

MINUTES
MICHIGAN STATE TRANSPORTATION COMMISSION MEETING
October 25, 2007
Lansing, Michigan

Meeting noticed in accordance with Open Meetings Act, Public Act 267 of 1976.

Present: Ted B. Wahby, Chair
Linda Miller Atkinson, Vice Chair
Maureen Miller Brosnan, Commissioner
Jerrold M. Jung, Commissioner
James R. Rosendall, Commissioner
James S. Scalici, Commissioner

Also Present: Kirk T. Steudle, Director
Larry Tibbits, Chief Operations Officer
Leon Hank, Chief Administrative Officer
Frank E. Kelley, Commission Advisor
Marneta Young, Commission Executive Assistant
Jerry Jones, Commission Auditor, Office of Commission Audit
Patrick Isom, Attorney General's Office, Transportation Division
John Friend, Bureau Director, Highway Delivery
John Polasek, Bureau Director, Highway Development
Myron Frierson, Bureau Director, Finance and Administration
Susan Mortel, Bureau Director, Transportation Planning
Rob Abent, Bureau Director, Aeronautics and Freight Services
Tim Hoeffner, Administrator, Intermodal Policy
Sharon Edgar, Administrator, Bureau of Passenger Transportation
Melvin Williams, Administrator, Freight Services and Safety Division

A list of those people who attended the meeting is attached to the official minutes.

Chair Wahby called the meeting to order at 9:00 a.m. in the Bureau of Aeronautics Auditorium in Lansing, Michigan.

I. COMMISSION BUSINESS

Commission Minutes

Chair Wahby entertained a motion for approval of the minutes from the State Transportation Commission meeting of September 27, 2007.

Moved by Commissioner Brosnan, with support from Commissioner Scalici, to approve the minutes of the Commission meeting of September 27, 2007. Motion carried.

II. **DIRECTOR'S REPORT – DIRECTOR KIRK T. STEUDLE**

Director Steudles' Report focused on:

Budget Update

On Monday, October 1, without a budget for the new fiscal year, state services were shut down. There were 81 rest areas along major freeways and roadways that were actually closed; 13 of these are also Welcome Centers operated by Travel Michigan. The closure time for the rest areas and Welcome Centers ranged from 9 to 15 hours. The difference in closure time is primarily based on the geographic location of the facility and the mobilization time required by staff to arrive and reopen the facility. Three of the 12 movable lift bridges like the Houghton-Hancock Bridge were closed. The closure time for the three bridges ranged from 7 to 9 hours. The Michigan Intelligent Transportation Service Center (MITSC) in Detroit closed for 9 hours. No payments were stopped or reservations canceled. All of the construction projects that were out were shut down. We did begin to incur costs as of Friday afternoon because we ordered the contractors to make those work zones safe; we didn't know how long they would be closed—a couple hours or a couple days. There is specific language that went to the project engineering staff that included all those on work orders on how to shut projects down and how to restart them again.

Billable time and material costs incurred by road and bridge private contractors in preparing construction projects for shutdown or having idled equipment and manpower totaled \$586,700 in direct costs. It is possible that, in the future, projects will have overruns and extras brought before the Commission.

There were also costs incurred by the Department. Billable time and material costs incurred by contract agencies (county road commissions and municipalities) primarily resulting from the need to barricade the entrance and exit points to rest areas and Welcome Centers totaled \$48,400.

At this time, the final budget agreements are still in flux. It is hopeful that at noon today, the conference committee that is scheduled will come to a resolution, vote the budget out of committee with action taken on Monday (10/29/07) so that we avoid this whole mess again at the end of the month. There is a little worry about snow with shutting down on October 1st, however there is a lot of worry about snow with shutting down on November 1st.

Director Steudle asked for questions; no questions were forthcoming.

III. **OVERSIGHT**

Commission Agreements (Exhibit A) – Myron Frierson

Mr. Frierson presented information on 40 agreements. Item #37 (pg. 14, last paragraph) should read *September 27th* instead of September 10th. Pending any questions, Mr. Frierson asked for approval of Exhibit A.

Chair Wahby entertained a motion. Motion was made by Commissioner Brosnan and supported by Commissioner Atkinson to approve Exhibit A. Motion carried on a unanimous voice vote.

Bid Letting Pre-Approvals (Exhibit A-1) – Myron Frierson

Mr. Frierson stated he would save the majority of the 2007 information for his later presentation. However, as of September 17, 2007, it was estimated that 341 State projects with construction costs totaling \$696.6 million would be let during the 2008 fiscal year. Pending any questions, Mr. Frierson asked for approval of Exhibit A-1.

Commissioner Rosendall asked if there was a standard that is used when signs are replaced on the highways.

Mr. Frierson answered that there is a process to do this and deferred to Mr. Polasek for further response.

Mr. Polasek stated that it is based on a test of reflectivity of the sign. After a certain period of time that it's up, it loses its reflectivity and is scheduled for replacement.

Commissioner Rosendall asked if Ohio uses the same test.

Mr. Polasek answered that he didn't know but could find out.

Commissioner Rosendall said he would appreciate the information because their signs (Ohio's) are horrible to read at night.

Mr. Polasek responded that in addition to replacing the signs, at the same time they change the lettering to a clear-view font.

Director Steudle interjected that the department would get him a follow-up report on how we replace them and how it is determined that any need replacing. There is certainly a life-cycle to them and one of the common questions pertains to their replacement when they "look" fine.

No other questions were forthcoming.

Chair Wahby entertained a motion. Motion was made by Commissioner Rosendall and supported by Commissioner Scalici to approve the October bid letting. Motion carried on a unanimous voice vote.

There is no Exhibit A-2 for this month.

Information Items (Exhibit A-3) – Myron Frierson

Mr. Frierson provided information on 1 State project, for which the bid was under \$500,000, has less than two bidders, is a low bid rejection, or has other bid issues, is being submitted for informational purposes only. There is no action required.

Chairman Wahby asked for questions; none were forthcoming.

Contract Adjustments (Exhibit B) – John Friend

Performance matrix numbers for the year indicates the department finalized out at about \$133 million for the month of September at a cost of about \$145 million (8.64% over budget for the month, which is higher than the 5% desired limit). For calendar year 2007, the department finalized out at about \$606 million at a cost of about \$633 million (4.51% under the 5% performance matrix that was set). This is cause of some concern within the Bureau of Highways. Discussions will be had with region engineers to talk about this number. We are within the 5% targeted for, but compared to prior years we are approaching the limit.

Mr. Friend provided information for 13 MDOT and 9 Local projects. Special mention was made of Extra Item #2007-154 (0.29 miles of hot mix asphalt cold milling...on M-1...in the City of Detroit, Wayne County) for \$249,000 in additional costs. Fault is not found with the consultant who took the utility information that was supplied by the Detroit Public Lighting Department. Information was put on the plans as shown, but when they got into the construction phase a lot of existing utilities were not where they were intended to be. Quick engineering re-work needed to be done so that Metro region staff did not have to close the Lodge at the same time Woodward Avenue was closed.

Extra Item #2007-169 (6.71 miles of hot mix asphalt crushing...Little Muskegon River, Mecosta County), a classic example of taking your best shot during the design phase of what you think the culvert will be able to stand. Once it was opened during the start of the construction stage, it was found that the deterioration had reached a point where an emergency replacement was needed. The Grand region staff worked closely with the Central staff to make sure that the design was appropriate. A lot of these costs were going to be born by the department one way or the other, but it made sense to do it during the construction phase.

Extra Item #2007-170 (6.67 miles of concrete reconstruction, widening, and median enclosure...on I-75...Saginaw County), involved a mass of tremie concrete underneath the water which was probably poured during the original building of the bridge, but was not recorded on the as-constructed plans. This required the contractors to core holes through the concrete and figure out a way to get the piling through so that it could support the new bridge.

Extra Item #2007-173 (0.12 miles of concrete substructure chipping and patching...on I-75 at Mackinac Bridge...in the City of St. Ignace, Mackinac County), is an example of what happens, on occasion, when estimations are done during the design phase on the amount of hand chipping to be done on bridge piers and the amount of reinforcement repair. You don't want to do a lot of exploration during the design phase because you don't really want to open up that pier. During the construction phase, however, they start to chip away at this pier and realize that a lot of the reinforcement needs to be replaced in order to do an adequate job of repair. A lot of the extra costs are associated with this.

Overrun Item #2007-38 (29.10 acres of wetland creation...33 Mile Road...Macomb County), is one that will be pursued aggressively for cost recovery from the consultant. Consultants miscalculated some quantities on topsoil surface salvaging, misunderstood how we strip topsoil in terms of salvage, therefore resulting in the overrun—almost \$300,000 extra money on a \$400,000 job.

Pending any questions, Mr. Friend asked for approval of Exhibit B.

Commissioner Atkinson asked, regarding 2007-38, if it is the same issue as in Extra 2007-162 (9.99 acres of construction of wetland mitigation...US-2 and County Road KK, Delta County). When she was with the Sagola Township Board they had the same designer who did the same thing, and was wondering if the department was going to pursue recovery there.

Mr. Friend responded yes; it was the same error by a different consulting firm and it was his gut feeling that they would be pursuing cost recovery there as well.

Chair Wahby entertained a motion. Motion was made by Commissioner Brosnan and supported by Commissioner Jung to approve Exhibit B. Motion carried on a unanimous voice vote.

IV. APPOINTMENTS

Asset Management Council Appointment/Re-Appointment – Frank E. Kelley

According to Section 247.659a(2) of Act 51 of 1951, the council shall consist of 10 voting members appointed by the State Transportation Commission. Today there are four appointments for consideration; letters and biographical information have been provided along with one late addition.

Representing Michigan Association of Regions – Dave Bee, representing Michigan Association of Counties – Don Disselkoen, representing the Michigan Municipal League – Robert D. Slattery, Jr. and, representing the County Road Association of Michigan – Steve Warren. These terms for the Asset Management Council are from October 1, 2007 to September 30, 2010.

Chairman Wahby entertained one motion on all for approval. Motion was made by Commissioner Atkinson and supported by Commissioner Rosendall to approve the re-appointments of Dave Bee, Robert Slattery, Jr. and Steve Warren, and the new appointment of Don Disselkoen to the Council. The motion carried on a unanimous voice vote.

V. PRESENTATIONS

2008 State Transportation Commission Meeting Schedule – Frank E. Kelley

Mr. Kelley stated that these dates have been set for 2008, and if no objections, asked for approval. It should be noted that the August 2008 date is the week **before** the Labor Day weekend, and the November 2008 date is the week **before** the Thanksgiving holiday.

Chairman Wahby entertained a motion for approval of the 2008 Meeting Schedule. It was moved by Commissioner Brosnan, with support from Commissioner Atkinson to approve the 2008 schedule as submitted. The motion carried on a unanimous voice vote.

Fiscal Year 2006-2007 Letting Statistics – Myron Frierson

Mr. Frierson gave a brief PowerPoint presentation on the MDOT construction contracting activities during fiscal year 2006-2007.

Bid Lettings:

During FY 2007, MDOT took bids on a total of 1,106 projects, 469 of which were for work on state trunklines. The remainder of the projects was a combination of local projects (603), aeronautics projects (31), and three railroad (Multi-Modal) projects. The total dollar amount of state trunkline low bids was \$994.9 million compared to \$956.2 million for FY 2006, a 4.1% increase. State trunkline projects represented 42.4% of the number of projects let and 62.5% of the low bid dollars. The low bids of other projects let totaled \$598.1 million. There were 16 lettings held with 325 different bidders submitting a total of 5,827 bids.

Bid Rejections:

All bids were rejected on 26, or 2.35%, of the 1,106 projects let, of which 20 were State items, about 4%. There were no low bids that were rejected during the year.

Design of State Projects:

In the last year a little over 19% of the program was designed by a consultant, a little over 80% was designed by MDOT staff.

Pre-qualified Contractors:

As of the end of the fiscal year, there were 732 pre-qualified construction contractors. Of these, 198 contractors worked on projects as prime contractors during the year. In FY 2006, there were 189 prime contractors from the 673 of the pre-qualified construction contractors. In FY 2007, ten of the prime contractors was awarded 50.1% of the work awarded compared with 48.5% in FY 2006.

Commissioner Rosendall asked, regarding the Financial Ratings slide of categories—i.e., the \$100 million and above (9.2%) category, if there is information on how many of the contractors are Michigan based companies.

Mr. Frierson answered that he could get him that particular information, but cannot give him the actual rating because that is privileged information.

Commissioner Rosendall responded that he only wanted to know who are “Michigan based”.

Mr. Frierson asked for clarification on what he means by “Michigan based company”.

Commissioner Rosendall explained that he means a corporate headquartered company in Michigan.

Director Steudle added that we could provide him with the location of the corporate headquarters as well as what the Michigan workforce is because a lot of companies have their headquarters in another state, but have been doing business in Michigan for 35 years with a Michigan crew.

Contractor Payments:

During the year, 13,641 estimates resulting in 12,684 payment vouchers were paid to contractors for a total of \$1,370.9 million. The top 10 contractors/projects awarded in 2006 represented about 48% of our work, while in 2007 they represented a little over 50% of our work. In 2006 we had about 189 different prime contractors doing work for us, and about 190+ in 2007.

Commissioner Brosnan asked how we count the partnerships when several companies are grouped together; i.e. in 2006 Kamminga and Roodvoets, Inc./C.A. Hull/Ajax Paving Industries, Inc. were awarded \$67,890,986.19—would this be one project that they pooled their resources on.

Mr. Frierson answered yes. This was a joint venture on a project in the Southwest Region on I-94.

Projects by Region—Number of Projects:

Metro (196—18%); Bay (181—16%); University (164—15%); Grand (155—14%); North (140—13%); Superior (137—12%); and Southwest (133—12%).

Projects by Region—Total Dollars:

The bulk of our work was in the Metro Region (more complex projects because the infrastructure is larger; also includes the Gateway Project (\$631.38 million—41%); Grand Region (\$214.15 million—13%); University Region (\$213.46 million—13%); Bay Region (\$196.89 million—12%); Southwest Region (\$125.66 million—8%); North Region (\$114.38 million—7%); and Superior Region (\$97.06 million—6%).

Mr. Frierson asked for questions.

Commissioner Jung asked, referring to the Project Lettings by Program Area (Total Dollar Amount) slide, if at the next meeting Mr. Frierson could show the projections for FY 2008. He is concerned about the fall-off in construction spending—if we are comparing apples to apples.

Mr. Frierson responded that the baseline amount is \$696.6 million.

Commissioner Jung asked which number on the chart is that baseline number compared to.

Mr. Frierson answered that it would be compared to the State number of \$994.9 million.

Commissioner Jung stated that this is a large fall-off that he is concerned about which could hurt our local contractors quite a bit. In addition, regarding the cost overruns over the engineers' estimates, he stated that it is relatively easy to pad the estimate to make

sure this doesn't happen. We should keep track of overages and underages by MDOT projects as well as projects engineered outside of MDOT. This will give us some good clarity on who might be doing a better job estimating the true cost.

Mr. Frierson responded that we do keep track of that information. Federal Highways requires that a certain percentage of your project be plus or minus 10% of your engineers' estimate. A vast majority of our projects are in that range and we can provide the information requested.

Commissioner Jung asked if it would be both the MDOT as well as outside engineering firms.

Mr. Polasek answered that we do the final estimates on our projects.

Commissioner Jung asked if it were based on the outside engineering firm.

Mr. Polasek answered yes; through national estimating programs, reports by regions, quantities, etc.

No other questions were forthcoming.

VI. **PUBLIC COMMENTS**

Chair Wahby asked if any member of the audience wanted to address the Commission; none were forthcoming.

Chair Wahby asked if any Commissioner wanted to address the Commission; none were forthcoming.

No other comments were forthcoming.

ADJOURNMENT

There being no further business to come before the Commission, Chair Wahby declared the meeting adjourned at 9:40 a.m.

The next full meeting of the Michigan State Transportation Commission will be held on November 29, 2007, in the 1st floor Bureau of Aeronautics Auditorium in Lansing, Michigan, beginning at the hour of 9:00 a.m.

Frank E. Kelley
Commission Advisor