

LOUISVILLE AND SOUTHERN INDIANA BRIDGES AUTHORITY

**Sheraton Louisville Riverside Hotel
Second Floor Ballroom
700 W. Riverside Drive
Jeffersonville, Indiana 47130**

July 7, 2011, 10:00 a.m.

1. Welcoming Remarks:

Authority Chair Charles Buddeke greeted everyone at the meeting. He then introduced Indiana Senator Ron Grooms to make the welcoming remarks. Senator Ron Grooms, who represents Indiana Senate District 46 (Floyd County, Clarksville, Jeffersonville), thanked the Authority for serving their states and communities on this important transportation and economic development project. He applauded their efforts to find a solution to a long-awaited need. He urged the Authority to continue to work to find the most cost-effective and rapid way of making the bridges a reality, and wished them the best in their endeavors.

2. Call to Order / Roll Call

Mr. Buddeke thanked the Senator, noting that his words of encouragement, as well as his help and support, were much appreciated. Mr. Buddeke proceeded to call the meeting to order, noting that the meeting was being held in accordance with open meetings laws, with due notice given and posted. Mr. Buddeke then requested that Secretary Sandra Frazier conduct a roll call of the members to determine the presence of a quorum. The following members were present: Charles Buddeke, Pat Byrne, Luther Deaton, Jamie Fiepke, Jerry Finn, Pete King, Charles Moyer, Joe Reagan, Ben Richmond, Kerry Stemler and Sandra Frazier. Lisa Kobe, Diane Fischer,* and David Tharp were absent. Ms. Frazier observed that a quorum was present for conducting the meeting. (*As noted below, Diane Fischer later joined the meeting in progress.)

3. Approval of Minutes (April 7, 2011 meeting)

The next item was the approval of the minutes for the Authority's April 7th meeting. Mr. Buddeke noted that the minutes had been previously distributed to

the members, and then asked for comments, questions or corrections. There being none, upon motion made, seconded and carried, the minutes from the April meeting were unanimously approved in the form submitted.

4. Executive Director's Report

Steve Schultz, Executive Director, delivered his report. Mr. Schultz noted that there had been much activity by the bi-state management team in the last quarter relative to the Supplemental Environmental Impact Statement (SEIS) process. Mr. Schultz stated that Gary Valentine, who has been leading the SEIS effort on behalf of the bi-state management team, would provide an update later in the meeting.

Mr. Schultz reported on recent work performed to complete the strategy framework, in consultation with Authority member, Joe Reagan, the head of the Authority's strategy work group. Flowing from the mission, vision and values, the four strategic objectives have proved to be a very effective means of identifying and organizing planning activities, initiatives and action steps. The final part of the strategy framework is to identify measures and targets that will track progress and measure performance against desired outcomes. Mr. Schultz walked through some of the key initiatives under each of the strategic objectives. He reported that there is good momentum presently on all fronts.

Objective #1: Building the Authority into an effective long-term project sponsor.

Mr. Schultz described recent activities aimed toward filling out the project team. The first of these additions to the team relates to tolling policy development. Working with the bi-state management team and KPMG, the Authority prepared a scope of needs in this area. Following a review of the scope with the Authority's co-chairs, it was determined, in consultation with the state sponsors, to ask the project's existing traffic and revenue consultant, Wilbur Smith, to assemble a specialized team to perform this limited role. Mr. Buddeke and Mr. Stemler described the vetting process that had led to the conclusion to work with Wilbur Smith, with each noting that they were confident in and pleased with the result.

Mr. Schultz reported that another recent change in the team's composition has resulted from the re-emerging role of Parsons Transportation. Parsons is already one of the three members of Community Transportation Solutions (CTS) and has global experience in completing mega-projects, including via alternative project

delivery models. Parsons has become more involved as the project team begins to focus on delivery options and the procurement process. Parsons' role within CTS has also allowed it to provide key inputs and assumptions in the options analysis process.

Mr. Schultz pointed out that the next key addition to the team will involve engagement of transaction counsel. Having consulted with the state sponsors, Mr. Schultz will begin developing the scope for a Request for Proposals designed to identify a firm with the expertise and experience necessary to advise on a project of this size and complexity. Transaction counsel would help structure the commercial terms of the transaction, as well as help run the procurement process. Since the plan would be for transaction counsel to be a direct engagement by the Authority, this initiative is closely tied to the proposal for sub-recipient status.

Mr. Schultz reviewed the process for the Authority's becoming an eligible "sub-recipient" of federal funds. This process will involve completing the necessary documentation to establish an agreed-upon funding level for the Authority, as well as a demonstration of: (i) adequate staffing to deliver the project; (ii) sufficient financial controls to manage, track, and account for federal funds; and (iii) a clear statement of work and a project-specific objective. Mr. Schultz indicated that the proposal is being developed, and its framework has been discussed on a preliminary basis with Commissioner Cline and Secretary Hancock.

Objective #2: Deliver and execute a financial plan that is fair, sound and doable.

Mr. Schultz shared that two activities related to this objective involve making sure the Authority's plans are proceeding on the basis of reasonable finance and project delivery assumptions that reflect good private sector feedback, while also monitoring what is happening on the federal landscape. With respect to the first of these activities, Mr. Schultz touched upon the ongoing market dialogue that has taken place since the last meeting. He talked about his opportunity to attend and present at an industry conference in New York City. The comments he received there once again affirmed the private sector's interest in the project.

Mr. Schultz then asked Jamie Fiepke and Pat Byrne to share key takeaways from an industry conference they had attended in Plano, Texas on all-electronic tolling. Mr. Byrne noted that the conference, which was attended by 400 individuals from

around the world, made it clear that the trend in our county, as well as globally, is for project sponsors to use all-electronic tolling systems to pay for new bridges, tunnels, turnpikes and highway projects. In addition, existing tolled facilities around the country are converting to these systems on an increasing basis. Mr. Fiepke noted that the most significant takeaway for him was the technology side of tolling operations, which is undergoing continuous evolution and improvement—thereby contributing to the effectiveness of these systems. He also noted that a noteworthy feature of these systems is their ability to offer different payment options to users. Mr. Byrne noted that the increasing demand for these systems is a key factor in the underlying technological advancements. Chairman Buddeke thanked Mr. Byrne and Mr. Fiepke for making the investment of time and money to attend the Plano conference. He also asked that the minutes reflect that Diane Fischer had joined the meeting.

Mr. Schultz then addressed the federal funding landscape. A constructive dialogue with federal officials has been maintained since the last meeting, as well. He reported that he and Mr. Stemler had been privileged to attend the Kentuckians for Better Transportation Annual “Fly-In” visit to Washington, D.C. in May, where they were able to talk about the project with members of the Kentucky and Indiana congressional delegations and with Federal Highways officials. Mr. Stemler complimented KBT for the organization and effectiveness of the trip, noting that it was both a positive and worthwhile experience.

Mr. Schultz observed that the Authority and states are not alone in terms of the federal funding challenges presently faced by all project sponsors. He shared that the current expectation is for the U.S. Senate to introduce a two-year highway reauthorization bill, while the House is likely to advance a six-year bill; however, both would be at funding levels that represent a significant reduction from current law. One positive feature is the expectation that both bills will include an expansion of the TIFIA program, which provides federal credit assistance for transportation investments. There also is the anticipation of some easing of restrictions on tolling, as tolling and pricing programs may be expanded in the ultimate legislative packages. Mr. Schultz indicated that he and the Authority’s advisors would continue to monitor the situation as Congress takes up these proposals.

Mr. Schultz shared that the U.S. Department of Transportation has announced a new round of TIGER funding, to be known as TIGER III, the purpose of which is to help fund innovative transportation projects that will create jobs and have a significant impact on the nation, a region, or a metropolitan area. As has been the case with prior rounds, available funding will be fairly limited. Final applications will be due on October 31st. Although competition is expected to be intense, Mr. Schultz noted that the Ohio River Bridges Project continues to match up very well against the stated selection criteria. Mr. Schultz recommendation would be that an application be made for TIGER III in a manner similar to TIGER II, in consultation with the state sponsors.

Objective #3: Managing risk to realize long-term project benefits. Mr. Schultz noted that managing risk is a central theme of the value-for-money analysis (VfM), which will be covered in the discussion of the Option Analysis presentation. This is because a VfM analysis evaluates the relative value associated with the transfer of varying degrees of risk to the private sector under an array of delivery models assumed for the project. This topic will be addressed in more detail later in the meeting.

Objective #4: Deliver on all the expected project benefits. Mr. Schultz noted two key activities advanced since the last meeting under this objective. The first, which will be covered as the next item on the agenda, involves an exciting initiative by the states and Louisville Metro to focus on opportunities in the project for disadvantaged business enterprises and small businesses. The second activity involves the effort—discussed at the last meeting—to identify and assess what information may be necessary or useful to examine the economic impacts of the project, as well as what project activities may be involved in generating this information and what study methodologies might be followed. Mr. Schultz explained that various approaches had been considered for this exercise. In light of the availability of already-existing data and the fact that future activities will likely require specific study parameters (e.g., TIGER III and the potential requirement of an economic impact study under Indiana procurement law), Mr. Schultz explained that he and Sandra Frazier (as chair of the Outreach Committee) have asked KPMG, in its role of strategic advisor, to assess, align, and synthesize existing data, the potential future information requirements, and the Authority's desire for a more complete understanding of economic impacts. This exercise will lead to a

better understanding of the optimal and most efficient method of approaching an evaluation of economic impacts. Chair Buddeke noted that the outcome of this effort will ultimately help ensure the Authority has the information available to inform its decision-making process.

5. Kellie Watson – DBE Initiative

Mr. Buddeke then introduced Kellie Watson, Director of Human Resources for Louisville Metro Government and Chair of the Bridges Project Advisory Group on Women, Minority and Small Business Enterprises. Ms. Watson outlined work that will be done by this task force to promote opportunities for women- and minority-owned businesses and small businesses to be included in the project. The advisory group is made up of 13 professionals who will make recommendations and focus on ways to better use existing state resources and programs to achieve this objective, as well as to develop relationships and gain insights from the private sector toward optimizing these opportunities. She noted that this project is expected to create thousands of construction-related jobs over the next several years, and it is important to both states that the community that the project reflect the workforce of the region. The advisory group will be meeting over the next two months, with the eventual goal of making a set of recommendations to the state sponsors and the Authority.

6. Options Analysis – Overview of the Methodology

Mr. Schultz, together with Ed Crooks and Tim Wilschetz of KPMG, then gave a presentation on the options analysis process. Mr. Schultz noted that, to date, the Ohio River Bridges Project has been based on a traditional design-bid-build approach. He observed that the Authority has signaled for some time its intention to explore the potential value of alternative project delivery, and the options analysis has proceeded with the objective of seeking to understand what that value might be obtained through different project delivery scenarios—all as a way of determining how best to deliver the project in the most cost effective and rapid manner possible. Mr. Schultz noted that, as has been confirmed in discussions with the private sector, a significant amount of the cost savings can be expected through compression of the construction schedule. Although the Authority is still focused on an August 2012 target date by which to start construction, he also

observed that, from an overall value perspective, the more significant date would be the one that can be identified as the expected date of project *completion*.

Mr. Schultz explained that strategic advisor KPMG has designed a modeling process to assist the Authority in its evaluation of delivery models. The objective is to identify the delivery option that offers the best overall value for design and construction, operations and maintenance, lifecycle costs, and financing. Each of these project components contains certain elements of risk, and the options to be evaluated will look at the potential value of bundling these risks in different ways and transferring some or all of them to the private sector. The options range from the traditional design-bid-build model (also referred to as a “public sector comparator”), to three versions of a “design-build” contracting approach (both with and without an operations and maintenance component extending beyond the construction phase), to a full concession approach. In addition to the value-for-money analysis, which focuses only on economics, the existing legislative and legal framework will also need to be studied and understood, in order to assess what legislative changes might be necessary to enable and support one or more of the options. In addition, the team will also need to have an understanding of the current level of market appetite for each of the options.

Mr. Crooks further elaborated on the options analysis process, which has been underway for a couple of months, starting with the initial design of the modeling approach. Mr. Crooks described the methodology for ranking the options. Once the options are defined, an overall analysis of project risks is performed, and a risk-adjusted set of estimated cost and revenue values is determined for each option. A financial model is then used to calculate the risk-adjusted present value of the project under each option. Looking at options along the delivery model continuum allows one to measure the value of transferring incremental risk to the private sector. Mr. Crooks noted that the calculation of value-for-money does not take place in isolation, and reiterated that other factors are taken into account, including legislative, legal and other criteria. In addition, there will be an opportunity to gain input and confirm some of the model assumptions through a Request for Information, which can be used to solicit feedback and clarify issues in the pre-procurement phase.

Mr. Wilschetz then described how key assumptions were developed for the modeling exercise and gave his overview of the scenarios. He described how the eventual selection of a delivery model would play into the process of designing and managing the procurement and construction phases of the project. Mr. Wilschetz noted how the first two of the options (traditional design-bid-build and design-build) take into account only the delivery phase of the project. Both the third and fourth options take a “limited life cycle” view of the project by assuming a design-build contracting approach in combination with a limited (15-year) operations and maintenance contract. The fifth and six options take a full life cycle view of the project by assuming a long-term concession contracting approach. Mr. Wilschetz summarized key steps for the Authority to consider as it advances toward procurement, including the progress that has been made thus far. He noted several of the milestones in this process, including the initial market sounding activities in 2010, the Industry Forum in February, and the options analysis. Key objectives in for the remainder of the year would be the planned RFI in September and the eventual issuance of a Request for Qualifications in the fourth quarter of 2011.

The Authority then engaged in a general discussion and question-and-answer session. In response to a question from the Authority, Mr. Crooks confirmed that the states’ approach to the recent Madison-Milton bridge replacement would be analogous to the design-build contracting approach in option 2, although at a different scale. In response to another question, Mr. Wilschetz noted that the RFI is not a part of the actual procurement process, but rather represents another opportunity to engage with the private sector and confirm that certain planning assumptions are on target. Mr. Stemler noted that the consistent message heard from the large contractors and developers in one-on-one meetings is that the workers needed to build the bridges will be drawn from the local workforce. Mr. Crooks added that the ongoing market dialogue suggests that some of the larger firms are already traveling to Louisville to meet with local DBE firms and other small businesses.

At the conclusion of the discussion, Secretary Sandra Frazier made a motion to approve the dates for the expected key milestones in the path to procurement, and the motion was seconded.

In response to a question from Joe Reagan about the anticipated timing of the Request for Qualifications, Mr. Wilschetz explained that RFQ responses would likely be due in mid-January (assuming a mid-fourth quarter release), but the exact dates would need to be agreed upon by the Authority in consultation with the state sponsors.

Mr. Buddeke asked if there were any other questions. There being none, he called for a vote on the motion to approve the dates for the path to procurement. The motion was unanimously approved.

7. SEIS Update

After a short break, Mr. Buddeke called the meeting to order and introduced Gary Valentine, the project manager for KYTC. Mr. Valentine, who heads the bi-state management team's NEPA work group, proceeded to give the Authority an update on the Supplemental Environmental Impact Statement (SEIS) process. Mr. Valentine first gave a brief overview of the original environmental process that led to the issuance of the Record of Decision in 2003. He then reviewed the nature and purpose of the SEIS process, which had been launched by Federal Highways and the state sponsors in February. The SEIS is not intended to revisit the original purpose and need of the project. Mr. Valentine provided an update on the series of meetings that were held in June as part of the public involvement feature of the SEIS process. He noted that eight sessions (including both agency meetings and open meetings) designed to receive public comment had been held across the metro area. During this time, over 700 people attended the public sessions, and more than 350 comments had been received. Mr. Valentine reported that a summary of the comments will be made available. He also thanked the Authority members for their participation at the public meetings, noting that the Authority members are all volunteers who give of their time to serve.

Mr. Valentine provided an estimate of the SEIS timeline, noting that the team is working very hard and very diligently on a timetable designed to receive an amended Record of Decision as soon as possible—perhaps as early as the first part of the second quarter of 2012. Mr. Buddeke thanked Mr. Valentine for the presentation.

Mr. Buddeke and Mr. Stemler engaged in a brief dialogue about the potential for a Finance and Construction Planning Committee meeting in September, but this will remain to be determined, and no date was set. Mr. Buddeke also stated that the next regular Authority meeting would be October 6th in Kentucky at a specific site to be determined.

Mr. Buddeke then asked for final comments before adjournment. Diane Fischer asked about the possibility of providing more information on the Authority's website for the benefit of those in the community who have questions about the project. Mr. Schultz noted that one helpful feature of the Authority's website is that it is linked to the bi-state management team's (or Project) website. Among other things, the materials (including the project video) that had been shown at the recent SEIS public meetings are available there. He stated, however, that the Authority will also try to make the video directly available on its own website. He also shared an idea that has been discussed with the state sponsors of providing a small handout containing key project facts. He said he would explore this idea further with Sandra Frazier, communications director Christi-Lanier Robinson, and the states' communication team.

Jerry Finn asked a follow-up question about the approach to an economic impact study. Mr. Schultz recapped the proposal to gather and synthesize existing data as well as potential future economic impact analysis requirements and use those parameters to frame a study scope for the Authority's own purposes.

8. Adjournment

Upon motion duly made, seconded, and carried, the meeting was adjourned at approximately 12:00 p.m.

Respectfully submitted,

Sandra Frazier, Secretary