

**MINUTES**  
**MICHIGAN STATE TRANSPORTATION COMMISSION MEETING**  
**September 30, 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  
Maureen Miller Brosnan, Commissioner  
Jerrold M. Jung, Commissioner  
James S. Scalici, Commissioner

**Also Present:** Kirk T. Steudle, Director  
Frank E. Kelley, Commission Advisor  
Marneta Griffin, Commission Executive Assistant  
Jerry Jones, Commission Auditor, Office of Commission Audit  
Amy Dickenson, Commission Auditor Executive Assistant  
David Brickey, Attorney General's Office, Transportation Division  
Mark VanPortFleet, Bureau Director, Highway Development  
Myron Frierson, Bureau Director, Finance and Administration  
John Friend, Bureau Director Highway Delivery  
Leon Hank, Chief Administrative Officer  
Greg Johnson, Chief Operations Officer  
Bill Shreck, Director, Office of Communications  
Ron DeCook, Director, Office of Government Affairs  
Susan Mortel, Bureau Director, Transportation Planning  
Rob Abent, Bureau Director, Aeronautics and Freight Services  
Ed Timpf, Administrator, Finance and Administration  
Tim Hoeffner, Administrator, Office of High Speed Rail  
Sharon Edgar, Administrator, Bureau of Passenger Transportation  
Melvin Williams, Administrator, Freight Services  
Mike Kapp, Administrator, Office of Economic Development  
Mark Chaput, University Region Engineer  
Roger Safford, Grand Region Engineer  
Denise Jackson, Administrator, Statewide Planning  
Terrence Hicks, Director, Office of Business Development

**Excused:** Steven K. Girard, Commissioner

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 August 26, 2010.

Moved by Commissioner Scalici, with support from Commissioner Atkinson, to approve the minutes from the State Transportation Commission meeting of August 26, 2010 with the noted corrections. Motion carried.

II. **APPOINTMENTS**

Asset Management Council Appointments – Frank E. Kelley

Mr. Kelley asked the Commission to approve the re-appointments of Don Disselkoen, John Egelhaaf, Robert Slattery and Steve Warren to fill terms through 9/30/2013. Bios were provided for their review.

Chair Wahby entertained a motion for approval. Motion was made by Commissioner Atkinson and supported by Commissioner Jung to approve the appointments. The motion carried on a unanimous voice vote.

III. **DIRECTOR'S REPORT**

Director Steudle's report focused on:

**MDOT FY 2011 Budget**

The Governor's Executive Recommendation was \$2,760,929,300. It was a decrease of 15.2% or \$496.8 million compared to MDOT's FY 2010 budget and was attributable to insufficient state revenues of \$84 million. This resulted in our inability to match \$475 million of Federal Aid. This final version of the Bill includes sufficient revenues to match all Federal Aid in FY 2011.

The sources used to match Federal Aid comes from: \$40 million in short-term loans, \$11 million in toll credits, \$12 million in EDF driver license fee redirection to STF, \$5 million in administration cuts, \$1 million in Welcome Center reductions, \$2.1 million in the 3% salary reduction (raises unionized employees get on October 1<sup>st</sup>, however non-represented employees (NEREs) will not get this), and \$12.9 million in delayed building and facility capital outlay projects. The \$40 million in short-terms loans will come before the Commission at a future date for approval.

Additionally, Director Steudle provided the Commissioners with a booklet entitled "Driven by Excellence: A Report on MDOT Accomplishments". This contains a lot of the policy pieces that the Commission put in place which led to many of the accomplishments. This booklet will be available to the public later today.

Commissioner Atkinson asked where we are on the alternative funding sources—is it stalled out with the TF2 report or is it a legislative question.

Director Steudle replied that there are a number of Bills that have been introduced but they haven't gone anywhere. We are, however, coming up on the two year anniversary of the TF2 report.

Commissioner Atkinson asked if it was his opinion that in order to affect any alternative funding of any substance that it would require legislative action.

Director Steudle replied absolutely it has to. There isn't any magic wand anybody can wave that says here's where it comes from—it has to come from the legislature.

IV. **OVERSIGHT**

**Commission Agreements (Exhibit A) – Myron Frierson**

Mr. Frierson provided information on 51 agreements was presented. Pending further questions, Mr. Frierson asked for approval of Exhibit A.

Commissioner Atkinson asked for an explanation, regarding Item #5 Part B (Highways-Participation for State Local Bridge Construction Contract #2010-5635), which talks about cell phones.

Mr. Jones replied that we will be paying the contractor for the use of cell phones and his office is looking into getting more details. This does happen in some cases where the cell phones are part of the contractors' overhead costs.

Commissioner Atkinson, regarding Items #18-36 (Passenger Transportation-Specialized Services Program Project Authorizations) which says we are going ahead with action even though the Appropriation Bill hasn't passed, asked what the consequences are if we go ahead and approve these items and the Bill does not pass.

Mr. Frierson replied that we would not take the agreements to the Ad Board; however the Bill did pass the Legislature on yesterday and should be signed this afternoon by the Governor.

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

**Commission Agreements (Supplemental Exhibit A) – Myron Frierson**

Mr. Frierson presented information on 1 agreement. Pending any questions, Mr. Frierson asked for approval of Supplemental Exhibit A; none were forthcoming.

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

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

Mr. Frierson gave a brief recap of the September 3, 2010 bid letting: 54 State projects with total engineers' estimates of \$70.1 million and low bid dollars totaling \$63.8 million were let. The State low bids for fiscal year-to-date 2010 total \$704.2 million of the 372 projects let, compared to fiscal year 2009 with \$1.1 billion as a low bid total of the 445 projects let (influenced by the ARRA Program). There was an average of 5.5 bids per project. 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

September 3, 2010, 372 State projects with \$765.5 million in total estimates were let, representing 89.8% of the total amount projected to be let in fiscal year 2010. Since March 2009, 530 ARRA projects were let for which bids were accepted, with an engineers' estimate total of \$963.1 million and a low bid total of \$858.9 million. For the September 24, 2010, bid letting, 32 State projects are being advertised with a total engineers' estimate of \$108.1 million. For the October 1 and 28, 2010, bid lettings, there are 27 projects with a total engineers' estimate of about \$19 million. Pending any questions, Mr. Frierson asked for approval of the 12 projects listed in Exhibit A-1; none were forthcoming.

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

**Chair Wahby directed Mr. Frierson to finish all of his agenda items.**

Information Items (Exhibit A-3) – Myron Frierson

Mr. Frierson provided information on 2 State projects, for which the bids are under \$500,000 and have less than two bidders or are low bid rejections or have other bid issues, is being submitted for informational purposes only. No action is required.

Chair Wahby asked for questions; none were forthcoming.

Letting Exceptions Agenda (Exhibit A-2) – Mark VanPortFleet

Mr. VanPortFleet provided information on 1 State project that was over the engineers' estimates and is accompanied by a justification memo. Pending any questions, Mr. VanPortFleet asked for approval of Exhibit A-2; none were forthcoming.

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

Contract Adjustments (Exhibit B) – John Friend

Mr. Friend provided information for 7 MDOT projects and 4 Local projects. Regarding the performance matrix, we finalized a \$700 million program within about a 1.5% cost overrun; well within the 5% rule established by the Commission. Last month Commissioner Jung asked the department to go back and look at the use of a standard deviation analysis as a quality indicator. This has been done and a draft will be shared in the near future. This has potential and would allow us to analyze our data-set and look at outliers as an additional way of looking at quality and managing the program. Pending any questions, Mr. Friend asked for approval of Exhibit B; none were forthcoming.

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

Six Month Financial Audit Follow-up (Exhibit C) – Jerry Jones

Exhibit C is our Six Month Follow-Up Report on the Financial and Compliance audits that have been outstanding over 120 days since being issued. This report covers 13 audits, with approximately \$2,500,000 in net recommended adjustments. As the report indicates, the department is working with the audited entities and our Office, to close these audits. As an update to the report, on September 27<sup>th</sup> the disputed Audit Review Team granted the appeal of the Indiana Northeastern Railroad Company so that audit will be closed soon. The building and interest participation adjustments have been recomputed and those audits have been reissued to the Road Commissions—that process is moving along. Additionally, the City of Wixom sub-contract has been reviewed and returned to the department for processing. Pending any questions Mr. Jones recommended that the Commission accept this report; no questions were forthcoming.

Commissioner Brosnan stated that she has reviewed the report and discussed it with the Commission Auditor. She recommended and moved that the Commission accept the report.

Motion was made by Commissioner Brosnan and supported by Commissioner Atkinson to approve Exhibit C. Motion carried on a unanimous voice vote.

V. **PRESENTATIONS**

National Partnership of Highway Quality (NPHQ) Awards – Bob Templeton, NPHQ Executive Director

MDOT has been working with FHWA and industry partners since 2004 on the Michigan Construction Quality Partnership (CQP). Through this effort we have achieved accreditation through NPHQ, have participated in awards programs over the last couple years and are making significant progress in developing our internal training program for MDOT staff, contractors and consultants. The State awards were presented earlier this year in front of the Commission. They were then submitted for National consideration.

The NPHQ program promotes continuous improvement in the quality of highway improvements made on the United States Federal, State and Local Highway programs. They have two annual award programs: National Achievement Awards (given in odd numbered years), and the Making-a-Difference Awards (given in even numbered years) in six categories offering gold, silver and bronze awards. Today, Making a Difference Gold Awards are being presented to the primary team members on two MDOT highway construction projects and the CQP of Michigan's Training program. This is the sixth time the Making-a-Difference Awards have been presented and the first time that one state has won three Gold awards in one year. Mark Chaput and Greg Johnson, along with Mr. Templeton, presented awards in the categories of:

*Breaking the Mold* to Rob Tervo (MDOT Ishpeming TSC), Nancy Roberts (UP Engineers), [not present]--City of Houghton, Bacco Construction and the Downtown Houghton Merchants Association for the Houghton Project (US-41/Sheldon Avenue Reconstruction Streetscaping);

*Project Partnering* to Jeremy McDonald (MDOT Lansing TSC), Andy Linebaugh (Michigan State University), Jeremy Hedden (Bergmann Associates), and [not present]

Posen Construction, Inc. for the Farm Lane Project (Farm Lane underpasses of the CN and CSX railroads on MSU's campus);

*Workforce Training* to Greg Johnson (MDOT Chief Operations Officer), Russ Jorgenson (FHWA Michigan Division Administrator), Dan DeGraff (Michigan Concrete Association Executive Director), Ron Brenke (ACEC Executive Director), Glenn Bukoski (MITA Vice President of Engineering Services), Jon Becsey (APAM Executive Director), Jim Murner (MRPA Executive Vice President), Ed Noyola (CRAM Deputy Director), John Niemela (CRAM) for the CQP Project (partnering between various industry groups for a comprehensive approach to continuous improvement of the State's transportation system).

Disadvantaged Business Enterprise Program Overview and Proposed FY 2011 Disadvantaged Business Enterprise Goal – Terrence Hicks, Director, Office of Business Development

**Major FY 2010 Accomplishments**

Networking sessions were held with over 200 participants, contractor and MDOT staff interaction, and allowed for increased interaction between DBE firms and prime contractors. We held orientations quarterly for new and recertifying DBE's with one-on-one consultations provided. In addition we held DBE workshops which covered bonding, finance, QuickBooks, marketing, wage and labor, construction bid preparation, Fieldmanager, etc. These workshops had over 600 attendees.

We continue to partner with many organizations: American Council of Engineering Companies (ACEC), Asphalt Paving Association of Michigan (APAM), Association of Women in Construction, Chambers of Commerce, Construction Association of Michigan, Faith-Based Organizations, Michigan Department of Labor and Economic Group (DLEG), Michigan Department of Management Budget (DMB), Michigan Infrastructure Transportation Association (MITA), Michigan Minority Business Development Council, National Association for the Advancement of Colored People (NAACP), Native American Tribal Councils, The Hispanic Alliance and several others.

In 2010 we held our 30<sup>th</sup> Annual DBE Conference which included several workshops, several keynote speakers, and had over 400 participants. Further, we continued exploration of options to maximize program delivery. Two staff members from the Office of Business Development, Dr. Patricia Collins, Administrator, and Lisa Thompson, Department Manager were recognized as being very instrumental in the DBE initiatives.

**Next Level Program**

With this initiative we brought in a consultant who had over 30+ years in the road construction industry to assist a number of firms with their back-office procedures including prevailing wage training, estimating, and cultivating relationships with the industry that they may not have had the opportunity or in-roads to do on their own. Michigan currently has 7 DBE firms participating; Don Meeks Construction (Benton Harbor), Universal Development, Owens Cement, Britton and Associates, Cobra Contracting (Livingston County), Big Foot Construction LLC, 3LK Construction.

This program so far has been very successful in that Don Meeks Construction has increased their bid volume by \$670,000 since 2008, Big Foot has hired a full-time estimator, 3LK have obtained financing to purchase equipment (3LK), and we successfully pre-qualified Britton and Associates and Universal Development in new work categories. This consultant relationship is providing insight into how to compile more effective bids, information on how to manage crews. It helps in suggesting niche areas for business expansion, identifying potential mentor relationships, and promoting prequalification in all applicable types of work. The length of the program is 2 years or until this objective is met.

### **Capacity Targeted Projects**

This was formerly the Small Pilot Projects. The goals are to increase the capacity of DBE construction industry in core MDOT work items (i.e. grading, drainage, paving etc.), and to provide more opportunities for certified and pre-qualified DBE contractors to perform work on MDOT projects. The expectation of these Capacity Targeted Projects is that the DBE firms will have greater success obtaining practical road building experience, increase bidding capacity on smaller projects, and be prepared to quote and successfully perform larger amounts of work on larger more visible projects.

Typically, projects for this program are within \$1 to \$2 million or less in construction value. These projects will have a variety of key work items, a significant portion of which should include core MDOT work items such as grading, drainage, or paving. Projects selected for the program will have DBE goals set in the range of 20% to 30%, based on specific characteristics of the contract work.

The original Small Pilot Project process began in 2008 into 2010 and was quite successful: 10 of the 13 Small Pilot contracts that were let met their DBE goals at time of award, 1 contract was awarded to a DBE prime (which is the intent at the end of the day), some DBE's felt they obtained work they would not have otherwise received due to high DBE participation goals, 8 of the 13 bids were lower than the engineer's estimate, and 13 DBE firms worked on Small Pilot Project contracts.

### **Reverse Trade Fair (M-39) Southfield Freeway**

A Reverse Trade Fair (RTF) is a reversal of the traditional networking session in this case prime contractors rotate through each tables speaking with DBE's seeking subcontracting opportunities. This is an excellent opportunity for DBE contractors and prime contractors to meet for one day in a single location. This is in collaboration with the Metro Region and the M-39 mega projects. We are seeking to increase opportunities for businesses that represent the community in which the project will be constructed.

Invited to the M-39 Southfield Freeway RTF were those pre-registered DBEs who are certified and or pre-qualified in construction classifications anticipated on this specific project, and all Prime Contractors intending to bid on the M-39 Best Value project are required to attend. Walk-ins who meet the requirements of the meeting will also be accepted. The Office of Business Development will compile a comprehensive directory of attendees to facilitate communication between DBE attendees.

We included in the special provision for bidding instructions for the Best Value selection a mandate that all bidders will be required to attend a mandatory Pre-Bid Meeting/DBE Reverse Trade Fair at the Doubletree Hotel. We feel confident that this will create more opportunities for newer DBE's who do indeed have the capacity to perform work on this project.

### **Bluesheet at Time of Bid**

This initiative serves several purposes: 1) obtain better information regarding prime contractors commitments to DBE contractors at time of bid. Previously the prime contractors would submit their DBE commitments after award. There was a concern from the DBE community that they were not fully benefiting from the opportunities that the program offers. In addition, the 14 days allowed after the bid letting did not satisfy FHWA concerns regarding the length of time after the bids were open; 2) obtain better information concerning the pre-bid efforts of prime contractors in soliciting DBE contractor participation, and DBE contractors responding to and quoting prime contractors. Because the Bluesheets were due at time of bid and the DBE's were required to submit their quotes to our office simultaneously, we were allowed the opportunity to know who was quoting and also the differences in the quotes right away; 3) shorten timeframe for completing prime contractor DBE goal Modification/Waiver requests. This hastens the award process and allows a project to proceed in a timely fashion; and, 4) evaluate if MDOT's project specific goals were realistic.

Some of the successes we've had with the way we approach this is that we obtained better information concerning the pre-bid efforts of prime contractors in soliciting DBE contractor participation, and DBE contractors responding to and quoting prime contractors, shortened the timeframe for completing prime contractor DBE goal modification/waiver request, and in determining whether project specific goals were realistic.

We expect to continue the success of the previous pilot processes and to continue to improve the Good Faith Effort (GFE) Process, including shortening the time-frame for receipt and completion of waiver modification requests. We expect greater transparency of the goal setting process, continued improvement of information collected at time of bid, and to use this process as a stepping stone to improving our letting process for the future.

### **2010 Contracting Opportunities**

In 2010 we obtained thus far, although the construction season is not completed, DBE dollars earned on federal, state and local contracts was \$127.4 million. For 2011, based on anticipated approval of the 2011 goal, the projected amount is \$102.8 million. The DBE federal, state and local participation (connected to the \$127 million) was 9.7%, non DBE participation from contractors is \$1,186 million for a total of \$137.9 million (if the potential of DBE dollars of 10.5% is reached on the total program). We are currently within 10% of our aspirational goal. To date we have reached about 9.7% in DBE participation.

Although Prop-2 hinders our overall success on state projects, we are still able to obtain over \$4.4 million in state and local contracting where there are no DBE requirements.

There was \$821, 215 in total ARRA construction dollars awarded. Of that, DBE's were awarded about 7.7%. This includes FY2009 and FY 2010.

**Proposed 2011 DBE Contract Goal**

We continue to make progress and expect to institutionalize a few of these initiatives going forward. We will continue to collaborate with the industry and work to continue to strengthen and grow our DBE's. We recommend that the State Transportation Commission adopt a 10.5% DBE goal for FY 2011. Pending any questions Mr. Hicks asked for adoption of the goal.

Commissioner Brosnan asked if we are at 9.7% in reaching our goal for last year, is it really expected that we will hit 10.5% next year.

Mr. Hicks replied that with the initiatives that we have in place along with those programs just discussed, it is believed that we will approach the 10.5%--even with the budgetary concerns. Additionally, we have emerging DBE's that are coming into the fold that are in needed categories that we had not had before.

Commissioner Brosnan also asked if there were any comparisons in terms of number of participants in the program from the past couple years.

Mr. Hicks replied that he did not currently have the numbers in front of him, however you have some DBE's that continue to get stronger and some that may come into the program that are not in "construction related jobs" and that goes into the fold also.

Commissioner Brosnan asked for an explanation as to what's happening with the program as we see this down turn in the economy—whether more people needing it.

Mr. Hicks replied that the program creates great access for those DBE's that do have the capacity to do the work—capacity is the big issue here. What we end up doing is focusing in on those that have that capacity. Naturally, we continue to help all DBE's that come into the program and that are certified and pre-qualified. There are other initiatives we have coming that were not mentioned today which we expect to also strengthen or create more opportunity for those that can do the work.

Chair Wahby entertained a motion. Motion was made by Commissioner Brosnan and supported by Commissioner Scalici to adopt a DBE Goal of 10.5% for FY 2011. Motion carried on a unanimous voice vote.

Director Steudle acknowledged Mary Finch of FHWA Michigan Division who has also been a great asset for us as we work through these programs.

FY 2011 Program Announcement – Denise Jackson, Jean Ruestman, Nikkie Johnson, Rick Hammond, Craig Newell, and Matt Webb

Ms. Jackson announced that each representative from the various modes would give a presentation on their particular program.

A budget is now in place for FY 2011 that will allow the highway program to match federal aid for one more year thanks to the actions of the legislature. However, this is a short term fix to a long term problem and it only addresses one of our many modes. We are still in financial trouble. Some impacts will be felt this year and some the next year – the bottom line is that we are in desperate need of a long term solution to our funding crisis.

As we begin the 2011 Program year, there are revenue challenges and uncertainty facing each mode of travel; although we face difficult choices we continue to emphasize our priorities of preserving and efficiently operating the system and, providing a safe and secure transportation system. Transportation plays a fundamental role in supporting Michigan's economy and protecting the quality of life in our communities. When you look at the total program, we plan to invest \$1.78 billion in transportation infrastructure and services (\$1.38 billion towards highways, \$282 million towards Bus, Marine, Port and Rail, and \$124 million towards Aviation).

Bus, Passenger Rail, Marine/Port – Jean Ruestman

*Investment Plan*

The FY 2011 Bus, Marine/Port and Rail Passenger Programs total \$271 million--Local Transit \$251 million, Intercity Bus \$7 million, Marine and Port \$1 million, and Rail Passenger \$12 million.

*Revenue Assumptions*

The program is based on the FY 2011 Executive Budget which includes state, federal and local revenue. Local and federal revenues are expenditure authority only—not actual revenues. Most federal funds are awarded directly to transit agencies and are not included in MDOT's program. In determining the size of the federal program, we consider federal funds that will come to MDOT in FY 2011 via annual apportionments, earmarks, local flexing and/or discretionary grants, such as the pending State of Good Repair grants. We also consider what grants MDOT will be submitting to FTA from current year and prior year funds. Therefore, the federal total is an estimate. We have not included Federal Recovery funds since they are considered part of our FY 2009 program – although the funded projects will be carried out in FY 2010 and FY 2011. Federal revenues are based on our knowledge of past years of annual formula apportionments, congressional earmarks, discretionary grants, local flexing. We also consider our anticipated MDOT grant applications to FTA. CTF revenues are from motor fuel tax and vehicle registration fees that come into the MTF and then are transferred to the CTF (about 2/3), and auto related sales tax (about 1/3). How CTF revenues are used each year is highly prescribed by Act 51 – most of the money supports the “passenger” programs (local transit, intercity bus, passenger rail, marine passenger) and a small amount to rail freight.

*Preserve Existing Services*

FY 2011 CTF appropriation levels for local bus operating remain the same as FY 2010 in the executive budget. Those provide operating assistance to 78 public transit agencies and 39 specialized providers (making sure they are serviced in all 83 counties). In FY 2009 there were over 100 million trips provided. Appropriated CTF help match federal transit capital grants for routine bus replacement and facility construction and renovation that are awarded to MDOT and local agencies. We are hopeful that we will be able to match grants for essential equipment using bond funds and cash. There has been insufficient match for annual capital grants since FY 2005. The annual need is over \$30 million, and the FY 2011 appropriation is \$8 million. The shortfall is being partially met with CTF bond revenues, which is a short-term fix. No toll revenue credits will be used for transit match in FY 2011.

For intercity bus we were able to devote more state and federal funds to operating due to ARRA being used for capital so we entered a multi-year contract using FY 2010 and FY 2011 funds that will maintain service through FY 2011. However, there is still a structural shortfall, so if the FY 2011 funding levels continue, we will not be able to maintain the service through 2012. Passenger Rail Service can also be maintained in FY 2011, but current federal legislation will require states to support Amtrak's National System Trains by the end of FY 2013 (that includes the Wolverine Service). Intercity infrastructure investments are significantly constrained and only minor work is planned using primarily prior year funding.

Our primary goal in FY 2011 is to accept and distribute federal funds and utilize state funds in a manner that preserves our existing network of services from all passenger modes. We hope to be strong competitors for unique pots of federal discretionary funds that will be distributed on a national level.

Rail Freight – Nikki Johnson

MDOT's rail freight and port programs represent less than 3% of the Multi Modal Program. Although small, rail freight programs support a critical part of the state's overall transportation system. Rail Freight Funding supports safety at railroad crossings, preservation of the state's rail infrastructure, and rail-related economic development efforts.

*Revenue Assumptions*

We have 4 types of appropriations that support our 3 rail programs: Federal aid and MTF funds support our safety efforts; CTF supports the state-owned rail system and our Freight Economic Development Program (which was reduced by \$1.7 million last year and is expected to continue this fiscal year); revenue from loan repayments, lease payments, and property sales go back in to our state-owned rail preservation and economic development efforts (of the \$2.1 million expenditure authority, we expect to have about \$1 million available to be spent); we also pass-through mandated funding to the Detroit/Wayne County Port Authority for operating assistance (which like other CTF programs, is expected to face the same funding level as FY 2010).

The FY 2010 cuts were the latest in a string of cuts. Over the past 10 years, our funding has been so unstable that we no longer develop long-term plans. Funding for railroad

crossing safety projects is 20% less. Funding for the state-owned lines and Freight Economic Development programs are over 70% less. The rail program's scope is annual, based on available funding. We are the proverbial frog in the pot of increasingly hot water. With the utilization of bond money last year, much of the CTF cuts were offset. So this will be the first year our programs will be forced to fully absorb these most recent cuts. CTF reductions will constrain the program's efforts to preserve rail infrastructure and to the extent to which economic development assistance can be provided to rail-dependent businesses. To address shortfalls in the general fund, our infrastructure loan program fund's balance was diverted and the program suspended.

#### *Investment Plan*

The overall rail freight program is about half what it was 10 years ago and still not at the level that the TF2 had addressed in their "good" scenario. In FY 2011, however, we are planning to make safety investments at local railroad crossings at the same level as FY 2010—almost \$6 million. We plan to invest about \$2.26 million in preservation. Funding for Freight Economic Development projects will be budgeted from the approximately \$1 million in revenue from loan repayments, lease payments and any property sales. Priority will be given to economic development projects through both programs. The Rail Freight Program will seek to respond to any economic development activity, while continuing its safety and preservation focus under a reduced program.

#### Aviation – Rick Hammond

##### *Revenue Assumptions*

The Program is based on the executive budget and current appropriations bill and includes the capital program only. On the federal revenue side, we are operating on the 16<sup>th</sup> extension to the FAA Budget authorization that expired in 2007. There is still a great deal of uncertainty regarding federal funding as we are waiting for some indication of funding levels under the next FAA reauthorization. We remain deeply concerned about the House version of FAA reauthorization (HR 915) as it would double the required state match to 5% from the current 2.5%. Under that scenario, we will likely not have the necessary state funds to leverage all federal revenue in 2011. On the state side is the 3 cent per gallon aviation fuel tax and the Detroit Metro parking tax. This Program reflects the loss of ASAP Bond revenue, all general fund support, any revenue from the operating fund, and a 12.84% reduction of fuel tax revenue over a 5-year average.

Local funding for this program is \$16.45 million whereas state funding is \$3.87 million. Typically in years past we would have seen state and local funds relatively close. A couple factors are that the state does not match Detroit Metro capital programs (otherwise all of our state dollars would go to one airport), and there isn't a state local program (which is predominantly available to smaller general aviation airports or the small commercial service airports).

The Program broken down shows: Airport Improvement Program \$123.25 million, Air Service \$460,000 (currently suspended due to anticipated lack of revenue), and All Weather Airport Access \$530,000 (currently suspended due to anticipated lack of revenue) for a total of \$124.24 million. Not mentioned are maintenance and aircraft rescue and fire fighting training.

*System Preservation and Enhancement*

The split right now is about three-quarters preservation to one-quarter system enhancements or expansion projects—we have traditionally been about two-thirds/one-third. A new hangar was able to be built in 2009 due to MEDC and other general fund participation and provided 200 local jobs to the Oscoda area, and helped make a local maintenance firm competitive on the world market.

*Investment Plan-Airport Improvement Program*

When comparing 2010 to 2011, there are increasing dollars (federal discretionary) going to primary airports in Michigan (those airports with at least 10,000 passenger boardings per year) compared to the general aviation and non-primary airports. The statewide programs are barely perceptible and reflect funding restrictions that have forced us to eliminate most of them such as airport fire fighter training and runway maintenance.

Aeronautics balances issues between several agencies—state, local and federal. Most all of the airports are owned by local agencies but predominately funded with federal funds. We act on behalf of the FAA for all but the largest airports under a block grant agreement. We also target State priorities through the use of our MASP and try to react as best we can to local needs. Only 94 of the State's public airports are eligible for federal funding.

In summary we have an increased emphasis on preservation, capital funding is available for fewer airports, increased reliance on local funding, decreasing ability to target state priorities, and decreasing ability to support local economic development. We have a couple of big projects that will be finished soon: Kalamazoo terminal project (mid-50's airport terminal); MBS International in Saginaw (new terminal); and, the Benton Harbor/St. Joseph airport. This project to extend the runway has been a long-term multi phased project that was intended to accommodate the needs of a major Michigan employer (Whirlpool) who would have moved their world headquarters had we not been able to act.

Chair Wahby commented that it looks like the biggest challenge is in retaining what we have.

Mr. Hammond responded yes; that is our focus.

Chair Wahby added that there are certainly no additional monies for expansion or other things they would like to do.

Mr. Hammond responded that we still have companies that approach communities and the department stating that they would like to come into that area if only they had a little bit more runway. We have capacity need in southeast Michigan however, it is not likely that a new airport will be built.

Highway – Craig Newell

*Revenue Assumptions*

In this robust highway investment we are able to match all federal highway funding available to the department in 2011. MDOT's budget, approved by the legislature yesterday, restored the \$84 million in state revenue shortfall we needed to secure nearly

\$500 million in funding from Washington. Unfortunately, the highway program is still facing a financial crisis in the years to come. In November we will discuss the bleak outlook for the upcoming 2011-2015 Five-Year Program.

Total funding available for the 2011 Capital and Maintenance Program is estimated at \$1.38 billion. We estimate \$780 million available in federal funding which is based on levels equal to FY 2009. It is a decrease from the 2010 level of approximately \$175 million due to no federal stimulus (ARRA) funds in FY 2011. We anticipate \$573 million in state funding available for Routine Maintenance and Capital Program. STF revenues are estimated to decrease in 2011 by just under 1 percent. (0.6% decline in STF from FY 2010).

#### *Investment Plan*

Nearly \$500 million (36%) will be dedicated to pavement preservation, \$249.4 million (18%) for bridge preservation, over \$130 million for safety and operations improvements, just over \$93 million will be invested in enhancement projects, railroad crossings, SR2S, and scoping activities, nearly \$280 million in routine maintenance, and under 10% is dedicated to adding capacity to our system. Again, we are emphasizing system preservation and maintenance in 2011.

#### *Preserving the System*

The focus of the 2011 Highway Program is on preserving the system with \$1 billion (90% of the entire program) dedicated for road and bridge preservation and maintenance. We anticipate about \$740 million in construction lettings. As in prior years, project selection was based on the department's asset management approach. Of the nearly \$500 million in pavement preservation investment, 40% will be invested in reconstruction, 39% for rehabilitation, and 21% for preventive maintenance activities. The Preventive Maintenance investment alone will address more than 1,500 miles of pavement. We anticipate more than 120 miles of reconstructed and rehabilitated roads across the state and nearly 190 rehabilitated bridges with this program.

#### *Safety*

To continue to ensure a safe and efficient system in 2011, \$131 million will be invested. The safety program will invest \$57 million to work categories including signs, pavement markings, median guardrail, traffic signals, and safety projects. The department's goal is to reduce fatalities to no more than 250 and serious injuries to no more than 1,700 on the trunkline system by next year (2012). We will invest over \$14 million in Intelligent Transportation System activities throughout the state to improve safety and system performance.

The ITS program will focus on making the statewide ITS infrastructure more robust in conjunction with the opening of the Statewide Transportation Operation Center in Lansing and new Transportation Management Centers in Detroit and Grand Rapids. In the North Region, additional road weather information systems will be installed at strategic locations to help remotely monitor roadway conditions and improve winter maintenance operations. We are dedicated to continue work with our partners to keep the IntelliDrive Program moving forward.

Investment in the CMAQ program in 2011 will be nearly \$42 million to fund activities such as rideshare and vanpool programs, signal timing and retiming projects, construction of modern roundabouts, diesel retrofitting, transit service improvements, clean diesel bus replacements, intersection improvements, and construction of dedicated turning lanes and passing flares. The CMAQ program also provides funding for the Traffic Operations Centers in Detroit and Grand Rapids as well as the Freeway Courtesy Patrol Program in southeast Michigan. Other CMAQ projects include the addition of merge/weave lanes on US-127 in Ingham County, and message signs and closed circuit TV installation on M-39 in Wayne County, I-96 and US-127 in the University Region, and I-94 and I-69 in the Southwest Region.

#### *Expanding the System*

The Capacity Improvements and New Roads Program will be a \$134 million program aimed at relieving congestion in 2011. Three major projects are to be let to contract: a new bridge and interchange on I-96 at Latson Road, in Livingston County; initial construction on M-231 (a new two lane controlled access roadway between Holland and Grand Haven in Ottawa County) and we will begin construction of a new river crossing over the Grand River; additionally the Blue Water Bridge Plaza in St. Clair County. This project will improve the plaza, the adjacent Black River Bridge and the I-94/I-69 freeway approach.

#### Blue Water Bridge Plaza Project – Matt Webb

The 2011 Program includes the first phase of the Blue Water Bridge (BWB) Plaza Expansion project in Port Huron. This project is designed to improve the overall crossing efficiency, safety and security of the third busiest Land Port of Entry on the northern border, as well as the adjacent I-94/I-69 freeway corridor leading up to the plaza. MDOT has identified the BWB bridge crossing as a critical link in supporting the states' and our country's economy as approximately 15% of all surface trade moves through the Port Huron crossing annually. The project seeks to eliminate several undesirable weaves heading to the U.S. and Canada, reduce delays for passenger and commercial vehicles coming into the U.S., and replace aging infrastructure along the I-94/I-69 corridor.

MDOT has broken the \$583 million project into 3 separate construction contracts moving forward: Contract 1 (the Freeway Contract) will make all necessary freeway improvements leading up to the plaza; Contract 2 (the City Streets Contract) will relocate Pine Grove Avenue to the south and west around the plaza, as well as complete any necessary utility relocations; and, Contract 3 (the Plaza contract) will expand the plaza area from the existing 18 acres to 56 acres in size as well as bring the entire plaza down to grade (it is currently elevated 22'). Since the Record of Decision has been received, the department has been actively acquiring the necessary right-of-way to construct the overall project. To date all 125 residential and 16 of the 30 commercial acquisitions have been completed and structures demolished.

#### *Contract 1 - Scope of Work*

The scope of work included in Contract 1 which is scheduled to begin in 2011 includes: 1) the replacement of the existing 4 lane Black River Bridge with a new 9 lane structure. The new bridge will consist of 3 parallel structures 1,635 ft long x 285 ft wide. The new bridge will fully separate eastbound local traffic from international traffic significantly

improving the overall operations and safety at this location. The bridge will also incorporate a new 14' non-motorized path which will span the Black River; 2) temporary connections to both the existing Plaza and Pine Grove Avenue (M-25) will be provided under this contract; 3) other elements of this project include the full replacement of the Water Street interchange, and a new full access Lapeer Connector interchange which will provide improved access for the city of Port Huron and the Charter Township of Port Huron; and, 4) reconstruct almost 2 miles of freeway between Lapeer Road and the BWB plaza.

Also as part of this contract the existing Welcome Center will be removed, and site grading and utility feeds for the proposed Welcome Center which is to be relocated approximately ¼ west of the existing center will be constructed. The International Welcome Center facility will be constructed by the Department of Technology Management and Budget as part of a future contract. A temporary welcome center facility will be provided at the I-69 Capac Rest Area until the new facility is constructed.

#### *Funding and Schedule*

Contract 1 will be funded with a combination of state and federal funding. In February 2010 MDOT was awarded a \$30 million TIGER grant for the Black River bridge portion of the project. This grant must be obligated in FY 2011 or the department will lose these funds. The remaining portions of Contract 1 will be funded with federal aid earmark balances from SAFETEA LU and bond revenues which the department will come before this Commission at your October meeting and request approval.

Contact 1 is scheduled for letting in February 2011. Construction is anticipated to begin in March 2011 and be fully completed by November 2013. The remaining portions of the project will be constructed following completion of Contract 1. At this time Contract 2 is preliminary programmed to begin construction in 2013 and Contract 3 is programmed to begin construction in 2014. The department estimates the project will be fully built out by 2017.

Chair Wahby asked what the impact to the second bridge was to this.

Mr. Webb replied that one of the purpose and needs of the project is to eliminate the mid BWB weave. Trucks, when they come into the U.S., are on the right hand side. When the plaza was expanded, because of limited right-of-way at that time, the commercial inspections got put on the left hand side. This project will now seek to put the inspection facilities on the right hand side so we can keep the trucks on the right hand side and help eliminate some of those delays coming into the U.S.

Chair Wahby commented that this was a problem before we built the second bridge.

Mr. Webb replied that this is something we've been working on. One of the primary reasons that we undertook this effort was to address some of the deficiencies. We couldn't do everything with that second span at that time.

Chair Wahby asked if there was some concern about whether they were going to go through the township which caused Homeland Security to get involved.

Mr. Webb replied yes; the department looked at 26 different plaza options. One of them was to move the whole facility out into the plaza where you didn't have the types of residential and commercial relocations that we have with this project. Customs and Border Protection at that time said they would not staff the facility out in the township so we had to go back to the drawing board and this is what we came up with.

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.

Commissioner Atkinson commented that after reading the materials, six years with the Commission and traveling 490 miles by road to get here today, the reports given today represent a shining moment because, for example, the Houghton Awards broke the mold. We see a whole new paradigm of how we go about dealing with preserving the system and the context of the system. Complete Streets is going to be a huge challenge but on the other hand it brings in new communities to the problems. This also changes our paradigm about how we think about that fixed revenue stream and where it comes from. Using the ingenuity, creativity, and the dedication represented in the department and the that has been done, we don't have to look back to ask what we need to do to get these funding sources back, we have to look out to ask where our alternative funding sources are in these communities that are now part of the challenge. She suggested that the Commission may need at some future time, perhaps after the November election, a study session/workshop to revisit the topic of alternative funding sources.

Chair Wahby agreed that we have to wait to see what the incoming administration in November will have to say about this.

VII. **ADJOURNMENT**

There being no further business to come before the Commission, Chair Wahby declared the meeting adjourned at 10:48 a.m.

The next full meeting of the Michigan State Transportation Commission will be held on Thursday, October 28, 2010, in the 1<sup>st</sup> floor Bureau of Aeronautics and Freight Services Auditorium in Lansing, Michigan, commencing at the hour of 9:00 a.m.

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Frank E. Kelley  
Commission Advisor