

# SECTION 305 FINANCE SUB COMM

MINUTES

JANUARY 16, 2013

3:00PM EST

CONFERENCE CALL

<b>FACILITATOR</b>	<i>Gordon Hutchinson, Treasurer S305 NGEC Committee Executive Board, and Chair of the S305 Finance Subcommittee</i>
<b>ATTENDEES</b>	<i>Gordon Hutchinson, Brent Thompson, Jeff Gordon, Darrell Smith, Vincent Brotski, Nico Lindenau, Ryan Swick, Ashok Sundararajan, Leo Penne, Steve Hewitt, David Ewing</i>
<b>ABSENTEES</b>	<i>Kevin Kesler, Bill Bronte, Juli Salvi, Mytrang Le, Ashok Sundararajan, Shayne Gill, Chad Edison, Arun Rao</i>

## DECISIONS MADE

Gordon Hutchinson opened the conference call and welcomed all participants. He asked Steve Hewitt to call the roll.

Steve called the roll and the presence of a quorum could not be established. As a result, it was agreed to hold the call and follow the agenda, but not to approve minutes from the January 2, 2013 call until such time as a quorum is established.

Steve Hewitt also reported that Chad Edison, FRA, had notified him that he will no longer be the primary (voting) member to this subcommittee for FRA – Kevin Kesler would be assuming that role. Steve has not yet heard from Kevin in regards to this change, but understands that Kevin is attending TRB this week. Jeff Gordon, FRA served as proxy for FRA for today's call.

### **Review of Action Items – Steve Hewitt:**

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

**NGEC Audit:** The Amtrak OIG has all of the data collected and is beginning to draft its report. It is anticipated that the report may be ready for subcommittee review by the end of January, 2013, and the goal is to have it finalized for presentation to the Executive Board at the February 21, 2013 NGEC Annual meeting. **Status: An update is on today's agenda – On the January 8, 2013 Executive Board call, members requested an opportunity to review a draft of the report before its release.**

**Procuring a facilitator for the February 20, 2013 Future of the NGEC Workshop:** The Finance subcommittee approved the proposal to request a transfer of \$10,000 from the NGEC contingency funds for the purpose of procuring a facilitator for the February 20, 2013 workshop. AASHTO will serve as contracting agent. **Status: On January 8, 2013, The Executive Board approved the transfer of up to \$10,000 from the contingency funds to Support Services, and Chairman Bill Bronte was provided with the responses to an RFP distributed by AASHTO for a facilitator. Steve Hewitt provided a copy of the RFP and all responses to the Executive Board voting members on January 10, 2013. On January 14, 2013, Bill Bronte made his recommendation and asked all voting members of the Board to respond with any objections by COB on January 15, 2013. On January 16, 2013, Steve Hewitt informed Mr. Bronte that no objections had been noted. This morning Mr. Bronte asked Steve Hewitt to request that Leo Penne contact Synergy Forces LLC – Dawn Rhine - to inform her that her firm had been selected. Leo reported that he has left a message with Synergy Forces and will follow up with an email.**

**Developing a scope of work for procuring professional services for exploring sources of funding for state corridors:** Darrell Smith and Brent Thompson will develop a draft SOW and will coordinate their efforts with David Ewing, AASHTO and Chad Edison. By COB on Friday January 11, 2013 the draft will be sent to Steve Hewitt for distribution to the full subcommittee for purposes of discussion on the Finance subcommittee call scheduled for January 16<sup>th</sup>. **Status: On January 14, 2013, a draft SOW was provided to Steve Hewitt by Darrell Smith and distributed to all Finance subcommittee members for review. This item is covered on today's agenda.**

**Outreach to Jack Basso re: future funding/financing options effort:** Steve Hewitt will reach out to Leo Penne about contacting Jack Basso to see if he would be interested in possibly looking at funding sources. **Status: Leo Penne has reached out to Mr. Basso. Steve Hewitt asked Leo to bring the members up to date on his conversation with Mr. Basso:**

Leo noted that he believes Jack Basso is the premier financing expert for transportation. He reported that in his brief conversation with Jack he described the subcommittee's intentions (to see if he would possibly be interested in looking into funding/financing options/sources upon his pending retirement from AASHTO) and Jack did not confirm, but did respond positively. Leo also asked Jack about firms that could potentially be considered when looking into exploring this topic. Jack provided Leo with "about a half dozen firms on his short list".

Leo also had a conversation with AASHTO's Deputy Director of Finance – Joung Lee – in regard to whether the AASHTO Finance Center could provide some support (financed by AASHTO) for this effort. Leo's thoughts were to possibly "put together a small group of state finance people - a sort of blue ribbon panel – to use as a sounding board and reality check for the subject."

Leo also noted that he sent Darrell Smith some material generated out of the Finance Center (not necessarily focused on rail) to provide him with context on what the Center can do.

At this point Gordon Hutchinson, Finance subcommittee chair commented that he found Leo's discussions with Jack Basso and with the Finance Center "very encouraging because we don't yet know the results (regarding the SOW) and since his (Jack Basso's) knowledge is so extensive – it is very helpful."

At this point the discussion continued and moved into agenda item #7:

**Update: DRAFT Scope of Work for exploring financing options for state corridors – Gordon Hutchinson:**

Gordon Hutchinson provided a clarification that the scope of work for this activity "is more than just exploring equipment options for state corridors...they will be a major focus, but the overall effort is much broader than that."

Leo Penne agreed and said "we understand that".

David Ewing responded that broadening the scope "strengthens it."

Darrell Smith reported that the draft SOW was developed by him and Brent Thompson, Washington State DOT, and had input from Chad Edison, FRA. "We took a stab at it." Darrell also noted that Brent had sent it around to staff at Washington State DOT to get a sense of the deliverables.

Gordon Hutchinson asked what comments had been received since the draft SOW had been sent to subcommittee members.

Darrell responded that he had received two comments. One from Chad Edison which he (Darrell) alluded to in the email message sent along with the SOW:

*"One additional point that arose in our working group discussions from Chad Edison of FRA to consider is that the SFTF work with PB on the Equipment Ownership, Management and Maintenance plan (section 6) may result in a future entity that could also acquire rolling stock and related facilities. We could address this by either incorporating some appropriate language within the SOW for a subsequent phase of work, or potentially hold off on releasing this SOW for AASHTO to request proposals until we have more information from the SFTF."*

Basically, Chad does not want to hold up progress on this effort, but wants to leave room for when the SFTF completes its Section 6 effort. Darrell added that "we may need to revise some of the language" in the SOW.

The second comment received in response to the SOW came from Bill Bronte, Caltrans, and pretty much echoed the sentiments expressed by Chad Edison.

Gordon Hutchinson responded "in regards to this – since we are not spending any money yet, we are well served to keep moving it forward." He added that "at the point where we are ready to let it for bid, if the view is that we wait, then we wait, but at least we are prepared...there is no risk right now to keeping this moving."

David Ewing responded in agreement, as did Steve Hewitt, who noted that looking for financing options is a part of the mission of the Finance subcommittee.

Gordon continued, "we will keep going until told to stop, so until then we go forward."

David Ewing noted "moving it now moves it in harmony with the SFTF effort. It fits nicely and actually compliments it rather than detracting from it."

Gordon added "at the time we are ready, we'll ask for all of the right approvals (Executive Board etc.), but moving it forward will be of value to all of us." He continued, "there is a reality with respect to new equipment that there is going to have to be some financing included." With state and federal budget crunches "waiting for appropriations for equipment will not happen...we will need financing tools rather than expect government entities to pony up hundreds of millions of dollars." Gordon elaborated further "looking at acquisition of equipment - how do you make it work when you are competing against so many other federal programs, so this (financing options) is an important component to allow that acquisition to take place."

Leo Penne agreed that this is "exactly right."

David Ewing noted that it really is a series of financing tools that are needed. "Looking at a broad array is the only way to go about it."

Gordon Hutchinson responded, "Absolutely right – it's about the type of equipment being procured as well." As an example, Gordon cited the difference in procuring equipment for the NEC vs. procuring equipment for long distance service which loses money right now. He added, "some states, like Maine, use it as an Economic development tool." Continuing, he stated "where it is being used could well drive what financing tool(s) to use." It will help to "do a robust study about how it is going to be done in these different situations, and what is the right mix."

Leo Penne emphasized Gordon's point by commenting that Jack Basso had also mentioned the importance of using or identifying the right financing tools depending on the situation. When asked about the use of TIFIA, for example, Jack reminded Leo that TIFIA requires a revenue stream.

Gordon added to the point by noting that "on corridor, RRIF loans are great, off corridor, forget it."

David Ewing cited the fact that Denver's Union Station project is utilizing a great variety of financing tools including "RRIF and TIFIA and more..."

Gordon responded "many things must come together to make it all work."

David added that part of the proposed scope is "an attempt to reduce the rate of risk".

Gordon answered, "absolutely. There are a variety of ways to look at risk, and a variety of ways to drive it down...with a variety of tools being used certain assets can drive down certain aspects of risk."

Gordon cited a similarity with the airline industry which used leasing as a mechanism. There are many ways of making situations work in a way that may not look like the obvious way to do it.

David Ewing noted that the "analogy to airlines using leasing mechanisms for next generation equipment is a good one...if we launch this effort and look at financing tools we may find that some form of leasing arrangement recommends itself as a way to go about it." Thus the NGEC ends up becoming a leasing company.

A healthy discussion progressed (a bit off track) to a number of topics such as the future use of "cheaper, greener, cleaner" locomotives using liquefied natural gas. Technologically this is doable now, but the infrastructure doesn't exist.

David Ewing commented "at some point it may be worthwhile fleshing this out and drilling into the idea."

Gordon Hutchinson noted that there is at least one, and may be more, manufacturer(s) already testing a locomotive powered by natural gas.

David added "one of the functions of the NGEC is to surface these kinds of ideas for discussion."

Turning back to the topic of exploring financing options, Leo Penne asked if there would be a way for the Finance subcommittee to engage the finance community similarly, but not exactly the same, as is done by the Technical subcommittee with manufacturers and suppliers.

Gordon responded "we are to a degree."

At this point the discussion moved back to the subject of the Scope of Work. It was agreed that without a quorum there will be no decision made today on the SOW, as presented, but continuing to move forward with this effort seems to be the general consensus. Members of the Finance subcommittee should review the proposed SOW and submit comments to Darrell Smith with a cc to Steve Hewitt by January 31, 2013. This will give Darrell and Brent Thompson time to incorporate any suggested changes, and send out a revised version in

advance of the Finance subcommittee's next call (February 13, 2013)

It was also agreed to change the heading of the Scope of Work to read: **Proposed Scope of Work: Professional Services to Explore Financing Options for Rolling Stock and Related Facilities.** This change will more accurately reflect the broader focus of the effort.

**Approval of minutes from – 1-2-13 - Gordon Hutchinson:**

Without a quorum having been established, it was agreed to defer approval of the January 2, 2013 minutes until the next call (February 13, 2013) or at such a time when a quorum is confirmed.

**Status: Ongoing NGEA Audit – Darrell Smith:**

Darrell Smith, Amtrak, reported that he had a discussion earlier today with the Amtrak IG and learned that the report is on track to be ready for the Annual Meeting. It is also expected to be ready to be sent out to Board members in advance of the meeting as requested. The effort is in the "wrap up" stage.

Darrell added that this (the audit report) will be part of the Finance subcommittee presentation for the Annual meeting. Steve Hewitt said that he will show the agenda item as Report from the Finance subcommittee, rather than list each item to be contained in the presentation.

Chairman Hutchinson agreed that this is a good way to go.

**Status: Request of FRA to modify grant agreement SOW to include Continuing activities services for 4-1-13 thru 3-31-14 and include up to \$10,000 for a facilitator for the February 20, 2013 workshop. – Darrell Smith:**

Darrell Smith reported that he met with Amtrak grants people today – and there "new ground" to be addressed - the request is now considered to be "reallocating funds from prior grant period into the current grant period." Darrell does not see any issue and expects it will be finalized as agreed.

**Discussion: Preparing for the NGEA Annual Meeting Finance SC & Treasurer's Report - Gordon/Darrell/Steve:**

Steve Hewitt checked with Gordon to be sure he was ok with the draft agenda showing a Treasurer's report and following with a report from the Finance subcommittee. Gordon was ok with this approach and said that Darrell is already in the process of preparing the presentation.

Steve asked that it be sent to him in advance, if possible, so that he can have all presentations loaded on one thumb-drive for the meeting.

Gordon and Darrell expect that this will be doable.

Steve Hewitt asked Darrell if he was going to revise the travel reimbursement form. Both Steve and Darrell remembered that a minor change was discussed a while back, but did not remember what it was. Darrell will look back and make the suggested change. AASHTO will have an opportunity to review it before it is sent out to the states.

**Other – All:**

Brent Thompson, Washington State DOT, suggested the word "Federal" be added to the scope of work item 3e. Members on the call agreed with this "perfecting language" recommendation.

**Adjourn:** With no further business to come before the subcommittee today, the call was adjourned at approximately 4:05pm Eastern.

**Next Finance subcommittee conference call – February 13, 2013  
866 209 1307 access code: 1618163#**

## Decisions and Action Items

**NGEC Audit:** The IG is completing its report – it should be made available to Finance SC members and Board members in advance of the Annual meeting, and will be ready for presentation at the Annual meeting.

**Procuring a facilitator for the February 20, 2013 Future of the NGEK Workshop:** On January 16, 2013, Steve Hewitt informed Mr. Bronte that no objections had been noted. Bill Bronte has directed AASHTO to contact Synergy Forces LLC (the selected firm) and to proceed in its capacity as contracting agent. Leo Penne has reached out to Synergy Forces – leaving a voicemail. He will follow up with an email as well.

**Developing a scope of work for procuring professional services for exploring sources of financing options for rolling stock and related facilities:** Members of the Finance subcommittee should continue to review the proposed SOW and submit comments to Darrell Smith with a cc to Steve Hewitt by January 31, 2013. This will give Darrell and Brent time to incorporate any suggested changes, and send out a revised version in advance of the Finance subcommittee's next call (February 13, 2013).

**Request of FRA to modify grant agreement SOW to include Continuing activities services for 4-1-13 thru 3-31-14 and include up to \$10,000 for a facilitator for the February 20, 2013 workshop:** Darrell Smith is working with Amtrak grants people to finalize the request to FRA and will keep the subcommittee apprised.

## ATTACHMENTS

### SECTION 305 Finance Subcommittee Conference Call

**January 16, 2013  
3:00pm. Eastern Time  
866 209 1307 pass code 1618163#**

#### AGENDA

- |  |                              |
|--|------------------------------|
| 1. Welcome   | Gordon Hutchinson            |
| 2. Roll Call   | Steve Hewitt                 |
| 3. Review of Action Items  | Steve Hewitt                 |
| 4. Approval of minutes from – 1-2-13   | Gordon Hutchinson            |
| 5. Status: NGEK Audit  | Darrell Smith                |
| 6. Status: Request of FRA to modify grant agreement SOW to include Continuing activities services for 4-1-13 thru 3-31-14 and include \$10,000 For facilitator | Darrell Smith                |
| 7. Update: Draft Scope of Work for exploring finance options for state corridors   | Darrell Smith/Brent Thompson |
| 8. Discussion: Preparing for the NGEK Annual Meeting Finance SC and Treasurer's report   | Gordon/Darrell/Steve         |

9. Other issues/questions?

All

**Next Finance subcommittee call: February 13, 2013**

**Call in # 866 209 1307 passcode 1618163#**