

Minutes
of the
Transportation Policy Committee
Lubbock Metropolitan Planning Organization
May 6, 2008

The meeting of the Transportation Policy Committee of the Lubbock Metropolitan Planning Organization was held in Room 103 at 1625 13th Street, at 8:30 a.m. on May 6, 2008.

Required notices were given to the members of the Committee and the public. The following Transportation Policy Committee members were present:

Patti Jones, Commissioner, Lubbock County
Tom Martin, City of Lubbock
Tom Head, County Judge, Lubbock County
LeeAnn Dumbauld, City Manager, City of Lubbock
Jim Gilbreath, City of Lubbock
L.C. Childers, City of Wolfforth
Randy Hopmann, TxDOT – Lubbock
John Wilson, Citibus

Visitors/Staff: David Jones, Lubbock MPO
Tera Davis, Lubbock MPO
Darrell Westmoreland, Lubbock MPO
Jerry Cash, TxDOT - Lubbock
Marsha Reed, City of Lubbock
Melinda Harvey, Citibus
Mary Whistler, U.S. Representative Randy Neugebauer
Steve Warren, Texas Department of Transportation
Mitch Satterwhite, City of Lubbock
Nick Olenik, Lubbock County
Mark Heinrich, Lubbock County
Durwood Mayfield, Texas Bicycle Coalition
Bryan Wilson, TxDOT
Jonathan Ziegner, Parkhill, Smith & Cooper
Jere Hart, City of Lubbock
Randy Henson, City of Lubbock
Larry Hertel, City of Lubbock
Frankie Pittman, City of Wolfforth
Ysidro Gutierrez, Lubbock County
Norma Ritz Johnson, Chamber of Commerce
James Loomis, City of Lubbock
James Bass, TxDOT, Austin

Call to Order.

Ms. Jones called the meeting to order at 8:32 a.m.

The Committee moved to the next item.

Acknowledgement of Quorum by Chairman.

Ms. Jones acknowledged a quorum of the Transportation Policy Committee (TPC).

The Committee moved to the next item.

Public Comment Opportunity / Acknowledgment of Guests

Ms. Jones asked for any comment from the public. No comment was made. Ms. Jones welcomed the guests and asked them to introduce themselves.

The Committee moved to the next item.

Approval of the March 7, 2008 minutes of the Transportation Policy Committee Meeting.

Ms. Jones asked for any corrections to the minutes. No corrections were made.

Tom Martin made motion to approve the March 7, 2008 minutes of the Transportation Policy Committee Meeting. Tom Head seconded the motion and the motion passed unanimously.

The Committee moved to the next item.

Discussion and Approval of 2009 - 2019 Unified Transportation Plan (UTP) Funding Levels for May 13th, 2008 Consensus Meeting.

Mr. Jones told the Transportation Policy Committee that the LMPO is looking for two actions today. He stated that the special guest that Mr. Hopmann will introduce momentarily would speak to the Transportation Policy Committee (TPC) about the funding levels for the Unified Transportation Plan. Mr. Jones said that when Mr. Bass finishes his presentation Mr. Warren would present a recommendation to amend the TPC's previous approval of the Northwest Passage Project from the last meeting. He stated that whatever action the TPC takes on Mr. Warren's recommendation, he would also need authority to carry the amended Plan to Austin for a meeting on May 13, 2008. Mr. Jones then turned the meeting over to Mr. Hopmann.

Mr. Hopmann introduced Mr. James Bass, who is part of the Administration of TxDOT in Austin. Mr. Hopmann stated Mr. Bass is the Chief Financial Officer and he has known Mr. Bass for a long time. Mr. Hopmann said he is always impressed when he gets a chance to visit with Mr. Bass because he is so knowledgeable and is impressed with the degree of expertise that he has when it comes to the finances of TxDOT. Mr. Hopmann stated he could not even begin to explain how complicated that process is, yet Mr. Bass somehow manages to simplify it for him to understand and he really appreciates Mr. Bass being in Lubbock today.

Mr. Bass stated that he is here today to talk about the 2009 –2019 Unified Transportation Program (UTP). He said they have discussed this with their Commissioners for the past two months. Mr. Bass said back in March a discussion item was presented to the Commission and last month the Commission actually took action and approved funding plan Scenario C. He stated the UTP is a fairly new responsibility for him under the finance realm of TxDOT and one of the things that he has begun his conversations with about the UTP is pointing out that everyone was not of the same understanding of the plan. The UTP is not TxDOT's budget and is not a guarantee of future funding levels. He stated it is an important document. It is a plan, based upon a forecast and other assumptions, and so, while it is an eleven-year plan through TxDOT's planning cycle, it is only in effect for one year. Mr. Bass stated as they learn more they will update the Plan each year of the cycle.

Mr. Bass stated that over the eleven-year period there is likely to be at least five State legislative sessions and more than likely three Federal transportation bills. He said if anyone told you they could guarantee funding in 2019 they should be run out of the room. He said the bad news is, when you look at the amount available for that eleven-year period to go to contract letting, whether maintenance, rehabilitation or adding capacity to the system, it is around 28.2 billion dollars. He said one assumption on the presentation slide shown is that there is no additional debt. He said that last November the citizens of Texas passed a constitutional amendment named Proposition 12, referred to as Prop 12. He said Prop

12 is general obligations bonds of the State of Texas and what that means to TxDOT is the debt service on those bonds does not come out of our state gas tax or our vehicle registration fees. It comes out of general revenue funds. He stated it is almost like mom and dad paying for your car loan. He said it is new money into the transportation sector allowing TxDOT to do more. He stated they have not included any of those bond proceeds, allowed to be a five billion dollar program, in the plan because, although voters approved the bonds, it requires enabling legislation. The legislators have not passed legislation on its use. Mr. Bass feels that the legislators are definitely focused on transportation and felt there would be changes in January of 2009.

Mr. Bass stated that their assumption includes declining revenue from the Federal Highway Program. He said what has typically happened is every federal bill has been at least a little bigger than the previous one so when they looked at the current bill, SAFETEA-LU, it was slightly bigger. He said one thing that might have been missed was during SAFETEA-LU the Federal Highway Trust Fund had roughly a twenty billion dollar cash balance that had accumulated over the past years in an effort to balance the federal budget. He said that what we have been experiencing the past four or five years in the allocation from FHWA is money was coming into the federal highway trust fund and we were getting our share of that twenty billion dollar balance. The bad news is, once the balance is spent, it is gone. Mr. Bass said that once the balance is depleted unless there is some action from Congress to increase the federal gas tax, move money over from the general fund or whatever, TxDOT believes FHWA will be forced to allocate only incoming revenue at some point in 2009 or 2010. He said that will be less than what we have been getting or at least that is one assumption in the forecast.

Mr. Bass said another thing to point out is the \$22.8 billion shown on the slide does not include the engineering costs, right of way, or maintenance. He said all of those happen within TxDOT's budget but are not currently a part of the UTP. He said this is just the contract value of the construction awards. He said it shows by year throughout the eleven years what they anticipate TxDOT will be able to go to letting with.

Mr. Bass said three scenarios were discussed with the Commission. He went over the three scenarios. Under Scenario A, maintenance is top priority and all available dollars would go to maintenance. He pointed out that categories five through eleven are the same in all scenarios. He said these minimum amounts are dictated either by Federal regulation or State law. Mr. Bass said that Category 12, which is the Commission Strategic Priority Fund, includes seven hundred million under Scenario A representing earlier decisions of the Commission. He said the cash flow for the earlier commitments must be included in the forecast. He said the real issue is how the remaining 17.3 billion gets allocated across the different categories. He said Scenario B is the middle ground and Scenario C was the staff recommendation. Mr. Bass said this is the Scenario that the Commission adopted last month and is what they consider a "balanced approach".

Mr. Hopmann said that the Commission has made it well known that maintenance is number one priority for the department. He asked how much the maintenance needs are for the next eleven years. Mr. Bass said a few years back the Commission adopted a goal to have ninety percent of the pavement in the State be rated good or better and the last estimate he heard to get us to that level is around 23 billion so even scenario A does not fully address the maintenance needs. He said that when you get into mobility dollars, it pales in comparison to what the overall needs are on a statewide basis.

Mr. Martin asked where the enhancement projects were listed. Mr. Bass said in Category 9, STP Enhancements, and that it is actually a set-aside from the Federal Program for the Surface Transportation dollars and a certain percentage of those fall into the enhancement category. He said the miscellaneous category was where you see congressional earmarks show up and they also hit in Category 10. He said they also do some work with Parks and Wildlife on some of the park roads and that money is in Category 10 as well.

Mr. Bass said that because the figures are so low and are surprising to most people the discussion generates a lot of questions. He said part of that goes back to the UTP where they traditionally over programmed. He said what that means is when they get federal funds the federal obligation authority is

only good for one year. Apportionment is good for four years but obligation authority is only good for one year. Mr. Bass said they want to be sure they are obligating all those federal dollars and don't lose them. He gave the example if they think they need to send a stack of paper over to FHWA to have them agree to participate, if that stack of paper is going to be 3 billion dollars then FHWA is going to participate at 2.4, which is the general 80%. He said they plan 3.4 or 3.5 billion dollars worth of projects to make sure that at least 3 billion them cross the finish line because they know for sure that one or more will run into environment issues or right-of-way acquisition problems. One hundred percent of the projects are not going to pass the finish line so they planned for more to ensure they would obligate every federal dollar.

Mr. Bass said that over time the over programming and the purpose of it got lost within the UTP. He said people thought "well that is a guarantee and I will get that money this year". That was not the case but may have been the way it was presented. It certainly was the way it was received and understood by a number of people. He said the whole concept has lead to the confusion and disappointment in the figures they have right now. Again, because of the funding levels of the UTP, expectations were higher than the cash flow could sustain as TxDOT goes forward. He said even though it looks bad now, this is an eleven year plan in place for one year. He said there might be help on the way. Proposition 12 will be new money to the program. Proposition 14 is state highway fund revenue bonds so once they are issued, debt service comes from the State gas tax and vehicle registration fees. TxDOT can advance projects but over a period of time there will be no additional funds because that money is paying the debt service.

He said there has been talk that the Legislature may reduce diversions to other areas and free up enough money to pay for the debt service so rather than money going to some other agency it would come back to TxDOT and could be used for debt service. It would in effect be new money as it is not money TxDOT got previously and they would not have to reduce other programs to pay debt service. He said another possibility is that as Congress goes through federal reauthorization and sees the latest estimates that the federal highway trust fund will hit a zero balance in 2009, Congress will either do something to bump up the funding or do nothing and current tax rates will apply and TxDOT will get their share. He said the forecast and assumption is current law, current federal gas tax rates and TxDOT's share from it. If Congress raises the gas tax as opposed to giving a gas tax holiday the figures will go up and more projects could be funded.

Mr. Gilbreath asked if Mr. Bass had a feel for the Sunset Committee. Mr. Bass stated they have been focused in some of their questions are looking at alternative uses of state highway funds. The Committee has been looking at uses of the state highway fund and he thinks they are going to have a summary chart. He said it is information they have provided before. He said there have been discussions in the past over the years that diversions would need to be reduced or stopped and the funds put back, but to date it hasn't really happened. He would say currently it seems like more people are talking about it rather than just one or two so TxDOT is hopeful. He said it is obviously challenging for the Legislature because if they move money back to TxDOT there will be a need somewhere else. Many demands and limited resources make it a challenge. He stated at least it is being talked about publicly and there will be plenty of data from Sunset and from TxDOT to consider when the Legislature meets in January.

Mr. Bass said they did not account for these possibilities for future funding. TxDOT looked at maintenance requirements at 23 billion, with only 17 billion available in Scenario A and even less in scenario C, and how to maintain the existing system at those levels. He said there would be somewhat of a shift from rehabilitation to more preventative maintenance work. It is a just "fix the issue" under preventive maintenance and TxDOT would focus rehabilitation dollars on the absolute worst areas.

Mr. Bass said because of expectations to fulfill previous mobility fund allocations to the eight metro areas, previous Commission Strategic Priority projects adopted by a minute order must be funded. Pass through funding agreements that have been executed must be paid back to the locals over time, and the money left is utilized working with our local partners in order to leverage as much as possible. If money is ever pulled back or readjusted, whether up or down, TxDOT needs to make sure it is done in an open and fair manner and everyone understands what is being done and work with our partners to stage or phase projects to fit it within the cash flow.

Mr. Martin asked a question on the issue about fulfilling previous Texas Mobility Fund allocations. Mr. Martin said it is his understanding that Lubbock has had a commitment from the Commission for 46 million in Texas Mobility Funds that this body had intended to use for Phase 4 of the Marsha Sharp Freeway. It is his understanding through conversation that has gone on that the funding would not be available. Since the Commission adopted Scenario C he wondered if that meant Lubbock could count on receiving that 46 million. Mr. Bass said that is one of the reasons he is here. He said the Commission adopted Scenario C but in that adoption they said they are very interested in how Category 2 is going to be allocated and they want us to come back and focus just on Category 2. He said he wasn't sure if that was going to be a formal minute order this month but even if it is, the recommendation from TxDOT is going to be what he is going to talk about in the next couple of slides. He was hopeful the Commission would adopt TxDOT's recommendation and he is hopeful that the TPC agrees with this approach. He feels that it will let the Commission know we think this is a fair and equitable distribution of the funds. Mr. Bass said that no one is happy and everyone wants more, but given the situation you either agree it is equitable across the State or you don't think it is equitable and should be done another way, but there needs to be some communication with the Commission.

Mr. Bass noted that whatever regions were allocated Texas Mobility Fund money in 2003 – 2004 will get that much money. It might not be a blue dollar from the mobility fund; it might be a green one from the highway fund but they will get money equal to the original allocation from the Mobility Fund. He said that back in 2004, 2.3 billion dollars was distributed to the eight metro areas and each developed specific projects to utilize those dollars from the mobility fund. Through 2008 TxDOT thinks those specific projects will have only utilized 700 million or so. In order to meet those previous commitments going forward TxDOT thinks they need 1.6 billion dollars. He said there was a big misunderstanding from day one. The way the mobility fund was managed many people thought this money was available only for a leverage project that might be seven years away. The way it was managed was if there was a leverage project in your plan, you gained access to your mobility fund allocation on day one and you could use it to keep other projects going. He said the plan would have worked great if the revenue stream had continued to climb over time as it had traditionally done. When it dropped off, it created some imbalances because some districts had been able to advance their projects while others were waiting for their money to accumulate. Out of the 28.2 going forward, we need 1.6 to live up to those earlier commitments from the Texas Mobility Fund.

The other key issue is Category 2, Metropolitan Mobility, which again goes to those same eight metro areas. In 2004 the original allocation was 5.8 billion and through 2008 TxDOT thinks they will have contracted 2.8 billion. The 5.8 billion was over programmed, just like all the other Categories, so financially it was known TxDOT would never be able to afford that total. It was over programmed to ensure that 5 billion or some other number would cross the finish line in that time line. Because of that, as we go forward TxDOT's proposal under Scenario C, Category 2, is to take 100% of the original allocations from the Mobility Fund and 80% of Category 2 allocations, again because it was over programmed, and it is thought that 80% is closer to what the financial reality was even back in 2004. TxDOT would add those two numbers and what was or will have been let through March of 2008. He said the reason they highlight March 2008 is because it is in the middle of fiscal year 2008 and the UTP is 2009 – 2019 so there is a little bit of difference in timing introduced. Again they take what people were originally allocated, 100% of the Mobility Fund, adjust for the over programming for Category 2, compare that to what they have already used and then the remainder is what each area would be allocated.

Mr. Bass said the question then is if this is a fair and reasonable approach. He stated it is obviously one approach and there could be others and maybe better ones, but this is the one that TxDOT staff is comfortable taking forward to the Commission. Those areas that have been able to advance their projects may have to wait while everyone else catches up. Because of the over programming and inflation what TxDOT projected in the 2004 – 2014 UTP will now take until 2019 to rebalance.

Mr. Martin said there are eight TMAs in the State of Texas, of which Lubbock is one, and he assumes those are the ones who are due the TMF money. Mr. Bass agreed. Mr. Martin asked if Mr. Bass could review each of the eight who has had more money allocated and who is going to have to wait and so forth. Mr. Bass showed the chart. He said this ties back to the 3.5 billion, which is 2009 – 2019, plus half

of 2008 because we know what is scheduled to be let, but schedules change as we have all experienced because of a variety of issues. In Category 2, what the eight metros were allocated, less what they utilized, shows the balance. There are actually some negative numbers shown and what that means is those TMAs were able to advance projects and move faster than the rest of the State and deliver a number of those projects. So looking at the chart you see Lubbock is ahead, Pharr is ahead and San Antonio is ahead. The NCTCOG is the Dallas/Ft. Worth area, even though they are two districts in the TxDOT world, they are one MPO and one region and get their full distribution. Mr. Bass explained they got caught in a timing issue as they have some very large projects and are looking at different mechanisms to deliver those whether it is partnering with NTTA, the local toll entity up there, or going out and contracting with a private entity. Either way they do it, it will take some public funds to build those projects. They had been saving their money up over time so when those projects were ready, they would commit to them. They were saving up planning dollars and when they went to redeem those dollars, there was no cash. He said it is that disconnect of thinking that I am guaranteed to get 100% of this number and when I am ready to go that money will be there. Mr. Bass said that never was the cash reality so there was always kind of a disconnect between the planning and the cash management side.

Mr. Martin asked why those of us who have been efficient, and have been able to advance things because we were ready to go when the rest of the world was sitting still, are going to get penalized while those folks who didn't do right, are going to get more money to make up for their problems. Mr. Bass explained Lubbock has been able to utilize the original allocation in a period shorter than that of the 2004 – 2014 UTP. Mr. Martin said we like to think it is because we are efficient and have a great district staff here. Mr. Bass said he would agree whole-heartedly. Mr. Martin stated Lubbock gets things done and doesn't get tied up in political squabbles like other areas of the State, so why should we be penalized. Mr. Bass said because if Lubbock utilized 100% of the original allocation, then this approach says you will sit back, unfortunately, and allow the rest of the State to catch up. Mr. Bass said DFW knew they had big projects coming and it was going to take three or four years to develop those projects, so they, rather than spending money on smaller projects in the interim, said these are our highest priority projects and we need to save our money so we can move four years from now. The last four years they saved their money.

Mr. Bass said from a cash flow perspective what was going on was cash flow that would have gone to those DFW projects came down and funded accelerated projects because of the efficiency of those Districts. Now TxDOT is saying the cash borrowed to advance projects has to be paid back. Mr. Martin said it makes it sound like it is a nefarious thing and it is not. Lubbock was ready to go and others weren't so now they are going to use the TMF to make them whole. Mr. Martin said looking at the time value of money, Lubbock was very efficient and got our projects done when the costs weren't so high, so it looks like in this scenario TxDOT is going to use the TMF to bail these folks out, because they couldn't get their act together, and because costs have gone up TxDOT is going to try to make them whole and penalize all of us that did right.

Mr. Bass said there was a question from one of the Commissioners last month about the impact of inflation. He said they said it has always been an issue within the UTP. Districts get their allocations and those who are efficient get their projects on the front end and avoid inflation costs. Those who for whatever reason, whether it is inefficiency or trying to save up money for a bigger project, the impact of inflation is going to hit their number and their number does not get adjusted. In other words, prices have gone up 60% in the last five years so this money will buy less. TxDOT is not going to adjust their allocation by 60% so they have the same purchasing power. They will get the same dollars, but since they are getting those dollars in the future, it will buy less. A Commissioner started a discussion as to why TxDOT was not doing that and we just told the Commission that has always been the case. Those districts that advanced their projects and had them ready to go have gotten the benefit and those who have waited have always been impacted by inflation and hopefully what will happen is that they will realize they need to get them done sooner.

Mr. Martin said if you look at some of the larger metropolitan areas such as San Antonio, who appears to be pretty efficient as well, they are going to get penalized. He said San Antonio is big enough to compare with the North Central Texas COG area. He said it looks as though in Houston all of their mobility fund

money is going to the Metroplex. Mr. Martin stated it looks like more of a political decision and he is not criticizing Mr. Bass, just making observations about the chart. He said it looks like the “golden rule” where “them with the gold rules” rather than something that rewards folks who were efficient and got things done at a lower cost. Mr. Gilbreath stated it looks like those with the votes rule. Mr. Bass said he has a slightly different perspective and he is not discounting Mr. Martin. Mr. Bass said the original allocations from 2004 – 2014 were allocated and assigned to specific projects and if in the first four years a District has been able to deliver those projects then more power to them; they actually got more delivered because they were efficient and avoided inflation, but they have used their eleven years of money in four or five years. These others still have their needs that are out there.

Mr. Bass stated one of the things that we hope to do going forward is change the management of the UTP. He said what has happened in the past is when you get your money there is so much money in Category 2 in 2004 and so much in 2005 and 2006, etc. You get to 2005 and you have a project that is ready to go but you don't have enough 2005 money. The way it was handled or managed before was to use some of your 2006 planning money, and once you run out of that use some of your 2007 money. As a financial person Mr. Bass said his head starts to hurt at that point if I am in 2005 and I am using 2007 money it doesn't compute. He said what was happening in 2005, even though that is not the way it was tracked, when a District reached out and used their 2006 or 2007 money, in reality what they were doing was using somebody else's 2005 cash flow.

The plan is to change the management so when a District goes over their current year allocation, rather than reaching out into the future to next year or two years, TxDOT will suggest the District seek to borrow money from a District that has money on the table to advance the project and decide when you pay them back. The debate right now is whether these two parties will agree and figure out the terms of the payback or if there will be a stated rate. One of the discussions TxDOT had last month with the Commission was if you let those two parties negotiate and work out a deal for three and one half percent interest or five or whatever, or does TxDOT set a statewide standard and say it's going to be 4% interest per year for any two regions that borrow money from one another.

Mr. Martin asked if those were the rules when Lubbock advanced our projects? He stated there was no mention of borrowing from another district or anything of that nature and Lubbock understood it was borrowing against future allocations in our own district. He said it sounds like the rules have changed again. Mr. Bass said the management would be different. Before Lubbock was borrowing from future allocations and now the future allocations have been adjusted or aligned because Federal funds are going down, and future allocations are not what was thought they would be back in 2004. They are lower because there is not as much money. Mr. Martin stated he understood but Lubbock did not borrow that money from Dallas or anything like that, and what he hears Mr. Bass say is now we would have to go work a deal out with Dallas because it would be considered borrowed from them. Mr. Bass said no, not currently under these numbers unless you have a project that is ready to go and you don't have enough allocation in the current year. If that were the case Lubbock would need to talk to somebody else who has got money on the table and say we are ready to go. Then we avoid this situation when some are ahead and some are behind in the funding allocation changes and they say “I'm ahead but where did my money come from?” It came from the statewide pot. Mr. Bass said it leaves a little uncertainty if you go back four or five years in the past and say okay well in order to advance projects in these areas what is really happening, from a cash flow perspective, is that you are borrowing “cash flow” from these other areas. When they have their projects ready to go, you are going to need to do the reverse side of that transaction and give them their cash flow back because the only way these were able to move forward is because they were saving their money up here so they could do their projects once they got ready.

Mr. Martin stated that Mr. Bass hit on the philosophical issue. Mr. Martin said it used to be considered on a Statewide basis what was best for the entire State and now it seems Mr. Bass is saying that the Commission has made a change in philosophy to what is now a regional or TMA issue of what is best for the biggest TMA. Mr. Bass said some of that changed in 2003-2004 when the Commission started allocating funds rather than looking at it statewide and picking high priority projects. The Commission said we are not going to do that anymore, we are going to allocate the funds to the eight TMAs and you have to manage those dollars. The tracking and management didn't change at that time and so MPOs got

money allocated to them at the regional level. Mr. Bass said as an example in 2004 if he had a project that was ready to go and it was bigger than the 2004 amount, he would just reach out to 2005 or 2006 and again, as a number dummy, his head hurts when you are talking about using future year money today. So what was really going on even back then, even though we didn't track it that way, was if some other project up here was sitting on the table, because someone was inefficient, having political battles, or a valid reason, such as an environmental issue on a project or problems acquiring the right-of-way or any and all of them, because these were not moving forward at that time, other projects were allowed to move forward. So what TxDOT is suggesting is just going back to those original allocations from 2004 and saying okay this is what everybody had, this is how much they have used so this is what is remaining and then distribute that back to those regions and no one is getting more money than what they were originally allocated back in 2004, everybody is just getting caught up to the same threshold.

Mr. Martin said there is one other philosophical question. Is it realistic to think that NCTCOG can go spend 1 billion 726 million if they haven't been able to spend a billion dollars on time. Mr. Bass says his concern is they want to spend it too fast. They have the LBJ Freeway where they are expanding and putting managed lanes in the middle and the latest estimate with the subsidy, even if you do it with NTTA or TxDOT or the private sector, is probably around 700 million. The DFW connector, which is up near the DFW airport, has some Category 12 money and some Category 2 money and it is in the neighborhood of 600 million. Mr. Bass said they also have the North Tarrant Expressway in Tarrant County and the subsidy on it is estimated right now at about 700 million. He said bids on the three projects are due to come in within the next six months so his concern is they were consciously saving their money for these big projects and they are now ripening and ready to go and we may not have the cash flow ready to back up those earlier commitments to keep them on schedule.

Ms. Jones said in talking about the Lubbock area and about being efficient and Lubbock borrowing against future funding, our own funding rather than one of the other areas, she wondered because of the instability that we see possibly in future funding, why would North Central Texas Council of Governments want to loan money to the Lubbock area with the possibility that when it is time for us to pay it back, the funding is not there for us to pay it back. Mr. Bass said that is something TxDOT has been talking about, and is there an incentive or do you just do it, or how does that program really get managed. He said included in some of these numbers that everybody gets are Federal dollars and if those Federal dollars are not utilized in the year for obligation authority they are lost, and since this has not been an adopted plan he doesn't want to get anyone excited, but one thought is if you have Federal dollars on the table you can't use, you lose them because you didn't have a project ready to go. If you loan them to someone else you keep their existence going for a few more years in the hopes that you will get them back. He said as an example maybe he was planning on getting 10 million a year in 2012, 2013 and 2014 and when the district he loaned them to pays him back he only gets an allocation of 8 million. He might only get 8 million those three years and then 6 in the next year until he got the thirty back. It might take a little longer than he thought and if there is an agreement with a stated interest rate on it, those numbers might be 8 million plus the interest.

Mr. Martin said if it is use it or lose it, and you have 50 million and there is no way you can use it this year, and it is gone forever but another District or TMA has projects that are ready to go that could use that money, why should the second District have to pay back the first one because they weren't going to get it anyway. Mr. Martin said that doesn't make sense. Ms. Jones agreed. She said it gets to be that fuzzy math and seems to her to be part of the reason that TxDOT has gotten into the situation they have gotten into. She said that she didn't know when to bring this up in the presentation, and has shared it with Mr. Warren the other day, but she has been to two meetings in the last four weeks that Lt. Governor Dewhurst attended, and although she knows Sunset is going on and there have been several meetings, he is touting that TxDOT doesn't know what they are doing and that they are not broke. He told them to go home and ask your Districts what is going on because of money they have allocated through the legislature. She said these are not Federal dollars, but what the Legislature has offered. She said she is offering that up for Mr. Bass to take back to Austin and that there is still skepticism. She also mentioned Wayne Smith, who is Chairman of the County Affairs Committee, and several other representatives, who have said the same things.

Mr. Bass said in some of the printed materials and some of the correspondence he has seen it has indicated that we have all of this bonding authority, so he says go use it. He said that 5 billion of that bonding authority is the Prop 12 general obligation bonds that voters approved but the constitutional language says that Legislature may authorize the Commission to approve it. Unfortunately they chose not to take that action in their last session. TxDOT asked the Attorney General if they had enough authority in the constitutional amendment to go forward and issue the 5 billion dollars. The Attorney General said TxDOT does not have that authority. Mr. Bass said the AG of the State says we don't have the 5 billion and other people say we do. Unfortunately the AG rules, because before TxDOT can issue any debt, it has to be approved, so the 5 billion is still there. Mr. Bass said TxDOT fully expects it and hopes for it but cannot plug it into their plan today without having enabling legislation. He said the legislature has the full right to say we want so much to go to safety, so much to bridge rehab, so much to preventative maintenance, and they can split it up. If TxDOT had to make a guess right now and plug it into those different categories and start planning work on those projects, he said they wouldn't guess the right categories.

Mr. Bass said the other money is the three billion dollars of Prop 14 funds where the State highway fund pays the debt service. The issue is the State highway fund pays the debt service going forward with state gas taxes and vehicle registration fees. He gave an example of using 1.5 billion dollars of Prop 14, which is the annual limit allowed by the legislature. TxDOT will need roughly 250 million of that or so for engineering and right-of way so 1.25 billion is going to flow into the UTP. By the time it is ready to let, letting costs have increased by 1.25 billion. The next year TxDOT would have to start paying debt service on the money and debt services on 1.5 billion for twenty years at 5% is 125 million so for the next ten years we pay debt service of 125 million. This money comes from future letting. The good thing is it allows TxDOT to advance the project and avoid inflation and get it done but they are still paying debt service outside the UTP.

The Commission has been concerned about TxDOT advancing projects for mobility through bonding; debt service takes away from mobility allocations going forward. If the Commission went with Scenario A, there would be no future allocations to take the debt service from. Some projects would advance and the debt service would not be paid off for twenty years. The Commission and the Governor's office have been uncomfortable committing future dollars from this funding stream for debt service above and beyond the three billion. Mr. Bass said he meant no offense to any of the offices Ms. Jones mentioned, but TxDOT has checked with the AG and as of today the five billion is not available. Ms. Jones said she understood and again she said sometime or the other you have to pay the piper. You have to collect the money and pay the debt service. Ms. Jones said we are not seeing any increase in the gas tax. Vehicle registration is not going up. Federal dollars are going down and talking about general revenue, if they take from one place and move it to another, the crisis is simply moves.

Mr. Hopmann asked if the Texas Mobility Fund is a growth fund? Mr. Bass said it has the ability to grow. He said it is kind of confusing. Certain revenues are dedicated to the mobility fund such as driver's license fees, vehicle inspection fees, and driver record information fees. The controller has given them a thirty year forecast on those dollars. Revenue will grow as the population of the state is projected to grow. Legislation requires that revenue has to be at least 110% of the debt service so if they are forecasting 88 million annually, there can be a debt service of no more than 80 million. With what is already obligated in projects TxDOT will be at that ceiling for the next thirty years. He said if the controller's office increase their revenue forecast and raises the ceiling there will be some head room that TxDOT will be able to squeeze a little more out of the mobility fund in the near term but given the current projections from the controller's office, which is what we live with today, we are scraping our head on the ceiling. Mr. Hopmann said the mobility fund is a growth fund and it is accounted for in your eleven year UTP cycle. Mr. Bass said given the current forecast Mr. Hopmann's statement is true.

Mr. Hopmann said in the DFW area, they had a CDA on State Highway 121 and they got 3.2 billion dollars for that project. He asked if that was not included in the chart. Mr. Bass said it was correct it is not reflected in NCTCOG's 1.7 billion dollars. Mr. Hopmann said if there is 3.2 billion dollars sitting there somewhere is it possible that other TMAs like Lubbock could potentially use some of that money to advance projects and somehow pay them back. Mr. Bass said his first answer would be no, but stated

where there is a will there is a way. He said state law prohibits TxDOT from taking that money and redistributing it because the local members from DFW had some foresight and said once we get a payment we are going to start taking our gas tax allocation away. He said they got the 3.2 billion because they took the potentially politically unpopular position of tolling. The law says if an area chooses to toll themselves and get a payment surplus, toll revenue, or an upfront payment for that you cannot go back and adjust the gas tax allocation to that area. He said the thing that is getting him hung up on the question is that another part of the law says the 3.2 billion can only be spent in the Dallas District. Ultimately, when the money is paid back, it would be, but he is concerned about the interim period when the money is not in the Dallas District. He said his initial reaction is that it can't be borrowed because the law says it can only be spent in the Dallas District. Ft. Worth is not eligible to receive the money.

Mr. Hopmann said it might be something Lubbock could think about because if Mr. Martin's thoughts are correct that they couldn't spend the 1.7 billion and how are they going to spend 4.9 billion and so maybe there is a way the entire State of Texas could benefit while still offering the ultimate guarantee that the money will get back to that area. Mr. Hopmann asked if Mr. Bass knew what the balance is in the checkbook. Mr. Bass said he gets an email every morning with the cash balance. He said the good news is they got the motor fuel tax for the month and the balance was 185 million yesterday. The balance today is 120 million so a big chunk of that gas tax didn't last a day. It is already out the door as there is a 220 million outstanding loan. Mr. Hopmann said it is kind of scary to him that an agency that has a seven billion dollar annual budget has 120 million dollars in the checking account as of today.

Mr. Martin said he wanted to follow up on how Mr. Bass had said that the North Texas COG took the politically unpopular move of tolling. He stated that some of us took the alternative approach of local funding and went to the Commission and had it approved. He stated he believes the MPO committed to 75 million in local funding. Mr. Martin said he realizes that is less than one day's cash flow for TxDOT. He said the local funding was to be over a twenty-year period and he believes the numbers of what has already been spent, along with what is about to let in contracts, is roughly 50 million. He stated in two or three years we have already done two thirds of what we said we would do. That is one of the reasons we were able to accelerate some projects. He stated that Phase 3B was 37 million and that was surprisingly close to the 38 million in the hole shown on the slide. He said originally 25 million of that was local money but has been scaled back to half because TxDOT couldn't carry through with the commitments to work on pass through financing for the Northwest Passage. He said the bottom line is, you point with pride to Dallas/Ft. Worth for being courageous and jumping out there and taking the politically unpopular move to toll, but some of us around the state, and Mr. Martin thinks Lubbock was the first actually, to go to the Commission with a local financing plan that did not involve tolling because that would not be politically popular out here in West Texas. He said it was to accomplish basically the same thing and that is one of the many reasons in addition to fine District and District Engineer, as well as staff having their act together, we were able to advance things. Mr. Martin said his point is it looks again like another thing that we are being penalized for, for heeding the Commission's request for local jurisdictions and local MPOs to find local money to help with the overall plan. He said he applauds Dallas/Ft. Worth for taking the politically unpopular stand but most of the other areas have yet to come up with some of these types of local financing plans so again he asked if Lubbock is being penalized for stepping up to the plate. Mr. Bass said he doesn't think we are being penalized and he wasn't trying to suggest that Dallas/Ft. Worth is the only one who has gone out there to get funding.

Ms. Jones said we could probably discuss this all day long and she wants Mr. Bass to be able to return to his presentation. Mr. Bass said he was at the end of the presentation. He said he would be happy to answer questions. He said it may not be the best way or the only way to divide this funding but it is the current thinking and he wanted to share it with Lubbock so we could have a better understanding at how TxDOT arrived at those figures.

Mr. Gilbreath said this is procedural and asked Mr. Jones if since we had obviously discussed the UTP previously if they are going to be asked to approve an amendment to the Northwest Passage financing plan and if it is shifting some funds around, Randy. Mr. Hopmann said Mr. Warren would speak about that in a moment. Mr. Gilbreath said his concern is, in recommending and approving the amendment, we are in effect giving passive approval to this plan, scenario C and all of the subtleties and nuances and so forth

which have been so well articulated this morning. He asked if, as a fair way to say it, that this is not necessarily the message we want to send.

Mr. Hopmann said it is what it is at this point and time and nobody likes it. He thinks we need to take the action necessary so that he, Mr. Warren and Mr. Jones can go to Austin next week and represent this body down there and do what has to be done. Mr. Hopmann says he thinks we can also send a more philosophical point that we do not necessarily like it, He said he thinks we have that option and to go about doing that he is not sure but he understands what Mr. Gilbreath is getting at. He said we don't want to just put our seal of approval on something when there is a degree of unsettling information. Mr. Gilbreath says it is kind of a catch 22. Mr. Hopmann agreed.

Mr. Martin said it begs the question, what if we say no. Mr. Warren said he wants to try and assure this group that what they are adopting today is, as far as he is concerned under the current condition, is in the best interest of the Lubbock MPO at this time. He said the chart that Mr. Bass showed, with the balances for the 2009 – 2019 for each of the eight TMAs, shows Lubbock with eight million dollars. Last year when the TPC did this exercise that number was 44 million. Mr. Warren said that is what we thought we would have for the 2008 – 2018 UTP. As Mr. Bass explained, every TMA got cut to 80% of that original allocation, with the full TMF put back into it, and then they took out what has been spent. He said every one of those numbers seen on the right hand side up there where our eight million is were all higher last year. They have been lowered for all eight areas.

Mr. Warren said Lubbock has taken full advantage of getting our projects advanced early. We have spent early and spent often, as we like to do. He explained to Mr. Martin that the TMF did come to Lubbock. He said Lubbock has spent every dime of those 46 million dollars. He said Lubbock has 250 million dollars worth of construction on the Marsha Sharp Freeway underway right now. That is where all of this money went. He explained to Mr. Gilbreath that if we were to disagree with scenario C and propose scenario B or A, the eight million would go away. He said Scenario C is the highest amount of mobility money they are going to send to the TMAs. Any of those other scenarios reduces that amount. Mr. Warren said he couldn't imagine that the Commission is going to approve more money going into mobility at this time.

He said it was like pulling teeth with them just to go with Scenario C and that is the maximum amount of money they are going to put into mobility for this period. He said that is why he thinks it is good to agree to this plan. He said basically last year we were at 44 million, this year we are at eight million. He said it comes down to what Mr. Bass mentioned as over programming and the fact that we have had to cut back 80 percent. He agrees with Mr. Bass in that he doesn't think we are being treated unfairly or being penalized. He said Lubbock has spent our money.

Mr. Warren said with that being said, he is asking the TPC to accept the funding proposal for Category 2 that we looked at today. He said in March we set up a tentative funding schedule for the Northwest Passage, which included ten million of Category 7, five million of Category 11, and twenty-five million from the City Of Lubbock, for a total of 40 million dollars. He said since we have been asked to come up with a plan on how to distribute this eight million dollars over the next eleven years, the TPC is aware we cannot really put together much of a project for eight million dollars these days. He is asking the TPC to consider taking that eight million dollars for 2009 – 2019 and roll it into the Northwest Passage project, in effect, leveraging a 40 million dollar project with our eight million Category 2 allocations. Mr. Warren said it would still require seven million from Category 7 money, which will be available, the twenty-five million from the City Of Lubbock and the eight million from Category 2. Mr. Warren said he is asking the TPC to authorize the amendment to the funding and give approval for Mr. Jones to attend the consensus meeting and plead our case.

Mr. Warren said he does not know how it will be received as Lubbock is one of the three areas that has spent their money early. He said they are going to down again and say we want to spend our money in the first year of the next eleven-year period. He feels there is some validity and some merit in that we are leveraging twenty-five million dollars of local funds with this money. Mr. Hopmann and he have discussed it and feel we have a good argument of being accepted and when you look at the big picture of all the big areas, eight million dollars doesn't amount to a heck of a lot of impact on those other areas so we

hopefully will be able to get that consensus reached and we can move forward and utilize these funds. As a result of all of these changes, though, Phase 4 of the Marsha Sharp Freeway does not have any funding in it at this time.

Mr. Martin said that brings up two questions. What is the status on Category 7 money if this plan is agreed upon? He wondered if we had any Category 7 money. Mr. Warren said Category 7 money is available. He said that when we made this change back in March, we had eight million dollars of Category 7 money in Phase 4 and we had 3.5 million or so that was not obligated to any project. He said in March the TPC took that eight million out of Phase 4 and put it in the Northwest Passage and obligated another two million of the unobligated balance. Mr. Martin asked if this plan were adopted how much money will be in Category 7 for other projects. Mr. Warren said by adopting this plan you take three million out of the plan that was approved in March. He said in March we had a balance of about 1.5 million in Category 7 that was not obligated to any other project. He said to keep in mind the 50th street project that is going to letting in December that is being funded with Category 7.

Mr. Martin asked if, for all intents and purposes, Category 7 is fully obligated. Mr. Warren said for the most part yes. Mr. Martin said the last question is what are the chances of the Commission allowing Category 12 money to complete the Marsha Sharp Freeway so that we don't end up with a freeway to nowhere? Mr. Warren said he could not speak for the Commission. He thinks they have had some discussion with everybody about Prop 12. Mr. Mr. Bass felt that pass through financing might be a possibility. Mr. Martin said he guesses the answer is that we can always go ask for it.

Mr. Warren said another thing he wanted to point out was in March Lubbock had Category 11 District Discretionary money in the Northwest Passage project. Since that time, the District has received bad news on Category 11 and Category 1, which is rehab money. We are going to be severely restricted on the amount of money we can go to bid with in those two categories for the next two years. He said in fact they have a total of 11 million dollars for a two-year period in Category 11 and since this has occurred they are looking at any means to keep the roads together in the seventeen county district. Mr. Hopmann and Mr. Warren have discussed the utilization of those Category 11 funds just to take care of some bad maintenance needs that they have, so at this time it does not appear that Lubbock can rely on Category 11 funds for the Northwest Passage. Mr. Warren said that is why he is suggesting the use of the eight million from Category 2 and the seven million from Category 7.

Mr. Martin asked what affect that will have on the South Slide project. Mr. Warren said South Slide would be delayed for considerable amount of time. He said it was going to be funded with Category 11 funds. He said the other thing that is hitting TxDOT is the right-of-way budget, which has been severely slashed as well. They were prepared to start buying right-of-way in the fall and Mr. Warren told Ms. Reed and the City Of Lubbock that they cannot start at this time. It is about a four million right-of-way project and their total budget for ROW and consultants next year is 600,000. Mr. Warren said it doesn't work so for now they have suspended moving forward on the Slide Road project.

Mr. Hopmann said as far as the Category 11 that Mr. Warren was talking about, when he mentioned addressing some of our poorest road conditions out there, if you start looking at the 17 counties in the Lubbock District and where the worst roads are, along with an overlay of the traffic volumes that are on some of the roads, one that keeps coming to the surface is East 19th Street. Mr. Hopmann said he is trying to shift Category 11 monies from what was on the Northwest Passage to East 19th street to address that need as well.

Mr. Warren said the TAC has not heard or seen any of this. This is the first they have seen of it he wondered if Ms. Jones would care to ask for any comments from the TAC. Mr. Warren would ask for action on this item. Mr. Gilbreath said it is also very important that we place a very high priority to lobbying to enact legislation for Prop12. He said it should be easy to go to the Coalition and get that done. Mr. Hopmann said it should but he thinks the actions of the TPC could help solidify that and he is with Mr. Gilbreath that this board should make some type of statement at least to the local delegation in the State Legislature that we support a need for having a more secure long term funding mechanism for the Texas Department of Transportation. Mr. Hopmann also said he supported the action that Mr. Warren has

presented for Northwest Passage primarily because it does put all the funding in place needed to proceed with the project and it is an important project. He said he thinks the project is something that we need to get going with as quick as we can so your approval today is appreciated. Ms. Jones asked Mr. Jones to be sure to make note that we need to discuss further plans to develop legislative strategy to address Prop 12.

Mr. Childress asked Mr. Warren to explain Category 12 money. Mr. Warren said Mr. Bass could probably better explain it. Mr. Bass said it is to address statewide needs. He said the local governments would provide the money and would be paid back through pass through agreements. It is also an economic development opportunity. Mr. Warren explained that the FM 179 Bridge in Wolfforth was built with Category 12 money and the 82nd Street Bridge in Wolfforth was built with Category 12 money. The widening of 82nd from Slide out to Wolfforth was Category 12 funds and a considerable amount of Category 12 money was put in the Marsha Sharp Freeway when it was first started. The Commission has provided a considerable amount of money to the Lubbock area through that program but it has changed since then. Ms. Jones asked for any further questions or comments.

Mr. Martin told Mr. Warren and Mr. Hopmann that he knows they are always looking out for the best interest of this area and although there are a lot of things he doesn't like about this, and he feels on a strategic level we may be being shortchanged, he still thinks right now this is the best course of action and also agrees that we need to look at advocacy with our State legislative delegation and the Commission to try to obtain the funding, whether in Category 12 or others, to complete the Marsha Sharp Freeway in a timely manner.

Tom Martin made motion, subject to the Transportation Advisory Committee's concurrence with this action, that the plan be approved as submitted and authorized Mr. Jones to present this plan in Austin to the Commission. Jim Gilbreath seconded and the motion passed unanimously.

The Committee moved to the next item.

Presentation by Kirk Fauver, Federal Highway Administration, on the upcoming Joint Federal Certification Review, June 11-13, 2008.

Ms. Jones stated that Mr. Jones would make the presentation for Mr. Fauver, as he was unable to attend the meeting today. Mr. Jones stated that in the interest of time he would just highlight a few areas. Mr. Jones reminded the TPC that they had a schedule for the Federal Certification Review. The Review will begin on Wednesday, June 11th and will go through Friday, June 13th.

Mr. Jones said on Wednesday the group will convene at the MPO offices for introductions and a question and answer period with the staff. Kirk Fauver will be part of the Review Team. At 3:00 p.m. there will be an interview with an elected official and at 3:30 p.m. there will be a second interview with an elected official. From 4:30 to 6:30 p.m. there will be a listening session conducted by the Feds. On Thursday, we will again convene at the MPO offices to go over the different areas listed on the schedule and that afternoon at 4:00 p.m. will be the third interview with an elected official. On Friday the Review will wrap up and the federal people will break away and meet with themselves. They will debrief the staff after their meeting.

Mr. Jones stated Mr. Fauver said they will not be there to "stump the officials" but will focus on the CMP and how we integrate projects by virtue of that evaluation system. They will also look at safety issues, and to see how the public participation works in Lubbock and how it is all integrated into the planning process.

Mr. Jones said the Mr. Fauver sent a link to a document that goes over the Transportation Planning Process and felt that all might benefit from reading this document as it gives the who, what and why of the process. Mr. Jones stated that if anyone was interested in the link, Ms. Davis would be happy to send it. Mr. Jones stated that he is looking for the Transportation Policy Committee to decide whom the three

elected officials should be to participate in this Federal Review process. Ms. Jones asked if there were questions about the certification review. No questions were asked.

The Committee moved to the next item.

Discussion and Action on the Selection of Three Elected Officials to be Interviewed by the Federal Certification Review Team.

Ms. Jones stated that Mr. Jones went over this in the previous item. Ms. Jones asked who participated in the elected official interviews four years ago. Mr. Martin and Mr. Childress stated they had. Mr. Martin stated that he felt the Chair needed to be one of the people and said that he felt Ms. Jones should be one to be interviewed. He felt Mr. Gilbreath would be another excellent person. Mr. Martin felt that Judge Head could be the third unless Mr. Childress wanted to do it again. Mr. Childress felt that another person should have the opportunity.

Ms. Jones stated that before a motion was made she felt that Mr. Childress, although he had gone through the process in the past, might want to represent the City of Wolfforth. Mr. Childress declined.

Tom Martin made motion for Patti Jones, Jim Gilbreath and Tom Head to serve as the elected officials for interviews during the Federal Certification Review Process. John Wilson and Randy Hopmann seconded and the motion passed unanimously.

The Committee moved to the next item.

Reports

- A. **Cities and County**
- B. **TxDOT**
- C. **Citibus**
- D. **Director's**

No reports were made.

Meeting Adjourned.

The meeting adjourned at 10:20 a.m.