



STATE OF NORTH CAROLINA  
DEPARTMENT OF TRANSPORTATION

BEVERLY EAVES PERDUE  
GOVERNOR

EUGENE A. CONTI, JR.  
SECRETARY

October 4, 2010

MEMORANDUM TO: AGC-DOT Joint Cooperative Committee Members  
FROM: Victor Barbour, PE  
SUBJECT: September 23, 2010 Minutes for the Joint Cooperative Committee Meeting

The Joint Cooperative Committee of the AGC-DOT met at 10:00 a.m. on September 23, 2010 in the Chief Engineer's Conference Room at the NCDOT Equipment and Maintenance Facility, Beryl Road, Raleigh with the following in attendance.

Debbie Barbour	Chris Fresa	Drew Johnson	Natalie Roskam
Victor Barbour	Randy Garris	Phillip Johnson	Ron Shaw
Bose Bratton	Terry Gibson	Carrie Langevin	Ted Sherrod
Kevin Burns	Brad Goodson	Lenny Langevin	Jule Smith
Ken Cates	Ricky Greene	Don Lee	Lamar Sylvester
Andy Clark	Ron Hancock	Brian Long	Bill Tomlinson
Steve DeWitt	Chris Howard	Art McMillan	Dave Villani
Mark Foster	Berry Jenkins	Anthony Roper	Jim Wyngaarder

*AGENDA AND DISCUSSION ITEMS*

**Maintenance of Effort (Economic Stimulus Update) Mark Foster**

Mr. Foster stated that the State received \$735 million for highway and bridge projects and \$545 million for rail projects from ARRA. In addition, the Department was required to meet a \$1.5 billion in state funds spent prior to the September 30<sup>th</sup> deadline to meet our Maintenance of Effort (MOE) requirements of ARRA. The Department has met the requirements of ARRA. Mr. Foster commented that the work on the Triangle Expressway and good weather facilitated meeting the goal. He thanked all involved for their efforts. Also, North Carolina received a reauthorization grant of \$38 million from FHWA.

**Revenue and Budget Update Mark Foster**

Mr. Foster reported that the Department is ahead of revenue projections by 3.5% in the first two months of the new fiscal year. The biggest state revenue source, gas tax, is up 5%, the highway use tax up 4%, and DMV revenue is down 1% from last year.

The biennium budget process is beginning, and continuation budgets are being submitted. NCDOT is

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working to free up 10% or more resources. Cost saving ideas and input on the budget are welcome.

### **Legislative and Congressional Update**

**Mark Foster**

The President held a press conference to announce over \$50 billion in new stimulus funding last week. Mr. Foster commented that no details are available, and bill success seems low.

Mr. Foster reported that financing is underway for the Monroe Turnpike. State appropriation bonds and gap bonds will be released in October. The main source of funding is Buy American bonds because a federal subsidy reimburses 35% of the interest paid to the State. The Buy American bond subsidy ends this December.

Monroe, Mid-Currituck Bridge and Garden Parkway did not make the list for a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. Efforts are underway to identify why these programs did not make the cut and if the Department is precluded from reapplying next year. The TIFIA loans were expected to fill one third of the needed financing. Other financing options are available to continue the projects.

Mr. Gibson commented that the learning opportunities created by the Maintenance of Effort requirements allowed the Department to improve efficiency in the delivery of project dollars. The general fund deficit is expected to be \$3.2 billion. The Department is seeking savings suggestions and will continue efficiency improvement efforts.

### **Letting Projections**

**Victor Barbour**

Mr. Barbour reviewed the total spending budget of the 10 year work program including funding from GARVEE, TIP, ARRA, Mobility Funds, and Turnpike sources:

<b>Fiscal Year</b>	<b>Budget</b>
2011	\$2.55 billion
2012	\$2.1 billion
2013	\$1.3 billion
2014	\$1.5 billion
2015	\$1.1 billion
2016	\$1.9 billion
2017	\$1.25 billion
2018	\$1.2 billion
2019	\$990 million
2020	\$1.3 billion

These numbers do not include resurfacing which adds \$250-300 million per year. The last ARRA project is an Onslow County project being let in October. Mr. Barbour reviewed projects from the 12 month letting list. He noted that the design build process on the recent projects in Charlotte was successful with cost savings and the bidding environment at this time resulting in a savings of \$75 million.

### **EPA Effluent Guidelines Status**

**Ted Sherrod**

Mr. Sherrod reported on the delay in federal implementation of the EPA effluent guidelines as the EPA reviews discharge restrictions due to industry concerns. The State has enacted most of the guidelines proposed by the EPA through the Division of Water Quality. The exception is the seeding and

mulching requirement regulated by State law. In the next legislative session, a bill is expected to move the State from a 21 day seeding requirement to the EPA's proposed 14 day requirement. Working groups are meeting to craft state legislation and monitor federal environmental initiatives.

### **Pavement Marking Material Shortages**

**Ron Hancock/Berry Jenkins**

Mr. Jenkins invited industry representatives to provide an update on the material shortages in the pavement marking industry based on the discussion from this committee's last meeting. Mr. Villani, Regional Sales Manager for Ennis Traffic Safety Solutions, began with a brief synopsis of the shortages which began in May of this year. The first item in short supply was titanium dioxide, the white pigment used throughout a variety of industries. Secondly, one of the largest latex monomer suppliers went into force majeure. Polyurea, the raw material in epoxy, was the third shortage. Finally, the thermoplastic resin continues to be in limited supply. Reduced tree sap production and competition from higher margin applications has limited resin availability.

Mr. Villani stated that the Ennis plant operations are reduced from two shifts to one due to supply shortages. He expressed concern about winterizing projects with an uncertain outlook for next year's resin production.

Mr. Fresa, Clark Pavement Marking, reported that he has been meeting regularly with Department personnel and prime contractors to keep them informed of the shortages and work through the Maintenance of Effort priorities. He reported that Clark Pavement Marking has been able to maintain contract completion dates. Without an improved forecast for resin supply, he stated that further requests for relief may follow. Mr. Fresa reported that his raw material prices have increased 40%.

Mr. Langevin, Traffic Markings Inc., commented that his company is currently behind on August completion dates and questioned how the Department will proceed to winterize projects without thermoplastic available. The cost of raw material is typically 40-50% of the cost of the pavement marking job. With sharp increases in raw material costs, some projects are expected to be "under water."

Ms. Langevin, A-1 Pavement Marking, commented that a Division requested to winterize with paint but did not commit to paying for paint. Ms. Langevin requested a consistent approach to handling the cost of winterizing without thermoplastic.

Mr. Clark, Clark Pavement Marking, expressed concern about the financial health of the pavement marking industry as a whole and reiterated that materials continue to be in short supply.

Mr. Hancock stated the Department memo waiving damages for incomplete pavement marking for otherwise completed projects from July 1<sup>st</sup> through November 1<sup>st</sup> has not changed. He anticipates the remaining projects with issues will be reviewed as needed. Pavement marking subcontractors who anticipate a critical supply issue are asked to write the prime contractor and copy the Resident Engineer and the Construction Unit. Mr. Hancock does not anticipate extending the thermoplastic application window for quality reasons. Projects will need to be winterized.

### **CAGC/NCDOT Joint Winter Conferences**

**Berry Jenkins/Ron Hancock**

The focus of the winter conference is technical training. The AGC planning committee members are Mr. Larry Cagle of APAC-Atlantic Thompson-Arthur Division, Mr. Bryan Long of Dane Construction, Mr. Jonathan Bivens of S. T. Wooten, Mr. Brian Webb of Blythe Construction, and Mr. Bill Copeland

of Rea Contracting. The planning committee is soliciting input for topics of discussion and a list of training needs. Planning meetings begin in November.

Mr. Hancock stated workshops are planned for Atlantic Beach Sheraton, Raleigh, and Asheville from mid-February to March. He is currently targeting a half-day followed by a full day, possibly beginning Wednesday after bid letting.

Mr. Barbour and Mr. Gibson requested that these training meetings be used to solve problems and reduce costs.

#### **H. B. Rowe Court Decision Impact**

**Victor Barbour**

The state program has been modified, but the federal program has not. Native American and Asian-Pacific groups are no longer part of the Minority Business Enterprise (MBE) program. The Department will continue to monitor use of certified and decertified groups to identify future disparity. The Department will continue to work through issues like how to handle decertified subcontractors on projects awarded before the July 22, 2010 court decision.

Mr. Roper commented that the Department is open to discussion on improving the MBE program. He encouraged prime contractors to continue to use certified and recently decertified subcontractors to reduce disparities. Comments were centered on the truck tracking program discussed at the last meeting and the recent requirement to add strobe lights to dump trucks.

#### **N. C. Turnpike Authority Update**

**Steve DeWitt**

Mr. DeWitt reported there is a group working on alternate pavement design contracting options allowing concrete to compete with asphalt on major projects. Currently, the working committee is determining requirements for rideability tests and warranties. The Monroe project included bid alternatives of a 30 year option for asphalt, a 30 year option for concrete, and the opportunity to propose an alternative design. The Garden Parkway is expected to have alternative pavement design options. Mr. Jenkins noted that the media has been very positive about the turnpike project.

#### **Design Build Committee**

**Berry Jenkins**

The design build joint committee met routinely for months when the design build process was being developed. This group is being resurrected and soliciting input on topics for discussion to continue to improve the design build process.

#### **Reporting on Federal Aid Projects**

**Victor Barbour**

Reporting requirements for ARRA projects will begin to be required on federal aid projects beginning October 1<sup>st</sup>. All federal projects will require ARRA-type reporting with the exception of employment data. These reports will include contractor and first tier subcontractor information.

#### **Next Meeting Date**

The next meeting is scheduled for November 18, 2010 at 10:00 a.m. in the Chief Engineer's Conference Room at the NCDOT Equipment and Maintenance Facility located at Beryl Road in Raleigh.



September 16, 2010

Dear Valued Customer,

We have now reach mid-September and feel it's appropriate to give you an update on the state of supply. In our last letter, dated July 23<sup>rd</sup>, we anticipated lead times for thermoplastic to return to normal levels by some point in September. Unfortunately, we have not made the progress we had hoped in the sourcing of key resins for thermoplastic production. Ennis made the commitment to supplement our needs with additional quantities of import resin. With the tightening federal restrictions of imports there have been significant delays in releasing these materials at our U.S. ports. Our domestic producers expected that additional allocations would become available as we came out of the heat of August. The domestic supply has not freed up as anticipated given the continued demand for these chemicals in other markets.

Production of our thermoplastic facilities is well below historical averages for this time of year. When you add in the fact that we are coming into September with an unprecedented number of backlog orders it makes this very difficult to manage. We are looking at some additional moves here in late September that we anticipate will increase production rates starting the first of October. The fact of the matter is that we all have an increasingly narrow window of time to make up for lost volume this season.

At this point we know there are territories where we will not be able to make up the ground lost within this striping season. We have no restriction in our production and the only delays we facing are 100% attributed to supply of resins to produce the thermoplastic required.

On the traffic paint front, we have been able to source additional resin quantities and anticipate being back to supply without restriction in all areas in the next two weeks. Our progress in returning to standard lead times has varied by region which has been driven by regional supply conditions.

The thermoplastic industry since its inception has never seen the supply problems we've faced this season. As the market leader, Ennis is finalizing plans for 2011 and beyond to assure supply such that we mitigate these problems in the future. Our

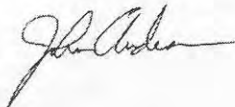
industry has historically sourced chemicals in a manner that allowed for flexibility in supply. We have all been caught by market dynamics that has changed in a single season and faster than we could react.

We want to assure you that thermoplastic will continue to be a viable striping material moving forward and we will be prepared to supply your needs in 2011. The thermoplastic industry has a 50-year history in the U.S. and it will rebound back to normal levels. We have received the affirmation we need to ensure that Ennis will be a priority for the resin producers in 2011. It is evident that there will be a pent up demand and we are preparing accordingly. Supply lines will improve as we move into the fall and winter months but many states are preparing to officially close their striping seasons. For those states that continue to allow striping, we will remain focus on working through the backlog to fill your orders.

We all have a huge investment and commitment to the thermoplastic industry and we will not allow it to falter based on the dilemmas of the 2010 season. All pavement marking materials have had significant problems and thermoplastic simply hasn't recovered as timely.

Please let us know what else we can do to support your business. We've had many customers request specific documentation to help in interfacing with their customers and we're happy to do the same for you. We're here to help in any way we can. I sincerely apologize the problems this has caused your business.

Regards,



John Anderson  
Global Director