

MINUTES
STATE TRANSPORTATION BOARD STUDY SESSION
12:00 p.m., Tuesday, February 4, 2014
Human Resource Development Center (HRDC)
Grand Canyon Room
1130 North 22nd Avenue
Phoenix, 85009

(Amended)

Pledge of Allegiance

The pledge was recited by Board Member Joe La Rue.

Roll Call

Roll call by Board Secretary Lila Trimmer

In Attendance: Steve Christy, Kelly Anderson, Joe La Rue, Jack Sellers, Bill Cuthbertson, and Deanna Beaver

Absent: Hank Rogers

Call to audience

No one at this time.

In The Matter Of:
Arizona State Transportation Board
Board Meeting

Reporter's Transcript of Proceedings
February 04, 2014

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ARIZONA STATE TRANSPORTATION BOARD
(Study Sessions: Excerpted proceedings)

February 4, 2014

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STUDY SESSION PART 1

(Excerpted proceedings: ITEM 1: Financial Overview; ITEM 2: 2015-2019 Tentative Five-Year Transportation Facilities Construction Program Review; ITEM 3: Overview of Transportation Board Duties and Open Meeting Law)

MR. CHRISTY: Seeing and hearing none, I'll move on to the agenda to Item 1, which is a financial overview, which will be presented by the Department's CFO, Kristine Ward.

Ms. Ward.

MS. WARD: Good afternoon.

MR. CHRISTY: Good afternoon.

MS. WARD: Well, I see an (indiscernible) popped up in (indiscernible) land.

Okay. My presentation is broken down in primarily two components.

STAFF MEMBER: You have to speak into the mic.

MS. WARD: How's this?

(Interruption in proceedings)

MS. WARD: All right. Well, my presentation is broken down primarily into two components. The first

1 component is associated with fiscal constraints, so this
2 is basically my agenda for the presentation.

3 When we concluded -- when we were coming to
4 conclusion of the last program and looking to vote on that
5 program, the 18 -- the '14 through '18 program, one of the
6 topics or -- or some comments I heard were -- well, they
7 almost made my hair straight, and it's with regards to
8 fiscal constraint and why do the -- why do the numbers
9 matter. Of course, to a CFO, numbers matter a lot.

10 So one of the things I was -- I thought I
11 would start out with in this presentation is to kind of go
12 over why we -- we adhere to fiscal constraint, what is
13 fiscal constraint, and why is it so important.

14 So basically, the short answer to what
15 fiscal constraint is is that thou shalt not spend more
16 than thou expects in revenues. Okay?

17 So that policy comes to us from a couple of
18 different angles -- places. And to start with, it comes
19 to us from the board's policy. What you see here is an
20 excerpt from the November-approved board policy. And one
21 of the things you'll find, kind of the verb -- the words
22 you'll find throughout this, speak to a -- a conservative
23 financial approach.

24 Now, I'd like to focus kind of on two of the
25 bullets that you see up there. One is the first one, (A)

1 developed on a cash flow basis and ensuring reasonable
2 cash balances. So I'll start with that one. Then I'll go
3 to judicious use -- we'll go to bonding authority. And
4 then we'll go into -- you know, all of this is under the
5 auspices of fiscal constraint.

6 Let's talk about cash balances and
7 maintaining adequate cash balances. We struggle as a
8 department right now to do just that. The revenues that
9 are flowing into HURF and then subsequently flowing into
10 the state highway fund, are just barely meeting our debt
11 service requirements. So you've got various distributions
12 that come out of HURF. One of those distributions goes
13 into the state highway fund, and then there are a series
14 of costs that pull against those -- those revenues that
15 flow into the state highway fund.

16 We, as an agency, are require- -- relying
17 heavily on bond proceeds to -- to meet our federal match
18 requirements because our cash position is so poor.

19 So in times like these, when you've endured
20 the things that the Department has endured and you the
21 board have endured with the program being reduced and so
22 forth, when you come to those -- those points in time, it
23 is all the more necessary that we maintain a very
24 conservative fiscal approach when we develop our program.

25 The next thing I -- and let me provide a

1 little context for you there. The state highway fund used
2 to maintain balances that ranged from anywhere from 200 to
3 400 million dollars. I would love to have experienced
4 those days.

5 These days, what we are running is anywhere
6 from 1 to 2 million dollars.

7 We are, like I said, using bond proceeds in
8 order to may- -- meet those match requirements.

9 Things to -- also to keep in mind, our
10 payroll, the Department's payroll, runs \$10 million every
11 two weeks. Our contractor payments run anywhere from 25
12 to 65 million dollars a month.

13 So -- and we have to meet our federal match
14 requirements in order to make sure we draw down every
15 federal dollar available to us.

16 You've probably heard quite a bit about the
17 HURF Swap and the desire to reinstitute the HURF Swap.
18 The reason that swap was discontinued is because of the --
19 the difficult cash position that the Department finds
20 itself in.

21 Yes, sir.

22 MR. CHRISTY: Could you describe the HURF
23 Swap (indiscernible).

24 MS. WARD: Sure.

25 MR. CHRISTY: Define it.

1 MS. WARD: It is -- the HURF Swap Program
2 was one in which the Department would exchange federal
3 dollars that were discretionarily -- that were
4 suballocated to the local -- to MAG, PAG, and the Greater
5 Arizona, and what we would do is we'd say, okay, these are
6 the federal dollars you would otherwise get, with all
7 their lovely restrictions, and we will keep those dollars,
8 and in exchange, we will give you state highway fund
9 dollars, and therefore, you are not encumbered by the
10 restrictions that come with the requirements of federal
11 aid.

12 Does that make sense, sir?

13 MR. CHRISTY: I just didn't want to it to be
14 confused with the HURF sweep.

15 MS. WARD: Oh, yeah. Well, people generally
16 smile with HURF Swap and no one smiles with HURF sweep.

17 So what I'm trying to present to you is this
18 position, this cash position and the financial
19 circumstances we find ourselves in, make it all the more
20 imperative that we maintain a program that is fiscally
21 constraining.

22 MR. CHRISTY: Mr. La Rue.

23 MR. LA RUE: Kristine, has the board ever
24 defined either through words, the definition of
25 reasonable -- reasonable cash balance or through our

1 actions?

2 MS. WARD: Mr. Chair, Mr. La Rue, I am
3 not -- I do not know that. I do not know that answer.

4 MR. LA RUE: And what would your
5 recommendation --

6 MS. WARD: But I can find out.

7 MR. LA RUE: What would your recommendation
8 be on a reasonable cash balance as what's contained in
9 this board policy?

10 MS. WARD: Mr. Chair and Mr. La Rue, what
11 has been used in the past, has been an 8-week -- 8 weeks'
12 worth of operating balance.

13 At the time of the -- the cash balance
14 seldom ever got close to that. But in this day and age, I
15 would recommend 135 to 150 million dollar balance that is
16 based upon a number of factors. First, we looked at the
17 expenditures that we typically have to meet. As I was
18 discussing with you, we have con- -- the contractor
19 payments running anywhere from 25 to 65 million dollars in
20 a month. We have our regular payroll. Plus, we have a
21 risk that, oh, has occurred a couple of times in my tenure
22 here, and that is where we have a breakdown in
23 communication, a breakdown in interface between ^ femmus,
24 which is the federal system against which -- that
25 generates our reimbursements of federal aid. When you

1 consider that -- that -- when that happens, if it happens
2 on a contractor's cycle, it means that the state highway
3 fund needs to be able to absorb and maintain a balance
4 adequate to make those con- -- to deal with those
5 contractor payments.

6 So what, as we go forward, should things
7 like the HURF Swap also be added into this mix? I would
8 recommend that balance be increased, so you make sure that
9 you don't find yourself in a difficult position of not
10 being able to meet some of our statutory mandates.

11 MR. CHRISTY: Thank you.

12 MS. WARD: This next slide, this is a
13 language that is an excerpt from the Code of Federal
14 Regulations. Aside from our board policy, the state
15 trans- -- the C.F.R. requires that the State
16 Transportation Improvement Plan be fiscally constrained.
17 And you'll -- I've underlined certain language here. And
18 what they -- what it emphasizes is that revenues must be
19 reasonably expected or reasonably anticipated to be
20 available.

21 Now, if the -- the STIP is not fiscally
22 constrained, the -- the next time that the board and the
23 Department go to update that document, FHWA will not
24 approve the document. It has to be fiscally constrained.
25 No approved STIP, if you do not have an approved STIP, you

1 do not have the federal aid flowing.

2 To emphasize -- you know, you sometimes
3 wonder, well, do they make up all these regulations and
4 does anybody actually pay attention to them. Well, on
5 March 2011, the Department was issued a letter from FHWA,
6 and in that letter, it specified that the Department had
7 not provided adequate information to make clear that the
8 program was fiscally constrained.

9 Now, let me just start off right there, that
10 we have revamped, completely revamped our presentation in
11 the STIP, our financial presentation, and that requirement
12 or that finding -- I don't -- I'm reluctant to use the
13 word "finding" because it is not a formal audit, but that
14 finding, essentially, has been removed. We have satisfied
15 it.

16 The last -- so if we don't have enough in
17 board policy and we don't have enough in the C.F.R.
18 requirements, then we have our commitment to our
19 investors. Fiscal constraint is essential for our -- to
20 maintain our bonding program. There are numerous
21 documents that we have to sign and attest to at the time
22 we choose to issue bonds. And those documents are signed
23 to -- signed by various members of the Department and the
24 board, the chairman, the director, as well as myself.
25 Examples of what these are would be our preliminary

1 official statement. The statement goes out to potential
2 investors and speaks to the Department's position,
3 financial position. It also speaks to the process that we
4 go through in developing the program and developing our
5 estimates.

6 We then on an annual basis provide financial
7 updates through our continuing disclosure requirements to
8 investors.

9 Likewise, we have rating agencies out there.
10 And they are checking on us regularly to ensure that we
11 are maintaining a fiscally sound policy. The Department
12 currently has a ^ AA2 ^ Aa2 rating, from Moody's, and a
13 ^ AA+ ^ Aa+ rating for our subordinate credit. And how
14 that is defined, it's state -- the rating agency is
15 essentially saying, that an obligor -- in this case the
16 Department -- has a very strong capacity to meet its
17 financial commitments. And keep in mind, it differs
18 that -- these ratings differ from the highest rating by
19 only a very small margin. So we are -- given our fiscal
20 situation, given our financial situation, we are in an
21 exceptional position, given the fact that we have the --
22 the limited funding that we have. And the reason we have
23 that is because we have maintained, historically
24 maintained, a very fiscally conservative and prudent
25 approach to our -- to our programming.

1 Mr. La Rue?

2 MR. LA RUE: It would cause a whole series
3 (indiscernible). Do you trade off your really prudent
4 rating for more projects by in putting an element of risk
5 and taking more projects, because just because you have
6 ^ AAs ^ Aa's, that's great, but you could go down to a
7 single A and maybe get more projects (indiscernible). But
8 that's for another discussion (indiscernible).

9 MS. WARD: I would be happy to have that
10 discussion, if you would (indiscernible) it sometime.

11 Do you have any questions with regards to
12 this part of my presentation, because that concludes my --
13 the section on fiscal constraint.

14 MR. CHRISTY: (Indiscernible) we get STIP?

15 MS. WARD: Statewide -- state
16 transportation --

17 MR. ROEHRICH: Improvement program.

18 MS. WARD: Thank you. Sometimes acronyms,
19 the words associated, fall right out of my head. I have
20 to go back to my notes.

21 You're very helpful.

22 MR. ROEHRICH: You're doing wonderful.

23 MS. WARD: Oh, thank you, sir.

24 With that, I'd like to move on to the
25 financial plan for the five-year program. And this is for

1 the '15 through the '19 program.

2 I'd like to start with a review of where we
3 ended 2013, because it forms and influences significantly
4 the upcoming program, the '15 through '19 program.

5 So with HURF, a picture says a thousand
6 words. Flat tire. We had negative .7 percent growth in
7 HURF revenues for FY 2013, and this was after a stellar
8 year of FY 12 of .5 percent growth and a previous year,
9 FY 11 of more breath-taking growth of .9 percent. This
10 is -- this does not -- this certainly does not paint a
11 rosy picture for HURF and where it has been the last few
12 years and its recovery.

13 The result of that negative .7 percent is a
14 67 million dollar hit to the state highway fund and the
15 current program of '14 through '18.

16 With regards to gasolines, gallons sold and
17 the price per gallon, we hit in FY 13 the lowest number of
18 gallons sold in the last 10 years. It was negative 1.4
19 percent growth in gallons sold. Basically the millennials
20 are much more entertained with their bones than they are
21 running around.

22 And even though we are seeing population,
23 which is growing again, so we have -- we have more people,
24 we are seeing vehicle miles traveled with very small but
25 marginal growth of .6 percent. They're start -- so people

1 are starting to drive a little bit more. But
2 unfortunately, well -- or fortunately, however you look at
3 it, they are driving more fuel-efficient vehicles.

4 As I mentioned, the population is -- this is
5 to speak to -- this slide speaks to per capita growth. We
6 are seeing some -- as I mentioned, some slow growth in the
7 population in 2012, the latest numbers we have, at around
8 1 percent. And you would -- you would expect that as our
9 population increases, that at least our per capita tax
10 revenue would at least remain flat and we wouldn't
11 continue to see declines.

12 And with the VMT growth, albeit minor,
13 efficiency, just seems -- fuel efficiency just seems to be
14 the culprit here.

15 Use fuel. Well, the use fuel numbers were
16 worse than the gas numbers, and use fuel -- excuse me --
17 well, I should specify -- is diesel. Use fuel, a little
18 more depressing than gas tax, in FY 13, we experienced
19 negative 2.3 percent growth after FY 12, a negative 2.1
20 percent growth. The volume of containers, you know -- an
21 influence here is how many things are being brought in on
22 ships into our long -- Long Beach and LA ports, and what
23 we're seeing there is we have largely flat growth in the
24 containers coming into those ports, and we are actually
25 back at 2005 levels. I can't exactly explain it, but they

1 are the numbers that we are coming across. I would
2 naturally expect to see greater number of containers
3 coming into those ports, given that we are seeing
4 turnaround in other sales tax revenues. But that is -- is
5 not the case.

6 Vehicle license tax -- I couldn't resist,
7 it's our lifesaver. In FY 13, we had new car
8 registrations 25 -- 25 percent growth in new car
9 registrations. Now, granted, that -- that equates to
10 274,000 cars. 274 -- we purchased 274,000 new cars.

11 In 2004, however, let's keep in mind that we
12 purchased 406,000 new cars. So we are not back up to the
13 levels of -- of 2004 by any means.

14 New to Arizona, who --

15 MR. CHRISTY: Those are new cars.

16 MS. WARD: That is correct, sir.

17 New to Arizona, those folks that are moving
18 into Arizona and bringing their cars and paying VLT on
19 those cars, that was 20 percent growth in 2013 or 22,000
20 folks bringing in and registering their cars and paying
21 the VLT.

22 Renewals, thankfully, we can say are -- we
23 experienced 2 percent growth after virtually no growth for
24 the last three years, and actually, this was our strongest
25 growth since 2007. This is essential, because that fleet

1 is depreciating at 16 -- 16-and-a-quarter percent every
2 year, that VLT is getting depreciated, so we needed to get
3 those new cars into the -- into that fleet to start
4 lifting up that average VLT payment.

5 This shows you what average V --

6 MR. CHRISTY: Mr. La Rue.

7 MR. LA RUE: No, it's a little bit of an
8 aside, Kristine, I don't think you can do anything about
9 it, but I'll ask (indiscernible), along is maybe on the
10 new vehicles coming to Arizona, if we could figure out how
11 people could license their vehicles a little bit easier,
12 I've had a couple of stories related to me because -- you
13 know, now that I see these numbers, everybody I see with
14 an out-of-state license plate that I know has moved here
15 and has a job, I say, you guys need to go down and get new
16 plates, hoping that, you know, bump these numbers. And a
17 few stories that have been related back to me is it takes
18 like six forms of ID to -- to get a new plate, and when
19 folks have gone down there with passports, driver's
20 license, social security cards and been turned away
21 because they didn't have a marriage license certificate.
22 And -- and it's -- and I had never gone through the
23 process, or I have 40 years ago. But, you know, maybe
24 looking at what the process is and if there's an easier
25 way to do it, because I think people are trying to go down

1 and register, but we may be making it a little difficult
2 for them.

3 MS. WARD: All right.

4 I -- I am not, Mr. -- Mr. La Rue, I am not
5 familiar with the process exactly, because I haven't
6 been -- haven't done it either.

7 MR. CHRISTY: What was the (indiscernible)?

8 MS. WARD: I'm sorry?

9 MR. CHRISTY: Was not our director?

10 MS. WARD: I'm sorry, sir.

11 MR. CHRISTY: (Indiscernible) was he before?

12 MR. ROEHRICH: Mr. Chair, he -- he spent six
13 years working in Motor Vehicle Division. And --

14 MR. CHRISTY: (Indiscernible).

15 MR. ROEHRICH: Yes, I will go back and I
16 will take your comment, Mr. La Rue, to -- to the division
17 director at MVD to ask her to look at that.

18 There's quite a few things that we have to
19 follow that are in statute. And I can't tell you if it's
20 rule that the agency can go and adjust or is it a
21 statutory requirement we have to do. But we will look
22 into that.

23 MR. LA RUE: Thank you.

24 MS. WARD: With regards to average VLT, as I
25 mentioned, we -- it is starting to counteract that

1 depreciation. But as you can see, we have a long way to
2 go to get back to the levels of 2007 and 2008, when we
3 experienced an average VLT of 150, and we're -- we're now
4 down at a 125.

5 If there are no questions on that fund
6 source, I will move on to federal aid.

7 MR. CHRISTY: Please. Oh, excuse me.

8 Mr. Anderson.

9 MR. ANDERSON: (Indiscernible) seeing the --
10 basically seeing in terms of (indiscernible) miles
11 traveled (indiscernible).

12 MS. WARD: Mr. Chair, Mr. Anderson, you are
13 correct. And, in fact, as we go into federal aid and
14 start discussing the Highway Trust Fund. The federal
15 Highway Trust Fund, that fund is experience --
16 experiencing the same thing. The difficulty is the
17 underlying basis for the revenues, for various reasons.
18 It's -- you know, whether it be that, you know, on -- the
19 development of alternative -- alternative-fuel vehicles,
20 or whether it be associated with the fact that the gas tax
21 is not indexed, and then the fact of gas prices being what
22 they are, it's a combination of factors that everyone is
23 experiencing.

24 With regards to federal aid, a comp- -- it
25 comprises over 75 percent of the pro- -- the funding going

1 into the statewide program. So the assumptions and the
2 projections for this fund source have a significant impact
3 on what we can do in terms of programming projects.

4 This next slide basically is to communicate
5 that the federal Highway Trust Fund is insolvent. The
6 revenues are not adequate to maintain the present
7 authorization levels that Congress has -- has enacted over
8 the last few years. The CBO, Congressional Budget Office,
9 has actually incorporated growth rates into this. So this
10 is -- this is after growth has been accounted for. In
11 order -- what this chart ends up depicting is that in
12 order for the federal -- in order for current
13 authorizations to maintain at their -- at their current
14 levels, that the federal general fund will need to
15 contribute and bail out the Highway Trust Fund to the tune
16 of \$15 billion or more per year, going forward.

17 That -- yes, sir, that's billion. That was
18 a "B."

19 As you know and have probably heard with
20 regards to Map-21, our most recent, quote, long-term
21 reauthorization, it only provided -- while traditional
22 reauthorization bills have provided us 5 to 6 years,
23 Map-21 only provided us 24 months. And begin -- which
24 began in October 2012 and ends in September 2014, the
25 first year of the Tentative Program cycle.

1 That being said, given this data on the
2 Highway Trust Fund and this next slide, it conveys why it
3 is all the more imperative that we take a very
4 conservative approach towards our forecasting of federal
5 aid. This chart reflects the Highway Trust Fund projected
6 cash balances -- and we got this chart about 2 months ago
7 from FHWA -- the Highway Trust Fund is anticipated to go
8 into a negative position between August and September of
9 this year. In order to maintain timely reimbursements to
10 states, FHWA has stated that their -- and their financial
11 office has stated that they need to maintain a \$4 billion
12 balance in the Highway Trust Fund.

13 The ^ hit bal- -- -- the Highway Trust Fund
14 balance is anticipated to go below the 4 billion between
15 July and August.

16 Now, if that occurs, if you go to the FHWA
17 website, what they'll tell you, if that occurs, they're
18 looking to move -- to decrease the frequency of their
19 reimbursements, so if a state is receiving daily
20 reimbursements, they would perhaps go to weekly
21 reimbursements. I'll tell you for Arizona, we're on a
22 weekly reimbursement schedule. Another option would be
23 they would align reimbursements with trust fund deposits.
24 Apparently, the revenues are deposited into the Highway
25 Trust Fund by -- twice a month. Or they would look to

1 make proportional payments to states based on the trust
2 fund balance.

3 Until Congress provides a long-term solution
4 for the insolvency of the Highway Trust Fund and due to
5 the five-year program being primarily supported by federal
6 aid, estimates for future federal aid need to be
7 conservative.

8 If there are no questions on federal aid, I
9 will move on to our debt program.

10 MR. CHRISTY: Any questions?

11 MS. WARD: What this slide depicts is where
12 we currently stand as of the end of FY 13 in terms of
13 outstanding debt, principal. We have a total outstanding
14 debt of almost 3 billion dollars, 2 -- 2955, let's round
15 it up to 3: HURF about 1.7 billion; RARF about 926
16 million; and in GAN, which are those issues that we issue
17 debt in order to leverage future federal revenues, we have
18 about 200 -- about 300 million dollars outstanding.

19 Our current coverage level and particularly
20 for -- and I'm speaking to HURF -- is 3.64 times. And if
21 you'll recall the significance of that is that in order
22 for us to issue bonds, we have to have 3 dollars of
23 revenue for every dollar of maximum annual debt service.

24 So let's -- I'm just going to make some
25 numbers up here -- well, not entirely. If you have -- we

1 currently have a maximum annual debt service of around 160
2 million dollars. We have to have 3 times that amount of
3 revenue flowing into the state highway fund before we can
4 consider issuing subordinate debt bonds.

5 So you might say to yourself, hey, well,
6 that's 3.64.

7 Well, there is that other pesky thing that I
8 was talking to you about, which is cash. We have to be
9 able to pay the -- the subsequent debt service. And we do
10 not have adequate cash to issue bonds and pay the
11 subsequent debt service associated with the issue.

12 MR. CHRISTY: So you're conveying that we
13 are maxed out as far as bonding capacity.

14 MS. WARD: At this point, yes.

15 MR. CHRISTY: And how --

16 MS. WARD: But with -- I'm sorry, sir.

17 MR. CHRISTY: How long do you think --

18 MS. WARD: Mr. Chair, as we -- as I go
19 forward any presentation, what I -- you will find that I
20 have built some bonding into the five-year program at
21 those points where we can afford that capacity, that
22 additional -- those additional issues.

23 MR. CHRISTY: As dire as it sounds, one
24 thing that has been favorable, of course, is the interest
25 rates on the bonds. So if we have any time to go in the

1 bonding, (indiscernible) been the last couple of years.
2 Right?

3 MS. WARD: Mr. Chair, you are correct. And,
4 in fact, this board authorized the largest issue that the
5 Department ever did in January of 2013. We went to the
6 market, and we refunded approximately 600 million dollars'
7 worth of our existing, outstanding debt, so we have got it
8 down to -- we refunded everything we could that -- well,
9 that was appropriate to, given the interest rates. So we
10 took advantage of that, sir.

11 MR. CHRISTY: I'm sure (indiscernible) the
12 board's credit, then -- to the board's credit that this
13 all happened.

14 MS. WARD: Absolutely.

15 MR. CHRISTY: Thank you.

16 MS. WARD: Did that sound good? No.

17 MR. CHRISTY: Mr. (Indiscernible).

18 ^ BOARD MEMBER: No, that was my other
19 point, I think it was the December meeting in Nogales,
20 (indiscernible) 2012, that we -- we did that
21 (indiscernible). I think it threw Mr. Feldmeier [phonetic]
22 for a loop in terms of if we had not done, what would we
23 have done (indiscernible).

24 MS. WARD: Yeah. Mr. Chair, Mr. Anderson,
25 you are correct. I mean, if we issued -- besides the

1 refunding, we issued 230 million in new money that with
2 the purpose of -- the difficulty was is that we had hoped
3 that revenues would turn around, and in the out-years of
4 the program, we would start having revenues that at least
5 met what we had previously experienced. So at that point
6 in time, we had a program that was really in the long-term
7 financial structure, was a structural imbalance. It
8 was -- it just didn't work.

9 So what we ended up doing, in order to
10 preserve the first couple of years of the program and then
11 take the years in the outer years of the program, is we
12 bonded to facilitate the most current spending, and then
13 in the out-years, that's when you were faced with and
14 voted on the 250 and then -- and the 100 million dollar
15 cut.

16 So we -- you -- if you were to look at the
17 program year over year, what you would find is that the
18 program in FY 13 will look much higher, and then '14 will
19 look -- will lower, lower, lower until you get to '16, and
20 then there's this drop because that was the period in time
21 when we thought by which -- by this time, we will -- we'll
22 start to see some recovery.

23 And we just didn't. And so we had pushed a
24 lot of projects and a lot of cost out in that -- in that
25 program. And unfortunately, that's -- the outcome of that

1 was the -- was the program that you got presented with
2 last year. And the current program.

3 MR. CHRISTY: Mr. La Rue.

4 MR. LA RUE: Kristine, there's no RARF bonds
5 that's (indiscernible) past 2025. Is that because of the
6 limitation by the bond or?

7 MS. WARD: With RARF right now, we do
8 have -- this is the statement. This is as of the end
9 2013. We do have additional bond issues built in to the
10 MAG cash flow for future years.

11 Right now, however, the MAG cash flow, the
12 cash flow that funds the RTFP -- RTPFP, that cash flow has
13 got significant cash balance right now. And that's
14 because the South Mountain project has had to be moved
15 out, and as those expenditures have moved out, issues, the
16 need for issuing bonds has also moved out.

17 So that's why you don't -- that's -- we're
18 holding on to that bonding capacity. And when ...

19 So with that, I'd like to go into the
20 Tentative Program funding.

21 MR. CHRISTY: Any board members have any
22 questions?

23 MS. WARD: I thought I would spend just a
24 minute on our forecasting process. The Department employs
25 a process called RAP for -- to complete its forecasts.

1 And that -- and RAP stands for the Risk Analysis Process.

2 That process involves convening somewhere
3 between 10, I think it has reached as high as 15,
4 different panelists that are national and Arizona
5 economists and experts that review and forecast a series
6 of variables. Some of those variables are things like
7 population growth, personal income growth, and non-farm
8 employment. These are variables that were identified as
9 having significant influence and correlation with our
10 HURF -- the factors, the feeders into our HURF revenues.

11 Those variables are reviewed annually, and
12 they are reviewed annually by a contractor, HDR, that the
13 Department -- the Department contracts with.

14 Each panel member within that 10 to 15
15 people, provide us estimated growth rates for each of the
16 variables identified. Those estimated growth rates from
17 all of the panel members go in and are loaded into a model
18 that HDR built for the Department some time ago and is
19 updated and reviewed on a -- I think every two -- two
20 years. That just fell out of my head. It might be three.

21 And the growth rates from those various
22 revenue sources are then provided -- it goes into that
23 model, growth rates are provided back to the Department,
24 and those growth rates are associated with various
25 confidence intervals.

1 So as you can -- as I'm hoping I'm
2 conveying, this is not some person just -- a single person
3 sitting in a room thinking, oh, my goodness, what would I
4 like to see, what do we think the forecast will be. It is
5 not the magic eight-ball situation over there.

6 In -- with this most recent forecasting
7 period -- we start that forecasting period and process in
8 August. It got a little -- had a hiccup this year because
9 of the federal shutdown. But -- and we will be pushing
10 quite heavily to make sure it happens more quickly this
11 year.

12 But what we got out of the November 2013
13 forecast, what this slide shows you is a comparison for
14 the same years, for the same time period, what they
15 projected in November 2013 versus what they had projected
16 in October of 2012. The numbers represent the RAP panel
17 forecasts at a 50 confidence interval. And for the five
18 period -- five-year period shown, that basically, that
19 transition from October 2012 to November 2013 reduced our
20 forecasts by 167 million dollars.

21 The main reason for that and why I've spent
22 time on 2013 is because the -- those changes are largely a
23 result, that growth rate, those growth rates are very
24 similar to the growth rates that we had in the October
25 2012 forecast. But when the base changed, when 2013

1 revenues came in lower than expected, we were growing off
2 of a lower base. So the result is it largely took 167
3 million out of our -- out of our estimates.

4 Population estimates, we're running between
5 1-and-a-half and 2 percent; employment 2 to 3 percent; gas
6 prices, which you'll kind of notice in the initial years,
7 the growth rate goes from 3.1 to 2.5 percent growth on
8 2015, those first couple of years, the reason those growth
9 rates aren't more aligned is because the panel estimates
10 negative gas tax growth in those first couple of years,
11 and then we start seeing increases in the outer years.

12 This is just a different representation, and
13 you'll see that the 167 million dollars in reduction to
14 the forecasts, and you'll see the variation in our average
15 compound growth rate, it gets adjusted down from the 3.6
16 from the October '12 forecast to 3.4 in the October '13
17 forecast.

18 So those are -- that's how our HURF revenue
19 estimates were built.

20 Now I want to talk to you a little about
21 what we've assumed going into the '15 to '19 program in
22 terms of federal aid.

23 For all the reasons I've mentioned, the
24 federal aid revenues that are built into the Tentative
25 Program assume no growth. Map-21 ends in September. The

1 Highway Trust Fund is insolvency -- insolvent. And that
2 is after we have built in -- after CBO has built in growth
3 rates.

4 You combine that fact with the fact that the
5 Department has received decreased federal aid for the last
6 three years, '11, '12, and '13, and the fact that we went
7 through the shutdown, the federal shutdown where it --
8 depicting Congress and the president at odds, the only --
9 I feel the only prudent approach at this point is to
10 assume flat federal aid growth.

11 One of the things -- something that we did
12 adjust in our assumptions is the original '14 to '18
13 program, had eliminated additional dollars for August
14 redistribution. That is the process of when -- when
15 dollars are freed up across from all the states due to
16 earmarks where dollars weren't expended or so forth, they
17 go back into a common pot and those dollars are
18 redistributed.

19 BOARD MEMBER: Why do think there would be
20 increases in that?

21 MS. WARD: I'm going to get right there.

22 BOARD MEMBER: Okay.

23 MS. WARD: We had originally anticipated and
24 built into the estimates that that's going to go away
25 because Map-21 did away with earmarks.

1 What we actually experienced in 2013 was
2 a -- the largest August redistribution that we had ever
3 received. And -- we're like, well, what happened here?

4 Well, what happened here is there were still
5 all of those leftover earmarks to be -- oh, that released
6 dollars. And so while we -- I had banked on us getting 5
7 million dollars' worth of August redistribution, what we
8 actually got was 30 million dollars. 25 -- that 25
9 million dollars has -- been incorporated into the present
10 program. Okay. That doesn't mean I'm counting on 25
11 million dollars every year going out. That is not the
12 case. But it did make clear to us that there will --
13 while there might -- it will not be a direct turn-off of
14 the faucet; it will be a gradual decline.

15 And so during this program, we have built
16 additional dollars in for August redistribution, but they
17 decline over the years.

18 We also have experienced a release of funds
19 as projects are closed out. So I have built in some
20 additional -- and not much -- but additional funding,
21 counting on dollars -- once projects are completed,
22 certain federal -- there might be extra federal dollars
23 associated with those, so I have built in dollars for that
24 purpose, that would be coming back into the program.

25 MR. CHRISTY: Any questions from the board

1 members?

2 (Indiscernible) understand on the August
3 redistribution as well as the project closeouts
4 (indiscernible).

5 MS. BEAVER: You did very nice job.

6 MS. WARD: Thank you.

7 MR. CHRISTY: Right. Thank you.

8 MS. WARD: Moving on to the final component
9 here, as far as financing mechanisms, what we are
10 employing in the '15 to '19 program, currently, there are
11 three planned HURF issues in '16, '17, and '18. The
12 ten -- all the issues would be issued on a subordinate
13 basis.

14 Mr. Chair, you had asked about this. We
15 start to reach some capacity in these -- in these periods
16 of time.

17 I need to emphasize, though, we issue bonds
18 when we need the cash. So these -- this is plan. If we
19 find that projects are burning faster or slower and our
20 capacity increases or decreases, we will adjust how -- our
21 approach to bonding.

22 You will also note that currently what's
23 built in is all HURF issues. There are no GAN issues
24 built in here. We have -- in the numbers, we have
25 capacity there. We have not built in a GAN issue because

1 of course GANs are leveraging future federal aid. We
2 don't know what federal -- federal aid is looking very
3 risky right now. So at this point only HURF issues have
4 been built in. But if the circumstances change, if we get
5 a long-term, a decent long-term authorization, we may move
6 some of this from a planned HURF issue to a planned GAN
7 issue.

8 MR. CHRISTY: And to that point, I'm
9 certainly not advocating rushing to bonds from
10 (indiscernible) we can. But it's nice to know that we
11 have the capacity, should we need it.

12 MS. WARD: Mm-hmm.

13 MR. CHRISTY: And that -- and you're
14 forecasting it as soon as 2016.

15 MS. WARD: Yes.

16 All right. That concludes that slide.

17 So it's the combination of the forecasted
18 HURF revenues, the federal aid estimates, and the bonding
19 that ultimately supports our new fifth year, the FY 19
20 that Scott will be discussing.

21 And the numbers that we provided to MPD was
22 525 million dollars for the statewide program in fiscal --
23 in 2019. Two -- and with revenues that will support a
24 statewide program and financing mechanisms that support a
25 statewide program equating to 2.4 billion dollars.

1 Any questions?

2 Moving on, so after -- oh, I kind of throw
3 the numbers over the wall to MPD, after we develop the
4 revenue forecasts and identify the funds available for the
5 program, we then go through the Regional Allocation
6 Advisory Committee allocation. It's called the RAAC
7 allocation. And that -- is calculated.

8 Now, the RAAC allocation is the process of
9 determining the funding available that will be programmed
10 in each region, and it is an outcome of the Casa Grande
11 Resolves. In '99, as I understand it, I've read the
12 history on it, I didn't get to participate; in fact, I
13 don't think there are many participants around. And in
14 1999, the stakeholders from across the state and the
15 Department came together to discuss the allocation of
16 transportation funding throughout the state. The
17 agreement that resulted was a subsequent -- came out of a
18 subsequent meeting of the RAAC that was developed out of
19 the -- came out of the Casa Grande Accord. That committee
20 developed the -- what we currently use as the allocation
21 formula, which is 37 percent, the funding would be
22 programmed in the MAG region, 13 percent would be
23 programmed in the PAG region, and the remaining 50 percent
24 would be programmed in Greater Arizona.

25 The process for that allocation is that FMS,

1 Financial Management Services, the unit I -- the unit I
2 oversee in the Department, passes the numbers over to
3 Multimodal Planning Division, Scott's unit, and at that
4 point, various costs for things that benefit the entire
5 state are backed off of that number. Okay? Those were
6 things that were agreed to and discussed in the Casa
7 Grande Accord. And examples of those are ports of entry
8 as well as rest areas.

9 There -- then, following you taking those
10 off the top, what we call "off the top" items, we then go
11 into and look at the subprograms; for instance, bridge and
12 pavement preservation. And those are determined -- those
13 numbers are backed off of the next -- is the next
14 reduction to the number. And that is done by looking at a
15 three-year average of what was programmed over the last
16 three years, and then evening that up to meet the 37, 13,
17 50 requirement. Every dollar that's left after that, then
18 flows into -- becomes available for major projects.

19 MR. CHRISTY: If (indiscernible) memory
20 serves me correctly, at one point we requested that there
21 be an accounting of the RAAC allocation to see that indeed
22 the numbers were coming out to 37 percent, 13 percent, and
23 50 percent.

24 Have we done that?

25 MS. WARD: Yes, that is -- that -- I do not

1 have that to -- I do not have that with me to provide you
2 right now.

3 But what --

4 MR. CHRISTY: Is that an ongoing
5 institutionalized process --

6 MS. WARD: Yes.

7 MR. CHRISTY: -- annual.

8 MS. WARD: The -- when we go through the
9 RAAC distribution, that three-year average takes and it --
10 okay. So let me see if I can -- how I can do this simply.

11 Let's say you had 500 million dollars was
12 the number that I tossed over the wall to Scott and that
13 the off-the-top figures were 50 million dollars and that
14 the subprogram dollars were 300 million dollars. So you
15 take that 450, you multiply by the 37, 13, and 50. And
16 then you say, okay, well, what have been the three-year
17 averages in terms of expenditures on subprograms in -- and
18 let me -- program. Those are projects that are programmed
19 and planned in the area. You back those dollars off, and
20 then you have what's left for major projects.

21 And, Mr. Chair, what I'm trying to
22 inarticulately convey is that those numbers are normalized
23 each year for the RAAC distribution in the -- in the RAAC
24 dis- -- in the RAAC allocation process.

25 Now, one thing that I have encountered is

1 that there is a misunderstanding between programming and
2 expenditures. What the Casa Grande Accord spoke to from
3 every source that I have gathered information, the Casa
4 Grande Accord spoke to planned expenditures in a given
5 area, in a given region. And those are planned projects.

6 It does not speak to actual expenditures.
7 And the reason it does not speak to actual expenditures is
8 because the economy is -- the cash flow and so forth are
9 changing on a regular basis. The costs associated with
10 projects are changing on a regular basis. So it is nearly
11 impossible to keep track of the individual project by
12 project -- oh, did you have 5 extra dollars? Oh, do you
13 have -- are you 10 dollars over?

14 It is -- that -- that is why at the Casa
15 Grande Accord, as I understand it, that it was based on
16 programming and not actual expenditures.

17 Does that help at all, sir?

18 MR. CHRISTY: It does. I guess what I'd
19 like for is assurances through your calculations and your
20 studies and analysis that the Department is watching out
21 for those three entities receiving what was promised in
22 that accord. And if you're conveying to me and telling me
23 that from what your research tells you that, yes, they
24 are, in fact, getting 37, 13, 50, as agreed to, I'm
25 comfortable with that. I just want to iterate that there

1 is some kind of institutionalized program to monitor that.

2 And you're telling me there is.

3 MS. WARD: There is.

4 MR. CHRISTY: And you're comfortable with --
5 that these percentages are being kept accurate.

6 MS. WARD: Over a period of time, yes. You
7 cannot pick any one given year --

8 MR. CHRISTY: You're saying a three-year
9 time period.

10 MS. WARD: For the sub --

11 MR. CHRISTY: -- average kind of thing?

12 MS. WARD: Yeah, yes.

13 BOARD MEMBER: How frequently do we look to
14 validate whether or not these percentages for allocations
15 still make sense?

16 MS. WARD: That's a very good question, sir.
17 And I don't know the answer to that immediately.

18 I do know -- what I do know is that -- and I
19 think I'll let Scott speak to this, but it would be -- or
20 maybe you, Floyd, but with the on -- with Map-21 and the
21 policy established -- the policy that is established in
22 Map-21, it is my understanding that we are moving to the
23 fed- -- the federal government is -- FHWA is requiring
24 that we go to a needs-based or
25 performance-measurement-based way of looking at trans- --

1 at transportation.

2 The difficulty that that is going to present
3 is that here we have regional allocations, we're basing
4 some -- our programming on a regional allocation, and a
5 regional allocation is not necessarily the same as a
6 needs-based allocation.

7 So that is -- that's something we're going
8 to have to consider going -- going forward.

9 MR. ROEHRICH: Mr. Chair, Mr. Sellers,
10 that's what I was going to say. In 1999, when this
11 agreement was made in the Casa Grande, when all the
12 transportation professionals got together, and there was
13 legislators there, there's certain language that made it
14 into statute to -- to try to -- to memorialize that, if
15 you will. There's -- there's processes that came into
16 place at not just the state level, but the MPO, PAG level
17 and local level to, if you will, meet that.

18 Though, I think, as we've seen with the
19 change in transportation, the change in society,
20 regional-based, hard percentage of growth approach is
21 really not the strategy that Congress has taken. When
22 they did Map-21, they said it's going to be system
23 performance-based when they look at how they're going
24 to -- to measure the system. And then we have to report
25 on, as we continue to go through that process.

1 Over the next -- probably in the next two to
2 four years, we're going to be at a point where we're going
3 to have to reassess how we look at our transportation
4 funding, how we look at the allocation of funds, and how
5 it really looks at a systemwide approach as opposed to a
6 regional approach or a population approach or just about
7 any other type of approach. It's hard facts that states
8 are going to have to look at. And then the leaders, such
9 as yourself, our legislators, our local government leaders
10 are going to have to sit down and figure out how you can
11 continue to address your constituencies, continue to
12 address your regional issues, as we look at the whole
13 state approaches.

14 So where -- we're probably at a point where
15 we're close to having to relook at that whole system
16 again.

17 MR. CHRISTY: Any other questions?

18 MS. WARD: That concludes the five-year
19 program financial plan.

20 And if you have no further questions on
21 that, I would go into my last item, which is to give you
22 an update on the executive and legislative budget
23 proposals.

24 MR. CHRISTY: Any questions up to this point
25 from the board? Okay.

1 Ms. Ward.

2 MS. WARD: So what's currently built into
3 the executive budget is a -- to re- -- funding to
4 reinstate funding for two years the HURF Swap, which I
5 described earlier. Does any -- we need -- would anybody
6 like a recap on what that was?

7 It's a rather unique name. So ...

8 And what the executive proposal provides is
9 it appropriates 31 million dollars from the HELP fund, the
10 Highway Expansion Loan Program. And that fund is made up
11 of both state and federal dollars, and it presently has 77
12 million dollars in that fund.

13 There has been a significant request,
14 repeated requests, to reinstate the HURF Swap program.
15 The difficulty, as I described to you earlier, however, is
16 that we do not have any dollars to swap.

17 So what this would allow is by providing us
18 31 -- the Department 31 million dollars from the HELP
19 program, into the state highway fund, we could reinstitute
20 the HURF Swap for Greater Arizona. We could not afford to
21 implement it for the -- the MAG and PAG regions.

22 MR. ROEHRICH: Kristine, could you talk
23 about how long that program would be instituted for?

24 MS. WARD: The projections right now and the
25 hope is that under the executive proposal, this would

1 pro- -- keep the HURF Swap program going for two years.
2 Okay? The thinking being that we would in that two-year
3 period, hopefully develop adequate cash balances to
4 continue the program.

5 Is that what you were --

6 MR. ROEHRICH: Yes, ma'am --

7 MS. WARD: Is that where you were going?

8 MR. ROEHRICH: Mr. Chair and Board Members,
9 I guess I wanted to point out, this is like a one-time fix
10 for a certain period of time, but it's not a sustainable
11 program unless our revenue situation changes. And I want
12 to be clear on that, because I know a lot of people are
13 saying, oh, wow, you've solved the HURF Swap program.
14 We've temporarily fixed it for about a two-year period.

15 MR. CHRISTY: And follow-up of a question,
16 you said there have been requests for this?

17 MS. WARD: The locals have --

18 MR. CHRISTY: Who have been making the
19 requests?

20 MS. WARD: It has been a -- a -- as I
21 understand it, a standard request. When there is ever an
22 opportunity to get out of dealing with federal aid and
23 the --

24 MR. CHRISTY: Through COGs?

25 MS. WARD: Oh, I'm sorry. Yes, sir. COGs

1 and MPOs.

2 Thank you. Let's see, I lost my train of
3 thought here.

4 MR. CHRISTY: It's a temporary fix?

5 MS. WARD: Oh, the other -- the other
6 portion of this is that when I say that it is available to
7 Greater Arizona and not MAG and PAG, let me tell you what
8 the thinking is there.

9 We will never be able to get MAG and PAG out
10 of dealing with federal aid. They will always have to
11 deal with federal aid, because they have a specific
12 suballocation from the feds to those areas. So they will
13 always have to have the infrastructure to deal with
14 federal aid.

15 Greater Arizona, on the other hand, does not
16 have those specific suballocations. And we cannot -- and
17 so it -- those -- it's Greater Arizona that deals with a
18 larger issue in having to have the infrastructure in order
19 to deal the requirements that come with federal aid.

20 This proposal would get Greater Arizona out
21 of the federal aid business except for some operating,
22 planning dollars.

23 The legislative proposal temporarily
24 eliminates the DPS statutory -- DPS statutory and session
25 law transfers. Understand that DPS dollars are

1 transferred out of HURF in two ways: one by statute; and
2 then there is some neat little language that they do every
3 year that not with -- that says, oh, we're going to
4 transfer the 120 million. And it eliminates these
5 transfers just in 2015 and '16.

6 MR. CHRISTY: Both (indiscernible)?

7 MS. WARD: The hundred -- correct.

8 MR. CHRISTY: Both (indiscernible) I mean,
9 there's nothing but (indiscernible).

10 MS. WARD: For DPS. For the DPS transfer.
11 The result, sir, is that it would result in additional
12 HURF distribution of 119 million dollars more a year. So
13 more per year in each of those years.

14 MR. CHRISTY: Just from DPS.

15 MS. WARD: That's correct.

16 MR. CHRISTY: How are we doing on the other
17 250 (indiscernible)?

18 MS. WARD: No, they're -- we're, Mr. Chair?
19 We're -- it's only -- it's only this one that we've got an
20 issue with -- oh, you're probably referring to previous
21 VLT transfers? Those have been discontinued. And they
22 were last year.

23 That is all I have to present.

24 If you have any questions, I'd be --

25 MR. CHRISTY: Are there any questions of our

1 CFO?

2 (Indiscernible), thank you.

3 MS. WARD: Thank you.

4 MR. CHRISTY: Before we go to our
5 next agenda item, I realized just as soon as Ms. Ward
6 started her presentation and Mr. (Indiscernible) was good
7 enough to remind me, I didn't take the opportunity to
8 introduce (indiscernible) the board our newest member,
9 Mr. Jack Sellers. Welcome.

10 He's got to leave a little bit early, just
11 because the confirmation hearing is coming up this
12 afternoon.

13 Could you take just a moment and give us a
14 brief synopsis of your background?

15 MR. SELLERS: I'd be happy to.

16 I currently serve on the Chandler City
17 council. Have an extensive background in transportation
18 issues. I was the facilities manager at the General
19 Motors Proving Grounds (indiscernible). And I -- as I
20 said, (indiscernible) extensive interest in the
21 transportation issues. I'm currently the vice chair of
22 the transportation (indiscernible) at MAG. I chair the
23 (indiscernible) transportation committee. And I'm very
24 excited to have the opportunity to look at things on a
25 statewide basis and hopefully help move the state forward.

1 I think that my -- I've thought (indiscernible) as long as
2 I can remember is that our economic vitality depends on a
3 very smart (indiscernible) structured investment. And I
4 hope (indiscernible).

5 MR. CHRISTY: Thank you. You don't foresee
6 any confirmation hearing problems or?

7 You don't have to answer that. You're not
8 under oath.

9 But we welcome you and we're looking forward
10 to your expertise and insight, and I think you'll find it
11 as rewarding as all the rest of us have. So welcome to
12 the board.

13 MR. SELLERS: Thank you very much.

14 MR. CHRISTY: Moving to agenda
15 Item Number 2, we'll hear the Tentative Five-Year
16 Transportation Facilities Construction Program review from
17 our assistant director of multimodal planning, the
18 Multimodal Planning Division, Mr. Scott Omer.

19 Mr. Omer.

20 MR. OMER: Thank you, Mr. Chair.

21 In lieu of an introduction, what I'll give
22 you is two answers to your question earlier about do we --
23 do we verify the RAAC percentages annually? Yes, we do.
24 We do verify those annually. We go back annually and
25 check that the -- that the allocations that have been sent

1 out are verified and we actually do make sure that we're
2 at 37, 13, and 50, and we use that three-year rolling
3 average, as Ms. Ward had mentioned. So that does happen
4 every year.

5 And then --

6 MR. ROEHRICH: And that is presented -- and,
7 Mr. Chair, that is presented to the locals through that
8 Resource Allocation Advisory Council that Kristine had
9 alluded to. So we don't just keep that here. We share
10 that -- that analysis.

11 MR. OMER: And that RAAC committee actually
12 is -- it's not just an ADOT committee. It consists of not
13 only staff, senior staff from ADOT; it also houses -- it
14 is seated with the chair of the MAG, the chair of PAG, the
15 chair of the YMPO, one of the councils of governments, and
16 I think off the top of my head, I think it's NACOG. And
17 also someone from Valley Metro -- or Metro in general. So
18 those are the people that are on the committee. It's not
19 just -- ADOT. And they all see that on an annual basis.

20 And as far as the second question was, has
21 RAAC been reconsidered? Not to our knowledge since 1999
22 when it was originally put out there.

23 MR. CHRISTY: Thank you.

24 MR. OMER: So what I'll talk about today is
25 a little bit of background about our Tentative Program,

1 the planning, the programming process, which Ms. Ward kind
2 of mentioned. It's really the -- the guiding principles
3 that we live by on how we develop a five-year program. An
4 overview of our general asset conditions. The State
5 Transportation Board's five-year -- tentative five-year
6 program. The "delivery" program, as we call it. The ADOT
7 six- to ten-year highway development program, which you
8 have not seen before. This is new, and it comes out of
9 the P-to-P process. PAG's Tentative Program. MAG's
10 Tentative Program. The State Transportation Board's
11 Airport Development Program. And then next steps.

12 So as background, we develop the Tentative
13 Program annually in collaboration with the State
14 Transportation Board, the ADOT divisions that are
15 impacted, and ITD. It's both the development side of the
16 house as well as the operations side of the house.
17 Financial Management Services tells us how much money we
18 can spend, and then planning, we develop the program
19 itself in coordination and collaboration with everything.

20 And we also do this in -- not in a vacuum,
21 but we include our regional partners in this conversation
22 as well.

23 What we do is demonstrate how all federal
24 and state tax dollars -- or federal and state dollars will
25 be obligated over the next five years and then planned

1 over the five years after that.

2 We approve it annually. The fiscal year
3 starts July 1st of each year. Our five-year program, as
4 you know, the State Transportation Board's program has to
5 be fiscally constrained, and then the ADOT development
6 program, which is new, has to be financially constrained.
7 I do not generate those numbers myself. Our CFO gives us
8 a financially constrained number which is not defined in
9 statute, but she does not allow us to program more funding
10 still than we have that she considers to be reasonable,
11 available over that time frame.

12 Our planning-to-programming process, we
13 began working on the P-to-P process a couple of years ago.
14 And really what it is, it's our tool and mechanism for
15 linking our long-range transportation plan with our
16 capital program. So I'll talk little bit about that. The
17 prototyping of it, of the P-to-P process really is about
18 how we make sure it works. We don't just jump into the
19 process without a beta test. And then how we implement
20 the performance-based programming process.

21 The universe of projects that we start out
22 with began in 2007 or so when we started with the BQAZ,
23 Building a Quality Arizona, project. We developed a
24 universe of projects that really talked about all
25 statewide transportation needs. It wasn't transportation

1 needs just on the statewide transportation system. That
2 included all locals, county governments, local facilities,
3 county facilities, as well as state facilities about what
4 the overall transportation needs were in Arizona. That
5 was the visionary document that began us along this
6 process.

7 Following up BQAZ, we began our long-range
8 transportation plan, which this board adopted in 2011.
9 The projects -- what happens in 2011, we decided to
10 develop a -- some investment choices or investment
11 categories on how we should be investing our limited
12 amount of resources as we move forward in the future. We
13 came up with the terms investing in modernization,
14 investing in expansion, investing in preservation of the
15 system, and non-highway modes. And all that came out of
16 our long-range transportation plan.

17 We take the outputs of BQAZ in our
18 long-range plan, and then we actually develop projects out
19 of that or we program the projects from there. We do that
20 with developing the performance criteria that will take
21 this great big universe of projects and run it through
22 some specific selection criteria. And the output of that
23 is individual projects that have been prioritized by the
24 Department that we recommend to the transportation board
25 in each one of these categories for us to put into the

1 program and eventually develop, design, and construct.

2 That's the completion of my presentation.

3 Any other questions?

4 (Laughter)

5 MR. OMER: So the goal of the P-to-P process
6 was really about creating a performance-based process that
7 links our transportation planning processes with
8 programming.

9 Believe or not, we really didn't do that
10 before, and not only did ADOT not have a formalized
11 process based on performance, most states did not either.
12 And we're out in the front nationally on creating a
13 performance-based process. We do have peer states that we
14 used in great detail and depth to help us develop this
15 process, and we're very proud of it.

16 The key things we wanted to make sure is not
17 only that it was performance-based, risk-based, but it was
18 also transparent, defensible, logical and reproducible.
19 We didn't want -- we wanted to have the ability when
20 someone came and asked us the question, why did you choose
21 this versus that, then we could answer the question, and
22 we could have the same answer on an annual basis.

23 System performance is really the foundation
24 as we move forward, not just in Arizona but nationally.
25 We'll be required on an annual basis to create a

1 performance report for our infrastructure, we'll have
2 performance measures, and goals and targets set to make
3 sure that we're meeting those system performance measures,
4 and annually would assist in analysis.

5 We start up at the very top of the screen on
6 our statewide transportation planning process. And as I
7 said, you know, it's a 20-year plan is our statewide -- or
8 our long-range plan, and we've developed those strategic
9 investments in modernization, expansion, and preservation.

10 Every five years when we go back in and
11 update our transportation plan, we'll look at system
12 performance and to make sure it's meeting the criteria
13 that we've identified.

14 The development program, which is new, which
15 we call it our six- to ten-year program is really our --
16 the Department's process for identifying the amount of
17 funding that we'll have available, which will be
18 financially constrained and not -- not fiscally
19 constrained, and being able identify how much money we
20 should be investing in preservation, modernization and
21 expansion along that time frame. And then also
22 highlighting some key strategic project investments in a
23 long-term plan, six to ten years out of where we feel as a
24 department, we should be investing in our expansion
25 program.

1 And then, delivery program hasn't changed.
2 It's the same program that we have, based in statute. And
3 annually, we'll go back in and reevaluate the delivery
4 program per system performance also.

5 If you start this slide at the very bottom
6 of the page, we don't do this in a vacuum. This isn't
7 something where just the planning division goes out and
8 says this is our new program, guys, what do you think? We
9 utilize our -- the district teams, which -- or we will be
10 utilizing the district teams which look at district
11 engineers and the regional traffic engineers and statewide
12 project management and our COG and MPO and stakeholder
13 partners to look at what are those system needs that we
14 should be looking for for investing in the future. A lot
15 of times, we may not see at a central location some of the
16 specific needs that they may see locally. And this is
17 their opportunity to identify specific project concerns
18 bring those up to the dis- -- to the central area so we
19 can start the process.

20 It also -- these groups will be reviewing
21 the annual performance report that we'll be creating for
22 the (indiscernible) and for every year, and they'll look
23 at what the overall performance of the system in their
24 individual districts and regions are. They'll look at and
25 evaluate their targets and make sure we're on track and,

1 again, indicating if there are any specific projects they
2 think should be considered as we move forward.

3 From that point, we'll go into investment --
4 you know, into the individual investment categories and
5 then identify not only how much funding should be invested
6 in each one of the categories of preservation,
7 modernization, and expansion, but prioritizing those
8 projects and moving them forward.

9 Then our ADOT strategic committee, which is
10 really senior leadership in the Department, is where our
11 risk-based approach comes into play where we look at every
12 project individually that we recommend as a department, as
13 we -- that we're developing as a department and deliver as
14 a department to make sure that we look at the project
15 costs, are there any risk to project not meeting the
16 original goals of the project, that we wouldn't be able to
17 deliver did the project on time. We have specific
18 risk-based scenarios that we look at and analyze to make
19 sure that we feel it's appropriate that we move forward
20 with this project in our recommendation to the PPAC which
21 you all know, we recommend everything that comes to the
22 transportation board.

23 And then finally we'll bring that to the
24 State Transportation Board for your consideration and
25 eventual approval of our process.

1 MR. CHRISTY: Do the board members have any
2 questions up to this point? It's a lot of information.

3 MS. BEAVER: Yes.

4 MR. CHRISTY: Ms. Beaver?

5 MS. BEAVER: I just in a followup to what
6 Ms. Ward was speaking about earlier that with the Casa
7 Grande Accord and revisiting it, I'm seeing that this is
8 kind of where we're going if we're talking about from
9 regional allocation to performance. So are we still in
10 the draft stages? Or is this something that's going to
11 come back to us where we would need to approve this?

12 MR. OMER: Mr. Chair and Ms. Beaver, are you
13 talking about approving our planning-to-programming
14 process, or are you talking about the five-year program?

15 MS. BEAVER: Well, at a point in time, if
16 we're going to relook at the Casa Grande with regard to
17 the distribution, that's what we were just talking about
18 previously; correct?

19 MR. CHRISTY: (Indiscernible).

20 MS. BEAVER: Does this all kind of tie
21 together is where I'm seeing it?

22 MR. OMER: Mr. Chair and Ms. Beaver, I think
23 they're -- they're separate and distinct, but they are
24 pretty closely related.

25 Our plan to programming process doesn't

1 really look at a -- a allocation process based on so much
2 for each region. We're looking at system performance.
3 And system performance will drive the locations where we
4 feel that we need to invest our limited amount of
5 resources.

6 Now, once we get that outcome, that's the
7 other part of the risk-based approach that our senior
8 leadership will look at is will we still meet the -- the
9 agreements that were made in 1999 with the Casa Grande
10 Resolve and without anything change or that we still have
11 to meet those requirements. That'll be done at that
12 level. We wouldn't ask individual staff in a district or
13 individual staff in a group to make that choice. We'll
14 make that at the senior leadership level and to make sure
15 we still meet the requirements of the Casa Grande
16 Resolve -- or Accord.

17 But, again, we're taking that filter off of
18 saying it's not about how much is available for each
19 region. We're going to let system performance drive that,
20 and then we'll put that filter over top of it.

21 MR. ROEHRICH: Mr. Chair, Ms. Beaver, I
22 think I need to be clear on this. Casa Grande Accord
23 set -- is set. That's an agreement we are not breaking.

24 It's also an agreement that has some
25 statutory language that is in place by law, you know, not

1 necessarily percentages, but there's language in there
2 about we can't change those agreements on our own without
3 some process.

4 When I say that we have to have that review,
5 that's an undefined specified time frame when we have that
6 review, because it's going to be the leadership of this
7 state to get back together and hold that, which means,
8 COGs, MPOs, local governments, legislators, this body,
9 other people will have to decide it's time to have that.

10 Now, we can help guide that by saying when
11 we think it's time based upon federal regulation and other
12 regulations. But I have no specified time where we're
13 going to do that. I think this state and a lot of states
14 are going to have to do that when the next version, if you
15 will, Map-21 comes and there's more rules and there's more
16 regulations defined by the federal government that we have
17 to follow for the use of the federal dollars.

18 Now, in regard to this process, although
19 this is a process we're moving to to prepare us for this,
20 this says the best practices for a transportation agency
21 to develop a plan and program, that's what we're doing.
22 As this moves forward, the ultimate products you will see,
23 the tentative five-year program, the RAAC distribution,
24 those things, that is all going to meet our commitments on
25 the Casa Grande Accord. We are not changing that. And

1 quite frankly, we as an agency cannot unilaterally change
2 that without having a very extensive dialog and process
3 agreements in place to do that. That is not specified.

4 So what we're presenting here today is the
5 practices, how we're preparing ourselves as a
6 transportation agency to bring in the best practices to
7 get ourselves prepared for the future programming and
8 future transportation issues, but there's a long way to go
9 when you get down to the actual dollars before we get to
10 that.

11 MR. CUTHBERTSON: Mr. Omer, can you give us
12 just some examples, I mean, performance -- the performance
13 report, what -- what kind of criteria do you -- I mean, I
14 am not sure when I hear performance report, if you're
15 looking at, you know, traffic performance, maintenance
16 roadway conditions, all those things.

17 What kind of -- what kind of things are you
18 looking for in that (indiscernible)?

19 MR. OMER: Mr. Chair, Mr. Cuthbertson,
20 that's a great question. And, yes, we are currently
21 define -- one of the great things about Map-21 that is we
22 have to do this, but it didn't define what it was.

23 So as -- as a department, we are actually
24 going out and starting the process of defining what system
25 performance is. Some of the things that we're taking into

1 consideration is overall system performance, system
2 health, system sustainability, however you want to view
3 it, is really not just about pavement condition or bridge
4 condition. It's a combination of what your general assets
5 are going to look like, right, so the condition of your
6 assets. The amount of revenue and resources that you have
7 available to fund those. And then the operational
8 characteristics, whether it be congestion, reliability,
9 delay, those types of things, all have to be take- -- in
10 my opinion, as we define it, all have to be taken into
11 consideration on what system performance is. It's not
12 just a product of this is the volume or this is the
13 pavement condition or this is how much cash Kristine gives
14 me. It's a combination of all those that we'll come up
15 with that outcome.

16 MR. ROEHRICH: Mr. Chair, Mr. Cuthbertson,
17 though, I do think I need to expand that a little bit.

18 As the State is doing our own analysis, we
19 are in the process of various rule-making processes that
20 the U.S. DOT and Federal Highway Administration are going
21 to. They are going to set some national performance
22 measures, some performance goals. We as states will be
23 able to develop targets, and we'll be able to -- there'll
24 be latitudes given to us where we can develop it, maybe
25 tailor much of it to us. The reason why this process is

1 going to be extended for a period, we are still waiting
2 for the final rules and regulations from the federal
3 government to help us define our final program.

4 So there's still a ways to go before we get
5 to what is a complete comprehensive program.

6 MR. CUTHBERTSON: Okay, thanks.

7 MR. CHRISTY: Questions?

8 MR. OMER: So, Mr. Chair, as we started this
9 P-to-P process, as I mentioned earlier, we didn't just
10 want to just jump into it without going back and
11 identifying if the outcomes of this new process compared
12 fairly favorably with our existing processes. And so we
13 went along the path and decided to prototype or run a beta
14 test of these -- of the programming process. And we used
15 last year's program. We took the outputs of last year's
16 program and ran it through the prototyping process to see
17 where things would fall out, if the projects would still
18 be recommended or not.

19 And we didn't really identify any fatal
20 flaws. It seems like things would be fairly consistent.
21 There are some changes, of course, but they would be
22 consistent. Where they ranked as far as a priority --
23 priority order changed in many cases. But oftentimes a
24 project would still be in the program. It might not be
25 the number one-rated priority project anymore; it may be

1 down the list. But it was still in there. It's just when
2 it would be delivered is generally what the biggest
3 difference would be.

4 We do feel that in general, our leadership
5 of all of our -- of the ITD and MPD and finances as well
6 as all of our group managers and districts have a very
7 good understanding of our process now and the process
8 flow, and they've been, you know, intimately engaged in
9 developing this process. We'll be mapping every one of
10 our projects in GIS and have it out, and you'll see
11 maps -- oops, sorry, next slide -- like this throughout
12 this presentation today that shows exactly where the
13 projects are.

14 The preservation projects are actually very
15 easy to get the outcomes for and plug them into this
16 process. Again, they're not exactly the same, but
17 preservation, whether it's pavement or bridge
18 preservations are advanced in Arizona as far as
19 identifying and prioritizing their work. And they do a
20 really good job. So it was easy for them.

21 The modernization projects are taking a
22 little bit more work because a lot of those are
23 safety-based types of projects, and developing that
24 process is -- as something that we're really more about
25 developing and validating instead of just incorporating,

1 which we're doing in preservation.

2 And that the expansion projects, again, the
3 modeling of all these are very time-consuming, but we --
4 we don't see any real fatal flaws in our process, and it
5 seems to be working out very well.

6 This is a three-year process. We're in the
7 first year of it now of developing the overall plan and
8 starting to implement this process. Next year will be the
9 first year that we look at the system performance category
10 and going back in and analyzing how our system performs.
11 And then the last year, Year 3 of the program, we'll come
12 back to you and start the update of our long-range
13 transportation plan, which at that time, will likely
14 change some of our goals and change some of the vision
15 maybe and for how we do our work. But we're pretty
16 comfortable today in the process, and we think we've done
17 a good job.

18 Some of the benefits that we see out of the
19 P-to-P process, again, it's transparent, defensible,
20 logical, and reproducible. We think it really does truly
21 leak [sic] our -- link our transportation planning
22 progress -- process with capital -- with the capital
23 programming and making sure that we're using our funding
24 the most effective way possible. System performance will
25 be driving our investments as we move forward. We have

1 a -- a simplified program structure. Really what that
2 means is a lot of our subprograms are not going to be
3 in -- you won't see those anywhere. Those will be rolled
4 up into a lesser number of subprograms. And you'll see
5 the overall and true project costs identified inside of a
6 project in the program, even some of the subprogram
7 amounts that we use today.

8 And we're using a risk-based approach, which
9 we think is critical for the success of this. It does go
10 along with Map-21 and really will change the way that we do
11 business as a department.

12 Mr. Chair, I'd like to move on to asset
13 condition, at your pleasure.

14 MR. CHRISTY: Is there -- is there any
15 question from the board?

16 MR. OMER: So when we started along the
17 line, asset management in the transportation asset
18 management plan is really one of the key components, and
19 it's a requirement of Map-21 as well, so you'll hear that
20 along -- about a lot of things. But we do have an asset
21 management engineer, Jean Nehme, who currently works for
22 our department director, Jennifer Toth, and we are along
23 the path of developing a statewide transportation asset
24 management plan. And, again, I think you guys will be
25 pleased with the outcome when that's actually finished.

1 You saw this last year, we talked about we
2 have 18-and-a-half billion dollars in infrastructures in
3 our highway system. If we don't really commit to
4 preserving it, it's going to cost us hundreds of billion
5 dollars to replace it in the future.

6 We did change this because last year we had
7 a choice, but this year we've gone and after further
8 research into the process, you can either spend a dollar
9 on preservation today or 6 to \$14 down the road for
10 replacement of that same infrastructure. Last year we
11 used the 1-to-5 number. As we've continued to refine and
12 do the research on this, the most up-to-date numbers that
13 we've seen out of an NCHRP report say it's now a 6 to 14
14 ratio -- 6 to 14 to 1 on preserving your assets, or
15 replacing them, if you don't do so.

16 This board is very familiar with
17 transportation, so we don't have to explain what that
18 means to you. But the general public, if they think about
19 if there's -- it was their personal car or their house, if
20 you don't change your oil, if you don't -- you make sure
21 that you're changing the filters on your air conditioner,
22 you replace that asset, instead of preserving it, and the
23 cost over time is significantly higher.

24 So in general, you pay now or you're going
25 to pay a lot more later on. Preservation is very keen on

1 making sure you're keeping up the existing condition of
2 that asset.

3 Public feedback also indicates that
4 maintaining the current transportation system in a state
5 of good repair should be a very high priority. This is
6 important because this study was actually done in Arizona
7 out of our own research center and published in 2010, and
8 it was really about how our customers thought performance
9 measures should be looked at and how the overall
10 transportation system should be kept.

11 Map-21 specifically addresses system
12 performance in many different areas, and it also requires
13 a performance- and risk-based approach to transportation
14 planning and programming. Again, that's what we're doing.
15 That was what that P-to-P process was about.

16 What we shouldn't do is rely on a
17 worst-first approach to preservation to the system. These
18 are some specific photos of the Ash Fork drawbridge [sic]
19 on Interstate 40. To me, if I were to define what
20 worst-first means --

21 MR. ROEHRICH: We don't have any
22 drawbridges, Mr. Chair and Board Members. It's the Ash
23 Fork bridge.

24 MR. OMER: Oh, it's Ash Fork bridge. Sorry.

25 MR. CHRISTY: I was going to say

1 (indiscernible).

2 MR. OMER: So anyway, so it is a worst-first
3 case. And what that really means to me, if I -- when I
4 try to explain what worst-first means is if you don't
5 supply or provide -- as a department, as an agency or an
6 organization, if you don't provide significant revenue
7 available to truly preserve your system and be well out in
8 front of the preservation of the system, then you're
9 forced to react to instances like Ash Fork instead of
10 preserve your system over a long term. And, again, you
11 pay more and you're reacting instead of planning. You're
12 not being proactive all.

13 This other photo -- the one -- the previous
14 photo, what that does show you is a portion of this bridge
15 is closed now. It's one lane in each direction instead of
16 the existing -- the prior condition.

17 The -- this next photo is of the Hell's
18 Canyon bridge where we did have some voids appear and we
19 had to go back in and plate those.

20 The I-10 Cienega Creek bridge and the U.S.
21 91 Sanders bridge -- and no, that isn't a design feature
22 for a skylight at all. So....

23 But, again, if you don't preserve your
24 system, this is a -- the potential.

25 It does not facilitate (indiscernible)?

1 It's all making that we're keeping air flowing through the
2 system. Right?

3 So the I-15 Virgin River Bridge is another
4 one of those instances where, you know, this board -- not
5 all of the board now, but even a couple of years ago, I
6 think every -- every board member went up to I-15 and
7 looked at the condition of those infrastructures, and we
8 spent a lot of time talking about the I-15 bridges. And
9 at that time, we talked about the impact to the condition
10 of those bridges, and really it's gotten worse. It hasn't
11 gotten better. We have tried to take steps to correct
12 some of the cracking that's happened. And -- and it's
13 still continuing to grow. Some of the previous cracks
14 that we thought were repaired, just started new cracks.
15 And, again, the condition of that bridge doesn't get
16 better without a significant investment in taking care of
17 that infrastructure. And this is just one of the bridges
18 on the corridor.

19 MR. CHRISTY: Remember that trip in
20 (indiscernible) that bridge, that stretch of that highway
21 would not be built today (indiscernible).

22 MR. OMER: Our director made that quote.
23 And I would hope we would -- we definitely wouldn't argue
24 with him that that was -- it's not a -- it's a beautiful
25 drive. But, you know, reconstructing that corridor in the

1 exact same location may be a challenge in today's
2 environment. So ...

3 So we look at the age of the bridges on our
4 system, you can see, in the 1960s about 1350 bridges were
5 built just in the 1960s, which makes sense. That was the
6 boom of the interstate system. About 43 or 44 percent
7 total of all of our bridges were built prior to the 1970s,
8 with the highest number of about 13 or 14 or 22 percent --
9 sorry -- whatever it was, was built in that one year. So,
10 again, our infrastructure is aging quite rapidly.

11 And if you look at the overall life cycle of
12 a bridge itself, traditionally the design life for a
13 bridge is about 50 years. But during that time frame, if
14 you look from the far left-hand side of the screen where
15 the -- where the X and Y axis meet, that's at the time
16 that you construct the bridge, you should along that --
17 the life cycle of the bridge be -- on a regular basis
18 looking at major and then minor rehabilitation and
19 preservation of your infrastructure to make sure that
20 you're getting the maximum and optimum life out of it.

21 If we don't do that, the overall life cycle
22 of the bridge stops at a certain point and we get to the
23 instance where we're -- we have no choice other than to
24 replace that structure or that asset or that facility.

25 If we do invest in preservation of it and

1 rehab, whether it's minor or major or both, we can
2 increase the overall life of that -- of the infrastructure
3 itself, but if we don't provide that opportunity and the
4 revenue available and the preservation of that system,
5 then the overall life of it is condensed and we're at the
6 system, the condition that we're at today with some of our
7 bridges.

8 Not saying that we've done anything wrong;
9 it's just we haven't provided the adequate resources to do
10 it.

11 The thing -- same thing happens with
12 pavement on little bit different scale. Our interstate
13 pavement conditions with green being good, yellow is fair,
14 and red is bad, our -- you know, as you see from today in
15 the -- and from the early 2000s until today, we've
16 continued to have an asset condition on interstates that
17 have declined. But I will say that we've focused
18 preservation on the interstate system because that's a
19 charge that we have.

20 Our non-interstate pavement, you know, which
21 really serves a lot of rural Arizona, we haven't invested
22 as heavily in, and the overall condition of that pavement
23 is quite a bit worse than we have on the interstates.
24 And, again, if we don't invest in those, conditions will
25 continue decline.

1 So if we were to assume the existing
2 preservation forecasting that we have today and we don't
3 increase that overall amount of preservation funding
4 available for investment in our infrastructure, you will
5 see that our interstates will continue to decline on the
6 overall performance of those, as well as the blue line
7 indicates our non-interstate systems.

8 So not -- I wouldn't want to look at an
9 individual percentage on an individual year, but, you
10 know, we all have the ability to look at this graph and
11 see over time the condition of our assets are continue to
12 decline until we make the decision to invest more funding
13 in preservation of these assets.

14 This is just a order of magnitude chart.
15 It's -- from an NCHR -- NCHRP report that was published in
16 2012, and what it shows you is an order of magnitude: You
17 can invest a little bit in funding and preservation, five
18 times as much in rehabilitation or, you know, 8 or 9 times
19 as much to replace that asset over time.

20 Inadequate preservation leads to about an
21 additional \$335 year on a personal vehicle for drivers due
22 to things like tire wear, suspension wear, increased fuel
23 assumption. That's how not preserving your -- your
24 overall pavement condition can have an impact on even the
25 average driver. Again, this -- these numbers, 22, 112,

1 and 190, it's an order of magnitude. We are not saying it
2 costs \$22 to preserve a lane mile. It's just an order of
3 magnitude.

4 It cost 12 times less to maintain a pavement
5 than it does to -- in a state of good repair than it does
6 to actually replace it at the end of its service life.

7 This came from a California statewide local streets and
8 roads needs assessment in January 2013. And if we don't
9 increase our overall pavement preservation funding in the
10 near future, we're going to get to the point where we have
11 to make decisions about which specific highways and
12 roadways that we allow to deteriorate to a point where we
13 can do nothing more than just reconstruct it. Some of our
14 infrastructure we're always going to have to maintain at
15 an optimal level. We may have to make those tough choices
16 about which ones we let go.

17 So our recommendation out of the -- the
18 program for not just the first five years of the program,
19 but over the life of the 10 years that we talked about in
20 the P-to-P process, is to continue improve -- to increase
21 the amount of funding we have available for preservation.
22 And then optimally in the end of this 10-year period, we
23 would be up to about 260 million dollars a year for
24 preservation, which currently our -- our bridge and
25 pavement staff that work for the state engineer, that

1 group, have identified the optimal amount that they need
2 for preserving the system. It's probably not really
3 optimal amount. It's what they think we need to get by at
4 our existing systems. And as we continue to look at the
5 impacts of Map-21 and the performance requirements there,
6 this could change, but we're using this based on today's
7 dollars and today's numbers.

8 MR. CHRISTY: Any questions? Mr.
9 (Indiscernible).

10 MR. ROEHRICH: Mr. Chair, one consideration
11 I would -- maybe you want to consider, we're getting ready
12 now to move into the more comprehensive discussion of the
13 current five-year program. Scott has laid out kind of our
14 planning process, giving you background in some of the
15 strategies around our funding approach towards the
16 program, but now we're going get into more comprehensive
17 discussion of the program.

18 I'd say if you want to take a short break,
19 now would be a good time, because when we get in the
20 middle of that, you may want to push through. Or if you
21 want to keep pushing, we're ready to go.

22 MR. CHRISTY: The chair will entertain a
23 motion to adjourn for 10 minutes?

24 MS. BEAVER: Recess?

25 MR. CHRISTY: It's a recess, yes, thank you.

1 All those in favor say aye. We can't have
2 the action (indiscernible).

3 MR. ROEHRICH: Well, I was just going to
4 say, Mr. Chair, all you got to do is just say we're taking
5 a 10-minute break.

6 MR. CHRISTY: Taking a 10-minute recess.

7 MR. ROEHRICH: Okay.

8 (Recess taken)

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1 STUDY SESSION PART 2

2

3 MR. ROEHRICH: Mr. Chair, Mr. La Rue is on
4 the phone out there. I don't know if you --

5 MR. CHRISTY: Why don't we proceed
6 (indiscernible). If that's all right.

7 I'd like to reconvene the study session and
8 have Mr. Omer proceed with the tentative five-year
9 (indiscernible) program.

10 MR. OMER: Okay. Mr. Chair, thank you for a
11 brief recess.

12 So this year, we have -- you know, we talked
13 it over with yourself, and we decided to have this study
14 session specifically about the development of our
15 Tentative Program before the February meeting where you
16 approve this for us to go out to the public for the public
17 information process. So we appreciate the opportunity to
18 do this with the board.

19 Ms. Ward earlier talked about the resource
20 allocation committee, the RAAC committee. And this is the
21 outcome for the fifth year, the new fifth year of the
22 program or FY 2019. There is about 477 million dollars
23 totally available for the RAAC distribution. Subprograms
24 account for about 270 million dollars of that total.

25 Those subprograms are everything from preservation on down

1 to the development of the program itself.

2 When it all shakes out, we have about 130
3 million dollars available for major projects in MAG; 38
4 million dollars for major projects in PAG; and 38 million
5 dollars for major projects in Greater Arizona. The
6 subprogram distributions are here with 46 million dollars
7 in MAG; 24 in PAG; 200 million dollars in Greater Arizona.
8 So the total percentages come out to be 37 percent for
9 MAG, 13 percent for PAG, and 50 percent for Greater
10 Arizona. And the Resource Allocation Advisory Committee
11 reviewed these and approved these -- or prior in the
12 year -- actually in last year, 2013.

13 If you remember, our long-range
14 transportation plan, we did have a recommended investment
15 choice of moving to a much more of a balanced program with
16 investing a significant amounts of our funding in
17 preservation, modernization, as well as in expansion.
18 That's what our long-range plan was approved and what it
19 says.

20 In actuality, when we look back through 2006
21 to 2013, when we look at our program and include the
22 overall MAG and PAG programming process, about 76 percent
23 of our total program is still in expansion of the system
24 and only 14 percent is in preservation and modernization.

25 When we look at our Tentative Program this

1 year -- and this is just for Greater Arizona, this is not
2 for MAG and PAG, remember we present those separately. So
3 when we look at just our Tentative Program for Greater
4 Arizona, 60 percent or so of our program we're
5 recommending be in preservation, about 29 percent in
6 modernization, and 11 percent in expansion. Each one of
7 those dots on this map, as you can see, are either colored
8 green, red or blue, and each one of those dots on the map
9 would indicate there's a project in the specific location.
10 And we'll get into some of these a little bit more in
11 detail.

12 MR. CHRISTY: You know, just as a thought
13 here -- excuse me for interrupting, but real quickly,
14 preservation (indiscernible) basically or bringing back to
15 the standards it should be. And I think sometimes people
16 don't really realize what preservation is, and if they
17 did, they might be more agreeable to having more money
18 going towards preservation. In my city of Tucson, our
19 pothole situation is -- swallow Volkswagens, so if you go
20 to the people there and you say we need to preserve our
21 streets, they're going to look at you. But if you say we
22 need to fix our potholes and bring our streets back to
23 where they should be, then they seem to understand. So
24 just as thought, maybe there might be some better word
25 that could encompass or wrap around the real issue, which

1 is to make our roads better -- or bring our roads back to
2 where this should be. Just as a thought.

3 MR. OMER: Thank you, Mr. Chair. Appreciate
4 that. And I think it comes -- it goes a long way towards
5 talking about what preservation means. And I agree it --
6 agree with you, and even my analogy earlier today about,
7 you know, it's your personal vehicle or your house, you
8 get to that point eventually where you can't just preserve
9 it, you can't just repair it, you have to replace it.

10 Preservation means all of those, because it
11 gets to that point. But I agree, we need to continue on
12 with our educational process about explaining about how
13 you have to take care of keeping your asset conditions in
14 that level where you need to or not only does the cost go
15 up, but the life doesn't last as long as we would like it
16 to.

17 MR. CHRISTY: People, I think, will
18 understand when you say we're going to fix a pothole,
19 easier than we're going to preserve a roadway.

20 MS. BEAVER: Mr. Chair, though, is this term
21 probably preservation is something that's universally
22 understood in the transportation word? I mean, they've
23 kind of got a code word, so I think we're due for
24 (indiscernible).

25 MR. OMER: Mr. Christy and Ms. Beaver, we

1 have a code word or an acronym for everything, and
2 preservation is one of those that does specifically apply
3 back to this.

4 But I do agree that we -- we do not as an
5 industry do a very good job of educating the public about
6 what it means. And so that is a step that we need to
7 continue to take and do a much better job of explaining
8 exactly what preservation of our system is, what the cost
9 is, what the benefits are, what it means and be specific
10 about here's some examples of what, you know, the facility
11 in front of your house, which, you know, the Department
12 doesn't maintain any roads in front of people's houses in
13 general. We do in some cases, I guess, but not in
14 general.

15 But still the condition of our
16 infrastructure, we need to let people know, this is
17 exactly what it looks like and this is the condition that
18 we'd like it to be in.

19 MS. BEAVER: Chairman Christy, you are
20 correct, though. People do know the word "pothole."

21 MR. CHRISTY: I'm discussing Tucson.

22 MS. BEAVER: Well, and when you look at the
23 some of these pictures, which (indiscernible) shown us
24 previously, wow, you know, you understand what the
25 importance of --

1 MR. CUTHBERTSON: -- I've got --

2 MR. CHRISTY: Mr. Cuthbertson?

3 MR. CUTHBERTSON: That part that you showed
4 that -- showed the MAG and PAG and (indiscernible) case,
5 where you had all the (indiscernible) money, so that
6 expansion money, does that include sales tax money that --
7 so that's -- that's not the (indiscernible) fund that
8 comes in? Or is that part of the 5 cent sales tax --

9 MR. OMER: So, Mr. Christy -- I'm sorry,
10 Mr. Cuthbertson, Mr. Christy, Mr. Cuthbertson, no, this is
11 just the federal -- the federal aid. It does not include
12 the regional transportation funds from MAG or PAG.

13 MR. CUTHBERTSON: Okay.

14 MR. CHRISTY: And I thought potholes
15 (indiscernible) overall term in Tucson, and that's why I
16 (indiscernible).

17 MR. OMER: I think Ms. Ward would like all
18 those who drive Volkswagens to go out and get a new
19 Chrysler.

20 I don't think that would fall in a hole;
21 right?

22 Okay.

23 MR. CHRISTY: We digress.

24 Go ahead.

25 MR. OMER: So, Mr. Chair, this next slide

1 really talks about our Tentative Program, the amount of
2 investments we have in each one of the categories in
3 the -- in the fiscal years. And this is not every single
4 project that is in the program. This is just a highlight
5 of some of the individuals. But you'll see in 2015 as an
6 example, we're recommending invest 190 million dollars in
7 preservation; 130 million dollars or so in modernization.
8 Those two other categories, project development is really
9 the amount of funding that's required to design and
10 develop and provide utility and right of way clearances
11 and all those things for the projects below there.

12 The project planning phase is the amount of
13 federal funding we have available for planning, not only
14 for -- for ADOT, but as well as our MPOs and COGs across
15 the state of Arizona, that all comes into project plans.
16 And then expansion is a specifically the major projects.

17 So you'll see 2015 is just a different
18 depiction than you looked at last year. We put it in a
19 different type of format.

20 The U.S. 60 Silver King, and the U.S. 95
21 Fortuna Wash bridge projects are the major projects that
22 we had listed in the program last year. And if you move
23 across the page, these are the same projects that we had
24 in the previous programs until you get to FY 19, and
25 that's the year that we would recommend as the major

1 project available, the Department would recommend brings
2 in Virgin River bridge project 33 million dollars in FY
3 2009.

4 I would like to highlight the FY 17 year.
5 It looks little weird because there isn't as much funding
6 available in FY 17.

7 And is Kristine still here?

8 So -- and I'll try not to get this
9 incorrect. The amount of revenue available in FY 17
10 specifically is diminished because of the -- the overall
11 bonding and those techniques that we had to use. It
12 reduced the amount of revenues that we had available in
13 2017.

14 Good enough. She didn't disagree. So we'll
15 keep on going from there.

16 MR. CHRISTY: Mr. Omer, on the 2019, on the
17 Virgin River bridge, had we not (indiscernible) allocating
18 funds towards that one way or another in the last couple
19 of years?

20 MR. OMER: So, Mr. Chair, it's good
21 question. We have -- if you're thinking you've been
22 taking some specific board actions recently. But that
23 wasn't on bridge number one.

24 We do have the -- the --

25 MR. ROEHRICH: It was the TIGER --

1 Mr. Chair, we got the TIGER grant, which was used on
2 Bridge Number 6. And that's the bridge that is working.

3 As we continue look at that -- I think it's
4 eight different bridges that we're going to continue to
5 look at systematically bringing them in as we can afford.
6 This is the next bridge that we're working on.

7 MR. CHRISTY: I keep forgetting that we're
8 defining it per bridge rather than entire project.

9 MR. OMER: So I apologize. I completely had
10 a brain freeze, and I'm like, what -- what was the name of
11 that grant. When someone gives you 20 many of something
12 million dollars, I should at least remember what was
13 called, but I forgot, so I apologize for that.

14 But that's the Department's recommendation
15 in FY 2019.

16 If I go to the next slide, this is the
17 specific projects listed out by fiscal year that -- that
18 the Department would be recommending. The numbers are
19 nothing more than how they are in the fiscal year itself.

20 If you would see all of these projects make
21 up the six major projects that we have listed there.

22 The preservation program in fiscal years 15
23 through 19, this is not every preservation program. The
24 preservation project that we have identified in years
25 2015, '16, and '17, if you remember, our subprograms we

1 will line out -- line item out the first three years of
2 our major subprograms. So fiscal years 15, 16, and 17,
3 you have in front of you a rough draft of what the
4 Tentative Program would look like. And if you went to
5 each one of those years, you would see every pavement
6 preservation or bridge preservation project in each one of
7 those first three fiscal years. In the last two fiscal
8 years being FY 18 and 19, we still have a lump sum
9 identified for preservation. So you would see 200 million
10 dollars or whatever the number is by that fiscal year, and
11 I know that's the wrong number. So I apologize. But you
12 would see that in each one of those last two fiscal years.

13 MR. CHRISTY: Are all the board members
14 following that?

15 MR. OMER: In the next slide depicts
16 modernization. So modernization is one of those we get
17 asked all the time: What does modernization mean?
18 Modernization could be many different types of projects
19 that look at not expanding the existing system, but
20 providing some modifications or modernizations to it that
21 enhance the existing condition. Sometimes that could be
22 something as simple as adding shoulders to a roadway that
23 doesn't have any. It's a safety improvement that that
24 could be one of the improvements. Or it could be adding
25 left turn lanes. It could be a roundabout. It could be

1 install -- installation of a new traffic signal. It could
2 be ITS improvements, like the DMS signs. So those are the
3 different types of projects that could be categorized as
4 modernization. Many of these, if they're using the --
5 some of the specific safety funds require federal approval
6 that they're eligible for that safety funding, but in
7 general, we put the most of our safety projects inside of
8 the modernization category.

9 So a summary of the Tentative Program, what
10 we've done is shown that we've updated the project costs,
11 so annually, we go in and look at every project that's in
12 the existing program, and we update the project costs.
13 Sometimes we'll see the costs go up; sometimes they'll go
14 down. But we look at them on an annual basis to make sure
15 that they're as close as -- as we're comfortable with.

16 We've increased the preservation spending by
17 3 percent over the program from years '14 through '18. We
18 did add a slide repair project on SR 89 for 25 million
19 dollars. And that was actually funded by taking two
20 preservation and a bridge projects out of the previous
21 program. So this was a critical priority for the
22 Department. We felt it was important. And we actually
23 did that by moving some preservation projects out of the
24 program to fund it.

25 MR. CHRISTY: You got some federal help on

1 that too.

2 MR. OMER: This is a different project, sir.

3 MR. CHRISTY: (Indiscernible).

4 MR. OMER: No, it's a different project.

5 (Simultaneous conversation).

6 MS. WARD: But the problem is we need to --
7 we need to be able to pay for it today. And --

8 MR. CHRISTY: Oh, I see.

9 MS. WARD: -- reimbursement for emergency
10 funds (indiscernible) could take anywhere from three to
11 five (indiscernible).

12 MR. CHRISTY: What's with the emergencies?

13 MR. OMER: Sorry. I -- I drew a blank
14 because it's -- it should say U.S. 89 and not SR 89.

15 So -- and also what you're showing in here
16 is we have included some transportation enhancement
17 projects for a total of 28.8 million dollars in FY 2015 to
18 FY 2019. And I'll explain why. If you remember, a couple
19 of you were on the board when we actually had the TERC
20 process, the Transportation Enhancement and Review
21 Committee. And every year we'd -- we'd identify the
22 specific transportation enhancements and the projects that
23 were applied for and awarded and funded by the Department.

24 That program went away with Map-21. It's a
25 different program now. It's called transportation

1 alternatives. But we have a lot of old transportation
2 enhancement projects that are out there. We made a --
3 we're making a recommendation as a department that we
4 honor those old commitments that past transportation
5 boards made and -- but that does mean that it's about 29
6 million dollars in funding that it's going to take to --
7 to implement those projects over a three-year time frame.

8 We're also looking at a project on SR 89,
9 the Deep Well Ranch Road project in -- to SR 89A in FY 17.
10 And we did include, like I said, the I-15 bridge. And we
11 talked about that previously.

12 So moving on -- I'm sorry. I'm going to
13 move on to the development program, if you -- if you want
14 me to stop for questions at this time?

15 MR. CHRISTY: Any questions of Mr. Omer?

16 MR. OMER: So, Mr. Chair, again, this part
17 is new. We have never seen a six- to ten-year program
18 before. This is the Department's, you know,
19 responsibility and is really, but we feel we should do
20 that and talk to the board about how we look into the
21 future and not just drop projects in -- year 5 of the
22 program. You should be able to logically look how we see
23 projects progressing through to get to that point.

24 We feel in Years 6 through 10, we should be,
25 you know, continuing to invest heavily in preservation of

1 the system. We have to catch up, because we're not at
2 that level where we feel that we should be in order to
3 make sure that we're preserving our system at an optimum
4 level. Still can continue to expand and modernize the
5 system, but really focusing on preservation in those
6 out-years.

7 Some of the projects that you will see -- or
8 let me -- first I'll touch on the preservation numbers.
9 You'll see that by the fifth year of the development
10 program, 2024, we're at about the 255 million dollar
11 level, which gets us about where our Department feels is
12 optimum for preservation of the system.

13 You'll see the red number, 40 million
14 dollars, every year for modernization. That is our
15 specific allocation for safety funding every year, and we
16 feel that we as a department, we need to make sure we
17 expend and use all of that funding that's available to us.
18 We start to have the ability to develop the projects and
19 plan the projects. And then lastly, the blue area is the
20 funding that we feel could be available for major projects
21 in state of -- in the state of Arizona.

22 So what we've done is identified the
23 highest-ranking and priority projects that came out of the
24 P-to-P process. And they shouldn't really be a surprise
25 when you look at the overall ranking of projects on I-10,

1 I-8 to Earley, the SR 87 project, those are very highly
2 ranked because of the location and what it serves.

3 The -- I will say if you look at the I-10,
4 SR 87 projects, you'll see it over two fiscal years
5 because it's a very large project. It's about 126 million
6 dollars. We did find a logical place to look where we
7 could break the project and expend it over two years. We
8 felt that was a good approach to take. We still included
9 the SR 260 Lion Springs project for the construction of
10 that in 2022; U.S. 93 Carrow to Stephens, the -- one of
11 the projects to continue to take that corridor and put it
12 in a 4-lane-divided facility; and then lastly, the San
13 Simon port of entry in the last year of the program. So
14 that's the projects that staff would recommend that we
15 move forward with in the development program.

16 MR. CHRISTY: Mr. La Rue?

17 MR. LA RUE: I think, assuming that out of
18 the P-to-P process ranking, you got some kind of a complex
19 spreadsheet, can you make that available to the board
20 members?

21 MR. OMER: Yes, sir.

22 BOARD MEMBER: The (indiscernible) breaks
23 out the (indiscernible) on in terms of (indiscernible).

24 MR. OMER: Okay. So specifically, Mr. Chair
25 and Mr. Anderson, and Mr. La Rue, yes, Mr. La Rue, we will

1 provide that criteria for -- as we show how we develop the
2 ranking criteria for projects, we can provide that to the
3 board.

4 BOARD MEMBER: And then the actual projects
5 in that range, then how you rank them. I'm assuming it
6 will show projects that you -- maybe like this one,
7 (indiscernible) and you brought it and put it through the
8 calculator, where it popped out.

9 MR. OMER: So I was going to speak
10 specifically about 347.

11 But, yes, we will provide those specific
12 how -- not only the criteria but how we rank those
13 projects.

14 The SR 347 project has been a challenge for
15 us, because first of all, it's not in -- it's not in
16 Greater Arizona. It's actually in the MAG region. The
17 MAG region has to identify that project as in their
18 long-range transportation plan, which they have it in
19 there.

20 MR. ROEHRICH: Which they have just done --

21 MR. OMER: Which they have recently done.
22 They do have conformity.

23 But I am not comfortable putting that
24 project in the statewide program because of the funding
25 allocation should come out of that region, without those

1 conversations with the region, if that's what they feel
2 appropriate do so. If the transportation -- the State
3 Transportation Board decides that they want to move that
4 project into the program, that's your choice. But I do
5 think what would happen is it would throw off the overall
6 RAAC percentages, the Casa Grande Accord, that now we'd be
7 investing additional funding in the MAG region than what
8 we have obligated in that agreement. That's the -- kind
9 of the issue that I see it. The board has that --

10 MR. ROEHRICH: Can you back a slide?

11 MR. OMER: Sure.

12 MR. ROEHRICH: Mr. Chair, Mr. Anderson,
13 let -- I want to make sure that even I understand it
14 because I am not entire sure now.

15 This says the six to ten years of the
16 statewide program.

17 MR. OMER: Yes, sir.

18 MR. ROEHRICH: Are we coordinating with MAG
19 and PAG on the same look ahead 6 to 10 years with them?
20 Or is that part of their -- their RTP or their -- their
21 long-range plan. (Indiscernible) report here, we have
22 that look-ahead with them.

23 MR. OMER: So, Mr. Chair and Mr. Roehrich,
24 those two individual regions by statute, create -- not
25 statute, but federal regulation, create their own

1 transportation improvement programs. And we incorporate
2 those into the -- into the STIP, Statewide Transportation
3 Improvement Program without change or modification. And
4 we do the same thing into our five-year program.

5 MR. ROEHRICH: And that's excluded so far
6 from what we've done is -- because we've worked with them
7 separate.

8 MR. OMER: That's right. And you'll see as
9 we move forward, they submit their own programs. We take
10 those and incorporate them into this process. The MAG
11 region is responsible for, again, programming their own
12 projects, and I am personally not comfortable identifying
13 a project or putting it in their program without their
14 approval to do so.

15 BOARD MEMBER: I think (indiscernible)
16 project that has the potential of a stakeholders
17 (indiscernible) probably (indiscernible) the project
18 (indiscernible). I think in Pinetop last year, as well as
19 in Phoenix in July (indiscernible) in the final program
20 and plan as well as representatives from (indiscernible),
21 so it is a matter of the mayor meeting with the tribal
22 leaders (indiscernible) something that we didn't want to
23 do, because (indiscernible) in which case (indiscernible)
24 on their own, (indiscernible) the Department
25 (indiscernible).

1 MR. ROEHRICH: Mr. Chair, Mr. Christy, I
2 recommend that they bring that IJA up through MAG, because
3 MAG's going to ultimately have to sign off on it, given
4 their program, before we can bring it into the STIP, if
5 you will.

6 So I do think we need to have that
7 discussion. I think we need to be a part of that as an
8 agency working with them. But it has to include MAG,
9 because now that they're in the MAG region, we -- it has
10 to go -- as Scott had said, it has to go through their
11 process for it to get programmed as a project.

12 BOARD MEMBER: The --

13 BOARD MEMBER: Sir, I would suggest that
14 maybe you guys take the lead, sit with Mayor Price and
15 then with Dennis and Eric, because, you know, now that
16 Mayor Price sits on MAG and our representatives sit on
17 MAG, I (indiscernible) to say, you know what? You know
18 I'm confused as an ADOT board member, whether you can
19 bring a project up through the greater region or MAG,
20 (indiscernible) visit with MAG, because I think, given the
21 votes taken out there, he's got to service it up through
22 MAG. And he said he's been talking to people, but I don't
23 get the sense that he's got clarity on how to do it. And
24 so maybe if we could just -- because he spends so much
25 time in those -- and I'm very -- I respect all his energy

1 and effort and (indiscernible) to do, (indiscernible) he
2 clearly knows the path he needs to take, given the votes
3 that have been taken in that area.

4 MR. OMER: Mr. Chair, Mr. La Rue, I agree
5 wholeheartedly that we need to have that conversation. We
6 have been having discussions with MAG in the last couple
7 of days. I think there is a difference of agreement on
8 where the funding should come from. They think that it
9 should be the state share funding the project. And our
10 view of that is it's in the MAG region, so it should come
11 out of the regional share. Until we can have that
12 discussion, come to an agreement, because of the federal
13 side that I can't program projects in the MAG region
14 without them doing -- you know, without their agreement to
15 it, again, I am not comfortable to put it in there.

16 So I do believe we have to have that
17 conversation, as you said. But until that funding,
18 specific funding is identified, I'd be a little concerned.

19 Now, I will say that we do have updates
20 exactly where the project is in the development process,
21 when it would be ready to go. MAG has that same
22 information as well. So we're very comfortable with the
23 project. It's just how to identify where and how it's
24 funded. And, again, then we ask -- offer that larger
25 question that if it's funding it out of the statewide

1 share, does that change the overall RAAC percentages.

2 It's not easy.

3 MR. CHRISTY: Just for clarification
4 purposes, the projects in 2020, 2021, and 2022, what
5 regions are those? In MAG or PAG or?

6 MR. OMER: Those are all in Greater Arizona
7 because those three projects on I-10 are actually in the
8 Sun Corridor MPO.

9 MR. CHRISTY: That's the --

10 MR. OMER: The Casa Grande.

11 MR. CHRISTY: (Indiscernible).

12 MR. OMER: Right.

13 MR. CHRISTY: Thank you.

14 MS. BEAVER: Okay.

15 MR. CHRISTY: Ms. Beaver.

16 MS. BEAVER: Yes, I just want to clarify,
17 what you've just told us is this all pertains with
18 statewide. It does not include MAG and PAG.

19 MR. OMER: Yes, ma'am.

20 MS. BEAVER: Okay.

21 MR. OMER: So these are the -- the same
22 projects, Mr. Chair, in the ranking order, and, again, we
23 can provide that, specifics of how we rank those projects.

24 Moving on to the PAG Tentative Program,
25 again, this is -- I don't want to say this is every

1 project in the PAG region. This is just some highlight of
2 the changes that we've -- that they've made with us
3 working with the region itself. And, again, they're
4 responsible for the program, for programming their own
5 projects. We're responsible for coordinating and
6 implementing and incorporating them into -- to our overall
7 project program.

8 The PAG Tentative Program, if you look at
9 it, what they're identifying as some of the changes or
10 some of the modifications are the I-19 project at Ajo Way.
11 It's still an 81 (indiscernible) project. They're
12 implementing it in phases, with the first phase in 2015
13 and the second phase in 2018. The I-10 Ina Road project,
14 again, a phased project between -- separated between 2016
15 and '17. The I-10 ^ route (indiscernible) TI, again,
16 phased between 2017 and '18. And that the 2000 -- and the
17 I-10 Houghton Road interchange in 2016 and '19. And the
18 I-19 Irvington Road TI design only is in 2019. Inside of
19 the documents that we gave you would have the specific
20 funding sources. But we worked with PAG to come up with
21 this list today.

22 The MAG Regional Freeway Program, very
23 similar. We worked with MAG, and they actually provided
24 us with a list of projects. The 202 South Mountain
25 project is still currently programmed between 2015 to '18

1 with a total project cost of 1.39 billion dollars. The
2 2015, the U.S. 60 Bell Road TI is programmed for 33
3 million dollars. The 2015 and '16, you'd have the
4 303/I-10 interchange at 69 million dollars. And in 2017
5 and '18, the project on I-10 from 32d Street to the Red
6 Mountain -- is that Red Mountain 202? San Tan -- sorry,
7 San Tan 202 for 24 million dollars. Again, this is not
8 all the projects in the MAG region. This is just the
9 specific projects that we thought we'd highlight. All the
10 individual projects are inside of the program itself.

11 Mr. Chair, as we move on to the aviation
12 program, this is also one of your responsibilities for the
13 2015 to 2019 ADOT Airport Capital Improvement Program. We
14 bring that to you every year. By statute, this is where
15 it's defined on where the state aviation funds can be used
16 and how the board will distribute that funding.

17 Revenues in 2013 equated to about 19 million
18 dollars. And these are the general categories where they
19 come in from with most of the revenue coming in from the
20 aircraft registration and flight property taxes, is where
21 the majority of the revenues come for in the state
22 aviation fund.

23 We look at expenditures in 2013, again, what
24 I'd like to highlight is the APMS or the pavement
25 management system for the airports. Again, we expend a

1 lot of our funding in -- not just on -- in the general
2 highway side of the house, but even in aviation on taking
3 care of our existing asset and preserving those systems.

4 So what we would recommend in 2015 are this
5 specific distribution percentage -- or distribution
6 amounts of 4 and a half million dollars be available for
7 federal match grants. And this is the individual programs
8 we have in the airport program: 16.1 million dollars for
9 state and local grants; 7 million dollars set aside for
10 the airport pavement preservation program; 3 million
11 dollars for the airport development loan program; and 2
12 million dollars for the state planning services. So a
13 total program of about 32 million dollars.

14 So, Mr. Chair, the next steps, we will bring
15 back, after our conversation today with feedback from the
16 board, we'll bring back a Tentative Program to you at the
17 February 14th meeting in Sierra Vista for action. What
18 that allows us to do is go to the public for our public
19 meetings, which is a segue into our next part of the
20 conversation.

21 Typically, we have three public meetings.
22 In the past, we've had three public meetings: one in
23 southern Arizona in the Tucson region; one in central
24 Arizona in the Phoenix region; and one in northern
25 Arizona, generally in Flagstaff. And those meetings are

1 in March, April, and May.

2 This year we currently only have two
3 scheduled: One in Phoenix and one in Tucson. We do not
4 have one in northern Arizona.

5 So there's the -- I guess, the conversation
6 is if that's the board's wish, okay. If you would like to
7 add another public meeting in the future, we would have to
8 work with -- with the board and the Department to figure
9 out exactly how if we were going to move stuff around. I
10 would guess -- I would say that I will -- even if I am not
11 asked, I would make a recommendation that if we have
12 another public meeting, I think the transportation board
13 definitely needs to be there. It shouldn't just be the
14 staff going out. We work for the state of Arizona, and
15 you represent them.

16 So I think that's -- it's a good way that
17 your constituents are going to want to hear you at those
18 meetings and -- well, but that's just my humble opinion,
19 and --

20 MR. CHRISTY: We can't take action on that
21 (indiscernible).

22 MR. OMER: No, this is just a conversation.

23 MR. ROEHRICH: But, Mr. Chair, what I would
24 ask is because Mr. Omer had talked about three again --
25 you know, statutorily, we only have to do minimum one.

1 And that has been the board policy, minimum one.
2 Traditionally, we've done three, coincided them with the
3 board meetings.

4 If the board wanted to consider that, we
5 could look at maybe making some adjustments to the
6 schedule. Not today. We could talk about it today. And
7 then we could agenda it and then and do something at the
8 next board meeting, because as identified, the current
9 board meetings and public hearings for the Tentative
10 five-year program are March 14th in Phoenix; April 11th in
11 Marana, and then the May time frame is in Willcox, but,
12 again, that's another southern area. And then June is in
13 Flagstaff where we would present the final five-year
14 program and adopt it, if everything goes.

15 If the attempt is to do a northern location,
16 we could consider swapping the Willcox and the Flagstaff
17 months and do Flagstaff in May and then Willcox in June
18 and adopt the program there. Then that would give that
19 as -- as a way to hold the three regional board meeting
20 and public hearings on the five-year program.

21 MR. CHRISTY: I personally would agree with
22 that. And I think we ought to talk about that particular
23 subject as an agenda item for the Sierra Vista meeting.

24 Another thing, Scott, Mr. Omer, on the -- on
25 this entire sheet here, there's also allowances for

1 individual board input in this whole process during this
2 time frame. Right?

3 MR. OMER: Yes, sir.

4 MR. CHRISTY: So it doesn't have to be
5 tomorrow or a month from now. But certainly before June.
6 You'd like (indiscernible) that.

7 MR. OMER: Oh, I'd love it today. But, yes,
8 Mr. Chair, I guess --

9 MR. CHRISTY: Are we going to have meetings
10 with staff in the short term individually? This -- are
11 you planning on that like we have in past?

12 MR. OMER: Well, Mr. Chair, personally, the
13 intention of having this in public is because the -- I
14 guess your attorney should answer that question. But
15 my -- my intention on this is you actually have -- we
16 actually have these in a public setting.

17 I do believe that there's plenty of
18 opportunities for the board to give input throughout the
19 process. Again, this is your program.

20 I would -- would recommend that the purpose
21 of the study session today is provide that open dialog
22 between, you know, senior staff and the transportation
23 board, and you -- this is great opportunity for us to be
24 provided guidance, direction, input, answer questions in
25 the overall process.

1 But as next -- next week rolls around --
2 it's next week already -- rolls around for the meeting
3 next week, we would adopt -- hopefully we would adopt a
4 Tentative Program, because if we don't have something
5 adopted to take out to the public, we couldn't begin
6 our -- our overall public process until you approve
7 something for us to send out.

8 MR. ROEHRICH: Scott, can you -- okay. I
9 think, then, that one of the next steps we need to do is,
10 Mr. Chair and Board Members, we need to get that
11 tentative. After today's discussion that laid the
12 foundation of the financial backup, the general approach
13 towards the rehabilitation, preservation, modernization,
14 now we -- and then some of the major project listings, we
15 need to give you the straw man, as we call it, or the
16 Tentative Program so you start looking it at the details,
17 regionally and statewide, so you can start looking at it
18 between now and the board meeting of February 14th. Is
19 that correct?

20 MR. OMER: They have it in front of them
21 today.

22 MR. ROEHRICH: They have it? So they have
23 that today. Okay.

24 MR. OMER: We did provide that earlier. But
25 that's minus their input.

1 MR. CHRISTY: The only -- because
2 (indiscernible) I haven't had a chance to talk to my
3 stakeholders back in --

4 MR. OMER: Agree. Mm-hmm.

5 MR. CHRISTY: I don't think anybody else has
6 here either. Though I share your desire to get this thing
7 working and in place as quickly as possible, I still think
8 it's important that we have time to -- this is the first
9 time we've seen it.

10 MR. OMER: I agree, sir.

11 MR. CHRISTY: We should have an opportunity
12 to let it digest and to discuss it with folks back home.

13 MR. ROEHRICH: And, Mr. Chair, I think what
14 we're saying is the first draft -- this is staff's first
15 draft on this.

16 We now have three months' worth of public
17 hearings that we're going to go through. All we're asking
18 the board is to not -- you're not approving the program,
19 nor are you adopting the projects that are in it. You're
20 adopting staff's draft recommendation so we can take it to
21 public hearing, and now you can take that out to your
22 constituents, have your discussion and bring your input in
23 to us over the next three-plus months as we go through the
24 public hearing process. This starts the dialog of the
25 development of the five-year program. It doesn't end it

1 or get to a final decision.

2 MR. CHRISTY: Well, just as question on --
3 from my own standpoint, those projects slated for --
4 projected for 2020 and '21 and '22 which deal with
5 basically I-10 improvements, I'd love to see those moved
6 up quicker.

7 MR. OMER: So, Mr. Chair, that's the type of
8 dialog that we -- we are looking for.

9 I will say that today we -- the board takes
10 no action today. Providing this conversation in this
11 setting is a completely appropriate in my opinion. And I
12 appreciate that.

13 I will say that -- now, there's a flip side
14 of moving \$10 project into the program or a 10 million
15 dollar project into the program or a 120 million dollar
16 project into the program. Since we are fiscally
17 constrained, that means for every expenditure moved in, we
18 have to move -- for every project we move in, we have to
19 move that same amount out.

20 MR. CHRISTY: And I understand that. I
21 guess that's why I'm a little bit hesitant to want to make
22 any kind of indication to staff that this is the way it's
23 going to go forth without analyzing that, because I -- if
24 there's an opportunity, at least from my standpoint,
25 for -- if the PAG region could forgo something or trade

1 off something projectwise to enhance or accelerate those
2 other projects, from my standpoint, that would be a great
3 trade-off, but I -- I can't speak for all of them without
4 at least telling them what I'm thinking about doing.

5 So --

6 MR. ROEHRICH: And, Mr. Chair, that's why --
7 again, you can't act today. We did an agenda. We're not
8 doing any acting today. You can ask all you want. We
9 have to go back to analyze it.

10 The "ask" would be on the February 14th
11 board agenda is that the Department -- or that the
12 Department will ask the board to adopt this draft
13 tentative for the purpose of holding public hearings and
14 gather that input. From the board members as well as
15 stakeholders and all the public when we go out and present
16 over the next three months so we could start having the
17 dialog on making those adjustments so we finalize it in
18 June so the board can adopt it. And that's the final
19 adoption is -- is in June.

20 All we're asking the board to do is adopt
21 the tentative so we can go -- so we've got something to
22 take to the public that says staff's recommendation, this
23 starts the dialog. Now, stakeholder, transportation board
24 member, your stakeholders, your constituencies, general
25 public, what do you want to see in or out in regard to

1 this five-year program. So --

2 MR. OMER: And, Mr. Chair --

3 MR. CHRISTY: -- the board members would
4 have -- would have some kind of input that they'd like
5 from their districts as well.

6 MR. OMER: Definitely.

7 MR. CHRISTY: And I'm even speaking on
8 projects that aren't even in my district.

9 MR. OMER: And I would recommend, Mr. Chair,
10 that -- so we -- again, today is not about action. It's
11 about having the conversation. Next week when we present
12 this to you as a Tentative Program -- if you have any
13 comments before then, you know, send them to me
14 individually so we can see what we can do. Or if you make
15 specific comments next week about we would like to approve
16 the Tentative Program with these specific changes, that's
17 okay next week. We'll incorporate those, and then we'll
18 take out to the public the final Tentative Program that
19 you approve, if that's what you approve that day.

20 MR. CHRISTY: You --

21 MR. ROEHRICH: The draft Tentative Program.
22 It's not final.

23 MR. OMER: Yeah.

24 MR. CHRISTY: Mr. Omer raised the issue that
25 he -- that you're not comfortable with putting projects

1 into the MAG region without them having discussed that.
2 I'm from District 2 and I'm talking about -- about
3 projects that aren't even in my district. So I'm a little
4 bit cautious as to trying to commit to something that
5 isn't in my area without talking to those people first.

6 MR. OMER: But you're the chair, you have
7 the gavel. You can do a lot.

8 MR. CHRISTY: But you see my point. But I
9 see yours too.

10 So just to cap what you're saying, is this
11 is kind of like an overall frame. This is a framing
12 element, and that there's a lot of parts that go inside
13 that frame, that if you could get the frame in place,
14 parameters in place that the board and the public and the
15 stakeholders and the COGs, will have adequate time, even
16 after the -- the February 14th meeting?

17 MR. ROEHRICH: Mr. Chair, they have until
18 you adopt the final program, which is -- normally be done
19 in June.

20 MR. CHRISTY: So it would be an ongoing
21 evolutionary project up until --

22 MR. OMER: So, Mr. Chair, let me interrupt
23 right there.

24 So here's how we -- we handle that process.
25 So next week, we adopt -- hopefully, the board adopts a

1 Tentative Program. That goes out to the public for public
2 information. Throughout that three-month process while
3 we're accepting comments from public and concerned
4 citizens and from the stakeholders, we do not make changes
5 to the Tentative Program after it's out. We would make
6 any of those final changes at the -- prior to the
7 June 30th -- or June meeting that we would have where you
8 would adopt the final program. And that's when we
9 incorporate all those changes, bring it back to you and
10 say, these are -- this is the -- the Department's
11 recommendation for the final program with all the comments
12 that we've heard in the past and with input from
13 individual board members and stakeholders. This is it.
14 And at that time, we would ask the board to adopt that.
15 We can accept comments anytime during the public comment
16 period from the citizens or the transportation board. But
17 once you approve something for us to take out as a draft
18 Tentative Program, we don't make any changes to any of our
19 presentations that we have during that three three-month
20 time frame. We make sure it's consistent throughout.

21 MR. CHRISTY: When do you make those
22 changes?

23 MR. OMER: We will make them after the last
24 public meeting, which would be scheduled in May, if
25 that's -- if that's what the board chooses. We would make

1 those changes between the May meeting and the --

2 MR. CHRISTY: So we've (indiscernible) time
3 in that regard.

4 MR. OMER: Well, yes and no. Remember this
5 last year, this was not an easy process. And --

6 MS. BEAVER: Mr. Chair, can I ask, when you
7 went through the process in developing this, based on what
8 we went through last year, can I ask, did you take all of
9 those comments into consideration when this product was
10 being put forth as the draft?

11 MR. OMER: Yes, ma'am. Mr. Chair and
12 Ms. Beaver, we do take all those comments into
13 consideration, and we carry those forward. And I will
14 tell you with no uncertainty that what you have in front
15 of you today, if you adopted this next week, the
16 Department would be very comfortable because we feel that
17 this, what we're calling our draft Tentative Program, to
18 have this conversation today is the best possible solution
19 in the Department's recommendation. Again, this is your
20 program as well, and you have to have (indiscernible) into
21 that.

22 MR. ROEHRICH: Mr. Chair and Board Members,
23 if you adopt this plan next Friday, we will not be
24 comfortable, because we've not held the statutory one
25 requirement public hearing. After we've held the

1 statutory one required public hearing, you make a final
2 recommendation, you say adopt this Tentative Program, then
3 we will accept it and move forward.

4 We anticipate that will be in -- done over a
5 three-month process of evaluate and analyzing it, and that
6 in June of this year, you will adopt the final program.

7 MR. CHRISTY: Is that what you were saying?

8 MR. OMER: That's exactly what I was saying.
9 It is the draft Tentative Program, that we would be
10 comfortable with this if you approved it next week to take
11 it out to the public.

12 But thank you for clarifying, Mr. Deputy
13 Director, sir.

14 MR. CHRISTY: Any other comments?

15 BOARD MEMBER: There's no scenario B,
16 scenario C?

17 MR. OMER: Not on your life, sir.

18 I think one of you two may have given the
19 specific direction to never even utter those words again.

20 So --

21 MR. ROEHRICH: But, Mr. Chair, Board
22 Members, I do think it is --

23 MR. CHRISTY: -- that point --

24 MR. ROEHRICH: Well -- that is what I was
25 going to clarify.

1 MR. CHRISTY: Go ahead.

2 MR. ROEHRICH: Well, what I was going to
3 clarify is that even though we are going out with a draft,
4 let's remember, we're not going out with a piece of blank
5 paper and say, public, what do you want? That's why we
6 develop the straw man. That's why we develop the start of
7 a talking point that's based upon, you know, a reasonable
8 expectation of the funding that we expect to have,
9 fiscally constrained through the year, through the
10 five-year program, and that it's centered around our
11 strategy of preservation, modernization, expansion,
12 et cetera. And it's in line with the Casa Grande Accord
13 to meet all those planning conditions.

14 But, really, the intent to analyze requests
15 and look at either comments from the public, comments from
16 the board, comments from our stakeholders where we go out
17 and talk to COG and MPOs, we look at that and we continue
18 to analyze that. We don't change the tentative that's out
19 there as representing to the public, so the public gets
20 the same level of -- of clarification in a program to talk
21 off of. But we continue to analyze and look at it, so
22 when we get to that final public hearing, we've got our
23 final comments from the public and that the board, then we
24 make all the -- all the changes, all adjustments we want
25 to make. So it might end up looking at different

1 scenarios, but it'll be done at a staff analysis, maybe
2 reported back to a board member, let's say, if Mr. Christy
3 or Mr. Anderson or somebody calls up and says, hey, want
4 to consider this, I know I have only this much money in
5 this fiscal year, I'm thinking, what if I move these two
6 projects in and I adjust this out, what's going to happen?
7 We will look at that and let you know.

8 MR. CHRISTY: Will you also facilitate --
9 for instance, in going back to my situation, there's three
10 projects that I'd like to see done that aren't in my
11 district, but by the same token, I want people to remember
12 that they weren't done in any district. Would you be able
13 to facilitate some kind of a plan where we do this, this,
14 and this this year, and then this, this, and this in two
15 or three years down the road, back to Pima County or -- in
16 other words, could you all help provide the scenarios that
17 might make things work?

18 MR. ROEHRICH: Mr. Christy, Mr. Chair, you
19 asked us to look at that --

20 MR. CHRISTY: Broker deals, that's what
21 I'm --

22 MR. ROEHRICH: We could -- we could talk
23 about that. What we have to be careful of -- and, again,
24 brokering those deals, especially if that's a MAG or PAG
25 region, they have to be involved in that, because they

1 program in their regions. We also have to, again, make
2 sure that not just the five-year program's fiscally
3 constrained, but the years.

4 So I mean, we just have to analyze what you
5 want you to do and look at, you know, can -- can we do it
6 under these conditions or -- what we could do is report
7 on, well, here's -- if you want to make this work, here's
8 how to make it work. And --

9 MR. CHRISTY: That's --

10 MR. ROEHRICH: Right. And staff would do
11 that as a response.

12 MR. CHRISTY: (Indiscernible).

13 MR. ROEHRICH: Mm-hmm.

14 MS. BEAVER: Mr. Chairman, with regard to
15 the I-10, because I am not exactly sure where you're going
16 on that, if it has something to do with the I-11
17 corridor-type thing, are we at the next meeting going to
18 address the possibility of maybe drafting a letter to see
19 if our -- it would be our recommendation that we either go
20 to whoever it is within the state to have them go to our
21 federal legislators to see if that could be incorporated
22 in, because as it stands presently, the I-11 is just from
23 Nevada to Phoenix, as opposed to all the way, but we can't
24 do that until that whole process --

25 MR. ROEHRICH: Ms. --

1 MS. BEAVER: -- hearing as well.

2 MR. ROEHRICH: Mr. Christy and Ms. Beaver,
3 there's no I-11. Congress has designated a future
4 corridor that would be I-11 based upon a number of
5 conditions, and none of those have been met.

6 So I-11 will never be in our five-year
7 program that we're adopting this year. In future years,
8 yes. But there's a whole lengthy process to get to that
9 in order we get there. A conversation on Interstate 11 as
10 part of this five-year program, I -- they don't connect at
11 this point.

12 MR. CHRISTY: I think what Ms. Beaver's
13 trying to allude to is if could this all be -- I-10
14 projects be thrown into the I-11 -- the whole I-11
15 Intermountain West Corridor scenario.

16 I think the -- I -- my thought, my analysis
17 is that it's -- those are separate issues. That these
18 have been in the plans for a long time anyway. And now --
19 matter of fact, we've had to move them out. So they're --
20 they're separate entities.

21 MS. BEAVER: Well, and -- excuse me,
22 Mr. Chairman, but I think in terms of addressing what
23 Mr. La Rue was talking about, Mayor Price in Maricopa, I
24 think some of these people, I noticed it in our hearings
25 last year with the individuals coming before us with

1 regard to bicycle paths and that type of thing, it's
2 something that we wouldn't even be able to take up,
3 because they have to go through MAG or PAG for those
4 bicycle paths being discussed, yet they were coming to us.
5 And I don't know, is there a way of having a flow chart or
6 something, maybe even on our website, where they kind of
7 know what the steps are to get -- you know, because people
8 are coming to us. And, you know, it's like Maricopa has
9 something, and it really needs to go before MAG, you know,
10 how do we get that information to that community, that
11 city, that town, that they need to go that direction
12 first. You know, the flow chart, so to speak. I mean,
13 that's where I've seen some of this from last year, there
14 were, you know, a lot of people that came before us and,
15 you know, that we couldn't even address their issues.

16 MR. OMER: Mr. Chair, Ms. Beaver, I guess,
17 what I would add to that is first to go back to the I-11
18 discussion, the specific I-10 projects that we've
19 recommended as a department to incorporate into our
20 program eventually are needed regardless of the fact of
21 I-11 now or in the future. These are -- it's an existing
22 facility that's in dire need of specific capacity
23 improvements to facilitate, you know, not only trade and
24 commerce, but to move vehicles and passengers and our
25 citizens safely between Phoenix and Tucson now and into

1 the future.

2 So I see that as a separate issue, whether
3 there's an I-11 or not. And so I -- I agree with Floyd on
4 that and with the chair that those -- that needs to be
5 done anyway.

6 When we talk about where we have citizens
7 making specific requests for projects, whether they be
8 bike lane projects or pedestrian projects, they do have an
9 avenue to approach the Department -- I mean we -- we
10 participate in the regional processes in every region
11 across the state, in every MPO, whether it's MAG, PAG, the
12 five MPOs, or any of the COGs, we're actually members
13 every -- of every one of those. You as State
14 Transportation Board members, sit on the executive boards,
15 and if you don't, you have a designee from staff that sits
16 on there for you and as well as their tax. So we hear
17 those conversations on multiple levels throughout the
18 year.

19 I will tell you that when we develop our
20 program, we look at -- and I made it -- hopefully it was
21 clear, we look at system performance of our system. So
22 we'll have people that will make recommendation for a
23 specific type of project, and if it doesn't add to the
24 overall ability to -- to improving system performance, it
25 would not rate as high as another project. So that's why

1 you wouldn't see every project that someone recommends
2 or -- or requests that show up on here, we don't have the
3 funding, the revenue, or the ability to fund every project
4 that someone asks for. We fund and program the projects
5 that we think are the most appropriate for the state
6 transportation system. And that's what we bring back to
7 you through our process. It's very detailed.

8 MR. CHRISTY: And to that point, during the
9 whole process, there -- there are these hearings, and
10 people can either contribute to those hearings are person
11 or by email or any other type of standard communication.
12 And they are compiled, and they are sent out to board
13 members. And they -- they are requested -- the Department
14 requests for input from individual citizens and shows
15 specifically how they can participate and promote their
16 ideas within the framework of the plan. So there is, I
17 think really -- really good adequate public transparency
18 in the whole process and in the end, encouragement as
19 well.

20 MS. BEAVER: Mr. Chairman, I think what I
21 was getting at, like with regard to the -- speaking of
22 bike paths, I bet you I got at least 50 that have to do
23 strictly with bike paths. I don't know if they just
24 blanket sent out emails to -- to everyone that rides, but
25 if there was nothing that we could even do about it, it's

1 like, maybe if they were redirected to -- you know, I
2 don't know if they were just wanting to share.

3 MR. ROEHRICH: Mr. Christy and Ms. Beaver,
4 I'd say just about any public agency, ourselves, the MPOs,
5 the COGs, the cities, they have multiple of public
6 meetings where they educate the public on, you know, their
7 functions, what they have available, their programs.

8 What we can't control is when the public
9 chooses to come out and -- and come to public meeting or
10 express their -- their voice. And although we have tried
11 over the years to explain what the role is, if a general
12 public person sees a notice of the State Transportation
13 Board, in their mind, it's transportation, they're going
14 to come out and say that. That's why we accept their
15 comment. By all means, we want them to do that. But then
16 we have to look at it from what is your latitude and
17 ability to do that.

18 And as Scott said, there are some members of
19 this board who do sit on a local government, a COG or an
20 MPO board that could take that information back from them
21 or it could be addressed, or through one of our
22 transportation alternatives, there are some things that --
23 can do on a limited scale; not on a large scale.

24 MR. CHRISTY: Mr. --

25 MR. ROEHRICH: I just don't know how you

1 stop them from coming out.

2 MR. CHRISTY: Do you think there's a
3 mechanism that the staff could assist Ms. Beaver in how to
4 deal with those folks that are talking to her on that
5 level?

6 MR. ROEHRICH: Mr. Chair and any Board
7 Member, we can -- we can do that. Absolutely.

8 MR. CHRISTY: -- address these issues and at
9 least accommodate them.

10 MS. BEAVER: Well, some of it last year was
11 just (indiscernible) I mean, we do get your mails. Well,
12 I can (indiscernible) the public, and there were loads of
13 them last year that specifically had to do with bike
14 paths. And it's like, I don't know if I'm frustrated
15 because it's like there isn't a whole lot I can do as far
16 as -- I mean they were wanting it in the five-year plan.

17 So it's like -- it's not going to happen,
18 you know. And they were going to need to a MAG or a PAG,
19 or, you know, because most of them were more in the
20 urbanized area of the state as opposed to rural.

21 But I think there are sometimes communities,
22 as in case of Maricopa, where maybe they're feeling that
23 they're still kind of rural but they're actually now more
24 urban.

25 MR. OMER: Mr. Chair, Ms. Beaver, I will say

1 that every comment that the Department receives inside of
2 the public information time frame and process, we not only
3 document it, but we respond to it. So last year, you
4 know, we documented, I think it was a couple of thousand
5 comments, I think, total that came into the Department.
6 It sounds like you received about 1500 of them yourself.
7 But we received those also and do actually make the -- a
8 specific comment back to each and every one of those. And
9 if we see that the project -- if that comment is sent to
10 the wrong person or if it should be -- you know, if it's a
11 local or a regional issue, that'll be our comment back.
12 And if it's something that's not eligible for funding, for
13 one reason or not, we'll make that response back. Or
14 we'll just say thank you for your comment; we'll take it
15 into consideration.

16 But we do not only provide you every one of
17 those comments that the Department receives -- and the
18 communications group does a fantastic job of helping us
19 through that process -- we respond back to them as well.

20 MS. BEAVER: That's good (indiscernible).

21 MR. CHRISTY: Any other questions or
22 comments from the board to --

23 MR. CUTHBERTSON: Getting back to the
24 five-year plan approval process, assuming that next -- we
25 adopt the Tentative Program and assuming that we have

1 (indiscernible) public hearings, I assume that we're going
2 to -- you know, approve the -- approve the plan in June,
3 we don't really have -- we don't really have, I don't
4 think (indiscernible) because that last public meeting
5 takes you through May and then, you know, if you -- if you
6 have adjustments to the plan, we don't meet as a group
7 before you ask us to adopt the plan. It just seems -- it
8 seems that it would be beneficial for me to at least
9 (indiscernible) changes made, to be able to hear some
10 interaction about the changes or what's being thought of
11 before we make a (indiscernible).

12 MR. ROEHRICH: Mr. Chair, Mr. Cuthbertson,
13 we can schedule a separate meeting for that, a study
14 session, to -- to address that before --

15 MR. CUTHBERTSON: I think that's --

16 MR. ROEHRICH: But, I mean, the board
17 members have to -- to fit it in their schedule and
18 understand that. We as staff, we can support that -- to
19 have that dialog. Again, it would be a meeting where we
20 could -- we could dialog and ask questions. It would not
21 be a meeting where it's actioned until we go to the board
22 meeting. But we can schedule a study session --

23 MR. CHRISTY: Let's put that in play, then.

24 MR. ROEHRICH: And we can start planning --
25 we can start planning for that, yes, sir, Mr. Chair.

1 MR. CHRISTY: Any other questions on the
2 five-year plan?

3 All right. Thank you very much, Mr. Omer.

4 We'll proceed with the last item.

5 MR. ROEHRICH: Mr. Chair, one minute while
6 we're waiting for Lisa to come up and get ready, I would
7 ask Jennifer Toth to make an announcement. We had a death
8 with an ADOT employee. And she would -- and I was remiss
9 in not telling you at the beginning of the meeting. She
10 wanted to inform the board of the current status of that.
11 It's unfortunate, but our people sometimes do get in -- in
12 a situation where there's a fatality. And she just wanted
13 to make sure the board was briefed on it, because it's
14 been in the public.

15 MS. TOTH: Yeah, it's really with a heavy
16 heart that I share that message with you. And you might
17 have seen in the news reports on Friday evening, but
18 Friday afternoon an ADOT employee passed away while
19 cleaning a drainage channel along the San Tan Freeway in
20 Chandler. And at this point in time, the circumstances of
21 the death are under investigation, and we don't quite know
22 what occurred. And hopefully with the autopsy and
23 investigation, we'll be able to determine that at later
24 date. But this -- it really is the first employee death
25 in a number of years. But as you know, each instance is

1 significant impact on ADOT family. And that we just
2 wanted to make sure that the board was aware in case you
3 were asked any questions. Please feel free to send them
4 to me as a point of contact. But I ask that you please
5 join us in sending your thoughts and prayers to the
6 family, and not just the family, but the coworkers of that
7 particular group in the Mesa area maintenance
8 (indiscernible) work, really are having a tough time right
9 now. So ...

10 MR. CHRISTY: Thank you, Ms. Toth, for
11 informing the board. And please on behalf of the board
12 convey to the family and the coworkers our most heart-felt
13 sympathy and condolences and thanks for the service that
14 the individual gave to the Department. And let them know
15 that the board will be thinking (indiscernible).

16 MS. TOTH: Will do. Thank you.

17 MR. CHRISTY: Ms. Mullins.

18 MS. MULLINS: Mr. Chair.

19 MR. ROEHRICH: I think you're going to have
20 to get that a lot closer.

21 MS. MULLINS: Members of Board. You know my
22 preference. My name is Lisa Mullins. My preference --
23 I'm with the Attorney General's Office. My preference is
24 to be seen and not heard. But the chair did request that
25 we have a brief presentation, because he would like to

1 emphasize and talk about the big picture on three issues:
2 number one, the Attorney General's Office role as it
3 relates to the board; the board's role and communication
4 with the AG's office and ADOT staff; and also, just an
5 overview, big picture, open meeting law and public
6 records.

7 I am employed by the Attorney General's
8 Office. By Arizona -- under Arizona law, the AG's office
9 provides legal advice to most state agencies. That is,
10 ADOT is one of those state agencies. Therefore, we are
11 assigned to provide legal advice to ADOT. And as for --
12 as my duties, I'm specifically assigned to provide legal
13 advice to the transportation board, primarily about board
14 authority, open -- and open meeting law compliance.
15 Working with me is John Schlosser. He's in the audience.
16 He's also assigned to the board. A couple of years ago,
17 we came across an issue, and we realized that there might
18 be situations where the board and ADOT might be in
19 conflict. So to ensure that both entities were given
20 adequate legal representation, Mr. Joe Acosta has been
21 assigned to represent ADOT and give legal advice to them.

22 MR. ROEHRICH: But notice how she gave you
23 two lawyers and us only one.

24 MS. MULLINS: He's that good.

25 MR. ROEHRICH: That's all I was going to

1 say. But that's okay, because we got the best.

2 MS. MULLINS: I won't say -- I won't say
3 that, but ...

4 He just has more gray hair than I do, you
5 know.

6 MR. CHRISTY: The board's going to need
7 three attorneys by the time I'm done with my
8 (indiscernible).

9 MS. MULLINS: Don't say that.

10 So I know that the chair doesn't want to get
11 into the nitty-gritty of board authority, but really a big
12 picture. And on this slide, just so you know, all
13 authority for the board, authority for ADOT, those --
14 those authorities are set forth in state statute. That's
15 what we look to for guidance as we go along and determine
16 who does what.

17 As for ADOT, they have exclusive control
18 over the highways and the day-to-day operations of the
19 Department.

20 I think the -- this is the slide that we
21 will probably spend the most time on. Scott, Kristine,
22 they talked about programming and planning. From a
23 lawyer's perspective, just to simplify it -- simplify it,
24 the programming aspect, the board weighs in on that. The
25 five-year plan, as you know, each year you go through

1 that, that whole process. In June, you finalize a vote
2 and approve a final plan.

3 Planning, from my perspective, long-range
4 planning, the board under state law, you are to adopt the
5 long-range plan.

6 As far as board policy, board policy is a
7 formal document that informs the public, informs ADOT, how
8 the board will -- their practices, their procedures and
9 their methods. As you recall last year in November, we
10 approved the board policies, and that covers a multitude
11 of issues: programming, funding, aeronautics, most of the
12 things that are within the board's authority, those
13 policies is the document so the public can know how the
14 board feels about certain issues and how they operate
15 regarding those issues.

16 As far as a resolution, a resolution is a
17 written document that documents a formal board action.
18 Under Arizona law, the board has the authority to issue
19 resolutions regarding necessity. That is necessary in
20 order for -- as an eminent domain attorney to go out and
21 file a lawsuit in order to acquire property for a state
22 highway. You do those each month in your consent agenda.

23 Any other resolutions that we issue should
24 be in line with board authority. If it's not in line with
25 board authority, then the board should not be issuing

1 those resolutions.

2 As far as communications, you don't need a
3 policy, you don't need a resolution to communicate with
4 me. John and I, we're your attorneys. We are here to
5 provide you with legal advice. You can simply pick up the
6 phone and call us. Our communications regarding legal
7 advice with you is protected by the attorney-client
8 privilege. So there's no need for you to jump through any
9 hoops. Simply pick up the phone. It's my understanding
10 that Mr. Christy would like an open board, that you don't
11 have to funnel legal questions through him. I will keep
12 him in the loop, if you should call me about something, is
13 the way I plan to operate.

14 As for communications with the Department,
15 again, there's no need for a policy, a formal policy, or
16 formal board resolution to communicate with the
17 Department. And Floyd can weigh in at any time. But my
18 understanding, just sitting in the audience, generally
19 when a board member has an issue, when one of their
20 constituents brings up an issue, then Floyd -- you can get
21 that to Floyd, and Floyd will send that off to whomever
22 needs to -- the appropriate person in ADOT.

23 An example I can think of is the dust storm,
24 Mr. Christy. Clearly the dust storm issue, which the
25 State Engineer generally updates this board on, is not

1 something within the board's authority. However, it's
2 something of concern to Mr. Christy and his constituents,
3 he communicated that to ADOT, and he frequently gets
4 updates and the board gets updates on that issue. But,
5 again, a situation where you don't need a board policy or
6 a resolution. It's just simply communicating to the
7 Department regarding those items and, you know, inquiring
8 what's the status of those items.

9 MR. ROEHRICH: And, Mr. Christy, Board
10 Members, I think I wanted to -- to weigh in little bit,
11 because, as Lisa had said, the past, our interaction with
12 the board has always been, you know, a board member calls
13 me or calls the district engineer and says, hey, somebody
14 so-and-so called about this interchange project over here,
15 or, you know, it's getting really a lot weeds over here
16 and there's a concern about site -- you know, what's going
17 on. You passed along the constituent's comments, we went
18 out, addressed them, and if you gave us a contact number,
19 we'll go back to them directly, or if you say, well, just
20 let me know, I want to go back with them, then we'll let
21 the board member know what is going on.

22 And in board meetings itself, to me, I've
23 always felt there has been a dialog where board members
24 asked a question and has said, well, I'd like you to
25 follow up on that. That doesn't need a resolution asking

1 the Department to follow up on that. It's -- a board
2 member says, well, you know, okay, this project over here,
3 or I've got a question on, you know, what's the status
4 of -- of this project or this funding, could, you know,
5 somebody follow up with me, we'll follow up off line.
6 We'll do whatever. It's never been so formal that it had
7 to be in -- in this resolution or a very strong
8 communicate [sic], as Lisa was talking about.

9 So I mean, I've always felt our interaction
10 with the board has been, we're open, we're staff, we're
11 here to answer your questions and be responsive. And if
12 you've a concern or an issue, ask it of myself, or, if
13 you've got a strong relationship, you know your district
14 engineer and that person said, here's my phone number,
15 call me, you can do that. Or you need to talk to the
16 State Engineer or Scott Omer or you've got a financial
17 question to Kristine, staff is here to -- to respond and
18 then to answer questions.

19 MS. MULLINS: And I know -- I know as far as
20 me, I can be a stickler sometimes, and so it sometimes may
21 seem like I'm trying to hush or deter ideas.

22 But I think my goal is, like I said at the
23 beginning is, number one, I'm here to give you legal
24 advice, to tell you what is legal and illegal.

25 After that, if there's a resolution, maybe

1 the wording, I'm thinking, oh, Mr. Christy, that wording's
2 a little bit strong. You know, I think as a duty, as your
3 attorney, I owe a duty to you to let you know, hey, there
4 can be some -- I think there's some potential
5 ramifications if we use this verbiage, if we go down this
6 route. Again, I feel like that's my duty to the board.

7 But, again, at the end of the day, it's
8 legal or illegal, and the ultimate decision sits with this
9 board, if it's within the board's authority.

10 The other communication issue, the five-year
11 plan, I know we've talked about this, but I think where
12 this -- Chairman Christy is on the path to making sure
13 that the changes are communicated early on in the process
14 so that we won't be at the situation where we were at last
15 year. And the reason I say that as the attorney is
16 because there is a short time frame. That -- that
17 five-year plan is supposed to be on the governor's desk by
18 the end of June. So I think that issue is resolved. If
19 you have any questions about how we can go forth legally
20 to ensure that we're hopefully not in the situation that
21 we were in last year, where we're rushing to make that
22 decision.

23 And, Mr. Christy, I don't know if you wanted
24 to weigh in at this point.

25 MR. CHRISTY: No, I think -- you have

1 encapsulated. It worked out.

2 MALE SPEAKER: (Indiscernible) determine,
3 you know, the process we set up now is we've got the
4 communication (indiscernible) channel for our desires on
5 the plan prior to the final adoption, I don't think we
6 really have that in place (indiscernible). We've got
7 this -- I mean, everybody's cognizant of roles and the
8 opportunities to make those comments.

9 MR. CHRISTY: Did you have more?

10 MS. MULLINS: No, that's all.

11 Did you want me to go through the remaining
12 slides? I know that was the important one that you wanted
13 to get through.

14 MR. CHRISTY: Yeah, go ahead.

15 MS. MULLINS: Okay.

16 Board authority, I know we don't want to get
17 into the nitty-gritty of that, so, again, we're available.
18 If you have some questions about specific board authority,
19 you could call John and I and we can answer those
20 questions for you.

21 The open meeting law, my rule is openness.
22 Whatever this board does should be done in the public.
23 You serve the public, so therefore, your deliberations,
24 your actions should take place in the public.

25 This is a sophisticated board. Most of you

1 have served on other boards. You are aware of the
2 requirements.

3 Again, you know, my job is just to ensure
4 compliance with the open meeting law. And if you have
5 questions, please feel free to give us a call.

6 Consequences of the open meeting law, I
7 think, of violating open meeting law is confidence. We
8 don't want the public to lose confidence in this board and
9 the way we do business. The five-year plan is major.
10 There are roadways that run throughout this state.
11 Everyone depends on those roadways in some shape, form or
12 fashion. What this board does is important. And you
13 don't want to be in the newspaper or have the public lose
14 confidence.

15 As for personal ramifications, you can be
16 fined. This board can be investigated and looked into. I
17 served on OMLET for a couple of years, which is the Open
18 Meeting Law Enforcement Team with the Attorney General's
19 Office. We don't want that. We don't want any questions
20 to come up. We don't want OMLET investigating and looking
21 into our board. That is my goal to prevent that from
22 happening.

23 The last piece in the puzzle is public
24 records. Since you are operating in the capacity as a
25 public member for the taxpayers and people of Arizona, any

1 records that you create regarding the transportation
2 board, those are public records. Now, there are some
3 exceptions where those records would not be released to
4 the public. For example, any communication with me
5 regarding legal advice is protected by the attorney-client
6 privilege; that would not be released.

7 My understanding is the mechanism that has
8 been used in the past -- and Floyd and Lila can correct
9 me -- is generally if you CC them on an email to someone,
10 that they keep those records, and there are in a safe --
11 safe place in case someone should request them in the
12 future.

13 Is that correct, Floyd?

14 MR. ROEHRICH: We keep -- Mr. Chair and
15 Members of the Board, electronic information we get in
16 here, we keep in a board folder so we can access it.

17 Documents, hard documents that come in, we
18 also file those, scan, file those. We try to keep it all
19 electronically, reduce the paper as much as possible, but
20 we do keep it on a server, and in the event that there's
21 a, you know, worldwide crash of servers, that should be
22 there.

23 MS. BEAVER: Mr. Chairman, I do have a
24 question to ask. I just want to be correct in my
25 understanding. I do get a lot of emails, stuff comes

1 individually to me, you know, whether it's from -- I keep
2 that separate.

3 But with regard to the "board info" stuff
4 that comes through the system, because they're backed up
5 there, do we have to back them up again on ours?

6 MS. MULLINS: No, Lila -- Lila and Floyd, I
7 think they cover that. That's appropriate.

8 MR. ROEHRICH: Mr. Christy, Ms. Beaver,
9 absolutely, if it came through "board info," we have a
10 copy of that.

11 MS. BEAVER: Okay.

12 MR. CHRISTY: Mr. La Rue.

13 MR. LA RUE: Following on (indiscernible)
14 question, is there any email policies that relate to us
15 personally or record retention that is just for us?

16 MS. MULLINS: And I know that we do have a
17 policy that we're working on -- is that correct, Floyd --
18 that we're in the process of working on.

19 MR. ROEHRICH: Mr. Chair and Members of the
20 Board, last year ADOT updated its website. Now we are in
21 the process of reviewing the board's website and updating
22 that. And when we were going through that process, our IT
23 folks said, you know, we can give the board members ADOT
24 email addresses. Well, through -- through our server,
25 it's specific to the board, individual to help track all

1 that.

2 So I asked them to put together a plan. My
3 intent was to roll it out to the board, if we get it in
4 February, depending upon the time frame and the schedule.
5 If not, no later than March. But what I'd like to roll
6 out to the board is exactly that. We are updating the
7 board's website. We're updating the communication
8 approach. So instead of going to board info and to blast
9 all of you, people can -- can go to your website, your
10 face will be there on a little thumbnail, they can click
11 on that, and it'll give them direct email to you and
12 direct email back to us so we can track it. So we're
13 going to set it up so there's a redundancy so the agency
14 can track that, so you don't have to keep it populated on
15 your server or your system. Now, if you respond, there's
16 going to be some steps in there that if you respond to
17 this constituent again, that you CC us so we've got a
18 record of it.

19 We're putting that whole process together
20 that I will bring to this board at a future meeting, and
21 we'll show you it, and I'm hoping it's ready by February.
22 It depends. If it will not, hopefully no later than
23 March.

24 MR. CHRISTY: I'd like to read something to
25 the (indiscernible) board just not for a reaction purpose

1 but more of a reflective purpose. And if either of you
2 are so compelled to comment about it, so -- that'd be
3 great too, but not necessarily.

4 First of all, do all board members when they
5 become -- come on to the board, do they get a rules of the
6 board packet?

7 MR. ROEHRICH: Mr. Chair, yes, sir, we have
8 a little orientation packet that we've given them, and it
9 does have like the board policies, and it does have -- you
10 know, I don't know what else is in the little packet, but
11 statutes and we provide that. Or we have --

12 MS. BEAVER: Mr. Chairman, that came up at
13 the kind of the Board 101.

14 FEMALE SPEAKER: The binder.

15 MR. CHRISTY: Okay. I just want to quote
16 from the statute about the powers and duties of the board:
17 The powers and the duties of the board, which include
18 establishing a complete system of state highway routes,
19 determining which state highway routes or portions of the
20 routes are accepted into the state highway system, which
21 state highway routes to improve, and determining priority
22 program planning.

23 Also, in establishing long-range policy
24 goals for the statewide transportation system, the board
25 shall ensure that the future transportation system

1 facilitates, rather than directs, future development in
2 the state.

3 Those are pretty broad policy abilities of
4 the board. I was told that you can probably drive a truck
5 sideways through them. But I think, just from a
6 reflective standpoint, that when we have issues come up,
7 that we should bear in mind that in the statutes we have
8 some pretty broad definitions here of our powers and
9 duties that include establishing a complete system of
10 state highway routes, determining which state highway
11 routes or portions of the routes are accepted into the
12 state highway system, which state highway routes to
13 improve, and determining priority program planning.

14 MS. MULLINS: And I'll just -- I know we
15 don't want to get into the nitty-gritty of that, but that
16 is the general broad overview, but there are other
17 statutes that go into specifics about how to carry out
18 some of those things, Mr. Chair.

19 MR. ROEHRICH: Mr. Chair, I agree with that.
20 As a matter of fact, if you read the front page on every
21 one of your agendas -- and it's been on there for years,
22 that's summarizing the board authority. What you just
23 said is in there. With the additional information,
24 because I know part of what Senator Shooter is doing, he's
25 doing to do a little cleanup bill on some language in

1 there that takes away the -- take away "direct" and puts
2 in the "facilitate" language.

3 So that has been in there, and we've never
4 tried to marginalize the board in regard to that level of
5 discussion.

6 But I think --

7 MR. CHRISTY: (Indiscernible).

8 MR. ROEHRICH: Right.

9 MR. CHRISTY: I'm just making a clarifying
10 point that board members need not feel constrained on
11 issues of policy direction from the board to the
12 Department. And that the guidelines in the statute and
13 the powers and duties are pretty well explained or clearly
14 stated that this board does affect and has an effect and
15 has the ability to affect policy of the Department.

16 MS. MULLINS: Well, again, like I said,
17 those are the general overview. There are specific
18 statutes that deal with specifics on how to deal with each
19 one of those things that you listed.

20 MR. CHRISTY: Okay. Everybody clear on
21 that? (Indiscernible). Any other comments or input on
22 that issue?

23 MR. ROEHRICH: Mr. Chair, my only comment is
24 if you have a question on policy or what the Department's
25 doing and you want to question it, ask us, and we'll

1 discuss it. You made a statement just now that said that
2 you have the ability to affect ADOT policy. And I think
3 that's where we're going to have to have a discussion. It
4 would depend upon specifically what policy you're talking
5 about.

6 The board has policies and the Department
7 has policies, and where we may have a difference of
8 opinion on who has jurisdiction or the right to establish
9 a certain policy and how the ADOT operates, you know, we
10 just have to have that discussion and you -- by all means,
11 please question it. That's what we're here for. We don't
12 want to, again, marginalize or stymy the board's ability
13 to do its business, nor do we want to have a conflict
14 between the Department trying to do its function as well
15 as the board. We're here as partners.

16 MR. CHRISTY: (Indiscernible) more than
17 that.

18 MS. BEAVER: I do have -- I'll try it
19 (indiscernible). With regard to when board members would
20 collectively be attending a function, say, for instance,
21 there's just a rural economic development, are those
22 things that have to be posted for open meeting law?

23 MS. MULLINS: If there's going to be --
24 Mr. Chair, Ms. Beaver, if there will be no board business
25 discussed, then, no, under the Arizona open meeting law,

1 you are not required to post that.

2 What a lot of boards do is if they know that
3 there's going to be a social function and there'll be a
4 quorum of the board there, they automatically post it
5 and -- just to give the -- give the public a courtesy
6 notice. But it is not required by the law.

7 MR. CHRISTY: Any further questions? No
8 motions are taken. Right?

9 So I declare this --

10 MS. MULLINS: Be adjourned. Motion to
11 adjourn.

12 MR. CHRISTY: -- study session adjourned.

13 (Proceedings adjourned)

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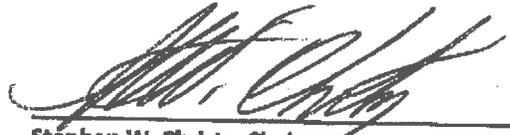
I, AMY E. WEAVER, do hereby certify that the 139 pages contained herein constitute a full, accurate transcript, from electronic recording, of the proceedings had in the foregoing matter, all done to the best of my skill and ability.

SIGNED and dated this 16th day of March, 2014.

/s/

Amy E. Weaver Transcriber

Meeting adjourned at 3:10 p.m. MST



**Stephen W. Christy, Chairman
State Transportation Board**



**Floyd Roehrich, Jr. Deputy Director for Policy
Arizona Department of Transportation**