

LONE STAR RAIL DISTRICT

Board Meeting Summary Friday, September 9, 2011

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 9, 2011. Board Chairman Sid Covington noted a quorum was present and called the meeting to order at 10:17 a.m.

Participants:

Sid Covington, Chairman
Tullos Wells, Vice Chairman
Tommy Adkisson
Hal Baldwin
Mary Briseño

Mariano Camarillo
Sheryl Cole
Will Conley
Patty Eason
Sarah Eckhardt

Kim Porterfield
Carroll Schubert
Jeff Wentworth
Mike Ybarra

Other participants included Ross Milloy, Joe Black and Alison Schulze (Rail District), Bill Bingham (Rail District General Counsel), Bill Glavin (TxDOT Rail Division), Brad Davis and Darwin Desen (Jacobs Engineering), and Joe Lessard (Knudson Services).

2. Chairman and Member Comments

Chairman Covington thanked Vice Chairman Wells for his leadership while the Chairman was away over the summer. Chairman Covington also announced the Rail District has a new Board member: Dean Danos, Interim Executive Director of Alamo Area Council of Governments (AACOG), will represent Alamo Regional Transit, replacing Gloria Arriaga. There were no other comments.

3. Items for Consent

- A. Consider Approval of June 3, 2011 Board Meeting Summary**
- B. Consider Acceptance of FY10 Audit of Lone Star Rail District**
- C. Consider Approval of 2012 Board Meeting Calendar**
- 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 removed from the consent agenda upon request. Board member Carroll Schubert asked about the audit finding on the method of accounting; Ross Milloy noted the Finance Committee discussed the audit at its meeting on August 31, and directed staff to report future financial statements on both an accrual basis and a cash basis. Upon a motion by Mayor Hal Baldwin and second by Commissioner Tommy Adkisson, the Board unanimously approved the consent agenda items.

4. **Committee Reports**

A. **Executive Committee Meeting August 5, 2011**

Vice Chairman Tullos Wells directed the Board's attention to the meeting summary included in the agenda packet and briefly reviewed the items discussed at the Executive Committee meeting:

- The Committee approved an operations policy on pedestrian access at stations that uses at-grade crossings protected by pedestrian gates with warning signals. Operations issues affect cost estimates and must be addressed early on. In June, the Board assigned operations policy issues to Executive Committee. The Committee will continue to report its actions to the full Board as operations policies are discussed and approved.
- The Committee approved an amendment to Jacobs Engineering's contract on the passenger rail project to add one new subconsultant and reallocate funds among the subs and Jacobs. There was no increase in fee associated with the amendment.
- The Committee approved an amendment to McGinnis Lochridge & Kilgore's contract on freight rail negotiation services to add a land person to evaluate Union Pacific's deeds, titles and real estate documents. The cost of the amendment is not to exceed \$50,000.
- The Committee approved an amendment to Union Pacific's contract to add network modeling, preparing real estate documents, and continue assisting the Rail District and Jacobs with its studies. The cost is not to exceed \$335,000. Bill Glavin, Director of TxDOT's Rail Division, attended the meeting and gave the Committee a level of comfort that the fee was reasonable. Due to the cost, the amendment requires Board approval—the Board will consider the amendment under Agenda Item 9.
- The Committee approved an amendment to A3 Design's contract for website and printing services to extend the contract's end date one year to September 30, 2012. There was no increase in fee associated with the amendment.
- The Committee discussed the Federal Railroad Administration (FRA) letter sent to TxDOT regarding the Rail District's lead federal agency. FRA is not ready to assume the lead-agency role and is also not ready for any other agency to assume the role. The Rail District's leadership, staff, and consultants are developing a new approach on moving the projects forward.

B. **Finance Committee Meeting August 31, 2011**

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

- The Committee reviewed and discussed the current FY11 Austin-San Antonio Corridor Council-Rail District reimbursement agreement. The Committee unanimously voted to recommend the Board continue the current policy in FY12. The Board will consider the reimbursement agreement under Agenda Item 5.
- The Committee reviewed and discussed the proposed FY12 budget, and unanimously voted to recommend the Board approve the FY12 budget. The Board will consider the budget under Agenda Item 5.
- The Committee discussed the Rail District's method of accounting. The Rail District currently uses both accrual and cash methods, but reports the quarterly statements on a cash basis. Upon a unanimous vote, the Committee directed staff to use an accrual basis, but to generate reports and quarterly financial statements in both formats.
- The Committee reviewed the FY10 audit report and directed staff to develop recommendations for a formal risk assessment policy.
- The Committee directed staff to revisit the annual dues structure before the next budget year and to coordinate with the Board Chairman on the appropriate committee to discuss and make recommendations on the issues.

5. Consider and Take Appropriate Action on FY12 Budget and Austin-San Antonio Corridor Council – Lone Star Rail District Reimbursement Agreement

Ross Milloy directed the Board's attention to the FY12 budget approved by the Finance Committee, which is included in the agenda packet. Under local funds, additional funds were added in FY12 to the line item on legal services; the line item on legislative services was reduced since there's not a state legislative session in the coming year. Travel was increased slightly to accommodate additional staff trips to Washington DC for federal legislative issues.

Alison Schulze reported on the state and federal funds budgets. The balance remaining in the state appropriation is \$5.4 million. State-funded expenditures include continuing current contracts, staff salaries, and reserving the non-federal match for requested CAMPO funding. Ms. Schulze noted that the federal funds are shown in a different format in FY12. Federal grant income and expenses are reported separately from federal STP-MM income and expenses, because use of the STP-MM funds is restricted. Federal funds in both categories will be used to continue current contracts.

The recommendation of the Finance Committee on August 31 was that the Board approve the proposed budget for FY12 and also approve the current reimbursement policy between the Corridor Council and the Rail District for FY12. Upon the motion from the Finance Committee, the Board unanimously approved the FY12 budget and the FY12 reimbursement agreement.

6. Consider Executive Director's Report

Ross Milloy briefed the Board on key issues, milestones, and recent accomplishments.

- Staff submitted an application in June to Capital Area MPO for STP-MM funding for environmental studies on the freight bypass. Last week CAMPO released preliminary rankings of submitted projects—the Rail District's project ranked 12th out of 170 applications.
- Staff, legal/regulatory and engineering consultants will meet later this month to develop policy recommendations on strategic issues, including federal environmental processes on the passenger and freight relocation projects, and moving the projects forward. Staff will bring the recommendations back to the Executive Committee for policy decisions.
- In the past month staff and financial consultants have been working with the City of Austin on its urban rail system and how the two systems work in concert, and with Travis County and City of San Antonio on funding agreements. Rail District and City of Austin staff also made a joint presentation to the Travis County Commissioners Court.

Board discussion followed on the federal environmental process and lead agency issue.

7. Consider Report by Brad Davis on Overview of Passenger and Freight Rail Issues

Brad Davis reported that Jacobs is moving forward on the passenger rail environmental impact statement (EIS), but only on the tasks that can move forward without risk of having to be redone once a lead agency is on board—specifically, ridership analysis, operations and maintenance plan, service development plan, and some financial planning. On the freight relocation project, the project team continues to work with Union Pacific on the alignment alternatives analysis, and narrowing the number of possible alternatives. Darwin Desen will present more detailed information under the next agenda item. Board discussion followed on the timeline for freight relocation and UP's engagement in the process.

8. Consider and Take Appropriate Action on Freight Planning Issues

Joe Black reported that Rail District staff and consultants met with Union Pacific in August. UP conducted train performance simulation (TPS) modeling on the five remaining bypass route

alternatives. The operational evaluation did not reduce the number of alternatives, so the next step is to compare construction costs for each alternative. The goal is to reduce the number of viable alternatives to 2 or 3 for submittal to the Surface Transportation Board (STB).

Rail District and Jacobs staff also met with Union Pacific's operations staff to learn more about the characterization of local freight operations. UP runs more local freight service than initially anticipated. In September or October UP will start rail traffic control (RTC) modeling. RTC is a network model; UP will model the existing corridor with both passenger and local freight service to identify the infrastructure improvements needed to support both types of service.

Darwin Desen briefed the Board on freight issues in Bexar County. Jacobs is evaluating the infrastructure needs on the existing bypass between Seguin and San Antonio. Construction cost estimates are nearly complete; the next step is to meet with UP to discuss immediate needs versus long-term needs.

Joe Black noted, in response to an earlier comment from Commissioner Adkisson, that a truck diversion study is part of the upcoming local government and stakeholder engagement contract. Identifying the number of trucks that could be diverted from I-35 to the new freight bypass is a key piece in educating local stakeholders on the benefits of the freight bypass. Board discussion followed on the truck diversion element of the engagement process.

9. Consider and Take Appropriate Action on Amendment to Union Pacific Project Reimbursement Agreement

Bill Bingham reported the Rail District has had an agreement with Union Pacific for several years to pay some of their costs for modeling, engineering, and design work. In the coming year, UP will conduct modeling, prepare real estate documents, and assist the Rail District and Jacobs with rail studies. On August 5, the Executive Committee voted unanimously to recommend the Board approve an amendment to add \$335,000 to the Union Pacific project reimbursement agreement.

Board discussion followed on the Rail District's ability to audit the contract and UP's use of the funds. Upon the motion from the Executive Committee, the Board unanimously approved amending the UP project reimbursement agreement.

10. Consider and Take Appropriate Action on report on Status of Environmental and Engineering Issues on Passenger Rail Project

Darwin Desen, Jacobs' Project Manager, reported on the on-going tasks on the passenger rail project which include meetings with staff from local jurisdictions on station locations, ridership modeling and analysis, and evaluating two rail alignment alternatives between New Braunfels and Schertz. On August 31, Jacobs and Rail District staff met with UP on alignment alternatives in south San Antonio in order to serve Port San Antonio and City South. Mr. Desen reiterated that Jacobs is moving forward only on the tasks that can be progressed without risk.

Joe Lessard, a subconsultant on the Jacobs team, briefed the Board on recent financial planning activities, which have focused on local funding of operations and maintenance (O&M). Mr. Lessard thanked Board members for their help, advice, and guidance in seeking local participation. The objective has been to work with local communities to identify viable funding sources. Three initiatives are currently proceeding simultaneously:

- Knudson is engaged with Travis County and the City of Austin on cooperative planning on the City's urban rail system and the LSTAR project, and on coordinated tax increment financing (TIF) analyses on proposed stations for both rail systems. The City of Austin, Capital Metro, and the

Rail District are also engaged in discussions on how the three rail systems in Travis County will be integrated operationally as well as financially.

- Knudson is engaged with Bexar County and the City of San Antonio in bi-weekly meetings on the station planning process, TIF studies, and alternative funding options.
- Knudson is ramping up its activities in Hays County and focusing on a cooperative effort with Hays County local jurisdictions to evaluate alternative funding sources. The first meeting of the joint cooperative effort is anticipated in the next week.

Board discussion followed on the process in Travis County and Bexar County; on the conceptual framework for a joint operations agreement between the City of Austin, the Rail District and Capital Metro; and on the timeline for TIF analyses. Chairman Covington commended Mr. Lessard for his efforts in moving such a complex task forward.

11. Consider Status Report by TxDOT Rail Division

Bill Glavin, Director of TxDOT's Rail Division, briefed the Board on TxDOT's recent activities:

- TxDOT is waiting for direction from the Rail District before responding to the letter from Federal Railroad Administration (FRA). Mr. Glavin noted that all of FRA's conditions have been met with the exception of the STB's role in the relocation process, that the Rail District project is integral to and part of TxDOT's high-speed rail initiative, and that the rail project should progress. TxDOT has contacted federal transportation agencies to determine if TxDOT can serve as the quasi-lead agency in order to move forward. Mr. Glavin continues to work with FRA officials to resolve the issues and misconceptions.
- FRA funds for Tower 55 in the Dallas-Fort Worth metroplex were obligated last week. FRA funds were also obligated for preliminary engineering and environmental studies on the Dallas/Fort Worth-Houston high-speed rail study. Funds for the Oklahoma City to South Texas corridor study are expected to be obligated in the next three weeks.
- TxDOT received 10 responses to its solicitation for a program manager on the short-term rail program.

Chairman Covington thanked Mr. Glavin for his continued support on the FRA issues and for all his work on behalf of the Rail District.

12. Consider Report on Legislative Issues,

Ross Milloy announced there was nothing of significance to report and, in the interest of time, he would postpone his report until the next meeting.

13. Concluding Board Member Comments (no action taken)

On the Board's behalf, Board Member Carroll Schubert welcomed back the Chairman. Chairman Covington announced that the next Executive Committee meeting will be October 7 at the Hill Country Event Center, and the next Board meeting will be December 2 at the San Marcos Activity Center.

14. Public Comment

There were no public comments.

15. Adjourn

Chairman Covington adjourned the meeting at 11:32 a.m.