

MINUTES
STATE TRANSPORTATION BOARD MEETING
9:00 a.m., Friday, December 14, 2012
Santa Cruz County Complex
2150 N. Congress Drive
Board of Supervisors Meeting Room #120
Nogales, Arizona 85621

Pledge

The Pledge of Allegiance was led by Bobbie Lundstrom.

Roll Call

Roll call by Board Secretary Lila Trimmer

In attendance: Joe La Rue, Steve Christy, Bobbie Lundstrom, Victor Flores, Kelly Anderson, Bill Feldmeier, and Hank Rogers (via telephone)

Opening Remarks

Chairwoman Bobbie Lundstrom thanked Mr. Lucero for inviting the board to the La Roca for the board dinner last night. The dinner was wonderful. She also thanked Manny Ruiz, Santa Cruz County Board of Supervisors, and Wildcat Silver Corporation, and all the elected officials who were there.

Chairwoman stated that it has been a pleasure being a part of this board. She thanked the board members and all of ADOT staff who have been wonderful to work with. It has been a blessing serving the State of Arizona.

Call to the Audience

1. Manny Ruiz, Santa Cruz County Board of Supervisors
2. Randy Heiss, Executive Director, South Eastern Arizona Governments Organization (SEAGO)
3. Maria C. Ramos, City Council, City of San Luis & YMPO Board Member
4. Kathy Campana, President-elect Santa Cruz Board of Realtors
5. Cherie Campbell, PAG Interim Executive Director

ITEM 1: Director's Report—John Halikowski

Director Halikowski briefed the Board that in early December there were executive leadership changes within ADOT. The Deputy Director for Operations, John Bogert, who has been with ADOT since the late '80s, has retired. However, Mr. Bogert will work part time in the future as a returning retiree and focus on performance measures throughout the agency. This is important to the Board to establish the performance measures on asset management, maintenance, construction, and other duties that ADOT performs.

Other changes in the Director's office were Floyd Roehrich remains Deputy Director for Policy. Kevin Biesty, Government Relations, will now report to Floyd. John Nichols is the new Deputy Director for Business Operations. Jennifer Toth, State Engineer, will also be the Deputy Director for Transportation. Jennifer will lead the Intermodal Division and Scott Omer, Multimodal Planning Division, will now report to Jennifer. Stacey Stanton, Motor Vehicle Division; Joe Throckmorton, Information Technology; and Terry Conner, Enforcement and Compliance Division; will now report to Director Halikowski. An organizational chart will be sent via email to the board members. ADOT is restructuring itself internally as it moves forward to more efficient operations.

***ITEM 2: Consent Agenda**

A motion to approve Item 2: Consent Agenda was made by Kelly Anderson and seconded by Bill Feldmeier. In a voice vote, the motion carries.

ITEM 3: Legislative Report—Will Barnow

Will reported that the State Legislative session begins on Monday, January 14, 2013. Andy Tobin remains the Speaker of the House and Senate President Pierce will be replaced by President-elect Andy Biggs. There are two new chairmen in the House and the Senate Transportation Committees. Representative Karen Fann from Prescott will chair the House Transportation Committee and Senator Rich Crandall of Mesa will chair the Senate Transportation Committee. ADOT will continue to educate these folks on the importance, specifically

safety, and the economic value of transportation. The Government Relations office will be sending out bios on the new freshmen legislators and will continue to send out the legislative bill info and updates to the board.

On the Federal side, the fiscal cliff will have a fairly minimal impact to transportation. We are looking at an eight percent impact to transportation overall, most of that is transit. US Representative Bill Shuster from Pennsylvania has taken over as the incoming House Transportation Chair. Barbara Boxer remains the Senate's Transportation chair.

ITEM 4: Major Transportation Accomplishments—Jennifer Toth

Jennifer reported that during the past six years of Bobbie's term, Arizona's transportation system has undergone many improvements, with the completion of very significant projects both in the region and statewide. Some major accomplishments include the Hoover Dam Bypass Bridge. This bridge creates a bypass of the Hoover Dam for Arizona travelers heading to the Las Vegas area from Phoenix. It also creates a safer and more efficient route for the commercial traffic, while maintaining critical economic ties between Arizona and Nevada and the southwest region.

In addition, the American Recovery and Reinvestment Act took place and an additional \$522 million was administered through the board and throughout the State, which created many projects across the State. Three major planning initiatives have occurred under Bobbie's watch starting with the bqAZ, which created the vision for the State's transportation system out to the 2050 timeframe. And then an additional long range transportation plan, which sets the policy decisions of how the board will look to spend the financial revenues over the next 25 years. Scott will cover later today in the planning to programming of the next link of how to take that vision and funnel it through the investment plan and then develop the projects into future. The first state rail plan occurred under Bobbie's watch. The passenger rail study is happening right now between Phoenix and Tucson.

In the border region, the support for the border communities is Bobbie's passion. The commerce improvements that have happened are the Mariposa Port of Entry was moved up five years because of ARRA funding, and the completion of the San Luis II Port of Entry along with the SR 195 Area Service Highway. The Arizona Sonora Border Master Plan which is occurring now to create the capital improvement program for the border communities.

Over the past six years, ADOT has accomplished much as an agency while improving the statewide transportation system. ADOT thanks Bobbie for her dedication and service to the state of Arizona.

ITEM 5: Transportation and Trade Corridor Alliance—Gail Lewis

Gail presented an overview of the Transportation and Trade Corridor Alliance (TTCA) and how ADOT is changing. Arizona's in a situation where the gas tax revenues are quite flat. ADOT is switching from being a construction-oriented agency to a maintenance-oriented agency. Public Private Partnerships and other alternative financing means to help make up for that loss are imperative to communicate with business leaders and find out how to make the best investments for them. To be more focused on transportation as a critical part of the economy and as a foundation for economic improvement and a means to directly assist in trade and a supply chain for economic opportunities. Globalization is a huge trend in the economy and international trade is very important. Those are good jobs that pay 16 to 20 percent more than other jobs. Trade helps connect Arizona to direct foreign investment which means new money coming into the state and trade stabilizes uneven and unstable markets. We know that trade jobs locate near transportation hubs and airports. Most of the growth is happening in the next twenty years and 80 percent of worldwide growth will occur outside the U.S. It also means that Arizona will be under continuing pressure in terms of freight transportation and freight movement. Congress for the first time recognized a freight plan in Map-21. MAP-21 required that states develop a long-range freight plan. If these facts are true, then Arizona must think big and act decisively on how Arizona can be an engine for trade and logistics. TTCA is a partnership between ADOT, the Arizona Commerce Authority, and the Arizona Mexico Commission, although TTCA was charged by the Governor in 2012; it is not Governor-appointed board. It is really an advisory council to the agencies. It is very heavily private sector along with some COGs and MPOs from around the State to acquire transportation and local government input and it is representative of the multimodal transportation world. TTCA is there to help the state develop strategies to improve its infrastructure, attract private investment, and their role is to help the state understand business. The role of TTCA is to really help to leverage infrastructure to be an asset to help Arizona be more competitive.

The Steering Committee is co-chaired by John Halikowski and Jim Kolbe and the vice chairs are Margie Emmermann and Sandra Watson. There are five subcommittees: Logistics and Supply Chain Development, Mexico and Ports of Entry, Freight, Trade and Economic Development, and Education and Communication. All of the subcommittees' co-chairs have met and are appointing other members to round out the work plan. There is a subcommittee meeting in February 2013.

Gail stated the importance of Mexico as a trade partner for Arizona. There are six million U.S. jobs tied to trade with Mexico. Mexico is the number one import and export trading partner for six U.S. states including Arizona. Gail showed an I-11 map of the original corridor idea of Phoenix to Las Vegas, which only connected those two cities. A newer revised map showed a potentially improved North-South connectivity through Arizona. The East-West and the North-South connectivity elevates Arizona basically as a thruway for trade into something much more economically vibrant and viable and have ties from Mexico to Canada. With the help of the players on the TTCA who are proving to be very visionary and thoughtful in their approach, TTCA has the best chance to achieve the larger and more robust thinking for the future.

Board Member Steve Christy extended a thank you to Gail for her participation on a panel discussion at the Southern Arizona Leadership Council Annual Retreat last month.

ITEM 6: Financial Report—Kristine Ward

Kristine stated that the financial report will be somewhat abbreviated since this meeting is one week early and all the numbers have not come in. The report this month will be on HURF. Next month, she will catch up on RARF and the treasurer's report. November HURF revenues totaled \$490 million and are 2.1 percent behind forecast. November HURF collections amounted to \$96.4 million, an increase of 1.8 percent from November 2011 but 2.5 percent behind forecast. HURF revenue growth continues to be pressured by lower than expected gas tax, use fuel tax, and vehicle license tax collections.

Director Halikowski stated that for those in the audience who do not know what use fuel tax is, basically that is diesel fuel. It is what the commercial fleet uses.

Kristine showed a comparison chart that HURF revenues for 2012 are the same as they were back in 2004.

Director Halikowski made a statement about the gasoline tax and that it has not been raised since 1992 and has not been indexed for inflation. Given the fuel economy and less miles being traveled, we are roughly at about 1994 revenues, just to illustrate where the gas tax is currently compared to what it used to be.

ITEM 7: Financing Program—Kristine Ward

Nothing to report at this time.

ITEM 8: Adoption of Authorizing Resolution, Subordinated Highway Revenue Bonds, Series 2013—Kristine Ward

Kristine presented a resolution that reflects authorization for planned January issuance of Subordinated Highway Revenue Bonds not to exceed \$815 million. The purpose of issuance is two-fold: to refund existing bonds for debt service savings in light of low interest rate environment; and provide \$230 million of funding in accordance with the Five-Year Construction Program. The planned new money component of financing will be structured to wrap around the Board's existing debt service on HURF Bonds. For the refunding component, possible Bonds to refinance consist of estimated \$552.9 million of outstanding HURF Bonds. The refunding amount is contingent on interest rates at the planned time of financing in January. The estimated refunding savings based on current market rates and net of issuance costs amount to \$36.7 million on a present value or current dollar basis and amounts to saving of approximately 6.65 percent, well above the standard minimum threshold of 3 percent. There is debt financing risks. The planned structure and estimated debt service savings of refunding are based on current market rates, and Congressional actions to address the federal fiscal cliff could include measures that adversely affect the value of tax exemption of municipal bonds.

Director Halikowski asked what does this mean for the 5-year Construction Program.

Kristine stated that there will be decreased expenses in the form of debt service and we will finance a portion of our program, \$230 million worth.

Director Halikowski asked if the \$230 million new money would include new projects coming in or are we going to see a reduction in the 5-year program.

Kristine stated there is still going to be a reduction in the program. This issue was already assumed when the program was originally constructed. In the next agenda item, there are other assumptions that will be presented. Those assumptions did not hold true and they are impacted.

Bill Feldmeier asked if without authorizing the resolution for the bond, then the situation would be worse.

Kristine stated the \$230 million would not be available to the program and the expenses would be higher. The answer to that is yes.

A motion to approve resolution authorizing the issuance of not to exceed in the aggregate \$815,000,000 principal amount of Arizona transportation board, subordinated highway revenue bonds, series 2013; prescribing the form of such bonds; prescribing certain terms and conditions and making certain covenants pertaining to such bonds; ordering the sale of such bonds; authorizing the refunding of all or a portion of the board's outstanding senior bonds and subordinated bonds; supplementing the resolution of September 27, 1991, as supplemented to date; and approving certain other documents and matters relating thereto, was made by Joe La Rue and seconded by Kelly Anderson. In a voice vote, motion carries.

WHEREAS, the Arizona Transportation Board (the "Board") is authorized by Title 28, Chapter 21, Article 1 of the Arizona Revised Statutes, as amended (the "Act"), to issue its bonds to provide funds for highway purposes and to refund such bonds (all capitalized terms used in these preambles and not defined herein shall have the meaning set forth in Section 4 hereof); and WHEREAS, (a) on May 1, 1980, the Board adopted a certain Resolution (the "1980 Resolution") pertaining to the authorization and issuance of \$50,000,000 aggregate principal amount of Arizona Highway Improvement Bonds, Project of 1980 (the "Project of 1980 Bonds") and which Project of 1980 Bonds are no longer outstanding, and (b) on March 18, 2005, the Board adopted a certain Resolution (the "2005A Resolution") pertaining to the authorization and issuance of \$147,400,000 aggregate principal amount of Arizona Transportation Board, Highway Revenue Refunding Bonds, Series 2005A (the "Series 2005A Bonds"); and (c) on September 23, 2005, the Board adopted a certain Resolution (the "2005B Resolution") pertaining to the authorization and issuance of \$118,250,000 aggregate principal amount of Arizona Transportation Board, Highway Revenue Bonds, Series 2005B (the "Series 2005B Bonds"); and (d) on August 18, 2006, the Board adopted a certain Resolution (the "2006 Resolution") pertaining to the authorization and issuance of \$325,000,000 aggregate principal amount of Arizona Transportation Board, Highway Revenue Bonds, Series 2006 (the "Series 2006 Bonds") and (e) on March 21, 2008, the Board adopted a certain Resolution (the "2008 Resolution") pertaining to the authorization and issuance of \$193,950,000 aggregate principal amount of Arizona Transportation Board Highway Revenue Bonds, Series 2008A (the "Series 2008A Bonds"), and of \$181,050,000 aggregate principal amount of Arizona Transportation Board Highway Revenue Bonds, Series 2008B (the "Series 2008B Bonds") (the 1980 Resolution, as supplemented by the 2005A Resolution, the 2005B Resolution, the 2006 Resolution and the 2008 Resolution is collectively referred to herein as the "Senior Bond Resolution"); and WHEREAS, the Series 2005A Bonds, the Series 2005B Bonds, the Series 2006 Bonds, the Series 2008A Bonds, the Series 2008B Bonds, and any additional bonds hereafter issued on a parity therewith are collectively referred to herein as "Senior Bonds" and the Senior Bonds are payable from and secured by a first lien on and pledge of "Pledged Revenues" (as hereinafter defined); and

WHEREAS, under the Act, the Board has authority to issue bonds which are payable from Pledged Revenues, but subordinated to the claim thereon of the Senior Bonds, and under the Senior Bond Resolution the Board is permitted to issue such Subordinated Bonds; and

WHEREAS, (a) on September 27, 1991, the Board adopted a certain Resolution (the "1991 Subordinated Resolution"), pertaining to the authorization and issuance of \$171,140,000 aggregate principal amount of Arizona Transportation Board, Subordinated Highway Revenue Bonds, Series 1991A (the "Series 1991A Subordinated Bonds") which Series 1991A Subordinated Bonds are no longer outstanding, and (b) on September 19, 2003, the Board adopted a certain Resolution (the "2003 Subordinated Resolution") pertaining to the authorization and issuance of \$142,090,000 aggregate principal amount of Arizona Transportation Board, Subordinated Highway Revenue Bonds, Series 2003A (the "Series 2003A Subordinated Bonds"), and (c) on July 16, 2004, the Board adopted a certain resolution (the "2004 Subordinated Resolution") pertaining to the authorization and issuance of \$188,260,000 aggregate principal amount of Arizona Transportation Board, Subordinated Highway Revenue Bonds, Series 2004B (the "2004B Subordinated Bonds"), and (d) on October 21, 2011, the Board adopted a certain resolution (the "2011 Subordinated Resolution") pertaining to the authorization and issuance of \$485,230,000 aggregate principal amount of Arizona Transportation Board, Subordinated Highway Revenue Bonds, Series 2011A (the "Series 2011A Subordinated Bonds") and of \$70,670,000 aggregate principal amount of Arizona Transportation Board, Subordinated Highway Revenue Bonds, Taxable Series 2011B (the "Series 2011B Taxable Subordinated Bonds"), all as Additional Subordinated Bonds under the 1991 Subordinated Resolution; and

WHEREAS, the Series 2003A Subordinated Bonds, the Series 2004B Subordinated Bonds, the Series 2011A Subordinated Bonds, the Series 2011B Taxable Subordinated Bonds, the Series 2013 Subordinated Bonds (as defined herein) and any Additional Subordinated Bonds hereafter issued on a parity therewith are collectively referred to as "Subordinated Bonds," and the Subordinated Bonds are payable from a pledge of Pledged Revenues that is subordinated to the Senior Bonds, as provided in the 1991 Subordinated Resolution as supplemented by the 2003 Subordinated Resolution, 2004B Subordinated Resolution, the 2011 Subordinated Resolution and this 2013 Subordinated Resolution (which Resolutions are collectively referred to as the "Subordinated Bond Resolution"); and

WHEREAS, it is essential to the well-being of the people of the State of Arizona to have an adequate highway system and current revenues available for such purpose are insufficient to pay costs of the ongoing construction of such system and the refunding of a portion of the Board's Outstanding Senior Bonds and Subordinate Bonds will reduce interest on the Bonds to be Refunded; and

WHEREAS, the Board is permitted (a) under the Subordinated Bond Resolution to issue Additional Subordinated Bonds on the terms and conditions as set forth in the Subordinated Bond Resolution; and (b) under the Senior Bond Resolution, as supplemented by the 1991 Subordinated Resolution, to issue Additional Subordinated Bonds on the terms and conditions therein set forth; and

WHEREAS, the Board now determines that not to exceed in the aggregate \$815,000,000 principal amount of its Subordinated Highway Revenue Bonds, Series 2013 (hereinafter referred to as the "Series 2013 Subordinated Bonds"), should be authorized in one or more Series, as provided in this 2013 Subordinated Resolution, for the purpose of paying costs (a) of refunding all or a portion of the Outstanding Senior Bonds and Subordinated Bonds, and (b) of any highway purpose, bond related expense or bond related obligation, which are permitted under the Act; and

WHEREAS, the Board now further determines: (a) to cause its Series 2013 Subordinated Bonds to be issued and sold, as provided in Section 7(d) hereof, on a negotiated basis to a group of investment bankers designated in a separate resolution or resolutions of the Board (the "Underwriters"); (b) that the Series 2013 Subordinated Bonds shall have such maturities and interest rates, be secured by and payable from Pledged Revenues, and have such other terms; and (c) those Outstanding Senior Bonds and/or Subordinated Bonds, which are designated in the applicable Certificate of Award (as defined in Section 4) as the "Bonds to be Refunded," shall be optionally redeemed or refunded to stated maturity, all as set forth in this 2013 Subordinated Resolution and the applicable Certificate of Award.

NOW, THEREFORE, BE IT RESOLVED BY THE ARIZONA TRANSPORTATION BOARD AS FOLLOWS: SECTION 1. Recitals. All of the Recitals set forth above are true and correct. **SECTION 2. Authority For This 2013 Subordinated Resolution.** This 2013 Subordinated Resolution is adopted pursuant to the provisions of the Act and is supplemental to, and is adopted in accordance with Articles II, IV and VIII of the 1991 Subordinated Resolution. The Series 2013 Subordinated Bonds authorized by this 2013 Subordinated Resolution are "Subordinated Bonds," as defined and provided in the 1991 Subordinated Resolution. **SECTION 3. No Amendment of Senior Bond Resolution; Application and Amendment of 1991 Subordinated Resolution.** (a) No portion of this 2013 Subordinated Resolution is intended, nor shall be deemed, to amend, change or alter the Senior Bond Resolution, and the Board hereby declares that the Senior Bond Resolution is and shall remain in full force and effect. The Series 2013 Subordinated Bonds shall not constitute "Bonds" (as defined in the Senior Board Resolution) nor constitute additional parity bonds under the Senior Bond Resolution. (b) Except as expressly set forth in this 2013 Subordinated Resolution, each and every term and condition contained in the Subordinated Bond Resolution shall apply to the Series 2013 Subordinated Bonds, with such omissions, variations and modifications thereof as may be appropriate to reflect the terms of the Series 2013 Subordinated Bonds as provided herein. **SECTION 4. Definitions for Series 2013 Subordinated Bonds.** (a) All terms which are defined in Section 102 of the 1991 Subordinated Resolution shall have the same meanings, respectively, in this 2013 Subordinated Resolution, as such terms are given in said Section 102 of the 1991 Subordinated Resolution. (b) In addition to the words and terms defined in the Recitals and elsewhere in this Subordinated 2013 Resolution, the following terms have the following meanings in this Subordinated 2013 Resolution, unless the context or use indicates clearly another meaning or intent: "Assistant Director" means (i) the Assistant Director for Finance and Accounting of the Department, or her or his successor performing the function of chief financial officer of the Department, or (ii) the person(s) designated in writing by the Assistant Director. "Bond Depository" means for the Series 2013 Subordinated Bonds in Book Entry Only Form, The Depository Trust Company (a limited purpose trust company), New York, New York, until a successor Bond Depository shall have been appointed pursuant to the applicable provisions of Section 3.5(c) hereof and, thereafter, Bond Depository shall mean the successor Bond Depository. Any Bond Depository shall be a securities depository that is a clearing agency under federal law which operates and maintains, with its participants or otherwise, a Book Entry Only System to record ownership of beneficial interests in the Series 2013 Subordinated Bonds and the principal of, premium, if any, and interest thereon, and to effect transfers of such Bonds in Book Entry Only Form. "Bond Registrar" means initially U.S. Bank National Association, Phoenix, Arizona, and its lawful successors and assigns or another bank or trust company designated in the applicable Certificate of Award and meeting the requirements of Section 708 of the 1991 Subordinated Resolution. "Bonds To Be Refunded" means all or a portion of the Outstanding Senior Bonds and/or Subordinated Bonds, which are identified in the applicable Certificate of Award, as provided in Section 7(d) hereof. "Book Entry Only Form" or "Book Entry Only System" means, for the Series 2013 Subordinated Bonds, a form or system, as applicable, under which (i) physical bond certificates in fully registered form are issued only to a Bond Depository or its nominee as Owner, with the physical bond certificates "immobilized" in the custody of, or on behalf of, the Bond Depository and (ii) the ownership of beneficial interests in the Series 2013 Subordinated Bonds and principal of, premium, if any, and interest thereon is evidenced and may be transferred only through a book entry or other records maintained by entities other than the Board or the Bond Registrar. The records maintained by entities other than the Board and the Bond Registrar shall constitute the written record that identifies the owners, and records the transfer, of such beneficial interests in the Series 2013 Subordinated Bonds and principal of, premium, if any, and interest thereon. "Certificate of Award" means the Certificate of Award(s) to be executed pursuant to Section 7 hereof, setting forth certain terms of each Series of the Series 2013 Subordinated Bonds. "Paying Agent" means initially U.S. Bank National Association, Phoenix, Arizona and its lawful successors and assigns or another bank or trust company designated in the applicable Certificate of Award and meeting the requirements of Section 708 of the 1991 Subordinated Resolution. "2013 Subordinated Resolution" means the provisions of this Resolution regarding the Series 2013 Subordinated Bonds, as amended or supplemented from time to time in accordance with terms of the 1991 Subordinated Resolution. **SECTION 5. Authorization, Designation and Purpose.** (a) Authorization and Designation. One or more Series of Additional Subordinated Bonds, which are entitled, as provided in the 1991 Subordinated Resolution, to the benefit, protection and security of the 1980 Resolution and the 1991 Subordinated Resolution, are hereby authorized in an aggregate principal amount not to exceed \$815,000,000. Such Additional Subordinated Bonds shall be designated as, and shall be distinguished from the Subordinated Bonds of all other Series by the title, "Arizona Transportation Board, Subordinated Highway Revenue Bonds, Series 2013" (the "Series 2013 Subordinated Bonds"). If the Series 2013 Subordinated Bonds are issued in more than one Series, each Series shall be identified by the addition of the letter A, B, C etc., in the name "Series 2013- ____." If any Series is issued as taxable bonds (as so designated in the applicable Certificate of Award), the designation of that Series shall include "Taxable Series 2013" and the designation of the other tax-exempt Series shall include "Tax-Exempt Series 2013." The Series 2013 Subordinated Bonds shall be sold as provided in Section 7. (b) Purposes. The purposes for which the Series 2013 Subordinated Bonds are issued are (i) to refund all or a portion of the Outstanding Bonds To Be Refunded; and (ii) to pay Highway Purpose Costs, Bond Related Costs or Bond Issuance Costs, and any other expense permitted under the Act, including without limitation paying interest on bonds or notes of the Board issued for highway purposes, as set

forth in the applicable Certificate of Award. **SECTION 6. Terms of Series 2013 Subordinated Bonds.** (a) *Date, Maturity and Interest.* The Series 2013 Subordinated Bonds shall be dated as of their date of initial delivery (or such other date as specified in the applicable Certificate of Award), and shall bear interest from the most recent date to which interest has been paid or duly provided for, or, if no interest has been paid, from their dated date, until the principal sum thereof has been paid or duly provided for. The Series 2013 Subordinated Bonds shall bear interest payable on January 1 and July 1 of each year commencing July 1, 2013, (or such other date as specified in the applicable Certificate of Award) (each an "Interest Payment Date"), at the interest rate or rates and shall mature on July 1 in any or all of the years 2013 through 2042 and in the principal amounts, all as set forth in the applicable Certificate of Award for each Series; provided that the stated interest rate for each Series shall not exceed 6.5%. The interest on the Series 2013 Subordinated Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months. A Series of the Series 2013 Subordinated Bonds may be issued as tax-exempt bonds or taxable bonds (including taxable federal tax credit bonds or taxable federal subsidy bonds as current or future law may provide for), as specified in the applicable Certificate of Award. (b) *Denomination, Numbers and Letters.* The Series 2013 Subordinated Bonds shall be issued in registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Unless the Assistant Director shall otherwise direct, each Series of the Series 2013 Subordinated Bonds shall be numbered from one upward, preceded by the letter "R" prefixed to the number. Subject to the provisions of the 1991 Subordinated Resolution, the forms of the Series 2013 Subordinated Bonds and of the Bond Registrar's Certificate of Authentication shall be substantially in the form set forth in Exhibit A hereto. (c) *Book-Entry Only System.* The provisions of Sections 304 and 305 of the 1991 Subordinated Resolution shall be subject to the provisions of this subsection (c). The Series 2013 Subordinated Bonds shall be initially issued to a Bond Depository for holding in its Book Entry Only System, without further action by the Board. While in the Book Entry Only System, there shall be a single bond representing the entire aggregate principal amount of each maturity of each Series of the Series 2013 Subordinated Bonds bearing interest at the same rate, and such bond shall be registered in the name of the Bond Depository or its nominee, as Owner, and immobilized in the custody of the Bond Depository or its designee. While in the Book Entry Only System, the Series 2013 Subordinated Bonds shall not be transferable or exchangeable, except for (i) transfer to a successor Bond Depository or its nominee, (ii) withdrawal of the Series 2013 Subordinated Bonds in Book Entry Only System from the Bond Depository as provided in the next succeeding paragraph of this Subsection (c), and (iii) exchange of a Series 2013 Subordinated Bond in Book Entry Only Form for another Series 2013 Subordinated Bond in Book Entry Only Form in an amount equal to the Outstanding aggregate principal amount of such Series of Bond. While in the Book Entry Only System, the beneficial owners of book entry interests in the Series 2013 Subordinated Bonds shall not have any right to receive Series 2013 Subordinated Bonds in the form of physical bond certificates. Pursuant to a request by the Assistant Director to discontinue the Book Entry Only System, the Bond Registrar shall remove a Series of the Series 2013 Subordinated Bonds from the Book Entry Only System after 30 days written notice to the Bond Depository. The Bond Depository may determine not to continue to act as Bond Depository for the Series 2013 Subordinated Bonds upon 30 days written notice to the Bond Registrar, Board and the Assistant Director. If the use of the Book Entry Only System is discontinued, the Bond Registrar shall permit withdrawal of the Series 2013 Subordinated Bonds from the Bond Depository, and upon the request of the Bond Depository, shall authenticate and deliver Series 2013 Subordinated Bond certificates in fully registered form and in denominations authorized by Section 6(b) hereof to the assignees of the Bond Depository or its nominee. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Series 2013 Subordinated Bond certificates) of the Board; provided that if requested by the Bond Depository, the Bond Registrar shall register all or any portion of the Series 2013 Subordinated Bonds in the name of the former Bond Depository. (d) *The principal of and redemption premium, if any, on the Series 2013 Subordinated Bonds shall be payable at the designated office of the Paying Agent for the Series 2013 Subordinated Bonds. Interest on the Series 2013 Subordinated Bonds shall be payable by check or draft mailed on the applicable Interest Payment Date by the Paying Agent to the Owner thereof as the same appears as of June 15 and December 15 of each year (which shall be the Regular Record Date for the Series 2013 Subordinated Bonds) on the registration books of the Board maintained by the Bond Registrar; provided, however, the Bond Depository and any Owner of \$1,000,000 or more of a Series of Series 2013 Subordinated Bonds shall be paid interest, principal and premium, if any, by wire transfer to any bank account located in the continental United States, at the expense of the Board in the case of the Bond Depository or of such Owner if such Owner has requested in writing payment in such manner to the Bond Registrar and has furnished the wire address to the Bond Registrar on or prior to the Regular Record Date, which request shall remain effective until revoked or changed in writing.* (e) *Optional Redemption.* As set forth in the applicable Certificate of Award, each Series of the Series 2013 Subordinated Bonds shall either (i) not be subject to optional redemption prior to maturity, or (ii) be subject to redemption prior to maturity at the option of the Board, at any time on or after the earliest optional redemption date set forth in the applicable Certificate of Award, in whole or in part at the redemption price (expressed as a percentage of the principal amount redeemed) set forth in the applicable Certificate of Award (but not exceeding 105%), plus accrued interest to the date fixed for redemption. (f) *Mandatory Sinking Fund Redemption.* The applicable Certificate of Award shall also state whether any of a Series of the Series 2013 Subordinated Bonds shall be term bonds subject to mandatory sinking fund redemption, as provided in this subsection (f), and shall state the dollar amount and the July 1 in the years upon which such term bond or bonds shall be subject to mandatory sinking fund redemption. Each Series 2013 Subordinated Bond that is a term bond shall be subject to mandatory redemption, by lot, prior to maturity pursuant to the Mandatory Sinking Fund Requirements on July 1 in the years set forth in the applicable Certificate of Award. (g) *Series 2013 Subordinated Bond Proceeds Account.* Moneys in the Series 2013 Subordinated Bond Proceeds Account shall be used as provided in Section 515 of the 1991 Subordinated Resolution, except that the Bond Issuance Costs paid from such Account shall be those related to the Series 2013 Subordinated Bonds. **SECTION 7. Sale of Series 2013 Subordinated Bonds; Approval of Bond Purchase Agreement, Official Statement, Escrow Agreement and Other Documents; Determination of Senior and/or Subordinated Bonds To Be Refunded.** (a) *In connection with the issuance, securing and sale of each Series of the Series 2013 Subordinated Bonds, there have been prepared and presented to this meeting and on file with the Secretary of the Board forms of the following: (i) a Preliminary Official Statement (the "Preliminary Official Statement"), to be used in connection with the marketing of the Series 2013 Subordinated Bonds; (ii) a Continuing Disclosure Undertaking by the Board and the Department for the beneficial owners of the Series 2013 Subordinated Bonds (the "Disclosure Undertaking"), relating to Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5); and (iii) an Escrow Agreement (the "Escrow Agreement"), between the Board and an escrow trustee (the "Escrow Trustee"), relating to the defeasance and refunding of the Bonds To Be Refunded.* (b) *The use and distribution by the Underwriters of the Preliminary Official Statement in connection with the public offering and marketing of each Series of the Series 2013 Subordinated Bonds, in the form presented at this meeting, is hereby authorized, with such modifications, insertions or omissions from such form as are necessary or appropriate, including to reflect the terms of the Series 2013 Subordinated Bonds, as are approved by the Chair or Vice Chair of the Board, the Director or the Assistant Director, acting singly and in his or her official capacity (each, an "Authorized Board Representative"). Any Authorized Board Representative, in his or her official capacity, is authorized to deem "final" such Preliminary Official Statement, with such modifications, changes and supplements deemed necessary or desirable and permitted under SEC Rule 15c2-12(b)(5), for the purposes of SEC Rule 15c2-12(b)(5). Such approval of any modifications, changes and supplements shall be*

conclusively evidenced by the execution of the Bond Purchase Agreement (described in (d) below) or of a deemed final certificate executed and delivered by any Authorized Board Representative in his or her official capacity. (c) The Department, on behalf of the Board, is hereby authorized and directed to prepare a final Official Statement for the Series 2013 Subordinated Bonds, in substantially the form of the deemed "final" Preliminary Official Statement, for use in connection with the public offering and sale of each Series of the Series 2013 Subordinated Bonds, with such modifications, insertions or omissions as may be approved by any Authorized Board Representative, in his or her official capacity. Each of the Chair or Vice Chair of the Board and the Director, acting singly, is hereby authorized and directed, in their official capacity, to execute the Official Statement and any amendment or supplement thereto, in the name of and on behalf of the Board and the Department, with such changes therein as shall be approved by any Authorized Board Representative, and thereupon to cause the Official Statement and any such amendment or supplement to be delivered to the Underwriters with approval of any modifications, insertions, omissions, amendment or supplement to be conclusively evidenced by the execution and delivery thereof. (d) Each Series of the Series 2013 Subordinated Bonds shall be sold by negotiated sale to the Underwriters at the purchase price set forth in the applicable Bond Purchase Agreement (defined in (e) below), which purchase price shall not be less than 99% of the principal amount of such Series (exclusive of any original issue discount) plus accrued interest, if any, to the date of issuance and delivery. The sale of each Series of the Series 2013 Subordinated Bonds shall also be evidenced by a Certificate of Award signed by the Director or Assistant Director, which sale shall be consistent with the provisions of this 2013 Subordinated Resolution. Each Certificate of Award shall specify for each Series of the Series 2013 Subordinated Bonds the following: whether there shall be one or more Series and the designation (A, B, C, etc.) of the Series if there are more than one Series; the Underwriters previously selected by the Board; the interest rate or rates; whether issued as tax-exempt or taxable bonds; the maturity date or dates; the provisions for redemption prior to their stated maturity dates; the date for the delivery and payment of such Series (which date may change as provided in the Certificate of Award); whether any maturity of such Series will be insured; which Outstanding Senior Bonds and/or Subordinated Bonds shall be refunded with proceeds of such Series (the "Bonds To Be Refunded"); together with such additional information as required by the terms of the 2013 Subordinated Resolution or the 1991 Subordinated Resolution. (e) The Series 2013 Subordinated Bonds (or each Series of the Series 2013 Subordinated Bonds, if there are more than one Series) shall be sold pursuant to a bond purchase agreement (the "Bond Purchase Agreement") between the Board and the Underwriters, which Bond Purchase Agreement shall be substantially in the form of the Bond Purchase Agreement, dated November 16, 2011, for the Series 2011A Subordinated Bonds and Series 2011B Taxable Subordinated Bonds, with such changes, insertions or omissions therein as shall be approved by the Chair or Vice Chair of the Board or, if the Chair or Vice Chair is not available to sign at the time of the sale, by the Director or Assistant Director, acting singly, with the approval of any changes, insertions or omissions to be conclusively evidenced by the execution and delivery thereof. (f) Each of the Chair or Vice Chair of the Board and the Director, acting singly, is hereby authorized and directed to execute and deliver the Disclosure Undertaking for each Series of the Series 2013 Subordinated Bonds, in the form presented at this meeting with such changes, insertions and omissions from such form, with approval of any changes, insertions or omissions to be conclusively evidenced by the execution and delivery thereof. (g) Each of the Chair, the Vice Chair and other officers of the Board and the Director and the Assistant Director (each, an "Authorized Officer"), acting singly, is hereby authorized and directed to execute and deliver the Series 2013 Subordinated Bonds, any and all documents and instruments, and each Authorized Officer and each other appropriate official of the Department acting singly is authorized and directed to do and cause to be done any and all acts and things, in each case necessary or proper for carrying out the transactions contemplated by the 1991 Subordinated Resolution, this 2013 Subordinated Resolution, the Official Statement, the Bond Purchase Agreement, the Certificate of Award, the Disclosure Undertaking, the Escrow Agreement, the Tax Certificate (identified in Section 10 hereof), the letter of representation to The Depository Trust Company and any agreement with the provider of municipal bond insurance securing the payment of principal of and interest on any of the Series 2013 Subordinated Bonds. (h) All actions taken by the Director, Assistant Director or the staff or agents of the Department or the Board preparatory to the offering, sale, issuance and delivery of the Series 2013 Subordinated Bonds are hereby ratified and confirmed. (i) The publication of the notice of intention to issue the Series 2013 Subordinated Bonds, as required by the Act, is hereby authorized, ratified and confirmed and there is hereby authorized the publication of any other notice required by the Act in connection with the matters contemplated herein. **SECTION 8. Form of Series 2013 Subordinated Bonds.** The form of the Series 2013 Subordinated Bonds and the Bond Registrar's Certificate of Authentication shall be substantially in the form attached hereto as Exhibit A, with such variations, omissions and insertions as are required or permitted by the 2013 Subordinated Resolution and the applicable Certificate of Award. **SECTION 9. Deposit of Series 2013 Subordinated Bond Proceeds; Refunding of Bonds To Be Refunded; Escrow Agreement.** (a) The Board shall cause the Underwriters to pay, in accordance with the Bond Purchase Agreement, the proceeds from the sale of each Series of the Series 2013 Subordinated Bonds, including any accrued interest, as follows: (i) All accrued interest, if any, shall be paid to the State Treasurer and deposited by the State Treasurer into the Interest Account of the Subordinated Bond Fund; (ii) For the Bonds To Be Refunded, the amount set forth in the written direction of the Authorized Board Representative to the State Treasurer to deliver such Series of Series 2013 Subordinated Bonds (which is required by Section 202(a)(1) of the 1991 Subordinated Bond Resolution), which amount shall be paid by the Underwriter to the Escrow Trustee (identified below) and deposited by the Escrow Trustee into the escrow account created under the Escrow Agreement (the "Escrow Account"), which amount, together with any amounts held under the Senior Bond Resolution or 1991 Subordinated Resolution and available to be deposited into the Escrow Account, shall be sufficient to defease, as of the time of such deposit, the Bonds To Be Refunded thereby pursuant to the terms of the applicable Senior Bond Resolution or 1991 Subordinated Resolution; and (iii) The balance, if any, shall be paid to the State Treasurer and deposited into the Series 2013 Subordinated Bond Proceeds Account in the Highway Bond Proceeds Fund. The State Treasurer and the Escrow Trustee shall give written receipts for such payments and deposits. (b) The State Treasurer shall create the Series 2013 Subordinated Bond Proceeds Account in the Highway Bond Proceeds Fund. (c) Moneys in the Series 2013 Subordinated Bond Proceeds Account shall be used as provided in Section 515 of the 1991 Subordinated Resolution, except that all Bond Issuance Costs paid from such Account shall be those related to the Series 2013 Subordinated Bonds. (d) If the Certificate of Award indicates that there are Bonds To Be Refunded with proceeds of a Series of the Series 2013 Subordinated Bonds, then any Authorized Board Representative is authorized and directed, upon behalf of the Board, to execute and deliver, upon behalf of the Board, an Escrow Agreement, between the Board and a bank or trust company therein identified as escrow trustee (the "Escrow Trustee"), to provide for the payment, redemption (if applicable) and defeasance of such Bonds To Be Refunded in accordance with the provisions of the applicable Senior Bond Resolution or 1991 Subordinated Resolution. The Escrow Agreement shall be substantially in the form of the Escrow Agreement on file with the Secretary of the Board and presented at this meeting, with such modifications, changes and supplements as are necessary or appropriate, approval of any modification, changes or supplements to be conclusively evidenced by the execution and delivery thereof. The Escrow Trustee shall meet the requirements, if any, for serving in such capacity set forth in the applicable Senior Bond Resolution or 1991 Subordinated Resolution. (e) The Escrow Trustee is hereby authorized and directed to subscribe, upon behalf of the Board, for the purchase of the State and Local Government Series obligations, if any, that are to be acquired and held in the Escrow Account pursuant to the Escrow Agreement. **SECTION 10. Tax Covenants for the Tax-Exempt Series 2013 Subordinated Bonds.** The following Section

10 only applies to those Series of Series 2013 Subordinated Bonds that are issued on a tax-exempt basis, as stated in the applicable Certificate of Award (the "Tax-Exempt 2013 Subordinated Bonds"). (a) The Board covenants that it will use, and will restrict the use and investment of, the proceeds of each Series of Tax-Exempt 2013 Subordinated Bonds in such manner and to such extent as may be necessary so that (i) such Tax-Exempt 2013 Subordinated Bonds will not (1) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code; or (2) be treated other than as bonds to which Section 103(a) of the Code applies, and (ii) the interest thereon will not be treated as a preference item under the Code for purposes of the federal alternative minimum tax. (b) The Board further covenants (i) that it will take or cause to be taken such actions that may be required of it for the interest on the Tax-Exempt 2013 Subordinated Bonds to be and remain excluded from gross income for federal income tax purposes, (ii) that it will not take or authorize to be taken any actions that would adversely affect that exclusion, and (iii) that it, or persons acting for it, will, among other acts of compliance, (1) apply the proceeds of the Tax-Exempt 2013 Subordinated Bonds to the governmental purposes of the borrowing, (2) restrict the yield on investment property, (3) make timely and adequate payments to the federal government as required under the Tax Certificate and Agreement of the Board and the Department relating to each Series of the Tax-Exempt 2013 Subordinated Bonds and all exhibits thereto (the "Tax Certificate"), (4) maintain books and records and make calculations and reports, and (5) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. (c) The Director or Assistant Director is hereby authorized, on behalf of the Board, (i) to make or effect any election, selection, designation, choice, consent, approval, or waiver, on behalf of the Board, with respect to the Tax-Exempt 2013 Subordinated Bonds as the Board is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(B) and (C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Tax-Exempt 2013 Subordinated Bonds or interest thereon or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, Rebate Amount (as defined in the Tax Certificate) as rebate, or obviating those amounts or payments, as determined by the Director or Assistant Director, which action shall be in writing and signed by the Director or Assistant Director, (ii) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the Board, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Tax-Exempt 2013 Subordinated Bonds, and (iii) to give one or more appropriate certificates of the Board, for inclusion in the transcript of proceedings for the Tax-Exempt 2013 Subordinated Bonds, setting forth the reasonable expectations of the Board regarding the amount and use of all the proceeds of the Tax-Exempt 2013 Subordinated Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the tax status of the Tax-Exempt 2013 Subordinated Bonds. (d) The Board may create, or may direct the State Treasurer to create, such accounts or subaccounts as it shall deem necessary or advisable in order to comply with the foregoing covenants and the Tax Certificate. **SECTION 11. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this 2013 Subordinated Resolution on the part of the Board or the Department to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this 2013 Subordinated Resolution. **SECTION 12. Direction to State Treasurer.** The State Treasurer is hereby directed to perform all acts and things required to be performed by it under this 2013 Subordinated Resolution and the Act and such other lawful acts relating to the Series 2013 Subordinated Bonds as the Board may reasonably request. **SECTION 13. Effective Date.** This 2013 Subordinated Resolution shall take effect immediately upon adoption. Passed And Adopted On December 14, 2012.

ITEM 9: Funding Prospects for FY 2014 – 2018 Highway Construction Program—Scott Omer and Kristine Ward

Kristine explained the forecasting process for the HURF and RARF revenues for the funding of the existing program as well as the tentative program. Beginning with the Risk Analysis Process (RAP) which is the gathering of economists and experts to review and estimate several variables such as population growth, personal income growth, and gasoline prices. Those estimates are then provided to a consultant, HDR Decision Economics. The results are the growth rates from the various sources that feed into overall HURF and RARF revenue and we also get the associated probability of those revenues being realized. Kristine showed a chart representing Revenue Lost in the September 2006 forecast versus the actual/October 2012 estimate. The RAP panel meets on an annual basis. For example, in September 2008 through 2012, the panel estimated that we would realize \$1.7 billion in HURF revenues. Now, the panel estimates that we will only realize \$1.2 billion in revenues. We have seen a steady and steep decline in the revenues to support the program. We are revisiting the FY2013-2017 program; the original funding estimate was approximately \$2.5 billion. Since that estimate was constructed, we have had revenue reduction. The impact to the program of those decreased revenues is approximately \$64.1 million.

Moving out of revenue forecast and moving into what we assume that the legislature will do in terms of fund transfers. Kristine showed a chart that forecast the FY2013 -2017 program, we had actually incorporated certain fund transfers diminishing. We forecasted that VLT would go away and we forecasted the transfer the MVD's expenses from coming off the top of HURF. We have adjusted the assumptions down \$61.8 million to account for the fact that we do not expect the Legislature to adjust their actions in transferring those dollars. The Legislature will continue to transfer at higher levels than we had built into our estimates. We believe that will be the case based on historical data.

The last component is combining the reduced revenue estimates, the revised fund transfer assumptions, and the expense reductions; totaling a negative \$96 million. MAP-21 impacts the state-wide program in the

amount of negative \$235 million. When we combine the overall impacts, we need to reduce the program by \$350 million. Those reductions need to take place in FY2016 in the amount of \$250 million and \$100 million needs to come out of FY2017.

Therefore, the revised FY2013-2017 program is \$2.1 billion. For the tentative FY2014-2018 program, we are estimating state highway funds available is \$59 million. The Federal Aid estimate is about \$488 million and an the inflation adjustment is a \$20 million. The total funding available for the fifth year is \$550 million.

Kristine further stated the next steps are running the RAAC allocations in how to best distribute the funds across the state. The first thing that is done is dollars come off the top and those are to fund those items that are beneficial to all areas of the state, which are the ports and rest areas. After the off-the-top dollars are deducted from revenues, then the remaining dollars are distributed on the agreed-upon formula of 37% to the MAG region, 13% to the PAG region, and 50% to Greater Arizona.

Scott Omer added that as part of the RAAC process, it was developed on how we distribute the amount of funds with the percentages that Kristine spoke of. Of the overall subprograms for FY2012, we had distributed \$198 million. About \$142 million was distributed in Greater Arizona. We have a three-year rolling average and that helps to make sure we are keeping with the RAAC allocation percentages. In FY2018, \$350 million has been set aside for the subprograms. This will be our recommendation that we will bring to the Board in February. Also in FY2018, there is \$200 million available for Major Projects, which is distributed \$26 million in Greater Arizona, \$29 million available in PAG and \$145 million available in MAG. The amount of subprograms is divided up with \$222 million available in Greater Arizona, \$35 million available in PAG, and \$39 million available in MAG. These amounts total the RAAC allocation percentages of 50% for Greater Arizona, 13% for PAG, and 37% MAG. At the end of the day, we will still meet the RAAC calculations.

ITEM 10: Multimodal Planning Division Report—Scott Omer

Scott gave a quick update on the Interstate 11 (I-11) corridor. We are moving forward and working quite diligently with the project team. Mike Kies and Brent Cain, from ITD, just returned from a two-day meeting with the project team and the key stakeholders to talk about the business case for the corridor and it was quite productive. Ideally the business case for the corridor will be wrapped up in about one year. Six months from now, we will start working on the individual alternatives as we move forward. Besides I-11, there are other projects that we work on. We do have the planning, linking our plan-to-capital program. The P2P project, which is going to be a tool and a mechanism that we can use in the future to assist the decision makers and our Transportation Board and senior staff on identifying how we are moving projects from the long range program into the actual capital program. It will be in line with MAP-21's requirements for performance measurements. It will be a key focus area as we look at asset management on our system on how we are logically moving projects in and out. In addition, Arizona is one of the ten states working with AASHTO on the TIG project. It is a technology information grant, which is a GIS (graphic informational system) tool that will link all of the state of Arizona under a singular GIS platform.

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

Project Modifications – *Items 11a, 11b, 11c, 11d, 11e, 11f, 11g, 11h, 11i, 11j, 11k, 11l, 11m, 11n, 11o, 11p, 11q, 11r, and 11s

*ITEM 11a:	ROUTE NO: SR 101L @ MP 41.0	Page 103
	COUNTY: Maricopa	
	DISTRICT: Phoenix Construction	
	SCHEDULE: FY 2013	
	SECTION: Shea Blvd to Chaparral Rd	
	TYPE OF WORK: Design General Purpose Lane	
	PROGRAM AMOUNT: \$ 3,400,000	
	PROJECT MANAGER: Ron McCally	
	PROJECT: H848401D, Item #40113	
	REQUESTED ACTION: Increase the design project by \$1,000,000 to \$4,400,000 in the Highway Construction Program. Funds are available from the FY 2013 RTP Cash Flow. Contingent upon MAG Regional Council approval on December 5th, 2012.	
	NEW PROGRAM AMOUNT:	\$ 4,400,000

*ITEM 11b:

ROUTE NO: SR 101L @ MP 46.0

Page 105

COUNTY: Maricopa

DISTRICT: Phoenix Construction

SCHEDULE: FY 2013

SECTION: Chaparral to SR 202L

TYPE OF WORK: Design General Purpose Lanes

PROGRAM AMOUNT: \$ 3,000,000

PROJECT MANAGER: David Eberhart

PROJECT: H849901D, Item #46312

Increase the design project by \$1,000,000 to \$4,000,000 in the Highway Construction Program. Funds are available from the FY 2013 RTP Cash Flow. Contingent upon MAG Regional Council approval on December 5th, 2012.

REQUESTED ACTION:

NEW PROGRAM AMOUNT:

\$ 4,000,000

*ITEM 11c:

ROUTE NO: SR 303L @ MP 120.0

Page 107

COUNTY: Maricopa

DISTRICT: Phoenix Construction

SCHEDULE: FY 2013

SECTION: El Mirage Rd

TYPE OF WORK: Design TI

PROGRAM AMOUNT: \$ 1,400,000

PROJECT MANAGER: David Eberhart

PROJECT: H857601D, Item #45713

REQUESTED ACTION: Increase the design project by \$1,400,000 to \$2,800,000 in the Highway Construction Program. Funds are available from the FY 2013 RTP Cash Flow. Contingent upon MAG Regional Council approval on December 5th, 2012.

NEW PROGRAM AMOUNT:

\$ 2,800,000

*ITEM 11d:

ROUTE NO: US 60 @ MP 194.0

Page 109

COUNTY: Maricopa

DISTRICT: Phoenix Construction

SCHEDULE: FY 2013

SECTION: Meridian Rd Half TI

TYPE OF WORK: Construct Traffic Interchange

ADVERTISEMENT DATE: To Be Determined

PROGRAM AMOUNT: \$ 11,700,000

PROJECT MANAGER: David Eberhart

PROJECT: H830001C, Item #40613

Defer the construction project from FY 2013 to FY 2014 in the Highway Construction Program. Contingent upon MAG Regional Council approval on December 5th, 2012.

REQUESTED ACTION:

NEW PROGRAM AMOUNT:

\$ 11,700,000

*ITEM 11e:

ROUTE NO: SR 92 @ MP 324.3

Page 110

COUNTY: Cochise

DISTRICT: Safford

SCHEDULE: FY 2013

SECTION: Buffalo Soldier Trail to Kachina Trail

TYPE OF WORK: Design

PROGRAM AMOUNT: \$ 310,000

PROJECT MANAGER: James Reeves

PROJECT: H7167H1D

Increase the design project by \$97,000 to \$407,000 in the FY 2013 Highway Construction Program. Funds are available from the FY 2013 Highway Safety Improvement Program #72813.

REQUESTED ACTION:

NEW PROGRAM AMOUNT:

\$ 407,000

*ITEM 11f:

ROUTE NO: SR 92 @ MP 324.3

Page 112

COUNTY: Cochise

DISTRICT: Safford

SCHEDULE: FY 2013
 SECTION: Buffalo Soldier Trail to Kachina Trail
 TYPE OF WORK: Raised Median
 ADVERTISEMENT DATE: 06/01/2013
 PROGRAM AMOUNT: \$ 2,330,000
 PROJECT MANAGER: James Reeves
 PROJECT: H716701C, Item #19213
 Increase the construction project by \$753,000 to \$3,083,000 in the FY 2013 Highway Construction Program. Funds are available from the FY 2013 Highway Safety Improvement Program #72813.
 REQUESTED ACTION:
 NEW PROGRAM AMOUNT: \$ 3,083,000

*ITEM 11g:

ROUTE NO: SR 79 @ MP 101.8 Page 114
 COUNTY: Pinal
 DISTRICT: Tucson
 SCHEDULE: FY 2013
 SECTION: Coronado Wash Bridge (Str #222)
 TYPE OF WORK: Design Bridge Replacement
 ADVERTISEMENT DATE: 06/21/2013
 PROGRAM AMOUNT: \$ 410,000
 PROJECT MANAGER: Ralph Ellis
 PROJECT: H807501D
 Increase the design project by \$190,000 to \$600,000 in the FY 2013 Highway Construction Program. Funds are available from the following sources.
 REQUESTED ACTION:
 FY 2013 Environmental Support Fund #77713 \$ 160,000
 FY 2013 Construction Preparation: Technical Engineering Group Fund #70013 \$ 30,000
 NEW PROGRAM AMOUNT: \$ 600,000

*ITEM 11h:

ROUTE NO: I-19 @ MP 5.0 Page 116
 COUNTY: Santa Cruz
 DISTRICT: Tucson
 SCHEDULE: FY 2013
 SECTION: Country Club to Ruby Road
 TYPE OF WORK: Design Frontage Road
 PROGRAM AMOUNT: \$ 141,000
 PROJECT MANAGER: Jim Trujillo
 PROJECT: H512701R
 Increase the design project by \$35,000 to \$176,000 in the Highway Construction Program. Funds are available from the FY 2013 Right of Way Acquisition, Appraisal, and Plans Fund #71013.
 REQUESTED ACTION:
 NEW PROGRAM AMOUNT: \$ 176,000

*ITEM 11i:

ROUTE NO: I-10 @ MP 0.0 Page 118
 COUNTY: Yuma
 DISTRICT: Yuma
 SCHEDULE: FY 2013
 SECTION: Burnt Well and Ehrenburg Rest Areas
 TYPE OF WORK: Preliminary Engineering Phase 1 & 2
 PROGRAM AMOUNT: \$ 340,000
 PROJECT MANAGER: Giovanni Nabavi / Michael DenBleyker
 PROJECT: H821701D, Item #21613
 Increase the design project by \$65,000 to \$405,000 in the FY 2013 Highway Construction Program. Funds are available from the FY 2013 Rest Area Preservation Fund #79113.
 REQUESTED ACTION:
 NEW PROGRAM AMOUNT: \$ 405,000

*ITEM 11j:

ROUTE NO: US 60 @ MP 292.0 Page 120
 COUNTY: Gila

DISTRICT: Globe
 SCHEDULE: FY 2013
 SECTION: Salt River Canyon Rest Area
 TYPE OF WORK: Preliminary Engineering Phase 1 & 2
 PROGRAM AMOUNT: \$ 85,000
 PROJECT MANAGER: Giovanni Nabavi / Michael DenBleyker
 PROJECT: H826201D, Item #17513
 Increase the design project by \$150,000 to \$235,000 in the FY 2013 Highway Construction Program. Funds are available from the FY 2013 Rest Area Preservation Fund #79113.
 REQUESTED ACTION:
 NEW PROGRAM AMOUNT: \$ 235,000

*ITEM 11k: COUNTY: Statewide Page 122

DISTRICT: Prescott
 SCHEDULE: FY 2013
 SECTION: I-17 McGuierville Rest Area, and US 60 Hassayampa Rest Area
 TYPE OF WORK: Water, Waste Water and Structural Repairs
 ADVERTISEMENT DATE: 01/01/2013
 PROGRAM AMOUNT: \$ 1,400,000
 PROJECT MANAGER: Giovanni Nabavi / Michael DenBleyker
 PROJECT: H822301C, Item #21813
 Increase the construction project by \$600,000 to \$2,000,000 in the FY 2013 Highway Construction Program. Funds are available from the following sources.
 REQUESTED ACTION:
 FY 2013 Rest Area Rehabilitation Fund #73413 \$ 500,000
 FY 2013 Statewide Contingency Fund #72313 \$ 100,000
 NEW PROGRAM AMOUNT: \$ 2,000,000

*ITEM 11i: ROUTE NO: I-10 @ MP 208.8 Page 124

COUNTY: Pinal
 DISTRICT: Tucson
 SCHEDULE: FY 2013
 SECTION: SR 87 TI to the Town of Picacho
 TYPE OF WORK: Capacity Additions - Engineering
 PROGRAM AMOUNT: \$ 2,348,000
 PROJECT MANAGER: Owen Mills
 PROJECT: H769602D, Item #17610
 Increase the design project by \$190,000 to \$2,538,000 in the FY 2013 Highway Construction Program. Funds are available from the FY 2013 Construction Preparation, Technical Engineering Group Fund #70013.
 REQUESTED ACTION:
 NEW PROGRAM AMOUNT: \$ 2,538,000

*ITEM 11m: ROUTE NO: SR 80 @ MP 332.1 Page 126

COUNTY: Cochise
 DISTRICT: Safford
 SCHEDULE: FY 2014
 SECTION: Jct. SR 90, Mule Pass Tunnel
 TYPE OF WORK: Pavement Preservation
 PROGRAM AMOUNT: \$ 3,800,000
 PROJECT MANAGER: Raed Dalbik
 PROJECT: H815501C, Item #15814
 Delete the construction project for \$3,800,000 from the FY 2014 Highway Construction Program. Return funds to the FY 2014 Pavement Preservation Fund #72514.
 REQUESTED ACTION:
 NEW PROGRAM AMOUNT: \$ 00

*ITEM 11n: ROUTE NO: US 180 @ MP 216.2 Page 127
 COUNTY: Coconino

DISTRICT: Flagstaff
 SCHEDULE: FY 2013
 SECTION: Columbus Ave to Snow Bowl
 TYPE OF WORK: Pavement Preservation and Turn Lanes
 ADVERTISEMENT DATE: To Be Determined
 PROGRAM AMOUNT: \$ 3,730,000
 PROJECT MANAGER: Hiren Shah
 PROJECT: H811801C, Item #13513
 REQUESTED ACTION: Increase the construction project by \$800,000 to \$4,530,000 in the Highway Construction Program. Defer the project from FY 2013 to FY 2014. Funds are available from the following sources.

Delete and return funds back to the FY 2013 Pavement Preservation Fund #72513	\$ -3,730,000
FY 2014 Pavement Preservation Fund #72514	\$ 3,730,000
FY 2014 District Minor Fund #73314	\$ 800,000
NEW PROGRAM AMOUNT:	\$ 4,530,000

*ITEM 11o: ROUTE NO: US 180 @ MP 216.2 Page 127
 COUNTY: Coconino
 DISTRICT: Flagstaff
 SCHEDULE: FY 2013
 SECTION: Columbus Ave - Snow Bowl
 TYPE OF WORK: Design
 PROGRAM AMOUNT: \$ 350,000
 PROJECT MANAGER: Hiren Shah
 PROJECT: H811801R, Item #25012
 REQUESTED ACTION: Increase the design project by \$708,000 to \$1,058,000 in the FY 2013 Highway Construction Program. Funds are available from the following sources.

FY 2013 District Minor Fund #73313	\$ 600,000
FY 2013 Right of Way Acquisition, Appraisal and Plans Fund #71013	\$ 108,000
NEW PROGRAM AMOUNT:	\$ 1,058,000

*ITEM 11p: ROUTE NO: I-8 @ MP 66.0 Page 131
 COUNTY: Yuma
 DISTRICT: Yuma
 SCHEDULE: FY 2013
 SECTION: Dateland to Aztec
 TYPE OF WORK: Pavement Preservation
 ADVERTISEMENT DATE: 06/01/2013
 PROGRAM AMOUNT: \$ 4,250,000
 PROJECT MANAGER: Rod Collins
 PROJECT: H832601C, Item #11813
 REQUESTED ACTION: Increase the construction project by \$3,250,000 to \$7,500,000 in the FY 2013 Highway Construction Program. Funds are available from the FY 2013 Pavement Preservation Fund # 72513.

NEW PROGRAM AMOUNT:	\$ 7,500,000
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*ITEM 11q: ROUTE NO: SR 264 @ MP 426.0 Page 132
 COUNTY: Apache
 DISTRICT: Holbrook
 SCHEDULE: FY 2013
 SECTION: Steamboat - Burnside
 TYPE OF WORK: Pavement Preservation
 ADVERTISEMENT DATE: 02/01/2013
 PROGRAM AMOUNT: \$ 7,965,000
 PROJECT MANAGER: Mehran Salehi
 PROJECT: H812001C, Item #13813

REQUESTED ACTION: Increase the construction project by \$300,000 to \$8,265,000 in the FY 2013 Highway Construction Program. Funds are available from the FY 2013 District Minor Fund #73313.

NEW PROGRAM AMOUNT: \$ 8,265,000

*ITEM 11r: ROUTE NO: I-10 @ MP 63.0 Page 134
COUNTY: La Paz
DISTRICT: Yuma
SCHEDULE: FY 2013
SECTION: Gas Line Road to County Line
TYPE OF WORK: Pavement Preservation
ADVERTISEMENT DATE: 02/01/2013
PROGRAM AMOUNT: \$ 5,722,000
PROJECT MANAGER: Yumi Shapiro
PROJECT: H815901C, Item #12013
REQUESTED ACTION: Increase the pavement preservation project by \$2,565,000 to \$8,287,000 in the FY 2013 Highway Construction Program. Funds are available from the FY 2013 Pavement Preservation Fund #72513.
NEW PROGRAM AMOUNT: \$ 8,287,000

*ITEM 11s: ROUTE NO: US 89 @ MP 464.5 Page 136
COUNTY: Coconino
DISTRICT: Flagstaff
SCHEDULE: FY 2013
SECTION: SR 64 to Little Colorado River
TYPE OF WORK: Design
PROGRAM AMOUNT: \$ 1,955,000
PROJECT MANAGER: David Benton
PROJECT: H791501D, Item #24713
REQUESTED ACTION: Increase the design project by \$255,000 to \$2,210,000 in the FY 2013 Highway Construction Program. Funds are available from the FY 2013 Construction Preparation: Technical Engineering Group Fund #70013.
NEW PROGRAM AMOUNT: \$ 2,210,000

A motion to approve Items 11a through 11s was made by Joe La Rue and seconded by Kelly Anderson. In a voice vote, the motion carries.

New Projects – *Items 11t, 11u, 11v, and 11w

*ITEM 11t: COUNTY: Statewide Page 138
DISTRICT: Statewide
SCHEDULE: New Project Request
SECTION: Statewide Field Reviews
TYPE OF WORK: Statewide Hazardous Materials Remediation
PROGRAM AMOUNT: New Project
PROJECT MANAGER: Ralph Ellis
PROJECT: H315902X
REQUESTED ACTION: Establish a new environmental field review project for \$100,000 in the Highway Construction Program. Funds are available from the FY 2013 Environmental Support Fund #77713.
NEW PROGRAM AMOUNT: \$ 100,000

*ITEM 11u: ROUTE NO: US 60 @ MP 290.0 Page 140
COUNTY: Gila
DISTRICT: Globe
SCHEDULE: New Project Request
SECTION: MP 290, 296, and 320 at Hagen Hill
TYPE OF WORK: Rock Fall Containment

ADVERTISEMENT DATE: 02/01/2013
PROGRAM AMOUNT: New Project
PROJECT MANAGER: Vicki Bever
PROJECT: H808302C

REQUESTED ACTION: Establish a new construction project for \$1,100,000 in the Highway Construction Program. Funds are available from the following sources.
FY 2013 Emergency Fund \$ 1,040,000
FY 2013 Statewide Contingency Fund #72313 \$ 60,000
NEW PROGRAM AMOUNT: \$ 1,100,000

*ITEM 11v: ROUTE NO: US 191 @ MP 225.0 Page 142
COUNTY: Greenlee
DISTRICT: Globe
SCHEDULE: New Project Request
SECTION: KP Cienega to Beaver Head
TYPE OF WORK: Pavement Preservation
ADVERTISEMENT DATE: 02/01/2013
PROGRAM AMOUNT: New Project
PROJECT MANAGER: Mafiz Mian
PROJECT: H835101C
REQUESTED ACTION: Establish a new pavement preservation project for \$1,150,000 in the Highway Construction Program. Funds are available from the FY 2013 Minor Pavement Preservation Fund #74813.
NEW PROGRAM AMOUNT: \$ 1,150,000

*ITEM 11w: ROUTE NO: SR 89 @ MP 325.1 Page 144
COUNTY: Yavapai
DISTRICT: Prescott
SCHEDULE: New Project Request
SECTION: Chino Valley
TYPE OF WORK: Design Sidewalks and Landscaping
PROGRAM AMOUNT: New Project
PROJECT MANAGER: Orlando Jerez
PROJECT: H810101D
REQUESTED ACTION: Establish a new design project for \$16,000 in the Highway Construction Program. Funds are available from the FY 2013 Construction Preparation: Technical Engineering Group Fund #70013.
NEW PROGRAM AMOUNT: \$ 16,000

A motion to approve Items 11t through 11w was made by Victor Flores and seconded by Joe La Rue. In a voice vote, the motion carries.

FY 2013-2017 Airport Development Program – Requested Modifications
Airports – Items 11x, 11y, and 11z

*ITEM 11x: AIRPORT NAME: Chandler Municipal Page 146
SPONSOR: City of Chandler
AIRPORT CATEGORY: Reliever
SCHEDULE: FY 2013 – 2017
PROJECT #: E3F3H
PROGRAM AMOUNT: New Project
PROJECT MANAGER: Holly Hawkins
PROJECT DESCRIPTION: Install Weather Report Equipment AWOS
REQUESTED ACTION: Recommend STB approval.
FUNDING SOURCES: FAA \$200,393

Sponsor	\$9,837
State	\$9,837
<i>Total Program</i>	\$220,067

*ITEM 11y: AIRPORT NAME: Glendale Municipal Page 147

SPONSOR: City of Glendale

AIRPORT CATEGORY: Reliever

SCHEDULE: FY 2013 – 2017

PROJECT #: E3F3G

PROGRAM AMOUNT: New Project

PROJECT MANAGER: Kenneth Potts

PROJECT DESCRIPTION: Conduct Environmental Assessment

REQUESTED ACTION: Recommend STB approval.

FUNDING SOURCES: FAA \$140,688

Sponsor \$6,906

State \$6,906

Total Program \$154,500

*ITEM 11z: AIRPORT NAME: Glendale Municipal Page 148

SPONSOR: City of Glendale

AIRPORT CATEGORY: Reliever

SCHEDULE: FY 2013 – 2017

PROJECT #: E3F3I

PROGRAM AMOUNT: New Project

PROJECT MANAGER: Nancy Wiley

PROJECT DESCRIPTION: Remove obstructions phase 2 - Rehabilitate Apron Phase 2 - Construct Rwy 01/19 Safety Area

REQUESTED ACTION: Recommend STB approval.

FUNDING SOURCES: FAA \$217,181

Sponsor \$10,691

State \$10,692

Total Program \$239,181

A motion to approve Items 11x, 11y, and 11z was made by Bill Feldmeier and seconded by Joe La Rue. In a voice vote, the motion carries.

ITEM 12: Discussion on Possible Public Private Partnership (P3) and Tolling Opportunities —Floyd Roehrich, Jr.

Floyd assisted by Gail Lewis (Office of P3 Initiatives and International Affairs) reported that at a previous Board meeting, he gave a general discussion and an overview of tolling legislation at the State and Federal level. It was requested to have a more specific discussion of possible P3 or tolling opportunities and referenced to the I-11 and US93. When the P3 program started and Gail pulled together a team to address that. Two teams have been created to assist in evaluating the potential for highway projects and non-highway projects for business opportunities. Over the last year, the team has started to look at non-highway projects. In the City of Flagstaff, we have a P3 project with a developer where the district office and the MVD offices are being relocated to a different site and prepare a site to meet MVD's needs. The city will receive the property. In an agreement with the developer who will develop that property to start generating taxes and revenues, we are in the final stages of pulling that project together by early spring. In addition we are analyzing an unsolicited proposal to privatize some of the rest areas through an agreement as well as sponsorship with an entity to come in and operate the rest areas. The Department would establish the criteria but the third party would run the whole operation and generate revenue. That is where we are in developing and hoping to have it complete by early next year. Another project that Gail is working on is putting solar panels on state buildings to reduce utility costs and that is being evaluated. The non-highway projects are coming forward a little specific than the highway projects. In conjunction with that, Gail and her team have brought on a traffic and revenue (T&R) consultant to start to look at more viable options related to highways and where we can use tolls. Hav-

ing the ability to enter P3s and having the ability to toll does not necessarily mean that it is right for every type of facility or viable option on a specific project. When the T&R consultant comes on board, we will start to look more specifically at corridors as well projects a little more in depth. Specifically to US93, the issues we continue to see is that it is a divided highway in five different segments and there are areas that have not been divided yet. The possibility of tolling those segments that are being widened still has to evaluate the practicality and viability of that through the T&R analysis once the team is on board. You cannot toll the existing facility that is out there. You have to toll a new capacity. For a P3 or tolling possibility as a viable option and that is the analysis that we still have yet to do. Regarding the I-11 corridor, that it is being considered again through the segments once we have gone through the corridor analysis and once we determine the alternatives as far as developing an implementation plan, the State has no funding to make interstate construction at this point. P3 is being considered as a funding mechanism when we get to the point of discussing implementation and how we could possibly use that for where it meets the Federal requirements and not tolling an existing facility or capacity but for a new facilities or capacity.

Director Halikowski asked to clarify the rest area issue, are we privatizing rest areas?

Floyd Roehrich stated no, we would use a third party to operate and maintain the rest areas and offset those costs through a sponsorship or some other mechanism, but not a privatization whatsoever.

Director Halikowski stated he is sometimes asked why I-11 is important to the State. The State is fortunate to have two class one railroads and two major east/west corridors, I-40 and I-10. Looking into the future, Arizona will grow in population as seen by the presentations today. He said that Arizona, if it has a north-south connector like I-11 from Mexico all the way through to Nevada, now becomes a transportation hub. As Arizona starts shipping cargo from West to East and East to West, he feels that will bring more jobs, better quality of life, and sustainability to Arizona in the future. I-11 becomes a critical factor but whether it is a toll facility or not, is not so much the question. Before ADOT can even complete the environmental studies, it has to identify reasonable funding for the construction of the first phase of that project. The Director has met with proponents of I-11, the Can-do Coalition, which is where ADOT needs their help. ADOT can continue the study to a point, but until it can actually identify viable alternatives and pick the final to the EIS process, ADOT has to tell the Federal Government it has reasonable methods to pay for that. He also believes given the cost of that first phase, ADOT is going to have to consider some sort of P3 option in addition to other funding mechanisms. It is a huge lift ADOT has to make at this point if it believes in this corridor from Mexico to the northern border of Arizona, how is it going to begin to identify funding sources for I-11 so ADOT can finish the studies.

Board Member Hank Rogers asked to reiterate what Floyd said about the rest areas and why would the department not want to do what the other states have successfully done.

Director Halikowski stated again that ADOT will privatize certain functions of maintenance and operation of the rest areas but it will not be as a private entity is able to do what we have seen in other states that have been "grandfathered in" in setting up concessions and other things with the rest area and essentially taking it over. Unfortunately, the Federal Highway Act of 1960 said that states are not allowed to privatize rest areas where we have used Federal funds to build transportation facilities. Those facilities that are in other states have been "grandfathered in," because they were in existence before 1960. The Director said that there is a very powerful lobby in the National Association of Truck Stop Operators who do not want the Federal law changed to allow the states to privatize those rest areas. Thus, attempts to change the law in Congress have been unsuccessful.

Floyd Roehrich stated that ADOT would bring in public private partnerships, P3, to bring on a third party for operations and maintenance. They remain state-owned rest areas.

Board Member Bill Feldmeier asked that about US93 and I-11 and talk about P3s and tolling, would it be 18 months to two years away before ADOT goes through the analysis. He asked that as we approach the remaining projects on US93, that T&R process of reviewing each project and prepare it for eventual construction.

Floyd Roehrich stated no, that timeline was for the I-11 corridor analysis. The traffic and revenue (T&R) is to determine financials and viability of a P3 project for an infrastructure. On US93, ADOT would not do individual segments because already two segments are in the five-year program. ADOT is continuing to address those

projects as we move forward. ADOT looks at where it has not funded segments and evaluate those segments and see if it makes sense can we do a viable option for those segments. A P3 is to add projects beyond what we are doing, whether projects remain in the program or are moved out, we evaluate them.

Gail Lewis added that part of the issue with US93 is the inability to toll an existing path, so the only thing to toll is a lane that was added. That is more of a Hot Lane concept which works great in an urban area where there is a lot of congestion and people are willing to pay to be able to go into the toll lane. On rural highways such as US93, there has to be enough incentive to pay the toll and skip the congestion, which in the foreseeable future will be a big problem. We cannot toll the existing lanes, there has to be incentive for people to use the toll lanes and without the congestion, then what would be the incentive.

Director Halikowski pointed out that the phase of I-11 we envision from the Phoenix to Wickenburg route, we would hope to have enough of a traffic count and since it is a "Greenfield project – new," we would be able to utilize P3s as part of the financing mechanism. It will not pay for it all, but it will pay for part of that new Greenfield.

Board Member Bill Feldmeier asked about Nogales and the US189 and the potential for tolling on US189. The concern of how it will have negative impacts on commerce and local businesses. There are local businesses that may be interested in helping develop a P3 for this particular project.

Gail Lewis stated with respect to US189, a T&R consultant was just hired and they have not analyzed this vicinity in detail, however, another consultant was tasked to do the study. It has been determined that it is unlikely there is enough traffic to warrant a successful tolling project. Gail also said that because of the restrictions on tolling an existing capacity there would have to be a new added toll lane or build a bypass around Mariposa Road that would connect from the port to I-19 in order to have something that would be toll viable.

Board Chairwoman Lundstrom stated that given the Resolution that was passed and the majority of people in Santa Cruz County asked if ADOT has been approached to find another solution and open to something viable. There are people out there who want to do something with the existing roadway.

Director Halikowski stated that two weeks ago, he met with Nogales Mayor Garino and his staff and they spoke about the transportation issues in Santa Cruz County. He said in answer to Chairwoman Lundstrom's question, the answer is yes that is an approach. The ADOT staff is working with Santa Cruz County cognizant of the issues and concerns of the community. They are looking at other alternatives to take care of what the community needs. The process is going on right now.

Floyd Roehrich stated that he wanted to differentiate that Gail was talking about the bypass. The study is still looking at making functional and operational improvements to the existing corridor as well as this bypass. ADOT has not stopped looking at that.

Director Halikowski remarked that at a recent Border Economic Summit, everyone there was talking about the wonderful facilities that ADOT should go out and build. He said this to the legislators, transportation chairman, and other leaders in the room; the funding is not there to do that. Arizona needs to address the funding issues if we want to go out and build these types of facilities in the future. He said that the State's economic future rests on infrastructure, but getting the public and our leadership motivated to recognize that is another matter.

Board Member Bill Feldmeier made a statement of the depth of despair that we have in Kristine's presentation and in hearing Scott's backup. The problems we have are very real. The State does not have the money that it needs to have. Everyone in this room knows it very well. He said conveying this message to the people outside the room who just expect these things to happen because they have always happened in the past, is an entirely different message that will have to be delivered. He said that in the depths of despair provides unique opportunities if you cut through the crux of the way you did business before. What has to be done is streamline in going about in finding funding that will require us to do things we have not done before. He stated we should increase the gas tax; we will stay in this hole unless we move on toward P3s and tolling.

Board Member La Rue offered his assistance in this communications plan.

Director Halikowski stated that in 2009 the department sent a letter to every member of the legislator about the perfect storm that was brewing with the inflationary costs, the economy, and the gasoline tax were going in the wrong direction. He said that this board has seen the I-15 bridge discussion and what we face with infrastructure problems just to keep commerce moving. Business depends on infrastructure and we need to keep communicating that out to the businesses. He has met with WestMarc, the Southern Leadership Conference, the chambers of commerce, and the TTCA and others that this State needs to invest in infrastructure to better the economy.

Board Member Victor Flores made a comment to clarify that the I-11 corridor is the entire corridor from the Mexico border to northern Nevada border not just Phoenix to Wickenburg that was mentioned earlier.

ITEM 13: State Engineer's Report—Jennifer Toth

Jennifer reported that the status of Projects Under Construction report for November 2012 shows 89 projects under construction valued at \$938 million. The Transportation Board awarded 9 projects during November valued at approximately \$35 million. During November the department finalized 13 projects valued at \$24,550,442. Projects where the final cost exceeded the contractors bid amount by more than 5 per cent are detailed in your board package. Year to date the department has finalized 71 projects. The total cost of these 71 projects has exceeded the contractors bid amount by 4.9 percent. Deducting incentive, bonus payments, revisions, omissions, and additional work paid for by others, fiscal year to date reduces this percentage to 3.1 percent.

***ITEM 14: Construction Contracts—Jennifer Toth**

No construction awards were pulled from the Consent Agenda for individual discussion and disposition.

***ITEM 15: Transportation Board Organization—Floyd Roehrich, Jr.**

Transportation Board organization to designate a Chairman effective on January 1, 2013.

Kelly Anderson made a motion to designate Victor Flores as the 2013 Transportation Board Chairman and seconded by Bobbie Lundstrom. In a voice vote, the motion carries.

Transportation Board organization to designate a Vice Chairman effective on January 1, 2013.

Bill Feldmeier made a motion to designate Stephen Christy as 2013 Transportation Board Vice Chairman and seconded by Joe La Rue. In a voice vote, the motion carries.

The gavel was then passed and Victor Flores expressed his thanks to Chairwoman Lundstrom.

ITEM 16: Comments and Suggestions


Steve Christy noted that PAG recently named Cherie Campbell as the Interim Executive Director, effective immediately. Mr. Christy also read a Resolution from the Chairman of the Board of Directors of Tucson Airport Authority regarding the ADOT Intercity Passenger Rail Study.

Board Member Bill Feldmeier commented this is his last meeting and completing his six-year term after seven years at the end of December. He thanked the staff, the public, and the MAGs, PAGS, MPOs, etc. from around the state and, lastly the board members.

A motion to adjourn was made by Kelly Anderson and seconded by Steve Christy. In a voice vote, the motion carries.

Meeting adjourned at 11:22 A.M. MST


Bobbie Lundstrom, Chairwoman
State Transportation Board


John S. Halikowski, Director
Arizona Department of Transportation