



STATE OF CONNECTICUT
GOVERNOR DANIEL P. MALLOY

Governor's Transportation Finance Panel Draft Meeting Minutes
September 29, 2015

Members in Attendance: Cameron Staples (Chair); William Bonvillian; Oz Griebel; Paul Timpanelli; Stanley Mickus; Emil Frankel; Beth Osborne; Bert Hunter

Members not Present: Joan Carty

Other Participants: Garrett Eucalitto, OPM; Brian Tassinari, OPM; Eric Weinstein, DRS; Commissioner James Redeker, DOT; Robert Card, DOT; Thomas Maziarz, DOT; Glen Weisbrod

Item	Topic	Discussion
I.	Welcome and Comments, Cameron Staples, Chair	Chairman Staples called the meeting to order at 9:50 a.m. Chair Staples commented that the expectation is that by the end of 2015 a final report will be issued to the Governor. At least one additional meeting will be held to review and approve the report and possibly one in between.
II.	Approval of Minutes	Chair Staples requested a motion to approve the minutes of the previous meeting. Motion made and seconded. All in favor. Minutes adopted.
III.	Discuss of Economic Impact Analysis of Select Let's Go CT! Projects by Tom Maziarz, Bureau Chief of Policy and Planning at CT-DOT, and Glen Weisbrod, President of Economic Development Research Group	Chair Staples introduced Tom Maziarz to present the economic impact analysis of select Let's Go CT! projects. Mr. Maziarz explained to panel members that this first part of the report examines the highway analysis to-date and the corridor-level projects <i>versus</i> the independent projects. The information on the individual projects will be provided in future meetings. Today's presentation is about the economic impact analysis related to the packages of projects within the State's 3 major corridors: I-95 West of New Haven, I-95 East of New Haven, and I-84 West of Waterbury. Mr. Maziarz commented that the 3 corridors are those with the largest and boldest improvements that were proposed as part of the proposal, and with more investments. Mr. Maziarz indicated that all 3 corridors are important conduits of business in the state of CT; they are also the most congested of the state's corridors. Mr. Maziarz indicated that the analysis reveals a relatively good ROI; Not only reduction of congestion and accidents as part of the investments but also achieving true economic benefits. By the end of October, an additional set of highway and transit analyses will be done. Mr. Maziarz re-stated that the <i>individual projects</i> within these corridors will be available to them in report-form or in another meeting by the end of October. The analysts are putting

most of their effort to the metro-north main line analysis. This is substantially more detailed.

Oz Griebel commented that they have to make sure to incorporate the necessary replacement of the viaduct.

Mr. Maziarz spoke briefly to a map displayed of the individual projects within each corridor. Mr. Griebel asked if in October, the members will receive reports on both the Mixmaster and the Viaduct. He asked if the report also includes the cost of annual repair of what we is *not* replaced.

Mr. Maziarz stated that members will hear today about the widening improvement; what they will receive regarding the Mixmaster is not only the value of the improvements but also essentially a measure of what the value of preserving that project is. Mr. Maziarz noted that the viaduct in Hartford is about \$3 billion to replace, commenting that it would cost \$1-2b just to try to keep it functioning without replacement.

Mr. Griebel asked if the analysis particularly of the viaduct will provide the value of the 3 options that are being considered by the DOT as \$3-5b is one option but that there are others. Mr. Maziarz explained that traditionally DOT's have relied on standard measures of safety and mobility improvements; the team wanted to go well beyond that for this strategic plan, examining the economic value of the improvements but also determining what the projects value is, spurring economic growth as a whole.

Mr. Maziarz explained that multiple measures were used during the study to give members better insight into what the value is. Mr. Maziarz introduced Glen Weisbrod (via phone) to provide a presentation overview of the methodologies use and the study results. Mr. Weisbrod reported on the following:

- Factors affecting economic impacts & benefits (economic & societal).
- Trip Characteristics & Economic Impact (% of Trips by Mode / Purpose)
- Effects on business competitiveness.
- Change in jobs over time: >5,800 jobs gained, >\$8b wages gained, and >\$20b business sales gained.
- Job impacts – a look at where these jobs are.

Chair Staples requested a greater description of the job analysis. Mr. Weisbrod described the two economic models used by states. CT uses the Tretis (sp?) model which is a forecast of the economy of CT, a baseline developed by Moody's Analytics. It compares how the changes in the cost of business are affected and how that changes for some businesses more than others, in addition to the competitiveness of CT relative to surrounding states. Mr. Weisbrod explained that when this goes down for a business its share of investment and economic growth also decreases. The model also forecasts where—in America's growth—how much of it is going to occur in CT which depends on both job skills/resources and what the cost is of getting workers/supplies/shipping products. Mr. Weisbrod explained that when all of these become more costly the economy is affected.

Mr. Griebel asked a question about the pie-charts displayed regarding jobs: is the inference with the two charts that those are the jobs that are going to fall into those categories? Mr. Griebel pointed out that there's nothing presented with regard to manufacturing and asked if there is a reason for this. Mr. Weisbrod clarified that manufacturing is included as part of "other". The charts will be fine-tuned so that manufacturing is highlighted and recirculated to the members.

Mr. Maziarz asked Mr. Weisbrod about the models used, if the basic engine to the model is an input/output table. Mr. Weisbrod responded that there's two parts: input/output shows businesses, what they buy from and what they sell to. It tells what you're buying and how many workers you need. The other model also looks at the relative cost of all of those inputs, which affects how much of the growth you're going to get. The other part looks at the relative cost of all of those inputs. It's a combination of input/output and relative costs is called an equilibrium forecasting model. The model looks at effect of delays & vehicle operating costs, transportation efficiency, logistics productivity, & market access.

Emil Frankel asked a question regarding market access. He expressed particular interest in labor access (essentially access on the part of employers to a flexible labor market and workers to jobs). Mr. Frankel referenced a study done regarding the interstate system which revealed that one of its real values was by increasing the labor market. Mr. Frankel asked if they tried to capture the values of labor flexibility/labor market in terms of the improvements that are being considered. Using truck delivery as an example, Mr. Weisbrod clarified that the market access effects shown within the presentation are also about labor markets. He offered to supply the members with maps if helpful. Mr. Weisbrod stated that the report examined Fairfield and Stamford counties. Maps were created of what is the market area from which you would draw workers from a 40 minute commute that employers would draw. The study looked at, from 40 minutes, how broad an area and what's the population of commuters and with congestion increasing, how much of that area is shrinking? How much would grow back? This was all part of the analysis. Also part was a same day just in time delivery (basically in 3 hours, how far one could get). Mr. Weisbrod explained that the market access was a combo of same day just in time deliveries and labor access.

Mr. Frankel commented that particularly on the labor side this is one of the most powerful arguments for making the case of why these transportation facilities need to be maintained and improved; stating that he thinks there would be tremendous value. Mr. Frankel indicated that the more that can be presented in a graphically understandable form and with quantified data with regard to labor market access the stronger the argument for necessity of funding.

Chair Staples asked whether transportation efficiency and market access has to do with transporting the goods and services, moving products and transporting products, and asked if the increase of productivity of workers that are just coming and leaving is incorporated into the analysis (in other words,

instead of being traffic, they're at the office for an additional period of time per day). Mr. Weisbrod stated that the transportation efficiency also includes commuting. Mr. Weisbrod stated that two things can be done: they can break out the freight and the labor affects and they can also show maps to show people how areas will shrink. Mr. Weisbrod continued that it ends up that it affects business productivity in two-ways: 1) what they get out of workers and 2) there's a lot of evidence that when you're located in a congested area, businesses end up having to pay a premium to workers to get them to want to put up with that commute day after day. When congestion is reduced, businesses don't have to pay that premium. Conversation ensued.

Mr. Weisbrod presented on sustained long-term travel efficiency & market access; construction jobs by year; total social benefits (e.g., environmental, safety, personal time); comparative long-term costs & benefits (I-95 has higher benefits but also has disproportionality higher costs. All three corridor projects have substantially higher benefits and costs; very good benefit/cost ratios. Besides helping the economy from a societal point of view, the projects have a very strong pay-off as well).

In summary:

- The three packages of projects address severe congestion along key economic corridors.
- Completion of these projects will enable CT to add roughly 5,800 jobs.
- The impact will be spread widely across the State's economy.
- All three projects have Benefit/Cost ratios well over 1.0, meaning that there is a positive ROI.
- Represent critical interventions to support the State's economic future.
- More analysis will be conducted of individual highways and transit investments.

Mr. Weisbold concluded his presentation. Mr. Maziarz stated that whether you are looking at economic impact or economic cost, both of these are showing positive results. The next steps include coming back with the individual projects within the three corridors, as well as some other projects, including the two mega projects: the viaduct in Hartford and the mixmaster in Waterbury. These will be available by the end of October. The transit analysis will be available by the end Of October as well. Mr. Weisbrod offered to come back to the group to speak to them further on the economic analysis.

Chair Staples asked Mr. Weisbrod to provide additional background information to the members in anticipation of the other information that will be provided later. Chair announced that the panel may want to come back and hear another presentation with all of it and members might have requests with regard to how the information is presented.

Beth Osborne asked a question regarding cost of congestion to the economy and particularly the cost of congestion to job growth, commenting that there are different types of congestion that affect the economy in different ways. Ms. Osborne asked how these are teased out. She referenced an interview with a study author of an urban mobility report who said that the greatest way

to reduce congestion is a good recession. Asked how do we tease apart the lack of congestion that is assigned a poor economic performance versus the high level congestion that can cause economic problems, and how is this incorporated in the BC analysis. Mr. Weisbrod indicated that the key issue in this analysis is you look at the ratio of the volume to capacity of the highway and how many hours per day are congested and how bad the congestion is, because it is not just that traffic moves slower but when there's an exponential growth in back-ups. When you get congested roads like I-95 and I-84, businesses have to plan for that. An industry norm is you want to be at least 95% on time which means no more than 1 day per month would be late deliveries. You have to pad your schedule. All of this is in the economic model. Ms. Osborne asked if they were assigning a different cost differential for freight versus personal travel. Mr. Weisbrod responded yes; not only that, there's over 500 segments of the economy and every single one has a different effect. The cost actually differs for all 500 industries and it depends on both the wages in those industries and the percentage of vehicles that are affected by them.

Ms. Osborne: Have you found a way to value time lost to *reliability* versus time lost to *delay*? Mr. Weisbrod answered yes and indicated that the Sharp II Strategic Highway Research Program had a study on this. The value of time is a bit different but that it was tiny compared to when the buffers are padded. Buffer time ends up being a more important factor.

Mr. Frankel asked for clarification around the "1500 jobs added" commenting that these projects to a significant degree are *state of good repair* projects which means that they *have* to be done; And if they're not done (for instance the viaduct), they'll have to be closed ultimately. Mr. Frankel commented that the risk of jobs lost seems to him, significant. He asked Mr. Weisbrod if these negative impacts are captured in the analyses. Mr. Frankel commented that the projects are urgently needed, making the case that they have to be done otherwise the "negative" economic impacts on CT will be enormous.

Mr. Maziarz explained that what was presented today for the corridors was largely widening-projects. Further, what we're doing is the first cut on the two mega projects. These are the preservation (the Viaduct which was built in 1965 in Hartford, and the mixmaster—also a viaduct—built also in the mid-60's in Waterbury). There will be some improvement, accident flow, but mainly preservation. The first analysis they will conduct on this is the cost to the state to repair. They hypothesized what would happen if for instance BDL were not there, essentially what is the cost of taking no action.

Chair Staples asked, with regard to savings for \$10b for transportation efficiency; over what period of time is this figure calculated? Is it the life of the project, apples/to/apples? Mr. Maziarz stated that they are really striving to do apples/to/apples. It was assumed that any one of these projects would be starting at the beginning of the Lets Go CT! program and they are running that out to 2050 in terms of the economic analysis. A common period of time of 27 years for the long-term impact for those projects. With that, the economic benefits, all of those large #'s are over that same 27 year time period.

Mr. Griebel requested clarification regarding total jobs created (do you multiply the 5800 by 30 years and get to a total of 170,000 jobs?). Mr. Weisbrod stated clarified that it grows over time; The figure starts off as smaller and gets bigger and bigger, so, over 100,000 job years, not jobs.

Mr. Griebel asked a question about private sector engagement. What happens during the construction period and how businesses are planning to avoid that? What happens during this significant construction period? Would you shut the whole project down... would be helpful as we try to position this, it's not just the jobs that would be lost if they weren't here but also what's happening in the interim.

Governor Dannel Malloy joined the meeting briefly to provide an update on the Lets Go CT! transportation initiative and express thanks to the panel for the significant work to date and going forward.

Following the Governor's departure, Mr. Maziarz urged members to not get hung up on the 5800 jobs. They will address the issue of showing that in terms of job years, etc. Pointed out that this is just the 3 corridors. Members have not yet learned of the total impact; this number is going to be larger. In terms of the mega projects and the impacts of what it does to businesses during the construction period, the team is looking at that; they are seriously trying to look at different options. Mr. Maziarz commented further that another thing to note is that the team is considering what has to be done in and around the state *prior* to even starting the projects. Further, they are examining the economic impact of accelerating the widening of a major interstate. One study revealed that it was well worth the extra money to do it in a compressed time frame as it allowed for so much more business growth in the long run.

Mr. Frankel stated that the benefit cost-ratio seems very important to make a strong case by being authentic and not creating the figures but really showing what the economic benefits are. Chair Staples commented that the construction jobs are not being seen in the presentation, jobs created & spending is an important element to add in. The degree to which the report can include all of these benefits, including the construction jobs, would be helpful.

Paul Timpanelli made two comments: 1) Expressed agreement with Mr. Frankel with regard to the importance of showing the results of economic activity in many and varied ways; stated that he is particularly interested in seeing the state revenue generated as a result of this growth. 2) Asked for clarification regarding the baseline data that enabled the outcome of the report. Mr. Weisbrod replied that it depends totally on what you're defining to be the base case. It depends on what frame of reference you're looking at, the corridor or the whole state. Discussion ensued.

Mr. Griebel commented that it would be helpful if there is a way that they can report on employee retention.

Mr. Maziarz stated that they will sit down as a team and deliberate based on the input and feedback of the group.

		<p>Cmsr. Jim Redeker commented that what the group is seeing today is the minority of what is being done in this program.</p> <p>Mr. Frankel commented that what comes through here strongly is that it is important to quantify the state of good repair projects. If we have not quantified and made an overwhelming case of doing the projects that <i>have</i> to be done, we are not going to win our case.</p> <p>Chair thanked the presenters.</p> <p>The economic impact presentation can be accessed here.</p>
IV.	Update on Special Transportation Fund Revenue Estimates by Brian Tassinari, OPM	<p>Chair welcomed Brian Tassinari from OPM to provide a brief update on revenue estimates.</p> <p>Mr. Tassinari announced that the State is currently going through a bond sale for the special tax obligation bonds. Adjustments were made based on what is currently being seen. Some adjustments to the forecast were made in terms of expenditures, interest rates, and so forth. Mr. Tassinari briefly went over the tax obligation bonds which is done once per year. There's a list of what makes up these bonds and these were all provided to members in a presentation back in April. Mr. Tassinari stated that there is one thing that is new about the sale which is that it will include funds for the first tranche of the Lets Go CT! There is money in there dedicated to that.</p> <p>Mr. Tassinari announced that the big change made prior to giving out the economic info to the credit rating/investors is changing assumptions on revenues. Currently the State is seeing lower than anticipated oil prices when the forecast was put together back in April. There are two major changes: one to motor fuels tax, and one to oil companies' tax (motor fuels tax benefits from a lower oil prices. Oil companies' tax does not benefit. In the end you get negative reduction in revenue for the foreseeable future).</p> <p>Mr. Tassinari explained that this is just a 10 year forecast. Mr. Tassinari stated that this is a conservative forecast. The forecast from April was more moderate.</p> <p>Chair Staples asked if they are estimating a certain average price of oil over the next 10 years. Mr. Tassinari replied yes, it is being based off a forecast provided to OPM by IHS. It starts at 48 and then ramps up to approximately 82. Chair Staple: So there are estimates that go out about 10 years? Mr. Tassinari answered yes.</p> <p>Mr. Frankel asked what is the assumption about the growth of the special revenue bond indebtedness during this period of time and secondarily, what % of transportation spending will be represented by debt service? Mr. Tassinari offered a breakout of debt service. In terms of assumptions we start off around 3.5% in this fiscal year and we won't know the actual interest rate will be.</p>

		<p>Mr. Frankel asked what is assumed will be the amount of state capital investment during this period of time and funded by additional borrowings. Mr. Tassinari clarified that it assumes LetsGoCT! and just the regular ongoing transportation program.</p> <p>Mr. Griebel asked when the one-half cent sales tax increase starts. Mr. Tassinari answered that it starts in this fiscal year. He explained that it will ramp up beginning in October at 0.3% and then 0.4% in the next fiscal year and then a half-cent in 2018. Discussion ensued.</p> <p>Bert Hunter asked what accounts for the greater consumption. Mr. Tassinari explained that it is just because the price is lower. Mr. Hunter asked if the presentation has already been made to the rating agencies. Mr. Tassinari replied yes. The response overall was positive. They like that the general fund and the special transportation fund have been separated out. They like that there is a statutorily required lock box. They see the size of the program growing as a negative and they are waiting to see what this panel will do and what it will recommend and then what the general assembly will actually enact. Overall positive. Most of their write-ups are public. Mr. Tassinari will provide these to the panel members.</p> <p>Mr. Hunter asked if there any discussion about a constitutional lock box. Mr. Tassinari stated that it was briefly mentioned with a couple of the rating agencies and at that time they felt it would be a positive step.</p> <p>Mr. Hunter asked what the current rating profile of the STO bonds is. Mr. Tassinari responded AA across the board.</p> <p>The revenue update presentation can be accessed here.</p> <p>Chair Staples called a brief recess.</p>
V.	Discussion	<p>Meeting reconvened.</p> <p>Chair Staples indicated that the group consents to the notion that another briefing might be helpful once the members receive the reports on the two large projects. The group will be wrapping up the report to the Governor over the next few months. The next meeting will be set whenever the information becomes available, one being at the end of October and another during early November. The group will work on developing some options. Chair asked for additional information from OPM & the DOT around the projects that they've identified, and revenue options, and then review of a range of choices that we can suggest and then draft report in the weeks thereafter.</p> <p>Final structure after our next briefing.</p> <p>Mr. Frankel sated that at some point whether by corridor or whether by the major projects, he requested to identify not only cost but also assumptions, benefits, & the available funds for that projects (both federal & state). What is available project-by-project & quarter-by-quarter.</p>

		<p>Mr. Eucalitto commented that that can be done. He would want Bob Card and Wally Lugli from DOT to talk to members about how they would want this portrayed in terms of how they would plan on applying the federal funds 15 years from now.</p> <p>Mr. Griebel expressed interest in learning if there is a way they can understand what happened in Boston in terms of the total cost, if CT were to shut down I-84 for a period of time to accelerate the construction, what would that have done in Boston and what might it do here in CT.</p> <p>Members discussed briefly how to go about communicating the report to the Governor. William Bonvillian asked if it would be appropriate to have a short working session to discuss the drafting process. Chair Staples suggested scheduling a full day at the next meeting where members would have the presentation and hopefully more information ahead of time, and then have a concrete discussion about recommendations and a working session around that. Mr. Bonvillian requested a working document that they can begin to look at and schedule meetings around this document. Chair Staples suggested perhaps circulating the draft recommendations prior to a meeting.</p>
VI.	Next Meeting Date	<p>Mr. Griebel suggested nailing down two meeting dates, one for a meeting and one for a working session. The members will be surveyed. Members agreed that a working draft would be beneficial.</p> <p>Chair Staples announced that dates will be circulated to the members for the first part of November and the first part of December and a draft document circulated to the members by end of October.</p>
VII.	Adjournment	Chair Staples declared the meeting adjourned.