

**Florida High Speed Rail Authority Meeting  
May 30, 2003**

**Hillsborough County Planning Commission Meeting Room  
601 East Kennedy Blvd. – 18<sup>th</sup> Floor  
Tampa, Florida**

**Meeting Minutes - Draft**

**Call to Order:** Chairman Frederick Dudley, Mr. John P. Browning, Jr., and Secretary Jose Abreu were not in attendance. Vice Chairman Lee Chira attended via phone line. In their absence, Secretary Norm Mansour chaired, and called the Authority Meeting to order at 10:00 a.m. Other members present were Ms. Heidi Eddins; Mr. William Dunn, P.E.; Mr. C.C. "Doc" Dockery; Mr. Skip Fowler; and Ms. Leila Nodarse.

Also in attendance were Mr. John Bottcher, Legal Counsel and Mr. Nazih Haddad, Staff Director.

**1. Welcome and Introductions:**

Chairman Mansour expressed that the Authority was pleased to be in Tampa and welcomed Hillsborough County Administrator, Mr. Dan Kleman and invited him to speak.

Mr. Kleman was pleased on behalf of the Board of County Commissioners to welcome the High Speed Rail Authority to the County Center. He expressed the Commission's support of the issues facing HSR and expressed particular interest in how the HSR project will affect the Tampa Bay area. He extended an official welcome to the Authority, and offered to assist in any way possible.

**2. Review and corrections/approval of minutes of March 3, 2003 Meeting.**

The Minutes of the April 17, 2003 meeting were reviewed. On a motion made by Mr. Fowler and seconded by Mr. Dunn, the meeting minutes were approved without further correction.

**3. Consideration of requests submitted by non-responsive proposers**

**a. Et3.com bid protest.**

Mr. Bottcher began by referring everyone to a memorandum that he prepared under tab 3.a. in the agenda package. This memorandum outlines the recommendation concerning the protest of et3.com. Mr. Bottcher continued that et3.com filed with the Authority a proposal in February of 2003. The Authority determined at the April meeting that et3.com was non-responsive to the RFP. Subsequent to that, Mr. Oster, filed a notice of protest within 72 hours and then followed procedures for filing a protest. Mr. Bottcher explained that the order the Authority entered in April required that upon filing a protest, a bond would have to be posted equal to 1% of the contract amount. Mr. Oster filed a bond of \$1.00 saying that in his view the contract amount would be only \$100.00, which represents the portion of his proposal that he said would be publicly funded.

Mr. Bottcher continued that according to Mr. Oster's proposal and the clarifications filed by him with regards to his proposal, the market value of his contract would be \$253 million, which requires a bond of approximately \$2.5 million. Mr. Bottcher noted that Mr. Oster has contested this. The Chairman on May 9<sup>th</sup> issued an "Order of Dismissal" dismissing the formal written protest without prejudice to Petitioner to file an amended petition and a bond in the appropriate

amount. In response to that “Order”, et3.com filed an amended petition and reasserted that et3.com felt they only needed to post a bond of \$1.00. In addition the amended petition asserted that other matters in the “Order” rejecting the proposal were erroneous.

On review of his petition, Mr. Bottcher stated he finds no significant issues of material fact. Mr. Bottcher noted that the technology doesn’t exist, and has never been demonstrated, and fails to comply with the RFP. With all that in mind, Mr. Bottcher recommended that the petition be dismissed.

Mr. Bottcher informed the Authority that he had drafted a “Final Order of Dismissal”. Mr. Oster expressed, according to Mr. Bottcher, a desire to settle this. Mr. Bottcher’s recommendation to Mr. Oster would be to withdraw his protest and the Authority would consider giving him the time for a presentation before the Board.

Chairman Mansour recognized Ms. Eddins.

Ms. Eddins referred to a settlement document that Mr. Bottcher had not addressed.

Mr. Bottcher noted that the settlement document Ms. Eddins was referring to is a ‘hand out’ that Mr. Oster gave just prior to the meeting, and noted that it was “unacceptable”. Mr. Bottcher quoted a portion of the document ...”We are prepared to withdraw our protest if the Authority (after our 1 hour presentation, and time for any questions), purchases a license for \$100, and agrees to implement the ETT technology of et3.com, Inc. for phase 1 Tampa – Orlando HSGTS with the conditions that et3.com, Inc. does the following”.....

This, Mr. Bottcher explained, would mean that Mr. Oster is asking the Authority to go ahead and grant him the contract to go forward with his proposal, as a term of settlement, which cannot be done.

Chairman Mansour expressed that he did not intend to listen to the presentation today, with the schedule as tight as it is, but that the good faith effort on the part of the Authority in order to lead to a settlement as Mr. Bottcher described, might be one to be considered.

Chairman Mansour recognized Mr. Daryl Oster.

Mr. Oster thanked the Authority for giving him the opportunity to speak. He stated that the main thing his company was offering the Authority was the ability to do this with no investment on behalf of the taxpayer or public. He noted that the proposal his company was offering was that the Authority continues on with the selection process that is already taking place with the two proposers.

He noted that his company would withdraw their proposal, if the Authority purchases a license for \$100.00. He indicated that the only risk to the Authority is \$100.00, and giving et3 the opportunity to show what it can do. The Authority would also be giving his company the ability to get their financing in order.

Chairman Mansour asked Mr. Oster, if he would consider withdrawing under the conditions described by Mr. Bottcher. Mr. Oster responded that he would be agreeable to it if, the Authority enters into an agreement with et3.com, Inc. today, and purchases the \$100.00 license and agrees to let his company demonstrate the et3 technology.

On a motion made by Mr. Dunn and seconded by Ms. Nodarse, the Authority unanimously agreed to dismiss et3.com, Inc.'s protest as recommend by Mr. Bottcher.

**b. Georgia Monorail Consortium request for reconsideration.**

Mr. Bottcher noted that Georgia Monorail Consortium submitted a letter requesting reconsideration of the Authority's decision to dismiss their proposal.

On a motion made by Mr. Fowler and seconded by Mr. Dunn the Authority unanimously agreed t to not reconsider Georgia Monorail's request for reconsideration.

**4. Review and analysis of Global Rail and Fluor/Bombardier proposals.**

Chairman Mansour recognized Mr. Haddad.

Mr. Haddad gave a brief review regarding the analysis that has taken place for the past month. He noted that since the last meeting on April 17<sup>th</sup>, the staff has continued to review the proposals that remain, Global Rail Consortium and Fluor-Bombardier. The staff and the consultants have met with both teams over the past month with day long meetings on the 5<sup>th</sup> and the 6<sup>th</sup>.

Following those two meetings, the staff presented additional questions to the proposers for clarification and responses were submitted. Staff has since revised the Matrix that originally was presented to the Authority on April 17<sup>th</sup> (revised matrix included in the meeting package)

Mr. Share provided a presentation on the revised matrix and focused his comments on the following areas: Business Entity Information, System Requirements, and Financial Evaluation

The RFP address 4 topics concerning the business entity, Mr. Share noted that the four categories were:

1. Principals and Team Organization
2. Experience and History
3. Management Plan
4. Bonding and Insurance Capacity

1. Principals and Team Organization:

- Fluor Bombardier
  - a. The team has significant design and construction experience.
  - b. The parent companies have investment-grade ratings with significant working capital.
  - c. Parent company guaranties are provided by the LLC
  - d. The responsibilities for the operations have not been clearly identified in the proposal.
- Global Rail Consortium
  - a. Most of the principals in the LLC have significant design and construction experience;
  - b. The LLC has proposed a capitalization of \$5 million at the time of signing the contract with the Authority. Mr. Share noted that if the Authority is to select this vendor, the Authority need to consider stronger coverage protection.

- c. The principals of the LLC would contract with the Authority and the date proposed by this vendor for start of revenue service would be December 2008, with a key component of meeting that date to be the providing of refurbished equipment, and that is noted in their proposal.

Chairman Mansour noted at this time that Senator Jim Sebesta of Pinellas and Hillsborough County was present and he requested that the Senator come forward and take the podium.

Senator Sebesta apologized for interrupting the meeting. He shared with everyone that there is money in the State budget this year for HSR and for the continuation of the Authority's PD&E activities. In addition there is money for DOT for the studies of Intermodal Centers throughout the State of Florida, which the Senator considers very important. The Senator believes the Intermodal Center location should be selected first in every geographic area, then connect the Intermodal Centers with light rail and local transportation, and then "fill in the dots with HSR".

The Senator also shared that he formed a new transportation advisory council during the last session, the Strategic Intermodal Transportation Advisory Council (SITAC). For the first time in the history of Florida, the Senator added, every means of transportation; over-the-road trucking, railroads, seaports, airports and everything that moves will be coordinated under this transportation advisory council.

The council is included in SB 676, Senator Sebesta added, and noted that he believes the Governor will sign this bill.

Chairman Mansour thanked the Senator for his comments and invited Mr. Share to continue with his presentation.

Mr. Share then continued with the presentation of the matrix.2. Bonding and Insurance Capacity. Mr. Share invited Mr. Win Apel from the Washington Group to participate with this presentation via phone line.

- Fluor/Bombardier
  - a. Demonstrate the required bonding capacity of the principals
  - b. Proposing performance and payment bonds in the amount of \$200 million to \$250 million.
  - c. The subcontractors will be asked for 100% payment and performance bonds for their work, if the market allows. Phasing of the bonds, due to the size of the project, is something that would be determined by the Authority and the selected vendor.
  - d. Proposal did not include the \$25 million bid bond
  - e. They have offered an OCIP, Owner Controlled Insurance Program, but did not include the price of the program in the firm fixed price. They did however provide an indicative cost through clarification, of \$70 million to \$80 million.
- Global Rail
  - a. Did not include payment and performance bonds from the principals in their proposal. The difference between the two proposers at the principal level is that professional service providers are the lead entities on the Global Rail team; while on the Fluor/Bombardier team there are contractor-construction-type companies, who habitually bond their work. With this difference in structure, this explains why there is no payment and performance bond on the Global Rail side. Mr.

Share noted that Global Rail relies on the subcontractors to provide 100% payment and performance bonds for their work on a phased basis, which would be as per the RFP.

- b. Committed to providing the \$25 million bid bond at the time of signing the contract.
- c. The proposed insurance is a contractor-controlled insurance program, which is included in the price with a cap of \$100 million liability as opposed to the \$500 million that was included in the RFP.

Mr. Share asked if the Board had any questions concerning the Business Entities of the two Proposers.

Chairman Mansour recognized Ms. Eddins.

Ms. Eddins addressed insurance capacity with regards to Fluor/Bombardier. She asked when talking about owner-controlled or contractor-controlled, if it referred to the construction phase or the operating phase; and if it included both, Ms. Eddins also wanted to know how the insurance could be priced for the O&M period now, for the life of the contract, and what exactly is \$70 million to \$80 million covering.

Ms. Karen Frans of the Washington Group via phone responded that Fluor Bombardier did not provide the annual costs to them. They priced it for the overall term. With regards to operations, Ms. Frans believed the RFP stated that a seven-year period would be required. That being the case, every seven years the market would have to be revisited and the price adjusted.

Ms. Frans explained that the RFP asked for all end costs, firm fixed price, and net end values. The number provided by Fluor/Bombardier was provided as an indicative cost for insurance, not a quote. It is their estimate of what the costs might be over the period of the 30-year operations.

Mr. Apel confirmed that the \$70 to \$80 million cost estimate provided by Fluor/Bombardier is not included in their fixed price, but is an estimate of what it will cost the state.

Ms. Eddins questioned what assumptions were calculated in the proposal for covering claims within the retention; whether it is for \$3 million, \$5 million, \$10 million per occurrence?

Ms. Frans stated that Global Rail Consortium had a \$250,000 deductible for Workers' Compensation and General Liability. For property coverage they had a \$100,000 deductible, which is common in the construction industry. Ms. Frans noted that those are good deductibles for the level of \$100 million in liability.

Fluor/Bombardier, on the other hand, Ms. Frans added, gave no indication on deductibles, as they are still assuming that there is going to be an owner-controlled program put in place.

Ms. Eddins stated that she believes those deductible levels are absolutely not available in the transportation industry and wished for the record to be very clear. She believes the cost of these deductibles to be a very significant operating cost that does not appear to have been addressed in the proposals.

Ms. Eddins continued to say that when forecasting surplus earnings over operating expenses, she believes there to be a big hole in the proposals, and that the proposers have not adequately addressed this.

Mr. Win Apel and Ms. Karen Frans of the Washington Group agreed with Ms. Eddins.

Mr. Share stated that the RFP, as it is written, did not predetermine the issue on insurance, and was worded in such a way that when the vendor is chosen, staff and consultants would study the products that made the most sense for the Authority, whether it be owner-controlled or contractor-controlled. He noted that there is still a lot of work to be done on insurance.

Ms. Eddins stated that in considering operating surplus, this cost has been completely ignored.

Mr. Haddad suggested the consultants, if possible, come up with a “comfortable” cost for this insurance that would cover the 30-year duration of the project.

Mr. Apel stated that the best that could be done is for the Authority or the consultant team on behalf of the Authority, to hire a broker to go out into the market place, and get indications or quotes. It was his opinion; however that it would not be a firm price, which is called an indication as opposed to a quote; and questioned if it would rise to the level of an indication, until the players and the scope of the work were more defined.

Chairman Mansour recognized Mr. Dockery.

Mr. Dockery said that after spending over 30 years in the area of Workers’ Compensation, there is not a person in this world that can predict what the cost of Workers’ Compensation will be next year adequately, much less 30 years from now.

Chairman Mansour noted that there is clearly an uncertainty as to the adequacy of the coverages, and an extreme difference as to the approach of this by the two proposers. He also noted that this uncertainty makes it difficult to quantify either of these, thus causing the Authority to be unable to make a judgment that “A” is better than “B”.

Chairman Mansour responded that before the Authority can ask that of the proposers, the Authority would have to judge what the adequate coverage would be for these various insurances and sureties in order to get a comparative answer from the two.

Mr. Apel noted that with sureties the problem does not exist, as it does with insurance. He noted that when a bond is provided it is done up front. It is an up-front cost to them, with possibly a small adjustment at the end of the contract for premium, due to change orders, etc.

Chairman Mansour agreed but reiterated that the Authority was looking at one proposer offering a range of potential bonding coverage, and another proposer who, as he understands it, is offering no bonding; with two very distinct levels of coverage, Mr. Mansour suggested that the Authority establish a acceptable level of bonding.

Mr. Haddad requested that staff’s representative from the Washington Group clearly summarize the comments they made in the Matrix relating to the bonding proposal from both entities.

Chairman Mansour acknowledged Mr. Haddad, but noted that it would be necessary to pause briefly and return to this subject, because a certain time had been set aside for the Chairman of the Hillsborough County Board of County Commissioners to address the Authority, and would he like to extend to him that courtesy.

Chairman Mansour then introduced Chairman Scott, thanking him for the use of the facilities and invited him to the podium.

Chairman Thomas Scott thanked Chairman Mansour and expressed that Hillsborough County was delighted to have HSR Authority with them.

He noted that he had an appointment with the Governor at 11:30 and thanked the Authority for all the work they are doing

Chairman Scott referred the Authority to a letter sent to them from the Board of County Commissioners of Hillsborough County and Chairman Karen Seel from Pinellas County. He acknowledged that the Authority did respond back. That letter, Chairman Scott stated addressed HSR Phase I for the Tampa and Pinellas area going across the bay into Pinellas. He requested that the Authority revisit that letter and to please reconsider it, as it is a very important issue for this area.

Chairman Mansour assured Chairman Scott that their concerns would be addressed. He explained that Phase 1 is in 2 parts, with the 1<sup>st</sup> part being Tampa to Orlando and the 2<sup>nd</sup> part being St. Petersburg to Tampa. Chairman Mansour noted that the two counties in the area are impacted, and further studies would be made, in view of Senator Sebesta's earlier comments regarding additional money being provided for the study of Intermodal Centers relating to connections to HSR, and the Authority hopes to satisfy the people of Hillsborough and Pinellas Counties, with answers to their concerns.

Chairman Scott again thanked the Authority for being there and also giving him an opportunity to speak.

Chairman Mansour then turned the meeting back to the insurance/bonding issue.

Mr. Fowler stated that he wished to address casualty insurance of which he had some questions that were not related to the bonding. He asked to what extent the Authority's sovereign immunity covers them, and did that cover the Proposers also. He also wanted to know if the vendor would be liable for any casualty loss. He noted that he would think the Authority would want to protect the Proposer; because if the Proposer goes under, as a result of a catastrophic accident, that occurrence would not to stop the process of building or running the railroad.

Chairman Mansour recognized Mr. John Bottcher.

Mr. Bottcher noted that sovereign immunity does cover the actions of the Authority; however, that would not cover the Proposers without legislative amendment, and at one point it was suggested that be looked into.

He stated that he felt it would be appropriate, as the project moves along, to get a better feel for what the liability potential is, as well as entering into contracts, and to go back to the legislature and request an extension of sovereign immunity to cover the operations. In the meantime, he said the RFP does have some requirements that they have to address.

Chairman Mansour recognized Ms. Nodarse.

Ms. Nodarse asked if they were going to hear from the Washington Group, who was going to speak prior to Chairman Scott addressing the Authority.

Chairman Mansour said that the General Consult for HSR Authority utilized the services of another company to advise the Authority on subjects related to risk management and other related matters. That particular company became further involved with one of the proposer's submittals, and the General Consult determined that in order to avoid conflict of interest, an alternative group would review the insurance and bonding capacity issues of the two Proposers. As a result, arrangements were made with the Washington Group to use their in-house risk management people.

Ms. Nodarse suggested hearing from the two Proposers on this issue.

In answer to Chairman Mansour's question, Mr. Haddad said the Proposers were prepared to address the Board after the entire presentation.

Chairman Mansour requested that Win Apel give a brief summary of the bonding.

Mr. Apel explained that both proposers have an LLC that will contract with the Authority. The major difference on bonding is that Global Rail's LLC will not provide the Authority any bonds; and Fluor/Bombardier's LLC will.

They are identical, in that both intend to or will have all of their contractors provide 100% bonds to the best of their ability. There is a small difference with Fluor/Bombardier, where they state they do not need to provide a \$25 million surety bond prior to the contract. Global Rail states they will provide one. This is a minor issue compared to the fact that one LLC will provide payment performance bonds, and the other will not.

A bond guarantees that the contractor, in this case, the LLC, will make payments to the subcontractor. It also guarantees that the LLC will perform its obligations under the contract with the Authority. If the contractor should fail to perform, either by paying subs, or debts, or is unable to do the work for whatever reason, and there is a bond in place, then the owner (in this case the Authority) can go to the bonding company, to have the job finished, or to pay the maximum value of the bond. That is what a surety bond company promises when they give a bond to the Authority.

If Global Rail fails to perform, the Authority would have to step in and hire someone to do what the Global LLC should have done.

If Fluor/Bombardier fails to perform then the Authority would receive \$250 million from the bonding company or the bonding company would hire someone to take the place of the Fluor/Bombardier LLC.

Chairman Mansour stated that he believed that once a preferred Proposer had been identified by the Authority that a preliminary contract would be entered into before actually awarding the DBOM&F contract. He noted that he understood that the \$25 million would be posted at the time of the signing of the preliminary contract. He continued that he understood that this payment was intended to fill that gap, so that "when we get out to 2004, assuming the timetable is met", the Authority would have the assurance the contractor will perform. If the contractor does not perform, the Authority would be awarded \$25 million in order to make arrangements with the next group to do the work.

Mr. Bottcher concurred with Chairman Mansour; however he expressed concerns of the nomenclature of calling it a bid bond. A bid bond, Mr. Bottcher said, is submitted at the time of the bid to ensure the proposer enters into the contract that's covered by the bid.

What is being referred to here, Mr. Bottcher said is a surety bond to ensure the performance, and the RFP does contemplate the bond being provided prior to entering into a contract.

Chairman Mansour stated that with that adjustment in nomenclature, he believed the Authority would need to have some protection in the time period between selecting the successful bidder and actually entering into the DBOM & F contract.

Mr. Bottcher concurred with Mr. Dunn that the bid bond requirement was removed from the draft RFP, but the Authority still included the surety and performance bond requirement of \$25 million at the time of entering into the first contract and would serve the purpose that Chairman Mansour referred to earlier. It is not called a bid bond; it is a surety and performance bond.

In answer to Mr. Fowler's question, Mr. Bottcher explained that the performance from the first contract is that the Proposer completes the project development and the environmental reviews; there is no guarantee from the first contract that the Authority would enter into a second contract. The first contract is the study portion as opposed to the construction portion.

Mr. Bottcher stated that the negotiating of the final contract would be during that period of time after the issuance of the Record of Decision by the Federal agency. The final contract would be part of the project development. It would not be a term of the initial contract to enter into a substantive contract, because the Authority has to have the independent ability not to enter into the subsequent contract, depending on the Federal NEPA decision.

In answer to Mr. Fowler's question, Mr. Bottcher said that at the time of negotiating the final contract, after studies have been performed, if the Authority changes its mind, then both parties could cancel.

Chairman Mansour recognized Mr. Share.

Mr. Share reminded the Authority, that at the time of developing the RFP, the Authority was setting thresholds that would provide a level of assurance as to the type of entities that would respond to the proposal. The performance and surety bonds that are in the RFP were primarily designed for that purpose.

Chairman Mansour recognized Mr. Beck.

Mr. Beck recalled that Mr. Dunn suggested putting a bond in with the proposal and that was amended by the Board to require a bond at the time of selection. He recalled that Mr. Dunn suggested a bond be submitted at the time the proposals were submitted.

In response to Mr. Beck's comment Mr. Dunn noted that he feels it has not been established that this is not a bid bond. He stated it appears the \$25 million bond is to ensure performance on a consulting contract, and the Authority already has \$20 million worth of consulting work, including engineering and PD&E consultants, and there was no bond required for that performance. With that in mind, he noted he was inclined to agree that the \$25 million bond is not an appropriate requirement.

Chairman Mansour noted that the Authority would have to judge whether the \$25 million bond is material or not.

In answer to Mr. Fowler's question, Mr. Bottcher stated that when going into the DBOM contract, the statute requires 100% performance and payment bond, entering into a contract with less than that would be illegal.

In answer to Mr. Fowler's question, Mr. Apel noted that while both proposers were requiring 100% payment and performance bonds from their subcontractors this was not a pooled arrangement. Each subcontractor would provide their own bond, to guarantee whatever the performance was, only in their individual contract with the selected vendor. For example, he said, the electrical subcontractor would have its bond, guaranteeing performance as spelled out in the contract with the vendor for electrical work; and so on with each individual subcontractor.

Mr. Fowler observed that the problem is there is no bond that covers the operating system. The bond covers all the different pieces, but when put together it should work.

A bond that is provided by the prime contractor would solve that issue, stated Mr. Apel.

Chairman Mansour then introduced Mr. Craig Lentzch, Chairman and Chief Executive Officer of Greyhound Lines, Inc., the only nationwide, intercity provider of bus transportation. Chairman Mansour added that Mr. Lentzch had come from Dallas to share some thoughts with everyone.

#### **5. Presentation by Greyhound President and CEO - Mr. Craig Lentzch**

Mr. Lentzch thanked everyone for the opportunity to be able to make this presentation. He noted that Greyhound had actively participated as a member of Florida DOT's Strategic Intermodal Systems Steering Committee, along with Mr. Dockery. He noted that Greyhound shared a common goal of creating a framework for making right decisions regarding strategic transportation issues.

Greyhound, he said, shares a mutual interest in coordinating services and facilities with local, regional, and HSR services in Florida.

Mr. Lentzch then shared with the audience sales and ridership statistics for Greyhound, in addition to the benefits of intermodal centers via means of a video presentation showing successful intermodal centers.

He then concluded by expressing Greyhound's desire to be involved in the early stages of planning and development of Florida's High Speed Rail intermodal facilities, and thanked Chairman Mansour, Mr. Dockery, and the rest of the Authority for allowing him to share his thoughts.

Chairman Mansour thanked Mr. Lentzch and noted it was apparent he was familiar with the emphasis that the State of Florida was putting on intermodal planning, and looked forward to working with him.

Chairman Mansour then invited Commissioner Bob Stewart of Pinellas County to come to the podium.

Commissioner Stewart thanked Chairman Mansour and members of the Authority for the opportunity to speak. He shared with them a joint resolution between the Hillsborough County Commission and the Pinellas County Commission, in which both commissions agreed unanimously to support the high speed Rail and particularly to make the request that the rail have local connections and come to Pinellas County as well. Commissioner Stewart, noted that it does ask that the funding and construction for Part 1 and Part 2 of Phase 1 be included in the budget.

He added that the resolution included that the connections have the economic centers in the Tampa Bay area, as is proposed in Orlando, that there would be appropriate connections via Light-Rail or other similar technology between a station in the West Shore Area, at the Tampa International Airport, and Pinellas County Station at the St. Pete/Clearwater International Airport as well.

He reminded the Authority that Pinellas County offered 50 acres of land at the St. Pete/Clearwater International Airport as an intermodal station. This is a very centrally located valuable piece of land.

Chairman Mansour thanked Commissioner Stewart for all the cooperation and support the Authority has received from both Pinellas and St. Petersburg. He noted that with the additional funds that will be made available for intermodal studies related to intermodal activities for the next year, this would be helpful to the Authority to make decisions regarding this matter.

Chairman Mansour then invited Mr. Mitch Lester representing Fluor/Bombardier to come to the podium.

Mr. Lester noted that he and his partner, Mr. Matt Barkley both feel that the consultants had done an accurate job of depicting what they had proposed for insurance and bonding.

He stated that he wished to defer with regards to fielding direct questions, in order to avoid the risk of giving erroneous or misleading information, without having his respective experts present. He expressed he'd prefer to sit down with the experts and the Authority members across the table and work out the details on the issues that remain outstanding.

Chairman Mansour then introduced Mr. Ralph Mervine to come forward on behalf of Global Rail Consortium.

Mr. Mervine stated that the RFP asked for construction bonding. Global Rail offered a construction bond, he said. Addressing the concerns Mr. Fowler and others have regarding these issues, Global Rail believes they can be discussed more thoroughly and in detail, either before or after selection, and could certainly be handled during negotiation.

Global Rail believes that \$70 million to \$80 million for insurance is a number that is consistent with the construction period, and have included in their fixed firm price the full cost for the insurance during construction and during operations.

In addition to that, Mr. Mervine added, the \$250,000 deductible per incident, as per their insurer, is for the life of the construction contract and Global Rail had included that fund. He repeated that this is not just a one time \$250,000 deductible, but many instances over the four-year construction period.

Should the Authority decide to go with an OCIP program, Global rail has offered that as well, and is something they would be happy to speak with the Authority about. Relative to operations, Mr. Mervine stated Global Rail Consortium has included the cost of insurance during the operating period in their operating plan. They would be happy and receptive of the Authority's expertise and are open for discussion and review.

Ms. Eddins asked Mr. Mervine if they included the total cost of risk, the self-insured retention components and other costs of claims. Mr. Mervine answered that he did not know the exact

amount on the operating side, but that the numbers were included. Along with their insurer, and their experience Global Rail came up with a number that they felt would put as little responsibility on the State as possible, and those numbers were included.

On the construction side Mr. Mervine noted the deductible was already quoted.

Ms. Eddins requested that the consultants drill into their proposals and find that number and give it to the Authority at the appropriate time.

Mr. Mervine responded that there is a lot of detail in their operating plan, and their operating costs are easy to extract. He also added that if the Authority decided on an OCIP plan or a combination of OCIP and provider, Global Rail would certainly be open to that.

Chairman Mansour thanked everyone for their time and moved to break for lunch.

At 12:50 Chairman Mansour reconvened the meeting.

He directed the meeting back to the presentation and congratulated Mr. Charlie Quandel for his recent election to President of the High Speed-Ground Transportation Association.

Mr. Quandel thanked Chairman Mansour and with the aid of visuals began his presentation which included:

1. Technology Proposed
2. Route Alternatives
3. Testing and Commissioning
4. Safety Program.

#### 1. Technology Proposed

- Fluor/Bombardier
  - a. A single track was proposed, which supports the RFP ridership and capacity requirements for Tampa-Orlando, but limits the long-term operations flexibility and capacity.
  - b. The single track can be expanded to dual track, and the jet train can reach speeds of 125 mph on this alignment. He noted that this issue came up at the FRA meeting on April 10<sup>th</sup>. HNTB's analysis has convinced the consultants that the jet train can reach 125 mph on this alignment. Since this speed has not been demonstrated in commercial operation, however, the consultant suggests the authority seek assurances for achieving this speed at the time of the contract execution, should Fluor/Bombardier be selected. He added that the consultants do feel extremely comfortable that the technology will meet the 125 mph requirement.
- Global Rail Consortium
  - a. Included an electrified dual-track system, which provides for long-term operation, flexibility, and capacity.
  - b. He noted that there is a need to have confirmation that the refurbished trains will meet all regulations, including ADA and structural requirements.
  - c. HNTB also expressed some concern about the validity and feasibility of their proposed signaling system,

## 2. Route Alternatives

- Fluor Bombardier
  - a. Follows the Authority's alignment and envelope along I-4; however on the Greenway, they have located their alignment in the median. OOCEA's future expansion is designed to the median. Fluor/Bombardier stated they would negotiate directly with OOCEA if they are selected, and that future costs associated with the use of the median would be handled by operating revenues.
  
- Global Rail Consortium

Follows the alignment and the envelope of the RFP. The alignment along the Greenway follows the RFP and is in the ROW on the northside.

## 3. Testing and Commissioning

- Fluor/Bombardier
  - a. Would self-certify, which is consistent with FRA regulations for a 90 - 125 mph rail.
  - b. Would develop the System Safety Plan. FRA regulations for technologies for less than 125 mph are not required. However, as part of their design criteria, Fluor/Bombardier would provide the System Safety Plan as part of their self-certification process.
  - c. Did not include in their price any costs associated with any changes in current regulations or Federal regulations.
  
- Global Rail Consortium
  - a. Would require a Rule of Particular Applicability and would use the SNCF testing process. He noted that the key SNCF personnel have not been identified. He additionally noted that because SNCF has worked on this in the past, it is the opinion of the consultants that the same personnel be used, because they have worked about 70% through the project, and they would still have to certify as if they were at zero. It is for this reason that HNTB recommends the same SNCF personnel be utilized.
  - b. Would develop a System Safety Plan as required by the FRA and they identified Lloyd's as certifier of their plan.

He then turned the Authority's attention to the Florida High Speed Rail Cost Estimates. The January 2002 Report estimations for the non-electrified system were \$1.3 to \$1.4 billion. The estimates for the electrified system were \$1.6 to \$1.8 billion.

He continued that the HNTB estimate of the RFP alignment for a non-electrified system was \$1.9 billion to \$2.0 billion. The estimates for the electrified system were \$2.2 to \$2.3 billion.

Mr. Quandel reviewed the major changes from the 2002 Report to the alignment in the RFP. The proposed terminal in Tampa was 6500 feet to the West in the RFP then it was in the 2002 Report. On both the Greenway and Beeline alignments there was an additional 15 miles of retained fill elevated structure that had not been assumed in the 2002 Report in the Lakeland area..

Additionally on the Greenway the RFP alignment went to the northside of the ROW and used 74,000 lineal feet of additional elevated structure and on the Beeline there was 34,000 additional

lineal feet of elevated structure. This amounted to the differences between the 2002 Report and the estimate on the RFP alignment.

Mr. Quandel then stated that Fluor/Bombardier proposal indicated a firm fixed price for the Beeline Route to be \$2.146 billion, where HNTB's independent estimate of the Fluor/Bombardier proposal for the Beeline Route was \$1.743 billion. Fluor/Bombardier's firm fixed price for the Greenway Route was \$2.056 billion, where HNTB's independent estimate of the Fluor Bombardier proposal for the Greenway Route was \$1.649 billion.

Mr. Quandel noted that the Authority members agenda packages included a report prepared by HNTB on the infrastructure explaining the cost differences between the Proposers price and the HNTB estimate of each proposal.

Global Rail Consortium's firm fixed price for the Beeline Route was \$2.067 billion, where HNTB's independent estimate of Global Rail Consortium's proposal of the Beeline route, was \$2.177 billion. Global Rail Consortium's firm fixed price for the Greenway route was \$2.353 billion, where HNTB's independent estimate of the Global Rail Consortium's proposal, which followed the RFP alignment, was \$2.306 billion.

Mr. Quandel then explained that unit prices determined and contained in the 2002 Report were utilized to make these estimates. These unit prices were then taken through the progression of these estimates.

Mr. Quandel then addressed Key Cost Issues. He noted that the lack of TL-6 barriers in the Flour/Bombardier proposal constitutes a potential risk of \$50 million to the Authority. Fluor/Bombardier has stated that any changes in current regulations would require the Authority to pay the cost in implement those changes.

Mr. Quandel stated that Fluor/Bombardier's proposal did not fall within the class 8 and 9 regulations, which requires a ROW plan in which the barrier systems are submitted. Fluor/Bombardier's bid is based on a FDOT 410 Barrier, which is a TL-3 (Test Level 3) barrier in front of all the Reinforced Concrete Walls (MSE) walls. In other areas they used the TL5 barrier.

The design guidelines in the RFP call for a TL-6 barrier on curves and a TL-5 barrier in other areas.

Should Fluor/Bombardier be selected and the FRA or FHWA require TL-6 barriers on curves, HNTB has estimated the risk to the Authority would be approximately \$50 million.

Mr. Quandel also stated that the cost to go from a single track to a double track today if Fluor Bombardier is selected and the Authority decides to double track the system would be an estimated additional \$240 million in the cost for construction.

Fluor/Bombardier proposes to use the median of the Greenway in their proposal. OOCEA's plan for expansion of the Greenway is to expand into the median. Should Fluor/Bombardier be selected and decide to build in the median , the cost of expanding to the outside by OOCEA would be in the range of \$70 million to \$140 million, depending on whether OOCEA expands to the outside with just one lane or two lanes, Mr. Quandel noted.

Mr. Quandel addressed Safety and Regulation Compliance Issues

Fluor/Bombardier's proposed technology will comply with the regulations of the FRA. Global Rail Consortium's proposed technology would require a Rule of Particular Applicability through FRA.

The Fluor/Bombardier proposal does not reach speeds over 125 mph and therefore is not required to submit a ROW plan to FRA. However, in clarification responses, they have noted that they will use TL-3 barriers in front of MSE walls and TL-5 barriers in other areas.

Global Rail Consortium's proposal falls under FRA guidelines because they do reach speeds over 125 mph and would therefore be required to submit a Right-Of-Way Plan for barriers. Global Rail has acknowledged that they will comply with the regulation.

Mr. Quandel stated that the design criteria require a Systems Safety and Security Plan.

Fluor/Bombardier states they will demonstrate compliance through their self-certification process. Global Rail Consortium will demonstrate compliance through the Rule of Particular Applicability. They will also submit a plan for approval. The Chair recognized Ms. Eddins.

Ms. Eddins asked how much time the Rule of Particular Applicability would add to the process. Mr. Quandel answered that HNTB believed that the date for the Record of Decision, could still be achieved.

Ms. Eddins asked if the Authority should be adding \$50 million and additionally a number between \$70 million and \$140 million as Fluor/Bombardier's proposal is evaluated, to their firm fixed price.

Mr. Quandel responded that it is a risk to the Authority, with the answer coming only after discussions with the FRA after the selection process, and that could result in a \$50 million cost to the Authority.

Ms. Eddins asked about the 417 widening.

Mr. Quandel said that Fluor/Bombardier would pay for the widening from future revenues that they will achieve in the operating system since the widening would occur in the future.

Chairman Mansour recognized Mr. Dunn.

Mr. Dunn asked if the Authority or someone insisted on what is specified in the RFP in the way of barrier walls, and Fluor was selected, then shouldn't \$50 million have to be added to their cost.

Mr. Quandel responded that if someone were to insist that they comply with what is in the design criteria the TL-3's would have to be moved up to TL-5's. He added that the estimated risk to the Authority of just putting in the TL-6's in the curves and accepted the TL3's would be sufficient along the MSE walls would be \$50 million.

Also in answer to Mr. Dunn's question Mr. Quandel stated that the liability for any future widening of 417 is not easy to define right now. The estimated cost of \$70 million to \$140 million is not included in the firm fixed price. Fluor/Bombardier asserted they could pay for the costs out of future operating revenues.

Chairman Mansour recognized Mr. Biggs, who noted that these costs are not likely to occur for some 10 or 15 years later in the Expressway Authority System. Second, Mr. Biggs noted that the high end of that range is the cost of full construction, and it may overstate what the true delta to the North is. The \$140 million is the cost of adding two lanes in each direction to the outside. The current plans for the long-term, Mr. Biggs added called for one lane in each direction on the outside and one on the inside. Mr. Biggs believes the number could be less than that, and it is also about 10 to 15 years in the future.

Chairman Mansour wished to make clarification with regards to this alignment. He noted that first of all permission must be granted from Orlando-Orange County Expressway Authority. Second he noted that they must grant permission as to whether the rail is going to be in the median or on the shoulder. Conventional wisdom, he added would be that they would prefer to have the median themselves, because their costs would be less for expansion purposes when they are ready to expand their own system.

The Authority's ability to take over the median and build on the shoulder, Mr. Mansour continued, would then rely upon the Authority's decision to take over the median, and force them to build on the shoulders. They would then rely upon the Authority's willingness to pay them the extra cost they would incur when they are ready for their expansion.

Mr. Mansour agreed that this cost needs to be factored into one or both proposals, applying the same reasoning to the proposal that stated they would build on the shoulder, which is according to the RFP

Chairman Mansour recognized Mr. Haddad.

Mr. Haddad mentioned that in meetings with the Expressway Authority Staff, they are open to having discussions on allowing HSR Authority to go in the median. It would be a matter of having the Authority commit to providing the dollars, in order for them to build their system and their expansion projects on the shoulders. They might be willing to allow the Authority to go in the median as long as this cost issue is resolved and accounted for, Mr. Haddad said.

Chairman Mansour recognized Mr. Dockery.

Mr. Dockery stated that the legislators are expecting the Authority to work on this.

Chairman Mansour noted that either the cost is going to be to OOCEA or to the HSR Authority, but the money is going to come from somewhere.

Chairman Mansour recognized Mr. Dunn.

Mr. Dunn noted that it had been stated that the \$70 million to \$140 million would come out of the revenue stream. Since the revenue stream is shared, the question is still not answered as to who would be responsible for the cost. Also, he asked who would get the \$70 million to \$140 million if an agreement were reached with the Expressway Authority to build in the median without an additional cost.

Chairman Mansour recognized Mr. Quandel.

Mr. Quandel answered that Fluor/Bombardier asserted that the cost would be paid out of the operating revenues, which would be 10 to 15 years off in the future and is not included in the firm fixed price.

Mr. Haddad stated that the net operating revenues all come back to the state.

Mr. Dunn then noted that the Global Rail numbers appear to match up with HNTB's cost estimates, but not so in the case of Fluor/Bombardier and HNTB's numbers. He asked if this difference was explainable.

Mr. Quandel responded that the barriers are an issue, which has been discussed. He added that their cost for retained fill is approximately \$200 million more than HNTB estimated. There is approximately a \$60 million delta in their drainage cost. There is about a \$65 million delta in their signals and communications, because they are using a four-conduit system underground. Fluor/Bombardier is citing the cost for maintenance of traffic to be about \$1.4 million per mile which is higher than what HNTB assumed.

Mr. Quandel also added that HNTB revised their estimates based on the quantities and unit prices that they believe would be normal for the industry.

Mr. Dunn then addressed the issue of the TGV rehabilitated rolling stock and the FRA requirements. He asked Mr. Quandel if that was with reference to the buff load.

Mr. Quandel stated it was with reference to the buff loading crashworthiness. He added that there is still an issue of the coaches and the buff strength involved with the coaches, if they should get into a collision. Ease of boarding, doorways, and platform height, and structural fabric of the coach is also an issue.

Mr. Quandel stated that HNTB was anticipating that the TGV train would have to meet the FRA buff load requirements, because he added, when it comes to rule of applicability that would apply to crashworthiness.

Mr. Dunn said the Fluor/Bombardier train was built for the American market. The TGV train that Global Rail is proposing is an imported European train which was built to European standards and does not include the buff load requirements. The TGV train will have to be modified to meet the FRA buff load requirements, Mr. Dunn added.

Chairman Mansour recognized Ms. Nodarse.

Ms. Nodarse observed that Global Rail Consortium said it had chosen a refurbished TGV system in order to attempt to meet the deadline. Yet, she noted the Fluor/Bombardier proposal is one year past the deadline. She asked if there had been any discussion between meeting the deadline versus the equipment.

Mr. Quandel responded that there had been discussions regarding this. GRC would purchase that equipment to meet the deadline. They do not intend to put new equipment on in the first 20 years, based on that, in addition to the fact that there is a big cost differential in the rolling stock.

Ms. Nodarse then reflected on the cost for the barriers tying into the speed of 125 mph for the first phase. She then reflected on what would happen when the Authority starts looking at the

next phase. It is her impression that the speed could be in excess of 125 mph. She asked if there might be a compatibility issue with this regard.

Mr. Quandel answered that there would not be a compatibility issue in the next Phase which would be Orlando-Miami. He did add, however, if a second locomotive were chosen in the future to run above 125 mph, then a Right-of-Way Plan would have to be submitted, which would require additional barriers, which would be a cost issue.

Chairman Mansour noted that as an Authority there has to be a means to get the two different bids, and different types of approaches together, in order for the Authority to do a comparison. He hoped that it was not too late to bring that into play.

Chairman Mansour then asked Mr. Quandel if there were other contingencies in the proposals fixed price that had not been outlined yet.

Mr. Quandel responded that there were, and they were part of a separate report that had been prepared. The report included the issues of, the fact that Global Rail Consortium has included any risk in geotechnical within their price. Fluor/Bombardier indicated that there is an average pile length, and they've provided those pile lengths on a plan sheet. Fluor states, if the pile length is exceeded then it will be a cost to the Authority; and if the pile length is less then it would be a give-back to the Authority. Mr. Quandel noted that after having HNTB's engineer's study the pile length HNTB feels comfortable with the range of where the piles would be.

Mr. Quandel continued that Global Rail Consortium stated sinkholes if encountered, are included in their firm fixed price. Fluor/Bombardier stated sinkholes, if encountered, would be a cost to the Authority with regards to mitigation. He noted that HNTB was not able to quantify sinkholes.

Mr. Barkley of Fluor/Bombardier expressed that he wished to address some of the issues and concerns that had been brought up at this meeting.

He felt Chairman Mansour explained it very well earlier. The DBOM&F contract brings a contractor in as a partner to optimize the rail system. Fluor/Bombardier took what they thought was agreeably an early level of engineering, with an attempt to try to develop and optimize the system further so that it meets all of the goals of the State, yet would be optimal for the revenue and cost-benefit analysis.

Fluor/Bombardier, Mr. Barkley stated, made a conscious decision. When they started, they considered a 150 mph rail service, and looked at the cost benefit analysis of that last 25 mph and, after analyzing that it would only be a 3 or 4-minute difference to get from Orlando to Tampa, that last 25 miles was worth giving up and limiting themselves to 125 mph and the regulations that apply.

He felt that all the regulatory issues that were talked about; simply do not apply, such as the barriers. Fluor/Bombardier meets the barrier regulations as they stand today for operations up to 125 mph.

He said that the expansion of the system is easily expandable to 150 mph in this corridor or beyond simply by adding another locomotive. But, the alignment that they designed for this corridor also can accommodate 150 mph, so there is no permanent limiting factors that would prohibit them from doing that in the future.

Mr. Barkley explained that putting the system in the median of the Greenway for this project gives the state its best value for what is being planned today in the opinion of Fluor/Bombardier. He noted that they could continue to work with all parties involved to make sure the issues are addressed. That he said is part of the process that one chooses when bringing a private partner on to develop a project. He noted they would work through all the issues with the Florida High Speed Rail Authority, and other agencies that have governing ability with regards to this project, in order to progress these things as the project moves forward.

Mr. Barkley discussed the single-track alignment. He noted that it was Fluor/Bombardier's contention that not only is the single-track alignment sufficient for today and the 30-year operations of Orlando, but they think it is also sufficient for future expansion around the state.

The limiting factor is not single track. The limiting factor, he noted can be expanded by simply adding more coach cars to the train consist to increase ridership capacity. There are four coach cars today, which is sufficient to carry the passengers projected and that the state had projected for the 30 years operating of this corridor. Simply by adding two more the capacity would expand by 50%.

In addition, Mr. Barkley said, more frequency could be added with the same number of trains, so there is expansion that would not be limited by the single-track area.

Fluor/Bombardier's entire approach to the process from the beginning and through the completion has been to bring a partnership between the Authority them in the design and implementation of this project to bring those efficiencies to light, Mr. Barkley said.

Mr. Mitch Lester wished to address the key cost issues. He stated that there was no need to add anything on to their numbers. These are estimates from the consultant; conceptual, as discussed, and the detail behind them that has been seen is at the conceptual level, he said.

With regards to the barrier situation, today is the first time Fluor/Bombardier has seen \$50 million mentioned. Based on the response today, Fluor/Bombardier does not see the need for TL-6 barriers, and he added, even if the system did exceed 125 mph, he stated there is no system today that requires the TL-6's, and in certain instances, it's considered more of a safety hindrance rather than an enhancement.

He stated that Fluor/Bombardier made it very clear in their clarification response with regards to future widening that they would be responsible for that. That is not something that would require any number to be added on to their price.

Chairman Mansour asked Mr. Lester if those costs would be taken care of out of operating revenues.

Mr. Lester answered yes.

Mr. Quandel clarified that the \$70 - \$140 million cost incurred would be to build or expand to the outside, if the system were in a median.

Mr. Barkley responded that that was for a plan that may or may not happen 10 or 15 years down the road; whereas, this is something being built today. Mr. Barclay explained that was part of Fluor/Bombardier's strategy with this proposal, to use all existing Federal laws and not introduce new regulation.

Ms. Eddins requested if Fluor/Bombardier could explain the difference from their base cost numbers and the Authority's consultant's estimates, and if they could add texture to the example of \$200 million cost for retained fill.

Mr. Barkley responded that they were not a consultant putting in an estimate. They, he said, were builders and were confident with the numbers they used. He said he believed that their proposal offered the best value and were able to stand behind their numbers.

Chairman Mansour recognized Mr. Mervine representing Global Rail Consortium.

Mr. Mervine shared some observations that might be helpful to the Authority. He noted that Global Rail Consortium had offered a dual track; because after their evaluation decided it to be a better offer. It would allow for higher speeds, faster travel time, and would look to the future as the system and ridership expands.

However, he said, if the authority or consultants after considering those options, would like to look at a single-track option, Global Rail would be prepared to do that in negotiation. Global Rail included the full price for dual track in their firm fixed price, but he noted they could reduce back to a single-track system, do a phased-in basis, and would be happy to review and to negotiate.

He did state one of the major reasons Global Rail decided to offer the dual track, was also due to the fact that they have been building transportation systems in the State of Florida for a long time, and know how disruptive construction can be. Over the next 10 years construction will continuing in the area of I-4 with only a few periods of relief. Global Rail's opinion was to get in, do the work, and not have to go back into I-4 for expansion purposes.

Global Rail selected the TGV system. The FRA would not have gotten to a 70% complete review, if they felt there were major problems. He noted they would have addressed those major problems early on; so it was Global Rail's decision to pick up from the 70%.

Mr. Mervine appreciated Mr. Quandel's encouragement to bring the same people in from SNCF. Global Rail had been in touch with those people, he said; and some have retired. So the full team would not be able to be brought in; however some of the same people that were involved with that study would be involved this time around.

Mr. Mervine noted that the TGV system is a world-class system that operates throughout the world, except in America. Perhaps this could be an opportunity to upgrade and become world-class, he said. Mr. Mervine noted that Global Rail's team partners currently operate 350 of these systems per day and many exceed speeds of 180 mph.

Relative to refurbishment, Mr. Mervine said the TGV equipment is very popular through out the world and is in high demand and production. Planning is required a long time in advance, with looking into production schedules and working with factories that are accessible.

Mr. Mervine stated that they only way Global Rail felt they could meet the schedule the Authority asked for, with revenue service by 2008 was to look at a refurbished option.

He encouraged the Authority to make a selection, as that is one way to improve options. When one is ready to put in an order that is when the manufacturers get serious he said.

The RFP requested a certain signal system, which Global Rail has included in the fixed firm price. Based on operating experience with these systems throughout Europe Global Rail prefers a more advance signaling system, which was also been included in the firm fixed price.

If in negotiations the Authority or the FRA finds that what was asked for in the RFP can be reduced, Global Rail has acknowledged in their enhancement section the possibility of a small reduced price in conjunction with dropping one of those two systems. Global Rail hopes that if selected, the system they are offering to provide, the secondary system, the system that is being used throughout Europe right now, would be utilized here.

Global Rail was very encouraged, as an at-risk firm fixed price contractor, to find that the independent engineer's analysis of the cost and the prices that were submitted were in line with what we had, and Global Rail appreciated that independent review, Mr. Mervine said.

Global Rail's geotech team has been working on I-4 since it was originally built. Mr. Mervine noted that he personally has had to maintain the I-4 in the Green Swamp area for a number of years. This has given him a confidence and expertise and knowledge of how I-4 reacts, as other structures are built. It is for that reason that Global Rail is confident with regards to sinkholes and includes that cost in the firm fixed price.

Mr. Mervine stated that Global Rail provided the alignment that was in the RFP with regards to building to the North of the median on the Greenway. Global Rail is prepared to look in detail at the median option and negotiate with the Authority if that is what they wish to do.

Global Rail has bid and included in the fixed firm price what the Authority asked for, and they are very receptive on any issue to work with the Authority to try to reduce costs.

Chairman Mansour thanked Mr. Mervine and recognized Mr. Dunn.

Mr. Dunn asked if the Fluor/Bombardier team included platforms that are long enough to accommodate extra cars to the system for expansion of ridership, in lieu of a dual track system.

Mr. Barkley responded that the platforms are designed for the system that his firm would deploy; however they have the design capacity to be expanded. If the system exceeds the ridership levels significantly enough to require more trains, and if Fluor/Bombardier has that extra revenue, Fluor would pay for the system expansion, he said. He noted that the entire alignment is standard to a 1-6-1 configuration at 16 mph.

In answer to Mr. Dockery's question, Mr. Share noted that associated development and real estate development was not included in the RFP because, as per the FRA's evaluation, it had to be shown that the system could stand alone financially by itself without enhancement by development (must have independent utility). He added that there is full recognition that associated development would occur later on and would be an enhancement.

Mr. Share also responded that it would be subject to negotiation, as to who would benefit by the profits of such enhancements, and it cannot be a factor in the selections of the vendor, but should be a subject of negotiations once a vendor is selected.

In answer to Mr. Dunn's question Mr. Haddad responded that for the FRA to include to include real estate development in the analysis, the developments would have to be specifically defined in detail as to what these developments would be in order for the environmental and other impacts

associated with the developments that would be part of the project to be assessed. It was not know the extent of what those developments would be.

Mr. Howard Newman added that the developments would have to be identified in a secondary and cumulative impact analysis that would have to be included in the EIS document.

Chairman Mansour recognized Mr. Miller to discuss the financial information in each proposal.

With regard to **Financial Evaluation** Mr. Miller noted that the proposals did not require the vendors to come up with a financing package per se. The proposers had to give a firm fixed price.

There was no Federal or State funding assumption in Global Rail Consortium's proposal.

As far as equity contribution into the project, Global Rail would set aside up to \$50 million, which then becomes a reserve for the project that continues through operations of the project.

Mr. Miller pointed out that the \$50 million reserve is for obligations that they would have to pay under the sharing formula, and it is not a reserve for monies that the State is going to have to pay.

So, under the GRC proposal, if ridership is between 1.5 million and 4 million riders, there is an amount that the State has to pay and this \$50 million reserve is not there to protect the state there, but rather if ridership is in that range, then the state has an amount that it has to pay to contribute towards operations of the system.

Mr. Miller noted that according to their pro forma, the majority of the operating shortfall in the initial 10 - 12 years of operations on the Greenway alignment (and then that shortfall continues even further on the Beeline alignment) are paid by the State under the ridership risk sharing formula.

Should the \$50 million reserve expire, there would be no parent company guarantees standing further behind that, Mr. Miller stated.

In the lease financing for the rolling stock, their proposal said that they are responsible for the lease. They would make all the payments and the payments would come out of operating revenues. The State would have to secure the lease and purchase the rolling stock, because if the lease payments are being made out of operations and operations have a shortfall for 10 years, then there would have to be some other type of security, or the lessor would never have entered in to the contract in the first place.

Based upon their pro formas, Mr. Miller continued, which are more conservative than what the consultants have estimated and even more conservative than Fluor Bombardier's estimates, over the life of the program, the system would become profitable in the later years and in total would return \$48.5 million to the Authority on the Greenway alignment, net value to the state \$159 million in future value dollars. That money, he said would be after payment of all operations and payment of capital renewal and replacement.

GRC would not account for amortization of capital cost to build the infrastructure itself.

Continuing on with a similar comparison with Fluor/Bombardier, Mr. Miller stated that Fluor had a very detailed financial plan, and relied on Federal tax credit bonds. He believed the assumptions

that they used are consistent with what has been reviewed with respect to legislation proposed for tax credit bonds.

Fluor/Bombardier assumed \$120 million grant for rolling stock under the existing High Priority Project program, which is subject to Federal authorization. Rather than simply looking at amortizing costs of capital, they made the assumption that the State puts in \$75 million per year for the program and an assertion that the \$75 million would be enough to pay for the capital costs of the system, repaying tax credit bonds, paying for the capital renewal and replacement over time.

Mr. Miller continued that over the life of the program the \$75 million annually equates to \$2.7 billion, future value dollar appropriations to the project.

There would actually be \$800 million over the life of the program that could be used for future expansions, he noted.

Fluor/Bombardier proposed a \$50 million standby liquidity facility that would be supported by the parent companies, and would be available if needed to draw on if operating revenues were insufficient to pay debt service on bonds. They would issue bonds to pay for a portion of the costs of rolling stock, and there would be capitalized interest, and a debt service reserve fund, but there would be the \$50 million standby liquidity facility to provide credit enhancement for the bonds. This does not flow to operating losses, only to insufficiency of operating revenue to cut the debt service on the proposed project revenue bonds.

That, Mr. Miller said, is an element of having no recourse revenue bonds, and by no recourse, he was referring to the Fluor/Bombardier proposal. Only operating revenues and their standby liquidity facility secure the bonds, and if there were no revenues available to pay the bonds, then there is no recourse to the state. Non-recourse bonds are done all the time, he said and is a common municipal bond approach.

Mr. Miller observed that the revenue assumptions were very different between the proposals.

Based upon their revenue estimates and cash flows, the Greenway alternative with the captive market would return \$3 billion future value dollars or \$1.2 billion in that present value back to the state from operations, and does not account either the cost of repaying the tax credit bonds or the cost of capital renewals and replacements, because in their proposal, all those costs were covered by the \$75 million per year.

Mr. Miller then walked everyone through the Risk Analysis. He noted that both have risks in different ways.

Global Rail Consortium would risk some of their profit in the program. They are not putting parent company guarantees behind that beyond the \$50 million profit.

GRC identified in their proposal that 25% of the capital portion of the work and 50% of the operating portion of the work would be handled by GRC and GRC shareholders.

The performance bonds that were listed in their proposal were all from the subcontractors. They noted in clarification that they were not going to provide parent company guarantees to the obligations of GRC or to the obligations of each other. They also were not providing performance bonds. As a result, Mr. Miller stated, this area has been identified as an area to be

addressed. In addition to that there is a certain portion of the work that would not be handled by subcontractors but would be handled by GRC and their shareholders.

They have an O & M Cost Guarantee for 30 years. There is no proposal for performance or payment bonds or parent company guarantees other than the \$50 million reserve.

He noted that under their pro forma, the risk falls to the State under the ridership-sharing formula and their pro forma indicates that the \$50 million reserve is more than enough.

The state will have to stand behind the lease and assume the lease payments if there were to be default by GRC. Otherwise, the lessor could take the rail cars and go use them somewhere else.

With regards to Revenue Sharing the first \$48.5 million net goes to the state. Beyond that, he noted the State would get the first \$1 million and then everything above that million would be split evenly between the state and GRC.

Mr. Miller then reviewed the risks of Fluor/Bombardier's Capital Cost Guarantees. They have given a guarantee that is supported by their parent companies, which are investment-grade companies.

Mr. Miller reviewed their ridership operating risk. Beyond the \$50 million standby liquidity facilities, should there be operating losses, the risk would go to the state. He noted that Fluor/Bombardier's plan is never to operate at a loss, but adjust the operating plan, so as not to operate at a loss.

Fluor/Bombardier's parent companies would guarantee the cost for seven years with regards to operating cost risk. After seven years the costs would be subject to renegotiation based on the first seven years of experience of operating the system.

There would be no recourse to the state with regard to project revenue financing and if there would be operating profits, 100% goes to the state. All revenues go to the Authority. They suggested an incentive arrangement however, where they might get some of the profits. That would be for future discussion.

Mr. Miller noted that these are two very different proposals. One has a lot of assumptions with regards to the Federal tax credit bonds, and the other leaves it up to the Authority; and the RFP allowed for this diversity. The analysis of the tax credit bonds had been discussed previously and is available in a memo with regards to the potential impact it would have on the program.

He added that it was further assumed that the State would issue bonds to make an up-front deposit that would pay off the tax credit bonds in 20 years. Interest rates and reinvestment rates at the actual time will dictate how that would happen.

Mr. Miller explained the Amortized Capital Costs to the State for Global Rail Consortium. He noted that the average annual cost to the state would be (for the Greenway alignment) \$65 million per year over 30 years.

Mr. Miller reviewed the annual O&M costs and revenues for Global Rail. He noted that the estimated revenues by the Proposer were less than the estimates of the FHSRA. Using the Proposer forecasted revenues, Global Rail's proposal indicates an average annual cost to the

State of \$62 million. Assuming the FHSRA forecast revenues, the average annual cost is \$53 million.

Using the same comparison, Mr. Miller then reviewed the same charts for Fluor/Bombardier.

The average cost to amortize debt was \$56 million per year for the Greenway alignment.

Mr. Miller noted that they have significant operating profits towards the back end and operating profits that more than offset the cost of amortizing capital to the state. That explains why there is a net return to the state in the outer years. However, Mr. Miller did caution the Authority that the State is going to have an obligation to repay its bonds.

Mr. Miller noted that the Fluor Bombardier revenues are higher than those estimated by FHSRA. Using Fluor Bombardier's revenues the average annual payment to the State is \$7.8 million. To compare this to Global Rail's financial plan, he noted that using the FHSRA forecasted revenues, the average annual cost to the State is \$29 million.

Mr. Miller then stated he'd be happy to answer any questions.

In answer to Mr. Fowler's question Mr. Miller stated that once the system is up and running and establishes a history of positive net operating revenues, the State could leverage those and repay its bonds out of the State Transportation Trust Fund or any other type of fund that might be available.

Chairman Mansour recognized Mr. Dunn.

Mr. Dunn noted with regard to corporate guarantees (without implying that they were not financially sound) that he felt more questions needed to be asked regarding the financial background of both teams.

Ms. Eddins stated she would like to see some sensitivity models run with 20% lower revenue numbers, in order to be candid with the Authority's presentations to legislature.

Ms. Eddins recommended getting the consultants on ridership involved for further analysis with more intensity because the ridership revenues vary up and down which can impact O&M costs.

Chairman Mansour recognized Mr. Mervine with Global Rail Consortium.

Mr. Mervine expressed that the O & M and finance plans are very complex plans to attempt to analyze. He assured the Authority that there was a chart for Global Rail and that it was contained in their proposal in detail.

He noted that it is a typical business plan indicating revenue and spelling out in detail operating costs.

He expressed to the Authority that Global Rail was certainly receptive to discussion and negotiations on any particular line items. He noted however, that the operating costs indicated have been developed from 20 years of operating these high-speed rail systems throughout the world and have made every attempt to reflect what it will be operating here in America.

He noted that there are significant issues included on cost, in response to Ms. Eddins request earlier. Global Rail did their best to include everything they felt needed to be included.

He also emphasized that Federal programs would be available to whoever the Authority selects; however, they are not proprietary programs. Mr. Mervine continued that because those programs had not been developed Global Rail acknowledged them and indicated they were receptive to working with these programs, which usually need modifications in order to make it applicable.

Mr. Mervine noted that Global rail is ready to discuss the principals and subcontract service agreements that are covered by bonds. He noted that in the latest set of clarifications GRC said that the principals are simply subcontractors. They are principals in terms of running GRC, but the services they provide are under subcontract service agreements that are covered by bonds, just like any other subcontractor working for GRC he said. GRC is ready to discuss that at any time, if they have missed something.

Mr. Mervine noted Mr. Fowler's earlier comment regarding additional bonding. While Global Rail's subcontractors are covered, he said that Global Rail acknowledges that should additional bonding be in order, Global Rail can easily take care of that in negotiation.

GRC provided evidence of their desire for development under the Enhancement Section of the RFP. Mr. Mervine said this was done in an effort to help the "system pull through". It makes no mention of where the profits would go. Mr. Mervine noted that GRC went so far as to provide evidence of individuals who would be interested in making private sector investments in development along this line.

Chairman Mansour recognized Mr. Matt Barkley with Fluor/Bombardier.

Mr. Barkley began by saying that the goal is to build a project. There are tests that need to be passed to get to that point. The tests will either pass or fail. These are objective tests.

One of them is to bring this project to financial close is going to be a big pass/fail test. The Authority needs to get firm answers on this and Fluor/Bombardier believes that the bonding and the parent company guarantees are the answers. They will allow the Authority to go to Wall Street and bring this project to a financial close when it gets to that point.

When the Authority is ready to build this project they will want the balance sheets of those companies that can withstand projects of \$2 plus billion at their side. Mr. Barkley said that Fluor/Bombardier is prepared to do that.

As a matter of encouragement, he urged the Authority to continue in their diligence and to make sure they are satisfied with those answers, so that at the end of this project they will have built High Speed Rail System in Florida.

With regards to Revenue Assumptions he wished to explain the basis for their Revenue Assumptions. Fluor/Bombardier took the analysis given to them by the Authority's consultant. The fare increases were applied to the base case. As the fare rose, Fluor took elasticity and pulled it out of the consultant's analysis and optimized it at about a 60% fare increase. The difference between where Fluor optimized it and the 50% line was about 2% of the total revenue.

Mr. Barkley stated that Fluor/Bombardier incorporated a comprehensive financial plan because they have the history of walking through being a partner in the private sector. He expressed that

Fluor/Bombardier felt it was important to demonstrate that they would be with the Authority side by side making sure that those issues of getting legislation passed and getting funding are addressed and making sure that the end goal of building the system is done.

Mr. Barkley reminded the Authority that Fluor/Bombardier brought Lehman Brothers on board. Lehman Brothers recognized their credible history and the ability to get the project accomplished. Fluor/Bombardier, he said, looks forward to working with the Authority to get to that end.

In answer to Chairman Mansour's question, Mr. Barkley stated that Fluor/Bombardier's parent company guarantees the firm fixed price offered during construction and the O&M. The \$50 million mentioned in the O&M phase is out of their own pockets. As long as the scope of work doesn't change, the product would be delivered at that price.

Chairman Mansour recognized Mr. Share.

## **6. Path Forward for Tampa - Orlando Project**

Mr. Share noted that the same schedule set during the RFP still exists. He wanted to highlight a few key upcoming dates.

There is a public meeting scheduled for August 15<sup>th</sup>. The identification of the preferred proposer is in October and the Record of Decision is next March.

- Mr. Share noted the next step in the process is Route selection. This would mean selecting a locally preferred alternative. There are two options that are commonly used during public hearings. One is to present all routes during the hearing and getting feedback on each one. The other option is to present a locally preferred alternative, this is the normal FDOT process. The FRA has indicated that the Authority may decide on the best approach.

There are several contributing factors to the selection of a route. Today, Mr. Share noted, there is no compelling environmentally based reason to choose one route over the other. He also noted that economics could play a factor in the choice of an alignment. He reminded the Authority that additional letters had been sent to Orange County and Walt Disney World, asking them to state what they might bring to the table. Letters were first issued earlier in the project, but the two groups felt as though there wasn't enough information to make a decision. This will give them the option again. Mr. Share also commented that a locally preferred alignment is not a final selection, the final selection is made after public input.

Mr. Share pointed out that there were advantages of selecting a locally preferred alternative. The public would have a clearer description of the proposed project, and comments could focus on a specific project alignment. The selection also benefits the selection of the DBOM&F proposer which is the next major path.

Mr. Haddad noted that it was not being recommended that the Authority select a preferred alignment today, because they do not have the benefit of the responses of the recent letters sent out, nor do they have a full Authority.

After a brief discussion on a motion made by Mr. Dockery and seconded by Mr. Fowler, the Authority unanimously agreed to take up this issue and try to select a preferred alternative alignment at the June meeting.

Mr. Share noted that in selecting a preferred route at the next Board meeting would help with the DBOM Selection. Mr. Share noted that the importance of route selection is very high in terms of defining the business terms as well as the captive market. It may be an opportunity for the Authority to ask the vendors to revisit the business terms, if the Authority should chose to do so based on the route selection.

Mr. Share presented a PD&E Timeline graphic showing that with a route selection being made in June, the Authority would invite the two vendors to submit revised business terms based on that route selection between July and August.

Chairman Mansour recommend a work shop for all Authority members who could attend, to specifically review the environmental impact statement, in order to be brought up to speed on this process, in view of the complexity and the voluminous information and presentations. This would assist the members in answering questions that may be raised during the Public Hearings.

Mr. Share responded that arrangements would be made with the PD&E consultant to hold a workshop for that purpose.

Mr. Dockery suggested a follow up letter to the May 12<sup>th</sup> letters that were sent out giving the two groups a specific date in which to respond. This would indicate the urgency of the need for this information in order to make a decision at the next meeting. He also suggested the addition of anyone else to that list and adding into the letter an element that would ask the recipients to let others be aware of the date, in order to get everyone involved that should be involved.

Chairman Mansour recognized Mr. Bottcher.

Mr. Bottcher shared and noted a copy of a memo that was emailed to all members of the Authority explaining the options with regards to the DBOM&F Contractor Selection Process, which was also included in the hand out under section 5.b.

Chairman Mansour recognized Mr. Haddad.

## **7. Staff Directors Report - Nazih Haddad**

**a. Legislative Report** - Mr. Haddad reviewed that the regular session of the legislature ended without any substantive bills on High Speed Rail passing. The proposed bills by Rep. Alan and Sen. Klein to repeal the Constitutional Amendment on High Speed Rail failed on the House side and never made it to the Senate Floor. The session ended without any of this happening.

Substantive bills proposed by Senator Dockery and Representative Ross were not heard either on the Senate or the House Floor. Therefore the High Speed Rail Act will proceed forward this year as it did last year with no changes.

A conference report is included in the hand out under Tab 7. a. and indicates what was passed in the legislature related to funding for High Speed Rail. Mr. Haddad explained that in the middle of the page under item 1901J, the legislature approved a budget for the Authority of \$7.2 million. That includes \$2.15 million Federal earmark for this year. In essence, Mr. Haddad said, they are providing the Authority with \$5 million for the Authority's operations.

Mr. Haddad said there was some proviso language associated with this line item on the budget, and these monies are to be spent by the Authority for the operations of the Authority and the PD&E activities that we are undertaking for the Orlando-Tampa project only.

So, as far as the language can be read, the Authority is to proceed forward using these dollars for the operation of the Authority and the Tampa - Orlando PD&E activities only. There is another prohibition provided in this proviso that the Authority would not select the DBOM & F contractor until funds from the legislature are provided for construction of the system.

Mr. Haddad understands that to mean the Authority is still able to go out and select the preferred proposer by October of this year as is in the schedule and the RFP and issue the environmental contract. The DBOM&F contract comes later.

The other line item, that relates to the High Speed Rail Authority under item 1901H. This he said, is the appropriations for the Florida DOT, for \$4.9 million to be provided to the FDOT to begin work on design and engineering work for the Intermodal stations in Tampa, at the Orlando Airport and in Ft. Lauderdale.

Included in the program are additional stations such as the Jacksonville, West Palm Beach, and even mentioned the Miami Station as well. But the funding of the first year, as we have gotten from the Appropriations Committee is that the monies would be spent on the Tampa, Orlando Airport and Ft. Lauderdale.

The DOT would probably do this by having the District Offices in Tampa, Orlando, and Ft. Lauderdale carry this function forward.

Chairman Mansour at this point did want to make mention that Secretary Abreu, the Ex Officio Board Member had intended to attend this meeting, but since the dates were moved he could not be present as he had to attend a conference out of state.

In answer to Mr. Dunn's question, Mr. Haddad said the \$7.2 million is for Orlando-Tampa only, and not for St. Petersburg.

**b.Authority's revised FY 2003/04 Budget** - Mr. Haddad referred everyone to the Revised Budget under Tab 7.b of the hand out. He noted the one column shows the original proposed budget as submitted to the House, Senate and Governor's Office. The total requested budget was \$11.3 million. Some adjustments were made, after discussions with the General Consultants to expand a bit of some of the activities that are taking place.

Mr. Haddad noted that he had taken the liberty of reducing the travel and other expenses from the original budget of \$200,000 to \$100,000, and is attempting to make the \$7.2 million work that has been provided to the Authority.

Mr. Haddad kept the CPA audit dollar numbers for Ernst & Young at \$100,000. Mr. Haddad removed the \$280,000 in staff salary, and made that zero, since no substantive bills passed, which would have created a staff for the Authority this year.

Mr. Haddad noted that legal counsel was reduced from \$300,000 to \$150,000. He added that it is believed that there would be a need to have outside legal counsel, particularly if the Authority is going to proceed with discussions and negotiations with whoever is selected for carrying this program forward.

Mr. Haddad reviewed and summarized that the total dollar amounts that were removed from the budget is the \$700,000 oversight for the General Consultant to oversee the PD&E activities that are being planned to do between Tampa and St. Pete and Orlando and Miami. Mr. Haddad removed the \$3.4 million, which would have been used to initiate the PD&E for those same Phase 1, Part 2 and Phase 2 of the project.

On a motion made by Mr. Fowler and seconded by Ms. Nodarse the Authority unanimously approved of the budget as set forth by Mr. Haddad.

**c. Status Report on Authority's Expenditures** - Mr. Haddad turned the Authority's attention to Tab 7.c which is for their information. He noted that \$10.5 million has been expended thus far, with \$11.9 million under task order.

**d. Consultant Invoice Review and Analysis** - Mr. Haddad referred everyone to a copy of this report under Tab 7. d. This is a letter that is being proposed to the Authority from Ernst & Young to begin to take a sample of HNTB and Parsons billings and invoices and evaluate for accuracy and look at the sufficiency of the documentation that both teams have before them, to insure that everything is correct.

**e. Future Board Meeting Schedule and Activities**

On a motion made by Mr. Dunn and seconded by Mr. Fowler the Board unanimously agreed to have the next Board meeting on Wednesday, June 25<sup>th</sup>, 2003 in Orlando.

Other meetings dates that were decided on would be:

Wednesday August 6<sup>th</sup> - location to be determined

Tuesday, September 9<sup>th</sup> - location to be determined

**8. Public Comments**

Chairman Mansour recognized Mr. Neal Cosentino

Mr. Neal Cosentino thanked the board for all the good work they have been doing.

Mr. Cosentino handed out to members of the Board a document that was used for FOX. He noted that he and his organization felt that Governor Bush made the right decision in canceling FOX.

He stated that they are pro HSR, but consideration should be made for where the money should go when it comes to selecting a system for the Intermodal mix.

Mr. Cosentino noted that statewide air service is a system that would have 126 stations because there are 126 airports. He noted that his organization believes the development potential is there and that the only thing that does not connect this 126-station system is a system.

He requested that the Board and their consultants take a look at making the comparative analysis and noted they would be willing to work with the consultants and thanked the Board.

Chairman Mansour recognized Daryl Oster.

Mr. Oster noted that he had provided Mr. Cosentino with all the data regarding Evacuate Tube Transport and hoped Mr. Cosentino would include that in his analysis.

Mr. Oster noted that his technology was proven as opposed to what Mr. Bottcher mentioned earlier in the meeting. He noted that he had brought visual evidence to the contrary and was prepared to present it.

He noted he had asked to be put on the agenda a week and one half ago and it was not done. He expressed that he wished the record to read that he desires to be put on the agenda for the next meeting.

He asked for the Authority to accept his apologies for neglecting to attend meetings while he was in China conducting business.

Since he was not permitted to make his presentation today, he hoped the Authority would take one hour to consider the evidence his company collected and his proposal before making a decision regarding the proposal for equitable settlement.

He also expressed he was prepared to set private appointments with each member according to their schedules, but that he would be in Colorado for the next two weeks, and hoped there might be time to meet before the next meeting.

#### **9. Other Business**

No further business

#### **10. Adjourn**

With no further comments on a motion made by Mr. Fowler and seconded by Mr. Dockery Chairman Mansour adjourned the meeting at 4:00 p.m.