

**MINUTES OF THE
STATE TRANSPORTATION BOARD
PUBLIC HEARING AND BOARD MEETING
9:00 a.m., Friday, May 15, 2009
City of Flagstaff Council Chambers
211 W. Aspen Avenue
Flagstaff, AZ 86001**

CHAIRMAN HOUSEHOLDER: I'd like everybody to please come and sit down. We'll go ahead and get started with our meeting.

PLEDGE

[The Pledge of Allegiance is recited, led by Mr. Montoya.]

ROLL CALL

CHAIRMAN HOUSEHOLDER: Mary, would you like to call the roll please?

MARY CURRIE: Delbert Householder, Bob Montoya, Felipe Zubia [via telephone], Bill Feldmeier, Bobbie Lundstrom [arrived late], Victor Flores, Si Schorr [via telephone].

CHAIRMAN HOUSEHOLDER: Bobbie should be here any time. She said she would be.

OPENING REMARKS

CHAIRMAN HOUSEHOLDER: I'd like to thank the Flagstaff people for the great dinner and the camaraderie last night. I would say that was one of the friendliest bunches we've ever been around. What I really enjoyed was how the seating was split up so we could visit different people that were there last night, and I thought that was great. They treated us like we were important, but I don't know where they got that. We haven't got any money, so we can't be too dang important. But we really appreciated it. I think all the Board Members and all the ADOT people really enjoyed. Next, I'm going to let Mayor Sara Presler speak to you.

MAYOR PRESLER: Good morning. On behalf of the City of Flagstaff and the Flagstaff City Council, I'd like to welcome you to Flagstaff. We really enjoyed our evening last night with you and it's very different to be on this side of the dais. We appreciate the time that the Board Members take on behalf of the State of Arizona and we thank you for the effort you make in traveling around rural Arizona, specifically places like Flagstaff. We're pleased to I-40 which is a critical lifeline for the City being repaired east of the town as part of the Stimulus Program. We thank the Board for their assistance in bringing transit Stimulus dollars to NAIPTA, our transit provider. With these dollars, we can better meet our commitment to our residents. In Flagstaff, we're proud of our urban trail system and we're always pleased to partner with ADOT to bring more trails to our city. On a larger scale, the work has been of significant benefit to our city and our state. It's creating jobs and opportunities and a critical lifeline open for commerce between Flagstaff and Phoenix. In these hard times, it's funny to

say we may not be important because we don't have dollars, but we are most appreciative and value -- what I think is most important, the partnerships and the opportunities we have with the City of Flagstaff and you as Board Members as we move forward. We're pleased that the Board elected to bring the I-40 design concept report forward and together with the Flagstaff Metropolitan Planning Organization and ADOT, the city will help to ensure the continued success of I-40 serving international and national commerce and will contribute to the vitality of our region. We're confident that new opportunities for partnership will emerge and we believe we can grow intelligently and with thought. We know that the Lone Tree traffic interchange which you were able to learn about last night on I-40 will not only improve operations at the local university, but will provide valuable access to State lands and other areas here for development, and relieve congestion on State and local highways. Times are difficult, but we know those times will come to an end and we know that the 5-Year Construction Program will be healthy again with the dollars it needs to move our communities forward. It's our goal to look forward to these partnerships with ADOT and with the private community and the public community to bring about the transportation needs of our region. So, thank you so much for being here at our Council Chambers today. Thank you for the time that you commit to what you do and thank you for continuing to partner with us as we plan for a good, strong future and a healthy economy.

CHAIRMAN HOUSEHOLDER: Matt Ryan, Chairman of the Board of Supervisors?

MATT RYAN: Thank you, Mr. Chairman and Members of the Board. Sara actually did say most of what I wished to say on behalf of the Board and many of the rural communities. We appreciate what you do. It's a very difficult task that you have. We have challenging times right now and we certainly wish you luck with the 5-Year Plan. I do want to note just on local projects, on behalf of the County itself, thank you for the critical repairs that we need to see with some of the funding for Route 66 and Lake Mary Road. Highway 89 is a key link between our communities and the City of Flagstaff; it's heavily traveled. It's a very important corridor and we appreciate that being in the 5-Year Plan. We also are note the Airport Interchange remaining in the 5-Year Plan, or whatever we call these multi-year plans because you're going to have to wrestle with that and maybe have to extend it out. I just want to say again, we all appreciate you from the transportation community. We know that we need to invest in our transportation. There's a lot of repair and maintenance that we have to do statewide beyond the scope of the capital program.

CHAIRMAN HOUSEHOLDER: At this time, we'll go through the 5-Year Plan. John, are you going to do that or Don Mauller?

PRESENTATION OF FY 2010-2014 ADOT TENTATIVE 5-YEAR TRANSPORTATION FACILITIES CONSTRUCTION PROGRAM RECOMMENDATIONS (INCLUDING FY 2009 MODIFICATIONS)

JOHN MCGEE: Mr. Chairman, I'd like to make a couple of remarks. First of all, Director Halikowski sends his regrets; he had another commitment out of the State that he was required to attend, so he has asked me to fill in his stead. Secondly, I also -- on behalf of ADOT and ADOT's employees -- would like to thank the City of Flagstaff for their graciousness last night. It was a beautiful event in a beautiful facility in a beautiful town. Thirdly, I will be handling today any of the agenda items that would have been presented by Mr. Tripathi, beginning with the presentation of the 2010 - 2014

Arizona Department of Transportation Tentative 5-Year program. I'd like to start off by making a couple of introductory remarks. This is the second of three public hearings that the Board and the Department will be holding with respect to the 2010 - 2014 program. The first hearing was held on May 8 in Phoenix; the third and final meeting will be held June 5 in Tucson. This may well be the most difficult program the Department has had to develop; difficult because of the unprecedented funding conditions facing the State and the Department. The Board is well aware of the fact that for the second year in a row our revenue sources have fallen from previous years. At the same time, ADOT has been called upon to revert significant amounts of funding to help stabilize the State General Fund. In fiscal year 2009, over \$400 M. These conditions have not only impacted ADOT's ability to fund projects, but have further reduced the Board's ability to issue as much debt for project construction as we had initially intended. These economic factors have forced us to develop a program recommendation that cuts funding for a number of subprograms and a significant number of projects through the 5-Year program. A number of ADOT staff are here today to present the details of ADOT's proposed 2010 to 2014 program. Those staff includes John Fink, Assistant Director for Accounting and Finance; John will give a detailed overview of the extraordinary funding conditions that we find ourselves in. Second, Don Mauller who will present items A, B, and C; those being the subprograms, statewide and PAG Regional program. Third, Steve Hull will present the program for the MAG Regional area. And finally, Mike Klein will present the Aviation program.

**ITEM A: FY 2010-2014 Statewide Subprograms
(For information and discussion only - John McGee/John Fink/
Don Mauller)**

JOHN FINK: Good morning, Mr. Chairman, Members of the Board. As both Chairman and Mr. McGee have noted, we have no money so we can go through this pretty quickly. I'll just give a quick summary. Our fiscally-constrained program for 2009 to 2013 has gone down by about \$86 M. Our estimate of the program revenues available for that same period has gone down by about \$602 M; the net impact of that change is a reduction of approximately \$520 M. The slide summarizes the major components of the funding reduction of State highway funds by \$477 M.

We have increased our estimate of the amount of VLT transfers by \$194 M, increased the DPS transfer estimate by \$132 M, and because of reductions in revenues and transfers, we have essentially lost our bonding capacity, requiring removal of \$410 M in planned bond proceeds during the current program. That will be offset by actual funding increases. We're expecting our operating budget will be less than what we started this year because we have reduced our estimate of bonding available for the program. We have also reduced our estimate of debt service. And because of the revenue reductions, MAG share of discretionary funding has gone down. The total of all those funding changes is a reduction of \$600 M.

The next slide summarizes changes by fiscal year; the current year's funding estimate has been reduced by \$134 M due to revenue declines seen throughout the year and additional fund sweeps the legislature has in January with the 2009 budget. The 2010 reduction is about \$86 M. The largest reduction is in 2012; a reduction of \$179 M. The funding estimate for 2012 is \$340 M, meaning that the 2012

program will be deprived almost entirely of the subprograms with virtually no major projects in that year. The funding estimate for 2014 is \$613 M, larger than any of the years 2009 through 2013.

As noted last week, that \$613 M funding estimate includes \$195 M of TERC bond proceeds because that is the first year we expect to have TERC bond capacity available. The calculation of TERC bond capacity that year was done assuming that we'd issued the bonds in the middle of the fiscal year. That means that was essentially the entire amount available in 2014. Board Members asked questions about that at the last meeting. As we move throughout 2104, we expect additional capacity will be generated. The next slide shows the program reductions needed to maintain a fiscally-constrained program. We will have to reduce a total of \$200 M out of 2009, \$200 M out of 2010. We will be able to increase the 2011 by \$120 M. The 2012 program reduction is \$240 M; again, 2012 being the year with the largest decrease in funding available for the program. The total of those is \$520 M. We do pick up \$221 M from the recovery projects, so the net program changes for 2009 to 2013 are about a \$300 M reduction.

The next slides show the major projects in the program of over \$15 M that are being deferred or delayed; most by one year with a few being delayed two to four years and one project on I-10 is being done as a portion of the recovery package, but the remainder of the project will be moved out of the program.

CHAIRMAN HOUSEHOLDER: Thank you, John. [It was noted that Bobbie Lundstrom had arrived.]

**ITEM B: FY 2010-2014 Statewide Highway Construction Program
(Excluding MAG and PAG)
(For information and discussion only - Don Mauller)**

DON MAULLER: Good morning, Mr. Chairman, Members of the Board. I'm presenting the changes to the subprogram, Greater Arizona and MAG and PAG projects. The first one here is Port of Entry. We're recommending a decrease of a million dollars to all five years of the program. Pavement preservation, we're looking at decreasing that in 2012 by \$10 M; by 2014, we hope to be able to increase that. As Mr. McGee stated, as the economy comes back, we will be looking to put monies back in these subprograms and advance the projects if possible. The next one is the bridge inspection; we're decreasing that one by \$.5 M in 2012; deck replacement, we're reducing it \$.5 M in 2012. District minor programs, we're reducing it \$.5 M for the year 2012 and we're recommending an increase of \$5 M in the 5th year of the program. We're also recommending an increase in the 5th year of the program in the design of District minor by \$200K. The archeological studies in two years, 2011 and 2012, we're going to decrease those \$.5 M a year; right-of-way, we're reducing their plans by \$1 M; access management in 2012 will be reduced completely and by \$.5 M in 2013; the right-of-way contingency in 2013 will be reduced \$.5 M. Roadway development and developmental support will be reduced by \$1 M in 2012, engineering and development will be reduced by \$.5 in 2012. The rural ITS, traffic and overhead signs in rural areas, and preservation in 2012 are recommended to be reduced by \$250,000; the design and construction in 2012 will be reduced completely. Sign rehabilitation in 2013 has been recommended for a reduction of \$1 M in 2013. The Parks Program which is currently at \$2 M will be reduced to \$1 M a year over each of the five years. Rest area preservation is currently at \$3.6 M, a reduction of \$2.5 M is recommended over all five years. Slope management in the year 2012 will be reduced from \$4 M to \$2 M. Utility services in 2012 is recommended a \$.5 M decrease.

The Greater Arizona projects outside the MAG and PAG regions, for design of projects coming into the program in future years, a decrease has been recommended from \$6 M to \$3 M. Corridor studies in 2012 will be recommended for a 50% net project cut to \$1.5 M.

**ITEM C: FY 2010-2014 PAG Regional Highway Construction Program
(For information and discussion only - Don Mauller)**

Details for a list of projects in District 4: Pinal, Gila, and Graham, are located at the back of the room, including programs. Coconino, Navaho, and Apache all have significant decreases and deferrals. The Airport road is being deferred from 2011 to 2013; the Tamarind section is also being deferred out two years. District 6 has a significant amount of projects being deferred. Greenlee, Cochise, and Santa Cruz have two projects being deferred. One of the projects is a 2009 project which is not being deleted; the monies are being deleted to help balance out 2009. That project will be brought in, in a future year, out of the subprogram. The projects in the PAG region show a significant number of deferrals. They did have one decrease in their regional right-of-way and access control of \$5 M.

**ITEM D: FY 2010-2014 MAG Regional Highway Construction Program
(For information and discussion only - Steve Hull)**

STEVE HULL: Good morning, Mr. Chairman and Members of the Board. The Freeway Program for the MAG area is facing the same kind of challenges the rest of the statewide program is facing. Revenue is down for MAG, RARF and sales tax collections are down. Costs have risen; right-of-way and construction in particular have risen faster than the general rate of inflation. Costs are up; revenue is down. The Legislature swept back \$104 M of STAN funds, \$94 M of which was for projects in the MAG area to balance the State budget for fiscal 2009. The stimulus money received from federal programs for MAG amounted to \$130 M, which was a positive. The other positive for the MAG area, although not true for statewide, is the MAG area still has bond capacity because it's relatively early in the 20 year life cycle, so there is capacity to issue bonds that are not available right now statewide.

We have developed a 5-Year Program that carries the current regional transportation plan out into the 5th year of 2014. It fits the cash flow of that five years in large part because of the bonding capacity out there. The big catch for the MAG area though is, by the end of the tax life of 2026, right now the gap between the revenue and the cost is somewhere between \$5 and \$6 B. Because of that, MAG is going through a very difficult process to revamp the entire remaining years of the program for 2026 and it is a fact that it will come back and affect the current 5-Year Program as proposed today. So, what we have is tentative and will remain tentative until such time as MAG works through the process of correcting that gap between the revenue and costs and bringing in this program to show how projects will be spread out within the revenue that's going to be available.

I expect probably in June they will be presenting to the MAG Regional Council and MAG committees, the general scheme of the kinds of changes that are going to be made with details to come a month or two after that and it may be December or January before MAG has a 5-Year Program and has worked their way through the entire process. The good news is we have money for a 5-Year Program, but it's going to change because it's not enough money for the rest of the program and it's all going to have to shuffle and balance to make it work out. What we do have for the tentative program is money in each

year, different amounts each year due to cash flow and new projects when they come up for construction, but 2014 with the \$617 M shown in there, \$613 is new projects; the remainder are a couple of projects with money slid from one fiscal year to the next.

The changes in the program for the first four years of our tentative 5-Year Program are customary and things seen each year. We have repackaging of three corridors to divide study segments into more logical segments for construction and design. Those are bookkeeping changes; they don't affect costs, they don't affect schedule. There are a lot of changes for those kinds of repackaging which will ultimately become construction segments. There are adjustments to schedules to match the current project status, adjustments to right-of-way schedules, design schedules, and construction. Likewise, there are updates to costs to match current project cost estimates so there are those kinds of changes in the first four years of the program. There are a couple of new right-of-way projects, not major, and one TI project being added in the first four years of the program, and a MAG Proposition 400 Noise Wall project was added. There had been money programmed throughout the tax life to cover noise wall projects and it has been consolidated into one package now for what's being billed as the MAG Prop 400 Wall project.

Total program changes are about \$100 M out \$3 B in the first four years of the program. The 5th year of the program, 2014, the details of actual projects will be skipped as they are available on a handout in the back of the room, along with the changes for the first four years. In 2014, we're anticipating five major construction projects, four new right-of-way projects starting, and design starting on five new projects, plus ongoing system-wide costs which include freeway management and maintenance items for the freeway program. A total of new items added to the tentative program are \$613 M. And due to the fact that this is a tentative program, MAG is just beginning their process and changes to the program will have to be brought back to the State Board to amend what we have here today and make it match with the MAG program.

CHAIRMAN HOUSEHOLDER: Mike Klein, Airport?

**ITEM E: FY 2010-2014 Airport Development Program
(For information and discussion only - Mike Klein)**

MIKE KLEIN: Good morning, Mr. Chairman, Members of the Board, Mr. McGee. The Airport Development Program as it is in the 5-Year Program carries a unique character to it. We don't own the airport, with the exception of Grand Canyon National Park Airport. All airports are owned by the municipalities, counties, or airport authorities. As such, our development program is composed of grants we issue funded out of the Aviation Fund. So, when we talk about projects, we're talking about development grants, and sponsors and cities and communities that own those airports are the ones that are fronting the costs and asking for reimbursements. The effect of that will become significant when we talk about the 5-Year Program for airports. The revenue to the Aviation Fund where these grants are issued from come specifically from the aviation community. There are no general fund monies; there are no other taxes from vehicles of any kind. It is all aviation generated. Over 80% comes from two sources; property tax which is commercial service airlines, and aircraft registration which is the non-commercial service aircraft in state -- 67,000 aircraft, that's \$7.5 M. That is our primary revenue sources.

In 2008, we had about \$25.5 M. Using that, we had a beginning balance in 2009 of \$16 M. Our revenues for 2009 were estimated to be about \$24 M. Expenses in 2009 have shifted tremendously. 2009 fund reductions of \$22.4 M has been taken out of the fund. It isn't because the revenues are dropping -- they are, 5-10% -- aviation has an uncharacteristic response to recessions. They respond last, both in early effects and in recovery. So \$40 M in expenses leaves us with an anticipated fund balance of \$21,000 -- that's not millions. Our fund will be estimated at \$21,000 at the end of this fiscal year. That's what we have to deal with in building a new program and although the numbers are relatively small compared to highways, they are important to the 93 airports that are eligible to receive these grants. Fifty-eight of those airports submitted programs to us worth about \$1.4 B through the 5-Year Program. For fiscal year 2010, there were 17 projects for \$6.8 M; a reduction by about half of what we normally see. The sponsors are not sure the funding is going to be available, so they're reluctant to ask us for funding and have gone to the FAA to try get matching grant funds.

Of those 17 projects we considered funding none of them because there are no funds. The sweeps were very Draconian.

For fiscal year 2010, we have no funds for state/local grants, pavement preservation, airport development, or State planning services. We are going to attempt to match federal funding projects; a 2.5% return on the money and this \$3.5 M will fund whatever the FAA puts into State airports. We are hopeful the legislature's 2010 budget will allow us to continue to recommend this \$3.5 M.

For the 5-Year Program in itself, we are being optimistic and hoping the legislature will not sweep funds. This reflects reductions in revenues, yet left alone, we can have some programs. We are proposing in the out-years that there will be small growth in our airport development programs, but until that time, we have a very austere program to recommend.

JOHN McGEE: As unappealing as it is, this is the Department's presentation of its recommended program and I stress the word "recommended" because ultimately it is the purview of the Board as to the final projects.

CALL TO AUDIENCE

JANET WATSON: [Vice Mayor; Kingman, Arizona], The financial situation is pretty overwhelming, but I did bring a statement from the Mayor:

"I had hoped to be present at today's meeting to share my views regarding the importance of the Rattlesnake Wash Interchange to City of Kingman. Unfortunately, I am not able to attend due to a scheduling conflict. Vice Mayor Janet Watson will be attending the meeting and is able to offer the information required regarding the Rattlesnake Wash Interchange and its potential impact to the City of Kingman. Construction of the Rattlesnake Wash traffic interchange will greatly impact our traffic movements within the City of Kingman. The interchange will offer and alternate route to the Kingman Airport and its industrial area as well as better access to homes in the area on both sides of Interstate 40. Hualapai Medical Center, a new hospital that is being built in Kingman, will afford better access for its patients once the Rattlesnake Wash traffic interchange is completed. The interchange will allow for easy access to I-40 for emergency services to

this new hospital as well as easier access for non-emergency patients and hospital visitors alike. Kingman High School District #20 is in the process of building a new school and a much needed new school that will also benefit from this easier access...the City of Kingman's elected officials as well as the City and staff firmly believe that the construction of Rattlesnake Wash traffic interchange will be an integral component in the future growth of our area. It is imperative that financing be found and a firm time line be committed to this construction of this project. We understand the budget concerns being experienced by the State of Arizona; however, we hope that this project will not be delayed any longer than absolutely necessary." One thought I might add is that just this year the City of Kingman committed over \$300,000 to continue forward with purchasing the rights-of-way and working to do a lot of the prep work. I know a lot of things have been delayed and we really appreciate that we weren't totally dumped off the list and we're still hanging on by a thread. We look forward to working with you in the future."

GLENN BROWN: [Mayor and Fire Chief] I am also President of the Arizona 69 Chamber of Commerce covering the Highway 69/I-17 Interchange area which is what I would like to talk about today. We have two major problems with that interchange that is on schedule for being redeveloped, but it's been moved off several times and we want to make sure it stays on top of your priority list. The first is a public safety issue: the interchanges have two flaws. One is a flyover from northbound I-17 to northbound Highway 69; people maintain the 75 mph speed limit as they go over the interchange while traffic is entering that flyover from the McDonalds area making it extremely dangerous. The second thing is it has to be only one of the interchanges in the State where, as you exit if you want to go left you have to go right and if you want to go right you have to go left, causing people to make U-turns on a daily basis and how we have not had more fatalities in that interchange, I'm not sure. Those two issues make that an extremely dangerous interchange. From the Fire Department's perspective, I want you to know we have an excellent working relationship with ADOT. As the Chamber of Commerce, the development of that interchange has held up commercial development for a number of years. I came here five years ago and was told "the interchange would be developed any day" and "the interchange will never happen." I've been contacted by three hotels and three restaurants ready to build at that interchange that are afraid to. We had thought final design of the interchange would start the economic development; we no longer believe that. People are now even afraid the final design isn't final until they break ground at the interchange. Then they'll believe it's the final design and that will begin the economic development. What we're asking today is simply we understand the economic situation, we're just hoping that the interchange can be kept at the top of your list of priorities, both from a public safety standpoint and an economic development standpoint for that interchange. [Handouts provided to the Board.]

BILL FELDMEIER: I have a comment and it's also reflective of the feelings as it relates to the Rattlesnake Interchange that the Vice Mayor brought forward just a second ago. I want to reassure you all that we're doing what we can to keep things on track and, as it relates to the Rattlesnake, you're not going to be off; you're there. And the Chief mentioned that he's concerned about the Cordes Junction interchange for five years. I've got a seven year head start on you -- 12 years, I've been following and tracking that so I'm as frustrated as you are and it's not anybody's fault. It's happening across the State. You have my assurance on both counts that we're going to do what we can as things move forward and if they can happen faster, we're going to move them faster. If it gets delayed any more, it's not pushed to the back, it stays in front.

GARY WATSON: [Supervisor, Mohave County] I just want to take a moment to thank you for keeping Rattlesnake Wash on your 5-Year Program. It's important to Mohave County in linking it to the Airport Industrial Park and also to the Parkway which will create a loop through the northern Kingman area. I appreciate what you folks are going through.

TONY GIOIA: [Mayor, Camp Verde] I'm here to bring you a method for allocating money. We've been stockpiling lead for sometime now and our engineer has explained to me and the Town Council how you turn lead into gold, so our RFQ for an alchemist is about to be let and I hope you take that opportunity after we've run the best ones and follow suit and come up with funding that you need. I hope this information doesn't leave this room -- that's just for you guys. I'm here to talk about Highway 260. As you know, State Route 260 has been improved. The bypass around town was done around the year 2000. In 1997, I was on the general planning committee. We were approached by ADOT to support Highway 260's revision into a four-lane highway through the Verde Valley area and it has been done in the segment between Cottonwood and Camp Verde. In the segment around the town proper of Camp Verde, it is not finished; there's eight miles undone which has created a bottleneck. Highway 89A has been redeveloped into four-lanes and from Cottonwood to Sedona, it's a beautiful parkway. It has also been rebuilt into a motorcycle traffic circle playground from Parkdale to Cottonwood and it works very well. I'd like to ask that the bottleneck of Highway 260 which is in the Camp Verde portion be on the 5-Year Program. There is \$7 M leftover in the budget of the present construction that can keep it as a placeholder. We also have some possibility for economic stimulus. The County has applied for it; Camp Verde has applied for it. We're looking for more federal funds to come your way for that project. The highway has been completed, all except for this eight-mile section; it's a dangerous road. There have been many fatalities. The Verde Valley leadership, the Mayors of the Verde Valley, have met to review a parkway plan suggested by the ADOT past Regional Engineer. We have support from the City of Jerome, the Mayor of Cottonwood, the Mayor of Sedona. The Town of Camp Verde has adopted Resolution No. 764 "strongly urging the Arizona Department of Transportation to 1) place in their current 5-Year Program the construction of an eight mile, four-lane highway from Interstate I-17 on State Route 260 to the present terminus of the four-lane divided highway at Thousand Trails; and 2) to utilize the excess \$7 M remaining in the State Route 260 budget for said construction." You don't have to allocate new funds to keep this as a placeholder and a line item in your budget. The communities are strongly behind Highway 260 being completed and I would ask for your support.

DAVE BARBER: [Transportation Director, WACOG] Just recently, the Hualapai Tribe has issued the first contract to back construction for 4.5 miles of the Diamond Bar Road, the access to Grand Canyon West. They have had earmarks from the federal government and have accumulated federal funds to begin that project. The Western Arizona Council of Governments thanks the ADOT Board for their decisions and commitment toward the improvement and safety of highway systems in Northwest Arizona. The region is thankful for the knowledge and resources available to the Kingman District Engineer's office. Support was also acknowledged for the decision made with regard to the distribution of the American Recovery and Reinvestment Act Funds which had been distributed fairly across the entire State. I-40 will again be identified as a corridor and interstate needing capacity increases and improvements. In future years when the economy once again grows, it is imperative projects are advanced again and commitments of ADOT in previous years be honored. In the meantime, the BQAZ Study has brought to light the renewed interest of seeking out the possible

designation of Highway 93 as an interstate between Las Vegas and Phoenix. I would request ADOT put together a study committee to investigate the requirements for interstate designation and work with the Valley in attempting to obtain this designation. This should be a low or no cost project for the State to undertake. We look forward to seeing you visit our region again in the future and the continued success in completing safe projects and safe highways in Northwest Arizona, and we thank you for your commitment.

DIANE JOENS: [Mayor of Cottonwood] I want to take a quick opportunity to say thank you for the wonderful projects that have just been completed in the Verde Valley including 89A from Blackhills Drive to Cement Plant Road and the 260 from Western to Thousand Trails - that's a beautiful highway. We also appreciate the resurfacing of Highway 260 from Western Drive to 89A. We can see how that benefits the community and the businesses of the Verde Valley. I'm also looking forward to inviting you to Cottonwood and the Verde Valley in June for your Board meeting. We're looking forward to hosting you. I have written a letter of support, as Mayor of Cottonwood, to Congresswoman Ann Kirkpatrick for supporting Camp Verde in applying for Stimulus Funds for Highway 260. I also would request that you keep that in the 5-Year Program with \$7 M placeholder in case we do get these funds so we can complete the eight miles of highway that still needs to be four lane. The Mayors have gotten together with Chip Davis and discussed the "Michigan" or "Arizona" Parkway. They are excited about the concept and hope this eight mile segment will be left in the 5-Year Program.

MIKE FLANNERY: [Chairman, CYMPO] I wanted to address you this morning and let you know how grateful we are to the Board for what you've done. Having gone through a budget cycle right now in a depressed economy, I can empathize with you for the decisions that you've had to make. I know they're not easy decisions. I did want to say, in terms of partnerships and the Central Yavapai Metropolitan Planning Organization, we have had a strong partnership in the past and once those funds return, we hope to continue having that strong relationship in the future. In terms of the 5-Year Program, we understand the financial stress that the State's been under and we had some gains in that 5-Year Program. We've also suffered somewhat in having some projects shut down which we regret but certainly understand.

ROB OWEN: [Kingman Public Works Director] I'd also like to talk to you about the Rattlesnake Wash traffic interchange. The City of Kingman does realize the difficult planning decision the Board faces in funding projects statewide. We also appreciate the Board's past support of projects. We'd like to reiterate to you the importance of the Rattlesnake Wash traffic interchange. The project has been key to the Kingman area transportation studies since the 1970s. It serves as an important transportation link from I-40 to the Kingman Airport and Industrial Park allowing further development of roughly 1400 acres at the airport. It relieves traffic congestion and improves public safety response times on both sides of the freeway. It provides access to large areas of the east side of town for future development and offers the opportunity for commercial development and sales tax revenue. The City of Kingman thanks the Board for support of past projects and is hopeful that as the State's budget picture improves, the Board will be mindful of the importance of the Rattlesnake Wash traffic interchange in future planning decisions.

CHARLIE CASSENS: [Communications / Intergovernmental Director, City of Lake Havasu] I bring regards from the City Council of Mohave City, Kingman, and Lake Havasu City and we want the Board to know how much we appreciate your attention to rural Arizona communities and our

transportation needs. You'll be happy to note that I'm not here to ask you for anything this morning. In Lake Havasu City there's a long anticipated project that's taking place up on State Route 95 between Mesquite and Watson Avenue, so it's a very central portion of our community and we want you to know how happy we are with that project. There are other CIP projects that we had set aside we had to defer in earlier years that will now be allowed to go forward in anticipation of the ARRA monies that will come through you, the Kingman District, and others, and we very much appreciate the fact that even though it's just a couple of projects in our community. In our projects, it allows our citizens to see that progress can actually take place in spite of our economic conditions. I stand here before you to say thank you for the attention to rural Arizona, thank you for your attention to prioritizing these projects and allowing our citizens to see that progress can be made despite the downturn in the economy.

[Thereupon, the Public Hearing portion of the meeting was concluded.]

DISTRICT ENGINEER'S REPORT (John Harper, Flagstaff District Engineer)

JOHN HARPER: Good morning Chairman Householder, Members of the Board. I'd like to start off by thanking our local partners here who help make our job easier. We're a very tight knit community up here and it just makes our job that much easier. Current projects in the district: three are ongoing. One's nearly complete a safety project for Gray Mountain and the Gap roadway lighting. A landscaping project that's coming in behind the 179 project that was completed, and an ongoing project in Sedona on 179. We're going to have six roundabouts, and one bridge over at Oak Creek, which is about 95% complete. It used to have a traffic signal, but now has been transformed to a roundabout. It's working very well and it's well received by the community. The bridge is going to go over Oak Creek. This is a unique waterway so we have a lot of visibility here; a lot of people watching it. Environmentally we have to keep on top of it. The pier's going up, pier caps, and running some of the girders. We can only build about half of it right now until we tear down part of another bridge and switch the traffic over. By Thanksgiving this bridge should be built. Also there will be pedestrian bridge adjacent to the bridge over Oak Creek. This will carry all of the utilities. It's a very tight corridor, lots of walls, and because of that very tight working conditions. It's been a big challenge for the contractor, but aesthetically, it's going to be very nice when it's done. We completed the east Flagstaff interchange, and were able to increase capacity out there and also separate bicycles and pedestrians from the traffic. It's been a huge improvement for the City of Flagstaff.

A project mentioned earlier from 179 to the Village of Oak Creek up to Sedona is now complete except for some landscape establishments. We do have a bike lane on this facility, pedestrian facilities. It's quite beautiful if you haven't been down there. It's going to be helpful for us in terms of maintenance in the long term. We've also taken care of some wildlife down there. This is essentially roofing material that goes into a basin and this is what we call a "drinker" where the animals come in and get water.

Another recently completed project is a retaining wall in Oak Creek Canyon. It was designed so that maintenance can get in and clean it out. This one on Arizona Parkway is the next one awarded to the contractor. It's a big improvement.

Another project on Interstate 15: Bridge number 7 is the one we're concerned about structurally. We had a contractor go in and actually tie these two bridges together to make them one solid bridge.

Rural Arizona is experiencing growth. We're looking at capacity and a focus on safety. To do that we have a number of studies that we are conducting. Design Concept Reports; one's already complete. That's the one in yellow. And all we need is money to start that project to divide the roadway from north of Flagstaff all the way to the junction on 160. One we're wrapping up here in the next six months is a Design Concept Report on I-17 between 179 and Flagstaff. It's going to recommend three lanes in I-17. The other one on I-4 just kicked off last week.

We're lucky enough to get three Stimulus projects; two are up for your approval and the other one probably on June 5th, which is east of Flagstaff.

We're going to administer a project up in Littlefield, a bridge over the Beaver Dam Wash, and there are a number of other projects that are coming up already.

We have a number of issues with wildlife crossing our highways. We just completed this study north of Flagstaff and the problem is not accidents with animals; it's that there is no direct connection between the two populations on each side of the highway. We are looking for crossing opportunities for these animals in the future. This time of the year, we're killing about two to three elk a night on I-17, south of Flagstaff. We also have another study north of Williams on 64 and are beginning another on I-40 between Williams and Flagstaff.

First and foremost is the safety of our traveling public. I have to tip my hat to all of our maintenance folks who are out there 24/7 taking care of our roads.

BOB MONTOYA: I'd like to thank John and his staff for the great work they've done. We've had some really challenging times this last year. They were able to keep the interstates open with a bare crew, so John, my hat off to you and your staff.

CONSENT AGENDA

ITEM 1: No items were brought forward to exclude from the Consent Agenda.

ITEM 2: Consent Agenda (Approval)

Motion made by Bob Montoya to accept the Consent Agenda, seconded by Bill Feldmeier. In a voice vote, the motion passed unanimously.

ITEM 3: Public Private Partnership (P3) and Rest Area Update (Gail Lewis)

GAIL LEWIS: Good morning, Mr. Chairman, Members of the Board. I'd like to provide you with a quick update. When I spoke to you last month, I was able to report that we were able to develop some language that might work as a possible piece of legislation with respect to rest areas, that this language would allow us to do in Arizona similar to what they have done in Utah, an "Oasis Program." This

would allow us to designate commercial rest areas that met well-built criteria, to dedicate those as "Oasis" areas that the traveler can stop at with no expectation that they would make any sort of purchase and an area that they could use at no charge. These facilities would also have facilities for truckers.

This legislation has been conceptually approved by the Governor's office. We have their permission to move forward with it and we are in the process of talking it through with members of the legislature. As you probably heard, they did refit the 2009 budget this week and, luckily for us, there was no funding taken from the transportation funds for this particular fix. That is behind us, but there is still no consensus about a budget for 2010. The Senate leadership is continuing to not hear any bills until the budget gets resolved. Since we're not sure that the budget's going to get resolved before June 30th, it's really unclear whether the Senate is going to hear any non-budget related bills and whether it would be possible to get anything related to rest area or for transportation in general through the process under these circumstances.

We do have consensus from the Governor's office on rest areas. There is a working group that is continuing to meet on a general public private partnership bill for transportation facilities. This work group consists of the contractor and engineering community and is making progress. They are working toward a consensus bill. I think we will have a consensus bill. Whether it will be heard by the legislature is what's really up for grabs right now. That's the status of where we are right now with P3's in this legislative session. I certainly hope that things open up in the legislature and we can get a few other necessary pieces of legislation through including these two bills.

BOB MONTOYA: I appreciate the report, although I'm not hearing anything on the existing rest areas that we have to maintain. Is there any progress on trying to do some type of partnership or changing that legislation that prohibits us from further developing the existing rest stops that are so expensive for us to maintain?

GAIL LEWIS: Yes, that is also in progress with the legislature. The language that they've developed would, in fact, address new partnership opportunities for rest areas as well as the "Oasis Program" and designating the commercial areas. The information that you have seen is out there for legislative approval and support of the Governor's office. We just aren't able to get a bill through the legislature at this point due to the budget issue.

BOB MONTOYA: Am I to understand that rest areas like Sunset Point will be candidates for us to do joint partnerships?

GAIL LEWIS: Let me go back and try and clarify that question. Federal law still prohibits rest areas like Sunset Point which are a part of the federal right-of-way and are therefore governed by federal law, there has been no change. We cannot privatize or engage in public private partnerships as you define them on those rest areas. What we have done is to continue to work on rest areas outside of the federal right-of-way and designation of existing commercial stops as "Oases" not rest areas, because that has a specific meaning in federal law.

BOB MONTOYA: Why are we not or what is the reason that we do not pursue those federal changes? I imagine that other states must be looking at the same issues that we are in maintenance. Is there no

way that ADOT or with the FHWA that we can't start working through that process? I believe these laws were designed in the sixties and we're now in a different era. It would be really beneficial -- if you look across the country -- I don't know what we spend, but it's something in the \$10 M range for maintenance? You multiply that by the rest of the states and it's up there over half a billion dollars. I think that we should be looking at that and I would encourage you to -- whatever resources we have, that we move forward with those types of questions to the federal government.

GAIL LEWIS: Everything you say is absolutely correct. There is quite a powerful truck stop lobby. This idea, what we're mentioning; the ability to privatize or partially privatize or partner for federal rest areas, was pursued in SAFETEA-LU and the professional truck stop and rest stop lobbying group was able to block that. Again, this is coming up as an issue. Many states do have an interest in it and discussions are underway right now. We're working through our priority list for authorization for Arizona. This is part of what we're talking about with our federal lobbyists and it's an issue that will be resolved in Congress, so it isn't really a matter of the states not wanting to pursue it or not trying to pursue it or even FHWA not trying to pursue it. It was very specifically taken out by the Congress as a result of concerns by the private truck stop operators and we'll now see whether the political environment has changed enough.

BOB MONTOYA: I guess I can understand that lobbying group, but have they really discovered why they're not wanting to do that? As I look at this opportunity -- it gives these people an opportunity to put the truck stops in those areas that we already have established. So, it could be the same issue as a partnership where it would be advantageous to everybody. I would hope that some of those discussions, rather than figuring out how we can't do it, we try to figure out how we can do it to address everybody's concerns.

BILL FELDMEIERS: As a quick follow up to Bob's comments, what I see are our rest areas are truck stops with no commerce. So, all we're talking about is adding the commerce to where trucks already stop and the purpose of the rest areas is to give the trucks a place to stop, spend the night, and do everything except spend money, and pay for the costs of our overhead. I don't know why we can't maintain a partnership outlook with the lobby that was in opposition to this before. They ought to be our partner, not our enemy. The other thing is that as you move forward with the language that you're talking about with the Governor's office on P3s and the like, you said you have the proposed language that's been approved. Do you have the ability to share that with us?

GAIL LEWIS: I do. In fact, it was my intention to have it today, but as you know, we're furloughing and it just happened that the person in whose computer the language was residing was on furlough yesterday and so I did not have access to print it out. But I can send it to you electronically.

BILL FELDMEIERS: For the whole Board.

GAIL LEWIS: Absolutely.

ITEM 4: Financial Report (John McGee)

JOHN MCGEE: Thank you, Mr. Chairman. I'll be addressing items 4 and 5. I'm sure I've depressed everybody on the Board and in the audience enough already in talking about our revenues. As you can

sec, HURF collections total \$110.64 and that's down 5.3% from last year and 10% below the forecast. Year-to-date we now stand at about \$1.05 B which is down 6.6% from last year and 20% on the forecast. As has been the trend all year, big areas that keep impacting us negatively are gasoline use and vehicle license tax collections. Commercial carrier revenues have actually held up relatively well. It now appears to us that we're probably going to end the year with total HURF collections of between \$1.24 and \$1.26 B, which means that they will be down somewhere between 6.7% and 7.7% below last year's total and this would be the second year in a row that those collections have been negative. I believe that's the first time that has ever happened at least in recent history.

The report for March RARF results are even somewhat more dismal. For the month of March RARF collections total \$25.2 M which is 17.2% below last year, 17.8% below the forecast. I would point out a couple of things though with respect to these numbers. March collections actually represented February sales activity. February of 2008 was a leap year so it did have one more business day in it. We're looking for any sliver of hope here -- one more business day in it and also we believe there was some carryover effect in terms of revenues falling into the region as a result of the Super Bowl. Again, if you factor those numbers out of last year's results, the 17.2% drop wouldn't have been quite so bad.

Year-to-date collections now stand at \$250.5 M, 12.5% below last year, 11.4% below the estimate. And again, has been the case pretty much all year, retail sales, contracting, restaurant and bar continue to be the areas that lag last year's numbers.

Looking to the investment report for the month of March, ADOT earned \$2.128 M on its investment funds, representing a little over 2% earnings. Year-to-date we're at \$28.1 M which represents an average yield of about 2.71%. And finally, with respect to the HELP fund, as of April 30th, you'll notice we have a major drop in the balance of the HELP fund. It now stands at \$38.2 M. That balance is down \$43.4 M as a result of the call of the final \$50 M of the HELP funds that I reported at the last meeting more than likely was going to happen in April. That did indeed happen. The fund went down by \$50 M, plus another \$4 M for accrued interest. This is partially offset by about \$11.3 M of loan repayments.

We now have no BFOs outstanding. The HELP BFOs were repaid on April 7th and on April 13th the \$60 M BFO, in the State Highway Fund was also paid off. So the Board currently has no outstanding BFOs out of its \$200 M of authorized borrowing. I am happy to report that the remaining \$38 M in the fund will be sufficient to cover all remaining HELP loan commitments the Board has made to date. Any loans the Board has made that we have not yet drawn down, the \$38 M will cover that, so we're in good shape there.

ITEM 5: Financing Program (John McGee)

JOHN MCGEE: Moving to agenda Item 5, each of you should have in front of you a couple of books that look like this; one's a thick one. We're going to go through the thick one first. It's the final pricing information for the Board's GAN Series 2009A. I'm very happy to report that we did successfully price the sale, \$55,420,000 of GAN notes Series 2009A. The average life on these notes was 6.2 years and priced at a very low interest rate of 2.6%. To put that in some perspective, with all the gloom and doom we've heard with respect to everything that's going on in the financial world, the last time we priced a GAN issue which was about 18 months ago, was for the same project that these

are being priced for which is the 1-10 project on the west side. That deal was very similar in size, \$68 M, that deal only had an average life of four years versus six years on this one, so it was a shorter life. That deal priced at an interest rate of 3.4%, so this deal was almost 80 basis points, almost a full percent lower and that really is reflective of what's going on, on the short end of the yield curve as a result of the financial conditions that we're in, and the Federal Reserve dragging down short term rates to try to stimulate the economy. We benefitted significantly from that on this particular deal. On the next deal we may not because it's much longer term, but on this one, it was very effective.

You've seen the team that priced this issue. We normally price in a single day, but we did something a little bit different; we actually priced it over two distinct order periods. The first order period was about a four-hour order period, that was for retail sales only; and the second order period was a one-hour institutional order period. ADOT and the underwriting team employed what we considered to be a very aggressive interest rate strategy in this pricing, and because it was a relatively small deal, we felt that we could be very aggressive. We went out initially in the retail order period with interest rates that probably were somewhere between ten to 20 basis points below the current market that day. At the end of the retail order period, we had about \$33 M of the \$54 M that was sold -- about 61%, as what we call "going away" business. We met with the underwriting syndicate; we agreed to increase the yield slightly, about eight to ten basis points for each of the three maturities and went out for the institutional order period. Actually, we saw virtually no additional orders during the institutional order period. At the end of that period we had approximately \$21 M worth of notes left, which is about 38% of the deal and were still unsold, and the underwriting syndicate agreed to purchase those remaining notes for no additional adjustment in the interest rates. All in all, I think it was a very successful pricing. It yielded very low interest costs on the notes.

I would also point out in my regular book with information; I have included the bond buyer index that I've been showing the Board each month. For about six weeks preceding the sale of our notes that the Daily Bond Index had dropped from 5.83 to 5.49. That was a low point for the year so far. Since then it's been trending up slightly. The last week or so we've seen it starting to stabilize.

I'd also like to report just briefly on the status of the Board's upcoming \$440 M RARF 2009 Series issue. Over the course of the past month, the Department has continued on course preparations for this issue. We have provided each of you with a small pricing book on this. The most significant event during this month was that the Department met with both Moody's and Standard and Poor's -- the two agencies that have rated this issue -- and even with the declines that we're seeing in our RARF revenues, both rating agencies affirmed our current ratings. Moody's at AA2, S & P at AA+, and both gave the bonds a stable outlook. So, we were very pleased with that. Right now, everything is on track to print the POS on Monday. If that happens, we then would be in a position to price the bonds the first week of June. Because of the size of this issue, we'll probably do a two-day pricing; the first day retail only and the second day institutional, but it depends on market conditions. We might change that as we get nearer to the pricing. If market conditions are such that we can price the first week of June, we would anticipate closing the issue on or about June 23rd. We are anticipating that the interest rate on this deal would probably be somewhere around 3.75% to 4.25%. Hopefully, near the lower end of that. The last RARF issue we did two years ago was around that 4.25%.

PRIORITY PLANNING ADVISORY COMMITTEE (PPAC)

- ITEM 7: **Transportation Enhancement Projects funded with the American Recovery and Reinvestment Act 2009 - Recommended Projects****
- a. **ADOT - State Projects (Action required)****
 - b. **Local Government Projects (For information only)****

JOHN McGEE: Item number 7 is comprised of two parts; the first part is -- first of all, both of them relate to Transportation Enhancement Projects funded with ARRA funds. As the Board knows, a portion of ARRA funds were taken off the top, \$15+ million that was used for transportation enhancement projects. We had discussed at the February meeting that the project selection for those funds should be handled through the TERC process, which Mr. Zubia chairs. The TERC has met and determined the projects to be funded with those funds and the list of the projects is included in your materials. There are two separate pieces, A & B. "A" represents TERC projects that are ADOT projects. The projects under "A" -- the State projects -- do require State Board approval. The ones that do not -- and the reason they do not because all those projects are projects the Board has already approved for funding -- they are projects that are essentially ready to go -- all we're doing is changing the funding from regular enhancement funding from the various to ARRA funds. So, technically, there's no reason to reapprove those. But the projects listed under "A" are new projects and those need to be approved.

CHAIRMAN HOUSEHOLDER: Are you recommending for us to go ahead and pass it?

JOHN McGEE: Yes, Mr. Chairman, I would recommend that the Board approve those Transportation Enhancement Projects that would be funded with ARRA funds pursuant to Item 7, paragraph A.

Motion made by Victor Flores, seconded by Bob Montoya, to approve ITEM 7a. In a voice vote, the motion passed unanimously.

- ITEM 8: **Local Government Projects Funded with the American Recovery and Reinvestment Act 2009 - Recommended Projects****

JOHN McGEE: Item number 8 is just here for the Board's information, a listing of all local projects that are going to be funded with ARRA funds that have been determined and vetted through various local regions.

ITEMS 9-32:

JOHN McGEE: For Agenda Items 9 through 37. As the Board is aware of, the last couple of months we've generally been taking these items *en masse*. I would like to do that with two caveats: number one is that we have at least one request to remove and not approve Agenda Item 33, which is a new project request at the Ehrenberg Port of Entry. There was at least one request that that item be tabled and that staff come back with additional information on the project before it comes back to the Board at a future date. We would recommend that that item be tabled. And then, in addition, Items numbered 10 through 25 all relate to changes to projects in the MAG region. Even though they have gone

through PPAC, they have not yet gone through MAG. They have not yet been approved by MAG. If the Board chooses to approve Agenda Items numbered 10 through 25, the Board would be approving them conditionally, subject to MAG's future approval. So, those would be the two caveats. With those two caveats, I would recommend that Agenda Items numbered 9 through 37 be approved.

CHAIRMAN HOUSEHOLDER: And table 33.

Motion made by Si Schorr, seconded by Bobbie Lundstrom, to approve Items 9 through 37, and table Item 33. In a voice vote, the motion passed unanimously.

CHAIRMAN HOUSEHOLDER: Now, we're going to go to 38.

ITEMS 38 AND 39:

BARCLAY DICK: Thank you, Mr. Chairman, Members of the Board. We have two federal matching grants to present for your consideration today; one is for Taylor, the other is for Benson. If the Board would like to consider them together, Staff would recommend approval of Agenda Items 38 and 39.

Motion made by Bob Montoya, seconded by Bobbie Lundstrom, to approve Items 38 and 39. In a voice vote, the motion passed unanimously.

[Si Schorr recused himself from Items 47, 48, 49, 50 and 51.]

STATE ENGINEER'S REPORT (Dallas Hammit, Deputy State Engineer of Operations)

DALLAS HAMMIT: Currently, ADOT has 71 projects under construction for about \$1.405 B. Of that about \$800 M is completed work. A little over \$500 M is remaining. In April, we finalized six projects for a total of \$13.2 M and year-to-date, we've finalized 48 projects. An update on our Recovery projects -- so far, ADOT's advertised 34 RF projects totaling an advertised amount of about \$231.9 M. Out of that \$350 that we started with, this is about 65% that we've already got out on the street. We've opened 16 projects; six of those that there will be proposed action today, ten more will remain and you will see those on June 5 in Tucson. Of those 16 projects that we've opened, the net sum of the Engineer's estimate was \$76.4 M. We've seen lower bids -- and the sum of those has been \$62.1 M.

Today, and next Friday we're going to open more projects. We anticipate the Board will see those projects at the June meeting and as we continue advertising projects, there may be the need for another special Board meeting in July. The State Engineer's office will work with the Director's office and the Chairman to see if that is needed for July.

This first list is all Recovery Act projects. We'll go through one of them in detail. But in this case the one thing I want to point out is every single one is below the Engineer's estimate. The next lists are Local Government projects; these are not Recovery Act projects. These are through our normal program.

With your concurrence, Mr. Chairman, I'd like to take items 48, 52, and 53 as one item.

Item 48 is a project in the Payson area on State Route 86 between Payson and Pine. This was a shoulder widening project. The Engineer's estimate was \$4.53 M. The lowest bid came in at \$3,722,743.95 with a difference of 18.9% below the Engineer's estimate. We have reviewed these bids and this project had been on the shelf for a while. Our estimate was dated, so our prices hadn't adjusted to the downturn. We saw good prices in our aggregate base; our asphalt bid, concrete, metal pipe, riprap and the rock streaming. We have reviewed the bids. We believe that they're competent and competitive and do recommend approval from the Board.

Item 52 is a local government job in the City of Avondale. The Engineer's estimate was \$473,354 and the low bid came in at \$373,660.30; a difference of \$99,693.70 or 21.1% below the Engineer's estimate. This project had 18 bidders. The main areas where we see lower bids are in the electrical items. We talked to the private contractor, who has a sub that had some of the materials on hand and needed to use them. We have heard from a lot of the bidders that they are bidding with very low margins because they want to keep their people working. The other item on this is concrete barrier. The prime contractor makes his own. He has all the equipment, so he's able to get a much lower price than some of the other people. We have reviewed this and recommend Board approval.

Item 53, a local government project in the City of Peoria. The estimate was \$691,960; the low bid came in at \$459,088.46, a difference of \$232,871.54 or 33.7% lower than the Engineer's estimate. This project had 23 bidders. One of the aspects of the low bid is that his yard is right next to the project. He's able to mobilization cheaper and because of that, we saw a savings in roadway excavation, concrete sidewalk, and riprap. We have reviewed the bid; we think they're competent and competitive and we recommend Board approval.

BILL FELDMEIERS: On that first list, you mentioned that all of the Stimulus projects are below bid. We had a discussion; the Board did when we walked ourselves through the Stimulus Package. We talked about what would happen if enough projects came in lower than anticipated, that we would move down the list and pick up other projects that didn't make that cutoff. I realize it's a little premature at this point, but in the next couple of rounds you're going to be able to tell whether or not we move something up, how fast we need to make that decision to still meet the criteria that the Stimulus requirements are.

JOHN MCGEE: I think, as we discussed before, the Department had to get out about 50%, \$180 + M of its \$350 M worth of projects within that first window of time, 120 days, and the remainder out within the first year. As we move through this process, I think you're exactly right, Mr. Feldmeier, the idea was if we did see gains over the estimates, we would move down the list and pick up additional projects as they accumulated. We will obviously be monitoring that every time we go out for another round of projects to see where we are at that point in time. If we've accumulated enough to move down to another project, we will bring that back and move forward with those additional projects.

DALLAS HAMMIT: When we go down those lists, one thing we've noticed as we look at those, some of those especially pavement preservation projects in the northern area, we may have to jump below them because of paving windows. So, we won't exactly go by those lists. It will come back to the

Board and you'll get to prioritize those, but because of some paving windows, priorities may change on delivery.

CHAIRMAN HOUSEHOLDER: Let's go back to 48 and 52 and 53 that Dallas recommended for us to pass.

Motion made by Bill Feldmeier, seconded by Victor Flores, to approve items 48, 52, and 53. In a voice vote, the motion passed unanimously.

ITEM 55: Comments and Suggestions

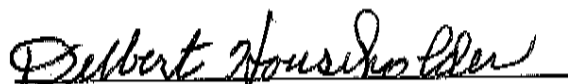
BILL FELDMEIER: I just have one question. During the public portion of this, we listened to Camp Verde bring forward a request on 260 to add to the 5-Year Program. I obviously don't feel comfortable with that, but I think we need to be able to answer that question for them rather than just leaving them hang out. How do we go about doing that?

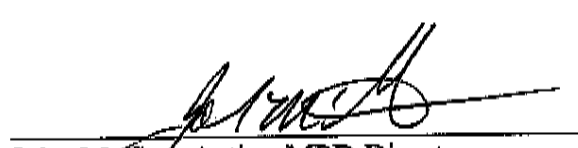
CHAIRMAN HOUSEHOLDER: I would think it would be up to the staff to check over the figures and everything and maybe they will find out, so when we have our meeting at Cottonwood next month, we can tell them. Can you do that, John?

JOHN MCGEE: We'll check into that.

ADJOURN

The motion to adjourn made by Bob Montoya, seconded by Victor Flores, duly moved and seconded, carries in a voice vote at 10:58 a.m.


Delbert Householder, Chairman
State Transportation Board


John McGee, Acting MPD Director
Arizona Department of Transportation