

**STATE TRANSPORTATION BOARD  
MEETING MINUTES  
9:00 a.m., Friday, October 16, 2009  
Graham County Assembly Hall  
921 Thatcher Blvd.  
Safford, Arizona 85546**

**OPENING REMARKS**

CHAIRMAN HOUSEHOLDER: I'd like to call the meeting to order in Graham County. It's good to be here in my hometown and I'm glad to see all the people out visiting with us today. I used to take charge up here once in a while when I was Chairman of the Board a number of years back. And I kind of miss the place just a little bit. But I enjoy the ADOT too, there's lot of good people in ADOT.

I'd like to thank the Board of Supervisors for their hospitality yesterday. There are a number of us that went up to the scope with John Ratchey, who worked for the University of Arizona. He took us through the telescope and told us the history about it. I think everybody enjoyed it. John did a great job and we enjoyed it.

But I would thank the Board for having us here. I didn't know whether they'd want me back or not, but they accepted this and I appreciate the way Terry Cooper, the manager and his staff here, worked with Mary of getting things all set up. His assistant did a great job last night at the dinner and this morning getting everything set up. I hope everybody will enjoy their stay here in Graham County. We've got a real nice community here and we're all proud of it. We'd like you to see what we've done here in Southern Arizona.

We'll have the Pledge of Allegiance now. Felipe, would you begin?

**PLEDGE**

[The Pledge of Allegiance is recited, led by Felipe Zubia]

**ROLL CALL**

CHAIRMAN HOUSEHOLDER: Mary, will you give us the roll call.

MARY CURRIE: Delbert Householder, Bob Montoya, Bill Feldmeier [via telephone], Felipe Zubia, Bobbie Lundstrom [attending by telephone], Victor Flores, and Steve Christy [attending by telephone].

## CALL TO THE AUDIENCE

DREW JOHN: Director, Board Members, Chairman Householder, again, we want to welcome you to Graham County. As Chairman of the Graham County Board of Supervisors, we represent the citizens of Graham County. We want to thank you for our district and the people that we have here that manage and operate the district here. Just to name a few, Bill Harmon, Paul David, Tom Engle. We thank you for helping us on some of our key infrastructure projects. The Eighth Avenue Bridge, as you know, is a real important bridge for us. We have a lot of activity across the river with our airport. That bridge has always been designed to be able to handle some flooding. The nice thing about our Eighth Avenue Bridge is, because of what's been accomplished is we're able to get in as close as we can afford to an all weather bridge.

We appreciate your support on 191. It's an important part of our economic base and we hope that you'll continue to approve those sections. It is a safety hazard. We've all known people that have been killed on that section of the road trying to pass where they shouldn't or being hit by someone that tried to pass. So we appreciate that. We have an upcoming project Peterson Wash, which we're opening the bid on at the end of this month, and hopefully going to be able to award on the 30<sup>th</sup>. We're under some time restraints because of some of the grant money that we've used and extensions that we've filed for.

The biggest thing is we thank you for taking care of our friend and my mentor, Delbert Householder. We appreciate you bringing him back in one piece. He's a big part of the community. We all love him here, we appreciate him. He and his family have been good friends of mine for a long, time.

CHAIRMAN HOUSEHOLDER: Thank you, Drew. We appreciate it. Next on the list is Hunter White.

HUNTER WHITE: Good morning. I'm the Senior Vice President with Freeport, McMoran, Copper & Gold. Throughout the State of Arizona we have mine operations and transportation is a huge deal for us. Thousands of loads of supplies come in every year. A highway system is absolutely key to that. The Eighth Avenue Bridge is a very important project for us providing safe access for our employers at the Safford Mine across the river.

A couple other projects, recently there was the pin failure on the bridge at Bylas across the Gila River. ADOT worked with us very well on expediting that repair. A tremendous amount of our supplies come across that highway. Another recent project was the Gila River Bridge and the Highway 191 upgrade near Safford and Morenci. A large portion of our workforce lives here in Pima Valley, but commutes to Morenci. Safety improvement was tremendous. The ability to get heavy truck traffic across that bridge was greatly improved. And I can't tell you how well Bill Harmon and the Safford District team has worked with us, not just on the design and engineering of the project, but on the communication piece. They do a great job keeping us well informed of schedules, shut downs and so forth. A couple of other projects, the four way upgrade between Safford and I-10 which has been a progressive project, all very important to us, as well as, operations here in Graham and Greenlee County area and Tucson area.

I also wanted to mention, the Morenci operation, we've been mining there since 1870s. One of the things that has really helped us, if you been there, the highway goes right through the middle of the operations. Since 1978, we moved that highway five different times in order to coordinate how we mine, the sequence of mining and keeping that access open for the Coronado Trail. Bill and his team continue to work with us on that. We're confident there will be some future moves in that same area absolutely vital to the operation and the continued employment of people in the area. So, again, I really just wanted to thank Bill and his team, the ADOT board, and the ADOT staff for all the great help they've given us through the years and we hope to continue that relationship. So thank you very much.

CHAIRMAN HOUSEHOLDER: Thank you, Hunter. We appreciate it. Hector, we're going to have another Greenlee County person up here, Hector Ruedas.

HECTOR RUEDAS - Chairman Householder, ADOT members and Director and ADOT staff. Good morning, I'm Chairman of Greenlee County Board of Supervisors.

Greenlee County would like to express our appreciation for this opportunity to discuss transportation projects with you this morning. We know that you individually and collectively donate a tremendous amount of time to deal with our state and local issues. Even through these tough economic times, we have been committed to completing projects that are highly important to their areas.

A prime example is the completion of US 191 Guthrie Bridge. Greenlee County thanks you for making this highway safer to drive. Graham County is now getting the benefit of all the Greenlee County people coming here. We'd like to thank you for the three projects currently under construction in our county and that's the SR 78 highway chip sealing project. The Black Hills Back Country Byway completion and the Guthrie project and the new drainage improvement on the lower Coronado Trail. You have done a great job in there widening the roads and made it safe, It's a beautiful scenic road and one of our national scenic roads.

We also want to thank you for the projects that are pending awarded advertisement, and that's at SR 75 York Valley shared used pathway and the US 191 San Francisco River Bridge in central Clifton. Again, as Drew and Hunter talked about, the Safford District Engineer Bill Harmon and his staff. My God, what can you say about these people? Their hard work, their dedication to highway safety in our area is just tremendous. They're the best. And, Delbert, we appreciate it and thank you very much. You have a great staff. And that's that.

I'd just like to mention last night about Delbert and leadership. You're the leader and it's working well. And things go well when you have good leadership. On February 20, 2004 I had the opportunity to congratulate Delbert on being appointed to the ADOT board. And today, October 15, 2009, years later it's a great pleasure to be here to thank you for his dedication to the ADOT, not only to rural Arizona especially, but to the State of Arizona. We're certainly going to miss you, Delbert. And we want to wish you well again. Please accept our appreciation to the ADOT board, directors and staff for your hard work. It's important in maintaining the state's transportation system especially in Greenlee County.

CHAIRMAN HOUSEHOLDER: Thank you, Hector. Toni Strauss.

TONI STRAUSS: Hi, I'm Toni Strauss. I'm the District Ranger of the Forest Service Office. I just want to express my appreciation for all the hard work ADOT does. ADOT has given us an oversight responsibility through an easement on the Forest Service land. And it's a vital road for this local community and tourists visiting the top of Mt. Graham. It's a really tough road to keep maintained. Bill Harmon and his team are great people to work with. This year they were busy clearing out a lot of hazard trees through that easement and the Forest Service was able to offer the resulting fuel wood to the public to help clear out that debris. So that was a positive cooperating effort we had. We're working together with FHWA to do planning for future improvements. Stabilization is of the highest priority that we're working on together. I'd just like to take this opportunity to thank you for keeping that road open.

CHAIRMAN HOUSEHOLDER: John Salem, Mayor of the City of Kingman. Glad to have you here.

JOHN SALEM: Chairman Householder, Board Members, Director Halikowski and staff, I'm John Salem. I am the Mayor of the City of Kingman. And I'm just here to express my gratitude and greetings from the City of Kingman. With me today I have Vice Mayor Janet Watson and Rob Owen Public Works Director. And I'm not only representing the City of Kingman today, but I represent the Tri-City Council which is comprised of the City of Bullhead City, Lake Havasu City, and the City of Kingman. Together we are working for the transportations means as well as other issues in Mohave County. We're just here to say thank you for the projects that you have awarded to our area right now on I-40 between Holy Moses Wash and Rattlesnake Wash. There are some other transportation needs that we have in mind and what we keep in mind, one of which is the Rattlesnake Wash Interchange which is on the Five Year Plan. I understand that there is some funding issues with that. But as always, keep us in mind when funds do become available as well as any of the other transportation projects that have already been completed in the Mohave County area. We just want to say thank you for representing rural Arizona.

CHAIRMAN HOUSEHOLDER: Thank you, John. I appreciate it. Randy Heiss, Executive Director of SEAGO.

RANDY HEISS: Good morning, Mr. Chairman, Members of the Board. It's a pleasure for me to be here to speak to you this morning. I really respect and admire the work that Director Halikowski and Mr. McGee have been doing in reorganizing ADOT and making it such a responsive agency to your communities' needs. One of the things that they are having to look at, of course, is the closure of some of the rest areas in the state, one of which came to my attention yesterday over here in San Simon. And that rest area is located in the median of the interstate. It's not one of the ones you'd want to be able to privatize because of the fact that there's some federal regulation coming out that I'm not intimately familiar with that prevents that. I bring this to your attention only for one reason and that is that it's an example of one of the many, many things that I believe that the TMAs, the MPOs, the COGs, and ADOT could work together on toward the federal level. But it will create an environment that will better enable us to survive in this economic crisis that we're in. Difficult times I think provide opportunities and I encourage this regionally statewide and nationally.

BOBBIE LUNSTROM: I think that difficult times do present opportunities for partnerships. But getting back to the partnerships, when we do statewide and nationally, they could have not been

discussed before. This is too big of an opportunity for us to pass up. I'd encourage the Board's support to that end. Thank you for your time and all that you've done for Southeastern Arizona and for your service on the Arizona State Transportation Board. I appreciate it.

CHAIRMAN HOUSEHOLDER: Thank you, Randy, we appreciate that. Good morning, Barney Bigman.

BARNEY BIGMAN: Good morning Board Members and Chairman Householder and Members of the Board and also my transportation constituents who are here today. I would like to thank the board members and many transportation constituents who assisted us in our recent transportation grant. It will greatly help the San Carlos Apache Tribe, but it will also enhance and help the local communities.

One of the main topics I want to support on behalf of the San Carlos Apache Tribe is a resolution which was adopted back in February which you have a copy of. And I just wanted to briefly go over the resolution here. This resolution was adopted in February 2009. The resolution is in support of the construction of the Bylas River Bridge at MP 219, US Highway 70, track 70GH292691001 for the Arizona Department of Transportation. The San Carlos Apache Tribe is a federally new recognized tribe organized pursuant to provisions of Section 16 of the (indiscernible 4:11) Act of 1816

The San Carlos Apache Tribal Council hereby supports and approves the Arizona Department of Transportation and its planned replacement of the Gila River Bridge located west of Arizona along US Highway 70. And the San Pedro River Bridge tracks number 7GH290H691001 is projected to be made in the fiscal year 2010 need and replacement of the existing (indiscernible) Bridge on US Highway 70 beginning on MP 292 ending MP 294. And all work conducted during the infrastructure of the Gila River Bridge will require an additional 1.5 acres of (indiscernible) and approximately 2.6 acres of temporary staging area during construction.

The existing bridge will be demolished and will require completion and that new bridge and the disposal site of (indiscernible) has determined that the salvage materials would be a future benefit to the tribe for other purposes.

The San Carlos Apache Tribal Council has determined that it is in the best interest of the tribe to participate in the project by and provide contributions for the following items which shall not exceed a total of 5% of the \$19.1M project cost estimate. The contributions consist of 6,400 cubic yards of (indiscernible) material, estimated value of \$640K. 1.5 acres additional right of way as depicted in Exhibit A at an estimated value of \$56,100. Twenty-six acres of temporary (indiscernible) for a construction station area has depicted in Exhibit 8. 10,500M gallons of construction related water estimated value of \$42,000. (Indiscernible) at San Carlos Apache Tribal Council approves the plans of the Arizona Department of Transportation for the replacement of the existing (indiscernible) at mile post 29255 US Highway 70. San Carlos Apache Tribal Council authorizes the chairman, vice chairman (indiscernible) to execute any and all documents necessary to facilitate this resolution. And it was certified by council. We are very appreciative of the projects and the support of us.

CHAIRMAN HOUSEHOLDER: Thank you, Barney, we appreciate that. Joe Husband.

JOE HUSBAND: I represent the Arizona Airport Association. We wanted to share with you some of the information, airport issues around the state. Flat out, passengers and revenue continue to be down just as everybody is experiencing during the second half of downturn. Of course, that also translates into money that flows under the state aviation which is actually funded through property tax primarily and fuel taxes. Just as you're experiencing other difficulties with HURF and other transportation, we're down, but we're getting through it.

Certainly, we'd like to thank the Board for the opportunity to participate in the State Transportation Board policy positions. And we'd also like to thank ADOT. They are an honest group for helping facilitate that with regard to as it relates to airports. As you're aware, the statute relating to the grant maximum for any one particular airport was passed this past year and signed into law by the governor that changed that grant cap calculation from 10 % of the fund balance to 10 % of the revenue which is of critical importance.

Next week the Arizona Airport's Association will have their fall conference in Mesa, Arizona. That will be on Tuesday and Wednesday. One of those days ADOT Aeronautics Group is doing an informational session for all of the airports in the state. So if you're in Mesa around the convention center, please feel free to stop by. Also next week, is the week the Copper State Fly In, so if you're near Casa Grande next weekend, stop in.

I also the represent the Arizona Safety Advisory Group of Arizona and sit on their board. We will have our annual awards banquet November 20<sup>th</sup> in Phoenix near Sky Harbor. So if you're in the neighborhood, please let me know. I'll be more than happy for any of the board members to attend. We recognize for the Airport Safety Board also, flight instructors, maintenance technicians, control towers; and those kinds of things, we did a collaboration with the FAA. Aviation Day at the state capital is scheduled for the 20<sup>th</sup> of January, 2010 on the State Capital lawn. That is put on through the Arizona Airport Association in collaboration of what the groups that represent aviation in the state. It's an opportunity for us to show the legislature the critical importance and the economic impact. We're at \$38M or in that neighborhood annually the aviation puts in the economy.

And then I just wanted to just briefly update on the stimulus projects that were awarded to airports. Last year there were six projects. Sierra Vista, for example, had a tax realignment and a runway overlay over about \$6M. The tax realignment 65 % complete. The runway overlay is complete. They expect full completion by December and they're coming in under budget.

The City of Taylor had a rehabilitation of their runway. I spoke to the City of Taylor yesterday and they were just so pleased with the way that project worked out. I think airports have done that well in collaboration with the FAA's western region. Parker got a project for 1.8M to rehabilitate a taxi way. They've had challenge with contract language between the Federal Government and the Colorado River Indian Tribe over there. They're working on it. But that's the one project that's not complete.

Kingman is about 50 % done with a \$5M apron rehabilitation. They expect to be done in December. Tucson is about 41 % complete with the security upgrades they were doing for \$1.8M project. And at Sky Harbor, a taxiway project, that's probably halfway done. That was about a \$10-11M project.

The FAA and the Stimulus Program coordinators really wanted to get that money spread out across the state. And all kinds of different airports and communities. I think they did a good job on that. So that's my report for this month.

STEVE CHRISTY: Chairman, is it proper to ask questions of the speaker at this time?

CHAIRMAN HOUSEHOLDER: You bet.

STEVE CHRISTY: Two questions real quick to comment on please. One is my understanding of national legislation regarding fire safety at airports nationwide and in general and, in particular, in the State of Arizona can have a very detrimental economic impact on the budgets of airports. And my question is I was wondering how that whole issue was progressing.

The second question is, I was also of the understanding that many airport contracts have been approved and signed on the dotted line and dirt flying, et cetera only to have been stopped in mid course because of budget problems. And I'm just wondering how those issues were transpiring.

JOE HUSBAND: Well, speaking to fire fighting, in all airports you have what's called an ARF index which is airport, rescue and firefighting index. And that's quite complicated. And what it is it is the requirements that an airport must meet with a particular kind of aircraft that use their airport. There has been discussion over the last several years of increasing those requirements. In other words, making them much more stringent or having additional requirements for equipment and staffing at some airports. That is being looked at a federal level. To my knowledge, I can't speak with great authority on this. But to my knowledge that has not been approved or with everything else that's going on in federal legislation right now, that's not even being looked at terribly closely. It's something that the airports around the nation, the State of Arizona, the Airport Association does not typically involve themselves a lot in federal legislation. There are other national organizations that do that. So that is a concern to us. Right now there have been no changes that I'm aware of.

JOHN HALIKOWSKI: Mr. Chairman, in response to Board Member Christy's question, we will prepare some information, white paper, if you will, and distribute it to members of the board on the national legislation.

STEVE CHRISTY: That's great. Thank you.

JOE HUSBAND: And I'll probably defer more in that case to your second question on grants. I cannot speak to any specifics of grants that have been cancelled. What I'd probably would be in a better position to do is put you in touch, Member Christy, with someone who could speak more intelligently or with authority on that issue.

STEVE CHRISTY: Again, I appreciate your response. Thank you.

JOHN HALIKOWSKI: Mr. Chairman, I'd just like to note we'll do the second issue that Board Member Christy has questions about.

STEVE CHRISTY: Yes, that will be fine. I look forward to seeing those documents. Thank you.

CHAIRMAN HOUSEHOLDER: Thank you. Joe, we appreciate that. Our next speaker is Jody Rooney, Administrator from Yavapai County.

JODI ROONEY: Chairman Householder, Board, Director Halikowski, staff, good morning. I'm Jodi Rooney, the administrator for the Central Yavapai Metropolitan Planning Organization. I just want to take a moment and I'll be succinct to express gratefulness. The TURK met this past week and we have transportation enhancement projects that will be coming before this Board in one of the next meetings. Felipe Zubia, board member, he served as the Chairman of the TURK and that is much appreciated. There were very long days, but we came through it was a success. Thank you Felipe.

The other item that I'd like to express appreciation for is the ARRA projects. We have a couple of them in Prescott Valley. One thing that is difficult is that you're given the money, but as with federal funds you have to move through all the clearances. We received assistance and full support from ADOT staff from Board Member, Feldmeier who got on the phone with us one day in the progress meeting to move our project forward. With that, we were one of the first for the local projects. That went to bid and was awarded.

The last thing I want to thank you for is that there may have been rescissions federally in regards to the PL Planning dollars for the MPOs. Director Halikowski and staff had went forward to address those. With those rescissions it had potential to cripple our planning. At the height, Arizona was one of the few safest set forth and we thank you very much.

CHAIRMAN HOUSEHOLDER: Thank you, Jodi. Anybody else would like to talk to the Board? I haven't got any more slips, but I'll take the time if anybody would like to say a few words. If not, we'll hear from the District Engineer, Bill Harmon.

## **DISTRICT ENGINEER'S REPORT**

BILL HARMON: Chairman Householder and Members of the Board, Director Halikowski and staff we welcome to Graham County and the Safford District. The first thing I'd like to say is thank you to Graham County Officials for hosting us. Chairman John and the staff of Graham County made it a wonderful experience. And we appreciate everything that you've done here.

And, also, since we're right here in Chairman Householder's backyard, I just wanted to acknowledge his many years of public service. We appreciate everything he's done for us and look forward to seeing him do many more good things. But we're very grateful for everything he's done. Just touching on a few key issues and projects here in our district. We recognize that these are difficult economic times and that our choices are somewhat limited. But we'd like to thank the State Transportation Board for all that they've done and any consideration that they can give to our district as well as our sister districts throughout the state.

Now, noteworthy here in Safford District, we just want to touch on the US 191 corridor from I-10 to Safford. That's a portion of that you are familiar with that we are improving that to a fully divided south of town. The next segment to be programmed is what we call Sector 2 Bridge. And that piece

provides connectivity, and that's Cochise County to Graham County, an important to link between the two counties. It will improve safety and reliability for the community.

I-10 SR 90 traffic interchange in Benson will be one of the largest projects we've ever done in our district. SR 90 is pretty much the spine for the San Pedro Valley. This traffic interchange will provide a portal to the valley. There's a large curve that will be realigned to improve the safety there. This project will not only reconstruct the traffic interchange, but will also help realign a portion of the interstate.

US 70 Gila River Bridge in Bylas has already been mentioned a couple times. It is worn out. Right now has a posted decrease in the speed limit to slow traffic down. Emergency repairs have been made in the past, so we look forward to reconstructing that bridge. SR 90 to SR 92 corridor in Sierra Vista will benefit that tribal community. Right now it services by a basic five lane section. But because of the growth in that area, we're going add a raised median and make it three lanes in each direction.

Gila River Bridge at Guthrie near the Three Way Junction in US 191 and SR 75 and SR 78 is an important link to the Morenci Mine. Greenlee County maintenance forces and ADOT maintenance forces pulled their resources together to do some preparatory drainage work. And for members of our local communities, cities and counties, I want to say thank you to you for your help. And with that, Mr. Householder, if you have any questions, I'd be glad to hear them.

CHAIRMAN HOUSEHOLDER: Does the Board have any questions for Bill? If not, thank you, Bill. I appreciate that. We've got the Director's Report. John.

### **ITEM 1: Director's Report**

JOHN HALIKOWSKI: Good morning, Mr. Chairman and Board Members. I want to talk about which are issues affecting ADOT. Essentially, it's in the budget and permeating through everything in the agency. If you've been following the newspapers for the last week as you know, we've taken some pretty stiff measures in order to cut our budget to meet what we believe will be our revenue generation for this fiscal year.

But this combination of declining revenues due to the weakened economy and the transfer of \$530M to transportation funding to address state budget shortfalls has reduced our budget by 25%. The problem is further handled by the revenue declines in July and August in the HURF of \$26M. These reductions result from the state budget that was approved in July and it continually declines in the revenues as people purchase less fuel and vehicles. In addition, we received another request as all state's agencies to cut another 15% out of our budget this year. So this is an additional effort that will result in operations reductions.

The other thing I want to point out, Mr. Chairman, is the implementation of the budget reduction plan will begin this month in October and will cross all of our operational areas. The process is being viewed in a positive light in the sense that crisis brings what I call the best in people. And that we are having to thoroughly examine every aspect of our operation, what we spend money on, how we spend it. I also will point out, Mr. Chairman, this is the second year of major cost reductions for ADOT. In fiscal year, 2009, the Department took aggressive action to reduce our use of State Highway Funds by

15%. That was a \$60M savings in '09. Largely, those cuts were invisible to the public. They were internal. This year, what you're seeing is now more external as we move to suspend rest area operations. And we will begin looking at closure of MVD offices pending department of justice clearances.

Finally, Mr. Chairman, what I'd like to point out is that when we're looking at the areas of ADOT, it is important to know it's not just roads and MVD services. These cuts will also have an impact on the Grand Canyon Airport which is the state's third busiest airport. We've got over 40 taxi and commuter carriers operating from that airport serving more than one million passengers annually. We will be limiting maintenance activities there to focus on airfield safety to make sure that our runway and taxi ways meet those standards.

Roughly the number of ADOT employees so far as been reduced by attrition. It's about 10%, or 450 positions. This is a result of a hiring freeze that's been in place for over a year now. The current funded shortfall will require further staff reductions. It's going to impact our ability to provide services at the level to which much of the state has now become accustomed. ADOT will continue to work differently to accomplish our missions, but I want to warn you, there will be effects out there. While we can still achieve some of this through attrition, I just also want to say that further reductions are anticipated as the revenues continue to decline. As you've heard from the audience, Mr. Chairman, not just today, but everywhere we travel in the state, it's very important that they have the staff to work with locally. The District Engineer, Bill and his colleagues throughout the state are really the backbone with their staff and what keeps the transportation system and the economy moving. Our concern is that we do not want to cripple that operation. Our goal is that we will continue to use all the federal money that we're receiving and spend it wisely with your guidance. In essence, we will protect the core so that we can get through this crisis, but also be in a position that once we're through it and things do get better, we're not going to be caught behind, we're going to be ready to roll in the future.

So, Mr. Chairman, that concludes my report. I would also like to thank the folks here in Graham County; I will remember the salsa trail. Thank you.

CHAIRMAN HOUSEHOLDER: Does anyone have questions for John? I guess you're off the hook for now.

## **ITEM 2: Consent Agenda**

CHAIRMAN HOUSEHOLDER: The next one, item number 2 is the consent agenda. Is there is anything you want to hold out of the consent agenda? If not, I'll entertain a motion to accept the consent agenda.

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

## **ITEM 3: Financial Report**

JOHN FINK: We're going to start with the multi-revenue trend for the Highway User Revenue Fund. September HURF results were \$102.5M which is 9.3% under last year and, actually, right on our

forecast. There's actually some good news in here. Last September the HURF results were \$113M. That included a \$10M one time revenue recognition for prior years. So if you retract that out of last year's results, we were actually at \$103M. HURF has held steady in comparison with last year and in good comparison to our forecast. However, for the year, HURF is about \$291.6 million which is 11.1% under last year and about 4.7% under our forecast. Again, backing out the additional \$10M that was recognized last year. HURF would have been down about 83%.

By categories for the first three months, gas tax revenue was \$101.1M which is down 3.6% compared to last year and down 2.3% compared to our estimate. There is a little bit of good news here also. Gas gallonage does appear to be stabilizing a little bit and that hopefully will continue. Use fuel tax revenue, however, was only \$3.3M which is down 11.8% compared to last year and down 5 % compared to our estimate.

The HURF VLT was \$88.9M which is down 11.5% compared to last year and down 8.9% compared to our estimate. And just to give you a little detail there, in the first three months, new car sales have been down 25.6%. Arizona registration is down 40%. The average VLT is down 8%. And one of the conclusions I would draw from that is that there's been little impact from 'Cash for Clunkers' which you all read about and heard about. I think the impact of that was pretty minimal on HURF results.

RARF was \$24.4M which was down 13.7% compared to last year and down .6% compared to our estimate. For the first two months, RARF was at \$50.2M which is down 13.7% compared to last year and down .8% compared to our estimate. And I do think I have evidence of a trend here because we did receive at least preliminary September RARF results yesterday. That total was 24.7% which is down 13.7% compared to last year. So this may be a first time that we've had three months where the year over year comparisons were almost identical.

We go to the category results. Again, this is just through August. Retail sales were \$22.8M for the two months which is down 13.2% compared to last year and down 2% compared to our estimate. Our contracting revenue was \$6M which is down \$38.1% compared to last year, and down 11.9% compared to our estimate. One thing I would note here is that contracting has now dropped to the third largest category. I don't know if that's the first time that that's happened, but that shows how much that category has been impacted by the economic conditions.

Our average monthly invested balance for August was \$1.33B. We have monthly earnings in August of \$1.5M for an annualized yield of 1.3%. For the first two months we've had earnings of \$3.9M with an annualized yield of 1.7%.

Our HELP cap balance as of the end of September was \$50.7M. I believe that we're now at the point where we can probably begin accepting applications for the HELP Program again. So that will be at least some good news for some of the local governments, the primary users of that program. That's all I have in terms of financial report. I did have one other matter that I would like, with your permission, Mr. Chairman, to give you some background on as part of this item?

#### **Item 4: Financial Program**

JOHN FINK: As you may recall, I was unable to attend last month's coordinating meeting. Maybe you didn't notice. That was due to the fact that we were in the midst of closing out our federal fiscal year end. And I needed to be in the office because we had some specific deadlines to meet. And one of those key deadlines happen to coincide with the date of the board meeting, and it was really important that I stay back in Phoenix for that.

In the probably dozen or so years that I've been working with the Federal Aid Highway Program, this was the most challenging federal fiscal year end closeout that I have ever experienced. I haven't talked to any of my counterparts in other states to see if they've felt the same way. But at least for me, it was the most challenging. This was complicated by a number of different factors. First of all, there was \$170M rescission of apportionments, that is apportions are essentially contract authority that Congress gives us to utilize with our federal aid program. So we had to essentially give back \$170M of these apportions. Now, that's not real cash, and that really didn't have an impact on projects. However, we had to reduce our balances in various funding categories to meet this rescission. This was the second rescission that we had experienced during the federal fiscal year. There was one in May totaling about \$65M. So the total of those two rescissions was \$235M.

I also believe that this was about the 7<sup>th</sup> rescission that we had experienced under SAFTEA-LU. I think we probably had at least one a year, maybe there was a year where we had maybe an additional one. But this last one was by far the largest rescission that we've experienced under SAFETEA-LU. And unlike most of the other prior rescissions, the amount that was rescinded had to be spread across virtually every category of federal funding that we have available to us.

Normally, when there was a rescission, we would be given great discretion to determine which of our programs to take that out of. In this instance, FHWA sent us a schedule showing each of the programs and what the minimum that could be taken out of that program and what the maximum that could be taken out of that program was. And then we have to try to fit everything in within that. Another complication was the result of the annual redistribution of funds. Through this process, we received an additional \$18.4M for obligation authority. But we didn't receive notice of this until September. So we had very little time to react to that and to make sure that we obligated those funds.

We also, through this rescission, had to make sure that we didn't impact any projects that had been previously authorized. And then as Jodie noted in her remarks, one of our guiding principles was that we didn't want to impact funds that would have been used by the MPOs or the COGs. What that meant was that we had to absorb some of the rescission amounts in the funds that we would have traditionally used as our funding.

There was also some limited ability to transfer federal funds among categories. While we can often transfer among categories, some categories really have very little transferability or have no transferability. The reason that this was important was because in order to make sure that we matched up all the projects that we had with the rescission amounts, we have to make some fairly significant transfers amongst the categories. I don't recall that we ever had to do that, but I know that other states experienced the same thing because we had received some feedback the FHWA had just been swamped with transfer requests. And they were trying to get it all sorted out.

And last but not least, in fact, this is probably the most important thing. We needed to ensure that we didn't lose any federal funds for any federal funds lapsed. The obligation that we receive every year is only good in the year that it's distributed. We can't carry it over from year to year. And if we don't use it, it ends up going back into the pool and gets distributed to other states. So we have to make sure that that absolutely did not happen. So basically what happened is as we approached the very end of the close out process, it appeared that we didn't have a sufficient number of projects authorized to fully utilize all the obligations that were distributed to Arizona for the year. And we recognized that it wouldn't have been in the state's interest and the department's interest and the Board's interest to allow any of those funds to go back into the pot and be distributed to other states. So we took immediately steps to ensure that this would not happen.

In consultation and cooperation with FHWA, approximately \$75M of federal aid projects were authorized in the final two days of the federal fiscal year. This required significant effort on the part of the State Engineer's staff, FHWA's staff and my staff. We have very specific criteria that we apply to each project. First of all, the project had to be ready to advertise or nearly ready to advertise. Second, the project had to be in the appropriate category. For example, we have significant balances of safety and bridge apportionments. And we worked hard to identify projects within these categories. And, third, the project had to be the right size project to utilize the amount of funding that was available. In some cases, these projects are all deemed in the Five-Year Program, but were in a future year and will be accelerated. In fact, some of them may have been deferred as part of the projects that we deferred when you adopted the 2010-2014 Program.

In other cases, these were projects that were already on your ARRA priority list. And we just pulled them from that list to utilize in this process. And some of these are new projects that would have been funded out of some programs at future dates, but had not yet been identified. I wanted to provide you this background and explanation because when you consider items 5 which is the PPAC agenda and item 7 which is the ARRA update, you'll see projects, for example, in the PPAC list of projects that are described as federal fiscal year 2009 closeout. That is the identifier for the projects that I've just described. So with that, I'll be happy to take any questions.

CHAIRMAN HOUSEHOLDER: Any questions for John? PPAC, Don Mauller.

#### **ITEM 5: Priority Planning Advisory Committee (PPAC)**

DON MAULLER: Good morning, Mr. Chairman, Members of the Board, Director Halikowski. I will be presenting items 5A through Item 5MM. Our Director of Aeronautics, Barclay Dick will be presenting items 5NN to 5TT. I would like to recommend that we take Items 5A through 5MM with the exception of Item 5W which the Board approved last month. It is US 191 project. And I'm prepared to address any projects individually if you so desire. With that I recommend approval of Items 5A through 5MM with the exception of 5W, which was approved during last months meeting.

CHAIRMAN HOUSEHOLDER: The board looked it over? They have anything against it?

*Motion made by Felipe Zubia, seconded by Victor Flores, to approve Items 5A through 5MM with the exception of 5W. In a voice vote, the motion passed unanimously*

BARCLAY DICK: Good morning, Mr. Chairman, Members of the Board, I'm Barclay Dick, Director of the Aeronautics Group. This morning we have seven grants for your consideration. Approval of these grants will cause a \$64K application from the State Aviation Fund. If the Board would like to consider these grants under a single motion, staff recommends approval of general Items 5NN through 5TT.

CHAIRMAN HOUSEHOLDER: Do I have a motion to that effect?

*Motion made by Bob Montoya, seconded by Victor Flores, to approve Items 5NN through 5TT  
In a voice vote, the motion passed unanimously*

### **ITEM 6: State Engineer's Report**

FLOYD ROEHRICH: There are two items in here that I want to discuss. One is the current status of a summary of construction program. And I'm also going to update the Board. Currently, even with the economic impacts that we have been receiving or feeling especially in our operating budget, we still have a fair robust construction program. Currently, we have 108 construction contracts ongoing around the state with a \$1.6B value. Of that, we still have another \$480M worth of work to perform. So we still have a pretty good showing in the construction industry. We continue to see a wrap up of the local government programs. But we're hoping that this will continue to build momentum as we go into the next year as well the federal authorization and any other actions that are potentially going to take.

To date we've closed out 23 construction projects. Closing out these projects allows us to free up any additional funds that might be set aside for administration within that program and allows us to put those funds back in and hopefully continue to add those to future projects as well. The industry has been very receptive and gave us some very good bids.

I did want to take just a minute to talk about a national conference call that was held yesterday, conducted by AASHTO and chaired by their Executive Director, John Horsley. What they were looking to the states to do was to develop a second round of shovel ready projects that could be obligated within 120 days of enactment of additional transportation funding whether it's through the potential of more stimulus funds, another ARRA act or it could be part of either a continued resolution or potential authorization.

But they're looking for the states to do is work with the local government to a comprehensive list of transportation projects that could be obligated 120 days. They want to focus on highway and street projects, as well as any transit rail and aviation projects. In their discussion with the administration and congressional leaders, they feel that there's a potential to really enact some additional funding for transportation. But we continue to show the great need and the positive impacts of delivery as we did this year which incidentally they have identified were about 75% obligated of that first go around of stimulus funds that were approved in the ARRA Act. A majority of that is state funds. Like Arizona is progressing into, all states are pretty much progressing into a more of finding resources for the local program. That's for the out-of-state program. For the state program, as we have seen, we virtually obligated every dollar of that that we have. There's been some big savings. We've been able to

expend that program. I'm not going to worry about that. That's pretty much what the consensus is around the nation with the other states as well.

So AASHTO and their discussion with the administration and the legislation leadership feel there's an opportunity here to potentially capture and gain momentum to get additional funding as we roll into 2010. We as the staff of ADOT are continuing to put together a list. It is due October 22<sup>nd</sup>. Again, looking at the projects that are on the original ARRA list but never got to as well as what's in the program as well as anything we could possibly match, we're putting together our list and we'll be prepared to respond to the survey. Again, AASHTO will just take that in further discussions. What it eventually leads to we'll see how time goes on with that as they continue to address transportation issues.

CHAIRMAN HOUSEHOLDER: Floyd, Victor has a question.

VICTOR FLORES: Mr. Chairman, Floyd, you don't have to go through that exercise again, though, right? I mean, you've got a list of many projects. So you would just basically go down that list and I guess you create a number one based on what was not funded for the first round?

FLOYD ROEHRICH: Mr. Chairman and Mr. Flores, our goal this time is, again, we're not going to put together the party list. That's why we won't come back to the board at this point. At this point we're looking at what potential projects could qualify and be ready to meet the federal requirements. So the list that we have, what's in the program that we have, some of the deferments that we did might give us an opportunity, as Mr. Fink was saying, we really pull together a list of bringing those forward. This is just a survey at this time to give AASHTO a sense of what the states feel they can deliver. Word goes from there what further actions might have to take. All that will have to go, just like we did previously. This was just kind of an information finding, discussion and exercise at this point.

CHAIRMAN HOUSEHOLDER: Does that answer your question?

VICTOR FLORES: Yes.

CHAIRMAN HOUSEHOLDER: Okay.

FLOYD ROEHRICH: Within the ADOT ARRA funding as we had previously identified, we had 59 projects identified. Two of those were projects that we were able to bring forward with good savings and the MAG region. As you can see here, we've done a great job, our staff, under the Director's guidance and the Board, we've put a great amount of effort into advertising 57 of the 59 projects and already awarding under construction 55 of them. We really have two smaller projects left after this project on I-10 in Tucson and the I-19 project in the Tucson District as well.

Within that, we continue to see good savings that we're able to just keep rolling down the list within the MAG/PAG regions of greater Arizona to bring more projects forward and to capture those savings. We're continuing to see a great benefit out there and a great response from the construction community. Within the enhancement side of it as well, you could see that the original five projects that were identified. We've already awarded four of those. We're down to the last project.

In the local government, this is the one area where yesterday on the national conference call, it generated a little bit of discussion. All states, as well as Arizona experiencing it, as we ramp down on the state program, we really need to take our resources and grant them up on the local program. We're down to about the last four, four and half months of getting these projects all obligated and out the door so we don't lose any of this funding. Within ARRA, within the State of Arizona, we've identified through the local governments 94 projects. Only three of those so far have been advertised and three additional have been awarded. So we're at a phase now that we've got 90 projects that we really need to get focused on and start moving those forward. And working with the local governments we see a big push of projects coming in this later this month.

We're picking up mid to late November through December and January. We're seeing an opportunity here to be able to deliver that. We have all our resources everything in place to deliver those and not lose any spots. But we need to get 100% focused on that. That's our goal as we move forward with finalizing the ADOT portion of ARRA and move into the local government portion a little better. Real good cooperation, work with the local governments, but it is a large program and lot of projects we need to get out.

Within that, I did want to talk a little bit about the summary document that was presented to the Board. I've had an opportunity to contact most everyone of you to talk about that. But the original prioritized list of projects had about \$61M of bid savings last month. I brought to the Board the option of continuing with adding the new project on 191 in Graham County. That project had the smallest amount of ARRA funds previously because of the shovel ready nature. We were able to get another quality project available in there. The Board did agree to add that. That was about \$11.9M. It basically brought about \$12M. So it brought down the available ARRA funds in the greater Arizona region to about \$49M.

Within that, we identified the I-10 project between I-8 and SR 87 is the next priority project that was on the priority list. From staffs perspective, we're continuing to recommend that we go down to that next project, use our available ARRA funds to capture those funds so we don't lose them. Get that project out to construction. Take our resources and start focusing them on the local government programs so we can deliver that program. And that will basically use up the bid savings and majority, if not all of it's savings from the greater Arizona region. Within MAG/PAG we're continuing to work on their project list. We'll be able to keep using the bid savings and get those projects out so as identified and no further board action was needed.

We still recommend on the I-10 project, the next project on greater Arizona rolling directly into that with bid savings, no Board action is needed. But I got a request from some of the Board members to forward this as an item and discuss it among the Board to decide is that the strategy we want to do and continue to move onto the next project or not.

There's a couple of things I would like to point out on that before I ask the Board whether they concur with our recommendation or if they're willing to debate and reprioritize the project list. I-10 not only has been a high priority of the staff and this Board for years, not just because of its regional significance as well as its national significance, but a lot of funding has been going on at the corridor to continue to widen. This is the next phase as you start working your way north and west out of Tucson. This is the next phase that continues to take the widening as it approaches Phoenix. We've been

working with the Leadership of the GRIC Community to move forward with widening to continue to close the gap. And we'll continue to look at that opportunity and bring that project forward with future opportunities.

But the second thing as I said if you look at the summary memo and you kind of look at what we've been able to accomplish with either close out funds, additional funds or just normal program funds that we've had, we're down to the next project which is the I-10 project. Using our good savings, getting that project out stays along with the priority that was originally identified by the Board. But more importantly, it allows us to capture the rest of the bid savings from the state program and now take our resources and put our contract people and development people and our technical people on to the local government program which still has approximately 90 projects to get out. Allowing us to continue to move forward with our priorities and moving forward with the strategy that we have ensures we've used our funds, it gives us the opportunity to move into the support of the local government program.

STEVE CHRISTY: Mr. Chairman. May I ask a question of Floyd?

CHAIRMAN HOUSEHOLDER: Go ahead, Steve.

STEVE CHRISTY: Floyd, since I'm new to the Board can you tell me briefly what is the difference between the procurement process versus the bid advertising? I'm referring to your October 2<sup>nd</sup> summary letter.

FLOYD ROERHICH: Mr. Chairman, Mr. Christy, on the procurement process, that has some greater rules that we have to follow, not only for the use of any of our funds, but for use of federal funds. What is usually used for smaller projects. If we're look at the ones that were identified, they were small sign rehab projects or smaller projects. We could procure those services I think a little bit longer. The process can be a little bit more cumbersome. Therefore, we don't like to use our large construction projects in the procurement process.

The second process we use is our bidding process. And that process has some defined rules that allows to competitively bid to get the lowest bidding process for these large construction projects. Procurement process is more of are you qualified to do the work and then who's the best person to do that work. And then it spreads it out and you've got multiple phases.

What I would recommend is that either through study session or through a special session with you individually, we put together a conference where we can really give you an overview of these operational aspects that we go through.

STEVE CHRISTY: On project 39, the I-10 to State Road 87 widening you're using both of those processes in that project?

FLOYD ROERHICH: No, that would be bid through our normal project completing process not a procurement process. That project will go out for intend to bid through our normal bidding and contracting process.

STEVE CHRISTY: And, also, I get the sense too that the funds that have been accumulated for that specific project, if they're not used, we are in jeopardy of losing them; is that correct?

FLOYD ROERHICH: If we don't use the funds we are in jeopardy of losing them. But it wasn't necessarily set for that project. The funds were used specific for this group of projects in the priority set. That's just the next priority. The Board has discretion to reprioritize or set the priority as they did this priority. And, again, as I said, staff recommends that we use them on that I-10 project from I-8 to SR 87 as the next part of the project. But it's the Board's discretion whether you concur with that or not or if you want to revisit the prioritization process.

STEVE CHRISTY: Okay. One thing I would like to ask of the Board as well as you, Floyd, if there's any further information and detail regarding this project, please by all means, I'd love to be privy to that.

CHAIRMAN HOUSEHOLDER: John, would you like to say a word?

JOHN HALIKOWSKI: No, Mr. Chairman, other than we will get with Mr. Christy and have a more in depth discussion on this project.

STEVE CHRISTY: Yes, that's great. And thank you for answering my questions, Floyd.

CHAIRMAN HOUSEHOLDER: Bill, have you got anything to say about this project. I know you had concerns at the last meeting.

BILL FELDMEIER: I do have a couple of questions. And really because I'm not feeling that good, I'm having trouble following everything. So I may be a little incoherent from time to time.

CHAIRMAN HOUSEHOLDER: What's new?

BILL FELDMEIER: I missed something that happened, I know that. Is it best for me to just hold my remarks until a little bit later in the discussion if that's okay, Delbert?

CHARIMAN HOUSEHOLDER: That's fine, Bill.

FLOYD ROEHRICH: At this time, Mr. Chairman, I guess I would ask if the Board concurs with the strategies outlined, we're going to continue to move down the priority project list. The staff continues to move forward with advertising the Interstate project and use the rest of the bid savings for greater Arizona to fund that project. And I will use up all the bid savings we have within that area or it's the Board's discretion do they want to revisit the prioritized list of projects and establish a different priority.

JOHN HALIKOWSKI: Mr. Chairman. Floyd, we had a discussion also on resources that are needed to do multiple projects versus a single. Could you touch on that please?

FLOYD ROEHRICH: Yes. Mr. Chairman, Mr. Halikowski, as I commented, at this point with the amount of local government projects, the 90 + projects left to do, those projects ran in value from as

small as \$30K to hundreds of thousands of dollars. But as we've previously discussed and presented to the board when they ask questions about the federal aid process, it doesn't matter whether it's got a dollar in it or a million dollars or multi million dollars. The federal aid process has to be followed and has to be cleared every step of the way. Those 90 projects no matter the relative size of those projects, they all have an extensive amount of effort necessary to clear them to prepare those so we can advertise and procure them through the federal aid process. Given the current status of the resources as well as the consulting help that we've been able to provide, we need to shift those people off of the state program, wrap up those projects and get them into the local government programs so we can ensure that all 94 projects are obligated to deliver within the ARRA timeframe so we don't lose any of the funding. And that's, Mr. Halikowski is where we were talking about.

We're at a point where we need to start shipping our people onto those programs 100% allowing us to continue to use the prioritized list of project for the bid savings and the I-10 project, get that project out of the door, will allow us to ship those resources on the local program because we deliver then, basically the ADOT funded program.

CHAIRMAN HOUSEHOLDER: What is the Board's pleasure? Do you want to have a motion on the project's listed or do you want to have another meeting to discuss the projects? I know the staff has worked a lot of hours of getting these projects in order they feel like the way should work, but it's up to the Board.

FLOYD ROEHRICH: Just one thing, Mr. Householder, no motion is needed if we stay with the prioritized list that's approved. We just move forward. If the Board would like to discuss or reprioritize, then they will need a motion to have an action.

STEVE CHRISTY: Mr. Chairman, may I make a motion?

CHAIRMAN HOUSEHOLDER: No, no motion needed they said.

BOB MONTOYA: I'd like to make a comment.

STEVE CHRISTY: I will withdraw my request to make a motion.

BOB MONTOYA: Mr. Chairman, Mr. Roehrich, you know, I appreciate where we are at this point with our staff resources. \$40M is a lot of money. I realize that this is the next project that's in the priority list. But we did make an exception at the last meeting that brought a project that wasn't even on the priority list and inserted it to the tune of \$11M because Graham County in the first round only got \$191K in grants.

As I look down at the other counties, I see that Santa Cruz County got \$2.7M. Apache County got \$5.9M, Greenlee County;\$1.15M, Yavapai County; \$6.6M. So when I saw this project, I thought , if we can make that exception, shouldn't we be considering those other counties that were not given equal money. I appreciate your concern and ADOT's challenges right now with staffing and things of that nature. But is this going to be a trend that I'm concerned about that because we are in tough times and we're short of labor, are we just going to focus on the big projects because I realize it takes the same amount of man power to do a \$3M job as it does a \$55M job. And I just don't want to see us go

in a trend that excludes the smaller projects in the smaller counties. So that is my biggest concern when we start reprioritizing projects.

BILL FELDMEIER: Mr. Chairman? Can I ask Floyd a quick question?

CHAIRMAN HOUSEHOLDER: Go ahead.

BILL FELDMEIER: Floyd, in that earlier I-10 project in Pinal County, we have down here on this list that you sent us October 2<sup>nd</sup> that that was \$30M. Was that the bottom line number?

FLOYD ROEHRICH: Mr. Chairman, Mr. Feldmeier, no. I actually think it came in at a little less than that. I don't have the reconciliation right here, but I can get that for you.

BILL FELDMEIER: While you're looking for that then, the second part of his question is, are you still looking at an estimate of \$55M for this?

FLOYD ROEHRICH: Mr. Feldmeier, they're in the process of updating that as they get that ready to bid. It's going to be pretty close to that, but it does have a possibility of fluctuating a little bit. We are continuing to look at these projects from the advertised, looked at what the current bid climate is like and just unit prices on some of our materials. I think it might fluctuate a little bit. But if it goes from \$55M, it might be a \$1 - \$2M difference at this point until we get a chance to advertise it. Some of those costs at the time we estimated them, we had accounted for some of the bidding. We're continuing to evaluate those up to the time of bid I'm sure to accommodate the current bid climate. So it has potential to change by a little bit, but it will be a small fractional amount. If there are bid savings generated from that, then again we will need to look at another project if it is generated.

BILL FELDMEIER: Here's where I'm headed. The first project which we originally approved for \$30M minus whatever that originally came in at. Now you're looking at \$55M. So that's a total of \$85M on two projects in one county that's greater than 50% of the total amount of money being spent in the 13 other counties. And I just can't do that. I don't think that's appropriate to spend more than half of the total amount of money in one county. I'm not disagreeing with the need because every single project on this list has great need. But when you couple that fact, which I consider very relevant, with looking at how some of these other counties have received a very small portion of money of the total, it's even that much more difficult for me to take. I don't know why if we just hold that 39 out and doing that I-17 course junction TI that we couldn't get some additional funding or do it a different way and still meet the needs that are there on I-10. And then we just move right down the list.

JOHN HALIKOWSKI: Mr. Chairman, to a couple of points here. First to Mr. Montoya's. I don't see this as a trend that's developing to only do larger projects. We're in a unique situation with these ARRA funds because of the very specific timeframes and also the fact that the federal government said, "You must meet all the federal requirements to spend this money." The fact is that if we don't meet those timeframes, we risk losing that money to other states. So even though we're recommending that we put this money on a large project, we have to recognize that it's in response to a specific and unique budget situation dealing with the ARRA.

The other thing that I would point out is that I-10 and this goes in with the staff's recommendation is that I-10 is your major commercial corridor between two of the major cities in Arizona. And it's a major safety issue as long as you're trying to deal with two lanes and create choke points as we're now expanding to three. So I don't believe that we lose anything by keeping it in the prioritize list the way it is for the future. And I certainly would say that I don't believe we're starting a trend to go to larger projects simply because we're in this unique ARRA funds situation, and we don't want to lose that money.

BILL FELDMIEIER: I take a little issue with the idea that -- first off, I agree that it's a choke point between the two major commercial arenas in the state. But what's happening here is that the two major commercial counties of the state are asking rural Arizona to pick up the tab for the needs that they have. As you can see with the numbers we've got here and others that need to commend to complete that corridor within Pinal County, rural Arizona is the one that is taking the hit. I really think that they ought to step forward if they're serious about making these kind of improvements to their commercial connection to come forward with some of their money to help us out.

FLOYD ROEHRICH: Mr. Chairman, if I could? Mr. Feldmeier, Mr. McGee has a summary within his packet of what recent bids were. On that I-10 project you reference of \$30M, the bid we got on that was \$17.3M. So we saved just over \$12M in bid savings which would contribute to the \$49M that was available. Within the \$17.3M and this if this project stays at \$55M or is a little bit less than that, that's just about \$70-72M out of the \$350M within the ADOT region. It's less than that, but it is a good chunk. Also, Mr. Montoya's comments, one of the things that we can't forget here, we still have the Five Year Program. We're continuing to move forward projects within that. With the funding that we were able to get in the year close out, we're continue to look at bringing in rural projects as well.

The Board still has the ability to look at what's available in the Five Year Program. If these projects get funded with ARRA, that may be open up an opportunity to look at balancing out the regular Federal Aid Program as well through the Five Year Program. Again, a study session needs to be held to look at that distribution and maybe do some reprioritization there. I think it's only been the Board's discretion to look at what's best for all of Arizona, whether it's within ARRA, whether it's in the federal aid type of program or with any of those aspects. So maybe it seems unbalanced here, but there are opportunities out there to balance it that's available to the Board.

CHAIRMAN HOUSEHOLDER: John.

JOHN MCGEE: Mr. Chairman, just to reiterate my point that Floyd just made, just to the Board has all the facts. As Floyd said, that first project was originally in the program for \$30M. It actually came in about \$17M. This project is around \$55M. So you're talking a little over \$70M between the two projects, assuming that this one comes in at what we're estimating. As the Board will remember, there was approximately \$350M total ARRA funds that we're working with here. The combination of those two projects would be somewhere around 20% of the total ARRA funds. So I think it really comes down to the Board's decision.

BILL FELDMIEIER: John, if you're talking about the total statewide between MAG and PAG and TOC. When we talk about TOC's portion of that, with the number that you have brought in, maybe that's now 46 or 47% of the total amount of \$176M.

JOHN MCGEE: Yes. It would come in probably about 40% of the TOC. It would be about 20% of all the funds in the state on that corridor of all the state money.

CHAIRMAN HOUSEHOLDER: Joe said we couldn't make a motion on it. I don't know why we can't make a motion. We're going to sit here and argue forever on whether prioritized down the list. And we've been at it for quite a while on doing it. I don't know why, Joe, we can't make a motion to agree with the way they're prioritized and go from there.

JOE ACOSTA: The effect of no motion would be to continue with the list as it exists which would include the I-10 project which is number 40 on your existing list because that would be the next job in the existing list. You can make a motion to continue with the list as it is if you decide to make that motion. If there is no motion, though, then you continue with the list as it exists. You can make a motion to reaffirm the lists as it exists if you want to.

CHAIRMAN HOUSEHOLDER: So you're saying whatever the staff wants to do, if they want to put it on the I-10 over there, it can go there without the Board's approval?

JOE ACOSTA: No. What I'm saying is the Board previously approved a list. A lot of that motion and approved action by the Board came as the waiting list as they were. The next project on the waiting list is the I-10 job. So if no motion were made, then the department would proceed with the I-10 job. You can decide to make a motion to reaffirm the previous list. And that would have the same effect of having no motion which is that the I-10 job is the next job. Or you could take action to amend the list in some manner so that the \$55M could go to other projects. Those are the choices that the Board has at this time.

VICTOR FLORES: Mr. Chairman, if we accept the recommendation and we don't modify, then there's no motion that's necessary. It continues it. If we address some of the concerns that both Mr. Montoya and Mr. Feldmeier have brought up, then they would have to make a motion to modify that has been recommended by staff. I guess the only other thing we can do is defer this if some of the Board members feel strongly about it.

CHAIRMAN HOUSEHOLDER: Well, we just seem like if we defer it we just keep deferring it. I'd rather go ahead and make the decision one way or the other.

FLOYD ROEHRICH: Mr. Chairman and the board members, deferring this is really pushing us up against some time constraints. I'm not trying to add extra pressure. ARRA does have a time frame and we're trying to meet within that. Deferring it just adds more pressure on everybody to have to address that, not just us.

VICTOR FLORES: Mr. Chairman, I guess, to bring this to a close, if one of the Board Members wants to make a motion to modify, they do so. We vote on it. We vote it down then we proceed or if there is no modification presented by any of the Board Members, then we just go on to the next item.

BOBBIE LUNDSTROM: Can I ask a question, Mr. Chairman?

CHAIRMAN HOUSEHOLDER: Go ahead, Bobbi.

BOBBIE LUNDSTROM: Is there any way that we can get some funding because I agree with Bill and Mr. Montoya as far as the funding goes? I think those counties that are benefiting for that corridor should come up with additional cash. Is there any way that that possibly could happen?

CHAIRMAN HOUSEHOLDER: You're not going to get any money out of MAG or PAG, I'll tell you that right now.

BILL FELDMEIER: Then that should tell us something. I think Mr. Flores is correct that we need to move this one way or another and with that, I'm prepared to motion. And that motion is that we move off of the original decision we have, eliminate number 39 and then move forward from 40 on.

***Motion made by Bill Feldmeier, seconded for discussion by Victor Flores, eliminate project number 40 and move to next project on the list.***

CHAIRMAN HOUSEHOLDER; Felipe, you have question?

FELIPE ZUBIA: I want to make sure, Bill is referencing number 39. I think he's going off a different list than we have in our Board packet because I have it as number 40 where Bill is referencing it as number 39.

FLOYD ROEHRICH: Mr. Chairman, Members of the Board, that's correct. If you look at the updated list that we gave you, after approval last month, the 191 project, we put that in within the next prioritized list. And that bumped everyone down. So it's a difference of one, the new list that you have as part of the Board packet is the correct list.

FELIPE ZUBIA: Okay. Then that kind of leads then to my next question which is if we maintain the list as it, we then go to project number 30, correct?

JOE ACOSTA: First, we need to remain within the list that is the public agenda which has the I-10 project as number 40. But to make it simple, if someone wants to amend the motion to make it clear that you're talking about the I-10 project that extends from I-8 to SR 87, that might be simpler. And then that way everyone knows exactly what's going on.

BILL FELDMEIER: I think that's appropriate and good advice. So I would request that amendment you made.

VICTOR FLORES: Okay. And I'll second.

CHAIRMAN HOUSEHOLDER: Bill made a motion and you seconded it, Victor?

JOHN HALIKOWSKI: Mr. Chairman, he had another question on the phone, Mr. Christy.

CHAIRMAN HOUSEHOLDER: Who's got it, Steve?

STEVE CHRISTY: Could the amendment that was just discussed be repeated?

BILL FELDMEIER: That we would be simply looking at the project as opposed to the numbers. So the project that would be eliminated off the list is the one in Pinal that's discussed on I-8 to SR87 for \$55M.

STEVE CHRISTY: And your motion is asking to remove that from the list?

BILL FELDMEIER: That's correct.

CHAIRMAN HOUSEHOLDER: He won't go for it. John.

JOHN HALIKOWSKI: I just want to make sure everybody understands the motion would be to eliminate project number 40 from the list in today's Board packet, and that the department be instructed to proceed with Project 41.

CHAIRMAN HOUSEHOLDER: Go to 41?

JOHN HALIKOWSKI: That's what my next project is.

CHAIRMAN HOUSEHOLDER: Well, I don't know. I represent Pinal County. And I think you guys done the best you could of getting these things taken care of.

JOHN HALIKOWSKI: That's just a draft motion, Mr. Chairman. I'm not telling you to go either way. Our recommendation is that we keep 40 because we think it's important. But the policy has to be set by the Board.

FLOYD ROEHRICH: Mr. Chairman, if I could, I think we can simply this if I understand what Mr. Halikowski is saying. Just eliminate -- we have documents, don't touch anything on the list. He's asking to eliminate off of the current list, the I-10 project with the limits from I-8 to SR 87.

JOHN.HALIKOWSKI : That's it.

BILL FELDMEIER: And then moving it up the list, we just continue to move down the list and the power be that it is (inaudible).

FELIPE ZUBIA: So then that again gets back to my second question which was the next one on the list based on today's agenda's list would be priority number 30, right?

FLOYD ROEHRICH: Mr. Chair, Mr. Zubia, that's the next one to be funded. If you look at my summary, we've actually found funding for every project up to the I-8. That's why it's the next one for bid savings or excuse the I-10 project. If you eliminate the I-10 project, we'll just keep rolling down with that \$55M on to the next projects.

FELIPE ZUBIA: Which would then be what, 41 then?

FLOYD ROEHRICH: That's correct.

CHAIRMAN HOUSEHOLDER: Okay. Bill has made a motion that we take 40 out of there, the I-10 project and you seconded it, Victor?

VICTOR FLORES: Yes.

CHAIRMAN HOUSEHOLDER: I guess we call for a vote now, Joe?

JOE ACOSTA: Call for a discussion and vote and whatever the chairman --

CHAIRMAN HOUSEHOLDER: We've been discussing it. We've discussed it enough.

*Motion made by to approve Item 7.*

JOE ACOSTA: Mr. Chair, I would suggest that we do a roll call for voting.

CHAIRMAN HOUSEHOLDER: Mary, you want to make a roll call?

MARY CURRIE: Bob Montoya.

BOB MONTOYA: Aye.

MARY CURRIE: Victor Flores.

VICTOR FLORES: I would like to explain my vote. My vote will be aye. But I guess my only concern is that these lists were put together by that cooperative of that is represented by the greater Arizona. So I don't know whether or not the fact that we arbitrarily adjust their list is the appropriate thing to do. But I do agree that the 13 other counties ought to get some more funding. So I will vote aye to eliminate it.

MARY CURRIE: Felipe Zubia.

FELIPE ZUBIA: It's a tough one. I support my rural colleagues out there. But I do think there's an opportunity to fund those additional projects through the normal CIP process particularly since we're going to be updating that here very soon and other projects moving up. And so my concern, in all honesty, is the local projects. We have 91 of those left. We have five months to obligate them which means that we need to obligate 18 a month between now and March 2<sup>nd</sup>. That's a heck of a lot to do. And staff is right now concentrating on the statewide program. But with that in mind, I've always supported the rule initiative here and my colleagues in that respect. So with that in mind, I am going to vote aye, but, nonetheless, ask that we get an update on the local projects to find out how we can best expedite that.

CHAIRMAN HOUSEHOLDER: I understand what Floyd is saying that there's money to do every one of these projects, right, Floyd?

FLOYD ROEHRICH: Mr. Chairman, for the next number of projects on the list all have funding strategies in place to fund them this year all the way up to that I-10 project. That's why it's the next one on the list to use our funding which incidentally is a project that's in 13 other counties. There seems to be this view it's a rural or urban, but Pinal County in this corridor is technically in 13 other counties.

CHAIRMAN HOUSEHOLDER: It's rural.

FLOYD ROEHRICH: It's a rural project.

CHAIRMAN HOUSEHOLDER: I'm going to say nay.

JOE ACOSTA: The Chairman doesn't vote until there's a tie.

MARY CURRIE: Bobbie Lundstrom.

BOBBIE LUNDSTROM: I vote yes.

MARY CURRIE: Steve Christy.

STEVE CHRISTY: Though I'm very sensitive to the needs of the rural communities regarding road projects and I'm very impressed with the eloquence of the makers of the motion, due to the intensity of this particular project and its necessity to be continued, I would have to vote against the motion.

MARY CURRIE: Bill Feldmeier.

BILL FELDMEIER: Aye.

MARY CURRIE: The ayes have it. We have five ayes and one nay.

CHAIRMAN HOUSEHOLDER: Okay.

***Motion made by Bill Feldmeier, seconded by Victor Flores, to remove number 40 from the ARRA TOC Projects List. A roll call of board members was taken for a vote. 5 ayes, 1 nay, the motion passed.***

FLOYD ROEHRICH: Thank you, Mr. Chairman and the Board. The next one I would like to move into is, again, a summary of the construction contracts. This month we're identifying another almost \$21M in HURF contracts. Four of them are addressed during the consent agenda. We have three that require separate board action. And what I'd like to do is quickly run through those and get those approved.

The first one that requires Board action is on SR 74. It's a passing lane, widening project, basically from SR 74 section along Lake Pleasant Road. This contract is 16% under the department's estimate. Evaluating the estimate, it is a competent bid. We feel that contractor's means and methods show an inefficiency in the amount of work that is required as well as we're still experiencing some good

competitive costs in our materials, in this case, the asphalt concrete. We're commending award of this project.

CHAIRMAN HOUSEHOLDER: Okay. I'll entertain a motion on Item 8A, Morristown - New River Highway SR 74.

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

FLOYD ROEHRICH: The next item is an enhancement project on SR 260. It's on in the Pinetop Lakeside area from Porter Mountain Road to Woodland Road. It provides a lot of amenities for the landscaping, lighting, pedestrian as well as irrigation. This project is \$63K, about 14.6% over the department's estimate. But a lot of that is, again, due to the specialty items on the pedestrian lighting components for this. And reviewing it and looking at the bids received, we feel it's a competent bid, effective bid and it's in line with the other bidders. And, again, we're recommending award of this contract.

CHAIRMAN HOUSEHOLDER: Do I have a motion?

***Motion made by Victor Flores, seconded by Bob Montoya, to approve Item 8B. In a voice vote, the motion passed unanimously.***

CHAIRMAN HOUSEHOLDER: Okay, Floyd.

FLOYD ROEHRICH: Mr. Chairman, the last item is on SR 101 in Phoenix, SR 51 to Princess Drive. The costs are 21%, about \$422K below the department's estimate. Do you remember this project was brought to the Board last month and it was deferred because there was a protest filed? There was some discussion as far as did the low bidder bid the specifications related to the camera poles and light poles necessary on this project. We reviewed the bid and received documentation from the low bidder that shows he is in compliance with our specification. Therefore, we are recommending award of this project. We're also recommending that the protest that was filed, we've contacted the original contractor on the protest and we've justified to him that his protest is invalid and we've rejected the protest. We are recommending an award of this contract to Roadway Electrical. It is a competent bid. We've satisfied to our satisfaction that the contractor is supplying the necessary equipment as specified by the department.

CHAIRMAN HOUSEHOLDER: I'll entertain a motion.

***Motion made by Victor Flores, seconded by Bob Montoya, to approve Item 8C. In a voice vote, the motion passed unanimously.***

FLOYD ROEHRICH: Thank you, Mr. Chairman, Members of the Board.

## **ITEM 9: Public Private Partnerships**

CHAIRMAN HOUSEHOLDER: Gail, you get to take it instead of John?

GAIL LEWIS: Public Private Partnership legislation passed the legislature this year and we are now in the process of coming up with plans on how to implement the legislation. We've hired the firm of Wilbur Smith Associates to try and assist us in putting together the kind of information and programs that we need to have in place in order to implement this successfully. We've made quite a bit of progress in the last month and I'd like to go over some of the progress we've made.

First is that with Wilbur Smith we have adopted our principles for how we're going to move forward. The principles include using a best practices approach, engaging a process that's transparent and open to the public, limiting our selection of projects that are financially viable over the long term. And also making sure that any projects that are P3s or integral part of our statewide system. So they provide relief and mobility for the whole state and not just for users of that particular project.

In addition, Wilbur Smith has helped us with a number of other items. We rely on the ADOT website now. There's a P3 page that explains the process that we're undergoing and tells people who to contact for additional information. Wilbur Smith has provided us with written drafts in the area of the policy development, drafts, and scopes of work for the future need that we're going to have in terms of consulting services. And preliminary response for unsolicited proposals which we basically we're not in a position to accept in the short run. They are also conducting stakeholder interviews around this date on how P3 should be implemented. And that is all the work that has been going on with Wilbur Smith in the last month.

There have been a number of public verifications as well on P3s. On September 29<sup>th</sup>, Wilbur Smith held a workshop. It was actually their workshop, we just participated in it that was held by them and there was probably about 75 people there including good representation from the legislature and from the city, towns and COGs. I also was invited to speak to the American Transportation Builders conference in Washington DC a few weeks ago and to the International Economic Development Council in Reno last week. In addition, Mr. McGee is going to be speaking this week on October 22<sup>nd</sup> when ASU holds its annual public private partnership conference. He will also be on the agenda on November 18<sup>th</sup> for the National Council Partnerships which is holding their national meeting in Phoenix on that date.

We've got lots of press calls and we've been widely quoted in the press and particularly in the transportation financial services publications which had a limited distribution, but a distribution of people who we are really interested in and who are interested in this program. Finally, in the area of P3s for rest areas, we do have a conference call with the leadership of the Utah Department of Transportation on Monday on their Oasis Program in Utah and how we might be able to replicate that in Arizona. They've recently revamped their program, so they had asked us to hold off a bit and talk to them after they had adopted some new procedures. We'll be having a conference call with them on Monday and possibly making a trip to see some of the facilities in the next few weeks after that. We have also been working with our internal team, procurement and engineering to begin to educate them on public private partnerships as well role out this process.

CHAIRMAN HOUSEHOLDER: Any questions for Gail?

FELIPE ZUBIA: You have a policy set up. I know there is some interest out there in so many unsolicited RFQs, RFPs, whichever one you would classify as. To what extent are we going to take a more proactive role about issuing one ourselves for corridors that the Board may feel are appropriate for that P3?

GAIL LEWIS: Mr. Chairman, Mr. Zubia, it is our intention to identify projects that the department and Board feel are priorities and to do also solicitation process as well as to be in a position after January 2 to accept unsolicited bids. The kinds of policy issues that we're wrestling with in terms of unsolicited bids, it's common throughout the industry to have a fee structure associated with an unsolicited proposal to help cover the department's cost in reviewing an unsolicited bid. What we're working through now are the policies and procedures and fees associated with that. We have every intention of developing a process for our own priority that we identify in collaboration with the potential P3 and the big processes out there. So there will be both things going on.

FELIPE ZUBIA: Thank you, Gail.

CHAIRMAN HOUSEHOLDER: Any other questions for Gail? If not, we'll go to Item 10, Eileen Collieran.

EILEEN COLLERAN: Good morning, Mr. Chairman and Members of the Board. As you know, SAFETEA-LU expired on September 30<sup>th</sup> and we have now currently a one month extension. We've got an extension through the 2010 legislative appropriation conference report. They're looking at these major policy shifts in the next authorization. We don't know what kind of a T it's going to be right now, so we're calling Next T. I've heard Queen T and Green T, but for right now we're going to call it Next T.

Just as a little background, I kind of want to go over what the major emphasis was at the last three authorization bills so you can kind of put it in perspective. Ice T was signed into law in 1991. And it was touted as the most important transportation bill since the Interstate was built 35 years later. The bill included and considered the top domestic issues of the day.

G21 when it was signed into law in 1998 was also touted as landmark legislation. It provided a six year program with record levels of investment. It also established the legislative firewalls so that transportation funds can only be spent on transportation projects.

And then we move to SAFETEA-LU which provide a guaranteed funding for the Highway Trust Fund as well as a major focus on safety. It also increased the donor states to a 92% level of investment on return on your dollar.

As we get to Next T, one of the things that we took a look out is what the House and the Transportation and Infrastructure Committee started looking at as what their national priorities were. They were talking about reducing fatalities and injuries, congestion, providing transportation choices, limiting adverse effects of transportation on the environment, promoting public health and livability.

And there's also a shift to more of a federal oversight and a much more direct engagement with some of the large metropolitan planning organizations.

But one of the biggest policy shifts that we're seeing is the consolidation of money in service transportation (indiscernible). Over the years as they authorized the federal bill, they continue to add new programs. So now we have a hundred and some odd programs within the service transportation law. The House bill consolidates or terminates about 75 of those. And it looks to target highway safety, (indiscernible), capacity, reduce congestion, greenhouse gas emission and improving air quality in some major areas for poor programs.

In the transit area, they're looking to restore transit rail systems, provide mobility and access to transit, new transit lines in rural facilities.

Another issue is climate change. There again, at least four major bills introduced not as transportation bills, but each one of them has a section that impacts transportation in one way or another. While that discussion continues to go on, and it's unlikely at this point in time that a private bill is going to pass at least until they finish with healthcare.

There are some interesting things that may make their way into the transportation authorization bill. And that includes Cap and Trade and that's where funds are generated from the option of car emission allowances. Those funds are set aside for green transportation projects, reductions in emission standards for all vehicles, the CAFE Standards which is the corporate average fuel economy and that's for fleet standards and green projects with a greater emphasis on public transit and reduced vehicle miles traveled. The bill drafted by the house also changes the formula that we've used traditionally now for a long time where we've had 80% of the funds for highway and 20% for transit to 70% for highway, 30% for public transit which is a major shift in policy looking much more at public transit projects.

It also stresses livability by providing transportation choices and creating livable communities. Sustainable communities and livable communities is kind of the new buzz word that we're hearing a lot about. That is both the President's administration, USDOT and both houses of Congress have included this in lots of different bills and discussions of policy that have been coming out. The bill that the house T & I Committee had put together looks at creating an office of livability to advance environmentally sustainable modes of transportation including transit, walking and bicycling. They look at integrating, planning, land use and transportation planning to support the creation of livable communities. How is that going to function and how do we plan that all better as opposed to developments and then we build the roads so people can get where they need to go. And this is consistent across the administration in both houses of Congress.

Unlike many of the other major industrial nations, Americans have limited transportation choices in terms that they really don't have a high speed rail or at least not much of a high speed rail. European and Asian nations have put a lot of money into high speed rail. That's one of the areas that both the President and both houses of Congress have put a lot of support and funding behind. For the high speed and passenger rail, one of the ideas is looking at alternate source of transportation, and trying to reduce the carbon emissions from people using single car vehicles.

Another one we're all familiar with is Metropolitan ability. And there's been a lot of discussion on the issue of congressional within a large metropolitan area from both the administration and congress. And being that we're in a rural area, this should be something that you should keep in mind because this really looks to the metropolitan areas. The House Bill had a significant dedicated fund with a large MPO to help address congestion in that area. The program requires that communities develop metropolitan ability plans to show strategies for addressing transportation congestion and its impacts. And to support that, there will be a newly created national infrastructure bank which could provide grants, loans, loan guarantees and other forms of financing tools to help metropolitan regions to implement plans and to reduce congestion in those areas.

Performance based projects is also mentioned in the bill. Probably ever other time in a 400 page bill. It also reflects a lot of what we're seeing in the recovery projects that we're doing where they want lots of reporting and transparency. A lot of it looks at the number of people killed, the number of people injured in motor vehicles, restoring highways, bridges and public transit systems to a state of good repair. Also ensuring mobile carriers and commercial vehicles to comply with federal motor carrier laws and regulations. The question is going to be how this actually happens. How do these performance based goals and strategies occur.

One of the things that we're finding with recovery is that there is a limit to how much you can report to how many people you can report to before you're not sure what you're reporting anymore. So I think that's just one thing to keep in mind. Performance goals are very important, but we need to make sure that those goals are both workable and allow people to continue progress on their projects.

Based on what we're seeing in the House T&I bill along with where we're seeing Congress heading right now, particularly with the discussion of the issues that occurred with banks under TARP, we expect these reporting requirements are going to continue.

Funding issues, and this is one I think we all know. SAFETEA-LU \$284B. What the House T&I Committee has said is that without additional revenues in the Highway Trust Fund, the next bill could only fund \$236B which is \$90B less than the current authorization. That's without talking inflation into consideration. The house version, the recommendation is \$450B for highways and transit with \$50B for high speed rail.

There are also a lot of political differences. You've heard from the House T&I Committee Chair, Chairman Oberstar that we were definitely going to have bill. He wasn't going to do an extension. Now, we've already gotten an extension. Part of the issue comes from in the house you have the House Transportation Infrastructure Committee has a major authority with policy on highway and transit bill. The ways and means has the funding. If you look at the Senate, we have four committees that actually have to work together. Environment and public works has the majority of the policy issue. Banking has mass transit, Commerce, Science and Transportation has highway safety and motor carrier and finance has all the money pieces.

If you look at what's been happening in the Senate, the environment of public works committee, the staff has started working from what I've been hearing is making about 20 % through with a draft bill. They have a very long way to go. The other three committees have not started. So now you can see

why the Senate really likes an 18 month extension along with the administration in terms of we need time to figure out where we're going and how we're going to get funded.

In the meantime, in the House Committee, we already have a draft bill. The Chairman started out as an analyst in the transportation and infrastructure committee when he got out of school. And then he became a member of Congress, got on the committee and now he's chairman. His concern, if the majority party changes at the next election, he'll no longer be in charge of the bill. So he's got a timeline, and there's political pressure for him to try to push the bill. The ways and means, has a problem because right now they're fighting to fund money for the healthcare bill.. So we have a lot of political differences at play here which brings us to what's next. Are we going to have a three month extension or an 18 month extension? So that's about what we know now, and I'd be happy to take any questions.

CHAIRMAN HOUSEHOLDER: Thank you, Eileen, appreciate it.

### **ITEM 11: Access Management Update**

FLOYD ROEHRICH: Mr. Chairman and Members of the Board. I'll give you an update on where we are on the Access Management Program development. Initiated more than two years ago under some guidance I was provided by the Board as well as internal staff, we started down the road to develop comprehensive Access Management Program that would really help define exactly what the department was willing to consider for access as well as control, safety and operation of the statewide system.

We've started to move forward, we have a consultant on board. I know the Board has been given a couple of briefs over the years. Early this year we were in the process of approximately about 95% on that program we were identifying and resolving some of the technical languages as well as some of the technical elements of it for the final edits. We were at a point where we were about ready to hold a study session with the Board and then intended to move forward with the rule making and implementation process. At that time, they had an administrative change where Governor Brewer had taken over and one of her first actions was to put moratorium on any rules made. So, basically, we're not able to move forward with implementation at that time.

Since then, we continue to look at and refine the policy and program. We have been reaching out to some state holder groups that the Governor's staff has asked us to consider. But we're at a point where we're going to refine the program and get it ready to move forward. But what the legislation that was passed this past session and signed by the governor, that rule making moratorium stands until July of 2010.

The changes that we are making and implementing as part of the new Access Management Program would require new rules in order to ensure that we could enforce those and that we can have the strength behind setting those criteria and standards. Without the new rules, there's no way to implement the new policy or the program. The second thing we're right up against as well is the budget cuts, were funding. We had the program in enough shape that we felt that the department could

make the final edits and we could put together an implementation plan, conduct the public hearing to move forward. It's now being worked through ITD in our division in consultation with MPD.

Our goal now is to have that policy, have that program complete down, ready to go next year when the moratorium is lifted. Our goal is to start the process of having a study session with the Board to resolve any of the issues that the Board may have with the final program and policy, and then initiate the rule making process so we can implement the new program. Hopefully, within that process we'll be able to do that within the next year after that. At this time, that's really all I have updated for now. At a future time, we'll be bringing this forward through study session and more a comprehensive discussion.

CHAIRMAN HOUSEHOLDER: Are there any questions for Floyd? Felipe.

FELIPE ZUBIA: Thanks, Floyd, for the update and working with those who are interested. When you come back for the work session, could I just ask that when you do present the final document, that you kind of give graphic examples of kind of a before and after so we kind of get a good sense of what we're doing or what we're going to see in the rule changes?

FLOYD ROEHRICH: Mr. Chairman, Mr. Zubia, absolutely. That was part of the discussion even for the public process to hold a public hearing. We intended to show that, so people have a good sense of here is what the current rules allow, here's what our practice has been, here's what the new rules and program require, and be able to descriptively show that.

## **ITEM 12: Revenue Forecast Update**

JOHN FINK: In August we started the process to develop our annual update of the official forecast for both HURF and RARF. This process started with us convening our risk analysis process which is comprised of economic financial experts from public/private sectors as well as the academic sector.

They worked with our consultant HDR to discuss economic variables and collect the inputs. Those inputs are going to run through our forecasting model. And from that model we will develop a set of forecast and associated probabilities with those forecasts. As a final step in the process, financial management service's staff reviews the model output and makes some adjustments if necessary.

So with that background, I'll start with the HURF forecast. In September 2008, our official forecast was about \$18B for the next 10 years. To get there required a compound annual growth rate of about 4.9%. Our new forecast for 10 years is about \$14.5B which is a \$3.5B decline. And the compound annual growth rate over that 10 year period has now dropped to 3.6%.

I actually believe that that is probably a little more realistic than the 4.9% that last year's results produced especially given the current economic conditions.

And then on the side, we're showing impacts to the various distributions of that funds would be. ADOT's share of decline would be about \$1.8B, the cities and towns, their decline would be about \$986M, cities over \$300K about \$100M, and counties about \$681M.

Some of the factors that were cited by the panelist with regard to this forecast were uncertainty in the real estate market, negative job growth as employment rises and slower projected population growth. The panel, pretty much as a whole, did not respect normal growth patterns in the state to resume until 2014.

There is some good news in this forecast. When we developed the forecast for the 2010 to 2014 program, we recognize that the September, 2008 official forecast was not really realistic. And we've developed a planning forecast that we believe would represent a more realistic results. We looked at a couple of different scenarios, but we ultimately decided on what we've viewed at that time as the worst case scenario. Surprisingly that worst case scenario ends up being very, very close to our official forecast and is only \$16.6M different over the five year period. So the good news from that is because we were very conservative in the funding assumptions that we made in developing the program, this forecast revision probably would not require any adjustments to the program. We did a official interim forecast for the regional area road fund in January of 2009. This was at the request of MAG and RPTA and some of our partners recognizing that the official forecast that was developed in September 2008 was not realistic.

The interim forecast in January actually lowered our revenue estimate for the usual area road fund by about \$1.8B. And that was from \$12.1 down to \$10.3B. However, that forecast was what we used for the July 2009 lifecycle certification. And that is the forecast that we have been using for the regional transportation plan since that forecast was developed in January. So the comparison that we're showing on this slide is not to the September forecast, it's the January to September forecast because we've already adopted the January 2009 forecast.

The new official forecast will lower that interim forecast by an additional \$400M down to \$9.9M. The freeway's share of that is about \$232M, the arterial share is about \$43M, and the public transportation share is about \$137M. One note about the regional area forecast. Because of the uncertainty that we view in this forecast, we used higher probability levels then we would normally use in our forecasting. And we have assumed 60% confidence level in 2011, 2012 and 2013 and 55% in 2014 and then resuming our normal 50% confidence levels thereafter. We feel that this is much more realistic in the current economic uncertainty.

**BOB MONTROYA:** Is there an opportunity to get these financial packages with our Board packet or are these produced a day or two before the meeting?

**JOHN FINK:** Mr. Chairman, Mr. Montoya, some of these reports are available in advance of publication of the Board agenda. And in those cases, we can go ahead and include them. However, some of the reports are generated maybe only a day or two before the Board meeting and it would be difficult to get those to you in advance.

**BOB MONTROYA:** All right. And the reason I asked that request is today we have three board members that aren't able to attend. So they don't have this material in front of them and it makes it a little bit hard to follow these reports. So if there's anyway we could do that or electronically produce it to them if they could have it for the meeting. I think that would be greatly appreciated by the Board members.

### **ITEM 13: Master Lease Plan**

ROD FEHLMAN: Mr. Chairman, Members of the Board, my name is Rod Feldman. I'm with the Right-of-Way Group Property Management. At the Board's request, I have prepared a white paper to answer questions from last meetings with comments from my management. The questions from the board had to deal with the increased revenue from that program. We're currently receiving about \$1M of revenue. And due to the maturity of that industry and the infrastructure that's already been billed out, there are probably not drastic amounts of new revenue that can be realized from that program. However, we feel that the best approach is outlined in the six bullet points below which mainly have to do with making our current program more user friendly. So when these cell companies do approach us, that we're able to accommodate them. That's all I have if there's any questions.

CHAIRMAN HOUSEHOLDER: Thank you, Rod. That's the report I like.

### **ITEM 14: Comments and Suggestions**

STEVE CHRISTY: My question is, again, falling back on the fact that this is my first full board meeting and I want to make sure I'm clear on everything. I respectfully am requesting that I be given a quick statement either from the staff or board that needs to clarify and interpret exactly how our vote regarding priority project number 40, the I-10, I-8 roadway widening project, how that vote we made now impacts that project?

FLOYD ROEHIRCH: Mr. Chairman, Mr. Christy, the Board's action as I understand it was removed from the ARRA funded list. Therefore, ARRA funds cannot be funded. There's still a project that's under development. It's a project that corridor has been a priority for ADOT, it will now go on and have to compete for either whatever additional federal funding might be available or we'll just have to come up with a different funding strategy of how we would approach the continued improvement along the I-10 corridor. What it means is ARRA funds will not be spent for that project, so it removed from the prioritized project list for the expenditure of program funds.

STEVE CHRISTY: Is the project is now in jeopardy?

FLOYD ROEHRICH: Mr. Chairman, Mr. Christy, I don't know I'd say it's in jeopardy. I think what it is fair to say is we will have to go back and look at how that will fit in with the available funding that we have and, again, under what schedule it could go. With ARRA funds, that project would have probably been advertised within the next month. Now, it does look as if the potential is it could be pushed out a matter of months or sometime later within the program. But we will sit down and we'll put together our strategy and we'll address it. I mean, I think it means a delay; I don't think it means the jeopardy of the project not happening.

STEVE CHRISTY: Thank you very much for your answer. Thank you, Mr. Chairman.

CHAIRMAN HOUSEHOLDER: Yes, Bill.

BILL FELDMEIER: I'd like to follow up on that question from Steve just a little bit because, Steve, I think you ask a very legitimate question. And I think it's more than appropriate for us to discuss this in greater detail down the line because we -- I don't want any of you to feel like I'm after either Maricopa or Pima County because I'm not. But rural Arizona is the one that's funding most of these interstate projects. It's not just ten we're concerned about or I'm concerned about, it's 70, it's 40 and it's 8. And to some extent it's 19 on down to Nogales. I'm thinking that we need to re-evaluate how we fund interstates across the state and maybe breakdown the barrier between urban and rural and look at interstates from a more universal funding aspect as opposed to just rural and urban.

JOE ACOSTA: Mr. Chairman, Mr. Feldmeier, there's no agenda item that's called for right now. Although a discussion at some point might be ---

BILL FELDMEIER: Joe, I'm not asking for a vote, I'm just asking for a discussion in the future about that. That's all I need to do because I think Steve is right.

CHAIRMAN HOUSEHOLDER: Well, you can make the motion for adjournment.

**ITEM 15: Adjournment**

*Motion made by Bob Montoya, seconded by Victor Flores to adjourn meeting at 12 noon.  
In a voice vote, the motion passed unanimously.*

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Delbert Householder, Chairman  
State Transportation Board

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John Halikowski, Director  
Arizona Department of Transportation