

MINUTES
STATE TRANSPORTATION BOARD STUDY SESSION
9:00 a.m., Tuesday, January 30, 2018
Human Resource Development Center (HRDC)
Grand Canyon Room
1130 N. 22nd Avenue
Phoenix, AZ 85009

ITEM 1: HURF Exchange Program (Kristine Ward & Patrick Stone) 3

ITEM 2: Tentative Statewide Long-Range Transportation Plan Discussion (Greg Byres)30

ITEM 3: 2019– 2023 Tentative Five-Year Transportation Facilities Construction Program Review
(Kristine Ward, Greg Byres)...52

Pledge

The Pledge of Allegiance was led by Vice Chair, Jack Sellers.

Roll call by Board Secretary Linda Priano

In attendance: Bill Cuthbertson, Jack Sellers, Michael Hammond, Steve Stratton, Jesse Thompson, Deanna Beaver, and Sam Elters. **Absent:** None. There were approximately 30 people in the audience.

Opening Remarks

Chairman Cuthbertson welcomed new board member, Sam Elters, to the State Transportation Board. Mr. Elters stated it was a pleasure and honor to serve on the board. He noted past board member, Joe La Rue did an excellent job and set the bar high. Mr. Elters stated he had worked as the District Engineer and State Engineer for ADOT from 2005-2008 and will serve to the best of his abilities. Board member Stratton thanked ADOT staff for their work on the Renaissance Festival and stated he has received a lot of positive comments from the community.

Title VI of the Civil Rights Act

Floyd Roehrich reminded all attendees to sign in and fill in the survey cards to assist our Civil Rights Department.

Call to the Audience:

The following members of the public addressed the Board:

Charlie Odegaard, Councilman, Flagstaff, re: stated the city of Flagstaff was looking forward to hosting the board in April. He also discussed the IGA and funding status regarding the Fourth Street Bridge Widening Project.

Miles Begay, Tribal Transportation Manager, Navajo County, re: discussed a recent double fatality on the intersection at SR87 and Navajo Route 15, 40 miles south of Second Mesa. He added that a county engineer did an assessment and an application was submitted to ADOT in March 2017. He requested an update on this.

Paul Jepson, City Manager, Globe, re: Thanked ADOT staff for their work on the Renaissance Festival traffic issues. He also thanked the Board and ADOT staff for the new emergency sign that has been put up on US60. He added the city is looking forward in hosting the STB meeting on June 15th at Globe City Hall.

Item 1: HURF Exchange Program

Item 2: Tentative Statewide Long-Range Transportation Plan Discussion

Item 3: 2019– 2023 Tentative Five-Year Transportation Facilities Construction Program Review

Item 4: Suggestions for Future Topics

1 (Beginning of excerpt.)

2
3 CHAIRMAN CUTHBERTSON: We'll move on to Item
4 Number 1 on the agenda, which is Kristine Ward, our Chief
5 Financial Officer, will provide an overview of the timeline and
6 implementation for the HURF Exchange program.

7 MS. WARD: Well, thank you very much, and good
8 morning, and welcome new board member. Chair -- or not chair.

9 MS. BEAVER: Former.

10 MS. WARD: Not chair. Board member. No longer
11 chair.

12 So --

13 MS. BEAVER: (Inaudible) board member.

14 MS. WARD: Board Member Beaver.

15 So this is going to be one of my shortest
16 presentations ever, because I'm not going to actually give this
17 presentation. I'm going to turn this over to someone I -- one
18 of my team that I owe a deep thanks.

19 This HURF Exchange program has been a long time
20 coming. It was shut down in 2009, and I'll have to say that
21 because of the fiscal prudence and the policies of this board is
22 one of the reasons that it is able to be reinstated. You have
23 over the years chosen to allow us to get to the cash balances
24 that are essential to keep the program running, to keep the
25 operations of ADOT running, and as such, that's why we were able

1 -- we are able to reinstate this program.

2 With that, I'd like to say thank you. There are
3 -- there is a lot of collaboration that went into -- went into
4 reinstating this program. It was not only within ADOT. Dallas,
5 thank you to your team. Tremendous collaboration within ADOT,
6 and then tremendous collaboration outside of ADOT with the COGs
7 and the MPOs.

8 Lisa Danka, who is not here with us, a member of
9 my staff, is also -- was a prime contributor to getting this --
10 this program back up and running.

11 And lastly, Patrick Stone, who's going to be
12 providing this presentation to you, has done numerous
13 presentations on the program, as well as attended numerous
14 meetings; forms, policies, had to be developed, webinars. Three
15 webinars have been given, and the web page has been developed,
16 which he will show you the link to that web page should you want
17 to see frequently asked questions and all of the descriptions of
18 the program that are now available to our customers.

19 So with that, I will turn it over to Patrick to
20 give you a full rundown on the program, and thank you.

21 MR. STONE: Thank you all for coming. My name's
22 Patrick Stone. I am the program and project funding
23 administrator for ADOT. Used to be the federal aid
24 administrator. Then we figured out it actually administered
25 more than just federal funding.

1 So briefly, I'm going to go through the HURF
2 Exchange program, go through the slides. If you have questions,
3 certainly don't hesitate to interrupt me.

4 So the big thing first is the history of the HURF
5 Exchange. As Kristine alluded, it shut down in 2009. Well, it
6 actually started back in 1997. Programs in ADOT discretionary
7 program, and the big emphasis, it was targeted to rural cities,
8 counties and towns. It allowed ADOT to swap State Highway Funds
9 for local federal aid. The Legislature set the exchange rate at
10 90 cents, and then the projects needed to be on the federal aid
11 system.

12 In the old version of HURF Exchange, and we have
13 a slide -- the next slide kind of shows how HURF Exchange was
14 used -- primarily construction. So that was the huge emphasis.
15 Now we're kind of opening it up. It's allowable for all phases.
16 You can see how popular it was. There was 145 projects done.
17 \$91 million. So that was a significant investment.

18 And as Kristine mentioned, 2009, we were just
19 coming out of the back end of the recession. State Highway Fund
20 dollars decreased. We had to suspend the program.

21 I love this slide. This is really the slide that
22 shows how the program was utilized in the past. It identifies
23 the COGs and MPOs that actually used -- utilized the program in
24 the past. Our biggest users were NACOG, CAG and WACOG. And you
25 can see the number of projects they did, but the other thing

1 that's very interesting about this program, the size of these
2 projects. These are not multi-million dollar projects. These
3 are smaller projects that can get done quickly and open to
4 traffic quickly.

5 So the old program did have some challenges. The
6 biggest one, it was sort of an informal program. As we
7 reinstated the program, we tried to find the historical
8 knowledge. A lot of it wasn't there. So a lot this, as
9 Kristine alluded to, we've been developing this. The policies,
10 the procedures, the templates for an intergovernmental agreement
11 have all been developed new.

12 One thing with the old program was the
13 communication to all the stakeholders. If the State Highway
14 Fund gets impacted, what does this mean to HURF Exchange? And
15 then one thing, this is the one I'm very passionate about, we
16 talk about inactive projects, and that's one of my big things.
17 Even though these are easy projects, fast projects, simple
18 projects, not a lot of requirements, we still had them going
19 inactive. So we worked on this as we rolled out this new
20 program as well. Why did they go inactive, and what can we do
21 to stop it?

22 So HURF Exchange 2.0. Better than the original.
23 Should have made it like a 3.0. It would look more fancy like
24 we've done more, but...

25 So ADOT developed a new policy. It's out there.

1 It's published. We started October 1st. Unfortunately, the
2 rollout's been a little slower as we finalized and finished up
3 some forms. So the real rollout mainly happened last week as we
4 gave presentations to all of our stakeholders through a series
5 of webinars.

6 We also made sure we highlighted what kind of
7 funding is funding HURF Exchange. What federal aid are we
8 actually using to fund HURF Exchange, because that's been a
9 question. And essentially, we're using surface transportation
10 funding, which is very flexible, and it's allocated by
11 population. So the intent is swapping funds in those areas with
12 those kinds of populations. The swap rate's still 90 cents.

13 One other thing we've done, and Dave's here from
14 FMPO, but the ledgers that they get every month that tell them
15 the status of their funding will actually reflect HURF Exchange
16 so they can see how those projects are doing.

17 The next bullet point's a little bit inside, but
18 all the rules that we use for federal aid funding apply to HURF
19 Exchange. So we want to make sure loans happen, transfers
20 happen, projects get closed out timely. And then we could
21 suspend the program again if State Highway Fund revenues do
22 decline. Kind of --

23 MR. ROEHRICH: Patrick.

24 MR. STONE: Oh, yes, please. Floyd.

25 MR. ROEHRICH: Before you move on, are you going

1 to talk a little bit more about that limited discretionary, some
2 of those limitations? Is that further discussion in your
3 presentation?

4 MR. STONE: I can. Obviously we're trying to
5 keep this moving along. But yeah. Definitely.

6 So what it is, the federal government gives us
7 categories of funding, safety funding, national highway funding,
8 congestion funding. One of the categories is surface
9 transportation funding. Part of it is allocated -- part of that
10 surface transportation funding is allocated by population. They
11 have three categories. One is for population areas greater than
12 200,000, which is mainly the urban centers in Maricopa County
13 and Pima County, and then they further sub-allocate it,
14 populations with residents 5,000 to 200,000, and then again,
15 less than 5,000.

16 So the funding that we're actually doing with
17 HURF Exchange are the two smallest categories, the under 5,000,
18 and the 5 to 200,000, and that's about 15 to 17 million a year
19 that we're talking about with HURF Exchange. The State Highway
20 Fund just could not support actually doing those other
21 categories of funding.

22 Does that kind of hit where you were going,
23 Floyd?

24 MR. ROEHRICH: Yeah. I wanted to emphasize the
25 importance -- the population centers and the areas of -- that

1 would get that through the discretionary federal aid program.

2 MR. STONE: Yeah. And there's actually -- oh,
3 yes. Board Member Hammond.

4 MR. HAMMOND: (Inaudible.)

5 MR. ROEHRICH: Yeah. That's it. That's -- I
6 just wanted to make sure that you emphasize that --

7 MR. STONE: No.

8 MR. ROEHRICH: -- because you really didn't.

9 MR. STONE: Definitely. And actually, I have a
10 slide coming up that has a really cool population thing.

11 MR. HAMMOND: Would you explain that 90
12 cents/dollar swap rate and where the 10 cents goes? What are
13 you talking about there?

14 MR. STONE: Well, it doesn't go to Patrick's
15 retirement account. But actually, what the 10 cents is, the
16 assumption -- well, there's two components to that 10 cents, why
17 we only give 90 cents on the dollar. The first is we're going
18 to take that federal aid back from the region. ADOT has to
19 provide the match on that federal aid. So part of that is our
20 5.7 percent match associated with the federal funds that we're
21 getting back. The other part is actually our administrative and
22 oversight cost to this program.

23 Traditionally, in a federal aid project that
24 ADOT's administering on behalf of a local agency, we have to
25 assess fees to that local agency. They were called program --

1 project management development review fees. But we always had a
2 cost typically around \$30,000 project. With HURF Exchange, we
3 don't assess those fees. There's nothing where the local agency
4 pays ADOT for us to work on that HURF Exchange project. So this
5 is some way to recover some of the staff time that's associated
6 with delivering HURF Exchange.

7 MR. HAMMOND: So if the local agency has rights
8 to half a million bucks, we give them -- they give it to us, we
9 give them back 90 cents, and the rest are basically fees and
10 administrative costs. In return, they get a faster project?

11 MR. STONE: Yeah. Faster project, less
12 oversight, less restrictions.

13 MR. ROEHRICH: I think, Patrick, the other point
14 to that is just like the match we have, if they got a \$500,000
15 grant, they'd still have to come up with 4. -- the 5.7 percent
16 match on their own. So they don't have to come up with the
17 match to use the state funds. So they save that money, but we
18 absorb it, and because we have to repurpose those federal aid.
19 So it really comes out to that 4.3 percent, which is that
20 administrative cost that then they don't have to worry about
21 paying anything after that.

22 MR. STONE: So with this slide, and the very top
23 goal is we're discussing the tentative five-year program. Part
24 of develop of the tentative program, what Kristine does is
25 actually allocates and identifies the amount of funding for HURF

1 Exchange in the fifth year of the program. So at this point,
 2 '23. So there's -- we're kind of looking out and seeing can the
 3 program still be sustainable out in the future? Because we did
 4 get a lot of questions about, "Well, what happens if I start,
 5 and all of sudden you're like, 'Hey, no more money. Sorry.
 6 We're tapped out'." So we have a way to do that.

7 All work phases are eligible. One thing we do
 8 emphasize to our local sponsors, if you're developing a project
 9 right now using federal funds but you'd like to use HURF
 10 Exchange for construction, that's great. There just may be some
 11 requirements that you have to do that you can't get out of.
 12 However, if you're currently designing a project with federal
 13 aid, you can't switch it to HURF Exchange. So that you can't
 14 do. Final voucher, which is the final financial audit of the
 15 project, will be completed, and then they are subject to audit.

16 Continuing on, we talked about the suspension, if
 17 the State Highway Funds decline. Repayment would be required if
 18 the project actually doesn't get completed timely. We also
 19 might not exchange -- engage in HURF Exchange with an agency if
 20 there's cases of misuse or abuse. So if someone's not using the
 21 funds correctly, we may have a challenge there.

22 Another thing, and this is one we're really
 23 actively engaging, is working with our stakeholders to make sure
 24 projects are moving along. And we're not just waiting until the
 25 end of the project. So we've got reports and ways to actually

1 work with them and say, "Hey, we thought you'd be here as of
 2 this date. You're not. Is something going on? Do we need to
 3 investigate further?" So we've got that done.

4 Funds that are released from projects, whether a
 5 project gets canceled or a project just has savings, those
 6 actually go back to the regional planning area to reuse on
 7 another HURF Exchange program project.

8 And then on the final bullet point, we have a new
 9 ADOT inactive policy that should be coming out in the next
 10 couple weeks. HURF Exchange, just like every other funding
 11 source, is going to follow that inactive policy.

12 Eligible projects and costs. This --

13 UNIDENTIFIED SPEAKER: You have a question.

14 MR. STONE: Oh, so sorry, Board Member Stratton.

15 MR. STRATTON: Mr. Chair, I have a little bit of
 16 a question on the time frame.

17 MR. STONE: Yes.

18 MR. STRATTON: I believe in Tuba City, we had a
 19 question from a gentleman from Casa Grande and talked about the
 20 two-year completion, and since then Kristine has talked about it
 21 a little bit.

22 MR. STONE: Uh-huh.

23 MR. STRATTON: I don't remember if we said from
 24 the time -- we asked that it was time that the design was
 25 completed or the project was bid. And the reason I'm saying

1 that is multiple times, even with us,, we have to not award a
 2 project or postpone it for some reason, and that two-year time
 3 frame could come into play. So if we stay with this, where
 4 it's -- when the design is funded or finished --

5 MR. STONE: Uh-huh.

6 MR. STRATTON: -- and there's a problem with the
 7 bidding procedure, is there an extension given to that? I know
 8 that they said that there was some flexibility in that two-year.
 9 Is that still remaining?

10 MR. STONE: And there would be. I think the
 11 biggest thing in the policy is really it's designed to get the
 12 projects done, but we do understand things happen on the ground.
 13 The biggest thing is really the communication back and forth
 14 between the local sponsor and ADOT. Hey, you know, we went out
 15 to bid. We had to reject all bids, whatever. Maybe we had to
 16 do some rescoping or redesign. It's providing that information
 17 back to us so that we can update all of our schedules to
 18 identify that there could be delays.

19 MR. STRATTON: So as long as there's good
 20 documentation, there (inaudible) --

21 MR. STONE: Well, I think that's the start. That
 22 way we can have the conversation.

23 MS. WARD: Keep in mind that this is two years
 24 after design is complete. So this two year time ticker starts
 25 after they have completed the design phase.

1 MR. STRATTON: Correct.

2 MS. WARD: Also keep in mind that back to that
 3 original slide that showed you the size of those projects.
 4 These are very, very small projects. So it was the general
 5 belief that these projects should be moving along, hopefully
 6 that the HURF program was to facilitate projects being able to
 7 move quickly. But there is due process that is built into the
 8 policy in terms of communication back and forth should there be
 9 problems with a new project.

10 MR. STRATTON: Perfect. Thank you.

11 MR. HALIKOWSKI: Mr. Chairman, I just want to say
 12 that Kristine is at war with lazy money. We have spent several
 13 years now, she has, diligently looking for where projects have
 14 lagged to get that money back into the system if we're not going
 15 to move forward. So this is part of that lazy money.

16 The other thing up there I want to point out is
 17 the HURF Exchange follows the ADOT inactive policy, which is the
 18 larger effort of looking for that lazy money and getting that
 19 communication going, that if you're not going to move on this,
 20 let's get the money back in circulation.

21 MR. STRATTON: And I don't disagree with that. I
 22 just want to make sure you (inaudible) --

23 MR. HALIKOWSKI: I just -- I know the board
 24 members may hear from folks if we are exercising the inactive
 25 policy to bring money back in. Obviously we're going to

1 communicate with them, try to see what's going on. But at some
 2 point, if the project's not moving, you may hear from people
 3 saying, "Why is the Department doing this to us?" To keep the
 4 money in circulation.

5 MR. STRATTON: Thank you.

6 MR. STONE: Yeah. And the inactive policy
 7 actually has a lot more details about that communication policy
 8 of, "Hey, it's been awhile. What's happened?" You know, we
 9 need responses, letting us know.

10 So eligible projects. The primary purpose is to
 11 improve the efficiency and safety of motor vehicle travel on the
 12 roadways. All the projects have to be on the federal aid
 13 system. So they cannot be on a local road.

14 They have to have also been eligible for the
 15 federal funding that is being swapped. So you couldn't
 16 potentially -- if something wouldn't have been eligible for the
 17 federal type of funds, they wouldn't be eligible for HURF
 18 Exchange.

19 And then they have to be in approved,
 20 fiscally-constrained TIP and have been approved by the COG or
 21 MPO's Technical Advisory Committee. Most of these -- and this
 22 is the process already. These projects are in those TIPs. The
 23 COG and MPO have reviewed them. Their group has approved them.
 24 We're now adjusting the funding sources for the project.

25 Ineligible costs, maintenance is not eligible.

1 Nor -- neither is scoping. Nothing that was incurred prior to
 2 the authorization of the HURF Exchange. Items outside of the
 3 project right-of-way. Utility work that's not directly and
 4 unavoidably related to the project, and no betterments for
 5 utilities.

6 So this is the big slide. This is the slide that
 7 talks about how we calculate and come up with who are the
 8 eligible entities and ineligible entities.

9 One thing that's interesting about HURF Exchange
 10 is we are taking federal funds. Well, the federal funds are
 11 predicated off the 2010 Census. That's the data FHWA uses to
 12 distribute the funds to the State. Conversely, we then have a
 13 State executive order, 2011-04, that says when you're doing
 14 programs like HURF Exchange, you have to use the population
 15 numbers provided by the Arizona Office of Economic Opportunity.
 16 They annually put out population statistics.

17 So what happened when we first did this program,
 18 and it was a great question that came from our folks at the Sun
 19 Corridor MPO they asked about Pinal County. They're like, "Hey,
 20 is Pinal County eligible?" And we're like, "Well, you know
 21 what? We're looking at demographers' numbers." Pinal County's
 22 219,000 in 2017. They're not eligible. Then they asked again,
 23 and we had an internal discussion, and what we figured out is
 24 you actually have to translate federal data into state data.

25 So what we did is -- there's a gentleman at ADOT,

1 Tracy Clark, who's just phenomenal with doing this kind of
 2 stuff. We went and talked to him, and we were like, "Hey, this
 3 is what we're doing." He was like, "Oh, I got this spreadsheet
 4 right here." And so instantly, he instantly solved what we
 5 thought was going to be a really big issue. But essentially, we
 6 take the unincorporated population of Pinal County, 219,000. We
 7 then realized Pinal County just doesn't sit in one planning
 8 region. It actually sits in Sun Corridor, MAG and CAG.

9 So once you do the allocations by region, and the
 10 particular example I'm using here is Sun Corridor, they're
 11 actually 17 percent of the unincorporated population. So when
 12 you apply that to the 219,000, the amount of folks in Sun
 13 Corridor is only 37,000. Therefore, Pinal County is an eligible
 14 HURF Exchange recipient within Sun Corridor, within CAG and
 15 within MAG.

16 This kind of further breaks down the eligible
 17 entities. So all cities, towns -- all cities and towns not
 18 located with the federally-defined urbanized areas for the
 19 Phoenix, Mesa and Tucson areas are eligible, and also, those in
 20 the unincorporated portions of counties within a regional
 21 planning area with 200,000 or fewer -- this essentially is that
 22 Pinal County thing, that last part of that bullet. On the
 23 converse, the ineligible entities would then be the cities and
 24 towns located within those urbanized areas.

25 And also, tribal entities are not eligible for

1 HURF Exchange, because they're not eligible recipients of HURF.
 2 However, they can certainly work with an eligible program
 3 sponsor to deliver a project.

4 And the next slide, so this is actually Pinal
 5 County here.

6 Oh, I apologize. Yes.

7 MR. THOMPSON: I'd like to get more information
 8 on the provision regarding the comment made on tribal entities
 9 not being eligible, and I'd like to get -- be more informed on
 10 that.

11 MR. HALIKOWSKI: Do you want to elaborate on that
 12 now? Mr. Chairman --

13 MR. STONE: I'm not -- I'll have to take that
 14 back. Unfortunately, I know the statute on -- regarding HURF is
 15 specific about who the eligible recipients are, I guess, if I'm
 16 even saying it --

17 MS. WARD: Mr. Chair and Floyd, if I can, we have
 18 developed a separate point paper on eligibility -- tribal
 19 eligibility of funds. If you would like, I can come back and
 20 speak to that specifically at another time, if that would be
 21 acceptable.

22 MR. ROEHRICH: Mr. Chair, I'd also ask, Kristine,
 23 why don't we send that white paper out to the board members to
 24 review it and staff, and then they can bring questions and
 25 agenda it for discussion so we can talk about it more in depth.

1 Would that be --

2 MS. WARD: That's -- that will work.

3 MR. ROEHRICH: Okay.

4 MR. HALIKOWSKI: Just one other point, though,
5 Patrick.

6 MR. STONE: Yes, sir.

7 MR. HALIKOWSKI: You said that the tribe could
8 work with an eligible project sponsor. Who might examples of
9 that be?

10 MR. STONE: So I know we had a gentleman from the
11 Navajo -- Navajo County DOT, but if you have the Navajo Nation,
12 they potentially could be working with either Navajo County or
13 Apache County. So there would be an eligible sponsor. Down
14 south, with the Tohono O'odham, they could be working with Pima
15 County.

16 MR. HALIKOWSKI: Okay.

17 MR. STONE: So it's just partnering with those
18 agent -- you know, wherever jurisdictionally they fall, but
19 there would be the opportunity to say, "Hey, we'd really like to
20 do this project. Would you be willing to support it?"

21 MR. HALIKOWSKI: Okay.

22 MR. STONE: And so they would just be -- the
23 project sponsor would be the county instead of the tribal
24 entity.

25 MR. HALIKOWSKI: So there's a path there.

1 MR. STONE: There's definitely a path there.

2 MR. HALIKOWSKI: Thank you.

3 MR. THOMPSON: Thank you.

4 MS. BEAVER: I would just like to ask, in a
5 clarification now, because my understanding is within
6 reservations sometimes there are BIA roads and then there are
7 also tribal roads. The BIA roads, they come into a separate
8 category? Is that what my understanding is? Or would it depend
9 on if they were wanting some type of funding that it had to do
10 with the BIA roads, would those have to have the federal
11 government somehow -- I guess it's a little bit of a
12 complication, because it's like it's federal dollar --

13 MR. STONE: Well, and I apologize, Board Member
14 Beaver.

15 I think -- and I'm hoping I'm understanding what
16 you -- I want to make sure I get this. There are tribal
17 transportation dollars that are allocated to the regions, the
18 tribal transportation program. That wouldn't be part of this
19 discussion. So the projects that the tribal entity would be
20 looking at, the roadway classifications would at least have to
21 be a functional classification of a local road. And I
22 apologize. I do not -- I'm not very aware of tribal roads, what
23 -- how they're classified. I know we've done work, especially
24 safety projects, we've done quite a few on, on tribal roads, but
25 we can certainly -- we'll get back on that.

1 MR. THOMPSON: That will be good.

2 MR. ROEHRICH: Mr. Chair, Ms. Beaver, I think
3 it's going to come back to one of your very first bullet points.
4 It has to be federally ineligible. So it has to be federally
5 ineligible by the sub -- as a sub-recipient within the federal
6 aid program FHWA submits.

7 MR. STONE: Yeah.

8 MR. ROEHRICH: And some of those funds are not
9 available to go on BIA roads. So that is -- because BIO gets
10 their own funding for those roads. We've had this discussion
11 before. So that's why it's important that we would have to look
12 at each individual request and road and figure out is there a
13 path to that given how it's functionally classified, as Patrick
14 was saying. So I agree with Mrs. Beaver. It's not as simple as
15 any road could be eligible. It still has to meet that minimum
16 federal aid eligibility test.

17 MR. STONE: But yeah. And we've had specific
18 questions come in about specific projects, and we always tell
19 people, if you have a question, at least give it us to us so
20 that we can start doing the research on it.

21 MR. THOMPSON: Sure. Thank you.

22 MR. STONE: Thank you.

23 So to the map -- there it is. So this is Pinal
24 County, and the one thing that -- this is the visual
25 representation, but it's really good. The purple is CAG. This

1 light pinkish color -- we'll go with that -- is Sun Corridor,
2 and the yellow is MAG. So you can see how Pinal County is
3 actually broken up in three programming areas. So that's how --
4 it makes it very easy to say, oh, obviously all the
5 unincorporated Pinal County doesn't just sit in one regional
6 planning area. So it is split up over three areas.

7 Benefits. So, you know, if you're bringing in a
8 new program, hopefully you've got some good things to share
9 about it. The biggest things, less restrictive design and
10 construction standards, fewer requirements, less project
11 oversight, lower project costs. So those really are the
12 benefits out to the local -- they can say, "Hey, you know, HURF
13 Exchange makes sense because we can do this project faster,
14 quicker, cheaper," or at least that's the hope.

15 The fifth bullet point, self-administered as
16 opposed to ADOT-administered. So the local agency is actually
17 controlling this project. They're the ones getting the design
18 established for the project. They're the ones actually bidding
19 and awarding the construction contracts. The hope is that
20 they'll be constructed and open to traffic more quickly.

21 And the next bullet, this is actual really a
22 benefit for ADOT as well. It's fewer projects for ADOT to
23 administer. It allows our resources to be used on other
24 projects.

25 Another thing with HURF Exchange, as the project

1 is developing, funds are actually given to the agency in advance
 2 of the work being completed, and usually the way we envision it
 3 is in 30 percent intervals. So it's one of the few -- no, not
 4 few -- only allowable uses where funding is actually given up
 5 front versus reimbursed for costs incurred.

6 And the other thing that's interesting is less
 7 than state -- half the states do actually have a HURF swap
 8 program or some other fund exchange type program.

9 Of course, with benefits, there's risks. The
 10 biggest one, obviously, I think, is associated with the State
 11 Highway Fund. That is the source of the HURF Exchange. Sweeps,
 12 appropriations, transfers, anything that negatively impacts the
 13 State Highway Fund could have a potential impact on HURF
 14 Exchange.

15 Just in general, how the HURF revenue does.
 16 Economic market conditions. The other one is, you know, we're
 17 swapping federal aid funds. If something changes on the federal
 18 side, whether our matches go up or our federal funds go down, it
 19 could actually have an impact.

20 And then the last bullet's kind of interesting,
 21 because this is a cyclical item. When HURF Exchange happened
 22 before, agencies were really good at HURF Exchange. They had a
 23 lot of familiarity. Then once it went away, we had to
 24 federalize all those projects. It was relearning all of the,
 25 "Hey, what's the federal process? How do we get back up to

1 speed?" With bringing HURF Exchange back, we may lose that
 2 knowledge again as agencies move over into HURF Exchange and
 3 don't do federal projects anymore. So it's just something to be
 4 aware of.

5 And then finally, talking about the rollout, and
 6 Kristine kind of alluded to this. This was a humongous
 7 collaborative effort. I have a separate email folder that is
 8 very, very full with all the discussion about HURF Exchange.
 9 Every technical section, every affected section within ADOT
 10 contributed. The Attorney General's Office participated.

11 And then we also -- this rollout has been a long
 12 time coming. It's actually been a year. Last year, we gave a
 13 presentation to senior ADOT staff, and then over the year, we've
 14 worked with our COG/MPO partners. There was a presentation at
 15 Roads and Streets. We've had a couple of presentations specific
 16 to groups like NACOG and MAG.

17 And then in November, we met with the director in
 18 the Governor's office to talk about HURF Exchange. "Hey, this
 19 is where we want to go. Is it okay?" We got the green light to
 20 move forward. Then finally we did the rollout.

21 So in December we did the rollout with some
 22 advocacy groups and external stakeholders, RTAC, the League of
 23 Cities, and then the County Supervisor Association, and then
 24 this month, last week -- well, Friday and then two -- well, last
 25 week -- we did webinars with all of the local agencies, COGs,

1 MPOs, ADOT staff to give them a chance to see what HURF Exchange
2 is and to actually ask some questions.

3 And then finally, today, we're meeting with the
4 State Transportation Board to provide this presentation.

5 And then Kristine had alluded to this. This is
6 -- these are all the documentations. So we do have a website
7 under azdot.gov. That's where the financial section is.
8 There's a page dedicated specifically to HURF Exchange. It's
9 got all the forms, the policies, templates. There's a nice FAQ
10 section that keeps getting expanded constantly as we get more
11 questions and we get more answers. And then it's also got some
12 resources as far as helping them to complete HURF Exchange.

13 That's my presentation.

14 CHAIRMAN CUTHBERTSON: Question?

15 MS. BEAVER: Chairman, yes. And it's more just
16 if you could articulate it for the record.

17 MR. STONE: Yes, please.

18 MS. BEAVER: With regard to towns and cities and
19 rural areas, the counties that are under the 200,000 threshold,
20 the benefit of the HURF Exchange versus federal dollars. If I
21 understand correctly, and I'd like you to correct me on this, is
22 that that federal -- the federal guidelines revert over to the
23 state when the HURF funds are given to the local areas?

24 MR. STONE: Correct. So what happens is, is we
25 take the federal funding from any regional planning organization

1 like WACOG. WACOG gives us their federal aid. Says, "Hey,
2 we're going to give you the fed aid. Mohave County wants to do
3 a HURF Exchange project." So once we give them the State
4 Highway Fund, we've approved the HURF Exchange program, they're
5 following under the guidance and rules of administering a
6 project funded with state highway dollars.

7 So there's no -- the federal requirements that
8 are involved with FHWA funding come out of the process. So that
9 as far as -- the designing's easier, as far as how you go out
10 and advertise for a consultant you have design the project.
11 When you go out to construct, it's much simpler. You're not
12 dealing with the Davis-Bacon wages. You don't have the Buy
13 America certification to comply with. So throughout the life
14 cycle of the project, there's less requirements and restrictions
15 on delivering that project. And also, I think it puts more
16 control out to the local entity.

17 MS. BEAVER: That's was what I was wondering.
18 Thank you.

19 CHAIRMAN CUTHBERTSON: Other questions? Board
20 Member Thompson.

21 MR. THOMPSON: Chairman, members, I think it has
22 been expressed several times that -- again, it comes up that
23 HURF Exchange will be in some way in a difficult situation, the
24 continuation of fund sweeps. The HURF fund sweep, I think that
25 would be detrimental to our HURF --

1 MR. ROEHRICH: Mr. Thompson, could you please use
2 the microphone? We're starting to...

3 MR. THOMPSON: Again, let me say that I think the
4 HURF Exchange could easily be impacted by any HURF -- further
5 HURF fund sweeps, and that's all I'm saying, that we need to be
6 mindful of that.

7 MR. STONE: Correct, yeah. Anything that impacts
8 the State Highway Fund would have an impact potentially on the
9 HURF Exchange.

10 CHAIRMAN CUTHBERTSON: Any other comments?

11 I know personally, the number one feedback I get
12 from the rural constituents that I represent is when is HURF
13 Exchange going to be reinstated, so I'm sure they're all -- I'm
14 sure it's very -- which it's a very popular thing for rural
15 transportation just because of that, their limited size and
16 resources for those little counties. So anyway, we appreciate
17 the work that staff has done to get that reinstated, so...

18 MR. HALIKOWSKI: Chairman, for the record, I do
19 want to thank Kristine and the FMS staff. When we had to
20 suspend this back in '09-'10 and go to federal funding, the
21 outcry from our local partners were pretty vociferous in asking
22 where are all these new requirements coming from for this money?
23 And we went through a painful time educating all of the folks
24 out there on how to deal with federal fund. And Patrick brings
25 up a good point. Now that we're going back to the swap, those

1 will no longer be required, but this has been a monumental lift
2 when we were at zero balances in '09, '10, sometimes below, to
3 have climbed up to the point where we can now begin servicing
4 the HURF swap again. Thank you.

5 CHAIRMAN CUTHBERTSON: Great. Mr. Hammond.

6 MR. HAMMOND: I don't know if this is your place,
7 but do we have a finite fund to do this at the state level, and
8 is it something we have to be cognizant of?

9 MR. HALIKOWSKI: Mr. Chairman, Board Member, it
10 is a finite fund. We spent a lot of time, and Kristine can
11 speak better to it than I can, trying to figure out exactly how
12 much we needed to have freed up in State Highway Fund dollars to
13 be able to do this. At one point early on years ago, we thought
14 it was 30 million, but you know, what we've been able to do is
15 pare the program down to, I think, 15 to 17 --

16 MR. STONE: Correct.

17 MR. HALIKOWSKI: -- is the number now. It's not
18 serving, perhaps, everyone it used to, but I think it's getting
19 back to some of the neediest areas that need this kind of
20 assistance. And the way I like to think of it, it doesn't come
21 with all the strings attached that federal dollars. ADOT's
22 expert at dealing with that, but with local governments, it can
23 get quite complicated, because you don't have all the staff to
24 support dealing with those federal funds.

25 CHAIRMAN CUTHBERTSON: Other questions? Patrick,

1 thank you very much.

2 MR. STONE: Thank you very much.

3 CHAIRMAN CUTHBERTSON: Kristine, thank you.

4 MS. BEAVER: You know what?

5 CHAIRMAN CUTHBERTSON: One more?

6 MS. BEAVER: I do have one more question.

7 CHAIRMAN CUTHBERTSON: Yeah.

8 MS. BEAVER: I guess my question would be the --
9 you show here a good rollout that's taken this entire year. I
10 guess my question would be particularly within the rural areas
11 of the state, have you had good participation, whether it be
12 through the webinars or going out to rural areas, the
13 communities? Have you had good participation?

14 MR. STONE: Actually, it was a phenomenal
15 presentation. The nice thing is I'm doing this WebEx webinar.
16 I can see everyone that's logged in. Width and breadth of the
17 state participated. We had a lot. The White Mountain
18 communities, I remember. Southeastern Arizona. On one call, I
19 think everybody that was in the southeastern Arizona community
20 was on the calls.

21 But we have. We've gotten really good
22 participation. I mean, we can tell it's popular. You know, we
23 rolled out the webinar, and within two days, we actually had a
24 request for our new project. So we've actually -- and now we've
25 got three requests. So Yuma County, Yavapai County, and the

1 City of Sierra Vista have all come in and said, "Hey, we're
2 ready. You have it. We're ready to work with you on it." So
3 yeah, but the participation has been phenomenal across the
4 state.

5 And then the hope is they've already asked at the
6 Rural Transportation Summit in October if we'd come and give an
7 update on HURF Exchange and how it's working and lessons learned
8 so far.

9 MS. BEAVER: Just as a comment. This might be
10 also something good when the Arizona League of Cities and Towns
11 in August has their annual conference. This just sounds like it
12 would be a good breakout session or a presentation as well.

13 MR. STONE: Yeah, and we gave a presentation to
14 them in December, and it was very well received. And actually,
15 they were very, very supportive of, "If you need anything, just
16 let us know and we'll help you with this." So yes, we'll
17 definitely follow up with them.

18 CHAIRMAN CUTHBERTSON: Okay.

19 MR. STONE: Thank you all.

20 CHAIRMAN CUTHBERTSON: Excellent presentation.
21 Thank you very much.

22 So next item on our agenda, Greg Byres will field
23 questions on the state long range transportation plan, for
24 information and discussion.

25 MR. BYRES: Mr. Chair, Board members, I gave this

1 presentation at our last board meeting. So instead of going
2 through it, one of the big things I'd just like to do is go
3 through --

4 MR. ROEHRICH: Keep going. Keep going.

5 (Inaudible.)

6 MR. BYRES: We'll be out of here in about five
7 minutes.

8 The big thing I'd like to do is just kind of go
9 through the recommendations that were made in the report. So if
10 we look at the statewide recommendations, we're looking at 18
11 percent that's going into modernization, 47 percent that's going
12 into expansion, and 35 percent that is going into preservation.
13 That's the overall statewide that we were looking at doing.

14 This -- that included MAG and PAG. So if you
15 look at the MAG region and the PAG region, of course, they
16 have -- the majority of all of their funding is going into
17 expansion with -- in MAG, 87.5 percent in expansion, 6 million
18 being preservation, and 43 million going into modernization.
19 And PAG is at 93 million in expansion and 27 million in
20 modernization.

21 When it comes to the Greater Arizona area, what
22 we're looking at in our recommendations here is going with 78
23 percent of it going into preservation and 22 percent of it going
24 into modernization, with nothing going into expansion. However,
25 that nothing going into expansion, we are holding back 5 percent

1 of our funding to take and use as our match on any potential
2 funding that we get coming through any grants that we go for.
3 And one of the big things that we're looking at here is going
4 after every single dollar we can possibly get so that we've got
5 something for modernization or for -- excuse me -- for expansion
6 in the future. So that's our pathway to getting expansion. But
7 preservation is so keen in maintaining our system, and that's
8 the whole premise of this long range transportation plan.

9 So with that, if you have any specific questions
10 that I can answer, I would be more than welcome to any
11 questions.

12 MS. BEAVER: Due to the -- excuse me, Chairman.

13 CHAIRMAN CUTHBERTSON: Yeah.

14 MS. BEAVER: Due to the fact that this is through
15 2040, and of course, right now we're dealing in lean times, but
16 if we somehow have -- wave the magic wand and dollars were
17 dropped in, is there the possibility that this greater amount
18 going into preservation could -- I mean, we can review this, I
19 guess, is what my question is, and make adjustments based on the
20 dollars that are available?

21 MR. BYRES: Yeah. There's an update that occurs
22 every four years. So if there's a change, if there's additional
23 funding that comes in in hand, which would be just awesome,
24 that's exactly what we'd do. We could -- it would change our
25 recommendations in the plan if we had additional funding. Right

1 now we have a \$30 billion gap in the difference between funding
2 and need. So we've got to be able to close that gap. So the
3 only way we can do that is with more funding.

4 CHAIRMAN CUTHBERTSON: Board Member Stratton.

5 MR. STRATTON: You say it could be updated every
6 four years. What about the four years in between? Can this
7 program be altered? Because many of my constituents have
8 expressed to me their concern about no expansion money. That's
9 the biggest comment I've gotten back.

10 MR. BYRES: This is a policy document that we
11 utilize when we're putting together the five-year program.

12 MR. HALIKOWSKI: So Mr. Chairman, Mr. Stratton,
13 it's a recommended investment choice. As Greg says, it's a
14 policy document. It's a guide. But obviously we don't know
15 what might happen with Congress, you know, in the coming months,
16 and with the President's transportation plan.

17 So I think the key here is that if funds were to
18 come in, then we'd be back with recommendations on trying to
19 balance where those funds would best go in the future. So I
20 don't think this locks anybody in to where the Board can't, as
21 always, look at what it's doing from its policy investment
22 standpoint and work with the Department on the right balances.

23 MR. STRATTON: Very good.

24 MR. ROEHRICH: I think it's important to remember
25 that as a policy for a long range, that's all this is driving

1 at, is a strategic look at investment. Your five-year program
2 that you approve every year is the actual investment.

3 MR. STRATTON: Uh-huh.

4 MR. ROEHRICH: So if there's an immediate
5 increase in funds or something, we don't go back to this until
6 it needs to be updated. We will address that in the individual
7 updates to the --

8 MR. HALIKOWSKI: Right.

9 MR. ROEHRICH: -- fiscal years in the five-year
10 program. So we will address the actual revenues and the actual
11 project list and the actual implementation of the five-year
12 program. This only says how we generally feel we should be
13 leveraging transportation funding over a period of time. So we
14 don't have to come back to this ever again for another four or
15 five years, because the five-year program deals with today.
16 This deals at how we think it's going to look at over a period
17 of time.

18 MR. STRATTON: One additional follow-up question
19 then. For many years previous boards and this board have
20 supported the preservation, funding it up to 260 million. It
21 was a goal for many years. We reached that goal and felt we had
22 attained it, and now all of a sudden it jumps another 60
23 million. Can you explain that jump all at one time? You know,
24 why would we -- being told for years, previous boards, 260 is
25 our -- that's where we need to be, and we get there and it

1 changes?

2 MR. BYRES: So that 260 number and the 320 number
3 that we currently have, that's a balance. That's all it is,
4 between -- between expansion, modernization and so forth,
5 statewide. It's the best thing we can get or the best balance
6 that we can get to try and maintain that preservation. It's
7 still way short of what we really need in order to keep our
8 system in a good condition or fair condition. We still have
9 poor that's in there, and our fair condition is growing ever,
10 ever larger, and our good condition is growing ever smaller,
11 because we don't have full funding to be able to do that. So
12 this is just a balance is what we're looking at.

13 MR. ROEHRICH: Mr. Chairman, the state engineer's
14 circling like a hawk out there.

15 MS. BEAVER: Tell him (inaudible).

16 MR. ROEHRICH: I know he's just desperate to get
17 in (inaudible).

18 MR. HAMMIT: I guess I'd like to add because we
19 didn't ever get there, it's just like maintenance on your car.
20 If you put it off, those needs didn't go away. We've asked --
21 or came up almost seven years ago, we need 260. This program
22 doesn't get us to 260. So all those things were unfunded for
23 all those years have been adding up. If we don't -- now we feel
24 to start today we need 320. If we don't get 320, we have
25 unfunded maintenance needs that will continue to build up. They

1 don't go away before there. So if we would have funded at 260,
2 at that point, we felt we would remain constant, but since we
3 didn't get there, we lost ground. So to make up for that
4 ground, that's why the need is 320.

5 MR. ROEHRICH: And Mr. Chair, I guess the other
6 comment I would point, we put that in as funds for today. This
7 is trying to start to also accommodate the increase in
8 inflation, increase in our construction costs. It's not the
9 same cost to do projects five or seven or eight or ten years ago
10 as it is today. So we're naturally going to see an escalation
11 in those costs. Even if we would have maintained 260 million,
12 inflation would have driven that amount up, plus the need to get
13 caught up again on --

14 MR. HALIKOWSKI: Unfortunately, the gas tax,
15 which is our big economic driver, is not subject to inflation.
16 So the last estimate I heard is that that dollar gas tax passed
17 in '91 is worth around 40 cents now, and so we lose money or
18 lose ground every year.

19 Now, Dallas, the Governor's budget asks for
20 another 25 million in maintenance and preservation, and I know
21 that the -- we're trying to go at about 4 or 5 percent of the
22 miles needed every year. Can you talk about that a little bit?

23 MR. HAMMIT: With what the Governor has requested
24 and the Department, this will help close that gap, because this
25 will give us some preventative maintenance. I don't know if

1 Greg's going to show it, but the Board has seen his slide that
2 shows if we spend money on preservation early enough, we save
3 reconstruction dollars in the future.

4 What the 25 million will do is go out and touch
5 -- I think we figured about 3,000 lane miles each year that now
6 we can extend the life of the pavement. So that will help us
7 and maybe defer our -- defer the need to increase preservation
8 dollars in the future. Reconstruction dollars.

9 And that's one thing that the Board -- we as
10 staff need to do a better job. We use preservation very
11 broadly, from a -- just a seal coat to a mill and fill five
12 inches. Really, there's preservation, reconstruction and some
13 things in between.

14 MR. HALIKOWSKI: But that is not new money in the
15 program. That 25 million's coming from the capital side,
16 correct?

17 MR. HAMMIT: Mr. Chairman, Director, it comes out
18 of the capital and operating. That is correct.

19 MR. HALIKOWSKI: So it's still within the total
20 dollars of transportation funding that we get from gas and VLT.
21 It's not general fund money coming in. It's still within our
22 own pot. It's just being shifted over.

23 CHAIRMAN CUTHBERTSON: Board Member Elters.

24 MR. ELTERS: Dallas, reflecting back, previous
25 board members faced some of our dilemmas, and I think there was

1 a concern that we would get to this point someday. But it's
2 always been a balance between preservation, expansion and
3 modernization.

4 It's -- it's a concern or disheartening to me on
5 my first session to see that expansion is zero, at least from a
6 policy perspective. And while I understand the value of
7 preservation, and it's necessary, and you need only to get out
8 and drive the state highway system and the freeways to recognize
9 that, I think not expanding the system where it's needed and has
10 been identified over the years, and expansion has been partial
11 but not complete, is truly a concern that I think we need to not
12 lose sight of.

13 And to that end, I would just say the reality is
14 what it is. This is a policy and a strategy and a plan, but I
15 think we need to figure out how we can get some money into the
16 system so we can provide for an expansion project. There are
17 many corridors around the state where we started much needed
18 expansion due to safety or otherwise that are not complete and
19 do need to be completed.

20 So I fully understand. I'm with you as far as
21 preservation is concerned, but I just don't think we can go on
22 accepting this, that this is -- you know, it is what it is, it's
23 what we have, and accept the fact that expansion is just going
24 to not be funded, because just like preservation, we will get to
25 a point where we'll have to figure it out and fund it. With the

1 growth and the added lane miles traveled, we -- expansion is
2 going to become as much of a necessity as preservation.

3 CHAIRMAN CUTHBERTSON: Board Member Sellers, did
4 you have comments?

5 MR. SELLERS: Yeah. Just a comment.

6 It seems to me that with the discussions going on
7 at the federal level right now about infrastructure that we're
8 going to -- we need to be prepared to be more flexible than
9 usual to address whatever plan comes out of the federal
10 government and be ready to ensure that we get our share of
11 whatever that program ends up being.

12 MR. HALIKOWSKI: So Mr. Chairman, Board Member
13 Sellers, to that point, we're doing an analysis on the so-called
14 "leaked plan" that we've seen come out of the Oval Office, and
15 we're keeping up with these changes on a daily basis on how they
16 will affect Arizona.

17 Unfortunately, from what we've seen so far is
18 that most of these federal funds will require some kind of
19 management from the state, and as Mr. Chairman asked me last
20 month or two weeks -- the last (inaudible) at the board meeting
21 -- time flies -- whether or not we'll be able to participate.
22 And again, not knowing what the rules are as of yet, but if
23 there's going to be significant new match money required, we're
24 going to have a very hard time bringing that money home to
25 Arizona.

1 MR. SELLERS: Well, and that's part of why I'm
2 suggesting we need to be prepared to be flexible.

3 MR. HALIKOWSKI: I agree. But again, back to
4 your comments and Board Member Elters' comments, we don't
5 exactly have taxpayers running in asking to be taxed more for
6 the roadways. And through our Key Commerce Corridors
7 initiative, over the past four years we have really tried to
8 educate the businesses and the public on the needs for a vibrant
9 transportation system for economic growth. We just still
10 haven't gotten that wave to roll yet.

11 And so as I explained to Board Member Elters this
12 morning, I think we also have to look beyond regionalism in this
13 flexibility, because the rural areas cannot carry some of
14 expansion needs alone, and I'll use I-10 between Phoenix and
15 Tucson as a prime example. That 22 miles through the Gila River
16 corridor. We're going to need entities that benefit from that
17 interstate to participate in the funding of expansion in the
18 future. So we're going to need to look beyond just regions as
19 we start looking out into the future, I believe.

20 CHAIRMAN CUTHBERTSON: Board Member Hammond.

21 MR. HAMMOND: Yeah. This is maybe a little
22 different take. First of all, I'm sure there's a pain index out
23 there that when we hit it as a state, we'll probably do
24 something (inaudible) Legislature right now as far as the
25 (inaudible) on alt fuels and that sort of thing. We'll see if

1 there's enough pain for it to be passed this year. Maybe not.

2 But what's interesting, and these slides, we get
3 them, and we've seen this coming -- we've seen these same slides
4 for, at least I have, for three years, and this clearly shows
5 that unless you're forming a local taxing district, there is no
6 expansion going on. It's all Pima County and Maricopa County
7 doing the expansion right now.

8 But I don't know how -- we all get these emails
9 from these folks complaining about we're spending all this money
10 expanding our state system when all these changes are coming
11 down the pike. Maybe one of the silver linings, that we haven't
12 got money to go expand the state system. So if any good
13 technology comes down, you know, there's -- that technology
14 wildcard is still out there that could change the game. And you
15 know, maybe we'll find with autonomous vehicles and some of
16 these things that we do get more capacity. But the message that
17 we're not spending money on expanding our state system because
18 we don't have it doesn't seem to be getting out there.

19 UNIDENTIFIED SPEAKER: Right.

20 MR. HAMMOND: Maybe it should. So I'm just -- I
21 do my part here to (inaudible) for a nickel a gallon on the
22 sales -- on the gas tax. But you know -- you know, no, I think
23 as a board member I (inaudible) this one time. I can do that.
24 I know staff can't.

25 But I'm just saying we need to get this -- these

1 facts out there and let the public make informed decisions,
2 because there's a lot of misinformation on how we spend the
3 money at the state level. You know, the rural areas don't --
4 there's no money outside MAG and PAG and other -- Pinal County
5 now has a taxing district to expand.

6 MR. SELLERS: Well, and to your point,
7 Mr. Chairman, I'll just reiterate what I said at our last
8 transportation board meeting, and that is that even with the
9 technology improvements that we're going to see, the state
10 Congress depends on infrastructure. And we are getting way
11 behind on a statewide basis on providing that kind of
12 infrastructure for our economic future.

13 MR. ROEHRICH: (Inaudible.)

14 CHAIRMAN CUTHBERTSON: Any other questions?
15 Mr. Byres, as you -- are you still --

16 MR. BYRES: If there's no other questions, I'm
17 done with my presentation.

18 CHAIRMAN CUTHBERTSON: Okay. Okay.

19 MR. ROEHRICH: He's ready to get out of here.

20 CHAIRMAN CUTHBERTSON: Okay.

21 MR. BYRES: I have another one.

22 MR. ROEHRICH: He'll be back (inaudible).

23 CHAIRMAN CUTHBERTSON: So let me make sure. So
24 at some point, the Board's -- this will be presented to the
25 Board to adopt this 20-year program or -- is it 20? Yeah.

1 MR. HALIKOWSKI: Right.

2 CHAIRMAN CUTHBERTSON: This program.

3 UNIDENTIFIED SPEAKER: Yeah.

4 CHAIRMAN CUTHBERTSON: And so, I mean, we're not
5 there yet. I guess at some point when we feel ready, we would
6 do it and we would need -- obviously, there's -- it's not the
7 ideal situation, and we would like to see things different, but
8 I do understand the importance of maintenance.

9 I think just from my own personal perspective
10 that the general public, they respond more to projects that they
11 can see and think of rather than maintenance on highways. By
12 the time they respond to maintenance, it's past the point of
13 taking care of it in a timely manner so you don't spend a lot of
14 money. So, I mean, as board members, I think we have to
15 recognize that. If we don't spend that money, even though --
16 although, you know, from your presentation, it sounds like a lot
17 of the feedback you got from folks that were involved with this
18 recognized the need for maintenance and improved maintenance,
19 which is good.

20 But anyway, so I guess the process is what --
21 when --

22 MR. ROEHRICH: Chairman.

23 MR. CUTHBERTSON: -- would we go forward with
24 this and look at it, trying to adopt it, or do we need to
25 discuss it more? I don't...

1 MR. ROEHRICH: Well, Mr. Chair, we'll discuss it
2 as long as the Board wants to. The staff is ready to bring it
3 to the February board meeting for adoption. So we can submit it
4 to the Governor and to the Legislature, and I think this is an
5 opportune time to at least push for the narrative of the need
6 for the funding, with the shortfall at -- across the whole
7 system, not just the rural area, but it's the shortfall across
8 the system.

9 UNIDENTIFIED SPEAKER: Right.

10 MR. ROEHRICH: And with the Legislature --
11 legislators in session now, I think that the sooner we can get
12 this to them in its final format, it at least gives -- opens the
13 door hopefully to more discussion about some of the topics that
14 are being discussed now, but then as well, where's our plan and
15 where's our elected leaders' plan in order to address this
16 shortfall moving forward. Realizing that ADOT doesn't generate
17 funds. We collect funds. So if there's no -- if there's no way
18 to increase those funds, there's no way for us to collect it and
19 then come back to you with the way -- as a board, way -- how to
20 implement those funds through expanding the program.

21 So I think that the best thing for us and the
22 staff's recommendation is we bring this back in February. You
23 adopt it. We push it up to the Governor, the Legislature. Then
24 we continue to start the dialogue, which again, the Board
25 members can do as well with the elected leaders, but that will

1 (inaudible) on the revenue situation.

2 MR. HALIKOWSKI: So Mr. Chairman, this is a
3 timely thing in the sense that, as you pointed out, or someone
4 did, there's a number of bills going through the Legislature
5 right now dealing with either VLT on vehicles that get a
6 significant discount because of the propulsion systems, dealing
7 with whether or not the director of ADOT would be able to set
8 some sort of public safety fee on vehicle registrations.

9 So there's a lot of things happening. I don't
10 know ultimately in the wash what's going to come out, because,
11 you know, it is a big education year this year. That's what
12 most of the electorate seems to be energized about. But what's
13 being done is in talking with members and Chairman, we're also
14 setting up for the next session. And so you're in an election
15 year, let's face it, and so people are -- I think are being very
16 careful about new taxes and fees. And so I think this is a good
17 preparation year.

18 This document really begins to underscore rural
19 Arizona. And where the Board can be helpful is in talking to
20 their legislators or one on one, especially in rural Arizona,
21 because they get it. I mean, we've been communicating with them
22 a lot about the directions these things are heading in and what
23 the needs are. And I hear numbers like 5 cents or 10 cents on
24 the gas tax, but remember, too, although helpful, there's a big
25 gap there, and we have to be realistic that gasoline tax alone

1 is not going to get us out of this.

2 We also have to look at all of the other
3 propulsion systems that are being proposed out there. We have
4 to look at a number of different things to decide what's a good
5 balance to fund transportation that is acceptable to the
6 electorate, because these things normally don't get passed by a
7 legislative body. Normally they go to a (inaudible). So
8 there's some work that needs to be done this year, and this is a
9 good document to launch that discussion.

10 CHAIRMAN CUTHBERTSON: Okay. Do we -- Deanna, do
11 you have a comment?

12 MS. BEAVER: Yes, Chairman.

13 I guess what my question is, though, based on
14 this document, if in February the Board was to approve this
15 document, how does -- how could we make sure that based on the
16 content of this document that the legislators, other than going
17 one on one and talking to our legislators, are aware of our
18 concern as a board if we adopt it that there are no expansion
19 dollars for Greater Arizona? I think it's a concern of ours,
20 and our voice is not reflected in terms of that issue in here.
21 How can we incorporate that into this? I guess that's what my
22 question would be.

23 MR. BYRES: Mr. Chairman, Board Member Beaver,
24 one of the things that will go along with this is there will be
25 two appendices that will go with it. One will be the comments

1 that we have received, which are 120 comments that we've
 2 received on this. The other will be this board's comments. So
 3 that will be part of this plan. It will be in an appendix to
 4 the plan. So your comments that we've generated at previous
 5 board meetings as well as this board meeting will be in that
 6 document.

7 MR. HALIKOWSKI: So excuse me, Mr. Chair, Greg.
 8 Is there a way the Board could do a cover letter laying out
 9 their concerns of this study? And that would be the first
 10 (inaudible) that you would open up to.

11 MR. BYRES: That would be an excellent way that
 12 we could help do that as well.

13 CHAIRMAN CUTHBERTSON: Yeah. I think we
 14 certainly could do that as a board.

15 Board Member Stratton.

16 MR. STRATTON: That was my -- thank you,
 17 Director. Appreciate it. You're reading my mind here. I was
 18 going to say how many legislators are actually going to
 19 legislate (inaudible) going to go through and read all of these
 20 comments and these documents. It's not going to happen.
 21 They'll look at an executive summary maybe, so the letter
 22 adopted by the Board, I would ask that be put on the agenda in
 23 February.

24 I have no problem passing this document as it
 25 exists with the understanding that in the future we have to make

1 tough decisions. I agree with Mr. Elters that we are going to
 2 have to do some things in the future, and we may have to move
 3 money from preservation or modernization into expansion. That's
 4 a decision that the Board would have to make at that time. So
 5 as long as that understanding is there, that the Board has the
 6 ability to move those moneys as necessary, I have no problem
 7 with this document proceeding to (inaudible).

8 UNIDENTIFIED SPEAKER: Who writes the letter?
 9 Staff?

10 UNIDENTIFIED SPEAKER: Yeah. Good question.
 11 Good question.

12 MR. ROEHRICH: Let's see.

13 MS. BEAVER: Is that a delegated responsibility?

14 MR. ROEHRICH: Mr. Chair and Board members, staff
 15 will write a draft letter summarizing basically all the comments
 16 that we've -- you've previously provided, plus all the comments
 17 presented here, again, capturing the essence of the revenue
 18 shortfall and the significance of, again, the funded strategy
 19 moving forward without -- not getting in specifics of individual
 20 project needs, because that -- you deal with that at the five-
 21 year program level. So it would be that higher level document,
 22 but it would stress the significance of the shortfalls that have
 23 been identified through your comments. And we'll draft it up at
 24 staff level, and you can tweak it and finalize it. But once you
 25 adopt it, then we can go through the process, get signatures on

1 the letter, add it to the document and get it submitted.

2 CHAIRMAN CUTHBERTSON: Okay. Board Member
3 Stratton.

4 MR. STRATTON: Because the sensitivity of timing
5 of this, would it be possible to get that letter out to the
6 Board in email form within a week or so, so we could get
7 comments back to you so we could have a final draft on the
8 February meeting agenda?

9 MR. ROEHRICH: Mr. Chair, Mr. Stratton, I'm not
10 going to commit to within a week, but we'll get it to you as
11 soon as we can. Our goal would be to get it to you before the
12 board meeting so you can have a chance to review it and either
13 bring comments at the board meeting, submit them to us so we can
14 edit it. But we will get it out to you before the board
15 meeting.

16 CHAIRMAN CUTHBERTSON: Okay.

17 MR. STRATTON: Thank you.

18 CHAIRMAN CUTHBERTSON: So --

19 MR. ROEHRICH: Thursday night before the board
20 meeting, just so you know.

21 CHAIRMAN CUTHBERTSON: So --

22 MR. ROEHRICH: Right, Greg?

23 MR. BYRES: Yes.

24 CHAIRMAN CUTHBERTSON: Does the Board think they
25 have enough information and have made enough comments that we

1 would be ready to consider the adoption of the plan as well as
2 the letter on the February board meeting? I guess that's the
3 question. Okay. All right.

4 MS. BEAVER: I think with the letter included,
5 yes.

6 CHAIRMAN CUTHBERTSON: Okay. Yeah. Okay. All
7 right. That's a good deal.

8 MR. HALIKOWSKI: So, Mr. Chairman, if I could
9 just also give you a little bit, I guess, of comfort here, too,
10 is that it's very early -- well, not very early -- but it's
11 still early in the legislative session. They haven't swapped
12 bills with houses yet. And so during that swap period, you're
13 going to see some of these ideas rise and some of them fall.
14 And so you still have time after bills are swapped to address
15 both transportation committees on this plan roughly around
16 March. So they'll be hearing each other's bills at that point.
17 We'll have a better idea of what's moving forward and what seems
18 to be stalled at that point. So it doesn't necessarily have to
19 be February, but certainly no later than March.

20 CHAIRMAN CUTHBERTSON: Okay.

21 MR. ROEHRICH: Mr. Chair, it has to be February.

22 MR. HALIKOWSKI: Okay.

23 CHAIRMAN CUTHBERTSON: It sounds like we're ready
24 for February --

25 MR. HALIKOWSKI: Yeah. I agree.

1 CHAIRMAN CUTHBERTSON: -- with the letter. I
 2 mean, we're ready to consider it for February.

3 MR. HALIKOWSKI: Do you stay awake all Thursday
 4 night (inaudible)?

5 CHAIRMAN CUTHBERTSON: Okay. Any -- Board Member
 6 Thompson, do you have a comment? Sorry.

7 MR. THOMPSON: Chairman, many of you, I think all
 8 the board members know that -- of the conditions of
 9 transportation in the rural and remote areas, particularly on
 10 the Native American reservation, and you've seen that report
 11 that was put together by the general -- by -- GAO --
 12 MR. ROEHRICH: General Accounting Organization,
 13 GAO.

14 MR. THOMPSON: General Accounting, so you've seen
 15 that. And you're also aware that coming to ADOT and qualifying
 16 for certain dollars, a lot of -- it's just hard to do because of
 17 the policies in place. So I do support the Director's comment
 18 that we need to be aware of the funding legislations that are
 19 being proposed to the Legislature.

20 Last couple years back, in order to address some
 21 school bus routes, we had to go to our legislators, and they
 22 were kind enough to give us 1.5. And we are going through that
 23 again, and anything that we can do to support one another,
 24 that's going to be a real big step towards getting our kids to
 25 school, and average, they're missing 15 days of school per year

1 because of bad road, and that does impact their academic
 2 performance. So that is one of the highest priority among the
 3 rural and remote areas. Again, like I said, Native American
 4 reservation, Navajo, Hopi reservations, and we are going -- I'll
 5 be giving a presentation to the transportation committee, and
 6 there's other -- another committee on -- I think tentatively on
 7 March 5th. So again, any way that we can support one another to
 8 tell the story to -- even to the Governor. I think we had that
 9 communication with the Governor's office (inaudible). So again,
 10 thank you, Chairman.

11 CHAIRMAN CUTHBERTSON: Yeah. Yeah. Thank you.
 12 Any other comments? Mr. Byres, thank you.

13 MR. BYRES: Uh-huh.

14 CHAIRMAN CUTHBERTSON: I guess you're -- we're
 15 moving on to the third item on the agenda, which is the
 16 2019-2023 Tentative Five-Year Transportation Facilities
 17 Construction Program review. So Greg and Kristine, I guess, are
 18 up.

19 MR. BYRES: Do you want to go first?

20 MS. WARD: Yeah. Thank you. (Inaudible) the
 21 money and you tell what you're going to spend it on.

22 Excuse me. A little business process
 23 re-engineering up here for a second.

24 All right. Thank you, Lynn.

25 So what we're going to do is basically the agenda

1 for the presentation is I'm going to take you through the final
2 HURF numbers for 2017, and the HURF, Highway User Revenue Fund,
3 as well as the Regional Area Road Fund numbers, what we achieved
4 finally in 2017, touch on the federal funds that will roll in to
5 fund the program, are available for the program, and what
6 bonding we'll be doing.

7 In compilation, we take all of those fund sources
8 and we say, "This is what's available." FMS passes that over to
9 Greg's team in Multimodal Planning and says, "These are the
10 dollars that are available for the program."

11 Starting off with HURF. So what you see here is
12 a historical representation of HURF revenues. I am somewhat
13 happy to say that we have finally in 2017 ended the year and
14 eclipsed 2007's revenue figures. It only took us ten years to
15 get back to 2007. Historically, I think I've mentioned this
16 before. In 2017, we experienced 3.6 percent growth in our HURF
17 revenues. Historically, if you were to go back to the good old
18 days, pre-Great Recession, the growth rates that we typically
19 experienced ran between 4 and a half to 6 and a half plus growth
20 rate per year. We are not experiencing that, and we are not
21 forecasted, as I will show you later, to experience that.

22 In terms of the primary sources of funds that
23 roll into HURF, 50 percent of the sources that fund -- sources
24 to HURF are coming in -- those revenues are coming in from fuel
25 taxes, our gas taxes and our diesel taxes. And then another 30

1 percent rounds out with vehicle license tax, VLT.

2 Now, what this shows you is the gasoline -- the
3 gas gallons sold and the price per gallon. In 2017, from 2016
4 to 2017, you'll see that red line depicts the price per gallon.
5 We experienced very little change in our price per gallon.

6 Now, I -- on this slide I kind of wish I had --
7 in listening to your conversations earlier, I wish I had
8 incorporated another slide in here, and it was some information
9 that we got here in the last couple of weeks. We found this
10 report that talked about fuel efficiency. If you'll recall, a
11 couple of years ago, we were at a fuel efficiency of about --
12 the U.S. fleet was at a fuel efficiency of about 23 miles per
13 gallon. Currently, our most recent data is we've crept up to
14 about 24.5, 24.9 miles per gallon. What that means in terms of
15 actual money to us, is had we not lost that, not had that
16 erosion from fuel efficiency, we would have seen another \$75
17 million rolling into HURF in 2017.

18 I don't want to depress you too much, but if you
19 look at what -- keep in mind that's our current fleet. What
20 manufacturers are currently generating in terms of their new
21 models are running at 30 miles per gallon plus. The average
22 mile per gallon that is coming off of the manufacturers'
23 assembly lines right now is averaging 30 miles per gallon plus.
24 So what we're going to see in terms of HURF revenues, that's
25 some of the considerations that are rolling into the forecasts

1 and so forth as we go forward.

2 MR. HALIKOWSKI: Kristine.

3 MS. WARD: Yes, sir. Mr. Chair. Yes, sir.

4 MR. HALIKOWSKI: I'm sorry, Mr. Chair.

5 How do we factor in, and is it significant yet,
6 all the cars using some other propulsion besides motor fuel,
7 number one? And then number two, on the VLT side, are we
8 factoring in or is it becoming significant enough alternate fuel
9 vehicles that are only paying 5 percent of the VLT you and I
10 pay? Obviously as electric cars and other alternative fuels
11 become more popular, as it seems, we're going to see a VLT
12 erosion, I'm assuming, at some point.

13 MS. WARD: Mr. Chair, Mr. Director, yes. It is
14 not factored in as a -- it's factored in indirectly, in that we
15 are looking at historical numbers. We are looking at trends to
16 that point. Price per gallon, we look -- that's incorporated
17 into our financial model, but a specific -- at this point,
18 alternative fuel vehicles, those that are using a completely
19 different propulsion system, are so -- are de minimis.

20 MR. HALIKOWSKI: Okay.

21 MS. WARD: But the numbers are growing with their
22 release, and greater concern is we've now moved on to diesel
23 fuel is -- you know, when I got this neat little update in Gmail
24 of Tesla's now put out an electric 18-wheeler, which, you know,
25 that doesn't make a transportation CFO happy.

1 MR. HALIKOWSKI: Well, and along to that point,
2 Mr. Chair, the major trucking companies, whether it be Swift,
3 Yellow Freight, Knight, all of them are building a CNG highway
4 across the country. We don't tax CNG as a propulsion fuel. So
5 again, there needs to be legislative work here that's done so
6 that we're using some kind of formula to capture all of these
7 different modes of propulsion. Thank you.

8 MS. BEAVER: I have -- I would like to just ask a
9 question of the Director.

10 If, as we move forward, we see that there is more
11 of that interest with regard to the electric car and other
12 propulsion, where does that fall? Does that fall under the
13 Arizona Corporation Commission is who would have jurisdiction
14 over it, because of the fact these are units that are electric
15 generated, or --

16 MR. HALIKOWSKI: So Mr. Chairman, Board Member
17 Beaver, it's an interesting question on two points. If we're
18 going to set some sort of rate on the vehicle's use of the
19 roadway, that would fall under the Legislature. But what's
20 interesting is as we've talked about, how do you set a rate for
21 an electric vehicle? Is that a per miles thing, or are you
22 going to do some sort of tax on the amount of electricity used?

23 And at that point, we might very well involve the
24 Corporation Commission, because how does the Department of
25 Transportation recapture that revenue? Because we don't have

1 any access into that revenue stream. So it's something Kristine
2 and I have been talking about. For these various types of
3 propulsion, we're going to have to figure out what's the
4 statutory capture scheme, if you will, and what entities are
5 involved in that.

6 MS. WARD: May I proceed?

7 UNIDENTIFIED SPEAKER: (Inaudible.)

8 MS. WARD: In terms of diesel fuel, also known as
9 use fuel, we -- in 2017, we experienced about 4.5 percent
10 growth. You can see there on the chart what's -- what went on
11 with the -- with the per-gallon price. \$2.77 in '17, up from
12 \$2.58 in -- up from '16 to '17. Excuse me.

13 VLT is kind of one of our bright spots, because
14 it's one of the few parts of our primary funding sources that
15 considers inflation. You'll recall that the gas tax and the use
16 tax diesel are not indexed for inflation. And the Director's
17 comments with regards to -- you nailed your numbers, Director --
18 in terms of the dollar, we are operating on a 1990, 1992 dollar
19 that is only worth about 45 cents. We would need an increase to
20 the gas tax to recapture that and bring us up to what inflation
21 has eroded. We would need a gas tax at about 33 cents per
22 gallon.

23 The difficulty, though, is again, back to the
24 fuel efficiency factor. It's eroding the underlying funding
25 streams of fuel tax. So VLT, we experienced about 6.6 percent

1 growth over -- over our '16 revenues in '17.

2 So where does this all lead us in terms of our
3 projections? You'll recall that I mentioned to you that our
4 historical growth rates in HURF ran anywhere -- again, pre-Great
5 Recession -- I have never gotten the joy of experiencing those
6 growth rates -- but pre-Great Recession, we experienced 4 and a
7 half to 6 and a half plus percent. What you see in these
8 forecasts, what's depicted there is a compound annual growth
9 rate of about 3.5 percent. And so that's what you'll see.
10 Those -- it's those revenue figures that are utilized to
11 construct the statewide program and the dollars that are
12 available for the construction program.

13 Remember, these represent HURF dollars. So when
14 you see in 2018 a projection of 1 billion 463 million, remember
15 that that -- those are HURF dollars. State Highway Fund, which
16 funds the five-year program, is a subset of those dollars. So
17 I'm not -- when you see numbers later on, I don't want you to
18 think you were supposed to see 1.4 billion.

19 Mr. Chair, Mr. Director.

20 MR. HALIKOWSKI: Mr. Chair.

21 CHAIRMAN CUTHBERTSON: Yes.

22 MR. HALIKOWSKI: Kristine, so it's really
23 imperative that we're seeing this increase, but one of the
24 things Dallas mentioned was this gap, where we lost ground in
25 preservation. And as I recall one slide in 2006, based on the

1 projections, our revenues were going in this straight line, and
2 if you look at actuals, there was about a \$17 million gap there.
3 So even though -- I want to point out we're getting back up to
4 where we were pre-recession levels, I'm safe to assume there was
5 a lot of ground because (inaudible).

6 UNIDENTIFIED SPEAKER: Right there. Look at the
7 difference between --

8 MR. HALIKOWSKI: Right.

9 UNIDENTIFIED SPEAKER: -- the blue to the green.
10 Look at the (inaudible.)

11 MR. HALIKOWSKI: And so is that partially why we
12 have this gap that's been created?

13 MS. WARD: So Mr. Chairman and Director
14 Halikowski, the gap you're referring to is actually reflective
15 of the -- our -- this entire process that we're partaking in
16 right now. Every year we go through and we forecast revenues,
17 and we say this is what we anticipate, and this is what -- the
18 dollars available for the program. And we have a very thorough
19 and arduous process for these -- doing these estimations.

20 Between the time we -- those estimations have
21 steadily -- those forecasts are steadily eroded over the years.
22 Had we had the money that we had forecasted back in 2006, to
23 your point, we would have seen 17-plus more -- billion --
24 17-plus billion more flowing into the transportation system.
25 But with the Great Recession having come along, that took us

1 back -- we lost a decade, perhaps more as I think about it. And
2 then you compound that with fuel efficiency. You compound that
3 with the erosion of inflation, and you just have a -- you have a
4 recipe for where we are now, which is the \$30 billion gap.

5 MR. HALIKOWSKI: Thank you.

6 MS. WARD: So what you see before you is the
7 result of what we call the risk analysis process. What that is
8 is that's our forecasting process. We gather economists and
9 transportation officials from throughout the state. We bring
10 that group together. Excuse me. We bring that group together,
11 and they provide to us their forecasts on a series of factors,
12 job -- like job growth, population growth, price per gallon.
13 Those are some of the factors that fold in here.

14 They provide us those estimates. We hand those
15 -- those estimates are handed over to HDR, our consultant, and
16 they come up -- they run a series of simulations. And -- a
17 Monte Carlo simulation. And from there, they provide us
18 estimates on a series of probabilities. It is 50 percent
19 probable that this will occur in our growth rates. We take
20 those probabilities, and we have selected in this forecast the
21 50 percent probability level, and that's what you see before
22 you. It is not a Magic 8 Ball owned by or sitting on my desk
23 that results in these numbers. This is a very collaborative and
24 has proven to be a very accurate and well appreciated by our
25 rates agencies process.

1 One thing that I should mention about these,
 2 these forecasts, one thing that is concerning is that it has
 3 been a number of years since our last recession, and if you look
 4 at overall recessionary timing and the cycles of recessions,
 5 they tend to run on a -- about a six-year interval. If you were
 6 to go over the last 11 recessions, they tend to cycle on about a
 7 six-year interval. If you go to the longest period of time, if
 8 you look at the longest period of time between recessions, that
 9 period would be about 11 years. If we went 11 years from our
 10 last recession, it would -- we would experience our next
 11 recession in 2020. These numbers hopefully are tempered well
 12 enough, and I understand hope is not a strategy. We have -- we
 13 have layered in to considered -- consider conservative growth
 14 rates, appropriate growth rates. But we do have to consider
 15 that as we face this five-year program and as we go forward and
 16 monitor our revenues, this is something we're watching out for.

17 So what does this mean in terms of the overall
 18 revenue forecast for the program from HURF? When I presented to
 19 you last year, last January, I presented you revenues that you
 20 see from that September 16th official forecast. What you see on
 21 the September 17th official forecast is what I'm presenting to
 22 you here today. And the result is that it reduces the amount --
 23 the estimates reduce the amount of available revenues by about
 24 \$150 million for the program. And let me be more specific.
 25 \$150 million in HURF revenues. The rough impact to the program

1 would be to the tune of half of that. About 75.

2 That -- the reason for that is because the
 3 original estimates that we based the last program, we didn't
 4 meet our original estimates. So because the base was lower, we
 5 were growing off of that lower base of revenues.

6 Make sense? Did anybody -- did I lose -- did
 7 anybody fall asleep on me?

8 Okay. Continuing on with the cheery news. The
 9 Regional Area Road Fund. This is a little -- this one's a
 10 little happier. Not entirely, but... Turn the page here.

11 We experienced 4.3 percent growth in the Regional
 12 Area Road Fund. Had decent growth in our restaurant and bar.
 13 Thank you very much. Everybody go out. 7.3 percent on that.
 14 And then contracting at 6.3 percent, but that's -- contracting
 15 runs off of a fairly low base. So we ended up with about 411 --
 16 411 million in -- 414 in actual revenues. Excuse me.

17 What we see in terms of our forecast is, again,
 18 based on that 50 percent confidence interval. We run the
 19 Regional Area Road Fund through the same process as we do for
 20 our HURF forecasts, and we are seeing a compound growth rate --
 21 estimating a compound growth rate for the balance of the program
 22 that runs through December of 2025. We're estimating 4.8
 23 percent growth.

24 So what do those estimates actually mean to the
 25 program? It means that we're actually -- because, again, we are

1 growing off of a lower base, '17 came in a little lower -- we
2 are needing to take about \$75 million dollars out of the
3 program, 74.7. Okay? And that's in the five year -- that's in
4 the first -- it's 34 million in the first five years of the
5 program, but 75 over the life of the remaining regional
6 transportation plan for Maricopa County.

7 Moving on to federal funding. This will be brief
8 because we don't have a lot -- I don't have a lot to provide you
9 here. What we have assumed in our estimates is flatline growth
10 off of what we got through the FAST Act. So what you see here
11 is our '18 -- our '18 actuals in terms of apportionments and
12 obligation authority, and you'll see when we hit '20, FY '20 --
13 FFY '20, we have -- you'll see that the numbers remain the same.
14 It's because we just take that last -- that last figure, because
15 I don't know about you, but I have not been entirely successful
16 at predicting Congressional activity.

17 So in terms of financing mechanisms, what are we
18 doing in terms of our bonding program for this upcoming program?
19 It is not tremendously different. We're not doing a tremendous
20 amount more bonding than we were in our previous five-year
21 program, our '18 to '22 program. We anticipate about 1 -- close
22 to \$1.2 billion worth of bonding amongst all of our credits, and
23 that's what you see reflected there.

24 MR. HALIKOWSKI: So Mr. Chairman, Kristine, if
25 the federal government -- I'm sorry -- Congress instituted some

1 kind of borrowing program where we could, you know, go against
2 the private activity bonds or some other financial instrument,
3 we're pretty much at our limit right now with the pledged
4 revenues, or do we have any excess to bond further?

5 MS. WARD: Mr. Chairman, Director Halikowski, you
6 -- what -- we do not. We are -- we are --

7 MR. HALIKOWSKI: We're tapped out.

8 MS. WARD: The underlying problem here is
9 revenues. It's not -- we don't -- we don't need additional
10 borrowing techniques. I need cash. That's the difficulty. If
11 we don't address the revenues, we're in a difficult situation.

12 CHAIRMAN CUTHBERTSON: Yeah. Board Member
13 Stratton, do you have a question? Sorry.

14 MR. STRATTON: Mr. Chairman, Kristine, earlier
15 last year, you did some bonding at a lower rate which saved us
16 some significant money --

17 MS. WARD: Uh-huh.

18 MR. STRATTON: -- by paying off basic
19 refinancing, small bonds. How much -- and then, of course,
20 those savings are based over a long period of time. How many
21 millions of dollars go into this year's budget by that refinance
22 that you did last year?

23 MS. WARD: Let's see. Mr. Chair, Mr. Stratton,
24 it probably runs about 4 and 7 million dollars that landed in
25 this program. If I'm remembering that particular -- that

1 particular refunding, of which we've done quite a few over the
 2 last few years, that was a GAN refunding, and -- and it was a
 3 total of about 33 million, approximately, that spanned over a
 4 significant term. So -- but I can get that figure for you.

5 MR. STRATTON: That's close enough. I was just
 6 needing an estimate. Thank you.

7 CHAIRMAN CUTHBERTSON: Yeah. Board Member
 8 Elters.

9 MR. ELTERS: So just to translate what Director
 10 Halikowski said, we're bonded to the limit now or near the
 11 limit?

12 MS. WARD: Mr. Chair, Mr. Elters, yes. So we
 13 have -- the Department has bonding policy. So how close do we
 14 want to come to our total bonding capacity? And what we're
 15 doing is the reason -- is bringing ourselves -- actually, we're
 16 building some bonding capacity back up, because we're not where
 17 we should be. So the reason you see -- and it's depicted here
 18 particularly on the blue bars. The reason you see HURF bonds in
 19 the out years and GANs in the near term is because we have more
 20 capacity on our GAN side, which are leveraging our federal
 21 revenues, future federal revenues. But the problem is, is when
 22 we hit the Great Recession, we actually went to where we had no
 23 bonding capacity whatsoever. We were using our debt. We were
 24 issuing debt in order to make our state match. That's why the
 25 HURF program -- HURF Exchange program had to end.

1 MR. HALIKOWSKI: Well, we were issuing debt to
 2 make the state match to bring federal dollars down, because the
 3 instruction at that point to Kristine and her team was leave no
 4 federal dollars on the table. Bring everything home we
 5 absolutely can. But to be perfectly transparent, I want to say
 6 that we have AAA ratings, but it's based on our coverage, our
 7 ratios --

8 MS. WARD: Uh-huh.

9 MR. HALIKOWSKI: -- of cash for the bonding.

10 MS. WARD: Uh-huh.

11 MR. HALIKOWSKI: And so you could theoretically
 12 lower those, but then you're going to lose ratings and --

13 UNIDENTIFIED SPEAKER: You'll pay more for the --

14 MR. HALIKOWSKI: -- you'll pay more premium on
 15 the --

16 (Speaking simultaneously.)

17 MS. WARD: Mr. Chair, Director Halikowski, that
 18 is not actually the case with regards to -- we could -- we could
 19 sacrifice our ratings. But when I say we're already -- we're
 20 already nearing our coverage levels. Those coverage levels are
 21 built into our bond resolutions.

22 MR. HALIKOWSKI: Right.

23 MS. WARD: So --

24 MR. HALIKOWSKI: So we just can't change them, as
 25 some states have done, which they now suffer from lower ratings

1 and pay more premiums for their dollars.

2 MS. WARD: Correct.

3 MS. BEAVER: Chairman, I would like to say with
4 regard to that, I don't think we would want to do anything where
5 we would lose our rating, because then you have the other thing
6 where you've got a constituency that says, "You don't know what
7 you're doing with our money," and so then you lose that
8 credibility. So I think we want to continue to do everything we
9 can to keep our rating.

10 MS. WARD: Uh-huh.

11 MS. BEAVER: That AAA rating.

12 MS. WARD: Uh-huh.

13 MR. HALIKOWSKI: I agree.

14 CHAIRMAN CUTHBERTSON: Okay. Board Member
15 Elters.

16 MR. ELTERS: Just to follow up since I brought up
17 the question. I guess I should have asked it in a way that
18 would say I understand there's a policy in place related to
19 bonding, one that would enable the Department to preserve its
20 rating, which has been remarkable over the years, and many
21 people worked very hard, and many boards --

22 MR. HALIKOWSKI: Yes.

23 MR. ELTERS: -- worked really hard to attain it
24 and preserve it. Where are we at in relation -- you've answered
25 it already, I understand, but I was not trying to imply that we

1 should push the limit and impact our rating in a way that would
2 -- that would impact us negatively in the process.

3 MS. BEAVER: Mr. Chairman, Mr. Elters, I didn't
4 take it that way. I didn't take it that way. I took it you
5 were actually inquiring to see how close we were getting out of
6 concern as opposed to trying to encourage it.

7 MR. HALIKOWSKI: And Mr. Chair, I'm just trying
8 to be transparent. We have these discussions in the Department
9 of how can you generate more revenue, but they're always
10 relative to what risk do we encounter to do that? I just didn't
11 want the Board to think that certainly we were closing off any
12 potential avenues.

13 MS. WARD: Huh-uh. Huh-uh.

14 MR. HALIKOWSKI: But the risks become too high in
15 order to gain (inaudible).

16 MR. ELTERS: Okay. No. Appreciate it. It's
17 good learning for us. For me.

18 MS. WARD: So moving on to the program itself,
19 for those of you who are not familiar with the Casa Grande
20 Accords, I'm basically going to give you just a very quick
21 briefing on what we do in terms of allocating our programming
22 across the state.

23 So once we identify that funds are available, the
24 Department begins the process of identifying the amount of funds
25 that will be programmed in each region. Now, back in 1999,

1 stakeholders from across the state got together at Casa Grande
 2 and agreed on a percentage of those resources that would be
 3 allocated to each planning region, and they divided it according
 4 to the MAG region, the PAG region, and then the rest of Greater
 5 Arizona was how it was broken up.

6 It was also agreed to that there would be certain
 7 costs that would come right off of the top of those -- those
 8 revenues that were available, and those were things -- for
 9 things like facilities that were of value to the entire state:
 10 Ports of entry, rest areas, those types of things. And then --
 11 and of course, this agreement is known -- has become known as
 12 the Casa Grande Accord.

13 The MAG region, it was determined that the MAG
 14 region would receive -- would be programmed at 37 percent of the
 15 funds available would be programmed in the MAG region. 13
 16 percent of the funds available would be programmed in the PAG
 17 region, and 50 percent would be programmed in Greater Arizona.

18 So once -- what happens in our process is we
 19 determine the available funding. FMS determines the available
 20 funding and then provides those figures to the Multimodal
 21 Planning Division, Greg's division, and from there, he applies
 22 that RAAC form- -- what we call the RAAC formula, the 50/13/37.

23 ITT -- ITD -- well, which this slide should be
 24 changed to IDO. I'm sorry. Dallas' team provides estimates on
 25 how much sub-program costs will be in terms of pavement

1 preservation, bridge preservation and so forth. And then
 2 provides those to MPD, and then MPD takes and runs the complete
 3 RAAC. That which is not used for sub-programs is provided in
 4 terms of those are the dollars that are available for major
 5 projects.

6 CHAIRMAN CUTHBERTSON: Board Member Stratton.

7 MR. STRATTON: Kristine, since the Casa Grande
 8 Accord came about, there's been several modifications to rest
 9 areas in particular, being that we've entered into agreements
 10 with private companies, and we've closed some over the years.
 11 Has that percentage that comes off the top changed due to those
 12 factors?

13 MS. WARD: Mr. Chair, Mr. Stratton, I can't -- I
 14 can't speak specifically to rest areas, but I can tell you that
 15 the off-the-top figures have changed over the years. The rest
 16 area component that I -- I'm trying to recall the exact number,
 17 but it's very -- it's very small. One of the larger components
 18 of those dollars that come off the top is planning and research
 19 dollars that are actually then distributed and passed through to
 20 the COGs and MPOs. That's a large increment that comes off the
 21 top.

22 Another increment that comes off of the top that
 23 is a fairly significant number is our -- freight funds that are
 24 for the nationally significant freight and highway plans that
 25 are pertinent -- excuse me.

1 MR. ROEHRICH: Mr. Chair, Mr. Stratton, I want to
2 go back to rest areas real quick. Kristine, I know you expand
3 beyond that.

4 The thing about the rest area is that the
5 contract we have with the providers is only for the maintenance,
6 and that's operating costs. So it's not even in the program.
7 Those funds don't come out of the program.

8 What is programmed and does come off the top is
9 the rest area rehabilitation subprogram. And that has been
10 based upon our review and analysis of, you know, a longer
11 strategy of updates to the rest areas (inaudible) maybe full
12 reconstruction. Because of the cost of those, and with the
13 downsliding revenue, we have held off on rehabilitating and
14 reconstructing the rest areas. Some of them have degraded to
15 the point where we had to close them, as you identified, because
16 they're -- they're too expensive to keep open. As we have
17 looked at the reduction in revenues, we have determined that
18 some of those will stay closed a lot longer, or our program to
19 rehabilitate them will be stretched out a little longer as we
20 start looking at that.

21 So the funds taken off every year match what we
22 have put in the capital program for either rehabilitation or
23 reconstruction. So it's not like a set percentage. But that
24 program is being managed in a way that we think will allow us to
25 use what revenue's available without sacrificing other parts of

1 the system.

2 MS. BEAVER: For -- Chairman, it brought up
3 another question, just what you were saying about with regard to
4 these closed rest areas. The one that comes to mind is the one
5 up on I-17 in the Munds Park area. How often do we look at if
6 we were going to just totally shut one down and, you know, kind
7 of totally dispose of it as opposed to having it? Because
8 that's real close to Munds Park where there's gas stations and
9 all kinds of other things. I don't know if that was the
10 reasoning at the time that one was closed. But how often do we
11 look at that?

12 MR. HALIKOWSKI: So Mr. Chairman, Board Member
13 Beaver, if I could give you a little history lesson, back in
14 '09-10, we were in this Great Recession, and as you know, the
15 bottom pretty much fell out of our funding. We had choices to
16 make back then of keeping rest areas open or keeping the
17 highways free of snow and doing our plowing that winter. We
18 chose that year to close some rest areas, and it saved us almost
19 -- I think \$3 and a half million, which gave us some additional
20 operating funds.

21 Over the years, as finances have improved, we've
22 reopened some, but some of these are 40 to 50 years old, and so
23 when we take into consideration is the fact that it's not just a
24 parking lot with a bathroom. You have to have electric. You
25 have to have wells. You have to have sewage. All of these

1 things are very expensive. And if there are rest areas that are
 2 closed now, as population in our cities expand, it may be
 3 better, you know, in the long run that we keep that closed.
 4 There are others that we would like to maybe reopen, but when
 5 you look at replacing one, they're about \$15 million
 6 (inaudible). So they're not cheap to replace because of all of
 7 the things that have to go into them.

8 So at this point, you know, we've kind of hit
 9 this balance with what's open, and as Floyd said, we keep the
 10 rest areas rehabilitated to the best that we can, but I don't
 11 know that we have (inaudible). But where we are close to
 12 population areas, that's where we kind of say to folks, well,
 13 there are other alternatives. Because I do hear from citizens
 14 who say, "I don't want to take my kids to the McDonalds" or
 15 whatever. "Where's my dog going to go?" All of these different
 16 factors. People have come to really expect this as a state
 17 responsibility to have rest areas open, and so it's a balance
 18 trying to decide.

19 We've looked into actually trying to P3 rest
 20 areas. The Governor recently sent a letter to Secretary Chao
 21 asking if they could do this under the federal government's
 22 experimental program. But the secretary can't do this, because
 23 federal law's been clear since the Highway Act in the 50s that
 24 you can't privatize rest areas. Some are grandfathered in back
 25 east before 1956, but out here in the West, ever since the

1 Federal Highway Act took place, we're not allowed to do it. We
 2 have tried. We lobbied (inaudible) pretty heavily when he was
 3 the chair of the Transportation Committee in D.C., but you have
 4 a very strong lobby, the National Association of Truck Stop
 5 Operators, that do not want the states in the rest area
 6 business. They feel it's a threat to their industry. So that's
 7 my history lesson.

8 MS. BEAVER: Thank you.

9 MR. HALIKOWSKI: Thank you.

10 CHAIRMAN CUTHBERTSON: I have -- before we move
 11 on, I guess I have one other maybe comment or question.

12 We talked about the Casa Grande resolves. I know
 13 how much work went into developing it. It wasn't something we
 14 just did off the cuff. It was a lot of work, and it was -- it
 15 served us well. It's -- I guess we're coming up on the 20-year
 16 anniversary of that. A lot as changed in the state in those 20
 17 years. I guess -- and we -- you know, we've just seen the
 18 long-term highway plan and what that -- what that means for
 19 Greater Arizona. I know the real issue is just a lack of total
 20 dollars, but in staff's opinion, is there -- would there come a
 21 time in the future where we would revisit that allocation? Does
 22 that allocation still seem -- still seem like it makes sense, or
 23 would that be something at some point this board would look at
 24 again? And not just this board. I understand it was a big
 25 undertaking of all stakeholders, and it's not something you

1 would get into lightly, but do you think it is still the right
2 balance? Do you think it's still the right percentage?

3 MR. ROEHRICH: Mr. Chair, I think that's really a
4 question that if you pull back all the stakeholders and debate
5 it, I think it's going to really be looked at as a sign of the
6 time. Remember, this was '99. Now it's different. And I think
7 opening up the Casa Grande Accord does open up all the
8 discussion topics you said, but I think it's going to bring in
9 even more topics than what's covered by in '99. And my concern
10 would be bringing in which projects have the greatest economic
11 benefit or return on investment.

12 The significant growth areas are in the major
13 urban areas, and that's where the significance of the jobs are
14 being created, where the economy is being created. So if now
15 the discussion, especially even at the federal level, start to
16 go into what can you do for our economic benefit? What are you
17 going to make the area more competitive -- to make America more
18 competitive, then regionally, what are you doing to make each
19 region more competitive, I think you bring in a big argument
20 where should that investment be for the greatest bang for the
21 buck, for the greatest return on investment. And I think it's
22 going to point to that the rural areas are good projects, and
23 they're needed for those areas, but are you expanding in the
24 urban areas? Are you really creating the jobs and you have
25 economic benefit to the state, the urban areas?

1 So I think the caution about opening the Casa
2 Grande Accords is, is it the right mix? It's going to depend
3 upon the discussion points at the time that discussion is going
4 on. And it is 20 -- like you said, 20 years later. Will the
5 same feelings be around the percentage mix and how they
6 distribute those mix now? I think it really depends on when you
7 get everybody in the room and start hashing it out, but I see a
8 much -- I see probably a -- different arguments made on
9 distribution now than 20 years ago.

10 CHAIRMAN CUTHBERTSON: Yeah. Understood. I
11 guess the thing that I see is, like, you know, these -- this
12 plan to 2040 and the fact we're looking at these key commerce
13 corridors, and big portions of those are in statewide roadway
14 system that aren't going to be able to afford them, and under
15 the plan we won't fund them.

16 MR. HALIKOWSKI: Right.

17 CHAIRMAN CUTHBERTSON: So -- but I get what
18 you're saying about the -- about the smaller areas, you know,
19 the smaller cities and counties, you know, maybe that wouldn't
20 be as favorable for them. But really where does it make sense
21 to spend that expansion dollar? Maybe it does in places where
22 you've got more people, you know. But I just wondered. And I'm
23 not suggesting we do that. I'm just trying to get some
24 feedback, because that's always a --

25 MR. HALIKOWSKI: Yeah. It's been brought up

1 before, Mr. Chair, as to whether or not we open this box again
2 and, you know, guaranteed if you redraw the lines, there will be
3 folks unhappy on either side of those lines.

4 It depends on what lens you're going into this
5 with. If it's an economic development lens, as pointed out, 80
6 percent of your population lives in the Sun Corridor, but you've
7 got to have connectivity in the rural regions. So which is more
8 important? Is it the economic growth or as they did in 1956
9 with the Interstate Act getting the farmers out of the mud? Not
10 to suggest our farmers are in the mud, but the whole point was
11 connectivity.

12 And as you look forward, it really says can we
13 boost the economy and manufacturing in this state to sell things
14 elsewhere and bring the dollars back here, and thereby put more
15 dollars into the system. So I don't know if the percentages are
16 necessarily wrong, but it comes back to not enough revenue in
17 the system.

18 MS. BEAVER: Chairman, I would just speak to the
19 point that in prior conversations about -- I thought, okay, I'm
20 going to do some research. So I went back through old
21 newspapers. It's easy to do online now. And it is a Pandora's
22 box, I'm afraid. When it gets opened, it would have to be done
23 in a very respectful, thoughtful process, because at the time
24 that that was adopted, it seemed like that -- according to these
25 newspaper articles -- was where a lot of the developing was

1 happening, was down in the Casa Grande area. And I even found
2 that there was some dissension, because up in the northern area
3 of the Phoenix -- above Scottsdale and that, there was some
4 belief that there needed to be some more attention paid to that.
5 So there was this tug of war at that time.

6 I think my concern coming, though, from a rural
7 area, and I know -- I've talked with the Director previously,
8 but you know, I think the staff doesn't like to pit rural
9 against MAG and PAG, and you know, because that's the way the
10 allocation is is basically it's the rural area and MAG and PAG.
11 And so it's just -- I think if it again is addressed, which it
12 needs to be done in a very thoughtful approach. It's just based
13 off what I saw. So I just -- kind of that food for thought. I
14 think there is the mechanism, but I think it needs to be done,
15 if it is ever considered, very thoughtfully and slowly, because
16 I don't think it would be greeted by areas that might -- would
17 lose benefit from the amount that they're allocated now. I
18 don't think it would go over real well.

19 MR. HAMMIT: Yes. Yes.

20 MR. HAMMOND: Really the first question is, is
21 this broken? And you know, when it comes up in -- you know,
22 with my constituency, it's kind of like everybody's afraid,
23 because there's acceptance with what's out there right now. And
24 when you go into a renegotiation, you never quite know how
25 you're going to come out. If I were in rural Arizona, I'd

1 probably be a little concerned, because, you know, I know in
 2 Pima County we're concerned about Maricopa, and I'm sure in
 3 rural areas, you're concerned about Pima and Maricopa. So I
 4 haven't heard that it's broken, but I think that's the question
 5 we should always bring up, and if we think it's broken, we go
 6 there, but...

7 CHAIRMAN CUTHBERTSON: Yeah. Okay. Okay.

8 MR. HALIKOWSKI: I just think Board Member Beaver
 9 had an important point. We don't want to pit people against
 10 each other.

11 CHAIRMAN CUTHBERTSON: Right.

12 MR. HALIKOWSKI: If you look at the Sun Corridor,
 13 how does the Sun Corridor invest in Arizona and with the
 14 population as well to bring everyone else up, also. And so
 15 really we need to be working together, urban and rural, and this
 16 idea of pitting people together, making winners and losers isn't
 17 really the best way to build a transportation system for the
 18 future.

19 CHAIRMAN CUTHBERTSON: Okay. Well, good
 20 discussion. I didn't mean to derail the presentation. Sorry.

21 MS. BEAVER: Chairman, I would just like to add
 22 that at our last study session, I actually had an individual
 23 come up to me afterwards, and I don't know that they were
 24 scolding me as the board chair at that time, but they said, "You
 25 know, study sessions are meant for discussion." And they said,

1 "We would appreciate something a little more rather than us just
 2 passing something over going, 'Okay. That's good. Let's go'."
 3 So at least from past public that has attended these meetings,
 4 they do appreciate this discussion. Thank you.

5 MS. WARD: So I understand this is a less
 6 appealing slide maybe, but let's just go to the big green arrow
 7 at the bottom. And what you see there is by year the funding --
 8 the fund sources that are available in each year that are
 9 provided to MPD as available. You'll notice on those red
 10 arrows, what those show you are the HURF swap, that the HURF
 11 swap has been built in -- HURF Exchange program has been built
 12 into each year of the program. You'll also see some operating
 13 cash requirements as we -- our cash balances have dipped. So we
 14 are over time trying to get those back up.

15 And so what that means for the actual program,
 16 there are no changes to the program, the current program in the
 17 years '19 through '22. And because of the revenue declines that
 18 you saw, those revenue forecasts being less than the previous
 19 forecast, combined with -- I need to let you know about some
 20 special distributions to cities and counties that were made
 21 permanent. The combination of those two items have left us with
 22 a \$750 million fifth-year program. That is down slightly from
 23 what our previous fifth-year program figure was. I believe
 24 about \$25 million.

25 So that \$750 million is what -- figure is what we

1 then provided to MPD to do their programming.

2 Lastly, I always have to tell you that this is
3 all based on assumptions, and it has risks. If there are
4 legislative actions, budgetary shortfalls or so forth, we run a
5 risk. We have experienced transfers and sweeps before. The
6 current executive budget holds HURF and State Highway Fund
7 fairly harmless. We don't know, the Legislature didn't come out
8 with a recommendation, per se, like the executive, but we have
9 risks of fund transfers and diversions. That special
10 distributions -- special distribution that was made permanent
11 cost us some dollars. If there are additional of those, then
12 it's a risk to the current forecasts.

13 We still have to deal -- you know, we've got the
14 FAST Act expiring in 2020, and we have to hope that our
15 assumptions are correct there. And then any -- again, the
16 recessionary cycle that I had mentioned to you earlier is a
17 concern.

18 With that, that concludes my presentation. I'd
19 be happy to take any additional questions.

20 MS. BEAVER: Chairman, I would like to bring up
21 that point about the sweeps that the state Legislature does have
22 the capacity to do, and I'm wondering, like, if we get into
23 these HURF Exchange -- I just remember a number of years ago one
24 particular municipality, they had already gone through the
25 process -- it had to do -- wasn't something with transportation.

1 It had to do with another project, another funding that the
2 State had available. And that money was swept, and they'd
3 already started the process. It had to do, you know, with a
4 swimming pool in the community, and they'd already started the
5 process. And when the sweep happened, you know, it just -- it
6 cuts off that funding right then and there. And so I'm thinking
7 with regard to the HURF Exchange, it's like when you get partway
8 into the process, and then all of a sudden, you know, the rug's
9 pulled out from under you, it's like, I don't know, that's a
10 concern on my part. Is there a way that those type of funds can
11 be shouldered from the Legislature, I guess, where if they've
12 already been committed for a project that's already in the
13 process that they can't be swept?

14 MR. HALIKOWSKI: Thank you, Mr. Chair, Board
15 Member Beaver. The answer is, like any good answer, yes and no.
16 When it comes to HURF, remember we're looking at two components.
17 You're looking at gasoline tax and the vehicle license tax that
18 are the main drivers. The gasoline tax is protected by the
19 Constitution. It can be used for two things: Transportation
20 and public safety. The vehicle license tax is actually under
21 another article of the Constitution. It's a general fund tax.
22 It's in lieu of personal property. And so that doesn't have the
23 same protections through transportation as the gasoline tax
24 does.

25 So over the years, what we've seen the

1 Legislature do is in lean times, very often they'll dip into
 2 that VLT portion before it gets deposited into the HURF tank.
 3 They'll take it off the top, so to speak, to fund a general fund
 4 issue.

5 With the gasoline tax, what we see happening is
 6 that although it's Constitutionally protected, I believe the
 7 sweeps you're referring to is when the Legislature diverts a
 8 portion over to the Department of Public Safety, and that could
 9 be anywhere -- we've seen it in years from 30 million up to 120
 10 million that they'll take. I don't know if -- have we held
 11 counties and cities harmless in those or have they been affected
 12 in those in the past?

13 MS. WARD: They have.

14 MR. HALIKOWSKI: But so that's the portion we're
 15 talking about is that they usually do a combination of vehicle
 16 license tax and gasoline.

17 In answer to your question as to whether the
 18 gasoline taxes could be sheltered from the Legislature diverting
 19 a part to DPS, you'd need to do a Constitutional change and say
 20 that they're not eligible for health and safety purposes. But
 21 as I talked to the Board before, Mr. Chairman, any good,
 22 efficient highway system has to have at least three legs of the
 23 stool. One's engineering, one's education, and that third one
 24 really is enforcement to make sure that people behave.

25 And so if the Legislature is choosing to fund DPS

1 out of HURF, the only other alternative would be general fund,
 2 and that would impact, of course, other areas of the budget. I
 3 know it's a big part of their discussion over there, and you
 4 know, they're pretty reluctant to sweep money out for DPS. But
 5 at some point they have to come to a conclusion of how you fund
 6 public safety on the state highway system. That's why there's a
 7 bill over there this year to give me authority -- not that I'm
 8 asking for it or proposing that the bill pass in any way -- but
 9 to assess registration fees to cover public safety. Will it
 10 cover the entire amount? I don't know. But you're looking at
 11 about 120 to 140 million a year to fund highway patrol
 12 (inaudible).

13 So Constitutionally, you're protected for
 14 transportation and public safety, but as long as the Legislature
 15 has that authority, they can pretty much hack into the HURF for
 16 the amount they need for public safety. There's no cap on it.

17 CHAIRMAN CUTHBERTSON: Board Member Thompson.

18 MR. THOMPSON: Director, John, do we have a bill
 19 number for that VLT bill that has been (inaudible)?

20 MR. HALIKOWSKI: I can get you a run down of that
 21 bill. I don't have it with me right now.

22 MR. THOMPSON: That's already going to process
 23 though? Is that already being --

24 MR. HALIKOWSKI: Pardon me. I'm sorry,
 25 Mr. Chairman.

1 MR. THOMPSON: Is that particular bill already
2 being heard through the committee?

3 MR. HALIKOWSKI: I don't know if it's had its
4 first hearing yet or not.

5 MR. THOMPSON: Okay.

6 MR. HALIKOWSKI: And I don't know if it will get
7 one, but I can send you a short list of bills --

8 MR. THOMPSON: Okay.

9 MR. HALIKOWSKI: -- that affect either HURF or
10 vehicle license tax distributions. Then that way you can look
11 at them online and see what their progress is, and you know, as
12 I said, the Board's always welcome to discuss with legislators
13 bills (inaudible).

14 MR. THOMPSON: Thank you, Chair.

15 CHAIRMAN CUTHBERTSON: Thank you.

16 MS. WARD: Thank you very much.

17 MR. BYRES: Mr. Chairman, Board members, I'll go
18 ahead and start going through -- this is a fairly lengthy
19 presentation, but I'll try and go through as quick as I can.

20 So what I've got that I'm presenting is we've got
21 some background, an overview of the asset conditions, our P2P
22 process, which we were asked to kind of present and show you how
23 that works, the tentative five-year highway delivery program,
24 MAG and PAG's program, as well as the airport, and then our next
25 steps.

1 So as far as the background goes, we're -- we've
2 developed collaboratively with this board IDO, TSMO, FMS, and
3 all the regional partners. That's how we developed this plan
4 that we're presenting today. It demonstrates how the federal
5 and state dollars are being spent. Approval of this is on an
6 annual basis, even though it's a five-year plan. Fiscal year
7 starts on July 1st, and it must be fiscally constrained for the
8 plan -- or the program itself.

9 So -- oops. Let's see here. Went one too many.

10 So we've got an overview of the asset conditions.
11 Right now the system is worth \$21.5 billion in today's dollars.
12 So -- however, if it was to be replaced, we're talking in excess
13 of \$200 billion. So that's what we're kind of looking at for
14 the size of our program -- or the size of the system in place.

15 As far as the condition goes, this kind of gives
16 you an idea of where we're at with our bridge conditions. We're
17 actually in very good condition or fair -- I should say good
18 condition. One of the good things to look at in this particular
19 case is the last two years that we're looking at our conditions,
20 the good condition has actually stayed relatively consistent.
21 It's actually gone up a little bit from '15, and the reason for
22 that is the funding that was projected into the bridge program
23 back in '13 and '14. So it's been able to stabilize the bridge
24 and actually start -- we're starting to see those results coming
25 forward.

1 MR. HALIKOWSKI: So Greg, Mr. Chairman, question.
2 The percent in poor condition, what kind of dollars are
3 represented to bring those back up into a good or a fair
4 condition?

5 MR. BYRES: I don't have that number right off
6 the top of my head.

7 MR. HALIKOWSKI: I think it's something,
8 Mr. Chair, we should get for you, because 2 percent looks like a
9 small number, but it may represent hundreds of millions of
10 dollars.

11 MR. BYRES: That's correct. And there's actually
12 three parts to this. We've got the bridge deck itself, we have
13 the superstructure, and we have the sub-structures.

14 MR. HALIKOWSKI: Right. Right.

15 MR. BYRES: And those are all rated differently,
16 but all go into this one rating.

17 MR. HALIKOWSKI: So replacement of these can be
18 very expensive, especially as you know, board member, in the
19 I-15 corridor.

20 MR. BYRES: So as far as the pavement condition
21 goes, this is -- this kind of shows our interstate highway
22 system, where we're currently at with 67 percent in good
23 condition and 32 percent in fair condition. We only have 1
24 percent that's in poor condition at this point in time.

25 On the non-interstate highway system, we're

1 looking at 52 percent in the good condition, 46 percent in the
2 fair condition, and 2 percent in the poor condition. So that
3 kind of gives you an idea of where we're at as far as our assets
4 go.

5 This is a broad look at our level of funding
6 running through this five-year program. What I'd kind of like
7 to do is go through and show -- we've got modernization shown
8 through all five years of this program. The reason that you see
9 that is because we've already started several modernization
10 projects that have to be carried all the way through. So you're
11 going to see that not only being carried through this five-year
12 program, but also into our development years, because it takes
13 several years to develop those projects, and they've already
14 started in the process. So you're going to see that carrying
15 through.

16 One of the other things to notice on this is our
17 long range transportation plan has that \$320 million threshold
18 that we're trying to maintain with preservation, and you can see
19 the numbers and the blue arrows. That's the difference that
20 we're looking at between that preservation and our target that
21 we're looking at. So one of the things that Dallas had brought
22 up is that we had a shortfall. We've never -- between the --
23 trying to get to that 260. Well, in this particular case, this
24 is showing that shortfall trying to get to that 320. So we're
25 not quite there yet, but we have projects that are currently

1 ongoing that we can't just stop. It takes several years to get
2 them through -- through the process and get them constructed and
3 going.

4 MR. ROEHRICH: Mr. Chair, I guess going back to
5 the last of couple slides. Greg, I know you went through these
6 pretty quickly, but I think (inaudible) point is the
7 significance you're seeing by that lack of maybe not meeting our
8 goal on preservation, you see it when you look at the difference
9 between the growth in yellow and the green lines how that
10 changed. It's a trend model that is continuing to grow over
11 time. That's why the significance of try to achieve that
12 preservation level sooner than possible to reverse that trend.
13 Without that, you know, it might seem like, oh, there's only 32
14 percent, you know, in poor condition, and actually not that bad.

15 MR. HALIKOWSKI: 2 percent.

16 MR. ROEHRICH: Well, or in fair condition, and
17 then 2 percent in poor. This shows that it's growing, and it's
18 growing the wrong way. We're not --

19 MR. BYRES: Exactly.

20 MR. ROEHRICH: -- reversing that trend. So
21 again, this is a snapshot in time. This is only going to get
22 worse without further emphasis on that preservation of the
23 program.

24 MR. BYRES: That's exactly correct. And not only
25 that, but it becomes exponential as we get further -- further

1 and further behind.

2 MR. HALIKOWSKI: Greg, is there a bright line
3 between preservation and modernization?

4 MR. BYRES: Well, the modernization is mostly
5 safety projects -- or I'm sorry. For modernization? Yes, there
6 is, in a sense, because in the modernization, the only problem
7 that we have is we're also gaining additional lane miles and so
8 forth. So now we've got additional preservation that goes with
9 that modernization. So --

10 MR. HALIKOWSKI: So if I were to ask you to
11 decrease the modernization and increase the preservation, how
12 does that look? Is that something Decision Lens could
13 (inaudible)?

14 MR. BYRES: Yes, it is. Because as a matter of
15 fact, as we get to that point, I'm going to have Brent actually
16 show that, and one of the things that we can do in Decision Lens
17 is we actually have -- we can vary modernization, preservation
18 and expansion in there so that we can see exactly what's --
19 what's going on.

20 MR. HALIKOWSKI: So I just want to point that
21 out, Mr. Chair. We might be looking at well, if you slow down
22 on modernization and put more money into (inaudible). I don't
23 know. But those are things Decision Lens will help us bring to
24 you for consideration.

25 MR. BYRES: So like I said, one of the big things

1 I wanted to show with this particular slide was two things. One
 2 was where we're at with our target for that 320 million per
 3 year, and also showing that we do have expansion projects that
 4 are continuing through this program. And like I said, it
 5 actually continues on through -- into our development program as
 6 well.

7 So now getting into our P2P process. This is
 8 kind of a quick means of showing you how our P2P process starts.
 9 So we start with a vision, which is all of -- we bring all of
 10 our projects together. And I know these bubbles look funny, but
 11 we've got -- we take and bring all of our projects together, and
 12 those projects come from either the districts, come from our
 13 corridor profile studies, from other studies. This is a
 14 combination of every single project that we can bring in to the
 15 process. So we take that, we take and -- take and categorize
 16 them into our investment categories, which include
 17 modernization, expansion, preservation. We also have the
 18 non-highway modes, but that's a very small portion, but we still
 19 have to kind of represent that.

20 Once we take that, then we actually go into the
 21 heart of the P2P process, which takes and assigns the investment
 22 categories and the rankings of each one of those projects, and
 23 I'll go into that into a little more detail on the next slide.

24 Once we get that done, then it becomes a matter
 25 of prioritization. So that also comes right out of our P2P

1 process and how those projects are put together based on the
 2 different categories of investment.

3 So this kind of goes through exactly how the P2P
 4 works. We take those projects that come into the system, we
 5 take and evaluate them, put four sets of categories of
 6 evaluation to them. We have the technical score, the policy
 7 score, the safety score, and the district score that goes with
 8 each one of these. These are evenly weighted in the way we
 9 currently run our P2P process.

10 So the technical score comes from pavement,
 11 bridge, safety, ITS. There's -- anything that we can take and
 12 actually tie a true technical score to. Pavement's one of the
 13 big things, is the (inaudible). We have rutting, cracking, so
 14 forth so that it's tied to a true technical -- a hard number
 15 that we can take and evaluate against. The policy score is a
 16 little more open in that we're looking at both economic drivers
 17 as well as mobility drivers and the criteria that we're
 18 utilizing in that policy score.

19 What the roadways are utilized for. Is there an
 20 economic driver that goes with them and so forth. So there's --
 21 that's part of our policy score. And again, those can be scored
 22 -- there's physical scores that we can attach to those.

23 The safety score, that comes right out of our
 24 safety analyst tool that we've got, and it's a direct score.
 25 Every single project goes through that safety analyst analysis.

1 It's a straight number that comes right out for every single
2 project that we've got.

3 The district score, that's a little bit
4 different. That score is where we take and there's -- each one
5 of the districts takes and evaluates the projects within their
6 district. And there's -- I'm going to say there's rationale
7 that's utilized in trying to take and score each one of those
8 projects. Normally, each district takes and knows which project
9 they want first. So that's how they score it highest and so
10 forth, and it goes down. And there's a lot that goes into it.
11 There's a local preference. There's conditions and so forth.
12 So that district score is not a true technical number. That is
13 more of an open, rational score that goes into it.

14 So all of those are put together. Again, these
15 are all weighted evenly to come up with a final score on the
16 different projects. Once we have that, then we can take and --
17 take and put those into the different categories, our
18 preservation projects, our modernization projects, and our
19 expansion projects. Utilizing the criteria that comes out of
20 our policies like the long range transportation plan, we can
21 take and prioritize those out and drop them into the long range
22 transportation plan that we take and bring in front of this
23 board.

24 That's kind of a synopsis of how our P2P process
25 works. That is exactly what we utilized in this program that

1 we're bringing forth today. We used that P2P process. It's
2 been in the works of trying to put it together, and we're
3 perfecting it to a point where we can utilize it, and it's
4 actually working very well for this program that we've put
5 together today.

6 So with that, one of the things that I -- kind of
7 comparing our previous to the program that we're -- our
8 tentative program that we're presenting today, the 2018 to 2022,
9 looking at the three different categories for preservation,
10 expansion and modernization, you're basically only seeing a 1
11 percent difference between preservation and expansion. Again,
12 that's because of the projects that we already had in the
13 current program that we're continuing all the way through this
14 program.

15 In the Greater Arizona area, we're looking at 63
16 percent preservation, 17 percent expansion, and 20 percent
17 modernization.

18 So as we go through each one of the years,
19 starting off in FY '19, what we're looking at is right at 89
20 million for expansion, 21 million and change for both our
21 planning costs and development costs, 99 million for
22 modernization, and 294 million for preservation.

23 MR. HAMMOND: Can I ask you a question? I
24 thought I saw a slide earlier in the day that said we didn't
25 have any money for expansion in Greater Arizona, yet where's

1 this -- it looks like we do, basically. Is this just a
 2 different angle --

3 MR. BYRES: Let me back up just a little bit
 4 here. So you're talking about this one here?

5 MR. HAMMOND: No. No. I'm talking about --

6 MR. BYRES: Our first year.

7 MR. HAMMOND: -- the previous presentation.

8 UNIDENTIFIED SPEAKER: Yeah. Long range plan.

9 MR. BYRES: In the long range plan? The long
 10 range plan, again, is our policy. So for expansion in Greater
 11 Arizona, that -- that's our goal. That's what we're using
 12 starting in '19 in trying to put together our process. But we
 13 already have the current program that's in place, with existing
 14 expansion projects that we have to carry through.

15 MR. HAMMOND: Okay. Thank you.

16 MR. BYRES: So with this, this is pretty much
 17 what we're looking at for '19. I just -- we have a couple of
 18 projects that are up here that are the kind of premier projects.
 19 One is SR-189, with 69 million that we've got programmed in
 20 there. We have US-93. The design for US-93 is in the 2019
 21 period, as well as design for the I-17 Anthem to Sunset Point,
 22 and Anthem to New River. So those projects are in this 2019
 23 program. There's several other. It's just these are the
 24 highlights that I'm trying to put -- put through here.

25 MS. BEAVER: Chairman, can I --

1 CHAIRMAN CUTHBERTSON: Yes.

2 MS. BEAVER: Isn't it so that in order to get the
 3 federal dollars, there's some things that have to -- you have to
 4 have them somewhat shovel ready, by having the design and the
 5 environmental study, and so it's kind of darned if you do,
 6 darned if you don't, you know?

7 MR. BYRES: I think, Mr. Chair, Ms. Beaver,
 8 that's exactly correct, and that's why this program has those
 9 expansion projects and so forth going -- extending through.
 10 Just because we've already gone through that, we've gone through
 11 the environmental process or are currently in the process of
 12 going through that environmental process and the design and so
 13 forth. So normally that design is being carried out with
 14 construction being planned for two years down the road, because
 15 that way you've got all your development occurring rolling right
 16 into construction. So in most cases, that's exactly how we're
 17 doing it. So if we had something planned for '17 and '18, that
 18 construction's not occurring until '21, '22. So that's how
 19 you're seeing this plan playing out, as well as our development
 20 plan as we get a little bit further.

21 MS. BEAVER: Well, and I think that the point I
 22 was trying to make is if we don't do that, then we aren't even
 23 eligible for funds.

24 MR. BYRES: Correct.

25 MS. BEAVER: So...

1 MR. BYRES: So to go a little bit further. This
2 is looking at our 2020 year in the program. Again, the
3 highlighted projects that we have here is of the Fourth Street
4 project over I-40, which was mentioned earlier. This is shown,
5 again, with that 50/50 share that we're talking about with City
6 of Flagstaff. We're also -- got -- have the US-93/West Kingman
7 TI in there, as well as the 93, the gap project. Those are
8 highlighted projects that we're looking at in 2020.

9 In the '21 and '22 years, these ones -- again, we
10 still have some pretty substantial expansion. We're looking at
11 82 million in '21, and 65 million in '22. With the highlighted
12 projects, we've got SR-69, Prescott Lakes Parkway in there. We
13 also have the US-93/Cane Springs design project in there. Lion
14 Springs design project is in there. We also have the 128
15 million in there for the I-17 to Anthem, Sunset Point. That's
16 the construction portion of that project. As well as the 40
17 million from MAG that would be the widening from -- up I-17
18 north of Anthem that's within the MAG region.

19 MR. SELLERS: Mr. Chairman.

20 CHAIRMAN CUTHBERTSON: Yes.

21 MR. SELLERS: Yeah. A quick question back on the
22 Fourth Street Bridge in Flagstaff. The timing on that, I
23 assume, is set to match with when the other funding would become
24 available, the partnership funding?

25 MR. BYRES: That would be correct. The IGA

1 hasn't been completed yet, but it's forthcoming. That will lay
2 all that out.

3 MR. SELLERS: Okay. Thank you.

4 MR. BYRES: So this kind of gives you a little
5 bit -- a little better breakup of what's occurring on the I-17
6 project. This is the Anthem to Sunset portions, as well as the
7 MAG portion. I had mentioned the 40 million prior for the MAG
8 portion. That 40 million is in the construction, with an
9 additional 10 million in the design portion. So that total
10 project is about \$178 million is what we currently have
11 programmed.

12 If you look down below, there was a DCR that was
13 done for this project that has some higher costs associated with
14 it, but it's more of -- this is a complete buildout.

15 Now, one of the things that we have with this is
16 we also have submitted a INFRA grant for \$160 million, that if
17 the \$160 million, if it ever comes to fruition, that can go be
18 reflected -- that money would be reflected in not only the money
19 we currently have programmed, but it would be added to and we
20 would change the scope somewhat to match that of the DCR. So
21 that's just kind of showing you one of the things that we've got
22 coming up on the I-17 project.

23 On FY '23, expansion projects, we've got 35
24 million set up for Cane Springs, another 5 million for Big Jim
25 Wash design, with construction of 33 million occurring out in

1 '25. We also have SR-260/Lion Springs, \$45 million that's
2 associated in there. Total expansion projects in FY '23 is \$85
3 million is what we have currently programmed.

4 So this takes and carries us out into the
5 development years of '24 through -- 2024 through 2028, kind of
6 shows you how -- you can see how our expansion projects are
7 diminishing out as we go into the outer years of the
8 development, because those expansion projects become less and
9 less as we go through. We can complete those projects all the
10 way out.

11 So -- but you still see the construction portions
12 of the design that we had mentioned earlier for the West Kingman
13 TI, as well as Big Jim Wash occurring in '25, and then we also
14 have Rico and Ruby Road down on 89, or I-19, that's occurring in
15 '26. And then we also have set aside the 33.5 million for I-10
16 on the -- going through the Gila River Indian districts. So...
17 And then again in '28 with no expansion projects at that point.
18 That's currently what we have.

19 So when we get to the MAG regions, again, MAG is
20 -- does their own planning. They present it to us, and this
21 lays out pretty much what they have planned. This was given to
22 us a couple weeks ago, and it's been approved by MAG. So it
23 just has -- this is a list of their larger projects that we have
24 coming up: Several I-10 projects, I-17 projects, SR-24, SR-30,
25 a couple US-60 projects, 85/Warner straight -- Street Bridge,

1 101 projects, 202 projects, and of course, the 303 are laid out.

2 MR. HALIKOWSKI: Excuse me, Mr. Chairman, Greg,
3 what is MAG doing with SR-30 exactly?

4 MR. BYRES: The SR-30, that 300 -- we have 339
5 laid out for that alignment, the proposed alignment they have
6 coming through. That project is still in the environmental
7 stages at this point.

8 MR. HALIKOWSKI: Will that 330 preserve the
9 entire alignment, or is it just buying pieces of it?

10 MR. BYRES: This will be -- this -- the 339 is
11 their total that they have projected within this time frame.

12 MR. HALIKOWSKI: 202 to the --

13 UNIDENTIFIED SPEAKER: 303.

14 MR. HALIKOWSKI: 303. Okay. Thank you.

15 MR. BYRES: As far as PAG region goes, again,
16 this is their planning that they've come up with and approved
17 through PAG. They have several I-10 projects, as well as an
18 I-10 project, the Irvington TI. Also have SR-77, I-10 to River,
19 as well as SR-77, River to Suffolk, and then also SR-86 and the
20 SR-210 downtown. That's a downtown linked project.

21 So we also have the Aviation Capital Improvement
22 program. So with it, we -- the current program that we have for
23 fiscal year '18, we only have our FSL program, our federal,
24 state, local program, which was worth \$3.5 million. That 3.5
25 million as of this fiscal year has already been expended. So

1 those air -- we used as much as we could -- actually, all of it
 2 -- on projects that came in as they were -- could be delivered
 3 through each one of the sponsors. So we've already gone through
 4 all of that.

5 Our SL program as well as our APMS programs were
 6 shut down due to the previous lack of funding. One of the good
 7 things that we have is all of our past debt that we have, we're
 8 making very good progress. FMS has been great in trying to pay
 9 down that debt. We're still looking at June of next year to get
 10 that completely paid off. Even less --

11 MS. WARD: Deferred payments.

12 MR. BYRES: Yeah. Deferred payments. Yeah.
 13 These are all deferred payments, so...

14 So coming up for this program, what we're looking
 15 at is, again, for the FLS, that's getting bumped up from 3.5
 16 million to 5 million. Our SL program, which is the state,
 17 local, that will still -- we will not be continuing that program
 18 out through '19, but we will be bringing back the APMS program
 19 at -- with being funded at \$5 million. And then, of course, the
 20 Grand Canyon Airport's being funded at 785, and then our
 21 Aeronautics Division is being funded at 800,000.

22 The next steps on this program, again, we're --
 23 for the February board meeting, we will be presenting basically
 24 a book to this board so that we can take it for public review.
 25 We have public hearings that are scheduled for March 16th in

1 Sahuarita, April 20th in Flagstaff, May 18th in Phoenix, as well
 2 as another study session coming back to -- with a cumulative of
 3 all the information we've gathered for June 5th here in Phoenix.
 4 We'll present the final program to the Board June 15th at the
 5 Globe meeting. And then the program must be delivered to the
 6 Governor by June 30th, and the fiscal year begins, of course,
 7 July 1st, 2018.

8 So with that, I'll have -- take any questions you
 9 may have.

10 MS. BEAVER: I do have a question (inaudible).

11 CHAIRMAN CUTHBERTSON: Yes.

12 MS. BEAVER: Back on -- where it said the MAG
 13 regional -- that page, I-17, Black Canyon and 271 million, and
 14 then on -- there were also -- oh, on page 18, it was 50 million,
 15 I-17 widening north of Anthem in the MAG. Is that 50 million
 16 incorporated into that, or are they two separate --

17 MR. BYRES: Yeah. The 50 million was in the
 18 current program, and so what they're looking at here is that 271
 19 million, that -- it's two different projects to start with, but
 20 it's on the same corridor. So it's -- but that's what we're
 21 looking at here. So it's kind of apples and oranges. It's not
 22 the same project.

23 MR. ROEHRICH: Mr. Chair, Mrs. Beaver, what it
 24 really is is MAG programs a certain amount of funds, and that's
 25 the 271 million. The 50 million comes out of funds that are

1 programmed through us.

2 MR. BYRES: Right.

3 MR. ROEHRICH: So they're -- those are in the
4 five-year program. Now, when MAG adopts their TIP, it rolls
5 into the statewide stip. Both in the five-year program. We're
6 only putting in the 50 million in the MAG region that the Board
7 would see it in the program. So that 271 is in addition to
8 that, because those are funded through the MAG TIP. And it is
9 two different programs along I-17 corridor. They're not the
10 same project.

11 CHAIRMAN CUTHBERTSON: Other questions? Board
12 Member Stratton.

13 MR. STRATTON: Thank you, Mr. Chairman.

14 I'd like to thank staff for putting in the
15 projects the Board asked for on the Flagstaff and Prescott
16 (inaudible). I also -- in previous years I've talked about
17 trying to finish projects that we started, and that kind of
18 echoes what Board Member Elters was talking about earlier. With
19 the 93 projects and the 260 project, that will substantially do
20 that and help us in that fact.

21 But go back to what the Chairman was talking
22 about, the Casa Grande Accords. I don't think we should go back
23 and open them up, but the biggest culprit to Greater Arizona for
24 our funds are freeways, and as always, I'll bring up I-15 as
25 usual. I'm going to preface my comment so my good friend Karla

1 Petty won't want to kick me again, but I understand we have to
2 fund I-15, but I do believe there's other alternatives, too.

3 I am glad to see we're doing something with I-17.
4 We lose way too many lives on that road every week, and it is a
5 concern. Hopefully we can get a grant for that, or a portion of
6 it, and relieve some of that funding for other areas in Greater
7 Arizona.

8 Mostly I just wanted to thank staff for the job
9 they do, where you're coming from. But again, I think we need
10 to have the conversation, as I see, and we're going to later on
11 I-15, so that's the end of my comments for now.

12 CHAIRMAN CUTHBERTSON: Thanks.

13 MS. BEAVER: And I think the only additional
14 comment, Chairman, that I would like to make with regard to the
15 I-17, I have absolutely heard zero negative about anything that
16 we do on I-17 in the state. Everyone in the state is very
17 supportive of, you know -- it's something everybody knows is a
18 problem. So it seems like there's good public support for
19 anything that we do to improve that stretch.

20 MR. BYRES: And Mr. Chair, if I can.

21 CHAIRMAN CUTHBERTSON: Yes.

22 MR. BYRES: I'd like to see -- have Brent take
23 and kind of do a real quick synopsis of some of the abilities
24 that we have in our Decision Lens tool. It kind of gives you an
25 idea, as there's been a couple of questions brought up about

1 what we can and cannot do with it, and this kind of gives --
2 once he gets it up, it kind of gives you a quick idea of what we
3 can do specifically when it comes to prioritizing projects,
4 taking in, manipulating different budgets, different means of
5 prioritizing and categorizing projects.

6 It's an amazing tool. It takes a huge amount of
7 time and a huge amount of data to get it all put together, but
8 once it's in there, it's well worth it.

9 What we have in here right now is basically our
10 entire list of projects that were utilized in the P2P process.
11 We took and transferred those into the Decision Lens. So when
12 there's comparisons made, it's only made to within that list of
13 projects that we had in that P2P.

14 What our goal is now is to take and enter all the
15 data in for our entire system so that when we're looking at
16 system performance, we're measuring it against the entire
17 system. It's going to be a whole lot more data that we have to
18 put into it, but it's well worth it, because it gives us a true
19 representation of how we're doing in each one of those metrics
20 that we have to report to federal highway. So this gives a
21 really good idea. Not only that, but it also gives us how we're
22 performing against each one of those measures with different
23 projects. So once he can get it up, he'll start this off.

24 No pressure there, Brent.

25 MR. CAIN: Yeah. So you talked about -- a couple

1 of things there. So you look at the weights, the weights that
2 we have here. We've tried to limit the -- so... (Inaudible.)
3 the battery's dead on that. So we tried to limit what the long
4 range plan did. So you -- the long range plan had (inaudible)
5 at 78 and 22. So we have the preservation at 77 and 20, and if
6 it loads the projects here, there are -- I promise there are
7 projects that should be in there, but it's just not -- they're
8 not coming up for some reason or another. I had them up here
9 earlier, so I'm not exactly sure why they're not showing up.

10 But the ideal situation you talked about,
11 Director Halikowski, is being able to see the difference of what
12 the modernization projects do and how they come to play. What
13 this tool --

14 MR. HALIKOWSKI: Can you get the old equipment
15 out, the Magic 8 Ball?

16 MR. CAIN: Shake the 8 Ball? Yeah.

17 MR. HALIKOWSKI: This isn't working. You need to
18 go back to the old equipment.

19 MR. CAIN: Well, let's take a look and see if
20 some of this other stuff's going to come up for me. It's -- you
21 always love the technology that comes together.

22 Okay. So what we have here is -- now again, this
23 is like you get a brand-new car, and you don't know how all the
24 buttons work or how to program the radio dial and that kind of
25 stuff. So I want to preface that. I'm still learning a lot of

1 the dials and the switches, and this thing does a lot of
2 incredible things.

3 So what we have here is a list of possible
4 projects that we could do with the allotted money that I've
5 programmed for there. So this is, again, over five years. Each
6 five years we have roughly about \$2.3 billion worth of work just
7 in the Greater Arizona area. So this list of projects is
8 potential projects that we could do with the funding scenario
9 that I have created for this. And again, this is considering
10 all projects that came into our P2P process.

11 So we could do 23 expansion projects if that was
12 what we chose to do. Let me expand -- and we could do 277
13 modernization projects if -- that we're considering those
14 projects. We're looking at the values that are there, and the
15 values that Decision Lens uses is there's some metrics that go
16 in with this. And Greg talked about some of those in the
17 preservation, or the IRI, the tracking, the rutting, the
18 faulting, a lot of, I'll say, technical, geeky-type stuff that
19 -- that everybody gets into and -- or the technical groups look
20 at. So all our -- we ask all of our pavement group to provide
21 us that information. Same thing with the bridge. The bridge
22 uses the deck area, square footage of the deck area, and the
23 superstructure, substructure and the scour. Those are some
24 conditions that they took at.

25 And then the -- let me get to the preservation.

1 So the preservation category, we could do -- you know, don't pay
2 attention to these dollars, because that's not the real budget
3 that we have here. So this is, again, it's considering all of
4 the projects that we received. Now we have to put the phases of
5 work and what we can really do. This is a total cost that
6 they're looking at for these. When we received these projects,
7 this is what the budget that they provided for us.

8 So this was the -- in the preservation mode. And
9 so we've got these broken out into these different categories.

10 Now I can start to mess around with all these
11 things. I really wanted to kind of share -- see if this piece
12 will work now that we have these projects here.

13 Well, in the interest of time, we'll keep going.

14 So the other cool thing that this can do is
15 create in dashboards, and to kind of see where things are if you
16 have a certain budget. Right now we've kind of set up about
17 2.1. We were sitting around that \$2.3 billion. Now, if I start
18 to slide -- so if I start to slide this budget down, if I move
19 the budget down, notice how these -- these will start to slide
20 down as well.

21 So right now, we're looking at -- with the budget
22 that we have available, we can increase the square foot -- or
23 yeah, increase -- I have to say this right, because it sounds
24 wrong. If we -- we can decrease the amount of poor bridge deck
25 area by 305,000 square feet with the certain amount of budget.

1 So now if I can start -- I can slide these
2 around, and you start to say, okay, look, if I want to increase
3 and get the max out, I'm going to need an additional -- well,
4 still under this -- if I can bump these up now, if I max
5 everything out, I'm going to need an additional \$313 million to
6 get to -- to increase my good bridge deck -- my good deck area
7 and reduce my poor deck area.

8 So again, like I said, there's still some
9 analysis that has to go on with this, and some understanding
10 that has to go behind all the numbers, but this is the kind of
11 things that we can evaluate our projects once we get our targets
12 together and start to see the technical background and how that
13 technical criteria can impact our delivery of our program.

14 So that's the bridges. I have one more for
15 pavements.

16 So with the budget that I have set today is about
17 2 -- \$2 billion over the five years just for pavements. We can
18 reduce the poor lane miles by 881, and we can increase the good
19 lane miles by 1,885. Now, one thing that I have to keep in mind
20 with this is this does not include any type of degradation to
21 the system. So we see -- like Greg was showing on the -- on the
22 pavement list, some of that -- their area, that might be
23 growing. So we're still working on some kind of a formula that
24 we can do that will show some type of a degradation to the
25 entire system by doing a project or not doing a project. So

1 that's something that's still in the works, and we're working
2 with Decision Lens to come up with that formula.

3 So this is where we're at today, and again,
4 there's many other things. I'm still learning the process of
5 how to maximize things. And so we will do our best to present
6 all our technical criteria and hit the targets and then present
7 you with the best possible projects to approve in the five-year
8 program.

9 I'll take any questions if you have some.

10 MS. BEAVER: You only have me for a little while
11 longer, so...

12 Chairman, Brent, would you -- do we have any
13 comparables? Like, for instance, because I-15 seems to be a
14 thorn that keeps coming up. If we didn't do the repairs on
15 those, what would the cost be if one of them failed? Like is
16 there a comparable, where there's a comparison, you know?

17 MR. CAIN: Yeah. Mr. Chair, Ms. Beaver, so this
18 is the first year we're using this. So to be able to do that
19 analysis, I'd have to have some prior year knowledge of things
20 and how things come together, what we've done on I-15 in the
21 past with the other bridges, compare that with what we could do.

22 And there's probably -- I can force fund some
23 things and be able to lock projects down, if I take projects
24 out. But can I see the impact of just taking that I-15 projects
25 out, what we could do, that -- that valuation is difficult to

1 identify, because there's a value score that's included. It's a
2 lot of technical jargon that goes into it.

3 So to be able to specifically say the impact of
4 not doing a project and what we could do, that gets to be a
5 little bit of a challenge. I'm working on that skill, trying to
6 refine that skill, but the answer to that question right now,
7 it's difficult to do that.

8 MS. BEAVER: Well, I -- the reason I even inquire
9 about that is because I noticed on this that we were looking at
10 most of those poor condition bridges are in rural areas. There
11 were some down in -- kind of south -- southern Arizona,
12 southeastern Arizona, and then they were up in Mohave County,
13 and then clear up in the top corner.

14 But those rural areas, they may seem like kind of
15 a non- -- non-issue thing, but I know because of the proximity
16 of where I live to the California border -- one of those went
17 out on I-10 on the California side, and it created havoc with
18 the diversion of traffic actually coming through our small town
19 that just is not really equipped for, you know, backup for --
20 that we saw there. So, you know, there's -- there's a give and
21 take on it. That's why I was kind of curious if you can do
22 those comparables.

23 MR. CAIN: So Mr. Chair, Ms. Beaver, so when we
24 get the technical criteria from the bridge crew, they take into
25 account a detour factor. So they give us a number, and there is

1 a -- there's a detour that goes into that evaluation.

2 MS. BEAVER: So like, for instance, with I-17,
3 the detour that goes around through Prescott and all the way
4 down through Wickenburg (inaudible).

5 CHAIRMAN CUTHBERTSON: Okay. Brent, thank you
6 for the presentation. I think -- I appreciate it. I --
7 (inaudible) the people that asked have this -- and I think more
8 or less just because it fascinates me, and I think -- I think it
9 also shows how much work goes into this five-year plan and --
10 anyway, I'll...

11 So any other questions on -- okay.

12 Okay. We're at Item 4. I'm at suggestions for
13 future topics. I think we've had -- we've had a few -- we've
14 had a few things come up, I think, during the course of this
15 meeting, captured some of them.

16 MR. ROEHRICH: Mr. Chair, I guess what I see as
17 follow-up, I captured that as part of the adoption of the long
18 range plan, the Department's going to draft a letter that we'll
19 send out to the Board as soon as we can in anticipation of any
20 reviews or final edits, that that letter would be a cover letter
21 to the completion of the long range plan in February, hopefully
22 in February, maybe no later than March, so we can then forward
23 it on to the Governor and to the Legislature while it's in
24 session and try to at least, again, highlight the importance of
25 transportation as a narrative for future discussion.

1 Second follow-up item I have is to go ahead and
2 get a legislative update on the transportation-related bills,
3 send that out to all the board members that Mr. Thompson had
4 asked. Those are the two follow-up points I have. I didn't
5 have anything as for future topics, unless there are future
6 topics that board members want to provide.

7 CHAIRMAN CUTHBERTSON: So I'm not sure I fully
8 captured this, but I know in the call to the audience, Mr. Begay
9 had a question about just requesting an update on -- I guess
10 some submittal for some work around -- on SR-87. Do you --

11 MR. ROEHRICH: Yeah. Mr. Chair, that's a staff
12 function that we will follow up on, and I was going to talk with
13 the state engineer and the district engineer about it. I did
14 not know that needed to come back to the Board.

15 CHAIRMAN CUTHBERTSON: Okay.

16 MR. ROEHRICH: We'll handle that as direct
17 coordination with our partner out there.

18 CHAIRMAN CUTHBERTSON: Yes. I think that's
19 appropriate.

20 Okay. Any others? Mr. Stratton.

21 MR. STRATTON: Thank you, Mr. Chairman.

22 On the topic of I-15, when I mentioned that to
23 you, Floyd, I wasn't very clear on what I was actually looking
24 for. What I was looking for was to staff to come back with any
25 potential alternative fundings that are possible on I-15 other

1 than funding it directly out of Greater Arizona (inaudible).

2 MR. ROEHRICH: I understand. Mr. Chair,
3 Mr. Stratton, I guess maybe we need to (inaudible) -- the only
4 funding available for I-15 is what's in the program. It's
5 either bridge funds or it comes out of the funding sources.
6 Those are the only funds that we have.

7 If you're looking at if we pursue grants and
8 other funding opportunities, yes, we continue to do that.
9 Unfortunately, you don't program to those, because we don't have
10 the ability until we get those funds to say that they're
11 available. It's the same as buying a lottery ticket and then
12 saying, "Well, I'm going to go out and spend money because I'm
13 going to win."

14 The funding sources that are available for that
15 interstate system are already accounted for in the drafting of
16 the -- the program is outlined by, I guess, Greg. So I'm
17 wondering what specifically did you have in mind when you say
18 other funding sources?

19 MR. STRATTON: I think we've discussed once
20 before, and it would be in the mode of the P3.

21 MR. HALIKOWSKI: So maybe I could make a
22 suggestion, Mr. Chairman and Board Member Stratton. It might be
23 good for a study session to come and give you a presentation
24 sort of on where I came in on the state with I-15 and all the
25 things we've done since then, including pursuing P3 options.

1 Our federal partners have been good with the
2 TIGER grants to help us pay for those bridge rehabilitations,
3 but as you know, there's more work to be done, and then we can
4 talk about, you know, possibilities of what we might do in the
5 future. And we can include in the presentation some of the
6 reaction we got, you know, to the P3 idea. But I think that,
7 you know, at that point there was maybe a lack of understanding
8 as to how the technology worked, and could you exempt residents
9 in those areas. So if you wish, we can come back with a
10 presentation and have a more fuller discussion about that
11 particular corridor.

12 MR. STRATTON: Okay. I would. And also, I'd
13 like to know what the -- I'd asked quite some time ago what the
14 effect of pulling triples on that particular road was, on the
15 bridges themselves. When they were built, obviously, there was
16 not triples being pulled in -- I don't believe in the
17 surrounding states, and does that cause the bridges to wear out
18 quicker, the decks or the structure themselves? Does it cause
19 more damage or does it not? Is that maybe something we want to
20 look at and the possibility of discussing that? Can we go to
21 only doubles on that to extend the life of those? I know it
22 doesn't make a lot of sense because the surrounding states allow
23 it, and that would be a section in there, but the surrounding
24 states don't seem to want to participate in helping us with that
25 (inaudible).

1 MR. HALIKOWSKI: We'll certainly include some of
2 that in the analysis, and see if we can come up with an idea of
3 how much incremental damage a triple versus a double causes, if
4 any, and then is there appropriate pertinent (inaudible).

5 MR. STRATTON: Just to --

6 MR. HALIKOWSKI: Sure.

7 MR. STRATTON: Just worth looking at. I --
8 again, I don't want to be a pain about this, but it is something
9 that doesn't really generally benefit Arizona, and it takes a
10 lot of money.

11 MR. HALIKOWSKI: And Mr. Chairman, it's a
12 significant issue. Past state engineers didn't really do
13 anything about I-15, so...

14 We're at this point where, you know, the decks on
15 there, those bridges are over 40 years old, and one of the most
16 environmentally sensitive places probably on earth in the Virgin
17 River Gorge, but yet it's a vital commerce corridor that we
18 receive federal funds for, and we're under a duty and obligation
19 to make sure it's safe and passable. So the trick is finding
20 out how to pay for that and make sure that, you know, we're
21 doing something that benefits all of Arizona.

22 MR. STRATTON: And as I said earlier, I
23 understand we have the obligation, and I don't want to not fund
24 it. I would just want to explore options that may help Greater
25 Arizona.

1 MS. BEAVER: Just for clarification, Chairman,
2 can you tell me -- we cannot toll that, right, because it's an
3 existing? So that -- that's not even a possibility?

4 MR. HALIKOWSKI: I think -- no. I think that
5 certainly it is a possibility that we can discuss further.
6 Because things are constantly changing federally, I (inaudible)
7 when we submitted a letter of interest in tolling '15 probably
8 back in around 2010, 2011, it was an experimental program at
9 that point. There were three or four slots for states to toll
10 existing interstate. We didn't get chosen at that point, but I
11 think some things have changed with the FAST Act that depending
12 on how we look at this whether it's tolling of the bridges or
13 otherwise, there's some possibilities here.

14 The push back we got at the time was really from
15 the states of Utah, Nevada, and the residents of Mohave County.
16 The board there of supervisors took a resolution against any
17 tolling. So there needs to be a lot of discussion and education
18 on this as we move forward, because people immediately panic and
19 think they're going to have to stop at the toll booth and, you
20 know, all of the other things that come with that. "So why am I
21 being taxed more for this particular structure?"

22 MR. STRATTON: If I can add to that a little bit,
23 when we had our meeting in Kingman earlier this year, I had the
24 opportunity to sit next to one of the board supervisors at the
25 dinner, and that was the question I asked: Why is Mohave County

1 opposed to tolling I-15? And she absolutely had no idea that
2 they were, the previous boards. And she did a little more
3 exploration on that and came back to me telling me later on in a
4 phone call that they would not be opposed at this point in time.
5 So I -- I think at that time that we had to listen to them, they
6 were opposed and it was an Arizona county, but their position
7 may have been changed now.

8 MR. HALIKOWSKI: I think a lot of dynamics have
9 been probably changed. But again, really, like everything else
10 we do, it takes a lot of communication and preparation and
11 transparency so that folks don't panic, you know, that oh my
12 gosh, this is coming down on us. It's not fair.

13 MR. STRATTON: And I agree with you. It takes a
14 long time, and I don't expect anything overnight, but we can
15 find --

16 MR. HALIKOWSKI: (Inaudible.)

17 MR. STRATTON: -- a long range solution that
18 would be beneficial to Arizona.

19 MR. HALIKOWSKI: Yeah. We would like to explore
20 that.

21 MR. STRATTON: Thank you.

22 CHAIRMAN CUTHBERTSON: Okay. Other suggestions?

23 MS. BEAVER: I'd just like to make one comment.
24 This may be my very last meeting. I don't know, because we're
25 going to be in Yuma next month, and probably -- there might be

1 in the very near future, you might have a new board member. But
2 I would just like to tell you all thank you. It's been a
3 privilege working with you, learning from you, and I will say
4 the Arizona Department of Transportation is in great hands with
5 Director Halikowski --

6 MR. HALIKOWSKI: Thank you.

7 MS. BEAVER: -- and with his staff. I -- it's
8 been a privilege learning and working with them as well. And so
9 thank you, and thanks to the State for allowing me to serve.

10 CHAIRMAN CUTHBERTSON: Okay. Thank you.

11 (End of requested excerpt.)
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Adjournment

A motion to adjourn the January 30th, 2018 State Transportation Board study session was made by Board Member Thompson and seconded by Board Member Stratton. In a voice vote, the motion carried.

Meeting adjourned at 12:09 p.m. MST.


William F. Cuthbertson, Chairman
State Transportation Board


John S. Halikowski, Director
Arizona Department of Transportation