

Washtenaw Livingston Rail Line (Wally) Technical Review

Final Report and Revised Draft Business Plan

Wally Coalition

Submitted By

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Engineering · Economics · Service Planning

Arlington, VA

June 26, 2008

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Executive Summary

R.L. Banks & Associates, Inc., (RLBA) was selected to perform a technical review of the February 2008 Wally Draft Business Plan and other information related to initiation of commuter rail service connecting Howell and Ann Arbor. See map on following page. This paper revises the February 2008 Draft Business Plan.

Review of Work Completed

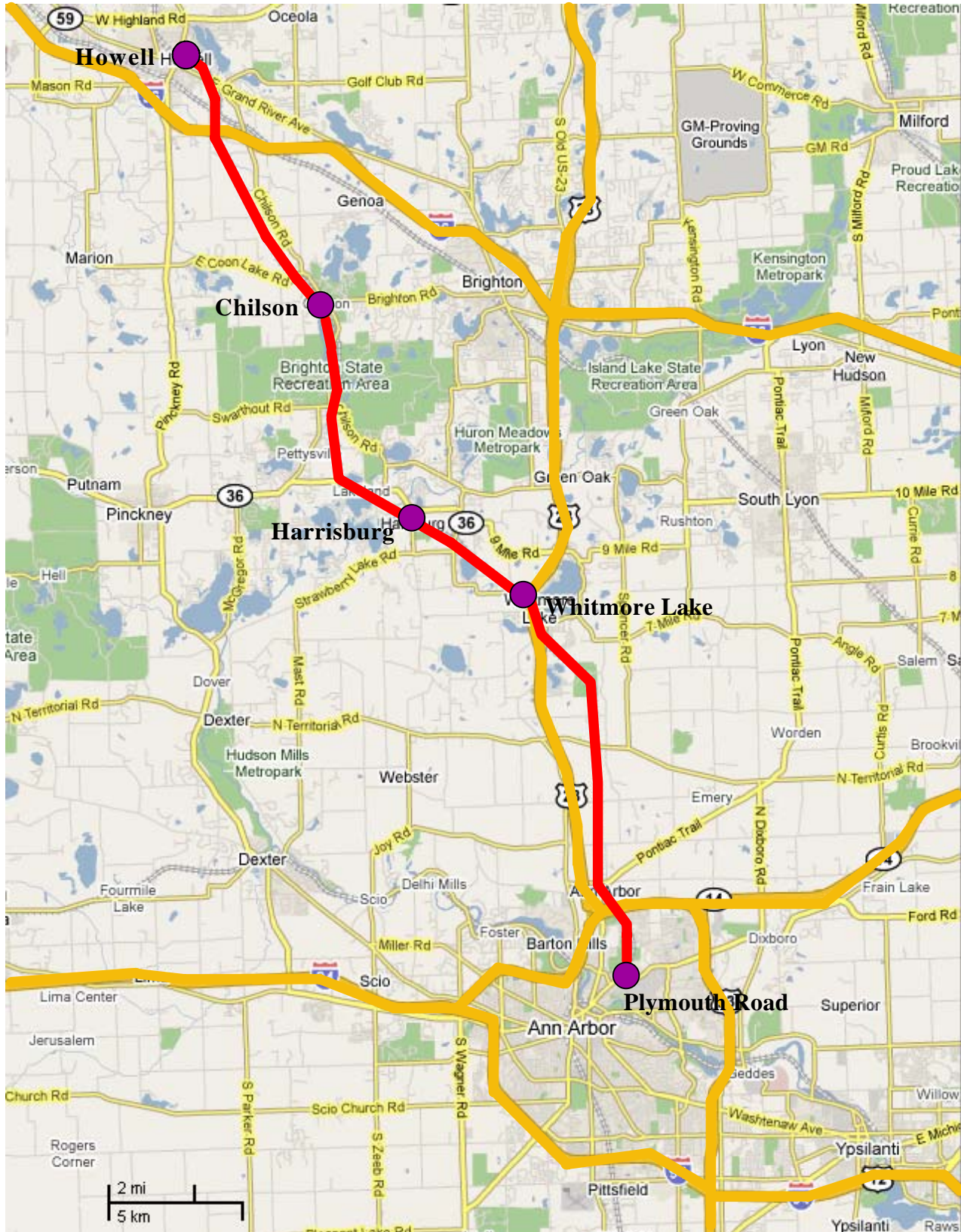
Nine Technical Memoranda. Responding to the Wally Coalition's Scope of Services, RLBA prepared nine technical memoranda and submitted these on June 10 and 15, 2008, to the Coalition for review and comment. The nine technical memoranda cover the following subjects:

- Subtask 2.1 Railroad Operating Plan and Operating Budget
- Subtask 2.2 Station Development
- Subtask 2.3 Track, Signal and Grade Crossing
- Subtask 2.4 Ridership Estimates
- Subtasks 2.5 Finance and Administration
- Subtask 2.6 Customer Service and Bus Interface
- Subtask 2.7 Development Opportunities and Risks
- Subtask 2.8 Ann Arbor Railroad Extension
- Task 3 Funding

Findings. RLBA findings, presented in the technical memoranda, include the following:

- In order to attract riders, track speed must be improved to 60 mph. Otherwise, passenger train transit time will not be competitive with the automobile.
- A reasonable ridership estimate is 1,300 riders one-way, or 2,600 trips per day. This represents a reduction from the Wally Coalition's estimate.
- Many details need to be worked out between the Wally Coalition and GLC, and with the Ann Arbor Railroad with regard to daily storage of empty passenger railcars.
- The Coalition should resolve compliance with the Americans with Disabilities Act with the U.S. Department of Transportation.
- It is important to execute an agreement with CSX to assure passenger train priority at the Ann Pere crossing.
- A centralized traffic control (CTC) signal system (or equal) should govern the Howell-Ann Arbor rail corridor prior to start of commuter operations.

Proposed Washtenaw-Livingston Commuter Rail Service



- = Proposed station
- = Great Lakes Central Railroad

- There are a number of station planning issues which must be decided before design can commence. These include establishment of specific plans for adequate and close-by (short walking distance) parking facilities at each outlying station. Establishment of plans includes agreements with developers, and at one station, a church. Parking, and other station requirements, could require acquisition of property. The importance of adequate parking -- enough to initiate service plus some extra in anticipation of ridership growth -- cannot be overestimated. Another important station planning issue is platform length. Regardless of resolution of ADA policy with U.S. Department of Transportation, RLBA strongly recommends that station platforms be long enough for simultaneous boarding and de-boarding of all passenger cars on the train. Roadway access to each station, including access for parking, for buses, and for “kiss and ride”, must be decided. This also may require acquisition of real estate.
- An adequate overnight layover facility is required, in which RLBA recommends inclusion of 480 volt standby power, locomotive drip pans, a crew and maintenance building, roadway vehicle access, lighting, fencing and security. This may require acquisition of real estate.
- Rail defect testing, for hidden defects, should be performed before passenger service.
- Connecting bus service must be arranged. This will be vitally important at the Plymouth Road station, since walking from/to that station does not appear to be a useful option. It also may be important at other stations, depending upon need.
- Funding commitments are required prior to constructing right of way improvements and stations, and for operating expenses prior to initiation of service. Capital costs required to initiate service total \$32.4 million. Annual operating deficits over ten years range from a small surplus in one year to \$1 million in the tenth year.

Final Report and Draft Business Plan. Based on comments received on these technical memoranda, RLBA made appropriate revisions and then RLBA prepared this Final Report and Draft Business Plan.

Additional Steps to Initiate Service

The most important additional steps before initiation of passenger service are those shown above under “Findings”.

An estimated 16 months may be required to complete all steps necessary to initiate service. This time period is highly conjectural in that it depends upon priority given to implementation actions, availability of funding, and decisions by others.

Ten-Year Financial Sustainability

The February 2008 Wally Business Plan and the draft business plan embodied in this report both project annual operating shortfalls. This is not unusual. The fact is that, like the U.S. highway systems, virtually every public transportation service worldwide requires public investment to sustain it. (Michigan, for example, spends hundreds of millions of dollars more to support its highway system than is raised through state and its share of federal gasoline taxes.) It will be necessary to secure funding for both annual operations and for the capital improvements (track improvements to attain 60 mph service, etc.).

Management Structure

(This and subsequent section headings are provided to mirror similar headings in the February 2008 Draft Business Plan and assure that all business plan components have been considered.)

An organization structure is suggested, and specific functions appropriate to supervision of a commuter rail service are discussed.

Operation and Maintenance Plan

An operating and maintenance plan includes sample train schedules, a plan for maintenance of stations, and funding requirements.

Ridership Forecasting and Revenue

As stated above, the RLBA estimate of ridership is somewhat less than that of the February 2008 Wally Business Plan; however, the projected number of riders is deemed sufficient to initiate commuter rail service. Revenue from fares will not cover operating expenses, as mentioned above, but this is not unusual or unexpected.

Financing Plan

The “Ten-Year Financial Stability” section mentioned above constitutes a financial plan. It will be necessary to secure funding.

Marketing Plan

Vigorous marketing will be important in assuring that all prospective users are aware of the new service. A customer service plan will provide for the assistance of riders.

Implementation Plan

The “Additional Steps to Initiate Service” described above are the implementation plan.

Overall Conclusions

Commuter rail service connecting Howell and Ann Arbor is feasible.

Additional actions are required prior to initiation of service. An organization to execute these actions should be established. The additional actions are evaluated and a “critical path” schedule of approximately 16 months has been estimated. This figure is subject to change depending upon priorities, ease/difficulty in obtaining funding, and decisions by other parties.

Compliance with a U.S. Department of Transportation policy related to the Americans with Disabilities Act should be resolved. Funding must be secured. Station planning, including parking, must be refined prior to initiation of design. A number of agreements must be negotiated.

Certain of the steps to initiate new commuter rail service are deemed by RLBA to be crucial to success. These are automobile-competitive travel times, an adequate number of short-walking-distance parking spaces at stations, convenient and timely shuttle bus service, and station platforms extending the length of commuter trains.

Washtenaw Livingston Rail Line (Wally) Technical Review

Final Report and Revised Draft Business Plan

Requirement

The contractor shall synthesize the technical memoranda into a complete report consisting of three main elements; 1) review of work completed to date, 2) additional steps to initiate service including a project timeline with a critical path, and 3) a statement of financial sustainability of the system projected for the first ten years of operations. The contractor will make one presentation of their final draft findings to the Wally Leadership and Technical Committee(s). The contractor will revise the draft report responding to comments and concerns identified by the Wally Leadership and the Technical Committee. Pending acceptance of the report, the Contractor will prepare a presentation of their findings and recommendations for delivery at a minimum of four public meetings, two in each County. It is anticipated the presentations will be offered at the two county board meetings with an additional meeting at one key city in each county.

Deliverables

- 1. 25 Copies of Draft and final reports, as well as a word file of the same*
- 2. 25 Copies of the Final Draft Business plan for operation of Wally service including Executive summary and 10 year budget. An electronic version of the same in Microsoft Word and/or Excel will also be provided*
- 3. Slideshow Presentation that outlines the review of work completed, additional steps to initiate service including the project timeline and critical steps for implementation and the financial plan that will be necessary to sustain the service which will be delivered at four public meetings*
- 4. Microsoft PowerPoint electronic file of slide presentation*

Introduction and Purpose

Background

A coalition (the Wally Coalition) of government officials and business leaders in Washtenaw and Livingston Counties is working to institute a 27-mile long commuter rail service between Howell and Ann Arbor. The Great Lakes Central Railroad (GLC) maintains operating rights over the State of Michigan-owned rail line connecting these communities. The Wally Coalition already has completed a variety of efforts aimed at implementing the service.

This Washtenaw Livingston Rail Line (Wally) technical review is intended to determine what is needed to initiate and sustain commuter rail service between Howell and Ann Arbor.

Some Perspectives

From the point of view of a transportation consultant doing work across the United States, there are a number of very positive aspects of the commuter rail initiative in Washtenaw and Livingston Counties. Foremost is the enthusiasm among a sizeable number of county and city officials and others, in favor of implementing new commuter rail service linking the City of Howell (Livingston County) with Ann Arbor (Washtenaw County). Another very interesting and helpful aspect is the fact that the railroad operating over the prospective commuter rail corridor likewise is enthusiastic to participate. Indeed, that railroad – the Great Lakes Central (GLC) – has offered to supply locomotives and bi-level passenger coaches, and to crew the trains and operate the service.

There is, however, another side which has been articulated by some members of the coalition, and that is a concern that enthusiasm may have overrun pragmatism. Some have articulated their concerns regarding the financials – how the service would be funded – and regarding ridership, and adequacy of parking at the stations. Some have voiced the concern that without a hard look at the business plan, the service -- if initiated -- could collapse for lack of funding.

Another interesting characteristic of this study is that there have been a number of related studies regarding passenger rail or improved transportation in general, in Southeast Michigan, or otherwise including the Washtenaw-Livingston study area. Also of interest, and pointed out in these other studies, is a relative lack of public transportation in a geographic area of population growth. Livingston County is cited as the fastest growing county in Michigan. Washtenaw County is growing. Many have cited congestion problems on Highway U.S. 23.

Initial Meetings and On-Site Inspections

RLBA attended meetings with City of Ann Arbor and Washtenaw County on May 1. RLBA also conferred with Michigan Department of Transportation and GLC on May 1. On May 2, RLBA attended meetings with Livingston County and City of Howell, and also inspected prospective station sites. With GLC, RLBA hylaired the rail line between Howell and Ann Arbor. RLBA participated in the Technical Steering Committee kickoff meeting on May 2.

Initial Service Ends at Plymouth Road. This study focuses on the Wally Plan to initiate service between Howell and Plymouth Road in Ann Arbor. Extending service into downtown Ann Arbor, via the Ann Arbor Railroad, is considered as a future option.

Purpose

Key products of this study are a management and business plan with a defined critical path, capital and operating program recommendations, and an implementation strategy for instituting viable service.

The Nine Technical Memoranda

In accordance with the Wally Coalition Scope of Services, technical memoranda were submitted on the following subjects:

- Subtask 2.1 Railroad Operating Plan and Operating Budget
- Subtask 2.2 Station Development
- Subtask 2.3 Track, Signal and Grade Crossing
- Subtask 2.4 Ridership Estimates
- Subtasks 2.5 Finance and Administration
- Subtask 2.6 Customer Service and Bus Interface
- Subtask 2.7 Development Opportunities and Risks
- Subtask 2.8 Ann Arbor Railroad Extension
- Task 3 Funding

This Final Report and Draft Business Plan summarizes the principal findings and conclusions from those technical memoranda, states the additional steps to initiate service, and provides a ten-year statement regarding financial sustainability.

Review of Work Completed to Date

Railroad Operating Plan and Operating Budget

GLC's interest in hosting and operating commuter service is a great boost toward service implementation. The desired service can be provided in the corridor, subject to station issues and right of way track and signal improvements described elsewhere. Many details remain to be worked out between the service sponsor and the railroad, including rights, responsibilities and compensation. These should be resolved promptly to permit starting work on physical preparations for service, such as track improvements, station development and equipment modifications and procurement (locomotives).

Station Development

Station planning issues require additional effort prior to initiation of design.

The U.S. Department of Transportation (DOT) policy with regard to boarding of disabled persons should be resolved as soon as possible.

Whether or not the Wally Coalition obtains a waiver of U.S. DOT policy, RLBA strongly recommends full-train-length boarding and de-boarding. For five-passenger-car trains, this means platforms must be at least 450 feet in length.

Adequacy of parking and other station planning issues also require resolution. RLBA strongly recommends that parking be available, close to the station platform (a short walking distance), for all who desire to drive their automobiles to the stations in order to use the commuter rail service. Where a developer will provide parking space and lease it, an agreement should be formalized, and lease costs must be included in the annual operating costs.

When additional planning activities have been completed, the NEPA process must be followed to determine the extent of environmental analysis required, if federal funding is to be used in the project. Even if federal funds are not used, station design can not be initiated until decisions are made with regard to exact station locations, and with regard to the various issues discussed in this technical memorandum.

Track, Signal and Grade Crossing

RLBA strongly recommends automobile-competitive commuter rail trip time; therefore RLBA includes cost of improving track so that it will carry passenger trains at a maximum speed of 60 mph. RLBA recommends passenger train layover facilities with 480 volt standby power, locomotive drip pans, roadway vehicle access, crew and maintenance building, lighting, fencing and security. RLBA recommends testing of rail for defects. RLBA recommends installation of a conventional CTC (centralized traffic control) or equal signal system. All these recommendations are included in the RLBA capital cost estimate, which totals \$32.4 million.

Ridership Estimates

RLBA estimates the average number of roundtrips at 1,300 per weekday as compared to the Wally estimate of 1,688 per weekday. The Wally Coalition estimated that 200 roundtrips a day would be "Special Riders" or non-commuter round trips. RLBA believes that since in the current plan there is no mid-day, night or weekend service, these non-commuter trips should not be included in ridership estimates, in order to be conservative. RLBA agrees that Wally should try to attract riders from the non-commuter market. Average daily ridership of 2,600 is considered a reasonable level of starting ridership for a new service.

The Wally Coalition estimated roundtrip ridership per station as follows: Howell, 525; Chilson/Brighton, 306; and Whitmore Lake, 656. RLBA analyzed the population in the areas surrounding the proposed stations and used that data to associate ridership with stations. RLBA estimates the roundtrip ridership at stations as follows: Howell, 350; Chilson/Brighton, 390; and Whitmore Lake, 560.

Growth in ridership over the first five years of operation was estimated at three percent per year by the Wally Coalition. In the same time period, the population and employment in the Wally service area is expected to increase by only two percent. However, factors that make commuter driving increasingly onerous, such as increasing fuel cost and highway congestion, alongside the alternative provision of a reliable, high quality passenger rail service, make Wally's growth forecast reasonable.

RLBA believes that surveying done up to this point has established a good estimate of potential ridership on the Wally service. However, a more in-depth analysis of ridership is suggested. Surveys performed to date do not include estimated total travel time from origin station to destination. Total trip time has an appreciable effect on ridership. Average daily ridership at each station should be estimated from individual responses instead of estimating the breakdown in ridership between stations based on population. On the other hand, the available ridership surveys performed by University of Michigan are deemed a good and sound basis for the current estimate.

Finance and Administration

The draft articles of incorporation and bylaws for the proposed rail authority were reviewed; they appear to be appropriate. The authority should be formed allowing sufficient time in advance of commuter rail operations for the authority to establish a budget, and to arrange for designation and training of staff to accomplish necessary administrative and operating functions necessary to support the commuter rail operation. It is understood that within the Wally Coalition there is the belief that the authority should be formed sooner rather than later, inasmuch as it is the authority that will take action on the remaining implementation steps.

RLBA recommends automated ticket vending machines to sell single ride tickets at stations.

Customer Service and Bus Interface

Connecting bus service is very important to attracting Wally ridership and must be carefully planned and well executed.

Marketing and customer-interface programs are likewise very important in attracting riders and in obtaining rider feedback.

Wally fare collection should be coordinated with that of AATA. Customer convenience should be a paramount consideration.

Development Opportunities and Risks

Development is an opportunity, given appropriate circumstances. There are examples nationwide of successful transit oriented development.

Ann Arbor Railroad Extension

The key challenges in extending Wally Coalition commuter service into downtown Ann Arbor include securing a suitable downtown station location (or locations), and gaining access to a segment of the Ann Arbor Railroad (AARR) by addressing AARR's concerns about potential liability costs of commuter train operations.

Ridership levels associated with extended service into downtown Ann Arbor need to be better understood so the Coalition can evaluate the potential costs and benefits of the extension.

RLBA recommends that:

1. The Coalition and the University of Michigan further research potential ridership volume and needs with regard to prospective downtown station locations and the potential Stadium Complex station, in addition to event-related ridership.
2. The City of Ann Arbor and the Coalition take the steps necessary to establish reasonable certainty that they are able to secure a downtown station location that resolves proximity, grade crossing and eastward uphill walking concerns.
3. The Coalition obtain appropriate professional advice as to whether a lease or purchase of the needed three miles of the AARR would prove the preferable method through which necessary liability insurance could be acquired, and then negotiate an agreement with AARR.

Additional Steps to Initiate Service

Steps Required

The following steps are deemed necessary to consider (applies to all) and take action on (may not apply to all) initiate commuter rail service.

1. Consider performing a more in-depth ridership analysis which includes total travel times and which determines daily ridership by station. RLBA does not consider this crucial; however, the in-depth analysis may provide important additional ridership information.
2. Resolve U.S. DOT (Department of Transportation) ADA (Americans with Disabilities Act) requirements, in light of the policy that platforms run the full length of a passenger train and permit level boarding to all accessible cars.¹
3. Arrange for all necessary funding (to cover both capital and operating expenses).

¹ See www.fra.dot.gov/downloads/Research/commuterplatform.pdf

4. For each station, more detailed planning must be completed to include access and egress, transit interface, kiss and ride access, what is to be included on the platform (e.g., weather protection, communications, ticket vending machine), etc. RLBA strongly recommends full-train-length station platforms, regardless of ADA considerations.
5. The Coalition should make plans for adequate parking at all outlying stations, including an extra allowance for growth. This is deemed very important in attracting riders to the new service.
6. Where a developer is to provide some or all of the station parking (Howell, Lake Whitmore), or a church in the case of Chilson, the Coalition should negotiate appropriate agreements, including lease payment and availability dates.
7. Complete the NEPA (National Environmental Policy Act) process if required.
8. Apply for any necessary permits mandated by state or local codes (e.g., building codes).
9. Establish an authority to manage the service. It is the belief of at least one Wally Coalition official that establishment of an authority should be done soon, so as to provide an organization responsible for execution of these steps to initiate service.
10. Negotiate access and operating agreement with GLC (rights, responsibilities and compensation).
11. Negotiate access to Ann Arbor Railroad for use of that railroad's track to store empty passenger railcars.
12. Execute an agreement with CSX to assure passenger train priority at the Ann Pere crossing.
13. Decide the fare system (what fares to charge, how to collect single-ride fares, etc.), and do this in coordination with AATA. Customer convenience should be a paramount consideration.
14. Arrange for connecting buses and negotiate payment agreements.
15. Update the business plan based upon results of the foregoing steps.
16. Execute rail defect testing and replacement. Execute engineering design of all infrastructure improvements (stations including parking and all platform components, improvement of track speed to support a top speed of 60 mph

- passenger train service, installation of signal system, Ann Pere changes as negotiated with CSX, any other changes required in other negotiations (e.g., with GLC, AARR, AATA), layover facilities) and equipment improvements (passenger railcars), if required.
17. Improve track to automobile-competitive passenger train track speed, construct layover facilities, upgrade grade crossings, and install CTC (or equal) signal system.
 18. Perform any required refurbishment and ADA reconfiguration of passenger railcars.
 19. Procure passenger-train-speed locomotives.
 20. Lease or otherwise acquire any property (real estate) required (for example, stations and layover facilities).
 21. Prepare marketing and customer service plans which include vigorous advertising/marketing of the new service.
 22. Train those who will manage the new service, and train and qualify passenger train crews.
 23. Prepare a safety and security plan, and emergency response plans. Coordinate these with local and state authorities.
 24. Perform final service testing prior to startup.

Importance of the Steps

The above-listed steps to initiate commuter rail service are shown in approximate chronological order. They constitute a management plan/implementation strategy. They also represent the starting point for estimating a project timeline and a critical path. Some of the steps may not be necessary, and some are not considered mandatory. RLBA believes this list covers all possible required actions. On the other hand, there are certain steps which RLBA deems crucial to successful commuter rail service, namely: automobile-competitive travel times, an adequate number of parking spaces at stations, parking located a very short walking distance to the station platforms, convenient and timely shuttle bus service, and station platforms extending the length of the commuter trains.

Initial Steps to Define What Must Be Done (Steps 1-6)

Steps 1 through 6 are the necessary first group of actions to provide the foundation for remaining actions. When these first six steps are completed, a basis for design is

reasonably firm, and the Coalition may proceed safely to steps 6 and 7, NEPA process and permits, respectively.

Among these first six steps, the one which perhaps while require the most time is number 2, resolution of the ADA policy. It is impossible to provide a precise estimate of the time required, inasmuch as much of the action will be outside of the Coalition's ability to control. With assistance from elected officials, this step perhaps could be performed in a matter of a few months.

Step 1, ridership, could perhaps be performed in 3 or 4 months, assuming the Coalition decides to do it and that priority is given to it.

If federal funding is not to used in implementing the service, then Step 3 could be accomplished in whatever time it takes to secure state and local funding.

Step 4, station planning, may be completed in a relatively short time, as soon as steps number 1 (ridership) and 2 (ADA compliance) are resolved.

Steps 5 and 6, both related to parking, may be executed quickly, assuming no difficulty in Step 6 negotiations, following completion of Step 1 (ridership by station).

The critical path with this group of six initial steps appears to lie in Step 2, resolution of ADA access. Assuming simultaneous efforts on all six steps, to the extent possible, RLBA estimates a minimum time (assuming high priority) of four months.

Pre-Design (Steps 7-14)

Steps 7-14 depend upon decisions and actions made in the first group (Steps 1-6) and must be accomplished prior preparation of designs and specifications preliminary to construction/fabrication/procurement.

If federal funding is not used in implementation, then Step 7 would not be required. If there are State of Michigan environmental requirements, they would have to be observed. Step 8 depends upon state and local codes, e.g., building codes.

Step 9, establish an authority to manage or govern the commuter rail service, can be effected at any time. It has been suggested that this step be accomplished first, so as to provide an entity responsible for overseeing all steps.

Negotiation of access and operating agreement with GLC (Step 10) should not take long inasmuch as that railroad is a willing partner, but negotiation of car storage with Ann Arbor Railroad (Step 11) may take some time.

Step 12, execution of an agreement with CSX to assure passenger train priority at Ann Pere crossing, was discussed with a Michigan Department of Transportation official, who seemed to think that this could be accomplished without too much difficulty.

Steps 13 and 14 involve fares and arrangements with local transit services. Presumably the Coalition can handle these steps with dispatch.

RLBA estimates that Steps 11 and 12 (negotiation with railroads other than GLC) would take the most time in this group of steps. Therefore the critical path lies through these two steps and is estimated at three months, assuming high priority.

Completion of Implementation Actions (Steps 15-24)

The Pre-Design Steps (7-14) provide a sound basis for updating the business plan (Step 15) in that Steps 7-14 include actions which refine the anticipated costs.

Step 16 (execute rail defect testing, and prepare designs and specifications) will require perhaps three or four months even if given a high priority and fast-tracked. Unless the Coalition or State is able to sole-source the design, additional time is required for preparation of a Request For Proposals document, advertising of same, preparation of proposals by bidders, and then selection of a consultant. This latter process can consume three or four months. Alternatively, perhaps the State of Michigan Department of Transportation can perform the design in-house or through an on-call contract. Absent that, RLBA estimates seven months or longer for Step 16.

Steps 17-20 constitute the construction, fabrication and procurement efforts necessary to improve the track to automobile-competitive passenger train track speeds, construct layover facilities, upgrade grade crossings, install a signal system (Step 17); perform any required refurbishment and ADA reconfiguration of passenger railcars (Step 18), procure passenger-train-speed locomotives (Step 19) and acquire land, if needed (Step 20). If it is necessary to advertise, an estimated three or four months are required prior to execution of the contracts for these procurements. Another four to six months will be required to perform the work. Total time for Steps 17-20 is estimated to be nine months.

Steps 21-23 (marketing and customer service plan, training/qualification of crews and final service testing, safety and security plan, and emergency response plan) presumably can be accomplished concurrently and within the “critical path” period of Steps 17-20.

Critical Path

	<u>Months</u>
Initial Steps to Define What Must Be Done (Steps 1-6)	4
Pre-Design (Steps 7-14)	3
Completion of Implementation Actions (Steps 15-24)	<u>9</u>
Total	16

RLBA believes this is a “best case”, “fast-track”, “success schedule” estimate, requiring establishment of high priority at State and local levels.

Prioritization of Capital Needs

During the preparation of this Final Report, a question arose as to prioritization of capital needs -- at the time when the decision is made to begin service -- if the entire amount recommended for capital funding of infrastructure improvements is not made available. RLBA strongly recommends that this or any other commuter rail service not be attempted without completion of all those improvements which will convince prospective patrons that they should leave their automobiles and get on the train. RLBA believes that vital improvements include automobile-competitive travel times, adequate parking at stations, and convenient connecting bus service. In the case of Washtenaw-Livingston commuter rail service, automobile-competitive trip time requires 60 mph maximum track speed. RLBA strongly advises completion of all recommended capital improvements before the first commuter train moves.

Ten-Year Financial Sustainability

Review of Wally Business Plan

The February 2008 Wally Business Plan projects operating shortfalls in every year for ten years. This is not unusual in public transit operations. Indeed, virtually every public transit system in the world requires public investment to sustain it.

Statement of Financial Sustainability

RLBA has prepared a ten year budget spreadsheet showing capital expenses, operating expenses, expected revenues and funding needs. See Table 1, Funding and Financial Plan.

There is at present no committed funding source for all capital expenses needed to build the track, signal, and station infrastructure deemed necessary to launch an operation which will attract, retain and increase numbers of riders. Also, commitments are needed to supply the necessary annual operating funds deficits. RLBA recommends that the Coalition take steps to seek funding, federal and/or otherwise.

Table 1
Washtenaw - Livingston North South Commuter Rail Service (Wally)
Funding and Financial Plan

Line	Item	Start-up Construction	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	Ridership											
	Based on 2,600 daily trips in Operating Yr. 1 and assumes 3% average annual growth		655,200	674,856	695,102	715,955	737,433	759,556	782,343	805,813	829,988	854,887
2												
3	Capital Plan											
4	Total Capital Expenses	\$ 32,446,000	\$ 300,000	\$ 311,400	\$ 323,233	\$ 335,516	\$ 348,266	\$ 361,500	\$ 375,237	\$ 389,496	\$ 404,297	\$ 419,660
5	Total Capital Funding	\$ 575,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Capital Funding Surplus (Shortfall)	\$ (31,870,100)	\$ (300,000)	\$ (311,400)	\$ (323,233)	\$ (335,516)	\$ (348,266)	\$ (361,500)	\$ (375,237)	\$ (389,496)	\$ (404,297)	\$ (419,660)
7	Operating Plan											
8	Expenses											
9	Railroad Operations Expense		\$ 4,657,730	\$ 4,834,723	\$ 5,018,443	\$ 5,209,144	\$ 5,407,091	\$ 5,612,561	\$ 5,825,838	\$ 6,047,220	\$ 6,277,014	\$ 6,515,541
10	Other Operations Expense		\$ 1,875,300	\$ 1,948,437	\$ 2,024,426	\$ 2,103,378	\$ 2,185,410	\$ 2,270,641	\$ 2,359,196	\$ 2,451,205	\$ 2,546,802	\$ 2,646,127
11	WALLY Regional Transportation Authority (WRTA) Expense		\$ 551,250	\$ 572,749	\$ 595,086	\$ 618,294	\$ 642,408	\$ 667,462	\$ 693,493	\$ 720,539	\$ 748,640	\$ 777,837
12	Total Operating Expenses		\$ 7,084,280	\$ 7,355,909	\$ 7,637,954	\$ 7,930,816	\$ 8,234,909	\$ 8,550,663	\$ 8,878,527	\$ 9,218,963	\$ 9,572,456	\$ 9,939,504
13	Revenues											
14	Farebox Revenue		\$ 2,104,200	\$ 2,167,326	\$ 2,232,346	\$ 2,414,282	\$ 2,486,710	\$ 2,561,312	\$ 2,638,151	\$ 2,846,691	\$ 2,932,091	\$ 3,020,054
15	Advertising & Service Revenue		\$ 25,000	\$ 26,250	\$ 27,563	\$ 28,941	\$ 30,388	\$ 31,907	\$ 33,502	\$ 35,178	\$ 36,936	\$ 38,783
16	State & Federal Operating Subsidies		\$ 2,090,569	\$ 2,170,611	\$ 2,253,718	\$ 2,640,007	\$ 2,738,600	\$ 2,840,895	\$ 2,947,029	\$ 3,057,148	\$ 3,171,403	\$ 3,289,949
17	Grant Revenue		\$ -	\$ 1,510,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000
18	Other Government & Non-Government Organization Contributions		\$ 2,141,000	\$ 1,506,000	\$ 1,506,000	\$ 1,256,000	\$ 1,256,000	\$ 1,256,000	\$ 1,256,000	\$ 1,256,000	\$ 1,256,000	\$ 1,256,000
19	Sub-total: Subsidies, Grants & Contributions		\$ 4,231,569	\$ 5,186,611	\$ 5,009,718	\$ 5,146,007	\$ 5,244,600	\$ 5,346,895	\$ 5,453,029	\$ 5,563,148	\$ 5,677,403	\$ 5,795,949
20	Grand Total Revenue		\$ 6,360,769	\$ 7,380,187	\$ 7,269,626	\$ 7,589,230	\$ 7,761,698	\$ 7,940,113	\$ 8,124,682	\$ 8,445,017	\$ 8,646,431	\$ 8,854,787
21	Operating Surplus (Shortfall)		\$ (723,510)	\$ 24,278	\$ (368,328)	\$ (341,587)	\$ (473,211)	\$ (610,550)	\$ (753,844)	\$ (773,947)	\$ (926,025)	\$ (1,084,718)
22	Net Capital + Operating Surplus (Shortfall)	\$ (31,870,100)	\$ (1,023,510)	\$ (287,122)	\$ (691,561)	\$ (677,103)	\$ (821,476)	\$ (972,050)	\$ (1,129,081)	\$ (1,163,442)	\$ (1,330,321)	\$ (1,504,378)
23	Accumulated Net Surplus (Shortfall)	\$ (31,870,100)	\$ (32,893,610)	\$ (33,180,732)	\$ (33,872,293)	\$ (34,549,396)	\$ (35,370,872)	\$ (36,342,922)	\$ (37,472,003)	\$ (38,635,445)	\$ (39,965,767)	\$ (41,470,144)
24	Key Ratios											
25	Farebox Recovery of Total Operating Expenses		30%	29%	29%	30%	30%	30%	30%	31%	31%	30%
26	Farebox as Percentage of Grand Total Revenue		33%	29%	31%	32%	32%	32%	32%	34%	34%	34%
27	Total Operating Subsidies, Grants, & Contributions as Percentage of Grand Total Revenue		67%	70%	69%	68%	68%	67%	67%	66%	66%	65%

Potential Funding Sources

There are many potential federal funding sources. All likely avenues should be investigated. The current federal surface transportation authorization expires in September 2009. Given the increasing use of earmarks nationwide, the Wally Coalition may wish to discuss this subject with its Congressional Delegation.

Management Structure

The Subtask 2.5 Finance and Administration technical memorandum provides a discussion of the management structure needed to oversee and administer a commuter rail service.

RLBA recommends an organizational structure comprising the following functions.

- Executive
- Operations
- Finance and Administration
- Planning and Programming
- Customer Service and Marketing

These are functions, not necessarily staff positions. RLBA recommends a minimum staff (to keep expenses reasonable) consistent with effective ability to handle the functions. For example, it may be reasonable to combine the functions of Finance and Administration with Planning and Programming under one Manager. It may be appropriate to have the Executive Director double as the Manager of Operations.

The Executive Director would report to a Wally Board of Directors. Managers (four or fewer) would report to the Executive Director. Most new commuter rail operations begin with relative “lean” staffs and then expand as demands require and as the service grows.

Operation and Maintenance Plan

RLBA proposes an operating plan, including sample train schedule, in the Subtask 2.1 Railroad Operating Plan and Operating Budget technical memorandum. The RLBA-proposed operating plan includes a discussion of train crews and equipment, and mentions the infrastructure (right of way, track, signals, layover facility, and midday storage facility) deemed necessary for the initial service between Howell and Plymouth Road in Ann Arbor.

“Management and Control of Station Sites” is discussed in the Subtask 2.2 technical memorandum on Station Development. A “Maintenance Plan” for stations is also provided in that technical memorandum.

Operating and maintenance are further discussed in the Task 3 Funding technical memorandum under the heading “Operations Budget for Sustained Operation”, and the estimated expenses are included in Table 1. Expenses are cited for train fuel, trackage rights, connector buses, station/parking leases, liability insurance and other operating and maintenance activities.

Ridership Forecasting and Revenue

This subject is covered in the Subtask 2.4 technical memorandum on Ridership Estimates and the Task 3 technical memorandum on Funding. RLBA considers 2,600 to be a reasonable estimate of daily ridership (total daily trips). Ridership revenue would cover approximately 27 to 29 percent of operating expenses, which is considered reasonable for commuter rail service.

Financing Plan

This subject is covered in the “Ten-Year Financial Stability” section earlier in this paper, which section is in turn backed up with the Task 3 Funding technical memorandum.

Briefly, the “Ten-Year Financial Stability” section states that operating shortfalls are not unusual in public transit operations; virtually every public transit system in the world requires public investment to sustain it.

Table 1, Funding and Financial Plan, provides RLBA’s ten-year budget spreadsheet showing capital expenses, operating expenses, expected revenues and funding needs.

Committed funding sources are required to cover capital expenses needed to build the track, signal, and station infrastructure which is required to launch an operation which will attract, retain and increase numbers of riders. Funding commitments also are needed to cover annual operating requirements.

Marketing Plan

In anticipation of the start of new commuter rail service, it will be of great importance to advertise vigorously. Advertising should be aimed at convincing the greatest numbers possible to leave their automobiles behind and ride the train.

Discussion of a marketing plan is contained in the technical memorandum for Subtask 2.6, Customer Service and Bus Interface.

Associated closely with marketing the service is a customer service plan, which should be developed prior to start of service and which is discussed in the “Customer Care”

section of the technical memorandum for Subtask 2.6, Customer Service and Bus Interface.

Implementation Plan

The 24 steps listed above under “Additional Steps to Initiate Service” constitute the implementation plan. As noted above, not all steps may be necessary, and as noted above, there are several steps (or actions within steps) deemed crucial to successful commuter rail service, such as automobile-competitive travel time.

The “Additional Steps to Initiate Service” section also provides a rough basis for estimating a project timeline, and states which “critical path” items require priority attention.

Overall Conclusions

Commuter rail service connecting Howell and Ann Arbor is feasible.

Additional actions are required prior to initiation of service. These have been examined and a “critical path” schedule of approximately 16 months has been estimated. This timeline is highly subject to change depending upon priorities, ease/difficulty in obtaining funding, and in decisions by other parties beyond Wally’s control.

A U.S. Department of Transportation policy related to the Americans with Disabilities Act should be resolved. Funding must be secured. Station planning, including parking, must be refined prior to initiation of design. A number of agreements remain to be negotiated. An organization to execute these and other steps should be established.

Certain steps to initiate new commuter rail service are deemed by RLBA to be crucial to success. These are automobile-competitive travel times, an adequate number of parking spaces at stations, parking located a very short walking distance to the station platforms, convenient and timely shuttle bus service, and station platforms extending the length of commuter trains.