

VERBATIM SEGMENT OF SFRTA GOVERNING BOARD MEETING ON AUGUST 26, 2011

DISCUSSION ITEM

D. – FDOT UPDATE, SECRETARY JAMES WOLFE, FDOT DISTRICT IV

28:25

CHAIR: Next up on our agenda is Mr. Wolfe. Jim Wolfe is here to give us an update on FDOT. We don't have much more information than that so I can't give you more of an introduction, but welcome Mr. Wolfe. Good morning to you.

JIM WOLFE: Thank you very much. Perhaps it was good that it only set up dates since I think in the last week probably my remarks have evolved based on recent events. However, on July 5th Francis Gibbs, the FDOT Chief of Staff was here in this building, had a very, I was also present, had a very constructive meeting with Joe Giulletti and RTA staff. We went over some issues and Joe requested that it would be appropriate for a department representative, that'd be me, would appear before you. This is in fact the first opportunity since July 5 to go over those issues. Since then a number of things however have happened. One of those is that on August 5 the Secretary Prasad made some remarks in Marco Island about a transportation plan and there was about two sentences about Tri-Rail, but they were quite interesting. And part of the comment was that he would look to expand service and lower the costs to the taxpayer on Tri-Rail and he talked about privatization. Obviously I need to talk about that. Also in the last week or so there have been a number of media accounts and I need to clarify some of those things. Words like negotiation – takeover by FEC – these are not accurate and I need to tell you what really has been happening. I wouldn't focus so strongly on FEC except for what has been happening in the last week. I'll give you a little bit of a chronology of where we've been with the FEC. Because we are talking to the FEC. We've been talking to the FEC for years and the nature of those talks in the recent months have been a bit more intense, more higher level people involved, but because of our study to expand commuter rail on the FEC, we've been working closely with them for several years. In the past several months it's gotten interesting though. You know that the way government traditionally works and certainly the way that we work with our project development and we have an ongoing study that the probable scenario is buy half the right of way on the FEC, build new tracks, build new stations. It's a very long term process. It involves attracting federal funds. Substantial local funds would be required to move forward. In my mind, commuter rail and the FEC is absolutely vital project, but the cost estimates are a major hurdle and make it a very long term project. One of the interesting aspects of the recent discussions with the FEC is that we've mutually been trying to work out, is there some way to get limited service started at a much more reasonable price tag and get our foot in the door, get things going, particularly from Fort Lauderdale to Miami. That segment would generate the most ridership. And as has been the case with every element of our study

moving forward, the major study as well, that would be in conjunction with Tri-Rail. Not competing with Tri-Rail, not replacing Tri-Rail, but in conjunction as a system. How would it be done cheaper? FEC could operate commuter rail themselves on their own railroad. That means no buying track rights. That means that they are a player in the game and they would try to maximize revenue to offset operating costs. They would still need operating subsidy; they would still need some capital costs, but much more manageable numbers. So, very exciting opportunity that we've been discussing with them in detail and obviously when you get into discussions, you look at lots of scenarios; every scenario under the sun, and inevitably the discussion had to go to how does Tri-Rail fit in with that. If you have a commuter rail system, how do you have two operators? And if FEC is going to operate on their own tracks, how do we deal with that? So we have to look at the scenario that says what if FEC operates Tri-Rail? That doesn't mean that we've decided that's a good idea. It just means that it is one of many scenarios. And to pick out that one scenario and say, oh well, DOT is negotiating with FEC to make that one scenario happen, is not accurate. But we have talked about it. And one of the things that the FEC told us in their review of this is that they could operate Tri-Rail with the same service for \$10 million dollars less than the current operating budget. That's as far as it's gone. I don't call that negotiations, neither does the Secretary. And that is not a decision that DOT would support that scenario. It is very premature to go to the length of saying that. However, I will have to tell you that when we hear a private sector entity saying we could operate Tri-Rail with the same service for \$10 million less, particularly since the majority of operating funds are from the State, we have to take that seriously, we can't drop it; we have to follow it up. And I would seriously think that this Board too, whether you believe that assertion or not, should follow it up. It's only prudent, with public funds that we look into that issue, whether we could in fact save money. If we can, mutually the RTA, FDOT, the State save money on that operating costs, then that money could be banked and used to finance some system expansion. Moving on from that point, perhaps our biggest concern with Tri-Rail and our relationship with the RTA is the Tri-Rail operating costs. I'll remind you that the legislature from 2009 directs the department to contribute \$30.6 million per year to Tri-Rail's operating costs in addition there's \$4 million in a federal grant for the operating costs that passes through FDOT and there's \$1.565 million from each of the three counties dedicated operating costs. There's also \$2.65/7, I forget the number, from each county that could be operating, but actually goes into a pot for capital. So you compare those numbers, there is some small amount of local funds that goes into operating, but the vast majority of operating costs is State funded. This is difficult for the State for a couple of reasons. Contrary to our general policy that operating costs for transit should be local and State and federal monies should concentrate on capital costs. We've violated that policy with this or directed by the legislature. And of course we are happy to do whatever we're directed to do by the legislature. But it creates a problem for us. This precedent cannot be met in other parts of the State and I'm sure you all are aware that SunRail

is moving forward and there is a local obligation, an agreement to fully fund the operating costs of SunRail locally within seven years. That doesn't look at all like the deal in South Florida. The difference between those two deals makes it difficult when we talk in other regions of the State or when we talk here in South Florida about premium transit that the Tri-Rail Funding arrangement for operating costs is so different. That's an outstanding problem that isn't going to go away unless the funding formula changes. It's also particularly an issue if the vast majority of the operating costs for Tri-Rail comes from State funds and there is an assertion that those State funds or operating costs could be reduced with economies. So, we take that very seriously and we believe it needs to be looked into. I'm quite prepared to answer all of your questions, but in fact there is little more detail that I can give. In summary, we're concerned about several things. We are actively pursuing system expansion on the FEC. We think that's vital to the economy, job creation. It's vital to the total transportation picture in South Florida in the future. So we are actively pursuing commuter rail system expansion. Secondly, we are concerned about the operating subsidy formula. And thirdly, we are concerned about an assertion that there may be economies that could be had in operating. However, none of these issues are fully resolved at this point, they're all works in progress, they're all works in progress that we recognize that we need to coordinate with this Board and we need to coordinate with the counties. I'm engaged currently in setting up meetings with the three county administrators. I want to go over with them what their long range transit plans are, what their feelings are about Tri-Rail. We need to have a dialog. I believe we need to have a dialog with the business community. I think that at this point we have some serious transit issues that we need to go over as a region and decide where we're headed with these. And FDOT is not a lone actor in these issues – far from it. And we need to engage that dialog with this Board, probable with your staff and with the counties. That's my prepared remarks. Any questions?

not an agreement, highly unlikely, Central Florida counties will fund

never difficult to talk about funding 100% roads

39:00

CHAIR: I'm sure there might be just a few. So, open up the floor. Commissioner Abrams.

COMMISSIONER ABRAMS: Thank you Madam Chair. Good morning Mr. Secretary. When you say serious issues, other than these cost issues that you've outlined, what would be the serious issues as to the future of commuter rail in South Florida? If any.

JIM WOLFE: I think I did lay that out, but I would like the RTA to be an active player in promoting the system expansion. And I think that at this point in fact I'm getting a different read on that. That you would like to put system expansion in advance focus on Tri-Rail and sometime in the far future look at system expansion. I'd rather have a more active partner that promotes, we need to be expanding.

never included us in discussions

COMMISSIONER ABRAMS: OK, I didn't know that was our policy. I mean personally and I know it is probably the view of my colleagues in Palm Beach County and I do think that we share some goals. I would think that certainly it is a goal to have train service on the eastern tracks. I've never heard otherwise, and I certainly would be willing to consider any plan to expedite service on the eastern tracks as far as private sector involvement, I've been an advocate of outsourcing in Palm Beach County and in fact one of the reasons I like Tri-Rail and volunteered to serve on the Board is because Tri-Rail/RTA organization is 80% outsourced. So, I think we have a good record on that as well. When FEC has indicated that they could achieve a savings of \$10 million, is that for service on just the FEC line or if they also operated on the CSX lines, the existing service?

JIM WOLFE: We've gone back and forth on a lot of discussions, but they believe that they could save \$10 million on the Tri-Rail service itself. And then that \$10 million then could be towards system expansion on the FEC.

COMMISSIONER ABRAMS: OK, and have they indicated what those savings would be or how they would achieve those savings?

JIM WOLFE: They have not itemized that. We have done some of our own analysis and find that those elements that the RTA has privatized are very competitive. You operate and maintain by contract, they look like very competitive contracts. We've found your administrative costs to be high. And if there is merit in the \$10 million, I suspect it's in that area.

COMMISSIONER ABRAMS: Ok, what about the – and I'm sure the administration will respond to that, but one thing that concerns me is that the \$10 million savings may be focused on sort of the ancillary costs that we have to make our Tri-Rail system not just efficient – I mean certainly and I think everyone agrees- run and do run an efficient service from Mangonia Park to Hialeah, back and forth, but it's the other services that we provide that make it effective. So for example, the shuttle systems that get people to the lines, the customer service that tells people how to use it, the marketing that also gives people an opportunity to use it. I can tell you as a regular rider, I know that many people depend on it to get to work. Obviously that's the major goal of the administration is to get people back to work and to work and as we all know not everyone can afford gas and insurance and cars even, and so to curtail that by limiting the operation to an efficient service, but not an effective service, I think, would be shortsighted and I would hope that that is not under consideration as to what is meant by extracting savings from the program.

43:20

JIM WOLFE: We would expect that any privatization considered by the RTA would maintain the same quality. And you've had experience with privatization, and a lot of it is in how you define the parameters that must be met by the contract. And I'm sure you've had successful privatization, FDOT has and it's in writing the specifications. You contract for what you need to get. And that needs to be in the bid. And we have for instance, contracted out all maintenance in Indian River County. Maintenance of State roads is all done by contract. I don't think you find non-government people in Indian River County that know this. They haven't noticed any drop off in the quality of those roads. It's because we have specifications that the contractor must meet, the same as the specifications that we use elsewhere. And it's invisible to the user and privatization should be invisible to the user. If it is in fact degradation of quality, it's been done wrong.

COMMISSIONER ABRAMS: And my final comment is that apparently a precedent has not been set that the State government is heavily involved in our operations here in South Florida if in fact SunRail is going to contribute. So I wouldn't worry too much about setting a precedent because, it obviously it has and obviously South Florida is a huge economic engine for the rest of the State and getting people to work places is an expanding employment opportunity and a benefit for both employees and employers, of which we have so many down here in South Florida.

CHAIR: Thank you Mr. Abrams. Questions? Commissioner Barrerio.

45:18

COMMISSIONER BARRERIO: Thank you. On the Central Florida, it is very nice to say I want to pay, I want to see them pay and I want to see us get the same deal they got, totally. The fiber optics and everything else that goes up and down that corridor. The revenues that are going to be generated. I think we have to have the same exact deal. And also, what you contribute to the entire kitty of the State coffers and what we're getting back. Unfortunately when we look at DOT, it's not only DOT in its entire what South Florida gives to the State and what the State gives to South Florida. So, on the FEC, it's really nice to say, I hope they do put commuter rail, but only completely private. If there should be any location, there should not be any subsidy whatsoever from the government. It should be on that corridor, it has the highest – it goes through all the major downtowns. The highest capability of generating traffic flow of riders. So, I don't understand how they could be saying they going to be doing it cheaper or they want... they think they could get economies of scale with the Tri-Rail system. I think you said at the beginning of your negotiations, all public is going to use some subsidy to operate. I will believe eventually there will be one regional system that goes to the bigger picture of what we were talking about earlier. I think that there will be. I think there will be steps towards that. Fare

card collection is the first step. Unified system, eventually line system by system, mode by mode there will be. Dade County originally, if you look at the earlier events went all the way up to Port Saint Lucy. The forefathers of this region said it is better to have 3,4,5 counties on here. Everything goes around in circles. Maybe we are going back to that. To that one regional area. It goes by in increments and I think we will get there. And in this I tell the State and our county, my colleagues, the State and the federal government, local government knows best. People try to do stuff at the federal level with this health care thing and there's mixed opinions about it and look what happens. The backlash. When you look at doing something at the State level, Statewide, I'm not sure if it's the right, I think local government knows best and we have to work with that. Within those constraints and I'm open to discussion Madam Chair and further negotiations with the State. That's all.

CHAIR: Mr. Perry.

MARTY PERRY: I find all of this really interesting. My personal involvement with Tri-Rail began really with the issue of the funding formula. And as a member of the Palm Beach County Economic Council, we had been requested a number of years ago by our Board of county commissioners to see if we could assist in helping in the legislature to find some form of permanent funding for Tri-Rail, which had always been a problem. That really led to, and it's interesting you comment about the business community, because it led to the creation of the South Florida Regional Business Alliance. We worked very hard for a number of years, along with county governments and number of other organizations to achieve the funding that occurred a couple of years ago at the legislative level that you mentioned this morning. I find all this interesting, because I've always viewed a Tri-Rail to be a partnership with DOT and I think what's occurred in the past few months is all the more interesting in light of the relationship that has existed for years. We have a member of DOT that sits on this Board and has since the outset. I find the comments relative to the administrative fees interesting, because it would seem to me that if you had great concerns and maybe I've missed it, that those would have been shared with the agency on a continuing basis relative to your concerns in that regard. I think from the standpoint of your comments relative to Tri-Rail, not being interested in the overall plan, I find that incredible, because the reality is that we've all worked together relative to the FEC Corridor Studies. Tri-Rail has had a significant amount of input into that. I personally served on a committee. I think other Board members did also. I remember Commissioner Koons took a very active role in it when he was Chair. I just find all these things, these comments really interesting and I find it even more interesting that the fact that Tri-Rail in many respects is the result of let's call it failed negotiation many years ago between DOT and the FEC that all of a sudden now are rejuvenated in the last couple of months. And granted there's been discussions over the past several years with the FEC, none of which have been very productive until

apparently the last few months. The reality is that the – all these things that you've commented on and I envision you as the messenger, I don't see you as the policy maker here, but maybe you've had input, but I just find it all very interesting, because Tri-Rail wouldn't have existed but for the inability to negotiate a deal with the FEC many years ago. So if Tri-Rail is a funding failure, in many ways it was a funding failure created by the State and DOT. And where have you all been all these years when we've been trying to find ways to solve the problem. I don't criticize you individually, but I just think this is a major issue that all of a sudden thru a new administration has become a focal point. No one on this Board, to my mind, disagrees with the fact that operating costs are high, there's no question about that. We've made as many conscious efforts to try to do things about that. We scrutinize each of these contracts. We scrutinize our costs. We scrutinize our budgets. We welcome your participation into that program. I just find it disappointing. I think that there should be more discussion and it should be open and frank. I'm kind of a lame duck here, but at the same time I have a significant interest in this issue. That's the reason I sit here to begin with. I think that we need an overall plan that includes the FEC corridor and the Tri-Rail corridor as part of a mass transit plan for Southeast Florida. The next 20, 30 or 40 years, they are going to demand that type of a service. So to the extent that we can gain the cooperation of FEC and this ought to be a mutual thing. I just find it difficult. There ought to be more openness and more frank discussions. Thank you.

JIM CUMMINGS: Madam Chair, I'd like to get in the cue.

CHAIR: OK, Mr. Pego, did you want to question or comment? Ok, was that Mr. Cummings I heard? You are recognized.

54:30

JIM CUMMINGS: Ok. First I apologize for not being there, I very much like to see Mr. Wolfe at this presentation. But unfortunately I'm not. In discussion of the FEC and what their proposal, Mr. Wolfe if you'll recall about two years ago, you made a presentation to the Broward Workshop regarding the services to be provided on the FEC. At that point and time, you and I discussed local government funding for local services and quite frankly I agreed with you. At that time I had asked you a question about what amount of money you would expect to come from the local government to fund the services on the FEC. And if you recall, I corrected you on a dollar amount. I believe the dollar amount turned out to be approximately \$40 million a year, which is a little more than the \$30.6 million the State funds for Tri-Rail. But even with \$40 million, knowing that we all had difficulty getting the money from our counties to fund their local contribution the \$40 million was totally out of the question. It isn't going to happen. Now, following your same thought process, the transportation services needs to be funded locally, as you say it will be funded in Orlando on the Central Florida Corridor within 7 years, I would ask

you wait for the 7 years and see what happens at the beginning of the 7th or 8th year when you ask them to start funding the cost of that corridor. Having said that, I question whether the private entity will be able to receive federal grants and operate as Tri-Rail does to a fifth local government to perform their projects with federal funding. And I would look first to the WAVE which is being- going to be developed in downtown Fort Lauderdale. I don't think the federal government is going to give grants to a private corporation. Additionally, you refer to the \$36 million that the DOT and the State is funding Tri-Rail with and I would just remind you that that \$30.6 million is not necessarily --- it's money collected from the gas tax, it's money that is developed and generated in South Florida. If you want us to fund our own corridor, which I think we quite willing would, if you just give us all the gas tax dollars that are generated in South Florida back to South Florida. Let us determine where we would like to spend the money and I think you will find that we could certainly achieve the goal of providing our own transportation system. Not that we don't appreciate everything that the DOT does and everything that the federal government does in returning funds from the gas tax. I believe again our operating costs should be local. Give us our money back that you collect and I think they will be local. As far as our working together and bringing us in the fold of these negotiations, I think that's most important. I would appreciate an opportunity to know what is being developed, know what is being discussed. We have tried to do this over the years. We've tried to do it with the SFOMA agreement, if you will recall, there was a report that in 2008 by Bergmann that was given to the DOT, at the expense of the DOT. And then when the SFOMA discussion came up, when we were asked to sign the SFOMA agreement, one of the things we did as an agency, in order to fully evaluate the agreement was to go out and poll a Bergmann to do another report in 2010. Notwithstanding the fact that we got information from the DOT as to exactly what the cost would be to operate, maintain and dispatch the system. Unfortunately, we didn't get the 2008 Bergmann report. Matter of fact, it wasn't even brought to our attention. So we paid to have another report done by Mr. Bergmann and in that report of 2010 he referenced the 2008 report and he said I told you in 2008 what it was going to cost and sure enough here we are doing another report in 2010 and yes, it's going to cost so much money. Obviously, substantially greater that what we were purported to believe it would cost when we were negotiating and discussing the SFOMA agreement. But, our relationship in negotiation and being involved in discussions with the DOT at the State and the local level go back many years not just this issue but the SFOMA where we were not involved in the discussion and for you to come here today and say we want to have you involved, that sounds really great. We would like to be involved. Please let us know when your next meeting with the FEC is and we will be there. But before we can evaluate any savings or overrun or any economies in our system, I think a full evaluation of what is being proposed would be appropriate. And with that, I think you will find our administrative costs are on a national level, probably less than 90% of the systems out

there. I doubt very seriously if –I think we spend something like 8 cents on the dollar for administration. I think that's pretty good. That's all I have to say. I look forward to a meeting.

CHAIR: As do I Mr. Cummings. I don't know who else is on the phone that might want to speak – any other Board members? OK. Hearing none, Mr. Pego.

GUS PEGO: I have no questions – comment though. Certainly as the representative here also from DOT and representing Miami-Dade County, I think the discussion is a good discussion. I think the key points that Jim has made soundly to this Board of the need not only to better communicate but also to lets clarify a few things. There have been discussions, but no negotiations. Jim pointed out very eloquently that Tri-Rail should be engaged and the Board members also acknowledge the fact that Tri-Rail should also be engaged in the further discussions. I know when Jim made a presentation to the MPO Board in Dade County, many of the questions raised by the MPO did not have all the answers and that was a big frustration to the MPO. Jim since that point and his team had gone back to FEC to say how can we work together to deliver premium transit from West Palm Beach to Miami-Dade County? And minimize the impact to the rest of the transit programs of our districts and the MPO funding. So he has lifted a heavy lift to try to deliver something that is sorely needed in our community, which is a premium transit along the east side of the county. Miami-Dade County Commissioners/MPO members also were concerned about what impacts expansion of transit to the FEC would have on the commitments made in their community. So many fellow commissioners throughout the county, I'm sure would have similar concerns. Jim and his team has been trying to again address mobility needs for the future by delivering a premium transit line and this is all part of what we do every day through our project development studies. We try to develop the best mix of how to deliver a project in our community. And I think as Jim pointed out it is a continuing dialog it is not a line in the sand and certainly his offer and his commitment to engage this Board and the administration of this RTA is one that we should be saying as a Board member now thank you Jim, and lets continue moving forward and to move people in our community. That's all I have to say.

CHAIR: Thank you Mr. Pego. I have a long list of questions and thoughts about where we're going and to echo Mr. Perry's comments about Mr. Wolfe, you are the messenger. But, the degree to which you are participating in these meeting and your leadership as a secretary of this district, I believe you are in essence you are a policy maker and leading those discussions. It feels to me that while we keep being told this is just some little discussions that we are having. It's not a negotiation. It feels more to me like - that line from a very famous movie, "Pay no attention to that man behind the curtain." Because what this really feels like to me is a backroom discussion to create the best environment for a hostile takeover. I find it curious that

a company liked FEC that has never run passenger rail, has no experience with passenger rail can sit down with the State and offer a \$10 million savings. Based on what? What kind of experience? So I wonder, when you are looking and as you said you were, I wrote down, in high – intense high level talks with FEC- who else have you been having intense high level talks with?

JIM WOLFE: No one else that I'm aware of.

CHAIR: So, in the discussions that have been taking place, there's no other companies that have been present at those discussions?

JIM WOLFE: Other than those companies directly associated with the FEC, no. NO MENTION OF VIRGIN RAIL

CHAIR: And what companies would that be?

JIM WOLFE: I'm talking about negotiations or discussions with the FEC about the use of their tracks. Is that your question?

CHAIR: OK, I'm asking you the discussions you are having right now and you just used the word negotiations with FEC.

JIM WOLFE: No, I shouldn't have.

CHAIR: I did not - with FEC and you have laid out multiple scenarios. What other companies that have been part of those discussions-whether they have been subsidiaries or partners of FEC.

JIM WOLFE: Yes, there is Fortress, they are all associated with the FEC.

CHAIR: And which other companies?

JIM WOLFE: Fortress is I believe a holding group that owns the FEC and there's a family of companies and it was their consultants and that's all. No third parties. NO VIRGIN RAIL?

CHAIR: You made a claim which where I would like to invite Mr. Peskin, and I will introduce him shortly for a presentation on our admin costs being excessive. They're roughly 9% which is in fact not excessive. It's extremely remarkable that we are able to do what we do. As you rightly pointed out the contracts that are in place now were all competitively bid and are about as tight as you can get contracts. To the contrary though the conversations that seem to be taking place with the State are conversations that as you were claiming were leading up to the

creation of multiple scenarios in order I guess, at some point to open it up for bid. And what I find really interesting is that when Broward County and I'm sure Miami-Dade and Palm Beach County operate the same way – when we want to put something out for privatization, any one of the myriad of contracts in which the counties are not delivering the services, but a third party is – that third party is not at the table helping to craft what that bid might look like or what that scenario might look like. And so when we do that we have studies. We do studies we invite others to the table with expertise to help us in that regard. Yet, the very studies that were begun by Tri-Rail, by SFRTA, by Miami-Dade and then further along that line in conjunction with FDOT seem to have just gone by the wayside. So where are those studies that we were engaged in heavily until about two or three months ago? They seem to have just disappeared. Where are those studies today?

JIM WOLFE: Are you referring to the project development study for bringing commuter rail to the FEC corridor?

Chair: Yes.

JIM WOLFE: That is ongoing. In the past year it's slowed down somewhat because we've been answering those questions that Miami-Dade MPO has about the project. They did not pass the same resolution that all the other associated local governments had passed and we've been dealing with that. However we have an active study that is still underway, it's fully funded, we have our consultants working on that. We've not stopped or redirected that effort in anyway.

Broward didn't, either, we has caveat

CHAIR: OK, the conversations you talked about that were invisible, those kinds of conversations that are just happening to take place now, that are not taking place with public. Tri-Rail has not been at those meetings, the county commissions have not been at those meetings. Is it your understanding, when we talk about the States unhappiness now with its subsidy of public transportation, and I think we can argue all day long about how much the State is subsidizing road building in Florida as well as the Secretary Prasad unveiling of even additional road projects, so it's interesting to find the State has such heartburn all of a sudden to fund something that was deemed by the legislature to be worthy. When you all sit down and start talking about subsidies, have you ruled out, are you having in your scenarios conversations where it is the expectations that conceivably you will privatize Tri-Rails operations. And I'm assuming conceivably RTA disappears under those scenarios, correct me if I'm wrong, and finally that the counties would be expected to continue with their subsidy.

JIM WOLFE: We have discussed among many other scenarios the possibility of Tri-Rail operations being privatized and put out to bid. That does not envision that the SFRTA would

cease to exist. You have a reasonable planning activity, quite apart from Tri-Rail that, there are very strong and valid reasons why, as Commissioner Perry mentioned, the business community was behind the establishment of the RTA and in fact, FDOT and the State would like to see RTA become more involved and more successful as a regional planning entity, so no. None of this is about or being or restricting the RTA. *not true, they would eliminate oversight.*

70:19

CHAIR: And as to the county subsidy and the privatization of Tri-Rail?

JIM WOLFE: I don't recall that ever being discussed, but I would not see why a small county subsidy would be discontinued. It's already too small. *Since when is \$10-20m small?*

CHAIR: Has the FDOT been having conversations about creating a new RTA a second RTA with counties to our north?

JIM WOLFE: Not to my knowledge.

CHAIR: Not to your knowledge. I have some other questions, but at this time I would like to go ahead and introduce someone who could probably lend – yield a lot more questions. Thank you Mr. Secretary. It's Robert Peskin, he is a senior consulting manager from AECOM and he consults in the areas of transportation, financing, planning and management. He has been with AECOM throughout his entire 34-year career serving the transit industry and a host of government agencies at the local State and federal level. And has pioneered analytical methodologies in the area of transportation financial planning, analysis of transportation infrastructure capital needs, and of course the ever present operating and maintenance cost modeling. So, with that, there is much more to say about Mr. Peskin but, I think I will let his presentation speak for itself. Good morning and welcome.

71:46

ROBERT PESKIN: Good morning Madam Chair. This morning I've been asked to talk about three things. First, specifically, what was our charge in the analysis that we were called upon to do. Second, to talk about it in the context, the broader context of the public private partnership. So, then to discuss some of our key findings. Our work was specifically to look at the FY12 operating budget and determine just what the administrative burden was to the various operating contracts that SFRTA operates. We did this work in the context of the relatively complex institutional situation here in South Florida recognizing the broad range of activities that SFRTA is responsible for that are included in this budget in addition to the operation of Tri-Rail and to examine this and discuss it in the context of the mix of direct provision of services by

the private sector with oversight and direct support by the public sector. I want to talk about this in the context of what our involvement has been with Tri-Rail and in South Florida extending back more than 20-years. We have worked directly with several of the local agencies. We have worked with the Broward County MPO. We've worked with Miami-Dade MPO in developing long range plans. Some of that work going back 20-years. We supported Miami-Dade Transit in financial planning for their north corridor project. And we've had continuing involvement with FDOT in the Oakland Park Boulevard alternatives analysis. And we have had some involvement in FEC planning. I want to be up front about that. We have been involved in that in the context of projecting ridership and in doing some supporting financial analysis. I think it is important as we discuss issues about cost and the administrative burden applied to the operating contracts that SFRTA has, that we step back a bit and think about the broader context of public private partnerships of the blending of responsibilities on the part of the public and private sector, what this means in terms of funding and financing opportunities and talk about it in the context of some common concerns in this very complex topic. As we talk about involvement of the private sector in the delivery of public transportation services, generally that discussion focuses on operations and on project delivery. In the operations side, the competitive contracting model has been used a lot throughout the US and on a global basis it provides the mechanism to assure the lowest possible cost and the delivery of those services. We see this a lot on the part of bus services and as well in fixed guide way. Although in the context of fixed guide way, for light rail, commuter rail, heavy rail the opportunities become more complicated because of the significant capital investment that is required. And the complexity establishing that infrastructure and the sharing of risks and in defining exactly what the appropriate role is for the public sector, particularly from a policy standpoint. With regard to project delivery, which can include both the construction of facilities and the operation of maintenance and potentially funding and financing of the projects, there is a broad spectrum of opportunities for combining the responsibilities for the public and private sector. We have a little graphic here which shows this broad spectrum. We are looking at two key dimensions. One – the extent of private sector involvement in the activity, and second the extent that the private sector can take on the risk in terms of controlling costs and providing for revenues. And it ranges at the bottom left of this graphic with the traditional model. The so called design bid build model where limited amount of risk is shifted to the private sector and it extends all the way up to outright asset sale and privatization, where nearly all or all of the risk is shifted to the private sector and there's relatively limited risk on the part of the public sector and limited public policy involvement from the part of the public sector. These are the key issues that ought to be entering the debate as we consider what the costs are. What's the extent of the allocation of risk between public and private sector? And what is the opportunity for public sector involvement, particularly at the policy level. Policies which could address the level of service, what the fares are and similar issues. As we talk about dollars, we frequently get into a

discussion of/the distinction between funding and financing. Funding being the specific revenue sources and financing generally how do we leverage future funding sources to achieve proceeds up front, which could be used for the construction of facilities. If a transportation operation generates free cash, if it is revenue positive there are plenty of opportunities to get the private sector involved. Toll roads are an excellent example of this where there are spinning off a lot of toll revenue, which can be very appealing to attracting the private sector. Particularly in the context of their own proprietary interests in generating a return on investment. But, where projects are not producing that revenue, the opportunities become a bit more difficult and other ways of providing funding to the private sector become important. You see this in the case of the Port of Miami tunnel where an availability came in affectively a public subsidy is providing the incentive to involve the private sector. There is no free money here. While there are significant opportunities for the private sector to participate in funding and particularly financing these projects, they see this very much as a business decision. They have targeted rate of return objectives. Sometimes that rate of return appears relatively high from a traditional public procurement perspective but, if we want to get a fairly large investment on the part of the private sector up front, we need to expect they are going to be looking for some return on investment. As a result of that in many cases these transactions involve relatively long periods of time. You see highway toll agreements and parking agreements with terms that extend 50-75-99-years. And because of the opportunity that that provides to bring in private sector funding, many of these transactions move forward, but there have been questions raised, about well are we locking ourselves in with limited opportunity for public policy changes in public policy once those agreements are developed. It's reasonable to expect – expectations on the part of the private sector regarding competing services. What would happen, for example to express bus services on 95 in the event of private sector involvement in additional north-south service in Southeast Florida. There's also been a lot of discussion about the opportunities to apply so called value capture funding, which leverages the potential for real estate development along various corridors. Those are very real opportunities, they've been considered in a variety of projects across the country. One that particularly comes to mind, is the cotton belt corridor between the middle/between of Dallas and Fort Worth, Texas, where opportunities to develop real estate around potential stations as they come up. The thing to recognize about those opportunities are typically they take a long time to develop, there are certain risks involved and the private sector again has their expectations about what the return on investment in the delivery of those projects would take. So, with that background, let me talk about our analysis.

81:40

We looked at the FY12 budget and working with the staff, we identified those costs that are directly in support of the various operational responsibilities that the SFRTA has and the underlying indirect costs. The administrative costs to support those direct services. SFRTA has 5

major operational responsibilities in rail, bus, New River Bridge, various planning and various regional administration responsibilities. We went through every staff position on the SFRTA payroll and allocates those staff and their associated wages and fringe benefits to support each of those five areas. And we did this in the context of both the staff responsibilities and the various services that SFRTA purchases. The overall budget in FY 12 is \$67 million of that \$54 million is paying for both directly and indirectly the costs for the Tri-Rail operation. So, we then looked within that \$54 million of how that money was spent. Of that total, the direct cost of the operation, the third party and private sector contracts for direct personnel and direct train expenses, totaled \$49 million. Only \$5 million of that \$54 million was for indirect and general and administrative costs. Which means that less than /around 9% of total costs is spent on general and administrative costs. So, 91 cents out of every dollar that is spent to support Tri-Rail for direct delivery of services, either through third party contracts, direct personnel or direct train expenses. Indeed, the total general and administrative costs for SFRTA is only about \$7 million out of that \$67 million budget. Given that the vast majority of the costs are competitively procured, which provides the opportunity, the best opportunity to control costs and given that only \$7 million is for general and administrative, it raises interesting questions about where a \$10 million savings can be achieved in the overall RTA operations. So, does this structure make sense? We think it does to the extent that SFRTA is performing certain vital functions in preserving the public interest. This Board and the policy decisions that it makes in the staff of SFRTA that is holding the contractors feet to the fire to assure that they deliver the services that they are contracted to perform for all these services that we've listed here, we think it makes sense. It not only makes sense here, but it makes sense across the country and we see many examples of this throughout the country and all the so called new commuter rail operations such as the ones we've listed here and others like Utah Transit Authority and the services that they operate in Salt Lake City or Capital Metro and their new commuter rail services. Basically the same model has been applied effectively and at relatively low costs and using competitive contracting as the mechanism to ensure the delivery of services at the lowest possible costs. Those are my comments. I am ready for questions.

85:20

CHAIR: I am inviting Secretary Wolfe, if he would like to address any questions, because these findings directly contradict those which you stated earlier. Particularly as it relates to our efficiencies and administrative and overhead.

JIM WOLFE: We've not had the opportunity to review these findings. I'm very pleased to see that you've been looking into your costs. We'd like to meet with your staff to lower this. We'd

like to share our own calculations that seem to substantiate that there are savings that can be made.

CHAIR: OK, and those calculations, are those the calculations of the State or of those who would propose to run and obviously have a vested interest in running Tri-Rail?

JIM WOLFE: We have done our own preliminary analysis that appears to substantiate that there is potential for savings.

CHAIR: OK and how soon can you get that analysis to SFRTA?

JIM WOLFE: I'd like to have a meeting and share information with your staff.

CHAIR: OK, but as far as turning over that analysis now, how soon could we have that?

JIM WOLFE: Soon.

CHAIR: Is soon a week or a month?

JIM WOLFE: How about I fax it to Joe this afternoon.

*He sent to press, instead,
we had to request a copy from
news-
papers.*

CHAIR: That's much sooner than a week, so that would be good. I had a few other questions that I had neglected to ask before. And you may or may not be able to answer them because they were comments made by Secretary Prasad. So to the degree that you are not he, but could probably understand the direction that he's given, or certainly the chief of staff has been giving as well and that is: In his speech a couple of weeks ago, Secretary Prasad spoke to the issue of the MPO's and their structure and spoke directly to the structure of urban county MPO's. We know that in order for the State to privatize Tri-Rail, it would have to be approved by the MPO's and so it seems a little scary to see at the same time that that approval from three individual county MPO's would need to be gained in order for a project/a proposal such as this to move forward that how ironic that at the very same time the Secretary is unveiling plans to change the structure of the MPO's themselves. So, in his speech, he did not say which urban areas, but it seems pretty clear he was speaking of the Miami-Dade, Broward and Palm Beach area as well as others. Can you speak to that?

JIM WOLFE: I have heard no discussion that there is a relationship between combining MPO's and potential privatization of operation of Tri-Rail. That hasn't come up. I also, looking at that

concept, see no linkage. It appears immaterial to me whether the three MPO's are combined or not in looking at the Tri-Rail operation issue.

CHAIR: Do you know what the Secretary meant when he said that the structure of the MPO's needed to be changed in the urban areas?

JIM WOLFE: We have serious transportation governance issues in Florida with the large number of players in making transportation funding decisions. And now that we have a metropolitan area that has three MPO's in South Florida, it makes serious coordination problems. And I'm sure that's what he's referring to and when we get a new definition from the federal government about urban areas, we always also get pressure about combining MPO's within those urban areas. I believe that this discussion has no relationship to Tri-Rail or SFRTA.

CHAIR: Are you asserting that there is pressure currently from the federal government to combine or change the structure of the MPO's?

JIM WOLFE: No, but I would expect it.

CHAIR: Is FDOT currently drafting or has already in its possession legislative language that would either change the structure of our MPO's or would change the structure of SFRTA or of its Board?

JIM WOLFE: I'm not aware of that. *not true, divulged bills 5 days later*

CHAIR: You spoke to the ability to save money as being the driving factor here for FDOT to look, could not look the other way when companies are coming forward and saying, pick us we can do it cheaper or we have ideas about how it would be cheaper. It would be negligent to paraphrase you, for the State not to look at and investigate those claims of savings and how that might look. So, I find it surprising when the State is interested apparently, in finding savings greater than what AECOM's representative have just said how tight of a ship is currently being run, that the State walked away from the possibility of a \$2.5 million savings alone on new dispatch. I'm wondering if you can comment on that?

JIM WOLFE: We look forward to ultimately achieving those savings. However, that depends on combining dispatch with Central Florida. I don't believe that contract has been signed yet. So, you are pointing out something that in fact is in the works and has not yet been achieved and if that happens then that would be in addition to any other savings that we can find in other areas of the operation.

CHAIR: OK and I guess an additional lost opportunities, because that's an opportunity that's exists. Now, would be the issue over insurance. And just to share with the Board and I don't know how Miami-Dade or Palm Beach County puts out insurance, but we have brokers, just as Tri-Rail has a broker. And our brokers are paid a flat fee. They do not earn a commission, because if your broker is earning a commission, most likely they are going to be out there not finding the less expensive policy because it doesn't benefit their personal bottom line. So, it was interesting to find that the State in going forward with the insurance for SunRail that could have combined us and fact did not use the broker that we currently have as SFRTA, which is a fee – a flat fee, not a commission, but instead went forward and hired a different broker under a commission structure. Again, raising the issue of opportunities for savings that the State seems to have walked away from.

JIM WOLFE: If the implication is that we do not seek out costs savings, that's incorrect. We're very concerned about the effectiveness and the use of our transportation dollars. You are missing specific issues. Each of these, need to be independently evaluated and economically resolved and any positive costs savings would be cumulative.

CHAIR: OK, I guess at the end of the day, Mr. Wolfe when the State asserts that there are management efficiencies at Tri-Rail that are excessive, when we know that they are not. When the State says that it is interested in savings and at the first things that we've looked at it has had opportunities for savings which it did not take advantage of. It says to me that there are many other agendas at play here. And while that may or may not be true, what we do know is that SFRTA, myself as Chair, the three counties have not been consulted, have not been a part of these meetings. We don't know exactly what's been going on and it is disappointing to not have been at the table and so I guess the final question I would ask of you is, do you or will you agree that all future meetings, discussions that are taking place on the future of SFRTA or the counties and their individual subsidies, that we will be invited to those discussions to be a part of them?

JIM WOLFE: That's' very open ended, I can't make that assertion, no.

CHAIR: And I said final, but I had one other question. You know that we did quite an extensive public records request, asking for all kinds of information. In the need for the State to continue to want to save monies, I found it very ironic to understand that the State is going to charge its own agency, we are in essence, SFRTA and Tri-Rail is a division of the State, you are going to charge us for those public records. Is that something that you could personally look into to

ensure that since we are also concerned about savings that in fact the State wouldn't be charging, in essence, itself for public records?

JIM WOLFE: That is a voluminous public records request that is going to be very expensive and is being done for the benefit of the SFRTA, even though it is two government entities dealing with each other, why shouldn't the cost be borne by the requesting party. That said, I'm surprised to hear what you are saying. I didn't think we would charge, but if we do charge, I certainly see the logic to it.

CHAIR: Mr. Cummings, I believe you were asking to be added to the cue.

JIM CUMMINGS: Yes, I'd like to have Mr. Wolfe get a written copy of the AECOM presentation and I know he volunteered DOT's evaluation on how to save \$10 million. Although, DOT is not actually going to do it, it would be the FEC. And I would assume since the FEC got all our costs evaluations and analysis then we should be able to see how the FEC suggest they are going to save \$10 million. And quite frankly if we had to pay the cost of reproduction, I'd be more than happy to do that personally, because I would like to see their reports. How the DOT does it since they're not going to actually do the savings is somewhat irrelevant, but I'd like to see it in writing.

95:44

CHAIR: Thank you Mr. Cummings, I am sure staff will make sure the AECOM information/analysis will

JIM CUMMINGS: And did Mr. Wolfe tell us he will give us a copy of the FEC evaluation?

JIM WOLFE: I have not seen it and I don't believe that the FEC has shared it with anyone in DOT.

JIM CUMMINGS: Certainly it must have been shared with somebody. How did they come up with the conclusion?

JIM WOLFE: They shared the conclusion with us.

JIM CUMMINGS: Oh well... I think this goes to the point of communication in sharing information if somebody came in and said I could save you a hundred million dollars. That's all well and good, but unless you have the tools to properly evaluate that, it's kind of a moot point. So, this is the same problem we've had over the years. People make Statements, but they don't

back it up with anything. So, I'd like to see it. So can anybody request that we see the information that FEC has to determine they can save \$10 million from our budget?

CHAIR: Mr. Cummings that was detail, there was a variety of items that were asked of FDOT, including its vendors for information through the public information request. So, if it's available, I assume nobody has hit the delete button, that it will be shared with us.

JIM WOLFE: I do not believe that DOT has those documents, therefore we cannot release them and we cannot compel a private party to release documents. If they had... if we had paid for the production of those documents, it probably would have been in the contract that they are a public record, but they've done it for their own business purposes and they are not... cannot be compelled to release them.

COMMISSIONER ABRAMS: When they, do you happen to know when they talked about costs savings, does that also include increasing fares as a means of saving \$10 million?

JIM WOLFE: No, I Fares would be on the income side rather than to cost side and they indicated that they could reduce the costs by \$10 million. That doesn't mean that if they were operating the system that they wouldn't raise fares, they very well might. But, that would be on the income side.

COMMISSIONER ABRAMS: And then finally, and this was raised in the presentation and you also raised about SunRail, and I guess I'm a new member and I'm not familiar with SunRail deal. But, and I think Commissioner Barreiro also alluded to. Were they able to receive certain development rights or other rights pertaining to the rights of way?

JIM WOLFE: I'm unaware of that, that's possible, but I don't know that.

COMMISSIONER ABRAMS: And I don't think we have any rights with respect to the right of way or development or otherwise system wide.

JIM CUMMINGS: Wait a minute I can answer that...because I've read SFOMA- C. The article that they have in their agreement is virtually identical to what was proposed to us in our SFOMA agreement and it said that there will be no residential development within the right of way without the expressed consent of CSX. So, CSX is going to control residential development in all TOD's and everything else within their right of way. So, they are pretty much going to control it.

99:14

COMMISSIONER ABRAMS: Right, but that's' with respect to CSX.

TERESA MOORE: If I could respond, they were provided beneficial use of the corridor and that has never been provided to SFRTA.

CHAIR: In our 20 year history.

COMMISSIONER ABRAMS: Alright, well maybe that's the solution to the whole thing. Give us all the development rights and well run it as efficiently as you want.

CHAIR: Mr. Pego.

GUS PEGO: Thank you Chair. In Jims point, I think that making a parallel analogy which we all do as government officials, is that often time we have product vendors coming to us saying if you use my product through your process and everyone makes a lot of situations of savings. The role of government is to say, is this a better mousetrap and can we deliver it cheaper. So, I think what Jims point is, this has been an assertion made, lets' do our due diligence and see if there is efficiencies to be found.

CHAIR: And I guess I would argue if while that is true, it should be done in the sunshine. Those meetings should be open for those certainly that are at the root of the discussion to be aware of what is being said and documentation for the public. Because privatization should not mean the privatization of information and a shielding of those discussions from the public eye. Ms. Horenburger.

MARIE HORENBURGER: I have a question. Was that information issued by FEC to the State in these meetings or was it just alluded to? The financial information claiming that they can save \$10 million.

JIM WOLFE: The latter. In no meeting that I attended did they itemize or handout any information regarding that. They just gave the final lump sum they had.

MARIE HORENBURGER: So they gave you a number, but no detail.

JIM WOLFE: That's' correct.

MARIE HORENBURGER: And do you expect them to submit that information at some point in these discussions?

JIM WOLFE: We've not requested that they do so.

MARIE HORENBURGER: And no request were made to corroborate the information they gave you the bottom line for.

JIM WOLFE: I can't speak to what other people were thinking. I was thinking it was reasonable that they didn't itemize their calculations on something that would give them a business advantage if at a later date this was in fact put out to bid. There would be other bidders and certainly it is not to their advantage to disclose all their calculations. That in my mind is why I wouldn't ask for that information. If they didn't offer it they didn't want to release it.

MARIE HORENBURGER: Let me understand this correctly. Your anticipating that the State is going to bid out the operation of commuter rail on the FEC track?

JIM WOLFE: No, I didn't say that. I said that we have looked at many different scenarios and that would be one of them.

MARIE HORENBURGER: I see. Thank you.

CHAIR: But Mr. Wolfe you did say that you wouldn't feel it appropriate to ask for supporting documentation to a claim of savings because it might disclose information that would lead to their competitive disadvantage in a bid environment. So I guess one wonders.....

JIM WOLFE: No no, it would have been appropriate to ask. I didn't ask because I expected they would say no.

CHAIR: I guess I find that interesting that the State is having those kinds of conversations with a potential bidder that gives that bidder some advantage possibly over other bidders in that environment. They have not been shared. But....

JIM WOLFE: Our interest in talking with the FEC is that they own a corridor that we would like to put transit on. And, we are exploring with them the possibility that they would be the transit operator. This is a sole source arrangement. In dealing with that, discussions of Tri-Rail are entirely peripheral but they are connected it's not an issue that we could've avoided, because we are talking about a system that ultimately we envision to be connected.

CHAIR: And subsidized by both the State and the counties.

JIM WOLFE: Yes, we do not envision any self supporting transit.

104:40

CHAIR: But so far in all these discussions you have not envisioned having the counties or Tri-Rail at those meetings. Interesting, OK, I guess, one last thing - you were present at the forum on Wednesday when Husein Cumber, who is Vice Precedent of Intergovernmental Affairs and I think there are a few other things in his title, so Husein if you're are listening or watching, I apologize for mangling your title. But, he stated during that forum that in fact, his company, FEC had been invited in by the State for review and comment on our operations.

JIM WOLFE: I'm not sure exactly what that means. He's speaking live in a public forum. He might phrase it differently today. We have a continuing dialog with the FEC that goes back years on the issue of providing commuter rail on the FEC corridor. And it's been much more active in the last six months because we've envisioned some possibility of them being an operator, which is a different scenario from what we've been analyzing previously. And, a lot of other things have been peripheral to that. So when I hear DOT has been – FEC has been invited in, it's been a continuing process for years and certainly we ask that they involve themselves in that discussion.

CHAIR: OK, and just to recap – while he says that they were invited in for review and comment, there was no paperwork that was given regarding that review or comment that FDOT has. It was solely verbal?

JIM WOLFE: I don't recall the review and comment request. Certainly it was not in writing. We've had a series of in-person meetings.

CHAIR: Mr. Wolfe, I think we've beat you up enough.

JIM WOLFE: No, no, no –it's been very pleasant.

CHAIR: Oh we're just getting started. OK, Mr. Perry and there are two cards from the folks in the audience that want to speak to this issue too.

MARTY PERRY: This strikes me and obviously you can draw a lot of conclusions, but one reason for conclusion from a comment you just made about competitive bidding issue is at least the minds of those at DOT, there must have been some consideration about competitively bidding the Tri-Rail operation.

JIM WOLFE: What is the question?

107:26

MARTY PERRY: Has there been some internal discussion about competitively bidding the Tri-Rail operations.

JIM WOLFE: yes.

MARTY PERRY: And to what extent?

JIM WOLFE: To what extent? How much discussion to what extent it would be bid....

MARTY PERRY: To what extent has there been discussion within DOT about competitively bidding the Tri-Rail operation?

JIM WOLFE: We have made the point that we would be very reluctant to negotiate operation other than by competitive bid. So that's been.... In evaluating that scenario that's just been one of the points that we've been making. I don't know how there is an extent to that....

MARTY PERRY: Is there a list of priorities that have been developed relative to the Tri-Rail operation and where does that lie on those priorities?

JIM WOLFE: It's natural when you look at every available scenario and you brainstorm items, you talk about a whole universe of things and then you try to narrow those down. And you say well, actually everything you have... that criteria is not acceptable to us. Everything... you must have this. And one of those narrowing filters that we would arrive at in the discussion that we need the competitive bid. That's the way government works. That's how we determine that we're getting good value. On rare occasions we end up in a sole source situation and it's much more difficult to justify that we're getting a good deal.

MARTY PERRY: Thank you.

CHAIR: Alright Mr. Wolfe, I think we are done with you for now.

109:14

Inch? But we are going to sole-source PEC & connect it to bid on CSX, talking in circles.

Respectfully submitted by