

**MINUTES OF THE  
ARIZONA STATE TRANSPORTATION BOARD MEETING  
9:00 a.m., Friday, February 20, 2009  
City of Bullhead City Council Chambers  
2355 Trane Road  
Bullhead City, Arizona 86442**

Board Members: Delbert Householder, Chairman; Bob Montoya, Vice-Chairman; Felipe Zubia; Bill Feldmeier; Victor Flores; Si Schorr, via telephone; Bobbie Lundstrom, absent.

CHAIRMAN HOUSEHOLDER: We are glad to be here this morning. It was quite an evening we had last night, and we appreciated having some one-on-one with you all and being able to visit with you and hear your concerns.

**PLEDGE**

Bill Feldmeier will lead us in the Pledge of Allegiance.

[The Pledge of Allegiance is recited.]

**OPENING REMARKS**

CHAIRMAN HOUSEHOLDER: We have Mayor Jack Hakim present and I'd like to have him say a few words on behalf of Bullhead City.

MAYOR HAKIM: Good morning, Chairman Householder. I'd like to welcome the Board to our City. I know there are a lot of concerns to be addressed, and the Board is under a lot of stress itself, beginning with [unintelligible] within our State, so I wish you the very best. On behalf of the Tri-City Council, we also welcome you.

CHAIRMAN HOUSEHOLDER: Thank you and we appreciate you.

**CALL TO THE AUDIENCE**

CHAIRMAN HOUSEHOLDER: At this time I'm going to begin with the Call to the Public. If you'd like to speak to the Board, please fill out a request and bring it to either Ms. Currie or myself. First I have Chris Fetzer.

CHRIS FETZER: Good morning, Mr. Chairman and members of the Board. I'm Chris Fetzer, representing the Northern Arizona Council of Governments. I'd like to make a few brief remarks this morning concerning Economic Recovery funds.

For the last several months, there's been a tremendous amount of local interest in the possibility of a recovery package for local projects, and our region has worked diligently to identify the projects we believe can move forward quickly and take advantage of funds made available through that program. We're fairly far along in that process, and have a draft amendment that

will go before our Board next week, so I think we're in a good position to take advantage of projects that are passed along to the local regions.

We certainly want to see as much funding passed down as can be done by ADOT, within the context of the Economic Recovery legislation. But just as importantly, State funds made available under the Economic Recovery package will also play a vital role in helping the communities in our four rural counties, and others across the State. We urge the Board to try and spread those funds throughout the region on both a geographic and an equitable basis. There have been some discussions about formula, to this date; obviously from our perspective the Casa Grande formula is the best starting point, with at least half those funds coming out to rural projects on the state system.

There's also been talk about the possibility of off-the-top funds, to make certain regions whole that had fallen victim to the budget shortfall the state is going through right now. From a rural perspective, when funds are allocated, the rural regions got a small portion of that. Once you do a project that's significant within the state, it really benefits the two urban regions of the State. We're strongly opposed to the idea of taking any funds off the top to fund a couple of projects in particular, and think we should split the funds on a statewide basis without any off-the-top distribution. We look forward to continuing this conversation with the Board over the next few weeks. Thank you, Mr. Chairman.

CHAIRMAN HOUSEHOLDER: Thank you, Chris, we appreciate your comments. David Gaines is next.

DAVID GAINES: Good morning, Mr. Chairman and members of the Board. My name is David Gaines, and I'm the Airport Director at Laughlin-Bullhead International Airport. However, I'm here today representing the Arizona Airports Association. I'm a past president of that organization and have spent six years on its Board of Directors. Joe Husband sends his apologies for being unable to attend due to a scheduling conflict, and asked me if I would take care of these duties for him.

Obviously, the AAA is appreciative of the Board's support, as we've struggled with issues with the Aviation Fund and working with the Aeronautics Department in coming up with a formula that will allow us to at least match Federal grants for the next [unintelligible], and we thank the Board for their support in that matter. With benefit to those who may not be aware of it, the airports within the State of Arizona contribute about \$38 billion in economic impact to the State, so they are vital to our economy, and as our State continues to grow, airports become more and more important in serving the public.

You may also be aware that the Aviation Fund has been swept of another \$4 million to help the State solve its financial crisis. Over some years now, \$40 million has been swept from that fund. What's going to be left for fiscal 2010 is -- at this point we're not sure we will have a program for 2010. All the State/local programs have been canceled, and there are existing obligations out there now that the State can't match for 6-18 months. The airports affected by those grants are going to have to front the money or hold off on their projects until the money is available. Of course, the smaller airports aren't capable of coming up with large sums of money, and [unintelligible] Federal fund base.

The AAA has been very proactive with the State Legislature, and they're working on ways to restructure how the Aviation Fund is administered and how to protect it from these sweeps. What happens is we allocate money for projects, and because the Federal process is very slow, the money sits there and the Legislature feels they can use it. For all intents and purposes, however, that money is already programmed for projects and is waiting for the funding cycle to continue in the Federal government. That money [unintelligible] So we're going to come up with a plan that's being worked out with ADOT right now to try and come up with a different method of allocating this money. As soon as a project is approved by the State Transportation Board, that money will go into a different fund so it's not sitting there to be swept; it is considered pledged.

House Bill 2129 is the bill that creates a different method for how to calculate the maximum amount of money an airport can receive per year. Right now this is based on the amount of money that's collected, but the intent is to change it so whatever is in the fund is divided into percentages, so we don't get short-circuited all the time. At this point, we don't know if we're going to have a balance this year, so it's a big concern for everyone. House Bill 2129 has passed Committee and will go to the full House next. The Senate has not had [unintelligible] yet, so we're expecting that to be approved very shortly.

I'd like to use our airport as an example of how important the State matching fund is to our ranks. Our airport has spent over \$14 million in the last two years in making major improvements. Roughly \$400,000 of that \$14.3 million is from the State matching funds. If it wasn't there, then the local airport itself would have to pick it up, and as our match is the same as the State's, we would have been almost \$1 million behind to match in this situation. We were able to get the State money because the Board actions in December 2008 and January 2009 has freed up some of the funds. We were in a position where we could have [unintelligible] as the administrative cycle is moving based on Board action in the last few months.

But that's critical, the small [unintelligible] the State match, so in order to preserve our Federal funding is critical, and we need the support of the Board and hopefully of the Legislature to preserve funding to match these grants. It has a huge amount of economic impact within our State.

CHAIRMAN HOUSEHOLDER: Thank you, David, we appreciate it. Let's all try to keep our comments to three minutes or less, please.

Richard Biegel?

RICHARD BIEGEL: Good morning. I own the largest [unintelligible] still in Mojave County, and I'm here representing about 200 activists, of which there are about 10 in the audience. We just found out about this meeting yesterday.

As you might know, we live in one of the fastest-growing micropolitan areas in the U.S. in Mojave County, and we're concerned about the short-term issues in the economy right now, just like anyone else. We [unintelligible] in our ability to grow and prosper in the long term. Fundamental to that is our need for a new bridge across the Colorado River. To keep that, we need the current [unintelligible] River View to be identified as a 95 alternate.

I'd like to talk a little about the importance of the need for this bridge. Almost 80% of the people who work in the casinos live across the river, and we have one bridge. In 2004 the bridge was rated [unintelligible] and it's only gotten worse. In a three-year period there have been almost 180 accidents, two of which recently closed the bridge for almost a full day. The people who work in those casinos don't have high-paying jobs. They're young people with families who have children and parents on the other side of the bridge who need to be cared for. The two hospitals are on this side of the bridge. It's a simple safety issue.

Looking at it just logically, in terms of River View being an alternate to 95, River View currently connects to the Bullhead Parkway through Old Open. Ultimately, where the new 95 is going to be built, it will connect through there as well. So you'll have that connection from the new 95 all the way across the bridge to the Nevada side of the river. We could use your support. One other thing – another reason we need it to be an alternate is because of those Federal funds. As you know, to have funds allocated to build the bridge, we need ADOT to identify this as an alternate 95.

CHAIRMAN HOUSEHOLDER: Thank you, Richard.

Janet Watson?

JANET WATSON: Good morning, Mr. Chairman and Board. I'm the Vice Mayor of Kingman and have lived there over 35 years. I've driven 93 to Phoenix over that period of time and I would be the first to tell you what major improvements there have been.

But I'm really here today to read a statement sent by my husband, who is the newly elected Mojave County Supervisor for District 1. I have a copy for each of you.

“Dear Board members: Thank you for having your meeting in Mojave County today. Unfortunately, I could not attend, as I have other commitments for the day. I would like to take this opportunity to express the sincere appreciation of Mojave County for the ongoing work that is being done to improve the transportation corridors in and around our County.

Your continued commitment to the quality and safety of our roads is essential to the strength and economic development growth of Mojave County. I look forward to meeting with you at a future date. Sincerely, Gary Watson, Supervisor, Mojave County District 1.”

Thank you very much.

CHAIRMAN HOUSEHOLDER: Thank you, Janet.

Sarah Morgan?

SARAH MORGAN: Good morning, Mr. Chairman and Board members. My name is Sarah Morgan, and I'm here on behalf of the Associated General Contractors, a Statewide organization of contractors and subcontractors.

We are just asking that when considering the projects, there should be thoughtful consideration to include a balance of projects throughout the State, as well as a balance of projects between new construction and pavement preservation. When considering pavement preservation, we ask that you allow both large and small contractors to be able to compete when bidding out.

CHAIRMAN HOUSEHOLDER: Thank you, Sarah.

David Wessel?

DAVID WESSEL: Good morning, Mr. Chairman and Board. My name is David Wessel and I'm manager for the Flagstaff Metropolitan Planning Organization.

I'd just like to reiterate some points that were made earlier, and also address pavement preservation. I understand that pavement preservation may not produce as many jobs as some capital projects, but particularly in the Northern region, where we've had two heavy winters, our roads are falling apart, and there are safety issues. I also look forward to working with you all on a creative approach to spending what looks like a sizable amount of enhancement money across the State.

The final point I'd like to add is in regard to local administration. I appreciate everything ADOT is doing for us to get these projects moving, but there are impacts to local communities as regards their abilities to deliver these local projects. I would like your consideration for that. Thank you for your time this morning.

CHAIRMAN HOUSEHOLDER: At this time, I'd ask that Mary Currie, representing ADOT, read a letter that the Graham County Board of Supervisors has sent to us about the 8<sup>th</sup> Avenue Bridge.

MARY CURRIE: Mr. Chairman and members of the Board, the letter reads as follows:

"Dear Mr. Householder: Regretfully, we were not able to attend your meeting today to celebrate the awarding of the bid for the 8<sup>th</sup> Avenue Bridge Project in Graham County. We look forward to cooperating with the Arizona Department of Transportation on this project, and anticipate a bridge that will serve the citizens of Arizona to come.

"We thank the Board for your commitment to the State of Arizona, and in particular the citizens of Graham County. Additionally, we look forward to hosting you later on this year.

"Please contact me if you have any further questions or concerns. Signed: Sincerely, Drew John, Chairman of the Graham County Board of Supervisors."

CHAIRMAN HOUSEHOLDER: Thank you, Mary. The reason they weren't there was due to a death in Graham County affecting the families of two Board members [unintelligible, background noise].

## CONSENT AGENDA

### **ITEM 2: INTRODUCTION OF INTERIM ADOT DIRECTOR – John S. Halikowski**

At this time I'd like to introduce our interim ADOT Director, John Halikowski.

JOHN HALIKOWSKI: Thank you, Mr. Chairman.

First of all I'd like to thank the Governor for her trust in me, taking over an organization of this size and complexity. I'm deeply honored. The other thing is, without going into a long dissertation of my history, I have spent time working with ADOT in the past. I was Deputy Director and Chief Operating Officer under Russell Pierce, and left there in '96 and have worked with the State Legislature ever since. I've been involved in drafting transportation legislation, and also as Director of Research [unintelligible] representatives.

The vision I have for this Department is that I'd like to create a model State agency, along with the folks that work there. I'm learning that I have a great team. We want to do ethical partnering practices with the folks to treat all our clients and employees with respect. The goal is that we're going to review the Department structure and its business practices, and we're going to ensure that we deliver a safe and efficient transportation system. We're going to do this by ensuring that we have safe movement of people and goods on the roads out there.

The last thing is our mission, and I'd like to emphasize that my goal is to work with this Board and all of our stakeholders out there, so we can realize the vision that we're setting forth and achieve the goals that we're putting forth today. Again, Mr. Chairman, I thank you for the time, and look forward to working with all of you.

CHAIRMAN HOUSEHOLDER: Thank you. We'll hear a lot more from Mr. Halikowski later on. We're going to skip Items 3 and 4 and go down to our Financial Report. We'll return to those items later in the meeting.

### **ITEM 5: FINANCIAL REPORT – John McGee**

JOHN MCGEE: Good morning, Mr. Chairman and members of the Board. I'll be addressing Agenda Items 5, 6, 7, and 8.

The first item is our monthly Highway Use Revenue Fund (HURF) results for the month of January 2009. As you can see, we had total HURF collections of \$104.6 million, down 4.1% from January 2008 and also down 8.1% from forecast. Year-to-date, collections total \$730.3 million, which is down 6% on a non-adjusted basis and over 7% on an adjusted basis. It is also 7.2% under the estimate.

The year-over-year variance is down significantly from the past two months, at 4.1%. We believe we'll continue to see significant underperformance of HURF revenues for the year. In fact, we believe final HURF collections will be around \$1.25 billion, almost \$100 million lower than the current official forecast. That would also be the lowest level of collections since fiscal year 2005.

All categories continue to underperform, except for registration – which you know was helped by the one-time \$10 million transfer in September 2008. You can see from this chart how we are doing on a year-to-date basis. I've included a couple of additional graphs in this month's report in order to put the level of revenue decline in perspective. This chart shows the annual average revenue growth on a percentage basis, going back to the year 2000, for both HURF and RARF. As you can see, every year from 2000 on we had had positive revenue growth for both funds until last year. We were about 3% negative growth in both funds in 2008. This year, we're running about 7% negative growth for HURF and almost 11% for RARF, which is an astounding drop in revenues.

I've also included a couple of additional slides that show how the two major components of HURF, those being the gas tax and vehicle license tax (VLT), have been declining over the past year and a half or so. As you can see, it's been almost a straight-downward trend. We're looking for some leveling off of that trend, and once we see it, we'll be a little more hopeful that we're hitting the bottom. As you see, in the gas tax there's a tiny bit of lessening of the downward trend this month. VLT showed a little spike, but we think that was a matter of timing and expect revenues to continue to trend downward.

We haven't yet received revenue figures for RARF for January, so those are not included in your packet. But preliminary indications are that we'll continue to see double-digit negative variances on RARF, just like we have seen the last couple of months.

Moving to the investment report for the month of January, ADOT earned about \$2.478 million on its invested funds, which represents an average yield of 2.13%. Year-to-date we've now earned \$23,756,000, which represents an annual yield of 2.84%.

Moving to the HELP program, at the end of the month, the HELP Fund cash balance was \$78,996,000, up about \$2.9 million from the previous month as a result of \$2.8 million in loan repayments and about \$100,000 of interest.

I'd be happy to answer any questions with respect to this Item.

#### **ITEM 6: FINANCING PROGRAM – John McGee**

JOHN MCGEE: Moving on to Item 6, I'd like to give the Board a brief update on the recently enacted legislative "fix" to the General Fund, and the impact that has had, and will have on the Department.

As you know, the legislature recently took action to close a \$1.6 billion deficit in its FY 2009 General Fund. ADOT and its various funds were significantly impacted by these legislative actions. First, \$104 million in STAN funds were swept back to the general fund. This represented funding that had been previously approved by the Board for three projects in Maricopa County: \$43.2 million for the I-10 Verrado to Sarival project, \$30.5 million for the I-17 SR-74 to Anthem project, and \$20.4 million for right-of-way protection on the 802. It also included an estimated \$10 million in projected savings on the I-10 Pinal to Picacho project. These funds have already been moved from the STAN Fund to the General Fund.

The legislation also swept 5% of ADOT's fiscal year 2009 State Highway Fund operating budget, which totaled approximately \$21 million. Those were funds we'd saved on our own in order to keep our working capital balance where it needed to be. They swept virtually all of ADOT's remaining 2007, 2008, and 2009 LBI budgets of any funds not already spent. That was a total of over \$26 million.

They swept an additional \$4 million of aviation funds, as mentioned earlier; \$4 million from various MVD funds, over \$5 million of equipment revolving funds, and over \$1 million each from the economic strength and Arizona Highway magazine funds. In total, the sweeps amounted to over \$172 million.

Combined with prior sweeps from the original FY 2009 budget and DPS transfers, over and above the statutory limit, ADOT so far has transferred nearly \$300 million to the General Fund.

This latest round of sweeps will have significant impact on ADOT and its operations, including a recently announced furlough of virtually all ADOT employees for one day per pay period, to last at least through the remainder of this fiscal year. This all comes when ADOT is in the midst of the largest construction program in its history, a program that will grow larger as a result of the ARRA program, which we'll discuss later.

I'll be glad to answer any questions if I can.

BILL FELDMEIERS: I have a question -- \$104 million from the STAN account that went back -- that was provided to ADOT two years ago?

JOHN MCGEE: That was provided in 2006.

BILL FELDMEIERS: What was the delay in implementing that money that had been sitting there since 2006?

JOHN MCGEE: I don't know the specifics on that. Our State Engineer might have a better feel for what's going on with that. I can work together with him to answer that question.

JOHN HALIKOWSKI: When the STAN legislation was enacted, it wasn't just a direct appropriation for particular projects; there was a distribution formula built into it. But there were also a lot of things that had to happen. The way the legislation worked out, the Metropolitan Planning Organization and the State Board had to work together to ensure that those projects came in. So a lot of things had to take place before those funds could actually be used.

The other point is, those two particular projects were in Phase 4 regional transportation planning, which meant they were on the very back end of planning that goes out to 2026. They could be moved forward, but in order to do that, a lot of other criteria had to be met to bring those projects in for construction, such as air quality conformity analysis and a number of other things within a system. So it's not a quick turnaround to do that; Floyd I don't know if you want to comment --

FLOYD ROEHRICH: The time that funding came, ADOT and MAG set out to look at what projects to accelerate and settled on those two on I-10 and I-17, because they fit in with other planned improvements. These were brought in from Phase 4, around the 2022-2023 time frame,

brought to this year, the year that the funding was given. At that time we started the design and environmental process, and started all the development processes that needed to take place, which is normally about an 18-month cycle. We were taking the money that was available in order to deliver it when the projects were ready, late 2008 and early 2009. That was the time when STAN funds were swept and lost.

BILL FELDMEIERS: I just want to make sure I understand completely – you have all done your due diligence as relates to preparing to implement those projects, construction-wise; it was just that it took a lot of time to get it to this point, and when we were virtually ready to award a contract, the funds were swept and the money's gone. Assuming that we get back on cycle at some point, however, these projects could be ready at that point to be in line early on?

FLOYD ROEHRICH: Those projects were not ready to go, and originally they were not on the stimulus list I was first presented. They are on there now, although the funding has been lost. They meet shovel-ready criteria that were used to develop that list, so they were placed back on the list.

JOHN MCGEE: Any other questions on Item 6? There is one other subject I'd like to address with regard to Item 6. As discussed in our last meeting, ADOT has, in its financial plan, the issuance of approximately \$30 million of GANS in fiscal 2009 and an additional approximately \$30 million in fiscal 2010 to complete the I-10 Dysart to Sarival widening project, which is already underway. It's a two-phase project, and we've already borrowed \$60 million of GANS to accelerate the first phase, with the idea that we'll have to borrow another \$60 million to finish the project. We're at a point where we need to move forward with a financing to keep the project on track.

We're recommending that if the credit markets are cooperating at the time of issuance, that we issue the entire \$60 million in a single issue to save both money and time. There would probably be no more than six to eight months' time difference between the two issuances. However, if the markets are not cooperative, we could scale the issuance back to a smaller size and borrow the remainder in the next fiscal year.

Similarly, our financial plan required the issuance of \$170 million in RARF bonds this fiscal year to maintain a freeway program in Maricopa County and an additional \$270 million the next fiscal year. Since we will be issuing so late in the current fiscal year - in June, we recommend to the Board that the authorizing resolution that the Board must approve prior to issuance, be adopted to allow for a single issuance of up to \$440 million, the total for this year and next year. That would give us flexibility, again, if we happen to catch a good spot in the credit markets, to go ahead and do the remainder of both this year's and next year's issuances at one time. If we get to the point that we're ready to issue this debt and the credit markets, which have been volatile, are not cooperating, we would scale that the issue back in a way similar to what we did with the HURF issue in 2008, which was to issue part of it in May and the balance of it in September.

I have included preliminary schedules for both issuances in your packets. You'll see that we'll be asking for a formal direction to proceed authorization for both issuances today, under Items 7 and 8. You will also see that we plan to ask the Board to adopt an authorizing resolution and appoint underwriters for the GANS issue in March and the RARF issue in April. We would then plan on issuing the GANS in late April and the RARF bonds in early June.

Let me add a point: given the current fragile nature of the credit markets, these schedules should be considered more tentative than they would normally be. We're also going to be approaching these two issues in a manner that will hopefully give Staff maximum flexibility to cope with changing conditions in the markets, while keeping the Board fully advised of our plans. So we'll be asking for flexibility to go forward, increasing the size above the previously planned levels, but potentially decreasing it if we encounter a tough market before or even during the pricing. I'll be glad to answer any questions the Board might have.

The last point under Item 6 that I'd raise – I have included in your packet the Bond Buyer Index so you can get a feel for what has happened with interest rates over the course of this year. You can see that as of last week, interest rates, while significantly higher than they were a year or so ago, are down to their lowest level of this calendar year, so things are going in the right direction. The market itself for municipal debt such as ADOT issues has been a little better, and we're getting stronger retail and institutional participation, although I would add that the institutional participation can change very quickly. I'd be happy to answer any questions with respect to that.

CHAIRMAN HOUSEHOLDER: John, are you suggesting that the Board vote to pass these two resolutions today?

JOHN MCGEE: Yes, Mr. Chairman, I would request first, under Agenda Item 7, that the Board approve the resolution included in your packet, directing Staff, advisors, and counsels in matters pertaining to its planned issuance of Grant Anticipation Notes Series 2009A.

CHAIRMAN HOUSEHOLDER: Do I hear a **motion**?

VICTOR FLORES: Mr. Chairman, I move that we direct Staff to take all actions necessary precedent to its planned issuance of Grant Anticipation Notes Series 2009A on such items as authorized in the resolution.

CHAIRMAN HOUSEHOLDER: We have a **motion** from Victor Flores and a second from Bob Montoya. Are there questions?

FELIPE ZUBIA: I have one quick question. John, you know I've raised the issue before regarding underwriters – are we still talking about the same underwriters as previously? Have any of them dropped off?

JOHN MCGEE: Mr. Chairman, Mr. Zubia, I'm glad you asked that question. We will be, as I mentioned earlier on the schedule, bringing to the Board next month our recommendations to form a syndicate of underwriters for the GANS issuance. More than likely in April we will have a resolution to form a syndicate for the RARF.

Because we've had so much turnover and change within the firms in our pool, we recently send out a letter to every firm, asking a number of questions, such as: Tell us about your ability to commit capital, or: Who are the people who would be the lead bankers and underwriters on these deals. We asked about any similar deals done recently or any real or contemplative changes in makeup to the firms.

Those letters went out a week ago, and there is a deadline to respond to that letter, which went to everyone in that pool. Any firms that have joined with another firm, been acquired by another firm, et cetera, the letters went out to all of them. The firms are all supposed to respond by March 6, 2009. John Fink, our financial advisors and I will then sit down and go through that information, and based upon it, make a recommendation to the Board about the constitution of the underwriting teams. We felt we needed a better handle on what's going on with various groups.

FELIPE ZUBIA: Well, I have long had confidence in your diligence in taking care of the issues that I had brought up – but I do see that both issuances are scheduled showing a March 20 date, which is our next meeting, for recommendation of the underwriters. Can you give a little more background to the questions you asked them in your presentation next month?

JOHN MCGEE: Yes, I'll be happy to do that. If you'd like, I'll send you a copy of the letter that was sent to each firm. I just receive a note from our attorney that we should clarify the amount that will be authorized by the 2009A resolution. The amount will be specified in the Authorizing Resolution that the Board will be asked to adopt next month.

CHAIRMAN HOUSEHOLDER: We had a **motion** and a second. All in favor of the resolution?

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

JOHN MCGEE: And finally, just as with the GANS resolution, we also included in your packet, a resolution of the Board directing Staff and advisors to take all actions precedent to the issuance of transportation excise tax revenue bonds in Maricopa County. This resolution is found under Agenda Item 8 in your packet and we would recommend its approval also.

CHAIRMAN HOUSEHOLDER: Do I have a **motion**? Any questions?

FELIPE ZUBIA: My comments on the previous agenda item apply to this one as well.

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

JOHN MCGEE: Thank you, Mr. Chairman.

CHAIRMAN HOUSEHOLDER: Construction contracts are next. Floyd?

### **CONSTRUCTION CONTRACTS – Floyd Roehrich**

FLOYD ROEHRICH: Good morning, Mr. Chairman and members of the Board. My name is Floyd Roehrich, ADOT State Engineer, and we are asking the Board to award seven projects for which we had very competitive bids. We are looking at a total of nearly \$37 million of projects awarded today. Three of these are on the Consent Agenda, and there are four that will require separate Board action because of criteria related to the bids that were received.

## ITEM 19

FLOYD ROEHRICH: This project is in Graham County, which is the grade issue on the Safford 8<sup>th</sup> Avenue Bridge. I'd like to express my sincere thanks to the City for working with us and the people in that region to put this project together.

The reason [unintelligible] it is 7% under the Department's estimate, and the issue centers on the component of some of the supply costs we're seeing due to the economy, related to concrete and steel and other costs.

The bid received is \$1.7 million under the Department's estimate, but it is a competent and fair bid and we're recommending award of this project.

CHAIRMAN HOUSEHOLDER: Any questions?

SI SCHORR: I would like to recuse myself from Item 19, and I will also do so from 20, 23, 24, and 25.

[The **motion**, moved by BOB MONTOYA and seconded by VICTOR FLORES, carries unanimously in a voice vote.]

## ITEM 20

FLOYD ROEHRICH: The next item is a project on SR-887 in Gila County. The bids we received were 41% under the Department's estimate. It's a continuation of the slope stabilization project, in the vicinity where we had the emergency slide project last year on SR-87.

Components that led to the reduction in cost include the fact that the contractor, who was working in the area, found closer sources for his material. He also has additional experience; he is a safe contractor who did the previous project, and will receive a reduction in costs associated with the experience, efficiency, means and methods, and material sources. Again, the bid we received is very competent and we recommend award of the project.

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

## ITEM 22

FLOYD ROEHRICH: This is a project on SR-95 in Mojave County, a transportation enhancement project consisting of landscaping with irrigation work. The bid we received is 41% under the Department's estimate of \$172,000. This is reflective of the bidder being a local contractor who has material sources closer than we had estimated. We would see quite a savings of costs related to PVC pipe and other materials, with reduction in mobilization costs and reduction in material costs factored in as well. It is a competitive and competent bid and we recommend award of this project.

CHAIRMAN HOUSEHOLDER: Do I hear a **motion**?

FELIPE ZUBIA: I have a question for Mr. Roehrich. As this is a TERC project, would the money that isn't spent roll back into the TERC program?

FLOYD ROEHRICH: That is correct. The money would roll back into the State Enhancement Program and be used for the next project.

[The **motion**, moved by BOB MONTOYA and seconded by FELIPE ZUBIA, carries unanimously in a voice vote.]

#### **ITEM 24**

FLOYD ROEHRICH: The last item is Item 24 on your agenda, on SR-260 in Yavapai County. It's a project that we received very competitive bids for. Again, the low bid is a reflection of materials costs, local contractor with reduced mobilization costs, as well as means and methods associated with the sources of materials being much closer. It's a competitive and competent bid and we recommend award of this project.

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

FLOYD ROEHRICH: Thank you, gentlemen.

CHAIRMAN HOUSEHOLDER: We now need to go back to the Consent Agenda and bring forward any items that were not included in that Agenda. Are there any items?

FELIPE ZUBIA: I'd like to make a clarification regarding the January 23, 2009 minutes. On p.11, I was referring to Item 17, and Bill Feldmeier brought up an issue with regard to the funding of roadways on State Parks. I think Si Schorr made a motion that actually pulled Item 17 out of the approval items, and that Item was to be presented at the next meeting, which is today.

I'd just like to get clarification that Item 17 did not get approved, and was held over to come back to the Board at a later date.

FLOYD ROEHRICH: Mr. Chairman, Mr. Zubia, to the best of my understanding, this parks project is on hold until we come back and address it at a future meeting. We would still need to address it before we could move forward with that.

JOHN HALIKOWSKI: Mr. Roehrich, I believe Staff told me that was tabled. Is that correct?

FLOYD ROEHRICH: Yes, that Item was tabled. It was supposed to be on this month's agenda, but did not make the agenda due to the impact of the other agenda Items. It will remain on the table.

FELIPE ZUBIA: I would request that the minutes be corrected to reflect as much.

SI SCHORR: Mr. Chairman, may I ask when we will be considering Items 3 and 4?

CHAIRMAN HOUSEHOLDER: Very soon, once we finish the Consent Agenda.

We then need a **motion** to accept the Consent Agenda.

[The **motion** with correction, made by BOB MONTOYA and seconded by VICTOR FLORES, carries unanimously in a voice vote.]

CHAIRMAN HOUSEHOLDER: Does anyone else have any comments they would like to make?

BILL FELDMIEIER: As it relates to Item 26, I had expected and requested, as part of our monthly meetings, that we would receive monthly updates on the status of the rest area question, and the "3P" discussions as well. So I'm a little perplexed not to see that on the agenda, and I'd like to know what needs to be done to ensure that happens as the board has requested.

GAIL LEWIS: Mr. Chairman, the decision to take other items off today's agenda was simply because we knew the discussion on the recovery bill would potentially be quite extensive. The rest areas, as well as the State Parks discussion, were taken off just because of the length of time expected to be devoted to the other items. The agenda was discussed spoken about with the Chairman and the decision was made because of the length of this discussion.

BILL FELDMIEIER: My response to that would be that I believe it should be at the Board's discretion to decide to table an issue that we had requested be included. At least, that information should be brought to the Board, or to me in particular, as I was the one who, with Mr. Montoya, has been tracking this rest area question for the last three years. We should have the discretion to table that issue or retain it. In fact, the issue is not mine individually, it belongs to the Board, as the Board has brought the issue forward.

JOHN HALIKOWSKI: Mr. Feldmeier, I take responsibility for that. As we were preparing the agenda, we really thought that the stimulus package, due to the shortened time frame, should be focused on to get those projects out there. I can assure you that in the future, we will honor your request and make sure that those items are included on the agenda. I don't know if it is permissible under the rules, but I could talk about the 3P update a bit, if that's the Board's pleasure, or we could move on if you would prefer.

CHAIRMAN HOUSEHOLDER: Does that satisfy you, Bill, or do you agree to that?

BILL FELDMIEIER: I believe its part of the Director's ability to update the Board on events. I understand that it's within your latitude to be able to update us, so I would like to hear it.

CHAIRMAN HOUSEHOLDER: So that will be on the agenda next month?

JOHN HALIKOWSKI: Mr. Chairman, I will know more next month about what's happening with the 3P legislation. There are several bills going through the legislature this month.

JOE ACOSTA: If the Board wishes to reopen the Director's Report, we could do that.

CHAIRMAN HOUSEHOLDER: We'll hold off on that until next month, when it will be on the agenda.

BOB MONTOYA: Mr. Chairman, one of the items I'd asked for that I'd like to see back on the agenda is the process for bids, and the language in the law and policy. I'd like to see that on the agenda in the future.

JOHN HALIKOWSKI: Mr. Chairman, if I understand the question, it's for us to come in and essentially give you a presentation on how the process works?

BOB MONTOYA: Yes.

JOHN HALIKOWSKI: Okay.

CHAIRMAN HOUSEHOLDER: Let's return to Item 3.

**ITEM 3: OVERVIEW OF FEDERAL ECONOMIC RECOVERY ACT – John Halikowski**

JOHN HALIKOWSKI: Mr. Chairman and members of the Board, you should have received some materials from us yesterday. We'll go through a PowerPoint presentation, and there should have been a cover memo attached to that. As you know, the American Recovery and Reinvestment Act is what we're commonly calling "stimulus monies." What we'd like to do today is tell you what we know, with a couple of qualifiers.

It looks to us as if the Arizona total for highways and bridges is going to be about \$522 million, and \$115 million to transit. Due to the transportation formula under the feds, 30% of that is going to go out to local transportation management areas; 50% of the funds have to be obligated within 120 days, with a project completion date within three years.

There's a competitive grant component to this that we're still sorting out, but it seems as if there will be some money available for grants, based on criteria that we're still looking at and discussing with our multi-modal planning division. We intend to aggressively pursue those competitive grants. In order to make ourselves eligible for those, however, we have to make sure we're good stewards of the stimulus money that has been awarded to the States.

There's been a lot of talk about what "shovel-ready" means, and we want to make sure everyone has a clear understanding of that term. It seems to be tossed around a lot and everyone has their own definition, but you can see what the components are that fit the "shovel-ready" description. I believe Mr. Roehrich has a list of about 114 projects that we consider to meet this shovel ready criteria.

There are reporting requirements. I met with the regional manager of FHWA yesterday, and we'll be under close scrutiny regarding the money we spend. Due to what's happened with some of the bank bailout money, FHWA will be watching the States closely and expecting us to do a number of audits on our consultants and project managers to make sure that this money is being spent properly. In addition, when I was in Washington, D.C. last week, I met with the Secretary of Transportation and a number of other States' administrators; they will also be watching for the same requirements, such as the number of jobs created and the economic impact of this money. They will establish a website that we have to keep updated on our reports to Washington.

There is a maintenance-of-effort piece to the legislation that prevents the funds from being supplanted. We have to keep up what we're doing right now and not use stimulus money to supplant those projects. In addition, the governor must certify our maintenance of effort.

At this point I'd like to point out that we don't have the exact numbers that we're going to talk about, because FHWA and FTA still have to finish their final calculations for the highway and transit dollars. Based on our communication with them, it seems this may take a few weeks. But we can tell by the formulaic approaches that we see in this statute you've got \$522 million coming to the state. There is enhancement programs that will go through TERC; \$16 million, leaving a balance of \$506. The suballocation is \$156 million. We think that the balance to the State for distribution, then, is \$350 million, with transit being \$115 million and \$20 million for aeronautics.

So there are impacts we'd like you to consider. This is the geographic mix, around the State. I know the issue of pavement preservation has come up, and we've had a lot of recent discussions on whether the economic impact is greater to do one major project, such as a TI that employs people in the construction industry all across the board, and spend \$60 million, or have 10 pavement preservation projects spread around the State at \$6 million each. So we'll be looking for guidance on the criteria. There are long-term impacts to consider, such as capacity addition. As the Chairman pointed out, there are maintenance needs all over the state on a lot of highways.

With that, we'll go on to Mr. McGee, who has some approaches he wants to talk about regarding the distribution of this money.

CHAIRMAN HOUSEHOLDER: Thank you. We need a question by Bill Feldmeier before we go on.

BILL FELDMBIER: Just a quick question – under “maintenance of effort,” I'm confused about the statement that says “cannot supplement or replace funds the state has planned to extend from state sources from the date of enactment through September 2010.” So if we have projects that are ready, and many are on the five-year plan and ready to go, how is it that – this criteria rubs up against that.

JOHN HALIKOWSKI: Right. I think the operative term here isn't so much “supplement” as it is “supplant.” In other words, we can't take money that we've already programmed for projects and include that toward some other use, such as General Fund use. We'd have to go ahead and keep up our maintenance of effort for transportation projects. So what we're saying is the \$506 million the Federal government is sending us, which represents a doubling of our normal Federal allocation, has to be spent on transportation projects.

GAIL LEWIS: That's correct. It's more about dollars than specific projects. If dollars get moved around, that's all right; what we can't do is take \$506 million out of planned transportation funding and replace it with stimulus.

JOHN HALIKOWSKI: So in essence, there is an addition onto, and you can't move that over to pay for some non-transportation purpose?

BILL FELDMEIERS: So the fact that this legislature swept the funds they've already swept doesn't count, because that occurred before this was enacted?

SI SCHORR: Mr. Chairman, I have a question – I read the distribution that the Director sent out, which he just read, and I want to make sure that approaches numbered 1, 2, and 3 in his memo are identical with approaches 1, 2, and 3 in John McGee's memo.

JOHN HALIKOWSKI: Mr. Chairman, I believe they are, because I believe Mr. McGee took this presentation and made some variations on it.

GAIL LEWIS: The options are the same. Mr. McGee's presentation has quite a bit more detail than those that were in the original PowerPoint. So the options are the same, but Mr. McGee has much more information.

SI SCHORR: One further question about that. As John goes through his presentation, could you please tell which of those approaches compare to, or follow, what is known as the Casa Grande Accord?

JOHN HALIKOWSKI: Mr. Chairman, we will do that.

CHAIRMAN HOUSEHOLDER: Does anyone else have any questions? Bill?

BILL FELDMEIERS: Just a quick follow-up, then – does that mean once this program is accepted, in order to continue with the criteria that are part of the stimulus package, the legislature cannot sweep any more of the funding? Because if they do, then they cross that line?

JOHN HALIKOWSKI: Mr. Chairman and Mr. Feldmeier, I am not going to say the legislature couldn't take more money out of the highway fund, because I think the state, under this package, would have to keep up its maintenance of effort if the legislature did that. I guess I don't know the answer to how we would do that but we would have to under the federal requirement, keep up that maintenance.

GAIL LEWIS: This is a source of great debate at the moment, because many states are feeling enormous fiscal pressure. Gas tax revenues are down, which are a source of dues in almost every state; other states appropriate money from the General Fund and then face a significant shortfall in that area. So it's a topic of great debate, undertaken by AASHTO and from the other national organizations collectively with Congress to get a much more specific answer to that question.

SI SCHORR: I'll follow up on what Bill Feldmeier just requested – I think we should be getting legal opinions to answer his question.

JOHN HALIKOWSKI: Mr. Chairman, I agree that we would need to speak with the attorneys and get their opinions. All bills that come up in the legislature have to be reviewed by attorneys; if they determined that sweeping funds based on this Federal provision pre-empted Federal law, then they would say to the legislature that they have a Constitutional issue and cannot breach Federal law. So it's something we'll need more time to answer.

CHAIRMAN HOUSEHOLDER: And you're going to check on that?

GAIL LEWIS: Yes, Mr. Chairman, the Legal Department will look into this.

CHAIRMAN HOUSEHOLDER: Any other questions?

Are you gentlemen finished with Item 3?

JOHN HALIKOWSKI: Mr. Chairman, I am through, but Mr. McGee would like to present the approaches to the Board.

JOHN MCGEE: First of all, I hope that you all received the information in this email yesterday. If not, it's provided in the information packet. Again, as Mr. Halikowski said, we apologize for the lateness of this information getting to you, but we're all still trying to make as much sense of this very complex legislation as we can.

What I'll try to do today is expand some of the basic financial information contained in Gail's report, to put the funding from this historic legislation in some perspective. I'll point out what information we think we know for certain and more importantly, what information we don't know for certain yet, and then lay out three potential approaches. We hope the three approaches we show today will be helpful in determining how this money is spent throughout the State.

First of all, Arizona will receive approximately \$522 million in total highway funds, \$16 billion of which will come off the top for enhancements. That leaves a balance of \$506 million. The information we've received so far indicates that of this \$506 million, roughly \$156 million will be distributed to local governments. That will leave approximately \$350 million for the balance of the state, monies that will be under the control and jurisdiction of the State Transportation Board to determine where it is spent.

Additionally, it's our understanding that Arizona will receive about \$95 million of transit funding. This isn't under the purview of the Board, but it is part of the stimulus package and considered transportation funding, so we believe it's something the Board may want to look at in terms of how it's spent and making a fair determination as to how highway funds get spent. Finally, a small amount, about \$1 million, will be applied for on a discretionary basis. Right now we don't know how much of that money might be coming to Arizona, and in the grand scheme of things it's a pretty small amount, so we haven't really included it in the amounts [unintelligible]

Again, the most important thing I could say at this point is that there's information we don't know yet, and probably won't for another two to three weeks. It could potentially be very important to your decision as to how to allocate the funds. What we don't know is exactly how much of the \$156 million of "local money" will be allocated to each of the three geographical regions. Our belief is that the best way to start looking at how projects are allocated is to first look at these three areas, and once that determination is made, start sub-allocating projects around the State as the Board feels best.

We've developed a couple of approaches that we think may represent the two extremes of how these funds may be allocated, and it will probably end up somewhere in the middle of the two extremes. It will give you at least a sense of what a couple of different options will look like. The

same thing could be said of the transit funds – we don't know where that money is going to go, although we have a pretty good idea of where we think it will go, based on past transit funding. So here's what we've done. We've developed three approaches, and for each approach, I've shown two alternative scenarios.

Approach #1 will take \$60 million of enhancement money and run that through our current TERC process. We think that's something the Board should look at as an approach to distribute that money, because this process works well. There are a couple of different things the Board could do: they could hold down the entire \$16 million, or they could go back to the last round and see what didn't get funded, and maybe pick up wherever the money left off on that round, or some combination of the two. But we do think the best method for allocating TERC monies, because there are all those different projects, is to employ the current process to the greatest extent possible.

So once you take the \$16 million off the top for TERC, you essentially have two pots of money: the estimated local share and the estimated state share. In the information I sent you, you'll see I have approaches 1, 2, and 3, and then 1A, 2A, and 3A. When you look at approaches 1 and 1A, you'll see all the numbers are exactly the same except for the estimated local share of highway funds. Let me tell you what we've done. Under approaches 1, 2, and 3, the estimated local share of highway funds is the same under each approach: \$105 million for the MAG region, \$36 million to the PAG region, and \$15 million for the 15 other counties.

The estimate that ADOT developed, based upon how current STP funds that go to RARF get distributed, that's essentially the distribution between these three areas. All the monies that have come into the state for highways from this act are being funneled through the STP program. This is because the STP funds the state receives are the most flexible funds we receive, so they won't go through State maintenance or MHS or any of those other more restrictive programs. They're going through STP to give the State the most flexibility possible.

However, we don't know the extent to which they'll be using the current STP formula for distribution amongst the regions. We believe they will use a different process, but we don't know that. All we know is we received a piece of paper that says, from FHWA, that the \$156 million will be broken up into three pieces, with approximately \$110 million that will go to regions with a population in excess of 200,000 people. There will be about \$36 million that goes to regions with a population between 5,000-200,000, and there will be about \$10 million that goes to regions with populations under 5,000.

What we don't know is – take Maricopa County, for example. Some have assumed that the \$110 million would be all the money that Maricopa and Pima Counties got from [unintelligible] under our scenario we are showing it could be as much as \$141 million, but, taking Maricopa county for example, Wickenburg, which is part of Maricopa County, would fall into that 5,000 – 200,000 population. My guess is that somehow money may be allocated to Maricopa County because of Wickenburg.

We also know, for example, that under FTA formulas, Avondale gets FTA money even though it's part of Maricopa County, in a similar manner for areas that are between 5,000-200,000 in population. So we just don't know how that \$156 million is going to be split up, and we won't know until FHWA loads in area by area and tells us, which will probably be about three weeks.

So we first showed approaches 1, 2, and 3, assuming that the estimated local share is based upon the current relative distribution of funds between the three regions for STP funds. The second way is to assume that of the second pot of money, the local share is going to be distributed solely on the basis of MAG and PAG receiving a combined \$110 million and the other \$46 million going to the combined 13 other counties. These are two widely different assumptions.

So that's the difference between approaches 1, 2, and 3, and approaches 1A, 2A, and 3A.

Moving on, looking at how the Board might look at distributing its \$350 million, we looked at three basic approaches. The first is that after the TERC dollars come off, the remainder of the entire \$350 million is distributed according to the RAAC formula. That would give MAG \$130 million, PAG \$46 million, and the 13 other counties \$175 million. That represents the 37% of MAG, 13% of PAG, and 50% of the 13 other counties.

As you can see from this approach, if the Board chose to do that, and if the amount of money going to the locals flowed very much like current STP funds flow, excluding money that would be distributed through the TERC formula, the MAG region would receive about 46% of all highway funds, the PAG region about 16%, and 13 other counties about 38%.

Because what the whole bill is about is jobs, and where those jobs might fall in the three regions, we believe that the Board may want to consider, in its decision-making, where transit money will be spent. Transit monies are highly skewed, to at least in their current distribution formulas, toward Maricopa County. In fact, we believe, although we don't know yet, that if the FTA money gets spent roughly the same way that current FTA money is spent, of the \$95 million, about \$81 million will be spent in Maricopa County, about \$7 million in Pima County, and about \$7 million in the 13 other counties.

If you added that into the equation and looked at approach #1, which is essentially dividing the \$350 million based upon RAAC, MAG will end up with about 53% of both highway and transit funds, PAG with about 15%, and the 13 other counties about 33%. I'll also point out that on a pure population basis, the population statistics of Arizona mirror the STAN distribution, which is 60% in Maricopa County, 16% in Pima County, and 24% in the 13 other counties.

So that was approach 1: take money off the top, distribute through TERC, distribute everything else according to RAAC.

Approach 2 was to take the opposite extreme: assume the same levels of distribution of the \$156 million, based upon current STP distribution, and take the remaining \$350 million, and distribute it according to STAN. If the Board chose to do that, it would allocate \$210 million to the MAG region, \$56 million to the PAG region, and \$84 million to the 13 other counties; it would give MAG 62% of all highway funds, PAG 18%, and the 13 other counties 20%. If you add in transit, the total amount would flow about 66% MAG, 16% to PAG, and 18% to 13 other counties.

The third approach would again take \$16 million off the top for enhancements; then, because the legislature swept the \$104 million and that impacted two important projects that had been approved by the Board, the I-17 and I-10 projects, the Board might want to consider funding

those first. Not the other \$20 million that was swept out of Maricopa County for freeway [unintelligible], but the I-17 and I-10 projects.

I know in the discussions we've had with Director Halikowski and Mr. Roehrich, they both feel these are both important projects, not just to MAG but to the state, as they're both on Interstates and have a lot of congestion trying to get out of Phoenix to the West and to the North. Also, there should possibly be some consideration given to making those two projects whole. That would then leave \$276 million, which could then be distributed either according to RAAC or to STAN; but given the nature of off-the-top, we believe that doing it along the lines of STAN probably doesn't make much sense. Using the RAAC formula for the additional \$276 would give the MAG region an additional \$102 million, \$36 to the PAG, and \$38 to the 13 other counties. This means the MAG region would end up with about 50-60% of all highway funds, PAG about 14%, and the 13 other counties about 30%. If you add in the transit estimate, those could change. MAG would get about 60% of total funds, PAG 13%, and 13 other counties 27%.

Everything else under approaches 1A, 2A, and 3A are the same as 1, 2, and 3, except we have changed the estimated local share of highway funding to reflect the potential that all the MAG and PAG regions would receive would be the \$110 million, which represents the information we received from FHWA; shows it would go to regions with 200,000 or greater. My personal belief is that they'll get more than that, but I don't know.

So we ran the numbers both ways so you can see what happens under what circumstances. If that's the way the money gets distributed under approach 1A, combined highway and transit, the MAG region would get about 50% of the total funds, PAG would get 12%, and the 13 other counties would get 38%. Under 2A, the RAAC approach, the allocation would be 63/14/23, and under 3A, funding of I-17 and I-10, would leave MAG about 58%, PAG 11%, and 13 other counties 32%. You can see, just by comparing these, the difference in impact this has on what will be distributed to which areas.

So those are the three approaches we thought might be helpful to start the discussion. I'll be happy to answer any questions the Board might have.

FELIPE ZUBIA: I'll start it off; this is very complex, John, and I'd like to simplify it if I could. I'd like to really stick to the RAAC allocation, because that's the simplest way to start the discussion. I don't know that anyone on the Board had ever recommended deviating from the RAAC allocation, so approaches 2 and 3 are a little surprising to me in how they came about, because I didn't see any reference, at the work session, to taking money off the top, or with regard to allocating toward population. So, going back historically to the STAN allocation, that deviated from RAAC, and the rural counties agreed to that – begrudgingly, I might add and it was agreed at that time that they be made whole at some point.

On top of that, the money that came from STAN wasn't entirely General Fund money. Some of it came from the State Highway Fund, which essentially took twice from the rural areas. So I have a hard time getting beyond approach 1, although I still think approach 1 is still a bit flawed with regard to allocation. Those are my initial comments, and backing up a little to the comments I made at the work session, with regard to setting a list of criteria for how it's applied – I'm not going to second-guess that now, particularly since what came back is totally different from what I discussed or asked.

I hope you don't take this as an affront, and I apologize for coming off that way, but I'm tempted to say let's just do the RAAC allocation and let the Board look at projects and decide where the money should go, so there's no misinterpretation as to our direction. That's how I feel, and I don't know if the other Board members concur. I don't want to spend a lot of time here discussing different approaches when I feel, right up front that it's going to be a waste of time.

JOHN HALIKOWSKI: Mr. Zubia, the reason you have three approaches in front of you is that, at least from my perspective, we wanted to give you all the information we could. We didn't want to come here and risk someone saying we could have done it a different way. As you know, over the years, the legislature has put that standard [unintelligible], they've done things with some funding formulas through the 1990s, and we wanted to have some form of full disclosure about how the different distributions might work.

As Mr. McGee said, our recommended approach is #3, because we believe the \$16 million should be restricted within that TERC process, but as we talked about this, we recommended those two Interstate projects off the top because they are very important projects. The balance of the funds should be generally distributed with the RAAC allocation model. The adjustments will be possibly based on the FHA and FTA distributions.

The other thing I would point out is the reason we looked at different approaches is that the RAAC itself would suit the base of 37% in Maricopa County; however, what's also in those Casa Grande Accords is the fact that congestion mitigation funds flow to Maricopa County, and the fact that there's also a 15-22% discretionary distribution of the highway fund. So given the complexity of the formula, what we wanted to show you were the different ways it could be done. My apologies if we didn't come through with what you discussed at the last meeting, but we didn't want you to walk away feeling we hadn't given you all the options.

FELIPE ZUBIA: Again, I appreciate that the options have been disclosed at this point, and I don't want to get into the weeds here with regard to formulas or distributions. I think that issue should be up front. If the other Board members don't agree, please state so and we'll move on, but I believe we need to get beyond that issue first before we go into any other details.

BILL FELDMEIERS: I unfortunately could not make that study session, so I'm a little further behind than the rest of you, but I've reviewed as much of this in preparation today as I possibly could, and especially as relates to the allocation, I feel like Felipe does.

I appreciate the information you're bringing, but we've gone through this discussion about how we allocate money, and I feel like we're wasting time. There was an allocation agreed to a number of years ago at Casa Grande, and I don't know why we would want to discuss other options when the real ongoing issue is that there just isn't enough money to go around to do things that need to be done across the State. The common thing we should be working with is that we need additional funding, but until we get there, we have to work off a formula that we had agreed to in the past, and I think that's where we need to stand.

VICTOR FLORES: Mr. Chairman, I don't have a lot to add to what Felipe and Bill said, as I was frankly trying to deal with all these projects and how they were going to be prioritized. But I

find it inequitable to suggest that STAN money would be extracted off the top, so I'd probably agree with Felipe's comment with regard to the allocations.

BOB MONTROYA: Mr. Chairman, I would also have to echo Mr. Zubia's and Mr. Feldmeier's RAAC allocation. A comment, I can appreciate putting back the 17 and the 10 back into the formula, but you probably know the history as well as we do. When we were initially given the STAN funds, the 13 other counties were given \$80 million. For the benefit of the whole state, the 13 other counties agreed to give that \$80 million for the I-10 improvements.

So we've done it once, and we haven't been made whole. I don't feel that's an appropriate point, though, so I would recommend that we stay with the RAAC, and in some format down the road, that \$80 million be returned to the 13 other counties for improvements that they did not move on. The last sweep of \$104 million is a real indicator of what's going to be happening in the future.

CHAIRMAN HOUSEHOLDER: I agree with Bob that the \$80 million should be paid back to the 13 counties, and we should go on the RAAC program. What you have to understand in Maricopa is, they've got some fancy roads, but they don't have the miles that we have out in rural Arizona. Those roads get lots of wear and tear from vehicles that might have started out in Maricopa, and people from there should understand that they need good roads all through the state to go on vacation or hunting or wherever they go.

BILL FELDMEIER: 2 and 3 are gone.

FELIPE ZUBIA: May I ask if Mr. Schorr is still on the line?

[No response.]

FELIPE ZUBIA: Getting back to approach 1, and my comment that it still being somewhat flawed, the approach still deviates from the Casa Grande Accords. Let's just talk about the state and local roads and not consider transit, because I don't know the problems in transit as it's allocated now, or if that's appropriate. When you get an approach on #1, which comes the closest, you've still got TOC and the other 13 counties getting 38%, where in the Casa Grande Accords they get 50%. So again, it simply doesn't work.

SI SCHORR: Excuse me, Chairman Householder? I keep losing a signal on the phone and having to dial back on.

CHAIRMAN HOUSEHOLDER: What's your opinion about the split of the money?

SI SCHORR: I've listened to what I suppose was 90% of what's gone on, although my line's been cut about three times on this call, but I listened to what Felipe led off with. I've looked at the numbers, and I appreciate where Mr. Halikowski and Mr. McGee are coming from – I think they're trying to cover a lot of bases, and Mr. Halikowski hasn't been present at some of our prior discussions.

From Pima County's perspective, we've seen the problems of most all of these alternatives, with one or two exceptions. However, given the extraordinary complexity of the issues we're dealing with, where these are difficult concepts to master in any event, I feel more comfortable if we just

continued to go along with what we've termed the RAAC or the Casa Grande Accord equation. Now isn't the time, given the complexity and time sensitivity of what we're doing, to veer off from the course we've been on for the years that I've been on the Board. In general, I would probably support a motion along those lines.

CHAIRMAN HOUSEHOLDER: I don't believe we're going to move on anything today – but do you feel that rural Arizona should be paid back the \$80 million that we lent the I-10 and I-17 projects a few years ago?

SI SCHORR: I don't think we should get into that today, any more than we should address the issue of STAN funding. I think we should stay focused on the stimulus funding. And I think we might want to take action on it today. I would support a motion along the lines of the Casa Grande/RAAC allocation, and I don't think we should wait, I think we need to do it today.

FELIPE ZUBIA: Si, I think you're right, but I think John McGee was going to get into a little more detailed discussion on my comments about Approach 1, and I think I know where he's going with this. Go ahead, John.

JOHN MCGEE: Mr. Chairman and Mr. Zubia, that's exactly right. Remember the 37/13/50 RAAC allocation? It's the only split that was agreed to among the three regions, and to this point, has been agreed to by the Board for the allocation of discretionary highway funds that the Board has jurisdiction over. Just as we're showing here the MAG, PAG, and 13 other counties are going to receive a specified share of these funds, they also receive a specified share of regular federal aid monies. They also receive a specified share of 12.6% and 2.6% monies, and when you combine all the other monies with the 37/13/50 share program, that's what gets MAG up close to what everyone believed was an equitable share for a region that had 60% of the population and 60% of the funds that go into transportation, whether state or federal funds.

JOHN HALIKOWSKI: So to that point, I want to make sure this is clear: the RAAC and Casa Grande Accords are used interchangeably, but they actually mean two different things in percentages, correct?

JOHN MCGEE: No. The Casa Grande Accord –

JOHN HALIKOWSKI: But there was an assumption there that, as you said, Federal funds and discretionary money were tacked onto the 37/13/50, so the RAAC represented a base?

JOHN MCGEE: If the Casa Grande Accords were nothing but an agreement among all the planning entities of the State to put together a group called the Revenue Allocation Advisory Committee program, representing all three areas, that would come up with a formula that would bring the three regions to a rough equality, based upon the amount of state and federal funds that each region paid into these respective coffers for transportation – that's the Casa Grande Accord. The numbers didn't come out of this Accord, just the concept of creating the RAAC.

From that, the RAAC was established, and sat down to look at all the monies paid into the funds and where they came from among these three geographic areas, and where all the money comes back into those areas. The 37/13/50 was the rough percentage that everyone agreed to that would

bring the three regions into rough equity in terms of how much they were paying in when that's added to all the other funds that they receive.

I don't know a law that would dispute what Mr. Zubia is saying – I'm not sure that the analysis is exactly flawed, because the 37/13/50 RAAC allocation is based upon an allocation of discretionary monies. Those monies the Board has no discretion over are what they are, and that's the same thing here, with respect to how the local funding is divided. The question is one of what approach the Board would like to take, with respect to discretionary funds.

FELIPE ZUBIA: With that in mind, though, the funds we have no discretion over, again, in order to stay true to the Casa Grande Accords, the funds we do have discretion over should be adjusted accordingly, so the total funds match the RAAC allocation.

JOHN MCGEE: Let me give you what I think MAG would say to that, I don't want to speak for MAG. My guess is, it would be that under the RAAC formula structure, taking into account all the other funding, when you apply their 37% share, the total amount of highway funding the MAG region ended up with was probably somewhere between 55-60%. Their population is about 60%, but they have always understood they have to be the "donor region." In fact, as I recall, when the original RAAC formulas were developed, in order to get MAG to 100%, they would have had to receive at that time – ten years ago – 42% of the share, but they agreed to 37%.

The 37%, combined with everything else that they get, would have brought the total percentage of highway funds devoted to that region up to around 55-60%. MAG would probably say that because the locals are only getting about  $\frac{1}{4}$  or  $\frac{1}{3}$  of all this money, that should probably be based more on population. By the time you met that to the RAAC distribution, the MAG region will receive – under approach 1, which is the higher end – 46% of the total funds. Under approach 1A, it would be 43%.

Now, under the Casa Grande Accord, with their 37%, they're up around 55% or so. That would be the argument the MAG region would probably make.

FELIPE ZUBIA: That's a good stand-in for some of that area's representatives, and I'm sure they would thank you for it. Okay, so again, we don't know what the local share is going to be, if it's going to be approach 1 or 1A. So it could be they're getting 46% or 43%. But what I'm saying here is I don't disagree with the RAAC allocation being adjusted, as the population has grown disproportionately in the Maricopa County area, or that's my understanding. But again, that shouldn't be done "through the back door," at a Board meeting, which happened once, I understand, and is on the verge of happening again today. I say that because – I'm going to read something I pulled off a peer review of this process from Colorado. This is what other people are saying about the process, and I'm paraphrasing here: "Beginning in 1999, ADOT made a major institutional innovation, which was the creation of the Resource Allocation Advisory Committee, which advises the ADOT Director. The peer exchange presenters from Arizona observed that the RAAC enjoys a high level of credibility with stakeholders, specifically for the fact that it's done in a consensus manner."

I don't know why we're – that really creates ill will. I would support redoing the allocation, in all honesty, although I don't know what the reallocation would be, but I do believe it's more than

37% that Maricopa County should be getting. I don't think that it should be done in this forum, though, as it has been done once before, and should you begin [unintelligible], we're going to go down a road and can't turn back.

CHAIRMAN HOUSEHOLDER: Thank you, Felipe.

VICTOR FLORES: I differ with respect to the analogy. If there's to be consistency in the Casa Grande Accords, the decision was made among a group, and I believe if you go beyond the discretionary \$350 million, you're basically suggesting that we as a body should decide to accommodate the Casa Grande Accords. The transit and local share formulas are determined by some other fashion, not Casa Grande Accords, right? I don't believe there's any consistency in suggesting that there was a discussion among three groups to decide on a particular formula, and now we should, in essence, fiscally punish MAG by adjusting what we have no control over to accommodate that Accord. I have a problem with that.

FELIPE ZUBIA: Again, I'm being extreme in that position, and I certainly get your point on that. But again, getting back to the RAAC allocation, I feel very strongly that we shouldn't change that, particularly with respect to the discretionary funds. We have no control over what comes back on the locals, so we can take approach 1 or 1A – it can be something in between. I think what we're really talking about are the discretionary funds and the local funds.

JOHN MCGEE: That is exactly right. It's only the \$350 million. Everything else should be determined by [unintelligible]

FELIPE ZUBIA: So, dealing then with the discretionary portion, again, I'm concerned that if we set parameters, projects that we thought would be funded will not be funded, for instance the I-17 and I-10 – I think those need to be the number-one priority, and again, I will ensure, in whatever motion I make, that those two projects become priorities one and two, so MAG is dealing with whatever priorities follow them on their accord, unless there are other projects that Victor feels strongly about as well and makes a recommendation on. The follow-up to that, though, is whether there is that same discretion on the local funds?

JOHN MCGEE: Mr. Chairman, the projects that will be funded with local shares will be determined on the local level. Let's say there was \$105 million going to the MAG region – that money would be allocated to projects through a local process.

FELIPE ZUBIA: I'm not asking to usurp MAG's authority, but I'd like to get clarification from the attorneys – some confirmation to what our discretion is on that. If we're just a clearinghouse, that's fine, I'd just like to know that.

JOHN MCGEE: Mr. Zubia, as I understand it, the State employs, John H. is much smarter at this stuff than I am, but it's my understanding that these decisions would be made at the local level, although ADOT would be involved in the development of most of those projects, unless an entity that receives money for a project is "self-certifying." Since it is Federal money, ADOT has to be involved in all aspects of the local project, just like the project that [unintelligible, background noise] so we can be involved, we're just not going to be determining which projects they are.

SI SCHORR: I'd like to ask a question of the Director or John McGee; whoever can answer this appropriately. Are we under a time constraint to act, or is this something that could be put off? I was under the impression that this required almost immediate action, but if I'm wrong, please advise me.

JOHN HALIKOWSKI: Mr. Chairman and Mr. Schorr, with much respect to the State projects, we are under a time constraint. The time constraint for the local monies is a bit different – I believe they've got one year for the obligation of the funds, is that correct?

FLOYD ROEHRICH: The way we read the language today as it was presented here – 50% of the funds that we get have to be obligated within 120 days, the other 50% within one year. I think what's still being analyzed about this is, does that mean to pull ADOT's funds, and [unintelligible] the local funds, what fits in there? We started the analysis to ensure that we have coverage to have a plan in place and a project list that would cover 50% of the total dollar amount, and ADOT would be ready to get that out and ensure that we don't lose any funds. But I don't believe we've gone through exactly how to apply this. It does say that all funds have to be expended within three years, even local funds, so there's still a question of whether that 50% at 120 days and 50% within one year applies toward the totals.

But somehow, these have to get done. As Mr. Schorr said, the sooner we make a decision, the sooner we can move forward to ensure we don't let anything lapse.

JOHN HALIKOWSKI: Our recommendation is that we do move quickly on this, because as we said, there's competitive grant money out there that we're trying to deal with, and with reauthorization, theoretically, coming up in September 2009, we want to make sure we're being good stewards of these funds and prove we can complete these projects timely manner and move on. So in essence, today we're looking for your direction on distribution, and I hope we can come back in a couple of weeks or so and start looking at which projects you want to approve. The other guidance we need today is some idea of how you want to prioritize these projects, since there are a large number of them.

SI SCHORR: Thanks for that explanation. The PAG Regional Council met yesterday and adopted a list of projects for priority. I sent you a copy of these via email this morning, and also sent a copy to Felipe, who I think may have it with him to deliver to you.. As far as the PAG Region is concerned we have come together on how we wish to prioritize all the projects, and I hope that can be incorporated into any action that you want to take. It seems to me that we should probably take action on this, and again, I'd like to focus on the task at hand and not look back at STAN and what happened to the rural counties or the consequences of actions that occurred over the last two or three. What I think we have to do today is come up with a formulation that will get these ground rules for how they ought to operate and how to start thinking about how to allocate these funds.

I beg to disagree with what both Felipe and Bill and others have said on this. I don't think we have the time to start looking for a different allocation formula than the one we've been accustomed to using during my tenure on the Board. If anyone is willing to make a motion, I would be happy to consider voting upon it.

FELIPE ZUBIA: Well, I'll give it a shot, Si. You mentioned that you sent a list of projects that MAG had – I wasn't able to print that out, but I did discuss it briefly with another person before the meeting, and he had concerns with regard to listing the projects today, because there was insufficient notice. I think the list you have should be relevant and valid, and if we noticed it properly, we could bring it up at that time. Is that a problem?

SI SCHORR: I'm looking at the agenda. I don't think it's a problem, I think the action that the PAG council took yesterday to [unintelligible] this action tomorrow, and next week as well.

FELIPE ZUBIA: I think between you and me, Si, it's not a problem, but what I keep hearing is that this is going to come back to us again, and as part of the motion I'd like to see, I think we can probably bring it back as quickly as next week. I may be wrong, and you can correct me if I am, but let me talk through the motion here with what I have in mind before actually entering a motion into the record. I guess to simplify matters, the consensus of the Board here is to use approach 1, which gets us closest to the RAAC allocation. It's specifically under the RAAC when it comes to discretionary funds, but on the local funds it could be approach 1 or 1A, or something in between. But ultimately I think approach 1 is what we're talking about.

The RAAC money is 50%, and again, with the discretionary State funds, the RAAC formula is applied.

BILL FELDMEIERS: The confusion I have in looking at this, approaches 1 and 1A, is the percentages don't match.

JOHN HALIKOWSKI: Right. The reason they are slightly different is due to the two extreme approaches we took. Approach 1 is what we believe the estimates would be if all the formulae; approach 1A is the other extreme end, and there's a lesser amount of money that shields the percentages, because we believe the feds might come back, depending on how they do in the summer.

FELIPE ZUBIA: If I could just pass this out – I took John McGee's presentation and put it in a slightly easier-to-read spreadsheet.

FLOYD ROEHRICH: Mr. Chairman, while they do that, I'd like to clarify that we understand what we're asking today to move forward with, just to make sure. We would be looking for a decision from the Board on the distribution of discretionary funds, and if that's the motion you're going to take, then that would be one motion. But then the second thing we'd look forward is to move forward knowing what that fund distribution is. The project list that we have with input from the locals is [unintelligible] Then getting from the Board guidance in the approach that they might look at, in prioritizing that list and in developing a final list. We don't want action on that today – we want guidance and discretion on what the Board wants us to consider, and then we would actually go through the project list at a future meeting.

I wanted to clarify that because it seemed like this discussion took for granted that we were asking for everything today. Really, the distribution is the primary thing: the guidance the Board wants to seek on specific projects. We would have a project discussion on another day.

FELIPE ZUBIA: I understand that, Floyd. What I just handed out here at least provides the information we've got with a little easier-to-read format, and just going through this quickly, if you look on the right side of this table here, that is the side of the discretionary state funds, over which we have some control, with regard to distribution. The left side is the [unintelligible] which are the allocation that we're receiving as a State, but we're really just a pass-through – that's going to go through all the COGs and MPOs for their distribution, and we don't know what that's going to be or what it will bring up. That will probably be another meeting.

So again, if you look at the center yellow column, you'll see a total of those two put together, the local and the State, but remember, we have no control over the local side, so we're stuck with that total. If you look at approach 1, on the State side, that's where the RAAC allocation is supplied. So if we move to approve approach 1 that John recommended, that does, in fact, apply the RAAC formula to what we have discretion over in the distribution.

FELIPE ZUBIA: I guess what we're being told here is there's really nothing we can do about local funding or distribution.

JOHN HALIKOWSKI: That's correct.

CHAIRMAN HOUSEHOLDER: Would anyone like to make a **motion** at this time?

SI SCHORR: I move that we adopt approach 1, as outlined in John McGee's draft preliminary estimate.

FELIPE ZUBIA: I'll **second** that, but if I could supplement that, Si – again, we're coming back at a later date, but what I'd like to come back to is – returning to Floyd's comment, he does have a list of projects that they've put together that could meet the requirement of expending 50% of the monies within "x" number of months. Is that correct, Floyd?

FLOYD ROEHRICH: Mr. Zubia, within the 120 days is when 50% of the monies are directed and available for the States. That's what the bill says. And we do have the project list for that.

FELIPE ZUBIA: Okay, so we have the project list and what I'd like to supplement your **motion** with, Si, is that the project list be provided and applied in accordance with this allocation that we're moving on today.

SI SCHORR: Yes it does.

FELIPE ZUBIA: So with MAG, for instance, you'd list those projects that fall within that area, and part of what we're adopting, when you come back, will be those projects.

FLOYD ROEHRICH: We can do that, but I'm a little worried at tying the distribution to the project list now, until we know the Board's intent on what they would like that list to be. Is it a combination of enhancement projects, is it a combination of rehabilitation or other area projects, is it original distribution projects –

JOHN HALIKOWSKI: Mr. Chairman, to that point, we've got more projects, obviously, ready to go than there's money for, so we need some guidance -- if it's a Tier 1, Tier 2, how you'd like us to rate those or what combinations [unintelligible]

FLOYD ROEHRICH: I think combining the motion that distributes the money and trying to finance projects now -- [unintelligible] something that's not what the Board would like to see this money expended on. We have a prioritized list of their recommendations; MAG has given us a recommendation of the projects in their area that are under the Board's discretion. But all that needs to be brought back and presented to the Board, for some guidance on the discretion you'd like to see, and then take that into consideration.

FELIPE ZUBIA: I don't disagree, but the concern that I have, particularly dealing with MAG, is that unless the Board identifies projects in that area, it will go back to MAG and have to go to the TVC, and no one there has the authority to unilaterally say, "These are the projects" and then tell the TVC, because they're going to get an earful if they do that. So again, my point is if you're providing a project list, I think at the very minimum the Board should be identifying enough specific projects to conform to the 50% requirement. After that is when our guidance or guidelines apply.

BOB MONTOYA: Mr. Chairman, according to what's on our agenda, the only thing we can actually address would be the criteria, rather than expanding. It seems to me that it might actually convolute the motion. It should be nothing more than what Si suggested, which is to adopt approach 1, and then if you feel strongly about [unintelligible] priorities, maybe take that on as a separate motion.

FELIPE ZUBIA: I'm fine with that also. We will just move on adopting approach 1, and at the next meeting we'll have a list of five or six priorities the Board can agree on and list. In addition to that, these are the projects that a Board member would feel appropriate to be priority one -- not that we're going to list 100 of them, but I do think that I'm of a mindset, now, to make sure that certain critical projects get done.

JOHN HALIKOWSKI: If I might interrupt -- I got a message through Mr. McGee that our attorney would like us to split that into two **motions**. The first **motion** would be to go ahead and tell us which approach you want to adopt, and if there is to be any guidance on weighting or value of the projects, that would be a second **motion**.

The other thing I'm concerned about is that we should show you all the projects that are available, even if it's a large list. Without doing that, I'm not sure whether there might be a worthy project we didn't show you that you might have wanted to choose if it had been on the list. What we're still looking for is, maybe we can just use the existing statute that we use to prioritize and program projects under ARS 28-505, but we're looking for some way to start weighting these and at least put them in tiers to show them all to you, so you'll have that choice.

FELIPE ZUBIA: Do you want to act on that first **motion** first?

VICTOR FLORES: Mr. Zubia, if you had withdrawn your suggested amendment we could call for the question on that **motion**.

FELIPE ZUBIA: I'll remove my amendment.

CHAIRMAN HOUSEHOLDER: Si Schorr made a **motion** and Felipe Zubia **seconded**. Does anyone have a question?

FELIPE ZUBIA: Si, is the **motion** that the Board adopt approach 1 as the allocation formula?

SI SCHORR: That's correct.

[The **motion**, moved by SI SCHORR and seconded by FELIPE ZUBIA, carries unanimously in a voice vote.]

FLOYD ROEHRICH: Mr. Chairman, members of the Board – setting that distribution, I think this discussion goes almost more to Mr. Zubia's point – what does the Board want to see on the project? If you remember, we had a study session, and not all of you may have seen this packet. It's a full distribution of all projects, and has been presented to the Board. It lists the types of projects, and it does show where they're located regionally.

I guess the other part to this, and Mr. Halikowski may want to help me out on this, is to look at what the Board would like to see as far as either the type of projects, the distribution of projects, or where they want us to approach the prioritization of the project list. The list has 114 projects, close to a billion dollars' worth, which greatly exceeds the dollar amount we're going to get.

As commented previously, where does the Board wish to take this next in prioritizing this listing and coming back to get action from the Board?

VICTOR FLORES: Mr. Chairman, if you were to include information with regard to estimating these projects, aside from contractors – if you could extract the man-hours in some fashion that would be presented to at least address putting people to work in different areas –

FLOYD ROEHRICH: We're doing that right now. Unfortunately it wasn't prepared for today, but as was identified previously in the presentation, there's a very complex amount of priority yet to be determined. One of these criteria is "jobs created and jobs sustained." We're doing that analysis now after looking at our complete project list, and we've started to determine what would be the expected amount of jobs that would be created for the duration by each type of project. We're working this through with our resident economist, beyond additional jobs created into the secondary order or higher order of projects. We hope to have this analysis done by next week, and we'll give you the basic criteria to use as consideration and provide that to you before the next meeting.

JOHN HALIKOWSKI: Mr. Chairman, I'd point out that there are other project criteria also besides safety components, and taking on the benefit of congestion relief, and a number of things we can look at. Perhaps what we can do is use those criteria to rate the projects and [unintelligible]

CHAIRMAN HOUSEHOLDER: Subjective preservation, we need to look at that. We've got lots and lots of roads that we have to take care of now, or we'll be spending ten times what we'd pay now.

FLOYD ROEHRICH: Absolutely, and I for one am responsible for maintaining them, not just constructing them. Preventive maintenance and our pavement preservation program suffers, because we're limited by how greatly underfunded we are every year, and I'd like to see that be one of the [unintelligible] projects list. If you remember, we do have, listed in the packet, the projects broken out by region as well as by project type. I don't have it all here – it was discussed and presented previously – but there was definitely a regional element to the projects.

FELIPE ZUBIA: Floyd, I remember, and if I could just get your recommendation – I found Tab 5 to be the most helpful and useful, because it was sorted by MAG, PAG, and TOC – one column that's missing is the identification number you can use to refer to the map, so if you could include that column, I think Tab 5 would be very helpful for the Board.

JOHN HALIKOWSKI: Mr. Chairman, would it be helpful if we brought some maps for the overlays, so we can show the existing programs, what the stimulus money will bring, and where some of the transit money will flow? We could just keep overlaying the state map and show you where these projects would be, if that's helpful. The other sense I get is that you'd like us to look at these projects and return with recommendations in our regions, and then you can decide which ones you want to go ahead [unintelligible]

SI SCHORR: Mr. Chairman, what do you think you'd be [unintelligible] to be ready for the next meeting to address the prioritization of the projects?

JOHN HALIKOWSKI: Mr. Chairman, I'll defer to Mr. Roehrich. My discussions with him have only been two to three weeks.

FLOYD ROEHRICH: Yes, sir, I believe we can be ready by late next week or shortly after. Given the urgency of this, it will be a priority for us to prepare these projects, and we will be ready within a week, week and a half. That's the urgency with which we're prepared to move.

SI SCHORR: Mr. Chairman, I'd ask that the Board consider having a special meeting in Phoenix at ADOT toward the early part of the week after next?

CHAIRMAN HOUSEHOLDER: I think we'll probably have one set up and go through it.

FLOYD ROEHRICH: Mr. Chairman, would you like to select a date, or would you like us to choose a date and schedule you in? We'll work through Mary to do that; as long as its not my furlough day; I'm not allowed to work on my furlough day.

BOB MONTOYA: Mr. Chairman, if I may – when you talk about this list, my question for the Director and Mr. Roehrich would be when you say “we,” who is “we?”

FLOYD ROEHRICH: The team has been myself and our Deputy State Engineer for Development, Mr. Sam Maroufkhani specifically. We've been working in consultation with MPOs, COGs, through the District Engineers and through the input from some of the local governments who have developed recommendations on projects. The pavement preservation list, specifically, was done by our pavement management group, in conjunction with an analysis they did on the shape of the projects out there. Some projects are done in consultation with our State

Bridge Engineer, after looking at his routine inspection list and trying to get caught up on those projects that we only fund to certain levels. It's always through working in consultation with our technical groups, the Districts, and the locals.

JOHN HALIKOWSKI: Mr. Chairman, if I could add to that – the people I'm bringing into the Department are from a multimodal planning crew, because they will have to ensure these projects conform with FHWA. As I said, there will also be a significant auditing component, so from my perspective, a team needs to include a number of disciplines from separate Departments.

FLOYD ROEHRICH: The significance of that is there's still Federal requirement, not just for conformity but for TIP and STIP amendments did not reduce that requirement, and that's the significance of what our planning division teaches us. So all those activities will be done as part of the final list.

BOB MONTOYA: To follow up, I'm glad that you've included the multimodal department, but I think the critical point is that if we don't use these funds, we lose them. I don't know what the Department's position is today, but a week or two ago, the former Director had hired consultants to expedite the projects. Mr. Roehrich, I don't know if you'd begun to do that from the ADOT staff, but I'm sure that you're looking at the fact that we have to have the resources to produce this amount of work.

JOHN HALIKOWSKI: Absolutely, and it is still our plan to use consultants to help roll this work out.

FELIPE ZUBIA: I'm assuming the clock started ticking on the projects' timeline when the bill was signed on Tuesday the 17<sup>th</sup>?

FLOYD ROEHRICH: I am not sure. I've heard that the clock starts 21 days after it's signed, but I can't tell you if that's accurate or not. However, there's a provision in there that says the clock starts some period after it's been signed.

JOHN HALIKOWSKI: I believe 21 days is correct.

FELIPE ZUBIA: Could you please get back with us to confirm that?

FLOYD ROEHRICH: We will confirm it.

CHAIRMAN HOUSEHOLDER: Are there any more questions?

[unintelligible, several people talking at once]

FELIPE ZUBIA: I don't think we need to, since we did a motion to assign Staff direction, and we're coming back to a different meeting although we haven't set that date yet.

CHAIRMAN HOUSEHOLDER: And as soon as a date is prepared they'll let us know?

FLOYD ROEHRICH: We're hoping for the week after next, Mr. Chairman.


FELIPE ZUBIA: The other thing I wanted to find out was I noticed that John's title has now changed, and I wondered if we get direction on how [unintelligible, voices in foreground]

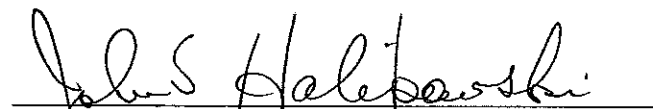
CHAIRMAN HOUSEHOLDER: [unintelligible, voices in foreground]

FLOYD ROEHRICH: [unintelligible, voices in foreground] in recognition of everything.

CHAIRMAN HOUSEHOLDER: Do I hear a **motion** to adjourn? Second?

[The **motion** to adjourn, moved by VICTOR FLORES and BILL FELDMEIER, carries. Meeting is adjourned.]

  
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Delbert Householder, Chairman  
State Transportation Board

  
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John Halikowski, Interim Director  
Arizona Department of Transportation