

SECTION 305/209 – NGENC – 514 Subcommittee

MINUTES

APRIL 20, 2015

4:00PM EASTERN

CONFERENCE CALL

FACILITATOR	<i>Jeremy Jewkes, Subcommittee Co-Chair</i>
ATTENDEES	<i>AASHTO: Bryan Hong; Amtrak: Darrell Smith, Tom Butler; FRA: Ashok Sundararajan; CTDOT: Marci Petterson; NYSDOT: John Bell, Ray Hessinger; ODOT: Mike Jenkins; TXDOT: Quentin Huckaby; WSDOT: Ron Pate, Jeremy Jewkes, Jason Biggs</i>
ABSENTEES	<i>Caltrans: Stan Hunter; CCJPA: David Kutrosky; NNEPRA: Brian Beeler; NCDOT: Allan Paul; WisDOT: Arun Rao</i>

DISCUSSION/DECISIONS

1. Welcome and Open Meeting:

Ron Pate and Jeremy Jewkes welcomed participants and began the meeting.

2. Roll Call – Bryan Hong:

Bryan Hong called the roll.

3. Action Items Review – Jeremy Jewkes:

FFY2014 Reconciliation to states: Darrell Smith said a draft he received on Saturday morning, April 4 includes all state items. An internal review is scheduled for Wednesday, April 8. A day or two after the April 8 meeting, it should be distributed to the states.

4. Approval of the Minutes from 04-06-15 – Jeremy Jewkes:

Jeremy called for comments on the minutes from the last meeting and on edits submitted from Darrell Smith. There were no comments from subcommittee members. Jeremy asked for a motion to approve the minutes. John Bell motioned for their approval. At the determination by the chair that a consensus was achieved, the minutes were approved as amended.

5. Discussion of Minor Update Materials – All:

The subcommittee continued discussion from the previous meeting on cost differences between the most recently approved CIP (2014-2018) and the proposed Minor Update tables for the CIP (2016-2020).

Ron Pate shared what he heard from many states about two issues. First is the G&A overhead cost at 7.36 percent. He has sent a letter to Amtrak about this. Second is the increase in cost for capital equipment. He talked with Mario about how this is becoming a concern to states. Jeremy is adding the G&A overhead issue to the tracking list as unresolved. Darrell confirmed that the G&A issue has been elevated within Amtrak.

For the other two cost drivers, Darrell deferred to the mechanical division. On locomotive LCPM costs, Tom Butler reported that a difference of \$11.1 million exists between the previous CIP and the Minor Update (hereafter, "delta"). This amount will be reduced by \$3.5 million as a result of accounting for an internal Amtrak credit for the value of parts that are removed from a locomotive and sent to a central shop for refurbishment (known as "Core Credit"). The remaining delta of \$7.6 million has a few drivers. One driver is the wheel axle combos at roughly \$5 million (\$100,000 * 50 truck sets). Another driver is \$0.5 million for pumps, which are now replaced at the same time as fuel injectors. Additionally, all F59s with completed overhauls are now part of the LCPM program. Amtrak is looking at big-ticket items and will also continue to look for smaller components. The bottom line amount for LCPM: delta number is \$7.6 million.

Tom also addressed the NPCU figures. As discussed in the previous meeting the major drivers were adding in 3 NPCUs that were not previously identified as part of the fleet, and a higher per-unit overhaul cost due to condition of equipment. The delta will be reduced. When FY16 and FY17 was developed, it was based on 22 NPCUs. When Ron looked at the numbers, what was planned by the end of FY15 was six. The remaining plans for 7 for FY16 and 9 for FY17 went into the capital plan. Three of the NPCUs were overhauled under a different project with Caltrans. Also, three NPCUs were actually owned by state of Oregon. These six were backed out, which left 16 to be overhauled. Overall, this reduces the NPCU by \$1.5 million in FY2016 and \$3 million in FY2017.

Ron said this is a big lift as operating costs are also going up. He has heard that some states do not find this doable anymore. What are our options? What happens if we get to the point where we can't pay for it?

Darrell clarified the drivers for the \$27 million increase from the FY16-FY20 CIP. G&A is \$12.6 million, NPCU is \$4.2 million more than in the prior CIP, and the LCPM for P42 is \$11.1 million. The \$27.9 million this totals, minus the G&A difference = \$15.3 million. Of that amount Amtrak has taken out \$1.5 million from NPCU's IN FY2016 and another \$3 million in FY2017. This \$10 million difference is the total cost for projects in which states participate. Total projects equals the total equipment capital required to overhauling all units in those fleet types regardless of what equipment they use. This still includes Amtrak's long-distance trains and NEC, so the \$10 million will be split between state corridors and Amtrak. The next step is going through this exercise so everyone can see their numbers again.

This assumes the overhead issue is taken out and not factored in one way or the other. Instead of a 17% increase/delta, it is about a 6-7% increase/delta.

Ron thought it would be helpful if the subcommittee can make sure the remaining states have the ability to receive this information from Darrell. It might be helpful for states to know that the original number does not include costs solely for them. Tom said an initial uptick was from the unit increases, which have since been reduced—though it still means an increase from 3 to 5 during the next two years. Darrell suggested that Tom create something for the next call, which could include a spreadsheet with the total number of NPCU's they were going to use each year, the original costs, updated tables, and what it would look like if spread out over multiple years. Tom will have something by next Monday. The states on the call were asked if they can inform those not present, to let them know this is being worked on.

6. Other Issues/Questions – All:

- Jeremy asked that as the second quarter of the fiscal year is done, is there another user group meeting scheduled? Tom is looking to schedule one in May.
- Defined costs – FY14 numbers are starting to go out to the states, which means the reconciliation process discussion can begin.
- John Bell and Ray Hessinger said they received the data and table to process. Costs were higher than expected but there was one piece they were hoping to get: the full net use for the quarterly reconciliation process that was agreed to in the CIP. They have made a request for that table to be prepared.

Adjourn –

With no further business to come before the subcommittee today, Jeremy Jewkes adjourned the call at 4:44 PM Eastern.

Next call – May 04, 2015 – 4:00PM Eastern

Decisions and Action Items

1. **Status updates**
2. **Tom Butler will be setting up a User Group meeting in May**
3. **Jeremy will add the G&A overhead issue to the tracking list as unresolved**
4. **Tom will create a spreadsheet by next Monday with the total number of NPCU's planned to use each year, original costs, updated tables, and what it would look like if spread out over multiple years.**

ATTACHMENTS

Addendum from Jeremy Jewkes (4/21/15)

ECWG Members,

A brief update following yesterday's meeting:

In response to states' questions on the roughly 17% increase in capital costs in FFY2017 for equipment used on state-supported corridors, Amtrak has revisited those figures and looked to determine the drivers of that increase. The increase between the 2014-2017 CIP (approved October 2014) was roughly \$30M/year for each of the overlapping years with the 2016-2020 Minor Update tables. In reviewing this information, Amtrak is working on revising tables to reflect the following changes:

- Removal of 7.36% G&A costs previously included (Approximately \$12M per year)**
- Removal of six NPCUs (Approximately \$1.5M in FFY2016 and \$3M in FFY2017)
 - 3 have already been overhauled under a California program
 - 3 NPCUs are Oregon-owned, and have been removed from the Amtrak fleet calculation
- Correction of LCPM costs to include a core credit (Approximately \$3.5M)

Altogether, this reduces the forecast that includes both Amtrak and states' costs by about \$17M, reducing the increase for FFY2016 from about \$27M to about \$10M. This translates to an increase of roughly 6%-7% for FFY2016 from the previous CIP forecast to the current Minor Update forecast given the above changes.

** G&A costs have not been taken off the table, but have been elevated within Amtrak following the states' rejection of the additional overhead in the Minor Update.

Next Generation
Equipment Committee



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

SECTION 305/209 – 514 Subcommittee

Conference call
Call in number: 888 585-9008
Access code: 423-006-359
April 20, 2015
4:00pm, Eastern

AGENDA

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|---|---------------|
| 1. Welcome/Open | Jeremy Jewkes |
| 2. Roll Call | Bryan Hong |
| 3. Action Items Review | Jeremy Jewkes |
| 4. Approval of the Minutes from the Previous Call | Jeremy Jewkes |
| 5. Discussion of Minor Update Materials | All |
| 6. Other Issues/Questions | All |