

MINUTES
OF THE ARIZONA TRANSPORTATION BOARD MEETING
9:00 A.M., Friday, August 15, 2008
Town of Pinetop-Lakeside Council Chambers
1360 N. Niels Hansen Lane
Pinetop-Lakeside, AZ 85929

VICE CHAIRMAN HOUSEHOLDER: Good morning. Chairman Schorr is out of town, and Bob Montoya had other commitments, but the rest of the Board is here and we appreciate their attendance. I'd like to thank Pinetop-Lakeside for their hospitality last night and this morning. We'll have the Pledge of Allegiance first, and I'll lead. [The Pledge of Allegiance is recited.]

VICE CHAIRMAN HOUSEHOLDER: Can everybody hear me? At this time I'd like Mayor Teague to say a few words, and then we'll start the meeting.

MAYOR K. BARBARA TEAGUE: Thank you, Vice Chairman Householder, and welcome to you and the Arizona Transportation Board. We're pleased that you're here and we wish you a very profitable meeting.

VICE CHAIRMAN HOUSEHOLDER: Thank you, Mayor; we appreciate you and all your staff. May we have a roll call by Mary Currie?

MARY CURRIE: Roll Call: Si Schorr (absent), Delbert Householder, Bob Montoya (absent), Felipe Zubia, Bill Feldmeier, Bobbie Lundstrom, Victor Flores.

VICE CHAIRMAN HOUSEHOLDER: All right, we'll move on to the District Engineer's Report. Jerry Barnes?

JERRY BARNES: Mr. Vice Chairman, Mr. Deputy Director, members of the Board, and guests, I'd like to welcome you to the White Mountain and the Globe District. My name is Jerry Barnes, and I'm the Globe District Engineer. I've been here for just under a year, about ten months, and this is my first presentation before the Board.

The Globe District has over 2500 lane miles of paved roadway, and 166 miles of unpaved roadway. Fully staffed, we have 113 full-time employees. Our District Office is in Globe, and a Regional Office in Show Low. Our District is naturally divided into Northern and Southern regions by the Salt River Canyon. We have three Org's in the Southern region, which are Globe, Superior, and Roosevelt, and in the Northern region we have Show Low, Indian Pines, Springer Mill, and St. Joan's. We have two construction offices in Globe and Show Low. We serve seven counties: Navajo, Apache, Greenlee, Gila, Pinal, Maricopa, and Graham. We also serve three tribal interests: the White Mountain Apache Nation, the San Carlos Apache Nation, and a small section of road inside the Navajo Nation. We also work in cooperation with Four COG's, mainly NACOG and CAAG, but we have some roads in SEAGO and MAG as well.

What's unique about the Globe District is that we're the only District in the state with absolutely no interstates. What we have instead, in abundance, is scenic highways. Here in the Northern region, we share the Coronado Trail, which is 101 miles, with the Stafford District on US-191.

Also, the White Mountain Scenic Road is on State Road 173, and is 10.8 miles. The White Mountain Loop Road on State Roads 260, 261, and 273, is 67.3 miles. These, along with the other roads throughout the Globe District, are beautiful drives. With such varied terrain and conditions in the District, we face some challenges. One of these is deep snowfall; falling rocks are another, as well as flooding. The Globe District meets these challenges and will continue to do so.

Current projects in the Southern region include US-60 at Gonzales Pass, which is our largest project. This involves nearly ten miles of four-lane highway and starts just East of Lawrence Junction to the Boyce Thompson Arboretum. It's being constructed by Kiewit, and we've been given a Design Partnering Award for this project. Currently the project is within budget and 10 ½ months ahead of schedule, due to be completed in October 2008. In all the years I've been a District Engineer, this is one of the best projects I've seen.

Also on State Road 77, at Christmas Mines, just North of Winkleman, a road is being widened with rock fall protection. This was awarded to Ames Construction. Due to environmental constraints, we'll be required to close this road 12 hours a day, which will present a challenge, but we have to complete the blasting before April. This project is scheduled to begin in October.

On US-60 at Pinto Valley, just East of Top of the World, we have a passing lane and a pavement rehab project. This has been advertised and bids have been opened, but it hasn't been awarded yet.

In the White Mountain area, we have a pavement preservation project on US 191, and a bridge replacement over the Zuni Wash. This project has begun and the bridge is partially demolished, but currently there's water beneath the bridge and the road has been shut down, so we're at a standstill. What's unique about this project is the pavement preservation aspect, which is an in-place recycling project with a friction course over its top.

We also have the Show Low Creek Bridge, which is being constructed by Bastco. This is in partnership with the City of Show Low; they relocated the utilities and provided some of the work in the creek area before we began. This is scheduled for completion in January.

On State Road 273, there is a federally supervised project to reconstruct certain roads and bridges near Big Lake.

On US-60 at Hagen Hill, a concrete barrier project is planned. This is considered a District minor project and should be completed September 2008.

On State Road 277, from Polk Mill to Industrial Drive, we have a pavement preservation project. This has just started mainline and is due for completion in September.

On US-60, from Junction 61 to the Montosa Summit, more pavement preservation is underway. This was begun earlier this week.

On our five-year program, covering the Northern region, we have a District minor project on State Road 73, a drain repair scheduled in fiscal 2008. We also have a pavement preservation project on US-180 from Ranch Road to Junction 61, set for late this year. In Pinetop-Lakeside,

we have some transportation enhancement projects, one from Hill to Branding Iron Loop, which is a multi-use path with landscaping and lighting. It is out to advertise for bids. Another enhancement project is Porter Mountain to Woodland, which is also a multi-use path and due to advertise in January.

We had some early difficulty with designers and consultants on these enhancement projects, as well as with communications. We've renewed our partnership with the town of Pinetop-Lakeside. There were also several clearances that needed to be made for these projects. Both the town and the Department of Transportation are pleased with the designs.

Another project is on State Road 260 on the Reservation, where we've had some right-of-way issues. This has been ready to advertise for quite a while, but we need to resolve these issues first. We hope to get it out for advertisement this fiscal year. In 2011, we have some passing lane construction scheduled, halfway between Overgaard and Show Low, and just outside Show Low on US-60 we have a lightning project from Show Low to Little Mormon Lake. We hope to partner with a developer on this.

The pavement preservation programs have helped the District a great deal. I've already covered four of these, but there are currently 55 miles of pavement preservation underway in 2008. There are 25 miles scheduled in 2009, 36 miles in 2010, and 46 miles in 2011. We have also applied for three spot-repair projects, although we don't have clearances on these yet. These are 2008 projects that will carry over into 2009. We have also applied for six more of these in 2009 and hope to get one or two of them. In addition, we have 161.3 miles of preventative surface treatments, such as micro seals, that we have put throughout the District. Pavement preservation projects extend the life cycle of a roadway and therefore reduce that roadway's cost accordingly. The District greatly appreciates these projects.

We have some DCRs underway, one from Superior to Globe to study feasibility and environmental issues. When I started working for the Department of Transportation 30 years ago, as a surveyor, my last project was on State Road 360 (now US-60), heading toward Alma School Road, we believed that was as far as any roads would be built; but here we are with feasibility studies going into Globe, which says a lot for long-range planning. We also have a design concept report on State Road 260, from Overgaard to Show Low, to develop a long-range plan to provide additional capacity and improve operations. This DCR should be completed next year.

Our website is <http://www.azdot.gov/Highways/Districts/Globe/index.asp> , if you would like additional information about the District. We'd like to thank you for your help and support to the Globe District. Our roads are safe because of what the people in this room have done.

VICE CHAIR HOUSEHOLDER: Would anyone on the Board like to ask Mr. Barnes any questions? Would anyone from the District?

JERRY BARNES: I also have some handouts that give more details on these projects, and I appreciate your time.

VICE CHAIR HOUSEHOLDER: Thank you, we appreciate it. The Consent Agenda is next.

CONSENT AGENDA

ITEM 1: ITEMS TO BE EXCLUDED

VICE CHAIR HOUSEHOLDER: Is there anything that should be removed from the Consent Agenda? If not, we'll move on to Item 2.

ITEM 2: DIRECTOR'S REPORT – Richard Travis

RICHARD TRAVIS: I have a quick report, Mr. Vice Chairman. Secretary Peters issued a report that proposed a new approach to funding and project management at the Federal level, which we're currently reviewing. We'll have more details to follow, and we'll see if this changes how we interact with the federal government.

Congress adjourned without fixing the Highway Trust Fund, which is a source of great concern for us. At the State level, the budget is being implemented, so we no longer have to guess at where "impacts" will fall. We've lowered our budget. Locally, I'm sure you have heard that there is an issue with street sweepers, particularly that there are only a limited number and their availability is hard to predict. For the second year in a row, our funds have been "swept" before we can buy new equipment, such as the street sweepers. It's an example of opportunity lost by budget cuts.

We continue to do a great deal of outreach with the investment strategy the Board adopted in June. A lot of both enthusiasm and questions still surround this, which take up a great deal of our time. The good news is that we have hundreds of millions of dollars in construction and maintenance projects underway, including the I-17 improvement in Tucson.

VICE CHAIR HOUSEHOLDER: Thank you. Would anyone like to ask Director Travis any questions? If not, we'll have the Legislative Report next.

ITEM 3: LEGISLATIVE REPORT – Kevin Biesty

KEVIN BIESTY: Good morning, Mr. Vice Chairman and members of the Board. This will be a brief update. In front of you is a packet of summaries from the last session that my office put together; a hard copy is also available online, and the website is included in the packet.

We are also currently working on proposals for the upcoming session, which are due to the Governor by this weekend. We're in the process of finalizing those proposals, making technical corrections and looking into some issues raised by MVD that would make the statute a little simpler to read.

We had a couple of proposals last year that didn't make it through the Legislature, including a Rules Bill that attempted to remove some outdated language from the statute, and a small change to the way the Aviation Fund is calculated. Unfortunately, we were unable to get this change through.

On the Federal level, as Deputy Director Travis mentioned, we're still waiting for word on the Trust Fund. In February, the administration projected that the Highway Trust Fund would incur a deficit of \$3.3 billion in fiscal 2009, which begins on September 30, 2008. This would result in a program cut of \$13.5 billion in Federal aid highway funding, a 34% reduction that would place jobs in jeopardy around the country. The cost of gasoline and a decline in vehicle miles traveled all play a role in how big this deficit will be.

For Arizona, this means a decrease in the funds we collect, and we estimate this to be \$228 M for the coming fiscal year, according to American Road Transportation Builders' Association and AASTHO. We're monitoring this situation. Before the recess, the House passed an attempt to fix the Highway Trust Fund, but the Senate did not act on it. We hope when they return after Labor Day, we can push to have it fixed at that time. Unfortunately, there is no hope for a new appropriations bill until after the election, when a new administration will take over.

We are still waiting for FAA reauthorization. The existing program has been extended through September 30, 2008. Regarding SAFTEALU reauthorization, the current Federal Highway & Transit Bill expires September 30, 2009. Chairman Oberstar of the House Transportation & Infrastructure Committee has indicated that he will request a bill worth approximately \$400 M over the next six years, which is a significant increase.

As a final note on the Federal level, we have taken the opportunity to reach out to our Congressional delegation during their break. We have met with Congressman Flake and are meeting with Congressman Pastor next week, and are scheduling meetings with the other members of the delegation to impress the urgency of the matter upon them. I will be happy to answer any questions.

VICE CHAIRMAN HOUSEHOLDER: Does anyone have questions for Mr. Biesty?

BILL FELDMEIERS: I have one quick question, which may refer back to Mr. Travis' report. I've been thinking about the sweeping of the maintenance funds – are either of you, Mr. Travis or Mr. Biesty, familiar with how much money the legislature removed?

RICHARD TRAVIS: Correct me if I'm wrong, but I believe it was about \$5 M from the equipment revolving fund.

KEVIN BIESTY: If not, we can provide that information for you.

RICHARD TRAVIS: \$3.1 M was swept. And I believe this is the second year that has been swept, so the total is around \$6 M.

JOHN MCGEE: It was \$3.1 this time, and a pretty similar amount the first year.

BILL FELDMEIERS: We heard some legitimate concern last night from people who live in this area, how we could assist in maintaining these roads a little better. Unfortunately, the answer is that what could have been done before cannot be done now.

VICE CHAIRMAN HOUSEHOLDER: Thank you, Kevin.

ITEM 4: FINANCIAL REPORT – John McGee

VICE CHAIRMAN HOUSEHOLDER: We have some Financial Reports from John McGee.

JOHN MCGEE: Thank you, Mr. Vice Chairman and members of the Board. I have three agenda items to address, items 4, 5, and 6. Each of you should have one of my normal monthly packets of information; two other reports, a Year-End HURF Report and a Year-End Division Road Fund Report, are included as well.

We have results for HURF for the month of July, and for the first time since February, we actually had a higher level of collections for the month in 2008 than the same month in 2007. Collections totaled \$109.814 M, which was 2.4% over last year but 1% below our forecast. It's also the smallest variance against the forecast in the past 13 months.

This month, HURF did well in both VLT and commercial registration categories. Some of the strength in the commercial carrier category may be related to timing issues; we'll see if that's the case over the next couple of months.

Gas tax receipts were 5.6% below last year. However, I'd like to remind you that July collections actually reflect June sales; June and July were the peak months of the gas prices, which have eased some 10% or so over the last month. Depending on how gas prices move, we may continue to see higher negative advances or see some improvement. One month doesn't indicate a trend, but the July results were a welcome change from prior figures.

We also have June RARF collection results, which totaled \$30.789 M, 5.2% below last year and 11.6% less than the forecast. For the entire year, RARF collections totaled \$380.066 M, which is 3.2% less than the FY 2007 level. This is the first time in the history of the Maricopa County sales tax that we have had negative growth year-over-year. It was also 7% below the forecast.

In terms of where problems exist, the weak housing market severely affected both construction and retail sales, which are our two largest categories. There was also an impact on restaurant and bar sales. The other categories, including utilities and rentals, did fairly well. All in all, last year had mixed results.

Included in your packet is a chart on the fiscal 2009 HURF and RARF forecasts, based upon the fiscal 2008 results. These forecasts have been revised slightly downward. Our prior 2009 HURF planning forecast, which was developed six months ago, estimated that we would collect \$1.394 B; we have revised that to \$1.387 B. This would represent a 3.2% increase over last year, which is about half the average growth rate of fiscal years 2004, 2005, and 2006, when the economy began trending downward.

This forecast assumes a very modest increase in gas and use fuel consumption, roughly 1-1.5%, which is less than the average. I'd like to point out that for July; vehicle license tax had over 6% growth, the best report in some time. If HURF grows at the predicted rate, by the end of fiscal 2009 we will be approximately back to the level where we ended fiscal 2007.

On the RARF side, the forecast has been revised downward. Our estimate is that RARF revenues will be flat for the year. This is because we believe we haven't yet reached the bottom of the new housing and construction market, and will not until late fiscal 2009 at the earliest. If you factor out the approximate 18% additional decrease we believe we will see in contracting collections, we believe the rest of the tax will grow at a rate of roughly 4% this year, which will be a typical rebounding year. The expected 18% decrease will essentially make RARF flat for 2009.

I'd also like to mention we'll be going through our annual update process for our long-term HURF and RARF forecasts over the next two months. This will begin next week when a Risk Analysis Panel, or RAP, is convened. The panel's input will be used to update the HURF and RARF econometric models. The models' output, which we should have by the end of October, will serve as the basis for the fiscal years 2010-2014 program.

I'd be happy to answer any questions you might have regarding HURF and RARF, or the fiscal forecasts.

Moving on to the Investment Report, ADOT earned \$3.985 M on its invested funds in July, which is a 3.28% yield. With respect to our HELP Fund, as of July 31, 2008, this balance was at \$80.384 M, which is up \$3 M from the June balance due to approximately \$2.9 M in loan repayments, \$200 K in interest income, and \$100,000 in loan draws. This concludes my report on Agenda Item 4. I'll be glad to answer any questions.

BILL FELDMEIERS: You mentioned that you don't think we'll reach the bottom of the housing market until the end of 2009, which is over a year away. How did you come to that conclusion?

JOHN MCGEE: My staff and I analyzed the data in terms of new and existing home sales in Maricopa County. There are still about 51 K resale homes on the market, which represents roughly a 10 -11-month supply, while a normal supply is closer to 3 - 6 months. We believe until this inventory falls back into a normal range, and until housing prices plateau, there will be significantly fewer new houses built than normal. We had thought that might start leveling off by the end of 2009, but I'm not optimistic that this will happen. That is an assessment from me and my staff, however, and hopefully we'll be wrong.

ITEM 5: FINANCING PROGRAM – John McGee

JOHN MCGEE: I only have one item on Agenda Item 5 to discuss with the Board today. As you recall, last March the Board approved a resolution authorizing the issuance of up to \$375 M in senior lien HURF bonds in CY 2008. At the time, I recommended that the \$375 M be issued in two tranches, with \$200 M to be issued immediately and some part of the remainder to be issued in the second half of the year.

In early May, we issued \$193 M, par value, in bonds. This issue closed in mid-May. I now recommend that we move forward with the second tranche. This is consistent with past discussions and reflective of our estimated cash needs, based on the final HURF and RARF collections in fiscal 2008, as well as final budget results. We've developed a timeline for this issuance, which is included in the packet.

Because the Board previously approved the resolution to issue up to \$375 M, there is no action the Board needs to take in this regard. The Board will need to approve a resolution to appoint underwriters to sell the bonds, which will be brought forward under Agenda Item 6. If approved, the staff will move forward immediately to develop the official statement and other necessary documents, with the goal of pricing this second tranch of bonds as early as the week of September 8 and closing the issue by October 1.

I'd be happy to answer any questions you have with respect to this item.

DELBERT HOUSEHOLDER: Who will be the underwriter, and could you give us the percentage and the name of the companies?

JOHN MCGEE: Yes, moving on to Agenda Item 6.

ITEM 6: APPOINTMENT OF UNDERWRITERS, HIGHWAY REVENUE BONDS, SERIES 2008B – John McGee

JOHN MCGEE: Under this item, I have included in your packet a recommended underwriting team for the 2008B HURF issuance. I'd like to read that recommendation to the Board:

“The resolution of the State of Arizona Transportation Board appointing managing underwriters for its planned issuance of Highway Revenue bonds, series 2008B, the Board hereby appoints the following firms to act as managing underwriters in connection with its planned issuance of Highway Revenue bonds, series 2008B: CitiGroup Global Markets, Inc., be designated senior manager, with a 40% liability; J.P. Morgan Securities, designated as a co-manager, with a 20% liability; Goldman, Sachs & Co., as a co-manager, with 20% liability; Merrill, Lynch, Pierce, Fenner, & Smith, designated as a co-manager, with a 15% liability; and Stone and Youngberg, designated as a co-manager, with a 5% liability.

“The resolution goes on to state the Board reserves the right to make changes in the management team designated above, if it is deemed to be in the best interest of the State. Dated this 15th day of August, 2008, State Transportation Board.”

That's our recommended team, Mr. Vice Chairman, and we recommend the resolution be adopted.

VICE CHAIRMAN HOUSEHOLDER: Are there any questions on the resolution for Mr. McGee? If not, do I have a motion to accept the resolution?

[Motion moved by FELIPE ZUBIA, seconded by BILL FELDMER]]

VICTOR FLORES: Mr. McGee, I have a question, you note that there is an opportunity to discuss, change, or modify included in the resolution, and what would that process involve?

JOHN MCGEE: The terminology used is standard for these resolutions in order to address specific issues, such as what happened in March 2008, for example, when Bear Stearns, one of the Board's two senior underwriters, went out of business very quickly. UBS, which was #2 in municipal bond underwriting for years, also announced unexpectedly that they were leaving that

business. Should anything of that nature happen, or should any of these firms, between now and the time that we price, announce that they are going out of business or being sold, we would then alert the Board and schedule a teleconference with a different recommendation, based upon the circumstances.

VICTOR FLORES: How are the underwriters' percentages selected, and to what extent does the Board participate in the process, aside from at this level?

JOHN MCGEE: Mr. Vice Chairman, the liabilities shown in the resolution are there to designate how any bonds not sold at the time of pricing will be distributed among the remaining firms. For example, if this issuance was for \$175 M in bonds and \$10 M went unsold, the Board designates that CitiGroup would be required to buy, or take down, \$4 M, J.P. Morgan would be required to take down \$2 M, and so on. Those are percentages we develop in conjunction with our financial advisor, based upon what we see as the relative roles and strengths of the firms included in the underwriting pool.

VICTOR FLORES: I'm curious as to how these decisions are made, because I know they're competitive. I'd just like to go on record as stating I would like to know more about how this process occurs and how I, as a Board member, could become more aware of how these selections take place. I'll make an appointment with you to discuss it at length at another time.

JOHN MCGEE: Of course Mr. Vice Chairman, Mr. Flores, I'd be happy to sit down with you and with our financial advisor and work through that process. The selection of underwriters is a process we take very seriously with regard to determining their respective liabilities. It's based upon several factors: are they paying attention to us as a client, are they making an effort to attend Board meetings, are they keeping up with our programs and bringing us ideas, and particularly, are they performing.

The whole selection process, of course, is governed by procurement laws and the development of pools of investment bankers.

VICE CHAIRMAN HOUSEHOLDER: Will all in favor of the motion please say Aye?

[Motion moved by FELIPE ZUBIA, seconded by BILL FELDMEIER]

VICE CHAIRMAN HOUSEHOLDER: The vote is unanimously in favor.

ITEM 7: ACCESS MANAGEMENT STATUS REPORT – Arnold Burnham

VICE CHAIRMAN HOUSEHOLDER: Arnold Burnham, will you address Agenda Item 7?

ARNOLD BURNHAM: Mr. Vice Chairman and members of the Board, my name is Arnold Burnham and I'm the long-range planning manager, as well as the project manager for the Access Management Program. I realize this was presented to you some time ago, in a work-study session, and I'd like to update you on where the program currently stands and where it will go in the next twelve months.

The first phase, which is the technical portion of the Program, has been completed, so I'll discuss the current status. The State Highway Map, showing all the classifications for the State Highway System, has been completed after meeting with local governments, counties, and district staffs. The basis for the system will depend on this map. It is also linked to a database that's refined very closely by mileposts, so as the roadway changes based on the land use, it will be accessible to view. We also have a manual and glossary of terms for all the acronyms, so people inside and outside the Transportation system will know what certain terms mean.

We have been working on design requirements for the past six months, as we've received comments from District Engineers, designers, permit staff, and others. We've followed AASHTO guidelines and other requirements from ADOT, which has taken some time, but it's now at a point where most of the staff find it acceptable. It is now available on the internet for everyone to see. We've received a lot of feedback from developers. I'm aware some letters have been sent to the Board on this issue, so we're trying to make this as open a process as possible, so developers and others will know what is required of them in the future.

The permitting process draft has been submitted to the State Engineer's office. We are also working with Brian Perry of the Attorney General's office on this process. Although the final drafts have been completed, they are currently being retained as drafts so we can work with various groups as comments arrive, and find out what issues we have. This will hopefully save on a lot of dialogue as the drafts move forward through the Rules process.

As I said, that sums up Phase 1, or our technical portion. We had hoped to have the entire process completed by this time; however, because of the volume of questions from private and local entities, we're planning to do a major outreach process. We're developing a plan of contacts to meet with local towns and cities, developers, major employers, and anyone else who feels they will be greatly impacted by the Program. Making sure everyone understands what we're trying to accomplish will be a major part of Phase 2; we also want to ensure everyone feels like they have some input, and the Program isn't being forced on anyone.

Coming up with the administrative portion will be a major part of the Program, and will take about a year to develop. This will make sure ADOT can follow through with Access Management plans. There will be three meetings once the rules procedure is complete, to ensure public input. We'll keep you all informed as this process continues.

Training, for in-house staff from ADOT and other groups as well as outside groups – development, traffic engineering, local jurisdictions, and others – will also be an important part of the process. Technical support will be available to help anyone who wants to work with the Program. For example, a project was awarded to Pinetop-Lakeside to study five miles of access highway; this is also tied into a program for safe routes to school. Local jurisdictions are beginning to see how the project is useful to them.

There is also a Traffic Impact Studies guide. We've worked with safety personnel to include the Program in the updated version of this guide. Two big issues with Access Management are safety, and maximizing our investment in our roadways. Too many highways that were major investments in 2003 and 2004 are now breaking down after a short time; hopefully, with better Access Management, the roadways will have a longer lifespan.

An Access Management Program manual will be made accessible to all, containing all the information anyone might need to know. For instance, if a piece of land is being developed, the developer can refer to the manual and find out what ADOT expects of them before they begin their site plan.

The URS Project Manager is now Ron Ross, who has taken over since Rick Ens Dorf passed away last month. If you have any questions, I'll be happy to answer them, or ask Mr. Ross if he can answer them.

VICTOR FLORES: How long will the outreach go on?

ARNOLD BURNHAM: We're expecting it to last about one year, and then we'll switch to a web-based training manual after the rule-making procedure takes place. It can last longer if people still want to discuss it.

VICTOR FLORES: Will the rule-making go on at the same time as the outreach?

ARNOLD BURNHAM: Yes. We'll be open to outreach from cities, towns, trucking companies – it could be an ongoing process. During the final stages of outreach, we'll have more structured meetings with various groups.

VICTOR FLORES: So the outreach process began when letters from developers and others started coming in, and those letters are being taken into account?

ARNOLD BURNHAM: Yes.

VICTOR FLORES: When will the rule-making process actually launch?

ARNOLD BURNHAM: We're planning to begin that phase in September 2008. But we've been meeting with many of these groups for the past year. The same ones who originally wrote letters, but what they're looking for is an explanation of the details: how many driveways per mile, what are design standards. I think that's been their concern, more than what Access Management actually involves. We were planning on getting the Program finalized by July 1, 2008, but due to complications it had to be delayed.

BILL FELDMEI ER: Have some processes already been adjusted based on the response you've been getting from these groups, or are you waiting until the rule-making process begins to give them an opportunity to see what the Access Management Program looks like in print?

ARNOLD BURNHAM: We're waiting until they can see it in print. Most of the "pushback" to the plan that we've been working with has come from internal staff, because there's been a lot of back-and-forth between the design team and various groups within ADOT. Mainly they'd like a chance to see it, so we've currently got the plan on the internet for them to look at. We're emailing these groups, and everyone who's contacted us, so they can look at the plan and start spreading the word that it's available. I think it's important for them to see the plan, and then we'll schedule meetings with them and start a dialogue about certain details.

What tends to happen is they'll see a design classification for a number and think they won't be able to meet that number. Those figures are ideal, though – they're what we'd like to reach. We hope to get within an area that ADOT and the developers can both work with. A lot of the response we've been getting seems to come from the fact that they know Pima County is developing a similar program, and that the business is changing and not everyone is sure why. Hopefully, once they get a chance to see the Program, we'll be able to work with these groups and individuals, and come up with something that's compatible for everybody.

BILL FELDMEIER: And these dialogues take place during the rule-making process?

ARNOLD BURNHAM: The rule-making will be going on at the same time as the dialogues – we'll be working with these groups during the rule-making process.

BILL FELDMEIER: So at the end of the rule-making process, the outreach will be complete? What happens then?

ARNOLD BURNHAM: Then it goes into Rules, which means there will be public hearings, and if the rules are all accepted we'll have more "teeth" in the process. Instead of a developer being able to go to someone, like a Senator, for access, they would actually have to get the rules changed first rather than bypassing them.

BILL FELDMEIER: Is the rule-making decision made by HURF?

ARNOLD BURNHAM: It goes through a legal process.

BILL FELDMEIER: What role will the Board play in the process farther down the line, other than receiving updates? Will we be asked to make decisions on this, or to review it?

ARNOLD BURNHAM: You'll be asked to review it. This is an ADOT function – it's not necessarily a Board function to say yes or no to the Program, but the Board's input will be valuable as the process continues, according to what we've been told by the Attorney General's office.

FELIPE ZUBIA: Mr. Burnham, you've mentioned some of the responses the Board has been receiving, and it's not just limited to developers. There have been concerned calls from local jurisdictions, often municipalities and counties from rural areas, because State Highways are the lifeblood of these economies and the state relies heavily on the regional sales tax. I understand the value of Access Management, and I've supported it; however, I recognize the need to keep from jeopardizing economic viability. Is there an appeal process as well as a rule-making process to the Program?

ARNOLD BURNHAM: Yes, there is.

FELIPE ZUBIA: You mentioned that in order to change anything, someone would have to get the rules changed, but if there's an appeal process this isn't necessarily the case?

ARNOLD BURNHAM: There will be an appeal process. I also think there may be some misunderstanding –

FELIPE ZUBIA: First, could you tell me what that appeal process would be?

ARNOLD BURNHAM: I'm not sure what it is exactly – I'd have to check. This is Ron Ross, who's been working with the Attorney General's office and might be able to explain it more fully.

RON ROSS: Mr. Vice Chairman, Mr. Zubia, basically there are waivers put into the process while the rules are being written. The designation of the highways reflects the local plans and is based upon them. This is different from the current system, in which the designation is based upon the present use of a particular highway. For example, if you have a two-lane highway serving farm-to-market, that's the current system. We've partnered with the District Engineers and local communities, and taken their plans and reflected that in the use of the highway.

There is a waiver provision, and a provision to work with local government and groups if they do something like establish a historic district or a special development district. There are negotiation procedures that we can enter into with them. What the rules do is provide a uniform format for the decision-making process, so you know up front what you have to meet, or if you have to go to the waiver process, you know what's needed to get through it.

The second part, as part of the Administrative Procedures Act in Arizona, there is an appeal process and an administrative judge process that will rule on certain aspects of how the rules are implemented. Does that answer your question sir?

FELIPE ZUBIA: It does answer my question, and I appreciate it. In keeping with that theme: Mr. Burnham accurately stated that the Board doesn't have any purview in the administrative actions of Access Management, which is true. But of course one of our major functions is the acceptance and abandonment of right-of-way and Access Management is something of a subset of this function. I understand that we don't deal with the day-to-day operations of Access Management, but a policy such as this, which does govern right-of-way, seems like something we should have more active involvement in.

On that note, I'd like to make a couple of suggestions: the full Board should get a copy of the current draft that's available, because we get comments and questions, but we don't always know what information is on which draft. It would be helpful if the staff took the opportunity to print out the current version and send us each a hard copy.

ARNOLD BURNHAM: Mr. Vice Chairman, Mr. Zubia, we will do that, and as we update, we'll keep you informed so you're fully aware of any changes that are being made. Also, if you get any letters or calls, please let us know. We've met with several jurisdictions who want to know more about the program, so we'd like to meet with any of your constituents or elected officials. We're open to meeting with anybody to discuss the program.

FELIPE ZUBIA: I believe the outreach process is very important and should be as comprehensive as possible. To the extent that we can't accommodate all the recommendations and changes, it gives the Board something to fall back on, that there was an extensive outreach process and everyone had the opportunity to give feedback. I support staff one hundred percent and I support that process, and my intent is to direct everyone interested to that process so they

can participate fully in it. I don't think the Board should be involved in every detail and aspect of the process; it's not a good use of time. When do you anticipate the final rule-making process will be finished, and implementation to start?

ARNOLD BURNHAM: From the information I have, it could take eight to twelve months, depending on the situation.

FELIPE ZUBIA: What I would suggest is that when the Rules Conference comes up this January, there should be a session or an outreach on Access Management as part of the Conference. All local jurisdictions should be invited, as well as any developers, contractors, or groups that may be affected by the program. After the Conference, as the outreach process is wrapped up, I'd also recommend that we hold a study or work session, as a Board, to look at the most complete draft before the final rule-making and implementation. I know other Board members who aren't here have questions and comments also, and that would help them understand the process as well.

ARNOLD BURNHAM: All right. Thank you.

VICE CHAIRMAN HOUSEHOLDER: Bill Feldmeier had another question as well.

BILL FELDMIEIER: You have waivers and appeals, I would presume that a person who did not receive a waiver would request an appeal, is that correct?

ARNOLD BURNHAM: Yes, sir.

BILL FELDMIEIER: Can you tell me who grants the waivers? Is that an administrative responsibility?

RON ROSS: The waiver is granted administratively through the permit writers of ADOT. It's an internal function. The review by an administrative judge determines whether ADOT did this correctly, according to the procedures and rules: did they act appropriately, within their authority, and not arbitrarily or capriciously. That's the role of the administrative judge. That means there are two reviews: one technical and one procedural. Could you restate the second part of your question?

BILL FELDMIEIER: I was interested in the clarification between waivers and appeals, and wanted to make sure the waivers are administrative and granted because they make sense, that site-specific decisions are appropriate.

RON ROSS: Yes. The rule will contain the process for getting that waiver through, so it doesn't damage the safety of the area. Also, the department is committed to not "land locking" anyone: if you have no other access to your lot it will be considered and of course will be waived.

VICE CHAIRMAN HOUSEHOLDER: Are there any other questions? Thank you, Mr. Burnham.

ITEM 8: MINUTES APPROVED – Included in Consent Agenda

ITEM 9: PRIORITY PLANNING ADVISORY COMMITTEE (PPAC) – Rakesh Tripathi

RAKESH TRIPATHI: Mr. Vice Chairman and members of the Board, Director Travis, I'd like to request if I could take Items 10 through 24 first and then return to Item 9. This will help me explain Item 9.

VICE CHAIRMAN HOUSEHOLDER: At your pleasure, go ahead and present these first. Do I hear a motion to approve items 10 through 24?

BILL FELDMEIER: Mr. Vice Chairman, I'd like to ask a question specific to Item 10.

VICE CHAIRMAN HOUSEHOLDER: You may go ahead.

BILL FELDMEIER: In the packet material on Item 10, there is apparently an issue with the tribes and the completion of an IGA?

RAKESH TRIPATHI: Yes, this has taken more time than we had anticipated. We're hoping to have everything signed and out for advertisement by December 2008 or January 2009. This is just a slight delay in the signing of the agreement.

BILL FELDMEIER: Could we hold this for 30 days, then, and revisit it in September? Does that give you enough time to have everything completed?

RAKESH TRIPATHI: We are deferring this from fiscal year 2008 to 2009.

BILL FELDMEIER: We're at fiscal 2009 now -- I just don't want to see this extend to the end of the new fiscal year as well.

RAKESH TRIPATHI: No, this is just in recognition of the fact that it's taken a few months longer to get the signature from the tribes. As you know, the tribes have a slightly more detailed and comprehensive process than other jurisdictions.

BILL FELDMEIER: I'm concerned that this is being moved further and further away at the tribal end. If we keep the process closer to the Board end, it might move things along more quickly.

RAKESH TRIPATHI: I can assure you that we're being very aggressive in completing this as soon as possible.

BILL FELDMEIER: Other than the signature to our paperwork, the time is irrelevant.

VICE CHAIRMAN HOUSEHOLDER: Do we have a motion to approve Items 10 through 24?

[The motion, moved by BILL FELDMEIER and seconded by VICTOR FLORES]

VICE CHAIRMAN HOUSEHOLDER: We will return to Item 9.

RAKESH TRIPATHI: Taking those items first helps me to explain this process. As you just saw, there is a project that was delayed due to a question of agreement. There are other projects where developmental or environmental issues, or others, may cause delays as well. This means we have to roll over the money allocated for that project to the next fiscal year. This is a routine annual process we go through, rolling over funds from one year to the next, and Item 9 recommends that the 2008 Subprogram Balance be rolled over to be reprogrammed in 2009. I request your approval for this.

VICE CHAIRMAN HOUSEHOLDER: Do we have a motion to approve?

[The motion, moved by FELIPE ZUBIA and seconded by BILL FELDMEIER]

RAKESH TRIPATHI: Thank you, Mr. Vice Chairman and Board members.

ITEM 32: STATE ENGINEER'S REPORT – Floyd Roehrich

FLOYD ROEHRICH: Good morning, Mr. Vice Chairman, members of the Board and Mr. Travis. I'm here to present the State Engineer's Report.

This is my third month presenting this report, and in that time I've heard many recurring comments that we face a lot of challenges and there are difficult times ahead. At the same time, however, we're developing a lot of successes, and I believe this report gives us a chance to touch briefly on those successes.

Mr. Barnes, the District Engineer, remarked earlier that many of these successes in delivering construction improvements have great benefit locally, regionally, and statewide. Within his region, he mentioned a particular project, US-60 Gonzales Pass that has been a very successful partnership with the Forest Service and State and local agencies. When a project comes out under budget and ahead of schedule, that's a great success, especially in today's environment.

I'd like to acknowledge that the senior resident overseeing the US-60 project is Luis Chavez, who's here along with some of the other staff that's delivered that terrific performance. Well done, Mr. Chavez, good work out there. With that, I'd like to give a general overview of where we are with the construction program. As we see here, it's a fairly large program, with 96 active projects. The \$1.3 billion represents the original contract amount; there is still over \$530 M in work left to complete. As always, we have more projects we plan to add to this in the next phase, so it is a very robust program.

We're closing out some projects in July. The first part of the fiscal month brings finalization of five more projects that had about \$3.7 M value, but there's still a lot of work to do this year. We have a lot of great people out there delivering and maintaining the program as well. I'd like to discuss the current contracts that we opened. Today we're asking the Board to award seven projects. Of those seven projects, four will be on the Consent Agenda and three will take special Board action due to the nature of the bids received. I'll discuss each one of those specifically.

There's one other great success I'd like to point out here: Agenda Item 37, State Route 195, is the ASH Highway, in Southwestern Arizona, specifically the Yuma area. This is the final

segment of the ASH, and it's been a long task to reach this point. The Board has been instrumental in this process, as well as a lot of other people in the department and within that local area. This is another success story with a great deal of local and regional benefit for transportation improvement and infrastructure.

The four Agenda Items not marked will be on the Consent Agenda. The three Items requiring Board attention I'll address specifically, as they require Board action. We'll start with Item 34.

VICE CHAIRMAN HOUSEHOLDER: Item 34 is Casa Grande, Tucson Highway I-10.

FLOYD ROEHRICH: Item 34 is a project on I-10 in Pima County. It's a landscaping project that's a few years behind the freeway project that went through there. We received five bids on the project; it came in 27% under the Department's bidder, about \$900 K. The majority of this is in the contractor's means, method, and placement of mulch and PVC pipe. The low bidder came in when we contacted him and shared his methods with us. The amount of equipment and laborers was greatly reduced, as well as other elements. Considering this, we find this bid very competent and recommend the award of this project.

VICE CHAIRMAN HOUSEHOLDER: Do I hear a motion on this project?

[The motion, moved by VICTOR FLORES and seconded by BOBBIE LUNDSTROM]

FLOYD ROEHRICH: Thank you. The next project is Item 35, a freeway management system project with various locations near the metropolitan Phoenix area. It interconnects some of the local freeway management systems into one at regional transportation nodes. This means the ADOT system will be interconnected with local government systems.

This project is 11%, or \$45,000, over the Department's estimate. Much of this is built into the inefficiencies of working small groups of conduit runs to interconnect various locations. Regarding the bids, all were over the Department's estimate by an amount slightly higher than the one previously stated, which was the low bid.

Considering that this was a closely bid project as well, we feel these are competent bids and the services are necessary, and we recommend the award of this project.

VICE CHAIRMAN HOUSEHOLDER: Do I hear a motion to accept Item 35?

[The motion, moved by FELIPE ZUBIA and seconded by VICTOR FLORES]

FLOYD ROEHRICH: The last Item for Board consideration is Item 39, in Cochise County at the Douglas Port of Entry. This project will make necessary improvements, which are greatly needed due to increased traffic in that area. It's also a project that is 15% over the Department's estimate of \$32,000.

This is a minor improvement, although necessary to overall operation of the Port of Entry. Given the remote location, what the Department found in analyzing the bid was that all five bids received were over the estimate. This was attributed to the cost of bringing in crews from metropolitan areas to work in Douglas for a short period of time. In addition to this, there is only

one concrete supplier in that area. With this limited competition, and most bidders using the one supplier, the Department feels the price is fair, even if higher than the original estimate.

It is a competent bid for necessary improvements, and fits within the desired outcome. We are recommending award of this project.

VICE CHAIRMAN HOUSEHOLDER: Do I hear a motion on Item 39?

[The motion, moved by BOBBIE LUNDSTROM and seconded by BILL FELDMER]ER]

FLOYD ROEHRICH: That completes my report unless there are any questions.

VICE CHAIRMAN HOUSEHOLDER: Are there any comments and suggestions from Board members? Would anyone like to suggest items to be placed on a future agenda? All right, the next Item will be the Consent Agenda, which includes quite a few items. Do I have a motion to approve the Consent Agenda?

[The motion, moved by BILL FELDMER]ER and seconded by BOBBIE LUNDSTROM]

VICE CHAIRMAN HOUSEHOLDER: It's now time for the Call to Audience. Mr. Travis, maybe we should consider moving comments from the public to the front, as they sometimes have to sit here for the entire meeting for one minute of commentary.

The first speaker will be Greg Martin, City Manager of St. John's.

GREG MARTIN: Good morning, Mr. Vice Chairman and members of the Board. I appreciate the opportunity to speak to you, and I appreciate your meeting in this part of the state so we have a chance to give you our input. I've been the City Manager in St. John's for a short time, but I wanted to cover a couple of issues that are probably minor compared to what you're used to dealing with, but for our community, they would make a big difference.

The first issue relates to a transportation enhancement project that was funded a few years ago in St. John's. Sidewalks, landscaping, and lighting were installed, and everything looks good and is mostly working well. We have, however, experienced the failure of some streetlights that were installed. About 8 of 24, or one-third, of the streetlights have failed. The arms of these streetlights collapsed and broke. I believe it was a windstorm that broke them. We felt that possibly they were not engineered or constructed properly. We're trying to figure out how to deal with this problem. I understand that once the project is complete with its grant money, it becomes the City's responsibility to maintain. However, I don't believe we'll have the funds to fix this particular problem, so I'd like to find out if there is anything ADOT can do to help us.

That's one issue. Also along those lines, we're curious as to whether there is grant money available for downtown revitalization projects, such as decorative lighting, sidewalk improvements, and the like. We're trying to give our downtown a "facelift." In the next few years we'd like to build a new City Hall and police station downtown, which will help, but in the meantime we'd like to try and coordinate a highway enhancement project downtown as well.

Third, I'd like to inquire about the process for installing a stoplight at a key intersection in St. John's, at the intersection of Highway 61, or Cleveland Street, and 13th West. Any information on how to go about this would be helpful. Finally, please continue to make improvements as necessary to the highways between St. John's and this area. They're highly traveled by residents and tourists, and tourism is very important to St. John's. Those are the four items I wanted to speak about today. Thank you very much for your time.

VICE CHAIRMAN HOUSEHOLDER: [unintelligible] is in charge of the enhancement program, and he will tell you how to make him give you some money.

GREG MARTIN: Then it was worth my two hour wait.

FELIPE ZUBIA: At a public comments session, I can't go into detail, but I can make two recommendations: get in touch with our secretary, Mary Currie, to get the name and phone number of our Enhancement Manager, Tammy Flaitz, to discuss those two issues. I'm particularly interested in the failure of the streetlights. Also, you met your District Engineer, Jerry Barnes, who gave a presentation earlier. I would get in touch with him regarding the signal light.

VICE CHAIRMAN HOUSEHOLDER: Our next speaker is Nick Lund, President of Tracks. He lives in Show Low.

NICK LUND: Good morning, Mr. Vice Chairman and members of the Board. I'd like to start off with a compliment – in the State Engineer's Report, the funding toward the completion of the Area Surface Highway was mentioned. I was Chair of the Yuma County Chamber of Commerce for three terms, and we worked hard to get the Area Surface Highway. It's been a tremendous boon to the state and the country to have that route, because of the Port of Entry.

I'm here as President of Tracks, which is a 225-person volunteer organization that works directly with the Forest Service to build and maintain the trails in the Apache National Forest. Several of our members are bicyclists. Bicyclists use the roads up here extensively, and come from all over the valley to use the bike lanes. There are people who use these lanes to go to work and school.

Our organization helped write a resolution that was jointly adopted by the town of Pinetop-Lakeside, the city of Show Low, and Navajo County, to encourage ADOT to consider adding bicycle lanes to White Mountain Highway. It's a heavily traveled highway, and right now there are some conflicts going on related to bicycles: the kids are riding their bikes on the sidewalk, which puts pedestrians at risk, and the cars don't respect the cyclists on the side of the highway. This creates a dangerous situation.

This would need very careful consideration, and I'm sure a study would need to be done, but it goes to a broader issue as well: as we all face funding cutbacks in Arizona, we feel more bike lanes would help because they would cut down on the maintenance costs if people commuted to work by bike instead of by car. Our purpose as a group is not only to build and maintain roughly 180 miles of trail in the National Forest, but to connect these trails with the urban trail system in the town of Pinetop-Lakeside and the city of Show Low. We want to help not only the tourism industry with these trails, and the people who live here permanently who are going to work, but we'd like to address the safety issues of bike lanes as well. The only bike lanes in the immediate

area have either been degraded when other highway lanes were added, or narrow from a good-sized lane to little more than a strip of paint.

We encourage you to consider this, as we feel it will help the state. In the Tucson area, bike lanes are added as part of new road construction whenever possible. With limited funds, we ask that you'd consider the same thing. Thank you.

VICE CHAIRMAN HOUSEHOLDER: Maryanne Kumiega, from Scottsdale, is next.

MARYANNE KUMIEGA: Hello, Board members. I'm here to talk about the Access Management Policy, but first I'd like to get into some of the details of the quarter-mile and half-mile spacing issues. I understand from Arnold that this text is available on the website, and I look forward to reading that, as well as the specifics of the waiver and appeal processes. I have a question about the Program. I think one reason there's been so much dialogue between developers and municipalities and the Board is that we were under the impression that, before the Access Management Policy could go to the rule-making process; it did have to go through a formal approval process by the Board. What I've read is that "Alteration of controlled access highways must be approved by the Board of Transportation before it can go to the rule-making process." Could someone clarify that for me?

VICTOR FLORES: Mr. Vice Chairman, after some informal discussion, it seems that a policy decision of this nature would require adoption by the Board. I'm assuming this will be clarified at some point, but I can't imagine an adoption or a resolution of some kind wouldn't be necessary.

MARYANNE KUMIEGA: I understood it to mean that a resolution of some sort would be entered formally into the minutes, and the implementation of the rules would accompany the Access Management Policy.

VICE CHAIRMAN HOUSEHOLDER: Would our attorney like to clarify this for Ms. Kumiega, or would that be appropriate during a time for public commentary?

JOHN SCHLOSSER: Mr. Vice Chairman, I haven't reviewed this particular issue. Other attorneys in my office are working on this manner, so I would be happy to look into it and report back to the Board as soon as you would like a response.

VICE CHAIRMAN HOUSEHOLDER: We would appreciate that.

MARYANNE KUMIEGA: Thank you.

VICE CHAIRMAN HOUSEHOLDER: The next speaker is Ken Patterson, Public Works Director of Show Low.

KEN PATTERSON: Mr. Vice Chairman and Board members, I'm here on behalf of the City of Show Low to thank you for all you do. The bridge project over Show Low Creek is progressing, and is probably four or five months from completion. Mr. Barnes's slide probably didn't do it justice. The water was nearly ten feet deep, and more than a foot up on the abutments; we had City staff and ADOT staff monitoring it regularly, and if the water level had been one foot

higher, we would've had to close the schools and most government offices and send everyone home.

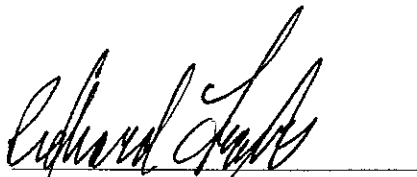
When that highway is closed, it's almost a 50-mile detour to get to the other side of town. We have children coming in for school from the Concho, Vernon, and White Mountain Lake areas, and we wouldn't have been able to get them safely home. By this time next year, we'll have a bridge in place that's capable of handling a flood, and we won't have to deal with that issue again. We'd like to thank you for that. We'd also like to thank you for the great job you do with the limited funds you have available in allocating projects. Thank you.

VICE CHAIRMAN HOUSEHOLDER: Thank you, we appreciate that. Is there anyone else who would like to speak to the Board? If not, we'll move on.

Do I have a motion to adjourn?

[Motion moved by VICTOR FLORES and seconded by BOBBIE LUNDSTROM.]

VICE CHAIRMAN HOUSEHOLDER: We are adjourned.



RICHARD TRAVIS, Deputy Director
Arizona Department of Transportation



DELBERT HOUSEHOLDER, Vice Chairman
State Transportation Board