

Minutes of Nevada Department of Transportation
Board of Director's Meeting
April 8, 2013

Governor Brian Sandoval
Lieutenant Governor Brian Krolicki
Attorney General Catherine Cortez Masto
Controller Kim Wallin
Frank Martin
Len Savage
Tom Fransway
Rudy Malfabon
Dennis Gallagher

Sandoval: Good morning, everyone. I'd like to call this Department of Transportation Board of Director's Meeting to order. Can you hear us loud and clear in Southern Nevada?

Wallin: Yes, we can, Governor.

Sandoval: And I see that Madam Controller and Member Martin are there in attendance.

Martin: Yes, sir.

Wallin: Yes, correct.

Sandoval: All right, then. We'll commence with Agenda Item No. 1, which is presentation of retirement plaques to 25 plus year employees. Mr. Malfabon.

Malfabon: Thank you, Governor, Board members. We put the word out that if any of these retirees were able to attend today's meeting, didn't receive any RSVPs, but some of them might be present, so we'll give them an opportunity if they are here. George Elling, retired with 16 years of service. He was on the landscape crew and maintenance in District 1. Charles Carter was a supervisor in right-of-way engineering here in Carson City, 20 years of service. Johnnie Williams, highway maintenance worker on Crew 3 in Las Vegas, 31 years. Varlen Higbee, 30 years in the Las Vegas equipment shop. He was an Equipment Mechanic II in Las Vegas. Lisa Helget was an Engineering Tech IV on Sparks Crew 905, 26 years of service. Ernest Yordy on Carson Maintenance Crew No. 3. He was a Maintenance Worker IV, 20 years of service.

Miguel Negrete, Ely maintenance, Maintenance Worker IV, 18 years of service there in Ely. Chuck Reider who was acknowledged by the Board previously, he was the chief of the right-of-way -- I mean, of the Safety

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Division in Carson City here, 18 years of service for NDOT. James Garoutte in Fernley, hope I didn't mispronounce his name, 32 years of service. So he's a Worker IV in Fernley. Thomas Stern, Highway Maintenance Worker III in Wellington, 22 years of service. Robert Mankowski, Maintenance Supervisor I in Glendale there, working out of District 1, 19 years of service. And Susan Peterson, Admin Assistant III here in Carson City, 26 years of service.

So are any of those people present? I don't see any. I just wanted to thank them for their many years of service to the State and to NDOT specifically. I don't know, Governor, if you wanted to say a few words.

Sandoval: I would, and thank you, Mr. Director. I think it's appropriate that we recognize the years of service and commitment to the people of the State of Nevada by all these employees. We're really blessed to have individuals that are willing to serve this State and serve the people for such an extended period of time. Even though they're not here, I do think it's appropriate for all of us to give them a big hand. Please do so. And, Mr. Director, how will they be receiving...

Malfabon: Typically, we will ask them -- we send them the letter, so we send them the certificate and the letter. We can make arrangements for -- especially for those that are locally, to give them their clock. But definitely wish them well and thank them for their years of service, and we'll see that through as far as giving them their recognition personally.

Sandoval: All right. Thank you very much. We'll move then to Agenda Item No. 2, presentation of awards.

Malfabon: Thank you, Governor. NDOT received many awards recently. The first one to talk about was the National Asphalt Pavement Association Award for quality and construction for the U.S. 93 overlay project near Currie. This one was a cold in-place recycle project. So it's a technique that we use on low volume roads that really is cost effective. Granite Construction was the winner of that award, and that project was overseen by CH2M Hill on behalf of NDOT. Mike Johnson was the Resident Engineer. So I'd like to thank their efforts to Granite Construction and Mike Johnson for that NAPA Award for quality and construction.

We also, next on the list, had kind of a thank you letter that we wanted to acknowledge. This was from a renowned children's hospital, and we've received many letters of thanks, but this one was very special. It says, "Our medical transport team was called to pick up a premature infant in respiratory distress in Quincy, California. REMSA arranged to have a snowplow meet the ambulance on Highway 395 north. The ambulance followed the snowplow to the California-Nevada border, where a

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CALTRANS snowplow took over. We can't begin to thank each individual team member for their dedication and perseverance in providing safe transport for our very tiny patient. The baby has been since discharged home."

I just wanted to acknowledge that the driver of the snowplow was Jeremy Hudson. He's a Highway Maintenance Worker III on Crew 251 in Reno. So good job, Jeremy. I don't know if Jeremy's here today. He's probably out plowing snow.

Krolicki: I saw him at the Spooner Summit.

Malfabon: Is this spring up here? I'm getting used to that. The next series of awards, Governor, will be a photo opportunity. We'll take each one individually. We'll just go in order from what's in the Board packet. But these ones are -- we have an internal partnering program at NDOT, and we -- on an annual basis we have these gold and silver awards to acknowledge the efforts of the construction crews and the contractors jointly who deliver quality projects. And partnering is a way of doing business at NDOT. It's really working to achieve common goals. The partnering effort is getting together with a contractor, talking about common goals and quality, safety and performance, and just project delivery on time, on budget. So we wanted to acknowledge these folks before the Board and allow them to have a photo opportunity.

So I'm going to read through these and then we're going to have them come up for the photo opportunities afterwards, so we can get through the details. But the Gold Award was on the West Mesquite Interchange Design-Build project. It utilized innovative accelerated bridge construction technique. This is where we -- the contractor, W.W. Clyde, built the bridges on the side of I-15 and then slid them in place after demolishing the existing bridges overnight. Had a lot of Federal Highway Administration participation. They set up a workshop for several other state DOTs to come and observe the operations on those overnight bridge slides. So very nationally recognized as innovative, and I think that it just speaks of the kind of innovation that you can see on design-build projects in general. So this project acknowledges the efforts of -- the Gold Award acknowledges the efforts of W.W. Clyde and Crew 922 led by Marty Strganac, the Resident Engineer, and definitely worthy of the Gold Award.

The Silver Award, there were many, but just going through the three Silver Award winners. U.S. 95 improvement project in Hawthorne/Walker Lake, we milled and repaved 20 miles from U.S. 95 -- my old stomping grounds of Hawthorne. It's still there. ADA enhancements in town there to improve the sidewalks and driveway entrances, and 14 miles of guardrail improvements. Construction required diligent coordination of material

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delivery and maintenance of traffic. And I can attest to that because I drove through the project a few times during the summer. Definitely was good quality on the pavement, very nice smooth road now. Completed two months ahead of schedule under budget without any safety violations or incidents. And I wanted to acknowledge the efforts of RHB, Road and Highway Builders, as the contractor, and Bowling Mamola Group. I know that Randy Bowling is here, recently retired also, but our Consultant Resident Engineer worked in partnership with DCS on -- to deliver that project. So great job to those two groups.

The next Silver Award winner was I-15 South design-build. As you know, this one was the product that was funded with revenue from room tax bonds sold by the Las Vegas Commission and Visitors Authority. And it widened and improved I-15 South, the Las Vegas strip. New and reconstructed overpasses were built in partnership with Clark County. They funded the Sunset Road Bridge. And the other overpass was a Warm Springs road/bridge over I-15. We also reconstructed the railroad bridge for the Union Pacific railroad.

Structured partnering was outlined in the charter to closely involve NDOT, the contractor, subs and multiple stakeholders such as LVCVA, Clark County, NV Energy, Union Pacific Railroad and others. It was Nevada's first use of self-propelled modular transporter. That was for the railroad bridge. And vital detours to help reduce impacts to the long-term bridge construction road closures. And that project was completed under budget. So that's another Silver Award winner.

Another design-build project -- so you can see a trend here. A lot of the innovation kind of leads to some good partnering efforts by our contractors and our construction crews and our design staff, too, the project managers on those projects. And I neglected to mention the project manager's efforts are key also on these design-build projects, because they have a great responsibility in seeing the project delivered. So let me mention the project manager on I-15 South design-build was John Terry, who's now working up here. So he got promoted out of it. The project manager on I-80 design-build was Jeff Lerud. But this project -- the Silver Award winner on I-80 design-build reconstructed Interstate 80 through the heart of Reno. Really a great project, because some of that pavement was 40 years old in some areas and falling apart. Additional lanes and signing, striping, ramp and other improvements were also made. They had daily meetings from project managers to trade and craft foremen attending those meetings and help keep the project on schedule. And more than 250 stakeholders were involved including local businesses, just to -- I mean, to lower the impacts on local businesses, residents and commuters.

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Definitely would affect a lot of the businesses along that route, along I-80, so a lot of coordination to try to keep on schedule. They finished 82 days ahead of schedule and completed with zero potential claims on that project. So great success on another design-build project for Granite Construction was the design builder on that one, and Crew 905 previously led by Rick Bosch was the RE. And I think that Sam Lompa took over your crew, Rick?

Bosch: That's right.

Malfabon: And, as I mentioned before, the project manager is Jeff Lerud. For the U.S. 95 Winnemucca area repaving project, another Silver Award winner for our partnering program. That contractor was Q&D Construction. And the Resident Engineer was Dave Schwartz on Crew 920. So really appreciate their efforts in delivering a successful project. This was a milling and repaving job on Rural U.S. 95, approximately 30 miles north of Winnemucca. And the preventative measures that they used by coring the samples in the roadway to find out delamination areas. What we want to do is to make sure that we're doing the right approach on the roadway. So they went ahead and checked some roadway samples to make sure that they didn't have any other areas to come back and repair later. So the preventative measures saved an estimated \$148,000.

Other potential project issues were identified and resolved at the most immediate and lowest level, often between project foremen and inspectors. And that's one thing that we hold to in partnering is try to get problems resolved at the lowest level possible. When the contractor's pilot car failed, NDOT stepped in to provide temporary pilot car service so that work could continue uninterrupted. And that's really critical when you're working in rural Nevada to maintain production on the project and not stop the pace of the construction. So I appreciate them having an approach there that would help the contractor out while they got their pilot car repaired.

The project was completed more than \$200,000 under cost and the traveling public only experienced construction delays for 38 of the project's 60 working days. So congratulations to Granite -- I'm sorry, Q&D Construction and Crew 920 on that one. So if we could have the Board members come in front, we'll do the photo opportunities with the team members. If we could have the leads from the contractors and the -- if the project managers are available, if applicable, please come up also, and the Resident Engineer from the crew. So first is the Gold Award for I-15 West Mesquite Interchange.

(Indistinct conversations)

Malfabon: Okay. Next one is I-15 South.

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(Indistinct conversations)

Malfabon: So as I was mentioning, Governor and Board members, the project on -- there's other project winners. The Mesquite job did win the AGC's Marvin M. Black Partnering Award. It's a nationally coveted award for partnering efforts on construction projects. So we'll be bringing that forward next time. But there also was another recent partnering award that we received for the northbound U.S. 395 widening project there by the airport in Reno. It was the sapphire level, which is the third highest ranking for the International Partnering Institute Award for project of the year. So we'll bring that forward in the future Board meeting as well. Also, some recent awards from American Society of Civil Engineers for two of our projects, I-580 and also the water quality program at Lake Tahoe. So we'll bring those projects for awards for recognition in the future.

Sandoval: Before you go on, Rudy, I just personally want to thank the award winners for your hard work and the cooperation and partnership that you have with the Nevada Department of Transportation as well as this Board. We truly appreciate what you do and look forward to working with you in the future. Thank you very much.

Malfabon: That concludes the awards. So I'll move on...

Sandoval: If you don't -- if any of you don't want to stick around, you don't have to.

Malfabon: They don't want to go out in that snow. Okay. I'll continue on with the Director's Report. Governor and Board members, this month we have a formal presentation on the Agenda for Project Neon. What we'll do on a quarterly basis, give you more detailed presentations so that you can ask some specific questions, and then on the off months I'll just give a -- in the Director's Report, an overview of what's happening on Project Neon. But it is such a large and significant project. We thought that on a quarterly basis we'll do a quarterly report that's more detailed.

On the federal front, the Congress did pass a continuing resolution for the transportation funding. As you recall, I had talked about the House version of that continuing resolution, also known as a CR, had a slight cut of six-tenths of a percent in highway funding. The Senate version put that money back in and that's the version that was passed by -- and signed by the president.

So we were apprised of something from the Federal Highway Administration on a reduction, though, due to the fact that general funds at the federal level were used to add to the highway trust fund for MAP-21 transportation funding. Because they used general funds, they had a -- they were subject to sequestration, so it wasn't until we heard just recently, about

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a week ago, that they were subject to sequestration. There was confusion about that. But it amounts to about \$2.9 million in reduction in federal funds. So although the six-tenths cut from the other issue of the continuing resolution didn't go through, this other issue of sequestration did hit us in that manner. It was roughly about the same amount. We were thinking about two and a half million if the six-tenths cut went through, so we were planning on receiving a cut in any event. But that's about out of 320 million that we receive on an annual basis from the feds. So about less than one percent, but still that would have funded a smaller project.

We also are hearing that there are TIGER grant opportunities. We've talked with the RTC of Southern Nevada and Washoe County RTC in order to be more competitive and have collaborative projects that we can submit for an application for the TIGER grant program. TIGER grants are issued -- or considered by the U.S. Department of Transportation, the Secretary of Transportation, so they will award those, but we'll do everything to be more competitive. And we realize that, typically, to be more competitive you have to have a mix of state, local and federal funding on a project so that they see that there's a collaborative effort to deliver a project.

So we've talked about some possible opportunities. For us it's definitely the Pyramid/McCarran intersection. There is -- has some improvements planned in the future and the other project down in Southern Nevada is the U.S. 95 and 215 interchange. So we think that those are good candidates for NDOT to work in partnership with the RTCs respectively for their applications. Previously, Nevada was successful on the RTC of Southern Nevada's application for the Sahara Bus Rapid Transit project, and that project was delivered successfully under a TIGER grant.

To update the Board on Meadowood Interchange, I was hoping that the lanes would be back into their normal configuration by now. Unfortunately, they are not. And I have -- we are going to have discussions with Meadow Valley. I personally contacted the president and he'll be calling me back. But we definitely see that the need to get those lanes back in to their normal configurations so that we can get the speed limit back up to 65 on that stretch. The barrier rail is poured down the center, so it looks like they have to pull up the portable rail and restripe the lanes to get it back to normal. There's also some subcontractor work down on the interchange portion itself with lighting and landscaping to be finished. We are giving news reporters a date of the end of May for completion of the entire project.

We did receive the claim, as I mentioned before to the Board, \$1.4 million approximately on behalf of the drilling subcontractor for the use of material that's called self-consolidating concrete. We also received just volumes of documents in several boxes last week for the prime contractor's claim on that project. I don't know the entire value of that claim, but we have to

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work through that and develop NDOT's position on it. The district office was looking at the original \$1.4 million claim. Their position should be in for review by the headquarters construction division. Most likely we would go to a Claims Review Board to have that heard administratively. That's a nonbinding route to take. The contractor could still take the State to court to settle it, but for now we're just dealing through our regular administrative process on that claim.

Next month we will have the final numbers on the total cost of the Falcon Capital case. That's the case that involved water rights and went to binding arbitration, and hopefully we'll have the final reporting to the Board about what that case cost the State of Nevada next month.

We also will have a future presentation about the EPA audit, and that's -- had to do with the storm water management program at the department. So it affects construction and maintenance, but also some design efforts as well. What happened was that U.S. EPA conducted an audit of our operations. And we work under a permit called an NPDES or National Pollution Discharge Elimination System permit. Another acronym MS4, Municipal Separate Storm Sewer System permit. So we work under actually a permit that's issued by Nevada Division of Environmental Management. And the EPA just looks at certain things that we're supposed to be doing in the storm water management program. It's part of the Clean Water Act compliance. So it's an area that they reviewed very comprehensively at NDOT, and we're taking steps to address some of the findings in that audit, and trying to work hard to avoid any kind of fines that would result from that audit.

Primarily the areas of findings that are going to be presented to you in more detail at a future Board meeting have to do with mapping of some of these basins where water quality is an issue. Also, a training program, construction and maintenance activities and how we implement our best management practices to avoid having basically water with a lot of turbidity or mud in it, getting into the waterways. Monitoring, recordkeeping and reporting are also some areas that they identified. So we will have a contract before the Board next month that will show you some of the -- and have more details about what we're doing. But we had some consultants hired that negotiated an agreement, which will be before the Board for consideration next month for approval, to address some of these deficiencies in that program.

The other front that's kept us busy is the legislature. And we've had our budget hearing. That went well. We've had several of our bills heard, the safety bill which addresses that open container issue and crash data reporting. We've had our construction manager at risk bill that would remove the sunset clause, or at least extend the sunset clause on NDOT using the CMAR process for procurement.

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And other bills that are coming up, the public-private partnerships, which relates to tolling authority, that bill's going to be heard tomorrow, so John Terry and I will testify for that and probably propose some amendments that make it simpler because it is a very complex bill and we think that we can make it simpler and easy to understand. We've been talking with several members of the leadership at the legislature and trying to clarify what this bill accomplishes and what it allows us to do to go forward to look at a managed lanes project in Las Vegas. But we're trying to make the case that it's not about paying a company to build infrastructure, then pay them back through tolls, because that was not -- didn't receive a lot of support two years ago when that was before them. So we're trying to make it about the managed lanes approach. And really it is not seen -- tolls are not seen as a revenue generator for the State, but more as a way to -- a managed lane project would help us to manage traffic better in Las Vegas as we build out the HOV system using public funds.

And as you know, Governor and Board members, you've approved us to go forward with investigating Project Neon as an availability payment, not a tolling project. So we want to make those points made to the legislature as they consider our public-private partnership and tolling bill this week.

Some other recent bills that have been heard, the Transportation Board changes kind of the -- have more members from Clark County on it just for changing and also removing the constitutional officers from the Board. We oppose that bill and testified. So another measure that's been up is the various funding mechanisms for transportation. Clark County has a fuel tax indexing initiative that they've submitted to the legislature that's being considered currently. We've testified as neutral on that, testified as neutral on the two cent a gallon gas tax increase, and also neutral on the DBEs on state-funded contracts.

There's a lot of other measures that are being considered by the legislature. And we typically go out there to give clarification on how it affects NDOT. And our procurement methods typically are the common ones -- areas that are being considered by the legislature. So we have our administrative staff that are in charge of procurement give us the advice and give us some feedback so that we can go testify and clarify issues to the legislature.

That concludes my Director's Report. And if you have any questions about any of the legislative issues or any of the other issues I discussed, I'm willing to do my best to answer.

Sandoval: Board members, do you have any questions?

Martin: I think we have one down here. Rudy, you said something about the bill to change the makeup of the Transportation Board. Is that AB 1075?

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- Malfabon: No, I'm not sure of the bill, 322 -- 322. Okay. It was SB 322, Member Savage.
- Martin: Say that again. SB what?
- Malfabon: 322.
- Martin: Okay.
- Sandoval: And what does it propose, please?
- Malfabon: What bill SB 322 proposes is removing the 4 members that are elected officials from the Board and making the Board 11 members; 8 would be from Clark County, 2 from Washoe County and 1 from the rest of the State. So you can kind of foresee what they're trying to achieve here is to stack the deck to Southern Nevada interest. And what we -- what we testified to was that the Board is very engaged and always looking at a statewide approach, not specific to any region of the State, but looking at what's best for the entire State of Nevada's transportation system.
- Sandoval: Any further questions, Member Martin?
- Martin: No, sir. I'd just appreciate it if somebody would let this guy living down here in the outpost know about things like that.
- Malfabon: What we could do, Governor, in response to that is give a regular update maybe in an email about some of the bills that are being heard that we're testifying to at the -- because it is quite a number of bills that were released recently and they're on a very tight schedule. So it would be good for us to probably give a weekly update maybe to the Board members on the legislative hearings that we're testifying at.
- Krolicki: And if I may, Rudy, you might want to wait until Friday comes and goes so you won't have to report on bills that die in committee, that deadline this week. So maybe early next week would be a good time.
- Malfabon: Thank you, Lieutenant Governor, that's a good idea because of the deadline this week.
- Sandoval: Member Savage has a question.
- Savage: Thank you, Governor. Mr. Director, as we discussed in the Construction Working Group, was there any legislature on the retention of 10 percent, any language in that regards?
- Malfabon: There is -- there's been some discussion about retention. The department doesn't support any change. We wanted to keep things status quo, but we have been working with one of the assemblymen over there about changes

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that -- between 408 and 338, just trying to get consistency between some of the procurement primarily, but we haven't supported any changes to the retention. But that assemblyman may have some changes in a final amendment. We haven't heard of anything specifically, but I know that that's an issue that has been brought up, that he's mentioned specifically that he would consider changing that to perhaps increase the amount of retention.

Savage: Yeah, I think that should be thoroughly reviewed, because we've had a lot of discussion at the CWG meetings and I know the industry was supporting the 10 percent. So I think we should continue to review that. Thank you, Governor. Thank you, Mr. Director.

Malfabon: Thank you.

Sandoval: Member Fransway.

Fransway: Thank you, Governor. Mr. Director, was the relinquishment bill, has that made it out of committee yet? And if so, did we give testimony? And what was our position?

Malfabon: On the relinquishment bill, what we testified to and made some changes to was that the relinquishment procedure would be approved by the Board, the Transportation Board. It's been heard in committee. It hasn't been finalized yet, so it hasn't been approved by the one house yet. But that's another bill that we'll keep track of and hopefully will pass from one house to the other.

Fransway: Okay. So that's been out of committee of origin then, and it doesn't have the deadline looming?

Malfabon: I'm not sure if they've -- did they vote on it, Shawn?

Unidentified: Yeah.

Malfabon: So they did -- it is out of the committee, not out of the specific house that it was in.

Fransway: Okay. Did it originate in the senate or the assembly?

Malfabon: I believe that was assembly.

Fransway: Okay. Thank you, Rudy.

Sandoval: Any further questions with regard to Agenda Item No. 3? 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 public comment to the Board? Is there anyone present in Southern Nevada who would like to provide public comment to the Board?

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- Wallin: No, Governor.
- Sandoval: Agenda Item No. 5, approval of March 11, 2013 minutes. Have all the members had an opportunity to review the minutes, and are there any changes? Okay. Lieutenant Governor has moved for approval of the minutes of March 11, 2013. Is there a second?
- Savage: I second.
- Martin: Second.
- Sandoval: A second by Member Savage. Any questions or discussion on the motion? All in favor, please say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes.
- Wallin: Governor, I abstain since I wasn't at the meeting.
- Sandoval: All right. If you would mark Madam Controller as abstained down. Agenda Item No. 6, receive a report on the status of Project Neon.
- Malfabon: Thank you, Governor. As I mentioned in the Director's Report, there's a lot of details to cover with the Board about Project Neon, and to present is Cole Mortensen, project manager for Project Neon.
- Mortensen: Good morning, Governor, members of the Board. For the record, my name is Cole Mortensen. Thank you once again for the opportunity to present the project to you and to the members of the Board. What I'd like to do is start off with the current status of our right-of-way acquisitions that we have in process, and then we'll move on to the agreements that we've got in place for our technical support and our legal and financial support as we move forward with the P3 process. And then I'll give you an update on where we're at with that P3 process and what our schedule is looking like and moving forward with it.
- Currently, we have right of occupancy or ownership for about 62 percent of the parcels that we're looking to acquire as part of phase one. We're actually reviewing some of the properties that we'd originally identified to see how they might be impacted if we deliver both phases one and three together. There may be some of those that we don't necessarily have to purchase right now because of the project and the way that it changes the geometry of the project.
- Where we're currently at is we have 48 parcels identified. We have approximately 24 of those parcels acquired or we have right of occupancy to those parcels. Six parcels are currently referred to condemnation. We have

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18 parcels in process. So far cost-to-date for all right-of-way and utility activities is about \$81 million. Of that \$81 million about 600,000 has gone to utility relocations. And as we discussed earlier, our total estimated cost for right-of-way acquisitions and utility relocations is \$104 to \$161 million. And where that looks -- or what that looks like in a comparison to the overall project budget, in this chart you can see our upper budget, the \$118 million is what we established originally as our budget for right-of-way and -- or for right-of-way acquisitions. That was based on our cost risk assessments and some of those adjustments that we make so that we have a risk reserve when going out and purchasing right-of-way. Our current cost estimates have less -- actually I have that number right here. Estimated total cost of about \$103 million. Right now our anticipated projected cost based on what we've paid puts us in at about 5.1 less than what we had originally estimated, so currently we look pretty good on our right-of-way acquisition process for phase one. We're coming in under budget and under our estimated cost.

Right now some of the work that we're moving forward with, actually this Saturday we just had an auction for the abandoned property and the two storage units that we acquired. Our team worked very hard to relocate about 1100 occupants of those storage units and that was a great effort and a team effort moving forward. We've released our first phase for demolitions of the -- of the properties that we currently own. Those bids came in March 28 and they're currently under review. That'll be four residential buildings and eight commercial buildings. And what we're hoping to do is to get those removed as soon as possible to help limit some of the liability and exposure that we have on having those vacant properties there.

And moving forward, last month you saw and approved the agreements that we have in place for the legal and financial advisors for the project. This month we have in the Board meeting CH2M Hills' agreements for continuing some of the design effort that they've been doing for us in regards to the P3 effort, as well as doing some of the program management effort. In order to do so, what we did is we amended their previous agreement to reduce the overall cost. We reduced that cost by a significant amount. The overall cost savings at this point is about \$1.25 million between the two agreements. And so what you see on this month's Agenda is an amendment to reduce the original agreement as well as a new agreement for the P3 design effort and the technical advisor effort moving forward.

So where we're at right now is stage one, and that's what you've approved us to move forward with. That's the RFP development process that we're in right now. And so we're investigating, again, with the Director's request to investigate not only the design-build, finance, operate and maintain, but the

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design-build finance portions or delivery options for the project. Stage two, this will be the next stage after we come to you with that draft proposal for your approval here. Stage two will be the selection of the proposed team, as well as negotiations and contract execution. Now, during that phase we'll actually be coming before the Board twice; once at the selection level and then once for the final contract execution. Stage three is then going to be the Construction Contract Administration. This is where we get construction onboard and moving. And then potentially there will be a stage four if we go the design-build, finance, operate and maintain method because we'll need some support in the operations maintenance portion of that, as well as monitoring the availability payments as we move forward with the project.

So where we're at with this, we're currently reevaluating all our cost estimates and seeing how those cost estimates fit into the delivery options. What I want to make sure that I explain here is that we're working on rephrasing the project, talking about phases one and three and four and five, whatever that may be. What we'd like to do is come up with a base scope of work to start with. And then if we have the potential for additional portions of the project that may be included as value added-type scenario with whatever delivery method we go out with, then we can kind of address that as we move forward. But just to help limit the confusion on, you know, stage one, stage two, stage three, but we're doing stages one and three, we're going to try to come up with just a base and then what would be developed in addition to that.

And so the three developed -- or the three delivery methods that we're really (inaudible) into as we move forward here are -- and this is a chart that kind of shows the level of public involvement versus private involvement as far as risk transfer is concerned. You can see we've got the design-build, finance, operate, maintain up at the top, where obviously we're shifting more of that responsibility, more of that risk over to a design builder. And with that, that allows us to do the longer payment financing methods. The design-build finance is somewhere between the DBFOM and what we would typically do with our design-build projects. The design-build finance from what we've been told, typically, the financial range on those is between six and ten years. And so we're looking at how that may be combined with bonding to best fit our scenario. And then, of course, we're going to be comparing all this back to what we normally would have planned for the project as far as a design-build project with financing through bonding.

And so this is what our schedule looks like over the next -- a little over the next couple years. One of the things that I did want to point out is once we got our legal and financial advisors onboard, we sat down with the project

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team and kind of discussed some of the avenues that we're taking. And as a project team, we came to the consensus that at this point in time it would be better for us to extend our deadlines by about two months to allow us the opportunity to really investigate the delivery options, so that when we move forward with the project, we're just moving forward with one option rather than trying to go simultaneously down two to three different paths. Not only is that going to save costs on our side of the building, but it'll save costs in the industry as well, because already we've received a number of contacts from investors and contractors that are interested in the project moving forward. And as they start looking at it, it starts costing them money as well.

And so what we'd like to do is we'd like to come back to the Board in June with a proposed or recommended delivery option for approval by the Transportation Board. At that point in time, we'll be able to explain some of the rationale behind a recommendation, and then we'll be moving forward with the development of the RFQ, as well as the RFP. We anticipate doing the short list of proposers in October. And what that does to that date that we gave you previously of December 2013 is it moves it into February of 2014. That's when we'll come before the Transportation Board with the draft RFP, the short list of proposers. We'll be coming back to you with stipend amounts and what we anticipate the next stage of the process to be.

So this is really what we're talking about moving forward here. Again, we'll be coming to you with Board approval in June, an additional Board approval in February for that draft RFP, then we'll be asking potentially for the permission to move forward with stage two, and then this is where stage three would come into that schedule. So far that's the update for where we're at on the project at this point. And I'd like to open it up for any questions, Governor.

Sandoval: When do you anticipate within that calendar the property acquisition to be completed?

Mortensen: For phase one, we anticipate having that -- the necessary property acquisition completed here within the next year. One of the things that we're looking into right now, and that folds into our delivery option analysis, is really the best way for us to move forward with the right-of-way that we need for the project regardless of what method we take in moving forward. We need to acquire additional property for phase three. How that may be folded in the project, we may be coming back to try to bond to acquire the property ahead of time, or we may be including it as part of the proposal depending on the method that we move out with, where we would make that a requirement of the contracting team and the financial team to go out and acquire the property. Of course, then if there are properties that

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need to go into condemnation, that would come back in house. But we're looking at the various financial vehicles that we can use to acquire that property as part of the project necessary. So that'll be something that I would anticipate being able to come back to you with some sort of recommendation in, in our June Board meeting date.

Sandoval: And you mentioned that we are getting a significant amount of private sector interest in the project?

Mortensen: Yes. Already I've been contacted by two to three teams that are very interested in the project here and moving forward; nationwide firms, worldwide financial companies. And so it's really good to see that kind of interest and that kind of excitement about the project this early on as well. And so what we're going to be doing here as we move forward, too, and it's something that I've been trying to be very proactive with, is as we've come this far with the project is to make sure that we can get as much of this information out on our website as possible so the people can go ahead and download that information.

One of the interesting things that I want to point out here, too, is we posted the phase one 60 percent plans that we've developed so far for just phase one of the project. The first month that it was out we had over 850 downloads of those sets of plans out on the internet. Last month it had dropped a little bit, but it was almost 600 downloads. And so there's really a lot of people that are interested in that information out there. And so I anticipate being able to keep as much of that information out on the web as I can, keep as much interest going in the project as I can and to keep that site dynamic.

Sandoval: Questions from other Board members? Member Savage.

Savage: Thank you, Governor. Mr. Mortensen, a little clarification on the July -- I mean, the June proposal to the Board.

Mortensen: Yes.

Savage: You said you're going to discuss the DBFOM option, the DBF option, as well as the DB option. So you're going to bring all three options with estimated costs to the department at that time?

Mortensen: That's what we're anticipating doing, is coming to you with recommendation for those delivery options. That'll include some of the analysis that we've gone into and the rationale behind our recommendation. So we'll be looking at -- yeah, exactly what you had mentioned, that what it would look like to go design-build with the bonding, design-build with private financing or potentially a combination of private financing and bonding, and then the DBFOM delivery option as well.

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- Savage: So all the options on the table...
- Mortensen: Correct.
- Savage: ...are to be proposed during the June Board meeting?
- Mortensen: Correct.
- Savage: Okay. Thank you, Mr. Mortensen.
- Sandoval: Before I take another question, will you please make sure, because there's going to be a lot of information associated with that, to get it to the Board so we have ample...
- Mortensen: Plenty of time to look at it. Yes.
- Sandoval: ...(inaudible) all that.
- Mortensen: Absolutely.
- Sandoval: Member Fransway.
- Fransway: Thank you, Governor. Will the design-build finance -- is that a component of the RFP process or will that be two separate approvals by the Board?
- Mortensen: I'm not sure that I quite understand your question. What'll happen, Member Fransway, is if we move forward with the project either as a design-build or a design-build finance, based on our pioneer program guidelines that kind of puts us over into the design-build process rather than the P3 and the design-build finance, operate, maintain process that we're kind of in now. And so we'll -- at that point if it's either design-build or design-build finance, operate and maintain, the project will start looking a lot more similar to the design-build projects that you've seen already.
- Fransway: Well, to me, that design-build finance is a very important component of this whole Neon project, all the way through all five phases. And so I just wondered if we will be asked to approve some sort of recommendation as to the design-build finance at the same time that we will be asked to approve the RFP process.
- Mortensen: Yes, absolutely. That's basically...
- Fransway: Okay.
- Mortensen: ...what we're looking at in the June Board meeting, is we'll bring all the information for the design-build finance, what we've looked at, because as I'd mentioned, it could be a combination of bonding as well as private finance.

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Malfabon: So just to clarify, you -- the Board will receive a recommendation from NDOT and staff on which of the three alternatives we recommend, and then the Board will decide and give us direction on which of those three alternatives to go down.

Fransway: Okay. I understand. One other -- just a comment. It looks like we're two months behind schedule. And I want to say that I think that that's prudent to take your time, make sure we do it right the first time, and it's worth the extra two months that we're going to be expending to move it forward.

Mortensen: Thank you. I appreciate that. There was a little bit of anxiety with regards to that, but we really do want to make sure that we step off on the right foot here in moving forward and that we do take the time that we need. And as I had mentioned, in trying to go down -- move down three parallel paths at once, it's a lot of added expense not only for us but for the industry. We'd just rather come with a final decision on how we're going to move forward with the project so that everybody's on the same page and moving forward.

Sandoval: And, Tom, I'd just echo your words. Well said. I mean, we have to get this right. And I would much rather take the time up front then having to make up for it later on if we were to push this thing through too rapidly.

Mortensen: Absolutely.

Sandoval: Any questions from Southern Nevada?

Wallin: Yes, Governor. I have a couple, thank you. First off, one of the things that I would like to see when they come before us in June or July is where we are with our highway fund balance, because I know that that was part of the presentation we had when we said, yes, let's pursue looking at going ahead with Project Neon was with the caveat that our highway fund balance was going to be at \$90 million. And I know it's been dipping below that. So I'd like to see where we're at with that, that, you know, we're keeping pretty stable over that \$90 million because that was one of our decisions in going forward. Because if we dropped below that, then that could -- that could impact our other projects around the State as well.

And then, Mr. Mortensen, I have a question for you. Thank you for giving us the status of the right-of-way projects, but I'm -- and I guess I wasn't clear when I was asking for it. And it stemmed from that meeting where we paid double of what we thought the property was worth when here property values had gone down since that point in time and all of a sudden it doubled in a year. What I'd like to see is of those 24 properties that we've acquired how much we estimated it was going to be and what we settled for. And that way I can see a clear picture of how we really are standing, in my mind, if you don't mind doing that.

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- Mortensen: Absolutely.
- Wallin: Okay. Thank you.
- Martin: Also, I have one too. On one page where you say phase one, right-of-way acquisition estimate to actual. You say there's \$118 million budget, but on the previous slide you said 104 to 161 right-of-way and utilities. I'm having a tough time putting those numbers together with the 118 versus the 100 and -- the two slides, I can't tell you that they -- unless one is just strictly right-of-way and the other one includes right-of-way and utilities. And if so, what (inaudible) budget for the utility piece?
- Mortensen: That's absolutely correct on what you're looking at there. The overall range is actually the range of anticipated costs for both the right-of-way and the utility cost. I believe the utility cost range that we had in there was right around 20 million to 40 million. And the right-of-way cost itself, again, with that cost risk -- or cost adjusted budget is why we budgeted it at 118. I believe the low end of that was right around \$90 million, but I'd have to verify that quickly with some of the other information that I have here. Yeah, the low end of that we actually had for \$90 million for the right-of-way. The low end for the utilities was \$15 million, the high end was \$21.5. The high end for the right-of-way actually early on was \$140 million, but we budgeted the (inaudible). So that's where -- that's where that overall range is a little bit higher than what we'd actually looked at.
- Martin: So is the 118 strictly right-of-way or right-of-way and utilities?
- Mortensen: Yes. It's strictly right-of-way.
- Martin: So then the delta between the 118 on the high side and the 161 or 43 million is utility?
- Mortensen: It's 20 million in utility that we'd actually budgeted. Our original cost estimate range had that a little bit higher for both the right-of-way and the utility, but what was budgeted was actually lower than what our original cost estimate range is. And I apologize for the confusion on that. Our estimates were a little bit higher than what we had actually -- had actually budgeted for the project.
- Martin: Okay. So if I -- on this right-of-way acquisition estimate to actual, it looks to me like you spent approximately \$83 million acquiring 24 properties.
- Mortensen: The -- yes, I believe that's correct.
- Martin: Okay. Versus a \$77 million budget?

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- Mortensen: That \$83 million also includes current court deposits for those properties in condemnation.
- Martin: And is the deposits part of the 24 parcels acquired, or the 6 in condemnation?
- Mortensen: Those are -- those are actually the six in condemnation, I believe.
- Martin: Okay. So what portion of the 83 million has actually been spent in the 24 parcel acquisition?
- Unidentified: 64 million.
- Mortensen: It's...
- Martin: Sixty...
- Unidentified: Four.
- Mortensen: Correct. It's -- yes, it's the \$64 million number. So on the properties that we actually have acquired either ownership or right of occupancy on, we're just about \$2 million over budget over what we thought we would be at for those parcels, but overall based on the cost estimates that we have for everything else. Again, those other two items -- and I believe that the slide that you're looking at, if I can bring that up quickly. This slide here, the red parcels on the right, the \$19 million, that's still an estimated cost for us. So really we're kind of mixing apples and oranges a little bit with this chart to show you what we had originally estimated for the property back in 2010, versus what we budgeted, versus a combination of what we've actually paid, which is in the blue on the right-hand side, and then what we anticipate the cost to be for the other two categories. It's a little tricky to show a comparison like this because we're still estimating some of those costs.
- Martin: Understood. I guess where I was going is we actually know what the cost is on a per parcel -- on a per parcel basis for the 24 parcels acquired, right?
- Mortensen: Absolutely.
- Martin: Okay.
- Mortensen: I (inaudible).
- Martin: Is it possible to get the cost -- get the actual cost and the estimated cost comparison to the Board sometime in the next week or two?
- Mortensen: Yes, sir.
- Martin: Okay. Because I'm having a tough time putting together the math. But I'm a contractor, so sometimes that happens.

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Mortensen: With those costs for each parcel, what I'll also do is I'll provide a little bit clearer picture of what the original anticipated estimate was for the right-of-way and the utilities, as well as what was budgeted and then the actual kind of look at the cost.

Martin: And the deposit on the six parcels that's in condemnation as well?

Mortensen: Yes.

Cortez Masto: There's actually eight.

Martin: There's eight?

Cortez Masto: Yeah. So, Governor, it's Catherine Masto. Just to follow up on Member Martin's conversations and the discussion. And I apologize, I'm just getting here. I got stuck in traffic on I-15, unfortunately. Yeah. But I noticed in our monthly litigation report there's actually eight parcels that have been referred to condemnation, if I'm reading this right. So that I just want to make clear. But I also, for the benefit of everyone, and particularly for Board members who are not attorneys, I have asked Dennis Gallagher, who's going to talk with Rudy about coming to the Board and giving us a presentation on what actually parcels are in litigation, what is -- what is going to imminent domain, what is inverse condemnation, because that will add to the cost, what does that mean, what's the potential cost associated with that. Because I think there's an opportunity -- a better opportunity for us to understand the potential cost associated with that. So I'm hoping that's going to be on a future Board Agenda. That will help all of us.

My concern, and, Governor, you and I have talked about this at many open meetings, is going to be the cost associated with litigation with some of these parcels, particularly when it comes to inverse condemnation as well. And so I think we all just need to know going in what the statutory requirements are when it comes to eminent domain as it -- as the law changed with respect to PISTOL, what is inverse condemnation, what does that mean, what are we obligated to pay, and what we as a state really are challenged with under the new law. So that's what I would ask to be a part of the future Agenda, if that's all right.

Malfabon: That would be -- we'll have that next month. We'll have an overview of the effects of the PISTOL and eminent domain and how it's affecting us on acquisition of right-of-way on all projects.

Wallin: And, Governor, just to have a follow up on that. So, Director, then we're going to include like the Boulder City bypass, because I know that we've got...

Malfabon: Yes.

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- Wallin: ...some tremendous risk on that project as well for that. And then do we have the ability to show -- because a lot of this, you know, should be reimbursed by federal dollars to show how many federal dollars we got to reimburse on these, if it wasn't, you know, rather than just saying...
- Malfabon: (Inaudible) how much -- how much reimbursement we've received on...
- Wallin: Yes.
- Malfabon: ...previous acquisitions.
- Wallin: Yes, that would be helpful too. And then as we go forward, just kind of report to keep us up to date on previous acquisitions and stuff.
- Malfabon: Yes.
- Wallin: Thank you.
- Sandoval: Lieutenant Governor has a question.
- Krolicki: Thank you. So we've talked about legal things, budget things, cash things. I'm interested in the finance things, you know, going forward and obviously there's a cost of this and you've suggested perhaps a bonding approach. But how do you go about or we'll just wait until we see what the proposals are that include the financing component? But if financing is part of it, who's financing is that? Is that just a traditional general obligation bond from NDOT or is it a -- from a third party that somehow has a revenue (inaudible) because it's a -- you know, the private sector is going to give you some options and it's really going to be the cost of money.
- Sisco: Thank you. Mr. Chairman, before the Board, Scott Sisco, Assistant Director of Administration. What we asked to do is when we brought the new consultants onboard, and particularly Ernst and Young is our new financial consultant, we asked them to take a step back, review everything that we had been provided up until this point in time because we were -- and in particular in how they fell in line with the new MAP-21, the new federal regulations, and asked them to look at it. And that's why when we come to you in the June Board meeting, we're hoping to have been able to evaluate all of the possibilities and see which one is going to be a best fit, because we've seen some changes. When we originally, you know, came onboard, we were basically told by our consultant at that point in time that certain things were allowable and now they're questionable under the new MAP-21, so we want to revisit that.
- So, yes, hopefully we will be able to, as part of that presentation in June, say, look, we feel that this is the best one, this combination of financing along with the contractor because of X, Y and Z. And, again, we've asked Ernst

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and Young to revisit every single thing that we've been told up to this point so we have the best possible information for you.

Krolicki: You don't know?

Sisco: The answer is we don't know yet. And, again, going along with what you've asked us before is we want to be absolutely sure. We know how projects are being financed across the country in the P3s and everything else. We know that, but we want to know how it's going to work for Nevada and which one is going to be best.

Krolicki: I guess my more immediate concern is, you know, we've talked about different financing tools through NDOT and directors past, but many of them would require perhaps some legislative remedy, you know, whether you're going out further or just leveraging in different ways. This is not an inexpensive proposition. So depending on the types of monies or private monies, if you will, if it's not Nevada accessing capital markets, there's implications. And I would hope that we can have a, you know, some kind of expedited conversation if there's any legislative component to this, because we would lose that opportunity to get the maximum value on the financing.

Sisco: And right now we don't see any that would have to take place in this session. If there's a possibility, it would be in the -- it would be in the 2015 year. Again, you are correct. We have 20 years maximum that we can -- we can go out on bonds, whereas the public-private partnerships allows that a lot further out, 35 years is what we're...

Krolicki: But the Garvey approach would actually make sense for something, you know, if you could do a deal specific, you know, if you're leveraging those monies further out.

Sisco: Right. No question about that.

Krolicki: Okay.

Sisco: Okay.

Sandoval: Board members, do you have any further questions with regard to this Agenda item? Member Fransway.

Fransway: Yes. Mr. Mortensen, you mentioned that there was a \$20 million budget floor utility/right-of-way acquisition, I believe you said.

Mortensen: It was for utility relocations.

Fransway: For relocation?

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- Mortensen: Correct.
- Fransway: Okay. So will that account for the cost of the reroute, the construction part of the reroute itself, or was that just for...
- Mortensen: That...
- Fransway: ...the ability to have a place to put it?
- Mortensen: That cost is what it cost us for the State to come in and relocate utility companies that have prior rights to be in the area that they're at, so that we can relocate those utilities ahead of the construction and contract so that they're not interfering with the contractor when they go out to build the project. And so that's a cost that we have to pay as part of asking those utility companies to relocate. There are several utility companies (inaudible) right-of-way currently. If they're on permit, it's -- they're having to relocate at their cost. If they have prior rights, we're obligated to pay them to relocate.
- Fransway: So that 20 million is earmarked to actually reroute the utilities; not only provide them a place to reroute, but to actually...
- Mortensen: To physically do that, yes.
- Fransway: ...provide them the funds necessary to move their utilities?
- Mortensen: Correct.
- Fransway: Okay. Thank you.
- Sandoval: Thank you very much.
- Mortensen: Thank you.
- Malfabon: Governor, just to make it clear to the Board members, you will see later on in this Agenda a CH2M Hills agreement. So we're modifying that agreement because we changed the approach for the delivery method for Neon. They originally hired for engineering services. Now it's going to be more support for this effort as we develop the P3. So you'll see an amendment which is a reduction and then a new agreement that adds that for the P3 support effort from the technical side from CH2M Hill. So I just wanted to explain that in advance when you see those Agenda items and the contracts.
- Sandoval: We'll move on to Agenda Item No. 7, approval of contracts over \$5 million.
- Sisco: Thank you, Governor, Members of the Board. For the record, my name is Scott Sisco and I'm the Assistant Director over Administration. Governor,

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with your approval, what I'd like to do on Item No. 7 is we have three contracts over \$5 million. I'd like to talk about the first two. And then the third one is directly connected to Item No. 12, which requires the Board to give approval for the CMAR process. So at that point, I'd like to bring the program manager up, let him do that, and then we can approve all three contracts and Item No. 12 at the same time, if that's acceptable to you.

Sandoval: Please proceed.

Sisco: Thank you. Okay. Contract No. 1 is Contract No. 3532. It's a project to reopen F Street to traffic under I-15. The engineer's estimate on that was \$12,124,268. The Director recommends awarding the contract to Las Vegas Paving in the amount of \$13,600,000. Contract No. 2 is Contract No. 3533. This is for work at the Beowawe Interchange and I-80 from the beginning of asphalt pavement and .846 miles west of (inaudible) Pass to interchange, 1.097 miles east of the Eureka County line. The engineer's estimate on that project was \$15,568,077, and the Director recommends awarding the contract to Q&D Construction in the amount of \$14,283,000. Those are the two contracts. Did anybody want to ask questions on those two before we move on to the CMAR presentation?

Okay. With that said, I'd like to bring up Dale Keller who's our project manager on that. And he'll go ahead and cover Item No. 12. And then we'll recap the Contract No. 3 at that time.

Keller: Good morning, Governor, members of the Board. Dale Keller, project manager for the I-80/Carlin Tunnels project. It's been -- since last time we met, last December, it's been a short four months, and our project team has made a lot of significant development to our final design. And we also identified certain long-lead items as well as early work that we packaged together in Contract 3537 that we're presenting today for possible approval.

So just kind of before we jump into specifics of the early work, I just want to give a recap of the project. This two-mile stretch of Interstate 80 carries eastbound and westbound traffic through the Carlin Tunnels and over the Humboldt River. To address the existing deficiencies, we are performing three major items of work, the first being repair the tunnels and upgrade the existing lighting system. Second is we are rehabilitating and (inaudible) retrofitting eight bridges. And last we are reconstructing the roadway pavement.

So working together with the CMAR contractor, Q&D Construction, our project team clearly demonstrated our ability to embrace innovation and innovative thinking and solutions to minimize our overall project risk, improve our delivery schedule, apply potential innovation, identify long-lead items, as well as perform early work. And that's the main reason

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I'm here today. One of our project goals was to maximize the work performed in 2013 and reduce the overall construction schedule. By doing so, it allows the contractor to complete all the eastbound traffic first. And if we got a late start in 2013, it really limits the contractor to perform simple operations before winter shutdown. And with that there's a high risk of extending this project into 2015, making three construction seasons. If we have three construction seasons, that increases project cost and also extends the delay to the highway user.

So it was very critical to identify early work items that we could get out in a contract. And basically we can go through the CMAR process and provide opportunities where we can commence on certain portions of work before the final design was complete. So in this contract we identified these items. The first one is to repave the detour road. Also, we're going to build two interstate crossovers on each side of the project for future traffic control. And lastly, we're purchasing roughly 800 light fixtures, and they're actually -- four months to actually manufacture these lights.

So with the help of our ICE as well as our engineer's estimate, we -- excuse me, we negotiated a guaranteed maximum price with a CMAR contractor. And based on your approval today, the maximum amount payable would be \$2,818,944. This G&P was awarded and -- excuse me, was -- went through the process of our department's pioneer program, as well as NRS 338. If you look in your Board packets, each bid is within three and a half percent of one another, verifying the reasonableness and accuracy of the bid. I'd also like to point out the unit price of the luminaires. The ICE as well as the engineer's bid did not include the final quote from the light supplier. If they did include the final quote, Q&D would actually be the low bid of this contract. Also included is a \$25,000 risk reserve. This item is meant for -- it's not specified in the contract, but is there for the use of risk event that could occur.

So let's step back and kind of show you where we are in the CMAR process. If you look at the last row, we negotiated a guaranteed maximum price. FHWA has offered their written concurrence, and then today we're here to present for your review and approval. Also, you'll see my smiling face a month from now again because we'll repeat these last three steps for the rest of the project. Like I said, we are finalizing our design and construction documents. We're in negotiation for the rest of the project for what we're calling G&P 2, and then I'll be back here in May. But today we are recommending the approval of this G&P and award Contract 3537 to Q&D Construction. I'd be happy to answer any questions.

Sandoval:

Questions from Board members? Member Fransway.

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- Fransway: Thank you, Governor. Yes, sir, I am a bit confused about the lights that will need to be purchased. You mentioned that they are like four months out of manufacture. I do not see those items in the spreadsheet. My question is, will those lights come back as an amendment to the CMAR project, or will they be somehow included in here and they're just not mentioned or -- can you clarify that for me, please?
- Keller: Yes, sir, Member Fransway. The lights are included in there. They're under the bid item called Luminaires A and B. That's the bid on that we have written up in our specials under the contract documents, so those were the lights that were being purchased through that bid item there.
- Fransway: Okay. So they are included in the 2.8 million?
- Keller: Yes, sir.
- Fransway: Okay. Thank you.
- Sandoval: Other questions? Mr. Lieutenant Governor.
- Krolicki: And thank you for explaining it to me, but just so I hear it again. And I know the ICE folks, Stanley Consultants, had a lower bid, if you will. But could you just re-explain why we're choosing Q&D even though their bid's a little higher? You're saying if you back it through the CMAR it's actually -- just so the record is very clear.
- Keller: Yeah, to help with clarification, Lieutenant Governor, how our process works and with our engineer's estimate and we have to submit our estimate before the -- actually the ICE and the CMAR actually submits bids in. So at the time we were working with older information. By the time we finalized the quote -- Q&D finalized the quote from the supplier, they ran it through the department, we sat down with the ICE and the engineer. We reviewed it with our technical team. And we agreed upon that light quote and then we went to proceed. So if the -- if our estimate as well as the ICE estimate reflected that new light quote, Q&D would be the low bidder.
- Krolicki: And the Stanley folks understand that?
- Keller: Yes.
- Malfabon: Just to respond, the independent cost estimate is just an estimate. It's not really an alternative contractor that could be awarded the project to do the work. So it's just a way for us because we do an engineer's estimate, which is performed quite differently from how a contractor bids the work. We hire a firm to do an independent cost estimate using methods that the contractor uses; labor, materials and equipment to estimate the cost of that project. So the ICE is just to have an independent check of the contractor's bid for the

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project. I mean, it's not to award construction to the ICE. It's just to have a comparison.

Sandoval: Member Savage has a comment.

Savage: Yes, and I thank you, Mr. Director. That's the clarification, because the ICE consultant is not a contractor. It's an independent estimating service that provides the independent proposal to the department. And we're clear on that. Thank you.

Sandoval: Any further questions?

Fransway: Governor?

Sandoval: Member Fransway.

Fransway: I struggled with that a little bit too, because I looked at it and I saw it was under bidders, and then I figured it out that the ICE was really our people. And so maybe with that in mind in the future, maybe we should not include the ICE as a bidder. Maybe we should include them as an estimator.

Malfabon: We could do that in the future to...

Fransway: (Inaudible).

Malfabon: ...just have it in the body that the independent cost estimate was such and such so that it's not confusing.

Fransway: If the general public were to look at this...

Malfabon: Right.

Fransway: ...they're liable to think that we take -- we took a bid that was not the low bid. So...

Malfabon: We could do that in the future.

Fransway: Okay.

Malfabon: That's a good idea, because I think that that's what lead to the confusion was listing it as a -- as a bid, whereas you have the other ones above that that are actual bids from other competitive contractors.

Krolicki: I thought it was a bid. I wasn't as clever as Member Fransway.

Martin: It is -- Governor, it is important that we see these ICE numbers, though.

Sandoval: Yes.

Malfabon: Yes.

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- Martin: Cost-wise just for, you know, for my own edification. If we can see the unit cost, because in this spreadsheet it's very easy to see what that young man was explaining about the cost difference in the cost of Luminaire, and that's how you got to the -- that's how they got to their number and then how Q&D got to their number. It's very easy to make that comparison.
- Malfabon: Yes, we will continue to have that kind of detail, Member Martin. We will just have the ICE's bid in the verbiage for the paragraph or the item number, but not list it as an alternative bidder, a competitive bidder. And we'll have the complete information attached to the Agenda item as far as detailed bids on individual bid items for the ICE.
- Martin: I made the same mistake until I went to the spreadsheet, Rudy, so I can understand.
- Malfabon: Okay.
- Sandoval: Any further questions or comments from Southern Nevada? Member Savage has a comment.
- Savage: Thank you, Governor. And, Mr. Director, I do compliment the department because I believe that the intent was to have two independent, separate estimates and not have any occlusion whatsoever. And I commend the department on that. And the correction of them not being a bidder would be helpful, but, again, I strive -- or not strive, but I would highly recommend that the independence of submitting the two numbers be very, very separated...
- Malfabon: Yes.
- Savage: ...to the benefit of the department. Thank you.
- Sisco: Governor, then in approving the three contracts, and let me just get some verification from Mr. Gallagher, do they need to approve the three contracts and then also approve Item No. 12 which essentially approves the project as a CMAR project?
- Gallagher: For the record, Dennis Gallagher, Counsel. Mr. Chairman, members of the Board, Mr. Sisco, yes, there should be two separate approvals for the two separate items on the Agenda.
- Sandoval: My question would be, Mr. Gallagher, should we take 12 first or 7 first? I would think we'd take 12 first.
- Gallagher: Yes, Governor.
- Sisco: So the department recommends that you approve Item No. 12, Carlin Tunnels project or the CMAR project.

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- Sandoval: All right. Before I take a motion, do any Board members have any further questions with regard to Agenda Item No. 12 and the contract associated -- or associated with it in Agenda Item No. 7? Member Savage has a question.
- Savage: Thank you, Governor. The total project budget is around 5 million; is that correct? Phases one and two.
- Keller: 5 million, no, sir. We are negotiating our final cost, but more in the range of about \$26 to \$30 million for the overall -- for both G&P one and two, in that range.
- Savage: Okay.
- Krolicki: And three building seasons would be?
- Keller: We're looking at -- right now our schedule is, if everything goes right, we're proceeding through up two construction seasons.
- Fransway: (Inaudible) CMAR?
- Savage: It's all CMAR, yes.
- Keller: I'm sorry?
- Savage: It's all CMAR.
- Keller: Yes, sir.
- Savage: And what was the cost of the ICE? I know we approved that a couple months ago. What was the cost of the ICE?
- Keller: The cost of the ICE, we had an agreement around \$250,000.
- Savage: Okay. Thank you. Thank you, Governor.
- Sandoval: Any further questions? If there are none, the Chair will accept a motion for approval of the first guaranteed maximum price for the Carlin Tunnels construction manager at risk project as described in Agenda Item No. 12.
- Wallin: Move to approve.
- Martin: Second.
- Sandoval: Madam Controller has made a motion to approve. Member Martin has seconded the motion. Any questions or discussion on the motion? All in favor, please say aye.
- Group: Aye.

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- Sandoval: Opposed no? Motion passes unanimously. We'll then move back to Agenda Item No. 7, which is the approval of contracts over \$5 million as described in one, two and three. Is there a motion?
- Fransway: Governor?
- Sandoval: Yes.
- Fransway: I would move to approve Contracts 3532, 3533 and 3537 as identified in Item 7.
- Sandoval: Member Fransway has made a motion to approve those contracts as described in Agenda Item No. 7. Is there a second?
- Savage: Second.
- Sandoval: Second by Member Savage. Any questions or discussion on the motion? All in favor, please say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes unanimously. Thank you very much. We will move on, Mr. Sisco, to Agenda Item No. 8.
- Malfabon: Governor, may I mention something on F Street? There is a private citizen that has filed a lawsuit against the department. It was something that was investigated many times by insurance companies, but it alleges property damage on his home which is adjacent to Interstate 15. It was investigated, as I said. He mentioned there was a lot of dust in his attic and there was cracks in his stucco. The investigators could see that there was paint over the cracks, so they determined that it was years ago that the damage occurred, not as a result of NDOT's project. So I just wanted to make the Board aware that there is a lawsuit filed on it from a private citizen who's representing himself in court.
- Sandoval: Thank you. Mr. Sisco.
- Sisco: Item No. 8, turning to Attachment A, we have two agreements this month over \$300,000. The first agreement is with Arrow Services. It's an amendment to -- that's our fueling agreement for our airplanes. It's an amendment in the amount of \$560,000 and a time extension to September 30 of 2014. The second agreement is with CH2M Hill. This is tied to Item No. 29 in our informational agreements, and that's where there's a negative \$6 million here. But this is the agreement for CH2M Hill that we mentioned in the Project Neon presentation a minute ago for the technical services on Project Neon. If there's any questions, I'm happy to get the right people up here.

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- Sandoval: Well, I don't have a question regarding the contracts. It's interesting we're doing the fuel when we don't have a pilot.
- Sisco: We actually have some outstanding fuel bills that exceed the current direct purchase authority. Actually, this is a commodity and normally the State purchases all commodities through the State purchasing process (inaudible), but every now and then you have something that exceeds the direct purchase authorities provided by State Purchasing. So with this one we have to go out to agreement. And when we reached a point where we had fuel bills in our hand and not enough authority to pay them, it's more of an accounting function.
- Sandoval: And, Mr. Gallagher, is it appropriate for me to ask the question what the status of that is, the State -- a new pilot for the State -- the transportation airplane?
- Gallagher: Yes, Governor, it is appropriate. I don't know how much detail you'll get in your answer, but it's appropriate to ask the question.
- Sisco: As of this morning, I looked and we had five chief pilot candidates that had been -- that had been approved. As of yet, the pilot three, they haven't gone through the applications yet. I understand that there's about 21 applicants. I will say this, from the last time that we recruited for the process we had 20 chief pilot candidates approved and we just barely managed to come up with five that we could actually interview. Usually, when it gets to the point of asking for their flight logs and things like that, we have trouble then matching up what they -- what their qualifications were on the application. So we have that recruitment open until filled. And I hope to get access to those applications soon and hopefully get a few more, so that I can actually have five to interview.
- Sandoval: Thank you. Questions from Board members? Mr. Lieutenant Governor.
- Krolicki: Scott, I'm just not processing information today well. Is the increase for the -- for the invoices that have come in, is that for this fiscal year?
- Sisco: It's for this...
- Krolicki: You're extending, you know, the contracts beyond the fiscal year...
- Sisco: Yes, right.
- Krolicki: ...but you're saying you have additional costs that need to be addressed because of commodity pricing. Is some of that this fiscal year?
- Sisco: It's for both, yes. It's for this fiscal year, invoices that we actually...

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- Krolicki: I don't -- if we have a plane that's not been flying, you know, it's hard for me to understand why -- I mean, fuel costs have gone higher, but we're not consuming it for a period of time that should impact the overall cost of that fuel consumption.
- Sisco: That is correct. And, again, this is strictly for authority, so that when we do hire a pilot we don't -- the normal contracting or agreements process takes three to four months. When we do hire a pilot, we want them to start flying right away, so this takes care of the authority that we need right now in order to pay bills that we have right now. And it also provides authority so that once we hire that pilot he can get his feet on the ground before he goes back out to bid for the next agreement. So it's for both.
- Sandoval: I think I understand the Lieutenant Governor's (inaudible)...
- Malfabon: We're not paying for fuel that we're not using since we're not flying.
- Sisco: Right.
- Sandoval: But why are there outstanding bills if that plane hasn't been in use?
- Sisco: Because the existing agreement authority that we had, 270,000, was not sufficient to cover the fuel that we purchased during that period of time. So in other words...
- Krolicki: Even though we've not purchased it for some time? So we really went over the cost or the budget in this current fiscal year?
- Sisco: Not cost for the budget. We went over cost for the authority on the existing contract.
- Krolicki: I've been using this vocabulary for decades and I'm still missing it.
- Sisco: The prior chief pilot, one of his duties that he was assigned was to go out and either extend or rebid this particular contract. He did not get around to it on his way out the door, and as a result of it, the three or four trips that we made -- the last three or four trips that we made the authority exceeded what we had on the contract. So we're sitting there. We've spent up to 270,000. We probably have another \$15,000, \$20,000 worth of bills that we need to pay, and this authority will take care of that, plus it will give us sufficient authority for the new pilot to get hired and get his feet wet before we go out to bid again.
- Krolicki: So let me ask you, in this current fiscal year -- because we're not -- we're paying for the commodity consumed, not...
- Sisco: Right.

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- Krolicki: ...a general, you know, a contracted amount that they will fuel the plane regardless (inaudible).
- Sisco: Correct. Absolutely.
- Krolicki: So what was the -- I still want to use the term "budgeted amount" for -- or the approval level of fuel for this current fiscal year and what is the difference between that amount and what we owe?
- Sisco: As I recall, for fuel we budget somewhere in the neighborhood of about \$336,000 a year for fuel for the two airplanes. And as far as what we've spent, we've spent 270,000 there plus probably about another 26,000, I believe, in bills beyond that 270,000.
- Krolicki: What am I missing?
- Sandoval: It just -- it seems like a lot because we had the two pilots, both of them left. There was a gap of time where we hired, I think it was Shane was the next pilot and then he's left and there's been a gap of time since that plane -- or either of those planes have been operated.
- Sisco: And, again, this is strictly authority. It's not an expenditure. It's not cash. It's just authority, so that as we hire a new pilot, we have enough authority available within that contract to function. Otherwise -- again, it's a commodity. What normally state agencies do for a commodity, which is what fuel is, you send over a purchase requisition to State Purchasing. They cut a purchase order to a vendor. The vendor would supply the product. They'd send the bill back to State Purchasing. State Purchasing would send a bill to the agency and we'd pay that. That's just not functional within something like this. We need to have contract so we have authority...
- Krolicki: I track all of that except you put in the additional comment that we've consumed more than we thought. And it's that piece that confuses me. I mean, I understand the authority going forward and into the next fiscal year, but you've made it sound like somehow we owe much more than we thought...
- Sisco: No.
- Krolicki: ...in actual fuel cost this fiscal year.
- Sisco: Again, when we did this...
- Krolicki: Is that right or wrong?
- Sisco: We have not spent more than we thought we were going to spend. When we put this contract together, it was one of the first fuel contracts that we'd put together, because, again, it's a commodity. It's not a service. We put this --

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we put this contract together. We guesstimated back at that time what a two year amount would be. We have exceeded what we thought we would spend over a two year amount, and we're extending this contract for another two years to have enough authority to purchase the fuel.

Krolicki: So when the budget was done, the cost of fuel was -- well, it became -- airplane fuel became much more expensive than what was originally anticipated.

Sisco: Oh, absolutely.

Krolicki: And that -- well, fuel costs have been high for some time. So I'm not...

Sisco: Yeah, but this...

Krolicki: ...(inaudible) jet fuel.

Sisco: Right. But this original contract though was done back in October of 2010. And as you -- as you're aware fuel cost, and any time gas goes up, aviation fuel and everything else goes up along with it. But we've had substantial increases since 2010 in fuel costs. We've had to go twice with work programs through the IFC for just our maintenance trucks and everything else at NDOT during the last two years, more so than in the previous past.

Krolicki: All right. I'm -- I've kicked this dog (inaudible). I understand. I...

Sandoval: So we would really be in the hole if we hadn't had these gaps in service?

Sisco: Absolutely. We would -- we would probably be asking for quite a bit more than what we're asking for.

Krolicki: (Inaudible) aerial sequestration.

Sandoval: Any questions from Southern Nevada with regard to Agenda Item No. 8?

Wallin: Governor, yes, I have a question here on the Neon amendment. Can you guys explain, it said that our retail anticipated costs were 8.3 million and then after negotiations we're down to 4.9 million. But when I look at the chart here, we're not even considering T2, so really the initial was 6.3 million for T1. And can you guys explain why we decided that we don't need some of the items; the utilities coordination, the right-of-way, the demolitions? If you can explain that, that would be appreciated.

Terry: John Terry, Assistant Director of Engineering. Okay. We -- essentially, the scope items that are in the attachment are the scope that is in the 4.9. Some of those items were in the original, but what we did is we replaced, essentially, doing between 60 to 100 percent design, final design of all of Neon. We cancelled that and replaced it with what we're doing here, which

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is the scope helping with the PBP. There are still elements that were in their original scope that we still need to do, like some of the utilities, et cetera. So basically what we did is cancelled everything from 60 to 100 percent design for just phase one, and instead we did the scope that's in front of you that is to do all of those items that are within that. So we are still doing a lot of those items, but we had to cancel what they were doing and move them into this.

- Wallin: Okay.
- Martin: Okay. So the items on task -- top task, T2, phase four and five won't ever have to be done?
- Terry: They will have to be done. They will be done. Everything that's in this scope is what will be done under the 4.9 million.
- Martin: Yes, I understand that. But look right down below that where it says, "Top task, T2 phase four and five." All those are zeros under second round.
- Terry: Okay. Go ahead.
- Mortensen: For the record, I'm Cole Mortensen. I'm the project manager for Neon. What had originally happened is we sat down with the project team and what we were looking at is to potentially further the design down the road for phases four and five so that we had a better understanding of what the potential impact of a design-build contractor could be to those phases in moving forward. Under the old contract we had a scope item where we had -- the item was called Future Phase Coordination, and essentially that's still that scope of work. And so what we wanted to do is leave that intact under the old contract along with the right-of-way and the utilities efforts. And so this new contract is purely what it's going to take for us to move forward with the stage one item of work for the RFP development.
- Martin: But you'll come back to us looking to spend the \$2 million at some point in time in the future?
- Mortensen: That may be a possibility and that will be funding that will be necessary if we move forward with phases four and five in the future at some time anyway. Essentially, the original thought on that was that we'd look at furthering the design of those two phases so that we had a better understanding of the engineering effort. We may still do a little bit, but not as substantial as what we had originally kind of moved into this effort thinking that we would do. We basically took a step back and said that we really don't want to put that effort into it and move forward.
- Martin: Okay. I got it. Thank you.

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- Terry: Our intent is to get this contract equal to the legal and financial advisors, up to the point of that Board approval to move forward with the design-build contract. So we have all three of these advisors onboard to the same point as we would've -- so we tried to match up the technical consultant to get us to that point. So when he says could we come back to you for more money, essentially, yes, if we approve going forward with the project after that approval date.
- Martin: Yes, sir. Understood. Thank you.
- Wallin: Thank you.
- Sandoval: Member Savage has a question.
- Savage: Yes, Governor. Thank you. Two items. First of all, Item No. 2, Mr. Terry, a couple questions on the CH2M Hill. On Attachment A, Page 1, under Final Scope of Services, was this document drafted by CH2M Hill or was this drafted by the department?
- Terry: A combination.
- Savage: Combination thereof. And in the -- at the top it says, "30 percent of the P3 advisories," and then 1.1 it says "60 percent." And I heard you refer earlier to the 60 percent design. So can you clarify is it 30 or 60 design, and what type of design? Is it construction documents or is it schematic design?
- Terry: Phase one had already been taken to 60 percent. Phase three which was part of the unsolicited proposal was at far less than 30 percent. The intent is to get both phase one and three up to some sort of level of 30 percent that would normally be put out as a part of design-build documents. As much as I hesitate to use those percentages exactly, the intent is to get it out to the point where we have a combined scope of what the design-build or design-build finance project is. In some ways, that means taking the phase one stuff that was already to 60 percent, not throwing it away, but incorporating it with the phase three stuff up to a 30 percent. And I hate using those exact percentages. It is essentially getting it to the level of design necessary to get these procurement documents out. Even though phase three -- one had already gone beyond that point, we've got to get it back to the level to get the procurement documents out.
- Savage: Thank you. That's very clear. I understand that and I appreciate the clarification. Is that design a construction level design or schematic level design?
- Terry: It is absolutely not a construction level design. It is the design -- typically, you would have like in a design-build document that is our very preliminary

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design that is what -- the level you would put out in design-build procurement.

Savage: Yes. Thank you. And the other question I would have is on the breakdown, I believe on Page 9 of 48, under one of the line items, Project Management, what do you typically see, Mr. Terry, for project managers of quantity? I would say quantity of project managers for the consultant CH2M Hill during this phase of work?

Terry: By quantity maybe...

Savage: Is there more than one? Are there three? Are there five?

Terry: We would put various things under project management. Certainly, their one key project manager would be almost completely covered under project management, but there could be other aspects especially in a contract like this where there are specialty items where they're providing advice and management that is not directly attributable to one of the technical items that they would be under project management too. So certainly there would be more than one full-time equivalent as project management, but it would be their one key technical person and other senior people that are managing the project and certain items of it.

Savage: Thank you, Mr. Terry. And one last question, Governor. On Page 23 of 48, it refers to the procurement options. And I just want to be clear that CH2M Hill is looking at all three options, not just the DBFOM option.

Terry: That is correct. And I'd like to add one more thing, that we feel that DBOF would be the most time consuming, and the biggest reason being the performance specs that would have to be created for the operate and maintain aspect would be something we hadn't done before. There is a good chance if one of the other options were chosen, understand, this is a cost plus fixed fee type of agreement, that we may not expend the entire amount, because we don't have to do the operate and maintain. So the scope is set up over the most intense effort, which would be design, build, operate and maintain.

Savage: Thank you, Mr. Terry. And, Governor, back to line Item No. 1. I would propose since we don't have a pilot, it's very unlikely that we may not have a pilot by the next meeting, if we could have an audited statement to maybe have some clarity on the justification of the \$560,000. That would just be a proposal that I would like to make. Thank you, Governor.

Sandoval: Thank you. Mr. Sisco, can you provide that to the Board?

Sisco: Would you repeat that? What...

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- Savage: Well, I'm just -- back to the Lieutenant Governor on Item No. 1, regarding the authority versus what costs have already been expended. If it would be prudent for the Board (inaudible) I believe it was 560.
- Fransway: It's really 830.
- Savage: Or 830. What's the amount? 560. Yes, the amendment for the 560 and then justification of that 560.
- Sisco: And you're -- and you're looking for what exactly?
- Savage: What has been spent to date out of that 560.
- Sisco: Out of the -- okay. Yes, absolutely, we can get you that.
- Savage: Thank you.
- Fransway: Governor?
- Sandoval: Member Fransway.
- Fransway: We are being asked -- back to Item A again. The problem is we're not flying the airplane and that's why we're having so much discussion here. But it looks to me like we're being asked to increase it from 560 to 830. And a question from me to clarify the use of the aircraft, is that aircraft used mostly with in-state flights?
- Sisco: Yes, probably 90 plus percent or more are in-state flights.
- Fransway: Okay. Okay. So those are roundtrip flights and almost always refueled here at home?
- Sisco: That is correct.
- Fransway: Okay.
- Sandoval: All right. And just so we're -- you're clear, what do you understand that you need to provide?
- Sisco: What you're going to get is a list of about 12 or 13 purchases that we've made against that \$560,000 year-to-date. So you're going to see about, I don't know, \$30,000, \$40,000 -- somewhere between \$26,000 and \$40,000 of that \$560,000. The second will be, I guess, us explaining that the rest of it is just a guesstimate. Like I say, what we'd really like to do is get past the point in which we hire a pilot and then work with State Purchasing to get them to get a statewide contract because, again, this is a commodity. If it wasn't so bureaucratic to try to figure out a way to purchase this commodity in another way, this is really a -- as you can see, it's a very confusing and difficult way to go about doing this and it just confuses everybody involved.

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- Krolicki: And I promised myself not to talk about this anymore. But if -- do we need to approve this today? You know, if we're waiting for a pilot and that expertise and those conversations, I'm -- I almost feel like we're doing it in a vacuum of input and the burden is on you and, you know, this isn't what you do every day. But what is the harm if we were to delay this one agreement?
- Sisco: It would just -- if you delay the agreement, what we'd probably do is then go ahead, wait until we hired a new pilot. This would be a good training opportunity for him. He could go through there. And then two to three months after we hire the pilot, we could start flying because we wouldn't have fuel in the first two to three months.
- Krolicki: It almost sounds like you just agreed that it would perhaps be prudent to not move forward with this contract. So if that's the case...
- Sandoval: (Inaudible) did you just say that if we hired a pilot, then we wouldn't be able to begin...
- Sisco: That's correct.
- Sandoval: ...that person...
- Krolicki: Oh, I'm sorry.
- Sandoval: ...wouldn't be able to fly for another three months subsequent to his or her hiring?
- Sisco: That's correct. Again, what I'm -- this is authority. This is not cash. This is not an expenditure. It's just -- it's -- like I say, right now with State Purchasing, the direct purchase authority, if it's not an item that's specifically (inaudible), which aviation fuel is not, defaults to \$5,000. We're allowed to purchase \$5,000 at a time. In this case, it takes us about \$13,000 to fuel up the Cessna. So as you can see, we can't even purchase one full tank, and so this is the way that we go about doing that. We have authority in there. We only spend what we need. There's nothing we can do with aviation fuel other than fly the two planes, and this is just strictly authority. I would urge you to go ahead and approve this -- approve this. We can bring you regular reports on how much aviation fuel we actually use. It's just, like I say, this is just one of those where we were trying to get ahead of the game and make sure we hired a pilot and could fly the planes.
- Sandoval: Are you satisfied, Lieutenant Governor, Member Fransway?
- Fransway: So what are we approving? Are we approving 560 or 830?

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- Sisco: You're approving -- you're approving an amendment for \$560,000 be added to the original contract and extending the contract to September 30 of 2014.
- Fransway: And does that extension involve approving the 830?
- Sisco: No, the eight -- the original contract amount was 270,000. We're asking to amend it by 560,000, adding that amount to it, so it now totals...
- Fransway: Oh, I see.
- Sisco: ...830,000.
- Fransway: Okay. So the total will be 830.
- Sisco: The total is 830.
- Fransway: Okay.
- Krolicki: I just don't see how fuel costs have increased that much and we're not consuming it at the same rate. I need to trust that. I don't -- I feel like we're micromanaging and that's really not our job. It's to provide oversight, to ask probative questions and make sure you're always on your toes, that we're doing everything right. You know, we are fiduciarily responsible.
- You know, I would love to have more information about it just because we've got this much, you know, sweat equity into the conversation. But, you know, these numbers are just so different despite the increase in fuel cost, not that much. But I would just like to see it, I think, in prudent and the airplanes are always going to be airplanes too, are always going to be of some sensitivity, I think, to the public and there needs to be transparency. So if you say it'll harm our efforts to get the plane back in the air and do the work that needs to be done and move people to where it needs, I'm willing to move forward today, but at our next meeting I would love to have more information, and we would still have an ability to engage in some fashion, you know, if that information isn't satisfactory.
- Sisco: Right. We can certainly do that. Like I say, we can bring you everything we've spent. And, like I say, I don't know how to estimate because I don't know exactly when we're going to hire that pilot, but we can sure show you everything we've spent today against this authority.
- Malfabon: But there was an estimate for the increase in authority, so I think that's what the Board is asking for is not only the -- if \$270,000 covered the initial term of the agreement, why is it so substantial for just another year and three months? I think that that's the question.

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- Sisco: And, again, the answer to that is it didn't cover it. That's what happened, is our new pilot came along and stopped charging against it and now we're trying to catch that up and clean it up.
- Krolicki: And I hear the sound like the one sentence, but I would just like...
- Sisco: Okay.
- Krolicki: ...more poetry than that just so it's very clear.
- Sandoval: And I would encourage you when you've prepared all that information to take some time particularly with the Lieutenant Governor to go through that prior to the meeting.
- Sisco: Okay.
- Sandoval: And I'm interested as well, but I'm kind of with the Lieutenant Governor and Member Savage and Member Fransway. I'm really confused on this.
- Malfabon: Would it be possible to hold it in advance one month? Would that delay flight operations if -- because you still have to do interviews and make an offer and the person probably has to give two weeks' notice?
- Sisco: We can hold it as long as you want to hold it.
- Sandoval: Well, that wasn't the question. Just kind of -- can we put it -- can we continue this contract to the next Agenda without prejudicing the ability of the department and the next pilot to be able to conduct business when it comes to the airplanes?
- Sisco: Yes, we can.
- Sandoval: Okay. Well, then we will continue the first item in Agenda Item No. 8 to the next month. Between now and the next meeting, if you would provide the information that was requested by the Board members, and then we'll have it as an Agenda item as well.
- Fransway: Governor, do you need a motion to that effect?
- Sandoval: Well, I think...
- Krolicki: (Inaudible) a motion a long time ago.
- Sandoval: I don't even remember you making a motion. But before I take a motion, Southern Nevada, do you have any questions with regard to Agenda Item No. 8?
- Wallin: No. If we're going to hold this until next month, we're good I think.

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- Sandoval: Yeah, and...
- Martin: Yes.
- Sandoval: ...this being the first contract described in Agenda Item No. 8.
- Martin: Yes.
- Wallin: Yes.
- Sandoval: So the Chair will accept a motion for approval of the second agreement as described in Agenda Item No. 8, the first agreement will be held until the next monthly meeting of this Board.
- Savage: So moved, Governor.
- Sandoval: Member Savage...
- Fransway: Second.
- Sandoval: ...has made a motion. Member Fransway has seconded the motion. Are there any questions or is there any discussion with regard to the motion? All those in favor, please say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes unanimously. And, again, Mr. Sisco, you understand your task? Okay, great. We will move on to Agenda Item No. 9.
- Sisco: Okay. Governor, before we start this, we have some corrections here to make. Turning to Attachment B, we apologize. We had a new employee in one of the divisions and there was some data entry errors. And so if I could just point out the corrections. On Item No. 8, the payable amount of \$7,790.45 should actually be a receivable amount. So if you could just draw a little arrow from one column over to the right, that's a receivable, not a payable. And we have a second one on Item No. 24. This correction is a little more substantive. The agreement amount needs to change from \$6,668 to \$4,242.01 -- \$4,242.01. And then I also need to give you a new narrative. You don't have to list it, but I'll read it real fast. Again, we apologize for this kind of a data entry thing.
- New narrative, "The agreement is for residential move for Parcel I-015-CL-041.481. The payable amount is \$4,242.01. Start date is 3 of 11 of '13, and end date is 4 of 30 of '13." And the note section should read, "Moving expenses for Parcel No. I-015-CL-041.481, Project Neon for Martin and Suzette Zem, Clark County, Nevada B/L No. NV2004, Business License No. 41105072." So somehow or another, I apologize, we had a data

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entry error in one of the divisions and we need that correction on there. So it dropped in value to 4,242.01 and the narrative was completely wrong. Again, moving expenses for Martin and Suzette Zem. And those are the two corrections on those.

No more to bring to your attention, but we'll be happy to get the right people up here to answer any questions.

Sandoval: Questions from Board members?

Wallin: Governor, I just have one question. Item No. 24 with that -- because I had questions on that anyway. Is that now paid with federal dollars or not, because it's marked, "No"? So I was wondering why it wouldn't be the other one right above it, Item 22 is.

Sisco: Yes, it would qualify for payment with federal dollars.

Wallin: Okay. So that would be a yes then. Okay. That's it for me.

Sandoval: Member Fransway.

Fransway: Thank you, Governor. Item 23, we're back to airplanes again. I didn't even know we flew an Aero Commander, let alone had to fix the wing on it.

Sisco: Real quick, we have two airplanes. We have the Cessna 500 and we have the Aero Commander.

Fransway: I thought we had a King Air. We have a Citation?

Sisco: We have a Cessna Citation 500.

Fransway: And I thought we had the King Air. Okay. So that's the Aero Commander?

Sisco: Right.

Fransway: Okay. And \$50,000 for an inspection and/or repair of a wing spar. I'm wondering if that was directed by an FAA directive, or was that caught in an annual or 100-hour inspection or...

Sisco: You know, I'm almost afraid to go here. Let's give it a try. Both of the airplanes are, of course, regulated by the Federal Aviation Administration. And when they reach a certain number of hours on the engine, there's certain inspections that are mandated and certain things. In the case of the Commander, literally before Mark Thomas, our previous pilot, left we literally had only enough hours left on the hour meter to get it to -- in for repairs. Unfortunately, again, with the change of the chief pilot, we got the contract set up, he was gone, so it's actually in Oregon right now. The Cessna is actually in Sacramento right now, so both of them are still flying.

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But both of them -- what we're trying to do is get all of the hourly mandated or calendar mandated inspections and updates done to them while we don't have a pilot, so we can get all this work done. So, again, by the time we have a pilot, we'll have the planes back, have fuel to put in them, and be back up and running.

Fransway: Okay. So not only do we not have a pilot, we don't have any airplanes either?

Sisco: That's correct.

Fransway: Okay.

Sisco: Again, an efficiency thing. As long as we were going to be out...

Sandoval: That's pretty efficient.

Sisco: As long as -- as long as we were not going to have the pilot during this period of time, we wanted to get these inspections done and get everything taken care of, so that when they are back -- and the wing spar inspection went well, so they're working on the hot seat -- hot seat inspection. They'll do that and hopefully get that back to us.

Sandoval: How long has that Commander been up there?

Sisco: I think we took it up there about two weeks ago. We had it taken up there about two weeks ago. The Cessna's been in Sacramento for about a month. One of the two engines was taken off, shipped to Dallas. It was rebuilt. It's back. And the other engine was taken off, shipped to Dallas and we expect it back in about three weeks.

Fransway: And when do we get the bill for that?

Sisco: That bill is -- we paid -- we paid -- well, let's -- we paid 400,000 for the first engine. That's already been paid. Again, it was a purchase. It's a commodity. And when the other one comes in, we'll pay whatever it is.

Sandoval: So those engines aren't able to consume air fuel at this point, so we're not -- we're not -- we're not even close to purchasing fuel. Thank you.

Sisco: Actually -- ultimately, they'll have to be flown back, so...

Fransway: Okay. Could we maybe have a status report on the operation ability of those aircrafts when we do our next month...

Sisco: Sure.

Fransway: ...revisit this whole thing?

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- Sisco: Yeah, I would be happy to provide you information on what we're required at what point in time, or either calendar or hours on the -- on the meter to show you what kind of -- these things have to happen. I will say this, all these items here were actually built into the budget that was approved by the legislature and signed by the Governor for this round. We knew that we were going to reach that point in time where both of the aircrafts needed these things done. Any other questions on any other contracts?
- Sandoval: Member Savage.
- Savage: Governor, three brief questions. Item 9, the office sponsored programs. Out of that 155,454, has any of those monies been expended to date?
- Sisco: Tom, research projects (inaudible).
- Malfabon: Yes, we've expended some of that money. This is -- it looks like it's just a time extension to complete the research on the effectiveness of the wildlife crossings.
- Savage: Time extension only. Okay. And Item No. 10, the Atkins North America. Again, it's the time extension. Can we assume that there are not going to be any additional dollars at this time on that issue?
- Nelson: Good morning, members. This is Rick Nelson, Assistant Director of Operations. This agreement is to help us support our incident management activities. This amendment is to extend the time only to wrap up some work that's underway. We would like to create another agreement to move this program forward. The plan is to go out with a solicitation, and the new solicitation would be eligible for federal funds. And so the idea is to keep our TIM program moving forward with a new solicitation once this agreement expires.
- Savage: So the Board will not be asked to approve any additional dollars for this agreement?
- Nelson: Not for this agreement. That is correct.
- Savage: Thank you, Mr. Nelson. That's all I have, Governor. Thanks.
- Sandoval: And just a little more detail with regard to Contract No. 12 with Snell and Wilmer and the increase.
- Sisco: Mr. Gallagher, you're up.
- Gallagher: For the record, Dennis Gallagher, Counsel. Mr. Chairman, the increase is due in large part to the contractor basically going out of business, and now their claim against the State has been turned over to their surety, and we're starting with the surety almost at square one again, trying to educate them as

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far as the claim that they've inherited from the contractor, as well as NDOT's counterclaims to the contractor.

Sandoval: So that's that many more hours for our law firm?

Gallagher: Governor, yes. We've met with the surety. We've had some negotiations. Unfortunately, they have been nonresponsive as far as any sort of counteroffer. So this is estimating now based upon the new party coming into the litigation that it will take longer.

Sandoval: Any further questions from Board members on any of the contracts described in Agenda Item No. 9? That's informational item. Thank you, Mr. Sisco.

Sisco: Thank you.

Sandoval: We'll move on to Agenda Item No. 10, relinquishments.

Malfabon: Thank you, Governor. We have disposal of NDOT property located along Flamingo Road, former State Route 592 at Las Vegas Boulevard. We relinquished a portion of Flamingo Road to Clark County, but in looking at right-of-way records, we saw that there was a portion at the intersection of Flamingo and Las Vegas Boulevard that needed to also be relinquished.

Sandoval: Before we move on, Mr. Lieutenant Governor has a question.

Krolicki: No, I'm happy to make a motion if it's...

Sandoval: Okay.

Krolicki: ...if there are no questions.

Sandoval: Why don't we move on...

Malfabon: We'll go on to...

Sandoval: ...to B.

Malfabon: The next property that we're disposing of is on U.S. 50 on State Route 305, Austin Battle Mountain Road. We originally acquired this parcel back in 1943, an easement from BLM for construction of U.S. 50. The construction of U.S. 50 is obviously complete and it's operational, and we determined that this surplus property is no longer needed. So the -- it's being relinquished to Lander County Board of Commissioners.

Sandoval: Board members, do you have any questions with regard to Agenda Item No. 10? If there are none, the Chair will accept a motion for approval of the relinquishments described in Agenda Item No. 10A and B.

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- Krolicki: I'll move for approval of 10A and 10B.
- Martin: Second.
- Sandoval: Lieutenant Governor has moved for approval of Agenda Items 10A and B. Member Martin has seconded the motion. Any questions or discussion on the motion? All in favor, please say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes unanimously. Thank you. We will move on to Agenda Item No. 11, approval of amendments and administrative modifications to the FFY 2012-2015 STIP. Mr. Greco.
- Greco: Governor, members, good morning. For the record, Tom Greco, Assistant Director of Planning. Let me start with clarity that the differences in amendments and modifications are that amendments are major. Twenty percent increase in project dollars or scope and deals with projects over 5 million. We have three amendments. Modifications are minor changes, and we have zero modifications today.
- Briefly describing the three amendments, one is with RTC of Southern Nevada. The MPO is amending their 2012 to 2015 -- excuse me, they're offering their 2013 to 2016 TIP. And we then adopt that into our 2012-2015 STIP. You'll notice there is a year's difference there. The paragraph that describes that -- their document is amended by removing Pages 11 through 24 and replacing them with blanks. That is in reference to what is in their program in 2016, which we would not be delineating in our STIP until we revise and update our STIP and it matches those years.
- Item 2 is Tahoe MPO. Basically, the same transactions there, offering their 2013 to 2016 program. And we are blending that into our 2012-2015 STIP. And then Item 3 -- or Amendment 3 is to our statewide rural document that is mostly dealing with FTA items, where we're adding, removing or moving projects around within the transit program.
- There is one typographical error. Down at the bottom of the -- of the statewide rural page, the last bullet as it gets to the middle line, and it -- and it reads, "5310 and 5311 small urban and rural public transportation funding sources." There should be a period there and a new bullet for a new item that begins -- adds connected vehicle initiatives. That is a separate item. And that item is installation of ITS equipment in NDOT trucks that supports the National Weather Service. As our -- as our vehicles move around, there is instant weather information transmitted back to the National Weather Service. That is the extent of the amendments. Questions? Thank you.

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- Sandoval: Thank you, Mr. Greco. Any questions from Board members with regard to Agenda Item No. 11? Well done. If there are no questions, the Chair will accept a motion for approval.
- Krolicki: Move for approval.
- Sandoval: Lieutenant Governor has moved for approval. Is there a second?
- Savage: Second.
- Wallin: Second.
- Sandoval: Second by -- give it to Madam Controller. Any questions or discussion on the motion? Member Fransway has a question.
- Fransway: Governor, I apologize. I should have asked this question earlier. It's not actually on the motion, but my question is when will the construction of the garage to house the seniors -- Humboldt County seniors' transportation -- when will that start? I assume it's this fiscal year. Statewide Amendment 5, Page 2. I was wondering when they'll go out to bid on that.
- Malfabon: It indicates that it's got a 2013 year for the item in Humboldt County. So we might have to check the agreement for Member Fransway's question.
- Greco: May I research that and get you an answer?
- Fransway: Yes, sir. Thank you.
- Greco: Thank you.
- Fransway: Thanks, Tom. (Inaudible).
- Sandoval: There is a motion and a second. Any other discussion or questions? All in favor, please say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes unanimously. We'll move on to Agenda Item No. 13, old business.
- Malfabon: Thank you, Governor. So it looks like in the final four of Assistant Directors that Richard Nelson wins. All the other ones got knocked out. The -- in old business, we have the report on outside counsel cost on open matters, the monthly litigation report and the fatality report. Dennis Gallagher is here to respond to any specific questions the Board may have on outside counsel cost or the monthly litigation report.
- With respect to fatality report, this current report show that we were about the same level of fatalities as we had this time last year, or at least the date

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of the report being the middle of last month, March 18. I know that we've had some significant high profile fatalities. We had a family of five in an unfortunate event near Mesquite, Nevada, which involved impaired driving. So one of the future Board items is going to be to brief the Board on what we're doing in our strategic highway safety plan, and impaired driving is one of the focus areas that we have along with some other areas such as run off the road accidents. We definitely want to keep the Board apprised of the efforts that we have taken both in the projects, but also in behavioral areas to try to reduce these fatality statistics on Nevada roads and streets.

So if there's any questions. As I mentioned before, we'll have the Falcon Capital figures, the final amount of the outlays on the Falcon Capital case next month. And if there's any questions, we'll do our best to answer those.

Sandoval: Board members, do you have any questions with regard to Agenda Item No. 13? Thank you, Mr. Director. We'll move on to Agenda Item No. 14. Is there any public comment here in Carson City for the Board? Is there any public comment in Southern Nevada?

Wallin: None down here, Governor.

Sandoval: Then we'll move on to Agenda Item No. 15. Is there a motion for adjournment?

Savage: So moved.

Martin: Move for adjournment.

Sandoval: So a motion by Member Savage, second by Member Martin. All in favor, please say aye.

Group: Aye.

Sandoval: Motion passes unanimously. Thank you, ladies and gentlemen. Have a great day.



Secretary to the Board



Preparer of Minutes