

Minutes of Nevada Department of Transportation
Board of Director's Meeting
May 13, 2013

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

Sandoval: Good morning, ladies and gentlemen. I'll call the Department of Transportation Board of Director's Meeting to order. Can you hear us loud and clear in Southern Nevada?

Martin: Yes, sir.

Sandoval: All right. Then let's proceed with Agenda Item No. 1, Director's Report.

Malfabon: Good morning, Governor, Board members. A lot of stuff to report. First of all, I wanted to say some good news. Assistant Director Scott Sisco had informed me that we saved \$12.6 million in the selling of the bonds to refinancing. That's good news. The savings comes in future years.

Status of some of the bills being heard at the legislature. We've been working on the Construction Manager at Risk, or CMAR, bill with Assemblyman Daly and he's incorporated all our requirements into his version of the bill. The safety bill has been heard. Rest area sponsorship, road relinquishment, all those bills are still alive. So good news there. The Transportation Board bill, I have testified in opposition to that one. That's the one that removes the elected officers from the Transportation Board and replaces them with members. That would basically have eight members from Clark County, two from Washoe, and one from the rest of the state. We had a lot of concerns with that and testified in opposition. That is still alive, however. The other bill I wanted to mention, or a point I wanted to mention, is our budget did close last week. So that was good news. So we'll stay on top of that and continue. We appreciate a lot of the efforts in coordination with AGC on some of the coordination that we've had on several of these bills that affect the construction industry.

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I wanted to also update the Board on a Construction Manager at Risk project up at Lake Tahoe. It's the Kingsbury Project. We are including some of the work that was not finished by a contractor called Peak Construction. There's a -- they basically defaulted on the contract. We're working with their bond holder, Travelers. So we are proceeding, though, incorporating that work into some other construction work up there to complete it. This project is actually having interviews today for the CMAR process. So three firms are competing for that and we'll have the recommendations at the next Board meeting for approval of the contract.

On Project NEON, we...

Sandoval: Just a moment.

Malfabon: Yes.

Sandoval: Mr. Director, the Lieutenant Governor has a question.

Malfabon: Yes.

Krolicki: Thank you. And, Director, what's the work that Peak was not able to finish on Kingsbury?

Malfabon: I think that it had to do with -- they were doing some -- some of the work was pavement related. They were doing some drainage work. So some of that work is incorporated into this project. We can have that specifically addressed in a week...

Krolicki: Because some of the drainage work was of particular note, those who live up there. It backed up and it actually made ice come over Kingsbury Grade 207 and it made it actually very dangerous. So I just want to make sure that that's...

Malfabon: I know that the...

Krolicki: ...part of it.

Malfabon: ...drainage work is a major element of this project. Just basically reconstruction of State Route 207 in that area.

Krolicki: Thank you.

Malfabon: A lot of traffic considerations and trying to minimize the delays to the public and the tourists up there. The -- on to Project NEON. We have been

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meeting with our advisors. Next month will be the Transportation Board meeting where we'll actually make a recommendation to the Board as far as what procurement method -- and as you recall, we had our advisors look at three different methods of delivery. Our traditional design-build process that we've used successfully on some projects. We've also had them looking at the P3 components would be the design, build, finance option and design, build, finance, operate and maintain. In that last option, operate and maintain, they would actually basically take care of the roadway, the infrastructure that they construct on this project. We would have the financing provided by this, basically a third party that would bring the financing to the project. But they would actually operate and maintain it.

So a lot of options being considered and we will have a preferred recommendation to the Board next month. So one of the things to point out, though, is the design, build, finance option is not looking as well. Because of the term of the financing, it would only be basically about a seven year term to pay it back, which is significant. We don't have that kind of revenue to pay that on that kind of a short-term basis. So most likely it's going to be one of the other two options that we're going to recommend to the Board after we receive all the information from our advisors.

On another project of note, Meadowood Mall, we've reviewed the contractor's request for a change order. In a sense it's basically a claim for additional money that the contractor feels that we owe them. We rejected that. We started the liquidated damages and advised the contractor that they are at risk for the previously withheld liquidated damages, but we do have a pending review of the rest of their request for compensation which they have not submitted yet. It should be coming in hopefully this month. So that we asked them to get that in to us so that we could just deal with this all at a Claims Review Board hearing. So we'll try to fast track that process and not do sequential review of the claim like we normally from district to headquarters to Director's office, but just to have everybody involved quickly to resolve that issue and probably take it to the Claim's Review Board because I don't feel that we're going to reach a settlement on that.

The contractor informed us that they expected by the end of this week to have southbound lanes open back to normal and then northbound lanes back to normal by the end of the month.

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We had some groundbreaking events recently. Cactus Avenue Interchange on I-15, I wanted to mention that the State Controller was able to attend that event. F-3 groundbreaking was also held and that's a major project to open up F Street. It's going to have major impacts on traffic on I-15 in that area by the D Street Washington exit.

This week, tomorrow, in fact, NDOT will be bringing a settlement request for consideration by the Board of Examiners. It had to do with Blue Diamond -- the widening project and the bridge construction over the railroad track on Blue Diamond Road. This settlement is in the amount of \$400,000 to a landowner there that claimed that they had their access impaired. We had -- we settled, or took to court, two other similar types of actions related to impairment of access on Blue Diamond Road. Basically because the bridge was built, it changed the height of the road in that area which the landowners were saying that it impaired their access. We feel that the \$400,000 was a reasonable settlement, considering that their initial claim was \$1.3 million. So the details of that will be discussed tomorrow at the Board of Examiner's meeting.

We've been looking at opportunities for TIGER Grants. Now, TIGER is a program where the U.S. Department of Transportation gives grant monies to different agencies that compete with their projects. Typically, most projects that are successful in this grant program are multi modal, have some transit elements to them, ports, that type of connectivity between different modes of transportation.

We are looking at a project with the tribe at Wadsworth. They're looking for using some of their money that they get from Bureau of Indian Affairs to build basically a bypass road around Wadsworth. They have difficulties with their school and the main portion of the town just kind of being choked down whenever they have a Burning Man event in the fall. So they're looking at that as a possible TIGER opportunity.

The RTC in Southern Nevada is looking at the Flamingo bus driver transit project. We've investigated U.S.A. Parkway as a candidate and that's a very good project, has a very good benefit cost. Unfortunately, we don't have -- one of the TIGER Grant requirements is it's got to be ready to go and that one is just still in the environmental stage, so it's really not ready for, unfortunately, to compete well.

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Another project up in Northern Nevada with the Washoe RTC is looking at is Prater Way and Fourth Street. And we looked at some other ones. Unfortunately, because of that issue of readiness, project readiness, and having the funds available to compete well, you'd have to have state or local funds to compete well to match the -- not to match, but to leverage the federal funds that you can get from U.S. DOT. So we looked at other projects, but there's just not a lot of opportunities of projects that we weren't already in the process of delivering.

And I wanted to mention something also. Assistant Director for Administration Scott Sisco will be leaving our department and we wish him well. He's going to be a Deputy Director over at Department of Corrections. So he's done a lot of good work for us in the past couple years with the issues with financing and funding. And we're going to miss him, but we wish him well. That has nothing to do with jet fuel.

And finally, Board members, I was able to attend the meeting, the spring meeting, of all the state DOTs. It was well attended. About 42 states were represented there. The big issues discussed had to do with performance measures as they enact MAP-21, which is the current transportation bill. A lot of discussion about the performance measures that are required in that bill. So there's some rule making that's going to be taking -- going on from the Federal Highway Administration as well as other federal agencies that are enacting the requirements of MAP-21.

But they informed us they're going to be looking at the safety performance measures first. It's something that we're already tracking in our state and we provide that to the Board each month in the old business section. But the other items that are going to be coming up for performance measures are related to the condition of the roadway and our bridges, and other areas will be forthcoming, but definitely will weigh in on something that Nevada Department of Transportation can live with as far as performance measures. We feel that we're already collecting a lot of the data. That's what a lot of states are concerned about, is they want to have something that's reliable that they can collect the data for and that they're responsible for. So we'll keep the Board informed as those performance measures are adopted nationally. And that concludes my Director's Report.

Sandoval:

Thank you very much, Mr. Malfabon. And any questions from any of the Board members with regard to the Director's Report?

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Martin: None down here, sir.

Sandoval: Member Fransway.

Fransway: Thank you, Governor. Just a comment. I am very encouraged and pleased that the \$12.5 million that we saved through the bond...

Malfabon: The refinance?

Fransway: Yeah, and...

Malfabon: Yes.

Fransway: ...thank you for going an extra step and making it happen.

Malfabon: Thank you, Scott.

Sandoval: If there are no further questions, we will move on to Agenda Item No. 2, public comment. Is there any member of the public here in Carson City that would like to provide public comment to the Board? Any member of the public in Las Vegas that would like to provide public comment to the Board?

Martin: None, sir.

Sandoval: Thank you. Then we will move on to Agenda Item No. 3. Do we have the Controller on the phone? The Controller is going to be calling in, so I'm going to pause until she is able to do so.

Male: Can you hear us?

Wallin: Yes, I can hear you.

Sandoval: Madam Controller, this is Brian Sandoval. Can you hear me?

Wallin: Yes, I can hear you. Thank you.

Sandoval: All right. We have completed...

Wallin: Can you hear me?

Sandoval: Yes. We can hear you loud and clear. We have completed Agenda Item No. 1 which is receive Director's Report and we received -- or finished Agenda Item No. 2, public comment. We are now on Agenda Item No. 3 which is approval of April 8, 2013 Board of Director minutes. Do any

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members have any changes with regard to the minutes? If there are none, the Chair will accept a motion for approval.

Savage: Move to approve.

Sandoval: Member Savage has made a motion to approve the minutes of the Board of Director's meeting for April 8, 2013...

Fransway: Second, Governor.

Sandoval: Second by Member Fransway. Any question or discussion on the motion? All in favor, please say aye.

Group: Aye.

Sandoval: Opposed, no? Motion passes, seven-zero. We will move on to Agenda Item No. 4, briefing on flight operations program. Mr. Sisco. And congratulations, sir.

Sisco: Thank you very much. I appreciate that. And I just did want to add, by the way, often David Olsen, who's our chief accountant, gets missed when we talk about the work that we've done in refinancing the bonds and he did so much of that work that I want to make sure he gets acknowledged for all of the work that him and his staff puts into that process. So between those two bond refinancing, I guess we would be somewhere in the neighborhood of \$17 million over the last year and a half. So we're very pleased with that in savings.

Real quick here, and, again, we'll get into the contract for jet fuel later, but as a result of the last meeting, it was suggested that with some of the new members and whatnot we might give a quick overview on NDOT flight operations so you had an idea what that was all about. So real quick, we're going to give a quick presentation. First of all, what I'd like to cover here and, again, as quickly as I possibly can, NDOT flight operations, why should the state government own an airplane? Why is NDOT an appropriate place for such an operation? What is the NDOT flight operation program, including what aircraft do we own? What type of ongoing maintenance requirements are associated with having a flight operation program? Is flight operations a cost effective endeavor? And benefits of NDOT flight operation program and then of course the status of where our flight operations program is right now.

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So turn a page here real quick. And I know, Madam Controller, we emailed you this, we're on page three. Why should state government own an airplane? First of all, an airplane is absolutely critical to have for the state in emergency response. We need to be able to be there. We need to be able to get there and meet with FEMA representatives, other representatives. I can share one experience with you in my last agency, Forestry, where we got the FEMA folks in when we had the waterfall fire. And as a result of it, later on when OMB tried to come in and clip the state for over \$2 million, FEMA came back and said, no, we approved that. And as a result of that, we were able to save that money by having them involved and being involved.

The state needs to be able to respond to disaster recovery and response coordination. From time to time we need to be able to get emergency supplies and equipment throughout the state. Elected officials and VIP transport, prisoner transport. On a regular basis we'll be asked to go to another state and pick up a prisoner that we need to bring back to the state that we cannot get via commercial airlines. Also flexibility of flight schedules and flexibility in destination.

So, truly, there is a need for the state to have an airplane. And, again, while you can go out and you can try to charter a plane and things like that, the costs that you pay are astronomical when you try to do it on the spur of the moment. So the state does need it.

Turning the page here, page four. And, again, I apologize for that. I'm going to do that for the Controllers -- to help the Controller out because she's following along on a copy we sent her. One thing that needs to be said, though, an airplane that's not in regular use still incurs a substantial inspection and maintenance cost that are not offset by any benefits. Planes need to be used. One of the things we're dealing with right now is -- and we got a little bit into it and that's kind of why we had this presentation here today, is the clock continues to run. The engines turn on. But the calendar continues to run whether or not the engine's on or not. We have certain inspections that are mandated very strictly by FAA rules at exactly certain periods of time. So if the plane sits there and isn't used for a period of time, that's what happened. So it does need to be run.

NDOT's a good place because NDOT employees have diverse and substantial travel needs throughout the state. We're in all four corners of the state and then some on a regular basis every month pretty much. NDOT

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employees that travel extensively tend to be higher pay grade levels, making travel flexibility more cost effective. NDOT has an extensive aerial photography and other related surveying needs that we utilize the planes for. And then NDOT has extensive remote area service needs and then also NDOT has statewide staff available around the clock for rapid response needs.

Turning the page to page five. What is our flight operations program? A mission of our program is basically provide safe, reliable, cost effective, on demand air transportation. And we provide a cost effective means. And we're going to show you that in a little bit and we included a lot of information in your back up. Cost effective means of transporting State of Nevada employees throughout the state and to neighboring states through the use of a nine passenger Cessna Citation and a six passenger Commander 840. And by the way, Member Fransway, the King Air, we got rid of that back in 1988. That's the one you were asking about the last time.

These aircrafts save time and money in both transporting people, particularly in the rural areas of the state and both aircraft, again, are utilized in times of national/state emergencies for public safety response. And then, again, we use the Commander extensively for aerial photography.

Our flight operations. Basically, we have daily roundtrip Carson City to Las Vegas, regular roundtrip Carson City to Elko, additional flights to regional remote destinations as required. Again, transportation for elected officials and VIPs when needed. Regular seasonal aerial photography and road survey flights. And then annual county tour requirement to meet with all county governing bodies.

Our flight operation program isn't that big. We have a chief pilot. We have a pilot III. We have a flight coordinator. We have two Grade 29 public service interns, two airplanes, hangars in Carson City and Las Vegas. That's pretty much our whole outfit. We have a 1987 Cessna Citation 550 and a 1981 Aero Commander 840. Those are the two airplanes that we have and that we utilize.

What types of ongoing maintenance requirements associated with flight operations program? Just some general ideas here. The 1987 Cessna Citation, a hot engine inspection must be done every 1750 hours. Again, these are hours on actual operating meter, about \$75,000. Engine overhaul, each engine every 3,500 hours, \$400,000. And that's one of the things that

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we're doing right now. We had that budgeted in our legislatively approved budget. And when we had the openings, we saw an opportunity. Because otherwise we were going to have to either shut the operation down for -- it's about a two and a half month process to get this taken care of, or what we did on the first engine was rent an engine while we took the one off, shipped it to Dallas and brought it back. Starter generator, each engine, gear boxes. You can kind of see as you go through this list there's a lot of stuff that has to be done every time the hour meter hits. And there's also stuff that every time the calendar hits that have to be done on these planes. So, again, not inexpensive, but more inexpensive to have and not use regularly.

Aero Commander, same type of thing, landing gear inspection, propeller overhaul, system generator overhaul every 900 hours, gyro overhaul and vertical gyro overhaul, engine mount replacement every 3600 hours. And you can see that's the Aero Commander. It's actually up in Hillsboro, Oregon right now and it's being worked on right now. Again, our purpose here was to try to get all of this work done while we were recruiting for the two pilots.

In your manual I provided you many more trips than just this one, but we wanted to show you, because this always comes up, is it cost effective. And these are actual end of the year figures for 2012 and you can see here this is our normal -- we have Carson City to Las Vegas day trip. When you put in employee time to go over, wait at the airport, be there an hour before the flight takes off, travel time, airport wait time, all that kind of stuff, it costs us, including loss of productivity, about \$858.30 for an average NDOT employee that's traveling. The direct cost for NDOT to do that is about \$353.58. And the fully loaded cost, it means we take the additional cost of operating the office, our flight coordinator, stuff like that, is \$550. So you can see, and, again, these are end of the year '12 figures, it is a cost effective endeavor, again, keeping in mind that you've got to have those planes for the state in the first place.

And then a similar trip, a roundtrip to Elko, costs us about \$1,061.54 to have those planes out on the street, \$280 direct cost, \$427.79 indirect cost. And, again, within your manual we've provided you a lot of additional pages, other areas that we fly -- that we fly to and pretty much what it costs on those.

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Benefits of our flight operation programs. We have much more flexible departure times. We ship cargo. Of course, the aerial photography. No security lines, remote area service, multiple city service, continuity in travel, flexible destination, emergency response, performance, dispatch reliability, same day service. You know, that's one of the things that -- and, again, we kind of touched on it with the wait time in Reno Airport and everything here. Our employees run over to the Carson City Airport, actually come in, get their day organized, run over to the Carson City area airport, jump on the plane, fly to Las Vegas, have meetings, and come back and actually make it back in the office for a half hour, 45 minutes before their day's over, as compared to utilizing the Reno Airport and Southwest is pretty much a full day event just for the meeting. Utility flight service provided to other state agencies, rapid or special response, numerous intangible benefits, and then shared services to other state agencies.

Status of our flight operations. Right now the Cessna Citation 550, it's in our Sacramento -- it's in the Cessna Sacramento maintenance facility. It's going for the 3500 hour engine overhaul requirement completed on engine number -- or it has been completed on engine number one. Second engine overhaul for number two was completed, but it failed the test last week. We thought we'd get that fixed before we put it back on the plane. So it's in Dallas there. They're going to rerun the test and rerun the thing. We anticipate, hopefully, the return of the engine to Sacramento in the next week. And then we're about three days out from bringing it back.

The other thing I should mention is when we lost the last two pilots, one of the two pilots took a position -- and we're always going to struggle this with air. We just aren't able to pay competing wages with some of them. We have other benefits. We have benefits of the fact that they go home every night and things like that. And pilots that we're interviewing right now or that we're recruiting for right now seem to like that. But the pilot that we lost, his new employer only uses him a handful of times a month. Pays the same or better, but only uses him a handful of times a month. He's stayed on the clock for us so that in the future when we have an emergency situation or vacancy, he'll be able to fly it. So as soon as this is ready to come back, he'll be able to bring that plane back. And working around his schedule for his full-time employer, will be able to make some flights with it.

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The Aero Commander 840 is up in, as I mentioned, in Hillsboro, Oregon for scheduled inspections and maintenance. It's up there for the wing spar inspection. Also a considerable backlog of required inspections. This is another one of those situations where before -- not our last chief pilot, but the chief pilot before that left, we only had about an hour and half left on the hour meter until we had this required inspection and so they had to pull it off. Unfortunately, what happened is the calendar continued to run during that time, so we had almost \$38,000 worth of backlog inspections that we had to take care of at the same time.

And then because the wing spar inspection passed and it went well -- and that's where they actually drill holes into the wings, they look in there and verify all of the welds and the seals and everything else are sound and secure. Because that went well, we went ahead and proceeded with the engine overhaul, and then while it sat there, we're also looking into the avionics upgrade that was funded in the current biennium.

And then the last thing, the pilot recruitment. As you may recall, I mentioned it or the Director may have mentioned it at a previous meeting, our former class specifications specifically stated that they had a certain number of hours flying this exact make and model plane. And we were finding out after each recruitment, we were getting a lot of letters from applicants that said, look, I've flown turbo jets, I've flown turbo props, but I haven't flown a Cessna 500 or I haven't, you know, flown this Commander, you know, exact plane. And it's frustrating for us that we live here in Carson, we want this type of job, but we can't apply for it.

So during this vacancy, since we knew the engines were going to be up and we had some time, again, for efficiency's sake, we went ahead and worked with the Division of Human Resource Management. We changed those (inaudible) so that they require that number of hours in either a turbo jet or turbo prop in the previous 12-month period. And as a result of it, the list that we're just now winding up with is much more extensive than the list that we've had before. So we're hopefully going to have good candidates there.

Again, the recruitment list has been provided. We're currently in the process of scheduling interviews. The same with pilot three. However, both new hires, just as they did when we hired the last new chief pilot, will either require recurrent or new training, depending on the make and model plane

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that they come to us with. And that's pretty much it. So I'll answer any questions.

Sandoval: Thank you, Mr. Sisco. So which plane and when do you expect to be back here first?

Sisco: The Cessna will be the first one back. And, again, that's the one where the engine test failed, but that's not uncommon after they've done such a major work. They will fix that. It's in Dallas where they work on -- manufacture those particular engines. And, again, they will redo it. They hope to have it shipped out by the end of this week into Sacramento. And then once it's in Sacramento, the Sacramento Cessna will reinstall it on a plane and we'll get that one back first.

Sandoval: Lieutenant Governor has volunteered for the first flight.

Sisco: Has he? We'll put him down on that. And we'll put some fuel in it for you, too. Okay. What else?

Sandoval: And you're getting closer on this recruitment?

Sisco: Yes. Although the recruitment is still going on because we recruited until the recruitment was satisfied, it was a strange thing. When we recruited the last time, as you know, we recruit for positions and there's a salary range from and to and, you know, we do what we can to bring the person in and sometimes we have to accelerate the salary. Pilots are a strange breed and this last time at the final recruitment we actually found three of the five wanted salaries way beyond even the highest salary available, and they just assumed that once they got in front of us we'd be so thrilled that we could do that. And as you all know, we can't do that. So we're trying to really get a list of people that would be good potentials for it, so yes.

Sandoval: And given the substantial gap between the commercial airline and the state plane, are we -- how's our travel budget doing with these two planes being out of commission?

Sisco: We're struggling right now and we're looking at possibly having to move a little bit of money around from other categories in order to make it up. It has hurt us. It definitely has hurt us.

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Malfabon: Yes, Governor. We definitely ask our employees to consolidate trips if absolutely necessary to travel and also to use video conferencing and web conferencing as alternatives.

Sandoval: Questions from other Board members? Mr. Lieutenant Governor.

Krolicki: Just to confirm, the fuel conversation will be under Agenda Item No. 8.

Sisco: Eight. That's correct.

Krolicki: All right. And, Scott, I appreciate that presentation. There's never really been a question in my mind the value added, the necessity for operating the aircraft. So I -- but it's always nice to hear it and see it numerically and I appreciate the work that went into it. And I'll save my -- any additional comments for Item No. 8.

Sisco: One other thing I might just add is several years back the legislature also had inquiring minds and as a result of it, they gave us a letter of intent from the legislature. So every year we take all of the maintenance costs, all of the non-regular costs, out of our budget, put them into an enhancement unit. And so every other year they literally audit our budget, if you will, or audit the operations very closely and review everything associated with the planes. Unlike another agency which would just have a base budget. So they get a good close look at it every other year.

Krolicki: Governor, I'm sorry, one more question. What's the useful life -- I know airplanes can last a long time. It's mostly the hours and you can maintain them for an extended period of time. But, you know, 1987 and '81, we're talking about aircraft that are 25, 30 years old.

Sisco: Yeah. Well, two things I'd like to say. And I actually appreciate you asking the question. First of all, the Aero Commander, we had a big decision to make. If they did this wing spar inspection and it did not check out, our recommendation was going to be to eliminate that one right away. But because it not only checked out, it checked out extremely well, and, again, we use that one for aerial photography. That one still we probably will be able to use another six to ten years with no problem.

The Cessna, again, we're looking at it. We look at it every other year. And I know we requested it this year, but money was tight. That plane, probably the department will make a big pitch in the next biennium to upgrade it and replace it, mainly because the fuel efficiencies and the planes that are ten

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years newer are so much better. And, you know, I know we're going to get into the fuel issue later, but we spend a fair amount of fuel.

And, again, they continue to fly as long as their inspections check out and they're very regular. You know, they're mandated by the FAA and whatnot. But we're seeing a lot of signs of wear and tear. And some of the things we can fix, upholstery and things like that, but stress points and stuff like that, we check them and right now it's still certified, you know, and safe to fly. But ultimately, we can actually save some money in the future if we upgrade that plane the next opportunity finances allow for.

Sandoval: So if I may follow up, that we need -- you think it's necessary we have the two airplanes instead of just one?

Sisco: Yes. When we have the two rigger pilots and everything else, there's no question that we get our money's worth out of these. And the aerial photography, we would not be able to equip the Cessna, the turbo jet, to handle the aerial photography needs and the road mapping needs that we need it for. So, yes. We just recently had an offer from Public Safety to donate -- or it was one of those. And we looked into it and, unfortunately, they're just not cost effective having more than you need. But these two fit our purposes very well.

Sandoval: And this is not too far off in the distant future, but the day will come when we'll be able to use the drones to do some of that work.

Sisco: Well, that's possible. That's correct.

Sandoval: All right. Questions from other Board members on this Agenda item? Member Fransway.

Fransway: Thank you, Governor. Yeah, Scott, a couple questions. First of all, are other agency departments, do they reimburse NDOT for the use of the airplane, such as prisoner transport?

Sisco: Thank you. No. We did for years and years and years, and then when we hired Marcus Thompson, our chief pilot, that actually brought us a long way into professionalizing this program. He immediately identified the fact that if we did that and we asked those other agencies to reimburse us, we would be subject to a whole different line of requirements from the FAA. We would literally be operating as a commercial airline and the requirements would be massive. So at that point in time we did a cost study analysis and

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it was determined it was a lot more cost effective for us just not to bill other state agencies. NDOT employees have the priority. And if we have room, we take them, but we do not charge them for it.

Fransway: So basically what he was saying is that the airplane would be used as a part 135 airplane and that we would be actually providing commercial service...

Sisco: That is...

Fransway: ...is that right?

Sisco: I forgot you were a pilot. That is 100 percent correct.

Fransway: Yeah. Okay. I wouldn't mind reaffirming that.

Sisco: Yeah. Actually, we just recently did because it was a question that came up with the legislature. And that is still absolutely correct and I have those regulations in my office. We'll be happy to provide a copy of them to you if you like.

Fransway: It doesn't quite seem fair. You know, we're supposed to put pavement on the highways.

Sisco: Right.

Fransway: Not transport prisoners.

Sisco: Well, again, we only do that when it does not conflict with our own uses.

Fransway: Okay. And you mentioned that both of your airplanes are out-of-state on major maintenance issues. I'm wondering isn't there anywhere in-state that could provide us those services?

Sisco: Well, we have providers in-state that can provide the smaller services and the simple lube, oil job, that type of thing. The ones that we've selected gave us both the best price and have the best reputation for quality, which is something you want in fixing an airplane, for those particular airplanes. Cessna in Sacramento is pretty much the closest to us for that type of service. And like I say, they took the engines off there in Sacramento, shipped them to Dallas, and the engines come back. And the Oregon one, again, they're the -- for the Commander, they're the closest to us for the in-depth wing spar inspection that we were looking for.

Fransway: Okay. So obviously we're shopping around.

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- Sisco: Oh, yes, we bid these out.
- Fransway: That's probably going to be a continual thing when we get our pilots onboard is to shop around...
- Sisco: Yes.
- Fransway: ...the procedure that we use.
- Sisco: Absolutely.
- Fransway: Okay.
- Sandoval: Member Fransway, and that's another thing that we're working on in addition to the drones, is that Nevada doesn't have a lot of those services because of our tax structure and taxing the parts, whereas some of our neighboring states have a big advantage. And we're trying to even the playing field so we can get them to move here so we can do that service right here in Nevada.
- Fransway: Okay. Thank you, Governor. Thank you.
- Martin: I have a question, Governor.
- Sandoval: All right. Member Martin, please proceed.
- Martin: Yes, sir. When I look at these costs, I don't see any equipment cost in the breakdown. In other words, there's not an allocation for what the maintenance and equipment cost is in direct cost or is it in the fully loaded cost? Although those appear to be low as well.
- Sisco: Let me check with my chief accountant. Dave, those are in the fully loaded, aren't they?
- Dave: (Inaudible).
- Sisco: Okay.
- Dave: (Inaudible).
- Sisco: Okay. So I apologize. I know you can't hear him because he's in the audience. In the direct cost is the equipment, any equipment that we would purchase or any of these major repairs. And then in the fully loaded costs includes the depreciation.

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Martin: Okay. I used to have a Citation and I can tell you my direct cost was never \$486 an hour -- or a seat, so I just was questioning that part. The equipment cost is (inaudible). And the keyword is I used to have a Citation.

Sisco: Yes. Yeah. Okay. Thank you. You need (inaudible)?

Sandoval: Any other questions? Thank you, Mr. Sisco. Agenda Item No. 5, report on the United States Environmental Protection Agency Audit and NDOT's Storm Water Program.

Malfabon: Governor, Assistant Director for Engineering John Terry will present this item. We did also send out the full EPA audit report to the Board members for their -- it was short notice, but it was recommended that we give you the entire report so that you could read it later. And if you have any questions after you read the report from the EPA, then definitely we could have this item brought again to answer those questions that you may have.

Sandoval: Yeah, that was a little lightweight reading for the weekend.

Malfabon: Yeah.

Sandoval: But my -- I mean, part of my comment, and I don't want to dilute anything with regard to the presentation, is this report came out a year ago and I would have liked to have had an opportunity to have seen it much sooner than today. But having said that, let's proceed.

Terry: Once again, John Terry, Assistant Director of Engineering. Yeah, the packet that we sent out contained the summary that we are going to go over today of the EPA audit. And at the Governor's request we followed up with the entire EPA audit as well as the two letters back and forth to the EPA and back from the EPA. And, yes, one year has passed since we got the original EPA audit report and we have been taking steps. And, frankly, we talked about coming before this Board with an update on the EPA audit, but we had some pretty full Agendas leading up to this.

The EPA -- this is the first EPA audit, but they will audit us once every five years. NDOT has relatively recently gone into what's called an MS4 permit through the Department of Environmental Protection on discharge into U.S. waters, and the EPA has and will continue now since this permit to audit this permit once every five years. They have been doing it -- I believe they audited every Department of Transportation within this EPA region and they will continue.

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The EPA audited NDOT basically on a wide variety of our programs and just a few examples up here. The first photo is where they audited our Clear Creek program which is a major erosion control and storm water program that we've had ongoing for years. How do I advance these? The right. They audited our major construction projects. This happens to be the I-580 project. They audited the design-build project down in Las Vegas. They audited a number of construction projects looking at these types of erosion control measures that we have on our construction projects. Another example from I-580.

But another area they really got into was they audited our maintenance facilities. They went through all of our maintenance facilities, both our district yards, as well as our sub-districts and really looked at erosion control issues and runoff of pollutants into the storm drain system at many of our maintenance facilities. And another example, these are all pictures out of the EPA audit that they had on our maintenance facilities. Oops. Missed one.

They also audited some of our material sources and pits that we have around the state. So they went and looked at what we were doing in terms of our material sources. In summary, they kind of had findings in all areas. They varied, but really, it seems like more of the emphasis of their findings was on our maintenance operations and our facilities. They had findings that were a little more nitpicky on our construction projects.

And part of that is NDOT has a pretty extensive storm water manual for construction. It has an extensive storm water manual for design. Well, they wanted updates to those manuals. One of the things we're going to talk about is we really needed a clear storm water management manual that included our maintenance and our facilities operations. And we're adding that as a part of it.

After the EPA audit was submitted with the various findings, and it's in your packet, NDOT sent a letter outlining the steps we were going to take to address the EPA audit. Some time went by and the EPA then sent us a letter back saying, thank you for doing these things, we'd like you to do them a little faster, and some other findings. And then we have been, through our environmental section, in consultation or trying to keep engaged with the EPA through the Department of Environmental Protection.

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We just recently, in April, Arizona DOT signed a administrative order on consent with the EPA outlining many of these same issues that Arizona was found under their audit. And we estimate we are about nine months behind Arizona. That they went through this process somewhere in the range of nine months earlier than us. The final resolution with them was they had to sign this consent that said we will do these various things and many of them are the same things that we're being asked to do.

So I'd like to talk a little bit about the steps we are taking and the steps we are going to continue to take to try and address the issues with the audit. Next month we intend to come to you with a consultant agreement, that we're hiring a consultant to do a variety of things. And this will be a substantial agreement in the range of \$4 million over a four-year contract. So this is a serious issue. It will contain both field and office work for us. To update these manuals, the two manuals that we have, as well as adding a third manual for our maintenance operations, to do inspections for us to inspect how we're doing on both our construction and our maintenance operations, data collection as well as a training program. One of the major findings in the audit was that we didn't have enough training and we're doing more training for all of our personnel on the storm water issues.

Since the audit, NDOT has added an in-house storm water person working in our environmental section addressing these storm water issues. Obviously going to coordinate closely when we hire a consultant on these storm water issues. And we have proposed as a part of our budget and our reorganization an additional storm water person in each district to help us with small storm water programs and to institute the storm water issues at the districts.

Our environmental section has been working with NDEP and the EPA proactively to try and address these issues. It is our understanding with the EPA is this is their audit section. They have gone through and submitted their audit. It will now be turned over to kind of their enforcement section who we haven't had much dialogue with but we're trying to. And as you can see from their letter back to us, they are seeing that we are engaged, that we are taking steps to address these issues and moving forward. But to be honest with you, we do not know exactly where their -- where and when and how their enforcement arm is really going to fall on us.

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So I guess this is both an update, kind of a heads-up that something may be coming as well as to try and tell you these are the steps we're taking proactively to try and deal with some of these issues. And with that, I could take some of your questions.

Sandoval: Well, when it comes to the enforcement, is the heads-up that we're looking at some possible penalties, financial penalties?

Terry: Yes, it's possible. Obviously, in the Arizona case, which probably we will track as close as any others, but this is kind of a guess, they didn't have financial penalties as such fines. But they consented and agreed in a very short timeframe to address a lot of issues which are costing them money to do. I believe Hawaii, who is in our same region of the EPA, paid like a \$1 million fine. And many municipalities, cities and such, have paid significant fines to the EPA.

Sandoval: And it begs the question, why are we out of compliance? I mean, what happened?

Terry: A combination of factors, I think. Most audits have found people to be out of compliance in some areas. Doing it the way we've always done it is nowhere near good enough. We updated our manuals and even our manuals aren't good enough. The EPA has really stepped up their enforcement on some of these issues.

We're using the Arizona example as the best example because essentially in much of Nevada we're talking about runoff and pollutant runoffs into dry washes, not into what people would consider active streams that are part of the waters of the United States. I think it's a combination of things of why are we out of compliance. Everybody's out of compliance to some extent. We're out of compliance because the standard has been lifted for the areas flowing in the dry washes and especially in the area of our maintenance and our facilities operations. We've just got to do better.

Sandoval: Other Board members questions? Member Fransway.

Fransway: Thank you, Governor. Thank you for making your presentation today. I appreciate that, as does the Board, I'm sure. This audit is in preparation and for compliance of the Clean Water Act, isn't it?

Terry: Yes, sir.

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- Fransway: Okay. Are you aware of the proposed changes to the Clean Water Act that would delete navigable waters and instead place waters of the U.S.? I think it would be very negative to the State of Nevada.
- Terry: I am not up on that issue, but I'm sure there's people on our staff that have been tracking that issue.
- Fransway: I would suggest that you look into that.
- Terry: Okay.
- Fransway: And perhaps NACO could be a resource for you on that. I know they've been fighting that for the last couple of years anyway. What it does, it allows administrative authority and usurps congressional authority as far as Clean Water Act goes.
- Terry: Okay.
- Fransway: So thank you.
- Sandoval: Other questions?
- Martin: I have a question.
- Savage: Oh.
- Sandoval: Member Martin, then Member Savage.
- Martin: Yes, sir. In my business we have faced this issue for many, many years. And before we go spending \$4 million on a consultant, maybe we need to talk to the industry about the measures they use to mitigate these audits and mitigate the fines and do that kind of stuff. In the vertical world, Governor, we've had to comply with this Clean Water Act and SWIP, storm water prevention, for so many years that it's astonishing. I'm really surprised that it's just catching up to NDOT because it caught up to my industry ten years ago or more. So I think maybe we need to take a deeper look at what private industry is doing to help not have these circumstances arise rather than just going out and hiring another consultant. Because sometimes it's relatively simple and can be addressed on a site by site basis.
- Sandoval: So I'd encourage -- and the Lieutenant Governor suggested some type of a working group where we could get some more organization in terms of how we're going to respond when this shifts from the audit to the enforcement

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unit and perhaps some conversations can be had with them, some strategic ones, akin to what Member Martin has suggested.

Martin: Yes, sir.

Sandoval: Member Savage.

Savage: Thank you, Governor. And I concur with the Governor and Member Martin as well. Regarding the outside consultant, do you know that the Arizona DOT retained a consultant for their issues?

Terry: Yes, they did. And they will have to utilize a consultant pretty extensively to address the issues that they consented to in the decree with the EPA because they are, like our issues, are quite substantial. So they will spend a significant amount of money on both consultants as well as manuals and training in order to meet that decree. And those are the similar types of issues that we are dealing with. I can find out more detail from Arizona in terms of cost and how they've done it. But, yes, absolutely.

Savage: And that leads to the next question. Is the consultant for the Arizona DOT soliciting an RFP to NDOT?

Terry: I don't know as I understand.

Savage: Is the retained consultant for the Arizona DOT one of the soliciting consultants for the NDOT proposal?

Terry: I do not know off the top if one of the ones that applied for ours is the same consultant that's doing some of the work for Arizona. I would be surprised if they didn't submit. And I can get you the answer of whether a similar one was selected.

Savage: It might be worthwhile...

Terry: Okay.

Savage: ...you know, to mitigate (inaudible). So I thank you, Mr. Terry. Thank you.

Sandoval: Other comments?

Hoffman: Governor?

Sandoval: Yes. Mr. Hoffman.

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- Hoffman: Yes, sir. Bill Hoffman, Deputy Director, NDOT, for the record. I'd just like to emphasize the work and partnership recommendations that Nevada Division of Environmental Protection, they've walked in step with us all along the way. So Dave Gaskin, Alan Tinney and Steve McGoff and some of the other -- some of them are in attendance today. But we need to emphasize that NDOT isn't walking this alone in the dark. We actually have had the delegated authority, which is NDEP, helping us all along the way. And quite honestly, they've played a very critical role in helping us try to figure out what we need to do. As John mentioned earlier, there's the enforcement, or audit, section of the EPA that was moving along in parallel with the delegated authority piece from NDEP. They're the permit overseers, so to speak, and they've played a very critical role in, I would say, mitigating what the EPA findings were in terms of penalty. So they've really gone to bat for NDOT and the State of Nevada and that needs to be emphasized. So...
- Sandoval: No. And that has to do with the findings but not yet with regard to what the penalty is.
- Hoffman: Yes. But I believe the role that they've played in helping provide guidance and recommendations to NDOT has drastically reduced the probability or the risk of that coming down.
- Sandoval: No, and that's wonderful. And where are our NDEP folks?
- Hoffman: We have Dave Gaskin and Alan Tinney in the back of the room there, so...
- Sandoval: So, you know, I don't live in that world and, you know, I just -- I would be looking for some type of recommendation as to how we continue to interface with EPA so that if there's a way to mitigate what the penalties are going to be, that we do that. And similar to what Member Martin had talked about, I'm not sure if we need a working group. I don't want to interfere with the process that you have, but at the same time, we really want to work together. Because we -- you know, when you talk about this other shoe dropping it could be a boot or it could be a running shoe. And I don't know if we have the ability to limit the amount of penalty that we may see in the future.
- Terry: We believe, but we don't know for sure, that by taking these proactive steps that that will minimize it. That's our intent, is that we're proactively addressing the issues in the audit and coordinating that and communicating

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that to the EPA in attempt to minimize either the decree that comes down of what we have to do and/or the penalty phase.

Sandoval: And, Frank, I don't know if you had anything in mind. I don't want to volunteer you... But I know, you know, I don't want to have...

Martin: Governor.

Sandoval: ...happen is for us to have this meeting, have this high level conversation and all of a sudden things go off the air until we suddenly see a letter that's part of our Agenda saying, you know, you guys need to do A, B and C. So I don't want another year to go by and then something to happen. So what would be a recommendation or suggestion with regard to how we should go from here with regard to the NDEP, the EPA, the NDOT and this Board?

Malfabon: Governor, if I may, would it be acceptable to perhaps have the Construction Working Group, which is already -- you know, we have construction as well as maintenance, but definitely the operations area. And I think it would be appropriate, perhaps, since we have contractors on a Construction Working Group and the Controller. It's a working group that could look into this issue and we could keep apprised of what actions we're taking.

Sandoval: Member Martin, does that satisfy your concern?

Martin: Yes, sir. I'll make myself available. One of our major clients in the vertical world is Wal-Mart and they have the absolute highest standards for storm water prevention and for the very issues that Mr. Terry was talking about. And so those of us that work in my world are used to this thing. And I'd be happy to make my safety people -- we have a number of certified people by both the state and the feds working for us so we can make available and sit down and try to work this thing out.

Sandoval: All right. Thank you very much. Anything else on this Agenda item?

Terry: I would like add in addition that, yes, we could present before this Board in the future, but we will have next month a very detailed scope and reasons why we're doing it for the consultant agreement. And it will be on next month's Agenda.

Sandoval: All right. Thank you very much, Mr. Terry.

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Malfabon: Now, one more thing to add, Governor and Board members, was Mr. Terry had mentioned additional staff in the districts and that would be through vacant positions. So basically reassign through attrition. We are reducing a number of construction administration crews in Las Vegas and Reno. We would be looking at taking some of those positions and reassigning them to this activity.

Sandoval: Thank you. We'll move on to Agenda Item No. 6, approval of the second guaranteed maximum price for the Carlin Tunnels CMAR project.

Malfabon: Governor, we have Project Manager Dale Keller to present this item.

Keller: Good morning, Governor and members of the Board. Once again, Dale Keller, Project Manager of the I-80 Carlin Tunnels project. Well, we made it to the end of our design phase and our team has worked diligently to minimize our project risk, improve our delivery schedule, as well as apply innovation where we can achieve the best value for this project as well as for the department. Today I'm presenting Contract 3540 for possible action. This is the second and final GMP, or guaranteed maximum price, for the tunnels. Last month the first GMP was authorized and currently under construction.

So I know by now you're probably sick of hearing presentations given by engineers but as you can see in our pioneer program as well as our CMAR process, the department presents the negotiated guaranteed maximum price each time we reach one for your consideration. Last month as well as in December you heard me speak about the major rehabilitation of the tunnels, of the bridges, as well as the interstate. But besides these improvements, what is the general public and what are you going to see the next time you travel through the tunnels on your way out to Elko?

The first thing is safety. This January there were two major crashes that closed the tunnels and delayed traffic for hours. NHP determined the cause of these crashes due to icy conditions and speed. And as shown, these accidents occur at a high rate of speed and they cause significant damage as well as injury. To address this issue, we are integrating new ITS, or intelligent transportation system, elements to the tunnels. The ITS elements includes upgrading our advance warning system, alerting the traveling public that the tunnels and bridges are icy. We are installing infrared and thermal cameras to better monitor the tunnels. We are placing pucks, or basically surface sensors, in the roadway to measure the surface conditions

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of the road. And of course we're upgrading the existing lighting system. Each of these elements will be connected to our fiber network, relaying this information to our Elko district office, allowing our maintenance staff to identify dangerous road conditions sooner as well as respond to incidents quicker.

Another cool thing we're doing in this project. We are installing a bike path that crosses I-80. And you're probably thinking the same thing that I was initially thinking, bikes on the interstate in Aurora, Nevada? But, yes. In 2011, the statewide bicycle plan identified a high safety concern for cyclists at the tunnels. What happens is touring cyclists approach the tunnels without any guidance and have to make the following decision, either to pedal quickly through the tunnels, which are very narrow, or navigate around the tunnels using the old highway. Causing, as you can see in the picture, eastbound cyclists to carry their bikes and run across the interstate.

So AASHTO has identified this section of I-80 in Nevada as the U.S. Bike Route 50. There's no legal requirements to obtain a permit and bikes are allowed on the interstate. So to make this safer and to eliminate this conflict, we are going to construct a bike facility underneath I-80 at the existing bridge structure and provide wayfaring signage to direct cyclists to use the old interstate and prohibit pedestrians as well as cyclists into the tunnels.

So let's talk about cost. At the end of our preconstruction efforts, we began the negotiation process. The department used the independent cost estimator, ICE, as well as our engineer's cost estimate to successfully negotiate a guaranteed maximum price with the CMAR contractor, Q&D Construction. The maximum amount payable to Q&D would be \$28,340,000.13. This process was according to NRS 338 as well as our pioneer program process. As you can see in your bid tabs, that the ICE as well as the CMAR's bids were within .6 percent of one another, verifying the reasonableness and accuracy of those bids. In addition, we did an internal BRAT review and you can see on the total slide, the total construction cost for the project, including the early work that was performed, or is being performed in GMP one as well as what's on the table today for GMP two. And that total is roughly over \$31.1 million.

As I said in the beginning, GMP one is under construction. Based on possible action today, our GMP two, or Contract 3540 will begin next week

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on Monday, May 20. We anticipate the construction completion to be in fall of 2014. Also the note, our project website is up and running, providing construction updates as well as live video cams. You can find that website on our NDOT main page.

So in conclusion, today the department and I are recommending the approval of this GMP as well as award Contract 3540 to Q&D Construction. I'll be happy to answer any questions.

- Malfabon: And, Governor, that item is -- the approval of the contract is number -- Item No. 7 on the Agenda. So it can be taken together.
- Sandoval: Thank you. Questions from Board members?
- Martin: I have one.
- Sandoval: All right. Member Martin.
- Martin: Just a point of clarification, sir. The \$2.8 million that we ordered last month is a piece of the \$28,340,000 being awarded this month, correct?
- Keller: No, sir. These are two separate contracts, the \$28,340,000, that's in addition to the \$2.8 million approved last month.
- Martin: So then we're at -- now, the engineer's estimate then at \$25,881,000 was for this segment of work?
- Keller: Yes, sir.
- Martin: So the total budget on the project, well, was in excess of \$31 million, then.
- Keller: Yes, sir.
- Female: \$31,158,000.
- Martin: Okay. I just -- we needed to get those numbers straight in my head. Thank you.
- Cortez Masto: Governor, this is Catherine. I also have a question. Can you address -- I believe this is the contract that addresses the goal of reaching the 10 percent DBE and it does not -- if that's the case, do you mind having them address that issue of not reaching that goal and the process for still approving it?

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Malfabon: Yes, I can address that, Madame Attorney General. In our goal setting process for Construction Manager at Risk projects, it's a little bit more difficult to do. You have to typically -- in goal setting for DBEs we look at all of the types of work that can be performed by subcontractors, look at the availability of subcontractors that are actually DBEs in the area and try to establish a reasonable goal for the specific project.

With CMAR, the items aren't as well defined until later in the process after selection of the contractor. What we look at in this case where they're not meeting the goal is called good faith effort. So all of the efforts conducted by the prime contractor to meet that goal of 10 percent. Not just advertising in the paper, but outreach, discussions, consideration of where the prime contractor could assist the DBE in giving partial -- portions of work instead of the entire bid item of work. So we felt, based on the review by the civil rights officer of the good faith effort by the prime contractor, that it did meet the requirements for a good faith effort. And there are a list of items that they did to try to achieve the 10 percent goal, but were unable to meet it.

Cortez Masto: Was anyone else -- any other contractor that applied able to meet the goal?

Malfabon: Because of the CMAR process, we don't have the goal set when we do the contractor's selection. It's as -- in the CMAR process, the contractor actually assists the department in finishing up the design. So until that design is completed and you can request basically this bid, the guaranteed maximum price from the contractor, you only get this one shot with the contractor you have on hand. So other contractors during the procurement process for CMAR aren't involved at that level of beginning the goal because you don't know all of the scope of work as far as the detailed amount of subcontract work at that point of selection of the contractor for CMAR.

So it's a unique process. And we figured out a way, in coordination with Federal Highway Administration, on how to implement DBE goals on CMAR, but it is a bit unique and it's different from our regular design-bid-build process.

Cortez Masto: Okay. Thanks, Rudy.

Malfabon: You're welcome.

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Sandoval: If I may follow up on that question. This is a summary conclusion. Do you have any more specificity as to what constitutes the good faith effort?

Malfabon: Yes. Governor, it's a good question. And I think that as we do our disparity study, I think that it would be good for a presentation to the Board about the process of goal setting on DBEs and good faith effort. It definitely involves a lot of review of documentation for the apparent low bidder. In this case, the person that's selected for CMAR. But it is very involved.

And what we try to avoid on good faith effort is a checklist because we want to impress on the contractors that it's not just advertising in the newspaper or doing, you know, enough on this checklist that it qualifies as good faith effort. We want to see that they are very aggressive in their outreach and attempts to meet the goal if they fail to meet the established goal for the specific project.

But we will bring that to a future Board presentation and update you on our disparity study, which is looking at the entire DBE program at NDOT and helps us -- that information helps us to establish a reasonable goal for our department.

Sandoval: Thank you. Other questions from Board members?

Wallin: Governor, this is Kim.

Sandoval: Yes. Madam Controller, please proceed.

Wallin: Yes. I have a -- well, actually just a comment. If we could go -- and when we do other CMAR projects, if we could go -- as part of the (inaudible) that's been presented to us, what percentage of the DBE goal is being achieved on our CMAR (inaudible)? So like this one is 6.18 percent. So when they come out from another CMAR project and if they're not achieving the (inaudible) goal (inaudible) a pattern if we've got these issues of CMAR projects (inaudible) requirement (inaudible).

Malfabon: We could do that, Madam Controller.

Wallin: Thank you.

Sandoval: And I think I heard that this project perhaps was a little unique because it's remote, given that it's out in Elko. And that makes it a little bit more difficult to reach the standard.

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- Malfabon: Yes, Governor. Oh, we might have lost her. Traditionally in the urban areas, it's not as difficult to locate disadvantaged business enterprise companies that are willing to do the work. When you get into areas in Northern Nevada and the rural areas, there's a lot of mobilization costs and some firms just don't want to go out in that rural area to work. They'd rather work in the urban areas of the state.
- Keller: And one thing that we have noticed with this project and working with the contractor in the preconstruction phase too, it helps us package the subcontractor works in a way to get more responses from DBE firms as well.
- Sandoval: Member Savage.
- Savage: Thank you, Governor. And just to...
- Wallin: Sorry about that...
- Savage: ...reassure both yourself and the Attorney General, there is an Agenda item at our next Construction Working Group meeting which follows this meeting regarding the DBE program requirements and other civil right programs. So we are looking into that at this next meeting. Thank you, Governor.
- Sandoval: Thank you. Mr. Lieutenant Governor.
- Krolicki: Just a quick question. Is part of the total project cost you were talking about a tunnel that would go underneath the roadway for bicyclists?
- Keller: It's not a tunnel. It's just a bike path, a four foot or five foot wide bike path for cyclists. It's in a paved section. Within our right-of-way.
- Krolicki: Sorry. So my theme of bicyclists -- I'm not hostile, I promise. I'm just trying to understand it. But I'm sorry, so it's just between the two lanes of I-80? That's where -- I'm still not sure. So they'd still be walking their bikes across I-80?
- Keller: No, sir. So it will actually be crossing the interstate. So perpendicular to the flow of traffic. So they're starting from the north side and they actually would cross, then, underneath a set of existing bridges. And they're going to come up on the other side, so...

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- Krolicki: Okay. So you do not have to do any further, really, any further work. The underpass already exists and so it's mostly the signage issue you're talking about.
- Keller: Signage and also we're going to pave that path.
- Krolicki: Perfect. Okay. Thank you.
- Sandoval: Any other questions with regard to Agenda Item 6 and 7? And, Counsel, if I may, is it appropriate to take both of these Agenda items in one motion?
- Gallagher: Governor, for the record, Dennis Gallagher. Yes, that would be the preferred method. Thank you.
- Sandoval: Thank you. Board members, if there are no further questions, the Chair will accept a motion for approval of the GMP for the Carlin Tunnels CMAR project as described in Agenda Item No. 6 as well as approval of the contract described in Agenda Item No. 7.
- Martin: Move for approval, Governor.
- Krolicki: Second.
- Sandoval: We have a motion for approval by Member Martin of Agenda Items No. 6 and 7. The Lieutenant Governor has seconded the motion. Any questions or discussion with regard to the motion? All those in favor, please say aye.
- Group: Aye.
- Sandoval: Motion passes unanimously, seven-zero. Thank you. And congratulations. It's a lot of work. We'll move on to Agenda Item No. 8, approval of agreements over \$300,000.
- Sisco: Thank you, Governor. For the record, Scott Sisco, Assistant Director over Administration. Item No. 8, turning to page 3 of 13. We have three agreements over \$300,000 this month. And why don't we just go ahead and hit the jet fuel one right off the bat. Item No. 1 is El Aero Services. Real quick, a little bit of background. Again, several years back we had a conflict in the Carson City Airport where we had one supplier for jet fuel that provided fuel that -- directly to the plane, one that had you come to them. We went out for an RFI at the time and ultimately a contractor -- an agreement, I should say, was awarded to the vendor that would bring the fuel to us. Because of the fact that that was a product or a commodity, it is

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required by the State Controller's office -- they have a specific set of GLs that we use for that, and all of the purchases that were made were made against that GL and it never lined up with our contract.

We recently discovered that. We put a contract -- we realized that we had drastically overspent that contract. Not overspent our budget. We've not overspent any of the budget, but overspent the contract authority. And so when we came to you last month and again this month, we're just trying to clean up that discrepancy. However, in looking at this we found out that we had a bigger problem than we realized because the State Purchasing within the State Administrative Manual and within the regulations, there's nothing that gives us the authority to bypass what they call a Direct Purchase Authority within the State Purchasing just by entering into a contract.

So we got State Purchasing involved. And originally she was -- oh, there she is. Kimberlee Tarter is here from State Purchasing. We started talking to them and we realized we really do have a problem because the Direct Purchase Authority that's in statute, not in regulation, not in SAM, is \$5,000 for this particular item. Well, every time we fill up the tank we spend \$7,500 -- anywhere from \$7,500 minimum all the way up to \$14,000 for it. And this year State Purchasing went before the legislature with a bill to try to get that raised and the legislature shot them down.

So they're going to help us out and solve some of the problem by -- they're in the process right now of going out for a bid for regular fuel and they're going to add our jet fuel onto it for all of the vendors that we normally buy in the State of Nevada from. That will solve our problem for that. And that's probably 98 percent of it. There will be those few times where we're in Sacramento or Dallas or Los Angeles or some other place where obviously those entities are not going to enter into a contract with the State of Nevada for one fuel load. And during that time State Purchasing is going to try to help us out. And if it's during business hours, we can call them and they will give us verbal approval over the phone. If it's not during business hours, we would buy it and we would contact them the next day, the next business day, explaining the emergency and we would go from there.

And real quick, I'll just read to you. They sent me this email that said, "Hi, Scott. Please consider this email's Purchasing acknowledgement of the situation and approval to continue as stated as we're currently doing until such time as a solution is implemented. We anticipate that the fuel RFQ

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will be completed within the next 90 days. We will also be issuing an RFQ for in-state static aviation and mobile aviation as well. The out-of-state fueling remains a challenge based on the current DPA of \$5,000. There is no solution for the out-of-state fueling situation at this time. Purchasing will provide a memo acknowledging that fact for NDOT files and I will be in contact just to get NDOT needs met." And, again, State Purchasing has just bent over backwards to try to help us find a solution.

But based on that email, they're giving us approval to continue as we're currently doing it, so amending this contract. And they're trying to find a solution and they're going to find a solution for 98 percent of it. The other one and a half, two percent is -- we're just going to have to continue to struggle with it.

And, again, I apologize. The memo that we had in the packet last month wasn't as well written as this month is. So hopefully the numbers all add up for you now and you understand again we've never over -- it's not about overspending the budget; it was just about overspending the contract authority that we had and trying to fit this purchase of commodity into an agreement that we normally use for services. So any questions on that one?

Sandoval: Lieutenant Governor I thought had some questions.

Krolicki: Thank you. Thank you, Governor. I mean, I appreciate the exercise that's gone on for the past 30 days and I greatly appreciate Purchasing jumping in here and trying to help and provide some clarification. You know, it's clear to me that, you know, we've been conducting a practice that hasn't conformed with Purchasing or the contracts that we have. And that's obviously not a good thing. But I'm, you know, pleased that we have a remedy identified to move forward with. But this is complex. And I still go back to the fact that the airplane is a very sensitive issue for everyone, as it should be, and we just need to be completely transparent. I appreciate seeing the information that's here, but this is a situation that we should've never gotten into. Things happen, but what's the remedy going forward, besides just working with Purchasing.

But I think it would be healthy to perhaps review these activities to make sure that how we purchase fuel, how we contract for fuel, how we work with the Controller's Office on the GL, how we deal with commodities, we're being the most effective in using taxpayer dollars to operate this very important asset for the state and for NDOT.

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Sisco: And, again, I know you made the suggestion and I ran it by the Director of having Internal Audits maybe take a quick look at it and see if they can provide some suggestion. And the department certainly is willing to do that. Like I say, this was kind of a combination, a series of unfortunate events, if you will, that occurred. We've learned as a result. One thing that's happening now that wasn't happening two years ago when this happened was all agreements are now coming forward before you, whether or not it's information only or for your approval. So that, had this been under those guidelines two years ago, I believe it would've caught this progress. And, again, like I say, State Purchasing is giving us immediate remedy for part of it -- most of it.

Krolicki: Then, Governor, I would respectfully submit to you and to this Board and for NDOT, you know, Nevada -- the Executive Branch Audit Committee, those auditors do wonderful performance audits. They are part of us. They are here to help us as opposed to some other more aggressive auditing opportunities that might be seeking to poke their skillsets into these activities. I would hope or perhaps even, I mean, it's not for me to request, but I would hope that you, Governor, as Chairman of the Audit Committee and Director request that the Executive Branch Audit Committee auditors be put onto this.

I know they've got a very lengthy and full audit schedule, but I think as we're in these discussions it would be very important to, you know, enter into the process, have an entry audit meeting so, you know, we know we've started it and our friends in the legislature and other places realize what we're doing and why we're doing it and that we're on top of it. Thank you.

Malfabon: We concur, Governor, and we'll make that request to the Executive Branch Audit Committee. Definitely it's a good time to do it and the -- you know, we'll have to acquire a new Assistant Director for Administration, but that person will get up to speed by the audit findings, implement those findings so that we have this situation addressed and we have transparency throughout the process.

Sandoval: And we do have a mechanism now to get both those planes home. So you would call Purchasing...

Sisco: Yes.

Sandoval: ...to be able to fuel those planes to get them back once they're repaired?

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- Sisco: Yes. In purchasing fuel up there, that's what we would do.
- Sandoval: Okay. Member Fransway.
- Fransway: Yeah. And relative to the referral to the audit committee, will this Board get a report on that?
- Sisco: We will get a report and, yes, absolutely, the Director can bring that to the Board.
- Fransway: Thank you.
- Sisco: Okay. There's two additional contracts on there. An agreement for \$500,000 -- or I should say an amendment for \$500,000 with Biological Environmental Consulting LLC, Incorporated. We just did want to make a notation on here, we have it under fed -- under no feds. It's primarily a state contract, but there's a majority of the tasks, or a large portion of the tasks within here that we do actually bill to our federal partners on that. And then the last one here on the bottom, United Road Towing, is our Las Vegas freeway service patrol and we did just want to mention that we've dropped that from the previous vendor. There's a new vendor from \$65 per hours to \$61.50 and basically for the overall period of the contract. That takes it from -- to about \$2 million from the \$3 million-plus that it was before. And they were able to make a three percent DBE goal on that. Any questions on any of those three agreements?
- Sandoval: Member Savage.
- Savage: Thank you, Governor. Mr. Sisco, on Line Item No. 2, Biological Environmental Consulting, I have two questions. I guess one being a comment and one being a question. Back in October this Board approved an extension of the date. And I realize that we're always concerned about approving the date without problems. Now today we see a half million dollar approval after the fact. And (inaudible).
- Terry: Yes. The real reason is we added additional projects. In other words, as stated in the backup information, the Boulder City Bypass Project was extended in additional phases and then additional projects were assigned to this consultant. Understand (inaudible) now, could we have anticipated when we asked for the extension that perhaps we were going to need this consultant to apply to these projects? Perhaps, yes. But the real reason for the amendment is they're doing the same scope of services they had done

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previously on additional contracts. And basically we do not have the abilities. We do not have biologists within our construction crews to do these services. That we have to add consultant biologists in order to address the construction phases of these projects.

So to answer your question, could we have looked forward when we asked for the extension? The extension was originally requested for the projects that we're currently covering. This is to cover additional projects.

Savage: Okay. Thank you, Mr. Terry. And one other question, do you have the information as to what the department has paid this company to date?

Terry: I could follow up with that information. They're ongoing contracts that are paid monthly. We can certainly follow up with that information.

Savage: That would be interesting to me because I was looking at some of the numbers and that would be helpful. Thank you, Mr. Terry. (Inaudible) underneath the FSP. Is United Road Towing (inaudible)?

Sisco: Let me bring up Denise Inda. She's our Division Administrator for Operations.

Inda: Good morning, Governor, members of the Board. Denise Inda, as Scott mentioned. UR Towing is a firm that has an existing presence in Las Vegas. They're a towing and response company and so they do exist there. They have other businesses and businesses in other states as well. But they already exist in Nevada, yes.

Savage: Okay. Thank you, Denise. And I did look at the numbers and it looked to be a very competitive number. I know annually in the past we've spent around \$2 million and we're very close to that same amount proceeding to the next four years. Does this new vendor provide a GPS tracking system that the department can have the opportunity to utilize?

Inda: Yes, they do. They will have GPS in their vehicles. And we've discussed that as part of our negotiations for the new agreement and we will be working very closely with them to track the location of their vehicles. We want to be comparing the amount of time they spend roving with the time that they have spent idling, if you will. So we'll be working very closely with them as they take -- as they move forward with their program and once the agreement is approved.

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Savage: That's great. That's a very nice tool that I think we can all benefit from. And third question. How is the Reno pilot program going that the department is taking care of at this time?

Inda: We've had our NDOT in-house self-performed service in place for about a month, so we just have gathered the first months' worth of data. We're working very closely with our partners, law enforcement, highway patrol, as well as the District 2 staff, both the management staff and the maintenance personnel who are in the field. We're getting good, positive feedback.

Savage: Okay.

Inda: We're still evaluating the numbers because one month of data is pretty slim. At the moment, we believe that the cost per vehicle hour is very comparable to the service that Samaritania was providing before. So we're looking at those numbers and I think in another month we'll have a little better idea of some benefits one way or another.

Savage: That's good. It's a positive situation. Because I know looking back at some of the numbers, the cost for the Reno area is around a half a million dollars and that's a substantial cost savings if, in fact, that we were to retain the self-controlled program. So I thank you, Ms. Inda.

Inda: Great. Thank you.

Savage: Thank you, Governor.

Sandoval: Board members, do you have any other questions? Member Fransway.

Fransway: Thank you, Governor. My question is the area of service. Is it pretty well confined to the urban influence?

Inda: Member Fransway, are you referring to the Reno program?

Fransway: Both.

Inda: Or the Vegas program?

Fransway: Both.

Inda: Both programs are in the urban areas. For example, in Las Vegas it's on I-15 and U.S. 95 really in the urban area because that's where we get the most benefit because there's the most congestion. And in the Reno area also on U.S. 395, I-580, as well as portions of I-80 and with our current self-

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performed service we actually have dialed back the hours and the routes to really keep it focused in the highest volume areas where we're going to get the most -- the most benefits.

Fransway: Okay. Does that area of influence include Carson City? No.

Inda: No, sir. It does not. The farthest south that the Reno Freeway Service Patrol goes to is the Neal exit.

Fransway: Okay.

Inda: On I-580.

Fransway: Okay.

Sandoval: Mr. Lieutenant Governor.

Krolicki: Thank you, Governor. Don't go too far away. I received -- again, I am not an expert in these areas and in some of the details, but some of the -- there are some folks in Las Vegas who have suggested to me informally that the new contract is not going to be providing all of the services that are currently provided under contract and specifically some fire and EMT services. And they are suggesting that this new contract may be more expensive because NHP and Fire will perhaps need to respond more frequently than they would currently do. So, again, I'm just throwing words out that I received, but can you shed any light on that? Is it the same level of service? Is it reduced and it might save us money but will other parties like NHP and Fire have to respond because we don't have the same capabilities? Or it's a push?

Inda: I would suggest that we put out an RFP with the requirements and specifications for vehicles, for employees, to provide the same services that we have been providing in the Las Vegas area. It could -- I'm supposing here. It could be that the previous firms' drivers had an extra level of certification that NDOT did not require in our RFP and so perhaps those employees could do a little bit more. But I would suggest that we put together our specifications and requirements and the new firm, you know, all of the firms whose proposals qualified, met those requirements, and we selected a firm who can, indeed, provide the level of service that we need now.

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It really depends on the situation. I would suggest that the drivers in a crash or something larger, Fire is generally going to respond, regardless of whether or not our FSP is there. In a smaller situation, smaller type incident I think we, you know, the driver is -- responds to their abilities and calls in extra forces as needed. But if it's changing a tire, perhaps some of those qualifications aren't, you know, won't make a difference.

So I think we're getting a good value for the same services and I don't think we'll see a lessened value or service that we provide in Las Vegas.

Krolicki: Thank you. I think that's a very satisfactory answer. Thank you.

Sandoval: Member Savage.

Savage: Just to add to the Lieutenant Governor's comment. I had assumed that it was an equal service and I know in the past for that \$2 million they had ten vans. So I would assume the new provider would have ten vans along with two of the emergency response vehicles. And I don't know if that's correct or not.

Inda: Yes, that's correct.

Savage: Thank you.

Sandoval: Does that complete your presentation, Mr. Sisco?

Sisco: Yes. That completes our presentation and we would ask -- we would recommend that the Board approve the three items under Item No. 8. And then we can let the Purchasing folks go.

Sandoval: Board members, do you have any questions with regard to Agenda Item No. 8 and the contracts described therein? If there are none, the Chair will accept a motion for approval.

Savage: So moved, Governor.

Sandoval: There's a motion by Member Savage to approve Contracts 1, 2 and 3 as described in Agenda Item No. 8. Is there a second?

Fransway: Second.

Sandoval: Second by Member Fransway. Questions or discussion on the motion? All in favor, please say aye.

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- Group: Aye.
- Sandoval: Motion passes unanimously. Thank you very much. Let's move on to Agenda Item No. 9.
- Sisco: Thank you. Item 9 are contracts, agreement and settlement, informational only. We did want to mention these pages are all titled executed agreements under \$300,000. Because of the fact that we also bring the utility agreements for you to let you know what they are, we probably need to change that title in the future because you'll notice we actually have a couple -- or at least one \$1 million item in there on (inaudible) one. It's one of the utility relocation agreements. But we do have one item that we've identified that needs to be -- the Director would like to comment on. That's Item No. 20 for the HKA elevator control thing in Las Vegas.
- Malfabon: Yes. Governor and Board members, as I've mentioned previously, we are in discussions with the Tropicana for their corner of the Tropicana and Las Vegas Boulevard pedestrian bridges. They want to develop their property and they're willing to relocate, basically put in new escalators, so that it will accommodate their expansion on that corner and they'll take possession of that. We have inquired with Federal Highway Administration if there's any issues since public funds were used for the original construction and they responded favorably because of the depreciation on that infrastructure, it's not an issue that will cause any problems for NDOT for that corner.
- And we also will eventually be formally requesting from Las Vegas Convention Visitors Authority the possibility of them funding with additional -- the room tax revenue bonds that paid for the design-build project and the express lanes project on the resort corridor on I-15. We're going to request that what they have remaining be used to upgrade, basically to replace the escalators on the other three corners. So that will be a future item, but we're just keeping the Board informed of progress in that area.
- And hopefully once those escalators are replaced, we would get into an agreement with the county where they would take over those. Or else the possibility of the others, but probably not as likely that the other three corners would do what the Tropicana did and take possession of their corner. But it is a possibility.
- Sandoval: Thank you, Mr. Director. Any questions from Board members with regard to Agenda Item No. 9? We'll move on to Agenda Item No. 10, direct sales.

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Malfabon: Governor, in the widening of U.S. 95 in Las Vegas, we had several remnant parcels. And this is basically Item No. 10A and 10B are direct sales of some of those remaining parcels. So they don't have -- they're not large enough to build a house on, so the adjacent property owner basically is willing to purchase those. And we can put them up for sale.

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

Krolicki: I move for approval.

Sandoval: Lieutenant Governor has moved for approval of Agenda Item No. 10A and B. Is there a second?

Fransway: Second, Governor.

Sandoval: Seconded by Member Fransway. Any questions or discussion? All in favor, please say aye.

Group: Aye.

Sandoval: Motion passes unanimously. Thank you. We'll move on to Agenda Item 11, old business.

Malfabon: Thank you, Governor. In this standing item we have the report on outside counsel costs on open matters and the monthly litigation report. If there's any questions, Chief Deputy Attorney General Dennis Gallagher is here to respond to those.

And regarding the fatality report, we are currently about nine fatalities higher than we were a year ago at this time. That's the most recent information that I have. So it's very tragic. One of the measures that we've been doing is to put the fatality numbers on our dynamic message signs in the urban area so that people can consider that and it'll be on their mind as far as trying to drive those fatalities down, that perhaps when they see those numbers, it's a good gut check and that they'll drive a bit safer. Typically, it can be controversial when some states put their fatality numbers up on those message boards, but we feel that it's the right thing to do so that people will be aware of the fatalities on our roads and highways.

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- Sandoval: What will that say? So I'll be driving under the dynamic message sign and it will say that there have been a dozen fatal accidents on this segment of road?
- Malfabon: It'll usually say the entire fatalities to date cumulative for the current timeframe. So it'll say there's been so many fatalities on Nevada roads and highways, similar to that.
- Sandoval: Okay. Questions from Board members on this Agenda item? We will move on to public comment. Is there any public comment here in Carson City for the Board? Any public comment in Las Vegas?
- Von Toebel: Yes, actually. I have a...
- Martin: We have one, Governor.
- Sandoval: Okay. Ma'am, if you'd please identify yourself.
- Von Toebel: Hello, Governor. My name is Jennifer Von Toebel and I represent Samaritania, the previous contractor for the FSP program. And I do have one -- I have a couple of questions. Actually, a comment. From our understanding, the new contractor, United Towing, is going to be using their tow trucks and not vans. And another understanding that we have is that they will not be providing any EMT services or any fire safety services. Am I right or is our information incorrect?
- Malfabon: We'll have Denise Inda respond.
- Inda: I'm sorry. I had stepped out of the room. Could you repeat your question, please? I apologize.
- Von Toebel: Absolutely. Our understanding is that the new company, United Towing, that will be taking over the FSP program here in Southern Nevada will be using tow trucks and not service vans like Samaritania has. Also, their drivers are -- will not be providing fire safety or EMT services. Am I correct?
- Inda: The vehicles will meet the specifications as outlined in the RFP. And I'm trying to remember correctly if it specifies the exact type of vehicle and I'm not sure if it does. But I can say that they will be -- there are requirements for the type of equipment that are on the vehicle, the type of, you know, for example, cones or fuel or, you know, ability to put air in tires and all those

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kinds of tools and equipment. Those are specified out in great deal, so the new provider does meet all the requirements that were set out in our proposal. And they also meet all of the requirements as set out by -- for the employees for the training and certifications. And they meet the requirements that we have.

Von Toebel: My next question is will the Nevada Department of Transportation be honoring the agreement with Samaritania for the termination date in September or has that changed?

Gallagher: Excuse me, Governor. For the record, Dennis Gallagher. This item is agendized as public comment and certainly members of the public could and should provide comments at this point in time. It is not appropriate for a question and answer period with staff.

Von Toebel: Okay. Thank you.

Inda: Thank you. Well, I'll let you two...

Malfabon: I would just recommend that Samaritania bring forward their questions directly to the manager of the project so it's going through traffic operations. So definitely -- those kinds of questions are appropriate, but they could be answered directly -- responded to directly by NDOT staff.

Von Toebel: I will do...

Malfabon: So offline, not at the Board member.

Von Toebel: I will do so, thank you. I'm newly hired, so I'm new to all of this information. That's why I was asking. Thank you very much.

Sandoval: Thank you, Ms. Von Toebel. Any further public comment from Southern Nevada? Move on to...

Martin: None.

Sandoval: ...Agenda Item No. 13. Is there a motion for adjournment?

Fransway: Governor, I move...

Martin: So moved.

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- Fransway: ...before I make a motion to adjourn, would the Board be interested in a presentation relative to federal changes in the Clean Water Act and how it may affect NDOT?
- Malfabon: I think that we can address that in the presentation of the contract next month. We'll have that included in it.
- Sandoval: Thank you. And I heard Member Martin made a motion for adjournment. Member Fransway, was that your second?
- Fransway: Yes.
- Sandoval: Okay. All those in favor, please say aye.
- Group: Aye.
- Sandoval: Okay. Motion passes. This meeting is adjourned. Thank you, ladies and gentlemen. Have a great day.



Secretary to the Board



Preparer of Minutes