

**MEETING MINUTES**  
**of the**  
**STATE TRANSPORTATION BOARD**  
**9:00 a.m., Friday, September 18, 2009**  
**Town of Snowflake Council Chambers**  
**81 West 1<sup>st</sup> South**  
**Snowflake, Arizona 86326**

**Opening Remarks**

CHAIRMAN HOUSEHOLDER: Thank you to the Town of Snowflake for your hospitality and the entertainment provided by the local high school choir. Navajo County was well represented, and Apache County as well. It is great to see them working together, which is the way it should be done. I'd like Kerry Ballard, Snowflake Vice Mayor to say a few words.

VICE MAYOR BALLARD: We're grateful as a town and all of us in North Eastern Arizona to have the Board and staff here. We've enjoyed your friendship and your ability to come up here and talk to us. We just welcome you to town and are thankful that you're here.

CHAIRMAN HOUSEHOLDER: Thank you, Kerry. We really appreciate that all of you were there last night. We'll have the pledge of allegiance and ask Bobbie Lundstrom if she'll lead us.

**Pledge**

[The Pledge of Allegiance is recited, led by Bobbie Lundstrom]

**Roll Call**

CHAIRMAN HOUSEHOLDER: We'll have Mary have the Roll call.

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

MR. SCHORR: Yes, I am here. But I'm also with Steve Christy who the governor has designated as my successor on the Board. Steve and I are here in my office, so if you'll all say hello to my friend Steve Christy.

CHAIRMAN HOUSEHOLDER: Glad to have you on board, Stephen.

STEPHEN CHRISTY: Great. I'm honored to be with all of you and I'm looking forward to my Board activities. Thank you.

CHAIRMAN HOUSEHOLDER: We have called the public. If anybody would like to talk to the Board, fill in your sheet and you're welcome to have three minutes to talk. We've got Jeff Hill, the Mayor of Holbrook.

MAYOR HILL: Mr. Chairman, Board, my pleasure to come before you. I'll just simply say the roadwork with such a tight budget, but yet I still see plenty of projects going on. On behalf of the citizens of Holbrook, the repave and improvements of I-40 between Winslow and Flagstaff are noted and deeply appreciated. Recently the staff at ADOT in Holbrook resealed our main business loop through downtown Holbrook. And the work just keeps coming. So we appreciate the hard work and funding for the projects. With that, have a good day.

CHAIRMAN HOUSEHOLDER: Thank you, Jeff. Appreciate that. I'm glad we're doing something. Rick Fernau, Show Low Mayor.

MAYOR FERNAU: Thank you, Director, Chairman, Board Members. Glad to be here. I would like to thank the Town of Snowflake for hosting the event last night. The entertainment was unexpected. It's going to be hard to top, but Show Low is going to try to do that in the near future. I want to be sure and invite the Board to come to Eastern and Northern Arizona for the months of June, July, August and September again where it's nice and cool. And then, of course, have your Board meetings in southern Arizona in the wintertime. So we were actually very glad to be involved in that. Thank you, Kerry, and the Town of Snowflake.

I want to thank the Board for their direction in the area of pavement preservation over construction projects. I think that emphasis will definitely be helpful. As Director Halikowski mentioned yesterday, the cost of reconstruction was 7:1 versus pavement preservation and having to go back and reconstruct those roads. I also just want to mention that Show Low has a shovel ready project. The plans are done for a pedestrian enhancement on Deuce of Clubs. It will help revitalize our downtown. We appreciate your consideration on that project in the future as it comes before you.

Thank you to the Board for being here, taking the time to travel to Eastern Arizona and enjoy what we have up here and what we celebrate as our way of life. Thank you for what you do.

CHAIRMAN HOUSEHOLDER: Thank you, Rick. We enjoy it up here too. David Tenney, Navajo County Supervisor.

DAVID TENNEY: Thank you Mr. Chairman, members of the Board. Glad to be here today to represent Navajo County. Chairman Brownlow would normally be speaking, but he has a wonderful tradition this time of year of going camping with his family. So we respect that and certainly excuse him to be with his family this weekend. I want to take just a minute to express some appreciation and talk to you about a few things. I appreciate, Chairman Householder, your remarks about getting ahead of yourself because the fact of the matter is I'm always behind myself. Between the two of us, we kind of balance the meeting out.

We read a letter last night expressing our appreciation to your organization and some of the key folks that we work with and partner with. I just wanted to publicly reiterate our appreciation for the partnerships that we've been able to form over the years with ADOT. Jack Husted mentioned last night in his remarks how the White Mountain Regional Transportation Committee is in partnership with all of the communities in this area and that we come together and speak as one voice. We believe, in Navajo County, that partnering is the best way to get things done especially in times like this when we're all financially challenged. Even in good times you never have the money to do all the projects you want.

We appreciate the fact that when concerns arise or we hear rumors of different possibilities, we're able to come together and work things out as partners. I'll give you examples of that. We had heard about possible upcoming challenges with snow removal and what the budget would allow or not allow this coming snow season. We were able to have a productive meeting at the Capitol yesterday between the folks on your staff and the folks in our staff to be able to talk about ways we can partner between the county and ADOT to meet those challenges.

Another thing that we've discussed is the fact that mag chloride is causing problems with vehicles. We've partnered with the City of Show Low to build a carwash or a truck wash, if you will. It's certainly available for you folks to use and to help you with that problem. So just a couple of examples of ways that I thought would demonstrate how we've been able to partner. We need to look for ways that we can continue to partner, lower our costs, lower your costs, and improve and increase the service to all the citizens of Arizona and particularly those of Navajo County.

So, again, thank you for what you do. From the time that you spend on our behalf, we'll look forward to a long-lasting continued relationship with ADOT. Thank you.

**CHAIRMAN HOUSEHOLDER:** Thank you, David, we appreciate that. Susan Betts, Assistant City Manager of Bullhead City.

**SUSAN BETTS:** Yes, thank you. I appreciate the opportunity to address the Board today. I bring greetings from our Tri-city Council. Many of you are aware that we have the three councils of the major incorporated communities of Mohave County joined together in a coalition. We call it the Tri-City Council. I bring to you greetings from Mayor Jack Hakim of Bullhead City, Mayor Salem from Kingman, and Mayor Nixon from Lake Havasu City. While I'm here I wanted to give you particular thanks for prioritizing and being able to fund a project in Bullhead City, the Pavement Preservation Project. It's on your agenda today. We anticipate that it may very well award that contract and we certainly appreciate that. It's a long time coming. The highway is in desperate need of improvement. And so with your positive consideration today, we want to extend to you our gratitude and look forward to working with the contractor and making it a successful project. Thank you.

**CHAIRMAN HOUSEHOLDER:** Thank you, Susan. Would anybody else like to address the Board? If not we'll go on.

### **ITEM 1: Director's Report (John Halikowski)**

**JOHN HALIKOWSKI:** Thank you, Mr. Chairman. As Mr. Schorr noted, the Governor has appointed Stephen Christy for District 2, Pima County. We look forward to working with Mr. Christy. I know that Mr. McGee has been in contact with him. We thank you for starting that ball rolling, Si. The other thing I wanted to announce, this is Mr. Schorr's last meeting. We thank Si for attending by phone again and thank him for his many years of service. But most of all I want to thank him for going above and beyond for the last eight months. We really do appreciate that. I've enjoyed working with him in the short time that I've been here, on Twin Peaks and other projects in Pima County.

The other thing that I'd like to touch on, Mr. Chairman is that we do have a new format for the Board agenda. Mr. McGee has been talking with each of you about that and we'll be looking for your comments. We hope that it's easier to read and easier to use.

The last item is the budget. As we've heard today, we had meetings yesterday regarding snowplowing issues. The budget problems that we're facing are significant, and they are of concern as we go into fiscal year '10. Last month I told you that we were looking at an operating base for ADOT of about \$350M to \$360M. Due to the declining revenues that we've seen, we're now setting that operating base for fiscal year '10 at \$321M. So in essence, we've taken about \$100M cuts from where we were in fiscal year '08/'09. This is about a 25% cut to the agency.

Currently, we're vacant 450 positions all across the board, everything from construction to folks in engineering, to folks in maintenance, MVD and administrative. We believe that we'll be able to manage within this box. Our goal is to keep our folks working through the next fiscal year and to keep up those critical safety issues such as snowplowing here in the northern counties.

We've identified about 21 different strategies we're working on right now to save money within the agency. So we're scouring everything that we can scour, even looking at legislation to make proposals. So that as we go through fiscal year '10 we can put our money where it's needed most. Some of the proposals we'll be working on will include closing of rest stops in certain areas. It will also include closing of certain select MVD offices so that we can manage the flow.

Just to update you as we close out the budget with the legislature for fiscal year '10. The total fund diversions are worth about \$428M. What we are seeing with declining revenues, for example, is our HURF revenues for the month of August. We're down \$26M over this time last year. So combined with HURF, VLT, we're seeing about a 13 to 15 percent decline.

As Mr. McGee will talk to you about in a few minutes, we don't see the trend reversing at this point. Revenues seem to continue to decline. We're facing a double edge sword in that we have less operating budget to work with. But also our cash flow is being depleted because of the declining revenues.

So if there are specific questions about ADOT activities, I'll be happy to answer them. I would just close out with saying that we think that we're going to be able to operate at this base level. We're hoping that there are no cuts in '11. We're going to try and keep everything we can keep going to ensure public safety and make sure that ADOT does what it is charged with. Thank you, Mr. Chairman.

CHAIRMAN HOUSEHOLDER: Thank you, John. Are there any questions for John?  
I guess you're off the hook, young man.

JOHN HALIKOWSKI: Thank you, Mr. Chairman.

## **ITEM 2 Consent Agenda (John Halikowski)**

CHAIRMAN HOUSEHOLDER: Next is the Consent Agenda. Is there any item on the Consent Agenda that anyone would like to pull out of the Consent Agenda and discuss? If not, I'll accept a motion to accept the consent agenda.

***Motion made by Bill Feldmeier, seconded by, Bobbie Lundstrom , to approve Item 2.  
In a voice vote, the motion passed unanimously***

**ITEM 3 Legislative Report (Kevin Biesty)**

CHAIRMAN HOUSEHOLDER: Legislative report, Kevin Biesty.

KEVIN BIESTY: Thank you, Mr. Chairman, Members of the Board. As you know, legislature has taken a break on the '10 budget. There's still some unresolved issues that they have to address. What I'm hearing is if revenues continue to go down, they'll have to keep coming in and making adjustments. We're hoping that the economy and revenues will turn around so they won't have to do that. And the discussion through the whole debate is 2010 is looking bad and 2011 is looking as bad, if not worse. So it's going to be a rough year.

The Governor's office has instructed us that as far as legislation we should only look at high priority legislation items, and any ways we can make improvements; either remove restrictions that will help us run efficiently or help us do more with less. The director has instructed everybody to come up with ideas. We're also looking at possible revenue enhancements. For instance, many of the MVD fees are over 30 years old and haven't been adjusted. The cost of a driver's license is about half the cost of what it actually does cost to produce that license. So we'll be discussing that with the governor's office in the coming month.

As far as Federal, it's mainly about health care and health reform at this point. On the Federal budget, the Senate will be going to conference committee. We should have an idea of what comes out of that soon. Federal revenues are weak also, so we'll be keeping a close eye on that.

SAFETEA-LU reauthorization is still being discussed. Chairman Oberstar wants to go with a full-fledged authorization and he's being met with resistance. They want to do an 18-month extension, so negotiations continue. The wisdom right now is that they're looking at a three to six month extension to continue negotiations. So we're also keeping an active eye on that. So if anything should come up, we'll let you all know. If there are any questions, I'd be happy to answer them.

CHAIRMAN HOUSEHOLDER: Thank you, Kevin. You've done a good job.

**ITEMS 4 and 5 Financial Report and Financing Report (John McGee)**

**ITEMS 4 and 5 Financial Report and Financing Report (John McGee)**

JOHN MCGEE: Mr. Chairman, Mr. Fink is not here today. He planned on being here and giving the financial report. However, today is the last day for closing the books on the Federal fiscal year 2009 Federal funds, and John had a couple issues came up yesterday that required him to be in Phoenix today.

As Director Halikowski stated, August HURF revenues came in at \$91.3M. That was down 13.1% from last year. To put that in perspective, that is the lowest month of collections since August of 2003, over six years ago. So it just doesn't seem to be getting any better.

We thought we had developed a pretty conservative forecast for the year with the forecast being essentially flat with last year. For the first two months, we are down 7.2%, compared to our forecast, and down 12% from last year.

The news really isn't much better for RARF. July RARF collections were 25.8M. That was down 13.8% compared to last year, and down 10% compared to the forecast. I won't go through the other detail information. We will send out the booklets that John Fink normally prepares, and they will have all the financial detail in them.

There is one small ray of positive news in all of this. Over the course of the next couple of months, we are going to be looking at the potential for bringing forward some level of additional Federal projects into this fiscal year from future fiscal years. The reason for that is a little bit complex. It ultimately has to do with an analysis that the department has done that indicates that if we don't get out every single Federal aid project out that we have scheduled for this Federal fiscal year, we could potentially lose some Federal funding. So in order to ensure that that doesn't happen, we're going to be bringing forward some additional Federal projects that otherwise would have been in 2011 or 2012 to make sure we have enough Federal aid projects in this year that so we can totally utilize our obligation authority and not lose it.

So, Mr. Fink working with Jennifer and Floyd will be looking at that issue over the course of the next month or two and hopefully bringing forward some additional Federal aid projects into the current fiscal year. And that would conclude my report for agenda items numbers 4 and 5. I would be happy to answer any questions.

#### **ITEM 6 Master Lease Agreement (John McGee)**

JOHN MCGEE: Mr. Chairman, Agenda Item number 6 is a master lease agreement between ADOT and Commnet for a wireless lease. We haven't had one of these come before the Board for quite some time. But these leases do have to have the approval of the Board. The information for the lease is included in your agenda. Rod Fehlman is here and will very briefly go through it with you, hopefully for your approval.

ROD FEHLMAN: Mr. Chairman, Members of the Board, the Financial Management section of ADOT is presenting a master lease for Commnet Wireless. They're a subsidiary with Atlantic Tele-Network for a master lease and eventually for a site at the Wickenburg Maintenance Facility. We have currently about 85 of these cell sites around the state bringing in approximately \$1M in revenue to the state annually. And we're recommending that the master lease that you have a copy of be approved. If you have any questions, I'll be happy to answer those.

BILL FELDMER: I see here under paragraph 3 that the sites raise \$1,000 a month.

ROD FEHLMAN: That's correct.

BILL FELDMEIER: How do you come up with it?

ROD FEHLMAN: Well, currently we have a flat fee that we're charging on all of our cell sites of \$1,000. Some stages come up with different formulas based on traffic counts and various things. This is kind of a hold over from my predecessor. We raised those rates about two years ago from \$750 to \$1,000 a month. The industry uses various matrices and what not to establish those rates. Because we can order or sell companies off basically for 180 days and they have about \$100,000 invested in these sites, we can't really charge the market rate which would be based more on matrices. So this is just a flat rate that we're charging across the board. We review that periodically to see if we can bump those rates up. There's a 20% escalation fee for every 5 years, so that does keep hopefully with cost of living.

BILL FELDMEIER: So why is it that we would impose upon them 180 day exit time if they have that large of an investment?

ROD FEHLMAN: Sometimes we have highway needs that need to be met. These sites are typically in our right-of-way. If we have an expansion, we've left that master lease to allow us to make whatever adjustments we have to. Recently we did have a site that was moved on 101 in Glendale just because of that. These sites are built at their cost and everything at their risk. But because they are a risk, we do have lower rates, but not much.

BILL FELDMEIER: I'm looking at it in terms from the other end. And that is if we can guarantee them a longer period of time without a 180 day boot, that will be able to increase their rental fee.

ROD FEHLMAN: That's probably true.

BILL FELDMEIER: So is there a way in which you can look at those to determine which ones would be potentially vulnerable meaning we might have to send them down the road six months?

ROD FEHLMAN: Sure.

BILL FELDMEIER: As opposed to others who we know would reasonably believe that nothing is going to happen in five years here. For that assurance we ought to be able to increase our income level.

ROD FEHLMAN: Most of the leases are 20 year leases total, five year renewal periods. Typically these are long term leases. The industry would actually like to see 25 or 30 year leases. So they would certainly like to see a lot longer time frame, however, up to this point, most of the districts have felt that it's better to have that weigh out of these contracts in case we do need these roads widened or whatever. It's something we'd be happy to look at as far as property management, but we'd need all the districts to confer with that and state that they don't have a problem with looking at the five-year plans or whatever to determine if that's feasible.

BILL FELDMEIER: And to your knowledge, maybe not in Arizona, but in other states, is there a percentage of revenue that's attached to these freights?

ROD FEHLMAN: Not to my knowledge. Most of these companies do not want to do that because they don't want to disclose how much they're making per se. They hold that information confidential. So to my knowledge, most states maybe have at the most a matrix where they charge a different amount for a rural site as far as an urban site or something like that or maybe based on accounts. However, a lot of them just have a flat fee. And a lot of states don't even allow them.

JOE ACOSTA: Mr. Chairman, Members of the Board, Joe Acosta, Assistant Attorney General. Mr. Feldmeier, in partial answer to your question, the Department cannot contract away its right to do whatever it needs to do with the highways. So any assurance that the Department could give with respect to we're not going to require you to do anything to move out or we're not going to widen the road or move it, it would have to have a reasonable timeframe that doesn't amount to basically contracting the way the Board's right to make decisions or the Department's right to make recommendations to the Board as to future needs. So, for example, we couldn't give them a 25 year assurance. We're not going to widen say Route 77 for 25 years. We couldn't do that. So there's a reasonable line in there that you can't pass where it amounts to contracting away the necessities of the state, the plan.

BILL FELDMEIERS: I'm just looking for ways to increase our revenue. You figure that stuff out on your own.

JOE ACOSTA: I just wanted to make sure you're aware that we couldn't make that kind of guarantee for a long period of time.

CHAIRMAN HOUSEHOLDER: Go ahead, Felipe.

FELIPE ZUBIA: While Mr. Acosta is up, we have a couple more questions. On that note though, there's a provision that also allows the governor to legally cancel the contract as well. So we can't give up that right as well which is probably more important.

JOE ACOSTA: That's correct.

FELIPE ZUBIA: What's the difference between this master lease that we're doing and what cities typically do on franchise agreements? Is there a quick way to explain that?

JOE ACOSTA: Yes. These are more akin to business arrangements, although there are some differences because we're a government agency. Most franchises are based on other statutes that have different regulations. And most franchise statutes have a lot more detail within the statutes that we do. So there is more room for negotiation, all these leases then there are in most franchise situations.

FELIPE ZUBIA: So maybe it's a question for both of you. Would these, as part of the lease agreement, would we still be able to request let's say a lump sum fee just for the right to use a right-a-way and then every site then becomes a \$1,000 lease rate? Is that a possibility?

JOE ACOSTA: Well, there are a lot of possibilities on how you can structure those leases.

FELIPE ZUBIA: And I'm not looking to do that on here. I'm just going ask in generally for future reference.

JOE ACOSTA: Well, there are a lot of ways to do it. Possibly in an executive session we can talk to you a little bit more about the possibilities if you'd like to do that. That is from the legal side.

FELIPE ZUBIA: And I guess and decide on whether or not to do something like that. What I'd like to know from staff is whether or not John said that this was the first one we've got in a long time. Do we foresee some of these coming up here in the near future? If not, then we can park it and forget about it for a while.

ROD FEHLMAN: Well, we don't usually have a new player in the cell phone industry very often. In fact, there's a consolidation happening. Sprint and Nextel have combined. Verizon, a lot of these companies are consolidating. That's why we don't see a lot of new ones happening.

FELIPE ZUBIA: If I can stop you right there. You bring up a good point. I did see the provision in there that allows for transferability. But with that in mind, with regard to fees, are we charging them fees to review all the documents that we need to review to sign off on any transferability as well as if I can add on to that? Are we charging them review fees for what engineering has to do to reveal the right-a-way purpose?

ROD FEHLMAN: Currently we are not. I have discussed that with my management at some point to perhaps charge them a fee for basically a permitting fee so we can do that. I'm not familiar enough with what we're allowed to do and not allowed to do. But so far we haven't taken any action. So the answer to your question is no.

JOE ACOSTA: Good point, Mr. Chairman, Mr. Zubia. I don't know that we have statutory authority to charge those permit fees. That's something that we will look into as we do this comprehensive review of MBD fees, permit fees within the Highway Division.

FELIPE ZUBIA: That's fair enough.

JOE ACOSTA: But it's an excellent point, Mr. Chairman, Mr. Zubia.

FELIPE ZUBIA And that was the only other concern with this one specifically. I didn't see any provisions that would allow that.

JOE ACOSTA: Mr. Chairman, Mr. Zubia, if you prefer, we can do some more research on this for you and perhaps memo or white paper too -- and give you more specific information.

FELIPE ZUBIA: That would be great. That's it on my questions.

BILL FELDMEIERS: Just as a quick follow-up. I would like to see that, see the research on behalf of the department because we're providing services for the private sector for which they are accustomed to paying fees to municipalities and counties on a regular basis. And it's similar to the example that John mentioned earlier. We're buying a drivers license and it costs half to produce that. Somebody is

underwriting that and we are. And we need that money to put towards asphalt. And I think they expect it. It's more of a fee for service.

JOHN MCGEE: Well, Mr. Chairman, Mr. Feldmeier, we're winding up a two year study on MVD. And what we've done is we've benchmarked other states and what they're charging. In Arizona, as you know, at 93, the voters approved Proposition 108. So even if we take a fee legislation, hand it over to the legislature, it's going to take a 2/3 vote to increase it. We've already had some meetings with legislators who have expressed interest in helping us. But I just want to tell folks there are challenges to that. The other thing I would like the Board to remember is the two big components of the HURF Fund are gasoline taxes and VLT. MVD fees are a component of that, but they're not the main drivers. They're important, don't get me wrong. But they're not going to be the silver bullet either that bails us out.

CHAIRMAN HOUSEHOLDER: Any more questions? It looks like that you're going to get us some more information and have it ready for us next month so we can make a decision?

JOE ACOSTA: Mr. Chairman, we will get you information prior to next month. We can do some research and Mr. McGee will make sure every Board member gets more information on the lease issue.

ROD FEHLMAN: Mr. Chairman, even though we are going to provide that additional information, I believe we were going to ask the Board to approve this particular lease. I think we've got a certain period of time to do that. And so I think we would still ask the Board to go ahead and approve this lease if it would be their desire. Whatever comes out of this white paper may or may not be something that would be able to immediately impact this particular lease. So it might be at least to consider approving this lease.

CHAIRMAN HOUSEHOLDER: You're saying we need an agreement for the leases right now?

ROD FEHLMAN: Yes.

CHAIRMAN HOUSEHOLDER: Okay. Do I have a motion from a Board Member?

FELIPE ZUBIA: I'm okay with that. I don't want these guys to get caught in the cross hairs of the larger issue that we want to discuss. So I'll bring the motion to approve the contract.

***Motion made by Felipe Zubia, seconded by, Bill Feldmeier, to approve Item 6.  
In a voice vote, the motion passed unanimously***

#### **ITEM 7 Multimodal Planning Report (Jennifer Toth)**

JENNIFER TOTH: Good morning, Mr. Chairman, Members of the Board. I'd like to give you a brief update on the bqAZ or the framework's process moving in to the Long Range Transportation Plan and then also on the High Speed Intercity Rail Program that we discussed at the last Board meeting.

In terms of the bqAZ frameworks, we've met with elected officials for all of the MPOs and COGs from July to September. We've coordinated our efforts with the PAG 20/40 working group. And this month we've been meeting, in fact, this week we've met with MAG's Management Committee. The following week we'll be presenting to the Transportation Policy Committee. And the week after that to the Regional Council.

In addition, we've provided an update on the Rowe Consultation process to the annual conference at the League of Cities and Towns on September 4<sup>th</sup> in Oro Valley to solicit additional elected official participation in the bqAZ process.

The study team is currently working on crafting the draft recommended scenario which incorporates all the technical and the public input received through the course of the study including that input recently received from elected officials. They are also working on a strategy of a rollout of the recommended scenario in three locations including a northern, central and southern region as well as online participation for that recommendation, and then presenting back to the Board in the December timeframe for their approval.

I will highlight the bqAZ lays the vision as we talk about numerous times for the lot then moving into the long range Transportation Plan. As we move into the long range Transportation Plan, that's where we start looking at the 20 year revenue projections. And what that picture will lead us into developing within that vision.

We've met with MAG and PAG, and we are now working with the COGs and MPOs soliciting input on them on developing a collaborative process for their involvement in the long range Transportation Plan. We'll be kicking off that process probably I would say in the December timeframe in earnest in terms of really starting some meetings and some real technical involvement.

As an update on the High Speed Intercity Rail Program, I had come before the Board at the last meeting and said that we were putting in two pre-applications. One for the intercity rail between Phoenix and Tucson and another working with Amtrak to bring service back through the Phoenix area. After sitting down and with several conversations with the Federal Railroad Administration and also Amtrak, we've decided not to pursue the proposals and moving forward with those. For these reasons, both Amtrak and FRA said we needed to really make some progress on the alternative analysis grant that we have which we will be soliciting and getting out through the procurement process. We look to have that advertised in the January timeframe. But until we really complete the rail framework study which will be completed in the summer of this year and developed that statewide rail plan, they felt that our efforts really should be concentrated on that alternatives analysis. And then we have several steps that we need to move forward with. The programmatic EIS as well as service development plans and a financial plan to move that agenda forward and take advantage of that FRA.

So that completes my report on Item number 7. If there are any questions.

FELIPE ZUBIA: Mr. Chairman, I just have one point of clarification I'd like to ask. Jennifer, you said the 20 Year Plan has to be fiscally constrained, but also that we're pursuing a vision of what the bqAZ is going to produce. Is it possible when we look at that that we can include sort of what if scenarios on

revenue sources to say that if we have a new revenue source that produced X amount, we would be able to envision more than just fiscally constraint?

JENNIFER TOTH: Absolutely. And I think that's the beauty of doing the vision and then following up with the long range plan is that you'll be able to say, well, this is really where the state wants to go. And, oh, by the way, here's the revenue that we have projected for 20 years and here's what we can do. But then look what, you know, we could accomplish if we had different revenue sources, then absolutely.

CHAIRMAN HOUSEHOLDER: Are you recommending a motion?

JENNIFER TOTH: No, this was just for informational purposes.

CHAIRMAN HOUSEHOLDER: Anybody have any questions for Jennifer? Okay.

#### **ITEM 8 Priority Planning Advisory Committee (Jennifer Toth)**

JENNIFER TOTH: I'll move on to Item number 8A. Item 8A we are asking for the Board approving of rolling 47 sub programs of the fiscal year 2009 rollover into the fiscal year 2010 balance. And that's on page 181 or also on the screen here today. Mr. Chairman, this one I am asking for a Board approval.

CHAIRMAN HOUSEHOLDER: That's 8A?

JENNIFER TOTH: 8A correct. It's to move the sub-program balances from fiscal year --

CHAIRMAN HOUSEHOLDER: 2009 to 2010.

JENNIFER TOTH: Exactly.

CHAIRMAN HOUSEHOLDER: Do I have a motion to that?

***Motion made by Felipe Zubia, seconded by, Bobbie Lundstrom, to approve Item 8A.  
In a voice vote, the motion passed unanimously***

JENNIFER TOTH: Item number 8B, these are a listing of two projects that need to deferral from fiscal year 2009 to 2010. In your Board packet there were three projects listed. One of those is on the Board agenda to award a construction contract. So we are asking that these two projects, one on I-8 and one on 87 will be deferred into next fiscal year.

CHAIRMAN HOUSEHOLDER: Any questions for Jennifer? I'll entertain a motion on 8B.

***Motion made by Bill Feldmeier, seconded by, Felipe Zubia, to approve Item 8B.  
In a voice vote, the motion passed unanimously***

FELIPE ZUBIA: The reason why we're kind of out of a loss because of all the different formatting here, but it's well done by the way, and actually makes it move a little faster. So we're trying to find ourselves in the new packet.

JENNIFER TOTH: We're working through items 8 with the PPAC Committee. I would like to propose that Item 8C through 8E be taken as one unit. These are items that are contingent upon MAG's approval at Regional Council on September 30<sup>th</sup>.

CHAIRMAN HOUSEHOLDER: Is there any questions for Jennifer?

FELIPE ZUBIA: I can move approval of the Items 8C through 8E.

***Motion made by Felipe Zubia, seconded by, Bill Feldmeier, to approve Item 8C through 8E. In a voice vote, the motion passed unanimously***

JENNIFER TOTH: Items 8F through 8J are in relation to modifications to the Five Year Program and have been approved by PPAC, so I'd like to ask that those be approved in one scenario as well.

CHAIRMAN HOUSEHOLDER: Do I have a motion or you have any questions?

BILL FELDMEIER: I'm fine with that, Mr. Chairman. I move for approval.

***Motion made by Bill Feldmeier, seconded by, Bobbie Lundstrom, to approve Item 8C through 8E. In a voice vote, the motion passed unanimously***

JENNIFER TOTH: And then last but not least. Items 8K through 8P are in reference to modifications to the Airport Development Program. And if the Chairman wishes, we can take those all as one.

CHAIRMAN HOUSEHOLDER: That's 8 to 8P, 8K through 8P. Any questions for Jennifer? Do I hear a motion?

BOBIE LUNDSTROM: I make a motion to approve items 8K to 8P.

CHAIRMAN HOUSEHOLDER: Do I have a second?

***Motion made by Bobbie Lundstrom, seconded by, Felipe Zubia, to approve Item 8C through 8E. In a voice vote, the motion passed unanimously***

CHAIRMAN HOUSEHOLDER: The next item on the agenda is the engineer's report.

### **ITEM 9 State Engineer's Report (Floyd Roehrich)**

FLORD ROEHICH: Good morning, Mr. Chairman, Members of the Board, Mr. Halikowski. Currently we have under contract 101 construction projects around the state with a contract value of just over

\$1.5B. We have a more than a half a billion left to perform on those existing contracts. Today we're going to take action on 16 contracts, 15 of which we're going to recommend award and one for deferral. We continue to finalize a great number of projects as we move forward with this address of construction program. We finalized 9 month, and that brings us a total of 15 projects finalized to date. That is the current status of the construction program.

Next is just a short update on Item 10 on the ARRA projects. And I'd like to look at where we're at right now. And we have just, in my opinion, the staff at ADOT and working in cooperation with our third party agencies and local governments and other entities involved including the FHAA just have done a phenomenal job of getting all our funding out. The construction industry has continued to work with us and give us some very competitive bids. And to date, and these are the state funded. If you remember, out of the \$522M that we got, the state itself got nearly \$349M. That was distributed at the Board's discretion. So far that led to 59 projects. That includes two additional projects that MAG auctioned and the Board had previously actions that were added to the ARRA list. Out of those, we've advertised all of two of those. And with today's award, we would have awarded all of those projects, but seven.

What I'd like to go down now to is quickly talk about what that means to some of the savings. You can see down there between the MAG PAG in greater Arizona regions where the funding was distributed. We've saved more than just \$90M to date in additional bid savings that we're going to ask the Board to action a couple of changes to our ARRA prioritized project list. But those projects have allowed us to expand our project list based upon the original actions that the Board took in March of this year.

With the MAG region, \$14.8M have allowed us to continue to go down the prioritized list and add eight additional projects. We think those eight projects will consume all the funds within the MAG region that we have so far. So that program is going to be in very good shape. We're going to get all our funds obligated. No problem there.

Within the PAG region, the \$16M savings there will allow us to go down to the next project on their list which was a \$14M pavement preservation project on State Route 86. It will also allow us to probably have a little bit more funding in there. We're continuing to work with the PAG leadership to get the additional funding obligated and get that moved into their program.

The last area I'd like to talk about is greater Arizona. The \$61M is a really great opportunity for us to do some equalizing of some of the distribution of funds in the greater Arizona area as well as hit a really significant need. So what I'm proposing within the MAG and PAG region, the Board does not need to action those projects. They were previously agreed prioritized by the Board which is continued to go straight down the list as the Board had approved and those regional councils had approved. With the greater Arizona, I actually am going to ask the Board to consider a motion to make two adjustments. At the time that we had approved the priority list of projects back in March of this year, that list which had originally led to the 50 plus projects that we ultimately had approved, there are a couple of considerations now that this late not only this calendar year, but into the first year of the ARRA Program, which again all funds have to be obligated within that first year. We're down to the point where we started to look at the next few projects on the list. We started running into difficulty. Some of those were in the northern regions where we couldn't get those projects started until after the March timeframe of next Spring because we'd be running up against paving windows and weather conditions.

I wouldn't allow those projects to move forward. So we started to see an issue between the projects that we were able to move forward.

The other consideration that we're running against is with the time factor. We want to make sure that all our funds get obligated and projects can move forward within that first year. So we have no possibility of losing these funds. So in consideration of the weather impacts, the type of projects as well as the timeframe necessary to get these funds obligated, I'm going to ask that the Board make two changes to the prioritized ARRA list that we have.

The first one is to move project number 39 on the list, move that up to be the next funded ARRA project. That's a \$55M winding on Intersection 10 from I-8 to State Route 87. That project has the potential to create and sustain over 500 jobs. It also allows us to immediately get that project moving forward to keep the economy rolling in Pinal County in the southern region of the State.

In addition, I'm going to ask the Board to consider adding a new project to the ARRA greater Arizona list. That project is on SR 191 in Graham County. The project I'm asking to add is a project that improves safety, widens SR 191 from two lanes to four lane. And it continues the effort that we are doing along 191. At the time we first put together the prioritized list of projects, this project was not shovel ready. We were outstanding --

BOB MONTOYA: Excuse me, Mr. Chairman, Floyd. The Board members don't have the list.

FLOYD ROEHICH: The original prioritized list for March, we did not provide that. But the new list that we're asking you to consider these two projects were part of the notice that went out to the Board. I apologize. I'll give you my copies. It's the memo dated September 14<sup>th</sup>. And the specific consideration I'm asking for is now on the second page, the second paragraph from the end.

BOB MONTOYA: Chairman, this is Bob Montoya.

CHAIRMAN HOUSEHOLDER: What do you need, Bob?

BOB MONTOYA: I don't have the list that Floyd is referring to. Do you have it?

CHAIRMAN HOUSEHOLDER: I think he mailed it to you here three or four days ago.

BOB MONTOYA: Did he mail it or e-mail it?

FLOYD ROEHICH: E-mail.

BOB MONTOYA: Is that the amendment?

FLOYD ROEHICH: Yes, sir. It's the memo that was sent. It also included the ARRA recommendation and project update. And also included was an attachment that identified the Tiger Grant Projects that ADOT submitted.

BOB MONTOYA: I did not receive that. The only thing I received was the amendment dated 9/17/09.

FLOYD ROEHICH: So it would have been probably late last week, Friday or Monday.

CHAIRMAN HOUSEHOLDER: Bob, on the front of it is greater Arizona MAG and PAG, these three items. Have you got that one?

BOB MONTOYA: No, I did not receive that. Please continue.

FLOYD ROEHICH: I was talking about the SR 191 project in Graham County and for the board to give consideration to adding that to the prioritized list and fund it as the next project funded out of the bid savings. That project has an estimated cost of just around \$11.9M. One of the considerations that we've given is at the time we approved the original list, there was only one project shovel ready in Graham County for \$191K. Approving this project and funding it will allow a better balance of equity between all the counties, the depressed counties around the state. It will actually bring their funding to just over \$12M for that county which is very comparable to most of the other counties around the state and what we were able to fund in the distribution of the ARRA funds.

I'd ask the Board to make a motion to reprioritize the Interstate 10, I-8 to 87 project as the next ARRA funded project at an estimate of \$55M and to add SR191 to the ARRA funded projects as the second prioritized funded projects out of bid savings \$11.9M and to allow us to move forward with the certification updates for the Governor, as well as any of the prioritization actions to fund these projects and use up the remaining bid savings.

*Motion made by Si Schorr, seconded by, Bobbie Lundstrom, to approve Item 10.*

BILL FELDMEIER: I have some comments and questions as well, Mr. Chairman, and staff folks. I'm certainly comfortable with this 191 project. I think we missed the boat because we didn't feel like we were ready before and we're ready now. I think we need to make the adjustment and make that happen. But I haven't seen that list since March that we prioritized in terms of moving on down on that list if we have additional savings. The Board had specific conversations related to that, that if we went below that line with savings that we were just going to move right on down that line. I understand that the Board has the ability to make those adjustments, but until I see that list and I see which ones and have that really to refresh my memory, then I'm not willing to throw \$55M at one single project at the expense of a whole bunch of other smaller projects in other parts of rural Arizona. Unless, of course, they are inhibited by snow and winter weather in which case I certainly understand that those kind of adjustments I would make to other southern Arizona rural counties where we need to, the \$55M in one particular pie.

FLOYD ROEHRICH: Mr. Chairman, Mr. Feldmeier, here is the list that we had approved previously. At the time we had approved it, we were able to come down to what was the 28 projects top priority and the distribution by county, again, with Graham County being the county with the least amount of shovel ready and the smallest amount. The next few projects on the list were a sign replacement project which we were able to move that forward with additional --

BILL FELDMEIER: Hang on one second, you're moving too fast for us. So we got to 28?

FLOYD ROEHRICH: Yes, sir, we got to 28.

BILL FELDMEIER: So we talked about moving from 29, 30, 31 on down, right?

FLOYD ROEHRICH: Yes, sir.

BILL FELDMEIER: All right. So let's just look at these. 29 is the sign replacement. And what do you have for that? That's okay, that's taken care of?

FLOYD ROEHRICH: Yes, sir. That's okay. We're able to move that one forward. The pavement preservation east of Douglas on SR 80, I guess that is the project. But we feel that with the additional possibilities of using Federal obligation that John was talking about, we'll be able to bring that forward. I-40 ends up becoming a weather problem. We could not get that project started in time.

BILL FELDMEIER: Where on Interstate 40 is that?

FLOYD ROEHRICH: It's at Holy Moses Rattlesnake out in Mohave County.

BILL FELDMEIER: That's not likely to have any problems with snow.

FLOYD ROEHRICH: It would have some inclement weather conditions that may affect the paving window and opportunity and push that off and have to do that later in the year.

BILL FELDMEIER: Okay. Let's keep going. Greer.

FLOYD ROEHRICH: We've got Greer to Rodeo Grounds to Apache County and Grants Junction. Again, pavement preservation we were looking at pavement preservation projects as, again, opportunity to use the additional possible Federal obligations to move those forward. They come much quicker. The Cortez Junction TI that is going to be funded out of additional funding mechanisms that we have. So we started to look at projects that have a possibility of having issues. I-40 in Junction 95 to Walnut Creek had weather considerations. Raised pavement marking we, again, didn't see jobs created as much in that as part of it.

BILL FELDMEIER: Where is Walnut Creek on 95 that would have weather problems?

FLOYD ROEHRICH: It's on I-40 from the Junction 95 to Walnut Creek. Again, you end up with the possibility of having the type of weather that may not allow pavement preservation action to move forward. You'll end up delaying those. You couldn't get projects started as quickly.

BILL FELDMEIER: Mr. Chairman, I'm not comfortable moving forward with this part of it. I'm all right to approve 191, but until I really have some time to absorb this, I'm not willing to approve the second part of this request.

FLOYD ROEHRICH: Okay.

BILL FELDMEIER: I may be the lone voice in that, and that's okay. I'm just going to request that we hold this second part into abeyance. If that means that we have to have --

BOB MONTOYA: Mr. Chairman, I would agree with Mr. Feldmeier.

FLOYD ROEHRICH: Mr. Chairman and Members of the Board. I think we can hold off a little bit if you would like further analysis of these specific projects and ensure that we are moving forward with the correct recommendation. I felt that we were able to show that it was the right recommendation, but if additional discussion and review of these projects is desired by the Board, I think we have time to do that provided that we can get back to it fairly quickly. And I am going to ask the Board to give consideration to a special telephonic board agenda in early October. I was going to get to that later in my discussion. And that might be an opportunity to give us a few more weeks to work through this with the board, possible meet Mr. Feldmeier or Mr. Montoya or any of the Board members and further review these to ensure that we have answered any questions or concern you have on this project list.

SI SCHORR: Chairman, with that in mind, I'll withdraw my motion if I may?

CHAIRMAN HOUSEHOLDER: Okay, Si. John.

JOHN HALIKOWSKI: Mr. Chairman, I just have a couple of points to make. When is the regular October meeting?

CHAIRMAN HOUSEHOLDER: It's on the 17<sup>th</sup>, I think.

JOHN HALIKOWSKI: Floyd, you mentioned in a number of these that because of the moving forward of the Federal obligation authority, some of these projects are going to get taken care of in that manner. So we don't necessarily need them on the ARRA list anymore; is that correct?

FLOYD ROEHRICH: Yes, sir. That's a strategy. We can move them still in this fiscal year, do them later on and still have an opportunity to get those projects moved forward, but not immediately. The I-10 Project gave us that the greater expediency to use those funds.

JOHN HALIKOWSKI: I understand. So, Mr. Chairman, would it be helpful to the Board if we looked at this list in actually on two tracks, those projects that are eligible that Floyd feels we may be able to defer and use some of that additional obligation authority and those that we would use the ARRA Funds for? And even maybe another category of those that he feels are weather impediment. Does it help to start breaking it down into those different silos so that you can get a better look at them?

BILL FELDMEIER: I think that information will be helpful.

FLOYD ROEHRICH: And we can summarize that and have that out next week, and give it out at the Board meeting.

BILL FELDMEIER: That would give the Board members a few weeks to look at this and talk about it. And my suggestion is, Floyd, if it doesn't impact us too much, just to bring it up to the next regular public meeting and then we want it then.

FLOYD ROEHRICH: I think we probably have that latitude, but not too much longer than that. We are starting to push up against the windows. As said, on construction windows as well as getting the ARRA funds obligated and get these things moved forward. We definitely don't want to have an opportunity where we lose any funds because we weren't able to react as we move these project lists forward.

BILL FELDMEIER: Mr. Chairman, that would give the Board some time to look at this. Then also, instead of doing it telephonically, it would be in a regular public open setting.

CHAIRMAN HOUSEHOLDER: And we'll have plenty of time to get that all taken care of?

FLOYD ROEHRICH: Mr. Chairman, yes, we'll be able to do that. So at this time then, we're moving the I-10 Project and deferring action on that in reconsideration of the prioritized ARRA list. I would ask, though, that we do move forward with the 191 Project so we can keep that project moving forward, and we can bring back that balance, equity between the counties.

BILL FELDMEIER: I will move then that we allow or move forward as quickly as possible with this 191 Project.

FLOYD ROEHRICH: And that's the State Road 191 Dow Wash to Tin Ranch widening project. We would add that to the prioritized ARRA funded list, make that the next prioritized project for using these bid savings and move that project out into advertisement and construction.

CHAIRMAN HOUSEHOLDER: Question, anybody have any questions?

***Motion made by Bill Feldmeier, seconded by, Bobbie Lundstrom, to approve Item 10.  
In a voice vote, the motion passed unanimously***

FLOYD ROEHRICH: Thank you Board members. Now, next round of ARRA quick up date was on the enhancement program. If you remember, the state received about \$16M in Enhancement Fund. We're continuing to work with the local governments. These projects are really local government enhancement projects. To date, we've started development on five of these. We've advertised two. And today we're going to recommend awarding the second project. That program is on track with obligating all of their funds within that first year. That's the timeframe they had, and that project's program is really starting to move forward. So the enhancement program looks like it is going to be in great shape. And, again, because of bid savings we work with the locals to continue to expand that list that local governments are responsible for.

The last basically subprogram or program within the enhancement funds, the local government program, to date, we've identified 94 projects that have started development in our various stages of preparation. We've advertised three and only one has been awarded. This program is still continued to be a little bit challenging as we go through the magnitude of the projects and continue to work through the Federal aid and ARRA Recovery Act requirements with the locals. But we have added more staff. We have brought on more consultants. We continue to work as diligently and push these issues through what the locals. But we're getting down to the point where we really need to start seeing this program accelerate. And the director has asked that we hold some special discussions, get this additional tension focused on this program and we make sure that we succeed on this as well as we do on all other programs.

This program has the requirement to have all their funds obligated within one year. We continue to work through the cause in the local governments on these projects. There are individual issues surrounding each of these, but as we keep solving those we're going to see this program really accelerate into the advertisement and construction phase. So we're starting a little bit slow, but continuing to gather momentum all the time and continue to work with the local governments on that. I will continue to bring more detailed briefings and updates on this program as the months continue to move forward.

### **ITEM 11 Construction Contracts**

FLOYD ROEHRICH: What I'd like to do now is move into Item 11, the award of the construction projects. And as identified, there are 16 projects on the list this month. Five you've approved for award in the Consent Agenda. That leaves an additional 11. Out of those 11 I'm going to ask that 10 of those be advertised and one deferred. For the total projects that we're looking to award this month, we'll be adding more than \$70M of work into the industry. We're averaging about 20% bid savings; getting very competitive prices. We're also seeing some of savings on our materials, asphalt products and aggregate products and some of our other supplies, pipes and those type of products. It's leading to some good bid savings, not just within the ARRA funds, but some of these are regular program funds which will be able to go back into the programming to keep moving projects forward.

At this time, Mr. Chairman, in the interest of time, out of the 11 projects, there are nine of those that we are recommending award. I have no special considerations I'd like to discuss with the Board, although I will take any questions that you may have. They're all under the department's estimates. We've reviewed all the conditions and the reasonings surrounding their bids. We feel they are all competent bids and we are recommending award of those projects. So those are items number 11A through F, H, J, and K. In the interest of time, I'd ask that the Board would consider passing those as one motion and awarding projects number 11A through F, H, J and K.

BILL FELDMEIERS: I'm fine with that. I move to approve.

CHAIRMAN HOUSEHOLDER: Let's see. Is Si not able to vote on these? Did you get a letter on what Si can vote on?

FLOYD ROEHRICH: No, sir, I did not.

CHAIRMAN HOUSEHOLDER: Si can vote except on construction voting and acceptable on construction on 2I, 11G, 11I, 11J and 11K. So Si is not going to be able to vote on some of these.

FLOYD ROEHRICH: Well, G and I, I was going to do those separate. They have considerations. And which were the other ones?

CHAIRMAN HOUSEHOLDER: G and I?

FLOYD ROEHRICH: Yes, sir. 11G and 11I.

CHAIRMAN HOUSEHOLDER: 11K he can vote on, 11J, 11I, 11J and 2I.

FLOYD ROEHRICH: Two was already part of the Consent Agenda. It was approved by the Board, so we're not asking for no action on that right now. At this time then, if Mr. Schorr to allow him to vote, if he recusing himself from 11J, K, G and I, I think is what I read, then I would ask the Board to award items 11A through F and Item H.

CHAIRMAN HOUSEHOLDER: Do I have a motion to that?

*Motion made by Bill Feldmeier, seconded by, Bobbie Lundstrom, to approve Items 11A through F and H In a voice vote, the motion passed unanimously.*

FLOYD ROEHRICH: Then I'd ask if we can have the Board approve and award Projects number 11J and 11K. Again, those projects are competent bids and we recommend that those projects be awarded.

CHAIRMAN HOUSEHOLDER: Do I have a motion to accept J and K?

*Motion made by Felipe Zubia, seconded by, Bobbie Lundstrom, to approve Item 11J and 11K. In a voice vote, the motion passed unanimously.*

FLOYD ROEHRICH: The next project I'd like to talk about is Item number 11G. The project is on US 95 in La Paz County and it's Peligro to Clarks. It was a pavement preservation project that replaced the existing pavement, added a rubberized surface course. There was some pipeline and shoulder buildup and other miscellaneous work. This project was originally brought to the Board for conditional award on July 17, and at that time, the apparent low bidder, JAR Concrete -- you should have an amendment that was presented to you; it's two pages. The amendment as well as a legal description that was prepared by Mr. Acosta and Mr. Schlosser, the Assistant Attorney Generals on that item. That gives a full background as well as the full legal discussion about the project and the situation. What I'd like to do is quickly summarize it.

As I had said previously, this project was conditionally awarded to JAR Concrete Incorporated back on 17<sup>th</sup> of July with the condition that as a Federal project, they had 60 days to get its license in the State of Arizona as a general contractor in order to perform this work. Basically, JAR Concrete was not able to get their licenses within the 60 days. And reviewing the specifications as well as the legal letter of the law surrounding the circumstances, basically by failing to get their license within 60 days, there's no discretion that can be allowed to give them an extension on that timeframe. They did get their license after the 60 day period, but it did not comply with the conditions of the contract specifications or the legal solicitation bidding process. We feel there's no latitude to provide them an extension on that. Sixty days was sufficient time. It didn't look as if it took them quite a while to submit their application more than 43 days. Basically, they had gone to the point where they're not able to have completed their licensing process by the time they started it. Therefore, in consideration of that, we are asking to reject their bid and declare them non-responsive. We'll go down to the second low bidder at the time and award the project to that contractor, Fisher, Sand & Gravel doing business as Southwest Asphalt Paving.

The difference between their bids was roughly \$100K. The project is still more than \$3M, nearly \$4M below the Department's estimate. It is still a great bid savings. But in view of consideration of JAR Concrete's inability to complete the requirement of getting their license in 60 days, there's no discretion to extend that to them. I've personally talked to the owner and outlined this to them. He admits he

faulted, it was his fault and he said he is not intending to contest that. Therefore, we are recommending rejection of their bid and declare them non-responsive and award this contract to the second low bidder still at a bid savings of nearly \$3.9M to the department.

CHAIRMAN HOUSEHOLDER: Do I have a motion?

BILL FELDMEIER: Can I ask one quick question? And you're confident the owner stated clearly that it was the fault of the applicant as opposed to the Registrar of Contractors. It wasn't slow in the fact that they didn't have employees, they couldn't crank out the application, couldn't do the work they needed to do?

FLOYD ROEHRICH: Mr. Householder, Feldmeier that is correct. The contractor in this case waited 43 days to submit his application from the time he was notified he was the low bidder. Within the one week of receiving the original application, it did have to be returned back to them for errors. And he turned it around about a week after that. We had met with and talked with Registrar of Contractors. They followed their process. They did their due diligence. They did not slow this down because of any personal functions or functions on their regard. By waiting or delaying so long to start the process, he had backed himself into a corner where he just did not have enough time. And, ultimately, that's what ended up happening. He did not get his license.

BOBBIE LUNDSTROM: I motion to reject the bid of JAR Concrete and award the contract to Fisher Sand and Gravel dba Southwest Asphalt Paving.

***Motion made by Bobbie Lundstrom, seconded by Felipe Zubla to approve Item 11G  
In a voice vote, the motion passed unanimously.***

FLOYD ROEHRICH: The last project is in Maricopa County on SR 101 loop from SR 51 to Princess Drive. It's a continued expansion of the freeway management system along that corridor. It does include putting in loop detectors, closed circuit cameras, dynamic message boards, rat metering, pulling new fiber optic through there. It's a project that's roughly \$1.6M apparent low bid. We received five bids on the project. After opening the projects and making a recommendation to award the projects, we started finding problems with our specifications. We found some inconsistencies and possible errors specific to some items. One of them is the steel poles that are used for the cameras, possibly even the dynamic message board, but the cameras were the first area we found as an issue. And in discussing with the apparent low bidder, our first reaction was we needed to reject all bids, get back with the technical group and prepare a revision or correction to the specifications as well as the bid documents that we bid this work.

In addition, one of the other bidders had filed a protest claiming that with the discrepancy in the specifications, it was not a fairly bid process because it required him to have bid something different. He felt the competitors were not bidding the same type of project he did. That also led to part of the analysis that we were doing. And, again, we felt there was inconsistencies within the bids we received for the item, specifically the poles, and possible others that felt we needed to correct that situation.

The apparent low bidder has sent a letter to us asking to defer that decision and to let him show us that his bid and his quotes and prices do fully comply with our specification. And he will be able to provide

exactly what we speced. And at this point, in conversations with that contractor and in conversations with our contractor manager, Barry Crockett, as well as our technical group, I'm going to ask to defer this project one month so we can get back into that and look at exactly finding out what inconsistencies and possible errors are. Are they something that the industry did account for and we are going to be able to comply with those specifications or do they really need to be recorrected, rewritten and a new bid put out for this project.

So at this time, in consideration of what the bidders have asked for, what our technical groups have asked for and I don't feel we have the full knowledge. We just have not had time to pull that together by the Board meeting. I'm going to ask that we defer this project for one month, allow the state engineer and the staff to work through the protest as well as work through the specifics of this issue and come up with a recommendation whether it's competent enough to be recommended for award or we do have to reject and correct and make changes and rebid this project.

So at this time I would ask the Board to defer this project and to direct the state engineer to further look into the protest and the inconsistencies surrounding this project.

SI SCHORR: So moved.

FLOYD ROEHRICH: This was one of the projects Si said he needed to recuse himself on.

CHAIRMAN HOUSEHOLDER: You recused on that project, so your vote is no good.

FLOYD ROEHRICH: I may be wrong. I think Mary just said he actually was good with this one.

CHAIRMAN HOUSEHOLDER: Okay. Excuse me, Si, you can vote on it. Any questions?

FELIPE ZUBIA: The apparent low bidder, Freeway Management Systems has been around for a long time. Has he done work for other freeway management positions?

FLOYD ROEHRICH: As a sub, they have done small, but not a full project.

FELIPE ZUBIA: So they're familiar with the specs generally?

FLOYD ROEHRICH: Yes, sir.

FELIPE ZUBIA: What about the next low bidder? Have they done projects on the freeway management system?

FLOYD ROEHRICH: Mr. Chairman, Mr. Zubia, all five projects have done either components or done specific projects.

FELIPE ZUBIA: So, conceivably, if there was an error on our part, they could have probably picked it up and accounted for it anyway when they submitted their bids?

JOHN HALIKOWSKI: That is correct.

FELIPE ZUBIA: With that, I have no questions.

***Motion made by Si Schorr, seconded by Bobbie Lundstrom , to approve Item III.  
In a voice vote, the motion passed unanimously.***

FLOYD ROEHRICH: Mr. Chairman, there is one last item with your indulgence I'd like to talk a little bit about. We have been working very hard and long with the Town of Prescott Valley. They have a road up there, Glassford Hill Road, specifically stretched from Longlook Drive to where it ties into SR89A that continues to deteriorate daily and is falling apart very significantly. We have pushed to accelerate a pavement preservation project for those limits. It is a local project. It is part of the local government projects. This is not included in the agenda. It's for information only. It's a possible discussion to make them aware of a request that we're going to ask.

This we'll follow up with more specific information, but I just want to make the Board aware. We're going to submit a request asking to hold a special Board session, a telephonic session, between somewhere the 7<sup>th</sup> to the 9<sup>th</sup> of October in order to push this project forward in order to meet the timeframes necessary to get out there and make improvement to that road before it fails this winter. Prescott Valley has been pushing really hard on this. They talked with the director. They've talked with a number of senior people. We're trying to accommodate them. I just want to give you a heads up that we intend to request a telephonic board meeting and that's the reason why. We really need to get out there before full winter comes and that road just completely falls apart. Thank you.

CHAIRMAN HOUSEHOLDER: You can call us earlier than that if you want.

## **ITEM 12 MAG Regional Transportation Plan (RTP) Update**

CHAIRMAN HOUSEHOLDER: MAG Regional Transportation Plan. Eric?

BOB HAZLETT: No, sir. My name is Bob Hazlett. I'm Senior Engineer with Maricopa Association of Governments. Mr. Chairman, Members of the Board, this request was given by, I believe, Board member Zubia, that we update the Board on the tentative scenario to the MAG Regional Freeway and Highway Program.

As most of you know, the Board approved Proposition 400 in 2004. And since that time we've all been working together, MAG and ADOT, on delivery of the Regional Transportation Plan. However, as you are aware of the reports by Mr. Halikowski and Mr. McGee, we have had some revenue issues. At the same time we've also had some cost overrun issues as well with the entire Regional Freeway and Highway Program. So beginning in November of last year, MAG staff has started to take a look at these issues in earnest and has been working with the Transportation Policy Committee at MAG to formulate this tentative scenario.

The Transportation Policy Committee has not taken an action on this yet. In fact, they're going to be looking to do some action on it here in October. However, we have been coordinating as best as we can on this tentative scenario and what you're about to see.

There is an accompanying document. It is online. If members of the Board would like a copy of this document, I apologize; I didn't bring any with me today. But it is a fairly detailed analysis. It's about a couple hundred pages where we go through and summarize the actual scenario itself. We have tables both by quarters and also by the phases of the regional transportation plan as to recommendations for the scenario. There are a lot of maps, and some of those maps you're going to see in this presentation.

And then last there is an appendix to this is a presentation that I gave to the Transportation Policy Committee back in June 2009 where we went through corridor by corridor everything that's happening on them so that the committee was fully aware of what's going on. And also, we've made significant parts of this presentation to our other committees that MAG Transportation Committee, the Management Committee, as well as Regional Council. So just about everyone has been brought up to date on this particular scenario.

What I think is important is to take a look at this chart up here. Starting up here with the current Regional Freeway and Highway Program cost opinion that ADOT has given us, it's close to \$16B for doing that. We really only have \$9.3B to be able to accomplish the Regional Freeway and Highway Program under Proposition 400. And so as a result of that, staff started taking a look at things in terms of four different categories. Management strategies, value engineering strategies and then deferrals to an unfunded phase 5. It will still remain in the Regional Transportation Plan, but they would be moved out to be able to accomplish and bring this back into line. And then there's also some state of the course changes that I also go into as well as we move through this. Now, I want to start first with talking about the -- pardon me.

JOHN HALIKOWSKI: Bob, I just have a quick question. The \$9B is that just sales tax or is that all sources of funding?

BOB HAZLETT: Mr. Chairman, Mr. Director, it is everything. So I will start first of all to talk about some of the management strategies that we've identified before getting into some of the guts of the actual scenario. There are three areas that we've looked at to figure out if some of our cost opinions might be a little bit too high or if there are other things that we can do to try and bring some of these costs back in line.

The first area was, as most of you've just seen with your recent approval of a lot of the bid activity, a lot of our bids have been a lot lower. And that has certainly seen some savings. However, instead of taking like it is today 20%, we're looking at the remaining 15 years of the program. What staff has recommended is that we go ahead and do an across the board reduction of 10% and use that as our cost savings instead of just going like the 20% percent because we might be being a little bit over aggressive here in terms of the bids. We're pretty certain that the economy is going to come back and that we'll probably see an upswing again in construction costs.

Another recommendation that has been given to us. The staff has taken a look at this is that maybe what we do is for the next five years we look at a 15% reduction, the next five years after that do a 10% reduction and the last five years of the program maybe do a 5% reduction. Maybe we can go ahead and incorporate that into the scenario. We're taking a look right now at staff to see whether or not we can do that and, of course, receiving a lot of advice of council from Valley Project Management here at ADOT.

The other thing we've recommended, there is roughly in this scenario about \$1B of what is called system wide costs. These costs take care of a number of items, foremost, the management consultants and also to Valley Project Management, their salaries. All that type of information comes out of that. There's the noise mitigation kind of across the board, looking at sound walls throughout the area. Spot improvements as they come out are another area, and then also to the Freeway Management System, budget comes out of that. There are a couple of other items that are also in there as well.

What we've asked ADOT to do there is to just kind of hold that at what was originally budgeted of \$1B. The current cost opinion for doing just a system wide cost was \$1.5B. And we asked them to try and figure out a way to cut out the \$500M over time to be able to work through that.

The next area that we have is an area that we call value engineering. Now, it's very different than the actual formal BA analysis that is connected to ADOT. But in working with Valley Project Management as well as a lot of other effected interests in both the Loop 202 South Mountain and Loop 303 three way corridors, we've identified some significant savings there.

And then last, but certainly not least, are the deferrals that I just talked about, and I'll be talking about those as well. This map I know it looks like a lot of spaghetti, and I'm going to try to break this down and be as quick as possible about it. But you can see, this is where we're making recommendations for changes throughout the entire system. And as you can see, it affects the entire system, both in the east, west and central valleys. It's not just making one set of reductions in just the west valley or just the east valley. It has been spread out over the entire metropolitan area.

We'll start first with our value engineering recommendations that have been made. And those are mainly in the new corridors that have been identified here, Loop 303 between I-10 and I-17 and then the southbound corridor itself between the Santan Stack all the way up here to the I-10 Papago Freeway around 55<sup>th</sup> and 59<sup>th</sup> Avenue.

I'll start first with Loop 303 to give you an estimate. This is our actual mapping. You can kind of see what our differences are here, the costs opinions that have come out. Our original transportation plan estimate was roughly to build this entire facility for \$1.4B. But as you can see here, the cost opinion that has been given to us by ADOT staff is close to \$3B. And so what we have recommended here are some deferrals in the corridor to start to bring some of these costs back in line. And then also to the traffic interchanges, the big interchanges here at I-10 and also at Grand Avenue and also one that's been recommended by Glendale for Northern Parkway also figure into this as well.

I'll start first with the I-10 and the Loop 303 system interchange. This interchange back in June when the information was given to us was estimated to cost about \$760M. \$760M you kind of put that in perspective is three times the cost of that bypass bridge today. And we've been working with ADOT staff and we noted that we were using some very high estimates for construction. And a lot of those all came in with the height of when construction was being extremely aggressive and we were looking at some very high costs. ADOT staff went back and now has given us an opinion of roughly about \$518M and I'm working with this.

We are also working with ADOT staff as well as with the City of Goodyear because this is all entirely in the City of Goodyear. We are trying to find ways to maybe bring these costs down even further down to

about \$400M. Just to kind of give you some perspective Loop 202 and US 60, the Super Red Tan Interchange only came in at about \$250M. And so we recognize that costs have gone up, but we were looking at 250 to 760 and we're kind of thinking we need to take a look at that and maybe re-evaluate that a little more.

The next traffic interchange that we started working with was at US 60 Grand Union and Loop 303. The design that was proposed and identified by the DCR is something that has been called the Stack SPUI Interchange. And what that means is that Route 303 would have free flow over the top and then Grand Avenue would also have free flow at a second level. Then the third level down at the bottom would be where your left turn movements and the traffic interchange would meet in a traffic intersection or a single lane intersection at the very bottom of the stacks. So it has the term, Single Point Urban Interchange (SPUI).

Right now, MAG has been working with ADOT as well as with the City of Surprise and Maricopa County DOT on an access management plan for Grand Avenue between Loop 303 and SR74. As part of that, we kind of recognize that this traffic interchange was posing some issues over here. And so the staff on, the consultant, actually went back and took a look at this alternate design. And we found out that it lasted with a level service D through 2030. And we kind of ran that by the City of Surprise and they seem to be very receptive of this. It's roughly about a savings of \$150M at this interchange. We've asked ADOT to take a look at this design and incorporate that into their process.

The next traffic interchange that has been looked at is Northern Parkway. We have been requested by the City of Glendale to take a look at this. As part of the initial construction that ADOT was going to do, everything you see pretty much here in green as well as the 303 main line was going to be constructed. What the City of Glendale is very concerned about is that this Northern Parkway is, even though it's technically a parkway, there's going to be parts of it that are really going to be built to freeway standards. And that's again part of the Arterial Life Cycle Program. It's something that Glendale is going to be doing in cooperation with the City of El Mirage, Maricopa County DOT and the City of Peoria.

And so what they are concerned about was that if we defer these ramps which has always been identified for them, that we might be creating some traffic situations up here that might be unacceptable. And so we've been working with Glendale right now and we're looking at different scenarios. The current cost opinion was roughly \$80M to do the ramps right now. ADOT now the staff is suggesting that it's more like about \$53M. Right now we are working through that. And the West Valley managers have all weighed in this as well that there might be a compromise here to work this out. And right now ADOT has already selected Baker Engineers to go ahead and do the final design of this section of Route 303. And it's kind of given us to October 31 to identify what exactly they should be designing based on the outcomes of these discussions.

So, putting all this together, we feel that we're able to get the Loop 303 corridor back in balance by looking at these particular issues. South Mountain is another corridor that we've been looking at very closely. Again, about \$1.1B was identified in the Regional Transportation Plan. But the current ADOT cost opinion now is about \$2.5B or roughly almost two and a half times the cost.

In working with ADOT staff, we made some suggestions to take a look at a couple of other different options. What staff had been recommending to us is that the South Mountain Freeway be constructed in what we call a four plus one configuration where you would go ahead and set the outside lines and then widen everything to the middle. The Regional Transportation Plan only calls for six lanes on South Mountain and that's it. And so we've asked them to kind of go back to how we originally constructed the Price Freeway as well as the Pima Freeway, the Red Mountain and the Santan Freeways what we call the Prop 303 cross section. And we said why we don't go back to that one.

When we did that, we found here in Ahwatukee that ADOT already owns 95% of the right-a-way to be able to make that happen. And so we said, well, let's go back to that. And essentially, I think what we're going to be seeking from the policy committee is that we go ahead and build this quarter and what we call three plus one or three general purpose lanes and an HOV lane in each direction and then that's it. That's all that that corridor will see. But, again, to go ahead and get that constructed.

One other thing we also looked at here is that the 59<sup>th</sup> Avenue alignment is actually the most expensive part of South Mountain corridor. One of the questions that we had was, maybe if we run it up 59<sup>th</sup> Avenue we can take advantage of existing City of Phoenix right-a-way that's already been identified for 59<sup>th</sup> Avenue and go ahead and use that. And in conjunction with the City of Phoenix who's already taken a look at this, we agree with that. Putting all these things together, we've put another \$800M in South Mountain corridor, but setting that budget at about \$1.9B to go ahead and get this facility constructed.

Moving forward with the wholesale corridor deferrals. Besides value engineering, we've got to defer some things, and push some things out of the program unfortunately. The deferrals are kind of divided into a couple of categories here. The first one is what we call our corridor referrals that we've looked at.

I'm going to start over here with State Road 801 which is otherwise known as the I-10 Reliever Freeway. State Road 801 was identified in phase 4 of the Regional Transportation Plan at the very end of the plan. The original budget that we had identified it for was \$805M. And as you can see right now, the current cost opinion is \$1.8B. What we have recommended here is to go ahead and defer the 801 corridor. And if it does get deferred, it would be deferred really only by about two or three years because it would be one of the very first priorities right after 2025 and the next phase of the plan.

With that said, what we have asked ADOT to do is to not stop work on the environmental assessment for this corridor. Let's go ahead and get this environment clear so that the center line could be set and so that the cities, Goodyear, Avondale, Phoenix and Buckeye can start to work on right-of-way preservation efforts on their own and be able to take that right-of-way preservation efforts and transfer that over to ADOT for State Road 801.

We've also recommended over here that a section of 802 right now to go ahead with an interim facility between Route 202 in Ellsworth between Ellsworth and Meridian the county line to go ahead and defer that. The primary reason for that is that we're still studying what's going to happen with 802 on the other side of County. And quite frankly, there isn't any money to do anything with 802 in Pinal County at this time. So let's go ahead and defer that.

One last deferral that we have here is this section of Loop 303 between State Road 801 and I-10. This is kind of a typical one for us right now to be honest with you, members of the Board because this was in proposition 300. We were trying to make certain that we carry everything in Proposition 300 through 400 here. So right now we're working with ADOT staff as well as the City of Goodyear trying to figure out what we can do here and maybe bring it back in. But we're kind of doubtful that might happen, but we're again doing our best.

The other area that we're looking at is the deferrals in what we call a general purpose lanes and the DHOVs. DHOV is kind of a new term that we've invented at MAG for what we call the Direct HOV lanes that our constructed. The most important thing I think that as we would take a look at the program was to go ahead and build out the entire HOV lane system on both Loop 101 and Loop 202. And, in fact, what we've identified here with Loop 202 South Mountain and included in that \$1.9B, we said lets go ahead and get those HOV lanes constructed right off the bat as well so that way we can have on Loops 101 and Loop 202 the entire HOV system constructed as part of this scenario.

But we have to defer general purpose lanes. And you can kind of see throughout the valley where we're recommending that the general purpose lanes be deferred. However, you can see here on Loop 101 the Pima as well as the Price freeways that those general purpose lanes be constructed. We get a quick level service analysis of the average 20/30 volumes in the corridor and found out that these were the areas where we really needed the additional general purpose capacity more than anything else. So it's not all the GP lanes are being deferred, it's just that a few of them are being deferred mainly out here on the Santan Red Mountain Freeways as well as the Agua Fria.

The other thing that we also identify again is two DHOV deferrals right here at I-10 and Loop 101 as well as up here on I-17 and Loop 101. Both of those have been recommended for a deferral because the understanding that we have from ADOT's staff is that to put in the DHOV ramps right here on I-10, it would almost be a major reconstruction of the entire traffic interchange that the large flyover that you have right now that is heading east and then going north would have to be completely taken down.

Similarly, we have some construction issues right up here or I should say challenges right here at I-17 in Loop 101 that that would have to really be a tough thing for this stack up here at 101 and 17. And so we recommended that those be deferred right now. These DHOV lanes we ask also for deferral at this point simply because they're so far out in the program right now that they're part of that phase 4 and we asked them to go ahead and do that.

The last one is the category of deferrals is what we call right-of-way protection. There was protection identified here for SR 74 between US 60 and Loop 303 as well as for Loop 303 south of State Road 801. We ask that those go ahead and be deferred right now.

As we were doing deferrals, one of the things that was extremely important was to figure out some kind of a policy on this. And so the recommendation that staff has given to the TPC for their consideration is that they either take the approach to maintain the original priorities of the projects that are deferred to phase 5. In other words, it was a phase 3 moved to phase 5. It would have immediate priority so that if we do find more funding coming down the pike, there's talk about reauthorization and maybe more funding available from there or maybe other revenue sources that if they do get pulled back in the program they be brought back in order or to either look at cost savings from a corridor and move that to

a deferred project. And what we mean there is for example if Loop 303 comes in significantly under budget, then we might go ahead and be able to pull that Loop 303 section back in between I-10 and State Road 801. And the idea there is, again, working with Goodyear to try to figure out if gets brought back in, let's make certain its shovel ready as possible.

The next thing we've identified are what we call state of course recommendations. Right here on I-10 between Loop 101 and I-17, there's only about \$80M that was programmed in the RTP to do just improvements right there. And some of those improvements obviously are going to have to work with the junction of Loop 202, the South Mountain traffic interchange in there. The current ADOT cost opinion wanted to add even more lanes to that. We asked them to go back just to figure out how we can just get things to work as safely and efficiently as possible without having to add lanes and having to move some walls around.

The last area right here is I-17 between the split, just south of Sky Harbor up to the Arizona Canal. Roughly right now between I-10 and the canal, there's about \$1B that's been parked on that. The primary reason for that was that some folks had some ideas about maybe we double deck 17 or something like that.

One of the things that has happened and as the previous executive director had pushed for was a review of the core of the Phoenix Freeway system right here, mainly this interloop system. And one of the recommendations they said is that you want to put all this money up here and all this money up here when this section right here of I-17 around the Durango curve it's certainly at the end of the service line. If we were to reconstruct that, we could certainly take advantage of that and maybe thereby protect the tunnel in the process. And so we recommend as part of this is to spread out that \$1B from the stack all the way up to the Arizona Canal and to try and get a uniform four plus one cross section for general purpose lanes and one HOV in each direction between the split all the way up to the Loop 101 interchange.

One last thing, and this is an addition, but this was kind of an addition that we had to throw in there. The West Sky Harbor traffic interchange right there on I-10. Right now the Department of Homeland Security is looking at more and more security measures. And the Phoenix Aviation is extremely concerned about if those measures come into play, they may have to shut down that access point to I-10, but we need to be able to get to the airport. And so what we've recommended here is to move \$30M in the program to try and fix that traffic interchange and keep that inconsistency with the local express lane project that's been identified along I-10. So, this is sort of the scenario, bringing everything back in to the \$9.3B balance that we had.

One last thing, this report also identifies is another of other recommendations that we want to work with ADOT staff on. Again, continued revenue monitoring. I know every time we look at Mr. Fink and Mr. McGee they always kind of look the other way. But we're always trying to figure out how we can try and stay on top of this as best as possible, try to capture future Federal funds, even though the highway bill might be another year and a half or two years away. There could be some new opportunities there. That certainly happened back in the early 90s when (inaudible) came into play and we were able to pull a lot of things that were deferred there back into the program.

Looking at alternate funding sources, right now MAG doesn't take advantage of some things. We're finding out that we're qualifying for and so we're going to see what we can do there to go after some of those. One of the things that is certainly not on the table, the government had signed the 3P legislation. And there's been some suggestion that maybe one of these corridors could possibly be qualified to be in that category particularly if we get environmental clearances.

Looking at different project delivery methods, we're always working with ADOT staff, and they have been very gracious in listening to our request, extremely gracious. But we're looking at things like doing more cement risks or more design builds to see if we can cut the cost a little bit and maybe even speed up some of the delivery. We need to work with our member agencies a little more on right-of-way preservation because we certainly cannot move forward on a lot of this without looking at better ways and better tools of preserving it. Just to give you an example, in the South Mountain corridor alone, the current cost opinion for the right-of-way was at \$1B. If you look at my \$1.1B figure we can buy the right-of-way, but we can't build the road. So we're doing our best to try and work with that.

So, Mr. Chairman, that completes my presentation. I hope it was to the point. And I'll be happy to take any questions that the Board may have.

CHAIRMAN HOUSEHOLDER: Anybody have any questions for Bob?

FELIPE ZUBIA: First off, I appreciate tell Dennis thank you for getting this over. That was important for the Board to kind of hear the whole update before we have it come back to us next month maybe for approval and for refreshing the Five Year Plan?

BOB HAZLETT: Mr. Chairman, Mr. Zubia, I believe it's either October or November, but don't hold me to those dates.

FELIPE ZUBIA: Maybe November.

BOB HAZLETT: Probably because it does need to go through Transportation Policy Committee is going to take it up here in I believe in their October 21<sup>st</sup> meeting. And then council will act the following week. And so it will be at that time and we would probably come back to the Board at that time.

FELIPE ZUBIA: So I just have a couple other follow up questions, and I'll just refer to one example specifically. The 303 when you talk about the cost opinions that you're looking at there, that 303 interchange I understand is going to be early on and what is it phase 2?

BOB HAZLETT: Mr. Chairman, Mr. Zubia that is correct. In fact, right now ADOT is in final design. They have filed the final design consultant selected. They had just recently completed the BA study or formal BE study on the traffic interchange. And I think they've identified about another \$50M worth of savings.

FELIPE ZUBIA: So then when you're applying your assumptions for a cost savings, what were you applying in this case, that 10%, 15 or 20?

BOB HAZLETT: Mr. Zubia, what we we're looking at was across the board on just the construction costs of about 10%. But the one thing that we were also trying to look at was this whole right-of-way number, \$250M. It's dropped dramatically to \$150M. We're looking and working with the City of Goodyear to find out if we can get even more right-of-way savings out of this.

FELIPE ZUBIA: I like the suggestion of going to more of a stepped approach with construction savings costs, particularly in instances where this is going to be bid relatively soon in the program, to reap the benefit of that 15%, 20%, whatever it may be on the high end.

BOB HAZLETT: Mr. Zubia. One other thing to add is that we have been working with ADOT staff. And they are working very feverishly with the design consultants to normally I think and I'm going work with Floyd here for a second. It's about 18 to 24 month period to try to get the designs done on something like this? Now we've asked them to go down to 12 months.

FLOYD ROEHRICH: That's exactly right, Mr. Chairman, Mr. Zubia. On System TI, this is complex. You'd probably be 20 months or more. We're probably around the 12 to 14 month timeframe in order to really accelerate this whole corridor. Not only does this area, but all the way up between here and US 60, all 5 of those segments are under design. We've selected a design. We're making this a priority based upon the comments and recommendations we've received from working with MAG.

BOB HAZLETT: Well, Mr. Zubia, like I said, as I'd stated, throughout all of this, again, the Valley Project Management staff has just been absolutely awesome to work with. They have been looking at ways to try and cut corners in ways that we never thought were imaginable. I think just going to the design consultants and saying, hey, we've got to get it done. They're working as quickly as they can. I think it's just absolutely awesome to see them working at that level. And we're very, very excited to be a part of that process.

FELIPE ZUBIA: Well, I concur. And that kind of gets to my last question. That is with the Valley Engineering part. I'm assuming that ADOT staff has been fully involved and assuming that you guys are all kind of of the same mind with regard to what that means?

BOB HAZLETT: Mr. Zubia, that is correct. There are a couple of times that MAG staff has presented some out of the box thinking. We've had to work through those issues. But I will admit that I think in moving forward on this, we've done our best to make certain that we're both on the same page especially in the idea of trying to minimize the cost as best as possible.

CHAIRMAN HOUSEHOLDER: Thank you, Bob, appreciate it.

### **ITEM 13 Tucson I-10 Project Update**

FLOYD ROEHRICH: I'm going to be up here for a short period of time, Mr. Chairman, Members of the Board, Mr. Halikowski. I actually want to turn this over to ADOT's resident engineer on the I-10 project for Tucson, Rod Lane. He's been ADOT's leader, day to day working with the contractor down there. And he's going to take you through it and tell you all the great successes, the good things that have been happening on that corridor. They're way ahead of schedule, and doing phenomenal work

down there, great cooperative working relationship with the local governments, with the contractor, with ADOT staff and a real comprehensive public involvement process. Rod is going to be able to give you a real good review of this and answer some questions. So I really just want Mr. Lane to come up here and get acknowledged for the great success that's going on on that project.

ROD LANE: Thank you for that very nice introduction. Thanks to the Board for having me here, Chairman Householder, Members of the Board, Director Halikowski. So we've got the I-10 project down in Tucson. I'm just basically going to drive you through the project from south to north, and then go through some scheduling and some budgeting things that we've gone through.

So what we did down there was basically we expanded the freeway to a four-lane system with a fifth auxiliary lane all the way through downtown Tucson. We built the whole facility down there including 16 new bridges over seven cross streets. So we'll start on the south end.

This is 22<sup>nd</sup> Street. You'll have to forgive my photography on this a little bit. My shadows are pretty bad. As you can see, the old structure is pretty narrow. The new one is quite a bit larger, quite a bit of opportunity for expansion, quite a bit of artwork down there on that one. Again, this is 18<sup>th</sup> Street. This is strictly a pedestrian crossing. And you can see the tunnel that existed before on the one side and then the other side and the large expanse that we have down there now. And this is going to be used primarily as a school crossing from getting students from one side to the other side. Again, quite a bit of art work increase down there.

Cushing Street, another facility that's very vital to Tucson. The old facility down there essentially fits in that first span. So we've really tripled the span down there at Cushing Street. Tripled the length of the facility. Congress Street, exactly you can see downtown again much wider. You can see the MSC walls again with the art work. There's the towers in the background with the orientation.

St. Mary's Road quite a bit of art work. You can see a wider facility in there. This is a different type of abutment down here. If you look at these other bridges, they all have straight abutments down here. And then we get to St. Mary's. We switch to more of the (inaudible) abutment facilities down there with a curtain wall in front of the bridge. And that's the way we're going all the way up from this point on.

Here's Speedway. There's the part of the Harris Hawk. You can see the Harris Hawk in there, and then there's some more artwork going on underneath. Finally, Grant Road facility. This was built with future expansion in mind. The road is actually higher. It's built to be recessed another 7 feet if the city plans to do their development on the east side underneath the railroad bridge. And the drastic change in the walls on the freeway as you head to the south end. This is what it looked like prior to. And this is the new mechanically stabilized earth retaining walls on the south end. It's just a much nicer facility.

An aerial view of the downtown. There's the Cushing Street structure. There's the new one and old one. You can see the substantial size chain with the ramp configuration being much larger. There's the old and new ramps on Congress Street.

We're pretty much done at this point; we're just doing landscaping. How did we get to that point? The contractor bid originally it was an A plus B project. The contractor bid 1180 days which put the

scheduled completion on March 28, 2010 which was after the gem show. The gem show was a very critical feature to navigate around during this project. With the bonuses, the bonus maximum allowed per the contract, he would have finished on February 16<sup>th</sup>, right in the middle of the gem show. Where we stand now is we're anticipating being down with substantial completion on October 1<sup>st</sup>. So we've got down to 1003 days and we're about six months early, plus or minus a few days.

Some of the methods that we used to do that. This is an example of a geometric change that we did, that the contractor suggested and the came through was actually value engineering. The original plan was to have the detour come kind of straight through like that. By the contractor slowing the traffic down and putting this S curve in, he eliminated two phases. He eliminated this whole construction that would have to have been done with another detour and then again this whole area over here would have had to be done on another detour. Another thing that we did was mitigated some of the situations that we came across. The first year of the project was an issue with the gem show and the PGA Golf Tournament. So one of the ways that we helped mitigate that was we accelerated some of the work at the Simpson Wash which was a critical feature that had to be done prior to going into the major ramp shutdown. And we got together with the contractor and the major stake holders and shut that section of the frontage road down for a two week period and accelerated the construction process so that we can then make the main ramp closure in June.

Some other acceleration opportunities. The mechanic list stabilizers on the south end of the job, we were what's called muck bound. In other words, we were on schedule with the dirt work, but the dirt had to be hauled to a new spot. That spot wasn't ready. So what ADOT did was we made a site available for the contractor underneath the I-10 stacks. So the contractor would haul the dirt over to the I-10 stack. It was less than half a mile. And he could store it there, progress with the critical path MSC walls and then we hauled it back. There was an additional cost involved in that, but the time saving was significant in those types of features to be done.

We also adjusted the pavement window. Went through the materials' department and adjusted the pavement for the ARACFC, moved that up a month with some stipulations of keeping it cool, doing it at night and so on. But it helped us gain quite a bit of time. So those are just some of the examples that we did to help move this thing forward, where we stand on budget and what we're doing.

The original contract amount was \$2.3M. There was a 5% contingency on that bringing it up to \$210M. Where we are right now as of the last testament is \$205.5. Where we anticipate being finally is at a cost of about \$213M.

There was unexpected work that was beyond the original scope. We built an access road for what's going to be our new district offices down there underneath the stack, the I-10, I-19 stack. There was an issue with tow trucks; a very political sensitive issue at the beginning of the job. The way the job was built was there were no access ramps on and off. So you had this narrow chute with barrier on both sides for a five mile stretch. If a car breaks down in there, people were very nervous about it. So how we mitigated that was we had two tow trucks on the project, one for 24 hours and an additional one during the peak flow. We did that for the whole length of the time that we were in. I think we stopped it last January when we had much more accessibility. So that was something that was added after the contract, not included in the original cost.

Another issue that we came up was the cross street traffic control. The way that the plans were set up was that the contract was only allowed to have one lane in each direction on the cross streets. It would not work. We tried it; the traffic backed up phenomenally. So we came up with a solution to give a window of opportunity to work 24 hours a day. Actually we shut down for three or four days. He'd go in, do his work completely and then we would open it up to two lanes. That entailed additional traffic control costs that weren't foreseen in the original. So it made stakeholders happy, kept the contractor on schedule, and it got us where we needed to go.

The third thing was the phase 1 or a budget issue that we had was the phase 1 gem show/gold tournament. We had an order from the Governor's office to basically stop construction on the south end of the job during those two events. The north end could keep going, but the south end was the critical path. There was about a three or four week period where there were two events. That was an additional cost of a \$400K. We mitigated that down by doing things like the Simpson Wash acceleration. So those costs were included in that as well.

So that's a quick brief summary of where we are. Right now the project is pretty much done. We've only got one ramp closed. We expect to have that ramp open tonight hopefully if all goes well. All the major cross streets are done. The 18<sup>th</sup> Street pedestrian crossing is scheduled to be open prior to our September 24<sup>th</sup> grand opening celebration. Does anybody have any questions?

SI SCHORR: Mr. Chairman, the description that's just been given to you of the work that's been done is indeed a summary because it was a lot more comprehensive than that. We also faced problems at the beginning which Rod did not get into which is this project probably would have been finished six months earlier and probably 30 maybe more million dollars cheaper had we not been delayed for a period of about six months because the City of Tucson wanted to explore undergrounding a good portion of this project through the I-10. So it wasn't without some difficulty that we didn't get started the way we thought we could. But it just showed how planning, patience and perseverance paid off. And it paid off because we had an extraordinarily good staff, district engineers Rod and everyone working on this. And we were also damn lucky having contractors who were so good. So it's been a great, great success. And all of us down here are very proud of it.

ROD LANE: I think council member Schorr is correct that our contractor, Kiewit Sons Joint Venture bought in right at the beginning. They were just an excellent partner on this. They helped us. They took ownership of this job from the beginning. They developed fantastic acceleration ideas and so on along with all of their subcontractors. And I also have to say the design engineers. I had design engineers out there on a Friday night at 6:00 with bridge problems. They came out and we all worked through it and we all solved it. You just don't see that level of cooperation very often. It was very stressful and very successful, and we're all very proud of it. Thank you.

CHAIRMAN HOUSEHOLDER: Thank you Rod. I appreciate your effort.

## **ITEM 14 Public Private Partnership (P3) and Rest Area Update**

GAIL LEWIS: Thank you, Mr. Chairman, Members of the Board. The purpose of this presentation is to set the stage for our P3 program to quickly review the legislation that was passed which goes into effect at the end of this month, technically. To identify that some of the challenges that we think we're going to face, and also some of the ways that we think we're going to meet those challenges. And then just give you an explanation on how we're going to move forward.

I think one of the things that we are learning as we struggle through both the budget process and the new ways of delivery projects, we have kind of a new lens to look through in thinking about how we do business. And that is affordability, sustainability and mobility. Affordability has always been an issue, but now we're thinking much more both about the short and long term what the overall maintenance cost will be. About sustainability, whether we can use more environmentally friendly methods to both build the projects and maintain it over the long term as what the environmental impact of the facility will be. Also mobility; how much will it really help enhance the movement of people today and in the future, reducing congestion, improving safety and opening up economic opportunities.

I borrowed this from a publication I saw that was done by the engineering from HNTB that their three criteria are lean, green and keen. That is, will the facility give the community a keener edge in terms of mobility and economic viability.

The problem with these great ideas is that we don't have any way to pay for it. Our revenues are declining and we are in the middle of a very large policy debate about two competing interests. One is the national policy about less dependence on foreign oil and attention to climate change, reduction of greenhouse gases versus the traditional highway funding revenues which would have been the gas tax. So we are now sitting right at the junction where those two policies are really completely at odds with one another. And we're caught in the middle while the national and state policy makers try and figure out how we need to change this going forward.

So partly in response to this, it's the idea of Public Private Partnerships. You've heard Bob mention this as something that they're now starting to think about in the MAG region and we're going to be partnering with them to think this through. A P3 is really just an infrastructure project where the design, construction, financial and/or operational risk goes from the public sector to the private sector. And by risk we also mean costs. So it's a way of transferring costs, but also other kinds of risks.

We have the bqAZ project which talks about what our real needs are. And then we're going to be doing the 20 Year Plan which is the cost constraint version. We need a way to help fill those two gaps between what we need and what we're going to be able to afford. P3 is just one way to think about addressing that gap.

The public sector objective of P3 are to provide infrastructure and leverage resources at a more reduced cost. We also hope that by tapping into the private sector we can expedite project delivery and provide for long term operation and maintenance. Because we are a public entity thinking about the public at large, those are the things that we're thinking about. The other key in public private partnerships are the private sector objectives.

For the private sector, public private partnerships are business opportunity. They're looking at it as a way to maximize a return on their investment. They're competing for capital with other kinds of investment opportunities, and trying to minimize their risk. So in between those two things, if the negotiated solution that ends up being a project that works for everybody, but as you can see, when you have two approaches that are so different, two sets of objectives that are so different, it can be a real challenge to negotiate the right solution.

Now, for the last several years, we've talked about things similar to this. But it's really been an academic discussion because we didn't have the statutory authority to engage in P3 anyway. After three years of attempting to get a P3 legislation passed, it was successful this year. Any type of enhanced, upgraded or new facility, if eligible roads, rail transit and rest areas, the types of partnerships that ADOT can engage in is a wide range all the way from design build which is a much more common and simple transaction to a full scale design filled finance operate where we really turn over all aspects of constructing a facility from scratch to a private partner. It allows for us to solicit projects and it also allows for us to receive unsolicited projects from private proposers. And it gives us significant authority to negotiate the ultimate agreement.

Other governmental units beside ADOT may enter into P3 Programs with the department's approval. So there is the opportunity for cities, towns and counties to be part of P3 as well. There's a little complicated piece of the law that says anyone using a tolled facility may apply for a refund of the fuel taxes and motor carrier fees that they use while they are on that toll facility. This was the request of the trucking industry. It could be complex to implement as you can imagine. It carries with it a philosophical disagreement about whether truckers were being subject to double taxation or individuals were being subject to double taxation if they're driving on a toll road. That's a philosophical debate that we can argue. We're more interested in the practical elements about if implemented, how that piece of the legislation gets carried out.

There is no photo enforcement allowed on public private partnerships. And we can use a number of revenue sources as repayment, including traditional revenue sources as well as tolls and fees. P3s are not without their perils and their concerns. And if you have been reading some of the stories that have been in the press about P3s in the last couple of years, you will see that the projects that were unsuccessful have gotten a lot more press than the projects that were successful. The Chicago Skyway, the Indiana toll road, the Trans-Texas corridor and what they call Alligator Alley in Florida. All examples of how not to do public private partnerships.

There has been the public opposition to the idea of selling existing public assets just as a revenue source. There's been a lot of concern about inadequate public debate, closed door deals, sweetheart deals being given to private contractors. There's been a lot of concern on the part of the blind vendors who have the opportunity in federal law to provide food and beverage concessions at public facilities that P3s might take them out of some opportunities that they would otherwise have.

There's been a lot of uncertainty about the existing investment climate, whether long term infrastructure investments were really a viable investment option. Whether there was an infrastructure bubble similar to the housing bubble where capital would rush into these projects and then there would be inadequate capital to finish them.

Also the idea of going into extended negotiations with a private company and having no result. And then just general opposition to tolls by the general public and by the logistics community and the trucking community.

We have set up a series of working guidelines that we think will help us to address some of those concerns. The first and probably the most important one is try to use the best practices approach, to take advantage of all those projects that weren't so successful as well as the ones that were and take some lessons learned. P3s are relatively new in the United States, but have been used around the world for a few decades now. So there are a lot of best practices to draw from. And that's the approach that we take in deciding how to implement the process here in Arizona. We want it to be a very transparent process. Updating the Board at public meetings is one of many ways that we are going to make sure that the public is aware of what's happening with P3s and has an opportunity to provide input into that methodology. Very important that we integrate P3 projects into our statewide plan. A project that works financially, but isn't really part of our overall system is not a project that we're going to entertain. We really want this to be about options for transportation and we're not interested in closing down existing roads or tolling existing roads. We're really interested in providing options for the future. They also have to be financially viable over the long run, and we're going to be very stringent about that.

So how are we going to move forward? Obviously, this is a complicated process that's sort of outside the normal course of business for the agency. So what we've come up is kind of a coach, quarterback and team approach in that the agency will eventually be the coach on the sidelines setting the overall game plan and providing the overall strategy and calling an occasional play. The quarterback will be the project manager/consultant that we will be hiring that will take on the day to day job of running the P3 program. And the team will be all of the additional expertise that we bring in to help handle other aspects of the project. So we're the coach and our project manager is the quarterback and the rest of the consulting team is indeed the team.

So in our interim step to move forward has been to put out short term procurement and to hire Wilbur Smith Associates, their P3 unit which has a lot of experience, very well respected to help us for the next four months design programs so that we can be ready to implement P3s. They're going to assist us in the development of really articulating our primary objectives and using P3s in developing RPs for the long term advisory services. That is the team that we'll be using over time in the broad areas of finance, legal affairs, engineering and communications in the public involvement. They're going to help us design the policies and procedures and ultimately the rule that we will need in order to implement the law. One prime example of how we're going to have to update our procedures in the area of procurement this is really a whole new world for us in terms of procurement.

They're also going to help us in determining the criteria for the types of projects that might be good candidates in helping us figure out internally how we're going to organize ourself so that the planning division, the engineering, and construction side of the house and the communication and public involvement side of the house are all really integrated into P3s and incorporated into our existing planning project. And then they are right now, in fact, developing a few web pages to begin the process of informing the public and our potential private partners of what's going to happen going forward. And, in fact, that should be part of our website within a week or two, you'll have some additional pages that you can take a look at. The idea would be to have the team together to award proposals for our long term advisors in December.

Concurrent to this process, we're going to have extensive consultations with the COGs, MPO's, local government, developers, the contractors. That is an ongoing process that's going to go on starting now and move throughout the whole process. We expect a combination of projects put forward by ADOT and unsolicited projects. We're interested in P3s for rest areas as well as for other modes of transportation such as rail and transit. I think if we are successful in transportation giving the state budget challenges, there's going to be a lot of interest around Arizona for other types of government services, watering, waste water, vertical construction, school facilities. I think that we are sort of setting the stage for P3s to be used throughout state government. Our most important goal here in the short run is to be ready to entertain potential projects on January 1<sup>st</sup>, 2010.

I wanted to give you a really quick update on rest stops because I know that's been an area of interest for the Board, and it does tie in with the P3s. As you'll recall, we had discussed earlier that our most immediate way to augment our rest areas as you heard from the director earlier that we're likely to be closing a number of them in the pretty short term is to adopt the Utah Program which allows us to use existing truck stops as sort of supplemental rest areas that are inspected and approved by ADOT and certain criteria that we set as a way off the highway and augmenting rest areas.

And I think our next steps for moving forward on rest stops will be to have some more detailed discussions with Utah. In fact, I think we're going to be going up there in the next few weeks to have a discussion with them and specifically look at some of the facilities. And also with FHWA who are going to have to be pretty involved in helping us move forward on this in establishing priorities for procurement and consider our oversight and inspection responsibilities. This won't be a free option for ADOT. We do have a responsibility to oversee the facilities that we partner with and make sure that they're meeting our criteria and then to begin the solicitation and outreach with the private partners. Those would be the truck stops. And then have a program ready to go in 2010 sort of concurrent with the P3 implementation.

We also have sent a letter following the lead of the State of Virginia to FHWA asking whether we can receive a waiver from the federal requirement that will not allow us to commercialize or engage in a private partnership for rest areas that are within federal right-of-way. We don't actually expect that FHWA will give us a waiver, but we did want to go on record as having asked for it as other states have done. And, also, it's a way of setting the stage for a discussion during reauthorization about privatizing rest stops that are within the federal right-of-way.

So in conclusion, P3s are not the answer. Most facilities will not be candidates for P3s because they will not have revenue, be able to generate enough revenue that really make them viable candidates. So this is a limited number, but an important limited number of projects that we think will qualify. They are a helpful tool, but they're not the long term answer to this policy dilemma that we find ourselves in where our revenue sources are declining very rapidly and our needs are not declining. We'll be ready in early 2010 to start to engage in P3s, and we're not quite sure what that's going to mean yet. There's certainly been a tremendous amount of interest so far. I think John and I had four meetings on P3s the day before yesterday. We literally went from 9:00 in the morning until 5:00 in the afternoon meeting with consultants and others who were interested in P3s. The real critical point for us will be whether those projects actually turn out to be financially viable or not. We are some months away from having an idea as to how true that will be. And I'd be happy to answer any questions.

CHAIRMAN HOUSEHOLDER: Gail, we have one question for you.

BILL FELDMEIER: Has federal highways ever provided waivers?

GAIL LEWIS: No.

BILL FELDMEIER: They've been asked?

GAIL LEWIS: Virginia asked quite recently and was denied. Then Virginia went back to their members of Congress and asked their commercial delegation to also write a letter to FHWA requesting a waiver, which was denied. They just think it's not allowable under the law, and there's no way that they could legally grant those waivers. I do think they're ready to engage in the discussion for authorization about the long term, but I don't think there's any legal way that they can provide the waivers in the short run.

CHAIRMAN HOUSEHOLDER: Any other questions? Thank you, Gail.

#### ITEM 15 Comments and Suggestions

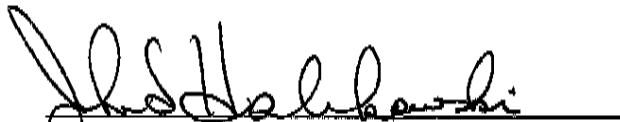
CHAIRMAN HOUSEHOLDER: If any of you have any comments or items that you want on the agenda, contact Mary. I'll entertain a motion to adjourn this meeting.

FELIPE ZUBIA: One quick comment. I just want to thank staff and Director John Halikowski not only for the P3 update as you promised back in Payson, but just with everything. It seems like really with all the bad news out there, the staff is in reasonably good moods all the time and we appreciate that.

#### ADJOURN

*Motion made by Bobbie Lundstrom, seconded by Felipe Zubia at 11:37 a.m. In a voice vote, the motion passed unanimously.*

  
Delbert Householder, Chairman  
State Transportation Board

  
John Halikowski, Director  
Arizona Department of Transportation