

**Meeting of the “Blue Ribbon Task Force”
to Evaluate Nevada Department of Transportation Long Range Projects
March 23, 2006**

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

1. Approval of January, 26, 2006 and February 23, 2006, Task Force Meeting Minutes– Action Item

Member Vilardo stated that in reference to her comment regarding gas stations in the January meeting minutes should be changed to Laughlin, rather than Searchlight.

Director Fontaine stated that correction would be made to the minutes of the January 26, 2006 meeting minutes.

Member Vilardo moved for approval of the minutes, with the correction.

Member Cappuro seconded the motion.

Chairman Peckman received 16 votes to the affirmative and declared the item passed.

2. Nevada Department of Transportation Responses to Questions Arising From the February 23, 2006 Task Force Meeting and Discussion of those Responses– Informational Item Only

A. Salary Differential Between Nevada Department of Transportation and Other Nevada Employers by Classification and Region

Director Fontaine explained that there were a number of questions raised at the last meeting and he will try to go through these quickly. As far as salary disparities in various geographic regions throughout Nevada between NDOT employees and other employees in the state. Staff reviewed a 2005 study done by the Department of Employment Training and Rehabilitation (DETR) and compared 10 NDOT classes. He then gave a brief breakdown of the results as far as wages, percentiles and geographic location that was included in the information provided to the Task Force members. This study compared salaries only, no benefits and included the private sector.

B. Interstate 15 Traffic Projections

Director Fontaine wanted to address some questions from the last meeting regarding traffic projections for Interstate 15 based upon plans for new properties, and whether or not those were new properties and the airport were factored in. Technical memorandums were prepared by staff that are included in the information provided to the Task Force Members. The memorandums addressed the I-15 project north of the beltway and the I-15 project south of the beltway, using the Regional Transportation Commission's planning variables. The airport was also considered in those traffic

projections and by 2030, the airport is expected to generate 75,000 vehicles per day to Las Vegas.

C. Costs Savings Associated with Transferring Ownership of Certain State Highways

Director Fontaine wanted to address questions regarding the cost to maintain certain state highways and what cost savings the state might realize if certain state highways were transferred back to local entities. The Department is currently responsible for maintenance of approximately 13,000 lane miles. Staff has estimated that the cost to maintain roads that are currently on the NDOT system and not part of the national highway system to be about \$80 million a year. In 1999, ACR-3 required the Department of Transportation to evaluate all of its road miles and determine which ones could be transferred to the counties or cities based only on whether or not they should be on the state highway system. At that time, the Department identified about 600 road miles to be transferred. Since that time, we've identified another 243 road miles to be transferred, and the cost for resurfacing, reconstructing or other preservation, for that 840 miles is between \$2.5 and \$5 million a year, routine maintenance about \$4.8 million for an annual cost of about \$7.3 to \$9.8 million. However, it cost three times more to maintain the interstate and national highway system routes than it does these other routes. Staff has determined that for a typical two-lane rural state route, it costs about \$24,000 a mile to maintain and preserve, and for a six-lane urban arterial, it costs about \$140,000 per mile. Not having to issue encroachment permits on these roadways, could potentially save close to a \$1 million per year.

However, it takes a willing partner to transfer a road to. The Governor and Transportation Board have been very interested in us being more aggressive about transferring those roads. We have not yet gotten to the point where we have just relinquished roads or abandoned roads. We are trying to work cooperatively with counties and cities to do that. Most recently we sent letters to a number of counties and cities offering them lump sum payments to take over some of these roads, based upon costs that we would have to incur to do some contract work.

D. Phasing Future Nevada Department of Transportation "Super/Mega Projects"

Director Fontaine emphasized the need to get through the environmental process as soon as possible on these projects and consider various phasing elements of these projects to determine whether or not it's actually possible to build these projects simultaneously and what is acceptable from an impact standpoint.

Staff looked at all ten of the super and mega projects and when we expect to have the environmental clearances, so right-of-way acquisition can begin. We then overlaid some sequencing of these projects over the next nine years and tried to put together some costs for each of those phases over that nine year period. He displayed a chart that shows how we would do these projects if all of the necessary funding was made available. Basically what he wanted to show is that if the funding were available, we believe that we could build all of these projects in various phases during time frame that we said we could.

Vice Chairman Goodman asked if all of these projects were done in that time frame, what kind of impact would that have in terms of congestion and roads under construction? Would that create a chaotic problem?

Director Fontaine responded that issue was given careful consideration. We would phase construction on the I-15 projects to least impact the motoring public. Most of the other projects are stand alone projects.

Member Vilaro asked in regards to the eminent domain initiative where the EIS fit into the timeline with right-of-way acquisition. If it takes five years for acquisition, does that extend the length of time before you could actually commit to design or starting to purchase some aggregate or soils testing or anything else?

Director Fontaine responded that in most cases, a Record of Decision (ROD) is in place on the EIS before acquisition begins. That is usually the process used when federal funds are involved, although there have been some exceptions. However, there is no prohibition against using state funds from acquiring right-of-way in advance of getting a EIS Record of Decision.

Member Vilaro asked if the Department ever use state money to purchase more than one potential alignment during the EIS process and if that is the case, are those land disposed of immediately to get the funds back into the cash flow. What is the process?

Director Fontaine responded that he is not aware of the Department acquiring right-of-way prior to the environmental document. Typically, we have a preferred alignment prior to acquiring right-of-way. We have acquired right-of-way in advance of an EIS and generally do not dispose of the surplus property until completion of the project.

Member Capurro asked if the Department received part of the surplus state revenue, would it be used for advanced right-of-way acquisition?

Director Fontaine responded that would certainly be one area that we would put that money towards. Another area would be in any of these projects or elements of these projects that would be ready to go to construction.

Member Skancke asked regarding prepurchase of right-of-way, which is listed at \$121 million for the first year. Are there state funds available in 2006 to prepurchase some of those rights-of-way. Then the Department would own an appreciating asset even if the road does not end up being constructed in that location. Is there any provision that says you have to sell that immediately or can you hold on to it forever? And how long does the NEPA process take on an average project?

Director Fontaine responded that the Department does have broad authority to purchase right-of-way in advance of projects for future promise. We don't have any money budgeted for that in '06 and we don't have any money available for that in '06 unless we don't do some projects. So that's not in the work program or in the budget. Under current law, if we use state funds for the pre-purchase of right-of-way and it was ever surplussed, under SB 326 that was passed last session, we would have to sell it back to the original property owner at the original purchase price. The national average for the

NEPA process is about five years. We try to get an EIS done in under three years, on a lot of these projects, which would be significant.

Member Ellison ask how long it takes for GARVEE bonds to go into effect once they are authorized.

Director Fontaine responded that there are a number of steps in authorizing bonds. So from the time a decision was made to obtain bonds, it's possible that we could have a bond sale in six to nine months.

E. Utilizing Public Private Partnerships for Future Nevada Department of Transportation “Super/Mega Projects”

Director Fontaine explained that there may be some potential for applying public-private partnerships on some of the managed lanes, which is the next presentation. The only stand alone project that may work for this is the Boulder City Bypass. It's unlikely that we could get a public-private partnership to build the entire Boulder City bypass, or to somehow charge a toll or do something else to get a return on investment. But I think there's a role for public-private partnership on Boulder City bypass project.

3. Presentation on the Feasibility of Implementing Managed Freeway Lanes in the Las Vegas Valley – *Informational Item Only*

John Terry wanted to provide an introduction to managed lanes, an overview of HOV lanes in Clark county and the potential for managed lanes as a part of the project. Currently, a HOV is being conducted in Clark County and saw a need for them to be analyzed in a consistent manner throughout the valley as well as providing traffic projections that include the mode split, how many people are in each car, et cetera, so that could be used by the corridor study. We want to work with the corridor study to give them that information so they can apply it to their projects. Included in this HOV study and the scope of work for it is a consideration of managed lanes in addition to just conventional HOV lanes.

A managed lane is a separate dedicated lane system that's part of the overall transportation corridor. They also have one or more user groups. Strategies are used to make sure these lanes operated adequately, so we can have unimpeded travel even during peak periods, which we currently don't have on all of our freeways and won't have in the future. There are many different types of managed lanes that require some sort of access control. Open road tolling is also an option, but that requires such things as billing, enforcement, additional things that we don't currently have as a part of our system. Congestion has to be present in the other lanes or nobody is going to pay to use them. He then explained some of the reasons that managed lanes are used, how the pricing works and the enforcement issue.

Member Vilardo asked if the burden was now on the traveling public to purchase a transponder.

John Terry responded that use of the managed lane does require the purchase of a transponder, but it is each person's choice. Commuters are not being forced to use this lane. Generally, it is a nominal cost.

Member Cashman asked if we need legislative authority for any kind of toll of a road.

John Terry responded that we would need legislation for things like polling people electronically or for fining people based on electronic surveillance.

Member Ellison stated that this system does not seem financially feasible and it would be easier to put in fast lanes and toll booths than to create the transponders and the cost of the employees and the billing cycle.

John Terry responded that the problem with bridges and booths is that the booths take up so much room and employees are needed to man these booths. There is also the congestion factor caused by the booths. People don't like that.

4. Discussion on Projected Annual Revenue Shortfalls and Potential Revenue Sources - *Informational Item Only*

Director Fontaine explained that Russ Law is going to present this discussion regarding potential revenues and shortfalls. A handout was distributed that lays out all of the various revenue sources that are currently revenue sources for the highway fund.

Russ Law, Chief of Operations Analysis, stated that part of the mission is to look at the potential tax sources that could potentially alleviate the shortfalls and the evaluation criteria used. The Task Force may then have an idea of which sources they want to explore further and which ones they might want to throw away. This is an informational item only and formal action can not be taken. Each potential tax should be evaluation in terms of adequacy, administrative efficiency, equity, feasibility, evasion, and economic efficiency.

The gas tax is relatively fair to the users. If you use the system, you pay the tax. It is also a relatively adequate tax with one exception, it doesn't adjust for inflation. It does adjust for demand. We've seen huge population growth in Nevada and we've also seen big revenue proportionate revenue growth in gas tax. It is only adequate if the rate is high enough and how can that rate be changed. That is where gas tax really fails, it is difficult to change that rate and it does not adjust for inflation. On the administrative efficiency, we spend less than half a percent of the gas tax money to administer. This is a very efficient tax. As far as equity, if you use the system, you pay the tax. There is some breakdown in terms of the fuel economy of different vehicles. It is also a very practical, feasible tax and relatively easy to administer. However, the political part of changing it is difficult. We've had a 15-year period now where the gas tax hasn't been changed. Gas tax is relatively difficult to evade. Diesel tax is easier to evade. Mostly because of where it's taxed. In terms of economic efficiency, gasoline tax is, again if you have a high mileage car, there's very definitely some lower externality cost. He then asked if there were specific taxes that the members wanted to discuss further.

Member Skancke doesn't think that there's a possibility this can be done all in one chunk. In order to raise \$380 million a year in a ten-year period of '08-18. You'd have to raise every tax by 90%. It is a daunting task, but the Task Force has to look at spreading out the revenue stream. Not take it all at one chunk. And it can't all come from highway user fees and taxes. All options have to be considered, including sales tax, government services tax and property taxes. There are other taxes that just don't

produce enough revenue without making extremely high increases in them, which will cause a lot of backlash.

Chairman Peckman stated that he is looking for a process that keeps the discussion moving and if staff was prepared to discuss any other taxes.

Russ Law responded that he could discuss any taxes that the Chairman wanted to and there were members of the Task Force that would be valuable resources in this regard.

Member Ellison suggested that instead of trying to create more taxes on items that already have a higher burden on them, the Task Force should look for new ways to try to put funding back in the State of Nevada and highway system. For instance, the Nevada Land Act money. Maybe the Task Force should consider an assessment on the land sales that is separated and earmarked strictly for the highway system. Perhaps look at some heavily charging nuclear waste transports. He would like to look into both of these options in more detail.

Member Skancke agreed that the Southern Nevada Lands Act is a great idea, but it is a very touchy pot of money. He also thinks that the group has to look beyond the gas tax and consider highway user fees, which is where the county is heading. The mind set has to change how you're generating the revenue. It can't just be on taxes. People have to start paying as you go.

Member Madole agrees that the Task Force is going to have to look at a series rather than just one solution. He also suggested that at the next meeting that there be a listing of each of the potential revenues with some analysis on each one, pros and cons. Then the group could start by eliminating some of the ones that aren't practical and focus on the ones that are worth discussing. He also suggested that as one alternative, the way the taxes, vehicle privilege taxes are collected on vehicles that they use a depreciation schedule.

Member Vilaro suggested looking at a tax that has a nexus, like gas tax with the user benefit relationship. She thinks that politically helps with increases that we might be looking at. Just because you're trying to look at redirecting existing revenues and maximizing and that the committee is aware that any discussion of new or increased taxes is a burden on the tax payer, and so to me the first obligation is how do you convince everybody that you've done everything possible before you ever looked at new revenue sources. It's no different than from my perspective in trying to go to our board and sell whatever the package is. I want to know what accountability, the performance standards are going to be on this. With some of them, I want to know there are time certain, that they'd be out there. Because I could be saying, okay, for statewide purpose, if the voters approve it, we can increase a percent on the sales tax, it would be used for life of debt, for these projects and then goes away. There's a whole other rationale and logic behind that.

Vice Chairman Goodman stated that the Task Force needs to focus on what we're doing. We're looking at the 10 mega/super projects, how we fund those over the next nine years, I think this project forecast goes out. And at the same time leave in tact the funding sources we have now for maintenance and what we do on a daily basis.

Chairman Peckman stated that based on what he is hearing, that the next meeting needs to have a large agenda item to discuss funding sources at the next meeting. That is an agenda item, not an action item yet because at some point in time we have to look at what we're going to recommend we need to circle back whether it's next meeting or not. It seemed to him that we needed more time to go through it, kind of wade through the issues so the Governor gave us a little reprieve until September to make a recommendation. So we have some time to focus on what we're going to do. We also need to focus on the amount of helping here. Are we going to try to fund it all of these projects or just two or three. Then we need to put a priority on these projects. Are we looking at increasing one tax, several taxes or a different option to raise revenue. It is not just a the tax issue we have to focus on for the next meeting. But in addition to that, we have to focus on the process and what we're going to do with the information. It has to be considered if this recommendation is going to require approval by the Legislature. He does not want to say that we are not going to do anything yet. He wants all options to be considered and urged task force members to communicate with members of their community to get a feel for what is a priority.

Member Capurro thanked the Chairman for the September extension because he does not feel that the Task Force would be ready with a recommendation by June. He agreed that this solution is going to have to be a broad spectrum. In the future, it will have to be some type of user fee, based on miles traveled, is a good alternative. But that is not going to work unless it is a national system because the greatest bulk of our traffic comes from the outside. At some point in time our gas and diesel tax-based highway fund revenue stream is going to have to change. It may mean tying it to some kind of inflationary index, similar to Washoe County.

Chairman Peckman stated that a broad base seems to be the consensus among the Task Force. Even broader than the one before that increased four or six taxes.

Russ Law said that in addition to the fuel tax that was on there, there was jet fuel, room tax, sub gas tax, developer fees and the property tax. There was also the sales tax that went to transit. So there's six different sources.

Member Vilardo stated that all of the taxes were voter approved.

Chairman Peckman said that he is getting a sense to make the solution broader if possible. Perhaps looking at some of these things that might not have been touched for awhile. He is hearing people say a nickel here and there may not be a big deal, but it might be to get ten of those.

Member Vilardo stated that another thing to be considered is competition for the revenue source. It also has to be taken into consideration taxes that the locals consider their own and the rates they're at when you start adding state component, it starts creating the feeling that potentially you have the law of diminishing returns. The other thing is earmarking without a user benefit relationship, is usually considered extremely bad policy. So when you start viewing nonnexus sources you probably want to look at them more specific, such as for bonding. So you can say they will go away at a given point in time, unless reauthorized. Because then you're not talking about the operations, the maintenance, without having this nexus, let's use the insurance premium tax. She may be able to make a case to bond something. But she would have a harder case saying that it should be earmarked because there's no user benefit relationship.

Chairman Peckman stated that there seemed to be consensus on what should be on the next agenda and asked Director Fontaine to put it together.

Director Fontaine responded that from what he understands that the next meeting will be devoted solely to this discussion. Staff will also do a little more background work on each of the taxes and revenue sources and put that in a handout. It sounded like the Task Force is interested in where Nevada stands relative to other states, when they last raised and some of those issues. We can go through this exercise at the next meeting and go through each of these items.

Chairman Peckman reminded the members that the next meeting will take place in Elko.

Russ Law wanted to let the Task Force know that as far as background on these taxes. The publication by the Nevada Taxpayers Association is excellent. Most of these taxes were investigated by Washoe RTC and Southern Nevada RTC and he thinks that it provides a really good background that is relatively objective. Department staff will distribute that prior to the next Task Force meeting.

Vice Chairman Goodman asked if the other Counties can raise their fuel tax.

Russ Law responded that the other Counties are all maxed out with the exception of Washoe County because they have an inflation indexing provision. Half of the Counties still have an optional five-cent tax available, but about 95% of the population is paying the maximum. Those other counties, with the exception of Clark, are allowed to inflation index if they pass an ordinance that says they're going to.

Member Capurro stated that the problem with that is that County Commissioners throughout the state have been reticent to raise it. He believes that this will not happen unless the State mandates it.

Member Vilardo stated that the other part of this is that it now becomes a political consideration because of the price of gas.

5. Public Comment

Chairman Peckman stated that before he asked for public comment that Member Cashman had a question.

Member Cashman asked about the emissions tax listed.

Russ Law responded that the concept of an emission tax is that different vehicles on average pollute at different amount. It is basically a carbon monoxide tax. If you have a vehicle that tends to pollute more, then you pay a greater amount than someone that's driving a vehicle that is relatively fuel efficient. We already have an emissions tax that would piggyback on top of that, which is the smog check. Of the \$25 that it costs for the smog check, only \$6 of that goes to the Department of Motor Vehicles. None of that goes to the Department of Transportation.

Chairman Peckman asked for public comment in any of the locations and hearing none declared the meeting adjourned.