

LOUISVILLE AND SOUTHERN INDIANA BRIDGES AUTHORITY

Gingerwoods Event Hall

7611 Rose Island Road

Prospect, Kentucky

August 19, 2010

10:00 a.m. EDT

1. Welcoming Remarks

Chairman Charles Buddeke introduced Morton Boyd, the owner and operator of the Gingerwoods Event Hall, who welcomed members of the Authority and the public to his restored historic facility. The Honorable Todd Eberle, Mayor of Prospect, Kentucky, then spoke briefly and welcomed the Authority to the Prospect community. Finally, the Honorable Duane Murner, Judge-Executive of Oldham County, Kentucky, addressed the meeting and expressed the support of Oldham County for the Ohio River Bridges Project.

2. Call to Order/ Roll Call

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

3. Approval of Minutes (July 1, 2010 Meeting)

The minutes of the meeting of the Authority held on July 1, 2010 had been previously distributed to each member. Upon motion duly made and seconded, the minutes were unanimously approved in the form submitted.

4. Executive Director's Report

Steve Schultz introduced his Executive Director's Report by providing an overview of topics to be covered at this meeting. He then reviewed the chart, first

introduced at the last meeting, of key workstream activities for the project, displaying a timeline for the completion of those activities by the end of the year. Mr. Schultz walked the Authority through the key workstreams and provided a brief update on each one, including a report on a meeting he recently attended of the Kentucky Public Transportation Infrastructure Authority (KPTIA), to which the financial plan for the project must be delivered pursuant to the Authority's enabling legislation. Mr. Schultz also reported that he would be traveling to Washington, D.C. on the following day as part of the follow up to the expression of interest submitted to FHWA's Office of Innovative Program Delivery, an update on which would be provided by Tamar Henkin later in the meeting.

5. Unfinished Business

Mr. Schultz continued his Executive Director's Report by providing more detailed updates on certain topics that had been addressed at the July 1 meeting.

- a. TIGER II Application Update.* Mr. Schultz noted that a pre-application had been submitted on July 23, 2010, as planned, in connection with the effort to secure funding for the project through the federal government's National Infrastructure Investments program under the 2010 Appropriations Act (also known as the TIGER II Discretionary Grant program). He further noted that the final application is on schedule to be submitted on August 23, 2010. Mr. Schultz explained that the TIGER II program will provide a total of \$600 million in grant funding for direct project costs for qualifying projects, including \$150 million for so-called "TIFIA Payments," which allow the grant funds to be used for the purpose of securing a TIFIA loan. (TIFIA stands for Transportation Infrastructure Finance and Innovation Act, and it was created in 1998 under the highway authorization bill known as TEA-21. It is a form of federal credit assistance.)

Mr. Schultz stated that the Authority would work with KYTC and INDOT to submit a joint TIGER II application in the form of a grant request for such a "TIFIA Payment," based on the working assumption that, if the full amount of the request were to be granted and leveraged by a factor of 10x, it could potentially provide the ability to secure a TIFIA loan in the amount of \$1.35 billion (or about 1/3 of the current estimate of the project cost). TIFIA loans also have very flexible terms, making them an attractive component of a financial plan for the project. Mr. Schultz explained that the maximum amount that any state may receive in TIGER II grants is 25% of the total TIGER II program (or \$150 million).

It has been reported that USDOT received approximately 2,300 pre-applications for TIGER II, but it is not known how many of these applications will be in direct competition for TIFIA funding. As noted at the last meeting, competition for these grants is expected to be very strong. A benefit-cost analysis is being prepared to accompany the TIGER II application. Preliminary indications suggest that the analysis will allow the Ohio River Bridges Project to compete well for the grant funds. USDOT is expected to announce grant recipients after September 15, 2010, but it cannot be predicted how long after that date the announcement will actually be made. Mr. Schultz noted that the initial round of (TIGER I) grants took quite a bit of time.

In response to a question from Pat Byrne, Mr. Schultz and special advisor Tamar Henkin explained how the TIGER II grant could be used to pay the subsidy cost of the TIFIA credit assistance in the context of structuring the credit transaction. There was a general consensus to move forward with the TIGER II application jointly with KYTC and INDOT.

- b. KIPDA Metropolitan Transportation Plan Update.* Mr. Schultz updated the Authority on events that had transpired since the last meeting with respect to the KIPDA metropolitan (or long-range) transportation plan. He reminded the group that, at the time of the last meeting, the Transportation Policy Committee had recently voted to retain the Ohio River Bridges Project in the long-range plan. What remained to be done at that time was the delivery of a financial demonstration document to KIPDA for the bridges project, which would then be incorporated into KIPDA's long-range plan update. Mr. Schultz reported that this delivery had been accomplished on July 16th, as scheduled. He explained that, since that delivery, he and several members of the Authority have attended various open forums held by KIPDA as part of its public involvement process related to the metropolitan transportation plan update.
- c. Strategic Planning Framework: Values, Strategic Objectives.* Mr. Schultz then asked Mr. Ed Crooks of KPMG to make a presentation on the process of developing the Authority's strategic objectives. Mr. Crooks described the intent and purpose of the strategic objectives development process. He stated that this is an exercise his KPMG Infrastructure Advisory group typically undertakes when commencing an engagement as strategic advisor. He explained how the process in this case had involved a series of interviews

conducted with individual Authority members, which keyed off of the draft Values statement that had been considered at the last meeting. The goal had been to identify linkages and priorities that the members considered to be important, and then to use that feedback to formulate a draft set of broad policy objectives around the various Value themes. Mr. Crooks observed that these draft objectives had been shared with KYTC, INDOT and the two Governors' offices prior to this meeting. He stated that the next step will be to refine the strategic objectives as necessary to obtain formal Authority endorsement; the approved set of Strategic Objectives would then help guide future decision-making in alignment with the Values, Vision and Mission.

Mr. Crooks then provided a high level summary of member observations around each of the Values: Superior Value, Speed, Stakeholder Opportunity, Safety and Sustainability. Each of these summaries was followed by a set of draft objectives which had been derived from the member input on each one.

At the conclusion of Mr. Crooks' presentation, Chairman Buddeke invited Executive Director Schultz to suggest next steps in the process of developing the objectives. Mr. Schultz observed that, in addition to approval of the "five S's" Value statements at this meeting, it would be appropriate for the Authority, perhaps via a work group, to work with Mr. Crooks to refine the draft statements presented at this meeting into an actionable set of strategic objectives.

Following a brief discussion, and upon a motion duly made, seconded and carried, the five Values were unanimously approved. Mr. Buddeke explained that we would enlist a work group to collaborate with Mr. Crooks to develop a final set of strategic objectives, which would then be presented to the Authority at its next meeting. (Following an intermission in the meeting, Mr. Buddeke announced that Joe Reagan, Dr. Charlie Moyer, Pete King and Lisa Kobe had agreed to serve on this work group, with Mr. Reagan volunteering to work with Mr. Crooks to organize their efforts.)

- d. *FHWA Office of Innovative Program Delivery: Tolling and Pricing.* Tamar Henkin, an advisor with High Street Consulting Group, then gave a presentation on the status of the ongoing dialogue with FHWA's Office of Innovative Program Delivery on various technical matters associated with tolling and pricing options for the project. She reminded the Authority that approval from the U.S. Department of Transportation is required to toll any

highway that is part of the interstate system or that uses federal money for funding. While there is an array of pilot programs and statutory authorities that could permit tolling, there is no comprehensive federal approach. The pilot programs, for example, typically require a process of submitting an application for each one in order to qualify for a limited number of available slots. Congressional reauthorization of the federal surface transportation program, which is not expected to be taken up until 2011, could also affect the available options and timing. Ms. Henkin reminded the Authority that a letter of interest to obtain guidance on these matters had been submitted to FHWA on May 28, 2010, but an official response from FHWA has not yet been received.

Ms. Henkin provided a chart showing and comparing each of six different federal tolling and pricing programs, including Section 129 agreements, the Interstate Reconstruction and Rehabilitation Pilot Program, the Value Pricing (or congestion pricing) Pilot Program, use of high occupancy vehicles (HOV) or high occupancy toll (HOT) lanes, and a program for express lanes (which is currently inactive). Ms. Henkin also reviewed the potential scope of the facilities that could be covered by these tolling programs, such as various combinations of the Ohio River bridges and the Kennedy Interchange, as well as the use of HOV lanes as a congestion management strategy.

Key factors and trade-offs for the Authority to consider in making tolling and pricing decisions will be to balance the needs for traffic congestion management, financial capacity, toll rates, environmental ramifications and timing. In terms of potential next steps, Ms. Henkin described a flexible, three-pronged approach designed to create and preserve options for an eventual tolling and pricing strategy that pursues what might be considered the most relevant programs for the project. This approach would involve: positioning the Downtown Bridges and the East End Bridge for Section 129 Toll Agreement eligibility; clarifying the potential for including the Kennedy Interchange as part of a Section 129 Toll Agreement (supplemented as necessary by the submission of an Interstate Reconstruction and Rehabilitation Pilot program application covering the Kennedy Interchange); and simultaneously initiating efforts to secure a slot under the Value Pricing Pilot program. These three approaches could be pursued simultaneously as additional analysis and financial plan development is conducted and as more feedback is received from the Office

of Innovative Program Delivery on the expression of interest and follow-up guidance requests.

- d. *Wilbur Smith Associates Traffic and Revenue Study Update.* Tim Sorenson, of Wilbur Smith Associates, then made a presentation to the Authority on the results to date of his firm's ongoing preliminary work to study the traffic and revenue impacts of various tolling scenarios. He provided an overview of the scenarios that were studied and presented the rationale for why these particular scenarios were selected. Mr. Sorenson provided a description of the methodology used in the traffic and revenue study process, and he pointed out various differences between the more recent work and the earlier 2007 study. Mr. Sorenson walked the Authority through various assumptions used in the study in the calculation of gross revenue estimates. He also provided net revenue estimates for various scenarios in year 2030 at four (\$.50, \$1.00, \$2.00 and \$3.00) toll rates. Mr. Sorenson pointed out that the purpose of the study was not to target an annual level of revenue required for the project but to demonstrate the sensitivity of annual revenues produced to assumptions used in the various scenarios. He then described some necessary steps on the path toward an "investment grade" study, which will be required at the time of securing project financing. He explained the key element of this process is the creation of a "time-of-day" travel model, which is currently underway. Mr. Sorenson then responded to various questions from Authority members.

6. New Business

- a. *NEPA Overview.* Mr. Schultz presented an overview of requirements related to the National Environmental Protection Act (NEPA). He reminded the Authority that the 2003 Record of Decision had been the result of a process that had involved a thorough analysis and assessment of project alternatives, as required by NEPA. Although its focus to date has been on the delivery of a financial plan, he observed that the Authority will begin to be confronted with issues that have a life beyond the delivery of the financial plan, particularly as the Authority continues to make progress with the state sponsors and FHWA on moving the project forward. This will, in turn, affect the Authority's evolving role relative to project implementation.

Mr. Schultz explained the process that will need to be completed under NEPA to adapt the already-completed environmental study to one that takes into account the passage of time and any design changes that may have been

proposed since the Record of Decision, as well as the consideration of tolling alternatives. Mr. Schultz explained that an assessment of these types of issues after the completion of the NEPA process (such as in the present case) will require, at a minimum, a re-evaluation of the completed study. The level of work involved in such a re-evaluation will vary, depending upon how significant the changes are. If the changes are considered to be significant, a Supplemental Environmental Impact Statement (SEIS) may need to be prepared.

Mr. Schultz noted that he and the advisory team are in consultations with FHWA and the state sponsors to develop a plan for approaching the re-evaluation process. Toward this end, he is already working with existing NEPA resources that the state sponsors have in place. Mr. Schultz will provide updates to the Authority on the outcome of this dialogue as it unfolds. He reiterated that both FHWA and the state sponsors have begun to look to the Authority to play a lead role in this process, given the close interrelationship that the Authority's financial plan will have with matters related to project implementation (and therefore NEPA re-evaluation).

- b. *Adoption of Committee Structure for Authority.* Messrs. Buddeke and Schultz then discussed a proposal to establish formal committees of the Authority. The purpose of these committees would be to provide a mechanism to convene subject matter-focused subgroups of the Authority during periods between meetings of the full Authority. This would allow greater flexibility to convene and deliberate on matters on short notice, particularly as decisions related to the project will increasingly arise on a more rapid basis. Once formed, the committees would be subject to the same requirements for open meetings that are applicable to full meetings of the Authority. Mr. Buddeke tasked the strategic objectives work group to consult with Mr. Schultz and Mr. Crooks on a committee structure that would flow from the organization suggested by those objectives, once they are developed. That structure can then be brought back to the Authority for consideration.

7. Upcoming Meeting Dates

Chairman Buddeke stated that the next meeting of the Authority will be a special meeting to be held on Thursday September 2, 2010 at 10 a.m., at a location to be determined. He also noted that the October 7, 2010 regular quarterly meeting may be scheduled in the evening to accommodate members of the public who cannot

attend a meeting during the workday. Sandra Frazier raised the idea of addressing at a future meeting the claims made by proponents of the 8664 plan and others that the Mississippi River Bridge precedent could be followed to “divide” the project.

8. Public Comments

The members of the Authority then heard comments from the public who expressed views both in favor of and in opposition to the bridges project. Secretary Sandra Frazier invited individuals who had signed up to speak to make their public comments. Shawn Reilly advocated that the project should be downsized. David Morse said that public mass transit systems should be explored instead of building the bridges. Carole Bretschneider urged that the environmental impact of the bridges project be re-evaluated. Cherise Williams wanted only the East End bridge to be built and without tolls. Jackie Green opposed the scope of the project. Stuart Noland said a majority of the public does not want to pay tolls for the bridges. Larry Hausman supported the project and emphasized the importance of the jobs it will create. Bob Barnes said that the Second Street bridge should be refurbished instead of building new bridges. J.C. Stites thought that two bridges were not necessary. Rex Vest said the project should be built but that its cost is not worth the expected benefits.

9. Adjournment

The meeting was adjourned at 12:15 p.m. Chairman Buddeke encouraged members of the Authority whose schedules allowed to remain to hear the balance of the public comments, which are included with these minutes under agenda item 8 above.

Respectfully submitted,

Sandra Frazier, Secretary