

Alamo Regional Mobility Authority

*Meeting July 14, 2011, 1:00p.m.,
Al J. Notzon III Conference Room
Alamo Area Council Of Governments, at 8700 Tesoro Drive.*

Minutes

1. **Call meeting to order.** Chairman Thornton called the meeting to order at 1:03 p.m. All Board members present except Rey Diaz.
2. **Approval of minutes from the Regular Board of Directors Meeting of May 26, 2011.** R. Thompson made the motion to approve the minutes as presented to the Board. J. Reed seconded. All voted in favor.
3. **Discussion and appropriate action on a resolution approving a change order for the U.S. 281 North/Loop 1604 Interchange Project (Terry Brechtel/Pat Irwin) (Resolution No. 11-06).** T. Brechtel introduced the item and stated that Pat Irwin would provide an update on the project and change orders numbers 1 and 2. P. Irwin made a power point presentation (see attached) and addressed the current timelines with change orders for time incorporated – segment 1 February 7, 2013 and segments 2-8 May 27, 2013; he also stated that the change order number one approved by T. Brechtel under her authority extended the dates only for segment 1 which includes the potential for a bonus for early completion pursuant to the terms of the CDA. R. Rodriguez asked about the contingency account and whether those funds at the end of the contract would go to the design/builder and P. Irwin stated that it would not, just be unused TxDOT funds as the ARRA funds are nearing being completely spent. T. Calvert asked about the calculation of the administrative costs incurred by the design/builder in proposed change order number 2 and how it was calculated and were these costs from the extensive drilling or delays from that. P. Irwin stated that any delays from drilling or costs of drilling equipment are incurred by the design/builder but that the proposed reimbursement was from overhead associated with time of delay caused by the Alamo RMA in its design approval process. P. Irwin stated for the design/build process to work efficiently, approvals must be moved along and a lesson was learned at this stage that too long was taken but it is estimated that the design/build team can make it up. P. Irwin stated that decisions must be escalated and resolved quickly. *J. Reed made the motion to approve the resolution and R. Rodriguez made the second.* Chairman Thornton stated that an advantage to the design/build contract is the savings the RMA received from an ATC for \$10 million because the design/builder provided savings with a design feature. T. Calvert stated that he is uneasy with this proposal as he wants to review the contract and the documents relating to it to better understand how this process works and to be sure the RMA is getting the best deal on it and would like information from Williams Brothers on the proposal. Chairman Thornton asked T. Brechtel to summarize where we are at this time. T. Brechtel stated that change order number 2 is for \$171,771.84 with an original request for approximately \$822,000 and staff and TxDOT looked at the contract, and the decision was made not to pay for actual design costs but only for administrative overhead related to the time granted in change order number one for RMA caused delays in the design approval process. T. Brechtel stated that the calculation for reimbursement was not for additional design work only for overhead costs. R. Thompson stated that he was able to reconcile the change order based upon Pat's statement that the RMA made a mistake, will learn from it, and the best time to learn this is at the beginning and that you can't take too long to solve a problem. R. Thompson stated that the mistake could have been of greater magnitude and commends Pat for articulating the problem. J. Reed stated that the RMA is

building this interchange for TxDOT and the RMA has a partner in the approval process and there are a lot of entities to approve it. T. Calvert asked how the total change order amount was broken out and what about the terms of the contract. T. Brechtel stated that it is a fixed price contract but the owner, Alamo RMA, pays for delays caused by the RMA or changes requested by the RMA. R. Rodriguez stated that he took comfort in T. Brechtel's response that the Board is the one who approves this change order and it is contingent upon TxDOT approval. There was a discussion about whether it was approved by FHWA and T. Brechtel stated that since it is being paid by TxDOT with state funds it does not need FHWA approval. T. Calvert stated that he is not comfortable since he does not understand the administrative cost calculation. T. Brechtel stated that the federal acquisition regulations provide a method to calculate the overhead costs eligible for reimbursement and the RMA used this figure for reimbursement for delays. All voted in favor with abstention by T. Calvert (see notes after agenda item 9 for clarification on this issue).

4. **Discussion and appropriate action on a resolution authorizing execution of a contract to provide quantitative financial risk management services (Terry Brechtel/Milo Nitschke) (Resolution No. 11-07). Discussion and appropriate action on a resolution approving the execution of an Interlocal Agreement with the Texas Department of Transportation for Traffic and Revenue Services (Terry Brechtel/Milo Nitschke) (Resolution No. 11-08). Discussion and appropriate action on a resolution approving the issuance of a Request for Qualifications for Investment Banking Services (Terry Brechtel/Milo Nitschke) (Resolution No. 11-09).** Chairman Thornton stated that agenda items 4, 5 and 6 would all be brought forward for presentation and discussion at the same time although each resolution would be brought forward separately for vote since they are inter-related. T. Brechtel stated that M. Nitschke would make a power point presentation and these items have been in process since last fall with briefings to the Planning Committee and Finance Committee. M. Nitschke introduced various people in the audience in attendance for these items and proceeded to make a power point presentation (see attached). M. Nitschke stated that these items were the components of the financial structuring team. The Resource Systems Group, selected in March by the Board, would provide quantitative financial analyses and the action is to approve their contract. M. Nitschke stated that item 5 is to approve an interlocal agreement for traffic and revenue services and item 6 is to approve the release of a request for qualification for investment banking services. M. Nitschke addressed the components of the financial structuring team. M. Nitschke stated that the services of QFRM are being added to a traditional bond financing team due to the changing financing environment. M. Nitschke showed a diagram of the process and teams and discussed the model development, the use of traffic and revenue consultants which were procured by TxDOT, the traffic and revenue timeline, the selection of underwriters since the last procurement was in 2006 and there have been significant changes in the industry. M. Nitschke stated that the selection of the investment banking firms is anticipated to occur in December with the recommendation of a pool for selection of teams for various segments as those financings occur. Chairman Thornton stated that the Board members should discuss the entire concept as a whole and then take motions for each resolution. Chairman Thornton stated that Terri Hall had signed up to speak on items 5 and 9 and did she want to do it before the items and she responded that the preference was to speak on the whole package after Board discussion.

Chairman Thornton then called a 3 minute recess.

T. Brechtel stated that staff has been working with the Finance Committee for the last year on an integrated process to assess how to pay for roads with the traffic and revenue and associated risks in order to put the best and most cost-effective structure in place. T. Brechtel stated that First Southwest Company has already been selected by the Board as the financial advisor and the power point and graphic show the big picture and how it all fits together. Chairman Thornton stated that the target of all this work is the Board, rating agencies especially since there is a lack of bond insurance, credit analysts, bond firms, and the citizens so that the right decisions can be made. Chairman Thornton asked about the timing of this process and whether it's required for the environmental review process. T. Brechtel stated that as part of the environmental review process in order to get a record of decision issued by FHWA, we must make a declaration on how to pay for it, and although this financial team and process is separate from the environmental review process, the output is necessary for the environmental documentation. R. Thompson stated that he understands that the RMA is forced into this structure and it is challenging and overwhelming but he knows Milo has given it a lot of time and thought and the RMA must apply all available tools to manage the process. M. Nitschke stated that we need to be flexible with what is happening in the market and the RMA needs a team with expertise in all areas. M. Nitschke stated that he and Terry have been having meetings with financial advisors, investment bankers and traffic and revenue consultants and they have all been supportive of the process. R. Thompson stated that the steps the RMA is taking proves disciplines and combining them in a new way rather than looking at them in silos and he asked Milo if there was a model like this anywhere else and Milo stated not that he was aware of at this time. R. Rodriguez stated since the Finance Committee reviews will be an important part of this process it should be added to the diagram and he wants to be an integral part of the process. R. Rodriguez asked that the Finance Committee take meeting minutes and make them available and open to the public and that the committee should keep records and notes since it is not proprietary information and he would like the Board to decide on it in the future. R. Thompson stated that he is troubled with adding the Finance Committee to the model as a separate approving entity because although they are an important part of the process, the committee only recommends actions to the Board, it is not an approving entity and not a separate entity from the Board. R. Rodriguez stated that it was his intent to show who is working on the process. R. Thompson said that it is a good idea to keep records of the meetings. R. Rodriguez stated that he has missed several Board meetings and Finance Committee meetings and hasn't met with the financial advisors and notes would help him catch up. T. Calvert stated that the Planning Committee will overlap with the Finance Committee for example in the EIS documents with socioeconomic data and the traffic and revenue components and we need to ensure that the models are sound and reflective of what is happening in San Antonio and the RMA gets the information needed to make decisions. Chairman Thornton stated that the suggestion of meeting minutes for the Finance Committee should be brought up with Rey Diaz who is the chair and since he is absent today, they can discuss it at the next Finance Committee meeting. Chairman Thornton noted that any decisions or actions are taken by the Board and the committees' responsibility is only for recommendation to the Board for such actions or decisions and the committees are working groups and he does not want to divide up or differentiate roles of the Board members. R. Rodriguez stated that he agreed and knows that although he is not a member of the Executive Committee, he assumes those decisions come to the Board as well.

Chairman Thornton then invited Terri Hall to speak on item 5. T. Hall stated that she is the director of TURF and wanted to express her concerns and that with all of the discussion there was no mention of tolls and she wants a real definition of what is being discussed and the debt model is to get revenue from tolls and since this RMA Board is not elected, that needs to be raised. T. Hall asked how this relates to a non-toll option and that there is a waste of funds since this is a duplication of efforts with TxDOT and the public should be aware of the discussions and that we are talking about debt and taxes. T. Hall stated that an analysis of toll systems around the country that she is happy to provide to the Board shows they are not operating self-sufficiently and the Board knows that the community is opposed to tolls. R. Thompson stated that this community needs roads, there is economic growth which will stop if there are no new roads built. The community has bonded projects for years supported by property taxes and he doesn't like tolls but likes the congestion and sitting on the highways less and sees no other option since there is no money to build roads. R. Thompson asked Terri Hall to tell him where to get money for future roads and they will go get it. J. Reed discussed a recent article by Ben Weir addressing the proposal for higher car mileage minimums and what this does to the total gas tax generated. T. Calvert stated that for the finance teams, he has an economic background and is concerned with regressive taxes and that in San Antonio the average education level is low and concerned that in the investment banking community there is not a concern with regressive taxes but we have to recognize that our economy is in trouble. Chairman Thornton stated that Terri Hall doesn't live in Bexar County, as sued the RMA two times to stop its projects, and the RMA Board members represent the areas that they live in within Bexar County and are responsible to the elected officials that appoint them. He also stated that all projects to date done by the RMA have been non-toll projects, there have been no borrowed funds, and the RMA has partnered with other entities. Chairman Thornton then brought agenda item 4 up for vote and asked for a motion on agenda item 4. *A. Downey made the motion to approve the resolution and R. Rodriguez made the second.* R. Rodriguez asked about the EIS that is being funded and whether the project can be shown as being paid from taxes or required to be tolled. T. Brechtel stated that the Draft EIS analyzes both toll and non-toll options and before any decisions or recommendations are made on how to pay for it, this process will help to make that decision. R. Rodriguez stated that he is supportive of these actions since it helps with the analysis of whether it is toll or non-toll. All voted in favor.

Chairman Thornton then brought agenda item 5 up for a vote and asked for T. Brechtel to summarize the item. T. Brechtel stated that the item would approve an interlocal agreement with TxDOT for traffic and revenue services by Wilbur Smith Associates and that this would avoid duplication of efforts since TxDOT has already gone through a procurement process to select firms to provide such services and the RMA procurement policy authorizes this agreement. T. Brechtel stated that using the procedure will save the Alamo RMA time and money and procuring these services will tell us whether these roads and projects are toll viable, what the toll rates would be and any other relevant terms. T. Brechtel stated that the maximum scope and fee would authorize it to investment grade reports if that route is chosen but would allow a change if the data shows another route is the better option. *A. Downey made the motion to approve the resolution and R. Rodriguez made the second.* Chairman Thornton stated that the Texas Transportation Commission encouraged the RMA to save money and partner with TxDOT where possible and this is one of those times.

Chairman Thornton brought agenda item 6 forward and asked Terry to summarize the action. T. Brechtel stated that this was the authorization to release the request for qualifications for investment banking services. *R. Rodriguez made the motion to approve the resolution and A. Downey made the second.* R. Rodriguez stated that the sooner this is released the better it is for the RMA. All voted in favor.

5. **Discussion and appropriate action on the financial statements for the periods ending April 30, 2011 and May 31, 2011 (Terry Brechtel / Milo Nitschke.** M. Nitschke made the presentation of the financial statements and pointed out the amounts that have now been approved for reducing the loan agreement amount with TxDOT for the return of Bandera and Wurzbach related work product. M. Nitschke stated that the reductions were reflected against the Financial Assistance Agreement 3 and will be reflected on the balance sheets when the RMA closes its books this fall. R. Rodriguez asked about what was the total still outstanding after this reduction and Milo said he would get back to him with that information. M. Nitschke pointed out the report that shows the capitalized costs allocated for each project and the summary is shown there. R. Rodriguez asked about I-35 and costs related to that project and T. Brechtel stated that there was previously financial assistance granted for that project but it has been on hold but that the RMA is in discussions with TxDOT to bring this project forward for some preliminary environmental work and will bring it to the Board for further discussion in the future. R. Rodriguez made the motion to accept the Financial Statements as presented to the Board. R. Thompson seconded. All voted in favor.
6. **Executive Director's Report.** T. Brechtel reviewed the calendar and noted that on July 20th the RMA is participating in TxDOT's DBE workshop for businesses. She reviewed the status reports and noted that the current draft of the DEIS for the 1604 project is currently under review by the RMA staff. T. Brechtel stated that Brian Cassidy has provided them with a summary of the recent legislative session as it applies to the RMAs and were welcome to ask him any questions. B. Cassidy stated all of the legislative objectives adopted by the Board were enacted by the Texas Legislature except for funding issues which was expected.
7. **Citizens' Communications.** Nikki Kuhns stated that she is a resident of Bexar County and San Antonio and asked to speak regarding her opposition to tolls, that Terri Hall speaks for her interests, and that funds should come from elected officials.

T. Hall then asked to speak and she stated that she is not opposed to getting roads built or fixed just with tolls and that twice as much money as necessary is being spent on the interchange project when the RMA is only building half and documents show the entire direct connectors could have been built. She stated that the money can be identified – it was on MPO documents and then moved to other projects so that the projects can be tolled. She advocates for local funds to be brought back to San Antonio for these roads from Austin and Washington and to stop the diversions and funding green field projects like Grand Parkway which is being subsidized.

Chairman Thornton stated that using stimulus funds on the interchange project is not tolls. J. Reed stated that he has not seen Terri Hall support any of the non-toll projects the RMA has

undertaken and that you can look at many projects like Wurzbach Parkway that are frequently taken on and off the MPO list and the funding can change.

8. **Adjournment.** There being no further actions for the Board, Chairman Thornton called the meeting to adjournment at 3:20 p.m.

APPROVED:

DR. WILLIAM E. THORNTON, CHAIRMAN

DATE ADOPTED: 8/11/2011

I hereby certify that the above foregoing pages constitute the full, true, and correct minutes of all the proceedings and official records of the Alamo Regional Mobility Authority at its meeting on July 14, 2011.

ATTEST: _____

**REYNALDO L. DIAZ, JR
SECRETARY/TREASURER**