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TEXAS DEPARTMENT OF TRANSPORTATION
COMMISSION MEETING

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

Thursday
June 25, 2015
9:00 a.m.

COMMISSION MEMBERS:

Tryon D. Lewis, Chair
Jeff Moseley, Vice Chair
Jeffrey Austin, III
Victor Vandergriff
J. Bruce Bugg, Jr.

STAFF:

Lt. General Joe Weber, Executive Director
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: Call to order the June 25th, 2015 meeting of the Texas Transportation Commission in Austin, Texas. I will note for the record that public notice of this meeting containing all items on the agenda was filed with the Secretary of State's Office at 2:51 p.m. on June 17th, 2015. That is seven days prior to the meeting and meets the terms of Government Code Section 551.044.

Before we begin, I would like all of you -- everybody here has a cell phone. And I'm -- if everybody here is -- does not have a cell phone that's in the off position, is either turned off or on silent, please do that now. I -- I just did. So please join me in doing that -- me in doing that.

Some of you may wish to make statements to the Commission, address the Commission during the time of our -- of our meeting. There are two cards for that. And those cards are located out in the -- in the registration desk outside. If you have a card, fill it out, and I'll explain to you the two cards, fill it out and bring it up to Robin Clark, our -- our clerk. And then that way we'll know who -- who would like to address us.

Now on these cards, there's a yellow card. The purpose of a yellow card is if you wish to speak with regard to an item that's on the agenda, the posted agenda, a matter

1 we're taking up. If you do, then there's a card for you to
2 say you either want to make a statement or just register an
3 opinion. And you can just register an opinion and -- and
4 state what you're -- what you're for, against an item or
5 neutral on it.

6 There's a place for your name. And there's a
7 place -- first of all, for the item number, whatever it is.
8 You can put that in, a place for your name, your title. If
9 you're here representing a group, just any group at all or
10 an entity of any type, put in -- put in that. If you're
11 here representing yourself, that's -- you know, that's just
12 fine. But you're here on your own behalf. And if -- then
13 if you'll fill that out. So that's the yellow card if it's
14 an agenda item.

15 If it is not an agenda item, there is still an
16 opportunity for individuals to make statements when we're
17 complete -- have concluded all of the agenda items. It's
18 the open statement period. And on any non-agenda item of
19 your choice if you wish to make a statement, then you may do
20 so. It's the blue card. You fill out the blue card. The
21 same thing, give it to -- to Ms. Carter and we'll -- and
22 fill out the information that's on it. I will note that
23 statements to the Commission certainly may be made. And
24 feel free to do so, but it is a three minute time period.
25 So we'll let you know about the time.

1 If you do come forward and make a statement, this
2 -- this desk here, that's where you -- that's in front of us
3 all, that's where you come to make a statement. There's a
4 microphone there. Don't let it both you. Just come up,
5 state your name, who you're representing and then give us
6 the benefit of -- of your thoughts and wisdom. And we'll be
7 happy to -- happy to hear those matters.

8 Before going any further then, I'm going to turn
9 the microphone over to our Executive Director, Joe Weber.

10 GENERAL WEBER: Thank you, Chair. And at this
11 time, I would like to ask our Occupational Safety Specialist
12 Mike Pettibon to come forward and provide a quick safety
13 briefing.

14 MR. PETTIBON: Thank you, sir. I would like to
15 take a few moments and go over some emergency procedures
16 with you and the attendees and the committee. In the event
17 of a tornado or inclement weather, we will shelter and
18 place. We'll stay inside, move away from all exterior walls
19 and windows. Primary shelter for the Greer Building is the
20 stairwells and the basement. Secondary shelters for this
21 facility include lower levels of stairwells, interior
22 hallways and interior restrooms.

23 In the event of a fire, we will evacuate this
24 facility. You'll fire -- fire alarm pull stations on the
25 lobby and each level of floors. Emergency evacuation plans

1 are posted by each elevator on each floor detailing
2 descriptions as far as evaluation routes, locations of fire
3 extinguishers.

4 Our primary exit route will be out through the
5 front of the building to 11th Street. The secondary exists
6 are to the east to Brazos Street and to the west to
7 Congress. Once we have evacuated the building, we will
8 assemble on the front lawn of the capital. Fire
9 extinguishers are marked on the emergency diagram and are
10 located on each floor.

11 In the event of an active shooter or a bomb
12 threat, we ask that you please follow the directions given
13 over the public address system, the instructions given by
14 security personnel and/or other staff members.

15 For medical emergencies, we'll have volunteers
16 perform CPR if they're trained and qualified to do so.
17 We'll ask that volunteers contact 911 from cell phone or if
18 you are dialing from a TxDOT landline dial 9 and then 911 to
19 get an ex -- our external line.

20 Our address for this facility is 125 East 11th
21 Street. I'll say that again. It's 125 East 11th Street
22 across from the state capitol. And that will be the address
23 that's given to 911 to the operator.

24 If it's needed, an external -- our automated
25 external defibrillator is located on the first floor by the

1 security front desk if you're trained, qualified to use
2 that. If not, it is automated and it will prompt and direct
3 you on the use of that device. First aid -- aid kits
4 additionally are marked and located on each floor. And
5 available for use if needed.

6 Sir, with that, I would like to thank you for your
7 time and hope that we have a safe and productive meeting.
8 Thank you.

9 GENERAL WEBER: Thank you, Mr. Pettibon. And with
10 the safety briefing complete, Mr. Chairman, I'll defer back
11 to you to continue the meeting.

12 MR. LEWIS: All right. Thank you very much, sir.
13 It is our tradition to begin each of our meetings with
14 making an opening statement by each Commissioner if the
15 Commissioner wishes to do so. I'll start those comments.
16 Commissioner Bugg, I'll -- may I begin with you?

17 MR. BUGG: I just want to welcome everyone this
18 morning to our June meeting. And we have quite a full
19 agenda today. And -- and we look forward to working with
20 you on all these matters. Thank you.

21 MR. LEWIS: Commissioner Vandergriff?

22 MR. VANDERGRIFF: Thank you, Chairman. I -- I
23 want to take a couple of minutes to -- to give you an update
24 on the process that the Chairman tasked me with to
25 facilitate discussions going on. And -- and we have a --

1 what we've termed a core strategy team with inside of the
2 agency that has consist of individuals cross section of
3 district and Austin staff that are not necessarily on the
4 immediate front line, but they're also not at the senior
5 staff level either. They are folks that are really close to
6 both and have a good feel for that.

7 And -- and what we're starting out doing is -- is
8 kind of the basic blocking and tackling or -- of creating --
9 examining our values, our mission, our vision and what the
10 goals and objectives should be for the Department from the
11 people who live and work and breathe here. And I will look
12 forward because really that's a process that the Commission
13 has to own and -- and set that as policy.

14 And so Commissioners, I want to just alert you
15 that we'll be bringing you in to these discussions shortly.
16 We obviously can't do it at least unless it's a public
17 meeting as a group without making it such. But certainly
18 individually and then collectively we'll have discussions
19 along that.

20 This is leading into and -- and expect to start
21 this during this next month is to performance measurements,
22 the beginning of that. Is -- those of you that follow us
23 know we've got 80 something -- I think 83, 81, but they're
24 dictated by the federal government and LBB. Those don't go
25 away because those are dictated. But they're not the same

1 thing as well measuring up to what we think is important to
2 us to measure. So we're going to do that.

3 And then also we're going to get to the heart of
4 -- of project prioritization or -- and -- excuse me, project
5 prioritization and selection. And that's a little bit
6 different process this core strategy team will be involved
7 at a -- at a step immediately below the administration,
8 senior administration and the Commission.

9 But we also will be mandate of HB 20 and have a
10 group made up of members from the MPOs and from the
11 districts, five each. And then we'll have a team of subject
12 matter experts that will be able to help us assist the --
13 the staff in putting that together. But we'll bubble that
14 through up -- up through you as well. You will be involved
15 in that again.

16 It'll be at some point hopefully by August we'll
17 have a full meeting on that, but certainly during the month
18 of July and August to the extent you want to be and I hope
19 that's a lot we're -- we're going to engage you in that
20 process so that you're part of the sausage making on all of
21 it.

22 So anyway, thank you, Chairman. I appreciate
23 being able to facilitate that. And I do want to note that
24 there are -- from the senior staff, Rich McMonagle, Darran
25 Anderson and Marc Williams, Darran Anderson and Marc

1 Williams are co-facilitating this with me. And then Rich
2 has been there every step of the way and I appreciate his
3 input and insight into the process.

4 And last but not least, the person who's leading
5 the entire charge in terms of facilitating it from a staff
6 level is Stacey Strittmatter out of Darran Anderson's shop.
7 And she's just done an excellent job and really appreciate
8 that and I look forward to you getting a chance to
9 participate. Chairman Lewis was with us a couple of days
10 ago and I think he sees the -- the process and how it's
11 working. And we'll -- you'll learn something and we'll get
12 good places. So thank you, Chairman.

13 MR. LEWIS: Well, thank you, Commissioner.
14 Commissioner Bugg, did you have something that in addition
15 --

16 MR. BUGG: Yes, I was looking in the audience when
17 I made my opening comments and I would like to take just a
18 moment to recognize that in our audience today former
19 Secretary of State, former Chairman of the Transportation
20 Commission, former Commissioner of the Transportation
21 Commission and now Chairman of VIA my friend Hope Andrade
22 from San Antonio, Texas. Oh, thank you for being here this
23 morning.

24 MR. LEWIS: Absolutely, sir. We all join in that
25 and thank you for mentioning that. And I -- before going

1 further, Commissioner Vandergriff, I -- I do want to say I
2 did -- did have an opportunity to sit in on the meeting and
3 I hope that the other Commissioners also take -- sit in on
4 the meeting. Very impressive to me and I -- I can see the
5 very hard work and the dedication of the TxDOT staff members
6 and the hard work you're putting in. And we all appreciate
7 it very much. Vice Chair Moseley.

8 MR. MOSELEY: Thank you, Commission, members. We
9 wear our orange ribbons to remind us of the value of safety
10 at its core value of TxDOT both in the workplace as well as
11 on our roadways. And we start our meetings with a safety
12 briefing. But I think we all agree there's a lot more work
13 to do and when Chair Lewis asked me to head up the safety
14 advisory taskforce I was kind of humbled by that assignment
15 because it's a -- it's a big task. But we did -- Chairman
16 and members meet last week thanks to Bill Hale and -- and
17 Carol Rawson in coordinating an -- an agenda.

18 We had a full day of meeting with our team members
19 here just to talk to each of our various divisions about
20 this topic of safety and to get a better handle on how we
21 can as an agency move towards reducing the number of deaths
22 and crashes on our roadways. In 2014, Chairman, we lost
23 3,535 people on Texas highways, which is a 3.7 percent
24 increase from 2013.

25 Chairman and members, we've not had a death free

1 day on Texas highways since November of the year 2000. Now
2 that equals one Texan being killed every two hours and 29
3 minutes, one Texan being injured every two minutes and 13
4 seconds. And I'm sorry to say that every 66 seconds there
5 is a reported crash on our system. And we agree this is
6 unacceptable.

7 And so the purpose of our advisory task force was
8 to identify and start beginning some discussions about some
9 concrete measures that we may choose to embrace about going
10 after this number and reducing it. And we'll come back to
11 you Chairman, members, with some ideas, but we did have our
12 initial meeting. And we plan to meet with stakeholder
13 groups with -- with those who are with us in this whole
14 discussion of mobility to look at best practices.

15 So as -- as we talk about this topic, please feel
16 free to get with Bill Hale or Carol Rawson who are team
17 leaders on this topic. We would welcome hearing from anyone
18 who have ideas on how our roadways can be safer knowing that
19 we have more and more demand for the capacity on those
20 roadways without population explosion. This -- this is a
21 topic that we're -- we're going to really take a hard look
22 at and see how we can save lives. Thank you, Chairman.

23 MR. LEWIS: Thank you, Mr. Vice Chair. Thank you
24 very much for your work on that issue that's -- that's in
25 essence of what we do and we believe in safety. So thank

1 you for doing that. Commissioner Moseley -- or pardon me,
2 Commissioner Austin.

3 MR. AUSTIN: Good morning, everyone and
4 Commissioner Moseley, welcome back.

5 MR. MOSELEY: Thank you.

6 MR. AUSTIN: I know you've been traveling and I
7 ventured you got eaten by a lion, you know, but glad you
8 outran him.

9 MR. MOSELEY: Thank you.

10 MR. AUSTIN: First off, Chair Andrade, welcome.
11 And it seems like just yesterday right after you were
12 appointed I think it was during the Final Four of 2003 or '4
13 coming down and visiting with you talking about projects and
14 your great interest that you continue to follow through for
15 a lot of folks. And thank you. You'd be proud of the
16 project that I was visiting with you on has progressed and
17 now has over 30,000 transactions a day. So thank you very
18 much for your long time support. And I'm -- I'm glad to see
19 you here. You're always -- always smiling. So thank you.

20 Over the last two or three months, you know, we've
21 had a lot of rain and I want to talk just for a second about
22 the flooding. You know, we talk a lot about this. There's
23 been a lot of impact that we've seen on the news. But first
24 and foremost, to the men and women, the real TxDOT that are
25 in the districts that are staying up 24 hours a day, seven

1 days a week clearing the roads, making them passable, trying
2 to fix them, fix potholes, thank you to each and every one
3 of you all that have been out there across the state that
4 are out there right now as we speak in the hot sun taking
5 care of the roads.

6 Because it -- it -- there -- we are going to have
7 problems. We have had problems and we've identified already
8 almost \$30,000,000 worth of projects of damage that we're
9 going to have to come back and replace. That's including
10 labor, major reconstruction of roads, bridges.

11 And, you know, we look at bridges, you know, we
12 have over 53,000 bridges that we help oversee in -- in the
13 state. And with rising water, Mother Nature is pretty
14 powerful. And she can do a lot of damage. Some of it we
15 may not know what's there yet.

16 And to the public, we would like to ask for your
17 help to let our district staff or call TxDOT any one of the
18 offices or stop somebody and tell them what's going on,
19 because we can't -- we're going to do our best to find them.
20 We may not. Whether it's a major pothole, we ask for your
21 help with the public to identify a lot of this.

22 Governor Abbott has declared a hundred and four
23 counties the -- the -- in a disaster area. And 58 counties
24 are included in a presidential disaster declaration. So
25 with this, there's a lot of work to be done. And with a lot

1 of our -- coming out of a drought where roads were already
2 cracked, now you start adding water seeping into these
3 roads. The next few months are going to be pretty
4 dangerous. So be careful in traveling. And -- and the
5 damage, I know this will probably going to end up missing a
6 digit of 30,000,000 right now by the time it's all said and
7 done when we -- we look at this. So please -- please be
8 careful and I know there's probably -- we hope there's -- we
9 like the rain, but in small doses.

10 We've had -- to the Legislature, thank you to the
11 members of the Legislature and the governor for signing some
12 bills to bring forth. A lot of new opportunities for us.
13 Texans are -- yeah, I've had the opportunity -- I've been in
14 Corpus recently with the General. I've -- just speaking
15 Nacogdoches towards -- to Houston TranStar.

16 Texans are wondering what does this mean to me and
17 to my district. We're going to begin looking at how we
18 implement as -- as Commissioner Vandergriff was talking
19 about with the new funds, how we're going to allocate
20 things. There is going to be a lot of discussion. Some of
21 the new funds will be restricted, but Proposition 7, before
22 we can figure out how to spend it, it has to be approved by
23 the voters.

24 And we would encourage your support because we
25 want to help keep Texas moving, we need to. Proposition 7

1 will be on the ballot in November. They'll be a lot of
2 discussions, a lot of questions, what does this mean for me,
3 my district. But I'm -- I'm excited about the opportunity
4 to look for new funding.

5 The -- one gentleman I would like to introduce
6 today if he's here, Richard Nelson. Richard, are you here?
7 Richard -- Richard, stand up for a second. Richard joined
8 us in May and he is our new director of toll operations,
9 office in here in -- in Austin. Richard moved from Florida
10 and he was the Director of the Florida Turnpike Association
11 previously. And when he was appointed to that position in
12 2008, shortly thereafter, this is music to my ears, he
13 helped identify about \$20,000,000 in savings and bringing
14 per cost transactions down.

15 So I think we've got the right guy for the job. I
16 know you're going to be busy. You're walking into some
17 challenges. I know that we're making progress, but welcome.
18 And I know we had a great opportunity to visit yesterday.
19 And one thing I like about what he's doing in -- in vendor
20 management with Chair is we're looking at this as talking
21 about what are our metrics to manage the contracts, not what
22 vendors are giving to us. So I appreciate what -- his
23 leadership in this and I -- I know we're going to start
24 holding him a little more accountable. Thank you, Richard.

25 The last thing is we talk about accountability. I

1 know we're going to have some challenges on today's agenda
2 as we begin looking ahead how we are doing business and how
3 folks are doing business with us. And as we begin looking
4 at whether there's contracts awarding accountability, you
5 know, there's give and take on both sides, but we need to
6 begin moving forward and holding accountable with what some
7 of the contracts say. It -- it's fair to the state. It's
8 fair to each and every one. I know when someone was doing
9 business with your company or your household and you're
10 doing something, you expect people to deliver and deliver on
11 time.

12 So please bear with us as we go through some
13 discussions today. But as we -- as we go forward, we're
14 going to ask for everybody's help to understand where we're
15 coming from in this. With that, Mr. Chair.

16 MR. LEWIS: Thank you. Well, thank you very much,
17 Commissioner. Very -- very well said. Thank you for those
18 remarks.

19 Our first order of business is the approval of the
20 minutes from the May 27th workshop meeting and the May 28th
21 regular meeting of the Texas Transportation Commission.
22 Each of the Commissioners has been provided -- briefing has
23 been provided the draft minutes in the briefing materials.
24 Commissioner Bugg, do you move approval of the minutes of
25 the May 27th workshop meeting and May 28th regular meeting?

1 MR. BUGG: So moved.

2 MR. LEWIS: And -- and Vice Chair Moseley I
3 believe seconded the motion. I there's no discussion, we'll
4 have the vote. All in favor, say "aye".

5 (Chorus of "Ayes")

6 MR. LEWIS: Any opposed, say "nay".

7 (No audible response.)

8 MR. LEWIS: The motion carries. With that,
9 General, I'm going to turn the agenda over you to begin the
10 day's business.

11 GENERAL WEBER: Thanks again, Chairman. And let's
12 begin with Item 3(a). We have an award of public
13 transportation funding as appropriated by the 84th Texas
14 Legislature and our Public Transportation Division Director
15 Eric Gleason will present.

16 MR. GLEASON: Good morning, Mr. Chair, members of
17 the Commissioner, General Weber. For the record, I'm Eric
18 Gleason, TxDOT Director of Public Transportation. Agenda
19 Item 3(a) awards approximately \$30,000,000 of state public
20 transportation grant funds to 68 rural and urban transit
21 districts throughout Texas as shown in Exhibit A.

22 These funds may be used for both operating and
23 capital program purposes. They support an infrastructure of
24 critical mobility and congestion relief services throughout
25 the state helping people get to work, to job training,

1 school, healthcare, shopping and other important travel
2 destinations covering 97 percent of the state's geographic
3 area.

4 Funds are allocated by formula as specified in the
5 Texas Administrative Code. Sixty-five percent of the
6 funding is allocated to rural areas and 35 percent is
7 allocated to urbanized areas. For rural areas, the
8 calculation includes a combination of population, land area
9 and performance measures. Urbanized area calculations
10 include a combination of population and performance.

11 In Fiscal Year 2014, Texas urban and rural transit
12 districts receiving these funds reported over 31,000,000
13 passenger trips and operated approximately 2800 vehicles
14 over 60,000,000 revenue service miles. And all of this with
15 less than .25 reported safety incidents per million revenue
16 miles and no fatalities. Staff recommends your approval of
17 this minute order.

18 MR. LEWIS: Thank you. Any questions for Director
19 Gleason at this time?

20 (No audible response.)

21 MR. LEWIS: If not, we have a couple of speaker
22 cards. Thank you, sir. We have a request to speak from
23 John Hendrickson. Sir, please come forward. Come up here
24 to the dais. And after stating here, who you're here
25 representing, give us the benefit of your remarks.

1 MR. HENDRICKSON: Good morning, Chair and
2 Commissioners, General Weber. My name is John Hendrickson.
3 I'm the General Manager of Waco Transit System and the
4 current president of the Texas Transit Association. I would
5 like to thank you and the Commissioners for your work. And
6 public transportation is an -- an important part of -- of
7 Texas and the economy in Texas. I would like to thank Mr.
8 Eric Gleason and his staff.

9 We support staff recommendations for 3(a),(b) and
10 (c). And I want to say thank you, Chairman Lewis. It was
11 great to see you in Midland. I appreciate you being at the
12 ribbon cutting for the Midland Odessa Urban Transit District
13 Administration Facility. That's a great thing. I would
14 like to also say thank you to Chairman Andrade back in 2006
15 whenever I was awarded the Friend of Texas Transit Award,
16 she's the one that gave it to me. So I appreciate that.
17 She has a special place in my heart

18 Transit is an important part of -- of what we do
19 in this state. I think it helps with us -- helps reduce
20 congestion. It helps with road maintenance. There's a lot
21 of benefits to it. And I appreciate what you all do and I
22 want to say thank you for, you know, supporting transit.
23 And I would like to invite you all to come down and visit,
24 you know, Waco Transit sometime or come visit any transit
25 system in your district so that you can see what they do. I

1 think it's important.

2 Back in 1997 I was a -- a student at Texas Tech
3 working as a mechanic at the local transit system there in
4 Lubbock and I went out on a road call. And it was a -- a
5 shopper type deal where we were taking elderly people to the
6 grocery store. The bus had broke down and I knew what was
7 wrong with it, so I went out there to fix it. So I fixed it
8 right there on the street. And a little elderly lady got
9 off the bus, came over there and gave me a really big hug
10 and a kiss on the cheek and that changed my life. Public
11 transportation is an honorable job. And I -- I just
12 appreciate what you all do. And so I hope that you all keep
13 that in mind.

14 But please if you can, come see us. We're having
15 a Texas transit state conference and rodeo in Waco in April
16 of 2016. I would love to see any of you there. Thank you.

17 MR. LEWIS: Any questions for Mr. Hendrickson at
18 this time?

19 (No audible response.)

20 MR. LEWIS: Thank you very much, Mr. Hendrickson.
21 We also have a card from Rob Stephens. Mr. Stephens, would
22 you please come forward and -- to the desk, after stating
23 your name, who you're here representing us -- representing,
24 give us the benefit of your remarks.

25 MR. STEPHENS: Good morning, Commission, General

1 Weber. Thank you for having me this morning. I'm here -- I
2 serve you in a couple of different capacities as the General
3 Manger of the Midland Odessa Urban Transit District in
4 Midland Odessa Permian Basin. And I also serve you as your
5 new Chair on the Public Transportation Advisory Committee.
6 And I'll be glad to work with you and the staff.

7 I -- I can't say how diffi -- difficult it is
8 coming up hitting behind these two home run hitters, Mr.
9 Hendrickson and Mr. Gleason, but I -- I too share their
10 sentiment about public transit. I think we -- I am very
11 thankful for the opportunity to serve and to work with the
12 Commission and Eric and his staff.

13 This coming year, the \$30,000,000 in state funding
14 helps us -- 68 combined systems provided over 31,000,000
15 trips over the last two years which averages to removing a
16 hundred thousand single occupancy vehicles off the road
17 daily and -- and state wide.

18 What we want to do as we move forward is to
19 protect against a roading against us pursuing our mission to
20 keep roads safe, keep congestion down, keep accidents to a
21 minimum and to connect our communities. I believe that this
22 is a very helpful move to that -- to that end. And I
23 appreciate that very much.

24 As we move forward, we have a couple of challenges
25 that we would be working on that I'll be working with Mr.

1 Gleason and his staff on is examining the impacts of the
2 growth of urbanization that we discovered throughout
3 centennial census.

4 You have several communities that move from rural
5 to urban or even the larger urbans move to even larger
6 urbans and take on even additional responsibilities with
7 very little or no time to plan for adding those services.
8 So we're going to be trying to take -- get a head start on
9 that before we get our next centennial census in so we'll
10 know where we -- where we are and make recommendations for
11 change.

12 The next one is -- and I'm very grateful to Eric
13 and his staff for initiating a study with the Texas Transit
14 Institute to examine the same kind of impacts that we have
15 on the -- with the energy sector. Texas has experienced a
16 -- a tremendous growth and prosperity economically. But
17 with that came some challenges in, you know, trying to
18 secure personnel, trying to adjust our budgets accordingly
19 and to keep our service standards up so that our customers
20 are -- are well served and protect against eroding pursuing
21 our mission of safety, reducing congestion and accidents and
22 connecting our community as well.

23 I'll be glad to move through this next year
24 working with you and the staff at TxDOT and trying to help
25 us achieve that. I appreciate you very much. Thank you.

1 MR. LEWIS: Thank you. Commissioner Austin.

2 MR. AUSTIN: Yes. Eric -- I was going to ask Eric
3 one question before we vote. I support -- well, to Eric
4 Gleason.

5 MR. LEWIS: Oh, this is for Eric Gleason?

6 MR. AUSTIN: Thank you.

7 MR. LEWIS: All right. Thank you. Thank you --

8 MR. STEPHENS: Yes, sir.

9 MR. LEWIS: -- Mr. Stephens. Director Gleason,
10 please come forward.

11 MR. AUSTIN: Eric, thank you for spending a few
12 minutes with me yesterday. We talked about several
13 different projects. But there's something you said that
14 really exemplified the scope of what transit means to Texas.
15 You know, hearing the 31,000,000 riders -- or trips where
16 people were riding throughout the state. But the scope of
17 the fleet around -- throughout the state that we have some
18 participation in -- or an investment and to replace a rural
19 -- I think it was 1800.

20 MR. GLEASON: Yes, sir.

21 MR. AUSTIN: And the metro was --

22 MR. GLEASON: The -- the urban transit --

23 MR. AUSTIN: Urban transits.

24 MR. GLEASON: -- districts is -- is 700 to 800.

25 Yes, sir.

1 MR. AUSTIN: And that does not include Houston,
2 the large cities.

3 MR. GLEASON: That's correct.

4 MR. AUSTIN: That's -- so if we look at that of
5 what investment -- a lot of this is matched like these
6 grants that we're awarding today, there's 50 percent matched
7 from the federal -- from -- well, federal funds that can
8 help. So where I'm leading, there's a lot of opportunity
9 here to help keep people moving, but we need to be careful
10 of the replacement of these as wear and tear. I think you
11 --

12 MR. GLEASON: Yeah.

13 MR. AUSTIN: -- you mentioned what is the useful
14 life of some of the equipment that we're -- the one -- for
15 the average transit, bus or what?

16 MR. GLEASON: Our systems operate a tremendous
17 diversity of different kinds of vehicles, everything from a
18 small Sedan to a typical 40 foot passenger bus. On average,
19 most of them look like the airport parking shuttle fleet
20 that you see. And that kind of a vehicle typically comes
21 with a three to five year useful life standard established
22 at the federal level for them.

23 Now typically here in Texas, we can take a vehicle
24 like that and given the maintenance programs these guys run,
25 seven to 10 years is the more -- if that's the average

1 experience we have. But if we were to stick to replacing
2 that fleet on a five year cycle, just for the rural program
3 alone we would be looking at needing over \$20,000,000 a year
4 to do that.

5 MR. AUSTIN: I know we can't do it alone and I
6 appreciate the feds helping us participate back to the
7 communities. With that, Mr. Chair, I would move approval.

8 MR. LEWIS: Thank you. Any other questions for
9 Director Gleason at this time?

10 (No audible response.)

11 MR. LEWIS: If not -- if not, thank you for coming
12 forward. We have a motion by Commissioner Austin to approve
13 the award of state funds to the public transportation
14 providers for Fiscal Year 2016 as appropriated by the 84th
15 Texas Legislature in accordance with the staff
16 recommendation. Commissioner Vandergriff, do you second
17 that motion?

18 MR. VANDERGRIFF: Sure.

19 MR. LEWIS: And we have a motion and a second.
20 Any further discussion?

21 (No audible response.)

22 MR. LEWIS: If there is none, I'll call for a
23 vote. All in favor, please say "aye".

24 (Chorus of "Ayes")

25 MR. LEWIS: Any opposed, say "nay".

1 (No audible response.)

2 MR. LEWIS: The motion carries. Thank you,
3 Director, very much.

4 GENERAL WEBER: Eric, next is Item 3(b). Would
5 you please continue? And this has to do with the awards --
6 awarding of funds from McLennan County.

7 MR. GLEASON: Thank you. Agenda Item 3(b) awarded
8 \$40,000 of previously awarded rural area federal transit
9 funding to the McLennan County Rural Transit District.
10 McLennan County is a newly formed rural transit district in
11 the Waco area.

12 Formerly a member of the Heart of Texas Council of
13 Governments rural transit district, the McLennan County
14 Commissioners' Court took action recently to dissolve their
15 rural transit district relationship with the Council of
16 Governments and form their own rural transit district.

17 The \$40,000 represents a negotiated agreement
18 between McLennan County and the Council of Governments for a
19 portion of previously awarded unexpended grant balances
20 currently under contract to the Council of Governments and
21 used for the provision of rural transit services in the
22 McLennan County area.

23 Commission action is required to transfer this
24 amount to the McLennan County rural transit district. Staff
25 recommends approval of this minute order. And by the way,

1 service begins in the new rural transit district on July
2 1st.

3 MR. LEWIS: Are there any questions of Director
4 Gleason with regard to this matter?

5 (No audible response.)

6 MR. LEWIS: If not, Commissioner Bugg, do you move
7 to approve the award of federal funds to the McLennan County
8 rural transit district in accordance with the
9 recommendation?

10 MR. BUGG: So moved.

11 MR. LEWIS: Commissioner Austin, do you second --

12 MR. AUSTIN: Second.

13 MR. LEWIS: -- that motion? We have a motion and
14 a second. If there's no other discussion, we'll proceed to
15 a vote. All in favor, say "aye".

16 (Chorus of "Ayes")

17 MR. LEWIS: Any opposed, "nay".

18 (No audible response.)

19 MR. LEWIS: The motions carries. Thank you,
20 Director. General.

21 GENERAL WEBER: Let's continue with Item 3(c), the
22 award of our federal and state funds and transportation
23 development credits.

24 MR. GLEASON: Thank you. Agenda Item 3(c)
25 reallocates previously awarded unexpended grant balances

1 from the former rural transit district serving four
2 counties, Duval, Jim Hogg, Zapata and Starr in South Texas,
3 the Community Action Council of South Texas, the former
4 rural transit district, to the Rural Economic Assistance
5 League and the Lower Rio Grande Valley Development Council.

6 Additionally, state funds are allocated to the
7 Rural Economic Assistance League and the Lower Rio Grande
8 Valley Development Council to assist in one time startup
9 costs associated with the significant unplanned and rapid
10 expansion of service area for both entities.

11 The Department learned in mid-April that the
12 Community Action Council of South Texas had unilaterally
13 concluded that they would no longer provide rural services
14 for these four counties effective June 1st. To the immense
15 credit of all involved, necessary processes, agreements and
16 decisions involving the four county judges, the Commissioner
17 courts for each county and the Rural Economic Assistance
18 League and Lower Rio Grande Valley Development Council
19 transit system leadership and their boards occurred within a
20 30 day time span to ensure that there was no disruption of
21 service in the area.

22 I want to express our sincere appreciation to all
23 involved and their commitment to a seamless transition of
24 public transportation services in that area. The figures
25 included in Exhibit A reflect a negotiated agreement between

1 the Rural Economic Assistance League, the Lower Rio Grande
2 Valley Development Council and the Department. Staff
3 recommends your approval of this minute order.

4 MR. LEWIS: Any questions of Director Gleason at
5 this time on this matter?

6 (No audible response.)

7 MR. LEWIS: If not, Vice Chair Moseley, do you
8 move --

9 MR. MOSELEY: So moved, Chair.

10 MR. LEWIS: -- approve the award of federal and
11 state funds and transportation development credits to the
12 Rural Economic Assistance League, Inc. and the Lower Rio
13 Grande Valley Development Council rural transit districts in
14 accordance to the recommendations? All right. Thank you.
15 Commissioner Austin --

16 MR. AUSTIN: I second.

17 MR. LEWIS: -- you approve, you second. Is there
18 any discussion?

19 (No audible response.)

20 MR. LEWIS: If there's no discussion, we'll
21 proceed to a vote. All in favor of the motion, say aye.

22 (Chorus of "Ayes")

23 MR. LEWIS: Any opposed, "nay".

24 (No audible response.)

25 MR. LEWIS: Then it is approved. Thank you,

1 Director.

2 MR. GLEASON: Thank you.

3 MR. LEWIS: General.

4 GENERAL WEBER: Next is Item 4, final adoption of
5 amendments to Chapter 7. Our Traffic Operations Division
6 Director Carol Rawson will present.

7 MS. RAWSON: Good morning, Commissioners. For the
8 record, I'm Carol Rawson, TxDOT's Director of the Traffic
9 Operations Division. The minute order before you requests
10 approval of amendments concerning Rail Safety. During a
11 reorganization of the Department's responsibilities, the
12 railroad investigation functions for the State Rail Safety
13 Participation Program were placed in the Department's
14 Traffic Operations Division. The amendments are necessary
15 to correct references to the appropriate division and
16 correct non-substantive typographical errors.

17 The amendments were posted to the Texas Register
18 and -- and received no public comment. Staff recommends
19 approval of this minute order.

20 MR. LEWIS: Any -- any question of Director Rawson
21 on this matter?

22 (No audible response.)

23 MR. LEWIS: If there are no questions, then
24 Commissioner Vandergriff, do you move that we approve the
25 final adoption of amendments to Chapter 7 in accordance to

1 staff recommendation?

2 MR. VANDERGRIFF: So moved.

3 MR. LEWIS: And Commissioner Bugg, would you
4 second that motion?

5 MR. BUGG: Second.

6 MR. LEWIS: We have a motion and second. If
7 there's no discussion, then we'll proceed to a vote. All in
8 favor, say "aye".

9 (Chorus of "Ayes")

10 MR. LEWIS: Any opposed, "nay".

11 (No audible response.)

12 MR. LEWIS: The motion carries. Thank you very
13 much.

14 MS. RAWSON: Thank you, sir.

15 GENERAL WEBER: Chairman, next is Item 5,
16 Compliance Office report. Our Director of the Compliance
17 Office Kristin Alexander will present.

18 MS. ALEXANDER: Good morning. For the record, I
19 am Kristin Alexander, Director of the Compliance Office for
20 the Texas Department of Transportation. The purpose of this
21 report is to provide a summary of information related to
22 investigations for the month of May, 2015 in accordance with
23 Transportation Code Section 201.452 and 201.454.

24 During May, six allegations were assigned for
25 investigation. And eight investigations were closed. Four

1 of those were substantiated. There are no further actions
2 recommended at this time.

3 GENERAL WEBER: Okay. Next, we'll move along with
4 Item 6. And this is the approval of our application to the
5 state -- excuse me, to the State Infrastructure Bank from
6 the City of El Campo. Innovative Financial and Debt
7 Management Officer Ben Asher will present.

8 MR. ASHER: Thank you, General. And good morning,
9 Chairman, Commissioners. For the record, I'm Ben Asher.
10 I'm the Innovative Financing and Debt Management Officer
11 here at TxDOT. This item is to consider final approval of
12 an application submitted by the city of El Campo to borrow
13 \$8,000,000 from the State Infrastructure Bank to upgrade US
14 59 to interstate standards by adding frontage roads and
15 improving main lane alignments or grades when necessary.

16 Staff recommends approval and I'd be happy to
17 answer any questions.

18 MR. LEWIS: Any questions? Commissioner Bugg.
19 Let me -- that's -- and do we have a second to that motion?

20 MR. VANDERGRIFF: Second.

21 MR. LEWIS: Let me -- I do want to ask a couple
22 questions before -- before we vote. I just --

23 MR. ASHER: Certainly.

24 MR. LEWIS: -- fill this out. If you will, tell
25 me a little bit more about the -- the El Campo project and

1 how it ties into the -- to our -- our Trunk system, our --
2 our interstate system and state highway system.

3 MR. ASHER: Sure. I will give you the benefit of
4 a non-engineer's history, sir, with -- with your permission.
5 This --

6 MR. LEWIS: That way I can understand it. That's
7 why -- that's why I wanted you to tell me.

8 (Laughter.)

9 MR. ASHER: All right. Good. Good. Great. So,
10 you know, as you will recall, this project has been the
11 focus of El Campo for over a year. There were discussions
12 about trying to bring up various components to the I-69
13 standards and was a focus of the districts and -- and
14 efforts here.

15 And my understanding of the evolution of this loan
16 was that they were interested in trying to participate in
17 that effort and in discussions with -- with TxDOT officials,
18 they were requested to bring something to the table in order
19 to facilitate the development of this small portion.

20 And that has led us to this point. There's been
21 some delays in terms of environmental review processes, but
22 for this piece, they were interested in participating and
23 that is the genesis of the request today.

24 MR. LEWIS: Thank you. And then with regard to
25 the financing, we're all going to be very conscious,

1 obviously State Infrastructure Bank and the funds available
2 and as -- as we go forward. And that's one of the things
3 that we're -- we're looking at, you know, going forward.

4 As far as the repayment of this loan, can you go
5 over it a little bit as far as some basic terms of
6 repayment?

7 MR. ASHER: Sure.

8 MR. LEWIS: Because these are long term loans.

9 MR. ASHER: Yes, sir. And I have --

10 MR. LEWIS: So if you go over --

11 MR. ASHER: -- a handout if that would be helpful.
12 I think it may have been distributed this morning. I don't
13 --

14 MR. LEWIS: Commissioners, do you have that
15 handout? Okay. So if you would very basically go -- go
16 down kind of what we're looking at.

17 MR. ASHER: Sure. Absolutely, sir. Chairman, as
18 you -- as you indicated, this is a 24 year loan to borrow
19 these funds. Importantly, the security for the -- for the
20 loan is comprised of -- of two elements, city tax increment
21 revenues, that -- that is to say the incremental property
22 taxes that will result from the creation of the -- of the
23 TRZ.

24 As folks are aware, those -- those revenues are
25 not as secure as other commonly used revenue such as general

1 obligation, sales tax. We -- in discussions with them, they
2 proposed they wanted to -- to use that as their primarily --
3 as their source of security.

4 We were not comfortable with that being the sole
5 security given the general performance of -- of property --
6 incremental improvements in property tax revenues. We went
7 back to them and asked them for -- for more enhanced
8 security. And that's when we entered into the discussion
9 for the ad valorem tax backup.

10 But Chairman, as -- as you know, this -- in order
11 to facilitate, you know, their borrowing capacity and -- and
12 to meet their desire the sculpt the debt service payments to
13 the expected tax revenues even though we understand that
14 those may not materialize or they're more speculative.
15 That's why we insisted on this backup. So when you're --
16 when you're regarding -- when you're talking about the
17 length of the loan, that was one of the primary drivers for
18 its length.

19 The average life of the loan, sir, which means the
20 expected repayment, all of it is -- is about 19 years.
21 That's principal and interest. So your comment about it, it
22 is -- it is a long loan. It's supported by -- by that fact.

23 They do make interest and they do make some
24 principal early on, but the loan is -- is 24 years but we
25 expected to be paid back fully. And in the event revenues

1 from the TRZ is insufficient, at that -- that year when
2 interest is due, they will make available ad valorem tax.

3 MR. LEWIS: Okay. And let -- let me ask you this
4 --

5 MR. ASHER: Certainly.

6 MR. LEWIS: -- and these terms. And -- and this
7 appears to me to be a -- a project that's certainly in the
8 -- in the wheelhouse of what we want to do, our interest,
9 our -- our Trunk system, important area for us. But just
10 again, to put it in perspective what we're doing as far as
11 no, this loan, but other loans for the State Infrastructure
12 Bank.

13 In the first central 2020 or I guess 2021 -- 2023
14 -- 2020, there would not be any principal pay. There would
15 be some interest pay, correct?

16 MR. ASHER: Correct, sir.

17 MR. LEWIS: And then it started to be principal
18 pay, but just -- from my looking at the sort of ending
19 balance here, I'm -- I'm presuming it's going to be 2028,
20 2029, something like that before even a million dollars --

21 MR. ASHER: That's --

22 MR. LEWIS: -- of the principal comes back.

23 MR. ASHER: Correct, sir.

24 MR. LEWIS: And then the principal starts coming
25 back pretty fast.

1 MR. ASHER: Correct, sir.

2 MR. LEWIS: But on loans we do, State
3 Infrastructure Bank of this type, the money's going to be
4 out for a long time. The -- the principal's going to be out
5 a long time before it comes back for us to re-lend others,
6 correct?

7 MR. ASHER: That is -- that is correct, sir. The
8 longer the loan, the -- the longer it will take back to put
9 money back into the SIB.

10 MR. LEWIS: Okay. And I just wanted to point that
11 out --

12 MR. ASHER: Correct, sir.

13 MR. LEWIS: -- so we'll be conscious of that going
14 forward. Yes, Commissioner Austin.

15 MR. AUSTIN: I -- I think this is a good
16 discussion as you -- we look back at -- what is the purpose
17 of the State Infrastructure Bank? You know, this was funded
18 with a little over 300,000,000, 200,000,000 several years
19 ago. I think we -- it was -- there was some additional
20 principal added to there to help cities, counties,
21 municipalities, toll authorities what -- what -- in some
22 capacity. It is a loan that is going to be repaid.

23 And as you look at the purpose of these as we --
24 you know, we had the opportunity to study the portfolio
25 yesterday. And Ben, collect me, the variety of purposes,

1 and these are loans that may range from several thousand to
2 50,000, 25,000 to a hundred thousand to several million in
3 there to acquire right of way, make utility adjustments, per
4 -- help like what we're doing with Wharton County to go
5 ahead and make that -- do the actual construction.

6 So there's a variety of reasons why the -- the
7 entities come to us because it will help save them money
8 instead of going to the secondary market. And in some
9 cases, secondary market, you know, you're not going to get
10 up the -- to the big volume to -- to save.

11 But the portfolio has very -- some are term notes,
12 term loans that will mature and pay off. Let's say short
13 term gap financing. But I think it's good to know that none
14 of these loans are -- well, they all bear interest. So the
15 fund will be recapitalized with that.

16 Now all that being said, we have a lot -- we have
17 indications, the -- the expressions of interest. There's a
18 lot of folks that are beginning to come forward and may want
19 to borrow beyond the availability of funds that we have. So
20 I know we're going to have some -- probably some good
21 discussions, Chair. What are the priorities, how are we
22 going to do it, do we limit by type. You know, do we limit
23 for toll authorities. Do we have a limit for municipalities
24 or type and sources of repayment?

25 And what I like about what was looking here, you

1 know, the communities that help themselves really set an
2 example. You look at what Wharton County's doing. I know
3 Hidalgo County has come up a little while. They're using
4 fees to help back some of the re -- potential repayment.
5 You have the transportation reinvestment zone that Wharton
6 County has put in place to help build -- there's other
7 means. But we have to be careful. The Chair is look at as
8 to the terms and the structure to make sure we don't over --
9 overcommit. But -- but the SIB is a great tool. And Ben,
10 is there anything else we need to watch out for as we're --

11 MR. ASHER: No, I think -- you know, as you -- you
12 know, obviously we're here to provide you with information
13 so you can make informed policy decisions and -- and we will
14 continue to do that. So our office stands ready to provide
15 you with information as you begin deli -- deliberations on
16 that topic. I -- I think both the Chair and you,
17 Commissioner, have outlined a lot -- all on the issues in
18 terms of, you know, repopulating the corpus. That is to say
19 having repayments come back into the -- the SIB so there's
20 enough money to make future loans and -- and then how you
21 are going to direct us to make those loans.

22 MR. AUSTIN: Okay. Now this is the banker coming
23 out in me. As we look at this loan -- and here we go. Come
24 on -- come on, Commissioner. As we look at this loan in
25 relation to all of their other debt, are we looking at

1 whether it's a project specific dedicated source or all
2 debt? Are we looking -- are you all taking a look at the
3 global cash flow --

4 MR. ASHER: Yeah, so --

5 MR. AUSTIN: -- and we're trying to meet some
6 minimum cash flow coverage?

7 MR. ASHER: Yeah, I would -- I would I -- the --
8 the answer to the first part of your question is absolutely.
9 We look at their overall credit structure and they're a
10 double A minus credit particularly once we requested their
11 -- you know, their ad valorem tax.

12 So yes, we look at what their ability is to repay,
13 but we do give them the opportunity to present to us how
14 they would like to repay it for us to evaluate and bring it
15 before you for consideration.

16 MR. AUSTIN: Thank you.

17 MR. LEWIS: Thank you. Any further questions of
18 Mr. Asher at this time?

19 (No audible response.)

20 MR. LEWIS: Then we do have a motion by
21 Commissioner Bugg to grant final approval of the application
22 from the city of El Campo to borrow up to \$8,000,000 from
23 the State Infrastructure Bank to pay for upgrading US 59 to
24 interstate standards, providing frontage roads and improving
25 main line align -- main lane alignment or -- or grades when

1 necessary in accordance -- in accordance with the staff's
2 recommendation. We have a second from Commissioner Austin.
3 Is there any further discussion?

4 (No audible response.)

5 MR. LEWIS: If there's no further discussion, I'll
6 call for the vote. All in favor, please say "aye".

7 (Chorus of "Ayes")

8 MR. LEWIS: Any opposed, say "nay".

9 (No audible response.)

10 MR. LEWIS: Then the motion carries. Thank you,
11 Mr. Asher. Thank you, General.

12 GENERAL WEBER: Next is Item 7.

13 MR. ASHER: Thank you, General.

14 GENERAL WEBER: Is that -- you -- do you have
15 another --

16 MR. ASHER: Oh, yeah. I'm here. Thank you,
17 General.

18 GENERAL WEBER: Okay. You're going to -- you're
19 going to -- okay.

20 MR. ASHER: Yeah, I'm sorry.

21 GENERAL WEBER: We're going to continue with Item
22 7, our preliminary approval of applications for financial
23 assistance from the Central Texas Regional Mobility
24 Authority. Please continue, Ben.

25 MR. ASHER: Thank you, General. This item is to

1 consider preliminary approval of a request from the Central
2 Texas Regional Mobility Authority or CTRMA as it is commonly
3 known to borrow up to \$30,000,000 from the State
4 Infrastructure Bank, 30,000,000 -- up to \$30,000,000 in the
5 form of a Toll Equity Loan and up to a hundred and forty-
6 three million, four hundred and forty-four thousand, two
7 hundred and forty-eight dollars in the form of a toll equity
8 grant.

9 All these financing assist requests will be used
10 to pay for portions of the cost of the construction of US --
11 US 183 South, the Bergstrom Expressway. And again, I'm
12 available for questions and staff recommends approval.

13 MR. LEWIS: Commissioner Austin, do you have a
14 question?

15 MR. AUSTIN: I do -- yes, sir. Is anyone here
16 from the CTRMA? How about -- Stein?

17 MR. AUSTIN: Good morning.

18 MR. HEILIGENSTEIN: Morning.

19 MR. AUSTIN: What I want to say, congratulations
20 on what you all are doing on -- on this project.

21 MR. HEILIGENSTEIN: Thank you.

22 MR. LEWIS: May I --

23 MR. AUSTIN: Go ahead.

24 MR. LEWIS: -- ask you to state --

25 MR. AUSTIN: Oh, yeah.

1 MR. LEWIS: -- state your name --

2 MR. HEILIGENSTEIN: Yeah, my --

3 MR. LEWIS: -- for the record?

4 MR. HEILIGENSTEIN: Yes, sir.

5 MR. LEWIS: So that we can have the record --

6 MR. HEILIGENSTEIN: Yes, Chairman. Mike

7 Heiligenstein, Executive Director of CTRMA.

8 MR. AUSTIN: Would you mind walking through just a
9 little bit the bid process, the scope of the project and
10 defer -- what we're looking at is 183. Also -- your project
11 here is going to bring tremendous relief to the Austin area.
12 If you wouldn't mind sharing a little bit of the scope and
13 how you got to where we right now.

14 MR. HENDRICKSON: Yes, sir. And I'll -- I'll
15 first address it by saying we currently have four lanes of
16 highway out there that is interrupted obviously by traffic
17 signals. It is a major corridor between 290, 71, the
18 airport, parallels I-35 which is a huge factor I'll get to
19 in a second.

20 It's about eight miles. We will be expanding that
21 facility to 12 lanes. There are currently -- the
22 procurement is -- is completed -- near completion. The
23 contract of course has not been signed.

24 Six of those lanes will be non-toll. They will be
25 the reconstruction of the existing 183 and six will be toll

1 lanes in the center that will be of course free flowing.
2 It's -- it's an incredibly important project for Central
3 Texas because of the -- I -- you know, in and of itself is
4 important. But eventually as I-35 becomes under
5 construction, sir, it will be a major -- I think a major
6 bypass for the citizens of Central Texas. It basically
7 quadruples the capacity of that facility.

8 I would also say the construction cost procurement
9 has just been completed, 580 million and along with the rest
10 of the -- the debt that we'll be going in the market with,
11 we'll see that number at about 730, 750,000,000 less not
12 including financing cost and the cost of capitalized
13 interest and other items.

14 So it's a major project. It's -- we have the
15 Chair -- the Executive Director of our MPO here today who of
16 course Campo being our local MPO approved this project many,
17 many years ago. In fact, Director Barton worked on this
18 many years ago, I believe about eight years ago when we put
19 the UTP together at the district for -- for Central Texas.

20 I also want to say my Vice Chair Jim Mills is
21 here. And Jim's been on the RMA board since its inception
22 in 2002, and has been paid handsomely for that at the annual
23 salary of --

24 (Laughter.)

25 MR. AUSTIN: Yeah, not.

1 MR. HENDRICKSON: Yeah. But I know we have our
2 staff here today. I wanted the staff to come see the
3 process. This is a very imposing building compared to ours,
4 but I think we're all very appreciative of the work that the
5 staff has done with us on this. And the partnering that
6 we've had with the Department over these many years.

7 And I -- I can remember the first time I -- one of
8 the first times I stood before this Commission I thanked
9 Chairman Williamson at the time for letting us borrow his
10 name for one of our counties in the RMA being Williamson.
11 And I want to say thank you, Mr. Austin, for letting us
12 borrow your name for the largest city in the -- in our RMA.

13 MR. AUSTIN: But Mike, a couple of questions. So
14 you all are going from four lanes to 12 lanes.

15 MR. HEILIGENSTEIN: That's correct.

16 MR. AUSTIN: And six of those will be non --
17 non-tolled.

18 MR. HEILIGENSTEIN: That's correct.

19 MR. AUSTIN: That's correct. Well, your -- what a
20 great relief for -- for traffic, especially in this area.
21 And again, when will you all anticipate -- best case
22 scenario, when do you all anticipate beginning construction
23 on this?

24 MR. HEILIGENSTEIN: Actually, that's a good
25 question. There's actually going to be an early milestone

1 where we -- when we went through the procurement we asked
2 that an early milestone for about half of the northern
3 section of the project be constructed on a more timely basis
4 so to speak. And that should be ready by 2018. The full
5 buildout would then be ready by 2020.

6 MR. AUSTIN: And just looking ahead and just -- I
7 know we're beginning to work on -- look at some alternatives
8 on Interstate 35, hopefully that will be substantially
9 complete before we start on 35 so we don't have a big
10 bottleneck in -- in Austin.

11 And as y'all move forward, I would respectfully
12 ask that you all consider truck discounts or things like
13 that to help bring -- bring alternative routes to -- to the
14 truckers and so, you know, to help get them off of -- off of
15 35.

16 MR. HEILIGENSTEIN: Absolutely.

17 MR. AUSTIN: Congratulations on what you all are
18 doing and I -- this is a -- this is a really good -- really
19 good project.

20 MR. HEILIGENSTEIN: Thank you. Thank you,
21 Commissioner. I appreciate that.

22 MR. MOSELEY: Chairman, I have a --

23 MR. LEWIS: Yes.

24 MR. MOSELEY: -- quick question.

25 MR. LEWIS: Vice Chair Moseley.

1 MR. MOSELEY: Mike, thank you for this
2 presentation. You heard earlier some discussions about
3 safety as a core value of this agency. Are there safety
4 features that might be designed into your system?

5 MR. HEILIGENSTEIN: Well, yes, sir. Commissioner
6 Moseley, I think -- a couple of things. In and of itself,
7 the six lanes unimpeded will improve the safety of that
8 particular corridor I think significantly. What -- you may
9 not know about it because the -- it's a little bit hidden.
10 There's a number of pit run gravel companies, quarries, some
11 manufacturers in that corridor. And those trucks are
12 crossing 183 today through lights, through intersections
13 that I think where you have that much congestion, present
14 some safety issues. So I think in and of itself the six
15 lanes will provide significant enhancement of safety along
16 that corridor.

17 I would also say that one of the things that the
18 staff and we've -- we've -- are developing, to build a road
19 today that's not smart, the infrastructure itself not being
20 smart, is not smart. So one of the things that we are doing
21 is looking at every opportunity we can do to -- to create
22 the -- the -- now put embed -- if you will embed the
23 technology in the facility, that will increase our ability
24 to do infrastructure to automobile safety features as they
25 become available in the marketplace. And they're becoming

1 available now.

2 One of those is we're going to embed fiber
3 throughout the project and will have dark fiber, meaning it
4 won't be turned on yet until we see the manufacturers
5 catchup with -- or the thinking in terms of infrastructure.

6 So one of the things that I -- I really -- I look
7 at in this facility with a lot of concern, in -- in San
8 Antonio and we know that the Department does everything it
9 can as well as DPS, but San Antonio and some other cities in
10 Texas have a really tough history on wrong -- wrong way
11 accidents. It's a big problem. And where you end up having
12 -- now we're opening up a corridor that has stoplights and
13 we're going to be opening up that corridor to 70, 75 miles
14 an hour with a lot of entry points.

15 We want to make sure that we embed whatever we can
16 do to inhibit that type of behavior on our roadways. And I
17 think being able -- I don't know when this is going to come,
18 but if I can shut down one vehicle from going on a ramp the
19 wrong direction or be able to notify law enforcement
20 immediately that there is somebody going the wrong way on a
21 facility, I think we would have done our job.

22 MR. MOSELEY: I appre -- I really appreciate what
23 the CTRMA is doing in this area. We -- in our initial
24 discussions, we -- we did openly just ask ourselves as we
25 start going forward and design a roadway, should we not be

1 considering installing fiber cable knowing that autonomous
2 vehicles -- autonomous trucks and self-driving vehicles
3 would necessarily enjoy this kind of a platform. So I
4 congratulate you guys on doing that and Vice Chair Mills and
5 -- and your leadership for doing that.

6 MR. HEILIGENSTEIN: One other thing I would add on
7 the safety feature, Commissioner Moseley, is that is one of
8 those facilities where we do have pedestrians that are
9 trying to cross it, there aren't many places I think that --
10 the -- the islands and the -- the bays that people --
11 pedestrians can cross a facility like that are few and far
12 between. There is one above grade facility for pedestrians
13 to cross from the YMCA over to the other side of -- of the
14 highway.

15 We are building and incorporating into this
16 project into the bid proposal is separated hike and bike
17 facilities as well as greatly enhance pedestrian facilities.
18 We have too many people getting killed, pedestrians in this
19 town. In fact, I think Austin's on track to break a record
20 for that tragic figure. So this facility will have
21 separated the facilities for both pedestrians and bicycles.

22 MR. MOSELEY: Thank you.

23 MR. HEILIGENSTEIN: You're welcome.

24 MR. LEWIS: Commissioner Vandergriff.

25 MR. VANDERGRIFF: Yeah, I have a few questions.

1 And I do want to make a comment though about the safety
2 side. I -- I tragically a number of years ago lost a cousin
3 to a wrong way driver in broad daylight coming up the wrong
4 way, so I applaud any effort to get the right technology;
5 and I served on toll authority where we lost several people
6 because of wrong way drivers coming up and also racing on
7 the roads. So I know those are two big -- two big important
8 things to deal with.

9 I -- I've got some questions for you if I could.
10 And -- and just kind of looking over the numbers of the
11 project, I wanted to be sure I got these down. I think with
12 the combination of things that TxDOT has been asked to
13 engage in which include SIB loan a Toll Equity Loan here
14 today, a toll equity grant and some right-of-way transfers,
15 is it fair to say that -- that there's about 200,
16 \$210,000,000 invested from the state in this?

17 MR. HEILIGENSTEIN: That's -- there would be as
18 you point out a hundred and forty three million. That would
19 be the grant.

20 MR. VANDERGRIFF: Yeah.

21 MR. HEILIGENSTEIN: The remainder would be a loan
22 that we will pay the state back.

23 MR. VANDERGRIFF: Yeah, those two --

24 MR. HEILIGENSTEIN: Exactly.

25 MR. VANDERGRIFF: And then -- and then the equity

1 contribution from CTRMA is the -- it appears to be primarily
2 through the TIFIA loan that is -- that application has been
3 made?

4 MR. HEILIGENSTEIN: That application has been
5 made. We are in deep in the negotiations on that now in
6 terms -- for the terms. And then the other portion will be
7 senior debt.

8 MR. VANDERGRIFF: Okay. Yeah. And I -- I was
9 going to get to that.

10 MR. HEILIGENSTEIN: Right. Oh, sorry.

11 MR. VANDERGRIFF: No. No. No. That's -- that's
12 fine. I was just -- I was going to ask a question. And in
13 terms of the TIFIA loan, that would be estimated to get it
14 in 2016, 2015, just whenever you can get it I'm sure, but
15 you -- when do you anticipate that and --

16 MR. HEILIGENSTEIN: We anticipate going to the
17 Credit Committee TIFIA in August if they meet. If not
18 August, then September.

19 MR. VANDERGRIFF: Okay. All right.

20 MR. HEILIGENSTEIN: And we expect to receive the
21 proceeds in October, November time frame when we fund the
22 rest of it.

23 MR. VANDERGRIFF: Okay. And so is -- is our
24 awards here today and as we later ratify them I guess at a
25 future meeting, that is conditioned upon -- what -- what

1 happens if the TIFIA loan doesn't come together?

2 MR. HEILIGENSTEIN: We'll have to go to the senior
3 debt market and we feel strongly we can do that --

4 MR. VANDERGRIFF: Okay.

5 MR. HEILIGENSTEIN: -- even on the senior debt
6 market. This loan is important, because it gets about
7 \$75,000,000 of it up front or early in the phase and we can
8 begin prosecution of this project as soon as we -- and
9 obviously an issue to notice to proceed, number two. And we
10 expect that to be an October time frame. Since we have made
11 that award, Commissioner, we have a period of time where the
12 price is set.

13 MR. VANDERGRIFF: Okay.

14 MR. HEILIGENSTEIN: But after that period, then
15 they can begin an escalation based on an index.

16 MR. VANDERGRIFF: Yeah. And -- and is it fair to
17 characterize this as a toll project or a managed lane
18 project? How would -- how would you characterize it?

19 MR. HEILIGENSTEIN: This would be a traditional
20 toll project.

21 MR. VANDERGRIFF: Traditional toll project. And
22 so what's the -- in terms of the financial feasibility of
23 it, I -- how much of it is coming off of the -- the tolls
24 being collected? Will it -- will it pay for itself over
25 time?

1 MR. HEILIGENSTEIN: Yes, the bond coverage is over
2 two. And it's a very good coverage. It's one of the
3 stronger corridors in the Austin region. We just finished
4 as you know the 290 project headed to Manor. We expect this
5 one to have even more demand than that primarily because of
6 the activity in that corridor as well as the airport, the
7 activity around the airport.

8 MR. VANDERGRIFF: If I can ask you, what would be
9 the challenge of getting this project out if you -- if you
10 didn't have all of these tools to be able to do it?

11 MR. HEILIGENSTEIN: It would be very difficult.
12 This -- this particular -- the -- the 20, 25 percent from
13 the Department from -- from those sources are critically
14 important. It also gives TIFIA a sign that there -- this is
15 a partnership, not between the Department and the RMA. It
16 gives the marketplace a huge sign and it helps us I think in
17 our negotiations with the marketplace to have put another
18 \$200,000,000 of senior type lien debt on this would have
19 made this project more -- much more difficult.

20 MR. VANDERGRIFF: Yeah. And -- and what would
21 happen if -- if this was a pure local decision in terms of
22 funding for it if you -- if you couldn't come to the
23 Commission for support?

24 MR. HEILIGENSTEIN: At that point, I think we
25 would -- we would have to give it our best try again at the

1 senior -- at the senior if we didn't have this, we would
2 have to ask the credit markets to consider a higher amount
3 which I think the credit markets would take a hard look at
4 it, but I think this piece is incredibly important to
5 leverage the \$500,000,000, \$600,000,000 in debt that we have
6 to secure.

7 MR. VANDERGRIFF: Okay. And -- and the last
8 question for me and it's like, you know, it used to be Will
9 Rogers' comment as all I know is what I read in the
10 newspapers. And now I think for me it's the Internet is
11 where I get --

12 MR. HEILIGENSTEIN: Right.

13 MR. VANDERGRIFF: -- and read it. And -- and so I
14 know there's -- and I'm not asking for details, because I
15 know there could be, you know, some legal issues associated
16 with it, but there's -- there's obviously been reports about
17 the bidding process on this. And in particular, that there
18 was a low bid that wasn't accepted. And it seems pretty
19 significant in terms of the number, a hundred and sixteen
20 million is I think what I've read in the -- on the Internet,
21 newspapers.

22 And I -- I just -- to the extent you can, can --
23 can you address that for us? Because obviously coming
24 before us for significant funding, you know, every hundred
25 and sixteen million counts. So explain that to us if you

1 could.

2 MR. HEILIGENSTEIN: I -- I will attempt to do that
3 as you -- as you indicated in the atmosphere that we're in
4 so to speak. We had a -- we have a very detailed and
5 sophisticated process for our evaluation of these proposals.
6 And it literally includes probably 30 to 40 people. We have
7 an evaluation group that is most of whom are not even
8 connected to our agency. We pull in people from -- from the
9 outside. And in one example would be a retiree from the New
10 Mexico DOT. Another is a fellow that Commissioner Austin
11 knows, Everett Owen. He was chairing the committee. He's
12 from outside. Works for several RMAs in his work and -- and
13 large firms in the past.

14 Having -- so that -- that group is a very
15 sophisticated group. Our board has been through this
16 several times now. And let me say, no one knows the price
17 that is being proposed prior to the evaluation of the
18 technical side which is an eye on the prize side and that's
19 --

20 MR. VANDERGRIFF: Well, I was going to ask that.
21 So the --

22 MR. HEILIGENSTEIN: Yeah.

23 MR. VANDERGRIFF: -- the technical comes first.
24 You don't -- they -- they --

25 MR. HEILIGENSTEIN: Absolutely.

1 MR. VANDERGRIFF: People making their view do not
2 know price.

3 MR. HEILIGENSTEIN: Absolutely.

4 MR. VANDERGRIFF: Okay.

5 MR. HEILIGENSTEIN: In fact, the proposal was such
6 a nature that it was -- the request was made that it be --
7 could be -- that particular -- the low bid be declared non-
8 responsive. I chose on -- I chose not to declare them non-
9 responsive, because I did want to see at the end of the day
10 perhaps at the end of it it would -- it would rise to a
11 level that we could accept it, because I do like to accept
12 low bids. I mean, I -- and I think that's why we go through
13 this process. But we also go through the process because of
14 the technical side.

15 And without getting into details, there were a
16 number of concerns on the technical side that I believe that
17 this price would have eventually changed.

18 MR. VANDERGRIFF: And -- and so again not trying
19 to go too -- probe too deeply because whatever other
20 concerns might be out there, but you -- you thought about
21 being non-responsive. Is that related to perhaps the -- the
22 technical questions and -- and that they might have issues
23 there? Is that --

24 MR. HEILIGENSTEIN: Yes.

25 MR. VANDERGRIFF: Okay.

1 MR. HEILIGENSTEIN: Yes. It was -- it was
2 schematic. The -- the proposal put forth had some
3 deficiencies in terms of the layout, in terms of operational
4 layout, what the traveling public would have encountered if
5 we dealt it that way. And then some other issues that -- in
6 fact, there were a couple of areas where they -- they scored
7 no points.

8 MR. VANDERGRIFF: Okay. Thank you, Chairman.

9 MR. HEILIGENSTEIN: And that is public record, by
10 the way.

11 MR. VANDERGRIFF: Thank you. Thank you, Mr.
12 Heiligenstein.

13 MR. LEWIS: Before -- before you go, Commissioner
14 Austin, is there a question?

15 MR. AUSTIN: Yeah. I have a couple of more
16 questions, Mike. And Commissioner Vandergriff hit on some
17 of those and thank you very much for bringing those up.
18 One, back to a feature, the easy one first. Are -- are
19 there some bike facilities on this -- on this new road?

20 MR. HEILIGENSTEIN: Yes, there are. In fact, that
21 part of Austin where the Colorado River comes together with,
22 you know, where the bridges are now, the current bridges, is
23 sort of a -- an intersection of several pedestrian ways,
24 bike paths, its fact -- the old Lance Armstrong trail is
25 there, whatever those be in the future, it's there.

1 And one of the interesting features is there's an
2 old truss bridge there, iron truss -- steel truss bridge
3 that we now travel across to go to the airport. We're going
4 to maintain that as a pedestrian way as part of the trail
5 system. The traffic will be moving off of that onto the new
6 bridges. But there's no sense -- I mean, tearing that down
7 it provides a great connectivity from the north, south side
8 of the Colorado.

9 The Colorado there is -- is a major feature for
10 Austin of course so we -- we think that with the other bike
11 trails in that area, bike and pedestrian trails in that
12 area, the -- the money that we are investing for that will
13 be well spent. And yes, there will be sidewalk on one side,
14 separated bike and -- and pedestrian on the other.

15 MR. AUSTIN: I mean, what -- and thank you. Now
16 those are great features. I think that -- certainly be
17 welcome by the -- by the community. I want to revisit TIFIA
18 just for a second. Does the Central Texas RMA have any
19 other outstanding TIFIA loans at all?

20 MR. HEILIGENSTEIN: We do not. We had one for
21 183-A which we paid back.

22 MR. AUSTIN: Okay.

23 MR. HEILIGENSTEIN: And we had a SIB loan on 290
24 East which we paid back.

25 MR. AUSTIN: I just -- for the lot of the public,

1 you know, as we look at reauth -- federal reauthorization,
2 TIFIA is a way what we look at here, the State
3 Infrastructure Bank, TIFIA is also -- it's kind of the
4 equivalent at the federal level. It's administered by
5 USDOT. Very important tool to leverage dollars. Again, it
6 is a loan, not a grant. You all repay this as part of your
7 overall cash flow structure.

8 This is a very key component of the
9 reauthorization that we want to maintain these -- the
10 ability to borrow from TIFIA which is great. If you -- if
11 the TIFIA loan does not come through -- I know you're going
12 to go back to the secondary market. Do you all have in
13 place contingencies for -- for bands or bond anticipation
14 notes or --

15 MR. HEILIGENSTEIN: We could. We've had bands in
16 the past which we actually replaced with a TIFIA loan. We
17 could go back to Commissioner's question, too. Some of that
18 debt that he asked me about could end up being subordinated
19 which means it's a higher interest rate. This \$200,000,000
20 could well be subordinated that if we didn't have this
21 before us today.

22 MR. AUSTIN: The \$200,000,000 of the TIFIA.

23 MR. HEILIGENSTEIN: Of -- well, of this --

24 MR. AUSTIN: Of --

25 MR. HEILIGENSTEIN: -- of what we're talking about

1 from the Department. If -- if that \$203,000,000 was not
2 available, the Commissioner asked what -- what impact would
3 that have. If we have to go to the subordinated market, the
4 interest rate would of course raise a couple hundred basis
5 points.

6 MR. AUSTIN: Thank you, Mike. I do have a couple
7 more questions --

8 MR. HEILIGENSTEIN: And it --

9 MR. VANDERGRIFF: -- that would make the project
10 very challenging.

11 MR. HEILIGENSTEIN: More difficult. Yeah,
12 absolutely.

13 MR. AUSTIN: Congratulations on what you all are
14 doing. I know that it's come a long way. I do have --
15 thank you, Mike. I do have a couple questions for Ben.

16 MR. HEILIGENSTEIN: All right. And I -- I would
17 like to say one last thing on -- for the -- this part of
18 Austin. This facility is going to be also a -- a huge
19 economic development generator. We need jobs in Austin and
20 East Austin. And I think this is going to provide the
21 opportunity along with 130 -- between 130, the airport and
22 -- and 183 you're going to have a critical mass of
23 facilities to get people -- people against the markets.

24 MR. AUSTIN: Agreed.

25 MR. LEWIS: Before we bring him back, if you would

1 fill out a yellow card --

2 MR. HEILIGENSTEIN: Absolutely.

3 MR. LEWIS: -- as we're speaking.

4 MR. HEILIGENSTEIN: Yeah.

5 MR. LEWIS: The clerk will get you one. And then
6 Mr. Asher, please come forward for -- come back up here for
7 some more questions.

8 MR. AUSTIN: Ben, Mike touched on a little bit
9 what I was going to talk about this subordination. It does
10 not appear -- and is this a subordinated loan or will this
11 be subordinated?

12 MR. ASHER: Good -- good question. So I -- I
13 think what is important to understand as we, you know, do
14 our due diligence on this to review in totality the complete
15 plan of finance. Our loan as presented to us by them would
16 be subordinate to the senior toll bonds but be on parity
17 with TIFIA.

18 Okay. So not surprisingly there are a host of
19 financing issues that we're beginning to discuss with the
20 CTRMA to ensure, you know, as they continue to talk to TIFIA
21 to ensure that our position is fully protected. And that's
22 the discussion that will be ongoing. Actually, I have a
23 discussion I believe scheduled tomorrow with them to ensure
24 that whatever funds you folks determine will be loaned to
25 them will be repaid and our -- and our position is secure.

1 But I will -- it is a -- these toll structures are
2 -- are complex. And I think Mike did a good job of sort of
3 outlining the various elements.

4 MR. AUSTIN: It -- our repayment and for this
5 debt, are we looking at a system or the segment?

6 MR. ASHER: The 183 system, the 183 would be put
7 up.

8 MR. AUSTIN: Okay. In -- in totally. Nothing --

9 MR. ASHER: Right.

10 MR. AUSTIN: Nothing else cross pledged or --
11 okay. The -- the last thing. The last question. When we
12 give a commitment for -- and I've never asked this before,
13 for a -- for a SIB loan, do we put a time frame on there?
14 Because like the bank will issue a commitment to make a
15 loan. There's a time commitment on there. Is it six
16 months? Is it 90 days? What have we traditionally done and
17 what are you recommending on -- on this section -- this
18 section?

19 MR. ASHER: Yeah, I -- I think it's a good
20 question. So I -- I guess the rules as I understand them,
21 we are -- the staff is directed to negotiate by rule, you
22 know, at the Executive Director's request to negotiate with
23 a potential borrower. And then come to you, the Commission,
24 for recommendation for your consideration.

25 In this case, you know, the fact that TIFIA is in

1 -- is in play as we say may be a -- a time constraint, would
2 be warranted once we've reviewed the financing plans. As --
3 as I think Commissioners are aware and I think Mike has
4 referenced, they seem to do -- be doing pretty well with
5 TIFIA. You know, our experience has -- had been a little
6 more labored and taken much more time.

7 So we will certainly -- I think it's a valid
8 point. It's something we can raise in the discussions with
9 them when we meet tomorrow.

10 MR. AUSTIN: And just -- I know we're going to be
11 discussing more policy issue as it relates to SIB. I'm not
12 trying to change things as we are, but I want to compare and
13 contrast so that the Wharton County, you know, I think --
14 we're loaning -- other than the funds I have on hand,
15 there's no other mix of financing.

16 MR. ASHER: No.

17 MR. AUSTIN: It's -- it's straight out --

18 MR. ASHER: Standalone.

19 MR. AUSTIN: It means we're ready to go when they
20 are. They're going to draw down on it and start
21 construction --

22 MR. ASHER: Right.

23 MR. AUSTIN: -- we're ready to go.

24 MR. ASHER: Right.

25 MR. AUSTIN: With this one as we've looked at --

1 and others in the past or others on the agenda when there's
2 a blending of financing options, I feel we should begin
3 putting a time frame in there. And, you know, to be fair
4 because six months or a year, because we need to free that
5 up and when we have pressure coming in, that if it's not
6 going to be drawn out, we don't have an outstanding open
7 commitment that we need to begin to use it for other
8 purposes.

9 MR. ASHER: Yes, Commissioner. It's a good idea.
10 And just to clarify, we certainly when we're talking with
11 these folks, you know, we asked them very strongly, you
12 know, when do you need these funds. You know, we don't --
13 we just don't -- we just don't want to come to you to make
14 an approval for, you know, 30 or up to \$60,000,000 to -- to
15 sit around. We want to make sure that you have a
16 construction draw down that is realistic and incorporates
17 very clearly the use on the loans to be spent on the
18 project. And, you know, that is part of it. So it's -- you
19 know, we get a construction schedule and we -- and that's
20 part of the effort. We're going to go through that with
21 them in -- in some details. So when are -- when are you
22 going to spend these dollars?

23 MR. AUSTIN: Would -- would it be appropriate to
24 consider, you know, if we all are negotiating to put a time
25 frame of one year to -- to finally execute or --

1 MR. ASHER: I guess -- I guess, Commissioner, I
2 would like to reserve the right to review the --

3 MR. AUSTIN: Sure. Certainly. Certainly.

4 MR. ASHER: -- planned finance with your
5 permission and -- and the Chair's permission, because I
6 don't have off the top of my head their construction draw
7 down schedule --

8 MR. AUSTIN: Well, it -- not --

9 MR. ASHER: -- because I think it's --

10 MR. AUSTIN: -- necessary draw it down, but to
11 execute knowing everything is in place to draw down and
12 execute the documents.

13 MR. ASHER: Oh, yeah. No, yeah. Well --

14 MR. AUSTIN: With the --

15 MR. ASHER: -- that -- that I'm very -- you know,
16 certain we do, because as the rules state for loans over
17 \$10,000,000 we come to today with a preliminary and then --

18 MR. AUSTIN: One more.

19 MR. ASHER: -- and then we're going to -- we have
20 done some more work and we're going to do a lot more work
21 between now when we bring it back to. And we're -- and
22 we're not going to -- you know, at least I'm not going to
23 recommend to James that we bring it back to you until we
24 fully understand how -- how this is going to be structured
25 and -- and used.

1 MR. AUSTIN: And so perhaps that can be included
2 in the next -- in the final approval for the -- for the
3 structure. Okay.

4 MR. ASHER: Yes. And I'm --

5 MR. AUSTIN: And I don't want to mucky it up right
6 now.

7 MR. ASHER: No. No. That's fine. I -- I think I
8 --

9 MR. AUSTIN: But that's something we need to
10 consider --

11 MR. ASHER: I think I got --

12 MR. AUSTIN: -- going forward.

13 MR. ASHER: I think I understand. And we'll -- I
14 think I get that.

15 MR. MOSELEY: Chairman, I would just say as Ben's
16 looking at that, it would also be interesting to get a
17 recommendation if an entity opens up a facility and it turns
18 out to be lucrative, would there be some mechanism for them
19 to accelerate repayment back to the SIB so they're not
20 hoarding cash and keeping the SIB from being able to
21 redistribute that money to other Texans that could that use
22 money?

23 MR. ASHER: And it's -- it's an excellent
24 question. And -- and just -- and it really presents the
25 challenges of a complicated structure. For example, TIFIA

1 requires some prepayment. Okay. But we have in this case
2 senior bonds above us which have the right to the first cash
3 flows. So that would be again I think a -- a good thought
4 to talk to them about, you know, as we are -- as we're at
5 the same level with TIFIA, you know, maybe the thought would
6 be -- you know, I -- we could -- you know, we could get -- I
7 mean, I'm not going to -- we could try to get something
8 similar. But I think it's a good question. And TIFIA does
9 have that and -- and requires prepayment under certain
10 conditions.

11 MR. AUSTIN: And with that, do we have the right
12 if we wanted to package our SIB loans to sell them off in
13 the secondary market to recapitalize the SIB?

14 MR. ASHER: Yeah, I -- and again, this precedes
15 me, but I -- I believe that the -- you -- you can -- it is
16 permitted and folks from OGC, correct me if I'm wrong, if I
17 think that was one of the original attempts of the SIB that
18 has been, you know, I think legislation historically
19 proposed, you know, frankly, Commissioner, that -- given the
20 composite of the current SIB loans, it may be a little
21 challenging given that there are different kinds of --
22 different terms as the -- as the Chairman has pointed out,
23 different credit, different payment dates. But it -- it's
24 something that, you know, theoretically could be done.

25 MS. BRONSON: Good morning. I'm Rebecca Bronson

1 with the Office of General Counsel. The Commission and the
2 Department do have authority through revenue bonds to do the
3 kind of assembly into a portfolio of SIB loans and use that
4 as a leveraging tool. It's -- it's very difficult to
5 accomplish it and we've tried before. And it -- it simply
6 wasn't worth the complexity that it imposed upon -- upon the
7 SIB at that time. But again, we have different market rates
8 now and things can work now that weren't able to work four
9 or five years ago.

10 MR. AUSTIN: And this might be something that not
11 related to this, but knowing what we can or can't do as part
12 of our whole Infrastructure Bank scenario has - Ben - would
13 you all mind taking and visit with our FAs and just look at
14 some scenarios that maybe worth exploring? At least if --
15 if it's possible, what can we do if it's not a real valid
16 cost saving --

17 MR. ASHER: Yeah.

18 MR. AUSTIN: -- liquidity issue that we can't do
19 it, then no. But it's maybe worth to look at it.

20 MR. ASHER: That makes sense, Commissioner. We
21 can -- we can look. I think you -- you raise the correct
22 issue and what's the benefit, how much can -- how much more
23 can we get given the current construct of our SIB portfolio.

24 MR. AUSTIN: That can be an option or even part of
25 it to sell off and then recapitalize the SIB, because --

1 MR. ASHER: Okay.

2 MR. AUSTIN: -- we know we have others coming in.
3 We've got to figure out how we're going to fund it, which
4 ones, you know, cash flow, which are the best credit risks
5 for us to make as well, so --

6 MR. ASHER: Fair enough. We'll take a look at
7 that, sir.

8 MR. AUSTIN: Thanks.

9 MR. LEWIS: Let me just ask one thing Mr. Asher,
10 if I may.

11 MR. ASHER: Sure.

12 MR. LEWIS: Yeah, is that -- we have state -- the
13 request here, the recommendation from the staff is that
14 State Infrastructure Bank loan would be up to \$30,000,000,
15 then Toll Equity Loan up to \$30,000,000. And of course,
16 you're working on these pieces and how they adjust for a
17 final recommendation. But I just wanted to confirm what
18 you're working on is to have the repayment terms of the Toll
19 Equity Loan be consistent with the state infrastructure loan
20 and the kind of standards that we've had there. Is that
21 correct?

22 MR. ASHER: Absolutely. That -- that is a correct
23 assumption, sir. Absolutely. They will -- we expect them
24 to have the same terms.

25 MR. LEWIS: Okay. All right.

1 MR. AUSTIN: For Mike, I would be honored to make
2 a motion to approve this item. Oh, okay.

3 MR. LEWIS: Well, let me do this.

4 MR. AUSTIN: I'm sorry. I'm sorry.

5 MR. LEWIS: Well, let me get a second and then
6 we'll have some discussion. But -- and then Vice Chair
7 Moseley seconds. We -- we do have a motion on the floor,
8 but we have actually a -- a request. Thank you, Mr. Asher.
9 We'll -- we do have a request, and thank you for bringing
10 this up to me, request to address the Commission with regard
11 to it. Susan Wilcox, please come forward. After stating
12 your name, who you're here representing -- you're
13 representing, give us the benefit of your thoughts.

14 MS. WILCOX: Good morning. Thank you,
15 Commissioner and General Weber. My name is Susan Wilcox. I
16 am the Office and Communications Manager for BikeTexas.
17 BikeTexas strongly supports the inclusion of bicycle and
18 pedestrian facilities in this project. Oh, I'm sorry. I
19 forget that I'm short sometimes. All right. We strongly
20 support the inclusion of bicycle pedestrian facilities on
21 this project and we commend the CTRMA for being a leader and
22 including these bike and ped accommodations on all of their
23 projects.

24 Planning for these accommodations from the
25 beginning of course lowers the cost if we were to decide

1 later oh, no -- like we're saying earlier there's all those
2 -- all these trails and whatnot that come together. It
3 would be a lot more expensive and a lot more inconvenient to
4 have to go back in and -- and add them in after. So we
5 certainly commend the RMA for making these plans from the
6 beginning of the project.

7 And highways like the Bergstrom Expressway can be
8 a barrier to people who are on bikes and a wheelchair for
9 instance, walking anyone not in a car. And these kind of
10 facilities can mitigate that barrier and make it easier to
11 cross, make it easier to get around for folks who are just
12 not in a car.

13 And as was also said, this expressway project is
14 going to provide key connections with the Lance Armstrong
15 bikeway, with the Southern Walnut Creek Trail that are
16 already very heavily used. Help fill out the bicycle and
17 pedestrian network which would give more people options for
18 transportation to get around safely especially with this
19 economic development we're expecting, get a lot of more
20 folks to get to jobs easily without necessarily adding to
21 the congestion on this roadway, but also help with our
22 public health crisis, that people can walk and they can
23 bike, they can get around. And again -- and -- and it kind
24 of fills that network, allows us kind of access.

25 So again, BikeTexas supports this project and

1 thank you very much?

2 MR. LEWIS: Any questions of Ms. Wilcox?

3 (No audible response.)

4 MR. LEWIS: Thank you very much for coming
5 forward, ma'am.

6 MS. WILCOX: Thank you.

7 MR. LEWIS: I believe that's all of the requests
8 to speak that we have. We have a motion by Commissioner
9 Austin to grant preliminary approval of the application for
10 financial systems from the Central Texas Regional Mobility
11 Authority to receive a State Infrastructure loan up to
12 \$30,000,000, Toll Equity Loan up to \$30,000,000, a toll
13 equity grant in the amount of up to \$143,444,248 from the
14 state highway fund plus the value of right-of-way which has
15 been requested to be transferred from the Texas Department
16 of Transportation to the Central Texas Regional Mobility
17 Authority to pay the cost of constructing US 183 South, the
18 Bergstrom Expressway in accordance with the staff
19 recommendation. We have a second from Vice Chair Moseley.
20 Any other discussion at this time, Commissioner's?
21 Commissioner Vandergriff.

22 MR. VANDERGRIFF: Yeah, I just want to make sure I
23 note the math here that the -- the state is making a --
24 roughly a \$210,000,000 investment if everything goes well.
25 And the project costs all in if everything goes as expected

1 is another \$540,000,000 on top of that. And that's a
2 significant amount of money and just reminding everybody in
3 the audience that that's part of what we're going to have to
4 be looking at and certainly under mandate from Legislature
5 will is in a -- what I would call a non-tolled world. How
6 do we make up those difference with the revenue that we
7 have? So it's -- it's -- that will be a challenge.

8 MR. LEWIS: All right. Thank -- yes, Mr. Asher.

9 MR. ASHER: I -- I apologize. I would like to
10 make a clarification if I could, Chairman. So --

11 MR. LEWIS: Yes, sir.

12 MR. ASHER: -- I was just informed that when I
13 said the -- it would be system revenues and not project
14 revenues is the -- is what the application states. So my
15 apologies. The Commissioner asked the security for --

16 MR. AUSTIN: Just -- just to clarify. So we're
17 going to have revenues from the entire system --

18 MR. ASHER: That's what the application, right.

19 MR. AUSTIN: -- of the Central Texas coming in,
20 not just that one segment.

21 MR. ASHER: Right.

22 MR. AUSTIN: And so we're -- we're -- that's -- is
23 that right? I seem like --

24 MR. ASHER: That was --

25 MR. AUSTIN: -- taking this over, yes, so --

1 MR. ASHER: My apologies.

2 MR. AUSTIN: So we're better secured then.

3 MR. ASHER: Yeah.

4 MR. AUSTIN: Okay.

5 MR. ASHER: Okay. Thank you.

6 MR. AUSTIN: Is he endorsing the note?

7 MR. ASHER: I don't know.

8 MR. AUSTIN: Thank you.

9 MR. ASHER: Okay. Thank you. Sorry about that.

10 MR. LEWIS: Commissioners, any other discussion
11 before we vote?

12 (No audible response.)

13 MR. LEWIS: Hearing none, then we have a motion
14 and a second before us. All in favor, say "aye".

15 (Chorus of "Ayes")

16 MR. LEWIS: Any opposed, "nay".

17 (No audible response.)

18 MR. LEWIS: All right. All are in favor. So the
19 motion carries. General, back to you.

20 GENERAL WEBER: Ben, please continue with Item 8.
21 This is final approval of our toll equity grant request from
22 Hidalgo County Regional Mobility Authority.

23 MR. ASHER: Thanks, General. This item is to
24 consider final approval of a request from the Hidalgo County
25 Regional Mobility Authority for financial assistance for a

1 hundred and twenty-seven million nine hundred and thirty-
2 five thousand eight hundred and sixty-two dollars for
3 construction costs in connections with segments one and two
4 of the SH 365 project.

5 As you recall, preliminary approval was provided
6 at the May Commission Meeting. Staff recommends approval
7 and I'd be happy to answer any questions.

8 MR. AUSTIN: Okay. We'll -- we'll go ahead and do
9 that first.

10 MR. LEWIS: Thank you, sir. I -- I noticed that
11 Senator -- Senator Hinojosa, do you wish to speak on this
12 matter?

13 SENATOR HINOJOSA: Good morning, Mr. Chairman,
14 Commissioner Austin, Moseley and Vandergriff and Bugg and --
15 so I come and thank you for your help and guidance and
16 direction to the Hidalgo County RMA. We'll continue to grow
17 very rapidly. I also want to thank your great staff
18 especially James Bass and John Barton who go and testify all
19 the time before the committees up in the Legislature. And
20 they get pretty tough questions. But as I tell you, they
21 handle themselves very well and represent the -- the
22 Commission very well before the different legislative
23 committees.

24 But I do want to thank you for your work and of
25 course my good friend General Weber, USMC. But again, we

1 again thank you for all the work you've done on behalf of
2 Texas and our transportation needs. With that, thank you.

3 MR. AUSTIN: Senator, thank you. I know you've
4 missed my -- my early on. Thank you and your colleagues for
5 what you all have done to bring forth the constitution
6 amendment to provide additional funds. And I want to say
7 you all have had a lot of work. I know building up to the
8 last couple sessions from Prop 1 last time now to Prop 7 an
9 additional, you know, beginning, working and stopping some
10 of the diversions. You all are champions and we really
11 appreciate what you've done to help keep Texas moving. But
12 we're not done.

13 SENATOR HINOJOSA: We're not done yet, but I -- I
14 have to tell you we have a great Chairman for our
15 Transportation Committee on the Texas Senate with Senator
16 Nichols. He's just such an intellect and a thinker. And he
17 can almost come up with solutions to very complicated issues
18 and make it look very easy. So I just want to thank my
19 Chairman Senator Nichols.

20 MR. AUSTIN: Thank you.

21 MR. LEWIS: Thank you very much, Sir.

22 MR. MOSELEY: Thank you, Senator.

23 MR. LEWIS: Thank you. It's an honor for us to
24 have you here, Senator. Thank you for coming -- coming
25 before us. We appreciate it. And note for the record also

1 if we -- we might recall that Chairman Armando Martinez from
2 the House Transportation --

3 MR. AUSTIN: Right.

4 MR. LEWIS: -- Committee has appeared before us as
5 well. Let's see. We'll get back to our -- Mr. Asher. Do
6 you have some questions, Commissioner Austin?

7 MR. AUSTIN: Good morning again, Ben. Thank --
8 and I noticed as we're looking at this toll equity grant,
9 what we're doing, we're basically expediting what was a 10
10 to 20 year pass through agreement or a commitment to fund
11 and bringing forward to make those funds available now. And
12 but, you know, we've made a commitment, we want to honor it.
13 And I think there's a benefit to the Hidalgo County RMA for
14 receiving those funds now, but I just wanted you to help me
15 validate the -- the impact to the Department by doing that
16 right now.

17 If we take the hundred and twenty-seven million
18 using a three percent discount rate, coming back down to
19 present value of that money right now is, you know, about
20 \$95,000,000. And I think they're going to receive about a
21 \$20,000,000 benefit back --

22 MR. ASHER: Yeah.

23 MR. AUSTIN: -- Commissioner Vandergriff's point.
24 We got to makeup that money somewhere where we had projected
25 out. So that's a -- in addition to receiving the full

1 amount, there's an additional value that they're going to be
2 able to put to work. So --

3 MR. ASHER: Correct, sir. This is --

4 MR. AUSTIN: -- this was a -- this is a part of a
5 total financing package and you may want to look at -- we
6 have Part A and Part B of -- of the different segments.
7 This is -- this is going to allow them to move forward on
8 the first part, is that correct?

9 MR. ASHER: 1 and 2, right.

10 MR. AUSTIN: Is this contingent on --

11 MR. ASHER: It's in connection with 1 and 2.

12 MR. AUSTIN: In connection with the second part.
13 We have not taken up any action on the second part yet,
14 right?

15 MR. ASHER: On -- on segment three, right. This
16 is just for --

17 MR. AUSTIN: Or the third, right.

18 MR. ASHER: -- the first two.

19 MR. AUSTIN: I guess what I'm -- last month I know
20 it was right before the Chairman -- and I just mention that,
21 you know, they have just submitted a -- I believe there's
22 intent to come forward with a -- a State Infrastructure Bank
23 request that you all are analyzing right now.

24 MR. ASHER: Sure.

25 MR. AUSTIN: Would it be premature to begin

1 talking a little bit about what this might entail? Are they
2 totally -- are they connected or can this be done without
3 the SIB?

4 MR. ASHER: And maybe with your permission,
5 Commissioner and Chairman, I'll -- I'll give you an -- an
6 update --

7 MR. AUSTIN: Sure.

8 MR. ASHER: -- since we --

9 MR. AUSTIN: That -- that would be great.

10 MR. ASHER: -- since -- since we have --

11 MR. AUSTIN: However you want to handle it.

12 MR. ASHER: So we received their SIB application
13 later in May on May 26th --

14 MR. AUSTIN: Okay.

15 MR. ASHER: -- for a request for \$55,000,000. You
16 know, we -- since we've received the application, we have
17 been -- have initiated our detailed due diligence process
18 which requires us to contact seven offices to sort of check
19 the box to make -- make sure that those folks who are
20 responsible for certain areas that this application touches
21 are comfortable. We've checked the box on two and have five
22 to go. And one of those boxes yet to be checked is the plan
23 of finance.

24 And we are actually scheduled to hopefully talk
25 after the Commission meeting briefly with their financial

1 advisor with some of the questions that are a result of our
2 -- our due diligence. And that's what -- and that's what
3 the process entails that we are in a position be -- you
4 know, to -- to do our due diligence, to make sure we
5 understand the -- the total package.

6 MR. AUSTIN: Now I -- not -- I don't want to
7 restate some of the same questions because of the -- we're
8 not considering the SIB loan, but it is going to be part of
9 the package going forward. But I'll -- I'll see, you know,
10 Chairman Sweeten, you know, to everyone to the team please
11 consider some of the things that we've brought up, being
12 looking at a time frame and what have you, because as we're
13 looking at a total package, I would encourage all to please
14 be prepared what if -- you know, what are the contingency
15 sources.

16 And as we look at one of the loans we approved
17 today, there's immediate repayment of interest early on.
18 And I know -- I believe one plan would show no payment of
19 interest for five years on the SIB application and then be
20 getting partial payments. We're going to have to really
21 struggle with -- with that type of repayment given the other
22 applications that are coming in. So I would really take a
23 hard look at what you all are doing and, you know, staff.
24 We really want to try to get interest up front so that fund
25 can recapitalize when we don't have a non-earning -- even

1 though it's an earning asset, we want to make sure that it's
2 capitalized. And so I would just offer that. And then with
3 the total package, you know, how secure would we be with a
4 subordinated loan.

5 MR. ASHER: Yes. And I --

6 MR. AUSTIN: So just take a look at that. But
7 we'll also need to help make -- make sure that they can find
8 other alternatives to the -- at the -- to the FA -- I know
9 you all are working on that as -- working on that as well.

10 MR. ASHER: Yes. So I think Commissioner you've
11 hit on a couple of the issues that we're going to be sharing
12 with them in a little more detail with some of the finance
13 folks --

14 MR. AUSTIN: And --

15 MR. ASHER: -- this afternoon.

16 MR. AUSTIN: And we do have -- I think I remember
17 this from the last one. We do have a T&R -- investment rate
18 T&R study that's --

19 MR. ASHER: Right. And just -- if I may add one
20 thing to that, sir, we -- we do have one and it was
21 completed by a -- a firm called CMM which we at least I have
22 not personally worked with and I don't know folks in the
23 organization have. So what we did, we took it upon
24 ourselves and -- and it -- this was a TxDOT effort to do --
25 some due -- a lot of due diligence with that. And we

1 actually did a brief six week peer review of that study
2 using one of the -- one of the firms that we worked with
3 very closely.

4 So we've been working hard to try to look at the
5 assumptions being used to make sure that in the event, you
6 know, they came for financial assistance, we're in a
7 position to more fully understand the structure. And -- and
8 we can share that and with folks.

9 MR. AUSTIN: Okay.

10 MR. LEWIS: Any other questions of Mr. Asher at
11 this time? Commissioner Bugg.

12 MR. BUGG: Thank you, Mr. Chairman. Ben, at the
13 last meeting in May, you may recall that -- that I asked the
14 direct question is all the funding in place for this. And I
15 noticed that in the -- the staff recommends approval of this
16 and I know that it goes back to basically June 24th of 2010
17 when the Commission first started working with Hidalgo
18 County. And I appreciate Senator Hinojosa being here today
19 and -- and speaking to this.

20 And so I know the -- the decision before us today
21 is to act on the staff recommendation to approve the toll
22 equity grant to the HCRMA for the hundred and twenty-seven
23 million nine thirty-five eight sixty-two. However, I did
24 ask that question at the May meeting. I was assured that --
25 that all of the funding was in place.

1 Today I'm looking at as part of the staff
2 recommendation, the statement that taking into consideration
3 the -- the money that we're talking about today at this
4 juncture, the HCRMA would explore financial alternatives in
5 the private sector because the project will not be fully
6 funded. I'm trying to understand where is the disconnect.

7 MR. ASHER: Yeah, I'm -- I'm not sure. I mean, I
8 -- I'm not sure the doc -- you -- the -- the guidance we've
9 been given and the discussions we're having is to see if
10 that SIB loan as structured will be sufficient to meet their
11 funding needs based on how we have typically approached SIB
12 loans in the past. So I think and with your permission
13 Commissioner in your reference to your May comments, those
14 were based on a series of scenarios where we were making
15 assumptions about how we would expect it to be typically
16 structured. And that is going to be what we're going to
17 talk to the authority about today. And then ultimately we
18 will do that analysis and bring it to your attention for,
19 you know, for your deliberations.

20 But -- whoops, sorry. Just to clarify the -- your
21 -- where -- where your comments were coming, that was as a
22 result of some initial review assuming conventional terms
23 that we have used that we didn't see in their information
24 that they have submitted to that point.

25 MR. BUGG: Well, I would just say that in

1 connection with your review of the SIB loan request and --
2 and all of that, since I asked the question and felt like I
3 was assured that there was funding in place for a hundred
4 percent of the project in the May meeting and if you
5 reviewed the minutes, I made the motion to approve the staff
6 recommendation in the May meeting.

7 Now I find that, you know, in our own documents,
8 the statement -- the project will not be fully funded. So I
9 would only ask that I believe -- I for one and I believe my
10 fellow Commissioners are going to share the same concern.
11 When you come back with the final negotiation on the SIB
12 loan, I for one want to know that this is fully funded and
13 no ifs, ands or buts.

14 MR. ASHER: Okay, sir. Acknowledged.

15 MR. AUSTIN: Well, and with that, you know, I know
16 we're looking at -- and that's why I was kind of
17 distinguishing between the -- the first part and the second
18 part. Part of the project could be done with what we're
19 doing today.

20 MR. ASHER: That's right. So --

21 MR. AUSTIN: So it's not a total -- it's not a
22 complete project. Are we -- and I'm -- I'm asking --
23 speculating are we better off Mr. Chairman to -- go and
24 approving this or deferring until we know what the full
25 financial plan is?

1 MR. LEWIS: Well, I -- we're going to hear from
2 representatives as well of the RMA. My understanding is
3 that to move this project forward -- I mean, you got two
4 parts and you got to start with one and then you get to the
5 other one. And we've got -- we've got the -- if there --
6 there's no way to borrow the other money if we don't do the
7 -- the equity part because it's -- it's necessary to get the
8 loan package together to -- to do the final part. So like I
9 said, we're going to be hearing from the RMA, but I -- to me
10 they're two discrete parts, but the project's going to take
11 as -- I think Commissioner Bugg has noted, the part -- the
12 project is going to take as -- as we have envisioned it is
13 going to take both parts to be complete before we put -- and
14 before the State Infrastructure Bank commitment is made, all
15 the pieces have to be in place so when other projects are
16 going to happen.

17 MR. BUGG: And -- and if I may elaborate on that,
18 Chairman Lewis, not being as -- as deeply involved in this
19 and since this is a little bit historical, the reason why
20 Commissioner Austin's comments are germane to this is that
21 it's a little bit like loaning money to someone to build the
22 house, but, you know, not going to be able to cover the roof
23 right now, but come back to us and go ahead and get started
24 with the foundation and structure and we'll try to find out,
25 you know, if we can get the money for the roof.

1 We really need to be assured that on the part one,
2 part two, I get the part one, part two part, but we need to
3 make sure that there is a beginning and an end if we only
4 approve part one and part two never comes together I guess
5 is what I'm trying to ask. And -- and maybe hearing from
6 the RMA, we can understand there is a beginning and an end
7 with the proposed action today on part one. And -- and if
8 part two never comes to pass, then, you know, the -- the
9 money that we put up has not gone awry.

10 MR. LEWIS: Right. Thank you very much,
11 Commissioner. Any other questions for Mr. Asher at this
12 time?

13 (No audible response.)

14 MR. LEWIS: Thank you, Mr. Asher. Then we do have
15 requests to appear. And we'll start with the -- with Randy
16 Sweeten. Please come forward sir to the dais, state your
17 name, who you're here representing and then give us the
18 benefit of your remarks.

19 MR. SWEETEN: Good morning, gentlemen, General
20 Weber, Chairman, Commissioners. Randy Sweeten. I'm
21 Chairman of the RMA. And we are -- what you're looking at
22 gentlemen is the first 12 miles which is three segments of a
23 hundred and twenty mile loop. We are starting turning dirt
24 on the -- first, we can't turn dirt on a hundred and twenty
25 miles. So we're turning dirt on 12 miles.

1 This 12 miles is divided into three segments. We
2 have already fully funded engineered -- we're going to turn
3 dirt in January on segment three which is odd because it's
4 not one and two. But that's because it's right at the Pharr
5 bridge. It is a non-toll part of this.

6 So segment three is done, finished. We're ready
7 to roll on. What you gentlemen are looking at today is
8 segments one and two. This hundred and twenty-seven goes
9 with our hundred and seventy million to complete a
10 \$300,000,000 on -- on these other two segments. All right.

11 We have a request before you for the \$50,000,000
12 SIB loan. Your question is it's not fully funded unless we
13 got that \$50,000,000 loan and that's correct. But I'll
14 promise you this. Just in conversation with our financial
15 advisor who's going to talk with Ben in a little while is we
16 are ready to work that SIB loan or we're going to go
17 somewhere. I -- I can assure you it's -- it's going to be
18 funded.

19 We're not going forward -- I've got my fellow
20 Commissioner Director on our board David Guerra who is -- I
21 -- I love for him to get up here and explain this to you,
22 but I'm going to explain it to you just simply that we're
23 going to have this fully funded. There is no gap in our
24 coverage.

25 This is a, you know, toll revenue that the -- your

1 -- your Department brought in Jacobs out New York to work
2 with our CNM. And you have audited us from one end to the
3 other. I can use that word. So ask me the questions. And
4 I want to -- I -- I really like for Mr. Guerra to come up
5 and be introduced also.

6 MR. LEWIS: Any other questions for Mr. Sweeten at
7 this time before Mr. Guerra?

8 (No audible response.)

9 MR. LEWIS: All right. Mr. Guerra, if you'll
10 state your name, who you're here representing and give us
11 the benefit of your remarks.

12 MR. GUERRA: Sure. David Guerra, Director of the
13 Hidalgo County RMA. You know, after listening to the
14 Central Texas presentation, I feel like I'm going to opening
15 of a will, but unfortunately I'm the third nephew down of
16 the four down the -- the family tree.

17 The reality is, you know, our cash flow analysis,
18 our traffic study analysis, we have done and redone those
19 figures. We have -- the board you have on the RMA is a
20 conservative board. We took at the -- well, we got the --
21 whole new -- the board hasn't been constituted since 2012,
22 the new board. The previous board did not have a strategic
23 plan, didn't have any analysis. There was a lot of money
24 spent. We got control of it. And we -- serious people made
25 serious decisions and we -- we had a traffic study redone

1 again. And then you this traffic study studied again by
2 your own consultant.

3 Our financial advisors -- you know, there's two
4 bankers on the board. I'm a banker. You know, we know how
5 to do due diligence. We know how to analyze cash flow. We
6 know how to analyze assumptions based off that -- the -- the
7 assumptions used to -- to come up with cash flows.

8 So we're very confident that with a SIB loan we --
9 we're not going to have any problem servicing the debt. Now
10 Randy says this thing is going to get funded. I prefer to
11 get funded with a SIB loan. You know, this would -- this
12 would be the first request that we would have from TxDOT.

13 We have talked to our underwriters. They see no
14 problem in selling the -- the bonds that we're going to the
15 secondary market with. And they -- they're -- they request
16 very high on the economic growth of the region, the traffic
17 patterns that are happening there, the strength of the -- of
18 the border economy. And placing the -- the secondary -- the
19 placement of bonds is not going to be the issue.

20 When we keep hearing that we're falling short,
21 well, we've always knew that we're going to have -- use the
22 SIB loan to finalize a total loan package, the total
23 package. You know, just like -- you know, and we have put
24 equity. We have put a lot of equity. We have spent over
25 \$30,000,000 of Hidalgo County taxpayers' money.

1 So there's the equity on our part. We have -- we
2 created the -- we created the financing of using the fees
3 from -- from licensing fees. We get 10 to \$15 from every
4 new tag that's issued. We -- that brings in almost \$400,000
5 a month. And it's been growing by five to six percent year
6 over year. So that's a -- that's another source. So we're
7 very confident.

8 I know Commissioner Austin you have your doubts.
9 I don't have any doubts. And we really, really would like
10 to get this final approval passed today and not deferred.

11 MR. AUSTIN: And Dave, thank you for speaking. I
12 was -- I was -- you mentioned one thing. I think we need to
13 make sure and acknowledge what Hidalgo County has done to
14 come forward with your funds, because, you know, as done by
15 -- with the Commissioners' Court, with a lot of things that
16 you all have done in your legislative delegation of looking
17 at the vehicle registration fees, other funds, other
18 contributions, that says a lot. There are a lot of parts of
19 the state that have not come forward with the resources that
20 you all have.

21 I do recognize you all are playing cleanup with
22 some of the things of the -- the past. And I don't want
23 that to go unnoticed. That has a lot to do with the
24 challenges of the cash flow coming in that you all are
25 dealing with and I know you're working diligently to -- to

1 move out.

2 I -- I like the project. I know it's going to be
3 forward. My -- my doubt is really looking at the future
4 cash flow. And I think that's something you all are going
5 to talk about. I don't want to get into more of the details
6 of it right now.

7 MR. GUERRA: Okay.

8 MR. AUSTIN: But I think it can be done, you know,
9 with what how you all are looking at this. But if you'll
10 help me clarify one thing though. With what we're approving
11 today, how will this absent going forward what will be --
12 this is a segment -- which segment again if you'll work back
13 through -- this is segment one and --

14 MR. GUERRA: Two and two.

15 MR. SWEETEN: One and two. We're fully funded on
16 three. Okay. One and two. So we will get our --

17 MR. GUERRA: It'll connect all four bridges.

18 MR. AUSTIN: If you'll come to the mic.

19 MR. GUERRA: It -- it will -- it will collect --
20 excuse me. It will connect all our international bridges,
21 from Mission to -- to Donna.

22 MR. SWEETEN: To Donna, right.

23 MR. AUSTIN: So the SIB loan and additional
24 financing, the secondary market will work on which segments?

25 MR. SWEETEN: One and two.

1 MR. AUSTIN: As well.

2 MR. GUERRA: Yes.

3 MR. SWEETEN: As well.

4 MR. GUERRA: It covers both of those segments.

5 And, you know, we -- we can reduce a SIB loan by 10 or
6 \$12,000,000 if we just transfer that bridge that's being
7 built on 281 that we're going to do out-of-pocket, if we've
8 had conversations with the local office that TxDOT takes
9 over -- over that projects and pays -- and lets it out and
10 pays for it, and that -- that knocks our SIB loan down by --
11 by \$12,000,000. And that's not -- that's not tolled. But
12 we're going to --

13 MR. AUSTIN: But let me -- I want to come back. I
14 know you said both this part what we're approving today and
15 future requests that are coming weren't -- weren't both on
16 segment one and two. Will this one complete what this
17 addition -- money coming to you all, will this complete
18 anything that will -- drivers can drive on it?

19 MR. GUERRA: Yes.

20 MR. AUSTIN: Or it just be -- get it part of the
21 way down the road?

22 MR. SWEETEN: He -- I -- I -- Commissioner, you're
23 exactly correct. We need the additional 50,000,000 to -- to
24 finish up that whole full mile section, absolutely. What we
25 have to have this commitment before, you -- you've -- you

1 stood in my -- in my shoes before.

2 MR. AUSTIN: Absolutely.

3 MR. SWEETEN: Okay. What we have to have this
4 commitment to do is we're going to get our letter of
5 approval from you in July. We've got our EA. It's going to
6 come out July the 6th and you're going to give me a letter.
7 All right.

8 When we get that letter, we have to then go full
9 -- full bore at right-of-way and utilities, you know,
10 everything that we have to go get going on that. We have to
11 have that money to spend. We don't have that today.

12 We're not looking for that -- and -- and that
13 \$50,000,000 SIB loan is not coming until 2019 anyway. We're
14 -- that -- that flow is not even necessary. It's way out --
15 out there.

16 MR. AUSTIN: But -- but you need the approval of
17 it sooner but you're not going to draw it down til '19, is
18 that right?

19 MR. SWEETEN: We're not even looking at it til '19
20 at all.

21 MR. AUSTIN: Can I -- okay. Let me -- just to
22 clarify. You need approval of that before '19 or do you --
23 is that -- you need the approval with -- to be able to draw
24 down in '19? There's a big difference.

25 MR. GUERRA: We need to draw down, because the

1 issue here is, you know, we're not even going to --

2 MR. LEWIS: Well --

3 MR. GUERRA: -- we can't just start --

4 MR. LEWIS: Let me -- let me --

5 MR. GUERRA: Okay. Go ahead.

6 MR. LEWIS: -- ask this. Whoever is speaking --

7 MR. GUERRA: Go to the mic.

8 MR. LEWIS: -- to go to the microphone.

9 MR. GUERRA: I'm sorry.

10 MR. VANDERGRIFF: Chairman, can I interject just a
11 question?

12 MR. LEWIS: This is -- he has --

13 MR. VANDERGRIFF: Not -- not a question to him.

14 It's a procedural one for you if I don't mind.

15 MR. LEWIS: Okay. Go ahead.

16 MR. VANDERGRIFF: Is it possible at some point
17 maybe to have the -- that John Barton come up and the senior
18 leadership perhaps to kind of explain the project itself?

19 MR. LEWIS: Yeah.

20 MR. VANDERGRIFF: He's got a historical knowledge
21 that maybe the rest of us do not have. Just when -- when
22 that's appropriate.

23 MR. LEWIS: I think so. Let's -- let's go ahead
24 with -- with the questions of Mr. Guerra and Mr. Sweeten and
25 then I think it would be good to go ahead and ask questions

1 about the -- the project itself, because it's been awhile
2 since we looked at it and of the -- sort of how the
3 financing is structured on the -- on the grant part, what --
4 how the money is transferred under what circumstances that
5 it's transferred to the RMA or for the construction project
6 also. So we'll have that -- that before us.

7 Let's see. Mr. Sweeten. Let's see if we have any
8 additional --

9 MR. SWEETEN: I've -- I've got a map.

10 MR. LEWIS: -- questions.

11 MR. SWEETEN: I've got a map.

12 MR. LEWIS: You do have a map?

13 MR. SWEETEN: I have a map.

14 MR. LEWIS: Okay. That would be great. Do we
15 have -- I don't know if it's -- you guys have a projector we
16 could put it under to -- you know -- okay. Yes,
17 Commissioner Bugg, did you have a question while we're --

18 MR. BUGG: I -- I do.

19 MR. LEWIS: -- waiting?

20 MR. BUGG: I'm just trying to -- well, I'll wait
21 for the Chairman.

22 MR. LEWIS: Chairman Sweeten, whenever you're
23 ready, I think -- well, let's go ahead. Your -- your
24 questions, Commissioner Austin, and we'll go --

25 MR. AUSTIN: But I -- I bet it ties in with --

1 with the map just kind of thinking it -- show me what
2 projects or John may want to participate to or --

3 MR. SWEETEN: I've got it in the car. I
4 apologize. If you can -- if I -- if I might, Commissioner,
5 I'll --

6 MR. LEWIS: Well, let -- let me ask this. Would
7 it -- would it help you go ahead with --

8 MR. SWEETEN: Yeah, let --

9 MR. LEWIS: -- Barton and that -- Executive
10 Director Barton -- or Assistant -- Deputy Director Barton.
11 Let's do that and we'll come back to Mr. Sweeten and Mr.
12 Guerra to fill in the blanks.

13 MR. BARTON: Thank -- thank you, Chairman. For
14 the record, my name is John Barton. I have the privilege of
15 serving you as the Deputy Executive Director here at the
16 Department of Transportation. If I -- if I might before you
17 ask questions just to try to provide some context related to
18 the project and the action that is before the Commission
19 today and to respond to the concerns raised by Commissioner
20 Bugg.

21 This project is defined in three segments, but in
22 reality is one continuous corridor as Chairman Sweeten and
23 Director Guerra have pointed out. They have put together a
24 plan to advance the development and construction of the
25 entire State Highway 365 project.

1 Segment one and two are the pieces that this
2 particular grant that is before you is intended to help
3 fund. Segment three is fully funded as a -- a -- shared
4 with us. And with the pending environmental approval that
5 should occur within the next few days, they intend to move
6 forward with the construction of that segment which is in
7 general just an interchange near one of the international
8 bridge crossings to allow truck traffic to move in and out
9 of that area without having to go through a four-way stop if
10 you will to improve safety and mobility.

11 Then as the funding package is completed and the
12 environmental clearances formalized and they get the right-
13 of-way activities underway, they will continue the
14 construction north and then to the west of that
15 international bridge crossing with segments one and two.

16 So Commissioner Bugg raised the question about
17 well, if the Commission voted last month and now this month
18 to finalize this grant and there's not all the money
19 necessary to do segments one and two affirmed, then why
20 would we do that? And I wanted to speak to that very
21 briefly.

22 The decisions that were made by previous
23 Commissions and by the Hidalgo County Metropolitan Planning
24 Organization and the board of the Hidalgo County Regional
25 Mobility Authority are being memorialized if you will by the

1 actions you took last month and by the action that is now
2 before you.

3 The money that's committed to this project from
4 the available state resources that were made and allocated
5 to the discretion of the Regional Mobility Authority as well
6 as you as the Commission through this grant that was once a
7 pass through toll funding arrangement had been assigned this
8 project, this -- these segments one and two for quite some
9 time. And in order for the Regional Mobility Authority to
10 finish the financing through the State Infrastructure Bank
11 and senior debt their financial advisors need to be able to
12 prove to the lending authorities that that money is
13 available.

14 The anticipation of their financial advisors is
15 that through a combination of State Infrastructure Bank and
16 whatever it ultimately would qualify for under our process
17 and senior debt will be able to fully fund segments one and
18 two, Commissioner Bugg.

19 The -- the main and last point I want to make and
20 -- and then answer any questions you may have is that should
21 the Commission choose to move forward with this action today
22 to finally approve the grant for this project. The money
23 doesn't move from the state of Texas to the Regional
24 Mobility Authority. It resides with us in the state highway
25 fund. And only when the project is fully funded is the

1 project development agreement between the state of Texas and
2 the Regional Mobility Authority finalized and it's a
3 reimbursement arrangement.

4 So they have to have a -- a qualifying contract
5 that envisions the full and entirety of the project that
6 fits within their financial resources. And then as they
7 move forward to make payments to the contractor for that
8 construction, we would take this grant and any subsequent
9 State Infrastructure Bank loan that the Commission may
10 choose to provide for this project and we will be
11 reimbursing them as eligible expenses occur.

12 So the point of all that is your action today if
13 you choose to take it does not move money into a precarious
14 position. It doesn't mean that it might be spent without
15 the benefit of the full package of the project being
16 delivered. So the risk associated with this in terms of the
17 financial implications are still contained and controlled
18 within the Department.

19 MR. AUSTIN: So -- so John, if we vote to go ahead
20 and advance it all to them now which is what the grant would
21 be, and the finan -- total financial package does not come
22 to fruition for -- whether right away or --

23 MR. BARTON: Right away, sir.

24 MR. AUSTIN: -- whatever, they still get their
25 money. Or would it revert back to -- on this agreement as

1 it stands right now is to be paid over 10 or plus years,
2 would it revert back to paying back as -- as planned or --

3 MR. BARTON: The -- the commitment of those
4 resources to the project would still exist should they not
5 --

6 MR. AUSTIN: Yeah, absolutely.

7 MR. BARTON: -- get all the funding. But the
8 money would actually not be moved to the project. In other
9 words, the RMA only gets access to this money --

10 MR. AUSTIN: Based on those.

11 MR. BARTON: -- if you choose to do it. It's only
12 when they have a complete contract that is under contract
13 and they formalize their project agreements with the
14 Department. So you're not moving money into their bank
15 account by this action. You're just saying that if they can
16 get a project that it is financed --

17 MR. AUSTIN: We will advance it.

18 MR. BARTON: -- and is qualifying under the
19 environmental document, that this money would be available
20 to reimburse them for their eligible expenses.

21 MR. BUGG: Yeah, if -- if I may. So if I
22 understand, there -- there's two things. First of all,
23 Chairman Sweeten answered the question that Commissioner
24 Austin asked. And I want to -- then John, I want to come
25 back to you. And that is -- that is Commissioner Austin

1 after -- after you answered my question, Commissioner Austin
2 asked do you need not only the grant but also the SIB loan
3 that's being proposed in order to fully fund segments one
4 and two. Your answer was yes, correct?

5 MR. SWEETEN: That's a true statement.

6 MR. BUGG: Okay. And the -- the reason why I am
7 parsing this is that I just wanted to make sure that -- that
8 if we approve the action before us today, that doesn't get
9 you a hundred percent home on segments one and two.

10 MR. SWEETEN: That is a true statement.

11 MR. BUGG: Okay. So thank you for that, Chairman.
12 And John, let me come back to you. So -- because I don't
13 have the detail of the documents. So are you saying that if
14 we go ahead and approve the grant today for the hundred and
15 twenty-seven million dollars knowing full well that it's not
16 as I -- I keep thinking about fully funding things. I'm
17 just -- the way I'm built.

18 MR. BARTON: Correct.

19 MR. BUGG: That there is a means if they never
20 come up with the rest of the money, the SIB loans for
21 whatever reason has not been approved and private sector
22 doesn't want to do it, highly doubtful. I'm just trying to
23 understand the risk of TxDOT and the taxpayers. That's all
24 I'm trying to put my finger on. So if that never comes
25 together, we would never have to fund the hundred and

1 twenty-seven million because the rest of the funding never
2 came together for segments one and two, is that true?

3 MR. BARTON: That is correct.

4 MR. BUGG: Okay. All right. Well, I -- I believe
5 that. And -- and let me just say, you know, I'm -- I'm a
6 San Antonio boy. I am all for you getting this project
7 done. This has nothing to do with my enthusiasm for your
8 project. It has everything to do with responsibility of
9 just understanding when we're taking -- to me I would in an
10 ideal world like to see us act on the SIB loan and the grant
11 together so we know we've got a complete funding package
12 that's available.

13 It's -- it's not in my nature to do piecemeal
14 things knowing that there's another thing, but John Barton
15 has now assured me the consequences there. So please don't
16 interpret my questions as in any way not being a hundred and
17 twenty-eight percent violently in favor of you getting this
18 project done, okay?

19 MR. SWEETEN: I hope not violently.

20 MR. BARTON: But yeah hope not --

21 MR. BUGG: We're in violently in favor of what you
22 said.

23 MR. BARTON: So -- yeah, we had a safety briefing.

24 MR. BUGG: Thank you.

25 MR. LEWIS: Commissioner Austin has got a

1 question.

2 MR. AUSTIN: Just one -- one last comment. I want
3 to say thank you and I -- I concur with Commissioner Bugg.
4 I do support this project and want to see it done. I'm just
5 concerned about the next step. And I know why we're -- I --
6 I do focus and I will ultimately make a motion to approve
7 this step today. But I -- I want to -- we've got some real
8 serious conversations. I know we're jumping ahead a little
9 bit, but it's relevant to this and an understanding that
10 there's still a part B. A can't happen without part B is I
11 think the more we continue to have discussions I would ask
12 that we be brutally honest with each other and look at some
13 -- continue to look at -- at a variety of range of
14 alternatives.

15 And especially -- I know your FAs are going to go
16 to work on this to begin looking back. You've heard some of
17 our other discussions with other SIB. We do have some
18 challenges as we're looking at the whole program moving
19 forward. So with that, Mr. Chairman, when you're -- the
20 time is appropriate, I would make a motion that we approve
21 this item today.

22 MR. LEWIS: I'll come back to you --

23 MR. BUGG: Mr. -- Mr. Chairman, I'll -- I'll
24 second that.

25 MR. LEWIS: Okay. Very good. I'll -- I'll come

1 back on that. Chairman Sweeten, if you don't mind, I have
2 -- actually I have a question and then we'll -- I just want
3 to be sure of something, because some statements have been
4 made about, you know, a \$50,000,000 SIB loan. And once we
5 get this -- SIB loan which is State Infrastructure Bank
6 loan. Thank you very much. So there's some statements sort
7 of out on the floor. And I -- I want to be sure that we --
8 I join the enthusiasm for the pros -- for the project, but I
9 do want to be sure for the record that we all understand.

10 The State Infrastructure, there is no State
11 Infrastructure Bank loan before us today.

12 MR. SWEETEN: No.

13 MR. LEWIS: That may be before us in the future.
14 But we don't have a recommendation with regard to that from
15 our staff. There will continue -- based upon a favorable
16 vote here today, there will be continued to be discussions
17 with regard to that as well as the rest of the rest of the
18 financing package that -- that you all will be working on,
19 that the RMA will be working on, but -- but there are no
20 commitments on a -- a State Infrastructure Bank loan or any
21 terms of that loan or the amount of that loan here today.
22 That's all possible future action of the Commission and the
23 Commission has made no commitment.

24 MR. SWEETEN: That's correct, sir. Yes, Judge.

25 MR. LEWIS: Okay. Very good. Thank you.

1 MR. SWEETEN: Thank you.

2 MR. LEWIS: Thank you, Chairman. John, if I could
3 just ask you just briefly -- oh, okay.

4 MR. VANDERGRIFF: Oh, I'll wait. I have a -- a
5 comment -- a question, but I'll wait.

6 MR. LEWIS: Okay. Just very -- this is directed
7 to our Deputy Director John Barton. I just want to confirm
8 some things that you had that I'm understanding you
9 correctly. First of all, this is -- the action last month
10 and today, we're not -- the first actions by Commission on
11 this project, is that correct?

12 MR. BARTON: That is correct.

13 MR. LEWIS: So previously and before May in prior
14 times, this project came before the Commission. There was a
15 -- an action by the Commission in favor of the project of --
16 of the monies. And what we are doing to -- last month and
17 this month is considering a restructuring of that
18 commitment, how it's to be delivered. And that's really
19 what we're doing, correct?

20 MR. BARTON: Yes, sir. With one additional
21 statement. And -- in --

22 MR. LEWIS: Okay.

23 MR. BARTON: -- in addition to that, you are for
24 lack of a better term approving and affirming the financial
25 commitments that the Hidalgo County Metropolitan Planning

1 Organization had made to this project, that this Commission
2 gives them the allocation authority to do.

3 MR. LEWIS: All right. And then before any money
4 is actually transferred for this project, I think something
5 like clears subsequently, before any money is transferred to
6 this project, the whole project -- the -- the project has to
7 be funded already because it's a -- it's a reimbursement
8 system so that the -- the money already has to be expended
9 by the RMA and then we reimburse that expenditure.

10 MR. BARTON: That is correct.

11 MR. LEWIS: We -- and our money's not up front
12 paying for the project initially. It's not being
13 transferred initially.

14 MR. BARTON: That's correct.

15 MR. LEWIS: Okay. And then what I mentioned to
16 Chairman Sweeten about the -- the State Infrastructure Bank,
17 although our -- our staff is working on that and we'll
18 continue to work with them on any pieces of the financial
19 package that might come from us. There are no commitments
20 with regard to that at this time whether a loan would be
21 made or how much. That will all depend on our standard
22 financing practices and standards, is that correct?

23 MR. BARTON: That is correct.

24 MR. LEWIS: Those are the questions I had. Thank
25 you for --

1 MR. AUSTIN: I have one -- one more question of
2 John. I -- and correct me. I believe there's been some
3 staff discussions between TxDOT and the -- the Central --
4 the Hidalgo County team. There could be a rescope of the
5 project that would -- or potentially involved an interim
6 project instead of having to do it all at once. Is that --
7 could you share with me as part of that or is that --

8 MR. BARTON: We -- yes.

9 MR. AUSTIN: -- fact or fiction?

10 MR. BARTON: Yes, Commissioner Austin. The
11 Department staff led by Russell Zapalac, Katie Nees and
12 Toribio Garza have had numerous conversations with the
13 Hidalgo County Regional Mobility Authority's board, their
14 staff, the local metropolitan planning organization. And
15 it's not anticipated based on the financial plan that the
16 Regional Mobility Authority's financial advisors have laid
17 out to their board, that that will be necessary.

18 But as I've tried to say probably not very well,
19 in order to have this whole funding committed and then made
20 available on a reimbursement basis for the project, the
21 project has to meet the need and purpose of the
22 environmental document which it was approved under.

23 And if they reach a point at some time that
24 suggests they can't put together enough money to deliver the
25 project as it's currently envisioned in its ultimate

1 configuration, the Regional Mobility Authority has the
2 opportunity then to evaluate if they can revise the scope to
3 put less pavement on the ground today with the available
4 resources -- financial resources that are available to them
5 and to build a project that goes from segment -- the
6 beginning of segment one to the ending of segment three and
7 meets the stated need and purpose of the project. So a
8 rescoping is something that has been discussed. It hasn't
9 been formalized because it's premature to know that that's
10 even necessary.

11 MR. AUSTIN: Sure. But that is an alter -- one
12 possible outcome or alternative. And under that scenario
13 there is a potential where if we participate or we could
14 save them substantial amount of money.

15 MR. BARTON: That -- that is correct. And -- and
16 I'm just giving -- for example, I think this is where you're
17 coming from, Commissioner Austin. There have been other
18 projects that --

19 MR. AUSTIN: Right.

20 MR. BARTON: -- had an anticipated cost of a
21 certain amount. We've only had a portion of that amount of
22 money available. And so interchanges that had been planned
23 were left at -- at great crossings or a four lane divided
24 facility may -- was originally built as just a two lane with
25 passing opportunities. Those kind of things were done in

1 order to get a road from point A to point B within the
2 available financial resources.

3 MR. LEWIS: Commissioner Vandergriff, I think you
4 --

5 MR. VANDERGRIFF: Yeah, it's -- it's -- I don't
6 have a question for Mr. Barton. Just a --

7 MR. LEWIS: Oh, thank you, Mr. Barton.

8 MR. BARTON: Thank you.

9 MR. VANDERGRIFF: Just a comment on the action
10 today so I can reserve it to when you would like to have
11 that. I thought we were getting close to a vote.

12 MR. LEWIS: I -- I think that's all of the
13 questions that we have. Why don't we go ahead with --

14 MR. VANDERGRIFF: Okay.

15 MR. LEWIS: We -- we do have a motion to second.

16 MR. VANDERGRIFF: I understand. So I appreciate
17 that. I just want to make an observation that by -- then
18 I'm using Commissioner Austin's word by going forward on A
19 which is the action before us today, I think we're all --
20 but putting ourselves in a position if we wanted to do this
21 project based on what we're being told that we're putting
22 forth a SIB loan as well eventually on this project whenever
23 that day comes.

24 And I want to remind as -- as Commissioner Bugg
25 did on a point that he made a couple months ago I made a --

1 a different but similar point that we have a SIB loan
2 program that based on the potential commitments out there is
3 severely oversubscribing. I said I would not be voting for
4 something until we wholistically looked at the whole thing.

5 Today I have voted for one project where we still
6 gave the Central Texas RMA the -- essentially the same
7 money. We just split it up differently and cut that by
8 30,000,000 from 60 to 30,000,000. And now we're putting
9 ourselves in a position where we're going to approve this
10 and putting -- having a SIB commitment. And I'm imploring
11 since -- since we're going to have the second bite at the
12 apple, I'll be for this project because again, nothing
13 against the project, but I'm imploring the staff to really
14 come before us.

15 Now that's on the rules as they exist today
16 because as all of you in the audience knows and certainly as
17 Commission knows, the rules as they exist tomorrow based
18 upon the -- what the Legislature has put before us either in
19 the form of funding or in the form of requirements through
20 House -- primarily through House Bill 20, those rules may
21 change. So I think we also have to be mindful of that going
22 forward as well. And hopefully over the next couple three
23 months we'll have more clarity there too. So just concerned
24 is just what I'm saying.

25 MR. LEWIS: Thank you. Thank you, Commissioner

1 Vandergriff. Commissioner -- Vice Chair Moseley, did you
2 have some comments?

3 MR. MOSELEY: Yeah. Thank you, Chairman. I -- I
4 just really wanted to say a word of appreciation to Chair
5 Sweeten and to David Guerra for really working to bring this
6 project to us so that we could vote today. I'm very pleased
7 to support this motion.

8 But we -- we know that there have been some
9 challenges and -- and Chair Sweeten and the board have
10 really moved towards resolving the questions that we've had
11 in a very commendable way. And -- and so thank you for
12 getting this project up and running.

13 Let's remind ourselves that Mexico's economy is
14 robust, it's growing. In 30 years it will eclipse that of
15 Germany's economy. We have 14 strategic crossings, but
16 Hidalgo County is certainly one of those very important
17 crossings. You have five crossings in Hidalgo. So -- so
18 this is a strategic trade corridor that will serve very
19 clearly the interest of the state. So my -- my hat's off to
20 you for this hard work.

21 MR. LEWIS: Any other -- any other discussions,
22 Commissioners?

23 (No audible response.)

24 MR. LEWIS: If -- if not, we have a motion by
25 Commissioner Austin to -- for final approval of a request

1 from the Hidalgo County RMA for financial assistance in the
2 amount of a hundred and twenty-seven million nine hundred
3 and thirty-five thousand eight hundred and sixty-two dollars
4 in the form of toll equity grant to pay for costs of
5 constructing segments one and two of State Highway 365, the
6 trade corridor connection project in accordance with the
7 staff recommendation. Mr. Asher, you appear -- did you have
8 any question?

9 MR. ASHER: Oh, I'm sorry. I was just going to --

10 MR. LEWIS: Okay. We have a second by
11 Commissioner Bugg. If there's no other discussion, I'll
12 call for the vote. All in favor, say "aye".

13 (Chorus of "Ayes")

14 MR. LEWIS: Any opposed, say "nay".

15 (No audible response.)

16 MR. LEWIS: All right. Thank you. The motion
17 carries. And we appreciate certainly -- Senator Hinojosa,
18 thank you for coming forward as -- as well as Chairman and
19 -- and Executive Director. General, back to you.

20 GENERAL WEBER: Let's continue with Item 9, a
21 request from VIA Metropolitan Transit for grant funding.

22 MR. ASHER: Thanks, General. This item is to
23 consider approval of a request from VIA Metropolitan Transit
24 for \$9,000,000 for capital costs for two projects related to
25 the design and construction for capital improvements for the

1 Northeast Park and Ride facilities and capital improvements
2 to reopen the New Braunfels Avenue through the Fort Sam
3 Houston military base.

4 Staff recommends approval and I'd be happy to
5 answer any questions.

6 MR. LEWIS: Thank you. Any questions of Mr.
7 Asher? Because we did have one card from Ms. Andrade. Any
8 -- any questions of Mr. Asher of at this time?

9 MR. MOSELEY: No, sir.

10 MR. LEWIS: Then I do have a Hope Andrade. Please
11 come forward. Please adjust the microphone accordingly.

12 MS. ANDRADE: You knew that.

13 MR. LEWIS: After stating your name -- and -- and
14 because we all know you have to state your name and who
15 you're here representing. Please give us the benefit of --

16 MS. ANDRADE: Hope Andrade, Chair of the VIA Board
17 of Trustees. Mr. Chairman, Commissioners, General, good
18 morning. Commissioner Bugg, thank you for that kind
19 welcome. As a fellow San Antonian, I will tell you that I'm
20 most proud to see you -- to see you serving on this most
21 important Commission. From my personal experience, I will
22 tell you that the time that you invest on this Commission
23 will be the most rewarding.

24 MR. BUGG: Thank you. Thank you.

25 MS. ANDRADE: And so Commissioners, it's great to

1 see you. Commissioner Austin, I'm so happy to hear the
2 success of Loop 49. It was worth Judge Dempsey and I riding
3 on the back of a pickup truck with pom poms.

4 (Laughter.)

5 MR. AUSTIN: That is a true statement. Look --
6 looked like a high school football team coming out of --

7 MS. ANDRADE: I was reliving my teenage years. I
8 appreciate the opportunity to come before you in support of
9 this agenda item. You know, having spent quite a number of
10 Thursdays here myself and just a few years back, I have to
11 tell you that while it feels a little unusual to be speaking
12 at a Commission meeting from this side of the dais, it is
13 nonetheless always great to be back among many friends and
14 my former TxDOT family.

15 General Weber, I will tell you that I take
16 advantage of any opportunity that I can say publically thank
17 you. Thank you for your leadership and the great staff that
18 this agency has. In fact, some of my greatest memories of
19 my state service have been alongside your staff working
20 together. So congratulations on the best.

21 I'm here to address you in my capacity as Chair of
22 the VIA Board of Directors and the Advance Transportation
23 District. As the Greater San Antonio region continues to
24 grow at a fast pace, VIA and the Advance Transportation
25 District remain committed to the active partner in providing

1 a robust multimodal network of our -- for our region. The
2 approval of grants before you for consideration from the
3 Texas Mobility Fund will help VIA and the ATD as we continue
4 to move forward.

5 The Northeast Park and Ride project and the
6 reopening of New Braunfels Avenue through Fort Sam Houston.
7 These two projects are part of a larger list of capital
8 improvements aimed at reducing traffic congestion and
9 improving air quality in the greater San Antonio region.

10 I am joined this morning by Clay Smith, a former
11 TxDOT family member, who is now the Director of ATD. And
12 together we would also like to convey to you all that we
13 value the outstanding working relationship that we have with
14 Mario Jorge and the staff of the San Antonio District.

15 You know, VIA remains committed to creating
16 multimodal transportation solutions in partnership with
17 TxDOT to meet the demands of this growing region. And we
18 respectfully request your support for approving these grants
19 for these two projects.

20 In consideration of your time, I will conclude by
21 thanking you for the opportunity to speak and offering Clay
22 Smith to answer any questions you all may have on this
23 project. And I thank you for your consideration of our
24 request. The reason that I offer Clay Smith is because all
25 my time at TxDOT I never pretended to be an engineer. At

1 this time in my life I still do not pretend to be an
2 engineer. So Clay can answer your questions on this
3 project. Thank you all so much. Appreciate your time.
4 Thank you.

5 MR. LEWIS: Thank -- thank you very much, Chair.
6 Do we have any questions of Chair Andrade or --

7 MR. AUSTIN: I'm just happy to see you. And I
8 know ultimately I'm going to probably -- Mr. Chairman
9 seconded Commissioner Bugg's motion, but do you -- do you
10 miss it up here? Welcome back.

11 MS. ANDRADE: Okay. Thank you very much.

12 MR. BUGG: Mr. Chairman, I was just going to say
13 don't know whether to call my good friend Hope Secretary
14 Andrade or Commissioner Andrade or Chair Andrade or what.
15 You have so many -- you have so many wonderful titles, but
16 we do appreciate your service to the state of Texas and as a
17 San Antonian, I appreciate your service now as Chair of VIA.
18 You're doing a great job. And with that, Mr. Chairman, I
19 would like to make a motion to approve this.

20 MR. AUSTIN: I'll second.

21 MR. LEWIS: Okay. Any -- any other discussion
22 members? Yes, Vice Chair Moseley.

23 MR. MOSELEY: Chairman, just to -- again, just to
24 echo, a warm welcome to Secretary Andrade. What a delight
25 to see you and be -- be with and have you here with us

1 today. Thank you for being here today.

2 MR. LEWIS: Thank you very much. Any other
3 discussion?

4 (No audible response.)

5 MR. LEWIS: If not, we have a motion by
6 Commissioner Bugg to approve or request from the VIA
7 Metropolitan Transit for two grants, funding from the Texas
8 Mobility Fund, the total amount would be \$9,000,000 for two
9 projects in Bexar County as follows: A \$7,000,000 grant
10 capital costs related to capital improvements at Northeast
11 Park and Ride facilities in and along the I-35 Northeast
12 corridor and then a \$2,000,000 grant for capital costs
13 related to capital improvements to reopen New Braunfels
14 Avenue through Fort Sam Houston military base. Those are
15 recommended by the staff recommendation.

16 That's the motion and then we had a second from
17 Commissioner Austin. If there's no other discussion, then
18 I'll call for the vote. All in favor, please say "aye".

19 (Chorus of "Ayes")

20 MR. LEWIS: Any opposed, say "nay".

21 (No audible response.)

22 MR. LEWIS: Then the motion carries. Thank you
23 very much.

24 GENERAL WEBER: Mr. Asher, you're back up. Please
25 continue with Item 10, an authorization for the Grand

1 Parkway Transportation Corporation to act on behalf of the
2 Commission concerning certain sections of State Highway 99.

3 MR. ASHER: Thanks, General. Just some very brief
4 background for this item. In March 2012, the Commission
5 adopted a minute order creating the Grand Parkway
6 Transportation Corporation known as GPTC pursuant to Chapter
7 431 of the Transportation Code.

8 In subsequent minute orders the Commission
9 delegated responsibility to GPTC for the development,
10 construction, finance and operation and maintenance of
11 Segments D in Harris County, Segments E, F-1, F-2 and G in
12 Harris and Montgomery Counties of SH 99, also known as the
13 Grand Parkway.

14 This particular minute order would further expand
15 that delegation to include Segments H, I-1 and I-2 of State
16 Highway 99 and Montgomery, Harris, Liberty and Chambers
17 County currently under procurement by the Department and
18 extend all power and authority to the GPTC necessary to
19 exercise this expanded delegation of responsibility.

20 We recommend approval, staff recommends approval
21 and be happy to answer any questions on this.

22 MR. LEWIS: Vice Chair Moseley, do you have any --

23 MR. MOSELEY: Well, Chairman, I wanted to say
24 again I -- I -- a word of appreciation to our staff for
25 bringing forward this recommendation. And clearly this is a

1 very important mechanism that will provide strategic funds
2 for this important corridor. And I'm -- at your -- whenever
3 you're pleased to take a motion I'm pleased to support it.

4 MR. LEWIS: Okay. Well, we'll do that in just a
5 minute. But Commissioner Austin.

6 MR. AUSTIN: Well, I echo the comments of
7 Commissioner Moseley. I would ask to bring Paul Jack up
8 with our FA team.

9 MR. LEWIS: Sir, if you'll please come forward,
10 state your name, who you're here representing and your
11 discussion.

12 MR. JACK: Hi. For the record, my name is Paul
13 Jack. I'm with Estrada Hinojosa serving the Department as
14 one of their financial advisors.

15 MR. AUSTIN: And Paul, thank you for coming up. I
16 know this wasn't planned. But one, this is a face that he
17 doesn't want to afford to help us, analyze projects working
18 with Ben and James Bass and I'll need FA to look at the
19 projects. You all are not involved in underwriting or
20 anything, really just providing advice to us. As we look at
21 this, we want -- through my discussion then with different
22 items that are still in conflict here, one of our biggest
23 risks with -- with this or any possible implications or
24 challenges or -- or any of them from this item?

25 MR. JACK: Well, thank -- thank you, Commissioner.

1 I -- I guess I would say, you know, also kind of defer to
2 all the hard work that your staff puts in on this as well.
3 But from a financial standpoint, this is only very similar
4 to the -- the first phase if you will.

5 MR. LEWIS: If you'll move closer to the mic.

6 MR. JACK: Yeah. It -- it will be very similar to
7 the -- kind of the risk -- well, and basically the project
8 parameters that you had with the first phase of the Grand
9 Parkway which was completed in 2012 and -- and hopefully the
10 project will, you know, actually be open at the end of this
11 year.

12 So -- and from the Commission's standpoint, it's
13 basically the financing plan is to make any kind of a
14 standalone revenue credit. So all the -- all the funds that
15 are borrowed are basically, you know, secured by the
16 revenues of the -- of -- of the projects that performed.
17 The Department does have a Toll Equity Loan agreement with
18 the existing G -- GPTC and the existing assets. So the risk
19 position you have under that will not be changing under --
20 under, you know, the -- the plan as it moves forward.

21 MR. AUSTIN: So the project cash flows.

22 MR. JACK: That's correct, sir.

23 MR. AUSTIN: Amen. I was going to say Paul, thank
24 you again for this and a lot of the other projects. And I
25 know you're always sometimes in and out of the back. But I

1 wanted to say thank you and especially in front of my fellow
2 commissioners and in front of Ben. And I know James is not
3 here, but for what you do to help us stay on track within
4 budget and analyze projects well. So thank you very much.

5 MR. JACK: Thank you, sir. And thank you,
6 Commissioners.

7 MR. LEWIS: Any other questions?

8 (No audible response.)

9 MR. LEWIS: Thank you. Mr. Asher, if you would
10 please come back up here. Any other questions of Mr. Asher
11 at this time?

12 (No audible response.)

13 MR. LEWIS: If -- if I might ask just so it would
14 be clear for the record, now the Grand Parkway
15 Transportation Corporation, as I'm -- I'm fairly new here.
16 Grand Parkway Transportation Corporation is a corporation I
17 guess basically started by the TxDOT, is that right?

18 MR. ASHER: That is established by -- you know,
19 pursuant to Chapter 431. We -- it was created.

20 MR. LEWIS: Okay. And it's -- I guess is it
21 primarily a financing mechanism for --

22 MR. ASHER: I -- I think that's fair, sir. It's a
23 -- it was -- it was created primarily for that purpose
24 almost exclusively. It has -- it is -- the board is
25 comprised of three members from -- from TxDOT. There was no

1 actual staff, the services and -- and other requirements of
2 all the bond documents and the projects that performed by --
3 by TxDOT staff.

4 MR. LEWIS: And the -- I presume that the purpose
5 of the Grand Parkway is that there would be -- or the
6 structure of it is so there would be sufficient revenues
7 from it to pay for the construction of it. Is that -- in
8 operation of, is that correct?

9 MR. ASHER: Yeah.

10 MR. LEWIS: And on the segments that have already
11 been completed, they are meeting and exceeding those
12 standards.

13 MR. ASHER: Right. That --

14 MR. LEWIS: Is that correct?

15 MR. ASHER: Yes, sir. And they have not -- they
16 not have yet -- not all been completed. They're -- they're
17 under -- many of them --

18 MR. LEWIS: Right.

19 MR. ASHER: -- are still under construction

20 MR. LEWIS: Right. But those -- those that are, I
21 mean, they're -- they're doing --

22 MR. ASHER: Yes, sir.

23 MR. LEWIS: -- better than projections, I suppose

24 --

25 MR. ASHER: Those ones.

1 MR. LEWIS: -- correct?

2 MR. ASHER: Yes, sir.

3 MR. LEWIS: Now the -- as I understand it, check
4 me out of this, that the Commission has actually made a
5 commitment sort of to backup this bonds and it helps us get
6 a better rate and all, but a -- a commitment that if there's
7 a shortfall in the revenue as made up sort of a loan
8 commitment to back that up so that the revenue would pay for
9 the bonds, is that right?

10 MR. ASHER: Yeah, if I could with your permission
11 clarify a little.

12 MR. LEWIS: Yes. Say it -- say it right and --

13 MR. ASHER: Okay. So the -- the Toll Equity Loan
14 agreement is a backstop of the State Highway Fund for some
15 of the toll bonds that in the event on an annual bas --
16 annual basis there is insufficient revenues to fund debt
17 service plus certain O&M expenses.

18 In reality -- and -- and that is based on the
19 construction costs of eligible construction costs is how
20 it's calculated. So it is -- in terms of the risk profile
21 as the Commission thinks about it, there would have to be an
22 order for any -- in any one year for that backstop to be
23 utilized, there would have to be virtually zero revenues
24 coming in and there would be no -- and -- and if -- and if
25 during and if -- and the construction would not have to have

1 occurred because it's based on the eligible cost. The --
2 the Toll Equity Loan agreement is subject to maximum annual
3 limits.

4 MR. LEWIS: All right.

5 MR. ASHER: I think it's an important piece. So
6 it's not as if the entire -- you're exposed the entire
7 number each year.

8 MR. LEWIS: And as I understand it, I mean, it's a
9 large number. I mean, if you add it up each year's
10 potential liability, it's not likely to reach it. But it's
11 over \$9,000,000,000, correct?

12 MR. ASHER: Yes.

13 MR. LEWIS: On -- on the Grand Parkway. But on
14 this Segments H, I-1, I-2, as I understand it, that doesn't
15 increase that number of contingent liabilities.

16 MR. ASHER: That is correct, Chairman. There is
17 no -- there is no change in that.

18 MR. LEWIS: All right. Those are the questions
19 that I had. Thank you. Thank you. Commissioner
20 Vandergriff.

21 MR. VANDERGRIFF: Yeah, if I could just offer a --
22 a quick story that I think for -- for layman helps analyze
23 the -- the risk of this. And this is from a previous life
24 in an exchange that James Bass and I had when I was at NTTA.
25 And there had been a newspaper article talking about the

1 billions of dollars in exposure in the way that I explained
2 that at that time and a question answer we did at that point
3 is that -- and Ben kind of touched on this, there is an
4 assumption in order to hit that big number, \$9,000,000,000
5 number, that an atomic bomb hit and wiped out all traffic
6 coming on that road. But the only people left were the
7 bankers in New York that were demanding payment and in
8 addition our maintenance crew was still maintaining the
9 road. So those were the two entities that survived to get
10 to the worst scenario that -- that you described there.

11 I -- I think this is a fairly safe risk on the
12 standpoint of the state for this particular project and the
13 other one it does up in the North Texas region -- or
14 several. So you remember that, Mr. Bass, at the exchange?

15 MR. LEWIS: Any other -- any other questions for
16 Mr. Asher?

17 (No audible response.)

18 MR. LEWIS: Thank you. Thank you, Mr. Asher.

19 MR. ASHER: I'm sorry. Thank you.

20 MR. LEWIS: Ben as you're walking away, thank you
21 for all your help this morning.

22 MR. ASHER: My pleasure, Commissioner.

23 MR. LEWIS: All right. If there are no other
24 questions of Mr. Asher, we -- we don't have any other
25 statements on this. We do have a motion by Vice Chair

1 Moseley to approve the recommendation. Do we have a second?

2 Commissioner Bugg will second.

3 The motion, bear with me, is to authorize the
4 Grand Parkway Transportation Corporation Act on behalf of
5 the Commission in connection with the development,
6 financing, refinancing, design, construction,
7 reconstruction, expansion, operation and maintenance of
8 Segments H-1, I-1 and I-2 of State Highway 99, the Grand
9 Parkway in various counties. And we have a motion and we
10 have a second. Is there any further discussion?

11 (No audible response.)

12 MR. LEWIS: There being none, then I'll call for a
13 vote. All in favor, say "aye".

14 (Chorus of "Ayes")

15 MR. LEWIS: Any opposed.

16 (No audible response.)

17 MR. LEWIS: All right. The motions carries.

18 GENERAL WEBER: Thank you, Chairman. Item 11(a)
19 consists of awarding of contracts for Maintenance and
20 Department Building Construction contracts. And our
21 Director of Construction John Obr Will present.

22 MR. OBR: Good morning. For the record, I am John
23 Obr, Director of the Construction Division. Item 11(a) is
24 for consideration of the award or rejection of Highway
25 Maintenance and Department Building Construction contracts

1 let on June 3rd and 4th of 2015. We present 19 projects
2 today. The average number of bids per project was 3.26.
3 The low bid value was \$28,519,695.53. We had an overall
4 overrun of 9 -- of 7.49 percent.

5 Staff recommends award of all maintenance projects
6 except for the following project. We present Jefferson
7 County RMC 628536001. We received one bid for this project
8 which was 31.51 percent or a hundred and fifty-seven
9 thousand five hundred and forty-one dollars and fifty cents
10 over the engineer's estimate. This project is a district
11 wide illumination maintenance contract for Beaumont
12 District. The district recommends the bid to be rejected to
13 allow them to opportunity to reach out to contractors in an
14 effort to improvement the plans and lower bid prices and
15 overall costs to fit the limited budget available.

16 We concur with this plan of action and therefore
17 recommend the project be rejected and relet at a later date.
18 Any questions?

19 MR. LEWIS: Thank you. Any questions of Director
20 Obr?

21 MR. AUSTIN: I just had one question and I've got
22 to ask. Computer systems, everything worked. We got them
23 in on time?

24 (Laughter.)

25 MR. OBR: We -- we had 96 percent of electronic

1 bids the last month and it was a very successful moment.

2 MR. AUSTIN: What an eye. Thank you. I just had
3 to ask.

4 MR. LEWIS: Any other questions of Director Obr?
5 (No audible response.)

6 MR. LEWIS: We have no cards with regard to this
7 item. Any other -- any discussion -- or we have a motion
8 with regard to the item.

9 MR. AUSTIN: I'll second.

10 MR. LEWIS: Okay. We have -- Vice Chair Moseley
11 has moved. Commissioner Bugg -- pardon me, Commissioner
12 Austin has second it. Any discussion?

13 (No audible response.)

14 MR. LEWIS: If there is none, we'll call for a
15 vote. All in favor, say "aye".

16 (Chorus of "Ayes")

17 MR. LEWIS: Any opposed, "no".

18 (No audible response.)

19 MR. LEWIS: The motion carries. Thank you.
20 General.

21 GENERAL WEBER: John, please proceed with Item
22 11(b), Construction Contracts.

23 MR. OBR: Item 11(b) is for consideration of the
24 award or rejection of highway and transportation enhancement
25 building construction contracts let on June 3rd and 4th of

1 2015. We present a hundred and two projects today. The
2 average number of bids per project was 3.2. The low bid
3 value was \$570,685,205.35.

4 The awards are split as four projects in mobility
5 totaling \$109,310,018.37. And 98 projects and preservation
6 totaling \$461,000,375 -- 186 -- 375,186 dollars and ninety-
7 eight cents. We had an overall overrun of 1.09 percent.

8 The staff recommends the award of all construction
9 projects except the following five projects. First Ellis
10 County BR 2013(495) -- (493). We received two bids for this
11 project which was 52.96 percent or \$512,000 over the
12 engineer's estimate. This project is a complicated off
13 system historic bridge rehabilitation project. The district
14 recommends that bids be rejected based on higher bids that
15 have been experienced on similar projects and lack of
16 competition. We concur with this plan of action and
17 recommend the project be rejected and relet at a later date.

18 Second project, Hill County, C 904-3-17. We
19 received two bids on this project which was 95.47 percent or
20 \$909,000 over the engineer's estimate. This project is to
21 rehabilitate an existing Park Road. The district recommends
22 that bids be rejected to -- due to noncompetitive situation
23 and high costs on the bid items. They plan to rescope and
24 revise the design in conjunction with TPWD. We concur with
25 this action and recommend the project be rejected and relet

1 at a later date.

2 Third La Salle County, IM 0351(094). We received
3 one bid for this project which was 19.6 percent or
4 \$1,089,040.10 over the engineer's estimate. This project is
5 to widen and rehabilitate the East Frontage Road of I-35.
6 District would like to redesign and relet at a later date
7 and we concur with this action and recommend the project be
8 rejected and relet at at later date.

9 Web County STP 1502(256), we received two bids for
10 this project which was 39.9 percent or \$617,438 over the
11 engineer's estimate. This project consists of constructing
12 curb ramps at various locations in Eagles Pass. Due to the
13 curb ramp program's fiscal year constraints and the overrun
14 on this project, the landscape design section recommends
15 relet of the project and we concur with this plan of action.
16 And recommend the project be rejected or relet at a later
17 date.

18 And lastly, Hidalgo County, NH 1502(262), we
19 received three bids for this project was -- which was 15.81
20 percent or roughly 3.5 million under the engineer's
21 estimate. The engineer's estimate was a little over
22 \$22,000,000.

23 The project consists of an SMA overlay on the
24 northbound and south bound lanes of State Highway 186. It
25 appears that there was misinformation about a bid item was

1 corresponding to edge line rumble strips that was to be
2 changed to another bid item of a much lesser value.

3 No addendum was issued. Thus, the bid item was
4 never changed in our letter -- letting files. After
5 posting, we received two protests on this project stating
6 that the low bidder unquestionably bid the item that was
7 sent out pre-letting whereas everyone else appeared to bid
8 on the higher bid item that was contained in the contract
9 documents.

10 Because of the aforementioned discrepancy, we
11 recommend the project be rejected and relet at a later date.
12 Any questions?

13 MR. LEWIS: We do have a couple of cards, one from
14 someone with -- with a gentleman from Foremost Paving and
15 one Anderson Columbia through -- I like to let those
16 gentlemen go ahead and speak and then have Director Obr back
17 up here if that's all right with everybody.

18 MR. OBR: Yes.

19 MR. LEWIS: Thank you, Director Obr. If you'll
20 stay with us and we'll get back to you. With Foremost
21 Paving, is it Joe --

22 MR. FORSHAGE: Joe --

23 MR. LEWIS: -- Forshage?

24 MR. FORSHAGE: Forshage is the name.

25 MR. LEWIS: Well, I didn't come very close. So

1 not even the same ballpark. But come -- come forward, Joe,
2 and --

3 MR. FORSHAGE: Oh, yeah.

4 MR. LEWIS: And after stating your name correctly
5 and who you represent, give us the benefit of your comment.

6 MR. FORSHAGE: Okay. And Chairman Lewis and
7 Commissioners and General Weber, I appreciate the
8 opportunity. I -- I really don't have a whole lot to say.
9 Obviously certainly laid out the story there. I will tell you
10 though that I am in support of the -- the rejection of bids
11 as recommended by staff. I -- my company Foremost Paving
12 which I am a president of Foremost Paving has been bidding
13 in the -- the low bid or hard bid or designed bid build,
14 however you want to call it, system for about 39 years.
15 I've been personally involved in it for about 30 and I have
16 the upmost in faith in the system.

17 You know, we do have of course a little bit of
18 interaction amongst the -- the con -- between contractor and
19 engineer clarifications and so forth, you know, but there's
20 -- there's certainly a process to formalize the -- the end
21 result of -- of question and answers and et cetera. I think
22 this one just being at a -- at a late time in the -- in the
23 process that it came up which was about an hour and a half
24 before bid time that it didn't get the -- the chance to be
25 formalized.

1 So anyway, the -- you know, we have the upmost in
2 faith in the system and -- and would, you know, appreciate
3 the rejection of the bids.

4 MR. LEWIS: Thank you very much.

5 MR. FORSHAGE: Thank you.

6 MR. LEWIS: Are there any questions?

7 (No audible response.)

8 MR. LEWIS: Thank you for coming forward, sir. We
9 next have a statement request card from Mr. Cheshire. Sir,
10 if you'll please come forward stating your name, who you're
11 here representing and then give us the benefit of your
12 comments.

13 MR. CHESHIRE: Hi. Thank you all and good morning
14 Commissioners, Chairman, General Weber. My name is Zeb
15 Cheshire. I'm General Counsel for Anderson Columbia. And
16 on behalf of Anderson Columbia, I like to thank you for
17 entertaining our comments here today and for what you do.
18 Anderson Columbia also has the upmost in terms of respect
19 for the system, always has. And in this case, we also agree
20 with the recommendation made by Director Obr and also with
21 what Mr. Forshage had to say in terms of the correct route
22 being to rebid this project.

23 Reason being, we want to make sure everybody's
24 bidding on a level playing field. We certainly don't want
25 to enjoy any special advantages and we want to make sure no

1 one else does either. And we feel like the best way at this
2 point to go ahead and ensure that everybody is indeed
3 bidding the same bid items as is intended and that the
4 system is being followed appropriately would be to rebid the
5 project as was recommended. Thank you very much.

6 MR. LEWIS: Thank you. Do you have any questions
7 for Cheshire?

8 MR. AUSTIN: No, sir.

9 MR. LEWIS: Thank you Mr. Cheshire for coming
10 forward. Let's see. Director Obr, if you would please come
11 back up here. And let's see. Commissioner Austin, do you
12 have questions?

13 MR. AUSTIN: I do. In kind of going through
14 looking at some of these, I think we have a unique situation
15 on a couple of bids in here. And I wanted to ask you as it
16 relates to some of this, could you give me an update just a
17 little bit on where we are in Salado? And let me -- before
18 you answer, I want to say I believe we're considering here
19 awarding a contract to a -- to a low bid firm that is
20 substantially behind on another -- another very important
21 project on I-35 in Salado. And I'm just wondering could you
22 kind of give me a little update on where we stand and how
23 this is working? Then I'm going to have some follow up
24 questions, please.

25 MR. OBR: I will tell you that currently the

1 Salado project is a \$71,000,000 project on I-35 through
2 Salado. As to date, we have used 95 percent of the time on
3 that project and we are 58 percent complete with
4 construction on the project.

5 MR. AUSTIN: Would -- would you restate that
6 again?

7 MR. OBR: 95 percent of the time has been used on
8 the project and we are 58 percent complete on the project.

9 MR. AUSTIN: Why are we behind on that project?

10 MR. OBR: The -- the discussions that we've had,
11 it -- it -- my opinion is a resource situation to where the
12 project has not been staffed and progressed as it should
13 have been according to the contractor's schedule.

14 MR. AUSTIN: Was it delayed because of weather?

15 MR. OBR: There are always weather delays most
16 recently as we have experienced, but when you look back in
17 the past history, Central Texas has been a part of the
18 drought situation that everybody's aware of. So I cannot
19 say that there have been drought issues -- or weather issues
20 related to the lack of performance.

21 MR. AUSTIN: So resource issues, it's not
22 financial?

23 MR. OBR: Not to my knowledge, sir. It's -- it's
24 --

25 MR. AUSTIN: Is that -- it's management and

1 manpower.

2 MR. OBR: Crew -- crews on the -- on the ground,
3 equipment on the ground, operators to operate that
4 equipment.

5 MR. AUSTIN: I've heard some complaints, you know,
6 for this project slowing down on one of our busiest
7 corridors in the state. We've recently had -- this company
8 has this contract. And my understanding we have awarded
9 another con -- we did another contract we awarded in May.
10 And we're looking at yet another one. How can this happen
11 in awarding somebody something that when they're
12 substantially behind schedule there's manpower resources,
13 there's not enough resources to be dedicated to the --
14 fixing what they already have? How can we award this?

15 MR. OBR: As the rules currently state, we go
16 through a prequalification process. And that is mostly a
17 financial statement. And if a contractor has the bidding
18 capacity as -- as established by the financial credentials
19 that they submit for us to -- to audit and review and -- and
20 with that, they are bonded on the project, then we authorize
21 them to receive a proposal. And once they receive a
22 proposal, they can submit a bid into our -- into our system.

23 MR. AUSTIN: And this is part of the -- our
24 process which is in the Administrative Code.

25 MR. OBR: Yes, sir.

1 MR. AUSTIN: You know, in the bank, John, if you
2 were past due on two or three loans or a couple of loans and
3 you came and asked for another one and it's because of
4 things you did, I -- chances are I'm probably not making you
5 another loan.

6 MR. OBR: I understand that.

7 MR. AUSTIN: And I would -- I'm going to -- you
8 know, I have some -- I -- I have great reservation in
9 awarding these contracts and, you know, it is -- I guess
10 this may be a legal question or even maybe you can answer
11 this Mr. Graham. What are our options? Can we approve you
12 all's recommendations, hold one out? Can we approve and
13 reject basically -- or basically approve and award the
14 contract and not execute the contract until we -- until we
15 know -- this other project are substantially complete and
16 you all feel a hundred percent confident that they can move
17 forward? And would you mind explaining our options as it
18 relates to this agenda item? Yeah.

19 MR. OBR: Who would you like to --

20 MR. AUSTIN: General Counsel. General Counsel.

21 MR. OBR: General Counsel

22 MR. GRAHAM: Yes. For the record, I'm Jeff
23 Graham, Gentlemen, Robin. The options before you guys right
24 now are to either accept staff recommendations in total,
25 reject them in total or reject it and then modify it such

1 that some of these, these specifically would be the opposite
2 of what's being recommended if you don't like it. So for
3 example, if these are being recommended, these specific
4 contracts that are you giving you pause and you don't like
5 that, you can reject staff's recommendation and then one of
6 you can move for a different minute order saying everything
7 -- all the other hundred and --

8 MR. OBR: 100.

9 MR. GRAHAM: The other 100 would be accepted as
10 recommended. But these I would like to reject. Those are
11 your options. The other option finally is to award them but
12 perhaps someone could express that they have reservations
13 with the execution of that contract until these questions
14 are resolved.

15 MR. AUSTIN: So we have some options right now.
16 The way it looks right now, the way it's bubbled up based on
17 what you all were working within on the administrative code,
18 systems are in place where you can have bad behavior and
19 still be rewarded for it.

20 MR. OBR: I -- I would like to explain along the
21 lines of contract execution.

22 MR. AUSTIN: Okay.

23 MR. OBR: We do have a default process. And we
24 have executed that process on numerous contractors here
25 recently. We have to had serious discussions about that and

1 had serious discussions with the contractor about the
2 ramifications of us executing or starting or beginning that
3 default process. It -- it has not. We -- and typically
4 what happens is you have a 10 day notification that you're
5 looking at it and then 10 days later if the contractor
6 hasn't satisfied the Department as far as -- or the engineer
7 in charge as far as being able to execute that, then we move
8 forward with the default proceeding. We have not gone there
9 yet on this contract.

10 MR. AUSTIN: You know, I want to say Mr. -- you
11 know, Chairman and to my fellow Commissioners, this is kind
12 of an embarrassment to the Department. And I think it would
13 -- and having somebody while we're looking -- we're being
14 asked to be accountable and here we are looking at contracts
15 where contractors regardless of who they are are not being
16 held accountable and performing. And it's not -- we've
17 talked earlier today. It's not just contracts for
18 construction, but also vendors who are providing services to
19 us as -- as well. And I -- we've all been through training
20 to look at procurement and then follow up as well.

21 I would ask that maybe between now and -- you
22 know, then over the next few months we begin looking at the
23 Administrative Code, you know, to where we can prevent some
24 of this from happening and -- and being the low bidder. I
25 -- I just think we need to stop. And if you're going to do

1 business with TxDOT, you need to follow your contract,
2 period. And I think, you know, we're asked to do the same
3 thing to deliver projects on time. But we need to ask --
4 ask our vendors and for the contractors to do what they said
5 they're going to do on time and commit resources, not
6 promise they're going to do it so they can get another one.
7 I -- I've watched this too many times and that dog didn't
8 hunt.

9 And I want to say Mr. Chairman, I would -- you
10 know, I'm going to support staff's recommendation for this
11 item. I have great reservation in awarding this to James
12 Construction. But knowing this, what I would like to ask do
13 -- I don't -- make this in the form of a motion that I -- I
14 will recommend awarding, but I do not want to see this
15 contract executed until staff is a hundred percent complete
16 that the resources are going to be dedicated to fix what
17 they've already done before this is done. If that -- that
18 may mean delaying the contact, whatever it means. Or if you
19 all make the determination at some point, we need to redo it
20 and come back.

21 I'm going to leave that up to you all. But I do
22 not want to see if that's -- I will make a motion that we
23 approve and award all contracts with the exception -- well,
24 with the addition of this one to delegate the staff before
25 it's executed to be -- make sure they are confident.

1 MR. LEWIS: I -- I think this and --

2 MR. OBR: We -- we --

3 MR. LEWIS: -- this -- with this being a motion --
4 an agreement, let's -- let's see if this be in -- in
5 agreement. I -- I think just as far as our proper motion of
6 things we can do is award or reject, but there could be a
7 motion to award and then a statement of concern and sort of
8 direction of staff to continue to work.

9 MR. AUSTIN: I -- I will modify my motion.

10 MR. LEWIS: A motion to dispute award.

11 MR. AUSTIN: I'll modify my motion to award
12 staff's recommendation and with a comment of please do not
13 execute this until you all feel a hundred percent confident
14 that the adequate resources are going to be dedicated to fix
15 and finish what we already have on 35 and that you all are
16 confident with the other contracts.

17 MR. LEWIS: Okay. There -- there's a -- there's a
18 -- a motion to award consistent with the staff
19 recommendation. Is there a second to that motion?

20 MR. BUGG: I have a comment and -- and I'll go
21 ahead and second the motion, Mr. Chairman, but my comment is
22 that John, I can't implore how important Commissioner
23 Austin's words are. And with the focus of Governor Abbott
24 improving all the efforts statewide to decrease congestion
25 in our traffic situation and with the Legislature having

1 just completed its 84th Session with all the additional
2 resources that are coming, it is going to be -- we -- we
3 have to work hand and glove with the contract community in
4 order to accomplish the objectives that -- that we all know
5 we need to accomplish.

6 And so it is to me incumbent upon you and I'd like
7 to ask Jeff, you and -- and John Barton to work as a team to
8 look at the administrative code, because we have to have
9 contractors that work with us to complete these projects on
10 an on time, you know, on budget manner so that we can
11 achieve the overarching objectives that we have. So I just
12 want to basically applaud Commissioner Austin's comments and
13 I fully agree with them. And I think this is a serious
14 matter that we need to look at so that we can accomplish the
15 objectives before us. So -- but I will second the motion.

16 MR. LEWIS: All right. Thank you. We have a
17 motion to second. We do have a -- if there are no other
18 questions of Director Obr right now, we do have a -- a
19 request to make a statement from a representative of James
20 Construction. So thank you, Director Obr. If you'll have a
21 seat. And I'd ask Mr. Kilgore.

22 MR. KILGORE: Yes, sir.

23 MR. LEWIS: Mr. Kilgore, if you would please come
24 forward, state your name, who you're here representing and
25 then you may make your statement.

1 MR. KILGORE: My name's Mike Kilgore. I'm
2 President of James Construction Group. And I appreciate
3 being given the opportunity by -- by you Mr. Lewis and also
4 the other Commissioners. I've been with James for 40 years
5 now. And we've been doing work in the state of Texas for --
6 for 40 years, early -- early days under the name of Kenny
7 James.

8 In those 40 years I don't recall one project that
9 we completed and closed out that we had assessed liquidated
10 damages on. So I mean, I -- that's part of the company that
11 we're -- you know, that we're talking about here. We have a
12 long history in Texas. Our bid qualification in Texas is
13 1.3 billion. We currently have \$928,000,000 under contract.
14 And our current backlog is \$521,000,000 on those contracts.

15 The two jobs that we're talking about awarding,
16 the 317 job is directly in front of our quarry. It - the
17 -- it is between two jobs that we recently completed that we
18 completed on schedule with no LDs. The second project is a
19 Loop 363 job -- a loop job that we also have projects that
20 we completed, two projects that we completed on that loop
21 and they were completed on schedule.

22 There have been numerous projects and we -- we
23 share your concern. We don't -- believe me, it cost us
24 money. It's not in our benefit to drag out a project at
25 all. We want to get these jobs done. There have been

1 numerous issues on the projects along I-35 involving several
2 different things. A lot of it had to do with utilities,
3 delays. Both of these projects also that I want -- that
4 we're talking about awarding have a built in delayed start.

5 And we -- we fully expect based on the history
6 that we've seen on other projects that that delay -- that
7 built in delay ought to be delayed even further because of
8 some right-of-way or retell the issues. So we don't know
9 exactly when we're going to start it, but it would probably
10 be at least six to nine to 12 months from now. And we have
11 six projects that we're going to be completing or scheduled
12 to be complete during that time before these projects are --
13 are scheduled to start.

14 The -- we have had some issues on the Salado
15 project. That project had -- I believe it had 26 phases and
16 a hundred and seventy-two steps involved in that
17 construction process. It was a very complicated process.
18 We have been working with TxDOT over the last year to try to
19 come up with a way to expedite that completion and -- and
20 cut down some of those phases and gaps in the work to slow
21 down the construction and make it difficult to apply more
22 resources to that work.

23 We've recently been approved with TxDOT on a
24 resequencing plan which we think will help expedite that
25 work to completion. And we made several effort -- we -- we

1 -- we're doing several things to try to address that issue.
2 We changed out the supervisor on the project. We are --
3 we're adding -- we are going to add additional James crews
4 now that we get this resequencing starting and open up the
5 other fronts. And we're also looking at bringing in some
6 other contract labors of the subcontractors to help with
7 portions of it just to expedite that project. And that's
8 the actions that we're taking.

9 I've back in this role -- like I said, I've been
10 with James for 40 years. I was -- when we were -- I've been
11 back in this role since February. And I'm -- I'm making
12 some aggressive actions and trying to take some aggressive
13 actions to get some of these things lined out up there in
14 that quarter and speed these projects up. So any questions?
15 I'll be glad to answer some.

16 MR. LEWIS: Just a second. Let's start with you,
17 Commissioner Austin.

18 MR. AUSTIN: I -- I just want to say Mr. Kilgore,
19 thank you being here and coming up and addressing this. I
20 know this is a difficult situation. And I -- we're -- I
21 hope you respect where we're coming from as well. And I --
22 and my -- my comments while directed on this specific item
23 also is in general to all other contracts and processes that
24 we have.

25 MR. KILGORE: And I understand that. We work in

1 other states and other states have different rules and laws
2 associated with that.

3 MR. AUSTIN: And also it's important for the
4 public and other vendors, contractors to understand General
5 Weber, Chairman Lewis has made -- have made a commitment to
6 Governor Abbott that we will -- we will execute in an
7 accordingly timely matter and expeditiously and also trying
8 to -- to be good stewards of our dollars.

9 The citizens count on us, look to us when there's
10 a problem. You are a representative of us when you're --
11 whatever contract you and your -- your other fellow
12 contractors. And we ask that you all employ whatever
13 management techniques that you are -- are armed with to make
14 sure things are -- are executed and done on -- on time. The
15 state of Texas is counting on you.

16 MR. KILGORE: We understand. And we're going to
17 try -- I'm making a commitment to you that we're going to
18 try to do our best to make sure we -- we honor that.

19 MR. AUSTIN: So I -- and you all will work with
20 staff to -- to ensure --

21 MR. KILGORE: We've been working with them
22 diligently over the last few months particularly since I've
23 been back and I think we have some plans involved and to try
24 to expedite that work, so -- and -- and I will -- I'll say
25 the last two months we had -- I think in May we had 21 days

1 of measure precipitation as -- as everybody knows and that's
2 -- I don't care who you are. It's very difficult to -- to
3 make a lot of progress on a construction job with that kind
4 of conditions. And April wasn't a whole lot better. So --
5 but we are taking steps.

6 MR. VANDERGRIFF: But you started --

7 MR. LEWIS: Commissioner Vandergriff.

8 MR. VANDERGRIFF: Yeah, you started on the project
9 in January of '12, correct?

10 MR. KILGORE: I believe that's correct.

11 MR. VANDERGRIFF: All right. And we've been in a
12 record drought in May of --

13 MR. KILGORE: I didn't say the rain delayed it.

14 MR. VANDERGRIFF: Yeah. Okay.

15 MR. KILGORE: No.

16 MR. VANDERGRIFF: I just -- I just wanted to be --

17 MR. KILGORE: Not sure that it involved the delay,
18 but I said since I've been back at the first of February and
19 we've had two months of pretty severe rain at -- since that
20 point in time.

21 MR. VANDERGRIFF: Okay.

22 MR. LEWIS: Any other -- any other questions? Let
23 me ask a couple of questions --

24 MR. KILGORE: Sure.

25 MR. LEWIS: -- if I -- if I may. Or -- and -- and

1 make a statement and maybe get your feedback on it. And as
2 I'm sitting here listening to this, if you're a year behind,
3 you're a year behind. And on I-35 at that juncture where
4 Salado is, it doesn't help those people be -- those -- those
5 merchants be less bankrupt because you did okay on other
6 projects and they're no less bankrupt or no less out of
7 business just because well some other project, James
8 Construction, did fine. They're impacted now.

9 MR. KILGORE: By this project.

10 MR. LEWIS: And -- and if -- and our concern is we
11 might -- I should say my concern. My concern is that if --
12 if you don't have the resources to finish this project and
13 on time, if you're a year behind because you don't -- what's
14 -- what's stated here is that there's a resource problem.
15 There's a manpower problem. There are operators equipment
16 problem. There are -- whatever those are, if your -- if you
17 can't do that one but you're bidding low on other projects,
18 why are you getting those other projects if you can't do --

19 MR. KILGORE: Well --

20 MR. LEWIS: -- that one?

21 MR. KILGORE: -- as I --

22 MR. LEWIS: So -- so I -- I want your comments on
23 it, but I -- but I will tell you, Mr. Kilgore, I like you.
24 You appear to be a very nice person, very concerned and
25 probably a person, you know, really brought in to -- to

1 handle a very real problem James has gotten into. But
2 whether I like you or don't like you and whether I like
3 James or don't like James, we have to get these projects
4 done and we can't be a year behind.

5 Now I'll -- I -- I kind of step -- stepped on what
6 you were going to say, but go ahead and tell us what you're
7 going to say.

8 MR. KILGORE: No, I -- I understand. And -- but
9 I'm in the -- the two subsequent projects as I've stated,
10 they have a delayed start built into the job. So we weren't
11 bidding anything in the Belton area at this particular time.
12 It's going to start in the next three to six months. But we
13 expect that those delayed starts, one is a hundred and
14 twenty and one's a hundred and -- the other is a hundred and
15 eighty days. Those are built in as stipulated delayed
16 starts.

17 Some of these other projects along the I-49
18 quarter that we started are -- were -- I think the --
19 there's another one that had a year delay after we were
20 awarded the contract. So we talk about awarding and doing
21 what we say we're going to do and making that work
22 available, but yet we're -- we're incurring that a lot with
23 this -- with the -- with the utility delays and the right-
24 of-way delays associated with this project. And in some
25 cases it pushes these project -- we've got five projects

1 that are all in between -- we got Salado, Belton, Temple and
2 then two north -- two projects just north of Temple. And so
3 they've all been pushed to some degree so that they're --
4 you know, we're doing them all at the same time. And
5 there's been various issues that have -- that have caused
6 that.

7 But like I said, we'll be finishing up six jobs,
8 our schedule to be complete before these next two start.
9 And we don't -- those are not that large of projects in the
10 same area that are right across from our quarry one of them
11 and that we don't see that as being -- we need continuity of
12 work in order to keep our employees working in that area and
13 make them -- get them committed to that area. So we have to
14 be bidding work out in front of that so that they have a
15 place to move too.

16 And if that work is not going to start for a year,
17 18 months or whatever, we've got to put that in our planning
18 process and make sure that we have work down the road for
19 these guys to look forward to to stay there.

20 MR. LEWIS: All right. So you're -- are you
21 telling me that Director Obr is wrong and there's not a
22 resource problem with James that's caused these delays, that
23 that's -- that that's not true?

24 MR. KILGORE: I will say that there are some
25 stretch resources within those five projects on -- in

1 Temple. And we're -- we're taking some efforts to remedy
2 that.

3 MR. LEWIS: And so when are you going to finish
4 this project?

5 MR. KILGORE: I don't know what the latest
6 construction date is as to when the forecast completion is.

7 MR. LEWIS: You don't know?

8 MR. KILGORE: I don't know.

9 MR. LEWIS: Okay. Thank you. Any other questions
10 of Kilgore?

11 MR. MOSELEY: Mr. Kilgore, thank you for being
12 here. Clearly you can see there's a deep seeded concern. I
13 -- I think we all appreciate the fact that from time to time
14 a project will have its own unique challenges. I think also
15 for you and everybody that is stepping up to bid on
16 projects, we're going to ask that if there's a pattern of
17 not being able to meet deadlines that we be alerted --

18 MR. KILGORE: Oh, yeah.

19 MR. MOSELEY: -- because patterns of accepting
20 bids and not meeting performance are really troubling.

21 MR. KILGORE: And to Mr. Austin's point, there are
22 other states that have laws that disqualify contracts from
23 bidding. If they -- and they -- but there's stipulations
24 that go along with that, yeah.

25 MR. MOSELEY: So -- so I think we're -- we're

1 really deeply concerned that -- that maybe this isn't so
2 isolated. And regretfully, it's on the main street of our
3 state. So your -- you -- you've chosen for whatever reason
4 not to focus as a priority, a project that's on the middle
5 of the stage on the main street of the state. And I really
6 encourage you -- I would -- look at the resources you can
7 bring to get this project up and moving.

8 MR. KILGORE: We understand.

9 MR. MOSELEY: Thank you.

10 MR. KILGORE: My daughter and -- and daughter-in-
11 law who is an A&M graduate been driving through it a lot of
12 times recently. And I worry about the safety and everything
13 else that goes along with that. So thank you.

14 MR. LEWIS: Thank you for coming forward, Mr.
15 Kilgore. We -- that's the only witness statement we have.
16 Director Obr, if you'll come back. Are there any other
17 questions of Director Obr at this time?

18 MR. VANDERGRIFF: I have --

19 MR. LEWIS: Yes.

20 MR. VANDERGRIFF: -- just a couple.

21 MR. LEWIS: -- Commissioner Vandergriff.

22 MR. VANDERGRIFF: Just want to be sure that --
23 that this -- this -- you following the standard procurement
24 process, correct, in terms of going out and -- and awarding
25 these -- these -- or recommending the awarding of these

1 contracts which includes the one with James Construction.

2 MR. OBR: Yes, sir.

3 MR. VANDERGRIFF: Correct? Okay.

4 MR. OBR: Yes, sir.

5 MR. VANDERGRIFF: Now do you have any rules in
6 place, certain -- I don't know of any statutory requirements
7 that would prohibit a bidder who's this seriously behind on
8 a number of projects from being considered?

9 MR. OBR: No, sir. Not at this time.

10 MR. VANDERGRIFF: Okay. Well, you know, based
11 upon that, I mean, I think the role of the Commission is as
12 a policy board is to make sure that the Department has
13 proper procurements in place and -- and follows the law as
14 appropriate. So, you know, I can support this, but I will
15 tell you from my own personal perspective, I -- I would
16 prefer that perhaps this Commission consider putting a
17 policy in place that any company that is this seriously
18 behind in a number of contracts that they not be considered
19 eligible for -- for --

20 MR. OBR: Agreed.

21 MR. VANDERGRIFF: -- bidding on these projects
22 going forward in the future whether that applies to James
23 Construction or any other company. I think we should at
24 some point in time Chairman take that up as a discussion
25 item and -- and perhaps action so that we don't have a

1 repeat of this, because I'm not sure this should be a
2 question even before us.

3 MR. OBR: Right.

4 MR. VANDERGRIFF: So anyway --

5 MR. LEWIS: Well, thank you. Well, thank you,
6 Commissioner. Commissioner Austin.

7 MR. AUSTIN: And John, do we have the ability to
8 withhold payments on any contract if a contractor is behind
9 or not giving us a status report or show how they're going
10 to recover and get back up on or --

11 MR. OBR: Yes, sir.

12 MR. AUSTIN: -- what -- what --

13 MR. OBR: Contractually, we do have that authority
14 to do that. And a lot of times at the same time and we run
15 into the struggle of the contractors behind and they're
16 trying to get subs paid. And you got prompt pay act and we
17 -- we question the -- internally whether we want to be
18 withholding payment when they're trying to pay subs and get
19 those -- those that are actually working out there on the
20 project to get them paid, so --

21 MR. AUSTIN: And what --

22 MR. OBR: -- but those are in the contracts.

23 MR. AUSTIN: And what -- and please don't
24 misunderstand. I don't want to hold up anything.

25 MR. OBR: Yes, sir.

1 MR. AUSTIN: And people -- everybody deserves to
2 be paid on time and regular. And just like when we pay for
3 something, I think our mutual obligation with the contractor
4 or whoever -- or -- or vendor is that the services are
5 delivered in a timely manner and on time and accurate, so --

6 MR. OBR: Yes.

7 MR. LEWIS: Thank -- thank you. Director Weber,
8 do you have a question for us?

9 GENERAL WEBER: Just -- just -- thanks, Chairman.
10 Just to answer Commissioner Vandergriff's question, we will
11 look at the policies on how we do this. But I will tell you
12 Chairman and Commissioners in good conscious and -- and I
13 will not be authorizing our Director of Construction to
14 execute any awarded contract if there is a company there
15 that is not performing on time on target. So that's also a
16 mechanism in there that we certainly will be looking very
17 closely at, so --

18 MR. LEWIS: All right. If there are no other --
19 any -- is there any other discussion?

20 (No audible response.)

21 MR. LEWIS: If there's no further discussion, then
22 we do have a motion to award highway and transportation
23 enhancement building construction contracts that were listed
24 in Exhibit 8 of the minute orders in accordance with the
25 staff recommendation. We have a second to that motion. If

1 there's no further discussion, I'll call for a vote. All in
2 favor, say
3 "aye".

4 (Chorus of "Ayes")

5 MR. LEWIS: Any opposed, "nay".

6 (No audible response.)

7 MR. LEWIS: The motion carries. Thank you.
8 General, back to you.

9 GENERAL WEBER: John, please proceed with Item
10 11(c), construction contracts deferred from May 28th, 2015.

11 MR. OBR: Yes, sir. Item 11(c) is for
12 consideration of the award or rejection of highway
13 construction contracts let on May 5th and 6th of 2015 and
14 deferred by the Commission by May 28th, 2015 action.

15 We present the following projects, Collin County,
16 STP 1502(083)-MM, Erath County STP 2015(770)-HES, Wise
17 County, STP 2014(884). There was a Department communication
18 error. Basically TxDOT's electronic vault for the final 15
19 minutes before the 1:00 o'clock deadline for bids, it failed
20 on the day of letting for these projects.

21 We accept bid -- bid protests from contractors who
22 could show they had tried to submit a bid during the time
23 the error occurred and their proposed bid would have been a
24 low bid or adjusted bid based on the bids that were
25 received.

1 On this basis, we recommend these projects be
2 rejected and relet at a later day. Any questions?

3 MR. LEWIS: Okay. You do have -- we have five
4 statement cards. I'll start off saying any questions of
5 Director Obr at this time before we go to those cards?

6 (No audible response.)

7 MR. LEWIS: Okay. Very good. And I'm -- I'm
8 trying to get if I -- if I can do it, I'm trying to get
9 these statements in because there are three projects here
10 and try to get the right statement or the right project. I
11 think the first two would be with regard to Collin County, I
12 think. Let's see. That would be -- gosh, you know, I had
13 this name last time and I still can't pronounce it. Is it
14 Kuhr? James Kuhr. OHL USA. If you'll please come forward.
15 I -- I should remember. I -- I apologize. Come forward.
16 State your name correctly for the record. Tell us who
17 you're here representing and then give us the benefit of
18 your statement.

19 MR. KUHR: Yes, good afternoon -- morning -- good
20 afternoon, Commissioners. My name is James Kuhr. I'm with
21 OHL USA. And once again, I do have just some packets to
22 share with you all. It's the exact same stuff you had last
23 time, but at the very least --

24 MR. LEWIS: Sir --

25 MR. KUHR: -- you can add to your blue folder

1 collection.

2 MR. LEWIS: Sir -- sir, please come forward and --
3 and the clerk will distribute them for you.

4 MR. KUHR: And as we've all seen that information
5 and in the interest of time, I'll -- I'll just go ahead and
6 get started here. I believe that there are some gentlemen
7 here today who don't agree with my opinion on these matters.
8 So I thought that I would just rehash the three things that
9 we covered last time and then just briefly go through them.
10 And those three items are that it was a fair process, it was
11 by the book and if you were to not award the project and go
12 through another round of bidding, that might be ethic --
13 ethically questionable.

14 So to go through those three issues, it was a fair
15 process because the Internet went down for everybody at the
16 same time. But that isn't even really the issue, because
17 Riverside did not go down. The doors were open, the lights
18 were on, people were there. Everybody had the opportunity
19 to go in and submit a bid.

20 And I think what we'll see when you look at the
21 Administrative Code that really the primarily means of
22 submitting a bid is to still to go down and hand deliver it
23 to TxDOT. In high school, I had a teacher make us write on
24 the front of our books, our notebooks, that technology will
25 fail you when you need it the most. That is a risk that we

1 are all aware of, we've all experienced and it's something
2 that we all operate under all the time. Therefore, it was a
3 fair process.

4 Going to the second part, it was also by the
5 books. If you look at the Administrative Code that you have
6 there in front of you, it's quite explicit that says that
7 the Department is not responsible for a bidder being unable
8 to submit or withdraw a bid due to the unavailability of the
9 Internet. And now the Internet is a defined term because it
10 has a capital letter there. And it's defined here and in
11 several other parts of the Texas Administrative Code and in
12 federal statute to be very broad and to encompass TxDOT's
13 communications systems.

14 These are the same rules that say that if you turn
15 in the bid late, you can't -- we're not going to submit it.
16 There's just certain bright line things that we have to
17 apply across our bidding process to make it function. And
18 so that's the second point. It was actually by the book.

19 And then the third point to bring up here is that
20 TxDOT posted the low bidders and then the next day they
21 posted the bid tabulations which reveals how much my steel
22 cost, how much my concrete cost. It bid -- it revealed all
23 of my subcontractor and supply pricing.

24 Now in the state of Texas, generally we look upon
25 rounds of bidding as unethical. My company doesn't do it,

1 some companies do it, but generally we don't like that sort
2 of thing. And so the Texas Department of Transportation is
3 kind of the -- the mothership, the example that the
4 contracting community likes to follow in these matters. And
5 so if the Texas Department of Transportation were to do what
6 is effectively another round of bidding, I think it would be
7 very disappointing ethically for the contracting community.

8 And I know I kind of blew through that, so I
9 apologize. But I'm open for any questions you guys might
10 have.

11 MR. LEWIS: Any questions for Mr. Kuhr at this
12 time?

13 (No audible response.)

14 MR. LEWIS: We -- we appreciate you coming before
15 us before and -- and again today. Thank you very much.

16 MR. KUHR: Thank you very much.

17 MR. LEWIS: I believe this is -- Mr. White, I
18 believe your comments were also with regard to the Collin
19 County project, is that correct? Then if -- then if you'll
20 come forward and after stating your name and who you're here
21 representing, give us the benefit of your remarks.

22 MR. WHITE: Sam White with Zachry Construction
23 Corporation. Good afternoon, Commissioners, General. On
24 May 5th, 2015 Zachry attempted to submit a revised bid prior
25 to the deadline for accepting bids for TxDOT Project STP

1 1502(83)-MM. However, TxDOT's electronic bidding system did
2 not accept the bid and it was rejected and we weren't able
3 to get our final number turned in.

4 I appreciate the opportunity to make this brief
5 statement to the Commission to address certain points that
6 the Commissioners and representatives from other general
7 contractors raised during the last Commissioners meetings.
8 Respectfully, Zachry continues to request and recommend that
9 TxDOT reject all bids and readvertise the project for bid.

10 First point, respectfully this is not a situation
11 of a bidding error or a mistake by Zachry or any other
12 contractor that submitted a bid. We therefore do not
13 believe that the rules or analogy regarding the contractor's
14 bid error applied to this discussion.

15 Next point, respectfully we do not believe that
16 this involves an issue where the Internet or down or failed.
17 As we understand it, this is an issue of a failure of an
18 internal piece of TxDOT's software. Zachry's software,
19 Internet and the Internet in general were working properly.
20 Accordingly, we do not think the discussion of the
21 contractors assumed risk of Internet failure applies since
22 everything was working fine on our side. And it was working
23 earlier in the day and we were able to submit -- I don't
24 remember the exact number, three or four submissions that
25 day up and to around 11:00 o'clock.

1 The third issue, during the last Commissioners
2 hearing, Commissioner Austin asked a question regarding the
3 use of fax machines for submitting bids for this letting as
4 well as other TxDOT lettings in general. To be clear,
5 TxDOT's current specifications and bidding rules especially
6 for this project do not expressly provide for a general
7 contractor the right to submit a bid by fax.

8 Although TxDOT will make special considerations
9 and arrangements upon written request in advance of -- in
10 advance of bid day as stated by the director during the last
11 Commissioner's meeting, TxDOT does not generally receive
12 bids by fax. We are also not aware that TxDOT received any
13 faxed bids for the letting in question.

14 We also think this practice generally reflects the
15 way TxDOT and the local industry have done business in the
16 state for many years given the modern advances of the
17 Internet as well as the advent and use of the electronic
18 bidding system.

19 We do not believe that requiring TxDOT to have
20 enough fax machines available to receive multiple bid
21 revisions within the deadlines to receive bids is a
22 productive use of TxDOT or taxpayers' time and resources.
23 We also believe that such a requirement would set TxDOT and
24 the bidding community back a decade in the bidding
25 sophistication.

1 The next point is regarding comments by several
2 Commissioners and representatives of other general
3 contractors about protecting the integrity of the bidding
4 system, we completely agree that TxDOT and the Commission
5 should endeavor to protect the integrity of the bidding
6 system.

7 However, respectfully we disagree with statements
8 by others that awarding the bid as submitted would serve to
9 protect the integrity of the system. Rather, we believe
10 that TxDOT, the state and the process are served to protect
11 it best when there is a level playing field and an
12 electronic bidding system that has served TxDOT and the
13 industry well is open and available to all contractors
14 during the time provided to submit bids. Okay.

15 Basically we believe that we -- we tried to submit
16 our bid. This is the system that we have used for -- for
17 years now. It works well. The culture is built around
18 submitting these bids up to the last minute which we're
19 allowed to do by the specification and within the last 15
20 minutes we weren't to do that due to no failure of our own
21 systems.

22 MR. LEWIS: Thank you, Mr. White. Any questions
23 of Mr. White at this time? Commissioner Austin.

24 MR. AUSTIN: Well, I -- I'll save it for Bob.

25 MR. LEWIS: Oh, okay. Thank you, Mr. White. I

1 believe that's probably all with regard to Collin County. I
2 think these other statements are with regard to other
3 projects. Then the next one we have, I think this would
4 relate to Erath County. And Bob Kober? Please come
5 forward. State your name correctly and -- and who you
6 represent.

7 MR. KOBER: My name is Bob Kober. I'm the
8 Regional President for Knife River South. Deja vu. My
9 comments will basically mirror what they did last go around.
10 So I -- I really won't go into all the depth and gore again,
11 but an unfortunate event occurred and some bidders weren't
12 able to turn them in. But it's a risk we all carry. I
13 think if we, you know, go through TxDOT's procurement and
14 instructions to bidders and went through all those last go
15 around, I would just reiterate that, you know, award to the
16 responsible bidders, everybody had alternative method of
17 delivery available to them which is hand delivered.

18 If the Information Highway goes down, if I get
19 held up on the 21 Highway getting here, will I be given that
20 same courtesy? Okay. I get hung up in traffic. I'm going
21 to hand deliver it. It's your highway. Gosh, I can't get
22 through. Will you reject all bids and give me a chance if I
23 would have been low if I had got here in time?

24 So, you know, let's address the issue, but let's
25 preserve the integrity of the -- of the bid process that's

1 outlined in your documents as today's statute.

2 MR. LEWIS: Thank you, Mr. Kober. Any questions
3 of Mr. Kober at this time?

4 (No audible response.)

5 MR. LEWIS: Again, Mr. Kober, thank you very much
6 for coming forward last time and this time as well. We
7 appreciate you coming out here.

8 MR. KOBER: You bet. Thank you for entertaining
9 me.

10 MR. LEWIS: Okay. Well, I don't know how
11 entertaining we are, but we try. Now we have in that Erath
12 County project -- let's see. Ed Bell was -- Construction
13 Company was another bidder. We have two statements from
14 representatives Ed Bell Construction. Would either Mr.
15 Teter or Mr. Priddy wish to come forward with regard to
16 Erath County? Well, and we'll do Wise County next. Okay.
17 Very good.

18 Then -- then we'll go forward to Wise County then.
19 On the Wise County project, we have -- I'm going to -- I'm
20 going to go in order. I'm going to go president first.
21 Okay. So Steven Priddy is the president of Ed Bell
22 Construction Company. Please come forward and state your
23 name, who you're here representing. You may give us the
24 benefit of your thoughts. And this is with regard to Wise
25 County?

1 MR. PRIDDY: Yes, sir.

2 MR. LEWIS: All right. Go ahead.

3 I'm Steven Priddy, President of Ed Bell Construction
4 Company. Mr. Chairman, Commissioners, General Weber,
5 appreciate the time today to talk on this issue.

6 Ed Bell Construction, we're very proud to say
7 that, you know, 25 years of work with TxDOT and we've
8 completed over a hundred and fifty projects. And we're also
9 proud to say that TxDOT is our largest customer.

10 And so on behalf of the employees of Ed Bell
11 Construction, we appreciate all the hard work that the
12 Commission does and that the Department does. And we really
13 appreciate that hard work.

14 With regards to the Wise County bid, keep it short
15 and sweet. We are in agreement with Mr. Obr's
16 recommendations to the Commission. And that's all I have.

17 MR. LEWIS: Is that it?

18 MR. PRIDDY: Yes, sir. And that's --

19 MR. LEWIS: And anything further?

20 MR. VANDERGRIFF: And -- and you're the low
21 bidder.

22 MR. PRIDDY: We are the low bidder, yes.

23 MR. VANDERGRIFF: And so --

24 MR. PRIDDY: Our -- our situation is a little bit
25 different. We had submitted a bid prior to -- by the

1 Internet prior to the malfunction. And then we had a
2 subcontractor within the last 15 minutes that had a material
3 price increase and passed that onto us. And so we tried to
4 submit a modified bid increasing the price. It's about --
5 excuse me, about \$250,000 on the project. So if we're
6 awarded at the price it was read, we will be damaged
7 \$250,000 to -- to get that work completed. So that's why we
8 are in favor of the rejection of the bids.

9 MR. LEWIS: Any other questions?

10 (No audible response.)

11 MR. LEWIS: Thank you, sir, for coming forward.

12 And then we have a card from Doug Teter.

13 MR. TETER: I have nothing -- nothing additional
14 to add what he's stated.

15 MR. LEWIS: You're not going to argue with -- with
16 what the president said?

17 (Laughter.)

18 MR. LEWIS: Okay. Congratulations on keeping your
19 job.

20 (Laughter.)

21 MR. LEWIS: All right. Thank you. Are there --
22 now those are all the cards that I have. Anybody else have
23 a statement card and wish to come forward with?

24 (No audible response.)

25 MR. LEWIS: Okay. Then let's -- let me ask --

1 first of all, the -- Director Obr, I guess you should come
2 back up here. Do we have some questions of Director Obr?

3 MR. AUSTIN: Yes.

4 MR. LEWIS: Commissioner Austin.

5 MR. AUSTIN: Wow. The complexity lives on I think
6 as we see -- you know, I'm -- I'm sens -- there was a
7 comment that the gentleman just made. And I think we want
8 to be sensitive to this. We represent a large portion of a
9 lot of the contractors throughout the state's job that comes
10 from TxDOT. And, you know, we -- that does not go
11 unnoticed. We recognize that and we want to again follow
12 our obligation to pay on time and do things, provide the --
13 whatever they need from -- from us. But that's a two --
14 that's a shared responsibility.

15 In the bid process, some kind of -- some of my
16 comments I made last time. The contractors today I think in
17 bidding process, documents and materials, technology are
18 pretty sophisticated bidders. And, you know, there are
19 consequences -- we all have consequences for not getting
20 something -- something in on time. We've had them
21 throughout our life and we have them right now in the real
22 world. And if we keep making exceptions and exceptions and
23 exceptions, I don't think that's a good precedent for us to
24 -- to set and go forward.

25 It's -- it's unfortunate what -- what happened,

1 but I -- I want to revisit a couple of things, John, if I
2 may.

3 MR. OBR: Yes, sir.

4 MR. AUSTIN: A little while ago you made a comment
5 as we're looking at awarding the previous items I think you
6 said 96 percent were submitted electronically.

7 MR. OBR: Yes, sir.

8 MR. AUSTIN: Did I hear that right?

9 MR. OBR: In the month of June. Yes, sir.

10 MR. AUSTIN: And the -- how were the other four
11 percent delivered?

12 MR. OBR: The other four percent are always
13 delivered by -- by mail or by hand. And we have a box there
14 in Riverside where they can drop it in the box. So where it
15 comes via register -- registered mail.

16 MR. AUSTIN: And -- and I am sensitive to the
17 comment -- yes, I did ask a question about the fax machine.
18 I know that would be horribly inefficient. I recognize
19 that. I know it would be. And depending on what is
20 actually required to the summary or the full document, would
21 -- but could and would potentially clog up. I -- I
22 recognize that.

23 Nonetheless, my point was to illustrate -- there's
24 more than one way to submit a bid.

25 MR. OBR: And -- and I -- and I would like to add

1 to that if I might, sir. I was -- during the -- the --
2 between the letting and the Commission meeting, we were in
3 several discussions as to what happened and how to fix the
4 problem. And one of the discussions we had had was the
5 possibility --

6 MR. AUSTIN: Right.

7 MR. OBR: -- under extreme circumstances of
8 limiting the proposal submission and -- and possibly faxing
9 it. But as you look at last month with a hundred and two
10 projects and the comments made with suppliers quoting not
11 only suppliers' quotes, subcontractors' quotes, everything
12 coming down to the last minute, it -- it would have to be
13 looked at very under much scrutiny to ever go in that
14 direction. And then there's the bond portion of it.

15 When contractors receive a bond, there's two ways
16 that we can verify. In a written bond, it's got a seal. We
17 check to see that it is an actual seal that's been placed.
18 It's got a raised surface on that seal.

19 Through the electronic bidding system, the bonding
20 company verifies that that electronic bid is a valid or that
21 -- that bond is a valid bond. So those are two very secure
22 means that the Department has as far as bonding our
23 contracts. And we would have to look further at how could
24 we ensure or verify with a bonding company through a fax
25 situation that it is actually a verified bond.

1 MR. AUSTIN: Again, just a point of contention
2 though, it was not a disallowed method of delivery at -- as
3 it stands when those were submitted.

4 MR. OBR: It -- we do not --

5 MR. AUSTIN: Not an efficient, but it was not
6 disallowed.

7 MR. OBR: We do not accept fax bids.

8 MR. AUSTIN: Is that in the code?

9 MR. OBR: Yes, it is in the specifications that
10 they will either be delivered in -- in writing or by
11 electronic bidding system. I believe the code --

12 MR. AUSTIN: And I was led to believe that last
13 time --

14 MR. OBR: I know. I know. I may --

15 MR. AUSTIN: -- it was -- that was not -- that was
16 an acceptable method.

17 MR. OBR: It is -- it -- we could not have
18 accepted a fax bid under the circumstances that occurred on
19 -- on May 4th.

20 MR. AUSTIN: If the system was down hypothetically
21 -- well, it was and I knew it was down but I -- hey, I can
22 still call you. I don't upload it to the electronic bidding
23 system, but if I called you, John, I'm submitting a bid, can
24 I email it to you right now? Wouldn't we accept that?

25 MR. OBR: Today, no, sir.

1 MR. AUSTIN: Okay.

2 MR. OBR: We've taken other steps what we intend
3 to do is push back the letting time if at all possible.

4 MR. AUSTIN: I -- that's what we intend going
5 forward, but --

6 MR. OBR: Yes, sir.

7 MR. AUSTIN: -- at the time those were bids --

8 MR. OBR: No, sir. We would have not accepted --

9 MR. AUSTIN: You would not.

10 MR. OBR: -- it. And if we could have -- and
11 under the circumstances that occurred, if we had known the
12 situation that we were in before we opened bids, we could
13 have held back on opening bids. But once you start opening,
14 those bids have been exposed. And we don't want to --
15 there's an integrity to the portion where you actually open
16 a bid and we had opened bids at that point, those that were
17 received in the vault.

18 So we were caught in a worst -- worst case
19 scenario as far as having started it. It was right after
20 1:00 o'clock that we became aware of the -- the issue 15
21 minutes prior to 1:00.

22 MR. AUSTIN: I do want to be sensitive to -- I
23 know you all want to work, because these are your friends,
24 partners, our partners, a lot of folks that are doing things
25 with us. I am -- I -- I am sensitive to that and I know

1 you've got to have a good working relationship as do I.
2 Unfortunately, I feel there's a time frame. There's more
3 than one way to submit it. And if you're waiting til the
4 last 15 minutes or 10 minutes or five minutes to submit
5 something, you know, I -- I -- that's where I lose my
6 sensitivity, because there is more than one way, more than
7 one alternative to submit a bid.

8 And given the rules that we were operating under
9 as of today still and I know you all were working on some
10 solutions to -- to be more flexible going forward, those
11 were the rules of the game.

12 Those that did submit it on time -- in time, you
13 know, congratulations to them. Those that did not or wait
14 til the last minute, you know, there's always a price for
15 procrastination or waiting or what are the -- and I think I
16 still stand by my last month's comments where I stand today
17 that we award the contracts as -- as presented. And
18 basically, my -- my belief is that we still reject you all's
19 submission here, recommendation to rebid.

20 MR. LEWIS: Thank you. Commissioner Vandergriff,
21 did you have questions or comments?

22 MR. VANDERGRIFF: Oh, I'm sorry. I kept my light
23 on. I apologize.

24 MR. LEWIS: Oh. Any other questions for Director
25 Obr at this time?

1 (No audible response.)

2 MR. LEWIS: Then I -- since we keep using terms, I
3 want to be sure that I've got the right term for what the
4 staff's recommendation is. Is it your recommendation
5 Director Obr that the -- is it your -- the staff's
6 recommendation to the Commission that -- that we reject the
7 highway and transportation enhancement construction
8 contracts that are before us right now?

9 MR. OBR: The -- the three that were deferred from
10 the May 28th meeting, our staff --

11 MR. LEWIS: Yes.

12 MR. OBR: -- recommendation is to reject those
13 bids.

14 MR. LEWIS: Reject them. Okay. Thank you. Any
15 other questions? Commissioner Bugg, do you have a question
16 for Director Obr?

17 MR. BUGG: Well, I -- I would like to -- I'll make
18 a motion to approve the staff recommendation but with this
19 proviso. This -- there are no winners on this decision
20 today. And I think the Commission has to take the ultimate
21 responsibility for TxDOT here. The buck does stop right
22 here at the Commission. And we basically failed in these
23 three episodes because our IT equipment didn't function
24 properly.

25 So I think the paramount issue is the integrity

1 and credibility of the Texas Department of Transportation.
2 And we had a meeting, Commissioner Austin and I did early
3 this morning before the Commission meeting started about our
4 IT capabilities. This is something that must be addressed
5 immediately so that our contracting community does not have
6 concerns about dealing with us, because we need them.

7 So but like I said, there's no winners and losers.
8 And I -- I heard -- you know, I heard both comments from
9 both sides. It's trying to do right by the contracting
10 community and taking responsibility at TxDOT. So I think on
11 balance the right thing to do is -- is accept your
12 recommendation. And with that understanding, I'll make a
13 recommendation that we do accept your staff recommendation
14 to reject all -- all of these contracts.

15 MR. LEWIS: Commissioner Bugg has made a motion to
16 reject the highway and transportation enhancement building
17 construction contracts. Plus the (indiscernible) out of
18 this, the Collin County, Erath County and Wise County
19 projects for the minute order and then in accordance with
20 staff's recommendations if we have a second. So we have a
21 motion Vice Chair Moseley a second. We have a motion and a
22 second. I -- and I should turn on my microphone. We have a
23 motion and a second to Commissioner Bugg's motion. Any
24 other discussion before we have a vote?

25 MR. MOSELEY: Chairman.

1 MR. LEWIS: Any further discussion? Yes, Vice
2 Chair Moseley.

3 MR. MOSELEY: Well, I -- I couldn't agree more
4 with -- I couldn't agree more with -- with really all the
5 comments today. I -- this is an issue that cuts both ways
6 as Commissioner Bugg said. And I guess in reading -- in
7 reading the Administrative Code where it says we're not
8 responsible for a bidder being unable to submit or withdraw
9 a bid due to the unavailability of the Internet, I -- I
10 think that really is a -- a caveat emptor. I mean, that's
11 buyer beware to any contractor who's relying on technology.

12 It's regretful that -- that this service that we
13 provide which honestly is a service to the taxpayer because
14 the way it's set up, it's a -- it's an eBay reversal where
15 we allow contractors to bid down the price and save
16 taxpayers money. And so that's the real regret is that our
17 -- our technology failed and ultimately the taxpayers are
18 the ones that -- that would pay. So that's why I'm in favor
19 of this motion. But I would -- I would say probably the
20 next time it comes up I might vote the other way on it, but
21 today I -- I feel like we should go ahead and accept staff
22 recommendation.

23 But I think if any contractor really is serious
24 about getting a bid in, to Commissioner Austin's point, they
25 probably should have make sure they've got a redundancy or

1 backup and not -- and not rely on technology. If you're --
2 if you're flying and going out to catch an airplane and
3 you're relying on technology, you know the risk associated
4 with that. Most of us get out there an hour early to make
5 sure we really do have a place on that airplane.

6 And if that bid is really that critical to your
7 business and your operation, you -- you might be well
8 advised to enjoy technology and enjoy the fact that it
9 allows you to sit at home and -- and bid again and again and
10 again. But ultimately if the technology is not always
11 there, that you might want to have a backup plan for that.

12 MR. LEWIS: Thank you very much. Any other
13 comments?

14 (No audible response.)

15 MR. LEWIS: I think on the vote on this, it would
16 probably be best just -- kind of a history on this is to
17 sort of have a roll call vote and I'm just going to start
18 with Commissioner Bugg. It's his motion. I'll see if he's
19 going to vote aye on his motion, but -- but I -- I think
20 each of us will -- and I'll just call you in turn.

21 Commissioner Bugg, do you vote aye or nay?

22 MR. BUGG: Aye.

23 MR. LEWIS: All right. Commissioner Vandergriff?

24 MR. VANDERGRIFF: Aye.

25 MR. LEWIS: Commissioner Moseley?

1 MR. MOSELEY: Aye.

2 MR. LEWIS: Commissioner Austin?

3 MR. AUSTIN: Nay.

4 MR. LEWIS: And then I'll vote aye. So all right.

5 The motion -- staff recommendation, confirm staff
6 recommendation reject passes. Thank you. General, back to
7 you.

8 GENERAL WEBER: Okay. This brings us to Item 12,
9 the Eminent Domain Proceedings. Director of Right of Way
10 John Campbell will present.

11 MR. CAMPBELL: Good afternoon. For the record, my
12 name is John Campbell, Director of the Right of Way
13 Division. I'd like to present for your consideration today
14 Item 12 which authorizes the filing of condemnation
15 proceedings necessary to progress the acquisition of 25
16 parcels by exercising the power of eminent domain.

17 Eighteen of these parcels are on non-controlled
18 access facilities and seven on -- are on controlled access
19 facilities. The staff recommends your approval of the
20 minute order.

21 MR. AUSTIN: One question.

22 MR. LEWIS: Yes, Commissioner Austin.

23 MR. AUSTIN: John, I know we've had an opportunity
24 to visit yesterday and thank you. I know we've expressed
25 some concerns. I know especially through the -- the Audit

1 Committee and looking at acquisitions and dispositions of --
2 of property. And I know you all are looking at some
3 recommendations to streamline and help reduce costs to
4 especially those who may be acquiring property that we're
5 disposing of.

6 I would encourage -- I want to say thank you for
7 that publically. And I know there's been some confusion
8 looking at costs that, you know, different projects that are
9 around. But if you and your team would continue to go
10 through, find ways where the taxpayer does not receive a lot
11 of burden if they're taking this off.

12 Some of our future funding goes -- as approved by
13 the Legislature is going to depend upon dispositions of real
14 -- of excess property or -- or property -- assets that we no
15 longer need. And to the extent that you all can expedite
16 some of that would be grateful, because we're going to need
17 that the beginning of September 1.

18 MR. CAMPBELL: Yes, sir.

19 MR. AUSTIN: Thank you.

20 MR. LEWIS: Any other questions or remarks for
21 Director Campbell?

22 (No audible response.)

23 MR. LEWIS: All right. Thank you sir for coming
24 forward. Now we have the highlight I think of every -- of
25 every meeting that we all come here for and look forward to.

1 Commissioner Bugg, do you have a motion for us?

2 MR. BUGG: Chairman Lewis, I do have a motion.

3 MR. LEWIS: Okay.

4 MR. BUGG: It would be my honor to make this
5 motion that I move the Texas Transportation Commission
6 authorize the Texas Department of Banking to use the power
7 of eminent domain to acquire the properties described in the
8 minute order set forth in the agenda for the current month
9 for construction, reconstruction, maintenance, widening,
10 straightening or extending the highway facilities listed in
11 the minute order as part of the state highway system and
12 that the first record vote applies to all units of property
13 to be condemned.

14 MR. AUSTIN: Commissioner Bugg, might I ask for a
15 point of clarification on your motion? You did say Texas
16 Department of Banking.

17 MR. BUGG: Oh.

18 (Laughter.)

19 MR. BUGG: The Texas Department of Transportation.

20 MR. AUSTIN: Okay. Is that an amended -- I will
21 second your amended motion.

22 (Laughter.)

23 MR. BUGG: Old habit. Commissioner Austin, I want
24 to offer you an opportunity that next month you can make
25 this motion.

1 MR. AUSTIN: Been there, done that.

2 MR. LEWIS: Very well said, Commissioner Bugg.
3 Yeah, very, very well said. We give -- you know, we have
4 one job. All right. We have a motion before us by
5 Commissioner Bugg. And Commissioner Vandergriff, do you
6 second --

7 MR. VANDERGRIFF: I second.

8 MR. LEWIS: -- that well stated motion? Is there
9 any discussion?

10 (No audible response.)

11 MR. LEWIS: There being no discussion, I'll call
12 for the vote. All in favor of Commissioner Bugg motion,
13 please say "aye".

14 (Chorus of "Ayes")

15 MR. LEWIS: Any opposed, no.

16 (No audible response.)

17 MR. LEWIS: The motion carries. I think
18 Commissioner Cooper -- Banking Commissioner Cooper would be
19 happy that he wasn't brought into this process.

20 MR. LEWIS: All right. We go back to Director
21 Weber.

22 GENERAL WEBER: Item 13 contains the routine
23 minute orders including our donations to the Department,
24 real estate donations and dispositions, reports, highway
25 designations, access control and speed zones.

1 MR. LEWIS: Let's see. Commissioners, are there
2 any questions concerning the routine minute orders?

3 (No audible response.)

4 MR. LEWIS: If there are none, then Commissioner
5 Vandergriff, you move to approve the routine minute orders
6 including donations to the Department, real estate,
7 donations -- disposition reports, highway designations,
8 access control and speed zones?

9 MR. VANDERGRIFF: Yes.

10 MR. LEWIS: All right. Then Vice Chair Moseley,
11 do you second that motion?

12 MR. MOSELEY: Yes, sir.

13 MR. LEWIS: All right. We have a motion and sec
14 -- we have a motion and second. Is there any discussion?

15 (No audible response.)

16 MR. LEWIS: There being no discussion, I'll call
17 for a vote. All in favor, please say "aye".

18 (Chorus of "Ayes")

19 MR. LEWIS: Any opposed, no.

20 (No audible response.)

21 MR. LEWIS: Then the motion carries. I believe
22 that's -- let's see. That's all of the action items we have
23 for today. Is -- do we have any cards for open comment
24 period? We do have a card for open. I was hoping we would.
25 Let's see. We -- we do have -- we do have a card. All

1 right. Mr. Dickson, would you -- yeah, there you are. Mr.
2 Dickson, if you'll come forward, please state your name, who
3 you're here representing and give us the benefit of your
4 thoughts.

5 MR. DICKSON: Thank you, Mr. Chairman. My name is
6 Don Dickson. I'm -- and I'm actually representing myself.
7 There is a -- there is a great governor in this state of
8 Texas that's kind of a hero of mine. And that governor was
9 Governor Pat Neff. And the reason he's a hero to mine is he
10 gets credit for being the father of the Texas Highway
11 Department. Did you know that?

12 MR. LEWIS: No.

13 MR. DICKSON: Well, that -- there's a good book
14 that explains all that. It's -- it's right here in the
15 capitol library. It's called The Land, The Law and the
16 Lord: The Life of Governor Pat Neff. And in that little
17 book which I've read excerpts from, it explains why he is
18 the -- known as the father of the Texas Highway Department.

19 When he became governor of this great state, the
20 Highway Department was actually in disarray. There was many
21 small highways departments all over the state. So it wasn't
22 very efficient. It was a patchwork quilt system. Very
23 expensive to maintain and operate and very expensive for the
24 taxpayer.

25 So he looked at this and when he became governor,

1 he said -- and he actually said this is not working. We
2 have to change this. So he set out as a legislative agenda
3 to get the Highway Department funded. Now listen to this.
4 This is a very key point. Funded at the state level. He
5 got away from the funding at the local level. They had --
6 he knew that they had their own responsibilities locally to
7 fund. They had city streets, they had county -- county
8 roads and many other areas which was mainly taken care of by
9 property tax.

10 So what he did, he recommended to the Legislature
11 and to have eventually approved funding the highway system
12 by a gasoline tax. Having any idea of what gasoline was in
13 1921? 10 cents a gallon. 10 cents a gallon 1921. And he
14 said we need one penny which would obviously be 10 percent
15 at the time. But he did it as a penny, hence the way we do
16 it today in terms of pennies for the gas tax. And he funded
17 the state highway system that way.

18 And as a result, the Highway Department of Texas
19 became world known as being an efficient system, highly
20 developed and very low cost.

21 Now where I'm headed with this is unfortunately in
22 2003 with -- with funding shortfalls, we kind of went back
23 to the patchwork system. I think the Legislature is trying
24 to get away from that. But when we went back to the
25 patchwork system, they -- the tax cost for the taxpayer

1 escalated tremendously. And you all have -- all heard --
2 heard these figures.

3 So as you know, myself and many others are working
4 with the Legislature to try to get this Department properly
5 funded. But I think you can help also. I've listened to
6 the last three Commission meetings. And you -- you
7 dedicated some very large -- large sums, three different
8 months. Very -- they're very large numbers. And all of
9 these funds were taxpayer money that literally that the
10 public looks at it as -- as their money for a public road
11 where everybody can use.

12 But these large funds all went into toll projects.
13 As a result, the user, the taxpayers of Texas, because
14 they're going to be told you allocated it, so they're using
15 taxpayer money that now they're going to have to pay taxes
16 again and those taxes are going to be very, very, very, very
17 high.

18 So I think it would help the public be more
19 responsive to you in -- in gaining funds to this agency if
20 we tried to get away from this model. That's my comments.
21 I think we can do a lot better in -- in terms of reducing
22 the taxpayer cost that the public is paying for our public
23 road system.

24 And I want to go -- I want to go back and
25 recognize the great leadership of Governor Pat Neff in 1921

1 when he had the foresight to fund this agency at -- at the
2 state level properly so the taxpayer could have an
3 accessible public road system at a very low cost. And
4 that's where I want to go back to.

5 MR. LEWIS: Thank you, Mr. Dickson.

6 MR. DICKSON: Yes, thank you for allowing me to
7 speak.

8 MR. LEWIS: Thank you. Those -- I think that
9 completes all of the statement cards we have. Commissioner
10 Vandergriff I think believes moves that we adjourn our
11 meeting. And I believe Commissioner Bugg seconds that
12 motion. All in favor, say "aye".

13 (Chorus of "Ayes")

14 MR. LEWIS: Any opposed, no.

15 (No audible response.)

16 MR. LEWIS: Therefore that motion carries. I'll
17 note for the record it's 12:45 p.m. This meeting stands
18 adjourned.

19 (Proceedings concluded at 12:45 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 188 constitute a full, true, and accurate transcript from electronic recording of the proceedings had in the foregoing matter.

DATED this 12th day of July, 2015.



Kimberly C. McCright, CET
Certified Electronic Transcriber