MINUTES OF THE
ARIZONA STATE TRANSPORTATION BOARD MEETING
9:00 a.m., Friday, January 23, 2009
Hon-Dah Conference Center
Junction of State Routes 73 & 260
Hon-Dah, Arizona 85935

CHAIRMAN HOUSEHOLDER: We'll begin, since all the Board members are online. I'll call the roll.

Si Schorr [telephone], Bob Montoya [telephone], Bobbie Lundstrom [telephone], Bill Feldmeier, Felipe Zubia [Victor Flores absent].

We've got a quorum and will get started. I'll ask Bill Feldmeier to lead in the Pledge of Allegiance.

[The Pledge of Allegiance is recited.]

CHAIRMAN HOUSEHOLDER: Thank you, Bill. I'd like to thank all the people that helped put on the meeting. We're glad to be up here in the Northern part of the state to have our meeting today. We'll have the Call to the Audience first. If anyone would like to speak to the Board, the sign-up sheet is here. Please hold your time to about three minutes.

RICH GAAR: I'm Rich Gaar, Chairman of SEAGO, Southeast Arizona Governments Association, and I want to take this opportunity to welcome Chairman Householder and other members of the Board, and thank you for all you've done for SEAGO in the past. We're glad you manage to get out and around the state, and we look forward to working with you in the next year. I've been talking to the other members of SEAGO, and we'll have our list of projects for you as soon as you get back to town. Welcome, Chairman Householder, and thank you very much.

CHAIRMAN HOUSEHOLDER: Thank you. Mike Flannery?

MIKE FLANNERY: Thank you for the opportunity to address you, Mr. Chairman, and especially the gentleman to your right.

Chairman Householder, you addressed the conference yesterday and mentioned you would be going out into the communities and listening to them and taking time with them. You might not have any money, but you'd be listening to them and giving them your time. There was a point where the Board was considered ineffective, that you weren't going to go out into these communities, and it would be a shame for that to happen again. I drove up here on roads that I don't normally drive on, and it's a good opportunity to get out and drive on some of the roads that the State takes care of. You see them and know exactly how expensive a job ADOT has, and you're rewarded by driving on those roads. So I commend you and thank you for that.

The other thing I wanted to say is, recently we've been dealing with Highway 69 and barriers, and we've come to a conclusion on that, or we're coming to the point where some decisions will be made. I wanted to comment in terms of ADOT participation and the partnership we've had.

We've come to accept the barriers that will be raised immediately down through this channel in District 6, and all communities and counties met with great reception. I just wanted to comment that it's been a pleasure working with ADOT, and in coming to some resolution in which everybody participates in the public process. I also want to thank the District 6 Engineer publicly, and Councilmember Lora Lee Nye from the Prescott Valley Town Council. They made an appeal to a room full of citizens angered over the barriers.

CHAIRMAN HOUSEHOLDER: Thank you, Mike, for your comments. Robin Boyd, Mayor of Winslow?

ROBIN BOYD: I appreciate being at the meeting. I don't have anything in particular except to thank ADOT for the help they've given to Northern Arizona and our area in particular. We've gotten along very well with ADOT, and we appreciate your help. Thank you.

CHAIRMAN HOUSEHOLDER: Thank you, Robin. Rob Rivera, Mayor of Thatcher?

ROB RIVERA: Mr. Chairman, members of the Board, Directors, and ladies and gentlemen, I'm just here to congratulate Mr. Householder on his Chairmanship on behalf of the towns of Thatcher and Gila Valley. We're proud of you, Delbert, and it seems like your time on the Board has just flown by.

CHAIRMAN HOUSEHOLDER: Thank you, Bob. Paul Johnson, Councilmember from the City of Yuma?

PAUL JOHNSON: Mr. Chairman, members of the Board, Director Mendez, and fellow citizens, I'd like to thank you for your efforts to come out into the communities. We know you don't have any money, but we appreciate that you listen to our concerns.

On behalf of YMPO and the City of Yuma, I'd like to thank you for the progress that's being made on State Route 195. More personally important to me, I really appreciate the time you took at the November meeting to listen to our citizens and their concerns on how you'll eventually connect SR-195 to US-95. I really appreciate it. I don't know how it's going to be decided, but those people appreciate your listening to them. Thank you.

CHAIRMAN HOUSEHOLDER: Thank you. Rick Fernau, Mayor of Show Low?

RICK FERNAU: Thank you and welcome, Mr. Chairman, Board members, and Director Mendez. It's a privilege to be here. I want to thank you for the partnership with the City of Show Low and Navajo County in the construction of the new Show Low Creek Bridge. That's going to be a great safety improvement. In fact, it worked so well with everybody – the County, the City, and ADOT – that I believe we're going to apply for a Partnership Award. It's been a big project

and everything's gone smoothly. Last, I'd like to thank the Board for changing their meeting date to coincide with this conference. Thank you all very much for what you do.

CHAIRMAN HOUSEHOLDER: Thank you. Is there anybody else that would like to address the Board?

HECTOR RUEDAS: Mr. Chairman, Board members, Director Mendez, and ADOT Staff, thank you for the opportunity to speak to you folks this morning. I'm Hector Ruedas, Chairman of the Greenlee County Board of Supervisors. After reflecting on the annual Rural Transportation Summit yesterday, and the upcoming changes and challenges, Greenlee County looks forward to working with ADOT and its Staff to achieve the maximum benefit that we can get from the economic stimulus package.

Mary Peters is not here today, but we want to thank her for taking time from her busy schedule to visit with us in rural Arizona.

Greenlee County is looking forward to the opening of the US-191 Guthrie Bridge. We hope to see you all in the dedication we'll be having up there in the next three or four months. This dedication will be one of many events that will mark the Centennial Celebration of Greenlee County. We're 100 years old this year, and we're going strong and looking forward to the next hundred years.

The bridge is the result of 15 years of planning and determined effort by ADOT and everyone involved. This project completes the reconstruction of US-91 from the County line to the freeway. The timing looked good and the bridge and roads are doing well and we're going to have a good place there. We're greatly enhancing the economics of our County and State by making transportation safer, and that's the main thing we look at. For our company, Freeport Mcmoran Copper Mine, even as we tighten our belts today, we're still going to weather this copper issue. We're going to come back and have that heavy traffic we've had all along.

We'd like to thank you for your efforts on and commitments to Arizona rural transportation issues. The quality and safety of our roads speak to the attention to detail of ADOT employees. Thank you for your service and for being here today.

CHAIRMAN HOUSEHOLDER: Thank you, Hector, we appreciate it.

DISTRICT ENGINEER'S REPORT

GLOBE DISTRICT ENGINEER JERRY BARNES: Welcome to the ADOT Globe District. We appreciate having you here.

I told Chairman Householder this would be a brief presentation this morning, because at this time of year it's difficult to get many projects underway. I do have one up on US-191, where we have a bridge replacement over the wash. We also have a [unintelligible] replacement, along with about two miles of pavement. At this window, we should get the structure itself replaced, and work on the road and the culverts through the spring.

This is another picture of the steel in the deck, taken about a month ago, so unfortunately the deck is already [unintelligible]. Also, we have a nice structure in Show Low, at the intersection of US-60 and 260. This was a partnering effort with the City of Show Low. The week before New Year's, we poured the vinyl portion on the deck; we have traffic somewhat open, and we're still working on it. This is a picture of it from underneath, which shows the [unintelligible] that are directing the creek flow.

This is the patterning of the parapet walls that Show Low picked out. I think it's called Ashford stone. We let them make the selection on what it would look like, and this is what they picked. I think they did a good job. Show Low Creek Bridge is still having cement poured on sidewalks and curbs. Traffic should be completely open again within a month. In the spring, we'll put a final coat on the asphalt.

There are a couple more projects that affect this area and are in the Southern part of my District. One is on SR-77, a rock fall protection, along with a widening. We've had several accidents in this area. We're building rock fall protection and putting shoulders on this road; it's next to the Gila River, so we have quite a few environmental concerns. This picture shows the rock face that we're actually taking down.

This project is one of the few we've had in the State that actually has a closed drive – we close the road 12 hours a day, from 6:00 to 6:00. You'd think it would be a PR nightmare, but it's actually worked out very well. At most of the public meetings I've attended, the people have spoken about the accidents that have happened there, and they're just grateful to get the work done.

Another project is US-60, between Wind Creek Tunnel and Miami. We started on this about two months ago. There is blasting on this project, and about twice a day we close US-60, which makes it a little difficult, when 77 is closed as well, to get to or from Phoenix. We are keeping traffic closures at a minimum; we don't stop traffic for more than 30 minutes or so. This is a rock fall protection and an extension return lane up near the Pima Valley mines. It's going to be a great benefit not only to the Southern part of the District, but to this area as well.

Another project we finished is US-60 at Gonzales Pass. This is Picket Post Mountain in the background. We've already received an award for this project, and we've put in for a Margaret Blythe Award and an APWA Award. This project came in under budget at $4.5 million, and 10 months ahead of schedule. This is another picture, taken at the summit and looking down the valley, which is really a great view. I did want to point out the project is also multimodal.

We also had some dignitaries down to cut the ribbon. This was really a nice event. Chairman Nosie gave a blessing to the road to start off our presentation, and it ended with Steve Lopez, who gave a presentation to the Transportation Board to get funding for this project. His family was killed on US-60, and he ended our presentation by giving us his appreciation for the project. Between the blessing at the beginning and Steve's comments at the end, it made for a really nice day.

Also, we've got a couple of DCRs going. Here in the White Mountain area, on SR-260, there's a study in increased capacity; the same thing is underway on US-60 from Superior to Globe. Another thing we've been occupied with here in the Globe District is the snow. Our mission is to keep roads open and safe during snowstorms, but those two don't always go together. Over Christmas, we had to close SR-260 twice due to visibility down to 10 feet and snowdrifts over two feet, and GPS recordings of multiple accidents, so we closed the road for 12 hours each time on December 23 and December 26 to make sure we could maintain safety. We've managed to give a maximum effort with minimum resources during our snows, and we hope we can continue to do that.

The Globe District has most of the high snow areas. We pile about 640 miles of high snow. This picture sequence was taken on SR-260, and makes an interesting before-and-after sequence that shows what our guys do. But the White Mountains are beautiful, especially when there's snow on the trees and the roads are black.

We've also had a few problems with gravity up here. When it rains, the rocks seem to fall; I was on my way to a presentation recently and one fell right in front of me. Luckily there was no one on the road, and the cars behind me stopped to help throw the rocks out of the way. Our residents are used to this kind of thing happening. At least nobody was hurt. The Globe District is made up of some dedicated people. I thank you, and I appreciate your time. Enjoy your stay while you're here.

CHAIRMAN HOUSEHOLDER: Thank you, Jerry, we appreciate it. The next item on the agenda is the Director's Report. Victor?

CONSENT AGENDA

ITEM 2: DIRECTOR'S REPORT – Victor Mendez

VICTOR MENDEZ: Thank you, and good morning to everyone. Thank you for being here at the Board meeting.

I only have one item to cover, but before I do that, I'd like to say thanks to the community for holding the summit here. It's a very good summit. It's always good, not just from a professional standpoint, to reconnect with those in the rural community.

One of the business items I wanted to cover quickly here with the Board is the economic recovery package. It's been on our minds for the past two months or so. Over the past two weeks, we at ADOT have had some serious, detailed discussions over what our proposals would be. We'll probably be talking with many of you individually over this time so we can be sure we understand what's on the table.

We've mentioned several times already to the COGs and MPOs that we're moving forward to make this happen, but we're moving on assumptions. In reality, we may have to make some adjustments, although hopefully not major modifications. I'm very happy to report that quite a

few of the COGs and MPOs are moving forward with their boards, trying to identify the priorities once we understand what the level of funding is.

My sense is that we'll be holding either a special study session and/or a special Board meeting to address the economic recovery package, and we will have to take some sort of action on priority of projects. Over the next two weeks we'll meet with many of you individually to talk about your stake in the economic recovery package and the projects that have been identified from the State Highway System. Another final point – I emailed to you, over the weekend, a long list of statewide infrastructure, compiled by working groups that actually include a lot of the folks who are here, along with the Governor's Office. If you have any questions, I'll be happy to answer them.

CHAIRMAN HOUSEHOLDER: Does anyone on the telephone have a question? All right, we'll move on to Item 3, the Financial Report.

ITEM 3 – FINANCIAL REPORT – John McGee

JOHN MCGEE: Good morning, Mr. Chairman and members of the Board. The first thing I'll address today will be the December 1, 2008 collections. As you can see from the chart on the wall, HURF collections totaled $97,101,000 for the month of December 2008. That's down 16.6% below last year and 17.4% below the estimate. We've been told that the amount of last month's collections was impacted by a bankruptcy filing by one of our fuel suppliers; however, the Office of the Attorney General has indicated that, for purposes of taxpayer confidentiality, neither the filing nor the amount can be disclosed. We may have a few more months of similar decreases as a result of that bankruptcy. Let's hope that at some point those monies will be collected, but how much that will impact HURF collections going forward, or for how long, can't be seen at this point.

Year-to-date collections now stand at $625,692,000, which is down 6.3% from last year and 7% below the estimate. As can be seen from this chart, every category is running significantly below last year, with the exception of motor carrier and registration. The reason this is running higher than last year is because we had a $10.1 million adjustment in September 2008; otherwise, those two categories would be about 2.5% below last year as well.

Last month, I reported on the preliminary November 2008 RARF results. The full report is in your information packet, along with the December results. November was down 14.4% compared to last year, and December was even worse, down 15.3%. Year-to-date RARF collections now stand at $106,907,000, which is an astonishing 11.2% below last year, 18.3% below forecast. Again, as you can see from this chart, virtually every category with the exception of utilities and rental of real property continue to show up as negative compared to last year.

Moving on to our investment report, ADOT earned $3,014,000 on its investments in December, which represents an average return of 2.47%. Year-to-date earnings on these accounts stand at $21,279,000 or about 2.96%.

We have been seeing, and will continue to see over the next several months, yields continuing to come down. This is the result of older securities, primarily governmental securities, in which most of our funds are invested. As some of these securities mature, the Treasurer cashes those in, and is then forced to invest in newer securities, which, as you know, are at very low rates right now. We anticipate seeing this low-yield trend continue over the next several months.

Finally, with respect to the HELP Fund, at the end of December this fund showed an ending balance of $76,100,548. This was down $16.9 million from last month. This was primarily as a result of a transfer of $20 million into the State Highway Fund from the HELP Fund. There was a statutory requirement that as of December 31, 2008, $20 million would go back into the State Highway Fund. That transfer was made and has been taken into account. That $20 million decrease was offset somewhat by about $3 million for repayments on outstanding loans. I'd be happy to answer any questions with respect to Item 3.

ITEM 4 – FINANCING PROGRAM – John McGee

JOHN MCGEE: Moving on to Agenda Item 4, I've included in your packet the latest Bond Buyer 25 Bond Revenue Index, as I have for the past several months. It's a handy little index so you can get a feel for how municipal bond interest rates are behaving. The index now stands at 5.72%, which is down about 76 basis points, or about three-quarters of 1%, from its 2008 high, which was 6.48% as of October 30, 2008.

While actually the municipal market has been seeing a slight rally over the past two weeks, as people are becoming concerned with the very low rates they are getting from investing in Treasury securities. We are seeing more people coming back into the market, and more demand has been driving down interest rates somewhat.

While that has occurred, the index is still about 63 basis points higher than it stood the second week of September, which was the last time the Board issued any bonds. So while things are moving in the right direction, the general interest rates on bonds are still the highest we have seen in about the last eight to nine years.

With that said, in order to accommodate the financing of the Board's Five-Year Program, the Board is scheduled to issue both a GAN and a RARF issue by the end of this fiscal year. We're beginning to look at various alternatives for these issues, including appropriate timing and sizing of these issuances. Next month, we intend to bring preliminary recommendations on timing and size of issuances before the Board, and a schedule for them, along with a formal resolution on the "Direction to Proceed" to the Staff, so we can get to work on those issues.

In anticipation of the issuances, we've determined that because there have been significant changes in the makeup of our underwriting pool and significant changes in the overall financial environment, we believe that it is in the Board's best interest to send all remaining underwriters in the pool a Request for Information. The Request for Information will ask each of the firms for updated information regarding what people will be working on the Board's account, and it will ask for underwriting capability and capacity, structuring recommendations, and other such items in order to give the staff some guidance in developing recommendations for the underwriting

syndicates. We will be working on that over the next month or so. I'll be happy to answer any questions.

CHAIRMAN HOUSEHOLDER: Does anyone have any questions? On to Item 5, and I'd like to ask Bob Montoya to –

BOB MONTOYA: Yes, Mr. Chairman, and before Mr. Roehrich starts his presentation, the request for this has led me to think that we've had, in the last three months, several bids that have come to the Board for action that were invalid. From my perspective, and hopefully from the Board's perspective, I would like to see if there is a way we can help facilitate a better understanding of the bid process.

I know every contractor takes the time they feel is appropriate for closing a bid, but in the last three months, we've had to disqualify three bids, and I think we have another in front of us today. It's cost the public $1.5 million because of errors, either numerical or otherwise. From that standpoint, I had asked that we have a review of the bid process to find out if there is some way the Department can help. I don't want to encourage us to start having a selective bid process, because I want it to be a fair process, but I want to make sure we don't do it at the expense of the public. So in that [unintelligible] with the purpose of this bid process if you would try to facilitate. Obviously we can't do it in one presentation, but it may be something that we can start discussions about, or we can improve at doing this with the people who are bidding. Thank you, Mr. Chairman.

CHAIRMAN HOUSEHOLDER: Thank you, Bob.

ITEM 5 – REVIEW OF ADOT BID PROCESS – Floyd Roehrich

FLOYD ROEHRICH: Mr. Chairman and members of the Board, good morning.

I did bring a fairly comprehensive presentation that will walk us through the entire bidding process, to look at defining it in each specific detail. Looking at the fact that there are a number of Board members, Mr. Montoya included, that had asked for this, and realizing that there might be some problem with communication – I am ready to present this at the Board's pleasure, but maybe it would be better to do it in a different session, where there are more people available to have an effective dialogue about specific concerns.

Maybe now, and again, this is at the Board's pleasure, we can have a short discussion about some of the guiding principles of what we've been doing. I'm also prepared to talk about that, and to go through the whole presentation. It is lengthy, and I can try to shorten it as much as possible. Maybe I can give just a quick understanding so we know where the Board is intending to take this.

BOB MONTOYA: I wouldn't be opposed to tabling this issue, or extending this discussion, if that is the rest of the Board's desire. I know Mr. Flores was unable to attend this meeting, and it's hard to have full participation when three of the Board members are on the phone. I would consider extending this discussion for a full study session that we might be able to do, in

Phoenix, or whenever might be appropriate to come in earlier and not have it in this format, if that suits the rest of the Board.

SI SCHORR: This is Si Schorr, and I'd like to make a **motion** to that effect.

CHAIRMAN HOUSEHOLDER: Do I hear a second?

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

ITEM 6 – FRAMEWORK STUDY UPDATE – Jennifer Toth

JENNIFER TOTH: Mr. Chairman and members of the Board, I'll be brief and refer you to the status report in your packet, specifically to the yellow highlighting on p.4.

We are in the process of stitching the regional framework studies together into a statewide framework, evaluating those on a model-type basis with our Statewide Travel Demand model, as well as the evaluation criteria that was developed to evaluate the three different [unintelligible] we talked about last month.

We will be bringing those statewide scenarios to eight different special interest workshops, which will be held starting February 26 and continuing March 2, 3, and 9. These will be brought to traffic communities, planning professionals, development communities, natural resources communities, land management and resource agencies, and economic development communities.

As you know, we will be kicking off the Rail Framework Study next week, and we'll be doing special interest workshops with major freight users and cities and towns along major railroads. After that, we will be revising [unintelligible] based on the input we received at the workshops in November. I'll remind everyone that we still have outlines for student teaching in those workshops if you visit the BQAZ website.

In March and April, we will be coming back out to the public with the draft recommendation of the Statewide Planning Framework, and will be moving forward from there.

CHAIRMAN HOUSEHOLDER: Any questions for Jennifer? Thank you, Jennifer.

PRIORITY PLANNING ADVISORY COMMITTEE (PPAC)

SI SCHORR: Mr. Chairman, are we on Item 8 now?

CHAIRMAN HOUSEHOLDER: Yes.

SI SCHORR: I think that Items 8-20 might be consolidated.

CHAIRMAN HOUSEHOLDER: We plan on doing that, but we have to have a discussion on Item 17. One of the Board members would like to discuss that Item. Michelle, if you'll explain Item 17, please?

SI SCHORR: Mr. Chairman, could you ask her to speak louder?

MICHELLE CONKLE: Can you hear me now? Item 17 is SR-80 at mile post 316, Cochise County, Tombstone Courthouse State Park. The project's type of work is parking construction. Program amount is $425,000, and the requested action, which has been approved by PPAC, would reduce the construction project by $175,000-$250,000 in the Highway Construction Program. Deferring that amount to fiscal 2010 and putting this money in a contingency fund would allow it to be used later for Thompson State Park.

BILL FELDMEIER: Mr. Chairman, I have particular concerns about this project, in the same manner that we had discussed how we support State Parks in the past. I do not believe that it's our responsibility to pave State Parks' parking lots, particularly at a time when we have no money and the economy is in terrible condition. This money should be going toward resurfacing roads, maintenance on bridges, or new construction, if anything at all. Frankly, we don't have any business, in my view, supporting the State Park system. That's their responsibility, not ours.

CHAIRMAN HOUSEHOLDER: Does anyone else have any comments?

FELIPE ZUBIA: I do. We discussed this at length last year, and even had representatives from State Parks speak to us. At that time, we had a resolution from State Parks to look at areas where we can partner – for instance, where we're doing some of the parking lot construction, maintenance, or pavement, and they would look at areas where they could do landscaping and give other help on our end. I'm not sure if we ever received a report, a firm commitment, or any examples of projects where they would be able to assist us.

I still support Bill and his concerns with regard to that funding. I'm not against the using of funds to pay for State Parks' improvements, but again, I don't know that we had sufficient follow-up or a firm commitment from State Parks, or a project where we could do that. So in keeping with that theme, I don't know if we should wait for a report or some other commitment. I hate to bring an issue up and then have nothing come of it.

BILL FELDMEIER: That particular discussion led to an after-meeting discussion with a State Parks representative, Jay [unintelligible], who said he felt there were things they could assist us with. So we've had eight months with no reply, and I think we should send a message that it's their responsibility and not ours; unless they come up with something they'd feel comfortable partnering with us on. For that reason, Mr. Chairman, I'd move to deny Item 17.

CHAIRMAN HOUSEHOLDER: Is there any more discussion on Item 17?

FLOYD ROEHRICH: Mr. Chairman, I apologize, but I'm looking at Item 17, and at this point, if we move forward, the intent is really to reduce the budget for the Tombstone Courthouse State Park and put the money into the contingency fund. Although it does say "later to be taken to the

Boyce Thompson State Park," it would need separate action to put it into that Park. This action before you, I think, is just to reduce the funding on this project and put it into the contingency fund, and that would balance out the project of the Tombstone Courthouse State Park and allow it to move forward. Look at that action [unintelligible] would be back at the Board in the future, and when we do that we could deal with the State Park issue and still move this project forward.

BILL FELDMEIER: That's the point. I don't want the project to move forward.

FLOYD ROEHRICH: The Tombstone Courthouse State Park or the Boyce Thompson State Park?

BILL FELDMEIER: Frankly, either one.

MICHELLE CONKLE: Actually, Mr. Chairman and Board members, the project is already in the program. The action, again, is to reduce it by $175,000. You would need a different action item to take the project entirely out of the program.

VICTOR MENDEZ: Here's the situation – you have to deal with your [unintelligible] to do what you have to do. At some point this Board really should put the whole program on hold. We don't need to waste our time or resources, as an agency, on something that isn't moving forward. This is about the third project that we've had this debate on, and we're spending resources that we could spend elsewhere. I think we have to settle the State Park [unintelligible]. But I can't see spending resources on projects that the Board isn't going to approve.

SI SCHORR: Mr. Chairman, Item 17 is to transfer and reduce funds from this specific project and put them into the Statewide Contingency Fund. I don't think anyone has an objection to that, listening to the consensus that's evolving over the Item.

There's a separate question as to whether the project itself, the Tombstone Courthouse State Park parking, should move forward, and it's unclear to me what action we can take on that. Since it's not on the agenda per se, I don't believe we could take any action on it. So what I'd like to do is propose a **motion**, at least for discussion purposes, to approve Items 8-20 with the exception of Item 17, which should be continued for a decision, possibly at the next meeting.

BOB MONTOYA: I will second that motion, Mr. Chairman. A little discussion on it, quickly. If I heard Mr. Schorr correctly, he said to carry over Item 17 and approve the rest of the PPAC agenda, is that right?

SI SCHORR: That is correct.

BOB MONTOYA: I'll support that, but I'd like to correct your comment as to whether the Board supports the reduction of that program Item. I think if it was Mr. Feldmeier's decision, that project would be reduced in its entirety and the funds placed in the contingency, rather than the requested amount.

BILL FELDMEIER: The material indicates it's going into the contingency fund, identified specifically for Boyce Thompson State Park, and I don't want to do that. If we're going to put it into the contingency fund, that's where I believe it belongs, but not with the condition that it's identified for the State Park.

SI SCHORR: The reason why I'd like to continue this is, quite frankly, I'm unsure of the unintended consequences of what our action might be. For example, I don't know what happens at this stage with funds that go into the Statewide Contingency Fund. This is a rhetorical question – are they in danger of being swept into the General Fund? That's why I'd like to continue this, so we can see what the options are that we might properly take.

BOB MONTOYA: I agree with that 100%, and I don't want to spend more time on this than we need to, but Mr. Mendez made the point that we shouldn't spend resources on this, and I agree. Knowing that this is an issue, I feel it was shortsighted not to include any background material on this Item, knowing full well that there was a specific issue with it. Again, I don't want to spend any more resources than anyone else, but having a clearer understanding of what we're doing would be helpful.

CHAIRMAN HOUSEHOLDER: There's been a motion made, and a second, to take Items 8-20 and exclude Item 17. May we have a vote?

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

CHAIRMAN HOUSEHOLDER: The ayes have it, and Item 17 will be left out.

SI SCHORR: Mr. Chairman, I'm not sure what the Agenda Items are now, but I believe the next group consists of all airport items and might also be consolidated?

CHAIRMAN HOUSEHOLDER: Items 21 through 59 can be consolidated, but I'd like Mr. Dick to give us an overview of them.

BARCLAY DICK: Mr. Chairman and members of the Board, last month you approved an amended Fiscal Year 2009 Grant Program, which included a budget of $3.5 million in Federal matching grants. With these grants, the FAA provides 95% of the project costs, the State provides 2.5%, and the airport provides 2.5%. The exceptions to that rule are Phoenix/Sky Harbor Airport, where the FAA provides 75% funding and the State could provide as much as 12.5% funding, and Tucson International Airport, where the FAA provides 91.06% of the funding and the State provides [unintelligible].

The 39 grants we're presenting today are all Federal matching grants. Approval of all the grants will approve a $2.4 million obligation for the State and will leave a balance of $1.1 million in the Matching Grant Fund. At your discretion, the grants could be considered collected. Staff recommends approval of all 39 grants, which are Agenda Items 21-59.

CHAIRMAN HOUSEHOLDER: Do I have a motion?

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

CONSTRUCTION CONTRACTS

FLOYD ROEHRICH: Mr. Chairman, members of the Board – currently we have some of these projects under construction. Out of the $1.2 billion contracted amount approximately $450 million worth of work left to perform. In addition, during the month of November, we finalized one project, and that brings us to a total of 30 projects today.

Currently we have five projects that we are bidding, and we have had to hold the work on them with three that are included in the consent agenda. Also, two of them that need separate Board action. So I'll move forward with Item 64, which requires separate action. This project has a bid irregularity which led to the recommendation to reject one bid and move on to the second low bidder. The specifics of this are the project on Interstate 10 in Pima County, which is basically an interchange lighting project that has been updated on an existing lighting structure with new underground work related to that.

Bids were opened on December 12, 2008, and at the time bids were opened; G.U.Y. Construction was the low bidder, with a bid of $417,000. The second low bidder, Utility Construction Company, had a bid of $469,150. After bid opening, upon subsequent review of the documents, we found an irregularity with G.U.Y.'s bid. They had not followed the requirements of Section 102.10 in the standard specifications, and they had not shared their bid on the fifth schedule form provided by the Department. They had prepared their own form, and in doing that, they had made an error in one of the quantities on the bid at the time, for a bid irregularity.

There are two on the project that the State's form had included, but when they recreated the document on their own form, they identified it as one.

The Item has a value of approximately $419, but according to the specification – again, 102.10 – any proposal we consider irregular will be rejected if the proposal is submitted on a form other than that furnished by the Department. In this case, the bid schedule was submitted on a form other than that furnished by the Department. In this case, G.U.Y. Construction prepared an improper bid schedule by preparing it on its own form and submitting it with an error on it. Therefore, we are recommending rejection of G.U.Y.'s bid and recommend award of the project to Utility Construction Company.

CHAIRMAN HOUSEHOLDER: Floyd, I would like to call Dawn Burnett up. I think she wanted to testify on this project.

SI SCHORR: Mr. Chairman, I should have interrupted sooner – I will be recusing myself on this Item, and indeed, on all the construction items. With your permission, I'm going to end my participation in the meeting. I'm sorry I couldn't be there with you all.

CHAIRMAN HOUSEHOLDER: Thank you, Si, we missed you.

[SI SCHORR leaves the meeting.]

BOB MONTOYA: Mr. Chairman, I'd like to ask a question before we start hearing testimony. Mr. Roehrich, if G.U.Y. Construction has submitted a correct bid, with all the proper quantities, on this form, would they still be qualified, because you have deemed that they haven't used the proper form that was supplied to them?

FLOYD ROEHRICH: If I understand the question, it was: if they had provided a bid on the proper form, with the quantities that we provided and the unit prices they had, would that make them the low bidder?

BOB MONTOYA: No, I'm asking if they had provided this form, that they used, which is not the State-provided form, and they had everything correct, would they – The way I read the bid process, they would have been disqualified because they did not use the State-provided form, am I correct?

FLOYD ROEHRICH: That's correct, in that they did not use the State-required form. But if I understand your question, if they had developed a different form, and it had matched the Departments exactly so there were no mistakes, would we have accepted that bid? And yes, we have in the past, in that, when we received bids that have matched ours identically, we have accepted those. But there was a situation in 2003, and that's included in the packet you have, where the same incident happened. Another company had developed a form and prepared it themselves, with an error similar to this one, and it was rejected for the same reason. It did not meet the specifications of the exact form.

If I understand your question – we have allowed forms to come in that may not be ours, but have matched ours identically, and we have considered those responsive. But if it's a different form with an error, and does not match ours by specification, we've rejected those. That has been the case as early as 2003, when the other incident occurred.

BOB MONTOYA: Thank you, Mr. Chairman.

CHAIRMAN HOUSEHOLDER: Thank you, Bob.

DAWN BENNETT: Thank you, Mr. Chairman and the Board. I'm here once again to defend our position on this. Months ago, I was here on another bid irregularity. The Department and the Board allowed them to make corrections before recommending award to the Board when originally they had errors with their forms. We've always felt as though closed bids are the same for everyone and when mistakes are made corrections are allowed so we can learn by our mistakes. However, it seems as though a lot of things have been allowed, and changes could be made. As we were just talking our form it's the same, we recreate it in our system.

There was an error in quantity, I will confess to that. So with that, our bid was off by $482. That was the item. $482 and some cents was the amount of our error. I had hoped correcting irregularities like other were allowed to do and for the same thing to be extended to G.U.Y. Construction that has been allowed to others to correct their bids and move forward with an

award. Utility Construction is under the estimate of around $118,425. In addition to that, G.U.Y. Construction is $482.87 dollars less then that. Again, our error is for $482.87, and awarding to G.U.Y. Construction would help ADOT and taxpayers save money and no rejection would be necessary.

CHAIRMAN HOUSEHOLDER: Dawn, did you know we have restrictions on bidding? Why doesn't the construction company go to the State and ask for one of their forms, and bid everything that's listed there to make sure you have the right bid? I feel if we overlook yours, then other companies will do whatever they want and expect us to overlook their mistakes. I think we have to set policy and follow it. I'm very sorry for you.

DAWN BENNETT: I understand and respect your comments. Where we stand is that, you're right, there are rules that are meant to be followed; however, many of them seem to have been – some have been allowed to slide by, and awards have gone to other people when corrections had been made on errors.

I respect your decision. I'm just here to state my case. A couple of months ago I was here to say you shouldn't allow anyone who has made mistakes to correct their mistakes and I've seen other ones allowed to correct their mistakes. I've heard the Board members, over the phone, wanting to talk about the bid process, and taking that to another meeting. I bring it before you because this is one of those cases where more money is going out due to the process not being allowed corrections and what-have-you. I'm here to explain our company in the same way that others have done, and had their corrections made and been given the award.

CHAIRMAN HOUSEHOLDER: Thank you, Dawn.

FLOYD ROEHRICH: Mr. Chairman, I'd like to share just a few more comments as well. The standard specifications cover two areas in regard to bid irregularity. These areas where bids *may* be rejected are defined by certain criteria, and that's in your packet on this. It also defines areas where the bids *will* be rejected, and these are not discretionary. The past few cases, where we have asked for corrections, have been related to the notarization of the affidavit form, or other areas that may be rejected, and we've evaluated those and recommended to the Board whether the impact of these errors was detrimental to the bidding process and the citizens of Arizona, and made other discretionary comments.

In this case, we view this as being in Section 102.10 irregular proposals of the specification area that states it will be, not may be, rejected if it is on a form other than what the Department provides. The other aspect of this case is that we do allow contractors who prefer not to use our standard paper form and fill it out to submit bids electronically. We have a process available for contractors who prefer to do this, so they can fill it out on the computer and make all the changes they want, and then submit it electronically. That method was open to G.U.Y., and is open to all bidders to do this on the projects for which it is allowed. It was allowed here, but was not used – again, by our specifications, they chose to use a form other than the one we provided, and in doing so made an error that, by our specifications, we will not correct.

Again, following the open competitive bid process to get the lowest responsible bidder, we are requesting rejection of that bid and awarding it to the competitor.

BILL FELDMEIER: There's a distinction between "will accept" or "will reject" – are these distinctions statutory, or are they policy-based?

FLOYD ROEHRICH: They are policy-based by our specifications.

BILL FELDMEIER: So then we have the ability to review those policies and change them at some point in the future, but not now?

FLOYD ROEHRICH: Yes, sir. And that's an important point to make: for a project, we use the specifications that are in place at the time. If the Board chooses, at their discretion, to provide other guidance and other criteria would be correct, and we would move forward with the projects that are bid under those specifications.

BILL FELDMEIER: I think that's pretty clear.

CHAIRMAN HOUSEHOLDER: Are there any other questions? I will entertain a motion to accept the bid.

FLOYD ROEHRICH: I'd like to make sure that the motion is to accept my recommendation to reject G.U.Y.'s bid and accept the second low bidder who presented a responsive bid, Utility Construction Company.

CHAIRMAN HOUSEHOLDER: All right, I have a motion to accept Utility Construction Company's bid.

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

FLOYD ROEHRICH: The second project is Item 67, the project in Mohave County. The project is a traffic control project. The apparent low bid by Combs Construction Company is 27.7% under the estimate. In reviewing the bid and the [unintelligible] discrepancy in the bid prices, we found that it contributed to a number of supplies that we've seen the market come down and be more competitive, especially in asphalt and concrete, as well as in aggregate material. Upon reviewing the bid and discussion, we feel we have a responsive, competent bid and we're recommending award of this project.

CHAIRMAN HOUSEHOLDER: Are there any questions? If not, I'll entertain a motion to accept the bid.

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

CHAIRMAN HOUSEHOLDER: Are there any further comments from the Board?

BOB MONTOYA: I **move** to approve all items on the Consent Agenda.

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

CHAIRMAN HOUSEHOLDER: Do we have a motion to adjourn the meeting?

BOB MONTOYA: I **move** to adjourn the meeting

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

CHAIRMAN HOUSEHOLDER: The meeting is adjourned.

Delbert Householder, Chairman
State Transportation Board

Victor Mendez, Director
Arizona Department of Transportation