

SECTION 305 FINANCE SUB COMMITTEE

MINUTES

SEPTEMBER 24,
2014

3:00PM EASTERN

CONFERENCE CALL

FACILITATOR	<i>Darrell Smith, Chair of the S305 Finance Subcommittee</i>
ATTENDEES	<i>Darrell Smith, Brent Thompson, Eric Curtit, (Eric also as proxy for Arun Rao) Kevin Kesler, Sara Sarkhili, Vincent Brotski, Shayne Gill, Steve Hewitt</i>
ABSENTEES	<i>Jeff Gordon, Arun Rao, Brian Beeler II, Tim Hoeffner, Martha Gebbie, Sal DeAngelo, Ashok Sundararajan, Larry Salci, Nico Lindenau, 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 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. **Agenda item 5a.**

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.

This did not occur, but it has been a topic of discussion on the NGEC Future Working Group calls. It is on the agenda for today – item 5c.

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.

Jeff is unavailable today but provided the following to Steve Hewitt:

"I had been requested to provide more elaboration on the proposal I advanced at the last meeting regarding a suggested funding source for continued operation of the NGEC.

I briefly outlined a concept by which users of the NGEC specifications would pay a fee to the NGEC for that usage and for maintenance of those specifications. An additional fee would be assessed when the fleet was delivered to pay for configuration management services for the new fleet.

In lieu of providing a more detailed explanation of this at the next Finance Subcommittee meeting, please be informed that the NGEC Futures Group has assumed the responsibility for advancing financing concepts for continued operation of the NGEC and will be considering this proposal (as well as others) at a meeting immediately preceding the NGEC Annual Meeting. The Futures Group will report out on these ideas during the NGEC Annual meeting on October 24.

I hope this is satisfactory. I will not likely be on the call on Wednesday afternoon. Kevin may be able to attend and can provide additional information on this if that is necessary."

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. **Task complete – The Executive Board accepted the report and asked that it be posted.**

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. **Agenda item 5 c.**

Darrell Smith will reach out to Amtrak's revenue management group in regard to PFCs. **Agenda item 6a.**

Darrell Smith will continue to reach out to WMATA about a possible presentation from a multi-state organizational perspective. **Agenda item 6b.**

Darrell Smith will provide a status update of NGEC funds at the NGEC Board meeting in Wilmington on October 24, 2014. **Agenda item 9.**

4.

Approval of minutes from 8-27-2014 - Darrell Smith:

On a motion by Kevin Kesler, FRA, and a second by Eric Curtit, Missouri DOT, the minutes from the 8-27-14 Finance subcommittee call were approved without objection or exception.

5.

Addressing funding for the continued operation of the NGEC:

a. Eligibility of using SPR funds

Shayne Gill

Shayne reiterated what he had noted previously that each state receives SPR funds and they determine how to expend their funds. This would not be an AASHTO decision. Some states mentioned (on the last call) that they use it and consider it to potentially be eligible. It all depends on what you are looking for and if the states are willing to use their funds for it.

Darrell Smith asked "should we poll the states for the viability of using SPR funds for the NGEC?"

Eric Curtit noted that since the last call he looked further into the use of SPR funds in Missouri. He noted that such funds would be available to pay for this kind of activity, but the timing is a problem. The budgeting cycle has just been completed and the SPR funds were programmed for the "following fiscal year". This could be amended but it would be a heavy lift.

For clarification Eric added "we (the NGEC) would be out money before states could use SPR funds" for this purpose.

SPR funds is a possible option – but as a long term option.

b. Specification Use Fee Concept – Kevin Kesler:

Kevin Kesler elaborated on the FRA's efforts to look for potential funding options for the NGEC, including assessing a specification use fee.

He noted that they have looked at a number of possibilities, but the big dollars would come from procurement of rolling stock. He cited the Amtrak Fleet Plan for rolling stock as a potential source – but – again – it would be into the future – possibly a few years. Right now the plan is not immediately moving forward (a lack of funds) but, at some point it will need to happen if the nation's passenger rail program is to continue.

The numbers would equate to something around .04% fee for use of the specs.

He also noted that going through the procurement; buying and building, revisions occur. When Amtrak or others procure equipment "they will have a good specification" (PRIIA NGEC Specs) and they will have the services the NGEC provides for making the revisions" that are inevitable though the procurement process.

He added that "everyone can sign on to configuration management for the life of the equipment...and

having a central file that tells you the condition of the equipment is critical...keeping track is essential. There would be a fee associated with this as well. The numbers, again, would be very low and could be factored into the maintenance budget of the fleet.”

Kevin continued by noting that “everything we look at right now is 1 ½ to 2 years out, we need to bridge that gap.”

The FRA has had many internal discussions on this and there is no unified position at this point. It is clear that “the Committee (NGEC) needs to develop a full plan first before the FRA will participate” (financially).

The FRA suggests that we tie the long term funding of the NGEC to future equipment acquisitions and the maintenance of the fleet. The issue for the immediate future is to fill the void with stop-gap funding from “whatever is available – from FRA, AASHTO, states – whatever.

The use of a fee assessment for the current rolling stock acquisitions underway is a possibility, but not yet confirmed. The answer on this, from the FRA, are “incomplete” – some think it would be possible, and others are not so sure.

“We have no answers yet - we have potential answers.”

Kevin suggested that the Finance subcommittee think about these things and flesh out some potential options and help the NGEC Future Working Group with finding the answers.

Darrell Smith, Amtrak, asked “so – is there still hope? (with regard to assessing use fees)”

Kevin responded “absolutely”. He added, “my personal opinion is it is the only hope. Anything else we do requires the decision of a body or bodies that we cannot influence.”

Kevin added that Michael Lestingi is FRA’s representative on the NGEC Future Working Group and he believes this is the way to go as well – long term – but the interim is difficult.

c. Details of Missouri Passenger Rail Surcharge

Eric Curtit

Eric Curtit reported that, since the last call, he had looked a bit further into the use of a passenger surcharge, and “it initially seemed too easy” and probably that assumption is correct. In the NGEC Future Working Group discussions Michael Lestingi noted that passenger surcharge fees would hit the operating side and that 209 would kick in. This would be difficult.

It was also reported that there is a law on the books prohibiting such a surcharge. Shayne Gill raised it on the last working group call, and we asked for FRA and Amtrak legal to look into the statute (provided by Shayne Gill – distributed by Steve Hewitt) to see if it applies.

Vincent Brotski, Amtrak, responded that he had looked at the statute and that it would not apply to a surcharge – it addresses taxation by Amtrak which is prohibited.

Eric replied “Ok, then maybe the 209 issue is the bigger problem.”

6.

Update: Activities of the NGEC Future Working Group - Eric Curtit:

Eric Curtit segued into an overview of the activities of the NGEC Future Working Group. The group has looked at the potential ramifications of the NGEC “going away” and has received some solid input on this from Steve Hewitt, Amtrak and Eric. The ramifications of the NGEC ending will be costly – including the fact that future procurements using federal dollars will be in jeopardy as there is a requirement that use of those funds for equipment acquisition requires the use of a PRIIA spec. “So even if we get new money for equipment, we couldn’t spend it.”

The working group is looking at what are the essential functions; the non-essential functions as well as what are the ramifications of a “no-build” option.

Eric added that the original working group had looked at the NGEC role in all aspects including the equipment life cycle. This time the group has to focus on survival – “mission number one is survival...where do we cut current activities; where do we find money”.

Eric will be providing the working group with a more defined scope on its next call for members to react to. It will include the immediate concerns; and will identify the essential functions versus those that could be considered non-essential.

7.

Potential future presentations on possible options for financing equipment -Darrell Smith:

a. Potential presentation from Amtrak on PFCs

Darrell Smith has reached out to Cheryl Richards, Amtrak, in regard to PFC's. He will try to schedule a presentation to the Finance subcommittee on this topic for the next call – November 19, 2014.

Once the presentation is scheduled, Shayne Gill will advertise it broadly to the states beyond the NGEC, inviting them to participate on the call.

b. Outreach to WMATA

Darrell has reached out to WMATA in regard to a possible presentation, but has not connected. Darrell will try again to contact WMATA, but Finance subcommittee members who have a contact at WMATA are asked to reach out or provide Darrell with a name and contact information.

8.

Next Call –? - Steve Hewitt:

It was agreed that the 10-22-14 call will be canceled due to travel to the Wilmington face to face meetings. The next call will take place, as scheduled, on November 19, 2014.

In the meantime, Darrell Smith will develop the Treasurer's report and provide it to the Finance subcommittee members for review and comment in advance of the October 24th Board meeting.

9.

Status: Treasurer's report preparation for October 24, 2014 Board meeting -Darrell Smith:

Darrell reported that he has begun the process of developing the Treasurer's Report for presentation to the Executive Board on October 24, 2014. As noted above, Darrell will provide a draft for Finance subcommittee review and comment in advance of the Board meeting.

Darrell gave a brief preliminary overview of where things stand at this point (financially) and what he anticipates the Treasurer's Report will indicate.

As of the last Amtrak billing submitted to the FRA, there is \$1.694 million left in the grant.

There is approximately \$200,000 that remains unspent from the Section 6 effort, as the Board did not pursue consultant services for phase 2 and 3 delegating the next steps (following the Phase 1 report) to the Mid-West states.

There is approximately \$51,000 remaining from the NGEC policy advisor (David Ewing) contract with AASHTO as a result of Mr. Ewing's retirement from the NGEC. Members of the Finance subcommittee discussed whether or not it would be more prudent to pursue another consultant to fill these responsibilities or to use the remainder of the available funds for the continued operation of the NGEC.

Eric Curtit, Missouri, made a motion, seconded by Brent Thompson, WSDOT, to use the remaining available funds (approximately \$51,000) from the Ewing contract for the continued operation of the NGEC.

Steve Hewitt pointed out that there no longer was a quorum on the call because Kevin Kesler, FRA, had to step off the call earlier for another commitment. It was then agreed to put forward the motion as an electronic vote of the subcommittee members. Steve Hewitt will send out the notice along with the motion following today's call. If the motion passes, the Finance subcommittee will approach the Executive Board with a recommendation to use these funds, as described in the motion, for the continued operation of the NGEC.

Darrell Smith continued his preliminary overview noting that with the \$200,000 left from the Section 6 effort and the \$51,000 as described, it would add \$251,000 back into the budget for use in continuing the NGEC activities.

He also noted that the current spend rate was less than anticipated - due to a number of factors (IE less face to face meetings by the technical subcommittee and the Board, etc.).

At this point the average spend rate is on the order of \$200,000 per quarter. At the current rate of spending, the NGEC projects to have approximately \$800,000 to \$900,000 left on June 30, 2015. (The end of the current grant agreement). If this turns out to be the case, the NGEC would be able to sustain itself with the current funds until at least December, 2015 with a possibility of extending until March, 2016.

10.
Other issues/questions? - All

Next Finance subcommittee conference call –November 19, 2014
866 209 1307 access code: 9786620#

Decisions and Action Items

The Finance subcommittee will continue to look at next steps to fund the NGEC beyond the end of the current grant agreement (6-30-15) and will coordinate/assist the NGEC Future Working Group in its efforts.

Darrell Smith will work with Amtrak's revenue management group to schedule a presentation on PFC's to the Finance subcommittee on November 19, 2014. Shayne Gill will notify/invite states beyond the NGEC to participate on the call, once the presentation has been confirmed.

Darrell Smith will continue to reach out to WMATA about a possible presentation from a multi-state organizational perspective. Other Finance subcommittee members who may have a contact at WMATA are asked to reach out or provide that contact information to Darrell Smith.

The subcommittee members have agreed to conduct an electronic vote on a motion offered by Eric Curtit and seconded by Brent Thompson to use the remaining available funds (approximately \$51,000) from the Ewing contract for the continued operation of the NGEC. Steve Hewitt will send out the motion and a call for an electronic vote to all Finance subcommittee members following today's call. If the motion passes, the Finance subcommittee will approach the Executive Board with a recommendation to use these funds, as described in the motion, for the continued operation of the NGEC.

Darrell Smith will provide a status update of NGEC funds at the NGEC Board meeting in Wilmington on October 24, 2014 in a Treasurer's Report. He will provide members of the Finance subcommittee with a copy of the draft report for their review and comment prior to the Board meeting.

The October 22, 2014 Finance subcommittee call will be canceled in deference to those traveling to Wilmington for the upcoming NGEC meetings on October 23 and 24. Steve Hewitt will send a cancellation notice.

The next conference call meeting of the Finance subcommittee will take place on November 19, 2014.

ATTACHMENTS



SECTION 305 Finance Subcommittee Web Conference Call

September 24, 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 8-27-2014 | Darrell Smith |
| 5. Addressing funding for the continued operation of the NGEC | |
| d. Eligibility of using SPR funds | Shayne Gill |
| e. Specification Use Fee Concept description | Jeff Gordon |
| f. Details of Missouri Passenger Rail Surcharge | Eric Curtit |
| 6. Potential future presentations on possible options for financing equipment | Darrell Smith |
| c. Potential presentation from Amtrak on PFCs | |
| d. Outreach to WMATA | |
| 7. Update: Activities of the NGEC Future Working Group | Eric Curtit |
| 8. Next Call -? | Steve Hewitt |
| 9. Status: Treasurer's report preparation for October 24, 2014 Board meeting | Darrell Smith |
| 10. Other issues/questions? | All |

Call in # 866 209 1307 passcode 9786620#