

SECTION 305 FINANCE SUB COMMITTEE

MINUTES

APRIL 9, 2014

3:00PM EASTERN

CONFERENCE CALL

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

DECISIONS MADE

1. Welcome and Open Meeting –Brent Thompson:

In the absence of Subcommittee chair Gerald Sokol, Amtrak, vice chair Brent Thompson, Washington State DIT, opened the conference call 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:

Action Items Status

Brent Thompson to provide Steve Hewitt with the financing options draft scope for distribution to David Ewing and Eric Curtit.

Status: Task Complete.

Eric and David Ewing will use the Draft scope as a starting point in developing a conceptual work plan, and will give a progress report on the April 9, 2014 Finance subcommittee call.

Status: David Ewing has developed a draft work plan (attached) which will be part of a discussion under agenda item 6.

David Ewing will contact Larry Salci to see if he would be willing to give a presentation on safe harbor leasing on the next Finance subcommittee call.

Status: Larry Salci has agreed to provide an overview on the federal tax code. Agenda item 7. Larry was unavailable today – and will be rescheduled.

Darrell Smith and AASHTO will continue to complete reconciliation of the last remaining OIG recommendation item, and keep the subcommittee apprised of progress.

Status: An update on the progress of reconciling this last OIG item is to be discussed under agenda item 5.

4.

Approval of minutes from 3-12-14 – Brent Thompson:

On a motion by Darrell Smith, Amtrak, and a second by Jeff Gordon, FRA, the minutes from the March 12, 2014 conference call meeting were approved without objection.

5.

Status Update: Compliance with OIG Audit Recommendations – Darrell Smith:

a. Reconciling remaining items with AASHTO

Darrell Smith reported “thanks to the help of Strat Cavros, (AASHTO) we have completed reconciling all of the remaining items from the OIG audit.” Darrell noted that AASHTO credited Amtrak with \$3,033.28 in its most recent invoice to close out the last remaining reconciliation item. Darrell will send over all of the documentation and justification to OIG and expects that everything from the audit will be formally closed out in the next few weeks.

Darrell reminded those on today’s call that the items to be reconciled dated all the way back to the first to invoices submitted by AASHTO (2010) before either Amtrak or AASHTO had solidified the process and requirements. Darrell thanked Strat Cavros and AASHTO, in general, for the patience shown throughout the process.

Strat expressed his thanks to Darrel for working with AASHTO to get this done.

Darrell emphasized that Amtrak and AASHTO have improved the process to a point that “we are light years ahead of where we were.”

6.

Developing Strategies for Exploring Options for Financing Passenger Rail Equipment –David Ewing:

a. Review of Draft Work Plan – David Ewing:

David Ewing provided an overview of the draft work plan that he had prepared for the Finance subcommittee’s efforts to explore options for financing passenger rail equipment:

DRAFT Work Plan

Finance Committee Review of Equipment Finance Strategies

Date/Complete	Topic	Expert
Complete	RRIF	Darrell Smith, Amtrak
4/9	Federal Tax Code	Larry Salci, Salci Consult
5/?	Transportation Development Credits	Jennifer Moczygemba, Hatc McDonald
6/?	Research	Allan Rutter, TTI
7/?	Capital Formation	James Coston, Capital Corri
8/?	Presentation of Draft product	Eric and David
9/?	Consideration and Action on Draft product	The Finance Committee

15 minute presentation, 10 minutes for questions, possible read ahead material.

Product: compilation of meeting notes, augmented by presenters material, an introduction and a summary/“finding” prepared by staff; reviewed and considered by Finance Committee, one possible outcome, sent to the Executive Board for its information and possible actions. Possible actions could include (but not limited too) hiring a consultant to explore a specific topic(s). Additionally, the product could be sent to the restructured “Futures” committee for its consideration where and how they saw fit. Finally, the summary of “finding” could be presented somewhat more formally to the full Executive Committee as part of the Finance Committee presentation at the next in-person meeting.

The expert presentations, individually and collectively, could benefit individual and organizations; The expert presentation could also be made open to others such as those on the Executive Board and other states - a recruiting tool for membership.

Darrell Smith, Amtrak, made the point that there was money available (from the Section 6 project – SFTF budget) if the need for funding was foreseen. He noted, however, that “there is a limited amount of time to claim the funds”. Darrell added “this subcommittee has given back a lot of money in the past, so I would argue that it would deserve access to the funds against other claims for it going forward.”

David Ewing noted that he appreciated Darrell’s comments, and he understands there is funding available, but

that he is "trying to be as prudent as possible" and believes that the presentations as he has planned them will provide a mix for the subcommittee members that should "help us finance better in the future, and maybe, at that time help us get a special financing person thereafter."

Darrell commented on the fact that when the initial scope was prepared by he and Brent Thompson it was intended that there be dialogue from the states. "More than ever we need alternative financing for states...do the states on today's call feel this effort will meet their needs?"

Brent Thompson commented "it meets the needs for the moment...as time goes on we will need to get something set up for the states to use and we will need more equipment going forward...basically this is a start."

Jeff Gordon asked if there were costs associated with the work plan as presented.

David Ewing responded that he would anticipate no costs. He believes that the proposed presenters would be happy to contribute their time to the effort. "I believe they would be pleased to do it as a contribution."

Steve Hewitt asked if the subcommittee members felt they had enough information to formally approve the proposed work plan and direct David Ewing to begin contacting presenters and setting up a schedule.

David Ewing noted that it would be beneficial to have Eric Curtit announce the plan (if approved) on the next Executive Board call and encourage states participation. He views this as a way to not only educate the states, but also to get their input for additional topics and to encourage more participation on the Finance subcommittee.

Eric Curtit said "It's a good idea, and is pretty much what my thinking was. This is important to the states. Some will want to explore more than what we have here."

Further discussion ensued with regard to this effort tying in with the NGENC future discussion. The question becomes how to fund the organization (NGEC) as well as the equipment long into the future.

There is also the need for finding financing tools to build a robust market for equipment. Manufacturers are concerned about "episodic" purchases of equipment – a model that is not sustainable.

As the discussion wound up, Brent Thompson called for a motion to approve the work plan, as presented by David Ewing, and to direct David to begin reaching out to presenters and setting a schedule.

Eric Curtit, Missouri DOT, offered a motion to approve, Jeff Gordon, FRA, seconded the motion. With no exceptions or objections forthcoming, Chairman Thompson determined that consensus has been achieved and the motion is approved.

Eric Curtit asked Steve Hewitt to add this item as an announcement for the Executive Board's conference call on April 15th.

7. Presentation: Federal Tax Code - Larry Salci:

Larry Salci was unavailable for today's call. David Ewing will reach out to Larry to get him scheduled to address the subcommittee on the next call.

8. Other/Issues/Questions - All:

With no other business to come before the subcommittee today, the conference call meeting was adjourned at approximately 3:35 Eastern.

**Next Finance subcommittee conference call –May 7, 2014
866 209 1307 access code: 9786620#**

Decisions and Action Items

The Finance subcommittee approved the work plan for exploring options for financing equipment as presented and directed David Ewing to begin contacting presenters and setting a schedule.

Eric Curtit will announce the effort on the next Executive Board call, and encourage broad participation.

David Ewing will reschedule Mr. Salci's presentation, as well as contacting other presenters.

Darrell Smith announced that the last remaining OIG recommendation has been completed with AASHTO and Amtrak having reconciled the remaining item.

ATTACHMENTS

**Next Generation
Equipment Committee**



The NGEC will provide national leadership in standardization, acquisition, financing and management of passenger rail equipment.

SECTION 305 Finance Subcommittee Conference Call

**April 9, 2014
3:00pm. Eastern
866 209 1307 pass code 9786620#**

AGENDA

- | | |
|---------------------------------------|----------------|
| 1. Welcome/Open | Brent Thompson |
| 2. Roll Call | Steve Hewitt |
| 3. Review of Action Items | Steve Hewitt |
| 4. Approval of minutes from 3-12-2014 | Brent Thompson |

- 5. Status Update: Compliance with OIG Audit recommendations
 - a. Reconciling remaining items with AASHTODarrell Smith

- 6. Developing Strategies for Exploring Options for Financing Passenger Rail Equipment
 - a. Review of DRAFT Work PlanDavid Ewing

- 7. Presentation: Federal Tax Code

- 8. Other issues/questions?

Larry Salci

All

Next Finance subcommittee call: May 7, 2014 – 3:00PM Eastern

Call in # 866 209 1307 passcode 9786620#

DRAFT