

1 TEXAS DEPARTMENT OF TRANSPORTATION  
2 TRANSPORTATION COMMISSION WORKSHOP MEETING  
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10 Ric Williamson Hearing Room  
11 Dewitt Greer Building  
12 125 East 11th Street  
13 Austin, Texas

14 Wednesday  
15 June 24, 2015  
16 2:00 p.m.

17 COMMISSION MEMBERS:

18 Tryon D. Lewis, Chair  
19 Jeff Austin, III  
20 Jeff Moseley  
21 Victor Vandergriff  
22 J. Bruce Bugg, Jr.

23 STAFF:

24 Lt. General Joe Weber, Executive Director  
25 Jeff Graham, General Counsel  
Robin Carter, Commission Chief Clerk

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P R O C E E D I N G

MR. LEWIS: Okay. It's 2:03 p.m. I'll call to order the June 24th, 2015 Workshop Meeting. It's 2:03 p.m. I'll call to order the June 24th, 2015 Workshop Meeting of the Texas Transportation Commission in Austin, Texas.

I'll note for the record that public notice of this meeting containing all items in the agenda was filed with the Secretary of State's Office at 3:32 p.m. on June 16th, 2015. That is six -- that is -- pardon me. That is seven days prior to the meeting and that it -- this is in accordance with Government Code Section 551.044.

At this time, I would like to ask that before we begin, all of us place our cell phones in silent -- or silent or off mode. Mine is. I hope yours is.

Some of you may wish to address the Commission during today's meeting. We have speaker cards at the registration table outside. If you wish to register your opinion with regard to an agenda item that's one of the things that's actually posted today, you'll have a yellow card for that purpose. You'll notice on that card it -- and it says what you want to do with, you guys can -- want to come forward and make a statement or just raise your position but not speak. It also has a place for the agenda item if you fill that out so we'll know which one -- I mean, I get the cards when we get each agenda items so that way

1 we'll know which one you want to speak on. Has a place with  
2 for your position with regard to it, your name, your title.

3 If you're representing a group, that you let us  
4 know what group you're here representing. If you're here on  
5 your own behalf, you're speaking for yourself, that's fine.  
6 You can note that. If you're here for a group, let us know  
7 what group you're representing. So -- and please fill that  
8 out if you wish to make a -- to visit with us with regard to  
9 your thoughts on an agenda item.

10 If it's not an agenda item but you want to make a  
11 statement to the Commission, then you may do so by filling  
12 out this blue card. And if you fill out the blue card at --  
13 when we're through with the agenda items, you'll have an  
14 ability to make a statement for the record and to the  
15 Commission. We will not be giving any feedback.

16 We will not be commenting on your comments because  
17 we can only comment on agenda items. But if you do and if I  
18 forget that, I'll be -- I'll be reminded of that again. But  
19 that's basically what that blue card is for. So if -- if  
20 necessary, if you want to speak to us, fill out the blue  
21 card. I will remind you your time is limited to three --  
22 three minutes.

23 Whichever card it is, this podium here with the  
24 microphone, that's where people come to -- to address us.  
25 So if it's time for you to come forward, you -- you come up

1 to the microphone, state your name and who you're here  
2 representing and then you may give us the benefit of your  
3 remarks. We'll let you know when three minutes has expired.

4 Before we begin anything further, I'm going to  
5 turn the microphone over to our Executive Director General  
6 Joe Weber. General.

7 GENERAL WEBER: Thanks, Chairman. At this time, I  
8 would like to ask our Chief Communications and Marketing  
9 Officer Bob Kaufman to provide a safety briefing. Bob.

10 MR. KAUFMAN: Thanks, General Weber, Chairman,  
11 Commission. Real quickly just in case of some emergencies  
12 during the meeting today or even tomorrow, in case of a  
13 tornado , primary shelter is here in the Greer Building.  
14 And the stairwells and basement are primary places we go.  
15 Secondary place; lower level stairwell, interior hallways.  
16 And the rest are essentially located on this floor and in  
17 the basement.

18 In case of a fire, primary exit is the front door  
19 out on 11th Street. Secondary exists east towards Brazos  
20 Street and west towards Congress Avenue which is downstairs  
21 and out the door. And of -- of course you all know that our  
22 gathering area is across the way on the capital grounds  
23 across the street.

24 There are fire extinguishers around the place if  
25 necessary. You can use it if you need to. Obviously we'll

1 follow the -- the counsel, the professionals and hopefully  
2 I'll be out the building by then.

3 In case of an active shooter or a bomb threat of  
4 sorts, we'll follow the instructions that we hear over the  
5 public address system and the security personnel say to us.  
6 And then also if there are any medical emergencies, we have  
7 procedures in place to make sure that this situation is  
8 taken care of and addressed appropriately. That's pretty  
9 much all I have. Thank you very much.

10 GENERAL WEBER: Thank you, Mr. Kaufman, Bob. With  
11 the safety briefing completed, I'll hand the gavel or turn  
12 the agenda back over to you, Chairman. Thank you.

13 MR. LEWIS: I don't believe if you have any  
14 qualifications to be recognized at this time. So I don't  
15 believe we have any public officials to recognize at this  
16 time, for the record. And if not, then actually, General,  
17 I'll let you continue with the program and recognize Mr.  
18 Haddican.

19 GENERAL WEBER: Thank you. And Item 2(a) is an  
20 overview of the 84th Legislative Session. Our Director of  
21 Government Affairs Office Jerry Haddican will present.

22 MR. HADDICAN: Hello. For the record, my name is  
23 Jerry Haddican, Director of the Governmental Affairs Office.  
24 It's nice to be before you Commissioners and General. This  
25 is a brief update on the recently completed legislative

1 session. Governor Abbott had until Sunday to complete his  
2 vetoes. He did that on Saturday. So this is a complete --  
3 I mean, every -- all the actions are complete, but this item  
4 is just a brief summary that highlights. And we'll have a  
5 more complete document as we do every session next month for  
6 you all with more of an exhaustive coverage of the summaries  
7 of the bills that related to transportation to the  
8 Department.

9           Leading up to this session, I wanted to mention  
10 that we participated in what's called the Rationalization  
11 Project which was part of our IT Division. I want to thank  
12 the -- our IT Division and -- and Tim Jennings for his help  
13 with this. We've been at it about a year and we  
14 successfully transitioned from an outdated legacy system  
15 that was a Lotus Notes based system to track legislation to  
16 a web based system. I had a lot of good feedback. And  
17 we're going to be doing rounds after the session to make  
18 sure that we can make improvements on top of what we've  
19 already done.

20           Going into the bills per session, the -- you can  
21 see that the 84th Session followed by the seven percent more  
22 bills than the last session. Of those, TxDOT tracked about  
23 13 percent, which was 815. And of those tracked bills, a  
24 hundred and sixty passed. We're working on an  
25 implementation plan right now. And when I say we, it's not

1 just the State Legislative Affairs Office, but all the  
2 offices and divisions who were involved in analyzing these  
3 bills and we'll be presenting that to the audit committee I  
4 believe in July. So that's what we're busy working on and  
5 getting setup now.

6 Moving on to the fiscal notes, I thought this was  
7 important to mention because we tend to talk about the  
8 bills, but a very important part of the documents that we  
9 have produced at fiscal -- what we call fiscal impact  
10 statements which had turned over to the LBB and they turn in  
11 fiscal notes.

12 There was a 38 percent increase this session over  
13 last session. And just to let you know a little bit about  
14 how that works, the legislative liaison's which is -- which  
15 is -- which are led by Trent Thomas and the Legislative  
16 Affairs Office produced those and then they submit them to  
17 review to either Bill Hale or James depending on the nature  
18 of the bill, James Bass. And then John Barton had final  
19 review on all -- this is on all of these fiscal notes. So  
20 this is a lot of work. This only represents -- so if a  
21 bill had multiple fiscal notes, it's only represented in  
22 here once. So this is not the total number. This is just  
23 the total number of bills. But that is part of how we  
24 communicate to the legislature as requested by the  
25 Legislative Budget Board on the impact to the Department.

1           The next slide talks about the Office of Primary  
2 Responsibility. This is a very important part of our  
3 tracking. And each bill that we assign has an office that  
4 it essentially is primarily impacted by the bill. So this  
5 should give you -- I just wanted to put this before you so  
6 you can get an idea of how certain divisions are  
7 disproportionately impacted by the activity of the session.  
8 You can see finance and traffic are -- are way -- kind of  
9 outliers on -- on the high end.

10           Moving on to the bills reviewed by the offices in  
11 --

12           UNIDENTIFIED SPEAKER: How -- how do you staff  
13 that?

14           MR. HADDICAN: So --

15           UNIDENTIFIED SPEAKER: So do you adjust your set?

16           MR. HADDICAN: We assign -- Trent assigns staff  
17 based on loads and you're given office -- offices and  
18 divisions that have -- people have offices and divisions  
19 that are high volume tend to have fewer divisions and  
20 offices. And ones that are lower volume just -- you know,  
21 it's more spread across the boards.

22           So this is -- moving on to the next slide. This  
23 is another perspective. This is not the Office of Primary  
24 Responsibility, but this is how offices and divisions  
25 operate in -- in terms of us producing a comprehensive

1 impact statement. On the prior slide, you can see that OGC  
2 has relatively few bills where they're the primary  
3 responsibility, where they have primary responsibility. But  
4 on this one, you can see how many bills, the vast majority  
5 of the bills that we track OGC is involved.

6 And I bring this up to say that -- because I think  
7 it's important that State Legislative Affairs and the Office  
8 of General Counsel in a sense almost merged during session.  
9 We worked very closely with them. They -- they are right  
10 there with us shoulder to shoulder. And I think that's very  
11 important.

12 I'd also point out that some of these bills, for  
13 example, if you look at finance, the bills seem a little bit  
14 lower. But that would include bills like HB1 which we've  
15 been going through that process. We turned -- we turned in  
16 our legislative appropriations request last summer. So  
17 that's over a year long process. And they -- they put a lot  
18 of work into it before that. And that's only represented as  
19 one bill there.

20 Final thing I'll say is some of these offices have  
21 very few numbers, but regardless of the number, we really  
22 rely on them. When we turn to the offices and divisions,  
23 whether the numbers are high or low, we need their subject  
24 matter expertise. And I think Trent and the State  
25 Legislative Affairs Office did a very good job. In addition

1 to the job they did, the legislative coordinators and all  
2 these offices and other folks who provide analysis really  
3 form the backbone of what -- why we're able to do this type  
4 of volume.

5           Moving away from bills, I just want to briefly run  
6 through this. Every new legislator was -- was offered and  
7 met with by either General Weber, John Barton, James Bass or  
8 Rich. This is very important to us that we not only talk to  
9 the members who are working on bills that might affect  
10 transportation, that we have introductory meetings. There  
11 were four members who were sworn in after the first day of  
12 session and they were each met with.

13           Also, we get a lot of requests for presentations  
14 from county and city leadership groups. That's done heavily  
15 in January and February, to an extent, March. The -- our  
16 administrators on the second -- administrators here in the  
17 Department cover those and there were over 50 of those.

18           We had over 90 -- 90 times we provided a resource  
19 witness to committee hearings and -- and I -- I put that up  
20 there to emphasize that we -- we're resource witnesses. The  
21 Department provides resource witnesses to far more  
22 committees than just the transportation committees,  
23 appropriation committee, the finance committee. We really  
24 cover the gamut in terms of state -- statewide issues.

25           And then finally State Legislative Affairs Office

1 produced over 325 hearing and floor reports so that as those  
2 bills make it through the process we can track those and --  
3 and quickly let you and -- and our leadership know what  
4 bills were impacting the Department.

5           Moving on to Prop 1, the -- no discussion of this  
6 session would be complete without a discussion of Prop 1.  
7 Not only did the people of the voters of the State approve  
8 this overwhelmingly, but 80 percent margin as you've heard  
9 multiple times, once that was approved on in November of  
10 last year, less than a year ago, the leadership at -- at --  
11 legislative leadership quick -- moved quickly to appropriate  
12 that 1.74 billion. Had they not done that, that 1.74  
13 billion would likely have had to been approved through the  
14 supplemental appropriations bill. And that was a bill that  
15 passed at the very -- one of the last few days of session.  
16 So the fact that they had the confidence to move that  
17 through is -- it was very positive and kept the session  
18 focused on other issues which I'm -- I'm about to get to.

19           And I think the Department really -- I mean, I'm  
20 -- I'm very -- I -- I would be remiss to not mention that  
21 since March the Department has awarded 659,000,000 in  
22 lettings of that 1.74 billion. So we -- that really allowed  
23 the Department to get those contracts out the door.

24           MR. AUSTIN: And Jerry, before you leave the  
25 slide, well, that 1.74 billion was wonderful. I -- I just

1 want to point out again looking -- looking ahead, that was  
2 an anomaly. We're looking at a reduce amount given where  
3 oil prices are right now and going forward what you're  
4 showing there at 1.2 and 1.2 billion. So that's --

5 MR. HADDICAN: Yeah, and if I may, I -- I'd point  
6 out that when they passed -- so they passed -- the  
7 legislature passed Prop 1 almost exactly two years ago. And  
8 at the time, the LBB estimated that first round to be  
9 880,000,000. So just between the time that it passed and --  
10 and November 4th it -- it jumped -- it more than doubled, so  
11 --

12 MR. AUSTIN: Okay.

13 MR. HADDICAN: And here is the new allocation for  
14 rounds two and three, the light blue, 45, 25 29, 10. This  
15 was an allocation that the budget Riders put together.  
16 Speaking of the budget, ending diversions was a huge step  
17 forward this session of more than a milestone, something  
18 historic, something that had been talked about for over 20  
19 years. And the speaker a year ago said that this was  
20 important to him.

21 The Department put it in its legislative  
22 appropriation request after the -- the speaker made that  
23 announcement. The speaker put it in the base house bill.  
24 You can see the house bill out there. You can see the --  
25 and then the lieutenant governor put it in the base senate

1 bill and it stayed in the bill throughout the process.

2           The second row is what we've already talked about  
3 and those are the second and third rounds of Prop 1. And  
4 then on Items 3 and 4, it was interesting. The house put in  
5 1.5 billion in GR. The senate put in 1.2. Some thought  
6 that maybe they would resolve somewhere in the middle,  
7 somewhere on one of those ends and they did not. They went  
8 with zero which is their prerogative to do so. But I think  
9 that's worth mentioning in terms of how the budget played  
10 out.

11           James is going to talk more about these items, but  
12 I -- I do want to emphasize that a lot of the items,  
13 building, information technology, the truck discount on 130  
14 and veteran's toll discount are funded in part by real  
15 estate sales by the Department. So the Department had --  
16 and it's over a hundred million and -- and they have given  
17 us -- they have given the Department the ability to fund  
18 those items, but we have to be able to do -- we have to have  
19 real estate proceeds in order to be able to do that. So  
20 James is going to talk more about that. But how -- what --  
21 what are the timing of the real estate sales and how that  
22 plays into at least four items right here is something to be  
23 considered.

24           Court capital improvements, the senate in somewhat  
25 traumatic fashion provided 20,000,000 in -- it was a

1 combination of general revenue and -- and Texas Mobility  
2 Fund. In the senate version of the bill for port capital  
3 improvements. At the end of the day, there was the Rider.  
4 It was 20,000,000 and it specifies Texas Mobility Fund.

5 When we turn in the legislative appropriations  
6 request when the Department did for a number greater than  
7 that, it was all based in GR. So I just want to make sure  
8 I'm calling that to you all's attention.

9 MR. MOSELEY: Jerry.

10 MR. HADDICAN: Yes.

11 MR. MOSELEY: Divided to the divisions, it's my  
12 understanding that that is a one-time end of divisions or is  
13 that a permanent end of diversions?

14 MR. HADDICAN: In this bill it was structured as a  
15 two -- for the biennium --

16 MR. MOSELEY: Biennium.

17 MR. HADDICAN: -- 650,000,000 each year. But at  
18 the very tail end of the session, HB 20 was amended with  
19 statutory language. So if -- if I'm answering your question  
20 right, in order to unwind that, the next budget would have  
21 to not have diversions in it and also they would -- that  
22 statute and HB 20 would need to be repealed.

23 MR. MOSELEY: So it's a one time.

24 MR. HADDICAN: Well -- well, no I would say that  
25 since it's in statute -- I mean, the legislature can come

1 back and -- and amend the law every two years. So in that  
2 sense it's -- it's a -- it's a biennium, but --

3 MR. LEWIS: Jerry, if I -- are you telling us that  
4 the budget bill itself is something that has to be passed  
5 every year? So if it's only in the appropriations bill, it  
6 goes in the law? That's something that could be revised  
7 every two years and -- and will be. And -- and then you  
8 just have to look into do it. If -- if it's only in the  
9 appropriations bill, you would have to look to the same  
10 treatment next time. But there was a separate bill in this  
11 case that did the same thing and it's -- and it's gone into  
12 law.

13 MR. HADDICAN: Yes.

14 MR. LEWIS: So the law right now is that the --  
15 the highway fund basically that the other agency  
16 appropriations or monies to go to them is no longer  
17 statutorily correct. So is that what you're telling us?

18 MR. HADDICAN: Correct, Chairman. It's largely  
19 that that statutory language also prohibits the diversions  
20 from anyone else.

21 MR. LEWIS: So unless that statute is repealed, it  
22 will not be lawful -- I mean, the law will be that -- that  
23 the other agencies will not --

24 MR. HADDICAN: Correct.

25 MR. LEWIS: -- participate out of that fund.

1 MR. HADDICAN: Correct. Last week SJR 5 had a  
2 name change to Proposition 7. No one will refer to it as  
3 SJR 5 anymore. So this is kind of the farewell part of the  
4 SJR 5 in terms of the name. And Proposition 7, it -- there  
5 will -- there will be seven propositions on the ballot. And  
6 this is the last one of the seven. The -- this is kind of  
7 the -- one of the marquee issues on the ballot along with  
8 property tax relief which I'm sure we'll also get a lot of  
9 attention.

10 You can see here the way that this constitutional  
11 memo was structured is that we are estimating the first  
12 infusion of -- of additional funds to the highway fund being  
13 the fiscal year 2018, similar amount -- identical amount by  
14 estimates in fiscal year 2019 and then you would see that  
15 additional amount, the amount in brown, added in fiscal year  
16 2020 and 2021.

17 And these provisions have sunsets in them, each  
18 have a sunset provision. And the legislature can extend  
19 those dates by 10 year increments at -- at -- as they so  
20 choose to do. They can also back off of these amounts by up  
21 to 50 percent, but up to 50 percent in any fiscal year or in  
22 any -- and either of the successive fiscal years.

23 So that was again some -- a -- a long term liable  
24 funding solution. The senate bill passed very early. A lot  
25 of discussions. It's part of what made -- it's -- it's part

1 is referred to in new stories about whether this sessions --  
2 about the progress made this session and -- and really a lot  
3 of support across the board, almost unanimous support for  
4 these provisions all the way through the process. So cannot  
5 thank the legislature enough for the way -- not only what  
6 they did, but the thoughtful way they put Proposition 7  
7 together.

8 House Bill 20 --

9 MR. LEWIS: Jerry, could -- before you leave that  
10 topic if you don't mind, would you explain to us a little  
11 bit about the phase in of the two taxes if -- if the voters  
12 approve in -- in this November, then when -- there's --  
13 there's a difference -- there's a different phase in of the  
14 sales tax, right, and then of the motor vehicle sales tax.  
15 There's the phase in on that and then there's a sunset on  
16 each of them.

17 MR. HADDICAN: Yes, sir.

18 MR. LEWIS: Could you just discuss that with us a  
19 little more?

20 MR. HADDICAN: Yes, sir. So if there's a  
21 successful vote this November, the first -- like the blue  
22 column, there will -- and -- and if sales and used tax are  
23 30.5 billion or higher which is projected to be, then 2.5  
24 would flow from sales in used tax to the -- to the highway  
25 fund. And that would occur until 2032 assuming no

1 legislative action. But the -- again, the legislature could  
2 extend that by -- by a vote to -- by 10 year increments.

3 In 2021, that is when the blue items would kick in  
4 and that's a motor vehicle sales and rental tax -- I'm  
5 sorry, did I say blue? Yeah, I'm sorry. The brown item  
6 would kick in. And that would without any statutory change  
7 would -- would continue through at least -- would -- would  
8 continue until 2029. Again, the same option to include to  
9 extend that by 10 year increments.

10 The only caveat I have to that is if both Senator  
11 Nichols and -- and Chairman Pickett were concerned -- and  
12 other members were concerned if we had a severe economic  
13 downturn, they wanted to give the legislature -- some called  
14 it a trigger, other called it a safety valve to allow that a  
15 -- in any fiscal year to reduce this total amount by 50  
16 percent. And -- and I think a lot of the discussions just  
17 to be aware were again, very thoughtful. And they felt that  
18 it's not a question of whether we'll have a down -- if we'll  
19 have a downturn, but just when because as you all know,  
20 economies do not go in a straight line. So does that cover  
21 it?

22 House Bill 20 was a very important piece of  
23 legislation, came out of the house of Representative Simmons  
24 who worked very hard on this bill. Senator Nichols picked  
25 it up in the senate. I would just run through quickly here,

1 but puts the -- the Department in a position to ensure that  
2 we have performance based planning, make sure that ideas are  
3 bubbling up through the districts and MPOs and that we're  
4 working in a truly collaborative fashion with them. And  
5 then it also develops criteria. The -- there's a cap on  
6 discretionary decisions by the Department of 10 percent.  
7 That was an item that was both in this bill and another bill  
8 that did not make it through the process.

9           There is an item here that has to do with design  
10 bills. And I just want to point it out very quick -- very  
11 quickly. This bill limits design bills to a hundred and  
12 fifty million, the Department to doing -- design bills to a  
13 hundred and fifty million. That's what this statute says.  
14 But it's important to read this statute, House Bill 20, in  
15 combination with a budget Rider. And when you read those in  
16 concert, it limits the Department to three design bills per  
17 year. And each of those three has to be a minimum of  
18 250,000,000 or greater in terms of the design bills. So I  
19 just wanted to point out that the -- the laws -- the law --  
20 this HB 20 and the Rider need to be read in harmony.

21           Moving onto --

22           MR. AUSTIN: Jerry, one quick question. As we  
23 look at this for transportation, you know, the -- we're  
24 looking at all of this performance based planning, is this  
25 just for road projects or for all projects that we have a --

1 a hand or a fund?

2 MR. HADDICAN: I believe it's just for -- for road  
3 projects.

4 MR. AUSTIN: This is might something to clarify.

5 MR. HADDICAN: I will -- I will -- I'll look into  
6 that, but I -- the -- the vast majority of discussion, the  
7 -- the intent was very much aimed at road and bridge  
8 projects.

9 MR. AUSTIN: Okay.

10 MR. HADDICAN: Moving onto House Bill 122, the  
11 legislature made a significant change in the Texas Mobility  
12 Fund which is essentially to prohibit future issuing --  
13 issuances of bonds from the Mobility Fund. That was  
14 something that Governor Abbott signed June 10th.

15 Senate Bill 20 was a broad bill that was a  
16 controversy at -- early on in the session dealing with state  
17 contracting unrelated to TxDOT and were very -- very closely  
18 and monitoring to this bill and -- and done a lot of  
19 internal analysis. But basically the idea is to prevent  
20 conflicts -- conflicts of interest. It had to do with final  
21 signature authority who -- requiring that our -- our  
22 executive director sign documents above a certain threshold.

23 And then there's also some reporting to make sure  
24 that government is transparent, that contracting is being  
25 done the way that we all would want it done, the way that

1 taxpayers would want it done. And -- and so there's a  
2 variety of provisions in there, but is one of those bills  
3 that didn't -- wasn't a transportation bill per se, but will  
4 -- will have a significant impact and we're already in the  
5 process -- in fact, we've been working on implementing that  
6 even before the bill was passed.

7 Chairman Pickett, moving onto the next bill --

8 MR. AUSTIN: Jerry, hang on a second. Chairman, I  
9 want you to know the Audit -- our Audit Department is  
10 looking into certain contracts right now that are looking --  
11 of how are we monitoring the post-awarding of these  
12 contracts to begin measuring the -- the metrics of how are  
13 we -- how are we performing. Do we have the right follow up  
14 not just using criteria that the vendor is submitting to us,  
15 but what criteria -- what is the right criteria we're going  
16 to have to manage that contract on based on what it -- what  
17 it says.

18 With that, I think there is -- this kind of falls  
19 back into that -- all the training, you know, that WWW --  
20 the 40 -- I know you all are smiling -- the 45 minute  
21 training that we all did because the procurement of the  
22 contracts, I think this ties in as -- as a result of that.  
23 And that's one reason we ever do this. But I know just some  
24 of the early findings are -- there's not good ones, but I  
25 think there's some work we can still do and we implement

1 this to -- to be -- better measuring contracts and  
2 performance, so --

3 MR. HADDICAN: Yes, sir. Chairman Pickett, there  
4 was a lot of discussion about toll roads this session.  
5 There were several substantive bills that were referred to  
6 each -- to each the house -- to both the house and the  
7 senate committee. What came out of the session was this  
8 report and plan -- basically like a blue -- a blueprint and  
9 a report that would be due -- that is due September 1st,  
10 2016 talking about what it would take to retire the debt and  
11 eliminate toll roads in Texas. We expect that will be a big  
12 number, but this is an exercise that we will have completed  
13 by September 1st of next year.

14 On the safety front, HB 3225 limited trucks in  
15 work zones to one lane, specifically the right lane. And  
16 that would be an added safety benefit that representative  
17 Murr and -- and Senator Garcia passed.

18 One other bill -- one other bill dealing with  
19 tolls is there was a discussion about the need to help those  
20 who may not -- who would prefer or for reasons that --  
21 financial limitations would prefer to pay their tolls or at  
22 say real -- retail stores or grocery stores. And this is a  
23 bill that would help TxDOT to basically help the bankless  
24 and those who prefer to do it that way make it a lot more  
25 convenient on other people who would want to pay their TXTag

1 wouldn't have to come to a TX -- TxDOT facility.

2           There's a lot of discussion led by Kevin --  
3 Senator Eltife who recently announced his retirement and  
4 Representative Geren about building maintenance. And so  
5 there's -- there's two provisions. Our one is a bill and  
6 the other one is a Rider, but our -- the -- one of the big  
7 takeaways here is our available funds of 200,000,000 is not  
8 from GR, but rather from fund six.

9           And then the final comment I have is that the  
10 Department is scheduled to go through a sunset review. In  
11 fact, we're already in the process in developing our self-  
12 evaluation report. And that will -- that effort is being  
13 led by Rich McMonagle, our Chief of Staff and a couple of  
14 folks from State Legislative Affairs, Tonia Norman and  
15 Carlos Calle and they're well on their way to developing  
16 that report which is essentially the first step in the  
17 process of TxDOT being under the sunset review for this  
18 interim.

19           And with that, if you all have any questions, I'll  
20 be happy to answer any.

21           MR. AUSTIN: Jerry, I've got a couple. I want to  
22 go back to Page 13 on Mobility Fund. And I know why we had  
23 issued new debt there. The one -- I don't -- right now  
24 we're only doing refundings. We have a -- is James -- did I  
25 see James here a little while ago? Do we know where he

1 MR. HADDICAN: James Bass is right there.

2 MR. AUSTIN: Oh, there he is right there. I -- I  
3 believe we have a net -- have to hit a hurdle of net present  
4 value savings on any refinance of five percent of that  
5 present value savings. Is that -- does that still exist  
6 with this or none of that changes, right?

7 MR. HADDICAN: If you don't mind, James is the  
8 next presentation and I'll defer to his expertise on that.  
9 Do you want to talk to him now?

10 MR. AUSTIN: Yeah, James -- I mean, it's just --  
11 come on -- come on up .

12 MR. BASS: For the record, James Bass, Chief  
13 Financial Officer. That does not change under House Bill  
14 122.

15 MR. AUSTIN: And if there's -- and -- and in the  
16 refunding refinance if we hit that and we have some  
17 additional savings in there, we can still use that money for  
18 other projects, is that?

19 MR. BASS: Correct. And the --

20 MR. AUSTIN: Okay.

21 MR. BASS: -- one thing just to clarify that the  
22 hurdle is a policy of the Commission. It is not a statutory  
23 hurdle. All of the refundings we've done to date have  
24 exceeded that present value savings percentage.

25 MR. AUSTIN: Well, that's a -- I mean, it's a good

1 hurdle. And our financial advisors will say thank you to  
2 all of them that have helped us hit that. Thank you --  
3 Thanks, James.

4 Jerry, one more question. Going back to Page 2,  
5 you know, you look at the IT purpose and then also talking  
6 about Senator Eltife's bill looking at the facilities.

7 MR. HADDICAN: Yes, sir.

8 MR. AUSTIN: I understand that committee may still  
9 meet in the interim going forward. We -- Governor Patrick  
10 was in Tyler recently. And I didn't have the opportunity to  
11 show them a film I want to share publically to ask that they  
12 maybe they take that one step further that ties into IT.  
13 This agency has a big IT function. It serves a critical  
14 purpose not just for -- not just for payroll, design, plan,  
15 et cetera. But as we've all read in the paper, all --  
16 anybody that uses IT has vulnerability. And I think this is  
17 something we cannot run for.

18 I know I'm speaking while I'm -- I'm making my  
19 comment about TxDOT. I think we've all had conversations I  
20 have with other agencies that maybe he consider as an  
21 interim charge if asked to look in adding -- expanding that  
22 to IT needs of the agencies, because we -- we don't have the  
23 seed capital to make the investment that we need right now  
24 to bring things up to speed. And my understanding that when  
25 we have -- for example, if -- if Russell or Mark or anyone

1 use an engineering application, it can't be upgraded until  
2 the base system gets rid of Windows 2000 or 2003 for  
3 example. And we're paying for patches in there to be  
4 thrifty. While it's good, it creates other problems such as  
5 spending more than we should. I've paid for patches than  
6 upgrading.

7           And we have to go through the center -- I know  
8 we're -- we're working on a priority list to do these  
9 things, but I would just ask that as we begin looking at  
10 whether sunset or interim hearings that we include IT  
11 because it's so critical between now and the next session to  
12 get these things upgraded so we can have better, more  
13 accurate timely financial data and better records.

14           With that, I would also add digitization. I'll  
15 look at like what's happened -- Chairman Bugg in the banking  
16 industry. You know, we had our big bank buildings that we  
17 had proof and we -- I kept records in there. And now we  
18 don't need all that because everything's done electronically  
19 and digitization through credit records, credit files, et  
20 cetera.

21           We could do the same thing at TxDOT long range  
22 through attrition, maybe reduce staff and space needs as you  
23 look at the facilities through archiving through digital  
24 processes on our -- our records, our maps, our deeds,  
25 everything. It's not going to happen overnight, but I have

1 a plan going forward. I think it ties right into this.  
2 Even though I'm -- I've very appreciative of what the -- the  
3 legislature has done, we need to begin looking ahead of how  
4 we're going to be more efficient in reducing our space  
5 needs.

6 MR. HADDICAN: Yes, sir.

7 MR. AUSTIN: Thank you.

8 MR. HADDICAN : Any other questions?

9 (No audible response.)

10 GENERAL WEBER: Okay. Thanks, Jerry. Next is  
11 Item 2(b), an update on our possible future funding levels  
12 for the Department. And our Chief Financial Officer James  
13 Bass will present.

14 MR. BASS: Good afternoon. Once again, for the  
15 record, I'm James Bass, Chief Financial Officer at the Texas  
16 Department of Transportation. We're going to pause here a  
17 moment and wait for the slide to appear before I start  
18 talking about the details about the slide.

19 MR. VANDERGRIFF : I apologize. I was looking  
20 down. I thought you were waiting for applause or something.  
21 You're waiting for the --

22 (Laughter.)

23 MR. BASS: I've just become so accustomed to it.

24 I mean --

25 (Laughter.)

1           MR. VANDERGRIFF : Yeah. I know. I was -- all  
2 right. All right.

3           MR. LEWIS : There we go. That's an underwhelming  
4 applause.

5           MR. AUSTIN : I thought --

6           MR. BASS: A true definition of a smattering  
7 applause.

8           MR. AUSTIN: I thought there's an exclamation  
9 point on the technology issue.

10          MR. LEWIS: It was a polite applause.

11          MR. BASS: Yes. So I thought we would first start  
12 out and look broadly at the Department. And of course, for  
13 the audience behind me you can see the line going through  
14 one of sets of the numbers. But take a look at the  
15 Department's broad budget for the upcoming biennium of '16  
16 and '17 and compare that to our budget for the last  
17 biennium.

18                 What you see on this slide here is a grouping of  
19 over 35 different individual line items and their  
20 appropriations that we've grouped those together into 10  
21 groupings just so it's easier to consume and digest what  
22 it's talking about here.

23                 I will point out that the 2016-17 budget is  
24 roughly a hundred million higher than 2014-15. That's  
25 somewhere in the neighborhood of just under one-half of one

1 percent. I will -- I want to highlight a couple of items on  
2 the 2014 and '15 budget, because those who have worked in  
3 state budgeting realize that the budget is not a static  
4 document and it evolves and changes throughout the process.  
5 So it's always difficult to kind of choose when you're  
6 looking back what version you select.

7           For '14 and '15, we selected the Appropriations  
8 Act figures. So roughly two years ago with a significant  
9 change as Mr. Haddican said earlier, two years ago Prop 1  
10 had been proposed but had not been approved or voted on by  
11 the voters. Therefore, the funds could not have been  
12 appropriated. And the estimate at the time two years ago  
13 was that it would produce somewhere around 880,000,000.

14           What's presented on the slide in front of you is  
15 the actual deposit that was made of 1.74 billion. And so  
16 that actual deposit is part of the comparison which of  
17 course then leads to part of the difference.

18           Another key that I would point out is on the  
19 payback of borrowed funds. And '14 and '15 it shows just  
20 over 2.4 billion dollars. 400,000,000 of that in '14 and  
21 '15 was envisioned to be necessary related to an anticipated  
22 delay in the deposited motor fuels tax for two months at the  
23 end of 2013. So there was in law at the time that in July  
24 and August of 2013 the highway fund would not receive its  
25 monthly deposit of motor fuels tax. Therefore, it was

1 anticipated that we would utilize our short term borrowing  
2 program.

3 As we then got into September the first month of  
4 2014, we would get three months' worth of motor fuels tax  
5 and of course we would use two months of it to payoff that  
6 short term borrowing. And that was around 400,000,000.

7 Well, as the budget was being approved and  
8 adopted, that two month delay that was in statute went away.  
9 And so even though we got the 400,000,000 appropriated, it  
10 wasn't necessary by the time it was appropriated nor was  
11 there a funding mechanism to support that 400,000,000. And  
12 that'll become more important and apparent while I went into  
13 such detail on the -- the following slide.

14 This on the left hand side really shows where does  
15 the money go. And if there's questions on individual ones,  
16 I'm certainly happy to walk through those. If we flip to  
17 well, where does the money come to on the second slide, we  
18 see the different methods of finance. First one, general  
19 revenue fund. That is primarily debt service on the  
20 Proposition 12 bonds. We have an insurance maintenance fee  
21 which is associated with our crash record information  
22 system.

23 MR. LEWIS: James, can we go --

24 MR. BASS: Yes, sir.

25 MR. LEWIS: Can we go back?

1 MR. BASS: Yes, sir.

2 MR. LEWIS: I'm trying to -- I'm trying to follow  
3 you with the slides. So I just -- so would you take us down  
4 to the -- the grand total of what we had to spend, what  
5 money we had available -- thank you. What money we had  
6 available in 2014, 2015 and under the budget what we would  
7 have in 2016, '7? You want the grand totals are and the  
8 difference.

9 MR. BASS: Right. So the -- for '14 and '15, it's  
10 roughly 22.95 billion and for '16 and '17 it's 23.05,  
11 roughly a hundred million dollar increase. And I think on  
12 the -- the following page, the sources of funds, it's easier  
13 to see and -- and understand why that hundred million  
14 presented itself --

15 MR. LEWIS: Okay.

16 MR. BASS: -- and how it presented itself.

17 MR. LEWIS: Thank you.

18 MR. BASS: On the federal funds, we -- in 2016,  
19 the -- the third line on this page, we see a slight  
20 decrease. And the state budget what shows up under federal  
21 funds is the reimbursements that we receive as we make  
22 progress payments on contracts. I think we've discussed  
23 before the -- the uncertainty of the federal highway program  
24 and the -- currently the program is funded by congress.  
25 It's set to expire at the end of July. The past few years

1 congress has been supplementing the federal fuels tax with  
2 general funds at the federal level, but there's no  
3 commitment to continue that going forward.

4           And so in our planning documents and our forecast  
5 and our appropriation request, we assumed that the federal  
6 program was going to diminish. That federal program is a  
7 contract authority, what the feds will commit to, agree to  
8 to participate in in a particular year. What shows up in  
9 the budget is those reimbursements over time. So there's a  
10 -- there's a lag between commitments and reimbursements.  
11 But that general decline of \$200,000,000 or so on the  
12 federal funding line is really associated with our  
13 assumption and our forecast that the federal program would  
14 be smaller than what it is today, if congress elects to just  
15 fund it with incoming federal fuels tax.

16           The -- on the next line, the state highway fund,  
17 the 2016-17 figure is roughly 700,000,000 higher than '14  
18 and '15. Some of you may be thinking well, wait a minute.  
19 I thought the ending of diversions was going to be 1.2 to  
20 1.3 billion. So why isn't that number higher?

21           It goes back to the explanation of the -- the  
22 400,000,000 for that short term borrowing that really didn't  
23 present itself. That was kind of a -- it wasn't a real  
24 number. It was a calculated number. It was going to be --  
25 the cash needed for that was going to be created by this

1 two month delay in motor fuels tax, so it did not exist.

2 So if we took that 400,000,000 out of 2014 and  
3 '15, that would have dropped that line for '14 and '15 down  
4 to 7.1, then we're looking at a 1.1 billion dollar  
5 difference between the two biennial and the -- the  
6 differences between available cash balances to me explains  
7 the difference between the 1.1 and the one and a quarter or  
8 1.3 billion of ending of diversions.

9 The -- then we look at Prop 1 on the next line,  
10 just repeating that for '14 and '15 we utilize the actual  
11 deposit of 1.74. And the -- the estimated deposits of 2.4  
12 billion for '16 and '17. Surplus or CDA fees, that  
13 primarily relates to a funding mechanism that's only  
14 available in the Dallas-Fort Worth Metroplex from some  
15 funding they received associated with the delivery of a  
16 particular toll road.

17 MR. LEWIS: James, if I could interrupt. Just I  
18 want to go back to Prop 1 funds.

19 MR. BASS: Yes.

20 MR. LEWIS: On -- on Prop 1 funds, you're using --  
21 is that -- was that the comptroller's estimate?

22 MR. BASS: Yes, sir.

23 MR. LEWIS: About a billion two a year?

24 MR. BASS: Yes, sir.

25 MR. LEWIS: And I think that you have tried to --

1 and using the real numbers as they come in to see whether  
2 that -- and does that look about right to you -- about on  
3 track so far?

4 MR. BASS: Yes, sir. If I had to play the  
5 over/under game.

6 MR. LEWIS: Yes.

7 MR. BASS: Today I might say it would be a little  
8 for this first deposit. It may be a little under 1.2  
9 billion. Maybe in the neighborhood of 1.1 to 1.2. So not  
10 -- depending upon your definition of significant, not  
11 significantly under, but the 1.2 appears to be still a -- a  
12 good ballpark figure for this -- this first year.

13 MR. AUSTIN: James, one more question on Prop 1.  
14 While this reflects the actual methods that came in, the --  
15 for the LAR 2014 and '15, it did not include Prop 1. So I  
16 actually it would have been lower.

17 MR. BASS: Correct.

18 MR. AUSTIN: So -- so if we're comparing our  
19 budget approved -- or going forward for '16 and '17 and what  
20 we just finished -- what we're still in right now, '14 and  
21 '15, we're doing it -- the legislature really brought us a  
22 lot of new funding sources.

23 MR. BASS: Right. And I was -- on my opening  
24 comment, it's difficult on '14 and '15 which -- which  
25 version of the budget. And that may sound odd, but the --

1 the budget is a living document, a living plan that changes  
2 over time. So which version when you compare do you compare  
3 to and what you see before you is really day one versus day  
4 one with a significant modification which is the Proposition  
5 1 number.

6 Now if we continue down the road and we see bond  
7 proceeds, that is accumulation of Proposition 12,  
8 Proposition 14 and Texas Mobility Fund. And you see that  
9 for '16 and '17 it is 1.4 billion less than it was for '14  
10 and '15. And that is what staff and the Commission and  
11 others have been seeing for a few years. The bond programs  
12 are limited funding mechanisms and as the -- the capacity of  
13 those mechanisms get consumed, the -- the amount that they  
14 provide dwindles over time.

15 So those programs are reaching the end of their  
16 life cycle if you will and you can kind of see that clearly  
17 exhibited here on -- on the -- the revenue line. So if some  
18 observer's looking at it and saying well, with the ending of  
19 diversions why didn't TxDOT's budget go up as much. Well,  
20 it's because the -- the funding source of bond proceeds is  
21 diminishing at the same time that the -- the highway fund is  
22 increasing.

23 The last line of Texas Mobility Fund, this  
24 particular line item for the Mobility Fund is for the debt  
25 service paying off the -- the bonds. And you see that

1 increasing as we have more bonds outstanding. And the last  
2 one is inner agency contracts where we receive payments from  
3 other state agencies for the services of -- providing the  
4 services of flight services.

5 MR. LEWIS: Pardon me just a minute. Mr.  
6 Vandergriff, do you have a question? I noticed your light's  
7 on.

8 MR. VANDERGRIFF: Oh, I didn't mean for it to be  
9 on, sorry.

10 MR. BASS: So if I'm -- move onto the next slide  
11 if there's no questions on that issue, there is an  
12 instruction to talk about some of the eligibility of the  
13 different funding sources that are available to the -- the  
14 Commission and the Department. Starting with the newest one  
15 and potentially the newest one, Proposition 1 is for  
16 constructing, maintaining or acquiring right-of-ways for  
17 public roadways other than toll roads. Proposition 7,  
18 construct, maintain or acquire rights-of-way for public road  
19 -- roadways other than toll roads. So same eligibility as  
20 Proposition 1. With an additional potential use for  
21 Proposition 7, it's to pay the debt service on Proposition  
22 12 bonds. That's the Section 49(p) Article 3 is Proposition  
23 12 bonds which are currently paid for out of general  
24 revenue.

25 Another question was well, what's the current

1 status of our various bonding programs? Where are we at?  
2 What's -- what's been approved and where -- where do we  
3 currently sit? And so here you see the -- the three main  
4 borrowing programs of the Department, the capacity of each.  
5 The Mobility Fund is roughly 7.4 billion. Prop 14 is  
6 6,000,000 and Prop 12 is 5,000,000.

7 The Mobility Fund has issued up to that capacity  
8 as Mr. Haddican mentioned to you House Bill 122, restricted  
9 or limited. Additional issuances of new money bonds out of  
10 the mobility fund. So for the time being, it is at its  
11 capacity with no plans to issue additional bonds.

12 Proposition 14 has issued 5.3 out of the  
13 6,000,000,000 with roughly 700,000,000 remaining to be  
14 issued likely to happen in early calendar 2016. I want to  
15 highlight for those listening and others, that does not --  
16 with that 700,000,000 remaining to be issued, that does not  
17 mean that that 700,000,000 is necessarily looking for  
18 projects.

19 The Commission over the years has allocated that  
20 6,000,000,000 to a number of different projects. We didn't  
21 go out on day one and issue \$6,000,000,000 of bonds knowing  
22 it was going to take years for that -- those bond proceeds  
23 to be spent. We've gone out and issued 750 to a billion  
24 dollars nine to 12 months apart. As we spend those  
25 proceeds, we go out and issue more. So that 700,000,000, we

1 will issue as the active projects need the cash to make  
2 those monthly progress payments.

3 That same principle applies to Proposition 12  
4 where the capacity is 5,000,000,000. We've issued 3.6. We  
5 need to issue another 1.4 but that additional 1.4 billion  
6 will be going to make progress payments on projects that  
7 have already been approved, allocated to receive that  
8 funding.

9 We have that remaining 1.4 billion to be issued  
10 spread out over early in 2016 and early in 2017. The timing  
11 of that is really going to be dictated by the level of debt  
12 service we were provided in the state budget, that's going  
13 to dictate for Proposition 12 when we're allowed to issue  
14 those -- those new money bonds.

15 MR. AUSTIN: James, as you talk about the  
16 allocation for debt service, what intrastate projects did  
17 those assume, level rates right now or any increase?

18 MR. BASS: No, to be conservative when we budget  
19 for those, we've historically assumed five percent.

20 MR. AUSTIN: Okay. So that's --

21 MR. BASS: So that's what's in the numbers what  
22 we've been able to achieve as you know as well under that.  
23 But not knowing what future rates will be -- we take that  
24 conservative approach of -- of five percent.

25 So if we move onto the -- the eligible uses of the

1 various bond programs, Proposition 14 is to fund highway  
2 improvement projects. Proposition 12 is also to fund  
3 highway improvement projects. The Mobility Fund for the --  
4 the proceeds, and this is all constitutional language, it is  
5 to fund construction, reconstruction, acquisition, expansion  
6 of state highways. It is also available for constructing  
7 and providing publically owned toll roads and other public  
8 transportation projects.

9           Looking over this a few minutes ago, I was  
10 reminded I should have highlighted -- and you heard from Mr.  
11 Haddican and I should have highlighted on this slide, that  
12 HB 122 altered the eligible uses of a portion of the  
13 Mobility Fund. The Mobility Fund has both bond proceeds and  
14 the eligible uses are those bond proceeds is what you see in  
15 the slide before you. It also -- the way the Mobility Fund  
16 is structured, before we issue any bonds the controller's  
17 office has to provide a revenue projection that revenues are  
18 estimated to be at least a hundred and 10 percent of the  
19 required debt service in a year. Leading to once you've paid  
20 debt service, there should be money, surplus revenue  
21 remaining after debt service has been paid.

22           Prior, that surplus revenue could be used for the  
23 exact same purposes as bonds could be issued for. With the  
24 passage of House Bill 122, that surplus revenue can be used  
25 for all of the same purposes that Mobility Fund bond

1 proceeds could be used for other than toll roads. So HB 122  
2 limited that surplus revenue from the Mobility Fund such  
3 that it can no longer be used for toll roads.

4 Speaking of the Mobility Fund, again, Mr. Haddican  
5 mentioned this one briefly in our budget Rider 48. In  
6 addition to receiving our overall appropriation through  
7 Riders, the legislature has the ability to provide  
8 direction and/or additional funding to the Commission and  
9 the Department on how they would like to see certain of  
10 those dollars being spent. Rider 48 is an example of that.  
11 And talking about port capital improvements and talking an  
12 amount not to exceed 20,000,000 from the Mobility Fund for  
13 such purposes.

14 MR. AUSTIN: James, before you leave that, how --  
15 going back to the source -- or the uses of the cash, we had  
16 in here other modes of transportation. Is that 20,000,000  
17 included in that figure on -- on slide two?

18 MR. BASS: Yeah, back on slide two, the other  
19 20,000,000. Yes and no.

20 MR. AUSTIN: Okay.

21 MR. BASS: There was not an additional 20,000,000  
22 added to that line for that purpose, but the 20,000,000  
23 would likely come from that line if the Commission so  
24 chooses to -- to move in that direction. And again, it's an  
25 up to figure.

1 MR. AUSTIN: So what -- the next question will be  
2 what -- what happened to the GIWW request?

3 MR. BASS: The -- for those particular projects,  
4 there was no additional funding granted for that. What is  
5 in the budget is what has historically been in.

6 MR. AUSTIN: And forgive me for the acronyms.  
7 What I'm talking about --

8 MR. BASS: Yeah, Gulf --

9 MR. AUSTIN: -- is Gulf Intracoastal Waterway for  
10 those that are listening.

11 MR. BASS: So for additional projects related to  
12 that and dredging projects, there was no additional funding  
13 provided for that. What is in the budget for the Gulf  
14 Intracoastal Waterway is what historically has been in  
15 there, about 1.35 million over the biennium to acquire sites  
16 to place or to hold the dredge material if there is a  
17 dredging. So it's kind of the -- the normal historic level.

18 MR. AUSTIN: And -- again, I'm not trying to  
19 divert from this, but in the event -- you know, we've had a  
20 lot of flooding around the state and I'm just talking about  
21 where and how we pay for additional maintenance and cleanup  
22 over and above what we're doing. The same would apply for a  
23 hurricane or a tropical storm coming through. But washes  
24 the sand back into the GIWW, that's our responsibility to  
25 help clear that, is that right? To -- to a large degree.

1 MR. BASS: I think it's -- we're the non-federal  
2 sponsor. To date, our role has been to acquire and identify  
3 land sites to -- to hold that dredge disposal. I'm not sure  
4 if we are the ones --

5 MR. AUSTIN: The core would be --

6 MR. BASS: -- responsible for dredging. I think  
7 the --

8 MR. AUSTIN: The core would be --

9 MR. BASS: -- core here --

10 MR. AUSTIN: -- largely responsible.

11 MR. BASS: -- is --

12 MR. AUSTIN: And --

13 MR. BASS: -- responsible. We assist them as  
14 we're able to.

15 MR. AUSTIN: But we would be reimbursed  
16 potentially for a lot of that weather related stuff. For  
17 example, a tropical storm coming through clogging it up.

18 MR. BASS: Right. With the -- yeah, by federal  
19 emergency management --

20 MR. AUSTIN: I see where -- yeah.

21 MR. BASS: -- if it's in there, yes.

22 MR. AUSTIN: Okay. Thanks.

23 MR. BASS: Another item you heard of earlier was  
24 design build contracts. This shows the combination of the  
25 -- the Rider and the House Bill 20. The Rider says that the

1 design build contracts for highway projects must have an  
2 estimated construction value of at least 250,000,000. And  
3 HB 20 says the Department may enter into three such design  
4 build contracts each fiscal year.

5 Another directing Rider, district discretionary  
6 funds, for a number of years, there's been a Rider in the  
7 Appropriations Act saying that in Category 11 in UTP,  
8 district discretionary funds, each district shall be  
9 allocated 2.5 million. That -- part of the Rider continues  
10 for '16 and '17. There is a new section saying that there  
11 should be an additional amount not identified that would be  
12 allocated to fund improvements designed to facilitate  
13 traffic along border inspection and security processes at  
14 lands ports along the Texas-Mexico border. Another --

15 MR. AUSTIN: James, sorry to --

16 MR. BASS: Sure.

17 MR. AUSTIN: I just wanted to -- this was  
18 dedicated to the Texas-Mexico board, right?

19 MR. BASS: Correct. Within ports of entry within  
20 50 miles of the Texas-Mexico board.

21 MR. AUSTIN: And the reason I think back to our  
22 strategic plan, we have in there funding -- I -- I recall an  
23 unfunded category of border - border areas which would  
24 include also Texas, Louisiana coming back down to other  
25 parts. I think. I think Tommy Merritt put that in a long

1 time ago. But that -- that does not apply to this. That's  
2 separately funded, right?

3 MR. BASS: Correct.

4 MR. AUSTIN: Okay.

5 MR. BASS: The -- the lane -- the Rider lane which  
6 refers to Texas-Mexico border.

7 MR. AUSTIN: Okay. Thank you.

8 MR. BASS: The one thing that -- again, a  
9 directional Rider that with the ending of the practice of  
10 providing state highway funds to agencies other than TxDOT,  
11 for years, decades the Attorney General's Office has  
12 provided services to the Department primarily associated  
13 with eminent domain, but other transportation related  
14 issues, this Rider directs and instructs the Department to  
15 continue to have the attorney general provide those services  
16 for us and to do that through an inner agency contract with  
17 the attorney general's office.

18 The legislature also spoke on how Proposition 1  
19 funds for 2016 and '17 should be allocated. And you saw  
20 this in the earlier presentation. 45 percent for mobility  
21 and added capacity, 25 percent for regional connectivity, 20  
22 percent for maintenance and then 10 percent for roadway  
23 maintenance and safety and the energy sector areas of the  
24 state.

25 MR. LEWIS: James, how does that compare to the

1 manner and the percentages in which Prop 1 funds were  
2 distributed previously?

3 MR. BASS: So the first round, the 45 percent for  
4 mobility and added capacity was 40 percent in the first  
5 round. For the 25 percent for regional connectivity was 30  
6 percent in the first round. The 20 percent for statewide  
7 maintenance in the first round was 15 and then the 10  
8 percent for safety and maintenance in the oil and gas  
9 production areas was 15 percent in the first round. So  
10 close but not exactly. A little bit of movement refining of  
11 those percentages.

12 Another directional Rider, the -- and potentially  
13 appropriating one, the legislature said well, if the  
14 Department does sell real property and gets the proceeds  
15 from that, the legislature provided direction on how that  
16 money should be appropriated and spent and provided  
17 direction that it could be spent on the acquisition of land  
18 and other real property for new buildings, facilities, the  
19 construction of buildings and facilities and then also  
20 Commissioner Austin, I think perhaps to your earlier point  
21 acquisition of information resource technologies including  
22 technology replacement and upgrades, making sure our systems  
23 and computers can run the newest software, mainframe  
24 modernization, pulling a lot of our legacy system, some of  
25 those that date back to the mid-1980s moving them off the

1 main -- mainframe platform and then to a more modern.

2           And then one that's -- they're all important, but  
3 one that's really important is the modernized portfolio and  
4 project management. That is the planning program over the  
5 development and delivery of projects. Some of you have  
6 probably heard over the years DCIS, Design Construction  
7 Information System. This is one of those mainframe legacy  
8 systems that dates back to the mid-1980s. This modernized  
9 portfolio project management would replace that and bring  
10 ease of access to that important data as the planners go  
11 through and -- and plan to deliver those projects as we move  
12 forward.

13           MR. AUSTIN: James, can -- with this, can you talk  
14 some -- talk real numbers? What are our needs based on what  
15 -- and then what our projections over the last next couple  
16 of years, what resources might we be able to bring to  
17 address this and is there a cap?

18           MR. BASS: Yes. So I think an answer perhaps  
19 differently on the IT, the -- the ability to deliver within  
20 a biennium is more a -- is kind of the initial constraints.  
21 Are -- are needs are greater than what can really be updated  
22 and properly managed and delivered within a biennium. So I  
23 don't know if I have the grand total of -- of the needs, but  
24 if we look at what we requested for the technology  
25 replacement and upgrade, we requested about 40,000,000.

1 What was provided in the baseline budget was 32,000,000 with  
2 the opportunity to take that 32 up to 40 by these real  
3 property receipts.

4 The mainframe modernization, we had asked for  
5 76,000,000. And in the baseline budget we received 41.  
6 Again, with the opportunity to fill that 35,000,000 gap from  
7 these proceeds. The modernized portfolio project, we had  
8 asked for 30,000,000. Baseline budget we received 15 with  
9 the opportunity to finish off that last 13 -- 15, sorry,  
10 from the sale of real property receipts. So that's --  
11 that's a hundred and forty-five million of what we requested  
12 in those three IT areas. And so I think that's kind of a  
13 general idea of what the capacity kind of maybe larger than  
14 that, but to --

15 MR. AUSTIN: To absorb the next two years.

16 MR. BASS: To absorb and actually deliver  
17 efficiently in that neighborhood.

18 MR. AUSTIN: Thank you.

19 MR. BASS: Another item the legislature gave  
20 direction on through receipts of the sale of real property  
21 and/or the sale of surplus equipment was to use those  
22 proceeds to continue funding a -- a total discount program  
23 for certain groups of veterans. And then also to begin  
24 again a truck discount for those trucks that are traveling  
25 on segments one through four State Highway 130 and State

1 Highway 45 Southeast hopefully as an incentive to move some  
2 of that truck traffic off of Interstate 35.

3 One last directional Rider that I'll mention is  
4 Rider 50 that allocates and directs 3,000,000 from the  
5 highway fund out of our aviation program to a specific  
6 airport facility that's utilized by the Department of Public  
7 Safety and the Edinburg area.

8 The -- so those -- those are the slides on our  
9 budget. What's of interest to most people outside the  
10 Department whether they be metropolitan planning  
11 organizations, transportation and advocacy groups, members  
12 of the general contracting community as -- that's nice. How  
13 much are you going to award in contracts? How much is going  
14 to be out for bids as we -- as we go forward.

15 So the next few slides before I get to them, I  
16 want to point out a -- a difference that has meaning in my  
17 mind if no one else's. And the budget, it represents the  
18 payout of those projects over time. The next few slides are  
19 going to show contract amounts. The example I use is --  
20 well, in year one, if we award a \$30,000,000 contract,  
21 that's a 30,000,000 contract in year one. But in the  
22 budget, it's probably going to show up as 10,000,000 in year  
23 one, 10,000,000 in year two and 10,000,000 in year three as  
24 that project goes through its life cycle and pays out. So  
25 the next few slides are looking at the --

1 MR. VANDERGRIFF: Can I ask one quick question?

2 MR. BASS: Yes, sir.

3 MR. VANDERGRIFF: And having had a preview of  
4 those slides, that they don't address how much money is  
5 actually already been committed though, correct?

6 MR. BASS: Correct.

7 MR. VANDERGRIFF: So that's -- that's a -- maybe  
8 that's a future discussion, but that's an -- an important  
9 point to note at least I think at the outset because the  
10 slides are going to show a lot more money that actually is  
11 available to spend. And also, there are restrictions on how  
12 that money can be spent which you've outlined many of them  
13 here today.

14 MR. BASS: Correct.

15 MR. VANDERGRIFF: Okay.

16 MR. BASS: And so if we move perhaps to the slide  
17 if we looked at this a year ago. And this looks back to  
18 2000 which is before the initialization of the -- the  
19 bonding programs and looks out to 2025. So 10 years from  
20 now -- and the 10 years was picked because in the coming  
21 months the Commission will be asked to consider and look at  
22 a 2016 UTP that will go from 2016 to 2025.

23 So we looked at that and so if we looked at it a  
24 year ago, this is what we would have seen as far as actual  
25 letting and projected future letting. The -- the green bar

1 on the bottom is -- would have been funding by traditional  
2 funding sources. And primarily, that is the State Highway  
3 Fund and the Federal Highway Program combined together.

4 The red bars are what was added to that from the  
5 various bonding programs. And then the -- the gold or  
6 yellow there is this concession and fee again primarily in  
7 the Dallas-Fort Worth area. The state received a payment  
8 for the right to develop a project in Dallas-Fort Worth that  
9 can only be spent in Dallas-Fort Worth. And so I show it  
10 separate from the others.

11 To Commissioner Vandergriff's point, as you look  
12 at the 2025 and go oh, well, that's in the future, look at  
13 all that money in the future, man, I -- there's all these  
14 projects that need to be picked. Well, no, that funding is  
15 in the UTP through 2024 right now. And I won't say every  
16 dollar, but the vast, vast majority of those green bars in  
17 the future are allocated and committed to projects in the  
18 UTP. And the Department needs to know that and our partners  
19 need to know that, because in order to let -- let that  
20 project, to accept bids on that project in 2022, we need --  
21 need to be working on the environmental, the right-of-way  
22 maps and acquiring the right-of-way for that specific  
23 project today, because that's how long that process takes.  
24 So even those green bars in the future are spoken for in  
25 very large part in the UTP.

1           MR. VANDERGRIFF: Can I ask -- Chairman, can I ask  
2 him a question, because I think it's relevant to this slide  
3 before you move forward. Does this slide take into account  
4 -- I know it's got the concession fee that came from  
5 basically NTTA to be used in the metroplex, but does this  
6 slide take into account private sector investment funds that  
7 have been put in play? Again, going back to the metroplex  
8 as an example, three project 7.1 --

9           MR. BASS: Right.

10          MR. VANDERGRIFF: -- with about a 28 percent  
11 average investment from the state in that? The rest came  
12 from the private sector or federal government money that the  
13 private sector leveraged.

14          MR. BASS: So correct. The -- that the private  
15 equity, the bonds that the private equity, the bonds that  
16 the private developer may have issued and/or the loans from  
17 USDOT they have received are not included in here. And so  
18 the actual delivery of infrastructure bringing in that 6 to  
19 7 billion from the private sector over the past few years  
20 is not reflected on these slides.

21          MR. VANDERGRIFF: Chairman, I would think at some  
22 point we ought to have a slide that shows that just so we  
23 understand what money was flowing in here at one point in  
24 time. I think that's important to -- to layer on in -- in  
25 the beginning. That's it.

1 MR. BASS: Okay. So that was a year ago.

2 MR. AUSTIN : James I --

3 MR. BASS: Oh.

4 MR. AUSTIN : Over for now.

5 MR. VANDERGRIFF: Oh, I'm sorry. One -- two other  
6 quick -- I apologize, Chairman. On -- on those two other  
7 quick questions, the federal stay on this money that came  
8 in, is that reflected in 2009 primarily?

9 MR. BASS: Yes.

10 MR. VANDERGRIFF: Okay. And then in 2015 there's  
11 a huge jump in the green.

12 MR. BASS: Yes.

13 MR. VANDERGRIFF: And can you explain what made  
14 that happen?

15 MR. BASS: Yeah, there are a number of things in  
16 2015. One -- well, I'd say two of them are 183. Just one  
17 of them is 183 in the Dallas-Fort Worth area. And the other  
18 is 183 here in the Austin area. And my point there is those  
19 are two large scale multi hundreds of millions of dollars  
20 projects. The one in the Dallas-Fort Worth area I believe  
21 was initially planned to be awarded in 2014, but it slid  
22 into '15.

23 183 here in the Austin area, even though CTRMA is  
24 going to deliver that, it's being delivered with funding  
25 provided through the MPO and through the Commission. And so

1 it shows up as, you know, being delivered here. So that's  
2 in there. The other big part is the Harbor Bridge in  
3 Corpus. And it's a -- it's a great example I think of how  
4 looking at year-by-year you can see these big swings. So  
5 Harbor Bridge as we know is a big project.

6 And what's happened is that area, Commission,  
7 locals and others, have either saved up funding for a number  
8 of years in order to fund this big priority for them and in  
9 some cases because the -- the build out I talked about  
10 earlier our typical project is a three year payout. Well, a  
11 bridge of this magnitude is likely going to be longer than a  
12 three year payout. So they're able to actually maybe use  
13 some of their 2016 money because of the -- the payout's  
14 going to be a little bit longer than normal. So that drew  
15 some money into '15 as well and you have this -- this rise  
16 in -- in 2015.

17 MR. AUSTIN: James, I want to follow up on  
18 Commissioner Vandergriff's comments of adding the other  
19 sources in there. I think that's critical to --

20 MR. BASS: Okay.

21 MR. AUSTIN: -- to look at the total delivery of  
22 projects in the state, because we couldn't have done it all  
23 ourselves nor could the regions have done it all themselves  
24 without a partnership where you -- and you've got private  
25 activity bonds, TIFIA, other private sector contributions,

1 not just equity injections, TRZs, RMA. There's a lot of  
2 different funding sources that I think it would be good to  
3 -- to look at that, because that's -- we -- we can't do it  
4 alone and those are very important tools.

5 And I guess also just noting looking ahead as  
6 Commissioner Vandergriff is looking at, those are in today's  
7 dollars. Those are not inflated or deflated, right?

8 MR. BASS: Correct. So the -- it's just --

9 MR. AUSTIN: So the purchasing power of those  
10 dollars that we're looking at going forward all things being  
11 equal, with construction cost indexed at four and a half  
12 percent, interest rates down low, the purchasing power is  
13 going to be diminished of what we look at of present value  
14 dollars right now.

15 MR. BASS: And to that point, if you look at the  
16 bookends of that chart, 2000 the first year and 2024-2025,  
17 they're pretty close to the same dollar amount.

18 MR. AUSTIN: Dollar amount, right.

19 MR. BASS: What that dollar amount will deliver  
20 is far different.

21 MR. AUSTIN: That's right.

22 MR. BASS: Because two and a half billion, 2.6 in  
23 the year 2000 would have delivered many more lane miles than  
24 the same amount of money in 2025.

25 MR. AUSTIN: Well, and -- and -- again, I hate to

1 keep adding complexity to this, but there's two very  
2 important pieces I think what I want to consider going  
3 forward. One, is -- what we're discussing now, in which  
4 dollar are we looking at future or inflated because what it  
5 would deliver with the construction cost index kind of even  
6 looking at historical.

7 But there's one other very key component to all  
8 this, population. Because if we look at population  
9 increases projects and has -- what -- what we've been in the  
10 past, are we really adding capacity, do we really have  
11 enough money to address a planning and get things -- get  
12 projects ready to go, start acquiring the right-of-way and  
13 build to deliver these projects, because I'm going to  
14 contend no, we still don't have nearly enough without being  
15 able to use tools to keep up with population growth. So I  
16 -- we can talk about that later offline, but --

17 MR. BASS: Okay.

18 MR. AUSTIN: -- What other dynamics do we have  
19 affecting this? Thank you.

20 MR. BASS: So this was the view outside our window  
21 a year ago. What's the view outside our window today?  
22 Today we know that voters have approved Proposition 1 last  
23 November and we know that that was 1.74 billion and  
24 projected to be 1.2 for '16 and '17.

25 I will point out that on -- for purposes of this

1 slide for Proposition 1, I assumed that that 1.2 billion  
2 will continue into the future. Obviously it may or may not.  
3 The legislature may choose to direct that otherwise and/or  
4 adjust the minimum balance of the economic stabilization  
5 fund if that's what's in here. What I've also shown on here  
6 is 80 percent of that number because I'm assuming that 20  
7 percent will be needed for a right-of-way acquisition and  
8 engineering over time to deliver those.

9           Commissioner Moseley, to your earlier question to  
10 Mr. Haddican, the -- the additional state highway fund  
11 dollars that, you know, historically had been provided to  
12 other agencies. We have included that all the way through  
13 2025 primarily -- or solely because of the change in  
14 statute. That change in statute changed the law, so that  
15 gave us the -- the basis to say well, we need to include  
16 that in our planning documents, not just for the next two  
17 years based upon the budget, but for the next decade based  
18 upon the budget, but for the next decade based upon that  
19 statutory language and direction. And that's the purple bar  
20 as you see at the very top there.

21           So if we then maybe jump ahead to December or late  
22 November and think well, what might the -- the view outside  
23 our window look like in a few months. If voters choose to  
24 pass Proposition 7 this November, we have included a  
25 forecast of what those revenues would be. And once again we

1 utilize for this particular chart for contract awards. We  
2 applied 80 percent of that figure here to this chart again  
3 assuming right-of-way and engineering would consume the --  
4 the remainder.

5           And so you can see the -- the projected buildup  
6 over time for that. We'll point out that the -- I will  
7 point out I should have ordered these differently. The top  
8 bar, Prop 7, and the blue bar, Prop 1, are for highways  
9 other than toll roads. The green bar and the purple,  
10 additional state highway funds, do not have such  
11 restriction. They are typically -- they will be the  
12 dedicated revenues of the state highway funds and they are  
13 acquiring right-of-way, maintaining and building highways.  
14 There is no additional language at the end that says other  
15 than toll roads for those funding sources.

16           Again, to go back to our conversation a couple  
17 slides ago, the green bar, the vast majority of that  
18 committed, spoken for in the UTP already. The potential  
19 additional funding sources are then above the green bar.

20           MR. VANDERGRIFF: If -- if you were suggesting  
21 that you maybe put the additional state highway fund money,  
22 flip it -- yeah.

23           MR. BASS: I flipped the -- the blue and the  
24 purple to --

25           MR. VANDERGRIFF: Yeah.

1 MR. BASS: -- stack them a little better. Yes,  
2 sir.

3 MR. VANDERGRIFF: Yeah. Okay. That's what I  
4 thought.

5 MR. BASS: That is my last slide. I'm happy to  
6 answer any questions on what's been presented today or  
7 anything that you may have on your -- your mind.

8 MR. MOSELEY: Chairman, really more of an  
9 observation on -- I appreciate so much these bar charts.  
10 Thank you, James, very helpful, very instructive. I  
11 appreciate the fact that you've added Prop 7 and given the  
12 option that we the voters have this coming November,  
13 Chairman, my crystal ball is broken. I can't tell you the  
14 future, but I can tell you that in November when Prop 7 is  
15 on the ballot statewide there is a marriage race in Houston  
16 at the same time. Today there are seven declared  
17 candidates.

18 And I think it's just fascinating to also know  
19 that a few days ago the Texas Supreme Court ruled that a  
20 drainage fee tax approved by the voters about five years ago  
21 was not constitutional due to the wording. And so there are  
22 some discussions that maybe the city could -- should come  
23 back and bring this issue back on the ballot in November.

24 I have no idea what that means to -- to Prop 7.  
25 It's just going to be caught up in some of the discussions

1 about mobility and the mayoral contest in Houston. So just  
2 -- I just raise -- raise all of our awareness about -- about  
3 Prop 7 being on the November ballot.

4 MR. BUGG: Mr. Chairman, if I may, I have a  
5 question for Mr. Bass and it's -- first of all, thank you  
6 and to Jerry for kind of putting all of this together. That  
7 was the goal of today's workshop was really to kind of give  
8 us the context if you will of what the future holds.

9 I would like to ask for -- maybe it's my business  
10 background or banking background or whatever, but primarily  
11 you, James, and I guess working with Jerry to make sure that  
12 the interpretation of the new statutes and everything are  
13 implemented in these projections that I'm going to ask for.  
14 But the -- the charge and you've done a lot of the work as  
15 you have anticipated my question on Page 17, but I think it  
16 would be helpful to the Commission and helpful to us as we  
17 try to assess different decisions that -- that are before us  
18 to do the following.

19 Number one, I would love to see a pro forma.  
20 You've got the -- if Proposition 7 does pass, you've got the  
21 projections already in one part of your presentation through  
22 fiscal year 2019. I would like to see a -- a budget. You  
23 -- you showed us the budget for the biennium coming up. I  
24 would like for you to project out the budget and I guess  
25 you've already done some spade work to kind of get it

1 projected out to 20 -- 2025. So to help us, number one, I  
2 would like to see some projections on what the funding  
3 sources really are.

4           The second thing we really need to understand is  
5 as you outlined on slide 11 of your presentation about  
6 Proposition 1, appropriations, once we understand what the  
7 projections are on funding, then we need to understand what  
8 if any restrictions are placed on those items of funding so  
9 that we can understand for example the Prop 1  
10 appropriations, are those going to be in any way, shape or  
11 form apply to the other Proposition 7 funds and -- and  
12 whatever? That's point number two.

13           Point number three, Commissioner Vandergriff  
14 brought up and it's been mentioned, but I would like to  
15 understand what the, you know, UTP that we've already got in  
16 place, you know, what is committed so that we can understand  
17 what is available for future funding projects.

18           And then the fourth point I would like to ask is  
19 you just alluded to it in -- in the last part of your last  
20 presentation about the green bars and -- and all that. The  
21 point is we need to know if we go a hundred percent pay as  
22 you go which there is a lot of sentiment out there against  
23 toll roads. So if we go a hundred percent pay as you go,  
24 what is our contracting capacity versus what -- what is our  
25 capacity for contracting if there is a managed lane or a

1 toll capacity there, would the restrictions under the -- the  
2 Prop 7 not to be used for tolls, Prop 1, not to be used for  
3 tolls, all that?

4           So I guess what I'm really asking you to do is  
5 kind of tie this together and put a bow on it for us so that  
6 we can really understand what from a practical business  
7 standpoint do we have the opportunity to fund, because, you  
8 know, we've got to get -- I mean, our whole reason why we're  
9 in business is to basically relieve congestion on all the  
10 highways and -- and through the other multimodal ways we can  
11 do it. But we're primarily going to be focused on highway  
12 congestion and how to relieve that.

13           So that's meaningful information. Today was a lot  
14 of data. I would ask that we get meaningful actionable  
15 information.

16           MR. BASS: Application of that.

17           MR. BUGG: So that we can really kind of pull it  
18 together and -- and help set policy and help make decisions.  
19 That to me is the core of why we're here. So I would -- I  
20 would ask you to kind of do that.

21           MR. BASS: Okay. And we will certainly do that.  
22 We'll work with Mr. Williams and Zapalac, others on the UTP.  
23 Some of that -- what's available and what's going to be  
24 committed I think is going to happen over the next couple of  
25 months naturally as the Commission looks to adopt a new 2016

1 UTP, but we can make sure that that's clear as you're going  
2 through that.

3 The first two wouldn't -- that you mentioned the  
4 pro forma and them restrictions on those items. We can get  
5 that. That would not normally fall into that UTP process  
6 but we can --

7 MR. BUGG: Right.

8 MR. BASS: -- make sure that it's --

9 MR. BUGG: But you had mentioned --

10 MR. BASS: -- available in percentage.

11 MR. BUGG: -- a lot of these funds on the -- as  
12 you call them the green bars have already been committed.  
13 And so we -- we need to really understand, you know, what's  
14 our committed capacity if you will and what's our  
15 uncommitted capacity. And on the uncommitted capacity, what  
16 are the restrictions on that -- on that uncommitted  
17 capacity.

18 MR. BASS: And the one thing that I may have  
19 overstated that and some of you understand the implications  
20 of this much better. I would say it's -- it's committed in  
21 a planning document. And so which is different that  
22 committed through a contract or -- or some formal contract  
23 --

24 MR. BUGG: And that's a further --

25 MR. BASS: -- or obligation.

1 MR. BUGG: That's a further distinction I --

2 MR. BASS: Right.

3 MR. BUGG: -- I would like to ask you to do,  
4 because obviously we have to honor the commitments we have  
5 already made --

6 MR. BASS: Right.

7 MR. BUGG: -- from prior Commission actions. We  
8 need to know what that is and -- and so we can honor that.  
9 But I'm really trying to get down to what is our future  
10 opportunity capacity for lack of a better word. And I don't  
11 know if I'm communicating.

12 MR. BASS: No, I think -- yeah.

13 MR. BUGG: Okay.

14 MR. BASS: And we have it in our cash model and we  
15 may have to tweak it, but the cash flow needs for active  
16 projects and commitments, we already have it on a line item.  
17 I think you're interested in that. The available revenues  
18 to support future letting, I think you're interested in  
19 seeing well, how much of that has been allocated or spoken  
20 for in the planning documents.

21 MR. BUGG: Yeah.

22 MR. BASS: If you would like to know that as well.

23 MR. BUGG: Okay. Thank you.

24 MR. AUSTIN: Commissioner Bugg, one clarification.  
25 You're also looking for what -- and given the restrictions,

1 the unrestricted funds, how could they be leveraged maybe.

2 Is that what --

3 MR. BUGG: Yeah, that's -- that's part of what I  
4 was asking is I call it the opportunity.

5 MR. AUSTIN: Opportunity.

6 MR. BUGG: You know, what is the opportunity  
7 capacity. And when I asked, you know, what are we  
8 restricted on and what are we not restricted, start with pay  
9 as you go as maybe your starting block.

10 MR. BASS: Right.

11 MR. BUGG: And then with the restrictions that  
12 have been legislated or will come with the Proposition 7  
13 just like Prop 1 did, what are the restrictions and -- and  
14 what -- I'm just trying to understand what is our  
15 opportunity capacity for lack of a better word? Because I  
16 think the other thing that I'm trying to suggest is it's  
17 already come back to me and I'm sure it's come back to each  
18 one of you that oh, boy, it's great that the legislature has  
19 passed all these bills. And so you've got all this money  
20 now.

21 And so, you know, here is my laundry list. You  
22 know, here is a community that says, you know, here is the  
23 laundry list and -- and wants you to pay for that. I think  
24 part of what we need to understand as the Commission is just  
25 the questions I'm asking and really help us, James, get

1 around that so that we can be -- we -- we can help the  
2 public understand what we have and what we don't have. And,  
3 you know, and then we got the -- we the five of us got --  
4 have to get about the business of relieving congestion  
5 around the state of Texas no question about it. So we're  
6 ready to go to work.

7 MR. AUSTIN: Well, I want to follow up with that.  
8 Wherein the past we -- maybe we had a \$2,000,000,000 project  
9 that we could use other tools that could meet CDA criteria  
10 potentially. We could use other tools to fund it other than  
11 run out of cash at our coffers. So that's going to be  
12 pulled away so that's going to certainly diminish what --  
13 what our ability could be.

14 You know, and as you're going through that, I  
15 thought of one other funding source on here. I -- and the  
16 project funding scope, SIB loans and TELA, because I know  
17 there's under funding categories that -- that stack up to  
18 other funding sources that we have as -- as well. But I --

19 MR. LEWIS: James, if -- if I may. On slide 16 ,  
20 if you just clarify this for me so I -- I know what I'm --  
21 what I'm seeing or I think -- see

22 MR. BASS: Sure.

23 MR. LEWIS: -- I'm seeing. As you know, I'm the  
24 most challenged by numbers of -- of anybody on this -- on  
25 this day on either side. On -- but just take 16, for

1 instance. When it says it's red, it says TxDOT bonds, what  
2 bonds does that refer to?

3 MR. BASS: That represents a combination of three  
4 bond programs, the Texas mobility fund, Proposition 12 and  
5 Proposition 14 bonds.

6 MR. LEWIS: Okay. Now -- and so in 2015 we have  
7 some red. 2016 we have less red but some. 2017 we have  
8 almost no red. What does that mean to me? Tell me what  
9 that means.

10 MR. BASS: What that means is that -- and in this  
11 current year that some projects have been started that are  
12 going to be funded with some of those bond proceeds. A  
13 lesser amount is currently planned to be started in 2016  
14 that will be funded by proceeds from that amount. And then  
15 a 2017 in -- from the thing slice there, it looks like one  
16 or two projects is scheduled to be started with that funding  
17 source.

18 What I've -- I've noticed that same thing and I  
19 want to find out which one or two projects those are and  
20 make sure that there's an understanding of normally in our  
21 delivery we're sometimes waiting for the cash flow to come  
22 in from fuels tax and registration fees. That's not the  
23 case on the -- on the bonding program. So I want to make  
24 sure whatever district that project is and in 2017 that they  
25 know if the environmental design and everything's ready to

1 go, it could then move forward.

2 MR. LEWIS: Now in 2018 through '25, then there's  
3 nothing from TxDOT bonds. Does -- does that mean there will  
4 not be any bond proceeds available to be drawn down to apply  
5 to these contracts?

6 MR. BASS: It means there would be -- yeah, no  
7 project starts to be funded by that. So -- and as an  
8 example, the -- and I -- I may be defining too detailed  
9 here.

10 MR. LEWIS: No, tell me.

11 MR. BASS: But so if we look at the 2016 bar and  
12 we have that red slice there, the red chomp, that means a  
13 project is going to be awarded and begin in 2016. Now as it  
14 goes through, it may have -- before it gets completed it may  
15 be 2018 before it's completed. So we will spend money in  
16 2016, '17 and potentially '18 to finish out that project,  
17 but we won't in 2018 we won't be starting any projects that  
18 are planned to be funded by bond proceeds.

19 MR. LEWIS: Okay. So -- and so one -- let me ask  
20 this. From the -- the -- I guess these are TxDOT monies,  
21 basically funds available to TxDOT through our funding  
22 sources that you've got itemized over here on the -- on the  
23 right side. In 2015, how much money is available for  
24 contract awards? What's the amount?

25 MR. BASS: Yeah, it's anticipated to be around

1 that \$9,000,000,000. They're just over in 2015 --

2 MR. LEWIS: Okay. And --

3 MR. BASS: -- from all the different funding  
4 sources.

5 MR. LEWIS: Okay. And then without the passage of  
6 Prop 7, in 2018 how much money will be available, TxDOT  
7 funds, for -- for contract? How we contract --

8 MR. BASS: Neighborhood of -- in the neighborhood  
9 of 4,000,000,000.

10 MR. LEWIS: And then with the passage of Prop 7  
11 for 2018, how much money would there be?

12 MR. BASS: It would jump up to about  
13 6,000,000,000.

14 MR. LEWIS: Okay. Thank you very much.

15 MR. AUSTIN: James, I guess another way to just --  
16 slide five shows the "if issued" Prop 12 and Prop 14 bonds.  
17 You've got a billion -- a billion four that could be issued  
18 in early '16 and then 721,000,000 in early '17. So that's  
19 part of that slide where it's winding down. Even though  
20 it's issued, it will be spent. Okay. So basically a  
21 contract --

22 MR. BASS: And the project may have started --

23 MR. AUSTIN: Yeah.

24 MR. BASS: -- before 2017 --

25 MR. AUSTIN: Which is not you should do.

1 MR. BASS: -- but it's going to continue to have  
2 payments for a couple more years.

3 MR. AUSTIN: But then that pretty well issues up  
4 12 and 14 that were fully maxed out. So that -- all right.

5 MR. LEWIS: Any other question for Mr. Bass?

6 MR. BUGG: Very helpful. Thank you.

7 MR. LEWIS: Excellent presentation.

8 MR. BASS: Thank you.

9 MR. LEWIS: Thanks to you and to Jerry both.

10 GENERAL WEBER: I think that completes our events  
11 today, Chairman, and turn it over to you.

12 MR. LEWIS: Okay. Thank you. Thanks, General.  
13 We -- the only other item we have is Executive Session. We  
14 have nothing else on the -- on that. So all of the items on  
15 today's agenda are completed.

16 I don't believe we have any yellow or blue card --  
17 or yellow cards or blue cards have any have been presented.  
18 So we have no request either to address an agenda item or to  
19 make a statement during the opening time. Is there any  
20 other business before we come before the Commission?

21 (No audible response.)

22 MR. LEWIS: There being none, is there a motion?

23 MR. MOSELEY: I'll move.

24 MR. LEWIS: Okay.

25 MR. AUSTIN: So moved.

1                   MR. LEWIS: We have Vice -- Vice Chairman Moseley  
2 moves to adjourn. Commissioner Austin has seconded the  
3 motion. All in favor, say aye.

4                   (Chorus of "Ayes")

5                   MR. LEWIS: Any opposed?

6                   (No audible response.)

7                   MR. LEWIS: No, there are no opposed. Therefore  
8 the motion carries. I'll note for the record it is now 3:41  
9 p.m. We are in adjournment. Thank you very much.

10                   (Proceedings concluded at 3:41 p.m.)

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C E R T I F I C A T E

I, Kimberly C. McCright, CET, certified electronic transcriber, do hereby certify that the foregoing pages 1 through 71 constitute a full, true, and accurate transcript from electronic recording of the proceedings had in the foregoing matter.

DATED this 6th day of July, 2015.



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Kimberly C. McCright, CET  
Certified Electronic Transcriber