

TEXAS DEPARTMENT OF TRANSPORTATION
SPECIAL COMMISSION MEETING

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

Tuesday, April 12, 2011

COMMISSION MEMBERS:

Deirdre Delisi, Chair
Ted Houghton
Ned S. Holmes (not present)
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
JoLynne Williams, Chief Minute Order Clerk

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Dallas County - Authorization to enter into a Direct Agreement with the United States Department of Transportation, the North Texas Tollway Authority, and the Trustee under the Trust Agreement for the SH 161 Project (MO)	4

P R O C E E D I N G S

1
2 MS. DELISI: Good morning. It is 11:34 a.m.,
3 April 12, 2011, and I'd like to call this special meeting
4 of the Texas Transportation Commission to order. Note for
5 the record that public notice of this meeting, containing
6 the single agenda item, was filed with the Office of the
7 Secretary of State at 2:19 p.m. on April 4, 2011.

8 We're going to try to make this as brief as
9 possible. With that, does anyone on the commission have
10 any comments?

11 MR. UNDERWOOD: Yes. I want to apologize for
12 my attire this morning, Chair and fellow commissioners,
13 but this is our program for Motorcycle Safety Awareness
14 Week, and our motto is: Look twice, protect us on a
15 motorcycle.

16 Thank you.

17 MS. DELISI: Commissioner, are you available to
18 give rides on your motorcycle? Not for me. I think
19 Commissioner Meadows was looking forward to riding
20 shotgun.

21 MR. UNDERWOOD: I'll be glad to talk about it
22 after the meeting.

23 MR. MEADOWS: Absolutely ladies first.

24 (General laughter.)

25 MS. DELISI: All right. Okay. Well, with
26 that, I'll turn the agenda over to Amadeo to introduce

1 today's item.

2 MR. SAENZ: Good morning. Thank you, Madam
3 Chair.

4 Our one agenda item deals with the Direct
5 Agreement that we have with NTTA concerning the State
6 Highway 161 project, and I'm going to ask James Bass to
7 come and explain the agenda item and the minute order.

8 MR. BASS: Good morning. For the record, I'm
9 James Bass, chief financial officer at TxDOT.

10 As Mr. Saenz said, the agenda item this morning
11 is related to the Toll Equity Loan Agreement between the
12 department and the North Texas Tollway Authority dealing
13 with the State Highway 161 project.

14 Earlier the commission approved both the Toll
15 Equity Loan Agreement and a Direct Agreement. That
16 earlier approval of the Direct Agreement was going to be
17 between TxDOT, NTTA and the trustee.

18 During the final stages of negotiation with the
19 TIFIA office of the U.S. DOT, there were some changes in
20 some of the provisions of the Direct Agreement, as well as
21 an interest by the U.S. DOT to become a party to that
22 Direct Agreement.

23 Because of that change and the addition of the
24 U.S. DOT to the Direct Agreement, we wanted to bring that
25 back before the commission and get your approval to enter

1 into a Direct Agreement including the U.S. DOT.

2 Staff would recommend your approval.

3 MR. HOUGHTON: Let me ask you a question,
4 James. What does that do to the indemnification by the
5 State of Texas.

6 MR. BASS: I mentioned in the last stages of
7 negotiation with TIFIA there were some changes to the
8 Direct Agreement. Related to those changes in the Direct
9 Agreement, the North Texas Tollway Authority, within the
10 Toll Equity Loan Agreement, agreed to indemnify the State
11 of Texas for any financial harm that we might experience
12 because of the changes in the Direct Agreement. That is
13 included and those changes have been made to the Toll
14 Equity Loan Agreement.

15 MR. HOUGHTON: And what is the amount of
16 backstop that we are providing, or the TELA, to the North
17 Texas Tollway Authority? Give me the pieces.

18 MR. BASS: For the State Highway 121 project
19 it's just under a calculated amount of \$4.1 billion of
20 eligible costs.

21 I'll remind you and our other listeners that
22 that amount will be reduced by the actual revenues
23 collected on the project, and then if other conditions
24 precedent are met, Southwest Parkway/Chisholm Trail would
25 get added to this special project system, and I believe

1 the amount for it is in the neighborhood of \$2.3 billion.
2 So \$4.1- for State Highway 161, reduced by revenues
3 actually collected, an additional \$2.3- for Southwest
4 Parkway/Chisholm Trail, again reduced by the amount of
5 actual revenue collected.

6 MR. HOUGHTON: In that \$4 billion is the TIFIA
7 loan included in the \$4 billion?

8 MR. BASS: Correct. The \$4.1 billion is the
9 eligible costs which are construction, the up-front
10 payment, the operations and maintenance over the life of
11 the project, so we would not be loaning money directly for
12 an interest debt service payment to bondholders or to
13 TIFIA but I believe the eligible expenses for which we
14 could provide a loan provide enough coverage to both the
15 senior bondholders and to TIFIA.

16 MR. HOUGHTON: The other question, are you
17 familiar or have you heard anything about the financing
18 structure?

19 MR. BASS: Yes.

20 MR. HOUGHTON: And?

21 MR. BASS: Currently NTTA and TxDOT are
22 visiting with the senior underwriter, which in this case
23 is Citi, and one of the elements of the financial plan
24 right now appears to be the inclusion of some capital
25 appreciation bonds that would be callable 20 years from

1 issuance.

2 MR. HOUGHTON: So realistically, we could be,
3 will be realistically on the hook for 20 years?

4 MR. BASS: Could be. The financial model today
5 for the project is showing that before the revenues and
6 that the project would be sufficient to stand on its own
7 without the TELA backstop as an investment grade project.
8 Today's model is showing that's going to be near the 20-
9 year time frame anyway.

10 As you well know, even though the bonds are
11 callable in 20 years, there could be an advance refunding
12 prior to 20 years, but of course, the farther away you are
13 from that call date, the more expensive that advanced
14 refunding becomes.

15 MR. HOUGHTON: We have some experience with
16 that with the CTTS. Correct?

17 MR. BASS: Yes.

18 MR. HOUGHTON: I'll editorialize right now to
19 my fellow commissioners. I don't think this is what we
20 originally agreed to - to be on the hook for potentially
21 20 years. That wasn't, in my opinion, part of the deal.

22 I think ours was to get the project over the
23 hump, including Southwest Parkway. We haven't even now
24 included Southwest Parkway into this or modeled that, so I
25 don't believe this is in the spirit of what we agreed to.

1 And it has to do with the financing element, and a piece
2 of that financing element is the TIFIA loan also.

3 MR. BASS: Correct. And just to avoid any
4 confusion, it's certainly associated with the State
5 Highway 161 project but is not directly related to
6 approval of the Direct Agreement that's before the
7 commission this morning.

8 MR. HOUGHTON: I understand that, but it's
9 still associated.

10 MR. BASS: Correct, still associated with and
11 relevant, but not part of the minute order this morning.

12 MR. HOUGHTON: Okay.

13 MS. DELISI: Are there any other questions?

14 MR. MEADOWS: I just wanted to acknowledge the
15 work really over the last seven months of our staff.
16 James, I know you've spent countless hours on this. I'd
17 also acknowledge Amadeo's creative and innovative thinking
18 on this because we wouldn't be here today but for a couple
19 of ideas that Amadeo put on the table with regard to this
20 indemnity language, and I think we just need to recognize
21 that, Amadeo. Again, that creativity and innovative
22 thinking enables these significant projects, significant
23 projects for North Texas to advance.

24 And I think we also have to stop and
25 acknowledge our partners, the NTTA, on this because they

1 have stood with us as we have negotiated this, we on their
2 behalf and they working with us with TIFIA. So I think
3 there's been a tremendous amount of work that's gone into
4 this, and it certainly is bold and it is not risk-free.

5 I don't think that anybody here has claimed at
6 any point in time that there's not risk associated with
7 this. But what I appreciate and admire about the action
8 that I hope we're about to take is that we're willing to
9 take those risks in order to serve the citizens of the
10 state.

11 MS. DELISI: All right. So staff has
12 recommended approval of the minute order. Is there a
13 motion?

14 MR. UNDERWOOD: So moved.

15 MR. MEADOWS: Second.

16 MS. DELISI: All in favor?

17 (A chorus of ayes.)

18 MS. DELISI: All opposed?

19 MR. HOUGHTON: No.

20 MS. DELISI: The motion passes three-one.

21 So if there's no further business to come
22 before the commission, I will entertain a motion to
23 adjourn.

24 MR. HOUGHTON: So moved.

25 MR. UNDERWOOD: Second.

1 MS. DELISI: All in favor?

2 (A chorus of ayes.)

3 MS. DELISI: The motion passes. It is
4 11:43 a.m., and this meeting is adjourned.

5 (Whereupon, at 11:43 a.m., the meeting was
6 concluded.)

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MEETING OF: Texas Transportation Commission

LOCATION: Austin, Texas

DATE: April 12, 2011

I do hereby certify that the foregoing pages, numbers 1 through 11, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Transportation.

(Transcriber) 04/19/2011
(Date)

On the Record Reporting
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