

1 TEXAS DEPARTMENT OF TRANSPORTATION
2
3 COMMISSION MEETING
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6
7 Ric Williamson Hearing Room
8 Dewitt Greer Building
9 125 East 11th Street
10 Austin, Texas
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12
13 Wednesday, January 26, 2011
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18 COMMISSION MEMBERS:
19

20 Deirdre Delisi, Chair
21 Ted Houghton
22 Ned S. Holmes
23 Fred Underwood
24 William Meadows
25

26
27 STAFF:
28

29 Amadeo Saenz, Executive Director
30 Steve Simmons, Deputy Executive Director
31 Bob Jackson, General Counsel
32 Roger Polson, Executive Assistant to the
33 Deputy Executive Director
34 JoLynne Williams, Chief Minute Order Clerk

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P R O C E E D I N G S

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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. Please note for the record that
5 public notice of this meeting, containing all items on the
6 agenda, was filed with the Office of the Secretary of
7 State at 4:47 p.m. on January 18, 2011.

8 Before we begin, please take a moment to place
9 your cell phones and other electronic devices on the
10 silent mode, please.

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

19 Before we begin with today's agenda,
20 commissioners, does anyone have any comments you'd like to
21 make?

22 (No response.)

23 MS. DELISI: All right. Then with that,
24 Amadeo, I'll turn the meeting over to you.

25 MR. SAENZ: Thank you, Madam Chair. Good

1 afternoon, everyone.

2 The first item on today's agenda is a
3 discussion. David Casteel will come and introduce a list
4 of guests that we have from 2030 Committee that are going
5 to give us a report on the work that they were doing that
6 would identify funding sources and also looking at
7 transportation needs. David.

8 MR. CASTEEL: Thank you, Director Saenz. For
9 the record, my name is David Casteel and I work for you as
10 the assistant executive director for district and field
11 operations.

12 It's my pleasure today to be joined by some
13 great Texans who would like to update you on their work
14 relating to the 2030 Committee. As you may recall, two
15 years ago this committee convened, they did some
16 groundbreaking research working with the premier research
17 institutes in the State of Texas, and presented what would
18 be a premier assessment of the transportation needs of the
19 State of Texas. That committee has reconvened at the
20 request of the Chair, and prepared further analysis of
21 transportation needs in the state, breaking it down to the
22 level of household impacts.

23 And with that, I'll turn it over to the vice
24 chair of the committee which is David Marcus of El Paso.
25 He's joined by Drew Crutcher, a committee member from the

1 Midland-Odessa area, and two of the researchers from Texas
2 A&M, Tim Lomax and David Ellis.

3 And with that, David Marcus from El Paso.

4 MR. MARCUS: Good afternoon, Chair Delisi,
5 commissioners. Thank you for having me here today. I'm
6 David Marcus; I'm from El Paso. I'm also vice chair of
7 the 2030 Committee.

8 I'd like to introduce again Drew Crutcher, who
9 is sitting just to my left over here, from Odessa. Drew
10 and I are two of the members that are here today. I'd
11 also like to mention that Tim Lomax and David Ellis, who
12 are sitting over here, are a couple of the many, many
13 researchers that helped us and assisted us this last six
14 months, as well as two years ago. It's important to know
15 that because Drew and I are here as messengers from the
16 2030 Committee, but we want to make sure you know who to
17 deflect all the blame on if you don't like the message.

18 (General laughter.)

19 MR. MARCUS: As you already know, our committee
20 was formed over two years ago and appointed by Chair
21 Delisi. We are a committee comprised of experienced,
22 respected people from across the state, and we were
23 charged with providing an independent, authoritative
24 assessment of the state's transportation infrastructure
25 and mobility needs.

1 Our first report two years ago, adopted by this
2 commission, concluded that the state needed to invest \$315
3 billion over the next 20 years to prevent worsening
4 traffic congestion in urban areas and ensure rural
5 mobility and safety. Six months ago Chair Delisi
6 reconvened our committee and it also includes most of the
7 original committee members, and we were charged with
8 developing a forecast for alternative levels of service
9 for four elements of the Texas transportation system,
10 pavements, bridges, urban mobility, and rural
11 connectivity, analyzing potential sources of revenue and
12 determining the economic effects of under-investing in the
13 system.

14 So our goals for this report were to update the
15 February 2009 report, including estimating conditions for
16 2015, 2019 and 2035 to give you a near-term as well as a
17 longer term view of the current state of our
18 transportation system and determine the household costs of
19 under-investing in the system.

20 We also wanted to identify potential revenue
21 options for funding the system, establish principles for
22 how to make decisions on projects, and estimate the gap
23 between expected revenue and the cost to achieve these
24 goals.

25 And most importantly, we developed a set of

1 guiding principles that can be used by everyone,
2 transportation agencies, the public, business leaders, in
3 meeting these goals, that we should do everything we can
4 to improve our conditions and to communicate with the
5 public thereby inspiring more confidence in our decisions.

6 Our priorities were established as follows.
7 Mobility projects should be selected by local regions and
8 agencies; this should not be the role of the 2030
9 Committee.

10 And just like the houses we live in or the cars
11 we drive, saving money by deferring maintenance on our
12 roads and bridges will create huge, probably unmanageable
13 costs for our state in the future. Planning on regular
14 maintenance of the system is much cheaper and easier to
15 accomplish than rebuilding a road that has begun to
16 disintegrate or has already disintegrated. Therefore, one
17 of our top priorities was to preserve the existing
18 infrastructure.

19 We identified a number of low-cost strategies
20 that can be used to address some of these challenges.
21 These will not solve the problems but many can be started
22 quickly, providing benefits to many users and reducing the
23 total cost in achieving desirable outcomes.

24 Consistently displaying results and being
25 accountable to the public, regular reporting of

1 transportation spending and the results achieved through
2 the investments will improve the visibility of
3 transportation programs and help ensure that improvement
4 projects gain broad support across the state. Our
5 suggested approach is involve everyone in the
6 transportation solutions, persuade travelers and freight-
7 movers to consider the way they use the transportation
8 system, attack problems and seize opportunities.

9 Transportation projects, policies and programs
10 should focus on locations where the problems are the
11 largest but should also identify investments that can
12 provide long-term benefits. This may involve revisions to
13 current plans, such as revisiting the roads designated in
14 the Texas Trunk System designations or identifying new
15 priority projects, programs or partnerships.

16 Require users to pay for services that they
17 consume. Taxes, fees and other transportation levies
18 should be used to provide roadway maintenance, operation
19 and new capacity. Special licenses for oversized and
20 overweight vehicles should be priced according to the road
21 damage those vehicles have been proven to produce.

22 Recognize the need for timely decisions about
23 investment levels. Best example, pavement and bridge
24 quality. The condition of roads, bridges, rail lines and
25 other infrastructure should be closely monitored. If

1 conditions fall below levels that provide acceptable
2 service to the movement of people and goods, corrective
3 action should be taken. The action strategies will vary
4 and obviously must be adapted to the funds available, but
5 regardless of the response, it should be rapid.

6 And we should not forget urban mobility and
7 rural connectivity. Many of these projects require a long
8 time to plan and design. A range of planning efforts
9 should continue even if the funding is not currently
10 available for all of them.

11 As you turn to the next page on the handout,
12 you'll see a description of the four scenarios that we
13 developed. All of these options assume that we're getting
14 as much as we can out of what we have, and the first
15 option in each of these scenarios is as described earlier,
16 to preserve our existing infrastructure and system.

17 You'll note we came up with four grades to
18 describe the scenarios: B, C, D and F. We don't have a
19 scenario for A because we believe the lack of current
20 funding prohibits supporting this level of quality for the
21 transportation system. The current baseline we used
22 throughout the report was current transportation policies
23 and current funding levels.

24 Starting with the worst, grade F at the top of
25 the page, that's unacceptable conditions. That would

1 define pavement conditions as 93 percent of the roads in
2 fair, poor or very poor condition. The bridges, 8.3
3 percent of the bridges would be structurally deficient;
4 they won't fall down but the school buses won't be able to
5 cross, and you couldn't get from one side to the other.
6 Congestion would add 133 hours of extra travel time in
7 urban areas, and on average, bigger areas would be even
8 worse. On rural routes, 32 percent of the roads without
9 enough capacity to handle people and freight travel.

10 The next grade which is D is worst acceptable
11 conditions. This focuses on preserving the enormous
12 investment already made in the transportation system. In
13 this case: 30 percent of the roads would be in fair, poor
14 or very poor condition; 3.2 percent of the bridges would
15 be structurally deficient; congestion would add 85 hours
16 of extra travel time in urban areas, and areas like Dallas
17 and Houston would probably exceed 100 extra hours; rural
18 routes would have 14 percent of the roads without enough
19 capacity to handle people and freight.

20 Grade C, to date Texas has successfully
21 maintained its transportation infrastructure in a
22 condition at least equal to or better than those of its
23 peer states and metropolitan regions, but the minimum
24 acceptable condition scenario does not provide this level
25 for urban mobility or rural connectivity. Pavement and

1 bridges would basically be the same as minimum acceptable;
2 congestion would add 57 hours of extra travel time in
3 urban areas; urban regions would have congestion levels
4 better than at least half the U.S. regions with similar
5 populations; and rural routes, 12 percent of the roads
6 would be without enough capacity to handle and freight.

7 Grade B, the transportation system in 2010
8 would be maintained throughout the period from 2011 to
9 2035. Pavements, bridges and urban congestion would at
10 2010 levels. The rural Texas Trunk System network would
11 be expanded to achieve current service levels and be
12 entirely completed by 2035. Thirteen percent of the
13 pavement of roads would be in fair, poor or very poor
14 condition; 2.3 percent of the bridges would be
15 structurally deficient; and we would have about 36 hours
16 of extra travel time in urban areas; in rural routes
17 almost all the major roads will have enough capacity to
18 handle people and freight.

19 And as we discussed above, we didn't not assign
20 a letter of A to any of the scenarios.

21 On the next page you see a graph on there and
22 it represents the average annual transportation cost per
23 household from 2010 to 2035. Keep in mind that by
24 comparison we estimate the current costs of 2010 are
25 approximately \$255 per household for taxes and fees and

1 approximately \$1,060 for congestion, extra travel and
2 higher fuel and maintenance costs. We quantify the cost
3 of transportation per Texas household, both the taxes and
4 fees, as well as the hidden costs for each of the
5 transportation quality scenarios.

6 The striking conclusion was that with
7 consistent investments in our system, Texans can minimize
8 the exponentially greater hidden transportation costs.
9 These hidden costs are factors such as higher vehicle
10 maintenance from driving on rough roads, extra travel time
11 and fuel that is burned in stop-and-go traffic, and the
12 cost from detours around structurally deficient bridges.

13 Under grade F which was our unacceptable
14 conditions, this would be what would happen if nothing new
15 is done. The future in this case appears to consist of
16 one trend: road quality deterioration and mobility
17 decline that will result in unacceptable conditions for
18 Texans. Funding in current dollars will decrease as fuel
19 efficient vehicles contribute lower tax revenues per mile
20 of travel.

21 Under this trend Texans will actually spend an
22 average of \$240 per year over the next 25 years. Road and
23 bridge conditions, urban traffic congestion and
24 connections between rural communities will get worse and
25 cost an average of \$6,000 per household per year. The

1 taxes and fees under this condition will be low but the
2 total costs will go high.

3 Grade D which is the worst acceptable scenario,
4 a modest amount of additional funding would keep the
5 infrastructure conditions at a level that would not
6 penalize Texans too much. It would preserve much but not
7 all of the road and bridge system in decent shape,
8 congestion would grow at a rate that has only been seen in
9 economic boom times, but this would go on for 25 years and
10 without the accompanying economic progress. At this level
11 an additional \$200 in costs in taxes and fees or a total
12 of \$440 would save Texans approximately \$1,200 a year in
13 hidden costs over grade F.

14 Grade C, the minimum competitive condition
15 scenario, attaining this goal of maintaining parity with
16 Texas's competitor states will require more taxes and fees
17 but the return will be substantial. At the level of
18 funding for grade C, traffic congestion will increase from
19 today's level but the increase will be gradual. Much of
20 the Texas Trunk System will be completed by 2035 with
21 phase one completed by 2019. Road and bridge conditions
22 should not cause significant problems for efficient
23 movement of freight.

24 A total of \$535 per year in taxes and fees,
25 approximately \$300 more than grade F, will reduce the

1 hidden costs per family to just over \$4,000. That's a
2 savings of \$2,000 per year over grade F, and it gives us
3 conditions that allow us to remain close to equal with
4 other states and cities.

5 Grade B, this scenario is similar to the one in
6 the 2009 Transportation Needs Report. The goals are:
7 maintain the bridge and pavement conditions in the same
8 quality as today, keep traffic congestion from growing,
9 provide the same level of service for freight and movement
10 of people in the rural areas of the state. This is an
11 important benchmark, one that offers the perspective of
12 the beneficial effects of addressing the transportation
13 challenges with significant investments in new projects,
14 programs and policies.

15 In this scenario an additional investment of
16 taxes and fees of approximately \$450 a year over the grade
17 F level results in a savings of approximately \$2,400 per
18 year per household in reduced costs to Texans.

19 The annual investment in the long term on the
20 next page, the most dramatic realization we came to from
21 this is we need to just about double what we're investing
22 today to keep conditions from dramatically declining. But
23 if you look at the near-term results on the next chart,
24 you'll see that the picture is not quite as dire in the
25 near term over the next five years. With a relatively low

1 level investment, we can actually slow the decline in
2 pavement and bridge conditions. It won't greatly improve
3 congestion or rural connections, but our infrastructure
4 will be substantially preserved.

5 In the next chart you'll see our revenue option
6 examples. Currently Texans pay less in transportation
7 than residents of 43 other states, including residents in
8 almost all those states with which Texas competes. In
9 addition, motorists do not pay several taxes that are
10 common in other states, including a property tax on
11 vehicles.

12 The committee studied a number of revenue
13 sources to illustrate the amount of additional funding
14 required to meet the goals identified in this report. Of
15 course, there are any number of possible scenarios that
16 could be developed to raise the revenue required. The
17 options included in this section are only examples.

18 First, we should capture existing revenue.
19 Those are the funds that are either diverted to general
20 revenue or used to fund other agencies, and they should be
21 redirected back into directly funding transportation
22 costs.

23 System-wide sources of revenue: increase the
24 fuel tax by five cents. This has an interesting effect:
25 if you increase the fuel tax five cents now, you'll raise

1 an estimated \$420 million in 2012 but in 2030 that number
2 actually drops to about \$280 million. And that's actually
3 a factor of hybrid cars and all-electric cars coming into
4 the system and our fleet miles per gallon goes way, way up
5 and the number of gallons sold goes way down.

6 So this is probably going to require some
7 special thought because when tied to the number of gallons
8 of fuel sold, and it's predicted to get worse each year,
9 we really need to find another way to address the per-
10 gallon tax issue. Just indexing the current level of
11 fuels tax to inflation would yield approximately \$42
12 million in 2012 and \$41 million in 2030. Again you'll see
13 a drop and that's directly attributable to the fewer
14 gallons sold.

15 An increase to the registration fee of \$25 per
16 vehicle produces an estimated \$570 million in 2012 and
17 \$770 million in 2030. Targeted options consist of taxes
18 and fees that are raised by defined projects or areas,
19 toll roads for instance, and they're used only for
20 improvements within that project or area.

21 And the fourth item are local level approaches,
22 including a range of possible taxes imposed at local
23 levels to generate revenues for projects in the immediate
24 locale. A one percent increase in the local sales tax or
25 an additional one cent increase in motor fuel taxes are

1 some examples.

2 If you go to the next chart you'll find that
3 our conclusions were fairly obvious: we're going to pay
4 more in transportation costs over the next several years.

5 The choice we came up to was fairly clear: do nothing to
6 address the situation and the challenges results in much
7 higher levels of congestion and stop-and-go traffic, lost
8 family and work time, and potentially large economic
9 losses to our state.

10 The alternative, increasing investment and
11 avoiding further system degradation and avoiding
12 substantial increases in hidden transportation costs,
13 potentially create huge economic benefits for our state in
14 the future.

15 Thank you.

16 MR. HOUGHTON: A question. In the aggregate
17 did you break it down by region, by cities?

18 MR. MARCUS: No, we did not.

19 I think our researchers, David or Tim, do you
20 want to talk about that?

21 DR. LOMAX: We have data for the urban
22 congestion side just at the metropolitan planning
23 organization level. I believe we have information on the
24 pavement and bridge at the TxDOT district level. So we
25 could break some of that out at a metro or area-wide kind

1 of number.

2 MR. HOUGHTON: I think it's my opinion if you
3 bring it down to a local level everything becomes
4 personal, so the folks in Houston or in the urban areas
5 would understand. I mean, this is statewide and they're
6 daunting numbers, but it would sure be interesting to see
7 if you could break it down to urban effects of not doing
8 or doing something and what that investment is in those
9 regions.

10 DR. LOMAX: We had planned for that data to be
11 in the appendix but perhaps we could discuss with the
12 committee about putting that in the sort of fuller report.

13 MR. HOUGHTON: You also talked about a motor
14 vehicle registration fee increase of 25 bucks that gets
15 you \$570 million in 2012.

16 MR. MARCUS: Right.

17 MR. HOUGHTON: Has anybody looked at the
18 leveraging effect of that \$25 on what you could leverage
19 that up to? David, you're a CPA.

20 MR. MARCUS: I don't think we actually
21 addressed how much we could leverage that up to. We
22 certainly could.

23 DR. ELLIS: Commissioner, we have done some
24 preliminary work, as a matter of fact, of looking at the
25 possibility of leveraging that and using it. A concept

1 we're starting to a little work on is looking at that in
2 terms of treating that revenue increment as a means of
3 servicing bond debt and basically kind of treating it like
4 a revenue bond almost, if you will, in terms of where you
5 have a dedicated source of funds with which to service a
6 debt that was created and you're able to leverage that up
7 fairly substantially.

8 But we can certainly get you an answer back to
9 that based on the revenue streams that we forecast. Be
10 happy to do that.

11 MR. HOUGHTON: I mean, \$570 million is a lot of
12 money but one of Commissioner Holmes's projects in Houston
13 eats that up at a one time, I mean it's gone. And you're
14 talking big pops into the system and what kind of pop
15 would you get for 25 bucks.

16 DR. ELLIS: Absolutely. We'll be happy to do
17 that.

18 MR. HOUGHTON: And I want to thank the
19 committee for you guys coming back and doing this again.
20 Thank you very much for the service and the time.

21 MR. MARCUS: You're welcome.

22 MR. HOUGHTON: And David, we'll make sure we'll
23 feed the meter for you outside.

24 MR. MARCUS: Would you, please. And I think we
25 were unanimous in they wanted me to ask the commission for

1 a raise, at least a doubling possibly.

2 (General laughter.)

3 MR. HOLMES: I'd like to add my thanks, David,
4 and also ask a question. Did you look at vehicle miles
5 traveled as a potential source of revenue, and if so, did
6 you draw any conclusions about that?

7 MR. MARCUS: Having Texans pay as they use the
8 road, similar to a toll system?

9 MR. HOLMES: Kind of a GPS-type system.

10 MR. MARCUS: We actually discussed that at the
11 committee. We didn't actually come up with any numbers on
12 that, though, did we?

13 DR. ELLIS: Commissioner Holmes, to answer your
14 question directly, not as a part of this study. It was
15 not included simply because in terms of there are a lot of
16 different technology levels involved here, as you're well
17 aware, however, TTI has done a fairly detailed study of
18 this potential tax mechanism, if you will, and that's
19 certainly, again, something that we can include in there.
20 Obviously it's not that difficult to do. We have
21 estimates of VMT and we can discriminate between personal
22 and commercial VMT and that can be taxed at different
23 rates if that was the case. So we'll be happy to include
24 that. But specifically, no, we did not include it as a
25 part of this study but we can incorporate it.

1 MR. HOLMES: I'm not sure whether it's
2 appropriate for this study but it would be interesting to
3 see. I haven't seen a breakdown between commercial and
4 personal vehicles. That's an interesting kind of twist to
5 it.

6 DR. ELLIS: There's a study that TxDOT has
7 asked us to do to actually look at VMT, the potential for
8 VMT and different aspects of it, including public
9 perception. I'm not sure exactly where that study is
10 right now, but if it's not complete, it's very near
11 complete.

12 MR. SAENZ: Commissioner, you may recall at the
13 last discussion item we did have Ginger Goodin from TTI
14 give us a status of where they were in the study. And one
15 of the recommendations was looking at the possibility of a
16 pilot project dealing with the new vehicles, the electric
17 vehicles. We did not go into complete detail or expansion
18 to determine kind of financing options and available
19 projected revenues based on this because we were looking
20 at what were the social issues, what were the
21 environmental issues, what were the political issues that
22 we would have to be looked at with that that we could
23 expand that to come up with some estimates.

24 MR. MARCUS: There were some obvious concerns.
25 We did discuss this at the committee and there were some

1 obvious concerns, privacy issues that were going on and
2 issues like that.

3 I think there was a system that was being put
4 in place as a test, was there not, in another city?

5 MR. SAENZ: We've got several states that have
6 done studies. Oregon has done one pilot study; I think
7 the state of either Illinois or Indiana was leading a
8 multi-state study. In fact, one of the test beds was here
9 in Austin, and in fact, probably, I think, some TxDOT
10 employees were part of that test bed. That was looking at
11 the different systems and evaluating technology. Let me
12 see what I can find out to pass on to you.

13 MR. HOUGHTON: And even more importantly, who
14 else is your audience, your expanded audience for this
15 presentation?

16 MR. MARCUS: Well, ultimately the
17 representatives and senators in the state through you.

18 MR. HOUGHTON: When does it get turned loose on
19 them?

20 MR. MARCUS: It's available publicly today if
21 they want to go to the website and look at it. We hope
22 that in March, when we make the final presentation here,
23 that more of them will be present and available to hear
24 about this.

25 MR. CRUTCHER: At this time, Commissioner, what

1 we really tried to do as a committee was to work hard on
2 trying to show what would happen if we don't respond to
3 the need, how does it affect each household in Texas, what
4 are those costs. We did have some examples of some ways
5 that we could raise some money, we presented those as
6 that. But there's probably much more work to be done with
7 the studies that TTI is talking about with Amadeo, talking
8 about vehicle miles traveled.

9 But the one thing we wanted to demonstrate to
10 people in Texas is that we're going to pay the cost one
11 way or the other, and it's going to be much better for us
12 if we can find a way to not let our system degrade to
13 where it would cost so much more than it should to repair.
14 And we looked at those numbers very hard, like what
15 happens if ten years from now we don't put the capital in
16 that we need to keep our roads at the correct pavement
17 scores, we're going to have to start rebuilding the roads
18 rather than resurfacing them.

19 We looked at that and other items like that to
20 demonstrate the real cost to people per household. I
21 think that's one thing that ought to come across in this
22 report, maybe a little more than it did the last time.

23 MR. MEADOWS: You know, Drew, that's such a
24 good point, and again, I join everybody else in thanking
25 you all for your efforts, because what this really is it

1 becomes a very effective communication tool for all of us
2 who are trying to tell the story about the importance of
3 investment in our infrastructure.

4 One aspect of it that always troubles me when
5 we get into it, and I think perhaps needs to become part
6 of this story, I think we do a good job telling the story
7 of the impact on an individual, on our citizens, you know,
8 this is going to cost you because it's fuel and it's
9 maintenance expense. But you know, there's another aspect
10 of this that we really don't touch on and that is safety.
11 You know, when you get into this and you start looking at
12 deteriorating road conditions, there will be a direct,
13 distinct and quantifiable deterioration of the safety of
14 this infrastructure, and you can quantify that. If you
15 can quantify what the maintenance expense is to an
16 individual over time, I can tell you that you can quantify
17 in the same fashion what the societal costs are. It's
18 real.

19 MR. CRUTCHER: Yes, sir. And sometimes those
20 safety issues are even stronger on the rural roads on the
21 trunk system than they are in urban situations. We talked
22 about that a great deal at the committee. Those safety
23 issues are probably layered in the costs that our
24 researchers have put in there to say, for instance, phase
25 one of the trunk system and the safety aspects of this.

1 So it's in there but there are some things that we could
2 probably pull out and identify.

3 You know, the other point I want to make is I
4 was impressed by the other committee members of how they
5 worked to come up with were acceptable levels because
6 that's a very key situation: what do we mean when we say
7 minimum acceptable, what do we mean when we say minimum
8 competitive. We had a lot of hours saying how do you
9 compare Houston vis-a-vis Buffalo or Chicago for minimum
10 competitive levels.

11 So we tried to keep ourselves in the middle of
12 the pack in that regard. And we looked at very basic
13 things to what we consider to be minimum acceptable - the
14 structurally deficient bridges and the number of hours
15 that we were going to be having travel time delay. I
16 think people can look at that.

17 But we as a committee we're very understanding
18 that our resources are limited and every dollar that we
19 spend in Texas needs to be spent wisely and needs to have
20 a return on it. This is the best system that we were able
21 to come up with over the months of our discussions to
22 outline what was minimally acceptable.

23 MR. HOUGHTON: I have one more request of the
24 committee, if they so choose, David. Back to the motor
25 vehicle registration fee, Senator Williams at the forum

1 laid out various increases in motor vehicle registration
2 fees on a leverage basis, on what that impact would be to
3 the transportation funding. I'd sure like to see if we
4 could do and see what the leveraging effect of \$10, \$15,
5 \$25. I think his last was 50 bucks.

6 MR. HOLMES: Fifty.

7 MR. HOUGHTON: The top was \$50 per year, and
8 leveraging that and what could you get out of that.

9 MR. MARCUS: Okay. I'm sure we can do that.

10 MR. SAENZ: That could be very easily done.

11 MR. HOUGHTON: And become part of your report.

12 MR. MARCUS: We could add that and make it part
13 of the final report in March.

14 MR. HOLMES: And just one last observation, I
15 think developing the average annual transportation costs
16 for these four scenarios, I think that's a very powerful
17 message, and I take, Drew, your point that you really
18 looked at the basic type costs. I mean, you didn't dial
19 in kind of the societal costs, the environmental costs,
20 the clean air issues, the health issues that result, the
21 possible restriction on federal funding for non-attainment
22 areas, all of those other elements that could be quite
23 dramatic and significantly increase these Ds and Fs.

24 MR. MARCUS: Yes, absolutely. And it comes
25 down to the fact, if you really want to drill it down to

1 what it means to an individual or a family, of how big do
2 you want your potholes to get before you start slowing
3 down, increasing the amount of time it takes to get home.
4 That's the story.

5 MR. CRUTCHER: And as far as the registration
6 fees, for instance, we looked at those registration fees
7 at various levels, vis-a-vis other states, and when we
8 remain competitive we'll be driving vehicles across state
9 lines or something for registration. Those types of
10 issues were looked at as well, and I think the researchers
11 have them categorized well in appendixes.

12 MR. MARCUS: Thank you. Are there any other
13 questions for us?

14 (No response.)

15 MR. MARCUS: Thank you.

16 MR. CASTEEL: Commissioners, as Mr. Marcus
17 said, they'll be back in March with a final report for
18 your adoption. The team and the researchers both have a
19 great need for data and without a lot of good staff work
20 by Tonia Norman from our strategic research program, they
21 wouldn't have gotten that, and they wanted me to
22 personally tell you that they're very proud of the work
23 she did. So Tonia, thank you very much.

24 (Applause.)

25 MR. SAENZ: Commissioners, agenda item number

1 2, we've got Mark Tomlinson who is going to lead a
2 discussion on what we're doing in the area of toll
3 operations with respect to administrative fees for
4 electronic toll collection. Mark.

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

8 I did want to briefly discuss our customer
9 account fees with you. As you'll recall, a couple of
10 months ago we began an effort and then the commission
11 approved step one of a process to move these fees from
12 administrative rule to commission minute order. The step
13 that took these fees out of rule was approved by you, and
14 that becomes effective on March 1 of this year.

15 Step two we will be bringing to you tomorrow
16 for your consideration in a minute order, and the fees
17 that we're discussing today are really only three fees.
18 One is the fee for specialty tag, and when I say fee, it's
19 actually a refundable deposit per tag. These are hard
20 case tags, and just for clarity, we currently do not
21 charge anything for our sticker tag, the TxTag that is the
22 vast majority of tags that we issue. The specialty tags
23 are probably in the realm of one percent or less of the
24 entire volume of tags that we have out there, and again,
25 it's a refundable deposit. If the user brings it back in

1 good shape, then we can refund that deposit.

2 The second customer account fee is our
3 statement fee; it's either a mailed or a faxed account
4 statement. And I would point out that many of our
5 customers manage their accounts online, but for those who
6 choose to have an invoice sent to them, there's a dollar
7 fee for that either mailed or faxed account statement.

8 And then the third fee that, again, was
9 established by rule that we'd like to move into minute
10 order, is our return check fee. It's a \$25 per check
11 charge for customers who have insufficient funds in their
12 account when they write us a check.

13 So I would point out that these customer
14 account fees are not meant to be revenue generators,
15 they're really just meant to recover our costs. And as we
16 began an initial analysis of these fees, thought it was
17 significant to note that over the past more than a year
18 we've undertaken significant cost-saving measures within
19 our toll operations group, and we continue those today.
20 Probably the most significant cost-saving initiative is
21 the re-procurement of our toll operations software and
22 hardware system, and we still have that in process.

23 So we think it's premature to re-analyze our
24 costs to the end of possibly adjusting these fees at this
25 time. We think it might be more appropriate at a later

1 time. So for now we're just recommending that these fees
2 be moved into minute order for your consideration
3 tomorrow, but kept at the levels that they historically
4 have been and that they are right now.

5 So that's really all that I had to present to
6 you, but I'd be happy to answer any questions that you
7 have.

8 MR. SAENZ: Thank you, Mark.

9 MR. TOMLINSON: Thanks very much.

10 MR. SAENZ: The next item, agenda item number
11 3, we're going to have a discussion on we've been working
12 with METRO and Harris County with the HOV lanes and the
13 conversion of those HOV lanes to HOT lanes or managed
14 lanes, and Carol Rawson will lead a discussion,
15 Commission, as to kind of what the department and METRO
16 have been working and have agreed to kind of move forward.

17 MS. RAWSON: Good afternoon. For the record,
18 I'm Carol Rawson, TxDOT's Traffic Operations Division
19 director.

20 First and foremost, I'd like to introduce just
21 a couple of people that have come from Houston to help me
22 along with this discussion in case you had some questions
23 that I didn't know. Delvin Dennis, our Houston District
24 engineer has come, and Vince Obregon, who is from METRO.
25 And another individual would be Kari Moore out of our

1 office of General Counsel that's been helping to put this
2 team together to try to get this moving.

3 In the Houston area METRO currently operates
4 six HOV lanes, and these HOV lanes are the barrier
5 separated -- if you've ever driven in Houston, definitely
6 have seen them, been there for a while -- dedicated for
7 car pools which would either be two-plus or three-plus,
8 van pools and then transit or buses and such.

9 It's not been just recently but a number of
10 years that we've been working, METRO has come to us and
11 requested that the HOV lanes be turned into HOT lanes
12 which is high occupancy toll lanes, and a proposal has
13 been put onto the table.

14 I guess the first question is, well, what's a
15 HOT lane. And the most important thing to remember, a HOT
16 lane would allow a vehicle that doesn't have the proper
17 occupancy, a single occupant vehicle, to use our HOV
18 lanes, and in using the HOV lane they pay a toll to use
19 it, it's a user fee that would be going along with that.

20 This is something that it's not the first place
21 that it's been done. It's been done in the country, been
22 done in Denver, Miami, Minneapolis, San Diego and Seattle.
23 It's also something too that the US DOT has accepted; it's
24 part of what they call value pricing. And it's something
25 that seems to work very well in the places that it's been

1 done.

2 What are the benefits? I guess part of it is
3 it's a mobility thing; it's using our assets to the best
4 of our ability. I know a lot of people will sit in
5 traffic in Houston and they'll look over at the HOV lane
6 and there's a few cars moving and they have the proper
7 occupancy, but people see them as underutilized. And what
8 this does is it gives us the capability, still allowing
9 for the proper operation of the HOV lane but allowing
10 people to make a decision. It's another option. If you
11 have something that you've got to get downtown for and
12 you're willing to pay the price, you can get within the
13 HOV lane, pay the cost and then get there.

14 Anything that keeps people from idling and
15 sitting in traffic is definitely going to help your air
16 quality and reduce the idling that's going along with it,
17 and I think overall it helps us to better utilize our
18 assets that are sitting out there.

19 Just to kind of give you a picture of the
20 diagram, and this is data that was pulled off of one of
21 our HOV lanes in Houston, kind of looking at how traffic
22 starts and how you can see that we're not fully utilizing
23 it. Whenever a lane is truly at a capacity or at least
24 where the traffic is moving, you've got about 1,500
25 vehicles per hour.

1 Starting at five o'clock, we know that we don't
2 have a lot of vehicles that are pushing through there.
3 When you get to about 7:30, eight o'clock, that's when
4 that HOV peak is coming and going along with that. The
5 green area is kind of showing you that portion that is
6 underutilized. If you pay the toll, the cars could get
7 onto that, it could still maintain what we call a level of
8 service C, and level of service C means that the average
9 speed on that HOV lane is 50 miles per hour.

10 So with this and looking at it not only from a
11 TxDOT perspective, from a METRO perspective, we can see
12 that we definitely could use this as a good option that
13 would be out there.

14 This is the HOV map showing the HOT lanes that
15 METRO would like to work with us in partnership on. It
16 would be the US 290, IH-45 North, Eastex which is US 59,
17 IH-45 Gulf, US 59. Presently the Katy managed lanes are
18 operated through HCTRA, so that wouldn't be a part of
19 this, but it would be five of those HOV lanes that we'd
20 like to see move over to HOT lanes.

21 Kind of a picture of how does this work. Most
22 importantly, in order to use the HOT lanes it would be
23 electronic toll collection, there would be nothing along
24 with that. And there's definitely signing ahead in
25 advance because it's variable. As more cars start to use

1 the lane, the prices will start to increase which will
2 help to maintain that speed on there.

3 But as you come onto it, make a decision that
4 you want to do it, you have your TxTag, EZTag, or your T
5 Tag, you're going to get into the lane that actually says
6 All Other Vehicles, and it will read the transponder and
7 the toll will be charged. Anybody else that has a two-
8 plus or is meeting the occupancy is riding free of charge,
9 the same as what they did before. They'll just move over
10 into the other lane and allow them to pass on through.

11 Another real important part is making sure that
12 all the entry points have all of this up front that the
13 users of the system will know how much it's going to cost
14 in order to actually make the ride within the HOV lane.

15 Another important part is okay, if you use it,
16 how do you go about enforcing it. There will be
17 observers, there will be booths that will be put out
18 there. The police will be there in order to confirm,
19 visually confirm that they got into the right lane, and
20 then did move through the system the correct way, and
21 because METRO has a policing agency can actually issue a
22 citation along with it.

23 Kind of a quick description of the possibility
24 of what METRO would like to see us entering into. The
25 next step would be a minute order that we have on the

1 agenda for tomorrow that would request your approval for
2 Mr. Saenz to enter into the agreement with METRO, and
3 we're open for any questions if you have anything to ask
4 of us.

5 MR. HOLMES: Do we recall how much METRO paid
6 toward the construction of the HOV lanes?

7 MS. RAWSON: See, I told him he was going to
8 get up.

9 MR. OBREGON: Again for the record, my name is
10 Vincent Obregon with METRO Houston.

11 METRO has invested close to \$400 million in the
12 HOV network since we started construction in 1984. So
13 this is a tremendous asset that we see that we have out
14 there and it goes underutilized 80 percent of the time, so
15 that's one of the drivers for us to work with TxDOT to try
16 to get more use out of an asset out there.

17 MR. HOLMES: Mr. Obregon, as I understand it,
18 METRO would set the toll rates?

19 MR. OBREGON: Yes, sir. The base toll rates is
20 a dollar, and of course, dynamically pricing that in order
21 to entice somebody to come in or deter somebody from
22 coming in as we manage the traffic flow in the HOV lane,
23 with the objective to maintain a 50 mile an hour, or level
24 of service C.

25 MR. HOLMES: And to what extent would that be

1 done independently without coordination with HCTRA?

2 MR. OBREGON: Well, the idea is that we would
3 be interoperable with HCTRA, the technology and the tags,
4 the reader and all the technology is interoperable.
5 That's one of the requirements of the vendor that's doing
6 the work. We will have some mechanism to transfer
7 whatever funds, if there's a HCTRA tag that goes through a
8 METRO facility. We have not worked out that agreement yet
9 with HCTRA, this is kind of the first domino to fall.
10 We'll be beginning the work to get the interoperability
11 agreement with HCTRA.

12 MR. HOLMES: I think it's a great idea. There
13 are most times of the day these are underutilized and
14 they're underutilized at times when the other lanes are
15 pretty much chock-a-block, and so I think it's a great
16 concept.

17 Presumably you're going to have some physical
18 modifications so that where you have your reader booths
19 you'll expand it to two lanes wide? Because most of these
20 are single lane.

21 MR. OBREGON: Correct. There will be a
22 declaration lanes, as the graphic shows right there.
23 Because most of the entrances into the HOV lane are at the
24 park-and-rides that are connected, 90 percent of the work
25 of this infrastructure, the declaration lanes and the

1 booths, will be done on our park-and-ride facilities.
2 There are a couple of locations, and we're working very
3 closely with the TxDOT office, there will be some areas
4 where we'll be doing some construction in the mainlanes,
5 but it will only be where there's adequate width where we
6 can use the shoulders and provide the needed transitions
7 to safely manage that traffic.

8 MR. HOLMES: But will you have to go through a
9 park-and-ride facility to either enter or exit this, or
10 can you do it from the mainlanes?

11 MR. OBREGON: You'll be able to do it from the
12 mainlanes. Most of the HOV lanes have slip ramps at the
13 end of the line, but that doesn't necessarily mean that's
14 where you have to be visually confirmed to pay a toll, it
15 could be where you exit the system which would be at
16 either a transit center, in most cases a transit center or
17 a park-and-ride.

18 MR. HOLMES: What's the timing to actually
19 begin taking tolls?

20 MR. OBREGON: Well, we're looking to open the
21 first corridor in January of 2012, and then one corridor
22 each quarter after that. I-45 South will be the first
23 corridor we're going to bring online, and go through a
24 three- or four-month troubleshooting just to ensure that
25 everything is operational, and then we will begin to bring

1 the other corridors online after that.

2 MR. HOUGHTON: This is a pretty vast system.
3 How many miles are you talking about of those HOV lanes?

4 MS. RAWSON: It will be 83 miles.

5 MR. HOUGHTON: Eighty-three miles. And you
6 said \$400 million was your capital investment. What was
7 the total project cost of the HOV lanes?

8 MR. OBREGON: \$400 million was the number that
9 I pulled from our records on how much we've invested, how
10 much FTA and METRO has invested in the construction of the
11 HOV lanes.

12 MR. HOUGHTON: I'm talking about did we invest
13 money in these lanes, Amadeo?

14 MR. SAENZ: Commissioner, when we reconstructed
15 or constructed the highway facilities, we constructed the
16 HOV lanes to go along with it. That's probably when we
17 used some of the \$400 million.

18 Delvin, do you have an idea as far as cost? It
19 was done through many, many years and many, many projects.

20 MR. DENNIS: I knew you'd figure out a way to
21 get me up here.

22 MR. SAENZ: Of course.

23 MR. DENNIS: For the record, my name is Delvin
24 Dennis. I'm district engineer down in Houston.

25 This has been a long process, Commissioner, I

1 mean, from the early '80s. Some of the HOV lanes were
2 retrofitted into corridors that were there at the time,
3 and then some of the corridors, as we reconstructed, US 59
4 North, for example, provided for the HOV corridor in that
5 segment. So the \$400 million is an overall number, but a
6 total cost, I don't have that available.

7 MR. HOUGHTON: Well, obviously these folks on
8 both sides can read where I was going with this, but I
9 understand that now we're going to share this revenue. Is
10 it equal?

11 MR. DENNIS: There will be an equal share of
12 excess revenue, and that accounting will take place on a
13 calendar year basis. And you know, the potential for
14 excess revenue could grow over time as motorists become
15 used to and dependent on maybe utilizing this sort of
16 feature. So the agreement we have in place provides for a
17 50-50 share of excess revenue.

18 The other thing it does is it takes quite a bit
19 of maintenance. It's not high dollar, it could be, I
20 don't know, \$4- to \$6 million a year that we, TxDOT,
21 currently spend on maintenance of these HOV corridors,
22 sweeping, striping, straightening barrier, litter, things
23 like that. METRO will take that stuff over.

24 MR. HOUGHTON: So you're freeing up revenue in
25 your system

1 MR. DENNIS: Yes, sir.

2 MR. HOUGHTON: Sounds like a good deal to me.

3 MR. HOLMES: Just keep that speed up to 50.

4 MR. SAENZ: You know, commissioners, I think we
5 started discussing this with METRO when I think Carlos
6 Lopez presented a very early discussion item on the HOV to
7 HOT lanes five years ago. Man, we're slow.

8 (General laughter.)

9 MR. SAENZ: But a lot of people have been
10 working on this project, and particularly from our Traffic
11 Operations Division, Carol and her folks, people in our
12 district office, Delvin and his folks. Of course, METRO
13 has been a partner, and then my final involvement is kind
14 of working with our General Counsel as they work with
15 METRO and kind of finalizing or getting the agreement
16 close to the final form. And Carrie Moore is one of our
17 young attorneys, and she's a shining star in this thing
18 and worked very closely to make this agreement and this
19 project a reality.

20 So we look forward to tomorrow morning Carol
21 presenting a minute order and your approval so that we can
22 kind of get this project off and running now for sure. So
23 thank you very much, Carol and everybody. I probably
24 missed somebody that's worked on this thing, and if I did,
25 I apologize.

1 Agenda item number 4, we have James Bass that
2 is going to present a discussion item dealing with some
3 proposed rules that are being proposed by the Securities
4 and Exchange Commission. And James, I'll turn it over to
5 you, and I know you've got some General Counsel folks that
6 will help answer questions.

7 MR. BASS: Thank you, Mr. Saenz. For the
8 record, I'm James Bass, chief financial officer at TxDOT.
9 And this discussion item precedes a resolution that the
10 commission will be asked to consider at tomorrow's
11 meeting.

12 The Dodd-Frank Wall Street Reform and Consumer
13 Protection Act, otherwise known as the Dodd-Frank Act,
14 amended the Securities and Exchange Act to make it
15 unlawful for, quote-unquote, municipal advisors to provide
16 certain advice to or on behalf of a municipal entity. The
17 key concern on behalf of the commission is that under that
18 definition of municipal advisor the proposed rules would
19 include appointed members of governmental entities, and so
20 the members of the Transportation Commission would be
21 considered municipal advisors.

22 And in fact, in the proposed rules that the SEC
23 has published in the Federal Register, they explicitly say
24 that they have excluded appointed members of a governing
25 body as employees. Employees would be exempt from this

1 municipal advisor definition, but they specifically state
2 that appointed members would not be exempt, and therefore,
3 the appointed members would be municipal advisors and be
4 required to follow all of the requirements.

5 Some of that is that it would be unlawful for a
6 municipal advisor to provide advice to or on behalf of a
7 municipal entity or any obligated person with respect to
8 municipal products or the issuance of municipal securities
9 unless the advisor is registered with the SEC. So if the
10 rules were to go into place, all members of the commission
11 would have to register with the SEC and follow the
12 requirements.

13 And some of those, just to highlight, would
14 include, obviously, registration as a financial advisor
15 with the SEC and that would include basic identifying
16 information, five-year residential history, ten-year
17 employment history, and information regarding other
18 business activities that the member is currently engaged
19 in. It would also include compliance with all MSRB,
20 Municipal Securities Regulatory Board, rules and
21 regulations including standards for training, experience,
22 competence and other such qualifications for municipal
23 advisors, and the requirement of a payment of a fee to the
24 MSRB on an ongoing basis.

25 The SEC specifically invited comments on the

1 appropriateness of its interpretation of the term of
2 municipal advisors including the appointed members of
3 governing bodies, and so the resolution that will be
4 before the commission tomorrow would be a resolution
5 directing the agency, TxDOT, to submit comments to the SEC
6 stating that we do not believe that members of the
7 commission or members of appointed boards of governmental
8 entities should be considered municipal advisors under the
9 purposes of their rules.

10 That's the quick summary. I'd be happy to
11 answer any questions, or depending upon how detailed your
12 questions may be, I might call up for some assistance from
13 the Office of General Counsel.

14 MR. HOUGHTON: So basically what they're
15 saying, we've got one foot in the boat, one foot out of
16 the boat, we're employees but we're not employees, we're
17 appointed.

18 MR. BASS: Correct. And they exempt employees
19 so as, I guess, an example, the CFO of TxDOT bringing
20 forward recommendations to issue debt would not be subject
21 to these rules, however, members of the commission voting
22 on that would be considered.

23 MR. HOUGHTON: Well, I think we ought to become
24 employees.

25 MS. DELISI: We are state employees.

1 MR. HOUGHTON: I know that, but we're also
2 appointed, so we're one foot in, one foot out.

3 MR. HOLMES: What's the penalty for non-
4 compliance?

5 MR. HOUGHTON: Jail.

6 MR. HOLMES: Jail?

7 (General laughter.)

8 MR. BASS: I believe Ms. Rebecca Bronson can
9 probably answer that much better than I can.

10 MS. BRONSON: I am Rebecca Bronson. I'm a
11 lawyer in OGC, for the record.

12 I think there are a variety of penalties, but
13 the penalties that are most appropriate for true financial
14 advisors are that you can't engage in this kind of
15 activity.

16 But that brings to mind a clarification that I
17 wanted to make in terms of what Mr. Bass was stating. The
18 real interest that the SEC has in these rules relates to
19 the activities that are engaged in that are like those
20 that a true municipal advisor would be performing. So
21 while I think it is certainly possible that the
22 commissioners would be subject to this, it is also very
23 likely that they will be subject to these registration
24 requirements if they engage in the kinds of activities
25 that municipal advisors engage in. And I think that does

1 not extend or it's not likely to extend to simply voting
2 to issue bonds or voting to enter into a guaranteed
3 investment contract or derivatives contracts.

4 So it relates primarily to making
5 recommendations to your fellow commissioners to hire a
6 particular underwriter, for example, or investment
7 strategies on what the commission should be. So it's more
8 engaging activities that are like those that would be
9 performed by a true municipal advisor. So we'll see how
10 far it goes when the final rules come out late this
11 spring.

12 MR. HOLMES: Is that the SEC interpretation of
13 the way the rule is applied, or is that the way you read
14 it? How did you draw that conclusion?

15 MS. BRONSON: Well, what I'm reading is from
16 what the Dodd-Frank Act amendments actually say. So what
17 they say is that it's unlawful for a municipal advisor to
18 engage in certain activities without being registered and
19 without complying with the registration regime. What is
20 on the table, what is being interpreted by the SEC is
21 whether appointed members of governing bodies would be
22 treated as municipal advisors. But again, it's the
23 activities that municipal advisors engage in that are the
24 real target of the new legislation.

25 MR. HOLMES: Let me make sure that I

1 understand. Is it your interpretation of the SEC rule
2 that we, as appointed members of a commission, would be
3 required to be municipal advisors? Do you read it that
4 way?

5 MS. BRONSON: I believe you would be treated as
6 municipal advisors, but I believe it's also possible, and
7 we don't know yet what the final rules will say, it is
8 certainly possible that you would only be required to
9 register if you engaged in activities that were the ones
10 that are described in the legislation.

11 MR. HOLMES: And that was going to be my next
12 question. Is a municipal advisor required to register?

13 MS. BRONSON: A municipal advisor is required
14 to register before performing any of these activities.

15 MR. UNDERWOOD: And my question is would this
16 also apply to boards of regents at colleges?

17 MS. BRONSON: It would. It would apply to
18 boards of regents particularly if they engage in issuing
19 bonds or financing.

20 MR. UNDERWOOD: Or recommending what they
21 should use in their financial part of their planning.

22 So you're going to get back with us to let us
23 know what it's going to take to keep us from getting a
24 free ticket to the federal country club. Right?

25 MS. BRONSON: You're exactly right. What we'll

1 be doing, if you resolve tomorrow, is preparing comments.
2 Then we'll be monitoring the situation, we'll look at the
3 final rules when they come out in April and May, and if
4 they do come out with an interpretation that continues to
5 regard appointed members of governing bodies as municipal
6 advisors, what we'll probably be doing at that time is
7 looking at your statutory authority, the rules that apply
8 to the commission, and so we'll probably make some
9 recommendations of things that you might want to do that
10 would prevent your being caught in this in any event.

11 MR. UNDERWOOD: Or just as a recommendation to
12 the legislature to make sure that we're actually
13 employees, not a quasi-employee, quasi-advisor.

14 MS. BRONSON: That might be another approach.
15 But I'm not sure. Again, this will depend on their
16 interpretation. They may even in some circumstances go so
17 far as to say that certain employees would also be in this
18 position, and I had some conversation with Mr. Bass about
19 this. But it appears that, for example, some of the
20 employees are on the board of the Texas Private Activity
21 Bond Surface Transportation Corporation which also
22 authorizes the issuance of private activity bonds, but if
23 they are employees of the department but they are acting
24 as appointed board members and then they engage in those
25 same kinds of recommendations, they too might get caught

1 in this, notwithstanding the fact that they're employees
2 of the department.

3 MR. UNDERWOOD: Plus you're going to have to
4 have training. Isn't that correct?

5 MS. BRONSON: That's correct.

6 MR. UNDERWOOD: And continual training too. I
7 don't mean just a one-shot deal.

8 MS. BRONSON: That's right. That's a part of
9 what the rules of the MSRB will entail.

10 MR. HOLMES: Well, if we can just designate our
11 FA as Commissioner Houghton, does that fix everything?

12 MS. BRONSON: Well, he is registered, as a
13 matter of fact, I understand.

14 MR. HOLMES: So it would only be four of us
15 have to go to jail.

16 MR. UNDERWOOD: No. We would volunteer him to
17 go to the federal country club.

18 (General laughter.)

19 MR. SAENZ: I think, James, just to make sure
20 tomorrow we have a resolution that the commission will
21 adopt where we will send comments in to the Federal
22 Register, and then depending on how those comments are
23 taken, when the final rule comes out then we'll have to
24 have some action maybe. Correct?

25 MR. BASS: Correct. And I would say the bottom

1 line of the proposed resolution for consideration tomorrow
2 is responding to the SEC and suggesting that the term of
3 municipal advisor exclude appointed members, and that
4 would seem to be the simplest approach rather than having
5 to continue the concern, but just make sure that their
6 definition of municipal advisor does not include appointed
7 members of governing bodies.

8 And there's been a lot of discussion.
9 Commissioner Underwood talked about regents. Yes, it's
10 any governing board, not just the Transportation
11 Commission, and I think other issuers in the state have
12 been getting briefed on this. I know I've seen a number
13 of articles coming in from various law firms being spread
14 out to all issuers in the state, so I think at this point
15 all of the issuers are aware of it and more than likely
16 working towards submitting comments in align with what
17 we're proposing.

18 MR. HOLMES: This is an SEC rule written on the
19 Dodd-Frank legislation. Right? It's not a piece of the
20 Dodd-Frank legislation?

21 MR. BASS: Correct. I believe it's SEC's
22 interpretation of the intent of the Dodd-Frank Act.

23 MS. BRONSON: They're promulgating rules to
24 establish a registration regime for municipal advisors.

25 MR. BASS: So we will be back tomorrow with a

1 resolution, and happy to answer any questions you may have
2 between now and then on more detailed matters related to
3 this. Thank you.

4 MR. SAENZ: Thank you, James.

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

7 MS. DELISI: That concludes the posted items on
8 today's agenda. Is there any other business to come
9 before the commission?

10 (No response.)

11 MS. DELISI: There being none, I will entertain
12 a motion to adjourn.

13 MR. HOLMES: So moved.

14 MR. UNDERWOOD: Second.

15 MS. DELISI: All in favor?

16 (A chorus of ayes.)

17 MS. DELISI: Please note for the record that it
18 is 2:45 p.m. and this meeting stands adjourned.

19 (Whereupon, at 2:45 p.m., the meeting was
20 concluded.)

C E R T I F I C A T E

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MEETING OF: Texas Transportation Commission
Workshop Meeting
LOCATION: Austin, Texas
DATE: January 26, 2011

I do hereby certify that the foregoing pages,
numbers 1 through 51 inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Nancy King before the
Texas Transportation Commission.

(Transcriber) 1/31/2011
Date)
On the Record Reporting
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