

Minutes of Nevada Department of Transportation
Board of Director's Meeting
May 12, 2014

Governor Brian Sandoval
Lt. Governor Brian Krolicki
Controller Kim Wallin
Tom Skancke
Len Savage
Tom Fransway
Rudy Malfabon
Bill Hoffman
Dennis Gallagher

Sandoval: It's 9:00, so I'll call the Nevada Department of Transportation Meeting to order. As I said, Member Skancke is attending from Las Vegas. Member Fransway is participating telephonically. We'll begin with Agenda Item No. 1, which is the Director's Report. Director Malfabon, please proceed.

Malfabon: Good morning, Board members, Governor. I wanted to mention that I have to depart to catch a flight. At about 10:30 I have to depart, so the meeting will continue and Bill Hoffman will oversee it. I chair a national committee for highway traffic safety and our annual meeting is in Mobile, Alabama, which is having floods and thunderstorms. I'm looking forward to it.

First slide, please. I wanted to mention on April 29th, President Obama unveiled his four-year, \$302 billion proposal for reauthorization. There's \$199 billion for highways, but there are several new programs that see funding increases. For the highways portion, it's pretty much related to increases to keep up with inflation. And for the way that the President is proposing to address that gap in funding from the fuel tax revenue that the Feds take in is through corporate tax reform. That's \$150 billion, a substantial amount of money. I think that that's what assumed to be generated over 10 years, so you can see he's using that over this four-year period that he's proposing.

One thing that's gotten a lot of press was that the federal proposal to lift the ban on tolling existing interstates. A lot of states were being approached by the media about that lifting of that band. In Nevada, obviously, we haven't had a discussion at the Transportation Board about that issue, but there was a handful of states that were authorized to toll existing interstates as a pilot project. And what that means is if a state was going to look at something like a truck-only toll lane, building some new infrastructure and tolling on the existing interstate to pay that project off, then they could look into that. And it was to allow this for all the states, not to say that it would make sense

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for all of the states, but it would be an option that the President is proposing to lift that ban so that it's an option to states.

Next slide. This gives you an idea of the spending levels. I had mentioned \$199 billion for highways and the other programs, Federal Transit Administration, Federal Motor Carrier Safety Administration, the NHTSA is the Highway Traffic Safety Administration, FRA is rail. The TIGER Program sees substantial increases. Where we've got the \$600 million for this year, in fiscal year '14, you see that column for what is current levels, \$55 billion, but you see that substantially growing in the years, in this proposal, in '15 through '18.

Next slide, please. And, Governor, I wanted to mention that I did receive from AASHTO and from FHWA summaries of the GROW AMERICA Act. So we will e-mail those to the Board members today so you have all of this information in detail. And you'll notice in the AASHTO document that it's going to be more editorial comment about whether it's acceptable to the state DOTs, because there are significant policy changes that would possibly allow more money to be shifted to the MPOs, which are the RTCs in our state, then that would come from the money that the state currently controls. So that is a significant issue that AASHTO has addressed in that policy paper that you'll see.

Senator Boxer chairs the Environmental and Public Works Committee, and she hopes to present something this week, a draft of her portion. The Senate EPW Committee has jurisdiction over highways, so that \$199 billion is what she's going to address in the policy issues related to highways. I heard that it could be as soon as today, but hopefully this week the announcement will be made on her committee's proposal, and we'll share that information with the Board as soon as we receive it.

Next slide, please. Oh, and I mentioned on that last slide, there was \$18 billion of a gap on an annual basis to make up, and that's really going to be a challenge to address that. It could be a general fund transfer as what's been done in the past. Okay, next slide.

State Route 207, the full closure started and will end May 23rd. As we saw that there was some confusion for some folks traveling through that area, as much outreach as we conducted through our communication staff and Q&D's public outreach consultant, there was still a few people that were surprised by that. We had a lot of media coverage. We had a lot of announcements, a lot of public meetings about it, but still didn't capture everybody, unfortunately. The...

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Sandoval: Before you go on...

Malfabon: Yes.

Sandoval: ...the Lieutenant Governor has a comment.

Krolicki: Good morning, Director. I just want to say I believe that the 207 project has been extraordinarily well-handled. I was going to do this under public comment as a resident of the Stateline area. My family and the folks who we deal with everyday have nothing but kindness to say as to the -- especially the flaggers. I mean it's a very frustrating situation. Delays can be a half an hour. But they have the same flaggers at the same intersections every day, all day. There are personal relationships that are being offered, you know, meals at restaurants and things, but they've really done a marvelous job. I don't know if anyone is here from Q&D today, but between NDOT and Q&D, I just want to say a very, very difficult situation that...

Malfabon: Yes.

Krolicki: ...was a challenge to communicate to all has been well-received. And just that interaction just facilitates a lessening of tensions that would normally exist. So I say well done.

Malfabon: Thank you, Mr. Lieutenant Governor.

Krolicki: Thank you, Q&D.

Malfabon: And I'm sure that the project team appreciates those comments. Q&D worked really hard with their public outreach consultant, and we actually added some additional meetings. We did talk to our public information staff about getting some of those cards from their outreach consultant for those residents up there that didn't have that card and were surprised, if they showed up here that we could hand them one of those.

Krolicki: If I may. Some of the folks who are more challenged about having to take the detour over 50, the people who commute to work, they may live in the -- so the residents of the Kingsbury Grade and the Tahoe Basin, I believe for the most part, did receive the cards. Thank you. I used one yesterday going over the top. But the folks who have to commute to commercial offices sometimes, they're far more inconvenienced. And they do it every day. I don't go over Kingsbury every day, certainly. So if there's some way to perhaps provide more accommodation to those working commuters that would be great. But I'm sure you've got a system in place, but that's the only

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shortfall I've seen, but I don't know how you take care of that, except for word of mouth.

Malfabon: Thank you. I wanted to mention on the I-580 contract with Fisher, they did submit, recently, a request for additional compensation. A substantial amount, \$4.2 million. The district has rejected that. The areas that they had requested additional compensation for were scour protection at Galena Creek, impacts to the Portland cement concrete paving, or PCCP as we call it, operations due to the dowel baskets. The dowels are steel bars that transmit the load from the trucks and cars on the pavement joints. There was also other additional cost increases for the PCCP, the concrete paving, and something that's called crete testing, which is as concrete dries out you get deformation or it kind of moves a little bit. And that arch bridge that was a requirement that NDOT had for crete testing, so that we made sure that the mix design was enough to give us an idea of how much deformation would happen over time. And they had to do additional testing and they were asking for compensation for that.

The next step would be that we will -- since district has rejected it, it comes up to headquarters for consideration, because the contractor definitely won't accept that and just walk away. They'll exhaust every avenue available to consider this request. The details of the request will be discussed at the Construction Working Group meeting, so we'll keep everybody informed through that venue.

Sandoval: Yeah, and this is a bit of a surprise...

Malfabon: Yes.

Sandoval: ...because I thought we had discussion that this project was done. When they received their last payment, was there any kind of closure document there or did it leave an opening for a claim like this?

Malfabon: Typically, they have so much time to make any claim. I think that we received their letter in April, I believe. So it was just recently received and responded to.

Sandoval: But have they given any kind of heads-up that, you know, we're taking this last payment, but we still have some issues that need to be resolved?

Malfabon: I don't know if Rick Nelson has any insight whether they gave us a heads-up, Governor.

Nelson: Good morning, Governor. For the record, Rick Nelson, Assistant Director for Operations. This is one of those situations where they actually haven't

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received their last payment yet. Until such time as we go through the books and tally up all the books, that we'll actually make that final last payment, release their retention and that sort of thing. We've been working diligently to close out this project since before the construction was completed. We're probably about three-quarters of the way through, you know, all of the books and quantities and so on. We hope to have this project closed out in the next four or five months.

But it's not uncommon for contractors to submit these late claims. And one of the things we're working on, in the Construction Working Group, is to tighten up our specifications, put more emphasis on the notice and time frames for working these through because, unfortunately, this is probably more common that we care to see it happen.

Sandoval: But we opened it what, two years ago? It's been open for -- how long has the road been open?

Nelson: The...

Malfabon: About a year and a half.

Sandoval: Year and a half? And, you know, I don't want to even bring up the other litigation that has been associated with this, and now we're looking at this which could be -- so you're going to reject it and then it's going to go through that appellate process and then it's going to likely go to litigation. And so now we're looking at another few more years before this project is completely closed out.

Nelson: We try to get our facilities back open to traffic just as quickly as we can, as soon as construction will let us. Because the contract is open to traffic doesn't necessarily mean there aren't work items left to be completed on the project, so we didn't reach substantial completion until a period of time after it was opened to traffic.

Sandoval: But it doesn't sound like the issues that are challenging have anything to do with substantial completion.

Nelson: That is correct. That is correct.

Malfabon: Governor, we would have to get with the resident engineer to see if they had a heads-up from Fisher Industries about these four issues that they brought up in their request for compensation.

Sandoval: Yeah, and, you know, I can't speak for the other members of the Board, but this is a real sore spot for me because of the amount of litigation and the amount of money we've already paid out.

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Malfabon: Yes.

Sandoval: And there was the issue with the first contractor and now we've got an issue with the second contractor, the issue with the landowner, the issue with the water rights. All of that. And so it's kind of here we go again.

Malfabon: Yeah.

Sandoval: Member Savage.

Savage: Thank you, Governor and Mr. Malfabon and Mr. Nelson. I too am very, very disturbed that this is a last minute call from the contractor. I felt that the Department treated the contractor very fairly and with the time expired. You know, we had talked about the 10% retention at the Construction Working Group and I still believe that that would be a tool that we have to seriously consider in the future. I know it was turned down because of the legislature and everything, but I think it's something we really need to look at to protect the Department. And, again, I just want to voice my concern that this (inaudible) and everybody can move on and end up with a good relationship with the rest of the group, because I do feel the state treated it very fairly. Thank you.

Malfabon: Thank you. Continuing on with the report. County tours just started last week. I wanted to thank Controller Wallin for accompanying us to Nye and Esmeralda County. I also visited Lander County last week and Deputy Director Hoffman visited Humboldt County. So the county tour process is an annual process where we visit all the counties and some of the tribes around the state. It's part of an outreach where we hear what the transportation issues are for the local agencies; discuss what's happening on the federal level, what policies or programs are available to them. And the Federal Highway Administration is really pushing more of this direct connection between the state DOTs and the local agencies called a consultation process. So we get good feedback from the county commissioners and the folks that are in the audience at these county commission meetings. A very worthwhile process.

Next slide, please. I wanted to keep the Board informed of some recent settlements and verdicts. There was a former employee that was suing us, alleging discrimination. We had prevailed in the initial court case. She had filed with the Ninth Circuit Court of Appeals and this case was settled out of the Tort Claim Fund, so we won't request approval from the Board of Examiners. But the amount of the settlement was very minimal with details to follow to the Transportation Board.

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There was a right-of-way issue on Cactus Avenue Interchange that was approved by the Board of Examiners. We had offered an amount based on our appraisal, and there was a settlement reached for an additional \$65,000 from that initial amount deposited with the court. So, ultimately, with that additional \$65,000 that the Board of Examiners approved, the final amount for that property was \$542,000 approximately. And the details of that, for Ad America case on Cactus Avenue Interchange, will be presented to the Board in next month's packet.

Recently NDOT went to trial on a property called the Gendall property on Project NEON. Our amount of appraisal was about \$1.9 million and the other party was higher. During the trial, after the jury was deliberating, they offered a settlement that was higher than the jury verdict. So one thing that was interesting to us, though, that one of the concerns with -- we are very selective on what we take to trial. If we're far apart and there's no movement from the other party on a settlement that's acceptable to the State, then we go to trial. In this case, the jury made a comment, because we polled the jury afterwards, and they said, well, we really didn't believe the State's appraisal and we thought it was too low. We felt that the property owner's appraisal was too high. So, again, it's what we see often is the jury finds somewhere in between.

And because it was a jury verdict, it does not go to the Board of Examiners for approval, but the details of this case will be presented next month, as well, and with the jury verdict of \$3 million, the State does have to pay reasonable legal costs and also the interest from the date of valuation. So it's been a couple years, I think, from the date that it was valued.

Sandoval: So what's the all in on this one?

Malfabon: It's going to be about what they offered, and the amount higher is probably -- I think that they offered \$3.2, so it's going to be in that range, Governor.

Sandoval: So it's \$200,000 for interest and attorney's fees if the jury verdict was \$3 million?

Malfabon: That remains to be submitted to NDOT for review. That's typically the process. I don't know if you can respond to that, Dennis.

Gallagher: Yes. Governor, for the record, Dennis Gallagher, Counsel to the Board. The post-trial motions have just begun. They're entitled to certain costs and certain fees associated with it. They're going to be arguing for attorney's fees. We will dispute that. We don't believe that they're authorized under the law. We'll have a write-up for the Board next week and I will be getting

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NDOT management to review the potential should there -- there are appealable issues, and to review that and, of course, the landowner may appeal, too, in which case we'll find ourselves before the Supreme Court one way or the other.

Sandoval: What was the offer before it went to jury?

Gallagher: It was after all the evidence had been submitted...

Malfabon: What was (inaudible)?

Gallagher: ...the jury went out -- oh, the original offer. Well, the offer right before it went to the jury was about \$3.2. Prior to that the landowner had sought different amounts at different points in time. I believe their appraised value of the property was over \$4 million.

Sandoval: But if our offer was \$1.9 and their offer was \$3.2, and the jury came back with \$3 million, it's likely that once it's all said and done with attorney's fees and interest, that we're subject to a judge -- if the court awards it obviously, but if the court agrees with them, attorney's fees and interest will likely bring it over \$4 million, I would imagine.

Gallagher: Well, Governor, one of the arguments also that landowner's counsel is making is that the interest in these matters is compounded daily. Obviously, that is something that we contest and will continue to contest vigorously. And I'm sure that issue, ultimately, will be resolved by the State Supreme Court, too.

Sandoval: I guess the -- and maybe I'm not being clear, but it's a big number, I would imagine with interest and attorney's fees. A much bigger number.

Gallagher: It will be bigger. I believe it may come in somewhere, again, depending on how the court views the interest calculation. But their costs and interest could come in -- it'll come in at about \$3.2, \$3.3.

Sandoval: On a \$3 million jury verdict or is that \$3 million on top of the \$3 million?

Gallagher: No, that's on the \$3 million jury verdict.

Sandoval: So \$200,000 for fees and costs and interest?

Gallagher: Again, the interest calculation could be a huge one based upon, you know, the alleged date of taking. Compounding it annually versus compounding it daily, I would have to defer to Madam Controller for that calculation. But, yeah, that's a huge number.

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Sandoval: Well, I guess what I'm saying is I'm trying to stop getting surprised by big numbers, and so it might be good just to kind of...

Gallagher: Sure.

Sandoval: ...let us know what might be coming in this case. And who tried the case for the State?

Gallagher: The Attorney General's Office and the Chapman Law Firm.

Sandoval: Mm-hmm. Okay.

Malfabon: On the final item here; previously, we had discussed a parcel referred to as Jericho Heights on the Interstate 11 Boulder City Bypass project. There was the parcel that we hired Laura Fitzsimmons to help us out on as outside counsel, and have spent a lot of money on outside counsel and subject matter experts. But I wanted to report to the Board that the efforts paid off. We recently had a settlement conference. And this, as you recall, the owner's attorney said that this property -- from the date of taking and everything that occurred with what their position was that they were saying the State owed them \$60 million and they eventually offered a settlement of \$32 million. And the details will come. The settlement agreement has not been signed yet, Governor. We hope to sign it today or early this week and that will go to the Board of Examiners in June, but the amount that we settled at was substantially less than that. So I think the efforts of Ms. Fitzsimmons and the legal support group and the folks in Right-of-Way, everybody involved in this paid off dividends because the number will come out in the Board of Examiners request, but it was substantially lower than that \$32 million offer that we had received several months ago.

Sandoval: And what was our initial appraisal for that piece of property?

Malfabon: It was less than \$1 million.

Sandoval: Yeah. Okay.

Gallagher: Excuse me, Governor, if I may just follow upon that. This is an 82-acre parcel. NDOT had determined that approximately 3 acres was needed for the Boulder City Bypass. Condemnation resolution came before this Board, which authorized that we file the direct condemnation action, and at that point in time the landowner filed a 13-count counter claim alleging that the entire 82 acres had been taken by the State back in 2005. And thus their claim, at least in some of the initial pleadings, that they had been damaged over \$160 million plus, plus, plus. Later on, they came down and offered to settle for over \$30 million. And we continued to litigate it and as the

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Director pointed out, mediation was conducted last week before former Judge Stew Bell. And the parties, late Thursday evening, I think, about 10:30, reached a tentative settlement. It was somewhat complicated because in addition to the landowner there were banks that are based on the East Coast that were involved on the landowner's side, so it made the settlement discussion somewhat difficult. But hopefully we'll be presenting to the Board of Examiners a settlement as soon as we can to get this matter resolved.

Sandoval: Yeah. Will we get all 82 acres out of that deal?

Gallagher: No.

Sandoval: Okay. Well, I'll wait for the details to come.

Gallagher: Yes, sir.

Malfabon: Next slide, please. A little update on TIGER grant. We had submitted our application for \$20 million for Project NEON, as well as co-sponsoring with White Pine County where we'd taken on the Northern Nevada Railroad TIGER grant application. RTC of Southern Nevada, I gave you a report last month, but we had a change. RTC of Southern Nevada decided not to submit for I-11. They have another financing plan in mind using federal funds, and it's going to work out well for them in using up all their available federal funds for the STP local category, Surface Transportation Program category.

We issued nine letters of support partnered with ADOT on two applications; the I-15 Virgin River Gorge, which is important for folks traveling from Utah to Southern Nevada, and the environmental study for future I-11 in Arizona, which is important for that corridor from Mexico up to Nevada and through Nevada.

Next slide, please. An update on Project NEON. We provided individual briefings on the finance elements to the Board members. The right-of-way acquisition is continuing, and we have several cases that are in the possibility of reaching some settlements. I've seen the -- some of the numbers are getting closer, at least. So I think as we've taken some of these cases to court, Governor and Board members, that it's showing that we're willing to fight where we're far apart and they're being unreasonable in our opinion. But in some cases, where we're very close, I think that we'll be taking those settlements to the Board of Examiners. And some of these being commercial properties will be substantial, but we will -- as I've tried to do today, is keep you informed even before they get to that point once we reach a settlement.

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Our project team is going to Washington D.C. this week to interview with a TIFIA program administrator from the Federal Highway Administration. They'll discuss the TIFIA application for Project NEON and include the term sheets in the release of the RFP for the TIFIA program portion of the financing. In June, I will be presenting a follow up to the December 2013 IFC request when they approved the \$100 million -- basically the change to our budget to receive that revenue and expend it for Project NEON right-of-way. They asked that I come back and give a more detailed presentation on the financing model under the P3 delivery method. So we'll be preparing that presentation and delivering it in June to the IFC.

One-on-ones were held last week with the three P3 teams. They provided a lot of feedback and the project team received some guidance from the Director's Office on some of the questions raised in those one-on-ones. Our next Board meeting is three weeks away and two Board members are not going to be available, unfortunately. So we were considering requesting release of the request for proposals for the P3 procurement for Project NEON at that meeting. If it's the pleasure of the Board, we could delay that to July, when all Board members, I think, should be present. We'd have to confirm whether all Board members are present in July, but I know that two members are not available on June 2nd.

Sandoval: Madam Controller.

Wallin: Okay. I don't know where this should come up or not, but when we had our one-on-one meetings and stuff and we saw the difference between the traditional financing versus the P3 model and the present value between those two is getting a lot bigger. I would like to have a discussion on do we continue down the P3 route versus doing traditional financing at this point in time, because of the 11% increase in financing costs, which we still don't have the details on. So my preference would be to have that discussion at the June Board meeting and then we know what we're going to release in July.

Malfabon: That could be appropriate.

Sandoval: Actually, I think that's a great suggestion...

Malfabon: Very good.

Sandoval: ...so that we could do the finance piece at the June meeting and then have this item for discussion and consideration on the July meeting.

Malfabon: We'll do that. Thank you. Good suggestion. Next slide, please. An update on Interstate 11 Boulder City Bypass. Tetra Tech, our naturally occurring

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asbestos consultant, their plan, I believe, was approved by Volpe, who was working as the consultant to Federal Highway Administration. The RTC of Southern Nevada is going to be amending our interlocal agreement to add additional funds to NDOT to pay NDOT for Tetra Tech's testing, doing the air monitoring on phase two, which is the RTC's phase. So that will add additional expense to the Tetra Tech contract with NDOT, but it'll be paid from the proceeds that we receive from RTC.

- Sandoval: So that'll be on top of the \$460,000?
- Malfabon: Yes. But we'll receive from RTC the expense for the work that they're doing on phase two.
- Sandoval: And we're still scheduled to have that work completed by August?
- Malfabon: The testing, we should have the results in August. Their work continues as far as the assessment, but we should have the initial assessment done.
- Sandoval: But what's that mean? I mean, we've got to have this done by August. That's the bottom line, in order to stay on schedule.
- Malfabon: Governor, we are pushing Tetra Tech to do it as rapidly as possible. They also hired two labs so they could do the testing of the asbestos as rapidly as possible using two labs rather than just relying on one. So they're taking steps to try to accelerate the sampling and testing and analysis.
- Sandoval: But who's working for who? I guess -- I mean don't they know that there's a sense of urgency here to get this done?
- Malfabon: Yes, they do. And they will have their draft report in August. The final report was going to be September, but the draft report will be sufficient enough to know what we're facing out there, in August.
- Sandoval: Well, again, the whole time we've been talking about this August has been the target date, and now we're talking September.
- Malfabon: Well, their scope of work goes through September.
- Sandoval: You know, I don't know what else to say. I thought we had it clear that it needed to be done by August. I mean, as I said, this thing keeps sliding and I don't want it to happen. Mr. Hoffman.
- Hoffman: Governor, yeah, if I may. For the record, Bill Hoffman, Deputy Director. All the schedules that I've seen show substantial completion on analysis by Tetra Tech by August, the date that we, you know, confirmed before this Board. We're set and ready for that August date. So all the schedules I've

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seen show August. As Director Malfabon said, the scope of work does carry past September, but we'll know what we're facing in August. Actually, there's preliminary testing and analysis and results that'll come in starting next week, I believe, right, John? I mean they're testing...

Terry: Yes, (inaudible).

Hoffman: ...analyzing, they're pushing forward. The schedule is accelerated. We're going to meet the August date.

Sandoval: Okay. All right. Good. Thank you, Mr. Hoffman.

Hoffman: Sure.

Malfabon: Yes, I didn't explain that well enough. Sorry. And next month we will present the I-11 corridor study, that's the joint study with ADOT, for your direction to us on -- that issue has recently -- Washoe RTC had been working with Senator Heller's office about some language that was acceptable to put in the next reauthorization of the transportation bill. As far as getting it to the northern border and making that effort -- you know, basically making federal funding accessible to that, making it a priority for the federal government. So I believe that Lee Gibson, during the public comment period, will come up and address some of his Board's position on I-11 and their desires. However, we feel that through Brian McGinnis, Governor, your representative in Washington, D.C., we felt that we had language that was acceptable to NDOT and to ADOT.

We're fully aware that ADOT is looking to get their environmental -- as I mentioned during the TIGER grant update, they're trying to get their environmental studies funded through federal funding. So we worked with everybody to make sure that the language was acceptable that Senator Heller was offering for inclusion in the bill. But the important thing is that the Board will basically take action on this corridor study in June. We'll be requesting that action.

Sandoval: And does that corridor study decision include the determination between Highway 93 and Highway 95?

Malfabon: I believe it does. Is Sondra Rosenberg in the audience? No. I believe...

Larkin-Thomason: Governor?

Malfabon: ...that recommendation will be made.

Sandoval: Yes.

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Larkin-Thomason: Excuse me. Governor?

Sandoval: Yes.

Larkin-Thomason: For the record, this is Tracy Larkin-Thomason, Deputy Director in Southern Nevada, and I've been working closely with Sondra on this. There will be some recommendations of preferred alternatives that will be presented to you for your comment and consideration. And that will include, basically, the portions that are north of Las Vegas and the whole corridor, basically. So the recommendations with their recommended alternatives will be presented.

Sandoval: Okay. And will it...

Larkin-Thomason: It includes the 95 and 93, yes.

Sandoval: So will it be mature enough for the Board to make a decision with regard to 93 versus 95?

Larkin-Thomason: Yes, it will be -- in general, yes. But even if you were to choose one over the other there are still more studies that would need to be done before the environmental -- before going into a NEPA study, because even within the corridors they're broad. So, for instance, say you were coming up 95, and this is just a for instance, you could be coming up 95, hit 95A then go into the Reno area and up 395, or you could be going up 95 and then go straight up through Winnemucca and then up that way to the northern border. So there are different alternatives even within the general path.

Sandoval: Okay. Understood. There's starting to be a little bit of curiosity, I think would be the right word as to what the preferred route is going to be between 93 and 95. And I know we've talked about this, and one of the things that I wanted to get completed was I know there were a series of public meetings with the possibly or potentially affected communities. And we've been through all that piece of it, correct?

Larkin-Thomason: This is still a very high-level study, so even when you're looking into the area around Las Vegas there are three recommended alternatives in the Las Vegas area. And even if you were to look at those, within certain areas, it's not defined as we're actually going to go down this road to this road to this road. It means generally we're looking at a connection between here and here, A and B. The exact route is not defined, no.

Sandoval: No, and I understand that part, too, that there's some concern by the residents of Henderson given that potential route. There's the straight up the 95 route and there's the 215 route that goes through Clark County. Those

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three are the ones that I'm aware of. But I guess the big picture is either going through the Eastern Nevada on the 93 or the western route on the 95. Is that something that at least this Board is going to be able to weigh in on in the very near future?

Larkin-Thomason: Yes. And there's also one more large final public meeting that's coming up next week.

Sandoval: Okay. And that's something that I want to be completed is all of these public meetings so that all the individuals that are out there that could be affected will have a voice and input with regard to the final decision.

Larkin-Thomason: And that is happening, but please understand this is still a very high-level study, so that as you go into subsequent studies, and there will be recommendations on that, that is when you would get in and actually do the alternative analysis at a more local level, and that would have greater outreach to the local level.

Sandoval: Okay.

Malfabon: Thank you, Tracy. Next slide, please. So any other Board questions before we go on to public comment?

Sandoval: Let's see, just a comment, and I meant to mention this with regard to that IFC meeting in June. Please be sure that you've talked to the legislators before you go into that meeting so that it doesn't go like it did last time, because I think a lot of legislators would have appreciated having a little bit more time to chat about the financing, particularly on that \$100 million bond issue. And then last meeting I had talked about picking up the trash on I-80...

Malfabon: Yes, on the...

Sandoval: ...and it looks horrible. I just drove it and...

Malfabon: Unfortunately, Governor, when -- our staff in District 2 did clean up the trash after you made that comment last Board meeting, and then we had several weeks of just windy weather and it just -- you can go there the next day and there's trash blown in again, unfortunately.

Sandoval: Well, do we have that Adopt-a-Highway program? I thought we did with the groups that come in and clean that up.

Malfabon: We do have a Sponsor-a-Highway and Adopt-a-Highway programs both, but it's not a daily type of trash pickup.

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- Sandoval: No, and I appreciate that you got on it right away, but it just really puts out a bad impression when you drive through town and you see all the plastic and trash caught up under the bushes and on the side...
- Malfabon: Governor, they definitely will go and hit that section again on I-80.
- Sandoval: Okay. Other questions or comments from Board members? Madam Controller.
- Wallin: Rudy, this is just a follow-up. I know we've talked about it. I'm still waiting for the crash data from January of '14 on Highway 50 for the years 2003 and 2007. So I would really like to get them this week. I mean it shouldn't take five months to...
- Malfabon: I promise you that you will receive that this week. It shouldn't be that difficult and I know that Deputy Director Hoffman talked specifically to the safety staff to get that information to you.
- Wallin: Great. Thank you.
- Sandoval: Tom, did you have any questions or comments?
- Fransway: No. Thank you, Governor.
- Sandoval: Okay. Mr. Skancke?
- Skancke: I'm good, Governor. Thank you.
- Sandoval: Thank you. Mr. Lieutenant Governor.
- Krolicki: No. Having the example of the Governor take great risk at propelling himself in a driverless vehicle sponsored by Google, I was hoping to hear something about...
- Malfabon: Oh, yes.
- Krolicki: ...my journey tailgating in the platooning technique that Mr. Hoffman and I enjoyed and others. But, you know, that was to me going to be the highlight of this NDOT meeting, so I don't know.
- Malfabon: I'm sorry, Mr. Lieutenant Governor.
- Krolicki: The things we do for NDOT and the people of Nevada.
- Malfabon: It was very new technology platooning commercial vehicles, trucks on I-80. It was tried out on and exhibited between two interchanges on I-80. Thank you, Mr. Lieutenant Governor, for being present that day. As you stated,

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Mr. Hoffman represented the Department. I was on a county tour that day. But it is very promising technology and it's going to ultimately save lives, I think. This technology by the Peloton Company is -- these trucks can follow each other. They have fuel savings from drafting, one behind the other. And the thing is that you're seeing a lot more of this technology being put in passenger cars as well, so that it's better -- although it's concerning for drivers to kind of give up that type of control to a computer onboard in the car, the computer can make those decisions. And you're seeing these commercials now where it's warning the driver of something in their blind spot or braking automatically so that if somebody abruptly brakes in front of you.

The vehicles are getting more and more of this technology in them. I think that in the years to come you're going to see a lot of automobile manufacturers adopt this as a standard and not just -- you'll see it as an option initially, but it's such an important safety issue that it's going to, I think, nationally going to drive down fatalities as this technology is implemented in vehicles.

Krolicki: Governor, if I can just follow up. Thank you, but that's not what I was looking for, but I appreciate it. But on a serious note, this is about being able to save fuel in double digits; I mean 10, 11, 12% fuel savings for those vehicles that are platooning. It's also about safety. A computer can react far swifter than the best and most alert driver. But this really goes -- so we had NDOT was present, but we also had DMV, DPS, but importantly GOED. And I just think, Governor, you'd appreciate -- especially, you know, we've talked about the driverless technology that you've demonstrated very bravely. We've certainly talked about the unmanned aerial vehicle technology, and this platooning is in that same sector. So the opportunities, you know, currently Peloton is co-venturing and partnering with DRI and I think UNR and other places to further develop this technology, software and other kinds of things, this could be a future (inaudible). It just goes into the theme of really cutting edge transportation.

So we should be very proud that peloton is working with different pieces of Nevada to prove it out and hopefully to commercialize it and we can all benefit from it.

Malfabon: Thank you. That concludes my Director's Report, Governor.

Sandoval: Thank you very much. Next item on the Agenda is Public Comment. Is there any public comment from Southern Nevada?

Skanche: No, there's no one here, Governor.

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Sandoval: All right. Two individuals signed in for public comment. Mr. Scott Hall.

Hall: Good morning, Mr. Governor and Board members. My name is Scott Hall. I'm with the Nevada Bicycle Coalition. And I know it's a serious morning already, but it is the beginning of Bike to Work Week and I hope everyone is out there on Social Media Monday taking a selfie and hashtagging it for Bike Nevada, #nevadabike.

We've been very supportive -- supported by Director Malfabon and the NDOT staff. He just pledged, at our Nevada Bike Summit, \$10 million for biking and walking. And we've already seen that the return on investment on bike and walking infrastructure is in the order of five to nine times. That's a 900% return for our bicycling network. This is allowing us, as you've seen in Vegas, Carson City, Reno, and even Elko, pushing more people out into the environment. I know we had a rough Saturday, but on Sunday Wingfield Park in Reno was literally crawling with people who were enjoying themselves, having a fun time and improving their community.

In Las Vegas, they already had the Elvis ride. Of course, that's a classic. Thanks, Tina. And shows that people really want to be part of the community riding if they feel safe. And safety is definitely one of the bigger issues and the fear of safety. So as we can put in more bike lanes, more green lanes, that shows people that there is a designated spot for bicyclists. They are transportation users and they are taxpayers.

We've already had quite a bit of activity with the Nevada Highway Patrol. They just did an enforcement education process on Old 395 through Pleasant Valley; that when I was growing up that was road rage central, and now it's a country lane with people riding their bikes. So I applaud NHP for doing that and I think Southern Nevada will be doing the similar thing.

When we look at investing, not just this \$10 million but all of our community assets into a bicycling network, the leaders are in Europe, Netherlands, and Denmark. They started in the early '70s and they put in a small amount, 2%, consistently year after year, and now they have a world-class bicycling network. Luckily, Nevada is small enough that we can do that in our urban areas and then connect through the rural areas. So I think that in 20, 30, 40 years, we'll all have perfect bicycling areas.

But in the meantime, we're competing with other states. UNR, UNLV are competing with other universities. Reno and Las Vegas are competing for tech startups. And they're all our friends from the Bay Area, from overseas, and they want to come to a community that supports their children, their

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elderly family members. And as we've seen with the issue with Tesla, they're going to be looking at Nevada, because we have a lot of resources. But we have to put out the welcome mat saying please come in. Our schools are great. Our bicycling is great. You'll enjoy it.

Finally, we had an unfortunate drop from number 20th in the country to number 30th in the latest league of American bicycling ranking. So our state needs to get back on the train to get lower and show that we're one of the best places to ride in the West Coast. And we're doing that as a coalition. We're working with all members of the community and we've even developed an iPhone and Android smart app that will produce data that we can use to help NDOT, to help the RTCs, and help all the cities track where bicyclists are actually riding. And Strava data is already being publicized right now, and the Oregon Department of Transportation has signed a contract with Strava for multiyear use of that data so that we can see where people are actually using our infrastructure, because we don't want to waste. We want to target where the benefit is the most.

So, again, please ride this one week. I know everyone can get a bike out of their garage, just like they did during the bridge ride on I-580, and we can have thousands more people out there having a good time. Thank you very much.

Sandoval: Mr. Hall, if I may ask one question.

Hall: Sure.

Sandoval: Is the measurement by which we dropped from 20 to 30 the number of miles of bike lanes? Is that...

Hall: That's included in the engineering part, but there's also the enforcement, the education, encouragement, and the evaluation. So we're strong on a couple of them. We've gotten threes, but we're still lacking and we have a few ones.

Sandoval: All right. Thank you. Thank you very much. Mr. Gibson.

Gibson: Good morning, Governor and members of the State Transportation Board. For the record, I'm Lee Gibson. I'm the executive director of the Regional Transportation Commission of Washoe County. And today what I want to do is bring you up to speed on just a few items related to RTC and NDOT interaction. And first and foremost, as Rudy mentioned, is I-11.

On April 18th of this year, my RTC passed a resolution supporting the I-11 corridor designation from Las Vegas to the Reno-Sparks area in Washoe

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County. The RTC of Washoe County believes there's a logical connection and nexus with those corridors that are under consideration in that study, and clearly believe that as you move forward in your deliberations on those corridors, looking at the facts that relate to how the two largest metropolitan areas can be connected is going to hopefully, clearly come out in your deliberations and decision.

I also want to thank Ryan McGinnis. Again, as Rudy mentioned, we were contacted by Senator Heller's office, but we also worked with the entire delegation. We did come to an agreement with some language working with Ryan McGinnis. The language specifically that will be offered for the Boxer bill, as I understand it today, is one that just recognizes the decision of the ongoing studies and the actions of this Board. So clearly as you move forward to the planning process and make refined decisions within the context of your corridor study, hopefully those will feed the federal legislative process. Our delegation will have those refined decisions as they move through, and hopefully a bill comes out of Congress that will benefit our entire state.

To change subjects slightly, Governor, I understand you've put in a request to take a tour of the southeast connector. I'd like to extend that invitation to the entire State Transportation Board. This is a project which we are very proud of at the RTC of Washoe County. As many of you who live in Northern Nevada may see every day, the bridge over the Truckee River is moving forward. In fact, I believe we're going to be opening that up later this summer. We're working very diligently with the Corps of Engineers on the 404 permit, hopefully getting ready to receive a decision on that permit here in June. This project is, we think, an exceptional project for our region. We'll be not only providing better mobility and connectivity between South Reno and Sparks, to the Sparks Boulevard I-80 area, we're also going to be restoring over 140 acres of wetlands and improving the quality of those wetlands. We're going to be dealing with and mitigating a mercury issue that's been out there for over 150 years as a result of the Comstock. And I think perhaps something I know Scott Hall knows a lot about, we'll be installing a five-and-a-half-mile multiuse path that's going to give pedestrians and bicyclists an opportunity to visit these wetlands and experience the restored environment.

So with that, Governor, for those of you who would be interested in a tour of the southeast connector, I'd suggest you contact Jeff Hale, Director of Engineering at the RTC of Washoe County, or Michael Moreno, the public affairs administrator. So with that, I'm done. Thank you very much.

Sandoval:

Thank you very much, Mr. Gibson. Lieutenant Governor.

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Krolicki: And I'd be delighted to join that if the schedule's worked out. This isn't about I-11 or the new connector. I just want to say thank you, because I don't get you in this room very often. While we are on hold, the Reno-Tahoe Winter Games Coalition, you know, has done so much work over the years, but Lee and his group at RTC have been extraordinary in their assistance and helping put together the transportation plan for the Reno-Tahoe Winter Games Coalition, and I just want to say thank you.

Gibson: You're welcome, Lieutenant Governor. And one thing I would like to mention, during the Reno-Tahoe discussion on the winter games, a lot of issues surfaced regarding the role of public transportation and economic development. The RTC of Washoe County has formed a blue ribbon committee to look at some of these questions and we'll be reporting some of those results back to you here at the Nevada DOT. Rudy and his staff have been a big supporter of the multimodal investments that the RTC has made. We'll continue to do so as we move forward. And I think this blue ribbon committee is going to really focus on policy areas where we can perhaps work better.

I'm also remiss on the I-11 point. I do want to compliment your staff, Governor; the staff of the NDOT from Rudy on down to Sondra Rosenberg have been fantastic. The public outreach program has been excellent. Many of my Board members have participated in those stakeholder working groups. This includes Bonnie Weber, the chair of the RTC, along with Ron Smith, the representative from Sparks, as well as --I know other elected officials from Washoe County, including Marsha Berkbigler and Mayor Gino Martini have also participated. So everyone's been very positive about the work process that's been ongoing and we appreciate that opportunity.

Sandoval: Thank you. Is there any other public comment from Carson City?

Madole: Good morning, Governor, Board members. John Madole representing the Associated General Contractors in Reno. I was just going to suggest -- it's my understanding that you have accumulated some money in your ending fund balance. And if you were able to take, perhaps, half of that excess that you don't need, put it out. There's a lot of jobs that need to be done, a lot of construction workers are out of work. If you found \$50 million and you picked some of the jobs that need to be done, made the highways safer, you could put 1,400 people to work that could certainly use the work. Thank you.

Sandoval: Thank you, Mr. Madole. Any other public comment? All right. We'll move to Agenda Item No. 3, the April 14, 2014 Meeting Minutes. Have the

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members had an opportunity to review the minutes and are there any changes?

Fransway: Governor?

Wallin: Go ahead and let Tom.

Sandoval: Member Fransway and then the Controller.

Fransway: Thank you, Governor. I refer you to Page 90, please.

Sandoval: Okay.

Fransway: Line 2, opposite my comment toward the bottom of the page should read, "Only member" and then "present today." The second line after "member" should read "Only member present today." And then also the third line should refer to action taken September 2007, instead of 2008. And then Page 95, middle paragraph, opposite my name, fourth sentence starting with "My problem" should read "why didn't you" instead of "why did you." And then on that same paragraph, Governor, the fourth line from the bottom of that paragraph should read "September of 2007" instead of "2008." That's the only suggested changes I have, Governor.

Sandoval: Okay. Thank you, Mr. Fransway. We'll go to the Controller.

Wallin: Thank you, Governor. Page -- well, yeah. Page 14 of the minutes. Okay. Yeah, I think it's Page 14. Oh, shoot. Oh, sorry, Page 15. Down there it's like one, two, three from the bottom where I'm talking where it says "inaudible." This is where, "And, Director, when would we be approving these projects if we're able to spend the excess funds in the highway fund." And I think that addresses John's comment that he made that we have excess funds, so just add "spend the excess funds in the highway fund on additional projects if we don't spend it for right-of-way."

Sandoval: Any other changes? I don't know if we can call them minutes anymore. Maybe we should call them the hours.

Wallin: The dates.

Sandoval: All right. In all seriousness... So with the changes suggested by Member Fransway and the Controller, the Chair will accept a motion for approval.

Wallin: Move to approve.

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

Savage: Second.

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- Sandoval: Second by Member Savage. Any questions or discussion on the motion? All in favor, please say aye.
- Group: Aye.
- Sandoval: Opposed no? The motion unanimously. We will move to Agenda Item No. 4, Approval of Contracts over \$5 million.
- Nellis: Governor...
- Malfabon: Thank you, Governor.
- Nellis: Oh, sorry.
- Malfabon: This will be presented by Robert Nellis, Assistant Director for Administration.
- Nellis: Thank you, Director, Governor, members of the Board. There is one resurfacing contract under Attachment A on Page 3 of 9 for the Board's consideration. This project is on State Route 431 Mt. Rose Highway from .11 miles east of the Mt. Rose Summit to US 395. There were three bids and the Director recommends awarding the contract to Granite Construction Company in the amount of \$10,293,293. Just some data on the project; the length of the project is 16 miles. It'll take 180 working days to complete. The estimated completion is by summer 2015. And portions of the project were last paved in 1992 and 2004. Does the Board have any questions on this item?
- Sandoval: You're anticipating all our questions. That's good.
- Nellis: That's right, sir.
- Sandoval: Madam Controller, did you have a question?
- Wallin: It's just a comment. It said that the BRAT assessment was attached and I don't have it in the electronic format, and I don't know if those who get paper have it there or not. I always like to look at that, especially since this is 81% of the engineer's estimate, so I can kind of understand why.
- Nellis: Madam Controller, I believe we can forward that electronically to you.
- Wallin: All right. Thank you.
- Nellis: Thank you.

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- Sandoval: Board members, any other questions with regard to Contract No. 3558 with Granite Construction Company? If there are none, the Chair will accept a motion for approval.
- Krolicki: Move to approve.
- Sandoval: Lieutenant Governor has moved to approve. Is there a second?
- Wallin: Second.
- Sandoval: Second by Madam Controller. Any questions or discussion on the motion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? The motion passes unanimously. Does that complete Agenda Item No. 4?
- Malfabon: Yes, Governor, it does.
- Sandoval: Let's move on to Agenda Item No. 5.
- Nellis: Governor, there are four agreements under Attachment A on Page 3 of 22 for the Board's consideration. The first item is an amendment for eminent domain in the amount of \$275,000. The second is for \$289,911 for a CMAR preconstruction services for the pedestrian bridge escalator replacement project located in the Tropicana/Las Vegas Boulevard south intersection. And then Item No. 3 is for \$1,149,708 and that's to prepare the I-15 Tropicana Interchange feasibility study report. And finally, Agenda Item No. 4 is the third amendment requesting to increase authority by \$800,000 for ongoing eminent domain litigation for the Boulder City Bypass project. Does the Board have any questions for the Department regarding any of these items?
- Sandoval: Questions from Board members? Madam Controller, then the Lieutenant Governor.
- Wallin: Okay. Thank you, Governor. Just a couple things here on the pedestrian bridge escalator replacement. There was a piece in there that said that you guys were going to look to get LVCVA approval because they would be helping to fund some of this, but if not we would use state funds. Can you tell me where we're at with that?
- Nellis: Sure. I'll have Assistant Director John Terry answer that.

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- Terry: Again, Assistant Director for Engineering, John Terry. Actually, probably shouldn't word it that way. We already have that approval and have an executed agreement with the LVCVA on this project.
- Wallin: Okay. All right. It wasn't clear. Thank you. I have one more thing here. On the increase in Laura Fitzsimmons' contract of the \$800,000, and based on the comment that Director Malfabon made earlier today about, you know, additional settlements in Project NEON, I would like to know if we could have a closed Board session just to have Ms. Fitzsimmons come in and tell us where we're at with Project NEON and the right-of-way and what's going on. Can we do that, Mr. Gallagher?
- Gallagher: For the record, Dennis Gallagher, Counsel to the Board. Of course, we can arrange that.
- Wallin: Because I just -- you know, because we keep adding on to the legal costs so that's more money.
- Gallagher: Sure.
- Wallin: So I'd like to know what's going on.
- Gallagher: I would point out to the Board that this item was placed on the Agenda prior to the mediation last week, and while assuming the settlement is finally reached and executed, this dollar amount will not be reached in this contract or maybe a small portion of it. But this figure was to include the multi-week trial that was set for this summer in this particular matter.
- Wallin: Okay.
- Gallagher: And similarly, while I don't wish to jinx it, Item No. 1 is kind of in the same position. We're very close to a settlement with Railroad Pass Casino. I would anticipate, if we are able to get it signed off by all the parties, that this dollar amount may just be touched just a little bit.
- Wallin: Okay. But I would like to have a meeting with the Board to kind of get Ms. Fitzsimmons' update on where we're at with the right-of-way, if that'd be possible.
- Sandoval: Perhaps we could schedule it before the regularly scheduled meeting so that we don't have to inconvenience everybody...
- Wallin: Okay.
- Sandoval: ...by coming in and out.

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- Wallin: Yeah. Okay. Thank you.
- Malfabon: And, Governor, would (inaudible)...
- Fransway: Governor, if I may.
- Sandoval: Okay. One moment, Tom. The Director has a comment then the Lieutenant Governor. Do you still have a question? Okay. After the Director makes his comment then we'll have your question.
- Malfabon: What I was going to say is that if possible, if some of the Board members are not able to travel but can participate on phone, I would recommend that. We would provide any kind of slide presentations to them ahead of time so that they can look at the materials and with the amount of vacations and travel of all the Board members, I'd like to get them all there for that discussion with Ms. Fitzsimmons, by any means possible. I think that it is timely to have that conversation about the right-of-way on Project NEON.
- Sandoval: Tom, go ahead, please.
- Fransway: Okay. My question was in relation to what Madam Controller said. I agree whole heartedly that we need to have a discussion with Laura Fitzsimmons. But my question is why -- I would prefer to have that in open session. Why could we not do that?
- Malfabon: I would recommend against that because the concern would be that she's giving us legal advice, and in a public setting it's going to tip our hand of our legal strategy to the lawyers for the property owners.
- Fransway: Okay. I understand.
- Skanske: Governor?
- Sandoval: Member Skanske.
- Skanske: Thank you, Governor. For all of you that are down in Las Vegas, there are actually billboards in the I-15 and 95 corridor that eminent domain lawyers have put up -- they're probably \$20,000 or \$30,000 a month for these billboards -- suggesting to the public and landowners that they call these particular law firms. And one billboard says, "Is NDOT illegally taking your land? Call our law firm." There's another that basically says, "If you want to make millions from the Department of Transportation, give our law firm a call." So I think it's wise for us to be proactive in this effort, because there are lawyers in the Las Vegas community that are being very proactive. And I would support a closed session with Ms. Fitzsimmons to have a discussion where we go from here. This is going to be an expensive

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proposition to defend ourselves and be proactive, but I think we need to be proactive.

I did have a question regarding Item No. 3, since I brought this up at the last meeting. Can you give me an idea of what the CA group is going to be doing to prepare a feasibility study? Can someone share with me what that means "to prepare for feasibility study"?

Terry: Assistant for Engineering, John Terry. I mean, they are doing the feasibility study. I was going to come up here and take credit for -- you asked for some improvements at Tropicana, and within a month we had this going, But we had this ongoing for a long time, getting ready for this. Tropicana has a lot of issues. I mean they are going to study what's the best thing -- probably the result of the study is what's the best thing to bring into the NEPA process to actually do what improvements at that interchange. The feasibility study will entail what to do with the very old Tropicana Bridge over I-15, because we'll have considerations for how we could widen I-15 under there, to what to do with Tropicana at Industrial Road, and what to do with the Flyover Bridge if we reconstruct the interchange. So it is a comprehensive feasibility study of what to do at that interchange.

Skانعke: When will that report, John, be done? Do we know?

Terry: I would say it'll be a six to nine-month process.

Skانعke: Okay. And is this an on-call contract or did this contract go out for a bid?

Terry: It went out for a solicitation and they were successful on an individual solicitation.

Skانعke: Great. Thank you so much. Thank you, Governor.

Sandoval: Any other questions with regard to this Agenda item?

Fransway: Governor?

Sandoval: Yes, Member Fransway.

Fransway: Thank you, Governor. Item No. 2, please. Could someone possibly explain the discrepancy between the \$260,000 described on Page 7 and 9, which include a \$20,000 contingency, and the actual request of \$289,911 in the same line item?

Malfabon: I can...

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- Fransway: I also see an additional \$30,000 of reserve funds for Whiting-Turner to use at -- it seems to be their own discretion. The way I read it, the actual cost is \$319,911, which is some \$60,000 more than what's described on Page 9.
- Terry: Again, John Terry, Assistant Director for Engineering. I mean we prepare this memo that's included. It is the negotiation summary with the contractor. It is prepared pre-final execution of the agreement. Some of the discrepancies were resolved so that we could execute the final agreement. And in terms of the \$30,000, we chose not to put that in this agreement at this time, and if we do have to do this risk management services, we would add it because we didn't have it defined. So I guess my best explanation is they do their best with the negotiation summary to summarize how we got to this point, but the actual agreement is in the actual amount that's asking to be approved, and some of those things get worked out in the final execution of the agreement.
- Fransway: Okay. So it's kind of standby of whether or not the \$30,000 is going to be needed?
- Terry: Because they didn't have all the data of what risk management they may use as a part of the process, it was chosen not to put in the agreement now. And if we choose to do so later, we will amend to do so, but we simply did not have the information together in the right format to add it to the agreement at this time and we may not use it.
- Fransway: Okay. Thank you.
- Sandoval: Any other questions from Board members on Agenda Item No. 5? If there are none, the Chair will accept a motion for approval of Contracts 1, 2, 3, and 4 as described in Agenda Item No. 5.
- Wallin: Move to approve.
- Sandoval: Controller has moved for approval. Is there a second?
- Krolicki: Second.
- Sandoval: Second by the Lieutenant Governor. Any questions or discussion on the motion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes unanimously. We will move on to Agenda Item No. 6, Contracts, Agreements, and Settlements.

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- Nellis: Thank you, Governor. Again for the record, Robert Nellis, Assistant Director for Administration. There are two contracts under Attachment A found on Page 4 of 9 for the Board's information. The first project is to construct two 60-inch drill shafts and perform Osterberg load cell testing in Clark County. There were two bids and the Director awarded the contract on April 10, 2014, to Aggregate Industries SWR, Incorporated, in the amount of \$545,000. The second project is for street sweeping in Clark County. This is a two-year contract and there were six bids. The Director awarded the contract on April 8, 2014, to CleanStreet in the amount of \$435,335.20. Does the Board have any questions for the Department regarding either of these items?
- Sandoval: No. Please proceed.
- Nellis: Thank you, Governor. Under Attachment B there are 41 executed agreements down on Pages 6 through 9 for the Board's information. Items 1 through 6 are acquisitions and cooperative agreements. Items 7 through 13 are one event and facility agreements, and then Items 14 through 23 are interlocal agreements and leases. And then finally Items 24 through 41 are property sales and agreements for services. Does the Board have any questions on any of these 41 items?
- Sandoval: Questions from Board members? Madam Controller.
- Wallin: This is just something that I would like to see, and this would be true for Project NEON and for I-11. On, let's see, Items 34 and 41, we have expert witnesses for the Jericho Heights. What I would like to see is when we do these settlements, you know, like the one that we were just talking about for the \$3 million or it might be \$3.2. But how much other money did we spend to get, you know, when we do the final settlement, kind of keep a running total to see what we're spending, because we get little bits and pieces here and there. So I'd like to kind of have that as a follow-up item, additional information so we can kind of see that.
- Malfabon: We can do that, Madam Controller.
- Wallin: Thank you.
- Sandoval: Any other questions or comments?
- Fransway: Governor, 39 please. Governor, my question is, are we drilling a new well here?
- Malfabon: This is a replacement well at Cosgrave rest area, so it is a new well.

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Fransway: Okay. Obviously, it wouldn't have been possible to revamp the existing well or deepen it?

Malfabon: We have...

Fransway: It seems like...

Malfabon: Member Fransway, we have...

Fransway: Go ahead.

Malfabon: ...we have a responder. Anita Bush, our Chief of Maintenance and Assets Management will respond to that question.

Bush: Thanks, Rudy, Governor...

Fransway: Thank you.

Bush: ...members of the Board. The Cosgrave well, it was contaminated. The log casing was broken and we couldn't really insulate it in any way, shape, or form. So we have to protect -- we have to cap the existing well and drill a new well. But I think the casing was...

Fransway: Okay. So the bottom line is it's necessitated because of contamination?

Bush: Yes.

Fransway: Okay. Thank you. Sorry that had to happen.

Bush: He's on the phone, right?

Sandoval: Okay. Yeah. Does that satisfy you, Member Fransway?

Fransway: Yes.

Sandoval: All right. Thank you.

Bush: Okay. Thank you.

Sandoval: Any other questions from Board members on this Agenda item? Does that complete your comments?

Nellis: Yes, Governor. That completes the items under Agenda Item No. 6.

Sandoval: All right. Thank you very much. We'll move on to Agenda Item No. 7, Direct Sale.

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- Malfabon: Thank you, Governor. Agenda Item 7 is for direct sale of the property located along the portion of US 95 between North Decatur Boulevard and North Valley View Road. As some of these items have been brought to you previously, they're remnant parcels left when we bought the houses next to US 95 for the widening project. There were these remnant pieces of land, and the adjacent property owners are willing to purchase them from NDOT. If there are any questions about Item No. 7 or Item No. 8, Paul Saucedo, Chief of Right-of-Way Division is here to respond to those.
- Sandoval: Why don't we cover No. 8, as well, if you would.
- Malfabon: Okay. This is in a similar area, North Decatur Boulevard and North Valley View Road along US 95. And both parcels are approximately the same valuation for the appraisal, very minimal amount but they really have no value as independent parcels.
- Sandoval: Any questions from Board members with regard to the direct sales described in Agenda Item 7 and 8? If there are none, the Chair will accept a motion for approval.
- Skanccke: So moved.
- Krolicki: Second.
- Sandoval: Member Skanccke has moved for approval of Agenda Items 7 and 8. The Lieutenant Governor has seconded the motion. Any questions or discussion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? Motion passes unanimously. We will move on to Agenda Item No. 9.
- Malfabon: Thank you, Governor. And I really appreciate the effort that District Engineer Kevin Lee put into this request. He volunteered to present the item to the Board. In working with the three districts across the state that have maintenance and construction oversight responsibilities, they did a lot of work to identify what are the worst units in our fleet that need to be replaced, and also worked with the Headquarters Divisions that use primarily light fleet vehicles to incorporate the light fleet and the heavy fleet request into one request for both years of the current biennium.

Unfortunately, I have to leave, but I just wanted to mention that we did look very critically at what vehicle maintenance costs were, look at the average maintenance cost for some of these vehicles for upkeep, and try to get the worst of the worst identified here. And the other thing is that you'll notice a

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discrepancy between the \$5 million a year that's approved in our biennial budget for equipment. We have been using \$1.5 million for another program called the Rebuild Program. So we take some of those units such as depicted in that slide there on the title sheet. To rebuild those ones that are good -- that are basically not that bad of shape if we rebuilt it, replaced the engine, the drive train that we would have a good unit. We repaint them.

And that program has been successful to reduce some of the cost so that we don't have to spend a lot of money in acquiring new vehicles. So Kevin is going to present this item and, unfortunately, I have to depart to catch my flight. But, again, any questions I'm sure that Kevin is able to respond to those. He did a lot of effort and worked with Tracy and with me on researching this with the Equipment Division, and thank you for the Board's consideration of this request.

Sandoval: Thank you, Mr. Director. Fly safe.

Malfabon: Thank you.

Lee: Governor and Board, I'm Kevin Lee. I'm the district engineer for District 3. This item is to request Transportation Board approval to replace fleet vehicles and sweepers. The NRS states the Department shall not purchase any equipment when it exceeds \$50,000 unless the purchase is first approved by the Transportation Board. NDOT has deferred replacement of the majority of vehicles since 2008. In 2012 and '13, the Department requested and received Board approval to replace selected light-duty fleet vehicles. There is a need now to replace additional fleet.

The total purchase of these vehicles is \$3.5 million for fiscal year 2014 and 2015. And we're requesting for both fiscal years at this time and will order the FY 15 equipment after July 1st. Replacement of equipment was included and approved in the biennial budget. As Rudy mentioned, NDOT is using \$1.5 million a year to rebuild equipment and the remaining \$3.5 per year is being requested as lease replacements.

The replacement criteria for fleet vehicles is shown in Attachment 2 and is based on age or mileage. And sometimes that's hours, not necessarily odometer. The replacement we are requesting meet age or mileage and in some cases both criteria have been met. There is one unit that is unreliable on the list and is showing a high maintenance cost. NDOT has 80 classes of equipment within the fleet; 22 of these classes of equipment are included in the potential replacement. Just to give the Board a better idea of some of these classes, let me hit through a few pictures.

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You have sedans. You have SUVs. You have three-quarter ton pickups, vans, half-ton pickups, survey units or crew-cabs. Class 11 is probably the most versatile in the utility trucks. Then you have aerial lifts, crane trucks, lube trucks, compactor trucks. The 11E is another big one that we end up using, the dump trucks, garbage trucks. We have service trucks; then we get into the Class 12 single-axle dump trucks. Class 13. Class 15 is all-wheel drive dump trucks or plows. Then you have the brooms, the self-propelled just road brooms and then you have the pick-up brooms, water trucks, mowers, and the last one is skid steer that's on the replacement list.

The proposed list of vehicles for replacement are shown in Attachment 3, in addition to vehicle information and the request for replacement class, maintenance cost captured by our equipment maintenance systems are shown. There has been some updates, as shown in the yellow highlighted columns. The average unit month column inadvertently did not include 2013 and has been updated, and hopefully you guys have the additional handouts.

Units get on these lists from a combination of input from the crews, the equipment shops, maintenance cost usage, and the overall conditions. Sometimes that is trying to estimate which unit might fail over other units, which is very difficult. Each list includes additional units in orange, or it may have printed out in red, that if we have cost savings realized then we'll be looking at these units to be replaced. Only if there's cost savings. Additionally, on the District 1 list, 3107 was replaced, Unit 567. On the District 2 list, the class average on the Class 11C has been updated. I think it was off by a factor of 10. And then as well, the class average on the Class 15 was updated and some mileage is on two units on your list was also updated on 2673 and Unit 1220.

On the District 3 list, Unit No. 543s odometer was updated. And then there's three lists of Carson divisions, as well as construction crews. And on Page 2, Unit 1445 was duplicated, so one of those will come off. And just to give you an idea, in reviewing the percentage of units within the Department that meet the replacement criteria, and this is just for the 1s, 1As, the 3s that I showed on the pictures, up to the 13s. Didn't include the 15s or the water trucks. 59% of our units meet replacement criteria. If we replaced those units that are on this list, it would drop that down to just under 50%.

Part of the NRS stated previously requires an analysis of equipment over \$50,000. Out of the Class 10 and 11s, there's approximately 17 of the 42 units that could cost over the \$50,000, and the classes in the 13, 15, 24, 25, and the 24A will all be over the \$50,000. And keeping in mind that the

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Class 15, the 25, and the 54A may not be replaced if we don't realize some cost savings in those numbers.

So the cost analyses is shown in Attachment 4. Overall, these analyses indicate it is more cost effective to purchase these units than to lease or contract out. Leasing of these types of units are available through a finance ownership contract. So, basically, we would have to purchase the units and pay interest. One type that was out there was a three-year contract, which is approximately a 3% interest, and that was in the Class 11s, the smaller units. The bigger units, it typically is a seven-year contract at 2.2% interest. If we were able to find equipment that we could traditionally lease, we would not be allowed to modify the equipment, drill holes in to install radios, flashers -- those kind of items -- boxes. We couldn't put the decals and some other stuff on them. And any questions?

Sandoval: Thank you. That was very thorough. Do you know how does our replacement criteria compare to the private sector?

Lee: I do not know that answer. Sorry, Governor.

Sandoval: No, and I just remember a while ago when we were looking at equipment there was some type of comment that perhaps some of the private sector entities were getting a lot more mileage than we are out of ours. And when you talk about that replacement criteria, what is that criteria? Is it just a number when it hits this amount of mileage or when it gets a certain amount of cost of maintenance per year? What's the math behind that?

Lee: Typically, you start looking at it when it gets to an age or that mileage, but as there is one unit on this list which for over the last four years, when you start putting \$10,000 a year into it, you start having to ask yourself is it really effective to keep this piece of equipment.

Sandoval: Yeah. No, and I get that part of it. But there's not an instance where, say, we've got a vehicle that's been here for 15 years, it's got 160,000 on it, but it's running great, but it's hit that number so we're going to replace it.

Lee: Not where we're at today.

Sandoval: Okay.

Lee: I mean we have so many units that meet the replacement criteria. At times, we're just trying to figure out, like I said before, okay, is this one going to fail tomorrow or is this one going to fail tomorrow.

Sandoval: Yeah. No, and that's, I guess, where I'm going is we're getting every bit out of each...

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- Lee: Yes.
- Sandoval: ...piece of equipment that we can. And then is there a market for those? When you say we're going to replace them, what happens to the fleet after that?
- Lee: There is a market for some, but like I know a couple units in my area right now, the engine's blown. So by the time they get into State Purchasing for auction, I'm just not sure how much we're going to get out of them compared to a running unit.
- Sandoval: So, in other words, it just goes to salvage and...
- Lee: Correct.
- Sandoval: ...somebody scraps it for parts or what have you.
- Lee: I mean if it's still running at a decent rate, it might be. There's a couple others on this list that are CNG vehicles. And if I understand it right, if somebody was to put that back into use as a CNG they'd have to recertify the tank at almost \$5,000.
- Sandoval: Yeah.
- Lee: So...
- Sandoval: So the Lieutenant Governor was just saying this one vehicle with 283,000 would make a nice Nevada II vehicle. Other questions from Board members? Member Savage.
- Fransway: Governor, it's Tom.
- Sandoval: Okay. Let me go to Member Savage and then you, Tom.
- Savage: Thank you, Governor. I don't have any questions. I just want to compliment you, Mr. Lee, for a very thorough presentation, cost benefit analysis. It was very clear in the write-up over the weekend. And the only question I would have, and it's probably a State Purchasing. Does the State Purchasing or does NDOT have the ability, since it was evenly distributed amongst the districts, to purchase those vehicles or that equipment within the district?
- Lee: Kevin Lee, District Engineer. If I understand it right, we have to go through State Purchasing, and there is on the State Purchasing website, I'm going to say already bid out or numbers of vehicles that are in there. The only thing that I didn't really see in there was like the larger classes, like the Class 13

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or dump trucks. But if you are in light fleet, one-tons, half-tons, all that stuff is currently on State Purchasing's website. So most of them are local vendors, but none -- to answer your question, there is really none in there for, say, Elko. It's mostly Las Vegas and Reno vendors.

Savage: Okay. Just thought I'd ask. Thank you, Governor. Thank you, Mr. Lee.

Sandoval: Member Fransway.

Fransway: Thank you, Governor. And to Kevin Lee, thank you, Kevin, for spending the time to do this for the Board. I appreciate it. I have a question relative to the cooperative spirit. And I'm wondering if there is an opportunity for a retired piece of equipment from NDOT to go to a local government to see if perhaps they have a use for it and maybe could make a trade for striping or something like that.

Lee: Kevin Lee, District Engineer. I'm not sure if I can answer that one 100%. I know we have in the past worked through State Purchasing and counties and cities and other agencies have worked through that process, but I'd have to get with Equipment Division on what that process is.

Hoffman: I can answer that, I mean a little bit, I guess. From what I understand, State Purchasing owns the auction, so the equipment then goes back to State Purchasing and then we're pretty much out of the loop so we can't go sell a piece of equipment to a local agency. I think they would have all the benefits that anyone else would in terms of being able to bid on or try to auction a piece of equipment from State Purchasing. That's the way I understand that it works, but Kevin and I will research that and make sure that what we said today is accurate.

Sandoval: Well, and it maybe just that we need to make the local governments aware that the auction is coming up, because I would imagine you could get some of these vehicles that are pretty de minimis value. And if they knew that it was available they could get that inventory or if you could provide the local governments with an inventory of what's going to be available, they may seek it out.

Hoffman: That's a good idea. Okay. We'll check into that.

Sandoval: Yeah. Madam Controller.

Wallin: Yeah. Let me kind of follow up on that. When I was on one of the county tours in White Pine, I remember there was some piece of equipment that was going to be surplused. And White Pine said we don't understand why we have to go all the way to Reno to get the piece of equipment when it's

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here. So why are we shipping it there and then bringing back? So, you know, it'd be nice if we could kind of work with Purchasing and kind of maybe do things a little differently and help the local communities a little bit, because I think that that's a big problem, too. They're like by the time we ship it to Reno, we don't want it because it cost us more to get it back there.

Sandoval: No, and that's valid and said we've just got to cut through this...

Wallin: Red tape.

Sandoval: So, you know, Mr. Lee, if you could explore that or...

Lee: I will, definitely.

Sandoval: ...whoever is responsible for that to chat with Purchasing to see if there's a way to maybe do that, because for some of those smaller counties that could be a big difference for them.

Hoffman: All right. We'll do that.

Wallin: And, you know, to follow up in Member Savage about do we buy from local vendors and stuff. I just wonder if there's not a way that you can't look to see if there's a vendor in Elko or some of the local communities and see if you can buy it for less and then go to Purchasing to say, hey, can we work out something here; because I think it's important and I know that in our office we have found that we can find things cheaper than what the contracts are, and then we go to Purchasing and we buy it for the cheaper price.

Lee: This is Kevin Lee, District Engineer again. We could always approach the locals and see if they want to contact State Purchasing, because we've had to do this actually recently on a propane bid that no local vendors were actually on the list, so we had to approach them to get them on the list.

Sandoval: I think that's the point is just making them aware, and they don't know, and once they're aware they can participate. So just a little more communication. I know there's nothing pejorative in that, it's just taking that extra step. Any other questions with regard to Agenda -- I guess we need to approve your equipment purchase, correct?

Lee: Yes, please.

Sandoval: It's a big day. Okay. Any other questions with regard to Agenda Item No. 9? If there are none, the Chair will accept a motion for approval of Agenda Item No. 9.

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- Wallin: Move to approve.
- Fransway: So moved.
- Sandoval: Okay. Madam Controller has moved. Member Fransway has seconded the motion. Any questions or discussion? All in favor say aye.
- Group: Aye.
- Sandoval: Opposed no? The motion passes unanimously. We will move on to Agenda Item No. 10, Tow Plows.
- Hoffman: Thank you, Governor. Kevin, don't go too far away. So again, kudos to Mr. Kevin Lee. He also prepared this Board memo and the presentation for the tow plows. So as soon as Kevin's ready, I will turn it over to Mr. Lee.
- Lee: Again, Kevin Lee, District Engineer for District 3. Governor and Board members, this item is to request Board approval for two tow plows with granular spreaders. The tow plows were submitted as new equipment as part of the last biennial budget and was approved for the fiscal year 2015 budget. This differs from the previous Agenda since those were replacement equipment.
- This just gives some examples of what we're running in our current fleet. You have the typical plow in the front and then one next to it on the right would be ones with what we call wing plows. And then we have two tow plows in the state right now; one in my region and one in the Reno area. The tow plow is towed like a normal trailer; two steering axles that swing the trailer into position and in-cab controls steer the rear axles, the sander, and controls the up and down movement of the blade. Using the tow plow allows for the same vehicle to plow approximately 24 to 25 feet of roadway.
- Some of the current uses that are out there; multilane urban and multilane rural. I know that we've only used ours in multilane rural, at this point, but we have thought about trying to use it in some of our multilane urban settings as well.
- Sandoval: Maybe this is the time to ask this, because unfortunately you probably didn't get a lot of use out of them this season because of the drought. But...
- Lee: Right. This season we did not, but in the first season we actually did quite a bit of usage on them.
- Sandoval: Because I vaguely recall that this was an Agenda item. And, again, I don't remember if it was a year or two years. And I was curious, are they working

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out as you thought, because this was a new piece of equipment for the Department?

Lee: They are working out, and probably the best way to put it is this UDOT quote. "It's a radical new approach in increasing our plow capacity without adding additional vehicles, and it has proven that in the area that we used it." What we have found is I'm going to say the traveling public is a little intimidated, so they stay back, but it actually has helped us because it allows our operators to do the work that they need to do. And we actually found -- I don't want to say it's a benefit, but we didn't really realize this. But without the traveling public trying to pass us and do the stuff that they do, I guess we have helped do reducing of slide-offs. We had an NHP meeting after not this winter season but the previous winter season, and our law enforcement partners mentioned to us that they -- in the area that we are primarily using this between Carlin and Elko, they saw a reduction of slide-offs.

Now, I mean we're just going to guess that -- or we're presuming that is because we're actually plowing both lanes at the same time and those, I'm going to say, lane shifting or passing movements, these, I'm going to say, drivers that didn't want to take a little more time, they ended up on the side of the road instead of getting to their destination. So that was not really a benefit they were looking for or saw at the beginning of this, but our NHP brought that to our attention and we're happy to take credit for it.

Let's see, the estimated tow plow costs approximately \$100,000. The estimated savings of \$34 per hour after 200 hours of use. Of course, this year we didn't get that, but hopefully if we get back to a normal year we'll be back into those numbers. The cost analysis is included in Attachment 2 and, like I said, includes a negative number, which is a cost savings after that number of hours of usage.

Overall, it's been very cost effective to purchase these, and based on our comparison, it's definitely better than leasing or contracting out. Again, attached in Attachment 3 it shows a finance ownership contract from the last time we were here at the Board. And we did some investigating and they would also do that again with the updated numbers and the interest rates, which have changed. And any questions?

Sandoval: Well, not only does it save money, but it would seem that their life expectancy would be much greater, given there's no engine on those things.

Lee: We were estimating that they would last about 20 years.

Sandoval: Mm-hmm.

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- Lee: I mean, others have been estimate between 20 and 30 years, so we were sort of guessing at the low end.
- Sandoval: And where will you deploy the new ones?
- Lee: I'd hate to speak for Reno, but in our area we're thinking about going between Elko and Wells. And if we do get the new Class 13 that we're looking at with more horsepower, we'll be utilizing them on the summits as well, when available. What we did find out in our first year is the horsepower trucks were running. We actually upped one of them to the 425 horsepower. And when you're pulling, I'm going to say, Emigrant Pass or Lamoille Summit, you get down to about 25 miles an hour, and that probably isn't what we want to be doing, taking up both lanes, so...
- Sandoval: Questions from Board members? All right. Very well done. I mean I can see why people wouldn't get close, because it's pretty intimidating looking and it somewhat looks like it's starting to pull, you know...
- Krolicki: It doesn't look it's a controlled thing.
- Sandoval: Yeah.
- Lee: I mean, I guess there is one thing that I didn't mention, is we adapted this tow plow to our joystick controls. We are the very first Department of Transportation to actually do that instead of the two-lever controls. What benefit that has with us is there's a stow button. If our operator needs to get that unit back behind him as quickly as possible, he just hits the stow button and it automatically does it itself. So that's our Parker IQAN system that's in our trucks. Other states have gone to the double lever and they actually have to do both levers, trying to bring it in and trying to drive at the same time.
- Sandoval: Hmm. All right. Any other questions with regard to Agenda Item No. 10?
- Skanske: Governor...
- Sandoval: Yes.
- Skanske: ...Tom Skanske.
- Sandoval: Yes.
- Skanske: Thank you, Governor. Kevin, is there a manufacturer or is there a distributor or a retailer in the state of Nevada that produces this equipment?

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- Lee: I know there is vendors that are working with Viking, but I don't know if they're actually right here in the state of Nevada. But there is -- it's sort of a patented product right now. And I probably should say this; they're actually working on one that can go both directions, but unlikely that we'll see it in our fleet at least at this point in time. So to try to answer your question, I don't believe there's an actual Nevada vendor at this time, but by the time we're done there might be.
- Skanccke: Okay. Thank you. And I'm going to support this item just on the hopes that if we buy them we'll get some additional snow. And so, Governor, I'd be happy to make a motion for approval. I think this is a great way of saving money, as well as keeping our roads safe.
- Sandoval: Thank you. Member Skanccke has moved for approval of Agenda Item No. 10. Is there a second?
- Krolicki: And as a man who spends a lot of time in the snow, I will second.
- Sandoval: Second by the Lieutenant Governor. Questions or discussion on the motion? All in favor say aye.
- Group: Aye.
- Sandoval: All right. Motion passed unanimously. We'll move on to Agenda Item No. 11, our spreaders.
- Hoffman: Thank you, Governor. No fancy presentations for this one, but we will stay on the topic of efficient snow and ice removal. So Item No. 11 is for the approval of equipment purchases in excess of \$50,000. That applies to these special spreaders. And I'm sure you've heard the term win-win. This is win-win-win in this case. So this special equipment that's attached to the back of these snow plows are approved, or at least approved as one of those mitigation measures by Department of Environmental Protection for reducing contaminants, i.e., sand and salt from reaching Lake Tahoe.
- So -- and this was a grant. We actually put in an application through the Department of Environmental Protection and did receive a grant in the amount of \$100,000. There's a 50% state funds match that's required for that grant, so what we're seeking today is the approval of two of these spreaders. One essentially will be paid for with federal funds and the other state funds. But to continue, this also goes along ways in helping with efficiency. So if you've ever been fertilizing your lawn and you can't quite control the fertilizer hitting your sidewalk and, you know, you get the rust color, this spreader setup actually helps you better control where you're spreading the salt and sand. So that analogy, fertilizer spreading to salt and

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sand with bounce and scatter. There's a lot of waste in material -- or we try to limit that, but there is a fair amount of waste when we're actually spreading materials on the roadway.

These new types of spreaders will go a long ways in helping us control where we're actually placing material. That'll help with snow and ice control, efficiency in that regard, plus, you know, keep the material closer to where we want it so that it actually does what it's supposed to do, is help with snow and ice.

Sandoval: Questions from Board members? I'd imagine that'll help us because we have that ongoing EPA enforcement action, and I would think that would show some good faith effort on the State's part with regard to that.

Hoffman: Yes, Governor. Yes, it will. And we've entered into an agreement with the Nevada Department of Environmental Protection on their total maximum daily load reduction. This is a huge initiative around Lake Tahoe to reduce contaminants entering the lake, and this will go a very long ways in helping us do that.

Sandoval: All right. Thank you. Any other questions? If there are none, Chair will accept a motion for approval of the equipment purchase for spreaders as described in Agenda Item No. 11.

Krolicki: I will move for approval, sir.

Sandoval: Lieutenant Governor has moved for approval. Is there a second?

Wallin: Second.

Sandoval: Second by the Controller. Questions or discussion? All in favor say aye.

Group: Aye.

Sandoval: Motion passes unanimously. We will move on to Agenda Item No. 12, Briefing on Federal Funding Cliff.

Hoffman: Thank you, Governor. So as Director Malfabon mentioned in his Director's Report, last month at the Transportation Board meeting, NDOT staff has put a strategic plan together regarding the federal fiscal cliff with a list of prioritized projects that we're seeking input and approval of you all, the Transportation Board. So what we've done is we have Robert Nellis, Assistant Director for Administration and John Terry, Assistant Director for Engineering that would like to run through the presentation, walk you through the strategy that we used to come up with the prioritized list of

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projects that we're going to seek approval on and forward to our delegation in Washington, D.C. So, Robert, please.

Nellis:

Thank you. For the record, Robert Nellis, Assistant Director for Administration. As a reminder, based on previous briefings, federal funding will run out by September 30th, and Congress must either extend MAP-21 or reauthorize a new transportation bill before that date in order to continue funding so that the state can receive its federal funds. Just last Wednesday, the U.S. Transportation Secretary, Anthony Foxx, informed the states that payments to states could slow by August if Congress does not take action. And not only do they need to reauthorize a new transportation bill, but also in order to continue current levels of funding, they need to authorize approximately \$18 billion more per year in additional federal funding. That's across all states.

I believe you may recall this chart that Director Malfabon presented. I believe it was two Transportation Board's ago, where it showed the total Federal Highway Trust Fund available for obligation of about \$40 billion per year between 2009 and 2014. Now, if there's no new federal funds authorized, no new bill, that effectively falls in 2015 to zero. So there would really be no new federal funds that we could obligate towards new projects. Once we drop off that cliff, however, from 2016 through 2023, you can see there's about \$31.4 billion, which is about 71% of what we were used to receiving nationwide that's available in federal aid to the states.

So what's this mean for Nevada? Before the end of fiscal year 2014, we expect to receive \$325 million total in federal aid. As far as current projects that are projected, we expect and need, on a very conservative level, \$320 million. And that's assuming that Congress authorizes new funding. Now, if that goes to zero then we would not be receiving that \$320 million. If we do go over this cliff in fiscal year 2016, we would anticipate that we'd receive approximately \$229 million in federal aid. That's assuming there's no new authorizations. And that's what would be available for us to obligate towards new projects.

So we looked at what are our options and to address this potential cliff, we looked at state-funded projects, whether we could cut some of those, curb usage of consultants, implement a hiring freeze, so no new filling of positions, delay in limiting or even cancelling future state contributions to local projects, reducing future equipment purchases after -- and I assure you, Governor, there's no intent to put this on the Agenda (inaudible).

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Sandoval: I was just thinking that. I was just thinking that that we just finished approving all this equipment. I guess Mr. Lee is really happy, because it got under the wire, but...

Lee: It was not an attempt to sneak that in, but that was equipment that was needed since 2008. This is future equipment purchases that we'd have to defer. And then potentially reducing travel, and then the final one is reducing the 2015 capital program, which is what Assistant Director John Terry will go into more detail of what that would look like if we had to implement that. The last option of reducing the capital program by far has greater impact than all the previous bullets combined.

Sandoval: Yeah. And as you go on in your presentation, the Controller brought it up and Mr. Madole brought it up, but we have a little healthier highway fund now. But how does that all mix into future planning in terms of anticipating what's going to happen and prudence with the dollars that we have?

Nellis: Thank you, Governor, for the question. That's actually the next slide, and my last slide that I was hoping to cover with you before we get into John Terry's portion of the presentation. Is that you can see in beginning in fiscal year 2015, we have an estimated highway balance approaching \$190 million. And that's the blue line for fiscal year 2015. Now, one potential plan would be is if we put every available dollar towards our capital program, in the green line, for fiscal year 2015 and reduce our Highway Fund balance to \$90 million per year moving forward, and you can see that from 2016 through 2020. Then we could still put out, just with state funds, approximately \$100 million of projects in fiscal year 2015 to address this cliff. And then moving forward, once there's federal funds that are available again to obligate towards new projects, that's the red line in 2016 through 2020. Once we add what's available in federal funds to what we have available in state funds, you can see we'd have a total capital program in the low \$300 million range moving forward from 2016 through 2020.

Sandoval: Is NEON in that box?

Nellis: Yes, sir. In fact, the impact of Project NEON could be seen -- when you get to fiscal year 2019, that's when the availability payments would start kicking in, and then in fiscal year 2020, that's when you'd start seeing the final acceptance payment, that \$200 million bond that would start kicking in at that point. That's why you see that reduction there. And then at this point, Assistant Director John Terry will discuss potential project impacts to other projects.

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Terry: Once again, John Terry, Assistant Director for Engineering. And really, we spend the vast majority of our federal funds on projects. And so some of these other measures aren't going to change too much the federal cliff. So what we're going to see later is based on some of these assumptions, but no federal obligation in 2015. That's kind of what AASHTO was saying it's going to mean. Kind of the simple way to say that is they're spending more than 18 1/2 cents. They're going to have to go to 18 1/2 cents. They've obligated too much money. They have to obligate zero so they can get back to that, and then moving forward it's based upon just getting 18 1/2 cents and not overspending that amount.

Sandoval: I'm sorry, I didn't understand...

Terry: Okay.

Sandoval: ...what you just said.

Terry: For every year that they've been spending -- the federal government has been obligating more than the 18 1/2 cents in gas tax that they've been collecting, and that's why we have a certain level. The federal government works in a way that you obligate money, so we obligate money in every year and then you spend out. So in order to get back to only spending what they're collecting and to get back above zero, they have to obligate nothing in 2015. We'd still receive reimbursement, so we'd pay our contractors with federal money. You know, they'd come to us and we'd reimburse the things that had already been obligated. We couldn't obligate anything new, thus the huge impact to projects. All federally funded categories would be impacted. That's been our assumption. That's what AASHTO said to assume; that all the categories would be -- you know, there would be no safety money. There would be no STP statewide. There would be no national highway projects. There would be -- no categories would get any obligation authority in '15.

It would be, as well, a huge impact to local agencies. They would get none of their federal money in 2015. It'd be a huge impact on them and our plan doesn't show the impacts to their projects, but it is significant. And then there would also be no new federal programming for right-of-way or engineering, just like there would be no new federal programming for construction. So we'd pay, you know, ongoing consultants for NEON ongoing consultants, but we couldn't obligate any new engineering or right-of-way in the year 2015, as well.

The next one, please. This is only the first sheet. In our Board packet was every sheet. This is just the capacity projects. So what we did is we took

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our current plan; we said, okay, if we didn't get any money in '15, but we did do the \$100 million that Assistant Director Nellis talked about. So we're going to spend an extra \$100 million in 2015 in state funds in addition to what we'd already spent on projects on state funds. But even with that, we went through our entire program and said what projects would have to change. And these sheets, and there's numerous of them in there, this is just the capacity one. There's one for our 3R program and on our other things that we use federal programs for. And we just said this project would have to move two years or this project would have to move outside the five-year horizon or, in other words, beyond 2018. So we had a lot of projects we were going to deliver, planned out the next five years. Almost all of them moved because of this issue. We go to the next one.

Sandoval: Let me ask one question. Will you go to the other...

Terry: Okay.

Sandoval: ...slide. How did you decide who was off and who was on?

Terry: Okay. There was a few basic rules. Things like Boulder City Bypass that had lots of other things committed. In other words, not just federal money, but lots of local money, lots of other things and it was a high priority. We kept that. That was a basic rule. And capacity projects, if we already had huge commitments that we had to already do that we were locked in. Otherwise almost every capacity project moved out. Then when you got to like 3Rs and things like that, we have actually a 3R list. All we did is instead of 1 through 20, we've already done projects 1 through 8. If it was 9, 10, 11 we did them in priorities of where they were listed on our 3R list and moved them out. There were just sometimes slight adjustments because we might be able to fund a \$20 million but not a \$40 million project. But we kept it real simple and just moved them out based upon their priorities. Our other systems like bridge also have similar-type priority lists.

So next one again. So funding levels return in 2016, but at about a 70% level. So, well, we're really not recommending reduction in staff, it's this one year and then a 70%. And let's be honest, all of us hope it doesn't go on into 2016 and beyond. But in case it does, that is the plan, because we've got to have projects ready. Our other big concern is the way Congress has worked in the past. We go right up against this limit or beyond this limit and then all of a sudden they pass a bill, perhaps even a bill at a higher level and say why haven't you spent it yet. So we've still got to get projects ready to go.

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We will reduce or eliminate consultants. We couldn't obligate new consultant funds with federal money in the first year anyway, and we would hold noncritical engineering positions vacant if necessary. So that's kind of how we're dealing with it in house, but the vast majority of this is the projects. Next.

So there's the commitments. We've got to do I-11 Boulder City Bypass. That would be with an influx of state funds to replace the federal portion, and we're going to do part of that \$100 million he talked about. Most of NEON is either already been obligated or we won't have big construction availability payments for the next five years, but we'd have to continue to pay with some of the in-house stuff. Pretty much all other federal aid projects are subject to some sort delay. Next.

So we're seeking approval from the Board...

Sandoval: Mr. Terry, I'm sorry.

Terry: Go ahead.

Sandoval: Why don't we go back again. Just a little more detail on NEON. So we have this uncertainty between now and whether Congress asks, but we're going to have NEON on our Agenda...

Terry: Okay.

Sandoval: ...to make some decisions.

Terry: I'll try to...

Sandoval: Is there (inaudible)?

Terry: Okay. Ongoing engineering...

Sandoval: Mm-hmm.

Terry: ...ongoing consultants, ongoing in-house staff, we already programmed that, okay, so we'll continue to pay that with federal money. A lot of that's state already, but some of it federal money because that's already been obligated. Wouldn't be able to obligate any new expenditures in 2015, but we don't see many, because we're talking about an availability payment model where we're not expending money. Right-of-way we've already sold a bond for, so we would pay for the right-of-way with the bond issuance. So I'm not saying there won't be any NDOT funds impacted by this issue, but it's mitigated by the structure of the way it's done. We weren't planning on obligating significant federal funds in fiscal year '15.

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- Sandoval: Thank you.
- Terry: Okay. So we're seeking approval of the Board to release the list of projects. What we proposed to do last month and we're coming to you this month is we want to send to our congressional delegation, and others, the huge impact this has to the state of Nevada, and what the impacts are. And the next slide is -- and maybe I'll just quickly read it. "The current federal highway bill, MAP-21, is scheduled to expire in September..."
- Sandoval: You don't have to read that, Mr. Terry.
- Terry: Okay. This is what we are essentially saying in the letter that we're going to say to Congress, and others, that we see a big impact and a lot of our projects would be impacted. And we're looking for the Board's approval or maybe their direction on where to go with this.
- Sandoval: Yeah. No, and thank you. And what is the deadline? And at least from my observation with other deadlines for Congress, it comes right up to the wire. So what is that date or finish line?
- Terry: There are two deadlines.
- Sandoval: Okay.
- Terry: There's one deadline is MAP-21 has to be reauthorized or there is no -- we can't move forward. That is September 30th. The other softer deadline, which everybody is tracking, is when the Highway Fund goes below zero. In other words, it goes negative. And I'm not sure if it's below negative or below if the federal government has some minimum amount they have to keep in their account like we keep our Highway Fund balance. But essentially, the Highway Fund goes broke and we get different things over the wire almost every week of projections of when that's happened, and the latest I've heard is August, and if anybody else has better information. So those are the two real deadlines. They have to reauthorize -- they can't really authorize payments beyond a certain point if it goes negative.
- Sandoval: And then on this August deadline, does there need to be some type of congressional action to avoid them going negative -- or it going negative?
- Terry: I think so. And I'm very concerned about -- just this last week, I believe, Transportation Secretary sent out a notice, something about once we go negative we won't be able to make payments. Now, that's different than what we presented to you here. We presented to you here that we cannot obligate future projects, but that they're going to continue to make payments on things we've already obligated.

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If you read between the lines in some of the latest news articles and statements from the Transportation Secretary, he uses the words "not make payments." And that's not based on the assumptions and the guidance we've been given from AASHTO of what's going to happen. So I think this presentation addresses not reobligating MAP-21 by September 30th, but maybe doesn't completely address the issue of if the Highway Fund balance goes negative. And more has to be done on that issue.

Sandoval: So I don't know the congressional calendar, but aren't they in recess in August?

Terry: I have no idea.

Sandoval: So here it is May 12th, and I'm not sure when the date is that they go into recess, but whatever action would need to be taken would need to be taken prior to that recess.

Terry: I believe that's correct.

Sandoval: Mm-hmm. So...

Skanccke: Governor?

Sandoval: Yes, Member Skanccke.

Skanccke: So the legislative calendar -- thank you. The legislative calendar for this year, this would have to pass almost by June 30th. Congress would have to take some action. There are only a few legislative days left in this calendar year before we get into the election. And so this would have to be done by June 30th. If the federal government dips below -- Tracy and I were just talking -- \$3 or \$4 billion then they have to take a different set of actions. They legally can't go into the negatives because they're precluded from doing that.

So the trust fund is in trouble. I don't think Congress is going to let this die before fall. They will likely -- there's a history here of putting this right up to a deadline. But this is where states are going to have to be very proactive in how they list their projects and determine which projects they're going to do. And I think from Nevada's point of view we should just prepared that the federal government, going forward, is not likely going to be a partner in these situation, not to be doom and gloom. But there's no predictability in the actions that are taken by Congress as it relates to transportation infrastructure funding. And the trust fund is in trouble. And I think we should take this report seriously and have a long conversation about which

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projects are funded and not get ourselves obligated too far out into the future, because the program is very unpredictable.

Sandoval: Thank you. And...

Skanske: Thank you.

Sandoval: ..this letter has the sense of urgency that we've just discussed?

Terry: Yes, Governor. We believe it's timely. I mean the Board has asked us to have a plan. We think we have a plan. We don't like the plan. We don't think it's a very good plan. We think, you know, they need to get us a new bill, but we're thinking this shows our sense of urgency and sort of reflects the impacts to the state of not having a bill.

Sandoval: Madam Controller.

Wallin: This letter here, it's addressing MAP-21, but we're not talking about, hey, you need to do something by June 30th; because what I'm hearing is that they won't be able to send money out. That's what I'm hearing. So I almost think, Governor, we should have something in there that not only addresses MAP-21, but to ensure that the Highway Fund does not go broke before the end of the year. I think that that should be added to it. I just...

Sandoval: Mr. Terry.

Terry: And, again, we started this presentation and made it based upon, you know, if the bill were to expire and the AASHTO guidance of not having the ability to program in 2015, and then at reduced levels thereon. Like I say, some of the articles in the last, literally, week or so have indicated that they may not make payments. And it is a related and significant issue that we kind of, when we made this presentation, weren't ready to deal with. And I don't know if anybody else has anything else to add to that, but I agree. We've got to maybe mention that issue. And we weren't quite prepared for that because we hadn't seen anything from the federal government saying they may not make payments.

Nellis: Governor, members of the Board, Robert Nellis, Assistant Director for Administration. We may face a situation where we need to be prepared perhaps for a temporary bridge where if we don't receive federal funds or cannot obligate new funds, say, after June 30th, there may be a three-month period where we need to bridge that gap. So there could be a hybrid of what we talked about here, where if there are no new federal funds that are available and they don't authorize a new bill, we may have to be prepared to use our own state funds to bridge that three-month gap.

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Sandoval: We've been through this already as a state through the sequester, and as long as that -- we have to plan for all the contingencies here. And that's, like I said, the Highway Fund, I know we're doing a little better, but given this time period I just want to make sure that we're not spending something out now when we could use it later.

Krolicki: Governor, if I may. Two points. One is I'm sure Wall Street has noticed this situation and it's a big number. I would imagine there is some kind of municipal commercial paper short-term bridge financings that would potentially be available for something like this. It's just something to look at. You know, if the cash isn't here I think it's a pretty good security, it's 90 days, and I'm sure that product is out there. It's just a matter of the cost and I get that. But if it's short-term, it's not a general obligation anyway, it's just another technique. I would ask Director's office to look at that.

And in the letter, Governor, that is in front of us, with all due respect to the Director, who has weight with our congressional delegation, if this is something the Board is considering today, and we are, I would suspect that coming from the Board itself would be a more momentous letter than just the Director, when the delegation receives it.

Fransway: Governor?

Sandoval: Member Fransway.

Fransway: Thank you, Governor. I'm sure I'm not the only one that's nervous about the future. I want to compliment our NDOT staff for being proactive in what will be a very lean year in 2015. It's been mentioned that we may have to supplement some federal funding with our own funding. I want to make sure that that's reimbursable. And the 2015 attempt to, I guess, right the ship, what if that continues into 2016? I think that we have a serious issue with federal funding and with state funding also. And I just think that we should continue to do everything that we can to expect the worst and hope for the best throughout the next several years.

Sandoval: Thank you, Member Fransway. Mr. Terry, any concluding remarks?

Terry: I guess we did make this for possible Board action. And I guess what I'm hearing from the Board is you may want to change the wording, which we may have expected. You may want to make it from the Board. I'm not sure what the Board's pleasure is moving forward, you know, in terms of an action item.

Sandoval: Well, I don't want to speak for all the Board, but I can see that the preference would be that the letter come from the Board, and that it also

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include language with regard to the urgency of the balance of the Highway Fund.

Wallin: I agree.

Krolicki: Yes.

Sandoval: So I think everyone has said they agree. Member Skancke, does that meet with your approval, that plan?

Skancke: Yes, Governor. And my only other suggestion would be that -- I would suggest that we approve the plan that's presented and that we have our NDOT folks give us an update every month on where we are so that we can make educated, fiscally responsible decisions. This is going to be a moving target for the next several months. And I think at a couple of meetings ago I just wanted to remind our NDOT folks that -- and I just asked Tracy, but I just want to put this on the record; that I asked that we look at all of the vehicles that we are not capturing, so electric and hybrid vehicles, to see what that impact is on the trust fund so that we can, as a state, look at opportunities going forward of what the state's going to need.

As I said earlier, I'm just not certain that the federal government can be relied upon going forward for predictability or certainty in how we plan our transportation program. And so I think we've got to look at every opportunity available to us. So if you'd like a motion for approving the plan and the letter in the format, I'd be happy to entertain that for you, Governor, with the caveat that this is an item on our Agenda until the federal government solves this problem.

Sandoval: It sounds like a motion to me, Member Skancke. But just for purposes of a clear record, will you make that motion in a formal way?

Skancke: Yes, please. So, Governor, I would move that we accept the staff recommendation for how we move forward with the federal funding cliff; that the letter that is sent to the delegation come from the Transportation Board, and that we have monthly updates and have the ability to make necessary adjustments to the program going forward.

Sandoval: And also that as part of that letter that it will include a reference to the urgency of the status of the Highway Fund.

Skancke: Yes, sorry. Yes.

Sandoval: Or information status, I should say.

Skancke: Yes, I would include that. I apologize, I forgot. Thank you.

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- Sandoval: You've heard the motion. Is there a second?
- Wallin: Second.
- Sandoval: Second by Madam Controller. Questions or discussion on the motion? All in favor say aye.
- Group: Aye.
- Sandoval: Motion passes unanimously. And, Mr. Terry, I want to thank you and everyone involved in putting this together. It's not an enjoyable exercise. But, again, in terms of being able to plan in the best way we can, you know, it's a necessary effort. And, you know, as I look at this letter it really, amongst so many other things, concerns me about losing 6,000 jobs as a result of this. And I think that perhaps should be bolded in the letter. All right. Any other comments with regard to this Agenda item? We'll move on to Agenda Item No. 13, Old Business.
- Hoffman: Thank you, Governor. So Item 13-A is a report on outside counsel costs. You can find that in Attachment A. So if there are any questions.
- Sandoval: And I don't want to make more work, but I'm just curious how much money we're spending in legal fees compared to, say, 5 years ago and 10 years ago. It just seems like -- and maybe it's part of those billboards that Member Skancke talked about, but it just seems to escalate. And it's not through the fault of the Department. But I'm just curious how much that takes of our budget now versus what it did before.
- Gallagher: Governor, I'm not sure those records are available, but I will check and if they are I'll provide whatever comparative analysis I can.
- Sandoval: Yeah, and I don't want you spending a whole bunch of time on it, but just that curiosity.
- Hoffman: And then, Governor, Item 13-B is the monthly litigation report, and that can be found under Attachment B. I'd be happy to entertain any questions that you have there.
- Sandoval: Why don't you go ahead and move on. I don't hear any questions.
- Hoffman: Okay. Item 13-C is our fatality and fatal crash report. That's under Attachment C. So based on the data that you see before you, the number of fatal crashes is down by approximately 15%, you know, compared to 2013 numbers. The number of fatalities is down by about 14% compared to this time last year. Really, the most striking part of the report, at least from my humble opinion, is the decrease in fatalities in Clark County, which are

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down almost 37%. However, the disturbing thing, one death is too many. That's obvious.

But we had fatalities in small rural counties, so if you look through that chart in the center of the page, you will see fatalities in Churchill County, Eureka, Humboldt, Lander, and other rural counties where we didn't have fatalities this time last year. So pedestrian fatalities are down 13% compared to this time last year. And, unfortunately, motorcycle fatalities are up about 29%.

Sandoval: And thank you, Mr. Hoffman.

Hoffman: Sure.

Sandoval: Questions or discussion with regard to Agenda Item No. 13? We'll move to Agenda Item 14, Public Comment. Is there any member of the public here in Carson City that would like to provide comment to the Board? Is there any member of the public in Las Vegas that would like to provide comment to the Board?

Skanche: There is not, Governor.

Sandoval: We'll move to Agenda Item 15, Adjournment. Is there a motion to adjourn?

Wallin: So moved.

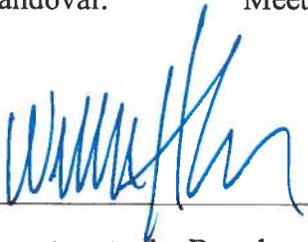
Sandoval: Madam Controller has moved. Is there a second?

Krolicki: Second.

Sandoval: Second by the Lieutenant Governor. Questions or discussion? All in favor say aye.

Group: Aye.

Sandoval: Meeting is adjourned. Thank you, ladies and gentlemen.



Secretary to the Board



Preparer of Minutes