

STATE TRANSPORTATION BOARD MEETING MINUTES
9:00 a.m. (MST), 10:00 a.m. (Navajo Nation Time)
Friday, June 17, 2011
The Chinle Unified School District Board Room
U.S. Hwy. 191 and Navajo Route 7
Chinle, Arizona 86503

Pledge

The Pledge of Allegiance was led by Hank Rogers.

Roll Call

Roll call by Board Chairman, Bill Feldmeier.

In attendance: Kelly Anderson, Stephen Christy (telephone), Felipe Zubia, Bobbie Lundstrom, Bill Feldmeier, Victor Flores and Hank Rogers.

Opening Remarks

Hank Rogers: Made the following comments regarding the Wallow fire: He is grateful for everyone's concern and he has seen fire trucks from all over the state and as far away as Reno NV. There are law enforcement officers coming over from all of the counties including Navajo Nation law enforcement. They are extremely grateful for the outpouring of support and help that has come from everyone including ADOT staff. The winds came up yesterday and the biggest concern right now is over on the east side of the fire east of Alpine. The Wallow fire has crossed into New Mexico. They were at the Forest Service building yesterday and he has a map of the fire spread available. As of yesterday, 487,000+ acres are burning and there are still two more days of wind. In New Mexico, Luna is under a pre-evacuation notice in Captain County. That is the biggest fear. Southeast Eager was put on a pre-evacuation notice again yesterday because of the winds but in speaking with some family and friends that remain there, things look pretty good this morning. There will be two more days of wind but then after that the forecast looks pretty good. He really feels for the people of Sierra Vista. There are some awful things going on down there, people literally running for their lives. He gives thanks to everyone who played a major role and there is great gratitude for the support and help.

Bill Feldmeier: For all family and friends in that area, everyone prays for the success of the departure of that fire. Deeper than that, they hope that a lesson is learned and they do the important things related to clearing the forest to protect everyone and generate a useful purpose for the resources opposed to burning it to the ground as was done.

Call to the Audience

Marco Sells: Senior Planner, Chinle Navajo DOT Agency. He welcomes everyone to the Navajo Nation. He thanks everyone for showing up and for their help. There are a lot of transportation issues out there on the state roads. He and some of the Board talked about

different grants and different ways that everyone can help each other. He hopes to bring everyone back next year sometime and do a lot more.

Kathy Arthur: Chapter President from Many Farms Chapter. She welcomes all to Chinle, Navajo Nation in Apache County where she has lived all of her life. Many Farms is 15 miles north of Chinle. They do have a lot of transportation issues here as can be observed coming up 191. She would like to talk about 191 in their region. There are State Transportation funds, equipment and personnel that are used in the Many Farms region.

She wishes to thank Mr. Lynn Johnson for the work that he has helped to put together for the maintenance of the right of way fencing and cattle guard clearing. She also thanks the Apache County Supervisor of District I, Mr. Jim Claw, for helping maintain the school bus routes. Those are the only two that she is aware of that the State Fund is used for. 191 runs from I-40 all the way into Utah and through the Navajo Reservation. It crosses through many Tribe Chapters. In the Many Farms area they have public schools, BIA schools, and grant schools and they run a lot of buses. Her people are drivers; they drive elsewhere to get necessities. They could be driving to Farmington, Flagstaff, or Gallup just to get food and so forth and use the road a lot. She is requesting that 191 be upgraded to a better condition than it is. They have a lot of sides of the shoulder that are breaking off and pot holes. She believes 191 should be four lanes and wishes the request to be put on the state project listing. She expressed appreciation for the State finally starting the PARA Planning Program and wants ADOT to know that Many Farms is on board along with four other regions. She appreciates the Board for the opportunity to speak and again welcomes them to Chinle.

Jerry Brownlow: Chairman of the White Mountain Regional Transportation Committee and Supervisor of Navajo County. He has a letter and wants to talk about the old HURF “swap” Program.

He would like to read the letter to the Director from The White Mountain Regional Transportation Committee, an intergovernmental committee representing Navajo and Apache Counties and the cities and towns in the NACOG region.

The purpose of this letter is to request that the Arizona Department of Transportation strongly consider resurrecting the HURF “swap” that was suspended in September 2008 by the preceding Director. For over a decade, the HURF “swap” enabled rural communities to benefit from access to HURF moneys in exchange for Federal dollars. It was an effective program that allowed White Mountain communities to proceed with projects in a cost effective manner in particular projects that normally do not require NEPA clearances. They recognize that these are very difficult times for the Department and that they are challenged with stretching limited dollars to meet needs throughout the state. As rural counties, they face challenging times as well. A future with no new construction moneys in the 5 year plan and the burden of maintaining the interstate and statewide highway systems with our limited rural dollars and the possible loss of sub-programming is on the horizon. The situation calls for relief in any possible way. Maximizing the use of every available dollar is critical and the swap of Federal funds for HURF moneys is one way to provide rural communities with a funding source when there are no new sources on the horizon that seem readily accessible. The COG’s, MPO’s, and local governments are the glue that hold the transportation system together and the ability to deliver that system is increasingly in jeopardy. The White Mountain Regional Transportation Committee and officials of the representative committees are willing to help in any efforts

necessary to restore the HURF “swap” and obtain the Federal funds needed to make it work. They would like to open a dialogue with the Board to discuss the best possible approach and make themselves available to meet at the Board’s convenience. This concludes the letter. He hopes that the Board will consider it.

Jason Yazzie: Senior Planner with Navajo DOT. The project out in Cameron is under design with a new bridge. He wants to address the size of the problem they have with right of way. There is a great unemployment rate in the Western Agency area and a lot of the constituents are utilizing the Right of Way to try to make a living. He would like to suggest that during the design of the bridge in Cameron ADOT create a look out point on the Navajo side, the western side of the Colorado River. This will create a safe location for the locals to sell their crafts. He also believes a rest stop would be beneficial for the reservation and the motoring public.

Charlotte Begaye: Chapter Vice President of Many Farms. She thinks this a very good opportunity for all to join together in partnership. The Many Farms Chapter has worked with ADOT’s Don Sneed and Lynn Johnson and wish to say thank you very much and let everyone know that they are doing very well. One of the needs being worked on now is the right of way from Chinle to Many Farms, improving the cattle guards and the right of way fence. As State leaders know, the Many Farms road on 191 is a very dangerous road with sandstorms and horses loose on the road. She thanks ADOT for helping to improve the cattle guard and the Right of Way fence and understands work would begin in October of this year. They are working with ADOT to improve and repave the road from Chinle all the way to Many Farms for which they are very thankful for and hope to further extend it to past Many Farms High School. They also are very much interested in having a four lane highway if that is at all possible with the understanding there is a 50 year plan on that. Many Farms and other surrounding chapters like Nazlini, Cottonwood, Chinle, Round Rock, and Rock Point would be interested to have their input in the project. As Mr. Jason Yazzie said, they all know that unemployment is very high on the Navajo Nation and support the improvements to scenic road 191 to bring in tourists from all areas of the Navajo Nation and other surrounding communities. They would like for the leaders to help encourage that and support them. It is very important to support the Navajo Nation’s economic development. Their President Shelly has placed economic development as #1 to encourage the leaders to come together for the interest in the future of the Navajo Nation. Many Farms has the BIA road N84 that runs off from 191 to Tsaile into N64. They also have the BIA road N59 from Many Farms to Kayenta. It looks like Many Farms will be the crossroad of business development. Thus she is hoping that the Arizona leaders and other constituents will help to develop that economic growth by which they are very much interested and determined to develop a self-sufficient Navajo Nation. They will continue to work with the Board on all of the developments they are hoping for.

Phil Bourdon: County Engineer, Yavapai County. He thanks the State Board and the state transportation staff for the partnerships over the years in their regions. They work well together and many projects have hit the ground. Today he is here to seek support for the Fain Road widening project and inclusion in the State Transportation Construction Plan. This project is fully designed and waiting to go to construction. All Right of Way for the widening project has been acquired as part of the initial design for construction of the two lane roadway. The Fain Road widening of this project will complete a 20 mile four lane controlled access corridor that

has been a joint project between the State and Yavapai County over the last 10 years. This widening project will also result in the route transfer for the remaining portions of SR-89 in between 69 and SR-89A. The route transfer agreements have been signed by Yavapai County. This project and route transfers will improve safety for the traveling public in the region and the State traveling public through their area as well as provide for a more efficient road maintenance, and snow removal effort by Yavapai County and the State of Arizona. Right now, they have to hopscotch around several segments when they do snow removal and other maintenance activities. This will actually consolidate the maintenance activities for both Yavapai County and the State. In closing, he would like to recognize the State and their staff for including Fain Road in the recommended changes that are being looked at today and would like to ask for consideration of those changes in front of the Board.

Jack Husted: Commissioner and coordinator of the Arizona Game and Fish efforts at the Wallow forest fires. He wants to say “Atta boy” to the Arizona Department of Transportation. They had a team up there in theater PIO, Courtney Bear, for two weeks. In sitting in those meetings every morning for two weeks with what they call the coordinators briefing, they were professional. He says thanks. They were a top notch crew. One morning there was a discussion on how they would reimburse and how ADOT would be paid for this, they were told that ADOT was a second tier agency. It was not second tier in anyway. ADOT’s participation was professional and top notch. ADOT suffered a loss and that loss was felt by the whole team. He is very proud to continue to have a relationship with the Arizona Department of Transportation and they should be very proud of the people up there, they performed admirably.

Joe Vernier: Sedona resident. He has served as the Police Chief of Sedona from 1999 until January of 2010. He has spent nearly 40 years in law enforcement, served as a traffic accident investigator. He graduated from Northwestern University Traffic Accident Investigation skills. He has investigated numerous fatalities and serious injury accidents; testified in numerous vehicular homicide cases and was certified as an expert during that testimony. With this background in mind, he will share a couple of perspectives from his viewpoint as a Sedona resident. He believes that the majority of the pedestrian fatalities took place on 89A in Sedona occurred during his 10 years as the Police Chief. He does recall the majority were at night on an unlighted stretch of 89A running between Rodeo Road and Dry Creek Road. Darkness was a predominant factor that was reported as a cause or significant factor that led to the death of pedestrians. This was substantiated by motorists, investigating officers, accident reconstruction experts, who were hired by the attorneys for the civil suits that were filed against the driver and the complaints that were made. There was no dispute or conflict that darkness was a contributing factor in the motorists’ inability to see the pedestrian until after the accident was unavoidable. Although, these incidents were classified as accidents, none of the motorists that he has had the opportunity to speak with can use the word accident to minimize the ongoing problem that involves the pain of living with the fact that they have killed another human being. There is also a misnomer that every pedestrian was intoxicated in some capacity and I am here to say that is untrue. The night time pedestrian fatalities continued and he believes the last occurred in April 2006. Again, it was the inability for the motorist to see the pedestrian that was a contributing factor to that death. He spent time talking with the officers who investigated these accidents and their feedback was that this was a dangerous stretch of highway, it was difficult for them to see and they had even been involved in near misses or they witnessed other individuals

in near misses with pedestrians in that area. ADOT used volunteers to do pedestrian level counts in those particular areas of where the people were killed. One of the interesting things that is in the report, they put the volunteers out to do the counts and said that unless there was a signalized intersection with ambient lighting, they could not do the count because they could not see the pedestrians crossing the street in that particular area. The report also recommended the pedestrian warning signs and lights as a measure to prevent future accidents. They have the signs but yet they still lack the lights. He would like to see ADOT work to get this portion of the highway safely lighted as soon as possible. In his view, it is not about light or dark skies, it is not about initiatives, referendums, votes and no votes, it about the sanctity of human life in the preservation of the same. It is really about doing what is right to protect that trust in their capacity as public safety professionals.

The right thing to do would be to move expeditiously with the installation of dark sky compliant lighting and light up this stretch of highway that is causing a problem for motorists and pedestrians.

ITEM 1: District Engineer's Report – Lynn Johnson, Holbrook District Engineer

He welcomes the Board to Chinle in the Holbrook district and appreciates the opportunity to come and speak. The Holbrook district has 108 full-time employees, 6 maintenance orgs, and one construction org. and 60% of the workforce is Native American. They maintain 2,808 lane miles of roadway.

The District has several projects on the board right now and several that are about to be up for bids. There is probably about \$50M worth of work this season. The first project is one of the traffic signals on 2nd and 3rd Streets in Winslow. Those existing signals are some of the oldest in the state. Valente is the prime contractor for contract work valued at about \$932,000. This project also replaces curbs, gutter sidewalks, and driveways. They are very much engaged with the entire team with the City to get this done with the least amount of construction for the public.

They just finished some passing lanes between Holbrook and Snowflake. Meadow Valley Contractor did it very well, a \$5.6M job, and all that is left to do is final striping. They are replacing the Keams Canyon traffic interchange a couple miles east of Holbrook. They are replacing the decks on the bridges with Vastco the contractor that is worth about \$1.6M. Traffic was switched to the new half of the bridge yesterday.

They have a major pavement preservation project going right now with Fann Contracting, from I-40 in the Petrified Forest to Pinta TI's. It is slated for completion in late summer. This is going very well.

Another project with Fann Construction is on 191 between St. John's and Sanders. They will be overlaying that roadway for about six months and that project started a couple of weeks ago.

Show Low to Holbrook Highway on 77, they will extend the box culverts there and improve safety. That project was accepted last week.

The 191 Chambers to I-40, going north towards Ganado, project is left over from last year. They will get another contractor to come down and replace the ACFC within the next month.

They have a small scour retrofit at Black Creek that is right in Window Rock on 264 and that will be complete by the end of June.

Pavement preservation and repairs are a continuous challenge. This pavement here is on 191 between Ganado and Chinle, which has been repaired. They should have never allowed it to get to that point in deterioration. On the freeway, they do a lot of pavement preservation work and obviously it is imperative that they keep that freeway in good condition. Pavement preservation is a top priority for the District. There are bridge problems. Most of the bridges are 40, 50, or 60 years old and they are wearing out and deteriorating. Some have probably seen this photograph from the Sanders Railroad overpass. There was a large hole in the deck that they repaired when we did the micro silica overlay after that. This is part of the project for Sanders traffic interchange project that has been on the books for at least 10 years. This really needs to get into construction and get that bridge replaced. They do have a lot of issues with bridges; in Holbrook on I-40 crossing at 8th Avenue in Holbrook. After the monsoon rain, they had a bunch of sand underneath the bridge. There were some small holes at the approach slab and maintenance had to jack hammer those holes out. They placed 20 cubic yards of material to fill and fix it. There is a bridge silting problem in a lot of areas. There are two bridges that are really bad, one on 264 and one on 160. The silt went down and built up and it diminished the capacity of the structure. They are not really sure what to do with this. In order to clean out that channel we have to open it up down stream. We have a huge animal in the right of way problem. Chinle and Many Farms are the #1 problem areas. The maintenance crews are very frustrated because the gates get left open. They do have a project scheduled to replace the fence and upgrade those cattle guards that should be advertised within the next month. One of the frustrations is that law enforcement does not want to get involved here. They get a lot of monsoon flooding here around 264 in First Mesa and there is a district minor project to replace the 9' in diameter pipe with a concrete box culvert to fix that road. SR 377 that and overtops every year. Right now they do not have a project to repair that. That has been happening for 20 years at least. In Chinle they have a flooding problem during the monsoon season. BIA has constructed the road with the drainage facility to accompany that has since been developed on both sides. The road acts as a dyke and has a tendency to flood. They have a lot of wind and dust issues in this District. Everyone is probably aware of the closure on I-40 last year because of the wind and dust. Traffic was backed up for miles. This is a huge area and a huge issue that they are not sure what to do with it. This started happening 2 years ago and the people could not remember it being this bad. It was terrible after that and had the road closed at least 20 times. It has not happened this year yet. They are hoping that it will stop as suddenly as it started. They will keep working through this. When tumbleweeds get attached to the fence and sand and dirt also fills up the fences and causes a big problem there. That is another issue that we have with animals in the Right of Way. They finished a round-about in Burnside at the junction of 264 and 191 a couple years ago. It turned out very nice. One thing they did not think about was the size of oversized loads and they are continually taking the signs down causing damage. They have been working with the oversized permits people to get the maintenance people out there to watch this and make sure that they are not damaging it and are responsible if they do. They continue to have this problem. At Burnside Junction, this fence-less 4' retaining wall was built because they could not get the Right of Way

from the Navajo Tribe just for a slope easement. The fence is not on the Right of Way line, it is about 25' outside the Right of Way. They had to build a retaining wall to keep that project going. He asks for assistance if any here are able to influence creating an agreement with the Tribe to get the right of way issue settled. There are several projects ongoing right now in the Holbrook district, Kinlichee to Summit on 264. This study is showing a four lane divided section. Lupton traffic interchange, the DCR is in progress now. Window Rock traffic interchange on I-40, that DCR has been funded.

There are a few major projects; Teec Nos Pos Port of Entry is on hold for right now. Dual passing lanes on 160 near Kayenta between Tsegi and Black Mesa, that project has been shifted back also. There is a widening project in Chinle to complete the five lane section between where the four lane starts and the hospital turn off. There is a Sanders traffic interchange that he mentioned earlier. There are several district minor projects from erosion control to fencing scattered around the district that they are working on. They have one traffic signal project in the works and that is also in Chinle at the junction of Hospital entrance and 191. That should be done soon. There are a lot of pavement preservation projects in the works. They hope that they can keep up the funding levels. Many Farms and Chinle, in that section they are doing a DCR and actually working on a design but that is not fully funded yet. There are several other projects that are in the works and slated to be constructed as money permits. The bridge projects that were mentioned, there are several of those. Also, in the next 2 – 3 years, the big and small Lithodendron bridges on I-40 is a major project that also may be affected by this funding issue. The “swap” pavement program is very good for them. It is a semi-emergency program to replace small areas of pavement and everyone is working with them on getting those projects in the program.

There are several pavement surface treatments that have been going on for the last month and will be going on this summer. Chip seal flushes slurry seal and micro-seal that the maintenance people are working on to hold this thing together and they do a great job.

ITEM 2: Director’s Report – John Halikowski, Director

No items to report under part A. The following items were reported under part B.

- He introduced Kay Alberty. She has worked for ADOT for about 11 years. She really appreciates the opportunity to serve the Board and the Director’s office and appreciates very much the generosity from the Navajo Nation.
- In prior meetings, the Board heard from Mayor Hakim of Bullhead City regarding the Boulder City widening issue and the Mayor’s concern that they were going to see a lot more trucks going back through Bullhead thus degrading the progress that they have made with the Hoover Dam bypass. He is happy to report that he took a contingent of staff up to meet with the Mayor and the City staff. They took along Mr. Roehrich, the State Engineer, and other ADOT staff. They sat down with the Mayor and reviewed the letters that they have received from the Nevada DOT and worked out a strategy. They have communicated with the Nevada DOT and as a result of all this, they have a plan that they will work with Bullhead City. The plan calls for increasing enforcement on 68 and

the Nevada DOT agreeing to let northbound trucks except for the super loads pass through Boulder City without restriction. According to the District Engineer and Mayor Hakim, they were in agreement with that because the northbound trucks were the problem and as long as those are to proceed through unrestricted, Bullhead City feels that they have a pretty good solution going on. They have another meeting coming up next week in Bullhead City and the Nevada DOT is going to come and sit down with the city staff and the Department's staff and continue to work on the details of when restrictions would be in place and the restriction details and continue to work on the enforcement side.

- On the 5 year plan, the Board will hear more from Mr. Fink on the finances, but he did want to comment that they are working with the governor's office currently because in the last legislative budget, they chose to fund the Motor Vehicle Division off the top of the Highway User Revenues Fund. Essentially what this has done is that it has taken about \$100M out of play because now the Motor Vehicle Division is being funded by that \$100M off the top of HURF where previously it was coming out of the State Highway Fund. The effect of all this is negative on the bonding capacity because it is no longer a 3:1 coverage, that essentially took about \$300M worth of bonding capacity out of play. There are some projects that are going to be deferred or moved out of the 5 year program as a result. They met with the governor's staff two weeks ago and they are aware of the issue. There are some meetings coming up with the bond attorneys. They are going to try and work this out and see if we can get that capacity back.
- He thanks the Navajo Nation for hosting the Board here and also the kind words that were heard from everyone about ADOT's participation in the fire. ADOT employees just launched a little initiative called "Beat the Burn" and will have bake sales, Bar-B-Q's and fund raising efforts. They have established an account within ADOT and will divide up the proceeds among the ADOT families that were forced to evacuate because of the fire.

Bill Feldmeier: There is a letter that needs to be read into the record that came to the Board's attention yesterday evening.

Mary Currie: This is a letter addressed to the Chairman and it is signed by 3 past mayors of Sedona. It reads:

"June 17, 2011

Mr. William Feldmeier, Chairman
Vice Chairwoman Barbara Lundstrom
Board members of the Arizona State Transportation Board

As past Sedona Mayors during the period when most, if not all of the nighttime fatal accidents occurred, we wish to encourage ADOT to go forward with the installation of dark sky compliant lighting on SR 89A in West Sedona.

The issue of public safety on SR 89A should never have become a political issue. It did not start out as political in 2006 when Sedona urgently asked ADOT for assistance with nighttime safety

on the highway following multiple fatalities. Many ADOT studies have confirmed the need for nighttime lighting on SR 89A.

As Mayors, our words naturally have to be considered political but we have always recognized that the protection of human life in our City is a basic duty and moral obligation. This issue has always been about safety and the responsibility of both ADOT and the City of Sedona to address the nighttime safety of SR 89A. The phone call no mayor wants is one from the Chief of Police reporting a fatal or life altering accident.

The longer the delay, the greater the likelihood of another fatal accident. Five years is already too long to have basically ignored the safety concerns while wasting time on Sedona infighting. People with common sense realize that installing dark sky compliant lighting on the highway is the right thing to do.

We offer this analysis. If ADOT waits and the Referendum overturns the T transfer Agreement then ADOT will install lighting--AND have wasted 6 more months when they could have gone to bid and proceeded with installation. If the Referendum fails, the City has absolutely no plans for addressing the nighttime safety issue in the foreseeable future and we are probably talking YEARS.

Members of the Board, it is the right thing to do. We urge you to proceed.

Regards,

Alan Everett
Anita MacFarlane
Pud Colquitt”

ITEM 3: Consent Agenda

Motion to approve Consent Agenda made by Kelly Anderson and a second by Stephen Christy, in a voice vote, motion carries.

ITEM 4: Financial Report – John Fink

May HURF results:

- There have been several good months but that ended with the May results.
- May HURF accumulated about \$95M. That is down about 4.1% compared to last year and down about 5% compared to our estimate.
- Year-to-date, HURF is at about \$1.103B. That is up about 1% compared to last year and it is almost exactly on our estimate for the year. The intention now is that for the year it will come up and come right up onto the estimate.
- The estimate for FY2012 is \$1.220B which would be about a 1.3% increase from where it currently is. They are thinking that that may be a little optimistic and will be meeting

with staff within the next few weeks to consider if they need to address that number. If it is adjusted, it will only be by a small amount.

- Year-to-date Gas Tax Revenue stands at about \$418.2M. That is up about 0.4% compared to last year but is down about 1% compared to the estimate. They are continuing to see some impact from higher gas prices on collection.
- Year-to-date Used Fuel Tax Revenue stands at about \$162.8M. That is actually up 3.9% compared to last year but is down about 0.4% compared to the estimate.
- Vehicle License Tax for the year stands at \$293M. That is down about 2.5% compared to last year and down just about 1% compared to the estimate.

May RARF results:

- May Regional Area Road Funds stands at \$26.6M. That is actually up 7.7% compared to last year and is up about 9% compared to the estimate.
- Year-to-date Regional Area Road Funds is at \$282.1M. That is up about 3.2% compared to last year and up about 2.3% compared to the estimate. That now puts us at about \$6M above the estimate for the year.
- By category:
 - Retail sales tax revenue is at about \$139.4M. That is up 6.7% compared to last year and up about 4% compared to the estimate.
 - Contracting continues to be the weak spot of Regional Area Road Fund results. For the year it is at \$25.5M. That is down 4.3% compared to last year. However because they were fairly conservative on the estimate, it is up about 1% compared to the estimate. The good news, if there is any in the contracting side, is that May contracting revenue was actually up about 10.3% over last year and up about 17.5% compared to the estimate. So there may be some signs of light in that revenue category.

Aviation Funds:

- May Aviation Fund Revenue is at \$4.2M. That is down about 10.4% compared to last year but is up about 24% compared to the estimate.
- Year-to-date now stands at \$24.2M. That is down about 2.2% compared to last year but is up about 14.8% compared to the estimate.
- By category:
 - Flight property tax and aircraft registration are both up quite a bit compared to last year. Respectively they are about 8.4% and 6.4% compared to the estimate.
 - Federal grant revenue stands at \$5.7M for the year. That is down a little bit compared to last year but is up about 62.8% compared to the estimate.

HELP Funds cash balance:

- This now stands at about \$71.1M. They currently have about four loans outstanding totaling about \$5M.

ITEM 5: Financing Program / ITEM 6: Direction to Proceed: Transportation Excise Tax Revenue Bonds (Maricopa County Regional Area Road Funds) – John Fink

The Department is starting to plan for the next bond issue. Agenda Item 6 includes a Direction to Proceed on that bond issue. We are currently planning approximately a \$185M Regional Area Road Fund bond issue. Based on current cash balances we would probably want to price and close that bond issue sometime in late September to October timeframe. The final schedule will depend on cash needs and market conditions. A final schedule has not yet been developed for the issue but, over the next several months, we will be bringing forward the various resolutions and approvals for the Board and he will continue to update the Board as we move forward. Today we are asking that the Board approve a Direction to Proceed resolution directing the staff, advisors, and bond counsel to begin planning the issuance of the Transportation Excise Tax Revenue Bonds.

Felipe Zubia: Last year, there was an RFP for a new Underwriting Pool. Where are they at with that?

John Fink: They have issued a request for proposals for investment bankers for the bond programs. The RFP was issued for the entire state. They did solicit proposals. They did receive those proposals. Those proposals have been evaluated, the firms have been ranked. His understanding is that there are some last minute issues that involve negotiating terms between our procurement people and some of the firms that submitted proposals that relate to exceptions to some of the standard contracting provisions that some of the firms have noted. Until those exceptions are resolved, they are not in a position to award that contract yet.

Felipe Zubia: As he recalls, the process started just about a year or so ago. It was then pulled back and then they re-advertised the RFP. They are on the second phase of that. Now they are still waiting for procurement to deal with some issues on specifics of certain proposals?

John Fink: That is correct. In the request, there is a part of that request that allows firms to note any exceptions to the State's standard contracting provisions that they feel are appropriate. When they do that, those have to be negotiated. In some instances, there is no flexibility with those contracting terms. In other instances, there may be some flexibility. He cannot really address what those issues are in this meeting.

Felipe Zubia: His concern is more in dealing with the timing. The current list of firms used to issue bonds has been extended. They have been working on that temporary state for about a year now. He is concerned that they are in the process now of adopting the new 5 year plan and that this is going to continue on not only to the end of this year but into the next program. At this point, he will be voting no on this just because of that timing issue only so that he can at least note for the record his concern that that RFP has been dragging on and will probably be even more concerned if they start issuing new bonds within the new program year without having that RFP finalized and resolved.

John Fink: He agrees that this has taken longer than they had anticipated. They did extend the contract for prior approved firms to make sure that we and any other state agency or issuers that

utilize the contract would have the availability of that contract while they are working through all of these issues. They have moved relatively expeditiously since they did the solicitation. The evaluation teams met soon after the proposals were received. They did their evaluation and in fact did the ranking and the evaluation of the selection all in a matter of one meeting. It has been moving expeditiously on that aspect of it. The issue now is between the last minute negotiations on critical issues relative to contract provisions. If no firms had indicated exceptions they would be done. They cannot control who might indicate exceptions to standard contract provisions and those that have to be dealt with.

Felipe Zubia: That is understandable. At what point do they move on and say those exceptions are not acceptable and move forward. Now what is happening is the people that did not have any exceptions, they have a bid that they have submitted going on close to one year ago, they are standing back and saying wait, the market has changed and the terms of my proposal have changed. That is the issue he is concerned with. The other issue has to do with more administratively; the Board has not been kept informed as to where this process is going for close to a year now ever since they reissued the RFP. Those are his two chief concerns, the length of time and the communication or lack thereof.

John Fink: He can assure everyone that relative to the first point, he is very close to pulling the plug.

Victor Flores: What does a month do with regard to not moving on this? What happens if this waits another month? Is it possible to address the issues that Mr. Zubia talked about and perhaps resolve one way or the other what happens to the list?

John Fink: In terms of selection of an underwriting team for this bond issue, his guess is that the earliest that he would come to the Board with a resolution to appoint that team would be at the August board meeting. The critical issue here is that they need the financial advisor and the bond counsel to begin all of the preliminary work that is going to lead up to that point to get started so that they will be in a position to actually price and close this issue hopefully in the September – October timeframe. If it is delayed too long in terms of adoption of this resolution, that puts that entire schedule at risk.

Victor Flores: If this does not resolve the issues that were brought up by Mr. Zubia and the Board does not take action in September, then what happens at that particular point?

John Fink: The proceeds of this bond issue would be utilized to finance critical projects in the Maricopa County Regional Transportation plan and failure to have cash to build those projects would potentially delay projects.

Victor Flores: The only hammer that they have for some type of action to take place with regard to this list is perhaps now. There is no guarantee obviously that it would be resolved within the next month or so when the team would be picked. Will these issues be resolved?

John Fink: They currently do have a pool because the prior pool has been extended. There is a pool of firms that they would be able to utilize in the event that they have to. He is not expecting

that he would come to the Board and ask the Board to approve an underwriting team prior to the August board meeting. It could possibly be September. If it turns out that they do not need proceeds earlier or if market conditions are such that they do not want to price it then, but his expectation is that this is going to be resolved by then.

Victor Flores: Assuming that those on the list that are unresolved are perhaps some that are not on the list that has been extended. That is one of the issues that is concerning.

Stephen Christy: What about withholding action or not taking action. Would that be reflected in the bond market as far as the availability of good and affordable bond rates?

John Fink: He wishes that he could answer that question definitively. They are always monitoring the markets and while they do not necessarily try to time bond issuance to take advantage of market conditions, they do want to be in a position especially with a lot of the issues that they have seen in the markets over the last several years of having the issue ready to go and being able to take advantage at the appropriate time. Their concerns are always that when things get delayed too long that there can be things that happen in the market that could have adverse impacts on pricing or on the ability to market the bonds, so they always want to be in a position to have some flexibility with regard to the timing of issues. The issue for him is that he needs to be able to have the financial advisor and bond counsel start working on this and he needs to have them starting to work almost immediately if they would have any hope of being able to price this issue in September. That is his reason for bringing the resolution to the Board today.

Stephen Christy: In Pima County at the Regional Transportation Authority, they just acquired \$150M in bonding in the last week of May and the terms were very favorable and very good. He wants to throw that in the mix that maybe delaying any kind of action regarding going after bonds at this point could adversely be affected by the bond market as things progress. His point is that it seems like now is a very good time to go out for bonding.

Felipe Zubia: The comments made by Board Member Christy are very valid and ones that he agrees with but they are the same arguments that were made one year ago when the Board agreed to stick with the same underwriting team. Again, he does not have any objection with this moving forward, what he is saying is that he is going to vote no on this right now expecting that it is going to pass but raising the issue that should they have another request, another resolution come before the Board without this issue being resolved, he will make a big push to have it delayed at that time.

Motion to approve Item 6: Direction to Proceed: Transportation Excise Tax Revenue Bonds made by Victor Flores and a second by Hank Rogers, in a voice vote, motion carries with one opposed, Felipe Zubia.

ITEM 7: Multimodal Planning Division Report – Jennifer Toth

Ms. Toth highlights work her Division is doing with the Navajo Nation.

In 2009, they completed a PARA study for the Navajo Nation long-range transportation plan. As President Arthur mentioned today, they have two PARA projects which are planning assistance for rural areas going forward. That being the Many Farms to Chinle and St. Michael's to Windmill Rock and Port compliance long-range transportation plan as well as the Kayenta Township long-range transportation plan. This is a very successful program in general. They have about 51 projects and \$7M that they have been giving grants and technical assistance through this program over the last few years.

In addition, she also wanted to highlight one of the ARRA projects which is the Navajo Transit Maintenance Facility and Port compliance and that is progressing rather well and will be continuing on.

Long-range transportation plans. There were about 2,800 surveys that were completed asking for the public's comments on how should the state invest money in those categories that were identified; preservation, modernization, expansion, and travel choices. They have completed the assessment of that. They actually have a draft report that has been released to stakeholder groups. They are getting comments back and she continues to stress that they would be more than happy to come and present that in a more detailed session to the Board.

Aviation Group. The Western Region of the Federal Aviation Administration nominated the ADOT aeronautics group for a partnering award this past year. This demonstrates their willingness to continue to work with ADOT and that it showcases the actual agency in terms of the western region and the partnership that is there. This includes Nevada, Utah, Arizona, and Hawaii. It is really an honor to be nominated for that national award by the regional office.

ITEM 8: Priority Planning Advisory Committee (PPAC) – Jennifer Toth

She proposes grouping the projects and discussing them starting with Item 8a – 8c. She is asking for approval to use high priority program funding for each of those three projects. The HPP program provides designated funding for specific projects which are identified in the Federal Authorization Bill. It took two years for Congress to pass the transportation bill. From the time that they turn in the projects that they wanted the high priority project funding and the time that the bill actually got passed and then loaded into the Federal Highway Administration system - they had completed many of the projects that were designated because they were high priorities at the time and they were working on them. They have been working with the Federal Highway Administration to identify a project in the same areas as the original projects to utilize those HPP funds and not lose those funds. There are three projects in FY2011 that they are seeking approval on. Two are on U.S. 93 for pavement preservation projects. The other one is on U.S. 60 to start the design at the Silver King to Superior Street section. At this time, she is recommending approval of Items 8a – 8c.

Motion to approve Items 8a – 8c made by Kelly Anderson and a second by Victor Flores, in a voice vote, motion carries.

Items 8d – 8h are refer to the Maricopa Association of Governments area. They are projects within the MAG region that are either deleting or reducing the Right of Way phase of the project and that is mainly due to the lower values of property at this particular time. The MAG regional counsel has also approved each of those projects and at this time the staff is recommending approval of Items 8d – 8h.

Motion to approve Items 8d – 8h made by Victor Flores and a second by Bobbie Lundstrom, in a voice vote, motion carries.

The last items are Item 8i – 8k and they are various pavement preservation projects for FY2011. The staff is recommending approval of Items 8i – 8k.

Motion to approve Items 8i – 8k made by Bobbie Lundstrom and a second by Kelly Anderson, in a voice vote, motion carries.

ITEM 9: Final Approval of the FY2012 – 2016 Five-Year Transportation Facilities Construction Program – Jennifer Toth

Recommended changes to the FY2012 – 2016 tentative Five-Year Transportation Facilities Construction Program have been posted to the web site for public comment and also distributed to the Board. Ms. Toth presented a spreadsheet that groups those projects into various categories.

- A. On the first part of the spreadsheet are deferrals from 2011 to 2012. Those are projects that are currently scheduled to either advertise in the 2011 time period or start design work that for whatever reason need to be moved into the 2012 mainly due to delays and being able to get the clearances needed to construct the project.
- B. The second grouping of projects represents deferrals of projects due to the bonding reduction mentioned by the Director. Those changes are noted as deferrals or budget modifications during that time period.
- C. The third grouping is new projects as a result of the public hearings and / or programing from the subprograms that are available within the 2012 timeframe.
- D. The fourth grouping is additional reprogramming of high priority project funding projects.
- E. The fifth grouping is subprogram changes as a result of those revenue function changes.
- F. The last page is the MAG regional transportation plan freeway program modifications. It was noted that MAG has asked the Department to program zero dollars for FY2016 until such time that MAG can rebalance its program.
- G. The other changes associated with the Five-Year program are in relation to the airport improvement program and those have to do with some clerical errors in the database showing state availability of grants to tribal airports. At this time state statutes do not

allowed them to do that so they have corrected that error and in addition they have removed the request of the City of Maricopa for the Maricopa Municipal Airport as well.

At this time, she recommends approval of the FY2012 – 2016 Five-Year Transportation Facilities Construction Program with the budget changes presented today.

Motion to approve FY2012 – 2016 Five-Year Transportation Facilities Construction Program made by Felipe Zubia and a second by Kelly Anderson, in a voice vote, motion carries.

ITEM 10: State Engineer's Report – Floyd Roehrich

The construction program currently has 122 projects valued at \$1.16B under construction. They have just over \$320M worth of work left to do on those projects. The Department has capacity to move forward on projects and improvements. Unfortunately the way the economy has been and with the transportation dollars that are available, they are getting along with the budget that they can but are somewhat limited to that. They have an industry that has a greater capacity, one that has become very competitive and has made some pretty large swings in some of the bidding prices that they have had at the past few Board meetings. They do have an industry that is ready, willing, and able. They just need to figure out the revenue constraints in order to move projects forward. In addition, the Department is continuing to making efforts on closing out projects, finalizing them in order to release any funds that may be available.

One other item he would like to discuss quickly. It has been brought up by Mr. Husted as well as the Director that one of the maintenance workers that has been supportive of ADOT's fire efforts in the Wallow forest fire, Mr. Lonnie Bacca, has passed away. He worked out of the Springerville district.

Mr. Roehrich commented on how everyone, not just ADOT, came together to overcome that challenge. When this effort does succeed and gets stabilized, we wish them all the best in recovering back to a normal life. It has been a great effort by a lot of people.

ITEM 11: Construction Contracts – Floyd Roehrich

There are 13 awards this month for just under \$40M. Six of them have already been addressed through the Consent agenda. There are seven that require Board action but he points out a couple of things.

There are cost swings that are as much as +29%, almost +30% to a -15% to -29%. There are some wild swings in there based upon a number of conditions. A lot has to be uncertainty about not just the commodities but the labor force as well as certain elements of the project: location, vicinity, weather conditions, and other conditions. In general to the program, our estimates are just less than 1% under. As a program, they feel that they are getting some good bids. There is an industry that is reacting to the conditions in which they have to be competitive but on individual projects there are some pretty large swings.

All 7 contracts requiring Board action have been evaluated by staff and concluded that they are competent bids and they have mitigated the reasons why they were either over the Board policy of 10% or under the Board policy of -15%. He is prepared to go through those project by project. He is prepared to recommend that the Board award all 7 of those projects Items 11a – 11g.

Stephen Christy: He is prepared to go ahead and approve all of them as the second part of the recommendation by Floyd unless he feels that there is anything in any of these bids that needs to be discussed. Is it all pretty rudimentary and pretty much according to the plan as they have always taken on these?

Floyd Roehrich: He does feel that they have mitigated all the conditions as to why the bids were either higher or lower than Board policy given that the current conditions of commodity prices and other factors. He does believe that they have mitigated it to the satisfaction of the staff that they are competent bids given those conditions and Item 11a – 11g are all recommended to be awarded.

Motion to approve Items 11a – 11g by Stephen Christy and a second by Bobbie Lundstrom, in a voice vote, motion carries.

ITEM 12: Sedona Route 89A Route Transfer Agreement – John McGee

We have included in your packets a number of documents to including the PRB form on the lighting project. There are several letters between ADOT and the City of Sedona regarding the transfer agreement and a copy of the of the transferal agreement itself. The Board is aware of the current status of the agreement. Almost one year ago, the Board and the Director asked him to work with the city to develop a transfer agreement for SR 89A within the City of Sedona. The single instruction he received by the Director and the Board was to make this happen as soon as possible given the continued liability on the Route. ADOT's staff, Sedona's staff, and AG staff have worked very hard to develop an agreement which ADOT, the Board, and the City agreed to by the end of February. Article I paragraph I.I. of the transfer agreement states "ADOT shall pay the city \$10,650,550 on or before June 30th, 2011. ADOT shall give the city 30 days notice of the date of the payment. The first calendar day after the date of the payment shall be the "transfer date" or the day that the city would be responsible for the transfer of the facility. If ADOT does not pay the city \$10,650,550 on or before June 30th, 2011 then A) this agreement shall be immediately terminated without further action by either party, B) ADOT shall continue to own, control, and maintain the transfer segment, and C) neither party will be responsible for constructing or financing the future projects." The City has determined that due to a pending action by the voters of Sedona, the City has been stayed from enacting any provisions of the agreement until such time that there is a vote on the referred actions. This stay includes allowing the City to "accept full ownership, control, and maintenance responsibility over the transfer segment" upon receiving of the \$10.65M payment by ADOT as required by paragraph 1.3. It is his understanding that the city has not yet set a date for the referendum election. It is also his understanding that the City currently does not intend to set a date for the election until either the latter part of June or July. The City has indicated that they may set the

date of November 8th for the special election on this matter but has not done so yet. It is also his understanding that if a special election is not set, the matter is to be referred to the next general election of the city which would be at least sometime between March and May of 2012. The City has expressed to the Department and the Board a strong preference that the agreement somehow be extended or preserved until after the election takes place although they have yet to give the Department a solution as to how that might be accomplished without some additional action on the part of the City Council which action itself could be subject to another referral action. The City has also indicated that they feel strongly that the Department and the Board should take no further action on the transfer until after the City has had the chance to vote. The Chairman has asked that the Department review and update the cost of the continuous lighting project. The latest engineer's estimate has shown the cost of the project to be \$2.3M. This is \$300,000 more than the amount that was programmed for the project in FY2011 program.

John Halikowski: There are really two issues here now that he believes the Board needs to consider. The first issue, as people have talked about in letters and in testimony, is the safety of 89A and the installation of those lights. The other issue is who has the power in Sedona to approve a transfer agreement with the State. Is it the City Council or is it the people themselves. In his mind, those two issues have become somewhat comingled together now. What the Board needs to decide is from a safety perspective, do those lights need to go in. As ADOT has said, they respect the peoples right to speak on who has the power to initiate a transfer agreement and approve it and he recommends and asks the Board to let them move forward to decide on that question but in the meantime, he also points out to the Board that there is a safety issue that needs to be addressed and resolved while that process takes place.

Stephen Christy: He has a question about the increase in cost that was initially projected in prior year's program. Does that \$300,000 in anyway impact anything that the Board has to do in order to address that increase?

John McGee: If the Board were to decide to go forward with the continuous lighting project, just like any other project, before they advertise it, they do a final engineer's estimate to ensure that they have sufficient funds in the program. When they do not, that request goes to the PPAC and comes to this Board quite routinely every month. The process would be no different than any other project that was getting ready for a bid with additional funding needed.

Stephen Christy: So addressing that increase would be a routine matter basically?

John McGee: Yes

Chairman Feldmeier: He asks the Attorney, this agreement that has been approved previously is through June 30th, so any action that the Board may take one way or another is based on the termination on June 30th.

Lisa Maxie-Mullins: According to the agreement, it is in effect until June 30th. That agreement would be in place so any action would have to be taken contingent upon the agreement terminating on June 30th.

Chairman Feldmeier: So a motion would need to be set based on June 30th.

Bobbie Lundstrom: She would like to make a motion that the Board allow the SR 89A Transfer Agreement to automatically terminate in June and instruct ADOT to pursue all actions necessary to install continuous roadway lighting after the SR 89A Transfer Agreement terminates. She thinks the safety issue far outweighs the funding that they would have to come up with, \$300,000 is nothing compared to a value of life and safety. She recommends doing so.

Motion to approve SR 89A Transfer Agreement to automatically terminate in June and instruct ADOT to pursue all actions necessary to install continuous roadway lighting after the SR 89A transfer agreement has terminated made by Bobbie Lundstrom and a second by Hank Rogers, in a voice vote, motion carries unanimously.

Victor Flores: One of the documents that he has refers to the fact that the transfer agreement was executed in March and consequently there may have been some other projects that were started. There should be clarification from staff as to whether or not they have done anything that they would have to undo.

Floyd Roehrich: The other projects were two projects that were combined together; one was a pavement preservation project through this stretch as well as a traffic signal at Andante Drive which is within the limits of where the lighting would be. With the stay in the Transfer Agreement, they put that project on hold. They have not accepted any bids and they deferred it until they get some resolution to decide the direction to move forward. With the Board's decision to move forward with the continuous lighting, they will amend the existing contract and add the continuous lighting so there is one contract with one contractor working within the work zone.

Bobbie Lundstrom: Those two projects were also going to be sponsored by the city of Sedona, correct? Some of the money was going to come from the locals on those two projects?

Floyd Roehrich: There was some scope work added in there that the City paid for that is included in that.

Bobbie Lundstrom: Would that have to be refunded to the locals since now that we are going forward with the lighting project that funding would essentially go away, they would not be responsible?

Floyd Roehrich: That is a separate agreement.

John McGee: There was also some funding that was supposed to be for Federal match that was supposed to come from the City. Those moneys were going to come from the \$10.65M. Since they are not getting the \$10.65M, we will be funding 100%.

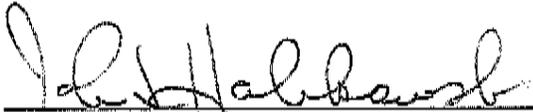
ITEM 13: Comments and Suggestions

Chairman Feldmeier: Mary, big thanks for her time and efforts on behalf of the Board over the last four years. She has taken care of them quite well and they appreciate it. Kay, they know they will be in good hands with her efforts.

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



Bill Feldmeier, Chairman
State Transportation Board



John S. Halikowski, Director
Arizona Department of Transportation