

Transcript of Nevada Department of Transportation
Construction Work Group Meeting
March 14, 2016

Chairman Len Savage	Sharon Foerschler	Dennis Gallagher
Controller Ron Knecht	Megan Sizelove	Steven Lani
Frank Martin	Darin Tedford	Kevin Lee
Reid Kaiser	Lisa Schettler	Thor Dyson
Tracy Larkin	Kimberley King	Mario Gomez
Bill Hoffman	Kristena Shigenaga	Mary Martini (Las Vegas)
John Terry	PD Kiser	Paul Schneider (FHWA)

Savage: Let's go ahead and call to order the March 14th, Construction Work Group Meeting. I'd like to welcome everybody here today. Can everyone hear us loud and clear in Las Vegas?

Martin: Yes sir.

Savage: I see Kevin from Elko so, we can hear him loud and clear right here in Carson City. Welcome everybody. With that being said, do we have any public comment here in Carson City? Nothing? Any public comment in Las Vegas?

Martin: None sir.

Savage: Okay. We'll move to Agenda Item No. 3, any comments from the Working Group at this point?

Kaiser: Reid Kaiser, for the record. I've got one thing here. At the last Construction Working Group, you had requested whether we could stop a contractor from bidding our work if they have a lawsuit filed against us. I got an opinion for our Attorney General's Office and there really is no way we can stop a contractor from bidding our work if they have filed a lawsuit against us, unless there was a previous agreement where they had a legal document saying they won't bid work for a certain number of years or something along those lines. And, unless they're in some type of trouble with the FHWA where they've been prohibited to bid our work that way.

I didn't bring it with me but there is a section in our standard specifications that the Director is allowed or has the power to not award a contract to a contractor. I think it's in Section 102. Again, I didn't bring that information with me, but the Director does have that capability.

Savage: Okay, well I guess that's what it is.

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- Kaiser: It is what it is.
- Savage: It is what it is. Appreciate you looking into it. At least we know now. So, that's federally mandated or state?
- Kaiser: I believe that's federally mandated. I can't comment on it being a state funded project.
- Gallagher: We don't have any expressed authority that would allow the department to do that. The Department can certainly take into consideration the past history with any bidder.
- Savage: Okay, thank you Mr. Gallagher, Mr. Kaiser. Anybody else with any other comments?
- Knecht: One question on that. When the Department takes into consideration, could the Department basically rely on its view of the litigation and the merits for the litigation and whether it was good faith or?
- Gallagher: Well, just not litigation, past performance.
- Knecht: Okay.
- Gallagher: What are the issues that are the basis of the litigation? Is it failure to perform? Was it due to some faulty bidding processes? Certainly that would all be fair game for the consideration.
- Knecht: Okay. That's helpful, thanks.
- Savage: Anybody else here in Carson City?
- Foerschler: Sharon Foerschler, for the record. I didn't know if we wanted to continue our discussion on [inaudible] from the Transportation Board or wait until maybe Action Item 11? I know there are some consultants that stuck around for the discussion. I'm just throwing it out there.
- Savage: I'd be happy to hear from the consultants in the Working Group, if anyone has anything to say?
- Speaker: [inaudible]
- Kaiser: Could you speak up, we actually have somebody listening here?

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Glock: I'm Mike Glock, I'm President and part Owner of Diversified Consulting Services based out of Reno and an office in Las Vegas. I heard some of the discussion earlier and I'll answer any questions that you guys might have, but we've been—our company has been administering or augmenting construction contracts for the State of Nevada for over 25 years. We're not fly by night. We don't do things halfway. The reason that we're still here and still doing the business and still doing the amount of work that you're seeing is because we do a good job. Anybody here knows who we are and what we've done.

I just remember one comment about my name from Mr. Martin down south about how can I do all this work. I'll tell you, I know that I'm listed on two proposals to work two hours a week. That's pretty easy to do. I'm listed on another proposal to work 40 hours a week. Routinely, I work 60-80 hours anyway, so I can easily accommodate 48 hours.

I don't know if you guys have any questions of me. I'd be willing to answer them about the staffing on the proposals. Before you get into any questions, I'll tell you that the proposals that you guys brought up, as far as Las Vegas Boulevard, NEON and USA, NDOT released all those proposals the same time, within a few days of each other. We never know from day to day if we're going to be successful on our proposal, if we're going to win or lose or what we're going to do with our staff. On every proposal, we look at the staff that we have that are not working and we present those to say, this is who we're going to give you if we win this job. I don't know if I'm going to win this job or that job, you know, we had three of them out there all at one time. We also, I don't know if you have those in front of you, but we also list in our proposals alternative staff, basically additional resources that we have at our disposal in the event that somebody dies, retires or moves or something happens [inaudible]. And people quit in the middle of jobs all the time. They go to another employer. We rely on our secondary chart of staffing that we have available if need be. We're not presenting something to NDOT that's ever a lie or something that we don't fully intend to stand behind. That's about all I got to say. If you guys have any questions for me, I'll answer them.

Savage: I just want to thank you, Mr. Glock. I haven't had a chance to meet you but sitting on our side of the table, I'm sure you can appreciate some of the questions that we have. We're trying to do the due diligence for the State of Nevada. You know, the consultants are an instrumental part of our success. We just want to be

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reassured that we're getting the right job for the right value with the right people. It's a very easy equation. We're all very busy on the vertical side and the horizontal side. We all know that we do the best with what we have, as far as personnel and that's the most important resource we all have, both here at the Department and yourselves and our company as a human resource. Without that, we're really nothing. It's important that we all work together. Like I said at the other meeting, we're grateful for everyone's participation and just want to be reassured that there isn't three guys for the south, working at the same time in the north because it doesn't look good. It's about perception and it's about professionalism and really supplying that. It's good to hear why you listed those people. I appreciate you taking the time to tell us, because we don't know that.

Glock: Right. I understand that. It's hard to get to you guys to answer those questions. I found out about this last night at 8:00 that this was going to happen today. So—

Savage: Better than 8:00 this morning. [laughter]

Glock: That is true. I would also offer that through NDOT's selection process, it's not one person that makes the decision on how we're selected. They have multiple tiers and if I'm not mistaken, you guys can elaborate, but there's at least two tiers of evaluations. One group kind of short lists and then the next group picks basically the winner or if there's a tie, or if there isn't a unanimous first place, then it goes to an interview. We compete at all those levels. It's not—I'm successful because of my due diligence and research I do. I came from NDOT. I spent 30 years working for NDOT before I became a consultant. I know the process. I know the talent pool. I know who to put on. I know who the good guys are. I know who the bad guys are.

Savage: I just—I thank you for taking the time. I think it's important [inaudible] we've been talking contractors, contractors, contractors. The consultants are at the top of the list right now and we just want to be reassured that you aren't spread too thin and we're getting dollar for dollar, what the people of Nevada [inaudible]. It's nothing personal, it's just a matter of, hey we're big picture people. We have to answer to that taxpayer and want to make sure. Any involvement any consultants have, I see [inaudible] let's talk. That's the way we're all going to be reassured that we're getting the best value for the timelines, for the different projects, because everything is different. We understand that. I'm glad you're all here and hopefully you can be here in the future meetings too.

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Glock: I will offer one more thing. A lot of people don't understand, but when we are selected for work, the payment process is structured such that we're only allowed to make 10%. We're allowed to make 10% and all that—yeah, you showed \$24M of contract value for the past 10 years or whatever, but right now, as of today, 50%, or I can't tell NDOT 51% because then I'd be breaking my contract, but let's say 49% of the work that we have right now goes to other consultants. We have probably 10 other sub consultants that are working for us on these jobs spreading that work around to them and they provide value and additional support if we need them to. Then on the—so, we got 50% of that that's left and of that 50%, we only make 10%. We only make money on the labor we put on the job. We don't make money on our vehicles or our sub consultants. We only make money on the labor that's on that job and we get 10% of that. That's it.

We struggle to make a living even with the amount of work that we have. There's not a lot there, so it's very competitive in what we do. There's probably 30 firms in the State that chase this work and there's only four or five that are fortunate enough to be ranked high enough or have the resources to put together a viable program for you guys.

Savage: Mr. Controller?

Knecht: A few very brief comments Mr. Glock. First of all, thank you for the good professional work you do and you've done on a continuing basis. It's greatly appreciated and we respect that. Thank you also for making the extra effort to come here and reach out to us today, that's helpful.

I want you to understand, I want everybody to understand one thing, this is my take from this morning's meeting and from our process in general, it's that when we raise questions like that, it's not to cast aspersion upon anybody's integrity at all, or your business practices or anything. It's really just the exercise of our due diligence where there's a question that, I won't say quite leaps off the page, but there is a question inherent there, are we too concentrated? Do we have a risk there? Are people possibly spread too thin? Once we're reassured that that's not the case then we've done what we need to do for the public interest. That's the only reason we do it. Certainly not to cast aspersion on anyone's integrity or profession.

Glock: I understand.

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Knecht: Thank you.

Glock: You bet.

Martin: Len.

Savage: Anything—Mr. Martin, from Las Vegas.

Martin: Yes sir. Mr. Controller, I appreciate your comments and I echo them as well. This isn't a witch hunt or anything else. Having been in the business as long as I have been, when I see seven out of maybe nine opportunities are picked up by one firm, I have to question what's going on. It's just part of our job. That's basically why the Governor hired Len and myself and put us on this Committee is to question how those circumstances happen and to make sure that the people of the State of Nevada are being fairly represented when we start to hire our consultants and start to hire our contractors. That's what—like I said, that's what we got hired for. So yeah, when I see seven out of nine or five out of seven opportunities go to one firm, I have to question what's going on.

Usually, in my world of the vertical, if you get that kind of a hit record, one, you've got a mistake in your estimate, or two, most people die in this world because of too much work. I've watched it happen over the course of the last 40 years and seen many, many really good firms go down because they've got too much to manage. I questioned today, Reid, when he's ever seen your firm with, by my calculation, could be as much as \$26M, \$27M worth of work to manage. Mr. Kaiser said, no he couldn't remember when that had happened. So, when I see that kind of backlog being acquired in a very short period of time, it creates problems for me or creates issues for me in just wondering, okay, how are you going to manage that? Therein lies the basis for the questions for me.

Many, many times in my history have called up a subcontractor and said, hey you're taking on too much work here, you're going in too cheap and I've been ignored. Usually within 6-12 months, they're gone. It's just me and Len and the rest of the Board doing our due diligence because it does no one any good if you disappear because you've swallowed a bigger pill than you can manage. Thank you.

Glock: If I can offer, we don't—at least in the current state of affairs, we're not managing any of the work. We're providing labor, basically on-call labor to NDOT in these augmentation contracts. If they need an inspector, we provide an inspector.

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We're providing the labor for them to use as their own resource to help them manage their jobs. I do appreciate your comment. I'm feeling those pains right now with the growth and the amount of work that we have but I think the proof will be in the pudding, as far as our ability to take care of this work and how well we're going to do, but so far, we're doing that.

Savage: Thank you Mr. Glock.

Glock: Thank you.

Savage: Would anybody else like to speak?

Edgington: If I may have the opportunity, Mr. Savage? My name is Ruedy Edgington. I'm with HDR, I'm a Managing Principal with HDR here in the Reno Office. I'd like to just echo what Mike said there about how proposals go in. We list the same people on a couple of proposals that are out at the same time. We don't—you know, if we list somebody on a proposal and we win that proposal, we either don't pursue the next work or we'll list a different team on that proposal. Your comments and what you looked at over the weekend, which you really weren't busy, those were good comments. I appreciate you guys, as the Board. I've seen those packets. I'm like Mike, I worked for NDOT for over 26 years. Those packets are huge. I know going through there is a big deal.

I'd also like to say, the industry has done some self-governing of itself. Just three years ago, somebody, I forget who it was, it was either Reid or Sharon or somebody, maybe even Thor questioned me about, we had people listed in our proposal that were listed on a competitor's proposal as well, for the same job.

Savage: It happened today.

Edgington: Today? Hopefully he didn't see anybody—

Savage: DCS, we had three individuals that were approved on the Project NEON project in December of 2015. Three of those individuals were listed on your resume for the USA Project.

Edgington: Yes. Yeah and that was due to the—what Mike had explained there, but you didn't see anybody and I didn't know they were on Mike's proposal, but I know how he operates that stuff, so it wouldn't have surprised me if they were there. What we do now is, we ensure, we get something in writing from our employees,

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from the guys we're looking at hiring, I'll go into what the differences are between a designer and a construction person here in a second. When we do that, we get something in writing that says, hey these guys are available and they will work on this project for us and that they're not going to put their name in for anybody else. That's embarrassing to me if my name shows up or somebody that's working for me or proposing to work for me shows up on three different proposals for the same job, for say USA Parkway. That's no good.

Hopefully, through industry, we've kind of taken care of that. I sat on the Nevada PE Board for seven years and we addressed several issues like that. We came up with a, kind of self-regulating solution before it went and got to be a bigger mess, before someone has to write a law to take care of it.

Then, one of the other differences in people see consultants as consultants and they hear engineering consultant and they think of design stuff. When I've got a designer, that designer is usually full time and is working on several design projects at a time. Their time is as such that they can spend 50% on one project, 20% on another project, 30% on another project. Construction is not like that. When I get a construction technician or a person, they are on that construction project 100% of the time. They can't spend time on other projects, my technicians people. When that job starts, they are there. When that job ends, if I don't have another job to put them on, they're gone. I mean, it's terrible. Unless I've got like a resident engineer, I will keep them on full time through lulls and stuff and they'll know I'll put them down to a part time situation. Our technicians come and go as the wind goes, so a lot of times the technician might not be able to work for HDR because I had to lay them off. They'll have to look other places. They'll look at CA. They'll look at DCS, if DCS has got a job coming up. They'll look to go there. We try to use our same group because they're familiar with HDR and all our policies. We have kind of a core group that does HDR work and some of those guys also do work for DCS.

There is just a little bit of difference on how the construction team works as opposed to [inaudible] design. I'd love to have any questions.

Savage:

Mr. Edgington, I think you're work and what your firm does, I mean, we appreciate the consultant. We do. It's vitally important that all the consultants watch the back of NDOT. That's why we hire consultants. We want to make sure that we're protecting NDOT in all those inspections and designs and things. We have a lot on our plate right now and that's all we're trying to do is make sure

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that we're getting what we deserve at the end of the day with the right people and you guys [inaudible] so I appreciate it.

Edgington: Thank you. Thank you for the opportunity to be here.

Savage: Thank you. CA Group.

Hanson: For the record, Chad Hanson, the CA Group. Just to quickly reiterate some of the previous comments made. It is a tough industry out there and yes we're coming out of recession, we're happy to see the work. We appreciate NDOT supporting the consulting community, the Board for diving into these contracts and figuring out and most importantly, Rudy and his staff for clarifying that I didn't have \$80M worth of backlog, which I've been fighting since the November Board Meeting.

A couple of things about those numbers to keep in mind and Mike touched on it is, we may have a \$2M contract, for example, the Northern Nevada Traffic Study. I believe our contract value is \$1.7M on that one. We actually are subcontracting out probably \$700,000 of that to other firms. National firms, we do that for a variety of reasons. One, it's to give NDOT the best team possible. We like to take pride that we've got special issue areas but there are areas that we reach out and we find people that are experts in it, but also to spread the work and to have a national firm behind us that if we get into the situation where we're overtaxed, we have no issues with going to that firm and saying, we're going to give you [inaudible] get done.

We realize, yes, you are very concerned about us meeting schedules, but for us, it's actually more critical to us because as you saw, we are based on quality, not cost. If I screw up a project, I guarantee you that the [inaudible] around the halls and I will not get [inaudible] It is very important for me and our firm to get our contracts done on schedule. [inaudible] we feel we do our part on that because we do deliver quality product on time and to the expectations of others. We do appreciate everything going on, but please kind of take those numbers with a grain of salt, because yeah—and it's the same—it's both sides. We do sub a lot of work out but we're also a sub on other teams out there. At the end of the day, it is in our best priority to make sure the jobs are done the way you expect them to be done and the way NDOT staff and their crews expect them to be done too.

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With that—and I'm sure, Rudy and Mike, would also say this, our doors are also always open. If you hear a concern or have a concern, please reach out to us too. We know you're very busy individuals. You obviously have your full time gigs, plus this little side gig you do. If you do feel there's a concern, we encourage you to reach out and to ask us just like we'd like to reach out to you and express any concerns we may have or things like that.

Savage: Thank you Chad. I did have one question. I'd like to know how you handle—sometimes you work for the Department. On occasion, you'll work for a contractor that's working with the Department.

Hanson: That's always an interesting situation.

Savage: Again, it's about perception and about understanding the ethics of how things are handled. I know we're a relatively small group of contractors and engineers and there's only so many people to go around, but how do you handle a situation when you could be working for a contractor on a design-build project and you're also working for the State of Nevada on all these other projects? How does your firm handle that situation?

Hanson: The first thing we do is to try to find a contractor that has our same interests in mind. The majority of that time, that happens. We try to find a contractor that we know has a long term commitment to the Department and their interest of satisfying the Department are in line with ours. Sometimes those contractors aren't available but at the end of the day, my livelihood depends on working with NDOT. Also the role we play for the design-builder is, we still have standards. We still have performance specs that are developed by the Department for those contracts. My job is to adhere to those regardless of who pays me. If it's a contractor or if the Department is paying me.

First and foremost, we have our professional responsibilities to take care of, the standards, the criteria and sometimes we do get into—the Department does a great job on the design-build performance spec locations. No one can ever do them perfect, I don't care how much time you spend or how much you pay a consultant to develop them, there will always be holes, just like there's always holes usually in a regular construction contract. We do our best to find win-win situations. At the end of the day, we want to give the Department what they asked for and that it adheres to all the standards. Yeah, sometimes we get—there's issues and you have to work through the middle of them but we always try to find that fair, win-

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win negotiation. Thankfully we've never been put in a bad situation to where it reflects negatively on us. That's a lot of in part why we pick the contractors we pick.

Savage: Thank you. Anything else?

Hanson: Any questions for me?

Knecht: Just one. Concerning Len's last question, aren't there provisions in the professional engineers code of ethics that address that?

Hanson: Yes.

Knecht: And you are bound to those?

Hanson: I'm bound to those. Once again, I've been doing this for 21 years now. 18, 19 of those have been actually working for the Department and working with staff there. These people in these halls are my family. First of all, I wouldn't hurt my friends. Second of all, it's not my ethics. Third of all, if I screw it up, I'm not going to get another job. All three of those inter tie with me doing good work and being responsible to answering to the Department and the citizens.

Terry: If I could Mr. Chairman?

Savage: Yes, Mr. Terry.

Terry: John Terry, Assistant Director of Engineering. I will point out that, we as a Department have made a conscious decision to not be as restrictive on the issue that you're talking about here. Some DOTs are far more restrictive on that issue, to the point where there's almost—there's consultants that work for the DOT and there's consultants that can work for the design-builders and we try and be a little more liberal on that interpretation. Obviously, if they worked on the preliminary design and documents for that specific project, we preclude them from being on a team on that project but we are quite liberal on our interpretation of that conflict, because frankly, we want the local consulting industry proposing on our projects and our design-build projects. While we watch that issue, we're not as prescriptive on whose precluded from putting in and working for the contractors on that issue. That's a conscious decision we made here. I just wanted to point that out.

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Savage: Thank you Mr. Terry. Thank you Chad. Anybody else like to speak on consultants? Any comments? Anything else? We'll move on to Agenda Item No. 4. Has everyone had a chance to review the December 14, 2015 Department of Transportation, Construction Working Group, Meeting Minutes? If so, any comments?

Knecht: Quick one, Mr. Chairman, Page 22 the fourth line, I think two words got dropped. My last sentence there should read, has this matter been back to the full NDOT Board? 'To the' after back.

Savage: Thank you Mr. Controller. Member Martin, any comments?

Martin: No sir, I didn't have any—I just had a question for Reid on, let me find it here. We can go ahead and approve them. Reid, I'll come back to this after the Old Business.

Kaiser: Okay.

Knecht: Move to approve. How's that.

Savage: There's a move to approve from Mr. Controller, is there a second?

Martin: Second.

Savage: All in favor, say aye. [ayes around] It's approved with the notations made. Agenda Item No. 5, Presentation and Discussion on NDOT's Safety Project Selection Process.

Kaiser: Reid Kaiser, for the record. PD Kiser will give this presentation.

PD Kiser: I'm PD Kiser, I'm the Assistant Chief Traffic Safety Engineer in the Safety Division at NDOT. Reid asked me to put together a presentation on how we select our projects. I'm going to go through that.

Our Strategic Highway Safety Plan, that's basically where everything starts, with our Safety Program. There's basically two main goals, reduce fatal crashes and reduce serious injury crashes. We are a data driven division, here at NDOT. We don't just make this stuff up. We actually do go out and collect the data. We work with the crash data that we get, also with the traffic volumes that are on these roadways, we do field reviews and that's followed up where we do

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interviews with the district staff or the local agency staff depending on what type of project we're talking about.

The majority of the fatal crashes from year to year, generally will fall in one of these three categories: lane departure, intersections, pedestrians. Lane departure is running off the road or going from your lane to somebody else's lane, whatever. Probably about half of the fatal crashes that we have in the State fall just in that one category.

How do we decide how we're going to do these lane departure projects? We go through and do kind of a crash review of all these major roadways that we have. The State Highway, the US routes, national highway system routes, the freeways, so forth and start looking at densities, crash densities. Where are the majority of these run off the road type crashes occurring. We start with that. Then we go through and we do a ranking based on the severity of the crashes that we find. Pull out the fatal/serious injury crashes and look at the density of those versus the total crashes. That's really kind of our starting point. I'll show you a little map here in a minute what that looks like when we go through and do that.

Whenever possible, we'll try to add these countermeasures, these lane departure countermeasures into an upcoming NDOT Project, the 3R Project or roadway widening project, whatever. In some cases we've been able to add money to that project to have that work done and so forth, so we're working constantly.

Knecht: My brain isn't fully functioning today. Remind me again what 3R is.

PD Kiser: That's the [crosstalk] Pavement Preservation Program.

Dyson: Restore, resurface, rehabilitate. The fourth R is reconstruct. So, we do a lot of 3R's. Thor Dyson for the record.

[crosstalk]

PD Kiser: In some cases where we've found a need to address this run off the road type crashes and there is not a project coming up, we've done some standalone projects to deal with that.

What are some of the countermeasures that we've done? Rumble strips, rumble stripes, everybody is, I'm sure familiar with that. We have a lot of those edge line rumble strips. If it's got the paint line on top of it, it's called a rumble stripe, for

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your—so you know for sure. We also do centerline rumble strips on the two lane roads. That now is pretty much a standard, so it's pretty much added to any project that's coming up outside the urban areas.

Barriers, we're always looking at places where we need to have barrier to prevent vehicles from going off the road. If it's a situation where it's a very steep, long drop, so forth, we use cable. The cable barriers are primarily used in the medians to prevent the median crossover type crashes. We also use guard rail and the concrete barrier rail.

The one project that we're putting a lot of attention to and a lot of money to right now is the shoulder widening, slope flattening. We still have a lot of sections of roadway where there's a fairly steep drop off. There's either no shoulder or the shoulder is fairly narrow. It leaves very little room for correction, if a driver drops off the edge of the pavement. Again, that's where a lot of these type of fatality occur, because the vehicle will start to roll and can create a lot of problems.

Curves is another one that we're actually putting a little more effort into now, looking at that where we're going to—we're working with UNR to help us develop a program to identify all the curves and then we'll go through and look at all the crashes and everything at those curves and determine where we need to do some countermeasures at those locations.

This is just a few slides showing again, the rumble stripe where the painted line is actually on top of the rumble strip. Up here, the painted line is actually next to the rumble strip. We're going more to rumble stripes where the painted line is on top of it. We have about, probably over 3,000 miles of center line and edge rumble stripes/strips that we've done since 2007. As I mentioned before, it's a current design standard that we use on almost all of our rural roadways.

Median barrier, again, this is just a cable barrier. I'm sure you've seen quite a few of those locations around the State. We do have a list, especially on the two interstates, where if the median width is at a certain width or less, it's slated for cable barrier. It's just a matter of getting projects out there, finding the money to fund that and get that installed.

Savage: Mr. Kaiser, excuse me. Do we self-perform the rumble strip?

PD Kiser: It's basically, do we—you mean as far as, is it done in-house?

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Savage: Do our crews do it in-house, yes?

PD Kiser: No. It's done by contractor.

Savage: It's outside contractors, okay. Thank you.

PD Kiser: It takes a special grinding machine to do that. The shoulder widening/slope flattening, again, we're putting a lot of effort into this one. The red is an indicator of where we have a higher density of these lane departure crashes that were either fatals or serious injury crashes. Then of course the—so, that's a high priority. The yellow is more of a medium priority and then the lower priority is the green color. This is US-93, you can see we have fairly long stretches of that. Up north on US-50, US-50 is the east/west corridor here and you can see there are a lot of issues with that.

Here's a typical, probably a before situation. You can see there's a very narrow shoulder. The slope drops off pretty quickly, down to the toe of the slope. We come in and widen. In this case, the shoulder hasn't been widened at this point. This is US-95 out north of Fallon. As you can see, where you have a nice recovery area, where if the driver drops off, the wheels drop off, they can bring the vehicle to the stop and slow down and get back on to the roadway without having to worry about having to rollover.

This is another one, same roadway, where we've gone in and actually widened or flattened the slope. The guard rail will be able to be removed so you're eliminating kind of a road side hazard there that you don't have to worry about people running into. Wherever possible we do try to do that.

Dyson: PD?

PD Kiser: Yes.

Dyson: Again, Thor Dyson, District Engineer. Really quick on these slope flattening, sometimes they're contract, sometimes Kevin's forces in District III and District II forces, districts will do the slope flattening as well. That's kind of a mixed bag.

PD Kiser: Thank you for mentioning that. Intersection projects, basically, the projects that we've done so far have been what we call systemic projects, which means things are done applied system wide. We're not just doing crash hot-spots or high crash locations. When we do those, again, we always get input from our district offices,

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our local agency staff. In intersection projects, most of those have been in the urban area. Probably the best example of that is the flashing yellow arrow that you see at the signalized intersection, where they've replaced the green ball where you can—it's a permissive left turn and we've replaced it with the flashing yellow arrow to make the driver's more aware that they need to be cautious. We've probably done over 500 intersections that way.

Instead of going intersection to intersection and pulling up all the crashes at the intersection, we just say, we're going to do a whole bunch of these, or a number of corridors. We've had a fair amount of success. There's actually some research being done through the University of North Carolina on that countermeasure. We're sharing our data with them. We know there was an earlier study done by the City of Henderson, where they looked at these just in their area and they had about a 20% reduction in left turn crashes. That's pretty significant for that.

I mentioned the flashing yellow arrow. The other thing that we've done in the rural areas is put the flashing red or the flashing stop beacon on top of the stop signs that flashes continuously. One of the problems we've had is some of these side streets, there's a long, straight stretch of roadway and all the sudden, you're coming up on to the state highway and people blow through it and we put that flashing red beacon on top of the stop sign to let them know well in advance that there's a stop there.

The other countermeasure that we're using now is roundabouts. I'm not going to preach my sermon about roundabouts but they are very effective. They do provide a lot of safety benefits. They don't apply everywhere, but wherever we can find a place to make them apply, we will. We are doing that.

Just a few photos of all these countermeasures. Just to give you an idea of what these things look like.

Pedestrian Projects. These other two, the intersection, the lane departure projects have all been federally funded with Federal Safety Funds. The pedestrian projects, as you're aware from about a year ago, we had the Board Meeting and we saw the video up at North Virginia Street at the Bonanza Casino, what happened to the pedestrian. We, as a result of that, the Governor became our champion for pedestrians. That was really—that was awesome because now when people tell us now, you don't want to spend money on that, we say, when

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the Governor is your champion, we're going to do it. It's helped us a lot as far as getting things moved along.

The locations, we start out with that big map that we showed, that had pedestrian crashes just scattered all over it. That was our starting point. We analyzed those for severity and so forth and numbers, traffic numbers. One of the things we found is that was probably one of the prevalent was most of these locations have very low pedestrian activity, just occasional pedestrians, maybe four or five a day. They're locations where drivers are not normally used to seeing pedestrians. When there's one that pops out there, it's a big surprise, even if there's a crosswalk and so forth. That was a problem. How do we get drivers to know that there's a pedestrian there? We'll talk about that a little bit more in a minute.

We did go out and do a field review of all these state highways or most all the state highways in the State, at least in the urban areas. Our direction, I think from the Board was more, we want about 75-80% of the funds spent down South. The rest up here in the North. That's where we really concentrated first for our locations. We went through and we did come up with a number of locations where there was an existing crosswalk with some signs, or maybe there was some pedestrian crashes at a location where there wasn't a crosswalk. We had to assess whether or not there needed to be a crosswalk.

We had a process already in place for evaluating uncontrolled crosswalk locations. Uncontrolled just means it's not at a traffic signal or four-way stop, so any other location would be controlled. Again, we evaluated and came up with a list of these locations. We went through this process to determine, what should we do with these locations. Most of those is where we're looking at using the pedestrian activated rapid flashing beacons. Maybe Danish offsets in the middle, pedestrian refuges, [inaudible] so forth.

Again, we ran this through our district offices. We also had a lot of input from the local agencies who had a lot of concerns about pedestrians on state highways through their jurisdictions.

Once we had this list and the initial list had about 50 locations on it. Again, about 70-80% of those locations were down South. The rest of them were up North. We had to decide which ones do we do first, as far as putting money towards that. We developed a selection process or a matrix. We found something up in Seattle, Washington that was pretty neat. We took that and we modified it to meet our

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needs. That's how we came up with this kind of ranking or prioritized list, whatever we want to call it. Again, most of these locations, not surprisingly were on the higher volume streets in the urban areas. A few in the rural areas or suburban areas.

Typical locations, for instance in Las Vegas was a six-lane arterial, 45-mile an hour speed limit, if we're going somewhat faster than that, 40,000-50,000 cars a day. The first question is, why would somebody cross a road like that? It became very evident when we went out and started doing the field evaluations where we had a senior citizen center on one side of the road and the bus stop on the other side. Those people don't drive anymore. They want to get to the Wal-Mart and they don't want to walk a half a mile or a quarter mile to get to that bus stop over there so they're taking off across the street and going all the way across. Or, there's a trailer park on one side and there's a local bar on the other side. There's a lot of those in Las Vegas. Those are the kinds of generators, pedestrian generators that we found and we used to assign a weight, a weighting and ranking to.

Let me move on. I talked about some of the stuff, the pedestrian activated rapid flashing—rapid rectangular flashing beacon. They get a lot of attention from the drivers. We actually have pretty good comprehension or people stopping for those, probably up in the 80-90% range. 85-90% range.

Savage: Excuse me, Mr. Kiser, which is the most successful method, besides a stop light?

PD Kiser: It would be probably rectangular flashers.

Savage: The beacons.

PD Kiser: The beacons, yes.

Savage: And are those beacons—they're vertical on the side of the road all the time?

PD Kiser: If it's like a six-lane arterial, we have a mast arm and we have them out hanging over the roadway as well as on the pole on the side. Typically, we would probably also put them about 300 feet in advance. When you push the button, they're all going off at the same time. If it's a two lane, whatever we—lower speed, you can probably just put them on the side of the roadway.

Savage: How long have those been around?

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PD Kiser: Good question. I would say probably, they've been developed in probably the last 10 years, maybe a little less.

Savage: But they're pretty successful.

PD Kiser: They've been very successful.

Savage: Okay, thank you.

PD Kiser: Yes. Street lighting, another problem we have is about 80% of our pedestrian fatalities occur at night. A lot of people are wearing dark clothing. The lighting that we normally use for say, continuous lighting, not enough light so now we've gone to an enhanced LED street light that puts a lot more light on the roadway. I think that's going to be a huge factor when we start getting these implemented.

Refuge islands, pedestrian bulb-outs, Danish offsets, again, these are all features that wherever we can, we'll use those to—especially on these bigger, wider roads, where people have a long distance to cross.

Just a few—there's an example of the one where it's out over the roadway, or typically just on the edge of the roadway. Refuge areas. The Danish offset where they have to turn and face the traffic, get down to go across. The bulb outs and these are the—you can see the LED lighting where it really lights up the crosswalk and works very well.

That is the end. Any questions?

Savage: Not from myself. Mr. Controller, or Member Martin? Thank you Mr. Kiser, very well done. Moving on to Agenda Item No. 6, Presentation, Discussion and Calculation of the Overhead Rate for Consultant Agreements. Mr. Hoffman.

Hoffman: All right. Everything you wanted to know about overhead rates but were afraid to ask, right. I'll try not to put you to sleep, I'll go very quickly. I know through discussions at Board Meetings and Construction Working Group Meetings that overhead rates have been a serious discussion topic.

Really, the takeaway that I want the Construction Working Group to leave with today is that, we've got it under control. There are several national guidance and documents that we use to check and double check and triple check overhead rates. Just to go very quickly—

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Roadmap to the Presentation: Who is responsible for verifying the overhead rates? I'll introduce you to our Audit Services Division. What is an overhead rate? Pretty simple math but to try to get that simple math is very in depth. Federal rules and guidance that we use to make sure we're doing it accurately. National peer reviews. We have other states come in and talk to us and actually audit our Audit Services Group. Those are other State DOTs that come in and do that. An example of how overhead rates are calculated. A very simple way that—there's an AASHTO document that I'll get into that's very helpful in the process for that. Then, what is NDOT's specific process for auditing overhead rates.

Very quickly. Here's an org chart. The blue box is outlining the actual Audit Services Division. We have a Supervisor in Sandeep Garg. An Admin Assistant and Auditor III that pretty much oversees the work of four Auditor II positions and there are currently two vacant positions. Not a whole lot of staff and I'll show you how much work they have to do every year.

This kind of goes back to the Board Meeting we had today. As consultant services ramps up, the more we consult out, the more checking we need to do from an auditing standpoint. And, I will just say that this line right here is very important. I sent all the Transportation Board Members an email a few months ago stating the results of a peer review, where the audit services division has to have direct contact or at least the ability to have direct contact with the Transportation Board. You're more than welcome to contact Sandeep directly if you have any questions on any auditing matters.

Yes sir, Mr. Controller?

Knecht: Bill, thank you for that. That's helpful. One thing peaks my curiosity is, down there in the blue box and otherwise, you've got these numbers, 7001, 7003, 7009 at the bottom of each, what do those signify?

Hoffman: Those are position control numbers, I would think. [crosstalk]

King: At the bottom of each box—[crosstalk]

Hoffman: Those are just identifiers for the positions.

King: The two [crosstalk] on the front are dropped off and so they are the position control numbers.

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Hoffman: So, it just signifies that that position is locked up in this chart for that division.

Knecht: Thank you.

Hoffman: Sure. What does the Audit Services Division do? Most, I would say 85-90% of what they do are cost verification [inaudible]. That is—and, this is definitely a note for—so, Audit Services, they do not audit construction projects. That's the Construction Division and field crews that actually audit construction or contractors. This is for consultants. Pretty much the difference between contracts and agreements; they focus their efforts on agreements.

What they'll do is at the end of a consultant agreement, they'll go through and double check pay rates and they'll go through soup to nuts and check every penny that was spent to make sure that the State of Nevada is properly spending every penny on consultants. As you can see—

Savage: Excuse me, Bill. Do they go into the consultants' offices to audit their books?

Hoffman: Yes, they do.

Savage: And do the Feds also go in and check our audit?

Hoffman: Yes.

Savage: Internally?

Hoffman: There are Federal Highway Administration Process Review Audits. We're getting audited by the LCB auditors, our own auditors, FHWA auditors. There's probably five or six audits every other year that we go through with different agencies.

Savage: So, on every project, or how does it work when the NDOT auditors go into the consultant offices and audit their books? Do they do it on every project or how does that work?

Hoffman: I don't think on every project. I think in order to set up all the cost codes and fringe—they look at fringe benefits, general overhead, pay rates, everything. They'll go through all of that but on an ongoing basis, once they get that core set of charge items, then from that point forward, it's just documents supplied by the consultants that just verify that. There are provisional types of exercises that go

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on and then we audit those. It's on an as-needed basis and there are national and state guidelines on how often you do that.

Savage: Do we ever have to subcontract that work out for auditing purposes?

Hoffman: I don't think we audit subcontract—

Savage: We're able to handle that so far?

Hoffman: Excuse me?

Savage: We're able to handle that workload internally so far?

Hoffman: Well, let's talk about that. That's good Chairman Savage. If you read down, the cost verification audits, the balance, July 1, 2015, there were 85 essentially uncompleted audits. 85. There were audits assigned were 80, so a total of 165 outstanding audits that needed to be done. That's through the—that's just for these six months. This six month period here.

This just gives you an idea of the volume of work that our auditors, internal audit services are doing specifically for consultant agreements. That number is going to shoot way up, way up. Specifically based on what we talked about this morning, with this ramp up.

Savage: So how do you expect to handle that work load?

Hoffman: Well, um. Well, Mr. Terry's presentation on consultant backlog and troughs and peaks, we're going to have to cover it with consultants, I think. Either that or—

Savage: Accounting type firms.

Hoffman: Yes, it would be accounting type firms. Or, we could hire more internal folks. We have to do that analysis and make sure that we're spending money appropriately.

Savage: Okay. It's quite evident that that's going to be necessary.

Hoffman: Absolutely. Definitely is. Like I said, cost verification audits are the bulk of the work but pre-negotiation audits, which is overhead rates. Going into a consultant's office and verifying all of those numbers is very important. Pre-stewardship audits, those are audits that we do on agreements before we execute agreements with local agencies who are part of the stewardship program.

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Performance audits, since we're doing the operational audit right now, we've deferred our Audit Services Division. They'd like to do more performance audits, which is a check on program areas for efficiency. Force account change orders, so if there are rates or accounting types of questions or things that maybe the Construction Division or something on the construction side is needed to be verified, then our Audit Services staff do any special request audits. Really, I just wanted to show you the range of services they perform and then where the bulk of the work is, which is in cost verification audits.

Another one and the reason why we focus our attention is because of the findings. The audits that we do are prioritized. It's a risk based analysis of which contracts or agreements we're going to audit. It's strictly—I mean, total dollars, problem areas from before, we go through a risk analysis and figure out which agreements to do first. So there's a prioritization.

Savage: Mr. Controller?

Knecht: Thank you. Bill, you've got no pending requests for performance audits. As a guy who spent eight years on an Audit Committee, Chairing it two years, that was the song I sung continuously, was the need to move from pure compliance audits to performance audits. Do you have any plans to really turn that up and make it a substantial part of the audit program?

Hoffman: We would like to do that very much so. We're down on staff and then we'd like to see what comes out of this operational audit. The operational audit that Mr. Nellis talked about at the Board Meeting today, very focused on some different program areas. We want to see what comes out of that. I think the Department knows that our staff is swamped with the existing compliance audits, but that is an area that we would like to move in.

Knecht: Keep us posted on that please.

Hoffman: Will do. We're going to rip through this. So, what is an overhead rate? Direct labor costs, any costs identified with a single project or cost objective. That's a single project. Anything you can charge directly to a single project. Indirect costs, costs not directly identified with a single project or cost objective so something you can charge to multiple cost objectives or projects. The indirect costs are made up of fringe benefits, general overhead and of those, there are allowable—an allowable overhead or indirect costs, sorry. From there, it's just

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straight math. Total indirect cost divided by total direct labor cost. Very simple. To get there is quite [inaudible].

All the national rules that we follow, we're forced to follow all of that and I'm not going to read them. One of the most important things here is this AASHTO Uniform Audit and Accounting Guide. So, all of this is wrapped up into a guide. About eight or ten years ago, State DOTs were really struggling with how to consistently perform audits. It's just—it was just simple. What AASHTO did is they came up with a Uniform Audit Accounting Guide. Not to belabor this so much, but [inaudible]. This is a quite extensive document that we use that wraps all of those federal requirements up that have forms, worksheets, all kinds of tools. I'll just slowly kind of roll through this.

Savage: You don't have to read it to us, that's okay. [laughter]

Hoffman: That just tells me that I need to keep moving forward. You're going to have to trust me that it's like 100 pages.

Savage: We trust you.

Hoffman: It's not four. There's forms and all kinds of stuff that I'm going to show you here. And now we're stuck. Can you help me DJ? [laughter] [pause] There we go. Thank you DJ, appreciate it.

Another thing, so there's consistency among the country on using the guide that I was talking about. Another approach that helps with consistency is a separate peer review audit. We had folks come in and audit us, during that review period of time from Idaho, Oregon and Colorado. This latest one is the one where they made some recommendations.

They went A to Z. They audited us. They went and looked at everything they possibly could and they came up with these five relatively unimportant—and I'll say, we don't have major issues. There aren't major holes in the program, but they wanted to change the name. They thought, this review team, thought it would be good to change the name from Internal Audit to Audit Services, because they're actually do external work. That's a no brainer.

Here's the one here though. So they thought—I guess in a lot of other State DOTs, the Board or Commission that they report to has direct access to the Audit Division. That was a change they wanted to make. We made that change, hence

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that dashed line that I showed you before with the arrow in the earlier presentation. The ability of the Board of Directors to contact them whenever they need information.

Knecht: Bill, clarification on that. The dashed line there means basically that all and any members of the Board have direct contact with the Audit Services people, not that you have to go through the Chairman or get a majority or anything like that?

Hoffman: That's correct Mr. Controller, yes. If you have any question at all about—what we'll do is we'll continually send you the annual management report. That was part of what I sent you in that email, describing the outcome of the peer review.

All right, you can see that, but all I'm going to do is, all of these fringe benefit costs, direct labor, all of the general overhead, all of this is looked at and gathered by our audit services. It's verified. All of that information is verified. What they do is they come up with a general ledger account balance, subtract out direct overhead, because you can't include that. They subtract out direct overhead, any disallowable costs with the notes down below, I know you can't see that but that's all right. We're just getting to the final answer, okay. You're working across the chart and before you know it, you got total labor costs, direct labor costs and then indirect labor. All that is is, indirect cost divided by direct labor costs, that's all that is.

Kaiser: Reid Kaiser, for the record. I got a quick question. Can a consultant request something be done during this analysis period to get a different overhead rate? We had a situation not long ago where one of our consultants had to pay some money back to the Department. I was told if they would've known the rules up front, they could've received a smaller overhead rate and therefore probably would've owed less money, or figured out how to not pay us back a large bill.

Terry: John Terry, Assistant Director, we absolutely have done that in the past.

Kaiser: Okay, so that is do able.

Terry: Bill hasn't gotten to that point, but—so, most of our contracts, we sign with a consultant say, this is your provisional overhead rate. It's usually based upon the audited rate of the year before, possibly the year before that. That stays in effect through the entire contract and at the end of the contract, say if it's two or three years, auditors go through and give us their actual overhead rate for each of the years they worked and they owe us money or we owe them money back, to even

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it out. But, if a consultant knows something in their business is changed dramatically and their overhead rate isn't going to stay consistent, they can ask that the provisional rate be changed in the middle of a project so that that doesn't happen and yes, they can do that.

Hoffman: And we've done it, we've adjusted, but at least annually, we go and look at every single consultants overhead rate.

Kaiser: Okay.

Hoffman: Okay, and they'll adjust, just like John said, they'll come up with a provisional rate and then they'll balance up later, based on what they think the cost will be.

Kaiser: Okay, thank you.

Hoffman: Yeah and we've done that. Actually we had one go from 184% down to 110%, that's how much change occurred in the last year. Okay.

This just shows—this is out of that guide that I talked about. This is how much detail this gets into. This is just sample examples of how you could calculate an overhead rate for a home office and a field office. You just determine, at the very top, 6.34%. The percentage of your direct labor cost was 6.34%, that's easy to just then calculate the field office. There is a way to do the field office as well. Just wanted to show you that there's a lot of detail to this and that all of those national guidelines and regulations, we follow. We follow very closely. I'm sparing you the math. I see the engineers in the room, like talking about the numbers and stuff.

This is our process. As John talked about, we mail a survey packet out to the consultant. They send back a whole bunch of information. We also send out an internal control questionnaire. We want to know how they do their business as well. Then we verify—we go to the consultant's office, verify expense accounts and timesheets. Verify that all the fringe benefit, all of the overhead costs, all of that stuff is set. Analyze the consultant's accounting system. We look specifically at their accounting system and make sure that looks all right. We verify executive compensation schedule, their bonuses and those things, what the higher level executives are getting from that company. We prepare the audit report and send it to the project manager. That project manager uses that provisional overhead rate to negotiate the contract.

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I thought this was pretty interesting. It's a little dated, 2012. What's interesting is there's a two-year rolling average here. It's on its—we were talking about, when the consultants came up and talked, they were talking about self-[inaudible]. There is this trend to reduce consulting firms overhead rates. It doesn't make them any money by having a really high overhead rate, it just doesn't. But that gets calculated in the overhead rates that we use to then pay the consultants. The trend is down. The 2012 average is about 161.6%. You look at the two-year rolling average, so that orange line, takes you to about 167%.

Where do we fall? We had overhead rates between 110-185%. Our average was 159% out of all those consulting firms. Compared to the national average, we're right in there. Also, university overhead rates, the national average was about 152%. I think Harvard was at 180%, something like that. Ours is 123%, so it's much, much lower, nationally.

The key takeaways. We follow national federal rules and guidance documents. There's no way to fudge this. I mean, it is what it is. It's straight—it's just following federal rules and doing the math accurately. We participate in a national peer reviews. We have other states come in and audit us. We're part of that same team that goes out and audits other states, which I think is a great networking and education process for our staff. Tremendous consistency now among State DOTs. NDOT rates compare favorably with national rates.

One thing I wanted to leave you with, the consulting procurement process is totally different from the low bid contracting process. All of this, for the most part, is open, honest, transparent, in terms of calculating overhead rates. What isn't is, and I'm not saying it's bad, it's just part of the business, when a contractor comes in, it's bid item. They do hard takeoffs on all of the bid item work and then take those bid item hard estimates and then mark-up for overhead and profit. It's a totally different process the way consultants get compensated for overhead and how contractors do, which is actually in the bid items. Totally different process.

I just wanted to—Len, I know that you've asked questions about the differences between contractors and consultants and the overhead rates for consultants, I'm just saying that, it's two totally—it's apples and oranges and just two totally different ways to go about calculating the rates and how it's included for compensation for a contractor versus a consultant.

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- Savage: Thank you Bill, it's a very thorough, thorough presentation. Very educational, I know for myself. In the contractor world, I believe the construction specs stimulate overhead and profit for contractor change orders. That's probably a given. Then when you see the consultant rates, it is apples and oranges. I appreciate the time and effort in educating myself on this issue. There will always be questions.
- Hoffman: I am by no means the expert. I was the expert for the three that left the room, consultants that left the room.
- Savage: They should've stayed.
- Hoffman: Poked holes in my presentation [inaudible]. I just want to let you know, we follow all the rules. We're very good at what we do in terms of auditing. That's it.
- Savage: Thank you Bill, any other questions? Mr. Controller? Member Martin, any questions or comments?
- Martin: No sir, thank you. It's been enlightening. Much different world between yours and mine, right Len?
- Savage: Yes, it is. That's why I'm drinking a Smart Water, trying to get a little – [laughter] Thank you Bill.
- Hoffman: You're welcome.
- Savage: Okay, let's move on to the next Agenda Item, No. 7. Presentation and Discussion on NDOT's Employment Outlook.
- King: I'm Kimberly King. I'm the Human Resource Manager here at NDOT. We had some questions on our vacancy rate and our turnover.
- Savage: Welcome Ms. King, we look forward to your presentation.
- King: NDOT's vacancy rate, I'm using the date of February 19th for my date because that's when I had to put the memorandum together. It was 12.5% for all the permanent positions as of that date. For our temporary positions which includes our snow plow drivers, it was 36.36%, for the temporary positions. That's a vacancy rate of 13.76% for both permanent and temporary.

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As of that date, we had 229 vacant positions. 19.65% of NDOT's employees are on probation or trial, which means they're not fully proficient in their job. 80.35% of our employees are permanent in their positions.

Over the next five years—first of all, let me tell you that this is off of a project retirement report that was dated on September 23, 2015. It projects that 414 NDOT employees out of 1,720 employees can retire in the next five years. 729 NDOT employees out of the 1,720 can retire in the next 10 years. 28 NDOT employees retired between September 23, 2015 when that report came out and February 19th, when I put together the memorandum.

I have people from each of the districts. I have district engineers from each district that are going to talk specifically about their district and the challenges that they're running into. I think Mary is there in the South.

Savage: Good afternoon Mary.

Martini: Well, hello, how are you? I don't think I'm on camera.

Martin: Somebody widen out the camera. She's been sitting over here goofing off.

Martini: I told him that they wanted to see a close-up of Frank, so. I'm here.

Martin: I don't think they can see you yet.

Martini: Can you see me? Do you want me to move?

Savage: Go ahead Mary, you're fine.

Martini: Okay. Did you—I thought, Kimberly, are you going to do your presentation or do we want to talk about District I right now?

King: This is a chance for you to talk about just your District.

Martini: Okay. One of the slides that is up should show the District I personnel. Of the positions, 463—so, District I is Southern Nevada and it includes the central part around Tonopah. That's a Tonopah Sub-district, so that's part of District I. This also includes our construction aides, which are part-time employees. As you can see, the bottom line, we have a 20% vacancy rate and we have a 20% probation rate, so in combining the two, we have 40% of our staff that we either have vacancies or they are in their first year of employment.

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The other piece that isn't shown but John Terry talked about it a little bit in the Transportation Board is we've had a reduction of staff. In my 12 years here, we've lost approximately 25 positions out of District I, but the bulk of them was in the reduction of one of our construction crews. As we've talked about in the past, the Fuel Revenue Indexing in the Clark County area has put a lot of people back to work, but it's also put a lot of focus on our staff and the folks with good skills generally are leaving to better pay, often better benefits. So, that's happening.

In the Tonopah area, we share the issue where we're losing a great deal of our staff to the mines. Now that's slowed down a little bit over the last year or two, as gold prices have dropped, but it's still taking a majority of our staff. It's hard to keep them, it's tough to keep them in the rural areas anyway.

The next piece of it is, even when you can get some staff on board, it takes a while to get them trained and proficient. We've got some areas where we become training grounds for other areas and other agencies. We have a very quick turnover of our staff. Our resources are going in to getting them trained up, but because we can't—we do not have the salaries to retain them, they basically get proficient and then leave.

That's kind of an overview of where we're at. I'll let Kimberly have it back.

King: Okay, thanks.

Savage: Thank you Mary.

King: Okay, Thor Dyson will talk about District II.

Savage: Excuse me, Ms. King. I just got an urgent news alert that there's pie being served at 2:00, some place downstairs. I'd like to send a memo to make sure they save 26 pieces of pie, we're not able to make it at this time. Copy.

King: They usually have lots of pie.

Savage: Go ahead and proceed.

Kaiser: I'm surprised Thor is staying. [laughter]

Dyson: Great time to go!

Martini: Did you include pie for Las Vegas? [laughter]

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Dyson: So, Thor Dyson, District Engineer for District II. We typically—I like to see a 4-6% vacancy rate. Haven't come near that in any area of my district in quite some time. We, in District II are broken down into Maintenance, Construction and Administration for the most part. We have some other sections that are outlined in this slide where we have communication, equipment shop, right-of-way, utilities and stock room.

We've got 290 positions, as it shows up on the slide there. Like Mary Martini stated, back in 2012, due to the recession and lack of work in the construction area, we reduced our construction personnel down by one crew. All the crews were streamlined to five crews. We had six. We eliminated 18 positions and one of the comments that I want to make is that, as our workload ramps up, while it may not be as much as Las Vegas, it is ramping up, we're going to be needing some additional consultants to augment construction consultants for augmenting our crews or for doing administration of our projects. Like I said, that's due to the peaks and valleys and we're starting to peak up a little bit with our Construction Work Program.

We also are experiencing what I consider the Tesla Effect for District II and that's everything that's happening out in the Tahoe/Reno Industrial Center. It's very difficult to acquire skilled labor, particularly people that are driving trucks that we would hire on a temporary and/or permanent basis to plow snow and work on maintenance crews.

It's common to have more vacancies than applicants when we do our maintenance recruitments. I'm going to say that again. It's common to have more vacancies than applicants. It's also common when we do our interviews to have two or more no shows at our recruitment interviews. So, if we do get a list, it's quite often that they don't show up. It is also common that once we do go through all the process with the no shows and with the number of vacancies that when we finally do make a job offer, they tend to see the wage that they're being offered and they'll decline it based on wage and benefits.

We're quickly losing senior staff. In many of my areas in District II, in the Maintenance Section, what used to be 15-20 years considered senior staff in the maintenance series, in the maintenance levels is now really five years. I have supervisors in different sections of roadway that you drive that are running crews that have five years, and they're some of our senior personnel right now.

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Then, when we do get our recruits and we have them going along, it's difficult to retain them because they're leaving based on wage and benefit complaints.

For the first time in my memory, we are considering outside staff for lead worker positions and supervisor positions. If we can't find them in-house, we're going outside. We're doing a lot of open recruitments with HR. Kimberly has been working with us. It affects morale somewhat, but I'm going to only hire the best people for the positions as required. If I don't have them in house because they're not senior level, I'm going to go outside.

Knecht: Quick question Thor. You said, I think I heard you say, you think the ideal vacancy rate is 4-5%?

Dyson: 4-6% is what I used to have or used to experience, 10-12 years ago when I was District Engineer, just coming on board in 2003, 2012. I mean, I enjoyed those numbers. I'm not enjoying anywhere near those numbers now.

Knecht: Right. Although, you've got the lowest vacancy rate among the three districts.

Dyson: Correct.

Knecht: And by a good margin over one. I just wondered, why you use that but what you're saying is, that's what it was in the go-go times.

Dyson: Correct. It's all relative, Mr. Knecht. It's all relative. Relative to District II, it's changed quite a bit.

Knecht: Just a thought, on your other point about in-house versus outside promotion, this is something we in the Controller's Office have had discussions of that are by weekly management committee meetings. I've discussed it with the Chief Deputy. My own philosophy has always been that long term, you want to mix, pretty much at every level, in-house and outside people. I know it's always, in a certain sense, good for morale in-house to say, well gee, there are a lot of promotional opportunities with in and that's certainly true and I emphasize that but I guess I'll go for the obvious analogy, every NFL, NBA and MLB team, I don't know anything about hockey, so don't ask me but all of them use free agents, trades, etc. Yeah, the Dodgers and the Cardinals were great with their farm systems, etc. and some other people are today, but I don't think you could do everything with the farm system. You need free agents and trades and that sort of thing.

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Dyson: You're absolutely correct. And, in the last three to five years, that has increased quite a bit. If you look at this slide there at the equipment shop, I have 33% vacancy rate. The way I'm getting around some of that, because a lot of our equipment, while it's being ordered and coming, I'm still using old equipment. We're doing creative things like, hiring Manpower, Manpower Mechanics. We're doing creative things to hire retired Cal Trans workers. We're doing creative things to hire say like a Maintenance Manager out of Idaho. It's not my first choice. I'd rather hire someone that's better qualified, that's a higher senior level, that's within the system, it builds morale internally, but I'm doing what we need to do to get the job done. We kind of have our own farm system. We also kind of have our free agency system as well and that's being developed. I don't know if that—

Knecht: Yeah, I'm just making the point that there's a rationale for both. There's good rationale for in-house, but you also need continuing new blood. You can't count on the fact that you've hired and promoted the right people so that when something near the top comes open, you naturally have somebody who is just ideal for the job, much more so than you might find outside.

Dyson: That's correct. And that leads in to my next comment that, we try to recruit outside staff and we try to recruit them with needed expertise. Whether it's fixing guard rail, plowing snow or administering the maintenance program; however, it does take quite a bit of time and details to work out the accelerated step for these individuals. Because quite a few individuals that we want to pull in from free agency or from the outside, be it Cal Trans workers or somewhere else, they look at the wage and they state, hmm, that's not quite enough we want an acceleration, I'm not going to come to work for that wage. So then we go and try to make those adjustments to bring people from the outside to come to work. A lot of times we're successful at it and other times we're not. We do a mixed bag of tricks to try and pull off maintenance work throughout the district for the public.

Knecht: I'll certainly stipulate that California causes us a lot of problems.

Dyson: So, we struggle. It hurts our ability to maintain a high proficiency standard among our crews. That's pretty much it. The slide that's up there, that was prepared and finalized last week. I do want to state that it's a fluid situation and I've just lost four more key personnel from the administrative to engineering to mechanics and maintenance, just in the last week and a half. I'm spending a lot of time trying to fill positions. That's pretty much it. Thanks.

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- Savage: Excuse me Thor, did those last four leave for higher wage?
- Dyson: One left for retirement. Two left for higher wages; one to the City of Reno and one to the private sector. Then the fourth one left and went to a different agency within the State system. Not NDOT, I believe it was NDOW.
- Savage: Then the other question I have is on the maintenance side, the 17 vacant positions. Is any of that with the snow plow drivers?
- Dyson: Yes, it all is.
- Savage: it all is.
- Dyson: So, actually, on the snow storm, the big one that we had on January 29th through February 1st, we had an atmospheric river event. I did have some plows sit empty in the yard because I had no one to put into them.
- Savage: That's a dire position there, because you can't call a Manpower—I mean, what do you do?
- Dyson: Well, our snow plow drivers need to be drug tested. They need to pass different types of driving tests. Our snow plow drivers, maintenance personnel, whether they're permanent or temporary, in this case temporary, they need to be able to proficiently operate a complex, large piece of equipment amongst traffic during adverse weather conditions.
- Savage: So, in your years of experience, is this the highest it's been with snow plow removal, as far as vacancy?
- Dyson: Absolutely, yes.
- Savage: So, what is our back-up plan B? I mean, we were getting a lot of snow in the mountains this last winter. We didn't get a lot in the valleys. If we would've gotten a lot in the valleys, what would've happened?
- Dyson: Well, as you know, sometimes snow events are more localized. I've done this in the past where Carson City is getting 18 inches of snow and Reno is getting four. So, I'll shift crews over, whether it's from Reno to Carson or from Fernley/Fallon to Carson. I don't particularly like doing that because those individuals are not as familiar with the roads. I want to make sure they're not hitting curbs and there's

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bridge joints and cal-guards and they're not going to understand their area of roadway maintenance, snow plow removal.

If it's a large, regional event, which we had in January 29-February 1, everybody is plowing snow. So I'm not afforded that opportunity to move crews to the area, because they all got their snow removal sections. I'm not quite sure how to answer your question. Contingency plan is to hope that we have some divine intervention, our trucks don't go down, we work extra hours and the maintenance personnel are going to be present, the ones that I have filled in these positions will be present to plow the snow.

Savage: There are no private contractors, as far as I know that plow snow within the State of Nevada.

Dyson: No, we do—not that I'm aware of. There are contractors that will plow parking lots.

Savage: Yeah, yeah.

Dyson: And you know, different areas. But, as far as highway removal, it does take an expertise. If we get into a dire, dire situation, I have an on-call contractor call out list and I will call them to bring out a motor grader and shave and peel off ice pack. Sometimes that results in the peeling off of the asphalt itself and certainly sometimes damage. But, if it's a dire situation, I will contact contractors with a loader and a push blade attachment to take care of snow removal.

We also hire contractors to haul out the snow. I haven't had this happen since 2005, but 2005 in Reno, Carson, Tahoe, South Lake Tahoe, we plowed all the snow to the center of the road and then we hired contractors with trucks and then we blew all the snow with our snow blowers into the contractor trucks and they hauled it off to dumping sites. If we get into a dire situation with snow removal, where I can, I will hire as many contractors—if I can get to them first. Back in 2005, there was such a demand for additional people to deal with snow removal, whoever got to the contractor first got them employed first. There is a competition between the City of Reno, City of Sparks, Washoe County and NDOT and who gets to them first, the contractor is going to hire up with them first.

Savage: Thank you Thor

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Dyson: Sure.

Martini: If I could—Frank was going to ask a question and I was going to offer just one other comment. Worst case scenario, be it snow or flooding and we deal with snow in District I, what happens is, the forces will have to go to the primary routes. US-95, a lot of the [inaudible] routes in the Tonopah area will actually have to close. We do the same thing for the mountainous areas around here. All of the forces go to the primary routes. That's in worst case scenario, when we can't keep up with it and our employees are unsafe to be out there, then we let the road close. Then we go into doing road blocks and some of those other things. Frank had a question as well.

Martin: I didn't sir, go ahead on.

Dyson: District II has a snow plan, I believe District III and I also have a snow plan. Just like Mary Martini stated, certain routes have priority. If it's really awful, we will pull everything off and just stay on the interstates and the US routes and then fan out as time lends itself to clearing snow on other routes.

Savage: Member Martin.

Martin: I had my question answered. It came to me and then as Thor went on with it, he got to it, so I'm good.

Savage: Okay, Mr. Controller.

Knecht: Real quick follow-up Thor. Of the 155 positions in maintenance and in particular focusing just on snow plows, how many of those are full time and how many are part time, if you know?

Dyson: I don't know off the top of my head. I want to venture, I can get those numbers for you.

Knecht: I would just guess that many of them—

Dyson: I would say around—well, these positions—then we hire around 40 temporary positions in the winter time. Most of them are snow removal, but I don't get to fill all of them. I think if you look on the slide there, let's see, do we have temporary up there? We have permanent positions filled. Number of positions, 155.

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Knecht: Yeah.

Dyson: And, I don't see the temporaries up there. We hire about 40 temporary snow plow drivers throughout the district. That's Hawthorne, Fallon, Lovelock, Gardnerville, Tahoe, you know, everything in District II.

Knecht: And, when they're not doing snow control, what are they doing?

Dyson: Great question. We put them to work. We fix guard rails, we pick up garbage. We wash trucks. We do all kinds of other—they're not sitting around just waiting for another snow storm. We put them to work on numerous activities.

Knecht: Okay, thanks. Thank you.

Savage: Thank you Mr. Controller. Mr. Lee.

Lee: As everybody had said, pretty much the same issue. Some unique challenges that we have been going through is, I'll just say, our professional engineers on our construction crews. I can't remember the last time we've had a full complement of resident engineers. It's been years, if not probably close to seven or eight that we've actually had all of our positions full. Just to give you an idea, the 34% that's eligible for retirement in the construction side are the guys that have been holding the crews together. Those are our assistant residents. As of, I'll just say 10 days before the RE's Meeting, we finally had our second RE out of—two out of four, with Dave Schwartz being long-term, I still have two vacancies, with interviews pending on one and I'll just say the process of trying to hire somebody from Canada [inaudible]

Speaker: It's more than a passport, correct?

Lee: Yeah. He has to get a visa and a bunch of other things.

Knecht: For you and for the previous two district chiefs, to what extent does this high vacancy rate that we're facing right now, that we're living with now, to what extent does that contribute to the need for overtime?

Lee: Well, to give you an idea, I exceeded my overtime budget before the end of the year.

Knecht: Before the end of the calendar year?

Lee: Before the end of the calendar year.

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Knecht: Okay.

Lee: So, granted we have so much, I'll say, in salaries left over because we have such a high vacancy rate, we can cover that personnel line item. But when you say, I'm projected right now to double my overtime budget and it could even be higher than that. Right now, I'm looking at doubling it.

Knecht: And that's substantially higher than what it's been in the past 10, 15 years?

Lee: I will say that we've had—this year was probably my lowest overtime budget because, I'll just say, over the years, we haven't really had a winter. To put it in perspective, District III had an overtime budget of \$210,000. I'm sitting at \$370,000 right now, expended overtime.

Knecht: And the other two districts have had the—had similar experience?

Dyson: Yes. Overtime, we've asked for augmentations to finance and budget people. Between snow removal and our own flooding events, wind events and accidents, when NHP has an issue where they want to close a highway, we respond, in the middle of the night, 24/7, 365 days a year, we make sure that we assist them and other agencies to do a variety of things. But yes, our overtime budget is exceeded what we were given. It's not surprising. Kevin and I expected this with the increased weather, so yeah.

Lee: Just to put it in perspective, we had an ice storm that hit the Elko Region, probably between Elko and Carlin, and just east of Elko that basically put everything at a standstill. All of our staff was out. Law enforcement couldn't keep up because—it was actually predicted, but you can only put so many people out on the road at one time. All the law enforcement agencies couldn't cover all the accidents.

Knecht: Well, in the last three or four years, setting this year's unusual weather aside, have you seen that the vacancy rate has contributed to, over time, usage substantially or has it just been sort of a normal equilibrium situation.

Lee: The best way to put it—

Martini: If I could—

Lee: --we haven't had a winter in probably five to seven years. So, staff doesn't work overtime to work overtime, they only work when it's really necessary.

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Martini: A couple of things. I wasn't sure, it seemed like there was another round of questions, I wasn't sure if you were looking for the District I, so let me catch up on the questions. The question was, how many of our temporary staff for District I, I have 27 con-aides. They typically are not plowing snow. We use them primarily in the summer because they're our litter pickers, graffiti, that's the urban need. They're doing homeless clean-up as well. That's the other one.

Our overtime budget is up significantly too. And, most so in the snow areas. The other areas, and I would say two areas that are not as obvious, a consequence of this and the competition for the limited number of people and that is, 1) when you're having to hire less than desirable people, they have a lot of accidents. They're not as effective. They're probably not as proficient at doing their work. They don't have strong work ethic. The other piece of it is that, it is not unusual to see more and more candidates who have—that are felons and have pretty significant prison records and yet, they may very well be what's left. When you hire them—and it really does come down to a choice of, do we keep this vacant or do we hire the felon? When you're dealing with people with problems, we are then into a situation of doing a lot of discipline, following a process, which tends to be onerous as well and puts a lot of overtime back on our support groups such as HR. It's not just the overtime budget, there's a lot of other things that are going on when we have this kind of vacancy rate.

Lee: To tie into what Mary was saying and I know we've all seen it, at least at the district level, we get recruitments that get zero candidates. So we start the process all over again. Or, we might get a certain number of candidates on the list and then when they set up for interviews, they realize the range of the salary is really not what they thought it was. Typically, we hire them in as a Step I. Unless we try to get the accelerated salary which is a process, which a lot of candidates can't wait out that long.

King: And I'm going to talk about that a little bit more. I think Kevin has also lost candidates where he's actually hired them and they want to relocate into his area, they can't find housing. They can't find any place to live.

Dyson: On the felony aspect, so I'm the final say in District II on who is going to be hired on a temporary basis and permanent basis. When I see—one of the things I look at is, convicted of any misdemeanors, felonies or murders, whatever. I'll take a look at that and I'll look at the justification; because they're required—department personnel requires [inaudible] on if you are convicted, then you have

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to explain what that is. I make a determination as to whether I want to go with this individual or not, am I willing to take a risk or should I have that plow empty and not available to plow snow. I'm all for giving people a second chance. Sometimes I've had some tremendous successes and other times I've had some other awful hiring experiences. If they're temporary, it's a little bit easier. If they're going into a permanent slot, that's more difficult. On my end, I take those permanent slots much more seriously.

Lee: And, keeping in mind, a piece of snow plow equipment is \$250,000. So we really don't want anybody that's really not up to par out there running the—here recently, somebody that was on probation, we're just lucky that nobody was hurt, pulled out from a median crossover and t-boned somebody on the interstate. We're just lucky that the guy that was driving was not hurt. And he's no longer employed, but that's the way it goes.

Savage: Thank you Kevin. Go ahead, Ms. King.

King: So, talk a little bit about turnover rates. There was an error made on the memorandum that went out before this meeting. I guess it was wishful thinking, but the turnover rate for FY 2012 was 18.51%. As you can see, '13 it's 19.79%, '14 is 17.75% and now in '15 we're at 20.95%.

Those turnover rates did come from State personnel and they included people leaving or moving within state service. Promoting, layoffs and deaths. I took those out. I took these and used them as a vacancy and without any movement between state agencies, we're still at a turnover rate of 11.97%, right now in 2015.

As you can see, some of the high points where they're leaving term for better paying private jobs, better paying public jobs and the public jobs it's other government agencies. The cities, the counties, other state governments. Many of them pay a higher salary than the State of Nevada does, so they're looking at those options.

Our retirees, of course, we've got those high. I think what we're seeing there is, if you remember, we expected a whole bunch of retirees to happen around 2008, that's what we kept talking about. Then we had that recession and I think that stopped some people from retiring. Now we're starting to see it again. In some cases, people are retiring because they can make more money on their retirement

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then to continue working for the State. They used to stay and try to get that extra money but now they get [inaudible] if they retire. They are looking at that.

Also, we have people who are just moving for personal reasons. We don't know why they are and we actually have quite a few terms for reasons unknown.

Our dismissed during probation, that's gone up over these last years, these last four years, where we've had the problem. For a while there, we were getting lots of applicants, just not the best applicants and now we may not get hardly any applicants. We're taking people on that we may not have hired in the past and then that results in us having to let them go because they can't make it. I can tell you from my office, our EEO complaints, our grievances, any of those type of complaint processes are—they've really risen. I'm getting overtime, or my staff is being required to work lots of overtime for that and improvement.

We do an employee satisfaction survey each year. It started in 2008 when I got here. It was at 50% then, we were going to try to get up to 70%. We are now down to—and this is the satisfaction in pay and benefits, we're down to 26%. For a while there, we got down to 18% and then I think it's starting to go up again. We've got again, turnover that may be affecting that. It is the pay and benefits that the employees are talking about, that have them discouraged.

You may have heard that the state employees received a 1% increase, but I don't know if you also heard, our first contribution exceeded that 1%, so people's paychecks, the employee's paychecks actually went down and they noticed it.

Lee: And no longevity either.

King: Oh, yes, the longevity. That's another reason that we may have some more people retiring, they've lost their longevity, they no longer have that incentive.

Knecht: I not only heard about that, I wrote about that fact in my column this week.

King: Okay. So, what are we doing and what are we doing well?

Kaiser: One thing, Reid Kaiser for the record. Longevity, we used to get every six months was it—

King: Yeah.

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Kaiser: --you'd get a check for longevity. It started out maybe \$50 every six months when you had like five years in or ten years in. By the time you got to 25 or 30, it was \$1,100, \$1,200. That went away I think in '09 or '10. Maybe it was '08.

Speaker: It stopped with the furloughs.

King: So around '10, 2010.

Kaiser: That's what that is.

Lee: And it was completely removed on this last Legislative Session.

King: There weren't incentive to keep long term employees because their merits only go to 10. Once you get to a 10, you're stuck. There's been no [inaudible] and then the longevity. It really has affected our long-term employees.

We're going to do something positive here. What are we doing well? [laughs] On our employee survey, the one thing that we are finding is that employees, they like our family friendly type work atmosphere. We're very family oriented within the Department and also we find our own family very important and we are flexible. That's one of the things we can do. The satisfaction in this area has continued to remain about 60-75% that employees are happy about our environment. In fact, we've had some employees that have left for other government and private industry jobs and they've returned to NDOT stating that they missed the family oriented organization and the NDOT employees. That is pretty impressive.

Savage: That is impressive.

King: We are striving to improve in our family oriented and flexible work place to increase on employee satisfaction.

We talked about hiring people from outside the state agency. We have a mechanism, it's called accelerated salaries. What happened was, around 2008, 2010, they stopped—there was an executive order from the Governor's Office, the previous Governor that said, no we aren't going to do accelerated salaries anymore. NDOT really held tight to that and said, okay we're not going to do accelerated salaries, so we hired most of our employees at that point in time at a Step 1. Then we had merit freezes, so we couldn't—so they stayed at Step 1.

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As we've come out of the recession and we're trying to hire people, the regulation that allows us to do accelerated salaries also says, you can't hire in somebody new at an accelerated salary at Step 5 or 6 if you're going to create an inequity that you can't deal with fiscally for the other people. We've got this group of people came in at 1 and now we're trying to hire other people in at accelerated salary but now we have to adjust the existing employees.

We've started trying to do that, to create equity throughout the whole Department. What we're trying to do is, as each new hire comes in, we're doing a matrix of all of our employees in that job class or in that region, identifying what their experience is and fitting the new person in there and then adjusting anybody else who needs to be adjusted to allow for equity across the Department. This has taken hours and hours of man-hours but I think if we can do it, I think that it will really help the morale of the Department.

We started doing that. We caught the attention of some other Departments who don't have the fiscal ability to do this. Now the regulation is real clear that each department is treated separately. That just because we do it doesn't mean that another department doesn't do it, DPS let's say. We are just within NDOT and we do have the financial ability to do it, but those other departments are creating a little bit of angst in the Governor's Office.

When we try to do an accelerated salary, we can go from as short a processing time of maybe one business day, that's not very often. On the average processing time is 13 business days, but we have new hires that we can't make a job offer because we don't have the approval that—what's longest, Kevin?

Lee: August of last year.

King: August of last year? I thought it was December.

Lee: No, it was the Tech III, it was August.

King: Oh.

Lee: And then October is the next one.

King: Okay. We have some positions where we haven't actually been able to make a job offer because we're still waiting for the approval. That's another challenge that we are facing right now.

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Dyson: Right and I had a couple in District II. September we moved forward with them and they were approved, the accelerated salaries were approved in the first part of February.

King: That is impacting our ability to do our new hires.

Dyson: To do our free agency.

King: Yeah, and they aren't going to come over and take a huge cut. And they're bringing expertise that's actually important to us. I'm all for hiring them from other agencies so we can get new ideas and innovation, but right now, we are struggling.

There's a couple of solutions to throw out there. One is a short-term one. Asking for delegated authority, from the Governor's Office for us to approve our accelerated salaries. We've had that in the past. If we had that in the future, then the Governor's Office wouldn't have to maybe take that heat and we could take the heat. And it would make our hiring process faster. As soon as we did our analysis and did the approval, we could go ahead and make that okay and give them the ability and make a job offer.

A long term solution, it seems like we're having some angst with the other state departments because they're on the same classification and pay system as NDOT. There are other DOTs throughout the United States that are on a separate personnel system from the rest of their state agencies. That could be a long-term solution because if NDOT is separated out from those other state agencies under classification and pay schedules, maybe the other state agencies that don't have the same fiscal funding would be able to—they'd be two separate ones and there wouldn't be this comparison.

That's all I have.

Savage: Well, thank you Ms. King. Thank you Mary, Thor, Kevin.

Martini: Could I add one other potential solution?

Savage: How much money do you have?

Martini: Well, it's how much you want to pay me, but let me—if we go to 50,000 feet, nationally we're looking, globally we're looking at the demographics of baby boomers. We've long known that our age pyramid, where the oldest are at the top

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and the babies are at the bottom has now changed to its more vertical. Even in countries like Japan, it looks more like this. While getting in young people and getting them trained and getting up through the ranks is important, the real issue is that, at the top, we're getting older and there's more of us. I'm at the tail end of the baby boomers and I used to tease Director Malfabon before he was the Director that he is six months older than I am. As of today, I'm retired and I'm still working here because I enjoy it and because I like doing the big projects. Now, here's the difference is that I retired from another State.

What is facing us is that after 30 years of service to NDOT, people are in their early 50s, mid 50s and they've got plenty of work life left in front of them and yet they have to leave. What happens is, it gets keyed into the discussion we had earlier with the consultants. I've had our staff basically go from being working for us and three weeks later, going to work for the consultant and essentially doing the same thing. In order to tap into a wealth of knowledge and the ability to do the work, there needs to be some concessions.

Obviously there is an issue with PERS. I know there's certain positions where people have basically come back after they've retired. I know that doesn't always look good to the taxpayers. The other thing, in the Forbes List of Best Companies for Aging Employees, there's accommodations that are necessary for the fact that they can't work as long or they need certain physical accommodations. Still, that is a wealth of individuals who could be doing this work with some accommodations. I would put that out there as another topic. I don't think we've spent a lot of time in NDOT looking at how best to tap into an aging population.

Savage: Thank you Mary. And again, I want to thank everyone for being so candid. I know it's a difficult subject. It's something that does not fall upon deaf ears. It's up to the Board to hear the good, the bad and the ugly. We have a lot of bright minds here at the Department. A lot of good, good people. I think this has to continue forward. The discussion is very healthy. Infrastructure is a key to the economic movement of this State and we need the best people. We have the best people right now. I'm passionate to say, listen, we need to come up with a formula or a mechanism or something, because I know we're feeling it on the private side as well. We call the T-Effect.

Let's not stop the conversation is what I'm trying to say. I'd like to keep this on the Agenda. I think the Director even made comment today at the Board Meeting that he wanted to take it to the next level, from the CWG to the T-Board. I really

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complement you Ms. King, the District Engineers and everyone at the Department for being patient because we have a lot of bright minds, so let's figure out a way to keep that family environment. To see what we can do with compensation, benefits, whatever it is. It's a big picture deal. It's way above my pay grade, but let's figure it out. Keep talking about it, don't brush it underneath the carpet, it's already reached this level, let's move forward. We have to be able to want to come to work every day. We don't want to go to the RTC. We don't want to go to the City of Reno or the City of Las Vegas. We want to stay right here at NDOT. I really complement everybody. Let's keep the momentum and keep talking about it because we can get it fixed but we've got to try to get ahead of it. We keep going downhill then we're responsible, at the Board level, by saying, boy look at that slippery slope, look at what we could've done and we didn't do it. Then the burden falls on us. So, I thank you.

Kaiser: Well, thanks for listening. A lot of people have been wanting to say that for a long time.

Savage: That's our job, the good, bad and the ugly. Moving on to Agenda Item No. 8, Old Business. CWG Task List and I'd like to add this item to the task list.

Kaiser: I will. And, I'll give you guys quarterly updates. I'll get with Kimberly and figure out what we want to report. If maybe the number of people that have left NDOT compared to maybe the number of people who we've hired, maybe an update on where we are with accelerating some salary—hiring the people who have requested accelerated salaries and those kinds of things.

Savage: Whatever it is, the discussion has to continue. With the existing CWG Task List.

Kaiser: Okay.

Savage: Go ahead Reid.

Kaiser: Okay, Item No. 1, Contractor Prequalification. What I gave you is the contractor past performance rating sheet that the Steering Committee has developed. This is part of our prequalification package. The current contractor past performance rating, as I have mentioned previously, is not real applicable to what the contractor is doing in the field. What we've created is another, we call them CPPRs and it has items on there like quality of work, the contractor supervision, progress of work, environmental which includes water quality, public safety, environmental compliance. It has those kinds of items. This is put in here for

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your guys' information. We still have to modify a few things about it but this form will be used by the resident engineers to rate our contractors at the end of every project.

Savage: Do the REs have a lot of input—

Kaiser: We haven't sent this out to them yet but we're going to. That's the next step. We wanted to come up with a form. They've been requesting for years at the RE Meeting that we change it, so we're doing that now. The next step will be to send it out to the REs for their review. Once we get their comments taken care of, we'll send it out to the AGC for their comment.

Savage: Good. Good, that's good. Thank you Reid.

Kaiser: Item No. 2, NDOT's DBE Process will be covered by Tracy Larkin.

Larkin: Hi, for the record, Tracy Larkin, Deputy Director. As most people know, over the past year we have done quite a bit of work in the DBE area. We have basically had 125% turnover in the area and we put a lot of work into taking care of backlog, taking care of the business part of it. Before I even start, I want to say that a lot of this could not have been done without a lot of help from other people in the Department. I reached out to Planning. I have people coming in to help us with wage compliance on there. I reached out to Admin Services and they helped with some contract compliance and processes. Reached out to Design and they helped with the ADA process and getting us caught up. Reached out to—we had ACC, we hired some contractors to come in and help with the backlogs that worked with our Unified Certification Board Program. I want to say, there's a lot of moving parts, but I want to make sure that I recognize the effort that the others have put in to help make this, what I consider really a pretty good success.

Over the past year, we've basically caught up on the backlog of all of our federal reports. We had 11 outstanding. Six were outstanding and late. We are now current on all the backlog and the five that were due this year are on time.

Savage: Congratulations.

Larkin: That was a big one. We certainly have gone through the hiring process. We have done a great deal of outreach, both North and South. We have focused more in the South on some of the issues just because we have a greater issue down there. We've really been working with the Urban Chamber, the Latin Chamber, the

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Minority Contractors Association and other firms to actually get our program out there, meet with them and discuss their concerns and how to bring in outreach and training.

We have sponsored DBE training through USDOT. We had five different bonding type of different forms of bonding, like bid opportunities, bidding and estimating, access to working capital, construction accounting and law, and just regular bonding. We have had success stories in there. We've had people who have gone from a capacity of \$2M worth of bonding to \$5M worth of bonding. Others who have increased their access to working capital by \$250,000. Slowly but surely, we're making inroads there.

We partnered with the Contractors Board and the AGC in Southern Nevada and we trained a little over 1,500 different firms. 496 of those were DBE and minority contractors and that training was provided for free to them to help work on the programs.

We basically have 132 new firms that's in-state. That included a 59 backlog. We had a total backlog of 98. That was 56 in-state and 51 from out-of-state, that have been completely caught up on and we added another 183 firms, brand new on there. We're now up to, we have 603 firms in the State of Nevada. That includes all the DBE Firms. That includes airport, vending, concessions, so on.

We have hired, we have using federal funding, we have brought in a supportive services contract which has been started. That is actually identifying the gaps within the DBE community. Basically they have gone out, they're going to every DBE and we're starting primarily with the ones that NDOT would be using and identifying like, do you do residential? Do you do commercial? Do you do mixed, do you do both? If you say you're an asphalt paver, do you pave driveways or do you pave interstates? We're trying to find the capacity. Are you willing to travel to District III? If you're located in Vegas, will you travel to Elko to do work? Those types of things so we can better—we want to push on the DBE goals. We want to make sure that we have the foundation and the pool [inaudible] moving forward.

We have been working with Unified Certification Program Board and that is the Board that actually certifies the DBEs and it's composed of the two RTCs, North and South, the airports McCarran and Reno/Tahoe, Campo and NDOT. Basically, there are three agencies that actually process the applications and all

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applications go before this Board in order to be approved. With that, we have been working very closely with them to create one site, so we have one website so that when you come to Nevada; you can just go to Nevada DBE and we'll have links, we're in the process of getting links to each agency so you can go in there and instead of having to look at four or five different sites to find opportunities, training opportunities and so on, that you can go to one firm and basically get all the information from there. That's a work in progress but it has been started.

We also joined in with them to do a new disparity study. It's about three years since we actually completed the last disparity study. This one is statewide and it is involved [inaudible].

We have drafted our DBE Membership Program, it's currently on my desk under review. We've also been working very closely with Project NEON and USA Parkway because those are very much insights for what type of business development we can do there, so we're working very closely with their staff. Like, on the Project NEON, there's actually—it was a requirement to have a DBE Coordinator as part of the contractor project so we can interface directly with them. So far they've been very good at outreaching to us and [inaudible] around the region. We have high hopes that it will greatly exceed our expectations.

That's pretty much it, if you have any questions.

Savage: Just a sincere thanks, Tracy. It was a monumental task a year ago that the program needed a lot of help and you took the reins. I thank you and the people around you who have taken that challenge.

Larkin: There were a lot of people that participated.

Savage: Taking that challenge. But, rest well. I know there's a lot of work to do like you had said, but I sincerely thank you, diving in, taking on this challenge and making it much, much better.

Larkin: Thank you.

Savage: Thank you Tracy.

Martin: Mr. Chairman?

Savage: Yes, Member Martin.

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- Martin: I want to thank Tracy too. I've been, for many, many years working with MBEs and WBEs and she has done a tremendous job pulling this program together. Tracy, thank you very much. And, Mr. Chairman, I have to leave. I'm sorry to skip out on you so early, but Mr. Knecht, you get to make the motion for dismissal or adjournment and second it too.
- Savage: I just want to make—I have one question Member Martin, is there any pie down there in Las Vegas?
- Martin: No pie.
- Savage: I want to make sure you're leaving for the right reasons. [laughter] Thank you Member Martin.
- Martin: Thank you sir.
- Savage: Moving on, Mr. Kaiser.
- Kaiser: Okay, Item No. 3, CMAR Projects. There are two active CMAR Projects right now. There are no change orders to report and you had requested, at the December CWG a list of the current agreements associated with those CMAR Projects and I do have them listed with the consultant firm or the contractor and the dollar amount.
- Savage: Thank you.
- Kaiser: I couldn't answer any questions related to those, but the guy who could left, probably eating pie. [laughter]
- Savage: That answers some of the questions we had. Thank you Reid.
- Kaiser: Okay. Item 4 is the as-builds. Again, our project where we're going to have the contractor design and submit the as-builds is the roundabout in Pahrump. It's scheduled to advertise in April.
- Savage: Very good.
- Kaiser: Last thing, one of the first items I commented on regarding the opinion from the Attorney General. Well, here is where I had it listed. I spoke too soon and on the second sheet of this section, under disqualification of bidders, I have circled the three items where the Director can reject a contractor's bid. He can reject it for the reasons listed.

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Savage: All right Reid, thank you.

Kaiser: Yeah.

Savage: Does that take care of—

Kaiser: That's Item No. 4.

Savage: Item No. 4. 8B, Reports and Documents.

Kaiser: 8B, there was only one meeting with the AGC or any other entity that you guys like to hear about and that was the meeting we had February 16th. Tracy and I attended an AGC meeting down in Las Vegas with some contractors and the AGC to see if there are opportunities to better develop our workforce. Not only from NDOT but also for contractors.

Larkin: I like how he said, ongoing [crosstalk]

Savage: That was off the record. [laughter]

Larkin: We are working—NDOT is working with the AGC, both North and South, basically as Reid mentioned on workforce development for the construction [inaudible] We're looking at different things like construction management, exposure at a younger age to schools and [inaudible] and then also internships or externships. I expect you're going to be hearing a lot more about this. We've [inaudible] like I said, with the AGCs. We met with [inaudible] contractors in to get their points and we'll be meeting with the—we like to—when I was in Georgia, I met with the AGC in Georgia, [inaudible] which is part of the [inaudible]. Then also, next week we're meeting with the AGC in Washington, they have a very successful construction camp.

Savage: Tracy, if you have a few minutes, I'd like to have a cup of coffee with you.

Larkin: [crosstalk]

Savage: And talk.

Larkin: Yes.

Savage: Anything else on 8B?

Kaiser: That is it on 8B.

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- Savage: Moving to Agenda Item No. 9, Projects under development, five-year plan.
- Kaiser: Again, this is the five-year plan. You guys had requested—Lucy Joyce gave a presentation on our landscape and aesthetics program back in December. The Landscape and Aesthetics Five-Year Plan is listed on Sheet No. 7 of 9. You had requested a copy of that in December. [pause] Do you guys have any questions on our five-year plan?
- Savage: I just have one question on Page 9. What is an example of a district betterment project? I see there's a budget of \$22M for 2016.
- Dyson: Thor Dyson, District Engineer for District II. We have teams that go out every year with the maintenance group, Anita Bush and what we'll do is, my staff in District II and I believe it's the same for I and III; we will go out once a year and we will go with our supervisors. I have a Supervisor in Gardnerville, Crew 227, Ed Schulte. Ed Schulte and the Super II, Maintenance Manager, my Maintenance Engineer that works for me, will go out with headquarter staff and we'll review roads, not only in his section but in all sections of District II. The maintenance people get to kick in their ideas and thoughts of what needs to be repaired. These are usually simplistic type projects. If they're not then they would be contracted out. Betterments that—we're going to better the road. We're going to better the road with an asphalt chip seal, slurry seal. Maybe we want to do some shoulder work or things that we can do in-house with our maintenance forces and things that we can do with contractors. They're not super big ticket items, just to get them cranked out.
- Savage: Okay, thank you Thor. That's the only question I had.
- Knecht: I have a question back on Page 7. In the middle of that page, the not scheduled item, community gateway to Winnemucca Recreational to Black Rock Desert for \$2.5M, which I think is the largest figure on the page other than the totals, well there's a \$5M at the bottom, cost changed from \$50,000. Can somebody explain to me how we go from \$50,000 to \$2.5M?
- Shigenaga: Kristena Shigenaga, the Landscape and Aesthetic Program is under me. The gateway program, when we put it on there initially, we thought it was just a sign. It's actually treating the interchanges in Winnemucca to a [inaudible], so that's how come it went from the \$50,000 to \$2.5M, to paint and do treatments at those

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two interchanges. That's just a rough estimate. We haven't started the design. It's kind of our planning the whole estimate for this.

Savage: So, these are which interchange?

Shigenaga: They're the—

Savage: Exit, or—it's an exit?

Shigenaga: It's the interchanges in Winnemucca. I believe there are three interchanges in Winnemucca, so it's those interchanges in Winnemucca. I know one is in the center, but I don't remember which, if it's the west or the east interchange. One of them would be, is it 95 or—

Kaiser: 95.

Shigenaga: 95.

Savage: Thank you. Okay. I guess that's it for Section 9. Let's go to Section 10. Briefing on Status of Projects Under Construction, Section A, Project Closeout.

Kaiser: Project Closeout. We're not reporting any projects closed out this time since it was covered at the Transportation Board Meeting this morning. The only projects that were closed out would be in January and we will report January at the June meeting. We'll cover four months at the June meeting.

Savage: Okay.

Kaiser: We do have in here listed the closeout document in case CWG had any questions on that item. Any projects listed on that document.

Savage: The only question I had, I didn't realize on 3409 that Capriati had filed bankruptcy.

Kaiser: Yes.

Savage: Was that recent? Maybe I missed it. I didn't see that.

Kaiser: A year ago.

Savage: A year ago. And, is there any unfinished work and is their performance and payment bond been notified, for anything that's unfinished or outstanding?

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Foerschler: Sharon Foerschler, for the record. I'm not aware of any work that is unfinished. Our office just completed last month an audit of the books. We are holding on to their \$50,000 retain, it has not been released. How that's being handled is up [inaudible] staff.

Gallagher: For the record, Dennis Gallagher, Counsel to the Board. The Department has two claims in the Capriati Bankruptcy Filing. One is for that \$50,000 that was retained and the other is actually a claim on a prevailing wage matter that the Department was involved with in front of the Labor Commissioner. The amount in that is only about \$5,000.

Kaiser: Reid Kaiser for the record. One other thing, the District accepted that project March 7, 2014, so we essentially granted relief of maintenance. They're done with the project and the Director accepted it on March 12, 2014.

Savage: Okay. That's the only question I had. 10B, Active Projects.

Kaiser: Any questions from the CWG on active projects?

Savage: I don't have any. No, Controller?

Knecht: Mr. Martin doesn't have any questions either.

Savage: We'll move on to 10C, the Partnering/Dispute Process Update. Lisa.

Shettler: Lisa Shettler, good afternoon. Just a couple of small updates. We've mentioned before, we have the partnering best practices project underway [inaudible] in aiding that. [inaudible] survey of the 50 states and other organizations to get best practices and documents and whatnot together. Our committee is going to meet again in May to look at the results of the survey and determine what we might want to eventually post on websites or nationwide access for best partnering practices. Our conference is still on schedule for September. We're making headway with that project.

For dispute resolution teams, we started using them on a few projects, but we finalized the specifications. A three-party agreement and a sub-sample procedures. The final step in that was to have the districts take a look at them. I think we have a deadline of—Sharon, did you give them this week or last week?

Foerschler: Sharon Foerschler. The 18th.

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Shettler: 18th.

Speaker: Friday.

Shettler: As soon as we get the results from that, we're going to move forward with posting them on our website and having a poll sheet for our new specifications we can use on future projects. That's all I had. Do you have any questions?

Savage: No, I don't at this time. Mr. Controller? No, thank you Lisa.

One thing we might want to talk about is adding a line item for 10, Agenda Item No. 10, as far as the work in progress for the consultants.

Kaiser: Okay.

Savage: You had a very good discussion at the Board Meeting today. There was a lot of interest and a lot of good response and positive, but it might be helpful to take a look at a WIP, work in progress dollar amount that you guys have given us today. Look at it on a quarterly basis, as to what's been paid out, what's pending.

Kaiser: Okay.

Savage: It's just a WIP statement.

Kaiser: I've never heard of that before.

Savage: WIP, Work In Progress.

Kaiser: Okay.

Savage: That's what my accounting [crosstalk] calls it.

Foerschler: Sharon Foerschler, for the record. Would you request that for all consultants or are you specifically looking for construction?

Savage: Construction Division Consultants. Design, Crew Augmentation.

Kaiser: I don't have it on here, but every six months, I go over all the consultant agreements that the Construction Division has entered into. This is a, I guess you would call it a Bi-CWG Meeting for that. We'll be going over that in June. What I'll do is, I'll get a list from Admin Services of every agreement that 040 has entered into and have it listed. I'll have our Construction Division go through that

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agreement and list who the subs are, all the items like we presented last September.

Savage: That's good.

Kaiser: What you're requesting here is something that's on top of that information?

Savage: Well, it's just like the closeout document. Forms that we have, you know. I think it's a good review at our level by saying, this is the work in progress. The design consultants, construction, crew augmentation. Because it is such a hot topic and we'll look at it every meeting to say, this is what we have.

Kaiser: Okay, okay.

Foerschler: Sharon Foerschler, for the record. That includes John Terry's group then, since you said, Design. That was your intent, correct?

Savage: Yeah. Project Management and Construction.

Kaiser: So you want Project Management and Construction, or do you want design also included in that. Because we presented before as Project Management and Construction and Design is Paul Frost's group.

Savage: No, what you proposed today at the—

Kaiser: Similar to today?

Savage: Similar to what you had today. I call that the work in progress.

Kaiser: Okay.

Terry: Yeah, the only detail—again, John Terry—is, I only presented the big ones. I left out the smaller agreements and kind of just fit it to the presentation. The list of all of them gets—

Savage: We don't need to list all—I mean, you guys can look at that and—we're just trying to look at some good oversight to make sure that we're doing our job.

Kaiser: Okay. That's easy to do. I can just get with Admin Services and they can—what they have to do is just run a spreadsheet of all 040 or Project Management is 015, and they've got them all.

Savage: They have them, yeah.

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Kaiser: So, we'll do it.

Savage: Okay. Let's move on to Agenda Item No. 11. Any public comment up here in Carson City? Las Vegas?

Martini: There's no public here but for the people in the room who may not have heard, the Assistant District Engineer for Construction a few years back, Gus Michaels, passed away today.

Savage: My condolences.

Kaiser: No one ever drank more coffee than Gus.

Savage: Condolences to the Department and his family. Okay, without any public comment.

Knecht: So moved.

Savage: Do we have to request a—help me out here Mr. Gallagher, it's been a long day. I asked for a motion to move—[crosstalk]

Gallagher: There's really no pressing items to report to the Committee.

Savage: Then we'll not close and we'll ask for a motion to adjourn.

Knecht: That one you got.

Savage: I'll second that. In favor, say aye. [ayes around] Thank you everyone.

[end of session 02:36:41]



Representative