

SECTION 305 FINANCE SUB COMMITTEE

MINUTES

AUGUST 27, 2014 3:00PM EASTERN

CONFERENCE CALL

FACILITATOR	<i>Darrell Smith, Chair of the S305 Finance Subcommittee</i>
ATTENDEES	<i>Darrell Smith, Eric Curtit, Brian Beeler II, Tim Hoeffner, Arun Rao, Jeff Gordon for Kevin Kesler, Nico Lindenau, Shayne Gill, Steve Hewitt, David Ewing,</i>
ABSENTEES	<i>Kevin Kesler, Brent Thompson, Martha Gebbie, Vincent Brotski, Sal DeAngelo, Ashok Sundararajan, Larry Salci, Sara Sarkhili, Nikki Rudnick</i>

DECISIONS MADE

1. Welcome and Open Meeting –Darrell Smith:

Subcommittee Chair Darrell Smith, Amtrak, opened the web-conference 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:

Steve Hewitt provided a brief status update on Finance subcommittee action items:

Status: Action Items

The Finance subcommittee will begin looking at next steps to fund the NGEC beyond the end of the current grant agreement (6-30-15)

To be discussed under agenda item 6

David Ewing will prepare a draft summary of the presentations given thus far as a part of the effort to explore financing options. David will include in the summary a description of some next step presentations such as PFCs, WMATA and Joint Power Authorities.

David has prepared a DRAFT report – it was distributed by Steve Hewitt last week, and again with today's meeting materials. David will provide an overview of the report and next steps under agenda item 5.

Eric Curtit will provide the subcommittee with particulars on the Missouri passenger rail surcharge.

Status: Eric reported that he has assigned staff to prepare a summary description of the particulars of this program. He expects to have it ready prior to the next Finance subcommittee call.

Darrell Smith will reach out to Amtrak's revenue management group in regard to PFCs.

Status: Darrell reported that he has not had an opportunity to follow up on this action, but asked that it be carried over to the next call.

Darrell Smith will also reach out to WMATA about a possible presentation from a multi-state organizational perspective.

Status: Darrell has reached out to a WMATA contact he was referred to, but has not received a response. If others on the subcommittee have suggestions for contacting WMATA please advise.

4.

Approval of minutes from 7-30-2014 - Darrell Smith:

On a motion by Eric Curtit, Missouri DOT, and a second by Tim Hoeffner, Michigan DOT, the minutes from the 7-30-14 Finance subcommittee call were approved without objection or exception.

5.

Review: Draft Summary Report/Next Steps -Exploring Financing Options - David Ewing:

David Ewing provided a summary overview of the DRAFT report he had prepared on the results, to date, of the Finance subcommittee's efforts to explore options for financing passenger rail equipment.

The DRAFT report was distributed by Steve Hewitt to all subcommittee members in advance of today's call.

David referred to the report as a DRAFT interim report which summarizes activities over the past two years (beginning with Darrell Smith and Gordon Hutchinson's analysis of the RRIF program)

Two parameters governed the activity:

1. This was and is not a lobbying activity – which is consistent with the Administrative Task Force's direction that the NGEC does not lobby.
2. The topics addressed focus on equipment.

Because there is no dedicated source of funding established for intercity passenger rail, let alone equipment, it was the view of the subcommittee that an effort should be made to explore other existing sources of funding as potential options for funding passenger rail equipment.

Efforts continue to be made to find a dedicated source of funding:

Amtrak CEO, Joe Boardman has been emphasizing the need and the benefits in having a dedicated source of funding.

Grow America (the President's Transportation proposal) also calls for a dedicated source of funding for intercity passenger rail.

Many states endorse the notion, as do national and regional organizations.

David provided an overview of each of the topics covered (and detailed in his report).

Topics and schedule covered to date:

Finance Subcommittee Review of Equipment Finance Strategies

Date/Complete	Topic	Expert
Complete	RRIF	Darrell Smith, Amtrak
Complete	Federal Tax Code	Larry Salci, Salci Consult
Complete	Transportation Development Credits	Jennifer Moczygemba, HMM
Complete	Research	Allan Rutter, TTI
Complete	DRAFT Summary Report	David Ewing
8/27/14	Presentation of Draft product to Fin SC –	David Ewing
8/27/14	Consideration and Action on Draft report next steps	The Finance subcommittee

David noted that all of the presentations have been captured in the corresponding minutes of the subcommittee. Some of the presenters provided links to additional materials – also noted in the minutes; and most were presented in PowerPoint and are posted on the AASHTO NGEC website and some are on the S4PRC website as well. These actions go to the subcommittee's goal to archive the material and make it available to all NGEC members and beyond.

The process grew and evolved – the early presentations were provided to the subcommittee (with invites to the NGEC

Board – and Mr. Rutter’s presentation was broadcast beyond the NGEC as a part of the AASHTO/NGEC RR202 webinar series.

In summary, David’s recommendations are:

1. Continue the process – there are additional topics to be explored
2. The Finance subcommittee should accept the report with any changes it may have, and transmit it to the Executive Board.
3. The Executive Board should accept the report and thank you notes should be sent on behalf of the Board by Chairman Curtit to the presenters.

With no further discussion, a motion to accept the report as submitted, was offered by Tim Hoeffner, Michigan DOT and was seconded by Brian Beeler II, Maine DOT.

Steve Hewitt polled the members:

Darrell Smith, Amtrak – aye
Jeffrey Gordon, FRA – aye
Eric Curtit, Missouri DOT – aye
Tim Hoeffner, Michigan DOT – aye
Arun Rao, Wisconsin DOT – aye
Brian Beeler, for Maine DOT – aye

With a quorum having been established and all voting members present having voted in the affirmative, the report, as submitted is accepted by the Finance subcommittee.

It was agreed that Steve Hewitt will transmit the report to the NGEC Executive Board and the NGEC Future Working Group on behalf of subcommittee chair Darrell Smith.

On the Board’s next call (September 2) the Board will be asked to accept the report and if it does – it will be posted to the NGEC website.

6.

Addressing funding for the continued operation of the NGEC - Darrell Smith:

Darrell Smith reported that he is working on a “true up” from the last billing, but, at this point it looks like “we are on track” consistent with the budget and grant agreement. The NGEC has spent approximately \$2.4 million of the \$4 million grant – “so we are pretty close to where we expected to be.” Darrell also pointed out that “because of the change of scope to the Section 6 project, we should have enough money to get one or two more months (beyond the end date of June 30, 2015) or possibly through September, 2015 with our current funds.” However, Darrell advised “we should talk as if we will be out of existing funds on June 30, 2015” rather than assume there will be funding left over.

Darrell noted that there does not seem to be “much progress on the federal funding side within our timeframe” so we will need to look at other potential sources.

Tim Hoeffner, Michigan DOT, suggested SPR funding – “do it as a multi-state project.” He added that SPR planning and research funds are 100 % federally funded if it is a multi-state project.

Darrell Smith asked if each NGEC state would need to contribute. Tim Hoeffner responded “maybe not all of the states, but, at least multiple states would need to contribute.”

Darrell noted that the amount needed “to keep us going is less than \$100,000 a month” – so it would be somewhere around \$100,000 per state. (There are currently 12 states on the NGEC Board)

Jeff Gordon, FRA, suggested that another possible option could be to assess “a fee for the use of our specifications. It could be based on the price of the equipment – a percentage per piece- to use the NGEC spec. This could easily pay the \$1.2 million needed to keep the NGEC going.”

Jeff noted, however, that continual orders would be needed, but this could supplement the SPR funding.

In explaining his suggestion – Jeff noted that if there had not been an NGEC spec – IDOT and Caltrans would have had to pay for a spec to be written. In essence, they got their specs for free because of the NGEC.

A question arose in regard to the fact that FRA has provided the grant money for the NGEC start-up (\$4 million) and the grant money for the procurement.

Jeff responded that there could be some overlap with FRA having provided the start-up funds, but going forward this would help to make the NGEC a self- sustaining “machine”.

Going forward the specs will need revisions and maintenance as technology changes, and new specifications will be required as well.

The assessment fee would not be retroactive on the current orders, but would be assessed on future orders.

Darrell Smith noted that this is a great suggestion for continuing funding long term, but in the short term 305 will need a more immediate infusion.

Tim Hoeffner, in discussing the SPR concept a bit more, noted that it is similar to the AASHTO Ware model for developing and maintaining software.

David Ewing noted that “states should begin considering whether they would be willing to be the state to make the grant application or host the pooling of the funds.”

Discussion then centered on eligibility – Tim Hoeffner noted that the mid-west states have used SPR before – “it is eligible for any ground transportation.”

Each state would need to get its planning department to verify the need and use of the funds for this activity.

Eric Curtit added, “I worked in planning in Missouri DOT. SPR can be set up in a number of ways. It is how Missouri pays for membership in a number of organizations such as S4PRC.” He added, “it is eligible even if not pooled...\$100,000 is not a far stretch at all.”

Darrell raised a sense of urgency as “we are already into the states’ budget cycles – can we get confirmation on how this process will work and take it to the Board?”

Eric Curtit suggested that this be an agenda item for the September 16th Executive Board conference call. “Basically, we will say to the Board, here is an idea that the Finance subcommittee has come up with to go forward.” Darrell will introduce the topic as Finance subcommittee chair and Tim and Eric will lead the discussion.

Shayne Gill agreed to reach out to FHWA and AASHTO planning to provide a definition – and “get grant guidance on what would have to be done in the application process.”

In regard to the fee assessment suggestion, Shayne noted that he believed it had come up before within the NGEC and had been rejected or deemed not likely.

Steve Hewitt agreed to research the NGEC records to see where this did come up and what the results were. Others are asked to also try to remember where it came up and assist in this research.

Jeff Gordon agreed to expand upon his suggestion to assess a fee on specification use as a potential long term funding source. He will provide this more detailed perspective on the next Finance subcommittee call – September 24, 2014.

**7.
Other issues/questions? – All:**

Adjourn:

With no other business to come before the Finance subcommittee today, the call was adjourned at approximately 4:00 PM Eastern.

**Next Finance subcommittee conference call –September 24, 2014
866 209 1307 access code: 9786620#**

Decisions and Action Items

The Finance subcommittee has begun to look at next steps to fund the NGEC beyond the end of the current grant agreement (6-30-15)

Actions:

Shayne Gill will reach out to AASHTO planning and FHWA to provide a definition for how the process works and confirm eligibility for use of SPR funds.

The concept of using SPR funds to sustain the NGEC in the short term will be presented to the executive Board on the September 16th conference call. Darrell will introduce the topic and Tim and Eric will lead the discussion.

Jeff Gordon will provided an expanded description of his suggestion that a long term funding solution may be to assess a fee for the use of the NGEC specifications. He will present his expanded concept on the next Finance subcommittee call – September 24, 2014.

The subcommittee accepted the summary report on the Finance subcommittee’s efforts to explore options for financing passenger rail equipment. The report will be transmitted to the Executive Board for its consideration of acceptance on September 2, 2014.

The subcommittee will consider the report as a living document and will continue to pursue additional speakers and topics going forward.

Eric Curtit will provide the subcommittee with particulars on the Missouri passenger rail surcharge on the September 24th call.

Darrell Smith will reach out to Amtrak’s revenue management group in regard to PFCs.

Darrell Smith will continue to reach out to WMATA about a possible presentation from a multi-state organizational perspective.

Darrell Smith will provide a status update of NGEC funds at the NGEC Board meeting in Wilmington on October 24, 2014.

ATTACHMENTS



SECTION 305 Finance Subcommittee Web Conference Call

**August 27, 2014
3:00pm. Eastern
866 209 1307 pass code 9786620#**

MEETING AGENDA

- | | |
|---|---------------|
| 1. Welcome/Open | Darrell Smith |
| 2. Roll Call | Steve Hewitt |
| 3. Review of Action Items | Steve Hewitt |
| 4. Approval of minutes from 7-30-2014 | Darrell Smith |
| 5. Review: Draft Summary Report/Next Steps -Exploring Financing Options | David Ewing |
| 6. Addressing funding for the continued operation of the NGEC | Darrell Smith |
| 7. Other issues/questions? | All |

Next Finance subcommittee call: September 24, 2014 – 3:00PM Eastern

Call in # 866 209 1307 passcode 9786620#