

Minutes of Nevada Department of Transportation  
Board of Director's Meeting  
August 18, 2014

Governor Brian Sandoval  
Lt. Governor – Absent/Excused  
Controller Kim Wallin  
Frank Martin  
Tom Skancke  
Len Savage  
Tom Fransway  
Rudy Malfabon  
Bill Hoffman  
Dennis Gallagher

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Sandoval: Good morning. I will call the Nevada Department of Transportation Board of Directors meeting to order. Can you hear us loud and clear in Northern Nevada?

Unidentified Male: We can, sir. Thank you.

Sandoval: All right. It's great to be here in Las Vegas. I understand that it's been several years since the Board has met here, and I think it's particularly appropriate given the Agenda that we have today. We will commence with Agenda Item No. 1, Receive the Director's Report. Director Malfabon.

Malfabon: Thank you, Governor. First off I'd like to report to the Board that we have another retirement pending. Rick Nelson, who's our Assistant Director of Operations announced that he has a new gig coming up with AASHTO running their snow and ice control program on a national level. So we wanted to take this opportunity to wish the best to Rick and have a photo op with the Board. Rick, thank you for your years of service to NDOT. We're going to miss you, but I know you're still going to be around the area.

Nelson: Yeah, I've got to get one of those consultant badges.

Sandoval: Your job will just be a blizzard of opportunities.

Nelson: It could possibly be, yes.

Malfabon: And while everybody's coming up, I just wanted to thank Mary Martini, our district engineer, for all the effort in setting up and making sure that parking was available for several folks to come for the Project NEON presentation. Governor, if you could.

Sandoval: Congratulations. How many years of service?

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Nelson: Thirty -- I don't know.

Sandoval: 30 years. Wow.

Skanche: Welcome to the consulting world. It's great.

Malfabon: Moving on to the Director's Report. Good news on the transportation bill front. President Obama signed an extension of MAP-21 through the end of May next year. This eliminates the need to slow down the payment of reimbursements to NDOT from the FHWA and FTA, Highway and Transit Administrations. And what Congress agreed on was to approve pension easing, which basically allows corporations to defer the payment of pensions -- the money that's deposited for pensions, which means there's more revenue, more profit that results in more corporate income tax. So that's how they paid for this shortfall. But next session, huge issue that Congress has to address with the long-term transportation bill.

As I've reported in the past, the federal gas tax is only enough to support about 70% of the program needs currently, so they have to address that shortfall or cut the amount of revenue that -- I mean authorization that's given to the states.

On Interstate 11 Boulder City Bypass, the testing by our consultants, both RTC and NDOT, indicates that there'll be no supplemental EIS, which is good news. It doesn't mean a huge delay to the project. That's avoided. Our project is scheduled to advertise October 29<sup>th</sup> for seven weeks. The bid opening for this project actually ties in well with the design-build project for the RTC. It'll be one week after the RTC Board approves the design-build contractor. We could gain economies of scale by having that contractor that wins that project know and possibly chase that project for NDOT, which is the low bid process on us.

The NEPA reevaluation public meeting is scheduled for October, date to be determined specifically and the location. But that's when we present to the public some of the items associated with the test results and the mitigation measures that we're going to have on our construction project. Amendment 2 between the NDOT and RTC interlocal agreement, cooperative agreement, for \$180,000 is going to be approved this week. That's for our consultant, Tetra Tech, to do additional surface sampling for asbestos. Then the measures to address the naturally occurring asbestos on our construction contract are going to be included in our contract specs.

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Regarding the corridor study that we're doing jointly with Arizona DOT, the public comment period ended July 18<sup>th</sup>.

Sandoval: And, Rudy...

Malfabon: Yes.

Sandoval: ...let me interrupt. I'm sorry. At least with regard to the bypass. So we're on schedule and...

Malfabon: Yes.

Sandoval: ...I just want to make sure we're clear on that.

Malfabon: Yes. One thing to point out, Governor and Board members, is that the federal funding for this project stayed in the same fiscal year so we didn't have to move projects around to address that shortfall. So it's on schedule.

Sandoval: And in terms of public safety and health, it looks like we're going to have that completely under control as well?

Malfabon: Yes. The test results are indicating that there is asbestos in the rock up in the mountainous area that the RTC is going to have to excavate, but down in the valley areas we're in good shape. So we'll have the mitigation measures to address that. No public health concerns.

Sandoval: All right. Thank you.

Malfabon: One thing that I wanted to mention on [illstudy.com](http://illstudy.com) there's a narrated presentation available that's very comprehensive. A lot of materials available as far as reports and study materials available on that website. So I would ask that those that are interested go to that website, [illstudy.com](http://illstudy.com), to review those materials and see the presentations.

Next month, Project Manager Sondra Rosenberg will give the final presentation to the Board. And a lot of folks are requesting to address the Board, and I would recommend that we have a public comment period included as part of this Agenda item so that those folks will have that three-minute period as typically on our public comment period, but specific to this actual item on the Agenda.

Some project updates. Up in Northern Nevada, Mt. Rose Highway, we're paving the upper half. We're finishing up the pipe work up on the upper half. We plan to finish this project by November. We extend our

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appreciation to Granite Construction for the efficiency that they've shown on this project, and also having to accommodate the special events, too, in Northern Nevada.

One of the projects down here that's received a lot of attention is the I-15 Dry Lake. It's the repaving and reconstruction project between Las Vegas and Mesquite. We met with concerned officials and businesses in Mesquite. We constructed a crossover to help the northbound uphill side in an area that was -- trucks were slowing down. Once they were stopped they had a tough time getting up that grade. So it helps serve as a bypass for the regular traffic through that construction zone.

We're also using freeway service patrol to assist on vehicle breakdowns. And we expect completion before Thanksgiving. Now, we looked at some alternatives that would reduce productivity for our contractor, Las Vegas Paving, so we recommend that we proceed with the measures that we've taken and including the aggressive media campaign so that people are told to leave early or plan on staying late and having actual delay times posted on the message boards and dynamic message signs, so we feel that it would be best to bite the bullet and complete it before Thanksgiving rather than extend into next year.

Sandoval: And how is it going? I mean we've still got backups...

Wallin: Ask Member Martin.

Sandoval: Please.

Martin: Actually, it's going quite well. I've communicated with Tracy and Mary a lot on this issue, because it seems like I get a lot of phone calls. And I travel that road at least once every week. And this week, going out northbound, a little bit slow just before Glendale. Coming back southbound this weekend, the travel time was 18 minutes faster for that stretch of road than it was two weeks ago. So things are working better.

Sandoval: Great.

Malfabon: And I wanted to express appreciation to Tracy and Mary for their efforts in trying to find some good solutions to that traffic problem out there. Some Northern projects; U.S. 50 Moundhouse recently started paving operations. On the first day of grinding and milling operations we had an equipment breakdown that affected traffic, unfortunately, but we're back on schedule on that project and we're looking forward to when it's completed with the

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safety improvements planned at Virginia City, the junction there with U.S. 50.

Kingsbury Construction Manager at-Risk project; the final paving operations are taking place, completing this project in the fall, along with the I-80 Carlin Tunnels, a CMAR project, which will also be completed this fall.

Martin: Rudy, could I interrupt you for one minute.

Malfabon: Yes.

Martin: On the Kingsbury CMAR, is there a report available to the Board for the number of CORs, change order requests, that have been made by Q&D to NDOT on that project and what they're for?

Malfabon: We'll have that information at the next Board meeting...

Martin: Okay.

Malfabon: ...and the next Construction Working Group meeting, Member Martin.

Martin: Thank you.

Malfabon: A good success story on this State Route 160 traffic signal project. As you recall, Governor, I mentioned, back in December at the Transportation Board meeting, that I was going to be attending a neighborhood meeting that evening. We heard loud and clear that a signal was needed there, as well as some other pedestrian improvements, and we acted quickly based on your direction, Governor, at the January Board meeting to accelerate this project. We used some innovative methods to acquire some of the signal equipment and the poles ahead of time and provide those as state-furnished materials to the contractor. The contractor, Fast Trac Electric, started around late June and they just finished last week. The signal was activated. So a very successful project. I wanted to thank everybody involved in delivering that project. A great success story that was covered well by the media last week.

Sandoval: No, and thank you for getting that done. It was obviously a safety issue and something that needed to be a priority. And I really want to compliment you, and as you say, everybody that was involved with the project in getting that done and particularly right before school starts.

Malfabon: Yes. Thank you. A little update on the EPA storm water update of the Department's operations. We just recently drafted a field guide for illicit

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discharge detection and elimination. So this is -- illicit discharges are when you don't want polluted water getting into the storm drain system, particularly when it empties into a river or a lake. We presented that to the Nevada Division of Environmental Protection for their review and comment recently, and we look forward to revising and finalizing that document. We also kicked off a multidisciplinary team to look at storm water. And Bill Hoffman, our deputy director, is leading that effort throughout the Department to really change the culture of the Department and show the USEPA that we are taking this audit seriously and enacting those measures in response of the findings.

Sandoval: So I'm going to see them tomorrow. So are we going to have a...

Malfabon: Oh, great.

Sandoval: ...good conversation?

Malfabon: Yes.

Sandoval: Yeah. Good.

Malfabon: And we thank you and (inaudible) draws off of your advocacy with the USEPA. We filled three positions and we have three additional positions in the districts to monitor the Storm Water and Clean Water Act program at the Department. One additional supervisory position is also being added in headquarters. So these positions will help us to have better documentation and oversight of the program at the district level.

Some future public meetings coming up. Project NEON, which is going to be addressed later on in the Agenda, we have an environmental document reevaluation on August 27<sup>th</sup>. So whenever we have the original environmental document and there's changes, we have to present that to the public in a reevaluation meeting so that the Federal Highway Administration can approve that revised document. The changes on -- pretty clear were results of the HOV lane study that John Terry presented a few months ago to the Board, so there will be some changes implemented on Project NEON. And also that the Martin Luther King Bridge over Charleston Boulevard is a change, as well as the at-grade intersection at Grand Central Parkway with Charleston Boulevard.

There's also another reevaluation for the environmental document for the Carson Freeway; September 17<sup>th</sup> is the date of that meeting. What we're changing on that is hauling surplus material from the project up to reclaim a

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maintenance site on U.S. 50 that we will abandon. So it'll be a nice environmental approach to get rid of surplus material, but also reclaim that site.

USA Parkway environmental study, we're pushing this off into early part of October. We were thinking September before, but we think that that's a more reasonable schedule to maintain for the environmental document. After that public meeting then the FHWA will review the public comments and how NDOT addressed those public comments and then eventually approve that document, and we'll get that into the STIP, the work program for the engineering of the project.

I-11 Boulder City Bypass, the NEPA reevaluation I mentioned for the naturally occurring asbestos, that public meeting will also be held in October.

Some recent settlements and verdicts. In your packet, you have the determinations for Jericho Heights and Highland properties. Jericho Heights is related to I-11 Boulder City Bypass Phase 1, about \$4.5 million. That's the one that had a significant risk north of \$30 million, at least, up to as much as \$100 million, that was alleged by the property owner for impacts. So we're pleased by that settlement that was approved by the Board of Examiners. And also the Highland properties. In your Board packet, I wanted to mention that you'll see a different number. That's the amount of the actual difference between what we had previously deposited and what the Board of Examiners approved additionally. But the total amount, in the end, was \$13 million for that property.

Just last week the Board of Examiners approved a settlement that was \$62,500. This issue had to do with a construction project where our contractor apparently trespassed on the private property owner's property. Initially, it started out as an inverse claim and a taking, but we showed that the railroad did have the right to allow us to build the construction channel in the railroad right-of-way. Although this property owner was the underlying fee owner, they didn't have standing in that case, but they did have standing in the use of their property temporarily. So we feel that because the construction resident engineer put the contractor on notice to cease and desist that activity on the private property, that we're going to go after the contractor for this amount so that they can reimburse us.

The one to be coming to the Board of Examiners in October is the Travelers claim. We reached a tentative settlement for \$1.6 million, approximately,

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on the -- this was related to three contracts including Kingsbury project up in District 3 in Wells, and also a project down here in District 1 with Williams Brothers. So this settlement will go to the Board and then subsequently be reported to the Transportation Board thereafter. We don't have -- I know that we -- the details will be provided to the Board of Examiners, but if there's any questions we could take them at this time. But we're pleased with this settlement and we feel it was in the best interest of the state.

Another one that's going to be going to the Board of Examiners, Jenkins. We have some issues still to address, but we reached a tentative settlement of \$1.6 million. This was a direct acquisition and a counterclaim for inverse combination that are settled through this action. Again, Board of Examiners approval is expected in October.

I have a report to the Board that we did receive our triennial DBE goal approved by the Federal Highway Administration. We had submitted 5.99%, and what they came back with was a determination that NDOT had actually doubled-dipped on the correction. So we had a number and then we had a correction, a step-two adjustment is what it's called. And we ended up at 5.99, but they said we could only choose one of those corrections, so we chose the larger of the two. And it ends up that what they approved was 5.59% for our triennial goal for the DBE program. So in the ballpark, but a little bit less than what we had submitted.

With that, I'm willing to take any questions from the Board members.

Sandoval: Member Fransway.

Fransway: Thank you, Governor. I have two questions, one in reference to the recent settlements and verdicts on Page 11, Travelers and Jenkins. And, Mr. Director, I'm wondering how far off were we with the actual settlement and the original offer from NDOT?

Malfabon: On Travelers, they had a claim that we owed them about \$4 million. And what they were alleging was there was substantial change because of utility work that they -- unforeseen utilities. So we were -- approximately a couple of million dollars that we felt they owed us, and they were saying that we owed them \$4 million. So that's how far apart we were. On Jenkins -- Dennis, I don't know if you have any particulars or if anybody from Right-of-Way has any particulars about what that amount was. But I believe that we had started about \$800,000 and went up. We reconsidered our

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appraisal for about \$1.1 million. They were above \$2 million on Jenkins, and we settled it at \$1.6.

Fransway: Okay. And Page 8, in reference to EPA storm water audit that I believe you mentioned that Bill Hoffman would be handling that. I'm just wondering if the Tahoe Culvert Cleaning contracts in that will be part of that audit, Bill.

Hoffman: Well, yes, they will be, Member Fransway. It's one -- you got to look at the thing from a very high level, so 30,000 feet. So any waters where our roadways have culverts, you know, that feed into some of these bodies of water, a lot of the culverts throughout the entire state we need to monitor and make sure that there aren't illicit discharges. Tahoe is certainly one of those. So the culvert cleaning, that plays into the program, especially with Lake Tahoe that's considered an impaired water body has total maximum daily loads. There's a lot of additional requirements for Tahoe on top of just our general permit requirements, so...

Fransway: Okay.

Hoffman: But yes. Yes.

Fransway: One day when you get some time, I wouldn't mind meeting with you and get educated a little more on it.

Hoffman: Sure. That sounds good, Member Fransway.

Fransway: Appreciate it. Thank you.

Hoffman: Sure.

Malfabon: Thank you, Member Fransway.

Fransway: Thank you, Governor.

Malfabon: One last thing to report, Governor. I did draft the request for proposals for the operational audit, and I'm going to send that to the Board members for their comment, as well as solicit comments from NDOT staff on that. But I ended up with a portion of it would be related to more a financial audit on some materials. There was about six items for financial audits and about another six items that were operational, more for efficiency improvements and suggestions along that route. So the areas also covered -- addressed some of the comments that I received from Governor's staff to add additional emphasis of certain areas. So you should receive that today, and I'll distribute that as well to NDOT staff and get that out as soon as possible.

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Sandoval: All right. Thank you. Any other questions for the Director? Does that complete your presentation?

Malfabon: Yes, Governor.

Sandoval: We'll move to Agenda Item No. 2, Public Comment. Is there anyone here in Las Vegas that would like to provide public comment to the Board? Yes, sir.

Malfabon: Please state your name for the record.

Pelnik: My name is Thomas Pelnik. I am a senior vice president with ACS Infrastructure Development. Governor Sandoval, ladies and gentlemen of the Board, ladies and gentlemen of the Department, good morning and thank you for the opportunity to address you today. As I said, I'm a senior vice president for the ACS. We're an equity investor and an infrastructure operator-based (inaudible) support of (inaudible).

Since 2008, we've worked with public agencies across North America to finance and develop more than \$9 billion of (inaudible) transportation infrastructure. Local contractors, directors, and material suppliers are all part of what teams where we (inaudible). In the interest of...

Sandoval: May I interrupt you just for one moment?

Pelnik: Certainly.

Sandoval: Can we mute the microphone on the other end, please?

Unidentified Male: (Inaudible) the other end.

Sandoval: Okay. All right. Go ahead.

Pelnik: Thank you. In the interest of full disclosure, we are part of the (inaudible) that submitted the unsolicited proposal that sort of kicked off this process with P3s for Project NEON. It's been a privilege to work with you for the last three years together, and we would like the opportunity to finish what we started together. We have in response for your invitation for qualifications and subsequent (inaudible), spent more than \$2 million at risk to develop a proposal to (inaudible) finance (inaudible) Project NEON.

Based on your agenda, you might make a decision today on the delivery model for Project NEON.

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Fransway: I'm having a hard time hearing you. Could you pull the mic closer to you or something or get it turned up.

Pelnik: Oh, I'll try and project a little more...

Fransway: That's better. Thank you very much.

Pelnik: ...(inaudible). You may make a decision today on the delivery model for Project NEON. While I now work for ACS, I previously had similar considerations to make when I was the director of the Innovative Project Delivery Division for the Virginia Department of Transportation. And I was responsible for developing a multibillion dollar program for design-build contracting and public-private partnerships during the period from 2003 to 2011. So I offer these comments with the perspective of both my former public service and my current responsibilities with the ACSID.

Now, I have less than about two minutes, I think, to address a very complex topic, so I'll offer a few simple points and then provide the written background to these comments. Most simply and importantly, P3 delivery is your most reliable choice if you want to not just cut the ribbon on the groundbreaking for this project, but also open the project within the next term of your governance.

Four recent complex highway P3 projects were delivered on time or early. Three of those are ACS projects that we now operate and maintain in Fort Lauderdale, Vancouver, and Montreal. They are worth nearly \$4 billion in total, and we opened each one on or ahead of schedule and on budget. Please compare those results to the schedule and cost records of the largest P3 projects here in Nevada, in addition to the cost of capital, the cost of congestion and the value of private capital to your economy. If Project NEON's delayed and the average wage earner in Las Vegas sits in traffic for about 10 minutes each day, one month the delivery reaches nearly \$19 million. Three months of delay would exceed \$56 million, and such costs would quickly erode any perceived savings aimed at the public debt.

So, Governor Sandoval, ladies and gentlemen of the Board and of the Department, thank you for your consideration this morning. We're ready to invest more time, effort, and private capital in your state, if you choose to proceed with the Project NEON P3 Phase. If you came today prepared to change the course of the project, then I would ask respectfully that before you make such a decision, you would give all the proposers the courtesy of analyzing the information that you're considering, comparing public finance

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to private finance, and let us give you our expert analysis of the business piece for Project NEON and the value for money that P3 provides. So I welcome any comments or questions that you may have, and I'll leave you with a written copy of my statement.

Sandoval: And will you spell your name just for purposes of the record.

Pelnik: Sure. It'll be in this, but it's Thomas Pelnik. T-H-O-M-A-S, Pelnik is P-E-L-N-I-K.

Sandoval: Okay. Thank you, Mr. Pelnik.

Pelnik: Thank you.

Sandoval: Is there anyone else present who would like to provide public comment? We'll move to Carson City. Is there anyone present in Carson City that would like to provide public comment to the Board? We'll move to Agenda Item No. 3, which is the Approval of the Board of Directors Meeting Minutes for July 7, 2014. Have the members had an opportunity to review the minutes and are there any changes?

Madole: Excuse me.

Sandoval: Oh, I'm sorry, sir. Oh.

Madole: I did have -- John Madole with the Associated General Contractors. I did have a public comment, if it was still appropriate.

Sandoval: Yes, please proceed.

Madole: I had trouble hearing the last gentleman. Can everyone hear me?

Sandoval: Yes.

Madole: I had some of the same concerns. I've been following Project NEON, which we all agree needs to be built. But I was a little taken aback that all of a sudden we're considering a different delivery system this late in the game. One of the questions I had is if there was a better delivery system, it seems like it should've been pursued initially and it seems like a lot of resources and everything might not be efficiently utilized if we change at this point. So just thought I'd put that on the record.

Sandoval: Thank you, Mr. Madole. Any other public comment from Carson City?

Unidentified Male: No, sir.

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- Sandoval: All right. Back to Agenda Item No. 3, which is the Approval of the July 7, 2014 Department of Transportation Board of Directors Meeting Minutes. Have the members had an opportunity to review the minutes and are there any changes?
- Wallin: Governor?
- Sandoval: Yes.
- Wallin: I don't think the Lieutenant Governor was there last time. I don't recall him being there.
- Sandoval: That's my recollection as well, is that the Lieutenant Governor was not present...
- Wallin: And I don't see him making any comments so I don't think he was there.
- Sandoval: ...at the last meeting.
- Sandoval: So if we'll make that change. Any other comments? If there are none, the Chair will accept a motion for approval of the July 7, 2014 Board of Directors meeting minutes.
- Martin: So moved.
- Sandoval: Member Martin has moved for approval. Is there a second?
- Wallin: Second.
- Sandoval: Second by Madam Controller. Any questions or discussion on the motion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes. And for purposes of the record, it's my understanding that the Lieutenant Governor is out of country today, and so we would mark him as not present. We will move on to Agenda Item No. 4, Approval of Contracts over \$5 million.
- Malfabon: Thank you, Governor. Assistant Director for Administration Robert Nellis will present this item to the Board.
- Nellis: Good morning, Governor, members of the Board. There are two contracts under Attachment A found on Page 3 of 19 for the Board's consideration. The first project is located at U.S. 93 at Currie to Junction 232/Clover

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Valley Road in Elko County to add six-foot shoulders and passing lanes, flatten slopes and extend drainage facilities. There are three bids and the Director recommends award to Road and Highway Builders in the amount of \$8,363,363.

The second project is on Interstate 580 from Moana Lane to the Truckee River in Washoe County. This is for crack sealing, spall repair and diamond grinding to reconstruct southbound from Moana Lane to the Truckee River grade separation, and seismic retrofit and rehabilitation for two grid structures. There are three bids and the Director recommends award to Q&D Construction, Incorporated, in the amount of \$12,114,205.11. And for the Board's information, you may find additional information on each of projects located on Pages 5 and 13. This includes a map of project location, brief history, length of the project, start date and estimated completion. Does the Board have any questions on either of these items?

Sandoval: Mr. Nellis, the natural question is that the contracts both exceed the engineer's estimate. Do you have any comment on that, please?

Nellis: John.

Terry: John Terry, Assistant Director for Engineering. Yes, they do. We're looking at, you know, comparing it to our engineer's estimate. We're also comparing them to each other. By my math, the first one's about 6%. We have an informal rule if it's outside 7% that we really look even closer. But both of these we looked at. These are not issues in terms of our overall budget that we can afford to do this extra work. We evaluated the contracts and feel they're reasonable to award.

They are a little bit different work than on our normal paving projects. The first one is a safety project in a pretty rural area with a lot of slope flattening and some shoulder widening. And the second job is right in the heart of Reno on I-580. While we have done crack sealing and spall repair and diamond grinding projects before, it has been a while, so our pricing is a little off. But these are outside of our normal, but we still recommend the award.

Sandoval: And just for my benefit, what is diamond grinding?

Terry: It's essentially grinding of the concrete pavement to provide a smoother surface. It's a diamond grind-type machine.

Nellis: The blades have little bits of diamond to grind the concrete with, so durable.

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- Terry: And it gives it a new friction course, as well, it gives it a little bit of a longitudinal surface so that we still maintain the (inaudible).
- Sandoval: Any other questions from Board members? Thank you, Mr. Terry.
- Nellis: Governor, that completes the contracts under Agenda Item No. 4.
- Sandoval: Are there any questions with regard to the contracts described in Agenda Item No. 4? If there are none, the Chair will accept a motion for approval.
- Fransway: So moved.
- Wallin: Second.
- Sandoval: Member Fransway has moved for approval. The Controller has seconded the motion. Any questions or discussion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no. Motion passes. We will move on to Agenda Item No. 5, Approval of Agreements over \$300,000. Mr. Nellis.
- Nellis: Thank you, Governor. There are three agreements under Attachment A found on Page 3 of 15 for the Board's consideration. The first is Amendment No. 4 with Snell and Wilmer, LLP, in the amount of \$425,000. This is for estimated litigation costs and fees for pretrial motions, a 16-day trial and post-trial measures. This does not include expert witnesses.
- Malfabon: And, Governor, if I may interject. This was in case we had gone to trial. As I reported, we've reached a tentative settlement subject to BOE approval, so we won't have to expend all this money, but just a small portion of it.
- Sandoval: And obviously there'll be a substantial savings if we approve the settlement?
- Malfabon: Yes.
- Sandoval: Yeah. All right.
- Martin: I've got one follow-up question on that, Rudy. There is still, by what I read in a subsequent document, there's still about \$172,000 left to expend under the current allocation. And so I question why you want another \$425,000. If the case is settled, isn't \$172,000 enough?
- Malfabon: I'll defer that question to Dennis Gallagher.

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- Gallagher: For the record, Dennis Gallagher, counsel for the Board. Board Member Martin, this agreement was put in prior to the settlement. We were anticipating having to go to trial and we were trying to get additional monies ready. The trial had been scheduled to commence in September. So...
- Martin: Yes, sir, I understand that. The Board will hear a withdrawal of that item though.
- Gallagher: It's certainly the Board's prerogative.
- Martin: I'm looking for your expert ability to tell us that that project -- or the contract amount remaining in that item is adequate to get the settlement documents finished.
- Gallagher: We may need a small portion. There's a difference between the litigation report closing date, so there may have been one or two invoices processed since then. It'll be very, very close if it's not within that amount. There was a great deal of time expended prior to the settlement in pretrial motion work, so that \$172,000 may dwindle, and then, of course, the settlement negotiations and resulting documentation for the settlement. I would point out for the Board that the settlement is a global settlement. There are two cases that have been filed by Travelers in the First Judicial District, and then there was a third claim that was outstanding. So all three matters will be resolved as a result of this.
- Martin: And I was mistaken. It's \$376,000, not \$170,000 that's remaining by this report.
- Malfabon: And, Member Martin, we will do our best to stay within the budgeted amount up to Amendment 3, and if we need any additional support, this will allow us to pay Snell and Wilmer for their efforts in reaching the settlement. Should it exceed the amount that was approved in Amendment 3, we will come back to request additional funds.
- Martin: Amendment 3, which is a total then of \$1,120,000 and then you've got a second amount of \$170,000 and a third amount of about \$10,500, which there's amounts remaining in all three of those accounts as well, for a total of a little over \$400,000. So the additional \$425,000 should not be necessary?
- Gallagher: It should not be necessary, Board Member Martin.
- Martin: Thank you.

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Sandoval: And, Mr. Gallagher, not only will we save those attorney's fees, but what would be the potential exposure from the adverse party's attorney's fees going through a six-week trial?

Gallagher: In this litigation, Governor, we did not feel that the real party in interest, Travelers Surety, had any claim for attorney's fees against the state. However, I do believe they alleged, but we did not think that it had any merit.

Sandoval: But given a bad outcome, what could it be?

Gallagher: Well, as the Director alluded to, the claims that they had made against the state range from \$4 million to about \$7.8 million at one point in time. Their attorney's fees would probably come in, I think, comparable to the state's, and that would probably be \$1 million plus.

Sandoval: Please proceed, Mr. Nellis.

Nellis: Thank you, Governor. Again for the record, Robert Nellis, Assistant Director for Administration. Line Item No. 2 is with Kimley-Horn and Associates, Incorporated. This is for the development of a comprehensive multimodal master plan for the I-15 corridor. \$1,250,000 of this is federal grant funds that will provide 80% of the funding. Each state in the alliance, Nevada, California and Utah, shall be responsible for the remaining 20% match in equal shares. Nevada's net responsibility for state funds under this agreement is \$104,167.

Then, finally, Item No. 3 is Amendment No. 1 for Laura Fitzsimmons' risk management analysis and litigation. This is to provide additional funds for an extension of work described in the original contract. And we'd like to note that the bulk of the funding has been consultants hired under this contract. Does the Board have any questions on these remaining two items?

Sandoval: Member Skancke.

Skancke: Thank you, Governor. Mr. Nellis, on Item No. 2, multistate corridor operations on I-15, can I get a little more information on what exactly that -- what we're trying to achieve with that? We've studied I-15 since the Interstate Highway System was accepted and created. So how many more studies do we have to do on I-15 and kind of what's the scope of this project?

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- Nellis: Yes, I believe Sondra Rosenberg is in Carson City and can answer that question.
- Rosenberg: Hello. Good morning. For the record, Sondra Rosenberg, Federal Programs Manager and project manager for this effort. As you know, a couple years ago we completed a corridor system master plan on the I-15 corridor from essentially San Diego through the Salt Lake area. And this has been a priority for all four states for quite some time and will continue to be. What this effort is, is a multistate corridor operations and management program grant, the administration of that. And it's to enhance our multistate coordination and operations. So we're developing coordination plans between the operation centers so that we can better coordinate when there's an incident, when there's a natural disaster, how these operation centers coordinate across state lines and develop a plan for that. Does that answer your question, Member Skancke, or would you like a little bit more?
- Skancke: No, that's great. Well done. That's great. Thank you.
- Rosenberg: Thank you.
- Sandoval: Any other questions from Board members with regard to Agenda Item No. 5?
- Martin: On Item No. 3, is this in addition to the fees for Ms. Fitzsimmons as shown on Page 249, that's about \$2.7 million?
- Malfabon: Yes. As Assistant Director Robert Nellis stated, the bulk of the expense under this contract has gone to subconsultants who are advising the Department through Ms. Fitzsimmons, and also developing some software tools to help us manage and mitigate the risks associated with right-of-way acquisition. But we'll have some good products developed under this amendment that will allow us to have, more or less, a decision matrix developed electronically that will help us when a case has a finding or a settlement that's higher than we initially estimated. It'll help us to track that along and strategize as we look at each case by case in the acquisition process. One of the subconsultants is dealing with risk and one is dealing with decision making on the project.
- Martin: On this agreement, 00614, has there been any money paid out of this agreement at this point in time?
- Malfabon: Yes, but primarily to the -- yes.

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- Gallagher: Board Member Martin, for the record, Dennis Gallagher. Yes, funds have been expended out of this. The invoices that we've received from Ms. Fitzsimmons include all of these consultants. To date, Ms. Fitzsimmons has not requested anything for her time or her hired costs.
- Martin: I heard that in an earlier meeting. That's why I was asking the question. But I couldn't find it.
- Sandoval: You could've just being direct, yeah, huh?
- Martin: But I couldn't find it in the other reports that we get that there was any money paid out of this particular agreement. So that's why I was asking. If there's no money been paid out, which is what I heard Ms. Fitzsimmons say, why are we asking for another \$300,000?
- Gallagher: Perhaps it may be that's it's not reflected on the other report, but it should be.
- Unidentified Male: Dennis, Laura is in person, so if you wouldn't mind deferring to Laura.
- Malfabon: Yes. And I would like to state that Laura has put in a lot of time and effort and travel costs and she should be reimbursed for that effort in association with this contract.
- Martin: Please don't misunderstand me. I'm 100% for...
- Malfabon: Oh, yeah.
- Martin: ...Ms. Fitzsimmons, okay.
- Malfabon: I am too.
- Martin: Even though I'm 100% for them, there's still a fiduciary responsibility that ends right here.
- Sandoval: Ms. Fitzsimmons, please proceed.
- Fitzsimmons: Thank you. I'm sorry I can't be there. Is everything on? Can you hear me?
- Sandoval: Yes.
- Fitzsimmons: Okay. Because we've been having a little difficulty. This has been an effort that has been undertaken by -- under the direction of Mr. Malfabon, and with some key NDOT people that I have -- I am not charging. I understand Mr. Malfabon would like to pay me, but this is my view of pro bono work. It has been an effort that has been necessitated -- very intense work by very

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high-quality consultants. The money has gone to those consultants. I have worked in litigation. I did Jericho Heights. I'm not always going to be pro bono for the Department, but this is such an important issue and I support what the Director has done so much that the money comes to me, I supervise everything. I consult with the client. I advise the client. I do not charge the client.

Martin: Thank you.

Fitzsimmons: Okay. Thanks.

Sandoval: Ms. Fitzsimmons, thank you.

Gallagher: Governor?

Sandoval: All right. Mr. Gallagher. Yeah.

Gallagher: Board Member Martin, the reason I think that this contract is not reflected in the back, the back report is for litigation matters only, not specific cases. Because this is not litigation, per se, involving a particular case, this contract's not reported under the outside legal fees.

Martin: Okay. Thank you.

Sandoval: Any other questions with regard to Agenda Item No. 5? Mr. Nellis, does that complete your presentation?

Nellis: It does, sir. Thank you.

Sandoval: Thank you. If there are no further questions, the Chair will accept a motion for approval of the agreements over \$300,000 as described in Agenda Item No. 5.

Martin: Move for approval, Governor, with the exception of Item No. 1.

Sandoval: Okay. Before I take that motion, could I have an explanation, please?

Martin: I just questioned Mr. Gallagher. He's got \$400,000 sitting in another account over here that's remaining. And Mr. Gallagher said that he felt that that \$400,000 -- please don't allow me to put words into your mouth -- was adequate to complete this. So I couldn't see the logic in allocating another \$425,000 to this same line item, making then a balance of \$825,000 in there, when Mr. Gallagher feels -- we understand that, it's all a guess -- that the \$400,000 sitting in the account is adequate to settle the case.

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- Sandoval: In other words, it may be premature to consider this if we have the money in the bank.
- Martin: Yes, sir.
- Sandoval: Mr. Gallagher, will it cause any jeopardy or problems if we were not to approve Contract No. 1?
- Gallagher: Governor, for the record Dennis Gallagher, Counsel for the Board. Deference to Board Member Martin, we can proceed with the existing funding that's available and should we be short we'll be back in front of you.
- Sandoval: All right.
- Martin: We'll see you in three weeks.
- Sandoval: Well, with that discussion, there is a pending motion for approval of Agenda No. 5 with the Contracts 2 and 3.
- Wallin: I'll second.
- Sandoval: Controller has seconded the motion. Any questions or discussion on the motion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes. Thank you, Mr. Nellis. We'll move on to Agenda Item No. 6, Contracts, Agreements, and Settlements.
- Nellis: Thank you, Governor. Again for the record, Robert Nellis, Assistant Director for Administration. There are six contracts under Attachment A found on Pages 4 and 5 for the Board's information. Additional information, including maps on each project, can be found on Pages 6 through 11 of 36. And I'd just like to thank the contract services and the design division, as well as the construction division, for putting all this information together for the Board. And, Governor, if it pleases the Board I'd like to start with presenting the first three contracts and then pause for questions before moving on to 4 through 6.
- Sandoval: Yes, please proceed.
- Nellis: The first project is State Route 445 Pyramid Highway, State Route 447 Gerlach Road, in Washoe County to double chip seal State Route 445 and chip seal State Route 447. There were four bids and the Director awarded the contract on June 17<sup>th</sup>, to Sierra Nevada Construction, Incorporated, in

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the amount of \$2,404,007. The second project is on State Route 208, Topaz/Yerington Road, State Route 447 Gerlach Road in Lyon County and Washoe Counties for a two-inch surface overlay. There were five bids and the Director awarded the contract on June 17<sup>th</sup>, to A & K Earth Movers, Incorporated, in the amount of \$4,784,000.

And the third project is to cold mill and repave State Route 574 Cheyenne Avenue between Civic Center Drive and Losee Road, including on and off ramps at Interstate 15; cold mill and repave on and off ramps at Interstate 15 at State Route 593 Tropicana Ave. and State Route 592 Flamingo Road. There were two bids and the Director awarded the contract on July 9<sup>th</sup>, to Las Vegas Paving Corporation in the amount of \$1,390,000. Does the Board have any questions for the Department regarding these first three items?

All right. Moving on to Page No. 5 in the packet. Item No. 4, project is located on U.S. 93 between Caliente and Panaca, in Lincoln County, to reline the U.S. 93 for approximately 5,000 feet using geo-foam to avoid unsuitable soils. There were four bids total on this one. Two were responsive and two were unresponsive. The Director awarded the contract on July 14<sup>th</sup>, to Road and Highway Builders, LLC, in the amount of \$3,595,595. The fifth contract applies to various Tahoe Basin locations in Carson City, Douglas, and Washoe counties for culvert cleaning services. There were four bids total. Three were responsive, one was nonresponsive. The Director awarded the contract on June 18<sup>th</sup>, to Clean Harbors Environmental Services, Incorporated, in the amount of \$539,749.10.

And finally, the sixth contract is an emergency contract for the Elko Maintenance Station in Elko County, to provide drainage and sidewalk improvements with installation of backflow prevention, check valves, and washpad. There were three bids and the Director awarded the contract on June 24<sup>th</sup>, to Canyon Construction Company for \$745,551.95. And we'd just like to note on the engineer's estimate for No. 6, the new engineer's estimate is \$787,177. This was provided to administrative services -- it wasn't provided on time due to it being an emergency contract. The new estimate included three additional items. Number one, an increased cost for asphalt materials in Elko, which was higher than the original estimate; number two, the difficulty of the paving area; and number three, there was sanitary sewer, a washpad in each waterline, and modifications to the irrigation system. Does the Board have any questions on Items 4 through 6?

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- Martin: I do, sir. What perpetrated did determination that Aggregate Industries and Meadow Valley Contractors were nonresponsive on Item No. 4?
- Nellis: Yes, Member Martin. Let's see, both of those -- Aggregate Industries was deemed nonresponsive for failing to submit their subcontractor's exceeding \$250,000 report within two hours of the bid opening. This is pursuant to NRS 338.141.
- Martin: Okay.
- Nellis: And this was added recently in the 2012 legislative session.
- Martin: And Meadow Valley?
- Nellis: Meadow Valley, let's see, that was also being nonresponsive for failing to submit the contractor's -- their subcontractor's exceeding \$250,000 report within two hours of bid opening.
- Martin: Okay. Thank you very much. I'm familiar with those laws.
- Nellis: Okay. Thank you, Member Martin.
- Sandoval: Member Savage.
- Savage: Thank you, Governor. Mr. Nellis, just pointing out the fact that the Department did save \$885,000 on all these projects under (inaudible). I think that needs to be noted. Thank you, Governor.
- Sandoval: Thank you.
- Nellis: Thank you, Member Savage.
- Sandoval: Member Fransway.
- Fransway: Item No. 6, we're over by \$180,000 roughly and I just question why.
- Nellis: On the engineer's estimate?
- Fransway: Yes. That's (inaudible).
- Terry: Member Fransway, there was a subsequent estimate that was modified. However, it didn't get into the Board packet because of the emergency nature of the contract.
- Fransway: I see.
- Terry: It wasn't revised as far as the new engineer's estimate.

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Nellis: Yes, sir. The new engineer's estimate is no longer -- it's not 567 anymore, but it's 787,177 for the record.

Fransway: Okay. But the scope of the request has not changed?

Nellis: The scope is actually greater than what was originally put in the first (inaudible).

Fransway: Thank you. Thank you, Governor.

Sandoval: Please proceed.

Nellis: Thank you, Governor. There are 60 executed agreements under Attachment B found on Pages 13 through 19 for the Board's information. On Page 15, I'd just like to note there's an error in the numbering sequence. There's an agreement with Cushman & Wakefield between Items 16 and 17, which is misnumbered as Item No. 51. For purposes of the record, I'd like to renumber this item 16B so as not to be confusing the actual item Number 51 found on Page 19.

And for the Board's information, Items 1 through 15 are cooperative and interlocal agreements. Items 16 through 22 are agreements for acquisitions and events. Items 23 through 26 are facility and grant agreements. Items 27 through 32 are leases and licenses. And finally, Items 33 through 59 are right-of-way and service provider agreements. Does the Board have any questions for the Department regarding any of these items?

Wallin: Yeah, I do.

Sandoval: Madam Controller.

Wallin: Thank you, Governor. Can you just tell me a little bit about what we're on Items 56 and 57, the bridge repair on I-580 and bridge repair on US 395 (inaudible)?

Malfabon: Madam Controller, these are smaller contracts which are allowed by NRS to be informally bid by the Department. In this case, what the district does, typically they have maintenance staff that are in charge of the bridge program in that district. The headquarters bridge folks go out and inspect the bridges, identify what needs to be repaired and then the district personnel in bridge maintenance put together a streamlined contract that they receive quotes for from the contractors.

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So these are for bridge deck overlays on the first one. And then typically with an overlay it's with a specialized product that will remain in place and be durable on the deck. And then the deck spall repair -- a spall is when a piece of concrete kind of breaks off near a joint, so they have to repair it with a special material that will stay in place.

Wallin: On the 580 one, which bridge is that? I don't know by number the location.

Malfabon: I don't know. I would have to look at a mile post listing.

Wallin: It's not on the new segment, right?

Unidentified Male: No.

Malfabon: No, it's not.

Wallin: Okay. Okay. And then on the -- refresh my memory, please. We did one with the pedestrian bridges at Tropicana for a while and I thought we were turning them over to the county and doing some other work. Item No. 53, we have One Source Maintenance, \$16,976 to do custodial care on these bridges going through 16. So when are we turning the bridges over and all that stuff?

Malfabon: We anticipate that the Construction Manager at-Risk project to replace the escalators will be done in about a year. And then what we're hearing from Clark County is that they're willing, if we bring that system of pedestrian bridges there at that intersection up to a certain level of condition that they will take -- they're willing to take it over. So we'll have those negotiations and enter into an agreement with Clark County during that year period in anticipation of the completion of the escalator replacement.

Wallin: Okay.

Sandoval: No, and we've been having this conversation for 10 years now or so. Is it a little bit more mature than it has been in the past?

Malfabon: More mature than it's ever been with the escalator replacement, Governor.

Sandoval: Okay. Anything else, Madam Controller?

Wallin: No, that's all. Thank you.

Sandoval: Any other questions? Member Savage.

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- Savage: Thank you, Governor. Mr. Nellis, Item No. 39 on the Tetra Tech naturally occurring asbestos. Was the original amount \$499,000 or was it \$449,000?
- Nellis: I'll allow Assistant Director John Terry to answer that.
- Terry: Once again, John Terry, Assistant Director for Engineering. This is kind of confusing. This is one step ahead of the earlier agreement with the RTC, so that's kind of amendment one. There already was an amendment one. The original agreement was \$449,000. It was amended once, I believe, at the previous Board meeting for them to do additional air quality sampling in the Phase 2 area. And this is to do additional field sampling in the Phase 2 area. So it is not add \$176,000 to \$449,000. It was a previous amendment and this is amendment two to get to the total amount of \$847,000.
- Savage: Okay. And thank you, Mr. Terry, because I know this is a very quick-moving project and we brought Tetra Tech in...
- Terry: Yes.
- Savage: ...as the professionals in other states, because this is our first example -- or first instance, I believe, in the natural occurring asbestos. And I thank them and the Department for staying on top of this and not holding up the project. I think that's the most important point. But, again, the fiscal responsibility; do they receive any additional dollars beyond the \$850,000 with the same scope that they have at this point?
- Terry: Yes.
- Savage: Yes?
- Terry: Okay. So for one, amendment one and amendment two are partners that the RTC of Southern Nevada are actually reimbursed (inaudible). We did not wait for the agreement with the RTC...
- Savage: Mm-hmm.
- Terry: ...to do this. We executed, told Tetra Tech to do it. RTC had told us they will pay for it, and they will. We're one agreement behind. In this packet earlier, there's amendment one. They have agreed to amendment two. In fact, I think the Director signed that. But we think that we have to maintain the air quality monitors from the point until this work is done until construction has started, and we are already planning on amending Tetra Tech's agreement to maintain those air monitors until that period that we can

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turn it over to the contractor. So I do foresee another agreement. In fact, we are already working on it.

Savage: And is the Department very satisfied with Tetra Tech's support to this point?

Terry: Yes, sir.

Savage: Thank you, Mr. Terry. Thank you, Governor.

Sandoval: See no other questions. Mr. Nellis, please proceed.

Nellis: Thank you, Governor. Again, for the record Robert Nellis, Assistant Director for Administration. There are two settlements under Attachment C found on Page 21 of 26 for the Board's information. The first is in the amount \$4,250,000. This is an eminent domain case to acquire approximately three acres of real property located south of the U.S. 93/95 Highway, east of the access road/Dawson alignment, north of Black Hill and west of Railroad Pass Casino at Henderson for the Boulder City Bypass.

The second item is in the amount of \$2,870,000. Also an eminent domain case to acquire approximately 3.8 -- I'm sorry, 3.18 acres consisting of eight contiguous parcels that contain six buildings totaling 52,242 square feet, as well as parking areas for Project NEON. And Mr. Gallagher is prepared to respond to any questions the Board may have on regarding these (inaudible).

Sandoval: Questions from Board members?

Wallin: Just a...

Sandoval: Madam Controller.

Wallin: ...comment and follow up, because I know that we've tagged these settlements and stuff with going through them and you're putting on here that NDOT will seek reimbursement from Federal Highways. Could we have a follow-up report that we have gotten that federal reimbursement? I'm, you know, kind of curious, so we have an idea how we're really doing on these things. Is that...

Malfabon: Yes, we will...

Wallin: Thank you.

Malfabon: ...begin a follow-up report. The reimbursements occur over time. They're not as -- in every case, they're not immediate, but we will respond to the Board and report on that.

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- Wallin: Yeah. And also the one where we're pursuing the contract to record the \$62,500. I'd like to know that we get...
- Malfabon: Definitely.
- Wallin: ...paid for that too.
- Sandoval: Counsel Gallagher and then...
- Gallagher: Well, I'll defer to Board Member Fransway.
- Sandoval: Well, I wanted you to respond to his question -- or the Controller's questions first, because...
- Fransway: Okay.
- Sandoval: ...perhaps Member Fransway had a different comment.
- Fransway: That's all right.
- Gallagher: Certainly, the Department will report back funds that it receives from reimbursement from the feds. And regarding that lawsuit; that will now appear on our litigation report. So we'll be tracking that and reporting to that. Governor, I also raised my hand because you had the benefit of reviewing the settlement in the Jericho Heights matter. And since the other Board members don't sit on the Board of Examiners, I just wanted to take this opportunity to acknowledge the great work that Ms. Fitzsimmons did on behalf of the Department.
- As the Board may recall, at one point in time this landowner was seeking in excess of \$130 million for this property. And through Ms. Fitzsimmons' hard work and the team that she put together that went from \$130 to \$100 to \$30 and finally ended up at this settlement, \$4.2 -- \$5 million. And I think it's a testament to the services that she has rendered to the state, and I find them extraordinary and wanted to acknowledge that in front of this Board.
- Sandoval: Thank you. And I also want to acknowledge Senior Deputy Attorney General Ruth Miller for her efforts as well.
- Gallagher: And I would point out that she is in the audience here today. I'm very pleased that two of the Southern deputies are here, Ruth Miller and Amanda Kern. They do occasionally get before the Board of Examiners, but rarely here in front of the Board of Transportation. And they are two of the outstanding deputies in the audience.

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- Sandoval: Thank you, Mr. Gallagher. Member Fransway.
- Fransway: Thank you, Governor. I would just like some clarification, I guess it would be, relative to Member Savage's comments on Line Item 39. And what I'm going to talk about on Line Item 11. Am I to assume that the payment is \$200,000 that is reimbursable to NDOT from Southern Nevada RTC, and basically does that include Item 39? Will that be in there? Would you add it to it later or...
- Malfabon: Yes, Member Fransway. The \$176,000 approximately added on Line Item 39 to pay to Tetra Tech from NDOT will be added as a receivable on -- you'll see it next month on the RTC of Southern Nevada item to be as a receivable from them. So as Assistant Director for Engineering John Terry stated, we didn't wait for the RTC's amendment. It is in my -- or at least being reviewed by Legal. We'll sign it this week and get that enacted so that we will receive that compensation from RTC for this effort as an offset.
- Fransway: Okay. So will that be an ongoing receivable amount then?
- Malfabon: That should be the last of the receivables anticipated for Tetra Tech's work on behalf of the RTC's project Phase 2 of Boulder City Bypass I-11.
- Fransway: Okay. So we're going to be looking at one more amendment next time, correct?
- Malfabon: Possibly for Tetra Tech, you will see one more amendment for RTC to receive that money...
- Fransway: And that's 39, right?
- Malfabon: No, that'll be just another one of those similar to Item No. 11. You'll...
- Fransway: Oh, okay.
- Malfabon: ...see one more of those next month for RTC of Southern Nevada for that amount, the \$176,000.
- Fransway: Right. Okay.
- Malfabon: And then you possibly could see one more, as John Terry indicated, for Tetra Tech, but that's for the efforts for NDOT's project if they need to do additional efforts. For now, we're going to try to stay within the budget as amended.
- Fransway: Okay.

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- Sandoval: And just to step back from all this, this is all in the name of getting this done...
- Fransway: Yeah.
- Sandoval: ...as quickly as possible.
- Malfabon: Yes.
- Sandoval: And I think the RTC is good for it...
- Malfabon: Yes.
- Sandoval: ...so I'm not worried about that piece of it either. But, again, I appreciate what's happening here because this Board has pushed really hard on getting this bypass done, and this is a response by staff and the Department to get that done.
- Fransway: Mm-hmm. That's correct. I just wanted clarification as to how that \$176,000 is going to come back to NDOT.
- Malfabon: Yes, that'll be before the -- you'll see it on the informational items next month.
- Fransway: Okay. Thank you, Governor.
- Nellis: Governor, that completes the items under Agenda Item No. 6, if there are no more questions.
- Sandoval: Board members, any further questions with regard to Agenda Item No. 6? This is an informational item so we will not be taking a motion. Thank you, Mr. Nellis. We'll move to Agenda Item No. 7, Resolution of Relinquishment.
- Malfabon: Thank you, Governor. Before you is an action item for disposal of NDOT right-of-way located at Lake Parkway in Stateline, Nevada. On June 19, 2014, the Division of State Lands signed a resolution consenting to relinquish a land transfer agreement accepting the relinquishment of this parcel. We recommend approval of this item.
- Sandoval: And that would be the approval of the resolution of relinquishment marked at Attachment 2?
- Malfabon: Yes, Attachment 2.

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- Sandoval: If there are no questions, the Chair will accept a motion for approval of the resolution of relinquishment contained in Agenda Item No. 7 and marked as Attachment 2.
- Savage: Move to approve.
- Sandoval: Member Savage...
- Fransway: Second.
- Sandoval: ...has moved to approve. Member Fransway has seconded the motion. Any questions or discussion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes. We'll move to Agenda Item No. 8, Public Auction.
- Malfabon: Thank you, Governor. This item is for disposal of NDOT right-of-way located on College Parkway at U.S. 395 in Carson City. The Department has completed an appraisal of the surplus property to obtain fair market value in the amount of \$2,050,000, and a public auction will benefit the state in potential revenue.
- Sandoval: Any questions from Board members? If there are none, the Chair will accept a motion for...
- Fransway: (Inaudible).
- Sandoval: Oh, I'm sorry. Member Fransway.
- Fransway: I'm sorry. I'm looking on Attachment 1, Governor.
- Sandoval: Yes.
- Fransway: And I'm just thinking out loud. Is there any possibility that a development of this piece of property would have any effect on the traffic flow entering or exiting 395?
- Malfabon: Governor, in response to Member Fransway's question. Typically, what we look at is there's a control of access next to this freeway, so along College Parkway there'd be limits of controlled access where they cannot put in a new driveway or approach in. So that would be indicated on the sale that we have to comply with our access...

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- Fransway: Okay.
- Malfabon: ...control restrictions. So most likely that would be considered during the permit application by a developer.
- Fransway: Okay. So it is part of the language of the sale agreement...
- Malfabon: We would have...
- Fransway: ...on (inaudible)?
- Malfabon: We would indicate where there's control of access where there's no access allowed.
- Fransway: So we're covered. Okay. Thank you. Thank you, Governor.
- Sandoval: You're welcome. Any other questions? The Chair will accept a motion for approval of the public auction described in Agenda Item No. 8.
- Wallin: Move to approve.
- Sandoval: Controller has moved to approve. Is there a second?
- Martin: Second.
- Sandoval: Second by Member Martin. Any questions or discussion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes. We'll move on to Agenda Item No. 9, Resolution of Abandonment.
- Malfabon: Thank you, Governor. This item is for disposal of NDOT right-of-way located along a portion of State Route 513, Old Carson River Road in Carson City. This parcel is no longer required for highway purposes. The abandonment of the easement interest rights on this parcel is being made in accordance with NRS 408.523, ownership will revert to the underlying fee owner.
- Sandoval: Any questions from Board members? If there are none, the Chair will accept a motion for approval of the resolution of abandonment of a portion of state highway right-of-way as presented in Attachment 2 in Agenda Item No. 9.
- Martin: So moved.

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- Sandoval: Moved by Member Martin.
- Savage: Second.
- Sandoval: Second by Member Savage. Questions or discussion on the motion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes. We'll to Agenda Item No. 10, Condemnation Resolution No. 446.
- Malfabon: Thank you, Governor. These are parcels associated near Walker Furniture and they're in support of Project NEON. Typically, we still acquire -- or continue discussions for settlement purposes, but in order to meet the schedule for Project NEON we request Board approval of this condemnation resolution for these parcels.
- Sandoval: So we are, at least, in discussion with the property owners and...
- Fransway: Question, Governor.
- Sandoval: Yeah, Member Fransway.
- Fransway: It's to legal counsel, if I may. These are three separate properties, correct?
- Malfabon: Mm-hmm.
- Fransway: Do we need -- can one resolution of -- will it work?
- Gallagher: For the record, Dennis Gallagher, Counsel for the Board. To answer the second question first, Board Member Fransway, yes, one resolution will work. These are all parcels in connection with one project. I will note that I believe all three of these parcels have affiliated ownership.
- Fransway: Oh, okay. Thank you, Governor.
- Sandoval: Any other questions? If there are none, the Chair will accept a motion for approval of Condemnation Resolution No. 446 as presented by Attachment No. 2 in Agenda Item No. 10.
- Fransway: So moved, Governor.
- Sandoval: Member Fransway has moved for approval. Is there a second?
- Savage: Second.

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

Group: Aye.

Sandoval: Opposed no? Motion passes. We will move to Agenda Item No. 11,  
Briefing on Proposed Road Relinquishment Policy.

Malfabon: Thank you, Governor. As previously reported to the Board, NDOT had  
been working with Nevada Association of Counties and League of Cities for  
a road relinquishment policy. We had a bill in for consideration last session.  
It was approved, but it was amended to say that we would adopt regulations.  
So to follow up with that formal process this is the first briefing in detail of  
the road relinquishment process. And in anticipation of further public  
meetings, we've sent the document out to a lot of the -- all counties, I'm  
sorry, and cities across the state so they know what we're talking about on  
road relinquishments.

And Bob Madewell, who's the chief of Roadway Systems, will present to  
the Board the details of the policy in anticipation of, as I said, further public  
meeting across the state to adopt the policy that the Board will formally  
approve later. Bob.

Madewell: Thank you, Rudy. Good morning, Governor...

Sandoval: Morning.

Madewell: ...and members of the Board. For the record, my name is Bob Madewell,  
spelled M-A-D-E-W-E-L-L. And as Rudy mentioned, I am the chief of the  
Roadway Systems Division of NDOT.

Our office was tasked last year to start meeting and dealing with the issue of  
an update to the NRS to make this process simpler and easier and more  
documentable to affect road relinquishments. As some of you are aware,  
this process has been going for a while. I'm going to give you a brief history  
of that so that we can bring those of you that weren't involved in the process  
up to date on what's taken place, and then we'll go into some issues of how  
we've changed the relinquishment.

Just as a brief history, in 1999, the legislature directed the Department to  
identify certain roads that were no longer needed by the Department. After  
that identification -- the process at that time was very simple; what roads  
appeared to be local roads. There wasn't an identifiable process at that time.

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So the Department started on an effort to do that and not much is heard during that time. In 2005, the Department was audited by the Department of Administration to determine how many roads had been exchanged, transferred or dealt with at that time. Again, very few had been dealt with during that time. Although the efforts were there, the desire from the other side just wasn't there.

In 2012, some of you may have been here and the Director at that time gave you an update on the process and identified a list of mechanisms that were then beginning to take place to identify roads in a different manner other than just what were local roads. So we created a mechanism to actually identify roads that the state no longer needed. They didn't have connectivity. They didn't serve functionable elements that the state should be involved in. And at that time, in 2012, there were some effort put together to form a (inaudible) letter that some of you had the opportunity to review and approve that went out to all the cities and counties during that time. Again, very few responses were received. The effort just didn't seem to be there from the side of the local agencies and recognizing their issue was maintenance dollars. That was the big issue at that time.

So in 2012, my office was tasked with coming up with a process that would work with local agencies, cities and counties to update the NRS to provide a mechanism to explain the process, document the process, make it simpler and easier to understand, but also to give them some focus and direction on who it would be they would work with to start some of the processes with. We revised NRS 408.527. And the basic element of that, there were several revisions. A lot of it was language cleanup and to develop some language to make everything written and to develop the requirement for resolutions. But the main element, as you can see on the slide, was that it required the Department to work with these local agencies and develop a regulation that would govern the process.

As I met with many, many people throughout the last year, the biggest thing I heard was we want something down in writing so you have to follow that. There was limited trust in the NDOT process at that time. I'm not sure why, but there just was. And so through the course of many, many meetings with a number of individuals throughout the state that was the thing that resounded with me a number of times, let's get something in writing.

So when we went to the legislature last year, the language that was presented to them was an element of many, many discussions with a lot of

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people at that time. And the ending result was -- Item Number 10 of that regulation was to develop this regulation that would make us create a document that discussed the process procedures. So that's what we did. We developed this over the last -- prior to that time and then over the last 12 months, after that was voted and approved in June of last year, I've had many, many meetings with a lot of people throughout the state. We've had some public workshops. There was well over 50 people involved in the original process of developing the language for the regulation and guidebook that you have in your package, I believe, that describes the process. It's a start-to-finish process.

There's a way they introduce the road, whether we introduced to the (inaudible) there's a same process we'll follow, and then there's a process to identify the negotiation process of that relinquishment, and ultimately bring it to fruition at the end of it. So it's a process that everybody in the state would follow the exact same process to do that, and that guidebook was put into place for review and it is in its final draft stages at this time. That's the component that the regulation says -- which you have a copy of the draft regulation language, as well -- that says we will then take that guidebook and put it into effect and move forward with relinquishment process from this part forward.

I might add, just as a point of clarification, when we're talking about relinquishments of this nature, we're talking about full road relinquishment. Sometimes you're going to get slivers and pieces that go through a process with the Right-of-Way Division. These are actual full road relinquishments where it's a start to finish, mile-markered road from shoulder to shoulder and that type of a thing. So the process is very different, very unique. And the guidebook that you have before you is out for review to now the final reviewers, which is all cities and counties in the state. I've made an effort with each one to give them an opportunity to personally meet with me to go over it, as well as comment on it so they'll have it in their hands to comment to this day. And by the end of this month, it's expected back for final evaluation.

So again, who was involved? The 50 people that we talked about initially, but now every city and county manager and members of the NACO group that represent their counties, as well as every mayor in the city has that document in their hands today to review. I've had personal requests to meet with three to four different agencies. I've met with them. I've had a couple of phone conversations. I've gotten some e-mail responses back simply

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saying looks fine, let's move forward. But again, we don't have that final date until August 29<sup>th</sup>, which is what, another (inaudible).

So what's next? Well, we'll get the regulation back. We'll look it over and talk about any issues and try to resolve any issues with anybody that has any issues. At this point, I have not been notified of any, but we'll work with them and try to get it into a final process. Our expectation is that we will give that document to the LCB to start a formal regulation process in September -- toward the end of September. That process, as you're well aware, requires many public meetings, so we'll hold those public meetings. Everyone, again, will have another opportunity to comment. And then we hope and anticipate that in April/May of next year bringing it back to this Board for final approval, as it's finished all of its processes that are required to become a regulation.

I've had good, positive feedback from everybody so far. The idea of getting so many people involved at the beginning was a very good idea. It gave us a lot of information on how we develop that regulation, but also the guidebook. And hopefully the end result of this will be at the end of this month we'll have a final product ready to move forward with. So with that, it concludes the presentation.

Sandoval: No, and thank you. And I know a lot of work has been put into this, and I appreciate your and your team's efforts in that regard. It's a sensitive subject out there, which I know. I see Member Fransway nodding. But in any event, so we got the bill. The bill was passed. You're working on these regulations. At the end of the day, this is still a consent-based process, is it not?

Madewell: It is.

Sandoval: And what is the feedback that you're getting? As long as you've got these stranded roads that have no connectivity to the state system that may be contained within a municipality or a county, assuming that the state is going to, you know, put the road in as good as shape as possible and prepare it for that transfer, is there still reluctance on the part of the local governments to accept those roads?

Madewell: There has been some reluctance. And, of course, the question goes back to what I mentioned earlier, maintenance dollars. And as we talk to them about the strategies that the Department has in terms of bringing these roads to that new-term state of good repair, which is a negotiable item -- and we

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talked about the money that we can put forward to do that or the efforts we can make to make changes for them -- for a lot of those smaller counties we're still getting some feedback that they just don't have the maintenance dollars to do it.

With the Director's recommendations, one of the negotiating strategies we have is to create a mechanism of helping them through a period of maintenance transition, if you will, and then showing them what we're doing today, because some of them have the ideas that the amount of money we spend on these is quite extensive. But on some of the far-reaching roads where there's very limited traffic, those maintenance dollars aren't quite what they think that they are. The roads are still in very good shape, it's just the perception of the amount of money spent is different.

So it's a negotiation strategy. The first step really was to give them a process, because that, again, was the first key. Many of them would say, well, we don't want to talk to you, because we don't know what the steps are. What are the next steps? Who's involved? And so for those that do know that process, yes, there's still some throwback from those agencies.

Malfabon: And Governor...

Sandoval: And do you...

Malfabon: ...if I may add. There are some agencies here in Southern Nevada that are very supportive and positive. Tracy Larkin-Thomason has been meeting with Commissioner Giunchigliani from Clark County. She's identified some roads that obviously would require support of the entire Clark County Board of Commissioners, but there are some roads being identified that they would like to have further discussions on transfers. The other area is all -- the City of Las Vegas with Summerlin Parkway has approached us, and North Las Vegas is willing to take a portion of North Las Vegas Boulevard that will be on next month's Board packet, hopefully, for transfer.

Madewell: And just to key on what the Director said, we actually are having some very good positive discussions right now with -- we're starting the process with the City of Sparks on Glendale Avenue. As Member Fransway is aware, we recently completed the process with Haskell Street in Winnemucca. There's a new process started up with Tracy that's involving the City of Mesquite. The number of roads that we're talking about with Clark County is just a volume to speak of. So there are some very good positive results coming out, so...

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Sandoval: Do you have a ballpark figure on how much you spent on maintenance on those roads?

Madewell: I don't at this point, but we can probably get that, because we have them all listed and we could come up with a follow-up with you on that, if you'd like.

Sandoval: All right. Questions from other Board members? Member Fransway then Member Savage.

Fransway: Thank you, Governor. And thank you, sir. First of all, I think it's very apparent that this is an issue of equitability and fairness, and I think everybody understands that. And I appreciate, and the Board, I know, appreciates NDOT and the way that we have reached out to our local government partners relative to this issue. My question to you is do you have the level of comment and input from local government that you need -- or that we need to make an informed decision, so we can be fair and equitable or do you need more? We've got two weeks left.

Madewell: Well, again, I've met with many of these folks long before this formal review process occurred. So to date, I can truly tell you I have not heard any comments that are going to bring this to any kind of a halt or anything. We worked through a number of the issues during the NRS revision process, so many of the people that are commenting now on the guidebook and the regulation were actually the people that helped develop that language to get us where we are today. Yes, we do still have two weeks to go, and I don't anticipate any comments that would kind of slow down the process, if you will.

Again, on a monthly basis, literally, I'm talking to many of these people. So I don't anticipate any problems. I think that within the next two weeks we're going to get our final comments from anybody that chooses to do that, and then we'll open a public discussion, and, of course, we never know what'll happen at a public forum. But at this point, I think we're on a very good path to bring this forward to the LCB to start this; for you to have all the information you're going to need to make a good decision on accepting and approving this regulation come April/May of next year.

Fransway: Well, to me it makes all the sense in the world to gather the public comments in advance of a decision rather than have to time them to public forum, so that we can have time to digest the comments and make everything work, because that's what this has to do. It has to work between all the partners, and I believe it will. And I appreciate what you've done and

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I appreciate, Rudy, what the Department has done. But we're getting close now. We've two weeks. We've got to get everything in so that we do it right. Thank you, Governor.

Sandoval: Thank you. Member Savage.

Savage: Thank you, Governor. Along the same lines as the Governor and Member Fransway, I thank you, Mr. Madewell, for your presentation and I thank you, Rudy, and the administration and the staff. This is a very difficult subject. There's housekeeping like anybody has a difficult time doing. But the goal is, again, to neither be a benefit or a burden to either party, but to best service the traveling public and communities of the state. And I think with communication and support on both sides we can make this work. My question to you, Mr. Madewell, is there any federal reimbursement opportunities for any of these transactions?

Madewell: Member Savage, the answer to that probably would relate to whether or not we put a project together. If we were to be able to put projects together, for example, during the negotiation they say bring the road up to these levels and we're able to go to a federally funded, federal aid-type road and we're able to approach federal dollars using that, there may be some money involved that way. The federal government does not regulate relinquishments, per se, from cities and counties in the state in the effort of providing grant dollars and that type of a thing. So the answer, I guess, very basically is yes, if there's a federal aid program and project for that road that we're going to relinquish.

Savage: Okay. Thank you. And on Page 6 of the draft, I was confused with the total amount of miles on the Guide to Roadway Relinquishments. At the top of the page, it had noted 599 miles, and on the lower part it says to date 903 state maintained miles.

Madewell: That's correct.

Savage: So which is correct, Mr. Madewell?

Madewell: Well, they actually both are. The 599 was what was identified in the original study, the original legislative issue...

Savage: Mm-hmm.

Madewell: ...in 1999. That was used in the growth process where it simply said, "Locate roads that appear to be of a local nature." Now used in the new

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process where we've talked about roads that really need connectivity and some of the other things, we've identified this additional number of miles. And that actually occurred on both sides between the locals and the state. So currently today we're looking at the 900-mile range.

Savage: Okay. Thank you for the clarity. And lastly, along the same lines as the Governor had mentioned, the job cost in maintenance, I believe, over the last 5, maybe 8 years, 10 years, whatever that might be, whatever the Department has historically committed to these different roadways, I believe, is imperative in order to have the other entity understand what we have done to this point. Thank you, Governor. Thank you.

Sandoval: Thank you, Member Savage. Any other questions or comments? Thank you, sir. Agenda Item No. 12, Equipment Purchase in Excess of \$50,000, X-ray Fluorescence Spectrometer.

Malfabon: Very good, Governor.

Sandoval: I wanted to see if I could actually do that.

Malfabon: I have trouble with the word. This purchase was anticipated in our biennial budget as approved by the legislature and you, Governor, as submitted for the executive budget. The device tests fly ash which is -- fly ash is a byproduct of coal-fired power generator plants, so this -- not all fly ash is good, but the best quality fly ash is used in concrete production and it lowers the cost of concrete production, because it offsets some of the powdered cement that is used. It's a lower cost product, which actually has some other benefits in making the concrete more durable. In Nevada, some of the aggregates are not the best, and it offsets some of those reactions that can occur as a result of poor quality aggregates. We have good quality aggregates and good specs, but fly ash is a good product to use. So this device tests the fly ash quality.

Also, hydrated lime, which is another product that we use on asphalt concrete to mitigate some of the bad stuff, the clay materials that can be in aggregates, particularly in Nevada's aggregate sources for our pavement -- our asphalt pavements. So we need the machine to do our proper quality control on these materials, lime and fly ash, and we're requesting Board approval that's required by NRS for equipment that exceeds \$50,000.

Sandoval: And what's the purchase price?

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**Malfabon:** This is anticipated to cost \$89,000. It's a little bit more than -- we, I think, anticipated \$70,000 biennial budget request, so it is more expensive. I know that we've had the other equipment for a while and it's not supported anymore, but we feel that this equipment will last a while for us.

**Sandoval:** And do you have estimate of how much money it could save the state?

**Malfabon:** Oh, it'll save the state millions of dollars. I don't have a firm number, Governor, but the two products I mentioned, fly ash and hydrated lime, extend the life of the pavements, whether it's concrete pavements or asphalt pavements.

**Sandoval:** Other questions from Board members? If there are none, the Chair will accept a motion for approval of the equipment described in Agenda Item No. 12.

**Martin:** So moved, Governor.

**Sandoval:** Member Martin has moved for approval. Is there a second?

**Wallin:** Second.

**Sandoval:** Second by Madam Controller. Any questions or discussion on the motion? All in favor say aye.

**Group:** Aye.

**Sandoval:** Opposed no? The motion passes. We will move on to Agenda Item 13. Should we be taking all three of them at once?

**Hoffman:** I'd have to...

**Malfabon:** We will take the first one, Governor, first, the Approval to Release Project NEON as a public-private partnership to release the final Request for Proposals. Bill Hoffman, Deputy Director, will take it from here.

**Hoffman:** All right. Thank you, Rudy. Good morning, Governor, Transportation Board members. Bill Hoffman, Deputy Director for NDOT. If I could respectfully request that we hold all questions until the end of the presentation, I think that'll help us get through this much easier and much quicker. So if I could, thank you.

So what we hope to do today is get the right slide up, first of all. Actually, there's three messages that we want to convey very clearly to the Transportation Board. Project NEON is needed, it's necessary for Southern

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Nevada. NDOT can afford it and NDOT has done its due diligence in analyzing hours of work, really rolling up our sleeves and being stewards of the taxpayer dollars, making sure that we understand that we can afford this. All of the work that goes into that, we've done that. So we want clearly to show that the project is needed, we can afford it, we've done our due diligence and can prove that.

So with that, first of all, I'd like to go over benefits of the project. So, of course, we've got safety and congestion, a thousand crashes per year. This is the busiest section of I-15, busiest section within Nevada roadway section. Has the highest crash rate, so over a thousand crashes per year. That equals about three or three-and-a-half crashes per day. That's way too many.

Connectivity and mobility for city development efforts. There's a massive effort going on right now just adjacent to the Project NEON footprint, just adjacent to I-15. Our engineers have been working very closely with local agencies, local staff trying to integrate and implement connectivity between I-15 and our project and provide connectivity to these redevelopment areas just adjacent to I-15.

We're also improving connectivity from the northwest, so HOV lanes at 22-mile -- high-occupancy vehicle -- continuous lanes from the northwest on U.S. 95 to I-15 south. So that connects the northwest to the south via these two roadway segments. And, of course, the economy is doing much better than it was two years ago. There's no question. We've made great strides in the last year. However, one of the hardest hit employment sectors was transportation construction. This project will add 5,000 jobs to that sector that was so hard hit that we're still looking for recovery in this area.

Southern Nevada needs a 21<sup>st</sup> century transportation system. We're 30 years behind on this section of roadway. We need to bring it up to 21<sup>st</sup> century standards. NEON can do that. NEON can make great strides in helping us bring a 21<sup>st</sup> century transportation system to this section of I-15.

Benefit cost ratio of 5.8. Exponential improvement. Let me explain what that means exactly. So what we do in the engineering world is we like to do calculations. We like to pull our calculators out, okay. This is pretty straightforward, this calculation. So this is just the benefit of the project divided by the cost of the project, okay. So 5.8 means the cost of the project. The benefits of that project are 5.8 times greater than the actual cost of the project. That means, in this case, \$2.96 billion is what we expect back in benefits from freight not having to sit in traffic, from people not

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having to sit in traffic, the time value of that, and then also, of course -- and nearest and dearest to our hearts are the injuries that take place. The crashes, those have costs. Those have costs and impacts to state resources. Those do have a real cost.

Sandoval: Mr. Hoffman...

Hoffman: Yes.

Sandoval: ...I know you asked me not to interrupt you...

Hoffman: Sure.

Sandoval: ...but to give even further perspective on this benefit-cost ratio, what is your average benefit-cost ratio on a road project?

Hoffman: That is a good question, Governor. I'll explain it this way; if there is more benefit than cost on a project, meaning the benefit-cost ratio is greater than one then you have a legitimate project. If it's in the 3, 3.0 range, you should really, really do that project. If it's 5.8, around 6 or higher, you have to do that project. Absolutely have to do that exactly for the dollars that I just spoke about.

Sandoval: Okay. Thank you.

Hoffman: Thank you. So I'll continue on. So they always say a picture is worth a thousand words. I have eight pictures hopefully conveying eight thousand words. So what we have here -- and I'll just sum it up here. So we have blocked traffic. There aren't any cars moving in this photo. These are our traffic cameras that have caught this. So first of all, first and foremost, you have crashes. This happens way too often down here. Much, much too often. We can improve this. We can make this better. We can catapult this section of I-15 into the 21<sup>st</sup> century, okay.

So this is -- you've got resources on a very regular basis; fire, local law enforcement. They're out there responding to this. You've got people sitting in traffic. You've got potential tourists sitting in traffic. All they want to do is go to their destination. They want to get out of their hotel or whatever show they're going to see. You've got commuters trying to get back home. They need to try to get home to take their sons and daughters to soccer practice, to basketball practice. This doesn't have to be like this. It absolutely doesn't have to be like this. And, of course, again, you've got

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injuries and fatalities. Fatalities are our number one goal at NDOT to try to reduce that.

So there's so much that can be accomplished, and hopefully I've made it clear in terms of the dollars that are associated with this that this project can help alleviate, okay. So just as an example, freight sitting in traffic, stopped, \$200 to \$2,000 an hour depending on what it is and where it's going. Is it fresh? Is it boxed? You've got the Port of Los Angeles, Port of Long Beach piling tons of freight along I-15 into Southern Nevada on a daily basis. So this is economic. This is safety. This can be better. We can do better.

So this is just a graphic here showing there's about a 50% increase in the crash rate -- or 50% higher crash rate on I-15. So that's this section of roadway we're talking about. 50% higher than the next highest roadway segment that hadn't been worked on. Okay. That's I-15 around Tropicana. 50% greater, so -- and then the roadway segments and the associated roadway volumes, 260,000 on the rise. Okay. That's the top red line, bottom right chart. So you've got 260,000, 270,000 vehicles per day predicted to be over 300,000 by 2025. If we do nothing this is just going to keep getting worse and worse and worse. We have to do something.

Downtown redevelopment. So I touched on this a little bit earlier. And really the point here is there's massive efforts going on in this area. Just east of I-15, just south of the Spaghetti Bowl here, NEON comes through this section here and actually extends up 95 a little bit, but there is all kinds of redevelopment going on. Our engineers have worked on providing solutions to help connectivity throughout the NEON footprint and then trying to get people in to this redevelopment area, economic development, and then, you know, and we've made major strides in trying to improve pedestrian and bicycle. All right. So they're trying -- the downtown is trying to develop their area here and we're trying to accommodate that by providing other modes of transportation into this area, okay.

So with that, I talked earlier about connectivity. We're talking about Summerlin area up in the northwest connecting U.S. 95 southbound, so proposed HOV lanes. This is connecting HOV systems so people don't have to get off the freeway and then back on. That causes congestion, okay. So the HOV lanes will be connected and there -- so this is the connection that needs to be made, this red and yellow striped section. Also, there's a lot of improvements we're doing to the ramps going from 95 to I-15. There's a lot of improvements that will reduce that weaving or those slow congestion

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movements that take place from those folks grinding it out trying to get to work every day in -- you know, down off of I-15, whether they work in the Resort Corridor, whether they work further south than that. So we're going to make the morning commute so much better for these people through this project.

It also falls in line with the Regional Transportation Commission's bus rapid transit plans, okay. So we want to try to get a mode shift and we want to try to get more people to ride buses, less cars on the freeways, less congestion, less crashes. It all makes sense, okay. So we're working very closely with several agencies through this redevelopment area and also, you know, through the regional transportation planning process.

So the redevelopment -- I'm going to have Cole -- if he could just come up and talk about what this means. So I just showed a graphic of city redevelopment, just a moment ago. North was up. North is to the right now, okay. So I've just rotated this 90 degrees so that it matches up. I just wanted to orient you while Cole talks about specific improvements that we're making for the city redevelopment efforts.

Mortensen:

Good morning, Governor, members of the Board. For the record, my name is Cole Mortensen and I'd like to just continue on with what Bill had mentioned there. We'd like to emphasize the improvements that we're doing on the I-15. That, of course, is, you know, one of NDOT's main goals, but one of the -- probably the most under sung stories about this project in general is what we're doing for the local area.

Of this -- the grid that you see there in yellow is essentially a grid of improved streets that will be in place once Project NEON is done. The only one that we're not actually doing physical improvement to there, I believe, is Symphony Parkway. But what that does is that really opens up both north-south connections on both the east side and the west side of the I-15. It provides access in places that there isn't access right now, for example, south of Charleston. We're going to be connecting Grand Central Parkway across. We anticipate that to take between 35,000 and 40,000 cars in the future through that corridor there, which of course, means that you're getting people and goods to and from work faster. You're getting people to the downtown area. Basically, we're improving the local streets as well. Improving those local streets helps those movements during the peak hours, also, which also helps keep traffic off of the I-15 if people are more inclined to use those local routes.

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And moving forward, what I'd like to do is kind of step through and I think I'll probably have to show this again. This is a rendering of projects starting at the south at about Singer, and what we're slowly moving up to here is Ogee and Wyoming Avenue. And then we're actually going to see the freeway ramps on the HOV system diverse at median and drop down to what we call the NEON gateway. From there, traffic will be able to exit out to Western Avenue and hit Grand Central Parkway. We're approaching the Charleston Interchange. We're doing, of course, a major reconfiguration of Charleston into a diamond interchange. If you look up to the right-hand side of the screen, right now you can see we're adding that additional access to Alta and Bonneville, between the I-15 and the Premium Outlet Mall. What that means is we're going to be moving traffic beyond Charleston to that downtown redevelopment area.

The crown jewel of the project, of course, we're flying over right now is almost the mile-long HOV connector. As Bill had mentioned earlier, one of the things that I'm really excited and the Department is excited about with the HOV connection, is we're actually adding additional utility to the system. It's actually going to be going somewhere now. We've got 22 miles of system out there. We're going to have a direct access interchange. What that means is you're not going to have commuters fighting across five and six lanes of general-purpose traffic to get into the HOV system just to do the same thing to get off. They're going to be able to get into it directly. And I'll see if I can play that again here.

One of the things -- you know, we started putting a presentation together and one of the things we looked at is just the number of areas we can talk about various benefits for the project. And, you know, the one number that kept jumping out at me is that the average daily traffic that we see in there is between 260,000 and 270,000 cars a day. And if each one of those cars were carrying one Nevadan, 10% of the population of the State of Nevada would travel through this stretch of road every day. So again, you know, this goes back to who are we benefiting here; why do we want to be moving this project forward. I should point out on this rendering that we don't quite have all the sound walls and some of the other features and pertinences that are involved with the actual project.

Sandoval:

Cole, and are you also going to discuss the 95 heading south and that merge as well?

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Mortensen: Correct. Correct. The 95 heading south -- and you can just barely see it there. We're really looking forward to cleaning up that section of road. One of the things that we'll be building as part of the project and actually -- well, I hate to run through that again, but the ramp braiding that we've talked about and discussed. That ramp braiding is what we're looking to eliminate those weaving movements that are causing the accidents on the freeway. What it does is it separates your on-ramp traffic from your off-ramp traffic. And so really you're reducing the number of times where a car might hit another car. And so that will happen basically outside of the general-purpose lanes.

So you'll be able to keep traffic, freight, commuters moving through on the general-purpose lanes, where your people trying to get on and off the system will be making those movements outside of the general-purpose lanes. And that's really going to help from the southbound perspective. And, of course, in the future we'll be looking to do the same thing in the northbound direction for -- I think we're calling it Phase B. All right. With that, I'm going to turn it back over to Bill.

Hoffman: Thank you, Cole. Again for the record, again, Bill Hoffman, Deputy Director at NDOT. So all along -- I talked earlier about showing due diligence and being good stewards of taxpayer dollars. All along, during our analyses, we've held these three goals firmly during our analysis, whether that was an outside consulting firm working for the Treasurer's Office, whether those were our advisors, whether those were our internal NDOT financial staff members. So a lot of groups have taken long hard looks at whether we can afford NEON or not.

We need to maintain a minimum of \$90 million in the Highway Fund. We've told you that. We've told the legislature that. We've told the IFC that. We plan to hold \$90 million in the Highway Fund, and we can do that. We have been doing that. There's no issue of that. Now, as you look out and we start paying back for the cost of the construction of the project, will we be able to maintain \$90 million or will we dip down? No, the analysis that we've shown -- or that we've run through shows that we will not. We maintain the \$90 million no problem, okay.

The second goal, do not exceed historical annual debt service payments. So in years past, all of the bonds that we're paying back, we need to make sure that they don't exceed \$100 million per year, and we've done that. That's a goal that we held. We put together a financial analysis showing, you know,

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the \$100 million will not be exceeded as we pay back construction for this project. Now, we do need to maintain under \$90 -- \$89 million, excuse me, per year to maintain a AAA bond rating with Standard & Poor's, okay. We can do that. We can also do that.

And what I'm going to do is bring up our financial expert, Robert Nellis, in just a moment. He's going to get up and explain how we do this and prove that we can afford this project. And then lastly, and a major concern to a lot of people -- and I understand this. I really do. So maintain the same statewide capital program. So Las Vegas is very critical to this state's economy. We understand that. We need to try to fix this segment of roadway. But on the other hand, we can't let all of our other roads and bridges fall apart and we can't ignore them.

So what we've done is we took an average of the past five years and looked at what we spent on capacity projects. One had a historical construction spending year, which I believe was 2012. But we looked at the average that we spent each year. We took that average. That was another goal. We cannot spend less than we have on average on capital projects throughout the rest of the state. So that goal has been achieved as well. Those three goals have been maintained through this analyses that we've done, okay. So can we afford NEON? Yes, absolutely we can afford it.

What's changed? So people have also asked, okay, well, you were heading down this P3 path, what happened? Well, there are a lot of things that happened. And, unfortunately, a lot of those things have happened within the last six to eight months. So the federal funding cliff, you know, we had to take a bit of a pause there. We needed to know what was going on with the federal funds before we committed taxpayers to something that we didn't really have all the answers to. We needed to make sure we knew what was going on with the federal funding on the federal front.

Quantitative easing, the tapering of the Federal Reserve and central banks investing in bonds. Any time you bring up quantitative easing or QE, the interest rates go all over the place. They started having those discussions for real about six to eight months ago about tapering that off. That has drastically affected -- or has added to the volatility in the financial markets, okay.

In the bonding payments -- and we've known this last one for a while. We've known this 95% federal, 65% P3. We knew that. So there are certain maintenance items -- routine maintenance items that do not qualify for

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federal funding reimbursement, and if we pursue a TIFIA loan with the federal government, we can't use federal funds to pay back a federal loan. So that's pretty straightforward. We understood that.

But there were a lot of things going on. The last thing we wanted to do is commit taxpayers without doing our due diligence. We felt we owed it to them. Absolutely felt like we owed them that. So we put in. We rolled up our sleeves. Before we move out we need to make absolutely certain we're doing the right thing. And we did the analysis and we'll show you what our recommendation is. And I feel very strongly about that. Very strongly, okay. So due diligence.

Another thing that happened is we sold right-of-way bonds. \$100 million in right-of-way bonds for NEON. We got a great deal. People want -- firms, companies want to invest in Nevada. They want to invest in Nevada. And to get proved out because we had 16 bidders on our bond, that lowers the interest rate for the state. We got a great deal. That kind of tweaked the analysis model, different interest rates. Plus you have the quantitative easing. You know, we've got a lot of complex things moving around that we're trying to pinpoint, you know, with precision. That's tough to do. Just play it a little conservative and make sure the taxpayers of Nevada are at the forefront of what we're doing, and we feel very good about it. So that was another thing that happened.

Working with the Treasurer's Office. And Robert can talk about this. So we had a third-party independent analysis of what we thought we could afford through the Treasurer's Office. They said the same thing, you can afford this. We've got to mitigate a lot of risk, construction risk, property risk. We feel we can do that. We can do that, okay.

So why bond instead of P3? So why bond instead of P3? So market demand for bonds and competitive pricing makes bonding even more affordable than originally projected, okay. Right-of-way acquisitions may affect the schedule. There's flexibility in bonding that allows us to kind of release bonds based on where we're at with the right-of-way acquisition process. That's very important. P3 teams were concerned about appropriation risks, so there's not a line item in our budget over the next 40 years stating that we will pay XYZ developer. I understand that risk. I do. But we were losing the financial risk leverage that we had with the project originally, okay. The project can be completed within similar a time frame by bonding as with the P3 resulting in no realized deficiency.

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So this is a lot of words that really just means bonding in terms of schedule -- in terms of schedule, bonding and P3 are very similar in terms of -- almost identical in terms of when we can deliver and finish this project, okay. NDOT maintains control of future O&M programs of funding. Now, where that is very important is that if we enter into a contract with a developer, they will build the project; they will be in control of operating and maintaining the freeway after that. Other than specifications, contract language, and those sorts of things, they're pretty much in the driver's seat, okay, in terms of when they think certain things can be done, repairing pavements, repairing bridges, rebuilding bridges, those sorts of things.

With us still maintaining -- so bonding, no P3, we bond, we still own the O&M. We can move things around financially so that it makes better financial sense from when those dollars will exit the Department to pay for pavement rehab, bridges, those sorts of things. We control how those things are done, how those dollars are spent, okay.

Sandoval: Before you move on again, Mr. Hoffman...

Hoffman: Yes, sir.

Sandoval: ...I apologize. But just to give a little bit more detail with regard to Bullet Point 4 on your previous slide.

Hoffman: Mm-hmm.

Sandoval: Can you talk a little bit about when construction would start and when it would finish.

Hoffman: Actually, Governor, if we could, I have a slide towards the end.

Sandoval: Oh, okay. I apologize.

Hoffman: So what we'll do is we're going to have...

Sandoval: We'll leave it until then.

Hoffman: ...Cole talk about the schedule and how that compares and -- if that's okay, sir?

Sandoval: Yes, please proceed.

Hoffman: Okay. So NDOT has very good experience with design-build delivery. We've shown that. Design-Build South was a huge success for NDOT, as John Terry I'm sure would attest to, who was the project manager on the

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Design-Build South project. It went very well. We know the delivery method, okay. But building into structure the bond sales more closely around the right-of-way schedule, this goes back to what we were talking about before. We're starting to see the schedule slide around just a little bit. Then we can structure those bond payments so that they match up with where the right-of-way schedule is.

NEON paid off. We can have NEON paid off by 2039, providing an annual -- this is bonding -- providing an average annual capacity of \$47 million. Annual capacity of \$47 million. So that's the difference between doing minor operations and maintenance work and what our availability payment would have been, okay, for several years. So that's \$47 million per year, okay, for about 10 or 12 years; is that right, Robert?

Nellis: Thirteen.

Hoffman: Thirteen years. And then continue to realize savings of \$250 million. So we came before the Board -- well, actually, we've come before the Board several times. But one time in particular, I remember us saying that by combining phases of NEON, putting multiple phases together actually saves us hundreds of millions of dollars. Throw-away cost, user cost. What else (inaudible)?

Nellis: There's also value engineering.

Hoffman: Value engineering. So we tweaked, retweaked. So by putting four phases together, in this case, saves the taxpayers hundreds of millions of dollars and saves them thousands, if not hundreds of thousands, of delay time to freight, motorists mixed in with the crash piece of that, there's substantial savings here from doing these four phases together.

Now, I will say we would not be standing here today asking to -- you know, making a recommendation to bond if it wasn't for P3. P3, the unsolicited proposal from ACS, is what made this happen. We would have not been this innovative, trust me, if it wasn't for them coming in the door and saying we think this is a great project; combine many phases.

So with that, I will let Robert take -- do you have the next one?

Nellis: Thank you, Governor, members of the Board. For the record, Assistant Director for Administration, Robert Nellis. And to put this slide into context, going back a little bit to what Deputy Director Hoffman stated, when we were working with the Treasurer's Office, we asked if we could --

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because the sale of the \$100 million right-of-way bonds were so successful and we received such a good rate, we asked if we could work with their consultants, (inaudible) to run some scenarios for us online. And so we asked for eight different scenarios to be run. These are the first two.

And in the blue line, which is hard to see for the audience, I'm sure, the first line is the \$500 million base case scenario for construction bonding debt alone, just construction bonding. But we also went with the red line, which we believe is closer to, you know, what contingencies and such would be, a little closer to the \$540 million mark. So that's the second line that you see there. Now, both those scenarios -- really what we're trying to show here is neither one of them exceeds the 3x maximum annual debt service line, which is the green line at the top. Why that's so important is that line allows us to maintain our AAA credit rating that we received when we sold \$100 million right-of-way bonds and we got that AAA credit rating with S&P. So both these scenarios would keep us within that nice credit line.

Now, it's been brought up, you know, several times, of course, on the affordability concerns. What's the concern? Can we even afford this project if the costs are substantially greater than what's projected? And the answer is yes, even with the worst case scenario. We've looked at several different scenarios and NDOT can still afford NEON and can still continue to do additional projects in Clark County, as well as the rest of the state. And we have them here in the audience today. We brought in our risk analysis consultants, our bonding consultants. We have the Treasurer's Office up in Carson City. Working with them has just shown us that bonding provides us the greatest flexibility against any unknown future risks and outcomes, which is what we'll look at on this next slide.

Basically, what this shows is we still have the 3x maximum annual debt service line. That maintains our AAA credit rating. We've talked several times about wanting to stay under a maximum annual payment of \$100 million per year. That's that upper level, and that's the line where -- essentially our comfort zone. That's where we've historically had our highest bond payments. Once we start going over that \$100 million annual debt service line then it gets a little uncomfortable because maybe there are some projects that we can't do in the rest of the state. So we want to stay under that level. And you can see what -- even if we had in the blue there -- I know it's hard to see with all (inaudible). But with the 50% cost increase, we would still just touch the 3x maximum annual debt service line, even if there was a 50% increase in unknown costs for the project.

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A potential disastrous scenario, man-made or otherwise, I like to think of that as the red line, that's where we push up over that 3x maximum annual debt service line. Now, we would not have to do that. That's just showing if we want to stay on schedule with the project and complete the project in the same number of years that we talked to the Board about. But if we want to stay under that 3x maximum annual debt service, we got into a disastrous scenario, there's additional unknown increased costs, then we'd have the option of staging the bond sales further out so we could keep that red line smooth, bring it down below the 3x maximum annual debt service line. So that's always an option the Board could implement in a worst-case scenario. I believe was Cole going to talk about the schedule.

Mortensen: All right. Well, for the record, my name is Cole Mortensen. I'm the project manager here, and what I'd like to do is just quickly go through what our anticipated schedule would be for a design-build delivery. And what you see on the presentation right now kind of shows the next steps that we have to go through. There are statutory requirements that the Board needs to take action on. But then we'd be developing the RFQ over the next month or so and get that out to industry, await responses while we're developing the RFP. We would have the RFP issued around May of 2015, and allow the response and evaluation period, hopefully getting a selected closure on board in about September of 2015, and then we would anticipate going to design and construction right around the first part of the year of 2016. So...

Hoffman: So NEON is the largest project in the history of the state, capital project. Certainly the biggest road project in the state. Bonding is more affordable than projected. When originally projected there were a lot of things that were going on that we were monitoring and tracking all along that not until recently did we actually start adjusting for those things and really talking and rolling up our sleeves and trying to get to the heart of the problem. Top benefits the P3 procurement have eroded, okay.

So when we originally ran this a couple of years ago, it was head and shoulders far above P3. Things have changed. Talked about the right-of-way, the investments in Nevada, the great rate we got on -- interest rate we got on our bonds. Things have changed, okay. So bonding provides the greatest flexibility to control the right-of-way acquisition schedule. We talked about that. A little bit more nimble. A little bit more flexible to move and issue bonds based on, you know, what we're seeing with the acquisition schedule. Timing of the bonds and the matching of the payments, very similar thing. We have control. We have flexibility there in

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the O&M and life cycle schedule. We can push things out, move things back, do what we need to do. It's a lot more flexible. So we're respectfully requesting that the Board approve Project NEON for design-build bond procurement. (Inaudible) are...

Malfabon:

Governor, if I may make some closing comments, too. Definitely, this is a momentous decision. It's a big decision for the Board. This is the largest project NDOT has ever delivered under one procurement, and it's here in the heart of Southern Nevada, in Las Vegas. And we have not taken our responsibility lightly to the Board and to the public taxpayers, and we've conducted our due diligence. Early on we established the financial goals that Bill covered for the project. We will meet those goals under this procurement method. We know the project is needed, as Bill covered in the presentation.

When I pushed the team to keep investigating design-build with bonding, there were a lot of questions; are we going against what the Board directed us to investigate? And I think that the Board was very clear that they wanted to make sure the project is affordable, and we've shown that with this delivery method it is affordable. Are we wasting the efforts spent on developing a P3? I believe on the contrary the Department, as a whole, has a better understanding of public-private partnerships. We had to draft performance specs as part of that process, so we had to go through a lot to develop those. And those are still worthwhile work products that were developed under this P3 concept. We developed the requirements for the performance of operations and maintenance by a contractor, and this effort is not wasted.

Throughout this effort, our project manager, Cole Mortensen, has been exemplary. He's been in a tough situation as a result of this dual track of investigating bonding versus P3, and he has risen to the challenge. Another person I'd like to thank is someone that has not worked in the limelight as legal liaison. Ed Miranda has worked to bridge the gap between the AG staff, outside counsel, right-of-way project management, and financial management. He also worked closely with the technical subs on the Laura Fitzsimmons' contract to look at the effects of PISTOL on right-of-way acquisition and how the Department can mitigate those effects.

We're committed to delivering this project and it's a great project with many benefits. As you've seen from Cole's presentation, we can afford bonding. We also have the option to directly apply for a TIFIA loan as an alternative.

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It also makes sense to be a bit more cautious about entering into a public-private partnership with a 35-year term, given that Congress has not even decided on a long-term solution to fund transportation in the United States. Although it's unlikely, Congress could decide that the states will receive federal funds equal to what the federal government has taken in from the federal gas tax. That would result in a 30% cut.

Cole worked hard to mitigate the right-of-way risk on this project, and we have a lot of parcels to acquire. And I can guarantee that we will always receive -- I can't guarantee that we will always receive favorable decisions from a court on eminent domain cases. The schedule for NEON has always run through the right-of-way acquisition process. We have a much better understanding of the right-of-way schedule and risks, and a bonded design-build project will tie in better with this schedule for acquiring right-of-way.

Given all these factors, I'm recommending that the project move forward as a design-build bond project. That concludes my remarks, Governor.

Sandoval: All right. Thank you, Mr. Director, and thank you, Mr. Hoffman. You've completed your presentation...

Hoffman: Yes, sir.

Sandoval: ...as well? What is the estimated out-the-door cost of Project NEON?

Hoffman: Cole, can you answer that, please.

Mortensen: Right now, in total for the scope of work that we're talking about, including right-of-way, including the (inaudible), including utility relocations we're at between \$700 and \$800 million is what our estimate for this scope of work is. For the total package that this -- done as part of the EIS, including the later phases, we're still looking at probably between \$1.2 and \$1.5 billion.

Malfabon: Let me clarify, Governor, if I may. The construction value -- which we feel that we have a pretty good handle on -- we did an independent cost of that construction value for the contract. It's over \$400 million. In a design-build procurement, you would have to add in roughly, you know, 7% to 10% for the engineering of that. We think it'll be quite competitive. So we're about \$400 million in the P3 -- I mean design-build procurement. I don't know if you add in all the right-of-way costs, definitely it's up in that area, because we -- the Board previously approve \$150 million under Phase 1 acquisition and this \$100 million bond for Phases 3 and 4 acquisitions. So that's \$250

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million for right-of-way and probably \$400 to \$450 million for the design-build project. Plus, the engineering that we paid for development of the process to date, and our advisors gets to that number that Cole was mentioning.

Sandoval:

All right. All right. Thank you. And just to try to get perspective, I mean we've been talking about this for over two years. And I'm of the absolute school this is not an "if" proposition. We have to do this. This community needs this. The state needs this. So the issue is how we're going to do it, when we're going to do it and how much it's going to cost. And this P3 was something that was new for the state and something that was introduced to the state. And I felt that it was this Board's duty to explore the P3, because again, this is the biggest decision this Board will make in the history of Nevada, when it comes to construction of a road project -- 150 years. I'm not one for drama, but we really do need to understand what's going on here. And so we have a duty to the people of Nevada to make sure that as we go into this that we have no questions; that we have a firm understanding of how it's going to be built, how it's going to be paid for, what it's going to look like, how it's going to benefit the people of Southern Nevada, and what it will do with regard to improving the quality of life, as well as the economic development in our future plans as we move forward.

Now, there are some, and there was a public comment today, two years ago, you know, essentially the presentation was P3. That's the way to go and this is what we should do, but I think Mr. Hoffman and others did a good job of -- as we've moved on and heard all the evidence, all the information, I think the world has changed. The ground has shifted beneath our feet in terms of interest rates and the best delivery method. You know, I'm still pleased and excited that originally when we were looking at this project we weren't looking at a completion date until 2030. And that was the benefit and attraction of this P3. As you said, we can combine these phases and we can get it done by 2020. And we can't do that in the traditional method. But now, having gone back to the drawing board with this bonding, we can do that, and we can do this in a way that we could never have done this before.

So, you know, as I'm certain that the other members of this Board are going to have comments, but I do believe that we need to push forward, regardless of what the decision this Board makes in terms of what we've been presented today. But we can't wait any longer. We are still on schedule. My understanding is whether we were going to go with the P3 or this. We are still within the range of what we thought we were going to be. So if this

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Board makes its decision today, we can have this project done in a timely manner.

The other thing that provides me comfort here is even if there was a catastrophic issue associated with this project, it does not create any jeopardy for any other projects across the state. And God forbid that we had something that increased the cost of this project by 70% -- or 50%. But even given that that happens, we can still do this. Again, I think that really demonstrates, on behalf of the Department, a lot of hard work in terms of making sure that we're going to be okay, and we do get the best of all worlds in this case. We get a project built and we are able to afford it and continue these other projects that we do across the State of Nevada.

So I am really grateful for the hard work that has gone into this, and you should have put a lot of hard work into this, because of what's at stake here. But I have no further questions. Again, I don't know, perhaps I'll start with the Controller...

Skancke: (Inaudible).

Sandoval: Okay. I'll go from the Controller to Member Skancke and then come back from this other end of the table. Madam Controller.

Wallin: Okay. Thank you, Governor. Thank you to the NDOT people. Great presentation. Yes, this is a huge project, right, and I'd like to -- I think this is probably going to be Cole or Bill -- to kind of talk a little bit about the ramp braiding. Is that similar to what we call those collector lanes that we have from I-15/215? And if it is, are we going to have one lane to enter onto the freeway or is it going to be two? That's my first question, so go ahead and answer that one.

Mortensen: Oh, great. For the record, Cole Mortensen, Project Manager. The ramp braiding will be similar to what we've seen on the I-15 South where it kind of goes into a little bit of a collector/distributor system. There will be the capacity to handle the traffic going onto I-15 (inaudible).

Wallin: So you'll have two lanes that'll be entering (inaudible)?

Mortensen: I'd have to look at that, but I believe it is two lanes.

Wallin: Okay.

Mortensen: Yes.

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- Wallin: All right. Because I know that I struggle with the 215 collector lanes onto I-15.
- Mortensen: And I think that John could speak to that, but I think one of the issues there is we didn't have the capacity under the Tropicana structure. And so that's something...
- Wallin: So the two (inaudible).
- Mortensen: ...that we're currently looking at doing to improve that stretch of road...
- Wallin: Okay.
- Mortensen: ...(inaudible).
- Wallin: And then my other question is talking about the HOV lanes, because we have HOV lanes on 95 already, but we don't have HOV lanes on I-15. We have the express lanes that you can drive in them just with one person in there, and trucks can drive in them. So those express lanes now are going to become HOV lanes?
- Mortensen: There will be one HOV lane and then the other will be converted to a general-purpose lane.
- Wallin: To a general-purpose. Okay. So we're -- okay. Because that was my big concern that we would have two HOV lanes and then no additional passing...
- Mortensen: Yeah.
- Wallin: Okay.
- Mortensen: No, it'll be one HOV lane and one general-purpose lane.
- Wallin: That helps me with that as well. And then I just have a question on your slide here, your traffic slide, statewide comparison June 2007 and June 2012. I'm trying to figure out what I'm looking at here. On here you've got, in the red line, is that through 2012?
- Mortensen: Yes, that's the crash rate between those years...
- Wallin: Okay.
- Mortensen: ...between June of 2007 and July of 2012.

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- Wallin: But then down here, state average, you have 2010? So we don't -- you're not...
- Mortensen: Yeah, I believe that that was the data that they pulled when they put the chart together. It's still significantly higher than...
- Wallin: Okay.
- Mortensen: ...the routes that we (inaudible) on there.
- Wallin: Okay.
- Mortensen: The other thing in this route that is somewhat significant is that if you look at those values and this crash rate, the routes that are -- or the lines that are still in blue are routes that we haven't had recent information, but all the routes in green have had some sort of work done on them recently.
- Wallin: Okay. That's good. And then I guess my one other question, and it's dealing with the HOV lanes, all right.
- Mortensen: Mm-hmm.
- Wallin: How much traffic do we currently -- how many people currently use the HOV lanes on 95?
- Mortensen: John, I'll let you -- he's been more active in that study. We actually do have an active study going on with the HOV system and a (inaudible) for that, but (inaudible).
- Terry: Once again, John Terry, Assistant Director for Engineering. The simple answer for the HOV lanes on U.S. 95 is not enough. We know we're not getting enough capacity using those HOV lanes for two major reasons. The capacity on the lanes isn't that bad in the improved section of U.S. 95 that warrants crossing over three lanes to get in just to cross over three lanes to get back in only six miles. So we had a presentation on the HOV study. We project that when this project opens the HOV system will be used much more extensively for two main reasons; it has a much longer system which makes it more viable, and as a part of Project NEON, there's direct access ramps to get you down into an area that you want to get to, which is the NEON connector roadway that gets you off of the HOV lanes without having to weave across traffic. So...
- Wallin: Okay.

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- Terry: ...comparing it to the existing U.S. 95 HOV lanes, which are frankly a little too short to be viable HOV lanes, is really not fair. We project there will be far more usage of the HOV lanes in the future.
- Wallin: Any idea of a percentage increase or increase in number of cars?
- Terry: We project that the HOV lanes soon after opening will be over 1,000 in the peak hour, and that by 2025 we won't exceed the current capacity of an HOV lane, which is about 1,600 vehicles per lane that we actually looked at when we might have to go to more than that. So we project reasonable capacity in those HOV lanes. The maximum capacity is about 1,800 to 2,000 in the HOV lanes. But we think we'll be 1,000 at least when it opens and moving closer to 1,600 in the near future.
- Wallin: And I just, you know, I want to just also agree with the Governor. I know that we started down the P3 path and as you guys did your due diligence and we learned more, we learned more about sculpting the bonds, which saved us a lot right there, that we can do that for this project as well. You know, I think that things have changed and I do know that the current treasurer has a bill draft request in to go and get the bonding for 30 years instead of for 20 years for highway projects. So that is also something to -- I know your numbers here don't have -- these are 20-year bonding, right?
- Malfabon: Yes. Correct.
- Wallin: Yeah, 20-year bonding versus the 30, which even changes it as well. And I think the risk that we have in purchasing right-of-way, if you did the P3, I think we'd be putting the state at a much higher risk if we don't get that right-of-way bought through at the time that we think. And then also that maintenance part there, what happens if we're short of funds and we have to keep making that payment year after year. So I'm leaning towards doing the design-build bond. Thank you, Governor.
- Sandoval: Thank you, Madam Controller. We'll move to Member Skancke.
- Skancke: Thank you, Governor. Outstanding job. I think your presentation was very thorough. The information that you provided to the Board was exactly what we needed to hear. Having been someone who spent 25 years in the transportation arena and an advocate for public-private partnerships, I think there is something -- you have to look at as a tool that each state and the federal government needs. We worked very hard to get that legislation passed to allow us to even consider this mechanism. I think because of that

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we've looked seriously at all of our options. And I think the recommendation you've brought back to the Board today is the right recommendation.

The world has changed. The market has changed. The environment has changed. When I testified before the Interim Finance Committee a few months ago, I made a commitment -- in fact, it was before I was even appointed to the Board, that this Board would do the right thing to be fiscally responsible to the taxpayers in the State of Nevada, and that we would carry out that mission as a Board. And I think we've done that by looking at all of our options.

I think it's important to point out and, Bill, I thought it was great that you pointed out the connectivity of this project to our economy. Our economy is improving in Southern Nevada. In fact, our organization reported a few months ago -- or last month, 3,500 new jobs have been created in the last nine months in Southern Nevada. That's because of the leadership demonstrated by the Governor and the Governor's Office on Economic Development, and that's why this project is so vital to our economy here in Southern Nevada. This is the last piece of creating an infrastructure system that will move and participate in the \$17 trillion economy the United States of America produces every year.

If we don't do this project, it affects the entire system from Sweet Grass, Montana to San Diego, California. We're the last bastion. We're the holdout. And I don't think the Governor's Office on Economic Development or my organization can deliver on the commitment that we've made to this community if we don't move forward with this project, and the funding mechanisms that you've provided. We move 300,000 people a day on and off Las Vegas Boulevard that work to drive this economy. They need a better quality of life. This is a gap that needs to be fixed. And so as we look at regional mobility and connectivity, moving that workforce to their workplace is critical to their quality of life.

The Regional Transportation Commission -- I see Commissioner Brown who's the chairman of the RTC is here today. A good friend of all of ours. They have embarked upon a regional business plan of how we fund the Resort Corridor improvements. This is a critical piece to that. So I think you've looked way beyond probably the necessary scoping for this to look at all the options. The downtown project, the City of Las Vegas Medical District is right smack dab in the middle of this project. And so I think the

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recommendation that you've made today for this Board to consider is the right recommendation. And, Governor, I'll tell you now that I'll be supporting what the staff has presented to this Board today. So thank you.

Sandoval: Thank you, Member Skancke. Member Fransway.

Fransway: Thank you, Governor. And thank you, staff, for what you've done over the last two years. By exploring P3 as an option, we did not waste any time, but rather it was time well spent. This Board needed all of that due diligence to make a decision. I am convinced that this project needs to be done and it needs to be completed on a pretty aggressive time frame. We reserve the right to change course and it's our duty to change course if we feel that the course needs correction in order to keep from a (inaudible).

And this decision that we're going to make today will be a decision that is going to affect the State of Nevada for many, many moons. And the state is comprised of different elements that create one team. And it was extremely important and it was my criteria and my own line to make sure that if this project was funded and constructed that it would not affect projects throughout the rest of this state. And I am convinced that that is the case, and we need to go forward with this. And I, like Member Skancke, is going to vote in favor of changing course. So, Governor, that's my comment.

Sandoval: Thank you, Member Fransway. Member Savage.

Savage: Thank you, Governor. And first of all, I want to sincerely thank Mr. Director, Mr. Hoffman, entire staff, Mr. Nellis, Mr. Mortensen for your due diligence and hard work and looking at all the different angles to make this work best, and Mr. Gallagher as well. I know this Board meets every month, and thank God we do because we keep our hands on the wheel. And we have to be flexible and we have to understand it is a changed world, and we would not be fiscally responsible if we did not go with the design-build bond. This is a cost savings to the State of Nevada, and the State of Nevada is the big picture, even though this occurs in Las Vegas. Las Vegas needs this. The people of Las Vegas have supported it and will continue to support it. It's a 95% federal reimbursement versus the 65. That's huge.

The State of Nevada is better off and more familiar with construction. We deal directly with contractors each and every day with this Department. And banks, developers and financiers we do not. My comfort level, Governor, is to proceed with the design-build bond procurement method. Thank you.

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- Sandoval: Thank you, Member Savage. Member Martin.
- Martin: Really not much left to say, is there?
- Sandoval: That's all right.
- Martin: The only thing I can say is that as an entrepreneur, which Len and I and some of the rest of the members of this Board, as an entrepreneur I always have to change -- look at a change in landscape. And in the beginning, I was a huge proponent of the P3. As the landscape started to change, I was the person that drug my foot the most. Over the course of the last 60 to 90 days, that landscape changed very, very drastically for me. So as an entrepreneur, I have to take a look at what would be best for my company based on that landscape, and as a member of this Board, we all have to look at what's best for the citizens, the taxpayers of the State of Nevada. What is the best delivery method? I will also support the design-build bond process.
- Sandoval: All right. Thank you, Member Martin. Question for legal counsel. So the way this is agendized, do we need to take action?
- Gallagher: Governor, regarding Agenda Item 13, based upon the Board members' comments, I think there are three options available. One option would be nobody makes a motion so it fails. The second option would be somebody makes a motion to approve. There's no second, it fails. The last option is somebody makes a motion that's duly seconded, but it doesn't get a majority. I think those are the three options. And then once this Agenda item is disposed of, the Board should turn its attention to Items 14 and 15.
- Sandoval: All right. Thank you. And one last question from me. We had Mr. Pelnik, who provided public comment at the beginning of this meeting. And I don't know if you, Mr. Hoffman, had an opportunity to look at the testimony that he presented. In my opinion, you've responded to the issues that were raised in that document, but I don't know if you wanted to say anything specifically with regard to it.
- Hoffman: Well, thank you, Governor. For the record, Bill Hoffman, Deputy Director. And I would like to make a comment specifically towards Thomas Pelnik. As I said before, we would not be standing here before you today with such a great project if it wasn't for ACS and that team and all the work that they've done on this project. That goes to say that the other two developers that are, I'm assuming, still working on, you know, or hoping that there was

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an RFP released shortly for a P3 project. I'm sure they're probably not happy with this either.

But I will say that if it wasn't for ACS and making an unsolicited proposal, if it wasn't for the other developers that have rolled up their sleeves and sharpened their pencils and started putting proposals together, there's no way we would be here today. So investigating public-private partnerships has made Nevada DOT much, much stronger. And I feel that we've uncovered every stone that there was to be uncovered to move forward with the very best solution in terms of the taxpayers of the State of Nevada.

Sandoval: Okay. Thank you, Mr. Hoffman. And Board members, any other questions or comments?

Fransway: I've got a motion for you, if you would like, Governor, that I believe we can move on.

Sandoval: All right. Member Fransway.

Fransway: Governor, Board, I would move -- due to the negative financial impact discovered in comparing the P3 option to the design-build bond funding option, I move to decline to proceed with Project NEON using the P3 method of financing, and proceed to Agenda Item No. 14.

Sandoval: We've heard the motion. Is there a second?

Martin: Second.

Sandoval: Second by Member Martin. Question for counsel. That would be option number four, I would imagine.

Gallagher: Yes, I believe it would, Governor.

Sandoval: Okay. So we have a motion by Member Fransway, a second by Member Martin. Any questions or discussion on the motion? If there are none, all in favor of the motion say aye.

Group: Aye.

Sandoval: Opposed no? Motion passes unanimously. Let's move on to Agenda Item No. 14. Mr. Director.

Malfabon: Thank you, Governor. The NRS requires that when the Department is going to do a design-build project that the Board has to support that and we have to meet certain criteria. We believe that by the presentation of Agenda Item

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No. 14, we present the case for meeting those criteria of a design-build procurement for Project NEON.

Just briefly, the design-build process is allowed when costs will be significantly lower, when the time frame for delivery of the project can be shorter than traditional methods, and that we can address a highly technical and complex project. We feel that we meet all three criteria with this project, and we respectfully request Board approval of use of the design-build process for delivery of Project NEON.

Sandoval: Okay. Thank you, Mr. Director. And for the benefit of the Board members, under Agenda Item No. 14, the elements of NRS 408.388 that specifically delineate what the Director just pointed out in terms of findings are here in front of us. In my opinion, the presentation that is made has satisfied at least my requirements in terms of making that finding within the NRS 408.388. But I'll leave it to the other Board members if they have any questions. If there are none, the Chair will accept a motion.

Skanccke: So moved.

Fransway: Mr. Chair, I would move...

Sandoval: Wait just a sec.

Fransway: Oh.

Sandoval: Member Fransway, we have a motion...

Fransway: Oh.

Sandoval: ...from Member Skanccke.

Skanccke: That's fine. I'll defer to Member Fransway if he wants to (inaudible).

Sandoval: Okay. Please proceed.

Fransway: Okay. Thank you. I would move that pursuant to NRS 408.388 and 408.3881 that the Board determines that it is in the best public interest to proceed with Project NEON using the design-build bond financing mechanism, and to proceed with Agenda Item 15.

Skanccke: And I'll second that.

Sandoval: Okay. Member Fransway has made a motion. Member Skanccke has seconded the motion. And, again, as the Director has stated, this Board

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needs to make a finding pursuant to NRS 408.388 that the Department has-- (A) that the estimated cost of the project exceeds \$10 million. Well, we met that one. That the design -- or that the contracting with the DB team will enable the Department to design and construct the project at a cost that is significantly lower than the cost the Department would incur to design and construct the project using another method; (2) that the design and construct of the project in a shorter time than would be required to complete the project using a different method; and (3) ensure the design and construction of the project is properly coordinated if the project is unique, highly technical, and complex in the nature.

And then just for purposes of the record, NRS 408.388(1) requires that before the Department may use the DB method, the Board must make the determinations required to 408.388 at a public meeting. Just want to make sure that we've satisfied all that.

Gallagher: Yes, Governor, I believe the Board has satisfied making those findings at a public meeting.

Sandoval: All right. Thank you, Mr. Gallagher. So we do have a motion and a second. Any other questions or comments? If there are none, all in favor please say aye.

Group: Aye.

Sandoval: Opposed no? Motion passes unanimously. We will move on to Agenda Item 15.

Malfabon: Thank you, Governor. As we have decided to pursue the project as a design-build project, we also had recommended and received the Board's support for the idea of bonding. This formalizes that approval of highway revenue bonding for Project NEON. To give you an idea of the process, if you think back to the issuance of the \$100 million bond for the right-of-way acquisition for Phases 3 and 4 of the project.

Typically when NDOT considers bonding it's in our biennial budget request. For that \$100 million bond, it was in a transitional period, although we had informed the legislature that we would be holding that open to come back to them for that request. In this case, we're in the right time frame for inclusion of bonding in our biennial budget request for consideration by you, Governor, and by the legislature at the session in 2015.

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So to look at the process indicated in Item No. 15's memo. Should you approve this bonding to go forward, the bond amounts will be included in our biennial budget request, then you get to review the budget request from all state agencies and provide a recommended budget to the legislature. Eventually, the legislature approves that budget for the all state agencies, and then the Transportation Board would be requested to approve a bonding resolution for bond sales when we have a specific bond request to go forward for Board consideration. Ultimately, the Board of Finance approves the bond sales and then those bond sales are conducted by the Treasurer's Office.

Currently we're anticipating about \$180 million in our next biennial budget request, subject to some modification. But we're thinking ask for a request to \$100 million in state fiscal year '16, and \$80 million in state fiscal year '17. We're just getting into the point of eating into the \$100 million bond that was issued for right-of-way acquisition. We have a lot of parcels to acquire still to expend that money. So we think that cash flow-wise that it'd be good to anticipate about \$180 million issuance over the next biennium in our budget request. But as I said, the specifics will be coming back to more specific Board approval as action items.

Sandoval: Mr. Director, so it gets into the Governor's recommended budget, it goes to the legislature. The budget, obviously, isn't approved until the end of the legislative session. What happens in between, assuming ultimate approval of those bonds?

Malfabon: Well, currently we have the ability between the \$100 million bond -- currently we have about \$197 million in the Highway Fund, in addition to the \$100 million bond proceeds. So we have a lot of leeway there to expend money until the end of this session for acquisition of right-of-way.

Sandoval: And I ask that question just to make sure that we know that the project isn't going to be waiting for legislative action.

Malfabon: Yes, Governor. And the other point to make is that we receive -- when it's federally eligible, we receive the reimbursement in a timely manner from the feds, given that they've extended the highway bill through the end of May. So that covers the bulk of that period of time.

Sandoval: Questions from other Board members? Member Skancke.

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Skانعke:

Thank you, Governor. On the right-of-way, I think it's really important for this Board to maybe have a conversation or maybe send a message that we -- again, we have a fiduciary responsibility to the taxpayers of this state to be good stewards of the Highway Trust Fund. And I think just to write a blank check for right-of-way acquisitions sends a really bad message to the people that are paying every day into the Highway Trust Fund through their fuel tax dollars. I have driven up and down I-15 like everyone in Southern Nevada a hundred thousand times in the last year. And I'm appalled that there are billboards along I-15 saying if NDOT's taking your land hire me because -- not to pick on lawyers, but I will for a second, because I'm not one. They think that we have an open checkbook because we're the Department of Transportation and we generate fuel tax dollars.

Those are hard-working dollars of the people of this state that contribute to the Highway Trust Fund. And I think for people to holdout and hold projects hostage, if you will, and to try to jack up the price of land while we're trying to do the right thing here as a Board, and appointed officials by the Governor to do the right thing for the people of the state is just appalling. So we don't have an open checkbook. The federal government signed another continuing resolution to give us until May, but they're not taking any action on any long-term infrastructure funding or provisions. And it's not going to happen in May. It's going to be another CR. They're going to continue this to 2017.

Holding our hands hostage or handcuffing ourselves to try and think that we're going to hold out. I just think sending a message, Governor, to the people of this community and the state that it's carte blanche for right-of-way acquisition is just wrong. I think that these billboards and advertising is just wrong. These are people that work very hard. This community, as a whole, has been demoralized by this recession. We're making substantial gains because of your leadership, Governor, and economic development, the leadership on this Board. And to send a message that we just have the money in the world to do this is wrong.

So I'd like to recommend that these right-of-way acquisitions come back to this Board at a certain funding level. What that level is I'm open to suggestions. But I think if we talk to -- if it's around \$200 million or \$250 million, I think that's all we have. For us to sit there and say that we've got all the money in the world that just sends the wrong message. I don't know if that legally binds us, Mr. Gallagher, to anything but I, for one, cannot just sit here and support writing a blank check for right-of-way acquisitions. I'm

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not saying that I don't trust you all in your jobs. I think you do an outstanding job and you all know how I feel about that. But I think these things have to come back to this Board for approval, and I think the public needs to know what the financial and fiscal impacts are of these acquisitions as we move forward. Thank you.

**Malfabon:** Governor, just to directly respond. We would plan to do the same thing that Cole Mortensen has done all along on tracking where he is on his budget for right-of-way acquisitions in Phase 1. There's several more parcels that -- over 100 parcels to acquire in the subsequent phases to deliver as part of this project. And we believe in transparency, informing the Board on a regular basis of where we're at with that right-of-way acquisition schedule, where we're at with some of the cases. We're very considerate about what we settle and what we want to take to court to fight when they're -- when we feel that the property owners -- or their legal counsel are being a little bit unreasonable. We also look at what's going to be settled -- or reimbursed by the federal government, as well.

There is a very strict process for acquiring right-of-way. We follow that process very strictly in order to have that eligibility for federal reimbursement.

**Skanke:** Governor, if I could. Rudy, I'm not counting on the federal government to do anything. If we place all of our eggs on the federal government reimbursing us, I think that's a bad strategy. They're not going to act. They're just not. What they just did before they recessed is just another can kicked down the road. I don't think we can depend upon reimbursements from the federal governments. I think we have a responsibility to move forward with an understanding that we may get reimbursed by the federal government. But I don't see any leadership at that level to change what they're going to do in transportation.

I think this Board has to be -- and I think that the action that we've taken today is fiscally prudent. Maybe this is my own personal soap box. I just don't think we need to send a message to the public that this is an open checkbook. It's not. We have a limited amount of funds that are in the trust fund that we have to work with here. And I think -- I'm not saying that the Board isn't responsible. I just think that these items with this substantial expenditure, the Board needs to see them either on a regular basis or I'd even make a motion that we'll restrict the amount of money we spend.

**Martin:** I'll second it.

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Skanccke: I'm adamant about that. I'm adamant about it.

Martin: Governor?

Sandoval: Member Martin and then the Controller.

Martin: Tom, thank you very much for introducing a really difficult subject. Rudy, you and your staff have done an exemplary job, I mean just phenomenal job of putting all this stuff together, and I really commend you. I know the rest of the Board commends all of you for the great job that you've done. Mr. Nellis, I was extremely difficult on you at the last meeting, making sure that we had all the right numbers and everything lined up. Thank you very much for providing that.

I believe in this right-of-way struggle and, like you, I get tired of looking at those billboards as well. I believe in this right-of-way struggle there has to be a clear direction from the Board that kind of puts down the law that says we're not going to take it anymore, and we're going to establish a limit that says we've got this pot of money and first one at the feeder gets it and last one to the feeder pretty much gets left out. I believe firmly that we, as the Board, need to do what is fiscally correct for the taxpayers in the State of Nevada, and limit the amount of money, at this point in time, that's available for right-of-way acquisition. Thank you.

Sandoval: Thank you, Member Martin. Madam Controller.

Wallin: Yeah, I appreciate Member Skanccke's comments and Member Martin's comments, because I struggle with this right-of-way issue as well. And to Member Martin's comments saying, well, if you're first at the feeder you get it, if you're at the end you don't get it. Well, what I'd rather see is, you know, people should be paid a fair price what their property is truly worth. All right. But that doesn't mean they should get paid more than what it's worth just because they can, just because they have an attorney who can get more money for us.

And, Tom, are you talking about maybe saying maybe the message goes out that here's how much we're going to use for -- you know, we sit down. We'll have the tool that Ms. Fitzpatrick [sic] did for us -- or Fitzsimmons did for us. And we'll sit down and say, all right, here's how much we estimate it's going to be. This is how much we're going to spend and if we start spending more than that maybe the message goes out we don't do Project NEON. We can't. We can't afford it. I think we have to, you know, and

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then people say, well, I guess it's the attorneys that caused Project NEON to go down when you're sitting in traffic. Maybe we need to have a billboard that says you're sitting in traffic because the attorneys have been charging too much for right-of-way. I don't know. So I agree. We have to start taking a stronger stance, because we won't be able to afford this project if we have an open checkbook.

Martin: That payback we heard of \$2.9 billion will start going down as our costs start going up.

Sandoval: Other comments? Member Savage.

Savage: Thank you, Governor. And I'm along the same lines as the rest of the Board members. Right-of-ways are very, very important and I have complete faith in what the Department and staff have been doing. And I know the timelines as far as construction have to be met. And the burden is resolving these issues as soon as possible. And like the Controller and Mr. Skancke and Member Martin have said, this is imperative that this job be done. And the people need to understand that they're going to be the ones causing the delays if this project doesn't get done, and public safety could be jeopardized further if they continue to delay and want more. That's all I have to say, Governor. Thank you.

Sandoval: Thank you, Member Savage. I'm looking at counsel. So we have this process by which we get appraisals and that's typically the benchmark of where we go when we make these offers. And then let's use Jericho Heights as an example. We did an appraisal and that appraisal came back at \$330,000, somewhere in there, between \$300,000 and \$400,000. And the demand back was \$120 million.

Gallagher: There was a countersuit there, Governor. I don't want to bore the Board with the details, but the lower appraisal amount was for the property that the Department needed for the project. The landowner countersued the state and said, "You by your actions have prevented me from developing my entire parcel, damaging me to the tune of \$130 million (inaudible)."

Sandoval: Yeah. And we don't need to get -- I think the point I'm making is there's typically a huge gap there. And I agree with the other members, and it's obvious for the members of the public the frustration that happens here is because there's a lot of due diligence that has been accomplished. We have a budget. We can get this project done and then we get stuck because of the gap. And then we, just in the interest of moving forward, I think, sometimes

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perhaps we do pay a little more. And there's the risk because there is uncertainty to litigation. But I guess the bottom line question is can we set that amount and say here's the budget. This is what we have. And I don't know if we can do what Member Martin said, that the last person in, and I wouldn't want to be the person owning that last parcel, if I was a reasonable person, because I'd want to get paid, as the Controller says, what's fair. That's all this Board wants is what is fair, not these inflated amounts and let's start at tens of millions above what the value is and then hoping, oh, maybe let's shoot for the, you know, the stars and maybe we'll settle for the moon. And by scaring and making these huge demands and perhaps the uncertainty of litigation and the risk, the state will perhaps pay out more than it really should. But as we go into this -- because, again, we're going into the biggest project in Nevada history, can we set some limits on the amount of budget that is available for right-of-way acquisition?

Gallagher: I believe the Board can set a budget, but I don't know that that will limit the liability of the state.

Sandoval: No, understood.

Martin: Yeah.

Sandoval: We can't sit here and say, well, we're going to put a cap of \$2 million on here, and if it goes to litigation and at the end of the day if a judge or a jury says, state, you have to pay \$5 million, that's just the way it goes. But I think that it is important, as Member Skancke has talked, and Member Martin and Member Savage, that as we go into these discussions on right-of-way acquisition that there's a known cap there that we're just not going to go any further.

Gallagher: Certainly, Governor. I mean under the U.S. and Nevada Constitutions, the landowner is entitled to just compensation, but that phrase has to be just both to the property owner and to the citizens of the State of Nevada, who are paying for that.

Sandoval: Mm-hmm.

Martin: And I don't think any of us want any more than that. As the Governor said, it's got to be fair to the taxpayer and fair to the landowner. And some of the outrageous claims that we have heard from value when these people have been sitting on some of this property for 10 years, 12, years, 15 years. They haven't developed it to that point to make those outrageous claims. It's still

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raw dirt like it was 10 years ago. And so what is fair to the taxpayer, one, and fair to the landowner, I don't think anybody on the Board has got an objection to.

Skancke: So, Governor, I would -- if you're willing, I would -- let me try this in English. It's been a long year. I would offer up a motion that we would set the right-of-way limit at \$250 million, and if our team of experts here need to come back to the Board for additional funding for right-of-way acquisition that that -- come back before the Board.

Sandoval: Okay. Before I take your motion, I see Ms. Fitzsimmons coming to the mic.

Gallagher: Well, and Governor, I'll defer to Laura. I just want to point out this is not on the Agenda.

Sandoval: Yeah.

Gallagher: So the Board should not make a decision.

Skancke: Oh, I went through all of that and I got to do it again in September?

Martin: Yeah.

Sandoval: All right. Ms. Fitzsimmons.

Fitzsimmons: Just to amplify Mr. Gallagher's comments and, of course, the Governor's and everyone else's. It's absolutely true that we can't limit liability. If a judge or a jury set a certain number we are obligated to pay that number. But one thing in the Nevada statutes, which I would just like to point out for this discussion, is under Nevada law if a verdict is too much and we can't afford the project, we can abandon, within a certain amount of time, the right-of-way. So it's not -- there are decisions here. I understand every comment that's been made, and there are mechanisms if everything just went crazy. And there are cases pending, including the Nevada Supreme Court, which could really substantially implicate the public and the taxpayers' dollars in the budget on this case. So there is that kind of failsafe available in Nevada law that is compliant with our constitution. Thanks.

Sandoval: Thank you very much. So just to be clear on what action this Board will be taking on this Agenda item, the Department is seeking approval to move forward with the process of issuing bonds in the amount of \$564 million to pay the cost of design and construction of Project NEON.

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- Malfabon: That's all in, Governor, not the biennial numbers that I gave you in our requested biennial budget.
- Sandoval: Okay. And then with regard to what Member Skancke brought -- or considered in terms of a motion. That's a subject that can be discussed at a later meeting -- at another meeting.
- Gallagher: Yes, once it's placed on the Agenda, Governor.
- Sandoval: All right. Okay. Board members, any questions -- or any more questions with regard to Agenda Item No. 15?
- Skancke: Would you like a motion?
- Sandoval: Yes, the Chair will accept a motion with regard to that Agenda item.
- Skancke: So moved.
- Martin: Second.
- Sandoval: You've got to move quick, Tom.
- Skancke: (Inaudible).
- Sandoval: And just, again, for purposes of the record, Member Skancke, have you moved to approve the Department moving forward with the process of issuing bonds in the amount of \$564 million to pay the cost of design and construction of Project NEON?
- Skancke: That is my motion.
- Sandoval: All right. And Member Martin has seconded the motion. Any questions or discussion? All in favor of the motion say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes unanimously. We'll move on to Agenda Item 16, Old Business.
- Malfabon: Thank you, Governor. If there are any questions for Dennis Gallagher on the Report of Outside Counsel Costs or Monthly Litigation Report, he's able to respond to those at this time.
- Martin: I had one -- sorry. I had one. I did a brief -- just a rundown. It looks like, at this point in time, we've got a total of \$8.3 million worth of legal fees approved for right-of-way acquisition for Project NEON, unless I did my

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math incorrectly, because we never get any of this stuff totaled up so I tried to do it. But I'm a contractor so you know how my math works sometimes. I round up.

- Gallagher: Board Member Martin, are you looking at Attachment A or Attachment B?
- Martin: Hang on one second, let me make sure. Starting on Page 1 of 3, open (inaudible) outside counsel...
- Gallagher: Okay.
- Martin: ...contracts as of June 20, 2014.
- Gallagher: (Inaudible)...
- Martin: That's where I got my \$8,322,000.
- Gallagher: That includes not only Project NEON, but Boulder City Bypass...
- Martin: Oh, no, no. I totally understand that, because you identify what's Project NEON and what is not. I'm saying Project NEON is \$8.3 million. That's what we've approved in legal fees so far for the state's counsel.
- Gallagher: Yes, sir.
- Martin: And that's different from what we approved earlier in another Agenda item, because that has to be added on to it.
- Malfabon: And one point to make for Member Martin and the Board was that one of the steps that we took was to ensure that we could program legal cost. We think that this money well spent in defense of some of these counteroffers or, in some cases, just a request with no backup from some of the attorneys representing the landowners. So we think that use of outside counsel is a good measure to mitigate the right-of-way expenses when they know we're willing to fight, and in the case of Laura Fitzsimmons' assistance on that case in Boulder City had a good outcome for us. Although it was more than what we anticipated for the acquisition of the property, it mitigated that over \$100 million of risk. So these expenses are necessary in acquisition of eminent -- I mean defending eminent domain cases in the District Court, and in some cases we have to appeal to the Supreme Court should we get an adverse decision.

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- Martin: Yes, sir. All I was bringing up is just -- and along the lines of what Member Skancke was talking about, the amount of money -- just legal fees has cost the state, the taxpayers of the State of Nevada is...
- Gallagher: And before -- Member Martin, excuse me. But I would point out, too, that Attachment A is only the fees that are paid to the outside counsel. My deputies, such as Ms. Miller and Ms. Kern, also keep track of their time, and the Attorney General's Office bills NDOT for that time. And we're grateful they pay that bill.
- Martin: Thank you for pointing that out. I understand that. But the folks out here need to understand it as well. You're not a pro bono guy.
- Unidentified Male: That's Ms. Fitzsimmons.
- Gallagher: No, I'm not.
- Sandoval: All right. Madam Controller.
- Wallin: I just have one question. This is under the personnel matters. Stan Lau; that's been on there for quite some time that says that you're seeking to collect fees and costs. Where are we at with that?
- Gallagher: We were awarded fees and costs on that. His counsel had some problems with the Bar Association. So we're continuing to pursue collection directly from Mr. Lau or if he gets new counsel we'll deal with them.
- Wallin: How about turning it over to the Controller's Office to collect?
- Gallagher: Be happy to.
- Wallin: Okay. Thanks. That's what we're there for.
- Sandoval: Right. Board...
- Malfabon: Governor...
- Sandoval: Oh.
- Malfabon: ...the final item is the Fatality Report...
- Sandoval: Yes.
- Malfabon: ...if there's no other questions for Dennis Gallagher. And just to report, I did receive the August 13<sup>th</sup> Fatalities Report. And, unfortunately, it is bad news in that we're actually higher in comparison with this date last year of

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August 13<sup>th</sup>. We're eight fatalities higher. Some of points to make is there's-- a lot of fatalities are occurring in the rural counties. Humboldt County, five more than this time last year. According to -- not the report in your packet, but what I received. It's the report of August 13<sup>th</sup>. Lander, three more. Elko, eight more than last year. Eureka, four more. Churchill County, three more. Slightly more increases in Esmeralda, Lyon, Pershing, and Storey one to two people -- more fatalities on our road.

One of the bright spots is Clark County fatalities, where the most drivers are located in the state, down 17%. We're 21 less than this time last year. Alcohol-related fatalities are down significantly. Down 47%. So we are doing some things right. We definitely have to do more work on certain areas, especially in rural Nevada. As you saw that slope flattening project that you approved today is one of those efforts that we're trying to do to prevent these run-off-the-road types of accidents and fatalities. With that, that concludes the Fatality Report, Governor.

Sandoval: Thank you, Director Malfabon. Board members, any questions with regard to Agenda Item 16? Any further questions? Then we'll move to Agenda Item 17, Public Comments. Mr. Nelson.

Nelson: Thank you, Governor. For the record, my name is Rick Nelson. I'm the Assistant Director of Operations at least until the close of business on Friday. And I'd like to make just a few comments. I've been with the Department since 1984. And when I joined the Department, I was sure I was going to have a career in engineering. I just wasn't sure I was going to have a -- be a career employee at NDOT. And I can tell you this, that over the 30 years it has been a wonderful career. Just a few numbers. In that time, I've only had four assignments with NDOT and all of them have been outstanding. I've served with five governors. I've worked for six directors. And I can tell you, I've worked with so many committed and dedicated and caring individuals here at NDOT that it's made that 30 years go by just in the blink of an eye.

It's really been a privilege to serve here, to serve the Board, the current Board and particularly the Construction Working Group that was formed. It's been a rewarding and enriching opportunity for me. And I just want to say thank you for everything that you all have done for me in my career. Thank you.

Sandoval: And, Mr. Nelson, thank you for your service to the state.

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Nelson: Yes, sir.

Sandoval: We wish you the best and I know that there are a lot of contributions you're going to continue to make.

Nelson: Thank you.

Sandoval: Thank you. Yes, sir.

Evans: Good morning. Governor Sandoval, members of the Board, my name is Ken Evans, president of the Urban Chamber of Commerce. Pleased to be with you this morning. Must say very happy to see Project NEON approved, the financing handled in the manner that it's being handled, so that we can move forward. I have to tell you as a civil engineer myself, both in the military and nonmilitary environment, as well as someone that just drives the roads I-15/95 every day myself, I'm happy to see this move forward.

The other reason why I'm happy to see it move forward is with this project and the approval of this project, it presents a lot of business opportunities. Business opportunities that I would hope that as we move forward, I can get the answer to two questions. First of all, are there provisions to have disadvantaged business enterprise, or DBE, designated businesses participate in the execution of this project, both on the design end, as well as the actual construction end? And then in addition to that, I'll ask on behalf of some of my colleagues that are a bit more directly concerned with employment. Will there be provisions to ensure that there are hours designated for training and to promote diversity in actual employment -- or direct employment for this project?

But again, I want to conclude by saying I'm very happy to see this move forward. The Urban Chamber stands ready to serve as a connector, if you will, to help answer the questions that I just answered, but more importantly, we'll await to hear what you have planned to (inaudible). Thank you very much.

Sandoval: Thank you, Mr. Evans. And I'll ask someone from the Department to meet with Mr. Evans.

Malfabon: Yes, Governor, those opportunities are available under the design-build procurement process. We need to do a lot more work in that effort to get the word out. There might be a new team formed to submit a proposal, besides

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what will happen with the current teams, as they consider to pursue it as a design-build project without the financing and O&M fees.

Sandoval: All right then. But, again, I'd ask that somebody meet with Mr. Evans and his organization to get the specifics on that. Is there any other public comment from Las Vegas? Yes, sir.

Stewart: Governor, Board, Sean Stewart, Executive Director of the Nevada Contractors Association and the Association of Contractors. I've spoken with most of you over the last few days on this issue of Project NEON. I appreciate your hard work on it. I know this is not an easy matter. I shared my concerns with you that we move forward with this project. Governor, we appreciate your enthusiasm for this project. It's very near and dear to our hearts and the hearts of our contractors who worked on this project. So I would just encourage that we move forward with this project as quickly as we can. I'd hate to lose time on such an important project. Thank you.

Sandoval: Thank you, Mr. Stewart. Any other public comment from Las Vegas? Is there any public comment from Carson City?

Unidentified Male: None, sir.

Sandoval: All right. Thank you. We'll move to Agenda Item 18, Adjournment. Is there a motion to adjourn?

Wallin: So moved.

Sandoval: The Controller has moved. Is there a second?

Savage: Second.

Sandoval: Second by Member Savage. All in favor say aye.

Group: Aye.

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

  
Secretary to the Board

  
Preparer of Minutes