

**MINUTES OF THE
ARIZONA STATE TRANSPORTATION BOARD
10:00 a.m., Friday, April 17, 2009
Town of Marana Council Chambers
11555 W. Civic Center Drive
Marana, AZ 85653**

Board Members: Delbert Householder, Chairman; Bob Montoya, Vice Chairman; Bill Feldmeier, Victor Flores, Bobbie Lundstrom, Si Schorr, Felipe Zubia (absent)

PLEDGE

Led by Chairman Householder [The Pledge of Allegiance is recited]

OPENING REMARKS

CHAIRMAN HOUSEHOLDER: If anyone would like to address the Board, please fill out a request form and pass it to Ms. Currie. We'll begin by having the Call to the Audience.

CALL TO AUDIENCE

CHAIRMAN HOUSEHOLDER: The first speaker will be Jay Ream.

JAY REAM: Good morning. I'm Jay Ream, Assistant Director of the Parks Division with Arizona State Parks. I'd like to thank you again for your continuing consideration of the State Parks subprogram. At your request, I've been working with your Staff, including Gail Lewis and Floyd Roehrich, and I'm encouraged by what we've accomplished in formalizing this partnership.

What we do not only benefits visitors to Arizona, but the people of the State, too. We have 50% out-of-state and 50% in-state visitors to our parks. I'd like to remind you of the letter sent to you by the Chairman of the State Parks Board, who is encouraging the continuation of this program. In his letter he stressed a willingness to formalize this partnership, possibly through an IGA, as suggested at the last Board meeting.

Thank you for your time today. There is a presentation that our Staff and yours worked on jointly to describe this partnership, and I hope we can continue working together in the future.

CHAIRMAN HOUSEHOLDER: Thank you, Jay. Next is Albert Lannon.

ALBERT LANNON: My name is Albert Lannon, and I live in the Picture Rock community just south of here. We hand-delivered an invitation to you today to appear at a community forum on June 16 in Picture Rock on the proposed I-10 bypass. We hope all or some members of the Board can be there.

I'd also like to mention that the current news shows the faulty assumptions that the I-10 bypass study was based on. Mr. Montoya talked about increased freight traffic; this is based on the position of NAFTA, and the exploitation of increased trucking from Mexico. As we've seen again, that's neither happening nor likely to happen. That assumption is incorrect. It's based on steadily increasing growth, and as we've seen, that has changed. In the town of [unintelligible], there are developments being deserted because that increased growth is not happening, and is another faulty assumption.

Jennifer Toth discussed "double-decking" the present freeway and stated it would increase both air and noise pollution, as well as having a visual impact and hazardous cargo. The seriously incorrect assumption is that it's okay to dump this on the residents of Avra Valley. It's unfair and we're not going to let it happen.

CHAIRMAN HOUSEHOLDER: Thank you. Mayor Ed Honea?

ED HONEA: Thank you, and welcome to Marana again. Our facility is always open to you if you'd like to meet in the southern part of the State. We have an item on your agenda that we're excited about, and hopefully the Board and Director will see fit to move forward with this project. It can be extremely beneficial to the Town of Marana, as well as the Town of Oro Valley and northern Pima County and northern Tucson. We're glad for you to be here. Thank you very much for coming to our community.

CHAIRMAN HOUSEHOLDER: Thank you, we appreciate it. Joe Husband?

JOE HUSBAND: Thanks for the opportunity for me to see you again and keep you up to date on the conditions of all Arizona's airports. I represent the Arizona Airport Association and all the State's airports.

We are a critical element of the infrastructure of transportation in the State of Arizona, just like bridges, roads, and highways. Thank you for your past and continuing support. We're committed to keeping the Board up to date on issues concerning our State's airports. I am both current and past President of the Association, and Chairman of our legislative committee; however, my service to the Board ends at the end of this month. I'm sure the Association will continue to honor its commitment to keep the Board up to date.

To talk about a few of the current issues: we have, at the end of this month, our annual Spring Conference, on the 27th in Flagstaff. You're all invited to attend. There will be a report on the ARRA funds coming to the State, and I'm happy to report that we received close to \$30 M, which will go to six airports that are spread out geographically around the State.

House Bill 2129 is making its way through the legislature, although once it leaves the House we don't know what will happen in the Senate. This is legislation we had asked for those changes the CAP calculation from 10% of the Aviation Fund grant awards that we're able to accrue from 10% of the annual revenue. Much of that has to do with the fact that there's not much fund left right now; the revenue is still coming in, and we're focused on maintaining that revenue and defending that fund where we can.

The State grant program is gloomy, due to the sweeps of this fund by the legislature. These sweeps are coming at a time when airports are already empty around the State and we can ill afford the loss of funds. However, we understand the situation the State is in and the actions they must take, and we're committed to helping however we can with that. We also want to thank you for the opportunity to give input on the ongoing revisions to the State Transportation Board Policies, and think that's a good project.

Airports are feeling the results of the economic slowdown, as all organizations are. In past years, aircraft operations, retail sales, and fuel sales are all down. Revenues continue to decline. We're holding strong, however, and the federal grant program is moving along, as is the Federal/State/local match program that Mr. Dick will present today. This is critical as never before, as communities, as airport sponsors, have less revenue to deal with and less money to commit to their share of the grant.

Airport economic impact continues to remain strong, and probably over \$30 billion. We haven't done an updated impact study lately, but we expect to get some information from the State agency and system plan that will be completed shortly. In closing, I'd like to thank the Board for the continued opportunity to present to you and keep you updated on what's going on with the airports in our State. I'd be happy to answer any questions.

CHAIRMAN HOUSEHOLDER: Are there any questions? Thank you, Joe. The Board would like to welcome member Bobbie Lundstrom at this time. We're glad to have her here. Next is Homero Vela.

HOMERO VELA: Good morning. I'm the Director of Public Works in Navajo County, and my message today is very straightforward: Navajo County is in full support of one of the items you'll consider this morning, which is the Low Pine Dam Bridge Project.

In terms of dollars, this project's cost is very small compared to some of the others you'll consider today; in terms of the impact on the community, it has a very comparable impact. The Low Pine Dam Bridge Project will remove traffic from the Low Pine Dam to a safer structure in the future, and we think that this will benefit Navajo County. We appreciate the leadership of ADOT on this project. We believe this project is feasible, fills an urgent need, and can be funded: in every sense of the term, this is a shovel-ready project, and we're asking your support for it. Thank you for your time.

CHAIRMAN HOUSEHOLDER: Thank you, Homero. Would anyone else in the audience like to address the Board? We'll move on to the next agenda item.

DISTRICT ENGINEER'S REPORT

GREG GENTSCH: Good morning, Mr. Chairman and Board members, and welcome again to the Tucson District. I'll give you a quick overview of some of the projects we're doing and some of the others that are upcoming.

We had a District boundary change between the SEAGO and PAG areas, where we expanded the District boundary so it matches the County line. That's about a six-mile change on I-10. This is our traffic control plan for the project taking place downtown. After about two years, we're ready to begin on some ramps.

SI SCHORR: Mr. Chairman, I'd like to address what Greg Gentsch has done as District Engineer on this particular I-10 project. This has been a far better, more effective project than anybody could have anticipated, and a great deal of that is due to Greg and his staff.

GREG GENTSCH: You can see how wide the freeway will be, and this will give us [unintelligible] ramps. The north end is nearly done. This is finishing up the only post-tensioned bridge on 18th Street. It winds up 18th Street [unintelligible]

Also to the west, we're finishing up that project. It should be complete next month. There are a couple of landscape projects that there have been questions about; both of these are underway and doing well. This job is being done by Hunter Contracting, and is approximately half done. It's about a three-mile stretch.

To the north in Pinal County, you may recognize this project, which is taking out an old [unintelligible] no more RVs getting stuck [unintelligible] state park. You'll see here the new structure that replaces one of the lost [unintelligible] bridges, and this is the area where the new line is located.

The first ARRA money we will spend in this District is part of the statewide fencing project. We've had a serious problem with cows and vehicles south of here, on the main line and the frontage road, and there have been several accidents. We spend a lot of time chasing cattle off the road, so the fences will not only be appreciated, they will be money well spent.

Other ARRA projects are in Pima County, on state route 86 to the west, and another further to the west. Then on I-19, we get some input from the public, both pro and con, on the signing project. This project is another candidate to be supported by the Recovery Act.

[unintelligible] projects to add more cameras and patrols [unintelligible] The Fire Station is in the area I indicated earlier, where the District boundary had changed and we've accepted this segment from Stafford in exchange for a piece of [unintelligible] south. Once this is done, we'll have eliminated a bottleneck on I-10 and will save significant time.

This is the largest rural Recovery Act job, and it advertises for bids today. In four to five weeks, we should know where we are on that one. Some other jobs in this area include Santa Cruz County, SR-83. We're going to widen and add more check stations, which should start this summer. Are there any questions? Thank you all for your time.

CHAIRMAN HOUSEHOLDER: Thank you, Greg, we appreciate it. Are there any questions for Greg?

BOB MONTOYA: I have a question. When do you anticipate the project to be completed?

GREG GENTSCH: We should come to full completion about four months early, right around Thanksgiving 2009. This gets us clear to next year's gem show.

BOB MONTOYA: To what do you attribute such a good outcome?

GREG GENTSCH: We have a very good joint venture with the contractors. We brought two different teams together with two different specialties, and they both performed well. ADOT's partnering process is very refined.

CHAIRMAN HOUSEHOLDER: Thank you, Greg. Does anyone want to bring forward anything not to be included in the Consent Agenda? If not, we'll approve the Consent Agenda. Do I have a **motion**?

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

ITEM 3: Interim Director's Report

JOHN HALIKOWSKI: Staff is prepared to talk about several important issues, so I won't take a lot of the Board's time, other than to say we're closely watching the budget action from the Legislature at this point. We don't have the numbers for the 2010 budget yet. In fact, we only have possible estimates that we've conducted on scenarios for operations. Unless there are questions, I'd like to move on with the agenda.

CHAIRMAN HOUSEHOLDER: I believe there's one question.

BILL FELDMEI: I have a question – as I understand it, there is a line-item vote in the House and the Senate versions of the budget that have to deal with pulling up to \$40 M off the top to fund a project in Maricopa County, in the east valley in particular. I need some help from you to make sure what I'm thinking is accurate – as I understand it, this \$40 M is intended to fund a project that was part of the stimulus package but did not make it because it wasn't shovel-ready. Am I right or wrong?

JOHN HALIKOWSKI: I think you might be speaking of the 802 study, the Williams Gateway Airport Study in Maricopa County? As I recall, there was \$20 M in STAN funds set aside for that by the Legislature, and in January of fiscal 2009, the Legislature was balancing that budget and swept that STAN money out as part of the other two STAN projects in Maricopa County. I haven't seen a \$40 M line item, but as I recall, the cost of the study was \$20 M in STAN funds that had been set aside and then swept. That project didn't make it into the stimulus funds because it wasn't shovel-ready.

BILL FELDMEI: So it was the project pulled off by MAG because it didn't meet the criteria for the stimulus package?

JOHN HALIKOWSKI: That's correct. Working in conjunction with MAG and FHWA, ADOT Staff determined that it didn't meet the ARRA criteria.

BILL FELDMEIERS: So their intent is to take these funds off the top and fund the project outside this Board's jurisdiction? They staked this money before we had a chance to review the process and put together criteria, as the Board has always done.

JOHN HALIKOWSKI: I haven't seen the particular budget item, but if that's the case, they would be pulling money off the top. Their other option would be to pull it from the State Highway Fund. I'd like to have some more time to look at the budget items, and then perhaps I could walk through it with you before bringing it back to the Board as a whole.

BILL FELDMEIERS: I think that would be good, and if I may make an editorial comment, this is the kind of thing that creates enemies and doesn't need to be done. I don't believe it's their role to earmark particular projects for particular regions of the State, and if they do that, they should come before this Board. I appreciate your looking into it and getting back to us.

JOHN HALIKOWSKI: I'll do so, and when I have, I'll send a memo to the Board.

SI SCHORR: While you're doing that, could you also find out what other STAN projects were swept when they tried to reconcile the budget, and whether any of them failed to make the cut as shovel-ready projects for stimulus funding? In other words, I'd like the Board to understand that there are other projects similarly situated, such as the East Valley projects, which the State Legislature is apparently trying to earmark off the top.

JOHN HALIKOWSKI: I'm only aware of two other STAN projects that were swept. It was a total of \$104 M in STAN funds. One was the I-10 west project, which I believe MAG has funded out of ARRA funds, as it was shovel-ready; the other is the I-17 north project, which I also believe MAG has funded out of their ARRA monies. Those three projects – the 802 study, I-10 west, and I-17 north projects– are the STAN projects that were swept.

SI SCHORR: I believe there were other STAN projects in southern Arizona that were swept. I don't have the details.

JOHN HALIKOWSKI: I'll be happy to take a look at that.

CHAIRMAN HOUSEHOLDER: Are there any more questions? We'll move on to Item 4.

ITEM 4: Public-Private Partnership (P3) and Rest Area Updates – Oasis Program

JOHN MCGEE: Good morning, Mr. Chairman. Gail Lewis and I will take turns discussing this Item today. I have a couple of P3 progress items I'd like to report on, and then she will give a separate report on the development of legislative language for the possible privatization of ADOT rest areas, which was discussed at the last meeting.

I'd first like to report on the status of the three bills that were introduced this session which would allow ADOT to enter into P3 agreements. The first, HB 2396, received some floor amendments, then passed the House on March 31, 2009 by a vote of 53-1. The bill has now gone on to the Senate. The other two bills, SB 1261 and SB 1463, have yet to be heard in the Senate. The Senate President is not allowing any bills to be heard until the budget is passed, so these two have yet to be assigned to committees.

The next thing I'd like to report on is that on April 13, 2009, ADOT was asked to give a presentation to Senator Nelson's Committee on Infrastructure, Transportation, and Public Debt. I was privileged to give that presentation and have given each of you a copy. Due to the amount of business the Board has scheduled today, I don't plan to go through the presentation, but I'd be glad to do so at a future Board meeting or study session if the Board wishes. The Committee found the presentation interesting and informative, and I believe the Board would as well. I'll now turn the floor over to Gail Lewis.

GAIL LEWIS: With respect to P3s for rest areas, as you may recall, last month we discussed the Oasis Program, which is a federally authorized pilot program that has been used in Utah, Idaho, Vermont, and a couple of other states as a way to authorize an existing or new private facility, such as a truck stop or travel plaza, as being designated by the State as an official stop for travelers.

In order to meet the criteria, those private locations must have restrooms that are open 24/7; staff 24/7; outside eating areas; adequate parking for truckers and travelers; and restrooms may be used without the requirement of any kind of purchase. In order to do that, we would need legislative authority, and therefore at the Board's request we've drafted some legislation that would give ADOT the authority to enter into an Oasis or similar program. That legislation is within draft form and is in template form within the Agency and to the Governor's Office; it has also been discussed with several legislators, due to the unusual position we're in this year with regard to the Senate. We don't know if legislation will be able to get through without being part of the budget; we're also giving the Governor's Office the chance to review this new concept.

Hopefully we'll be able to get something moving forward that will allow us to test the program on a pilot basis. In addition, as I had mentioned earlier, we have some capacity left on the contract with our previous consultant to continue to fully develop the idea of using P3s for any new rest areas we might want to develop in the future.

We'll keep a close eye on what is happening at the Federal level with the reauthorization of the Surface Transportation Act, which is technically due in September 2009, although it's more likely in 2011. However, there's no doubt that something similar to an expanded Oasis Program, or even full P3 authorization, may or may not be part of this reauthorization. We're continuing to monitor that closely through several national organizations.

That's our status for now, and we'll keep you posted as discussions move forward. I'll be glad to take any questions you might have.

CHAIRMAN HOUSEHOLDER: Are there any questions for Gail Lewis?

FLOYD ROEHRICH: I'd like to give an update on another program we just began speaking to the Federal Highway Administration about, as well as internal Staff. It's a sponsorship program. We will look at private industry, such as you may have seen on the Federal or State highway system, that will allow local signs to be placed along the roads. We will charge a fee for this, and it allows these merchants to advertise their facility at exits.

Similar to that, along existing rest areas, to offset the cost of that rest area's maintenance, we'll allow them to develop a sponsorship agreement, which, for an annual fee, will allow them to put up a local sign or advertisement at the approaches to the rest areas, as a way to show they are its sponsors. It allows them to let people know their facilities are coming up. We've just started this discussion and have had a favorable response from the FHWA; we've also started to look at legislation and what would have to be done internally to the State.

One concern we want to address is this: any revenues generated from this go back into the maintenance costs of the rest area facilities. This way it doesn't generate revenue that could be swept later on to balance budgets or go on to other areas of government. It doesn't allow these sponsors to put facilities in the rest areas, just to advertise as a way to get their name and product into the public eye. So we're working toward the beginning of that program.

CHAIRMAN HOUSEHOLDER: Are there any questions for Floyd?

BOB MONTOYA: When do you anticipate the rest stop to be opened at Sunset Point?

FLOYD ROEHRICH: Our goal was to have it open by the middle of the month, but we're still finalizing the testing of the sewage system to ensure we're in compliance. Our new goal is to have it open by the end of the month.

BOB MONTOYA: How are the costs coming in on that project?

FLOYD ROEHRICH: We've stayed within the budget, which was just over \$5 M.

ITEM 5: State Park Subprogram

FLOYD ROEHRICH: I'd like to spend a few moments reaffirming what Mr. Ream said earlier, as we truly believe we've had a partnership over the years in some very successful programs with the State Park System. I'd like to demonstrate that here, and perhaps move forward with a Staff recommendation afterward. This program has been very successful for the State and the citizens of Arizona.

To give you some background, this program has been around since 1985, and we've done a number of projects over the years. Historically, this Board has approved about \$2 M a year toward construction, development, and funds for these projects, and it's been a great support to the 27 State parks we have.

Currently, the program has seven projects in various stages of development, preparing to make improvements, and we spent more than \$700,000 developing these projects. Their construction and funding will be spread out over the five-year program. Just as the other programs have been challenged in this year's attempt to balance the budget, this project has been challenged as well.

The improvements have been varied, and the facilities that are supported are varied as well. The reason why we as Staff feel this is an important program is it's been a way for our agencies to work with the State Parks and leverage the double funding we receive from both areas to get these improvements. As we said before, State Parks uses their funding to improve the facilities and amenities; ADOT uses our Board-approved funding to supply transportation-related enhancements at the same time. We try to address transportation mobility issues in conjunction with the use and funding of State Parks in leverage and cooperation with the Parks facilities.

The work they're doing is neither duplication nor a supplanting of our funding, but it's more of a supplement and a partnership by allowing us to address transportation facilities while they address State Parks facilities.

The kind of support we've done has been through establishing this partnership to bring together a joint planning concept. An example of this partnership is the Catalina State Park, which the State Park system funded \$1.6 M needed to upgrade the facility; in conjunction, we funded \$1.3 M to address the roads and parking at the main entrance. Another success is Last Dutchman State Park, where State Parks put in \$600,000 for their amenities and we provided \$945,000 for widening the entrance and increasing mobility around the park.

These are good reflections of the partnership we've had with State Parks, as they've moved forward to improve usage of their facilities and we've moved forward as a Transportation Agency to address transportation-related issues.

Again, there have been some issues we have had to work on, such as budget shortfalls and availability of resources. As presented previously when we talked about ADOT's funding, we didn't make a comprehensive review of what the total partnership has been. Hopefully we'll get a sense that the money invested through the State Parks program is really of significant benefit to the State Park facilities by leveraging our funds into the transportation/mobility aspect of it, as State Parks continues to address the parks' needs themselves.

As previously identified by the Board, in moving forward in a partnership with Mr. Ream and his Staff, we realize that formalizing this partnership, whether it's done through some type of agreement or if only through one of our normal partner charters, we get a better way of handling the management of these funds and leveraging the reduced funding we have in cooperation with their efforts to maintain the existing parks, or, again, looking at parks that will be temporarily closed due to budget shortfalls, we divert our funds to improve the parks that remain active.

We got a great response from working with Mr. Ream and his Staff, and feel that we had a good partnership before, but to formalize it and move it forward, we feel it will give us even greater visibility. Again, we're looking forward to establishing this relationship to give better amenities

to the State of Arizona, and looking for other opportunities, such as asset management and information sharing.

We know we'll be challenged with budget cuts moving forward, like everyone else. The normal \$2 M distribution we've been giving to this partnership each year will, in the next five-year program, be cut in half to \$1 M per year. We will not bring on any projects in addition to these seven projects that have already been identified, and we'll work toward spreading out those improvements over the next five years to stay within the funding limitations that we have. Then, as revenues or budgets increase, we can try to bring that funding back to a higher level that is also acceptable to the Board.

Our goal now is to focus on reducing the program, but continuing to move forward with the projects we've identified and not lose the funding or time and energy we've invested in those improvements. We look forward to a partnership that will allow both our agencies to have better communication, cooperation, and coordination. Staff feels very strongly that this is a viable program, and we would recommend that the Board continue to fund it to at least some degree within a fiscally responsible balanced budget. I'll be glad to answer any questions.

CHAIRMAN HOUSEHOLDER: Are there any questions for Floyd?

BOBBIE LUNDSTROM: What's the annual revenue that our State Parks bring into the State of Arizona?

FLOYD ROEHRICH: I don't know the answer to that – Jay?

JAY REAM: Our gate fees are about \$9.5 M per year, which goes toward operating, staffing, and utility bills. A small portion of this is used for capital development, but each year that fund is swept. We have done some economic studies, and they identify \$266 M per year in both direct and indirect economic impact on the State through our State Parks.

BOBBIE LUNDSTROM: Thank you. I wanted to emphasize how important it is to the state of Arizona to maintain what we have.

CHAIRMAN HOUSEHOLDER: Are there any other questions? We've been discussing this partnership for roughly a year and a half, and I thought it should finally be added to the Agenda for action, so we either continue it or we don't. I can tell you I'm in favor of our State Parks because of how much they help the State bring in money and people. Not only do they generate a lot of revenue within the State, they bring in people from outside Arizona as well.

I'd like to have a **motion** to approve the funding for the State Parks at \$1 M. Isn't that the amount you referred to, Floyd?

FLOYD ROEHRICH: Yes, Mr. Chairman, that's a five-year program at roughly \$5 M over that time frame, to continue to allow us to develop those projects that are currently underway.

VICTOR FLORES: Mr. Chairman, I'd like to make a motion that we maintain our commitment to partner with the State Parks, as budget constraints allow, including the \$1 M per year recommendation by Staff, that we endorse between our two agencies, and step up efforts to leverage funding, including seeking outside funding wherever possible.

CHAIRMAN HOUSEHOLDER: Is there a second?

BOBBIE LUNDSTROM: Second.

CHAIRMAN HOUSEHOLDER: Are there any questions?

BILL FELDMEIERS: I'd like to make a comment. I think the State Parks are doing a great job, but I don't think it's our responsibility to pick up the shortfalls that are swept from them when we have bridges and roads across the State that are in disarray. Our focus should be on correcting those unsafe conditions, as opposed to paving parking lots.

JOHN HALIKOWSKI: We're going to have a study session this afternoon on a tentative Five-Year Plan, and while there are some Staff recommendations in there, as I listened to the motion, I'm not sure you want to include a set amount of funding yet, since we're still in discussion on a tentative Five-Year Plan. It's up to the Board whether they will decide to put \$1 M into per year right now, but if you were to simply move to adopt the Staff recommendation that's shown on the screen, I think that allows you a lot more flexibility in the funding for the future, to move that up and down.

VICTOR FLORES: The recommendation I heard was for us to cut the amount in half. I understand there's a study session coming up, but I don't know what that means with regard to this particular issue, so I maintain the \$1 M commitment at this point, and I guess if it doesn't pass, we move forward.

SI SCHORR: In light of what we've heard, I think we may be acting prematurely, and before we take action on this, we should consider how this is getting into the Five-Year Plan. I was prepared to support the motion, even recognizing that State Parks should not be looking to ADOT to do these things; however, traditionally we have done it, and it has worked. I think it's perhaps more important to keep up a good effort than to be prisoner to formalities.

Nonetheless, having said that and listened to the Director, it seems to me the Board shouldn't take action until we figure out how this fits into the Five-Year Plan. I think we would do better to put it off one more month and getting a better understanding of what our Five-Year Plan is than taking action on this matter right away. I recommend that we continue this for one more month until the Five-Year Plan hearings have been held.

CHAIRMAN HOUSEHOLDER: I disagree. We've been at this for a year and a half, and I think we've spent enough time on it. We now have a motion and a second for \$1 M, and if something comes up in the budget, we can change it then. If there are no more questions, I'll ask for a vote.

[The motion, moved by VICTOR FLORES and seconded by BOBBIE LUNDSTROM, carries 4-2 in a voice vote, BILL FELDMER and SI SCHORR dissenting.]

ITEM 6: Financial Report

JOHN MCGEE: I'll be addressing Agenda Items 6, 7, 8, and 9 today. First I'll address March HURF revenue collections. Revenues for the month of March totaled \$110.486 M, a decrease of 4.4% from last year and 9.2% below the estimate. Year-to-date collections now stand at \$939.6 M, which is down 6.8% from last year and 8.6% from the estimate.

While on the surface these results seem slightly more encouraging than those in recent months, only being down 4.4%, the primary reason for these improved results is almost completely due to commercial registration collections, which tend to vary widely on a month-by-month basis. As you can see from this chart, the gas tax, use fuel tax, and VLT, the three largest components of HURF, continue to show disappointing results compared to both last year and estimated collections.

With respect to RARF, we have February's results, which show collections totaling \$26.4 M, down 15.6% from last year and 17.8% from the forecast. Year-to-date collections now stand at \$225.3 M, which is down 12% from last year and 10.6% from the forecast. Again, you can see that only utilities and rental of real property are showing anything compared to last year, and every other category is performing below the estimate.

With respect to our investment report, we have numbers through February. For that month, ADOT earned \$2.23 M on its invested funds representing an average yield of 2.27%. I'd point out that all our funds are invested with the State Treasurer, primarily in investments with short-term interest rates, and those rates are pretty miserable right now. So 2.27% isn't too bad. Year-to-date earnings now stand at \$25.987 M for a year-to-date average of 2.78%.

Finally, with respect to the HELP fund, it ended the month of March with a cash balance of \$81.6 M, which is down about \$244,000, the net result of \$2.9 M of loan repayments and \$175,000 in interest income. Those amounts were offset by \$3.3 M in loan of loan draws

I'll be happy to answer any questions with respect to Agenda Item 6.

ITEM 7: Financing Program

JOHN MCGEE: I have several items to discuss with respect to Agenda Item 7. The first, I'm sorry to have to report, is that the State Treasurer called, as they had been saying that they might since October, the remaining \$110 M of outstanding Board funding obligations. We paid the final amount this week. As you know, \$50 M of BFO funds were being held and used to fund the HELP program. Other than the fact that their call will further impede our ability to make any loans, it will not have a significant impact on the Department or its programs. However, the remaining \$60 M that was deposited in the State Highway Fund was being used to provide a cash cushion for day-to-day cash flow requirements. The loss of these funds will have a much greater

impact than the loss of the BFO funds from the HELP program. The Department is looking at its options to help mitigate the cash flow impact created by the call of these funds.

The good news is we had the cash set aside, knowing that this could happen; we now have no outstanding BFO funds. I don't know if the Board read news accounts of this, but the day after we repaid the BFO funds, in addition to calling the BFOs, the State had to make the first sale of treasurer's warrant notes since the Great Depression, almost \$340 M. So the General Fund is having not only budgetary problems, but significant cash problems as well. It's a very serious situation.

Secondly, I want to update the Board on both the upcoming GAN and RARF financings. The financing team has made progress on both of these anticipated issuances since we last met. The proposed GAN issue is on track to price as early as next Tuesday, April 21. The preliminary official statement was electronically printed last Monday. You will recall we normally provide the Board with a copy of this statement when it is printed, but, to save on printing costs, we haven't done that with this issue. However, I have filed a copy of the preliminary official statement with your secretary Mary Currie. She has a copy or I can send you an electronic copy.

Our financial advisor, RBC Capital Markets, has prepared a pre-pricing book, of which each of you should have a copy. As you can see, we intend to issue approximately \$60 M of grant anticipation notes over three maturities; those will mature on July 1, 2013, 2015, and 2016. So it's a fairly short issuance.

I'm happy to report that the three rating agencies have all reaffirmed the Board's current ratings for the GAN program, those being AA3 for Moody's, AA- from S&P, and AA from Fitch. In addition to reaffirming these ratings, all three agencies indicated a stable outlook for our credit. Our financial advisor is estimating this issue will price with a true interest cost in the range of 2.9%-3.4%. I believe we will be closer to the bottom end of that estimate than the top.

Page 2 of the materials lists the senior manager and two co-managers, which the Board approved at its last meeting, and shows firms that will be included in the Selling Group. The Selling Group might be more important than normal on this issue and on the upcoming RARF issue, as the market for municipal bonds has shifted considerably over the past several months, so bond issues have been driven more by retail orders than by institutional orders. The more people that are involved in retail sales, the better it is for your deal.

The final page shows the remaining schedule for this issue, which has a tentative pricing date of April 23, although as I said, we may price as early as April 21. Right now it has a tentative closing date of May 19.

Finally, we included in the packet of materials the actual rating reports from each of the three rating agencies. As always, there's a lot of good information on credit and on the Department and Board contained in these reports. We've held two pricing calls with our senior manager, Merrill Lynch, and it seems we're heading into a fairly good market. In fact, the municipal market index, which is used to track overall interest rates, has been falling consistently for the

last 30 days, and has come down anywhere from 50 to 75 basis points in the range of maturities that we'll be issuing.

I'd also like to report on the progress of the Board's 2009 series RARF issue. In the last month, we finished the Second Supplemental Resolution, which will come before the Board for consideration under Agenda Item 8. We have also developed a recommendation for an underwriting syndicate to price the bonds, which will come under Agenda Item 9. The POS for the RARF issue is well underway, and teleconference calls to both Moody's and S&P have been scheduled for the next couple of weeks. We should be in good shape to price the RARF issue long before its current scheduled date, the first week of June.

I'll be happy to answer questions with respect to the GAN or RARF financings, or any other topics addressed under this Agenda Item.

SI SCHORR: As you know, I sent you and the Board a copy of a story that appeared in the *New York Times* with the headline "Munibonds May Face Downgrade." That's included in the Board's information packet. My question is, although the story pointed out that Moody's was going to downgrade municipal ratings, it's evident that that may not be applicable to the GAN that you mentioned, as they maintain a rating of AA3. How does that story and those facts come into play with what ADOT loan obligations and their ratings may look like in the foreseeable future.

JOHN MCGEE: I appreciate you raising that issue. I've included a copy of the article, along with the actual rating report the article referred to and a similar report that Moody's did with respect to State governments and a write-up on the local government report that our financial advisory firm produced with respect to the Moody's report.

The bottom line of all this is that Moody's is indicating that both local and State sectors are undergoing serious financial stress right now, which should be a surprise to no one. They're also sending issuers a signal that this stress may result in downgrades to individual investors. This hasn't happened to us so far. As I reported, the ratings from all three agencies were affirmed, as well as the outlook given by Moody's, which was stable, not negative.

The other point I'd make is that neither of these reports, when you look at the types of bond issuances that are discussed by both the State and local report, reflects directly on our credits. The message, though, is the same: we're undergoing significant financial stress with respect to HURF and/or RARF revenues. We've not been downgraded so far, nor has our outlook changed from stable to negative. But there's at least the possibility that our bonds, and a great many others, could be subject to downward revision in the future. We'll be visiting with the rating agencies on the RARF issue in the next couple of weeks, and we'll be able to tell them we continue to manage our debt programs very judiciously. We think the coverage numbers we will show them will show that these are bonds worthy of ratings in the AA category.

SI SCHORR: With refinancing down, will downgrading affect our refinancing?

JOHN MCGEE: The only way it would impact our refinancing would be if we were issuing and had to refinance current outstanding debt, and given where interest rates are now, and where our outstanding debt is in relation to current interest rates, we don't have much outstanding debt that would benefit from refinancing.

SI SCHORR: Thank you, and again, let me congratulate you for staying on top of all these complex issues.

JOHN HALIKOWSKI: To that point, I'd like to bring the Board's attention to two things. One is that the State Treasurer has issued notes for the first time since the 1930s and we've repaid all but \$110 M of those out of our funds. The other thing is the significant stress on our credit at this point. John, in your experience, when there are holes in the General Fund, how does that affect the HURF, ADOT, and Highway Funds?

JOHN MCGEE: In the past, when there have been stresses on the State General Fund, we have seen, virtually every time, similar types of actions with respect to transfers and sweeps from the State Highway and other ADOT funds, as well as increased funding for highway patrol functions from the State Highway Fund and HURF, both of which are constitutionally allowed practices. However, I would say I've never seen anything like the magnitude of what's happened this year. With the call of the BFOs, the Legislature, since the first of July in this fiscal year, has pulled \$400 M in cash out of the Highway, HURF, STAN, Aviation and HELP Funds. This is causing a lot of stress on the Department and its ability to continue business as usual.

We have plans and contingencies to try to manage through this, and I believe we can, but what concerns me more than anything is any kind of continuation along that path of pulling funds from the organization to such an extent. I'm not sure we have sufficient contingencies that we can keep transferring funds to the General Fund to this degree. We'll figure out ways to accommodate this year's transfers, but \$400 M is just an incredible amount of money.

JOHN HALIKOWSKI: Thank you. What I wanted to point out is that just in FY 2009, as these stresses continue to mount on our funds, I wanted to make sure everyone understands that the State Highway Fund is basically our daily checking account. It's not only what we pay our contractors from, but we also pay payroll and all the Department's bills. So if we keep going down this path, it's going to be difficult to continue to manage it without taking further action to alleviate these issues. I wanted to make the Board aware that as FY 2010 comes up, we'll probably revisit this issue and discuss further financial strategies.

CHAIRMAN HOUSEHOLDER: Are there any other questions for John?

BOBBIE LUNDSTROM: Where did the \$400 M go?

JOHN MCGEE: It all went to the General Fund, who used about \$80 M to fund DPS. The remainder of it went for other General Fund purposes. Once it goes into that fund, we can't accurately track it.

JOHN HALIKOWSKI: To that point, I think people often forget that Transportation Funds track the same way General Funds do. When there's a decline in revenues for the General Fund, there's a decline in our revenues as well. Adding that to fund sweeps and the economic decline, there's a serious effect on transportation and our ability to maintain the highways, not only for pavement preservation but for other safety issues as well. I just want to raise awareness of this fact so it doesn't get lost among all these numbers we're talking about -- there is a cost to removing transportation funds and using them for general purposes.

ITEM 8: Adoption of Authorizing Resolution, Transportation Excise Tax Revenue Bonds, 2009 Series

JOHN MCGEE: This is a resolution for the Board's consideration, authorizing the issuance of up to \$440 M in Transportation Excise Tax Revenue Bonds, 2009 Series. This Second Supplemental Resolution supplements both the Master Resolution and the First Supplemental Resolution, both of which were adopted by the Board on September 21, 2007. Copies of the resolution are in both the monthly packet and in the materials I've provided for you today.

This resolution, reviewed by the Board's Financial Advisor and Staff, and prepared by the Board's Bond Counsel, Squire Sanders & Dempsey, is consistent in all material respects with the First Supplemental Resolution. I'd like to point out that under Section 301 of the resolution, copies of both the preliminary official statement and the continuing disclosure undertaking have been filed with the Board's secretary and are available to any members who would like copies. We recommend adoption of the Second Supplemental Resolution, and I'll be happy to answer any questions the Board might have.

CHAIRMAN HOUSEHOLDER: Are there any questions for John? If not, may I have a **motion** to accept Staff's recommendation on adopting this authorizing resolution, transportation excise tax revenue bonds, 2009 series?

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

ITEM 9: Appointment of Underwriters, Transportation Excise Tax Revenue Bonds, 2009 Series

JOHN MCGEE: The Board's Financial Advisor and ADOT Staff feel it is in the Board's best interest to issue the 2009 Series RARF bonds on a negotiated basis. Accordingly, we have forwarded to each of you a recommended syndicate of managing underwriters to handle the upcoming pricing of these bonds.

If the Chairman will allow, I'd like to read Staff's recommendation, which has been prepared in the form of a resolution.

"This is a resolution of the State of Arizona Transportation Board appointing managing underwriters for its planned issuance of Transportation Excise Tax revenue bonds, Maricopa County Regional Area Road Fund, 2009 Series. The Board hereby appoints the following firms

to act as managing underwriters in connection with its planned issuance of Transportation Excise Tax Revenue bonds, Maricopa County Regional Area Road Fund 2009 Series.

“As senior manager: Morgan Stanley, with a 40% liability;

“Co-manager: CitiGroup Global Markets, Inc., with a liability of 15%;

“Co-manager: Goldman Sachs Co., with a liability of 15%;

“J.P. Morgan as co-manager, with a liability of 10%;

“Piper Jaffray as co-manager, with a liability of 5%;

“Samuel A. Ramirez & Co., Inc., as co-manager, with a liability of 5%;

“Stone & Youngberg as co-manager, with a liability of 5%; and

“Wedbush Morgan Securities as co-manager, with a liability of 5%.

“The Board reserves the right to make changes in the management team designated above as it is deemed to be in the best interests of the State. Dated April 17, 2009.”

I would like to make two comments with respect to this resolution. First, it's a very big group, but that's for a reason. If we price this issue in one tranch, it will be the biggest issue the Board has ever done. The second biggest issue the Board has ever done was the first RARF bond issue sold after the extension of the half-cent sales tax, which we did about a year ago. So we want a very large group, such as this one, which is sufficiently large and diverse that we should have a good sale.

Secondly, I'd point out another important aspect of this recommendation. As I mentioned at the last meeting, as this is such a large issuance, and due to the still somewhat uncertain nature of the markets, when we price this issue, if it appears that trying to push that amount of bonds through the market at one time doesn't seem to be in the best interest of the issuance, we would more than likely break it up into at least a couple of pieces. This would be similar to what we did last year with the HURF 2008A and 2008B issuances, which ended up working out very well for us.

If that happens, it would be Staff's intention to bring a new resolution to the Board, recommending the appointment of underwriters for each subsequent pricing of each tranch priced under this resolution. With those explanations, I'd be happy to answer any questions, and secondly, I recommend adoption of this recommended resolution.

CHAIRMAN HOUSEHOLDER: Are there any questions for John? Do I hear a **motion** on this resolution?

BOB MONTOYA: So moved.

BOBBIE LUNDSTROM: Second.

CHAIRMAN HOUSEHOLDER: Are there any questions?

VICTOR FLORES: I have a question. John, you explained, prior to the meeting, the selection process with regard to these entities. Is it possible that, after this is completed, you met with the team again and someone didn't perform their portion of it, would it be appropriate for you to summarize that finding? My concern is about equity with regard to the percentages – in the future, 10 years from now, if one of these small firms was ever made managing partner? So aside from the process that exists, I would appreciate an explanation.

JOHN MCGEE: Absolutely. We track very closely how each firm performs with respect to how many orders they put in, when they are put in, and other factors, so we get a lot of data that indicates performance and we analyze it very closely.

I'd also like to point out that the percentages shown here are not the percentages of the deal that each entity gets. That's not the case. The percentage of liability simply states that should there be, for example, \$100 M that we don't have orders for, each entity would be obligated to take those bonds down in proportion to their liability as stated above. So Morgan Stanley would have to take down \$40 M, CitiGroup \$15M, etc. That doesn't equate to how much profit any one of these firms can make on this deal. Firms that get out and sell or bring in orders can make substantially more than their liability percentage, particularly in this environment, where retail sales are a much bigger component of most deals than they have been in the recent past. They can be a much larger component than institutional sales. If co-managers sell heavily in the retail market, they can do much better than the limitations of their liability.

CHAIRMAN HOUSEHOLDER: Are there any further questions?

[The motion, moved by BOB MONTROYA and seconded by BOBBIE LUNDSTROM, carries unanimously in a voice vote.]

JOHN MCGEE: Thank you, Mr. Chairman.

ITEM 10: Framework Study Update

RAKESH TRIPATHI: In the interest of time, I will skip my report and hand it over to Jennifer.

JENNIFER TOTH: Thank you again for allowing me to keep you updated on the Framework Study. As you may recall from last month's meeting, I indicated we're transitioning from the regional studies into a statewide aspect. We've finished the regional Technical Advisory Team meetings over the last week and have started discussions with the Policy Committee regarding a vision statement and guiding principles, and trying to bring these forward within the next few months.

In addition, some activities that have taken place in relation to rail include holding two rail Technical Advisory Team meetings, and co-hosting a rail stakeholder meeting with MAG.

Yesterday, we held a focus group in the Tucson area in conjunction with PAG, and will be holding another in the northern region of the State next week.

Our next steps include refining the overall vision and bringing it back to the Policy Committee, in addition to requiring statewide scenarios and completing an evaluation of them, as well as drafting a recommended scenario. The Policy Committee has decided this week to hold our next meeting on June 18 in Cottonwood, so it can be in conjunction with a Board effort. If there are questions regarding the status report that was provided in your packet, I'd be happy to try and answer them.

ITEM 11: ARRA for Arizona's Airports

BARCLAY DICK: Last winter, we provided the FAA with a list of shovel-ready projects, including 74 projects at 24 airports totaling an estimated \$363.3 M. At that time, the House was considering a \$3.1 billion program for airports, and the FAA suggested that Arizona's airports could expect somewhere between \$80 M and \$100 M in stimulus projects. The bad news was that State and local airports had to provide matching funds for up to 5% of the projects' costs. This was bad news for us because we had no money from which to provide these funds, and many of the local jurisdictions had similar budget issues. The FAA also discussed the possibility of depositing Federal funds with us and allowing us to administer the various projects.

Subsequently, the approved recovery program included only \$1.1 billion for airports. The secretary announced that Arizona's airports would receive only \$28.6 M under the American Recovery and Reinvestment Act's airports program. That was the bad news; the good news was that the grants would cover 100% of project costs, so neither the State nor local jurisdictions had to provide matching funds. More good news is that the grants are held directly between the FAA and the airports, and we are not involved in the selection of the projects, determining the size of the grants, or administering the grants or grant payments.

We commented to the FAA that, considering the demonstrated needs of the State's airports, \$28.6 M seemed minimal. They were quick to point out that Arizona's airports have a balance of \$78.9 M in existing and unspent Federal grants; that, plus the \$28.6 M of ARRA grants, seems sufficient to provide months of stimulus funding. I'll be happy to answer any questions.

CHAIRMAN HOUSEHOLDER: Are there any questions for Barclay?

VICTOR FLORES: The obvious question is why didn't we apply for the funding earlier. Why is there a balance of \$78.9 M?

BARCLAY DICK: The airports had those grants, but had not spent all the funds. They had the grants, and the FAA had already [unintelligible] And most of the projects are underway.

VICTOR FLORES: So the list of projects that's part of this presentation includes projects over and above those monies?

BARCLAY DICK: Yes. We sent the FAA a list of projects over \$363 M.

VICTOR FLORES: So they were obviously aware that they had this money.

BARCLAY DICK: Yes.

CHAIRMAN HOUSEHOLDER: Are there any other questions? We'll move on.

ITEM 12: Establish Public Hearing Date in Pima County – June 5, 2009 (tentative)

CHAIRMAN HOUSEHOLDER: Item 12 establishes a public hearing date of the 2010-2014 tentative Five-Year Transportation Facility Construction Program recommendation in Pima County. We're trying to schedule this for on or near June 5, 2009.

JOHN HALIKOWSKI: Mr. Chairman, as you know, this is for a public hearing so we can discuss the tentative Five-Year Plan, and that date is not yet on the schedule.

CHAIRMAN HOUSEHOLDER: Do I have a motion to establish the date of June 5, 2009 in Pima County to discuss the tentative Five-Year Plan?

[The motion, moved by SI SCHORR and seconded by BOBBIE LUNDSTROM, carries unanimously in a voice vote.]

PRIORITY PLANNING ADVISORY COMMITTEE (PPAC)

ITEM 14: Approval of projects under Safe Routes to School Program, Recommendation 2009, Cycle 3

RAKESH TRIPATHI: Mr. Chairman, this is a Federal program, probably one of the most well-received programs in the State. We have a 14-member Advisory Committee, which includes representatives of ADOT, FHWA, the Arizona Departments of Health, Education, and Public Safety, the Maricopa and Pima Associations of Governments, the Rural Transportation Advocacy Council, Prescott Alternative Transportation, the Coalition of Arizona Bicyclists, Mariposa Community Health Clinic, Navajo Nation Department of Transportation, the Salt River Indian Community, and the Governor's Office of Highway Safety.

These are the individuals who decide on the Safe Routes to School projects, and they have come up with a recommendation of selecting eight infrastructure projects, including sidewalks, curb ramps, trails, signs, and striping, in the amount of \$1.596 M; 14 non-infrastructure projects, which are basically education and incentives, for \$536 K; and one material and regional support, which is the regional distribution of pamphlets and educational supplies, for \$30 K. These total \$2.162 M for the funding recommendation. I recommend that the Board adopt this selection.

CHAIRMAN HOUSEHOLDER: Are there any questions? Do I have a motion?

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

RAKESH TRIPATHI: I would ask your indulgence, in the interest of time, that I go over Items 15 through 39 as a whole, and I'll answer any questions before you call for a motion. Or if you prefer, I can discuss them individually.

CHAIRMAN HOUSEHOLDER: There's no need to do that. Do I have a **motion** to take Items 15 through 39 together?

SI SCHORR: So moved.

BOBBIE LUNDSTROM: Seconded, but I have a question with regard to the improvement in the Nogales area, I wasn't sure where that was located. Is it near the Port of Entry?

RAKESH TRIPATHI: I believe that was Item 17, Mariposa Port of Entry, Construct New Parking Area and Road Improvements. The requested action is to defer the Port of Entry project from fiscal 2008 to fiscal 2011 in the Highway Construction Program. The reason for that is the project is a partnership between the Federal and State systems, and the Federal government is somewhat late in its part. We would like for the two partners to undertake this project in conjunction with one another, so it is a delay from the U.S. General Services Administration that we're attempting to accommodate by deferring this project.

BOBBIE LUNDSTROM: How is that going to relate to the monies we're receiving through the Mariposa reconfiguration point, which total close to \$200 M?

RAKESH TRIPATHI: Again, that is the Federal contribution. I think at this point we're not affected by that conversation. It would be most ideal that when the Federal part is being implemented, the State portion be implemented at the same time to streamline the effort.

BOBBIE LUNDSTROM: Thank you.

CHAIRMAN HOUSEHOLDER: Are there any other questions?

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

STATE ENGINEER'S REPORT – Floyd Roehrich

FLOYD ROEHRICH: We'll move through these fairly quickly, but just as a status of where we are at, we have 68 projects under construction for just under \$1.4 billion, and a little over \$700 M of that work remains to be completed. We finalized five projects, which brings the total for this year to date to 41 projects that we've completed.

As of yesterday, we've advertised 24 of 41 projects out of, with the preliminary estimate of \$159 M. We've not started opening the advertised bids on these yet, but will open them later this

month. You'll be able to see, however, that between April, May, and June, we will have opened all 24 of those projects. The intent is to bring these projects before the regular Board meeting in May, but you can see the large group of projects – 17 in all – that will be opened in that month. We anticipate being able to keep these moving forward, asking for a special telephonic Board meeting in early June to award that group of projects.

We'll continue to address that, and as we get a firm date and can coordinate that, we'll work through with Director Halikowski and yourself, Mr. Chairman. We are well on the way to not only obligate the 50% required by the legislation, but to have obligated 100% of the Board's authority of the \$349 M by late June 2009. We are on track to expend all our ARRA funds within that 120-day window, not only the 50% required by the Act. As we've said before, the strategy for that is to get our projects out where they can stimulate the economy and spread the projects out into the rural and urban areas, and then look at the discretionary grants and other available funding.

I'd like to recognize Staff for all the hard work they have been doing through contacts and specs on the development side and Sam Maroufkhani's efforts to keep this moving forward. So we are making great progress on the use of our stimulus funds.

CONSTRUCTION CONTRACTS

FLOYD ROEHRICH: The next Item I'd like to talk about includes the eight projects to be awarded this month. We've already addressed four of those as part of the Consent Agenda; there are four others that require individual Board action because of the awards that were received] With your pleasure, Mr. Chairman, I'd like to ask that you act on all four of those items at the same time. I'll give an overview of the major points of those four projects, then ask the Board to award them, as Staff recommends award for all four, if this is suitable to you.

CHAIRMAN HOUSEHOLDER: Are there any questions on Items 50, 52, 55, or 56?

JOHN HALIKOWSKI: Excuse me, Mr. Chairman, Floyd, could you read the numbers we'll be taking action on?

FLOYD ROEHRICH: Yes, and I'd like to quickly point out two things about these projects. They are Agenda Items 50, 52, 55, and 56. Specifically regarding Item 52, the Twin Peaks TL, this is a continuing project from last month, referencing the need to file a financial agreement regarding the financial relationship between all the parties on this project. That has been done. We originally had an IGA with the Town of Marana to fund this project, although it had funding sources from the Regional Transportation Authority. We have moved forward with and executed a Memorandum of Understanding that we are finalizing an IGA effort that defines the financial responsibility of all three parties. We're in the final stages of getting that project approved to move forward. The bids are competent, and we have resolved the financial situation related to this project. I recommend you award it.

The only other project I'd like to draw your attention to was already identified by Mr. Vela from Navajo County, and that's the Lone Pine Dam Project. It's a local project, and although it's over

the Department's estimate, we've evaluated the bid and discussed it with the County, and feel it is a competent bid as well. All four of these Items are recommended for award of their projects.

JOHN HALIKOSKWI: Just a note on the Twin Peaks TI – I don't believe that has been approved by the RTA as far as the Memorandum of Understanding yet.

FLOYD ROEHRICH: The Memorandum of Understanding is what the IGA is waiting to have taken before their Board for action.

JOHN HALIKOWSKI: Was the Memorandum of Understanding signed by their director?

FLOYD ROEHRICH: Yes. It was executed to define the conditions of the IGA. We feel confident that, with these commitments by the parties involved, we need to move this project forward and let the administrative action execute the IGA for progress.

JOHN HALIKOWSKI: I agree with Floyd. We have looked this over and Staff is comfortable moving forward with that Item.

CHAIRMAN HOUSEHOLDER: I think the Town of Marana should be very happy, and we're happy to do it while we're here in Marana. If the Board approves it, we'll get that done. Do I have a **motion** to accept these four Items?

VICTOR FLORES: I move to accept Items 50, 52, 55, and 56.

CHAIRMAN HOUSEHOLDER: Is there a second? Are there any further questions?

SI SCHORR: Mr. Chairman, let the record show that I am only voting on Item 50.

[The **motion**, moved by VICTOR FLORES and seconded by BOB MONTOYA, carries unanimously in a voice vote, SI SCHORR recusing himself on Items 49, 51, 52, 55, and 56.]

COMMENTS AND SUGGESTIONS

CHAIRMAN HOUSEHOLDER: Are there any comments or suggestions at this time?

BOB MONTOYA: I'd like to request Mr. Halikowski provide this Board with an educational session on the CM at risk process, and what projects might be candidates for that program.

I'd also like to request that we have an analysis of the completed projects from the standpoint of the bid price and how the costs actually came in on the projects. I'd also like a better understanding of how the Department handles substitutions – in other words, when we award a bid, and it's deemed to be the low bid, and we receive a number of change orders, how they can justify those. Another aspect is how a bid is submitted – is there a list of the subcontractors that will be used on the projects, or are we looking at the general contractor to provide the project without our having any understanding of who the subcontractors are and what their roles will be. I'd like to have that presented to the Board at a future meeting.

JOHN HALIKOWSKI: Mr. Chairman, I have no objection to that request -- would the Board like everything presented in one session, or separately?

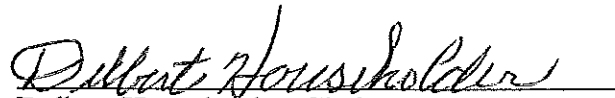
BOB MONTOYA: I imagine we'd probably need it in two separate sessions for the best understanding of how that works and how we might consider going with CM at risk or over the standard.

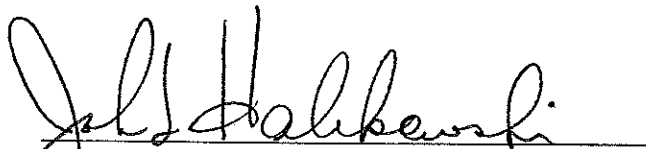
JOHN HALIKOWSKI: We'd be happy to go ahead and work on setting up those two sessions.

CHAIRMAN HOUSEHOLDER: All right. Are there any other questions? I'll entertain a **motion** to adjourn.

[**Motion** to adjourn, moved by SI SCHORR and seconded by BOBBIE LUNDSTROM, carries unanimously.]

Adjourned 11:50 a.m.


Delbert Householder, Chairman
State Transportation Board


John Halikowski, Interim Director
State Department of Transportation