

LOUISVILLE AND SOUTHERN INDIANA BRIDGES AUTHORITY

Indiana University Southeast
University Center North, Lower Level Hoosier Room
April 8, 2010
10:00 a.m. EST

1. Welcoming Remarks

Chairman Joe Prather introduced Dr. Sandra R. Patterson-Randles, Chancellor of Indiana University Southeast, and invited her to make some opening remarks. Dr. Patterson-Randles offered a warm welcome and noted how students and faculty alike use the Ohio River bridges on a daily basis to travel to and from the Indiana University Southeast campus. On behalf of the Louisville and Southern Indiana Bridges Authority (the Authority), Co-Chairman Kerry Stemler expressed gratitude and observed how appropriate it was, in light of this close connection, for the university to host the Authority on its campus once again.

2. Call to Order/ Roll Call

The meeting of the Authority was called to order by the Chairman Joe Prather, who stated that notice and agenda for this public meeting had been properly and timely posted. He requested that Secretary Pat Byrne conduct a roll call of the Members to determine the presence of a quorum. The following Members were present: Joe Prather, Charles Buddeke, Pat Byrne, Jamie Fiepke, Jerry Finn, Sandra Frazier, Pete King, Ben Richmond, Kerry Stemler and David Tharp. The following Members were absent: Diane Fischer, Lisa Kobe, Charles Moyer and Joe Reagan. Chairman Prather declared that a quorum was present for conducting the business of the Authority.

3. Approval of Minutes (March 4, 2010 Meeting)

The minutes of the meeting of the Authority held on March 4, 2010 had been previously distributed to each Member. Upon motion made by David Tharp and seconded by Ben Richmond, the minutes were unanimously approved.

4. a. Unfinished Business (Policy Statement on Inclusion - Update)

Mr. Steve Schultz, Executive Director, reminded the Authority of the prior discussion about the Disadvantaged Business Enterprise (DBE) Program for the Louisville-Southern Indiana Ohio River Bridges Project (the Project). He described an announcement recently made by U.S. Transportation Secretary Ray LaHood of plans to launch a DBE demonstration program in five cities, including the Louisville-Jeffersonville-New Albany metropolitan area. Although KYTC and INDOT are awaiting more details about this program, Mr. Schultz noted that it would likely have application to the Project.

Mr. Schultz also reminded the Authority of the work group that had been formed to develop a policy statement on inclusion to promote diverse business opportunities for the procurement of goods and services for the Project, in a manner that would be consistent with required DBE standards. He then called upon Ben Richmond to report on the activities of the work group. Mr. Richmond advised that the group had received guidance from DBE experts within KYTC and INDOT to prepare a draft policy statement on inclusion that would comply with federal DBE requirements. Mr. Richmond added that this draft had been distributed to each Member for review at this meeting, and that the statement will be submitted for formal consideration and adoption at the next meeting of the Authority.

4. b. KIPDA Metropolitan Transportation Plan - Update

The next item on the agenda was an update by Steve Schultz on the status of discussions with a working group of the Kentuckiana Regional Planning and Development Agency (KIPDA) and its policy committee concerning KIPDA's long-range Metropolitan Transportation Plan (MTP). Mr. Schultz reminded the Authority that the MTP had expired in early December 2009 and is currently in lapse, which has triggered a one-year grace period. Mr. Schultz explained the need for KIPDA to reach a resolution relative to the Project that would allow the updated long-range plan to be approved by the Federal Highway Administration (FHWA) before the grace period expires at the end of this year. Discussions with KIPDA on this critical matter are continuing, although they have not yet resulted in a final determination.

4. c. Advisory Team Selection Process

Mr. Schultz informed the members of the Authority that, in the interest of time, steps had already been taken to put together an advisory team to assist the Authority in developing a financial plan, even as ratification of the Authority's formation by the Kentucky General Assembly was still pending. The first measure taken in this regard was to re-enlist the services of Tamar Henkin, a transportation finance consultant with High Street Consulting Group, who had been involved in the preparation of the Initial Financial Plan for the Project. Mr. Schultz briefly introduced Ms. Henkin, who would be making a presentation to the Authority later in the meeting.

Secondly, the Indiana Finance Authority had agreed to retain a strategic advisor for the Project, and it had recently issued a Request for Proposals for this purpose. Responses to this RFP are due by April 16, 2010. Mr. Prather announced a reminder that, as a result of the RFP's "blackout period," the members of the Authority would not be able to have individual discussions concerning specific aspects of the RFP or the Project with any members of the audience who might be interested in participating in the RFP process.

5. Public Comments

Chairman Prather invited the public to speak to the Authority on issues they may have regarding the Project and the business of the Authority. As indicated in the Agenda and notice for the meeting, speakers would be limited to 2 minutes each, with a total of twenty minutes allocated for all speakers. Mr. Prather explained that the intent of these parameters was not to stifle public input, but rather to allow sufficient time at the meeting for the business of the Authority to be conducted. In the event there was insufficient time to hear from all those who had signed up to speak, an additional opportunity for public comment by them would be provided at future meetings and at public hearings specially held for that purpose.

Steve Wisner asked that these public meetings be held in the evening, that alternatives to tolls be considered, and that the scope of the project should be redesigned. Emily Boone urged the Authority to look at other options. Jackie Green recommended removal of the project from the transportation plan, and that more attention be given to the development of high-speed rail and ways to reduce truck traffic. Tyler Allen called for the scope of the project to be reconsidered in order that the taxpayers would not have to pay for tolls. David Morris said there

are better solutions and that freeways should be kept free. Bob Barnes said the bridge project is not needed and was a waste of money. David Nicklies, on the other hand, commented on the critical need for the project and asked the Authority to move forward quickly and responsibly. Dan Borsch was of the opinion that it is a travesty to borrow money for the bridges project and that tolls will not solve the problem of a lack of funds.

Noting that time for the public comment period had expired, Chairman Prather thanked everyone and invited the public to comment again at subsequent meetings and public hearings on the Project.

6. (a)(i) Presentation by Regina McElroy, Director, Office of Innovative Program Delivery, Federal Highway Administration (“Delivering Projects When Resources Are Constrained”)

The meeting continued with a presentation by Regina McElroy, Director of the FHWA’s Office of Innovative Program Delivery. Ms. McElroy explained that, in these challenging times, traditional funding for highway projects is insufficient to meet the revenue, financing and procurement needs for today’s highway projects due to constrained resources. New revenue sources, financing mechanisms and procurement strategies need to be developed and pursued. These may involve federal aid, user-based fees (tolls), development-based fees and taxes, bonds (e.g., GARVEEs, BABs, PABs), public sector support loans (e.g., TIFIA, SIBs, and Section 129 loans), private equity, and public-private partnerships. Examples of these innovative strategies for highway projects are already happening in Virginia, Florida, North Carolina, Maryland and Texas, and Ms. McElroy walked the Authority through several examples. Each highway project has unique challenges to address, and FHWA is available to assist, educate and provide the tools needed to find the right solutions for these projects. Ms. McElroy explained some of the services that her office is able to provide in support of these efforts. The future of certain innovative infrastructure finance programs, such as TIFIA and TIGER grants, will depend on further Congressional action.

Mr. Fred Warner then briefly described additional FHWA services and distributed brochures about the Office of Innovative Program Delivery to each member of the Authority. Chairman Prather thanked the FHWA representatives for their presentation and said that the Authority looked forward to working with FHWA in the course of preparing a financial plan for the Project.

At this time, a brief recess of the meeting was called by the Chairman at 11:25 a.m., and the meeting was reconvened ten minutes later.

6. (a)(ii) Presentation by Tamar Henkin, High Street Consulting Group (“Current Surface Transportation System Funding Challenges”)

Chairman Prather asked Steve Schultz to introduce further the next presenter, Tamar Henkin. Mr. Schultz shared that, in addition to Ms. Henkin’s prior work on the Project, she is a noted expert on federal transportation issues, having served as the principal consultant to the National Surface Transportation Infrastructure Financing Commission, whose report on the nation’s surface transportation system was issued in 2009. She has also provided advice to local, state and federal transportation agencies and has served, among other things, as an advisor for FHWA’s TIFIA program.

Ms. Henkin made a presentation on the funding challenges affecting the national surface transportation system. She shared that the cost to maintain and improve the system significantly exceeds the current federal funding source from fuel taxes. According to some studies, at current rates, the funding gap is expected to grow from \$400 billion through 2015 to nearly \$3 trillion during the next 25 years. The conclusion is that the role of fuel tax-based funding, which only covers about one-third of those costs, will continue to decline and is not a sustainable funding structure. As a result, the gap needs to be bridged in the short-term with other revenue sources, including approaches that facilitate non-federal investment, such as direct user fees (or tolls) and public-private partnerships. In the longer-term, these and other alternative funding approaches will be needed to solve the revenue deficiency problem for surface transportation infrastructure projects nationally.

To illustrate these kinds of approaches, Ms. Henkin shared some of the recommendations that had been made by the National Surface Transportation Infrastructure Financing Commission in this regard. These recommendations included the expansion of tolling programs, the enhancement of financing incentives through tax policy such as the federal TIFIA program and targeted tax subsidies (tax credit bonds), and the continued facilitation of private sector participation through public-private partnerships. As is the case with all transportation projects in the current environment, the funding components of the financial plan for the Ohio River Bridge Project will be critical to its success.

6. (b)(i) State Legislative Update- Kentucky Ratification process - Action Item

Next, Steve Schultz reported that final action to ratify the formation of the Authority had been duly taken by a Joint Resolution of Kentucky General Assembly, which had been signed into law by Governor Beshear in late March. Following a brief discussion and upon motion made by Kerry Stemler and seconded by Pete King, the following resolution was unanimously adopted by the Authority:

WHEREAS, pursuant to Senate Joint Resolution 169, the Kentucky General Assembly ratified the formation of the Louisville and Southern Indiana Bridges Authority established under Kentucky Revised Statutes Section 175B.030 et seq.

NOW, THEREFORE, BE IT RESOLVED, that the actions taken by or on behalf of the Authority relating to its formation and its proceedings to date are hereby approved, ratified and confirmed in all respects.

6. (b)(ii) Senate confirmation process

Chairman Joe Prather then asked Ellen Heslen, Office of the Governor of Kentucky, to report on the status of the confirmation by the Kentucky Senate of members of the Authority appointed by Governor Beshear. Ms. Heslen explained that the Kentucky members of the Authority appointed by the Governor must, like other gubernatorial appointments, be confirmed by the Kentucky Senate pursuant to KRS 175B.030 and KRS 11.160. The confirmations are expected to be acted upon before the current session of the Kentucky Senate adjourns next week on April 15, 2010.

6. (c) Preliminary Traffic and Revenue Options Study- Update

Tim Sorenson updated the Authority about the preliminary traffic study and revenue options that are being conducted by Wilbur Smith Associates, a consultant for the Project. He recited general principles about traffic modeling, related data collection activities, anticipated toll revenues, and the relationship between toll charges and traffic volumes, all of which will be factors to be considered in developing the financial plan for the Project. Among the different tolling scenarios that were originally developed, four are being focused on for the purpose of understanding a broad range of revenue outcomes. Wilbur Smith will keep the

Authority apprised, through the Kentucky Transportation Cabinet, of the progress of the study. It is hoped that the results would be available to present to the Authority at its next meeting.

7. Discussion of Next Meeting Date

Following discussion with Members of the Authority, the Chairman scheduled the next meeting of the Authority for Thursday May 6, 2010 at 10:00 a.m. at the Muhammad Ali Center, 144 North Sixth Street, Louisville, Kentucky.

8. Adjournment

The Chairman confirmed, through Executive Director Schultz, that the website for the Authority is expected to be up and running as soon as possible before the next meeting date. This will facilitate public access to information about the Authority's meetings going forward. Chairman Prather then asked if there were any other agenda items to be discussed. Hearing none, upon motion duly made, seconded and carried, the meeting was adjourned at 12:05 p.m.

Respectfully submitted,

Pat Byrne, Secretary