

SECTION 305 FINANCE and ADMINISTRATIVE SUB COMMITTEE

MINUTES OCTOBER 28, 2015 3:00PM EASTERN CONFERENCE CALL

FACILITATOR	<i>Darrell Smith, Chair of the S305 Finance and Administrative Subcommittee (FASC)</i>
ATTENDEES	<i>Darrell Smith, Ray Hessinger, Brent Thompson, Arun Rao, Brian Beeler II, Tim Hoeffner, Eric Curtit, Michael Lestingi, Beth Nachreiner, Vince Brotski, Shayne Gill, Steve Hewitt, Nico Lindenau</i>
ABSENTEES	<i>Tammy Nicholson, John Pagano, Jason Biggs, Sal DeAngelo, Larry Salci, Jeff Gordon</i>

DECISIONS MADE

1. Welcome and Open Meeting – Darrell Smith:

Subcommittee Chair Darrell Smith, Amtrak, opened the conference call meeting and asked Steve Hewitt to call the roll.

2. Roll Call – Steve Hewitt:

Steve Hewitt called the roll, and, confirmed the presence of a quorum.

3. Review of Action Items – Steve Hewitt:

Status: Action Items

Developing the new two page educational document: Eric Curtit will provide the task force and the FASC with the DRAFT two pager by early next week (week of 9-21-15) for review and comment.

Status: The outreach task force has discussed the need for a concise "message" document. MODOT has developed a proposed two pager. FASC and task force members received the first draft on 10-13-4 – comments are due to Eric Curtit and Steve Hewitt by COB 10-23-15.

A few comments have been received. The next step will be for the task force to meet and discuss further revisions/review a second draft and begin to develop a strategy. The message will be presented, when ready, to the full FASC for its review.

Agenda item 5

Obtaining data in regard to potential/future acquisition needs: Additional comments on the revised spreadsheet should go to Brent Thompson and Nico Lindenau in advance of the next FASC call – 10-21-15.

No comments received to date.

Agenda item 6

Review of and comment on the NGEF Future Concept document: Final comments on the NGEF Future "white paper" are due to Eric Curtit, Steve Hewitt and Darrell Smith by COB on 9-21-15. At that point the comments will be compiled into a "final draft" for review in advance of the 10-21-15 FASC call.

Status: Since the last call, this document has been revised and modified to go as a memo from Darrell Smith to the Executive Board and will serve as the report with recommendations to the Board once it is approved by the FASC. To date, many comments have been received and will be discussed today.

A redline draft with all comments received was distributed to the FASC members with a request for a final review. The document may be considered for approval on today's call 10-28-15.

Agenda item 7

Proposal to assess a membership fee: Darrell will revise the spreadsheet to include units used and send it out to FASC members before the next call. All members, in the meantime, are asked to review and comment on the DRAFT.

Status: DRAFT revised spreadsheet was distributed as a part of the revised memo to the Board.

Agenda item 8

Assessing Specification use fees: Shayne Gill will arrange a conference call to discuss the particulars of this concept. The call will be with Erin (AASHTO publications) and will include Steve Hewitt, Sal DeAngelo, Jeff Gordon, and Nico Lindenau. Shayne will try to get this call scheduled for the first week in October.

Status: The call was held on 10-13-15. On the call were: Members of AASHTO publications, and Shayne Gill, Eric Curtit, Steve Hewitt, Sal DeAngelo and Nico Lindenau.

It appears that this is "doable" from the perspective of utilizing the AASHTO Bookstore, but the FASC, and eventually the Executive Board has to make several policy decisions and address some of the mechanics before taking the next step to implement.

Agenda item 9

Preparing recommendations for submittal to the Executive Board: Darrell Smith, with assistance from Steve Hewitt, will develop a DRAFT outline of the recommendations and cover letter to be submitted to the Executive Board. The DRAFT will be circulated in advance of the 10-28-15 FASC call.

Status: Awaiting draft cover letter and outline of recommendations.

As noted above, the white paper has been modified to be the base document for submittal to the Board, and will be discussed further on today's call.

Agenda item 10

4.

Approval of Minutes from the 9-16-15 FASC conference call – Darrell Smith:

On a motion by Eric Curtit, MODOT, and a second by Arun Rao, Wisconsin DOT, the minutes from the September 16, 2015 FASC call were approved without exception.

5.

Update: Legislative Outreach Task Force Activities – Eric Curtit:

Eric Curtit provided an overview of the draft "message" document that has been prepared by MODOT as a part of the Legislative Outreach Task Force's efforts to develop a message and strategy for educating the Hill.

The document is meant to make its points quickly in a concise manner, and demonstrate that the NGECC is results oriented, saves money, and through its activities has and will continue to improve the mode.

Eric pointed out that the DRAFT still needs additional information with regard to economic benefits, logos from states and potentially Amtrak and FRA. The purpose of distributing this draft now was to get a sense from the full subcommittee on the direction the task force is taking – and a sense of whether or not this message is generally on point.

Discussion ensued with regard to the ability of FRA and Amtrak to have their logos included. Representatives on the call believe it is ok, but they will check back with their legal offices to make sure.

FASC members agreed with the direction the document is taking and the general concept of the message. From a high level perspective it is seen as a good step and something the subcommittee is comfortable with having

the task force continue to develop and perfect.

In the DRAFT report to the Board the FASC recommends that the Board:

"Direct the FASC's Legislative Outreach Task Force to present a complete Congressional Outreach Implementation Plan by March 31, 2016, including draft educational materials for consideration for AASHTO's production, and specific next steps for members to request continuing NGEC funds."

**6.
Review/Finalize spreadsheet on potential/future acquisitions needs – Brent Thompson:**

Darrell Smith and Brent Thompson provided an overview of the spreadsheet that has been developed by Brent and Nico Lindenau with the intent being to demonstrate the needs by identifying the age of the fleet, and the ever growing replacement needs. It is meant to show the potential pipeline for future equipment orders.

It does not include the two ongoing multi-state equipment procurements. The numbers used came from the 2012 Amtrak Fleet Strategy Plan and all other equipment - it reflects age and mileage at that time – today this same fleet is that much older and has even more mileage.

The latest version of the spreadsheet is included in the memo to the Executive Board – no additional comments or changes were suggested today.

**7.
Discussion/Comments: DRAFT White paper on NGEC Future Concept Document – Darrell Smith:**

Darrell Smith reported that this "white paper" began as a context document summarizing earlier efforts to determine what the NGEC will be "when it grows up". The paper provides an overview of the initial concept document prepared by the original NGEC Future Working Group, which called for the NGEC to become a subsidiary of Amtrak. This concept, presented in 2013 (September), did not gain the support of the Executive Board and was tabled for the time being.

The "white paper" provides an overview of the NGEC accomplishments, and its stewardship of the funding provided to date (\$4million appropriated out of \$5million authorized) with about \$2.5 million spent over the first 6 years of its existence.

The DRAFT looks at the history, the successes and the structure and scope of the NGEC now and into the future.

In revising the "white paper" to turn it into a report to the Board with recommendations, an opening context section has been added to identify the charge to the Finance and Administrative subcommittee given by the Executive Board in October of 2014 which was to:

"Develop a Statement of Work and budget for a no-cost Extension of the current grant agreement with FRA through September 30, 2017; and to recommend NGEC by-law changes, as appropriate, reflective of the changes resulting from adoption of the Committee Mode recommendation."

Additionally, the Executive Board directed the subcommittee to 'propose/recommend' to the Board 'potential funding options' for the NGEC beyond the expiration of the current grant agreement, and to do so by the end of October 2015."

Having completed the first part of its charge with the execution, in July, 2015, of grant agreement amendment #5 – a no cost extension through September 30, 2017, the subcommittee is now completing finalizing the second part of the charge by preparing a report with recommendations on potential funding options for the NGEC beyond the current grant agreement.

The "white paper" recommends that the NGEC remain as it is currently structure – a collaborative Committee comprised of states, Amtrak, FRA and the industry, and that it not incorporate or become a subsidiary of Amtrak as had previously been recommended.

Discussion:

Michael Lestingi, FRA, raised the concern that "as currently constituted, the NGEC can only receive funding from the federal government, so it would need another entity to receive revenues...or it would be seen as an augmentation of the appropriations."

Michael's concern is that this would preclude the NGEC from implementing some of the funding options being discussed/proposed.

Darrell Smith commented that if the NGEC remained as it is, it could use its current contractual arrangement between AASHTO and Amtrak to collect fees for specification use. The fees charged would be credited to the NGEC account – the same as it is now in invoicing Amtrak for expenses charged against the NGEC.

Michael Lestingi commented – “maybe this does get us by the concern of augmentation of the appropriations”, and he added, “we need to be creative about who is actually being charged.”

Shayne Gill recommended that the descriptive line be revised to state that the fees collected from the sale of NGEC specifications are “credited to the NGEC account, not against invoiced costs”.

This line will be revisited in the final draft.

8. Comments/Discussion Membership Fee Proposal - Darrell Smith:

Darrell Smith summarized the proposal to assess a PRIIA 209 based membership fee as another way to supplement federal funds provided to the NGEC, and as a way to differentiate those who will purchase specifications if that proposal is approved. It creates a member-non-member differentiation.

Darrell explained the concept and the proposed formula for assessing membership fees as described in the DRAFT memo (with tables included in the draft):

The FASC considered several approaches to establishing a membership fee for those state agencies funding intercity passenger rail service through PRIIA Section 209. Through this effort, the FASC evaluated the impact on each existing PRIIA 209 state corridor if the entire \$500,000 annual NGEC cost was distributed to each corridor based on:

- a. Flat fee per corridor
- b. Fee per number of units used, regardless of rolling stock ownership
- c. Percent fee of PRIIA 209 Turnaround and Car and Locomotive Maintenance Costs
- d. Percent fee of PRIIA 209 Total Route Costs

The recommendation to the Board with regard to this proposal is to:

"Present the concept of a new PRIIA 209 support fee to the State Amtrak Intercity Passenger Rail Committee (SAIPRC) to determine the level of interest of the Amtrak state funding agencies."

It is understood that this will be a hard sell, but it is something that should at least be explored, as options for supplementing federal funding are limited, and the approach of the FASC has been to propose potential options, none of which are expected to stand on their own to provide full funding for the NGEC, but to be part of a blended solution to funding the Committee beyond September 30, 2017.

Michael pointed out that a different type of grant opportunity, like a HSIPR 2 could potentially allow for a reimbursable amount to be included.

Darrell added that it is likely that the SAIPRC will not be interested in this and, if that's the case, it is back to a federal grant and specification user fees" to fund the NGEC.

9. Comments/Discussion - Assessing a fee for obtaining NGEC specifications/documents – Darrell Smith:

With regard to the recommendation of assessing a user fee for specifications, it seems that it is something that can be done within the constraints of the current NGEC structure, although the mechanics need to be worked out. It is also noted that it is not likely to be a stable funding source that would generate the funds necessary to sustain the NGEC on its own, but could be a supplement to federal funds.

The summary of this option, as included in the DRAFT memo to the Board, is:

"The FASC worked with AASHTO and determined that the NGEC specifications can be offered for sale through the AASHTO on-line bookstore. In AASHTO and Amtrak's existing contractual relationship, AASHTO can apply a credit to the NGEC account that can only be used for NGEC expenses against their invoiced costs to Amtrak for any specification

use fees collected through the AASHTO bookstore.

There are a number of policy issues related to this type of fee. The most significant are who will be charged, and how much is the charge? Since implementing the Specification Utilization Request form on the NGEC website, the majority of the requests have been from industry parts suppliers, with some requests from specific rail operators (VIA Rail Canada) and equipment manufacturers, as well as numerous requests from those involved in the ongoing procurements.

The future need for the NGEC's specifications is significant for United States intercity passenger rail, as illustrated by the following two tables from Amtrak's Fleet Strategy, Version 3.1, providing the current number of passenger cars and locomotives in service and their respective ages. The generally accepted useful life for intercity passenger rolling stock is 30 years."

Much discussion has taken place, and continued to take place with regard to the mechanics of assessing the fees and the policies that would need to be put in place.

Who would be charged for the specs? Should NGEC members be charged for specifications they helped to develop? How could Amtrak be charged for the specs without it being a double charge since Amtrak's capital is not self-generating, it comes from someone else? Should there be a different fee for members of the NGEC and non-members? What are we selling – what does it entail? How do we protect against a purchaser sharing the spec with another party?

It is agreed that there are many questions to be resolved before this concept would be viable and ready for implementation. The recommendation from the FAS to the Board is:

Consider a Specification Use Fee as a supplement to funding provided through a continuing federal grant and/or a PRIIA 209 support fee. Narrow the scope of a Specification Use Fee to the following two components:

- a. Parts Suppliers, being the primary requestors of the specifications, charged a nominal fee to be recommended by the FASC by March 31, 2016.*
- b. Non-NGEC Members using a full specification for purchasing rolling stock charged a significant fee, on the order of \$250,000 per equipment-type specification, mechanics of which are to be recommended by the FASC by March 31, 2016.*

In general, the FASC members agreed with the overall concept of a specification user fee assessment, but that there are a lot of issues – policies and mechanics yet to be considered. It makes sense to ask the Board to consider the concept and direct the FASC to flesh out the issues noted and present its findings and recommendations to the Board in March, 2016 as suggested.

10.

Preparing the report and recommendations/next steps – Darrell Smith:

The FASC members continued to review the report as drafted and made several recommendations throughout. The general intent of the memo to the Board was agreed to, as were the contents and recommendations.

Revisions to the document were recommended in several sections and it was agreed that pages would be numbered.

Vince Brotski, Amtrak Legal, will re draft the paragraph related to the NGEC's ability to assess a fee without creating a corporate entity and its ability, as currently constituted, to continue to receive federal funds.

Darrell Smith and Steve Hewitt will "clean the document up based on today's discussions and send out a revised draft by COB on 11-6-15.

Members will be asked to provide comments on the revised draft to Darrell Smith and Steve Hewitt by COB 11-13-15.

On 11-18-15 (the next FASC call) the members will consider approval of the report with recommendations for submittal to the Executive Board.

If approved by the FASC, the Board will be provided with the final report on February 19th, with a request that it be discussed and potentially accepted by the Executive Board on its call on 11-24-15.

As the initial request for a deadline of October 31, 2015 was made by the FRA, Darrell asked if the FRA would be ok with the above timeline.

Michael Lestingi confirmed that the FRA was ok with extending the timeline as described, because it still allows those who are eligible (states) to advocate/educate the Hill. He added "Delaying (the FASC report and recommendations) is ok, but not the advocacy."

Adjourn:

With no further business forthcoming, Darrell Smith adjourned today's conference call meeting at approximately 4:10 PM Eastern.

**Next Finance and Administrative subcommittee conference call November 18, 2015
866 209 1307 access code: 9786620#**

Decisions and Action Items

The FASC report and recommendations to the Board will be revised as noted and will be distributed to the FASC members by COB on November 6th.

Members are asked to comment on the revised report by CON November 13th.

On November 18th on the FASC call, members will consider approval of the report with recommendations, and its submittal to the Executive Board.

If approved by the FASC, the report will be submitted to the Executive Board for its review on November 19th, with a request that it be considered by the Board on its call on November 24th.

ATTACHMENTS

**Next Generation
Equipment Committee**



The NGEC will provide national leadership in standardization, acquisition, financing and management of passenger rail equipment.

SECTION 305 Finance and Administrative Subcommittee (FASC)

**Conference call
September 16, 2015
3:00pm. Eastern
866 209 1307 pass code 9786620#**

MEETING AGENDA

1. Welcome/Open

Darrell Smith

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| 2. Roll Call | Steve Hewitt |
| 3. Action Item Review | Steve Hewitt |
| 4. Approval of the Minutes from 8-17-15 | Darrell Smith |
| 5. Update: Legislative Outreach Task Force Activities | Eric Curtit |
| 6. Status: Follow up on obtaining data on potential/future acquisition needs: | Brent Thompson/Nico Lindenau |
| 7. Discussion/comments: DRAFT White paper on NGEN Future Concept Document | Eric Curtit |
| 8. Comments/Discussion - Membership Fee Proposal: | Darrell Smith |
| 9. Comments/Discussion -Assessing a fee for obtaining NGEN documents | Darrell Smith/Shayne Gill |
| 10. Preparing recommendations for the executive Board – next steps | Darrell Smith |
| 11. Other Issues/questions | All |

Next Call October 21, 2015
Call in # 866 209 1307 passcode 9786620#