

TEXAS DEPARTMENT OF TRANSPORTATION  
COMMISSION MEETING

Ric Williamson Hearing Room  
Dewitt Greer Building  
125 East 11th Street  
Austin, Texas

Wednesday,  
September 29, 2010  
1:35 p.m.

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 1:35 p.m.  
3 and I call this meeting of the Texas Transportation  
4 Commission to order. Note for the record that public  
5 notice of this meeting, containing all items on the  
6 agenda, was filed with the Office of the Secretary of  
7 State at 4:43 p.m. on September 21, 2010.

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

11 During today meeting we will accept public  
12 comment that's relevant to the posted agenda items but we  
13 will not have an open comment period.

14 And before I turn it over to Amadeo, I do want  
15 to make sure everybody knows that the Texas Transportation  
16 Forum will be held next January 3 through 5, 2011. You  
17 can register online. It's at the Hilton here in Austin  
18 and I don't think this year there will be a conflict with  
19 the National Championship game, so no excuses, folks.  
20 Register online.

21 MR. HOLMES: Maybe TCU.

22 MS. DELISI: TCU still has a shot, not Tech.

23 (General laughter.)

24 MS. DELISI: Anyway, so with that sad note, I  
25 will turn it over to Amadeo.

*ON THE RECORD REPORTING*

09/29/10

(512) 450-0342

1 MR. SAENZ: Thank you, Madame Chair.

2 I guess our first agenda item today, we have a  
3 presentation from Jay Kimbrough from our Restructuring  
4 Council that will present an update on the council's  
5 activities. So with that, I'll turn it over to Jay.

6 MR. KIMBROUGH: Howdy. Jay Kimbrough. And  
7 Howard Wolf and David Laney are here also today and we  
8 appreciate the time to give you this update.

9 If you recall the last month at the August  
10 meeting, we described an effort that was underway at the  
11 time to consolidate the recommendations that have been  
12 made relative to TxDOT from the Grant Thornton report, as  
13 well as other audits and reports in the last couple of  
14 years, the idea being that that would be a tool which  
15 allowed the public and transportation stakeholders to  
16 review, search recommendations and provide input in an  
17 efficient manner and in a transparent manner. And we've  
18 made significant progress in that regard in the last few  
19 weeks and have a show that we can provide you today.

20 Particularly, I want to thank staff that worked  
21 on this last night because we got some last-minute input,  
22 if you will, yesterday afternoon on some recommendations,  
23 and they worked very hard and got all of this done last  
24 night. Brian Ergel, Zach Skinner, Scott Dorsett, and

1 James Pennington. I want you to know they went the extra  
2 mile and they got it done with us and for us and for you  
3 all, so thank them very much.

4 We also worked with Grant Thornton's staff,  
5 incorporating their feedback and that resulted in a net of  
6 191 Grant Thornton recommendations which are in the  
7 database, and that comprises right at 30 percent of the  
8 entire database.

9 Today now that grand total is about 647 which  
10 are identified in the database. The recommendations  
11 relative to DMV and medical transportation, of course,  
12 have been deleted and are no longer under TxDOT, so those  
13 are deleted.

14 The goals for the consolidation effort here is  
15 to centralize these recommendations from multiple sources  
16 into one single repository and database where you can find  
17 them all, you can dig into the respective reports,  
18 actually, literally you will see a link to each report.  
19 And all of these recommendations are categorized under the  
20 Grant Thornton model of their categories, that being:  
21 Leadership and Culture, Implementing Change,  
22 Organizational Structure, Plan-Design-Build, Human  
23 Resources, Information Technology, Financial Management  
24 Procurement, and Communications.

1           So all of the 647 recommendations, as we looked  
2 at other audits, we moved them under those respective  
3 Grant Thornton categories, and you'll be able to reference  
4 each recommendation by page number. And the Grant  
5 Thornton recommendations are all currently linked and the  
6 others will also be linked very soon.

7           Additionally, what we've done, because in some  
8 areas over the last couple of years from your Sunset  
9 reviews and some other audits, there is some action that's  
10 been taken and we've asked the office of primary  
11 responsibility, the respective office, to address that and  
12 show us what's been done so we could have a link to  
13 actually go to that source document, if it was a minute  
14 order of the commission, or whatever that might have been,  
15 to where we could find and monitor that which has been  
16 done and report that to the public as well. So that's  
17 still in progress but we'll be completed with that before  
18 too very long.

19           So the demonstration which we will show you  
20 today and working with your IT group has been very, very  
21 helpful, and I believe will be a very effective tool. The  
22 uses of the database -- the public will be able to see all  
23 the recommendations from any of these reviews and audits  
24 and, again, under the Grant Thornton category, they'll be

1 able to see the actual report, where the recommendations  
2 were made. They'll be able to provide input, interact  
3 with TxDOT and with the council to offer suggestions and  
4 to ask questions, and they'll be able to see actions taken  
5 and planned.

6 We'll have categories on that report which will  
7 show here's what's planned, here's what's recommended or  
8 here's what's planned and here's what's been done, so  
9 people can monitor, audit and track, and you will be able  
10 to monitor, audit and track, as well, as to how the agency  
11 is doing on those actions.

12 So we'll show you that here in just a moment,  
13 actually want to walk you through it relatively quickly to  
14 show you what it looks like. And this will be published  
15 on the TxDOT internet site in the next day or so. By the  
16 end of the week this will go live, and it will then be  
17 available for the public to have access and input.

18 It is our remaining goal so that during the  
19 month of October we'll receive input from others and then  
20 the council's goal in November, or certainly by your  
21 December meeting, to be able to submit the council's  
22 report and recommendations to you as to recommendations  
23 for modification and changes. So you should have that  
24 certainly by the December meeting.

1           The database and the web interface will be  
2 relatively straightforward. You'll be able to search,  
3 sort, filter and download any of the things that I've  
4 recommended, and this will make it easy for the public to  
5 be able to give us feedback, and I will be informing the  
6 legislative branch about this as well and the executive  
7 branch, so that they will be able to monitor, audit and  
8 track and see what we are doing as well.

9           So now for a demonstration, sort of from top to  
10 bottom. Getting to the web interface, you'll be able to  
11 access it from the homepage of TxDOT website and there  
12 will be a link which allows them to go directly to this  
13 interface and, if they choose, for example, they would be  
14 able to read and download the entire Grant Thornton report  
15 which, of course, has already been there for a while, but  
16 it will be a part of this as well, or they can view them  
17 by recommendations only, for example, on the database.

18           If you'll note on the right where you see  
19 actions completed and actions in progress, that's what I  
20 was referencing a while ago. That is in progress and  
21 that's ultimately, though, where you will see an action  
22 was completed on a certain recommendation, for example,  
23 and that would also then have a link to the source  
24 document or the source evidence that that thing has been

1 addressed.

2 If you look at the Grant Thornton link, you can  
3 press that button to see an immediate view of just the  
4 Grant Thornton recommendations and, as you can see now on  
5 the far left, the recommendations are listed and numbered.

6 This will allow us a means by which, wait a minute, which  
7 recommendation are we talking about, we can identify it's  
8 recommendation number 53, for example, or number whatever  
9 that might be, and we'll all be talking about the exact  
10 same recommendation and we can track and monitor these  
11 things very, very quickly with this device.

12 Report sources, you can see there what might be  
13 2030, Sunset Commission, Strategic Plan, or the 12-Year  
14 Audit Process. Those will be readily available to look  
15 at. I want to see what was that Sunset final report, you  
16 know, and, again, this is public input and transparency  
17 and an accountability process.

18 Email line, someone wants to communicate with  
19 us and make a recommendation, that's readily available to  
20 them. They can download databases, print them in Excel or  
21 Adobe. If they don't want to do the computer deal, I want  
22 to print it, there it is readily available. It provides  
23 instructions for using the database. On the right side  
24 there, you can see that in yellow that's where these

1 instructions would be to help walk them through that. And  
2 they can filter and sort the recommendations with the  
3 filter buttons.

4 And they, again, can be filtered by  
5 recommendation source or by Grant Thornton category, or  
6 both. If you wanted to see everything that related to  
7 leadership or communications or human resources, you can  
8 see that would be your specific area, you can hit that  
9 link and target that specific thing, and then you'll see  
10 all those recommendations and then ultimately actions  
11 completed, actions in progress will be there.

12 For example, if you entered CDA, comprehensive  
13 development agreement, in that search category, you can  
14 find there's 35 recommendations that relates to that  
15 particular issue and, again, you could see everything  
16 literally as well as monitor that which is completed and  
17 in progress or planned.

18 The columns from the left to the right, the  
19 recommendation number, again, this allows us to all be on  
20 the same, instead of talking about subject, we can also  
21 say recommendation number 23, for example, and the source  
22 document will be listed, the Grant Thornton category which  
23 I described earlier. Under the 12-Year Audit area,  
24 there's some six audit areas that are listed there and,

1 then, again, the work in progress is an ongoing exercise.

2           So again, in conclusion, we'll publish this  
3 later this week, using this information to help us work  
4 and communicate with others and to receive information  
5 from them. And many an agency has devices similar to this  
6 to allow you to track and monitor progress, but I believe  
7 for this agency this is at a whole new level of detail and  
8 operability which will allow the commission and the public  
9 to track and monitor and see what's in progress.

10           Additionally, this afternoon at three o'clock,  
11 we've sent out an invitation to all legislative members,  
12 executive branch as well, to give them essentially the  
13 same report so that they'll be up to date and current with  
14 the commission in that regard.

15           With that, I will conclude. Any questions of  
16 me or my colleagues, they are here and available.

17           MR. UNDERWOOD: Jay, I want to reinforce  
18 something. On the actions completed, how are you going to  
19 document that to make sure that it's not just fluff, or  
20 whatnot?

21           MR. KIMBROUGH: No document, no evidence,  
22 they're not going to get credit for completing anything.  
23 In other words, telling me that it's done ain't going to  
24 be enough. I'll have to see a document and be able to

1 track and monitor and run down the trail and see yes,  
2 there it is. And that will be a link to that, and if  
3 there's insufficient evidence to satisfy that, then we  
4 will not put it as completed.

5 MR. UNDERWOOD: Excellent. That's what we  
6 talked about yesterday.

7 MR. KIMBROUGH: Yes, sir.

8 MR. UNDERWOOD: Thank you.

9 MR. HOLMES: Jay, just one more thing. You  
10 guys have done a great job of compiling all this data and  
11 putting it in a format that people can access and  
12 understand. Have you had any time to actually review any  
13 of the progress that has been made on some of the items  
14 that were recommended in years past or in the Grant  
15 Thornton?

16 MR. KIMBROUGH: That is under review right now.  
17 In other words, as people are indicating, we have had  
18 some indication but that process is not completed yet. So  
19 some have been monitored but they're still reviewing and  
20 reporting to us and we're still in the verification  
21 process.

22 MR. HOLMES: Do you get any sense of the pace  
23 of activity? I mean, is it ongoing or is it just too  
24 early to tell?

1 MR. KIMBROUGH: It's too early to tell, yes.  
2 Some things clearly were done a couple of years ago very,  
3 very quickly, and as you can see the number here, it's a  
4 lot, and it's too early to tell that.

5 Now, one thing I do want to make clear, that we  
6 included all this simply as an option for folks. If they  
7 want to focus on just the Grant Thornton, the idea is not  
8 to create volume and 650 things here, the idea is to be  
9 open and transparent, here's the things, so that the  
10 commission and the agency can monitor and assess these  
11 things over the last two or three years. But if one's  
12 interest or focus is only on Grant Thornton, there it is,  
13 it's right there for you right up front.

14 MS. DELISI: Are you going to know, I assume  
15 647 recommendations there are conflicting recommendations?

16 MR. KIMBROUGH: Sometimes they'll be that and  
17 as we report to the commission, the council will point out  
18 that there may be three recommendations relative to the  
19 same thing and there are variables and we recommend A or B  
20 or C.

21 MS. DELISI: Okay.

22 MR. MEADOWS: Jay, just one very quick  
23 question. I assume when you say that we deleted the  
24 recommendations that were made that pertain to DMV, we

1 actually meant we had forwarded them. Right?

2 MR. KIMBROUGH: They have them.

3 MR. MEADOWS: That's all I needed. Thank you.

4 MR. KIMBROUGH: Not within your jurisdiction  
5 now so that's their responsibility.

6 Anything else? Thank you.

7 MR. SAENZ: Thank you, Jay.

8 Agenda item number 2, commission, John Barton  
9 will lead a group that's going to give us an update on a  
10 Ready for Development Notice that was submitted by the NTE  
11 Mobility Partners on the projects that are part of the  
12 North Tarrant Express.

13 So John, I'll turn it over to you and your  
14 group.

15 MR. BARTON: Thank you, Director Saenz, Madame  
16 Chair. For the record, my name is John Barton. I have  
17 the pleasure of serving as your assistant executive  
18 director for engineering operations, and with me this  
19 afternoon we have Ms. Maribel Chavez, our district  
20 engineer from the Fort Worth District, and Mr. Bob Brown,  
21 who is our CDA implementation director in the Dallas-Fort  
22 Worth area over the three comprehensive development  
23 agreements we have underway in the Dallas-Fort Worth  
24 region.

1           Commissioners, as Director Saenz just mentioned  
2 to you, the department, as you know, entered into a  
3 comprehensive development agreement for the North Tarrant  
4 Express project in Tarrant County in 2009, and this is a  
5 project that would address very important corridors in the  
6 heart of the Metroplex on Interstate 820, as well as State  
7 Highway 121 and State Highway 183 and to do some master  
8 development planning for additional improvements within  
9 that area of the Fort Worth community.

10           The NTE Mobility Partners, the developing firm  
11 that we've entered into the contract with, has submitted  
12 for our consideration a Ready for Development Notice, as  
13 well as a submission of the development for two additional  
14 segments of this larger project or sets of projects and  
15 specifically Segments 3A and 3B, which would implement  
16 some managed lanes on Interstate 35W through the Fort  
17 Worth community from Interstate 30 to US 287, as well as  
18 some improvements at the interchange of Interstate 35W and  
19 Interstate 820.

20           And so at this time, what I'd like to do is ask  
21 Ms. Chavez to brief you on this particular project and the  
22 nature of the work that's being contemplated. And then  
23 Mr. Brown will talk about some of the efforts that he and  
24 others have been working on in order to advance the

1 development of this project in response to this Ready for  
2 Development Notice. And then I'll conclude with some  
3 comments about further actions that might be warranted or  
4 that we would recommend that the commission consider as we  
5 continue with the development of this project.

6 So Ms. Chavez.

7 MS. CHAVEZ: Thank you, John. I was about to  
8 say good morning. I forgot; I'm losing track of time.

9 Good afternoon, commissioners. For the record,  
10 my name is Maribel Chavez and I am the district engineer  
11 in Fort Worth.

12 And as John said, we have been working on the  
13 North Tarrant Express comprehensive development agreement,  
14 and this afternoon we are here to present to you the  
15 latest information and, honestly, pretty excited about  
16 where we are today.

17 Again, this is an overview of the North Tarrant  
18 Express, in particular, the master development agreement  
19 and the submittal of a Ready for Development Notice by the  
20 NTE Mobility Partners.

21 As you may remember, in 2009 we did enter into  
22 a comprehensive development agreement for the North  
23 Tarrant Express in Tarrant County. This CDA has two  
24 components: the concession CDA which was for Segments 1

1 and a portion of 2. Essentially, it was along 820 and  
2 then along the Airport Freeway over to the State Highway  
3 121 and 183 split. And the other portion of the CDA was a  
4 master development planning agreement for Segments 2, 3  
5 and 4. Essentially that was State Highway 183, IH 35W and  
6 another portion which was Segment 4 of Interstate 820.

7           The master development plan of the CDA has been  
8 at least an 18-month effort or so. The intent is for us  
9 to develop, along with the NTE Mobility Partners, a  
10 financing and development plan for the remainder of the  
11 segments, and in May of this year we did receive a Ready  
12 for Development Notice and an initial development  
13 submission plan. That plan included work on Segments 3A  
14 and 3B, about ten miles. It's essentially I-35W from  
15 downtown Fort Worth from IH 30 on up to the 287 split in  
16 north Tarrant County. That would be for Segments 3A and  
17 3B. Those two segments are listed in the top 100 most  
18 congested list. I believe Segment 3A is like number 8  
19 Segment 3B is number 19.

20           The plan that they submitted was to reconstruct  
21 and add a two plus two managed lane system and also to  
22 address the interchange at I-35W and 820. It has about a  
23 \$2.8 billion total value, \$1.2 billion of that being  
24 capital cost.

1           We did receive quite a bit of input and comment  
2 from the local community in the plan that was submitted.  
3 The biggest input, biggest concern that we got from the  
4 locals was this submittal would not fully address the 1966  
5 bottleneck, essentially that it would not address the 35W-  
6 820 interchange. As we've said in previous presentations,  
7 we do have some major operational issues at that  
8 interchange, a lot of left-handed exits, and there's no  
9 way to make it any more efficient than it already is,  
10 short of completely reconstructing it.

11           And that's what we have been discussing with  
12 NTEMP and Bob Brown has led those efforts for us, and Bob  
13 will present to you and talk to you about what we have  
14 engaged them on. And just a couple of other facts, a  
15 couple of other reminders, particulars about that corridor  
16 along 35W, average ADT is about 140,000. Just north of  
17 the Trinity River just north of downtown it is only two  
18 lanes of interstate, two lanes in each direction. We've  
19 probably got about 12 percent trucks on that segment of  
20 the corridor. That is the major access to the BNSF  
21 intermodal facility, also, of course, to Alliance, and so  
22 we have a lot of truck activity and a lot of movement  
23 going up and down that corridor, in particular to that  
24 major development area.

1 Bob.

2 MR. BROWN: Thank you. And for the record, my  
3 name is Bob Brown and I manage the CDA program in the DFW  
4 area.

5 So following discussions with the developer and  
6 TxDOT administration, TxDOT staff have kind of developed  
7 an approach we want to present to you today. The idea  
8 would be that the developer or North Tarrant Express  
9 Mobility Partners would develop the southern segment plus  
10 the full interchange, so in other words, it would be  
11 Segment 3A plus the full interchange at Interstate 820.  
12 And the way it would be structured, there would have to be  
13 no public subsidy payment from TxDOT to NTE Mobility  
14 Partners. And again, the full interchange would be  
15 provided in this concept and all left-hand exits would be  
16 eliminated.

17 And then TxDOT would deliver Segment 3B, or the  
18 norther segment, through our traditional contracting  
19 process. We would do 100 percent plans and then low bid  
20 or do our traditional design-bid-build process, and TxDOT  
21 would deliver that in time. And then once TxDOT is  
22 finished with the construction of 3B, that would be handed  
23 over to the developer where they would install the tolling  
24 equipment. NTE Mobility Partners would then operate and

1 maintain the 3B segment for the full term of the  
2 agreement.

3 Also, in order to make this a no subsidy  
4 project, TxDOT would then also handle some of the utility  
5 relocations and handle some of the right of way in the 3A  
6 segment. There are some key parcels that need a lot of  
7 lead time that we would go ahead and move through and  
8 acquire as quick as possible.

9 Just a couple of other things to note. In  
10 order to provide for the full interchange and, of course,  
11 last time we presented several months ago, we were only  
12 able to construct about one-half to two-thirds of the  
13 interchange, so in order to provide the full interchange,  
14 again TxDOT would be doing some of the right of way and  
15 utility work but we've also determined that there are some  
16 elements of the project that could be deferred into the  
17 future when additional funds are available or when the  
18 locals have additional funds to partner with TxDOT.

19 So some of those deferrals would be some  
20 frontage road elements that do not exist today, as well as  
21 there is a little piece of the interchange we can defer on  
22 the western side which I'll show you in just a minute.  
23 There would also be a couple of elements that we could  
24 leave in place and let the existing infrastructure remain

1 in place. So with this concept, these non-critical  
2 elements would be deferred and, again, there would be no  
3 impact to mobility and, again, some of the frontage roads  
4 and some reconstruction can be deferred to the future.

5 And again, there can be some efficiencies  
6 gained by sharing risks. Again, TxDOT can move forward  
7 with some of the key right of way parcels that need a long  
8 lead time and some of the difficult utility relocation  
9 through the entire corridor.

10 So at the full interchange, this is basically  
11 an overview of the interchange with north going up and to  
12 the east shown in green is what is already funded through  
13 the current concession CDA, so everything shown in green  
14 is in the current concession contract, including two of  
15 the direct connectors that run from Interstate 35W to the  
16 east managed lanes on Interstate 820. The graphic shows  
17 all of the non-toll elements in blue, and then all of the  
18 managed toll elements in red. So again, all twelve direct  
19 connects would be funded through this concept.

20 And some of the deferral elements are shown in  
21 this next graphic where the Mark IV interchange is  
22 deferred to the left of your page and, of course, that's  
23 an existing interchange today. The bridges are in good  
24 shape, the Mark IV pavement is in good shape, so that

1 element can be deferred and, TxDOT, instead of spending  
2 money for that now, we can put the funds that would have  
3 gone to that to building more of the interchange elements.

4 There is also a new location frontage road on  
5 the northwest quadrant that could be deferred. There's no  
6 development there now, but perhaps at some point when  
7 development is going to happen, perhaps there could be a  
8 cost-sharing arrangement where development helps fund that  
9 frontage road element, as well as the frontage road on the  
10 southwest quadrant can be deferred and the existing  
11 element can remain in place.

12 So just a little bit about the financial  
13 overview. The Segment 3A plus the interchange, the  
14 developers design-build value is roughly \$930 million, and  
15 within 3A TxDOT would then add another \$37.5 million for  
16 right of way and utilities. That money is available in  
17 the next couple of years budgets for right of way and  
18 utilities and, again, there are some key parcels that need  
19 many years of lead time. For instance, the Region 11  
20 Educational Service Center needs a couple of years lead  
21 time so they can redevelop a new site, so we want to get  
22 that transaction going soon. So that would be one example  
23 that would help the overall schedule.

24 For the 3B project, the estimated cost is just

1 below \$200 million for the total project cost of which  
2 \$140 million is the construction value. There are some  
3 design and right of way and utility elements and  
4 construction oversight, but the biggest bulk is the  
5 construction. \$15 million has been identified from the  
6 district's rehabilitation fund, so TxDOT would need to  
7 identify a funding source for the \$125 million.

8 So John, do you want to take the next part?

9 MR. BARTON: Thank you, Bob.

10 Just to wrap up this discussion and certainly  
11 be ready to answer any questions that you, as the  
12 commission, may have, as we move forward let me first  
13 thank Bob and Maribel and the staff that they have working  
14 with them, as well as our Turnpike Authority Division and  
15 the North Tarrant Express Mobility Partners. I think  
16 they've done a great job of evaluating the potential  
17 opportunities and coming up with a plan that is reasonable  
18 and can work to help advance this project if the  
19 commission so chooses to do so.

20 Mr. Casteel has been very involved in this, as  
21 well as some other district staff from around the state  
22 who have helped bring forward some cost-saving ideas. So  
23 we have certainly had a One DOT approach to this and I'm  
24 very proud of the work that they have accomplished.

1           In order to advance this project, as Mr. Brown  
2 just pointed out, there is a funding need to supply  
3 approximately \$125 million to the project that the  
4 department would advance as a traditional design-bid-build  
5 project. Most of the cost of the project can be borne by  
6 our current Fund 6 budgets that we have for the region,  
7 but in order to be able to fully fund that construction  
8 effort, we believe that it would be appropriate for the  
9 commission to consider the potential use of Proposition 14  
10 Bond proceeds to advance that.

11           The cost, as we've estimated it, would be about  
12 \$125 million additional Proposition 14 funds that would be  
13 needed. If you provide some level of contingency for  
14 change orders and unforeseen construction costs that may  
15 arise, a reasonable amount would be approximately \$10  
16 million. So we could bring forward for your  
17 consideration, if the commission so chooses, actions to  
18 allow you to authorize \$135 million of Proposition 14 Bond  
19 proceeds for this project if you would like to advance it.

20           Of course, in doing so we would also need to  
21 take several steps, and those are enumerated on this slide  
22 and the next, and that is we feel like it would be  
23 certainly advantageous for us to the Attorney General and  
24 others about this plan early on to make sure that we all

1 are in sync and understand the steps that need to be taken  
2 in order to advance this work. A facility implementation  
3 plan would need to be developed and finalized, and we  
4 believe that we could do that sometime in the November  
5 time frame in a couple of months. And of course, once  
6 we've done that, we would need to work in order to get a  
7 notice to proceed and letter agreement in place or  
8 concurrence of that, again with the Attorney General, to  
9 ensure that they understand and are willing to support  
10 this effort as they evaluate it as required under law.

11 And then assuming those things can be done, and  
12 I believe they can, we would need to move forward with a  
13 limited notice to proceed with the developer and a letter  
14 agreement to allow them to advance this work and to expend  
15 funds in order to get a traffic and revenue study  
16 finalized and those sorts of things. We also, of course,  
17 need to get final environmental clearance and we  
18 anticipate for Segment 3B which is the portion that we  
19 would be delivering under this scheme, that will occur  
20 sometime in the March 2011 time frame, a few months from  
21 now and then move forward with the environmental clearance  
22 process for Segment 3A in April of 2011 with the public  
23 hearing.

24 The commission then would be able to take up

1 for consideration a decision of the final approval of the  
2 facility agreement sometime in the May time frame. We  
3 believe that it would be important that that take place by  
4 your May commission meeting. Moving forward from there,  
5 that would allow a facility agreement to be sent over for  
6 review and approval or concurrence by the Legislative  
7 Budget Board as well as the Attorney General's Office in  
8 June of 2011 and get final environmental approvals for  
9 Segment 3A in that same month, which would allow the  
10 developers to move forward with commercial close in August  
11 2011 and financial close by the end of the calendar year.

12 And it would allow us also to give them notice to proceed  
13 with their work in early 2012 which we could do under this  
14 particular time frame scenario with the current  
15 authorities we have.

16 And of course, we would then advance the  
17 construction of 3B through our normal letting process  
18 early in 2012, turn over the work that we have delivered  
19 for the developer to integrate the toll equipment on  
20 sometime in 2016 with substantial completion and  
21 operational completion of the entire project perceived to  
22 be in 2017.

23 So that is a very brief, albeit perhaps in-  
24 depth review of the next steps forward and the scope of

1 this project and the work that's been done to date, and  
2 we'd certainly be happy to engage any questions that you  
3 might have or to benefit from the discussion you would  
4 share with us on this particular project.

5 MR. HOLMES: Bob, just a clarification. You  
6 said 3B was a little under \$200 million?

7 MR. BROWN: That's correct.

8 MR. HOLMES: And construction value was \$140-.  
9 What was the other \$60- or so million?

10 MR. BROWN: Right of way and utilities, design  
11 and construction oversight.

12 MR. BARTON: I believe, Commissioner, if you  
13 look at slide number 7, under Segment 3B it kind of  
14 enumerates those costs. About \$10 million for the  
15 continued design effort, \$43-1/2 million for right of way  
16 and utility purchases and relocations and, of course, the  
17 \$140 million for construction and then about \$6 million of  
18 what it would cost us to perform the materials testing and  
19 construction inspection and management activities on the  
20 project. So that's how we get to the \$200 million.

21 MR. MEADOWS: I guess I've got to say  
22 something. I'll tell you all, I've had the opportunity to  
23 have been engaged on the periphery, I guess, of the  
24 advancement of this project to this point where we are

1 first really introduced to a solid concrete proposal that  
2 would enable this infrastructure to be delivered, and I  
3 will tell you, I continue to be impressed with the  
4 quality, the expertise, the creativity, the perseverance  
5 of this staff. This is some of the best work I've ever  
6 seen at TxDOT, and I've seen a lot of good work.

7 In fact, indulge me for a moment to point out  
8 that I did receive an email the other from the commander  
9 of the Naval Air Station Fort Worth who had had an issue,  
10 and Maribel Chavez engaged in the process, solved the  
11 problem, of course, and his email back to me was very  
12 simple, it just said, Maribel rocks.

13 You know, this is an opportunity and consistent  
14 with the sort of project delivery methodologies that we  
15 have engaged, and methodologies means creative finance  
16 structures that we have negotiated, put together and  
17 implemented that has enabled a number of projects to  
18 either be in the process of delivery or soon to be  
19 delivered or hope to be delivered very soon. And I think  
20 it's just important for us to point that out that you all  
21 really have done a very good job.

22 And I think it's important, although everybody  
23 at this table where I sit knows this, but if you think  
24 about put this on the list of prospective delivery,

1 assuming that there is favorable support for a proposition  
2 that effectively takes a combination of state funds,  
3 whether it be Fund 6, Proposition 14 funds, Tarrant County  
4 funds, all are going to go into the mix, but for \$200  
5 million of public funds, we effectively do deliver \$1.2  
6 billion in infrastructure. That's how it is that we can  
7 be creative and begin to try to meet the transportation  
8 infrastructure challenges we have.

9           And I will tell you, if you stop just for a  
10 moment and think over the last couple of years what this  
11 agency has been able to deliver in partnership with others  
12 in the Metroplex alone, not talking about the rest of the  
13 state but alone, from DFW Connector addressing a critical  
14 issue on the north end of DFW Airport, \$800 million  
15 design-build proposition, Southwest Parkway-Chisholm  
16 Trail-161 package of projects that we worked in  
17 partnership with the NTTA and City of Fort Worth and  
18 Tarrant County and Johnson County, you wrap all that up,  
19 there's \$2 billion plus of capital infrastructure that  
20 will be delivered.

21           LBJ managed lanes, another billion, actually \$2  
22 billion, for a relatively small amount of capital  
23 investment, the North Tarrant Express which is related to  
24 this project but extends the Loop 820 all the way to DFW

1 Airport or close to DFW Airport, and then you present this  
2 to us today. I mean, you're talking about, all combined,  
3 all in, close to \$10 billion worth of infrastructure that  
4 this agency and you all have enabled to happen. And I  
5 really think that we need to acknowledge, as well as  
6 express appreciation for what it is you bring us today.

7 We need to pause from time to time and  
8 communicate that to the public we serve that we are, in a  
9 creative and aggressive fashion, persevering to deliver  
10 the infrastructure that we need, given tremendous  
11 challenges. Anyway, I appreciate it and look forward to  
12 seeing this back in October.

13 MR. HOLMES: Commissioner Meadows, I actually  
14 hold up the creativity in the Metroplex as an example that  
15 the rest of the state needs to take a very hard look at,  
16 and I use that example in speeches because it's very  
17 impressive.

18 MR. BARTON: Madame Chair, Director Saenz,  
19 that's all we had to share. Again, we appreciate the  
20 opportunity to present this to you today, and if it's the  
21 will of the commission as given to Director Saenz, we will  
22 bring forward for your consideration an action item next  
23 month regarding this matter.

24 MR. SAENZ: John, I just want to reiterate what

1 we heard from Mr. Meadows and really the whole commission  
2 in that you have really looked beyond and come up with  
3 some very innovative solutions for those projects and pass  
4 it on to the staff that we are very grateful.

5 MR. BARTON: We'll do that.

6 MR. SAENZ: Keep up the good work.

7 MR. BARTON: And for the record, we all agree  
8 with the commander of the Naval Base that Maribel rocks.  
9 We'll share that with everyone.

10 MR. UNDERWOOD: What are you bringing to us  
11 tomorrow?

12 MR. BARTON: It will be exciting. I can andt  
13 tip my hand but it will exciting, sir.

14 MR. SAENZ: I thought the only one that used  
15 the word rocks was Coby Chase, but I guess it's a military  
16 term.

17 MR. BARTON: I guess it's spreading, yes, sir.

18 (General laughter.)

19 MR. SAENZ: Thank you, John.

20 Commission, the next agenda item will be John  
21 will lead a discussion that will give you an update on the  
22 Proposition 12 improvement program and the various  
23 projects that are underway under that program.

24 MR. BARTON: Thank you, Director Saenz. And

1 this is another item that I think is of significant value  
2 and importance.

3 And with me this afternoon for this particular  
4 item is Randy Hopmann, our district engineer in the Tyler  
5 District who has been overseeing and coordinating the  
6 implementation of the Proposition 12 funded projects for  
7 us around the state with his colleagues are district  
8 engineers from around the state.

9 Next to Mr. Hopmann is Mr. Greg Malatek. Greg  
10 is our deputy district engineer in the Waco District and  
11 is overseeing the implementation of all of the improvement  
12 projects along Interstate 35, both Proposition 12 funded  
13 as well as Recovery Act funded and Proposition 14 funded  
14 and normally funded. So Greg is the beneficiary of every  
15 source of funds the department has to offer.

16 And then next to Mr. Malatek is Mr. Richard  
17 Skopik who is the esteemed district engineer for the Waco  
18 District and has been leading this charge for the  
19 improvement of I-35 through the heart of Texas for quite  
20 some time and I'm sure is very proud to be able to present  
21 the progress that he and his staff are making on your  
22 behalf and that of the citizens of Texas under this  
23 program.

24 But this item is simply to provide to you an

1 update on the Proposition 12 funded projects and our  
2 progress to date, and I will turn it over to these three  
3 distinguished gentlemen to share some information with  
4 you.

5 MR. HOPMANN: Thank you, Mr. Barton.

6 For the record, my name is Randy Hopmann, the  
7 Tyler district engineer. It's my pleasure to be with you  
8 this afternoon to talk about a very important program,  
9 Proposition 12, and give you a report on the  
10 implementation of that program. We have just a few slides  
11 we'd like to cover.

12 As you're well aware, in November of last year,  
13 the commission selected about \$1.7 billion worth of  
14 projects to be funded through Proposition 12, and then as  
15 work continued through the winter months and the spring  
16 months, I believe we actually received approval from the  
17 Legislative Budget Board and the Bond Review Board in June  
18 of this year, and as a result of that continued  
19 engineering, the estimates actually dropped from \$1.7  
20 billion to \$1.6 billion. So at the time in June, that's  
21 exactly what LBB approved for construction costs of the  
22 program and, then, of course, there's an additional \$150  
23 million in Rider 56 that's been identified and also some  
24 additional funds for right of way and consultant

1 engineering on the delivery of the Prop 12 projects.

2 So all the projects have been identified, all  
3 the projects are resourced, they are scheduled, and we are  
4 on schedule to deliver those projects to letting in the  
5 coming year.

6 Now, we did actually have our first letting of  
7 Proposition 12 -- well, before I get to the letting, let's  
8 look at how those different types of Prop 12 funded  
9 projects kind of break up with the different types of work  
10 that was selected.

11 In the purple color is about 17 percent of the  
12 total pie, or \$281 million, was for rehabilitation type  
13 projects, and \$16 million were safety-type work, and then  
14 mobility projects was about 25 percent of the total  
15 program valued at about \$409 million, and then the biggest  
16 portion is for corridor projects and that totaled about  
17 \$932 million in construction costs, and that's how it's  
18 broken down.

19 Now, we did actually take bids and the first  
20 projects of Prop 12 funded projects were let in July. We  
21 also let some in August and then again, some additional  
22 projects in September. So as of right now, in the  
23 rehabilitation type work that was performed, 29 of the  
24 projects have gone to the letting process, or 74 percent

1 which is \$191 million, so we have 14 rehabilitation  
2 projects valued at \$67 million that remain to go through  
3 the letting process.

4 Then on the safety type projects, all ten of  
5 those projects have gone to letting for \$16.8 million.  
6 The mobility type projects, two of the projects have gone  
7 to letting, both were in San Antonio at \$47 million, and  
8 there are three remaining at \$349 million that will be  
9 scheduled in the coming months ahead. Corridor projects,  
10 one of the I-35 projects let for \$165 million, leaving the  
11 remaining \$818 million for the remaining I-35 projects and  
12 one project in El Paso.

13 Here's a cumulative curve of the comparison  
14 between what the estimates were at the time we received  
15 approval to issue bonds from the LBB and the BRB in June  
16 of this year, it's a cumulative letting amount for the  
17 entire Prop 12 program, and then in the pinkish color you  
18 can see what the actual low bids have come in at. So in  
19 the three months of lettings that we've had, we're  
20 actually running about \$63 million under budget of what  
21 was approved by LBB.

22 And then if you want to take a breakdown of the  
23 actual underruns, \$27 million were in the rehab category,  
24 in the mobility category about \$12 million in underruns,

1 and in the corridor category, about \$24.6 million in  
2 underruns. The safety projects, we actually came in over  
3 the engineer's estimate about \$819,000. So a net  
4 reduction in the entire program through the first three  
5 months of letting of \$63 million, so that goes back into  
6 the pot and remains at your discretion as we proceed with  
7 the continued development of the Proposition 12 projects  
8 for the remainder of this fiscal year.

9 And as I said, we are on schedule to deliver  
10 those projects. Most of the big work, the big I-35 work  
11 and a couple of the Houston projects, are scheduled in the  
12 fourth quarter of this fiscal year, so things kind of  
13 flatten out a little bit through the winter on this as far  
14 as the Prop 12 letting, but start to pick up in activity  
15 in the spring and continue through the summer of 2011.

16 And with that, I will pause at this point and  
17 turn the rest of the presentation over to Mr. Malatek.

18 MR. MALATEK: Thank you, Mr. Hopmann.

19 My name, again, is Greg Malatek. I'm the Waco  
20 deputy district engineer.

21 From the last update on 35 that we did for the  
22 commission in March, the Prop 12 projects that have not  
23 let at this time are still on schedule to be let. The  
24 next project is going in April of 2011, with the remaining

1 projects to happen in summer of 2011. In fact, last night  
2 we had the last public hearing for the funded projects, so  
3 we're set for right of way and utilities and working  
4 toward that goal.

5           Since the last update we've had three projects  
6 that have let, gone to construction. The project just  
7 north of Waco on what we call '5A, Williams Brothers  
8 received that and the bid amount was a little over \$166  
9 million, and the start work date was this month. They've  
10 started work a little bit early to get going on the  
11 project. The duration of the project, right now from  
12 their schedule, is showing 42 months. And again, that's a  
13 Prop 12 project; that's our first Prop 12 project to go to  
14 letting.

15           The other two projects that let are the Prop 14  
16 on 5C. This is just between Abbott and Hillsboro. That  
17 one went to W.W. Webber, a little over \$36 million, a  
18 project they started in July, and the duration of the  
19 project is a little over two years.

20           And then the last project that went to let was  
21 an ARRA project. This one is between Salado and Belton,  
22 and James Construction Group got that one for \$106.8  
23 million. They started work in August and that project is  
24 going to take four years.

1           From the last commission, in looking at all the  
2 projects we went over, we've got almost 90 miles of  
3 construction that will be happening at one time, so in  
4 looking at all that, one of the things that we were tasked  
5 is looking at how to address communication to the  
6 different factions that are going be utilizing this  
7 corridor. Again, at one time or another, we'll have ten  
8 segments of almost 90 miles under construction at one time  
9 on 35.

10           The other challenge is determining what  
11 pertinent information to convey to users. You've got your  
12 local traffic, you've got the frequent users of the  
13 corridor, infrequent users, and also large trucks, we're  
14 talking anywhere from about 25 to 30 percent trucks on  
15 this corridor, and that's all pertaining to informing them  
16 of construction and any type of traffic incidents. And  
17 again, we're talking about 60,000 to 100,000 vehicles per  
18 day.

19           Some measures we've taken, we've hired a public  
20 information specialist to focus on 35. Right now her main  
21 job has been up and down meeting with the local  
22 governments as far as law enforcement and emergency to try  
23 to get information out when there is an incident on 35,  
24 also updates on our construction jobs that are ongoing

1 right now. Also, the GPA Division launched the My35  
2 website which includes project information on IH-35. And  
3 then finally, we've discussed with Houston, Dallas and  
4 Fort Worth districts their experience gained on the larger  
5 projects that they've done similar to 35.

6 One of the things that we've seen used on other  
7 projects that we wanted to utilize on 35 is mobility  
8 coordination, and we're working with the Texas  
9 Transportation Institute, they've been hired to help us  
10 lead this activity.

11 One is proactive management, coordinate with  
12 contractors, emergency responders, public works, et cetera  
13 to get the word out and let them know what's going to be  
14 happening on construction.

15 Communication of traffic management, again,  
16 anything that's happening on the project to get the word  
17 out and let people know.

18 Mitigation of traffic activities, this is  
19 coming back and looking at an incident and then gauging  
20 how things were done, if we need to make changes, but  
21 that's one of the things that TTI will be working on with  
22 us to let us know maybe we need to look at something a  
23 little bit different in working with our contractors.

24 Public information and outreach, that one is

1 going to be tough because how do you communicate to folks  
2 the information will be out there but how do you make them  
3 come out there and look at it and utilize it, so that's  
4 going to be one of our tougher challenges.

5 Project liaison, these folks will go out with  
6 TTI and be on the projects at every project meeting to  
7 know what's going on and also understanding that we're  
8 going to have four different area offices along with  
9 you're talking possibly ten different contractors working  
10 on these projects. So with these mobility coordinators,  
11 they go from project to project to make sure all these  
12 together work as one large project, it's not ten different  
13 projects working independently.

14 Intelligent traffic systems during  
15 construction, again, going in to give real world time and  
16 informing the public, the folks that are using the  
17 corridor, having that information out there so they can  
18 make decisions going through this 90 miles of  
19 construction.

20 And finally, spread the message, working with  
21 the local business and residential community to meet their  
22 needs during this period.

23 One of the things we're going to be using is  
24 blue tooth technology to get real world time information

1 out. This is something that TTI has worked with on other  
2 projects we've seen for other districts. One of the good  
3 things is it uses existing TxDOT infrastructure, poles,  
4 power, et cetera, where possible. It also can be deployed  
5 using low cost solar technology, and uses cellular modems  
6 for communications. And then finally, it's completely  
7 anonymous, used only to determine real time real traffic  
8 data.

9 And then finally, the results are during  
10 construction we have ten different projects totaling 90  
11 miles in length, functioning as one actively well managed  
12 job with pertinent travel information available to users  
13 in real time.

14 MR. BARTON: Thank you, Greg and Randy.

15 And with that, commissioners, Madame Chair,  
16 we'd be more than happy to answer any questions you may  
17 have. I think that the information these gentlemen have  
18 shared with you shows that we have made marked progress  
19 towards the full implementation of your Proposition 12  
20 funded projects. We're proud of the work that's been done  
21 to date. Again, as one DOT, our staff has been working  
22 hard to implement these very important projects and to put  
23 this money to good use to improve our system and to help  
24 gainfully employ Texans to do these projects.

1           So we're proud of this work and wanted to brief  
2 you on it, and we'll continue to bring back quarterly  
3 reports on these efforts for your benefit and education,  
4 but we'll be more than happy to answer any questions that  
5 you might have.

6           MR. MEADOWS: I just have a couple of comments,  
7 probably more comments than questions. I know that's  
8 shocking.

9           One of the things in this communication  
10 strategy that I think is really important to focus on --  
11 and I think that you all are, by the way, approaching it  
12 exactly right. I mean, this is a perhaps unprecedented  
13 project, just the scope, the magnitude of it on an  
14 interstate highway in Texas. I don't know how many times  
15 we've had 90-plus miles under construction at the same  
16 time, and particularly where your average daily traffic is  
17 in the 100,000 vehicle range. This has the potential to  
18 be truly a nightmare for years along one of the most  
19 critical transportation corridors in the state of Texas,  
20 so that communication strategy and the mitigation of those  
21 construction activities on traffic flow are critical.

22           It occurs to me that the majority of the  
23 motorists on I-35 at any one time, excluding, perhaps,  
24 commercial traffic, certainly the majority are probably

1 Metroplex -- certainly/probably -- certainly are from the  
2 Metroplex, and when we're working on a communication  
3 strategy that's Waco-based, I think it's important for us  
4 to view this as a project that is one project, although  
5 it's ten, but we better be thinking about communicating to  
6 who actually is on that road, who is going to be impacted.

7           And I'm not saying that the people that live in  
8 Temple and Waco and Salado or any of the towns along the  
9 corridor are not equally as important and need to be  
10 communicated with, but let's don't forget those where the  
11 numbers are because they set out from Dallas and they're  
12 headed to San Antonio for the weekend or on Thursday on a  
13 business trip, and if there's an extra two hours of delay  
14 and we haven't communicated with them, we need to figure  
15 out a way to do so.

16           The last thing I would just want to point out,  
17 because I think this is such an important initiative that  
18 this commission endorsed and, that is, I think sometimes  
19 people think of TxDOT, as I like to describe it, as one  
20 5.6-mile segment of construction at a time, when  
21 opportunities for funding become available, we put the  
22 money to work, and we don't tell a story that really is  
23 the thoughtful story and we don't tell how this agency and  
24 this commission often are actually thinking very

1 strategically.

2 I mean, truly there is an overarching program  
3 here, if one actually stops to think about it. What we  
4 have done over the last couple of years is structured a  
5 strategy whereby we are addressing capacity on 35 on a 90-  
6 plus mile segment of the roadway to the tune of \$1.2  
7 billion that significantly opens the traffic flow and  
8 relieves congestion.

9 At the same time, think about what we've been  
10 talking about just in the agenda item before, we're  
11 talking about Interstate 35W in the urban areas which  
12 truly is part of the same corridor and part of the same  
13 traffic flow. It is part of from an economic perspective  
14 in this state, it is critical that that opens up but that  
15 doesn't really work unless you're doing this at the same  
16 time.

17 At the same time, over the last week John  
18 Barton and I had the opportunity to meet with Congressman  
19 Burgess and Chairman Williams on Monday talking about the  
20 Interstate 35E corridor in Dallas and Denton counties.  
21 Same sort of congestion, 200,000 vehicles a day sort of  
22 traffic. That's going on right now and we are exploring  
23 aggressively the method by which we're going to address  
24 that problem.

1           And the third point of this, which perhaps in  
2 the long term may be more important, this agency has  
3 launched this My35 initiative which is a longer term  
4 planning initiative that is down to the grassroots. We've  
5 involved citizens, business leaders, political leaders,  
6 community leaders across the corridor, meeting in these  
7 segment committees that are going to develop a longer term  
8 plan.

9           So when people start thinking of the way we  
10 deliver things and address challenges in this state at 5.6  
11 miles of concrete at a time, they're wrong. I mean, the  
12 fact is we're thinking about these sort of things and  
13 these guys and men and women in this agency are thinking  
14 about it, and it will yield good results for our citizens.  
15 We just need to tell the story better.

16           MR. BARTON: Mr. Malatek.

17           MR. MALATEK: Commissioner Meadows, on one  
18 thing you said earlier and -- I didn't mention this, but  
19 TTI on their scope, they will be working with the  
20 intelligent traffic systems in Fort Worth and Dallas and  
21 Austin and San Antonio to do what you had just mentioned  
22 as far as using those existing systems to alert those  
23 folks down there about activities that are going on on  
24 these construction projects. So it could be as far as

1 south as San Antonio, as north as Dallas and Fort Worth to  
2 get that information out, but that is a part of it.

3 MR. BARTON: And Commissioner, I think we  
4 clearly heard -- and a couple of them are here today --  
5 and Jody Hodges and Cynthia White and John Hurt and GPA  
6 will be working with Greg and our public information team  
7 on I-35 to make sure that we spread the right information  
8 to the Metroplex and its citizens, to the San Antonio-  
9 Austin area and its citizens and, most importantly,  
10 perhaps to me because I have to drive up that road often.  
11 So we'll make sure everybody knows.

12 Any other questions or comments from the  
13 commission?

14 (No response.)

15 MR. BARTON: Well, again, thank you for your  
16 leadership. I think you've made some very bold decisions  
17 regarding the Proposition 12 Bond Program and we are  
18 thankful for the opportunity to help deliver those on your  
19 behalf.

20 MR. SAENZ: Thank you, John. Thank you Randy,  
21 Richard and, of course, Greg. Good job.

22 Agenda item number 4, Brian Ragland, our  
23 Finance Division director, will give us a short  
24 presentation. We just completed the fiscal year so that

1 we now know how much revenue came in this fiscal year and  
2 kind of what our expenditures look like, so he can kind of  
3 give us a pulse of where we're at with respect to cash  
4 flow.

5 MR. RAGLAND: Thank you. For the record, I'm  
6 Brian Ragland, director of the Finance Division.

7 And as Amadeo said, this is a report we're  
8 going to do quarterly on the cash balance and activity for  
9 the State Highway Fund, and this particular one is for the  
10 fiscal year ending August 31.

11 The report shows line item activity for both  
12 cash inflows and outflows for the year, as well as a page  
13 on how that particular activity varied from what we  
14 projected at the beginning of the year. Also, the report  
15 does take out funds that are within Fund 6 that are  
16 restricted such as the State Highway 121 revenue, the Prop  
17 14 proceeds, the SIB and also the State Highway 13  
18 concession amount.

19 So the first page is essentially just an income  
20 statement on a cash basis and, as you can see, we started  
21 out fiscal year 2010 with a little over \$191 million in  
22 the bank. That's the one number we got right for the  
23 year. We had revenues of about \$5.7-, a little more,  
24 expenditures were about \$5-1/2- for the year, so we ended

1 up the year at \$425 million cash in the bank.

2 So down below you can see how much we were off.

3 We were off 7.7 percent on the revenue side and 12.6  
4 percent on the expenditure side, and then down below that  
5 are the actual line item amounts for both revenues and  
6 expenditures.

7 The second page of the report is the variance  
8 page, and this shows how much we were off from what we  
9 projected back in September 2009, and my plan for this  
10 page is just to go over some of the more pronounced  
11 amounts, either in dollar figure or in percentage and then  
12 let you ask any questions you may have of me based on that  
13 conversation.

14 I'm going to start on the right-hand side of  
15 the ledger, if you will, and the first, third and fourth  
16 items, administrative support, maintenance work and  
17 contracted routine maintenance, those were all underspent  
18 from what we projected, and that was primarily due to  
19 efforts within the department to cut our costs based on  
20 what we were seeing with the motor fuel taxes. So those  
21 particular three items are actual cash savings.

22 The big number on the right-hand side is  
23 contracted construction and maintenance. We paid out  
24 about billion dollars less during the year than what we

1 had anticipated back in September. There's a whole lot of  
2 different reasons for that. I'll throw out what we have  
3 been able to determine, but I'm sure I'm missing  
4 something.

5 One of the big things related to contractor  
6 payments during the year was the weather. It was a very  
7 wet winter and a wet beginning of the spring and so that  
8 slowed down the projects and in effect slowed down the  
9 billings by the contractors, pushed them back basically.

10 The economy has played a factor. I've talked  
11 to DEs that have told me that they are seeing cases where  
12 contractors are staying on jobs longer than they would  
13 have, billing them out slower than they normally would  
14 have in order to keep their workforces intact. They may  
15 not have another job to go to so they want to keep their  
16 workforce on their payroll instead of somebody else's or  
17 on nobody else's. In some cases they're paying penalties  
18 to do that, but it's worth it for them.

19 Letting amounts for the year were down just  
20 slightly because of the underruns we saw, but we actually  
21 let more projects than we had anticipated letting at the  
22 beginning of the year, it's just that they took place  
23 later in the year which affected the cash payouts for the  
24 period. And then quite possibly our payout curve was more

1 conservative than it should have been.

2           So those are all reasons I would throw out for  
3 that billion dollars, but the important thing to know is  
4 that that's not savings, those bills will come due,  
5 they've just been pushed out beyond the period we were  
6 looking at.

7           Skipping down to vehicle registrations, we're  
8 showing a 23 percent overage -- I'm sorry -- 123 percent  
9 overage in that particular line item. We talked about  
10 that back in July and that is all due to the payout on the  
11 Meyers lawsuit which was related to the disabled placards.  
12 We actually got a big chunk of that back.

13           The aviation line, we spent 35 percent more  
14 than we thought we would. That's simply due to the fact  
15 that we received more on the revenue side than we thought  
16 we would so we were able to pay out more in grants.

17           And then finally, down towards the bottom on  
18 our pass-through tolls, we were 94 percent under on the  
19 amount we had projected. That's simply because we are  
20 conservative in our forecast, we project out based on the  
21 earliest completion date of those particular projects at  
22 the highest possible payout amount. So a combination of  
23 those two things not coming through ended up in that  
24 number being below what we thought it would be.

1 MR. HOLMES: Brian, before you go to the next  
2 chart, contracted construction and maintenance, a billion,  
3 eleven million under payout, I think we need to really  
4 drill down to see what are the weather delays, what are  
5 the contractors intentionally slowing the job down to keep  
6 their workforce on the job and in their employ. At a time  
7 when we talk about being out of money but we're a billion  
8 behind, those two are kind of hard to reconcile unless we  
9 really have facts to back it up.

10 MR. RAGLAND: I agree. It's been difficult to  
11 come up with very solid evidence as to why that was. My  
12 concern is that catchup might come more quickly than we  
13 would like it to and we don't want to be caught behind the  
14 curve.

15 MR. HOLMES: Well, presumably when we let those  
16 jobs -- because these are all let. Right?

17 MR. RAGLAND: They're all let, yes, sir.

18 MR. HOLMES: Presumably we know how we were  
19 going to pay for them.

20 MR. RAGLAND: Yes.

21 MR. HOLMES: And we still know. Right?

22 MR. RAGLAND: Yes.

23 MR. HOLMES: But I think we really need to be  
24 able to explain that and to make sure that we can

1 demonstrate that we let projects with a dollar value that  
2 was projected, and it's simply a pace of expenditure  
3 rather than not spending the money.

4 MR. RAGLAND: Yes, sir. We've been working  
5 with TTI as well on better estimates of payout curves, and  
6 we looked back to see if we had actually put into place  
7 what they had suggested, and it would have been close, but  
8 this number would have actually been higher than this if  
9 we had gone with theirs. Their payouts were even a little  
10 bit quicker than ours were.

11 Another thing I learned today in talking to a  
12 DE was that we are putting into use more -- and I probably  
13 don't know much about what I'm talking about -- delayed  
14 starts on our contracts. Is that more prevalent than it  
15 was possibly in prior years? Again, I don't know much  
16 about what that entails.

17 MR. SAENZ: If we are using delayed starts, we  
18 need to then coordinate with the payout curve because if  
19 we allow for a six-month time for the contractor to  
20 accumulate materials and not starting to pay, we need to  
21 adjust that so that we can really manage our cash flow  
22 better.

23 MR. RAGLAND: And we would adjust it during the  
24 year, it's just that we wouldn't have been able to go back

1 and adjust it based on what we're judging ourselves  
2 against here.

3 MR. SAENZ: I guess one question is in the  
4 figures here the money from the ARRA program, are those  
5 included here?

6 MR. RAGLAND: No, sir.

7 MR. SAENZ: Because that was the other thing  
8 that we saw because we've been having some conversations  
9 with PASHTO and wondering why because the ARRA program had  
10 such tight timelier, a lot of the payouts are being paid  
11 on those ARRA projects and that was kind of money above  
12 and beyond that's being tracked. So because the  
13 contractors were pushing ARRA forward, it delayed some of  
14 the payouts on those projects.

15 MR. RAGLAND: The ARRA money is not here, but  
16 yes, that particular effect would be incorporated.

17 MR. SAENZ: One of the things that we had a  
18 conference call with the other members of PASHTO, all 50  
19 states, and Federal Highway was very concerned because  
20 they had projected that the federal outlays should have  
21 been about \$4- to \$6 billion more at the beginning of the  
22 year, and because of that and a lot of the reasons that  
23 we're getting were the same thing, we had weather delays.  
24 But a lot of it had to do that the ARRA money is not part

1 of the trust fund money, it's general revenue money, and  
2 those were the projects being built first and the other  
3 ones were kind of staying behind.

4 MR. RAGLAND: And John just reminded me that in  
5 some cases we used a lot of ARRA money first before we  
6 used other Fund 6 money. That might not have been known  
7 back when we did the September 2009 forecast.

8 The other thing that I forgot to mention is  
9 that during the year we converted some Fund 6 projects to  
10 Prop 14 because of the dire motor fuel tax projections we  
11 were seeing, so we converted some projects to free up some  
12 cash.

13 But yes, we will go back and try and drill down  
14 even further and I'll update you on that.

15 On the left-hand side for the revenues, the big  
16 numbers you see in red there are the federal  
17 reimbursements and that is directly tied to not paying out  
18 as much to the contractors. That's a reimbursement  
19 program, so if we're not paying out the money, we're not  
20 receiving the reimbursement. And again, it's all  
21 obligated, it will come, but it's just a delay.

22 Down at the bottom, depository interest, that's  
23 not because of interest rates, that's because we were  
24 sitting on cash longer than we had anticipated doing so.

1           One more thing I want to mention is that I  
2 think it was as little as a couple of years ago that we  
3 had \$400 million outstanding in commercial paper, short-  
4 term borrowing, at the end of this fiscal year we had it  
5 down to \$65 million, and then within the last couple of  
6 weeks we've paid that off in full, so we're at a zero  
7 short-term debt balance.

8           And that's all I have on this. Happy to take  
9 more questions or just get back with you on your  
10 questions. Thank you.

11           MR. SAENZ: Thank you, Brian.

12           Commission, agenda item number 5, Deanna Noble,  
13 director of the Environmental Division, will lead us in a  
14 little presentation and discuss some air quality issues  
15 and some EPA/TCEQ issues.

16           Deanna.

17           MS. NOBLE: Good afternoon, commissioners,  
18 Director Saenz and Roger. For the record, my name is  
19 Deanna Noble, director of Environmental Affairs for TxDOT.

20           The purpose of this presentation is to brief  
21 you on EPA state implementation plan, SIP actions that  
22 might affect transportation. Much has been in the news on  
23 this issue, including a lawsuit filed by Attorney General  
24 Abbott as a result of one of EPA's recent SIP disapproval

1 actions. The lawsuit or SIP disapproval did not have an  
2 impact on transportation.

3 This presentation will discuss with a SIP is,  
4 the actions being considered by the EPA on certain Texas  
5 SIPs, the possible consequences of these actions, and how  
6 they might impact transportation projects in our state and  
7 TxDOT's response to these issues.

8 A SIP is a plan which demonstrates how the  
9 state will attain and maintain compliance with the  
10 National Ambient Air Quality Standards. The TCEQ is  
11 responsible for developing and submitting the SIP for the  
12 State of Texas. Once a SIP is submitted to EPA, the EPA  
13 must evaluate the SIP and may choose to approve or  
14 disapprove the SIP. If they choose to disapprove a SIP,  
15 the EPA may also impose sanctions on the state for failure  
16 to develop a plan that meets their expectations.

17 If the EPA disapproves a SIP that may issue  
18 sanctions under the Clean Air Act, one type of sanction is  
19 discretionary and may be levied statewide at any point.  
20 FHWA is not aware of any transportation sanctions being  
21 levied statewide anywhere in the U.S. Another type of  
22 sanction applies only to non-attainment areas. The non-  
23 attainment areas include Beaumont-Port Arthur, Dallas-Fort  
24 Worth, El Paso and Houston. A sanction clock starts when

1 the SIP is disapproved and would last for 18 to 24 months.

2 Also, if the SIP controls air emissions, the  
3 EPA may issue a protective find which would prevent the  
4 imposition of transportation conformity freeze. Based on  
5 our review of EPA's notices on the SIPs from other states,  
6 only three sanctions have ever been issued in the U.S.  
7 without a protective find.

8 During a conformity freeze, no changes may be  
9 made to the existing STIP until the SIP issues are  
10 resolved. This includes adding new projects or making  
11 changes to projects in the STIP. Because of the potential  
12 for a conformity freeze being issued, it is important for  
13 the MPOs and TxDOT to keep the STIP updated, including the  
14 pending STIP before you for your consideration tomorrow.

15 If the issues raised by the EPA on a  
16 disapproved SIP are not satisfactorily addressed during  
17 the 18 to 24 month sanction period, only exempt projects  
18 may be worked on after the end of that sanction period.  
19 Exempt projects are safety and maintenance type projects.

20 In other words, both publicly and privately funded  
21 projects that are regionally significant, such as projects  
22 that add capacity, cannot be planned, cannot be designed,  
23 or bid for construction during a sanction.

24 Now for some history. Thirty air permitting

1 SIPs have been submitted to the EPA for their  
2 consideration and action. The EPA had not taken action on  
3 these SIPs for 18 years. In 2008 the Business Coalition  
4 for Clean Air filed a lawsuit against the EPA to force  
5 them to take action on these outstanding SIPs. The  
6 settlement for this lawsuit required the EPA to take final  
7 action on the 30 outstanding SIPs by December of 2013.

8 To date, EPA has taken action on ten of these  
9 SIPs. EPA has disapproved nine of them, all of which did  
10 not involve sanctions, and has approved one. The one that  
11 EPA is currently considering may impact transportation  
12 projects. It is also possible that some or all of the  
13 remaining 19 SIPs may also impact transportation projects.

14 The TCEQ has or is pursuing several rulemakings  
15 to address issues on the SIPs that have been disapproved  
16 or proposed for disapproval in attempts to address the  
17 issues raised by EPA. The current SIP being considered by  
18 the EPA involves the proposed public participation rules  
19 previously submitted by TCEQ. The EPA had proposed a  
20 limited disapproval for TCEQ's public participation rules  
21 with the possibility of including highway sanctions. TCEQ  
22 withdrew the proposed rules and submitted new proposed  
23 rules to EPA on July 2 of 2010. Therefore, EPA must start  
24 over their consideration and cannot make a decision on the

1 public participation rules that were withdrawn and cannot  
2 impose sanctions at this time.

3           As the EPA considers the new public  
4 participation rules proposed by TCEQ, the EPA may decide  
5 to propose a limited approval, limited disapproval, or  
6 disapproval of these new rules. In doing so, the EPA may  
7 include the possibility of highway sanctions as a  
8 consequence if the rules are not fixed to their  
9 satisfaction. TCEQ would have the opportunity to address  
10 any concerns the EPA may have as EPA considers these  
11 rules. If a final disapproval is eventually published for  
12 the SIP or other future SIPs, highway sanctions may apply.

13           TxDOT ENV, Transportation Planning and  
14 Programming, the MPOs, TCEQ and Federal Highway continue  
15 to monitor the issue not only for these 20 remaining SIPs  
16 but for the other things that may result in a conformity  
17 lapse or trigger sanctions or a freeze. If it appears at  
18 any time that highway sanctions may be imposed, staff will  
19 inform the commission and the MPOs and prepare to take  
20 appropriate actions in response to that.

21           And with that, I'll be glad to answer any  
22 questions. Thank you so much.

23           MR. SAENZ: Thank you, Deanna.

24           Those are all the items on the agenda.

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

5 MR. HOLMES: So moved.

6 MR. UNDERWOOD: Second.

7 MS. DELISI: All in favor?

8 (A chorus of ayes.)

9 MS. DELISI: The motion passes. Please note  
10 for the record that it is 2:58 p.m. and this meeting  
11 stands adjourned. See you tomorrow.

12 (Whereupon, at 2:58 p.m., the meeting was  
13 concluded.)

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C E R T I F I C A T E

MEETING OF: Texas Transportation Commission  
Workshop Meeting  
LOCATION: Austin, Texas  
DATE: September 29, 2010

I do hereby certify that the foregoing pages,  
numbers 1 through 59 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) 10/29/2010  
Date)

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