Minutes of Nevada Department of Transportation
Board of Director's Meeting
June 10, 2013

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

Sandoval: Ladies and gentlemen, I'll call the Nevada Department of Transportation Board Meeting to order. We'll begin with Agenda Item No. 1, receive Director's Report. Director Malfabon.

Malfabon: Thank you, Governor, Board members. A lot to report on this month, a lot of good news, in fact, with the opening of the lanes getting back to the normal configuration at Meadowood Mall on I-580 there in Reno. The contractor was able to get the lanes restriped back to normal and get the speed limit back up to 65 miles per hour, so that was good.

The other thing that was good news is we received a grant from Federal Highway Administration. I'd like to thank Sue Klekar, the Division Administrator for a $1.2 million grant for Highways for Life. And the Highways for Life program is a federal program that's looking for innovation and longevity in the infrastructure. One of the things that we're doing on the -- it was received for the Carlin Tunnel CMAR project which the Board previously approved, and looking at change the lighting system to an LED system which is going to be a big improvement in power usage, in effectiveness, particularly through -- when they have a power outage, the generator in that tunnel that could only light so many of the lights that were existing. So this will benefit the Carlin Tunnel project.

As far as the -- one of the issues that's going to be coming up next month at the Board meeting is the approval of the large contract, $4.5 million contract, for consultant services on our Clean Water Act compliance issue and the EPA audit that we had provided to the Board members to review. We've been meeting with the Nevada Department of Conservation and Natural Resources Director Leo Drozdoff, and the Division of

Environmental Protection which grants us the permitting for our current storm water pollution program. So we'll give the Board a lot more detailed information about what we're doing to get into compliance with that program and the EPA audit findings next month.

Well, as everybody knows the legislative session ended a lot of bills that effected NDOT were approved. And I wanted to mention quickly some of those. The Construction Manager At Risk, or CMAR process, was approved under AB 283. NDOT will be required to submit a report to the legislature on the effectiveness of that type of delivery method. And we believe we have proven success in CMAR projects that will be included in that report.

Another one that's -- that we approved, we had the safety issue on open container law compliance when the National Highway Traffic Safety Administration looked at our law. They found that it was not in compliance because it didn't exempt the driver of a cab or a limo. So that bill corrected the open container law in Nevada, eliminated that exemption. And hopefully, depending on when that law goes into effect, we have to check that out, we were having to shift $7 million from our regular program to safety program, so we will no longer have to do that shift in the future by achieving compliance on our open container law.

There were some other bills. The Road Transfer Bill, Assembly Bill 18 was passed and we will have to bring before the Board the policies on how to conduct the road transfer process and road relinquishments. I know that it's an issue that's very critical to the Department, and the Governor has always been interested in the state transferring roads to the counties. And all this bill does is required us to adopt policy to conduct those transfers and relinquishments.

The other bill that I wanted to mention, the Assembly Bill 413 was one that was promoted by Southern Nevada RTC. And it had to do with fuel tax indexing in Clark County for the next three years, then it would be subject to a public vote. But the Clark County Commission can actually enact this fuel tax indexing. They've been working with -- discussing with DMV as far as the programming that would be required to achieve this fuel tax indexing measure, similar to what's been enabled in Washoe County. But the bottom line is that it'll raise some additional revenue for the county, the cities in

Southern Nevada and the RTC of Southern Nevada. And the RTC has indicated to NDOT that they're willing to -- through -- after their Board supports that and approves it, they're willing to give NDOT some additional revenue for two key projects. One was the U.S. 95 widening project in the northwest part of Las Vegas, and also the Boulder City Bypass Phase 1 project which is NDOT's responsibility from Southern Henderson to U.S. 95. RTC of Southern Nevada has responsibility for Boulder City Bypass Phase 2, which is (inaudible) as a toll road, but didn't really pencil out. And that was from U.S. 95 all the way around Boulder City itself and into the mountainous area and then connecting to the interchange there by the new Colorado River Bridge, the O'Callaghan Tillman Bridge.

So I just wanted to point out to the Board that they are willing to fund some state projects as well as several local projects. And another thing to note was that the RTC of Southern Nevada feels that it's very critical to support the construction of Phase 2, and they're proposing to their Board $300 million of that fuel tax indexing revenue to go towards construction of Phase 2 of Boulder City Bypass future I-11. So I wanted to mention that.

Other issues to mention to the Board, we had a -- I had mentioned previously that we had a settlement issue on the Blue Diamond widening project that had to do with changing access to a property owner by the railroad tracks. I indicated that we were going to go last month to the Board of Examiners. That actually just missed the Agenda, so we're actually going to go tomorrow to the Board of Examiners for that settlement issue. It is a legal settlement, so it has -- is subject to Board of Examiners approval, but it's for $400,000 due to access restrictions for that property by the railroad tracks.

The other thing to mention is that we will be doing a lot of maintenance activities in -- here in Northern Nevada. And I wanted to mention because there -- it's critical that we start getting the word out. We're going to be working with the media on these, what we call flush seals. And it's basically spraying a layer of oil to seal the surface of the roadway. But you'll see some of that work in June on the 580 portion here in Carson City, also up at State Route 28. So we're going to be doing this work at night and requiring full closures of the roadway. Doing a lot of media outreach, as I mentioned, to let people know and there's alternative routes and when to avoid this work, because we feel that we can get this work done a lot more efficiently at night and have less impact on the public. So we'll be getting that word out as far as those two flush seal projects.

And I wanted to also mention there was an issue with an encroachment on a parking garage that's being constructed by -- right next to Project NEON there. It's by the outlet mall on Grand Central Parkway, which is near the Clark County Government Center down the street a ways. We have an onramp there to I-15. And we have a right-of-way line that's quite a ways back from the ramp, but there was a fence there and we discovered that the fence had been taken down and there was construction going on.

So we met with the representatives of the owner of that mall and they will be submitting a permit. We discussed it with Federal Highway Administration. But what we'll have to do is just change the access line -- the control of access line along that route. It requires federal approval. It requires a permit from NDOT approved by Federal Highway Administration. But I wanted to bring it to the Board's attention that we did everything that we could so that we don't delay this multi-million dollar construction project, and we felt that we could work through the permitting issues with the Federal Highway Administration and keep that project going.

And that's pretty much the Director's Report, Governor.

Sandoval: Thank you, Mr. Malfabon. Questions from Board members for the Director? Tom -- Mr. Fransway.

Fransway: Thank you, Governor. Mr. Director, you mentioned that the relinquishment issue had passed into law. That will happen the 1st of July. When do you anticipate the Board dealing with the mandate of having to set the policy for that?

Malfabon: I think that it's probably going to take us about, I don't know, I was thinking about three months, but Tom Greco, you could probably -- November? Okay. So we'll have at the November Board meeting for approval of the policy that's being adopted. So we'll definitely have the opportunity to send it out to Board members and discuss it prior to the November Transportation Board meeting for adoption of that policy.

Fransway: Thank you, Rudy. Thank you, Governor.

Sandoval: Any other questions? We'll move on to public comment. Is there any member of the public here in Carson City that would like to provide comment to the Board? Yes, ma'am.

Cummings: Thank you very much. I'm Amy Cummings, the Director of Planning at RTC of Washoe County. I'm here to thank NDOT for their efforts under Item 11, our amendment to the STIP. There's some provisions in MAP-21 that allow for early right-of-way acquisition, but it's not been done before. So we've been working very closely with the staff here and through implementing these early right-of-way acquisition provisions, we're going to be able to accelerate the Pyramid/McCarran Intersection project. We've been approached by many of the homeowners who would like to have this process over with as quickly as possible, so we're working with them and moving forward with this project. And, again, I want to thank the NDOT staff for helping us develop these new procedures and move forward. Thank you.

Sandoval: Thank you very much.

Malfabon: And just to clarify, Governor, what MAP-21 allowed was before the environmental process is completed that a state DOT can acquire right-of-way or, you know, any use of federal funds. Those recipients such as the RTC in Washoe County can acquire right-of-way before the approval of the environmental document. And the Federal Highway Administration worked closely with us in adoption of that procedure, and appreciate your efforts, Governor, in signing the documents that allowed that to go forward.

Sandoval: Thank you. Any other public comment from Carson City? Any public comment from Southern Nevada?

Cortez Masto: No, Governor.

Rouas: No comments -- no comments here. No public comments. Thank you.

Sandoval: Thank you very much. We'll move on to Agenda Item No. 3, approval of May 13, 2013 Department of Transportation Board of Directors Meeting minutes. Have all the members had an opportunity to review the minutes and are there any changes? If there are none, the Chair will accept a motion for approval.

Fransway: Motion to approve.

Sandoval: Member Fransway moves to approve. Madam Wallin has seconded the motion. Any questions on the motion? All in favor, please say aye.

Group: Aye.

Sandoval: Opposed, no? The motion passes unanimously. We'll move on to Agenda Item No. 4, review and ratify the selection of the contractor for SR 207 Kingsbury Grade Construction Manager At Risk project, and improve an agreement with Q&D Construction Company for preconstruction services for this project.

Malfabon: Thank you, Governor. Adam Searcy, the Project Manager for this project will make a presentation.

Searcy: Thank you, Governor, Board Members, Director Malfabon. My name is Adam Searcy. I'm a Project Manager with NDOT. Pleased to be with you here today to discuss the Kingsbury Grade Project. As you know, this is NDOT's fourth Construction Manager At Risk Project. The procedure you see before you here was developed and approved by this Board approximately 18 months ago. This was the process that we followed very carefully leading up to today, where you see we are here with the Board approval.

I want to give you a little bit of background on the project and this project specifically before we get to this Agenda item. The project overview for those of you who might not be familiar with this route, Kingsbury Grade State Route 207 extends from the intersection with U.S. 50 up near South Lake Tahoe, climbs up and out of the basin there at Daggett Summit. This project specifically continues just about a half a mile, so we're looking at about a four-mile stretch from U.S. 50 up out of the basin over Daggett Summit. It includes tremendously windy, steep terrain. It's traveled daily by a number of local residents, commuters to and from South Lake Tahoe, as well as commercial and business districts near the intersection with U.S. 50. So for those reasons the evaluation process that was followed to consider this as a CMAR project viewed this as an ideal candidate for the Construction Manager At Risk delivery.

Within this environment, this sensitive Lake Tahoe basin environment, we are proposing to complete a full-depth pavement reconstruction. So this is a little more significant than what we typically complete on some of our other roadways, in excess of potentially 12 inches of full-depth pavement excavation. We'll also be completing water quality improvements. These are obviously intended to protect Lake Tahoe, but carry somewhat moderate risks when you're doing excavations of this nature, culvert replacement, drainage inlet replacement, et cetera. And then, of course, in the environment the narrow corridor, the complicated traffic control scenarios, et cetera, that we'll up against. We really want to make sure that we develop a carefully and well-thought out plan before we ever put a shovel in the ground.

So beginning with the RFP we issued to the public, request for proposals, we received five extremely well-qualified proposals from the industry. We evaluated those proposals in the month of April -- or, pardon me, issued the RFP in April, evaluated them in May. The very diverse panel, along with -- in keeping with our past practices, invited members from the construction industry and key stakeholder agencies to observe this evaluation process, view these extremely well, and ultimately recommended three of the five move to the interview phase. We actually conducted the interviews with Granite, Q&D and Quall Contractors on May 13th, again with observers present. The evaluation panel viewed Q&D Construction as the most well-qualified for this project in this scope.

That recommendation was done -- made to Deputy Director Hoffman and approved, as well, by FHWA, essentially bringing us here to our recommendation today. So in addition, pending this potential action, we will be meeting as a team, finalizing the design, conversing with the public and stakeholders on what we believe the next steps and best approach should be to construction, negotiating and finalizing a construction contract, and returning to the Board probably in early 2014 with a negotiated GMP, which you'll hear about on the next Agenda item for a different project. I just wanted to clarify that we intend to begin construction likely as -- in the spring as the season will allow in 2014.

But here today, our recommendation is to proceed with the ratification and selection of Q&D Construction, as well as the approval of the negotiated preconstruction services agreement with Q&D. So that concludes my presentation. I would like to thank the Board for their support not only of the CMAR program but your attention here this morning. If you have any questions on this project or the process that we followed, I would welcome any at this time. Thank you.

Sandoval: Questions from Board members? Member Martin.

Martin: Yes, sir. Thank you very much. I appreciate your presentation. There is a certain component to this that's taking over the contract that was (inaudible) construction; is that correct?

Searcy: We are evaluating a number of elements of work that were not fully completed associated with the contract that you mentioned. We'll be evaluating them from a cost standpoint and likely incorporating them into this scope of work. As you know, there are some legal resolutions that are associated with that work, but at this time we are considering them for completion with this project, yes.

Martin: Okay. Because that's what I read in my package here. So you're saying it's a maybe whether or not they're going to be included?

Searcy: I believe it's more encumbered by the legal proceedings, but in all likelihood we will resolve those with the bonding company, incorporate that scope into this work and proceed as one seamless project. That is our intention.

Martin: My question was is that having studied that project in pretty good detail, there was huge numbers of oversights in design. And I'm assuming during this preconstruction process you would do the proper amount of investigation to make sure that Q&D doesn't run into the same issues that Peak ran into.

Searcy: Absolutely. That's a large part of the reason behind using the CMAR delivery method to reevaluate all the risks and come up with the best approach possible before we begin construction.

Martin: Thank you.

Sandoval: Further questions? What is the construction window? So we would approve this in the first part of next year. Would they be able to get this done in one season?

Searcy: That's an excellent question, sir. That remains to be seen. It's quite a bit of work to complete in one season with a lot of schedule constraints. It is one of our highest goals, but if it's not the right solution for the public, as you know a tremendous traffic control constraints, special events, tourist considerations, et cetera. It may not be a one-season project, but we'll have that ironed out when we come back to you with the GMP.

Sandoval: Any further questions? If there are none, the Chair will accept a motion for approval of the ratification of the selection of the contractor for the SR 207 Kingsbury Grade CMAR project and approve the agreement with Q&D Construction for preconstruction services for this project.

Martin: Move for approval, sir.

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

Wallin: Second.

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

Group: Aye.

Sandoval: Opposed, no? Motion passes unanimously with the Lieutenant Governor absent. We will move on to Agenda Item No. 5, approval of the construction contract with Q&D Construction for the Stateline to Stateline Bikeway Phase 1C Project delivery via Construction Manager At Risk process.

Malfabon: Thank you, Governor. Project Manager Pedro Martinez will make this presentation to the Board.

Rodriquez: Good morning, Governor. Good morning members of the Transportation Board. For the record, it's Pedro Rodriguez…

Malfabon: Rodriguez. I'm sorry. I should have known that.

Rodriguez: ...Project Manager of the Stateline to Stateline Bikeway Project Phase 1C. Today I'm here to present Contract 3541 for possible action. Back in November the Board approved the selection of Q&D Construction for the CMAR project. Since then the design has progressed. We've negotiated a GMP. We've received FHWA concurrence. And today I'm here to present the GMPs for your consideration of award.

The overall bikeway project is broken up into two phases -- four phases totaling approximately 32 miles. The Department was involved with one segment of Phase 1, which was Phase 1C. A Public Lands Highway Discretionary grant was awarded to the Tahoe Transportation District for Phase 1. The Tahoe Transportation District is the overall project manager. They've decided to apply the entire grant to Phase 1C.

Phase 1C is approximately one mile long. It begins at Elks Point Road, meanders north around Round Mound, goes through the Round Hill Pines Beach Resort and ultimately connects back into U.S. 50 just north of the Round Hill Pines entrance. The entire project is situated on U.S. Forest Service property.

This project was thought to be a good candidate for the CMAR delivery method because of its environmental completion, its 30 percent level of design, its funding already identified, and its interaction it would require with multiple agencies in the Tahoe Basin. Those agencies included the Department who administered the CMAR delivery method, who also procured the (inaudible) and the contractor and who will also administer the construction. The Tahoe Transportation District who is the manager of the overall 32-mile project and who also procured the engineer was Lumos Engineering. The U.S. Forest Service who is the owner of the site. Douglas County who is the holder of the special use permit issued by the Forest Service and who will ultimately become the owner and operator of the bike trail once it's completed. TRPA which is the agency mandated to regulate the environment of the Lake Tahoe Basin. And others like FHWA and the EP and HOAs.

The benefits of the CMAR process were realized during the design. At the request of a project stakeholder, a connection was made from the Round Hill Pines Beach to the trail. It was cleared environmentally. And despite adding an additional 710 feet of additional trail and encroaching into the construction season by one month, it was determined that the project would still be completed under budget and by fall of this year. This depicts what the final alignment of the trail looks like.

On May 7th the bids were opened with a negotiated guaranteed maximum price of $1.4 million. Pursuant to your approval, it's anticipated that the notice to proceed will be issued out in a couple of weeks with construction to be completed by October 15th. We recommend that Contract 3541 be awarded to Q&D Construction. With that, I'd like to open it up with any questions.

Sandoval: Thank you, Mr. Rodriguez. Questions from Board members? Mr. Fransway.

Fransway: Thank you, Governor. Thank you for your presentation. I've got two questions. Are we being asked today to approve Phase C for $1.4 million or is that for the whole project?

Rodriguez: Thank you, Member Fransway. We're requesting that the Board approve contract with Q&D Construction for construction of just Phase 1C.

Fransway: 1C. And that's $1.4 million?

Rodriguez: Correct.

Fransway: Okay. Were there any applications for Question 1 funds on this project, do you know?

Rodriguez: I wouldn't be able to answer that, but a representative from the Tahoe Transportation District is here, and they're the overall managing body of the 32-mile project.

Kirkland: Good morning, Mr. Governor, members of the Board. Derrick Kirkland with the Tahoe Transportation District. We have used the Question 1. We've been working very closely with state lands. For this segment, specifically, we did not use Question 1 because we were successful in our grant application for the Public Lands Highways Discretionary money. But we do -- we are using Question 1 funding for Phase 1B, which is completed, which was completed last summer, and we're also intending to request more Question 1 funds for future phases.

Fransway: Okay. I would wish you luck on that, because this fits very well into the (inaudible) trails element of (inaudible). And I don't know how long this total project is anticipated to be over time. Could you answer that for me, the 36 miles?

Kirkland: I mean, I -- what I can answer is that we are working on Phase 2 which is incline to San Harbor. That environmental document is actually supposed to be released here in the very near future, probably within the next month or so. And then as far as Phase 3, which is basically San Harbor to U.S. 50, we're working very closely with IVGID and with Forest Service. IVGID has a sewer export line. That's -- they're reviewing to see if it needs to be replaced, so hopefully -- they're interested in potentially moving that out of the highway and relocating onto Forest Service property, and then we would pave a bike trail on top of that, and that would also serve as their access road to their sewer export line.

So we're definitely exploring those options. If that is the case, then that could be completed as soon as 2016, 2017. So that would rapidly speed up the process for building -- constructing the bikeway. So it just kind of depends on construction dollars and how all that plays out, so…

Fransway: Okay. So that phase will complete the entire project?

Kirkland: No. There would still be from U.S. 50 to Round Hill, which what I imagine would probably not start for some time, so…

Fransway: Okay. So we're looking at past 2017, aren't we?

Kirkland: Yes.

Fransway: Okay. Thank you. Thanks, Governor.

Kirkland: Thank you.

Sandoval: Member Savage.

Savage: Thank you, Governor. Mr. Rodriguez, I'd just like to say thank you and compliment you on a concise and clear presentation. Thank you.

Rodriguez: Thank you.

Sandoval: Lieutenant Governor is not here, but I vaguely recall a concern by him. I've got to ask. But -- and I think it's constrained by the federal regulations, but the width of the path. He was concerned that you could basically drive a tank through that thing rather than it being a little bit narrow, and it's -- how it's going to encroach on some of the areas up there. Do you have any comment with regard to that?

Rodriguez: I understand that the multi-use recreational path would be required to be 10 feet wide. That's why it was selected. It also includes two-foot shoulders on each side. That's all I'd be able to comment on that, Governor.

Sandoval: No, and as I said I know that he was -- if everyone recalls it the way I do, is that he was a little concerned with the width. But I believe, as I said, that that's all constrained by rules and regulations and…

Rodriguez: That's correct.

Sandoval: …those types of things.

Hoffman: And, Governor, if I may. Bill Hoffman, Deputy Director. It was emergency vehicle access. So to…

Sandoval: Sorry, I shouldn't have used the word "tank."

Hoffman: It depends on the emergency, I guess, right?

Sandoval: Okay.

Hoffman: So, anyway, I think the Lieutenant Governor was a little bit more comfortable after we brought forward -- and actually it was TTD that came forward and said federal requirements and emergency response was required to have a path that wide, so…

Sandoval: I just -- because he's not here today, I wanted to ask and I think it's important for purposes of the record to lay that -- to have that question answered.

Hoffman: Sure.

Sandoval: Any other questions for Mr. Rodriguez? Thank you very much. If there are none, the Chair will accept a motion for approval of Agenda Item No. 5, which is the approval of the construction contract with Q&D Construction for the Stateline to Stateline Bikeway Phase 1C Project delivery via CMAR process.

Savage: Governor, I'll move to approve.

Sandoval: Member Savage has moved to approve. Is there a second?

Martin: Second.

Sandoval: A second by Member Martin. Any questions or discussion on the motion? All those in favor, please say aye.

Group: Aye.

Sandoval: Opposed, no? Motion passes unanimously. We'll move on to Agenda Item No. 6, approval of contracts over $5 million.

Malfabon: Thank you, Governor. Deputy Director Bill Hoffman will take this item. And just to mention that we are receiving the applications for the Assistant Director for Administration position and we will conduct interviews within the next month to fill that position.

Hoffman: So good morning, Governor, Transportation Board members. I'll do my very best -- a Scott Sisco impression. So we'll try to move through this as quickly as we can, answering any questions that we may. So Item No. 6 is for contracts over $5 million. We had one contract that meets that requirement or -- so the Director recommends awarding the contract to Granite Construction Company. This is Contract No. 3534 in the amount of $9, 886,886.

Sandoval: And where is the project?

Hoffman: The project -- I don't -- I'm not quite sure.

Savage: It's U.S. 93.

Malfabon: U.S. 93 (inaudible) Junction to Currie and Elko and White Pine counties. And this is an area, Governor, that has been identified as having several lane departure accidents, run off the road accidents. So we'll be doing some shoulder widening and flattening slopes.

Sandoval: Again, I knew where it was, but I thought it was important that...

Hoffman: You were testing me. I'm filling in for Sisco. I let you down a little bit there, didn't I?

Sandoval: But I thought it was important that we at least talk about where the project is.

Hoffman: Sure.

Sandoval: Any other questions from Board members? Okay. If there are none, the Chair will accept a motion for approval of Contract No. 3534 in the sum of $9,886,886 with Granite Construction.

Wallin: Move to approve.

Sandoval: Madam Controller has made a motion for approval. Is there a second?

Savage: Second.

Sandoval: A second by Member Savage. Any questions or discussion on the motion? All in favor, please say aye.

Group: Aye.

Sandoval: Opposed, no? The motion passes unanimously. Move on to Agenda Item No. 7. These are approval of agreements over $300,000.

Hoffman: I'll go ahead and take that one again. So over $300,000, again we only had one agreement that met that criteria. So it was the Schindler Elevator Corporation, Tropicana Pedestrian Bridge Preservation and Maintenance Agreement for $1,167,328. And, again, it's for the preventive maintenance on the Tropicana Pedestrian Bridges in Clark County.

Malfabon: And just to add to Deputy Director Hoffman's comments, Governor, we are in communication with the Tropicana Resort there on the corner of Las Vegas Boulevard and Tropicana Avenue. We've been talking with Federal Highway Administration about the Tropicana taking over their corner -- the escalators on their corner. And this contract still proceeds with what we've been doing for preventative maintenance on these escalators and elevators through this contractor, Schindler Elevator Corporation. But definitely when we get into an agreement with the Tropicana and they proceed with their improvements to their corner, we can adjust this contract accordingly.

Sandoval: And either Mr. Hoffman or Mr. Malfabon, we've been negotiating the transfer of all these escalators. I think we were talking about it when I sat on this Board as the Attorney General. Is there any report on the status of that?

Malfabon: What we're looking forward to is to -- in the bill that provided Las Vegas Convention of Visitors Authority funding to the Department of Transportation required a certain level, $300 million. And there is some revenue -- bond revenue that's available. We intend to request formally to their Board for use of that remaining revenue to be used on replacement of the escalators on all the corners at Las Vegas Boulevard and Tropicana Avenue.

Subsequent to that, we -- if we get the approval and proceed with the contract for replacement, we've been having discussions with Clark County Public Works about transferring the other three corners, transfer the one corner to Tropicana Resort.

Sandoval: And as I said, it's been a 10-year discussion. Are we -- is it getting -- it all has to depend on that -- those funds?

Malfabon: It depends on the improvement, Governor and Board members. If we can get the escalators brought up to a certain level with a transit grade standard of escalators, the communications with Clark County Public Works have been more favorable recently. If that occurs, then they would have to, obviously, take it to their county commission to accept it, but we've been having those discussions and it looked favorable if we can get the LVCVA to fund the replacement with the remaining bond revenue.

Sandoval: And do you recall what the price would be for the replacement?

Malfabon: I think that it -- John, if I'm correct, it was about $15-$16 million, which is in line with what is available from the bond revenue from LVCVA.

Sandoval: Thank you. Any other questions from Board members? If there are no further questions, the Chair will accept a motion for approval of the agreement described in Agenda Item No. 7.

Wallin: Move to approve.

Sandoval: Madam Controller has moved to approve. Is there a second?

Martin: Second.

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

Group: Aye.

Sandoval: Opposed, no? The motion passes unanimously. We will move on to Agenda Item No. 8. Mr. Hoffman.

Hoffman: Okay. Thank you, Governor. So we have two contracts that were under $5 million that were awarded between April 23, 2013 to May 20, 2013. So the following bid was open and read related to Department of Transportation Contract 802-13, Project No. SPR13 Package C. Project is to install four-lane AVC detector loops, a special M1 cabinet. And all's I'm doing is just reporting on the projects that were awarded. Okay. So there's no action item on that. I just wanted you to be aware of the projects that were awarded. And then if we move on to the next section, those are the agreements under $300,000 for informational purposes.

Malfabon: And, Governor, if I may, the -- you'll see agreements that are over the $300,000 limit. Those are reported for information, but they are related to utility relocation contracts which our right-of-way division enters into on a regular basis for our construction projects to get utilities out of the way. Also, for some of the inter-local agreements with other public agencies, when they're receiving the project funds, it's reported and those are typically over $300,000 as well. But it's reported for informational purposes. So that explains that. And we're prepared to answer any questions on specific agreements.

Sandoval: Questions from Board members? Member Savage.

Savage: Thank you, Governor. One question, Item No. 33 on the contraction extension time. It looks to me at this time it is only time extension without any associated dollars. And can we expect that there won't be any additional dollars through that contract on design services?

Malfabon: This contract is for a design of the bridge at the Boulder City Phase 1 project. There's a railroad track that serves a railroad museum there.

Savage: Mm-hmm.

Malfabon: And we don't expect that that's going to require any additional cost.

Terry: If anything, we think we've extended it far enough it's extended in time because the way we've changed the phasing of that project and moved it back.

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

Sandoval: Member Martin.

Martin: On Item No. 24, (inaudible) properties real estate development analysis. The real estate development analysis in Clark County, can you kind of explain to me what that's about?

Hoffman: Do we have anybody here that can answer that question? I'm not familiar with the details. Come on up, Paul.

Saucedo: Yeah, Paul Saucedo, Chief Right-of-Way Agent. Actually, that's -- it was a legal hire for the Ad America lawsuit on, I think, it's Boulder Bypass. And that's to help with strategies through the legal services.

Martin: Thank you. Item No. 6, Tahoe Transportation District. I see an amendment for $264,868, which is basically a changer order to that agreement. Is that correct?

Greco: Good morning. For the record, Tom Greco, Assistant Director of Planning. The original effort to (inaudible) dollar amount was an ARRA project. And in order to do the -- in order to install the electronic fare boxes on all of the fleet, we added an amendment of about 10 percent of the original dollar amount. Does that answer what you're asking?

Martin: So the fare boxes was not a part of the original agreement with the Tahoe Transportation District?

Greco: Yes, it was. And it was underestimated with the ARRA effort.

Martin: Okay. Then Items 3 and 4 for the NV Energy (inaudible) 763 and $170,000. These are, the way I understand it -- I'm trying to understand it. This is not an increase in the amount of money that we're paying to Nevada Power. It's just an increase in (inaudible)?

Malfabon: No, these are to enter into the relocation agreements with the power -- the utility company specifically. So they were anticipated costs. And, in fact, as you can see in the federal column, these are federally eligible expenses for utility relocations.

Unidentified Male: In this case, we budgeted for these, what we pay NV Energy. One agreement is for their engineering services, in other words, to design the relocation and the second agreement is to pay for their construction of those same improvements.

Malfabon: And Director Malfabon. This is -- this is just to expedite the process, Board members. So we enter into design agreements first. They get their design done. They can put their cost to it for the relocation expense. Then we enter into the actual construction agreement with the utility company for relocation.

Martin: So these items are construction, not design…

Malfabon: The…

Martin: …(inaudible) talked about design agreements.

Malfabon: In response, the first one is the design preliminary engineering costs, so it's the design cost. And then the second one is for the actual construction cost. But it's related to the same relocation.

Martin: Is that a hard dollar contract or (inaudible)?

Malfabon: Typically, they have to -- they have procurement roles that they use certain contractors, but I believe that they're using low bid system too in their procurements, but they just have a prequalification process for their contractors that do that type of work depending on the utility company.

Martin: Okay. Thank you.

Sandoval: Further questions? Mr. Fransway.

Fransway: Thank you, Governor. I have questions on three items. One of them -- we returned to No. 6. Mr. Greco maybe could answer this question.

Greco: Yes, sir.

Fransway: Mr. Greco, I notice a receivable amount of over $1 million, and I'm wondering it seems as though that is a grant. Is that in reference to the -- it being an ARRA project or is that grant from somewhere else?

Greco: I would like to respond that that is the grant, but my confidence level is only about 70 percent. I'll get you that answer.

Hoffman: And these are information items, so what we'll do, we'll follow up -- we'll follow up in full detail on all of the items that -- if we haven't answered your question, again, this is Bill Hoffman for the record, we'll send you information…

Fransway: Okay.

Hoffman: …A to Z on that.

Fransway: Well, I do know that as far as I'm concerned, I'm sure the whole Board, that grants are important to us. And when we receive them, then it's nice to have an update on where they came from. Also, No. 31, this is for regional bicycle plans for the counties. And I'm wondering what that procedure is and how it -- how it comes about.

Greco: Yes, sir. We did an RFP, a qualifications-based search and this consultant was the most qualified. We negotiated and established a price and a scope of services, and it is to do a bicycle plan within the 14 regional counties that are not within an MPO area.

Fransway: Okay. And MPL…

Greco: MPO, metropolitan…

Fransway: Okay.

Greco: …planning organization. That's RTC South, RTC North, Campo in Carson and Tahoe for MPOs.

Fransway: Okay. Basically, it's for rural bicycling then?

Greco: Yes, sir.

Malfabon: Yes.

Fransway: All right.

Malfabon: And this is Deputy -- I mean, this is Director Malfabon. In response to the specifics, we are consolidating some counties together to have these regional plans put together. It's going to take about a year to get all these -- the rural counties accounted for and have these plans developed. And when we're done with that we can definitely have a presentation to the Board. This is part of an obligation in our statewide bicycle plan to develop these rural counties' bicycle plans.

Fransway: Okay. Well, I think it's a good plan and I certainly wish everybody luck in getting it done.

Hoffman: Thank you, sir.

Fransway: One more, 35. I'm wondering what is done with these airport pavement surveys and is there input from the FAA on those or is it strictly state?

Greco: For the record again, Tom Greco. This is -- this is a state effort to meet FAA…

Fransway: Okay.

Greco: …and airport organization needs.

Fransway: Okay. Thank you.

Greco: You're welcome.

Fransway: Thank you, Governor.

Martin: I have one follow-up question. Is that -- those studies then, are they (inaudible) the FAA?

Hoffman: Sure they are, yeah.

Greco: They will be shared with the airport, the FAA, anybody interested.

Martin: Okay. Thank you.

Sandoval: Madam Controller.

Wallin: Thank you, Governor. I just have one question. I know it's hard to believe. On Item No. 32, you know how I always look to see if it's funded by federal dollars versus state dollars. And this is for landscape design for I-580. And I notice it's not funded by federal dollars. And complaints I get from constituents a lot of times is, you know, why don't we put more money into our roads and not put all these pretty things on the roads, which I kind of like them, but I can see their points. And if it's funded by federal dollars, I always tell them it shouldn't be a problem. Can you tell me why that's not funded by federal or eligible for federal dollars?

Malfabon: I will respond, Madam Controller. When a lot of the other improvements were being performed on I-580 and I-80 design-build project, as you saw there was a lot of nice landscaping features that were included in that. So a lot of these stakeholders in the community that reside in the southern part of Reno were saying, well, why not these interchanges too. So the Department looked at doing some landscape design for that, but not committing to construction to develop the concepts for landscaping those southern interchanges on I-580.

Also, under MAP-21 there was a regulation change that -- it used to be a standalone landscape project was eligible for federal funds. Now if it's a standalone landscape project, it is not eligible. It has to be part of another type of improvement.

Sandoval: Thank you. Any other questions? And while we're on the subject of landscaping, I know it's not really within this contract. It's not on I-580, but on the 80. Mr. Director, we had talked about the mustang that was on the University of Nevada exit and there was some Boise State folks that were really happy that there was that horse on the exit.

Malfabon: Yes.

Sandoval: Has there been any progress with regard to that?

Malfabon: We had had some discussions and -- with the university and also with some stakeholders, alumni association members and we're looking at changing out that wild horse there because it resembles an opponent's mascot. We did want to stay within the theme that we had developed for the corridor, which was also developed with those -- with a university in partnership. So we were looking at making that change before football season.

Sandoval: And do we have any idea what it will be?

Malfabon: At least, initially we looked at some alternatives. We wanted to stay within the theme that we had selected, so we'll probably do -- just mirror the one -- the Reno Monument that's on the other side of the interstate, the other direction with a tree. We wanted to look into the possibility of maybe further up having a monument that was more representative of the university. So looking at the right-of-way that's available further on up as you go up the off-ramp.

Fransway: Maybe we could put a wolf in the saddle.

Hoffman: Or a cowboy.

Sandoval: That's not bad, Tom. That's not bad.

Unidentified Male: I just thought take the horse and put in a wolf.

Sandoval: And then also within these contracts there are at least three that are dedicated to the Boulder City Bypass, so we're moving along with regard to that.

Malfabon: Definitely, Governor. We've been underway on Boulder City future I-11 Phase 1 contracts. We've been working closely with the property owners and dealing with those issues. We actually have made some progress, but that one issue with one of the property owners is definitely probably going to go to court to settle that one. But we have been making progress with K&L Dirt as far as their relocation expenses and looking at relocating that business, and have had discussions with the casino as well, the Railroad Pass Casino.

So the fencing contract and -- for tortoise fencing installation has been underway. Salvaging the plants that are within the area is going to be excavated for the roadway that's currently underway. And we'll be looking at the next phase of the project which is to construct the frontage road which will be occurring. And as I indicated in the Director's Report, if the RTC of Southern Nevada approves, if their Board approves giving us some additional funding from the fuel tax indexing, we could actually look at accelerating because we want to make sure that our project for our phase aligns timewise with their schedule for delivery of Phase 2. And what they're saying is if they do a design-build project for Phase 2, they're looking at about a year from now putting out -- having a contract with a design-build firm. So we definitely will coordinate with them on schedules and make sure that there's alignment between our project and their project.

Sandoval: And all things, if they go well, when would we see commencement of construction there?

Malfabon: We will see -- if theirs goes forward, I would see in the fall of next year it could be under construction. Same for us, we were looking at next year for the frontage road project, if I'm correct. And that was just one of the phases. Eventually, we have to do further phases to get all the way to the interchange with U.S. 95. But it will advance to the point where you actually see road building out there instead of just fencing and plant salvage.

Sandoval: Thank you. Board members, are there any further questions with regard to Agenda Item No. 8? This is an informational item, so we'll move on to Agenda Item No. 9, condemnation resolution.

Malfabon: Thank you, Governor. This is kind of a regular action that we run into when we're requesting condemnation resolution so that we can proceed with -- if we need to. If we're not able to negotiate with the property owner, then we need to go to court to get right of entry on the property. So we request the Board's approval of the condemnation action for this acquisition.

Sandoval: Board members, are there any questions with regard to Agenda Item No.9?

Fransway: I have a motion if you'd like.

Sandoval: What is the difference between the offer -- the offer and what the landowner is seeking to be compensated?

Malfabon: The offer was $300,000 for the -- and $270,000, so $570,000 total for the property and the improvements. As far as the -- I don't think that we've received a counteroffer, so it's one of those situations where they want more but they haven't defined that or really tied it to other comparable sales in that area. So we need that type of information in order to get federal reimbursement. We just can't give people what they say -- pull out of the air or something.

Sandoval: Well, it's hard to negotiate when we don't even get a counteroffer in the first place.

Malfabon: Yes, Governor.

Sandoval: All right. Any other questions? Okay. If there are none, the Chair will accept a motion for approval of the Condemnation Resolution No. 438 as described in Agenda Item 9A.

Fransway: Move to adopt.

Martin: Second.

Sandoval: Member Fransway has moved to adopt the Condemnation Resolution No. 438. Member Martin has seconded the motion. Any questions or discussion? All in favor, please say aye.

Group: Aye.

Sandoval: Opposed, no? The motion passes unanimously. We'll move on to Agenda Item No. 10, quick claim deed.

Malfabon: Thank you, Governor. This is a housekeeping item that occurred on a surplus property sale that there actually is a -- the request for Alley Water Supply, LLC has a deeded right for a majority of the water rights. And this property is located on -- alongside the north side of Washington Avenue between Main Street and the Interstate 15. And the Board had previously approved the sale of the surplus property, but this water rights issue was not identified in the -- in that agreement, so we're just doing some cleanup on that and deeding the right -- the water rights over to the Alley Water Supply, LLC.

Sandoval: Thank you, Mr. Director. Any questions from Board members on Agenda Item No. 10? Member Fransway.

Fransway: Thank you, Governor. Mr. Malfabon, were there a specific amount of water rights that were involved as far as acre footage?

Malfabon: To my knowledge, Paul, could you answer that? Paul Saucedo, Chief of Right-of-Way Division.

Saucedo: Yes, thank you, Director. I'd have to get back to you on that. I don't believe that there were. It was just that when we acquired the property initially we inadvertently also acquired the water rights. Never appraised them. There was no value receipt for them. And so it created a cloud of the title. Now what we do in our deeds is we specifically except out any water rights unless we actually need them as part of the acquisition. But I couldn't tell you right now exactly how many. We can get back to you on that if you'd like.

Fransway: Thank you.

Malfabon: And I'm sorry, Governor. I had indicated that you had previously -- the Board had previously approved the surplus property. The surplus property is actually the parcel next to it on the other side of the railroad tracks. So this is the parcel that's next to the old trailer park there on north of Washington Avenue at Main Street.

Sandoval: Any other questions? If there are none, the Chair will accept a motion for approval of the disposal of NDOT water rights along SR 578 at Main Street and the City of Las Vegas Clark County, Nevada.

Martin: So moved, Governor.

Sandoval: Motion for approval by Member Martin. Is there a second?

Wallin: Second.

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

Group: Aye.

Sandoval: Opposed, no? Motion passes unanimously. We will move on to Agenda Item No. 11.

Malfabon: Thank you, Governor. Assistant Director of Planning, Tom Greco, will handle this item.

Greco: Thank you, Rudy. For the record, Tom Greco, NDOT Assistant Director of Planning. Every other month we bring you amendments and modifications to the 2012-2015 STIP, and we have a few of each this month. Looking at amendments, we have amendments offered by RTC Southern Nevada, Washoe RTC, Amendment No. 5 and No. 6, and we have transit items offered by Campo, Amendment No. 4. Are there any questions on any of those items that we might answer?

Sandoval: Questions from Board members? Please proceed.

Greco: Thank you. And then Attachment B, modifications, Tahoe MPO is offering Modification No. 3, adding $2.5 million of Public Lands Highway funds to a bicycle project. Any questions on that modification?

Sandoval: Just one for me. How does this interrelate with the Agenda item that we had earlier today? Same one, Mr. Rodriguez?

Rodriguez: Pedro Rodriguez. It's the same one, Governor.

Sandoval: Okay. Thank you.

Greco: That's I've got to offer at the moment. Thank you.

Sandoval: Thank you. Board members, before I accept a motion, any questions with regard to Agenda Item No. 11? If there are none, the Chair will accept a motion for approval of the amendments and administrative modifications to the FFY 2012-2015 STIP.

Wallin: Move to approve.

Sandoval: Madam Controller has moved for approval. Is there a second?

Savage: Second.

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

Group: Aye.

Sandoval: Opposed, no? Motion passes unanimously. Now to Agenda Item No. 12.

Malfabon: Thank you, Governor. This presentation on the recommended financing option for Project NEON will be presented by Deputy Director Hoffman and Assistant Director for Engineering John Terry. (Inaudible) Bill.

Hoffman: Good morning, Governor, Transportation Board members. I'm Bill Hoffman, Deputy Director for Nevada DOT. It's a big day for us today. I mean this is Project NEON and we're going to be recommending the delivery option today that we think would be most beneficial for the Department, Nevada taxpayers and residents of Clark County.

So with that, we felt probably the best place to start -- take you back to Cole Mortensen's April presentation that he -- that he gave you all. And in that presentation what he did was he clearly showed the three stages that we have been going through. We're currently in stage one right now, which really is comprised of the RFP development process. We'll then move into stage two which is really releasing the RFP and moving forward from that actually bringing on a design-build team to come in and build the project. And then, of course, stage three is the construction contract administration.

If we -- if we zero in on the detail of stage one, this is where you Board members had given us permission to move forward. This was to look at Phases 1 and 3, based on the unsolicited proposal that the Department had received. So we are here today. It is June 10th. And we are ready and able to make the recommendation at the end of this presentation.

But as I was mentioning before, we are in the RFQ, request for qualifications development process. We're also in the RFP or request for proposals development process. We would very much like to go out to industry and we plan on doing that, going out to industry. If we are given Board approval today, go out to industry as we refine and fine tune the RFP document itself. So with approval today, we'd like to issue an RFQ by July. We'd like the submittals of qualifications to come in by September. And we'd like to shortlist proposers -- proposers, excuse me, and issue a draft RFP.

Now, we have been told by industry and our advisors that our schedule is quite aggressive. So I just wanted to let you all know that there might be minor tweaks to this schedule. This is the best we could do at this time with the knowledge that we have so, you know, it's a little bit fluid and we may have to adjust things as we move forward. I just wanted you all to be aware of that.

Now as we move into stage two here, that's really the RFP response and evaluation time period. Okay. And in stage one here, that was where I promised you all that we would not go over $3 million for our legal and financial advisors. We will not be going over that amount. However, we will need to amend their contracts if we get that far and move into stage two which, you know, I'm fully anticipating that we will. Then we will have to amend their contracts so that they can continue to apply that experience and expertise that they've helped us with along the way. It just makes sense to then just move forward into stage two. Okay.

So after today the Transportation Board will have another three more approval steps or bites at the apple, if you will, to really kick the tires and look under the hood and make sure that we're doing the right thing. Of course we'll continue to come back to the Transportation Board on a monthly basis or either through the Director's Report or actual presentations. And like we have done, we'll come out and talk to each one of you individually to just keep you engaged and aware of the status of the project.

And then of course stage three, design and construction. That's fairly straightforward and self-explanatory, although we're expecting this timeframe, the design and construction, actual boots on the ground, job creation, those sorts of activities in 2015, and that should take us out to 2019, as well.

So alternative delivery models. So the Phase 1 and 3 unsolicited proposal was a true DBFOM project, availability payment. Okay. So once the facility is made available to the public for use, start making payments, it's very similar to a house mortgage. Okay. You bring in private financing to finance the construction work. There's operate and maintain or the operate and maintenance that you'll be outsourcing. So for 35 years we'll outsourcing the maintenance and operations instead of doing that work ourselves. Okay. That's sweeping, pavement overlays, bridge work, things like that in that corridor is now going to be outsourced to this team. Okay. So, again, these three options we looked at.

Design-build finance. Unfortunately, looking at these models, these -- the normal finance range is between six and eight years. And you can imagine trying to do a six or eight-year mortgage on your house from an affordability standpoint. That just doesn't work. It is a tool out there that some people use for their infrastructure projects, but it just, from an affordability standpoint, just didn't work. And then, of course, a design-build bond that was our baseline or our public sector comparator. That's what we compared everything to from an affordability standpoint. And it turns out that it's a feasible alternative, quite honestly, that we really need to look at.

John and I will go into some very serious details on how those -- how all of these methods compare. But we are -- we did come to the realization that the design-build-finance just wasn't going to work. We knew that early on, but we wanted to vet all options. We wanted to look at everything that we possibly could to make sure we did a very thorough and detailed job in trying to determine what was the best way to move forward.

So the three main analysis goals that we -- that we adhered to, I mean, diligently that we gleaned from the Transportation Board in those, you know, the June meeting, the November and April and all of the -- all of the discussions we've had about Project NEON, we gleaned these three major goals from the Transportation Board which we thought we should set as we analyzed these to give us some, you know, compass or direction as we move forward, because some of this stuff is very complicated, complex. We really have to kind of take a step back and then look forward again. So we wanted to make sure that there was the very best benefit and value to the taxpayers of Nevada. I mean, that's pretty simple and straightforward. That's one of our main goals as a department. Every day we come to work, not just for Project NEON.

So the second one was affordable and maintains our current five-year average capital program. So we heard very clearly from stakeholders and the Transportation Board that you can't be dipping deeply into our capital -- our other projects that we're doing across the state, we can't eat into that funding stream because, you know, we have other things that we need to do. We need to take care of bridge and pavements. We don't -- we don't want to put every dollar into a single project, so -- because then that way we're not -- we're really not taking care of all of the taxpayers across Nevada. So we held that very dear and near to our heart. And then, of course, we wanted -- and we've told the legislature, Transportation Board, you know, internally we want to maintain a $90 million balance in our highway fund. So those were the three main goals we used in moving forward in analyzing what would be the best delivery option.

So the preliminary analysis results were, as I mentioned earlier, design-build-finance doesn't really fit the Department's goals. It doesn't fit it. It eats way too much into our capital program. There wouldn't be a whole lot of other things that we'd be doing if we financed over the six to eight-year term. The affordability versus cost effectiveness, of course the interest in finance charges are much, much lower because it's such a shorter timeframe, but you can't afford that and it goes back to why people, you know, move forward with 30-year mortgages on their homes, so you can pay the cable, gas, go to the dentist once in a while, whatever.

Okay. So then availability payment estimates were considerably lower than anticipated. So when we looked at the unsolicited proposal and we put, you know, we put some availability payment structure out there. So we -- now the thing with that was we had to make some conservative estimates based on what it would cost us. We've also had some time to really evaluate and refine the engineering involved with Phases 1 and 3. And what we found, and Ernst and Young has come in and, I'll tell you, has done a tremendous job with this analysis. I'm very, very pleased with the work that they've done, feel very confident with the work they've done. But they've noticed we have some gap -- a gap in the affordability.

So going back to my point, the payments that were evaluated before were lower than the initial run. So there was some room to add some project, if we wanted to do that. So we asked them, okay, well, what would it cost if you added, say, Phase 4 of Project NEON in, and we can -- and we can still afford that. And John's going to go into some great detail as to why Phase 4 of Project NEON should be added. But I will tell you that we have determined that it is affordable. And I'll explain why I think or the team -- and the team thinks that it is affordable. Okay. So we think we can build a better project for the State of Nevada.

So preliminary recommendations, things you guys have not heard, you all have not heard since Cole's presentation or even before that. Now, Member

Fransway, I think it was you that asked me back in November, well, how are you going to -- how are you going to get Phase 3 right-of-way? How are you going to do that? Well, we went back -- we took your question to heart and went back and asked. We have to -- we have to move forward and bond for Phase 3 and Phase 4 right-of-way as soon as possible. That drives the schedule. So that's one thing we do know we need to do is bond for the right-of-way. And we have talked about the actual concessionaire or the team going out and doing the property acquisition. We can't transfer imminent domain -- we can't transfer that authority nor do we want to transfer that risk to a private entity.

So we're going to remain the lead in terms of the property acquisition piece. And because of that, since we're bonding, that provides the most cost benefit from a financing standpoint. Okay. So bonding for that right-of-way is -- other than paying cash, which we don't really have, that's not affordable. The most cost effective way to do that is to bond, so have the State of Nevada issue bonds to cover that cost.

Now, Building Phase 4, John is going to go into great detail right now on why that's such a good idea. But bang for the buck, it makes a lot of sense. So with that, I'll turn that over to John.

Terry: So some of you do and some of you don't know what really is Phase 1 and 3, and we're going to talk about Phase 4 of Project NEON. Really, Phase 1 and 3 were what were submitted in the unsolicited proposal. North or on the top of this page would be the direct connector from U.S. 95, but then through this stretch, really Phase 1 and 3 reconstructs the mainline. It's the basis of that proposal. But what Phase 1 and 3 does not do is eliminate the weaving movements, and we're going to talk particularly about the weaving movements that exist currently and would still exist between U.S. 95, you can call it either southbound or eastbound, coming in from Summerlin and out in the northwest and coming onto I-15 southbound and then a very quick off-ramp to Charleston Boulevard.

While the ramps would be reconfigured, the interchange would be reconfigured, that current weave would still exist with Phases 1 and 3. There's some other weaves that would still exist, but that's the critical one. And what Phase 4 would do is essentially install collector roads quite similar to what we did, braided ramps, on U.S. 95 at Rainbow -- or at

Rancho at the two design-build projects, Design-Build North and Design-Build South, where we braid some of these ramps and eliminate the main -- eliminate some of the weaves with bridges so that the weaves don't happen on the mainline.

So Phase 4 adds the CD roads and the braids in the southbound direction. We're only talking Phase 4 only helps southbound. And it would eliminate that weave in the traffic on -- this would be the traffic coming from I-15 -- or U.S. 95. It would not enter the mainline until past Charleston. It would braid with both the off-ramp to Charleston as well as the off-ramp to Sahara before it enters I-15.

We ran the traffic analysis. Again, we've done this since the unsolicited proposal and in the last few months. It started on traffic analysis. We used the year 2025, and you say why use 2025. The original EIS was run on 2035. 2025 is we looked at if we built Phases 1 and 3, we went through all this process, we spent $400 plus million, we got to the end of the construction, 2025 was when we felt we could construct another project. So we said we won't get to fix this until 2025, and we ran the traffic for 2025.

And we kept this kind of simple. Red is bad, green is -- green kind of -- or yellow is good -- or green is good, yellow and purple are somewhere in between but acceptable. We could get into definitions of level of service and weaving movements, but red is really bad. And what we found is if we added in -- Phase 4 would be in this area. That significant red turns to green, and we feel like in 2025 we would still have a good level of service and good traffic.

Now, the question may come in, why don't you fix northbound at the same time. And we're saying, one, northbound is far more expensive and a lot more right-of-way to put the weaving ramps there. And, two, northbound isn't as bad in terms of level of service through 2025 than it was in the southbound direction. So what we're saying is in the southbound direction it would be done. We would essentially have our 2035 design and everything would be done. There would still be some work left in the -- a lot of work left in the northbound direction.

So why are we saying the benefits of adding Phase 5 in. With these traffic volumes, we know that the user costs will be very high. In other words, the two -- if you were to do a benefit cost, and we will, for Phase 4 the cost isn't that high, the user costs are significant. When you're saving -- if you look down here at operations, we're going from two and a half seconds of delay to sixty seconds of delay for every vehicle times tens of thousands of vehicles every day, the user costs are high. But I think perhaps the other user costs are the accidents. When you potentially remove 5,000 weaving movements, all of these weaves that occur result in a lot of accidents. We found this on Design-Build South and North that when we eliminated these weaving movements the number of accidents went down significantly. We definitely think that this would significantly reduce the traffic accidents.

We create more jobs. We eliminate the weaves and we do it now. I'll go back to why do we think we can construct this. Phase 4 is in the range of -- another advantage of Phase 4 is we get to spend most of the money on construction. There's about $15 million in utilities and right-of-way, but $115 million of construction. So most of the money of Phase 4 we get to spend on construction, not on right-of-way. Much of the right-of-way was already purchased for Phases 1 and 3. And as Bill alluded to, why do we think we can afford it. And I think it's for a few major reasons.

One, we refined the scope and tightened the scope on Phases 1 and 3, eliminated some of the local movements that were in there originally, pushed those off. We refined the cost estimates on Phases 1 and 3 as we advanced the design farther. And we have found from our financial consultants that financing costs are lower than the kind of conservative assumptions we had made originally. So we think we saved a lot of money on the Phases 1 and 3. We saved money on the financing cost. We think we can afford adding Phase 4 in. But I'd like to make the main reason to put Phase 4 in as I don't think we can afford not to do it. I think those weaves are too dangerous to leave in the future. We don't want to spend this much money and not make that improvement.

The next thing is the bonding for the right-of-way. We talked to the -- we kind of knew this going back, but we've talked to the industry. We've talked to our advisors. We've looked at what other people have done across the country. We've looked at all the problems that we have with condemnations, with inverse condemnations, with the PISTOL law and we just think this is not a risk that we can put on these concessionaire teams or they will throw huge amounts of money at it.

We also think that based upon a time schedule, it takes us 18 to 24 months to make these kinds of acquisitions working very hard. This would be the controlling path. It will probably still be the controlling path to getting all of this work done, but we feel we have to move forward with the Phase 3 and now the Phase 4 right-of-way as soon as we can. And the only way we can afford to do that, because we're already acquiring the Phase 1 right-of-way, is to bond to start the acquisition of the right-of-way. And so -- and when I talk about right-of-way, I'm always also talking about utilities, any of which take relocations, some of which take new easements for the relocations.

Now we're going to talk about what we've come up with for the delivery methods. But from this phase moving forward, everything we're talking about is we're including Phase 4 and we're bonding for the right-of-way. Bonding upfront for the right-of-way and including Phase 4. And we're talking about a hybrid, a design-build-finance-operate and maintain that is not exactly the same as what's submitted in the unsolicited proposal. And we're doing design-build bonding as the public sector comparator and also as a very viable alternative for delivering the project.

This is a simplified display that shows what we're doing, hopefully simplified. The top one is design-build bond. We are not doing a single bond sale. There are five bond sales, the first one being for the right-of-way. The next four bond sales being for the design construction and into the long-term maintenance. Oh, I should point out that again moving forward, even though design-build bond does not have operate and maintain cost, because those could be done by NDOT, we have put operate and maintain cost in the design-build bond model because it's only fair to compare apples to apples. So those costs are in there. You'll have a choice, and we'll talk about that choice later, of not having the operate and maintain element in design-build bond, but you have to have the cost in there. Those costs are definitely in the hybrid.

So the first model we're going to sell bonds over numerous years. The highest bond sale is in the range of $200 million. They are not consistent. They're not the exact amount in every bond sale. Below is the hybrid model. Again, the original model just would have been get to 2018 or '19 and start 35-year availability payments. That's not what we're talking about in this hybrid model. The hybrid model is bond for the right-of-way, same as the design-build bond. But then at the completion of the project, they are paid a substantial completion amount that is bonded, as well as the start of the availability payments. And we're going to get to why. So I just want to show these are the two methods we are talking about moving forward. Five bond sales versus two bond sales and availability payments.

This graph is to show why we're not advancing any longer the availability payments method that was shown in the unsolicited proposal. Now, for fairness sake, the blue and the red are availability payments but we bonded the right-of-way. We decided to bond the right-of-way and include Phase 4 and we applied the original model which was start availability payments at the completion of construction for 35 years.

At this time I've just got to clarify what TIFIA is. TIFIA is a loan program with the federal government that essentially buys down the loan rate for a much lower rate that can be used on these types of projects. The problem with TIFIA is it's a good nine-month process and we don't know if we're going to get it or not, and we're here today trying to make the decision not knowing moving forward if we're going to get it or not. And that's why we show both ways. But the purpose of this graph is to show net present value. We brought everything back to net present value. The design-build bond is the cheapest net present value. And why? Because municipal bond financing rates are the lowest. And you're making those earlier because of the five payments (inaudible) in five years so it has the lowest net present value.

But we felt that the availability payment model had too much of a delta to be considered moving forward and that's why we came up with a hybrid model, which while more expensive in the net present value is not as much more expensive as the availability payment. And for this reason moving forward we're talking about, again, Phases 1, 3 and 4 -- Phases 1, 3 and 4 with us buying the right-of-way upfront with those two models, no longer the original model, just design-build bond and design-build-operate and maintain what we'll continue to call the hybrid from here on forward. And with that, I believe Bill is back up.

Hoffman: Okay. For the record, Bill Hoffman again. So thank you, John. I appreciate all that detail that you provided. So if we move on to the advantages of the delivery methods, we have the hybrid DBFOM. Okay. So there's less impact on the five-year capital program and that really is because we're not making that construction completion payment, that $200 million payment, nor are we starting to pay availability payments for the balance of what we're financing over that 35 period until the end of construction. So that really frees up some room, some space to work on our capital program, look at pavements, bridges, allow the highway fund to build. And we -- from a flexibility standpoint it makes a lot of sense to wait until the construction is complete to start bonding for the $200 million piece and then do the, you know, the payments -- the payments on the loan.

And it is consistent with a P3 or 3P delivery. Every presentation you've had from us has always been the P3 delivery model, so there's consistency with what we've talking about all along. The design-build bond, it's the lowest present value cost, but then again if you didn't finance anything that would always be the lowest net present value. What, really, we're focusing on is the affordability piece, what can we afford on the front end with the economic climate in Nevada, and the jobs we're trying to build in the construction industry. We're trying to build that back up. We can do more for labor and construction jobs, I believe, with the hybrid DBFOM. I truly believe that, although we are showing the design-build bond is lower net present value.

Design-build has been used before successfully by NDOT. NDOT has not -- we have not brought in private financers on this scale nor have we outsourced operations and maintenance, you know, for large wide areas on our -- on our roadways. It's always kind of been project related. So this would be new. This would be a new situation, but I firmly believe that with those that we've hired, Ernst & Young and Nossaman CH2M Hill, I feel extremely comfortable with the advice that they've given us so far and the direction they've provided. I can honestly and truly say that.

So we wanted to -- wanted to bring this back. This is the Sisco chart. It's really the affordability chart. And this was something that the Transportation Board asked for, and this was the graph that I brought before the Board back in November. And really what it is, is it just -- here are the revenues -- highway fund revenues and below are the expenditures. And really -- and this was the table prepared for Phases 1 and 3 of the unsolicited proposal. Okay. So you can see here the availability payments that would kick in there. And, really, I just wanted to show the Transportation Board that we used these same tables with the DBFOM hybrid model and we also used these tables for the design-build bond -- design-build bond and all of the other availability payments scenarios that were run holding this at $90 million, that was one of the project goals, and then see -- here's the capital program. So as you hold this at $90, based on the revenues and expenditures, then this capital -- you can look at the capital program. And that's -- I've got some charts that will show that to you. So we can afford on the front end -- on the front end here, we can afford to do more in our capital program with the DBFOM delivery model. I just wanted to let you know that we did use that information.

So when John was talking about net present values, this is what we're talking about. So net present value, here's the design-build bond, Phases 1, 3 and 4, the hybrid. That's the $200 million bond. We would take out -- as a construction completion, helps buy down that long-term financing over the 35-year period that would be the availability payment. And then as John mentioned we have, I would say, a 50/50 shot -- maybe a little bit better than 50/50 shot at getting a TIFIA loan. MAP-21 has increased the amount that's available to states with the TIFIA loan program. But with all of that fanfare and marketing that went with it, of course, they're getting bombarded with applications, as well, from other states with their projects that they want to do as to, you know, bring in TIFIA loans to help pay that off.

So I just want to let you know there is a -- there is -- there is a risk there in not getting the TIFIA loan. Our advisors are helping us. You can see it's 13 percent more expensive than the design-build bond, but we think we can do things with that construction completion bond payment to try to offset this 13 percent more expensive. So once again, I can't stress this enough, it is the cheapest net present value. What we need to look at is jobs now and the amount of money that we're paying over the long-term. Really, it's jobs now and affordability, really. And this chart explains exactly what I'm talking about.

So here's our current debt service, this gray area here. And these are all the scenarios added to our debt service payments already. And as you can see here, the dashed line -- the black dashed line is the -- is the addition of Project NEON if we went with design-build bond. And you can see on the front end, so in these years here from 2014 out to about 2020, 2021 this is -- this is the difference that we're talking about, because the yellow dashed line is the hybrid that we're talking about. And these are -- these are all end costs. Okay. The difference between the dash and the solid are just -- we've added in, you know, consultant cost, right-of-way cost. We've added all those additional costs in. But what I would look at, and the point that I was trying to make before, there's a lot more affordability. So really what you have is this gap -- you're paying -- you'd be paying more on the front end for Project NEON if you bond.

Now, of course, it's cheaper to do that, but you're paying off what you owe sooner. Okay. Now, with NEON this allows economic recovery. It allows jobs throughout the state plus it allows jobs between 4,500 and 5,000, I would think, jobs for this project. And we're using numbers based on Federal Highway Administration, other national numbers. But we're looking at 4,500 to 5,000 jobs on NEON, plus we can still go out, do pavements, bridges in our capital program based on that cost difference.

Now, here's the thing though. Here's bonding. Now, here's the availability payment. The green line is the availability payment on the unsolicited proposal, just as a comparison. That was just Phases 1 and 3. Okay. Now we have design-build bond, Phases 1, 3 and 4, and anywhere you have a gap between the yellow line and the black line where the black line is on top, you're going to be paying more at that specific time period that's going to take away from your capital program. Okay. So it ekes out here. The tradeoff is on the back end. Okay. The tradeoff is back here. But you look at the back end from an affordability standpoint, that's where our debt service out in 2022 drops off a cliff and we can -- we can actually even better afford that on the back end of our financing scenario or a timeframe.

So anyway, any questions on this chart? No? Okay. So I mentioned the TIFIA risk. It's probably about a nine-month process. We're deciding the delivery option today. We just have to, based on the project schedule. It may be a 6 percent increase. That's 6 added to 7, so that's 13. So we're talking about that 13 percent. So the 6 percent is additional to the net present value. DBFOM requires 30-year operate and maintain. Design-build bond does not. So we will still be in charge of operating and maintaining that corridor unlike in the DBFOM as I mentioned several times before that that work would be outsourced. DBFO teams -- DBFOM, excuse me, teams would be led by the financial firm, so this -- we did have this topic brought up about who's leading the project. Is it the financial team, the concessionaire or is the -- is the prime contractor actually leading, you know, the work? Who has control over who or is that even an issue?

And it's a serious concern that we've come back and talked to our advisors about and we're looking at trying to structure the contract to try to take, you know, try to at least balance the playing field between the concessionaire and the general contractor. We just want a nice, smooth fluid project where we don't have, you know, any conflicts that arise. But we're new to this, so, you know, I don't -- I don't have a definitive answer for you all in terms of who's the lead on this. DBFOM hybrid is still a P3 and a design-build bond would not be a P3. So, again, that's that consistency from the day we walked in front of you about NEON. If it was design-build bond, that would not be a public-private partnership project.

So recommendations for approval, this is my last slide. So, again, John and I have been talking about bond for right-of-way right -- bond for right-of-way right away. I guess -- I guess I -- you could say that. Bond for right-of-way right away. Earlier acquisition means earlier construction. Member Fransway, you picked up on that, you know, from day one, so we've been chasing that down, looking at the schedule -- right-of-way schedule. Imminent domain risk, I talked about that before. You don't want a third party trying to (inaudible) your right-of-way. Most cost effective financing, there's no question about that unless you have cash to pay for right-of-way and we don't. So that's kind of a no-brainer. Build Phase 4, John did a great job talking about why we would want to do that. We do have the gap or that room that we can afford Phase 4.

And finally, our recommendation for approval to the Board would be the use of hybrid DBFOM delivery method with a bonded construction completion payment. Well, and that -- you know, less impact on the five-year capital program, innovative project delivery consistent with 3P unsolicited proposal.

So with that, we are recommending to the Board to move forward with the hybrid DBFOM delivery method for Phases 1, 3 and 4 of Project NEON. And, Dennis, do I need to add anything else? I'm looking at our legal -- is that -- is that good?

Gallagher: I think you've accurately stated the recommendation from staff to the Board.

Hoffman: Okay. Thank you.

Malfabon: And, Governor, if I could add a few comments. Definitely, we're looking at affordability of the design-build-finance-operate and maintain option because it gives us a little bit more money available either to leave in the highway fund or to put to work right away for other projects across the state. We're looking at that as a huge benefit to create jobs in the near term, and it's affordable as far as financing. We do have to pay that off over a longer term, but it makes it affordable in the near term.

As far as the TIFIA risk, there are a significant amount of letters of interest that have been submitted to the USDOT for TIFIA program. And MAP-21 provided $750 million in 2013 and $1 billion in 2014. So even with Nevada DOT's request, it's still a significant amount of requests. But in terms of some of the other projects, they're huge projects. I don't know how much TIFIA versus availability of other funds for their projects, but there's about $41 billion of letters of interest that have been submitted through 29 applications -- or letters of interest from other agencies. And some of them are not state DOTs. Some are cities or transportation authorities across the nation.

So there is a risk there, but again it relates back to the affordability of the design-build-finance-operate and maintain option. They've given us some extra cushion on that near term having some money available either to put towards other projects or to help build up the highway fund. Obviously, we would prefer to put it towards other projects and create jobs in our state.

Sandoval: When you talk a lot about creating jobs, are these going to be Nevada jobs, Nevada workers?

Malfabon: Yes, Governor. Typically, the teams that we've seen are being formed are involving Nevada contractors. There is always that issue of somebody -- the risk of somebody bringing in someone from out of state, but for the most part we've seen a lot of the engineering side and the construction side being from Nevada firms.

Sandoval: Questions from Board members? We'll start with Member Fransway.

Fransway: Thank you, Governor. And I really appreciate this whole presentation. It's made things clearer to me and I appreciate that. Did I hear you right, Mr. Director, that there -- in MAP there are $1 billion set aside for TIFIA and that there is $40 plus billion in applications for that $1 billion?

Malfabon: In response, there is -- the project costs related to the letters of interest is over $41 billion, but it doesn't say that…

Fransway: Oh.

Malfabon: …the agencies that had submitted are asking for the entire $41 billion.

Fransway: Okay.

Malfabon: So they have some funding. Obviously, TIFIA can only go up to 49 percent of the funding for a project in total. So it's -- there's a portion that's on the project costs that is being funded by that agency that submitted. But I don't know if you have any other information, but it is a significant program. $1 billion was only for fiscal year '14, and $750 million in the current fiscal year.

Boocke: Governor, Board members, for the record, it's Corey Boocke with the Nossaman Firm. Just to clarify on the Director's comments. The way the TIFIA program works, the $750 million or this $1 billion is what is allocated for what's called the credit subsidy, which the way these loans are structured, the Office of Management and Budget comes up with a score, basically how risky do they perceive the loan and that is what the agency has to pay or use for that loan. So rough justice, that $1 billion will support about $10 billion worth of loans. So it still does not make up the $40 billion, which is already being sought, but it is not just a $1 billion. It'll support much more than that.

Parker: Hi. For the record, Mike Parker with Ernst & Young Infrastructure Advisors. And just to elaborate on Corey's statements, the way the program works is that there is a third of the project cost can -- or between 49 and -- at this point, the TIFIA program has made no loans at 49 percent, so we're seeing a third, roughly, of project costs are funded through TIFIA loans. The federal subsidy is about 10 percent of the loan cost. So working backwards, if you have $1 billion in the second year of MAP-21 that funds about $10 billion of loans which correlates with $30 billion of projects. So if you look at the two years combined we have 17.5 -- sorry, $1.75 billion and you assume some program cost. You're going to see around $16 billion of loans and $48 billion of projects to be supported out of that.

In addition, the way -- there's no certainty as to how Congress will act in the future, but what we've seen with transportation bills recently is that there's continuing resolutions. And so it's quite common that these programs will continue unless we have full reauthorization of transportation funding. And so you would expect to see if there was simply a continuance of the -- of the prior MAP-21 funding levels $1 billion in the following year as well. So it's a fairly robust availability.

Fransway: Well, I still have another question, Governor, I'd like to…

Hoffman: Thank you, Michael. Thank you, Corey.

Fransway: Okay.

Hoffman: Member Fransway, yes, sir.

Fransway: Yeah. What determines the availability payment amount? And if we had the opportunity, if the funding was there, could we pay more to pay down the principal of a bond?

Hoffman: That's a good question.

Fransway: In other words…

Hoffman: Mm-hmm.

Fransway: …in other words, could we retire this debt early?

Hoffman: Yes, you could retire the debt early if that was what the Director wanted to do. So remember -- and for the record, Bill Hoffman. Remember the chart that I showed and we held the highway fund cash balance, we held that at $90 million and then we looked at what would happen to our capital program. If Rudy wanted to, or the future Director in those years wanted to put more money into paying down their debt, you know, double up on your interest or double up on your principal -- I'm not sure exactly how it works with P3s, but I would think that we would have that opportunity to do that.

Fransway: Okay. And we would do everything we could to preserve that $90 million. I'm saying…

Sandoval: Okay. Before we -- Tom, before (inaudible) I see the accountant moving around.

Malfabon: (Inaudible) one of the things that we have to look at, Governor and Board members, is, is there a penalty for early payment. And I know that it came up during the reissuance of bonds to pay off, basically renegotiate because of lower interest rates when Assistant Director for Administration Scott Sisco was successful in getting some savings on that. He had to look at whether there was a penalty on early payment of the bond. So we would have to look at those bonds that are going to be paid off for the future years and see what kind of structure that they had in those agreements. Is accountant still wiggling?

Hoffman: Are you -- Tom, are you good?

Fransway: Well, I…

Sandoval: I just want to make sure we're clear for the record, so I would like to hear…

Hoffman: Okay.

Sandoval: …from the accountant.

Hoffman: Okay. Sure.

Parker: For the record, I'm not an accountant. Ernst & Young is a significant accounting firm, but our role is also on the consulting side. So I want to make sure I haven't violated any professional standards in representing that. So for the record, there's different components in this hybrid that you're talking about, right. You have the right-of-way bonds and the completion payment bonds which will be issued by the state, and then you have these contractual obligations to make availability payments. And the project will be financed in part by the private partner going out and borrowing against those future availability payments itself and investing equity.

So with respect to the right-of-way bonds and the completion payment bonds, the state would enjoy all the rights that it has in its normal bond program which may include a penalty for early repayment or other issues that arise, but that would be consistent with your normal bonding program.

With respect to the P3 contract, it's not simply a financing vehicle. One of the reasons these are called availability payments is that in the event that the private partners' performance is lacking either the physical infrastructure is not there or the routine availability of the project is not there, payments can be curtailed or stopped. But in return for taking that risk they've gone out and locked in financing and made an investment. So it's possible to terminate the contract, and you would always have that right to terminate for convenience. However, you would, at that time, have to follow a formula that left them not worse off for having made that investment, and that allowed them to retire the debt that they had undertaken.

And so while those rights of termination would exist, sort of payments on the margin and say, hey, could we -- you could always renegotiate, but you wouldn't just be able like with a normal mortgage that you might have to just submit a double payment sometime. So the convenience would be there with your bonds; with the P3 contract it would likely involve reopening or terminating.

Wallin: Governor, while he's still…

Sandoval: Madam Controller.

Wallin: Thank you, Governor. I have a question for you, Mark, Ernst & Young…

Hoffman: Michael.

Wallin: …or Michael. Sorry.

Parker: Michael.

Wallin: Parker. Okay. So -- all right. So the availability payments, we have to make those for 35 years? Okay. Just so we're all clear on that.

Parker: Yes.

Wallin: All right. And I understand the bonds, yes, we can refinance -- you know, we can pay those off early or refinance them like we've been doing some already here. Now, you mentioned on the TIFIA that it was -- there's 49 percent financing, but you've never seen that. That hasn't happened; is that correct?

Parker: So -- right. When the private partner goes out to -- the state's committed to make these availability payments as well as to make that lump sum payment at the end of construction, so the private partner still needs to pay the contractors to do the work…

Wallin: Right.

Parker: …during the construction period. So it has to go out and arrange financing. One of the sources of financing that it can go to is this TIFIA program. And it allows the private partner to borrow at the federal government's long-term cost of borrowing, so roughly 3 percent right now. So it's very favorable to the state from that standpoint in that you transfer the risk for the delivery and operations of the project and yet the private partner for that portion of its financing can get very cheap financing. Only right now, MAP-21 raised the maximum amount of the private partners financing of the project cost that can be financed to 49 percent of what they call federal highways eligible project cost, which is a specific calculation.

In practice and historically, the legislation only provided for a third of the eligible project costs to be financed…

Wallin: Okay.

Parker: …and that's typically what they've been doing.

Wallin: So in the example that we had in the numbers that they had in the present value, you used one-third -- if we have TIFIA it's one -- you used one-third in your…

Parker: So it's one-third of the…

Wallin: Right. Of those…

Parker: …eligible project costs which is different than one-third of the private partner's cost. Your right-of-way even gets investment and actually counts towards the pie that's then split up.

Wallin: Okay.

Parker: So part of it's (inaudible) federal highway rules as to what is there. But, yes, the one in the middle would include the private partner borrowing a TIFIA loan.

Wallin: At about a third, you're saying?

Parker: A third of the eligible project costs, yes.

Wallin: Okay. So if they could come out and get 49 percent going forward then that would also reduce down our net present value cost?

Parker: Yes. I think by being creative about how you look at your right-of-way and other expenditures that are happening outside of the project, in practice they'll probably be borrowing a bit more than a third of their costs, but it…

Wallin: Okay.

Parker: …will be of the whole pie a third.

Wallin: Okay, great. Thank you.

Parker: Sure.

Sandoval: Member Fransway.

Fransway: Sorry, Governor. I'm not sure that I fully understand how the 33 percent DMV cap affects this funding mechanism.

Hoffman: Unless you want to, Rudy. Do you want that?

Malfabon: You're talking about the increase in the DMV cap is what has been implemented on the current -- the next biennium's budget, this -- for the next two state fiscal years. That amounts to about $26 million in fiscal year '15. So we -- what we wrote on the materials was that it anticipates that that revenue will come back to the Department of Transportation in subsequent fiscal years after fiscal year '15. We believe that the sales tax over several consecutive months is showing an improving economy in Nevada. Our fuel tax revenues are pretty flat. But we anticipate that the economy will be such that in our state that we will not have to temporarily increase the DMV's cap, at least in the Governor's recommended budget to the legislature in the next biennium. So we are counting on that revenue coming back to the highway fund.

Fransway: Okay. And that was $26 million?

Malfabon: Yes, in fiscal year '15.

Fransway: And were there ideas to use that $26 million toward the NEON Project?

Malfabon: In the financial charts, the $26 million is going back. It's assumed that it's going back in the highway fund in fiscal year '16 and forward -- going forward, so…

Fransway: Okay. So…

Malfabon: …that money is already indicated in those tables.

Fransway: In the general fund?

Malfabon: In the -- in the highway fund.

Fransway: Right. Okay. Thank you.

Malfabon: So in other words, the DMV cap would go back down to 22 percent and that $26 million would be going into the -- be in the highway fund because the DMV would getting that -- be getting the $26 million out of the general fund. And that was the assumption in the -- in the tables.

Hoffman: Mm-hmm. That's correct.

Malfabon: The other portion, the governmental services tax, is not addressed in those tables, because that was revenue that was never coming to the highway fund in the first place. That was created expressly for the general fund, so it was money that the Department of Transportation never received before. So if that does get addressed in the future and it goes in the highway fund, that would be on top of those revenue tables.

Sandoval: Other questions? And these amounts, are they all end cost for 1, 3 and 4?

Hoffman: I believe they are. John?

Terry: Again, these are present value costs. 1, 3 and 4 with an assumption of long-term operation and maintenance even applied to the design-build bond even though we wouldn't have to do that. So it is a comparison. There are, again, the hybrid -- there are a lot of assumptions as to what we'll get to that 7 percent. It could be a little bit higher than that, but depending on some of these financing issues. But we tried to bring net present value costs, they aren't necessarily constructions costs, that includes not the Phase 1 right-of-way, but the Phase 3 and 4 right-of-way, Phases 1, 3 and 4 construction, operation and maintenance and then their design and other things that are built into the contract, and financing.

Sandoval: Who bears litigation risk if something goes wrong with construction?

Hoffman: Well, we've got -- we've got our legal expert, Corey Boocke from Nossaman.

Boocke: Now, I'm neither an accountant, but I am an attorney. So the question in terms of -- from a construction standpoint, construction risk, design risk and operations and maintenance risk, a significant portion of that risk is transferred over to the concessionaire. In fact, for those agencies that pursue public-private partnerships, that's viewed as one of the real benefits, is to get out of some of the finger pointing that you might have between designers, the engineers and the contractors much less the operation and maintenance. It is not a full risk shift. There will be some retained risks, but if you look at your conventional program of construction or even the design-build projects you've done north, south and up on the I-80 it will be a much more significant risk shift than what you've seen in those projects.

Sandoval: Member Savage.

Savage: Thank you, Governor. I, too, am concerned about the litigation because we want to put the dollars to the construction. And we've seen in the past with the Department some concerns regarding litigation. We want everybody held accountable. But to get into the meat and potatoes of this project, I want to thank Mr. Hoffman and Mr. Terry and Mr. Mortensen for taking the time to come over to my office and spend several hours. We rolled up our sleeves. We had a good roundtable discussion back and forth, back and forth. And, Rudy, your team has done a very solid, diligent project and provided the information to the individual Board members on an individual basis, let me make that clear, to inform us of all the options.

And nothing is a perfect world. Nothing is a perfect world and we fight and get better every day at what we do. And I know the states recovering as well as the national basis. But I believe in breaking it down simply the jobs now and affording what we can afford now drives the P3 partnership and the hybrid design finance option. It's important to keep the capital program maintaining those dollars for the other areas of the state, because they need to recover as well. But I really believe that the diligence has been done even though it's not a perfect world, but we need to move forward. Thank you, Governor.

Sandoval: Member Martin.

Martin: Thank you, Governor. I echo Member Savage's comments about what staff did (inaudible) down in my office (inaudible) for a couple hours and reviewed the (inaudible) of the project. And I'm deeply (inaudible) a great deal of understanding. And then for the first time I figured -- I found out what TIFIA is. And that proved to be a possible bonus which is a good thing for the State of Nevada.

I did have a couple of clarifying questions on your -- on your bonding for the right-of-ways. Is it the intent of -- is it the intent of NDOT to provide to the concessionaire a clear set of right-of-ways prior to awarding the contract and prior to the RFP? Is that your intent?

Hoffman: You got that, John?

Terry: Again, John Terry, Assistant Director of Engineering, for the record. Some of that needs to be worked out. I mean, yes, it is our intent to provide a clear right-of-way. It is our intent to relocate the utilities that clearly need to be relocated. But it wouldn't be fair to say that every utility would be relocated and perhaps every parcel, if we felt that there was some innovation that could be achieved by avoiding some of these parcels. But for the most part the answer to your question is yes, we want to clear the right-of-way. But in terms of the utilities, we are really going to look at the major utilities one by one and decide if that is a risk we want to transfer or relocate in advance. Because just like in design-build you don't have enough design to know 100 percent for sure whether that utility needs to be relocated and exactly where. So for the most part yes, but I wouldn't say 100 percent.

Martin: Okay. And as a follow-up question, I didn't think about when you all were at my office. With the TIFIA funds possibly coming into this thing, if all of this money is primarily Nevada generated, where does that put the 5 percent rule on the -- on the proposals and -- number one? And number two, .oes the TIFIA funds coming in pollute that 5 percent rule on the proposals?

Terry: If you are talking about the bitter preference 5 percent…

Martin: Yes, sir.

Terry: …we have a federalized project. We did a -- spent federal money on right-of-way. We spent federal money on all kinds of things and it's a federal project. I do not believe that we can go with the bitter preference because there is federal money in this job, regardless of which way we go.

Martin: I guess I was confused because I thought the bonds were interior to the State of Nevada.

Terry: But we may pay back those bonds with federal funds.

Martin: Oh, I see. Okay. With federal funds you receive back from gas tax, et cetera.

Terry: Yes, sir.

Martin: Okay. Understood. Thank you.

Sandoval: Any other questions?

Savage: I have.

Sandoval: Member Savage.

Savage: A couple more items. Just to add, I think it's vitally important that the Nevada people get to work, and everybody realizes that. But I think we need to go above and beyond to keep the Nevada people busy. It's -- we've seen other arenas where that hasn't happened, and I think everybody needs to understand that's vitally important.

And the last comment I have, Governor, is that the CH2M Hill and Nossaman and Ernst & Young, when we draw up the RFP, I would really like to see the contractor drive the bus. I think it's important and I know, Mr. Hoffman and Mr. Terry, we spoke about that in my office. But it's a major, major construction project along with a major finance project. But the last thing we need is finger pointing within the huddle amongst the contractor and the financer, because the construction schedule and the impact to the citizens, the contractor understands those issues. And that's all I have to say. Thank you, Governor.

Sandoval: Member Martin.

Martin: Yes, sir. Thank you. I echo again Member Savage's concerns. When Mr. Hoffman explained that to me about the -- about the financing (inaudible) this is a huge (inaudible). And I believe that the -- while the financing is certainly important, because without it the construction doesn't get done; however, the logistics that goes into this thing can't be run by a financial institution someplace and getting the project done. And I have great concerns about having a financial institution run a multi -- half-a-billion dollar project in the middle of my town and not have a contractor that is (inaudible) qualified actually run the bus or running the schedule (inaudible). That's a major concern (inaudible). Thank you.

Cortez Masto: Governor?

Sandoval: Yes, Madam Attorney General.

Cortez Masto: Thank you. First of all, let me just say thank you to NDOT and the team for coming to talk with me. However, with that said, I am not comfortable in moving forward today. I still have a lot of questions on the financial impact and how we're going to pay for it. And so from my perspective, I appreciate the conversation today. I think this is an important project. I agree with about -- the comments by some of the Board members about putting people back to work in the State of Nevada. But from my perspective, I just need more time to work with NDOT staff to ask them questions about some of the financing, how we're going to pay for this long-term, and some of the additional questions I have. And I just, at this point in time, I'm not comfortable in supporting moving forward. And so my -- I will not be doing so.

But with that said, in the future if I'm still on this Board, and quite frankly I don't even know when my time is up on the Board, I will follow up with NDOT staff regarding this. But I have too many questions about the numbers and the moving numbers and actually who the -- who our private partners potentially might be, how is that different than the concessionaire, what happens if the TIFIA programs don't continue, and is the private partner the one that gets the authority to reach out to get the loans from the TIFIA program or is that a combination of us. And there's just too many open questions that I have that I need answered. So I just wanted to make that clear and put that on the record. Thanks, Governor.

Sandoval: Well, now is the time. I mean, we have everybody in the room right here to answer all those questions. So I'm not sure if anybody was taking copious notes, but…

Cortez Masto: Well, if you want to take the time, I'm happy to. So let's start at the very beginning then, because I have a question about the charts that I have in front of me and I think they are in front of you. The Project NEON for budget presentation, which is a breakdown of the numbers, and then we have two other charts that are similar that the matrix. That's the hybrid, Phases 1, 2, 3 and 4 and the design-build 1, 2, 3 and 4. Can you explain to me the difference between the four budget presentation an . the other two, particularly when it comes to the total revenue and receipts? Because I will tell you, just looking at -- my thought on the total revenue and receipts numbers should be the same for all three charts, but they're not. So I don't quite understand why that's not the case.

So, for instance, if you just look at the beginning balance for fiscal year 2015, the estimated on the four budget presentation I have $81,000, and then on the hybrid DBFOM/TIFIA it's $99,000, and then on the doing business Phases 1, 3 and 4 it is 100 -- excuse me, $109 million. They were all million. So I'm not quite sure how the revenue changes and why it's changing. To me that should be a consistent figure. But if you look at each one of these charts, they're constantly changing. And so I don't know why that is happening and why it's -- and that would be my first question, just to get -- make sure I'm comparing apples to apples.

Terry: Again, John Terry, for the record. We did brief the various Board members and we struggled with this issue of how to show the program moving forward. And frankly it was after we met with the Attorney General that we decided to fix the bottom line at $90 million. And before that we had moved most of the capital program as well as the highway fund balance to kind of predict what we would do in the future. We have since then run analysis where I believe it was starting in '15, we simply fixed the highway fund balance at $90 million, which showed the NDOT capital program adjusting based on the various scenarios.

And what we found was especially in the years from, I believe it was '14 through '19 in a five-year period, there is a delta of $90 million that is available to NDOT with the two Phase 1, 3 and 4 scenarios. So basically when you held the $90 million -- that $90 million would be the amount we would hold in the highway fund, the Director would have, and this Board would have cumulative over a five-year period $90 million more to allocate to the NDOT capital program. And the charts we ran when we held the $90 million showed that.

Malfabon: John…

Terry: Go ahead.

Malfabon: …just to clarify, the chart that you're showing is the original chart that…

Terry: Yes.

Malfabon: …former Assistant Director…

Terry: Yes.

Malfabon: …Scott Sisco presented to the Board. So that's why we are showing that this is what was presented before and what we changed, bottom line was if we wanted to keep the highway fund balance at $90 million, how did it affect -- let that affect the rest of the capital program to see the numbers. And we saw that it didn't have a detrimental effect if we kept the $90 million balance in the highway fund, which is one of our key goals.

Terry: And maybe, just to be clear, I mean, we felt as though the design-build bond, the public sector method, we could still fund the highway program. We did not reduce it so much and -- but we did get total bond payments up in the range of $95 million a year, which if you look on the far left column of the one that was just up there -- go back to the one we were just at. In the last five years, we have lived with bond payments in the range of $84.5 million and we've survived and we've delivered our program.

But if you went to the design-build bond, your peak of bonding, go to that next chart, gets up there, just the bonds are up above $95 million, and if you add in other NEON costs, it gets close to $100 million. Yes, we would have a slightly reduced capital program in those periods of '17, '18 and '19 because of that, because we have never had, in recent history, total bond or financing payments of that range. But we felt we could still deliver most of the program. I don't know if I've answered your question with those two, but…

Cortez Masto: And, no, you haven't. So can I just ask you some specific questions? And I appreciate the charts. Believe me. I'm just a linear thinker and I just need to look at the numbers. So can I ask you a question just very quickly then? So, for instance, that first matrix that you put on there, four budget presentation, the Project NEON cash flow analysis…

Terry: Yes.

Cortez Masto: …that -- okay. That's what you gave to us. Is that the presentation from the -- that you gave us through the original presentation, the original numbers, or are they adjusted for this presentation?

Terry: This is the same presentation and everything at the bottom is the same as was done in November, but our budget people adjusted the remaining highway balance and I believe the revenues received to adjust for what really happened in the first half of 2013. But other than…

Cortez Masto: Okay. So…

Terry: …just making those adjustments, it's the same thing as November.

Cortez Masto: Okay. So that was my first question. So that chart compared to the other two that you have for the Phases 1, 2 and 3, that's why if you look at fiscal year 2013, you have the total revenue receipts of $988 million, but on those two it's $941 -- $941 million; is that correct?

Terry: I believe so, yes.

Cortez Masto: Okay. So what you're telling me is they've been adjusted. These new charts for Phases 1, 3 and 4 have been adjusted from that one. And they're -- I get it. They're estimates, but they've changed over the course of the year. So that's what I needed to know.

Terry: Yes.

Cortez Masto: And I appreciate that. Thank you. So let me ask you this then; the -- talk to me about actually -- if we are going to go out with this hybrid, it's a funding -- it's part of bonding. It's part of having a private partner financier; is that right?

Terry: Yes.

Cortez Masto: And how do we pick that private partner or how -- who is that private partner?

Terry: Okay. We would go through -- again, we got an unsolicited proposal. We feel the design-build-finance-operate and maintain, even though it's this hybrid, it's still following that process. So we would put out, based on the schedule that Bill showed early in the presentation an RFP and we would go through a whole selection process. That selection process would be sort of like what we do for design-build, but it has the finance, operate and maintain in there. We fully expect we would get three or more teams submit and we would go through a whole selection process with us going to the Board in August and then again in October to select that team.

The next time we go to the Board, which would be in February, would really be the final RFP. And the final RFP is really the contracts that they're going to sign eventually, and that would be in February. But we fully expect a competitive process to select this team.

Cortez Masto: Okay. And I appreciate that, but it didn't answer my question. I'm asking if we're going out for financing in a combination of bonding to pay for this, and what I'm hearing is that there's a private partner that's going to help fund this as well…

Terry: Yes.

Cortez Masto: …that private partner is what, it's a financial institution, it's a contractor? Who is that private partner?

Terry: And that goes back to the discussion we had earlier that we fully expect that if we do this method the financial firms, some of which may be from outside the country, will be either the major partner or one of the major partners on this team because they are presenting the financing. Their financing is in the range of half or more of the total financing. The only bonds we would sell almost immediately would be for the Phases 1 and 4 right-of-way. The other bonds would be sold later. The availability payments while they wouldn't come into play until 2018 or '19, we would sign the contract that would commit this department to those availability payments when we signed the contract with the successful team.

Cortez Masto: Okay. So let me -- let me try another venue to answer my question. All of the funding for this project is through bonding; is that correct?

Hoffman: No. No.

Cortez Masto: Okay. How do we get -- okay. If it's not bonding, how are we getting the other funds to pay for this?

Hoffman: You have -- what we intend on doing is the State of Nevada, on behalf of the Department of Transportation will be issuing bonds for approximately $300 million. Is that about right?

Unidentified Male: Yes, 300.

Hoffman: So we will own that financial piece. We will be in the driver's seat for that. The contractor -- the prime contractor, the subs, the design teams will team up with a financier or a concessionaire and they will -- they will have to come up with funding and financing to pay the contractor during construction and then we pay the financier or the concessionaire over a 35-year period, which included operating and maintaining a segment of freeway.

Cortez Masto: So what is the total cost that you anticipate for this Project NEON? If the bonding is $300 million, what's the rest of it?

Hoffman: The rest of it is approximately $250 million to $300 million.

Cortez Masto: Okay. And that 250…

Hoffman: If my math is right.

Cortez Masto: …and that $250 million to $350 million is going to be paid by a financier or concessionaire, but you -- and I guess I'm trying to understand how you define that. Who is that? Is that a financial institution? Do we go out to Wall Street, we put money out there? What does that look like and how does that money come into the State of Nevada to help us pay for it? Are they -- or is that private financier or concessionaire putting up their own money and they're on the hook for -- along with the State of Nevada to help fund this? I guess I'm -- I just need an understanding of that.

Hoffman: Yes. I'm going to bring up the expert. Come on up.

Parker: For the record -- for the record, again, Mike Parker with Ernst & Young, Infrastructure Advisors. And so I think your question has a few different elements packed into it, so I'll start and I have a feeling you may have a follow-up. At the RFQ stage, you'll be receiving statements of qualification from teams, and so they will be an affiliated group of companies that have exclusively come together to pursue this opportunity.

At the time you enter a contract with them they will have a contractual structure within their team that then marries up with you. So when the Department looks at the qualifications of the different respondents, you'll be looking at the qualifications of equity investors who bring just like a -- on your house, you can't borrow 100 percent of your house's value. You have to put in a little bit of equity. The teams will have to bring equity providers so you'll qualify them. You'll also be qualifying contract -- the lead contractors. You'll also be qualifying or looking at the qualifications of the designers who likely will be working with -- who will be working with the contractors. And then you may also be qualifying their experience in operations and maintenance.

So those will be the different pieces. When you sign the contract, the contractor will be signed with a special purpose entity, a company that is created solely for NEON. For example, NEON LLC. That company will be capitalized by the equity investors putting in equity and arranging for financing perhaps from the TIFIA program, perhaps from issuing bonds or receiving bank loans. And that special purpose company will subcontract down to the lead contractors, the responsibility for the construction of the project and likewise will make a commitment for the operations and maintenance.

So who are the entities that sometimes respond to these? And so I think that's the next (inaudible) question, or the type of entities that provide equity to these projects and that provide debt to them. Is that -- I just want to pause to make sure I'm getting your question. But is that the next part of it?

Cortez Masto: Yes, please. Thank you.

Parker: Okay. So we're seeing a developing market here in the U.S. where historically private equity firms, we're providing some of that equity. And it'll be about 10 percent of the capital that's needed will be in the form of equity, the rest in debt, roughly speaking. We've seen an evolution in the market where globally contractor or lead construction firms and industrial firms have invested their own equity into these types of projects, and we've seen that evolution now here with U.S. domestic contractors beginning to invest equity from their balance sheet in as well.

So you might have a situation where the investors in the project who are investing in the right to pay for the construction and receive the availability payments in the future. It might be a combination even of a specialized infrastructure investment fund or pension fund even that's pursuing -- that's purely a financial player, and you might find that even the contractors who are going to be part of that team themselves are going to contribute a portion of the equity. That's been very common to see both in these deals.

Cortez Masto: And so what control or what part of -- does the state or the NDOT workers have in creating this equity partner or creating this structure? And then to what liability does the state have if there are some issues with this independent LLC that's out there?

Parker: It's a fairly broad question there. Yeah, I think we can -- we can get Corey to step in on that. I think you've asked a question that's fairly broad in terms of legal responsibilities and otherwise across a huge range. So I -- perhaps maybe what you're asking, the key simple way of thinking about this from our perspective for the state is that your control, one of the key places it stems from is the fact that the road is always yours. This is a service contract. The other area of control that occurs is because you have your money still. So during the construction you've paid for the right-of-way which is yours. Then the state's not paying anything during the project construction except for the completion payment at the completion of construction and then the future availability payments.

And so this is sort of -- everybody talks about risk transfer for PPP's. This is where it is. Unlike a normal project, the state has effectively -- has retainage essentially. You have all of the money and so the key piece of leverage is if the private partner is not performing then the state doesn't pay. And likewise in the operations and maintenance period, the key difference between an availability payment and a debt payment is that you only pay to the extent that the project is available in meeting the performance conditions you expect. So it's sort of like a 35-year warranty or retainage, and so your primary control stems from the fact that you have the cash.

Cortez Masto: Right. Except there's equity partners involved, correct? And if there's equity partners involved and for some reason there's nonperformance by the contractor or something goes wrong, who are they going to look to to ensure their investment? Not those individuals, but to the state, wouldn't they?

Parker: It's sort of the other direction which is that the equity partners, in order to make this investment need to find contractors who can guarantee the delivery of the job. And likewise before the federal government or through the TIFIA program or bond holders lend money to that private concessionaire entity. They, too, need to be satisfied that the contractors who have undertaken on a back-to-back basis the commitment to build the project can guarantee their own performance. And should they not perform that's why it's equity that's at risk, but trust that they too will look to the contractors to ensure that they get their return if the contractors do perform.

Cortez Masto: Oh, and I appreciate that. I just assumed that there's some sort of language in there that protects the state from them trying to come back after the state if there is a failure to perform by the contractor.

Boocke: Okay. And Corey Boocke -- wow. Corey Boocke with Nossaman Firm, for the record. One thing I'd like to elaborate on, what Mike has indicated is the private financing we've been talking about that. That is not an obligation or debt of the state. So if that does not get repaid by the private entity, they cannot come to the state to get that payment. It is not a state obligation.

There are a number of aspects of that relation -- if equity is not getting performance from the contractor, the contractor in their structure may have provided letters of credit or bonds to the equity, not running in favor of the state but to support their obligations. And that's something that equity will require of their team as well as the lenders that are lending in. Mike alluded to the fact that we generally see about 10 percent, give or take, as equity and about 90 percent of their capital structure is debt.

The lenders will be seeking a significant amount of security and collateral, so to speak, from their borrower and making sure that they are comfortable, and they will have an array of rights vis-à-vis their borrower, a private entity, not the state, the private entity to step in and fix their, you know, their issues oversight over them before they release any of their loan proceeds to give to the concessionaire and the contractor to make sure that the work is being done and being done properly. In many ways, the lender interests are quite aligned with that of the state's interests in making sure that the project is done, is done well and is done on time because their overall collateral package at the end of the day is that the availability payments are made.

If substantial completion of the project is never made or if the private entity is not performing and their availability payment is being reduced or eliminated, then the only means by which the lenders get repaid is going away. So they are very interested in making sure that their borrower, the single-purpose vehicle concessionaire, and then all of those subcontractors are performing.

Cortez Masto: And so when it comes to the TIFIA program, really that's up to that -- I don't know what you call it, that LLC or that individual unit to apply for and make the most efficient use of the funds and possibly the TIFIA funds as well; is that right?

Boocke: Sure, that's an excellent question. The TIFIA process is -- under MAP-21 starts with a letter of interest. And that is typically done by the government agency during the procurement process. So you would submit a letter of interest and if you pass through those initial screens, work with the TIFIA office in terms of coming up with a basic approach and outline of the loan. Once you have a selected team, they would become the applicant for the loan and the ultimate borrower. So, again, the ultimate TIFIA loan would not be a debt or an obligation of the state. You are really facilitating it up to the point that we have made -- gone through the procurement process, have a selection, and then at that point they kind of pick up the baton to get to the financial close where they're injecting in their equity, bringing in the TIFIA loan, and if there's other forms of debt, they'll be arranging for that, at that time, as well.

Cortez Masto: Okay. So that -- just to verify, that letter of interest would be initiated by the team and the team then would be responsible for obtaining the loan, paying back the loan, anything having -- liability having to do with the TIFIA loan would be part of the team and not the State of Nevada?

Boocke: The letter of interest is initiated by the state. The application and the ultimate loan agreements will be with the private entity and the state would not be -- would not have obligations under those -- for repayment of the debt. It's not a state debt.

Cortez Masto: So the only involvement that the State of Nevada has with the TIFIA program is the letter of interest and that's it?

Boocke: Yes, letter of interest and facilitating to the point that you've selected the team, at which point they take over -- take over.

Cortez Masto: Okay.

Boocke: And they are the -- they are obligated to the loan, not the state.

Cortez Masto: Okay. And then the team itself, is it the members of the team going to come to the Board so we give approval to the members of the team or the initial team or we look at the RFP or RFQ for this process? How does that work?

Boocke: I think as a…

Hoffman: (Inaudible), sorry. Thank you. So, yes, we'll be moving through the RFP process like we normally do for design-build projects. And there is an approval -- there is an approval step by the Board. Actually, the Board will approve the RFP itself and then we'll approve the selection, and then we'll approve financial close or award of the project.

Cortez Masto: Okay. And then the additional cost to amend for the advisor agreements for stage two, is that going to be part of this cost for P3 or is that an additional cost, and do we know what that is yet?

Hoffman: It's an additional cost for stage two, but we're thinking it's going to be very similar to the stage one in which for the legal and financial advisors I -- remember, I promised $3 million. We think it's -- stage two is going to be in the same ballpark, so we can absorb that $3 million and would be counting on paying that after amending Nossaman's and Ernst & Young's contracts.

Cortez Masto: Okay. And then I have a question for my staff, Dennis Gallagher. Dennis, have you had a chance to look at the legal ramifications of this moving forward and really taking a look at the structure as well as any other financial implications to ensure that the state of Nevada is protected, and do you have any concerns moving forward from a legal perspective?

Gallagher: For the record, Dennis Gallagher, Attorney General's Office. General, we've assigned a deputy that's been involved in this process with the -- with the teams to date. Most of what I understand your questions to involve including the vehicle, who the entities are and the structure would be in stage two. Those would be where we would really dig in and get the answers to that including -- and developing the RFP and the language in the RFP regarding the relationships between the parties. And then, of course ultimately, you know, the Board would approve the RFP and then ultimately get the recommendation who the successful applicant will be, and as I'm trying to see the timeline that would occur in late 2014.

But to date, our office has been satisfied with the procedures that have been followed. There are still a lot of unanswered questions, but those questions would not be answered until such time as this Board would authorize NDOT to go forward.

Cortez Masto: Okay. Thanks, Dennis. And then finally, if I understood correctly in the previous Q&A with some of the Board members, there is still time through this stage two to pull out if we have to with limited penalties, financial -- fiscal penalties to the state; is that correct?

Hoffman: Bill Hoffman, for the record. Yes. Yes, we could. But I will say that the longer that we wait, the longer this process goes on the more costs there will be to the Department and most cost to industry. So what we can't forget is there are teams and contractors and subs and consultants really looking forward to this opportunity for job creation. And if we all of a sudden, in May of 2014, cancelled the project or step out, that would be a huge hit to those teams. But, yes, indeed. From today moving forward there is the opportunity to step out if we think that it makes -- if it's the right decision both from a cost standpoint, liability and risk standpoint, there is that opportunity to step out. Yes, there is. I just wanted to…

Cortez Masto: Okay.

Hoffman: …be sure and clear that there are -- the longer we wait the more risk there is.

Malfabon: And, Madam Attorney General, this is Director Malfabon. One of the other steps that we need to take is to -- because our -- the next biennium budget did not have bonding in it, we do have to go to the Interim Finance Committee of the legislature to request approval. So we'll have to explain in detail to those members what this -- what's being proposed here to deliver Project NEON and get approval from IFC for bonding, which was part of both scenarios.

Cortez Masto: Okay. Thank you, Rudy. Thank you, Governor. I appreciate the Board's indulgence for my questions.

Sandoval: And does that satisfy you, Madam Attorney General? Because I think, you know, I have some of the -- had some of the same questions and concerns. But it's kind of a catch 22 here. We have to make this investment in order to make an informed decision as we move along. And we are making significant investment with Nossaman and Ernst & Young to make sure that we have this proper information, so as we move forward on this calendar of decision making that we have every fact and every piece of information so that when we come to the ultimate decision we'll have all that in front of us. Today is not that day. Today is that day where we get some of these estimates and things so that we can move forward to start to prepare the RFP and get these responses and all the interested parties can come forward and make their presentations.

But I sense from you, Madam Attorney General, and I don't know if this is accurate or not, but that we may be committed more -- you may believe that we're committed more than we really are. I don't think we are committed if we vote to approve this today. We're committed to moving forward again to gather this information and receive what we need so that we can have a fully completed RFP and such. Mr. Hoffman, you're nodding your head. I think I have -- do I have that right?

Hoffman: Yes, Governor, that's correct. So for the record, Bill Hoffman. That's exactly correct. Now, we will be -- we will be selecting the delivery -- the delivery option. So where our hands are tied from that point is that all of the RFP documents will be prepared for the DBFOM hybrid method. So we heard from our own internal advisors and industry that moving forward with several options and having them kind of bid on options was really a very inefficient way to do that. So the whole reason we're coming to you today with this decision is to choose the selection -- or the delivery option so that we can write the necessary RFP documents for that, but there is the opportunity to step out if we absolutely need to do that. Yes, sir.

Sandoval: And we will have spent…

Cortez Masto: So…

Sandoval: …whatever, $5 million to $10 million getting to that point which we don't get back, but we need to make that expenditure in order to make an informed decision.

Hoffman: Yes, Governor, that's correct.

Sandoval: Madam Attorney General, I didn't mean to cut you off.

Cortez Masto: No. Thank you, Governor. No, I appreciate the clarification because that makes me feel more comfortable, except I do have one question. On the recommendations for Board action today there is -- the Department is also seeking preliminary approval to issue bonds to finance and proceed with the acquisition of right-of-way necessary for delivery of Phases 1, 3 and 4. Is that also part of the recommendation today?

Hoffman: Well, that's why it's -- sorry, Governor. I'm going to…

Malfabon: What -- this is Director Malfabon. In response, I think that we would proceed, Madam Attorney General, with the briefing to the Interim Finance Committee members to let them know that we're going to be requesting that. But we would need to bring you, the Board kind of more detailed information on the bond structure and how -- the amounts of that, I think, before we would -- this is just basically conceptual approval to proceed with this concept of issuing bonds to finance and proceed with the acquisition of right-of-way. But the process would take some time and we would actually bring back, when we have a more defined amount of the bond amounts, to approve to -- to give it to the Board for approval formally, but this is just conceptual approval of this procurement method.

Sandoval: And, Mr. Director, will we have made that decision before it goes to IFC?

Malfabon: We should have that information, Governor, before we go to IFC. We want to go to IFC with the actual amounts, so we would go to the Board first with the actual amounts. And the structure of this procurement is several -- and committing to several issuance of bonds, so it's several years of bonding. So that is unique, rather than just a one shot approval. So we will be getting approval of this concept, specific amounts by the Board and then specific amounts by the IFC. But I think that it's good to brief the IFC about the concept of the procurement and the bonding so they know that it's coming as a formal request in the future for the specific amounts of the bonds.

Sandoval: I think that's wise to inform IFC as much in advance as possible. What happens in the unlikely scenario but possible that IFC says no?

Hoffman: That's a good question, Governor.

Malfabon: Yes. And that is something -- that's why we want to start those briefings quickly. And obviously the Board of Finance has to approve the issuance of bonds.

Sandoval: But, again, what happens if…

Malfabon: If the IFC says no -- in either case, design-build and bond or the public-private partnership with design-build-finance-operate and maintain -- we were selling bonds, so it really would make us step back and look at what's the -- we would look at design-build, but what could we afford with our current revenue.

Sandoval: Well, that would…

Malfabon: So it would definitely -- we wouldn't be able to afford the huge improvement and job creation and improving in operations from Phase 4 that we had presented today to the Board.

Sandoval: And I'm not trying to put pressure on IFC today. I just think we, you know, I just want to know all -- kind of like the Attorney General. We need to know…

Malfabon: Yes.

Sandoval: …the entire universe of possibilities here.

Hoffman: Mm-hmm.

Sandoval: And what I'm hearing from you is if IFC were to say no, that would remove the $300 million of the state's investment in this project, and then we'd have to look at what we could get for the other $300 million.

Malfabon: Yes, it would raise the cost of the project as far as your annual payments…

Sandoval: And we'd probably…

Malfabon: …and would affect the annual work program.

Sandoval: We'd lose Phase 4, I would imagine, as well.

Hoffman: Yes.

Malfabon: Yes.

Sandoval: Let me go to Madam Controller and then Member Fransway.

Wallin: Thank you, Governor. Madam Attorney General, I too -- when they came to meet with me, and I appreciate staff coming to meet with me, I had questions on their numbers because the chart was a little different than the original one. And now this one's even different than what we had discussed. So…

Hoffman: Yes.

Wallin: …so I understand what you are looking at and the confusion there as well. As Controller and CFO of the state, I have looked at these numbers even though the net present value, yes, it's going to be 7 to 13 percent more than the -- with the hybrid versus the design-build bond. In looking at these numbers, to me this is the most financially prudent way that we should go. It makes more sense. I feel more comfortable as Controller that we have the money available than if we were to do design-build bond. Okay.

And also on the public-private partnerships, the P3s -- and I think this is something -- this is brand new for the State of Nevada that we're doing this and it's very confusing, because we're looking to bond for the right-of-way. We're looking to do an upon completion bond to the contractor to reduce some of our cost going forward, because we can bond for less money than paying a private financer. So that's where we get confused as to who's loaning what money and stuff, right. I can see that. So the state really is we're doing our usual bonding for the right-of-way and for a small amount of the money upon completion. Okay. The rest of the project is being funded by the contractor…

Sandoval: Mm-hmm.

Wallin: …and we're going to be paying them back by what we call availability payments. And that means that if the contractor has not completed the project to our satisfaction, number one, we're not going to give them a bond for upon completion and we don't pay these availability payments. Secondly, if they do complete it to our satisfaction and we start to pay the availability payments, because they're responsible for the maintenance and operation of the project, if they're not performing and the road people can't transit on it or that we have delays, then those payments get reduced.

I think the tricky part of this contract is going to be determining those performance indicators. That's going to be the trickiest part of it; coming up with the performance indicators, what we expect so we can determine if the availability payments should be paid or not. Okay.

One other thing I learned in the P3s, when I first came on this Board, I had the opportunity to attend several P3 conferences and I learned that in P3s you get your most value when you do design-build-operate and maintain because it's in the best interest of the contractor to build a project that's going to make it easier and more efficient and cost effective for them to maintain it on the other end. So I think we get a better project, a better product by doing a design-build-operate and maintain because the contractor -- it's in their best interest to have a road that maybe they make a little thicker so they don't have to go back so soon.

So I'm in support of this project. I did have concerns when staff came in, but they did tell me that, yes, we have places where we still pull out if we have to if things change. So I would be in support of this project and I think it's in the best interest of the state to move ahead, because, one, we need to go and fix the roads down in Southern Nevada, make them safer and we need to generate jobs as well. And this project, it generates jobs in Southern Nevada and keeps jobs in the rest of the state, which is just as important. So I will be voting in favor of it if we go forward.

Sandoval Thank you. Member Fransway.

Fransway: Thank you, Governor. Can someone update the Board on the amount or numbers of rights-of-way that have been obtained to date as opposed to numbers of rights-of-way that we need to obtain, and will that change if we do, in fact, authorize Phase 4?

Terry: John Terry again. And I'm not going to -- it would take a little bit of work to give you exact numbers, but I'm going to get you in the ballpark if that answers your question. Phase 1 right-of-way was in the range of $120 million of which we've acquired more than 60 percent of it. Phases 3 and 4 combined are $90 million or less of right-of-way and much of that is utility relocations which we lump in with right-of-way, which obviously we're at zero at.

So in terms of the total project right-of-way, if you add those together, we're nowhere near acquiring half of the right-of-way. So we have a lot of work to do. That's why we want to get started on the Phase 3 and 4 right-of-way because it's a good 18 to 24-month process. I don't know if I answered your question. I can get you exact numbers on parcels and whatever, but nobody here has that off the top, you know, right off the top of their head. But that's in the ballpark of where we stand.

Fransway: Yeah, you did answer ballpark. And thanks.

Sandoval: Madam Controller.

Wallin: Member Fransway, that's actually a question that I had asked in November, and I've asked that question again in April, along with Member Martin to get those numbers. And what we wanted to see was what had they estimated that it was going to cost and what did we actually pay. And so…

Malfabon: Yes, Madam Controller, we are gathering that information. You had requested it previously and I spoke with Project Manager Cole Mortensen who is probably watching from Mexico, right, Bill?

Hoffman: I don't think he's watching…

Malfabon: He's on vacation.

Hoffman: …anything right now. He's vacationing.

Malfabon: He actually has been informed that that's one of the standing items that has been requested parcel by parcel, not just -- because he previously gave an overview of entire right-of-way. And we wanted to give the Board a more informed parcel by parcel of what we estimated and what we actually paid.

Sandoval: Okay. Other questions or comments from Board members? And I'll kind of say something in addition to the Controller. And Cole's not here today and I wish he could have been here today, because he's put so much work, as well, into this project along with all of NDOT. But I recall from one of the initial presentations, the -- because of the population growth, the traffic growth that is occurring in Southern Nevada, we need to move forward on this project. Now, we have to do it in the most cost beneficial matter. We have to do all these things that we discussed today.

But this is incredibly important, this project, to the future of Southern Nevada, Las Vegas, Clark County. Considering all the economic development issues that we're working on, the quality of life, public safety -- you start thinking about all these things. And we, you know, this is probably -- I don't want to overstate it, but one of the most important infrastructure projects that this Department will work on in the next 10, 15 years.

And, you know, Madam Attorney General, I agree with you. We have to be very vigilant with regard to the dollars here and make sure that the state can afford this. But it's also a question whether we can afford not to either because of the effect that this will have. And I'm really pleased that we're able to fit Phase 4 into this, because of that one slide that you had up there with regard to the impacts that that'll have.

And I recall from one of the earlier presentations that this is a project that otherwise would have been spread out over 20 to 30 years, and by the time it gets built it's obsolete. We need to do it now. And that's why this approach is extremely important. So I just wanted to try to put things in perspective here as to what we're talking about today and the timing of it because, again, it just makes no sense to me to spread it out when by the time we finish it we'll have to be working on something else.

So I like the Controller in full support of this. We still have the opportunity as we move along if numbers aren't right, if these proposals are different than what we anticipate that we can make a different decision. But at this point in time, I think it's prudent as well as extremely important and necessary that we continue to move forward on the track that we're on. Member Fransway.

Fransway: Thank you, Governor. And I just want to concur exactly with what you're saying. Time is of the essence to take action. And when we're looking at, I think they said 5,000 lane changes in peak hour periods alone, that doesn't -- what about the other 23 hours? I mean, we have serious traffic here. And I agree with you, Governor, that we need to take the right action here today and get on with it. Thank you.

Sandoval: Any other comments from Board members?

Cortez Masto: Governor, it's Catherine.

Sandoval: Yes, Madam Attorney General.

Cortez Masto: Just let me say I appreciate your comments. And, in fact, when I'm down here half the month, two weeks of every month, I drive this I-15 from Blue Diamond all the way to the downtown area, so I'm very familiar with this whole Interstate 15 and the need for what they're doing here. And I absolutely support the concept. I thank you for answering my questions.

Moving forward though, as long as the fiscal clearly needs to make sense and we have the ability to pay without liability to the state that would be my main issue.

I want to thank everybody for answering my questions today. Based on the questions and what I've heard on the -- that we've put on the record, I'm willing to support this moving forward today with the next step that we need to take for Project NEON. So thank you again for your indulgence and patience.

Sandoval: All right. Thank you, Madam Attorney General. And I'd ask that you put the last slide up to make sure…

Hoffman: Sure.

Sandoval: …that we have the right motion when I take one.

Hoffman: So it's, I think, down here.

Sandoval: And just to be clear, Mr. Gallagher, does that include all the information we need to in order to move forward with regard to the action as described in Agenda Item No. 12?

Gallagher: I believe, Governor -- for the record, Dennis Gallagher from the Attorney General's Office. The primary recommendation the staff is asking is that the Board approve the hybrid of DBFOM as the delivery method with the bonded construction completion. And to include Phase 4 in the construction along with Phases 1 and 3 of Project NEON, and authorize staff to at least alert the Interim Finance Committee that it may be coming forward in the future for approval from the Interim Finance Committee to approve a bond offering in connection with the Board's decision here today.

Sandoval: All right. Board members, any other questions or comments before I accept a motion?

Wallin: No.

Sandoval: If there are none, the Chair will accept a motion.

Wallin: All right. I make a motion that we use the hybrid DBFOM delivery method with a bonded construction completion payment and that we include Phases

1, 3 and 4 in this project, and that they -- NDOT goes to the Interim Finance Committee to advise them that we are looking to bond for the right-of-way. Is that good?

Gallagher: Yes, Madam Controller, that's very well said.

Fransway: Second.

Sandoval: Okay. Madam -- good answer. We have the motion that has been made by Madam Controller, second by Member Fransway. Any questions or comments on the motion? My only comment being that, again, I would strongly encourage the Department to get with every member of the Interim Finance Committee and ensure that you've made the investment and time that you've made with all the Board members prior to your presentation at the -- at that particular IFC meeting. So we have a motion and a second. Any further questions or comments? All those in favor, please say aye.

Group: Aye.

Sandoval: Opposed, no? The motion passes. Congratulations and I think all the members of the -- of this Board will agree that we truly appreciate the hard work of the individuals who's been associated with this project from NDOT as well as our contractors that are working with us. Thank you, Mr. Hoffman.

Hoffman: Thank you, Governor.

Malfabon: Thank you, Governor.

Sandoval: We will move on to Agenda Item No. 13, briefing on the Connecting Nevada Plan.

Malfabon: Governor, to cleanse the pallet, if we're going to go on to a planning study, Tim Mueller from Planning Division is here to present the outcomes from the Connecting Nevada Plan.

Mueller: Good afternoon, Governor, members of the Transportation Board, Director Malfabon. For the record, I'm Tim Mueller. I work in the Transportation Multimodal Section. And first of all, before I do anything else, I would like to recognize our Project Manager for Connecting Nevada, Lolene Terry with HDR. Without her efforts, the study would not have been possible.

Our goal at Connecting Nevada is really to be innovative, to create a new transportation system for Nevada. We've been at this for a while. These photos that you see right here are from a meeting that we had in August of 2005, and it was the Statewide Transportation Technical Advisory Committee, shortened up to STTAC. And we had meetings to come up with the original scope of what Connecting Nevada grew up to be.

The original thought of Connecting Nevada came from Chairperson Charlie Kokowski (sp?), who at one point was the STTAC Chair and the Public Works Director for the City of Las Vegas. And he asked the basic question what can we do differently. The outflow of that is what you have in front of you, the Connecting Nevada study. Our study, purpose and goals, what makes Connecting Nevada different. The main thing that makes Connecting Nevada different is we originally started out with no stakeholders at the very beginning. By the time we got to our first stakeholder meeting we had 300 in our database. By the time we had our public meetings at the very end of the study we had 900.

We look to establish policies and procedures to do transportation planning. Within the federal government they require us to do a 20-year look at transportation planning. Connecting Nevada goes far beyond that, all the way out to a 50-year planning horizon. We tried to be multimodal in scope, looking at all different types of transportation for the different segments of road. We also looked to improve our planning and environmental processes. We have tools in our toolbox now that we didn't have prior to Connecting Nevada.

Our first one is the travel demand model. How we got that is we were talking about the metropolitan's planning organizations earlier today. We asked and received all of their models. We stitched those together into our transportation network. We also have a GIS suitability tool where we were able to layer different types of GIS data together and perform great analysis. This is the cover of our planning and environmental linkages document. And we created a web mapping tool which is a great resource for anybody to use. It's available on our Connecting Nevada webpage. You can turn different layers on and off. This particular map here shows the functional classifications of Nevada roadways, the blue being the interstates, the red being the U.S. routes.

Our project timeline on this, we had an original Phase 1 which was a feasibility study that got completed in September of 2009. Phase 2, which you have in front of you, began in May of 2011 and the report got published, delivered to us in April. If you haven't had the chance to go out to ConnectingNevada.org, I would highly recommend it. There's a lot of project information there including our stakeholder documents that goes into terrific detail of what our stakeholders told us.

Again, what makes Connecting Nevada different, the large amount of stakeholders and their involvement. We modeled our Technical Advisory Committee who we invited to that after this Board here where we have non-NDOT representatives on that Board. For Las Vegas, we had the Las Vegas Convention and Visitors Bureau. In Reno, we had International Game Technology. And in District 3 in Elko we had Newmont Mining. So from the very get-go, before we even had one meeting we had stakeholders representing our districts. We had a series of Technical Advisory Committee meetings and Steering Committee meetings over the course of the study. In addition to the stakeholder meetings that we had, we had those meetings in lots of different locations. We had them in Las Vegas and Reno, Winnemucca, Elko and Ely and Tonopah.

Under primary needs, again, this was collected by talking with our stakeholders. These same five areas were the same no matter if you were southern, northern, eastern, western, urban or rural. And with that, Mr. Governor and members of the Board, I would like to conclude my presentation and open it up for questions.

Sandoval: Questions from Board members? I actually did look through the entire packet and it's a tremendous amount of work, and as you reminded us that it's been going on since 2005. But you said -- I was impressed with the amount of stakeholders that you did have involved. And what was that number? I mean, it was two full pages single-spaced.

Mueller: Yes, that's correct, Governor. We have 900 people within our database. And they're listed by organization on the inside front cover of the document, because it's just important to show how many people have a vested interest in Connecting Nevada.

Sandoval: I guess the better question was who wasn't involved.

Mueller: I don't know.

Sandoval: No, I just -- again, I mean that as a compliment as how thorough that is. Any other questions or comments from Board members? All right. Thank you very much.

Mueller: Thank you.

Sandoval: We'll move on to Agenda Item No. 14, old business. Mr. Director.

Malfabon: Governor, on old business we have the report on the Construction Working Group activities. This is the subgroup of the Transportation Board that's been looking into primarily some issues related to construction projects such as Prompt Pay, DB Program, closeout of projects. And they've been actively engaged in providing guidance to the Department in terms of how we're trying to improve those processes and trying to close out projects in a more timely manner. We appreciate the involvement of the Controller and Member Martin under the leadership of Len Savage on this Construction Working Group. We're prepared to answer any questions about the materials provided on what the working group has been looking into. Seeing none, Governor…

Sandoval: Well, perhaps -- I don't know if Member Savage wanted to have any comments with regard to the CWG.

Savage: Yes, thank you, Governor, and I would at this time. I sincerely consider this a privilege to work with Madam Controller and Member Martin and Mr. Malfabon and his staff, Mr. Nelson, Mr. Terry. There's so many people within the group. I think it's been extremely beneficial to take some low-flying fruit off the level of the Board and always having the opportunity to take it back to the Board. In the urgency, the workshops, the meetings that we have have been very productive and I compliment Mr. Shapiro as well, the staff, Mr. Kaiser, Mr. Dyson. There's so many people out there, the FHA. Everybody has been involved on the field and it's extremely valuable to have the roll-up-your-sleeve discussions and try to take care of the issues at hand, looking towards a better future for the construction side of this Department. So I thank you, Mr. Malfabon, Mr. Hoffman…

Malfabon: Thank you, Member Savage.

Savage: …your entire staff.

Malfabon: I know that one of the things that has really benefitted from the instructions and the direction given by this working group is that a lot more meetings are happening on a regular basis between the resident engineers who are really where the rubber hits the road on construction administration…

Savage: Mm-hmm.

Malfabon: …to actively engage them on how we can improve our processes both in terms of working with our contractors and how we administer our contracts and closeout our contracts. So I thank the staff and the districts and the resident engineers for their efforts, as well as the leadership from the Construction Division and from Assistant Director of Operations Rick Nelson.

Savage: And one other thing I forgot to thank Tracy as well, and there are probably some other people, but sincere thanks. Thank you, Mr. Malfabon. Thank you, Governor.

Sandoval: Member Martin.

Martin: Yes, sir. Thank you. I, too, wanted to thank Terry. I sent down what was it, two weeks ago or so, and she went through plans. They went through, her and Mary, and it was astonishing the amount of progress they made. And I committed to attend one of their meetings, and I think that one's in July that -- where they sit down and meet with the resident engineers and have a discussion. So I appreciate your help very, very much (inaudible). That was awesome to get that kind of one-on-one interaction, so thanks again.

Malfabon: And her commitment to see -- follow through on a lot of those improvements, Deputy Director Tracy Larkin Thomason has actually traveled around to the other districts, gone up to Elko and met with the resident engineers up there too. So I appreciate your comments, Member Martin.

Sandoval: No, and my thanks to everybody who's involved because I know it's a lot of additional commitment, time and effort. But I also know that the construction industry really appreciates it and it is a great opportunity for them to interface with the members of this Board. And as you say, it's really taken some of the workload off of our regular Board meetings, but at the same time it's improved the relationship between the Department and the Board and the construction industry in a very big way. So thank you.

Martin: Thank you.

Sandoval: Mm-hmm.

Malfabon: The next item, Governor, is Outside Counsel Cost Report for open legal matters. And as you can see, we have several law firms that are assisting the Department in various cases, primarily in the areas of construction litigation and a lot going towards the imminent domain issues that we see on Project NEON, Boulder City, and on Cactus Interchange. So we benefitted immensely from the assistance from Laura Fitzsimmons. I wanted to mention specifically because she's really changing the way that we do business at the Department both in terms of right-of-way acquisition and engineering on our projects. So informing our engineers and project managers how to deliver projects in a -- in a manner that reduces and mitigates risk. So it's more upfront now as far as the consideration on how much these projects could cost and how we can reduce impacts on imminent domain. So we're willing to answer any questions about the Outside Counsel Costs on open matters.

I see none. The Monthly Litigation Report includes several imminent domain actions. It kind of gives you an update. We do have the Add America case that will -- one of those cases is going to the Supreme Court, correct, Dennis?

Gallagher: Yeah. We hope.

Malfabon: And so there's -- several are related Project NEON, and just a necessity in order to acquire imminent domain through the imminent domain process. We have to take folks to court. As you pointed out, Governor, sometimes people don't even give a counteroffer. They just want more money, but they don't define that or substantiate it, so we find ourselves unfortunately in court. But we're always willing to negotiate with the property owners in these imminent domain actions. There's also tort claims, contract disputes and personal matters listed there. Unfortunately, we can't get into some of the legal details, but at least we can provide the report of what we're dealing with in terms of monthly litigation.

In section -- well, that kind of covers Sections C and D. The Section E is the fatality report. And you can see that we've had enough (inaudible) in fatalities. The latest information is that we're about flat with comparison to last year at this time. And hopefully we'll take the rest of the year -- as you saw in the contract that you approved today, we are taking the right steps with our projects and also with our partners in law enforcement, in the education arena and in emergency medical response to drive those fatality statistics down in our state. These numbers are provided for -- that cover every state and local road in Nevada. So we work in partnership with those local agencies as well to try to drive these numbers down.

In the future, we will have a presentation on outlining these efforts in the safety program to drive down fatalities on our roads as we've adopted a zero fatalities program in our state. Any questions about the fatality statistics?

Sandoval: Is there a breakdown between the fatalities on the highways versus the surface streets?

Malfabon: I believe that we can get that, so we'll provide that in the future.

Sandoval: Mr. Martin -- or Member Martin, excuse me.

Martin: One of the things I noticed in driving 95, you're now using the (inaudible) standardize as we were informed last month, so…

Malfabon: Yes.

Martin: …I was -- I've seen that on a number of occasions. I think that's pretty impactful. I think the last number I seen was 114.

Malfabon: Yes, we rolled it out when we, unfortunately, had reached that benchmark of 100 fatalities. And as Member Martin has indicated, it's very impactful. It makes it more personal. It makes people more aware of their own driving habits. And that's the key, I think, in driving behavior is to start with ourselves and how we drive down the road. Do we speed? Do we do some things that make us distracted with cell phone use, which is illegal? And definitely seatbelt usage is another area that we're trying to improve. Even though we have good utilization in our state, we'll present some information in our safety presentation about how we could impact those numbers and drive them down if we had seatbelt usage increase, because that's where we see a lot of the fatals and serious injuries.

Sandoval: In the -- just one more. Member Savage.

Savage: Yes, thank you, Governor. And one other thing that -- the license plate frame I think the Department came out with as far as the zero fatalities.

Malfabon: Yes.

Savage: I've seen it on a few vehicles and it just -- it stands out so strong because you're right behind that other vehicle. And I don't know if that's in conjunction with DMV or the Department, but it's a great avenue, I believe, to again educate the population. Thank you, Mr. Malfabon.

Malfabon: Thank you, Member Savage.

Savage: Thank you.

Malfabon: That is in partnership with the Department of Public Safety, the Office of Traffic Safety. So they produce a lot of those types of devices and things that can spread that message and really drive that home. So I know that Bill Hoffman has one of those license plates holders on his vehicle.

Hoffman: I do.

Malfabon: I still have to put mine on, but I do have it.

Hoffman: I have a screwdriver.

Malfabon: We'll do it at lunch time.

Sandoval: Please proceed. Any further?

Malfabon: Governor, I just wanted to highlight a few of the upcoming Board items. As I mentioned, we will have the EPA audit contract, kind of the consultant contract. It's going to address the audit findings in that coming up forward hopefully next month. I wanted to talk about specifically the water rights issue and the property acquisition issue that we went through on Falcon Capital and the lessons learned for the Department so we can avoid that type of situation in the future. We'll have that in the coming month, an in-depth presentation on the right-of-way acquisition, but also an overview of how the PISTOL and imminent domain law changes in Nevada are affecting the Department. And also eventually we'll have a -- we are looking at alternative means of funding through vehicle miles traveled instead of the per gallon gas tax. And we'll have a presentation either next month or the month after on that alternative funding study that NDOT has participated in with other states. And also an overview of the safety program as I mentioned during the Fatality Statistics Report.

Sandoval: Does that complete your report on old business?

Malfabon: Yes, and I wanted to mention that the Attorney General has asked about a bill that I had -- I (inaudible) and not covered in the legislative update of the Director's Report. But Senate Bill 322 did pass with an amendment. Madam Attorney General had graciously offered to step off the Board with some of the other Board commitments that she has on Board of Examiners and other issues. She saw it as an opportunity to volunteer to step off the Transportation Board and allow the Governor to appoint another member that would represent Southern Nevada.

As you saw today, anyone that was watching this Board meeting knows that our Board is very engaged and very deliberative in its decision making. They ask a lot of questions, so I just wanted it to be known that our Board is doing what a board is supposed to do in directing the Department and being very engaged and making those decisions and providing that direction. So it's a -- in some of the press that was supported in the original format of that bill to have a lot more representatives from Southern Nevada, I think it was putting some information out there that was in error as far as the Board's decision making versus how much federal revenue that the state receives. We've actually received plenty of money from other states that didn't obligate their federal funds. So the Board has been very engaged, and I just wanted to note that. The change in the Board would go into effect January of 2014.

Sandoval: So, Madam Attorney General, you're still with us for another six months.

Cortez Masto: Thank you. I appreciate that.

Sandoval: Any questions from Board members with regard to Agenda Item No. 14?

Fransway: I have a question.

Sandoval: Member Fransway.

Fransway: This is to you and Rudy. I apologize, I didn't ask it earlier, but it's relative to the legislative session. And I'm wondering if the 85-mile an hour speed limit, how did that go?

Malfabon: The 85-mile per hour speed limit did not pass, so it didn't even make it to the Governor's desk. Another one that was safety related was motorcycle lane splitting. That did not pass either.

Sandoval: There was another bill that did pass that I've signed with regard to the private sponsorship of rest areas if you…

Malfabon: Yes, and…

Sandoval: …want to go into detail on that.

Malfabon: …that was one that we worked in concert with Department of Tourism. And the idea there is to offset some of the state's cost in providing services through the rest areas. We also could look at it as an opportunity to provide wireless connectivity at rest areas. So any type of expenditure that we have at rest areas; janitorial services, lawn care or landscape maintenance, power bills -- all these things come into effect at rest areas. And our state wants to continue to provide rest areas because of the safety element and the quality of life element of providing rest areas. But the key is that the sponsorship is an opportunity now similar to what we have on our Sponsor a Highway program. So private companies could come in and offset some of the state's cost at rest areas.

Fransway: Are there different levels of sponsorship?

Malfabon: We do have to develop that program, and I think that that's a good opportunity that we could -- you've seen that on other sponsorship programs where they have kind of the gold level, silver level. And we entertain a lead level because anything that offsets our costs, that's where you go.

Sandoval: All right. We'll move on to Agenda Item No. 15, public comment. Is there any member of the public here in Carson City that would like to provide comment to the Board? I see none. We'll move to Las Vegas. Madam

Attorney General, is there anyone present who would like to provide public comment to the Board? Can you hear us in Southern Nevada?

Malfabon: It must have froze up.

Sandoval: Well, I don't know if we can adjourn the meeting without getting public comment from Southern Nevada.

Gallagher: Governor, they pose an interesting question. I hope I don't have to research it. So I'm trying to buy a little time here for the reconnection.

Malfabon: That's District 1, so it just disconnected. So…

Sandoval: Why don't we call her directly on the phone and then if there's somebody there we can patch them through on the speaker.

Malfabon: Do you have her number?

Unidentified Male: Yeah. Well, we'll find the number (inaudible).

Malfabon: Oh, okay.

Unidentified Male: We can't call her on the phone either, so the network has gone down.

Malfabon: Yes.

Unidentified Male: We tried her cell phone number…

Malfabon: Yes.

Unidentified Male: …our network has gone down.

Unidentified Female: Do you want me to call her secretary and see if she can connect me to her?

Malfabon: I think the Controller (inaudible).

Sandoval: Okay. We'll wait a couple minutes and -- does that mean if the whole network is down that they can't hear the audio as well?

Unidentified Male: Correct.

Sandoval: All right.

Unidentified Male: We've lost power somewhere. That's why we have no connection.

Malfabon: I'm going to call the main office there.

Sandoval: We'll give it a couple other minutes to see if the Controller can reach the Attorney General. I think we did this one meeting before where we had a cell phone.

Unidentified Male: We did. We did.

Malfabon: Yeah, I'm going call the main desk there and ask them to just check the room and then -- I'm getting a busy signal. That's weird.

Gallagher: Governor, if you'll excuse me, I'm going to run and pick up a copy of the open meeting law just in case.

Malfabon: Yeah, that's what I'm trying to -- hey, Mario, it's Rudy. We've lost connection on the video conference. Could you go over to where the Transportation Board meeting was being held in Building B and see if there was anybody waiting to provide public comments? Okay. The only two people in the room were the Assistant District Engineer and the Attorney General. So there was nobody to provide public comment. They left. So I -- if you could go confirm that there's nobody there in the room then that way we can adjourn. I'll just stay online. I don't want to lose you. Okay. Bye-bye.

Sandoval: Mr. Gallagher.

Gallagher: Governor, the -- after some quick research I believe the open meeting law merely requires that two public comment periods be made available, not necessarily at every location. And I think given the technical difficulties that we may or may not have people present in other locations is suffice -- I think the open meeting law is met if you offer public comment here in Carson City.

Sandoval: Yeah. Well, and for purposes of the record, we have had a representative from NDOT check the room. Neither the Attorney General or the employee of NDOT is there anymore. And there's no other member of public present in Southern Nevada. Also, just for the record, that we've had a technical difficulty, so as a practical matter it's been impossible for us to communicate with the Southern Nevada meeting room and we took public comment at the beginning of this meeting from Southern Nevada.

Gallagher: Yes, Governor.

Gomez: Hey, Rudy?

Malfabon: Yes.

Gomez: The room is empty.

Malfabon: The room is empty.

Sandoval: All right.

Malfabon: Thank you, Mario.

Sandoval: So we have confirmation from whom was that?

Malfabon: It was Mario Gomez, Assistant District Engineer.

Sandoval: Okay. Mario Gomez, the Assistant Engineer has advised us that there's no one present in the room, so we will close public comment and move on to adjournment. Is there a motion to adjourn?

Wallin: I move to adjourn.

Martin: Second.

Sandoval: We have a motion by the Controller, second by Member Martin. All those in favor, please say aye.

Group: Aye.

Sandoval: This meeting is adjourned. Thank you, ladies and gentlemen.

Secretary to the Board

H. Stocks

Preparer of Minutes