

**Meeting of the “Blue Ribbon Task Force”
to Evaluate Nevada Department of Transportation Long Range Projects
October 27, 2005**

Chairman Peckman called the meeting to order and asked Director Fontaine to take attendance.

Director Fontaine called the roll and all Task Force members were present. He also introduced Nevada Department of Transportation staff.

1. Selection of At-Large Task Force Members – *Action Item*

Director Fontaine explained that the current Task Force is comprised of 14 members appointed by Governor Guinn and three at-large members. He had received recommendations and nominated for the at-large members to be added to the Task Force and recommended, Michael Geeser or AAA, Tom Skancke of The Skancke Company, Terry Murphy of Strategic Solutions and He also recommended that an ex-officio member sit in with this task force Speaker Emeritus Joe Dini as an Ex-Officio Member.

Member Porter made a motion for approval of these members to be added to the Task Force and **Member Madole** seconded this motion.

Member Cashman inquired as to the selection process.

Director Fontaine responded that there were about 15 people recommended. The Department based their recommendation on people that represented broad based constituencies, were knowledgeable about transportation issues and that we have worked with in the past. There are others that could sit in on this Task Force, but we were limited by the number allowed.

Member List asked who else was on the list of nominations.

Director Fontaine did not have a copy of the list available, but would provide Member List with a copy prior to the next meeting.

Member Ralenkotter had to leave the meeting due to prior commitments.

Chairman Peckman received 13 votes to the affirmative and no votes in opposition and declared the item passed.

2. Overview of the Task Force’s Role – *Informational Item Only*

Director Fontaine gave a brief presentation as an overview of the Task Force’s role recognizing that transportation is the key to economic prosperity and quality of life in our State. The Department is currently underway with its largest construction program ever, the Transportation Board of Directors created this Task Force to evaluate future transportation projects and funding shortfalls. Funding has not been identified beyond 2008 for transportation projects. Inflation and right-of-way costs will also significantly impact these projects. For instance, concrete, asphalt and steel, the three main ingredients of highway projects have increased 22%, 18% and 36% between the first quarter of 2004 and the first quarter of 2005 and it is difficult to calculate what these future costs might be.

It was the intent that the Task Force review the need for future Department projects, including impacts to congestion relief, state highway system serviceability and safety and the quality of life and economy of the State of Nevada. They should also review project costs and revenue projections and evaluate funding options. We anticipate that this Task Force will need to meet between four and six times and reporting the Transportation Board of Directors next June and officially sunsets at the end of 2006.

He then gave an overview of the Department's anticipated revenues and expenditures for the next 10 years. The revenues listed are 9.2 billion and the expenditures are at \$13 billion, we anticipate the total unfunded needs at \$3.8 billion.

Member Ellison asked if we have a chance to increase that budget about federal funding based on population.

Director Fontaine explained that the Federal funding outlook is not optimistic. SAFETEA-LU was just passed after the previous bill being expired for almost two years. Nevada received about a 30% increase, which is the average across the nation. It is clearly understood that at some point the highway trust fund revenues are not going to keep up with the needs. He does not anticipate seeing a substantial increase and does not think that we should count for help in that respect

Member Russell asked if transit options had been considered?

Director Fontaine responded that the Department is primarily a highway agency and transit options will not be specifically discussed. He does not know of any highway agency that can build themselves out of congestion. Transit and other options have to be considered as a part of the solution, but they are primarily the area of the RTC's, who are doing a great job.

3. Overview of the Nevada Department of Transportation's Mission – *Informational Item Only*

Director Fontaine explained the mission of the Nevada Department of Transportation is to efficiently plan, design, construct and maintain a safe and effective seamless transportation systems for Nevada's economic, environmental and social needs. The four goals of the Department are to improve safety in public transportation, develop and deliver beneficial projects in a timely manner, effectively communicate to improve customer satisfaction and make the most of the Departments assets. The Department has over 300 engineers and about half of the projects are designed in-house and the other half by consultants. All of the highway construction is done by contractors who are awarded the contract based on a low bids. We have a very small role in transit and that is basically rural transit and planning. We also work very closely with the Metropolitan Planning Organizations (MPO's), who plan and administer there own programs and it is then incorporated into the Statewide Transportation Improvement Program, which is basically a listing of all of the projects.

It is the policy of the State Transportation Board to transfer parallel state highways to cities and counties when we constructs new highways. It is also the policy to relinquish state highways when they serve as city streets and are substantially improved. The Department believes that the State highway system should consist of high volume, high speed, controlled access highways such as the interstates, national highways and some rural highways that are important as far as connectivity. We have also identified over 600 miles of roadway that we believe should be transferred to local entities.

Another aspect of Nevada is that it serves as a bridge between the other states. He showed a map that showed truck travel in the United States and I-80 and I-15 are some of the heaviest truck routes in the nation, including the portions that go right through Reno and Las Vegas.

Vice Chairman Goodman asked what kind of cost savings would it be if NDOT no longer had the 600 miles of roadway that they believe should be turned over to the local entities.

Director Fontaine responded that we have not done that analysis at this time and then explained the proposed process of turning over the roadways with a lump-sum payment to be used how they please.

Member Russell asked if there had been a cooperative effort to contribute funds to California for the I-15 corridor. He wanted to know if any of the funds that they are looking at are going to be going towards these types of corridors.

Director Fontaine responded that Congress had allocated funds through Nevada for the I-15 Corridor. NDOT entered into an agreement to participate in the improvements and the work has been completed. There is nothing in this budget for a transfer of funds to Caltrans, but we have had a very good working relationship with Caltrans and are working closely with them to resolve shared issues.

4. Presentation on Nevada Department of Transportation Revenues and Expenditures – *Informational Item Only*

Robert Chisel, Assistant Director of Administration, provided a brief presentation on the Department's revenues and expenditures. One thing that he wanted to point out is that the Nevada Constitution protects the highway fund from any uses except for construction and maintenance of public highways. He covered the different sources that go into the highway fund and a breakout of some of the expenditures. He discussed the federal highway trust fund and gas tax. Nevada Highway Patrol and the Department of Motor Vehicles both receive funds from the highway fund. There are also monies that go to bonds and interests. The majority of the funding used by the Department goes to engineering and construction. He also explained our cash flow analysis.

Vice Chairman Goodman asked what a one cent gas tax would generate per year?

Robert Chisel responded that would be \$11 million per year.

Member Vilardo asked about gas tax and special registration, she would like to see a presentation on the number of cars registered and vehicle miles traveled.

Member Capurro asked for a break down of miles traveled by car and truck at a future meeting.

Chairman Peckman asked what Nevada's gas tax was as compared to other states.

Member Capurro responded that Nevada is 19th for gasoline and tied for 13 for diesel.

Member Goodman asked about fuel indexing allowed by the Legislature.

Member List responded that all of the Counties except for Clark County are allowed to index their fuel, but that did not include the State.

5. Presentation on Future Nevada Department of Transportation Highway Projects – *Informational Item Only*

Susan Martinovich, Deputy Director, gave a brief presentation on planned future Nevada Department of Transportation highway projects. Our goal is to be prepared with a program that will address congestion, that will address safety, economics and quality of life. There are real needs across the State to address the growth, so she wanted to highlight the super and mega projects. She provided a listing of these projects, where they are in the process and what the benefits will be. They are currently under development, either in the NEPA process or early design. Our commitment is that if funding is available, these projects can be completed before 2015. Some are partially funding now through federal appropriations, but none are totally funded. In developing these projects, we always recognize our goal to be prudent with the taxpayers dollars. We look at ways to minimize costs, to expedite it, to ease construction, so these projects are done efficiently and effectively.

Member Woodbury expressed concern about potential projection of costs for the future in regards to a border initiative regarding eminent domain. There seems to be justifiable concern in using that power to take property from one property owner and conveying it another for reasons that seem unjust. I know that it is being evaluated by several different public works. As far as many public works agencies, eminent domain has to be used for reasons that are clearly for public benefit. The future costs of right-of-way will be drastically increased if this is passed and would like a presentation on NDOT's analysis and potential effects at a future meeting.

Member Mayer expressed similar concerns and thinks that it would be beneficial presentation to see what affect this bill would have on road building at a future meeting.

Member Madole asked about NDOT's right-of-way process, need and effects of proposed legislation and how it relates to the revenue stream at this time.

Member Porter stated that her organization also has great concerns and are analyzing this eminent domain issue as it will have tremendous impacts on all types of infrastructure.

6. Presentation by the Nevada Department of Transportation on Financing Highway Projects – *Informational Item Only*

Russ Law, of Operations Analysis, stated that he was going to brief the Task Force on highway finance. He explained that highways, transit, pedestrian and bicycle, railroads and airports are all typically financed through the highway fund. The most common methods of highway financing these expenses are direct user taxes, indirect taxes and debt. Usually at the state level, direct user taxes are used which means if you use the system you are going to pay for it. He talked about vehicle registration fees, vehicle sales tax, vehicle property tax, fuel and oil excise taxes, fuel and oil sales tax, distance tax, weight distance tax, rental car tax, tire taxes tolls. He explained that fixed fees don't change regardless of use and variable fees which are based on usage. Some examples of indirect taxes that are uses nationwide are sales tax, property tax, income tax, business tax, impact and development fees, resource severance taxes, vehicle insurance surcharges, lodging tax and right-of-way permits. Nevada uses many of these and has one of the most diverse highway tax systems in the nation. The primary taxes that Nevada uses to finance the highway system at the federal level are fuel and diesel tax, truck and trailer sales tax, heavy vehicle use tax and tire tax. On the state level, there is fuel excise tax, registration fees, drivers license fees and oversize and overweight fees. On the local level, there is fuel excise tax, impact and development fees, vehicle property tax, room tax, jet fuel tax and sales tax. On the federal level, they are encouraging people to come up with new ways to finance highways. They realize that there is little chance that the public sector will be able to take care of all of the needs, so they have alternative methods in place like tolling, government loans and guarantees and public/private partnerships.

He stated that the definition of a good tax is if it is paid by somebody else and it provides enormous utility for the person who did not have to pay it. The criteria for evaluating a tax are adequacy, administrative efficiency, equity, economic efficiency, evasion and avoidance and feasibility.

Member Ellison asked about where the liquidated damages for schedule delays on construction work goes?

Director Fontaine explained that the liquidated damages to cover NDOT's costs for overseeing the project if the contractor is late. Any liquidated damages goes back into the construction budget. Occasionally, the Department includes in a project incentives and disincentives and the money goes directly back into the capital program.

Vice Chairman Goodman asked if a statewide rental car tax were imposed, would only be able to be used in the area of impact.

Russ Law responded that Nevada has a rental car tax, but it's disposition is not part of the highway fund, but rather the state general fund and it generates about \$13 million per year.

Member Vilardo asked for some clarification on some of the tax information that Russ Law had provided and then asked where the telecommunication fees are applied and what percentage they might be.

Director Fontaine responded that the telecom fee, like any other fee that we that we charge for encroachments on highway right-of-way, are set on our administrative costs only as set for in Nevada Revised Statutes.

Member Madole asked if there is a state tire tax?

Member Vilardo responded that there is a \$1 dollar tire tax on new tires and it is a disposal fee that is earmarked and sent to various counties to help with their landfills and environmentally related issues.

State Treasurer Brian Krollicki greeted the Task Force and thanked them for the opportunity to appear before them. The revenues that come through the Treasurer's Office from the highway fund are a significant part of the cash flow for the State. Part of their duties is to access the capital market for the bonding process and everybody is pleased with the low interest rate on the bonds that were sold last week. There is a financing technique called GARVEE bonds, which is a grant anticipation revenue vehicle, that has been considered for some time, but not utilized because at the time cash was not the problem, but rather how to move more dirt. We now have financial challenge in funding highway needs and it seemed a perfect time to use this funding mechanism. It may be a complement to whatever solutions the Task Force develop. He believes that Nevada almost over enhances its highway bonds. There are ways to do it differently and still maintain a very high credit security. We can split some of these pledged revenues to essentially have more debt capacity and do some more things.

He submitted to the Task Force that without raising a penny of the tax payer fees, that Nevada can access \$600 million to \$1 billion in additional highway funding monies to address this shortfall. It in no way takes care of all of the issues facing the Task Force, but may be a valuable part of the solution. There are about 19 states that have taken part in the GARVEE process. He also provided an overview of the bonding structure and wanted the Task Force to know that these bonds would not pledged against the general obligation of the State. He hopes that the Task Force would be explore this option further as a partial solution.

Chairman Peckman asked if we have used the revenue stream for bonding or not?

Treasurer Krolicki responded that it has been used, but it has been pledged along with the revenues that are generated in the State now. So we focus all of these different types of revenues onto the existing bonds.

Member Cashman thought they sounded like a really great idea and wanted to know why they hadn't been used in the past?

Treasurer Krolicki responded that it is not a funding technique that has been around forever and Nevada is not deemed it appropriate because the ability to use more money to build roads was not the issue and now it is. It seems timely and appropriate at this time.

7. Discussion and Possible Action Regarding Future Meeting Dates and Locations, and Agenda Items – *Action Item*

Chairman Peckman would like to have another meeting in the next 30 - 40 days and alternate the locations between Las Vegas, Reno and one of the rural areas. He also asked if video conferencing could be available for future meetings and plan on about a three hour time frame.

Member Vilardo requested that meeting material be distributed prior to the meeting and that video conferencing be available for future meetings.

Member Capurro believes that it is very important that the Department of Motor Vehicles be involved in all of these meeting. They are the agency that collects all of the money that is currently being collected. Their input is going to be critical in the process.

Member Porter suggested that the next meeting be prior to the holidays.

Vice Chairman Goodman asked if there was an interim tax committee meetings and if the Task Force needs to be aware of what they are working on.

Member Vilardo stated that she monitors these agendas and if she sees something come up that is relevant, she can notify the Department of Transportation.

Member Russell suggested that Task Force Meeting dates and times be decided ahead of time and then all of the members can make arrangements to attend, if possible.

8. Public Comment

Chairman Peckman asked if there was any public comment.

Knight Allen, a private citizen, wanted to address the financing aspect of the projects that are being discussed. He urged the Task Force to not index the gasoline tax. He realizes that indexing a tax is very tempting and allow inflation to increase the revenue flows, but allowing taxes to rise at the rate of inflation is a bad idea. It is bad public policy. He urged the Task Force to do what they must do and come forward with the best solutions that they can to a serious problem, but please do not index.

Member Capurro agreed with many of Mr. Allen's comments that indexing is a potential problem. The Legislature does not seem to be prepared to deal with highway issues until they become a crisis and thinks that we are close to that point now. Indexing for some people represents a way to keep, so to speak. He is not saying that it is good method, or the best

method available, but he is saying that we can not wait 16 years and expect to solve the problem with one shot answers.

Mr. Allen asked if he could respond?

Vice Chairman Goodman stated that it is his understanding that during the comment is purely that, it is not to discuss or to have dialogue back and forth because it may have had to have been agendaized for discussion by the Task Force. That is the way it is done at the County Commission meetings.

The Attorney General's Office agreed with this.

Mr. Allen disagreed as this is a State Board and not a County Commission. He apologized to Member Capurro because there are responses to his statements.

Chairman Peckman thanked Mr. Allen for his comments and asked if there were further public comment. Not hearing any, he adjourned the meeting.