

GRAND PARKWAY MEETING

01/17/2008

Summary of Discussions

1. Introductions. TxDOT announced that DVD's of prior meeting (1/4/08) are available but quality is not good. Transcription of decipherable audio portion of recording also available; not minutes of the meeting.

TxDOT willing to host meetings. HGAC has also offered to host. Participants expressed desire to have future meetings at HGAC, subject to logistics (room availability and confirmation of audio/visual capability to record meetings).

Next meeting 9 AM on January 31 at HGAC Conference Room A.

2. Responsible Representatives. HCTRA expressed reservations about having only two "responsible representatives" and indicated need to have legal, finance and engineering expertise available to assist with negotiations.

TxDOT tabled for now discussion about naming of "responsible representatives."

3. Representative Negotiators. On behalf of HCTRA, Bob Collie described meeting on January 9 at HGAC among participating counties. Counties indicated willingness to have HCTRA serve as the representative negotiator on their behalf with respect to terms and conditions for the market valuation, subject to the approval of each commissioners court of the terms and conditions before being finalized.

This informal delegation of authority has been formally ratified by some counties and is expected to be formally ratified by the other counties pursuant to a resolution or other document approved by each commissioners court.

4. HCTRA Perspective. In SB 792 Legislature provided for local primacy and gave Chapter 284 counties a "full tool box" for the development of toll projects (including ability to do public/private development or CDA for Grand Parkway). Result could be a faster, better, cheaper project development - with an affordable toll rate to be paid by users.

5. Timeline. TxDOT reviewed timeline and work required for the SB 792 process. Legislature meets again in January 2009. Lots of work to be done before then. May make sense to form sub-committees to meet in between formal meetings to discuss issues such as finance, project scope, traffic forecasts, etc.

6. Traffic and Revenue Study. Participants recognized the need to get the T&R study underway. Long lead time. TxDOT has two consultants under "evergreen" contracts – URS and Wilbur Smith & Associates (WSA). TxDOT preparing work order for Level One T&R study. HCTRA inquired if the two firms could work together. HCTRA would participate in paying a portion of the costs of the study and both HCTRA and TxDOT would be clients of the firms.

TxDOT agreed to sharing the scope of the work between such firms and said it would be reasonable for both TxDOT and HCTRA to be clients.

HCTRA indicated that it may be useful if the two firms could work on alternative scenarios depending on the project development time frame and other variables involved in the study.

HGAC wants to make sure people are not going in different directions. To the extent consultants can use common models provided by HGAC there can be consistency in the work and a division of responsibilities.

7. Project Status. What is the road going to be? What is the status with respect to environmental permitting (NEPA)?

HCTRA does not want dueling engineering reports on what project cost is going to be and indicated it would be willing to stipulate to work done by TxDOT consultants to date. How can HCTRA help finish what has been done to date? The scope of the project and its cost will not necessarily drive how the project will be delivered.

David Gornet of the Grand Parkway Association (GPA) provided a segment-by-segment project status update -- which is available in written, tabular form and is to be provided to the participants at the meeting by email.

The group had some discussion about the ability to preempt development in the path of the proposed project. David Gornet said that GPA has been working with the various counties and the City of Houston on this issue and that most developers are cooperative because they want to see the proposed improvements made. He said the federal record of decision (ROD), which is prepared as a result of the environmental review process, is the legal action that allows for the applicable governmental entity to proceed with right-of-way acquisition for the proposed route -- which is a 400 foot wide corridor that should accommodate a four (4) lane road, drainage facilities and some frontage. The ROD determines the route that provides the least environmental impact that most benefits the public.

8. Terms and Conditions; Assumptions. HCTRA and TxDOT had some discussion about the terms and conditions and assumptions that will go into the market valuation process.

TxDOT -- used an analogy about buying a car -- the terms and conditions will specify what you would want in the car and then you put a price tag on it to figure out if you can afford it. TxDOT does not see any dollar amounts applying to the terms and conditions. Instead dollar amounts would be factored into the valuation process as assumptions regarding capital costs, operating costs and revenues indicated from the T&R study. The assumptions can be renegotiated if the parties do not agree on the market valuation figure.

HCTRA -- indicated that the process for arriving at the market valuation for the SH 161 project in North Texas would not necessarily apply to the Grand Parkway project. Does not matter whether the inputs for the market valuation are called "terms and conditions" or "assumptions." Not ready to agree to the idea that some inputs are changeable and some are not.

TxDOT -- used the car analogy to share what they have learned in connection with other projects.

9. Construction Schedule. Following a short break the group discussed a proposed construction schedule that was in the handouts TxDOT provided. TxDOT said a schedule needed to be agreed upon since it would impact viability and cost. The proposed schedule was handed out to spur thoughts and discussion. Schedule showed a 2009 to 2013 target letting schedule.

HCTRA indicated that phasing of segments should be based on affordability -- with guidance drawn from the T&R study. How does deferring a segment impact affordability? Hard to disentangle the development schedule from affordability. Will the market support the development if we put it out there? Phasing to some extent is a function of affordability.

10. Project Costs. The group discussed an estimated \$5.4 billion project cost amount. HCTRA asked for a summary of costs on a per segment (or other) basis. TxDOT agreed to provide a breakdown of the project costs and asked for feedback from the group. The cost figures were developed over time with a lot of effort and thought.

The group discussed toll rates as being in line with the rates charged by HCTRA for its toll road system, subject to an escalation methodology consistent with the one approved by the Harris County Commissioners Court.

The group also discussed whether TxDOT's cost assumptions were fully loaded to include attendant costs such as flood control costs. TxDOT invited HCTRA's consultants to review the cost estimates and to provide feedback.

11. Single Project. The group then had some discussion about what it meant to develop the Grand Parkway as a single project? HCTRA indicated that sequencing made sense and asked if the term "single project" meant that all money from the project would stay in the project?

TxDOT indicated that if the group negotiated for the implementation of Segments D through G but did not provide for the remainder of the project, then that result would not satisfy TxDOT's preference for the project to be developed as a single project. TxDOT views the Grand Parkway as a single project with staged implementation because it cannot be done all at once. It is a business transaction in which the money making segments get built to fund the non-money making segments.

TxDOT at this time could not answer whether a segment had to be built once it was determined to be toll viable or feasible because it was not a simple yes or no answer. The development of one segment would impact the toll viability of the other segments.

12. Competing Roads; Police and Safety. The group agreed that there would not be any restrictions on the development of competing public roads (whether developed by TxDOT or the counties). HCTRA indicated that there should be public control of police and safety responsibility on the Grand Parkway.

13. Conservative Financing Structure. HCTRA indicated that the project should be developed using a conservative financing structure similar to how HCTRA's existing 500 plus lane miles have been financed and developed. Project equity should not be taken out prematurely. If the development is done pursuant to a CDA with a private party the group needs to insure that equity is not paid out to investors before the entire project is financed.

14. Performance Standards. HCTRA indicated that the project should be developed and operated in accordance with high performance standards.

To Do List
(following 1/17/08 meeting at TxDOT)

HGAC

- Confirm arrangements (audio/visual and room availability) for future meetings
- Provide modeling information to T&R study consultant

Counties (other than Harris)

- Provide TxDOT and HCTRA copies of commissioner court actions authorizing HCTRA to negotiate terms and conditions

TxDOT

- Work on arrangements to commission T&R study by combination of URS and WSA to be funded jointly by TxDOT and HCTRA, both as clients of such consultants
- Provide detail of project cost estimates
- Glossary of Terms (handout at 1/4/08 meeting) to working group

HCTRA

- Circulate four part outline discussed at today's meeting to working group
- Review and comment on TxDOT proposed project construction schedule and project cost estimates

Grand Parkway Association

- Circulate project status update (segment-by-segment spreadsheet) to working group