

**MINUTES**  
**STATE TRANSPORTATION BOARD STUDY SESSION**  
**9:00 a.m., Tuesday, January 26, 2016**  
**Human Resource Development Center (HRDC)**  
**Grand Canyon Room**  
**1130 N. 22<sup>nd</sup> Avenue. Phoenix, AZ 85009**

**Pledge**

The Pledge of Allegiance was led by Board member Michael Hammond.

**Roll call by Board Secretary Mary Beckley**

**In attendance:** Joe La Rue, Deanna Beaver, William Cuthbertson, Jack Sellers, Michael Hammond and Steve Stratton.

**Absent:** None.

**Opening Remarks**

Chairman La Rue welcomed Steve Stratton to the Board, representing District 4, Pinal County.

**Call to the Audience**

There were no requests to speak.

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**ITEM 1: ROADSIDE REST AREA DISCUSSION (Dallas Hammit) .....3**

**ITEM 2: 2017-2021 TENTATIVE FIVE-YEAR TRANSPORTATION FACILITIES CONSTRUCTION  
PROGRAM REVIEW (Kristine Ward and Michael Kies) .....18**

**ITEM 3: PROPOSED I-15 IMPROVEMENT STRATEGY (Floyd Roehrich, Jr.).....80**

1 (Beginning of excerpt.)

2 CHAIRMAN LA RUE: All right. Agenda Item No. 1.  
3 And who is presenting? Dallas?

4 UNIDENTIFIED SPEAKER: Assuming Mr. Hammit.

5 MR. HAMMIT: Mr. Chairman, members of the board,  
6 I was asked to give a brief update on what our rest area program  
7 is. But to start with, I thought I'd tell you where our rest  
8 areas are at and which ones are functioning. Right now, we have  
9 nine locations where we have rest areas that have two rest  
10 areas, so one on each side of the interstate. So 18 total  
11 facilities in those areas. As you can see, there's three on  
12 Interstate 10 west of Phoenix. There's one open on Interstate  
13 10 between Phoenix and Tucson, one on I-8, I-19, on I-40 we have  
14 a couple of them, and then one on I-17.

15 We have four locations where we have just one  
16 rest area. Some of these like on U.S. 60, it's on a two-lane  
17 roadway. I guess this is four-lane but not access controlled.  
18 Sunset Point is on an interstate, but it was designed that it's  
19 only on one side instead of two rest areas. We have one at --  
20 which we had closed for a long time, but it's Salt River Canyon.  
21 And then one on I-40, but it's only on one side, but we don't  
22 have a corresponding on the eastbound. We figured you can go on  
23 to New Mexico to take care of the restroom.

24 We have two locations where we're working on rest  
25 areas on I-10. Both of them are under construction, but as soon

1 as the projects are done, they will reopen, but they are closed  
2 right now to complete construction.

3 We have two facilities that are temporarily  
4 closed, and these have been closed since about 2009. But the  
5 mohawk on Interstate 8. This one here, there is construction  
6 planned for this year that would reopen that rest area, and then  
7 the one that we showed open at Sentinel, right there, would  
8 close at that time. So we'd still only have one on I-8, but  
9 there -- there's quite a bit of work that Sentinel would need to  
10 remain open. We'd need to redo the septic and some other  
11 facility upgrades.

12 We have two rest areas that are permanently  
13 closed, and we don't plan to reopen them: The one on I-17 and  
14 one on I-40. Both of them are very close to Flagstaff, and it's  
15 been determined that really the need for the rest area isn't  
16 needed at this time in those areas.

17 Next I thought I'd go into what's our program.  
18 What are we going to be spending some money on in the next few  
19 years. So like I said, this year at the Mohawk rest area it's  
20 \$4.8 million is what we have programmed. We have a new well  
21 there, but we need a new booster pump. We need to put in new  
22 septic. And as you're going to see there's a common theme.  
23 Most of these rest areas are well over 30 years old. The wells,  
24 the water system and the septic system is beyond its useful life  
25 for a facility of this, so many of the items on these rehabs are

1 the same.

2 And one of the things I wanted to stress, we're  
3 not really upgrading these rest areas. We're making them  
4 functional. If some of these things aren't done, we can't keep  
5 them open. So it's not niceties or want tos. These are have  
6 tos to keep these rest areas open and compliant. So again,  
7 water system, sanitary system. Some of these have ADA  
8 compliance repairs that need to be done.

9 Next year, we have in two areas, the Sacaton,  
10 Canoa Ranch, we have about \$5.9 million in needs. And again,  
11 water line, leach field for the sewer system, some  
12 electrical/mechanical rehab. We need a new well at Canoa Ranch,  
13 and as you can see, water system, some electrical/mechanical  
14 work needed. It makes sense in this to do both of those, like  
15 we did with the current project on I-10, to combine one  
16 contractor and do both projects.

17 Haviland, this is out on I-40 west of Kingman.  
18 This project, the construction is scheduled for 2018, \$3.4  
19 million. Again, a water system, the septic tanks, ADA  
20 compliance and some electrical/mechanical rehab.

21 And in '18, we have I-40 on the east side,  
22 Painted Cliffs and Meteor Crater. Meteor Crater, we need the  
23 water pumps, the pond -- the septic, it has an evaporation pond.  
24 We need new liners there. We need some electrical/mechanical  
25 work. The Painted Cliffs, again, water system, septic, leach

1 field and electrical/mechanical. All of these upgrades --  
2 Meteor Crater is probably about close to 14, 15. It's the  
3 newest one, but we have found out that we do need to replace  
4 those pump liners on it.

5 And then the last one in the program is Mazatzal  
6 rest area. This is a non-interstate rest area. This is on 87  
7 right where 188 -- at the junction of 87 and 188. It's been  
8 closed since 2009. We've heard from a lot of folks that, hey,  
9 it's a long way between Phoenix and Payson. It would be really  
10 nice to get this going. One of the reasons it closed is the  
11 septic system cannot maintain the volume, even if it's working  
12 okay. So we need to double the capacity of that septic system.  
13 There's leach fields -- or actually, there are evaporation  
14 ponds. And so this project would add a new evaporation pond  
15 system to handle the capacity of that rest area if we open it  
16 up.

17 That was pretty quick, but I'm open for  
18 questions. That's how we're spending the money right now on the  
19 rest area subprogram.

20 CHAIRMAN LA RUE: Thank you, Dallas.

21 (Inaudible.)

22 MR. SELLERS: Tell us -- I get a lot of -- excuse  
23 me. I get a lot of questions from people about the status of  
24 our rest areas and the condition of our rest areas. Is what you  
25 presented here today online so we can retrieve this information?

1 MR. HAMMIT: We'll make it available, yes, as  
2 part of the minutes of the meeting.

3 MR. SELLERS: And you did mention that the  
4 repairs are primarily to keep these open, not really to improve  
5 them. So that's -- I'm guessing that's a budgetary issue rather  
6 than what we'd really like to be doing.

7 MR. HAMMIT: Exactly. For many years, the  
8 Mohawk, the one that we're doing this year, we had planned to  
9 rebuild that. When I started with the department in '99, we had  
10 plans on the table to rebuild the Mohawk rest area, and it was  
11 in the program for many years, but that's a 17 to 20 million  
12 dollar investment to rebuild that rest area. What we're doing  
13 with the four to five million we have a year is to keep as many  
14 of these open as we can without having to make that big  
15 investment of \$20 million to build new rest areas.

16 MR. SELLERS: And it appears that we've got some  
17 sponsorship involved in some of the rest areas. Can you  
18 elaborate on that?

19 MR. HAMMIT: Yes. So that helps us maintain the  
20 rest area. So this is general cleaning, you know, restroom  
21 facilities as more routine maintenance happens, you know, fix  
22 the plumbing on a -- more of a day-to-day basis. We have a P3  
23 where we have a contractor that comes on board. We pay them so  
24 much a year through our maintenance funds. It's around \$3  
25 million, give or take, to do all the rest area day-to-day

1 cleaning, to keep them at a specific level of service. But to  
2 supplement that, because it doesn't quite cover all those costs,  
3 they've been allowed to do some sponsorship. You see the Geico  
4 gecko out in front of them, and they're doing some sponsorship  
5 within the rest areas.

6 MR. ROEHRICH: Mr. Chair, Mr. Sellers, that  
7 really is -- the sponsorship program is something that's not  
8 that old, but it was a federal rule that allowed that as part of  
9 being able to capture those additional funds to offset those  
10 costs. It's a sponsorship program. You know, there are federal  
11 laws against privatizing rest areas that were built with public  
12 moneys since, what, the 1950s, but realizing -- and the federal  
13 government realizes that as moneys become tight, they've given  
14 states a little latitude to do some sponsorship to offset some  
15 of the costs, and that was the program that we've been moving  
16 forward with.

17 I really want to take just one more minute. Back  
18 when the -- 2008 and '09 and the economy was really hitting its  
19 lowest point, our funding really stopped. We closed the rest  
20 areas, again, because it was a fiscal decision that we made at  
21 the time. There was a lot of negative push back on that,  
22 because these are relied upon for traveling public as safety  
23 spots to rest and spend a few moments as you continue on with  
24 your journey, but realizing that we had this fiscal shortfall  
25 and the operation of those was pretty expensive, as Dallas said,



1 three plus million dollars before we were able to even try to  
2 find sponsorships to defray some of the costs. But as we looked  
3 at it, we realized the importance of these rest areas.

4 We're trying to implement back opening them and  
5 keeping them moving forward, but without, again, an increase in  
6 revenues, expanding those, modernizing, upgrading them, and then  
7 even looking for ones that should be closed in other areas where  
8 we may even want to add new or do something, that program was a  
9 significant fiscal model. We're talking about 20 million per  
10 site, approximately. Might vary a little, but -- given the  
11 location, and that's an investment that we, in talking with the  
12 Board, have not put the priority on.

13 Priority is keeping the ones that we have,  
14 looking for an opportunity to defray some costs, but until the  
15 revenue situation really increases, we've not looked at this  
16 expansion of the program or complete rehabilitation or  
17 reconstruction of the program. A worthy effort maybe at some  
18 point, but something I think we need to judge how that fits in  
19 the priority of the funding streams that we have.

20 MR. SELLERS: I guess another quick question  
21 concerning safety of the areas. Do we know how many of these  
22 have adequate cell signals available?

23 MR. HAMMIT: There's no relays that give extra  
24 cell. Most of those areas, and this is just speaking through  
25 experience as I drive those, and near those areas there is cell

1 reception, because they are fairly close to either a rural tower  
2 or that sort of thing. So they do have that.

3 To add on what Floyd said, one of our challenges  
4 that's going to come up is truck parking. With more and more  
5 freight coming through and the limits that drivers have that  
6 they can go, they have to park and get their minimum rest. As I  
7 drive back and forth from Prescott regularly, Sunset Point is --  
8 every spot's full, and they're loaded up and down the ramps.  
9 We're going to be challenged to find different ways to  
10 accommodate some of those truck parking. Some states have gone  
11 through a P3 that there's -- working with the state, and they  
12 actually go through and we met with someone yesterday, give  
13 information, how many spaces are available. So if I go on to  
14 Sunset Point, I know when I get there or I have an idea there's  
15 a spot for me to park, because when there's not, they just start  
16 lining up our ramps, and that's not safe when they do that. So  
17 that will be a challenge in the future.

18 MR. HAMMOND: Mr. Chairman, a question I get  
19 asked -- actually, I have it, too -- I'm referring specifically  
20 to the Canoa Ranch upgrade that was done a couple years ago.  
21 There was a lot of work there. I think it was in Canoa Ranch  
22 rest stop. But is there some complexities in cost or time that  
23 you have to deal with? That construction job seemed to go for,  
24 like, a year, year-and-a-half, where I don't know, maybe you're  
25 waiting for federal inspections because it's on the interstate,

1 but is there something specific that you have to deal with that  
2 either lengthens the time to do it or the cost?

3 MR. HAMMIT: Mr. Chairman, Mr. Hammond, that one  
4 was a little unique, because the work that was done a few years  
5 ago, we worked at Sacaton and Canoa Ranch. We put in some truck  
6 screening working with our enforcement division. So as you  
7 approach both of those, you see trucks get in the right lane,  
8 and what that is is we have scales within our pavement that  
9 gives us a good idea that the truck could be overweight, but it  
10 isn't to an accuracy to ticket those trucks. And so if it  
11 triggers that, we can pull them into the rest area where we have  
12 scales, and then we can enforce a weight there.

13 When we were installing those scales, we had some  
14 difficulties with equipment, and that's why the Canoa Ranch took  
15 a little longer than expected. It wasn't normal rest area. It  
16 was those scales that we were working on.

17 MR. ROEHRICH: But Mr. Chair, too, there's no  
18 federal rules that set limitations or time frame. It really  
19 depends upon the scope, the type of construction, what the  
20 activities are. When we start a project, like any project,  
21 whether it's that project or any project, our attempt is to get  
22 it done in the quickest time possible working within the  
23 conditions of the contract and the requirements of the  
24 construction itself. So some of them can take longer, some can  
25 take less, again, depending upon the scope or the issues. When

1 we run into issues like trying to rent or fit this equipment in  
2 and making that work, it might cause a little bit of delay.  
3 There's nothing, like, federally required that says rest areas  
4 can only be shut down for a period of time or whatever.

5 MR. HAMMIT: One challenge, it's like you do on  
6 home repairs when you get into the old houses. You find stuff  
7 that you didn't know about until you got going, and we're seeing  
8 that on the Texas Canyon and some of those others that until you  
9 got into it makes those repairs, you didn't know you had these  
10 problems, and that's part of working with an aging facility.

11 MS. BEAVER: Chairman La Rue, I think the reason  
12 that I had inquired about this sometime back had to do with the  
13 fact our resources are not as much as they have been in past  
14 years, and so my question was are these rest stops even  
15 something we need today based on the fact there are private  
16 truck stops now. You know, I know back in the 1930s when the  
17 highway system was began, it seemed very important because there  
18 was so much rural highway. But I've come to believe that we do  
19 still have -- it is still important to maintain these from this  
20 -- with the State maintaining them.

21 I had the opportunity to talk to a truck driver,  
22 and I asked him, I said, you know, what's your feeling one way  
23 or the other with regard to, you know, private truck stops  
24 versus the state rest stops? And he said they -- most truck  
25 drivers now are using an app, and so they know where all of the

1 truck stops are, the rest areas.

2 But he said they actually do prefer the state  
3 rest areas whenever they're having to stop because of the  
4 lighting and somewhat of a secure area on both ends. In order  
5 to get in or out, you're going to come one way or the other, and  
6 there's sort of this brotherhood with them themselves where --  
7 there is, I guess, which I was not aware of, a lot of theft of  
8 big trucks, loads, that type of stuff. And because they can  
9 kind of connect with each other, if something goes on at one of  
10 those, they can kind of protect each other by blocking off an  
11 entrance or an exit if there was some kind of emergency, where  
12 at these public or private truck stops, they're so much more  
13 open and coming and going, it's harder to kind of watch over  
14 each other where -- I -- it appears that they do do that more at  
15 these private truck stops. I -- or, I mean, at the state truck  
16 stops.

17 I also know that the school buses, a lot of the  
18 school buses, because of the distance, the bus drivers have to  
19 stop every so many hours or miles, and so they will use those  
20 truck stops for their stops if they're having to take kids  
21 across state to games and things like that. So I've come to  
22 realize that there is an importance. My original had to do  
23 actually with the five-year plan. It's like, well, if we can  
24 cut one of those truck stops and move the funds into something  
25 else, but I'm coming to feel that these do still serve a

1 purpose, so I just wanted to share.

2 CHAIRMAN LA RUE: Yeah. Thank you for bringing  
3 that forward.

4 And Dallas, I guess I've got a new appreciation  
5 for -- as I remember a few years back, I think we did move funds  
6 out of a rest area back into pavement preservation or something.  
7 But this looks like almost four to five million dollars a rest  
8 area to rehabilitate it. We've got a lot of them around the  
9 state in need of rehabilitation. So it sounds like a pretty big  
10 price tag. And then like you said, there's ongoing maintenance,  
11 operations and maintenance, you know, once we've got them  
12 rehabilitated. So, you know, it's almost like the rest area  
13 program needs its own little, you know, find your plan of how  
14 you're going to rehabilitate these. But then I'm still a little  
15 bit -- you know, where is the funding coming out of the -- you  
16 know, big pot of funds or are there special safety funds that  
17 can be used here? I mean, what -- so that's one question.

18 The other question, a little bit like Ms. Beaver,  
19 is how will we decide -- how do we decide which rest areas to  
20 rehabilitate because of it's needed, because there's no other  
21 alternatives and how do we decide to not rehabilitate some?

22 MR. HAMMIT: Mr. Chairman, so I'll answer the  
23 first question, the funding. So that there's our five-year  
24 program funding, and we've set aside for the last number of  
25 years a subprogram that identifies so much money, and I think

1 it's been around \$4 million, and once we get it scoped, we  
2 refine that. Every -- for three years, we put the individual  
3 project in the five-year program. So if you look in the  
4 program, you'll see this year's program. You see Mohawk in the  
5 program for this much money. You see Canoa and all those others  
6 for the -- at least -- I think there was four, because I was  
7 looking last night, four years of projects in there.

8           So we want to be very open. We used to just have  
9 a subprogram, and we fixed it and we weren't really transparent.  
10 Now, at least for four years in the five-year program, we make  
11 that very transparent. So it comes out of the five-year program  
12 for these capital expenses. We also have through our  
13 maintenance appropriation, that's how we pay for the day-to-day  
14 operation of it. So that comes out of our maintenance budget  
15 for that P3 contract that we talked about.

16           Your second question is how do we prioritize. We  
17 have a facilities group that evaluates the facilities. Giovanni  
18 in the back, he does that. Bobby Wheeler runs our P3 contract.  
19 They're both here. Wave, gentlemen. They help set our  
20 priorities, what needs to be done, and we're predicting, okay,  
21 some of these are four years out. They're working fine now, but  
22 maybe we're -- we're putting in a few more repairs than we  
23 should be because it's an older system like your car. How long  
24 do you keep and maintain your car versus buying the new one?

25           We're in that point right now as, yeah, we're

1 keeping it going, and we believe we can keep it operational  
2 until we do a major -- at least a mid major reconstruction on  
3 those. So we have a group that prioritizes that through our  
4 facilities group.

5 CHAIRMAN LA RUE: Any thoughts to creating a fee  
6 base to pay properties for maintenance? I mean, pay toilets,  
7 you know, parking fees, all those things?

8 MR. HAMMIT: We've really looked at that, but  
9 when we went to close the rest areas, Floyd, who's state  
10 engineer, and I was his deputy, we said, let's privatize these.  
11 And we've gone down this route two major times where we've gone  
12 to Washington saying allow us to do that. There's two laws that  
13 stop us, federal laws, on these interstate rest areas that do  
14 not allow us to privatize the rest areas. So right now we don't  
15 have that ability to do that with our rest areas.

16 MR. ROEHRICH: Yeah. Dallas tried to implement a  
17 poop toll, but it didn't work. We got shot down.

18 CHAIRMAN LA RUE: Deanna.

19 MS. BEAVER: Yes. With regard to the federal  
20 government, it's my understanding that -- I'm probably using the  
21 wrong line of the Mississippi, east of the Mississippi, but  
22 those were grandfathered in so they can privatize, where out  
23 west, we can't privatize. Is there any way of approaching our  
24 Congressman again and, you know, seeing if they'd maybe look at  
25 revisiting the law?



1 MR. ROEHRICH: Mr. Chair, Ms. Beaver, absolutely.  
2 Every time another highway bill comes up for consideration,  
3 there is a conversation that states and other groups have to  
4 look at changing that to allow that privatization of those areas  
5 that (inaudible). But there's a strong lobby against that, and  
6 it's all of the convenient stores, the rest stop owners and the  
7 other private people there who don't want this competition from  
8 government to now come in and allow you to put businesses in  
9 those rest areas.

10 They're not opposed to, yeah, government, you've  
11 built these rest areas, you maintain them, fine. Do that, but  
12 then don't compete against me with my other enterprises within  
13 these rest areas. And so there's always been a strong lobby  
14 against it, and that is what's maintained the state -- or the  
15 federal laws against privatizing, and until that can change and  
16 Congress is willing to change the law, you know, we're still  
17 going to be stuck working within the regulations that we have.

18 CHAIRMAN LA RUE: Steve?

19 MR. STRATTON: You -- Dallas, you said that there  
20 was laws governing the ones along the interstate. What about  
21 the ones that are not like the Mazatzal? Can those be  
22 privatized?

23 MR. HAMMIT: Mr. Chairman, Member Stratton, I  
24 don't know of a federal law that would stop us. The -- we had  
25 talked about that at one time. I don't know that we've fully

1 pursued that opportunity. I'd have to check and get back to  
2 you. It was still built with federal funds.

3 MR. ROEHRICH: They're federal dollars. Yeah.

4 MR. HAMMIT: And then we would have to -- you  
5 know, there could be some requirements with that because of the  
6 funds we used to build it.

7 CHAIRMAN LA RUE: Thank you. If there are no  
8 further questions, thank you, Dallas.

9 MR. HAMMIT: Thank you, Mr. Chairman.

10 CHAIRMAN LA RUE: Move on to Agenda Item No. 2,  
11 which is the 2017 through 2021 Tentative Five-Year  
12 Transportation Construction Program. We are starting with  
13 Ms. Ward.

14 A smile on your face. Maybe it's good news. I  
15 don't know.

16 MS. BEAVER: I know. It's almost (inaudible).

17 MS. WARD: You know, I have to say I am a little  
18 happy about FAST. I'm a little happy about the stability, and I  
19 actually hope this will --

20 CHAIRMAN LA RUE: Put a smile on our face?

21 MS. WARD: -- this will -- yeah, exactly.

22 All right. So give me one second here.

23 So what I'm going to do is we'll start by going  
24 over the major fund sources that flow into and support the  
25 program, you know, our HURF, our Highway User Revenue Funds, our

1 Regional Area Road Funds, our federal aid, and then we'll talk  
2 about bonding.

3 So starting off with HURF, just briefly touch on  
4 where we left off last year. At the end of '15, we actually had  
5 experienced 4.6 -- excuse me -- 4 percent growth over our  
6 previous year. This was stellar in my tenure. Previous to  
7 this, we had been really experiencing some flat growth, even at  
8 times some negative growth. So 4. -- 4 percent growth was  
9 really a lovely thing, and that has -- that has some tiebacks to  
10 gas prices that we'll talk about in a second. Unfortunately, we  
11 are still not back to -- quite to 2006 levels. So we're still  
12 functioning on 2006 level of revenues.

13 Going on, our overall composition of HURF  
14 revenues hasn't really changed much. Fuel taxes still represent  
15 over 50 percent of the revenues flowing into HURF, and then  
16 another approximate 30 percent from the vehicle license tax.  
17 We'll go into those a little bit more.

18 So I had mentioned gas prices. Any of you who  
19 were going to the pump might have noticed that in fiscal year  
20 2015, we had some really nice gas prices compared to 2014. But  
21 what was very interesting in a presentation I had to do  
22 recently, if you look at 2008, you'll see that we had prices,  
23 gas prices that were averaging at \$3.02 a gallon, and we sold  
24 2.8 billion gallons. But if you look to 2015, we got those  
25 prices down to 2.74 as an average, and we only sold 2.7 billion

1 gallons. So it was just an interesting -- we had to do a  
2 presentation -- I had to do a presentation on the elasticity of  
3 demand for gas, and this was a chart I presented in that. But  
4 ultimately, I believe the uptick that we've seen in HURF can be  
5 attributed -- a good portion can be attributed to the gas  
6 prices.

7 When you look at gas historically -- this is a  
8 look at the 12-month rolling average. Even as lovely as those  
9 prices have been in FY 2015, we're still back at 2005 levels  
10 where we -- in 2005 we got about 481 million in gas tax  
11 revenues, and in 2015 we're at about 470 million.

12 CHAIRMAN LA RUE: Kristine, is that just the  
13 Arizona gas tax revenue, or is that the nation?

14 MS. WARD: Correct.

15 CHAIRMAN LA RUE: Just Arizona?

16 MS. WARD: Just Arizona, sir.

17 CHAIRMAN LA RUE: That would be an interesting  
18 overlay, the unemployment rate on that, to see if there's a  
19 correlation between employment and gas tax revenue.

20 MS. WARD: I'll contemplate that, see if we can  
21 take a look at it. I know we have an overall correlation. You  
22 know, you always have a natural correlation between, okay, if  
23 you've got jobs and you get population, once you've got  
24 population, you got people spending money.

25 CHAIRMAN LA RUE: Right.

1 MS. WARD: And I have drawn that correlation,  
2 HURF revenues actually before. You know what, I already have  
3 that chart. I will send that to you.

4 CHAIRMAN LA RUE: Thank you.

5 MS. BEAVER: Do you mind?

6 MS. WARD: I will send it to the whole crew.  
7 Anybody who wants to see charts, I will help you out.

8 CHAIRMAN LA RUE: Well, thinking about the  
9 employment in Arizona (inaudible) figures that I can recall, it  
10 looks like it correlates pretty directly to (inaudible) --

11 MS. WARD: Yeah.

12 CHAIRMAN LA RUE: -- revenue.

13 MS. WARD: You're correct. As I recall this  
14 chart, as my memory catches up with my mouth, I -- there is a  
15 direct correlation. You can see it beautifully depicted how  
16 your population -- your job growth, your population growth and  
17 your HURF revenues. It's really -- it's really quite  
18 interesting. Well, to some people it's quite interesting. For  
19 those of you that already passed out, well, maybe not.

20 In terms of vehicle license tax and what we've  
21 seen there, it continues to recover. We experienced 6.1 percent  
22 growth and 370 million in revenues in '15. Again, I'm sorry to  
23 be a downer, but we are still back -- excuse me -- at 2006  
24 revenue levels. And even more kind of disturbing is the fact  
25 that we are still 20 percent below 2004 new car sales. So we

1 sold 406,000 new cars in 2004, and 330 or something in  
2 two-thousand -- 20 percent below. That is just fascinating from  
3 a clinical perspective and depressing from a revenues  
4 perspective.

5 MR. SELLERS: But in actuality, I think the  
6 United States is setting a record on vehicle sales.

7 MS. WARD: Really? Well, we've had some upticks  
8 of lately, but we just have not gotten back to that previous  
9 level.

10 So in terms of HURF, this shows the history that  
11 you saw in the first chart, as well as the forecasts going  
12 forward. I haven't really decided whether the -- you know, we  
13 have a forecasting process where we gather a room full of  
14 economists and experts on the Arizona economy, and I have not  
15 really decided if they are perpetually depressed or if whether  
16 indeed the situation is what it is. Because the comments that  
17 stood out really when we gathered those economists to complete  
18 these forecasts were they just did not see strong opportunities  
19 for job growth. They did not see in the future some really  
20 significant things on the horizon in terms of job growth, which  
21 actually, of course, then drives population increase, which then  
22 drives our revenues.

23 So before the Great Recession, our revenues and  
24 HURF tended to run between four-and-a-half to six-and-a-half  
25 percent. That's not the world we live in anymore, given that I

1 get overjoyed at 4 percent, and what they have forecasted here  
2 is not very different in terms of a compound annual growth rate  
3 than they forecast last year at this time. So what we gained  
4 between last year's forecasts and this year's forecasts is about  
5 \$100 million flowing additional forecasted HURF revenues, and  
6 with a compound growth rate of about 3.5 percent.

7 So unless people want to ask some questions about  
8 this, I'll move on to RARF.

9 MS. BEAVER: I do have a question, Chairman. And  
10 I'm not sure if you're the one to answer it, but it seems like  
11 there are areas of the state, rural areas of the state where the  
12 gas price is still quite significantly higher than metropolitan  
13 areas, even down in Tucson where it's well over -- about 2.39 a  
14 gallon on one side of the state, and it's down around 1.79 a  
15 gallon. Do the wholesale distributors, because they are -- do  
16 they charge more to the gas stations and that that purchase  
17 this? I'm just wondering what the -- does all this factor in to  
18 how the HURF funds are distributed as well?

19 MS. WARD: There are -- there is a -- it does  
20 factor in to HURF distributions to some extent, yes. So the  
21 answer to your question is yes. When we distribute, say, HURF  
22 comes down and all the revenues go into the pot, and then when  
23 we do the distributions to the counties and so forth, we look at  
24 the gallonage that was utilized by each county, so those  
25 distributions by the suppliers. So yes, it does fold in some.

1 MR. ROEHRICH: But not the cost of it, Kristine.

2 MS. WARD: Now, the cost is a whole another --

3 MR. ROEHRICH: (Inaudible) consumption of it.

4 MS. WARD: Yeah.

5 MR. ROEHRICH: Right. So that you're paying  
6 difference in prices regionally, but it's really based upon  
7 consumption within the population numbers, not the price at the  
8 pump.

9 MS. WARD: Correct. The price at the pump is  
10 all -- distribution of revenues is one part of the one equation,  
11 one topic.

12 MR. ROEHRICH: Because the revenue --

13 MS. WARD: But the cost of the actual gasoline --

14 MR. ROEHRICH: Right.

15 MS. WARD: -- at that particular gas station is a  
16 whole another component, and I don't have the direct off the top  
17 of my head as to why you would -- a complete answer as to why  
18 you would see different prices in different places other than  
19 you've got to get that gasoline to those rural areas. So you've  
20 got increased transportation costs would be the first thing that  
21 comes to mind. But I don't know about the individual  
22 negotiations with the vendors of the -- of those gas stations.

23 MS. BEAVER: Well, I know even, say, a rural  
24 truck stop. Their gas prices can be lower at the pump than in a  
25 rural community. It just -- and I got to thinking, well, I'm



1 wondering if somehow this factors, you know, the bigger...

2 MS. WARD: Chairman La Rue, Member Beaver, I --  
3 you know, as you were talking, it's -- some things were  
4 occurring to me. You have certain vendors that are large --  
5 either are related to the supplier or have a relationship with  
6 the supplier that a large organization can negotiate a lower  
7 price on what that supplier is selling to. So -- I don't  
8 remember the large ones, but you -- Circle K, for instance, I'm  
9 sure, they are prevalent all over the state, they would  
10 negotiate more as a whole.

11 CHAIRMAN LA RUE: Ms. Ward, I think we've been  
12 doing this for a number of years now, right, where we do the  
13 forecast and the -- plug it in? You don't have another data  
14 sheet you can send us, if you have time, just to show since 2010  
15 what the forecast has been and what we've actually been just for  
16 (inaudible).

17 MS. WARD: I would -- I don't have that slide,  
18 but I would be happy to provide it, particularly since it shows  
19 a high level of accuracy. All right. I'll pull that together  
20 for you.

21 CHAIRMAN LA RUE: So you're saying we're pretty  
22 well behaving?

23 MS. WARD: Yes. Yes. In fact, if you'll recall,  
24 RARF last month, we were .2 percent off.

25 CHAIRMAN LA RUE: Yeah.

1 MS. WARD: You'll see on HURF the historical  
2 slide that was originally provided, so it's in your packet, you  
3 will see we were 1. -- our forecast was 1.6 percent off of  
4 actuals. And I tried not to brag about it the month before, but  
5 it was -- the variance was actually zero the month before last.  
6 So -- but I can give you that on a historical level, historical  
7 perspective.

8 CHAIRMAN LA RUE: It would be nice, because  
9 that's my recollection as I've sat here for, what, four years  
10 now --

11 MS. WARD: Uh-huh.

12 CHAIRMAN LA RUE: -- is that while I'm  
13 disappointed at the revenues that are coming in, when I think  
14 back, we've been pretty consistent at pegging what they are. I  
15 mean, we have that structure, gives you comfort that --

16 MS. WARD: Yeah.

17 CHAIRMAN LA RUE: -- that we're not either  
18 totally overspending or underspending, so...

19 MS. WARD: Well, if there are no more questions,  
20 I'll move on to the Regional Area Road Fund.

21 CHAIRMAN LA RUE: I don't see any questions.  
22 Please.

23 MS. WARD: So in 2015, we ended with  
24 four-and-a-half percent growth in the Regional Area Road Fund.  
25 Retail, we -- I'll cover some more of that in a couple of

1 minutes, but we did fairly well. With RARF, it ended up, I  
2 think, adding about -- no. I'm sorry. That's a future number.  
3 That's a forecast number. We did end up in contracting a little  
4 negative, and I'll show you more on that as well, but  
5 four-and-a-half percent. Historically, it's not fabulous. I've  
6 seen RARF as -- experience growth rates as high as 15 percent  
7 before my time. I look at those rates longingly.

8           If you look at retail sales, the 12-month rolling  
9 average, you'll see that in 2015, just so you know, we collected  
10 about 201 million, and that was on a growth rate of over 8  
11 percent. It's very interesting. We were talking about gas  
12 taxes, but -- and when those prices go down, what do  
13 consumers -- JP Morgan Institute did a study on this, and what  
14 they do with those savings is they go over and they spend them.  
15 80 percent of them, they found that 80 percent of drivers --  
16 that drivers spend 80 percent of their savings out on retail,  
17 restaurant and bars. So while we might not see it on the HURF  
18 side of the house, we will see it -- we do get some bang for the  
19 buck on the Regional Area Road Fund side of the house. So that  
20 shows the retail.

21           Let's look at contracting very quickly. While  
22 contracting has shown some strong growth in recent months, this  
23 slide kind of tells the historical story. In 2015, we actually  
24 experienced negative growth in contracting,. While there was a  
25 legislative change that impacted the very end of the year,

1 basically we still had very low growth. Well, negative growth.  
2 In 2007, by contrast, we brought in about 79. -- 73.9 million in  
3 contracting revenues, whereas in 2015 we experienced 36.6  
4 million in contracting revenues.

5 Okay. I didn't bring Kleenex.

6 So when we look at the Regional Area Road Fund  
7 for the balance of the regional transportation plan freeway  
8 program, the rest of the life of it, of the tax through 2026,  
9 this is what you're looking at. This is what you get. You get  
10 about a 5 percent growth over that time period. You'll see it  
11 stays pretty steady per the panel's estimates. And what this  
12 means in terms of the overall forecast, this gives you the  
13 numbers, they upped their compound growth rate to about -- at 5  
14 percent that I mentioned, and it increases the forecast increase  
15 by about \$258 million over the life of the tax under this new  
16 forecast. About 82 million of that is within that first five  
17 year -- within the five-year program that we're discussing here  
18 today.

19 MR. SELLERS: So why did 2026 fall off a cliff?

20 MS. WARD: You know, sometimes I think I should  
21 take that year off. It's half a year of revenues. The  
22 revenues, this chart, that chart is in a fiscal year, and so  
23 fiscal year '26 is half of 2015, calendar year 2015, and so the  
24 tax expires on December 31st, 2025. So you're seeing half a  
25 year. So you got me. I should -- I knew I should have taken

1 that off of there.

2 Okay. Federal funding. There have been a lot of  
3 discussions and bantering around, numbers, and these are the  
4 closest numbers we can get at this point. They are still  
5 providing us guidance on the FAST Act, but this is what -- let  
6 me go straight to the -- I'm going to skip this first one and go  
7 straight to where the -- what's more along the lines of cash.  
8 So I'm on your slide 17.

9 So when you look at FAST compared to MAP-21 and  
10 the additional funding that we will have access to over the next  
11 five years, we're seeing an increase of about \$350 million to  
12 the State. That's, I emphasize, to the State. That does not  
13 mean that all rolls into this five-year program. A portion of  
14 those dollars, you'll see in this slide how those dollars are  
15 suballocated, and -- I've got to turn the page here -- the  
16 general -- the distribution, the suballocations to the locals  
17 are around -- running around 20 to 21 percent, and 80 percent  
18 for -- that are not suballocated.

19 Oh, hold on here one second.

20 So one might ask, okay, well, what does that mean  
21 in terms of actual dollars? So 350 million difference in --  
22 from MAP-21 to FAST, and of that, approximately 300 million will  
23 be not allocated, and the other 50 million will be suballocated.  
24 So with those revenue sources in mind, then we base -- we look  
25 and see, okay, what do we think we can do in terms of financing?

1 The five-year program that you are about to see incorporates  
2 close to \$1.3 billion in bond issues. Of that, 500 million will  
3 go into this current program, and you'll see that depicted in  
4 just a little bit. 200 million in 2019, while it is a HURF  
5 issue, will actually go towards the RTPFP program, the Regional  
6 Transportation Freeway Program.

7 So after you take all of the revenue sources that  
8 we've just reviewed, as well as the financing mechanisms that we  
9 incorporate after we know what revenues we have to support that  
10 debt service, we then go through what's lovingly referred to as  
11 the RAC process at ADOT, and -- but no one will really  
12 necessarily know that, that reference.

13 What it is speaking to, the resource allocation,  
14 an allocation that was hand -- was resolved at Casa Grande in  
15 1999, and what we do is as soon as -- I think this next slide  
16 will actually cover it a little bit more -- once FMS, the  
17 Financial Management Services, the group that I'm responsible  
18 for, once we develop the revenue numbers, we look at what the --  
19 I'm trying to think of an easy way to explain this. We look at  
20 what we have spent by region in subprograms over the last three  
21 years, and we took -- take those numbers, and then we pass them  
22 over to MPD and, okay, now let's break this down, get --  
23 calculate your subprograms, how much gets applied to  
24 subprograms, and then the remainder gets dedicated to major  
25 projects, and ultimately ends up in a breakdown of the MAG

1 region getting 37 percent. We programmed 37 percent of the  
2 program in the MAG region, 13 percent in the PAG region, and 50  
3 percent in the Greater Arizona region, and that was not -- you  
4 know, that was not one of my most artful dances, but do you  
5 understand it?

6 CHAIRMAN LA RUE: Questions by the board members?

7 MS. BEAVER: Chairman La Rue, I think you did a  
8 really good job.

9 MS. WARD: Oh, well, see --

10 MS. BEAVER: You know, very -- kind of  
11 simplifying it to the point where these two slides, I'd almost  
12 like to see put on the web site.

13 MS. WARD: Okay. All right. I'll have to --

14 MS. BEAVER: Because I think sometimes people  
15 don't understand, you know, how things -- you know, we show the  
16 other side of it, the development of this, but from the resource  
17 side, we don't necessarily show that, and I think you summarized  
18 it really well.

19 CHAIRMAN LA RUE: So we'll have a test in the  
20 next board meeting just to really (inaudible).

21 MS. WARD: Okay. There we go.

22 I will let you know that we actually tested these  
23 allocations. We -- a couple of years ago and -- by looking at  
24 actual expenditures, and we -- it just came dead on. It was  
25 really -- I was very thankful for that, because I was waiting to

1 see how the numbers fanned out.

2 CHAIRMAN LA RUE: I do have a question for you  
3 given our earlier topic. So off the top, (inaudible) Resource  
4 Allocation Advisory Committee, so I'm assuming there's a policy  
5 or something there from 1999 that says rest areas.

6 MS. WARD: Uh-huh.

7 CHAIRMAN LA RUE: So all the rest areas that we  
8 just talked about, is -- do they come off the top? What is  
9 that?

10 MS. WARD: I'm seeing a lot of shaking of the  
11 heads. Yes. I'm going to say yes and defer the balance of the  
12 question to the shaking heads. That would be Mike Kies.

13 CHAIRMAN LA RUE: Okay.

14 MR. HAMMOND: Can you elaborate on accords also  
15 on --

16 MS. WARD: So as I understand the Casa Grande  
17 accord, the whole thinking was let's take off of the top that  
18 which is a -- those costs which are applicable to the entire  
19 state. So what are those things that benefit the entire state?  
20 And so those -- that's what I mean -- I'm giving examples of  
21 things that benefit the entire state, ports being one of them.  
22 There -- it's a simple example of a benefit to the entire state.

23 MR. ROEHRICH: Mr. La Rue and board members, the  
24 issue about off the top is those end up getting put in the  
25 subprogram, and that's where we developed the project. So I'm



1 trying to let Dallas explain.

2 MR. HAMMIT: Right.

3 MR. ROEHRICH: (Inaudible) with the port of  
4 entries (inaudible). But the challenge that we still get is any  
5 time we do take the money off and put it in the ports, then the  
6 rest of the state says, well, why do they have to be so much?  
7 Why do you really have to do that because (inaudible) goes to  
8 them. So we still get challenged on even putting money into  
9 those subprograms and taking it out of the 37/13/50 distribution  
10 and do those programs. But then the challenge still seems to  
11 be, why are you still spending those? People don't see the  
12 value of that.

13 Ports are a huge issue, because it collects  
14 additional revenues. It gets the people who come in overweight.  
15 It tracks the movement of freight through there, which again  
16 makes sure that we collect the revenues to help keep the system  
17 (inaudible) preservation of the system, helps protect the  
18 system, and obviously (inaudible) rest area, (inaudible) had the  
19 conversation of the importance of the rest areas.

20 CHAIRMAN LA RUE: Yeah. No, I -- you know, this  
21 is the first year that I started dialing into that, and I  
22 (inaudible) it would be interesting to know how ports is defined  
23 in that committee advisory. Is it just the footprint of the  
24 port, or is it 50 miles of the roads getting into the port?  
25 (Inaudible.)

1 MR. CUTHBERTSON: Mr. Chairman.

2 CHAIRMAN LA RUE: (Inaudible.)

3 MR. CUTHBERTSON: So those line items, are they  
4 specific to maintenance only, or -- so -- or is that -- when you  
5 pull that money off for the ports and rest areas, is that money  
6 that's dedicated just to maintenance of those facilities or to  
7 new construction?

8 MR. ROEHRICH: Mr. Chair, Mr. Cuthbertson, it's a  
9 capital problem. It's a capital, capital budget, with some  
10 parts of maintenance that are eligible for those capital funds.  
11 As Dallas had said, that when you get into the -- then the  
12 operation cost of those, then that comes out of our operating  
13 budget, which is outside of this five-year program. It's  
14 appropriated by the -- with the legislature out of the highway  
15 fund to the department, and so those routine daily operating  
16 costs come out of ADOT's operating budget, and then the capital  
17 budget is what comes out of the five-year program, and that's  
18 what's taken off the top and was reflected in the financial  
19 component.

20 MS. WARD: (Inaudible.)

21 MS. BEAVER: Chairman La Rue, I think our  
22 conversation is making Mr. Kies nervous.

23 CHAIRMAN LA RUE: (Inaudible.)

24 MR. KIES: Well, not nervous. I just wanted to  
25 make sure that people understood that these were just two

1 examples that Kristine was giving about off the top. There's a  
2 list of about 20 or 25 items that we take off the top, and not  
3 all of them are related to construction. Some is -- one is our  
4 risk management --

5 MS. WARD: Risk management.

6 MR. KIES: -- funding, which goes towards paying  
7 insurance --

8 MS. WARD: Uh-huh, for the construction.

9 MR. KIES: -- you know, which we -- we, not me  
10 personally, but the -- in the past, the Resource Advisory  
11 Committee had determined that that was benefiting the entire  
12 state, that the Department of Transportation has insurance for  
13 liability. Other things are planning activities of the planning  
14 division. We plan projects and studies all over the state.  
15 That was decided as a off the top for the benefit of the entire  
16 state. So it's not only construction items. These were just  
17 two examples that Kristine picked that I think she thought would  
18 get the point across --

19 MS. WARD: (Inaudible.)

20 MR. KIES: -- that rest areas and the ports of  
21 entries are of benefit to the entire state.

22 CHAIRMAN ANDERSON: You know, thank you for that  
23 clarification. Let's go to Mr. Stratton, and then I've got a  
24 follow-up question.

25 MR. STRATTON: Mr. Chairman, what is the total

1 percentage of off the top for the overall revenue.

2 MS. WARD: I don't remember the percentage. It  
3 runs, I think, between 50 and 70 mil., something like that. I  
4 don't know, so --

5 MR. KIES: No. I think it's in the range of  
6 about 40 million that we take off the top, and I -- and the  
7 total amount available for distribution has been in the 600 --

8 MS. WARD: Yeah.

9 MR. KIES: -- to 700 million range.

10 MS. WARD: 700, yeah.

11 MR. STRATTON: So it's not a percentage. It's an  
12 -- it's a dollar amount that's needed rather than a percentage  
13 allocated?

14 MR. KIES: It's a dollar --

15 MS. WARD: It's a dollar.

16 MR. KIES: -- amount that's defined-

17 MR. STRATTON: Okay.

18 MR. KIES: -- based on the value that we program  
19 to those different activities. Yes.

20 MR. ROEHRICH: Well, it's been coming in -- looks  
21 like it's been a little under 10 percent --

22 MR. KIES: Under 10 percent.

23 MR. ROEHRICH: -- is what has been the dollar  
24 amount. (Inaudible) percentage of the total that eventually  
25 then gets into this distribution amount.

1                   CHAIRMAN LA RUE: Mr. Kies, is there a document  
2 that's easy to read and not too thick that kind of lays what you  
3 just described out?

4                   MS. BEAVER: Like a summary?

5                   MR. KIES: Yes. In fact, every time we have a  
6 meeting of the Resource Advisory Committee, we prepare a  
7 two-page document that does exactly that. Starts with the total  
8 amount that's available for distribution, lists all the off the  
9 tops, lists all the subprogram allocations that are assumed, and  
10 then gets down to the numbers for resource allocation. I will  
11 make sure I send --

12                   CHAIRMAN LA RUE: That might be helpful  
13 (inaudible) --

14                   MR. KIES: -- the one that we just -- yeah.

15                   CHAIRMAN LA RUE: -- (inaudible) made that into  
16 our minds. Because I know you've mentioned in the past, but  
17 it's just not catching there. Thank you.

18                   MR. ROEHRICH: Mr. La Rue, if I could, just want  
19 to make a general comment. So any staff who's sending something  
20 to all the board members, please send it to Mary. She'll  
21 distribute it.

22                   CHAIRMAN ANDERSON: Right. Yeah. Everything  
23 through Mary. Nothing outside of direct.

24                   MS. WARD: Okay. So this gets us to a slide that  
25 will make some glassy eyed. So we take the State -- SHF stands

1 for State Highway Fund. We take those State Highway Fund  
2 revenues that are available and flow into the program down from  
3 HURF. We pay our debt service and meet some operating cash  
4 requirements to get to what's the total State Highway Fund  
5 flowing into the program, and you'll see for the five-year  
6 program that's about \$206.8 million. That's after paying the  
7 debt service associated with those planned issues, that almost  
8 1.3 bil. in planned debt issues.

9           This will show you then we take the federal aid  
10 amounts that are available for the program after we do those  
11 distributions that I discussed. They flow in. We then  
12 calculate in how much we estimate for -- to get through the  
13 August redistribution process, as well as some other dollars  
14 that come back in. We take our debt service off, and then that  
15 takes us to how much federal aid is available for the program.  
16 We look at the financing mechanisms. Then we have to apply the  
17 -- a discount factor to allow for inflation, which gets us to  
18 the total -- I'm sorry -- the total sources of funds that are  
19 available for the program. And you'll see that at about 3.4 --  
20 3,379, 3.4 bil. for the full five-year program.

21           CHAIRMAN LA RUE: So I think I've asked this  
22 question every year, and I must not remember it. Speak to me  
23 about the inflation adjustments. So you're adjusting future  
24 revenues down by an inflationary factor.

25           MS. WARD: Correct. Correct.

1 CHAIRMAN LA RUE: And the purpose of that is?

2 MS. WARD: To bring -- because the program  
3 dollars are in constant dollars. They're in our dollars today.

4 CHAIRMAN LA RUE: So our expense side is in  
5 constant dollars today. They're not inflation adjusted in the  
6 five-year program.

7 MS. WARD: Exactly. But --

8 CHAIRMAN LA RUE: (Inaudible) inflation adjust on  
9 the revenue side?

10 MS. WARD: Correct, because my revenue numbers  
11 are actually inflated. I have to bring things down. Yeah.  
12 That's -- there's a lot more to that, but yes, that's the crux  
13 of it.

14 CHAIRMAN LA RUE: And so who does the forecasting  
15 to figure out that inflationary adjustment.

16 MS. WARD: That is a wonderful question, and it's  
17 this -- it is our consultants, HDR. So they go and they look at  
18 -- this is actually -- this inflation factor is a combination of  
19 what do they anticipate in increased construction costs, and  
20 that's built in there as well as inflationary costs. So that's  
21 what that negative inflation adjustment is, and it is required,  
22 I might add, to be depicted for fiscal constraint for the  
23 federal government. It is a very, very specific requirement.

24 CHAIRMAN LA RUE: Thank you.

25 MS. WARD: There you go, Carla.

1           So this takes us to the actual program. Let me  
2 turn the page here. So ultimately, what all of those revenues  
3 resulted in was an additional \$440 million flowing into the  
4 already approved program, and then a new fifth year of \$700  
5 million.

6           Now, just to give you some point of reference,  
7 when I came on board, our -- my first fifth-year amount was  
8 around 525 million. Because of the consistency, we now have in  
9 the -- the additional funds from the feds as well as the revenue  
10 growth.

11           CHAIRMAN LA RUE: Can everybody hear in the back?

12 (Inaudible.)

13           MR. ROEHRICH: Move that mic closer to you.

14           MS. WARD: Well, Floyd, you know, Floyd mentioned  
15 mono, so I'm...

16           CHAIRMAN LA RUE: (Inaudible.)

17           MS. WARD: No, no. Don't worry, Mike. I do not  
18 have mono. You missed that, that one.

19           MR. ROEHRICH: That's good. I'm glad  
20 (inaudible).

21           MS. WARD: Also, you missed -- it got worse, but  
22 I won't tell you. I'll tell you that afterwards.

23           So what we now have is a program that -- a new  
24 fifth year that is at \$700 million. So courtesy of these  
25 additions to the revenue growth that we've experienced in HURF



1 as well as the increased federal aid revenues that we've got,  
2 which facilitate increased bonding, we are now up to a new fifth  
3 year of \$700 million.

4 So, of course, I can't tell you any good news  
5 without telling you that there are risks to the good news. Of  
6 course, all of the things that I've been talking to you about  
7 are built-on estimates. We can't speak to what the legislature  
8 will do. While the executive budget holds us pretty much  
9 harmless or no particular change, we don't have a good -- we  
10 don't know what the ultimate legislative proposal will be, and  
11 you always have concerns about fund transfers and diversions.

12 One point to be made is that the FAST Act expires  
13 in 2020. So what we have assumed for federal aid in 2021 is  
14 flat growth from 2020 to 2021. I also have to, of course,  
15 remind you that understand that the Great Recession took place  
16 between December 2007 and June 2009. Recessions tend to run on  
17 a five to seven-year schedule. So just things we have to  
18 consider.

19 MR. HALIKOWSKI: Kristine, the FAST Act expires  
20 in 2020. There's a clause in there, go about the funding. It  
21 doesn't state the new base rate.

22 MS. WARD: It reverts back to MAP-21 levels.

23 MR. HALIKOWSKI: To 2015 levels.

24 MS. WARD: Correct.

25 MR. HALIKOWSKI: So that's another caution that

1 we need to be careful of.

2 MS. WARD: I didn't articulate it well, but  
3 that's what I meant to --

4 MR. HALIKOWSKI: Okay.

5 MS. WARD: -- get across.

6 MR. SELLERS: Is that what causes the reduction  
7 in fiscal year '21?

8 MS. WARD: Fiscal year -- what slide are you  
9 looking at, sir?

10 MR. SELLERS: Back on 25th and 26, reduction in  
11 funding.

12 MS. WARD: 25 and 26, reduction in funding. So  
13 quote me a number so I can get exactly what you're looking at.

14 MR. SELLERS: We go with fiscal year -- go back  
15 one slide. One more. Right there.

16 MS. WARD: Okay.

17 MR. SELLERS: So you got 619 (inaudible) 619 and  
18 732?

19 MS. WARD: Yeah. That's where you're -- where we  
20 start flatlining numbers. So you see the federal aid number  
21 remains exact, and then, oh -- oh, the big reason you see a  
22 difference there is one -- what I built into the program is I  
23 assume that you are going to -- that we are going to have some  
24 big projects that we can do some advanced construction on. That  
25 is a federal -- a tool that the federal government provides to

1 us to cash flow projects. That 113 million that you see there  
2 is half of the costs of those projects, essentially. So you --  
3 we are not seeing -- that's not -- we are not seeing a decrease  
4 due to the expiration of the FAST Act. That is a -- kind of a  
5 behind-the-scenes calculation that if you ever want, I can go  
6 into in great detail, unfortunately.

7 MR. SELLERS: Okay. Thank you.

8 MS. WARD: And with that...

9 CHAIRMAN LA RUE: Questions of the board members?

10 MR. HAMMOND: Very quick, very informative.

11 MS. WARD: Oh, glad you liked it, even with  
12 advanced construction being mentioned.

13 CHAIRMAN LA RUE: I think that is the biggest  
14 increase I think I've seen since I've been (inaudible).

15 MS. WARD: Yeah.

16 CHAIRMAN LA RUE: That's why you were smiling.

17 MS. WARD: That's exactly why I was smiling.

18 Thank you very much.

19 CHAIRMAN LA RUE: Let's continue. Mr. Kies,  
20 you're up.

21 MR. KIES: We always like it when Kristine is  
22 smiling.

23 Thank you, Mr. Chair. I would like to continue  
24 the conversation from where Kristine left off with the revenue  
25 available for the five-year program to staff's recommendation of

1 the projects and the programs that we would like to program for  
2 the next five years.

3 Just a review of what I'm going to give you an  
4 overview of today. First we'll talk a little bit about the  
5 asset condition. As you recall, every year we look back at the  
6 condition of our assets, the value and where the trends are  
7 leading, which helps us to prioritize some of the programs in  
8 the five-year program. Then we'll talk about the tentative  
9 five-year program. This is the program for Greater Arizona,  
10 which does not include Maricopa County or Pima County. We'll  
11 take the Pima County and Maricopa County program separately, and  
12 then a few comments about our airport program.

13 For those that don't remember, the five-year  
14 program is developed collaboratively between all the areas of  
15 ADOT and partners, some of our NPO partners. It does  
16 demonstrate how we intend to spend all of our federal and state  
17 dollars that are available to us over the next five years. It's  
18 approved annually. So even though it's a five-year program, we  
19 do this every year. We don't wait five years to update it, and  
20 then it allows us to continue delivering projects into our next  
21 fiscal year, which is -- starts July 1st.

22 So very quickly, just an overview of our assets  
23 that we currently have on the state highway system. Every year,  
24 whether you like it or not, we bring you the current value of  
25 our assets that are out there in place. This year it did top a

1 value of \$20 billion. You might recall last year we presented  
2 its value at about \$19.7 billion. So obviously we continue to  
3 increase the amount of assets we have out there that -- to  
4 maintain and operate. And again, just to reiterate, that the  
5 importance of preservation of this system that if we -- we were  
6 no longer to preserve this system and then have to replace this  
7 entire system in place, we estimate that would cost about \$200  
8 billion. So it's very important that we keep up with the  
9 preservation.

10 So with that, where is the -- where is the  
11 condition of our assets today? Every year we do bridge  
12 inspections and then bring it into a database. We've been able  
13 to track the trends of our -- this happens to be bridge  
14 conditions around the state. You see good, fair, poor in green,  
15 yellow and red. And you -- what I would like to point out with  
16 this slide is the trend, however, from 2001 to 2014, a 15-year  
17 trend, and you see that we're seeing the trend still going  
18 downwards as far as the less percentage of our bridges in the  
19 good condition, more starting to appear in the poor condition,  
20 and we currently show 4 percent of our bridges in poor  
21 condition.

22 Next is the condition of our pavement on our  
23 state highway system.

24 MR. ROEHRICH: Real quick, Mr. Board Chair, board  
25 members, that doesn't mean our bridges aren't safe.

1 MR. KIES: No, not -- yeah.

2 MR. ROEHRICH: (Inaudible) we're not -- the  
3 conditioning and the inspection, all that means, we addressed  
4 the safety conditions of the bridge, but they are deteriorating  
5 like anything else.

6 MR. KIES: Right.

7 MR. ROEHRICH: They're showing a little bit more  
8 age.

9 MR. KIES: Yeah.

10 MR. ROEHRICH: Which means the pavement  
11 preservation -- or the pavement preservation part will start  
12 costing us a little bit more to continue to keep these bridges  
13 in a safe, functional condition.

14 MR. KIES: Thank you, Mr. Roehrich.

15 MR. SELLERS: What about the ones, though, that  
16 are in poor condition?

17 MR. KIES: Well --

18 MR. SELLERS: Is that becoming a safety concern?

19 MR. KIES: Well, if it would become a safety  
20 concern, we would close the bridge. The reason that they're --  
21 they're in poor condition, they're still open, but it alerts us  
22 that those are bridges that need attention to, and I'll show you  
23 later about how many projects in this proposed five-year program  
24 actually are dedicated to those bridges.

25 MR. STRATTON: I'm sorry. A few years ago, I

1 believe the standards changed after some catastrophic accidents  
2 on some bridges. Did that impact our condition of poor  
3 significantly?

4 MR. KIES: I don't believe so. Dallas? No.  
5 Dallas is shaking his head no, it did not change.

6 CHAIRMAN LA RUE: Mr. Kies, I would guess that  
7 depending on where the bridge fits, there's probably a different  
8 inspection protocol that's -- we undertake. I mean, is that the  
9 case?

10 MR. ROEHRICH: Mr. Chair, members of the board,  
11 that is correct. Usually our bridges are on about a two-year  
12 cycle. After they start seeing a degradation or if we know  
13 there's a condition within them, they go on a yearly cycle, and  
14 then it's -- as -- on I-15, I want to talk a little about  
15 Interstate 15, we're actually going through a bridge monitoring  
16 program that allows us to do even more continuous monitoring of  
17 those considering that we evaluate the concerns of their health  
18 and condition.

19 MR. HALIKOWSKI: Mr. Chairman, the federal  
20 government just awarded us a \$768,000 grant to put electronic  
21 sensors on the bridges on 15 as a pilot program, and they will  
22 telemetrically give our folks here in Phoenix bridge conditions,  
23 but that's only on 15. But it might be better if we brought the  
24 state engineer up to answer questions about the bridge  
25 condition.

1 MR. HAMMIT: I think Floyd covered it pretty  
2 well. It's good to know that after six years, he still  
3 remembers what's here.

4 MR. ROEHRICH: (Inaudible.)

5 MR. HAMMIT: But he is correct. But I want to  
6 add one thing more to what Mike said. As we evaluate those, we  
7 may -- if conditions are to a certain area, we would close it,  
8 but sometimes we would just put a restriction. A few years ago  
9 at Ash Fork, you may remember on I-40 we put a restriction and  
10 closed one lane of that bridge until we got it repaired, because  
11 it had deteriorated to a certain condition. We -- our plan is  
12 to get ahead of that so we're not putting -- we're not posting  
13 weights or closing lanes, and that's what our program is doing.

14 From about 2010, we increased from about \$20  
15 million a year to \$40 million a year to -- because we saw a  
16 trend of our bridges deteriorating faster than we could keep up.  
17 We are making more strides, but as that shows, we are keeping  
18 the areas in poor in check, but the ones that are between good  
19 and fair, those are deteriorating, and you can just see it with  
20 the life of our system. I-40, I-10 were built in a similar time  
21 frame, and they're all coming due at that same amount of time.

22 MR. HAMMOND: I know I-40 is a -- or I-15 has got  
23 some serious issues. I guess I can add it up here (inaudible)  
24 see all the red dots. What Percentage of I-15 is that 4  
25 percent? Is it 50 percent of the bridges that are poor --



1 MR. HAMMIT: There's eight bridges on I-15.  
2 We're in the process of a brand-new one on one. I think there  
3 was -- would probably be only four bridges that were in the poor  
4 condition that are left now.

5 MR. HAMMOND: I-15. And what's the total number  
6 in terms of numbers?

7 MR. KIES: I do have that if you --

8 MR. HAMMIT: Yeah. I don't know it off the top  
9 of my head.

10 MR. KIES: -- let me find it. Just a second.

11 MR. HAMMIT: You get that in a future slide,  
12 don't you?

13 MR. KIES: No, I didn't (inaudible).

14 MR. HAMMOND: You know, Mike, a rough number is  
15 fine. (Inaudible.) Just curious.

16 MR. KIES: I don't even know the rough number.

17 MR. ROEHRICH: What I think Mr. Chairman is  
18 (inaudible). Maintenance (inaudible).

19 MR. KIES: There are -- Board Member Hammond,  
20 there are 63 bridges total in poor condition.

21 MR. HAMMOND: And four of those are on I-15?

22 MR. KIES: And that's going by memory. I'd have  
23 to check to know exactly for sure.

24 MR. HAMMOND: Would be the dollar scale to fix  
25 them all about the same percentage?

1 MR. ROEHRICH: Mr. Chair, Mr. Hammond, I'm going  
2 to give you a discussion on I-15 that was requested by the  
3 Board. I'm going to discuss I-15. So I'll give you the  
4 specifics of that.

5 MR. HAMMOND: Okay. All right.

6 MR. ROEHRICH: If you want to wait until that  
7 time.

8 MR. HAMMOND: (Inaudible.)

9 MS. BEAVER: Chairman La Rue, I can't help but  
10 look at this, also. When we're talking about the expense was  
11 20.2 billion, and without preservation it would be 200 billion,  
12 without preservation, if we weren't being stewards of the state  
13 highway system, lawsuits would probably increase that 200  
14 billion, wouldn't it? If people were, you know, injured, sued  
15 the State, you know. I just look at this number, and that's why  
16 I think this preservation aspect is very important to this.

17 MR. HALIKOWSKI: Well, I think that point's well  
18 taken, Mr. Chairman, is that, you know, the State's going to be  
19 subject to a lawsuit if people are going to allege that there  
20 was somehow a defective condition in the system that caused them  
21 damages, and you know, you would see a increase in those, I  
22 think, the less you maintain the system. So obviously from the  
23 taxpayers' perspective, it makes sense to keep the system in  
24 good condition.

25 But as I pointed out -- Kristine's around here

1 somewhere -- I know I saw the graph at a board meeting. By  
2 2022, our maintenance costs will begin to exceed the maintenance  
3 dollars we have available. And you will see us trying to then,  
4 you know, figure out how to prioritize maintenance needs in the  
5 state given the limits in funding, because I would just add, as  
6 we've said before, with a \$20 billion system, and I think this  
7 is a point Board Member Beaver's getting at, fiduciary  
8 responsibility demands we keep it in good shape. Otherwise, it  
9 will cost us a lot more to fix it the more (inaudible).

10 CHAIRMAN LA RUE: Thank you.

11 MR. KIES: I have similar information on the  
12 pavement condition. As you can see here, we break out the  
13 performance of the interstate system on the top versus all the  
14 other state highways, which are non-interstate on the bottom.  
15 We do hold our interstates to a higher pavement condition goal.  
16 So you see that they're in greater good condition than the rest  
17 of the state.

18 So with that, we'll move on to the five-year  
19 highway delivery program, and that performance of the -- of the  
20 highways -- of the pavement and the bridges really is a big  
21 factor that helps us decide where we should be putting our  
22 funding in the five-year highway delivery program.

23 Before I get into the details of the program, I  
24 do want to remind the Board that the long-range plan that we act  
25 under in the planning division was calculated previously that we

1 should be spending about a third of our program in preservation  
2 to keep up with that -- the amount of preservation that we  
3 should be doing. Roughly, again, a third in the expansion area,  
4 and a third in modernization, which is where all those safety  
5 improvements are located in the program.

6           We are currently going through an update of the  
7 long-range plan. Every five years, by federal law, we are  
8 required to update our long-range plan. And you may have known  
9 -- seen that there's been some news releases and information put  
10 out about all the different workshops that we're going to be  
11 having around the state regarding the long-range plan. These  
12 are workshops where the public, the business community, other  
13 stakeholders can voice their opinion about what the vision of  
14 our transportation should be over the next 20 years, how we  
15 should be looking at -- thinking about programming dollars and  
16 projects towards that five year -- over the next 20 years. So  
17 with the conclusion of the updated long-range plan, this may  
18 change here in the near future based on -- as the director  
19 mentioned, as we look at our preservation needs over 20 years,  
20 as we look at the revenue numbers that are coming in. Just want  
21 to give you a heads up on that.

22           These workshops start as early as tomorrow where  
23 there's one being held in Kingman, and then on Thursday of this  
24 week in Prescott Valley, and then a whole host of them over the  
25 month of February throughout the state.

1           So with that said, this is a comparison of the  
2 previous five-year program that you approved last year where we  
3 had 29 percent of the program dedicated to preservation and  
4 about 59 percent dedicated to expansion. This includes projects  
5 in -- for the entire state, including Maricopa and Pima County,  
6 where there are a lot more projects that are expansion oriented  
7 than in Greater Arizona.

8           As compared to this year's program, which is on  
9 the right side, where you'll see as I give you the details of  
10 the five-year program, we are concentrating more funding towards  
11 the preservation area, with 41 percent of the entire state's  
12 program proposed to be towards preservation, and a change from  
13 59 percent to 44 percent in the expansion area.

14           You'll also see that the modernization area  
15 growing from 12 to 15 percent. We're looking to put more  
16 emphasis into some of those modernization improvements, which  
17 include safety improvements around the state of Arizona.

18           CHAIRMAN LA RUE: Mr. Hammond.

19           MR. KIES: Yes, sir, Mr. Hammond.

20           MR. HAMMOND: You know, the interchanges, the  
21 improvements to I-10 and the two spots, would that be considered  
22 modernization or expansion?

23           MR. KIES: That's considered expansion. Yes.

24           What I'd like to now do is just talk about the  
25 five-year construction program. This is for Greater Arizona,

1 dedicated to outside of Maricopa County in Pima County. Again,  
2 a higher proportion of the Greater Arizona dedicated to  
3 preservation. There's a lot more mileage in rural Arizona than  
4 in the urban areas and less towards expansion.

5 As in past years, I've always thought that the  
6 best way that we can present an overview of the five-year  
7 program to you is with these bar charts. If you were paying  
8 attention to Kristine's presentation, she had indicated at the  
9 end of her presentation that the Greater Arizona portion of the  
10 program that's available for programming, it ranges between 400  
11 and 500 million dollars per year over the five year -- of the  
12 program. And that's what these bars represent. You can see  
13 that they all top out somewhere between four and 500 million  
14 dollars a year.

15 We then are proposing that that funding be  
16 divided into our major categories: Green being preservation,  
17 red being the modernization program, and blue being that  
18 expansion program that has those larger projects involved. And  
19 then there's a couple other categories there. The yellow and  
20 the purple are sort of the development, the planning and the  
21 development of our projects and how much money is dedicated  
22 towards those.

23 What I would like to point out with this slide is  
24 we've always been talking about this number of \$260 million per  
25 year dedicated to preservation is being a goal to get our

1 preservation spending to that number so that we could make some  
2 strides in the preservation of our infrastructure, and we have  
3 always been showing you numbers below that number. This year  
4 with the joy that Kristine has spread with not only her  
5 increased revenue forecast, the FAST Act, some other things that  
6 have freed up some funding, we are proposing that in year 2019,  
7 2020 and pretty much in 2021 that we be at that \$260 million a  
8 year to dedicate it to preservation funding.

9           With that said and then with our safety program,  
10 we then have available revenue that we're recommending for a  
11 whole host of expansion projects. All of them I'm sure you  
12 recognize from previous discussions. We start out in 2014 the  
13 same projects that were proposed in the last five-year program  
14 in 2017, the State Route 89/Deep Well Ranch project, which is in  
15 the Prescott area, and a US-60 expansion project in Show Low.  
16 But now adding a new project to 2017, which is the State Route  
17 347 overpass, previously in the last program that was in the  
18 year 2020. So we've -- staff is recommending that that be  
19 accelerated to 2017, and there is a main reason why we would  
20 like to accelerate that to 2017. As you recall, we did -- were  
21 awarded a TIGER grant for that project, and that TIGER grant has  
22 a time frame associated with it, and it is -- it's paramount  
23 that we do deliver that project in 2017 to keep up with that  
24 time frame. And I'll give you some details on that, the funding  
25 for that project here in a few minutes.

1           The other projects that we're proposing in the  
2 five-year program are projects that primarily were in the  
3 development program last cycle, because we did not feel like we  
4 had enough revenue to support the construction. They are two  
5 I-10 projects, one at Picacho, which is one of those sections  
6 where I-10 goes from six lanes down to four lanes and then back  
7 to six lanes, and then the second I-10 project is what we call  
8 Earley to I-8, which is in the Casa Grande area. We recommend  
9 that those projects go to construction in 2018 and 2019.

10           And then we recommend bringing two US-93 projects  
11 forward from the delivery program in 2020 and 2021. First, a  
12 \$31 million project that's called Carrow to Stephens on US-93,  
13 and then second, a -- another \$31 million project called Cane  
14 Springs on US-93.

15           MR. SELLERS: So Mike, in this five-year plan,  
16 the design for State Route 189 wouldn't be until 2018?

17           MR. KIES: Correct. With 189, we're currently  
18 going through the environmental process, and that's going to be  
19 accompanied with a 15 percent design set of plan -- so 15  
20 percent of the way through the final design process, we expect  
21 that environmental clearance to be obtained this summer, which  
22 is in fiscal year '17, and then we would then move on to the  
23 final design.

24           MR. HAMMOND: Those two, actually the design and  
25 construction (inaudible) or SR-189 or -- that's the same as it



1 was in the last (inaudible)?

2 MR. KIES: Correct.

3 MR. HAMMOND: What you're saying is you're going  
4 to finish the two segments of I-10 in '18 and '19?

5 MR. KIES: That is what we're proposing, yes.

6 MR. HAMMOND: I like that.

7 MR. KIES: Great. Yes, sir.

8 MR. STRATTON: On the SR-347, the -- is that a  
9 firm commitment on the local share, or is that an estimate?

10 MR. KIES: Director, would you like to take that?

11 MR. HALIKOWSKI: I was going to pose that  
12 question to Mr. Kies, Mr. Chairman, Mr. Stratton, but he did say  
13 he was going to discuss financing (inaudible).

14 MR. KIES: Yeah. See, I slide here next. So  
15 (inaudible) talk specifically about 347 (inaudible).

16 MR. HALIKOWSKI: But that is a question I wanted  
17 to ask you. Is the local share (inaudible) going to be ready by  
18 FY '17?

19 MR. KIES: So we're in a process of working out  
20 an intergovernmental agreement between ADOT and the City of  
21 Maricopa. So what this -- what this paragraph and what's on the  
22 next slide shows is the agreement that was agreed to when we  
23 submitted the TIGER grant to the federal government. I think  
24 the 347 -- and I'll skip to the next slide -- the 347 project  
25 really is a great example of a partnership between a local

1 entity and ADOT where we have partnered together. In the  
2 pursuit of the TIGER grant, the TIGER grant was awarded for this  
3 project, and the local community has dedicated local funding  
4 that they're going to contribute to the program.

5 So this five-year program does assume these  
6 assumptions for the State Route 347 overpass. We are still  
7 under a current cost estimate of \$55 million total for the  
8 entire project. ADOT has already advanced some of those funds.  
9 This board approved a previous five-year program that obligated  
10 \$6 million for the final design of that project in this -- the  
11 current fiscal year that we're in right now. So that is already  
12 taken away from the 55 million that's required for the project.

13 As submitted in the TIGER grant, phase one or the  
14 first piece of the project is to relocate the Amtrak station,  
15 which is now located right next to the existing crossing, and  
16 would have -- would be under the bridge if it wasn't relocated.  
17 The local community is willing to do that project at an estimate  
18 of \$6 million, which is part of the local contribution that  
19 we're talking about for this project.

20 And then that leaves phase two and three, which  
21 is at about a \$43 million price tag, and that's the bulk of the  
22 work that -- or it's all the work here that you see on this map:  
23 The overpass over the railroad, some of the local streets being  
24 re-orientated so that traffic moves more efficiently. And so  
25 for that \$43 million, we have \$15 million that's been provided

1 by a TIGER grant. The agreement with the TIGER grant was that  
2 the local community provide \$15 million. So six is already part  
3 of the Amtrak station. That's another nine that would come to  
4 phase two and phase three.

5 Therefore, for this five-year program, we are  
6 programming \$19 million worth of ADOT funds, and that is the  
7 assumption that's in this five-year program and allows us to  
8 program all those other projects that we referred to. It's not  
9 the only reason that we can program those projects, but it's one  
10 of the factors that allows us to bring some of those projects  
11 forward.

12 CHAIRMAN LA RUE: Mr. Stratton.

13 MR. STRATTON: Mr. Chair and Mike, I have another  
14 question on this. You -- and I'm supportive of this project. I  
15 have been for many years. You mentioned the City of Maricopa  
16 being a partner, but I think it's important, too, to mention I  
17 think there's another partner involved in this and give them the  
18 credit, also. The tribal community is also a portion of this,  
19 and I think that that needs to be recognized, that it's more  
20 than just a city and a town and ADOT. It's also the tribal  
21 community. And that was my question, if the numbers have been  
22 tied down on what all the commitments are.

23 MR. KIES: Yes. Thank you for that statement,  
24 Mr. Stratton. And I do not believe -- I don't want to speak for  
25 the City of Maricopa that all of the commitments of where that

1 local contribution has been -- is coming from, but the way that  
2 it is presented, and we've all agreed with the TIGER grant was  
3 that it's the City of Maricopa that's going to do that -- carry  
4 the water to bring all of those funds together.

5 MR. STRATTON: Thank you.

6 MR. ROEHRICH: But Mr. Chair and Mr. Stratton,  
7 the point is we're negotiating to come to a final joint project  
8 agreement to outline that. Well, it's not signed yet, so we're  
9 not done. We're still negotiating. We're still working with  
10 the local, the Ak-Chin as well as the City of Maricopa and ADOT  
11 to come to that final agreement. Now, the agreement might only  
12 be between us and Maricopa, and then Maricopa brings in Ak-Chin  
13 as a partner, but you're right, we need to recognize that  
14 they're a partner within ultimately the funding of this, but  
15 that agreement is not executed. So we're still negotiating.

16 CHAIRMAN LA RUE: So Floyd, thank you for that.  
17 I think what Mr. Stratton's question is, what is the timing on  
18 that? Is that IGA going to be signed before this board would  
19 take action in June?

20 MR. KIES: Do you know the answer?

21 MR. HAMMIT: We don't, because we don't have the  
22 full control, but that is our intention that we have all those  
23 commitments before. Really what I've been tasked with before we  
24 spend any more additional state funds, that we have that  
25 agreement in place to move forward. So our intention is to have

1 it in place by June.

2 CHAIRMAN LA RUE: Okay.

3 MR. KIES: Any other questions or comments on the  
4 State Route 347 project?

5 MS. BEAVER: I just think one question. With the  
6 TIGER grant, when that application was admitted, that local  
7 contribution, that was identified, though, in there, correct?

8 MR. KIES: Correct.

9 MS. BEAVER: So...

10 MR. KIES: The other project that I did want to  
11 highlight in the five-year program, in the expansion program is  
12 State Route 189, which there were a couple comments made about  
13 that. That was previously in the development program in 2021.  
14 So we are just bringing that forward as planned. We are showing  
15 it as a \$64 million project. We do believe that there are some  
16 improvements on 189 that can be funded at \$64 million to bring  
17 some improvements to that corridor and help freight move  
18 efficiently in the area.

19 However, as the Board may recall, the ultimate  
20 project for 189 is a larger project estimated at about \$200  
21 million, and the local community is concerned about only doing  
22 one phase, and then when would the ultimate project be  
23 delivered. So we have been in discussions with the local  
24 communities. It's sort of analogous to the 347 project that if  
25 the local community can bring some more funding to the table,

1 we'd be willing to do more of the project and maybe even the  
2 ultimate project. However, at this point in time, we're  
3 recommending that the Board recommend a \$64 million funding  
4 level for State Route 189.

5 Yes, sir.

6 MR. HAMMOND: I was on the way to the restroom  
7 when I heard 189.

8 MR. KIES: Oh.

9 MR. HAMMOND: I figured I better wait a minute.

10 MR. KIES: Hopefully you don't have to cross your  
11 legs while...

12 MR. HAMMOND: (Inaudible.) Well, as you might  
13 expect, I get a lot of -- earful on this topic, and my overall  
14 sense is ADOT is doing a very good job managing expectations,  
15 and the local community's doing a very good job trying to  
16 recognize the commitment ADOT has made to the project and come  
17 up with ideas and ways to either do it in phases or do it all at  
18 once. But as even they recognize, the funding sources need to  
19 be collaborative, and I think it remains to be seen. But, you  
20 know, I think it's my hope that we can come up with a way to do  
21 the whole project, recognizing the locals have to find some  
22 solutions, and the trucking association, those sort of things.  
23 A lot of conversation going on, and I think you're doing a very  
24 good job in communicating. They may not agree, but I think  
25 you're doing (inaudible).

1 MR. KIES: Thank you.

2 MR. CUTHBERTSON: Mr. Chairman, Mike, I have a  
3 question. Just -- I guess just to check my understanding on the  
4 Maricopa Road, that's -- that is not -- it's not considered a  
5 port facility. It's not taken off the top. So this shows the  
6 State Highway Fund funding, because it was actually a roadway  
7 leading into the port; is that right?

8 MR. ROEHRICH: Mr. Chair, Mr. Cuthbertson, that's  
9 correct.

10 MR. CUTHBERTSON: Okay.

11 MR. ROEHRICH: It's a roadway project, and you're  
12 right, it does tie in to the port. Now, this phase -- the whole  
13 project, the \$180-200 million might stretch all the way into  
14 there. This phase would not.

15 MR. CUTHBERTSON: Okay.

16 MR. ROEHRICH: The phase that we're doing really  
17 corrects it at the I-19, SR-189 interchange, and it's a  
18 directional, one kind of component of it.

19 MR. CUTHBERTSON: Right.

20 MR. ROEHRICH: But those funds are not off the  
21 top. It is out of the --

22 MR. CUTHBERTSON: The highway fund.

23 MR. ROEHRICH: -- the highway funds that would go  
24 to the Greater Arizona region.

25 MR. CUTHBERTSON: All right.

1 MS. BEAVER: Chairman La Rue, that kind of speaks  
2 to your earlier question about how far out do the port funds go.

3 MR. ROEHRICH: Mr. Chair, Ms. Beaver, those port  
4 funds have been, I say, within the footprint of the port. It  
5 has not been the attached roadways and component of that. That  
6 has been broken out and separated in that. So see, you've got  
7 that period where -- that point on there where they meet, and  
8 it's really within the footprint of the port that comes off.

9 MR. HALIKOWSKI: So Mike, Mr. Chairman, there's  
10 that four miles remaining from where the \$64 million project  
11 ends, correct? Into Mexico. That if we were to do the  
12 ultimate, you could improve that four miles for access control  
13 that leads to the port?

14 MR. KIES: Actually, Mr. Director, the \$64  
15 million includes improvements at the interchange of I-19 and all  
16 of those access --

17 MR. HALIKOWSKI: Okay.

18 MR. KIES: -- control enhancements all the way  
19 down, up to the port of -- or the international port.

20 MR. HALIKOWSKI: Okay.

21 MR. KIES: So the missing part of the ultimate  
22 project is the interchange improvements that are proposed for  
23 \$64 million is just in the northbound direction. So if you're  
24 coming from Mexico, there would be a flyover that takes you on  
25 to I-19 in the northbound direction. There would no -- there



1 would not be a flyover in the southbound direction. You'd still  
2 have to get off an exit ramp and get on to the arterial.

3 And then the other key element that would be  
4 missing from the ultimate project is a great separation at a  
5 road called Frank Reed Road, which is a -- would be a bridge  
6 over a local intersection where there's high school access.

7 MR. HALIKOWSKI: Thank you.

8 MS. BEAVER: Chairman La Rue, in the projected  
9 out, the -- where we're -- this is the five year, but the  
10 projected out into the ten year is this second portion of the  
11 SR-189. Is that what the local communities is looking to see  
12 that it gets into that planning document?

13 MR. KIES: My understanding is the local  
14 community is concerned that if we just did one phase of the  
15 ultimate project, that based on the funding level constraints we  
16 have for the state, it would take even longer than the ten-year  
17 plan for us to come back and do that, that second phase.  
18 However, our analysis does show that the project that we have  
19 proposed for \$64 million is good for the traffic volumes that we  
20 predict out to 2040. So that is quite a long time frame.

21 CHAIRMAN LA RUE: Board Member Hammond.

22 MR. HAMMOND: Yeah. The -- I think the local  
23 community's still focused on trying to get it all done at once.  
24 You know, when that option either does or doesn't happen, then  
25 they may think about some of the long term. I do think ADOT was

1 considering -- I don't know if it's decided -- to be able to  
2 have some concept of phasing so that the 64 million, you don't  
3 throw away 20. If the second or third phase gets implemented 10  
4 or 15 years from now, you can reuse what they've done. So  
5 there's going to be some connectivity in a phasing concept if I  
6 understand; is that correct?

7 MR. KIES: That's correct, Mr. Hammond. The \$64  
8 million project is a phase of the ultimate plan, and with maybe  
9 minor exceptions, there would be no throwaway to that project.

10 CHAIRMAN LA RUE: Questions? Speaking of, we've  
11 been going about an hour and 40 minutes. I think we've got a  
12 little bit longer to go, plus Item 3. Did we want a five-minute  
13 biological break or keep going? Everybody's -- keep going?  
14 Okay.

15 MR. KIES: I did want to remind the Board, I've  
16 already said it, that this five-year program does recommend that  
17 we increase our preservation funding levels up to our \$260  
18 million goal for the -- almost the last three years of the  
19 program. With that said, you recall the bridge condition slide  
20 that I gave you earlier. If the Board agrees with the five-year  
21 program that we have recommended, 20 percent of those bridges in  
22 the poor condition would be addressed with projects in this  
23 five-year program.

24 I do want to remind the Board that because of the  
25 time frame of developing projects and also allowing for

1 assessment of the conditions, we only program projects out the  
2 first three years of the five-year program. The last two years  
3 are pretty much dedicated in subprograms that we intend to  
4 program projects. So this five-year program will -- and the  
5 increase in preservation funding in the last several years will  
6 allow us to even ramp up the number of bridges that we're able  
7 to provide projects for in the later years.

8 And the same with our pavement condition. This  
9 five-year program proposes projects that address over 30 percent  
10 of the center line miles that are currently in fair or poor  
11 condition over all of the state highway system, which is the  
12 interstates and the non-interstate systems.

13 With that, these are the examples that I show you  
14 each year of the map of where all the preservation activity is  
15 proposed in the five-year program. I do want to notify the  
16 Board of the information that you have been provided in front of  
17 you. One handout is a -- the list of all the projects that are  
18 proposed in the five-year program for Greater Arizona, and then  
19 each board member has a map of your district that shows first  
20 the projects that are proposed in the next fiscal year, which is  
21 2017, so that if you have -- if you get questions over the next  
22 month or two from people about what projects would I expect next  
23 year if this five-year program were approved, you could answer  
24 those questions.

25 And then the second map that you have in front of

1 you with your -- of your district is the projects that are  
2 proposed from year 2018 to 2021, or the remaining part of the  
3 five-year program. We felt that that would be helpful for you  
4 as you get questions or have your own questions about the  
5 program.

6           Again, the modernization program and the  
7 distribution around the state of where those projects are  
8 located and some examples of what type of projects are contained  
9 in the modernization program, you see here improvements on  
10 intersections, upgrades of lighting, some traffic interchange  
11 improvements at spot locations. Those are the type of projects  
12 that we identify in the modernization project program.

13           And then last, the expansion program. We went  
14 over all of those projects on that bar graph that I showed you  
15 earlier. One thing that I do want to note that -- look that is  
16 easy to see on the state map is there's a lot of discussion  
17 always about the future Interstate 11 concept and where those --  
18 how we're moving forward with implementing Interstate 11. Well,  
19 as the Board recalls, we are moving forward with what we call an  
20 interim corridor, which includes 189, I-19, I-10 and US-93, and  
21 you see several of those projects, in fact, the majority of the  
22 projects in the expansion program actually line up along the  
23 interim I-11 corridor. So not only are we -- think that we're  
24 improving the mobility of the state, but the I-11 corridor is a  
25 lot of emphasis on freight movement, and so we see these

1 projects as being very important for the movement of freight  
2 around our state.

3           With that, the summary of the tentative program  
4 for Greater Arizona is that we -- we're able to keep all of the  
5 projects that you saw in -- expansion projects that you saw in  
6 the previous five-year program, SR-89 and US-60, and advance  
7 SR-347 to fiscal year 2017. We were able to increase the  
8 preservation funding near our goal of 26 -- of \$260 million, and  
9 then because of the funding increases due to the TIGER grant  
10 available and the FAST Act that Kristine mentioned, we were able  
11 to bring all of these projects into the five-year program, two  
12 I-10 projects, two US-93 projects and the 189 project.

13           I do want to mention -- sorry.

14           MR. HAMMOND: Just real quick, I want to be sure  
15 I'm clear. It said widen to four lanes. Isn't it six lanes, or  
16 am I missing the I-10 project? You're finishing the two  
17 overpasses, the Picacho Peak one and the I-8, I-10?

18           MR. KIES: Correct. The I-10 projects are to go  
19 from four lanes to six here.

20           MR. HAMMOND: Okay. Go back a slide.

21 (Inaudible). Should that be widen to six?

22           MR. KIES: Oh, yeah. Should be widen to six.

23           MR. HAMMOND: (Inaudible.)

24           MR. HALIKOWSKI: Wow, we gained two lanes in a  
25 heartbeat. Way to go.

1 CHAIRMAN LA RUE: No more money. All right.

2 MR. HALIKOWSKI: Mr. Hammond's a genius.

3 MR. KIES: But I do want to clarify, because  
4 there has been a lot of discussion about additional money  
5 associated with the FAST Act, a new program called the freight  
6 program. Border infrastructure set aside funds that are  
7 available as part of the FAST Act. This five-year program for  
8 Greater Arizona that we're presenting to you and if you don't  
9 have major concerns, this fully funds -- or fully programs all  
10 of those funds. So our recommendation is that we've actually  
11 made decisions already about where that freight funding goes,  
12 where the border infrastructure funding goes, but we believe  
13 that these are the signature projects that really do enhance our  
14 freight flows around the state and some of our border  
15 activities.

16 With that, I would ask if there's any other  
17 questions on the five-year program.

18 MR. CUTHBERTSON: So the freight funding is off  
19 the top. That's kind of something that's done off the top, and  
20 you decide where you need that to best accommodate pavement  
21 projects, but it's not part of the distribution, that --

22 MR. KIES: That is our recommendation.

23 MR. CUTHBERTSON: That's the way you look at it?

24 MR. KIES: Yeah.

25 MR. CUTHBERTSON: (Inaudible.)

1 MR. HALIKOWSKI: And obviously it's our  
2 recommendation, because once you put it through the distribution  
3 formula, you lessen the impact --

4 CHAIRMAN LA RUE: Yeah.

5 MR. HALIKOWSKI: -- that you could get from  
6 keeping that off the top.

7 CHAIRMAN LA RUE: Yeah. It helps me to  
8 understand how it's (inaudible).

9 MR. HALIKOWSKI: Yeah. (Inaudible) question,  
10 because it's, you know -- I think it makes sense to do it the  
11 way we're recommending (inaudible).

12 MS. BEAVER: Chairman La Rue.

13 CHAIRMAN LA RUE: Yes.

14 MS. BEAVER: Mr. Kies, I do have a question with  
15 regard to I-17 to start looking at moving it towards the five-  
16 year plan. Where are we at and what do we need to do to start  
17 that process?

18 MR. KIES: So you might recall in previous years  
19 we've given you an overview of our recommendation for what we  
20 call the development program, which is the next five years of  
21 the ten-year program. Actually, this year, because of the pass  
22 of the FAST Act and all the revenue numbers that have had to  
23 been generated, and now all of these projects that used to be in  
24 the development program recommended to move forward to the  
25 delivery program. We haven't had the opportunity -- excuse

1 me -- to reevaluate the development program.

2 So it is an opportunity maybe if the Board wants  
3 to have some discussion about where the priorities are next and  
4 start talking about that ten-year program, because -- but now if  
5 you recall, the funding flatlines for those next five years, but  
6 there is an opportunity to start talking about those priorities.  
7 I am putting some information together for the state engineer's  
8 office to talk about relative needs on our strategic corridors,  
9 and I think that might be a good conversation piece.

10 CHAIRMAN LA RUE: Well, I think we do -- this  
11 board would like to see the six to ten, because that's kind of  
12 what we started last year, I believe, and so it would be nice  
13 to, as we go through the public process on this five year, is to  
14 start shaping that six to ten.

15 MR. KIES: Yeah. Okay. It's next on my list.

16 CHAIRMAN LA RUE: All right.

17 MR. KIES: Thank you, Mr. Chair.

18 I do want to just review briefly the PAG program.  
19 As the Board will recall, this is a collaborative process.  
20 Kristine presented the RAC process, and some of our -- some of  
21 ADOT's discretionary funding is provided to Pima County, plus  
22 they do get some local distribution that is a formula  
23 distribution in the Pima County area. They actually have a  
24 dedicated tax, the RTA, which is a half-cent sales tax. So it's  
25 a collaborative process where we all get together and talk about



1 the priorities of the region and look to where the projects are  
2 funded on the state system.

3 And as you can see here from the list -- excuse  
4 me -- the PAG program really, as far as the state highway system  
5 is concerned, focuses mostly on interchange improvements on  
6 their major interstates. So I-10, you see Ina Road and  
7 Ruthrauff Road and Country Club Drive TI, all examples of  
8 interchange improvements that are in the five-year plan. And  
9 then the Board, at your leisure, can review the detail of those  
10 projects, because some of them are programmed with certain  
11 phases in one fiscal year versus another fiscal year. Some of  
12 them are using federal funds and other RTA funds that are mixed  
13 together.

14 And the same with the MAG area program. Again,  
15 it's a collaborative effort between ADOT and MAG. Again,  
16 there's funding that's available to MAG through the RAC formula  
17 and also the RARF funding that Kristine mentioned. You may be  
18 aware of the largest project that MAG is moving forward with in  
19 this five-year program. It's the South Mountain corridor. In  
20 this five-year program, it's at \$1.48 billion. That's not the  
21 total cost, because there's been other programmed amounts that  
22 have already happened before this five-year program. And then  
23 you see some of the other projects that are highlighted in the  
24 MAG area: The extension of 303 down to Van Buren Street, some  
25 projects on I-10, as -- we refer to it as the near-term

1 improvements along the I-10 corridor from about the Broadway  
2 Curve down to the San Tan stack. And the Board can look at the  
3 detail of these projects. Again, this is all the years that  
4 they're programmed and the funding amounts that go with them.

5 And then I just want to briefly highlight the  
6 airport program. As you're aware, there is a -- we talk a lot  
7 about the HURF fund, which is dedicated to the highways.  
8 There's also the State Aviation Fund that this board has purview  
9 over, and those funds are programmed obviously for aviation  
10 projects around the state. In the next fiscal year, fiscal year  
11 2017, there is roughly \$29 million available -- or predicted to  
12 be available in the aviation fund for programming.

13 A couple things that I want to highlight is each  
14 year we do highlight or hold back some funds out of the aviation  
15 fund to match federal funds. So airports have the opportunity  
16 to use federal aviation funds, and then some of the State  
17 Aviation Fund is used to match a portion of those funds. So  
18 it's a partnership between FAA, ADOT and the local agency,  
19 because the local agency provides some matching funds, ADOT  
20 provides some, and the federal government.

21 So about -- almost \$4 million is held back for  
22 those matching funds, and then that allows us to program over  
23 \$18 million towards state grants to the airports and the  
24 pavement preservation program, which is that preservation  
25 element of the airport side of the house. And then you see some

1 other funding for planning activities that go on each year to  
2 get us to the full 29 million that we expect to spend out of the  
3 aviation fund.

4 With that, I just want to highlight the next  
5 steps of the five-year program. This is just a study session.  
6 This was to get your questions and comments addressed. We'll  
7 come back in February with what we refer to as the tentative  
8 program, which we can make any modifications that we talk about  
9 today or over the next month.

10 After you approve the tentative program in  
11 February, we then go through the public process where we have  
12 three public hearings that are associated with each of your  
13 board meetings in March, April and May, located in the Tucson  
14 area, Phoenix and Flagstaff.

15 Then we'll have another study session like this  
16 in May where we'll have combined all the public comments; your  
17 comments that you've had. We also accept staff comments and  
18 ADOT during this period, have another discussion about any  
19 changes or modifications that should be done to the program, and  
20 then we bring it back to you in June for final approval so that  
21 we can have the governor's signature by June 30th, and then that  
22 starts our next fiscal year on July 1st.

23 So with that, that's all I had about the five-  
24 year program.

25 CHAIRMAN LA RUE: Questions from board members?

1 Mr. Stratton.

2 MR. STRATTON: In the past we've also (inaudible)  
3 public hearings, which is good (inaudible). In the past there's  
4 also been a web site that they can go onto to comment. Is that  
5 still going to be on the site?

6 MR. KIES: Yes. Yes, it is.

7 MR. STRATTON: Okay. And a follow-up question to  
8 that then is are those projects -- are those comments broken  
9 down by project to the Board so that we can have the same effect  
10 as the public so we know what particular projects are being  
11 talked about?

12 MR. KIES: Would -- Board Member Stratton, is  
13 your suggestion maybe that they be grouped, if there's a lot of  
14 comments about a specific project that they be grouped or  
15 associated with that project?

16 MR. STRATTON: Exactly.

17 MR. KIES: Okay.

18 MR. STRATTON: So that (inaudible).

19 MR. KIES: I'm not sure that we've done that in  
20 the past, but I think that's a great --

21 MR. ROEHRICH: Mr. Chair, Mr. Stratton, how we've  
22 done that in the past is I'm not going to say monthly, but I  
23 think probably does -- does work out to be about monthly before  
24 each board meeting. Our communication team will put together a  
25 summary of all the communications that have come in prior to

1 that. We do share them to the Board. And I think at the end,  
2 right before the study session, you get a final here's all of  
3 the comments. But I do agree. I don't think we've grouped  
4 them, like, you know, we've gotten 1,000 comments, 300 were  
5 related to this project, 200 were this subject. I could talk to  
6 communication about potentially doing that, but we do share the  
7 public comments with the board members so they have them.

8 MR. HALIKOWSKI: That is (inaudible). And then  
9 also, they're (inaudible) under the assumption there's a  
10 mechanism to keep someone from (inaudible).

11 MR. ROEHRICH: Mr. Chair, Mr. Stratton, we  
12 actually do not look at people. I mean, this is a public body  
13 and they're allowed to comment, and in the past this board --  
14 board members have been contacted by people who've sent out form  
15 e-mails, and we've gotten hundreds of form e-mails that all say  
16 the same thing, but they come from a bunch of different people.  
17 Especially the biking groups have done that and maybe transit  
18 folks or other people who have an interest. We've not limited  
19 those. I mean, once you start going down the road of limiting  
20 people's access, then the transparency of this board as a public  
21 body comes in question. So that's (inaudible).

22 CHAIRMAN LA RUE: Any other questions or comments  
23 by the board members?

24 Mr. Kies, great job. You have -- and I gave you  
25 -- you know, you'll package this up into a booklet?

1 MR. KIES: Correct.

2 CHAIRMAN LA RUE: What is that booklet? Any  
3 ideas on what that will look like? Will it change from last  
4 year? I mean, what I appreciate is the way you've broken down  
5 districts. You've given us the projects. I think that will be  
6 immensely helpful. I think it might take a -- I just got my  
7 district, and I think it might be helpful to see all districts  
8 represented that way. I don't know if you're intending to put  
9 that into the booklet or --

10 MR. KIES: That's one thing that we discussed.  
11 If the Board would like us to now -- to add more detail as we  
12 put the book together and more maps that are helpful for you,  
13 I'd be happy to show district maps and the same information that  
14 you're seeing in front of you.

15 CHAIRMAN LA RUE: I think that visual is very  
16 helpful to me.

17 MR. HAMMOND: It would save you, I think, a lot  
18 of work over the year, everything by district, because that's  
19 what I get asked, what's in our district. And you do a fine job  
20 when asked for information, but it might save you some work.  
21 (Inaudible) by the way I thought a lot of (inaudible).

22 MR. HALIKOWSKI: I'm sorry. Mr. Chair, you want  
23 it combined all together?

24 CHAIRMAN LA RUE: Well, just put them --

25 MS. BEAVER: No.

1 CHAIRMAN LA RUE: -- into the booklet so you --

2 MS. BEAVER: Each kind of handout that we've each  
3 gotten, if they could all collectively be put in the --

4 MR. HALIKOWSKI: Right.

5 MS. BEAVER: -- booklet where if somebody's  
6 interested in a particular area.

7 MR. HALIKOWSKI: We will get that.

8 CHAIRMAN LA RUE: I think it will make it helpful  
9 for us, because I know while I -- one of the focuses is my  
10 district. The other focus is statewide.

11 MR. KIES: Correct.

12 CHAIRMAN LA RUE: And the questions come up. I  
13 can see now this will be a lot easier for me to get at that  
14 question versus calling somebody and saying, where do I find it  
15 in the five-year plan.

16 MR. KIES: Great. That would be --

17 CHAIRMAN LA RUE: So helping to make it user  
18 friendly, easier, more affordable. (Inaudible.) Looking  
19 forward to it.

20 MS. BEAVER: Well, Mr. Chairman I think -- new  
21 Board Member Stratton, I think that it is a good idea to be able  
22 to have, you know, your suggestion (inaudible). I think it's  
23 just easier. You know, it simplifies it for us. I hope it  
24 doesn't complicate it for you.

25 MR. KIES: We're here for you.

1 CHAIRMAN LA RUE: All right. Thank you.

2 MR. KIES: Thank you.

3 CHAIRMAN LA RUE: We just have one more agenda  
4 item. So I just propose we just keep moving forward so we can  
5 adjourn. This is agenda item -- or Item No. 3, Proposed I-15  
6 Improvement Strategy. Mr. Roehrich.

7 MR. ROEHRICH: Thank you, Mr. Chair.

8 Related to this, I want to go back to something  
9 that we talked a little bit before like Ms. Beaver brought up,  
10 and that is moving forward with the discussion about that six to  
11 ten-year time frame and maybe Interstate 17 coming in and some  
12 of the other issues. I think we need to have that discussion,  
13 and I also think we need to start talking about some of the  
14 opportunities that may be available to us to help fund some of  
15 these improvements.

16 The director and a number of ADOT folks have been  
17 going around and discussing Key Commerce Corridors and how to  
18 increase revenues for a -- for transportation, and again, I-17  
19 and -- is a key commerce corridor, as well as a lot of the  
20 others. But as we start seeing that discussion go along, we're  
21 not seeing any increase in revenues associated with that yet.  
22 You know, we're still going to have to have the discussion, but  
23 there are other opportunities to us such as public private  
24 partnerships on some of those things.

25 So I think when we have the discussion about, you



1 know, what is our longer range corridor improvements, what are  
2 our longer range priorities, I think we can also start having  
3 the discussion on what can we deliver under some of the options  
4 available to us such as public private partnerships and look at  
5 those opportunities.

6 That's kind of where I wanted to kind of go today  
7 with the discussion of Interstate 15. You know, when the  
8 economic downturn hit us really hard a couple years into --  
9 about 2010, the director was approached by our technical team on  
10 the condition of the bridges up there on Interstate 15 and the  
11 fact that all those bridges be of steel structure bridges, and  
12 the age of those bridges are really getting to the point where  
13 it's becoming no longer just routine maintenance. We really  
14 needed to have a plan to where we're going to move forward with  
15 a complete reconstruction and rehabilitation of those projects.  
16 So our planning group and Mike Kies' team up in Planning had  
17 done a feasibility study a couple years ago, and that was  
18 presented to the Board. So I want to take just a few minutes  
19 and kind of bring that -- refresh the Board's memory on this.

20 I realize this is -- shows about the  
21 29-and-a-half mile stretch of Interstate 15. It's actually on  
22 the diagonal, but it connects Nevada to Utah, Saint George to  
23 Mesquite. I just put on here so you could see it. But within  
24 that 29-plus miles are the eight bridges, and along with them  
25 the associated roadway with that.

1           At the time the feasibility report was done and  
2 presented to the Board, it did look at basically about a 50-year  
3 plan for that corridor, what is needed. And at the time they  
4 looked at all the bridges with the exception of bridge number  
5 six. That was highest priority. That got programmed at the \$27  
6 million, of which 21 plus million was a TIGER grant. We were  
7 looking at about an investment of over \$245 million just in  
8 immediate needs associated with the bridge and -- the bridges  
9 and the roadway.

10           But then over the life cycle cost, that 50-year  
11 period, you're talking about another 166 in cumulative costs  
12 that are required to keep rehabilitating that stretch and keep  
13 it open. So we're looking at a more than \$400 million  
14 investment within that corridor that was not in the program, and  
15 we did not have any funding identified at the time. And the  
16 fact that it is a rural interstate is going to require that it  
17 comes out of the Greater Arizona portion of the funds.

18           Well, this is a small interstate that really best  
19 serves the western part of the country, and it's really the  
20 connections from the coasts through those states, California,  
21 Nevada, Utah, and then on up into the midwest and there. The  
22 stretch through Arizona has -- adds limited value to our  
23 economy. It basically has two interchanges off of it at  
24 Littlefield and Beaver Dam, locations of the very small  
25 communities. So it really is a pass-through corridor that has,

1 you know, key components regionally, but State doesn't have that  
2 much significant suggestion -- or significant value. But it is  
3 our responsibility to maintain it as safely and as effectively  
4 as we do any of the other routes that we have.

5 So that's where we developed the plan to start  
6 addressing the most immediate need. That's where we've started  
7 to do some work within the project. We basically would start  
8 pavement preservations. We completed one section in 2013.  
9 We've done some small bridge deck repairs in 2014. When you see  
10 the 2015, the 2016 later this year, we'll complete the bridge  
11 six reconstruction at the \$27 million TIGER grant.

12 There's another pavement preservation project  
13 coming up. So when you look at what we're doing and what we  
14 basically have planned within the program, within the next five-  
15 year program, we're going to get a couple more bridges, and  
16 we're also going to do a little bit more pavement preservation  
17 as part of that and that basically will get it in a -- in good  
18 condition, but it doesn't address all the bridges. But those  
19 are moneys that are coming out of the program.

20 So one of the issues the director asked us to  
21 look at was this may be a prime example of an opportunity as a  
22 public-private partnership concept to develop, if you will, a  
23 user fee or toll within this facility that could help pay for  
24 not just the immediate need, but that long-term operational need  
25 of this corridor. So working with Gayle Lewis' team, we've just

1 recently kicked off an analysis that really looks at what P3  
2 opportunities we may have to use for Interstate 15.

3           As we go through the analysis and look at this,  
4 we could also start then using this same analysis as we move  
5 forward and look at some of these other corridors, whether it's  
6 I-17 or whether it's 189 or some other opportunities. But under  
7 the P3 model, we're at the earliest stages. So I'm basically  
8 telling you kind of the direction we're going and how we're  
9 going to move forward with this conceptually, but I do want to  
10 spend a moment telling you about some of the things that we have  
11 to do with, both at a federal level and at a state level as we  
12 analyze this corridor for potential P3.

13           There are federal regulations out there that --  
14 to support tolling of interstate facilities. There's a Section  
15 129, which is really tolling of existing bridge facilities. And  
16 that allows you to toll or re- -- or to toll existing facilities  
17 for reconstruction and replacement of existing bridges to  
18 convert it over into a toll facility. So one of the analyses  
19 we're looking at, we've got those eight bridges all in sequence  
20 in this confined area. Could that Section 129 apply for public-  
21 private partnership where we could actually put a toll  
22 transponder at either end, collect it for the whole length of  
23 that, and then apply those funds that we collect towards the  
24 bridge as well as the roadways interconnecting them?

25           This section is not very clear on exactly where

1 the money gets spent. It keeps referring to it as an isolated  
2 bridge. So we would have to work very closely with the Arizona  
3 division office, Carla Petty's team here at the FHWA, as well as  
4 the headquarters team back in Washington how you could really  
5 apply that at that corridor. And again, the point being we want  
6 to address the bridges as well as the pavement, but take all the  
7 capital and operating and maintenance costs over this defined  
8 period of time, whether it's a 50-year period or some period,  
9 but collect the necessary tolls to basically do all of this as  
10 one P3. This section may work. It's already in law, so we  
11 could move forward with that. So that's part of our analysis.

12 And then the second --

13 CHAIRMAN LA RUE: Floyd, we've got a question.

14 MR. ROEHRICH: Yeah.

15 CHAIRMAN LA RUE: Board Member Sellers.

16 MR. SELLERS: Are the traffic volumes on this  
17 interstate sufficient enough to cover?

18 MR. HALIKOWSKI: Mr. Chairman, the last time we  
19 looked at this, I think we were looking at 21,000 ADT per day.

20 MR. ROEHRICH: Mr. Chair and Mr. Sellers, Mr. --  
21 absolutely. We've done a cost analysis, a revenue projection on  
22 this, and we think that's viable. The other part that's on  
23 here, this has a lot of truck traffic. Annually, they get more  
24 than 1.4 million commercial trucks that use this corridor as  
25 well. So I think there is the opportunity to make it

1 financially viable, but it is a consideration, because we will  
2 have to analyze it considering the total cost.

3           When we did the original analysis, we didn't look  
4 at the total cost of putting all the operation and maintenance  
5 over a period of time. That's why we're starting analysis now,  
6 and we're expanding that review to look at that. Our point  
7 would be if this is -- becomes a viable public-private  
8 partnership, ADOT basically gets off of this corridor, and we're  
9 going to put it out as the P3, and they're going to maintain it.

10           Now, we still have liability and there's issues  
11 up there with incident response, things like that. So we'll  
12 still have some (inaudible), but day-to-day, the capital  
13 improvement, basically the financial investment that would come  
14 out of our operation in five-year program costs could all go  
15 into the P3, and it would be paid for by some type of a user fee  
16 mechanism in there. And that's the analysis we're doing right  
17 now.

18           MR. SELLERS: Well, and with very limited value  
19 it has to our state --

20           MR. ROEHRICH: Right.

21           MR. SELLERS: -- that would be an ideal solution.

22           MR. ROEHRICH: Now, other than the -- the Section  
23 129 as we said, a few years ago with T21 and it carried through  
24 to MAP-21, and it continued into the FAST Act, there was a  
25 Section 1216. And that's the one that people had been talking

1 about that identified basically a pilot program that allowed  
2 three states to go ahead -- the interstate system reconstruction  
3 rehabilitation pilot program, it allowed three states the  
4 latitude to go into an existing interstate facility and  
5 establish it as a tolled facility, and those funds would then  
6 come back in to rehabilitate, reconstruct or operate that  
7 stretch of road.

8           It was a pilot program that already had three  
9 states in it. We did under the director's guidance or  
10 direction, we did apply for it originally at one point. We did  
11 not get selected. But on FAST 21, the change that was -- or  
12 under the FAST Act, not FAST 21, just FAST Act -- under the FAST  
13 Act, they did make a change to the law that basically said those  
14 states that have had this for a number of years now, they have  
15 12 months from the time the bill was signed, which was in  
16 December. So basically this year. They have 12 months to move  
17 forward with those pilot programs or they are going to get  
18 booted from the program, and the slots will open up again.

19           So that's why we're again revisiting this  
20 corridor under public-private partnership to develop a proposal  
21 that if those states don't move forward, we want to consider  
22 this as an option to go ahead and resubmit for this, again, with  
23 an expanded program that didn't just look at the capital  
24 improvement, but basically would look at all of the capital, all  
25 of the maintenance, all the operational costs that would go into

1 this public-private partnership, and it would move it forward as  
2 a proposal.

3 MR. HAMMOND: Can we get more slots? Why only  
4 three spots? Are they suspicious of it? Want to test it?  
5 What's going on?

6 MR. ROEHRICH: Mr. Chair, Mr. Hammond, you have  
7 to ask Congress that. I can't speak for Congress's mind. But I  
8 do think because this is taking the existing facility, and  
9 you're not required to expand -- you could but you're not  
10 required to expand, this only deals with existing -- I think  
11 there's some hesitancy about how this program will work and  
12 what's the political and public acceptance of it. So that's why  
13 Congress, I think, said we're going to start with the pilot,  
14 we're going to see how it moves forward, and then from there  
15 we'll see if they expand it beyond that. So right now it is  
16 only three.

17 MR. HAMMOND: (Inaudible) three recipients move  
18 forward on it?

19 MR. ROEHRICH: Mr. Chair, Mr. Hammond, the three  
20 recipients have been selected, but they haven't moved forward to  
21 actually implementation, and that's why in the FAST Act this  
22 year, they -- Congress put in the 12-month time frame. If they  
23 don't act on it this year, they're kicked out and we're going to  
24 bring in and open it up for other people to -- bring in  
25 proposals to move forward. And then once a new person, a new



1 state comes in with a proposal and is selected, then there's  
2 going to be time frames that that forces to make sure it  
3 happens, because Congress said we put this in here. We want  
4 states doing it. We want to see how it will work, but it really  
5 hasn't had an implement plan yet being able to evaluate is it  
6 going to be effective.

7 MR. HALIKOWSKI: Mr. Chairman, I believe that  
8 Missouri and North Carolina did attempt to move on their slots  
9 but nothing came of those efforts.

10 MR. HAMMOND: So all three are technically open  
11 right now?

12 MR. HALIKOWSKI: That's my understanding. Yes.

13 MR. SELLERS: And so I guess my next question  
14 then was --

15 (Speaking simultaneously.)

16 MR. ROEHRICH: I need to respond to that.

17 MR. SELLERS: -- we're ready to move if we did  
18 get approval.

19 MR. HALIKOWSKI: So I believe what Floyd is  
20 trying to put in front of you is that we are beginning to put  
21 the pieces together to be ready to move.

22 MR. ROEHRICH: Yeah. Mr. Chair and board  
23 members, that's -- a couple of things. They have the slots now.  
24 They have not been removed from the system, so those slots are  
25 not available. It's going to take the FHWA to remove them from

1 the system, and they're going to give them this year, because  
2 that's what the law allows them to do. So if they don't act on  
3 it by December, they'll be booted. If they do something that  
4 then allows it, then they'll continue forward, and that's what  
5 we're evaluating.

6 And that is correct, Mr. Sellers. We've  
7 reinitiated this program with the expanded purpose of it in  
8 order to make ourselves eligible by the end of the year  
9 anticipating that not all three states are going to move forward  
10 with their proposals, that FWA is going to do another call for a  
11 state to say submit proposals. We're ready to do that.

12 MS. BEAVER: Chairman La Rue, I have two  
13 questions. One, so we understand Missouri's one of the states,  
14 North Carolina, and the third state?

15 MR. HALIKOWSKI: I can't remember.

16 MR. ROEHRICH: I don't remember the states  
17 either.

18 MR. STRATTON: Virginia. Thank you (inaudible).

19 MS. BEAVER: And then this is kind of the cart  
20 before the horse, so to speak, but with regard to toll  
21 collection, since I haven't read that statute right there to  
22 see, I -- in looking at this, because of the proximity in  
23 Mesquite to Saint George, is there kind of with regard to --  
24 because I don't know enough about toll collection. Is there  
25 some kind of a -- those people maybe that are regular -- say,

1 for instance, you've got a -- you know, a Shamrock Distributors  
2 going back and forth between Mesquite, Saint George all the  
3 time. Is there some kind of a toll fee scale that -- for those  
4 that are, like, going real regularly? I don't know. There  
5 might even be people, say, that live in Mesquite and, say, work  
6 at the hospital or something in Saint George. Is there a way  
7 that those people aren't becoming overburdened by this toll that  
8 would be collected?

9 MR. ROEHRICH: I'm ready. I'll let her finish  
10 the question and then --

11 MS. BEAVER: Well, that --

12 MR. ROEHRICH: Right.

13 MS. BEAVER: That's what I'm asking is, is it...

14 MR. ROEHRICH: Okay. Okay. Mr. Chair  
15 Ms. Beaver, there's a lot of opportunities available to you when  
16 you set the toll. It's a program that, again, financially has  
17 to make sense and has to meet the purpose of it, but the  
18 existing toll programs that are out there have conditions like  
19 that that are built into it, and that goes into the financial  
20 analysis and the concession proposals and things that happen.

21 We could put conditions in there like that that,  
22 you know, you can buy a daily, charging by monthly, charging by  
23 longer passing. You can do reductions for volumes and  
24 commercial and things like that. All that goes into the  
25 analysis at the time that the program is initiated. So we will

1 evaluate that, and we'll be looking at that.

2 But the bottom line is if we want to make this a  
3 viable program, we still have to make sure that the revenues are  
4 going to be collected that financially make it good, because the  
5 public-private partnership, the private investor is not going to  
6 come in if they're not going to get a return on their money that  
7 meets their -- the rate of return requirements that they need.  
8 So there are options. It will be part of the analysis, and it  
9 will be something that when we get the implementation, we'll  
10 move forward.

11 But you're right. This is the early phases. We  
12 just kicked this off, so we don't have those specifics yet. But  
13 Mr. La Rue, you asked for what's going on with I-15. So we  
14 wanted to make sure you knew we're heading in this direction  
15 because of the possibility of either we want to move forward on  
16 129 or we want to move forward with the 1216 provision if that  
17 becomes available. But that's the federal side of where we'd  
18 need to move forward.

19 So again, it has to be a viable toll program. We  
20 have the federal regulations that we're analyzing, but there are  
21 two state requirements that we'd need to consider as well, and  
22 that's the Article 1, which makes the authorized tolling of ADOT  
23 by the P3 statute that we have, but there is a second statute  
24 within state law, and that's Article 2, which is the toll  
25 collection statute. That one there is a little bit restrictive.

1 So under the broader authority of the P3 law, ADOT can toll or  
2 enter an agreement with the public-private partnership to  
3 control -- to toll for transportation improvements, but Article  
4 2 (inaudible) basically says it applies to any toll facility and  
5 defines this term to mean a new highway, roadway, lane, bridge  
6 tunnel or other facility subject to payment of a toll for its  
7 use for which an alternative route exists and accommodates the  
8 same type of motor vehicles. It also requires new capacity, not  
9 tolling existing capacity.

10 Those would have to analyzed as part of this, and  
11 as we do move forward with something, maybe we can meet the  
12 federal requirement. We still have a state requirement, and the  
13 P3 statute and this tolling statute seem to be a little bit  
14 conflicting. So at some point we're going to have to address  
15 that as we move forward with the analysis and we get to the  
16 point where we want to move forward with implementation. So --

17 MR. HALIKOWSKI: Bottom line, Chairman and board  
18 members, is that -- and I think this is where Floyd's going.  
19 There really isn't room to expand I-15. I mean, we're pretty  
20 limited with the space that we have. So with the issue he just  
21 said with the statute, we may have to ask the state legislature  
22 for an exception specifically for 15, to say that it's not a  
23 new roadway and we can't expand it, but (inaudible) and being  
24 able to repair it, since given the fact that 21,000 trucks a day  
25 are using it or more, it really is a commercial lifeline between

1 California, Nevada, Utah and points beyond that. So I think  
2 that we're going to probably have to approach the legislature at  
3 some point with this idea.

4 The other thing I wanted to say is that this is  
5 not a person sitting in a toll booth with a line of traffic  
6 behind them lining up. We had envisioned this as all done  
7 electronically via transponder, and I think as Board Member  
8 Beaver was pointing out, we don't really want to negatively  
9 impact our Arizona residents, and we want to make sure that  
10 they're able to utilize the facility as needed and work out some  
11 sort of an accommodation electronically with the transponders  
12 for the local residents there in the contract. So those are  
13 things we have to yet sit down if we go this route with the  
14 concessionaire and try and figure out how those are going to  
15 look. But no intention do we want to set up booths and stop  
16 traffic on 15. It's an electronic, modern facility we'll be  
17 looking at.

18 MS. BEAVER: Chairman La Rue, I think I story on  
19 this as when we were in New York. Their toll booth, they are so  
20 good that they -- if you've got a rental car and they nab that  
21 license plate number on their cameras when you go through, the  
22 rental car sends you a bill and says that they paid it via your  
23 credit card --

24 MR. HALIKOWSKI: Right. Yeah.

25 MS. BEAVER: -- to help you out.

1 MR. HALIKOWSKI: To help you out.

2 MR. STRATTON: Not only that, but they charge you  
3 a \$40 processing fee, those rental companies, too, for that  
4 short toll road. So that's -- rental cars are an issue they  
5 haven't figured out yet on toll roads.

6 CHAIRMAN LA RUE: Well, not to belabor these  
7 (inaudible), but the last few times I've rented cars in other  
8 states, there's a heavy push by the rental car that you buy the  
9 toll passes as part of your package.

10 MR. HALIKOWSKI: Right.

11 CHAIRMAN LA RUE: And I said, well, I don't know  
12 if I'm getting anywhere near a toll region. They said, well,  
13 but if you get caught, it costs as much. So every person in  
14 line that I was listening was buying the toll package, even  
15 though they were going to be probably not anywhere near the toll  
16 bridge.

17 MR. ROEHRICH: Sure. The rental car company,  
18 they'll sell you a million dollars of toll packages, but since  
19 they probably only need 500,000 of them --

20 (Speaking simultaneously.)

21 CHAIRMAN LA RUE: -- (inaudible) but there's a  
22 lot of foreign tourists, and they were buying the package. It  
23 was unbelievable.

24 MR. STRATTON: And you can't leave DIA without  
25 taking the toll if you're using your GPS. It takes you right

1 down the toll road. Then you get a --

2 CHAIRMAN LA RUE: Well, Floyd, I don't know if  
3 you had more.

4 MR. ROEHRICH: I really just wanted to -- I'm  
5 wrapping up here.

6 CHAIRMAN LA RUE: Right.

7 MR. ROEHRICH: And you had asked kind of the  
8 strategy on Interstate 15. If you look at Interstate 15, we've  
9 got a few things in the program. This is going to take us a lot  
10 of years to do if we're doing it out of existing revenues.

11 This P3 process, we're re- -- kind of  
12 reestablishing it. We're going to do an analysis. We're going  
13 to need this. You know, it's going to take a little bit of time  
14 to really put together a comprehensive package to be prepared to  
15 move forward with something at the federal level as well as the  
16 state level, but I wanted you and the board members to know  
17 we're analyzing this.

18 We're going to work this as a process, and as we  
19 start looking at transportation revenues, if we don't see  
20 anything move forward with Key Commerce Corridors or something  
21 else in the future that sustains it over time, this might become  
22 a model that we have to use in other areas as well, and we're  
23 continuing to have that discussion. As more specifics get  
24 developed later in the year, we can have another discussion back  
25 with the Board.



1 (Speaking simultaneously.)

2 CHAIRMAN LA RUE: Well, and I just want to say --  
3 and thank you Board Member Sellers who started this -- I think  
4 this is a great idea, putting the time and energy into this.  
5 You know, (inaudible) scared, you know, me and (inaudible) since  
6 I've been on here is the amount of money we're going to spend on  
7 I-15 is phenomenal, and that takes away from the rest of  
8 Arizona. I like these strategies. If this goes to a P3, we  
9 might be out of a lot of the -- the day-to-day that then, I  
10 think, allows us to focus in on the I-10s and the I-17s and, you  
11 know, the 189s and all these other areas that are (inaudible)  
12 the corridors that really benefit Arizona.

13 While this is a benefit to Arizona, I don't think  
14 it has the same benefit some of our other corridors. So I like  
15 the strategy. I'd say let's pursue it. But I do see where not  
16 only do we have a federal hurdle to make sure we become a pilot  
17 project. We've got state -- probably state statute that's going  
18 to have to change as well.

19 MR. ROEHRICH: And it's a little bit conflicting  
20 language. We'd have to address what that really means between  
21 the P3 language on tolling and then the state statute on  
22 tolling. So absolutely.

23 MR. HALIKOWSKI: 189, since you mentioned it,  
24 Mr. Chair, I mean, we're looking at that delta, if you want to  
25 do the ultimate as P3, and by utilizing (inaudible) as a public-

1 private partnership. So as Floyd said, we would like to  
2 continue to promote -- work the Board -- or work with the Board  
3 on these and determine if you want to move forward or not.

4 CHAIRMAN LA RUE: Definitely. Steve, you had a  
5 question?

6 MR. STRATTON: Actually, I had a comment, and  
7 I'll echo your remarks, Chairman. I'm really appreciative of  
8 you're looking at this in order to save Arizona some money. I  
9 was wondering if we could get an update prior to adoption of the  
10 five-year plan. Even though it won't affect the first year of  
11 the five-year plan, it could potentially affect the later years,  
12 not only on where we're at in preparing for this, but also where  
13 the other three states are at so we can kind of judge will they  
14 be filling those slots or will they not be filling the slots by  
15 the summer.

16 MR. HALIKOWSKI: We can do that.

17 MR. ROEHRICH: Yeah. Mr. Chair, Mr. Stratton,  
18 absolutely. We'll keep an eye on what's going on in Washington,  
19 let you know as we hear things. If there's developments that  
20 were happening that we can share with you, we will definitely do  
21 that.

22 CHAIRMAN LA RUE: Ms. Beaver.

23 MS. BEAVER: Chairman La Rue, I guess my question  
24 would be in order to be, for lack of a better term, shovel ready  
25 if the opportunity presents itself, are we going to need to look

1 to the legislature to see if they would pass something as far as  
2 statute in order for us to move ahead?

3 MR. ROEHRICH: Mr. Chair, Mrs. Beaver, we're  
4 going to have to go to the -- we think we're going to have to go  
5 to the legislature at some point. I don't think it's this year  
6 issue. It's not going to affect us moving forward, because  
7 we're not going to really know what happens at the federal level  
8 until the end of the year. Those states have the full year, and  
9 even if something comes out earlier, we can still apply for it  
10 once the slot becomes available and be able to demonstrate us  
11 moving forward.

12 If this is something that does come available and  
13 we have to go to legislature next year, we've got time to do  
14 that. So I think time frame wise, we're in good shape.  
15 Actually, by starting this year, it allows us to evaluate then  
16 what's going on at the federal level and then put together  
17 strategy for the state level. So I think this is an opportune  
18 time for us to look at this corridor and this potential concept.

19 CHAIRMAN LA RUE: Excellent. Okay.

20 MR. ROEHRICH: But I do -- my last comment real  
21 quick, when the director wanted to -- it just occurred to me. I  
22 just want to make sure the Board's aware. When the director  
23 wanted to do this a few years ago, there was a huge negative  
24 push back on this. So it's something we need to be prepared for  
25 as we do address this moving forward. It's something we're

1 going to have to deal with and the Board will have to work with  
2 us on making sure the public and political people understand the  
3 need for this. Thank you, Mr. Chair.

4 CHAIRMAN LA RUE: Okay. Thank you. Well, any  
5 other items for the Board?

6 (End of excerpt.)

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**Adjournment**

***A motion to adjourn the January 26, 2016 Board Study Session was made by Michael Hammond and seconded by Deanna Beaver. In a voice vote, the motion carries.***

**Meeting adjourned at 11:25 a.m. MST.**



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Joseph E. LaRue, Chairman  
State Transportation Board



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John S. Halikowski, Director  
Arizona Department of Transportation