

**Meeting of the “Blue Ribbon Task Force”
to Evaluate Nevada Department of Transportation Long Range Projects
January 26, 2006**

Chairman Peckman called the meeting to order and asked Director Fontaine to take attendance. then took attendance. Vice Chairman Goodman, Member Woodbury, Member Mayer, Member Ellison, Member Vilardo, Member Russell, Member Madole, Member Cashman, Member Murphy, Member Capurro, Member Geeser, Member Landreth and Member Skancke were present in Carson City. Member Ralenkotter was participating by video conference from Las Vegas. Member Porter, Member List and Member Dini were absent from the meeting.

1. Approval of December 2, 2005 Task Force Meeting Minutes – *Action Item*

Director Fontaine stated that the minutes from the December 2, 2005 meeting were in order and that technical difficulties are still being worked out from the October 27, 2005 meeting. We expect to have those minutes available at the next meeting.

Member Ellison moved for approval and **Member Vilardo** seconded the motion.

Chairman Peckman received 15 votes to the affirmative and no votes to the negative and declared the item passed.

2. Nevada Department of Transportation Responses to Questions Arising from the December 2, 2005 Task Force Meeting and Discussion of those Responses– *Informational Item Only*

Director Fontaine stated that in follow up to the previous meeting, he will cover Items 2A and 2C and Russ Law, Chief of Operations Analysis, will discuss Item 2B.

A. Impacts of the Tax and Spending Control (TASC) Initiative Petition on the Nevada Department of Transportation

Director Fontaine explained that with respect to TASC, staff analysis shows that basically what it would do is limit revenues that the State could retain, not including federal revenue sources, of course. A significant portion of the Department of Transportation's revenue sources are federal sources. They would be basically limited and since 1992, since the last time there was a gas tax increase, inflation has basically grown by 42 percent. So under TASC, there doesn't seem to be any accounting for inflation, at least on that particular revenue source. In addition to general inflation, of course, the right-of-way costs and other costs in the highway construction industry have exceeded the CPI by quite a bit.

The other thing about TASC is, it appears not to recognize that there are more efficient vehicles in the nation's fleet and thus decreasing the revenue. The gasoline tax is the largest revenue in the fund and as I mentioned in the interim, Nevada's per capita fuel use dropped 20 percent from 626 gallons per capita in 1974 to about 455 gallons per capita in 2004.

At the same time we have an increase in growth on Nevada's highways in terms of the vehicle miles travelled. Yet TASC limits expenditures based on population growth.

Our program at NDOT isn't based on demand from the population. It's based on demand for travel, on the system. Between 1989 and 2003, while the population grew by 92 percent from 1.2 million to 2.3 million people, during that same time period vehicle miles travelled increased to 19.6 million.

The other part of TASC is funding and how that would effect the Department of Transportation. NDOT is on the way with the billion dollar bonding program.

Under task it would require voter approval for bond issued after 2009. Currently highway bonds are authorized by the State Department of transportation board, the legislature and the state board of finance. It's not clear if TASC would or would not impact future bonding rates. The proponent of the TASC, senator beers, has indicated that state highway fund is not included as part of the TASC initiative. Now, I've read TASC. I could not find a specific exemption for the state highway fund. That's an area that we still need to get clarified with Senator Beers.

Member Vilardo stated that she understood excluded from total state revenue and within the calculations is permanent funds or monies from sources designated for the public highways trust fund. This was found under definitions. The way she reads this is when you go through the other calculations, anything that is in the federal highway trust fund is not subject to expenditure limitations.

Director Fontaine agreed that was staff's understanding.

Member Vilardo wants to know if NDOT is exempt, which is something that Senator Beers should be asked to clarify, is there an issue of going to a vote. Because as you said, if the committee comes up with something, the fact that, what the committee might come up with is an increase in revenue of something, is the fact that the funds would go to the highway trust fund a general exclusion? By definition? Because this excludes those provisions. Or in fact does 2 stand on its own and those increases would have to go to the voters? While I think right now that you're exempt from calculations, I'm not that sure you're that exempt from voting.

Director Fontaine responded that staff will look into this.

Member Capurro expressed similar concerns.

Vice Chairman Goodman asked if there was a statutory limit on far you can bond.

Director Fontaine responded that it is 20 years.

Member Skancke asked if there any statistic that shows why fuel consumption is down 26%? Is it prices? Hybrid vehicles? Is that part of number two? Any tracking on that?

Director Fontaine responded that it is just the improvement in fleet and gas mileage. Hybrids are probably not a significant portion of that.

B. Effect of Hybrid Vehicles on the Highway Funding

Russ Law, Operations Analysis, stated that one of the trends besides fuel economy increases that you see is more an urban area increases, the lower the per capita consumption of fuel is. Part of that is transit.

At this time, gas, electric hybrid vehicles are only .06 percent of the makes here. Although they are growing quickly, we don't expect them to grow significantly. They use about 26 percent less fuel than standard vehicles and produce a 1.1 percent loss in fuel tax revenue in 2012. When I projected this out based on growth rates going back about 12 years on these vehicles, even with the relatively high growth rate, we're seeing now, projecting that forward, there would be no more than a five percent threat to the total fuel tax revenue by 2025.

C. Effects of Indian Gaming on Highway Traffic Counts

Director Fontaine explained that staff approached this question by simply looking at the ten-year histories of traffic counts on I-80 and I-15 at the California State line. For the historical period of 1995 to 2004, I-15 would indicate that we have had an increase in traffic in every one of those years. Not necessarily significance increases, but increases nonetheless. For I-80 at the California state line, we show a trend where we have had increases in 2004, 2002, 2000, 1999, and then 1995 through 1997. So it's kind of sporadic at least on I-80. It's certainly not possible for us, at least based on these, to make any definitive statements, but I guess what we can say is that we are not necessarily seeing any significant decreases in traffic counts. At least on Interstate 15 we are continuing to see increases.

Member Vilardo asked about legislation regarding the rate of gas tax depending on the proximity of a gas station by and Indian tribe, she was thinking specifically of a situation in the Searchlight area.

Director Fontaine explained that in the area that she mentioned that the traffic counts show a significant increase, 113% in 2004 through 2003. And actually every year except for the year 2000 there's been an increase in traffic there. However, we can't necessarily say it's as a result of Indian gaming.

Member Madole suggested that we ask the suppliers how many gallons of gas they're buying and we can figure that out, right? Somebody must buy a lot of gas from those people. You say how many millions of gas are going there? This Court decision, I was also familiar with it, in another state role, but that gas tax has to be paid. Eventually there will be one on every corner. Now they're building a Walmart on Indian land. All they have to do is buy a piece of land and put a station on it. We lose that revenue. I guess I would just like to see what is already the impact and I think we can pretty well guess it's not going to go down. It will only get worse.

Vice Chairman Goodman doesn't see Indian gaming as having a large impact. Member List arrived at the meeting.

Member Capurro believes that the traffic counts north of Laughlin may be somewhat skewed due to the fact that commercial traffic is no longer allowed over the Dam.

Russ Law commented that we have no control over what adjacent states do in the way of tribal taxation of fuel. That's up to them to decide. I can assure you within Nevada, we have negotiated with every tribal government and successfully negotiated with every tribal government fuel tax collection agreements with those tribal governments that we had an interest in negotiating. The State's interests have been protected that way. He thinks that we are probably in a better situation than any other state in the nation. We successfully negotiated those contracts and furthermore, it appears that our contracts will help hold up in the face of Supreme Court rulings and also regional court rulings, federal court rulings.

3. Presentation on the Impacts of Highways on Commerce and Economic Development – *Informational Item Only*

Director Fontaine asked if this could be delayed until the people representing the Reno-Sparks convention authority could arrive.

4. Presentation on the Nevada Department of Transportation's Administrative and Operating Budget – *Informational Item Only*

Director Fontaine stated that this item was touched upon at the first meeting, but he wanted to provide a little more detail regarding NDOT's budget, specifically the portions of the budget that are not for construction, non-capital program. The reason we wanted to do this is to have you take a look at other activities in the department including our maintenance program, our salary expenses, our operating expenses and equipment senses which are the next largest budget items

Robert Chisel, Assistant Director of Administration explained that the chart basically shows where the source of revenues are coming and expenditures by category. The largest of these categories is the expenditures for building roads and the next being personnel services, operating and equipment. We are running right about five to seven percent for most of the administrative costs for the Department.

Director Fontaine pointed out that as far as growth in department personnel. Going back ten years to 1996, the department's full time personnel has grew from 1562 FTEs to 1746 for a total percent increase in department personnel of 11.78 percent. As far as the engineering aspect is concerned, we are now probably at about 50 percent of our projects by dollar amount are done in-house and the other half is done by engineering consultants. As the program is getting larger and larger, we are utilizing more private consulting engineering firms to help us with the construction engineering. Again looking back at the major revenue sources for NDOT, they include state gasoline tax, other registration fees, then the federal component. So Nevada is scheduled to receive on the order of \$230 to \$240 million a year over the next four or five years in federal aid from the highway trust fund.

Member Murphy stated that statewide, our unemployment rate is extremely low. She realizes some of the other public works organizations throughout the State are having a difficult time recruiting and retaining qualified professional engineers. How is NDOT able to compete with the private civil engineering firms and is there a strategy in place to address this.

Director Fontaine stated that the Department is probably one of the largest employers

of engineers in the State of Nevada. For many years we have had great difficulty in recruiting and training professional engineers. About six years ago we were successful in getting a special salary adjustment for journey level engineers. The Department is not competing with just the private sector, we are competing with other local governments. He doesn't know what the current disparity is, but it is at least 15% to 20%.

5. Presentation on the Nevada Department of Transportation's Pavement and Bridge Preservation Program – *Informational Item Only*

Director Fontaine stated that at the last meeting, the Task Force concurred with our recommendation to hire Tom Warne and associates to review the project costs and needs as well as look at the Department's payment and rich preservation program and provide an overview of public-private partnerships. Mr. Dwight Bower is here from Lochner engineers today. Lochner is assisting Tom Warne in this effort.

Dwight Bower, of H.W. Lochner, stated that he had teamed with Tom Warne and Associates to look at four different factors. He is going to cover two of those today. of those with you today. The Department of Transportation program policy contains six policies with one of them being that it can maintain the existing system without increasing the maintenance budget. That's quite a challenge in face of all the needs that you have in the State. Obviously growth that is occurring here.

It appears that Nevada has invested a considerable amount of money over the past eight to ten years in improving your surface condition of your pavements throughout the State. I mentioned earlier about the backlog on maintenance and the type of investment it takes to stay in that area. Pavement is one thing that you can't really ignore for very long or your backlog will grow to the point where it can take a tremendous amount of resources in order to recover. Nevada spends \$10 - \$15 million a year on maintenance. Nevada also has one of the most proactive pavement management programs in the country. The strategy that Nevada is using is essentially keep them maintained and occasionally do resurfacing projects.

He ended with five pavement program conclusions:

1. Nevada has a very good pavement conditions on the interstates and principal arterials throughout the State.
2. The remaining balance of the roads statewide has average pavement condition.
3. The proactive approach used in pavement management is innovative and results in higher quality service to the public. The resulting higher quality of service to the public, when funded, will result in a measurable savings over future years.
4. The increase in the cost of products used in highway pavements has not been included in the funding levels needed to meet the stated policy.
5. The Nevada Department of Transportation's commitment to its pavement preservation program has resulted in high quality surfaces on the majority of its roadway system and will net near and long-term savings to the state if its application is continued.

As far as Nevada's Bridge Program, only 29 bridges out of 1,559 are considered poor and that is perhaps as good a record as you're going to find in this country. Nevada's structures are also fairly young. He believes that the current investment is adequate, but advised the Department to be aware of the age of structures and that implementing a national bridge management system called PONTIS would be beneficial.

Chairman Peckman thanked him for the presentation and said that it was very informative and asked for questions from Task Force members.

Member Skancke asked what would be better for Nevada, to use pavement or asphalt. What is the cost for each per mile and how is it determined which to use?

Ruedy Edgington, Assistant Director of Engineering explained that Nevada uses a life cycle cost analysis as a factor in making the decision. We compare the long-term costs over say 30 years with concrete versus what we call an overlay or plant base with asphalt, as well as the initial expense.

Chairman Peckman stated that we would now go back to Agenda Item No. 3.

3. Presentation on the Impacts of Highways on Commerce and Economic Development – *Informational Item Only*

Director Fontaine stated that one the objectives of the Task Force is to review the need for future projects, including impacts to congestion, relief in highway system safety and so forth and also the impacts on quality of life and economy of our state. This afternoon we are pleased to have representatives from Economic Development and Reno-Sparks Chamber of Commerce. First Chuck Alvey, who is the president CEO of the Economic Development Authority of Western Nevada, had planned to be here. He at the last minute couldn't make it. But he did prepare a statement which we handed out that can be read at your leisure. We do have with us this afternoon Tim Rubald, the Executive Director and Michael Pennington, Public Policy Director for the Reno-Sparks Chamber of Commerce.

Michael Pennington stated that he would be reading from a prepared statement to briefly discuss the future of transportation infrastructure in Nevada and impacts on business and economic development. As most of you know infrastructure is not the most glamorous issues to discuss, but is necessary for strong quality of life for our communities. His organization works closely with stakeholders to address issues and alternatives to traditional roadway infrastructure, bus routes, transit, transportation oriented corridors for growth and planning.

Removing roadblocks from the transportation corridors is important to doing business. More and more roadways serve as infrastructure and cost of doing business. Roads are congested more than eight hours a day in America's largest cities and drives loss nearly 80 hours per year during peak periods waiting in traffic. That's an average of \$520 per person and translates into over \$150 billion nationally a year in lost business.

He would like to be able to provide a solid solution to the problems that the Task Force is facing, but he does know that investment in the State's transportation system is a critical component in economic development.

Tim Rubald, of the Nevada Commission on Economic Development, stated that the Task Force has a direct line to anything that they may be able to provide for assistance. He just wanted to highlight some of the things that we find important to economic development throughout the State. He agrees with everything that Michael Pennington just said. He wants to make the Task Force aware of the foremost issue that the commission deals with is the attraction and retention of businesses in the State, is

access. Companies considering Nevada are looking for access to the roads and to the highways, direct access for the trucks. He asked that be kept in mind throughout the deliberations and considerations. It is something that is considered strongly by companies that are needing to expand. Another big issue is travel time, commute times, and gridlock itself. This is also something that companies consider in relocating.

The fact that the Task Force have been charged with this, puts his mind at ease. It gives him the realization attention is being paid to planning for the future. It is something that is critical to the future and wellbeing of the State of Nevada, its quality of life, and its economy.

Member Capurro stated that there is no question that the importance of rail and truck transportation becomes even important as we get into the area of our lives of what people believe that they need. But the simple fact of the matter is just the time in delivery of goods will ensure that truck traffic is going to be vastly increased over the next ten years. Part of that problem is the inability to add drivers and mechanics, all the way up and down the line. He is sure the rails have the same problems. It is critical that we address some of the issues we are looking at today.

Vice Chairman Goodman stated that the Port of Oakland is going to buy the Port of Sacramento. Now you bring the ships up and unload in Sacramento to bring them further east or further north, go up I5 or I-80. That's a significant factor that will impact the roads in Nevada that we have no control over because it's in California. That's happening as we speak today. That's a major impact on western Nevada especially. I think we need to look at the growth areas of Clark County and western Nevada, those really impacted areas of what is going on. The rest of the State, too. This Task Force has to look at and probably make recommendations on this, not only in funding, but also at lane miles.

Member Skancke stated that as a national perspective on economic development, we are looking at on a national basis that relates to transportation infrastructure. What they are calling it is the post gas tax era which deals with the number of baby boomers that are going to be retiring in 2010. There a number of things going, generation X is buying more on the Internet, creating more commerce and economic development for distribution.

The other piece to that is the baby boomers are retiring. The first wave of baby boomers are retiring in 2010, which will put, statistics show, more recreational use on our highway infrastructure. Additionally you will have fewer people in that retirement category paying less dollars into the gas tax, the highway trust funds. There's no balance for that. There's no way of finding out at this juncture who is going to be doing what. Add into that the new Sacramento port and the Oakland port as well as the L.A. corridor east project which will put more trains out of the port of Long Beach an create a larger truck distribution center in southern California, which puts more demands on our infrastructure. Nevada is well positioned to be permanently bankrupt on our transportation fund.

Chairman Peckman wanted to recognize the most honorable and most esteemed, Senator Dennis Nolan.

Senator Nolan stated that he is the Chairman of the Senate Transportation and Homeland Security Committee and thanked the Task Force for the opportunity to speak.

He believes that in the formation of this committee, the Governor was very prolific and had a lot of foresight in choosing the members that he did to deal with this particular issue. The only thing he suggested was more interaction with the Legislature and the Task Force. Undoubtedly there's going to be some type of legislative recommendation, whether they are passed on to the Governor and put into a budget or into bill draft from him, they end up in that legislative process. The legislature has a way of handling it the way they want to handle it. Some of the most thoughtful recommendations, unless there is some type of legislative buy-in on the front end, tends to go by the wayside. Sometimes because in that 120-day process, we don't take the time or have the time to do what you are doing right now.

So he has taken it upon himself and asked the legislative staff to attend these meetings and participate. We are available for you, as we were talking did today. I asked the Legislative Counsel Bureau to go through an look at revenue sources, do a comparison table on what different states are doing. That might be something that Jeff already has. To whatever extent they can be a resource, he would like to offer assistance. To whatever extent this committee will make recommendations for the legislature, he would like to buy in those members of the legislative transportation committees, Senate committee and Assembly as well so they can make the Task Force recommendations productive and successful this next legislative session.

Director Fontaine stated that Dwight Bower would present Agenda Item No. 6.

6. Overview of Public Private Partnerships for Implementing Transportation Projects - *Informational Item Only*

Dwight Bower stated that at the next meeting, they planned on going into depth regarding public-private partnerships (ppl's), but today he just wanted to give the Task Force the general concept. With public agency in delivering an infrastructure project, the relationship should be developed in writing through a legal instrument. The relationship may involve any combination. He went to some of the motivations for the private sector, like higher profits, lower costs, good will and competitiveness. He believes the last two are interesting because they want to influence infrastructure project features. There are private companies out there that want to have a signature in some way in our public infrastructure. And they can do that through partnership. They want to influence the infrastructure project schedules.

Some examples of ppl's are toll roads. In the east, the private sector is purchasing toll roads that have been publicly owned. Traffic interchanges are a more common area. Access is also a major motivator for the public sector. Some other examples are parking facilities, transit oriented commercial development and rest areas.

A financial plan is critical in venturing into ppl's and an entrepreneurial attitude in the public agency. There have been instances where they have gone terribly wrong. Not because of bad faith, but because there were unrealistic expectations. Those need to be outlined those very clearly.

There's a lot of things around the world that are working in public private partnerships. We would like at the next meeting to come back and talk about more in depth, hopefully get into kind of how that might fit into the culture of Nevada. He thinks that we need to be open minded as we look at these and say there are things that might work here. He was involved in a similar study in Idaho recently.

Chairman Peckman suggested that we table the next two agenda items, so there would be some time for discussion.

Member Capurro stated that some of these items were going to take some time to go into depth on them. He would be willing to hold his comments until the next meeting and perhaps discuss some of the pros and cons.

Vice Chairman Goodman agreed with this recommendation.

Member Vilardo asked that the agenda be limited at the next meeting in order to have sufficient time for discussion. She would like to hear the next two items that are on the current agenda at the next meeting, as well as an item regarding the increase in legal expenses.

Member Capurro understands that NDOT owns a substantial amount of water rights and has not seen any discussion on that. Water rights can be a substantial asset. He would like that discussed at some point.

Member Mayer asked if it would be possible to get a copy of Idaho's Blue Ribbon report.

Chairman Peckman thought that it was a good idea to broaden the discussion portions of the meetings and he heard some good ideas for agenda items.

Ruedy Edgington suggested that the Task Force get a presentation regarding the selection process on why concrete is used and why it isn't, concrete versus and plant mix.

Member Woodbury stated that anything that is recommended will have to be presented to the Legislature and with regard to the public private partnerships and toll roads, he would like to get a briefing on what the status of the law in Nevada is now and those types of partnerships.

Chairman Peckman stated from what he is hearing from the members is that they want to get down to the nut and bolts of this thing. He thinks that it is important and is going to take more than one meeting.

Member Capurro thinks that the Task force needs to be prepared to talk about raising every fee that goes into the highway fund 90 percent because that is what we are facing. I'm not sure that that's an amount we will be able to take. Even if the whole amount is bonded according to the tables, it would be at least 70 percent increase just to cover those bonds for that thing so it's a major problem we have to fix.

Member Skancke would like to see a presentation on design build legislation at a future meeting, as well as pre-purchase of right-of-way.

Chairman Peckman said that it's going to be a lively discussion next time. Whether you're a lobbyist, or for whatever reason you're here, come prepared to discuss these issues, what you are willing to do, and what your agency would like to do. We should foster an open debate.

Member Russell asked if he could be provided the formula that calculates the cost of transit or rush hour delay?

9. Public Comment

Chairman Peckman asked for public comment and there was none. There were no further comments from Task Force members and declared the meeting adjourned.