

# ***LONE STAR RAIL DISTRICT***

## **Board Meeting Summary**

**Friday, March 2, 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, March 2, 2012. Board Chairman Sid Covington noted a quorum was present and called the meeting to order at 10:10 a.m.

#### **Participants:**

Sid Covington, Chairman

Tullos Wells, Vice Chairman

Tommy Adkisson

Hal Baldwin

Will Conley

Dean Danos

Patty Eason

Sarah Eckhardt

Karen Huber

John Langmore

Kim Porterfield

Carroll Schubert

Other participants included Ross Milloy, Joe Black, Alison Schulze (Rail District), Joe Lessard (Knudson, LP), Gill Saunders, Mike Marler (Jacobs Engineering), and Jennifer Moczygemba (TxDOT Rail Division).

### **2. Chairman and Member Comments**

Chairman Covington welcomed Board and audience members and wished everyone a happy Texas Independence Day. The Chairman appointed AACOG Executive Director Dean Danos to two standing committees—Public Information, and Rules & Procedures. Board member Danos will fill slots held by his predecessor, Gloria Arriaga. Additional Committee assignments will be made after the remaining 2012 Board appointments, including new appointments from the cities of San Antonio and New Braunfels, are complete. There were no additional comments.

Chairman Covington announced that two Board members need to leave the meeting early so he would take the agenda items out of order and consider action items 3, 6, 7 and 8 first, and then go back to the remaining agenda items.

### **3. Items for Consent**

**A. Consider Approval of December 2, 2011 Board Meeting Summary**

**B. Consider Approval of Board Resolution to Authorize Payment of Invoices on Freight Negotiation Services Contract**

**C. Consider Approval of Financial Statement**

Chairman Covington noted the three consent items would be considered for approval by one motion, and any item could be removed from the consent agenda upon request. There was no discussion. Upon a motion by Mayor Baldwin and second by Vice Chairman Wells, the Board unanimously approved the consent agenda items.

**6. Consider and Take Appropriate Action on State and Federal Legislative Assistance**

Chairman Covington reiterated he would take the agenda items out of order and consider action items first, so the next item for consideration is agenda item 6. Ross Milloy reported the Rail District didn't budget for state legislative assistance in the current year because the legislature is not in session; however, he reserved some local funds in the budget under legal services in case assistance was needed. It appears assistance is required to follow up on issues from the last legislative session regarding funding approved for the Rail Relocation Fund match program and to prepare for the upcoming session. Staff recommended the Board authorize the Executive Director to contribute \$24,000 in local funds to the Texas Rail Relocation and Improvement Association. Staff presented the issue to the Executive Committee for discussion on February 2 and the Committee consensus was that it's a wise expenditure of funds. Staff also investigated and resolved issues raised by the Committee regarding which consultant the Association might use and potential conflicts of interest. Upon a motion by Commissioner Adkisson and second by Commissioner Huber, the Board unanimously approved the staff recommendation.

**7. Consider and Take Appropriate Action on Amendment to Jacobs Contract for Logistical, Consulting, and Technical Support for Public Outreach**

Alison Schulze reported that staff needs logistical and technical support in San Antonio and Bexar County to reach out to business and civic organizations. KGBTexas, a subconsultant to Jacobs on the passenger rail project, is a communications firm based in San Antonio. KGBTexas would assist staff in identifying and coordinating speaking opportunities; develop a less technical, more compelling presentation; and provide strategic communications counsel. Staff recommended the Board approve an amendment to Jacobs' contract for KGBTexas to provide additional, short-term logistical, consulting and technical support for public outreach and education in San Antonio and Bexar County for a cost not to exceed \$50,000. Vice Chairman Wells briefed the Board on the need in the greater San Antonio area, including an upcoming bond election in which rail is an issue, and guidance from San Antonio's leadership that the Rail District needs to educate local stakeholders on its freight and passenger projects and distinguish the Rail District's projects from other rail proposals. Chairman Covington added that the burden will fall on Board members to make the presentations.

Board discussion followed on the differences between the proposed KGBTexas scope and the current contracts on stakeholder outreach along the freight bypass and the public outreach task included in the passenger rail environmental process, KGBTexas' qualifications, whether or not to procure the services in a competitive process, and the need to act as soon as possible. The Board agreed with the need to act promptly, but requested a written scope of work. Vice Chairman Wells made a motion to approve the staff recommendation subject to staff sending the scope of work to the full Board, allowing Board members 7-10 days to review and comment on the scope, and staff incorporating Board comments in the final scope of work. The motion was seconded by Board member Langmore and unanimously approved by the Board.

**8. Consider and Take Appropriate Action on Procurement Process for Value Capture Strategy and Business Plan**

Ross Milloy reported that in February staff and the Executive Committee discussed how the Rail District might capture the value around stations that would accrue due to the presence of passenger rail. Based on feedback and direction from the Executive Committee, Mr. Milloy has explored best practices around the world on how to contribute the added value toward the development of the passenger and freight rail infrastructure. One idea is additional involvement from cities to zone higher densities around the stations, which would attract developers, and thereby enlist developers

in funding the infrastructure. The mechanism would be a Public Improvement District (PID) overlay. Mr. Milloy delayed the procurement process in order to rework the real estate strategy with staff and consultants, and separate the real estate development strategy from the procurement strategy. Mr. Milloy asked Joe Lessard to outline the suggested approach.

Mr. Lessard stated the Rail District would apply the same process to the PID approach that it is using for tax increment financing (TIF). TIF is a value capture strategy from the public sector side; PID is a value capture strategy from the private sector. The Rail District would look for consultants that could provide economic analyses and put together an approach that mirrors TIFs — that is, as developers solicit community support for higher densities, the Rail District would engage in negotiations on how the developers can also participate in funding the infrastructure that creates the value to support the higher density. Mr. Milloy added that current economic analyses indicate TIF revenues at some of the rail stations would not be high enough or soon enough for some local jurisdictions to participate in the project; the PID strategy would give local communities more revenue. Joe Black noted that capturing the value that rail creates for private developers would allow rail to pay for itself, thus dispelling one of the rail myths. The value of the benefit that rail creates and the money generated by development around rail stations far outstrips the cost of the rail system, but it rarely gets captured. The PID approach captures some of the value from the people that benefit most from the project.

Board discussion followed on best practices, the proposed PID approach, risk allocation assessment and bifurcating the procurement process, how TIF works when overlaid with a PID, whether legislation is required, and advertising the procurement as widely as possible. Vice Chairman Wells applauded the creative, innovative approach and noted that the information gleaned from the process will help the Rail District develop its final strategy.

Staff recommended the Board authorize staff and current financial and legal consultants to begin the procurement process to retain a value capture strategy consultant team. Before an outside consultant is engaged, the item will be brought back to the Board. Upon a motion by Board member Danos and second by Commissioner Adkisson, the Board unanimously approved the staff recommendation. Board members directed staff to distribute the procurement document to the full Board for review.

#### **4. Committee Report: Executive Committee Meeting February 3, 2012**

Chairman Covington noted the action items were complete and the Board would consider the remaining agenda items, beginning with item 4. The Chairman directed the Board's attention to the meeting summary included in the agenda packet and briefly reviewed the items considered at the Executive Committee meeting:

- The Committee authorized the Executive Director to renew the contract with Smith Dawson & Andrews for federal legislative assistance and to increase the contract amount from \$67,000 to \$100,000.
- The Committee discussed procurement for a value capture strategy, which was just discussed under agenda item 8.
- Staff updated the Committee on freight planning issues, the freight bypass alternatives analysis, and stakeholder engagement on the freight bypass. Staff will present the issues to the Board under agenda item 9.
- Staff also updated the Committee on service development plans and cost models for the passenger rail project. Staff will present the issues under agenda item 10.

## **5. Consider Executive Director's Report**

Ross Milloy briefed the Board on the recent San Antonio-to-DC trip; Board member Schubert and Commissioner Adkisson were also on the trip to Washington, DC. Federal transportation bills were on the floor simultaneously in both the House and Senate. Among the goals of the trip were to include language in the bills that would allow a categorical exclusion for rail projects contained within existing rail right-of-way and to ensure the House version of the bill incorporates a section of the Senate bill on projects of national and regional significance that contribute to global trade and the national and regional economies. Rep. Lamar Smith was extremely helpful in crafting language in the House bill. The likely outcome is that Congress will extend the existing transportation bill and pass a new bill by the end of the year. Board member Schubert agreed with Mr. Milloy's assessment and offered his insight on the bills. Board discussion followed. Mr. Milloy will continue to keep the Board apprised of action on the federal bill.

## **9. Consider and Take Appropriate Action on Freight Planning Issues**

Joe Black reported significant progress has been made on the freight bypass, which is the critical path for the project as a whole. On the Freight Bypass Alternative Alignments/Fatal Flaw Analysis, staff and the Jacobs team met with Union Pacific engineering and operations staff in Omaha on February 15. The group reached consensus on three proposed freight realignment routes to take into the environmental process, and Mr. Black is working on a request for qualifications for environmental analysis of the bypass route. The remaining steps in the analysis are Jacobs' internal quality assessment/quality control to hone the plans and cost estimates and completion of the final report, which should be delivered to the Rail District in March. Mr. Black explained the team is working to maximize grade separations, quiet zones, and engineering solutions so that we're not recreating the problems currently experienced with freight movements in the middle of cities and towns along the existing route.

Jacobs is also evaluating freight line connections between San Antonio and Seguin. The bypass runs from Taylor to Seguin and, in order to support the extra freight movement, UP will need additional infrastructure between Seguin and San Antonio. Jacobs is conducting an analysis with UP staff of the feasibility and constructability of improvements on the existing Seguin-San Antonio segment.

Finally, the Local Government and Stakeholder Engagement Services contract is underway. A very positive meeting was held in San Marcos on February 8 with UP representatives, Rail District Board members and staff, and Hahn, Texas to coordinate messaging and stakeholder engagement strategies. Hahn's next steps are to continue honing joint messaging with UP, finalize stakeholder lists, and set up meetings with both stakeholders and local governments.

There was no discussion. Chairman Covington praised our partners at Union Pacific for their involvement.

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

Joe Black briefed the Board on new and significant issues on the passenger rail project. Most project tasks are on hold, but a few tasks are advancing. Again, Union Pacific has been a great partner in working with Rail District staff and consultants to examine joint use demand on the existing line and infrastructure requirements to support local freight service. The goal is 100% on-time passenger service combined with seamless local freight operations. A hybrid trip with UP representatives is scheduled for April 10-12 to identify passenger and freight rail infrastructure needs.

On the lead agency issue on the environmental analysis, as a follow-up to the January 18 webinar with federal transportation agencies, the Rail District and TxDOT transmitted an Environmental Compliance Action Plan (ECAP) for the passenger rail project to the Office of the Secretary of Transportation, Federal Railroad Administration, Federal Highway Administration, and Federal Transit Administration on February 28. The ECAP details the analytical process the Rail District will use to conduct the remainder of the environmental studies. The Rail District requested comments on the ECAP by March 30.

Chairman Covington noted that Bill Glavin, Director of TxDOT's Rail Division, organized the January webinar, which was very positive, and his efforts are very much appreciated. Board discussion followed on the ECAP and how the plan would apply in light of possible language in the federal transportation bill on categorical exclusions. Mr. Black explained the Rail District would still have to conduct the analytical work under a categorical exclusion.

#### **11. Consider Status Report by TxDOT Rail Division**

Jennifer Moczygemba, TxDOT Rail Division, briefed the Board on the Division's recent activities:

- On March 1, TxDOT kicked off an Amtrak study in Marshall, Texas. The study will look at additional passenger rail service between Dallas/Fort Worth and Shreveport/Bossier City.
- TxDOT is in the process of executing the contract for statewide ridership analysis. The analysis will look at city pairs and will lead to service level plans. The project is a couple of months behind schedule, but the ridership modeling should be done by August.
- TxDOT is in the middle of procurement on the Oklahoma City-South Texas Corridor Study, with interviews scheduled for next week. The schedule is to develop a scope of work in April. TxDOT is planning to meet with the Federal Railroad Administration in Washington, DC to review the scope, and the Rail District needs to be part of the meeting.

#### **12. Consider Report on Legislative Issues,**

Ross Milloy reported that he'd covered the important federal legislation under agenda item 5.

#### **13. Concluding Board Member Comments (no action taken)**

Chairman Covington announced the next Executive Committee meeting will be April 6, 2012 at 10:00 a.m. All Board members are invited and encouraged to attend Executive Committee meetings. The next Board meeting will be June 1, 2012 at the San Marcos Activity Center. There were no additional comments.

#### **14. Public Comment**

There were no public comments.

#### **15. Adjourn**

Chairman Covington adjourned the meeting at 11:19 a.m.