

**STATE TRANSPORTATION BOARD
MEETING MINUTES
10:45 a.m., Friday, April 16, 2010
Town of Oro Valley Council Chambers
11000 N. La Canada Drive
Oro Valley, Arizona 85737**

Pledge

[The Pledge of Allegiance was recited in the Public Hearing preceding this session.]

Roll Call

[Roll call was taken in the Public Hearing preceding this session. In attendance: Bob Montoya, Bill Feldmeier, Felipe Zubia, Victor Flores, Steve Christy and Kelly Anderson. Bobbie Lundstrom was absent.]

Call to the Audience – [No response]

ITEM 1: Director's Report – John Halikowski, ADOT Director

Director Halikowski began by informing the Board of several things that have occurred since the last meeting. Right now the Department is working off the FY 2011 budget that anticipates the \$.01 sales tax being approved by the voters, but the legislature also passed an alternative budget in the event that it is not approved. The budget calls for one furlough day in 2010 and the elimination of performance pay for the remainder of FY 2010 and 2011 and 2012. In FY2011 and FY2012 there will be six furlough days each year. That roughly equates to a 5% pay reduction to the employees.

The furlough day in 2010 will be difficult to implement because the legislation will not be effective until mid-June, and the fiscal year ends July 1. The Department has to transfer \$1M to the general fund, which is the equivalent amount of cash for the furlough day and performance pay elimination. For FY2011-2012, the Department will be implementing the furlough days and performance pay cut. However, there will be exceptions to the furlough days for critical staff, such as inspectors, lab technicians, and at the ports of entry on the international border and other critical ADOT functions.

Regarding the Five Year Aviation Plan, the legislature swept about \$6.5M from the Equipment Services Fund since the last budget that passed. Unfortunately, ADOT does not have \$6.5M in the Equipment Services Fund. In such a case, the Director has to find the money. Since ADOT's highway money is constitutionally limited to street and highway purposes, ADOT cannot take money out of state highway funds and transfer it to the general fund. The only choice is to take money from the Aviation Fund. The Department has notified the Aviation community that we are going to have to transfer the \$6.5M out of the Aviation Fund to fulfill this requirement.

The good news on the Aviation side is that since we restructured that group and moved the enforcement of aviation registration and aircraft license tags, the Department has collected nearly \$1M in the past year in past taxes that otherwise would not have been collected.

Earlier in the week they met with staff representatives for Congressman Harry Mitchell and Congressman DeFazio, who chair the House Transportation and Infrastructure Subcommittee. Staff told them the Department wants flexibility in the money Arizona sends to them and they send back. Also noted in the discussion was the increased emphasis on livability, sustainability and performance measures for the future. The Department is gearing up for both in its planning and design areas to become broader based to take into account other elements than just pavement. Also, the Department will be subject to the federal government on whatever performance measures they establish.

Regarding the suspension of rest areas, we have a bit of good news on the Oasis program. There was an indication of interest from one entity on potentially being designated an Oasis Program facility .

Chair Montoya apologized for overlooking the introduction of the new Board member, Kelly Anderson. Mr. Anderson is the new representative from Pinal County.

ITEM 2: Consent Agenda

Chair Montoya stated that he would like to pull the Board Minutes from the Consent Agenda as Mr. Anderson was not present and would have to recuse himself.

Motion by Mr. Feldmeier, seconded by Mr. Zubia, to approve all items on the Consent Agenda except the Minutes of the Board Meeting. In a voice vote, the motion passed unanimously.

Motion by Mr. Feldmeier, seconded by Mr. Flores, to approve the Board Meeting Minutes of February 19, 2010; Board Study Session Minutes of March 3, 2010; PPAC Minutes of March 4, 2010; Board Public Hearing Minutes of March 19, 2010, and Board Meeting Minutes of March 19, 2010. In a voice vote, the motion passed unanimously.

ITEM 3: Legislative Report- Eileen Colleran

The State legislature is winding up this session and should be done in the next few weeks. Many of the bills listed on the reports are not moving forward and they are highlighted on the Board's packets.

The bills that are moving forward now in the State legislature are:

- House Bill 2300, lane restrictions for trucks driving on highways. The Department is currently working with the sponsor on an amendment to do a traffic study on the non-urbanized portion of I-10 between Phoenix and Tucson and then to pilot some recommendations over a two-year period.

- House Bill 2475, motorcycle operations - riding between lanes. This poses many safety concerns and we are working with the sponsor for an amendment to study the issue.
- House Bill 2599, State Parks voluntary contributions. That allows for a \$10 voluntary contribution with motor vehicle registration to go to a separate fund for operation of parks. That bill is currently awaiting the Rules Committee.
- Senate Bill 1137, one of ADOT's bills. This contains a number of technical changes and is awaiting floor action.
- Two Eminent Domain bills, 1363 and 1366, appear to be moving forward. We have been working with the sponsor on an amendment as there are concerns.
- Senate Bill 1406, procurement; construction specialized services. This bill provides additional flexibility in contracting and is awaiting floor action.

On the Congressional side, the House Appropriations Committee is beginning hearings this week on the FY2011 appropriations; we will probably not see the Appropriations bills until after the elections.

- Regarding the Authorization bill, the biggest issue is funding. The legislators have some ideas, but have not come up with the mechanism to provide the kind of funding that needs to be included in the authorization. However, the Senate Environment and Public Works Committee is continuing to hold hearings on such topics as transportation safety, energy, security, environment, mobility and congestion.
- FAA re-authorization. They are currently waiting for the House and Senate to hold a conference committee to resolve differences between the two bills.
- Second Stimulus Bill or Jobs Bill. The closer the primaries are, the less likely we are to see anything come out of the Senate. They just finished unemployment insurance and COBRA extensions, and are going to begin hearings on regulation of financial institutions, and that looks to be a long and difficult process.
- House Resolution 4823, the Sedona Red Rock Scenic Area Act. There is no hearing set at this time.

ITEM 4: Financial Report – John Fink

Mr. Fink reported as follows:

- The HURF results were not good. March HURF was a total of \$98.2M, down 11.1% compared to last year, and down 10.3% compared to estimate. The decline from March appears entirely due to revenues collected from commercial registration, so it may be a timing issue. They are doing some research to see if that is the case. YTD HURF is at \$882.9M, down 6% from last year, and down 4.4% compared to estimate. For the first 9 months of the year, total HURF revenue is down about \$41M compared to estimate.
- YTD Gas tax revenue is \$335.3M, down under 1% compared to last year, and down 1.2% compared to estimate. For the month of March, gas tax revenue was \$36.3M, which is up 5.1% compared to last year and was right on the estimate for the month.
- YTD Use Fuel tax revenue was at \$125.2M. That is down 3.3% compared to last year and down 1.6% compared to estimate. March was also very good for Use Fuel tax revenue, up 1.4% compared to last year and makes the 4th consecutive month of favorable year over year comparisons.

- VLT remains weak. For the year, VLT revenues were \$245.8M, down 8.4% compared to last year and down 9.5% compared to estimate. The good news is that new car registrations in March were up 7% compared to last March.
- Mr. Fink showed a slide on gas tax revenue calculated on a 12-month rolling basis, and commented that the good news is that it has stabilized, but the bad news is that it has stabilized at 2004 levels. He showed a slide on the VLT, noting that it has not quite leveled off yet, but the rate of decline appears to be slowing. A HURF slide displayed HURF rates over the last ten years, showing that they are currently down 15% total from the 2007 peak.
- Preliminary results for March RARF were about \$23.5 M, down about 6.9% compared to last year, and down 6.3% compared to estimate. YTD RARF stands at \$222.2M, down 11.3% compared to last year and down 5.2% compared to estimate. He explained he does not have detailed RARF results yet, but can present them at the next Board meeting, and thinks it will be better than previous years.

Aviation fund:

- March revenue in the Aviation Fund was \$2.5M, down 36.6% compared to last year, but up about 12% compared to estimate. YTD is at \$9M, up 8.9% compared to last year, but down 10% compared to estimate. By category:
 - Flight property tax YTD was about \$5M, down about 30% compared to last year, and down 18.7% compared to estimate.
 - Aircraft registration revenue YTD is about \$6.2M, down about 7% compared to last year and roughly on the estimate.

Investment Funds:

- March average invested balance is about \$1.17B, with 99.82% invested.
- March interest received was \$1.02M, for an annualized yield of about 1%.
- YTD, they have received about \$12.1M interest income, for an annualized yield of about 1.28%.

HELP report:

- The cash balance for the HELP fund at the end of March was \$51.2M. Currently there are 7 loans outstanding with a total principal amount outstanding of \$23.7M.

State Highway Fund road cash balance report:

- The low cash balance of the State Highway Fund has been negative every month going back to February of 2008. In March, the negative cash balance was \$24M. He projects an April/May negative balance of roughly the same amount. It has not occurred yet, and will occur next week which is payroll week as well as contract payment week.

ITEM 6: Financing Program – John Fink

Mr. Fink informed the Board that he did not have any information to present other than to update the Board on the fact that Moody's Investors was in the process of recalibrating municipal ratings. The process has started and results should be out this month, and Mr. Fink will report next month.

ITEM 6: Multimodal Planning Division Report - Jennifer Toth

Ms. Toth reminded the Board that they recently went through focus groups for the State Rail Plan and are getting good feedback. Based on input received from the focus group in Yuma, they have added one opportunity to the Plan. Now they are assessing the focus groups in the other areas of the State. Regarding the Inter-City Rail Plan between Phoenix and Tucson, they just closed the requests for proposals and are evaluating them, hoping to get someone on board in the next few months and get the project started.

ITEM 7: Priority Planning Advisory Committee (PPAC) - Jennifer Toth

Item 7a is in relation to the FY2010 closeout for Transportation Enhancements. There are several reasons for the additional funding. ADOT had not been programming in the Five Year Program up to the apportionment level that they had been receiving from the federal funds. Also, there were some projects that were delayed within the Transportation Enhancement Program. Generally there is a three-year guideline, and the Transportation Enhancement section is working to improve that development process to ensure those projects meet the three-year timeframe.

The ARRA program basically doubled the Enhancement program and those projects that were ready to go went to the ARRA projects so there was additional money to program.

She directed the Board's attention to the first table on page 180 of the Agenda, where there were State projects that have been previously awarded through the grant process. Starting with Project #4 onward, additional funding is being sought. The second table on page 180 shows the local Transportation Enhancement Projects that they are asking to move forward. In addition, additional funding being sought within those grant applications for Projects 22-28. The third table, on page 182, shows stand-alone new projects, generally associated with previous projects that had insufficient funding and were pulled out. They are asking to create new projects to move forward with those funds that were already identified. The fourth table on page 183 shows projects that are in development or construction that need additional funds for enhancement activities. Ms. Toth recommended the Board approve Item 7a.

Motion by Mr. Zubia, second by Mr. Feldmeier to approve Item 7A. In a voice vote, the motion carried unanimously.

Ms. Toth proposed taking Item 7b through Item 7i together.

- Item 7b relates to additional storm repair projects totaling about \$15.905M. There are 33 projects being submitted for FHWA for emergency relief funding, 28 of those are ADOT projects and 5 are County Emergency Relief Projects. It is expected that 28 of those will be covered by the FHWA reimbursements, four are at FHWA discretion, and one is expected to be partially reimbursed by FHWA.
- Items 7c through 7i are various projects, requests to defer some projects, add some pavement preservation, and some bridge deck projects. Ms. Toth recommended approval of Items 7b-7i.

Motion by Mr. Flores, seconded by Mr. Zubia, to approve Items 7b – 7i. In a voice vote, the motion carried unanimously.

Ms. Toth continued by discussing Items 7j and 7m. She separated them as they are directly related to some of the projects which were just presented in the Tentative Five Year Program. Item 7j is on SR86, and within the Five Year Program they requested to increase that by \$7.5M. Item 7j asks to decrease the project by \$7.982M, so that they can then fund the items 7k through 7m of the I-10 Ruthrauff/Prince projects. They are asking to move those construction funds into FY2011 for the I-10 project. In addition, on 7j, they would ask to defer the SR86 project out to FY2013. She asked for approval of Items 7j through 7m.

Motion by Mr. Zubia, seconded by Mr. Anderson, to approve Items 7j-7m. In a voice vote, the motion carried unanimously.

ITEM 8: State Engineer's Report – Floyd Roehrich

Currently there are 103 projects under construction in varying stages. Some of those are winding down, with \$320M left to perform on those contracts. They are ratcheting up with the local ARRA program as well as making a bigger push for the rest of the federal aid program this year. They are pushing to close out projects as a way to clean off the open contracts, specifically to take any excess funds from those projects back into the program. Ninety-two projects were closed out this year, and they will continue making closing out projects a priority as they move forward.

ITEM 9: American Recovery and Reinvestment Act (ARRA) 2009 Update – Floyd Roehrich

All of the ARRA funds are obligated at the state and local level. They are now in the process of finalizing all the bid advertisements, and they anticipate around late May/June timeframe they will be able to capture what savings they have had to date. At that time, they can identify additional projects to use the bid savings.

The other part they are looking at is working with the local governments on the funds that they received. Some of those smaller amounts may not lend themselves to becoming projects with the locals, but ADOT could take those funds and give them a "like credit" of additional federal funds that could be programmed through their TIP process. They could capture small amounts, bring them into the state, and get credit to the local governments. The bid savings do have to be obligated by September 1, 2010, and staff is confident they can do that.

In the next 60 days, staff will come back with recommendations for the Board in order to address the bid savings.

ITEM 10: ARRA II Priority List – Floyd Roehrich

ARRA II does not seem to have the urgency that was once discussed. They continue to work on a potential project listing and work with local governments on their local project lists. These projects may become part of some opportunities for other federal aid or other funding that may come available if ARRA II does not happen, or become shelf projects to address any program funds that may become available.

ITEM 11: Construction Contracts – Floyd Roehrich

Mr. Roehrich reported that this month they have 12 projects to award with just over \$11M. The majority are local government projects. Eight of those were already addressed on the Consent Agenda.

The first item to address is Item 2p from the Consent Agenda. This project is a seal coat, preservation project with the Pascua Yaqui Nation. When this bid opened, they received bids within the Department's discretion for awarding the project. However, there was an irregularity in the bid. One of the conditions in the specifications is at the time they receive a bid, the contractors have to submit certain items of documentation, one being a signed statement that they acknowledged and received all of the addenda that are part of the bidding process. The apparent low bidder at the time failed to sign that page, and that constitutes an irregularity in the bid, and there is a process to address this. In evaluating the addenda and its ramifications, the items were not relevant to the bidding process per se, but were administrative clarification in nature, thus not affecting the validity of the bidding process. They have made that determination in the past, and have contacted the contractor, asking him to sign after the fact, so noting to the Board. It has been a number of years since that has happened and they want to continue that practice and request that the Board determine if that process is still valid. Also, if the Board concurs with the staff recommendation, they request awarding the contract to A & S Paving, Inc. In the past, there have been cases where elements of the addenda affected the bid process, and in that case, the lack of signature caused the bid to fail. He discussed that with the contractor who had submitted the protest and the contractor sent a letter withdrawing the protest, and he concurs with the practice that has happened in the past and will accept any decision the Board makes. If the Board so desires, staff will continue with this policy. If not, there will be no regard for any irregularity as defined by the specification. Mr. Roehrich asked the Board to recommend awarding Item 2p to A & S Paving.

Mr. Zubia commented that he did not see any material effect on the bid and appreciated the explanation.

Mr. Flores recalled a project in eastern Arizona with concrete where there was a protest regarding a certification of some type. He wondered if that would be a similar waiving because it had nothing to do with the actual price. Mr. Roehrich answered that he was correct. On that bid as well it was of an administrative nature where they had failed to complete and sign, but everything else on the bid was competent. Mr. Flores agrees and is glad that the staff is looking at the pragmatic aspects of making these decisions.

Mr. Christy sought clarification on the ARRA 2009 projects, and what TOC projects refer to. Mr. Roehrich responded that it stands for Thirteen Other Counties.

Motion by Mr. Flores, seconded by Mr. Feldmeier, to award Item 2p to A & S Paving, Inc. In a voice vote, the motion carried unanimously.

Item 11a is a local government project, a multi-use path project in the City of Glendale. It spans the Loop 101, using a cable-strength bridge. The opening bid was 18.5% under the Department's estimate. In evaluating the cost, there are three general areas where they saw a lower than estimated cost. In his opinion, it is due to the nature of the bidding process now, basically in concretes, steel and masonry prices. The apparent low bidder, C & S Construction, has done a lot of work around the valley and is very competent and efficient. Even though it is 18.5% under the estimate, staff feels it is a competent bid. Staff recommends award of Item 11a to C & S Construction.

Motion by Mr. Feldmeier, seconded by Mr. Flores, to award Item 11a as recommended. In a voice vote, the motion carried unanimously.

Item 11b is another local government project on the Salt River Pima-Maricopa Indian Community. It is a chip seal pavement preservation project within the community. The apparent low bidder, Cactus Transport, was actually 16.9% over the Department's estimate. It is a rather small project, just over \$.5M, and perhaps the Department under-estimated the smaller quantity of materials and other working conditions. They feel it is a competent bid and appropriate amount for the elements and conditions of the work and recommend awarding of Item 11b to Cactus Transport.

Motion by Mr. Flores, seconded by Mr. Zubia, to award Item 11b as recommended. In a voice vote, the motion carried unanimously.

The last item, 11c, is an ADOT project in Yavapai County and is a pavement preservation re-alignment of a curved area as part of a safety project just east of Prescott Valley. It is a high priority project. However, there are conditions with the bid that they have not seen in recent memory. The Department specifies that after bids are opened, there is a period of 5 days to submit a listing of all of the DBE firms that have been solicited or used as part of the bid. The apparent low bidder, Tonto Supply, was reminded that they have 5 days to submit their DBE usage form, which is required by the federal government. Staff did not receive it and up until the last day, contacted Tonto Supply in an effort to get the form, but never received any communication from them. The form is not discretionary, and the fact that they did not submit the form makes the bid non responsive. Although it is somewhat administrative in nature, it is a federal requirement that they have to report. Staff is working with the Association of General Contractors on a notification they can send out as a reminder to the entire contracting industry about the issue in the hopes they do not have to repeat that situation. The recommendation of the Department is to reject Tonto's bid and award the contract to Southwest Concrete Paving, Inc.

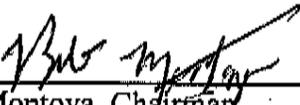
Mr. Christy wondered if Tonto responded at all, and Mr. Roehrich said that to this date they have never gotten a response from them. Previously they actually spoke to someone who said he

needed to talk to the manager or owner, but he never called back. Staff also sent emails and left voice messages.

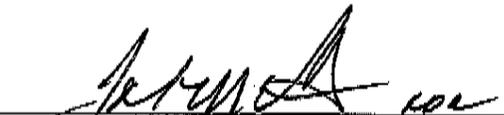
Motion by Mr. Christy, seconded by Mr. Anderson, to reject Tonto's bid and award Item 11b to Southwest Concrete Paving, Inc. In a voice vote, the motion carried unanimously.

ITEM 12: Comments and Suggestions [None given]

Motion by Mr. Zubia, seconded by Mr. Anderson, to adjourn the meeting at 10:45 a.m. In a voice vote, the motion carried unanimously.



Bob Montoya, Chairman
State Transportation Board



John Halikowski, Director
Arizona Department of Transportation