

SECTION 305 FINANCE and ADMINISTRATIVE SUB COMMITTEE

MINUTES

FEBRUARY 10,
2016

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, Eric Curtit, Tim Hoeffner, Arun Rao, Arun Rao also for Tammy Nicholson, Jeff Gordon for Michael Lestingi, Sal DeAngelo, Lynn Everett, John Bell, Shayne Gill, Steve Hewitt</i>
ABSENTEES	<i>Michael Lestingi, John Pagano, Brian Beeler II, Tammy Nicholson, Jason Biggs, Larry Salci, Beth Nachreiner, Vincent Brotski, Nico Lindenau,</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:

Steve Hewitt provided the following action items status update:

Status: Action Items

Membership Fee recommendation/outreach to SAIPRC: Darrell Smith/ Steve Hewitt will reach out again to David Kutrosky, Chair of SAIPRC, to schedule a call to discuss the FASC proposed 209 like membership fee for NGECC States. Participating on the call will be Darrell, David K and Eric Curtit.

Nothing new to report

Website review: Agreed upon updates will be incorporated into the website by Bryan Hong, AASHTO. The goal is to have consistency in format throughout the site. Members are welcome to provide additional suggestions to improve the site.

Progress continues

NGEC Bylaws review: The FASC review is complete, but with the lack of a quorum present today, Darrell Smith called for an electronic (email) vote to approve submitting the revised Bylaws and Operating Procedures presented today (with the additional edits agreed to on today's call) to the Executive Board for its consideration for adoption. The timeline is to get the updated/revised document into the hands of all Board members by 1-19-16 to provide them with the required 30 days for review in advance of the meeting at which a vote will occur. The vote on the Bylaws is expected to take place at the NGECC Annual Meeting on 2-19-16.

Motion: Jeff Gordon, FRA, offered a motion to submit with a recommendation for adoption, the revised NGECC Bylaws and Operating Procedures, as presented, and further revised, on today's call (1-13-16) to the NGECC Executive Board for its consideration.

Second: The motion was seconded by Brent Thompson, Washington State DOT.

The revised Bylaws to be considered under the above motion and second, are attached with all track changes in tact so that you can readily see what has been changed.

The e-vote motion and second was sent out immediately after the call with a reminder of who the voting members are and a deadline for casting a vote:

Status: The motion to approve the revised Bylaws was approved and they were submitted to the Executive Board on 1-19-16. The Board will consider the revisions for approval at the NGEC Annual Meeting.

Specification User Fee Task Force – to flesh out mechanics: The task force will work through the mechanics of potentially assessing and collecting specification user fees under the current NGEC structure. Darrell Smith is chairing the task force. A call of the Specification User Fee task force has been scheduled for 1-20-16.

Status: The task force met on 1-21-16 and made several decisions. It was agreed that the task force should report back to the Finance and Administrative Subcommittee on 2-10-16 with its thoughts.

Agenda item 6

Legislative Outreach Task Force – developing a strategy and implementation plan to obtain future federal funds for the NGEC: A Legislative Outreach Task Force call has been scheduled for Friday, 1-15-16. The Task Force will be asked to review the DRAFT message prepared by MODOT and to develop a strategy for obtaining federal funds beyond the current grant agreement (9-30-17). The task force will be asked to look into FAST for any potential opportunities.

Status: the task force met on 1-20-16 and reviewed the DRAFT two-page message document prepared by Missouri DOT. It was agreed that, with minor changes, the Draft should be submitted to the FASC for its review and consideration.

Agenda item 7.

Interpreting NGEC related provisions contained in the FAST Act: Jeff Gordon will ask FRA staff to review the NGEC related FAST Act provisions and provide its interpretation of its impacts and implementation.

Agenda item 5.

Preparing for the NGEC Annual Meeting – 2-19-16: On the last FASC call, it was agreed that Darrell Smith would prepare a DRAFT Treasurer's report and Finance and Administrative Subcommittee update for review by FASC members on the 2-10-16 conference call. The DRAFT presentation went to all members on 2-9-16 for discussion today.

4.

Approval of Minutes from the 12-16-15 and the 1-13-16 FASC conference calls– Darrell Smith:

On a motion by Brent Thompson, WSDOT, and a second by Tim Hoeffner, Michigan DOT, the minutes from the 12-16-15 and 1-13-16 FASC conference call meetings were approved without exception.

5.

Status Update: Review of FAST Act changes to PRIIA Section 305 NGEC – Eric Curtit:

Eric Curtit reported that the key changes to PRIIA Section 305 included the addition of labor to the list of potential NGEC members and the elimination of the NGEC's ability to establish a corporation or other form of business entity.

Eric added that FRA and Amtrak have been asked to review the NGEC related FAST Act provisions, and provide an interpretation of its impacts and implementation.

Darrell Smith reported that discussions continue to take place within Amtrak with regard to the changes, and how best to notify its unions and invite them to participate on the NGEC. The question is whether or not this is sufficient as there are additional groups, outside of those associated with Amtrak, that may also need to be notified as well.

As agreed previously, a notice of how to join the NGEC, which is by contacting Steve Hewitt, and the inclusion of Steve's contact information, has been posted to the opening page of the NGEC website.

Steve Hewitt pointed out that the primary FAST Act changes to PRIIA have been included in the revisions to the NGEC Bylaws which are up for adoption at the NGEC Annual Meeting on 2-19-16.

On the last call, it was agreed that this item will remain open while awaiting FRA's interpretation of what the changes mean and how they are to be implemented.

Jeff Gordon reported that he has posed the questions internally at FRA but has not received a response. The primary questions, other than how and who to notify, revolve around interpreting the change to the law with regard to membership especially with regard to voting and non-voting member status. "Can it be construed as – they must be a voting member".

Shayne Gill pointed out that it is not known exactly what congressional intent was in enacting the changes, but, ultimately, FRA needs to provide its interpretation of the law.

This item will remain open pending FRA interpretation.

6.

Report from the Specification Use Fee Task Force – Darrell Smith:

Darrell Smith reported that the Specification Use Fee task force met on 1-21-16 and had considerable discussion with regard to FASC recommendation 1 – parts A and B, which the Executive Board tasked the FASC to "flesh out" further.

Recommendation 1: 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. The mechanics include but are not limited to determining who is considered a NGEC Member for this purpose, developing the method of fee collection, and establishing the specification use rights of the purchaser.*

On Part A.:

After a lengthy discussion, the task force determined that it should drop Part A, as there was no consensus to continuing exploring or fleshing out this item. Part suppliers could potentially be charged a convenience type nominal fee through the AASHTO bookstore, to limit requests from "hobbyists", but, other than that there is no appetite to charge suppliers who are using the specs to ensure compliance with the specs as they provide parts or supplies for the multi-state procurements currently underway.

On Part B.:

The task force had a long discussion with regard to the market for purchasing PRIIA NGEC specifications, and determined that, outside of states who are for the most part already members of the NGEC, the market is quite limited. Potential specification users such as VIA Rail, Canada or All Aboard Florida already have acquired the specifications. Commuter railroads have some potential, but, in the end, the task force determined that there is no significant market to justify the administrative costs or additional burden required. Nor would there be a consistency in the market to sustain the NGEC with a predictable source of funding.

Ultimately, the task force determined that it should report to the full Finance and Administrative subcommittee that it has reviewed and discussed the market, and has determined that it is not sufficient enough, right now, to bear the administrative burden of charging a fee as described in Part B. There may be further opportunities to explore the potential, in the future, for individual funding of specification updates.

Eric Curtit added that he believed, and had stated this during the task force meeting, that charging a specification use fee is contrary to the principles of the Section 305 NGEC and its objective to "encourage standardization in the market". It is wrong to ask members of the industry and states to help develop the standards and specifications that will standardize the market and reduce costs and then ask them to pay for it. It is "bad business".

During the task force call, Eric had also made the point:

"I am concerned, not only as to what I've said, but now we are also competing in the market". The NGEC develops specs and can compete with lower costs than consultants or others would charge if they were developing the specs. Is this what the use of federal funds was intended for – to put us in the business of competing in the market? It will create "bad blood with those with whom we are competing."

As today's discussion continued, the FASC members agreed that other options should be explored. Tim Hoeffner and Eric Curtit agreed to talk to their policy and/or strategic planning staff most involved with the AASHTO Board of Directors activities to see if there would be plausibility of including a fee for the NGEC as a part of member dues, or if there was potential interest in establishing a pooled technical service fund. They will report back on their discussions on the next FASC call – March 9, 2016.

On the next FASC call, the task will be to develop its report/memo to be submitted to the Executive Board by March 31, 2016, as directed.

**7.
Report from the Legislative Outreach Task Force – Eric Curtit:**

Eric Curtit reported that the Legislative Outreach Task force, which was tasked with developing a message and strategy for approaching the Hill to request a continuation of federal funds for the NGEC, with an emphasis on FY 17 appropriations.

A two page "message" or educational document has been developed by Mo DOT, and has been reviewed and accepted as a draft by task force members – with some minor revisions/corrections yet to be made.

It was agreed that the two-pager will be included in the FASC presentation to the Executive Board, with the intent being to get the Board's approval on the concept and the directive to finalize it and publish it.

**8.
Preparing for the NGEC Annual Meeting (2-19-16) FASC and Treasurer's Report Presentation – Darrell Smith:**

Darrell Smith provided an overview of the FASC update presentation and the Treasurer's Report for the Annual Meeting.

It was agreed that Darrell will add the DRAFT two pager from the Legislative Outreach task force as a part of the presentation and several other minor changes were also agreed to.

The final PowerPoint will be sent to Steve Hewitt following today's call.

**9.
Other Issues/questions – All:**

With no further business to come before the subcommittee today, Darrell Smith adjourned the meeting at about 4:00PM Eastern.

**Next Finance and Administrative subcommittee conference call March 9, 2016
866 209 1307 access code: 9786620#**

Decisions and Action Items

Membership Fee recommendation/outreach to SAIPRC: Darrell Smith will reach out again to David Kutrosky, Chair of SAIPRC, to schedule a call to discuss the FASC proposed 209 like membership fee for NGEC States. Participating on the call will be Darrell, David K and Eric Curtit. (Ongoing)

Website review: Agreed upon updates will be incorporated into the website by Bryan Hong, AASHTO. The goal is to have consistency in format throughout the site. Members are welcome to provide additional suggestions to improve the site. Many of the recommended changes have been made to the site and it will continue to evolve over time. (Ongoing)

Specification User Fee Task Force – to flesh out mechanics: On 2-10-16 the task force reported to the full subcommittee, that it has reviewed and discussed the market, and has determined that it is not sufficient enough, right now, to bear the administrative burden of charging a fee as described in Part B. There may be further opportunities to explore the potential, in the future, for individual funding of specification updates.

The FASC members generally agreed with the task force's findings, and determined that other options should be explored. Tim Hoeffner and Eric Curtit agreed to talk to their policy and/or strategic planning staff most involved with the AASHTO Board of Directors activities to see if there would be plausibility of including a fee for the NGEC as a part of member dues, or if there was potential interest in establishing a pooled technical service fund. They will report back on their discussions on the next FASC call – March 9, 2016.

Legislative Outreach Task Force – developing a strategy and implementation plan to obtain future federal funds for the NGEC: It was agreed that the two-page "message" will be included in the FASC presentation to the Executive Board, with the intent being to get the Board's approval on the concept and the directive to finalize it and publish it.

Interpreting NGEC related provisions contained in the FAST Act: Jeff Gordon will follow up with FRA staff on its review of the NGEC related FAST Act provisions and its interpretation of its impacts and implementation.

Developing a report to the Executive Board on the FASC findings with regard to Recommendations 1, 2 and 3: A report to the Board is due by March 31, 2016. On the March 9th call of the FASC, the report will be discussed with the intent being to finalize it in time to make the March 31st deadline.

Next Call: 3-9-16 at 3:00PM Eastern

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
February 10, 2016
3:00PM Eastern

866 209 1307 pass code 9786620#

<https://connect17.uc.att.com/amtrak/meet/?ExEventID=89786620>

MEETING AGENDA

- | | |
|--|-----------------|
| 1. Welcome/Open | Darrell Smith |
| 2. Roll Call | Steve Hewitt |
| 3. Action Item Review | Steve Hewitt |
| 4. Approval of the Minutes from 1-13-16 | Darrell Smith |
| 5. Status Update: Review of FAST changes to PRIIA Section 305 NGEC | Eric Curtit |
| FRA review | Jeff Gordon |
| Amtrak review | Vincent Brotski |

- | | |
|---|---------------|
| 6. Report from the Specification User Fee Task Force | Darrell Smith |
| 7. Report from the Legislative Outreach Task Force | Eric Curtit |
| 8. Preparing for the NGEAC Annual Meeting – Review of FASC Presentation | Darrell Smith |
| 9. Other Issues/questions | All |

Next Call March 9, 2016
Call in # 866 209 1307 passcode 9786620#