

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Governor Brian Sandoval
Lieutenant Governor Brian Krolicki
Controller Kim Walllin
Frank Martin
Len Savage
Tom Fransway
Rudy Malfabon
Bill Hoffman
Dennis Gallagher

Sandoval: Good morning and welcome to the Department of Transportation Board of Director's Meeting. I'm glad you all made it. I know everyone wants to brag about who came from the coldest place. But I think Member Fransway wins because he left Winnemucca and he tells me it was minus 21 when he left his driveway today.

But anyway, we will commence with Item 1 on the Agenda. And, by the way, Happy New Year to everyone and it's good to get started in 2013. This item is the presentation of retirement plaques to 25 plus year employees. And just for -- to be sure, can you hear us there in -- where's -- Elko or Las Vegas?

Lee: Yes, we can hear you in Elko. Thanks.

Sandoval: There's Elko. All right. Director Malfabon.

Malfabon: Thank you, Governor. We have a retirement to commemorate today, Glen Folkers, 25 years of service. And we also have some other awards. And we'll have each individual, if we could have the Board members kind of take some photos in front of the dais there. But we have AASHTO is the American Association of State Highway and Transportation Officials. And they keep track of the years of service for people that work in the transportation industry for DOT's. And I know that they kept track when I moved to another state DOT. So they always keep a running total and they wanted to acknowledge the years of service for three individuals today. Peter Booth retired last year from NDOT, but he's here with us today. Amir Soltani and Paul Saucedo work for NDOT currently. So not only do we

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

have the retirement plaque for Glen, but we also have these certificates and the 25-year service pins that it would be an honor if you could present those to these individuals, Governor.

As I said, the photographer just requested that we just kind of just sit -- I mean, stand in front of the dais and have those award recipients come forward. First, Glen.

Sandoval: Congratulations. Thank you for your years of service. We appreciate everything you've done for the State of Nevada.

Malfabon: Also for 25 years of service, Paul, I know that in right-of-way years that's even more.

Sandoval: Congratulations.

Malfabon: The head of our Project Management Division, Amir Soltani. Amir, congratulations on 25 years of service.

Sandoval: Congratulations.

Malfabon: I wanted to acknowledge some -- Governor, I wanted to acknowledge a couple that are not present here today, but also receive the 25-year recognition from AASHTO. Randy Hesterlee who's an Assistant District Engineer there in Ely. It's probably maybe as cold as Winnemucca probably in Ely today. And Tracy Larkin Thomason who is back in Washington, D.C. attending the Transportation Research Board. So I wanted to acknowledge them, too. A couple of...

Sandoval: Before you go on, let's give them a big hand.

Malfabon: Yes. I wanted to mention a couple of recent retirees also. Parvis Noori who was an Assistant Division Chief in the Materials Division here at NDOT. Recently retired. Now he's working for the Federal Highway Administration in North Dakota, is it?

Klekar: North Dakota.

Malfabon: Thank you, Sue.

Sandoval: Where it's warm.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Malfabon:

And David Titzel. Dave Titzel was the Assistant District Engineer in charge of maintenance in District 2. He's traveled all the way to Guam. So he is actually warmer. So he's working for a consultant engineering company in Guam. We wish them well on their retirement from NDOT and continued success.

So on to presentation of awards. Okay. Item No. 2. We are pleased to announce that NDOT received an award for the West Mesquite Interchange Design-Build Project. As you recall that was a very innovative design-build project where the contractor, design-builder, built the bridge on the side. Demolished the old bridge over the weekend, slid the new one in place, so very minimal delays to the public on that innovative project. NDOT was recognized by the American Public Works Association in the category of Project of the Year, \$10 to \$20 million. And also over \$20 million we won for John Terry was previously the Project Manager on I-15 South Design-Build Project.

So the design-build process has been a very successful delivery method for NDOT. It brings a lot of innovation to the table from the design-builders who come up with some ideas on how to build things more efficiently and cost effectively. So I wanted to acknowledge APWA's awards there and congratulate both the contractors, the engineering companies and the NDOT staff that worked on those projects.

We have the -- I won an award called the J. A. Tiberti Spirit Award. It's through the Associated General Contractors and Nevada Contractors Association. And I was really proud to receive this award. The Tiberti family has been involved in construction for decades in Nevada and has had a great presence in Las Vegas, particularly. And I was honored to receive this. Typically, this award goes to public agency representatives, so it shows that we're achieving our goal of being the employer of choice for our contractors. And I was honored to receive that award.

We also received the Intelligent Transportation Society of Nevada presented NDOT with the Best Intelligent Transportation System Award for the Washoe Valley Wind Warning System in the category ITS Project of the Year under \$2 million. We also won the I-80 Work Zone Intelligent Transportation System Award.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

So we received a couple awards that are recognizing our use of technology to inform the public. I know that we've had several cases where we've had to actually put those warnings in place on the high wind area on the new freeway. So that system's working well. In the case of the I-80 Design-Build Project, we had -- a temporary construction-related ITS system was used to create a permanent system providing traveler friendly traffic cameras and more for Reno motorists. I know that it's very informative for people before they leave to see how traffic is moving on those video cameras. They can make decisions on their routes as far as their daily commutes. So I was honored to receive those awards.

We also received a recognition for the International Walk to School Day. NDOT staff supported Nevada's participation in International Walk to School Day statewide. Fifty-three Nevada schools participated in the event with many students encouraged to walk to school for health and the environment. And I wanted to mention the Safe Routes to School Program is in concert with that trying to get kids to walk or bike to school to address health issues with our kids, get them to be more healthy by biking or walking to school.

We also wanted to mention Nevada Bicycle and Pedestrian Advisory Board Bike and Pet Awards. Individual employee or agency awards went to Thor Dyson, NDOT District Engineer in District 2, Rebecca Kapuler in NDOT Planning, and Tim Rowe in NDOT Planning. Tim received a Lifetime Service Award. This recognizes the efforts of individuals, agencies and organizations related to bicycle and pedestrian planning, infrastructure, safety advocacy.

This year NDOT Transportation Planner Tim Rowe received the Lifetime Service Award for his work on the Nevada Bicycle and Pedestrian Advisory Board. NDOT District Engineer Thor Dyson and NDOT Planner Rebecca Kapuler were recognized for their improving bicycle and pedestrian connectivity and safety in Nevada. And that goes towards our multi-mode view of transportation in the state, not just highways, but also working with our transit partners across the state and with the bike and ped groups, in particular.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

We also received the American Association of State Highway and Transportation Officials, AASHTO, President's Award for Highway Traffic Safety. We've mentioned that before. And, Governor, you had -- were able to acknowledge Jaime Tuddao's -- he's in our safety program, his efforts in that. And we are very proud to receive that from the AASTHO president.

The next award that we received that I mentioned last month. Julie had received recognition from AASHTO, Julie Duewel has awarded twice in AASHTO. Two of her photos were used in the 2012 Faces of Transportation Photo Contest. So they appeared in the calendar for AASHTO. And I believe that we're going to be getting some of those...

Sandoval: Do we have those?

Malfabon: Have we ordered those? Okay, we have them on the way and we'll get them to the Board Members, Governor.

Sandoval: We don't have them today, though?

Malfabon: I don't believe so. We will get those to you. Here we're already in the middle of the month. We should have got you those sooner, so we'll work on that and get them delivered to you before the next Board meeting. And the photos that were used that Julie Duewel had taken, one was a highway worker on the I-80 Design-Build Project, Granite Construction's project. And we also had the photo of the walkers, bicyclists and vehicles at the Galena Creek Bridge where the I-80 fun run/walk/ride event took place before they actually opened the freeway. So I wanted to congratulate Julie on those awards or recognition of use of her photographs. And that concludes the awards that we received this last quarter.

Sandoval: Rudy, before you go on again, I want to personally congratulate everybody associated with these rewards. It's a big team effort, but it's very impressive to have such national recognitions, so congratulations and congratulations for the awards.

Malfabon: Thank you, Governor.

Sandoval: Let's proceed to Agenda Item No. 3, Director's Report.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Malfabon:

Governor, I'm pleased to report that due to the efforts, the letters that you and Governor Brown from California had submitted, as well as the support letters from the RTC's in Nevada and NDOT, the USDOT Secretary of Transportation issued a letter to us saying that the Tahoe Metropolitan Planning Organization status for the Tahoe NPO has been reinstated. So they're looking at it with their legal folks, but administratively they feel that that could be -- that status can be reinstated. They do a lot of good work on the planning side up at Tahoe for us with all those communities and the visitors to that beautiful region of the state. So we're pleased to report that.

Governor, the next item I wanted to mention -- and we'll have a more detailed presentation at a future Board meeting, but I wanted to give you a quick status on the Boulder City Bypass. And the Boulder City Bypass Project has been broken out into two phases. Phase 1 is NDOT's responsibility and Phase 2 was given to the RTC of Southern Nevada as a possible toll road in the future. So the RTC has been working in partnership with NDOT holding the public meetings and the outreach and redoing the environmental document which did not consider tolling at the time that it was approved by the Federal Highway Administration. So that environmental impact statement will be revised with this tolling concept.

But as far as the Phase 1 project, which goes from south Henderson up to U.S. 95, just a little bit south of Railroad Pass there where that casino is, we've been acquiring property. We brought some of those cases forward as eminent domain issues to the Board. But we wanted to mention that there's some significant right-of-way costs associated with the acquisition of some properties. One of the cases could be upwards of 60 to over 100 million for that issue. Now, we haven't received all the information to substantiate those costs, but we did hire outside counsel to assist us in that effort. And that outside counsel's been doing a great job of informing NDOT, as an agency, and our engineers on how to avoid in the future these types of cases.

So we're going to be probably going to court on one of the major contested issues there in eminent domain. And it will take about one year to get the decision from the court we are estimating. So we anticipate that we will continue with using up some federal earmarks on that project. But we probably will have to slow the pace down if we do have significant right-of-

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

way costs that were not considered due to inverse condemnation cases that are arising.

In inverse condemnation, that's when the owner's saying that we owe them money because of impacts to the value of their property. And we will keep the Board informed and, as I said, we'll give you a little bit more detailed presentation at a future Board meeting on the Boulder City Bypass and the status.

Sandoval: Are you keeping the local government officials briefed as well?

Malfabon: We will. We have been working with the City of Boulder City and the mayor and their public works officials, so we'll have -- anything that delays the project or slows it down, we'll give them more specific information.

Sandoval: Member Fransway has a question.

Fransway: Thank you. Rudy, you mentioned the tolling or a potential tolling. That would be on our side. Does that road -- or does it not terminate in the State of Arizona? And if it does, how will that tolling affect their side?

Malfabon: The road would -- the Boulder City Bypass Project would tie in near that interchange where people decide whether to get off at an interchange to go the -- visit the Hoover Dam Visitors Center. And it's before the bridge over the Colorado River. So the toll road would be that phase from U.S. 95 interchange -- future U.S. 95 interchange with the bypass and it would go around to the interchange with -- to the Hoover Dam Visitors Center. So there's a section of road, it's called Phase 2, that would be the toll road. And the public would still have use of the existing highway, U.S. 93 through Boulder City itself as a free alternative to that toll road.

Fransway: So Arizona wouldn't be...

Malfabon: No, it would -- the toll road would be entirely in Nevada on the Phase 2 portion of the bypass. And we'll show you some maps on the future presentation to kind of clarify the limits of the project. But there have been public meetings. There was a public hearing recently on the toll concept for Phase 2. So we're keeping the public informed and working with the RTC of Southern Nevada and Boulder City.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Sandoval: One last thing, the Lieutenant Governor suggested that you also keep Senator Hardy informed because I know he's been very involved in the project.

Malfabon: Definitely. The toll bill came out of his efforts last session, so we will. Good suggestion. Another thing to report, Governor, was I appeared before the Interim Finance Committee in December to talk about the Highway Fund balance. The Highway Fund balance has dipped as low as below \$30 million. But right now it's currently above \$100 million because of reimbursement from the Federal Highway Administration on our bond principle. So what we have been doing, though, is reporting to the IFC that we are taking steps to look at our costs and reduce our operating capital costs and personnel costs at the Department. They followed up with a request for a response to several questions, which we'll respond to. But I wanted to mention some of the cost saving measures that we implemented at NDOT.

We used to use a portion of the state highway funds that was generated from interest of that account to offset some of the match costs for buying transit vehicles. We'd give that money to RTC of Southern Nevada, the Washoe County RTC and the Carson Area NPO so they could use that money as a match for federal purchases through FHWA funds for transit.

The point of the -- the fund balance was so low it wasn't generating enough interest to -- for us to continue assisting them in that manner. So that was about \$660,000 commitment that we had to inform those NPO's that we are rescinding that. But we'll meet our obligations as far as what they've currently had in the works. But we couldn't continue doing that with the fund balance being so low and the interest being so low.

Another thing that we're looking at, Governor and Board members, is that the size of our construction program was -- we came off the biggest year ever last year. But we have seen that a lot of the one-shot funding, the (inaudible) funding through the federal stimulus, the funding that we use from Las Vegas Convention Visitors Authority, from room tax revenue, that funding is going -- has been spent. So those one-shots are going away. So we're going to be more our traditional level of spending from the state fuel tax revenue and federal fuel tax revenue.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

So what we're seeing is with the downturn and the number of construction contracts expected we can still deliver our construction program while reducing one construction crew that oversees construction in Las Vegas and one construction crew reduction in Reno in District 2. So we think that eventually we can do that through attrition and have a substantial amount of savings in personnel costs.

Another thing that we're looking at is trying to maximize the amount of federal funds that we can receive. We've brought some of the settlements to this Board for your information and gone to the Board of Examiners for approval of those settlements on eminent domain cases. We had that issue with the water rights on Falcon Capital, on 580. And what we've been doing is submitting that for whatever's eligible for federal reimbursement. So we're still being effective at spending every dime of federal money that we can receive. And, hopefully, we put ourselves in a position where we can get money from other states at the end of the federal fiscal year that other state DOT's do not spend.

Sandoval: And, Rudy, if I may, when do you expect to hear back on some of those requests?

Malfabon: I think that we've actually received some reimbursement on what we have submitted. And in the case of Falcon Capital Water Rights Issue, we were still waiting for some more information, substantiation on the legal fees for the other party. So we haven't submitted everything that's -- because we haven't received it all yet. But everything, I think, that, to date, we've submitted on those major settlements for Project NEON and for the Falcon Capital Water Rights Issue, we've submitted it and received reimbursement. I don't have the dollar figure, but I've asked staff to look at that so that we can inform the Board in the future how much we've received in federal reimbursement on those.

And I wanted to acknowledge Sue Klekar and her staff. And they've been very helpful at receiving those and reviewing the necessary documentation for those requests for reimbursement. And we've been very successful at receiving that in a timely manner when we do see that.

Sandoval: Controller has a question for you.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Malfabon: Yes.

Wallin: Thank you, Governor. I have a couple questions here. And I appreciate the effort that you're doing to save money. You mentioned that we're going to be cutting back on one construction crew in Las Vegas and one construction crew in Reno. Are we also going to cut back on some of our consultants? Because I know we were doing all these projects, we had to hire consultants to oversee the consultants so...

Malfabon: Yes, that is another area, Madam Controller, that we are looking at cutting back. We feel that we have successfully used consultants and we continue to use consultants to deliver our program. But in the case of construction management, we use consultants when we don't have enough staff. And we feel that we can cover most of it next year. Maybe -- we anticipate this construction season that District 3 will have quite a bit of work on I-80. We'll actually send some crews from District 1 and District 2, some construction personnel to augment the amount of construction crews in District 3 this year.

So anytime that we can do things ourselves, that's one of the messages that I've been telling staff at NDOT is either look at using consultants, but what can we do ourselves or what can they train us so that we don't have to rely year after year on the consultants. So we have taken steps in that area of trying to use consultants wisely, but reduce things that we can do ourselves, self perform.

Wallin: Okay. And then just one follow up on that to the federal funds on these settlements and stuff. Can we get some type of report to see, you know, what we're getting reimbursed? That, I think, would be helpful and stuff.

Malfabon: Yes, we can do that.

Wallin: And I noticed that in the agreements -- and I don't know what the trend because I didn't have time to look at it, but it seems like where in that column it says federal funds, yes or no, there's a lot more no's in those columns than yes's. So I don't know if you're doing something to watch that.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Malfabon: Yes, that's a good point. And that's one that I have discussed with staff. Anytime that something could be federally eligible, we've been asking those types of questions and noticing those types of -- when we see why is this not -- why is this being funded with state funds instead of federal. Often what we're finding out is that we just have to work through the programming issues and get it programmed that way in the STIP document which will be brought forward to the Transportation Board in the future months. So we're trying to get smarter about eligibility and using up the federal funds. It doesn't mean that we get any more federal money, but we use it wisely and use it as fast as we can so that we're in a better position to get other states federal funds that are left on the table.
- Wallin: Thank you.
- Sandoval: Prompted a question from me, Mr. Director, is when is that time when we have an opportunity to obtain funds that haven't been spent by other states?
- Malfabon: Usually I think it's August redistribution and then we get last day funds. So there's two possibilities of getting other states federal funds for transportation. And we've been very successful. I think that the number that Assistant Director Sisco had mentioned in the response that's going to IFC was that we've received over was it \$111 million over about the last seven, eight years, \$116 million of other states funds over -- since 2005 I believe it was. So quite a very successful amount of money to receive from other states.
- Sandoval: We like that. We like that.
- Malfabon: Sometimes we have to face them at AASHTO and say sorry.
- Sandoval: Member Fransway has a question.
- Fransway: Thank you, Governor. Rudy, I wonder if there's any way that we could get an idea of the percentage of eminent domain costs that are reimbursed from the feds versus what the state actually expends toward that litigation.
- Malfabon: We can put that in the report that will be provided to the -- at a future Board meeting. One of the things that I wanted to mention on eminent domain cases, we -- one of the programming issues that we found out was that if we hire outside counsel, we feel that it should be eligible, so we've been talking

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

to the Federal Highway Administration Division Office about that. And that's one of the issues that they said if you program it that way, it can be eligible. It's just an issue of being smart about programming it up front, anticipating those types of expenses, and then once it's programmed, then we can get reimbursement from the feds. But we'll get that in our report in the future.

Fransway: Thank you.

Malfabon: And the last thing for the Director's Report, Governor and Board members, is we're looking forward to the start of the new session and your Wednesday state of the state address, Governor. We've been working with NACO on the bill draft for road relinquishments and I know that there's been some confusion about that. We feel that -- what we were trying to accomplish was try to get equity in that issue of road transfers and road relinquishments, but also allow the state to take the first step. So we feel that we can work out those issues with NACO. I wanted to acknowledge the efforts of Assistant Director Tom Greco in working with NACO and the League of Cities on that issue.

The other thing is we're obviously working with the Department of Motor Vehicles on our public-private partnerships BDR with respect to their issues with the tolling concept. So if there was a tolling project in Nevada that was approved, we would work out -- have those issues worked out with the DMV so that we know -- they understand how it would be implemented.

We also received a briefing from a political action committee in Clark County regarding the fuel tax indexing initiative in Clark County and will keep you and the Board informed as we receive more information on that. But what they intend to do is to approach the legislature to get -- the Clark County commissioners would be given the authority to index fuel similar to what's been done in Washoe County with fuel tax indexing. It raises additional revenue that the RTC in Washoe County's used to bond some major projects such as the Southeast Connector in Reno. And the idea is that Clark County now is going to be approaching the legislature to try to get that allowance for their county commission to consider. And that concludes the Director's Report.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Sandoval: Any questions from Board members? We'll move on to Agenda Item No. 4, public comment. Is there any member of the public here in Carson City that would like to provide comment to the Board? Anyone in Southern Nevada that would like to provide public comment to the Board?
- Martin: No, sir.
- Sandoval: Next item on the Agenda, No. 5, approval of December 10, 2012 Nevada Department of Transportation Board of Directors Meeting Minutes. Have all the members had an opportunity to review the minutes? If there are no changes, the Chair will accept a motion for approval.
- Martin: I have one.
- Sandoval: Oh, all right.
- Martin: At the top where it says who was in attendance I'm missing.
- Krolicki: So am I, but I wasn't there.
- Martin: But I was. Other than that, I'm good with it, Governor.
- Sandoval: All right. No, we want to make sure you're included. So we'll -- with that...
- Malfabon: We'll make that correction, Governor.
- Sandoval: With that correction we have a motion for approval from the Controller. Is there a second?
- Martin: Second.
- Sandoval: Second by Member Martin. Any questions or discussion on the motion? All in favor, please say aye.
- Group: Aye.
- Sandoval: Motion passes unanimously.
- Krolicki: Governor?
- Sandoval: Yes.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Krolicki: If I can make just a comment on the minutes. And I apologize. I was traveling and couldn't be here. But I do appreciate the conversation that took place on the Tahoe transportation issues. Thank you to my colleagues for carrying some weight in the legacy questions from the meeting previous. But between travel schedule and the holidays, and I'm sorry I didn't have a chance to meet with them, but I would like to and I know Carl Hasty and my friend, Steve Teshara were participating. But I'm happy to work on the schedule to do that briefing. I did appreciate the fact that, you know, they did talk about the fact that a fire truck now can go on those lovely trails through Rob Meadow. So it has changed the feeling, if you will, of some of those places. But I would appreciate the opportunity to follow up and have that conversation.

Malfabon: Thank you, Mr. Lieutenant Governor.

Krolicki: Thank you.

Sandoval: Next item is No. 6, approval of contracts over \$5 million.

Malfabon: And this will be presented by Assistant Director for Administration Scott Sisco.

Sisco: Thank you. Thank you, Governor and members of the Board. Before I jump into Item No. 6 I just want to mention -- Rudy mentioned our cost saving measures. And they forgot the most important one of all. This is our new program 34 Degrees and We Won't Freeze and our new building temperature over the weekend here. So hopefully that's working out. I think we estimate we're going to save about \$17 for that, so it should be good.

Item No. 6, first item, approval of contracts over \$5 million for possible action, we have two for approval. And turning to page -- Attachment A, the first page of Attachment A, the first item for approval is a project to construct Snyder Avenue -- construct Snyder Avenue with a bridge over U.S. 395, retaining walls, drainage and retention basins on 395 and Carson Freeway from South Carson Street, 529, to Fairview Drive Package 2B. We had three bidders. The Director -- the engineer's estimate was \$11,503,969 and the Director is recommending awarding the contract to Granite Construction Company in the amount of \$9,545,454.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Sandoval: Any questions? Please proceed.
- Sisco: The second contract on the Agenda today is a project to construct a new interchange on I-15 and Cactus Avenue in Las Vegas. We had six bidders with an engineer's estimate of \$49,893,258. And the Director is recommending awarding the contract to Las Vegas Paving Corporation in the amount of \$38,900,000.
- Sandoval: Questions? Okay.
- Sisco: The Director recommends approval of all contracts listed on Attachment A.
- Sandoval: Perhaps one question. There's -- it's great, the direction -- the engineer's estimate was close to \$50 million and the final bid was close to \$39 million. Is there any explanation for that gap?
- Sisco: I know we talked about it. I don't remember who -- who was that? Rudy, was that -- Rick, were you going to talk about that?
- Malfabon: Well, Governor, we did look at -- do the bid review analysis and you can see that there's quite a difference between Las Vegas Paving's bid and the -- the other bidders were more in line with the estimate. But we didn't find anything out of sorts in their bid. And they pretty much felt that they can deliver that project for that price. They've got a very good bridge construction team. And I think that they just felt that they could do it for lesser costs than the others. And they probably wish that they had put more money on the bid, but we are pleased that -- yes, thank you, Bill. And, you know, when we do get those types of savings, we can definitely look at what other projects we can do with the savings, so...
- Sandoval: But once that's done, do our folks get together and kind of look at where we came up with our numbers and...
- Malfabon: Yes, yes. It's both the -- at the bid stage we do that type of review and also at the end of construction we've been reporting on a lot of that information to the Construction Working Group and looking at those. We try to have kind of a closeout meeting on these major projects to see what lessons learned also. So that will be done on this project.
- Wallin: Governor?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Sandoval: Madam Controller has a question.
- Wallin: I just have one question on that same contract because I was kind of surprised how low it was compared to the estimate. And there was a lot of the engineer's estimate that prices weren't available or something like that. And then, okay, the price seems slightly low or slightly high, but 100 sounds good. There was a lot of that. And so do you guys have something in place to -- in the future if you have something where you don't have any pricing history that you could find it from somewhere else? I mean, or was it different types of materials that had never been used before?
- Malfabon: When there's newer materials, we usually try to inquire with other states. And we also do estimates -- the engineer's estimate is quite a bit different from the way the contractor prepares their bid. And that's one of the reasons why on those other types of projects that we do hire the independent cost estimator. But we do our best to try to estimate based on our labor rates, our materials costs and equipment. But it's quite a different process. We sometimes will inquire with other states if it's a new product or new material. But, for the most part, we just try to keep a database of what we've used and do our best to consider also the impacts of any limitations or restrictions on working hours or working times. Sometimes when you restrict those hours it drives up the price of construction. So we try to get that worked into the cost estimates, too.
- Sisco: Rudy, also Paul Frost from our Design -- head of our Design Division here, he can mention just real fast what his perception of the issue is.
- Frost: Good morning, Governor, members of the Board. Just in this particular case -- we do go back at each of these contracts and look at all the contractors' bid items versus what we reported and try to find a reason why maybe our estimate was off. In this particular case there's some really large box culverts on there that we thought the contractor was going to have a little more expense in constructing them. There were some shoring issues. And our database is limited on these very large box culverts, so we were probably on the conservative side and that -- if you look at that particular item and fix it, it's actually come very close to one another.
- Sisco: Thank you.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Malfabon: That's a good point. A lot of times you might see a contractor's approach on shoring of some deep trenches be very innovative and they can construct something a lot more efficiently than their competition.
- Sandoval: If there are no further questions, the Chair will accept a motion for approval of Agenda Item No. 6, the contracts described under Attachment A, Numbers 1 and 2.
- Krolicki: Governor, (inaudible).
- Martin: So moved, Governor.
- Sandoval: We have a motion for approval by Member Martin, second by the Lieutenant Governor. Any questions on the motion? All in favor, please say aye.
- Group: Aye.
- Sandoval: Motion passes unanimously. Agenda Item No. 7, approval of agreements over \$300,000.
- Sisco: Thank you. Governor, today we have four agreements over \$300,000. Turning to Page 3 of 16, there's four agreements, three with the Chapman Law Firm and one with SB Strategic Consulting, Inc. And we will be happy to answer any questions on those.
- Malfabon: I wanted to mention, Governor, that we are looking at another law firm to pick up some of the eminent domain cases that will arise out of Project NEON so that we can share that experience and workload.
- Sandoval: And these expenses are the type that you described that may be reimbursable or should we...
- Malfabon: Yes, provided that we program it appropriately.
- Sandoval: Okay. Board members, do you have any questions with regard to the contracts described in Agenda Item No. 7? Member Fransway.
- Fransway: Thank you, Governor. A question on Line Item 4 which is relative to the state budget system and the federal timeline. The question is it looks to me

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

like the \$96,000 amendment will need to be -- will be subject to legislative approval. Am I not correct?

Malfabon: I don't think so. I'd have to investigate that. But I don't think that we've ever obtained legislative approval for this type of support in Washington, D.C. for our advocates that watch the congressional actions in kind of the national scene on transportation funding for us and give us kind of updates on where there's grant opportunities as well. So they do more of the policy analysis and lobbying, so to speak, or representation of us in Washington, D.C., but not in the state legislature.

Fransway: Okay. Well, the way I'm reading it is that the original Agreement 288 was during -- was incurred at the last fiscal year or the current biennium. And the 96,000 will extend past that date.

Malfabon: Oh, I see. The (inaudible) was whatever support that they could give us also during the legislative session, but also get in alignment with the federal fiscal year. So we were doing an extension with reprourement of that contract this year, but get it more in a cycle that would be more in line with the federal fiscal year. So that's why we were asking for the extension.

Fransway: Okay. Thank you, Governor.

Sandoval: If there are no further questions, the Chair will accept a motion for approval of the agreements over \$300,000 as described in Agenda Item No. 7.

Wallin: Move to approve.

Sandoval: I have a motion by Madam Controller for approval. Is there a second?

Savage: I'll second.

Sandoval: Second by Member Savage. Any questions on the motion? All in favor, please say aye.

Group: Aye.

Sandoval: Motion passes unanimously. We will move on to Agenda Item No. 8, contracts, agreements and settlements. Mr. Sisco.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Sisco: Thank you, Governor and members of the Board. Today we have contracts that are greater than \$5 million that were awarded by the Director and then agreements -- no settlements this month. So first turning to Attachment A we have three different contracts that were awarded. Again, these are under \$5 million. The first contract awarded was a project to install temporary and permanent tortoise fencing around perimeter of the Boulder City Bypass, Part 1 and perform plant salvaging activity for construction of U.S. 395/95 mainline from one mile south of the junction then of U.S. 95/U.S. 93 to Foothills Road. Director awarded that contract November 20 to Las Vegas Paving Corporation in the amount of \$1,327,000.

The second contract under \$5 million was a project for a signal system modification; Synthetic replacement of 5 section protective/permissive heads to 4 section protective/permissive heads utilizing flashing yellow arrows in multiple intersections in District 1, Las Vegas. And the Director awarded that contract November 13 to Transformers ITS LLC in the amount of \$1,753,671.20.

And the third contract or agreement project to construct intelligent transportation system elements on I-15 North, Part 2, Package B in Las Vegas from Craig Road to Speedway in Clark County. And, again, the Director awarded that contract November 14 to Transcore ITS LLC in the amount of \$4,850,856. Those are the three contracts under \$5 million.

Unidentified: Did you say that was Contract No. 2?

Sisco: LLC...

Malfabon: It's Transcore also.

Sisco: Transcore, I'm sorry, Transcore ITS, yeah, sorry.

Sandoval: I thought I heard you say something different than Transcore.

Sisco: I apologize.

Sandoval: No, I just want to make sure.

Sisco: Yeah, and I may have. I try to zip through those fast in case everybody -- okay. Moving on to Attachment B in our agreement section. Again, as I've

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

mentioned before, we kind of review these ahead of time, see if there's anything that we feel we need to point out to you. And then I'll let you take it from there in regards to questions. There is one that we'd like to point out to you on Page 11 of 13 is a contract -- amendment with ACS State & Local Solutions, Inc. And we just wanted to touch on this because we knew you would have questions on this one because it's been basically extended since 2003, I believe it is.

This particular contract, it was more of a working arrangement. We had a company that provided an online database where we're able to go on permits for over dimensional permits. Permits for over dimensional (inaudible) and we were basically paying them about \$350,000 a year and...

Unidentified: ACS, okay.

Unidentified: Thank you.

Sisco: Las Vegas, you need to mute your microphone. We were basically paying them about \$350,000 a year to issue these permits \$10 at a time. And our new ITS Division Administrator came along and working with our Administrative Services section discovered that, quite frankly, it was an extremely simplistic database. Went home and built it on the weekend and we're in the middle of putting this in place. And we anticipate saving about \$350,000 as a result of this. This amendment for \$65,000 just takes us through -- we're actually training this week. A little bit last week, but this week we're, well, working through the training. And this was just in case there were any final permits that we had to issue. But we are extracting our data back from that contractor and, again, this contract will save us about \$350,000 a year. So, again, as Mr. Malfabon mentioned as we started this process of looking at everything we were doing to see where we could save some money, this is one we're very proud of. Though not in question with that or any of the others, that was the one that we wanted to point out to your attention.

Sandoval: I was going to ask you about No. 19. And I would assume this has to do with the Falcon Capital case. And why are we amending this as of December 18 of 2012 and the increase was due to the trial date being vacated?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Sisco: Mr. Gallagher, jump in on this one?
- Gallagher: Governor, the reason the contract's being amended is two-fold. One, additional assistance from our Water Engineer to review their Water Engineer's bills that they had submitted to the state for reimbursement. So it was an audit of that. Secondly, and perhaps more importantly, is to assist in getting an appraisal for the water rights that the state has acquired as a result of this decision. And, as you noted, the reason for the amendment is not correct.
- Sandoval: It's just this is the gift that keeps on giving and...
- Gallagher: And some...
- Sandoval: You don't have to respond.
- Gallagher: Thank you, Governor.
- Krolicki: If I may follow up.
- Sandoval: Yeah, Mr. Lieutenant Governor.
- Krolicki: What was the amount of the billing by the Falcon Water Engineer?
- Gallagher: Oh, geez...
- Krolicki: I'm just trying to get it in perspective. If we're spending an extra \$36,000, I hope that the amount they were reviewing is significantly larger so we're looking to capture savings beyond what we anticipate amending the contract for.
- Gallagher: Lieutenant Governor, I don't remember the exact figure, but I can assure you it was much, much higher than this particular amendment. It was well into the six figures.
- Krolicki: So for the...
- Gallagher: Their water -- their Water Engineer's fees were well into the six figures.
- Krolicki: So, for the record, spending this additional \$36,000, there's a good likelihood or prospect based on your review that the savings on reviewing the other Water Engineers' time may be saved.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Gallagher: Yes, Lieutenant Governor, I do believe that.
- Malfabon: And this was a not to exceed, so they might not expend the entire amount of the amendment.
- Sandoval: You're not making me feel any better, but, I mean, I can't do the math right off the top of my head, but \$36,000 at what amount per hour?
- Gallagher: Governor, between the engineers' hourly fees and the lawyers' hourly fees, I wouldn't want to throw a number out. I'll get it to you, though.
- Sandoval: But I'm just saying that's a lot of hours to review somebody else's billings.
- Gallagher: And the second part of that was also to assist in the appraisal for the water rights that the state is acquiring so that we can come back to this Board and say we've acquired X number of acre feet and its appraised value is.
- Sandoval: Okay. Because that goes back to whatever meeting we have had that my comment and hope was that we would be able to market those water rights that currently are not marketable. At least that was my recollection.
- Gallagher: Correct.
- Sandoval: Thank you. Other questions? Madam Controller.
- Wallin: Yeah, that contract there -- and what did we pay, \$9.2 million for those water rights? So I hope the appraisal comes in for more than that, but, you know. I have a question. It's on No. 20 there, too. Jacobs Engineering, it says here that it's to support additional CMAR projects statewide. Can you explain what they're doing for us statewide and...
- Malfabon: On the construction manager at risk program we still have the projects that are underway, the Carlin Tunnel Project on I-80 in Elko. We also have the one up at Lake Tahoe, the bike path. So it's just to provide support for those. And this is one of the areas where we've asked our Project Management Division to look at self performing some of these. Get Jacobs to teach us how to administer these projects so that we can end that agreement.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Wallin: Good. And then Item No. 36, that is with Link Technologies electronic document support. Can you just talk about what they're doing for us? Because didn't we do something with Link before just recently?
- Sisco: I'm trying to remember who's this was. This particular contract is for an MSA that we bring in through the State Purchasing and Master Services Agreement. And as I recall on this particular one we're working on and electronic documents thing. And every year we have to renew these contracts. So right now we've gone through the bidding process. The process has been awarded. I believe actually we're buying an AASHTO customized software for it. And this particular MSA will actually be working with them to customize it and bring it into the Department.
- Sandoval: Questions from other Board Members?
- Martin: I have a -- Governor, going back to that ITS LLC, I just did some quick math. They've left well over ten percent on the table on each one of those two contracts. Is this the same as it would be with a construction contract where we get payment performance bonds from these folks?
- Sisco: Mr. Hoffman, did you want to take that one? I see you nodding your head.
- Hoffman: Hi, Bill Hoffman, Deputy Director. I would assume all the ITS projects that we've put out before do indeed, they are administered and awarded exactly the same way as other construction projects. But we can get back to you, Member Martin, with that information if that's different from what I just discussed.
- Martin: I would appreciate it.
- Hoffman: Yes.
- Martin: Because as I do the math, they've left almost \$700,000 on the table.
- Hoffman: Right. So I've just received confirmation from our Admin Services group. And they are shaking their head, yes, that this is like any other standard construction project.
- Martin: Okay. Thank you.
- Hoffman: You're welcome.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Sandoval: Member Savage.

Savage: Thank you, Governor. And I, too, voice the same frustration, I think, with some of the consultants and some of the fees, especially Item No. 19. And I know we're well aware, Governor, in the CWG meetings that we have, it is holding the consultants accountable. And if we have to go against their E&O's we will because it's a team here and they have to take the good with the bad. And they can't (inaudible), so I think we're well aware of some of the consultants and holding them accountable.

With that being said, Mr. Sisco, I have a comment on there were a lot of time extensions granted throughout some of these different Attachment B's. And with that time extension, does the Department request cost modifications as well?

Sisco: It depends on what it is. The majority of our time extensions have to do with our inclement weather here in the State of Nevada. So they give them X number of months to complete a project. And then what happens is because they can't pave or do whatever they need to do, we end up usually - - you'll see more of the time extensions about this particular -- around this particular time of year than you will in other periods of time. But they just can't do it and so we have to extend the contract before it expires or we have to get a whole new contract. So the majority of them are about that.

Every now and then you'll see -- and we've worked real hard to change the note section of this, the purpose, so that we can explain a time extension to do what, what exactly is it that we're planning, put that right in there so you have as much information as you can possibly have in doing it. But in going through these, the majority of them are about just time needed to complete the project. And if there's additional money involved or if there was a scope change, again, we will list that specifically in that description.

Savage: Because that's always my fear is you grant the extension and then eight to ten months down the road they come up with additional dollars. So it might be wise for the Department to ask in order of magnitude if there are going to be any dollars so that we know up front, again, rather than having the horse pulling the cart. So thank you, Mr. Sisco. Thank you, Governor.

Sandoval: Tom, did you have questions?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Fransway: I did, thank you, Governor.
- Sandoval: Yeah, please proceed.
- Fransway: That Item 19 seems to be getting a lot of scrutiny and my question may be fundamental in nature. But I'm wondering shouldn't the original agreement amount and the amended amount equal the payable amount?
- Sisco: We've gone back on here wherever we can and tried to increase the size of the description under the note section to take it from the original contract so that they can be added up. But not always because usually -- we're still finding some of these older files where we had an original contract amount. We actually had another one or two amendments in there. And now we have a new amendment that takes it to the total thing. So that apparently is one that we may not have caught. Is it in there?
- Malfabon: Yeah, the amended amount -- amendment amount is for the current amendment that's before the Board for consideration. And then the -- in the notes, as Mr. Sisco indicated, that's where the additional authority was -- increased it. So we include the amounts of previous amendments in the notes. But the column that says amendment amount is only for what's before the Board in the current month.
- Sisco: And just to mention in that particular one I take it back. We actually do. It started at 20. It was raised to 45. And this time we added 36 to get it to 81. So that would be the ultimate payable amount.
- Fransway: So what you're saying is they've been amended before.
- Sisco: It's been amended before, yes.
- Fransway: Okay.
- Sisco: The original amount of that contract was 20. It was then amended to 45. And then it was amended again now to 81.
- Fransway: For clarity's sake maybe somehow the spreadsheet should indicate that rather than on the note.
- Sisco: Okay.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Fransway: Because it happened in another one also. It happened on Item 24, the same thing.
- Sisco: Okay, okay. Just so you know, this particular spreadsheet is actually an extract from our contractor payment systems and our financial management systems. And about the only place we have a lot of flexibility is in the notes. So we try to go in there -- without paying a programmer big money to change it. So we try to go in there and make sure that it's detailed. And I apologize because one of my jobs I go through there, read it and say, okay, do I get from here to there and understand what's happening here. But we will continue to look at that.
- Fransway: That would help because as far as at least this Board member, if we're amending something numerous times, it may pose a problem if it's ongoing with this particular line item. And, anyway...
- Sisco: Yeah.
- Fransway: ...you may be able to clarify that in some way in the future.
- Wallin: Governor, can...
- Terry: Just to kind of clear up two issues and kind of on the same issue and on full disclosure, you had questioned Item No. 20. And that has that exact issue that you just brought up on the other one. In other words, we show an agreement -- understand the amendment amount is 285,000. The original agreement was 800,000. So what you're really approving is a \$285,000 amendment to an \$800,000 original agreement to a total of 1.25. So since you had brought up this issue and since you had brought up Item 20 before, I'd just like to be clear what you're approving here.
- Wallin: Can I comment, Governor?
- Sandoval: Madam Controller has a comment.
- Wallin: All right. Now, I'm very confused here because, first, let me just -- to Member Fransway's comments, this might be a suggestion. Maybe if in your little notes there to say original -- over there have original contract and then Amendment 1, Amendment 2 and then it adds up. That might be easier for people to see.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Sisco: Well, and that's kind of what I was trying to explain.
- Wallin: I can see that, yeah.
- Sisco: We tried to go through there and catch most of them. But every now and then we pull one that's far enough back and we assumed we got it on the last one and didn't.
- Wallin: Yeah, but I can see that. But now -- so you're saying here that on No. 20 it's coming across to us that it's not an amendment, that it's an original agreement amount. So really it was...
- Terry: And I agree. It does appear to be that way and that's not the case. The case is we're doing an amendment for 285,000 to an agreement that was \$800,000 originally.
- Malfabon: Oh, those are the task order, John.
- Terry: What's that?
- Malfabon: That's a task order. So could you explain how task orders work?
- Terry: Well, I'd have to get clarity that it is a task order. I mean, I have the written up 2A form here where it is an amendment to an agreement.
- Malfabon: Amir Saltoni...
- Terry: CMAR Program Management Services in 2011, September 1, was for 800,000. And this is an amendment of 285,000 in addition to that 800,000. It's not a task order. It is an amendment to an agreement.
- Sandoval: Member Fransway has a comment. Tom.
- Fransway: Governor, I'm just -- actually I'm talking to myself a little bit. I'm still -- it's not clear. It seems to me like the payable amount when you're talking is over a million dollars and...
- Terry: And that's what, I believe, it should show. But it's not the way the spreadsheet shows it in this particular case.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Fransway: Okay. Well, just as a suggestion, I don't know, but I think maybe we should put our heads together and see how we can fix that to where the Board understands what they're approving.
- Terry: And I apologize. Just before this meeting in reviewing for this packet I caught this discrepancy and so it was not changed in the spreadsheet.
- Sandoval: No, and that'll be good to know because I went right over the top of this one because it didn't look like we had spent any additional dollars. And so I don't want to cast out on any of the rest of the report because there are similarly situated contracts that express the same type of information to different numbers.
- Sisco: We will take a look into our financial systems and our -- like I say, we have seven different systems that are all tied together and spit this thing out and try to see where -- somewhere along the line somebody clicked a yes versus a no or something that said whether this was a contract amendment or whatever and try to find out what that situation was.
- Sandoval: Lieutenant Governor, did you have a comment?
- Krolicki: I'm afraid to ask it. And thank you for what you just said. I know this is terribly frustrating. It's complicated. There are many parts. But from a Board's position looking at these, it's terribly frustrating to try to follow around and often just kind of pounce into something that we didn't know was an item of discrepancy. So if we can format the spreadsheet to make it very clear so we don't have these rabbit chases, that would be a wonderful thing for everyone, especially you, Mr. Sisco. And I appreciate that.
- My question was actually on No. 24, the Union Pacific Railroad. That bridge does not exist I assume, but I guess not so much this specific contract, but if this is a Union Pacific Railroad bridge, no...
- Malfabon: This was the railroad bridge over I-15. It was on that design-build project. And the expenses for the preliminary engineering that the UPRR -- they hire an outside engineer to review the plans that our design-builder had submitted to them. So we cover those costs and these costs were reimbursed from the Las Vegas Convention Visitors Authority funding on this project. So it was cost that the UPRR incurred.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Krolicki: So the room tax money paid for it.
- Malfabon: Yes.
- Terry: If I could...
- Krolicki: But is that standard procedure?
- Malfabon: This one was distinctive in that they had a special type of construction method. You had the bridge mover that kind of moved stuff in place, so a lot of things that they had to look at. Go ahead, John.
- Terry: Again, John Terry, Assistant Director for Engineering. This was a complicated bridge. Yes, we reimbursed Union Pacific Railroad for their legitimate engineering cost to review our design. This was the bridge over Interstate 15. We used a special SPMT device to move a girder into place in one weekend. It had the new end spans that were added to it. We do look at their engineering cost. I would like to point out that this was a risk sharing as a part of the design-build contract. There were significant costs incurred by Union Pacific Railroad as a part of their construction to put the rail back and to do other things. Those were paid by the design-build firm through us because it was construction. These are legitimate engineering. This was complicated engineering. They chose to use a consultant to review our engineering. We did review those costs. And it was a complicated process to do this.
- Krolicki: So normally we would not be doing that. It's just a very complicated situation. We essentially forced them to do it. And because there were questions, we agreed to compensate for that bridge.
- Terry: No. Usually we would reimburse them, but it would be nowhere near these kinds of amounts because this was complicated. Usually it'd be a very straightforward review and quite small costs on their part. But we would reimburse them for their engineering.
- Sandoval: Any further questions? Member Fransway.
- Fransway: Thank you, Governor. We did discuss 26, I believe, in some fashion. I think maybe Madam Controller brought it up, but I see things on that one, too, that beg a question from me.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Sisco: Mr. Fransway? Real quick, yeah. I was the one that brought it up. This is the one where we're eliminating this database. This last amendment is just to get us to ensure that we can issue any over dimensional permits needed. And we're going to eliminate this and save about \$350,000 a year through getting rid of this and programming our own very simple database.
- Fransway: What I'm wondering is why Amendments 1 through 6 aren't on the spreadsheet. I see that only 6 and 5 increase the authority. But they're not on here, 6 and 5. The rest of them extend the termination date. I understand that.
- Sisco: Right.
- Fransway: But 6 and 5 are relative to dollars.
- Sisco: That's correct. And, again, this was kind of an open-ended contract for all of its years and all of its amendment. It was more about \$10 a permit because that's what it says in the statute we'll pay -- you know, we will pay up to \$10 a permit to have these issued. And so they're just extending the dates. Again, we tried to go back and recapture a history from 2003 forward. Never should an agreement be out there that's extended that long, but this was kind of one of those situations where the Department got into business, if you will, with this permit providing company. And, like I say, we fortunately took a good look at it this year and thought what the heck are we paying all that money for and are getting out of it. But, yes, the notations -- we had a real hard time reconstructing the history that's there. So I apologize for those two not being documented. But everything that we found we put in there.
- Malfabon: But to the point of Member Fransway's question, we will look at how we could amend this spreadsheet in the future to include the amendments in the correct column that you would like to see.
- Fransway: Thank you.
- Sandoval: Any other questions on Agenda Item No. 8?
- Martin: I have one. Is it possible to approve this Agenda item holding Item No. 20, the Jacobs Engineering, until we get a firm handle on exactly what's going on here?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Sisco: Governor?
- Sandoval: It's actually not an action item, Member Savage. This is for informational purposes. Did I say you?
- Martin: Okay.
- Sandoval: Member Martin. Mr. Sisco, do you have any further presentation?
- Sisco: No. Those were the two items under Item No. 8. That was...
- Sandoval: You understand what we need to do moving forward?
- Sisco: I believe we do, yes.
- Sandoval: Okay, thank you very much.
- Sisco: Yes.
- Sandoval: Agenda Item No. 9, quit claim deed.
- Malfabon: Thank you, Governor. This is to request approval from the Board to dispose of NDOT's interest in this property. It's located along State Route 341, Geiger Grade at Veterans Parkway in the City of Reno, Washoe County. And the information is attached there that shows the subject parcel.
- Sandoval: Board members, do you have any questions with regard to Agenda Item No. 9? If there are none, the -- did you have a question?
- Krolicki: I was just going to say if there are no questions then I'm happy to make the motion to approve.
- Sandoval: Please proceed.
- Krolicki: Then I will do so. So for Agenda Item No. 9, quit claim deed, I would move to approve.
- Wallin: Second.
- Sandoval: Lieutenant Governor has moved for approval of the quit claim deed as described in Agenda Item No. 9. Madam Controller has made a second. Are there any questions on the motion? All in favor, please say aye.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Group: Aye.
- Sandoval: Motion passes unanimously. Agenda Item No. 10, request for approval of a sweeper.
- Malfabon: Thank you, Governor. As you recall we had previously last month brought to the Board approval for sweepers in District 2 in Reno using congestion mitigation and air quality money, CMAC funds, which are federal funds. And those covered 100 percent of the sweeper costs on those. I believe it was five sweepers.
- What we had was a grant opportunity up at Lake Tahoe to improve water quality by having a PM10 sweeper, which is a very expensive piece of equipment. But it was funded by the Southern Nevada Public Lands Management Act. So we will also have to -- because this wasn't -- this isn't a case of receiving a grant opportunity. We have to go back to the legislature to get approval to expend that grant money. But we feel that it's a good bargain for the Department to acquire a sweeper that will improve water quality up at Lake Tahoe through the use of this sweeper. And wanted to acknowledge the efforts of our Hydraulics Division, Matt Nussbaumer had been the one to bring it to our attention that he could chase this grant and was successful in getting it using the SNPLMA money.
- Sandoval: Questions from Board members? Member Fransway.
- Fransway: Thank you, Governor. It caught my eye that this was being funded through the Southern Nevada Public Land Management Act.
- Malfabon: Yes.
- Fransway: And I understand why because that's to help maintain different things of environmental significance. I'm wondering if there may be some funds through that same source for our culvert cleanup efforts. And I think it was, like, 70 -- I can't remember the amount now. But the rationale for doing it was the same reason to keep particulate matter out of the lake. And if there's funding for a street sweeper, then perhaps it may roll over to rationale to fund the culvert cleanup.
- Malfabon: We will have our Hydraulics Division look into that, Member Fransway.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Fransway: Thank you. Thanks, Governor.
- Sandoval: And, Mr. Director, without the effort of NDOT, this is money that would just remain in that fund or...
- Malfabon: Yes, it would be expended by others. Typically, this Southern Nevada Public Lands Management Act funds have been used for a lot of trails, construction of a trail system in Las Vegas. And there's been some money that's been granted up -- used up at Tahoe, as well.
- Sandoval: Any further questions? Chair will accept a motion for approval for the purchase of a sweeper as described in Agenda Item No. 10.
- Fransway: So moved.
- Sandoval: Motion by Member Fransway. Is there a second?
- Wallin: Second.
- Sandoval: Second by Madam Controller. Any questions on the motion? All in favor, please say aye.
- Group: Aye.
- Sandoval: Motion passes unanimously. We will move on to Agenda Item No. 11, approval of amendments and administrative modifications to the STIP.
- Malfabon: Thank you, Governor. The current STIP was approved by the Board and these amendments come through periodically. From the Carson Area MPO we have Amendment CAMPO No. 2 which is shown on Attachment A. This action adjusts the cost estimate for U.S. 50/Fortune Drive intersection improvements from 1.2 million to \$500,000 in fiscal year 2013. It also adds Project NV20130003 consisting of a feasibility study for expansion of the fleet maintenance facility at 3303 Butti Way. And moves funding for a vehicle purchase for Public Transit Service in Carson City, Project No. NV20110009 from 2013 to fiscal year 2014.
- Also in the Statewide/Rural category, Amendment Statewide No. 4, this action is for the purchase of the street sweeper for the Tahoe Basin which was previously approved for purchase.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

The other amendments on Attachment B, Administrative Modification to CAMPO No. 3, CAMPO 2, FTA Section 5307. This modification is an action to increase the amount of funding available over the next four years, fiscal years 2013 to 2016, for Project NV20110015, bus stop improvements resultant of HUD Community Development Block Grant funding being added as a match to the FTA Section 5307 funds. That's the administrative modifications to the STIP.

Sandoval: Thank you, Mr. Director. Do any Board members have any questions with regard to the presentation on Agenda Item No. 11? If there are none, Chair will accept a motion for approval of the amendments and administrative modifications to the FFY 2012/2015 STIP.

Savage: So moved, Governor.

Krolicki: Second.

Sandoval: Motion by Member Savage, second by the Lieutenant Governor. Any questions on the motion? All in favor, please say aye.

Group: Aye.

Sandoval: Motion passes unanimously. Agenda Item No. 12, briefing on the 2013 State Highway Preservation Report.

Malfabon: Thank you, Governor. Deputy Director Bill Hoffman will present this item. While you're getting that up, I'll just do the introduction, Bill.

Hoffman: Thank you.

Malfabon: Pursuant to NRS 408.203 we provide a report to the legislature on the odd-numbered years of our progress on state highway preservation. We look at our roads and our bridges in this preservation report. NDOT has been one of the, you know, top ranking states in condition of our system. But we tend to do this preservation report on those odd-numbered years and Bill Hoffman can take over from here.

Hoffman: Well, I missed that opportunity.

Malfabon: You're rolling, Bill.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Sandoval: Take a few drinks.
- Hoffman: I might need that. So good morning, thank you very much. Governor, Transportation Board members, Bill Hoffman, Deputy Director. What we'd like to do -- not sure if we've done this before. I did some research on how we've handled the State Highway Preservation Report. I don't think we've officially brought this to the Board for comment, so we wanted to make sure that we did the courteous thing and bring this to the Transportation Board before it goes to the legislature officially on February 1.
- Sandoval: No, and that was going to be one of my first questions. And I know it hasn't been done historically, but wouldn't you think that if you're going to do a State Highway Preservation Report that you would make the Board aware of it before it goes to the legislature?
- Hoffman: Yes, sir, absolutely. So before February 1 we do have some workload and resource issues by the group that does this. It's actually the same group that does the Pavement Management Report, as well. So we would have liked to have gotten this out probably a month or two earlier, but that just didn't happen. So we wanted to make sure we got this to you before February 1.
- Malfabon: And so there is an opportunity, Governor and Board members, for your input to get into this actual report.
- Sandoval: But I think I'm the only one who actually has it.
- Savage: Yes, I was going to make that request, Governor, if we could receive a paper copy.
- Wallin: Well, and you said that you were going to send it electronic, but I don't have an electronic copy of it either.
- Savage: Yeah, we didn't get anything.
- Hoffman: Well, we apologize for that. We will make sure -- well, here comes -- not really going to do any good now to take your comments.
- Malfabon: Yes, I think the email submitted a link and I don't know if that link worked or not, but it was sent electronically and I don't believe it was...
- Martin: I have it, guys.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Malfabon: Oh, you got the attachment.

Martin: Yes, sir.

Malfabon: PDF, okay, thanks, Frank.

Hoffman: Well, I think what we're going to have to do is touch bases with the Transportation Board members and ask each and every one of you how would it be most beneficial to receive this document, whether we post it, you download it on your iPads or whatever electronic device you have, or how you might want to receive it, email, because we seem to be doing this.

Sandoval: Well, and this one only comes every two years, so...

Hoffman: Right. So we will make efforts to make sure everyone has a copy of that. The way I understood it is it would be emailed out or available on our website for download in a PDF format, so -- but we will check into that. Okay.

So I will move forward here and I will move very quickly through this. Two things, I wanted to pull some highlights out of the report. I wanted to shed some light on our Bridge Division and on our pavement preservation efforts, our 3R group. But I also wanted to use this as an opportunity to educate the Board as to how we go through our 3R and pavement preservation efforts. I do firmly believe that we are leading the nation in terms of innovation and pavement preservation and our approach to that.

So with that -- and we're not alone. There are other states. I would suggest or recommend that -- or I would suggest that probably every other state does submit some sort of pavement or bridge condition report to their Transportation Board or their legislature. So this isn't something in Nevada that we do alone by ourselves.

So just very quickly, so the history of the State Highway Preservation Report, it is an NRS requirement. We do have to report this to the legislature by February 4 of every odd year. I do believe that we've been submitting this since 1999. I still need to confirm that, but evidence shows that we've doing that since 1999. The format has generally been the same over all of these years. We are required to report on the pavement condition and future needs, same thing with the bridge condition. And then we're

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

supposed to project the needs of the pavement and bridge 12 years into the future. So there is talk about a 12-year plan. That's really -- we keep track of all our needs through several different categories that I will share with you in just a few minutes and then that's projected 12 years into the future.

Sandoval: Has that 12-year plan ever been presented to the Board?

Hoffman: I do not believe it has. Other than past reports where there is talk about the 12-year plan, some of the projects. We do talk about it in the report, but in specific...

Sandoval: But that's a report that has never been presented to this Board.

Hoffman: Yes, Governor, that is correct. So, no, it has not been formally presented to the Board. And we can most certainly do that. And I would like to actually do...

Sandoval: And I, as a Board Member, would actually like to have -- know what you think the 12-year plan is.

Hoffman: Actually I will talk in very general terms about what the 12-year plan is. I will touch on that just a little bit.

Sandoval: We haven't -- yeah.

Hoffman: All right. Okay. So I'll just briefly continue here. So we're just going to jump right into this. So bridge preservation highlights, anytime I have direct pullouts from the State Highway Preservation Report, I show that up in the corner. So we're doing very well in bridges. I think everybody within the state pretty much knows that we rank second nationally in bridge condition. That's due mainly -- we have a very young bridge system. And also the climate, especially in Southern Nevada, certainly helps with that quite a bit. And we have a very proactive bridge preservation program.

Now, I apologize for the date. It's a bit dated, but I think, for the most part, it will pull out information that isn't -- maybe a couple of percentage points here or there, maybe, is all that's changed. But I just -- I wanted some mechanism to show the Board how well we do with bridge and pavement preservation. So I've pulled this out. Like I said, 2008's a little bit old. Actually, at this time it showed us as number one in the nation back in '08,

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

probably based on '06/'07 data. But compared to the rest of the country we do very well with bridge condition.

Sandoval: No, and that's an excellent statistic. But when you say -- how do you define a deficient bridge? I don't want everyone to have the impression that they should be concerned as they drive across a bridge.

Hoffman: Well, sure. There's functionally obsolete, which is, you know, a condition on the bridge where maybe the lane widths aren't -- or the bridge doesn't allow for the proper number of lane widths across the bridge. It's not a safety issue. And it's just really a change in design standards or design guides, which leaves the bridge functionally obsolete.

And then structurally deficient is we go out and rate our bridges every other year. We may do that more frequently if the structural deficiency number is low. But we do this on such a frequent basis and are in such control of the program that we would post a bridge for lower weights or there would some sort of communication -- if the bridge was not safe to drive across, we would know about it and we most certainly would take those steps to protect the public. I'll just put it as simple as that.

Malfabon: And with respect to that terminology, Governor, I know that the Federal Highway Administration is looking at changing that terminology to prevent that type of gut reaction to the terms, because these bridges are safe to drive on. It's just that the term structurally deficient just brings to mind some other concerns with driving across a bridge.

Sandoval: Well, it brings Minnesota to mind and that's obviously what we don't want to happen.

Krolicki: Ten percent of Nevada's bridges are not up to the most current standards, something like that.

Hoffman: That's probably a good -- that's probably a fair -- that's a fair -- that's a fair...

Sandoval: For design standards?

Hoffman: But -- right, so we are on top of this I assure you from a bridge preservation standpoint and the numbers show it, so -- nationally. So next -- that was

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

very brief. We're good in bridges. Please don't worry about our bridges. They're in good shape, so okay.

Our pavements are in good shape, too. And I'm going to go through and show you this, some of the highlights from the State Highway Preservation Report. Back in '11 and '12, fiscal years '11 and '12, NDOT invested \$544 million in pavements. Okay. This was 274.5 million in federal funds. So if you split that in half, about 137 million a year in federal funds invested in our pavements. State gas tax funds about 134 million a year or over that biennium \$268 million. So this 544 million was 150 million more than the previous biennium. And of that 544 million, 461 million was contracted out. So these went out as projects to contractors.

One of the charts you'll see, which is probably a little bit confusing if you do have your reports now. I hope you do. So not quite sure this is towards the front end of -- I can't remember exactly which page. I guess if I kind of helped -- Page 3. Okay. Yes, so you'll notice on the top that there are preventative maintenance, corrective maintenance, overlay reconstruction. If you really just kind of do this crosswalk technique and excellent are the blues are in excellent shape. Good is corrective maintenance. We just kind of have a different terminology that has a meaning internally. Overlay is fair and reconstruction is poor. Okay. So those are the actual conditions of the roadways.

And then from left to right what you have are the interstates, non-interstate, freeways and then it moves down in terms of highway user numbers, both in trucks and -- so down at this end you'd have very lightly traveled state routes. Okay. But it is from left to right higher traffic volumes, higher truck traffic from left to right. Okay.

So what this translates into is statewide our pavement condition is 22.3 percent in the excellent range, 44.3 percent in the good, 11.1 percent fair and 22.3 percent in the poor condition. So 67 percent of our pavements are in good or excellent condition. But as I'll explain in just a minute, this poor condition here is really what costs us a lot of money in terms of preservation funding.

So some more of these charts. Again, I apologize for the information that's probably just a hair out of date. But percent of rural interstates that are in

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

poor condition, so the poor condition, worse condition, is going to cost you the most to repair, we had zero. So these are areas on the interstates out away from Reno, out away from Las Vegas and Elko. So zero percent. You can see how we compare to surrounding states and across the country. So that puts us in the top. I guess with all zeroes there's a big tie for first. I don't know how you would go about that, but anyway.

So percent of urban interstates, so these are interstates in the urban area, so in Las Vegas, in Reno, in poor condition 1.59 percent. So that certainly put us in the top 20. But I also will say since 2008 we've done a design-build north on I-15, a design-build south on I-15, an I-80 design-build, an I-580 widening project. So those projects, I'm sure, have helped us -- help bolster our position nationally in terms of interstates in poor condition.

Sandoval: And the same question from me on poor condition. Does that include design and lanes and...

Hoffman: Well, really, no. Poor condition is you can see it. I mean, there are big cracks, a lot of cracks in the pavement. It's very difficult to maintain and really costs quite a bit of money to repair. But poor you can see it, you can feel it. It's a very rough ride. So it's not like the bridge condition assessment where they're looking under the bridge and around bearings and things like that, so...

Sandoval: Well, you're right. There's a lot that's happened both in Clark and Washoe Counties since '08.

Hoffman: Right. So I would think that that percentage would drop substantially. Okay. Percent of rural or other principle arterials in poor condition, so these are your U.S. 395's north of Reno, U.S. 95 north of Las Vegas, also probably U.S. 50 very low percentage. So we're still -- and we've done work on U.S. 95 and 395, so those, compared to the rest of the states, if we've done more work, then maybe we -- but we're certainly in the top 20. I would say probably in the top 15 looking at the rest of the states.

And what I do want to mention here is that there are -- there's a national perspective, a national standard, on pavement preservation. So all the states across the country have a very good idea and a standard practice as it relates to pavement preservation when you do treatments on the roadway, how that

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

helps you save money as a state DOT. So timing and your strategy about when you're going to do repair work is extremely important. So Federal Highway Administration, you can see all of the information here, National Center for Pavement Preservation. So what I want to say is preservation within the U.S. and among DOT's is very standardized and we pride ourselves in following this standardized approach.

So NDOT Pavement Management, so this is kind of how we go about it. Six steps to good pavement management. So you need a road inventory. You need to know what work is going on on your roads, what the condition of that road is. You need to have that in real time. And we do have that or somewhat real time. You need to have a set timing and strategies for your pavements. You need to know what you need to do at a certain time. And that really drives the economics and the lifecycle costs of the pavements.

Now, Items 1 and 2, road inventory and timing and strategies, if you blend those or integrate those together, you come up with a pavement management system or a database of all of that, which we have. We do have that. We do run economic analysis or lifecycle costs on every project when -- in every segment really. When it comes time for a treatment, we actually go through that process to see when the optimal time would be to do a treatment so that we can really extend the life of that pavement.

We go through a project prioritization -- it's easy, here, let me -- you told me to take a big drink didn't you. It's dry in here because of all the space heaters that we're warming the room up with. So, okay, project prioritization. That's much better. And then, of course, we need to go through the project design and delivery. We have to take this information, look at options and then design and actually advertise it.

So very quickly, inventory of the entire system, I'm just going to show you kind of a snapshot of all of these things that I've talked about. So this, of course, is not the inventory of our entire system. We have many more lane miles than that. But just shows you an example. So in a database we have the route, county, when the last job was done and what was done and what the category is. We have that throughout the entire state. And these are things that are probably not going to be in the report, things where I'm just trying to touch on the education portion of this. So we have every road

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

segment in the state, all 13,100 plus miles of roadway are in our pavement management system. Okay.

The timing, I talked about, we need to have a timing and a strategy. We need to stick to that. So based on -- now, when I was talking about the chart from most heavily traveled on the left to the right, most heavily traveled from the top down, and we do have strategies. And what some people who haven't come up through and fully understand pavement preservation is you do treatments to the roadway before you see cracks. If you see a crack, it's too late. Then now you're in the overlay or the reconstruction phase. So just because a roadway looks somewhat decent doesn't mean you shouldn't be doing anything to it like sealing it, rejuvenating the surface. You're really trying to seal and protect that very top three quarters of an inch of the pavement surface. The last thing you want is water, any type of moisture to get down into the pavement.

So we do. We have a strategy based on how many cars and trucks. The easel here is truck loading really. And this is just average daily traffic, so number of vehicles. So we do have a strategy based on how many vehicles and how many trucks are on that roadway. And it's a lot less, the attention we give the pavements, although there's the same amount of care, it's just not as frequent. So we do have a very good strategy. This fits nationally with what a lot of other proactive states are doing.

So timing strategy and economics, this is just a standard. So if you have a pavement that's brand new, it's in the excellent condition, okay, over time it will naturally deteriorate. So if you do nothing to the pavement at all, it'll just deteriorate and essentially would just turn into a gravel road eventually, it really will. So what we try to do -- and this is a national practice. This is a chart put out by the National Center for Pavement Preservation. You spend one dollar up in here, before the pavement reaches 75 percent of its life, you'll actually save \$6 to \$14. And I know that's kind of a wide range, but it depends on what part of this curve you're in as to how much that's going to cost you. Because if you get down here, you're removing the pavement structure. You're going down into the base, aggregate material. You're having to really pull the whole pavement out and put it back in, which is very costly.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Up here if you do a surface treatment on the first couple of, you know, first four to five years -- and I'll show you. These are some of the treatments we have. So same thing, so pavement excellent condition, fail, pavement -- so the age. What we typically try to do are some sealings, a joint crack sealing surface seals, to keep the pavement, you know, in good condition that can resist moisture.

And then the pavement will age a little bit and we'll have to go in and maybe do a very thin overlay or some patching. We're still crack sealing. We're trying to keep the water out of the pavement. And then over time the pavement will need an overlay or cold in place recycle. And really what we're doing here, yeah, so we're changing the slope, we're changing the curve here. So this is where you get the bang for your buck, so to speak, by doing treatments up here. You're really keeping the deterioration curve slope from really steepening. So it does save a lot of money to push this work out and extend the pavement life of the surface.

So in terms of tradeoff lifecycle cost analysis, these are things we do. I won't get into a whole lot of detail, but, again, this is your highly traveled, a lot of truck traffic, so interstate U.S. 395, U.S. 95 all the way down to 5's here. Category 5 are your very, very low traveled state routes. So because the pavement deteriorates so quickly on the interstate with all the trucks, it really pays to go in and try to do some of this reactive stuff or, sorry, strike that, proactive stuff before you're having to react because the deterioration rate is just -- it's amazing.

So this is just our general philosophy. We think this is how much money we'll save on any given unit of roadway or any annual funding scenario we're looking at. So here's a prioritization example. So really just -- I just want to re-emphasize the same thing that very rapid deterioration rate on I-80, whereas, you know, you get a really -- a few cars a day on SR552. It would make more sense to put your money into this pavement first before it deteriorates and then you're really having to spend a lot of money on the interstate. So just kind of our general prioritization process.

So pavement backlog, this gets a lot of questions. Every year we send this out. We get a lot of questions back on what is this pavement backlog and why is it so big. Well, it's pavement which has fallen into the fair or poor

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

condition categories. So that's -- we either need to overlay that or we need to -- we need to reconstruct it. Those are the two highest costly rehabilitation strategies that we use.

And over the last few years we've accumulated 4,664 lane miles in need of overlay or reconstruction work. So very simply those treatments have come and gone and those projects have not gone out the door to do the work that's needed based on our strategy and timing. Okay. That doesn't necessarily mean the pavements are falling apart. We do go out and collect condition assessments, but those are pavements that have passed that opportunity to go out and do that work when, based on empirical data that we've studied over the last 20, 25 years, have shown that we should go out and do something by this time. So that's what that means.

We have put construction cost estimates together for all 4,664 miles. From here to New York is 2,700 miles. So that just gives you an idea how many lane miles are in need of this work. And current estimates show this work -- so this construction cost estimates for this work -- for this work overlaying reconstruction \$1.9 billion to perform the work. Okay.

Sandoval: Question from Lieutenant Governor.

Krolicki: Bill...

Hoffman: Yes.

Krolicki: ...you might be about to speak to this, but context is hard here. You've just put up some pretty dramatic figures.

Hoffman: Right.

Krolicki: Context is important. You know, we've got, what, 5,300 miles of road. You're saying, you know, is that 4,600 part of the 5,300?

Hoffman: Well, actually we have -- the 5,300 is a number that you'll see frequently. That's the center lane -- or center lane miles. So if you're traveling down a four-lane road and you go one mile, you actually have four lane miles of roadway.

Krolicki: Yeah, understood.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Hoffman: But it's referred to as one center lane mile.
- Krolicki: But it is apples to apples.
- Hoffman: Well, what...
- Krolicki: You're saying...
- Hoffman: ...apples to apples here...
- Krolicki: ...the 4,600 out of the 5,300 lane miles in Nevada are in need or fall into the fair or poor condition category.
- Hoffman: Well, I would say that 4,664 lane miles of the 13,100 plus lane miles that we take care of.
- Krolicki: Okay. So it's not apples to apples. I don't know where the 1,300...
- Hoffman: Well, there's a chart in -- there's a few charts that speak to the 13,100 and it's actually in this pavement backlog section.
- Krolicki: Okay. So that's a report I just received, so...
- Hoffman: So I apologize for that.
- Krolicki: ...in our document is 5,300.
- Hoffman: Mm-hmm.
- Krolicki: So, you know, it's my impression from years past, and you've said that we've increased spending or (inaudible) we have a...
- Hoffman: Yes, we have, yeah.
- Krolicki: Somehow we have failed to maintain our roads is the impression I'm receiving from these figures. But everything I've heard empirically suggests that's not the case. So, you know, I'm having trouble...
- Hoffman: Okay.
- Krolicki: ...understanding why -- this is an -- I find this not ordinary maintenance.
- Hoffman: Right.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Krolicki: I find it fixing a problem that's accumulated. Is that correct?

Hoffman: That's true. And I will speak to the point that you made just a minute ago which was we're doing a poor job maintaining our roads. No, that's not the case at all. This is work that has come and gone and there was no action, okay, but that does not mean that the roads are falling apart. We need to still verify that that work is still needed. But based on our records and empirical research and analysis that we've done, we should have gone out sometime and done either overlay or reconstruction work. We're verifying that right now. So it is just -- and let me just -- let me just -- if I could just move on here.

So Washington State DOT, they reported to their state legislature in 2010. And their report was almost identical to ours. So what I'm saying is, no, we're not doing a poor job of taking care of our roads. As a matter of fact, I think we're doing a really darn good job. We're very proactive. We understand what pavement preservation is. We have extremely talented maintenance workers in the field. They're doing a lot of crack sealing and preventive maintenance. And we jump on roadways, especially when they present safety problems, from a roadway pavement perspective. So we're very proactive when it comes to that, so...

Krolicki: But despite that record spending in years past, we have a \$2 billion accumulated problem to address.

Hoffman: Yes, Lieutenant Governor.

Krolicki: So spending a dollar today saves \$5 to \$12 in the future.

Hoffman: Right. Well, if I could -- and the reason I brought in the Washington DOT legislative report and then rough roads ahead, just in general -- this is a national problem, really. And it has to do with transportation infrastructure nationally. There is so much infrastructure to take care of, there just isn't -- I mean, nationally there just isn't enough funding to handle the overall need. So we have Oregon, similar needs. Texas 73 billion, wow. That would be -- that's incredible. And what really is shocking, Rhode Island is such a small state, they need 640 million annually. So for a very small state, they must have a lot of bridges or something.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

But the point I want to make is, do we have enough money to do everything we need within the state from a bridge and pavement standpoint? We don't, not from a federal and state standpoint. Are we doing the very best that we possibly can to keep the roads safe? And are we very good financial stewards and look at lifecycle costs and prioritization and do all of that? Yes, yes, we do. So I think we're doing a really, really good job. I showed you how we're doing relative to the rest of the country. We're doing really good. But it's a national issue that we're talking about in terms of funding and the amount of infrastructure that all the DOT's have to maintain and balance.

Sandoval: Member Savage and then Madam Controller.

Savage: Thank you, Governor. And, Mr. Hoffman, I voice the same concerns that the Lieutenant Governor has said.

Hoffman: Okay.

Savage: And one example, again, at first blush the report looks very challenging. As you know we didn't receive it until a few moments ago, so at first blush it looks challenging. But to hear you speak, it's much, much more positive than what it looks like. One example would be Page 47 of the brochure. And I'm saying this, before we go to the legislature, I would highly suggest that the Department review this packet...

Hoffman: Right.

Savage: ...and possibly make some corrections. For example, Page 47, locations of structural deficient and functionally obsolete bridges. Well, it looks good. There's only one red one. But it's right there on I-80. Well, you had said earlier it's not functionally obsolete. It's a functional bridge that is travelable.

Hoffman: Yes, yes, sir.

Savage: And so this type of -- Figure 26C would alert me and probably a few legislators before -- and I'm not saying, you know, we're not trying to be untruthful or say something that's not correct, but you're very diligent with the Department along with staff and administration. And I think it's vitally

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

important that the Department reviews this packet before it carries on to the legislature. Thank you, Governor.

- Sandoval: Now, when I look at this Page 47, this is probably every bridge in Washoe County.
- Hoffman: Yes, Governor, it's a whole lot of them, but...
- Sandoval: I can't find -- well, I mean, I don't know, it's not that small, but it looks like every overpass, every...
- Hoffman: Right. So functionally obsolete, all of those bridges you're seeing there really is, I would say -- and I would have to check. I'm just kind of going out on a limb. I'm thinking, like, 90 to 95 percent of the functionally obsolete are lateral under clearance issues, which, I mean, there's nobody in danger of running into the bridge if they're driving a truck. This is lateral. So this is how big is the opening. Well it, you know, there's new design guides, new standards.
- Sandoval: No, and I -- you know that...
- Hoffman: Yeah, yeah.
- Sandoval: ...because you're an engineer.
- Hoffman: Right.
- Sandoval: And that's your expertise.
- Hoffman: Right.
- Sandoval: But a member of the public looks at this...
- Hoffman: Right.
- Sandoval: ...and they're going to think, oh, my God, we have -- almost every bridge in Washoe County is either structurally deficient or functionally obsolete.
- Hoffman: Right. Well...
- Sandoval: Is it safe for me to drive?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Hoffman: Yeah. Well, and those are very good points. And that's really the reason we wanted you guys, the Transportation Board, to take a look at this so that we could get comments. And just as you said, Governor, I'm an engineer. I look at that and know exactly what that means or pretty close to it. The public doesn't. The legislature doesn't. So we probably need to explain this a little clearer.

Sandoval: Yeah.

Hoffman: And the report does kind of explain that in terms of lateral clearance and things, but it's not right next. So if somebody gets a hold of this chart, they're not going to know what that is, so...

Sandoval: That and those charts that you showed is as to how we compare to other states aren't contained in this packet.

Hoffman: Right. And that I kind of went out on my own over the weekend and dug out old pavement condition. That's why it was a little out of date and...

Sandoval: But that's part of the context...

Hoffman: Right.

Sandoval: ...that, I believe, Member Savage and the Lieutenant Governor are talking about.

Hoffman: Right. Point well taken, Governor, thank you.

Sandoval: Madam Controller has a question.

Wallin: Yeah, Governor, to kind of follow up on that, you know, the comparison of ourselves to other states, yes, we're doing a good job. We look good. But we could be just like them because I think, you know, with the limited number of funds that we have available, we could go and say, well, we're doing really good, we don't need to worry. And then we'll be red light California. Okay. So we can't paint it that everything's rosy and wonderful because it really isn't.

And then I just have a question. Can you just kind of clarify on your prioritization about how you decide to go and do the preventative maintenance? You've got limited dollars. You do the preventative

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

maintenance or do you work on a road that's going to slip into the poor status first? How do you...

Hoffman:

Well, that's a good question. We try to go out after a pavement is brand new. So after we put new pavement down or it's new capacity project that we've done and there's new lanes, we try to go out within the first four years and put some sort of surface treatment on it. And that's really just to prolong the life of that oil in the pavement within that first four years.

Now, when it comes to -- let me see if I can go find that. When it comes to prioritization, you bring up a good point in that -- remember the pavement deterioration curve? Well, it's much steeper for an I-80. Okay. It's going to drop off in a hurry and then you're going to have to remove everything within a matter of probably less than two years. So once it starts, it goes very quickly.

On U.S. 95, let's say the segment, you know, north of Vegas out of the urban area, if that's in a fair condition, you have moderate deterioration. So, of course, you know, the amount of trucks and traffic aren't as great as I-80. And what we do is we put -- and then you have SR552 at the bottom. But what you do is you -- what's the -- see, the treatment for, I don't know, whatever length of project this is, is \$10 million for each. But where's the biggest bang for where you're putting your money? And it really is in the interstate because it's going to save you in the long run because you're not going to spend as many dollars.

And if this starts slipping into poor, the poor condition, it's got, I don't know, 15, 20, 30 cars a day, as long as the safety aspect of the roadway is maintained, then it really doesn't pay to go back and rebuild this road for 15 cars. But it sure does for I-80 with the commerce, the trucking, freight, all the people trying to get to work. That is extremely beneficial to spend 10 million today instead of 40 million in two years to rebuild the entire roadway.

Wallin:

Got it. Okay. So...

Hoffman:

So, yes, we do go through that prioritization. This is just a three project, just as an example, but we do that with every pavement project that we have. We go through this analysis.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Wallin: So you look at the safety, as well, because there could be some poor roads that they don't get that many cars on them, but safety wise they're very (inaudible).
- Hoffman: Absolutely. So if there's a skid resistance problem or friction problem on the roadway, we would go out and chip seal this road.
- Wallin: Okay. And then also -- and this is something that -- this is just what it costs us, but when the roads start to deteriorate and they get rough, that increases the maintenance costs for the drivers on the roads and stuff.
- Hoffman: Exactly right. Exactly. So there are national studies that say one dollar spent to preserve the roads and try to make them smooth will save you -- will save the public 500 -- or 500, that would be a huge...
- Wallin: Well, it is a...
- Hoffman: But, like, \$5, I think, is...
- Wallin: Yeah.
- Hoffman: ...what they get back from a dollar spent on preservation in terms of vehicle maintenance costs, you know, fuel costs. So a smoother road costs less to travel.
- Wallin: And I think that that's something that kind of needs to be pointed out because I don't think everyone really understands it. Maybe show the dollars on that.
- Hoffman: Okay, very good.
- Wallin: All right, thank you.
- Hoffman: Yes.
- Sandoval: Well, that number's in there, but it's based on a D.C. based transportation advocacy group.
- Hoffman: Okay. So TRIP?
- Sandoval: Yes.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Hoffman: Yes, right. Well, actually, and TRIP is the one that -- they're the ones that partnered up with AASHTO on this report, too.
- Sandoval: So who do they advocate for?
- Hoffman: You know, I'm not sure. I don't know.
- Malfabon: But typically they work with road transportation builders, so contractors, material suppliers, engineering companies. So definitely the advocacy groups have an interest in there, but it's also for the benefit of the traveling public. We try to have a balanced program, Governor, as far as having some capacity projects. Just as the Board approved that new interchange in Las Vegas at Cactus, we try to address some of the backlog of needs on capacity, too, with our limited amount of transportation funds. But we try to take all of this into consideration in having a balanced program that's presented to the Board in your annual work program approvals and your STIP program approval.
- Sandoval: No, we have all those things. But those -- when those were presented, it didn't include this type of information.
- Hoffman: Right.
- Sandoval: And that would have been good to know. I mean, there's a line in this summary, it says the Nevada legislature has an opportunity to reinvigorate the investment policy for the state's infrastructure by ensuring that adequate funds are available to properly preserve the pavement and bridge infrastructure. I mean, that implies that we're not properly preserving the pavement and bridge infrastructure to reinvigorate when we have already spent \$150 million more as what was presented earlier in this meeting than we did two years ago. That's pretty invigorating.
- Hoffman: Yes, Governor, it is. It is. You're absolutely right. You're absolutely right.
- Sandoval: So I agree with the Controller. I just want a fair and balanced representation of what, really, the condition is here. And this seems to lean toward the cataclysmic side. And we spent the first part of this meeting talking about how great we're doing and how we compare to the country. Yet, now, you know, it says a safe, efficient and reliable roadway network is a matter of importance and it promotes the general welfare of the people of the State of

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Nevada. Adequate preservation funding is necessary because deteriorated roads can impede. I think all this suggests that we're not doing that right now when you say that we are. And it confuses me as Chairman of this Board and the other Board members because I've sat her for two years now and I haven't heard anything close to this.

Hoffman: Okay. Well, I will say that as a Department of Transportation, we do very, very good. And I'm typically a humble and modest guy. We do a really good job here, no question. Now, what I -- and the point that I was trying to make before, if we want to take care of every foot of bridge, pavement, guardrail from a federal and state standpoint, we could use more funding. That's my point. That's all. The cataclysmic, are we going to fall off a cliff, you know, as a Department of Transportation? No, it's not. We're just trying to make the point that, as a whole, nationally, transportation, we feel, is underfunded. There are a lot of other states that feel the same way. And that was why I showed you some of those excerpts out of that report. Just nationally transportation is underfunded. We will continue to do the very best job that we can to preserve our bridges and pavements.

Sandoval: That's the thing. I mean, if you read -- and I haven't had a chance to read this whole thing. But you read some of the highlights and you feel like I'm afraid to drive across a bridge. And when I hit the road, I'm going to hit a pothole that's going to take my wheels off the axle.

Hoffman: Right. No, and actually I'm very glad that we've brought this to you and that you now can give us feedback as to what your perception of this is, because this has just been kind of like an engineering document and we hand it over to the legislature. This is the exact reason we wanted to bring it before you. Okay.

Sandoval: Member Fransway.

Fransway: Thank you, Governor. Mr. Hoffman...

Hoffman: Yes, sir.

Fransway: ...you keep referring to we, and I don't believe I heard who is we. Who is responsible for collecting this data? Who is responsible for evaluating the roads and actually grading them? And you mentioned advocacy groups.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

And I'm wondering is the Nevada Highway Users Association part of that advocacy group? If not, should they be?

Hoffman: Well, I'll take your last question first. In terms of advocacy group, there was no one that had any input into this document at all. So I don't know if that was -- or no one contributed to this other than NDOT. Now, the groups that are out collecting the condition assessment data, that's our materials -- our pavement materials group and that's also our maintenance workers. So they're out -- they look at the roadways on a consistent and regular basis. And it is our maintenance, Anita Bush in our Maintenance and Operations Division, it's Reed Kaiser in our Materials Division and it's Paul Frost in our Roadway Design Division, are really the sponsors for this program and make sure that our roadways are in good condition.

Fransway: Okay. So you have a team within the Department that is dedicated to preservation.

Hoffman: Absolutely, yes, we do. And have had for 15 years, yes. Okay. Thank you. I'm going to just sail right through the rest of this. The point I wanted to make here is we don't just have preservation needs. We also have congestion needs. Okay. And that's the balancing act that Rudy was talking about before. So here's where we -- you know, we rank 31 to 40 in terms of urban interstate congestion. But I will put out there again, we have done several design-build in capacity projects in both Southern and Northern Nevada. And I think the congestion has improved dramatically. So I would expect that this -- I would expect that we would move up in the rankings.

But there's very good reason for that, too, from 1990 to 2009 we're the fastest growing state in the nation. We went from 1.2 million to 2.6 million people. That's huge over such a short time period. And then vehicle miles traveled, same timeframe, 10.2 billion vehicle miles traveled to 20.4, doubling it. That's huge. That's a huge increase and need of our transportation system. So to do so well in the preservation area over the last few years and then to try to balance that with congestion is remarkable and NDOT should be very proud of themselves for that.

And I just want to -- here are the projects since 2008 that we've put out that's both helped. Now, some groups within the Department will say putting out capacity projects just add more lane miles that we have to take

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

care of, but we do smooth out the pavements for them and repair the pavements that are existing when we go out there. We take that opportunity.

So just very quickly, SAFETEA-LU, that's the old federal funding bill that was out there, went from 11 or 12 programs down to these 6 programs. We don't really use the TIFIA loan program. We haven't used it. We're considering it. But there's a lot more flexibility in funding and how we spend our funding. So interstate maintenance was only interstate pavement projects that we used this category for. That's now in with our bridge program. So it gives us more flexibility to do what we think we need from a prioritization standpoint what we need to do.

So these are the total dollar amounts in each of the categories. Nationally this is, on the right here, is what NDOT is expected to receive. And then, of course, you have last day and some of the additional funds that we generally try to pick up. So that just gives you kind of an overview of the new MAP-21 bill and the flexibility. Now that there's fewer categories, funding categories, there's more opportunity for us to be more flexible.

So the short-term action plan, we need to focus on keeping the interstate and highest travel roadways in good condition. That's what we need to do. Emphasize preservation needs in our five-year project plan. So we have a five-year plan. We need to make sure the preservation is certainly a discussion topic with emphasis in prioritization of preservation in that plan. We need to take advantage of the flexibility I just talked about, the MAP-21 federal funding bill. We need to continue to look for ways to be innovative. We have, at times, been the leader preservation nationally. I still believe we are and we need to continue that. So materials, innovations, new ways to do things, new equipment, materials, we need to certainly look at ways to keep our pavements and bridges in good condition.

So with that, that is it. And thank you. And I haven't been up here an hour, have I, really? I was going to try to reduce the time I spent in front of you guys. It also seems like I always draw the short straw, too, in terms of the presentations.

Sandoval:

There's some confusing requests in here. It's recommended that the Transportation Board accept the 2011/2012 State Highway Preservation Report. Yet this is listed as...

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Hoffman: Information only.
- Sandoval: ...information only.
- Hoffman: So that was a mistake, Governor. I apologize.
- Sandoval: I know. Which one?
- Hoffman: Oh, it was informational. It was an informational item, because then that way I think we can work probably more effectively with each one of the Transportation Board members to try to get your input, feedback and see how we can do a better job.
- Sandoval: Well, I appreciate, I mean, that this has been brought to our attention, because historically it has gone by the Board and straight to the legislature. So it's helpful that this was on our Agenda, yet we were looking at a -- the Member's got the report, some of them, today. I got this on Friday.
- Hoffman: Okay.
- Sandoval: And I want to thank the Director for getting that. But, as I said, I think that, as you say, you're an engineer and your staff are engineers and they've prepared this from that paradigm...
- Hoffman: Right.
- Sandoval: ...yet there seems to be -- and then you presented today how we stack up and how we've been doing pretty well.
- Hoffman: Mm-hmm.
- Sandoval: But that's not reflected in this report.
- Hoffman: Right, good point, Governor.
- Sandoval: So, as I said, I don't know if this Board doesn't -- we actually don't have a say unless we -- unless today you've taken on -- will take on some of our suggestions in terms of what you present to the state legislature. I know I would like to see the final draft...
- Hoffman: Sure.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Sandoval: ...of what is going to be presented to the legislature. And one last comment before I leave it to other Board members. This is really important information that I wasn't aware of. And I think it's, as we move forward, that this be the type of information that this Board has. So when we're considering the decisions that we make in approving STIP's and projects and such, how that compares to that which is contained in this report.

Hoffman: Right. Well, and, Governor, if I could say that Director Malfabon and I realize that this is the type of stuff that needs to be brought to you. And we need to educate and inform and make sure that you have all the information as we continue to work together, you know, over the next several months and years. So we'll be bringing more of this to you. Now, there's...

Sandoval: And, I mean, I know it's one those be careful what you wish for because we're going to be -- get a lot of information. But when this gets presented, it's not just the Department. It's this Board, as well. And if it's -- there's going to be, perhaps, the indication that we've approved this, yet not seen it, then it puts us in a situation where we can get blindsided...

Hoffman: Right.

Sandoval: ...and not know what's contained in a report that's been presented to the legislature and thereafter be a public item.

Hoffman: Right.

Sandoval: So, Member Fransway, you have a comment?

Fransway: Yeah, one last comment. Thank you, Governor. I think it was mentioned that you're going to take the discussion items and the input from the Board and rethink some of this document before it is presented to the legislature and you only have two weeks to do that. But I think that if I heard the Board that we need to make it more clear. And it's vague in some parts that need to be clarified before it goes to the legislature. And when that happens, it'll be the general public.

Hoffman: Right. Well...

Fransway: So that's my hope. And I concur with the Governor. I certainly would like to see a final draft.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Hoffman: Yes. Well, and we will most certainly do that. I give you my word that I will contact each and every one of you and make sure that you have an opportunity to comment. And we will strategize as to how we can best move this forward in the next two weeks so that we can submit this report and make sure that it has been seen and vetted by the Transportation Board.
- Sandoval: Member Savage.
- Savage: Thank you, Governor. And just briefly, you know, I've stated earlier that along with the same concerns of other Board members. The presentation of this report is for support of funds being requested? That's my confusion. I mean, I see some of the numbers in here, but is it to substantiate the request that the Department is going to ask for in funding?
- Hoffman: Member Savage, no. The report just talks about the transportation funding needs. It doesn't really talk about -- it doesn't talk about the budget request that we, as a state agency, have put in. So it's two totally different things. It's here's all the infrastructure we have. Here's the timeline that all of these items, pavement, bridges, are due in terms of how we spend transportation funding on. They have passed that due date. They are now due and now we start counting them as overlay or rehabilitation. But the two are not connected.
- Savage: Okay. That was my misunderstanding. I thank...
- Hoffman: Because we've -- yeah.
- Savage: ...I thank you for the clarity. And I look forward to the revised report.
- Hoffman: Sure.
- Sandoval: Mr. Lieutenant Governor has a question or comment.
- Krolicki: It follows up on Member Savage. And, again, I appreciate hearing it and you are the messengers, good on you, but you're getting the brunt of this. I'm still going back to my original comments on the context. Member Savage's question I actually think should be integrated into the budget. I mean, we have a -- here you say in a perfect world, I think, that \$285 million in addition to whatever it is that we're doing will need to be spent to maintain the existing network in its current condition.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

From a budget standpoint, and what members may not know, but certainly the Governor, we talk about the cabinet. The Director has to go in front of the Legislative Commission here, you know, next week or something as the legislature prepares to convene, which is always a strange phenomenon. But, you know, these kind of comments must be integrated into the budget approach because he will likely be asked because we have people like Mr. Ryan from The Sun who will be writing about this and talking about the bogie that we now have. But how do you -- that \$285 million, you know, what is the ask? I mean, what kind of monies are we talking about? I mean, fuel tax or is it -- are you looking for an appropriation from the general fund? I mean...

Hoffman: Well, Lieutenant Governor...

Krolicki: How does that money get created for the legislature to even begin to discuss a remedy for those funding issues?

Hoffman: Lieutenant Governor, all's it is, is just an accounting exercise in terms of current day prices and future cost increases as to what the infrastructure needs are. It's not -- and it's based on past funding amounts that we've had, both federal and state, in past years. So we just look back and then we just project forward. So that step of asking for budget authority is not done in that document.

Krolicki: Okay. So we are sending them a report that we are not asking to do anything. We are presenting a status quo factoid and we will go backwards on the quality of a road significantly over the next decade. You know, I'm just wondering what's actionable here. I mean, we're presenting a picture that, you know, is like most other states.

Hoffman: Right.

Krolicki: Maybe we're doing well, but it's still not a very attractive picture. And, you know, I just hate to say there's a big problem in a Board that's responsible for NDOT and, you know, the folks who work so hard at NDOT to do the incredible job that you've done to maintain the existing infrastructure. We're not giving a game plan moving forward. We're just saying it's bad and it's going to get worse. You know, if this is just complying with a two-year report submission, then, I guess, so be it, but I just find it empty. I

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

would just like to understand a remedy approach. We're going to throw this on the lap of the legislators and, you know, they're not going to be pleased and that's just not a very pleasant situation for anyone, especially you all here at NDOT.

Hoffman: Well, Lieutenant Governor, if I could, this is the first time we've brought it to the Transportation Board.

Krolicki: And aren't you glad you did?

Hoffman: Well, it needs to be done, you know. I have thick skin. I don't take any of this personally. I understand. We're just trying to get it right. Honest to goodness, we're just trying to get it right. We want the Transportation Board to be in the loop. I would recommend that we certainly include you much earlier from now on in the future for this report. And we have a facts and figures book that's coming out that needs to go to the legislature by February 1 that we want you to see before it goes over, too. But there's not going to be a Board meeting to formally agendaize that. So we'd like you to take a look at that, as well. That's a little more straightforward than funding needs and infrastructure. But I most definitely would like to work on getting to a better place in terms of what the report represents and what the message is, so...

Krolicki: Again, I absolutely appreciate what's being done here today and the attempt. I'm just looking for a cure. We're giving a problem without a remedy. You know, the Governor has crafted the budget with his Department heads for, you know, many, many, many months. This need is not integrated into that budget. And, you know, I think that puts everyone in a somewhat uncomfortable position, especially, as you know, we all think -- we all know how important this is, but, you know, for the Governor's world and portfolio, he's got to triage this against a lot of other things. And, you know, to get it at this minute makes it very difficult. Again, I'm not trying to accost the messengers. We appreciate it, but I'm looking for innovative solutions. You know, how much federal money could be, you know, secured...

Hoffman: Well...

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Krolicki: ...to address this \$285 million number. You know, those are the kind of things I would like -- you know, here's a report and here's some things that might help us digest it, metabolize it and, you know, resource it. And I don't think we're doing the latter.

Hoffman: Well, and, Lieutenant Governor, it doesn't show exactly in that report, but Director Malfabon's cost cutting measures, we're looking to cut five percent within the Department. We're looking at other areas within the Department to make cuts. We're looking at the MAP-21 flexibility that -- so there are opportunities to try and fund more of the needs.

Malfabon: I think, just to add to that, we've recognized that it's a national issue. We were pleased to see the comments from the new Chair of the House Transportation Committee about the need for more federal funding. MAP-21 expires in a couple of years and we don't know what we'll get from the federal government after that, but we hope that it's at least as much as we've been getting. We submit our budget in a balanced approach looking at the revenues that we traditionally receive from the federal government as well as the state gas tax, fuel taxes.

So we do have a report here that lays out a lot of backlog, a lot of needs. And we will take into consideration a lot of the Board's comments about the positives of NDOT's program and what we've been doing and what we've achieved over the recent years to improve the preservation of our roads. But the bottom line is we have a lot of needs that are unmet by current funding levels from the fuel tax, both at the state and the federal level.

Sandoval: Member Fransway.

Fransway: Thank you. We've belabored this, but I think for good cause you mentioned a recommendation that this document be presented to the Board at an earlier date. I think that that should be a prerequisite.

Hoffman: Yes, sir.

Fransway: And just as something to throw out there, do you remember what we did with CMAR? We had individual briefings and...

Hoffman: Mm-hmm.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

- Fransway: ...from this Board member's perspective, it was very, very helpful. And maybe that same approach should be done with the highway preservation document also.
- Hoffman: Yes, sir, Member Fransway, Director Malfabon and I have talked at length about going to each individual Board member and presenting a state of the Department of Transportation type of here we are, this is what we do, this is how we do it, this is why we do it, just because he and I are new in our new positions and we just want to make sure that we're open and transparent and the Transportation Board knows all that we're doing.
- Fransway: And it is, to me it's paramount that the Board fully understands this document and digests it and so that we can give what input we can back to you and the staff.
- Hoffman: Yes, sir.
- Fransway: Thank you.
- Hoffman: Question. When can Rudy and I say that we're new still? How long...
- Sandoval: I think the honeymoon is over, yeah.
- Hoffman: Is it over? Doggone it, all right, okay. Well, that's all I had if...
- Sandoval: Well, I think that is the perfect segue to Agenda Item No. 13, which is a report on construction contracts completed.
- Malfabon: Thank you, Governor.
- Unidentified: Thank you, Mr. Hoffman.
- Hoffman: Oh, you're welcome.
- Sandoval: Thank you very much, Mr. Hoffman.
- Malfabon: Assistant Director for Operations Rick Nelson will cover this item. And I just wanted to add that we really appreciate the additional effort from the Board members that are on the Construction Working Group. Len Savage and Madam Controller and Frank Martin have really been an asset to the

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Board in looking into these details of the construction program in that Working Group.

Nelson:

Good morning, Governor, members of the Board. For the record, my name's Rick Nelson. I'm the Assistant Director of Operations. And thank you for the time to give you an update on where we stand with construction contracts that have been completed over the last year. As you recall, it was about 11 months ago when this report was first presented. And, in fact, it generated a tremendous amount of questions which led to the creation of the Construction Working Group, which, I think, has been an outstanding venue to go over these kinds of issues with some regularity.

I would like to mention that we cover this material every two months. During every two-month's meeting we go over these projects somewhat in depth to fill the Construction Working Group in on the progress that we're making, not only with closing projects out, but with the status of our active construction projects. And we also transition into a closed session where the Attorney General's Office has an opportunity to brief the Construction Working Group on claims and potential litigation and those kinds of things. So we believe we're giving this group a very robust picture of the status of our construction program.

At the very first meeting we introduced some construction terms. And I really don't want to go over those again, but we did add one. One term that we're beginning to use now with some regularity is the agreement estimate. And what the agreement estimate is, is it's the amount of money that we have budgeted for the particular project. And these are contingencies that we take into account above the construction bid. Things like asphalt escalation, steel escalation. And there are also some minor contingency amounts for unforeseen things that happen to occur during the conduct of a project. And so the agreement estimate is, in fact, the number that we use as our budget.

Highlights for 2012, we closed out 37 construction projects. Of those 37 projects, 67 percent of them were completed under the budget, which is, again, that agreement estimate amount. Twelve did finish over budget. If you take all 37 contracts in total and you aggregate the expenditures for those, we did finish within the budget set aside for those 37 projects. So

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

even though some were over and some were under, it worked out in the wash that we were right at budget. We also list the number -- what contractors are represented and we, in fact, had 18 contractors that constructed those 37 projects for us.

The settlements for these 37 projects that we closed out, there were no settlements that went to the Board of Examiners and so on. All of the contract costs were covered within the project through the normal contractual arrangements. It's not saying there were not disputes, but they were -- those disputes were settled under the terms of the contract.

Close out duration, this is something that we've been focusing on with the Construction Working Group over the last year. This gives a graphical representation of the amount of time it has taken us to close out these projects. On average it's taken us 17 months. However, those outliers, those two very stale projects are dragging our average down and it's our desire to get all of those old ones taken care of in addition to moving that curve up so that we're dealing with the majority of our projects in that 6 to 12 month range.

Again, the statistics for the year, there were 34 construction contracts awarded this year and we closed out 37. And that's opposed to the 27 that we closed out during last year's reporting cycle. So kudos to the staff that have been working on this and cranking out ten more projects than the year prior.

The bid -- you can do the math yourself. The bid value, \$342 million. Our change order rate was at 1.8 percent for this last year's projects, which is about what it was for 2011. Quantity adjustments, these are those items where the estimated amount of quantity that we thought we were going to do become inflated or deflated based on the actual amount that had to be completed. That's down for this group of projects quite a bit from the previous year. That's an indication that we're doing much better at estimating our projects.

The total amount paid was \$357 million, which is 4.3 percent higher than the bid amount. Now, there is a correction I'd like to make in the write-up for this. In the first paragraph of the analysis section we talk about construction totaling \$360 million. I apologize for that error. That \$360

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

million was the budgeted amount. So for these 37 projects we had budgeted \$360 million. And we paid our contractors 357, so we're just slightly under budget for that.

Looking forward, as of January 1 these are the projects that we have on our schedule for closeout. Right now we're currently tracking 59 projects. Now, when a construction project reaches about 90 percent completion, we put them on the tracking document for project closeout. And the reason that's important to us is there are things that need to occur; paperwork that needs to be submitted, certifications that need to be submitted, payrolls that need to be verified and that sort of thing. And we want to start looking at those before construction actually is complete. So we're tracking 59 projects. Thirty-nine projects have been completed. And so hopefully all of these bars add up to 39.

This represents -- there's two major steps that take place when we complete construction and that's when the clock really starts ticking from, I think, Mr. Martin's perspective on getting these things closed out. And then there's an intermediate step where we pick up the books. As the Resident Engineer and their crew are inspecting and monitoring the progress of the contract, they fill out some very elaborate field manuals. And we've spent lots of time talking about this in the Construction Working Group. And there's a hand off that takes place between the Resident Engineer and their crew and the construction office where we actually audit those documents to make sure that we've paid everything and documented everything appropriately. So on this particular chart there's the completed projects, but they have not been closed out. And then the subset of that are those that have been completed but not picked up. So, again, what we're trying to do is drive these bars closer to the 6 to 12-month range.

Every two months, as I mentioned, we get together with the Construction Working Group and we cover these projects. And every time we go through that exercise, we try to think of things of how we can make some continuous improvement in this progress. The biggest thing that has taken place are monthly closeout meetings that take place with the District personnel, so these projects continuously come up. We continuously discuss them; things that need to be done, what can we do to facilitate this handoff, what can we do to make the closeout much quicker. Basically what gets monitored gets

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

done and through these monthly meetings we're looking at every single one of these projects.

I can't remember if this is my last slide or not. It was. With that, I would be happy -- oh, one thing I would like to bring up. In your packet there is a spreadsheet that's been included with these summary statistics along the right-hand side. This spreadsheet is what gets presented to the Construction Working Group every two months. We look and ask questions about each of these numbers, particularly the PE rates, the preliminary engineering costs, and the construction engineering costs, who the Resident Engineer is, who the designer is, who the contractor is.

Behind that are individual detail sheets associated with each of the 37 projects that we've closed out. So we can go through and look at all those summary statistics and what we've spent in preliminary engineering and right-of-way and that sort of thing.

And one thing I'd like to mention in looking at these detailed sheets, which we never really did before we started reporting on these projects, we sort of discovered a little glitch in our system. You know, the obvious question is if you issue a contract that's Contract 3400, why can't you say how much money you've spent on Contract 3400? And so one of the little perturbances that we found is when we track the costs, particularly for preliminary engineering and right-of-way, is we look at those based on a federal project number. And if you have a particularly large project that has multiple phases, there may be one project number for right-of-way for all the multiple phases. And it's been a bit difficult to go in and say, okay, if we had this project on Blue Diamond, for example, that covers, I don't know, I'm making this up, 15 miles and we build it in three five-mile segments, how do we go back and say this right-of-way was required for this five-mile segment, this right-of-way was required for this five-mile segment? So that's something that we are working on right now. Now if we went in and we said, okay, how much did we spend on Blue Diamond, all of the phases, we absolutely can give you a correct accounting of all of that by aggregating all the individual projects together.

But it's become a little bit tricky where we take one project and we start cutting it up into different parts and pieces to try to report individually on

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

that. Now, we can absolutely tell you how much we gave the contractor -- how much we paid the contractor to do that contract number. And we can tell you how much we spent doing construction engineering. But the preliminary engineering and the right-of-way have been a little bit of a challenge.

And then the very last page -- last two or three pages of this report are another spreadsheet that lists the status, the detailed status, of each of those projects that we're working on closing out and all the pieces that are there. So those are for your reference to sort of give you a feel for the kinds of things we're tracking and how we're trying to report on those. So with that, I would be happy to entertain any questions that you may have.

Sandoval: Questions from Board members. Will we get a litigation report on how much money we've expended for litigation expenses for our attorneys, the other side's attorneys if we didn't get a successful outcome or there was an award of attorneys' fees and costs?

Nelson: Yes. If one of those projects happen to land in this group, we would absolutely include those in there. The desire is to represent to the Board all of those costs associated with these projects, and, particularly, if they went into a settlement or a litigation. But it's just happened that this particular group of 37 I don't believe had any litigation associated with it.

Sandoval: And we get the monthly litigation report. Will we get an annual report? I'm just kind of curious, for example, that engineering bill that we got for expert fees for us and we get these snapshots each month. But it'd be interesting for me to at least see how much we pay in attorneys' fees annually. For instance, in that Falcon Capital there was an award of attorneys' fees and costs against us. And I'm curious how much we have to pay out for that or in any other case. And then, finally, on the inverse condemnation cases or the condemnation cases, how much our appraisal was and how much we ended up paying out. We'll move on to Agenda Item No. 14, old business. Thank you very much, Mr. Nelson.

Malfabon: Thank you, Rick. What we have is -- on old business we have several items to provide updates on. First is Attachment A to Item 14, which is an update on the status of Project NEON, the public-private partnership RFP. We've issued the request for qualifications for the legal and financial advisors that

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

the Board had previously authorized us to proceed with. So we did receive those qualifications. Now we're -- we anticipate that in March we'll have the actual selection and the contracts negotiated to bring back to the Board for your approval.

Sandoval: How many entities did we have that responded to the RFQ?

Malfabon: I believe that we had was it three?

Gallagher: Three and five.

Malfabon: Do you know which one was which?

Sandoval: Based on each phase? Is that -- when you say three and five.

Malfabon: Three -- there was three for -- was it legal or financial? Anybody?

Hoffman: Well, that was being held as confidential information, but what we had is either legal or financial there were three. And either legal or financial opposite of what wasn't in the first was five. So there were either three or five responses to the RFQ's.

Malfabon: They get real picky on confidentiality, I guess.

Sandoval: No, and I don't want to...

Malfabon: I didn't even know.

Sandoval: ...do anything that (inaudible).

Malfabon: All I heard three and five, but I didn't know which was which. And I asked the question though, Governor, and I got the same response that you did.

Hoffman: Me, too.

Sandoval: Member Fransway.

Fransway: Thank you, Governor. You say that these RFP's have been developed for Phase 3. Have there been any for Phase 1 yet? Because isn't Phase 1 and 3 we gave the go ahead for, correct?

Malfabon: Yes. So this was for the financial arrangement that would come to pass for Phase 1 and 3, construction on Project NEON, that is correct.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

well. And I don't think that we were able to capture that level of information on the statistics.

Hoffman: Right, that's right, yes.

Sandoval: I'd imagine most of these are the pedestrian fatalities versus vehicle on vehicle; is that accurate or is that included in this?

Malfabon: This includes the pedestrian fatalities as well. I wanted to mention, also, that we have an operations group that's our traffic operations folks and the District's. And particularly in Las Vegas we work with the RTC's arm called the FAST group. So they take care of our dynamic message signs, put the messages up there. And one of the things that this operations group is considering through that committee is putting fatality statistics for Nevada highways up on those message boards so it brings it more to mind.

I know that it can be viewed negatively, but the more that people understand what our numbers are, the more it personalizes it, I think. And we've seen this successful in other states that have put it up there. It's a bit controversial at first, but it gets people talking about it and thinking about what they can do to drive down those numbers.

Sandoval: Any further comments? Does that complete Agenda Item 14?

Malfabon: Yes.

Sandoval: Thank you, Mr. Director. Agenda Item 15, public comment. I think we've worn everybody out. Is there any member of the public present here in Carson City that would like to provide comment to the Board? Southern Nevada, any public comment?

Martin: None, sir.

Sandoval: We will move for adjournment. Is there a motion for adjournment?

Fransway: Moved.

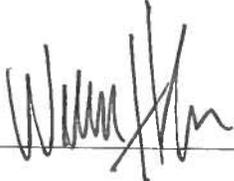
Martin: Second.

Sandoval: A motion by Member Fransway for adjournment, second by Member Martin. All in favor, please say aye.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 14, 2013

Group: Aye.

Sandoval: Motion passes. This meeting's adjourned. Thank you, ladies and gentlemen.



Secretary to the Board



Preparer of Minutes