

MINUTES
MICHIGAN STATE TRANSPORTATION COMMISSION MEETING
May 20, 2010
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
Steven K. Girard, Commissioner
Jerrold M. Jung, Commissioner

Also Present: Jackie Shinn, Chief Deputy Director
Frank E. Kelley, Commission Advisor
Marneta Griffin, Commission Executive Assistant
Jerry Jones, Commission Auditor, Office of Commission Audit
James Shell, Attorney General's Office, Transportation Division
Brenda O'Brien, Highway Delivery, Engineer of C & T
Brad Wieferrich, Highway Development, Engineer of Design
Ed Timpf, Administrator, Finance and Administration
Sharon Edgar, Administrator, Bureau of Passenger Transportation
Bill Shreck, Director, Office of Communications
Susan Mortel, Bureau Director, Transportation Planning
Carol Rademacher, Manager, Contract Services Division-Agreements
Jill Mullins, Manager, Contract Services Division-Contracts
Mike Kapp, Administrator, Office of Economic Development
Bob Ranck, Bay Region Engineer

Excused: James S. Scalici, Commissioner
Maureen Miller Brosnan, Commissioner
Kirk Steudle, Director

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 and Freight Services 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 April 29, 2010.

Moved by Commissioner Atkinson, with support from Commissioner Girard, to approve the minutes from the State Transportation Commission meeting of April 29, 2010.
Motion carried.

II. **DIRECTOR'S REPORT**

Deputy Director Shinn acknowledged Indian Trails for 100 years of service to the State of Michigan. In 1910 Wayne and Cora Taylor founded the Phillips–Taylor Livery Service moving passengers and freight within Shiawassee County. By the 1930's Phillips–Taylor provided service to all of southwest Michigan and had officially become Indian Trails, in reference to its primary route of travel along US–12, which was known as the “Old Indian Trail”. Co-Founder Cora Taylor's portrait now hangs in the Michigan Department of Transportation's Hall of Honor in recognition of her many achievements in the field of Transportation, such as being the first woman in Michigan to be issued a chauffeurs license. Since their humble beginnings, Indian Trails has continued to be a pioneer and leader in the field of passenger transportation. Today, they provide service throughout Michigan's Upper and Lower Peninsulas, as well as service to other parts of the country and their fleet of 62 motor coaches transports more than 1 million passengers over 4 million miles annually. Now in its third generation of continuous family ownership, guided by Gordon MacKay, Indian Trails continues to lead and innovate to serve the traveling public. In 2006, Indian Trails launched a new option for Michigan's passengers – daily airport service. The Michigan Flyer Program provides 8 daily round trips between East Lansing, Jackson, Ann Arbor and the Detroit Metro Airport. Ridership on the Michigan Flyer Program has continued to grow and over 270,000 passengers have utilized this unique service. Indian Trails and MDOT have shared a partnership for 20 years as a contract carrier providing passenger transportation to the rural communities of Michigan along the state supported intercity bus routes.

Deputy Director Shinn along with Chairman Wahby presented a 100th Year Anniversary Plaque to Gordon Mackay, President of Indian Trails Inc.

Mr. MacKay thanked the department and the Commission for the recognition and accepted it on behalf of Indian Trails' 135 employees.

NOTE: The remainder of this report takes place after the Oversight.

III. **OVERSIGHT**

Commission Agreements (Exhibit A) – Carol Rademacher

Ms. Rademacher presented information on 23 agreements, 3 of which include a percentage of ARRA funding. Pending any questions, Ms. Rademacher asked for approval of Exhibit A; none were forthcoming.

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

Bid Letting Pre-Approvals (Exhibit A-1) – Jill Mullins

Ms. Mullins gave a brief re-cap of the May 7, 2010 bid letting: 43 State projects with total engineers' estimates of \$52.2 million and low bid dollars totaling \$49.7 million were let. The State low bids for fiscal year-to-date 2010 total \$534.2 million compared to \$546.8 million for the same period of fiscal year 2009. On September 14, 2009, 317 State projects with a total of \$852.4 million in construction cost estimates were projected to be let during the 2010 fiscal year. Through May 7, 2010, 218 State projects with

\$582.4 million in total estimates were let, representing 68.3% of the total amount projected to be let in fiscal year 2010. In comparison to May 2009, 216 State projects with a total engineers' estimate of \$603.4 million were let representing 101.8% of the fiscal year 2009 projection. As of today we have let all 225 of the ARRA funded projects for fiscal year 2009. As far as fiscal year 2010 we have awarded 219 of the 286 projects approved for ARRA funding.

There are 3 bid lettings needing approval. For the May 21, 2010 bid letting there are 18 projects with engineers' estimates of \$28.5 million (no State projects). For the June 4, 2010 bid letting there are 66 projects currently advertised (29 State projects) with engineering estimates of \$23.1 million. Additionally, for the June 18, 2010 bid letting there are currently 34 projects advertised (no State projects). Pending any questions, Ms. Mullins asked for approval.

Chair Wahby entertained a motion. Motion was made by Commissioner Girard and supported by Commissioner Jung to approve Exhibit A-1. Motion carried on a unanimous voice vote.

Supplemental Bid Letting Pre-Approvals (Exhibit A-1) – Jill Mullins

Ms. Mullins provided information for 1 State project and 4 Local projects for the upcoming June 4th and June 18th bid letting. Pending any questions, Ms. Mullins asked for approval of Supplemental Exhibit A-1.

Commissioner Atkinson asked, as a point of order, if Proposal 1006604 (listed below Proposal 1006601) should be a numbered project bringing the total of Supplemental projects to 6 instead of 5.

Ms. Mullins answered yes.

Chair Wahby entertained a motion. Motion was made by Commissioner Jung and supported by Commissioner Atkinson to approve the 6 projects (1 State and 5 Local) in Supplemental Exhibit A-1. Motion carried on a unanimous voice vote.

Letting Exceptions Agenda (Exhibit A-2) – Brad Wieferich

Mr. Wieferich provided information on 3 State projects and 2 Local projects that were over/under the engineers' estimates. Pending any questions, Mr. Wieferich asked for approval of Exhibit A-2.

Chair Wahby entertained a motion. Motion was made by Commissioner Girard and supported by Commissioner Jung to approve Exhibit A-2. Motion carried on a unanimous voice vote.

Information Items (Exhibit A-3) – Jill Mullins

Ms. Mullins provided information on 2 State projects and 2 Local projects, for which the bids were under \$500,000 and have less than two bidders or is a low bid rejection, or has other bid issues, is being submitted for informational purposes only. No action is required.

Chair Wahby asked for questions.

Commissioner Atkinson asked if this is an unusually large number of one bid items.

Ms. Mullins replied that in the last year, yes it is an unusually large number however, in the years she has been here, no it is not—particularly for these work types.

Contract Adjustments (Exhibit B) – Brenda O’Brien

Ms. O’Brien provided information for 5 Local projects. Pending any questions, Ms. O’Brien asked for approval of Exhibit B.

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

IV. **DIRECTOR’S REPORT** (continued)

This portion of the report was shared with Ed Timpf, Administrator, Finance and Administration, and focused on:

Fiscal Year 2011 Transportation Budget

There is not a lot of good news in the budget process to date. We are in the middle of the process which contains five major steps: Governor’s recommendation, the House passes a version, the Senate passes a version, changes that go to the Conference Committee, then back to the Governor for signatures with potential vetoes.

The Governor’s recommendation of \$2.7 billion decreased the FHWA funding source by \$475 million due to the insufficient state revenue match estimated at \$84 million. The bill started on the House side this year. Only the House Subcommittee and Full House Appropriations Committee have passed the appropriation bill. The Full House has not yet passed MDOT’s bill. The House Appropriation Committee passed a bill of \$2.7 billion similar to the Governor’s recommendation (difference of \$1.47 million) except that the House version did not include \$1,469,900 of economics added by the Governor to the Interdepartmental grant lines. The Full House Appropriations sent the bill to the Full House on March 25th. The House Appropriations version also included intent boilerplate language (Boilerplate Section 662) that stated if any additional revenues are made available above what is estimated, the department would give priority to reinstating delayed and deferred projects. Some members of the House view this boilerplate as supporting/not supporting a tax increase therefore have been reluctant to vote this bill out of the Full House.

Typically the Senate would wait for the House's version before beginning its budget deliberations but went ahead and had two Senate Subcommittee meetings starting on April 21, 2010. The Full Senate recommended a \$3.2 billion bill (difference of \$483.2 million compared to Governor’s recommendation). MDOT was asked to provide program information at both meetings. The Senate Subcommittee and the Full Senate Appropriations Committee passed MDOT's bill on May 5th. The Full Senate then passed MDOT's bill on May 18th. The Senate version adds back in the \$475 million of FHWA funding and also increases state funding for the needed state match. CTF and STF line

items were reduced and revenues redirected from EDF were used to create the amount needed for the state match.

Proposed Senate STF budget reductions (totaling \$51 million) to fund the \$84 million shortfall include \$40 million for maintenance. These cuts are in addition to the \$20 million already included in the Governor's recommendation. The impact of these additional cuts is still being assessed but we believe that some services will be reduced or eliminated and some of the Welcome Centers (\$2.5 million/51% in cuts) will close if these cuts are part of MDOT's final budget. Some of the other cuts, especially in the planning area, give us serious concerns as to whether we'll be able to maintain our federal aid eligibility.

The Senate proposed transferring \$4.8 million from the CTF over to the STF in order to contribute to the \$84 million so that we don't leave federal aid in Washington. These reductions will certainly provide less services for passengers including those with specialized needs (elderly and handicapped), less resources for processing of grants, contracts and payments, less resources for assuring state and local compliance with federal regulations and mandates, and less assistance to the locals for vehicle procurement, facility construction, and other capital needs. Likely these cuts will result in leaving other federal aid in Washington. We are hoping to capture the Highway federal aid, but will likely leave the Transit federal aid.

Another way the Senate came up with to eliminate the \$84 million shortfall was a redirection of the Drivers License Fees from the Economic Development Fund. The Senate proposes that \$12 million of current revenue for fiscal year 2011 be redirected to the Highway program for match. In addition, the Senate also is taking \$15.8 million from EDF's fund balance and giving it to the STF Road and Bridge appropriation. EDF staff is currently working with companies and road agencies to develop job creation and retention opportunities. This money will support transportation projects, which in turn, creates jobs.

On top of the \$84 million cuts, they also cut all of the 3% economic increases that the Governor had proposed. This is being done in all state budgets—something the senate has done consistently—basically saying that in your existing budget, you have to pay for the increase in retirement and salary for the employees. Maintenance gets hit another \$1.7 million.

One of the very concerning boilerplates is the Senate DRIC Boilerplate (Section 384) which prohibits the department from making any expenditure, commit to any expenditure, or binding the state to any expenditure related to the Detroit River International Crossing unless the legislature has enacted specific enabling legislation to allow for the construction of DRIC.

Next Steps

MDOT will work with the Senate regarding the impacts of the Senate changes. MDOT will continue to work with the House to address any concerns/questions. The House and Senate will most likely pass different versions of MDOT's bill, therefore a Conference Committee is expected to be formed. MDOT will continue to assess revenue estimates

and its impact on the Transit and Highway program. The newspapers and news are reporting that tomorrow, May 21st, the Revenue Consensus Forecasting is coming out showing, for the General Fund, a significant increase in the reduction in revenue for the current year. They are looking at somewhere in the neighborhood of \$300 - \$500 million for the General Fund where the revenue estimates for transportation—those announcements tend to come about a week after. In March, we saw a significantly healthy increase of transportation revenue that basically offset all of the reductions from the prior months. Therefore, at the end of March, as far as collection, we are right on what was estimated last January.

Chair Wahby stated, on behalf of the Commission, that we are very disappointed in the actions of the Michigan State Senate regarding the Transportation Budget that they passed on Tuesday. Their proposed budget does nothing to cure the critical funding issues demonstrated by the Transportation Funding Task Force, and misses an opportunity to help get Michigan's economy back on track with a transportation budget that creates jobs and makes Michigan a more attractive place to do business. The severe cuts in maintenance funding mean reduced plowing of snow, fixing potholes, mowing grass, repairing damaged guardrails and doing preventive maintenance on our roads, putting Michigan motorists at risk. Reduced funding for Welcome Centers will mean we will have to close half of our Welcome Centers at a time when the state is looking for additional funding to attract more tourism to the state. I could go on and on, but suffice to say, the Michigan Senate Transportation budget just passed is bad for Michigan. We have worked, and MDOT has done a tremendous job in the last five to seven years under the Governor's plan to preserve 90% of the roads to "good" condition by 2007/2008. Now we're going to fall right back into the same trap we were before if we don't get additional funds. These cuts are not going to enhance our programs at MDOT.

Commissioner Jung supported Chairman Wahby's comments. He added that, as a Caterpillar tractor dealer, we serve a lot of these contractors that build the roads. The yo-yo budgeting that we see on the construction side in particular is playing havoc with the contractors and thousands of families. There is not much construction activity in the state right now in the residential and commercial sectors. Many contractors have adapted their operations to work on roads and we are seeing a sharp drop in the amount of money they earn. These people create a lot of jobs and feed a lot of families so there's a large human impact to this as well.

Commissioner Atkinson also supported Chairman Wahby and added that for seven years we have been trying to preserve the assets in the state in the transportation infrastructure and keep them in working order and preserve them to last. The budget passed by the Senate, particularly in maintenance and engineering but across the board, is fiscally irresponsible to the state of Michigan and to its people because it will allow those assets to deteriorate and their value will be lost.

Chair Wahby added that it is going to be a tough job for MDOT because shrinking funds don't meet the goals of what they are trying to do. We understand the sides of those across the street being that it is a very difficult time right now with the economy the way it is. There are some tough decisions that have to be made but this is one that affects the whole state of Michigan.

Deputy Director Shinn assured the Commission that as this proceeds the department will bring periodic updates on where we are at in negotiations regarding the budget. We have a very dedicated and hardworking staff trying to work with the legislature to see if we can't restore some of these devastating cuts.

V. **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.

Chair Wahby announced that the Policy Workshop that was to take place immediately following this meeting has been postponed until the July meeting due to prior commitments by some of the Commissioners including himself.

VI. **ADJOURNMENT**

There being no further business to come before the Commission, Chair Wahby declared the meeting adjourned at 9:35 a.m.

The next full meeting of the Michigan State Transportation Commission will be held on Thursday, June 24, 2010, in the 1st floor Bureau of Aeronautics and Freight Services Auditorium in Lansing, Michigan, commencing at the hour of 9:00 a.m.

Frank E. Kelley
State Transportation Commission Advisor