TEXAS DEPARTMENT OF TRANSPORTATION

COMMISSION MEETING

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

Wednesday, February 23, 2011

COMMISSION MEMBERS:

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

STAFF:

Steve Simmons, Deputy Executive Director
Joanne Wright, Deputy General Counsel
Roger Polson, Executive Assistant to the
Deputy Executive Director
JoLynne Williams, Chief Minute Order Clerk

I N D E X

AGENDA ITEM	PAGE
CONVENE MEETING	3
DISCUSSION ITEMS	
1. Discussion concerning establishment of a policy for the department to share in the revenue of a toll project when the department provides financial assistance from certain funding categories to pay for the costs of a toll facility of a public or private entity	16
2. Discussion of transportation development credits (TDC) and their potential use toward the non-federal share of eligible projects	29
3. Discuss the development of a rural component to the 2035 Statewide Long-Range Transportation Plan (SLRTP)	41
4. Discussion of studies being conducted by Texas State University related to the total costs of performing engineering activities in-house as compared to contracting with the private sector for those services	48
ADJOURN	61

P R O C E E D I N G S

MS. DELISI: Good afternoon. It is 1:37 p.m. and I call this meeting of the Texas Transportation Commission to order. Note for the record that public notice of this meeting, containing all items on the agenda, was filed with the Office of the Secretary of State at 11:01 a.m. on February 15, 2011.

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

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

Before we begin, commissioners, do you have any comments you'd like to make, questions? No?

Okay. Then with that, Steve, I'll turn the meeting over to you.

MR. SIMMONS: Thank you, Madam Chair. Mr. Saenz is across the street. The House Transportation Committee is meeting on Wednesdays for the first time in

over 20 years, so that's where he's at right now.

And the first item of business on the agenda is dealing with the establishment of a policy for the department sharing revenue on a toll project when the department provides financial assistance, and James Bass is going to be making the presentation.

MR. MEADOWS: Excuse me, Mr. Simmons. I was wanting to note some people are here from the Metroplex, and I know Michael Morris is here. This might be the appropriate time to do that before we get started.

MR. SIMMONS: Perfect. Well, as you said, I actually thought that you were going to have comments and you were going to invite him up during the comments.

But we do have a special guest here with Michael Morris, and he was very instrumental in some of the operations during the Super Bowl week, actually month, year, or whatever it was. Michael, welcome.

MR. MEADOWS: For anybody that thinks this is all a well-orchestrated, well-oiled machine, they now know better.

MR. SIMMONS: I did find out I was sitting here about 20 minutes ago.

(General laughter.)

MR. MORRIS: Madam Chair, members of the commission, I'm Michael Morris. I'm a volunteer for the

Super Bowl Host Committee and a volunteer as the transportation chair to put together the transportation elements for the Super Bowl. My daytime job is director of Transportation at the North Central Texas Council of Governments.

I wanted to stop and celebrate TxDOT for about 10 or 15 minutes if I could. I want to share with you the partnership we had with TxDOT and what they did within the region. Senator Davis is due over today to say thank you as well; depending on how long your meeting goes, she'll come over to say thanks.

Two people that I want to flag that chaired our subcommittee on ice and snow removal are here. Ron Johnston is here from the Dallas District and Brian Barth is here from the Fort Worth District.

The success story in Dallas-Fort Worth is we put a plan together, we had two worst case scenarios of two storms in the same week, we implemented that plan flawlessly because of TxDOT. We did have two bad storms in the same week, what our worst case scenario was came true, and because of TxDOT, it was a very successful and safe event for the residents in our Dallas-Fort Worth region.

Two things I want to do is to really say this thank you to TxDOT and say it publicly and say it while

you're in Sunset and say it for the people across the state, the whole state, and the people across the street so they understand what One TxDOT and what a TxDOT family means. In our case it was snow removal, previously it's been hurricane evacuations. TxDOT employees do this every single day as routine business, and I want to underscore that foundation.

The second thing I want to do, as commissioners, I want you to understand in the Dallas-Fort Worth region there is one DOT between transit and MPO and TxDOT. We wake up every day maybe with different badges or different business cards, but we are of one like mind in implementing the transportation solutions for Dallas-Fort Worth, and I'm going to flag those transportation solutions. We made the Super Bowl an excuse for doing the things we should be doing in transportation anyway, and I'm going to flag that to you.

At your place is the souvenir transit pass. This is a four-day transit pass that was used in Dallas-Fort Worth. Record ridership on transit occurred that particular week. All that data is being put together to do that. We did this as a collector's item for people to remember the Super Bowl, not just to the NFL Experience and to the game but to over 240 events that occurred during that particular week with transit as part of that

partnership that I was talking about.

Let me switch gears and talk about the elements that TxDOT was involved in and this commission was involved in. First, we came here four years ago and said we would like to advance, construct Interstate 30 in the mid-cities, get an incentive contract so the contractor will be done in time, also create a partnership with NTTA in advancing 161, and of course, you've been critically involved in that.

Maribel Chavez did an unbelievable job in getting this project in on time; Bill Hale did a similar job on 161. Three years ago people said I was crazy to put these two projects on a critical path to have them open in time for this particular event. I didn't get one phone call in the last six months worried about either of these two transportation projects being open on time. And it's a credit to your district engineers who stood up, took a leadership position and got right of way and construction. And I want to thank headquarters office for all the hard work they did with regard to incentive contracts and other things that we requested.

Second thing is the innovation, and this is a sign that Maribel helped design. Steve, you'll remember lawyers were involved in this about a year ago. You have a Senator Harris law that created Interstate 30 as Tom

Landry Highway, you had an NFL that wanted to remind the region that Super Bowl was on its way, so Maribel and Bill Hale designed a banner sign to go across the top. We updated all the signs across the corridor.

In March the top sign comes off, the bottom signs remain. We hope to store those signs for, hopefully, five years and we can put them up again and again celebrate maybe another Super Bowl. If Houston gets the Super Bowl, we'll be happy to loan the signs to our One TxDOT family in Houston, and we'll be happy to negotiate what the cost of the signs may be.

But it was, again, lawyers in Austin, One TxDOT, district engineers, signs being made within a short amount of time. You have a sample of the sign obviously here today. These signs were made in the Dallas District. We would love if you could find a home for it somewhere in the building to remind everybody of the partnership that TxDOT on this very important occasion.

MR. HOUGHTON: I would imagine Commissioner Meadows will probably nab that sign on his way out the door, like he has the football.

MR. MORRIS: The next item I wanted to brag about is the traffic control centers. As you know, we have high attention to reliability on our transportation systems in Texas. We have traffic control centers that

were funded in partnership between the RTC and the TxDOT districts. We had those centers operate 24 hours a day starting January 30. Not only did it increase reliability in dealing with incidents and accidents, we pre-staged wreckers and other things to help the traffic control centers, but these centers were critical because it was mixed with the bad weather on that particular week. And again, implemented the things in transportation that we should be doing anyway and used the Super Bowl as an excuse to accomplish that.

Next item, again, lawyers were involved. We negotiated two strands of fiber that's in the transportation network. We had all the cities communicating with each other during the Super Bowl week from first responders to transportation dealing with incidents and accidents. If we didn't have this seamless connection of fiber in the ground, that wouldn't have been as successful as it was, in this case using ITS technology with traffic control centers and the bad weather response team working all together.

We had 240 events. We needed a lot of dynamic message signs. We pooled all the equipment within the region, so you had Dallas equipment, TxDOT equipment, NTTA equipment all being shared, having a reservation system, all being moved around the region for the week,

accomplishing all these 240 events and then all the communication we had to do with the rest of the region, all sharing resources as we should be anyway.

As part of the commitment to the Super Bowl, we had to put a concrete barrier around the stadium; that's a requirement from the NFL. We asked you guys to donate that barrier. One really cool thing is the Interstate 30 job was finishing up at the time that the barrier had to be moved over to the stadium, so the barrier actually literally was moved a couple hundred yards to then secure the stadium. A smaller barrier like this was needed from the Dallas District to help with regard to it, so you had long sections and short sections. You had over 670 pieces of concrete barrier loaned to the game to be returned back for your use on other transportation projects.

The real heroes are the 600 employees that were involved in snow and ice removal. 150 of these employees came from other districts. This is the plan your staff put together. They planned for two bad events, they got two bad events. The events were very different: one was ice; one was snow.

Brian Barth and Ron Johnston were the leaders in developing that particular plan. We had two objectives: move 6-1/2 million people around the region, and then every single day we had a different snow and ice

plan based on the schedule of the 240 events that were occurring that week.

We put a press conference together in advance of the first bad storm, we had lots of media out. We thought it worked very well by communicating in advance the exact mechanics that would be used when the plan would be implemented.

A lot of TxDOT employees didn't get sleep that week. I think 150 of them were sleeping on cots in TxDOT maintenance buildings, and, of course, a lot of those come from other districts across the state, again the One TxDOT family notion.

Here are your colleagues from Childress, Amarillo, Brownwood, Atlanta, Lubbock, Tyler, Waco, and Tim Powers from the regional office, constantly replenishing materials. We're thinking why do we have to replenish all these materials; the first storm is over. If those materials weren't replenished, we would have been dead when the second storm arrived. No stone was left unturned.

To support and congratulate those folks, you have a second pass that's going to be given to those 600-650 employees. If you look at the back of it you see the quotes from the NFL where the NFL calls your TxDOT employees rock stars. That email came in to us about

twelve hours after the first storm. And then, of course, you have Roger Staubach, our chair of the host committee, again, bragging about the effort that the state did that particular week.

And I'm here to say thank you to what is an unbelievable dedication of TxDOT employees, not just in the Dallas-Fort Worth region but across your state. I know that's not news to you. They do it every day, they do it in hurricane evacuations, Commissioner Holmes, they certain did it for us, and I'm here to day thank you very much.

I'd be happy to take any questions that you have.

MR. MEADOWS: Well, Michael, thank you very much for taking the time to come down here and really highlight what, in fact, was a herculean, extraordinary effort.

Some may think we're going on about this a little too much, and I don't think you can go on too much about it, because it was an extraordinary effort. You know, when you think about it, we woke up in the Metroplex at one of the most critical times when the spotlight of the world, certainly the United States, was on Texas and on the Metroplex. It really was that important to us, and as a result of careful planning and execution by 600

dedicated, committed and capable employees, we pulled it off.

I mean, you're talking about a landscape, when I woke up and looked out the window one morning I thought I was in Yellowknife or Saskatoon. I mean, it really was that sort of landscape. That might be a bit of an overstatement but not much. It was awfully white and it was awfully slick.

To think that we had 600 TxDOT employees, as you point out, up to 200 of them living on cots in maintenance facilities because there were no hotel rooms, of course, they were all long taken up, and you had districts that were providing assets and people, equipment. For the first time in history, we had snow plows in the Dallas-Fort Worth area, we had 74 snow plows operating. Thank you very much, Commissioner Underwood. They were probably wondering where their snow plows went. I'm sure they were.

(General laughter.)

MR. MEADOWS: But you know, it really did make a difference. And it was interesting. We've received some criticism at TxDOT. There were those that alleged that, in fact, all of our efforts were focused on serving routes that served the Super Bowl and Super Bowl events. In fact, we served the entire region. We got people to

work, we got people to school -- well, actually there was no school -- but the region did function and function very well.

I will tell you thanks to the creative, innovative thought of my colleague, Commissioner Houghton, and David Casteel, we had a very special recognition the other day. Actually it was last Tuesday at Cowboy Stadium where we recognized some of the key individuals that were involved, and they were surprised to learn that they were getting a VIP tour of the stadium and thanks and appreciation for the effort that they put forth, and it really was something that I know they appreciated. And we appreciated the City of Arlington and Arlington Chamber and the Cowboy organization in helping us get that put together. I had a number of those employees that had the benefit of that really express appreciation for the fact that they were recognized.

But I really appreciate you coming down and highlighting this. It was a real success.

MR. MORRIS: Well, thank you very much, Commissioner. One thing I think you flagged that I'd like to just underscore, not one event was either canceled or team moves or media moves or whatever we had to do that week, not one event was impacted because of the weather. Look at all the other infrastructure that week: schools

didn't necessarily open, airports closed, power plants couldn't produce enough electricity. Put the reliability of what TxDOT in its infrastructure against all the other items of industry that were fighting that week, and not only does the NFL recognize it and the host committee recognize it and our region recognize it, I think the story is going to be, and really the foundation of why I wanted to come today with regard to your friends across the street, this is why you have a TxDOT -- to be able to meet these particular needs.

Thank you.

(Applause.)

MR. SIMMONS: I might add one story, because when we prepare for these disasters, like a hurricane evacuation route, we do tabletop exercises to get ready for them, and we actually were bringing crews into the Dallas-Fort Worth area well in advance of the Super Bowl to get familiar with the area before the Super Bowl and they were going to have to perform their duties. We actually had a storm hit and we put them to work during their training exercise, so they got well-trained this year.

With that, any other items to come up before I start bringing up our first speaker?

(No response.)

MR. SIMMONS: Okay. James, I've already introduced you, so have at it.

MR. BASS: Thank you, Mr. Simmons.

Good afternoon. I'm James Bass, chief financial officer at TxDOT.

The first item, as Mr. Simmons said, is the discussion on the possibility of establishing a policy for the department to share in the revenue of a toll project when the department provides financial assistance for the toll project.

As some background and a reminder, under state law the commission can participate by spending money from any available source to help the advancement and delivery of a toll project by either a public entity or a private entity. The commission shall require the repayment of any money spent by the department for the cost of a toll facility by a private entity, but the commission may require the repayment of any money if that is a public entity that's operating the toll road. So the commission has the flexibility to either require repayment of the financial assistance or to provide the assistance as a grant if we're dealing with a public entity.

As a result of discussions last fall, there has been an interest in possibly establishing a commission policy that would require repayment or participation in

revenue sharing when the commission provides funding from a statewide funding source. In other words, this policy would not apply to toll equity coming from funds that are allocated to MPOs or due to the districts, so the proposed policy would not apply if the funding came from Category 2 Metropolitan Mobility, or Category 11 District Discretionary.

Our plan is to bring forward for your consideration a minute order at tomorrow's meeting that would establish such a policy. Again, it would require that if the commission from a statewide funding source provides financial assistance to a toll project to be operated by a public entity, that assistance would either be repaid through a loan amortization or through a revenue-sharing mechanism.

Before we bring that forward for your consideration tomorrow, we wanted to lay out the draft policy and see if there was any discussion or direction the commission would like to have at this time prior to tomorrow's meeting.

MS. DELISI: Are there any questions for James before I call the speaker signed up?

(No response.)

MS. DELISI: Then at this point I'd like to call up Victor Vandergriff.

MR. VANDERGRIFF: Thank you, Chair, and commissioners. It's good to see you again in this setting. I've certainly got to take 30 seconds, between the last couple of weeks with calls in the legislature for putting NTTA -- and I am the chairman of the North Texas Tollway Authority -- under state audit, Sunset reviewing our engineering model and contractors, outsourcing, use of administrative fees and county toll authorities, I feel your pain of the things you go through, and that's just in the last couple of weeks.

I also want to note that I appreciate our partnership with TxDOT. We sometimes are strained over time, and by that I mean it just takes an enormous amount of time to get things done, circumstances beyond our control, the ever-present lack of funding in the marketplace and the right use of tools. But I do appreciate the fact that we continue to persevere and try to come up with ways to make things happen, and I'm proud of the fact in the Metroplex that we work really hard to get things done.

I want to tell you that from my personal position and that of our agency, we're not opposed to revenue sharing. I think we've done it on most every project that I've been around. I think that's a good idea.

I'm also pleased that I think the idea of up-front payments is one that there's a great deal of concern about versus sharing the wealth of the projects going forward because certainly I want to note that the presence of up-front payments from our agency that then get reinvested back into the region, I'm not sure if we all had it to do over again that we wouldn't tie that money some form in a revenue-sharing agreement where you could be assured of the money coming off of the NTTA system going towards building future major road projects versus the up-front money going to projects that are all very needed and very appropriate in the individual counties where we're still left critically short on future major road projects. So I certainly believe that you all will continue to look hard at that.

Having said that, I want to make sure and very quickly, there's three things I'd ask you to consider in making your policy. One is the blanket imposition of a standard policy. I think that different projects, certainly the ones in the Metroplex, have different aspects to them. We're certainly, for example, appreciative of the TELA loan that has made two projects possible in the Metroplex, and I personally understand and appreciate your desire to both share in the revenue and also make sure we get rid of you as quickly as possible in

the form of a fee.

But that may not be the right structure for another road project, and a blanket policy that calls for more than just revenue sharing and has a specific formula, cookie-cutter, if you will, for every road might be one that I'd ask you to think about as to the wisdom of it, because ultimately the money comes back off of that into the system.

The second is that I would ask you, again, to do it on a project-by-project basis, as I mentioned. And then the last is that the repayment of any money, does “any” mean utilities, right of way, design, and all the things that are traditional with the road, or does it mean the actual equity that you put into the road? I'm not sure from my perspective, and I think certainly the actual equity or the loan that you make or the equivalent of a loan, we certainly can appreciate the desire to participate with that. But traditionally the agency has put those other into projects and that's kind of the public's return, if you will, for it.

And also last thing I'd ask -- and I guess I said three but it's really four -- is that everything you do, at least with respect to the public toll authorities, reflects in the toll rates that we charge. So I'd ask you to be mindful of that in the ever-present concern that

consumers have of how high their percentage is.

So with that, I thank you for being here, and I'll ask for any questions if you have any.

MR. MEADOWS: Victor, refresh my memory, if you would, please. With regard to NTTA projects, and I assume this is true with other entities, there typically are, or have been historically, a number of different financial participants or partners in projects, in other words, cities buying right of way and contributing right of way. And some of those are material. Right?

MR. VANDERGRIFF: That's correct. Yes, they are.

MR. MEADOWS: And if I look at just historically the financial profile of each of these propositions, it varies fairly dramatically.

MR. VANDERGRIFF: It does, it does.

MR. MEADOWS: Now, in any of those, do other government entities that are making financial contributions to the projects, do any of them participate in any future revenue?

MR. VANDERGRIFF: No, they do not.

MR. MEADOWS: Why?

MR. VANDERGRIFF: Well, because traditionally -- and I appreciate you helping me articulate it better -- right of way, utility acquisition

and implementation, issues like that, have traditionally been part of the community's investment in order to entice and to get a toll project moving forward. I think if the commission is talking about actual hard dollars being put in besides the traditional dollars that have been put in to make these projects possible, that's a different animal and I think very worthy of a revenue-share discussion on a project-by-project basis.

We then open up a can of worms, potentially, with all the communities demanding their fair share if right of way, utilities, et cetera are going to be counted, and I think that could potentially sink the boat in terms of the toll rate that would have to be charged.

MR. MEADOWS: But those are project costs, those are real American dollars too. Right?

MR. VANDERGRIFF: Absolutely.

MR. MEADOWS: All right. That's helpful.

MS. DELISI: Thanks, Victor.

MR. VANDERGRIFF: Thank you very much.

MR. BASS: I would just, for your benefit, point out that the policy contemplated tomorrow for your consideration would be brought and it would not go into specifics of a required repayment schedule such as repayments must begin within three years. It would be simply that the commission would require a loan

amortization or a repayment from a statewide funding source, and then it would leave the specifics of that arrangement or agreement up to the commission over time as specific projects are brought into scope or into question.

MR. MEADOWS: I'm just trying to learn here and understand. I recall this conversation, I believe we had in the summer; we've had it within the last year.

MR. BASS: Correct.

MR. MEADOWS: And I recall that a lot of the discussion at the time really was focused on the reality of, at least historically, that each of these projects had a unique financial profile, and at least the ones I'm familiar with, there is a share. I think Victor was correct in characterizing the NTTA projects, and I'd have to go back and look at each one of them where there's participation with the Texas Department of Transportation in the delivery of those projects, but in every one of those instances there is some sort of up-front payment or there's revenue share on the back-end in some fashion. Is that correct?

MR. BASS: The recent ones I'm familiar with, yes.

MR. MEADOWS: I'm all for having a policy, but if that historically has been working, why do we need a policy? If it's already working and that's what we're

doing, do we have to have a policy?

MR. BASS: No, I don't think the commission does. Staff was instructed that the commission was interested in establishing such a policy. I think one of the questions may have come up --

MR. MEADOWS: Don't get me wrong, I'm all for a policy, but I just want to make sure that there's a reason for it before we adopt it.

MR. BASS: There was another recent one, I believe it was with the Central Texas Regional Mobility Authority, where the money had been allocated to the local MPO and the local MPO had decided to allocate those funds to a CTRMA toll project. I think the commission at that time was kind of wondering, should there be a repayment or should there not be, and I think this policy would help clarify that Category 2 MPO dollars are a local decision.

If the funding is coming from Category 12 or Proposition 12 dollars, statewide funding sources, commission dollars, if you will, then I think the commission has expressed an interest in looking at requiring, without getting into the intimate details because that will be determined by the financial viability of each project, but stating that it's the commission's policy that funding from a statewide funding source would be repaid either through a loan amortization or a revenue-

sharing mechanism.

And I assume even a revenue-sharing mechanism would not require a penny off of every car. It could be there might possibly be a revenue band where there would be no revenue sharing and above some certain amount revenue sharing would kick in. And so the policy would not limit those options, we would figure those out once specific projects came forward.

Comment [JLW1]: Roger, I went a little crazy with adding a hyphen to revenue sharing and decided maybe it wasn't necessary so I went back and deleted most of them.

MR. MEADOWS: I understand that, and again, I'm just trying to understand. This is what I recall as we thought through this previously what some of the concerns were, one is -- and I think Mr. Vandergriff pointed this out -- that if whatever our policy is results in something that, in effect, is burdensome, meaning that it would then be incorporated into a higher toll rate than necessary, then you do stand the risk, if pushed to the extreme, of charging a higher toll than is necessary and the public is paying more just to satisfy our policy. That's a risk.

Another risk is that these counties or cities that have made these contributions, and I recall this coming up once before at the Tollway Authority level, and that is there was a Metroplex city that made a significant financial contribution to the tune of $95 million, buying right of way and I think utility relocation was included in it, and came back to the Tollway Authority and said we

want to share in the revenue too because we made a financial contribution.

So I think we just have to be careful with this and make sure that if we're going to adopt such a policy -- I'm not sure we need to, frankly -- but if we adopt such a policy that it be broad enough and flexible enough to recognize that the financial profile of each of these projects historically has been different, and in some cases dramatically different, and that then, therefore, history would tell us that that's what future projects are going to look like.

And let's don't become an obstacle that prevents the delivery of projects because at the end of the day, we can't be so concerned about this aspect of it, the revenue to us that we actually become an obstacle that prevents projects from being delivered.

MR. BASS: And I believe another risk that was in our earlier discussions was if you did have a required additional or supplemental toll rate, it might actually harm the financial viability of the project such that you get to a point of diminishing returns. So again, the policy for tomorrow's consideration would not attempt to get to that level of specificity because, again, that would most appropriately be addressed once the details, the traffic and revenue report would be available.

MR. MEADOWS: Could you tell me then, answer a simple question? Why do we need a policy?

MR. BASS: That would be for you and your colleagues to determine whether or not you want one.

MR. MEADOWS: I just am asking your opinion. Why do we need a policy?

MR. BASS: I guess for the commission to clearly --

MR. MEADOWS: I mean, I'm sleeping pretty good at night, so if that's what it's about, don't worry about it.

MR. BASS: I guess to let all the interested parties who might be interested in receiving assistance from a statewide pool of money rather than a local pool of money, that the expectation would be that that assistance would need to be repaid over time through some mechanism.

MR. HOUGHTON: And I echo that sentiment.

MR. MEADOWS: I'm fine with having a policy, but I'm still not clear as to what -- I don't see a compelling need to have another policy.

MR. BASS: I think the only thing, if you're asking me, it would be setting expectations of our transportation partners that this is the expectation of the commission from a statewide standpoint.

MR. MEADOWS: And I'm going on, I'm sorry, and

I'll end up and just say the precedent is fairly clear. I mean, if one wants to talk about precedent in terms of what this agency has done, vis-a-vis these relationships and revenue share with providers of tolled facilities, we have arrangements and deal structures that in fact we do share in revenue.

MR. BASS: Not 100 percent of the time, no. Early our discussion was on North Texas Tollway. There have been other ones where even though the funding came from a statewide source, it was a grant.

MR. MEADOWS: And there is a reason why you'd have a policy. That answered the question. Thank you.

MR. BASS: Any other discussion or questions on that particular item?

MR. HOLMES: Just one comment. I happen to agree with Mr. Vandergriff that it needs to be very broad because these projects do differ greatly one from another, and it's not a cookie-cutter approach. And so in my mind the policy is a goal to have some type of revenue sharing, but there may be opportunities or occasions where it needs to be a grant and need.

I don't want us to get into a box where, as Commissioner Meadows said, where we basically eliminate the opportunity to provide infrastructure which is needed because we have a policy that has kind of trapped us.

MR. BASS: And we can work on this language, and I apologize because I doubt if you have it in front of you, but the language in the draft minute order would be that if draft financial assistance is provided to a public entity from a statewide funding source that the assistance shall be, one, repaid, or the department shall require the entity to which the assistance is provided to agree to share in project revenue with the department.

And so it doesn't say that we will be on parity with senior bondholders, it doesn't say to what level the commission might agree to be subordinated to other lenders of the project. So we tried to keep it open and broad. It may not be as broad or as flexible as you would like, but that was certainly our intent.

Item number 2?

MR. SIMMONS: James, if you would, continue the discussion on the transportation development credits.

MR. BASS: Again, another item we've had some discussions on over the past few years is transportation development credits, and just as a quick background, I won't go through all the detail that we have in prior discussions, but what is a transportation development credit? It's a financing tool, formerly it had been called toll credits, and it allows entities to use their federal obligation authority without the requirement of

non-federal cash matching dollars, thus increasing the flexibility of the resources that are available.

A state earns the development credits through the expenditures of itself or toll authorities within the state on toll facilities. There's also a maintenance of effort requirement that the state must meet in order to be eligible to receive credits or to earn credits in a particular year. That maintenance of effort in effect is the current year expenditures must be equal or greater to the average of the prior three years.

We have found ourselves in fiscal year 2009 and 2010 actually having expenditures lower than that three-year average because the three-year average had been boosted by Mobility Fund expenditures, Prop 14 expenditures, and we've somewhat been on the downslope of that up tick in expenses, so the State of Texas did not meet the maintenance of effort requirement in 2009 nor in 2010.

How can development credits be used? We've talked about how we've used a number of them in transit. Local transit agencies have been able to match federal discretionary dollars that perhaps they weren't otherwise going to be able to access because they didn't have the local cash to come up with it.

The other one on the highway side that we've

talked about is providing funding flexibility in addressing projects, and I have a very technically complex example to share with you. I've attempted this verbally before but I thought a visual aid might come in handy.

If we assume, in a very simplified example, that the state has $2 of state funds and $8 of federal funds available to it. Also within the state we have some projects that are eligible for federal assistance and some projects that are ineligible, they may just be of such a low volume that they're not eligible to receive federal assistance.

Our standard approach to use our $2 of state funds is to maximize the federal dollars that we have available, and if we have those $8 of federal assistance available, currently what we would do on each of these ten projects, assuming they all cost a dollar each, we would use our $2 of state as match on each and every one of those projects. So we would fund projects 1 through 10 and not even be able to consider funding any of the ineligible projects on the right side of the sheet.

Through the use of development credits, what we would be able to do is to fund 100 percent of the projects 1 through 8 that were eligible for federal assistance by applying a dollar of federal funds on that, matching it with the TDCs. That would then leave the $2 of state

available to either fund projects 9 and 10 on the eligible list or projects 1 and 2 on the ineligible list. The point here is we still get $8 of federal assistance, it doesn't generate more cash for the state, but it provides some funding flexibility on which projects get selected.

And my understanding is that this is how the State of Florida utilizes their development credits in the state. They use it to serve as the match for their federal program, thereby freeing up their state funds. They then have more flexibility on which projects they choose to fund with those state dollars and to advance them.

A quick status: how many credits does the state have? I'll remind you that we have actually two accounts. If a credit is earned, 25 percent of that credit goes into a statewide account, 75 percent is retained in a local account. Right now we have roughly 200 million credits in the statewide account and just 900 million in the local account, for a total of 1.1 billion.

That excludes data from the Harris County Toll Road Authority. We've received that information from them in the past few months, we're reviewing it and should be able to submit that to Federal Highway and get it submitted in the next couple of months. We anticipate that to be just over another 600 million in credits, 150

going to the statewide account and 450 going into the local account.

So one of the things in the current rules of the way the dollars in that 75 percent account get utilized is through a program call administered by TxDOT. To date we have not done any such program call as we are waiting to get information from all the large toll entities in the state. We think that we have that now, but before going out with a program call, we wanted to check with the commission to see if that was their desire to continue on that path.

That path, again, would retain 25 percent in a statewide account, 75 percent in the local account. And I would point out that under the current rules the projects in the local account has one restriction I want to bring to your attention, not that it's good or bad but just wanted to bring to your attention, that highway projects are not eligible to receive credits under this section unless they provide direct support of a rail, transit, bicycle or pedestrian project, or will improve air quality.

And so the general thought is that a simple highway project would not be eligible to be funded, have credits used out of the local account unless it was able to show that it did one of these other things, support a

rail project or a transit project or improve air quality.

So I guess the question to the commission from staff is what would you prefer that staff do going forward. Should we revisit the rules, including the 25-75 percent split and the requirements on those, or should staff prepare to go out with an initial program call under the existing rules for development credits?

MR. HOUGHTON: It seems to me, James, you get your biggest bang for the buck if you have them commingled and go out for a program call holding all the credits. That's my quick, easy analysis of it.

MR. BASS: The 25 percent that's in the statewide account right now is, obviously, controlled and allocated by the commission, and the commission can either do that through a program call or on individual minute orders through time. So if we did a program call, it would not just be limited to the 75 percent local account, if you will.

MR. HOUGHTON: I think we'd want to do a program call on the potential 1.7 billion.

MR. BASS: Any other comments or questions?

MR. HOUGHTON: What do the MPOs think of this, or do they have a thought about this?

MS. DELISI: James, you can either speak for the MPOs or let the MPOs speak for themselves.

MR. BASS: I'll let the MPOs speak for themselves.

(General laughter.)

MR. MORRIS: Michael Morris, Dallas-Fort Worth Region MPO.

I think this is an opportunity to actually extend a partnership. I remember I stood here three or four years ago suggesting that you should use toll credits from the Dallas-Fort Worth region to help support what you're doing in the border counties with Mexico, and I said we are one state first.

I don't think you want to spend all your credits in one call because you can't predict that there won't be a transit operator in Houston who has 80 cents on the dollar to fund door-to-door elderly and disabled service but they just don't have the 20 percent match but you used all the credits up the year earlier.

So I think there's a way to be flexible, I think there's a way to create a partnership, I think there's a way to deal with certain policy issues, but I think the topic that James is bringing, the notion that you might be able to free up some of your state money and have some of the regions fund a job on the 80-cent portion, they still get their 80 percent because there's a 20 percent toll credit match, creating some flexibility

for the state to use their state money 100 percent to potentially build something to a state design standard. You know, sometimes you always get caught with these federal design requirements when you might be able to do something very innovative with state funds.

I can't speak for all the MPOs but I think the MPOs would be -- most of these toll credits were collected from the Dallas-Fort Worth region, I guess, not all the MPOs create toll credits, I wish more of them did, that might be part of a policy position -- but I think we would be very interested in creating a partnership of some kind that you have some sensitivity to transit, some sensitivity to some of the poorer counties, I think we'd be interested in creating some flexibility for the state to be able to do very innovative things with regard to their state funds.

MR. HOUGHTON: Well, could we not, Michael, when you talk about criteria, look at Lieutenant Governor Dewhurst came out with the top 100, here's the top 100 or the top 50 congestion-relieving, including transit, you put transit in that mix or rail or things like that, as criteria for those toll credits.

MR. MORRIS: I'm thinking because we have such a shortage of real money, the use of toll credits for that particular problem, I think, might be hard because in the

end you really need the money to build it, not the meeting of the federal requirements with 20 percent in-kind or toll credit revenue.

I think there is a strategic subset for the state, border counties, transit, maybe some critical roadway investments. I'm not sure it lends itself to the top 100.

MR. HOUGHTON: I'm saying like.

MR. MORRIS: Yes. I think there is a subset of what we all do every day that would be very good for this program. I wouldn't mind if all of them went out or 80 percent of them so you save some for a rainy day fund, maybe you take 80 percent of the total. And if there's a way you could do it so you're not taking all the credits from the Dallas-Fort Worth region and building innovative projects in Abilene or something, if there's some way we're all sitting there brainstorming on how to stretch limited state dollars.

I think what James is bringing to you today is an innovative way. He wouldn't have to do this if he had enough money to do his job, so without enough money, here's another innovative way to stretch limited funds. But this in no way produces lots more transportation because you're just innovatively matching the federal requirements and giving some flexibility of your state

revenue to go do some innovative things.

I don't know if I answered any of your question.

MR. HOLMES: You might well be speeding up some projects, though, if it could be done out of state funds.

MR. MORRIS: You'll speed up some very strategic critical projects. You might have to fund them 100 percent state. You could potentially build them to state design standards instead of federal, taking years off of a particular project. It could be a major safety project or something the commission wishes to do.

I think it's going to be very strategic is what will come out of this combination versus a revenue source that will fund the traditional issues we have with the shortage of funds. But you may very well find some very niched strategic elements in what James is proposing to you.

MR. HOLMES: I like the idea of a program call, but I agree with Michael that it shouldn't be for 100 percent of the TDCs. I think we need to hold a little bit back, and I don't know if it's 20 percent or 40 percent, but some number.

MR. MORRIS: Again, because it's very strategic. Some transit property may need $80,000 and we spent it all last year.

MR. HOLMES: And Michael, if you can help HCTRA figure out how to unleash some of their transportation development credits, that would be good.

MR. MORRIS: If invited, I'd be happy to.

MR. HOLMES: Well, I'm inviting you. How about that?

(General laughter.)

MR. BASS: A couple of items. We do have information from Harris County Toll Road now.

MR. HOLMES: Did they?

MR. BASS: We do have information from them; over the past few months we've gotten information from them. We have not yet submitted it. We have the information and over the years, again, whatever they spent in 2009 and 2010, because we did not meet the maintenance of effort at the statewide level, unfortunately, we can't earn credits for that. But the data we received we think is going to be in the neighborhood of 630 million from Harris County Toll Road expenditures.

We have not yet submitted that to Federal Highway for certification, but we will do that in the next month or two. We've been going through that, making sure that we're comfortable and we understand the data that we've been provided, but they have responded and we do have data.

MR. HOLMES: You'll keep us posted.

MR. BASS: Yes, sir.

The other thing I would point out on the 75 percent local account, that money is retained in that account unless the commission has had three program calls and the money hasn't been used. The thought is you get three tries at it and if you haven't come up with a way to use those local development credits, they would then be transferred over to the statewide account after three program calls.

One note of caution, or maybe a question, on this particular example of the flexibility and the ability to accelerate key projects, I may be very surprised that we'll see that when we get a program call, I don't know if from a local perspective this would be what a local would propose to use their development credits. It seems to be more so a possibility from the statewide perspective of knowing those strategic points or projects that need to be addressed.

And so I think, as Mr. Morris said, perhaps a partnership in figuring out how to use those in the most strategic fashion would be helpful. I don't know that a local on their own is going to necessarily propose those concepts, if that makes sense.

We will get the information certified with

Federal Highway from Harris County and then begin preparation on a program call. Thank you.

MR. SIMMONS: Thank you, James.

The next item is discussion of the development of a rural component to the Statewide Long-Range Plan, and Jim Randall will be making the presentation, our director of TPP.

MR. RANDALL: Good afternoon, commissioners. Again, as Steve said, I'm the director of the Planning and Programming Division.

I've made several power point presentations in front of you, I have a tendency to either go too fast or too slow on the slides, so I brought Wayne Dennis to do it correctly.

I know you've seen this slide before, I've used it in several presentations, but it doesn't hurt to go over it one more time. It just shows how the various departmental and MPO plans and programs build upon one another in the planning process. Of course, it includes the department's 24-year Long-Range Transportation Plan, and the Strategic Plan. From there we have the long-range metropolitan transportation plans that are developed by the MPOs, the 10-year financially constrained UTP developed by the department in partnership with the MPOs, the four-year TIP which is developed by the MPOs, and of

course, the STIP which is a compilation of MPO TIPs and Rural TIPs that are put together by the department.

The Strategic Plan and the Long-Range Plan are the foundations of this pyramid and all subsequent plans are included in the Statewide Long-Range Plan and part of our reference. This afternoon I will be referencing the Statewide Long-Range Transportation Plan, the metropolitan transportation plans, the Unified Transportation Program, and the rural TIPs.

As you recall, the department developed the Statewide Long-Range Transportation Plan last year. The plan is required on the federal level by U.S. Code Title 23 and by the Texas Transportation Code Title 6 and there are corresponding federal regulations and state rules applying to the development of the plan.

The plan analyzed existing and forecasted conditions of population and employment and projected the future modal needs as well anticipated funding to meet those needs. As I mentioned earlier, it incorporates all existing plans and programs developed by the department and the metropolitan planning organizations by reference. This plan was adopted by the commission in November 2010.

However, there is a need for a rural long-range plan. Currently, the districts are developing projects outside the UTP time frame on an ad hoc basis. There is

no statewide plan for prioritizing this work that would ensure that the most needed projects are developed in a systematic manner.

Just for example, the Statewide Long-Range Plan identified the investment needed to satisfy rural highway capacity needs through the year 2035 for the small urban areas, and those are the guys that are 5,000 to under 50,000 population in the rural areas of the state. The estimated lane miles needed for interstate, non-interstate Texas trunk system and regional local highways was over 3,600 lane miles and it was at an estimated cost of $3.5 billion, and that was in 2010 dollars.

In the MPO areas, the metropolitan transportation plans provide the basis for near-term and long-term identification and development. These future projects are selected every four to five years as part of their long-range transportation plan development. Currently there is no equivalent process for the non-metropolitan areas of the state.

In addition, the department adopted new Planning and Programming rules that became effective January 1. These new rules lay out the requirements for developing the Statewide Long-Range Plan and the Unified Transportation Program as well as specifying coordination with rural planning organizations in the development of

long-range planning.

43 TAC 16.55 states in rural areas that have RPOs, the RPOs will make recommendations to the department concerning transportation projects, systems or programs that impact the area within the boundaries of the RPO over the 24-year time frame of the long-range plan. For areas that do not have an RPO, the long-range planning recommendations will be made by the district engineer of the district in which the area is located.

According to the new rules, the RPO and district recommendations will include a prioritized list of mobility projects, rehabilitation projects and safety projects, and for each listed project, an estimate of the project cost approved by the district will be also provided.

The rules also specify that the department will coordinate with the RPOs on the prioritized project list for the UTP. 43 TAC 16.105 states that the UTP will list all projects and programs that the department intends to develop or initiate construction during the UTP time frame after considering the Statewide Long-Range Plan, the metropolitan plans, transportation improvement programs, MPOs annual reevaluation of projects selected in their MTP or TIP, Statewide Transportation Improvement Program, and recommendations by RPOs.

The benefits to the department in developing a rural long-range plan would be that the public, legislators, businesses, transportation providers and public officials would have a clear understanding concerning the direction of the rural transportation system because they would be part of the decision-making process. It would also provide clear direction to the districts on which projects need to be developed.

We envision utilizing a steering committee made up of senior level individuals representing the various modal interests. We had a similar committee for the Statewide Long-Range Plan.

The most important component of the process will be the stakeholder group. This group will be made up of county judges, RPO representatives, various modal transportation providers and business representatives. Stakeholder meetings would be run as workshops so at the end of the day there would be a consensus on the criteria used for the project selection and ultimately on the selected projects themselves. This list of projects would be both for highway and non-highway projects.

For the Statewide Long-Range Transportation Plan, we began the dialogue with many of these folks. The rural plan would build on this previous work. Public involvement will consist of public meetings held in each

of the districts to present the process and findings, and then a public hearing near the end of the process.

The plan would identify the most significant transportation corridors in the state and contain a prioritized list of projects. Using this prioritized list, the commission can then authorize the appropriate long-term projects for district project development work. We believe that it will take us less than twelve months to complete.

Do you have any questions?

MR. MEADOWS: I have probably just one quick question.

MR. RANDALL: Yes, sir.

MR. MEADOWS: The steering committee and stakeholder meetings and the like, who defines the stakeholder group?

MR. RANDALL: Last time we went ahead and worked with not only the modal folks, we worked with GPA and put together a list that even included some local folks such as mayors, stuff like that, county judges. We just put them together and then kind of really ran it past GPA and the administration to see if they thought it was a good mix.

MR. MEADOWS: And the steering committee, those members, who appoints those or who selects those?

MR. RANDALL: I don't think it's been selected. What we used in the past is we went ahead and got people like Eric from PTN, Bill Glavin from the Rail Division, myself from Transportation Planning and Programming, Dave Fulton from Aviation, and who am I leaving out? I'm leaving out one of the modal divisions. But that was the core of it, and then we also invited folks in from the trucking association, the railroad associations, the Texas aviation folks, people like that.

MR. MEADOWS: In both cases the identification and selection of the participants, either at the stakeholder group level or steering committee, is all basically staff-generated, our staff-generated.

MR. RANDALL: Yes, sir.

MR. SIMMONS: Commissioner, I'd say that it's staff-generated but brought to the commission to discuss and get input on.

MR. RANDALL: I guess I need a feel from the commission if you'd like us to proceed in this endeavor.

MR. SIMMONS: Thank you, Jim.

MR. RANDALL: Thank you.

MR. SIMMONS: Our last item is to discuss a study that we have with Texas State University to evaluate the cost for performing engineering activities in-house and externally to the department, and John Barton is going

to introduce our presenter.

MR. BARTON: Thank you, Mr. Simmons.

And good afternoon, Chair Delisi and commissioners. For the record, my name is John Barton, and I have the distinct privilege of serving the State of Texas as the assistant executive director for Engineering Operations. And I just wanted to make sure that you didn't go through a commission meeting without having me before you, so I'm standing in for David Casteel.

The workshop discussion item that is before you now is to provide an opportunity for us to inform you of a project research activity that we currently have underway to look at the total cost of performing engineering services, both in-house as well as externally through consultant services from the private sector. And I want to just give you a little bit of background information before I ask Dr. Morris to come forward. Again, she is with Texas State University and she's leading the research activities for us on this particular project.

As you know, the department is currently required by statute to outsource no less than 35 percent of our engineering work, and additionally, as part of our restructuring efforts that you have been leading us through, we have been working to improve our efficiencies, to make sure that we are having performance measures

deployed in all of our activities, and right-sizing our internal staff to fit our projected available funds into the future.

Director Saenz has also asked that we work with our consultant community in developing this comparison of total project cost, again, to compare in-house work with that of our outsourced resources so that we can be sure we're using our resources most efficiently. And while this may seem like a simple thing to do, it's been an issue that's been evaluated by various groups over many, many years and have come to, I guess, differing or vague conclusions over time and it's something that does require a line-by-line analysis of both the direct and indirect costs associated with all of the activities.

Also in response to Rider 57 from the last session's appropriation to the department, the Comptroller was directed to complete a study on this matter, and she did so in January of 2010. It was titled, “Highway Engineering Staffing Analysis,” and the conclusion was that there was not sufficient detailed information currently available to us to draw conclusions on which was the most cost-effective approach to addressing this issue.

Mr. Saenz needs that information, though, needs this analysis to be completed, and we do as well in the executive management of the department in order to make

good decisions about how we utilize our own employees and our external partners. So a joint work group has been put together that's made up of members that represent the Consulting Engineering Council, as well as the department, to oversee this research project that Dr. Roselyn Morris is leading for us, again, with Texas State University.

And the first task that she and her colleagues have been looking at is a comparison of this production cost, if you will, for in-house work versus outsourced or private sector work. After they do this initial cost comparison and complete that, then there are other tasks that are available through this research project that we can explore further.

And I just wanted to point out that Dr. Morris is going to be giving you a brief overview of the work that she and her colleagues have been conducting to date and the status of that work.

But just to give you a feel for the people that are working on this, in addition to Dr. Morris, Matt Sanson, with her staff, I believe, is working on this, David Casteel is our administration sponsor as well as Steve Stagner from the CEC, and then we have Kef Mason and Bob Cuellar from consulting firms, Theresa Lemons as a commission aide representative, Ken Barnett with our Construction Division, Camille Thomason with our Design

Division, and then we've got Glenn Knipstein, Susie Abright, Paul Summerbell, and Ray Martinez from the Finance and other divisions. We also have Robert Stewart who is the deputy district engineer for Austin, and then Duane Sullivan and Sandra Kaderka from Finance working on this as well. So it's a good team, doing a lot of heavy thinking and working through this matter.

And at this time I would like to ask Dr. Morris to come up and share with you the information she has for today.

MR. SIMMONS: And before she starts, I might add, because John mentioned it, that Collin Parrish was helping facilitate this and with his leaving the department, Theresa stepped up and took that position, so I want to thank Theresa for it.

DR. MORRIS: Thank you. It's very humbling to do this because over the last two to three decades, you've had some high-powered teams look at this, and so you've had Price Waterhouse Coopers, you've had Grant Thornton, Reznick Group, and the Texas Transportation Institute say it can't be done.

So it's interesting. We've had a lot of discussions and we're hoping to do probably six broad-based parts of this study, and the first one is the most challenging of getting to what it costs the state for an

hour of engineering work based on what external consulting firms would call an hour. And so there's been a lot of meetings of determining what's overhead, what isn't, what's direct cost, what isn't.

After we finish the first part, the next two parts will probably be able to be done pretty quickly. We're going to put together then what it costs to do a design team, a normal cost if you say, “what is a design team,” not just the cost of engineering. And then we're going to actually compare what it would have cost externally to have done a project versus internally, and we're going to do different sizes of projects to see at what point it becomes more important to possibly outsource.

And then start some strategic planning because to a certain degree when you're looking at the public safety oversight of this commission and of the department, there are certain things you cannot outsource, but if you change the in-house route to become district/division engineer, regional director, sometimes you're going to change the cost structure when you go from totally raising them in-house to hiring them from outside.

So those are kind of what our charge was. As I said, the first part has been real interesting because we've had challenges of how TxDOT does a great job of

allocating costs so you maximize Federal Highway dollars, but that is not how an external firm costs their engineering costs. So trying to disaggregate and dis-allocate for federal dollars and come back so that we can mimic what an external firm does has taken some doing because it's very hard. We don't want to allocate based upon other allocations that may be faulty. But we're getting closer.

So that's kind of it in a nutshell. I tend to be brief and let you ask questions.

MR. HOUGHTON: I'd like to call John back up and reserve a question or two for you, maybe.

MR. BARTON: Yes, sir.

MR. HOUGHTON: Dr. Morris is one in a line of many that have attempted this and now she's taken this on. I was reminded by the Chair and Steve that by rider we have to do this. Others have said we can't get there. What's the goal and objective?

MR. BARTON: I think it's pretty simple. The goal and objective is to be able to provide to policy-makers and to our senior management the information on what the cost efficiencies are, both from an internal and outsourced perspective, so we can strike the right balance between internal and external resources. Our goal at this department, and I certainly believe is the commission's

directive to us, is to make sure we're as efficient as we can possibly be, so we don't want to have more internal resources than necessary and we want to make sure that when we outsource that when we pay those costs that we're getting the highest return on that investment that we can. So it's to make sure that we have a balanced and most efficient approach to the blending of internal versus external resources.

MR. HOUGHTON: And would it have anything to do with the time in a decade where you may have a significant amount of financial resources to produce a lot of different versus times we're now visiting that we have few financial resources and we have limited amounts of projects?

MR. BARTON: I think it does, and, historically, the department's approach has been, and I think wisely, to have the workforce at a level that would sustain us during these low times and then when these peaks come, when there's additional resources brought to bear, lean more on our external partners to carry more of that weight so that when this cyclical nature of funding occurs and we start to see fewer and fewer funds that we don't have too many internal resources and we can match our workforce to the workload by using fewer and fewer external resources.

MR. HOUGHTON: And I guess my last question of you, how do we quantify 65-35 internal versus external?

MR. BARTON: It may be best if James is still in the room for him to answer that, but my simple understanding is we take the appropriated amount for both our internal resources that we get from the legislature as well as our external, and that total is the sum of 100 percent and 35 percent of that value has to be spent on external resources.

MR. HOUGHTON: On a biennium basis or an annual basis?

MR. BARTON: Annual basis.

MR. HOUGHTON: So we'll say engineering costs are $100 million.

MR. BARTON: Yes, sir. And so if we're appropriated $100 million for that entire strategy, both internal and external resources, then $35 on our external partners and $65 on our internal -- excuse me -- $35 or more has to be spent on outsourced resources.

MR. HOUGHTON: Is it cumulative?

MR. BARTON: From year to year in the biennium?

MR. HOUGHTON: Is it cumulative? In other words, total dollars now under contract.

MR. BARTON: As I understand it, the rider is based on an appropriated amount, the evaluation is done on

expenditure, so we look back at Fiscal Year 2010, for instance, and look at the appropriated amount versus the amounts expended in each of those two areas.

MR. SIMMONS: I was just going to add that there are some engineering services that are exempt from counting towards that 35 percent, and you might want to talk about that.

MR. BARTON: There are. For instance, the engineering services that are provided on these comprehensive development agreements and those sorts of things that we've done in the past are not eligible to count towards that.

MR. HOUGHTON: CTTS is one, or no?

MR. BARTON: I don't know the answer to whether or not the CTTS costs would be eligible engineering costs or not. I don't believe that they are but I may be wrong, so I'd prefer not to speculate.

MR. SIMMONS: We'll get you that information, but I also believe that they do not count. And I actually have an employee here that may want to speak to that.

MR. BARTON: One of our senior engineers may be able to answer that for us.

(General laughter.)

MS. DELISI: Please state your name for the record.

MR. SAENZ: Amadeo Saenz, executive director.

This is a bad sign when House committee hearings start overlapping to the afternoon session so early in the session. It could be a long session.

The rider says that of the money that is appropriated to pay for the planning and design and engineering salaries, wages, up to 35 percent of that needs to be spent with the private sector. So it's not how much work you're producing, it is just how much is appropriated to pay for the salaries of our employees, and then 35 percent you add what you pay for in consultants. The sum of those two, 35 percent is paid to the private sector, the other 65 is what we pay our resources to do the work.

So what we've done through the years is we've always had a baseline of employees so we know what our budget is, and then we determine what the 35 percent would be so that we can move forward with the consultants. And most of the time, because of the additional money that we received that we had available to do engineering because of the Mobility Fund and the bond programs, we've been able to really spend a lot more because we were able to move more projects forward.

So sometimes we were up to 70 percent of our internal budget done by consultants. As we've gone down

that our budget now and amount of work is dwindling and the amount of money that we have to build jobs is less and less and less, is when we're getting back to the 35 percent.

We have within our own department, as you recall, we reduced the number of FTEs by not replacing FTEs and gone from 14,300 to less than 12,000, so we've realized some savings there and we're keeping the balance but it's just a matter that we just don't have enough money.

But it's not how much work we're doing, how much the cost of that work, it's how much the cost of the work to produce is what we count against it and not the actual work produced.

MR. HOUGHTON: When you put a number in the budget regarding those disciplines, then it's 35 percent.

MR. SAENZ: Yes, sir, up to 35 percent.

MR. SIMMONS: At least.

MR. SAENZ: Well, it started going up that we went up to 35 percent and we had to stop at 35 percent, but we spent a lot more.

MR. SIMMONS: It was graduated up to 35 percent but the first year we were at 35 percent and that was the minimum that we had to do.

And I might add that John is pinch-hitting for

David Casteel, who is pinch-hitting for me so I could pinch-hit for Amadeo, but we're all four in the room together. So, well planned.

Are there any other questions? Victor, did you have any comments?

MS. DELISI: Come on up.

MR. VANDERGRIFF: Thank you again for letting me speak for literally one minute. Victor Vandergriff, chairman of NTTA. That will take longer than my remark.

I just want to make the commission aware that about six months ago I asked for a study to be done about our outsourcing policies, and it has certainly been a process of stepping on an ant hill, a fire ant hill, if you will.

MR. HOUGHTON: Welcome.

MR. VANDERGRIFF: We're following in your path and getting in that mechanism.

But the simple question that I had, our model has actually been based on precisely the opposite which is more outsourcing and less staff inside, and for us it's not really a question, or at least for me, of the engineers per se because the vast majority of our engineering work is done on a project-by-project basis and we outsource that as we do anything about those roads, but we have a significant number of our people that aren't our

people, they actually work for a consulting firm. In fact, there are more of them than there are of us, and that's been there since the existence of the Toll Authority in North Texas and of NTTA since 1997.

And that's been a very difficult and challenging thing for us and we've been really going through a significant study of that, using outside people as well as staff in consultation with all of our consultants. And I just want to make sure and tell you that we'll share that with you. You're a different agency, different set of metrics, you certainly are under a mandate from the legislature, but for whatever it's worth, we'll share that with you.

Again, we appreciate our partnership and we have certainly been through challenging times just to get this information, but we expect to present that to our board here this next Thursday when we meet again, so we'll pass that on to you.

MR. SIMMONS: And I just might add I do want to express our appreciation to Steve Stagner with the CEC for participating in this, and I think I see him back there. He's in the back row; he's under Mr. Burnett.

With that, that's all we have.

MS. DELISI: That concludes the posted items on today's agenda. Is there any other business to come

before the commission? There being none, I will entertain a motion to adjourn.

MR. HOUGHTON: So moved.

MR. HOLMES: Second.

MS. DELISI: All in favor?

(A chorus of ayes.)

MS. DELISI: The motion passes.

Please note for the record that it is 2:58 p.m. and this meeting stands adjourned.

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

C E R T I F I C A T E

MEETING OF: Texas Transportation Commission Workshop

LOCATION: Austin, Texas

DATE: February 23, 2011

I do hereby certify that the foregoing pages, numbers 1 through 62, 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.

3/01/2010
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731