



MINUTES
NORTH EAST TEXAS REGIONAL MOBILITY AUTHORITY (NET RMA)
BOARD OF DIRECTORS REGULAR MEETING
1:30 P.M., WEDNESDAY, JUNE 23, 2010
THE UNIVERSITY OF TEXAS AT TYLER, LIBRARY ROOM 401
3900 UNIVERSITY BOULEVARD
TYLER, TEXAS 75799
PRESIDING: JEFF AUSTIN, III, CHAIRMAN

1. CALL TO ORDER AND DECLARATION OF QUORUM

Notice of this meeting was posted with the Secretary of State's Office, with the County Clerk in Smith County, on the NET RMA website, and in the offices of PBS&J on June 18, 2010.

Board members present: Jeff Austin III, Linda Thomas, Tab Beall, Gary Halbrooks, Bill Rowton, Barry Hughes, Walta Cooke, Celia Boswell, Andy Vinson, Hudson Old

Board members present via WebEx and Phone Conference: Dave Spurrier, Keith Honey

Board members absent: David Stevenson, Robert Murray, Rodney Gilstrap, Ed Smith, Bill Runnels

Vice Chair Linda Thomas called to order the meeting at approximately 1:30 pm.

2. INVOCATION

Vice Chair Linda Thomas asked Board Member Celia Boswell to give the Invocation.

3. SWEARING-IN AND OATH OF OFFICE OF REAPPOINTED/APPOINTED BOARD MEMBER

Judge Joel Baker, Smith County, swore in Mike Thomas as a new Board Member and gave the Oath of Office to the reappointed Board Member Hudson Old.

4. WELCOME & INTRODUCTION OF BOARD MEMBERS

Vice Chair Linda Thomas welcomed everyone. Board Members made their introductions.

5. REMARKS BY PUBLIC OFFICIALS

There were no remarks by public officials.

6. OPEN PUBLIC FORUM / COMMENT PERIOD

There were no public comments.

7. APPROVAL OF MINUTES

Chairman Austin entertained a motion to approve the Minutes for the March 24, 2010 Board Meeting.

Board Member Gary Halbrooks moved approval; Board Member Barry Hughes seconded the motion. The motion carried and the minutes from the March 24, 2010 meeting were approved.

8. CHAIRMAN'S REPORT

Chairman Austin

Meetings of Interest

- Texas Transportation Commission Meetings: June 24, 2010; July 29, 2010, and August 26, 2010 in Austin www.dot.state.tx.us

The NET RMA has submitted an application for pass-through support from TxDOT. There are 33 or 34 projects, all but 3 or 4 of them made the cut. There are always more projects than there is money to go around. Commissioner Houghton and I agreed it is in everyone's best interest to get this project done. Amadeo and Commissioner Underwood attended several "Town Hall" meetings on June 10th in Tyler. There was a discussion about projects in the region and the NET RMA's bottoms up approach. There was also dialogue about all of the region's needs and long range plans. The Chairman announced in the last meeting the NET RMA didn't receive the additional funding from FHWA, so he is hopeful to pick that up at some point. The Chairman was also able to visit with Commissioner Meadows and updated him on what the NET RMA is doing. The meeting went well, but that is not a promise for money. The NET RMA is also working with Tab and Team Texas to see what additional possibilities are out there. The Chairman did receive an email from Senator Cornyn's office, there will be a call for additional transportation funding coming soon.

Chairman Austin advised that he and Gary went to NY to have preliminary visits with the rating agencies. The Chairman thanked the entire financial team, Wayne, Mitch, Cory, and Troy. The rating agencies have a vast knowledge of the NET RMA and this area. The NET RMA will invite each of the agencies to visit late August or early September. They will interview the NET RMA and really "kick the tires." This will be a great process; the NET RMA will have to do this for other projects as well.

Wayne Placide (First Southwest) – I would like to thank the Chairman and Gary for coming to NYC with us. When the rating agencies visit here in late Aug or Sept, they will be that much more prepared.

Chairman Austin advised if the NET RMA is not awarded the pass through funding, there will be an emergency meeting to go through the SIB process to apply for a loan. The Commission will publicize and preliminarily approve these funds as a subordinate component. The NET RMA can submit a SIB Loan application contingent on board approval as a contingency plan if pass through funding doesn't work out.

Chairman Austin thanked new board member Mike Thomas for being here and being willing to serve.

Mike Thomas thanked the Chairman for his support. Mike said he looks forward to working with everyone on the board.

9. TREASURER'S REPORT


Chairman Austin entertained a motion to approve the Treasurer's Report.

Board Member Linda Thomas moved approval; Board Member Gary Halbrooks seconded the motion. The motion carried and the Treasurer's Report was approved.

10. GEC REPORT: TOLL 49 UPDATE AND REPORT ON TIFIA, TIGER II, AND OTHER PROJECT FUNDING PROGRAMS

GEC Mike Battles advised that the GEC report will be unique this time as there will be a discussion about all of our possible funding opportunities.


Project Director Everett Owen said this is meant to be a discussion opportunity. He encouraged everyone to ask any questions that they may have.



Wayne Placide advised that the most common source for road and toll funding is toll revenue bonds (based on future toll revenue). The problem is most start ups have a challenge with the rating agency. Usually the rating is a 1.25, but because the perception of a toll road is perceived as a higher risk there is a higher rate associated with it, usually 1.75. This reduces capacity to make the project feasible so there must be a source of supplemental funding. This is where local participation by the communities and right of way donations all come into play. Grant financing is no longer a source. TxDOT used to have toll equity grants, but with the constraints the agency is feeling that resource is no longer available. Private concessions are utilized around the state. They design and operate the facility and then they perform the maintenance and are there for 30 to 40 years. This type of project must have a robust cash flow to entice the investment community. It must be somewhere between 10 and 12 percent return to go after that money.

Jose Garza (Estrada Hinojosa) – It would be good to conceptualize the projects in a document. Then look at design, engineering and environmental. The next step is to identify how these projects are financed. Prioritization is the first step. There must be money to move the projects beyond the conceptual phase. There are 2 counties in the state (Cameron and Hildago) which have gone to the legislature to levy a vehicle registration fee. This generates 7 to 8 million a year, which can be meaningful to move some of these projects along. If the NET RMA were to levy a vehicle registration fee, then the agency would have some money to apply to their conceptual ideas. Seed money is necessary in all scenarios and is very important.

Chairman Austin advised that the NET RMA can still seek a financial partner. It would be someone that could invest into the projects as equity or a debt.




Mitch Gold (Bank of America/Merrill Lynch) – If the private sector wanted to invest, it could. You could contract with a private entity too. It is not typical to receive a large upfront investment but there are a variety of ways that the private sector could help even with the current constraints. To echo Jose, people are aware of the RMA and of your projects.

Chairman Austin advised we did an RFI about all of our projects two years ago. The timing was wrong and the market collapsed, therefore there was no interest in these projects.

Board Member Gary Halbrooks commented he was really surprised how much the rating agencies knew about us and the RMA. We had a great article in the north Texas publication. Mr. Halbrooks then asked “Can you please give an overview of a TRIZ and how it operates?”.

Wayne Placide answered the TRIZ is a traditional tool, like a TIFF. You establish a tax base and any tax value increment over the base will allow you to capture that and use it towards funding new projects.

Brian Cassidy commented that the current TRIZ money is tied to pass-through funding. The applying entity must be approved for a pass through project then you can apply for TRIZ. There is work being done with the legislature to expand its application. Rail could be included in this if the legislation is fixed. There really is no geographic location that must be included with the TRZ. TxDOT has advised pass through projects will be viewed favorably if they are tied to a TRIZ.



Mitch Gold commented that it is a great time to do planning for projects. It takes some time to work on these things. I encourage you to move forward on that front.

Chairman Austin advised that we have prioritization of projects such as Gregg County and the NET RMA has a partnership with Rusk County on their loop. The NET RMA is also supporting the Cherokee county relief route around Jacksonville.

Chairman Austin advised that TIGER II applications are due Aug 23!

11. DISCUSSION, CONSIDERATION AND POSSIBLE ACTION TO SECURE BOOKKEEPING SERVICES ON AN INTERIM BASIS AND TO AUTHORIZE ISSUANCE OF A REQUEST FOR PROPOSALS (RESOLUTION 10-05)

Chairman Austin entertained a motion to approve and secure Bookkeeping Services on an interim basis and to authorize issuance of a Request for Proposals.

Board Member Tab Beall asked the board to be aware that the NET RMA needs another book keeper. There are three to five transactions a month. It is straight forward and easy and we need someone new. I'm not sure if we need an RFP or not.

Brian Cassidy advised that the NET RMA needs to authorize securing those services on a temporary basis. The RMA has the authority to do this on a short-term basis and then issue an RFP for the long-term.

Board Member Tab Beall commented that there should be some education for the new book keeper. Our costs have not been over \$1000 a month. It is probably more like \$500 a month.

Board Member Mike Thomas –The book keeping is incredibly simple. We need someone who has an understanding of governmental issues. There are not that many people that do that. The interim person doesn't need that skill but our long-term candidate does.

Board Member Tab Beall – I am recommending that we have a monthly cap of \$750 per month.

Board Member Tab Beall moved to approve the motion with a \$750 per month limitation; Board Member Walta Cooke seconded the motion. Mike Thomas abstained. The motion carried and the Resolution 10-05 was approved.

12. DISCUSSION, CONSIDERATION AND POSSIBLE ACTION ON SELECTION OF A BEST VALUE PROPOSER FOR A DESIGN/BUILD CDA CONTRACT FOR TOLL 49- SEGMENT 3B (RESOLUTION 10-06)

Project Director Everett Owen advised that what is occurring today is looking at the selection process for the best value proposer for the construction of Segment 3B of Toll 49. The presentation will explain the CDA process, the evaluation team, the T & R study and the entire evaluation process. All that is occurring is selecting the design build contractor that we will use once we secure the financing. There will be a discussion about the finance plan and schedule, the legal implications and the best value selection award.

Project Director Everett Owen started the presentation. The existing project is the Toll 49. Segment 1 and 2 are both open, the length of the segment is 7 miles and is from SH 155 to 756. Segment 3A was built from stimulus money. This caused us to move forward with 3B. The Segment 3A completion date is Dec. 2012.

Segment 5 was funded with Prop 14 bonds. Its completion date is June 2012. Bid \$16M. This brings us to Segment 3B which will connect the loop to I20. This will help relieve congestion in the area. We will be preparing to go to a bond sale. Segment 4 completes the project up from I20 to Lindale. This is currently going through the environmental process. The construction costs for this segment is \$80M. We are including some money in the financing to move that project forward. We have budgeted around \$5M to move the project forward. Segment 6 and 6A from S110 to I-20 and Toll 49 to SH155, respectively, need corridor studies performed at this point. Segment 8A, from Toll 49 to I-20 needs a feasibility study performed.

GEC Mike Battles advised a CDA process is a design-build where the developer designs and builds, then it is turned back over to the owner. In a concession project, the builder does the design-build and the maintenance, so there is some sort of revenue sharing involved. Warranties are provided in the design-build and in the concession processes.

Board Member Celia Boswell asked if I were a developer which would I want to do?

Project Director Everett Owen advised that in some scenarios the agency may not be dealing with a contractor. The agency may be dealing with someone who finances this type of project. That person is looking for a return on their investment.

Board Member Linda Thomas asked in central TX projects, what process is being used?

Project Director Everett Owen advised they are all design-build projects. All of the projects, even the NET RMA's project, includes a financial requirement (required by statutory law).

Chairman Austin advised projects in the concession process generate a lot of revenue from day one. They are very, very feasible projects. They don't need assistance at all to make the project work.

Mike Battles – The NET RMA started the CDA process with the Issuance of a RFQ. The agency received these in October. In November, there were 4 shortlisted firms: 3BConstructors, CH2MHill, JD Abrams, and Webber. The CDA process includes several one-on-one meetings, the firms can ask questions about the documents and we provide answers. This gives the agency an added advantage to better understand what is going on in the industry.

Project Director Everett Owen advised that he and Brian Cassidy were the senior advisors of the evaluation committee. There was also a technical evaluation committee. Project Director Everett Owen walked through all of the people involved and their roles in the evaluation committee. Project Director Everett Owen advised this is not necessarily low bid wins, it could be, but it is a combination of their technical abilities and pricing strategies.

Project Director Everett Owen then explained the formulas behind the technical and financial scoring. The Best Value proposal is composed of a 75 percent weight on the price submittal and a 25 percent weight on the technical submittal. The project management plan is worth 47 points, the development plan is worth 50 points and value added concepts are worth 3 points. The grading system is very hard. If the firms did everything asked of them, they only received a C grade.

The high score for Technical was 3BConstructors, followed by CH2MHill. The technical scores overall were very close, the evaluation team was delighted with the quality of work that was submitted. Project Director Everett Owen thanked all of them for their high quality proposals, he advised that usually there would be a greater variance.

Project Director Everett Owen then explained the evaluation process for the financial component. The bidder gets credit for having a shorter time duration in the proposal.

Project Director Everett Owen reviewed the actual scores listed for each firm. CH2MHill submitted the shortest time frame.

Board Member Barry Hughes asked what was CH2MHills timeframe?

Project Director Everett Owen advised it was only 668 days (or approximately 22 months).

Project Director Everett Owen advised that the NET RMA's estimated cost for the project \$71 million, CH2MHill came in at \$73 million. He said that he is pleased with the price, as it is very low. Additionally, CH2MHill's project time frame is 2 years compared to the GEC's estimated 3 years.

Board Member Tab Beall asked how are the days counted?

Project Director Everett Owen advised it is counted by calendar days, the firm can work as fast and as hard as they want to work. They are guaranteeing that time frame and that price. The firm is highly motivated to meet that schedule because there is a \$20,000 fine a day if they don't meet it. The schedule is not outside of the realm of reasonableness. Additionally, they could make up to \$1 million bonus if they beat their own time frame.

Board Member Tab Beall asked how did PBS&J come up with 1000 days to do the project versus what the bidders came up with?

Project Director Everett Owen advised the GEC estimate was based on typical construction progress on TxDOT projects. There is no incentive on a TxDOT project to finish early. TxDOT would just as soon it take longer because the payment is extended. With a toll road it needs to be complete as soon as possible. You starting paying interest the day you get awarded money. The schedule we came up with is 3 years. All firms came up with time frames significantly less than that. CH2MHill's plan was to do the road as quick as possible and get out from the first day we met with them.

Board Member Gary Halbrooks said all of the proposers reviewed 30% of the plans. Did each firm come in with some level of modification? Contextually are there off ramps included?

Project Director Everett Owen advised that whole set of documents describes what the end product should look like so the firms bid against those documents. The firms can do some variances but they must meet the minimum criteria. If the firms want to do something that is different than what we wanted they submit an alternative technical concept (ATC). All of the firms submitted an alternative concept taking a bridge and turning it into a culvert.

Board Member Gary Halbrooks said that everybody bid "apples to apples".

Chairman Austin advised that the city and the county made decisions not have some off ramps. That was done a long time ago and was included into the project scope so that was provided to the designers. The ATC is a submission for ideas that will save the developer money. The value-added idea will add value to the project that may cost more money. The objective is that they will give more value for just a little more money. All the firms submitted a value-added idea.

Project Director Everett Owen addressed the Traffic and Revenue study and advised they contain the following major elements, traffic modeling, land use and demographics, revenue projections and sensitivity analyses. Please visualize a graph and think of an ever increasing toll rate. Add another line as to how much the truckers are willing to pay eventually there is a peak and then the trucks will not pay. The objective is to always be on the left side of that curve so you have the ability to increase the toll rate in case something goes wrong. There must be some elasticity in the rate so it can be utilized if needed. The numbers were originally on the wrong side of that chart. There is a funding assistance agreement with TxDOT. The amount didn't include the dollar amount for Traffic and Revenue studies. TxDOT very nicely contributed the payment for our Traffic and Revenue study without any cost to us.

Chairman Austin wanted clarification that the T & R study did not cost the NET RMA anything?

Project Director Everett Owen advised that TxDOT donated that to us and we graciously accepted that support. He doesn't know what the cost for the study is but usually for this type of study it is between \$500,000 and \$1 million. This is a fairly substantial study. We were delighted that TxDOT supported us in that fashion. Additionally, TxDOT did perform some studies for time comparisons. In other words what is time worth to people? It had to be reasonable. The study will also evaluate how long it takes to get from point A to point B using existing current roads versus how long it will take to get from point A to B using the toll road. How do people here value that? It is time saved, and time is equivalent to money.

Chairman Austin asked if the data on the chart makes us bound to that projection? He advised that it starts with .10 cents, then it keeps increasing. Once there is a .15 per mile rate it goes to a cost of living rate increase after that. A study of the escalations was in the market valuation study.

Project Director Everett Owen advised market valuations have been lowered.

Board Member Linda Thomas asked if this data is in the T & R study?

Project Director Everett Owen advised this is consistent with what other toll roads are doing. The earlier studies didn't utilize an elasticity curve.

Board Member Mike Thomas asked if the change gets us on the left side of the elasticity curve, how much wiggle room is available?

Project Director Everett Owen advised there is more room for the cars than the trucks. Our numbers are just on the left side of the trucks. If you ask an independent trucker they will not pay the toll. The company trucks will pay the toll, because it will save time. One of the things we will have them do is go back and reevaluate the revenue with a 2-year build versus a three-year build.

Chairman Austin advised that there is an electronic toll collection occurring right now. The projections are that 2/3 of people have toll tags and the last third are video tolls. That will be an ever decreasing number. However, the video surcharge must be subtracted out of the revenue numbers.

Board Member Andy Vinson advised, the bond folks said the number is 1.75 coverage.

Project Director Everett Owen advised that essentially the road must collect \$1750 in order to cover a \$1,000 expense. The bond rating agencies want to make sure that you are able to pay them back. The coverage ratios can be much lower with other types of projects. The TIFIA doesn't require that amount of coverage.

Chairman Austin advised that the number must reflect debt service and maintenance on the cost side of the equation.

Project Director Everett Owen replied there are all kinds of fees in this. The bond folks want to make sure they get paid.

Board Member Linda Thomas asked if violation rates are part of the equation.

Project Director Everett Owen advised yes, this is factored into the equation. There is a draft study because it can't be finalized until the bond sale date is known. Revenue tables are unlikely to change in that final report. The study can be finalized in 2 to 3 weeks after the authorization.

Board Member Hudson Old asked when will the NET RMA will have a bond sale.

Project Director Everett Owen responded with September 2010.

Wayne Placide advised everyone about the financing plan. It is a process, we are exploring all options. Toll revenue bonds are the primary source we are looking at. We are also looking at pass through opportunities. The SIBB loan is another opportunity for us to explore. There is a gap on start up toll roads due to the high coverage required. We have been looking at various alternatives.

Chairman Austin advised the pass through is the program we will know about tomorrow.

Board Member Hudson Old asked for numbers, how large is the gap?

Wayne Placide advised there is approximately a 40% gap of the total project cost. It depends on what type of instrument that is utilized for the financing. The SIB loan allows for great flexibility. The revenue can't change but type of debt can be modified. Ideally, the NET RMA wants patient capital and flexibility in its debt. Utilizing the TIFIA will only provide 30% with a 1.1 percent coverage. The real risk to these types of deals is the start up

component. TIFIA is great for this. TIFIA will make a decision mid-to-late summer. We have submitted an application for this type of assistance. One option is providing funding the other is a guarantee. If someone could come in and guarantee the O & M, it increases the capacity and allows for a larger portion of the project to be supported. There is always concern about the projections. If someone will guarantee that, it is great. There have been discussions with TxDOT regarding this and the NET RMA still continues to pursue that path.

Chairman Austin advised that 2 or 3 things have changed and Segment 4 revenues have been pulled out. But now the TIFIA timing is wrong for us. The NET RMA would have to double dip with the challenges that have been compressing us.

Wayne Placide commented that the NET RMA will need some sort of assistance for \$56M. \$92 million is for project construction. This is a work in progress, it will be ever changing.

Chairman Austin asked why are there two different numbers, \$73M for the project and a much higher number on there now?

Project Director Everett Owen advised that it is the difference between the construction costs and the project costs. There are 6 parcels of Right of Way that will be purchased. TxDOT advised they would buy all of these but have since advised they can't support us in that fashion. There is a 6 to 7 million contingency. There is a tolling equipment cost, there is the GEC costs to oversee the design and having quality control tests performed on the construction around \$8M. It is the difference between the final construction costs of \$73M and the project costs is \$95M. This variance differs based on the financial vehicle that we end up utilizing.

Wayne Placide advised there can be more forward momentum on the financing plan now that we know what the construction costs are.

Board Member Gary Halbrooks inquired as to how long is the price guaranteed for?

Project Director Everett Owen – We have a year until the design firm could walk away from the guaranteed price.

Brian Cassidy advised of the legal implication of the bond sale. All you are doing today is authorizing the selection of the design team. The legal team will be able to finalize the terms of the documents now that they have the selection of the design team.

James Hernandez (Bond Counsel) advised there are documents that TX officials must review. There will be a statement of revenue and expenses including the following data: plan of finance, finance structure, security for repayment and risk factors. Before the bonds are sold there will be a printing of the document (Preliminary Official Statement) to potential investors. We will come back to a board meeting for you to approve the selling of the bonds under the terms of the document. We must have the TX Attorney General for approval. Then there will be a pre-closing followed by a closing.

There are also securities law issues; the most important document that is generated for this is the T & R study. Those statements will be utilized to have a description of the bonds. Generally speaking bonds are exempt from state and federal securities requirements. There are laws governing Municipal bonds so there must be truthful answers.

Chairman Austin asked what final preparation or participation will you need from the board?

James Hernandez advised that several docs need to be signed and bios of board members will also be necessary. We will also need their operating history.

Chairman Austin entertained a motion to approve the selection of CH2MHill as the Best Value Proposer for a Design/Build CDA Contract for Toll 49 Segment 3B.

Board Member Linda Thomas moved approval; Board Member Gary Halbrooks seconded the motion. Board Member Barry Hughes abstained. The motion carried and the Resolution 10-06 was approved.

Chairman Austin gave thanks to everyone for their involvement with this process. The NET RMA is excited to have so many great people involved in this project.

Board Member Hudson Old asked if board members were taking on contractual obligation for \$47M.

Brian Cassidy advised that is not issued until you have commitments on the money.

Chairman Austin advised that on August 3rd he will be testifying on behalf of the relationship of TxDOT with the RMAs. He encouraged board members to give him their thoughts on that and he will take that to the hearing August 3rd. He wants to make sure to incorporate the board members' comments in that hearing.

Chairman Austin gave Everett thanks for a great job knowing that there was a lot of time and effort on this project with your team. He appreciates where the NET RMA is headed and what is going on.

13. NEW BUSINESS FOR FUTURE MEETING AGENDA

There were no new business items presented for future meetings.

14. ADJOURNMENT


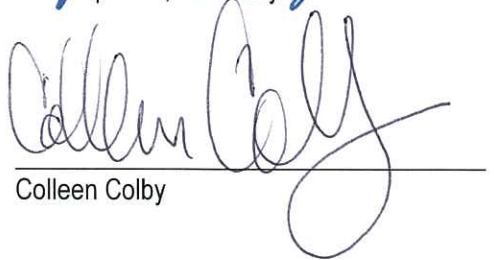
There being no further business, Chairman Austin adjourned the meeting at approximately 4:38 pm.

EXECUTIVE SESSION PURSUANT TO GOVERNMENT CODE, CHAPTER 551, IF ANY

There was no Executive Session at this time.



Jeff Austin, III, Chairman

Dave Spurrier, Secretary

Colleen Colby