

**STATE TRANSPORTATION BOARD
MEETING MINUTES
10:30 a.m., Friday, May 21, 2010
City of Sedona Council Chambers
102 Roadrunner Drive
Sedona, Arizona 86336**

[The Pledge of Allegiance was recited in the Public Hearing preceding this session.]

Roll Call

[Roll call was taken in the Public Hearing preceding this session. In attendance: Bob Montoya, Bill Feldmeier, Felipe Zubia, Victor Flores, Kelly Anderson, Steve Christy, and Bobbie Lundstrom.]

ITEM 1: District Engineer's Report – John Harper, Flagstaff District Engineer

Mr. Harper stated that his report would focus on SR179 projects. He thanked the City of Sedona, the Forest Service, the Federal Highway Administration, the Village of Oak Creek Association, Coconino and Yavapai Counties who have been primary stakeholders and partners in the effort. He introduced Carl Burkhalter, Senior Resident Engineer, who gave a short presentation of what happened with the project over the last four to five years.

Mr. Burkhalter commented that the project actually began 20 years ago, although they started over in 2002. There are just a few more months and the project will be completely finished.

[Mr. Burkhalter showed slides of the project.]

The project was a community effort, involving the stakeholders, ADOT, citizens and a public outreach team. In 2003-2004, they used the charrette process to come up with the community's 12 core values, which were used to try to develop the road. In Charrette #2, anybody could come in with any idea and then they boiled those ideas down. Charrette #3 was discussion of the final three options, coming up with final concept, and breaking down the nine miles into two projects: one was six miles through the Village of Oak Creek and the forest; and the other was three miles through the City. There are two lanes in each direction, eight-foot shoulders with bike lanes, curb and gutters, raised medians, roundabouts, pedestrian and landscape enhancements, right-turn lanes, scenic pullout and bridge.

They received a "Highways for Life" grant for \$1M. Some goals related to that grant were safety, moving traffic to the work zone, maintaining access, and improving departmental quality. All work is completely done in the Village of Oak Creek, including landscaping. They put in passing lanes approaching Bell Rock.

For Project 2, one of the big areas was the "Y" Area, which they rebuilt. There are now two roundabouts and it is working very well. The other was the Oak Creek Bridge, where the first step was building a pedestrian bridge. A new vehicle bridge was built and the old one was destroyed. They are almost finished with this phase, and are hoping to get the concrete in by Memorial Day

weekend. The third project was the Mormon Wash area. They are still working on the walls throughout the area. Part of the project was upgrading all the utilities. Canyon Roundabout is the last roundabout and will be done in June.

One concern is that provisions have been made for vehicles to pull over when emergency vehicles come through, but some drivers are not aware of the pullouts yet. Another worry is that the improvements are not enough for holiday traffic, but the key is getting drivers to follow the "rules" of a roundabout.

Completion dates are as follows:

- Schnebly Roundabout before Memorial Day
- Canyon Roundabout by mid-June
- Final landscaping, signing, creek restoration, final asphalt layer by end of July

The City and Chamber are preparing a large celebration on August 20-21, and he invited all to attend.

Mr. Feldmeier asked what the final cost was and Mr. Burkhalter responded it was \$85M plus about \$40M for the pre-design process.

Chair Montoya complimented Mr. Burkhalter on the fine job he did on this project, and he received a lot of positive comments on his interfacing with the community.

ITEM 2: Director's Report – John McGee, Executive Director for Planning and Policy

Mr. McGee reported that Director Halikowski sends his regrets, as he is chairing a very important meeting on rest areas with other states. Ms. Toth and Mr. Roehrich are also attending the AASHTO meeting. He mentioned that in the absence of Mr. Roehrich, Dallas Hammit will be presenting Agenda Items 9 through 12, and in the absence of Ms. Toth, Scott Omer will present Agenda Items 7 and 8. Mr. McGee thanked the City of Sedona for their hospitality in hosting the Board Meeting.

He commented that ADOT is hopeful that the recent passage of the one cent sales tax will lessen some of the need to increase transfers and fund sweeps that they have seen in the past.

Last week a number of ADOT personnel attended the AZTech Operations Academy. The sessions were very informative on systems operations in the Phoenix region and were well attended. He commended MAG, ADOT, Maricopa County and many participating cities in the Valley for their great work at the conference.

Last week there was also an informal meeting of the new Freight and Rail Advisory Council. The meeting was designed to introduce all the members to each other, and provide the Council with some of the rail planning efforts that ADOT is currently engaged in.

Last month ADOT also met with CAN DO, a coalition working to get the I-11 Corridor designation. They had very good conversations with that coalition and hope to potentially move forward with that corridor. They will be addressing this topic at the July study session.

Last month ADOT and a number of other public and private entities met with a representative from Mexico regarding the proposed Punta Colonet Port in Mexico. The discussions were centered on possible freight and route connections from the Port through northern Mexico and into the southern United States, with possible crossings into Arizona.

ITEM 3: Consent Agenda

Chair Montoya requested pulling Item 3q from the Consent Agenda and moving it to the regular contracts under Item #12.

Motion by Mr. Flores, seconded by Mr. Anderson, to pull Item 3q from the Consent Agenda to Item #12 under Regular Contracts. In a voice vote, the motion passed unanimously.

Chair Montoya noted there were two items added to the Consent Agenda per the Amendment to the Agenda: Items 3r and 3s.

Motion by Mr. Anderson, seconded by Ms. Lundstrom, to approve the Consent Agenda as amended. In a voice vote, the motion passed unanimously.

ITEM 4: Legislative Report – Kevin Biesty

Mr. Biesty explained that he would not be doing a federal update at this meeting, as there was nothing of consequence to report since the last Board meeting.

Noting that Board members had been provided with a list of bills that had failed or vetoed, he proceeded to discuss bills that have passed the State legislature. The passed bills will become effective July 29, 2010, unless they have an emergency clause on them. Many of the bills they previously discussed have either been modified or did not make it out of the legislature or were vetoed.

- House Bill 2625, STAN account city reimbursement, repealed the requirement that a local government that received STAN funding out of the Roads and Regional Significance Congestion Mitigation Program have to pay the money back. Queen Creek had received \$10M, which now becomes a grant.

Mr. Flores asked if there is more STAN money available, and Mr. Biesty replied that is probably not the case. Mr. Fink remarked that the money in the STAN account has been fully exhausted.

- House Bill 2627, County Transportation Excise Transit, removes the prohibition on counties between the populations of 200,000 and 400,000 from levying transportation excise tax for both road and transit. Mojave, Pinal, Yavapai and Yuma Counties are affected by this. Previous to this bill there was a prohibition that if the county passed an excise tax, it only be one, not both.

Mr. Feldmeier was curious if it would have to be voter approved, and Mr. Biesty answered in the affirmative. Mr. Feldmeier mentioned that in the past, the Board of Supervisors was able to create a ½ cent sales tax. Mr. Biesty said that this new bill is a separate issue, and requires a general vote.

- House Bill 1063, Public Transportation Regional Planning, was a bill worked on by MAG and RPTA Board, done as a “fix” for federal requirements. Basically it says that the Regional Transportation Plan has to be part of the Regional Plan, and MAG as the regional planning agency is responsible for that. He commented there is no real significant impact to this bill.
- Senate Bill 1137, an ADOT omnibus bill, with some provisions of interest to the Board:
 - It extends the long range plan to July of 2011
 - Gives the Director the ability to reorganize the agency (to be consistent with other agencies that already have this capability)
 - Senate Bill 1366 was one of three eminent domain bills that were worked on, but it was the only one passed. In essence, it takes the federal relocation standards that ADOT already operates under and puts them into State statute.
 - Senate Bill 1406 dealt with procurement construction specialized services. This was a comprehensive consolidation of all the alternative contracting methods that the cities, counties, and ADOT used and made them uniform throughout.

He alerted the Board that they should be receiving a comprehensive summary of all the legislation for this past year.

Mr. Christy asked about the legislation that pertained to trucks staying in the extreme right-hand lane if there are three or more lanes, and Mr. Biesty replied that this bill comes up every year; this year it was reduced down to a study. The bill states that on the I-10 between Phoenix and Tucson in non-urban areas, ADOT would do a study with DPS and if the study warranted, they would restrict the trucks.

ITEM 5: Financial Report – John Fink

Mr. Fink reported as follows:

- HURF revenue is back up close to positive again. April HURF revenue was \$109.8M, down .7% from last year and down about 1.8% compared to estimate. Currently YTD is \$992.7M, down about 5.5% compared to last year and down 4.2% compared to estimate. For the first ten months, HURF is down about \$43M compared to estimate, so will probably finish the year with something less than \$1.2B. HURF revenue has not been below \$1.2B since FY2004.
- YTD Gas tax revenue is \$375.9M, down slightly compared to last year, and down a little compared to estimate. For April, gas tax revenue was \$40.6M, equal to last year and a little

bit above estimate. He noted that the past week ADOT received a settlement from a major fuel supplier that was in bankruptcy, so those numbers will be reflected in the May results.

- YTD Use Fuel tax revenue is \$141.5M, down 1.5% compared to estimate, and down a little less than 1% compared to estimate. April Use Fuel tax revenue was quite surprising, \$16.3M, up 15.6% compared to last year and up 6% compared to estimate. That makes 5 consecutive months that Use Fuel tax revenue is above last year's.
- YTD VLT revenue is \$275.3M, down about 8% compared to last year and down 8.9% compared to estimate. A bit of good news: April new car registrations were up 16.6% over last year.

Mr. Fink showed a slide on gas tax revenue calculated on a cumulative basis, and commented that it has leveled off and stabilized. VLT has not stabilized, but the rate of decline has slowed considerably over the past few months.

- March RARF results are \$23.5M, down 6.9% compared to last year and down 6.3% compared to estimate. YTD RARF is at \$222.2M, down 11.3% compared to last year and down 5.2% compared to estimate. For the first 9 months, RARF was down about \$22M compared to the estimate. Preliminary April numbers for RARF are in the hands of the Revenue Department, who are busy at the time with the new sales tax implementation.
 - By category, retail sales are at \$107.5M for the year, down 7.4% compared to last year, and down 2.4% compared to estimate. Contracting revenue is currently at \$22.3M, down 40.6% compared to last year and down 28.4% compared to estimate.
- Aviation Fund:
 - April revenue to the aviation fund was \$1.2M, down 8.5% compared to last year, but up 53% compared to estimate. YTD revenue is at \$20M, up 7.7% compared to last year and down 8% compared to estimate.
 - Flight Property Tax is at \$5.6M YTD, down 25.8% compared to last year, and down 9.4% compared to estimate.
 - Aircraft Registration Revenue is \$6.6M YTD, down about 4% compared to last year, but up about 2.6% compared to estimate.
- Investment Report:
 - April average invested balance is \$1.19B. The interest received during April was about \$1M, representing an annualized yield of 1.02%. YTD interest income is about \$13.1M, representing an annualized yield of 1.25%.
- HELP Fund
 - Cash balance at the end of April was \$53.4M. There was one additional loan in April that paid in full. There are currently 6 loans outstanding, with a total principal outstanding of about \$21.6M.
- State Highway Discretionary Fund
 - Low cash balance has been negative every month going back to February of 2008.
 - In April, the negative balance was about \$17M. Improvement is expected over the next few months as DPS transfers have ended for the year, and there will not be a

deposit to the debt-service account in June. By the end of the year, the low cash balance should be right around zero.

Mr. Christy asked if any of the increased sales tax would go to DPS, and if it would inhibit any future transfers. Mr. Fink remarked that the transfers for FY2011 have already been enacted. Mr. McGee commented that when the legislature passed the FY2011 budget, they passed two versions, one if the one-cent tax passed, and one if it failed. In theory, whether the tax had passed or not, there should not have been any additional impacts on ADOT, as the budgets were nearly identical.

ITEM 6: Financing Program – John Fink

Mr. Fink presented a slide showing the changes as Moody's recalibrated municipal ratings. In the case of the HURF bonds, the senior HURF bonds went from Aa1 to AAA. Subordinate lien bonds went from Aa2 to Aa1. Senior RARF bonds went from Aa2 to Aa1. For the senior Grant Anticipation Notes, the rating went from Aa3 to Aa2.

ITEM 7: Multimodal Planning Division Report – Scott Omer

In the past week, ADOT applied for two Federal Railroad Administration grants. The first one is for the Welton Branch. They are requesting a \$400K FRA grant, providing a \$100K match, with \$60K of that coming from MAG and \$40K from an ADOT in-kind match. The other FRA grant is for the Phoenix-Tucson inter-city rail application. They requested a total of \$9.5M to complete the engineering up to a 15% level.

ITEM 8: Priority Planning Advisory Committee (PPAC) – Scott Omer

Mr. Omer referred the Board to Agenda Item 8a on page 128 in the Agenda. This is the Safe Routes to School program and they are recommending five total infrastructure projects, totaling \$1.48M. The five projects are:

- Gilbert School Crossing and Sidewalk Safety Improvement for City of Gilbert
- Town of Douglas – Joe Carlson Safe Routes to School
- City of Phoenix – Wilson Primary School Sidewalks
- Pine Top and Lakeside – CHAMP Sidewalk Improvement
- City of Prescott – SRTS at Lincoln Elementary School

There are 12 non-infrastructure projects that total \$524,000, and one for regional support and materials for \$27,300 in Tucson. Staff recommended the approval of Item 8a.

Motion by Bobbie Lundstrom, seconded by Mr. Christy, to approve Agenda Item 8a. In a voice vote, the motion passed unanimously.

In response to a question by Mr. Christy, Mr. Omer commented that with any of the grant programs, ADOT actively monitors the progress of the projects. They have an individual assigned to each project. Mr. Omer asked the Board if they want to see Items 8b through 8m individually or approve them together.

Moved by Mr. Feldmeier, seconded by Ms. Lundstrom, to approve Agenda Items 8b – 8m. In a voice vote, the motion passed unanimously.

ITEM 9: State Engineer's Report – Dallas Hammit

There are 110 projects under construction, totaling \$1.24B. In April, they finalized five projects totaling \$49.8M, and YTD they have finalized 97 projects.

ITEM 10: American Recovery and Reinvestment Act (ARRA) 2009 Update – Dallas Hammit

ADOT has obligated and awarded all of the ADOT projects that were originally identified as well as the bid savings. All of the local projects have been obligated, with one remaining to be advertised. They are expecting to have bid savings on projects coming in, which will be then be allocated to new projects going out.

ITEM 11: ARRA II Priority List – Dallas Hammit

There is no update on ARRA II at this time, as it does not appear to be moving forward.

ITEM 12: Construction Contracts – Dallas Hammit

Chair Montoya directed the Board to the Amendment on the Agenda, noting there are a number of contracts that have been moved to the regular Agenda. Consent Agenda Items moved to the regular Agenda are Items 3f, 3m, 3n, and 12k. Mr. Hammit noted that on Item 3s there was a typo stating the amount was "under" where it should have said it was "over." He requested taking Items 3f, 3m and 12k as one item at the end of his report.

Motion by Mr. Feldmeier, seconded by Mr. Christy, to approve Items 12a-12j, with the exception of the other ones. In a voice vote, the motion passed unanimously.

Mr. Hammit brought up Item 3q, which had been pulled from the Consent Agenda. This project was a pavement preservation job in Cochise County. There was an error in an electronic bid: two items had a different quantity than on the paper bid. There were five bidders with three submitting electronic bids, and two submitting paper bids. With the changed quantities, the end amount of the bid changed, but the end result was not affected. The apparent low bidder was not changed and they request that the Board approve this item.

Motion by Mr. Flores, seconded by Mr. Anderson, to approve Item 3q. In a voice vote, the motion passed unanimously.

Regarding Item 3n, in the original packet there was no recommendation for award. The project is on SR87, and came in 5.6% under the engineer's estimate, and they believe the bid is competent and responsible, and recommend approval.

Motion by Mr. Anderson, seconded by Mr. Feldmeier, to approve Item 3n. In a voice vote, the motion passed unanimously.

Items 3f, 3m and 12k all have the same apparent low bidder. Staff is requesting that these items be tabled and direct the State Engineer to hold a hearing regarding the responsibility of the apparent low bidder. They do not question the bid itself, but have concern with the apparent low bidder. In one project already under construction, it appears that this bidder did not perform 40% of the work as specified in the contract. In another project, it appears that items/documents on the project were altered and submitted to project staff.

Mr. Christy asked how this might impact the timeframe of the project, and Mr. Hammit answered that their intent would be to hold a hearing and bring it back for approval (of either the apparent low bidder or the next bidder) by the June Board meeting.

Mr. Feldmeier was curious if the hearing related to the three projects up for bid, or the difficulties they are having on the two. Mr. Hammit responded that the hearing is on the other two contracts, which would then determine if the contractor is a responsible contractor.

Ms. Lundstrom remarked that they have used this contractor quite a bit in the past and wondered if this is the first time they have found these irregularities and Mr. Hammit answered affirmatively.

Mr. Feldmeier questioned the audit where they found 40% of the work was not completed. Mr. Hammit clarified that by the contract terms, the prime contractor has to self-perform 40% of the work. On the project in question, the prime contractor subcontracted over 70% of the work.

Mr. Christy questioned what the time frame would have been for completion if they had not found irregularities. Mr. Hammit said that it will delay those projects one month. Mr. Christy asked to be updated on the results of that hearing before the next Board meeting.

Mr. Feldmeier had a question about whether the hearing was a staff or Board responsibility. Mr. Aschenbach, Assistant AG replied that State law requires that the contract be let to the lowest responsible and responsive party. In this instance there are facts that are very troubling and if there is a bid protest that involves responsiveness or responsibility, the Transportation Board can actually refer it to a hearing in front of the State Engineer under the Standards Specifications Section 103.05.

Motion by Mr. Flores, seconded by Ms. Lundstrom, to defer Items 3f, 3m and 12k for a recommendation by staff. In a voice vote, the motion carried unanimously.

Chair Montoya asked if Board members would be allowed to attend the hearing, and Mr. Hammit responded that at this time he does not know if it will be a public meeting or not. Mr. Aschenbach added that the law does not specify whether the hearing would be closed or open to the public, and that it is basically a business decision by the State Engineer. He said that if the Board requested that it be an open hearing, he was sure that request would be honored. No matter what, the hearing would be held by the State Engineer, but it is the Board's prerogative to determine whether or not there is a hearing. Mr. Christy clarified that was not so much interested in attending the hearing, but wanted to know the outcome, as they are important projects in his region. Mr. Aschenbach assured the Board that, through the Director's office, they would relay the outcome of the hearing as soon as

possible. He reiterated that if the project did not go to the current apparent low bidder, it would immediately go to the next one in line.

ITEM 13: Public Private Partnership (P3) and Rest Area Update – John McGee

Mr. McGee announced they have hired two project managers for the P3 program, HDR and Jacobs Engineering. One of the people working with them through HDR is Mary Peters, who is very knowledgeable from a federal and policy perspective on highway P3 programs.

He also announced that they hired the Nossaman law firm, who are probably the most experienced law firm in the country regarding transportation P3s. They were involved in some of the drafting of the Arizona P3 legislation.

They have been busy with public officials across the State, showing the P3 presentation in order to raise awareness of the program. Three of these presentations were in the MAG region to the Regional Council, the Management Committee and the Transportation Committee. He reported that they are close to forming the P3 Advisory Committee.

They also have HDR and Jacobs working on the process of developing a methodology to review and evaluate a wide array of projects with the goal of developing a short list of projects that have the highest potential for development under the P3 approach.


ITEM 14: Comments and Suggestions [None Given]

Call to the Audience

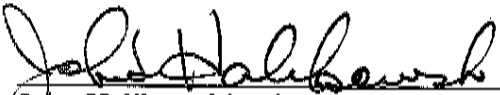
Marlene Rayner, Sedona resident asked ADOT reassure those who were against the lights that they were listening and will reconsider the project. She mentioned that the project on SR179 was a good project that enhanced Sedona, and asked ADOT to work with them on SR89A in the same manner.

Chair Montoya closed the Call to the Audience.

Motion by Ms. Lundstrom, seconded by Mr. Christy, to adjourn the meeting at 11:45 a.m. In a voice vote, the motion passed unanimously.



Bob Montoya, Chairman
State Transportation Board



John Halikowski, Director
Arizona Department of Transportation