

LONE STAR RAIL DISTRICT

Board Meeting Summary Friday, December 6, 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, December 6, 2013. Board Chairman Sid Covington noted a quorum was present and called the meeting to order at 10:12 a.m.

Board Participants:

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

Mary Briseño
Mariano Camarillo
Norm Chafetz
Sheryl Cole

Patty Eason
Sandy Nolte
Kim Porterfield
Bruce Todd

Other participants included Ross Milloy, Joe Black, Alison Schulze (Rail District); Bill Bingham, (McGinnis Lochridge, Rail District General Counsel); and Mike Clark-Madison (Hahn Public Communications).

2. Chairman and Member Comments

Chairman Covington welcomed the Rail District's newest Board member, Capital Metropolitan Transportation Authority Board Member Norm Chafetz. Mr. Chafetz was appointed by the Capital Metro Board to serve the remainder of John Langmore's term. Chairman Covington also thanked two outgoing Board members, San Marcos Council Member Kim Porterfield and Schertz Council Member George Antuna, Jr., for their service on the Rail District Board. On behalf of the Board, the Chairman expressed his appreciation to both Council Members for their commitment, active participation, and steadfast support.

Chairman Covington noted that changes in Board membership will require adjustments in Committee assignments. The Chairman's recommendations for the Executive Committee, which is appointed by the full Board, will be considered under agenda item 3B. New assignments to the standing committees will be made after the Board appointments are complete in early 2014.

Chairman Covington reported that Project Connect, the cooperative planning effort on high-capacity transit in the Austin metro area, has been discussed each month at Board and Executive Committee meetings. On February 7, Project Connect staff will brief the Executive Committee on the findings and staff recommendations for the Central Corridor. The Executive Committee will also hear a presentation by Texas Transportation Institute staff on the findings and results of their research study of I-35. All Board members are invited to attend on February 7.

3. **Items for Consent**

- A. **Consider Approval of September 6, 2013 Board Meeting Summary**
- B. **Consider Approval of Appointments to Executive Committee**
- C. **Consider Authorizing Executive Director to Engage Auditor for FY13 Single Audit**
- D. **Consider Approval of Financial Statement**

Chairman Covington noted the four 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 Commissioner Bruce Todd, the Board unanimously approved the consent agenda; Board Member Norm Chafetz abstained on Item 3A.

4. **Committee Reports**

A. **Executive Committee Meeting October 4, 2013**

Chairman Covington reported the Executive Committee met via conference call on October 4, and directed the Board's attention to the meeting summary included in the agenda packet. The Committee considered several action items:

- The Committee approved an amendment to the McGinnis Lochridge contract to extend the end date from December 2013 to December 2014, and add \$100,000 to continue Bill Bingham's work with Union Pacific, his work on interlocal agreements and tax-increment-financing (TIF) districts with local jurisdictions, strategic planning, and the federal environmental approval process.
- The Committee approved a non-binding Memorandum of Cooperation with Insigma/United M&E, a potential investor from China, to promote cooperation and share information. In October Chairman Covington attended a ceremony in Chicago to execute the agreement.
- The Committee approved a resolution of support for the Project Connect vision. Each Project Connect partner asked its governing body to approve a resolution that endorses the vision for a high-capacity transit system of regional rail, commuter rail, urban rail, transit on express lanes, and bus rapid transit. Project Connect could serve as a model for a similar effort in San Antonio. The resolution approved by the Committee is posted on the Rail District website.
- The Committee discussed a draft policy on the financial obligations of new members, accepted the draft policy as starting point, and sent the policy to the Rules & Procedures Committee for further discussion and refinement. The policy will be presented to the Board under agenda item 9.
- Staff updated the Committee on the selection of a consultant team for environmental services, on local funding issues, and on joint operations planning with Union Pacific. Staff will brief the Board later in the meeting under agenda items 6, 8, and 11.

B. **Rules & Procedures Committee Meeting November 6, 2013**

Chairman Covington reported on the Rules & Procedures Committee meeting on behalf of Committee Chair Carroll Schubert, who was unable to attend the Board meeting. The Committee met in San Marcos on November 6; a meeting summary is included in agenda packet. The Committee discussed and amended the draft policy on financial obligations of new members that was presented to the Executive Committee on October 4. Staff will present the policy approved by the Committee under agenda item 9.

5. Consider Executive Director's Report

Ross Milloy noted his report typically focuses on staff activities and issues not covered under project-specific agenda items. Since the Board agenda covers so many of the issues and for the sake of time, he deferred his report until the next meeting.

6. Consider and Take Appropriate Action on Contract Award for NEPA Process and Environmental Documentation

Joe Black reported Burns & McDonnell was selected in early October as the top-ranked firm for the environmental, engineering, and planning services contract, and contract negotiations began immediately on the scope and fee, the heart of the contract, in order to bring a final draft document to the Board for approval in December. Mr. Black thanked the Burns & McDonnell team and the Bowman/LAN program support services team for their dedication and diligence in developing a final draft under the pressure of the December deadline.

Mr. Black directed the Board's attention to the contract's Executive Summary, included in the agenda packet, which shows the firms and their roles in providing the environmental services, the major tasks in the scope of work, and the fee for each task. The study team includes many firms and individuals who have worked with the Rail District in the past, so there will be virtually no learning curve.

The schedule is aggressive and will achieve a record of decision in 36 months. The fee estimate is \$8 million, which allows the Rail District to hold \$2 million in reserve for contingencies that may arise during the course of the project. Upon Board approval, the next step is to present the final draft contract to Federal Highway Administration (FHWA) and TxDOT for their review and approval.

Bill Bingham briefed the Board on the form of the contract document, which is a single-scope, specific-deliverable contract using TxDOT's contract template for environmental studies. The key to the contract is the scope of work and the fee estimate described by Mr. Black. The Board is being asked to approve the contract and authorize the Executive Director to complete the contract negotiations, including FHWA and TxDOT approvals, execute the contract, and issue the notice to proceed.

Mr. Black reiterated the staff recommendation, which is that the Board approve the draft contract with Burns & McDonnell for engineering, environmental, and planning services; authorize the Executive Committee to approve non-substantive changes that may result from meetings with FHWA and TxDOT; and authorize the Board Chairman or Executive Director to execute the final contract.

Board discussion followed on the contract template, the contract's funding source, and the nature of comments that might potentially come from FHWA and TxDOT. Upon a motion by Commissioner Bruce Todd and second by Board Vice Chairman Tullos Wells, the Board unanimously approved the staff recommendation. Chairman Covington noted the Board's approval is a significant milestone for the project.

7. Consider Final Report on Local Government and Stakeholder Engagement Contract

Joe Black noted the Local Government and Stakeholder Engagement Contract is winding down. Under the contract, which began in December 2011, Hahn Public Communications and KGBTexas assisted the Rail District with outreach in the freight bypass corridor; specifically, proactively

engaging stakeholders in the freight rail relocation corridor to inform and educate them about the proposed project prior to the media coverage and public meetings associated with the environmental process. Mr. Black reported that both Hahn Public Communications and KGBTexas are on the Burns & McDonnell environmental project team. He introduced Mike Clark-Madison, Vice President of Hahn Public Communications, to present an overview of the meetings, common issues and key themes, and how the outreach effort will carry forward in the upcoming environmental studies.

Mr. Clark-Madison reported the effort focused on communities in the freight relocation corridor from Williamson County to Bexar County to open lines of communication, gather information about issues and concerns in the communities, inform stakeholders about the passenger rail and freight rail projects, and create a foundation for further public involvement during the environmental process. Rail District staff and the consultant teams met with nearly 50 stakeholder interests including local elected officials, key staff in local jurisdictions, economic and business development groups, community and civic organizations, and partner agencies and public service providers.

The team used the opportunity to build awareness of Lone Star Rail and its progress, to educate stakeholders on the criteria used to determine potential freight bypass routes, to understand the communities' perceptions of prior efforts such as the Trans-Texas Corridor and State Highway 130, and to increase the Rail District's knowledge of the stakeholders' issues and perceptions prior to the environmental process. The project also identified issues for further consideration, including future extensions of passenger rail service to the east, future extensions of freight rail service, and the impact of the bypass on existing freight rail facilities. Prior to beginning the outreach effort, Rail District staff and the consultant team developed the message platform with Union Pacific staff, who also participated in the regular team meetings throughout the process.

Hahn Public Communications and KGBTexas will use the information gathered during the outreach to develop a public involvement plan for the federal environmental process that ensures the Rail District is proactively reaching out to stakeholders and addressing their issues.

Board discussion followed on Union Pacific's involvement in the process, on the regulatory issue of functional equivalence, and the need to educate Board members and local jurisdictions' staff on both freight rail and passenger rail issues and the Rail District's progress so they can carry the message to their communities.

8. Consider and Take Appropriate Action on Resolution to Authorize Interlocal Agreements with Contributing Political Subdivisions to Create Transportation Investment Zones

Joe Black reported the Rail District has been formulating and negotiating interlocal funding agreements with various taxing jurisdictions in the LSTAR corridor to create value-capture, tax-increment-financing (TIF) districts, also known as transportation infrastructure zones (TIZs). The purpose of the TIZs is to create revenue streams to fund annual operations and maintenance (O&M) costs. The Rail District must have local funding sources in place prior to seeking capital funding.

Several local funding agreements are close to completion and need to be executed before the end of the year to establish 2013 as the base year for tax-increment financing. The Rail District has authority under the Texas Transportation Code, Chapter 173, to create TIZs.

Mr. Black directed the Board's attention to a resolution included in the agenda packet that authorizes the Board Chairman or the Executive Director to execute and enter into interlocal agreements with local governments. The Rail District needs to adopt the resolution first so that staff can take the

resolution to the funding partners for action on the funding agreements. Mr. Black stated the staff recommendation is that the Board approve the resolution in the agenda packet.

A motion was made by Commissioner Bruce Todd, seconded by Commissioner Tommy Adkisson, to approve the staff recommendation. Board discussion followed. Council Member Kim Porterfield expressed her appreciation to Joe Black and Joe Lessard for their work with the City on the interlocal funding agreement, and she noted that San Marcos is proud to be the first member on board. Council Member Porterfield noted a date is included in the resolution for action by the San Marcos City Council, but the date has slipped by a week. Chairman Covington offered a friendly amendment to the motion to revise the third paragraph of the resolution to say “the City of San Marcos...will submit during December for Council approval an interlocal agreement providing for tax increment funding...” and not specify a date. Commissioner Todd accepted the friendly amendment to his motion. Board Vice Chairman Tullos Wells noted the interlocal agreement with San Marcos serves as a model template for the Rail District’s other members. Mayor Pro Tem Cole announced the City of Austin will also consider an interlocal agreement with the Rail District in December. Board Member Mary Briseño suggested staff develop a press release when the interlocal agreements are executed and distribute the press release to all members. Following the discussion the Board unanimously approved the resolution as amended.

9. Consider and Take Appropriate Action on Policy on the Obligations of New Members

Joe Black briefed the Board on the policy for new members. New members include two types: first, communities that are currently unable to join because they don’t meet the population threshold of 18,000, but may join in the future once they meet the threshold; and second, communities that have been eligible to join but didn’t, as well as communities that were members but opted out and want to rejoin in the future.

The impetus for the policy was the City of Georgetown. When the City Council was considering whether or not to leave the Rail District, staff was asked about the financial and strategic implications of opting out now and rejoining the Rail District in the future. Staff didn’t have a consistent answer, which highlighted the need for a written policy for new members. The intent of the policy is to develop a framework of fair and equitable guidelines, but also to acknowledge that every situation will be unique.

The draft policy was presented to the Executive Committee on October 4, and to the Rules & Procedures Committee on November 6. The policy in the agenda packet is the policy that was amended and approved by the Rules & Procedures Committee after thorough deliberation.

The policy provides guiding principles for negotiations and addresses four equity issues:

- **Prioritization:** Service extension requests will be evaluated and prioritized relative to other project needs based on funding availability, ridership demand, cost effectiveness, and other criteria.
- **Capital Investment:** New members will have primary responsibility for the direct costs associated with implementing their service request.
- **Operations and Maintenance (O&M) Funding:** New members will need to have in place adequate funding sources or mechanisms to meet their funding commitment for O&M costs.
- **System Impact Fee:** New members may be required to provide an impact fee payment to cover or reimburse previous expenditures or incurred costs associated with developing system capacity to accommodate the service extension request—for example, costs of rail cars and/or expansion of maintenance facilities.

Mr. Black concluded by reporting that on November 6 the Rules & Procedures Committee unanimously approved the policy and directed staff to forward the policy to the Board for action on December 6. The staff recommendation is to approve the policy as amended by the Committee.

Council Member Patty Eason expressed her appreciation for the policy. The situation in Georgetown was difficult because the Rail District did not have a written policy she could point to that identified the City's financial obligations of opting out of the Rail District and rejoining in the future. Chairman Covington noted that Georgetown was the catalyst for the policy and the dialog in Georgetown helped form the policy issues, but he regretted leaving Council Member Eason exposed. Upon a motion by Vice Chairman Tullos Wells and second by Council Member George Antuna, Jr., the Board unanimously approved the policy recommended by the Rules and Procedures Committee.

10. Consider Report on 2014 Appointments to Rail District Board

Alison Schulze reported that Board members serve two-year terms and terms are staggered so that half of the members' terms expire each February. Nine members' terms will expire on February 1, 2014. She directed the Board's attention to the staff memo in the agenda packet and noted the following jurisdictions will need to make appointments:

- Alamo Regional Transit (appointed by Bexar County)
- CARTS (appointed by Travis County)
- Capital Metro
- City of Austin (elected official)
- City of San Antonio (elected official)
- City of San Marcos
- City of Schertz
- General Public, San Antonio (appointed by the Texas Transportation Commission)
- Hays County

All Board members remain on the Board until they or another person is appointed by the jurisdiction. Staff will notify each jurisdiction that the appointments need to be made. Staff also requested that the nine members coordinate with their appointing jurisdictions on their willingness to serve another term and help ensure the appointments are made in a timely manner.

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

Joe Black briefed the Board on on-going planning activities. Rail District and Union Pacific staff continue to collaborate on joint operations planning; specifically, rail traffic controller (RTC) modeling. Staff will meet with UP in Omaha next month to discuss the modeling effort, which will identify infrastructure requirements to support joint operations of passenger trains and local freight trains in the existing rail corridor.

The Project Connect partnership continues. As Chairman Covington mentioned, the Central Corridor Advisory Group will meet right after the Board meeting at 1:00 p.m. in Austin to consider the staff recommendation on preferred corridors in the Central Corridor, previously known as the Austin Urban Rail Project. Kyle Keahey, Project Lead on the Central Corridor Study, will brief the Executive Committee on February 7. Also, the CAMPO Transit Working Group will reconvene on January 10.

12. Consider Report on Legislative Issues

Ross Milloy noted staff continues to participate in the advocacy organizations that are developing positions on transportation and finance/funding issues for the 2015 state legislative session. Mr. Milloy and Chairman Covington will be meeting with Texas Transportation Commission Chairman Houghton later in the month. Board discussion followed on coordinating the federal legislative efforts of the member jurisdictions.

13. Concluding Board Member Comments (no action taken)

Chairman Covington reminded Board members there is no Board or Executive Committee meeting in January. The next meeting will be the Executive Committee meeting on February 7 at the San Marcos Activity Center; the agenda will include a briefing on the Project Connect Central Corridor and a report by TTI report on their I-35 research findings. The next Board meeting will be March 7, also at the San Marcos Activity Center.

Chairman Covington directed the Board's attention to a letter in the agenda packet from Austin Mayor Lee Leffingwell to Travis County Judge Sam Biscoe, which expresses the Mayor's support for the County's consideration of local funding for Lone Star Rail. The Rail District is extremely grateful for the Mayor's letter and his on-going support.

Chairman Covington again thanked Council Member Kim Porterfield and Council Member George Antuna, Jr., for their service on the Board and expressed his deep appreciation of their active participation. Both will be greatly missed.

There were no other concluding comments.

14. Public Comment

Clif Davis, Burns & McDonnell, thanked the Board for their confidence in awarding the environmental contract to his firm. He has been involved with the Rail District since its inception and is delighted to see the Rail District achieve this major milestone.

15. Adjourn

Chairman Covington adjourned the meeting at 11:43 a.m.