

**HILLSBOROUGH TRANSIT AUTHORITY
AND
TAMPA HISTORIC STREETCAR, INC.
BOARDS
TASK FORCES FOR THE RENEWAL OF THE OPERATOR'S AGREEMENT
FOR THE TECO LINE STREETCAR SYSTEM MEETING
Monday, January 3, 2011 at 10:00 AM
County Center, 601 E Kennedy Blvd,
26th Floor, Conference Room A
Tampa, FL 33602**

HART Board Members Present (3)

John Byczek
Fran Davin
Dr. Steven Polzin

THS Board Members Absent (3)

Santiago Corrada
Michael English
David Mechanik

Staff Members Present

David Armijo
Katharine Eagan
Olga Gonzalez
Philip Hale
Stephen Hendershott
Marcia Mejia
Brenda Mowen
David Persaud
Lena Petit
Gisela Rivera-Rios
Marco Sandusky
Mary Shavalier

Others Present

Clark Jordan-Holmes, HART General Counsel
Richard Schlosser, THS General Counsel

CALL TO ORDER

Sign-in sheet is attached.

Meeting was called to order at 10:06 a.m.

Mr. David Armijo asked both HART and THS General Counsels to provide an update to the Board on contract and elements of the Operator's Agreement which expires September 30, 2011.

Mr. Richard Schlosser, THS General Counsel, indicated that a summary of the proposed changes provided in the packet presents a thorough detailed overview of the needed amendments to the initial agreement. He noted that this is a good reference source. Mr. Schlosser said, from his legal standpoint point, THS has three options to approach review of the existing agreement: 1) to open the operator's services for bid, 2) to do nothing which would result in the agreement automatic renewal for one year periods and would include a 10 % increase in cost to the THS, with the provision that HART will have to agree not to cancel, and 3) to renegotiate terms of the existing agreement.

Director Davin arrived at 10:10 a.m.

Mr. Schlosser concurred with Mr. Armijo on two issues that might require some examination. He explained that the first issue is that the system is now 10 years old and the agreement does not spell out articles on capital expenditures. Mr. Schlosser noted shared ownership; streetcars are owned by HART, the track and everything on the street, by the City of Tampa. He indicated that an analysis needs to be taken in cases that the streetcar system runs into major capital expenditures that might include major renovations of the cars not covered by warranty, and tracks system and catenaries that need to be examined for repairs. Mr. Schlosser stated that the second issue is the projection that at the end of September of 2011 the endowment fund would be slightly over \$100,000. Mr. Schlosser noted that HART has done an excellent job over the history of the system at reducing the impact on the endowment fund however, if the endowment is less than \$120,000 by the end of September of 2011, there will be a shortfall. He indicated that the Tri-Party agreement states that the City has the right rather than an obligation to contribute to the shortfall, in exchange for that, the City has the right to cease or curtail service. Mr. Schlosser suggested that the Operator's Agreement should have a provision describing service adjustment due to a shortfall in the endowment fund.

Director Corrada arrived at 10:12 a.m.

Mr. Clark Jordan-Holmes, HART General Counsel, referred the Task Force members to the report in the packet that outlines the core provisions of the agreement. He pointed out that both HART and the City are stakeholders of the THS, Inc. and have the rights to control the Streetcar budget, any Operator's Agreement, and to require that THS adjust its basic service in order to maintain fiscal responsibility. Mr. Jordan-Holmes said that, in his opinion, the THS was created in order to bring business and governmental expertise to assist with those issues.

Director English asked for clarification on the Index of Core Agreements, line 6 that states that the Streetcar Special Assessment Ordinance expired on October 1, 2009.

Mr. Jordan-Holmes responded that he will research if the City of Tampa Council approved its extension.

Director English asked for clarification on line 7, Agreement between City of Tampa and THS, Inc., which states that the agreement expired on December 31, 2010.

Mr. Jordan-Holmes responded he will contact the City Attorney for clarification.

Director Polzin asked if it is a shared understanding of the City's opportunity rather than responsibility as it relates to the operating subsidy.

Mr. Schlosser indicated that Article IV, Section 2 of the Interlocal Agreement states that "the parties recognize that any shortfall in the budget for basic services will be provided by the City and that either or both the City and/or HART may adjust basic services in the event of a budget shortfall or may enhance the funding in order to add services".

Mr. Armijo referred the Board members to the THS FY2012 Funding Levels and Service Options handout provided in the packet. He indicated that the combination of Community Redevelopment Agency (CRA) and special assessment district collections add up to 32 percent, and it is important to

have the City's commitment to continue the allocation from those sources to plan for the future service.

Director Davin asked if the City's \$450,000 is entirely from CRA contributions or if it comes out from any other part of the City's budget.

Director Corrada responded that it is totally funded through CRA contributions.

Director English explained that this is an equal contribution from each of the three districts served by the streetcar.

Director Corrada noted that the City may not be in the position to fund any additional THS budget shortfall on top of the CRA contributions and the Special Assessment if the endowment continues to be depleted.

Director Polzin asked if the CRA contributions and the Special Assessment are assured.

Director Mechanik responded that they are not legally assured.

Director Corrada added that they are subjected to property values, specially the CRA contributions.

Director Polzin asked if the discretion of using these funds towards this purpose is assured.

Director English responded that discretion is assured on an annual basis by the City Council and it is a policy decision by the administration of CRA funds.

Director Mechanik added that assuming everything else remains the same, the endowment fund, which represents 21 percent of the budget will be missing next year.

Director English stated the original concept for the endowment fund was to spend an estimated 5 percent of the endowment value earnings each year. He explained that primarily due to lack of other funding sources and the challenge with the CSX crossing insurance cost, THS started depleting the principal almost immediately after the system started.

Director Byczek asked which institution is responsible for management of the endowment fund.

Director English responded that SunTrust Bank managed the fund for a number of years, followed by Raymond James. He noted that the THS, Inc. Board recently decided to put the remainder of the money in the City's money market fund.

Director Polzin noted that the HART Board on numerous occasions was assured that this was a conservative financial plan for 20 years and obviously nobody anticipated this economic recession.

Mr. Armijo pointed out six key areas that the Task Force members are requested to consider at this meeting: 1) state of the endowment fund; 2) maintenance of the right-of-way which under the City negotiations; 3) factors expected to affect capital cost; 4) updating of the Operator's Agreement; 5)

Should the possibility of a more definitive agreement in terms of the CRA contributions and property assessments; and 6) considering a further extension of the streetcar.

Director Polzin commented that streetcar systems have certain appeals for the cities they serve. He said such projects can create energy and enthusiasm for the cities, and that streetcars are valued by communities. Director Polzin asked for details on the CSX insurance cost.

Mr. Armijo indicated that the insurance cost is up to \$411,000 a year. He added that he had discussions with CSX to identify opportunities to reduce this cost; they are not open to negotiations, they feel it needs to be worked out with the State, subject to the new administration, and possibly a separate legislative effort.

Director Mechanik indicated that the streetcar has a perfect record of no accidents, but insurance cost is a large cost every year.

Mr. Schlosser noted that the CSX requirement for insurance for the TECO Line streetcar system is based on negative nationwide experience along CSX routes. He then dwelled on the CSX lobbying efforts with the state government.

Mr. Jordan-Holmes noted that the new administration, Attorney General and new Governor could change the dynamics.

Director Mechanik noted that this issue could not be resolved before this agreement is renewed.

Director Davin said that another fact to be watching for is the Governor's actions on the property tax this year.

Director Polzin asked if CRA and Special Assessments are been affected by appraised property values or rate changes.

Director Corrada noted that revenues across all CRAs have been diminishing over the last two years.

Mr. Armijo indicated that labor costs for HART will be controlled by no increases in operators' wages. He noted that it is a good opportunity to align the special services costs.

Director Mechanik added that recently the THS Board made adjustments to the policy for special events and he hopes HART is recovering its operating costs in those instances.

Ms. Mary Shavalier, HART Chief of Strategic Planning and Program Development, stated that the State of Florida still received Congestion Mitigation and Air Quality (CMAQ) funding, and HART will approach FDOT District 7 to see if the streetcar could be eligible for it.

Director Mechanik asked if this funding would cover operating or capital expenses.

Ms. Shavalier responded that it will provide operating money for up to three years from the opening of a new service.

Director Mechanik asked if that could be retroactive to the streetcar extension.

Ms. Shavalier responded that she will research this matter.

Director Corrada asked which party will be in charge of drafting the language for the new Operator's Agreement.

Mr. Armijo responded that HART staff will work with HART and THS General Counsels to present a draft. He indicated that the purpose of this meeting was to get a strategy and direction from the group. Mr. Armijo said that the timeline to complete the draft is within next 60 or 90 days.

Director Mechanik asked if changes are to be made only to the agreement between HART and THS.

Mr. Armijo responded that there is a Tri-Party agreement that involves the City.

Director English supported Mr. Armijo's suggestions for the endowment fund operation and creation of a capital reserve. He added that the THS Board should schedule discussions to consider service adjustment as an option to save the endowment fund. Director English said that the THS Board should ask the City Mayor or the City Council to consider renewing its Special Assessment contribution agreement on a three or four-year basis.

Mr. Jordan-Holmes noted that a multiyear agreement with the Special Assessment might make the streetcar system eligible to receive matching funds of CMAQ dollars.

Director English noted that the new City Mayor and Council will need to decide whether they want the system to be diminished in value by cutting service or will have to find other revenues to support the system.

Director Davin said that it will be difficult to justify cutting service after completing an extension to the line.

Director Polzin remarked that it would not hurt the system if cutting back is done smart. He spoke about other systems' experience using volunteer labor.

Mr. Armijo indicated that a developed draft agreement would be presented to the Task Force members in March.

Director English spoke about the community development forecasts, moving to better transit solutions, with an opportunity for dramatic change due to the high speed rail project penetrating the downtown area. He noted that, in his opinion, it is time to develop business solutions and strategies for the future.

Director Mechanik recommended that the Task Force have at least one more meeting.

Director Corrada requested that the draft agreement proposal would be available for the Task Force members in advance of the next scheduled meeting.

HART and THS, Inc. Boards
Task Forces for the Renewal of the Operator's Agreement
for the TECO Line Streetcar System
January 3, 2011
Page ~ 6

Director Polzin encouraged staff to work with the Metropolitan Planning Organization to identify funding opportunities.

Director Byczek left at 11:06 a.m.

Director Mechanik stated that the community made a significant investment into the streetcar system and the role of the Boards to preserve and enhance it.

Director Davin spoke about importance of the system promotion, and noted that Tampa does not have packages for tourists.

The meeting adjourned at 11:08 a.m.