

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Governor Brian Sandoval
Lieutenant Governor Mark Hutchison
Controller Ron Knecht
Frank Martin
Tom Skancke
Len Savage
Tom Fransway
Rudy Malfabon
Bill Hoffman
Dennis Gallagher

Sandoval: Good Morning ladies and gentlemen. I will call the Department of Transportation Board of Directors meeting to order. Before we begin with Agenda Item No. 1, I want to welcome our new members, Controller Knecht, as well as the Lieutenant Governor Hutchison. We're very pleased that you're here today and certainly we welcome your wisdom and your knowledge to this Board. So welcome, and if we can give them a big hand, please.

So let's commence with Agenda Item No. 1, which is Presentation of Retirement Plaques to 25+ Year Employees.

Malfabon: Thank you, Governor and Board members. I'm going to read the names and if any of those are present -- we didn't hear back confirmation that they would be present, but if they are present please make it known and we can have a photo opportunity with the Board members.

First of all, Loretta Capurro, a Staff II Associate Engineer retired with 28 years of service back in October. Jim Ceragioli, a Supervisor III in Traffic and Safety -- I'm sorry, Safety, retired with 27 years' experience. Darrell Hylton, Highway Maintenance Supervisor I, 26 years of experience. Trudy Quong, a Supply Tech II, 25 years' experience. Terri Compton, Administrative Assistant III, 26 years of experience. Hubert Hetmanczyk, 28 years of experience. He was a Highway Equipment Mechanic. And Kathleen Wemheuer, Engineering Drafter III, 27 years of experience.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

As you can see, this is quite a lot of experience out the door, nearly 190 years of experience that we're losing. And we wish them well in their future endeavors and thank them for their years of service to the Department and to the State of Nevada. Are any of those people present? Governor, if you wanted to say a few words on their behalf.

Sandoval: Well, only this. I mean when -- with my rudimentary math, I think it's 187 years...

Malfabon: Yes.

Sandoval: ...of experience that -- of some individuals who've committed literally their careers and their lives to the great State of Nevada and transportation, in the State of Nevada. And I wish they could be here, because I'm truly appreciative. I mean the least amount of time amongst this list is 25 years, and that really is something to respect and appreciate. So, I know that I speak on behalf of the people of the great State of Nevada, to thank each and every one of them for their service to our wonderful state. So thank you.

Malfabon: Next on the Agenda is the Quarterly Presentation of Awards that NDOT has received. And first is the ITS of Nevada Project of the Year over \$2 million category for the Carlin Tunnel LED Intelligent Lighting System. NDOT was awarded the ITS of Nevada Project of the Year, over \$2 million for the Carlin Tunnel LED Intelligent Lighting System. The new Intelligent Lighting System is part of the \$31 million Carlin Tunnels improvement Construction Manager At Risk or CMAR project, that wrapped up last construction season.

This lighting uses a new communications system to control the LED lighting for all fixtures, which meets the current tunnel lighting standards. This significantly reduces the operational and maintenance costs over the life cycle by adjusting the light levels inside the tunnel, to match the ambient light levels outside, providing superior visibility and safety for drivers. Other ITS items included video cameras inside and outside the tunnel, improved road weather information system, and a fiber optic cabling system.

We have some folks that may be present in the audience, but I want to go ahead and read the names of those NDOT folks involved in it, and then ask

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

those that are present to come on up for a photo opportunity after I go through the three awards. So I'll read the names. Dale Keller was our project manager for this CMAR project. Michael Murphy, who recently retired, was our assistant district engineer and acting resident engineer on the project. Nick Senrud, a Supervisor III Assistant Resident Engineer on Crew 908, was the acting construction manager. Tim Morrison, Supervisor III on Crew 908. Steve Bird was the design coordinator here in Carson City. Rod Schilling was the ITS coordinator, and Eric McGill is a designer. So, if those folks that are present could just hold until I go through the rest of the awards, we'll get you a photo op.

The next award was, again, ITS of Nevada. It was for the best...

Sandoval: Mr. Director...

Malfabon: Yes.

Sandoval: ...if I may interrupt you. I just want to be clear or let everyone know that Member Skancke is on the line. Mr. Skancke, can you hear us loud and clear?

Skancke: I can, Governor. Can you hear me?

Sandoval: Yes.

Skancke: Thank you.

Sandoval: All right. Please proceed.

Malfabon: Thank you. The next one was for the Nevada Data Exchange System. It was for the best new product or application voted by ITS of Nevada. NDOT was awarded the ITS of Nevada Best New Product or Application for the Nevada Data Exchange System, which is a traffic management data dictionary which is a standard space system developed by the Institute of Transportation Engineers, ITE. NDEX provides sharing of real-time traffic data between different ITS systems and different public safety operation centers such as NDOT road operations and Nevada Highway Patrol dispatch.

Additionally, NDEX is capable of sharing real-time data to the public through NV511 and other web-based applications for traveler information.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

NDEX was developed to provide real-time and historical transportation and weather data for use by NDOT and other agencies such as UNR, UNLV, MADIS, and NOAA, N-O-A-A. NDEX reduces multiple access points into ITS systems by providing a single collection and distribution point through web services for NDOT's traffic data.

And those of you that maybe have those applications on your smartphones, know that there's a lot of applications available to give you updates on traffic, and so this kind of simplifies the process at NDOT so that they have one point of gathering that information from our agency. I want to mention the people involved with this project. John Dickinson, Rod Schilling in Traffic Operations, Israel Lopez, and Jim Whalen, also, of Traffic Operations. So for those of you that are present -- well, after I go through this third item, then we'll have our photo opportunity here in Carson City.

The third and final award to mention is the ITS of Nevada Project of the Year Under \$2 million, and another winner for the State Route 160 at Cimarron traffic signal ITS Interconnect Project. NDOT was awarded the ITS of Nevada Project of the Year for Under \$2 million for the State Route 160 Blue Diamond Road at Cimarron traffic signal ITS Interconnect Project.

As you recall, Governor, this is the one that you approved about a year ago. We were able to get this traffic signal in in a record amount of time, and had it installed before school started. The new signal ITS Interconnect Project is part of the \$1.4 million traffic signal that was installed after a young pedestrian was struck by a vehicle and killed at the intersection. The new signal is making it safer for pedestrians and schoolchildren to cross this stretch of highway with a more reliable fiber optic cabling system.

And the folks involved from NDOT in this project; John Dickinson in Design. Marty Strganac was a resident engineer there in District 1 Las Vegas. Steve Bird, Design Coordinator. Christopher Diehl, Roadway Design. Rod Schilling, ITS Coordinator, and Jessica Goza-Tyner, Signals and Lighting in the ITS Department of NDOT.

So if those of you -- first of all, I think Dale Keller, Rod Schilling, and Eric McGill are present for the Carlin project; is that accurate? And, if the Board members would come down to the front, we'll do our photo ops for these three award projects. So first was the Carlin Tunnels for the LED lighting

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

system. The next group of people, some of them repeat, but for the Nevada Data Exchange System, John Dickinson, Rod Schilling, Israel Lopez, and Jim Whalen. Thank you. And finally, for the State Route 160 at Cimarron Traffic Signal System, John Dickinson and Rob Schilling.

Governor, with respect to the public hearing, it can occur later than 1:30, Counsel has told me, so I'm going to go ahead and go through the Director's Report and allow the Board to ask any questions. I echo your sentiments, Governor, in welcoming the two new Transportation Board members. We did have a chance to brief both of them. And as we go through the -- today's Transportation Board items, I wanted to let both of them know that feel free to ask any questions. There's no such thing as a silly question. We use a lot of acronyms. We try to stay away from that, but obviously being your first meeting here, feel free to ask any questions to both of the new members, and existing members of the Board.

Next item, please. Federal Funding update. President Obama did sign the bill that I discussed last month, the Continuing Resolution Omnibus. So we are funded through the rest of the federal fiscal year for transportation. Been some comments in the news back and forth from senate's -- senate side leadership positions, House members, whether a gas tax is on the -- or fuel tax increase on the federal level is on the table or not. Some say it's on the table. Others say that they can't support it at this time. So we'll have to pay close attention and keep the Board informed about what's going to happen, as far as funding. We do face that fiscal cliff again, expected around the August-September time frame next year -- I mean current year, 2015. So they have to take action on the expiring transportation bill before the end of May, but the funding situation is such that it requires some action before that August-September time frame in any event.

And I wanted to also mention that Congressman Crescent Hardy joins Dina Titus as a member of the House of Transportation and Infrastructure Committee. That is the committee that, on the House side, that deliberates the transportation bill for the nation. So we're pleased to have two members from Nevada's delegation on that. And Tracy Larkin-Thomason, the Deputy Director for Southern Nevada, is actually back in D.C. as we speak, and is going to be visiting with members of our delegation. She's back there for the annual meeting of the Transportation Research Board.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

With respect to the upcoming legislative session, Governor, I know that you have your hands full preparing for the State of the State speech, and I wanted to let you some of the -- and the Board members -- about some of the things that we've been doing in preparation. We have a pre-session budget hearing for the legislative money committees in the State Senate and the State Assembly on January 27th. So before the session begins, we'll present some of the highlights of NDOT's programs and budget information. Also, Senate transportation members have taken us up on an offer for a tour in Las Vegas on January 28th. We are coordinating and inviting RTC of Southern Nevada to participate in that tour, but we anticipate visiting some of the NDOT major projects in the valley. Obviously, I-11, Project NEON, the U.S. 95 widening, and take a look at other major projects that are funded locally down there, and answer any questions from those state senators.

The Senate Transportation hearing has been, for NDOT, providing an overview has been scheduled for February 10th. And we will doing that in concert with the RTC of Southern Nevada. And I believe RTC Washoe are on that same day, so I will coordinate on our messaging for that presentation to the Transportation Committee.

Recently, just yesterday, there was this article in the newspaper that was a bit critical, but we're pleased that it's at least bringing -- shedding some light on an issue of traffic safety, specifically pedestrians' traffic safety in Washoe County. There were 12 pedestrian fatalities in Washoe County in 2014, and those were highlighted in the article. I wanted to mention that there are some things that, obviously, we agree with and some that we don't agree with in that article. But I wanted to highlight that and address it straight up at this Director's Report.

Pedestrian safety is one of the critical emphasis areas in our Strategic Highway Safety Program. And that plan is implemented jointly with law enforcement agencies across the state, such as state agencies, DPS, Nevada Highway Patrol, is involved in that, but Office of Traffic Safety under DPS. But also metro and sheriff's departments across the state, are involved in that effort. Educators trying to change the behavior of drivers and bicyclists and pedestrians so that we're all watching out for one another and being safer on the roads. Emergency medical responders are also part of that group. RTCs and local public agencies are part of that group. And then the engineering

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

side working with those local public agencies; Public Works officials, the RTC engineering side, as well as the NDOT safety engineers.

When you look at some of the points made in the article about infrastructure and lack of attention to infrastructure, I tend to look at what actually happens on some of our roads with fatalities. You see that out of the 12 that they highlighted in Washoe County that 3 indicated that they occurred at crosswalks. But one of the things that they got right in the article, is that pedestrian behavior plays a role in those fatalities on some occasions. One person was looking at his cell phone, one was trying to beat the pedestrian signal timer and unfortunately was involved in a fatal crash there. The indication of no crosswalks was presented on eight of those locations in Washoe County. Three of those eight involved a hit-and-run accident, which tells me that there was probably some reasons the driver hit and ran. Impairment is what I tend to think happened. Obviously, we don't know unless that driver gets caught and confesses to those crimes. But in one case, it was an individual walking on the freeway at night and went against driver expectation. That was another fatal crash. One of them was unknown whether there was a crosswalk involved. But I wanted to make the point that crosswalks in and of themselves, do not guarantee that there will not be a fatal accident.

One accident -- (inaudible) me -- crash here occurred with a fatal in Carson City, just up the street on Stewart Street. So that was an individual in a crosswalk was struck by a motorcyclist. It occurred at night. We know that having infrastructure is part of this solution, but also just changing people's behavior is also part of that solution, whether it's a driver, or a pedestrian, or bicyclist, what have you.

But the article was critical of how long it takes to get some improvements implemented, and I'm going to address some of that point later in the presentation. But one thing that I appreciated that the article did state was some of the safety tips for drivers and pedestrians, things that we try to get out there in order to educate people as part of our Zero Fatalities Program.

Next slide, please. I took the map showing the 12 blue, kind of balloon-shaped areas where they have fatalities and indicated where there was a state highway involved with red triangles. The circle with the cross in it indicates from the map information in the article that there was a

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

crosswalk involved in there, but -- and then the pedestrian sign indicated that pedestrian behavior may have played a role in those fatal crashes, and then car sign was the hit-and-run. So you can see that there is a mixed bag of -- whether there were different factors involved in each case. One that was highlighted, Governor, they showed a picture that you had actually met this individual. A very unfortunate incident involving the gentleman that was known for volunteering at St. Vincent's, and a very tragic crash took his life.

I wanted to show the -- next slide -- here's an aerial photo of the area where that crash happened with fatal consequences. From the records that we could find under -- this morning, the crosswalk with pedestrian flasher is where that crash occurred. Apparently, the individual was in the crosswalk. It wasn't clear whether he had pushed the button to activate the flashing system, but it was early in the morning, so it was dark out. And there is lighting at that location. There's another location further to the south there, with a signal system with pedestrian signals. So in this case, I wanted to make the point that infrastructure can be in place and it may not prevent a fatal crash from happening. And that just -- the building in the center, the larger building is the Bonanza Casino that's there on North Virginia Street.

Next slide. So some of the things that were -- where I feel that we can look at doing better is to improve the implementation of recommendations. What we do is road safety audits occur. A road safety audit is a multidisciplinary review of the road, both day and night conditions, with law enforcement, with local representatives from a local agency, if they're available. But typically we have NDOT maintenance forces and NDOT safety engineers present to review the road and make recommendations; short-term, mid-term, long-term recommendation. Sometimes the recommendations conflict with each other, so not every recommendation can be implemented. But what we want to do is to clarify responsibilities for implementation so that if there's a recommendation such as a sign, and the article did mention a sign on Kietzke Lane that the -- a road safety audit recommended a sign. The sign wasn't in yet. Why is it taking so long?

So I felt that we need to clarify responsibility so that our staff in the district office know, in Maintenance, that they should do a work order if it's a sign, say, at a crosswalk which was one that the article mentioned. The advanced

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

warning sign and the pedestrian sign at the crosswalk, are an easy fix that could be addressed from a road safety audit, as far as a recommendation. But we need to have a clearer direction provided. What I feel that we need to implement is to have an after-action meeting with Director's Office involvement, so that there's commitment to funding some of these recommendations, and not just a report that goes on a shelf, or it's unknown whether it's supported as far as some of the recommendations. We also feel that if there is commitment to fund an improvement, that we track that better so that we make sure that whoever has the responsibility is implementing those recommendations. Sometimes they fall on Maintenance. Sometimes they fall on the engineering side to design it and get a contract out for advertisement for bids.

But I do want to say that not -- that not in all cases do we neglect to implement safety recommendations. In some cases, I know that District has gone out there and trimmed bushes when it's blocking a stop sign, or they've installed additional striping or signing improvements. So I do feel that they do deserve credit in the District Maintenance side for what they do implement on safety. It's just that here in the news article, they did find a case where a sign was not installed yet. And I brought that to their attention that they need to install that sign on Kietzke.

The other issue that I feel that we're going to change here is funding the safety improvements, and we've been doing this, Governor and Board members, with -- an example would be the U.S. 50 Project that was what we call a preservation or an overlay repaving project. We funded some safety improvements during that one on U.S. 50 there, kind of, in the Dayton to the Mound House area. So there's been cases where we will fund projects, but we just have to be more consistent in funding some of those safety recommendations that are in those reports with state funds, if federal funds are all booked up and programmed already.

So the other item that's been an issue lately in my discussions with the districts, is that they need to have the financial support for maintenance of safety devices. In other words, when there's pedestrian flashers on a road that NDOT is responsible for maintenance, the district doesn't have electricians that do that type of work, so we typically have to outsource that, which means having a district-wide maintenance contract for those devices.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

The Board recently approved a similar type of maintenance contract for ITS devices, so your ramp meters and cameras. Those types of devices. These are similar types of devices where there's not the expertise in-house to maintain them, and there's -- the need is for us to have maintenance contracts involved with the associated design contracts that install these devices.

We also are working on a project prioritization software system. Not only safety projects, but all of our projects to have a better prioritization process, so that when we bring that list of projects to the Board, and there is some changes anticipated, a project slips, that we can quickly determine quickly what's the best use of the federal and state funds available for projects. Safety projects being within that category. And that will be forthcoming. We have a software company that you'll hear more about in the future.

And complete street projects were mentioned in that. If you could go to the next diagram. This shows a complete street project. So on Lake Mead Boulevard, this is one -- I just wanted to make the point that we do embrace the concept of complete streets. What a complete street is, is to look at all users of the system, not just motorists but pedestrians and bicyclists and transit. And the idea on this project is Lake Mead Boulevard currently is a six-lane road. So this eliminates one of the lanes in each direction, has a dedicated bike lane with a buffer between the adjacent lane for vehicles, has a wider sidewalk. So this is an example of a project that we're actually funding with federal funds. In January of next year, we anticipate having 100 percent design. So we're trying to get to 30 percent design before the middle of the year and complete design and get this out to construction next year. So it is an example. You saw a lot of comments from Lee Gibson, Executive Director of RTC Washoe, where they've embraced the idea of complete streets. And NDOT is also in agreement that where they make sense, we can implement these on state roads, too.

Next slide. And, Governor, even before the article came out, I discussed -- had a chance to discuss with you last week the concept of using some additional state funds for some projects focused on pedestrian safety, both in Clark County and Washoe County. Just to give you the statistics, we had 50 ped fatalities in Clark County. A little bit less than 2013, but still a substantial

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

amount of pedestrian fatalities. And in Washoe County, the 12 that were mentioned in that article.

But the idea is that because of cash flow, we're not going to exceed our capital improvement budget for the state fiscal year, but we have more leeway to add some additional projects. And then the federal funded projects get reimbursed and get -- make the Highway Fund healthy again with those deposits. So I believe that we have at least \$10 million available to do these projects. I wanted to concentrate on the areas where we've seen the highest number of fatalities in Clark County and Washoe County. And what I'm proposing is that we work with the RTCs in those two counties to identify some projects. We've got some ideas on some projects. I know that there's the next signal project on Blue Diamond, that actually meets the requirements to have a signal installed there, and that's at El Capitan and Blue Diamond Road.

There's some improvements that could be installed for pedestrians on Boulder Highway near the cannery that I talked about with staff recently. And other locations that we can find out from the RTCs and local public agencies that we can get out there rapidly. And the idea would be to bring that project list back to the Board for your approval and consideration. But as far as having the funding available, we believe that we can do that and still -- with the turnover and replenishment of the Highway Fund from federal reimbursements and state gas tax, that we'll be in good shape and still stay within our capital improvement budget for the state fiscal year.

Sandoval: Thank you, Rudy. And I appreciate, because I would like to have the Board's -- the Board to have the ability to review the proposed projects. And certainly I'd encourage you to meet with the respective regional transportation commissions. As part of that, I'd also -- I mean, why don't we -- we know where most of the bad accidents and tragedies happen. Do we decrease the speed limit or consider decreasing the speed limits in those areas, and is that a consideration? You can put all the striping and the signs, but if you have a high speed...

Malfabon: It is a consideration, Governor, and we've actually been looking at that. Our staff tell us that they do consider other factors in establishing speed limits, not just the 85th percentile. But we do want to look at that where it makes sense of speed limit reductions. As I pointed out, in Carson City you have a

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

35-mile-per-hour speed limit and can still have a fatal crash in a crosswalk. So we do consider that, and we will continue to look into that issue. I know that I've been discussing it with our chief engineer and assistant director.

Sandoval: And we really don't have any control over this, but given the improvements in technology in new cars, do they include technology that will put a driver on notice that there may be an impact?

Malfabon: They do. They have warning systems if there's something, a bicyclist or another car next to you in your blind spot. I think that that's really the next generation that's going to drive down fatality statistics, is the technology that's being implemented in vehicles. And there's both vehicle-to-vehicle technology, where the cars talk to each other electronically, and there's also vehicle-to-infrastructure technology.

Sandoval: Is there an aftermarket item that can be put on a car, that you're aware of?

Malfabon: Yes. You can put up some items, but I'm not sure. I only know of the cameras, but I'm sure that there's other devices.

Sandoval: Well, the cameras are usually behind...

Malfabon: So they -- I'm not aware of that, but we can look in to that, Governor, to see what other types of technology are available. There is going to be a, I think at TRB -- it's timely that Tracy is back there, but I could ask her to sit in on one of those. They're going to have a presentation about infrastructure, and talking to vehicles, and vehicle-to-vehicle interaction with intelligent systems that can installed in vehicles.

Sandoval: Okay. And I'm not an engineer, but in terms of when you come with this recommendation, is there more reflective striping and things that we can use that, at least at night, it'll put a driver more on notice that they're approaching a crosswalk; because even driving out of Carson, there are crosswalks that you can't see until you're right on top of them, and you know you're in an intersection, but you can't see the crosswalk until you're basically on top of it.

Malfabon: That is something that we have to look in to. I know that maintenance enforces regularly re-striped crosswalks and the striping and look at signing, as well. If it's not reflective anymore, they replace it. But that's one that

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

constantly comes up, especially in Las Vegas where we have an issue with tracking of road oils on to the pavement markings for crosswalks. And they just -- you can clean them, you can refresh them and it just seems to last just a few months before they get dark again, so it's really a challenge. We always look at new products, as well.

Sandoval: I guess my point being is if we -- you come back with a recommendation and we add crosswalks, which is all good, but if you can't see them, it really defeats part of the purpose anyway.

Malfabon: Yes, I agree.

Sandoval: So I just want to make sure that when you look at these things that there's a comprehensive approach to that. Before we leave this topic, I know some of the members may have some questions. Controller Knecht.

Knecht: Thank you, Governor, and thank you, Mr. Malfabon, for a good report and being on top of that. I have one question related to the RGJ article. It's highlighted the Kietzke event where the sign had been authorized -- is that better? Thank you. Had been authorized but not yet installed. Were there other examples of that syndrome or was that the only one they pointed out?

Malfabon: That's the one that I gleaned from the article, was two signs; one was at a crosswalk for advanced warning and at the crosswalk, and one was for a stop, no turn -- no right turn on red at one of the locations. That one might be a little bit more of a coordination issue with law enforcement and local officials on the -- because, typically, no right turn on red at a traffic signal is usually when you have a dual right turn.

Knecht: Right.

Malfabon: But when there's a single right, we have considered implementing those types of restrictions. And then law enforcement has to be coordinated with, because then they have to write tickets if they see somebody going against the signage.

Knecht: So I guess the upshot on this, coming back to your outline here where you say that the article was critical of how long it takes to get improvement implemented, and you said you'd addressed that. Do we have a broader

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

systemic problem there, or is that just kind of the law of small numbers, these things happen and that might be a contributing factor here and there?

Malfabon: I think it's a case of limited resources and having priority established for those types of recommendations. In my discussions with the folks that deal with the safety recommendations, they feel that they should be incorporated, and our process needs to put emphasis on those recommendations so they are funded when we're going out there for a regular preservation project, or funded separately as a stand-alone project for safety improvements. So it's all a question of prioritizing the funding that's available and making sure that it gets done.

Knecht: And the recommendations you've presented here will do what we can on that front?

Malfabon: Yes, they'll address...

Knecht: Great.

Malfabon: ...that front.

Knecht: Thank you, Director, and thank you, Governor.

Sandoval: Any other questions on this issue before we move on?

Fransway: Governor, I do, but I would like to yield to the public hearing.

Sandoval: Okay. All right. Please proceed.

Malfabon: Okay. Next. An update on the EPA Stormwater issue. We had our video conference with USEPA. They were going to be here in person for a two-day meeting. We are -- because of the chance of bad weather, they didn't come up over the pass, so we had a video conference. I attended the meeting, as well as Deputy Director Bill Hoffman. And I wanted to express appreciation to all of the members of NDOT. We had a lot of representation from District, district engineers, district maintenance supervisors and managers were present to respond to those questions, as well as representatives from NDEP and your staff, Governor.

So we were able to go through all of those questions, which were concentrated on maintenance activities that, on December 16th, we gave

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

them a status of the mapping major outfalls which are larger sized pipes that convey storm water, and Illicit Discharge Program, which is when there's oil or some other pollutant possibly getting into the storm water. So we covered that. The next meeting -- next slide -- is going to be scheduled for January 13th, tomorrow. USEPA is coming in person and, again, we'll have NDEP and a member of your staff present, and I'll attend that meeting, as well, Governor and Board members. So they're going to concentrate on the construction program, construction projects, our contractors; what they do to protect and comply with the Clean Water Act, and also third-party elements, whether it's illicit discharge or other local agency projects.

And I wanted to let you know that four of the six Water Quality staff specialists that we had created new positions for in the districts, two in each district, four of the six have been filled. One of the job offers is out there for Las Vegas, so hopefully they'll accept that job offer. And there's one in Elko had to re-advertise so that we can get more people looking in to that job opportunity in Elko.

The next slide shows you, in the status of mapping, we're on schedule. And this schedule was agreed to by EPA. I did ask staff why can't we do this sooner, as far as 2017 as the anticipated completion date. And USEPA actually concurred with staff's recommendation because of the fact is that the EPA wants us to have quality, not quantity or schedule, to drive this mapping effort. But it does show that the pink area and the green area, so northwest and central Hydrographic Basin and Truckee-Tahoe Steamboat Basin were completed. And we're on to the blue area concentrated on the Carson and Walker River, and then we'll get to the other ones in 2016 and 2017. So we have a very rigorous process to check the quality of the information that's mapped, and that's what -- it has to be done in-house by people that are familiar with what we own out there as infrastructure and the storm water drainage systems.

Sandoval: So everyone who needs -- from our side of the aisle will be there to answer questions?

Malfabon: Yes, Governor. In fact, I noticed that some of them are present today, so they're already arriving this afternoon to be here for tomorrow's meeting.

Sandoval: Because you know how strongly...

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Malfabon: Yes.
- Sandoval: ...I feel about this.
- Malfabon: Yes, Governor.
- Sandoval: And as part of these meetings, will that include any inspections of any sites?
- Malfabon: I think that they're done. They may take advantage while they're here, to do an inspection of this area, because as I stated, we had a two-day agenda that we were able to finish in one day. So if they're here, and they already have planned on staying for two days and they finish in one, they might take an opportunity. But I think that they were going to...
- Sandoval: Are we ready for that?
- Malfabon: We're ready for it, Governor.
- Sandoval: Okay.
- Malfabon: We feel that we're ready. In fact, having the Maintenance staff and the district engineers there at the last meeting, I think they were able to hear EPA's concerns firsthand, but also to hear EPA's positive comments about recognizing how far that we've come as an agency and recognizing that we're actually making some progress in some of the areas they've been concerned about.
- Sandoval: Okay. Will we have an opportunity to take them back to the places that had been inspected previously, and we've made some improvements?
- Malfabon: We may have that opportunity. We'll ask them if they have time to. That'd be good.
- Sandoval: Mr. Hoffman's got a comment.
- Hoffman: Governor, if I may. Bill Hoffman, Deputy Director. We've already sent them information on the projects and all of the work.
- Sandoval: But there's no substitute for seeing it with their own eyes and not pictures.
- Hoffman: No question, Governor. But what we wanted to do was turn right around very quickly and say, we're already addressing -- we've already addressed or

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

are addressing these. And we will most certainly take advantage of the opportunity, when they come in future months, to show them firsthand in person, the improvements that we're making.

Sandoval: Yeah. Thank you. Now, seeing is believing.

Hoffman: Right.

Sandoval: No doubt about it.

Hoffman: Yes.

Malfabon: Thank you, Governor. Next slide. To give you an update on our large project called Project NEON, for the new Board members, we -- this is a half a billion dollar design-build project that's going to widen I-15 in Las Vegas. It's a design-build procurement, so we actually have released the Request for Proposals in a draft form today to those three teams that are short-listed. So they'll have an opportunity to provide feedback on that RFP that's in a draft form currently, and comments are due by the end of the month. We'll have one-on-ones in February, and then they'll have an opportunity to have confidential meetings one on one with us, about some of their concepts. And then if we accept a concept, it's available to all the teams to look at and consider.

But in March, at the Board meeting in March, we will be requesting the Board's approval for release of the final Request for Proposals for this design-build project, and also the approval of the agreements that are going to pay stipends to the other teams that were not successful in winning the project. So two out of the three will receive stipends on this project that's proposed. But this gives you an idea of the schedule for the project. We'll continue the procurement phase, and then eventually select someone around the end of the third quarter of this year, and enter in to contract and negotiations and execution, and actual work starting next year on the...

Sandoval: So at least according to this, it could be shovel the dirt in approximately a year...

Malfabon: A year, yes.

Sandoval: ...a little over a year?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Malfabon: Next slide.

Sandoval: All things being equal, right? Yeah.

Malfabon: Yes. Next slide, please. One thing that I wanted to mention is we do have construction incentives and disincentives. We know that there's going to be a large amount of disruption to traffic on I-15 and U.S. 95 and the local streets as we construct this project. Next slide. So one of the things that we're doing is the design builders will say, how much time is necessary to address some of these streets and highways to do the work included in the scope of work. So you have this map showing five locations that we're establishing interim milestones, based on what they propose. And they can earn some incentives or be charged a disincentive if they're late on meeting what they establish as their schedule.

Next slide. It's a substantial amount that we're proposing between those five milestones and the substantial completion for the entire project. A \$20 million incentive package on a half a billion dollar -- or \$550 million estimated cost. 3.6 percent is that incentive, but we think it's well worth it. If you look at this table that shows how many vehicles a day travel on that stretch of highway, nearly 300,000. And to give you some perspective of the range of incentives that we've had on previous design-build projects, they've ranged anywhere from .8 percent up to 5 percent. So we're right in the middle of that range for some significant projects on the interstate system in Nevada. So a substantial amount of incentives, but we think that it's well worth and money well-spent to give them that opportunity to finish early, and to put a lot of emphasis on minimizing the impact to traffic on those routes.

Sandoval: Will there be disincentives, as well?

Malfabon: Yes. So there will disincentives. They'll be charged if they finish late on a particular interim phase.

Sandoval: Controller Knecht.

Knecht: Thank you, Governor. Looking at the comparison of proposed incentives and disincentives with other projects, it looks to me like that adds up to \$595 million, or do I not understand new math?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Malfabon: It's not an additive. Those are all separate projects...
- Knecht: Okay.
- Malfabon: ...Mr. Controller.
- Knecht: Okay. Great.
- Malfabon: Okay. Next slide, please. An update on Boulder City Bypass Interstate 11. We received bids in late December, and just recently, last week, performed the bid analysis and we'll make a recommendation to the Board in February for award recommendation for your deliberation. I wanted to mention that we did have an alternative bid on the type of paving on this project. It's the first time that we've implemented this process of having the contractors bid a concrete pavement or an asphalt pavement. In the case of concrete, it lasts longer. We assumed a 35-year life for the service life of concrete pavement. There is a higher initial cost. So to have a fair comparison with asphalt, which requires an overlay repaving periodically, there is that -- an equivalency factor of \$3.6 million added to the asphalt bids for comparison. So it's not something that we actually pay out, the \$3.6 million, but it is for comparison of the service life to have an apples-to-apples comparison and fair comparison between concrete pavement and asphalt pavement. Governor, do you have a question?
- Sandoval: When that comes to us though, that won't be determinative in terms of which contractor is selected?
- Malfabon: It is the same -- although it's different types of pavement, it will be for one project. So you will have an apparent low bidder who's determined to be (inaudible) determining to be responsive and responsible...
- Sandoval: But...
- Malfabon: ...will be presented to you.
- Sandoval: So who will be the determined low bidder though?
- Malfabon: Well, in this case, Fisher is currently -- we're still doing our analysis on the other aspects of it, but Fisher appears to be the apparent low bidder based on that \$82.99 million versus the \$83.6 million bid from Las Vegas Paving.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Sandoval: But that's based on...
- Malfabon: On what they can...
- Sandoval: ...your determination that it's cheaper over time to use concrete?
- Malfabon: Yes, that's the -- it is -- concrete is cheaper over time because of the longer service life. It just has a higher initial cost. So this is similar to -- on a state funded contract where you have a bidder's preference added, a 5 percent bidder's preference added. You don't pay that out, but you use it to determine who the project is awarded to.
- Sandoval: Yeah. I guess what I'm asking is will this Board be bound by the low bidder, based on that computation of the difference between concrete and asphalt?
- Malfabon: Yes, you would be. The recommendation would be based on that. I don't know if Dennis has anything to add to that.
- Gallagher: For the record, Dennis Gallagher, Counsel to the Board. The staff will make the selection and present its recommendation to the Board for the Board's consideration. The Board will have ultimate say-so as to whether or not to accept the staff's recommendation.
- Malfabon: Next slide, please. And I'll go over some of the things...
- Sandoval: Just before you move on...
- Malfabon: Yes.
- Sandoval: ...Member Savage has a question.
- Savage: Yeah, just a question to add to that. This was part of the bid document, this alternative?
- Malfabon: Yes, it was all included in the bid document, as far as the process and the additive item for life cycle equivalency factor in order to determine who is apparent low bidder.
- Savage: Were there other alternates on the document?
- Malfabon: Those are the only two alternates...

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Savage: Okay.

Malfabon: ...of pavement type.

Savage: Thank you.

Malfabon: Next slide. So just some points to make before we bring that back to you next month after we do all of our analysis. All the bidders were pre-qualified by NDOT, so they're currently -- we have deemed them to be responsible. And we feel, initially, the bids were responsive. We still have to look into some specifics on the Disadvantaged Business Enterprise goal, but initial review shows that the goal was committed to, was met and all other administrative requirements were met. As I said, we're not done with all of our analysis. We'll continue looking into that DBE goal issue to see that -- some comments have been made that we have to look into that very closely to see that the goal was, indeed, going to be achievable.

One point to make is that the DBE goal is race-conscious on this program, meaning that there is much more of a hammer over meeting that goal during construction, at the time of award. It's a different program than previous Fisher contracts, where it was a race-neutral program. There was no penalty for not meeting the goal when we did have a DBE goal that was an aspirational goal. There wasn't a hammer over them to make sure that they met the goal before on some of the previous Fisher contracts they did for NDOT.

But bottom line, we'll provide the information to the Board for your February Transportation Board meeting so you can make an informed decision. This is a federally funded project, so we can't consider things such as union versus nonunion, or out of state versus in state local contractors. And we're, as I said, race conscious now so we have very specific requirements on the DBE program and achievement of those DBE goals during construction. And past performance issues, I know that there's been some comments about past performance of Fisher. And bottom line there is the contractor has the right, if they disagree with something, to make -- request an equitable adjustment. In some cases, the state can accept that request after some analysis. In other cases, it ends up in a claim. We're not aware of any formal claims or lawsuits by Fisher that resulted in payments. There was a case of an equitable adjustment on some other projects, change

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

orders or such as that that were dealt with during the construction administration of a project. So we'll have more information for you next time when you deliberate award of that contract.

Next slide. A little update on USA Parkway. The Request for Qualifications, which is the prequalification process for that design-build procurement, will be issued in the middle of this month. And I wanted to address some of the recent news articles using USA Parkway as a north-south wedge issue, and remind folks that observe our Transportation Board meetings this project was in NDOT's long-term plan. It was in a 9 to 1 benefit cost ration that improved travel time, improved safety, reduced operating costs for drivers that are going to use it, provide less air pollution as a result of that time savings and travel. But the project supports regional economic development. I know that Tesla is thrown out there a lot, but this is of regional significance, this project, and it's going to have more efficient movement of freight. If there's freight moving on I-80 that used to go through and then turn south on U.S. 95 Alternate, now it can cut across USA Parkway once that's built, and have a significant amount of time savings.

And the project acceleration approved by the Board, as we advanced this project, it affected Northern Nevada projects in Districts 1 and -- pardon me, District 2 and District 3, not projects in Southern Nevada. No projects in Southern Nevada were affected by the decision to accelerate this as a design-build procurement. So I just wanted to cover those issues, because some of that message is being lost in some of the current press reports.

Next slide. Some news on the Operational Audit. For the two new Board members, we had brought up various items that we were proposing to the Board to look in to, as an operational audit. Some of these items had to do with use of procurement cards and making sure that we're following all the controls that are standard for use of those procurement cards. Some were -- I know that State Controller Knecht is big on business process improvement, and some of them were along the lines of trying to improve our processes to review where we're at with maintenance activities, equipment maintenance, and various items. But we did put out an RFP. We didn't receive any proposals by the due date, but we're going to be doing some more outreach to see if we need to split apart some of the operational, which are more business process improvement, than from the accounting type of audit

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

functions in that to attract more interest. We might have to split it apart in to two or just get some more people aware of this RFP so that we can some interest in it.

Sandoval: Yeah, how did you make that known, I mean it surprises me that we didn't get a single entity that...

Malfabon: It's the same way that -- by newspaper ads is the typical. And we had met with some auditors beforehand to let them know that we were going to be doing it. I think that we have to look beyond newspaper ads, the public notices for these types of procurements when it's unique. So we can definitely do some more outreach.

Sandoval: I mean it's no mystery who does these type of audits.

Malfabon: Yeah.

Sandoval: Why wouldn't we make it become known?

Malfabon: We are reaching out to some of those firms to find out why they didn't. We hope that we can get some interest and get this going though.

Sandoval: I mean does the lack of interest have to do with the amount available or -- I mean is there a cap on...

Malfabon: No, we didn't indicate what the budget was for that. That's an internal number that we keep close to the vest. And it's negotiable. It's professional services, what we're willing to negotiate on the cost of this effort.

Sandoval: So what's the timeline, in terms of making it known that this audit is available?

Malfabon: I think that after we conduct the outreach, we should have some word back by the end of the week and then we can decide whether we have to put the RFP back out there with additional interest, probably a three-week advertisement period, and then receive proposals. We typically can turn those around quickly if people know what we're -- that the possibility is there and the opportunity is there. But we're really -- it's unknown right now why we didn't get interest in this type of (inaudible).

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Sandoval: Well, it's unknown because maybe they didn't know. I mean if they didn't know to respond, we can't know why they didn't respond. I just -- we've been talking about this for a very long time, about doing this audit, so I just want to make sure that we are moving as quickly as we can to make the organizations or entities that do this type of work aware that this opportunity is out there.

Malfabon: Yes, Governor. Next item. There were no settlements expected at this week's Board of Examiners meeting. An update on the Meadow Valley Contractor's Incorporated claim at Meadowood Interchange here in Reno. We will be auditing their books to confirm that they, indeed, had some additional costs associated with that. We have Snell and Wilmer working on a public records request from Meadow Valley, for some documents associated with their construction claim. We haven't reached any settlements. We'll keep the Board informed as we progress with this issue.

And last week, oral arguments were presented to the Nevada Supreme Court on the Ad America case associated with Project NEON. This was where we disagreed with the district court's decision on the date of taking, 2007 I believe is what the district court judge said that NDOT took the property in effect back in 2007, which was we feel was during the planning efforts for Project NEON, not -- it wasn't at the phase where it was ready to make offers on acquisition of property. So we'll keep you informed about how that case goes. It'll be months before we hear back.

Sandoval: Mr. Gallagher, did you argue that case?

Gallagher: No, sir, I did not.

Sandoval: How did you feel the oral argument went?

Gallagher: I thought the argument went quite well. I was impressed with the members of the court who obviously had read their briefs and...

Sandoval: Well, they all read the briefs, of course.

Gallagher: ...and had given great thought to what they read in the briefs and asked some very probing questions.

Sandoval: Mm-hmm.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Gallagher: I'm optimistic, Governor, but I always am.

Sandoval: Yeah, of course. All right. Thank you.

Gallagher: Yes, sir.

Malfabon: And, Governor, that concludes the Director's Report. I'm able to respond to any other questions. And I did have a comment on the Agenda that we didn't have the minutes, so we will delay that until next month for the minutes.

Sandoval: Okay. Thank you, Mr. Director. Before I move on to Agenda Item No. 4, do any of the Board members have any questions for the Director? Any questions from Las Vegas?

Martin: None here, sir.

Sandoval: Okay.

Gallagher: Governor, before you get to Item 4 -- this is Dennis Gallagher, Counsel to the Board -- just for purposes of the minutes, Item No. 4 was set to commence at 1:30. I'd like the minutes to reflect that it is commencing immediately following the Director's Report, which was Item 3 on the Agenda.

Sandoval: Thank you, Mr. Gallagher. And I'll be more specific. I typically don't do this, but I've got a script so to make sure that we're in compliance with notice provisions and the law. So it is now, at least by the clock in the back of the room, approximately 1:58 on January 12, 2015. This is the time that has been set aside to hold the public hearing to act upon a regulation regarding the road relinquishment process. The said regulation is mandated in Nevada Revised Statute 408.527. This is an action item on the Board's January 12, 2015 Agenda. Notices have been posted at least 30 days in advance of this hearing at all locations in the form prescribed by the Nevada Administrative Code section NAC 233B. The action today will be open, the public hearing on the proposed regulation, take public comment, and then consider the regulation for adoption by this Board.

If it is adopted, it will be adopted as a temporary regulation due to its adoption in an even numbered legislative year. The regulation will terminate automatically on November 1st of 2015, if it not adopted as a

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

permanent regulation. It is the intent of the Nevada Department of Transportation to follow the process of moving this regulation, if approved today, from a temporary to a permanent regulation in the format prescribed by the Nevada Administrative Code, prior to the November 1, 2015 deadline.

If adopted today, this regulation becomes effective 35 days after adoption upon submittal to the Secretary of State. NDOT staff will make a presentation on this item after which we will open the hearing for any public comment. Public comments will be taken and considered, prior to any action on this item, which leads us to the Staff Report.

Madewell:

Good afternoon, Governor, members of the Board. For the record, my name is Bob Madewell. I'm the chief of the Roadway Systems Division of NDOT. We're here today, as the Governor has mentioned, to hold a public hearing, a posted public hearing to consider the temporary regulations. There will be two of those. I'll identify those in a moment.

Just to give you a little background, as you're aware I've made some other presentations to the Board, but over the past 16 months we've had a number of meetings with a lot of the local governments, the city manager, city council members, Public Works director. There's a variety of people that have been involved in those meetings. We started those meetings and changed the regulation last year, because there was a concern that the -- well, there were no identifiable processes in the earlier -- early goings on of relinquishments. There was nobody that knew who -- sometimes who to contact in the state, or how to address the process of proposing a relinquishment.

In June of 2013, we took this to the legislature and they revised NRS 408.527, which is the regulation -- the relinquishment regulation. That revision contained some direction to us to proceed to create a guide and a process, and ultimately bring that back for a regulation adoption. Over the past year and a half, as I mentioned, we've met with a number of people to get to this point where we are today.

The significant point of the NRS 408.527 that we did adopt in June of 2013 was that it required the Department to work with local governments to develop the procedural documents, and that was part of the key, that would

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

guide the process of relinquishments and then adopt the regulation. So that procedural process and guide was a key component in this entire process.

Through the course of the events, we've created two regulations. Again, we being this significant number of people that has not only helped in developing the language, but has reviewed it and has produced it to the point where you have it today before you. NRS 408 -- excuse me, NAC 408.182 is a proposed number and it is the one that defines what a local government is; that it was described in NRS 408.527, which is the Nevada Revised Statute that required us to follow this process. It identifies a local government as a legislative body of any city or county. And that's a key component as well, because those are the people, just as this Board, have the approval authority, to do these kinds of actions. So, we will always take it with the consent resolution, to a city or county legislative body.

The second component -- the second regulation was a process of developing the guide, and it required the Department to work with local governments to create the process so the regulation specifically states that language in it. It also states that it provides that the guide be developed to identify the process. So it develops -- it identifies a process, it identifies a guide to follow that process, and then it identifies a mechanism for modifying that process after it's approved by this body. There is an identified step-by-step process, that we'll follow at that time.

The guide took us 16 months, as the board shows. A number of meetings were held, 10 plus. There were draft documents produced and reviewed. I had requested one-on-one meetings with every city manager, every county manager, mayor and city, and a NACO representative, Nevada Administrative -- or excuse me, Nevada Association of Counties members to meet one on one to go through the processes we had developed. I was taken up by two of those individuals, and we did meet one on one and went through it. However, a lot of them did review it and some provided telephone comments, e-mail comments, all to the positive in this case.

Final reviews were completed, then there were three formal workshops held. One was held in Elko on November the 13th. One was held in Las Vegas on November the 18th. And the third was held in Carson City on November 19th. Of those three public workshops that were posted as this hearing was today, we had a total of nine individuals show up. Two supported the idea,

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

one corrected some of my spelling, which I thank them for. And so we had a very positive outpour from those three meetings.

So 16 months later, working with the cities, counties and NDOT staff, we developed the two regulations. We developed a guidebook. And, I do want to personally thank all those that were involved in the process because, as I mentioned, over 16 months, it took a lot of effort out of their day and time to deal with this, as well as your staff's time, and together we were able to achieve what you have before you today.

So the results, as the prior slide mentioned, we have the two regulations, we have the guide, and we have an opportunity today for a public hearing, because we were able to get to this point in agreement with all those that were involved. So today, we can now hold that public hearing and take public comment. And if there are any, I'll be able to take that information and consider that at that time, as well.

So staff's here today, to answer any questions. And after the Board makes its -- has some discussion and offers public comment, I would like another opportunity to come up then and at that time will make the staff recommendation. The reason we do that is because we also want to hear public comment or (inaudible) discussion if there be any. So our recommendation would follow at that time. And that concludes the staff presentation.

Sandoval: No, thank you. And I appreciate that you have summarized probably months of work into five minutes. No, and I really -- I mean not in the interest of moving this meeting along, but I think it really has proved positive that you've made a lot of effort to travel throughout the state. You've extended an invitation, essentially, to every elected body or municipal or county body in the state, to get the input from that. I think I heard you say you had two that took you up on that, and I would imagine one of those was NACO.

Madewell: Actually, we met with NACO as a different group throughout the entire process.

Sandoval: Mm-hmm.

Madewell: The two that took me up was Reno and Elko.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Sandoval: Mm-hmm. And then having those three recent public hearings and only having nine people show up, I don't think that means disinterest. That means you've done a thorough job.
- Madewell: Thank you.
- Sandoval: And so I -- you've answered all my questions. This is another issue that has been on the minds of this Board for almost two years now, and so now we've reached this point. So, I just want to personally thank you for you and everyone else associated with your hard work. Controller Knecht has a question.
- Knecht: Thank you, Governor. And then Mr. Madewell, I second the Governor's comments about the crispness of the presentation, and the process that it reflects, and the good job you've done there. I do have one question in Item 4, Attachment C at Page 19, Appendix B. We've been going through this document, talking about LGA's, Local Government Authorities, and all of a sudden an LPA pops up. And I wondered, if that a Local Public Authority, or should have been an LGA, or what is that?
- Madewell: Bear with me. I'll find -- let me find that appendix.
- Knecht: Page 19.
- Madewell: That actually, probably, should have been caught and changed to local government, LG.
- Knecht: Okay.
- Madewell: We thought we caught that throughout the book, so with that one correction I can -- we can move forward. But I would recognize we will change that in the Appendix B.
- Knecht: And, Governor, I presume that the staff has the authority to make -- or we have a process for making small corrections like that as necessary without putting everybody back through the whole process?
- Sandoval: Yeah. No, I think we can...
- Knecht: Yeah.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Sandoval: ...make that correction. And now, we know how you're going to be, Controller Knecht. No, in all seriousness, that was a good catch.

Madewell: It was.

Sandoval: So perhaps as part of the motion, if this is approved -- will this be part of the motion, Mr. Gallagher, or is it just the -- those two items? This won't be part of the motion for approval, will it, this appendix or is it?

Gallagher: The appendix is not part of the motion, Governor.

Sandoval: So is it appropriate just to instruct staff to make the typo change from LPA to LGA?

Gallagher: I suspect that that change has already been made.

Sandoval: No, and in all seriousness, good catch. So thank you, Controller Knecht. Any other questions? Member Savage.

Savage: Thank you, Governor. Just a comment. Sincere thanks to both Sondra and Bob. I spent a couple of hours at the office last week going through each and every aspect of this, and I just want to personally thank for taking the time, because like the Governor said, it's a lot of due diligence on the Department's behalf. And I commend you all and staff. Thank you, Governor.

Madewell: Thank you.

Sandoval: Thank you. Well, we have to take public comment before we do that. So does that complete your presentation?

Madewell: It does until after public comment.

Sandoval: All right. Thank you, sir. All right then. I will open this hearing for public comment. Only public comment relative to the proposed regulations will be taken. I ask that the public comment, or if any individual does comment, that they limit their remarks to five minutes. Is there any member of the public who would like to provide a comment?

Fransway: Governor, may I make a comment?

Sandoval: You may. Member Fransway.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Fransway: In relation to the public comment, and I'll ask legal counsel if it's okay to relay public comment from a participant that had to leave.
- Gallagher: Absolutely...
- Fransway: Okay.
- Gallagher: ...Board Member Fransway.
- Fransway: Mr. Jeff Fontaine was in the audience. Mr. Fontaine is the executive director of the Nevada Association of Counties. And Mr. Fontaine indicated to me in the corridor, that he had to leave for a conference call, and that he offered NDOT's support for the...
- Sandoval: Would that be NACO's support, Member Fransway?
- Fransway: What did I say?
- Sandoval: You said NDOT.
- Fransway: No...
- Sandoval: Okay.
- Fransway: ...I'm sorry. NACO's support for the adoption of the regulation, and the guidebook. And knowing full well that there was a provision in there to -- for an annual review and public comment. And he also, wanted to give a sincere thank you to Mr. Madewell and Ms. Rosenberg for NDOT's support and their involvement in making this a transparent issue. So thank you very much. And that's from NACO.
- Sandoval: Thank you, Member Fransway. Is there any other comment from here in Carson City? Is there any public comment from Las Vegas?
- Martin: None here, sir.
- Sandoval: All right. Thank you. Then I will close the public comment period. Is there any other further discussion from Board members?
- Knecht: Just one...
- Sandoval: Controller Knecht. Yeah.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Knecht: Just one -- thank you, Governor. Just one question. In the memo at the front, the first page, the second paragraph, I believe it says, "Some topics of concern to be addressed were protections from forced relinquishments." Can you help a new Board member understand, in a nutshell, what the issue is there? I mean I understand what forced relinquishments are, but is that our forced relinquishment, or somebody else's, or what's the history on that phrase?
- Madewell: It was. There was a concern of our forced relinquishments to them, that we would take -- go to them and tell them they're getting a state route that we no longer want without their approval.
- Knecht: We would make them an offer they couldn't refuse?
- Madewell: Absolutely.
- Knecht: Okay.
- Madewell: Some states do that. We chose not to. We want to negotiate with them and make it equal to both sides.
- Knecht: Thank you, that's helpful. And, Governor, if it's now appropriate.
- Sandoval: Almost. So may I have the final staff recommendation?
- Madewell: Thank you, Governor. And at this point, hearing no other public comment and no concerns from the Board that we should consider, staffs here to recommend that the Board consider approving the proposed temporary regulation and guide to road relinquishments, and authorize staff to submit the regulation guide to the Secretary of State 35 days after its adoption.
- Sandoval: Thank you. Given that, the Chair will accept a motion to approve proposed new regulation NAC 408.215 defining the term "local government."
- Knecht: So moved, Governor.
- Sandoval: Controller Knecht has moved for approval. Is there a second?
- Savage: Second.
- Sandoval: Second by Member Savage. Any questions or discussion on the motion? Hearing none, all in favor please say aye.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Group: Aye.
- Sandoval: Opposed no? And just for clarity for the record, Member Skancke, did I hear you vote aye?
- Skancke: That's correct, Governor.
- Sandoval: All right. Thank you very much.
- Skancke: Mm-hmm.
- Sandoval: We'll move on to the next item, which is the Chair will accept a motion to approved propose new regulation NAC 408.567, requirements for the relinquishment of roads and road trades between the Department and Local Governments. This regulation also adopts the submitted guide to road relinquishments considered here today. Is there a motion for approval?
- Martin: So moved, Governor.
- Sandoval: Member Martin has moved to approve. Is there a second?
- Knecht: Second.
- Sandoval: Second by Controller Knecht. Any questions or discussion on the motion? Hearing none, all in favor please say aye.
- Group: Aye.
- Sandoval: Opposed no? The motion passes unanimously. Again, thank you, staff and everyone that has been associated all this hard work. I think it really opens the door to have some good conversations with the local governments. So this concludes the public hearing to act upon a regulation regarding the road relinquishment process. The time is now 2:15. So we've set a new benchmark for regulation consideration in the future. So I will close the public hearing. We will move back to the Agenda. I am going to take an item out of order on the Agenda. We have Agenda Item No. 5, which is Equipment in Excess of \$50,000. Typically, we take public comment before we move into action items on the Agenda, so I am going to open the public comment period. Is there any member of the public here in Carson City that would like to provide public comment to the Board? Is there anyone present in Las Vegas that would like to provide public comment to the Board?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Martin: No, sir.

Sandoval: All right. Then let's move on with Agenda Item No. 5, which is Equipment in Excess of \$50,000.

Malfabon: Thank you, Governor. Robert Madewell will present this item to the Board.

Madewell: It's my day. Again, good afternoon, Governor, members of the Board. Again for the record, my name is Bob Madewell. I am the chief of the Roadway Systems Division for NDOT. Today, we want to present to you a proposal and request your approval to expend \$615,000 for our video log program.

Video log program -- excuse me -- video log program is a task under the federal requirements for our State Planning and Research program, and it involves collecting video imagery of all the roads in the state, those being the state routes and classified roads that are found under the governmental definition of a classified road. It also collects GPS data, pavement conditions, and a myriad of other identifiable collectible data that we have to report to Federal Highways, and our HPMS, which is highway performance monitoring system program, and the MAP-21 requirements. The program is funded in the state budget, and is federally approved under the state SPR plan. This is an 80 percent, 20 percent federal-state plan match. The federal portion is \$492,000 for the expenditure we're requesting today, and the state portion is \$123,000.

So what is video log of roads? Quite frankly and simply, it involves driving down a road with a vehicle equipped with specialized cameras that capture video of the road and shoulders at a very slow speed. It takes frame-by-frame video at 26 -- every 26 feet, which allows us to be able to view the roadway in its entirety, including all the elements such as signs, bushes, striping, various other pieces of information we need to report to the federal government on our programs. It includes lighting and signs, striping, and many road conditions.

So what is a pavement video? Well, pavement video is a different set of video equipment that also uses laser. And there's someone from Pavement here to answer any specific questions on that. But, essentially, it has a much higher resolution and it takes video and obtains collection of data that you

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

can actually see the contour of the pavement, the conditions of the pavement. They take information that is collected with the International Ride Index, the pavement roughness, the crack percentage and lengths. All of these things that we have to report on a two to three-year period, depending on which report we're doing, whether it's MAP-21 or FHWA's HPMS program. The pavement vehicle already has a lot of pieces to it, so the request today for the piece we're asking for is an add-on, so that they don't have to do it by hand, quite frankly.

To give you a brief background on why we're here today to take this on ourselves. The state's been involved in video logging since the 1990s. Prior to the digital age we're involved in, it was VHS where they drove the roads, VHS -- a library of VHS tapes were given...

AUDIO INTERRUPTED

Martin: We lost audio here in Vegas.

Madewell: ...(audio resumes) that we can better operate the field element of this task, we can better control the data, we can manage time allocation better, we can provide a more cost-effective program because we know what we're getting and can adjust for it at the time we're obtaining it. And to prove that we want to enter this realm, and have acknowledged that we think we can do a better program, we've actually already moved one staff person from another office in NDOT over to our office to help us operate and manage this program at this time. There will be a need in the future for an additional person, but for the first year we can use temporary staff, because it'll be a setup of the program as a driver, but after that we will look internally again, first, to identify a second person to manage -- to run with this program.

So what's next? If this action today is approved, we will move forward with a request for quotes to obtain the video equipment, as well as we will move forward with the sole source purchase of the pavement equipment I identified earlier. And at that time -- and with this, staff is requesting that you allow us to expend the \$615,000 that is in the state's budget, that has been approved in the federal SPR program, and was approved in the IFC's annual work program for us to proceed forward with us taking on the operational element of the field category for this. And with that, if I've got

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

one moment I'll go back and we'll run the video for you to show you what we're looking at.

Malfabon: And we have audio again in Las Vegas.

Madewell: This is about a minute and a half. So here's what you'll see. Here's what we see when we get it. There's actually two cameras: a forward-facing and a riding -- 30-degree right-angle facing. And, although it's on this larger screen, we can slow the speed down. We can speed this up and we can capture assets and identify them, and then through the work component of this program, we have 20 work stations, we can actually stop and take GPS measurements and coordinates and locate, for example, one of these signs here that's coming up. I think we're going to stop for a second. We can locate that milepost marker that's right up in here. We can go up there and actually locate that with that within about a tenth of a foot from where it's at by this video. So it saves people from having to go out, do field measurements, a lot of that information. So the...

Sandoval: So is the camera mounted on the vehicle?

Madewell: It's mounted in the vehicle, yes. Yes. And there's a thing called LIDAR that's mounted on top, and it's the thing that's sending out the points of GPS reference, so that we can identify where these assets are at. So you'll see the view here, and then as you're going down the road again you can capture the striping and all the other elements and then you can stop wherever you choose to. And we're going to turn around here in a second, do a U-turn and go down the other side of the road. And so that's what we're doing now. You'll notice the quality of the camera on the right. That's one of the things we want to correct from internal, that we would have corrected that on the field at the time it was happening, if we were in control of this process.

So, again, you drive down the road and capture all of your data elements. We do this on a three-year rotation, so it's usually two to three years of being on the roads that the data is updated with. And we're about to the end here. And I wanted to show you the last frame because I want to show you how good this really is. But there's a lot of elements that we can capture and you can even sometimes see the time of day when you're running. For example, if there were accidents and things, we could be able to use this to do that. And we're coming up on this little guy right here in front of the

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

camera. So with that, Governor and members, I thank you for your time and our request would be to approve our expenditures to proceed with this program.

Sandoval: All right. Thank you, and I just have two brief questions. First, can you mine data from this, for purposes of safety, that we talked about at the beginning of this meeting?

Madewell: Yes, you could. And, one of our other reasons we want to take this on is because we want to have the access to be able to do that. An example being, the safety manager and I have spoken that if you have an accident location where we have a fatality or a major incident, we can take this vehicle out and go and run that same thing, same time of the day, perhaps the next day or so. And run it at exact same times to get the lighting situations, the views from all directions, and that could be a part of that process for identifying safety features.

Sandoval: Okay. And then the second question on the purchase of the data storage device.

Madewell: Yes.

Sandoval: Have we contemplated perhaps outsourcing that to the Cloud or do we need to have that in-house?

Madewell: I would have to relay that one to Mr. Wooldridge.

Sandoval: Mm-hmm.

Madewell: He's the one providing me that information.

Wooldridge: For the record, David Woolridge, IT Manager, Department of Transportation. But to answer your question, we've looked at using the Cloud and the amount of storage these guys collect, it's not very cost-effective. I've approached two local vendors of Cloud providers for data, told them what we could do it for, and asked them to give me quotes and neither of them have returned with a price, so...

Sandoval: Well, as long as you looked at it.

Wooldridge: We have, yes.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Sandoval: I just want to make sure that we did that. And then, I don't know if you know the answer to this, but what's the delta in savings between us doing it in-house and outsourcing like we've done it historically?
- Madewell: We haven't calculated to a good extent, at this point, because we aren't sure we want to run a first-year program. I've looked at costs in terms of travel -- our travel budget going up. I've looked in terms of personnel costs, including all of our extras and everything. I've built that in, so I do have a very rough draft that I could provide you, but that rough draft says we can do it for about \$200,000 to \$230,000 per year. And right now, the consultant contractor, our last one was over \$1 million for a two-year program, so that was over \$500,000. So I do have numbers. They just...
- Sandoval: And that will include this extra staff member you're going to bring on, as well?
- Madewell: It would. Yes, it would.
- Sandoval: All right. Questions from Board members?
- Knecht: Governor?
- Sandoval: Controller Knecht.
- Knecht: Did he want to go first?
- Sandoval: Did you have something, Tom?
- Knecht: Go ahead.
- Sandoval: Are you guys wanting to make a motion? Is that...
- Knecht: No, no. I actually have a question.
- Fransway: First off...
- Sandoval: Oh, okay.
- Fransway: ...I'm ready to make a motion, Mr. Chairman, but in the meantime I understand that 80 percent of this is federally reimbursed.
- Madewell: That's correct.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Fransway: And I read in there where the feds have given their blessing to it.
- Madewell: They have.
- Fransway: So I think it's the thing to do, as far as I'm concerned (inaudible).
- Sandoval: Okay. Controller Knecht.
- Knecht: Thank you. And I'll put a second to that if that's a motion (inaudible).
- Sandoval: Let me make sure that -- did you have a question first?
- Knecht: Yeah, I do have one question. It follows up on the Governor's question.
- Madewell: Yes.
- Knecht: This strikes me as the transportation (inaudible) onto the electronic medical records. And you recited some of the history from -- what was it, VHS and so forth? The banks and banks of tapes and that sort of thing. And looking back at that, I'm moved to think about the future and how it will evolve -- how the future will evolve and the technology that we're...
- Madewell: Yeah.
- Knecht: ...using will evolve. The Governor asked about the Cloud, for example. What are you doing to anticipate the next evolution of the technology and to be ready to move forward diversions 2.0, 3.0, and 4.0 of this, and continue to get those Moore's Law-type savings and productivity benefits?
- Madewell: A very good question. The RFQ that goes out today -- or excuse me, if you approve it, will be to give us a one-year guarantee on the equipment and three years of maintenance involved with that at the same time. During the three-year cycle, we'll get a good idea of what are those next steps and plan for those accordingly. Our SPR program is an annual program, it's ongoing and will continue to be ongoing as long as the federal government provides the funding for that program. And so, each three-year cycle we'll be looking ahead to purchase or update anything we need to at that time. It requires an annual licensing agreement, which we have to do anyway, whether it's a consultant or us. So the same component of that upgraded license for the equipment would occur every three years either way. So we did look at that. We think -- and we certainly hope that there are going to be advances.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Knecht: Yeah.
- Madewell: How far can you advance when driving down a road and taking pictures? We're...
- Sandoval: Well, I think -- and this is just me talking, but I think it's going to be a drone someday that's doing it.
- Knecht: It could well be, and I think...
- Madewell: That would make some people happy.
- Knecht: ...the only thing that concerns me is that we not get stuck with a legacy system that we can't evolve from to the next state.
- Madewell: Yes.
- Knecht: Thank you, Governor.
- Sandoval: No, and I mean that seriously, because I'm glad that it's three years, but as this drone technology improves...
- Madewell: Mm-hmm.
- Sandoval: ...and the licensing and rules, which is happening in Nevada, will be applicable -- this will be one of those areas where it will be applicable and we'll be able to take advantage of that technology advance.
- Madewell: Absolutely.
- Sandoval: Yeah.
- Hutchison: Governor, we've got a couple of questions in Las Vegas.
- Sandoval: Yes, please proceed.
- Hutchison: Thank you very much. Mr. Madewell, thank you for your presentation. I don't know if you know the answer to this question, but I noted just in the bullet points with your background slide, that there was a time when the state used to take care of this in-house, and I guess for a period of time during the '90s, and apparently about 2008 there was a change there. And so from 2008 to 2013, then that was sent to a third-party contractor. I'm wondering what the reasons were for the change, to take it from doing it in-

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

house to having a contractor handle it, and if those reasons are still applicable or those have changed.

Madewell: Thank you. Good question. The reason we took it forward, going to a consultant at that time was because we were moving from VHS to digital equipment. And digital for this type of system at that point wasn't really out there. They hadn't created an actual road view kind of a program for the type of digital that we were looking at. But the bigger reason was the money that we had at the time did not -- we did not have the money to move from a VHS to a fully-equipped digital vehicle, as well as the vehicle we had had almost 300,000 miles on it. So we needed a new vehicle, as well as we needed all brand-new equipment installed in the vehicle, at that time. And, it was just more prudent at that time to maybe look at a consultant, because we may not have also had the expertise at that time. We've developed that over the years of having consultants do that for us.

Hutchison: Thank you. And just a follow-up on some points about it appears that this technology is going to be evolving. Are you concerned at all about the state taking on the risk of evolving technology as opposed to the contractor? If technology continues to evolve, and as you mentioned before, one of the reasons that we made the switch to a private contractor from in-house, was sort of evolving technology. And I know it's hard to see into the future and we're not sure exactly what's going to happen, but -- and then (inaudible) maybe a three-year time period is not going to be as critical maybe as a more long-term time period. But, are you confident that we're -- that as the state we're going to take this in-house, buy the equipment, and we'll be able to adapt to future technology without having to make some major expenditures in the future?

Madewell: I'm very confident of that, and part of the reason is because we've gained the expertise of how this program operates and the kind of equipment that it takes, over the past years of using consultants. So we now have some on-staff people that have that expertise. We also have a much better IT department than we had in those days, who can help us address upcoming IT type of issues, whether it be video equipment, or database storage, or any of the elements that might need to change. We've met internally and discussed all of those elements, and feel very comfortable that we can take that...

Hutchison: Okay.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Madewell: ...on. And the point being, that even if we gave it back to the consultant, someone is going to pay for that increase, whether it's paying them or we do it ourselves. So we have our plan within the SPR of upcoming out years, planned to revise the equipment if needed, and we think we're going to be able to show over the next three years, the amount of savings we're anticipating to be able to have the money available to do that when that time comes.
- Hutchison: Okay. Well, thank you very much, Mr. Madewell. I appreciate your staff taking a look at that and analyzing that. This sounds like a good program for us to move forward with, and I appreciate your analysis. Thank you.
- Martin: I have one or two questions, as well.
- Sandoval: Please proceed.
- Martin: How long are the logs maintained? In other words, do we keep 20 years' worth of information, or do we recycle it every three years? How long are logs maintained, because \$60,000 for the storage -- data storage equipment would be dependent on that -- I mean is the size of the data storage equipment.
- Madewell: Right. Then we will do a six-year rotation on the data storage that's available at time. So every six years, we'll back up the prior year. For example, if we were to run this year, we would keep that as the viewable information for the next three years. In year three, we would redo that same -- that information again, because we have that three-year rotation. So there would be six years of available viewable data. Anything before that, would be backed up in the storage system as a backup, which takes less space.
- Martin: Okay. Speaking of backup, we've had a consultant doing this for the last five years. Do we get their files now?
- Madewell: Actually, there already are files. They do them, and then they provide them to us, and we take that data and put it into our system, so we already have that backed up information.
- Martin: Okay. Thank you. I have no further questions.
- Sandoval: Okay. One final question. Is this \$615,000 figure an all-in figure, so you won't be coming back in the next three years asking for more money?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Madewell: Maybe three -- no. That is the figure that we've come to, to obtain these items that you have before you today.
- Sandoval: I should say up to \$615,000.
- Madewell: Up to, yeah. We hope to...
- Sandoval: Yeah.
- Madewell: ...get it cheaper. I mean when we do our request for quotes, we have some ideas based on some prior discussions with providers before. So, they're the ones that gave us some of these costs, but we think it's less than that.
- Sandoval: Okay. Are there any further questions from Board members? If there are none, the Chair will accept a motion to approve an equipment purchase in excess of \$50,000 to expend funds for the purchase of automated pavement collection equipment, roadway video equipment, and data storage devices for up to \$615,000. Member Fransway.
- Fransway: I'll make that motion, and add to it that we move forward for request for proposal.
- Sandoval: Okay. Member Fransway has moved, and also included in the motion that we seek a request for proposal. Is there a second?
- Knecht: Second.
- Hutchison: Second.
- Sandoval: Second by Controller Knecht. Sorry, I'll give you the next one, Mr. Lieutenant Governor. There's always that delay. That's why you have to come to Carson City...
- Hutchison: I know, you're right. I'm beginning...
- Sandoval: ...for these meetings.
- Hutchison: ...to see how this system works now, Governor. Thank you.
- Sandoval: So we have a...
- Martin: I've been sitting here telling him he needs to step up.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Fransway: Governor?
- Sandoval: Yes, Member Fransway.
- Fransway: I probably also should add, not to exceed to that on your comments...
- Sandoval: All right.
- Fransway: ...if I could do that.
- Sandoval: So you amend your motion to include that the amount is not to...
- Fransway: Not to exceed...
- Sandoval: ...exceed \$615,000.
- Fransway: \$615,000, yes.
- Sandoval: Do you accept the amendment?
- Knecht: Yes.
- Sandoval: Yeah. Controller Knecht accepts the amendment to cap or the -- not to exceed the amount at \$615,000.
- Madewell: Governor, if I could, one point of clarification. We're actually going to be going out for an RFQ, Request for Quotes, so it won't be an RFP.
- Sandoval: Okay. So instead of RFP, RFQ.
- Fransway: So moved.
- Sandoval: All right. We have a motion and a second. Any questions on the motion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? The motion passes unanimously. We are going to skip Agenda Item No. 7 given that there are no December 15, 2014 Board of Director meeting minutes to review. So we'll move on to Agenda Item No. 8, which is Approval of Agreements over \$300,000.
- Nellis: Thank you, Governor, members of the Board. And welcome to our new Lieutenant Governor and Mr. Controller. Welcome. For the record, Robert

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Nellis, Assistant Director for Administration. I thought for the benefit of the new members, I might just spend just the next couple of slides just explaining our process that we go through on these next Agenda items.

There's typically, on your average Agenda you'll see two items for Board approval and then one item for informational only. And for Board approval, we'll have a section for contracts over \$5 million. That's not on today's Agenda, but we do have agreements for approval over \$300,000. And then informational is typically contracts and agreements that are less than \$300,000, and then settlements.

And the format that we go by is if the Board has detailed background -- details and questions that they need on any project, we'll try to call up the appropriate assistant director or deputy director or director that has that background and history on the project for you. We try our best to anticipate any questions the Board may have and have in the audience the appropriate division chief or project manager who may be able to answer those questions for you. And then, of course, any legal questions are deferred to our Deputy Attorney General, Dennis Gallagher. And if we can't answer any of your questions in the meeting, we'll provide the answers to you, individually later, or if appropriate at the next Board meeting.

And as Director Malfabon alluded to earlier, sometimes there's the need to interpret some of the answers you're given, so I'd like to spend the next hour going over the acronyms. If that would please the Board, we could go through each of these. I assume that we don't need to do that, Governor.

Sandoval: You can provide copies.

Nellis: Well, starting with Agenda Item No. 8, there are two agreements under Attachment A that can be found on Page 3 of 13 for the Board's consideration. And the first item is in the amount of \$1,200,000, and that's for the development of the Nevada Statewide Freight Plan. And I just want to note on this one that the -- we -- staff anticipates completing this project within an 18-month period, but we did allow a little extra time just for a little bit of wiggle room there, just in case. So, I just want to let you know.

Sandoval: So that's good, because Member Skancke had some concerns that it would take -- it was represented that it might take until 2018. And so now, you're

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

telling us perhaps sometime in the middle of next year that it would be completed?

Nellis: That's correct, Governor.

Sandoval: All right.

Nellis: And then Agenda Item No. 2, is a second amendment with Stantec Consulting Services. This is to increase authority by \$542,176. The purpose is to increase consultant staffing due to Department staffing issues and unforeseen special inspections. We have some simultaneous bridge inspections going on at the same time, and also, some technology that was not conceived in the original agreement. And, I'd like to note that this is a 95 percent federally-funded project. And, Governor, that concludes the agreements for consideration under Agenda Item No. 8. Does the Board have any questions for the Department on either of these items?

Sandoval: Questions from Board members? Member Savage.

Martin: I have one.

Sandoval: Oh. I'll go with Member Martin and then Member Savage.

Martin: On the Freight Plan, were there any other proposers besides Michael Gallis?

Nellis: Are we allowed to disclose other...

Malfabon: Yes.

Rosenberg: We had two proposals for that RFP.

Malfabon: Jacobs...

Rosenberg: And the other from Jacobs Engineering.

Martin: The other firm was who?

Rosenberg: Jacobs Engineering.

Martin: Okay. Was that left out of the package? I didn't see it as -- left out of the Agenda. I didn't see it on there -- on the -- within the confines of the Agenda.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Malfabon: Governor, if I may respond directly to Member Martin. Typically, we'll provide the information on the firm that was selected. I'm not certain that we typically provide all the information on the procurement process of who else put in for it.
- Martin: Okay. I can see that on a \$300,000 award, Rudy, but on a \$1.2 million I just was curious.
- Malfabon: I see.
- Nellis: And, Governor, for the record, Robert Nellis. I forgot to mention there's a -- one correction in the notes under Item No. 2. When you look down to the previous amendment, the amount says \$1,897,783.94. That should actually read \$1,896 -- not 97,000 -- 783.94. Just a correction for the record.
- Sandoval: Okay. Member Savage. Did that answer your question, Member Martin?
- Martin: Yes, sir. Thank you.
- Sandoval: All right. Member Savage.
- Savage: Thank you, Governor. Just a comment of appreciation to -- on Agenda Item No. 2, regarding the negotiation for the additional dollars. It was noted in the documents that we received here that Mark Elicegui, Nancy Kennedy, Michael Primo, and Stantec negotiated a cost savings a little over \$100,000 for the Department. I'd just like that to be noted. Thank you, Governor.
- Sandoval: Thank you. Just one other question. On all that -- you said there were more inspections than were anticipated. Are those time sensitive or could we spread this out to avoid having to enter in to this contract?
- Terry: John Terry, Assistant Director for Engineering. We have to inspect, by federal requirements, every bridge in the state once every two years, so in order to meet those requirements. Really, part of the reorganization that was sort of explained in here was we really needed the consultants who are on the two-year contract to do more that we couldn't do with state forces, because state forces that help us were doing some of the other nondestructive testing for some of our other bridges. So, yes, there is a time requirement we must do every bridge every two years.
- Sandoval: So why are we doing four years instead of two years then?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Terry: That's -- the way we contracted is two years with a two-year option.
- Sandoval: So the second two years is optional?
- Terry: Is Mark here? I'll have to get back to you. I'm not a hundred percent sure.
- Sandoval: Well, you understand why I ask the question is, so if we've got -- I understand that we have a time crunch in this two-year period. Do we need to extend it out, won't we have enough time to plan for the subsequent two-year period?
- Terry: Again, we're just trying to project that all bridges get inspected, but -- and again, we're asking to amend the agreement in order to cover that. If the work isn't actually done, it's a cost-plus agreement, I mean if those don't have to be done. But we have to have it set up so we can cover those bridges.
- Sandoval: No. Yeah, I just want to make sure we're clear on that, because part of the justification for doing this is a lack of internal resources for one reason or another. Obviously, there's plenty of time to address those internal issues, so that we have sufficient staffing moving forward.
- Terry: Yes, except our backup people for helping with the inspections are people that do our nondestructive testing. That's like when a new bridge is being built, usually out of state, the steel girders, we see those coming up and we know that that staff won't be available, so we're sort of projecting that. The airport connector being the specific bridge. It's a very large bridge being built in Utah, where we have to send staff there.
- Sandoval: So it's not certain that we'll be spending all \$1.8 million?
- Terry: It's our best projection, but you're right, it's not certain.
- Sandoval: Okay. Other questions from Board members? If there are none, the Chair will accept a motion to approve the agreements over \$300,000 as described in Agenda Item No. 8.
- Martin: So moved.
- Sandoval: Member Martin has moved for approval. Is there a second?
- Hutchison: Second.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Sandoval: Second by Lieutenant Governor Hutchison. Any questions or discussion on the motion? Hearing none, all in favor say aye.

Group: Aye.

Sandoval: Opposed no? The motion passes unanimously. Let's move on to Agenda Item No. 9, Contracts, Agreements, and Settlements.

Nellis: Thank you, Governor. Again, for the record, Robert Nellis. There are two attachments that can be found under Agenda Item No. 9 for the Board's information. Beginning with Attachment No. -- or A, I'm sorry, on Page 4 of 13, there are two contracts. The first is for a vehicle storage bay extension. This is at the Fallon Maintenance Station in Churchill County. There were five bids and the Director awarded the contract to Reyman Brothers Construction Incorporation, in the amount of \$470,000. And the second item is a permanent Washoe Valley wind warning system. This is on I-580 and U.S. 395 in Carson City and Washoe County. There were three bids and the Director awarded the contract to Parr Electric Contractors Incorporated, in the amount of \$3,123,589. Does the Board have any questions for the Department regarding either of these contracts?

Sandoval: On the second one, that seems like a lot of money. And when it says "permanent," what do we have now? That suggests that we have something temporary. I was going to make the joke that the first one blew away, but -- I just did.

Inda: They're well-staked down.

Sandoval: Okay.

Inda: And that's serious. I'm Denise Inda from the Chief Traffic Operations, Engineer. Currently, we have a temporary system. And, if you drive back and forth through that area, you will see portable, changeable message signs with flashing lights on them that are activated when the wind gusts reach the certain criteria. What we're replacing those with are permanent static signs with flashing lights, and some other signs. What happened when the I-580 contract was being designed and built, it did not -- in the subsequent amount of time that it took to put the contract, it did not include all of the information and all of the studies and evaluation that we have done since then. And, we realized that we needed to fine tune and modify the wind

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

warning system to include some other areas, and based on a study that's what we did.

We needed to have some sort of system in place when the freeway opened -- when the freeway extension opened. And so that's when we built this temporary system. What's going to happen, there are some portable wind monitoring systems, there are these portable signs. We designed the system and planned such that once the permanent system is in place, this equipment will be reutilized in other locations throughout the state, not just in District 2. We'll be sharing the equipment with all three districts. So that system will be repurposed throughout the state once the permanent signs are in place and build.

Sandoval: Just out of curiosity, where is -- where do the largest wind events occur other than in Washoe Valley? Where would you put that temporary equipment once the permanent is in place?

Inda: We might not use it in the exact same situation. These RWIS stations, which is a Road Weather Information System, they gather all kinds of atmospheric weather information and those sorts of things, so we can use them in a portable situation. It's on a trailer, and we might be having -- for example, we have high winds on U.S. 95. And so, we might not have permanent equipment in that area and we might say we want to evaluate the situation. And, so we would haul it out there, stake it down, and set it up gather that data, pull it into our data systems so that we could utilize that data. And it makes it very -- it's not just for wind. We could also use it for other kinds of purposes where we want to be monitoring weather, pavement temperatures, those kinds of things, which we can use for a variety of parts of the work that we do.

Sandoval: Okay. Thank you. Any other questions on this portion of the Agenda? Thank you. Mr. Nellis, why don't we move on to the other items.

Nellis: Thank you, Governor. Again, for the record, Robert Nellis. There are 49 executed agreements under Attachment B, that can be found on Pages 8 through 13 for the Board's information. Items 1 through 14 are cooperative and interlocal agreements. 15 through 23 are acquisitions and appraisals. 24 through 28 are facility agreements and leases. And finally, Items 29 through 49 are right-of-way access and service provider agreements. And,

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Governor, that concludes the Agenda items under Item No. 9. Does the Board have any questions on any of these agreements?

Sandoval: Yes. On the research, I mean you've heard me ask this question before. Do you know what the breakout is on the administrative charge on those?

Malfabon: That's per that negotiated rate that we presented last month. I think it was last month.

Sandoval: And just refresh my memory. What was that again?

Malfabon: I think it was...

Sandoval: You refresh his memory.

Malfabon: Yes. Do you recall, Sondra? I thought it was -- no, I better not venture a guess. My memory is not as good as it used to be.

Unidentified Male: 23 percent. Governor, 23 percent.

Malfabon: That's what I was going to say.

Sandoval: But historically, it had been 40 -- in the high 40s, correct?

Malfabon: The amount that's justified is in the high 40s, but it was negotiated at 23 percent.

Sandoval: And that's an across-the-board agreement on...

Malfabon: Yes, both universities.

Sandoval: And then, on to Contract 24, this has to do with the Boulder City Bypass. And I know that contract for paving is -- or construction is on the Agenda for next month, but are we on schedule with regard to the relocation of the utilities?

Terry: Again, John Terry, Assistant Director for Engineering. Yes, we are except for NOAA extended it further than the original agreement would have extended, and that's why we asked to extend the termination date on this one. Now, we are moving forward, but we had to amend the agreement because the project was delayed, and they couldn't get out there.

Sandoval: And so the airborne asbestos issue, is that all under control as well?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Terry: Oh, there's -- well, like I said last time, we're now moving into construction. We got through environmental. We've got the specifications in there, but we've got monitoring for construction and a lot of activities going on. So we still have to deal with it, but it's no longer slowing down the progress.
- Sandoval: Okay.
- Malfabon: Yes, Governor, you'll see a construction administration contract that will include industrial hygienists to help the construction staff on monitoring for health reasons with the asbestos issue.
- Sandoval: Okay. And then on Contract 34, with the Elko maintenance station. Does that have to do with any of these EPA issues?
- Malfabon: This looks like a typical facilities maintenance. I know that -- Reid, I don't know if you could add to that or -- I don't know, is it...
- Kaiser: Reid Kaiser, Assistant Director for Operations. That additional work is for some clay that we hit during some excavation. We had to thicken one of the cleanout pads and items like that. And, I think that was also one of those pads is for the wash pad. So it was related, but that work was already planned to happen.
- Sandoval: Okay. And then while you're there, 45 for the Reno maintenance yard. Drainage improvements, does that have to with EPA?
- Hoffman: Governor, I can speak to that. So for the record, Bill Hoffman. That is exactly one of the projects that we accelerated and got out the door based on the EPA's inspection in November.
- Malfabon: Yes.
- Sandoval: I just wanted to make sure that we were talking apples to apples there.
- Hoffman: Yes, sir.
- Sandoval: And then I'm on to 39. I don't know if that's for you, Mr. Nellis. I'm not questioning the contract, but let me read this. "To provide a software as a service application and database system for the management of project data and the creation of the electronic statewide Transportation Improvement Program." Can you translate that for me?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Rosenberg: The Electronic Statewide Transportation Improvement Program is turning our TSP document, that document I brought to you last month for approval, which contains information on all of our projects, both--past ones. We're going to better store historical data, as well as our four-year fiscally constrained federal STIP. So moving into an electronic format meaning we'll be -- it'll be a much more robust platform where we can search for project types, project locations. So all that information we brought to you last month that was done by hand by staff, we'll be able to query that database. They're providing it as a service. The firm that we've selected has done this for some very large MPOs in Southern California and some other areas, so they're used to that federal reporting. It'll connect to our financial system, as well. So, it's really just getting that federal document up to the century and into the electronic age...

Sandoval: Yeah.

Rosenberg: ...to make it easier for all of us to (inaudible).

Sandoval: And I'm not asking you to justify it again. I just would ask that when you use your NDOT engineering language, to keep in mind...

Rosenberg: You want this in real language?

Sandoval: Yes.

Rosenberg: Okay. We'll be aware of that in the future. Thank you, Governor.

Sandoval: No, and I don't mean that critically, because I -- as I said, it's helpful for me to know exactly, as I go through these, what these contracts actually do. Okay. I have no further questions. Other Board members? Member Savage then Member Fransway.

Savage: Thank you, Governor. Just two comments and possibly questions on Item 35 and 36, for the CH2M Hill time extensions. I know I've harped on this in the past, but it's my assumption by looking at these two extensions, that there are no additional dollars in the next two years associated with this work. And could you please confirm that? Thank you, Mr. Terry.

Terry: Again, John Terry, Assistant Director of Engineering. Yes, that's correct. We extended 35 because some of the right-of-way acquisitions in phase one were still not completed, and they're still under that original contract. But

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

there's no extra cost, just additional time. The second project is a bridge design, which is done, but we extended their termination date to cover construction services during construction because we decided to package that bridge with another package that is not done yet, so we needed to extend their agreement. But they are not extra money, just time extensions.

Savage: That's great news. I want to thank Mr. Terry, the Department, as well as CH2M Hill, for no additional dollars. Thank you.

Sandoval: Member Fransway.

Fransway: Thank you, Governor. Item No. 1, please. Mr. Nellis, can you explain to me why -- this is a receivable -- or a savings of nearly \$40,000. Can you explain to me why it is cheaper to fund that through state funding than federal?

Nellis: I think Director Malfabon...

Malfabon: I'll do my best.

Nellis: ...is the one for this one.

Malfabon: This is an agreement with Carson City for this storm drain and, I think it's a pedestrian trail on Hell's Bells or sidewalk. And the -- it was an agreement between the state and Carson City, and they're decreasing the amount of federal on this project. With concerns about -- they're funding the design, had concerns with the DBE. And as we've talked about, the FHWA is requiring achievement and proof of achievement during construction by the contractor. We're in the process, as Tracy Larkin-Thomason has reported to the Board, of implementing these specification changes. Now, it's a specification change to the contracts, so we felt that we should coordinate directly with Carson City to fund these improvements while we were working out the specification changes to the DBE program. So we're going to fund -- help Carson City fund the improvements. And there's a decrease in the amount of federal as a result of not achieving the DBE goal. The work was already done, and Carson City did not have the funding for it when they -- when these rules were implemented.

And Carson City provided a commitment to working closer with NDOT on these types of issues, rather than making decisions on their own, when

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

there's federal funding at stake. So we feel that they've made a commitment to have a better process in the future with some checkpoints, rather than making decisions on their own that put this funding at risk. So we did get with them to get those commitments in writing about monitoring these contracts, so this doesn't happen again.

Fransway: Okay. So I don't know if you've answered my question as to why it's more expensive to use federal dollars. Has the contract, itself, been amended?

Malfabon: The contract is being herein, but I'm not certain the \$40,000 approximately, I think, was due to the reduction of federal funds. So it's related to that. So we might bring this back for more explanation in old items next month.

Fransway: Okay. I think that's warranted, Governor, if you would, please.

Sandoval: Sure.

Fransway: And Item 5. Why is NDOT funding another state entity with fuel tax dollars?

Malfabon: I can respond to this, Governor, to Member Fransway. When the original freeway, not the 580 portion that's -- the most recently completed section, when further sections up north of this freeway were built, it was a commitment to replace wetlands that were affected. So more in the South Reno area when the freeway was built, we had to create some wetlands in other areas as a, kind of, wetland banking they call it. So, to offset the impact to the environment on one project, we built this years ago when we built the freeway in South Reno, and this just keeps that going for maintenance of those wetlands with -- through another state agency.

Fransway: So will there be a reimbursement?

Malfabon: This is not reimbursable. This was a commitment that the state made in the environmental process way back, years ago when the South Reno freeway was built on 580.

Fransway: Okay. Thank you, Mr. Director. And one more on Item 11. Can someone explain the receivable of \$1,144,000?

Malfabon: I believe that this included some matching funds from some other participants in the Vehicles Miles Traveled study. This is what -- the first

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

phase of the VMT study. What I've asked staff to do is to put together a presentation and update, on where we're at on phase one. We've held phase two of the study in abeyance, until you receive a report on where we're at with phase one. So, this was some additional matching, I think, by some other participants. I believe the RTCs were involved in the first phase of the study, so we'll clarify that that was, in fact, what the receivable is by other partners in the study.

Fransway: So will the actual cost of this, after reimbursement, be \$300,000?

Malfabon: Are you -- which item are you looking at?

Fransway: 11.

Malfabon: No, the actual cost, I believe, is as indicated through. The \$1.4, I believe, is a match, so it's match. I have to -- let us determine, unless there's somebody present today that has the details. Sondra, you probably don't know the details since you're newer in that position, but we've asked a person that took over, and was also new in that position, to provide an update to the Board. And hopefully, they can pull that together next month and give a response to those types of questions, Member Fransway.

Fransway: That's okay, Governor. That would be fine. Thank you.

Sandoval: Any other questions from Board members, with regard to Agenda Item No. 9? Mr. Nellis, does that complete your presentation?

Nellis: It does, Governor. Thank you.

Sandoval: Questions from Southern Nevada?

Martin: I only have one. On the P6 training, Item No. 31. It's Atkins. Is that...

Malfabon: Yes.

Martin: ...were they the only proposer on that, and is this for our REs?

Kaiser: Reid Kaiser, Assistant Director of Operations. How many proposers did we have on that, Jeff? Three proposers and, yes, this is for the REs. They're going to set up...

Martin: Okay.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Kaiser: ...three classes, it's new software, new scheduling software. They're going to supply locations, supply the computers, and essentially teach our REs this new scheduling software. And, it also comes with some training for how to review construction schedules, some delay claim mitigation and those type of things.
- Martin: Okay. So this is over a three-year period if I read this correctly, Reid. Are they providing training sporadically over those three years, or are they -- what are they doing?
- Kaiser: I couldn't answer that. Jeff could probably answer the details better than I can.
- Martin: The reason I ask is P6 training -- P6 is a fairly complicated scheduling program, and so it's important our REs get enough exposure.
- Shapiro: Member Martin, this is Jeff Shapiro, Chief Construction Engineer. There's actually four classes in the proposal, one in each district and then additional training after that as needed.
- Martin: Okay. So four classes over a three-year period, right?
- Shapiro: Yes, sir.
- Martin: Okay. That ain't enough, Jeff.
- Shapiro: We'll have to take a look at that, Member Martin. The program is quite complicated and I understand where you're coming from on that one, so...
- Martin: I just implemented this two years ago into my construction company. I can tell you one training program is not enough. So, we will get a change order on this one, gentlemen.
- Shapiro: We're going to try to avoid that if at all possible, Member Martin, but we'll-- once we get into it, if it needs additional effort, we will address that appropriately.
- Martin: Okay. Thank you.
- Sandoval: Board members, any other questions with regard to Agenda Item No. 9? If not, we'll move on to Agenda Item No. 10, Briefing on Proposed Enhancement to Department's Bonding Policy.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Nellis:

Thank you, Governor. Again, for the record, Robert Nellis, Assistant Director for Administration. And with me, helping with the presentation, is Peter Shallenberger from Public Financial Management Incorporated. This is the firm that helped us sell our right-of-way bonds back in February of 2014. And, to just give you a brief outline of the presentation today, we'd like to review our current bond policy, and then our proposed enhancement to the bond policy. And I'll go through those portions, and then have Peter come up and talk about impacts or potential impacts to Project NEON and then possible credit consideration. And then, we'd like to close on and receive any comments from the Board members and answer any questions that we might be able to.

Our current internal policy dated April 3, 2007 states that, "NDOT will not issue bonds unless the pledged motor vehicle taxes are at least twice the combined maximum debt service of annual principal and interest (of both existing and proposed bonds) for any year." And what that looks like in actual dollars is when you look at our actual 2014 gas tax and special fuel taxes combined, that comes to a total of \$267 million. And mind you, this is just -- we're talking about state revenues here. This is no federal dollars at all.

And so we take just the state gas tax and fuel taxes out together, divide that number by two, we come up with an annual debt service limit of \$133 million. Currently, we're looking at, with existing debt service that also includes our right-of-way bond that was sold in February 2014, of a \$69 million maximum annual debt service payment in 2016. So just to put that number in perspective.

Our needs for NEON construction are in excess of \$500 million. And, this is a proposed bonding schedule that, really, is just used for our modeling. There's several factors that would have to come into play, such as the Governor's recommended budget for every biennium, would have to be approved before we follow this schedule, as well as Board approval, before we sell any bonds. So, this is just what we utilize as an estimate between 2016 and 2019, for what we believe a reasonable bond sale -- stage bond sale would look like.

As far as maximum annual payments, as I mentioned in 2016, our maximum payment would be \$69 million. By the time you add the half a million -- I'm

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

sorry, the \$500 million for Project NEON, and I added a little extra contingency into this -- into the blue line. So, we started on the blue line at \$69 million, a little contingency added in takes us to \$89 million by the year 2012. And you can see there's a sharp drop-off after that year, and then we level out for a bit until 2027, and then stay in the mid \$50 million range for our annual payments after that. I would like to note that this is based on a 20-year bonding schedule. We do have a bill draft request that we're submitting to this next legislative session, that would propose to change the 20-year to a maximum of 30 year for bonding. It doesn't mean that we would have to bond for as long as 30 years, it just gives us that additional flexibility.

So, you can see the red line represents where we anticipate our maximum annual debt service payments would be with Project NEON included. I also put on there our historic maximum of \$100 million. That's where we have felt comfortable as a department not exceeding that level, just to be ultraconservative and make sure we not get ourselves in a situation where we can't repay our debts. So, I just wanted you to see that we're far below that projected line.

Now, when we sold our bonds back in February 2014 for Project NEON, we received from Standard & Poors the highest credit rating they could give us, a AAA credit rating. Now, Fitch and Moody's, we still have great ratings from them, but there's also more room where we could improve. So really, starting -- before we talk about enhancements to our policy, I'll make the point we're starting from a point of strength here. We really have a great rating with all three of the rating agencies. And so, our program is viewed very positively by all three. But we're always looking for areas where we could make potential improvements, and that's where we believe there's some room where we could make some adjustments that may be able to push us over the edge with either Fitch or Moody's to get that next highest rating. And the change in policy that I'd like to present is really something that's non-controversial. There's no cost to the Department from implementing this policy; and really, what we want to do is just take our already strong program and make it even stronger.

This is some proposed language that the Treasurer's Office got from their bond counsel. And there's really just subtle differences between this

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

proposed language and the language I showed you earlier in our existing policy. And really what we're talking about here, is still keeping the same upper debt service limit, but for -- that'd be for our second lien bonds. And, what we're talking about in here is establishing a new level for senior lien bond debt service. And that's the distinction here, is we wouldn't be tying our hands in any way. And the way to look at this, I think, quite simply, is look at a first and second mortgage. We have a level where on our first mortgage we want to stay out and we feel comfortable repaying, but then there's another level where we might go with a second mortgage. So we're really talking about establishing two different levels.

And what that looks like in dollars in terms of just taking the same numbers we looked at earlier, the same \$267 million in 2014 taxes, and instead of dividing by two, that number would be divided by three. That would give us a senior lien annual debt service limit of \$89 million. We would still have a subordinate lien annual debt service limit up to \$133 million, so nothing changes there. And as you saw in the previous slide, we're looking at, after the bonds sales from Project NEON, a projected debt service peak of \$89 million. So really, what we're looking at here is not -- we don't anticipate issuing any subordinate liens. We're looking at just staying at a senior lien debt service limit. Yes, sir.

Sandoval: Well, that begs the question why are we doing it then.

Nellis: And that's what we'd like to get into as far as the details and impacts, financially, to Project NEON in the next few slides.

Sandoval: Oh, okay. Okay.

Nellis: Okay.

Sandoval: Controller Knecht.

Knecht: Thank you. Just to clarify real quickly, the \$133 million also includes the \$89 million?

Nellis: It does, yes, sir.

Knecht: Okay.

Nellis: That is correct. Yes.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Knecht: Thank you.

Nellis: Yeah. Thank you for the clarification. So why do this, Governor? What are the benefits to the state? Well, we believe that perhaps some of the rating agencies may not be recognizing our conservative budgeting and management of our program. We're not -- we may not be getting credit for that, until it's actually something that we memorialize in writing. We're saying that we have a debt service limit that's at this upper level that we never even touch. So some of the benefits of putting that in writing or potentially improving our ratings which, of course, lowers our borrowing costs and -- but it still maintains the same flexibility that we already have. So, there's really nothing that changes there.

But some important considerations for the Board is that in doing this, if we do, in fact, succeed getting improved credit ratings, well, that could lower our debt service costs and may even present the opportunity for refinancing some of our previous bonds, so we could have some savings there. And, I really want to make the point that this policy would not limit the Board's authority in any way. The Board still approves all future bond issuances, so it doesn't tie your hands in any way, so there's really no jeopardy that we put the Board in there. And of course, as I mentioned, really the key we're looking at here is before we were issuing in excess of half a billion dollars in bonds for Project NEON, the potential to save some additional funds there is really what's driving this. So, I'd like to have our financial advisor, or PFM, come up and explain some of those impacts.

Shallenberger: Good afternoon, Governor, members of the Board. I am Peter Shallenberger from Public Financial Management, financial advisor part of the team with the State Treasurer's Office, and here at NDOT. So a pleasure to be here. I'll pick up where Robert left off on slide 12, and I will just set the context one more time.

You start from a position of strength. That's very important to say several times. You're AAA rated from S&P. So the strategy we're considering here, there is no room to get any better at S&P. So it's a very surgical strategy to look for a slight increase from Moody's and perhaps Fitch, because you're right up against the ceiling of as good as it gets. So this is a very surgical, non-controversial change to your policy that reflects what you do today.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Here are some numbers on Page 12 to further flush out where you are and where the future \$500 million potential issuance for Project NEON might take you. The gray bars represents the principal interest due on your bonds outstanding today. So today, Nevada DOT has \$486 million in bonds currently outstanding. And you'll see the structure. Part of the benefit is this; it's all fixed rate. It's very short, so all of your debt matures in 11 years. With it being so short, though, you'll see a bit of a bump from today through the next five years, through 2021, then it drops. So as Robert showed you the drop from about \$89 million in 2022 to \$60 million thereafter, that's really due to how the existing debt is structured. We have to wrap around your existing principal and interest payments.

Here on slide 12, we represent the additional \$500 million of bonds. Principal interest on that \$500 million, is represented by the blue bars. Final maturity of 20 years wrapped around your existing liabilities. The all-in borrowing costs had some significant rate increases built into it, anywhere from 100 to 200 basis points of interest rates, from today's low rates, for your future issuance for Project NEON. Assuming that rates go up 100 to 200 basis points, 1 to 2 percent, then you're all-in borrowing costs for the additional \$500 million is about 4.8 percent, assuming that it's all issued as senior lien bonds. You'll see the total principal in interest due on the \$500 million for Project NEON proposed of \$876 million through 2037. So that's a real snapshot of how future costs will look in terms of interest and principal in interest.

For your senior coverage, for every dollar of debt service you have \$3.05 of tax revenue coming in to cover that. So you have just over three times coverage, if you will. So this is a senior lean, sticking with how we expect to issue your debt over the next five years, using the senior lien bonds only. You'll notice that in the first five years, you bump right up against the \$89 million, right up against that orange line which is the proposed change to the policy. It's a little tighter than what you're used to, but it's going to benefit you in the markets and with the rating agencies.

If we're concerned about how tight we get to that orange line and to the Governor's question, why are we talking about subordinate lien debt at all, is to anticipate some changes. Perhaps you need to issue a little bit more than expected five, six -- seven years down the road. Perhaps interest rates are

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

even higher than we're forecasting in terms of 100-200 basis point increase. So as an alternative, you can issue \$350 million on the senior lien and what if we were, because the option is always open to you, issue \$150 million on a subordinate lien, on a second lien. The second lien in this graph is represented by the green bars. That's the cushion that it will give you, the flexibility it'll give you between the three-times coverage.

Okay. So what's the impact if we do issue \$150 million on a subordinate lien? You're all-in borrowing cost goes from 4.8 to 4.83, very small. And under the third bullet point, the marginal of the additional cost from using a senior and a subordinate lien structure, versus only a senior lien structure is about \$2.7 million total. So very nominal cost to providing some flexibility. Again, you aren't deciding on whether you choose to use that flexibility today. This is just modeled, and is there for your consideration if that day comes. The expectation is that you will issue senior lien debt.

Two other slides before I turn it back over to Robert. Credit considerations. The top line on the table is where you are today. You're a AAA-rated entity from Standard and Poors, so you get no higher. You have two other sort of categories, AA category and A category. Within each category you're notched either a plus, flat or minus. You're a AA+ from Fitch, so you're at the high end of the AA category and you're a Aa2, which corresponds to sort of a AA flat on Moody's way of describing their ratings. So if we were to start with where you are on the senior lien today and project where a subordinate lien would take you, we expect just one notch difference, dropping from a AAA to a AA plus. From a AA+ to a AA flat, and a Aa2 to a Aa3. The cost of that is about .1 percent or as noted, \$2.7 million over the life of the program.

With that said, by proving the flexibility, by strengthening the test in your policy and your bond documents on your senior lien bonds, we think it's going to strengthen your credits and keep them at these high ratings, perhaps increase that Fitch rating from AA+ to a AAA, and offset any costs that a subordinate lien issuance might give you. So, in fact, we think taking the proactive step of increase your ABT, your additional bonds testing of your documents, will offset any potential future costs on this by issuing subordinate lien debt.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

And who else does it? Quite a few of your peers state by state, state DOTs have multi-lien borrowing programs. And here's just four of them: Arizona, Missouri, New Mexico, and Oregon. And you can see, state DOTs are viewed very favorably by rating agencies. You see quite a few AAA there, AAAs, AAs. If you go over to the ABT, the additional bonds test or the coverage test, you see quite a few 3's and 4's. You're currently at a 2, and we want to get that from a 2 to a 3, so as we go back to investors and rating agencies, you could put yourself in the most favorable position across your peers. Say, we are very close to the AAAs across the other country. So that's the context and the purpose for the suggested change to increasing the additional bonds test. I know it's a fairly technical issue. It's a fairly surgical strategy that'll bolster to your ratings. I appreciate the patience. And I'll take questions before I turn it over to Robert.

Sandoval: Thank you. Did this all begin from your recommendation? Who did this -- what was the genesis of it?

Shallenberger: Good question. I'll give you my recap and others may have some additional thoughts. Back in February -- I'll look to Lori Chatwood from the State Treasurer's Office, right, Robert? Back in February, we issued bonds on the state DOT's behalf, and at that time, we took a look at the credit, a very comprehensive look at your credit. And you were a AA+ at that time from Standard & Poors. And as a team, we said, I think you're a stronger entity than AA+. We made that case to the rating agencies and received the upgrade to AAA. And at that point we started to say, let's push for a couple other increases across the board. And without costing the Department any money, this was the strategy that we narrowed it down to that we felt would get you there with the other two agencies, so...

Sandoval: Controller Knecht, did you have a question?

Knecht: Thank you, Governor, and I do have a few. In Pages 12 and 13, where you've got your charts, it looks to me like what you've done is assume that the senior bonds rate won't change between those two scenarios; is that correct?

Shallenberger: That is correct.

Knecht: In short, you're not doing dynamic scoring, if you will.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Shallenberger: You're right.

Knecht: And the difference between \$876 million and \$879 million is, in part, a function of that assumption, but we might hope that with a higher rating and with the better coverage, and better coverage benchmarks, that we get a lower interest rate on the senior debt.

Shallenberger: Correct.

Knecht: Okay.

Shallenberger: We're not modeling the potential that you'll have lower rates on that senior lien. We're not modeling the offsetting benefit.

Knecht: Right. I think you've answered my other main question, which was I understand the need for us to have more flexibility by going long, especially when the 10-year treasury note is under two. My gosh, let's borrow everything we can. But the other approach to this effort would also seem to be to go shorter with your actual bond issuance. And I know we've got fairly short-term bonds here. We're not using the full 20 on everything. Is that, essentially, the answer that we're already trying to get the benefit from faster payback and lower rates on shorter-term instruments?

Shallenberger: That has been an act of strategy pursued by the team. And so sure enough, the 30-year tax exempt borrowing rate today is 2.7 percent. If you go out 30 years, investors will attempt 2.7 percent for a 30-year debt. The 20-year is 2.4. The 10-year is 1.9, and you come down to two years and it's .4.

Knecht: Yeah.

Shallenberger: It's .4. So long-term debt is very inexpensive, and short-term debt is even cheaper. So we've, sort of, stayed the even-cheaper rate for now, but as you implement, you essentially double the size of your borrowing program from \$486 [million] to another \$500 million. You'll want to think about where along the curve and where within your capacity -- your program capacity you want to put your principal. So, that's an ongoing discussion that'll partly be informed by interest rates and partly be informed by program capacity.

Knecht: I guess the third concern that I have is you talked about 100 to 200-basis point expected increase, which by the way, we've been talking about for five, six years now. I testify as an expert witness on cost of capital. And so,

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

the risk-free rate is the starting point for me, and I've been observing that for all this time saying, my gosh, what a wonderful age we live in. Everything else is terrible, but at least that's good.

Shallenberger: Yeah.

Knecht: And my question is when you say 100 to 200 basis point possible wafted up from our current level, what reference point were you using for the current level, say, on the 10-year treasury note or the 30-year?

Shallenberger: We were using rates as of -- I think it was the first week actuals in the first week of October.

Knecht: Okay. And so, they were higher at that point than they are now?

Shallenberger: The first week of October were low. They hit the absolute low on October 15th, and then they bounced back up, and now they're coming back down. There's quite a bit of volatility in this low interest rate environment.

Knecht: Yeah.

Shallenberger: So we used interest rates in early October. They're pretty close to where they are today. And from a point of conservatism, we've built in some high rate increases, just so you don't start a program and end up short. So there's quite a conservative interest rate forecast built into this (inaudible).

Knecht: Yeah. So when you say 100 to 200 basis points, what was the nominal 10-year treasury note that you had in mind there, if you know?

Shallenberger: So 10-year treasury was probably pretty close today, which is a 190.

Knecht: Right.

Shallenberger: So I think what we modeled was in 2016 we'd assume that's 290.

Knecht: Okay.

Shallenberger: In 2017, that's another 50 on top of that, so 340. And then another 50 on top of that, 3 -- so we jump up from 190 to 390 by 2017, in terms of the U.S. Treasury. And you might say that's quite a bit of interest rate movement, and on the other hand you're saying, shoot, we're just getting back to 3.9 percent on the 10-year treasury. So that sounds...

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Knecht: When the long-term on that is somewhere well above 4...
- Shalleberger: Right.
- Knecht: ...long-term average. Yeah. And so if the next few years have the -- we have the good fortune -- the limited good fortune that we've had the last few years, we'll look even a lot better here. But you haven't...
- Shallenberger: I agree.
- Knecht: ...counted on that?
- Shallenberger: We've not. We don't want to count on that...
- Knecht: Yeah.
- Shallenberger: ...so these are conservative numbers and you'll likely beat them. And, we'll update those as time goes on, so...
- Knecht: Thank you. And, Governor, thank you.
- Sandoval: Ms. Chatwood, did you have a comment you wanted to throw in?
- Chatwood: I do.
- Shallenberger: Thank you.
- Sandoval: Quickly, please. And then we'll move to Member Fransway.
- Chatwood: Thank you, Governor, members of the Board. Lori Chatwood, Debt Management for the State Treasurer's Office. One of the reasons that we were recommending doing this, the performers that we have provided were to show you where Project NEON would be looking at, because I know that's a major concern as we come on that \$500 million issuance. We're trying to be proactive and we're trying to get credit for what the program is already doing. We have over \$400 million in debt currently out there at the AAA to the AA, the middle line rating. We already keep the coverage for purposes of the program at over three-times coverage, which we've done historically for more than 10 years now, so that we have flexibility in the program for your pay as you go and for any flexibility.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

So why do we have so much debt on the books at a rating which is less than what we could possibly have? So, we're not looking to harm the program, but to take advantage and get credit for what we're already doing from a practical standpoint. So, the idea of the subordinate lien is to not tie your hands and not make you unable to issue at the levels and in the plan that you have now, but possibly create more -- let your money go further by saving those basis points on a better credit rating. So, again, the models you're looking at here are not to show you where we're going to be unknown in the years in the future, but to show you how they fit in our overall plan. So we're trying to be proactive.

The other thing we're trying to be proactive when we talk about the bill before the legislature for the amortization, is that putting a limit on the maximum time frame that you have to amortize bonds, especially if we do more of these large, long-term projects. It doesn't say you will amortize them for 30 years. As you have seen that we've done recently and would continue. We can amortize them 10 years, 12 years, 7 years; whatever works well in the cash flow, again, to make the best use of the funding. And I just wanted to put that on record. Thank you.

Sandoval: Thank you, Ms. Chatwood. Member Fransway, you had a question?

Fransway: I do. Thank you. Can anyone answer, is there a penalty for retiring any senior debt early?

Shallenberger: Good afternoon. Peter Shallenberger. There are restrictions to how you can refund the bonds that are outstanding. You initially sold your bonds with the ability to call those, at no cost, 10 years after they were originally issued. So you have a series of 2006 and the 2008 bonds that would mature or be callable in 2016, so that's coming up, and in 2018. So those are the series we should look at, and we are looking at to do exactly that; to either refund at lower rates or potentially some folks do take them off the books altogether and repay early with cash. But you do have to do that within your call dates. So those are coming up. 2016 and 2018.

Fransway: Okay. So why would it not be advisable to expedite paying down some of these current bond commitments early, especially when the Department is expecting -- or projecting an increase in revenue over the next few years? Let me ask you to jump in with this one. Are we receiving an enhanced

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

credit rating because of our funding balance is so good that we are a good risk? Is that what it's all about?

Shallenberger: They're very good questions. They transcend my simple financial call here. That's a great policy question; what's the best use of your funds. Is it to put projects out, maintenance, or do you turn to your debt and retire it early? So that's probably beyond my scope, and I'll turn that over to (inaudible).

Malfabon: Governor, if I could weigh in. One of the things that is uncertain is long-term transportation funding from the federal government. Although we've talking about our state revenue on fuel tax, we really want to see a long-term funded transportation bill. And we just feel that it's better to be conservative in our approach rather than being aggressive on paying down existing debt.

Fransway: Okay. So the answer to my question then, Mr. Director, is because we don't have the crystal ball into Congress.

Malfabon: Yes, that's -- although we're talking about state revenue, that's true. We don't know what (inaudible) they could say we're not going to increase revenues. States have to live with what the federal revenue is on the federal portion of the gas tax -- the fuel tax, and that would result in a 30-percent cut. And I think that it's important for our Department to support not only taking care of our system as it stands today, but also enhancing the system for economic development for our state's economy to grow.

Fransway: Okay. So, really, the question is really open then, the possibility of paying down our debt early may be looked at...

Malfabon: Yes.

Fransway: ...later if Congress, in fact, does pass a long-term bill?

Malfabon: Yes. It's going to be up to this Transportation Board to deliberate those types of issues, when it becomes clearer about how much federal revenue we're going to get in the long-term and what other projects you want to consider funding as we go forward in the future years.

Fransway: Okay. Thank you. Thank you, Governor.

Sandoval: Mr. Nellis, does that complete your presentation?

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Nellis: Yes, Governor. And just again for the record, Robert Nellis. And just to Member Fransway's point, none of the enhancements we're talking about would prevent any of those scenarios. So just so you know, we can look at this in the future and it all depends on when we go to sell bonds, whether it makes sense to refinance existing debt or not. So we'll look at all the interest rates at that time, bring up our experts, give you our best estimates at that time.

Fransway: Thank you, Mr. Nellis.

Nellis: And moving forward as far as next steps, Governor, members of the Board. Our team comprised of the Treasurer's Office, NDOT, and Public Financial Management will be briefing the rating agencies on our switch already from the P3 model that we were working under when we last updated the rating agencies back in February, we were still under that P3 model. Now, we're under a bonding model for Project NEON. So, we're going to be updating those agencies on our finance plan and what effects, if any, switching from P3 to bonding has. So, as part of that, we'd like to receive any comments or additional comments from the Board today. And if the Board is agreeable to this policy, we'd like to adopt the policy after this meeting, at some point, so we can take this, as part of our update to the rating agencies, the enhanced policy. Does the Board have any additional questions for us?

Sandoval: Yeah. We won't be taking any action today. This is an informational item. But I would expect that you'll bring it back in the near future.

Nellis: Well this, Governor, is a -- basically, it's an administrative policy of our Department. And our plan was to just take administrative action as a department to update the policy since there is no tying of the hands of the Board or any jeopardy that we put the Board in. So our plan was if the Board didn't have substantial concerns, we'd update the policy.

Sandoval: Well, I don't think we can convey that, because it would require deliberation on our part, and this is listed as an informational. I don't...

Gallagher: For the record, Dennis Gallagher. Governor, you correctly pointed out this is informational. I believe that the Department, because the current policy, if you will, had been developed administratively, merely wanted to convey to the Board that it was considering updating it at this level and solicit any

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

comments that any Board members might have. But, I believe that the intent is for the Department to update, again, its administrative policy that's been in place for -- unfortunately, I don't know how long.

Sandoval: So you're seeking a change in the way we finance things, and there's nothing in the open meeting law about winks and nods. I mean, we can't say, go ahead. What jeopardy is it, if it was an action item next month?

Malfabon: There is none, Governor. We actually discussed this, the pros and cons and it was only because that, historically, it was an administrative policy from the previous administration of NDOT. And, we assumed that we would have that deliberation -- discussion today and then we could bring it back (inaudible).

Sandoval: Yeah. I'd feel more comfortable with Mr. Nellis asking. We'd like to get, kind of, the approval of the Board for us to go ahead and do this internally that we did it officiously.

Malfabon: We'll do that next month formally.

Nellis: All right. Thank you, Governor.

Sandoval: Any further questions? Okay. And just for planning purposes, because I know that everyone needs to be somewhere by five o'clock today, so we're going to -- I'm going to ask that we kind of speed things up a little bit as we move through the Agenda. So let's move on to Agenda Item -- and we have lost Member Martin, so I don't want to lose any other members, as well. Member Skancke, are you still with us?

Sandoval: ...two members.

Skancke: No, Governor, I'm here. I'm here. I'm here.

Sandoval: Oh, all right. Then let's...

Malfabon: We'll speed this up, Governor.

Sandoval: Yeah, let's move on to Agenda Item No. 11, which is the Resolution of Relinquishment.

Malfabon: And if Paul Saucedo could come up. This was on last month's Agenda and there was a question raised, and Mr. Saucedo will address that.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Saucedo: Yes. For the record, my name is Paul Saucedo, Chief Right-of-Way Agent. Good afternoon, Board members, Governor. This item was on the Agenda last month. And for benefit of the new Board members, I'll just kind of briefly speed this up. And essentially, this is a relinquishment request for a little more than half an acre. The parcel is over the Truckee River and there is a -- Wells Avenue viaduct is over this portion this portion of -- is included in this easement.

Mr. Fransway had asked in regards to who maintains the bridge and ownership of the bridge. I did some research on this. What I found out was the City of Reno actually owns and maintains Wells Avenue, including the viaduct. They have owned it since 1976, but have maintained it since 1971. In 1987, we had an agreement with -- interlocal agreement with the city to rebuild the Wells viaduct. And as part of that project -- it was a federally funded project. As part of that, we went ahead and had to acquire the right-of-way for that project. And that's where this piece came from, part of that new construction of the bridge. So this piece, while it has a small portion of the bridge in it, it would be released back to State Lands. And State Lands has been in conversations with the City of Reno to actually correct the paperwork, to allow the City of Reno to be the easement holder as opposed to the Department of Transportation.

Fransway: Governor, if you remember when we continued this, we wanted to see some paper on that, at least I did. And you've talked about an agreement between the City of Reno and the Division of Conservation and Natural Resources, and the Division of Conservation and Natural Resources to NDOT. This is a major, major bridge structure that not only spans the Truckee River, but also crosses over and above the UP Railroad. And when I read this, it indicates to me that we are relinquishing the roadway, including the bridge, to the Division of Conservation and Natural Resources. If, in fact -- and I assume there is because somebody mentioned that there was -- if, in fact, there is an agreement that the City of Reno is responsible for the maintenance of that structure, it should be in this resolution. It's not. And what I see here, dated December 31st, is exactly the same material in our packet as was November 24th.

Saucedo: Correct.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Fransway: So I'm still not satisfied and, frankly, I can't support this until we get agreement from the City of Reno that, yes, they in fact maintain this section of roadway.
- Saucedo: Okay. Well -- and let me explain. And this is part on my fault for not getting it on to the Board in a timely manner. With everything that's happened in the last few weeks, as far as vacations and stuff, I couldn't get the information until just recently. So what I can do is, we can resubmit. I can attach the information so that you have it. Again, these agreements are fairly old, but they are here. I have them in my documentation but, unfortunately, because of the time frames and trying to get the information to the Board, I didn't really have time to submit it within the proper time frame to get it to everyone.
- Sandoval: That's fine. There's no jeopardy if we extend this one more month and, frankly, it'll make for a much better record to have all that documentation, as part of what we consider when we vote on this.
- Saucedo: Okay.
- Malfabon: Very good then.
- Sandoval: So with no objection from any of the members, we'll continue this until such time that it's ready for the Agenda.
- Fransway: Do you want that in a motion, Governor?
- Sandoval: I don't think we need to make a motion.
- Malfabon: No.
- Sandoval: I think we'll...
- Malfabon: We'll just hold it.
- Fransway: All right.
- Sandoval: We'll just pull it from the Agenda.
- Fransway: Thank you.
- Sandoval: Okay.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Saucedo: Thanks.

Sandoval: Thank you.

Malfabon: The next item is a briefing on the Nevada Shared Radio System by Denise Inda. Just to let you know, this is the first opportunity to present this issue to the Board. We've known about it for a while, but we -- Denise will explain where we're at in replacing this aged radio system and how we're going to go forward. Denies.

Inda: Good afternoon, Governor and members of the Board. As Rudy said, my name is Denies Inda. I'm the chief traffic operations engineer, and I'll just give you a little bit of information on our radio system, which is the Nevada Shared Radio System or the NSRS.

So a little bit of history. The existing land mobile radio system, it's an 800-megahertz trunked radio system. It was first installed in the Las Vegas Valley in the early 1990s. Through some coordination and discussions, we were joined by NV Energy with later expansion to include the Washoe County Regional Communication System. This radio system provides field-to-dispatch or command center communications, as well as person-to-person and interagency communications. The radio system is a critical component that enables Nevada public safety personnel, first responders, et cetera, to do their jobs. Radio communications are critical in a situation like the one shown in this photo, where the interstate is closed due to a crash, and there are multiple agencies responding to the situation. There's coordinating efforts. They're communicating with a myriad of other folks. And so that's what the system is.

In addition to the vehicle-installed equipment, as well as handheld equipment that individual personnel wears, there's a lot of infrastructure all around the state. And I just wanted to give you a couple of pictures of some of the things that are out there all over the state. This is a system map. I know you can't see it very clearly, but everywhere there's a little dot or a word, that's where we have a mountaintop or -- generally, they're on mountaintops because they're higher, but that's where we have a site for the radio system. The system has grown from 3 to 113 sites over the past 20 years. It's a pretty extensive infrastructure to provide communications throughout the state. The infrastructure is owned by three parties and it

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

consists of common networked equipment that's individually owned by those partners. The partners are Washoe County, NV Energy, and NDOT. NDOT owns about 60 percent of the infrastructure, Washoe County is at 9 percent, and NV Energy is at about 31 percent. Each entity is responsible for the operation and maintenance of their equipment. We have an agreement in place with those three partners, to ensure that the radio system provides reliable and interoperable communications throughout the state. This partnership is really valuable for each of the partners for the State of Nevada, because it allows us to leverage resources, it reduces duplication of efforts, and it significantly reduces costs for each individual entity.

There's over 16,000 state local agency and private sector users on the system from more than 90 agencies. And only some of them are listed on this slide, because there's too many to include. I would like to recognize that in the audience today, we have Director Jim Wright from the Department of Public Safety, as well as Fire Chief Michael Brown from the North Lake Tahoe Fire Protection District. And I want to thank them for attending the meeting, and giving up some of their time to show their support of their system. They're here in support of our system because of the essential role and the critical role that the radio system plays in the efforts of their agencies to do their job. And as you can imagine, the work that they do is critical life safety work.

I also want to mention that in addition to law enforcement and emergency responders the infrastructure -- other infrastructure managed by other agencies that plays a critical role in the system. And those agencies would be EITS, the Enterprise Information Technology System -- Services--sorry, Enterprise Information Technology Services, as well as NSHE, the Nevada System of Higher Education. Both of those agencies manage and operate components that play a critical role in the radio system. For example, the microwave system that is maintained and operated by EITS is integral to our radio system, because it provides backhaul and last-mile communications throughout the state. So there's a lot of parties involved in this system.

So we're running up against some issues, and the State of Nevada has come to a crossroads with respect to our system. First, the system is near capacity and, second, the manufacturer, Harris, has announced that the system will no longer be supported after 2017. These issues require careful evaluation,

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

planning and budgeting to determine the best path forward. And it's not just NDOT, it's for the State of Nevada and all of the users who rely on this system. So for the first issue, the capacity of the system, the managing agencies are monitoring usage, they're reallocating and reassigning access to ensure that the individual agencies have the right number of unit to safely and adequately perform their duties. So we're working on that. What that capacity issue does do, is it limits new agencies from joining into the shared radio system. So at the moment, we have to shut the door on that, but in the future we'll be able to reopen that door and let agencies and partners come on to join with us.

As for the end of life, we know that the EDAX system, as the -- as our specific system is called, is not going to be supported after 2017, and the need for replacement is urgent. It will still function. It's not like January 1st of 2018, you're going to click on the radio and there's not going to be anything there. It's kind of like Windows XP. Microsoft no longer supports Windows XP, but you can use it on your home computer or a computer if you need to. The really critical part of this situation, is that replacement parts are going to not be available and ready for us when we need them. So that's the component that we really have to monitor closely as we're working through this transition and migration.

We, all three agencies -- or all three entities rather, the ownership entities, are working together to keep the system functioning at its full capacity. And as we're replacing equipment today and in the future, we're looking at how to do that in the best way possible. Can certain equipment be purchased that will be serviceable in the future? What do we need to do to maximize this investment that we've got to make in the radio system in the meantime?

So what are we doing? What are our next steps? First, what we did was we established a technical working group that's made up of the infrastructure owners, as well as the Department of Public Safety who's one of the major users of our system. The group got together and is still getting together on a very regular basis, and we agreed upon the direction for moving forward. And, that's to develop a plan to establish the next generation of a public safety system, and we want to use a vendor-neutral process. We hear that from the Board regularly, that we absolutely should be putting these kinds of opportunities, these projects out for competitive bids, and that's exactly what

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

we want to do here. The process is going to be broken down into phases, and that's going to accommodate the reality of budgets for all of the partners, including the state, and the reality of resources that it will take to implement a statewide system. We're also working very closely EITS and NSHE, as I mentioned before, because of the role that their systems and infrastructure plays in making the radio system work. So the phases are -- there's three phases. The first phase is a high-level evaluation and recommendation. The second phase will be the development of a technical RFP that will be used to replace the system, and then the third and final phase and really the lengthiest part of the process, will be deployment of that next generation radio system.

So where are we? We're in the final phases of phase one, and that consists of conducting the high-level needs assessment study and an alternatives analysis. And what do I mean by alternatives analysis? I mean that we're investigating what options and opportunities we have in the way that we replace the system, because it -- quite frankly, it's a lot of money and it's huge investment to have to lay on the table all at once. So the results of this effort, these recommendations and these alternatives, are going to provide decision makers with key information that's going to help us better understand the merits and impacts of transitioning to this next system. We will have high-level cost estimates developed in this first phase, and with the options that I just mentioned, so that we can figure out the best way to move forward.

And so what's the time frame on that? We're just finishing up phase one. Our consultant is putting together all of the information that they've gathered and they're putting together the final report for us to look at. Phase two, is when we go out and we're going to develop the detailed system requirements that will be a part of that RFP, and that's going to -- that portion will happen during fiscal year 2016. So it'll be happening shortly after -- in the next fiscal year. Sorry. What we anticipate is that we're going to select a single vendor for the statewide system and then what will happen is each agency will -- or entity will move forward with their system replacement in a way that suits their funding capabilities while still providing system continuity and operability for everyone. And, that's part of the discussion -- the ongoing discussion and detailed work that we'll be doing, because you can't -- just because, say, NV Energy can move forward

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

quickly or say more quickly than Washoe County, we have to work in a combined and cooperative effort to make sure that work in one area is not going to impact the functionality of the system. And then by moving forward with this process, we'll plan and budget for everyone's -- all the individual units.

Then in phase three, that will be the deployment of the radio system, and we believe that for NDOT that that's going to begin in the next biennium. So the fiscal year 2017-2018 period. And because the system is large and throughout the state, we anticipate that it's going to take probably five years to put the whole process in place. And we'll working through the Director's Office, our budget office here, as well as the state budget office, to appropriate -- or to request the appropriate amounts of money...

Sandoval: Well, that's my first question.

Inda: ...in the system. And, Governor...

Sandoval: So I don't want to interrupt. Are you finished with your presentation?

Inda: Yes.

Sandoval: So just quickly, because I know there's a lot to do -- or a lot to do on this yet. But when you say it's a lot of money...

Savage: What's a lot?

Inda: If we were to replace the entire system in one fell swoop, a very rough estimate is \$90 million, so it's quite expensive. And that's just if we were to purchase outright the infrastructure. What we're looking at are options, so that we wouldn't have to write a check in that amount all at once, and...

Sandoval: But we also would be getting contributions from other users for the system, correct?

Malfabon: Yes.

Inda: Yes, in that each entity who owns the infrastructure, is responsible for replacing that part of the system. The state -- NDOT does charge user fees, per unit, to all of the user agencies, but those do not generally cover the replacement of an entire system. And so there has to be some careful

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

thought as we move forward, to figure out the best way to approach those costs. And...

Sandoval: No, I was going to say I get that. And then, will there be the possibility to have federal funding versus general fund or highway fund for this?

Inda: We are certainly looking into those opportunities. At the moment, we don't have any federal funding allocated. We've discussed perhaps Homeland Security funding opportunities, but those are not generally on the same scale of dollar amounts. But we're talking very closely with different agencies and different folks to explore our opportunities. And the method of procurement is one way we think where we might reduce the costs. Just as you've seen through all our discussion with Project NEON, there -- with replacing the radio system, there might be some public-private partnership opportunities. There might be some leasing opportunities that we could explore, lease to own -- different kinds of leasing. So those are the things that are really looked at.

Sandoval: Because I want to see that, because I don't want to buy something that's obsolete in a few years. And then the final question is, noticeably absent, and I probably should know this given my belonging to the Homeland Security Commission, but Clark County and Metro aren't on this list. Do they have a separate system?

Inda: Yes, they do. And what they -- it's not mentioned in here, but the system that they are currently using is a P25 Phase 2 system. And that is the direction that we are moving forward with. One, because it provides the interoperability with Metro and the other agencies, and also, because it's kind of the best practice for radio systems right now. And it aligns with a lot of what's going on throughout the nation.

Sandoval: No, which is great because I want an HP and everybody else, when we have one of these terrible incidents like we did last summer, that they'll be able to communicate with one another seamlessly.

Inda: Absolutely. And that's one of the reason why we have highway patrol in on these discussions, because they bring that very critical law enforcement perspective. And something that matters a great deal to an agency like that

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

is being able to communicate with fellow agencies and officers and personnel out in the field during critical situations.

Sandoval: Because that's what I want to avoid, is all these separate systems. So...

Inda: Right.

Sandoval: ...anyway, I'm not -- now's not a day to preach, but it sounds like you're on the right track.

Inda: We are trying. Absolutely.

Sandoval: Yeah. Okay. All right. Member Fransway.

Fransway: Yes, Governor. Thank you. Why are we not doing what we can to get off those mountaintops and transition to either fiber, or satellite, or both? Those mountaintops, that radio technology is antiquated at best, and it is subject to inclement weather problems: wind, rain, snow, fog. And why are we not doing that or are we?

Sandoval: That's exactly what we're doing, isn't it, just by doing...

Inda: Well, we will still-- the way a radio system works is that you have to have field units, antennas or equipment on towers -- antennas on towers to pass those voice communications back and forth.

Fransway: Line of sight, pretty much.

Inda: Yes. Line of sight, yes. And so, you can't really get around having that field infrastructure. We do use fiber for backhaul capabilities, but you can't -- it would -- I would suggest that the price tag for installing fiber throughout the state, to pass these communications back and forth, would be even more costly than this radio system. There are many advantages to this kind of radio system, because it provides critical dedicated communications with specific security protocols in place that the first responders and law enforcement need for their kinds of communication. So you couldn't, for example, transition to a cell phone system because it simply does not provide the same level of service, the same redundancies and the same features that this kind of radio system uses. And, I would suggest that we're not alone in using this kind of system. It's considered a best practice

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

throughout the state for this kind of a radio system to be used. Did that address your question?

Fransway: Not entirely, it did not. I would have to have more understanding of why we don't go with the times (inaudible).

Inda: But we are going with the times. We absolutely are...

Fransway: But we're staying on the mountaintops. And I can tell you those mountaintops, for most local governments, are -- they're getting away from it just for those reasons; that it just doesn't work as well as what can be provided. And perhaps some of the providers such as AT&T, Sprint, and those fiber/satellite people may be included as partners, as is NV Energy.

Sandoval: I think you may be talking past one another, because that's all pieces that they're considering as they come back with the recommendation.

Malfabon: And, Governor, I'd like to note that that-- the report -- the feasibility report that comes out next month, so we could give that to the Board members. It can contain more information, maybe answer some of those questions.

Inda: Absolutely.

Sandoval: Other questions? And Chief Brown and Director, I know -- I don't think you guys were expected to say anything, but I've seen you nodding your heads that you're essentially in agreement with the approach that we're taking. Okay.

Malfabon: Yes. And I'd like to thank them for just being -- just hanging in for the long haul in this meeting, so thank you.

Knecht: It's a long haul.

Sandoval: You'll never come to one of these meetings again. All right.

Inda: And I'm sorry, I would also like to recognize...

Malfabon: Yes.

Inda: ...Dave Gustafson, he chief technology officer for EITS who is also here. And as I talked about, it's because of the relationship that all of our agencies

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

have together, and the fact that we all provide this critical service for state agencies and other local agencies. So thank you, Dave.

Sandoval: Yeah. I just -- as I said, I see the nodding heads and they're obviously big stakeholders in all this. And this isn't the day we make decisions, but as long as everyone looks happy, then I'm happy, until I get this bill. But we'll talk about that, I guess, on another day.

Inda: Absolutely.

Malfabon: Yes.

Inda: Thank you.

Sandoval: Thank you.

Malfabon: Thank you, Governor. And thank you, Denise.

Sandoval: All right. Let's move on to Agenda Item 13, Briefing on Draft 2014 Facts and Figures Book.

Malfabon: This is a very quick briefing. Sondra Rosenberg will handle it. And just to let you know, we are going to be adding in a few more significant projects to the region's significant list, and...

Sandoval: Yeah, I saw that Project NEON is not included.

Malfabon: Yes. I think there's confusion about what year to put it in...

Sandoval: Mm-hmm.

Malfabon: ...and those answers didn't get responded -- or questions didn't get responded to, so we told them what to put in there, so it's being corrected.

Rosenberg: I assure you...

Skanche: Governor, excuse me. This is Tom Skanche. I'm going to have to drop off, but I have about 30 questions on the Director's Report that I'm not going to get in today. So, Rudy, I'll get in touch with you. And some of these things I'm going to want to put on the record, if I can, at next month's meeting. But, Governor, I apologize. I'm in Washington at TRB, and I have to drop off and go to it.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

Sandoval: Okay. Thank you for...

Malfabon: Thank you.

Sandoval: ...your participation.

Skanske: Thank you.

Rosenberg: For the record, Sondra Rosenberg, Assistant Director of Planning. I'm going to try and go through this as quickly as possible. I assure you we are making edits to the draft that you've got, including making sure USA Parkway and Project NEON are listed under those regionally significant projects. We did catch that and we will address that.

This is a, as it says, a facts and figures book. It's something that we started producing long before I got here, for the legislative session, and it's really to answer serve any type of question that legislators or Board members or the general public might have about NDOT. There's a lot of information in there. I'm not an expert on all of the information, but my staff, along with the whole Department, puts that together on an annual basis, for information. It contains information about NDOT, including pictures of all your smiling faces, as well as senior staff, some basic information on the Department, how we're doing that, references, the performance management report, the awards we receive, major milestones -- things like that. Primarily, big accomplishments over the past year, highway system, condition and use, road miles, who maintains them -- all that sort of information.

Revenue and expenditures, a lot of detailed financial information in terms of where all our money comes from, where it -- how it gets distributed, general statistics. There's information about our major projects, those sorts of things. So I don't expect you can read all this, but I just want to call out that the Executive Summary really has a nice reference to a lot of information on statistics, revenues, expenditures. So if there's one page you want to reference all of that information, it's in that Executive Summary.

One note on the road miles, NDOT maintains about 22 percent of the statewide road miles, but carries about 50 percent of the traffic on those state maintained roads. And that 22 percent also carries 61 percent of all truck traffic and 72 percent of all the heavy truck traffic in the state. So just

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

looking at miles, it doesn't quite tell the whole story, that the percentage that we maintain is really the percentage that is most heavily used. And then, again, you won't be able to read all this on here, but I want to call your attention to Pages 41 and 48, which goes into excruciating detail on what all our revenue sources are to the State Highway Fund, and the expenditures and distributions from that fund, including NDOT but -- as well as other agencies that use those monies, as well.

It also included obligations for both '14, as well as a four-year average of 2011 through 2014. 2014 was maybe not a typical year, in that 98 percent of our capacity funds went to Clark County. That is higher than usual. It's usually 60 to 70 percent, but we are showing a big investment in capacity projects in the south. Preservation projects are primarily non-urban. A lot of that was on Interstate 80, a very crucial corridor for the state. And, again, that's all I have, so I'd be happy to take any questions, or in the interest of time, you can always send me questions any time.

Sandoval: What -- I just would like an opportunity to look at the completed document before it's published.

Rosenberg: Okay.

Sandoval: Okay.

Rosenberg: We can do that.

Malfabon: We'll do that, Governor.

Sandoval: Member Fransway.

Fransway: Thank you, Governor. On Page 15, Sondra, I don't see anywhere -- it's a public document, so I think that it should include information relative to contacting the service patrol people should there be an emergency. How do you do that? I would like to see something added on there that says, this service is available to public if they call this number. I wouldn't know how to call it myself, frankly.

Rosenberg: I don't believe that's the situation.

Sandoval: You don't call -- yeah.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Rosenberg: The Freeway Service Patrol, and correct me if I'm wrong, they're kind of a mobile patrol. And so they drive the streets...
- Fransway: Oh.
- Rosenberg: ...and look for things like abandoned vehicles and distressed motorists. So there isn't a number you can call; is that correct, (inaudible)?
- Fransway: So, me as a...
- Rosenberg: But they do coordinate with highway patrol.
- Fransway: Okay. Me as a motorist, I drive by a stranded motorhome on the side of the road. How would that motorhome be helped if--unless the service was driving by?
- Rosenberg: You can contact an HP at star NHP on your cellular phone...
- Fransway: Okay.
- Rosenberg: ...and they are in contact with the Freeway Service Patrol. Thank you.
- Fransway: Well, maybe that should be in here.
- Rosenberg: Okay. We can add a note on that.
- Fransway: Thanks, Governor.
- Sandoval: No, and that's a good suggestion. Other questions from Board members on Agenda Item No. 13? Thank you.
- Malfabon: Thank you, Sondra.
- Sandoval: Okay. We'll move on to Old Business.
- Malfabon: Under Old Business, we have Items A and B, Report of Outside Counsel Costs on Open Matters and Monthly Litigation Report. And Dennis Gallagher, our chief deputy attorney general can respond to any questions on A and B.
- Sandoval: Any questions, Board members?
- Malfabon: Item C is the Fatality Report. And, unfortunately, as we've been discussing last month and this month, we have an increase in fatalities that we are

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

working hard with our law enforcement agencies across the state, our educators and traffic safety, and emergency medical responders, to drive those numbers down. I would like to say that there was a correction from one agency that reports into the system that there was one less fatality. So it is actually 19 fatalities increase, not 20 that was indicated in the Board packet. But still a significant increase in fatalities. That concludes that item.

Sandoval: Any questions from Board members on Agenda Item 14?

Hutchison: Governor, this is Mark Hutchison in Las Vegas.

Sandoval: Yes.

Hutchison: Just real quick. But--I just had some questions on A and B, but in the interest of time, if Mr. Gallagher could just give me a call offline. It's just overviews I think that I want to ask as a new member.

Gallagher: Certainly.

Sandoval: Okay.

Hutchison: Thank you very much.

Sandoval: Controller Knecht.

Knecht: Thank you, Governor. Just one thing on the Fatality Report...

Malfabon: Yes.

Knecht: ...19 from 2013 to 2014, but the longer-term trend is still...

Malfabon: Still down.

Knecht: ...a very good one. The fatalities and casualties keep coming down for a whole host of reasons.

Malfabon: Yes. And that's a good point to make that, as we collect performance measure information for the federal government and for our own, we look at a running year average for fatal crashes and fatal -- I mean, serious injuries. So good point.

Minutes of Nevada Department of Transportation
Board of Director's Meeting
January 12, 2015

- Sandoval: No, and if you look from a few years ago, it's dramatically down which is obviously a good thing, so -- all right. Any other questions or comments? Agenda Item 15, Public Comment. Is there any member public here in Carson City that would like to provide comment to the Board? Hearing none, I'll move to Las Vegas. Is there anyone present in Las Vegas that would like to provide public comment to the Board?
- Hutchison: No, there's not, Governor.
- Sandoval: All right. The Chair will accept a motion for adjournment.
- Knecht: So moved.
- Sandoval: Controller Knecht has moved. Is there a second?
- Fransway: Second.
- Sandoval: Second by Member Fransway. All in favor say aye.
- Group: Aye.
- Sandoval: This meeting is adjourned. Thank you, ladies and gentlemen.



Secretary to Board



Preparer of Minutes