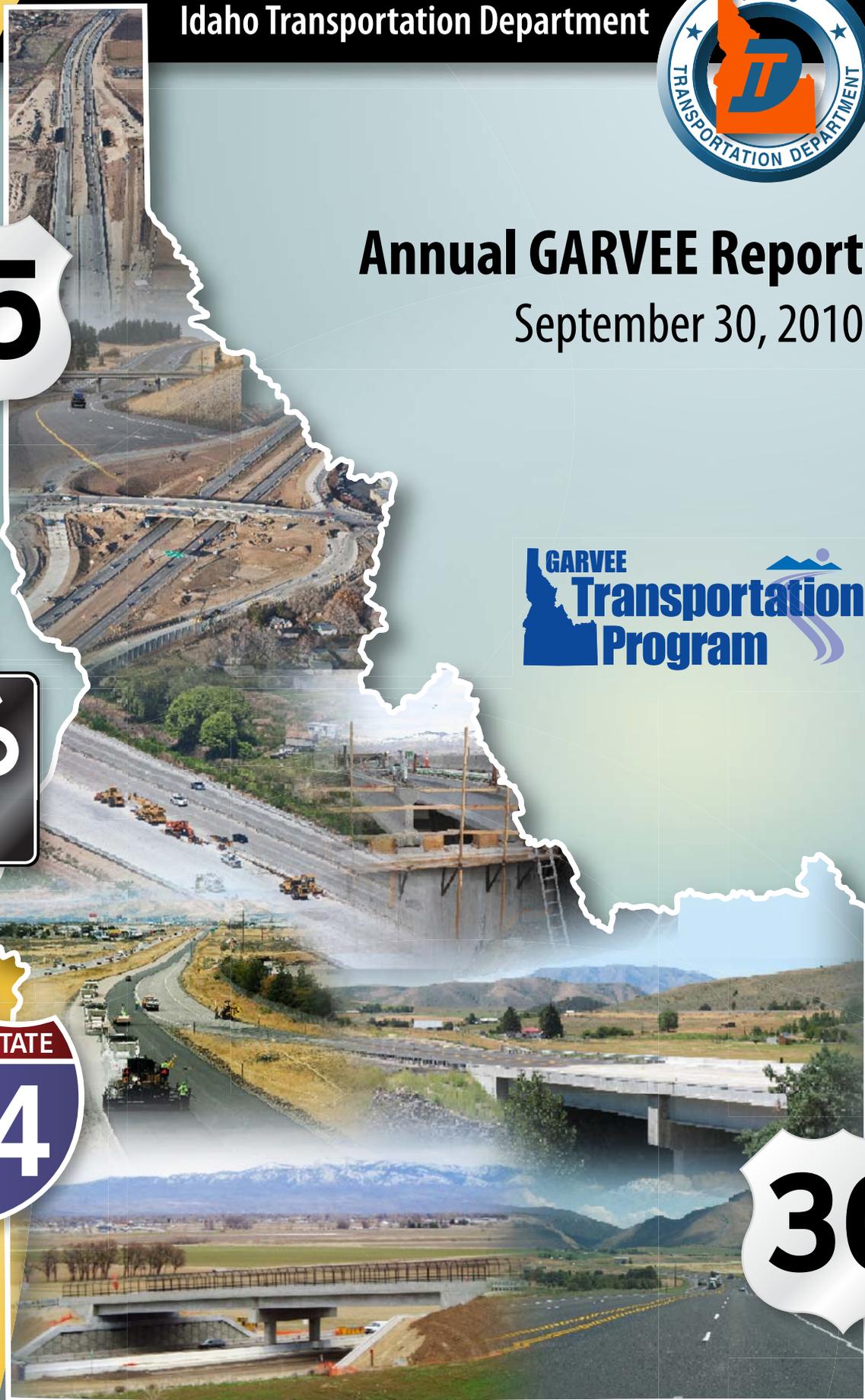


Idaho Transportation Department



Annual GARVEE Report

September 30, 2010



Letter from the Director

It is my pleasure to submit the Idaho Transportation Department's (ITD) 2010 annual report on the Grant Anticipation Revenue Vehicle (GARVEE) Transportation Program. As the new director of ITD, I have been implementing a new vision for the department. This vision is based on one goal—to be the best transportation department in the country.

I will measure success in two ways: first, when other transportation departments contact ITD to do the same things we are doing, and second, when Idaho's Governor and Legislature point to our department as being the go-to-agency for other state agencies to follow.

To achieve this goal within ITD, the department must demonstrate sound fiscal responsibility and wise use of the hard-earned tax dollars entrusted to it. We seek to be more effective and save costs through efficiency. We strive for transparency, accountability, and on-time delivery. We use partnerships to leverage resources.

The GARVEE Transportation Program is an example of how the department is already achieving these important goals. I am pleased to report that GARVEE improvement projects have been substantially completed in four of the six corridors statewide and are underway in the remaining two corridors.

The design and construction of these GARVEE-funded projects have been accomplished in an efficient, transparent, and accountable manner. By leveraging private sector resources, the department has been successful in delivering projects ahead of schedule and under budget. We look forward to applying many of the techniques used on the GARVEE projects throughout the department.

I thank Idahoans for their continued commitment to maintaining and improving our transportation system. Although challenges remain, we are headed in the right direction. Realizing our vision will help us reach our goal of becoming the best transportation department in the country.



Brian W. Ness
Director

My vision is based on one major goal—to be the best transportation department in the country.

Report Overview

This report provides an update on the current status of funding authorizations and bond sales supporting the GARVEE Transportation Program, and summarizes the program's progress. It details the project readiness model that the program is using to accelerate project construction. Additional information about the GARVEE Transportation Program can be accessed online at <http://itd.idaho.gov>.

Further program information, including a GARVEE Transportation Program overview, the history of the program, and a discussion of innovative tools and techniques that contributed to efficient and effective program delivery are included as Appendix A.

Funding Authorization Request (FY12)

The Idaho Transportation Board is currently analyzing key aspects required to complete the program and will determine a recommendation for the FY2012 bonding request later this year. A chart depicting previous funding requests and bond sales is included as Appendix B.

Bonding Update

To date, the state has sold four series of bonds to finance \$657 million worth of projects. The program has capitalized on favorable interest rates with a weighted average for all bonds sold of 4.54%. Contract awards and cash flow requirements contribute to the size and timing of bond sales.

Bonds are sold on an as-needed basis when contracts have been awarded to ensure that funds are available for the duration of the contract while limiting interest costs. The department works closely with its financing partners on size, timing, and structure decisions.

Legislative authorizations provide not only the legal authority to secure financing, but just as importantly, the assurances needed to move forward with completion of the associated projects. The department issues bonds during the fiscal year authorized by the legislature after all project readiness requirements have been met.

TABLE 1 - FUNDING AUTHORIZATIONS AND BOND SALE SUMMARY

Authorizations		Cumulative Total	Bond Sale Summary
2006 Auth. No. 1 (FY07)	\$200 million (plus \$15 million interest earnings)	\$215 million	\$215 million - Series 2006A
2007 Auth. No. 2 (FY08)	\$250 million	\$465 million	\$179 million - Series 2008A
			\$24 million - unbonded *
2008 Auth. No. 3 (FY09)	\$134 million	\$599 million	\$179 million - Series 2009A
2009 Auth. No. 4 (FY10)	\$82 million	\$681 million	\$84 million - Series 2010A
2010 Auth. No. 5 (FY11)	\$12 million	\$693 million	Bonds are sold on an as-needed basis, but proceeds must be in place to cover contracts.
Future Authorization	\$162 million	\$855 million	

* \$24 million unbonded Prior Authorizations dedicated to U.S. 95, Garwood to Sagle corridor.

Progress to Date

The GARVEE Transportation Program encompasses projects in six corridors throughout Idaho. Funding for the program is summarized by corridor (Table 2). Overview maps of individual corridors are included as Appendix C.

Effective August 31, 2010, \$646.2 million of Idaho's GARVEE funds were obligated, which is 93.3% of the \$692.6 million total authorized. The contracted amount is \$621 million, and \$503 million has been expended.

TABLE 2 - CORRIDOR PROGRESS SUMMARY

Corridor	Budget (\$ millions)
U.S. 95, Garwood to Sagle	Partially Funded at \$88 of \$167
U.S. 95, Worley to Setters	Fully Funded at \$55
Idaho 16, I-84 to South Emmett	Partially Funded at \$54 of \$132
I-84, Caldwell to Meridian	Fully Funded at \$255
I-84, Orchard to Isaacs Canyon	Fully Funded at \$116
U.S. 30, McCammon to Soda Springs	Fully Funded at \$88
Program Management	Partially Funded at \$37 of \$42

Through August 2010, 28 prime construction contracts, 7 supply contracts, and numerous consultant services agreements have been issued, totaling more than \$566 million. See full list of service providers in Appendix D.

Program Scope

The initial program capacity of \$998 million was calculated based upon limiting the ultimate debt service payments to 30 percent of federal aid apportionments. The associated projects within the six corridors have gained definition over the years, but the scope of work has remained essentially the same.

Fortunately, the program has benefited from a competitive construction environment and has realized substantial savings from projects bidding lower than originally estimated.

Furthermore, the Vista Avenue Interchange project was funded for construction through the ARRA Stimulus Program, thus reducing the GARVEE Program by \$43 million. Savings from GARVEE-funded projects have been reallocated to advance other projects and portions of the original scope of work.

The department has implemented a fiscally responsible strategy for addressing savings and delivering the original scope of the program. By taking into account all prior year savings, advancing projects that were ready ahead of their fiscal year, and monitoring current construction estimates of unfunded projects, the GARVEE Program is now estimated to be \$855 million.

Readiness

As the GARVEE Transportation Program approaches completion, the program has taken aggressive steps to monitor completion of the remaining projects, anticipate changes, and manage program cash flow to bring the program to a successful conclusion.

Readiness, which is based upon project progress and delivery timeframes, is the basis for determination of the legislative authorization request. The goal of readiness is to have projects ready for construction in the shortest time possible. To achieve this goal, the program has focused on monitoring project schedules and budgets, and on packaging construction projects to produce more efficient delivery, while foremost being mindful of public convenience.

Program leaders conducted a Risk Assessment Workshop in March 2010 to identify high, medium, and low risk areas related to project costs and schedules. Mitigation measures and monitoring strategies were implemented to provide maximum program benefit.

The following efforts were utilized to ensure reliable estimates:

- Contingency based on design stage and progress
- Consistent market forecasts and inflation factors
- Uniform rate for construction services

This year, cash flow will be a critical element of the GARVEE program. This challenge relates to many economic variables that could affect the costs of right-of-way acquisition, construction materials, labor, and equipment.

Inflation Trends

The department routinely monitors inflation trends for constructing, maintaining, and operating highways. Often cited inflation indices like the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) are useful in assessing changes in the value of household consumer goods and services over time. However, the drivers for inflation trends in highway costs are more diverse, and are influenced by industrial-scale costs of materials, labor, equipment, and contractor availability. The analysis of highway cost inflation is complex, and relies upon a combination of recent bid trends, wage rates, fuel prices, producer price indices for highway materials, and market conditions.

Some cost factors, such as labor and equipment, are depressed based upon the effects of the recession and high unemployment rates. As a result, these components of highway construction costs declined in the last two years, and are projected to remain flat for the upcoming year. Other cost inputs have shown steady price increases, with highway materials seeing an average rise in excess of 8 percent during FY2010. This trend in material cost inflation is expected to remain steady over the short- to medium-term future.

According to a May 18, 2010 press release from the Associated General Contractors of America, citing AGC Chief Economist, Ken Simonson:

Construction contractors continue to be squeezed between rising materials costs and falling output prices, according to AGC's new analysis of materials costs. AGC noted that even as the producer price index leapt in April for key construction components, the amount contractors charge for construction services remains depressed.

The conclusion is that while current prices are favorable, modest increases are to be expected. Weighing all of the factors that influence highway costs, the GARVEE Transportation Program has calculated a 3.3% annual inflation rate through FY2012, which will be applied to the future funding request that the Idaho Transportation Board is currently analyzing.

Future Federal-Aid Highway Funding

The status of Federal-Aid Highway Funding affects the amount of funding available from the federal government to Idaho. The Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU), funded by the Highway Trust Fund, expired in September 2009. Congress has not enacted a new federal transportation bill, but has extended SAFETEA-LU and funding with a series of extensions.

On March 18, 2010 President Barack Obama signed the Hiring Incentives to Restore Employment Act, which ensures the trust fund's solvency into 2013. The most recent continuing resolution passed by Congress appropriates funds to the states through December 31, 2010.

The department continuously monitors federal funding levels to ensure that necessary funding exists to comply with bonding and debt service level provisions in Idaho Code.

Program Overview

The Grant Anticipation Revenue Vehicle (GARVEE) Transportation Program is a debt-financing mechanism that permits states to accelerate highway construction projects by selling bonds. In our case, the bonds are paid back with a combination of future federal appropriations and a state match. However, State resources are not committed for repayment.

GARVEE bonds provide a means to accelerate highway safety and expand commerce throughout the state. The program has proven to be a success story for ITD and the taxpayers of Idaho.

This program for Idaho involves six major corridors covering more than 70 centerline miles of highway throughout the state. More than 100 engineering and construction contracts are expected to have been awarded during the life of the GARVEE program, with emphasis on participation by Idaho-based companies.

History

In 2004, former Governor Dirk Kempthorne asked ITD leadership what it would build if it had an additional \$1.6 billion in funding over a 5-year period. The governor issued a plan that consisted of multiple projects along 13 corridors throughout the state of Idaho, and announced the GARVEE Transportation Program (then called Connecting Idaho) in January 2005 in his *State of the State* address. These original corridors and projects were eventually passed by the Idaho Legislature and signed into law by Governor Kempthorne in 2005.

During the consideration of the legislation, a number of limitations were introduced. The most significant was a cap on the amount of GARVEE bonds that could be sold. This cap, designed to protect the formula program, limited debt service of GARVEE bonds to no more than 20 percent of Idaho's annual federal apportionment the first year and 30 percent in subsequent years. A reduction of the program to \$998 million accounted for the limiting of federal apportionment used for debt service and capitalizing on more favorable bond ratings.

A combination of actions taken by the Idaho Legislature and the Idaho Transportation Board resulted in modifications to the GARVEE Transportation Program during the first couple of years from 13 corridors to 6 corridors, focusing on high need areas and safety improvements. Some of the initial corridors were eliminated and all remaining corridors were trimmed in scope. Consequently, the limited budget and reduced scope results in remaining needs in all corridors.

In the fall of 2006, the Idaho Transportation Board approved the initial plan for the GARVEE Transportation Program with six corridors throughout the state of Idaho:

- U.S. 95, Garwood to Sagle
- U.S. 95, Worley to Setters
- Idaho 16, I-84 to South Emmett
- I-84, Caldwell to Meridian
- I-84, Orchard to Isaacs Canyon
- U.S. 30, McCammon to Soda Springs

Despite the many challenges and hurdles overcome by ITD, the GARVEE Transportation Program has implemented projects quickly and delivered them under budget - which in turn allows users to take advantage of the improvements sooner. ITD and the taxpayers of Idaho have realized significant savings in both time and money as a result of these improvements.

Since the adoption of the plan, design and construction have progressed at an impressive rate. Key milestones include:

- Environmental decisions were obtained for five of the six corridors.
- Engineering and design commenced on five of the six corridors (design of the U.S. 95, Worley to Setters corridor had already begun prior to program initiation) and has been completed on four of the six corridors.
- Construction commenced on five of the six corridors and was completed on one corridor (U.S. 95, Worley to Setters). Substantial progress has been achieved on three more corridors, and construction on these corridors will be complete in 2011.

Innovative Tools and Techniques

The goal of the GARVEE Transportation Program has been to deliver economical projects faster, safer, and with less impact to highway users. To achieve this goal, the program has focused on monitoring project schedules and budgets, and on packaging construction projects to produce more efficient delivery while maximizing public convenience.

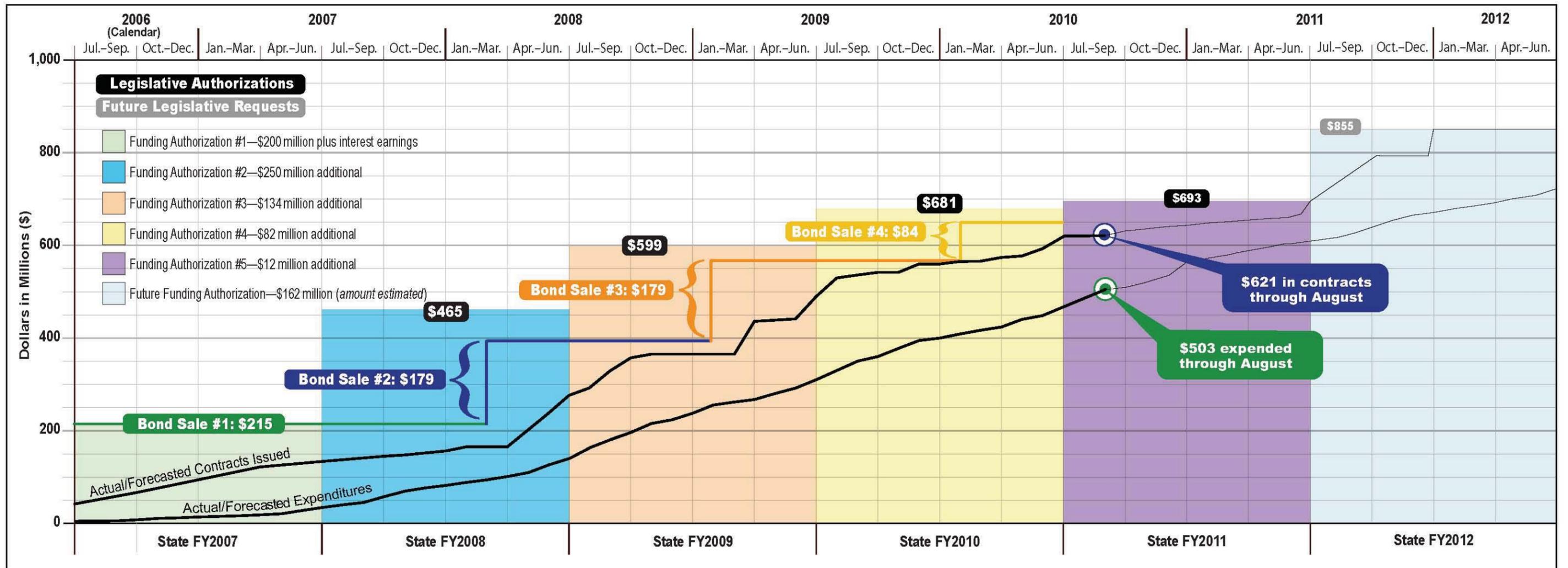
Following legislative approval of the program, the Idaho Transportation Board and ITD leadership analyzed the amount of extra work required to deliver the GARVEE Transportation Program and determined that it was in the best interests of the state to use a private sector program manager to help ITD deliver the program. By selecting Connecting Idaho Partners (CIP) – a joint venture between URS Corporation and CH2M HILL – to provide program management, ITD has been able to deliver long-lasting highway improvements over a short period of time without growing the size of the department.

Early in the program, an Advanced Construction Technology Transfer (ACTT) workshop was held to bring national experts together with local leaders to explore innovative approaches to accelerate construction. As a result of that workshop, program leadership selected specific tools and techniques to accelerate the development phase of the program and to increase competition among contractors, resulting in savings for the taxpayers of Idaho:

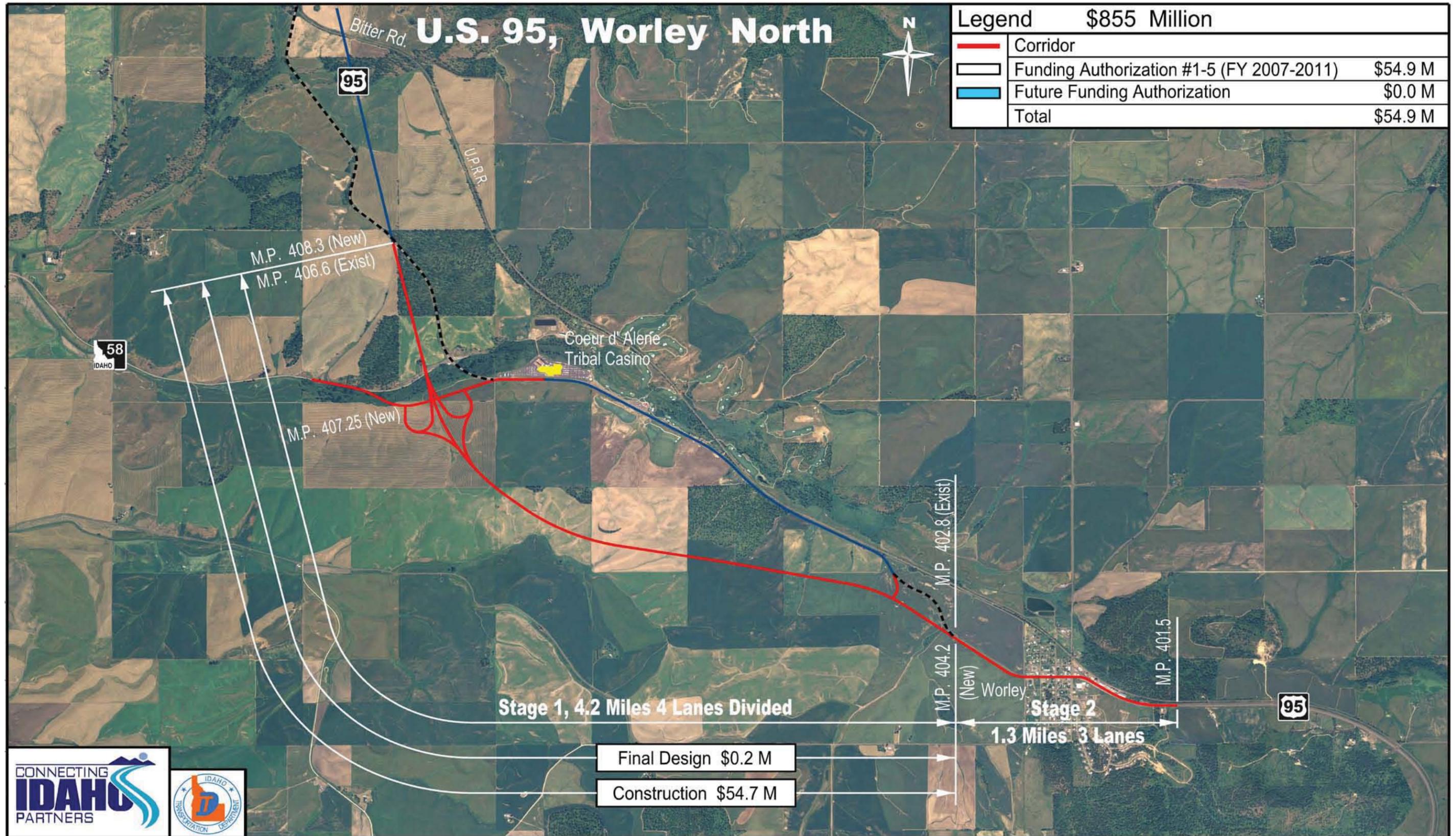
- Federal Highway Administration Special Experimental Project #15 (SEP-15) enhancements
- Aggressive construction schedules
- Use of pre-purchased materials
- Project packaging and sequencing
- Accelerated bridge construction techniques
- Use of completion and milestone incentives
- Consolidation of public information campaigns
- Consolidation of traffic control contracts

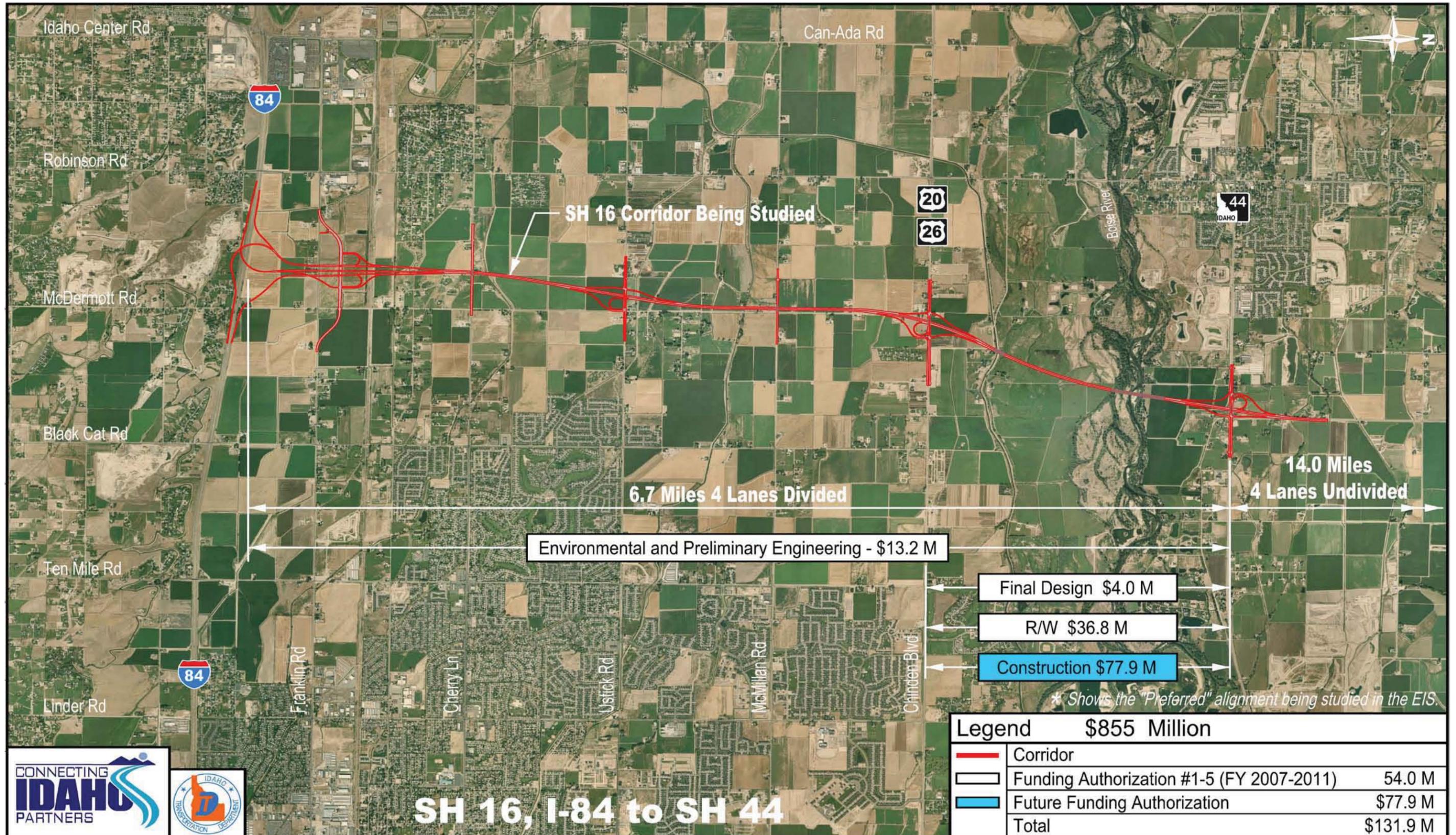
Public outreach has been a critical element in program coordination and scheduling, as well as in increasing safety and minimizing public inconvenience. Outreach to local residents, businesses, public officials, and other key stakeholders occurred early in design phases and were maintained throughout construction.

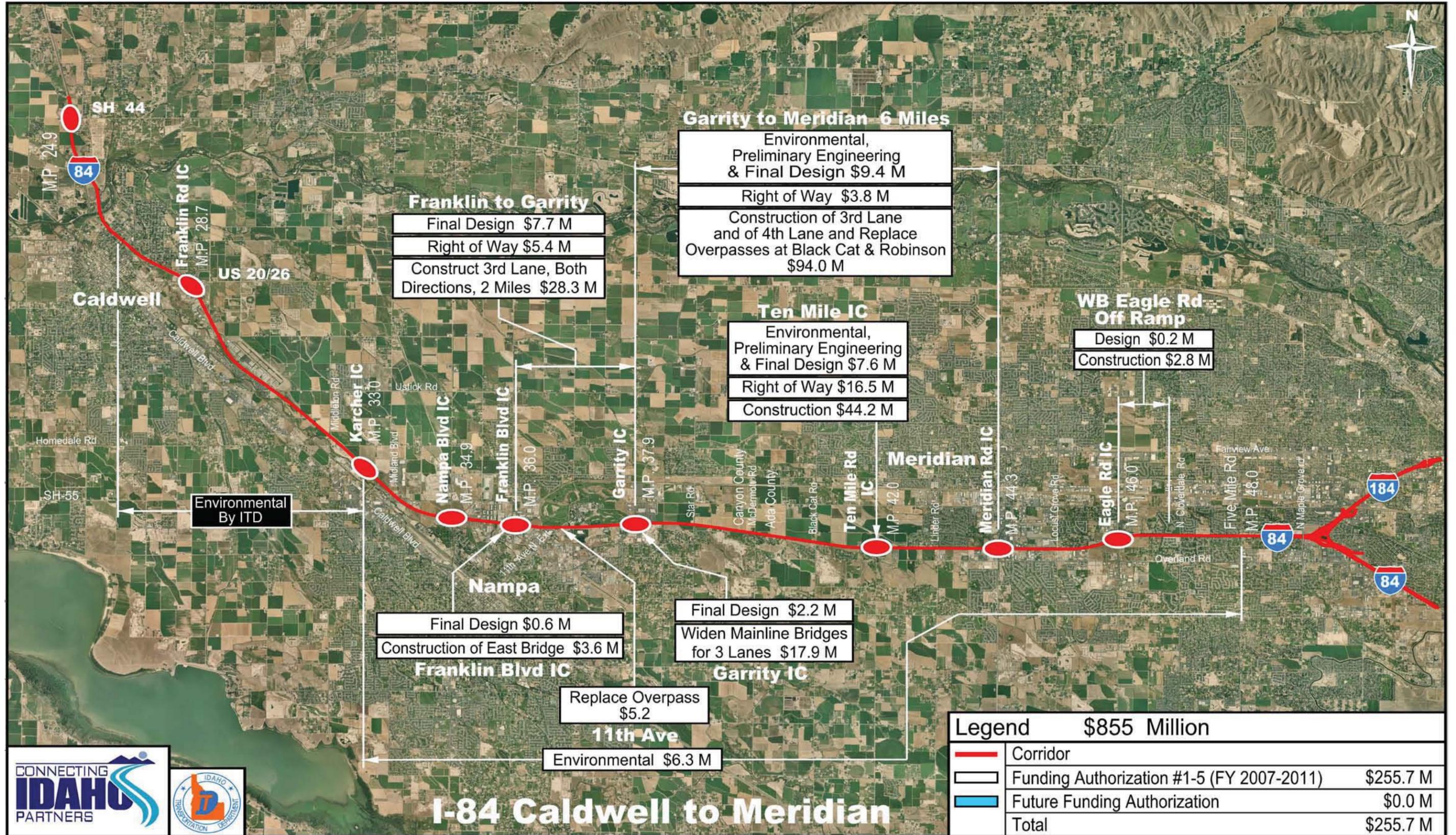
These efforts have enabled the GARVEE construction projects to be delivered at an accelerated pace at costs less than anticipated. Idaho has benefitted from aggressive and competitive bidding, resulting in significant bid savings on recent projects and allowing other projects to occur sooner than originally scheduled.











Franklin to Garity

Final Design \$7.7 M

Right of Way \$5.4 M

Construct 3rd Lane, Both Directions, 2 Miles \$28.3 M

Garity to Meridian 6 Miles

Environmental, Preliminary Engineering & Final Design \$9.4 M

Right of Way \$3.8 M

Construction of 3rd Lane and of 4th Lane and Replace Overpasses at Black Cat & Robinson \$94.0 M

Ten Mile IC

Environmental, Preliminary Engineering & Final Design \$7.6 M

Right of Way \$16.5 M

Construction \$44.2 M

WB Eagle Rd Off Ramp

Design \$0.2 M

Construction \$2.8 M

Environmental By ITD

Nampa

Final Design \$0.6 M

Construction of East Bridge \$3.6 M

Final Design \$2.2 M

Widen Mainline Bridges for 3 Lanes \$17.9 M

Replace Overpass \$5.2

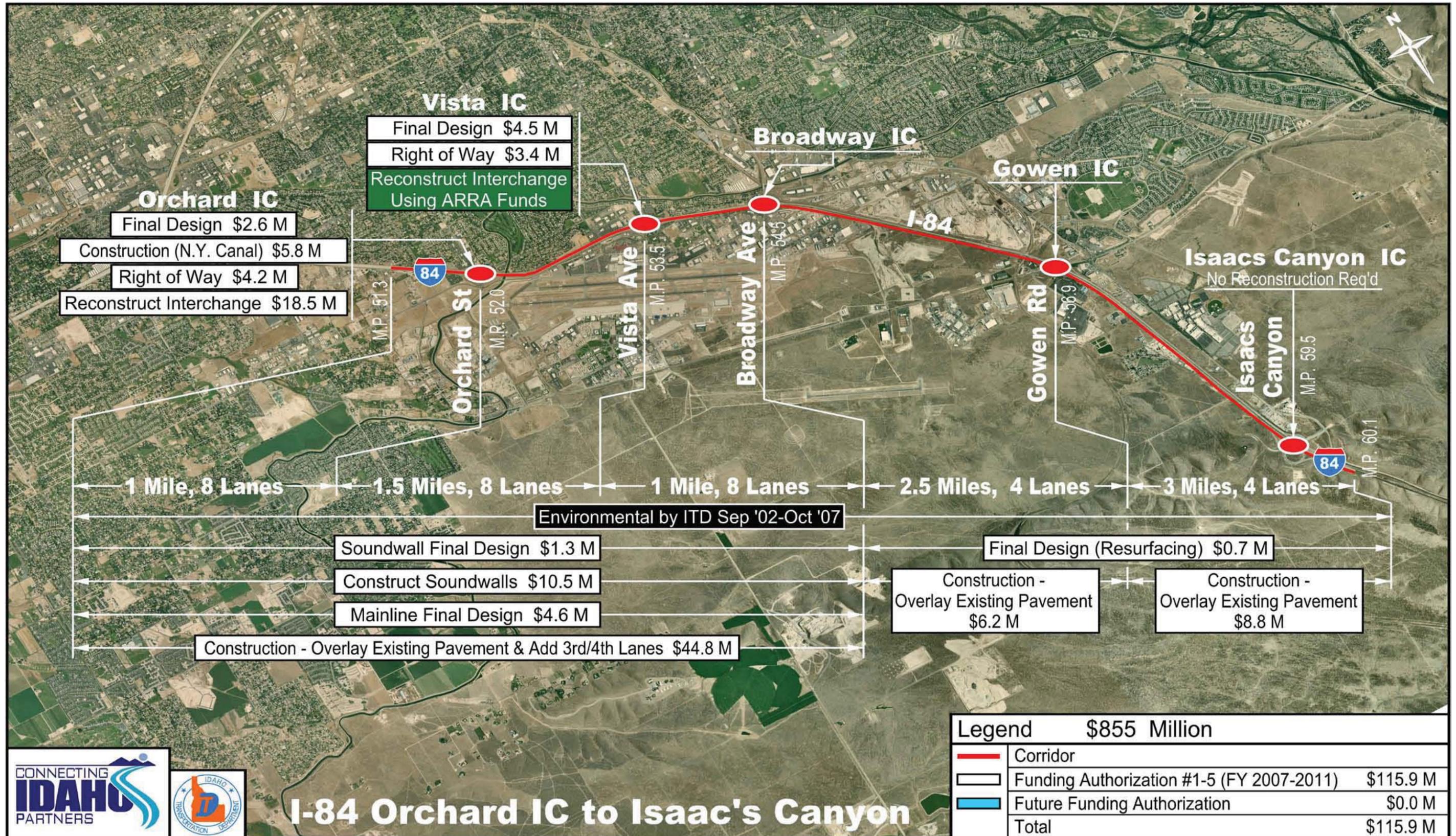
11th Ave

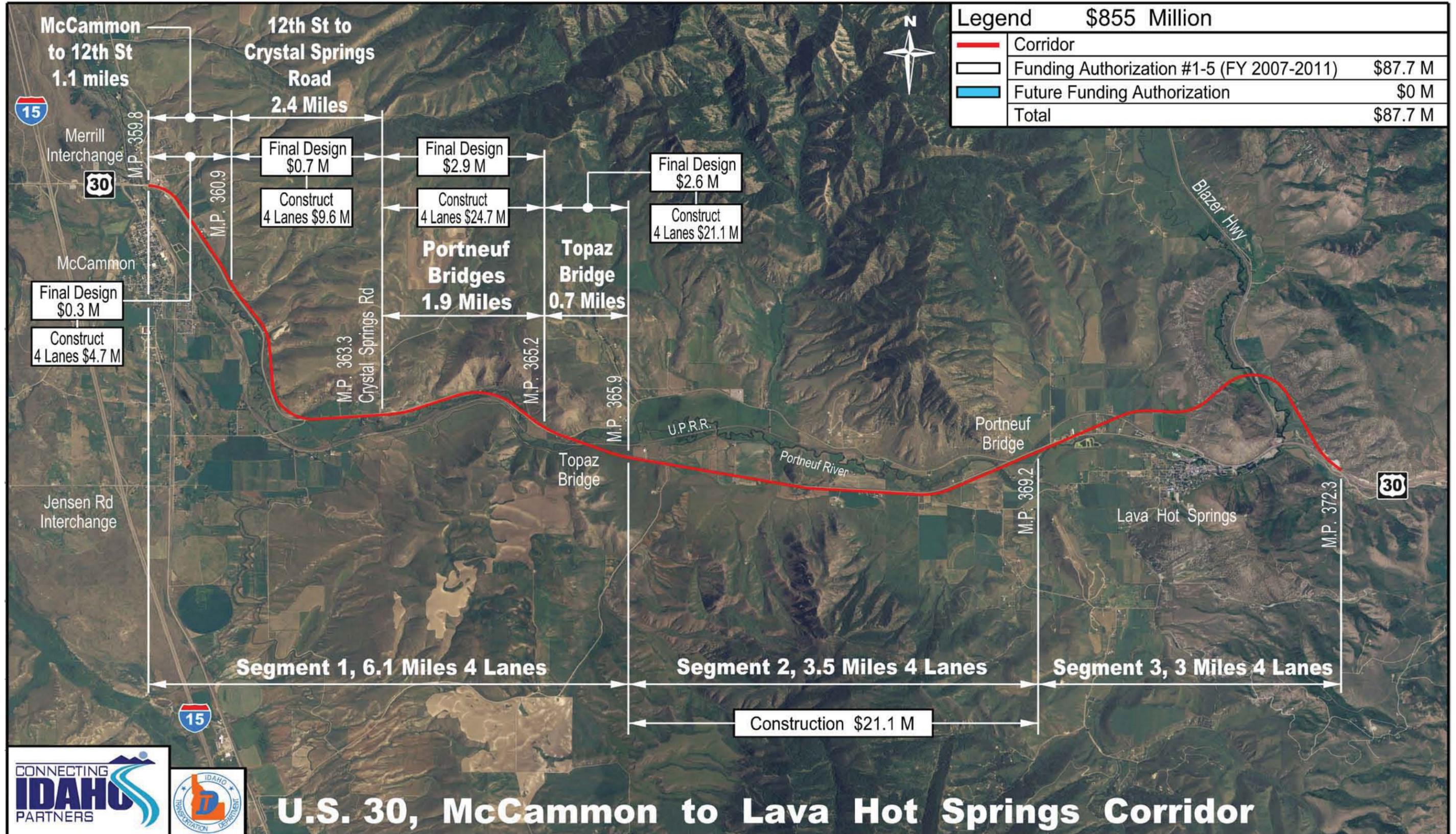
Environmental \$6.3 M

Legend		\$855 Million
	Corridor	
	Funding Authorization #1-5 (FY 2007-2011)	\$255.7 M
	Future Funding Authorization	\$0.0 M
	Total	\$255.7 M



I-84 Caldwell to Meridian





A-Core of Idaho, Inc.	Chevron Pipe Line Company (CPL)	HK Contractors, Inc.
Ada Sand & Gravel	Concrete Design Concepts	Horrocks Engineers, Inc.
Advanced Shoring & Underpinning, Inc.	Concrete Placing Company, Inc.	Idaho Construction Company Inc.
All Star Striping, LLC	Coughlin	Idaho Construction Surveying
Alpha Masonry	Curtis Clean Sweep	Idaho Sand & Gravel Company
ALS	DH Crosby	Idaho Survey Group
American Fence Co. of Idaho, Inc.	David Evans and Associates, Inc.	Idaho Traffic Safety, Inc.
American Geotechnics	DeAtley Crushing Company, Inc.	Ideal Demolition Services, LLC
Amerigo, Inc.	Diversified Concrete	Inland Crane, Inc.
Anderson Environmental Consulting	Eclipse Traffic Control	IraMac
Robert L. Angle & Associates	Epic Engineering, P.C.	Iteris, Inc.
Antigo Construction	ES Engineering, LLC	JD Steel
Apex Curb & Turf	Forsgren Associates	Johnson Excavating & Paving
Apply-A-Line	G2B	J-U-B ENGINEERS, Inc.
Barnes, Inc.	Garden Valley	KB Welding
Bionomics Environmental, Inc.	Glahe & Associates, Inc.	Keller Associates, Inc.
Butler Engineering & Land Surveying, Inc.	Graham Construction & Management, Inc.	Kleinfelder
Brundage Bone	Green Velvet Reclamation, Inc.	Knife River (Hap Taylor & Sons, Inc. DBA)
BX2 Rebar & Stressing, LLC	Ground FX	Kodiak Pacific Construction
Carpenter Fence	Frank Gurney	L2 Data Collection
Castle Peak Construction	h2 Surveying	Land Solutions
Central Paving, Inc.	Hanson Eagle Precast	Langdon Group, Inc.
Central Washington Asphalt, Inc.	Hap Taylor & Sons, Inc. DBA Knife River	Lawn Company, The
CH2M HILL	Harris Rebar ABCO	Layton
	Hayward Baker, Inc.	LeGrand Johnson Construction Co.
	HDR, Inc.	H.W. Lochner, Inc.

APPENDIX D

Lynda Friesz Public Relations, Inc.	Power Plus	SWCA Environmental Consultants
M.A. DeAtley Construction, Inc.	Project Engineering Consultants, Ltd. (PEC)	Syman
Mainstream	Promark, Inc.	TA Dibble
MarCon, Inc.	Qualitree	TAG Historical Research & Consulting
Mason & Stanfield	Quality Electric, Inc.	Terracon Consultants, Inc.
Materials Testing and Inspection	RAD Construction	Thomas Grinding
McAlvain Construction, Inc.	Rainier Steel	Thorco
McAlvain Excavation	Randell Concrete	Thueson Construction, Inc.
McMillen Engineering	RBCI	Toothman-Orton Engineering Company
Meckel Engineering & Surveying, Inc.	Record Steel & Construction, Inc. (RSCI)	Transcivil
Mike Pepper	Road Products, Inc.	Transportation and Civil Solutions, P.C.
NA Construction	Romar Electric	TS Concrete Construction
National Coatings	Safety Corp., Inc.	Universal Field Services, Inc.
Nelson Deppe Inc.	Scarsella Bros, Inc.	Valentine Surfacing
Nilex Construction	SECO, LLC	Veasey Seeding
North Star Enterprises	Sharp-Line	Velocity Steel
Northwest RCI	Skillings Connolly, Inc.	Western Construction, Inc.
Pacific Coast Steel	Sidewalks LLC	WF Construction & Sales LLC
Parametrix, Inc.	Snake River Construction	Wheeler Electric, Inc.
Pavement Markings Northwest, Inc.	Sommer Construction	WHPacific, Inc.
Pavement Specialties	Southfork Construction, Inc.	Wildlands
Peninsula Sawing & Drilling	Specialized Pavement Marking	Willowcreek Fencing, LLC
Pinnacle Consulting Management Group, Inc.	Specialty Construction Supply	W. M. Winkler
Pipe Inc.	Spitzer & Associates	B. Witt Concrete Cutting
Poe Asphalt	Stanley Consultants, Inc.	
Porter W. Yett Co.	STRATA Geotechnical Engineering	