

Louisiana Transportation Authority
Meeting
Louisiana State Capitol
House Committee Room 6
Baton Rouge, LA
Thursday, October 11, 2013

MINUTES

I CALL TO ORDER

Rep. Karen St. Germain

II ROLL CALL

Board Members Present:

Senator Robert Adley
Secretary Sherri LeBas
Ray Stockstill
Senator Norby Chabert for Senator Alario
Paul Sawyer

Board Members Absent:

Rep. James Morris
Jackie Adcock
Paul Sawyer

We have a quorum.

III READING AND APPROVAL OF MINUTES OF July 18, 2013

Rep. St. Germain motioned to approve the minutes and Sherri LeBas seconded the motion.

IV OLD BUSINESS

Rhett Desselle: LA 1 Toll Status Report

We have extended the cash lane before the summer peak and that worked out well. We have toll booth collecting cash with toll collection staff that have been hired. Our manual toll collections in place 24/7 during the peak season which is generally Memorial Day to Labor Day. Right now we are getting out of our peak season so we are converting to use of our automatic toll payment machine and manual collections during the winter months. We have staff collecting during the peak hours of the day and at night we turn the machines on. Our violation processing was up to date until Act 2006 was implemented. We had to turn off

those notices for a while so that we could do some system modifications. What the Act did was change the number of late notices from three to one. We are still doing an initial notice. So we have just finished those system adjustments and we are getting ready to turn that back on. We have violations ready to be mailed out and will most probably do that next week once we do press release and notify the public. So we have the images in the queue since we turned the system off (May 24, 2013) to make the modifications and we have some backlogged images that need to be invoiced. We are still processing invoices for the out of state violators (Texas & Mississippi) are still getting violation notices. Act 2006 has been in effect since June 2013 and has adjusted the number of notifications we needed and reduced the late fees and also allowed us to do communication with our customers via electronic mail. Some of our customer enhancements that we still have in place and working (big issue in past of letting people know what is the status of their account) we are sending our four (4) different letters to the customers giving them a heads up that are some issues going on with their accounts. We also established guidelines to resolve violations. We have a process we have developed we can resolve those. We are also continuing to hold violation hearings locally and some over the phone. Updates on toll revenue for the summer of 2013... tolls collected were over \$500,000 a month. One note July was a record transaction month so we have the most number of transactions (not tolls collected). Our collection rate for those three months was 95% in the lane. Just a look at history and where we have been, 2011-2012 we were only collecting 81%, 2012-2013 our collection rate is up to 96%. We are still pushing the toll tags and trying to get people to use them. Since July we have sold 1800 toll tags. Our open road tolling our penetration and the people using the toll tags has gone up from about 50% to 66%. 56% of those are actual tag reads, 10% taking picture and reading and identifying as customer. We are working on new customer service agreement so our customer so our customers know more about what they are agreeing to when they set up a tag account. We continue with the toll tag giveaway sponsored by the LA 1 Coalition. They donated a second batch of 1000 tags and we have given out 375. They are giving out coupons in the toll lanes to encourage people to come in and get a free toll tag on this program. Looking to the future, we are looking some multi-protocol readers and changing some of the technology that we use to have cheaper maintenance and operating costs and supporting national interoperability. We have a lot of out of state coming through and they have tags from other states and if we can read those tags we can set up agreements with those toll entities to hit their accounts and it would simplify our process and reduce our cost per transaction. We are still working to identify a single trip payment office and alternative means to cash to be quicker, faster and more efficient to come through the toll payment machines. Looking forward, we need to look at simplifying our toll schedule. We have a pretty complex toll schedule with 13 classes on schedule and we are actually counting tires and not axles. No one else in the country does that. Everybody counts axles and it gets very complicated with the technology and the system programming to count tires. So at some point in the future we would like for you to consider simplifying the toll schedule and while doing that implementing a differential toll. So if you pay with

a toll tag you pay one price, if you pay with video toll you pay another price, and with cash another price. We are also moving forward in developing a RFP for a back office operations. We are looking to outsource the violation so once we capture a picture we will hand off to vendor so they can go through the processing and notification and collection process for the violators and hand it back to us. Are there any questions?

Rep. St. Germain: I didn't realize we did it by tires so and I really don't get to go to those places very often. As we go into the next legislative session I'm looking forward to doing whatever we need to do to make it simpler and make it relate to other areas between Texas and Mississippi and whomever so that it is easier for all of the above to get there and back. I'm sure Texas and Mississippi would appreciate if we would all be on the same page.

Sen. Chabert: Thank you for everything you have been doing. It is very evident have gone up. Couple of questions regarding the fine with the rental car situation where a dealer is renting van and the fine going back to the renter of the vehicle as opposed to the violator that didn't do their due diligence and not get a day pass or something like that. How are we handling that situation?

Rhett Desselle: We have a few agreements with the rental car companies that we work with them on.

Sen. Chabert: How about the individual car dealers from that area that are supplying a lot of these vehicles that service Port Fourchon in various capacities. Have you reached out to them?

Rhett Desselle: No, we have not. Car dealerships are a neonce in the toll industry and how do your charge the person taking a test drive. It is an issue for the disposal tags and something that we need to look into.

Sen. Chabert: It would only be 4-5 dealers that you would have to reach out to that do the volume of large scale rental that are all going to Port Fourchon and all going for the same purposes. This was something that was brought up to me by one of the larger dealership families that own multiple dealerships. They rent the vehicle to other companies but they get fine where they are not the violator. The renter of the vehicle is.

Rep. St. Germain: I will give you a case in hand. Renting a car from a dealership and we were in Florida and went through the tolls and we signed the contract, any violations on open road, that the driver of the vehicle was responsible and once that information that was sent back to the dealer the dealer would send you that information as the renter of the car and you were ultimately responsible.

Sen. Chabert: Madame Chair, in that situation it would be a “you” renting and in the Fourchon scenario it might be a company renting and it could be any random driver.

Rep. St. Germain: I’m just giving you a way to try and make it work.

Rhett Desselle: We can add that to a list of things to work on. We will reach out to the dealerships in the area and see what the issues are and see what we can work out as a solution.

Sen. Chabert: It’s great that we can tie up the last loose ends that we do have. Another question is how do you decide when you are going to suspend the tolls for LA 1?

Rhett Desselle: We look to the locals to see when they are going to turn on a mandatory evacuation. What happened with tropical storm Karen, the mayor of Grand Isle, declared a mandatory evacuation of the island at 11:00 am. We found out around 10:00 am, so it took us a little time to turn things off and we would up getting the tolls turned off around noon that day (October 4th). We turned them back on noon on October 7th. We estimated our transactions between that period and our expected revenue that we missed out on was about \$33,500.

Sen. Chabert: I wonder on the volume that you missed out on and how much was actually Grand Isle as opposed to Fourchon traffic.

Rhett Desselle: We cannot break that down for you.

Sen. Chabert: Thank you again for the tremendous progress you have made with the toll collections on this bridge. We are next scheduled to up the tolls?

Michael Bridges: 5 years

Rep. St. Germain: Seeing no more questions, your turn.

Michael Bridges: We have been in constant communications with the TIFIA Office (since the last meeting of July 18, 2013). After the approval of the TIFIA letter of interest, we were invited to submit a formal TIFIA application which was done on August 7th. The TIFIA Credit Council met on September 12th and recommended approval subject to final negotiations to the US DOT Secretary. We have retained Citi Group as the underwriter for the public market bonds. We went through a solicitation for offers process similar to the Bond Commission. We have gone before the Bond Commission on September 19th, and they gave conditional approval of this deal. We are going back to the bond commission next week. Currently we are conducting a solicitation process for the trustee. Again, it is similar to what the bond commission does theirs. Bond Council advisor and myself met with the TIFIA Program Office in DC last Friday for all

day working meeting on the documents. We went into the meeting with some concerns about some of their standard language in their TIFIA Loan Agreement and we came out of the meeting feeling very good. They pulled a lot of stuff that did not apply to our deal out. We feel that we are in a very good position now. They are in the process of turning that document around. Their document should be in today, but as soon as we get it we can update ours. We are on track to get this finalized the first part of November. All senior lien bonds and the TIFIA loan with a 3 part structure. We are going to get 2 TIFIA loans. The first loan is \$78,000,000 which will be at one-half the treasury rate. We are the only ones that have been awarded this. Then the 2nd loan will be \$44,000,000 and that will be at the full treasury rate. Now the one-half treasury rate is 1.86% and the full treasury rate is 3.71% and both are for 35 years. The remainder we will sell up to \$57,000,000 in public market bonds at market rates. This will all be used to take out the senior lien bonds and the TIFIA loan. As part of this financing, there will be a cooperative endeavor agreement between the LTA and the Division of Administration, whereby the commissioner agrees to put the debt service for the public market bonds and the TIFIA loans in their operating budget on an annual basis. This is similar what is being done for a lot of appropriation based debt that is issued, like the hurricane bonds and CEA backed debt, not anything unusual and the rating agencies are used to it. We will have an agreement that the trustee will send the toll revenue collected back to the Division up to the amount of the debt service on an annual basis. The intent is to make the State whole. Any excess toll revenue will be given to TIFIA to pay down the one-half percent TIFIA loan first. That was something TIFIA insisted on because they were giving us this money at such a low rate. We feel good about it and feel this is very good structure that will put the toll road on firm footing going out to the future. I need to bring to your attention, one thing that will be in the deal, in the federal legislation that was passed last year "MAP 21", there was a provision that if we use any of this TIFIA loan for a refinancing, you have to create capacity. This means that your savings and your debt service will have to create capacity to be able to do another project. We are creating capacity underneath the State's debt cap. The LA 1 debt does take debt capacity because the senior lien bonds have a CEA behind it, and so, because of this refinancing, we are creating a 20-30 million in debt capacity. We have to pick a project that we need to complete within a defined period of time and will be using some of what we would need in debt capacity. I-49 North uses a lot of different revenue streams, one of which is general obligation bonds, another is unclaimed property bonds and those both need to go underneath the State's debt capacity and the State tax supported debt. As part of the agreement we have to tell the US DOT TIFIA office that we are going to complete I-49 North segment K within a defined amount of time and that will be part of these documents. We feel that we can easily do this and does allow them to check off the box that we did meet that requirement. We've had calls with 2 of the 3 rating agencies. We fully expect to get AA minus because it is on the public funds and on the TIFIA loan because they are all backed up by the state similar to State appropriation deals. We go to bond commission next week and they will approve the same resolution that you are considering today. We will get our rating assigned on October 23rd. Post the preliminary statement

on October 23, and sign TIFIA documents and we exchange signature sheets on November 5-6. We will price the public market bonds on November 7th. Takes TIFIA a little time to get documents up through their chain of command and get documents to Office of Management and Budget to get this funded. We anticipate funding the TIFIA loans and the public market bonds on November 13-14, and redeem all the old bonds the next day. At that point it is a done deal and we will be off into the future with debt service not depending on toll revenue and have a very good rating and in good shape for remainder of term.

Rep. St. Germain: I believe Sen. Adley has a question. I just want to say going forward that I have seen what you have done and never gave up and I can't tell how prouder I am of my DOTD.

Sen. Adley: Anytime you can increase capacity we are happy but you made some statements that I need to get clarified for myself. When you stated that you went through a process similar to that of the bond commission what was different about your process?

Michael Bridges: We used the bond commission process to select the underwriter. The LTA does not have to go through a competitive process to select an underwriter because it is considered a professional service. We talked internally and we thought it was better for us to go through some sort of a process to give everyone an equal chance of being selected.

Sen. Adley: In lieu of creating a professional contract where you decided who you wanted to have you actually allowed (you kept records of all that, I assume) and in that process when you got through with this, what is the total of all these bonds for refinancing.

Michael Bridges: If you look at just the public market bonds (and that's all that Citi Group is handling) because we do not need an underwriter for the TIFIA loans, it is up to \$57,000,000.

Sen. Adley: What are the fees on those?

Michael Bridges: We got 11 responses and they were low overall.

Sen. Adley: Is it possible to get from you what those responses were and the fees were so we can see a list of that? Sounds like you ended up with the second to the lowest and not the lowest for some reason, I'm sure it was a good reason, but it would be beneficial and I would like to see that. Is that possible to get that?

Michael Bridges: Absolutely. We did use a panel to grade just like the bond commission does. I included someone from the Senate and the House on that panel. The 20-30 million capacity I assume that is after the payment of fees and so forth. One of the reasons why I want to know the fees and the costs were

when I am analyzing what capacity we ended up with I want to see how much it costs us in fees to keep the capacity from being bigger than it was. That becomes a huge piece of the pie in my opinion and with your underwriting fees and your bond fees...were there any swap fees in this?

Michael Bridges: No

Sen. Adley: The last question I have is you mentioned money going back into the operating budget. Which operating budget?

Michael Bridges: When the Division of Administration does their operating budget, in Schedule 20, there is a listing of all debt service for all the State back bonds that needs to be paid that year. This will be part of that.

Sen. Adley: So you are not really taking money and flowing it back into the State general fund for their operating budget on the premise that they are going to take that money and pay bonds.

Michael Bridges: It is an indirect way, yes.

Sen. Adley: It's not actually their operating budget but it's going into that fund that bonds get paid with. Am I right or wrong?

Meredith Hathorn: There will be a reimbursement to the Divison. At the end of the closing of the fiscal year there will be a true up and see what tolls have been collected through that date, which will most probably be around June 15. Whatever those tolls are we will reimburse it to reimburse the State for making that appropriation and there are excess dollars you will prepay the TIFIA loan the lower cost.

Sen Adley: I got all that. I am trying to find out how are we assured it does operate that way. When you say funds are going back into an operating budget but when I hear that I see a lot of latitude for these type funds. I want to make sure that is not happening here.

Meredith Hathorn: We have a pledge and security agreement whereby the trustee will get the toll revenues on a daily basis that are collected by the LA 1 and the DOTD employees.

Sen. Adley: This is not an account that we can draw in and we can draw out of for daily operations?

Meredith Hathorn: Absolutely not. This is held by the trustee and he accumulates those tolls at the end of the year and he does what we call a true up and he reimburses the Division with the tolls that we hope are sufficient to reimburse the Division in full and the excess is used to prepay the TIFIA loan. It

is held in trust and pledged to the TIFIA bondholders and there are no provisions to change that.

Sen. Adley: Our debt limit that we had will be increased 20-30 million. When you open up that capacity it opens it up for everyone to look at that capacity, does it not?

Michael Bridges: Yes sir it does.

Sen. Adley: There is no assurance or is there assurance that the 20-30 million actually goes to highway projects.

Michael Bridges: It's overall it creates that amount of capacity underneath the debt cap in general.

Sen. Adley: You would like to get that but there is no guarantee that happens.

Michael Bridges: No. It was really something we had to prove to TIFIA.

Sen. Adley: If you refinance a bond it is clear you don't want to finance a bond and end up with more debt and more payment. That does not make sense. I would like to see that fee schedule as soon as you get it to me.

Rep. St. Germain: Mr. Stockstill...

Ray Stockstill: I was going to explain the transaction from a budget stand point but if you are satisfied Senator.

Rep. St. Germain: The board is clear.

Michael Bridges: I would like Meredith to walk you through the resolution that is in front of you and ask for your consideration.

Meredith Hathorn: This would be your final approval of the transaction and this resolution sets forth the parameters and identifies the major bond documents that will be delivered at closing. I will run through each document and tell you their purpose. Indenture of trust that will be with a trustee bank that will be selected and that trustee will receive monies that will be appropriated from the State. Those monies will be appropriated from the State pursuant to a Cooperative Endeavor Agreement between the Division and the Authority. The trustee will use those funds to pay debt service on the public bonds and also the TIFIA bonds. There will be a separate pledge agreement and will require the trustee to receive tolls and use those monies to reimburse the State and then to TIFIA to the extent there are excess funds. There is a Secured Loan Agreement that is a form presented by the US DOT and in that document you will have all your reporting requirements, your development requirements for the I-49 North bond project and will also provide that the TIFIA loan is pre payable. To highlight the Pledge

Agreement it will have the current toll covenants that you have right now and you are agreeing to maintain the toll schedule that you originally implemented in 2005. That was a requirement of TIFIA that you must have those tolls again on the theory that if they are going to get pre-paid they want to make sure those tolls remain in place. Again you are committing to the original toll schedule for 2005. There are a few other covenants such as maintaining the bridge and maintaining the insurance provisions. You will see this resolution published possibly in the advocate so we authorize that. We authorize going back to the bond commission in the parameters for the bonds that are in here is a 6% maximum interest rate for the public bonds and the 5.5% maximum interest loan for the TIFIA loan and a maturity of July 2046. The other documents that are approved are the preliminary official statement and the official statement for the public bonds and also it approves the bond purchase agreement that will be executed on the date that we price these bonds and again with Citi Group and Raymond James and Luke Capital as you co-managing underwriters. I will be happy to answer any other questions.

Sen. Adley: I hate to go back to the fees but you are fixing to head to the bond commission and when you get there you are required to disclose what the fees are, if you know the documents you are taking to them, I am curious why we don't have them in front of us.

Meredith Hathorn: Probably my fault I didn't bring them to you. We have already submitted the fees to the bond commission and they have already approved those fees and the reason why we are going back to them is because I had a didn't kind of construct for the pledge and security agreement so I added a security document so there has just been some further development. The bond commission is not necessarily approving fees so it's more of a clarification on the security processes.

Sen. Adley: The reason I asked the question as you know is that State law requires disclosure of fees and also it requires that if the fees increase a certain amount then those fees have to be reconsidered again. I know that because I passed that law because there was a time when people were not disclosing the fees. I'm just going to ask you has a courtesy at least to me that anytime we see to these type of things and you are asking us to vote to authorize issuance of \$57M worth of bonds and you don't bring a fee schedule that doesn't make me happy and doesn't make me want to say, "look just go do what you want to do". I think that is wrong for tax payers. I'm sure the bond commission analyzed it and you are within the area they said you need to be. But as a courtesy please don't ask for people to vote for bonds and deals and you weren't willing to disclose the fees you are paying to people and you are telling me I'm saving \$20M in capacity and I might be paying \$10M in fees. You should really have had that.

Michael Bridges: It's my oversight, and we will certainly get that information to you as quickly as we can and it was a very competitive fee.

Sen. Adley: That is why I want to see the list. Thank you.

Rep. St. Germain: Board is clear and we need a motion to approve the resolution. Mr. Stockstill moves to approve the resolution and are there any objections? Hearing no objections, so moved. And I'm sure they will be happy to get the information to you via email as soon as possible.

VI OTHER BUSINESS

Rep. St. Germain: Any other business of the committee?

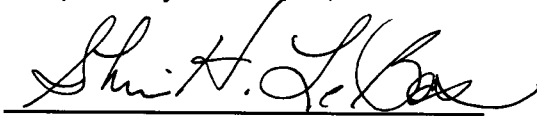
VII PUBLIC COMMENTS

Rep St. Germain: Any public comments?

VIII ADJOURNED at 1:40 p.m.

Rept. St. Germain: Mr. Stockstill moves to adjourn.

Respectfully submitted,



Sherri LeBas
Secretary-Treasurer

DATE APPROVED 11/13/2014