

LONE STAR RAIL DISTRICT

Board Meeting Summary

Friday, March 1, 2013

10:00 a.m.

San Marcos Activity Center

501 E. Hopkins

San Marcos, Texas

1. Call to Order

Notice was duly posted and a meeting of the Lone Star Rail District Board was held on Friday, March 1, 2013. Board Chairman Sid Covington presided, noted a quorum was present, and called the meeting to order at 10:10 a.m. Chairman Covington noted he would take some of the agenda items out of order and consider the action items first while a quorum was present.

Board Participants:

Sid Covington, Chairman

Tommy Adkisson

Mary Briseño

Mariano Camarillo

Sheryl Cole

Will Conley

Dean Danos

Patty Eason

Debbie Ingalsbe

Ray Lopez

Sandy Nolte

Kim Porterfield

Carroll Schubert

Other participants included Ross Milloy, Joe Black, Alison Schulze (Rail District); Joe Lessard (Knudson, LP); and Bill Glavin (TxDOT Rail Division).

2. Chairman and Member Comments

Chairman Covington welcomed the Rail District's newest Board member, City of San Antonio Council Member Ray Lopez. Council Member Lopez was appointed by the San Antonio-Bexar County MPO to replace Senator Jeff Wentworth as its representative on the Board.

Chairman Covington announced an American Public Transit Association (APTA) seminar for Transit Board Members will be held in Austin on July 20-23. Details aren't available yet on cost or the seminar agenda; staff will distribute the information to the Board as it becomes available.

There were no additional comments.

3. Items for Consent

A. Consider Approval of December 7, 2012 Board Meeting Summary

B. Consider Approval of Financial Statement

Chairman Covington noted the two consent items would be considered for approval by one motion and either item could be pulled from the consent agenda upon a Board member's request. There was no discussion. Upon a motion by Council Member Sandy Nolte and second by Board Member Dean Danos, the Board unanimously approved the consent agenda.

8. Consider and Take Appropriate Action on Selection of Consultant Team for On-Call Program Support Services

Chairman Covington reiterated he would take the agenda items out of order and consider the action items first. Joe Black reported the Board authorized the procurement process for on-call support

services in September 2012 and also authorized the Board Chairman to execute both the contract with the selected consultant team and the interlocal agreement with TxDOT since the funding source for the contract will be state funds. The Evaluation and Selection Committee was comprised of Committee Chair Sid Covington and Committee members Dean Danos, John Langmore, Sandy Nolte, and Tullis Wells. The Committee reviewed and scored the Statements of Qualifications individually and submitted their scores to Chairman Covington, and then met via conference call on February 4 to discuss and rank the SOQs. Chairman Covington noted the Rail District received two responses, both proposals were excellent, and both teams were well qualified.

Mr. Black reported the Committee's recommendation was that the Board award the contract for On-Call Program Support Services to the Bowman/LAN team. Additionally, staff recommended that the Board authorize staff to negotiate a contract with Bowman/LAN for a cost not to exceed \$300,000 for the first year with annual options to extend the contract for a total of 3 years. Staff recommended that the Board only fund the first year to see how the process goes. Work will be assigned to the consultant team on a task order basis using work authorizations that describe the specific services to be performed and the task budget. Staff will report back to the Board before requesting authorization or funding for follow-up years.

Discussion followed on the task order process. Mr. Black noted that staff would issue the task orders and subsequent Board approval would not be required as long as the total amount spent in the first year did not exceed \$300,000. The purpose of the contract is to provide support to staff, which could range from preparing a map to reviewing a cost estimate, so it's important to allow staff and the consultant team to be nimble. Staff will report on the contract's task orders and expenditures each month to the Executive Committee and/or Board. Upon a motion by Commissioner Debbie Ingalsbe and second by Commissioner Tommy Adkisson, the Board unanimously approved the Committee and staff recommendations.

11. Consider and Take Appropriate Action on Joint Agency Management Statement

Joe Black briefed the Board on Project Connect, a collaborative effort on the north end of the corridor between Capital Area MPO (CAMPO), City of Austin, Capital Metro, and Lone Star Rail District. Project Connect's objective, working with the Transit Working Group—a subcommittee of CAMPO, is to define the future high-capacity transit system in the 5-county CAMPO area.

The American Public Transit Association conducted a peer review of the Project Connect planning process in December and January. Mr. Black directed the Board's attention to the APTA peer review report included in the agenda packet and cited a quote from the report: *"It appears to the panel that the Lone Star Rail District's LSTAR project unites the vision of Project Connect across the greater Austin area. Staff of the Lone Star Rail District have been diligent in engaging the various regional partners."*

Mr. Black reported that Project Connect has been very successful on the north end of the corridor and he would like to pursue a similar effort on the south end between VIA, the City of San Antonio, Bexar County, and the SA-BC MPO. VIA has done a very good job of defining their own long-range transit plan, but a system planning approach would focus on how to fund and organize the high-capacity transit system as a region.

One of the APTA peer review recommendations was to formalize the partnership among the agencies starting with a memorandum of understanding (MOU) that will eventually lead to interlocal agreements that define roles and responsibilities among the partners. The draft Joint Agency Management Statement, included in the agenda packet, is the first step in formalizing the relationship. Key elements of the agreement are listed in the staff memo in agenda packet. Staff

anticipates the partners will be ready to execute the final agreement or MOU before the next Board meeting in June.

Staff recommended that the Board grant authority to the Executive Committee to approve the Joint Agency Management Statement once it's in final form as agreed upon by the partner agencies, and provide for execution of the agreement. Chairman Covington noted the agreement is very high level and doesn't commit funds, but it's important to have a formal agreement among the parties to move forward with system planning, it's a strong message to the public that shows commitment, and it demonstrates to the federal government that the region speaks with one voice. Upon a motion by Commissioner Tommy Adkisson and second by Council Member Sandy Nolte, the Board unanimously approved the staff recommendation.

4. Committee Report: Executive Committee Meeting February 1, 2013

Chairman Covington directed the Board's attention to the meeting summary included in the agenda packet. The Committee met via conference call on February 1 and considered the following items:

- The Committee approved a contract amendment to extend trademarking services through December 2016. The Rail District has 3 federal trademarks; until passenger service is in operation, the Rail District will need to re-file the federal trademark applications every 3 years, as well as subsequent time extensions every 6 months during the 3-year period.
- Staff briefed the Committee on Project Connect activities and the draft Joint Agency Management Statement, a recommendation of the APTA Peer Review panel. Joe Black briefed the Board on the Joint Agency Management Statement under Agenda Item 11.
- Staff updated the Committee on the status of interlocal funding agreements with local jurisdictions and the latest draft of the tax-increment financing (TIF) provisions. Joe Lessard will brief the Board under Agenda Item 9.
- Bill Bingham briefed the Committee on the Bergstrom Spur, an active Union Pacific rail line in South Austin that could provide a rail link to the Austin airport. Mr. Bingham is researching the spur as part of his on-going evaluation of UP's titles and deeds. The Rail District's objective is to preserve the corridor.
- Staff updated the Committee on freight planning issues and issues associated with the passenger rail project. Staff will brief the Board under Agenda Items 10 (freight rail) and 12 (passenger rail).

5. Consider Executive Director's Report

Ross Milloy briefed the Board on several items of interest:

- Staff continues to work on the lead agency issue for the federal environmental process on the passenger rail and freight rail relocation project. Mr. Milloy will meet next week in Washington, DC with the Deputy Secretary of the U.S. Department of Transportation, the Federal Highway Administration, and the Federal Railroad Administration to try to resolve the issue. Staff continues to develop the project on two paths: the first is a traditional project development process that goes through alternatives analysis, environmental approval, financing, construction, and, finally, operations; the second is a non-traditional scenario which uses a public-private partnership to design, build, finance, operate, and maintain the project. Staff is moving forward with project development in a way that doesn't jeopardize either path.
- Rail District staff and consultants met with Austin Mayor Leffingwell and San Antonio Mayor Castro in mid-February. Mayor Castro agreed to set up a process in San Antonio that's similar to the Project Connect system planning effort in Austin. The process would include VIA, the City, Bexar County, and Lone Star Rail to jointly develop funding mechanisms and a finance plan. The mayors also discussed legislative strategies to fund the Rail Relocation and Improvement Fund and to finance the Rail District project at the state level. Finally, staff asked both mayors to support an op-ed piece in local newspapers that recommends using toll-road revenues in the Austin-San Antonio corridor to finance the Lone Star Rail project. Toll

revenues can be used for the Rail District's project, whereas the majority of TxDOT's revenue comes from the gas tax, which can only be used for road projects.

- The draft Business Plan is going through internal review and editing. There's a placeholder in the Business Plan for the financial element, which won't be complete until the legislature acts on rail relocation funding, until the real estate-value capture business model identifies development potential around stations and proformas show how it might be used as a financing mechanism, and until the benefits of rail relocation are quantified. All three elements should be complete or nearly complete in June.
- Jacobs conducted an interactive planning session in late December for Executive Committee leadership, staff, and consultants to discuss project strategy with Jacobs' international rail and project development experts. Mr. Milloy noted the Rail District's appreciation of Jacobs' proactive effort to reach consensus on moving the project forward.
- Staff outreach and public engagement in January and February included the Southwest Rail Conference in Dallas; Project Connect open-house meetings in Kyle, Austin, and Round Rock; a joint meeting of the Sun City Democrats and Georgetown Greenworks; the Future of the I-35 Corridor Conference; and the International Right of Way Association, Austin Chapter.
- At the invitation of Austin Mayor Leffingwell, staff attended a presentation in January by Texas Triangle Holding Company on a high-speed-rail proposal for the Austin-San Antonio corridor. The Holding Company suggested using the existing Union Pacific rail corridor for high-speed rail, although no one from the company has yet approached Union Pacific or the Rail District.

Mr. Milloy noted that other activities would be reported under the project-specific agenda items

Board discussion followed on using the gas tax to finance congestion-relief projects in the I-35 corridor, on the need to educate the local legislative delegation and legislative leadership on the Rail District's project, and on selling the project as a commerce issue, not just a transportation issue— I-35 congestion stalls commerce and the Rail District project will benefit commerce in Texas and nationwide.

9. Consider and Take Appropriate Action on Interlocal Funding Agreements with Local Jurisdictions

Chairman Covington announced the Board would consider Agenda Item 9 next and noted the action was to seek consensus and provide direction to staff on the tax-increment financing (TIF) provisions that will be included in the interlocal funding agreements.

Joe Black reported that staff is engaged in discussions with local taxing jurisdictions, mostly on the north end of the corridor due to the momentum generated by Project Connect. Staff has been meeting with Travis County and City of Austin officials and staff, as well as Hays County and, more recently, Williamson County jurisdictions. Discussions have focused on local funding options and TIFs. The goal of the TIF provisions is to maximize the potential for revenue, concentrating on growth sources—that is, revenue sources that grow in response to the presence of a rail system. Rail stations will drive economic development such that a portion of the value created can be dedicated to local funding for the Lone Star Rail project.

Joe Lessard briefed the Board on recent TIF discussions with the City of Austin. Thanks in large part to the leadership of Mayor Leffingwell and Mayor Pro Tem Sheryl Cole, City Council approved a resolution on January 31 that directed the City Manager to draft a report on the Rail District's proposal for TIF districts including an initial draft of an interlocal agreement. City staff is currently developing the report, which will be presented to Council in mid-March.

Austin's action is important in that it establishes a precedent for moving forward with other member jurisdictions and partners. Staff is working to establish a standard agreement on TIF provisions for

all jurisdictions. Each jurisdiction will likely make minor adjustments to the agreement to reflect its local funding approach, but the basic TIF provisions will remain the same. Bill Bingham is drafting the interlocal agreement (IA) that will incorporate the TIF provisions.

Mr. Lessard directed the Board's attention to two documents included in the agenda packet: a summary of the draft TIF provisions and a detailed outline of the draft IA provisions. He encouraged the Board to ask questions and provide feedback on the provisions before staff continues further discussions with the City of Austin and Travis County.

TIFs would be created under the Texas Transportation Code, Section 173. Each jurisdiction would dedicate 50% of the revenue from new growth within the TIF district, which would generally cover a ½-mile radius around each rail station. Existing single-family and duplex residential properties would be exempt, but new development would be included. Tax exempt properties (e.g., state land around stations) would be added if and when the property is developed for private use. Additionally, TIF participation will honor preexisting economic development agreements (e.g., the existing TIF around the proposed downtown-Austin station).

Mr. Lessard stopped for questions which focused on equity and each jurisdiction paying its fair share of capital and annual operations and maintenance (O&M) costs; on school districts, which won't participate in TIFs—only cities, counties and community college districts will participate—but will reap the benefits of increased property values; the participation of area universities, which is still under discussion and may be in the form of providing local transit connections at stations; the impact of preexisting economic development agreements staff has encountered, which vary depending on the size and location of the existing TIFs—e.g., one TIF in downtown Austin is substantial because of its value, one TIF in downtown San Marcos is substantial because of its size. Additional discussion focused on the 50% requirement being consistent among all participating jurisdictions, and including Rail District Board members in discussions on station locations in their jurisdictions.

Mr. Lessard briefed the Board on the last few TIF provisions: jurisdictions are asked to provide appropriate planning and zoning that allow growth to occur around stations in support of their TIF districts, and funds held longer than 6 years may be taken back if capital funding has not been secured. Three final provisions will need to be more narrowly defined due to Project Connect's regional funding approach; but, as stated in the current TIF provisions: prior to initiating service, the Rail District will not spend TIF funds without approval of the jurisdiction; the Rail District will not exceed base service expenditure levels without prior approval; and, when in operation, the Rail District will identify excess TIF funding.

Board discussion followed on when the TIFs would go into effect. Mr. Lessard responded that in Austin and Travis County, the TIFs would be created in mid-2013; in Hays County, by the end of 2013. Staff would then begin a similar process in San Antonio and Bexar County, which would take about a year.

7. Consider and Take Appropriate Action on Appointment of Executive Committee

Chairman Covington moved to Agenda Item 7 and noted the bylaws specify that the Board appoints the Executive Committee. Chairman Covington recommended that the Board reappoint the current members of the Executive Committee and that Schertz Council Member George Antuna, Jr. replace Senator Jeff Wentworth as alternate. Upon a motion by Commissioner Tommy Adkisson and second by Board Member Dean Danos, the Board unanimously approved the Board Chairman's recommendation.

6. Consider and Take Appropriate Action on Election of Board Officers

Chairman Covington noted the staff recommendation on the election of Board officers requires that 14 members be present so the item was postponed until the next Board meeting.

10. Consider and Take Appropriate Action on Freight Planning Issues

Chairman Covington briefed the Board on the February 14 meeting between the Rail District and Union Pacific in Fort Worth. Board Vice Chair Tullos Wells and General Counsel Bill Bingham represented the Rail District and reinforced San Antonio's commitment to the project. It also provided an opportunity to meet some of UP's new senior-level management. A follow-up meeting on engineering issues is scheduled for next week in San Antonio. Chairman Covington also announced that Joe Adams, who oversees public affairs in UP's southern region, will retire May 31. Joe has a long relationship with the Rail District and had become a good partner. Brenda Mainwaring will succeed Mr. Adams.

Joe Black reported on recent activities under the Local Government and Stakeholder Engagement Services contract. Rail District staff, consultants and UP representatives continue to meet bi-weekly to coordinate messaging and report on on-going outreach efforts. Recent meetings and presentations include City of Round Rock staff, Georgetown Sun City Democrats and Georgetown Greenworks, City of Hutto staff, and City of Georgetown staff.

Board discussion followed on the increased rail activity and investments in the Eagle Ford Shale area. The uptick in activity highlights the need for a freight bypass around San Antonio.

12. Consider and Take Appropriate Action on Status Report on Passenger Rail Environmental and Engineering Studies

Joe Black reported on two on-going activities related to the passenger rail element of the project. First is the strategic funding and financing plan. Joe Lessard described the local funding effort under Agenda Item 9. Rail District staff continues to work with its financial consultants The PFM Group, Knudson, and Jacobs to progress the financing plan for the LSTAR and freight rail bypass projects. Additionally, PFM is coordinating closely with the Project Connect financial team to ensure consistency between the Rail District and Project Connect plans.

The second major work effort is joint operations planning with Union Pacific. Rail District and UP staff will meet via webinar next week to discuss network simulation modeling and rail traffic control (RTC) modeling.

13. Consider Status Report by TxDOT Rail Division

Bill Glavin, Director of TxDOT's Rail Division, updated the Board on the Oklahoma City to South Texas Rail Study. The Rail Division hosted a series of meetings with stakeholders in the past week. The next round of meetings will be 12 public meetings in late March/early April. TxDOT anticipates the Notice of Intent for the study will be published in the Federal Register on March 11.

14. Consider Report on Legislative Issues

Ross Milloy reported on state legislative issues: the Rail District filed four bills that would create a funding stream for the Texas Rail Relocation and Improvement Fund and one appropriation rider to extend use of the Rail District's state funds. Mr. Milloy has a meeting with Phil Wilson, TxDOT's Executive Director, on March 18 to coordinate a statewide approach on rail relocation financing. Several measures have been proposed to generate new revenue. The Rail District's position is that any new revenue should include funding for rail and not be dedicated solely to highways.

Mr. Milloy will travel to Washington, DC next week with the San Antonio Mobility Coalition on its annual SA-to-DC trip. There is some discussion in DC to extend or reauthorize MAP-21 and a series of bills was introduced on rail funding at the national level. Mr. Milloy will report on federal legislative issues in more detail at the next meeting following his trip to DC.

15. Concluding Board Member Comments (no action taken)

Chairman Covington announced the next meeting will be the Executive Committee meeting on April 5. The meeting will either be by conference call or at the San Marcos Activity Center depending on the agenda items to be considered. The next Board meeting will be June 7 at the San Marcos Activity Center.

Commissioner Will Conley announced the Capital Area MPO will appoint City of Austin Council Member Bill Spelman to be its representative on the Rail District Board. CAMPO action is expected on March 18.

16. Public Comment

There were no public comments.

17. Adjourn

Chairman Covington adjourned the meeting at 11:55 p.m.