

Minnesota Passenger Rail Governance and Financing Implementation

Workshop Number 1

presented to

Minnesota Passenger Rail Forum

presented by

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Workshop Agenda

- | | |
|-----------|------------------------------------|
| 1:00 p.m. | Introductions |
| 1:10 p.m. | Project Description |
| 1:50 p.m. | Break |
| 2:00 p.m. | Governance Principles/Criteria |
| 2:50 p.m. | Break |
| 3:00 p.m. | Financing Principles/Criteria |
| 3:50 p.m. | Close-Out, Summary, and Next Steps |

Overview

Project Purpose

Produce an implementation strategy/legislative approach to passenger rail governance and funding that can be recommended by Mn/DOT to the State Legislature for consideration during an upcoming legislative session

Project Process Overview

Actors

- Mn/DOT Project Management Team
- Mn/DOT Passenger Rail Office
- Passenger Rail Forum
- Project Consultants

Actions

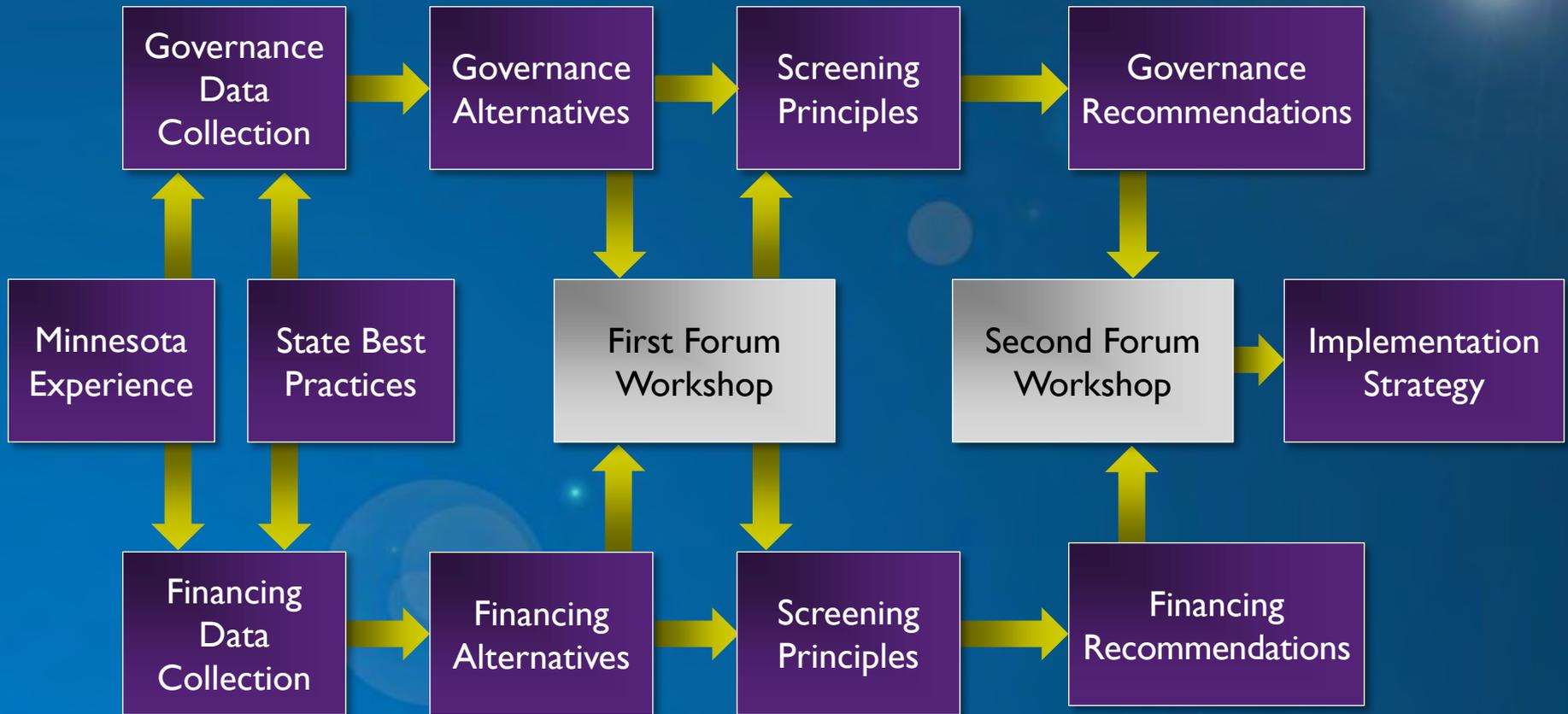
- Best Practices
- Criteria/Principles
- Recommendations
- Implementation Strategy

Audience

- Mn/DOT Leadership
- New Administration
- State Legislature
- Passenger Rail Stakeholders

Study Process

Summary of Study Approach



Governance

Find Best Practices

Look at states

- Recommended by other studies
- Funding state-supported Amtrak intercity services
- That have been able to win large FRA capital funding grants
- Neighboring Minnesota

States to be Studied

State	Factors	State	Factors
California	MS, SS, LC	North Dakota	NS
Florida	MS, LC	Ohio	MS, SS, LC
Illinois	MS, SS, LC, NS	Oklahoma	SS
Iowa	NS	Pennsylvania	MS, SS
Indiana	NS	South Dakota	NS
Maine	SS, LC	Texas	SS
Manitoba	NS	Vermont	SS
Michigan	MS, SS	Virginia	MS
Missouri	SS	Washington	MS, SS, LC
New York	MS, SS	Wisconsin	SS, LC, NS
North Carolina	MS, SS, LC		

MS Model State

LC Large Capital Grants

SS State support for Amtrak

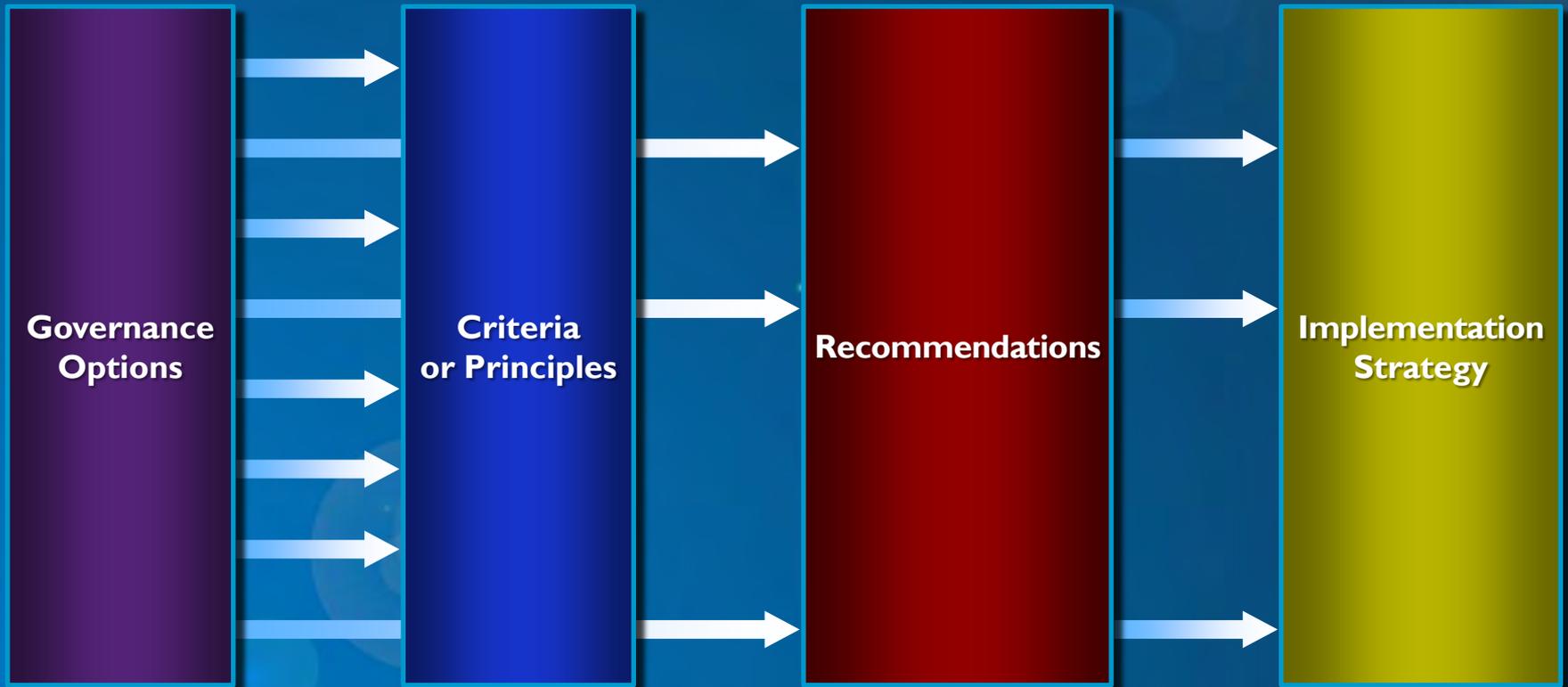
NS Neighboring State

Governance Responsibility Options

Passenger rail responsibilities to be assigned/delegated

- Management/oversight
- Administration
- Project development
- Project delivery
- Project operation
- Project ownership

Governance Principles/Criteria Process



Governance Recommendations

- What kinds of options are appropriate for Minnesota?
- How are recommendations consistent with principles and criteria identified by Passenger Rail Forum?
- What kinds of recommendations will advance the features of the State Rail Plan?
- Recommendations feed into Implementation Strategy

Financing Study Steps

- Look at best practices of other states; how have they succeeded? Will some of those practices fit within existing Minnesota state laws?
- Detail uses of funds
- Identify financing tools
- Apply tools to state passenger rail program

Financing Uses of Funds

How funds are applied to passenger rail projects

- Project development
- Capital improvements
- Operations and maintenance
- Contracting for services

Not all tools can be used for all uses

Financing Project Development

- Planning through Environmental Clearance
- After clearance
 - » Right-of-way
 - » Engineering
 - » Design
- Negotiations with freight railroads for operating agreements

- **Usually use cash or revolving funds, not bond funds**
- **Federal funds now available for planning**

Financing Capital Improvements

- Infrastructure
- Equipment
- Rail property access
- Stations

- **Can be debt-financed as a long-term asset**
- **Federal funds now available**
- **Equipment can be leased**

Financing Operations and Maintenance

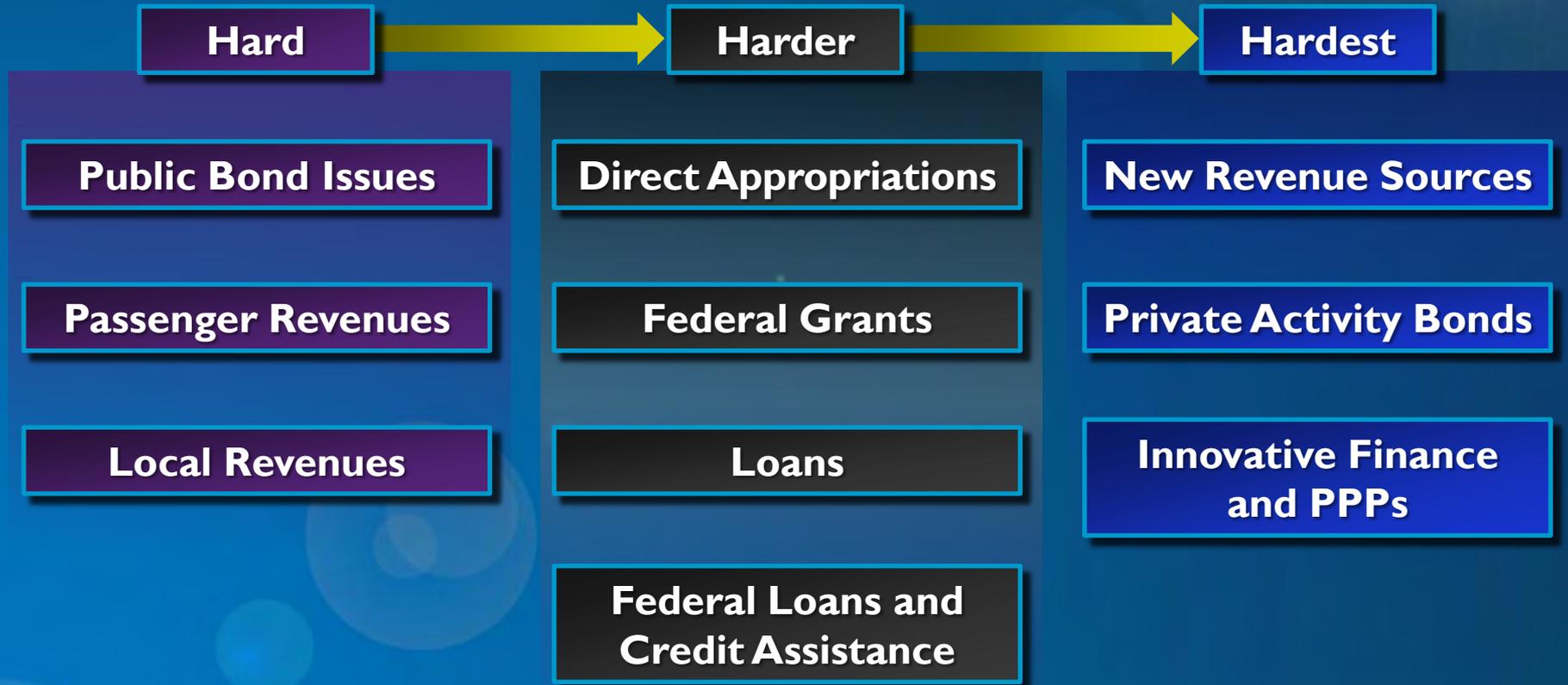
- Subsidize operating costs not covered by passenger revenues
- Maintenance of equipment and infrastructure (higher for HSR)
- Extra maintenance staffing for service reliability

- **No federal funds available for O&M**
- **FRA expects commitment to long-term operations as condition of capital grants**

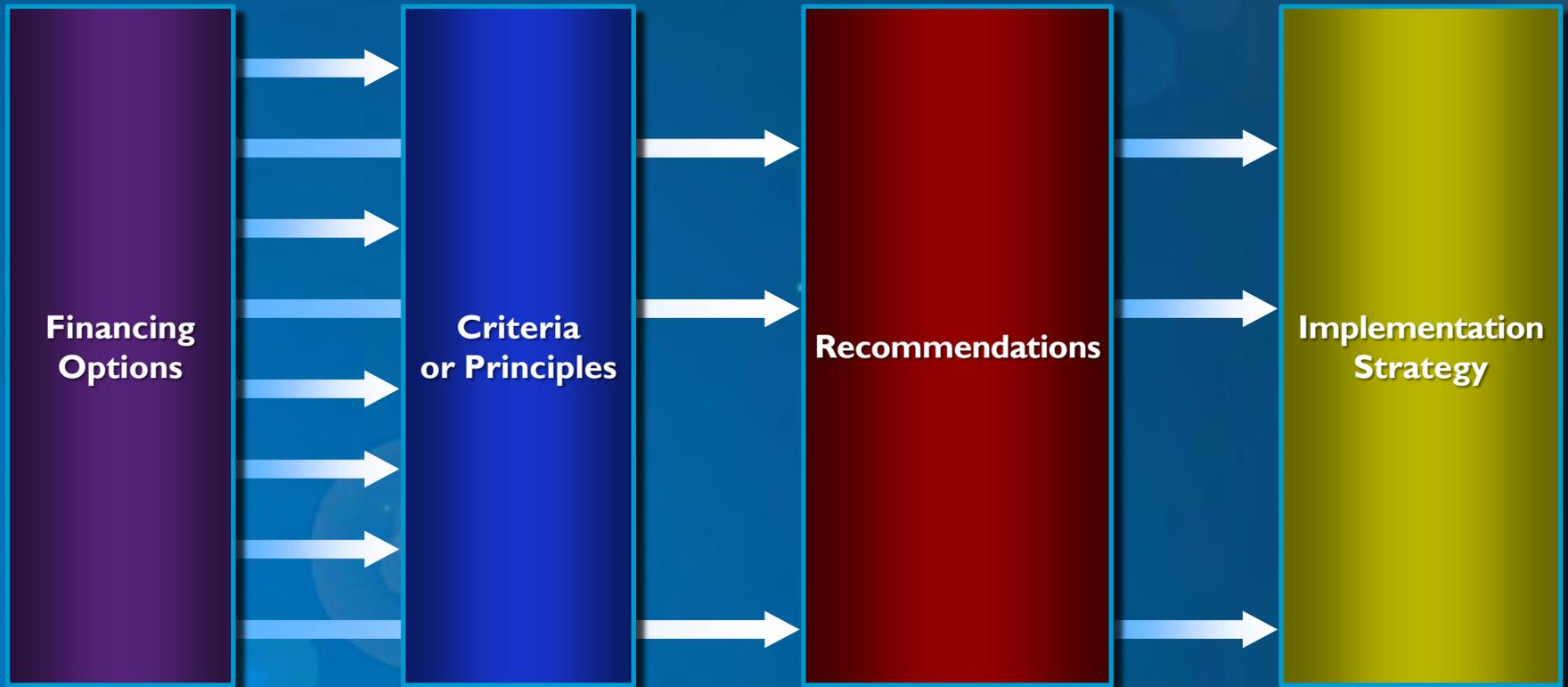
Financing Contracting for Services

- Paying an operator for train operations, marketing, and ticketing
- Use a turn-key private builder operator through a PPP
- Which contracting strategies will work within Minnesota laws?

Financing Tools



Financing Principles/Criteria Process



Financing Recommendations

- What kinds of options are appropriate for Minnesota?
- How are recommendations consistent with principles and criteria identified by Passenger Rail Forum?
- How can financing tools be applied to passenger rail projects identified in State Rail Plan?
- Recommendations feed into Implementation Strategy

Implementation Strategy

- Long-term outlook required
- Short-term challenges facing study audiences (Administration and Legislature) will be taken into consideration
- Legislative and administrative steps associated with recommendations will be outlined
- Near- and long-term legislative strategy will be identified and vetted with Mn/DOT Project Management Team and Passenger Rail Forum

After the Break

- Consideration and discussion of criteria/principles
- Contributions and suggestions from forum members
- Workshop close

Break

Identification of Principles and Criteria for Screening Recommendations

What Do We Mean by Criteria or Principles?

What They Are	What They Are Not
High-level	Detailed
Set expectations	Infer decisions
Will guide recommendations	Create recommendations
Can be used to consider findings from best practices research	Decide on outcomes rather than looking at other states' experiences
Represent group consensus	Depend on group unanimity

Governance

Possible Governance Criteria/Principles

- Capability
- Perspective
- Legality
- Accountability
- Accessibility
- Responsibility

We will discuss what these mean and get your feedback

Governance Capability

- How well will a structure deliver projects, manage finances, and attract trust?
- How will this capability be judged by FRA in grant decisions?

Decision Points

- What are ways to mitigate weaknesses?
- Are there ways to demonstrate competence for organizations with limited rail or project experience?
- Do you want to put any constraints on possible recommendations?

Governance Perspective

- Who maintains a statewide perspective if projects are delivered by project-specific entities?
- How is funding allocated among projects and by whom?
- How can recommendations fit within and complement regional efforts through the MWRRI?

Decision Points

- How can statewide outlook be built in?
- Who sets project priorities and funding – Agency, Legislature, or both?
- Do you want to put any constraints on possible recommendations?

Governance

Legality

- How many legislative/administrative changes will be necessary for any given recommendation?
- Which approaches would be prohibited by constitutional restrictions or other regulatory provisions?

Decision Points

- Should recommendations fit within existing constitutional constraints?
- Are some kinds of legislative changes a “heavier lift” than others?
- Do you want to put any constraints on possible recommendations?

Governance Accountability

- How transparent will the governance structure be?
- Who is ultimately responsible for project accomplishment?
- What will the Legislature want/expect from project owners?

Decision Points

- How can clarity of ownership be encouraged?
- Is accountability a combination of transparency (letting people find information) and communication (pushing information out to people)?
- Do you want to put any constraints on possible recommendations?

Governance Accessibility

- Do some governance models lead to more public involvement than others?
- Can stakeholder involvement increase project enthusiasm and ownership?

Decision Points

- Is increased public involvement a benefit to be sought?
- Do you want to put any constraints on possible recommendations?

Governance Responsibility

- Should one entity be responsible for all Minnesota passenger rail projects?
- Are certain functions best performed by a particular entity?
- How can economies of scale be gained within a distributed network of providers/owners?

Decision Points

- Can economies of scale be fostered among different project entities?
- Do you want to put any constraints on possible recommendations?

Break

Financing

Possible Financing Criteria/Principles

- Viability
- Productivity
- Equity
- Resilience
- Feasibility
- Practicality

We will discuss what these mean and get your feedback

Financing Viability

- How difficult will the financing method be to administer?
- What are the relative costs of collection? Are some funding methods more cost-effective?
- Will the funding option require legislative/administrative changes?

Decision Points

- Do you want to preclude revenue generation options?
- Some funding methods will fall in the jurisdiction of other committees. Should options attempt to limit the number of committees affected?
- Do you want to put any constraints on possible recommendations?

Financing Productivity

- What is the potential for funding generated by a given method?
- How does possible funding compare to needs identified in the State Rail Plan?

Decision Points

- Will more than one funding method be required?
- Can some funding mechanisms be phased in as projects are developed?
- Do you want to put any constraints on possible recommendations?

Financing Equity

- Is a statewide funding mechanism the best way to finance a project that may not affect or benefit the entire state?
- Should regions that benefit from projects contribute some or most of the non-Federal project funding?
- Should train fares be set to maximize revenues so that project users pay for their benefits?

Decision Points

- How can financing match user benefits?
- Can statewide benefits of passenger rail justify statewide funding mechanisms?
- Do you want to put any constraints on possible recommendations?

Financing Resilience

- How susceptible is a funding mechanism to economic cycles?
- How sustainable will the funding be over time?
- How will the dependability of funding streams affect prospects for Federal capital grants?

Decision Points

- Are dedicated funding sources more desirable than discretionary?
- Do you want to put any constraints on possible recommendations?

Financing Feasibility

- How likely will the funding mechanism be accepted by the public?
- Can the funding method garner political support?
- Can existing methods be modified to assist passenger rail projects?

Decision Points

- Do you support modifications to existing methods over creation of new funding sources?
- Do you want to put any constraints on possible recommendations?

Financing Practicality

- How dependable are some Federal-funding programs, which may be subject to authorization cycles?
- How realistic are Minnesota's chances for discretionary Federal-funding awards?
- What is the financial capacity of state/regional/local governments to contribute to passenger rail projects?

Decision Points

- Should passenger rail plans be financially constrained in the same way that road and transit projects are?
- Do you want to put any constraints on possible recommendations?

Next Steps

What Happens Now?

- **Immediate** – discussions/contributions will be collected, collated and summarized as screening principles/criteria
- Governance and Financing options from other states will be completed and recommendations identified
- Implementation Strategies will follow
- Governance and Financing recommendations and Implementation Strategy will be vetted with Mn/DOT Project Management Team
- **Workshop No. 2 – December 13, 2011** – will discuss recommendations and strategy

Thanks for your participation!