

Minutes of Nevada Department of Transportation  
Board of Director's Meeting  
August 12, 2013

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

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Sandoval: We will call the Department of Transportation Board of Director's Meeting to order. Can you hear me loud and clear in Southern Nevada?

Martin: We can hear you. Not loud, but that probably is our fault.

Sandoval: All right. Then we will commence with Agenda Item No. 1, Director's Report. Rudy Malfabon.

Malfabon: Thank you, Governor, Board members. I wanted to introduce our new Assistant Director of Administration, Robert Nellis, to the Board. He had some great references, actually has been through the Certified Public Manager program from the State. He comes to us from the Office of Energy where he ran the ARRA funds for the energy projects in the State of Nevada. So welcome, Robert. And he will be getting more engaged next month at the Board meeting. He's more an observer today, so he's off the hook.

Sandoval: You get a one-month reprieve.

Malfabon: We wanted to also acknowledge the passing of Father Caviglia who was a Transportation Board member for several years, very much engaged in transportation issues in the Las Vegas area where he represented District 1 for over a couple decades. Definitely, he will be missed greatly here in the State of Nevada.

On the federal side, Governor and Board members, the transportation funding has not been authorized yet for the next federal fiscal year starting October 1. So there is a difference of opinion between the Senate and the

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House. This transportation bill includes housing and urban development funding as well. So there are larger issues to deal with in Congress with budget and raising the debt ceiling for United States. So hopefully they will come to an agreement on that Transportation and Housing Urban Development Funding package.

But one of the things that is a difference of opinion is the House does not want to support the TIGER grant program, which a lot of local agencies and RTC's have submitted projects for consideration. One of the projects that was submitted includes Flamingo Road, which is RTC's future project for bus rapid transit. That one is kind of a joint submission for that grant program. We will see what happens, but hopefully we will just have a continuing resolution. That's how Congress basically keeps money in transportation when there is no agreement on the appropriations bill.

Sandoval: Excuse me a moment, Mr. Director. Before I go on, I neglected to ask if Madam Controller, are you on the phone and can you hear us?

Wallin: I can hear you, but just barely. I'm really having to try to listen hard, so I don't know if they can turn the volume up on Rudy's mic or what, so...

Sandoval: All right. We'll see what we can do and if you can't hear something...

Wallin: Okay.

Sandoval: ...let me know.

Wallin: All right. Thank you.

Malfabon: An update on Project NEON, we did release the request for qualifications, so that's our prequalification process for the design-build-finance-operate and maintain procurement. We had an industry day in Las Vegas with over 200 folks in attendance. A lot of the teams are participating in the one-on-one's with asking more pointed questions to the group of folks at NDOT and our financial and legal advisors. And they usually don't say too much in the public forum. They leave it for the one-on-one meetings so that they can keep their cards close to the vest.

We have started our Interim Finance Committee member briefings. We have had three briefings and are going to have a couple more scheduled. There's about eight or so members of the IFC Committee that have not been

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briefed yet, including Speaker Kirkpatrick. But we did brief the Chair and the Vice Chair and several members of the leadership of both sides in the Assembly in the Senate. So it's going well. We had a lot of questions. We also briefed the LCB staff in one of those briefings up here in Reno.

The Boulder City Bypass Project is proceeding. We are doing direct coordination with the RTC of Southern Nevada, as they anticipate the Clark County Board of Commissioners approving the Fuel Tax Indexing Measure in Clark County, which will fund Phase 2 of the project. So we are working in alignment to make sure that our schedules match for Phase 1 and Phase 2.

One of the things that we would have to look at and bring to the Board, if we recommend it, would be looking at procurement options for Phase 1, the remainder of the packages for Phase 1, which is from Southern Henderson all the way to U.S. 95 interchange and realignment of the freeway there. But we are looking at possibly construction manager at risk as an option to deliver that and save some time on the schedule and match it up with the RTC's design-build procurement for Phase 2.

In the Fuel Tax Indexing Measure, right now the County Commission in Clark County is receiving a lot of input from voters and stakeholders on that measure. It will be coming up for a vote formally in early September. But right now they are just taking a lot of input from the public on that measure, and we will see what happens. Obviously it's a huge investment. Should it pass, several projects will be funded, including the anticipated funding that RTC of Southern Nevada is looking at giving to NDOT for the Boulder City Phase 1 project and also for the U.S. 95 widening in the Northwest in Las Vegas.

Unfortunately, we are receiving a lot of tort claims for some accidents that happened previously. The collision with the Amtrak train and that truck that happened a couple years ago is -- we're seeing an increase in tort claims as a result of that to the Department. Also, there was a death in a construction zone involving a project up at Lake Tahoe. And we will keep the Board informed in the legal updates on those tort claims and see if there's any kinds of settlements or if NDOT can actually get out of those cases. Typically, that's the contractors that sometimes make those payments for tort claims for fatalities in their work zones.

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I wanted to also advise the Transportation Board that in the previously approved measure for acquiring sweepers that were funded through Congestion, Mitigation and Air Quality funds, that's federal funds that go to the RTC in Washoe County and also the Southern Nevada Public Lands Management Act, SNPMA, funds at Lake Tahoe funded five sweepers that the Board previously approved for purchase. And we are seeing from State purchasing that the prices came in a little bit higher, so about another \$100,000 -- I'm sorry. It was \$270,000 anticipated that the Board approved, and the actual cost is \$288,000 per sweeper. So it's a little bit more cost, about \$18,000 more per sweeper. So we will proceed with the procurement, but what we are looking at in the future for sweepers is to rebuild the existing ones that we do have, acquire these five new sweepers that the Board had approved with those federal funds. But there will be an additional amount of State funds expended to acquire those five.

And an unfortunate note, our bridge inspection vehicle was in for repairs and certification in Minnesota recently. And during the transport on the way back after the repairs, it actually hit a bridge. So that was the responsibility of the transport company. They are pointing their fingers at the people that kind of give them the routes to take. But it is not the responsibility of the State of Nevada for the additional repairs on the damage to our bridge inspection vehicle. We do have another bridge inspection vehicle that we're going to be using in the meantime, but this was the larger one that was back there for certification and repairs. So we're not at risk of falling behind on our bridge inspection as a result of that, but we will have it in the shop a little bit longer. And that concludes the Director's Report.

- Sandoval: Board Members, do you have any questions or comments for the Director?
- Fransway: Thank you, Governor. Rudy, during your briefings with IFC members, have they been made aware of the fiscal impact to the Department resulting from PISTOL?
- Malfabon: We did not get into details on the fiscal impacts of PISTOL, but we do mention where we're at as far as the status report on right-of-way acquisition during those briefings. But they have -- in discussions previously during the legislative session, we talked about the risk to the Department and how much we're paying out and trying to keep the highway fund balanced at the 90 to \$100 million.

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- Fransway: Thank you, Governor.
- Sandoval: Any other questions? Let's move on to Agenda Item No. 2, public comment. Is there any member of the public here in Carson City that would like to provide comment to the Board? Is there anyone in Southern Nevada who would like to provide public comment to the Board?
- Martin: No, sir.
- Sandoval: Move on to Agenda Item No. 3, approval of July 8, 2013, Board of Directors meeting minutes. Have all the members had an opportunity to review the minutes and are there any changes?
- Krolicki: Governor, if I may, it's not a change, but it's perhaps something just to make me feel better. I was on State business very far away, so the ability to participate by phone was really not practical. Absent excused is a wonderful item, I think, in minutes. And I just want to make it clear that I was on State business on the other side of the planet and that's why I was unable to participate. Thank you.
- Malfabon: Thank you, Lieutenant Governor.
- Sandoval: If there are no other questions or comments, the Chair will accept a motion for approval.
- Savage: Move to approve, Governor.
- Sandoval: Member Savage has moved to approve. Is there a second?
- Fransway: Second.
- Sandoval: Second by Member Fransway. Any questions or comments? All in favor, please say aye.
- Group: Aye.
- Sandoval: Motion passes unanimously. Move on to Agenda Item No. 4, briefing on VMT study.
- Malfabon: Thank you, Governor. Alauddin Kahn who is our Chief of Performance Management is going to give this presentation to the Board.

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Kahn:

Good morning, Mr. Chair, and honorable Board members. My name is Alauddin Kahn. I will be providing you an update on the Alternative Funding Study that we have been conducting. I apologize about this. Excuse me. Thanks. As Mr. Malfabon mentioned earlier, funding is a problem and we just keep waiting on the federal government to let us know how much funds do we have every year, and that process continues. And still there is a process of continuous resolutions and we still don't know, which impacts our program delivery and project delivery. We cannot really make a sustainable program based on those uncertainties.

The current funding mechanism, as we all know, is fuel tax. And that has been a good source of revenue for the transportation system for decades, but it has not been inflated just at inflation since 1992. And based on a lot of the studies that are being conducted right now, that this is becoming less and less of an effective source of revenue for the transportation system.

Just to show here right now in Nevada, we are approximately 57 -- 55 cents per gallon. That generates the bulk of our transportation revenue for the highway system.

Why is alternative for a new mechanism needed? One of the major problems that is not right now but that's future oriented is the enhanced fuel efficiency standards. By 2016, the current administration has proposed a 37 miles per gallon fuel efficiency across the board. And that has a direct impact on our revenue, and I will show you a slide showing the impact of that. That's a good thing for the environment, but not good for the transportation.

Alternative fuel vehicles, another great thing for the environment, for the economy as well, but, again, more people drive more of those vehicles in the future, they will, we'll be collecting less and less revenue per mile from those and the same damage will be occurring on the roads. And the fuel tax will become less and less effective over time because more of those alternative vehicle fuels will be used on the road.

The dilemma with the fuel tax structures that we have right now, if we look at this chart, it shows that -- and I just showed only '94 onwards because the gas tax has not been raised since then. As a percent of the per gallon, it was around 45 percent in the '94, '95 timeframe. Now it has gone effectively to 17 percent, which is contrary to any other commodity. When the price goes

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up, normally the revenue generated from those sources also go up. It is a misperception in the public as well. They think that the \$4 per gallon today, most of that is going to Transportation. So I just wanted to share that.

Moving forward and looking to the future, just the impact of those two elements, the alternative electric vehicles and hybrid vehicles and the enhanced fuel efficiency standards, we are looking at approximately \$38 million less just for the State highway fund. And that does not include the impact of the RTC's and the local agencies. If we include that, it would probably easily be around \$100 million.

So to try to find a solution for our funding problems, we have initiated this VMT free research study. And we are not the only ones. There are many other states across the nation conducting that. I will talk to you about that as well. The purpose of this study is to find a mechanism that is sustainable and equitable. And it's just a replacement of the fuel tax structure, not in addition to that. That's what we are proposing. At least we're working on it right now.

We are not advocating for VMT fee as just the only revenue source in this study. We are looking at a broader spectrum as well. There may be some other solutions that may come out of the process. And we are not discussing raising fuel taxes or the fee at this point in time. Those are policy decisions that will be decided by the public and/or elected officials when we have all the answers on the table.

We started this study a few years ago and we did very basic level of public education outreach and involved Nevadan folks to see how they feel and think about it. GPS was the biggest problem. Privacy is a major issue for people here. So what we decided, we are actually one of the first states to completely move away from GPS and tracking and privacy concerns and do a non-intrusive mechanism.

We met with editorial boards to educate them and inform them about the funding issues and the details of the study as well. And when we moved from the GPS tracking and privacy, the perception actually changed. We did a little follow-up survey after that and engaged our participants in the process. And people are now more open to the discussion of there is a problem and we need to think about it. What solutions can we come up with? Because the congestion is a major issue and it will continue to be a

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problem. So that was a good thing at least in terms of gaining the support of the people. And we, as part of our study, have been constantly providing information to the public to educate them and inform them what the issues are. And as I mentioned earlier, that misperception is there that with the increased price of gasoline, more revenue is going to the State highway fund.

Some other reasons for that, if we look at -- and these are some average numbers only. An average Nevadan is paying between 15 to \$18 a month in total fuel tax that goes to the highway system, which is far lower than any other utility bills that we pay. But our entire system and the economy and jobs and growth depends on this highway infrastructure.

What we are expecting and this is -- we don't have any solid numbers. But if we are sustainable in self-sufficient funding mechanism, there is a good opportunity moving forward that the cost of borrowing may go down, because the private sector may feel comfortable. They may feel like there is sustainable funding mechanism. They don't have to worry about raising the fuel taxes, or on the federal government, how much revenue is coming in the future years. That could be a good thing for the states.

And Nevada is uniquely located, our geography, (inaudible) state and are -- we are a tourism-based economy. We receive almost 51 million tourists, 17 times our population. So we really need to look at that as a State and not let the federal government decide whatever they do and then we don't have a voice at the table at the end of the discussion.

What's included in the study? We are primarily focusing a lot on the public involvement at the grass roots level. The revenue distribution between local agencies and the states is another major issue that has not been looked at. We will be looking at that as well. The financial impact on low-income people, high-mileage people, especially the people who are driving from the rural areas and the equity between those people and the impact of out-of-state visitors and how the systems will operate, the system between California and Nevada or Utah, Nevada and Arizona, because there will be no one system that will be applicable across the board. So we are considering those as well to look at and see what answers we can get from that.

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The cost of administration is a major issue. Some of the studies have proposed that the cost could be as high as 25 percent. But when we looked at ours, we are trying to minimize that and keep it at whatever we have the existing cost of administration, which is between three to six percent. If we keep it in that range, I think that will be a major achievement.

And then another plan is we need to look at the transition plan for that. If this becomes a reality, how do we move forward from the current fuel tax mechanism step by step so it's not a huge burden on existing revenue, I mean, the institutional structure like the DMV and the distributors and the providers.

We are doing extensive public outreach as part of this study and will be continuing to do that in the next few months as well. We will be definitely going out to the public at the grass roots level, basically at the district's level, not just doing one meeting in Reno, one in the Las Vegas area. We will go to the rural areas and anywhere we see that there is a possibility or opportunity to talk to people. Political leadership, we are involving them also in these discussions. The policymakers, key stakeholders. There's a group of stakeholders, we are involving those as well. And then we want to include the business owners, farmers and those people as well to see what are the impacts of this and what kind of system are they looking at into the future? Are they in support of this or not?

The feedback that we have received so far, they say it needs to be constitutionally protected the same way as it is right now, the Highway Trust Fund. Some other issues, the cost of administration should be very low. At least, technology. Technology is a concern. People don't really want to be tracked. And we are moving in that direction to give them options and not just the big brother situation there. Nevada alone cannot do that. It has to be on a mega regional basis, including our neighboring states and maybe some West Coast in moving forward and testing the model.

What are some other innovative options of this funding or alternative funding's? Is VMT the only one or do we have others? Other states have looked at some other solutions as well, and we will be looking at those as well to see what is the most viable solution.

We think our study -- we are basing this on five cornerstones we call develop position for a study. The public involvement is one of -- the basic

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one. Without that, I think it will be very hard to move any further. The cost of administration, our focus is to keep it to that. And we will see what comes out of the study from the pilot test and what factors need to be looked at. Mitigate privacy concerns. GPS could be an optional element, but we are not including that in our study. If somebody wanted to be -- to use their cell phones for reporting their mileage, they could do that as well.

And then minimize the bureaucracy. We do not really want to create a new burden on the existing DMV structure, and that is a major concern. We are trying to find ways that, with minimal resources, how we can move forward with this new mechanism and then do a transition plan over time. And any other risks that are for the stakeholders, how do you minimize those? How do you include them in the process so they are part of the decision making?

The new funding model, we need a model that is really flexible. The current model is really basically rigid. There is nothing we can do with it. Basically, it's just a fuel tax and not much (inaudible). If we are able to come up with a new mechanism, we think it should be flexible. It should address the issues. There are major issues there. It needs to be future oriented so it stays there for generations to come. It doesn't have -- we don't have to go back every five or ten years and change and ask for voters' approval if we must agree to it. It has to be user paid and then it needs to be self-sufficient. So whatever the system needs are, it just gets paid like any other utilities, any other needs of the system, cell phones, water, electricity, all those things that are just automatically paid back to us for financial models.

Can we make it happen? There is a significant momentum happening right now across the nation. We need to forge some powerful strategic consensus, not just at the DOT level but the local governments as well and/or sister agencies of neighboring states. We need to keep it separate from financing options for the public, because when people talk about those two things, it gets confusing. And then let the users decide whatever is best for them. So that's our approach to moving forward.

This map actually shows some of the states that are either directly involved in VMT studies or they are considering or there is some discussion happening right now. The green ones are the ones who are somehow involved in the VMT discussions. There was a National Surface Transportation Financing Commission in 2009. They, in very strong terms,

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recommended VMT at least studying it further. There was another commission policy on a Revenue Study Commission in 2007, they also looked at it. Both the commissions had, I think, some elected officials, business owners and CEO's of corporations.

We have had some discussions with Congressman Earl Blumenauer as well. They wanted to see what we are doing and we are meeting with them. We are having discussions with Utah DOT, Colorado DOT and our neighboring states. And actually, last week in Washoe, the Western Association of State and Highway, I think 18 other states agreed to at the very basic level of collaborating their resources and working together to look at this. So there is significant reasonable momentum happening even at the national level.

This is actually something positive for the VMT or Alternative Funding Mechanism. Oregon has been the leader and they still continue to be that. They recently passed legislation to test up to 5,000 vehicles using this new mechanism. But the details, if you wanted to know, I will be more than happy to provide you something, maybe a summary of that. But at least they are the first state to try and test that.

What we think is the most important is we need to build a strong and resilient platform first before really jumping the guns and trying to include all the technology and complicated issues there. We build a strong foundation and then we can move from there, a transitioning plan. And then ultimately a new mechanism can be put into place.

Our study, we are trying to put a sunset on this by, like, between 2013 to 2015, during the next two, two and a half years, have all the answers, anything that is a question, we need to get an answer for that and test it and have it for the decision makers at the table so they can make an educated decision based on facts. And with that, I'll be more than happy to answer any questions.

Sandoval: Thank you, Mr. Kahn. My first question is this, you mentioned Oregon, are there any other states that have adopted policy or are considered leaders on VMT?

Kahn: No. Unfortunately, Oregon is the only one. They got their legislation passed in June, actually.

Sandoval: And so that map is all the other states that are studying this very same issue?

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- Kahn: Right. Absolutely.
- Sandoval: And is your target, if you're going to recommend various policies for us to consider, going to be so that we would have those prior to the 2015 legislative session?
- Kahn: That's the plan at least for now. But if the direction is that we really move aggressively and rather than waiting two years, we go and, you know, use our existing resources in the maximum possible way in the State boundaries, we could do that as well. It would be possible.
- Sandoval: I just -- you know, if we don't have those to consider by 2015 and it's got to wait until 2017, and I think everyone ought to have that in mind, because this is a huge policy issue.
- Kahn: Absolutely.
- Sandoval: I don't think it can wait until 2017.
- Kahn: We can certainly prioritize that if that's the direction we go. And we have the resources on our team, the capabilities that we can make it happen.
- Sandoval: And then I don't know if we need to get too far into the weeds on this, but, you know, when you consider this by mileage instead of purchasing it at the pump, how is that billed? I mean, I don't think people are going to like getting a huge bill at the end of the year or quarterly. I don't know how -- what the mechanics of that would be.
- Kahn: In our study, actually, what we are proposing is -- that's an excellent point, because it's a major concern for a lot of people. They don't want to be, you know, just burdened with a \$300 bill at the end of the year. We want to explore at least six or eight different options including monthly payments, including quarterly payments, six monthly payments or at the end of registration, they could do that. There are other ways of, you know, like, we are trying to stay away from the GPS and the cell phone. But there are ways that people could actually even do, like, biweekly payments. Some other states are trying that. So there are ways that we can include those in our study. But we really want to stay away from the GPS, and we meet with people and see what is best and acceptable to them here in Nevada specifically.

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- Sandoval: Yeah, GPS is a pretty sensitive issue right now and has been.
- Kahn: Absolutely.
- Sandoval: But can you separate the tracking and the mileage from location tracking?
- Kahn: Absolutely. That's what we are actually really focusing on. And we have come up with some ideas that are a very preliminary stage right now. But maybe, like, in a month and a half or two months, we will have something solid. And we will come back to you and discuss with you that these are some of the options we want to pursue and we look at it. There is no GPS tracking. There is no tracking at all. And that would have, basically, very minimal impact on the current collection system that's occurring at the DMV, so they don't feel a huge burden on them as well that they may not be asking for another \$20 million of resources through this new structure. So we are trying to come up with some ways of exploring those options instead.
- Sandoval: And just out of curiosity, this is off, so there would be some type of app or system that would automatic -- I could look and see how many miles I travel and get an estimate of what my bill would be?
- Kahn: Absolutely. Absolutely. And then it will not -- actually, it will automatically read -- it will be linked to the OBD of the vehicle. So there is no tracking, but it can only read the mileage from there. It converts those pulses into miles. It just reads that locally. And so there are ways that we are just completely avoiding the GPS and no tracking, and still we can achieve the objective.
- Sandoval: So can it tell the difference if I am driving outside of Nevada?
- Kahn: That's the concern, that the system contractibility -- we have to work with our neighboring states to come up with that. Like, how do we really capture that? Right now it's -- we cannot do it alone. We have to work with our -- and that's why I'm meeting with Cal Trans, Utah and our neighboring states to find -- come up with that solution for this problem.
- Sandoval: Because that's the thing is if I'm driving...
- Kahn: Right.

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- Sandoval: ...cross country for vacation or what have you and I have driven 3,000 miles and I get this huge bill, be it 2900 or whatever, 2500 of that is outside the state, I don't want to be billed for that.
- Kahn: Absolutely, yes.
- Sandoval: Okay. Any other questions from Board members? Member Savage?
- Savage: Thank you, Governor. And thank you, Mr. Kahn, for your presentation. It was well-done. And thank you, Rudy, for taking the proactive steps. I think it's very important for the Department to maintain a conversation and engagement with the neighboring states as well as the business community, the tourism officials, to understand the magnitude with being \$40 million less in 2016 out of the State revenue. I think it's very wise to address in the public, commercial and private setting to the magnitude that is going to affect everybody. And at that point, I would like to request a copy possibly, a paper copy of this presentation, Mr. Kahn, and...
- Kahn: Absolutely.
- Savage: Again, I really compliment the Department by being proactive, because as the Governor said, this is a major policy issue. Thank you.
- Kahn: Thank you, sir.
- Sandoval: No, and it -- policy and fiscal as well, because as the highway fund gets shorted, then general fund monies have to possibly subsidize that, which takes it away from other areas. So, again, that -- it's important for the future, so for budgeting purposes and everything, that we have these considerations so that decisions can be made going into 2015. I know I'm being redundant, but it's certainly important.
- Kahn: No, sir, that's a great point actually. I have forgotten, just for the sake of time, I really didn't go into the details, but we will be looking at a very comprehensive financial model as well, looking at the impact of this VMT, what will happen on the State revenues and what can happen with the entire system, the program delivery, long-term, short-term commitments, things like those as well.
- Sandoval: Any other questions from Board members? Mr. Lieutenant Governor.

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Krolicki: Mr. Kahn, thank you for doing this. This is, you know, fascinating. But I must tell you, it's somewhat intuitively discomfoting as well. And then the Governor was spot-on on comments about tracking. The next meeting is going to be far more interesting, I think, to me, because you are suggesting there are ways to do this without GPS. But even the app phenomenon is somewhat troubling to me. I get innovation. I am so willing to look outside the box, terminology, but to see solutions. You know, I know we need to find some kind of resources, but I am just not sure if this is the best way. Because I still think that at the end of the day, I mean, people are going to be burdened with additional cost regardless of how we do it and the scheme that's being imposed on, you know, the implementation or collection of these fees, you know, may just be far more complicated and intrusive potentially. So, again, I will have an open mind until then.

But we do need to keep a couple things in mind. The public has this idea that states are generating more revenue because of the higher gas fees, because many states do. I mean, we just happen to have a flat cent, you know, per gallon of 18 cents. You said 55 cents, but that's all of the taxes, including the federal.

Kahn: Absolutely. Right.

Krolicki: So the State portion has stayed the same for years, so has the federal. You know, some states like Georgia, you know, have a percent, like, a sales tax on gas. And so they were able, when gas spiked, to actually lower the cost or lower the state's portion, because they were collecting more than was projected. That's never been our situation. So Nevada is different. So the impression exists for some real reasons. Not to be an old state treasurer, but there are municipal bond implications. You know, we have pledged fuel tax monies, so this transition is complicated from an outstanding debt obligation because we'll be violating a lot of bond covenants potentially. So I hope that there's a sensitivity as we go forward to incorporate that with the law firms and the Attorney General's Office to make sure that we accommodate that kind of a transition so we don't find ourselves needing to fees bonds or be in technical default on debt.

I'm curious to see a differential, if there is one suspected, for commercial versus private vehicles. I have not seen, you know, that in your presentation. I would be fascinated to see how the regional approach actually works. You know, I see the Western sphere, the Pacific Time Zone

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is primarily onboard this, but how that captures the Governor's example of out-of-state travel will be, you know, extraordinary to me, especially if you're going east into Utah versus west into California. I'm sure California is far more prepared to enter into those kinds of conversations.

But I really do look forward to the implementation of this. You suggested in the program that it was voluntary or perhaps there's a transition period, but, you know, just full disclosure. You know, I know we need to address this philosophically. And just in my gut, I just feel like the VMT is perhaps not the best direction to go. I will keep an open mind.

Kahn: Sir, thank you so much. I really appreciate some of the great points that you brought up, the bond and those things. We really haven't looked into those in detail because we are at such an infancy stage right now. But these are the things we really have to put in our discussion and part of the study to get answers for you.

VMT, obviously, as we said, we are not advocating because we don't really know if that is the only option or not. Maybe there's are some other -- you know, as part of our previous little research we did, we received 20 different proposals from the public in general, suggesting do this, do that, do that. Maybe in this process, some best solution may come out of it from the decision makers once you have all the answers on the table and after you can make an educated decision and say, "Well, this is not the best plan. What about these other options?" So we want to come up with a spectrum of options to see which one is good, what are the limitations, what are the benefits of each. And at the end, we have those available to you.

Sandoval: And that includes point of sale.

Kahn: Absolutely, point of sale, right.

Sandoval: Any other questions? Mr. Fransway.

Fransway: Thank you, Governor. Thank you, Mr. Kahn. And thank you, Rudy, for engaging in this what I feel is one of the most important things -- issues in the United States and certainly in the State of Nevada. When you consider the economic impact of the road systems throughout the country and the strategic defense issue, it is paramount that we maintain our road systems. And certainly it's becoming more obvious every day that our current funding mechanism is deficient, to say the least.

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From what I heard from you is that we are searching for a mechanism to replace the fuel tax resource. And I'm wondering if we should also consider a mechanism to supplement the current system rather than just do away with it. And I'm wondering in that regard if you know what Oregon legislation has done. Has it proposed a supplementation to their current revenue stream or is it a replacement?

Kahn: Thank you, thank you. I appreciate your comments.

Fransway: Thank you.

Kahn: No. Actually, they will be doing a fuel tax refund for the people who will pay through the VMT fee. So it is not supplemented, primarily replacing it. So if you are part of the study and you ended up paying \$200 in the VMT fee, at the end of the year, at least for the pallet study, they will refund you that \$200 from the fuel tax. So supplementing is another -- definitely it could be something that we consider in that, but we haven't really looked at that because that's a separate policy decision. That's looking at the current needs or the things that happen in the past. And this one is at least focusing on the future so we can consider that option as well.

Malfabon: And, Governor, I wanted to make a couple of comments. One is that often you'll see ranking of states on how much they charge in gas tax. And it's important to recognize that states have a menu of options that fund transportation, obviously, license fees, registration fees. But in Virginia recently the governor there did away with the state portion of the gas tax in favor of a sales tax approach. So a different way of collecting. You always have to look at that entire menu of options that the state is using to fund transportation, not just the gas tax per gallon or cents per gallon.

We have been asked, as Alauddin had mentioned, Oregon DOT is that legislation for 5,000 volunteers to opt into this method of payment. But we will be joining their consortium. They call it the Western Road Usage Charge Consortium, RUCC. So it's another acronym that we will add to the list. But the ODOT Director, Matt Garrett, had made the pitch to all the Western State DOT's at the WASHTO meeting recently to join in this consortium and participate in identifying some of these issues, regional issues. How do you share that revenue? Just as the Board members have asked, how do you deal with these issues between distribution?

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Another option has been enacted in Washoe County is the fuel tax indexing so you don't lose as much ground to inflation. But that is not the entire solution. The federal government and the previous Secretary of Transportation had brought up this issue of vehicle miles traveled tax or fee as an issue a few years ago. And a lot of people jumped on this issue of privacy, as we have identified as one of the most important issues, especially out in the West. People driving long distances, they don't want the government in their vehicles. But we will be identifying and addressing these issues, as Alauddin had mentioned. And we'll have some answers in the final report.

We appreciate the efforts of the University of Nevada Las Vegas and University of Nevada Reno in this study. And I think that we'll get some very pointed recommendations that will work for Nevada out of this study.

Sandoval: Madam Controller, did you have any questions or comments?

Wallin: No, Governor, I didn't.

Sandoval: Okay. Thank you. Anyone else? That was to Lieutenant Governor.

Krolicki: Perhaps for levity sake, I think it's interesting that Oregon, which is pressing and leader on this issue, still does not allow self-service gasoline, but they guarantee you that it's just the same cost. You're not paying more if somebody else is doing it for you.

Kahn: That's right.

Sandoval: Any closing comments, Mr. Kahn?

Kahn: Well, sir, we really appreciate your time and we will need your help in this. You know, as a DOT, we can only do a research study. It will be the policymakers, and I think we have gained significant momentum across the nation. And we really need to take it to the ultimate conclusion and have everything on the table before really -- a lot of people start it and they just push back and they say, "Well, let's put it on the shelf and not make it happen." But I think we are very close to it, have everything on the table and we see if it's a doable option or not.

Sandoval: Yeah, what I would respectfully request is that perhaps as we move on, that you give us some progress reports so that we don't get it all at once.

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- Kahn: Absolutely.
- Sandoval: 2014, at the end of 2014.
- Kahn: Absolutely clear.
- Sandoval: Anyone else? All right. Thank you, Mr. Kahn.
- Kahn: Thank you, sir.
- Sandoval: Agenda Item No. 5, approval of agreements over \$300,000.
- Malfabon: Thank you, Governor. Deputy Directory Bill Hoffman will cover this. And I wanted to mention that there was a correction. We wanted to get one of the contracts in so we had to give you, the Board members, a supplement that corrected that, this Item No. 5. Go ahead, Bill.
- Hoffman: Okay. Good morning, Governor, Transportation Board members. Bill Hoffman, Deputy Director, for the record. This month we have three agreements over \$300,000 that we're seeking approval on. And back to Rudy's point, the packet that you have, the most current one, should be in the bottom right-hand corner on Pages 1 of 19, just to make sure that we're all looking at the same documents there. So under Attachment A on Page 3 of 19 -- excuse me. Yes.
- Sandoval: I don't have it, Mr. Hoffman.
- Hoffman: You don't have the updated version?
- Krolicki: I've got two items for (inaudible).
- Hoffman: Okay.
- Unidentified Female: Do we have another copy?
- Malfabon: Yes. We're getting copies made for the Board members. The item that was added was -- you'll have one that has three items for approval, not two as originally included in the packet.
- Hoffman: I believe that Holli Stocks emailed the information out separately. And she left to go get copies, so I'm not quite sure exactly when she did that, so...
- Sandoval: Why don't you proceed with the first two?

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- Hoffman: Okay.
- Sandoval: Ms. Fitzsimmons and Penna Powers, Brian Haynes.
- Hoffman: We'll do that. Thank you, Governor. So the first of the three, as you mentioned, so Laura Fitzsimmons, that's for outside legal services pertaining to imminent domain law for projects in Southern Nevada. So, Governor, would you like to take each one and then open it for questions or how would you like to do that?
- Sandoval: Yeah, why don't we take each one? I do have a question for counsel. There aren't any issues associated with the open meeting law in this Contract No. 3, are there?
- Gallagher: No, Governor.
- Sandoval: Okay. So we -- they were provided to the Board. And under the way the meeting is agendized, we're okay to consider this third contract?
- Gallagher: Yes, Governor. According to the Agenda, it was proper and, of course, why the Board members didn't receive the revised packets prior to this event, I don't know, but they were distributed to staff a week ago. So the Board is free to move on.
- Krolicki: And with all due respect, I mean, I get where, you know, the Agenda item is contracts over half a million dollars, so that encompasses anything. But if the backup was not received or was known to the public to be one of those contracts, I'd say, is that indeed complying with open meeting?
- Gallagher: The materials, again, were distributed last week. The revised materials were distributed last week.
- Krolicki: Distributed and posted.
- Gallagher: And posted.
- Krolicki: (Inaudible) three contracts.
- Gallagher: Yes.
- Malfabon: Yes.
- Krolicki: Okay.

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- Gallagher: Properly posted.
- Sandoval: Please proceed, Mr. Hoffman.
- Hoffman: Okay. So Laura Fitzsimmons, outside legal services. So are there any -- is there any information that we can provide, any further information or any questions?
- Malfabon: And, Governor, I wanted to mention, obviously, when we enter into the legal contract with Ms. Fitzsimmons and, in general, with any of the outside counsel, we have an estimate of cost. And then as we hope to settle some of these cases, sometimes we can stay within the original agreement amount. But if we are going to court as we are in the case of Boulder City Bypass, some of the property owners there, it's a substantial increase in cost and effort on the legal services.
- Sandoval: And is she going to be actually litigating or is she going to be in an advisory role?
- Gallagher: Governor, for the record, Dennis Gallagher, Counsel for the Transportation Board. Ms. Fitzsimmons is very active in the cases with a number of other counsels, but the plan is she will be lead counsel in all the Boulder City cases should they go to trial. And for the Board's information, this contract covers three separate condemnation actions as well as an inverse action that has been filed against the State. And if the Board approves an item later in this Agenda, an additional condemnation action associated with Boulder City, that too would fall under this contract.
- Hoffman: Okay. Bill Hoffman, for the record. So the second is -- did you want to discuss this anymore or are we good?
- Sandoval: The second contract or the first?
- Hoffman: The second. Should we move on, Governor, to the second agreement?
- Sandoval: Yes, please.
- Hoffman: Okay. So Penna Powers, that's for our Zero Fatalities marketing program. So I open it up for any questions or...
- Sandoval: We had kind of a sneak preview of last month or the month before...
- Malfabon: Yes.

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Sandoval: ...I don't recall what meeting it was on...

Malfabon: It was last month.

Sandoval: ...the different approaches and with the media. And have we -- will there be some follow-up with regard to the efficacy of some of those efforts or some of those -- that programming?

Malfabon: Yes, Governor. In response to the -- this group constantly is doing a status check, basically checking how well-known the marketing program is, how people recognize a Zero Fatalities approach. And we've received good feedback from people that they survey on -- if they are aware of the program and its goals.

I wanted to also mention that this is a substantial contract, but it includes the media buy for kind of the primetime commercial time to get the message out. We found that it's more effective. And in the survey results, people -- over half the people we surveyed recognized the Zero Fatalities message and have seen those radio spots, I mean, TV spots, radio commercials. And this expense is covered inside this contract amount for buying the media.

Sandoval: All right. And I was chatting with Member Fransway, and I don't want to take any of his comments. But there was -- some of that information was disseminated to the Board members after the meeting last time. And, you know, it may be a generational thing, but there were one of those program -- a portion of the programming that I think some of us are having a question...

Fransway: If I may, Governor, I want to elaborate on what the Governor is saying. This was distributed at the last meeting along with some other items, key chains and...

Sandoval: And, Tom, why don't you kind of give a little more definition to what this is?

Fransway: Okay. This is designated driver's book of marker faces. And I have no idea what it means or who it's targeting. What I'm saying and the gist of what -- is it a waste of money? I have no problem, in fact, I believe that it's a very important thing that this Board and this State Department of Transportation is trying to get zero fatalities. But who are we trying to market to? And we want to get the best bang for our buck. And I question some of the things

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that were distributed last meeting as whether or not they are the best bang for the buck, this one in particular.

Malfabon: Governor, just in response, I recall Traci Pearl from the Office of Traffic Safety mentioned that on that portion of the campaign, when her boss said the same comment, "I don't get it," and what she said was that that document is really pointed at kind of the younger drivers, college drivers that would get that message. It's all about people that get marked up when they pass out after drinking too much. And then we don't want those people behind the wheel of a car in that condition. So it was a take on that message. But definitely it is, as older drivers, we don't deal in that world so hopefully we're not getting it. But it was definitely targeted at younger drivers.

Sandoval: Well, that's what I just wanted to make clear when I said generational, I'm with you, Tom. So I guess the bottom line being I'd like to see at least some follow-up if that demographic is, so called, getting it. Because Tom is right, in terms of we have limited funds, this is an extremely important issue, given the statistics that we've had and the tragedies that we've had. And I want to also ensure that every dollar is very well spent. And if a mistake has been made with a theme, that we call it a mistake and move on and perhaps adopt another theme to go on.

Malfabon: Yes, Governor.

Hoffman: Okay. Thank you, Governor. So if there aren't any further comments or questions on number two, we'll move on to the third agreement over \$300,000 for your approval. That's United Road Towing and it's to operate the Reno Sparks Freeway Service Patrol. And that -- each of you should have received a packet of information. We seriously apologize for that not finding its way to each of you, and I know this is forcing you into quick read, so...

Krolicki: And I just did quickly read it.

Hoffman: Right.

Krolicki: It looked like the number one RFP response was not able to successfully negotiate. But could you just walk us through since this is the first time I've had a chance to see this, please?

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Hoffman: Yes. And Rick Nelson is going to come up and provide -- he's been involved with this all along and has a lot of detail he could share with...

Krolicki: Particularly since we've had discussions about this issue and service in the past, and I just want to make sure it's very clearly on the record and in our minds as we make a decision.

Nelson: Good morning, Governor, members of the Transportation Board. My name is Rick Nelson. I'm the Assistant Director of Operations. And you're absolutely correct. It's almost as if the Freeway Service Patrol has been a standing item on the Agenda for a while. We did proceed with the RFP solicitations. And we did get successful proposals that came in.

What happened with Samaritania, our review panel did in fact rank them as the best proposal when we did enter into negotiations with them. Based on the past conversations that we've had with the Board and in our general direction to try to do a much better job in negotiating these contracts and being very cognizant of the areas that we want them to operate, the hours that we want them to operate, how we're going to measure the data collection and so on. We took a much more engaging position in negotiating the contract.

And after several rounds of negotiation, it was believed that Samaritania wasn't able to come to the table with a proposal that was acceptable to us. We did have some issues with response, with their ability to answer questions and provide us some details about how they were going to go about providing the service. And so based on that experience and the need to move forward with the Freeway Service Patrol, we had requested of the Director the ability to cease negotiations with our first candidate and move to the second, which we did, which was UR Towing.

And based on our negotiations with them, we believe that we got a very fair and reasonable price. The price is a cost per hour, all inclusive, \$65, which consequently was the same price that we got from Samaritania many years before. So even accounting for inflation and that sort of thing, we were able to negotiate a similar price with UR Towing.

Sandoval: Mr. Nelson, how does that compare to what the costs have been with us doing it in-house?

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Nelson: Yes, Governor. As you know, during this transitory period, we've been self-performing this activity. When we originally put together our initial cost estimate to perform this activity, we believed we would be extremely competitive with the existing price of \$65. This pilot has been going on for four months now and we've captured all of our costs. And it is -- our cost has been \$97 an hour.

So now, there are some reasons for that. You know, we cobbled together this program quickly in order to fill that need. So the staff that we did have working on this, of course, we're at a Step 8 instead of an entry level Step 1, which is what we estimated. We underestimated the number of hours we would actually need to be on the road to provide the service, so our hours went up a little bit and that increased the vehicle costs. So we are in the process, since the pilot is sort of winding down and we want to make this transition to the contracted service, we will be preparing a detailed report, a lot along the lines of the benefit cost study that we had done and presented to Mr. Savage as we got into this.

So we want to capture all of our experiences that we've gained by performing the service ourselves so that we could make the delivery of the program much better. And we'll have a much better understanding of the costs and where the cost centers are and how we can manage this program.

Sandoval: And thank you. And I know that Member Savage has taken a leadership role on this issue. So I leave it to him if he has any questions or comments.

Savage: Thank you, Governor. And it has been one of my little pet peeves, because I saw a few dollars out there. And I want to compliment Mr. Nelson on this end, being gracious enough to stop by the office many times. And on a few points, I'd just like to bring to the attention of the dollars that we're actually talking about. And from what I've seen, the \$365,000 a year for four years is the proposed new provider, United Towing. And with those dollar amounts, the past provider was almost 770,000 -- or the cost of the Department was 770. And the past Director's estimate was 1.4 million. So it's almost a \$1.1 million cost savings on an annual basis. And those are the numbers I have derived, and I would like to confirm that with Mr. Nelson and Ms. Inda if those are the parameters that we're actually discussing.

Nelson: Well, we're right in the zone for what the estimate was. Now, the contract is for \$1.4 million for four years.

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Savage: Right.

Nelson: So it's a four-year contract, so...

Savage: Right.

Nelson: ...when we put that -- the two-way form, that's the initial, like, we'd like to go do an RFP form, that price was 1.4. And that's about what we came in at for four years. Now, one thing that is important to remember is Freeway Service Patrol needs to be responsive to special events and unique circumstances. If we have some kind of a disaster event where we need to put them out and help us respond, or if we have a special event like Hot August Nights or Street Vibrations where we need to ramp up, we do have some contingency money built into this 1.4 so we won't have to come back to the Board if we need to use them in extraordinary situations.

So the 1.4 million over four years or the 365 per year does have some contingency in there so we can flex that program a little bit. So it is a much better deal. The short answer is it's a much better contract price than we had before.

Savage: Yes. The 1.4 for four years was versus the 1.4 estimated for one year was the past administration. That was in the notes that we had received. And I want to compliment the Department for, again, utilizing the in-house FSP, because you always gain a lot by knowing how things operate. And I think we have to hold the new provider to those standards, the standards of the DPS and the NDOT, hold the new provider accountable to the standards we expect. And I think everything will be fine.

Nelson: And that's correct. And we are beefing up our reporting capability, so the monitoring and the tracking is going to be captured. There's agreement on how we can run our statistics on the number of assists that they provide and what it really means and that sort of thing.

Wallin: Governor, I have a question.

Sandoval: All right. Madam Controller, I'm going to go with the Attorney General first and then I will come to you.

Wallin: Okay. Thank you.

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- Cortez Masto: Excuse me. Is scope of services the same as previously? So there will be vans equipped with the necessary tools that are to help the individual who's on the roadway or is it a different type of service?
- Nelson: No, Madam Attorney General. It is the -- that's the same scope. What we did do though was we contracted the routes to where they're most needed and we contracted the hours -- contract, not contract. But we shrunk the hours so that they're there when the commuters are there so we can adjust the kinds of congestion that we're (inaudible). So it's the same kind of service. It's the vans, it's the trained technicians, their roving patrols, that piece is exactly the same.
- Cortez Masto: Thank you.
- Sandoval: Madam Controller?
- Wallin: Mm-hmm. Okay. Thank you. Rick, I have a question for you. In the materials, it had an Attachment A and it talked about the justification for why we need to pursue an outside contractor. And nowhere in here does it talk about how you came up with the numbers of how much it cost per, you know, per incident. The reasons in the attachments stated that it was due to the insurmountable in-house difficulties involving the absence of qualified personnel and problems with the acquisition of vehicles. So can you comment about that? And then I would also like, as a follow-up, some additional information on how you arrived at that \$97 figure, similar to when you guys went around talking about how you thought it would be cheaper to go and do it in-house as well.
- Nelson: Yes, ma'am. The -- when we approached the legislative session, we didn't have any, of course, positions built into our budget to provide this service in-house. Now, there is a big difference between the Freeway Service Patrol in Las Vegas and the Freeway Service Patrol in Reno and Sparks, just the size and magnitude is such that there really isn't any way we could perform the service in the Las Vegas area.
- In the Reno area, what we did during the interim for the pilot program was we pulled mechanics out of our equipment shop that normally would have been working on equipment, rebuilding equipment and repairing it, because it was a critical need for us. The contract for the FSP was running out. We did need to provide the service, we believe, to manage congestion. And so it

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became a matter of priorities. Do we repair the maintenance equipment or do we provide freeway service? So that's what we did. And we relocated the staff out of there to do that.

If we were to self-perform this activity in the Reno/Sparks area, we would, of course, need to have some dedicated staff to that, because we do have needs within the equipment shop to provide that service. We do have a sheet, a summary sheet that details the cost and we will certainly get that to you, Madam Controller. I hope that covered the two points that you were interested in.

Wallin: Yeah, well, what I'm really curious about is how you guys determined that it was \$97. I think the Governor asked how much did it cost to do it in-house and you said it was, like, \$97. So I'd just like to see the back-up documentation to account to that number.

Nelson: Yes, ma'am. And we do have that. We were meticulous in capturing our personnel costs, the cost of the equipment, the number of hours that they actually spent on the road.

Wallin: Great.

Nelson: We captured all of that out of our -- out of the State's accounting system.

Wallin: Okay. Great. Thank you.

Sandoval: Any other questions or comments? One last one to follow-up to the Attorney's General question is, will this contract essentially -- will we have complimentary policies with regard to the contract we have in Northern Nevada to the one we have in Southern Nevada?

Nelson: The difference between the Southern Nevada contract and the Northern Nevada contract, in Southern Nevada, we included provisions for an incident response vehicle, a large vehicle that can deal with more severe incidents. And we do not have that capability in Reno. We believe that that's not necessarily needed here at that time. So there is a little bit of difference. There is a more robust program in Las Vegas to handle the kinds of incidents that they have there. Now, that doesn't mean that if that incident response vehicle doesn't pan out and provide great value in Clark County and in Las Vegas, that we might not want to try to include that in the next contract. But right now that's the difference between the two.

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Sandoval: And then what is the cost -- I know I'm straying a bit. But what is the cost per incident in Southern Nevada?

Nelson: Oh, do we have that? I'm not so sure I have that right now, but that doesn't mean we can't make -- you know, work the numbers so that we get that. One of the big problems that we sort of ran into with the first go-round of contracts, we weren't as smart as we could have been in the kind of reporting that we wanted them to give to us. And as we went through the exercise with Mr. Savage in looking at the details of the contract, we discovered that there may have been some -- not over-reporting, but they might have been counting the same incident multiple times. And, of course, that skews those numbers out of whack.

Now, what we have been doing with our study is to sort of go in and look at how they were actually doing that and back some of those out so we can get more of an apples-to-apples comparison and that's underway. And I think you will see that when we give the Board our final report of the self-performed activity. But that is certainly one of the metrics that we're interested in is the cost per assist and how many assists per hour and some things like that.

Sandoval: And as Member Savage said and I think you said as well, we are a lot smarter now given that we have done it in-house, which will help us to better manage both ends of the State. Any further questions or comments? Thank you, Mr. Nelson.

Malfabon: Thank you, Rick. So we have (inaudible).

Sandoval: So we have the -- pursuant to Agenda Item No. 5, we have three agreements over \$300,000. Board members, do you have any questions or comments before I take a motion for approval? If there are none, the Chair will accept a motion for approval of the three agreements over \$300,000, as described in Agenda Item No. 5.

Fransway: Mr. Chairman, Governor, I wonder if it would be okay with the Board if the motion included, for number two, that we relay the Board's concerns in best implementation of the program.

Sandoval: Gladly. And it may turn out that that is probably one of the best portions of the program. I mean, I guess, again, we're interested in hearing the follow-up. But yes.

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Fransway: Okay. I would move that the Board approve Items 1, 2 and 3, with No. 2 in those concerns.

Sandoval: Member Fransway has made the motion. Is there a second?

Krolicki: Second.

Sandoval: Second by the Lieutenant Governor. Any questions or comments regarding the motion? All in favor, please say aye.

Group: Aye.

Sandoval: Opposed, no? Motion passes unanimously. We will move on to Agenda Item No. 6, contracts, agreements and settlements. Mr. Hoffman.

Hoffman: Thank you, Governor. Again, Bill Hoffman, Deputy Director, for the record. So Agenda Item No. 6 is for informational or actually to come forward and inform the Board of contracts, agreements and settlements. This month we're here before you for two construction contracts under \$5 million that were awarded between June 18 of '13 and July 22 of '13. And we're also here to inform you of the agreements under \$300,000 that were executed between that same timeframe, June 18 of '13 to July 22.

So on Page 4 -- Page 4 of 9, behind Attachment A, we have two executed contracts, construction contracts, under \$5 million. The first is Contract No. 3538. It's a project to replace a substandard off-system bridge, B1662, the Death Bridge on County Road 701B at Mary's River in Elko County. The Director awarded the contract on July 1, 2013 to Gerber Construction, Inc. in the amount of \$273,563.10. The engineer's estimate was \$278,197.65.

The second of two contracts that were awarded under \$5 million was Contract No. 3535. That was a project to chip seal existing roadways on U.S. 6, State Route 361, State Route 375 and State Route 160 in Lincoln and Nye Counties. The Director awarded the contract on July 9, 2013 to Intermountain Slurry Seal, Incorporated in the amount of \$3,966,996. The engineer's estimate was \$3,406,016.15. So are there any questions or further information needed on those two contracts?

Sandoval: Just quickly, the gap in that number two contract, the \$5 million -- excuse me, \$500,000 more for the bid versus the estimate?

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- Hoffman: Well, I will take a first stab at that. With the economy the way it was or the way it has been over the last few years, we're always either ahead or behind contractors trying to estimate the project costs for each of those. So what I'm assuming is that -- I'm assuming that we went through all the items. And you get to asphalt and some of these others that fluctuate somewhat regularly. It's tough to stay right on with those. I know that's quite a large difference, \$560,000 if my math is correct. But that is something that we have -- John Terry and I and Rudy are really focusing in on right now as a department is trying to get those engineers' estimates much closer and more consistently. I know it's a lot smaller contract amount, but the first contract was a lot closer to the engineer's estimate. But we are certainly aware of these differences of these gaps and we are making efforts internally to try to get closer to the actual bid amounts.
- Malfabon: Governor, I wanted to make a couple of points. One is that we do a rigorous review of the bid and look and see if there's any unbalancing done or whether it's an acceptable bid or not. So there's a recommendation to award from a bid review analysis team. The other thing is that as we receive bids, that information goes into our database of unit bid prices. So it will improve the accuracy of our engineers' estimates going forward.
- Sandoval: Now, in the Department's defense is that for the most part, I can't recall the estimate being -- it's been the other way.
- Hoffman: Right. Right.
- Sandoval: And we've been consistently -- the engineer's estimate has been consistently higher. And we've done real well. And this one kind of jumped out because it was the first one and then the half-million dollars on a \$3.4 million contract was a higher percentage.
- Hoffman: Right.
- Sandoval: Is there a threshold that you have that when there's a gap that maybe we ought to go back to the drawing board and see what to reconsider, what we're doing?
- Hoffman: There are thresholds. And as Rudy talked about, we do go through a bid review and analysis on every contract that's bid out. And we look at it item by item. And there are thresholds both from a total contract standpoint where it may actually -- if there's unbalanced bidding or some things that

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are going on with the individual line items, we will look to see to make sure that the number two bidder may not have been, you know, more appropriate for the bid order to change. So we take a very close look at that.

In terms of targets, I would go back to the line items. Each component of the project is broken down into line items for materials. So asphalt, materials like that, traffic control, things like that are all broken out. And there are targets or thresholds on each of those. And, of course, some of those will be very large and some will be very small, depending on the project. So those that would have a major impact on the project or the cost of that project we look at very closely. I'm not sure, John, if we actually have targets on each of those line items. We do? So what are those? I'll invite John up.

Terry: Well, I don't have the exact percentages. We have a bid review team that goes through and looks at any items that are, I believe, 15 percent outside the range of ours. And then we have, when we release a contract, the bigger contracts, if they're outside, I believe, it's 7 percent, we have the right to refuse the bid. That doesn't mean we will do that. We will do an analysis. I would like to say on this particular contract, if you notice where it is, U.S. 6 SR361 and SR375. This is an extremely rural job. We have a difficult time estimating how hard it will be for a contractor to mobilize for these very rural jobs. And if you look, at least the first and the second bidder are very close together. And it's difficult for our engineers to estimate the mobilization cost of getting oil and asphalt and chips to these rural areas. And while we try to improve the estimating on some of these smaller rural jobs, it is very difficult.

Hoffman: Okay. Any other questions or comments?

Sandoval: Please proceed with the other contracts under Attachment B.

Hoffman: All right. Thank you. So we have 39, I believe, 39 agreements that are under \$300,000 that we're bringing to you as informational items. So I would like to open it up for any questions or comments.

Sandoval: Questions from Board members? Member Savage.

Savage: Thank you, Governor. Two questions, Mr. Hoffman, on line items 27 and 28. I noticed on 27, the first two years were 403,000. The third and fourth years are another 403,000. And then for three months, they were approved

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for 200,000. And I didn't know if that was an error in calculation or a contingency by the Department, because it should be closer to a \$50,000 amount. It looked like a wider delta, wider difference to me.

Hoffman: You got it, Rick? Okay.

Nelson: For the record again, Rick Nelson, Assistant Director for Operations. With respect to Clean Harbor's line number 27, there were some additional work that had to be included in that. And that's why the delta in the cost had gone up. In Amendment No. 2, there were some TRPA regulations that we had to comply with that required an extra amount of service. We had originally intended to rebid this, to put another RFP out on the street, but we had some issues with the dewatering site at Lake Tahoe up in the basin, and we had to secure a new dewatering site before we could put that RFP out on the street. That's why we extended this. This is the last extension for this. That service will be rebid for the next, you know, next season.

Savage: Thank you, Mr. Nelson. And that kind of goes to my point. I think the Department is well aware of the terms and the contract amounts. But we -- I know there's added value to maintain at times the current provider. But we are always aware of being competitive and bidding out for the future contracts. And I think we just need to remind ourselves again that there's two sides there that we need to be aware of. So I thank you. Thank you, Governor.

Sandoval: Board members, any other questions with regard to Contracts 1 through 39?

Martin: I have one, sir.

Sandoval: Please proceed.

Martin: Line 2, Kingsbury General Improvement District, adjust waterline, Kingsbury grade \$743,000. A few week -- a few meetings ago we were looking at a possible package up there that would incorporate the work on Kingsbury that was in the Peak contract that was -- they ended up going bankrupt. It was a dispute. Is this part of that work, the 743,000, or what exactly is that?

Malfabon: I think this -- Member Martin, in response, I believe this has to do with clearing utilities for the next contract, and they have prior rights so that we have to pay the utility company to relocate their utility. So it's not directly

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related to the Peak issue. It's just within the limits of our Construction Manager at Risk project.

Martin: Okay. So it would be just -- you're trying to get it out of the way of the work that we're anticipating doing up there that would be in the CMAR contract; is that a fair statement?

Malfabon: Yes, that's it exactly.

Martin: Okay. And this work wasn't a piece of the Peak contract?

Malfabon: No.

Martin: Okay. Thank you.

Wallin: Governor, I have a question.

Sandoval: Yes, Madam Controller.

Wallin: Thank you. Line number 25 for Black Eagle Consulting for expert witness, what was that for, for \$75,000? What case?

Hoffman: Want to just answer? Are you going to?

Nelson: Yes, ma'am. Rick Nelson, Assistant Director for Operations, for the record. That's for the Meadowood Mall Project that's underway in Reno. There is a claim associated with the foundations for the bridge widening. And Black Eagle is the expert that we chose to help us defend that claim.

Wallin: Okay. Thank you.

Sandoval: Any other questions, Board members? Member Fransway.

Fransway: Thank you, Governor. Item 14 through 24 all deal with temporary easements related to the McCarran Boulevard Project. And they total up somewhere real quick about \$34,000. And I'm wondering if we're getting close to getting that done to where we are not going to need these temporary easements to that extent.

Terry: No. There's a lot more to come. I believe, by the time the job is done, we will have nearly 200 temporary easements as a part of that project. All of them are in the smaller ranges. We have an agreement with the RTC that we are acquiring the right-of-way, including with right-of-way are

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construction easements. Many of these are just small slivers to allow us to do the construction within there. And, frankly, we're doing our best to process these as quickly as possible because some of these are so small that we're going to spend as much money processing these things because they have to be, you know, all the same paperwork is more of an acquisition. They're notarized. They're signed. I believe you will see a number similar to this in every Board packet in the next few months. And there's 200 of them by the time we're done. So, no, we're not done.

Fransway: Okay. And do they run the gamut on the timeframe that they would be basically releasing it?

Terry: Yeah. We typically take out a construction easement for what we anticipate to be the duration of the construction contract. And then, of course, we add a little bit onto that in case there's delays to the contract. But they all have an expiration. So, yeah, we're kind of renting that area during the period of construction and they have an expiration.

Fransway: Okay. So how far do you think we're out for completion of the project?

Terry: I'd have to get back to you on that. I don't want to give you a wrong answer. I just know what we typically do on these easements and, frankly, I have signed a whole bunch of them and read them, but I don't remember exactly what date we put in there. But we can get back to you on that.

Fransway: Okay. Thanks.

Sandoval: Any other questions? This is an informational item on the Agenda. Mr. Hoffman, any concluding remarks?

Hoffman: I would, Governor. Again, Bill Hoffman, for the record. I don't believe we answered Member Savage's question. He brought up 27 and 28. If I could just very quickly talk to Item No. 28. That's for an increase that we need or improvement to our e-bidding system to accommodate changes in the last legislative session that surround disadvantage business enterprise and subcontractor reporting. So, Member Savage, I hope that answers your questions. Okay. All right.

Malfabon: Governor, I wanted to mention that next month I have asked staff to prepare an item for Board approval addressing these issues where we have an original agreement amount less than 300,000 and an amendment that puts it

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over. I want to bring those to the Board in the first section for Board approval, not just for information, so we're more transparent about those cases. So it will be for formal approval from the Board next month as a policy change.

- Sandoval: Thank you, Mr. Director.
- Hoffman: Governor, I guess we do have one additional thing to add.
- Terry: Just so I don't have to get back to you later. We did get the answer to the Southeast McCarran Project where we have construction easements go through the end of 2016.
- Fransway: Thank you. That's a long time.
- Hoffman: That should be it, Governor. Thank you.
- Sandoval: Thank you, Mr. Hoffman.
- Hoffman: Yeah.
- Sandoval: That completes Agenda Item No. 6. Agenda Item No. 7, condemnation resolution.
- Malfabon: Thank you, Governor. This item is for condemnation of property owned by the City of Los Angeles. As we're constructing the frontage road on Phase 1 of the Boulder City Bypass, future Interstate 11, we have identified this parcel as needed. And we needed condemnation. Obviously, when dealing with another public agency, we usually try to work out those issues. But in order to stay on schedule, we're asking the Board to approve a condemnation resolution.
- Sandoval: And it does beg the question how the City of Los Angeles owns a piece of property on the Boulder City Bypass Project.
- Malfabon: I have no idea, but...
- Unidentified Male: It's a power line.
- Malfabon: Power line?
- Sandoval: Board members, do any of you have any questions with regard to the condemnation resolution as described in Agenda Item No. 7? And that is

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Resolution No. 439. If there are no questions, the Chair will accept a motion for approval.

Martin: So moved.

Fransway: Governor, I move to adopt Condemnation Resolution 439.

Sandoval: I think Member Martin beat you to it, but I'll take your motion as a second, Member Fransway. All right. Member Martin has made a motion for approval of Agenda Item No. 7, Condemnation Resolution No. 439. Member Fransway has seconded the motion. Any questions or comments? All those in favor of the motion, please say aye.

Group: Aye.

Sandoval: Opposed, no? Motion passes unanimously. Agenda Item No. 8, quick claim deed.

Malfabon: Governor, some time ago, we eliminated this maintenance station in 1989 at Imlay. And the water rights were not included in the abandonment. So in order to address that issue, we're bringing this before the Board for your action for disposal of NDOT water rights along I-80 east of Imlay Interchange.

Sandoval: Board members, do any of you have any questions with regard to Agenda Item No. 8?

Krolicki: Move for approval.

Sandoval: Lieutenant Governor has moved for approval of the quick claim deed as described in Agenda Item No. 8. Is there a second?

Fransway: Second.

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

Group: Aye.

Sandoval: Opposed, no? Motion passes unanimously. We will move on to Agenda Item No. 9, approval of amendments and administrative modifications to the FFY 2012-2015 STIP.

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- Malfabon: Thank you, Governor. Our Assistant Division Chief Jason Van Havel from Planning is going to cover this item.
- Van Havel: Thank you. For the record, I'm Jason Van Havel, Assistant Chief of Transportation and Multimodal Planning. You have the list of the amendments and modifications statewide covering the time period of June 8 of '13 through August 2 of '13. And available if you have any questions.
- Sandoval: Are there any of those that we, you know, that bear more attention than any of the others?
- Van Havel: Maybe that there's a -- the RTC has an amendment of the Martin Luther King Industrial Road Connector Project, which contains some of the...
- Unidentified Male: (Inaudible) million dollars.
- Van Havel: Yes. Yeah. Yeah, that's the one. That's their local piece that shares some of the footprint of Project NEON.
- Malfabon: And just to clarify, Governor and Board members, originally the concept was to have Martin Luther King have a bridge over I-15 connecting it to Industrial Road. Now that's going to be an at-grade movement, so it won't require a new bridge. That resulted in the decrease.
- Sandoval: Board members, any questions with regard to Agenda Item No. 9? If there are none, the Chair will accept a motion for approval.
- Savage: Move to approve, Governor.
- Cortez Masto: I'll second.
- Sandoval: Member Savage has moved to approve the amendments and administrative modifications to the FFY 2012-2015 STIP. The Attorney General has seconded the motion. Any questions or discussion? All in favor, please say aye.
- Group: Aye.
- Sandoval: Opposed, no? Motion passes unanimously. Thank you very much. We will move on to Agenda Item No. 10, update on the status of I-11 and Intermountain West Corridor Study.

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Malfabon: Thank you, Governor. Our Project Manager for this joint study with Arizona DOT is Sondra Rosenberg, and she will give this presentation.

Rosenberg: Thank you, Rudy. Good morning, Governor, members of the Board. I am thrilled to come talk to you today about this very exciting study that we get to work on, the I-11 and Intermountain West Corridor Study. As you know, Congress can designate corridors of high priority, and this is the current map of those high priority corridors. Back in the early '90s, approximately 1995, the CANAMEX Corridor was designated, which includes Interstate 19 and Interstate 10 from Nogales to Phoenix, U.S. 93 from Phoenix to Las Vegas and then I-15 from Las Vegas all the way to the Canadian border.

In the most recent legislation, MAP-21, the only portion of that designated CANAMEX Corridor that is not currently an interstate is U.S. 93 between Phoenix and Las Vegas. And that was designated as a future Interstate 11 in the MAP-21 legislation. However, we can't just start slapping signs up there. There's some work that needs to be done.

And so we are studying that portion of the corridor, including some of the uncertainties about the end points of that designation, as well as beyond that. So we felt it was very important, both Nevada DOT as well as Arizona DOT, to look at that very important piece of roadway connecting Phoenix and Las Vegas, as well as that connection beyond there, all the way from the Mexican border through the State of Arizona, through the State of Nevada, potentially another connection all the way to Mexico.

As you know, there's a pretty big gap in north/south interstates in the West from I-5 to I-15. There's about 600 miles of that. And both of those very important corridors are becoming more and more congested. So the states of Nevada and Arizona have a cooperative agreement to join forces both in effort and funding of the study. And we are looking in a little more detail what we're calling the priority corridor segment connecting those metropolitan areas and then what we're calling our future connectivity corridors north and south of that at a slightly higher level.

So we're about halfway through the study. And we have just wrapped up the corridor justification report. And what that does is look at -- we have looked at several different future economic scenarios to look at, is there really a need for this corridor? Does it warrant more study, more detailed effort and more detailed study? And we feel that it does.

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And we've also started to look at the environmental landscapes. So we also have a document, this document is available on our website along with the existing, built and natural environment document where we look at land ownership and lots of different constraints to future transportation corridors. So we're looking at both the need, the opportunity, as well as the constraints.

And now we're moving into the part that more people are very excited about where we're actually starting to put lines on maps and look at different alternatives. What opportunities are there? Which ones are justified? What are the constraints? So it's a very exciting turning point in our study

Just to back up for a minute and let you know how we're organized, we have the project sponsors at the top, that's NDOT and ADOT. And then we have what we call our core agency partners. And for the most part, everything we do we do in conjunction with them because we felt it was very important, not just the state DOT's, but the MPO's that are directly related in the Phoenix area as well as the Las Vegas area, so that's MAG and the RTC of Southern Nevada, as well as our federal partners, Federal Highway Administration and Federal Railroad Administration. Because we are looking at all potential modes for this corridor and not just highway improvements.

And then we have our stakeholder partners, which is a broad group of agencies, companies, everyone we thought, you know, felt that they had a stake in this and were very interested in it. And we have a series of stakeholder partners meetings. We had one at the very beginning of the study, and now we're having series as we go through the different steps in analyzing those alternatives. We also have several mechanisms for the public to get involved.

Also, earlier this year we held a series of focus group meetings because we think this is -- this corridor at this level is very important to look at. Not just the transportation need and constraints, but how does this affect environment and sustainability? Utility and energy, how can we, you know, cooperate with those efforts as well? Land use and community development, as you know, transportation can have a huge impact on land use and development, so we wanted to include those land use interests as well. Economic development, of course, corridor operations. Alternative

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delivery and finance, that's going to be a very important piece of the study, and freight.

So these are the stakeholder and public meetings we have had to date. We have had a slew of other project meetings as well. But this is just to show that we really are going out to our stakeholders and partners as much as possible and we really want this to be an open and transparent process. Because if we make a recommendation that isn't acceptable or doesn't work with other plans and efforts, then it is not going to be successful.

So we have also created a document that we are currently calling our goals and objectives. And that's sort of a pre-purpose and need for this corridor. So we're looking at some of those factors that we typically use to define a purpose and need for a transportation corridor. And those include connecting ports to manufacturing areas, you know, economic activity centers. And we really want to support regional, national and international trade.

And for Nevada and Arizona specifically, we really want this action to assist in diversifying our economies and to target industry clusters that rely heavily on an efficient interconnected transportation system.

And so we have identified several factors that speak to the need for this corridor. And these factors then translate into our criteria that we're using to evaluate various corridor alternatives. And those include legislation and that includes action such as the national highway system designation, those high priority corridors including the additions in MAP-21, such as the designation of U.S. 93. System linkage, how well does this alternative connect to major national and international activity centers from Mexico to Canada through the intermountain West? How does this -- the different alternatives that we're looking at maybe close some gaps or provide some connection that's not there or enhance some connection, as well as since we're looking at it in different segments, how well each alternative in each segment connects to other alternatives and other segments?

Trade corridor, I think that's somewhat self-explanatory. But how well does this alternative connect to major freight hubs and high-capacity transportation corridors? Modal interrelationships, what's the opportunity for each of these alternatives to connect to or provide opportunities for other modes within the corridor? Capacity and congestion, how well does this

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alternative maybe relieve some congestion and provide capacity where there's an existing or anticipated demand? Economic vitality, how well does this support economic development and diversification plans in the different states?

As you know, the Governor's Office of Economic Development has recently put out an economic development plan for the State. And we are working very closely with the staff in that office to make sure that what we're recommending coincides with what you're recommending for economic diversification of the State. And similarly in Arizona, the Arizona Commerce Authority has come up with a similar plan with some very similar recommendations.

Project status, transportation policy, environmental sustainability, land use and ownership, community acceptance. Sorry, I'm reading through the criteria which linked very closely with these goals and objectives that we've identified. Key justification, again, we've come up with this justification report. So just quickly I'm going to summarize some of the findings of that report.

The Intermountain West under -- again, we looked at various different economic scenarios. Will we anticipate continue to grow? This has been some of the largest growing areas, except for the last few years. But we anticipate that growth coming back and continuing to expand, which is going to lead to additional congestion. So we look at the whole sort of Southwest region. Because what happens in our neighboring states really affects the demand in our state. And currently a lot of our goods come through Southern California. But if the transportation system isn't there to support that movement, goods are going to come to our country elsewhere, whether it's going through the Panama Canal to the East Coast or to ports in Mexico, or this increasing demand for near-shoring where manufacturing is actually taking place in Mexico and they're looking for the most efficient means to cross into this country and distribute to the rest of the country. And we feel there is a great opportunity by enhancing north/south connectivity through the West to capitalize on some of those opportunities.

So I think I have maybe covered some of these already. I got a little bit ahead of myself. So, again, the corridor justification report, I believe, was provided to you. It's also available on our website. We're currently on the process -- we had a draft document out for approximately a month. We are

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now in the process of editing that draft to make it a final document based on comments we have received to date.

Yeah, I think I've covered -- so not just capacity and those opportunities, but also reliability. So we're working very closely with our operations folks on whatever we do build, to make sure it operates most efficiently.

The Southwest Triangle, which is what we're calling the region between Los Angeles, Las Vegas and Phoenix is really uniquely positioned to kind of mirror the success that the Texas Triangle has had by providing efficient transportation, a network to capitalize on both goods moving through ports - - sea ports of entry as well as land ports of entry. The biggest land ports of entry with Mexico are in California and Texas. But, again, we see an opportunity as Arizona is working very hard to improve their land ports of entry, which will increase the demand for, again, north/south transportation corridor. So that needs to work in conjunction with domestic transportation infrastructure to really provide an opportunity for those goods to not just move through our states, but the opportunity to diversify our economy and enhance our economy by potentially adding value to those goods as they move through.

And, again, this is the Southwest region, so we have a pretty good network between Southern California and Las Vegas, as well as Southern California and Phoenix. And the missing leg really is that that third leg of the triangle between Phoenix and Las Vegas. And we feel that by enhancing that, it really is sort of a win-win by relieving some congestion in Southern California, providing some opportunity for the states of Nevada and Arizona.

So, again, I already showed you this, but we're here, we're wrapping up the corridor justification, that initial screening, and we're starting to look at corridor alternatives. And as we look at those alternatives, there are several steps along the way, several opportunities that we're meeting with all of our stakeholders. We had our first meeting last month where we looked at the evaluation criteria. Those meetings were held in three different areas, Southern Arizona, then what we're calling our priority section. So we had a simultaneous meeting in the Phoenix area, the Northern Arizona area as well as the Las Vegas area and then one in Northern Nevada. Now we're splitting those up into five geographic meetings.

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We always offer an opportunity to call in and participate via webinar, but we do encourage people who are in the region to come to a physical meeting, because after we do the presentation, there is a big opportunity for discussions, question and answers, opportunities for input. And so far those have been well-attended. This next round where we're looking at our universe of alternatives starts actually today, this afternoon. If you have an opening in your schedule, we will be meeting at the Federal Highway's office conference room to talk about the universe of alternatives for Northern Nevada. And then throughout this week, we have scheduled meetings in Kingman, Arizona, Las Vegas and the Phoenix area as well. Once we complete that, then we'll come back in October.

So we've gotten buy-in on the evaluation criteria, the universe of alternatives. Then we'll come back in October and talk about how those alternatives screened out at this -- what we're calling our Level 1, which is kind of, you know, go or no go. Is there some value in looking at these alternatives further? Are they just kind of non-starters?

That will be kind of the end of the screening portion for the connectivity segments, that portion south of Phoenix as well as north of Las Vegas. And that priority section will then go through a further round of screening. So when we come back in October and give you the results of the Level 1 screening, we're also going to talk about how -- the criteria for that Level 2 screening in the priority segment.

And then after all the screening, we're also going to do a lot of analysis on needs on each of those recommended corridors and come back with a joint stakeholder partners' meeting. I believe that's scheduled for January. Oh, I think I have the list of all those. This is difficult to read, but we have given this some thought to make sure we're reaching out to the various different areas at each step in the process. We do want to involve the eastern part of the State as well. It didn't seem efficient or economical to hold physical meetings there. They are invited to participate via webinar and conference call, as well as we're talking about scheduling separate meetings to go out there and meet with them as well.

So just real quick, I know this is difficult to see, but you're seeing it before the rest of our stakeholders, these are the meetings we're having this week to talk about all the different alternatives we're looking at. For the connectivity segments, they're very, very broad lines and arrows, really just

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highlighting what are sort of the end points we're trying to connect here. What's the most efficient places, most important places to connect?

And then in the metropolitan areas and the area between Phoenix and Las Vegas, the lines get a little narrower where we're starting to look at more specific alignments. We are also looking at rail alternatives. This is -- really falls in sort of the next level. Right now we're looking at those end points again. But we are looking at all modes. This just quickly is sort of rail lines that are planned or have been studied in the region.

So we have a corridor vision summary, which is a pretty little trifold that's good for marketing type things, initial PEL checklist. One thing I neglected to mention is we are using this study as a planning and environment linkages document, so we are looking at -- we have created a questionnaire and checklist to make sure our planning studies really prepare us for the next phase, which is the environmental process. So we're documenting things, decisions that are made, research that's done in terms of constraints and possible impacts to the environment. We have a public involvement plan that's on our website, corridor justification report and existing natural and built environment technical memorandum.

And then the next phase, which we're starting now, we anticipate to have a future connectivity corridor feasibility assessment, that's a mouthful, available this winter. And priority corridor segment alternative study report available in the spring. Final purpose and need also in the spring. Business case foundation, completed PEL checklist and then this will all culminate in what we're calling our corridor concept report, where we will have a lot more of the details in terms of the recommendations that -- we will still probably have a few alternatives, but much more detail in terms of what the opportunities and constraints on the alternatives we're left with are. And that will be available next summer. And with that, I would be happy to take any questions.

Sandoval: Thank you. I like your enthusiasm.

Rosenberg: Thanks. It's a really fun project.

Sandoval: No. It's an amazing project. You know, obviously, we need to do this due diligence and study and get the public input. And I think it's a forgone conclusion that we're going to need this project and the importance of it,

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considering what we have had on the Board there for transportation, tourism, economic development. My understanding is we're doing \$1 billion dollars a day with Mexico in trade. And so the construction of this is going to be very important. We are also, I think, a little bit ahead of the game or at least staying -- keeping pace, because we're working on this Boulder City Bypass as well as Project NEON. All these things, I think, are complimentary to one another, so that when this does happen, and I believe it will, that, you know, Nevada is not going to be the one that is holding things up.

Rosenberg: Right.

Sandoval: Which I guess the question for me is, you know, our piece at least with the Boulder City Bypass is a small one. It looks like Arizona has a very large piece, obviously, between -- given the geography between Phoenix and the State line.

Rosenberg: Correct.

Sandoval: Are both states moving consistently so that all these things happen at the same time?

Rosenberg: We are trying very hard to be consistent in that. In fact, there have been many, many discussions over the last few weeks about this idea of signing Interstate 11. So we want to make sure that both states are working in concert with each other. Obviously, we're at different phases, different levels in the construction work that's going on as well as the planning efforts.

One of the great things about the study, it's really strengthened our relationship with Arizona so that we know the right people to talk to about various different topics. I mean, I certainly know the planners very well, but I think it's improved communication with many different divisions within ADOT. And we're starting to have those questions. And I'm getting a much better understanding on where Arizona is on their various different construction projects along the corridor, as well as their planning studies. They have done a lot of corridor studies both in the Phoenix area, the Tucson area. So we're getting a much better understanding of where the other state is. So I can't say we're always perfectly in lock step, but we're

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trying very hard to keep in concert with each other and move sort of as one unit rather than two separate states.

Sandoval: And, again, I know that everyone on this Board will agree, particularly the Lieutenant Governor and I who sit on the Economic Development Board together, but this will have a tremendous impact on our competitiveness with regard to logistics in manufacturing, you know, a number of things.

Rosenberg: Right. Absolutely.

Sandoval: Which is the lead up to my next question is assuming all things go well, when are we looking at construction and really starting to build things?

Rosenberg: Well, as you know, the Boulder City Bypass effort is going forward. Hopefully, Southern Nevada gets their gas tax initiative and this is one of their priority projects. So that would be the first piece. We won't be able to sign it as such just yet. Beyond that, it really depends on funding. So, you know, I think we'll get enough information to know which pieces are kind of priority. We're hoping to kind of outline loose time ranges. But it really depends on funding availability. As you know, it's pretty tight, so...

Sandoval: When you say "funding," what role does the federal government play in the funding piece?

Rosenberg: Well, that depends. I mean, it sort of depends on what Nevada decides to do going forward and how we decide to fund our transportation infrastructure. What we're hearing in terms of what we can expect from the federal government, it's, you know, the same or less as what we have been receiving. And as you know, we have a lot of needs in the State. So it depends on do we come up with other means of funding transportation? Does this project kind of raise on the priority lists? So in terms of schedules, when we're going to start building other pieces of I-11, I would really not like to take a guess at that.

Sandoval: But it's likely. And you talked about those future corridors. 95 would be probably up there in terms of what a future I-11 would be.

Rosenberg: Given that it's already designated as a high priority corridor, that is certainly probably going to raise to the top. However, there is an interest also in looking at U.S. 93. And at the end of this study, we're unlikely to say it's one or the other, but rather list the opportunities and constraints of each and

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maybe make some recommendations for incremental improvements on each of those important north/south corridors.

Sandoval: Questions from other Board members? Member Fransway.

Fransway: Thank you, Governor. And truly it is a daunting task what you're doing and we very much appreciate your enthusiasm. A couple meetings ago, we were talking about the Boulder City Bypass. And I -- if I'm not mistaken, it was designated as I-11.

Rosenberg: Correct.

Fransway: And so we're first, aren't we?

Rosenberg: We are if we get it built, yeah.

Fransway: And I concur with the Governor that we need to be very, very involved, because it will have a tremendous effect on the State both coming and going. And so my question to you is, have there been a designation -- not designation, but a route reference all the way from Mexico to Canada yet?

Rosenberg: Not yet. Not yet. So the only portion that has been designated is U.S. 93 between the Phoenix metropolitan area and the Las Vegas metropolitan area. And even those end points are somewhat loose. So this study is looking to look at those different routes from Mexico all the way to Canada and make some recommendations or at least narrow down the alternatives and give you some information on the opportunities and constraints of each of those. And that's one of the reasons we're calling it the I-11 and Intermountain West Corridor, because truly the only piece that is a future I-11 is that U.S. 93 piece.

Fransway: Okay. And is Highway 95 a serious candidate to traverse the entire State of Nevada north/south?

Rosenberg: Absolutely. Absolutely.

Fransway: Okay.

Rosenberg: But we do need to look at other alternatives as well. But that's certainly one that is rising to the top because of that high priority designation already.

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

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Sandoval: Mr. Lieutenant Governor, do you have any questions?

Krolicki: Yeah, I do. Thank you. Thank you, Governor. Governor and Mr. Fransway, you have really set the stage well. You know, as the Governor stated, it is perhaps not a forgone conclusion, but it's very clear that Phoenix, Las Vegas, I-11 needs to be done. It will be done. We just need to prove it out, and you're doing all of those things with ADOT to make sure that happens. Thank you. The intrigue here is really that next phase.

Rosenberg: Mm-hmm.

Krolicki: And, you know, I don't want to presuppose things. You know, this is a time for facts to drive a conversation. However, I do think there are certain ways to direct and emphasize that next phase of the conversation. You know, the arrows that you had on your universe of alternate routes, all of the arrows point straight up. You know, and I know this is in theory about Mexico reaching Canada. You know, we don't want to be a fly or drive-thru state. You know, we need to be part of the integration on the West Coast of the 70 million people who inhabit, you know, the Pacific Northwest to Phoenix. That's the economic development portion. So, you know, there perhaps will be tension between those who just want the NAFTA route, you know, just as quickly as we can move through things. But if this is truly about economic development, it's the western side of Nevada that is going to be by far the most critical here. It's where the population, the infrastructure and those kind of things are, and the interoperability, if you will.

So, you know, I don't know when we have that chance as a Board to weigh in. I know this is a 10, 20-year proposition. But, you know, while there may not be monies -- will I still be -- in my lifetime, let's hope that (inaudible) will still be alive if he is right now. But, you know, beyond the cash to pay for it, the designation on a map doesn't cost anything. And from a planning purpose and companies that are making capital deployment decisions in the Western United States, they will make decisions based on what they see for the next 5, 10, 20 kind of year timeframe. So I do hope that, you know, wrestling that at least designated corridor for I-11 does come sooner rather than later and then hopefully, you know, within our input time. Thank you.

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- Sandoval: Any other questions or comments from Board members? Similar to the earlier Agenda item, this is something that I would like to have periodic updates to see how we're doing.
- Rosenberg: Okay.
- Sandoval: I know the Board is -- all of us are very interested on the progress and just how your public meetings are going, the corridor potential designations, those types of things.
- Rosenberg: Okay. And I would just like to make one comment in response to the Lieutenant Governor's comment. There's two methods to get interstate designation. One is an administrative process, the other is the congressional process. The Interstate 11 designation between Phoenix and Las Vegas went through the congressional process, which my understanding has -- is a little bit easier. If you can get Congress to act, the administrative process has a lot more steps and restrictions on it. So as we move forward and as we finish up this study and have recommendations for you, we can talk about those different alternatives for future designation.
- Krolicki: And perhaps some of my more aggressive posturing here is in the notes from the stakeholders. So input by stakeholders at some of these meetings. I-93 was a very popular route for, you know, the through Nevada piece, which really doesn't work for our economic development and 70 million people on the West Coast thing. Plus I know you're starting the environmental aspect, but there were others who said we don't need it. And, you know, those -- you said those, I think, were the two main themes. I didn't see 95, 395 really being a large piece of the stakeholder input as you have gone through.
- Rosenberg: As I said, we're just starting to look at this universe of alternatives. So this map has anything we thought might come forward as something to even look at. We think we'll narrow it down from this picture here to, you know, maybe -- and it might be, you know, because of the numbers and the anticipated growth, it might be that, you know, one of them makes sense as a future interstate and the other corridor makes sense as making some slight improvements to it to improve capacity and reliability not to full interstate standards. So it's not necessarily one or the other. We're looking at the big picture on how we improve connectivity for those major activity centers in the West.

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Sandoval: Finally, Governor Brewer and I have had very, very, very, very preliminary conversations about this. But if it would be helpful to speak with her about any of these issues, I'm happy to do it.

Rosenberg: Great. I will let you know. We're also reaching out to our counterparts in Caltrans as well as Idaho DOT, Oregon DOT, Washington DOT, because as you know, these roads don't stop at the state line or it wouldn't make any sense if they did. So what makes sense for those other states as well is certainly very important as part of this process.

Sandoval: Okay. Thank you.

Malfabon: And, Governor, just as a comment on that, while we were at the WASHTO meeting recently, we did meet with the ADOT Director John Halikowski about having an event for both governors to participate in where Arizona wants to put up the future I-11 signs in some areas. And we thought that the O'Callaghan Tillman Bridge has a kind of a site off the highway that's safe and could be a good venue for that type of media event to bring focus and attention to the I-11 Corridor.

Sandoval: Thank you very much.

Rosenberg: Thank you.

Sandoval: Agenda Item No. 11, old business.

Malfabon: Governor, we had the standing items, a report of outside counsel costs and monthly litigation report. As I had mentioned, you will see more of the tort claims in there because of some of those high profile accidents that occurred previously. If there's any questions on those, our Chief Deputy Attorney General Dennis Gallagher can address those.

We also have the fatality report. And the report that's included in your packet showed that we are actually one above where we were last year. The latest report that I just got this morning shows that we're actually two less than at this time last year effective yesterday's date. And that includes, unfortunately, three motorcycle fatalities in Clark County that occurred over the weekend. So very unfortunate. And we're actually -- in the motorcycle fatalities, not in this current report, but in the report that I just received this morning, we are above where we were last year at this time. But overall, we are starting to see a reversal of that trend instead of the current. The report

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in the packet showed one fatal more than we were last year and we're currently at two below as of yesterday.

Sandoval: Questions from Board members? Just on the litigation report, Mr. Gallagher, all the counsel that we have representing the State, none of them are representing clients that have actions against the State, are they?

Gallagher: Not currently, Governor.

Sandoval: Okay.

Gallagher: Not currently.

Krolicki: Previously?

Gallagher: Previously, we did find ourselves in that situation. But it was a disclosed conflict that had been waived by both sides, regrettably.

Sandoval: But in the future, if a firm or an attorney who is representing us now seeks to represent a plaintiff or a defendant for that matter in the types of litigation that we have, that would come before you or would that come before the Board if they were seeking a waiver of conflict?

Gallagher: It would actually initially go to the Director, because any conflict would be the Department's to waive. But in my conversations with the Director, should that happen and it be extraordinary circumstances, it would come to the Board. But more than likely, it won't get past the Director because it's probably not the best idea.

Malfabon: And, Governor, I wanted to mention that the request for proposals to kind of cast a wider net for outside counsel, that's going to go out in about a week's time so that we can get some more law firms on the list for possible contracts.

Sandoval: All right. Board members, any other questions or comments with regard to Agenda Item No. 11?

Martin: I have one, Governor. Rudy, on the statement that you just made about the request for proposal, is that a request for proposal or a request for qualifications? Because these condemnations are a very specialized area of law.

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Malfabon: It will be more or less a -- what you had stated, Frank, it's going to be more like a request for qualifications so that we know what the firm is capable of. Obviously, we have quite different types of legal services that we contract for, eminent domain, tort claims, construction claims, as well as some other areas. But I don't know if you wanted to add anymore to that, Dennis. It's pretty much what's their qualifications in those areas?

Gallagher: For the record, Dennis Gallagher, Chief Counsel. Mr. Martin, it's kind of a hybrid between a request for qualifications and a request for proposals. There will be some minimal qualifications that the firms will need to meet to be considered. But we're also requesting identity of particular counsel that would work the cases. Obviously, rates would be important, as well as the resources of the firm to be able to staff these cases.

In particular, the condemnation and inverse condemnation because we must bring those to trial within two years of the filing. We also do retain outside counsel in some occasions for construction claims. Most personal injury or tort actions, we do not. Although, as the Director mentioned, we have just been named in a large number of suits arising out of the truck, train accident two years ago. That litigation has been certified as complex. We haven't been served in all the cases yet, but we believe we will. Those cases represent probably approximately 40 plaintiffs. And we have also been made aware that in a number of the cases, some of the other defendants have already filed cross-claims against the Department.

What is particularly disturbing and I should present to the Board, for those of you who are familiar with the National Transportation Safety Board's report of this tragic incident, they found no issues with NDOT. They found no issues with the design or the construction or maintenance of that railroad crossing. Unfortunately, under federal law, that report cannot be introduced as evidence to establish any liability in the court proceedings. So the good news is the Transportation Board's report found no issues with NDOT. The bad news is we can't use that in the litigation.

Fransway: So that was an exercise in futility, wasn't it?

Gallagher: The federal law and there are similar laws dealing with aircraft crashes, et cetera, the policy reason that's articulated is that these reports aren't to be used in litigation settings. They're to be used in the future to prevent these types of incidents from happening again.

