

**STATE TRANSPORTATION BOARD MEETING
MINUTES**

9:00a.m., Friday, October 15, 2010

**The Wigwam Resort
Wigwam Ballroom
300 E. Wigwam Blvd.
Litchfield Park, Arizona 85340**

Pledge

The Pledge of Allegiance led by Kelly Anderson.

Roll Call

Roll call by Board Secretary, Mary Currie.

In attendance: Bob Montoya, Bill Feldmeier, Felipe Zubia, Bobbie Lundstrom, Victor Flores (absent today), Steve Christy, and Kelly Anderson.

Opening Remarks

Chairman Montoya would like to thank CAAG for this great venue that they have put on this year for the Rural Summit, The Wigwam is a first class resort and the service and rooms are great. He feels it is a pleasure to be there and for them to host the Board.

Call to the Audience

Maxine Brown: Introduced their newest Director to the Board, Brian Pett She will be retiring very soon and she wants everyone to know what a pleasure it has been working with everyone all these years. They are delighted that everyone has had an enjoyable time at the Wigwam.

Brian Pett: He appreciates the opportunity and really looks forward to working with everyone in the CAAG area and also working with ADOT. He thanks everyone for the opportunity to speak here today and wishes everyone a good meeting.

Bob Montoya: He thanks Maxine for all her years of service to CAAG. She has seen a lot changes and done great work. He says it has been a pleasure to work with her.

Paul Johnson, Vice Mayor of Yuma: On behalf of the community and the city of Yuma he would like to thank Bob for his years of service. He has had the opportunity to go to a lot of the Board meetings and he knows the sacrifices that the Board members make. He would like to thank them for their service and for a couple projects that they did in Yuma. They have had traffic problems for decades, where US 95 crosses I-8. The Board appropriated \$11.5M to widen that overpass and that roadway. The project is almost done and it is going to raise the service level from an F to maybe a B. The Board also overlaid about 15 miles of US 95 between Quartzsite and Yuma. He was telling the District Engineer that when he drove onto that section of it, that it was such a good job, he checked his GPS to make sure he was on the right road. They really appreciate it and want to thank the Board for all they have done; especially for these projects. They have been critical for the community.

John Salem: He would like to express thanks and gratitude for several projects in the Mohave County. They are currently in the midst of negotiations with the Walapai Nation who owns the Sky Walk and the Grand Canyon Tours, Inc. They have tours daily at Grand Canyon West and are hoping to schedule a tour so the Board will be able to experience some of the transportation needs between the City of Kingman and the Grand Canyon. Once that dirt road is paved, it would rapidly increase the active amount of liability through the Kingman area through tourism. Over the years, they have been very grateful to the Board for all that they have done for Mohave County and the several transportation and maintenance projects near the city of Kingman. It is common knowledge that the Board has been very sensitive to the needs of the rural areas and they really appreciate that. The Kingman District Engineer, Mike Kondelis, won an award yesterday for his work on the Hoover Dam Bypass Bridge and they are very proud of him for being a member of the community. On behalf of the city of Kingman, he is looking forward to seeing the Board in December.

Norm Davis, Public Works Director, Town of Prescott Valley: On the heels of the Rural Transportation Summit today, he thinks that what is important is that there is a project on the Consent Agenda today, the Viewpoint Drive interchange on Highway 89A. Viewpoint Drive Bridge is on Highway 89A. It is a main road extension that basically ran through an old part of Prescott Valley and a new part of Prescott Valley basically it could bisect the town because of the road path sending bisecting schools and some of the residential development to the north of Highway 89A. What is nice about the bridge project, is that ADOT asked what Prescott Valley would like to see. The consultants sent us a letter of designed examples of what has been done on other bridges. The local Arts and Culture commission was able to select which colors, bridge settings, and landscape. This was very well received by the public. The other thing he would like to point out is that they have a long-range plan in Prescott Valley and this project addressed that and the multimodal capability that is very important to the local government. Pedestrian and bicycles will be congregated through the pedestrians bridge to traverse the whole 89A across roadway which is what they all want to address. When that particular connection is made across 89A, they will have 11 miles of continuous pathway from point A to point B through the town of basically 40,000 people. He wants to thank the Board for listening. A lot of the issues that they talk about there is multimodal planning and they have addressed on many fronts. They look forward to taking the Board through Viewpoint Drive on Tuesday.

Jennifer Maples, Arizona Airports Association, first Vice President: She is also employed as an aide agent for the city's Aviation Department. She welcomes the Board to the West Valley where per their report is a vital economic engine community with a direct and indirect economic impact of 550 jobs and almost \$200M annually. Goodyear was also deemed the 2008 ADOT Airport of the Year. She would like to take a moment and thank ADOT and all of the people that worked with the Arizona Airports Association over the years and the Airport development program. They truly need to be commended for all the efforts they put in to protect aviation and the air transportation industry in this state on various issues. Most recently, they were updating the Board policies. Her primary message is to share a few statistics with the Board on some recent projects that were funded by the State Aviation Fund. The three airports in the Phoenix Airport system, Sky Harbor International, Deer Valley, and Goodyear Airport benefited from approximately \$5M in grants for 8 different projects that all covered Airway improvements. Some of these were taxi way and ramp reconstructions, airfield lighting, blast fence, and range of things that help to improve the safety at these three airports. The awards to complete these projects were actually done by seven different local firms in hopes to create jobs in the community and put money back into the state economy. They would like to thank the Board for

supporting those projects in the first place and handing them to the Board as well as for the recent approval of about 19 different airport projects throughout the state valued at about \$600,000. In recent years, the Board has heard from Arizona Airports Association representatives basically speaking about the protection of the state aviation fund. She would be remiss in the current duties if she did not remind everyone that over the last 12 years, approximately \$100M has been swept from that fund. With the projects she just talked about, \$5M that went to all that, the number of projects that could have been completed with those dollars is pretty staggering and the money that could be put back into the economy. At this point, because the overall indirect economic impact airports is \$38.5B in the state, 470,000 jobs which is over 10% of the state's employment. A former Aviation Director said this, "When you pave one mile of highway, you get one mile but when you pave one mile of runway, you get the world." She would also like to mention that Arizona Airports Association and other aviation organizations put on an annual aviation event at the Capitol. The 6th annual event is coming up on January 19th, 2011 and she is personally inviting to everyone on the Board.

Karen Lamberton: Brings greetings from Cochise County and the region They would like to thank the Board for the award in the rural area and really appreciated the effort of ADOT in recent months to start building some of the vacancies in the rural area and serving the rural area in the Phoenix office and in the Safford District. The Safford District has been an immense help to Cochise County. They are doing an excellent job over there. They do appreciate some of the vacancies being built because it is a bit of a distance for a drive down there. They also appreciate the effort of this Board and ADOT to start pushing down some of those funds in the safety areas and with the part of the grants for the capacity of building for the rural areas. They are starting the SR 90 and I-10 project today with a partnership meeting. They are very excited to see the project stay on the scope in Cochise County. It is going to be a huge benefit to that crowd when it moves down to Sierra Vista and Hereford. They were able to join on to the design concept report for the I-10 corridor from I-19 and now extending SR 90. They are very pleased to see the results from that very small part of the grant that they received. Improvements in the rural areas affect the entire system and they really appreciate the assistance.

Jesse Thompson, Member of the Navajo County Board of Supervisors: Thanks for all the projects that the Board is able to do and has plans for in Navajo County. Navajo County has been working closely with the Navajo and Hopi tribes in getting transportation concerns moving. That is the one thing that they have been doing particularly with the Board's district representative as well as personnel. They have been establishing partnership meetings and he believes they are going quite well. It takes a lot of education and it takes being able to work with big problems in the corridor as they are moving forward in coming together to do projects on these reservations. Last year, the way the Board was able to lend a hand to the rural community. They put up their donated equipment and they were able to purchase some of it and they are out there right now providing services on behalf of the schools. They have public schools, they have contracts too, but a lot of these roads are dirt roads and they are still quite a ways from getting roads and rail system in that area. He hopes there is a way that they can do a little bit more in helping to make these roads safer for the public and for the kids. Again, he appreciates being part of this conference and ability to come before the Board again. He knows that they do have a lot of plans and certainly they want to be part of the growth of Arizona. But for them to come out and do business for goods and services, they need to have roads.

ITEM 1: District Engineer's Report – Julie Kliever, Phoenix Construction District Engineer

The Phoenix Construction District is a different than other Districts in the state, in that, their primary focus is construction maintenance in Phoenix. This district covers Maricopa County primarily, a little bit a Pinal County, and some areas of Maricopa are in other districts. They have 8 field offices spread around the valley plus the specialty offices for landscape construction. The basic field office specializes in freeway management system. They also have a survey office and two laboratories. In talking about projects other than construction, they are a very busy district and to show what they have she will start out with some of the ARRA projects that they have under construction.

- I-10 to West Indian School where they will be doing widening of the median that is progressing quite well and by early spring should be complete and open to travel.
- SR 85 where it links up at I-10, if someone would drive that way today they would think it were done, but there is final striping to do.
- I-17 and I-10. Adjustments to the exit ramps to try and improve traffic flow on Southbound I-17 to I-10 and that should be done by the end of the month.
- US 60, Grand Avenue, two big projects going on that make the Grand Avenue corridor very challenging to traverse right now. One of them is from 99th Avenue to the 303. They are widening, adding an additional lane and doing landscaping improvements. That project will not be done for about another year but they expect from Bell Road to 303 to be mostly complete by the end of the year.
- 83rd Avenue and 99th Street is in the final stages. By the end of the year it should be finished.
- Beardsley Avenue to improve the access for the 101. That is progressing very well and should be done in a few months.
- There are between 30 – 40 ARRA projects they have been involved in.
- They have recently completed a design build project on SR 202 and have added additional lanes. That was a very challenging project because it included widening of a 1 mile long bridge. It is also complicated by the heavy rains that they had last winter because some of the work was in the river and it flooded..
- Another big corridor that they are going to see a lot of work in is the 303 corridor. This is the segment from Happy Valley to Lake Pleasant shows a new stretch of freeway that when it started out it was desert. They should be able to open 303 between Happy Valley and Lake Pleasant Road by the end of this calendar year and to I-17 in the spring.
- HOV lanes on Loop 202 to Santan between Gilbert and I-10. This project has just started as a design build and we expect it to take about a year.

Expected upcoming projects:

- Landscaping projects on I-10 and I-17 that was just recently awarded. They have another segment of US 60, Grand Avenue that goes from Van Buren to Loop 101.
- Sidewalk projects on I-17
- Redoing the TI at 143 to get into the airport.
- A 30 mile design build project on Loop 101, from I-10 to Tatum,
- The next segment of 303 that is started is between Peoria and Mountain View. The 303 is a corridor that is going to have a lot of work happening. The next project after the Peoria to Mountain View is that they are going to again work on the TI between I-10 and 303 which should begin next summer.

Bill Feldmeier: How long is the stretch from Beardsley to I-17 for 303?

Julie Kliewer: She thinks it is 12 – 14 miles. It is being landscaped as true desert landscaping. They are not putting any granite down and are trying to recreate the look of the desert that was there before they started all this.

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

He wants to do the Director's Report in a different set up. Mr. McGee is tirelessly been working since he became the Board's liaison to modify the Agenda to make it not only a better one but one that is easier to read and more pertinent to the issues that they are being discussed.

- A) What they are trying to do is provide the Board with items that are open to discussion and compliance with the Open Meeting Law. The things he is going to talk about under A, are things that if the Board has questions or concerns.
- The Hoover Dam Bridge opening was yesterday as far as the dedication ceremony is concerned. It is now officially known as the O'Callaghan – Tillman Bridge, in honor of Governor O'Callaghan from Nevada and of course Pat Tillman from Arizona. Oncefully opened, the bridge is going to provide a lot of needed traffic relief but also some new challenges for them and ports of entry in Kingman as they have to deal with an increase in traffic. They are happy to announce that that project is complete, on time and on budget. There will be a public ceremony tomorrow the official bridge opening will be November 1st. In conjunction with the bridge, ADOT has a four lane widening project on US 93. That project began in January 2009. They are ahead of schedule on that project also and when complete later this fall, US 93 will be a four lane divided highway between I-40 at Kingman and bypass.
 - The Department staff briefed the Board last Study Session on funding prospects for the upcoming FY2012 -2016 highway construction program with emphasis on the fifth year program. As the Board was informed the economic outlook is not brightest at this point. The reported results were still somewhat preliminary. There are a number of factors that could change in the coming months that will impact our current estimates but it appears that it is not going to be dollars available for programing for major capacity enhancement projects in greater Arizona in FY 2016. This is disappointing but this also should not come as a shock to anyone. The department has been telling people about this for the past three years that funding trends are going to lead us to this situation. It now appears that the highway programing in greater Arizona as of 2016 is going to be maintenance and small project program only. Given the significant needs in greater Arizona, it is a very difficult position to be in. They will continue to work with the policy makers to see if there are ways that they can come up with new sources of revenue. Things could change in Washington D.C. It depends a lot on the election, but in any event, whether we are dealing with Chairman Oberstar or possible Chairman Mica, they are going to have to look for new sources of funding if they are going to have significant projects in greater Arizona as of 2016. They continue to not see the increases in gasoline tax and VLT that they would like for the economy and it does not look like those are going to recover in any significant way any time soon. In that sense, they will continue to do the best they can to keep the Board informed of the economic situation.

- With respect to rail activities, they are now in full swing with the development of a statewide rail plan. That is the first such effort in ADOT's history. They are moving along well with the Phoenix – Tucson rail study. He believes that they are ready to begin the EIS this year and they have funding to begin that EIS. Both of these efforts will be the future to the critical rail development, in particular passenger development in Arizona. They still need a stable dependable funding source to match federal grants. They proposed a bill last year to carve off a small portion of vehicle license tax to match federal money for rail study. That bill did come out of the Senate but it stalled in the House. They are hopeful today that HURF will be renewed this year. They will bring some more detail in the coming months at a future Board Study Session. He was in Washington D.C. last week and met with the staff, congressional delegations, to talk to them about what they are doing with the rail study and going with that. Their intention is to take that rail study and roll it into the statewide transportation plan that is due next year. They would like to be able to put that statewide transportation plan out to the public to make sure that the public has informed options that they can look at as they are discussing that statewide plan.
- They have a legislative session coming up. The latest report is that there is probably a \$700 – \$800M general fund deficit in the state. In the past years, they are very concerned and watching very closely as to what will happen with any potential transfers from the State Highway fund via the vehicle license tax. Any of these things will have an impact on ADOT's operations and especially the maintenance category. Last year they had to take measures in order to plow snow and suspend rest area operations. They are hopeful this year that with good effort, they will be able to at least hold the line and that they will not suffer any more negative impacts. They will keep the Board informed of what is happening with the legislature but essentially at this point, ADOT has exhausted all options when it comes to figuring out ways to deal with budget cuts.

B) Julie touched on what is happening here in the Maricopa County region but just some other things to mention that are going on around elsewhere in the state, Twin Peaks interchange. They are doing some decorative details and final paving work. The town plans for a ribbon cutting to open that project on November 19th. They are taking the first steps to identify a new transportation corridor in the county with the launch of the north-south corridor stretching into the county. The first meetings that they will have under this study will be part of the initial process of discovery and the primary mission at this point is to listen to the community and record their concerns, ideas, and questions that they may have. The study is being conducted by ADOT on behalf of the Federal Highway Administration and stretches roughly from Apache Junction on US 60 south 40 miles to I-10 Picacho – Eloy. Eventually this will result in an EIS and engineering reports and examined various forms of transportation within that corridor beyond just the highway. SR 77 and the wildlife crossings have been in the news. There are some challenges that they are working out in agreeing to a financial agreement between ADOT and the RTA. They have a long standing practice; one that is aligned with other transportation agencies around the country is that the advanced funding that ADOT requires has to be placed in a State Escrow account. They have offered RTA with an alternative approach including collateral payment and monthly invoicing. So far they have not found an alternative that is acceptable to RTA. The wildlife crossings were recently removed from the project for the time being to allow other aspects to advance in the development process and avoid any critical delays. He does have a letter from Gary Hayes. They will be meeting next week to discuss the alternatives that they have offered. Just as they have

worked Twin Peaks and Marana in the past, there are certain things that they require in order for that piece of the project to proceed. They have four more highway rest areas reopened for a total of 14 open. The other four are in just such bad shape that economically they are not feasible to repair at this time. They have opened everything that they feel they can sustain and maintain. The hope is that given what may happen with the general funds in the coming year that they continue to maintain those rest areas for the safety of the public. The last thing that he mentions is that Secretary LaHood was in Las Vegas yesterday after the Hoover Dam Bypass celebration and one of the things that he was talking about was a nationwide rail system. Essentially what they have learned from their people in D.C. that if there is a switch in the House as far as which parties are in control, rail will continue to be part of the national plan. The state will have to be in a position to deal with those issues and answer questions from the public and provide options as they come up. The Secretary's vision as he announced is that 25 years from now, he believes that 80% of America will be connected by high speed inner city rail. Certainly the Tucson to Phoenix question has been a question for a long time as to whether or not it is feasible to have a rail line there. Their goal with the study is to answer that question and to provide the public with the information they will need eventually to make the decision on how to deal with the statewide transportation system.

Steve Christy: He has been receiving questions regarding the wildlife crossing, especially from the environmental community. He is asking for clarity from Mr. Halikowski's position so that he can at least address that when he gets back to Tucson. One of the issues between RTA and ADOT regarding the requirements that ADOT is forwarding as far as whether the money needs to be placed in escrow or an account; is it the requirement for RTA to do that by ADOT would basically suck up all of the money available in the RTA funds and would stall all the other projects?

John Halikowski: They have offered an alternative so that they do not suck up the entire amount of money that is available through the escrow account and the payment method. He and Mr. Hayes will have discussions on this and see if they can get this worked out. Obviously it is in everyone's interest that these proceed accordingly. On the other hand, he does not want to hold up development of the rest of the project pending this one issue. The goal is to get this worked out, however they have to be cognizant of the needs of the tax payers and ensure that the money is going to be there.

Steve Christy: He knows that from Mr. Hayes' standpoint and from PAG's as well that both of those entities are very flexible and anxious to work something out. They have given their full cooperation and they want to continue to do so. They are very positive about being able to work something out.

John Halikowski: They have the same goals as Twin Peaks and that happened shortly after he came on board and they were able to make arrangements to everyone's satisfaction. He will provide a further update after the meeting.

ITEM 3: Consent Agenda

Motion to approve the Consent Agenda by Mr. Anderson and a second by Mr. Feldmeier. In a voice note, the motion carries.

ITEM 4: Financial Report – John Fink

He will start with the Highway User Revenue funds. September HURF was \$98M that was down by 4.4% compared to last year and down 2% compared to the estimate. That is a couple of consecutive months where they had actually seen gains in HURF revenues. Now for the first three months, HURF stands up \$297.4M. That is actually up 2% compared to last year and just 0.4% compared to the estimate. This years HURF results do include a \$2M one time positive revenue adjustment. If this is factored out, the actual results are down slightly compared to the estimate. That was actually occurred in July.

Gas tax revenue currently stands at \$113.6M. That is up 2.3% compared to last year but is down about 1% compared to the estimate. Used fuel tax revenue is at \$43.5M. That is about 8% compared to last year but is down slightly compared to the estimate. Then the problem continues to be vehicle license taxes. Vehicle license tax revenue for the year is at \$85.2M. That is down 4.2% compared to last year and down 2.4% compared to the estimate.

Just a couple of statistics related to VLT. Through September, average VLT is now declined to about \$131. That is down from the peak where generally the peak would run around somewhere in the \$145 to \$150 range. Now it is down to \$131. September newcomer registrations were actually down a little over 10% so there continues to be weakness in new car sales. Where they did see a slight gain is in new to Arizona registrations. So it would appear that maybe there is some marginal increase in people moving into the state and registering their vehicles here. There was only a slight gain.

Gas tax revenue is clearly now starting an upward trend that is definitely a good sign. The one thing that he notes is that the growth rate that is seen in the last several months is about half of the growth rate that was occurring in 2003 – 2007 time frame. If that growth rate continues, it is going to take a long time to get back to where the peak was. In terms of vehicle license tax, this again is done on the same way in a 12 month rolling total basis. In this case, they are at about \$326M which is down 17.5% from the peak that occurred in the 2007 – 2008 time frames. As noted with the gas tax, there is definitely some increase here but it still looks like it is continuing to decline. The rate of decline is probably slowed and hopefully in the next couple of months, they will actually see it but as of yet they have not seen that. As long as newcomer sales continue to be weak, they will probably not see that.

Moving on to the Regional Area Road funds, they do not have the September results yet so he presents August. August RARF was \$23.6M. That is down 3.1% compared to last August and is down 2% compared to the estimate for the month. For the first two months, they are currently at \$48.3M. That is down 3.8% compared to last year and down 3.6% compared to the estimate. By category, retail sales currently stand at \$2.7M. That is down slightly compared to last year but is down 5.1% compared to the estimate. Contracting revenue is at about \$4.5M and is continuing the double digit decline that has been seen for the last several years. It was actually down 24.4% compared to last year and down almost 10% compared to the estimate.

Aviation fund, again there are no September results. August revenue was \$2.8M. They did not calculate the percentage here because it is such a ridiculous percentage increase compared to last year and was up 148% compared to the estimate. For the first two months, revenue stands at \$3.3M. That is up about 89% compared to last year and up about 32.5% compared to the estimate. It is really all driven by federal grant revenue that is up 66% for the year compared to last year and about 24.5%

compared to the estimate. It all depends on when particular grants are received and what month they are received in.

He does not have a HELP report for this month. His staff has been busy working on the year end financial statements and a number of other things. They will get that done this month. He does have an investment report. This is through August. August monthly average invested balance was about \$940.3M with 99.8% of that invested. August interest received was \$695,000 which is an annualized yield of about 0.87%. For the first two months of the year, interest received was about \$1.44M and that is an annualized yield of about 0.9%.

Steve Christy: Nationwide retail sales are showing a spike up but in large part that was not from retail customer sales, it was to fleets and rental car companies and to government cars. He asks if ADOT collect on rental car licenses.

John Fink: He does not believe so.

ITEM 5: Financing Program – John Fink

This is an update on the 2010 RARF financing. He has left at the Board's places a copy of the final official statement and also with detailed final pricing review that was prepared by ADOT RVT capital markets. They actually closed this issue yesterday and received \$205.8M that will fund projects in the regional transportation plan. Julie listed a lot of those projects that are going to be coming up and the proceeds from this issue will be used to fund many of those projects. With this particular issue, they ran a retail order period on Monday September 27th and through that retail order period. They sold approximately \$54M or 20% of the issue. They sold the balance of the bonds during an institutional pricing the following day. He would say that in terms of this pricing, they went out with an initial scale that was very aggressive based on where the market was. Ultimately there was probably some resistance in the market due to the low overall yields on these bonds. For example, going out to 2023 to get above a 3% yield on the bonds and he believes that they are kind of getting to the point where investors are saying enough is enough or too little is too little. In some cases there is not a lot of interest. They did have to adjust some of the yields on an aggregate basis. The issue was oversubscribed, however, they did have some maturities where they have no orders, another maturity with only limited orders, and the underwriters ultimately took down their amount of the bonds. Even with the adjustments that they had to make to yields after the retail order period, the Board did receive extremely favorable results. The over True Interest Cost on the issue was a little less than 2.9% on bonds with an average life of 8.5 years. This issue was also compared favorably to other issues that were in the market at the time. In particular, the state of Ohio general obligation bond issue that priced on the Tuesday and Wednesday that week, that issue was also graded AA1 and AA+ so it had the same ratings as the Board's bonds. Over most of the range of the Board's bonds actually priced at yields of about 7 – 9 basis points lower than the state of Ohio issue. From that perspective it was very good pricing. There was a lot of information on this issue in the final pricing overview including to the comparison to the state of Ohio issue and several other comparisons. There is also information in the book relative to the performance of the firms that were in the underwriting statistic syndicate on the selling group and the entire financing team did a great job with this financing in particular in taking more securities as the senior managing underwriter on this issue. They really did a fantastic job.

This is probably the first bond issues that the Board and that the Department had done in 21 years or so that the Board has not been involved with which is a stunning statistic. He does want to recognize that everything that Mr. McGee did like the corresponding programs over the years and the great contributions that he made and he really made this job a whole lot easier by how these programs are structured and everything he did in those 21 years.

ITEM 6: Multimodal Planning Division Report – Jennifer Toth

She has three items that she would like to talk about and those are airports, transit, and the long-range transportation plan. With the budget situation that the state has faced over the past year, the legislature has swept some of the Aviation Funds and they have had to confirm payments on the grants that they have issued over the past few years. Two weeks ago they made the last payment on those grants. She congratulates her staff on the exemplary job they have done in terms of trying to continue to pay off those deferred payments during this time period and thinks that the partnership with the Arizona Airports as well demonstrates that commitment to the aviation fund and to continue that. With that being said, they do not know how this year will continue if the aviation fund continues and there are no sweeps. Then they will not have to defer any payments. If the funds do need to be transferred to the general funding, then they will base that same situation where they are looking at some deferred grant payments. In terms of transits, the last ARRA project went out to the Navajo maintenance facility. This is an incredible facility that is being built to design and build contracts. They are going to be breaking ground in this next month and will increase the maintenance capacity for the Navajo Transit systems. This is a project they are very proud of in addition to some of the other maintenance facilities that she has presented to the Board that ARRA has been able to fund for transit. On the long-range transportation plan, as a status update, they are in the goals and objective stage and then now moving into the needs and revenue stage. They have received approximately 500 comments on the goals and objectives and it is very good information. They are in the process of closing out the goals and objectives and moving into needs and revenue. In terms of the needs and revenue, Mr. Omer presented at the conference yesterday and they do have about a \$50B gap between the needs and the revenues over the next 25 years. That is a huge gap and a lot of policy discussion will be held in terms of how are they going to invest that money in terms of three different areas, that being expansion, preservation, and modernization. This is similar to setting up a personal budget in deciding can they pay 20% for food and 25% for transportation, and 30% for housing. That is a similar situation that they are setting themselves up for in the long-range transportation plan. They are trying to determine what the percentage within each of those three categories, modernization, preservation, and expansion that the State wants to see as they move forward. The important part is that they are not being very project specific. They will use some illustrative projects, but the long-range transportation plan is very investment scenario oriented. However that means that what they are trying to do is set up from bqAZ, which is division, how they invest their money being a long-range transportation plan and then the programming process is the next link that they will continue on after they finish with the long-range transportation plan.

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

She recommends taking Item 7a – 7d together. These projects are in the MAG region. The first project, Item 7a increased its funding for production and then applies that decrease to the next three projects which are on 303 that was spoken about today. The staff recommends approving Items 7a – 7d contingent upon MAG's regional council approval on October 27th.

Motion by Mr. Zubia and a second by Mr. Anderson for Item 7a – 7d. In a voice vote, the motion carries.

Items 7e and 7f can be taken together. Item 7e is increasing the construction project on I-10 in the Yuma area and then Item 7f is establishing a new project on US 180 in the Flagstaff district. The staff recommends approval of Items 7e and 7f.

Motion by Mr. Feldmeier and a second by Mr. Zubia for Item 7e and 7f. In a voice vote, the motion carries.

ITEM 8: State Engineer's Report – Floyd Roehrich

They have 158 projects under construction right now in \$1.2B. Although there is a number of like projects here in the Valley of the state that will probably be widened up by the end of the year or next year, they only have just under \$300M worth of work left to do on the current contracting but they have a number of bigger projects coming up and he will discuss some of those later on in the award to bring back some much needed work to the industry and to keep the construction industry and in the highway area to move forward to keep enough people working to providing the infrastructure. They are continuing to put a big effort into closing those projects and a number of those have been the smaller preliminary ARRA projects as well as other projects. They realize that as soon as those are closed out, it will free up some money and put that back into the program to continue to help out. They are open to continuing to deliver for these major projects through the next year or so and see a turn around in revenue and make other funding.

ITEM 9: Construction Contracts – Floyd Roehrich

There are six projects to be awarded this month. Four of them were awarded on the Consent Agenda. There are two that are to be separate award but they are adding about \$92M to the industry with these six projects. It is going to be a great boost to the companies and to the industry out there to move these forward. The two on the separate Board action, the first one is a local government project in the city of Glendale. We had some very competitive bids, nearly 34% below the department's estimate but after reviewing the bids and realizing that the majority of the bids were under the department's estimate, they think they overestimated on some of the efforts of the work, given the fact that this is specialty work

The second project is on I-10 to widen the interstate and add an additional lane between Phoenix and Tucson. It is 16-17% under the department's estimate. On this project the contractors, Ashton, they were working on a segment a short distance away. They have people and equipment in place with very good competitive pricing. At this time, he is asking the Board to approve awarding Items 9a – 9b.

Motion by Ms. Lundstrom and second by Mr. Christy for Items 9a and 9b. In a voice vote, the motion carries.

ITEM 10: Comments and Suggestions

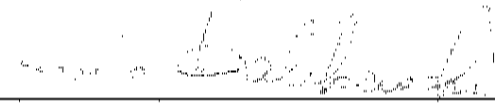
Bill Feldmeier: He visited with Mr. Halikowski just before the meeting in reference to the conversation he had with Jesse Thompson who then appeared in front of the Board with questions

about possible sales of equipment down the line. He wants to make that connection to make sure that when he gets a response that they also send one to Mr. Thompson on that.

Motion made by Mr. Anderson and a second by Mr. Christy to adjourn the meeting. In a voice vote, the motion passed.



Bob Montoya, Chairman
State Transportation Board



John S. Halikowski, Director
Arizona Department of Transportation