

LONE STAR RAIL DISTRICT

Board Meeting Summary Friday, December 7, 2012

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 7, 2012. Board Chairman Sid Covington presided, noted a quorum was present, and called the meeting to order at 10:15 a.m.

Board Participants:

Sid Covington, Chairman	Mariano Camarillo	Sarah Eckhardt
Tullos Wells, Vice Chairman	Sheryl Cole	John Langmore
Tommy Adkisson	Will Conley	Sandy Nolte
George Antuna, Jr.	Dean Danos	Kim Porterfield
Mary Briseño	Patty Eason	Carroll Schubert

Other participants included Ross Milloy, Joe Black, Alison Schulze (Rail District); Joe Lessard (Knudson, LP); Tim Carden, Scott Trommer (The PFM Group); Brad Davis (Jacobs Engineering); and Jennifer Moczygamba (TxDOT Rail Division).

2. Chairman and Member Comments

Chairman Covington noted December 7 is Pearl Harbor Day, a very important day in the history of the United States and the world. He also reported the Board is losing two key members: Senator Jeff Wentworth, one of the Rail District's founding fathers and staunchest supporters, and Travis County Commissioner Karen Huber. Commissioner Tommy Adkisson, noting that Sen. Wentworth was a powerful supporter at the State legislature, suggested the Rail District send a letter of appreciation for his service. Vice Chairman Tullos Wells applauded Commissioner Huber for her service and reiterated the importance of Sen. Wentworth's many contributions to the Rail District and to the Austin-San Antonio corridor.

Chairman Covington announced committee assignments to oversee two current procurement opportunities:

- Evaluation and Selection Committee for On-Call Support Services: Sid Covington, Committee Chair; committee members: Board Vice Chair Tullos Wells, AACOG Executive Director Dean Danos, Capital Metro Board Member John Langmore, and Council Member Sandy Nolte. Staff will distribute proposal packages to committee members on Wed., December 12; the committee will meet in January.
- Evaluation and Selection Committee for Freight Bypass Environmental Studies: Sid Covington, Committee Chair; committee members: Mayor Pro Tem George Antuna, Jr., Council Member Patty Eason, Commissioner Sarah Eckhardt, Council Member Kim Porterfield, and Board Member Carroll Schubert. Staff is still drafting the procurement document, which they plan to issue in January. The committee will meet in February.

There were no additional comments.

3. Items for Consent

- A. Consider Approval of September 7, 2012 Board Meeting Summary**
- B. Consider Approval of 2013 Board Meeting Calendar**
- C. Consider Approval of Amendment to Extend End Date of Jacobs Contract for Alternatives Analysis on Freight Bypass**
- D. Consider Approval of Amendment to Extend End Date of Interlocal Agreement with City of Austin upon Approval by City of Austin**
- 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 removed from the consent agenda upon a Board member's request. There was no discussion. Upon a motion by Commissioner Tommy Adkisson and second by Council Member Sandy Nolte, the Board unanimously approved the consent agenda.

4. Committee Report: Executive Committee Meeting October 5, 2012

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

- Per the Board's direction in September, the Executive Committee reviewed the final scopes of work and cost allocations for the \$500,000 in state funds set aside for financial planning, and authorized staff to develop the appropriate amendments to the Jacobs contract for the financial team. The contracts were subsequently executed on November 21, the interlocal agreement with TxDOT was executed on November 29, and work is underway.
- Staff updated the Committee on freight planning projects, stakeholder engagement, and freight issues. Staff will brief the Board under agenda item 9.
- Staff updated the Committee on the status of the passenger rail project, local funding discussions, and Project Connect activities. Staff will brief the Board under agenda item 10.

5. Consider Executive Director's Report

Ross Milloy briefed the Board on several items of interest:

- Achievements over the past year included raising \$10.5 million to launch the environmental process on the freight bypass, success with Union Pacific in developing joint operations plans and service plans, significant progress on advancing the business plan and financial plan, agreement on a structure that combines the freight and passenger environmental projects, and progress in Washington DC to streamline the federal environmental approval process.
- The Austin and San Antonio MPOs, chaired by Commissioner Conley and Commissioner Adkisson respectively, held a joint meeting on November 9 in San Marcos. Chairman Covington and Joe Black gave an update on the Rail District project that was well received. The joint MPO meeting was followed by a legislative lunch that featured Sen. Kirk Watson as moderator of a panel of state representatives (Howard, Kuempel, Menendez, Rodriguez, Strama, and Workman) discussing transportation issues.
- On November 30 Rail District staff met with North Central Texas COG staff on long-term strategies for freight and passenger rail development between Dallas-Ft. Worth and Austin-San Antonio. Rail District staff also participated in a stakeholder meeting on development of the Cotton Belt commuter rail line, including discussions on funding and governance strategies.
- Rail District leadership and staff remain active in both the CAMPO Transit Working Group (TWG) and the Project Connect initiative to define a future high-capacity transit system in Central Texas. Board Chairman Covington, Commissioner Conley, Commissioner Eckhardt, and Board Member Langmore all serve on the TWG, which is studying the high-capacity transit system in terms of network components, organization, and funding.

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

6. Consider and Take Appropriate Action on Amendment to McGinnis Lochridge & Kilgore Contract for Freight Rail Negotiation Services and Legal Services Related to Rail System Funding

Alison Schulze directed the Board's attention to a staff memo and contract amendment included in the agenda packet. The contract with McGinnis Lochridge & Kilgore, executed in 2009, is reviewed and renewed annually; the current contract expires on December 31, 2012. To continue the services in the coming year, the Rail District must extend the contract's end date and add funds to the contract. Staff recommended that the Board extend the end date of the contract one year from December 31, 2012 to December 31, 2013; add \$100,000 in federal grant funds to the contract for legal services to be provided by McGinnis Lochridge & Kilgore; and authorize the Board Chairman to execute the contract amendment.

Board discussion followed on the range of services provided by Bill Bingham and his team, and on the two funding sources—federal and state—that pay for the services. Upon a motion by Commissioner Tommy Adkisson and second by Board Member John Langmore, the Board unanimously approved the staff recommendation.

7. Consider Report by The PFM Group on Finance Plan

Chairman Covington reported that staff and the consultant team have been developing a financial plan and model. Tim Carden and Scott Trommer with The PFM Group will present the financial model and its current preliminary assumptions and results, which will be refined as the project moves forward and project costs and assumptions evolve. One of the tools included in the model is sales tax increment financing, a new concept to some Board members, which is also being proposed as part of the Project Connect finance plan. Chairman Covington asked Joe Lessard, Knudson LP, to start the finance plan presentation with a few slides to explain the concept of sales tax increment financing.

Mr. Lessard noted that Project Connect is a partnership between Capital Metro, the City of Austin and Lone Star Rail District to define an integrated high-capacity transit system in the Capital Area MPO study area. Funding the system is one of Project Connect's key issues. In developing potential funding sources for Project Connect as well as PFM's model for the Rail District, the team identified all applicable local funding options including property tax increment financing (TIF) and sales tax increment financing. Mr. Lessard noted that a variety of sources will be required to ensure adequate funding, the sales tax strategy is one approach of many that is available to local jurisdictions, and each jurisdiction will tailor a unique funding approach that works best for them.

Mr. Lessard showed the range of potential funding sources being evaluated including sources under existing local authority, as well as federal and state funding sources, and sources that would require voter approval or authorization by the legislature. Two significant funding issues are property tax value capture or TIF financing, and sales tax increment financing. Sales tax increment financing is one option that would tap new, future revenue streams; would allow growth to pay for itself; and would provide a gradual revenue source over time so that local communities can easily adapt it into their budget processes and funding decisions. Affordability is a key element of sales tax increment financing since this option would dedicate an increment of sales tax growth, not the existing sales tax. Mr. Lessard showed how sales tax allocation would work in local jurisdictions based on size: core cities, suburban cities, and exurban cities. Approximately one-third of the sales tax growth would go toward high-capacity transit. The advantages are that sales tax allocation is an increment of the sales tax growth, it starts very small and grows over time, and it's new revenue that doesn't take away from core services.

Chairman Covington introduced Tim Carden and Scott Trommer with The PFM Group. Tim Carden noted that Joe Lessard's discussion on local funding is essential to PFM's work in that it builds local support for the project with an incremental and systematic approach, which is key to the success of both the project and the finance plan. It's important to demonstrate to the federal and state government that the project has financial and operational support at the local level.

Mr. Carden briefed the Board on the finance plan as a planning tool. The purpose of the tool is to define the finance plan objectives, the passenger and freight bypass capital and operating costs, and the funding options. Mr. Carden explained each item.

The objectives of the plan are to determine the capital and operating needs for the passenger rail project, define the capital needs for the freight bypass, identify the capital and operating funding options, outline the next steps in order to reach consensus on the proposed funding options, further define the funding sources, and determine potential levels of support.

The capital cost for the passenger rail scenario (one scenario of many) assumes a single track with sidings and 14 stations. The capital cost estimate for infrastructure, rolling stock, and a maintenance facility is \$724.8 million (2012 \$\$). The estimated annual operating cost, which assumes 12 daily round trips with some off-peak service and 4 round trips on weekends, is \$32.5 million (2012 \$\$). Mr. Carden noted the capital cost estimate is the foundation for identifying when the Rail District needs funding, how the funds will be raised, and when the funds will be spent. He reiterated the estimates represent one scenario based on preliminary assumptions—it is part of PFM's task to continue to update the model as new information becomes available and as the assumptions evolve.

The capital cost estimate for the freight bypass on new location between Taylor and Seguin is \$1.1 billion, the capital cost estimate of the improvements on the existing freight bypass between Seguin and San Antonio is \$500 million, for a total capital cost estimate of \$1.6 billion (2012 \$\$). The estimates assume a single track with passing sidings and structures to accommodate double track.

Mr. Carden explained that PFM's funding objectives are to provide sufficient resources to meet the initial construction needs of the passenger rail and freight bypass projects, fund the operating needs of the passenger rail system, and fulfill commitments for any debt financing contemplated. The funding sources should be robust, predictable and sustainable; and, to the extent possible, derived from well established sources. Additional objectives are to attract private sector participation and to ensure funding equity.

Mr. Carden presented a conceptual capital funding scenario that identified reasonable funding sources—local, state, federal, and private sector—for the identified passenger rail and freight bypass capital costs. He noted the conceptual scenario illustrated one of many options for allocating costs among stakeholders and beneficiaries. Given the constraints facing existing federal and state funding programs, a significant share of the costs may need to be covered by local sources. PFM will continue to evaluate and refine alternative funding sources and funding allocations as discussions with stakeholders progress.

Capital funding options include local sources (e.g., tax increment financing around the stations, cost sharing for station area development, sales tax increment financing), state sources (e.g., Rail Relocation and Improvement Fund, other sources not restricted for highway purposes), federal grant funds (e.g., Projects of National and Regional Significance, flexible FHWA funds, TIGER funds, FTA grants), federal loans (e.g., TIFIA, RRIF), and private sector contributions and cost sharing. For operating costs, the freight bypass costs are assumed to be the responsibility of Union Pacific. The passenger rail operating costs are assumed to be covered by fares, advertising and miscellaneous revenues, TIF revenues, and additional local funds to the extent required.

Mr. Carden noted the financial model provides a framework that can be adapted as funding commitments become more firm and as cost elements become more refined. PFM's next steps are to continue discussions with local stakeholders and TxDOT on funding options, define federal funding strategies for the near-term and mid- to long-term, and pursue private sector cost sharing options.

Board discussion followed on the assumed number of stations and future plans to extend service to City South in San Antonio once a separate agreement with Union Pacific can be negotiated for a route south of downtown—full buildout includes 16 stations from Georgetown to City South; the possibility of using overlay districts or pricing mechanisms so that neighboring jurisdictions in the suburban areas can participate in funding the system; pricing fares to increase revenue from fare box recovery; establishing TIF districts as soon as possible before development occurs, and the challenge of getting jurisdictions to commit to TIFs before the mix of capital funding sources is fully identified; quantifying the benefits for local jurisdictions in conjunction with asking for local funding commitments; and the sources and likelihood of private sector funding.

8. Consider Report on 2013 Appointments to Rail District Board

Alison Schulze directed the Board's attention to the staff memo in the agenda packet and noted that Board members serve 2-year terms and terms are staggered so that one-half of the members' terms expire each year in February. Consequently, ten members are scheduled for reappointment by February 2013: Commissioner Adkisson (representing Bexar County), Commissioner Eckhardt (CAMPO), Board Chairman Covington (Austin business community), Council Member Eason (Georgetown), Council Member Nolte (New Braunfels), Board Member Schubert (San Antonio business community), Board Member Camarillo (general public), and Board Member Briseño (VIA). Senator Wentworth and Commissioner Huber can't be reappointed, so San Antonio-Bexar County MPO and Travis County will appoint new members to the Board. All Board members remain on the Board until they or another representative is appointed.

Ms. Schulze reported that staff will notify each jurisdiction in early December of the appointments to be made. She asked that members up for reappointment coordinate with their appointing jurisdictions on their willingness to serve another term, and help staff ensure the appointments are made in timely manner.

9. Consider and Take Appropriate Action on Freight Planning Issues

Joe Black briefed the Board on the freight planning projects currently underway. On the freight bypass alternatives analysis, the work is complete and the team is addressing final comments. Mr. Black thanked the Board for extending the contract end date under the consent agenda, which ensures the alternatives analysis planning team will be available to coordinate with the new freight EIS consultant team.

On local government and stakeholder engagement services, Rail District staff, consultants and Union Pacific representatives continue to meet bi-weekly to coordinate messaging and report on on-going outreach efforts. Meetings with Tier 1 stakeholders are nearly complete and the team has begun to focus on outreach to Tier 2 stakeholders. Additionally, the Rail District is increasing its visibility in Bexar County through a series of presentations to local business groups and civic organizations. Public engagement activities in October and November included presentations to the Downtown San Antonio Rotary Club, UTSA Student Government, Greater San Antonio Chamber of Commerce Transportation Committee, and Women's Transportation Seminar (WTS) Heart of Texas Chapter.

10. Consider and Take Appropriate Action on Report on Status of Environmental and Engineering Studies on Passenger Rail Project

Joe Black reported that staff is concentrating on two tasks on the passenger rail element. The first, local financial planning, is making progress as staff continues to meet with local jurisdictions to define potential interlocal agreements with taxing jurisdictions for tax increment financing (TIF) districts and other alternative sources of funding.

The second task is joint operations planning with Union Pacific, which is very important to run the passenger service on time and also allow UP to deliver freight to its local customers in a timely fashion. Rail District and UP staff are working closely on an infrastructure and operations plan that will address both needs. A follow-up meeting with UP to discuss joint planning issues is being scheduled for January. Finally, in regard to UP, Mr. Black noted that Bill Bingham, Rail District General Counsel, and Mike Marler, Jacobs Engineering, were absent from the Board meeting because they are in Omaha meeting with UP's senior leadership.

Mr. Black briefed the Board on the Rail Traffic Control (RTC) modeling conference he attended in Ft. Worth. The purpose was to become familiar with the software tool UP is using to model the joint operations.

Finally, Mr. Black introduced Brad Davis, Jacobs Engineering's Project Director on both the passenger rail environmental studies and the freight bypass alternatives analysis. Mr. Davis briefed the Board on a work session to be held on December 18 between Rail District staff and the Jacobs team. The intent of the interactive planning session is to thoroughly review the status of the project, to make sure everyone is in full alignment on moving forward, and to understand and agree on goals, milestones, and a critical path for progressing the project all the way through to operations. Jacobs will develop a brief summary report on the results of the workshop. Chairman Covington commended Jacobs for sponsoring the work session. There are a lot of moving parts to the projects, as evidenced by the Board's discussions, and it's critical to make sure everyone is headed in the same direction.

11. Consider Presentation by TxDOT Rail Division on Oklahoma City-South Texas Corridor Study

Jennifer Moczygemba, TxDOT Rail Division, briefed the Board on the Rail Division's Oklahoma City to South Texas High-Speed and Intercity Passenger Rail Service Development Plan. TxDOT is looking at overall ridership within the state and particularly within the 850-mile Oklahoma City to South Texas corridor, including the Austin-San Antonio Corridor. The planning study includes a service development plan, service-level environmental document, and is expected to be complete in December 2014. The study builds on a TTI research study that evaluated and ranked 18 intercity corridors in the state to determine the need for intercity passenger rail. The TTI study identified two priority corridors: Dallas-Ft. Worth to San Antonio and Dallas-Ft. Worth to Houston.

TxDOT is looking at three levels of service in the corridor: core express (125-250 mph, typically greenfield location, fully grade-separated), regional (90-125 mph, generally following existing rail corridors), and emerging/feeder service (up to 90 mph, developing corridors, located primarily on shared track). Lone Star Rail would be included in the latter category. The statewide ridership study will show which types of service would best serve each corridor.

The overall study is a planning study and will look at preliminary engineering, the feasibility of alternatives, and will include an environmental process. TxDOT is getting ready to start public outreach in January or February, which will include scoping the project and identifying the purpose and need. Alternatives should be developed by July 2013; at that time, TxDOT will be able to identify how the Lone Star Rail project fits in with TxDOT's corridor study. Ultimately, the service

development plan will take the preferred alternatives between city pairs and work out a business and financial plan for the entire corridor. Public involvement has been on-going and will continue throughout the study. Ms. Moczygamba encouraged Rail District Board members to participate in the public meetings.

12. Consider Status Report by TxDOT Rail Division

Jennifer Moczygamba reported that the Rail Division's main activities are the Oklahoma City to South Texas High-Speed and Intercity Passenger Rail Study that she presented in the previous agenda item, as well as the Dallas-Ft. Worth to Houston corridor study. TTI is assisting the Rail Division as a resource and is developing a website on the projects that will offer a lot of good background material on high-speed rail systems around the world and the U.S. On a related note, TxDOT recently hired Carolyn Mays as Freight Coordinator. Ms. Mays is working on a statewide freight plan as required under Map-21.

13. Consider Report on Legislative Issues

Ross Milloy reported the State Legislature convenes on January 8. The Rail District's state legislative agenda includes identifying funding for the Rail Relocation and Improvement Fund, replacing the Rail District's toll credits with cash, and finding funds for final engineering and design on the freight bypass. At the federal level, reauthorization is on the horizon and staff and the consultant team are diligently preparing for it.

14. Concluding Board Member Comments (no action taken)

Chairman Covington announced there is no Board or Executive Committee meeting in January. The next meeting will be the Executive Committee on February 1. The meeting will either be at the San Marcos Activity Center or by conference call, depending on the nature of the agenda items. The next Board meeting will be March 1 at the San Marcos Activity Center. There were no additional comments.

15. Public Comment

There were no public comments.

16. Adjourn

Chairman Covington adjourned the meeting at 12:13 p.m.