

**MINUTES
OF THE ARIZONA TRANSPORTATION BOARD MEETING
9:00 a.m., Friday, September 19, 2008
City of Winslow Council Chambers
115 E. 2nd Street
Winslow, AZ 86047**

[The Pledge of Allegiance is recited.]

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

CHAIRMAN SCHORR: As the Mayor is unable to be here this morning; City Manager Jim Ferguson has asked to greet the Board.

CITY MANAGER FERGUSON: Mr. Chairman, members of the Board, I wanted to extend a special welcome to all of you here in Winslow. On behalf of the City, the Mayor, and the Council, we're pleased to have you here today. We always enjoy these occasions when we can host you, and give you the opportunity to see what we're able to do out here in rural Arizona with the funding we get. It adds up to a lot, and we really appreciate it.

I think the reason Ms. Lundstrom hasn't arrived yet is she's probably caught at an intersection. We joke about that – we're told it's a historic intersection, due to the lights, and we're not sure whether to add them to the Historical Register or not. We hope in the future that this will be one of those projects we can take care of.

We've been able to do a lot of good things here with the ADOT Transportation Board as a partner: there's the enhancement program and the Route 66 turn back, of course, that we're involved in. We deem these projects our Renaissance. The last time the Board was here, we had the opportunity to show them Renaissance 1, the 1st Street linear pathway, which is the corridor from the historic Hubbell Trading Post to the La Posada Hotel, where we all had dinner last night, and where some of you stayed.

The remainder of the Renaissance Program will continue in that same vein with 2nd and 3rd Streets, where the original Route 66 was a one-way route leading through Winslow. Then we have Renaissance 2, which is in the final stages of its design. This will be going out to bid very soon. That's the area where you saw some construction being done on the water line before we go in and start making the actual street improvements.

Renaissance 3 is the West entry to our City to greet the traveling public and present a better appearance in terms of our gateway. Renaissance 4 is the East side of the community, and the entryway there. Renaissance 5, actually, has just been submitted for consideration and funding. It will include a kind of extension of the Renaissance 2 downtown area. We weren't able to do as much as we wanted to with Renaissance 2, and

want to extend it beyond La Posada Hotel and to the Hubbell Trading Post on 2nd and 3rd Streets, just as we did with the linear pathway. The intersection I mentioned sits in the middle of all this, and it's one of the reasons we hope we can make improvements there. Funding is about a half-million dollars short, unfortunately, since funding has gone down while the cost of projects has gone up.

We'd like to talk with ADOT about what more we can do to partner and improve this intersection. It's right in the middle of a wonderful project that your Board has been involved in. The TI construction has been a tremendous gateway entry on the Northern part of the City. I mentioned to Transportation Director Mendez last night that the contractor on that project has been a great corporate citizen. While they were here, they worked well with the community and the businesses, and the ADOT staff was also very professional. We truly appreciate that.

Director Mendez also pointed out last night that it's always nice to see that when these projects take place, it's not just the improvements themselves that help – a lot of dollars are brought into a small community like ours, with all the workers who are involved and are staying here in town. We'd like to look at a future program where we might do an IGA with ADOT on landscaping, so we can help maintain it. We think it's an important gateway, and we understand that landscaping maintenance isn't always easy, so we'd like to talk about a partnership in that respect.

In addition to that, we have an underpass that is already on the Historical Register. We've talked to the District Engineer about a partnership to have it painted and improved a bit, so we could continue to maintain it. Like every community, we have "taggers" that find surfaces they like for graffiti. It's difficult to keep it cleaned up, since it's an old underpass and we have a hard time matching the paint colors. Sometimes it seems like the patch work we do on it is as bad as the tagging itself. We'd like to make an improvement there, but it'll take a partnership to make that happen.

The other TI on the East end of the City is the Trans Con. That's an area that was part of the turn back, and we're trying to do our best to improve that part of the gateway and expand and enhance that area. A lot of trucks are beginning to back up there, and we are concerned. I know some work has been done, but it's probably a good idea to do a study.

We're very thankful for the projects we've been able to put together here and the partnership with ADOT. We're very pleased with the local cooperation we've had from the District Office. It's been a very worthwhile partnership for us, and, we think, for the State, and most importantly, for the traveling public. Thanks to you for your hard work, and for your time here. Stop by the Hubbell Trading Post – it's under renovation, and it's going to be a wonderful visitor's center for the traveling public. Again, it's part of the Renaissance Project, and we think you'll really appreciate what you see there.

CHAIRMAN SCHORR: Thank you.

VICTOR MENDEZ: Mr. Chairman, if I might ask – Mr. Ferguson, could you say a few words about the Twin Towers Monument? I'm not sure if the Board members are aware of that.

CITY MANGER FERGUSON: The Twin Towers Monument is directly to the East, at the entryway. We were one of the first communities that had a piece of the actual structure, the beams. The arrangement was made with one of our local corporate citizens, Wal-Mart, to help bring those here, and to create a monument regarding that tragic event. People have the opportunity to recall what it means, and the sacrifices made at that time by thousands of people.

We're actually looking at making some additional improvements to the project. We think in order to do this it will probably have to be moved. As part of Renaissance 4, which is in the East entrance to the City, we want to enhance that park that's between 2nd and 3rd Streets. It's a perfect location to actually move the monument to. At the time the monument was built, the park was still unfinished, but we think it'll be a much better location for the traveling public to stop. There is also more parking.

Right now, it's in the entryway, and people can see it as they're driving in, and a lot of people stop and take pictures, and enjoy that memorial. They're currently unable to do this in a safe fashion. So we'd like to move that monument, and we think it will enhance the opportunity for tourists to enjoy it and remember that particular sad occasion.

CHAIRMAN SCHORR: We look forward to it, and we hope before we leave we can visit the Twin Towers Monument and the Hubbell Trading Post.

On behalf of the Board, I also want to thank the City Manager of Winslow and all the folks around here for hosting us last evening at the hotel. It's a great hotel, and a real part of Americana, as is Winslow itself. We really appreciate it.

The first item on the Agenda, if I may ask the Board's permission to accelerate, will be Items 5, 7, and 9 through 18 can be heard first. Mr. Tripathi has some important business to get back to in Phoenix.

With permission of the Board, then, let's proceed first to Item 5.

ITEM 5: UPDATE ON FRAMEWORK STUDIES – Rakesh Tripathi

RAKESH TRIPATHI: Mr. Chairman, distinguished members of the Board, Director Mendez. I would like to start with an overview of what we've done up to now, and the process itself. To begin with, I'd like to mention that the Board and the Department should be tremendously proud of what we've started here.

This Frameworks/visioning blueprint process that we've started is one of the most unique planning processes going on in the country right now. So I think with your vision and

leadership, the process that you started last year, by funding this and making this a strong statement to do this big-picture planning study, has really been of great significance, not only for the state but also nationally. It has been recognized that this is a very unique process.

The usual process that State DOTs take in planning for the future is to take the revenue forecast and make certain assumptions, and then they plan according to the expected monies. What has happened is that planning for fiscal constraint has usually meant vision constraint: we don't look beyond our anticipated revenues or funding. This process, instead, figures out what the big-picture needs of the State are, and the vision of where the State wants to be and how it wants to grow in terms of "livability," economic vitality, and transportation. So this is a fiscally unconstrained big-picture vision process.

Where does this process go? As you know, it's the Board's responsibility, every five years, to adopt a long-range plan for the State. We hope that this Framework study will transform itself into this long-range plan. Coming in July 2010, we'll have this long-range plan for the State in front of you for adoption. So this is a process that the Board has adopted, and I can tell you that this has been a tremendous statewide effort. MPOs and local partners have all been called on to cooperate, and it's one of the most public-involvement-intensive processes that I've seen in my career. The amount of effort that has gone into talking to every stakeholder, every interested party, has been tremendous.

Also, present is Mr. John McNamara, who is the managing consultant overseeing the Frameworks process. Right now, what's happening with Frameworks is that the regional Frameworks are working feverishly to complete their work in the next couple of months. We'll be "sewing" all these regional Frameworks into a statewide Framework. Also, travel-demand modeling structure is being put together now, so the State will have a very vibrant travel-demand modeling capability for the future. You would have options and a tremendous amount of data that you can base your decisions on when looking at the State's long-term future.

An intense public involvement process is underway right now, and the Board is deeply involved in this Frameworks process. As you know, one of our distinguished Board members, Felipe Zubia, is the Co-Chair of the Frameworks Policy Committee. He's in charge of setting policy for this process. What I see is that the Frameworks process will be mostly done by late next year. After that, we have about six months to prepare for the State's long-range plan. The last State long-range plan was Move AZ, as some of you may recall; the next State long-range plan will be up for adoption on July 1, 2010. If you have any questions, I'll be more than happy to answer them.

CHAIRMAN SCHORR: Are there any questions for Mr. Tripathi on this subject? If not, let's move on to Item 7.

ITEM 7: ACCESS MANAGEMENT PROCESS – Rakesh Tripathi

This Agenda Item was put in to give the Board an opportunity to discuss this issue further. As you may recall, at the last Board meeting, the project manager and his consultant for this process were here, and the process was discussed in terms of rules and responsibilities. What I have to say here will be an echo of what was said last month: the rule-making process will go forward in terms of the process itself. It will be roughly a one-year process. In conjunction with the rule-making process will be a public outreach and public involvement process. Also, rule-making itself has a public involvement and participation process embedded in it. That's where we are right now.

CHAIRMAN SCHORR: Thank you. The Board members have received a draft proposal of limited requirements, including access approach and funding. Will that be discussed at future Board meetings?

RAKESH TRIPATHI: At your pleasure, Mr. Chairman.

CHAIRMAN SCHORR: Are there any questions for Mr. Tripathi on this item? If not, let's move on to Items 9 through 18. I believe, with the consent of the Board, we can consider all these items in one fell swoop. Is that acceptable?

RAKESH TRIPATHI: Mr. Chairman, that's your call to make, and I'll be more than happy to answer any questions on a particular project if the Board members wish to ask.

CHAIRMAN SCHORR: Does the Board have any objection to awarding Items 9 through 18 as one?

BILL FELDMEIER: Mr. Chairman, I don't have any objection. In fact, I'd move for approval, but I do have a question.

CHAIRMAN SCHORR: Sure. Ask your question, please.

BILL FELDMEIER: I noticed that there are several new project requests for the Bridge Scour Project, and I just wondered how that process works throughout the year. Do they come to us as a group, or is this information accumulated over a period of time as requests come in?

RAKESH TRIPATHI: Mr. Chairman, Mr. Feldmeier, these are "sub-program" projects that come to you occasionally when certain issues arise. In this issue, a lot of these bridges have been examined and need scour retrofit. These things cannot be planned for ahead of time, as these requests are basically responding to engineering problems when they occur.

BILL FELDMEIER: Part of this is the ongoing inspections that you do to check on bridges where the scouring may have taken place, then they are lumped together --?

RAKESH TRIPATHI: Yes, that's correct.

[The **motion** to award Items 9-18 together, moved by BILL FELDMEIERS and seconded by BOB MONTOYA, carries unanimously in a voice vote.]

CHAIRMAN SCHORR: Let's go back to the beginning of the Agenda. May we have the District Engineer's Report?

DISTRICT ENGINEER'S REPORT – Lynn Johnson

Good morning, Mr. Chairman, Director Mendez, members of the Board and guests. We welcome you to the District here, in the City of Winslow. I'm the new District Engineer. I've been in the Holbrook District for a little over a year now, and I'm enjoying my time there and appreciate all your support.

We have over 2200 lane miles that we maintain in Northeast Arizona. Of those, 130 miles are Interstate 40, and we have a very dedicated and capable crew of about 104 men and women who help us maintain that system.

We have a few projects that have been completed recently. The North Park Traffic Interchange was completed last summer. This is the Interchange before construction, and here is the new one; we're very proud of that, as City Manager Ferguson said. It was good for the community as well as for ADOT. We're looking forward to working with the City of Winslow on some of the other projects that Mr. Ferguson also mentioned, and to coming up with innovative solutions for funding for those improvements.

We recently finished a streetscape and pedestrian lighting project in Holbrook that's made a big difference for the City. It includes pedestrian lighting, benches, sidewalk, and trash receptacles. We are currently paving on I-40, west of town. This is a mill-and-replace project, except for one thing: we're partially recycling material, putting 15% of the milled material back into the mix. That is going into the travel lanes and the shoulders. This is one of the first recycled asphalt projects being done right now, and we're looking forward to it becoming a very successful project.

We're also working on a feasibility study on Highway 264, between Ganado and Window Rock. It's called the 'Chinle to the Summit' Project, and we're looking forward to the final study being completed shortly.

We have a lot of challenges and maintenance issues in the District. This is a bridge/railroad pass over Highway 191 at Sanders: a five-foot-in-diameter hole appeared in the deck. Our maintenance crews really hustled, and did a good job patching that deck, but consequently our bridge group had to restrict that bridge to ten tons in weight. That caused a lot of grief for the local folks there, as it's the only crossing on the railroad and the river for quite some distance; it caused about a 160-mile detour. So the State Engineer and I had an emergency project to repair that deck.

It was repaired and working really well right now. We have a project coming, though, to replace that bridge and two others at the Interchange there at Sanders. We're at 90% plans now on that project, but it seems like there are constantly problems and delays associated with that project. If anyone has any influence over this, we'd appreciate your help to keep this project on track, because we don't know how long that repair is going to last.

We have a lot of flooding in the Holbrook District. Our maintenance personnel spend a lot of time manning those roadblocks and cleaning up the mess and making repairs afterward. This is an area up by First Mesa that has overtopped several times over the years. This is just a couple of months ago, when it flooded a nearby residence. We have a project assessment in order now to see what we can do about that, and what it'll cost us to try to improve that situation. Another area is on Highway 98, washed out last summer.

A lot of the roads in our District were horse trails and wagon roads, and while eventually they were graded and paved; no real engineering ever went into these roads. Consequently, we've got a lot of flooding and other issues to deal with. This is on State Road 377, and it overtopped several times this summer during the monsoon rains.

Chinle, on Highway 191, is another major problem area. The road was built by the BIA, and it acts as a sort of dike there. A lot of the homes and businesses were built on the upper side of the dike, though, and they get flooded often.

If any of you have ever driven very much in Northeastern Arizona, you know we have a problem with animals in the right-of-way. It's very alarming to put together the numbers and the data on this: from 2006-07, we had 203 domestic animal/vehicle crashes, which resulted in 23 fatalities. We don't have the data yet for 2008, but this statistic appears to be going up. The ADOT/Navajo Better Highway/BIA Team, and a subcommittee of this team is working to alleviate this situation. There are three things we're working on: mediate, penetrate, and educate the public about leaving gates open and allowing animals out into the right-of-way. We have projects throughout the District that are minor programs, to replace the old fences and cattle guards. Some of the fences are as old as the roadways and they're just falling apart.

We're having less luck enlisting law enforcement help to uphold the current laws that are on the books. Still, we're working on this problem with a very strong team, and we feel like we're being successful. With Bill Peterson's help, we've put together a trifold brochure we've been handing out at the Navajo Nation Fair and other fairs on the reservation. On the back is a little cartoon for the kids to color, so maybe the children can help remind their parents to keep animals off the road. I have copies of this brochure if you're interested.

Our roadways are very rural and lightly traveled as compared to a lot of other areas in the State, and they haven't had the attention they should in the last few years. We almost lost the road on 191 between Ganado and Chinle because of snow and ice conditions last winter; we had four or five-foot potholes. Maintenance is trying to fix these before

winter. We are working hard at trying to get pavement preservation projects on these roads, just to maintain them and keep up with what we have, not to mention major projects we need. We're as concerned about maintenance as anything in the District right now. That's the report from the Holbrook District. I appreciate your time. Are there any questions?

CHAIRMAN SCHORR: Do the Board members have any questions? If not, thank you very much. Our next Item is the Director's Report.

VICTOR MENDEZ: Are we going to have Item 1, the Consent Agenda?

CHAIRMAN SCHORR: Do I hear a motion on the Consent Agenda?

[**Motion** moved by BOB MONTOYA, seconded by BILL FELDMEIERS. Motion carries unanimously in a voice vote.]

CHAIRMAN SCHORR: Next is the Director's Report. Mr. Mendez?

ITEM 2: DIRECTOR'S REPORT – Victor Mendez

Thank you very much, and good morning, everyone. I'd like to take the time to thank the community for hosting us. It's been really nice out here. Just as a point of reference for me, last year, around the 4th of July, my car broke down up near the Hopi Village, and I was towed to Winslow. I spent about three days in Winslow and enjoyed it, and that's how I know about all these little monuments that are out there. I had a good time, and I'll be back. I like to visit the Northern parts of Arizona. I'm fascinated by the Native American culture, so I like to visit about once every two or three years. So thank you, again, to the community, for hosting us here.

I have three points to discuss. On the positive side, as you're all aware, we completed the Regional Freeway System in the valley that was paid for with the half-cent sales tax in Maricopa County. It was completed in July. About two weeks ago, ADOT received a couple of "Environmental Excellence Awards of Merit" from an organization called Valley Forward. One award was for the completion of the Regional Freeway System, in recognition of all the positive environmental benefits that we brought to the community as a consequence of delivering the System. That award recognized both ADOT and the Maricopa Association of Governments.

All this comes under the auspices of enhancing livable communities. We think about this in a very large sense in Maricopa County, but I think what Jim Ferguson just described here, with all the enhancements and improvements that have been made here in Winslow, also fits into the concept of how we, in transportation, can enhance the local communities. This is not only from a livability standpoint, but if you take it to the next step, the economic opportunities that you bring to a region or a City.

Just as an aside, when I was stranded here a year ago, I stayed at the Comfort Inn, which was right next to the construction at the TI. As I mentioned to Mr. Ferguson last night, I realized we tend to forget about these things: quite a few of the workers were staying at that Inn too, and it reminded me that those workers were out and about too, spending money at the hotel, eating and enjoying themselves after hours. It reminded me again of the economic impact that we actually bring to the table when we work on infrastructure. I think that's important for us to keep in mind as we move into the future.

Going back to the issue of the awards, we did receive a second award, which was for improvements at the US-60/Florence junction. If you recall, we completed that project two or three years ago; it was a major improvement, because we had a lot of traffic entering US-60 at that junction. The issue there, from an environmental standpoint, was that within ADOT, the roadside development group came up with an experimental design for transplanting ironwood trees. We have environmental requirements we have to meet, and we've become pretty innovative about ways to meet them and also to be able to do some good things for the community. This experimental approach was recognized as something good we had done environmentally.

On a different topic, I'd like to ask the Board today, when John McGee goes through his updates on the Highway User Revenue Fund (HURF) and the Regional Area Revenue Fund (RARF), pay special attention to the details of his report. As you're aware, the economy isn't doing well. It looks like we're going to be struggling with revenues for both HURF and RARF, so it'll be important to stay on top of that. As we go into the next programming cycle, it'll be very important for us to understand clearly what we'll be facing in the next 12 to 24 months.

At the Federal level, we just went through a Highway Trust Fund crisis exercise; something like what Lynn Johnson just showed you with the potholes and the bridge deck. That's happening throughout the entire nation – it's not just in Arizona. In Minneapolis, there was a bridge collapse on August 1, 2007; they opened the replacement bridge within the last couple of days. It was really incredible that they were able to replace that bridge in such a short time.

If you look at what Mr. Johnson showed you, and if you look at what's occurring at the Federal level, it makes me think of a really good quote I've heard in the last week: "There really isn't anyone else in the nation that wants to be responsible for the next bridge collapse." And yet, if you look at the revenues, and the Highway Trust Fund, we're going to be struggling mightily for the next year. A year from now, we're going to be facing a similar discussion about the level of revenues for the Highway Trust Fund. So I think it's important for you to keep all these revenue sources in mind.

I think we're in a crisis. You just saw what's happening here in Arizona, and we don't want to be responsible for the next bridge collapse. So it's going to be very important for us, as we go into the next session, for you to stay in touch with your legislators, and also with your Congressional delegation, when you have an opportunity. Make sure they understand the importance of infrastructure, being able to invest in infrastructure, and that

the highest priority is safety -- what can happen out there if we don't maintain the existing infrastructure.

So with that, Mr. Chairman, my comments are completed. If anyone has questions, I'd be happy to address them.

CHAIRMAN SCHORR: On that upbeat note, we'll move on.

ITEM 3: FINANCIAL REPORT – John McGee

In your books and on the screen, you'll see that we have August HURF revenue collections. For the month, total HURF collections reached \$105.086 million, which was down 7.3% from last year and 6.3% below the forecast. Year-to-date collections now total \$214.9 million, which is 2.6% below last year and 3.7% below the forecast.

The major variances are in the gas tax and the use fuel categories, which were down 7% and 9.3% respectively, which is a lot, compared to last year. As you remember, last month we saw a bit of a rally in Vehicle License Tax (VLT). We didn't know if perhaps that was VLT returning to normal, or if perhaps it was a timing issue. It does appear that it was more of a timing issue. VLT fell again in August, and it is now just 1% above last year.

These August results reflect July fuel sales, which saw the peak in fuel prices at over \$4/gallon. Since then, oil prices have dropped by almost one-third, and fuel prices are down by 15%, so lower fuel prices should ultimately result in higher usage and therefore higher collections. That may well be offset by the developing slowdown in the Arizona economy, however.

I think the slowdown is probably best reflected in the RARF results. We have included revenue reports for both July and August in your packets. As can be seen, results for both months were very disappointing, down 11.5% in July and 8.6% in August. Year-to-date collections are off 10.1% from last year and 5.6% below forecast.

Think about that: RARF collections are down 10%. In the year after September 11, 2001, they grew by 0.5%. The worst year we'd ever had prior to that was in the early 1990s, when the country was going through the whole resolution-trust problem, and RARF still grew by 2.5%. Those were our two worst years ever, but this year, the first two months are down more than 10%.

VICTOR MENDEZ: Mr. Chairman, if I might, I'd ask that we take special note of the categories. There are some pretty large negative numbers in there.

JOHN MCGEE: Let me address that -- the major culprits continue to be retail sales and contracting, as you can see from your information packet. They're real indicators of the overall economic health in Maricopa County, and in the whole State. Last year, retail sales in the July-December period -- the first half of last fiscal year -- shrank an average of

3% a month from the same six-month period a year earlier. For the January-June period, that shrinkage was about 7.5%. For the first two months of this year, retail sales have shrunk an average of almost 12% per month. Add that to the 3% shrinkage from the prior year, and it shows we're collecting almost 15% less in retail sales revenues in Maricopa County than we were two years ago.

The results for contracting are similar: shrinkage was 2.8% for the first six months of the fiscal year, 17.6% for the second six months, and 23% for the first two months of this fiscal year. From my perspective, I think it says two things. Number one, our revenue collections for RARF and, to a somewhat lesser degree, HURF, are at unprecedented low levels in terms of collections. Number two, when you look at the trend, it doesn't appear that we're at the bottom yet, although I hope we're near. I can't imagine things getting much worse than what they are. But the trend seems to be accelerating.

We're in the process right now of updating long-term forecasts for both HURF and RARF, and we'll have to look very hard at these assumptions. It may require some retooling of the five-year program as we go forward in order to maintain a fiscally constrained program. I'll be happy to answer any questions the Board might have with respect to the revenue situation.

Moving on to the Investment Report, for the month of August, ADOT earned \$3.968 million on its invested funds, which represents an average of 3.32%. Year-to-date earnings now total \$7.954 million, an average of 3.3%. And finally, the balance of the HELP Fund at the end of August was \$83.6 million, an increase of about \$3.3 million as a result of \$2.8 million in loan repayments and approximately \$0.5 million in interest income. I'll be happy to answer any questions the Board might have with respect to Item 3.

CHAIRMAN SCHORR: Are there any questions by the Board? If not, Mr. McGee, would you move on to the next Item, please?

ITEM 4: FINANCING PROGRAM – John McGee

As the Board is aware, and as I briefed the Board last month, we planned on pricing the second tranche of 2008 HURF bonds, in accordance with the original resolution authorizing the issuance of up to \$375 million of senior HURF bonds. We did about \$193 million in the first tranche back in May, and had a very successful pricing on that. We determined that we wanted to move forward on the second tranche, and successfully priced \$181 million of highway revenue bonds on September 8, 2008. The bonds were priced at a rate of 4.699%, very aggressively and properly so, given current market conditions.

Because of that, over 25% of the issue remained sold at the end of the order period, and in order to "clean up" some of the unsold bonds, we negotiated a small change of two basis points across all yields. However, although that allowed the syndicate to sell roughly half of the unsold bonds, they still ended up taking about 13% of the deal into

inventory, which is approximately \$24 million of unsold bonds. Considering the current market conditions in the banking industry, they really stepped up to do this.

This is the second half of \$375 million authorization. Based on calculations made by our financial advisors, it appears that the Board will end up saving roughly \$1.1 million over the life of the bonds, due to the decision to price the bonds in two different tranches as opposed to what would have happened had we priced the whole amount back in May. The overall interest levels were slightly lower when we priced these bonds, by two or three basis points across the board, so we were able to get a slightly better interest rate on this half of the deal.

We were, however, extremely fortunate to price the bonds when we did, and I would give a great deal of credit to our lead manager on this, CitiGroup. Not only did they recommend that we get into the market a week earlier than we had planned to, they also recommended that we do a Monday pricing, which is somewhat rare. Generally most municipal bonds are priced later in the week. This was extremely fortunate for us, and a very good call on CitiGroup's part, and the rest of the management team.

From September 8 to September 17, 2008, given the unsettling conditions of the overall credit markets, interest rates climbed anywhere from 19 to 35 basis points on the maturities that we priced. That means if we had priced this deal roughly one week after when we actually did, the average interest on this deal probably would have been over 5%, as opposed to the 4.7% we were able to get on the date we priced. We were very fortunate, and it was a very good call on the part of our underwriting team.

Everything at this point is on track to close this issue next Thursday, September 25, 2008, and it should end up being a very good deal for the Board and the State. Each of you has a major packet of information that was put together by our financial advisor, and I'd be happy to answer any questions that the Board might have.

CHAIRMAN SCHORR: Are there any questions on this Item? Mr. McGee, thanks again for your presentation. These are financially bleak times, and it's reassuring to know that you and Staff are on top of the issues confronting us, and are guiding us with a measured hand.

JOHN MCGEE: Thank you, Mr. Chairman.

CHAIRMAN SCHORR: Next on the Agenda is Item 6.

ITEM 6: POTENTIAL HIGHWAY TRUST FUND REDUCTIONS – Victor Mendez

As you're aware, over the last two weeks, there appeared to be a crisis, which may have been averted for the next year, with regard to the Highway Trust Fund. There was the potential for the fund to become insolvent. On a national basis, a lot of people worked

closely to convince Congress and the President that they needed to infuse \$8 billion into the Highway Trust Fund, and they did so.

When we published the Agenda a week ago, this had not actually occurred, and I believe it was Monday that the President finally signed the final approval. Would you like to discuss it further, or just dispense with it until next year?

CHAIRMAN SCHORR: Will there be any discussion by the Board? Thank you, Director Mendez. Let's hope that between now and next year, this problem will be on the way to a resolution. It may take a drastic change of attitude to get it resolved, but hopefully that will be forthcoming.

Our next Item is 19. Mr. Dick?

ITEM 19: REVISION TO THE FISCAL YEAR 2009-2013 FIVE YEAR AIRPORT DEVELOPMENT PROGRAM – Barclay Dick

Thank you very much, Mr. Chairman and members of the Board. In February, we presented to you a proposed five-year program that included a fiscal year 2009 grant program. Since then, the balance of the Aviation Fund has been used to remedy the State's fiscal year 2008-09 budget crises. That budget remedy invalidated the information we presented to you for the fiscal 2009 grant program. As a result, we need to present an amended program for your consideration today.

That remedy also caused us to work with the State's airports to reduce the existing State grant obligation by approximately \$14 million. This was done primarily with the termination of existing grants with 26 different airport sponsors. This slide shows the grant program that was presented, and that you accepted, last June. That program included the \$18.1 million reduction in the State aviation fund, which was used to help with the State's fiscal 2008 budget shortfall.

This slide shows the forecast of beginning fund balance, estimated revenues, and proposed expenditures for fiscal 2009, as of June 20, 2008. One week after this program was accepted; the State's budget for fiscal 2009 was approved and signed by the Governor. Included in the budget negotiations was a sweep of an additional \$18.3 million from the Aviation Fund. That sweep would result in a \$4.9 million deficit at the end of this fiscal year if we follow the approved program. Because we can't end the fiscal year in a deficit position, we are proposing an amended program to you today.

This is a comparison of the program that was approved in June and the program that we're proposing today. Our first priority is to provide funds for federal matching grants. The FAA provides grants to airports that pay for 95% of project cost; then the airport sponsors are responsible for the remaining 5%, but we split that with them through a matching grant so the airport is able to complete its project for 2.5 cents on the dollar, with the 2.5 cents provided by us.

The program we presented to you in February anticipated that with the FAA reauthorization this year, the FAA would return to a 91.6% funding instead of the 95% funding. However, the reauthorization has not yet been approved, and the FAA continues to operate with a series of continuing resolutions. Those continuing resolutions keep the funding level at 95%. So we believe that the amended program, which has a reduction of \$1.5 million for the Federal, State, and local matching grants, will still accommodate Federal funding of over \$100 million for the State's airports.

We've been working with the FAA, and they have told us they will try to increase the funding for Arizona's airports this year. Arizona's airports have never received a total of \$100 million in Federal funding in the past; I believe we may have gotten as high as \$80-90 million. We're hoping that this year, if indeed they do help us with some funding, that we will approach that \$100 million figure.

We also propose reducing the budget amount for the State and local grants, where the State provides 90% of the funding for a grant and the airport provides 10%. We propose reducing that from \$21.6 million to \$4.3 million. This is a very painful reduction in funding for all of us, and it causes us to focus our limited remaining funds on improvement projects for safety first, security second and capacity third.

With that focus in mind, we reduced the number of airport sponsors receiving grants from 22 to 7, reduced the number of projects to receive funding from 28 to 8, and, as mentioned, reduced the funding from \$21.6 million to \$4.3 million.

We propose increasing the funding for the airport pavement maintenance system to \$300,000. After reviewing our situation, we're very reluctant to go another year without doing any work in this area. \$300,000 will allow us to have a consultant begin designing pavement maintenance improvements, so either in fiscal 2010 or fiscal 2011, when funding is available, we can immediately begin construction on those maintenance programs.

The Airport Loan Program will remain at \$0, and we propose keeping the State planning budget at \$1 million. The \$1 million will enable us to complete the State Airport System Plan that is presently underway, and possibly, if funding remains, initiate a State Airport Economic Impact Study.

These are the eight grants that would be included in the new 2009 grant program: the Show Low, Tucson, Goodyear, Falcon Field, and Sedona projects are related to airport safety; the Prescott project is an airport security-related project; and the Nogales project doesn't fit neatly into the safety, security, or capacity priorities focus. The situation in Nogales is that they don't have an FAA-approved airport layout plan, and without that approved plan, they cannot receive any Federal funding at all. If we provide them with a grant to update their master plan, that will include completing and getting the layout plan approved, so they will once again become eligible for Federal funding. We believe that project merits funding from the State.

Mr. Acosta asked that I advise you that the grants we have terminated do not include grants where projects are already under construction. We looked very closely at all the active grants, of which there are over 200, and studied the most likely candidates for termination. We didn't want to terminate any grants that included Federal monies, and we wanted to try to avoid terminating any grants where construction was already underway. So far we have been able to do that.

This slide shows the forecast Aviation Fund revenue for fiscal 2009, and as you can see, we expect a revenue of \$34.8 million, most of which comes from the flight property tax, aircraft registration fee, and lieu tax. The forecast 2009 expenses are \$45.8 million, which includes the \$18.3 million sweep. The proposed amendment program, per those forecast revenues and expenses, will leave us with a year-end balance of \$5.6 million.

Mr. Chairman, and Board members, Staff recommends approval of the proposed program.

CHAIRMAN SCHORR: I received three requests to speak on this subject, and I leave it up to the Board as to whether you have questions for Mr. Dick at present, or whether you'd like to hear from three proposed speakers first.

The first speaker will be Mr. Dennis Wiss, President of the Arizona Airports Association.

DENNIS WISS: Good morning, Mr. Chairman and Board members, Director Mendez, ADOT Staff, and guests. I'm Dennis Wiss, the President of the Arizona Airports Association. On behalf of the Association, I'd like to thank you for all your efforts and dedication to the Arizona transportation system, and more specifically, everything you've done to support the Arizona airports.

As Director Dick indicated, we have suffered a huge loss of funds for the Aviation Fund. Numerous projects were cancelled, and projects scheduled for this year will not take place due to lack of funding. These diversions have a major impact on each particular airport's Capital Improvement Program. While not taking any specific project out of a program, this pushes each project back two to five years.

I do have some colleagues here from other airports. I have to say, I drove over on a very nice highway system this morning. I'm not a pilot, or I would have flown.

We all understand that the State has a severe fiscal crisis. The Arizona Airport Association strongly believes it is unwise to target the Capital Improvement Fund. This is not merely a "maintenance and development" fund. This Fund is critical to the overall transportation system for Arizona, and the vitality of our State's economy.

The State's 92 public airports and 30 secondary airports range from Sky Harbor to Winslow to Show Low. They represent roughly \$38 billion in economic impact. Reducing this development funding will have a direct economic impact across the State.

We've talked several times among ourselves, and if the City of Show Low doesn't get a grant, our airport, and every airport across the State, will continue to operate as a safe airport. But if we don't get a grant, we can't do projects, hire engineers, or hire contractors. Then those contractors don't buy materials or pay their employees. It's a domino effect, and by not pursuing a project, more tax revenues are actually lost.

I think one thing that's very important to remember for the Aviation Fund is that this is a user-fee-funded system. We take no public tax dollars into the Aviation Fund – it's the pilots and aircraft owners who fund this system. We would ask on behalf of AzAA, a group of approximately 330 members, that you give us your support by encouraging legislators to protect the funding by preventing further diversions; restrict the use of fund revenues to only aviation needs and improvements; support efforts to enact legislation that would allow changes in fund appropriation and distribution; and commit to restoring the diverted funds from future budgets.

We all understand the crisis, and we are all more than willing to do our fair share. We simply believe the legislature went overboard in sweeping \$18.1 and \$18.3 million, respectively, from the Fund. With all due respect to Mr. Dick, and his Staff, we appreciate everything they've done to help us out. They're a great group of people. Mr. Chairman, Board members, thank you for your time. I appreciate it.

CHAIRMAN SCHORR: Thank you. I trust you understand, Mr. Wiss, that we cannot undo what the Legislature has done? Let me turn to the next speaker, Mr. Joe Husband.

JOE HUSBAND: Mr. Chairman, if I might, Mr. Wiss spoke eloquently on our behalf. I will defer my comment until the end, if you don't mind.

CHAIRMAN SCHORR: Sure. I have a request for Mr. Charles Mangum, from the Town of Marana.

CHARLES MANGUM: Good morning, Mr. Chairman, Board members, Staff members, and members of the public. I'm Charles Mangum, Airport Director for the Town of Marana at the Marana Regional Airport. This is a general aviation reliever airport for Tucson International Airport to the South.

The Town asked me to bring to your attention today that it appears that, in the proposed five-year Airport Development Program, the State Transportation Board policies are not being followed. According to the State Aviation Board policies, funds should be distributed by means of a priority rating system. The purpose of these policies is to ensure that State Aviation Fund dollars are distributed in an equitable, efficient, and effective manner.

In addition, it does not appear that a clearly defined process, procedure, or policy was followed to terminate existing State and local aviation grants throughout the State of Arizona for airport sponsors that did not agree to have their State and local aviation grants terminated.

The criteria that ADOT Aeronautics used to determine which projects were terminated and which projects would continue and receive funding for fiscal 2009 cannot be understood. For example, the Town of Marana has an apron project that has been designed and opened to construction bids. We are ready to award the construction contract on this apron project. However, ADOT is planning to terminate this grant. On the other hand, ADOT is proposing a new grant for an apron project at another airport in fiscal 2009. This does not make sense and does not appear to be fair.

A clear process for terminating existing State and local aviation grants for airport sponsors throughout the entire State of Arizona should be in place for communities that didn't agree to have their grants terminated. In addition, the Town would also recommend that the State Transportation Board evaluate whether ADOT Aeronautics should even propose a fiscal 2009 grant program, if it means terminating existing grant obligations only to create more of these obligations elsewhere.

Airports throughout Arizona have been working with ADOT Aeronautics and have been planning airports for years. There is an existing system and process in place. In this critical financial time, we must rely on the State Transportation Board's existing policies and priority rating system for airport projects in order to ensure that there is a public process in place that is transparent, unbiased, and straightforward for all airports and communities here in Arizona.

The Town of Marana respectfully requests that this Board does not take action on the revised five-year airport development program. In addition, the Town asks the Board to direct ADOT Aeronautics to do three things:

1. We would like to see ADOT Aeronautics honor the State's existing grant obligations and reinstate grant obligations to airports that did not agree to have their existing grants terminated;
2. If it is determined that some existing grants should be terminated, then ADOT Aeronautics should develop a policy and procedure, in conjunction with the Arizona Airports Association and the Southwest Chapter of the American Association of Airport Executives, for the termination of existing grants. This policy and procedure would then be presented to the State Transportation Board for approval.
3. If it is determined that a fiscal 2009 aviation grant program can be awarded, ADOT Aeronautics should be directed to develop the program based on the State Transportation Board policies that are in place.

Thank you for your time, and I would be more than happy to answer any questions.

CHAIRMAN SCHORR: Are there any other speakers in the audience who would like to address this specific item? If not, I'll open this to Board discussion. Would the Board like to offer comments, suggestions, or actions on this Item?

BILL FELDMEIER: I have a question of the attorney

JOE ACOSTA: Before you ask the question, I'd like to ask the Board if you would prefer to go into Executive Session on this matter.

CHAIRMAN SCHORR: Before you answer, we'll see if that's necessary.

BILL FELDMEIER: I'm particularly curious about the comments made by the last speaker. Do you feel that the appropriate process has been followed?

CHAIRMAN SCHORR: With respect to that question, I feel the answer is something that should go into Executive Session. Before doing that, however, I'd like to see what other questions and comments we have that do not require Executive Session. Are there any other questions or comments?

BILL FELDMEIER: Until I hear that answer, I'm not sure where I was going with the question.

CHAIRMAN SCHORR: It would seem to me that there are a number of comments I'd make before we go much further. We are sympathetic to all the airports throughout the State regarding the way that allocations and grants to the airports were handled. Bearing in mind that the airports are essentially funded through user fees, it seems inequitable. However, our sympathy doesn't do any good, because the act has been done and there's nothing we can do to change it.

Moreover, even if we had spoken up, I'm not sure they would have listened very much to us, because we've spoken on similar subjects related to other forms of transportation, but very little attention has been paid to our requests.

I have two basic areas in mind that we should focus on. One, the process that will follow with respect to the 2008 budget grants; and two, the actions that have to be taken with respect to the 2009 proposal under Item 19. It might be a better idea rather than to go into Executive Session to continue the matter, and ask that the Attorneys give us their opinion with respect to both items. That way we can have something in front of us before we have to take action. Mr. Mendez?

VICTOR MENDEZ: Mr. Chairman, a couple of comments. With respect to one of your earlier comments about our level of communication with the budget planners, I think, for the record, we need to state that clearly, as the budget discussions unfold, we do convey to them what the potential implications of their decisions are. It's not as if we're silent on the matter. It's important for our stakeholders to understand that we identify what the implications are, and obviously, we have an interest not only in surface transportation but in aviation as well. We should make sure they understand that this is a difficult situation. I just want to make sure that the stakeholders understand that the communication is out there.

With regard to following through on some different approach to the process, and possibly identifying whether it is a useful process or not, we can certainly do that. My suggestion would be that, if you wish to continue the dialogue beyond today's meeting, please come back at the next meeting, or two months from now. At the same time, we do have a program currently in place that, it seems to me, should be placed on hold until we can come back to you and get further direction.

Right now, I think we have to work within the existing program. So my advice would be if you would like to continue the dialogue, please also provide us with some direction, and for now, hold everything while we try to resolve the issue.

CHAIRMAN SCHORR: I'd like to get some input from those most affected by that action, as to whether there is an intended or unintended consequence which would flow from that suggestion. Mr. Dick, can you tell us what we would incur by deferring action.

BARCLAY DICK: I think I understand the question to be, what would be the consequence of deferring the approved fiscal 2009 program until you have further information? The consequence would be that we would not issue any of the 2009 grants to airports, and we would all be on hold. The airports approved for 2009 grants on June 20 would not receive them, and the State's grant obligations would not be increased.

CHAIRMAN SCHORR: I'd like to hear from Mr. Wiss, who is the President of the Association, as to whether that would be an acceptable outcome.

DENNIS WISS: I can't speak for every airport across the State, but we're only talking about a matter of one or two months...we would be willing to table that for a month or two, if I may speak on behalf of the Arizona Airports Association. If that would allow dialogue to clarify and clear up any misconception and if policy and procedure were followed.

CHAIRMAN SCHORR: Mr. Feldmeier?

BILL FELDMEIER: Mr. Chairman, we don't even have to wait a month, do we? If we receive the information, we could meet telephonically to review it and make a decision...if the information comes to us quickly enough, and we're comfortable with it.

CHAIRMAN SCHORR: Yes. If you could incorporate into your motion the statement that this would be continued for 30 days, or if the information and the meetings that occurred before then proved productive, it could be acted upon earlier. But, to be conservative about it, the prospect of that happening before 30 days seems fairly remote. I think a 30-day window will be suitable, if that is accepted by the Arizona Airport Association and its members, will be a reasonable way of deferring action.

During that period of time, I would also suggest that the motion include that Mr. Dick have conversations and meetings – which I'm sure he would voluntarily have anyway – with the Association, with respect to their suggestions, comments and concerns.

DENNIS WISS: Mr. Chairman, if I may? I've talked to people from other airports, not only the ones in the room, and obviously none of us wants to lose a grant. But if we can come up with a program that's best for everyone, I think each individual airport would concede they should do what's best for the system. So, yes sir, a 30 to 60-day window would be acceptable.

BILL FELDMEIER: When we talk about coming up with a plan, we're talking about, we working with Mr. Dick and with the Department, correct?

DENNIS WISS: Yes.

BILL FELDMEIER: It will be through his guidance that he conveys that information to us, with your blessing, so to speak.

VICTOR MENDEZ: Mr. Chairman, just to clarify -- we have proposed to you a plan of attack, and what we're suggesting is going back and reworking that. I'm not sure we can get that done within a month, although hopefully we can within one to two months. As long as we understand that we may come back and not agree, or come back and give you the same information. I'm not saying that will happen, because we will have that discussion again, in good faith, but I'm not promising anything other than coming back after that discussion with, hopefully, a collective agreement.

CHAIRMAN SCHORR: Right. I would suggest again, because I can't make the motion, to Mr. Feldmeier, if he would like to make the motion, that it define a period of 30 days, with the understanding that it could be longer, in which Mr. Dick will meet with the Association and its representatives on all the matters we have discussed. Then, in the interim, we will also receive advice from the Attorney General's office regarding the process of the FY 2008 budget cuts and the pending action on FY 2009. The Attorney wishes to speak.

JOE ACOSTA: Unfortunately, in this situation, I would still recommend an Executive Session be held at the end of this meeting to discuss, in part, Mr. Feldmeier's earlier question, and a couple of other issues that are not necessary for board action today, but I would like to speak to the Board about those issues. But the Board would have to move and then vote for this session.

CHAIRMAN SCHORR: With that in mind, and given the importance of these issues, I would recommend to the Board that we enter into Executive Session at the close of this meeting for the purpose of receiving advice on Item 19 and any other pertinent matters. Do I hear a motion?

[The **motion**, moved by BILL FELDMEIER and seconded by BOBBIE LUNDSTROM, carries unanimously in a voice vote.]

Let's now move on to the construction contracts.

CONSTRUCTION CONTRACTS

CHAIRMAN SCHORR: As Chair, I have to recuse myself on some of those Items, and will proceed with those Items I can vote upon. Let's start with Item 26.

FLOYD ROEHRICH: Item 26 is a project on Interstate 15, a pavement rehabilitation project. This was part of the Consent Agenda, on which the Board has already acted, so, Mr. Chairman, I'm willing to answer any questions, but I believe this has already been acted upon.

CHAIRMAN SCHORR: You're right, it has. Let's proceed to Item 29.

FLOYD ROEHRICH: Item 29 requires separate action. Out of the 15 construction projects that were on the agenda today, nine were part of the Consent Agenda and six require separate action. This is a project on State Route 179 in Yavapai County, Village of Oak Creek. It's a landscape project, and the construction bids we've received are 22% under the Department's estimate. If you can show a slide, I can point out some of the issues related to this Item.

Within that project, the items that led to the reduction in the bid had to do with the contractor, Recon, who submitted those bids. They're already working in that area. They've given us a bid that has reduced mobilization requirement, as they have crews and equipment already there and working. The second consideration is that within the pathway lighting contract, the poles and luminaries usually come with components that are assembled in a factory and only erected on site -- what Recon is choosing to do, as they have the personnel and experience, is take the components at reduced cost and assemble these themselves at a shop that they own, then bring them to the site and erect them. They are efficient in their ability to prepare and erect these lighting components on-site.

Regarding the median paving, there was a small error in the sub amount that they accepted for that project, but it was fairly insignificant, and the contractor says they understand that they will have to absorb that difference. In consideration of reviewing their bid, we feel it is still a competent bid and meets the requirements for the Department. We recommend award of this project.

CHAIRMAN SCHORR: Are there any questions?

[The **motion**, moved by BILL FELDMEIERS and seconded by BOBBIE LUNDSTROM, carries unanimously in a voice vote.]

CHAIRMAN SCHORR: Let me again jump to Item 34.

FLOYD ROEHRICH: Mr. Chairman, Item 34 is a bid we received on State Route 101 in Maricopa County on Thunderbird Road, TI. This is a traffic interchange widening project

to add greater capacity. There is structural work and retaining wall work, as well as miscellaneous roadway improvements, and some landscaping.

At the time of bids, Blucor was the apparent low bidder, and that bid amount was read at the bid opening. However, after the bid opening, when the bid was reviewed, they realized that they had submitted an irregular bid and failed to incorporate Addenda 1 and 2 in their bid, which changed bid items and some quantities. Therefore we recommend rejection of their bid. They did acknowledge in the bid documents that they had received all addenda, and their bid incorporated all addenda, so, while they acknowledged this, they failed to do it in the bid they submitted.

The second low bidder in this case is Nesbitt. There is about \$10,000 between the two bid amounts, so we feel the bidding was fair and competitive, but as Blucor failed to incorporate the proper addenda, and submitted an irregular bid, we recommend rejection of Blucor's bid and awarding to Nesbitt Construction.

CHAIRMAN SCHORR: Any questions or comments? I have a question. Was Blucor's irregular bid inadvertent, or were there other reasons to reject their bid?

FLOYD ROEHRICH: They stated that it was their mistake. They had the addenda, and were preparing the separate bid document, and accidentally included the wrong document when the bid was submitted.

CHAIRMAN SCHORR: Motions are in order.

[The **motion**, moved by VICE CHAIRMAN HOUSEHOLDER and seconded by BOB MONTOYA, carries unanimously in a voice vote.]

CHAIRMAN SCHORR: As Chair, I will now recuse myself.

FLOYD ROEHRICH: We need to address Items 36 through 39.

CHAIRMAN SCHORR: Thank you. Vice Chairman Householder, would you please take over for these items?

VICE CHAIRMAN HOUSEHOLDER: I will. Let's move on to Items 36 through 39.

FLOYD ROEHRICH: Mr. Vice Chair, I recommend that we act on all four of these Items at the same time, as all four have the same condition that calls for their separate action.

At the time the Agenda was prepared, these four projects had Federal aid in their financing, and the Highway Trust Fund had not been available, as it is now. The original action was intended to be postponed due to the uncertainty of Federal funding, but now that this funding is available, we are recommending award of all four projects.

All bids were very competitive and fair, as you can see, and have met all bid conditions. At this point we are recommending award of all four of those projects.

VICE CHAIRMAN HOUSEHOLDER: Do I hear a motion to accept Items 36, 37, 38, and 39?

[The **motion**, moved by BOB MONTROYA and seconded by BILL FELDMEIERS, carries unanimously in a voice vote.]

FLOYD ROEHRICH: With that, Mr. Chairman and Mr. Vice Chairman, I conclude that presentation and I'm prepared to answer any questions you may have.

CHAIRMAN SCHORR: The next Item is Item 40, Comments and Suggestions by the Board, in addition to those already made throughout the meeting. Are there any comments or suggestions?

Let's move on to Item 41, Consent Agenda.

BILL FELDMEIERS: One request, Mr. Chairman. for our next meeting, can we get an update on the rest areas?

CHAIRMAN SCHORR: Let the record show that Mr. Feldmeier has asked that the matter of the rest area matter be placed on the agenda for our next meeting.

MARY CURRIE: Noted.

CHAIRMAN SCHORR: Any further comments or suggestions?

CONSENT AGENDA

CHAIRMAN SCHORR: Let's move on to the adoption of the Consent Agenda. I need a motion.

[The **motion**, moved by VICE CHAIRMAN HOUSEHOLDER and seconded by BOBBIE LUNDSTROM, carries unanimously in a voice vote.]

CALL TO AUDIENCE

CHAIRMAN SCHORR: Our next Item is the Call to the Audience, and the only remaining request I have to address the Board is from Kendall Long, of Window Rock?

KENDALL LONG: Mr. Chairman and members of the Board, Director Mendez, I'm Kendall Long with the Navajo Department of Transportation. I'd like to welcome you here, and as you're so close to the Navajo Reservation, I hope you'd like to come up and enjoy some of the cuisine and scenery there.

It's a good time to be working with the Navajo Department of Transportation. The Director mentioned some issues we have on the Reservation, and I wanted to bring to your attention some funding requests that we have for State Route 264.

I have passed out a binder containing a feasibility study and corridor studies that have been completed. The traffic data states that there are roughly 5508 vehicles there in daily traffic, and there have been quite a few accidents there within the last seven to eight years. There have been 165 accidents with about 14 fatalities, and my father is one of the people who had an accident there.

I travel that route every day, and as you drive East in the morning, the sun is coming up, and going back in the evening, the sun is going down. So it's a two-way route that we're requesting funding to have expanded to a four-lane route between mile markers 452 and 466 to Summit.

This is a funding request for your consideration. Thank you, Mr. Chairman and members of the Board.

CHAIRMAN SCHORR: Thank you very much.

I've been reminded that during our earlier discussion, Mr. Joe Husband said he wished to address the Board as well. Is he still here?

JOE HUSBAND: I am, sir. My name is Joe Husband, and I'm the past President of the Arizona Airports Association. Thank you very much for the opportunity, Mr. Chairman, members of the Board, Director Mendez, and guests.

I'd like to briefly comment on the status of the \$36 million the Legislature swept out of a fund that had been reported to contain approximately \$30 million, and was obligated to more than \$40 million in existing grants. This is devastating to the State and the State's airports, but I'd like to remind folks that those grants go directly into projects, and projects equal materials and jobs; jobs equal taxes; taxes equal revenue to the State. So the action only further exacerbates the State's situation.

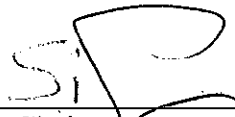
As past President, one of my responsibilities this year is to chair our Legislature Committee, which I also chaired last year. The real honor I have is to produce Arizona Aviation Day at the State Capitol, and I wish to invite all of you to that event. This will be the fourth year the event is held. It's an event put on by various organizations throughout the State – not just airports, but pilots, associations, business aviation associations, and all partners that participate in and benefit from the aviation industry. So it's a good opportunity for us to get to know the Legislature better. It will be held on the Capitol lawn January 21, 2009, at 11:00 a.m. I will see that the Board gets a formal invitation. Once again, I thank you for this opportunity, and will answer any questions that you might have.

CHAIRMAN SCHORR: Are there any questions? I will entertain a motion to adjourn, with the understanding that we will be going into Executive Session immediately afterward.

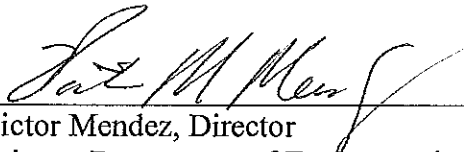
[The **motion**, moved by VICE CHAIRMAN HOUSEHOLDER and seconded by BOBBIE LUNDSTROM, carries in a voice vote.]

Adjourn:

The meeting adjourned at 10:39 a.m.



Si Schorr, Chairman
State Transportation Board



Victor Mendez, Director
Arizona Department of Transportation