

TEXAS DEPARTMENT OF TRANSPORTATION

COMMISSION MEETING

Wednesday, August 25, 2010  
Ric Williamson Hearing Room  
Dewitt Greer Building  
125 East 11th Street  
Austin, Texas

COMMISSION MEMBERS:

Deirdre Delisi, Chair  
Ted Houghton  
Ned S. Holmes  
Fred Underwood  
William Meadows

STAFF:

Amadeo Saenz, Executive Director  
Steve Simmons, Deputy Executive Director  
Bob Jackson, General Counsel  
Roger Polson, Executive Assistant to the  
Deputy Executive Director

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P R O C E E D I N G S

1  
2 MS. DELISI: Good afternoon. It is 1:36 p.m.  
3 and I call this meeting of the Texas Transportation  
4 Commission to order. Note for the record that notice of  
5 this meeting, containing all items on the agenda, was  
6 filed with the Office of the Secretary of State at 4:09  
7 p.m. on August 17, 2010.

8 Before we begin, please take a moment to put  
9 your cell phones and pagers on the silent mode.

10 During today's meeting we will accept public  
11 comment that is relevant to the posted agenda items but we  
12 will not have an open comment period. To comment on an  
13 agenda item, please complete a yellow speaker's card and  
14 please identify the agenda item on which you'd like to  
15 speak. You can find these cards on the registration table  
16 in the lobby. And, as always, we would like to limit  
17 every speaker to three minutes.

18 Before we begin with today's agenda,  
19 commissioners, do any of you all have any comments?

20 (No response.)

21 MS. DELISI: Okay. So with that, then I want  
22 to begin by inviting Jay Kimbrough to the podium to give a  
23 report on his activities directed towards implementing the  
24 recommendations in the Grand Thornton management and  
25 organization review. Welcome.

1 MR. KIMBROUGH: Good afternoon. Jay Kimbrough.

2 I wanted to give you a brief update on where we  
3 are in the process right now and prepare you for some  
4 other things that will be coming your way over the next  
5 few weeks. And I've given you a few pages, just a brief  
6 summary, to work through with you.

7 First, I wanted to let you know over the last  
8 few weeks the individuals that are listed here that have  
9 been part of the work group with the council helping us  
10 gather information, and they've been working very hard and  
11 been very helpful, Christy Bird, Scott Burford, Scott  
12 Dorsett, George Ebert, Jefferson Grimes, Mary Anne Griss,  
13 Mary Meyland, Colin Parrish, Tim Powers, Donna Roberts,  
14 Judy Skeen, and executive administration as well, have  
15 been helping us in the preparation of where we're headed  
16 to with the data.

17 With that, part of what I wanted to prepare and  
18 the council wanted to prepare is sort of a baseline  
19 structure, if you will, so that we will have a roadmap,  
20 for lack of a better phrase, of where we're going. And in  
21 order to know where we're going, we've got to know where  
22 we are. So part of what we're doing is preparing a  
23 database of the recommendations over the last two or three  
24 years from Grant Thornton's report, Sunset Commission,  
25 twelve-year audits in preparation of the Sunset process,

1 as well as from the 2030 Committee report. And what  
2 you'll see is that those alone provide some 600-plus  
3 recommendations for changes and modifications to the  
4 agency.

5 And then what we are going to prepare, with the  
6 goal being by the end of September we'll be able to go  
7 public with this, is a central database which will be  
8 available to the public and to all folks so that you will  
9 be able to see what report made what recommendations when,  
10 and that will be a database that, again, will be available  
11 online.

12 Additionally, as part of that database, we will  
13 have indication of what action, if any, the agency has  
14 already taken of that and there will be a link where if  
15 action was taken here's a minute order or here's some  
16 other document which establishes and supports that  
17 activity. And additionally, the database will include a  
18 status of activity on other recommendations that have been  
19 made.

20 The idea then is to centralize these in one  
21 document and in one database so that we will be able to  
22 sort it, filter it and even export it into Word documents,  
23 that sort of thing, so that the agency, the public and the  
24 legislature can see exactly where are these  
25 recommendations so that they can then tell where are we

1 going as we make recommendations to the commission and the  
2 commission decides what course to take. So we will also  
3 be checking with the office of primary responsibility with  
4 respect to what actions have been taken already so that we  
5 can fully document those and verify them for the  
6 commission as well as for the public.

7 And you'll see this chart that is now up on the  
8 screen which gives you sort of a rough order of magnitude  
9 of the number of recommendations -- and it's in your  
10 report there as well, there's just a printout of it -- the  
11 number of recommendations by subject matter, whether it's  
12 procurement, plan design, information change, information  
13 technology, that sort of thing, and it gives you then a  
14 rough order of magnitude of how many come from each  
15 different report.

16 And you'll see a reference to other sources,  
17 and that includes some from the strategic plan as well as  
18 some of the recommendations that were contained in HB 300  
19 and some other hearings that, my understanding, the agency  
20 has already acted on, even though the legislation wasn't  
21 passed but it was an idea that the agency acted on. So  
22 that is what that definition means in terms of other.

23 I want you to know that we are connected to the  
24 Grant Thornton team on this. I spoke with them briefly  
25 yesterday, with Susan Pentecost, just to give her a heads

1 up on where we are in this process and that I would be  
2 making this presentation to you today. And we'll be  
3 meeting with them probably in the third week of September  
4 prior to your next commission meeting so that we can share  
5 with them the database and get their input on have we  
6 covered all that needs to be covered from their  
7 perspective so when we bring that to the commission the  
8 end of September, we will have their review of the process  
9 as well.

10 Then with that database, the restructuring  
11 council, working with staff and others, will come forward  
12 to make recommendations to the commission with the goal  
13 that by the end of October we'll have a lot of ideas and  
14 recommendations for you to evaluate and then act on at  
15 your discretion.

16 So that's the high level quickie but wanted you  
17 to know where we are at this moment, and this will be a  
18 very valuable database and a good piece of infrastructure  
19 to go forward with from here.

20 With that, I conclude.

21 MS. DELISI: Any questions for Jay?

22 (No response.)

23 MS. DELISI: Okay. In order to facilitate the  
24 communication between the commission and the task force  
25 that's working with us on this, commissioners, I'd like to

1 propose that we create a subcommittee of the commission to  
2 work with Jay and Messrs. Wolf and Laney. So assuming  
3 everyone is okay with this, I'm going to appoint myself to  
4 chair the committee and ask Commissioner Underwood to  
5 serve with me in that capacity as well.

6 Any other comments or questions?

7 MR. UNDERWOOD: Madame Chair, one quick  
8 comment.

9 Jay, on behalf of the commission, I have a book  
10 for you. It's called The Survivor's Club. So I have each  
11 one of you a copy.

12 MR. KIMBROUGH: I'll have to share with him my  
13 MOS sometime. I'll pass them on.

14 (General talking and laughter.)

15 MS. DELISI: Thank you, Jay.

16 All right. Amadeo, with that, I will hand over  
17 to you the rest of the agenda.

18 MR. SAENZ: Thank you, Madame Chair. Good  
19 afternoon.

20 The next agenda item is a report by James Bass  
21 to discuss the different options that are available for us  
22 to provide financial assistance toward construction of  
23 toll projects. So James.

24 MR. BASS: Thank you, Mr. Saenz. For the  
25 record, I'm James Bass, chief financial officer at TxDOT.

1           And first, if I can ask if the commission has  
2 before you a hard copy of this presentation titled Toll  
3 Equity. If not, I have additional copies, but it sounds  
4 like you have them.

5           This really was initiated based upon a  
6 discussion at last month's regular commission meeting, and  
7 so the first few slides I want to go over relatively  
8 quickly but just as background information.

9           The ability of the commission to participate in  
10 costs of toll projects, of course, is founded in  
11 Transportation Code, and it's rather broad that the  
12 commission can provide funding from any available source  
13 towards the operation of a toll facility of a public or  
14 private entity on terms and conditions established by the  
15 commission.

16           It then says that for a public entity the  
17 commission may require that that assistance be repaid, and  
18 for the assistance provided to a toll road operated by a  
19 private entity, it shall be repaid. So public entity can  
20 get a grant or a loan, private entity could only receive a  
21 loan. In addition, it just says that it applies to  
22 different chapters, that being TxDOT toll roads, regional  
23 toll roads and county toll roads, all of the general  
24 parties we would normally deal with.

25           There's one provision that often is not aware

1 of because, to be honest, it doesn't come into play that  
2 often, but there is a limit on the amount of assistance  
3 that can be provided through a grant, and it's that money  
4 that really is no more than \$10 billion can be granted  
5 within a five-year period. It says together with the  
6 money granted for the four fiscal years, would result in  
7 an average expenditure of \$2 billion. And that limitation  
8 does not apply to any of the loans so, again, I would read  
9 that as no more than \$10 billion granted within a five-  
10 year period. Again, we come nowhere close to that so it  
11 has not come into play.

12 From the statute, the commission has adopted  
13 rules along with that and says these different functions  
14 of a toll project can receive assistance: development  
15 costs, preparation of project plans, the actual  
16 construction which includes right of way acquisition,  
17 operation, maintenance, and any other incidental  
18 administrative costs.

19 I will point out that operations and  
20 maintenance, I put asterisks next to those. This is  
21 another one of those color of money discussions that I  
22 continue to bring up, that even though the statute says  
23 the commission may provide assistance from any available  
24 source, some of our various sources of funds have  
25 different restrictions on them.

1           The one in particular I'm thinking of is  
2 Proposition 12. Proposition 12 has a limitation in that  
3 it cannot be used for general and ordinary operations and  
4 routine maintenance. Therefore, some of our funds can be  
5 used for all six; some of our funds can be used for four  
6 out of six. Again, it comes down to a color of money  
7 issue in many cases.

8           This goes through, to be eligible, the public  
9 or private entity has to authorize to build or maintain a  
10 toll facility under state law. Once again, to  
11 reemphasize, a private entity can only receive a loan;  
12 they're not eligible for a grant. And the third bullet  
13 there is that under our ethics and compliance program. In  
14 order to receive it, the entity must have a program of  
15 their own.

16           The only point on this slide I would make is  
17 many of our programs have a two-step process that the  
18 commission is notified of an application and once the  
19 commission gives preliminary approval, the department  
20 staff then begins the negotiation and brings it back to  
21 the commission for final approval once that has been  
22 negotiated.

23           Just a quick summary of what's been done to  
24 date. There have been, what I've been able to find  
25 through various minute orders, approval of ten grants for

1 a total of \$433 million and nine loans for a total of \$91  
2 million. The \$91 million excludes the loan for State  
3 Highway 161 that I believe you're all familiar with. The  
4 reason I excluded that is because technically there is a  
5 loan but there is no plan for money to be advanced to  
6 them. That's certainly the hope and the concept behind  
7 that arrangement. Nor does it include last month's equity  
8 for the Camino Real RMA.

9 So there's a total of 19 forms of assistance  
10 and 16 of those have been for development type work for  
11 \$390- -- and the construction, we've had two of those for  
12 \$140-. There's actually been one assistance that covered  
13 both development and the actual construction cost.

14 The discussion last month centered on one  
15 previous example that I wanted to highlight and then see  
16 what direction or discussion the commission wanted to take  
17 from that point, and it deals with the eastern extension  
18 of the President George Bush Turnpike, and the entity that  
19 received the assistance was the North Texas Tollway  
20 Authority, and that assistance was roughly \$160 million  
21 and the minute order and the agreement referred to it that  
22 it's in the form of a grant.

23 Now, in the agreement between the department  
24 and the authority, it says in consideration for that  
25 grant, there's an agreement that a regional toll will be

1 charged and assessed to motorists as they drive on the  
2 eastern extension, and it's referred to as a supplemental  
3 or a regional toll. And it's very clear in the documents  
4 that that will be collected by NTTA but it is not  
5 considered to be revenues of the NTTA or of their DNT  
6 system, the Dallas North Tollway system, their original  
7 financing system.

8 The reason for that is so that regional toll  
9 does not flow through the waterfall or through the various  
10 provisions of their indenture, it's separate and apart, or  
11 if you will, off the top.

12 We talked about last month. While that did fit  
13 under the circumstances of this particular project, one of  
14 the considerations would be, what is the elasticity of the  
15 demand on the various toll roads where this might be  
16 applied in the future? The agreement certainly took that  
17 into effect and under consideration. The agreement has a  
18 set toll schedule going out into the future, but that set  
19 toll rate schedule can be suspended if the next toll rate  
20 in 2015 or 2020, 2025 would place the toll rates at a  
21 point to where it was more than 80 percent of this toll  
22 sensitivity maximum point.

23 And all of that is about the elasticity of  
24 demand. If the charts shows that people are willing to  
25 pay 30 cents a mile, that's the ultimate demand. If the

1 rates got above 24 cents, 80 percent of the 30, then that  
2 toll rate schedule would, in effect, be suspended and the  
3 rates would be held constant, again, providing flexibility  
4 if there were an issue to allow the authority to adjust  
5 rates to generate additional revenue, still leaving them  
6 some head room.

7 So this is the one issue other than the unique  
8 arrangement for State Highway 161 that I think was really  
9 more focused and closest to the discussions of last month  
10 of the commission during the regular meeting. So at this  
11 point, I'm happy to open it up to any questions or to  
12 listen to any discussion you might want to have on the  
13 issue, or sit down.

14 MR. SAENZ: Could you present to the commission  
15 the options under whether you could consider something as  
16 a loan, toll equity that could be considered as a loan  
17 that would be paid back under set rates, or an option  
18 where the toll equity could be considered as a revenue  
19 share or as an equity share of the project or could be  
20 paid back under, say, a net revenue? Could you kind of go  
21 over those?

22 MR. BASS: Yes. Depending upon the direction  
23 of the commission going forward, it could quite possibly  
24 require some adjustments or amendments to the rules. So  
25 while the statute says the assistance can be provided

1 under any condition established by the commission, the  
2 rules really focus on either a grant or a loan, and under  
3 the loan it certainly seems to suggest a stated interest  
4 rate and a stated payback period, unlike a broader, open  
5 equity or sharing of revenue, if you will.

6 Many of the loans that have been done for the  
7 development work, I will point out to you, are, in effect,  
8 at zero percent interest. The minute order doesn't state  
9 an interest rate nor does the agreement with the local  
10 toll entity. In the agreements it talks about those loans  
11 being repaid at the point of financial close or being paid  
12 over time once the road opens to traffic, and it's really  
13 at the option of the recipient of the assistance. My  
14 guess would be they'll pay it back over time since it's  
15 zero percent.

16 There is a lot of flexibility and almost  
17 endless flexibility in how a loan might be structured.  
18 What was interesting to me is this particular one with the  
19 revenue sharing is actually deemed in the minute order and  
20 the agreement as a grant. So I would say under the  
21 statute the possibilities are rather broad; the rules may  
22 be a little more constrained, if you will. And so  
23 depending upon the direction of the commission, it's  
24 certainly something we would then go back and have a more  
25 thorough review of the rules and see if we did need to

1 make any amendments or adjustments to fit in with the  
2 policy direction that the commission would like.

3 MR. MEADOWS: I think it's important, as we had  
4 an opportunity to talk earlier today, as we begin to talk  
5 about this subject, you talk about and display the forms  
6 of assistance, you know, we're trying to define what an  
7 equity contribution is, because that's certainly important  
8 to the discussion.

9 And what is interesting about this is that it  
10 is more complex than what is displayed here. For example,  
11 our toll equity loan agreement. In effect, there is value  
12 to that that could be considered equity. There are many  
13 instances I assume in the past, I know it's true in the  
14 past, where we have actually provided infrastructure  
15 development that is integral to a tolled facility but not  
16 part of the tolled facility. Is that an equity  
17 contribution? But for that infrastructure investment that  
18 we're making, that project wouldn't advance so one could  
19 make the argument that that's the case.

20 Right of way, in many instances, I think,  
21 historically where the department has made right of way  
22 investments that, in essence, become equity contributions  
23 to projects.

24 So as we begin to look at, as you begin to try  
25 to define what the forms of assistance are that might be

1 considered equity for the sake of this discussion, in  
2 fact, this does not describe the entire universe. Does  
3 this make sense?

4           So what I keep coming back to on this -- and  
5 let me say thank you, Mr. Houghton, for allowing us to  
6 have this discussion, it is a good discussion and an  
7 important one to have and we need to have the  
8 discussion -- I think we need to begin just thinking about  
9 this subject from this point of view, and that is to  
10 define the overarching goal.

11           You know, the overarching goal of equity  
12 contribution, in whatever form or fashion, that we might  
13 make to a toll project, whether it's an RMA or a toll  
14 authority, is to see the project advance. We're about  
15 building roads, and we're about building roads in some  
16 cases as a result of collaboration and partnership. So  
17 let's don't lose sight of that. I mean, we don't want to  
18 create obstacles to accomplish that goal. I mean, that  
19 makes no sense whatsoever.

20           And if we begin to construct and put into place  
21 rules that unrealistically cause there to be challenges to  
22 projects that result then in projects not being advanced,  
23 in other words, we don't facilitate the project, we  
24 actually cause the project to slow down or it's an  
25 obstacle, then we've done a disservice to the state. So

1 the policy discussion needs to begin from there, that's  
2 where it needs to begin from.

3 I am certainly not opposed under some  
4 circumstances, as evidenced by the example you gave, where  
5 we have a partnership with the North Texas Tollway  
6 Authority where the region, we're the conduit through  
7 which funds flow in a negotiated fashion in response to a  
8 case equity contribution that we made of some \$160  
9 million, we share in revenue in a negotiated agreement.

10 And I kind of think as we work through this  
11 process what we're going to find is that every one of  
12 these projects is going to have different characteristics,  
13 they're all going to perform differently, and the smartest  
14 thing to do is to keep the policy open, to keep the policy  
15 flexible, and to keep the policy based on a thoughtful  
16 negotiation where both parties come to the table and  
17 there's not a unilateral we're going to do this because  
18 it's not going to work, and if we do it that way, we  
19 actually have created an obstacle to us accomplishing the  
20 overarching goal that I described from the start.

21 Thank you.

22 MR. HOLMES: And James, if I understood you  
23 correctly, our rules are more restrictive than the  
24 statute? Did I hear you say that?

25 MR. BASS: That would be the non-attorney's

1 review. Back on the first page, in statute it says the  
2 department may participate, spending money from any form  
3 for various activities on terms and conditions established  
4 by the commission. That's very broad. The rules seem to  
5 suggest -- I can't tell you that they truly limit, but  
6 they seem to suggest a grant or a loan. As we've talked  
7 here today and last month, there may be other forms of  
8 assistance that could be provided under what people might  
9 not normally call a grant or a loan.

10 And based upon this discussion, what I would  
11 want to do is visit with our general counsel and  
12 appropriate staff and review those rules to make sure the  
13 rules truly are as flexible and open as I heard  
14 Commissioner Meadows suggest they should be, and just make  
15 sure that we're not limiting the assistance to only two  
16 forms when other forms may make the best sense for a  
17 particular project.

18 MR. HOLMES: Well, I think that would be  
19 appropriate. It seems to me that there should be some  
20 flexibility built in, because as Commissioner Meadows  
21 said, all of these projects are not going to necessarily  
22 fit into a cookie cutter type of format, and I also agree  
23 that the negotiations from the beginning are probably  
24 pretty important if we're going to include a top slice out  
25 of a toll revenue stream

1 MR. HOUGHTON: And in concur with Commissioner  
2 Holmes and Commissioner Meadows regarding the flexibility.  
3 But let me layer in another thought, that you're going to  
4 bring to the commission or soon to bring to the commission  
5 the State Infrastructure Bank billion dollar  
6 capitalization regarding leveraged projects, and I would  
7 imagine that all of our sister agencies, RMAs will be at  
8 the door looking for some assistance or a loan.

9 And with that, I believe that flexibility on  
10 the equity side or the grant side, whatever you may want  
11 to color it, the color of money, and the State  
12 Infrastructure Bank, I would encourage an RMA and their  
13 financial advisors to bring that complete structure and  
14 request at one time where you can say, look, and I'm not  
15 here to negotiate any deal but there may be different  
16 terms on the SIB, State Infrastructure Bank, versus this  
17 side on the equity side, or equity versus SIB.

18 Because you have reported, as well as others,  
19 that TIFIA has got more requests than they have money, and  
20 I think those RMAs understand that, and so when we roll  
21 out the rules under the State Infrastructure Bank, we may  
22 want to encourage these RMAs to come with a capital  
23 structure for both and a proposal on how these things work  
24 to get them out of the ground, to get them past  
25 construction risks, and to get them up and running and be

1 successful.

2 I think we all want that, Commissioner Meadows,  
3 success, but I don't think you can isolate this grant or  
4 equity and the State Infrastructure Bank and then go  
5 negotiate that one, I think it is a capital structure that  
6 needs to be looked at together.

7 MR. BASS: You've raised, at least in my mind,  
8 an additional interesting policy question, the color of  
9 the money.

10 I'm sorry. Go ahead, Commissioner Meadows.

11 MR. MEADOWS: I absolutely agree, and  
12 Commissioner Houghton makes a good point. You know, if  
13 we're talking about, assuming we have the opportunity for  
14 additional capital into the SIB, that's going to be  
15 treated differently than, let's say, Category 12 funds  
16 invested case, or Category 2. And you come back and you  
17 say well, if it's Category 2 and a region chooses, because  
18 they're empowered, they choose to invest their own money  
19 in a project, we really should not have a policy that then  
20 therefore captures revenue off that. That really should  
21 be the region's decision. So it really is the color of  
22 money so we've got to figure that in that calculation as  
23 well.

24 MR. BASS: One thing, you mentioned the SIB  
25 rules, just to give you a status update on those. They've

1 already been posted in the Texas Register for public  
2 comment, and we did receive some comments that we're  
3 reviewing. The schedule had been for those to come before  
4 the commission next month for final adoption so, in  
5 addition to reviewing the existing toll equity rules, I  
6 think what I'm hearing is we need to review those proposed  
7 Prop 12 SIB rules to see, once again, if it's provided  
8 flexibility, optionality.

9 MR. HOUGHTON: Absolutely. And James, their  
10 financial advisors are going to let them know what is the  
11 best source of that revenue that allows them to get out of  
12 the gate with as little risk as possible construction  
13 risk, and the ramp-up phase on the tolling. And that's  
14 for their advisors to counsel them as to is it State  
15 Infrastructure Bank and terms over here versus equity or  
16 loans or whatever it be over here, and how does that  
17 combined capital structure work in the benefit for all  
18 parties.

19 MR. BASS: So what I've heard is we'll work  
20 with General Counsel's Office, review our current rules  
21 and the proposed SIB rules and make sure they're aligned  
22 with the direction we've heard today, and then visit with  
23 your offices if there's opportunities where we might need  
24 to amend those.

25 All right. Thank you.

1 MR. SAENZ: Thank you, James.

2 Agenda item number 3, commission, Mark  
3 Tomlinson will lead a discussion on our toll operations  
4 and management services that we're providing on our toll  
5 roads. Mark.

6 MR. TOMLINSON: Good afternoon. My name is  
7 Mark Tomlinson, director of the Turnpike Authority  
8 Division, TxDOT.

9 The topics I did want to touch on today: the  
10 coordination we have begun with the statewide toll  
11 agencies, cost-saving measures that we are focused on  
12 within TxDOT and the Turnpike Division, operational  
13 improvements for increasing revenue on our system, and our  
14 progress on truck incentives.

15 On June 22, we conducted a meeting with all of  
16 the toll entities in the state, we had all of our RMAs  
17 attend, North Texas Tollway Authority, HCTRA, and of  
18 course, TxDOT. Had a good participation, great  
19 discussion. I think everyone in the meeting sees the  
20 value of collaboration on a regular basis.

21 We did talk about the concept of a single  
22 source for toll revenue collection in the state. A lot of  
23 the discussion, of course, centered on that concept. We  
24 have, of course, in the state a couple of entities that  
25 have a long history of collecting tolls, and TxDOT which

1 is kind of in the next tier, and then the RMAs will be  
2 coming online. So a lot of different perspectives and  
3 potentially a lot of issues to talk through, but I think  
4 everyone is open to working together and discussing the  
5 concepts further.

6 Some concern, of course, from those entities  
7 who have a long history of collecting tolls, but I don't  
8 think anyone has ruled out the concept at this point, and  
9 definitely think that a structured meeting or regular  
10 meetings could be valuable for everyone involved in toll  
11 collection in the state.

12 And just a couple of small examples of  
13 coordination and collaboration that we've had already  
14 recently, TxDOT TTA just procured a contract to gather  
15 out-of-state license plate information. NTTA was informed  
16 about that and they had had a less successful time in  
17 gathering their own contract so we worked with them;  
18 they're going to be able to use the terms and conditions  
19 in our contract which were much more favorable to them.  
20 So that's a great thing for NTTA and we were glad to help  
21 in that respect.

22 And also, HCTRA in Chambers County is working  
23 very closely with TTA and our administration and the  
24 district there to work out some potential tolling on a  
25 segment of State Highway 99, the Grand Parkway, Segment I-

1 2, I believe. We're talking to through who might begin  
2 collecting tolls there, and they've been great to work  
3 with.

4 So I think we're strengthening relationships  
5 that we've had and have potential to make those even  
6 better in the future.

7 I did want to talk a little bit about our  
8 collection. We have, of course, on our Central Texas  
9 Turnpike System three methods of payment: cash, TxTag and  
10 also pay-by-mail. By far, the largest percentage of our  
11 transactions are by tag, almost 72 percent are TxTag  
12 transactions, a little less than 10 percent cash and 19  
13 percent pay-by-mail. The collection rate on cash is  
14 great, really 100 percent. The tag collection is also  
15 extremely high. It's pay-by-mail where we do have some  
16 challenges, only about 62-63 percent in a quarter.

17 And I do need to emphasize that these figures  
18 are in a three-month period, but the overall collection  
19 rate is almost 96 percent. We then go forward with a  
20 collections effort that then blends into a courts  
21 procedure that makes that percentage better over time, but  
22 just to give you a feel for the rate of collection that we  
23 have.

24 MS. DELISI: These people who are pay-by-mail  
25 who are consistently pay-by-mail, do we market the TxTag

1 to them?

2 MR. TOMLINSON: We do.

3 MS. DELISI: Do we specifically go back to them  
4 and say rather than pay-by-mail, why don't you just get a  
5 TxTag?

6 MR. TOMLINSON: We do. I think we can improve  
7 on that two ways that I can think of. Every invoice that  
8 they receive has an offer and a description of how much  
9 money they can save with a TxTag and some of the  
10 conveniences of tag usage. We also have in-lane tag sales  
11 out on the roadway when they're driving. We have  
12 changeable message signs that advertise that and they can  
13 pull up to a cash booth and get a TxTag right there within  
14 just a few minutes. So that's a couple of ways we market.  
15 I think we can improve on that and we're talking about how  
16 to better market to those customers

17 MR. HOUGHTON: Where else do we market TxTags?

18 MR. TOMLINSON: It's generally in the Central  
19 Texas area.

20 MR. HOUGHTON: Location. I want to go get one  
21 today other than this building. Where would I go?

22 MR. TOMLINSON: At our customer service center  
23 on North MoPac, or our office up on the fifth floor.

24 MR. HOUGHTON: What if I live south? If I live  
25 down in Buda, I have to go up there to get it?

1 MR. TOMLINSON: You would. You can also get  
2 one over the internet. You can go online and, of course,  
3 they send it to you but it will be activated when you  
4 receive it. The customer service center, my office on the  
5 fifth floor for you. We can fix you up.

6 MR. UNDERWOOD: Quick question, Mark. What  
7 does it cost for the TxTag to us, the tag that you stick  
8 on the windshield? What's the investment in that per tag?

9 MR. TOMLINSON: Well, the tag itself is around  
10 \$7 or \$8. The package that we put together is about \$13,  
11 it has some marketing information in it.

12 MR. UNDERWOOD: Right, exactly. The reason why  
13 I asked that, I didn't realize it was that expensive  
14 because I thought people that use this a lot that pay-by-  
15 mail, it might be a good idea just to send them one and  
16 say here's one, and let them fill it out and use their  
17 credit card and then they have it, if they're a consistent  
18 user, but I don't know how you would track that. But I'm  
19 not advocating to send one to everybody at that cost, I'm  
20 not advocating to send one to everybody that pays by mail.

21 MR. TOMLINSON: We did a very broad  
22 distribution of tags in the early part of the ramp-up  
23 toward the Central Texas Turnpike System opening, handed  
24 out a lot of them. We do have an organization within our  
25 customer service center that goes to events, even today.

1 They'll market it at different locations like fairs and  
2 other community events, markets the TxTag. Of course,  
3 it's typically in this area, Laredo and Tyler where we  
4 have toll roads, but there is that effort as well. We've  
5 kind of cut that back over time because of the cost of the  
6 tags.

7 We actually have further in the presentation a  
8 little bit of discussion of beginning to charge for tags.  
9 Again, it's a cost-saving measure because we absorb that  
10 cost now.

11 MR. MEADOWS: This would be more meaningful to  
12 me if I had a point of comparison. I just don't know that  
13 much about the business to know if 62 point whatever  
14 percent, 6 percent on 20 percent of total transactions, I  
15 don't know how that compares to a HCTRA. It just would be  
16 more meaningful to me if I knew, first of all, how we were  
17 performing in a relative sense, and second of all, from a  
18 business practices standpoint.

19 You know, I'm not qualified to tell you you  
20 might try this idea or that, but what I do know is that  
21 there are people that have been in the business for a long  
22 time that may well have better performance and result than  
23 we do. So I assume in these conversations that you  
24 mentioned in the previous slide that these sort of  
25 discussions are taking place and there's some synergy and

1 learning from those meetings.

2 MR. TOMLINSON: Exactly. In fact, we have a  
3 slide coming up that shows a comparison.

4 MR. MEADOWS: Okay.

5 MR. SAENZ: Mark, before you go on, with  
6 respect to pay-by-mail, I think we are the only entity  
7 that has the pay-by-mail. HCTRA, you have to have a toll  
8 tag to get on their system. If you do not have a toll tag  
9 and you go through it, you go into the violation process.  
10 And I don't know what the rules are for NTTA. But can you  
11 cover that?

12 MR. TOMLINSON: For them it becomes a  
13 violation. I believe NTTA also does allow for pay-by-mail  
14 as well, but HCTRA certainly doesn't.

15 MR. SAENZ: I guess, commission, really the  
16 pay-by-mail process or model was initiated by the Central  
17 Texas Turnpike project.

18 MR. MEADOWS: I thought the NTTA did have a  
19 pay-by-mail.

20 MR. SAENZ: But they've just started, they  
21 started after we did.

22 MR. TOMLINSON: Some of the cost-saving  
23 measures we have implemented, and I'll go through these  
24 really quickly. Address of record, we now have the better  
25 address that is on record with the DMV to send directly to

1 our customers. Optical character recognition really cut  
2 down on labor in the customer service center. We've had  
3 one reduction in operating hours in the customer service  
4 center; we're about to reduce that again. It's still  
5 going to be very, very open and very available. We'll  
6 have 8-to-5 hours for the customer service center, and  
7 then even two more hours Monday and Friday for the call  
8 center so we think we'll still capture the bulk of our  
9 customers there.

10 Lock boxes, the bulk processing of transactions  
11 through our bank service, and we've restructured our  
12 collections contract such that we only pay them a  
13 percentage of what they collect rather than a flat fee  
14 which it used to be. And we've done renegotiation of our  
15 current back office system for some savings. The  
16 re-procurement we're working on will realize a lot more,  
17 but about \$3 million a year in savings have been attained  
18 thus far.

19 I wanted to just also touch on the third party  
20 vendor contracts with our vehicle rental agencies has been  
21 a tremendous thing for us. The vendors guarantee payment  
22 of tolls, they come on a timely basis, and they've greatly  
23 reduced the issues that we've had to work through with car  
24 rental agencies, and it's working very well and we're  
25 seeing a great income from those every month.

1           We are now able to set up payment plans for  
2 folks and that's made it easier for those people with a  
3 lot of violations, a lot of tolls to actually come and pay  
4 their tolls and a portion of the violation fees. And then  
5 the court proceedings which are ramping up, we're still in  
6 the early stages of that, but that's going to be very  
7 productive, I think.

8           And just in terms of the courts, we did move  
9 into this era very carefully, wanted to make sure we had a  
10 good process and that we could establish a high level of  
11 trust with the courts and the folks in their offices  
12 there. So kind of the status of it or the first step of  
13 the courts is a last-chance letter we mail out and say you  
14 have kind of a last chance to work with us before you go  
15 to court, so 200 of those letters have been mailed out.

16           We've had 15 people come in and set up payment  
17 plans to pay what they owe, 26 others who are requesting  
18 that and we're going to be meeting with them soon. Three  
19 people have updated the DMV files showing that they were  
20 not the owner of the vehicle at the time of the violations  
21 So we still have 113 that are pending. Their deadlines  
22 for the letter come in September. We hope a lot of those  
23 come in and set up payment plans. For those that don't,  
24 they'll go on to the next step which is to be filed on in  
25 court.

1           Today we filed on 27 defendants. Nine cases  
2 have been taken to court, all have been ruled in TxDOT's  
3 favor. The rest are scheduled throughout this month and  
4 in September. So we've had a very, very positive  
5 experience so far in the courts and our plan is to  
6 accelerate that.

7           The data as far as the actual courts is only  
8 really one precinct in Williamson County. We're close to  
9 bringing other cases to court in another precinct there  
10 and we're working very actively with Travis County.  
11 They've asked that we set up an interagency contract  
12 agreement with them, so we're negotiating that now. We  
13 hope to very quickly be taking many cases to court in  
14 Travis County which is where the bulk of our cases  
15 actually are.

16           So we feel it would be a better practice to  
17 have a license plate attached to a TxTag account. We were  
18 pretty open in the initial days and there are some impacts  
19 from that so we'd like to begin requiring a license plate  
20 number with a TxTag account. It just helps for tag  
21 verification and certainly if you have to have any  
22 interaction with the customer.

23           Charging for tags is something we haven't  
24 really come to a decision on point on, but it definitely  
25 would impact our revenue in a positive way if we began to

1 charge for those.

2 The pay-by-mail threshold is just a few people  
3 sometimes will drive a road one time and then not drive  
4 again for a long time. We've tried to look at avoiding  
5 sending out a charge for a 50-cent toll that costs us  
6 \$1.50 send, and so we're trying to strike the right  
7 threshold there to where we actually are going to produce  
8 revenue when we send out an invoice. So we're still  
9 working on that.

10 The voice response IVR will reduce some of our  
11 labor cost in the customer service center. At your  
12 direction, we are reviewing our administrative fees and I  
13 think we'll be talking with you about that further, but  
14 those are an element we need to review as well. And cash-  
15 less conversion. Presently we do accept cash, it is a  
16 pretty expensive proposition. It's so expensive that we  
17 really don't realize a profit on that.

18 So really, all of these elements are awaiting  
19 our back office procurement. That's the other measure  
20 that will make a big impact on reducing our operation  
21 costs, and we think once that is fully implemented, we're  
22 going to be down to a level that is considered very  
23 efficient by any comparison with any toll entity in the  
24 state.

25 And just to kind of demonstrate that, you can

1 see where we are today in terms of operating costs. We  
2 think with the new toll operations contract implemented,  
3 conservatively estimated, we think we can get down to an  
4 annual cost of around \$25-, \$26 million, and as our volume  
5 goes up, we don't really see our annual costs going up  
6 that much.

7 So to kind of illustrate, and answer  
8 Commissioner Meadows' question, we looked at some other  
9 tolling entities, and that SANDAG is a San Diego tolling  
10 entity, but there's three levels of enforcement we tried  
11 to illustrate there. Minimal enforcement, which that  
12 particular toll system doesn't have video billing, and  
13 they do have visual enforcement by a police patrol officer  
14 and they estimate they have about a 10 percent violation  
15 rate.

16 What you might call moderate enforcement which  
17 is what we do with CTTs and NTTA does, they do have video  
18 billing, as we do. We don't have police offices out on  
19 the roadway to enforce that. We, of course, just now are  
20 into the courts process, and NTTA has had that for a long  
21 time, but we have 4.3 violation rate, they have about  
22 probably 6.2, or possibly less.

23 And then a strict enforcement example, HCTRA  
24 probably being one of the more successful in the state  
25 with a 3.4 percent violation rate, they don't have video

1 billing and they have a very active prosecution of  
2 violators.

3           And then finally, the TCA is Southern  
4 California's Transportation Corridor Agencies, and they  
5 have driven it down to about a 1 percent violation rate.  
6 They do have officers and video enforcement. I think that  
7 essentially is that an officer in a patrol car can have an  
8 interaction with the system as a vehicle is going through  
9 a gantry and know if that person is a habitual violator  
10 and pull them over right then. And then they are very  
11 active in courts to prosecute those cases.

12           So hopefully that gives you a little  
13 illustration of a comparison of different entities.

14           The truck incentives we talked about last  
15 month, I believe. We are moving ahead as quickly as we  
16 can. Our traffic and revenue firm is currently working on  
17 a certification. We hope to have that around September 10  
18 of this year. The next step after that is to work with  
19 TIFIA to get their approval for, again, what we had  
20 suggested was a 25 percent reduction in tolls, we thought,  
21 based on our preliminary analysis that that would be  
22 basically revenue-neutral. The T&R certification we hope  
23 will agree with that. We need to work on TIFIA approval  
24 and disclosure to bondholders and financial markets, and  
25 then to come back to you for approval of those proposed

1 rates. So we hope to do that as quickly as we can.

2 And with that, I would end and ask you if you  
3 have any further questions.

4 MR. MEADOWS: Do you have an estimate on when  
5 that will be?

6 MR. TOMLINSON: Not really. I'm not sure  
7 exactly how long it will take to work with TIFIA. We're  
8 going to try to move that along as quickly as we can. I  
9 would think a month is a reasonable time to expect that,  
10 and certainly do it quicker if we can. And then we'll  
11 need to go ahead and plan to get it back on the commission  
12 agenda.

13 I think the disclosure work, our Finance  
14 Division and Mr. Bass will do that. Hopefully that can be  
15 done pretty quickly, and if we have the T&R certification,  
16 I think that eases that process. So I would think a month  
17 to a month and a half, maybe two before we come back to  
18 you.

19 MR. HOLMES: Mark, when you reviewed the other  
20 toll entities around the country, did you reach any  
21 conclusions as to whether it would be appropriate to make  
22 any changes in our procedures?

23 MR. TOMLINSON: Well, kind of going back to  
24 those pending changes that we talked about, the pay-by-  
25 mail is problematic. You know, it's one of those we

1 tended to have a pretty forgiving philosophy when we  
2 opened the system and tried to make people customers  
3 rather than violators. It's a system that requires a lot  
4 of manpower to manage and review and work with people.

5 I think that's probably the biggest potential  
6 for making a big improvement, that, of course along with  
7 our back office system. What we have is highly modified  
8 from the initial system that we had foreseen and we think  
9 it will be extremely much more efficient and certainly  
10 cost-effective. I would say those are the probably two  
11 biggest items.

12 Potentially eliminating the pay-by-mail, I  
13 don't know that we're to the point of recommending that.  
14 There's policy implications of that as well, but it is  
15 still a big cost. Talking to HCTRA, for example, they say  
16 they would never consider going to video billing, it's  
17 just too problematic.

18 MR. HOLMES: You might recheck your math on the  
19 collection ratio too.

20 MR. TOMLINSON: Okay. With HCTRA you mean?

21 MR. HOLMES: No. With ours.

22 MR. TOMLINSON: Ours. Okay, sure.

23 MR. HOUGHTON: Could I ask Bob Jackson a  
24 question?

25 Bob, is there anything in statute that would

1 prevent us from contracting operation and maintaining our  
2 family that CTTS?

3 MR. JACKSON: Can you repeat that?

4 MR. HOUGHTON: Anything in statute?

5 MR. JACKSON: That would prevent us from  
6 contracting?

7 MR. HOUGHTON: Operation and maintenance of  
8 this facility, our Central Texas Turnpike.

9 MR. JACKSON: No, there is not.

10 MR. HOUGHTON: So we could advertise, go out  
11 and look for somebody to operate and maintain this  
12 facility.

13 MR. JACKSON: Yes, sir.

14 MR. HOUGHTON: Thanks.

15 MR. MEADOWS: Mark, I'm appreciative of the  
16 efforts that you all have put forth today. I think we're  
17 beginning to see some positive yield. It seems to me like  
18 the ongoing meetings with the other entities in the state  
19 that are involved in toll collection will continue to  
20 yield good result for us. I mean, that's the truth.

21 It seems we began from a point where we  
22 suggested, perhaps, that the most effective and efficient  
23 and fair way and best customer experience for the citizens  
24 who drive all these toll facilities is to have a single  
25 point of collection, and that may be unrealistic, I

1 understand that. But on the other hand, having the  
2 experience and interaction with the experienced operators,  
3 it's going to do nothing but do good things for us.

4 And I think we've certainly experienced some  
5 criticism and some of it is justified, and I think we  
6 understand that and we're trying to be a better agency in  
7 that respect. I know that at one point there was a  
8 discussion about how do we make the toll experience a  
9 better customer experience overall, how do we better  
10 market what it is that we do and how do we begin to think  
11 more about this operation as a business, and I think these  
12 are a lot of the elements of that. I mean, I don't think  
13 we've done that previously.

14 Can you tell me what we've done to date with  
15 regard to the marketing ideas that have been discussed?

16 MR. TOMLINSON: Well, again, kind of in the  
17 history, it's mainly been promotions around opening of  
18 roadways or opening of the system. We are talking  
19 internally and are trying to set up a meeting -- well, I  
20 guess two things -- we've developed what is called an ad  
21 council. It's a grouping of the people in the agency who  
22 actually do marketing to make that more coordinated and  
23 more efficient. That collaboration I think can help.

24 We also hope to talk with the University of  
25 Texas, some of their marketing specialists and marketing

1 professionals, about helping us gain some direction on  
2 where we should go. We're not going to be opening a lot  
3 of new roadways now, we need to think about marketing the  
4 system as a system and as an ongoing business operation.  
5 And so that's one idea, we'd like to meet with them.

6 MR. MEADOWS: Excuse me. I thought the initial  
7 meeting had already taken place.

8 MR. TOMLINSON: Not to my knowledge. We talked  
9 this week with Mr. Chase and Mr. Barton about setting that  
10 up.

11 MR. MEADOWS: You might want to communicate  
12 between you and Mr. Chase because you're saying one thing  
13 and he's saying something else. So I'll just leave that  
14 alone and let you sort through that.

15 MR. TOMLINSON: Possibly my misunderstanding.

16 MR. MEADOWS: Let me ask you another thing.

17 MR. TOMLINSON: Yes, sir.

18 MR. MEADOWS: We had previously talked about,  
19 and you didn't mention it today, changing speed limit.

20 MR. TOMLINSON: Right, and we, of course,  
21 looked at that with you the last time. We don't believe  
22 that we have the legal authority to do that. That's why I  
23 didn't bring it back today. We certainly did see  
24 increases in revenue, pretty dramatic.

25 MR. MEADOWS: Significant, as I recall.

1 MR. TOMLINSON: Yes, they were.

2 MR. MEADOWS: So did we just close the book on  
3 that?

4 MR. TOMLINSON: I think it's pending.

5 MS. DELISI: We need statutory approval for the  
6 road.

7 MR. MEADOWS: Okay.

8 MS. DELISI: I think it's something that we  
9 should -- if I could answer the question -- my opinion, I  
10 think it's something that we should pursue as an agency  
11 next session.

12 MR. MEADOWS: I mean, it was material.

13 MS. DELISI: Absolutely.

14 MR. MEADOWS: And if that's the case, then if  
15 we're thinking about this as a business, which we should  
16 be given the amount of money we spend out of Fund 6 every  
17 year to support it.

18 MR. HOUGHTON: To piggyback that question, can  
19 Segments 5 and 6 have a higher speed limit than what we  
20 have on 1 through 4?

21 MR. TOMLINSON: Don't believe we have statutory  
22 authority for that.

23 MR. HOUGHTON: Do they have statutory  
24 authority? Okay. I'm hearing it's not.

25 What are we going to do to help the RMAs with

1 equipment and back office? Are we going to let them go on  
2 their own? And I say go on their on, I would seem to  
3 think with the greater buying power of more than just one  
4 or two, that creates a big opportunity.

5 MR. TOMLINSON: It does, and we have worked  
6 with several of the RMAs to kind of market our services to  
7 them, and one in particular, the Cameron County RMA, has  
8 chosen to use part of our services, the TxTag tags and the  
9 support that goes with that. We've talked with NET RMA as  
10 well.

11 MR. HOUGHTON: Well, who are they using now,  
12 who is NET using?

13 MR. TOMLINSON: I believe they're planning on  
14 contracting with the Central Texas RMA.

15 MR. HOUGHTON: And who's Cameron County using?

16 MR. TOMLINSON: The services that are not  
17 supplied that I mentioned by TxDOT, I think they're also  
18 planning on contracting with CTRMA.

19 MR. HOUGHTON: So CTRMA is providing those  
20 services.

21 MR. TOMLINSON: That's my understanding, sir.

22 I guess one other thing I meant to mention,  
23 we've had pending for a while, we've had a person serving  
24 in an interim role as our Toll Operations director, he was  
25 part of our collaboration effort and part of just the

1 overall business operation there. We certainly hope at  
2 some point that we can post that position and bring in a  
3 very well qualified person to help lead our efforts there.

4 MR. HOLMES: Mark, just as a minor point, one  
5 I'm curious about, the interoperability on other tags. Do  
6 we have any kind of a collection issue on that?

7 MR. TOMLINSON: No. That works very well for  
8 the tags within the state.

9 MR. HOLMES: Right.

10 MR. TOMLINSON: We, unfortunately, don't have  
11 interoperability outside the state. It's a big national  
12 issue that all the toll entities are trying to work  
13 toward. But that interoperability works extremely well,  
14 it's an extremely high collection rate.

15 MR. HOUGHTON: Mike Heiligenstein, since your  
16 name was brought up indirectly, can you come up? I want  
17 to talk about E-Q-U-I-T-Y. Just kidding.

18 (General laughter.)

19 MR. HEILIGENSTEIN: Yes, sir. Good afternoon.

20 MR. HOUGHTON: What are you providing services?  
21 I heard Cameron County, what are you providing them?

22 MR. HEILIGENSTEIN: Absolutely. Remember, we  
23 responded to a procurement, they were doing a procurement  
24 and they opened it up to the marketplace and we did  
25 respond, and we bundled our toll from the lane to

1 potential back office. In other words, we bundled Kucera,  
2 our current provider in in-lane, we bundled our violation  
3 processing with MSB which is a private sector provider  
4 here in Austin, and then some of our staff also help out.  
5 So we kind of bundled everything together and that was our  
6 presentation to them.

7 MR. HOUGHTON: Are you helping them with  
8 equipment or things like that?

9 MR. HEILIGENSTEIN: Yes.

10 MR. HOUGHTON: You are.

11 MR. HEILIGENSTEIN: Yes. Kucera will be the  
12 provider of in-lane equipment.

13 MR. HOUGHTON: And what are you doing for NET?

14 MR. HEILIGENSTEIN: I would have to get an  
15 update on that one. I think we just responded. I'm not  
16 sure where we are in the procurement on that one.

17 MR. HOUGHTON: Okay, thanks.

18 MR. TOMLINSON: Thank you very much.

19 MR. SAENZ: Thank you, Mark.

20 I guess, commissioners, one of the things that  
21 we have just done, because we are interoperable that any  
22 of the toll tags that are owned by the local tolling  
23 entities and the department can be used on our toll roads,  
24 is to let the traveling public know that all tags are  
25 valid for every toll road. So on 130 and 45 we went ahead

1 and put up some signs and that's helped. That came as a  
2 recommendation from one of our state elected officials  
3 that said, I go down to Austin and I have a tag from the  
4 North Texas area, I don't know if I can use it or not.  
5 And this kind of will help people have the ability to know  
6 that they can get on. So that's one of the things that  
7 we've done in the last couple of months.

8 MR. HOUGHTON: Let me ask one more. Carrie  
9 Rogers, can you come up for a minute? I want to ask you  
10 about NTTA.

11 MS. ROGERS: Good afternoon.

12 MR. HOUGHTON: Carrie, this fine picture that  
13 is in a magazine that shows the bit T, is that your  
14 emblem?

15 MS. ROGERS: Yes, sir, it is.

16 MR. HOUGHTON: This is, I guess, what you were  
17 talking about, Amadeo.

18 MR. SAENZ: Yes, sir.

19 MR. HOUGHTON: Representative Branch. And  
20 EZTag is HCTRA, I believe. Right?

21 MS. ROGERS: Yes, sir.

22 MR. HOUGHTON: Do you offer any services, NTTA,  
23 to any other thing other than toll roads, like parking  
24 lots or airport?

25 MS. ROGERS: We do have interoperability with

1 Dallas Love Field and also the DFW International Airport.  
2 I think that we're also working on a pilot program, I want  
3 to say, with the City of Dallas to be able to use our toll  
4 tag for parking there, but I'm not sure where we are on  
5 that.

6 MR. HOUGHTON: But you are looking at where you  
7 can put that big T up there and you go most anyplace in  
8 the Metroplex.

9 MS. ROGERS: Yes, sir.

10 MR. HOUGHTON: Great. The other question --  
11 it's not a question, but there was an event, or at your  
12 board meeting something monumental to the western side of  
13 the Metroplex that took place. Can you talk about that?

14 MS. ROGERS: Yes, sir. I'm very pleased to  
15 report that the NTTA board voted last week to accept the  
16 Southwest Parkway/Chisholm Trail project. We are, I  
17 think, in the process of working on our finance plan that  
18 was very instrumental with the toll equity loan agreement  
19 that we worked out with you all, and we're very, very  
20 excited about it to get a road on the ground in the  
21 western half of our region.

22 MR. HOUGHTON: And we appreciate the  
23 partnership.

24 And lastly, I understand there's a special  
25 event taking place next month that personally affects you?

1 MS. ROGERS: Yes. I'm getting married in nine  
2 days.

3 MR. HOUGHTON: Did everyone in the room get an  
4 invitation?

5 MS. ROGERS: A couple of people.

6 (General laughter.)

7 MR. HOUGHTON: Congratulations. Thanks,  
8 Carrie.

9 MS. ROGERS: Thank you very much.

10 MR. HOLMES: Before you sit down, I wanted to  
11 go back to the -- I'm not going to be that personal, we'll  
12 let these guys do that.

13 MS. ROGERS: Thank you.

14 MR. HOLMES: Using your toll tag at the  
15 airport, is that profitable for the NTTA?

16 MS. ROGERS: You know, sir, I don't want to  
17 misspeak. I'm really not familiar with the particulars of  
18 it. I want to say that they talked about setting a  
19 standard where there's at least a 5 percent profit, if you  
20 will, on the interlocal agreement that we have with them,  
21 but I really would be hesitant to talk too much about the  
22 particulars on it. But I'd be happy to get that for you.

23 MR. HOLMES: Yes. Apparently HCTRA was not  
24 able to show a profit and was dropping that service at the  
25 Houston airports.

1 MS. ROGERS: I can tell you I believe there was  
2 a briefing to our board sometime in the last six months  
3 that showed it wasn't an enormously profitable agreement  
4 but it was a good partnership with our local public  
5 entities and we saw the benefit there. But I think we're  
6 in the middle of renegotiating that agreement because it  
7 comes up sometime in the next year.

8 MR. HOLMES: Congratulations.

9 MS. ROGERS: Thank you.

10 MR. SAENZ: All right. Thank you, Mark.

11 Agenda item number 4, commissioners, Jim  
12 Randall will give us an update on the development of the  
13 Statewide Long-Range Transportation Plan. Jim, it's  
14 yours.

15 MR. RANDALL: Thank you, sir. Good afternoon,  
16 commission.

17 My name is Jim Randall. I'm director of the  
18 Transportation Planning and Programming Division. I'd  
19 like to take a few minutes to update you on the  
20 development of the long-range plan.

21 As you know, the long-range plan is a blueprint  
22 of future transportation needs for the next 24 years. It  
23 includes all modes of transportation and was developed  
24 with input from stakeholders and system users, in addition  
25 to the public.

1           In the development of the long-range plan, we  
2 analyzed the existing transportation system, its future  
3 needs and projected future funding. This includes all  
4 modes of transportation and took into account all current  
5 plans. The plan also addresses the eight planning factors  
6 that's required by federal regulation.

7           We also addressed the elements in the proposed  
8 Planning and Programming rules which are on tomorrow's  
9 commission agenda for final approval. These proposed  
10 rules require the plan to contain specific long-term goals  
11 that include maintenance of the existing system, reduction  
12 of congestion, enhancement of safety, and promotion of  
13 economic development. The planning rules also require  
14 that the plan must contain measurable targets for those  
15 goals and identify priority corridors.

16           As part of the public involvement activities,  
17 we held two rounds of stakeholder meetings in the four  
18 regions and two rounds of open house meetings in each  
19 district throughout the state. As part of the first round  
20 of the meetings, we provided a questionnaire. These  
21 questions involved travel modes and transportation  
22 concerns, as well as ideas for potential solutions. We  
23 had approximately 500 people attend the first round and we  
24 obtained about 200 responses. While this doesn't  
25 constitute a valid statistical sample, we thought some of

1 the answers we got was of interest to the commission.

2 Of course, the first one is pretty  
3 straightforward that four out of five people travel to  
4 work or school in a personal vehicle. When we asked them  
5 about the most important transportation problems, they  
6 listed in that order: potholes, crumbling roads and  
7 bridges, traffic congestion delays, limited public  
8 transportation service. When we asked them for rating  
9 potential solutions for improving the roads, they listed  
10 build more roads or freeways, add shoulders to existing  
11 roads, and add lanes to existing roads.

12 Also, one of the inputs is that they suggested  
13 we try to move more freight by rail, and then under the  
14 improve public transportation, it was add light commuter  
15 rail lines, extend the existing lines, and add more  
16 frequent service during weekday rush hours.

17 So what is driving the demand? Announcements  
18 of population growth shows that Texas as a state will grow  
19 by a projected 43 percent by 2035. Unlike many states,  
20 Texas expected to see the growth in both rural and urban  
21 areas, however, a closer look shows that the majority of  
22 the growth is occurring in the urban areas.

23 The blue map shows the percent change in  
24 population from 2008 to 2035. This change is more heavily  
25 concentrated around the larger metropolitan areas. The

1 green map on the right shows the projected 2035  
2 population, and the counties having the highest  
3 populations are shaded in the dark green.

4 Freight demand is also driving the needs. In  
5 addition to population, as you can see, truck, rail and  
6 waterways and ports expect to see at least a 75 percent  
7 growth in tonnage between 2008 and 2035. The top bar  
8 chart shows percent growth in truck and rail tonnage to,  
9 from and within the state. The bottom chart indicates  
10 percent growth of water tonnage by interconnecting modes.

11 Now looking at the highway urban and rural  
12 needs, using the same methodology that was used for the  
13 2030 report, we projected the urban and rural needs for  
14 the state. It should be noted that the rural mobility  
15 component of the 2030 report included the buildout of the  
16 trunk system. For the statewide plan, this number was  
17 restricted to only those segments requiring capacity  
18 increase. This also reflects a slight reduction in the  
19 highway cost index from 2008. In total, we project a need  
20 of nearly \$370 billion to meet the highway demands. Dr.  
21 Tim Lomax, with TTI, assisted us in taking these numbers  
22 out to the year 2035.

23 On the rail side, the draft State Rail Plan  
24 indicates that \$7.8 billion will be needed to address the  
25 state's freight rail system, and you see by the chart, it

1 gives you what areas and what are the needs. Studies of  
2 for the passenger rail system are just beginning and will  
3 also likely add significant numbers to this amount.

4 Public transportation is currently provided  
5 through seven urban and rural systems. For the urban  
6 public transportation, there's approximately \$15 billion  
7 of federal dollars programmed for the 25 MPOs long-range  
8 plans. This number is fiscally constrained so it does not  
9 reflect the total needs.

10 On the rural side, budgets are set to meet  
11 service provider operational needs. These formulas are  
12 based on the number of elderly, handicapped, and special  
13 needs populations. We expect a high growth in demand for  
14 these services, more growth than has been seen in the past  
15 based on the projected increase in the elderly population,  
16 particularly in the rural counties. We also understand  
17 from service providers that the national healthcare bill,  
18 once regulations are written, could significantly increase  
19 the funding needs. Of course, your seeing the baby boom  
20 generation has an impact.

21 As far as bike/pedestrian plans, they're a  
22 modal element of the 25 MPO plans as well as many city  
23 plans. The US DOT recently released a policy statement  
24 that calls for the incorporation of walking and biking  
25 facilities into transportation projects. In 2009 the

1 commission approved 200 Safe Routes to School projects for  
2 \$54 million. The department also funds \$15 million a year  
3 for the curb ramp program.

4 As far as our waterways and ports, it is  
5 estimated that \$5.75 billion is needed for the maintenance  
6 and operation of ports and waterways through the year  
7 2035. This equates to a current dredging need per year of  
8 \$100 million and capital costs currently estimated at \$130  
9 million a year. The container volumes through our ports  
10 is expected to triple by the year 2035 and many  
11 infrastructure improvements are required.

12 Of course, one, I guess, overlooked area is the  
13 transmission of goods through pipelines. The State of  
14 Texas has over 220,000 miles of pipeline regulated by the  
15 Texas Railroad Commission, the US DOT Pipeline and  
16 Hazardous Materials Safety Administration, and the Federal  
17 Energy Regulatory Commission.

18 Texas transports about 30 percent of the  
19 nation's natural gas production, and in 2006 the oil and  
20 gas industry accounted for more than three percent of the  
21 state workforce. The future needs for this mode is  
22 market-driven, but we were unable to obtain future needs  
23 from the industry.

24 From the Texas Airport System Plan, the needs  
25 for the general aviation airports for the next five years

1 totals \$600 million for reliever airports and \$500 million  
2 for business/corporate. Some examples of commercial  
3 airport needs include up to \$2 billion at the Dallas-Fort  
4 Worth Airport and \$2 billion for the Austin Bergstrom  
5 Airport.

6 As indicated earlier, the plan includes long-  
7 term goals. We're proposing using the goals from the  
8 strategic plan for the statewide plan, and you see above,  
9 the goals are: developing an organizational structure  
10 that addresses future needs, facilitating multimodal  
11 funding strategies, enhancing safety for all system users,  
12 maintaining existing transportation system, and promoting  
13 congestion relief and enhanced system connectivity.

14 Now, just as a reminder, this is the funding  
15 forecast for highways and bridges to the year 2035. We're  
16 anticipating \$56 billion in existing revenue sources.  
17 This includes the Finance Division's 2010-2020 forecast  
18 and the TRENDS model 2021-2035 forecast.

19 As you can see, the state is facing a  
20 significant transportation challenge. Demand for the  
21 system will continue to increase. There are vast needs  
22 for both preserving and maintaining and expanding the  
23 existing system, and there's a limited amount of funding  
24 to address these needs.

25 With this in mind, the plan has proposed three

1 strategies to meet these challenges: first, maximize  
2 available resources; two, manage demand; and three,  
3 leverage partnerships.

4 To maximize available resources, the plan has  
5 identified the following approaches: approve traffic  
6 operations with technology upgrades, expand intelligent  
7 transportation systems for traveler information, focus on  
8 higher value projects by requiring higher benefit to cost  
9 and higher cost-effectiveness, prioritize mobility funds  
10 for most congested roads, and look at focusing maintenance  
11 on high-volume roads.

12 In order to manage the demand, some proposed  
13 methods include: encourage more telecommuting and off-  
14 peak travel; encourage fewer single occupant vehicles,  
15 more public transportation, cycling, walking, carpools and  
16 vanpools; try to shift freight from truck to the rail  
17 where possible; and then use more access management  
18 techniques.

19 And to leverage partnerships, the  
20 recommendations are: increase the use of pass-through  
21 toll financing, State Infrastructure Bank, private sector  
22 investment, regional mobility authorities and local toll  
23 authorities.

24 Here's a timeline for the development of the  
25 plan. We're finalizing the draft report and we'll post it

1 September 15 on our website for a 45-day public review and  
2 comment period. There will be a public hearing in Austin  
3 on October 1, and we will present the final report to you  
4 at the November commission meeting. In between these  
5 activities we'll be briefing you and seeking input from  
6 you and your staff.

7 So I'd be happy to answer any questions you  
8 might have.

9 MR. MEADOWS: How often do we produce this  
10 plan?

11 MR. RANDALL: Our last plan was in 1994.

12 MR. MEADOWS: Okay, so frequently.

13 (General laughter.)

14 MR. RANDALL: Well, it's supposed to address a  
15 20-year horizon. We've made several attempts, have  
16 developed plans, but for various reasons, they weren't  
17 adopted or accepted.

18 MR. UNDERWOOD: How many pages now?

19 MR. RANDALL: On this one?

20 MR. UNDERWOOD: Correct.

21 MR. RANDALL: About 315 pages on the plan,  
22 about 70 pages on the executive summary.

23 MR. UNDERWOOD: Good light reading. Thank you.

24 MR. RANDALL: Yes, sir.

25 MR. MEADOWS: I'm still a little unclear. I'm

1 always fuzzy on our planning initiatives, because I think  
2 it's been pointed out by others that because to some  
3 degree we have so many statutorily required planning  
4 efforts or initiatives that are produced each year, there  
5 is a certain dilution of a plan and the effect of the plan  
6 in terms of defining where it is that we're going simply  
7 because there's so many plans. And I don't know what they  
8 all are and how they all fit and how they all relate to  
9 this document.

10 I understand the aviation plan, the ports, the  
11 rail plan are all formalized and become part of this, but  
12 I know we have been criticized for not being clear and  
13 communicating and coordinating some of these planning  
14 efforts, and I'd be willing to bet that out of 24 million  
15 or 25 million Texans, there are probably 18 or 20 people  
16 that really know how they all fit together, and probably  
17 17 of them are in this building and Michael Morris.

18 (General laughter.)

19 MR. MEADOWS: But it would be helpful to me to  
20 understand how all this does fit together, and more  
21 importantly, how we intend to communicate and disseminate  
22 this information so people understand what strategically  
23 we are thinking.

24 MR. RANDALL: Yes, sir. And as we discussed  
25 earlier, we think that's a very good suggestion of putting

1 in an introduction with a visual as well as an explanation  
2 of that so we're going to go ahead and proceed with that.

3 MR. MEADOWS: Great. Thank you.

4 MR. RANDALL: Yes, sir.

5 MR. SAENZ: Commissioner, I think, if I  
6 remember correctly, the Statewide Long-Range  
7 Transportation Plans are supposed to be updated about five  
8 years on a five-year cycle. Somehow we missed a few five  
9 years between '94 and 2010.

10 MR. HOLMES: Was it missed, Amadeo? I thought  
11 I heard Jim say that it wasn't adopted.

12 MR. SAENZ: Well, we developed several versions  
13 but they were never carried all the way through adoption.

14 MR. UNDERWOOD: Was it the last time because of  
15 the Sunset is when you backed up?

16 MR. SAENZ: Part of it was because of Sunset,  
17 part of it was because the commission at the time wanted a  
18 change in format and then somehow it got lost in the wash.

19 MR. RANDALL: We also hit a bunch during the  
20 2003, 2005, 2007 time frame. Those legislative sessions  
21 came up with MOAB which caused us to go back and have to  
22 redo the plan based on that. They came up with another  
23 initiative, I guess, they increased our responsibility in  
24 rail.

25 MR. SAENZ: You probably want to explain what

1 MOAB is.

2 MR. RANDALL: We were playing catch-up during  
3 that time frame.

4 MR. SAENZ: The various comprehensive  
5 transportation bills were called MOAB, the Mother of all  
6 Bills. And then there was a Son of the Mother of all  
7 Bills.

8 MR. RANDALL: I'm sorry. I thought you knew  
9 that acronym.

10 MR. SAENZ: So we're catching up, and the goal  
11 is that we would have the Long-Range Transportation Plan  
12 updated on a cycle of five years, and then, of course,  
13 that will tie to the plans that fall below it which are  
14 the rail plan, the aviation plan, all become elements of  
15 this. You use your statewide long-range plan then for the  
16 MPOs to develop the highway elements under their  
17 transportation plans, public transportation elements under  
18 the public transportation plan, and then those would lead  
19 to plans that would identify projects for the 10-year UTP  
20 and the four-year STIPs and the work plans so it all ties  
21 back. But we'll present that.

22 We had a discussion. I think, Commissioner  
23 Meadows, you were not here that meeting when we talked  
24 about the connection between the statewide plan and the  
25 other plans, but we'll go back and make sure we get that.

1 MR. MEADOWS: I knew I missed something.

2 (General laughter.)

3 MR. RANDALL: We appreciate your time and help  
4 with this.

5 MR. SAENZ: Thank you, Jim. Good work so far.

6 Commission, the next item, Rick Collins, who is  
7 director of our Research Office, will present a discussion  
8 on what we call the Strategic Research Program. And the  
9 Strategic Research Program is something we've been working  
10 on with several of our university partners so that we can  
11 start planning forward what's going to be happening in the  
12 State of Texas because of population, because of changes  
13 in dynamics, and start looking at identifying those  
14 strategies that will help us solve for those problems and  
15 goals that you've identified.

16 So Rick has got several of the universities  
17 here and they're going to give you an update on where  
18 we're at on our Strategic Research Program.

19 MR. COLLINS: Very good. I'm Rick Collins,  
20 director of the Research and Technology Implementation  
21 Office, and as Mr. Saenz just indicated, we're here to  
22 discuss the Strategic Research Program for TxDOT.

23 And for the most part, our research projects  
24 address some relatively short-term technical issues  
25 related to pavements and structures and traffic

1 operations, to name a few. And quite frankly, this serves  
2 us very well but we need to look 10-, 20-, 30-plus years  
3 down the road.

4 We need to be asking ourselves such questions  
5 as: who's going to be using the transportation and how  
6 will they use it, what will their expectations be, how  
7 will the transportation network be engineered and  
8 maintained, how will the future transportation system  
9 interact with society and nature. And a strategic  
10 research program provides us a mechanism to look at these  
11 and many other issues to put us in a better position, as  
12 the State of Texas, to address in a much more proactive  
13 manner some of these things.

14 So we've contracted with the Center for  
15 Transportation Research at UT Austin, the Texas  
16 Transportation Institute at Texas A&M, and the Multi  
17 disciplinary Research in Transportation at Texas Tech  
18 University, and they've proposed a plan for how a  
19 Strategic Research Program might work, and they're here to  
20 present this.

21 Dr. Randy Machemehl, representing the Center  
22 for Transportation Research will do the entire  
23 presentation, but we also have with us here today Dr. Bill  
24 Stockton from TTI, Dr. Ted Cleveland and Mr. Phil Nash  
25 from Texas Tech University, and we also have with us Cindy

1 Weatherby, somewhere in the room, from TTI.

2           So without further ado, Dr. Machemehl, unless  
3 you have any questions for me at this point.

4           DR. MACHEMEHL: Thank you, Rick.

5           I see a big sign here stating that I should  
6 state my name. I'm Randy Machemehl, director of the  
7 Center for Transportation Research, University of Texas at  
8 Austin.

9           Very recently I had an opportunity to chat with  
10 the guy who is in charge of logistics for one of the  
11 largest grocery store chains in the State of Texas, and we  
12 were discussing the difficulties that he had to face with  
13 the hurricane activity on the Gulf Coast. Since he's in  
14 charge of logistics, his problem was getting his groceries  
15 to his stores for the people who were impacted by the  
16 hurricanes. I said, Wow, that's a very difficult problem,  
17 you have no control over that. He said, Well, I learned  
18 from my boss a long time ago that if there's an issue and  
19 I don't control it, I better have a plan for dealing with  
20 it.

21           And that comment reminds me very much of one  
22 very important definition you might use to describe  
23 strategic research: if I don't control it, I need to plan  
24 for it.

25           My dictionary defines strategy as a plan to

1 accomplish an objective. The definition implies that  
2 there may be a long time between the plan and the actual  
3 accomplishment of the objective. So strategy or strategic  
4 is usually used to describe long-term plans.

5 I learned as a military strategist that such  
6 plans must have as their foundation the very best  
7 available and most complete sets of facts. The plan for  
8 the TxDOT Strategic Research Program is designed to  
9 provide complete sets of facts in very concise form,  
10 surrounding long-term strategic transportation issues.

11 Ironically, although the issues to be  
12 investigated are long term, one of several unique features  
13 of the recommended program is quick-response research  
14 briefs performed in two annual cycles of six months or  
15 less. Another unique feature is an oversight panel  
16 composed of transportation industry executives, generally  
17 external to TxDOT. The program is designed to be  
18 complementary to the current TxDOT Technical Research  
19 Program with many opportunities for information exchange  
20 between the Strategic Research Program and the Technical  
21 Research Program.

22 The quick-response research brief component  
23 will, through two annual cycles, develop concise synthesis  
24 documents regarding all that's currently known about 10 to  
25 20 selected issues. Two to four of these issues will be

1 selected annually for longer duration research studies  
2 that will, unlike the research briefs, develop new  
3 information. With 10 to 20 research briefs developed each  
4 year, the growing collection of these briefs will quickly  
5 become a valuable resource of current facts regarding a  
6 wide range of strategic issues. The limited number of  
7 full research studies will provide deep insight to those  
8 selected issues.

9           The repository of these documents might be an  
10 ideal source of information to be shared with  
11 policymakers, transportation professionals and certainly  
12 with citizens.

13           Over recent months, my colleagues and I, from  
14 Texas Tech and TTI, have surveyed transportation system  
15 stakeholders, including designers, operators, builders and  
16 users, to identify potential strategic research topics.  
17 Respondents to the survey identified approximately 500  
18 strategic research ideas, and we've examined the responses  
19 in some detail. Through that effort, we've identified  
20 five themes which you see on the slide, and a recommended  
21 list of 20 high interest research brief topics.

22           The five themes listed here are very broad  
23 topical statements so they are many sub topics under each  
24 theme. For example, the demand theme includes sub topics  
25 of demographics, commuting and freight; the organization

1 theme includes funding, performance, partnerships;  
2 infrastructure includes engineering and maintenance;  
3 networks includes modal integration, safety and  
4 technology; and the environment theme includes such topics  
5 as ecology and lifestyle related issues.

6 Another feature of the recommended program is  
7 oversight by a panel of transportation stakeholder  
8 executives who are largely external to TxDOT. This panel  
9 would provide an independent perspective to identification  
10 of strategic issues, program administration, and very  
11 significantly, sharing of Strategic Research Program  
12 results through their own communication channels.

13 The recommendation for the panel composition is  
14 initially six members. This would likely change over  
15 time. They would be appointed for three-year staggered  
16 terms and they would meet two to four times per year,  
17 certainly using teleconference capabilities to minimize  
18 their travel and overall time commitment.

19 Panel members would desirably represent  
20 industry transportation system users, primarily from the  
21 private sector, with extensive experience in a variety of  
22 businesses. Some might be transportation experts, such as  
23 well known engineers, planners or administrators, but such  
24 expertise should certainly not be a requirement. Rather,  
25 individuals with records of achievement and a strategic

1 vision of the transportation system, as seen from his or  
2 her business, is most important. Membership would likely  
3 be drawn from a cross-section of the state's geographic  
4 areas and should likely include both rural and urban  
5 perspectives.

6 The recommended Strategic Research Program  
7 process would begin with the three universities  
8 represented here, initiating the first cycle of research  
9 briefs on 1 September of this year. The oversight panel  
10 would be selected during the upcoming fall, and the  
11 existing project management committee -- that's Mr.  
12 Simmons and his team -- would hand off program  
13 administration to the oversight panel following the first  
14 panel meeting in the January-February time frame.

15 Following the first oversight panel meeting,  
16 one to three research topics would be selected for  
17 detailed study, and all state universities would be given  
18 opportunities to submit statements of experience and  
19 qualification for possible selection to perform those full  
20 research studies. The oversight panel would order the  
21 second cycle of research briefs to begin, and this cycle  
22 would be repeated approximately every six months.

23 A primary product of the program would be eight  
24 to 12 research briefs completed each six-month cycle. The  
25 research briefs would concisely present essentially

1 everything that's known about each topic, the unvarnished  
2 truth, if you will. And very importantly, they would  
3 include a recommended scope for any in-depth research that  
4 they might suggest.

5           Additionally, the selected very high priority  
6 topics, approximately two to four per year, would be  
7 selected by the panel and suggested for full research  
8 studies. These efforts will be of longer duration than  
9 the research briefs and would be designed to go beyond  
10 what is currently known about each research topic. That  
11 is, they will be designed to develop new knowledge.

12           The strategic research repository, the place  
13 where we would locate all of the information developed  
14 through the program, will use electronic means for  
15 dissemination, and the oversight panel will hopefully  
16 become champions of the program and carry the truths  
17 developed through the program back to their respective  
18 worlds.

19           In summary, the recommended Strategic Research  
20 Program will, through the research brief process,  
21 complemented by the full research projects, become an  
22 essential strategic resource. We think of the proposed  
23 oversight panel as being similar to the 2030 Committee,  
24 bringing a variety of independent strategic perspectives  
25 of our transportation system. A key objective of the

1 Strategic Research Program is to help prepare TxDOT and  
2 the State of Texas to meet future challenges.

3 I'll be happy to answer questions. My  
4 colleagues will also join in answering any questions you  
5 might have. We appreciate the opportunity to discuss this  
6 with you.

7 MR. SAENZ: Thank you, Randy, and thank you to  
8 the members of the other universities that have helped us  
9 put this together.

10 Commission, this kind of ties back to our  
11 strategic plan, our long-range plan and our strategic  
12 plan, but a lot of the questions that we have and a lot of  
13 the potential solutions that we want to look at would be  
14 generated through the strategic research that will help us  
15 look at population is going to grow by X percent in the  
16 State of Texas, how do we handle and come up with  
17 strategies to address that. So this is just one of the  
18 arms or one of the tools to help us look into the future  
19 and come up with solutions.

20 MR. HOUGHTON: Give me an idea of what.

21 MR. SAENZ: Well, let's take, for example,  
22 something as simple as we've got the Panama Canal being  
23 expanded today so we've got a new type of ship that will  
24 come across the Panama Canal and now will come into the  
25 ports on the eastern coast of the United States, and in

1 particular in Texas we'll be the first ports. How do we  
2 address this influx of cargo and freight that's coming  
3 across. We have to look at what impacts does it have on  
4 the transportation system, but are there other strategies  
5 that could be used to prepare to put in place the movement  
6 of that freight. That could be one.

7 As we look at population growth for the State  
8 of Texas and we determine kind of where it's going to be,  
9 how do we look at addressing strategies of addressing the  
10 movement of people and goods or the need for people and  
11 goods to work in those areas through, potentially, more  
12 telecommuting, through changing of work shifts so that we  
13 can best utilize some of the strategies that came out of  
14 our statewide plan.

15 So it's really kind of what I would call  
16 forward-thinking, forward research to give us ideas about  
17 how do we solve the problems into the future.

18 MR. HOUGHTON: Can we not, Amadeo, the here and  
19 now -- obviously you have to have that vision looking out  
20 into the future -- but the here and now, Doctor, is to  
21 look at the things that are going to be facing the  
22 legislators next session is revenue and what kind of  
23 revenue sources are out there. We talked in the past  
24 about vehicle miles traveled as a revenue source, we  
25 talked about the diminishing return of gas tax, even

1 increasing the gas tax, is it efficient.

2 To hand something independent of this body to  
3 the legislators and say, Here is the research on these  
4 types of revenue sources and for your information in your  
5 deliberations on how to raise additional resources for the  
6 State of Texas going forward, I think I'm more interested  
7 in that. I am interested in the Panama Canal and trade,  
8 and just location, by geography, we're in the middle of  
9 the country, it's going to come this way, Mexico, the Gulf  
10 of Mexico, Panama, and of course, the ports are going to  
11 be proactive in their marketing of their facilities.

12 But I'm real interested in how we can help our  
13 friends across the street on ascertaining what it means to  
14 do this, this, this and this, and maybe CDAs, public-  
15 private partnerships, those sorts of things, independent  
16 of this body.

17 MR. SAENZ: That's exactly what this is  
18 intended to do.

19 MR. HOUGHTON: Well, we haven't given that  
20 direction, Amadeo. Our session begins in a mere four  
21 months.

22 MR. SAENZ: Well, part of the research that  
23 you're talking about is research that is already ongoing  
24 as part of our program. We don't have a Strategic  
25 Research Program, we're just trying to implement that

1 program at this time. But the research, for example,  
2 dealing with the vehicle miles traveled study --

3 MR. HOUGHTON: Who's doing it?

4 MR. SAENZ: -- TTI is doing that right now.

5 MR. HOUGHTON: Are you doing it, Bill? Can we  
6 not get additional information, Doctor, regarding other  
7 sources of revenue?

8 DR. MACHEMEHL: Yes, sir. As a matter of fact,  
9 I'll just provide a partial answer.

10 MR. HOUGHTON: That's more important to me  
11 right now. We're at a crossroads, in my opinion. I mean,  
12 when you're talking about this body talks about not having  
13 any construction money in 2012, that's pretty immediate.

14 MR. SAENZ: Yes, sir.

15 DR. MACHEMEHL: Yes, sir. In fact, we  
16 anticipated your request, and that's why about 90 percent  
17 of the work to be done under this program will be done  
18 through the research brief process which will be six  
19 months or less in duration. So the plan is on the first  
20 of September there will be about ten research brief  
21 efforts kicked off. Those will be completed about the  
22 time the legislature begins their deliberation. And all  
23 of these items that you are discussing here could, in  
24 fact, be topics for those research briefs.

25 So it has this very quick response element

1 that's built into it that represents the primary output of  
2 the program. So it is designed to be quick response to  
3 deal with whatever issues might be present at the time  
4 that the commission or the panel or the legislature or  
5 others may request such information. It has a strategic  
6 impact, however, though, because all of the things that  
7 you're talking about here do have very significant long-  
8 range potential effects. So from a strategic perspective,  
9 decisions that the legislature makes in this coming  
10 session will have a huge impact upon this state for a very  
11 long time. So they are, in fact, strategic issue, and the  
12 program is designed to deal exactly with that.

13 MR. SAENZ: A lot of the research, for example,  
14 we've done research outside of the research arena through  
15 Cambridge Systematics, through Dye Management that have  
16 given us the potential funding sources. Those reports are  
17 being updated now at the request of some of the  
18 legislative members that are part of subcommittees that  
19 are looking at transportation funding.

20 The strategic research kind of gives us an  
21 avenue that we can then take from that and move forward  
22 into the next level and identify. You will identify some  
23 short-term problem statements that will come out and  
24 you'll identify some long-term problem statements that  
25 will come out, but this gives us a mechanism to be able to

1 have this ongoing program that will allow us to be looking  
2 into the future. And right now our research program has  
3 been mainly working more on the technical side. This  
4 expands our department's research program to make it  
5 really overarching and allows us to really look into the  
6 future.

7 And of course, by bringing in the outside  
8 oversight committee, it gives us the opportunity to bring  
9 in additional expertise in that area, as well as not only  
10 to bring in new ideas, but also then to help us present  
11 that to the members of the legislature and the traveling  
12 public.

13 Thank you, Randy. Good job to all.

14 MR. HOUGHTON: Thank you.

15 MR. SAENZ: The next item, we're going to bring  
16 James Bass up because he's got to go to a meeting, so  
17 James is going to present agenda item number 7 which is a  
18 discussion on the potential debt structure options that we  
19 have for the issuance of general obligation bonds under  
20 the Proposition 12 Program. James.

21 MR. BASS: Thank you, Mr. Saenz. Again, for  
22 the record, I'm James Bass, chief financial officer at  
23 TxDOT. And I'm going to be going over a presentation that  
24 hopefully you have and it will be up on the big board in a  
25 minute, the highway improvement and general obligation

1 bonds. Let me make sure that each of you have it. If  
2 not, I have additional copies here.

3 This is a briefing material that we've been  
4 having with some of the state leadership in looking at the  
5 options that may be available to the department and the  
6 state when we go out and make our first issuance under the  
7 Proposition 12 general obligation bond program.

8 Just as a quick reminder of that program, in  
9 2007, a constitutional amendment was approved by the  
10 voters and the legislature that allows for up to \$5  
11 billion of general obligation bonds for highway  
12 improvement contracts. Last session the legislature  
13 appropriated \$2 billion for payouts going towards \$3  
14 billion worth of work. The \$2 billion of appropriation in  
15 the current biennium, one of that is targeted for deposit  
16 into our State Infrastructure Bank, leaving another \$1  
17 billion to be used to fund progress payments on up to \$2  
18 billion worth of contract awards.

19 The department began awarding many of those  
20 projects to be funded by Proposition 12 in July. We  
21 expect September to start receiving payments associated  
22 with those projects, and obviously would like to have the  
23 bond proceeds on hand at that time to make those payments.

24 It's unique for us, as TxDOT, in that the debt  
25 service on these bonds will be paid for by general revenue

1 of the state, and therefore, we've been visiting with  
2 leadership offices to offer some alternatives that they  
3 may want to consider that we think would save general  
4 revenue money on the debt service side on the near term,  
5 and perhaps have some additional cost on the back-end, and  
6 is that of value to them.

7 The senior manager for the upcoming issuance of  
8 \$1 billion in September is J.P. Morgan. We asked them to  
9 run this analysis so you'll see their logo throughout on  
10 the slides. And because of that, we have the requisite  
11 disclaimer on slide 2. And then we go through into the  
12 executive summary. We're looking at a total of five  
13 different structures.

14 And I apologize to the audience. I realize you  
15 can't quite read this even up on the big board.

16 But we have structures 1A and 1B. 1A is all  
17 tax-exempt debt, and each issuance out of the total of \$5  
18 billion would have level debt service in and of itself.  
19 Structure 1B also have level debt service for each and  
20 every debt issuance, but it includes some of the Build  
21 America Bonds, and I'll talk about that program and the  
22 options associated with that in some coming slides. So 1A  
23 versus 1B is really simply put together to call out the  
24 benefit of the Build America Bonds.

25 We then look at three other structures, 2, 3

1 and 4. What they do is they look at the maturity of the  
2 principal on those bonds at different structures. Rather  
3 than doing each \$1 billion level in and of itself, it  
4 makes those timing a little bit different. For both  
5 structures 2 and 3, I would point out that after \$3  
6 billion has been issued, the debt service on that  
7 aggregate \$3 billion would be level. It's just that we  
8 didn't take three equal steps to get there, there were  
9 three unbalanced steps to get us to that some point.

10 And then under structure number 4, it's a very  
11 wide open and the overall program of \$5 billion doesn't  
12 achieve level debt service until all \$5 billion is  
13 outstanding, really to serve as kind of a bookend in the  
14 different scenarios and the possibilities that are out  
15 there.

16 A key to this is assumptions that we have built  
17 into the document, and one of the key assumptions starting  
18 off is that we would have five separate issuances of \$1  
19 billion each, the first one coming this September,  
20 followed by another billion in February of 2011 for the  
21 State Infrastructure Bank, and then roughly every year  
22 thereafter an additional \$1 billion.

23 Many of the state GO programs are limited to  
24 20-year debt, this program is allowed to go out 30 years,  
25 and our current plan is to utilize all 30 years that are

1 authorized.

2           The tax-exempt bonds assume a 10-year par call,  
3 whereas, the Build America Bonds in the various scenarios  
4 assume a make whole call. Under the tax-exempt, with that  
5 10-year par call, once the bonds have been outstanding for  
6 10 years, the issuer has the ability to refinance those by  
7 calling the bonds and paying par to the investors. That  
8 optionality in the tax-exempt world these days is priced  
9 at somewhere between 5 and 10 basis points. What I mean  
10 by that, if we were to issue non-callable tax-exempt debt,  
11 and for example, say the rate was 4 percent, in order to  
12 make those callable in 10 years, we would have to pay 4.05  
13 or 4.1 percent.

14           If you look at it in the taxable or in the BABs  
15 world or environment, that flexibility, that optionality,  
16 will cost roughly an additional 40 basis points. So it's  
17 more expensive to have that option available to you.  
18 There's a couple of reasons of why you would want that  
19 optionality: one, to achieve debt service savings in the  
20 future, you can refinance at a lower cost, or because  
21 there's other pressures and issues on your revenue streams  
22 that you need to make adjustments to your debt service.

23           Because of the rates that are available through  
24 the Build America Bond Program, we think it's highly  
25 unlikely that an opportunity for savings would present

1       itself in the future. You're then left with an  
2       opportunity of well, what if the unexpected happens 15  
3       years from now, will we be able to address it. The Build  
4       America Bonds, you can call. They would be more expensive  
5       to do under the structure.

6               The way we've looked at it in our internal  
7       programs, the Mobility Fund and the Prop 14 Bonds, when  
8       we've issued BABs on those, I'll use an example on the  
9       Mobility Fund. We issued last August \$1.2 billion of  
10      Build America Bonds and we already had as part of our  
11      portfolio \$5.1 billion of tax-exempt debt that had a 10-  
12      year par call on it. If we ever run into an unforeseen  
13      issue in the future, we felt like that \$5.1 billion of  
14      already outstanding debt would provide us enough  
15      flexibility and optionality to address whatever that  
16      concern would be.

17             Similar circumstance here, we're imagining for  
18      all of the state GO that's out there, the vast, vast  
19      majority of it is tax-exempt callable and the state should  
20      have enough flexibility to address any of those issues.  
21      But that is a key assumption in all of the scenarios  
22      throughout.

23             Currently under the Build America Bond Program,  
24      if you issue the debt prior to December 31, 2010, you will  
25      continue to receive the 35 percent subsidy on the interest

1 rate for the life of the bonds. Congress needs to take no  
2 additional action to make sure that you get that 35  
3 percent. There is a question and concern by some, well,  
4 can Congress pull the plug in the future on that 35  
5 percent. The technical answer is yes, they can. I have a  
6 slide to show you in a few slides that leads me to believe  
7 that politically speaking, that may be unlikely, but yes,  
8 it is a technical possibility.

9 The other assumption that we make is that the  
10 BABs legislation will be extended. There's currently  
11 legislation in Congress that would extend it another two  
12 years, but it would begin to dial down the subsidy rate to  
13 32 percent in 2011 and 30 percent in 2012. Those are  
14 assumed to occur in all of the scenarios we have here.

15 We also assume that going into the future  
16 interest rates will increase 50 basis points higher than  
17 current level in 2011, 75 in '12, and a full basis point  
18 in 2013 and '14.

19 MR. HOUGHTON: Have you got some crystal ball?

20 MR. BASS: Well, I'm not sure how good the  
21 crystal is, but what this chart shows here in slide 5 for  
22 you who have the hard copy in front of you, is there's a  
23 consensus estimate from various Wall Street firms, and  
24 what this chart shows in the upper left is a one-month  
25 taxable rate -- or actually it says three-month -- I'm

1       sorry -- taxable rate. It's the LIBOR rate which is the  
2       London Interbank Offering Rate. The important thing here,  
3       it is a taxable rate.

4               As you can see from the lines on there, the  
5       high, the medium, the average, the general consensus is  
6       that rates will increase over time. In the upper right  
7       you see a chart looking at forecasts for the 10-year  
8       Treasury. Again, key, this is a taxable rate and, again,  
9       the forecast is that they will go higher. How accurate  
10      those forecasts will be, who knows, but the general  
11      consensus is rates will be increasing into the future.

12             MR. HOLMES: James, before you get too far away  
13      from the BABs, isn't there a provision that allows either  
14      the issuer to receive the subsidy or the purchaser to  
15      receive it? Is there a delta between the interest rate  
16      given one scenario or the other? I mean, is there a risk  
17      factor dialed in by the purchaser if they're the one  
18      receiving the subsidy?

19             MR. BASS: Yes, and therefore, so yes, there is  
20      that optionality. Because of that risk, I believe, or in  
21      part because of that risk, I won't say all but most of the  
22      BABs that have been issued to date have been the issuer  
23      receives the subsidy, and so the issuer is taking on that  
24      risk for the continuation.

25             MR. HOLMES: And so we don't know what the risk

1 premium is if the purchaser receives it?

2 MR. BASS: I'm not sure. There may be others  
3 in the room who could offer that. I haven't seen that,  
4 I'm not sure there's enough data on the one side to really  
5 give a valid comparison, because most of them have all  
6 been issuer receives the subsidy.

7 MR. HOLMES: I might be willing to absorb a few  
8 basis points to shift that risk.

9 MR. BASS: If I jump back to the assumptions,  
10 the considerations we really go into at the bottom half of  
11 the page are really covered on these subsequent slides  
12 I'll go over. Rates at a long-term historic lows, and  
13 that's what this chart shows. The green line on the top  
14 is the 30-year U.S. Treasury which is a taxable rate, and  
15 you can see on the far end it has been lower at times  
16 before but not very often, and it's well below the average  
17 of 5.29 percent.

18 The blue line is a triple-A 30-year MMD,  
19 Municipal Market Data. Again, the key element there is  
20 that's a tax-exempt, and once again, you can see the  
21 current rates are at or near their lowest levels over the  
22 past 15 years. So we have a circumstance of rates are  
23 really low, the general consensus is rates are going to  
24 increase over time, and there's an opportunity, if issued  
25 today, to lock in this 35 percent subsidy on the Build

1 America Bonds.

2 MR. HOUGHTON: James, again, complete  
3 disclosure, we're doing this as a service to the state to  
4 say here are some ideas. Ultimately, it's their decision  
5 across the street, the structure.

6 MR. BASS: Correct. We're certainly seeking  
7 direction from them.

8 MR. HOUGHTON: Since they're paying.

9 MR. BASS: Correct. The other programs, the  
10 Mobility Fund or State Highway Fund or Proposition 14, the  
11 debt service is paid by transportation revenues or  
12 revenues that are dedicated for transportation. General  
13 revenue, as we all know, is broad-based in all general  
14 government, and so we're seeking to get input and  
15 direction from state leadership on are these savings that  
16 we think can be realized in the near term, are they of  
17 value to general government. We, TxDOT, are probably not  
18 in the best position to answer that question, that's why  
19 we're seeking their guidance and direction.

20 MR. HOUGHTON: Are we going to offer them  
21 another solution that Commissioner Holmes has talked  
22 about, shifting the risk?

23 MR. BASS: There may be a conflict of interest  
24 issue there that I haven't yet had the opportunity to  
25 fully explore, but we might look at some of those.

1           So rates are low; they're expected to go higher  
2 on a chart we talked about. This next chart -- again, I  
3 apologize to those in the audience, you cannot see the  
4 detail of it. The hard copy which will be on the internet  
5 posting, and for the members of the commission you have  
6 before you, I talked about the 35 percent subsidy,  
7 Congress needs to take no additional action over the life  
8 of the bonds for the issuer to receive that subsidy.

9           The concern has been expressed well, could  
10 Congress pull the plug on the 35 percent subsidy.  
11 Technically, yes, they could. What this chart shows is  
12 that almost every member in their home state, from the  
13 local school district, the city, the county, up to the  
14 state level government issuer, has some Build America  
15 Bonds outstanding, and so the likelihood of them wanting  
16 to stop the program to harm the local governments back  
17 home, somebody else would have to answer that question,  
18 but I think it's certainly a consideration when trying to  
19 identify what that risk is that the program would be  
20 halted at some point in the future.

21           To go over somewhat the math of the Build  
22 America Bonds itself and the 35 percent. The key point is  
23 that the Build America Bonds are a taxable bond. They are  
24 benchmarked and priced off the U.S. Treasury rate. And so  
25 if we look to the far left, you see the blue bar on the

1 bottom and it's got a 4.05 percent interest rate for U.S.  
2 Treasury, it assumes that our bonds would price at a  
3 spread of 125, 1.25 percent. Obviously that spread is a  
4 market issue and it's driven by the market, it will shrink  
5 and expand due to other market conditions. So the all-in  
6 debt service would be 5.3 percent.

7 In the middle column you look at how that debt  
8 would be paid. On the top in the little red-hatched  
9 circle there or the red outline, that would be the federal  
10 stimulus dollars. So federal stimulus would pay 1.85  
11 percent of the 5.3, leaving 3.45 percent to be paid for by  
12 general revenue funds of the state. And so gross would be  
13 5.3, the net cost to general revenue would be 3.45  
14 percent.

15 How does that compare to what the rates would  
16 be in the tax-exempt environment? That's what we see on  
17 the far right. The blue bar at the bottom on the far  
18 right, in this case is the triple-A MMD, Municipal Market  
19 Data, again, a tax-exempt rate. The spread in this case  
20 is assumed to be 20 basis points for a total interest rate  
21 of 4.16, 71 basis points higher. So there are significant  
22 savings through the Build America Bond Program that are  
23 available, and we would certainly recommend, as we've done  
24 within department programs already, look at issuing Build  
25 America Bonds in this case.

1 I will pick up the pace here because the charts  
2 themselves do a lot of the talking for me. One of the  
3 scenarios we looked at, again, was 1A, and you can see  
4 five issuances of \$1 billion each and so you get the  
5 different color code. You see along there on the bottom,  
6 equal and level blue bars along the bottom, followed by on  
7 top of that green level bars on top, so this is the tax-  
8 exempt, all level debt issuance, and as we're going out  
9 and issuing 30 years at a time, you get a step up on the  
10 front end and a step down on the back end.

11 We then compare that to scenario 1B so, again,  
12 generally speaking, all level debt service but it includes  
13 the Build America Bonds and the subsidy rate that we get  
14 within there. The math, which I'll share with you in a  
15 few slides, is pretty heavy Build America Bonds offers a  
16 lot of savings, 1B appears to be the way to go.

17 We then look at are there opportunities to  
18 structure the timing of that principal repayment that  
19 might offer savings on the near term for general revenue,  
20 and what would the additional cost be over the whole life  
21 of the bonds. And this is where it begins on this  
22 scenario 2 and, again, for those in the audience, it may  
23 be a little faint but you can see there's a gray line  
24 there going throughout the chart, and that gray line is  
25 what the debt service is associated with scenario 1B.

1                   This scenario 2, you'll also notice along the  
2 bottom, the blue bars for this first billion dollars are  
3 no longer level throughout the life of it, they're lower  
4 on the front-end and then in 2035 they are higher. When  
5 we come in and issue the second billion dollars in the  
6 green, it, again, is not level, in and of itself, and then  
7 we issue the third billion in the yellow which is not  
8 level unto itself. But if you look at the top of the  
9 yellow, once all \$3 billion is outstanding, you have, in  
10 aggregate for that third billion outstanding, level debt  
11 service. The fourth billion, the purple, then gets added  
12 on top as level; the fifth billion, oranges, gets added on  
13 top as level.

14                   If you look at the left side of the curve, you  
15 see that the debt service is lower than the line so  
16 there's savings on the near term. If you look in 2016,  
17 the top of that orange bar is a little bit above the gray  
18 bar all the way through 2040. So there's a little  
19 additional debt service cost each and every year in 2016  
20 through 2040, and then the remainder it's generally the  
21 same.

22                   Structure 3, we have that same line again,  
23 looking at it. You can see, if you look real close, the  
24 blue bar first jumps up in 2034 rather than 2035, we again  
25 have the green and yellow not level of themselves but,

1 again, once the \$3 billion is out, it's level; the top of  
2 the yellow bar is level throughout. In this case, rather  
3 than having a step down at the back-end, it's more of a  
4 cliff, I would describe. So we've raised up the back-end,  
5 and the way that happened is, if you notice, in 2016 the  
6 orange bar is no longer slightly above the gray line of  
7 the all level debt service, it's slightly below.

8           And then for the next scenario, it just says  
9 don't worry about trying to be level and aggregate after  
10 the third billion, wait until all \$5 billion is out there  
11 until the debt service is level, and you can see what's on  
12 there.

13           Just a quick snapshot, and this is only part of  
14 the picture. This is the near-term net debt service cost  
15 for the different scenarios. Each year the bar on the  
16 leftmost is the all tax-exempt, each issue is level debt  
17 service. The second bar, the darker blue, is all level  
18 but we include Build America Bonds in there, and then the  
19 green yellow or gold and purple is the ones with the  
20 different debt structures and the timing of the principal  
21 repayment.

22           Just a few quick, and these are more FYI.  
23 What's the true interest cost of the different scenarios?

24           And true interest cost simply is the interest rate paid  
25 to bondholders plus the issuance cost blended together

1 into one rate. The maximum annual debt service, the chart  
2 there in the middle just shows out of the 30 years that  
3 we're repaying bonds, what is the single highest year of  
4 debt service under the different scenarios, that's in  
5 there. And then the total net debt service is shown in  
6 the chart to the far right. And all of those figures on  
7 the right are in nominal dollars, there's no present value  
8 analysis put in there.

9 The next two charts are just showing the annual  
10 debt service in a bar chart, and if you don't like bar  
11 charts, then slide 15 is the one for you. It's a line  
12 chart trying to highlight the differences between the two.  
13 Full disclosure, perhaps too much disclosure.

14 So the aggregate net debt service by year is on  
15 16, and on 17 we have the gross debt service. Why might  
16 one do both of those? Well, the net debt service, I  
17 think, in the appropriation process is going to be the  
18 cost to GR so it would be, as often quoted at the Capitol,  
19 the cost to the bill. This is the net cost, this is the  
20 cost to general revenue.

21 Once we add in the subsidy payment from the  
22 feds, we get to a gross debt service cost. One  
23 interesting point at this point, I think, is a question  
24 that is as of yet unanswered. The State of Texas has a  
25 constitutional debt limit of 5 percent for debt service in

1 any one year as compared to the undedicated general  
2 revenue; debt service can be no more than 5 percent. In  
3 calculating that, will the attorney general give guidance  
4 that one should assume the net debt service or the gross  
5 debt service?

6 So, again, we're not trying to hide any of the  
7 information. We've provided both the gross which is the  
8 all-in cost, the amount that will actually show up in an  
9 appropriations bill, but it would be funded by both  
10 general revenue and federal stimulus, and then the net  
11 debt service which would be the, quote, unquote, cost to  
12 the bill, the cost to general revenue.

13 So we then get to a punch line -- and, again,  
14 apologies to those in the audience; you're not able to see  
15 the detail on this one chart. Again, it will be posted on  
16 the internet. But at the top of the page here we compare  
17 structure 1A to structure 1B. 1A is all tax-exempt and  
18 each of the five bond issuances has level debt service in  
19 and of itself. 1B each bond issuance has level debt  
20 service in and of itself, but it includes Build America  
21 Bonds. So this analysis at the top of the page really is,  
22 what is the benefit of including BABs versus doing an all  
23 tax-exempt debt issuance?

24 What it shows here is the savings to general  
25 revenue by including the BABs. It's \$7-1/2 million

1 savings in 2011, and then for 2012 and 2013, it's roughly  
2 \$28 million of savings. In the next biennium, '14 and  
3 '15, it's \$33-, \$34 million of savings. In the right-hand  
4 side of this chart, within the boxes we show the whole  
5 life of the bond program. So 2011 it saves \$7-1/2  
6 million, for the next two biennia, 2012 through 2015, it  
7 saves roughly \$62-, from 2016 through 2044 until all the  
8 bonds are paid off, it saves another \$435 million on a  
9 nominal basis. So all in, it's \$500 million cheaper than  
10 if we had done the all tax-exempt.

11 And that number, it's just splitting back up on  
12 Commissioner Houghton's slide 16, the net debt service,  
13 the first column which is the all tax-exempt, you see a  
14 number of \$9.6 billion, and in the column under 1B you see  
15 \$9.139 billion, so that's the difference between the two  
16 on a nominal basis.

17 The middle of the analysis here looks at, okay,  
18 if the agreement is Build America Bonds has so much  
19 savings, that's a no-brainer, go with the Build America  
20 Bonds. The next question is the structure question, when  
21 the principal is repaid, do we do all level or do we do  
22 different structures on the debt service. So this  
23 summarizes the impact of structures 2, 3 and 4, and the  
24 one that staff would recommend or staff plans on pursuing  
25 unless we're told to stop, would be structure 2.

1                   Structure 2, for 2012 through 2015, on a  
2 nominal basis, saves general revenue \$200 million, and  
3 yes, this is based upon the assumptions I talked about  
4 earlier. It saves \$200 million. 2016 through 2044,  
5 there's an additional \$249 million of cost so, all in all,  
6 it costs \$49 million more over the life of the bonds in  
7 order to realize the \$200 million of savings on the front-  
8 end.

9                   If you look at structure 3, you can actually  
10 save \$208 million on the front-end, but the all-in cost is  
11 it's \$405 million. For an extra \$8 million of savings on  
12 the front-end, even though it's on a nominal basis, it did  
13 not seem worth it to take that next step.

14                   If you look at structure 4, you get to a  
15 savings on the front-end of \$240- and the cost is an  
16 additional \$407- so you'd probably pick structure 4 over  
17 structure 3, but our recommendation would be structure 2,  
18 again, with the near-term savings of \$200 million, for a  
19 net overall cost of \$49 million.

20                   Some have wondered, well, how does that work on  
21 a present value basis? One of the key factors in any  
22 present value is well, what discount rate do you want to  
23 use. What's the value of the money, the opportunity cost,  
24 or what would you look at? As an example, what we might  
25 look at, if this were the Proposition 14 Bond Program and

1 we were saving debt service, we would use that savings to  
2 go into additional highway projects and we would avoid  
3 highway cost inflation, so we might use our projection for  
4 inflation for that. I don't expect the \$200 million of  
5 savings of general revenue to come back to highway  
6 projects so I'm not sure what an appropriate one would be.

7           What we did is we ran the numbers to see, well,  
8 what discount rate would you use to get to zero, a present  
9 value of zero, and it's roughly 1-1/2 percent would get  
10 you to a present value which is a pretty darn low discount  
11 rate. If you ran it at 4, you'd get present value savings  
12 in the neighborhood of \$48 million, if 6 is a more  
13 appropriate discount factor, then the savings are in the  
14 neighborhood of \$68 million.

15           Simply, at the bottom of this page we take  
16 structures 2, 3 and 4 and rather than comparing them to  
17 the BABs scenario, we take it all the way back and compare  
18 it to the all tax-exempt, all level scenario 1A. So it's  
19 really just taking the dollar amount on the top of the  
20 page, adding it to the information in the middle to get a  
21 grand total. And in that case, all of structures 2, 3 and  
22 4 provide savings compared to the all tax-exempt issue,  
23 but we believe the more appropriate analysis is there in  
24 the middle of the page comparing the timing and the  
25 structure differences to the structure 1B which also

1 includes the Build America Bonds.

2 I realize that was a lot of information, and I  
3 may have done it too fast or not fast enough. Again, our  
4 plan for the middle of September when we go to pricing, we  
5 would recommend and pursue the structure number 2 unless  
6 we're told from some of the leadership offices or  
7 obviously from the commission that we don't think this is  
8 a good idea, we want you to stop and go with the all level  
9 debt service, even though it might be foregoing some  
10 savings to general revenue on the front-end.

11 I'm happy to answer any questions you may have  
12 or take any direction you would like to offer at this  
13 point. Thank you.

14 MR. HOLMES: Stay in close touch with the folks  
15 across the street.

16 MR. BASS: Yes. We definitely will. We have  
17 been and will continue to do so.

18 MR. HOUGHTON: It's plowing new ground from the  
19 standpoint of general revenue paying for these bonds and  
20 partnering up and saying here's opportunities, what's your  
21 pleasure.

22 MR. BASS: The impression I have -- and, again,  
23 this is our first pure GO, so my impression is, it's  
24 unusual to have a \$5 billion GO program such that it's not  
25 going to be one bond issuance and the program is done.

1 This is the first of what we certainly hope to be a  
2 series, and because of that, it provides some options,  
3 some alternatives, that may not always be there on every  
4 other GO deal.

5 Thank you.

6 MR. SAENZ: Thank you, James. Good job.

7 Commission, our next agenda item is agenda item  
8 number 6, and David Casteel will lead a group that will  
9 give you a status report on the several major projects  
10 that we're developing through our comprehensive  
11 development agreement program. So David, I'll turn it  
12 over to you and you can introduce your co-presenters.

13 MR. CASTEEL: Thank you, Director and  
14 commissioners. For the record, my name is David Casteel,  
15 assistant executive director of District and Field  
16 Operations.

17 We'd like to take the opportunity to update you  
18 again on the comprehensive development program underway in  
19 the Department of Transportation in the State of Texas and  
20 the implementation of these projects. We have four major  
21 projects we're implementing right now. I know you may  
22 have driven through some of these. Commissioner  
23 Underwood, I saw you in Irving the other day so I know you  
24 got to experience some traffic control on the Dallas-Fort  
25 Worth Connector.

1           The projects are valued at more than \$8  
2 billion, with about \$2 billion of public subsidy involved  
3 with these projects. The projects, since there's a large  
4 amount of private dollars invested in these, they're  
5 moving along with all due haste, and we've assembled a  
6 team of very bright, energetic people who are working with  
7 the developers to find ways to implement these projects to  
8 the best interest of the state and the department and the  
9 public.

10           I'd like to offer the opportunity for members  
11 of the team to come up and present their project to you  
12 today, and I would encourage you to engage with them at  
13 any time any questions that you have.

14           The team that we have on these projects, and  
15 we've got all but one member with us today of the primary  
16 project management team. On the State Highway 130, 5 and  
17 6 job, here from the Austin Airport down to I-10, is Frank  
18 Holzman. Frank lives in San Antonio. In the Dallas-Fort  
19 Worth area we have Bob Brown who oversees the entire  
20 program up there. Bob lives in the Dallas area and was  
21 formerly the deputy district engineer in Dallas. We have  
22 the two project managers for the North Tarrant Expressway,  
23 Theresa Lopez who formerly was in the Fort Worth District,  
24 and Sam Swan is the project manager for the DFW Connector  
25 project.

1 Gary Moonshire is the LBJ project manager.  
2 He's not here with us today. They just reached financial  
3 close and he's very busy getting traffic control plans  
4 approved and getting going on those projects.

5 We also have with us, if there's any right of  
6 way issues, Don Toner from the TTA Division, and I'm sure  
7 that Jack Foster from Legal is here who is a key member of  
8 our team.

9 So with that, I'd like to step back and let  
10 Frank Holzman step up and talk about State Highway 130  
11 real fast.

12 MR. UNDERWOOD: David, yes, I did get a chance  
13 to see the construction in Irving, and for the record, I  
14 did see the barrier and my dealership said he could get  
15 the dent out of the floorboard that Commissioner Holmes  
16 put in it. So thank you.

17 (General laughter.)

18 MR. CASTEEL: Thank you, sir.

19 Frank Holzman.

20 MR. HOLZMAN: Thank you, David. For the  
21 record, my name is Frank Holzman. I'm the CDA program  
22 manager for State Highway 130, Sections 5 and 6.

23 To give you a little background on State  
24 Highway 130, our developer on that project is the State  
25 Highway 130 Concession Company which is a combination of

1 Cintra and Zachry. They've subbed the work out to a  
2 design-builder for construction of the roadway and  
3 designing it which is a combination of Zachry-American  
4 Infrastructure, and Ferrovia Agroman.

5 The value of the project is approximately \$1.38  
6 billion: construction, right of way, utilities is  
7 approximately a billion, operations and maintenance  
8 roughly \$380 million. On this project we received an up-  
9 front concession fee of over \$25 million, and we do have  
10 revenue sharing bands that we're estimating at about \$245  
11 million on a net present value.

12 This project didn't require any equity from  
13 TxDOT, it was 100 percent financed by the developer. The  
14 contract was executed in March of '07. The right of way  
15 and design are complete. They're moving quickly and  
16 furiously on the construction portion of it. Construction  
17 started in the spring of 2009 and we're about 31 percent  
18 complete as of this month. Our estimated completion date  
19 of when they'll be opening is late 2012.

20 The roadway is about 44 miles long, and as  
21 David pointed out, runs roughly from the intersection of  
22 45 and 183 in the Mustang Ridge area up to I-10 in Seguin.  
23 The majority of the work we have ongoing now is earthwork  
24 and bridges. If you go out there, you may see a lot of  
25 interchange work going on, especially if you take 130, 1

1 through 4, and then if you're traveling through Seguin on  
2 Interstate 10, you'll see some interchange work going on  
3 there. There's also some paving work that's ongoing in  
4 the area.

5           Some of the positives that we've seen come out  
6 of it, in talking with the county judges and the elected  
7 officials in the area, the Guadalupe County judge has said  
8 there are a lot of large subdivisions that are already  
9 platting around the corridor itself. Lockhart has some  
10 new businesses that basically have said they've come to  
11 the area just for the reason of 130 coming in. In  
12 addition, the City of Seguin is already anticipating some  
13 strong growth in that area and they've annexed out to that  
14 portion of it. So overall, we're seeing a real positive  
15 impact on the economy.

16           With that, I'll take any questions on 130. I  
17 will turn it over to Bob Brown then.

18           MR. BROWN: Thank you, Frank, and for the  
19 record, my name is Bob Brown and I manage the CDA program  
20 in the Dallas-Fort Worth area. The slide shows the three  
21 projects in the Dallas-Fort Worth area.

22           The first one to break ground is the DFW  
23 connector which is a design-build project which is funded  
24 by state and federal funds. There is \$250 million of  
25 Recovery Act dollars on this project which makes this the

1 largest transportation project in the United States. I  
2 think we met someone from the Army Corps of Engineers that  
3 had actually a larger Recovery Act project so we're not  
4 actually the biggest in the United States so we're number  
5 two.

6 MR. SAENZ: We'll have to audit.

7 MR. BROWN: Let's see, work began on the  
8 project February 17, 2010, and as of the end of July, 17  
9 percent of the contract has been earned and so far we have  
10 paid \$160 million to the contractor. Estimated completion  
11 is in 2014, and I'll let Sam Swan, our project manager,  
12 cover the current focus areas in just a minute. Just one  
13 thing to point out, the areas on the map shown in blue are  
14 those that are funded with the Recovery Act and state and  
15 federal dollars. The areas shown in orange are yet to be  
16 funded. Those are planned and will be implemented at such  
17 time that additional funding is found.

18 Sam.

19 MR. SWAN: Thank you. For the record, my name  
20 is Sam Swan. I'm the project manager for the DFW  
21 Connector project. The developer is a joint venture. The  
22 joint venture is named Northgate Constructors, and it  
23 consists of Kiewit, Zachry and P.B. Americas, and TxDOT  
24 has an excellent relationship with the developer. We're  
25 making a lot of progress every day, there's a lot of

1 construction being built.

2 We are co-located in one building and everybody  
3 is trying their best to be a good partner, and when I say  
4 that, it's not just TxDOT, it's not just the developer,  
5 it's also the stakeholders, the business owners, and so  
6 far, everything is very, very successful. We have a lot  
7 of happy spectators that drive this corridor every day;  
8 there's about 180,000 cars a day. So we have a lot of  
9 inspectors that are watching what we're doing.

10 But when we did have our executive partnering  
11 session the first time, we came up with a project charter  
12 for the project, and we found out that TxDOT and the  
13 developer want the same three things as far as priorities,  
14 and that's priority one is safety, priority two would be  
15 quality, followed by compliance. And so we live by this  
16 every day and it's very, very much a success.

17 We're doing a lot of night work. This is to  
18 create less disruption to the traveling public. It's a  
19 little bit more dangerous, but we do have safety briefings  
20 every evening before we actually start work. The top  
21 slide is a concrete pour near the DFW Airport, where he  
22 bottom slide is we're pouring a straddle bent for a new  
23 bridge on State Highway 121.

24 Right now the Northgate workforce is about 200  
25 people and we're spending about \$500,000 a day on the

1 project. By this time next year, we'll have a workforce  
2 of over 600 people on the project, and we're going to be  
3 at our peak and we're going to be spending over a million  
4 dollars a day. We are working seven days a week, 24 hours  
5 a day.

6 Again, this is another night operation. We're  
7 demolishing a beam on the Main Street bridge here. And  
8 we're trying to do everything that we can at night and off  
9 the peak hours so we're minimizing as much of the  
10 disruption as we can.

11 One of the success stories has been our public  
12 outreach campaign. Nothing should be a surprise to the  
13 motorists out here, we're using social media, we have e-  
14 alerts. All this is on our website so the public is not  
15 surprised when we are closing lanes.

16 Again, here's some more construction. The top  
17 photograph shows a maintenance facility that's actually on  
18 state right of way, and then the bottom photograph is the  
19 Main Street bridge construction, you can actually see some  
20 work going on in the median. And then the top photograph  
21 is some bridge work on 121 near the Cottonbelt Railroad.  
22 And incidentally enough, we're actually going to start  
23 hanging beams tomorrow night on the project and it will be  
24 right here at this location in the first picture.

25 And then bottom photograph shows a batch plant

1 on our TxDOT right of way. This is saving the developer  
2 cost as far as trying to lease property for these  
3 operations. Then the top photograph shows some work being  
4 done in the median of 114 and 121, and the bottom  
5 photograph shows some work, box culvert installation,  
6 again, in the median of 114 and 121.

7 Everything is going well. We have had very  
8 many, only minor accidents so far, and we've had a lot of  
9 good compliments from the public. Did you have any  
10 questions? Well, thanks for having me today.

11 MR. MEADOWS: I just want to compliment you  
12 guys. It's amazing, these traffic impact strategies and  
13 how they've been employed, and they really are effective,  
14 considering the traffic volume and considering the  
15 magnitude, the scope of that project. It's so far, so  
16 good.

17 MR. SWAN: Thank you, Commissioner.

18 MR. BROWN: And at this time I'll invite  
19 Theresa Lopez, our North Tarrant Express project manager.

20 MS. LOPEZ: Thank you, Bob. For the record, my  
21 name is Theresa Lopez and I am TxDOT's NTE project  
22 manager, and this afternoon I just wanted to give you a  
23 brief update on the project and give you a little bit of  
24 the background on where we've been and where we're at  
25 today.

1           The NTE concession CDA covers two segments:  
2           The 820 segment corridor is going to be reconstructed with  
3           two managed lanes added, and the State Highway 121/183  
4           corridor will be constructed with three managed lanes  
5           added.

6           Public funds in the amount of \$573 million were  
7           leveraged with private financing to deliver a project with  
8           a development value of \$2.1 billion, and that includes  
9           design, construction, right of way, utilities and  
10          oversight. An additional value that we've given to the  
11          public is that the North Tarrant Express Mobility Partners  
12          have taken over operation and maintenance of the roadway,  
13          and that's valued at \$450 million, and that includes both  
14          routine and life cycle maintenance of the corridor.

15          MR. HOUGHTON: Who are the partners?

16          MS. LOPEZ: The developer is the North Tarrant  
17          Express Mobility Partners, and that includes Cintra U.S.,  
18          the Meridian Infrastructure Finance, the Dallas Police and  
19          Fire Pension System, Ferrovial Agroman, W.W. Weber, AECOM  
20          and Othon.

21          The CDA was executed on June 23, 2009 and  
22          financial close was achieved on December 17 of 2009.  
23          TxDOT issued the notice to proceed on December 31 of 2009  
24          after TxDOT and federal approval of the project management  
25          plan. Currently right of way acquisition is taking place

1 and the developer is also working on their final design.  
2 We're anticipating beginning construction a little later  
3 on this year, probably sometime in the October time frame,  
4 and the estimated completion date right is scheduled for  
5 June 2015.

6 I have a couple of pictures on the corridor.  
7 Geotechnical exploration began earlier this year in the  
8 spring and they went up and down the corridor doing this  
9 work, and that's nearing completion. We had several lane  
10 closures associated with this work and those lane closures  
11 went pretty well. They were really minor ones just to  
12 start off with, mainly frontage lane closures and a couple  
13 of mainlane closures, but it was a good start for the  
14 project and it helped us kind of get the kinks worked out  
15 in the traffic control process and getting those approvals  
16 done.

17 And as I mentioned before, the North Tarrant  
18 Express Mobility Partners did take over operations and  
19 maintenance of the corridor on May 1 of 2010, and they've  
20 been performing this since then. We've gotten a lot of  
21 good feedback from the cities. NTEMP seems to be working  
22 really well with the local cities and the law enforcement,  
23 helping out with incidents and emergency response, and  
24 they seem to be responding really well to different  
25 maintenance issues that are happening.

1           Are there any questions that I could answer for  
2 you?

3           (No response.)

4           MS. LOPEZ: Okay. Thank you.

5           MR. BROWN: Thank you, Theresa.

6           And, again, for the record, my name is Bob  
7 Brown, and now just a brief update on the NTE master  
8 development plan. Work is continuing on the master  
9 financial plan for Segments 2 through 4 of North Tarrant  
10 Express, and as we have briefed the commission in previous  
11 meetings, we received a ready for development notice for  
12 Segments 3A and 3B which is Interstate 35 West from  
13 downtown north, and we hope to bring back a completed  
14 agreement to the commission at next month's meeting or the  
15 following month, but that work is going well.

16           And now to the LBJ managed lane project, again,  
17 this is a \$3.2 billion project, including construction,  
18 utilities and right of way of \$2.7 billion and the long-  
19 term O&M and capital maintenance value of \$500 million.  
20 TxDOT is contributing \$490 million of TxDOT, federal,  
21 state and local funds to help achieve a financially  
22 feasible project. The contract was executed in September  
23 of 2009 and the developer did achieve a great milestone in  
24 June; they received all their final financing, so that was  
25 quite a milestone, probably the largest project in the

1 United States that has used this type of financing.

2 MR. HOUGHTON: Who is the developer?

3 MR. BROWN: Again, the developer is similar to  
4 the NTE. LBJ Infrastructure Group consists of Cintra  
5 U.S., Meridian Infrastructure Finance, Dallas Police and  
6 Fire Pension System, Ferrovia Agroman, Bridge Farmer &  
7 Associates, and Jansen Span.

8 Again, the notice to proceed for the project  
9 under this CDA will be issued six months after financial  
10 close so that will be issued in December of this year, and  
11 we expect construction work to begin early in 2011.

12 And that concludes our update.

13 MR. CASTEEL: Commissioners, thank you for your  
14 time today. These are important projects, making a  
15 difference in people's lives in the State of Texas. We  
16 thank you for your leadership in bringing these projects  
17 to construction. The team we have on these projects are  
18 working every day in innovative fashion to implement  
19 projects much different than they've been used to in the  
20 past with traditional design-bid-build. They're thinking  
21 differently, they're thinking with the developers on how  
22 to get these projects complete at the least impact to the  
23 public and to the greatest benefit to the public.

24 And Commissioner Meadows, I believe that  
25 Theresa tells me that you'll be seeing construction on the

1 North Tarrant Expressway within the next couple of months  
2 in the median areas, and bear with us.

3 So commissioners, if there's any questions of  
4 me or any member of the team, we're here at your  
5 convenience.

6 MR. HOUGHTON: I have a question for Michael  
7 Morris. Thought you were going to escape, didn't you.

8 With the value of these contracts, the 161 that  
9 we're working on financial close, or NTTA, is Southwest  
10 Parkway/Chisholm Trail -- what's the total value of road  
11 construction projects?

12 MR. MORRIS: I think through the partnership of  
13 Amadeo Saenz and his staff, this commission, our elected  
14 officials, our staff, the staff you just heard from,  
15 you're looking at probably \$6- to \$8 billion worth of  
16 transportation projects. You've got to be careful if you  
17 want to add the capital costs and the long-term  
18 maintenance into it. We advertise in our region we think  
19 we're building more projects in this partnership than any  
20 city in North America. If you add to it our light rail  
21 and our regional rail system as part of that, you're over  
22 \$10 billion.

23 It starts with innovation, it's a whole bunch  
24 of arrows you've got to take in the process -- I think  
25 everyone in this room took about 6,000 of them. To sit

1 back and see it finally happen and the phone not ring off  
2 the hook about how horrible it is. We don't even get  
3 negative phone calls on State Highway 121 anymore.

4 MR. HOUGHTON: Yes, I was just going to ask,  
5 Commissioner Meadows, is there any rioting in the streets  
6 or protests regarding any of these projects?

7 MR. MEADOWS: Not as of yet, and of course,  
8 you're going to have to add Tower 55 in the mix because  
9 that project is going to be underway soon.

10 MR. MORRIS: I do want to make sure you know  
11 that the next project on your pass-through project list is  
12 our I-30 project which may actually be the first permanent  
13 one. There's only about \$70 million worth of work on I-30  
14 to go so we may pick up that whole cost. Dan and I are  
15 looking at your 130 project to see if we want to purchase  
16 it. You offered it last month so we're down doing due  
17 diligence on it. No, I'm teasing about that one.

18 (General laughter.)

19 MR. HOLMES: We're not teasing.

20 MR. HOUGHTON: You heard that we can take an  
21 unsolicited offer on that one.

22 MR. MORRIS: You know, we've got \$500 million  
23 in the bank on the Interstate 35E project. So we couldn't  
24 be more excited as these projects close, and whatever we  
25 can do to help manage traffic and whatever. But we have a

1 whole group coming in right behind it.

2 MR. MEADOWS: Michael, just for a second, I  
3 think it's important because there's so many people,  
4 certainly the North Texas region, that have an interest in  
5 that I-35E project from the loop in Dallas up into Denton  
6 County. That is a project that we are all focused on, and  
7 that's important for people to know. We do recognize the  
8 importance and significance of the project and are making  
9 progress as it advances.

10 MR. MORRIS: Yes, I think, Commissioner, your  
11 observation is very strong. A lot of these projects would  
12 have never happened because we used the regional toll  
13 revenue funds off of 121 to backstop these projects as you  
14 guys were letting them, and if we didn't have those funds,  
15 you would have never even got these projects to  
16 construction.

17 Just to give you an example, Denton County,  
18 when we talked to them about building 121 as a toll road  
19 instead of a gas tax roadway, we now have \$535 million,  
20 almost all of Denton County's money is sitting in Fund 6  
21 as these multipliers and leverages for Interstate 35E. So  
22 you know, at some point we'd like to bring back, let's  
23 stop and celebrate, I think in transportation we never do  
24 enough, and then let's talk about what the next batch is.

25 And if a little of this rubs off on the rest of the

1 state, then I think it may be a good day.

2 As we approach the legislature, they need to  
3 understand we're going to have to exempt a few more of  
4 these because these projects are just as important.  
5 Interstate 35E in Denton County, 150-, 160,000 a day, part  
6 of the NAFTA Corridor, just as important as the ones you  
7 see on the table.

8 But from Amadeo Saenz to the staff behind you,  
9 to this commission, to our local elected officials, we had  
10 to take a thousand arrows in order to get this far, and no  
11 one stands up anymore as the ones that threw the arrows,  
12 we can't find them anymore. So it's a very happy day, and  
13 congratulations to your staff.

14 MR. HOUGHTON: Thanks, Michael.

15 MR. MORRIS: We are going to look at 130 on the  
16 way back.

17 MR. SAENZ: Take 130 and pay your toll.

18 (General talking and laughter.)

19 MR. CASTEEL: Commissioners, with your  
20 permission, Mr. Simmons wanted me to highlight one of the  
21 innovations we've found as we worked with the private  
22 sector. Commissioner Meadows, on the 121/114 project, the  
23 DFW Connector, possibly one of the reasons that the number  
24 of complaints about traffic control and delays is down is  
25 that Sam Swan, working with the partners, came up with a

1 very innovative way to avoid putting trucks on the road to  
2 haul material.

3           The area that's being constructed is highly  
4 expansive clays, as you know living in that area, and the  
5 treatment for those highly expansive clays is to come in  
6 with a lime slurry mixture, lime and water, and mix it  
7 with the dirt and push it in. Typically, the construction  
8 we would have set up would have moved the lime slurry on  
9 trucks, causing hundreds of trucks to go in there because  
10 some of the treatment areas are over four foot deep.

11           What the developer did, and Sam worked with  
12 them to make this possible, was instead of hauling all  
13 that by truck, we built a pipeline under the existing  
14 road, pump it into the median, and then truck it between  
15 the barricades, avoiding all those trucks on the pavement.

16           And I think working with private sector on jobs  
17 like this where they're under huge time crunches to make  
18 closure on these projects, we're finding innovative ways  
19 and we're learning ways to do things better ourselves. So  
20 it's been very positive so far.

21           Any questions further?

22           (No response.)

23           MR. CASTEEL: Thank you for the opportunity.

24           MR. SAENZ: Thank you, David, and thank you to  
25 the rest of the guys. You are doing a great job.

1 I will tell you I was thinking Frank's hair was  
2 a lot darker when he started 130. For any of you that are  
3 just starting your projects, see what you're going to look  
4 like.

5 Commission, those are all the agenda items that  
6 we have.

7 MR. HOLMES: It's not so bad.

8 (General laughter.)

9 MS. DELISI: That concludes the posted items on  
10 today's agenda. Is there any other business to come  
11 before the commission? There being none, I will entertain  
12 a motion to adjourn.

13 MR. HOLMES: So moved.

14 MR. HOUGHTON: Second.

15 MS. DELISI: All in favor?

16 (A chorus of ayes.)

17 MS. DELISI: The motion passes.

18 Please note for the record that it is 4:14  
19 p.m., and this meeting stands adjourned.

20 (Whereupon, at 4:14 p.m., the meeting was  
21 concluded.)

C E R T I F I C A T E

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MEETING OF: Texas Transportation Commission  
Workshop  
LOCATION: Austin, Texas  
DATE: August 25, 2010

I do hereby certify that the foregoing pages,  
numbers 1 through 113, inclusive, are the true, accurate,  
and complete transcript prepared from the verbal recording  
made by electronic recording by Nancy King before the  
Texas Department of Transportation.

\_\_\_\_\_  
(Transcriber) 8/31/10  
(Date)

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