

SUMMARY REMARKS: MEETING WITH SCOTT SMITH, CEO, VALLEY TRANSIT, PHOENIX AZ.

ATTENDEES: Chuck Mott, Mary Jo Mott, John Jones & Roger Clark

LOCATION & DATE: Valley Metro HQ. Phoenix, AZ. 5/15/2017

John Jones: I met with TAG Regional Government to encourage them to combine all their separate rail information and rail related documents into one single railroad documents source. We need to move into Tier II funding to move the passenger rail agenda forward. Arizona legislation is required. It will take at least two years to accomplish once funded. We look to you, Scott, to advise and recommend to us how we can proceed to get rail passenger service here in Arizona. How do you see passenger rail fitting into your agenda?

Scott Smith: When we talk about the future, we have to look at the past. We want to look forward but bringing up rail issues can be a hard subject to discuss. There are those who think new automated auto technology will eliminate the need for passenger rail. But regardless of these developments, we have to move goods and people and rail is critical to do that. As more people move here, and travel and commerce increases, we will need all types of rail services to move increasing volumes of goods and people longer distances. I was on a panel, which included the Arizona Secretary of ADOT. He was talking about a \$20 billion hole in highway budget funding. Arizona has a revenue problem! Financing a rail study is a problem fighting for attention! The Secretary said he does not have enough funds to build new roads. The roads are, outside of the Phoenix area, in a serious state of disrepair, with no funds available to repair them.

We will be launching a Prop 500 Issue in the future that will involve tax increases, when we are not, at the same time, meeting basic road needs now. The situation today is similar to the Prop 300 issue many years ago. Back then, when there was greater rural representation, the rural roads and highways were number one in a "good state of repair" in the country, but the city roads and streets were in disrepair. Now, the situation is in reverse. City roads are fine but rural roads are not. Today, the major focus is building more highway lanes on I-10. It is therefore, going to be hard to direct attention to rail issues. Further, our tax laws prohibit (Note: Scott referred to some form of non-tax financing restraints but not certain to what these restraints are) financing so construction expenses have to be paid as they are built. Interestingly, investing in highway infrastructure benefits the private sector. We pay for the road improvements and their investments increase in value. Presently, the cities on the I-10 corridor are focused on these needs even though you do not get a full return on investment.

The facts are 80% to 85% of the people do not ride on public transit. Therefore, they do not see the need for rail transportation; however, this situation is changing. People here (Phoenix area) and Tucson see the improvements in rail (Valley Metro Light Rail) and Tucson (Sun Link) and they are impressed. To move forward, we need a champion in the legislature.

Chuck Mott: We have Senator Steve Farley's (D) Tucson support. He has proposed future intercity rail passenger service will have to be a public-private partnership venture. A good example of this is the private financing Fortress Capital Investments made in the Florida Brightliner passenger train services,

due to commence service in July, 2017. If this real estate driven privately funded rail passenger train service is successful, I would think the Sun Corridor here in Arizona would be a good candidate to do the same thing here.

Scott Smith: Talk to Frank Pratt (Pinal County). Get him to start pushing for passenger rail service on the basis you proposed. Understand ADOT has to purchase land up front before they can build roads on it. This is not an investment (it ties up cash) until the roads are built. Whereas, you're right; we need to encourage the real estate investment sector to make the purchases and assume the risks. We (government) need to set up the rules and the processes to encourage this. Start first with Pinal County, and then move on from there. Real Estate investments should make sense with them.

One of the responses I have heard, when discussing passenger rail service between Phoenix and Tucson, is when you get there, you have nowhere to go. Now we can go places because we have Uber! (Note: We have Sun Link and there are many places of interest to see in Tucson area). The facts are these: Traffic is such we can never build enough highways to meet traffic demands. The big issue is the cost of land needed for highway expansion. Railroads require much less land so that presents a good option. The discussion has to get folks to buy into a vision that says here is how we can achieve it.

MAG (Maricopa Area Governments) is the organization you should talk to. They are working on commuter rail and they are the folks furthest along in getting something done. Out in the future, intercity passenger rail might be included in type of Prop 500 tax measure. Look ahead 30 years and you will see rail included as needed. People will see the need more then than now.

Chuck Mott: If MAG succeeds in getting tax funding for commuter rail, who will operate it?

Scott Smith: MAG is the folks to do the corridor studies. We are working with them in this process. Once the rail commuter rail corridors are identified and funded, Valley Metro will take over to the project to build and operate the rail commuter rail systems. We are the authorized Maricopa regional public transportation authority to do this. ADOT would have the responsibilities for multi-county rail passenger train service.

I like your ideas (All Aboard Arizona) for passenger rail. It is a good approach. Start talking to the folks in Pinal County. Next talk to legislators. Speak to them about the involvement of potential real estate investors. It is contagious, once you get something going, things will start to move. Also, talk about the economic issues. Rail investments bring other investments, increasing commerce and creating more jobs. When you talk to folks, especially seniors, ask them how many of their children and grandchildren live here? Most of these folks will respond their kids and grandkids live elsewhere because that is where the jobs are. You then ask, would not you like them to live here, especially if there are more jobs here for them. Building rail services here will attract more business to move here and bring more jobs. This is how you get folks to back building more passenger rail services in Arizona.

Chuck Mott: What do you think about our talking to Senator Bob Worsley?

Scott Smith: You need him on your side. (Note: He is Chairman of the Senate Transportation Committee.) He is very interested in anything that is high tech. Approach him on that basis (Note: New passenger trains, such as the Siemen's built Brightliners, represent the latest high technology for passenger rail travel. Before we talk to him, we need to get the technological information from the manufacturer to give to him). I can help you with him, as I was a business partner with him years ago. TTalk to Republican legislators-you must educate them, talk about tax increment financing and discuss how private real estate investments can make it happen.

Chuck and Mary Jo Mott, John Jones and Roger Clark: We thanked him for his time, candid and frank discussion. (Note: We met afterwards to discuss action to take next).

ACTION PLAN:

1. Chuck will call Dennis Smith (CEO, MAG) to make appointment to see him.
2. John Jones will contact Sandy with Pinal County to make an appointment to see the folks we need to see there.
3. John Jones will contact Dave Nolten in Tucson
4. Chuck will create a message showing how our proposals can tie into government action.