

STATE TRANSPORTATION BOARD MEETING MINUTES
9:00 a.m. (MST), Friday, October 21, 2011
Beaver Dam Lodge
452 Old Highway 91 North
Littlefield, Arizona 86432

Pledge

The Pledge of Allegiance led by Chairman Feldmeier.

Record of Board Member Attendance

Attendance noted by Chairman Feldmeier.

Members of the Board in attendance were Bill Feldmeier, Bobbie Lundstrom, Hank Rogers, Steve Christy, Felipe Zubia and Victor Flores via telephone.

Members of the Board absent were Kelly Anderson.

Opening Remarks

Chairman Feldmeier: Thank you to the Beaver Dam Lodge for hosting the State Transportation Board meeting. Yesterday the Board had the opportunity to tour the Virgin River Gorge and look at the bridges. They enjoyed getting acquainted with the community and enjoyed a good dinner, the hospitality was great. They plan on returning in the future.

Call to the Audience

The following members of the public addressed the Board:

Jennifer Maples: President, Arizona Airports Association. She thanks the Board for the opportunity to speak. The Arizona Airports Association has been in existence for over 32 years. Their mission is to advocate for airports and aviation within the state. They educate the public on the importance of airports today – the infrastructure for transportation as well as the economic impact they have on the communities. She supports item 10 on the agenda, the State Transportation Aviation Policies. She publicly acknowledges those working for the last 3 years on the policy, within ADOT and their Association. This was a collaborative process and they are grateful to have been a part of it: from Arizona Airports Association - Michael Johnson and Tina Moore with Tucson International Airport, Jeff Trip with Mesa Falcon Field Airport, Bill Harvey with Stantec and Casey Denny with Phoenix/Mesa Gateway Airport; within ADOT - the entire Aeronautics Division has been actively involved in this led by Mike Klein and the leadership of Jennifer Toth has been instrumental. The policies are more flexible and usable and she asks for the support of the Board for this agenda item.

John Salem: Mayor, City of Kingman. Welcome to the Beaver Dam area and on the behalf of the City of Kingman, welcome to Mohave County. He appreciates the relationship the City of Kingman has had with the Board. He also appreciates that the Rancho Santa Fe interchange,

formerly known as Rattlesnake Wash, was on the 5 Year Plan for so long. There is potential for the financing of the City's portion of the interchange. He is an advocate for the Rancho Santa Fe interchange which upon completion, within a 5 to 10 year period would double the number of jobs in the Kingman Airport Industrial Park. The Park is the industrial hub of the county with approximately 2500 full time positions. It is the economic engine that drives the community. He asked the Board to consider placing the interchange back on the 5 Year Plan.

Gary Watson: Supervisor District #1, Mohave County. He welcomed the Board to Mohave County and provided Chairman Feldmeier a hand out from the Mohave County Board of Supervisors, a Resolution requesting the I-40 Rancho Santa Fe Parkway traffic interchange project be programmed in the Arizona Five-Year Transportation Facilities Construction Program. He pointed out a photograph on the fireplace mantel as Arthur Black, a member of the Arizona Highway Commission in the 1950's and 1960's and on the Commission Board at the time that the bridge on the gorge was constructed. Mr. Black's grandson will speak later to offer some history of the area. Mr. Watson spoke on the importance of the Rancho Santa Fe interchange to Mohave County and ADOT. The TI will decrease traffic on residential streets and provide access to I-40. The TI is pivotal to complete their transportation plan beltway around Kingman.

Jack Kramer: City Manager, City of Kingman. He requests the Board consider placing the Rancho Santa Fe Parkway TI back in the 5 year plan. The property owners have asked to move forward with a P3 program financing tool. The TI will help relieve congestion at the east Kingman TI and on SR66. It will provide a direct link from I-40 to the industrial park. He anticipates the new TI could generate another 2500 jobs. The TI will provide transportation, public safety and economic development to the Kingman area and improve the efficiency of the state transportation system. The City of Kingman, Mohave County and the property owners look forward to working with ADOT staff in implementing the P3 program.

Barbara Ricca: Founding Member and first President of the Kingman Airport Authority, City of Kingman. She wants the Rancho Santa Fe Parkway TI back in the 5 year plan. The property owners, City and County are working together to make the TI a reality.

Chairman Feldmeier: The Board understands the project was pulled off the 5 Year Plan last year because the revenue projections were lower than planned. He asked the Director if they could further the discussion of putting the TI back into the 5 Year Plan in light of the P3 project. You will look at that and report back to the Board. The meeting will continue and when grandson Leo Black arrives they will fit him in.

Leo Black: Spoke before Item 2 below. He is a family member of the Beaver Dam Lodge owner Mike Black and grandson of AZ State Highway Commissioner Arthur Black, Mesquite, AZ. He welcomed the Board to the Lodge and gave the area history. The area is very close to the Old Spanish Trail and has been in use for many years. When the highway was built in the early 1930's, so was the lodge. Hollywood discovered the lodge and many famous people stayed there. Commissioner Arthur Black was most proud of the Burrow Creek Bridge project.

ITEM 1: District Engineer's Report – Mike Kondelis, Kingman District Engineer and Jean Nehme, State Bridge Engineer

Mike Kondelis, District Engineer briefed the Board on the Kingman District.

Maintenance efforts:

- Just under 3,000 lane miles ranking 3rd among the districts.
- \$3.8M allocated to maintenance ranking 6th among the districts.
- Most level 1 incident response call outs in the state, responding to vehicle crashes.
- Pavement degradation and Bridges built in the 1970's require patching until bridge repair project (1 per year, needs are greater than). Very challenged with the resources they have.

Construction efforts:

- 4 current pavement preservation projects on I-40 and US93
- 3 future pavement projects on SR66 and I-40
- 2 bridge projects on I-40

Future Projects – working on design now in the hope there will be construction funds sooner:

- Antelope Wash, FY15 construction
- Cane Springs, pending construction
- Carrow Stephens, FY16 construction

Interchange Projects:

- Rancho Santa Fe Parkway Interchange design complete
- I-40 US93 West Kingman System Interchange environmental analysis in progress

SR95 Realignment:

- I-40 to SR68 DCR and EIS on hold to work out Federal funding
- Lake Havasu City area completed the corridor feasibility study, will prepare DCR and Environmental Analysis when funding is available

US93 MP 2-17 Project Awards:

- Arizona Chapter American Public Works Association Award, 2011 Public Works Project of the Year
- 2011 Exemplary Ecosystem Initiative Award, FHA awarded 1 of 12 national awards to ADOT for integrating wildlife connectivity strategies

Jean Nehme, State Bridge Engineer gave a presentation on the I-15 Virgin River Bridges. He briefly discussed the history of the corridor and gave a summary of bridge repair projects that took place during the past two decades. He then showed one slide per bridge describing the current condition of each structure. Examples of deterioration of structural elements were highlighted. A rough estimate for the cost of the rehabilitation of the bridges was given. This estimate will be refined through the upcoming feasibility study that is programmed to be awarded this fiscal year.

Mr. Nehme discussed current ADOT initiatives relative to the I-15 corridor. ADOT increased the bridge inspection frequency and asked the FHWA, Nevada DOT, and Utah DOT to conduct independent evaluations of the eight Virgin River Bridges. The ADOT Director met with his two counterparts from Nevada and Utah. ADOT will arrange a follow up meeting to discuss the results of the bridge evaluations and future steps. In addition, ADOT is planning for a pavement preservation project in the near future that will include minor bridge repairs. ADOT

had submitted an "Expression of Interest" to the FHWA for P3 opportunities and is preparing to submit a TIGER Grant application.

Hank Rogers: If you find the money to do the work how long would it take to complete?

Jean Nehme: From the beginning of construction to the end, estimate 2-3 years.

Bill Feldmeier: It sounds like the heavy truck traffic is causing the major portion of the damage, or the wear and tear. This is a portion of the Interstate that allows triple trailers. It would appear to me that the first thing to be done is get rid of the third trailer and the second is eliminate the truck traffic completely and let them figure out how to get from point A to point B. In the interest of salvaging the bridge life and saving the enormous cost to replace the bridges, because we don't have the money and I don't see on the horizon us coming up with the money to be able to rehab the bridges in the manner you are describing. The simplest thing is to get rid of the overloads and then get rid of the trucks completely.

Jean Nehme: From a technical point of view, that makes a lot of sense. If you stop the truck traffic we won't have the bridges damaged to that extent.

Bill Feldmeier: There we have it, we get rid of the trucks and the problem is solved. They can figure out how they need to get around because we have a money problem and these bridges do need rehab, we see that, and without the money they are not going to get rehabbed.

Hank Rogers: Are the triple trailers allowed anywhere else in the state?

Director Halikowski: No, Sir, they are not. The highway routes - vehicle configurations were frozen by the Federal government in about 1991 or '92. That is the only location we are allowed triples. We could not expand that without the Federal Government changing their rules.

Hank Rogers: What are the possibilities of having vehicles washed down to get all of the salt off before they come into our state? Salt is horrible on concrete.

Director Halikowski: I don't know that one could set up a barrier like that and require folks to wash their vehicles before they enter the state.

Jean Nehme: One factor is that the damage done is not reversible. If we had instituted something like that a few decades back we may have increased the longevity of the decks. At this point because of the advanced deterioration, the decks have to be replaced.

Hank Rogers: When we do fix the decks and do put in concrete bridges what do we do to preserve them? How do we stop that salt from coming through? The trucks accumulate ice that drops off as they enter lower elevation. He thinks this should be addressed for the future as well.

Director Halikowski: We can look at it Mr. Chairman, but anything we do like that would require enforcement. Environmentally, you can't wash a vehicle off and let that salt runoff. You have to have systems to capture that water. There are a number of large issues there. He would say that when the bridges were built in the 1970's you had different ceiling techniques than we have now, to preserve the decks from that kind of erosion.

Jean Nehme: Some of the old design called for lower cover over the steel and the decks themselves were thinner. Now we design the decks thicker and have more cover over the steel, which tends to preserve them. Many states such as Idaho will come back within 5 years, after the cracks due to shrinking take place, to seal the deck. Some even put an overlay on top of the deck sealant to preserve it.

Floyd Roehrich: There are different techniques today to help combat bridge deck deterioration that help to extend the longevity.

Bill Feldmeier: Does the Board need to prepare a resolution to eliminate truck traffic or at least a third trailer?

Director Halikowski: He asked to be allowed to continue to work this out. They are not at the place now where they want to reduce loads. They will keep watching the bridges, keep inspecting them, and keep pursuing the efforts to make the necessary replacements. At this time he won't ask the Board for that resolution, but to allow them to keep working the issue.

Bill Feldmeier: That is fine. Folks need to understand that is a very serious alternative that we need to discuss at the right time and if it needs to be employed then we need to do it.

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

He thanked Chairman Feldmeier and asked the State Engineer, Jennifer Toth to address Item A) 1. ADOT's Preparation for Dust Storms, during the Item 12, State Engineer's Report.

The only item he had for the Last Minute Items to report on is a follow up on the Chairman's requested Call to Audience items, from the last Board meeting. He asked Floyd Roehrich to assist.

Ann English: Cochise County Board of Supervisors.

- She asked, from the J-6/Mescal TI burned bridge, there is something that the county and state need to look at - when you have an Interstate running through a community – are there any other roads along it that people can utilize to continue doing business.
 - ADOT is performing a corridor study/DCR of I10 from I19 in Tucson to SR90 in Benson which includes this area. We will have a public meeting in the spring of 2012 for residents living in northwest Cochise County which includes the J6-Mescal communities. District and Regional Traffic met with County staff to discuss that agency's goals of developing local roads with the goal to ensure that ADOT's long-range planning meshes with the County's. This will be a long-term

- undertaking but the right people are cooperating and sharing information. The County will be the lead agency regarding new or modified local roads.
- She wants to encourage ADOT to stay involved with the border. Douglas has an entry into Mexico; Naco is the only county road going into a foreign country. The county thinks that the state may want to take Naco Road into the state system. They need to have an enhanced border station and roads leading to it.
 - Naco is the only border community in Arizona hosting an international port-of-entry where the port does not have direct access to the state highway system (Naco Road is operated by the County on the southern end and the City of Bisbee on the northern end where it intersects SR92). Cross-border traffic in Naco is on the very low end of the list compared to other Arizona-Mexico POE's and is comprised mostly of lighter vehicles. MPD performed a short study about 8 years ago at the State Transportation Board's request evaluating whether ADOT should take Naco Road or Davis Road into the state system. It was determined at that time that traffic on Naco Road, including POE traffic, tended to be local in nature and therefore the study concluded that it would be inappropriate for the state to take in Naco Road. Traffic conditions have not changed significantly for Naco and ADOT will continue to monitor the traffic until such time as it is reasonable to consider taking this route into the state system.
 - From the Cochise County Transportation Department, she received information stating, "Cochise County roads carry more over wide and heavy traffic than any other county in the state". She knows that is one reason ADOT looked at Davis Road because the heavy traffic and wide loads that can't go on the Interstate take Davis Road between McNeil and the area just south of Tombstone.
 - Supervisor English touches on a big issue for ADOT, DPS, and the oversize load carrier industry. DPS routinely escorts more Class "C" over-dimension and overweight loads through Cochise County compared to other counties in the state. This is due to the presence of I10 as well as the mining industry in southeast Arizona and northern Sonora (a great deal of Class "C" traffic crosses at the Douglas POE). Many of these oversize loads must leave the state highway system and use Davis Road which is operated by Cochise County because of insufficient bridge capacity or clearance issues on the state system. Davis Road is a narrow, chip seal road; Cochise County has complained about oversize loads damaging their pavement and forcing traffic off of the pavement into adjacent bar ditches where sometimes passenger vehicles will sink in the mud and get stuck. Although ADOT is slowly eliminating these pinch points, progress is slow. Many of the problematic structures on the state system, including interstate traffic interchanges, are not seriously structurally deficient although many are functionally obsolete. When prioritizing bridge projects with the funding available, bridge replacement priority is typically given to the lowest ranking structurally deficient bridges, it may be several years (or decades) before these structures are replaced. The I10 Marsh Station TI was one recent milestone of success but there are others that need to be replaced. Reconstructing the I10-US191 TI (exit 331) into a modern diamond configuration as well as the US191 Cochise UPRR Overpass would offer relief in

this situation; however, there are several other TI's and bridges on and off the interstate system that remain problematic.

Floyd Roehrich:

Drew John: Supervisor, Graham County District 1.

- 8th Avenue Bridge. The project is complete and they hope to get the project closed so the deposit money that Graham County has placed with ADOT will be released. They need this deposit money to help with the operations of Graham County.
 - ADOT administered a federal-aid (BR) bridge reconstruction project for Graham County where the bid amount was less than the original estimate. ADOT reimburses local agencies for excess match after a project is complete and fully closed out. The close-out process should take only a couple of months if everything is in order. This project; however, had several punch list and payment reconciliation items that took several months to accomplish. Added to this is the wait to clear any outstanding invoices and for as-builts construction drawings to be completed. In order to expedite our side of the close-out process, District assigned a consultant office manager and temporarily re-assigned its Development TES to help with quantities, materials, etc. ADOT is in the process of updating its Local Government processes and will consider partial reimbursements for apparent over-matches to help alleviate this financial burden on local agencies.

John Halikowski:

Terry Hinton: Town Manager, Town of Thatcher.

- Becoming bogged down in the bureaucracy He has a lot of examples to talk about.
 - On October 5th he met with Mr. Terry Hinton, Thatcher Town Manager, and Mr. David Kincaid, Safford City Manager, to discuss the specific examples of ADOT bureaucracy Mr. Hinton referenced. Many of Mr. Hinton's examples pertain to the necessary regulatory requirements associated with the use of federal-aid funding. For years the local governments used the HURF swap program to trade federal-aid transportation funds to ADOT for state transportation funds. Since ADOT no longer has sufficient HURF funds to support swapping, the local governments have had to develop their transportation projects to full federal requirements, adding additional time and cost. We talked about actions ADOT can take that would improve this process which include; 1) developing a Local Government Process Manual, 2) conduct training associated with the federal-aid process, and 3) coordinate ADOT's process with the federal-aid process to shorten the length of time necessary to deliver a project. ADOT is working on a Local Government Process Manual which should be complete by the end of the year or early next year. When the manual is published, ADOT and the FHWA will schedule training sessions around the state to overview the manual and federal-aid process. We agreed upon a follow-up meeting in early 2012 which would include Graham County and the FHWA.

Floyd Roehrich:

Mike Hemesath: Director of Public Works, City of Sierra Vista.

- SR92, a major state highway that goes right down through the middle of Sierra Vista, is a widening project that went from 5 lanes to a 7 lane section and was at 95% completion 2 years ago. They would like it to move forward so they may start programming phases of it over the next 10 to 15 years and wrap up the DCR. They will appreciate any help the Board can get them.
 - We anticipate the final DCR will be issued towards the end of this calendar year to allow consideration for future programming. The DCR which Mr. Hemesath references contemplates improvements from SR90 Campus Drive to SR92 Glenn Road which is a single urban corridor involving widening the highway to three travel lanes in each direction with a raised median. No disagreements were noted during the DCR's public involvement process regarding the raised medians. More recently, an interim HSIP safety project has been proposed to install a raised median on SR92 from Canyon de Flores to Glenn Road which is a sub-segment of the project limits studied in the DCR. It is important to realize that within the project limits of this safety project, the west side of the highway is inside the City of Sierra Vista jurisdiction and the east side is inside Cochise County jurisdiction. Although the County provided a letter of support for the DCR's scope of work, including the proposed raised median, during the public involvement process of the interim HSIP project the County went on record as being opposed to the raised median. During the last two years, ADOT has met with City and County staff and conducted multiple public meetings to evaluate alternatives or additional work that would satisfy concerns expressed by business owners inside the County jurisdiction about the economic harm that the raised median would cause as well as the traffic problems that would be caused by trucks driving through adjacent neighborhoods. These concerns caused the FHWA and ADOT to put a hold on the DCR until the issues associated with the safety project NEPA process could be concluded. Late last fiscal year, the FHWA indicated that it would be an appropriate use of safety funds to procure additional right-of-way outside of the state highway for local street infrastructure to be designed and constructed. Preliminary design, environmental clearance, and ROW acquisition is still needed for the safety project but recently the FHWA indicated that the concerns voiced by County officials regarding the raised median can be successfully addressed and the DCR can conclude its NEPA process and progress. EPG and the environmental consultant for the corridor DCR are working on finalizing the NEPA documentation which in turn will allow the final DCR to be issued. ADOT will be holding a progress meeting in the next few weeks for both projects to bring the City and County up to speed.

John Halikowski:

Kathy Smith: Director, City of Willcox Chamber of Commerce.

- ADOT requires \$5M in insurance for any event on ADOT right of way. That will jeopardize events in small communities. ADOT needs to know they are hurting small towns by asking for a \$5M policy.
 - The Ragnar Relay of 2009 which resulted in the loss of a minor on ADOT Right of Way and multiple other events (such as the Tour De Tucson) resulted in a serious review of ADOT's insurance requirements related to permits. Shortly after

the Ragnar Relay ADOT Risk Management began requesting increased insurance limits associated with permits for Special Events, Encroachment, and Film. The changes that were implemented are an effort to reduce the liability to the agency. The permit insurance requirements needed to be brought up to ADOA standards and also to the insurance industry standards. On May 31, 2011 the State Engineers Office approved the ADM 11-3 Insurance Certificates for Special Events, Encroachment, and Film Permits policy. Per the ADM 11-3 Certificates of Insurance Policy; ADOT reserves the right to require an increase or allow a decrease in insurance requirements. The reason for this provision in the policy is because Special Events are reviewed on a case by case basis. Low traffic volume, low number of participants and many other factors can be used to determine limits. In most cases a \$5 mill per occurrence limit and a \$5 mill aggregate limit for General Liability insurance is appropriate and feasible. The actual permit applications are also in the process of being changed as well to reflect these updates.

- In regards to the Willcox Chamber of Commerce and the Magic Circle Benefit Bike Ride, ADOT was able to justify taking lower than \$5 mill in limits due to low traffic volume, low number of participants, and support from DPS. Other factors also were taken into consideration and Risk Management had also worked with the Maintenance Engineer in the Safford district to confirm that he had no safety concerns. Although ADOT was able to accept lower limits from the Chamber of Commerce; there is no flexibility in regards to having ADOT on their insurance policy as an additional insured and having the waiver of subrogation also applicable. The additional insured status and the waiver of subrogation are crucial elements that make a certificate of insurance beneficial to ADOT. Having the Waiver of Subrogation on the policy is what keeps the insurance company from coming back to the state seeking reimbursement for their losses in the event that they had to pay out on a claim. These requirements are a standard that all permit applicants are held to. ADOA has expressed the importance of these two items and not only does ADOA require them on contracts that they issue, but it is in ADOT's best interest to require them as well. It is important to limit ADOT's liability especially in challenging economic times.

Floyd Roehrich:

- Can they put their Willcox signs back up at the exits to make it easier for business to get people downtown?
 - The interstate signing brackets the community with signing stating "Willcox—Next 3 Exits" and then signing for each exit notes the crossroad names. ADOT's Logo Sign Program may help with additional business recognition and ADOT staff will follow-up with the City and local businesses on their interest in this program.

Nancy-Jean Welker: President, Community of Bowie Chamber of Commerce and of the Bowie Economic Development Group and member of the Southeast Arizona Rural Chambers Alliance and also of the Southeast Arizona Economic Development Group.

- Short overpasses off of I-10 exit 362. Over size traffic must cut a fence and travel through pistachio fields. It makes it difficult for their area to grow and is a safety issue. The town needs some kind of change to that exchange at exit 362. They are open to anything that the Board can help them with and deeply appreciate it.
 - This situation stems from taller height loads being unable to pass under the interstate overpass at Robert's Farm Road between Bowie B10 on the north side of I-10 and the frontage road that runs on the south side of I-10. Occasionally, loads that are higher than 14'-6" must pull off the shoulder on the eastbound I-10 exit ramp, arrange to cut the interstate control-of-access fence, and then mend the fence once the load is on the south frontage road. Although this does not happen very often it usually occurs without ADOT knowing about it. The Safford District has inquired before with the FHWA whether we could be allowed to install a gate at this location and have the local ADOT maintenance office keep the key then open the gate by appointment. The FHWA was very reluctant to consider this unusual arrangement, since interstate highways are fully access controlled. However, the truth is that unauthorized fence cutting and crossings occur albeit maybe a few times a year. He would be willing to have maintenance install a gate and cattle guard (in case the gate is left open) then have the same maintenance office keep the key. We can then post a sign with a phone number for appointments. This is an issue about which the State Engineer's Office will visit with FHWA Arizona Division staff to determine a resolution. The ultimate answer is to reconstruct the west Bowie interchange into a modern diamond TI to provide better access to the frontage road; however, this will be many years from now as the TI overpass (different than the Robert's Farm Road overpass) does not have serious structural deficiencies or functional obsolescence to be a priority project.

John Halikowski:

ITEM 3: Tangerine Road

In 1986 the Transportation Board Resolution - Tangerine Road Highway, then called SR99, was established as the location for a future state highway. A corridor study and final corridor plan was completed in 1988. The study recommended 4 to 6 lanes with limited access. Tangerine Road is an east – west arterial road, 10 miles in length that connects I-10 with Oracle Road and travels through the town of Oro Valley, Marana and Pima County; with approximately 2 miles controlled by ADOT.

In 2006 the Regional Transportation Authority Plan and Pima Association of Governments Regional Transportation Plan designated Tangerine Road as a 4 lane divided desert parkway. Earlier this year the Region initiated a corridor study to determine the regional vision for Tangerine Road. Over the past few months we have talked with various stakeholders in the region about the issue. The towns of Oro Valley and Marana prefer that Tangerine Road remain a local road and Pima County has not expressed an opinion about retaining it as a

state route. They have contacted the staff at PAG and their position is they prefer to keep all the state planning routes in the system for now. They have initiated conversation internally and with PAG to develop a long term evaluation of the routes and will eventually come back to ADOT with a recommendation.

The Board had action on Tangerine Road last month that dealt with a permit issue, which is moving along. He feels the jurisdictions within the region should work together to establish the vision they want for the route and recommends no action by the Transportation Board be taken on Tangerine Road. The Department will continue to work with the Region on this issue and when consensus is reached, will bring a recommendation back to the Board for action.

Bill Feldmeier: Steve, do you have any comments?

Steve Christy: He wants to thank the Director and staff for their analysis of the situation upon the request he and stakeholders in the area had made. This has been a learning process on the permitting process and he supports taking no action at this time.

ITEM 4: Consent Agenda

Motion to approve Consent Agenda made by Steve Christy and a second by Bobbie Lundstrom, in a voice vote, motion carries.

ITEM 5: Financial Report – John McGee

John McGee addressed agenda items 5 – 9 for Mr. Fink, who had begun a phase-out of his activities as CFO as he nears his official retirement date of November 30.

Given the length of the agenda items, he covered the monthly financial report in an abbreviated manner.

September HURF results were 1.8% above last year's results, but .5% below forecast. Year-to-date results are about .3% above last year, but .3% below forecast.

Trends by category continue to be as seen for the past several months, with continuing weakness in Gas Tax and VLT, and continuing strength in Motor Carrier Taxes and Registration.

The RARF results were through August, September results were not available. August collections were 5.4% above last year, but .5% below the estimate. Year-to-date results show an increase of 7.1% over last year, but .3% below the forecast.

Again, category trends continue as seen recently, with slight growth in Retail Sales and Utilities, and continuing deterioration in Contracting collections.

The investment report through September showed earnings of about \$2.4 million this year at an average yield of just under 1%.

The current balance in the Department's HELP fund account stands at \$74.4 million.

ITEM 6: Financing Program – John McGee

RARF Bond Issue

Mr. McGee was happy to report that the Department successfully closed on October 13th its Transportation Excise Tax (RARF) Revenue Bond, 2011 Series bond sale.

The sale took place on Tuesday, September 27th as a competitive sale. The bonds were issued as Senior Lien bonds to take advantage of market conditions and their very strong ratings of Aa1 by Moody's and AA+ by Standard and Poor's.

Eight Broker-dealers submitted bids. The bids ranged from a low bid of 2.3205% by Bank of America Merrill Lynch (the winning bid) to a high of 2.7888%.

Given the average life of the issue of 7.867 years, this represents the lowest borrowing cost that the Department has ever achieved for RARF bonds of a similar average life.

Because the bonds were sold at a premium, the sale netted ADOT proceeds of approximately \$179.9 million. It was a very productive sale.

He asked if there were any questions on the RARF sale.

HURF Bond Sale

Mr. McGee briefed the Board on the upcoming Subordinated Highway Revenue Bond, Series 2011 Issue.

ADOT is actively working on this issue. As currently structured, the 2011 HURF bond issue will probably be the largest, most complex issue the Board has ever done. There are a number of challenges in bringing this issue to market.

1. This is a critical issue for the Department in that the approximately \$100 million of new money that we plan to raise will be crucial for matching federal aid requirements over the next 2 – 3 years.
2. In order to generate \$100 million of new money capacity, we will have to re-structure a significant amount of outstanding bonds – possibly as much as \$400 - \$500 million. This restructuring can be done in such a way, in today's current interest rate environment, so as to produce some level of net present value savings.
3. Both Moody's and Standard and Poor's have changed the ratings on these bonds as a result of legislative actions that were taken last session that had the effect of reducing the level of pledged revenues flowing into the State Highway Fund. The bonds have been rated Aa2 by Moody's and AA+ by S&P. While lower than their previous ratings of Aa1 and AAA, these are still very high ratings, particularly for a subordinate credit.
4. We face a significant time constraint in bringing this issue to market. In order to issue this debt, the Department must meet a 3X additional bonds coverage test over the past 12 month period. Unfortunately, due to the recent legislative actions, we would not be able to show this level of coverage after the month of November, unless we were to do a much more substantial restructuring of the Board's outstanding debt, which would be very costly. Therefore, we are under a significant time constraint to price and close this issue.
5. Finally, the structuring of this bond issue is quite complex, as we try to optimize NPV savings on the refunded bonds with somewhat lower overall debt service over the next couple of years in order to maximize cash, while at the same time trying to minimize the

degree of restructuring that must be done, and doing all of this in a constantly changing interest rate environment.

Included in the Board packet of information was the current financing timetable. In order to price and close this issue in November, the Board needed to take two actions today. Those actions were brought to the Board under Agenda Items #7 and #8. Barring any significant market events, we plan to price this issue the week of November 14th and close it the week of November 29th. Any slippage in this schedule most likely could not be accommodated.

He asked if there were any questions.

Bobbie Lundstrom: What does it mean to say we have an AAA rating that is negative?

John McGee: The rating companies state an "outlook", either a stable outlook or a negative outlook. A stable outlook means they are very comfortable with the current rating. A negative outlook says they have rated it at this level but there are some things they will keep watch on. The S&P rating came out with a negative outlook for both the Senior Lien bonds, which they kept at AAA and the Subordinated Lien bonds which they lowered from AAA to AA+, which says they will keep watch on future events that may necessitate future changes. The rating outlook can play into the pricing. One would prefer to have a stable outlook rather than a negative outlook.

Felipe Zubia: He thanked John McGee for the financial report and for finalizing the bond issue. He asked if the Legislature knows of the technicalities of the issue and the hoops ADOT must jump through to make this a successful issue.

John McGee: Mr. Fink and Mr. Bogart have had several conversations with the Governor's Office of Strategic Planning and Budget. They are very aware of what happened and the impact it has had on ADOT's ratings and the impact it has had on the overall amount of HURF bonds the Board can sell between now and 2016. We have been told that not only do they understand it, but they are looking at ways to address it in the next Legislative session. We are hopeful that some change in the flow of funds from HURF into the State Highway Fund will be made during the next Legislative Session.

Felipe Zubia: Even if they do fix it, you have to wait for that ripple to work its way through the system because it goes to the last 12 months, right?

John McGee: That is true, depending upon the fix. There is a fix being contemplated which could significantly accelerate that kind of ripple. If they just go back to where we were before, you are exactly right; we will hit a low point around June/July 2012 in terms of what the overall coverage is and then take awhile to build that back up on a month by month basis. There are some other options being looked at that could accelerate that.

ITEM 7: Adoption of Authorizing Resolution, Subordinated Highway Revenue Bonds, 2011 Series – John McGee

John McGee presented a request that the Board approve the 2011 Subordinated Highway Revenue Bond Resolution, supplementing and amending the 1991 Subordinated Resolution Adopted September 27, 1991, and authorizing the issuance of not to exceed \$600,000,000 aggregate of Subordinated Highway Revenue Bonds.

This resolution was included in the Board agenda packet. Also included was the cover page in the FMS packet. The resolution requires, under Section #7, that a copy of the Preliminary Official Statement, Escrow Agreement and Continuing Disclosure Resolution be available at this meeting and on file with the Secretary of the Board. I have made those documents available with Ms. Alberty. In addition, each of you was emailed a copy of the Preliminary Official Statement for your information and review.

He pointed out that this resolution is similar, in all material respects, to past Subordinated Highway Revenue Bond resolutions approved for prior issues, other than that one possibility under consideration by ADOT is issuing a series of the 2011 HURF Bonds on a federally taxable basis. However that decision will be made by the Director or Assistant Director at the time of the pricing and sale.

John McGee recommended approval of the Resolution.

Bobbie Lundstrom: What is the Bond interest rate?

John McGee: The rate on each maturity of bonds carries its own negotiated rate, determined on the day of pricing.

Motion to approve the Resolution made by Steve Christy and a second by Felipe Zubia, in a voice vote, motion carries. Note: Victor Flores did not participate in the vote.

ITEM 8: Appointment of Underwriters, Subordinated Highway Revenue Bonds, Series 2011 – John McGee

John McGee presented a Resolution to appoint a syndicate of managing underwriters so that the Series 2011 Subordinated Highway Revenue Bond issue could be priced and sold on a negotiated basis. Due to the size and complexity of the issue, we believe that it is in the best interests of the Board that this issue be priced as a negotiated sale.

Included in your packet, and made available to you previously, is our recommended makeup of the syndicate. That recommendation is as follows:

RESOLUTION

RESOLUTION OF THE STATE OF ARIZONA TRANSPORTATION BOARD APPOINTING MANAGING UNDERWRITERS FOR ITS PLANNED ISSUANCE OF SUBORDINATED HIGHWAY REVENUE BONDS, SERIES 2011.

The Board hereby appoints the following firms to act as managing underwriters in connection with its planned issuance of Subordinated Highway Revenue Bonds, Series 2011.

Merrill Lynch, Pierce, Fenner & Smith Incorporated	40% assigned liability
Barclays Capital Inc.	15% assigned liability

Ramirez & Co, Inc.	15% assigned liability
Citigroup Global Markets Inc.	5% assigned liability
J.P. Morgan Securities LLC	5% assigned liability
Morgan Stanley & Co. Incorporated	5% assigned liability
Piper Jaffray & Co.	5% assigned liability
Stifel, Nicolaus & Company, Inc./Stone & Youngberg	5% assigned liability
Wells Fargo Bank	5% assigned liability

The Board reserves the right to make changes in the management team designated above, if it is deemed to be in the best interests of the state.

Dated this 21st day of October, 2011

State of Arizona Transportation Board

Every firm that we have any recent experience with from the State's Underwriting pool was included in this deal. In addition, we have taken the somewhat unusual step of recommending that the Board appoint three Co-Senior Managers for this deal. This was done for a couple of specific reasons. First, because of the size and complexity of the deal, we thought it would be advisable to have multiple senior managers focused on the transaction, and giving us their market insights. Second, we believe each senior-manager firm brings certain skills and talents to the mix that will enable the Department to price this issue to our best advantage. John McGee recommended approval of the Resolution.

Motion to approve the Resolution made by Felipe Zubia and a second by Hank Rogers, in a voice vote, motion carries. Note: Victor Flores did not participate in the vote.

ITEM 9: Budget Update – John McGee

Item held for the next scheduled Board meeting; Study Session on November 1st.

ITEM 10: Multimodal Planning Division Report – Scott Omer

1. Update on the Intercity Rail Study - They are at the project scoping phase where they establish the purpose and need of the project. They have received press on television, radio and print throughout Phoenix and Tucson and attended open houses, street fairs and visited college campuses. They received over 1,200 online comment forms and 100 mailed comment forms. Reception has been very favorable. The comment period ended November 15th.
2. New Aeronautics Board Policy – They have worked on this the last 3 years. The State Transportation Board approved the last policy in 2003. The policy update created two documents, The Board Policy to be approved today and the ADOT Airport Development Guidelines discussed with each Board member.

- The policy makes 7 general statements:
 - Established overall policy of a safe system of airports in the state
 - Characterizes the Airport System into five categories or “Roles”
 - Commercial Aviation
 - Reliever Airport
 - General Aviation – Community, Rural and Basic
 - Provides for 5 prioritized programs dedicated to airport development
 - Federal and State Airport Development Grant Program
 - State and Local Airport Development Grant Program
 - Airport Pavement Management System
 - State System Planning and Service Agreements
 - Airport Loan Program
 - Describes resource (Aviation Fund) allocation to go to airport with largest amount of aviation activity
 - Establishes that project priorities will be done according to ADOT’s Airport Development Guidelines
 - Ensures the Aviation Fund’s dollars are maximized by taking full advantage of available federal funding
 - Supports collaborative efforts with federal agencies to establish a “Best Practices” to Airport Development in Arizona

He thanked the airport industry represented by the Arizona Airport Association. They have been engaged from the very beginning in supporting this policy. Scott Omer recommended approval of the Aeronautics Board Policy.

Motion to approve the Aeronautics Board Policy made by Hank Rogers and a second by Bobbie Lundstrom, in a voice vote, motion carries. Note: Victor Flores did not participate in the vote.

ITEM 11: Priority Planning Advisory Committee (PPAC) – Scott Omer

11a concerns establishing a new Safe Routes to School project.

Scott Omer recommended the approval of items 11a.

Motion to approve Items 11a made by Steve Christy and a second by Felipe Zubia, in a voice vote, motion carries. Note: Victor Flores did not participate in the vote.

11b concerns a utility relocation on SR303.

Scott Omer recommended the approval of items 11b.

Motion to approve Items 11b made by Bobbie Lundstrom and a second by Hank Rogers, in a voice vote, motion carries. Note: Victor Flores did not participate in the vote.

11c - e concerns project deferrals to FY12.

Scott Omer recommended the approval of items 11c - e.

Motion to approve Items 11c - e made by Steve Christy and a second by Hank Rogers, in a voice vote, motion carries. Note: Victor Flores did not participate in the vote.

11f - h concerns various design and construction projects.

Scott Omer recommended the approval of items 11f - h.

Motion to approve Items 11f - h made by Steve Christy and a second by Bobbie Lundstrom, in a voice vote, motion carries. Note: Victor Flores did not participate in the vote.

11i concerns the Airport Pavement Management program.

Scott Omer recommended the approval of items 11i.

Motion to approve Items 11i made by Bobbie Lundstrom and a second by Hank Rogers, in a voice vote, motion carries. Note: Victor Flores did not participate in the vote.

11j - ii concerns various Airport programming projects.

Scott Omer recommended the approval of items 11j - ii.

Motion to approve Items 11j - ii made by Hank Rogers and a second by Steve Christy, in a voice vote, motion carries. Note: Victor Flores did not participate in the vote.

ITEM 12: State Engineer's Report – Jennifer Toth

1. From Item A) 1. ADOT's Preparation for Dust Storms.

- Dust storms are a challenge because they often occur with little or no warning especially in the region along I-10 between Tucson and Phoenix and along I-40. If ADOT receives advance notice, including an advisory or warning posted by the National Weather Service, ADOT uses the system of overhead message boards to advise drivers of blowing dust or limited visibility ahead.
- ADOT works with stakeholders, including the federal government, on the issue of reduced visibility created by dust storms. Solutions to the problem are difficult, especially when there are large pockets of undisturbed dry land with little vegetation, cultivated farm land with dirt that is loosened between growing seasons, and dry river beds and washes, stretching for miles on either side of highways such as I-10.
- Other technology holds some promise for the future. ADOT received in 2008 a Rural Safety Innovation Grant. We are implementing and testing a Dust Storm Warning System along I-10 east of Willcox. It is an expansion of our Roadway Weather Information Stations. When operational, this system includes weather monitoring stations, closed circuit cameras, warning signs with flashing lights as well as overhead message boards. Designed to detect weather changes such as increasing wind speed or reduced visibility along a 20 mile stretch of I-10 between Bowie and San Simon. We will continue to monitor that as it progresses through the grant application phase.

Steve Christy: This has been a significant set of situations along I-10 in my district that has received a great deal of scrutiny from the media and citizens. He appreciates the attention that ADOT is giving it. We understand that a dust storm is so unmanageable and unpredictable because it is an act of nature. But, we do have a resource of a very respected and long time

investigative journalist in Tucson who contacted him regarding this. One resource we do have is the University of Arizona – the Department of Atmospheric Sciences can very accurately and finitely predict through environmental variables when a dust storm will develop and occur. He will give Ms. Toth the name and telephone number of the professor who heads up that department.

He requested ADOT or DPS coordinate with the weather scientist to warn motorists and keep him informed.

Jennifer Toth:

2. The American Council of Engineering Companies (ACEC) gave out their Engineering Excellence Awards on October 15th. 7 ADOT projects were recognized:

The Judges Choice Award - US93 Hoover Dam to MP17, AMEC was the designer

Grand Award winners-

SR179 Oak Creek Village to Sedona, AECOM

SR88 Fish Creek Hill on the Apache Trail, Kimley Horn Associates

Loop 202 Red Mountain Freeway, URS

Honor Award winners-

Loop 303 Happy Valley to Lake Pleasant, AZTEC

Loop 303 TI's, Cactus, Waddell and Bell Roads, Kimley Horn Associates

I-8 & 16th Street widening, Parsons Brinckerhoff

We appreciate and celebrate those awards with the consultants.

3. Jennifer Toth reported that there are 132 projects under construction valued at \$934M contract value. 11 projects finalized in September, valued at \$32.7M and fiscal year to date has seen 30 projects finalized.

ITEM 13: Construction Contracts – Jennifer Toth

Jennifer Toth noted the protest by Combs Construction Co. was withdrawn and recommended the approval of Contract Item 13a.

Motion to approve Item 13a, made by Hank Rogers and a second by Steve Christy, in a voice vote, motion carries.

Jennifer Toth recommended the approval of Contract Item 13b.

Motion to approve Item 13b, made by Bobbie Lundstrom and a second by Steve Christy, in a voice vote, motion carries.

Jennifer Toth recommended the approval of Contract Item 13c.

Motion to approve Item 13c made by Felipe Zubia and a second by Victor Flores, in a voice vote, motion carries.

ITEM 14: Public Private Partnership (P3) Update – John McGee

Item held for the next scheduled Board meeting; Study Session on November 1st.

ITEM 15: Letter of Response – National Park Service’s Draft Environmental Impact Statement – Bobbie Lundstrom

Member Lundstrom presented a letter of response to the National Park Service on a Draft Environmental Impact Statement regarding flight noise in the Grand Canyon.

Bobbie Lundstrom recommended the approval of the Letter of Response.

Motion to approve the Letter of Response made by Steve Christy and a second by Bobbie Lundstrom, in a voice vote, motion carries.

ITEM 16: Comments and Suggestions

Steve Christy: He would like an update on dust control for I-10.

Hank Rogers: He would like the rest areas back on the agenda.

Bill Feldmeier: The rest areas will be covered at the Study Session.

Adjournment: the next scheduled Board meeting will be a Study Session on November 1, 2011 in Phoenix, AZ. The next regular meeting will occur on November 18, 2011 in Florence, AZ.

The meeting was adjourned at 11:15 am.



John Halikowski, Director
Arizona Department of Transportation



Bill Feldmeier, Chairman
State Transportation Board