

LONE STAR RAIL DISTRICT

Board Meeting Summary Friday, September 6, 2013

10:00 a.m.

Hill Country Event Center
107 Centerpoint Road
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, September 6, 2013. Board Chairman Sid Covington noted a quorum was present and called the meeting to order at 10:23 a.m.

Board Participants:

Sid Covington, Chairman
Tullos Wells, Vice Chairman
Tommy Adkisson
George Antuna, Jr.
Mary Briseño

Mariano Camarillo
Dean Danos
Patty Eason
John Langmore
Ray Lopez

Sandy Nolte
Kim Porterfield
Carroll Schubert
Bruce Todd

Other participants included Ross Milloy, Joe Black, Alison Schulze (Rail District); and Darin Kosmak (TxDOT Rail Division).

2. Chairman and Member Comments

Chairman Covington welcomed the Rail District's newest Board member, Travis County Commissioner Bruce Todd. Commissioner Todd was appointed by the County to replace Commissioner Eckhardt, who resigned to run for County Judge. Due to Commissioner Todd's recent appointment as well as other recent and pending changes on the Board, Chairman Covington announced he made new assignments to the Board's standing committees and directed the Board's attention to the list of Committee assignments included in the agenda packet. Chairman Covington noted the Board Chair makes assignments to standing committees, but the full Board appoints members to the Executive Committee, which will be considered under agenda item 3. Finally, Chairman Covington thanked Board Vice Chairman Tullos Wells for his leadership on Rail District issues during the Chairman's absence over the summer.

Councilmember Patty Eason reported the Georgetown City Council will vote on Tuesday, Sept. 10, to reconsider its June 25 action to drop out of the Rail District. The Georgetown Transportation Advisory Board will recommend the Council reverse its action and remain a member of the Rail District. Councilmember Eason noted the Rail District has strong support from citizens and the business community. Vice Chairman Wells applauded Councilmember Eason on her efforts to educate the citizens and Council so they can make an informed decision.

There were no other comments.

3. Items for Consent

- A. Consider Approval of Appointments to Executive Committee**
- B. Consider Approval of 2014 Meeting Calendar for Board of Directors and Executive Committee**
- C. Consider Approval of June 7, 2013 Board Meeting Summary**
- D. Consider Acceptance of FY12 Audit of Lone Star Rail District**
- E. Consider Approval of Financial Statement**

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

4. Committee Reports

A. Executive Committee Meeting August 2, 2013

Vice Chairman Wells reported the Executive Committee met by conference call, and noted a summary of the meeting was included in agenda packet. The Vice Chairman briefed the Board on the Committee's action items.

- The Executive Committee approved an amendment to Jacobs' contract to extend the end date of the contract from September 2013 to September 2015, and to add \$100,000 to continue Jacobs' technical support services and coordination with Union Pacific.
- The Committee approved an amendment to extend the end date of A3 Design's annual contract for website and printing services to December 2014; there was no increase in fee associated with the amendment.
- The Committee discussed a policy regarding the financial obligations of new Rail District members, and directed staff to develop a policy for Board consideration and discussion and to present the policy to the Board in December.
- Staff updated the Committee on freight rail and passenger rail planning issues. Staff will brief the Board under agenda item 9.

B. Finance Committee Meeting August 28, 2013

Councilmember Kim Porterfield, Chair of the Finance Committee, directed the Board's attention to the meeting summary included in agenda packet, and briefed the Board on the Committee's action items:

- The Committee reviewed and discussed the proposed FY14 reimbursement agreement between the Rail District and the Austin-San Antonio Corridor Council and voted unanimously to approve the reimbursement agreement and to recommend the Board approve the agreement on September 6. The Board will consider the FY14 reimbursement agreement under agenda item 7.
- The Committee discussed the proposed FY14 budget and voted unanimously to recommend the Board approve the FY14 budget; also under agenda item 7.
- The Rail District received a clean audit for FY12 and staff presented the highlights of the audit. The Committee voted unanimously to accept the FY12 audit and to recommend the Board accept the audit. The Board took action earlier under the consent agenda, agenda item 3D.
- The Committee also discussed future staffing needs for the Rail District.

5. Consider Executive Director's Report

Ross Milloy briefed the Board on several items of interest:

- The Rail District's partnership with TxDOT continues to grow stronger. Phil Wilson, John Barton, and Darin Kosmak have all been extremely helpful. TxDOT agreed to convert LSRD's \$2 million in toll credits to \$2 million in cash for the 20% match on CAMPO funds for the passenger rail environmental studies. A confirmation letter is expected within 30 days.
- On TxDOT's recommendation, staff met with representatives of the Texas Commission on Environmental Quality and Texas Transportation Institute. TxDOT agreed to fund a study of Texas rail projects with a goal of establishing the comprehensive impacts of rail projects on air quality. The intent is to develop a methodology that indicates the extent that freight rail relocation and passenger rail projects are effective in reducing emissions. If rail projects are shown to be effective, the projects may be allowed to access funds from the Texas Emissions Reduction Program (TERP).
- In August, both the Austin City Council and the San Marcos City Council approved resolutions directing city staffs to draft local funding agreements with the Rail District before the end of the year. Mr. Milloy applauded Joe Black and Joe Lessard on achieving this major milestone.
- Mr. Milloy and Vice Chairman Wells will attend the 5th North American Strategic Infrastructure Leadership Forum in Washington, DC, October 29-31. The forum presents the top infrastructure projects that offer business opportunities for financial, technology, engineering and construction firms. Lone Star Rail is a featured project at the forum.
- Staff continues its public outreach efforts. August presentations included Geekdom in San Antonio on August 6, Leadership San Antonio on August 7, and the Schertz Chamber of Commerce on August 20.

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

Chairman Covington turned the gavel over to Vice Chairman Wells, who reported the Board needs to elect a Chair and Vice-Chair. The position of Board Chair carries a term limit, but the term limit can be waived by a resolution passed by two-thirds of the members of the Board. A resolution to reelect Chairman Covington is included in agenda packet. Vice Chairman Wells noted that Chairman Covington works tirelessly on behalf of the Rail District and his service and support have contributed to the Rail District's success and to advancing the project. Chairman Covington is one of the Rail District's best assets.

Upon a motion by Commissioner Bruce Todd, and second by Board Member Dean Danos, the Board unanimously approved the resolution waiving the term limit for Board Chairman Covington, and elected him to serve another term as Chairman.

Vice Chairman Wells turned the gavel back to Chairman Covington to elect a Board Vice Chair. Upon a motion by Board Member Carroll Schubert, and second by Commissioner Tommy Adkisson, the Board unanimously elected Tullos Wells to serve another term as Vice Chairman.

7. Consider and Take Appropriate Action on FY14 Austin-San Antonio Corridor Council – Lone Star Rail District Reimbursement Agreement and FY14 Budget

Chairman Covington noted the Board decided early on to use the Corridor Council for administrative functions instead of leasing office space and hiring a large staff. The agreement with the Corridor Council reduces the administrative costs of the Rail District and allows the Rail District to spend its limited funds on project development rather than office space and staff.

Ross Milloy reported the reimbursement policy identifies the cost sharing agreement between the Corridor Council and the Rail District for Corridor Council expenses in support of Rail District activities. The agreement is evaluated each year as part of the annual budget process, and the costs are reflected in the Fiscal Year 2014 budget under locally funded expenses. There are no significant changes between the current policy and the proposed policy for FY14.

Mr. Milloy noted two versions of the budget were presented to and approved by the Finance Committee: Budget A, the Primary Budget, assumes Georgetown is not a member in FY14; Budget B, the Supplemental Budget, assumes Georgetown remains a member in FY14. The difference between the two versions of the budget is in local income and locally funded expenses.

Alison Schulze directed the Board's attention to the two budgets included in the agenda packet. The state and federal sections of the FY14 budget are the same in both budgets. State funds are shown as state income (line items 28-30) and state-funded expenses (line items 31-43). All proposed expenses are to continue existing contracts. Federal grant funds are shown on line items 44-52; again, all grant expenditures are to continue existing contracts, no new contracts are proposed in FY14. The federal STP-MM funds received from the Capital Area Metropolitan Planning Organization (CAMPO) are shown in a separate category in the budget, line items 53-59, because the MPO funds are earmarked for a specific purpose—environmental studies on the passenger rail-freight rail bypass project—and can't be comingled with the Rail District's grant funds.

Ms. Schulze noted that, as reported by Committee Chair Porterfield under agenda item 4, the proposed FY14 reimbursement agreement and the proposed FY14 budgets were presented to the Finance Committee on August 28. The Committee's unanimous recommendation was that the Board approve the FY14 reimbursement policy between the Corridor Council and the Rail District, and approve the FY14 Primary Budget and FY14 Supplemental Budget and direct staff to operate under the Primary Budget unless or until Georgetown's membership status changes.

Board discussion followed on the difference between the current FY13 budget and the proposed FY14 budget, and the difference between the FY14 Primary Budget and the FY14 Supplemental Budget. The Board directed staff in the future to show current and proposed budgets side by side for comparison.

Finance Committee Chair Porterfield reiterated the Committee's recommendation was in the form of a motion to adopt the FY14 reimbursement agreement and the two versions of the FY14 budget. Chairman Covington noted since the motion came from the Committee a second was not required. The Board unanimously approved the FY14 reimbursement policy between the Corridor Council and the Rail District, and the FY14 Primary Budget and FY14 Supplemental Budget and directed staff to operate under the Primary Budget unless or until Georgetown's membership status changes.

8. Consider and Take Appropriate Action on Authorizing Staff to Negotiate a Contract for Engineering, Environmental, and Planning Services on the Passenger Rail - Freight Rail Bypass Project with the Team Selected by the RFQ Evaluation Committee and to Present the Consultant Team and the Contract to the Board for Board Approval in December

Chairman Covington reported the Rail District received four Statements of Qualifications (SOQs) in response to the Request for Qualifications (RFQ) issued in July for environmental studies on the passenger rail - freight rail bypass project. He noted his intent in adding this item to the agenda was to expedite the contracting process in order to get the project underway as soon as possible.

Joe Black briefed the Board on the 3-step procurement process. In the RFQ, the Rail District asked for Statements of Qualifications (Step 1). Step 2 of the process is written responses to specific questions outlined in the RFQ regarding the consultants' approach to expediting the project, to maximizing the use of existing data, and to quality assurance/quality control throughout the project. Step 3 in the process is the option of interviews. The RFQ Evaluation Committee may narrow the list of firms at any time.

The RFQ Committee is scheduled to meet on September 9 to discuss and rank the four SOQs and move to Step 2. If needed, and at the Committee's discretion, interviews will be held on October 1. Following Step 2 or Step 3, the RFQ Evaluation Committee will rank the firms and direct staff to begin contract negotiations with the top-ranked firm. At the December 6 Board meeting, staff will present the winning team and the draft contract to the Board to formally award the contract. The intent is to kick off the project in early 2014.

Mr. Black reported the staff recommendation is that the Board (1) authorize staff to begin contract negotiations with the top-ranked firm selected by the RFQ Evaluation and Selection Committee for engineering, environmental, and planning services on the passenger rail - freight rail bypass project, and (2) direct staff to present the consultant team and the draft contract to the Board in December for Board approval and contract award.

Chairman Covington noted that typically the RFQ Committee would make its recommendation to the Board in December and the Board would direct staff to enter into contract negotiations with the top-ranked firm and bring the contract back to the Board for award in March; but to expedite the process the RFQ Committee will direct staff to begin contract negotiations with the top-ranked firm so that the Board can award the contract in December. At that time, the Board still has the option of either approving or not approving the consultant team and the contract terms.

Vice Chairman Wells made a motion, seconded by Council Member Porterfield, to approve the staff recommendation. Board discussion followed on the timeline for procurement and the time lost if the Board does not approve the team and the contract at the December 6 Board meeting. Additional discussion focused on the specific steps staff would take if contract negotiations with the top-ranked firm aren't successful. Board Member Carroll Schubert offered a friendly amendment to the motion: if staff can't reach an agreement on contract terms with the top-ranked firm by November 1, staff will begin contract negotiations with the next ranked firm. Vice Chairman Wells and Council Member Porterfield accepted the friendly amendment to the motion and the Board unanimously approved the motion as amended.

9. Consider and Take Appropriate Action on Passenger Rail and Freight Rail Planning Issues

Joe Black reported the Hahn team is developing the final summary report under the Local Government and Stakeholder Engagement contract. The report will include an overview of meetings with local governments and stakeholders as well as a list of common and recurring issues.

The Rail District continues its joint planning effort with Union Pacific—staff is collaborating on assumptions for rail traffic controller (RTC) modeling in the joint service corridor. RTC is a network simulator that recreates the conditions for joint operation of passenger and local freight service in the existing rail corridor. The model software also allows UP to run “what if” scenarios. The model results will establish the future joint operations and will identify what infrastructure is required to support joint operations. UP is currently modeling baseline conditions—that is, the infrastructure and train schedules that exist today. Future model iterations will add in passenger service; then the

team will be able to identify improvements that are necessary to ensure that LSTAR passenger service will run on time and that UP can continue to serve its local customers.

On the local financial planning component, staff has had two recent successes. In August both the Austin City Council and the San Marcos City Council approved resolutions directing City staff to draft local funding agreements for LSTAR before the end of the year. Two Rail District Board Members—Council Member Bill Spelman and Council Member Kim Porterfield—were instrumental in getting both resolutions passed unanimously. Staff will now begin to prepare the interlocal agreements and ordinances that are necessary to create the funding mechanisms before the end of the year. Mr. Black stressed the importance of the local funding commitments to the capital-cost efforts. The local funding agreements assure potential capital funding partners that the project has local support and has local commitments for the on-going annual operations and maintenance costs.

Mr. Black briefed the Board on Project Connect. The Project Connect North Corridor Study (the Georgetown-Round Rock-Austin corridor), which includes LSTAR passenger service as a base condition, is proceeding. The Project Connect Central Corridor Study (urban rail in the downtown Austin area) is also proceeding and is nearing selection of sub-corridors for the urban rail alignment.

10. Consider Status Report by TxDOT Rail Division

Chairman Covington introduced Darin Kosmak, Deputy Director of the Rail Division, who is serving as Interim Director since Bill Glavin retired. Mr. Kosmak has been with TxDOT 28 years and has served as Director of the Rail-Highway Division since 2002.

Mr. Kosmak briefed the Board on several issues:

- The new Director of the Rail Division is expected to be named on Monday, September 9.
- The Rail Division is progressing a minute order for Texas Mobility Funds for the Rail District's match to CAMPO STP-MM funds—the funds will convert the toll-credit match to cash. The minute order will be on the Transportation Commission's September 26 agenda.
- Phil Wilson, TxDOT Executive Director, and John Barton, TxDOT's Chief Engineer, are very supportive of the Rail District's efforts and are looking for any opportunity to assist in moving the project forward.
- The Rail Division is making progress on the Texas-Oklahoma Passenger Rail Study. Stakeholder meetings will be held in October.

Ross Milloy thanked Mr. Kosmak for being a good partner and asked him to pass along to Mr. Wilson and Mr. Barton how much the Rail District appreciates their on-going assistance.

11. Consider Report on Legislative Issues

Ross Milloy noted the state legislative sessions are over and there are no significant issues to report at either the state or federal level. Mr. Milloy congratulated Board Member John Langmore and Capital Metro for their \$11 million TIGER grant, which will be used on the commuter rail line.

Vice Chairman Tullos Wells noted the Corridor Council hosted a reception on August 28 for Transportation Commissioner Vandergriff. During his comments, Commissioner Vandergriff voiced his support for the Rail District project very clearly, which was encouraging. Vice Chairman Wells thanked Mr. Milloy for putting the reception together.

12. Concluding Board Member Comments (no action taken)

Chairman Covington announced the next meeting will be the Executive Committee meeting on October 4. The next Board meeting will be on December 6 at the San Marcos Activity Center.

Commissioner Bruce Todd noted the public doesn't understand the length of time it takes to do the federally required studies for a project of this magnitude. The project is vitally important to the economies of the corridor communities from Georgetown to San Antonio. With the growing public interest and the growth in the region, the time is right for moving forward.

There were no other concluding comments.

13. Public Comment

There were no public comments.

14. Adjourn

Chairman Covington adjourned the meeting at 11:35 a.m.