

STATE TRANSPORTATION BOARD MEETING MINUTES
9:00 a.m. (MST), Thursday, August 18, 2011
Town of Tusayan – Best Western Grand Canyon Squire Inn
74 State Route 64
Tusayan, Arizona 86023

Pledge

The Pledge of Allegiance led by Chairman Feldmeier.

Record of Board Member Attendance

Attendance noted by Chairman Feldmeier.

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

Opening Remarks

Chairman Feldmeier: Thank you to the Town of Tusayan for hosting the State Transportation Board meeting and for the time spent putting together a nice gathering for us yesterday evening. We appreciate and enjoyed the informality of it and talking about the good things going on here in Tusayan. There are a lot of changes and we appreciate the fine way you have worked with ADOT over the years and more recently the project being worked on now with staff and Fann Contracting.

Call to the Audience

Greg Bryan: Mayor, Town of Tusayan. It is a pleasure to be here on behalf of Tusayan. We have been a Town for a year now. The current road work is the culmination of seven to eight years of working with the great ADOT staff in Flagstaff, John Harper and his crew. He complements Stephan Monroe, his team and Fann Construction. They have made a great effort to keep us up and running, been extremely courteous to our people and have made great efforts to minimize the impact of this huge construction project. The improvements will be very beneficial to the economy and future of the area. The Town appreciates the relationship with ADOT's Mike Halpin and the crew at the airport. As the General Manager of the Best Western Squire Inn, he thanks the Board for coming to the hotel and if there are any compliments, please let the staff know; if there are any issues, please see the Town Manager Enrique.

Anthony Smith: Mayor, City of Maricopa. He can understand the challenges for the Town of Tusayan. He and Kelly Anderson as Mayors of the City of Maricopa understand the infrastructure and challenges. He is here today to debrief on the 14th Annual Transportation and Infrastructure Conference he attended in Irving, Texas.

Questions asked:

How soon will Congress move a surface transportation reauthorization bill? Congressman Mica is favoring a surface re-authorization bill providing \$35 billion annually for 6 years. He wants the bill to include; enhancing states ability to finance projects and consolidate programs, contain a TIFIA Bank component, streamline processes aiming to model the processes used during the rebuilding of the bridge over the Mississippi near Minneapolis that collapsed, and contain provision for all modes of transportation.

Administrator Victor Mendez's answer: He says they will start working on a 2 year bill in September. He wants to see the bill contain a National Infrastructure Bank to supplement reliance on gas tax funding. He noted that the Gas Tax Authorization needs to be renewed by September 30th. He said he hopes it doesn't face the same challenges that the FAA Re-authorization Bill did.

How will the Surface Transportation Reauthorization Bill get around the earmark ban?

Congresswoman Johnson says she will put forth a bill to define an earmark. I understood Congressman Mica to favor sending money to the states to manage.

Are there any alternative funding options on the horizon for transportation funding?

Congressman Mica wants the TIFIA Bank component or a National Infrastructure Bank. In breakout sessions, there was much discussion on a future use of toll road revenue. Technology changes are making it a better option than reliance on gas tax. Congresswoman Johnson and Mendez said they would give serious consideration to creative financing solutions coming from the states or any other informed groups or individuals.

Additional Nuggets of information provided during the breakout sessions:

Toll Roads:

- Experts believe some type of toll road revenue will be more effective than relying on shrinking gas tax revenues
- Future toll roads will not have toll booths
- Future vision is one tag/one account with interoperability across all systems
- Texas is working with their State Legislature to:
 - Increase toll enforcement, capacity and authority
 - Add flexibility in method of developing toll projects (P3, Design/Builds and more)
 - Improve statewide toll operations and uniformity

Rail policies should emphasize reducing travel-time rather than emphasizing train speed.

By 2017, expect automobile fuel efficiency to be greater than 54 miles/gal and significantly impact gas tax revenues.

Distracted driving:

- Technology is being tested to disable cellular devices under certain conditions
- Experts believe that reducing “texting while driving” will require educational programs similar to campaigns in the 70’s promoting increased seat-belt use
- Testing is in progress for Google’s “self-driving car”.

The organizers of the Annual Transportation & Infrastructure Summit would like to have a March Phoenix conference and he is working to make that a possibility.

Paul Johnson: Councilmember, City of Yuma and Vice Chairman of YMPO. He is here on behalf of YMPO to thank ADOT and the Board for preserving the funds in year 4 and 5 for US95. He also appreciated Eileen Colleran’s efforts in writing a federal grant to construct a new Fortuna Wash bridge which was granted for \$3.2M.

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

He will present an overview on the work being done in Tusayan on SR64, in lieu of a District update. This project was conceived about 6 years ago and promoted by Coconino County Board Supervisor’s member Carl Taylor, and now Mayor Greg Bryan and others from the National Park Service and National Forest Service. This is a substantial multimodal improvement for the community. The final product will be pleasing and functional for the community, visitors and tourists. He asks Stephen Monroe, who is in charge of the project, to speak on the project overview.

Stephen Monroe: Senior Resident Engineer Flagstaff District and ADOT’s Construction Engineer responsible for the ADOT side of the project. This project first came about because of community concern with high traffic speed and pedestrian crossings. We have designed a roundabout on the south end at S. Long Jim Loop Road with a monument sign that will help to slow the traffic down. There will be a number of crosswalks coming through town. On the north end at Coyote Lane we have another roundabout. The enhancement grants will provide landscaping along the edges of the road and the sidewalks will be set back, encouraging pedestrians to use the crosswalks. We have some raised medians along the center turn lane of the 5 lane roadway that will hopefully provide a safe

haven for pedestrians who choose to cross outside of the crosswalks. The breaks in the raised median allow traffic access to businesses along each side of the roadway. One last item, not part of but related to the project: APS and the City have an agreement for L.E.D. lighting. This is notable as the first location in the State of Arizona where we will have L.E.D. lights along a state highway. He asks Jason Fann to give a timeline for construction.

Jason Fann: Fann Contracting, Inc. The pave dates for Phase 1 for ½ of the roundabouts are by the third week of September and the second ½ of each roundabout, the perimeter by late October - finishing in November before the snow flies.

Bill Feldmeier: How have you worked with the businesses to notify them of changes and movements of traffic?

Stephen Monroe: We invite the locals to attend our weekly meetings. Our Public Affairs Officers have met with each business owner and we also let them know as we reach their location. We have a hot line number for them to call.

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

He thanks the Town of Tusayan and the Mayor for his kind words also Councilman Johnson for his kind words, but this is our job - to do the things that make things work right. He will pass them along to the crew. The reception last night was great and he appreciates that the Town was hosting us. When he was here for the installation of the new State Parks Superintendent, he and the Mayor talked about the airport and its future. We hope to get some passenger service from Williams Gateway and Phoenix to start serving this airport with more business. We are continuing to work on making the Grand Canyon Airport more viable.

* A-1: I-15

As Mr. McGee reported last month, they met on July 26th with the Nevada and Utah DOT Directors to discuss issues and propose solutions on I-15. The meeting went well. They talked about the uniqueness of the 29 mile segment of roadway with its environmental concerns and the fiscal challenges for repairs. They showed the Directors the structural problems ADOT faces with the 7 bridges in the Virgin River Gorge. We will submit an Expression of Interest to the Federal government to see if we may receive Federal permission to toll this section of Interstate. The Utah and Nevada DOT Directors indicated they are not opposed to our pursuing this. We asked if both states would join us in tolling I-15 by extending the termini of the toll road into each of their states. They both indicated that current statutes and political climates would make it impossible to do at this time.

They discussed submitting a TIGER III Grant application for at least 1 bridge on I-15 in the hope of receiving some funding to start repairs. We asked the

Directors if they would be willing to submit a joint application; they indicated they would. We are currently working with our 2 neighbor states on the development of that application.

*A-2: Tangerine Road in northern Pima County

On June 10th Chuck Huckelberry, Pima County Administrator, sent a letter to Representative Vic Williams asking to expedite the designation of Tangerine Road as a state highway, under the terms of the 1986 Resolution that designated it as a state route and a 1997 Memorandum of Understanding between the City of Tucson, Town of Oro Valley, Town of Marana, Pima County and ADOT. That MOU stated that it was the desire of all parties to preserve that corridor as a high speed limited access facility that would, after a number of upgrades and improvements, be accepted into the state highway system. On July Rep. Williams responded back to Mr. Huckelberry saying he would support ADOT's decision. After discussion with staff and Board Member Christy, I am not convinced the original vision for this corridor still works nor that designating Tangerine Road as a state highway is in the best interest of the State. Much has changed in the past 15-25 years since the original concept of Tangerine Road as a high speed corridor between I-10 and SR77 was first proposed. While I believe that Tangerine Road is still an important regional facility, I am not convinced that it still serves a real state purpose. I will send a letter tomorrow to the other 4 entities asking for their thoughts on Tangerine Road as a state highway. We will ask that they respond by the end of this month so we may develop a formal recommendation to bring back to this Board by September or October for a final decision.

Bill Feldmeier: Steve, can you provide us any input on the Tangerine Road subject?

Steve Christy: The Director has given a most adequate appraisal of the situation. He will be monitoring and interested to see what the decision of the jurisdictions are from the Director's solicitation. He is interested to learn what the results of the department's analysis are by the next Board meeting.

*B: There were no Last Minute Items to Report

ITEM 3: Consent Agenda

Hank Rogers: Had a question on Item 3m, Alamo Lake State Park – Cholla Boat Ramp. Why is ADOT constructing a ramp?

Floyd Roehrich: The boat ramp project is a State funded project out of the State Parks sub program. That is money the Legislature gives to State Parks for improvements within the state.

Hank Rogers: Why is ADOT doing the work?

Bill Feldmeier: There is a history behind this, a question Board Members have asked in earlier years. I believe that as a result of questions like this, ADOT use to entirely fund these, now State Parks is sending us the money and asking us to administer it at no cost to us. They don't have the in-house personnel to be able to do the work the way it should be done. I am comfortable that we are doing it and at no additional expense to us. I think it is a real step forward in terms of a partnership that we were looking at before and never really had. I think there are other opportunities along these lines that ADOT can work with State Parks to make something like this work even better.

Hank Rogers: That answers my next question – are our staff charges being reimbursed?

Floyd Roehrich: That is correct. We do this in cooperation with another State Agency under a partnership agreement with them. They don't have construction capabilities and we provide that. It is done with their funds that cover construction and administration.

Motion to approve Consent Agenda made by Hank Rogers and a second by Felipe Zubia, in a voice vote, motion carries.

ITEM 4: Financial Report – John Fink

July HURF revenues were \$101M up 0.6% compared to last year and up \$1.4% compared to the estimate. Factoring out a \$1.5M reversion of DPS funds that is included in FY 2012, the actual \$99.5M is right on estimate.

Collections by HURF categories:

- Gas Tax revenue for the month were \$36.3M, down ,6% compared to last year and down 1.4% compared to the estimate.
- Use Fuel Tax revenue for the month were \$15.6M, up 6.4% compared to last year and up 5.4% compared to the estimate.
- Vehicle License Tax for the month were \$28.3M, down 4.3% compared to last year and down 4.6% compared to the estimate.

RARF:

We have a full year 2011 tax results. June RARF was \$27.1M, up 5.9% compared to last year and up 8% compared to the estimate. For the year, RARF revenue was \$309.2M, up 3.4% compared to last year and up 2.7% compared to the estimate. This is good news for growth results as we had 3 consecutive years of decline in RARF revenues.

RARF Categories for the year:

- Retail Sales were \$152M, up 6.1% compared to last year and up 4% compared to the estimate.

- Contracting revenues were \$28M, down 3.2% compared to last year and up 1.9% compared to the estimate.

We have updated the HURF forecast for FY 2012 by lowering it slightly compared to the October 2010 official forecast. This reduction is \$4.4M, lowering the forecast for the year to \$1.216B with a growth rate over FY 2011 0.9%. We continue to believe that Vehicle License Tax revenues will be weak and expect a further minor decline in revenue for 2012. Out of the \$4.4M reduction ADOT's share is \$1.9M.

We have updated the RARF forecast for FY 2012 by increasing it to \$321.6M an increase of \$11.2M. Our growth rate for FY 2012 is expected to be 4%. We are forecasting gains in all categories. Out of the \$11.2M, the freeway portion is \$7.2M.

Aviation Fund revenue for June was \$810,000, up 137.1% over last year and down 79.4% compared to the estimate. The \$25M total revenue for the year was the same as last years and right on the estimate.

Aviation Categories:

- Flight Property Tax was \$9.7M, up 2.7% compared to last year and down 19.5% from the estimate.
- Aircraft Registration was \$7.8M, up 2.3% compared to last year and up 7.7% from the estimate.

Investment Report

The July average invested balance was \$1,067M with 99.84% invested. Monthly and annual interest received was \$747,000 for an annualized yield of 0.85%.

HELP Fund cash balance on July 31st was \$74.3M. The Town of Oro Valley repaid their loan in July. We now have 3 loans representing \$1.9M principal outstanding.

ITEM 5: Financing Program – John Fink

As we have discussed previously we are planning the competitive sale of approximately \$185M of RARF bonds. Our schedule calls for a sale date on Tuesday September 13th with closing of this issue on or about Thursday September 29th. I have included a draft of the Preliminary Official Statement for this issue and the Notice Inviting Bids. With the turmoil in the financial markets over the last several weeks we have been monitoring this closely. We have had extensive discussions with our financial advisor and bond counsel regarding the structure and timing of this issue.

ITEM 6: Adoption of Authorizing Resolution, Transportation Excise Tax Revenue Bonds, 2011 – John Fink

He is requesting approval of the Fourth Supplemental Resolution authorizing the issuance of the 2011 Series Bonds. He recommends approval so we can stay on schedule. He considers it prudent to continue to evaluate the financing and monitor the situation and move forward if it is only in the Department's best interest.

Motion to approve Excise Tax Revenue Bonds made by Felipe Zubia and a second by Bobbie Lundstrom, in a voice vote, motion carries.

ITEM 7: Multimodal Planning Division Report – Jennifer Toth

In 2009 the National Parks Service was awarded a Federal Transit Administration – Transit in the Parks Grant of \$495,000 to construct passenger shelters and amenities for the Tusayan shuttle bus route. The National Parks Service partnered with NAU and ADOT to design and construct the bus stop improvements. These facilities are being incorporated into the project that Steve talked about today. The shuttle bus is expected to carry 150,000 passengers per year between Tusayan and the south rim visitor center. That will help relieve the traffic congestion as well as parking impact within the Parks service. It has been an exciting and interesting collaboration as some NAU students designed the shuttle stop.

She is proud to announce the opening of the Mountain Link city bus, a direct high frequency service between downtown Flagstaff to the NAU campus and south to the Woodlands Village Boulevard area. This is a great accomplishment for the Northern Arizona Intergovernmental Public Transportation Authority.

The public outreach efforts for What Moves You Arizona won the American Association of State Highway and Transportation Officials' Excellence Award – AASHTO's highest award for public relations programs and campaigns. Steering away from the traditional public meeting route with the Long Range Transportation Plan we launched a well accepted campaign as a coordinated effort to communicate information about the multibillion dollar gap between the state's transportation needs over the next 25 years and what our anticipated revenues will be. Thanks to the numerous survey responses and comments made at the workshops, ADOT incorporated that feedback into the Long Range Plan to determine and recommend investment choices talked about in previous Board meetings.

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

She requests permission to take Items 8a through 8i together. Item 8a through 8i are projects to defer from FY 2011 to FY 2012. We have some new pavement preservation projects as well as some minor cost increase and establish a new design project for US93

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

She asks if the Board will take Items 8j through 8k together. These are projects that have Airport Development Grants. Both have FAA funding and contributions from the local sponsors, the City of Scottsdale Airport and the Town of Payson Airport.

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

ITEM 9: State Engineer's Report – Floyd Roehrich

They have 121 projects under construction valued at just over \$1.033B. There is just under \$300M left to perform. Last month they awarded just over \$260M. A number of those have not gone through the full contracting process yet, coming on this next month. At that time they will see the increase. We still see an industry that has a greater capacity than what will be able to provide. As they work through and develop solutions to the reauthorization and transportation funding issues they hope to see an increase in the program. We have an industry that is ready to go, they just need help getting projects funded and moving forward. They have 10 projects to close out this year. ADOT is placing a big emphasis on moving forward with closing out projects to free up any funds they can provide.

ITEM 10: Construction Contracts – Floyd Roehrich

We have 13 projects for consideration. Of those 9 were approved in the Consent Agenda, thank you for that. There are 4 projects that require separate Board action.

He would like to address 10a and 10b, two projects where one is a little over and the other a little under the Department's estimate. We have evaluated the bids and feel they are competent bids. We have the justification to recommend the award of those projects. They are smaller projects that have great benefit and isolated spot improvements. He recommends the approval of Contract Items 10a – 10b.

Motion to approve Items 10a and 10b and postpone Items 10c and 10d, made by Victor Flores and a second by Bobbie Lundstrom, in a voice vote, motion carries.

Items 10c and 10d are smaller pavement preservation projects. At this time he asks for a postponement on awarding the projects. Earlier this year ADOT implemented the Disadvantaged Business Enterprise Program (DBE) goals on all their Federal funded projects. This was done after an extensive Disparity Study and much discussion and negotiation with the Federal Highways Administration and industry partners. Starting in June they had DEB goal requirements on projects. Since then they have had some related issues with contracts not meeting the criteria or specifications associated with the DBE requirements. They are going through the process of evaluating those; working with the contractors and the Federal Highways Administration to work through mitigation and ultimately bring it before the Board as we would a normal project protest during the regular bid process. This has the potential to lead to rejecting bids. This has happened on these 2 projects and also on 2 that opened this last 2 weeks. At this time he is asking to postpone the award of Contract Items 10c - 10d until they can finalize their review of the DBE irregularities.

Bill Feldmeier: Asks that the Board be provided this information with time to consider and be prepared to discuss before the next Board meeting.

Floyd Roehrich: Mr. Chairman, you have asked for a 2 week review period and that is what we are working on.

Bobbie Lundstrom: Will the DBE requirements be provided with the information packet?

Floyd Roehrich: Yes. That is exactly the reason these 2 are being postponed, because of some irregularities, and the packet will accommodate that information. He will be able to discuss in more depth what the conditions are. At the same time that we deal with bid protests, we will have contractors here that will request to speak to the Board about their bids being rejected.

Motion to postpone Items 10c and 10d, made by Steve Christy and a second by Hank Rogers, in a voice vote, motion carries.

Hank Rogers: He has a question on Item 10a. They were 17.6% under what the state estimate was. You go through and make certain that whatever the differences were on that bid were worked out? Please go through the steps.

Floyd Roehrich: Yes. When we have a bid that is outside the criteria of more than 15% under or 10% over the state estimate, it requires separate Board action. All bids are evaluated to make certain there are no irregularities or manipulations going on, whether it is unbalanced mathematically or materially.

The bids outside the criteria are evaluated to determine the reason why it is outside the criteria. On this specific project the contractor got lower quotes from suppliers than what we had used in our estimate. We use historical data plus what we think is going on in the industry to price our estimate. We also evaluate what is a reasonable profit. We added in an overhead cost. This bidder may have used a smaller profit margin to be more competitive. After the bidding process the contractor shares with us how they arrive at their bid figure. We discussed it with them and feel that it is competent. They did not try to manipulate or create an irregular bid. That is why we recommend that we award the project.

Hank Rogers: How often does ADOT have contractors that are unable to fulfill the contract because they are under the estimate?

Floyd Roehrich: In the 3+ years that I have been in the position, we have twice rejected a bid because of irregularity. It does not happen very often. In the course of a year we advertise perhaps 110 different projects and may have one rejected bid.

ITEM 11: Public Private Partnership (P3) Update – John McGee

This has been a busy month for ADOT's Public Private Partnership program. As the Director reported we met with the DOT Directors of Utah and Nevada to discuss the I-15 proposal. As the Director indicated, that meeting went very well. We gave them a draft copy of the Expression of Interest that we will submit to FHWA within the next 2 days. We will copy the Board when we submit it. We don't know how long it will be before FHWA responds to the request. We will continue to work on various assignments in hopes our request will be approved. This last month we met with House Speaker Tobin and other House Leadership on the I-15 project and the needed legislative changes as reported on at the last Board meeting. That meeting went very well. Representative Kavanagh asked that we meet with the Joint Legislative Budget Committee to present estimated cost impacts that the refunds would have on the I-15 project and we have been developing an estimate. We will be meeting on Monday with JLBC. We have a similar meeting scheduled with Senate President Pearce and Senate Leadership this next Monday.

As the Director indicated we are continuing to develop a TIGER III Grant for I-15. This, if successful, will help address reconstruction of at least 1 of the bridges.

As reported last month we are in receipt of our first unsolicited proposal. The proposal is from Infrastructure Corporation of America (ICA) and is for the maintenance and operation of ADOT's rest areas. During this month we completed our pass/fail evaluation and notified ICA they have complied in all material respects with the submittal guidelines for an unsolicited proposal. We

are moving forward with the evaluation of the proposal. We have designated an evaluation team and have begun the evaluation process. We have developed a list of questions regarding the proposal that we will submit to ICA for comment in writing in the next couple of days. The evaluation process is being paid for by the proposer. This is at no cost to the state.

We are continuing to move forward with the development of a solicitation for a P3 agreement for the Flagstaff MVD and District offices to move into more modern facilities. A number of meetings have been held with several real estate and development firms to discuss the proposal. It is a very complicated proposal with land that we own being swapped or sold to different entities and ADOT picking up additional property and buildings. They believe they can make this happen at no or little cost to ADOT. A pre-meeting is set for September 26 in Flagstaff. We anticipate having 4-5 firms attend the meeting.

In cooperation with the National Counsel of Public Private Partnerships ADOT will be hosting a P3 conference at the Biltmore Hotel on Thursday August 25th. This conference is part of our policy outreach efforts to educate public officials and other policy makers on Public Private Partnerships. You have all been invited and we hope you will attend this event. We have a strong agenda with a number of P3 experts from around the country who will be talking about successes and failures. The conference is by invitation only. We are asking for R.S.V.P.'s from all who plan on attending. Please let me or Kay know if you plan on attending.

Last week we removed the temporary prohibition on accepting unsolicited proposals for highway projects. We believe the 12 month prohibition was useful as it allowed the Department to complete our internal control structure and evaluate the initial projects we want to pursue on a solicited basis. It also gave time for policy makers to think about and begin develop P3 policies and strategies for their regions, particularly in the MAG CAAG and PAG regions of the state. We are now open to unsolicited proposals for any place in the state.

Hank Rogers: He has a question on the company that is evaluating the rest areas. Are they evaluating closed ones?

John McGee: We have received a proposal indicating a number of rest areas that they would maintain and operate. Like any solicitation I can't give any details of it until the solicitation and selection of bids is complete. They are interested in operating most of the rest areas.

Director Halikowski: Most of the rest areas that are closed are going to take significant amounts of money to rebuild. They are closed because they have issues with them that are probably million dollar plus issues to repair. When you talk about a maintenance and operation contract, it is not just that we can do some minor repairs and reopen them.

Hank Rogers: His question is what about Jakes Corner and The Salt River Canyon rest areas. What are we going to do – just let them sit there, do nothing with them, just let them fall to the ground in the next 50 years?

Director Halikowski: No, as a matter of fact I believe we have discussed with the Board replacing one of the rest areas at about a \$15M cost to rebuild that particular rest area. As I recall, the Board chose not to do that at the time. We are going to look at putting design plans on the shelf for some of these. The ones you mention, the Salt River Canyon – there is a significant septic flow problem needing to be addressed before we could reopen it. I don't know if there are any reservation issues or not. That one will take a significant amount of money to get up and running properly.

Hank Rogers: But, what do we do with them in the meantime? Down the road will we look at replacing the septic system so we can reopen it? Is that the intent of ADOT or do we put up barriers and keep everybody out?

Director Halikowski: The intent would be to look at reopening these but the Board will have some decisions to make as to whether or not it wants to fund these rest areas. We have had robust discussions over the 2 years about why these rest areas could not be privatized completely and why a private company would not come in and run them. Unfortunately the west, unlike the east, is under the Federal Highway Act of 1956. The privatized rest areas in the east were grandfathered in. When the Highway Act passed in 1956, the Feds prohibited the states from privatizing rest areas and we have looked at every facet of that law, hired one of the best legal firms in the country to see if there was a way we could enter into private contracts to operate rest areas on the Interstates and State highways. The answer is, as long as you are using Federal dollars, "No". We can't even provide access to privatized rest areas. It is a complicated question as far as privatization. He has been to see the Congressional Delegation, everybody thinks it is a great idea, but nothing is moving in D.C. or in these new transportation Bills to allow states to do that.

Hank Rogers: I still am not getting my question answered. Are we going to do anything with the ones that are closed?

Director Halikowski: We will prepare a cost estimate to reopen each of those rest areas and bring it to you. Then the Board can make some decisions as to whether they want to address it.

Hank Rogers: He would like for them to be open as he travels along those routes and often wonders if they are ever going to be open. He will appreciate seeing what it will cost and bring before the Board for discussion. It is not just those 2, he is sure there are others throughout the state in the same situation.

Bill Feldmeier: We have an answer to the question and we will deal with the answer after we have the opportunity to review the information.

ITEM 12: Update on the proposed I-11 – Jennifer Toth

Director Halikowski: At the March meeting there were a number of questions raised by the Board. Since that time we have met with Board Member Flores and Mr. Anderson. Mr. Flores brought up a number of excellent points that we need to consider which is to look at this issue not from just a perspective of Phoenix or Wickenburg, but a perspective of an entire Interstate corridor that will foster commerce and economic growth. We have begun to look at this in a new and different way. In April the Feds came out with some new guidance that has an effect on this question and Jennifer is going to explain more. Essentially, what the Feds came out with in their new guidance is that we can't just jump to a full EIS unless we pass a couple of critical issues first. The EIS must have reasonable certainty to be in a Long Range Plan and will eventually get built. We have gotten some interest from Nevada who wants to study the Wickenburg to Vegas portion and will put in \$1.5M for that purpose. Based on the meeting we had with Mr. Flores we will take a full look at the economic impact of the project. We hope to come back to the Board with a proposal for your consideration that will answer the Boards concerns, concerns of the Feds and concerns by the promoters of this corridor.

Jennifer Toth: The Federal Highway Administration changed the name of the actual agenda item and we are being cautious about calling it I-11. It needs to be called a "proposed Interstate" as it has not been adopted or numbered into the Interstate system yet.

She wants to set some context before going into specifics on this corridor. The pressure from Arizona's population growth and the sensitivity of the supply chain for reliable transportation services has led ADOT to identify priority freight network that includes key highway and rail corridors. Every American accounts for 40 tons of freight each year. Over the next 25 years, commodity volumes moving by truck are projected to increase by 69%. Nearly 60% of the freight tonnage will travel through Arizona as we continue with the current trends. Arizona serves as a significant freight land bridge, transporting tonnage between California to destinations in the mid-west and north eastern parts of the country. What opportunities are available? An overriding implication for Arizona is a need for greater cooperation and proactive planning between the different planning agencies at the state, the regional and local levels in coordination with the private sectors. One of the tools for addressing these local impacts is through a coordinated land use strategy for the state and in particular for the major urbanized areas. ADOT is partnered with Maricopa Association of Governments, Central Arizona Association of Governments and the Pima Association of Governments to complete a freight framework study. This is an opportunity to create a statewide strategy for meeting the future needs of freight demands and

take key implementation steps in moving that strategy forward. With the potential of a port at Punta Colonet and with an expansion of the port at Guaymas along with the rail infrastructure we have in place today, Union Pacific and Burlington Northern Santa Fe within the State of Arizona coupled with the potential of either rail or highway transport to the area, instead of being that land bridge we can become the crossroads of economic development where we can add value to that freight before it is shipped into other areas. In addition we have the potential opportunity of further defining the CanaMex route as well.

These are some of the opportunities we are looking forward to in relation to a proposed Interstate corridor. The State of Arizona is at a crossroads of several significant regional, national and international trade corridors and as the land bridge traffic along these trade corridors continues to grow, it contributes to congestion and that impacts the efficiency and productivity of key regional and national rail and highway corridors that serve Arizona, in particular I-19 and I-10. ADOT has a challenge to insure the state's transportation network will meet the demands of a growing economy while ensuring the land bridge freight traffic can efficiently move across the state. We hope to add value and bring that economy and those jobs into Arizona. We are focusing on several primary highway corridors and key railroad improvements that meet those future demands, including a proposed interstate route.

As John talked about, there were some extra considerations as we were moving this discussion forward: the FHWA supplemental information; looking more at a statewide benefit than a regional benefit; and some partnership opportunities. In terms of the supplemental guidance, FHWA came out with the guidance in 2008 but it was so complicated, they came out with additional guidance in February of 2011 – it was still unclear and in April 2011 they provided more guidance. In moving toward an environmental document that FHWA will sign off on (a record of decision) an entire project has to be in the Metropolitan Transportation Plan and/or consistent with the Statewide Long Range Plan. If it is an MPO area, such as MAG or PAG it has to be in their Regional Transportation Plan. If it is in an area outside of that it has to be consistent with the Statewide Long Range Plan. In addition at least 1 subsequent phase of the project has to either be in the Transportation Improvement Program (TIP) or if it is outside the MPO area, in the State Transportation Improvement Plan. More phases must be identified if the project is to occur within the time frame of the TIP. Generally a TIP or a STIP is a 4 year time period and if you know you will construct or have that project done within that 4 year time period, all phases of that project need to be included in that TIP or STIP. In addition, full funding has to be reasonably available to complete the entire project. That may be outside of the TIP or STIP timeframe but you must reference that fact as reasonably anticipated to be available. This will change the way we have been doing business in terms of moving forward with environmental documents. It has to be funded by state funds if we proceed outside of the federal requirements – not using federal funds, and as we know, right now we have no state funds. We are relying on federal funds to move projects forward.

In terms of statewide benefit, we have identified potential economic benefits for the entire state and not just on a regional basis. To enhance interstate travel freight mobility as well as establishing a more specific CanaMex route through the Phoenix metropolitan area that connects to the existing CanaMex route. It allows us to add that flexibility and capacity to meet the growing needs of the growing population, especially in the corridor area between Phoenix and Tucson. In addition, it will connect the metropolitan areas of Phoenix to Las Vegas area, which are not currently connected by an interstate route.

In terms of partnership opportunities, this allows us to maintain future ability for P3 opportunities and in addition, as Director Halikowski has mentioned, Nevada has approached ADOT about a joint study from Wickenburg to Las Vegas as well as future potential to their border. In addition, if we move forward we could look at the whole corridor between the two states including opportunities to capture economic development that might occur via the I-19 and I-10 connection with what freight might be coming through using this proposed interstate.

Victor Flores: Wishes to thank the Director, Jennifer and staff for meeting with him. He is excited and thrilled that we are doing something more than what was asked of us previously. The listing of the connection between Phoenix and Las Vegas belongs in the report, contrary to the request we were made to consider it was the primary reason that we should connect two cities and he did not think it was necessary to do so. He will ask the Chairman to consider a sub-committee to address this. It will be a continuation of all that has been presented here. He asks the Chairman to consider naming a 3 person sub-committee so they could address the proposed interstate study.

Director Halikowski: Thank you Mr. Flores, our meeting was very productive. It set us on a path that we should be looking at that entire Mexico to Las Vegas corridor. He appreciates the work that you have done for us.

Bill Feldmeier: We have the ability to create a sub-committee today by asking the Board to participate with the assistance of staff to get us to where we are looking to go. Yes, with that I know Mr. Flores has taken the lead on this and has watched it carefully. On behalf of the Board I would ask that you would participate and hopefully chair that sub-committee to report to the rest of the Board. Who else on the Board will be interested in sitting with you?

Mr. Flores, we ask you to chair the sub-committee - to set up times accommodating the schedules of everyone, including staff, to put the sub-committee together and start working towards the end.

Board Member Victor Flores requested the formation of a 3 person Board Sub-Committee to study the topic and recommend appropriate future actions. The committee consists of Victor Flores, Chairman; Kelly Anderson and Steve Christy.

Motion to approve the formation of a proposed interstate corridor Board Sub-committee, consisting of Victor Flores as Chairman, Kelly Anderson and Steve Christy as members to study the concept and report to the Board as needed, was made by Bobbie Lundstrom and second by Felipe Zubia, in a voice vote, motion carries.

ITEM 13: Comments and Suggestions – Bill Feldmeier

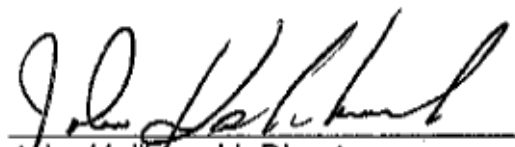
If you have an agenda item you may bring them forward now or you are able to talk to the Board secretary, Kay or any of the staff to get that agenda item dealt with at a regular meeting or Board Study Session.

Chairman Feldmeier announced the next State Transportation Board meeting will be held in Benson on Friday September 16th, rather than the previously scheduled Thursday, September 15th date.

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



Bill Feldmeier, Chairman
State Transportation Board



John Halikowski, Director
Arizona Department of Transportation