

Meeting Notes
Oak Hill Parkway
Finance Workshop

Saturday, March 22, 2014 from 9am – 12pm
Oak Hill United Methodist Church
7815 Hwy. 290 West, 78736

A finance workshop was hosted to share information with the community about transportation funding options, the state of transportation funding, tolling, state and local tolling policies, and gather input from the community regarding the Oak Hill Parkway project. An email invitation was sent on March 12th to all stakeholders that have been invited to or have attended previous workgroup meetings (and that have provided us with an email address), as well as any stakeholders who have submitted comments over the course of this project regarding funding, and other community members who have stated their opposition to tolling.

Lynda Rife called the group together and thanked them for their time and participation. She reminded everyone that we have held several workshops on issues such as the environment, bike and trail opportunities and design. Input received has helped the team develop the concepts that we are working to evaluate and refine.

The topic of this workshop is funding. We are at point in the process where we need to begin thinking about how this project can be funded. The Texas A&M Transportation Institute is attending and will assist with the funding discussion. She explained the format of the meeting, which will include presentations, a live polling exercise, a panel discussion where the audience can ask questions, and a chance for the audience to provide their input.

Lynda then introduced some live poll questions to get people familiar with the clickers.

She then introduced Kelli Reyna (TxDOT) and Melissa Hurst (Mobility Authority) and explained that the Oak Hill Parkway Project is a federal environmental study being conducted in partnership between TxDOT and the Mobility Authority.

Kelli and Melissa introduced themselves and explained the missions and roles of their agencies in the project. Kelli explained that TxDOT has 80,000 miles of highway, more than 53,000 bridges, and 1,000,000 acres of right-of-way that they are responsible for maintaining throughout the state. Melissa explained that the Mobility Authority reported to a Board of Directors that was appointed by Travis County, Williamson County and the Governor of Texas. They are involved in the environmental study because the CAMPO plan identifies them as the agency that will be responsible for designing, building, operating and maintain the project. The Mobility Authority has no financial backing. Issuing toll bonds is their primary source of funding. This does not mean that it is a foregone conclusion that this project would be a toll road, only that it was identified in the regional transportation plan as the most viable source of funding.

Lynda then introduced Wade Strong, who provided a brief overview of the Oak Hill Parkway Project, including the goals and purpose of the project, schedule and potential costs. The design concepts will be available for review at the next Open House, to be held in the May/June timeframe.

Wade provided an overview of the problems that have led to the need for this study, including population growth, vehicle growth and highway usage. He also explained that a limited amount of new highway capacity has been added. Wade reminded the audience of the purpose and need of the project. He then explained that the estimated project cost we would be using for the purposes of our discussion is \$650 million, the number identified in the CAMPO plan. He emphasized that this is not a final number. The costs for each of the preliminary concepts have not been determined yet. A copy of Wade's presentation is attached.

After Wade's presentation, Lynda explained that tolling is the funding source identified in the CAMPO plan for Oak Hill roadway improvements. Tolling is viewed as the most viable way to fund this project. However, according to state law, because US 290 and SH 71 are existing roads, if tolling is used to fund improvements, the same number of non-tolled

lanes that exist today would remain, in addition to any new tolled lanes that might be added. \$650 million is just a placeholder amount that will be used today for the purposes of our discussion.

Lynda ran the group through some more clicker questions and then she introduced Dr. David Ellis with the Texas A&M Transportation Institute. Dr. Ellis will talk about transportation funding in Texas.

Dr. Ellis explained that as an economist, he views the transportation funding situation as a supply and demand model. He highlighted that Texas has experienced significant growth in population and demand on roadway infrastructure. He also explained the rising cost of maintenance and that TxDOT has no control over the costs of commodities (e.g., oil and steel) needed to build and maintain roads.

He went on to explain that the federal and state gas tax, our primary source for financing roads, is outdated and has not been increased in decades. The tax is applied per gallon of gas purchased. It is not levied on the price per gallon and has not increased to keep up with inflation. Furthermore, as vehicles become more fuel efficient, we are purchasing less gas. In addition, 25% of the state gas tax revenues are constitutionally dedicated to education. Dr. Ellis also explained the way that roads are currently being financed, including issuing bonds (debt). He also explained the impacts that traffic congestion can have on local economies.

He summarized his presentation by saying that funding has not kept up with demand and mobility is going to get worse. Our ability to improve the situation depends on what steps we will take. He outlined possible mechanisms for financing roads. Dr. Ellis' full presentation is attached.

Lynda reiterated that CAMPO's long range transportation plan has identified tolling as the funding source for the Oak Hill Parkway. And if it remains a tolled facility, drivers would have a choice whether or not to use them because the same number of non-tolled lanes that exist today would remain in the future. The project team is holding this workshop now because we are just now beginning to develop the cost estimates for the project and we need to start thinking about funding.

Lynda explained that Ben Ettelman from TTI had developed a funding simulation exercise based on the ball park number of \$650 million identified in the CAMPO plan.

Ben ran through his funding simulation, using the estimated \$650 million figure. The CAMPO plan has identified \$73 million in State Category 2 funding for the project. Based on projects of similar scale, the project team thought that they may be able to secure \$47 million in federal TIFIA funding or perhaps some local funding. That would amount to \$120 million. Based on the information the project team has at this time, none of the preliminary concepts could be funded for \$120 million. Assuming tolling remains the funding source, TTI ran some numbers to determine how the \$530 million gap could be filled to get to \$650 million.

Ben then ran through 2 scenarios – a \$1 toll and a \$2 toll to use the entire facility – that is, trips to get somewhere beyond Oak Hill, such as the airport or downtown. This does not mean local trips within Oak Hill to get to the grocery store or coffee shop. Based on some preliminary data, we can assume that approximately 70% of the trips made on the Oak Hill Parkway would be made by people that live outside of the immediate Oak Hill area. 30% of the traffic on the Oak Hill Parkway would be made by people that live in the immediate Oak Hill area.

At a \$2 toll, we can assume that \$371 million would be generated by traffic coming from people living outside the immediate area. \$159 million would come from drivers that live in the immediate Oak Hill area. Those amounts, combined with the \$73 million and \$47 million would get us to \$650 million.

After a short break, Lynda invited the panel up to the front of the room. Panel members included Melissa Hurst, Community Outreach Manager with the Mobility Authority; Joseph Carrizales with TxDOT; Project Manager Wade Strong with Rodriguez Transportation Group; Dr. David Ellis with the Texas A&M Transportation Institute; and Bubba Needham, Project Manager from Atkins. Lynda then asked questions of the panel, encouraging questions from the audience.

Q – There are still some projects like Highway 71 in Bastrop and Highway 71 out towards Bee Caves where TxDOT is building roads without tolls. How do they do it without tolls?

A – Often we break projects into smaller projects that can be funded. Consider each project is like a pearl. If you build enough pearls and string them together, you get a pearl necklace. Our problem today is not enough money is available to meet congestion needs. We also have to maintain the system. In addition, project have to be ready (environmentally cleared and ready to construct) before you find ways to fund them. If money become available and we don't have studies completed, it will go to projects that have been environmentally cleared. In addition, both of the projects you mentioned were funded using safety funds, not construction funding, due to the accident rate on both of those roads. Most orange construction barrels people see on the road today are the result of bond funding.

Q – Do environmental studies take longer in Austin?

A – No, the environmental process is the same statewide. It does take time to follow the federal and state procedure - three to five years. An environmental study is good for three years after the evaluation. After that, you must re-evaluate. That is the case that we have faced in Austin. We get a project cleared and have not found the funding to build it or the community has opposed the project and funding has gone to other projects.

Q – Why aren't there toll booths on your roads so I can pay cash?

A – There are two ways to pay tolls (1) a toll tag – TxTAG is used in central Texas, and (2) Pay by Mail. There are more costs incurred to collect by mail, so it does cost more to Pay by Mail instead of using a toll tag. There is not a cash option and that is a national trend.

Q – Can Texas toll tags be used on toll roads in other states?

A – We are moving toward that. We have toll agreements with our neighboring states including New Mexico, Louisiana, and Oklahoma. We are working with additional states to put an agreement in place.

Q – Interstate 80 has been converted to a toll road in another state. Can that happen here?

A – No, tolling existing capacity is not allowed in Texas. It happens in other states.

Q – What guarantee do we have that you aren't going to make the frontage roads so bad that people are forced to take the toll road?

A – Our job is to improve the flow of traffic. Our goal is to build and maintain a non-stop option. We do not strategize how to make frontage roads worse for people to use. If we find an issue, we fix it. They are our roads to manage and maintain. We are a local agency and we will work with the community.

Q – Aren't there non-compete clauses on some toll roads? Why do they need a non-compete clause?

A – There is no such thing as a free road. There are tax roads and toll roads. You have to pay for the cost of capital and you need to have the revenue to pay off the amount you have borrowed. A non-compete clause is in place until you can pay back the capital costs. Usually tolling allows for roads to be built much more quickly. For example, Katy Freeway in Houston borrowed money to pay for the project and it was accelerated from the estimated timeframe of 12 years down to 6 to 7 years. The positive benefit was 3 ½ to 1. The road was built sooner.

Q – For every year a project is delayed, how much more does it cost?

A – On average, it is safe to assume from 2 to 3 percent up to 10 percent a year.

Q – What can tolls pay for?

A – Tolls can be used for Infrastructure improvements for overall mobility, such as bike lanes, trail heads and transit along the corridor. If we find karst features that need to be mitigated, mitigation land can be purchased as well, but it must be tied to the project itself.

Q – What is Pass-Through Financing?

A – They are agreements where a local government (county or city) pays upfront for the project. TxDOT will pay them back over time based on usage. This usually doesn't happen on large projects like the Oak Hill Parkway project. It is usually small intersection improvements or possibly a ramp or a direct connect.

Q – Will the evaluation of Oak Hill Parkway alternatives include a cost component?

A – Yes, we will have preliminary cost analyses on the concepts and that will be part of the evaluation process.

Following the panel discussion, Lynda asked more clicker questions and also asked the audience to give us their thoughts, ideas, and suggestions for how we should pay for the Oak Hill Project. Here is the feedback received:

- The Project Team should research the possibility of a 380/381 Agreement for the Oak Hill Parkway Traffic Shed.
- The Project Team should continue researching the need for mitigation for karst features or other environmental issues on this project and research the possibility of purchasing green space.
- The Project Team should research the possibility of pass through financing and check with the City and County to see if they could pay for the project and have TxDOT pay back the costs over time.
- The Project Team should research public/private partnerships to see if it could speed up the design and construction process.
- The Project Team should research the possibility of phasing construction so that as funding becomes available, smaller pieces of the project could be built. Only then would construction take place.
- Make sure whatever project we fund meets both current and future mobility needs.
- Each alternative should have an estimated cost, which needs to be a part of the evaluation process.
- Provide information on what the economic impacts of tolls are on families?

Lynda then thanked everyone for their time. The next Open House will be in the late May/June time frame. If you have signed in and given us your e-mail address, we will send you an invitation. In the meantime, please let us know if you would like us to set up a meeting with an organization or neighborhood group. We are currently working on evaluation and refinement of the concepts. We will begin discussions on Context Sensitive Solutions, bike and pedestrian improvements, landscaping, etc. this summer.