of TEA-21 Reauthorization Priorities for the Board

Eileen Colleran stated materials regarding rates, categories and priorities were faxed to Board members last week for their review.

Ginger Murdough, Partnering Manager, asked Board members to advise her of any additional priorities or changes the would like made to the priorities already identified.

In response to Chairperson Dusenberry's question, Mr. McGee explained how appropriations and obligating authorities are determined and exercised. Chairperson Dusenberry asked how difficult it would be to eliminate the obligating authority constraints. Mr. Mendez said there would be both pros and cons to eliminating the constraints. Mr. Lane suggested the constraints should be reduced in relation to the length of the legislation. Mr. McGee explained the purpose of obligating authority is to adjust for economic changes in balances during the authorization cycle. Chairperson Dusenberry suggested their priority be to reassess the level of obligating authority.

Chairperson Dusenberry pointed out the Board's positions are not clearly explained. Ms. Colleran agreed, stating their presentation is intended to help the Board members identify what they feel is important. She encouraged Board members to inform her if they have a particular stance on a priority area. She assured Chairperson Dusenberry the Board's priorities will be clearly written out when finalized.

With regard to CMAQ Funds, Chairperson Dusenberry suggested they include "Provide flexibility to use CMAQ funds statewide on eligible projects in areas nearing non-attainment, regardless of classification." She further recommended adding the following language in a separate bullet item under the Bus Program for Transit Priorities: "Incentives to improve coordination between urban and rural transit systems." She also recommended adding "Establish highway/rail separation programs" under Safety Funding. With regard to Planning and Research, Chairperson Dusenberry recommended they add "Increase Regional Transportation Plan's update cycle from three years to five years. She further recommended they increase dollars and restrict key borders and international trade corridors under Road Management Priorities.

Ms. Murdough reviewed the reauthorization principles.

Mr. Mendez noted one of ADOT's priorities is to maintain the current level of coordination and cooperation that has developed as a result of TEA-21. He suggested the principle be modified to reflect a desire to maintain cooperation between state and local governments. Chairperson Dusenberry expressed her opinion the principle should remain as worded, explaining they want the current level to be the minimum level, but would like to increase to a higher level with the new bill. After further discussion, the Board decided to reword the list of principles to include only the core values of TEA-21. The Board further agreed to add the following principles: 1)

Firewalls and Guarantees and 2) Consideration of all modes of transportation at current funding and match levels.

Ms. Murdough asked the Board to rank the categories as well as the priorities within each category. The categories were ranked in the following order: Finance, Local Partnerships, Road Management, Planning & Research, Safety & Security, Environmental Stewardship and Streamlining, Congestion and Transit.

With regard to the Finance category, Ms. Murdough reported the Board ranked the priorities in the following order: 1) Funding, 2) Innovative Financing, 3) Firewalls and Guarantees, tied with Fund Flexibility, 4) Gasohol and Ethanol Use, 5) RABA, 6) Sanctions & Incentives, and 7) Motor Fuel Tax. The Board discussed the Funding bulleted items, ultimately deciding to replace those that referenced specific options for increasing funding with: 1) "Support efforts to increase transportation funding for highways and transit by looking at the following options" and creating a sub-list of various options, including Motor Fuel Tax and Gasohol and Ethanol Use; and 2) "By the end of the reauthorization period, we would like to see Highways at $60 billion and Transit at $14 million. Because the Board was unwilling to apply State Highway Funds and Federal Funds to the Indian System, the Increase Tribal Transportation bulleted item was removed. Because Firewalls and Guarantees was identified as a Principle, the Board decided to remove it from the list of Finance Priorities. The Motor Fuel Tax and Gasohol and Ethanol Use priorities were moved into the sub-list of various funding options under the Funding Priority. The bulleted item under RABA was modified to read "Refine". The bulleted items under the remaining priorities were left unchanged. Ms. Murdough identified the final prioritized Finance priorities as being: 1) Funding, 2) Innovative Financing, 3) Fund Flexibility, 4) RABA and 5) Sanctions and Incentives.

Under the Local Partnership category, the decision was made to replace the bulleted items with "Retain the existing balance of decision making between states and MPOs and between states and rural officials."

Within the Road Management category, the Board ranked Surface Transportation first and the Bridge Program second. All bulleted items under Surface Transportation, except "Retain current program" were deleted. The bulleted items under Bridge Program were deleted and replaced with "Increase flexibility."

The Board identified State Planning as its first priority under Planning & Research, with Research Programs ranked second. The first three bulleted items under State Planning were deleted and "Increase the RTP cycle from three to five years" was added. The first bullet item under Research Programs was modified to read "Increase research Funds" and the remaining bullet items were eliminated.

The meeting recessed for a short break.

With regard to Safety and Security category, the Board combined Safety Programs and Funding while it separated Security as an individual priority. Safety Programs and Funding was ranked as the highest priority. Under Safety Programs and Funding, all bullet items, except "Simplify

current federal aid requirements" were deleted and the following item was added: "Establish Highway/Rails separation program. With regard to Security, the Board added "Create a fund available to border states to address international border security issues."

The Board identified continuing the current Funding Split and Matching Share as their first priorities, followed by identifying additional funding sources outside the Highway Trust Fund, increasing the Bus Program in rural areas and supporting rail as a multi-modal public transportation system. All bullet items were deleted, but a new item was added under Bus Program which reads "Flexibility for using current funding as needed, including operations."

With regard to the Congestion category, the Board rated CMAQ as their first priority, followed by Other Mitigation Strategies. The bullet items under CMAQ were eliminated and replaced with the following: "Broaden the program by permitting the use of CMAQ funds in maintenance areas to prevent their lapse into non-attainment." The first three bullet items under Other Mitigation Strategies were deleted and the fourth was modified to read: "Increase highway efficiency through new concepts."

Under the Environmental Stewardship and Streamlining category, the Board identified Stewardship and NEPA as its first and second priorities. "Demonstration Projects" was removed from the list. The bullet items under Stewardship were eliminated and the following items were added: "Streamline the process as it was intended to protect and enhance our environment while building transportation facilities." and "Incentives for Innovations." The second and third bullet items under NEPA were deleted and "Require concurrent review." was added.

Ms. Murdough restated the Board's final priorities with regard to the categories: 1) Planning & Research, 2) Finance, 3) Congestion, 4) Safety and Security tied with Road Management, 5) Local Partnerships, 6) Environmental Stewardship and Streamlining, and 7) Transit.

Other Business

Mr. Buskirk announced the Draft Tentative Program will be revised once the new revenue forecast has been received. He said they will meet with each Board member individually to review the tentative program prior to it being presented to the Board as a whole in a study session.

Adjournment

No closing comments were made.

Board Action: A motion to adjourn was made, seconded and passed unanimously.

The meeting adjourned at 4:00 p.m.

Ingo Radicke, Chairman
State Transportation Board

Victor Mendez, Director
Arizona Department of Transportation

MINUTES
OF THE
STATE TRANSPORTATION BOARD
BOARD MEETING
10:30 a.m., Friday, January 17, 2003
Prescott Resort & Conference Center
1500 Highway 69
Prescott, Arizona 86301

The State Transportation Board met in official session for a regular meeting at 10:30 a.m., Friday, January 17, 2003, with Chairperson Dusenberry presiding. Other Board members present included: Vice Chairperson Ingo Radicke, Rusty Gant, Dick Hileman, Bill Jeffers, Joe Lane, and Jim Martin. Also present were Director Victor Mendez; Debra Brisk, Deputy Director; Dick Wright, State Engineer; John McGee, Chief Financial Officer, Administrative Services Division; Dale Buskirk, Acting Director, Planning Division; and Gary Adams, Assistant Director, Aeronautics Division. There were approximately 100 people in the audience.

OPENING REMARKS AND PLEDGE

Chairperson Dusenberry led the audience in the Pledge of Allegiance. She thanked NACOG for their hospitality Thursday night and introduced dignitaries in the audience.

DISTRICT ENGINEER'S REPORT

Bob Lajeunesse, Prescott District Maintenance Engineer, reviewed the boundaries of the Prescott District and updated the Board on the status of construction projects in the area. He pointed out a number of their projects are being accomplished in partnership with local governments.

CALL TO AUDIENCE

Jim Glock, City of Tucson, Director of Transportation, complimented ADOT on the I-10/I-19 traffic interchange reconstruction project, stating traffic management has been extraordinary. He said they also appreciate the continuing dialog on the mainline widening. On behalf of the Mayor of Tucson, he presented a Certificate of Appreciation to Chairperson Dusenberry in recognition of her service to the state.

Joe Herrick, Executive Director, Tucson Utility Contractor's Association, said he also represents the American Road Transportation Builder's Association. He presented Chairperson Dusenberry with a plaque designating her as one of the Top 100 Public Officials in the 20th Century in terms of Transportation Development.

Bill Feldmeier, Yavapai College, asked the Board to support Item 35, stating it represents the final step in their long effort to occupy a portion of the BLM land donated to Yavapai County.

Dr. Doreen Dailey, President, Yavapai College, stated the project currently underway at the old ADOT/Motor Vehicle facility has received a lot of support. She thanked Director Mendez, Bill Feldmeier, BLM, and the City of Prescott for their involvement in the project. She said the land will provide the college with needed room for growth, noting enrollment has grown 5 to 10 percent a year.

Steve Stratton, Director of Public Works, Gila County, acknowledged the budget constraints the Board is currently under, asking, however, that they reconsider delaying the railroad pass project on Highway 70.

Mary Anne Moreno, Executive Director, Globe Miami Regional Chamber of Commerce and Economic Development Corporation, asked the Board for passing lanes on US 60 between Superior and Miami. She also asked the Board to keep the DeVore Wash to Sportsman's Haven segment of SR 188 in the planning. She said they are looking forward to the Globe Gateway project. She supported Mr. Stratton's request that the Board continue with plans for the railroad pass on Highway 70.

Chip Davis, Yavapai County Supervisor, thanked ADOT for their cooperation on the SR 179 project, stating it has changed the way people feel about ADOT's presence. He stated they have worked with the District Engineer and have found a way to turn the $60 million project on SR 260 into smaller, more feasible projects. He said he met with the County Administrator and they are willing to look at innovative processes to ensure the projects happen. He thanked Chairperson Dusenberry for taking the time to meet with him and constituents of the Verde Valley.

John Hudson, Greater Yuma Port Authority Board Member, commended the Board for striving to meet the needs of all areas of the state, especially given its lack of resources. He expressed his appreciation for Chairperson Dusenberry's service on the Board, stating it will be hard for the next Chairperson to follow in her footsteps.

Steve Sanders, Public Works Deputy Director, Gila County, stated passing lanes on US 60 between Miami and Superior are vital to growth in the area. He thanked the Board for the upcoming project on SR 188.

Lionel Ruiz, Pinal County Supervisor, thanked the Board for projects in his area. He also thanked their District Engineer and Gary Adams for their assistance. He suggested the Board look at Park Lane as an alternative route.

Amber Hill, Finance Director, City of Holbrook, thanked the Board for always keeping the good of the state as a whole in mind. She also expressed appreciation for the streetlight scheduled to be installed in Holbrook this year. She said they are looking forward to the lane widening on North Navajo. She also thanked Mr. Jeffers for all of the assistance he has given to Holbrook.

A book titled Arizona Then and Now was presented to Chairperson Dusenberry in appreciation of her service to the state.

CONSENT AGENDA

Items 35 and 45 were pulled from the Consent Agenda.

DIRECTOR'S REPORT

Mr. Mendez stated the Rural Transportation Summit was very good, complimenting the rural officials for their vision and leadership in dealing with rural transportation issues. He read a prepared script describing the Governor's budget reduction plan for 2004 with respect to transportation funding. He said ADOT has prepared a proposal for FY 2004 that would allow $128 million of Vehicle License Tax to be reverted to the state to help balance the FY 2004 General Fund. He stated it is the Department's belief that the program, as developed, will have no material impact on the State Transportation Board's FY 2004-2008 Highway Construction Program, however, there will be impacts to ADOT's operating budget, resulting in reductions in services it delivers. He noted the plan does not contemplate any employee reductions. He explained only $50 million of the $128 million in VLT money to be reverted to the state had actually been programmed for highway construction projects. He said the plan would reduce the Department's operating and LD&I budgets in FY2004, therefore those budgets would be appropriated at a lower level than assumed in the preliminary highway program financial plan developed in June 2002. He explained they were able to identify $160 million in savings over the next five years as well $9 million taken from the LD&I budget and an additional $6 million from the Flight Property Tax. He noted the Governor has proposed that the 50/50 split of the Flight Property Tax be extended for one more year, stating she is fully aware that any extension beyond one year would require a restructuring of the program.

Chairperson Dusenberry asked Mr. Mendez if the Legislature's plan is expected to be similar to the one proposed by the Governor. Mr. Mendez said he does not know what the Legislature is preparing, however, in the past, there have been efforts to do away with the VLT completely. He said, given the state's dire situation, they expect the VLT to be on the table.

In response to Mr. Radicke's question, Mr. Mendez said, under the Governor's proposal, the state would not have to lay off any employees. He stated, however, they are still obligated to reduce 378 positions pursuant to the special session that occurred in November 2003. He noted they hope to achieve most of the reductions through attrition and turnover. He stated the department actually helps create jobs and, given the state's economic situation, this is not the time to scale back the construction program.

Approval of State Transportation Board Policies

Mr. Buskirk presented the final version of the State Transportation Board Policies to the Board for their approval. He explained the final version includes a change to the "Rail Right of Way

Preservation Policy" which now reads: "It is the policy of the Board to advocate preserving rail corridor property as an important resource for future transportation purposes."

Board Action: A motion to approve the above change was made by Mr. Jeffers, seconded by Mr. Radicke and passed unanimously.

Mr. Buskirk stated the "RAAC" portion of the "Program Development Policy" was modified to read as follows: "It is the policy of the Board to endorse the Casa Grande Resolves which identified seven guiding principals for planning and established the Resource Allocation Advisory Committee (RAAC) to provide advice to the Director of ADOT on the Five Year Construction Program. Furthermore, the Board reiterates the intent of the resolves to have a Long Range Plan serve as the basis for the Five Year Program and to employ the RAAC for a similar process to maintain the intent of the guiding principals after the completion of the Long Range Plan."

Board Action: A motion to approve the above change was made by Mr. Gant, seconded by Mr. Hileman and passed unanimously.

Adoption of TEA-21 Reauthorization Priorities

Board Action: A motion to table Item 3 until a future meeting was made by Mr. Gant, seconded by Mr. Jeffers and passed unanimously.

Legislative Report

Kevin Biesty reported the senate passed an Omnibus Appropriations Bill, noting there has been a reduction to the amount of money appropriated to the Hoover Dam Project. He explained $16.5 million was originally appropriated, with $8 million going to Arizona and $8.5 million going to Nevada. He said the bill that passed yesterday reduced the amount to $13.75 million, with $7 million going to Arizona and $6.75 million going to Nevada. He stated the bill still has to go to conference and it is hoped that they will negotiate to a higher appropriation.

Mr. Biesty stated he will meet with Congressman Remze tomorrow to discuss some of the priorities of the state. He said he and Director Mendez have been meeting with Governor Napalitano and her staff, who have been very supportive of the Department's positions. He reported the state session started Monday, stating he will present an analysis of the bills that affect the Board at the next meeting. He reported the Department is running four bills.

Financial Report

John McGee reviewed the December Highway User Revenue Fund report, stating they collected $88.485 million, 5.3 percent under last year and 6.9 percent below the estimate. He said year-to-date collections total $535.9 million, 4.4 percent over last year and 1.1 percent above the estimate. He explained December's collections are understated due to a fuel supplier's late payment of about $6.5 million and IRP payments from other states.

With regard to the Maricopa Transportation Excise Tax, Mr. McGee said preliminary numbers indicate collections totaled $22.452 million for the month of December, which is 2.8 percent below last year and 5 percent under the estimate. He said year-to-date collections now total $130,642,000, which is .2 percent higher than last year, but 1.8 percent under the forecast. He suggested the lower collections could be due to last year having almost one more week of Christmas sales than this year.

Mr. McGee reviewed the Cash Management/Investment Program report for November, 2002, stating they earned $1.368 million on an invested balance of $797 million, representing an average yield of 2.09 percent. He reported, year-to-date, they have earned $9.616 million. He said investment returns continue to drop as the Treasurer redeems higher interest securities and has to reinvest in much lower interest ones. He noted the average earning rate from October to November fell from 2.87 percent to 2.09 percent.

Mr. McGee stated the cash balance of the Highway Expansion and Extension Loan Program totaled $97,867,747 as of December 31, 2002. He said approximately $9 million in loan draws were disbursed and about $6 million was received in loan repayments.

Financing Program

Mr. McGee stated they have decided to postpone the 2003 HURF bond issue until the Vehicle License Tax issue is settled. He said they did not feel it was worth the risk of having to go back and do additional disclosure or, in the worst case, have it fail because of changes in revenue.

Mr. McGee said, after completing the HURF bond financing issue, they will look at a fairly significant GAN issue. He explained the GAN issue will be used to do a program acceleration on the MAG freeway system. He estimated the issue to range between $200 and $250 million.

Resolution Authorizing Declarations of Official Intent

Mr. McGee presented and recommended approval of a Resolution authorizing Declarations of Official Intent to be made under U.S. Treasury Regulations to preserve the right of the Board and the Department to be reimbursed from proceeds of tax-exempt bonds, for temporary advances made to pay prior capital expenditures. He explained HURF and RARF funds can be used to help fund any project whereas GAN funds can only be used on a specific project. He said, should a project run long, the state runs the risk of not being able to keep the arbitrage earnings and, furthermore, it does not have the flexibility to spend those funds on any other project. He stated the Declarations of Official Intent allow him to preserve the right to reimburse HURF, RARF or any other fund used to pay for a project.

Board Action: A motion to approve the above recommendation was made by Mr. Radicke and seconded by Mr. Lane.

Mr. Martin asked if the Declarations of Official Intent should be approved by the Board. Mr. McGee explained doing so would limit their flexibility. He noted his department makes similar decisions every day. He assured Mr. Martin that there would be no problem if the Board ultimately did not approve a resolution to issue the bonds. He confirmed that any project that would end up on the list would be in the Five Year Program.

Chairperson Dusenberry asked Mr. McGee to notify the Board when a Declaration of Intent has been signed.

Upon a call for the question, the motion passed unanimously.

2003 BOARD MEETING DATES & LOCATIONS

January 17, 2003	Prescott	10:30 a.m.
February 21, 2003	Tempe	9:00 a.m.
March 6, 2003	MAG/ADOT Joint Mtg.@MAG	2:00 p.m.
March 21, 2003	Casa Grande	9:00 a.m.
April 11, 2003	Public Hearing/Flagstaff	9:00 a.m.
April 18, 2003	Pub. Hearing & Bd. Mtg/Tucson	2:00 p.m.
May 9, 2003	Kingman	9:00 a.m.
June 20, 2003	Douglas	9:00 a.m.
July 18, 2003	Show Low	9:00 a.m.
August 15, 2003	Page	9:00 a.m.
September 19, 2003	Holbrook	9:00 a.m.
October 17, 2003	Wickenburg	9:00 a.m.
November 21, 2003	Parker	9:00 a.m.
December 19, 2003	Globe	9:00 a.m.

Board Action: A motion to approve the 2003 Meeting Dates and Locations was made by Mr. Hileman, seconded by Mr. Radicke and passed unanimously.

PRIORITY PLANNING ADVISORY COMMITTEE (PPAC)

FY 2003 - 2007 Transportation Facilities Construction Program Requested Modifications

ROUTE NO:	I-10 @ MP 200.20
COUNTY:	Pinal
SCHEDULE:	FY 2003
SECTION:	Sunland Gin Road TI
TYPE OF WORK:	Rehab ramps and cross roads
PROGRAM AMOUNT:	$1,670,000 Funding Source: IM
PROJECT MANAGER:	John Melanson
PROJECT:	H524401C Item Number; 19702
REQUESTED ACTION:	Reduce program amount by $850,000 to $820,000 due to change in pavement type. **Funds return to**

Pavement Preservation Fund #72503.

PROGRAM AMOUNT:	$1,670,000
DECREASE AMOUNT:	$850,000
NEW PROGRAM AMOUNT:	$820,000

Board Action: A motion to approve the above recommendation was made by Mr. Radicke, seconded by Mr. Hileman and passed unanimously.

ROUTE NO:	SR 67 @ MP 579.40
COUNTY:	Coconino
SCHEDULE:	FY 2003
SECTION:	Jacob Lake – North Rim
TYPE OF WORK:	Pavement Preservation
PROGRAM AMOUNT:	$2,221,000 Funding Source: STP
PROJECT MANAGER:	Jennifer Livingston
PROJECT:	H499102C Item Number; 20502
REQUESTED ACTION:	Increase program amount by $277,000 to $2,498,000 due to updated pavement quantities. **Funds available from Pavement Preservation Fund #72503.**

PROGRAM AMOUNT:	$2,221,000
INCREASE AMOUNT:	$277,000
NEW PROGRAM AMOUNT:	$2,498,000

Board Action: A motion to approve the above recommendation was made by Mr. Jeffers, seconded by Mr. Radicke and passed unanimously.

ROUTE NO:	I-10 @ MP 145.00
COUNTY:	Maricopa
SCHEDULE:	New Project Request
SECTION:	7th Street – 7th Ave
TYPE OF WORK:	Restrip additional thru lane
PROGRAM AMOUNT:	New Project Request
PROJECT MANAGER:	Rudy Kolaja
PROJECT:	H607201C
REQUESTED ACTION:	Add a new district minor restriping project to the FY 2003 Highway Construction Program in amount of $370,000. **Funds available from FY 2003 District Minor #73303.**

NEW PROGRAM AMOUNT:	$370,000

Board Action: A motion to approve the above recommendation was made by Mr. Lane, seconded by Mr. Gant and passed unanimously.

ROUTE NO:	SR 260 @ MP 305.00
COUNTY:	Navajo
SCHEDULE:	FY 2003
SECTION:	Jct. SR 277 – Overgaard
TYPE OF WORK:	Reconstruct roadway
PROGRAM AMOUNT:	$6,900,000 Funding Source: NH/TEA
PROJECT MANAGER:	Vicki Bever
PROJECT:	H460401C Item Number; 12703
REQUESTED ACTION:	Increase program amount by $700,000 to $7,600,000 due to updated cost estimates. **Funds from FY 2003 Highway Contingency #72303.**
PROGRAM AMOUNT:	$6,900,000
INCREASE AMOUNT:	$700,000
NEW PROGRAM AMOUNT:	$7,600,000

Board Action: A motion to approve the above recommendation was made by Mr. Radicke, seconded by Mr. Gant and passed unanimously.

ROUTE NO:	US 60 @ MP 109.00
COUNTY:	Maricopa
SCHEDULE:	New Project Request
SECTION:	Mariposa Drive
TYPE OF WORK:	Install new traffic signal
PROGRAM AMOUNT:	New Project Request
PROJECT MANAGER:	Mannar Tamirisa
PROJECT:	HX08901C
REQUESTED ACTION:	Add a new traffic signal project to the FY 2003 Highway Construction program in amount of $120,000. **See funding sources below.**
FY 2003 Traffic Engineering Fund #71203	$60,000
Town of Wickenburg JPA 02-061	$60,000
NEW PROGRAM AMOUNT:	$120,000

Board Action: A motion to approve the above recommendation was made by Mr. Gant, seconded by Mr. Lane and passed unanimously.

ROUTE NO:	SR 69 @ MP 282.00
COUNTY:	Yavapai
SCHEDULE:	New Project Request
SECTION:	Bradshaw Mountain Road
TYPE OF WORK:	Install new traffic signal
PROGRAM AMOUNT:	New Project Request
PROJECT MANAGER:	Mannar Tamirisa
PROJECT:	HX09001C
REQUESTED ACTION:	Add a new traffic signal project to the FY 2003

Highway Construction Program in amount of $202,000. **See funding sources below.**

INCREASE AMOUNT:	$202,000
FY 2003 Traffic Engineering Fund #71203	$111,000
Yavapai County JPA #02-05	$91,000
NEW PROGRAM AMOUNT:	$202,000

Board Action: A motion to approve the above recommendation was made by Mr. Hileman, seconded by Mr. Martin and passed unanimously.

ROUTE NO:	Various Non NHS Routes
COUNTY:	Statewide
SCHEDULE:	New Project Request
SECTION:	Special Guardrail Program
TYPE OF WORK:	Replace blunt end guardrail (non NHS)
PROGRAM AMOUNT:	New Project Request
PROJECT MANAGER:	Rich DeBoer
PROJECT:	H623101C
REQUESTED ACTION:	Add a new guardrail safety project to the FY 2004 Highway Construction Program in the amount of $1,000,000. **Funds from Title II Safety #72803.**
NEW PROGRAM AMOUNT:	$1,000,000

Board Action: A motion to approve the above recommendation was made by Mr. Radicke, seconded by Mr. Lane and passed unanimously.

ROUTE NO:	US 191 @ MP 87.40
COUNTY:	Cochise
SCHEDULE:	FY 2004
SECTION:	MP 87.4 - MP 91.6, Segment I
TYPE OF WORK:	Construct parallel roadway
PROGRAM AMOUNT:	$12,077,000 Funding Source: STP
PROJECT MANAGER:	Robert Mickelson
PROJECT:	H503701C Item Number; 18703
REQUESTED ACTION:	Increase program amount by $557,000 to $12,634,000 to extend existing box culverts and widen bridge. **Funds from FY 2004 District Minor #73304.**
PROGRAM AMOUNT:	$12,077,000
INCREASE AMOUNT:	$557,000
NEW PROGRAM AMOUNT:	$12,634,000

Board Action: A motion to approve the above recommendation was made by Mr. Martin, seconded by Mr. Radicke and passed unanimously.

ROUTE NO:	US 191 @ MP 97.80
COUNTY:	Graham
SCHEDULE:	FY 2004
SECTION:	MP 97.8 - MP 100.7, Segment IV
TYPE OF WORK:	Reconstruct roadway
PROGRAM AMOUNT:	$6,009,000 Funding Source: STP
PROJECT MANAGER:	Robert Mickelson
PROJECT:	H503706C Item Number; 15604
REQUESTED ACTION:	Increase program amount by $1,117,000 to $7,126,000 to extend existing box culverts. **See funding sources below.**

PROGRAM AMOUNT:	$6,009,000
INCREASE AMOUNT:	$1,117,000
FY 2004 Highway Contingency Fund #72304	$632,000
FY 2004 District Minor Fund #73304	$485,000
NEW PROGRAM AMOUNT:	$7,126,000

Board Action: A motion to approve the above recommendation was made by Mr. Radicke, seconded by Mr. Martin and passed unanimously.

ROUTE NO:	SR 69 @ MP 292.60
COUNTY:	Yavapai
SCHEDULE:	New Project Request
SECTION:	Walker Rd., MP 292.6 -MP 293.3
TYPE OF WORK:	Construct widening and left turn lanes
PROGRAM AMOUNT:	New Project Request
PROJECT MANAGER:	John Sterner
PROJECT:	H586501C
REQUESTED ACTION:	Add a new district minor project to construct roadway widening and a right turn lane to the FY 2003 Highway Construction Program in amount of $777,000. **See funding sources below.**

PROGRAM AMOUNT:	NewProject
INCREASE AMOUNT:	$777,000
FY 2003 District Minor Fund #73303	$388,500
City of Prescott JPA #01-12	$388,500
NEW PROGRAM AMOUNT:	$777,000

Board Action: A motion to approve the above recommendation was made by Mr. Hileman, seconded by Mr. Lane and passed unanimously.

ROUTE NO:	SR 260 @ MP 266.00
COUNTY:	Gila
SCHEDULE:	FY 2003
SECTION:	Kohl's Ranch Section
TYPE OF WORK:	Reconstruct roadway
PROGRAM AMOUNT:	$26,315,000
PROJECT MANAGER:	John Sterner
PROJECT:	H447301C Item Number; 13800
REQUESTED ACTION:	Increase program amount by $2,000,000 to $28,315,000 due to increases mainly in erosion control and pavement updates. **Funds from Highway Contingency #72303.**
PROGRAM AMOUNT:	$26,315,000
INCREASE AMOUNT:	$2,000,000
NEW PROGRAM AMOUNT:	$28,315,000

Board Action: A motion to approve the above recommendation was made by Mr. Radicke, seconded by Mr. Jeffers and passed unanimously.

ROUTE NO:	I-17 @ MP 199.00
COUNTY:	Maricopa
SCHEDULE:	New Project Request
SECTION:	MP 199
TYPE OF WORK:	Pump station safety improvements
PROGRAM AMOUNT:	New Project Request
PROJECT MANAGER:	Maria Angelica Deeb – Roberge
PROJECT:	H602001C
REQUESTED ACTION:	Add a new project for pump station improvements to the FY 2004 Highway Construction Program in amount of $350,000. **Funds available from District Minor # 73303.**
NEW PROGRAM AMOUNT:	$350,000

Board Action: A motion to approve the above recommendation was made by Mr. Gant, seconded by Mr. Lane and passed unanimously.

ROUTE NO:	SR 195 @ MP5.50
COUNTY:	Yuma
SCHEDULE:	New Project Request
SECTION:	Avenue E 1/2 – Avenue B
TYPE OF WORK:	Construct 4-lane divided highway
PROGRAM AMOUNT:	New Project Request
PROJECT MANAGER:	Mike Bruder
PROJECT:	H577403C
REQUESTED ACTION:	Add a new roadway construction project to the FY

2004 Highway Construction Program in amount of $9,000,000. **Funds available from the FY 2004 Yuma Area Service Highway (ASH) Set-A-Side Fund #13704.**

NEW PROGRAM AMOUNT: $9,000,000

Board Action: A motion to approve the above recommendation was made by Mr. Radicke, seconded by Mr. Hileman and passed unanimously.

ROUTE NO:	SR 82 @ MP 61.00
COUNTY:	Cochise
SCHEDULE:	New Project Request
SECTION:	Fairbank Historic Townsite
TYPE OF WORK:	Construct pathways, interpetive facilities, stablize buildings, archealogical investigations and visitor areas.
PROGRAM AMOUNT:	New Project Request Funding Source: TEA
PROJECT MANAGER:	Kathie Knapp
PROJECT:	H549801C Item Number; 38598
REQUESTED ACTION:	Reestablish FY 2002 enhancement project in the amount of $500,000 in the FY 2003 Highway Construction Program. Project was to have advertised in FY 2002 and was not reprogrammed through the reprogramming update. Delay was due to IGA negotiations with BLM. **Project to be funded from Federal Enhancement (TEA) funds.**

NEW PROGRAM AMOUNT: $500,000

Board Action: A motion to approve the above recommendation was made by Mr. Martin, seconded by Mr. Hileman and passed unanimously.

ROUTE NO:	SR 163 @ MP 396.16
COUNTY:	Navajo
SCHEDULE:	New Project Request
SECTION:	Luguna Wash Pedestrian Bridge
TYPE OF WORK:	Construct pedestrian bridge and sidewalks
PROGRAM AMOUNT:	New Project Request
PROJECT MANAGER:	Cameron Khanlar
PROJECT:	H603101C
REQUESTED ACTION:	Add a new enhancement project to the FY 2004 Highway Construction Program in the amount of $1,383,000. **Funds from the Statewide Enhancement Fund #75304. Project has been reviewed and approved by the Transportation Enhancment Review Committee (TERC).**

NEW PROGRAM AMOUNT: $1,383,000

Board Action: A motion to approve the above recommendation was made by Mr. Radicke, seconded by Mr. Lane and passed unanimously.

FY 2003 – 2007 Aeronautics Development Program Requested Modifications

PROJECT:	Springerville Airport	
SPONSOR:	Town of Springerville	
CATEGORY:	General Aviation	
SCHEDULE:	FY 2003-2007	
PROJECT #:	E3F52	
PROGRAM AMOUNT:	$228,866	
TYPE OF WORK:	Rehabilitate Runway 11/29, Phase 2	
REQUESTED ACTION:	Provide $10,230 funds to match Federal Grant AIP-11: Total project $228,866:	
FUNDING SOURCES	**FAA**	$208,406
	Sponsor	$10,230
	State	$10,230
	Total Program	$228,866

PROJECT:	Buckeye Municipal Airport	
SPONSOR:	Town of Buckeye	
CATEGORY:	General Aviation Airport	
SCHEDULE:	FY 2003 - 2007	
PROJECT #:	E3F54	
PROGRAM AMOUNT:	$329,453	
TYPE OF WORK:	Extend Runway 17L, Phase 1: Preliminary design and environmental study only.	
REQUESTED ACTION:	Provide $14,727 funds to match Federal Grant AIP-07. Total project $329,453:	
FUNDING SOURCES	**FAA**	$300,000
	Sponsor	$14,726
	State	$14,727
	Total Program	$329,453

PROJECT:	Taylor Airport
SPONSOR:	Town of Taylor
CATEGORY:	General Aviation
SCHEDULE:	FY 2003-2007
PROJECT #:	E3F55
PROGRAM AMOUNT:	$164,726
TYPE OF WORK:	Construct apron, Phase I
REQUESTED ACTION:	Provide $7,363 funds to match Federal Grant AIP-10.

Total project $164,726:

FUNDING SOURCES	**FAA**	$150,000
	Sponsor	$7,363
	State	$7,363
	Total Program	$164,726

PROJECT:	Nogales International Airport
SPONSOR:	County of Santa Cruz
CATEGORY:	General Aviation
SCHEDULE:	FY 2003-2007
PROJECT #:	E3F53
PROGRAM AMOUNT:	$934,362
TYPE OF WORK:	Improve runway safety area, runway lighting (MIRL/MITL/PAPI), install guidance signs, electrical vault and security/perimeter fence.
REQUESTED ACTION:	Provide $41,766 funds to match Federal Grant AIP-09. Total project $934,362:

FUNDING SOURCES	**FAA**	$850,830
	Sponsor	$41,766
	State	$41,766
	Total Program	$934,362

PROJECT:	Casa Grande Municipal Airport
SPONSOR:	City of Casa Grande
CATEGORY:	General Aviation
SCHEDULE:	FY 2003-2007
PROJECT #:	E3F65
PROGRAM AMOUNT:	$164,726
TYPE OF WORK:	Conduct airport master plan update; install perimeter fencing, Phase 2.
REQUESTED ACTION:	Provide $7,363 funds to match Federal Grant AIP-06. Total project $164,726:

FUNDING SOURCES	**FAA**	$150,000
	Sponsor	$7,363
	State	$7,363
	Total Program	$164,726

PROJECT:	Marana Northwest Regional Airport
SPONSOR:	Town of Marana
CATEGORY:	Reliever
SCHEDULE:	FY 2003-2007
PROJECT #:	E3F64
PROGRAM AMOUNT:	$402,109

TYPE OF WORK:	Prepare environmental assessment for Runway 3/21 extension, including marking, lighting system and signage; install security/perimeter fence.
REQUESTED ACTION:	Provide $17,974 funds to match Federal Grant AIP-08. Total project $402,109:
FUNDING SOURCES	

FAA	$366,161
Sponsor	$17,974
State	$17,974
Total Program	$402,109

PROJECT:	Casa Grande Airport
SPONSOR:	City of Casa Grande
CATEGORY:	General Aviation
SCHEDULE:	FY 2003-2007
PROJECT #:	E3F66
PROGRAM AMOUNT:	$164,727
TYPE OF WORK:	Construct Taxiway connectors, approx. 5,000 SY; install visual approach slope indicator; install fencing, approx. 5,000 LF, Phase 1.
REQUESTED ACTION:	Provide $7,363 funds to match Federal Grant AIP-05. Total project $164,727:
FUNDING SOURCES	

FAA	$150,000
Sponsor	$7,364
State	$7,363
Total Program	$164,727

Board Action: A motion to approve Items 24, 25, 26, 27, 28, 29 and 30 was made by Mr. Jeffers, seconded by Mr. Hileman and passed unanimously.

PROJECT:	Sierra Vista Municipal Airport
SPONSOR:	City of Sierra Vista
CATEGORY:	Commercial Service
SCHEDULE:	FY 2003-2007
PROJECT #:	E1153
PROGRAM AMOUNT:	$164,727
TYPE OF WORK:	Terminal development; realign and construct Twy J, including marking; install MITL, directional and designated lighted signs and relocate VOR, Phase 1.
REQUESTED ACTION:	Approve scope change to add Terminal development. AIP – 11. No change in dollar amounts.:
FUNDING SOURCES	

FAA	$164,727

Sponsor	$7,364
State	$7,363
Total Program	$164,727

Board Action: A motion to approve the above recommendation was made by Mr. Hileman, seconded by Mr. Martin and passed unanimously.

* Priority Planning Advisory Committee (PPAC)

- Minutes – December 5, 2002
- Highway Program Monitoring Report.

* Priority Planning Advisory Committee (PPAC) Meeting Schedule
Transportation Board Room
206 S. 17th Ave
Phoenix, AZ 85007

- February 6, 2003

RIGHT OF WAY RESOLUTIONS

*

RES. NO:	2003-01-A-001
PROJECT:	F-19 & 61 / 089AYV322H088801R
HIGHWAY:	PRESCOTT - JEROME
SECTION:	(Old S.R. 89A)
ROUTE NO.:	S.R. 89A
ENG. DIST:	P
COUNTY:	Yavapai
RECOMMENDATION:	Disposal by Abandonment to Yavapai County, and extinguishment of easement right of way

RES. NO:	2003-01-A-002
PROJECT:	F-029-1-709 / 089YV312H395701R
HIGHWAY:	CORDES JCT. - PRESCOTT
SECTION:	Intersection S.R. 89 & S.R. 69
ROUTE NO.:	S.R. 89
ENG. DIST:	P
COUNTY:	Yavapai
RECOMMENDATION:	Establishment and disposal for interchange improvements

Board Action: A motion to approve the above recommendation was made by Mr. Radicke, seconded by Mr. Jeffers and passed unanimously.

*	RES. NO:	2003-01-A-003
	PROJECT:	S-077-8-700 / 077NA361HX13702R
	HIGHWAY:	SHOW LOW - HOLBROOK
	SECTION:	Junction S.R. 77 & S.R. 277
	ROUTE NO.:	State Route 77
	ENG. DIST:	G
	COUNTY:	Navajo
	RECOMMENDATION:	Establish additional right of way for a new traffic signal
*	RES. NO:	2003-01-A-004
	PROJECT:	N-810-602 / 069YV000H088901R
	HIGHWAY:	DPS FACILITY SITE
	SECTION:	"P" Mountain Transmitter Site
	ENG. DIST:	P
	COUNTY:	Yavapai
	RECOMMENDATION:	Establish an ingress and egress right of way for Transmitter Site
*	RES. NO:	2003-01-A-005
	PROJECT:	M-600-2-609 / 051MA000H083902R
	HIGHWAY:	STATE ROUTE 51
	SECTION:	McDowell Rd. – Glendale Ave.
	ROUTE NO.:	State Route 51
	ENG. DIST:	M
	COUNTY:	Maricopa
	RECOMMENDATION:	Establish additional right of way for a new noise barrier wall
*	RES. NO:	2003-01-A-006
	PROJECT:	600-5-703 / 202LMA000H086701R
	HIGHWAY:	RED MOUNTAIN FREEWAY
	SECTION:	East Papago-Hohokam T.I. (Relocated 46th Street)
	ROUTE NO.:	State Route 202 Loop
	ENG. DIST:	M
	COUNTY:	Maricopa
	RECOMMENDATION:	Abandon a portion of right of way to the City of Phoenix
*	RES. NO:	2003-01-A-007
	PROJECT:	U 191-B-802 / 191GH087H503701R
	HIGHWAY:	WILLCOX - SAFFORD
	SECTION:	I-10 – S.R. 266
	ROUTE NO.:	U.S. Route 191
	ENG. DIST:	S
	COUNTY:	Cochise / Graham
	RECOMMENDATION:	Establish additional right of way as a state route and a state highway for widening improvements

STATE ENGINEER'S REPORT

* Report on construction and projects completed in December, 2002.

* Right of Way Acquisition Report for December, 2002.

CONSTRUCTION CONTRACTS

(Non-Interstate Federal-Aid ("A" "B" projects do not need FHWA concurrence, but must comply with DBE regulations; other projects are subject to FHWA and/or local government concurrence and compliance with DBE regulations)

*

BIDS OPENED:	December 13	
HIGHWAY:	URBANIZED AREA	
SECTION:	Dobson-Elliot Roads Intersection	
COUNTY:	Maricopa	
ROUTE NO:	N/A	
PROJECT:	CM-CHN-0(017)A 0000 MA CHN SS49101C	
FUNDING:	94% Federal 6% City of Chandler	
LOW BIDDER:	Achen-Gardner Engineering, L.L.C.	
AMOUNT:	$	3,800,169.00
STATE ESTIMATE:	$	4,387,525.50
$ UNDER:	$	587,356.50
% UNDER:		13.4%
NO. BIDDERS:		3
RECOMMENDATION:	AWARD	

BIDS OPENED:	December 13	
HIGHWAY:	TOPOCK-KINGMAN HIGHWAY (I-40)	
SECTION:	Needle Mountain – SR 95	
COUNTY:	Mohave	
ROUTE NO:	I-40	
PROJECT:	IM-040-A(010)A 040 MO 002 H555401C	
FUNDING:	94% Federal 6% State	
LOW BIDDER:	Oldcastle MMG, Inc. DBA Staker Paving & Construction Co.	
AMOUNT:	$	3,112,048.45
STATE ESTIMATE:	$	3,740,509.00
$ UNDER:	$	628,460.55
% UNDER:		16.8%
NO. BIDDERS:		8
RECOMMENDATION:	AWARD	

Board Action: A motion to approve the above recommendation was made by Mr. Hileman, seconded by Mr. Radicke and passed unanimously.

BIDS OPENED:	December 13	
HIGHWAY:	STATE ROUTE 51	
SECTION:	HOV Lanes, I-10 to Shea Boulevard	
COUNTY:	Maricopa	
ROUTE NO:	N/A	
PROJECT:	AC-NH-051-A(003)B 051 MA 000 H610001C	
FUNDING:	94% Federal 6% State	
LOW BIDDER:	AMES/KRAEMER (JV)	
AMOUNT:	$	75,685,003.00
STATE ESTIMATE:	$	69,020,330.00
$ OVER:	$	6,664,673.00
% OVER:		9.7%
NO. BIDDERS:		3
RECOMMENDATION:	AWARD	

Board Action: A motion to approve the above recommendation was made by Mr. Radicke, seconded by Mr. Hileman and passed unanimously.

(Non-Interstate Federal-Aid required FHWA Concurrence and compliance with DBE regulations)

*	BIDS OPENED:	December 13	
	HIGHWAY:	NOGALES-TUCSON HIGHWAY (I-19)	
	SECTION:	Ruby Road TI to Rio Rico TI	
	COUNTY:	Santa Cruz	
	ROUTE NO:	I-19	
	PROJECT:	HPP-STP-019-A(010)N 019 SC 007 H516301C	
	FUNDING:	85% Federal 15% State	
	LOW BIDDER:	Granite Construction Company	
	AMOUNT:	$	12,209,912.00
	STATE ESTIMATE:	$	12,626,756.00
	$ UNDER:	$	416,844.00
	% UNDER:		3.3%
	NO. BIDDERS:		4
	RECOMMENDATION:	AWARD	

Non-Interstate, Non-Federal Aid

* BIDS OPENED:	December 13	
HIGHWAY:	SHOW LOW – HOLBROOK HIGHWAY (SR 77)	
SECTION:	SR 77 at SR 377 Intersection	
COUNTY:	Navajo	
ROUTE NO:	SR 77	
PROJECT:	S-077-B-505 077 NA 386 HX11501C	
FUNDING:	100% State	
LOW BIDDER:	Utility Construction Company, Inc.	
AMOUNT:	$	59,333.00
STATE ESTIMATE:	$	61,453.00
$ UNDER:	$	2,120.00
% UNDER:		3.5%
NO. BIDDERS:		11
RECOMMENDATION:	AWARD	

CONSENT AGENDA

Board Action: A motion to approve the Consent Agenda was made by Mr. Radicke, seconded by Mr. Hileman and passed unanimously.

REORGANIZATION

Board Action: A motion to elect Ingo Radicke as the State Transportation Board Chairman and Bill Jeffers as the State Transportation Board Vice Chairman was made by Mr. Gant, seconded by Mr. Hileman and passed unanimously.

SPECIAL PRESENTATION

Stanley Gibson, the Mayor of Globe, and Councilman Terry Wheeler presented a proclamation thanking Ingo Radicke for his contributions to the State Transportation Board and his personal interest in and dedication to improvements to the City of Globe, Gila County and the other two counties under his leadership.

ADJOURN

Board Action: A motion to adjourn was made by Mr. Hileman, seconded by Mr. Radicke and passed unanimously.

The meeting adjourned at 12:30 p.m.

Ingo Radicke, Chairperson
State Transportation Board

Victor Mendez, Director
Arizona Department of Transportation

*Denotes items approved in the consent agenda.

MINUTES
OF THE
STATE TRANSPORTATION BOARD
STUDY SESSION
2:00 P.M., Friday, January 17, 2003
Prescott Resort & Conference Center
1500 Highway 69
Prescott, Arizona 86301

The State Transportation Board met in official session for a study session at 8:30 a.m., Friday, January 17, 2003, with Chairman Radicke presiding. Other Board members present included: Vice Chairperson Bill Jeffers, Rusty Gant, Dick Hileman, Joe Lane and Jim Martin. Also present were Director Victor Mendez, Debra Brisk, Deputy Director; Dick Wright, State Engineer; John McGee, Chief Financial Officer, Administrative Services Division; Gary Adams, Assistant Director, Aeronautics Division; Dale Buskirk, Acting Director, Planning Division and Katie Dusenberry. There were approximately 20 people in the audience.

FY 2004-2008 Financial Plan Update.

John McGee updated the Board on funding changes and financial issues with respect to the FY 2004-2008 tentative program. He stated, based on what they know today, funding for program years FY 03-08 will not change materially, however, there are significant levels of uncertainty in terms of state funds, BFO's and federal funds. He said the funding program is losing flexibility, leaving fewer and fewer options to keep total funding levels in tact through the five year program. He reviewed the Governor's Plan for FY 2003 as it effects ADOT. He explained the Legislature passed an appropriation's bill that would have cut ADOT's operating budget by $27.7 million and 378 positions. He said, given the fact that the cuts would have lead to a fairly significant reduction in force, they approached the Governor's office and received their support for a line item veto of the $27.7 million in operating cuts. He said, as an alternative, they put forth a counter proposal that would return $20 million from the HELP Fund to the General Fund and offered to reduce the department's operating budget by $10 million. He said they felt cutting the operating budget from $277 million to $267 million would be feasible with negligible impacts to the Capital Program. He explained, in order to have sufficient funds to repay the BFO's next year, HURF bonding will have to be accelerated to get money back into the HELP fund. He said there will also be less opportunity to accelerate future projects. He stated the Governor has since required two other funding changes, including an additional $10 million "off the top" HURF funding for DPS and a $3 million Aeronautics Fund Transfer. He stated the Aeronautic's Fund transfer will have a moderate impact on the aviation program, noting they are still working with the Governor's Office to see if that amount can be lowered. He said the Governor's Plan entails a $43 million impact to the Department, with no impact on the Highway Construction Program.

In response to Ms. Dusenberry's question, Mr. McGee said the House and Senate could present plans that differ completely from the Governor's plan. He said significant changes could be made to all three plans before they are able to arrive at a single plan.

Mr. Mendez said they anticipate a special session will be held in late January in order to resolve the 2003 budget by early February. He said they worked hard to get the changes before Governor Hull, who initially was not willing to veto anything. He noted a couple legislators have been quoted as saying they like the Department's FY 2003 plan, but that minor fixes might be necessary.

Mr. McGee discussed the Governor's Plan for FY 2004. He explained they have proposed both the $75 million DPS budget and the $1 million Economic Strength Project Fund be taken off the top of HURF, leaving $1,075 in net HURF funding for distribution to cities, counties and ADOT. He said, according to statutory formulas, the cities would receive $328 million, the counties would receive $204 million and ADOT would receive $543 million. He stated, of ADOT's $543 million, approximately $152 million, or 28 percent, represents the department's share of Vehicle License Taxes that flow through the HURF. He said $391 million, or 72 percent, is the department's share of the Gas Tax, Registration Fees and all other constitutionally protected portions of the HURF. Mr. McGee reviewed items that have to be paid with State Highway Funds, including: Debt Service, totaling $117 million; ADOT's Operating Budget, totaling $264 million; Federal Aid Match, totaling $25 million; MVD 3rd Party retainage, totaling $8 million; and LB&I, totaling $1 million. He explained subtracting the $415 million in total state needs from the $543 million ADOT expects to receive, leaves a difference of $128 million. He explained the Governor has also proposed delaying the return of the flight property tax to the Aviation Fund for one more year. He stated that deferral would result in an additional $6 million which, when added to the $128 million, creates a total package of $134 million to help offset the $1.5 billion deficit.

Mr. McGee discussed the impacts of the Governor's proposed plan, stating they do not believe it will impact the Board's program. He explained certain assumptions with respect to state and federal funds, debt service and the department's operating budget were made as part of their funding estimate. He stated the July 2002 assumption estimated $1.54 billion would be needed for operating needs, however, the current assumption estimates $1.424 billion will be needed, a difference of $116 million. Furthermore, he said their original assumption that $10 million from the Land, Buildings & Improvements budget would be spent in FY 2004, has since been reduced to $1 million, resulting in a $9 million savings. He said, taken over the five years, the total savings in the Operating and LB&I budgets totals $125 million.

Mr. Mendez stated, while the Governor's plan will not impact the program, it will impact services to the public.

Mr. Martin asked what does it cost the Department to collect the VLT, stating the department will be paying to collect money that goes elsewhere. Mr. McGee agreed, pointing out, however, DOA collects money that goes into ADOT's pot. Mr. Radicke stated ADOT will likely be asked to reduce staff, asking, at what point will reducing MVD staff inhibit their ability to do the collections. Mr. Mendez clarified the Department will not have to layoff employees as a result of the Governor's plan. He offered to provide a breakdown of the Operating Budget by division.

Mr. McGee stated, because Congress fixed part of the negative RABA problem in FY 2002, ADOT ended up with approximately $50 million more in federal funds in FY 2003 than was

previously estimated. He said, assuming Congress acts at the same pace as they did during their last authorization and assuming FY 2003 does not go up, he believes they will have the same amount of available funding for FY 2004. He explained that for FY 2005-2008 he assumed the most current AASHTO estimate of what the reauthorization will be. He said the entire federal funds increase for the five year period, FY 2003-2008, will be $44 million, including the $50 million already received.

Mr. McGee discussed the FY 2004-2008 DPS Funding Estimate, explaining ADOT contributed $51.3 million and $50.6 million to the DPS budget in FY 2002 and 2003, respectively. He pointed out the Governor's plan would put an additional $10 million from ADOT Operating Budget into DPS and an additional $5 million would go to DPS as part of the $10 million "off the top" HURF distribution. He said, therefore, ADOT could end up funding $65 million worth of DPS funding in FY 03. He explained his report shows "N/A" for FY 2004 because they assumed 100 percent of the DPS budget would be funded off the top of HURF. For FY 2005-2008, Mr. McGee said they assumed $10 million would be taken off the top of HURF and an additional $20 million per year would be taken from the State Highway Fund. He recommended they increase their estimate of DPS funding in FY 2005 by an additional $20 million and in FY 2006 by an additional $5 million.

Mr. McGee summarized the funding estimate changes, stating losses include a $112 million impact to the statewide program due to the reduction in VLT, a $25 million increase in DPS funding and a $15 million reduction to the HURF forecast. He said funding losses for FY 2003-2008 total $152 million. In terms of funding gains, he said the lower Operations and LB&I budgets result in a savings of $135 million, federal funds will increase by $44 million, and debt service will decrease by $14 million. He stated the Department currently has a very high contingency level and are recommending $8 million be redirected to other program increases. He said they also have approximately $17 million in miscellaneous funds, for a grand total of $218 million in funding gains. He said the net gain of $66 million includes the $50 million in additional federal funds received this year and $8 million in contingency funds.

With respect to bonding, Mr. McGee explained they will now do $305 million in HURF bonds rather than the $213 million originally programmed. He said, rather than the $34 million, $106 million and $53 million in GANS programmed for FY 03, 04 and 05, respectively, he now recommends they do $204 million in GANS in FY 04. He explained bonding originally scheduled for FY 05, 06 and 07 had to be brought forward to FY 04 and GAN bonds had to be swapped for HELP loans in FY 04. He noted that represents almost 60 percent of next year's total program. He reviewed a chart depicting the historical and estimated debt/revenue ratio, noting the chart is based on the assumption that they will not be able to reborrow the $200 million in BFO monies.

Mr. McGee said they have made it clear to the Governor's staff that the VLT shift can only occur for one year and that a permanent shift would negatively impact the program by approximately $3.4 billion and place the HURF bond ratings in jeopardy. He stated their ability to repay BFO's is very close and their ability to re-borrow BFO's is in jeopardy. He warned the Legislature is asserting that they can go back as far as they want and take money to reimburse the General

Fund for monies spent on DPS. He stated they have discussed the issue with the Governor's office, but have not obtained a legal opinion.

A member asked what impact the service reductions will have on the preservation of what already exists. Mr. Mendez acknowledged some degree of maintenance activities would not be done.

The meeting recessed for a short break.

Regional Transportation District – Legislation Debriefing

Tom Buick, MCDOT, explained the Regional Transportation District envisions a closely linked relationship between the state and county as a subdivision of the state. He said it builds on ideas of the Transportation District that have been utilized across the state and takes into account best practices throughout the country, modifying them to reflect the current environment in Maricopa County. He said MCDOT is advocating that the Board of Directors for the District be comprised of five members of the Board of Supervisors, five Mayors and the Governor or the Governor's designee. He explained Maricopa County is driven by a management system known as "Management for Results", wherein the County Board of Supervisors identifies strategic priorities. He said one of their strategic priorities has been to provide regional leadership for a regional transportation system. He said his organization shares that goal, exhibiting the role of a regional leader and working closely with the state on a number of ventures.

Mr. Buick identified shortcomings of the current system, stating there is an over-dependence on single-occupant vehicles and freeways, a parochialism that stems from statutory restrictions and previous governance structures, and inadequate funding and disconnected allocation. He summarized the problem as being a void in the deployment, operations and maintenance of a regional, integrated, multi-modal transportation system within Maricopa County. He said there are a number of ways in which they could structure a Regional Transportation District, ranging from one that involves the public to one that is strictly a government agency, a single-modal agency to a multi-modal agency, voluntary or legislated.

Mr. Buick reviewed the existing roles in Maricopa County, explaining the state is responsible for planning, designing, building and operating/maintaining the interstates and state routes and MAG does the planning of the MAG freeway system. He said, while routes of regional significance have been identified, they tend to be treated as orphans with little effort given to turning them into an underlying network that would help supplement the freeway system. He stated cities and towns are responsible for taking care of the surface transportation system within their incorporated jurisdictions, but seldom venture beyond their boundaries to support the regional system. He stated ADOT, Phoenix, RPTA and the County all have plans for their share of the half-cent sales tax, noting the County has identified regional roads of significance, added a significant bridge construction program and a significant intelligent transportation system. He pointed out the total of all of the plans far exceed the estimated $8 to $9 billion the half-cent sales tax will generate.

Mr. Buick stated a true multi-modal, cross-jurisdictional system would include freeways, roads of regional significance, a regional public transportation system, a regional intelligent transportation system and a regional trail system as well as bicycle, pedestrian and other systems. He offered Maricopa County's assistance in creating an accountable Regional Transportation District that delivers the regional integrated, multi-modal transportation system envisioned in the region's planning responsibilities by consolidating development, implementation, operations and maintenance. He explained the Regional Transportation District would be responsible for unincorporated improvements and regional roads of significance. He explained the State Transportation Board, in conjunction with the Regional Transportation District, would adopt policy for regional transportation, transportation performance measures and performance planning and programming processes. He said the Board would also annually certify that the budget is fiscally balanced and conforms with adopted policies, performance measures and planning and programming processes. He explained ADOT would work jointly with the Regional Transportation District and State Transportation Board to identify the regional transportation system and key connections, advise the Regional Transportation District and Board with regard to the performance measures and planning and programming processes and participate in the Regional Transportation District Technical Advisory Committees. He stated the Regional Transportation District, in conjunction with the State Transportation Board, would adopt policy for regional transportation, transportation performance measures and performance planning and programming processes. He said the Regional Transportation District would develop an annual budget and 10-year expenditure plans, be accountable for the construction and operation of the system, and ensure what they do conforms with adopted policies, performance measures and planning and programming processes.

Mr. Buick distributed a copy of his presentation and a summary of proposed RTD Legislation for the record. He encouraged the Board to give their concept serious consideration.

In response to Ms. Dusenberry's question, Mr. Buick explained their proposal uses the county lines as the boundary for the district, but provides for, by agreement, expansion of the boundaries.

Chairperson Radicke asked how much more they foresee Maricopa County taxpayers having to pay to establish a Regional Transportation District. Mr. Buick stated they have been admonished to do nothing that is not authorized and funded. He said, while the numbers show it will exceed revenue generated by the half-cent sales tax, the county is able to bring a number of diverse funding sources to the table. Chairperson Radicke asked who would assume responsibility and liability for building roads, purchasing right-of-way and so forth. Mr. Buick responded the Regional Transportation District would be accountable.

Mr. Lane asked Mr. Buick if the State Transportation Board could serve on the Regional Transportation District's Board. Mr. Buick stated, while he does not see any problem including the State Transportation Board, they want to avoid creating an organization that is so large and unyielding it has problems reaching decisions.

In response to a member's question, Mr. Buick said MAG would continue as it currently exists, pointing out federal law does not preclude other planning efforts. He acknowledged there could

be some redundancy, stating, however, their proposal addresses the void between state and local responsibilities.

Mr. Mendez asked why they would want to alter the urban freeway system design/build, operation and maintenance responsibilities when a system that works well is already in place within ADOT. Mr. Buick explained, under their proposal, the Regional Transportation District would be held accountable and have ultimate decision making authority for the regional freeway system.

Chairperson Radicke asked Mr. Buick how many miles of roadway in need of improvement would he put on their first priority list. Mr. Buick stated the miles of roadway, balanced with a transit system, is something they have yet to determine.

Adjournment

No closing comments were made.

Board Action: A motion to adjourn was made, seconded and passed unanimously.

The meeting adjourned at 3:55 p.m.

Ingo Radicke, Chairman
State Transportation Board

Victor Mendez, ADOT Director
Arizona Department of Transportation