

STATE TRANSPORTATION BOARD STUDY SESSION
MINUTES
10:00 a.m., Tuesday, November 2, 2010
Human Resource Development Center (HRDC) Grand Canyon Room
1130 N. 22nd Avenue
Phoenix, Arizona 85009

Pledge

The Pledge of Allegiance led by Felipe Zubia.

Roll Call

Roll call by Board Secretary, Mary Currie.

In attendance: Bob Montoya, Bill Feldmeier, Felipe Zubia, Victor Flores, and Kelly Anderson.
Bobbie Lundstrom (absent), Steve Christy (absent).

Call to the audience - None**ITEM 1: 2011 Legislative Agenda – Kevin Biesty, Director Government Relations**

It is election day, and over the next 13 hours, they will begin to see what legislature is going to look like. Director Halikowski came onboard when Governor Brewer came into the office. The agency started looking at ways to become more efficient. Director Halikowski directed everyone in the agency to look at what they could be doing more efficiently. Many of the practices used are a result of 50 and 60 year old statutes that have been in place. For example, one of the things discussed was driving schools. The Department oversees the professional driving schools. It is time to discuss whether or not they really should be doing that. Why should they be licensing people in the companies to provide driving lessons that are not required by law. One of the things they are going to be working on for the Department of Transportation is working with the stake holders and look at the P3 bill that was passed two years ago. John McGee and his staff have had a year to implement it and they have recommendations that they will be making along with stakeholders. There were problems with the bill and adjustments that needed to be made. They will be working with the stake holders with the components of the P3 in the upcoming months and have the legislature address those issues.

ITEM 2: Disadvantaged Business Enterprise (DBE) Presentation – Bob Hollis, FHWA

They are pleased to have the opportunity to talk about an area that is often misunderstood and sometimes a bit controversial. This will be a tag team presentation. There are several people there to assist him and he briefly introduces Lisa Neie. Lisa is a Civil Rights Specialist with the Federal Highway Administration out of the New Mexico, and formerly the Civil Rights Administrator for ADOT. In addition we have ADOT's current Civil Rights Administrator Melissa Boyles and FHWA Assistant, Mayela Sosa.

This is an overview of the Disadvantaged Business Enterprise program: What the DBE program is, who does it apply to, program objectives, how it is administered at a high level, program history, and program status as it currently stands at ADOT's program. Melissa Boyles will provide an ADOT

overview. They will not discussing the merits of the program, since Bob is not qualified to do so and it is often controversial.

The DBE program is a federal DOT statutory requirement. It ensures that federally assisted contracts and this applies to highways, transit, and aviation made available for participation by poor profit small businesses owned and controlled by socially and economically disadvantaged individuals. As mentioned, it applies to highway program, transit program, and airports.

Some of the program objectives are that it assures in undiscriminating in award and administration of the federal DOT assisted contracts, helps to remove barriers to participation of disadvantaged businesses in those contracts that assist with the development of the firms to successfully compete in the marketplace outside the DBE program. It strives to not only bring those small businesses into the program but if they are successful that they could graduate from that program and move into competing in a normal business manner. It ensures that only eligible firms participate with DBE and ensures that the program is narrowly tailored.

What is a DBE firm? Definition of a business that is at least 51% owned and controlled by socially and economically disadvantaged individuals. These individuals must control management and the daily operations of that business. It exists for profit small business as defined by the Small Business Administration. At the present, that work should not exceed \$750,000 and that is defined as including only the owner's shares of the assets that event jointly with the individual's spouse. It excludes interest in the firm and any equity in the primary residence. It is any US citizen or lawfully admitted permanent resident who fit into these groups. They are often referred to as presumption disadvantaged. This applies only two these groups that own, operate, and manage those firms. In terms of the program administration, it applies to all DOT federal aide contracting opportunities related to these types of work, construction, engineering, procurement, applies to local governments for local public agencies, and other recipients such as NPO's and universities. The participation requirements for a contract provision and this is often misunderstood, like any other contract revision, there is a goal set on a project or contract that applies as any other contract provision similar to the labor positions. It should be administered as such.

Looking at a little bit of the history, pre 1980, there was in fact a minority of women's business enterprise program that was under Title VI of the Civil Rights Act of 1964. That applies to federal DOT's financial assistance programs. In 1980, disadvantaged business program was established by DOT regulation. Then in 1982, Congress then acted through the Surface Transportation Assistance Act, the first DBE statutory provisions. That is the first time that it required a minimum of 10% of DOT funds to be expended with small businesses that qualify as disadvantaged businesses. In 1987, Congress expanded the program to include airports which were previously excluded and non-minority women which were previously excluded, and continued the 10% requirement. Since that time, from 1981 and beyond, Congress has consistently acted several statutes or reauthorizing the expanded DBE program. In 1998, the TEA-21, the Transportation Equity Act and then in 2005 the safety act and in essence they are currently still operating under at this point. Needless to say, the DBE program has had its challenges, judicial challenges and these were offering the Senator alleging unconstitutional discrimination about the 14th Amendment. Just a few of the major legal challenges, there are others but these are some that are often quoted and so forth. The one that is highlighted is the one that is most relevant today to Arizona that is Western States Paving vs. Washington DOT which was heard and

considered in the Ninth Circuit Court in 2005 where the Ninth Circuit Court issued a decision striking down the state's DBE program as not being narrowly tailored to the Congress's DBE objectives. They concluded that the remedy requires showing proof of actual discrimination in that there needs to be material data that would demonstrate based on availability in the local environment for which that program applied demonstrates that there was actual discrimination or different treatment and that is the basis of which the states would be required to make a determination on setting goals. It directly affected 9 western states including Arizona and it resulted in ADOT undertaking the disparity study and that disparity study was for that purpose to discern and determine the extent to which they are treated. This brings everything up to where they are today and he turns it over to Lisa.

Lisa Neie: Arizona started studying DBE goals on projects in January 2006. Prior to that time, overall DBE participation on those contracts was 8.61%. After the disparity study or during the disparity study, they looked at the overall participation of DBE and found some issues. The disparity study consultants recommended that ADOT have an overall annual goal of 8% and recommend that ADOT utilize 2.7% race-neutral goal. Race-neutral is participation that occurs naturally. No one cares if the firm is a certified DBE or otherwise. When DBE get contracts as primes it is when DBE are just used on contracts because someone wants to do business with them. Based on the data, they have determined that a 5.3% goal was an appropriate race-conscious goal. That is the part that would be made up through goals on individual projects. When they look at DBE participation through the rest of this Fiscal Year, this is a very tentative number, what they saw is that it appears DBE participation for the past federal fiscal year was 3.86% participation. For the first six months on October 1st – March 31st it appears that the Recovery Act participation was 3.37%. This is a graphic image of what happened with DBE participation the statutory in the disparity study was from 2001 through the end of the state fiscal year 2007. DBE participation dropped from a high of 10.63% down to 1.2%.

When ADOT turned in the findings and the goal from its disparity study it had turned in a waiver request and a waiver request requires the office of the Secretary of Transportation's approval. In going back and looking at data for various individual firms, what they have determined was on engineering contracts because there were no groups that were going to be excluded from DBE goals and that the Department could go ahead and begin setting DBE goals on contracts that were let through the engineering consultant services which typically considered design contracts. Then they reviewed all of the data, and determined that no one was participating in an equitable manner that while in the disparity study period, there may have been evidence that women were not over-utilized but they were participating such that they would expect based on the representation in the industry that is why they turned in the waiver request to exclude women from race-conscious goals. What they figured out was that no one was participating, everyone was under utilized, looking at that 1.2 and 3% figures and they went ahead and said they need to begin to start setting goals on construction projects again that were inclusive of all groups and they do not believe that the waiver request was necessary any longer with this. Everyone is under represented. No one is participating equitably based upon the statistics and numbers that they have. What they want to talk a little bit about today and Melissa is going to talk some about it is what can ADOT and FHWA do together to assist companies in reaching the next level of success. One of the goals and objectives of the program is for women in minority businesses to be able to participate equitably as if there were no programs and that they are competitive in the market. What can they do to increase the number in diversity of certified firms because as always there is usually a corporate of firms that get to work with other ones who are filtering in and out, what can they

do to change that around a little bit and what can they do besides having project goals, to increase the participation of these small business federally assisted highway construction contracts.

Melissa Boyles: She is going to explain how ADOT administers the program. The main areas they have in the DBE compliance are related to certification, supportive services area, contract compliance, data collection and reporting, and finally present a piece about the reinstatement of the recent gender race program. In the certification area, Arizona has a unified certification program that is comprised of the cities of Tucson and Phoenix as well as the State DOT. ADOT is the lead agency for that unified certification program. They help administer certifications for approximately 1,050 firms in Arizona and they have about 300 of the firms are ADOT sourced and certified. There are several things that they have done in the certification area, recognizing that the state overall and especially the partners are working with more limited resources. One of the things they have done is watched an online DBE application process so that companies can have access to that information 24/7. The result has been leveraging that technology for the local partners, the certification applications coming through Tucson and Phoenix dropped significantly. Right now they have approximately 68 DBE applications pending through the Department. Because they have staff with the expertise to do certification as well as this new technology, they are able to process the applications much more quickly than the local partners. That is helping because they have had access to more resources and they do more federal contracting than the local partners being able to help manage that process helps us with the North American trade post. This applied the proper certification information to each one of the companies that have been certified that helps them refine the certification process so they can help the local partners by giving technology but also that they can manage the process more efficiently and ensure proper data collection so that their goal-setting is more sensible in the long run.

In the DBE supportive services area, once the company is certified, it really helps to work with those companies to introduce them to what the requirements are for working on federal aide projects and what they need to know to succeed. The framework that they launched in 2010 is the framework of Education Access and Disability. Education meaning training, access to information, access to leadership and disabilities for those companies because of they are a smaller company in Arizona they do not necessarily have the marketing resources to go out and interact with the people that are making decisions about bringing different teams on or the selection process if they are seeking government projects. Some of the activities this year included regional conferences held around the state. They also launched the ADOT academy for the advancement DBE this year. The entire program was managed with funds from a grant from FHWA. In partnership they developed a program that is the third of its kind in the country to their knowledge that partnered directly with Arizona State University, Del E. Webb School of Construction. The focus is on start-up intermediate level companies looking to build capacity and then those companies are graduating brought into the program. One of the objectives is to help companies graduate and succeed outside the parameters of the program. They have put approximately 65 companies through that program this year and they intend to have it again next year. They have also launched two different task forces and anticipating a third in the very near future, construction services and then professional services including the procurement area. They will be looking up vendor services and moving forward and then to balance the task forces, they have also implemented preparing to find programs. It is approximately a year long training program where DBE come in and meet with them once a month for about a two hour session and cover everything from pre-qualifications with ADOT to the selection process to reporting the requirements after they have received award of the contract. The benefit about the DBE is that most of them operate as

subcontractors at this point but at some point they would like to graduate to primary. They are understanding the requirements of a primary helps them to be better subcontractors but it also helps to serve at a future point as a primary contractor and knowing how to prepare their companies. Given that framework, what do they need to look at as a state DOT and changes to the policies and procedures.

They hosted a national FHWA workshop in September of this year and Mr. Zubia spoke at that workshop. They had about 130 participants representing different areas of the industry, professional services, construction, prime contractors, DBE. They had the HEC representatives present as well as many members of the Association of Minority Contractors of America, and AZEC. It was really an industry discussion of best practices from other states that were presented for Arizona but more of the establishing the framework of how they move forward and the implement of better practices and workforce development in DBE including. They have also instituted a Board of Recognition Program, the bill is more important to highlight best practices and how people are doing things well as opposed to focusing on the negative aspect. They show good examples of how to conduct business and how to be a part of the DBE program as opposed to penalizing people if they do something wrong. They provide one on one business technical assistance and training presentation workshops throughout the state to trade associations and effected groups.

With regard to contract compliance, this is an area for them as a recipient funds, this is their obligation to monitor DBE program basically from promises to payments. This applies to all of the ADOT administered projects as well as all the projects that are administered by ADOT sub-recipients. They look at the pre-award phase, solicitation language, have they assessed DBE opportunity to set a goal for that project, did they advertise that project to the minority in women-owned business community as well as to the primes. Then they review the project to ensure the goal was fulfilled and are they still in compliance. At project closeout, they have to look at whether or not the committed dollars and committed work to that company were actually performed with that company, were they paid in full, are there any outstanding issues and make sure they address that before they issue final payment to the prime contractor. The data collection and reporting requirements were all US DOT federal aide projects without DBE goals. They are ADOT administered and sub-recipient administered projects. They include DBE and non-DBE subcontractor reporting because they have to be able to adequately defend the percentages that they are presenting and if they do not have the full information of all of the subcontracting that is occurring then they cannot substantiate a percentage that they are reporting for the DBE portion of that. They do look at executed contract values, payments to prime, DBE sub-recipients, non-DBE sub-recipients, modifications to contracts, and then as stated earlier project closeout information. With regard to the reinstitution of the ADOT's race and gender conscious program, they have developed a DBE goal setting methodology that is based on census data and the full pool of available DBE in Arizona. They are tied to a number of data sources including ADOT's contract compliance information that are currently monitoring the system, the certification database so they have realtime information as soon as the company is certified included in that database, they get factored into the availability for DBE, and the census data goes back three years. They can say, here is the universe of companies in Arizona that can perform this work and all things being equal what portion of that should go to DBE as they look at each bid item scheduled or each line item for the professional services scope and determine the availability for DBE on each and every one of those line items to come up with an overall goal for that project. They have developed an online goal setting form so that the sub-recipients have easy access to that and all the various districts and departments within ADOT that need to request goals and have current information, update census data, update DBE

availability, and modified work categories if they need them. It is all the most recent information and the form is always going to be available for them. They have met with key stake holder groups with the ATC and the ANCA last week. They are meeting with the AZEC this week to explain the methodology so far. They have very positive response to this approach that they have developed and they are anxious to partner with them to move it forward. They are presenting information at Trade Association meetings, presenting information at DBE conferences, at the task-force meetings that are really trying to make the extra effort so that everyone understands where the goal setting is coming from and how they are coming up with the numbers that they come up with for the projects to move them forward. From their perspective, the information from the disparity study did not factor in the recent changes in the economy particularly with the construction industry in Arizona. They are going to do their best to achieve the initial annual goal that was recommended out of the disparity study but they feel that this first period, they are going to do the best they can but they may not reach that first goal of 8.6% or 8% overall DBE participation in the first year. They are having engaged with the stake holder community, with the industry locally, they are going to be starting the first tri-annual goal setting process early next year. August 2011 they have to submit the first tri-annual to FHWA. That goal they feel is going to be much more reflective of current market conditions, current availability of all subcontractors, and then current availability for DBE. They feel that this is their opportunity to really establish something that makes sense for Arizona and has approval for them from the state.

Victor Flores: How does it actually work if the bottom line is the lowest price? How a program is implemented that a contract is based on the lowest price? What is the incentive on any of those contractors to engage with some of the others or the one that can provide the best price?

Melissa Boyles: Part of it is the leveling of the playing field. If all of the contractors are required to meet the same DBE goal or provide the same good faith effort, then it opens some opportunity there for the small businesses. They meet at the state DOT and they have initiated this process. They need to work with the DBE to make sure that they are competitive. One of the things they are looking at is the bid results that are published. They are looking at the last six months and they are going to update this on a quarterly basis of what the market range is for the bid schedule items so that DBE can see they are putting their bid together, are they under and did they include everything they should have. That is part of the learning curve. Within the next calendar year, the DBE community will become more educated about what the market with bear and then the contractors will have another opportunity to meet with more DBE certified subcontractors.

Victor Flores: Without specifically asking a contractor to include a certain percentage and putting ADOT and others at risk of discriminatory policies, how is this done? He understands how they can encourage participation but how is it actually applied if a minority contractor does not provide the lowest price on a regular basis.

Melissa Boyles: They are now initiating the vendor based program where they are setting goals on that project. They will be looking at all of the scope items for that particular construction project, their bid, and then identifying will publish the areas where they identify DBE availability. So here are the areas where there are DBE available to do the work and that combined with the set goal that in mind with educating the DBE community and trying to work more aggressively to introduce the smaller firms to the larger firms. They feel that that will address that issue.

Victor Flores: Will the bids be weighted based on meeting those goals, again, will it not be determined by the lowest price?

Melissa Boyles: The award can be made based on low bid. The contractor has basically two choices, they either meet or exceed the DBE goals or they provide good faith efforts to demonstrate that they attempted to meet the goal. If they have identified DBE availability in a certain area and they have contacted everyone of those DBE and everyone of those DBE are high, they can demonstrate that and in order to be competitive, they were not able to select those DBE, but here are DBE that they chose in these other areas that were competitive. They will look at that and take that into consideration.

Lisa Neie: There is currently no state requirement that subcontracts be awarded on a low bid process and in fact many times prime contractors select their subs based on a variety of factors in addition to cost. The issue of whether or not the DBE is the low bid, may not have as much relevance as one would assume, however the contractors always have the opportunity in the bidding process to be able to demonstrate that despite their active aggressive efforts, they were unable to meet the DBE goal for the project. Here is what they did to try to meet that goal.

Felipe Zubia: They are all working goals but when a program like that is done it is only successful to the extent that the end product that you get is a local quality at or exceeding what is had from the regular contractors. At what point do they ensure that that quality is there or is that just decided in a marketplace setting that if they are not providing quality work, then the contractors just are not choosing them. He can see that when there is consistently bad quality coming out of any of these contractors or multiple contractors it really can damage the credibility of the program.

Melissa Boyles: It is market driven and one of the interesting things that she has personally seen develop during the course of this year, the DBE community and preparing for the race conscious goals, they have been very blunt with each other in that they do not want the credibility of the program damaged and they do not want to give the prime contractors an excuse to not use DBE. They are really encouraging the other DBE to participate in task forces, to participate in training, to show up for data staking training, to reach out to ADOT supportive services when they are struggling with things. There are even some harsher conversations that are happening are industry driven, because the companies that are certified do not want to reinforce a negative perception that is not really the reality for the most of the certified firms.

Lisa Neie: The other issue is that the DBE program essentially opens the door so that these businesses have an opportunity to compete on those contracts. All of the other requirements remain the same for everyone. In the event that DBE is not performing on a contract and is performing substandard work, the prime contractor has got an opportunity to follow the contractor's procedures to release them from that project. There is a system in place in the state through the state registrar of contractors to address firms that cannot perform their work and they always suggested and recommended that using those processes are important for the credibility. Like Melissa said, the other issue is just leaving it market driven. If it is know that someone is not going to do a good job, no matter what the price is, why in the world would they sign a contract with them.

Felipe Zubia: It was mentioned that part of the ability to meet the race neutral goals and which part is going to be on-call services. In doing that, the on-call opens up construction contracts and professional

contracts, once every 2 - 3 years. What happens when there really are not any DBE within that? Will they have to wait for the next cycle to come around before they start allowing them to submit?

Melissa Boyles: The second part is correct. As far as the first part, that is not the only mechanism that they will use to secure race neutral DBE certification but because those projects or contracts do not have a specific scope, schedule, or budget, they cannot narrowly tailor the goal to it. If they set a goal on an on-call contract, it would not be a goal, it would be a quota and quotas are prohibited. What they have to do is work with the clients and pursue those on-call projects and help them identify fault by DBE. That is the approach that they are taking with the on-call contracts at this point. They are going to have to monitor those projects closely to see if they have adequate levels of DBE participation. If they do not have adequate levels of DBE participation, then they will work closely with the State Engineer's office to look at how they can comb out some of the larger task force that they are anticipating and they can also be stand alone projects where they can set a DBE goal. The networks used and the conferences that they are doing and the task forces that they are hosting, the training that they are providing about how to find information about ADOT projects. All of those activities are helping to promote race neutral DBE certification.

Bill Feldmeier: Under the category of socially and economically disadvantaged, there is a grouping referred to as Subcontinent Asian American. He is not familiar with that.

Lisa Neie: The regulation lists out the specific countries that that applies to, places like India, Pakistan, Bangladesh. Those are the subcontinent nations to promote the general geographical location of the world.

Bill Feldmeier: How is it ensured that somewhat does not just come in and say that they are a minority just to get in the program?

Lisa Neie: There is an application process that is very stringent. When an individual comes in, the first thing is that they have to be able to demonstrate is that they are socially and economically disadvantaged. What the certification processors look for is what group this individual said they belonged to. Then depending upon what it is, if they have a legitimate reason to believe that someone is not a member of the presumptive group, they can be asked to demonstrate that. Then they go through the evaluation of their personal network is.

Bill Feldmeier: How would they go about demonstrating that.

Lisa Neie: Sometimes there are birth certificates, sometimes they can write letters or get letters from their community, recognizing them as a member of that community.

Bill Feldmeier: The first criterion is they have to be economically challenged before they go any further?

Lisa Neie: They have to be both. They have to be socially and economically before they can go farther. When the personal tax returns are reviewed, it is read whether their income included everything that they own. That is usually the bigger problem than whether or not they are in one of the presumptive groups.

Kelly Anderson: Asks if this applies primarily to someone who is a start up business or has been in business for a while and they still do not have a lot of money.

Melissa Bovles: In Arizona, the majority of the DBE is start up and are definitely smaller companies. They do have some that are midlevel that are nearing graduation but the majority of them fall into that smaller section.

John McGee: Bob is getting ready to enter into a new phase called retirement. Bob has been a really good friend of the Department for 15 years now, 41 total with FHWA. They wanted to express their appreciation for all the years of service by presenting him with a certificate of appreciation. He reads the certificate that is signed by all the members of the State Transportation Board, Director John Halikowski, John Bogert, Floyd Roehrich, and himself. Director Halikowski wanted to be here today but he is attending a conference and could not attend.

ITEM 3: Emergency Funding Policy – John McGee, Executive Director for Planning and Policy

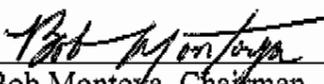
At the last Study Session meeting, Mr. Fink gave a presentation on funding for the new 5th year program. As a result of that discussion, Mr. Zubia indicated that it might be worth the Board looking at contingency planning, developing a Board policy for contingencies that may happen with respect to needs for funding due to catastrophic events, emergencies, that sort of thing. Mr. Zubia asked the staff to look at this and develop some kind of policy in this regard for the Board's consideration and bring it back to this meeting. They have done that. The first thing they did was went through and looked at all the Board's policies to see if there was a current policy that they might amend that was germane to this policy and as he was going through and looking at the Board's current policies, it appeared to him that policy #21 Program Development, probably made the most sense if the Board chose to simply amend a current policy. On the other hand, the Board could also just develop a new policy in this area. What was left before the Board today was the current policy for the Development program. At the bottom, he developed some preliminary language that could be added to the policy or again could stand as its own. In developing this potential policy, he thought that it was important that as was done in the early part of policy #21 that they again reference the Casa Grande resolves, RAC, and the advice that they present to the Director and the Board in terms of developing the program. Then he had a look at what potential sources of funding might be in the case of some kind of catastrophic event and developed the policy from there. What he would recommend that the Board consider would be a policy that would in the event of catastrophic event that would pull funding from programs and funds in the following order. First of all, there is a specific SUB program within the Board's program called Program operated contingencies, emergency projects contingency. The Board has funded that subprogram at a level of \$1.1M per year and so it would be natural that if there were some kind of an event that the Board would first look at that and see if there is any or all of the \$1.1M and utilize that first since that it was it is there for. Secondly, if there were not enough money in that program to fund the event, then it would be their recommendation that the Board look at taking money from the general program cost adjustment contingency, what they refer to as the contingency account. That account is funded each year at a level of \$5M per year but that number goes up and down every month as bid savings, contract closeouts, those sorts of things are done. There is usually some level of funds available in the contingency fund so they would recommend that this probably be the second place that the Board would look to fund this kind of emergency funding. Thirdly, if there was not enough money in either

of those two funds, then they would recommend that the Board start looking for funding from other discretionary funds or subprogram funds that might be available within the region which the project that needs funding is located. The three regions of the state would be Maricopa, Yuma, or Greater Arizona. They would first look within each of those three regions and then if there was not enough money, like a \$200M catastrophic event, then the Board would start looking at discretionary project funds or subprogram funds from regions external to the region where the emergency projects exist. In doing so, this would require that the Board, under any of the circumstances, look at all available laws, and do it strictly in accordance with the available laws and there are a number of them out there with respect 12.6% funds and RARF Funds. Obviously a report would have to be done in compliance with all available laws and that has been included in the policy. Finally, in the event of such an emergency that the Board would direct the Department to work with FHWA to see if that Emergency qualified for Federal Emergency Funding which is pretty generally available for most rural emergencies but the problem is that the actual ability of FHWA to send cash to a state to pay for an emergency usual wires take about 2 – 3 – 4 years. If they have an emergency for example with this year, they might immediately get approval to fund that through emergency funds but those funds may not be available to the state for 2 – 4 years. Without the funds to fund it, in accordance with this policy, then at such times that the federal funding came to the state, it is stated in the policy that which ever subprogram or project or region money was taken from, those federal funds would be used to reimburse those funds. He talked to Mr. Zubia about this and he felt this was a reasonable approach.

Felipe Zubia: He thanks John for hitting the points that he thought were necessary. He does not know all the different intricacies of all the funding in the Department's out there. John did it in a logical step by step process and reserving that as kind of a final last resort to go with the catastrophe reports. This document may be helpful as a guidepost for them to use if they are ever in that situation.

John McGee: Thinks it is important to have some kind of guidance through an emergency or how to go about this and having some kind of established policy. He thought it was a very good suggestion. If the Board wishes to take action on this, he recommends that they place it on a future agenda for action, whether it be done in November or December. In the meantime, if there are any suggested changes, please contact him so they can place it on the future agenda.

Motion made to adjourn the meeting, in a voice vote, motion carries.



Bob Montoya, Chairman
State Transportation Board



John McGee, Executive Director for Planning and Policy
Arizona Department of Transportation