

SECTION 305 FINANCE SUB COMM

MINUTES

NOVEMBER 2,
2011

3:00 PM EST

CONFERENCE CALL

FACILITATOR	<i>DJ Stadler, Treasurer S305 NGECC Committee Executive Board, and Chair of the S305 Finance Subcommittee</i>
ATTENDEES	<i>DJ Stadler, Brent Thompson, Steve Hewitt, Ken Uznanski, Nico Lindenau, Kevin Kesler, Shayne Gill, Leo Penne, David Ewing</i>
ABSENTEES	<i>Chad Edison, Jim Donlin, Bill Bronte, Nancy Greene</i>

DECISIONS MADE

DJ Stadler called the meeting of the Finance subcommittee to order and the roll call was taken.

On a motion by Brent Thompson, Washington State DOT, and a second by Kevin Kesler, FRA, the minutes from the October 19, 2011 Finance subcommittee call were approved without objection.

DJ introduced two primary topics for this call. Prior to the call a draft Budget for the Rob Edgcumbe Scope of Work elements for November, 2011 through March 31, 2012 and for April 1, 2012 through March 31, 2013 were provided to the subcommittee members and are to be discussed today. Also provided was a draft Work Plan for the subcommittee for the period from April 1, 2012 through March 31, 2013.

Discussion:

DJ asked if members had received the draft documents, and if the members felt that the level of effort described in Rob's SOW was appropriate, especially in regards to the Structure and Finance Working Group (SFWG) aspect of the proposal.

DJ explained that the hourly rate defined in the budget was based on the previous Amtrak contract with Rob Edgcumbe plus 3%.

Kevin Kesler, FRA, commented that he had received the budget, and had also received a scope of work draft for Ken Uznanski's position. (The Ken Uznanski scope was sent as part of the Administrative task force agenda for November 4, 2011)

Kevin stated that FRA had not had a chance to fully "weigh in on either of those items, but that they had begun to discuss them".

He raised a number of concerns in regards to the SFWG effort in particular. Kevin noted that Chad Edison, FRA, had provided comments on the SFWG report and that, basically, the FRA felt that the report and subjects to be addressed "suffer from whether or not the plan is appropriate for the job – when we do not know what the job is."

FRA finds it difficult to evaluate the work plan without what could be referred to as a requirements document (using the Technical subcommittee as an example). "Without decisions on ownership and stewardship over maintenance and the like" it is difficult to "breakdown the structure" of an entity. "We need adequately defined tasks that some entity would perform first."

David Ewing interjected that "all of the points you have made were raised in Chad Edison's email (in response to the SFWG report) on August 5, 2011". David elaborated on the fact that he has had subsequent discussions with Chad on his comments. "He (Chad) said he made an effort to get input from Kevin Kesler, John Tunna, Karen Hedlund, Paul Nissenbaum and others, and he raised all of the points you (Kevin) have made and tried to provide perfecting language for the report and to reconcile the report with agreements and provisions that states, or groups of states have signed with FRA."

David continued, "there have been discussions in the Administrative task force" in regards to the report. "Nancy Greene who did an excellent job in drafting the report told the Administrative task force (ATF) that the SFWG has gone about as far as it can – it needs senior people to weigh in (from FRA, Amtrak and the states) to get a sense of how to proceed."

David noted that, as a result, he was charged by the ATF with "calling on leadership for a sense of direction." David's first interview was with FRA's Paul Nissenbaum on October 26, 2011." In this interview they "went over Chad's concerns and issues."

David added that he has reported to ATF Chair, Alan Ware, on the results of his interview with Paul Nissenbaum and both agreed that the process will work and additional interviews with leadership should be done. David feels that the interview with Paul Nissenbaum provided "proof of concept" and Alan agreed and approved of David's suggestion that he interview Bill Bronte next. Alan then sent an email to DJ Stadtler to get his input on and permission to fund David's travel to meet with Bill.

David also noted that the SFWG effort to aggregate the comments (Chad's) into the report and continue progressing the SFWG activities had "fallen off" due to staffing issues (Rob Edgcumbe's contract expiring), but that David is now trying to do his part to keep it moving forward by conducting these interviews and getting a better sense of direction.

Kevin commented that the FRA is now holding weekly meetings on equipment strategy, and like the SFWG, "is getting itself wrapped around the axle" trying to determine "how should we (NGEC) be structured? We need to get a handle on the tasks before we decide on the structure."

David commented that "the axle replicates itself in the agreements the states have and the clock is ticking."

Kevin replied, "it would be nice if the NGEC can come up with a boiler plate for a plan for states to use."

David answered, "It would be disastrous if we can't." He then reiterated that the proposed budget and work plan "goes to attacking those issues in a good way. If we disagree we need to find out early. The budget is in place to help us out. What has been sent out by DJ and Steve Hewitt, today, will be helpful in moving us forward."

DJ Stadtler asked, "should we continue to work on the SFWG or put together a task list first?" We really "can't develop options or alternative structures until we build a task list."

DJ also commented that he agreed with Kevin in regards to the development of a good plan template.

David Ewing suggested that "the report is done – we should make the changes that Chad has suggested and add them into the report. Get it transmitted to the Executive Board and posted as a reference document. Then we can move ahead with what DJ and Kevin have proposed". David added that the "amended report will still be called draft."

DJ asked Kevin what he thought about that approach. Kevin agreed that it made sense to inform the Board of the report and Chad's comments "as a reference document." He reiterated, however, that "we change the work plan to develop elements of work required before alternatives are presented for an entity." He also suggested that "we do put the report on the website as input to the process, but it is not the answer."

David again emphasized that "it will still be stamped draft and sent to the website as a snapshot and a reference."

DJ asked, "Do we have the resources identified to do this work?"

Kevin then commented on both Rob Edgcumbe's work and the scope being considered for Ken Uznanski's project manager role. He stated that "both Rob and Ken are doing great work but FRA is concerned that going forward tasks are more difficult to define, and the work, the product, and the results are more difficult to define." He continued, "Our concerns are that under Rob Edgcumbe's SOW there are seven activities defined. If I'm the auditor, I wonder how they are related or unrelated, how do I decide what's to be done and who manages the task? How do I decide that the product is delivered?"

He continued by stating, "now that we are looking into the arena for external support, we need to know how you manage that support and have deliverables clearly defined. It looks like we'll be reaching out to external resources, and, as the NGEC, we do not have the tools to engage that support."

DJ commented, "I agree we do not have the resources to develop a SOW – we have the ability – but do not have the time to do it."

David Ewing noted that on the ATF call "we decided to develop a Statement of Work for the contracts (Project) manager – Ken Uznanski- as it will come under the ATF budget. Steve Hewitt, Alan Ware and I developed the scope for Ken's position – so, the pieces are there."

Kevin commented that "I guess I didn't see it that way – I might see it as if he is the approver of products" and, if so, we need to define it more clearly. "The reason the group is successful is that we have had knowledgeable people performing work on an ad hoc basis – we need to know what the procedures are for going forward."

Steve Hewitt reminded Kevin that the "Scope of Work for Ken Uznanski , as project manager, describes work he is already doing and has been since the formation of the NGEC." The difference is that Amtrak is requesting that the NGEC grant pay for his time dedicated to the NGEC. "But, in general, the scope is describing his current assignments."

David Ewing agreed and added that it "refines the tasks a bit and describes the interaction that Ken has with Steve Hewitt as Support Services manager."

Kevin Kesler then proposed that "we at FRA work with someone to focus on a draft scope for the project manager and on Rob Edgumbe's scope and come back to this group on the next call – unless there is a deadline we need to meet sooner."

DJ said, "we need to take the time to do it right." He added, however, that "we need to set a process to complete this. We want to do it right, but we can't continue it indefinitely. "

Kevin admitted "we (FRA) know we have been AWOL a lot, but we will get back involved as a partner" and won't let these things hang unfinished.

Steve Hewitt reminded Kevin that the Ken Uznanski Scope of Work is an ATF assignment and will be discussed on Friday on its conference call. He asked that Kevin attend that call and provide input to the task force.

Kevin was not sure he could make the call, but promised that "someone from FRA will make it on the call."

He also assured everyone on this call that, "we will provide continued support from FRA on the Finance subcommittee and the Administrative task force from here on out."

DJ then concluded that for his report to the Executive Board on its budget conference call next Tuesday; he will inform the Board "that the Finance subcommittee is not done with its estimated budget and work plan because we are assuring that we have FRA concurrence first."

Steve Hewitt asked who would work with Kevin in responding to the Uznanski scope of work and the Edgumbe scope of work. It was agreed that he would send comments to David Ewing.

DJ reaffirmed that it has been agreed that the "SFWG report is to be completed and presented and called a draft; the SOW is to be developed looking for Rob or others to develop a requirements list as to the tasks for the NGEC." He then asked those on the call, "Is it the consensus that we accept the report as amended to reflect comments from Chad in his August 5th memo?"

Kevin stated that "FRA will need to look at the report, as amended, first before it gets distributed and posted."

It was then agreed that Steve Hewitt and David Ewing will draft the amended SFWG report incorporating Chad's comments and suggestions. The amended report will be completed by November 8, 2011 and sent to all members of the ATF, the Finance subcommittee, and to Chad Edison and Kevin Kesler from FRA. By November 18th, 2011, all comments are to be submitted to DJ and Al Ware with a cc to Steve Hewitt.

By the next Finance subcommittee call, FRA will provide its comments on the work plan and scopes of work for Rob Edgumbe and Ken Uznanski (Ken's should go to the ATF).

DJ noted that the ATF will need to agree with the timelines, as set, since they too are involved in this effort. DJ will attend the November 4, 2011 ATF call and present the timelines and describe the actions.

David Ewing reminded DJ to look at the email request from Alan Ware in regards to approving David's travel to California to interview Bill Bronte (as described earlier).

Next Finance subcommittee conference call: November 16, 2011 at 3:00pm Eastern 866 209 1307 access code: 8597804#

Action Items
Carryover item: Nancy Green to provide a proposal for voting procedures for the Finance subcommittee to consider.
David Ewing and Steve Hewitt to draft an amended SFWG report incorporating Chad Edison’s comments. This will be done by November 8, 2011. All comments from FRA, the Finance subcommittee members and the Administrative task force members will be submitted by November 18, 2011. (to DJ and Alan Ware)
Kevin Kesler will work with David Ewing to provide FRA’s comments on the Rob Edgcumbe scope of work and on the project manager scope of work (Ken Uznanski’s) The FRA comments to be submitted by the next call of the Finance subcommittee – November 16, 2011.
DJ to attend the Administrative task force call on Friday, November 4, 2011, to raise the issues discussed on today’s call in regards to the SFWG work plan and report and ask for their concurrence with the timelines set by the subcommittee.
DJ will provide a “status report” to the Executive Board on Tuesday, November 8, 2011 and inform the Board “that the Finance subcommittee is not done with its estimated budget and work plan because we are assuring that we have FRA concurrence first”.

ATTACHMENTS

FINANCE SUBCOMITTEE DRAFT work plan for 4-1-12 through 3-31-13

The purpose of the Finance Subcommittee is to (1) identify options for the funding of new equipment, (2) evaluate the options for ownership structures that may be utilized for new equipment, (3) propose possible structures for transactions between potential owners and/or operators of equipment, (4) explore the feasibility of establishing a corporation for the funding, procurement) remanufacture; ownership~ and management of corridor equipment, as provided in Section 305(c) of PRIIA; and (5) other tasks and duties that may be assigned by the Section 305 Executive Board.

Subjects to be addressed by the Finance Subcommittee may include but are not limited to:

- Funding from government grants
- Funding from government supported loan programs

- Availability of funding from the commercial debt markets
- Options, strengths and weaknesses of various commercial lending structures
- Potential ownership structures including but not limited to
- Amtrak, a not-for-profit entity, an infrastructure bank and third parties as yet to be identified
- Transactional structures between Amtrak and/or the states and the ownership entity
- The usage of governmental support funding in the transactional structures under consideration
- The resourcing requirements of the potential organizational structures
- The overlap between proposed structures and existing entities and proposed ways of managing such overlap

The Finance Subcommittee will arrange for periodic independent audits of the financial records of the Section 305 Next Generation Equipment Pool Committee as appropriate. The Finance Subcommittee will provide input and recommendations to the Executive Board that will complement and enhance the work product of the Technical Subcommittee to allow for the ability to meet the objectives and goals of the Section 305 Next Generation Equipment Pool Committee.

Scope of Work and Budget

1. Identify options for funding new equipment.

Tasks include:

- Identify and evaluate potential sources of government grants
- Identify and evaluate potential government supported loan programs
- Determine availability of funding from commercial debt markets
- Evaluate options, strengths and weaknesses of various commercial lending structures
- Obtain legal advice concerning the feasibility/advisability of making a joint application for a RRIF loan, presumably with Amtrak in the lead for procurement with options to be exercised by states. Provide legal follow through if such action is decided upon by the Committee.
- Research joint financing of procurements
- Make funding recommendations to the Executive Board

2. Evaluate fiscal elements of ownership options for ownership structures that may be used for new equipment (to be coordinated with the work of Administrative Task Force)

Tasks include:

- Review potential ownership structures, including Amtrak, a non-for-profit entity, an infrastructure bank, or other third party
- Obtain information from the states on their own states' legal limitations as far as contracting for and owning equipment is concerned, participating in joint procurements, providing indemnification, insurance, etc. Counsel would need to coordinate activity related to states' differing legal constraints.
- Evaluate the financial aspects of various procurement structures
- Evaluate the resourcing requirements of potential organizational and ownership structures
- Provide recommendations to the Executive Board on the feasibility/advisability of conducting joint procurements and or ownership structures for equipment purchases.
- Review and determine options for state participation for those who be prohibited from owning equipment. Evaluate leasing options.
- Research the possibility that states who cannot legally participate in a joint procurement but who want to acquire and own equipment can conduct a parallel procurement coordinated with Amtrak's procurement.
- Develop an education tool or course that would provide background information on rolling stock to interested parties through webinar or similar training avenues (perhaps in partnership with Administrative Task Force).

3. Ensure that the commercial consideration components of any and all procurements utilized by the Section 305 Committee have been addressed, reviewed and approved. These financial components, coupled with the specifications provided by the Technical Subcommittee, will provide a framework for upcoming equipment procurement processes, requests for proposals, etc.

4. The Finance subcommittee shall meet via telephone on a regular basis as prescribed by the membership or as directed by the Executive Board to fulfill its duties. In an attempt to reduce expenses, face to face meetings will be held in conjunction with other 305 related activities as appropriate. Travel related expenses for state members are provided in the AASHTO Support budget.

5. The subcommittee will provide for periodic independent audit of financial records of the Section 305 Next Generation Equipment Committee and its subcommittees as appropriate.

The attached spreadsheet provides budget information on all Section 305 activities proposed for this grant application including work of the Finance Subcommittee.