



Business Plan

Chicago to Iowa City Intercity Passenger Rail Route

Business Plan Highlights

- No Iowa General Fund or RIIF appropriations
- State/local partnership
- Funds operation for the first 10 years
- Local cash commitment to passenger rail
- Conservative and practical financial forecasts
- Three components of the operating cost financial equation:
 - Revenue level
 - Cost reduction
 - Funding sources

Overview of the Passenger Service

- Connects Iowa City, Quad Cities and Chicago, 219.5 miles
- Twice-daily service each way, 4 hours and 15 minutes travel time
- 246,800 passengers first year (676 per day)
- Project construction cost \$310 million (80% federal, 14.5% Illinois, 5.4% Iowa)
- On-time performance 90% or better (trains arrive within 10 minutes of schedule)
- Competitive passenger rail service operator selection
- Iowa's annual share of operating cost support averages \$3 million

Revenue and Cost Assurance and Controls

- Conservative approach to ridership, revenue, and cost forecasts
 - 4.5% annual inflation rate
 - Nominal ridership growth rate of 1.5% annually
 - Compares favorably to other Midwest intercity services
 - Independently verified against experience of Illinois, New York, and Washington

Results of the plan's local, federal, state partnership

- Local partners have committed to \$1,235,584 per year initially:
 - Des Moines MPO
 - Corridor MPO (Linn County)
 - Johnson County
 - Iowa City
 - Coralville
 - Scott County
 - City of Grinnell
- Federal funds fully pay state share for first five plus years
 - Iowa Transportation Commission commitment
- Federal and/or state transportation funds beyond five years

Iowa-DOT Chicago to Iowa City Intercity Passenger Rail Annual Cost Allocation Calculation

Tier	County	2010 Population	Annual Share
Tier 1	Scott	165,224	\$ 447,757
Tier 1	Johnson	130,882	\$ 354,690
Tier 2	Cedar	18,499	\$ 16,649
Tier 2	Muscatine	42,745	\$ 38,471
Tier 2	Linn	211,226	\$ 190,103
Tier 2	Iowa	16,355	\$ 14,720
Tier 2	Poweshiek	18,914	\$ 17,023
Tier 2	Jasper	36,842	\$ 33,158
Tier 2	Polk	430,640	\$ 387,576
Tier 3	Statewide	N/A	\$ 1,500,000
Tier 1 allocation rate per person			\$ 2.71
Tier 2 allocation rate per person (33% of Tier 1 rate)			\$ 0.90

Chicago to Iowa City Intercity Passenger Rail - Cost Allocation Tiers

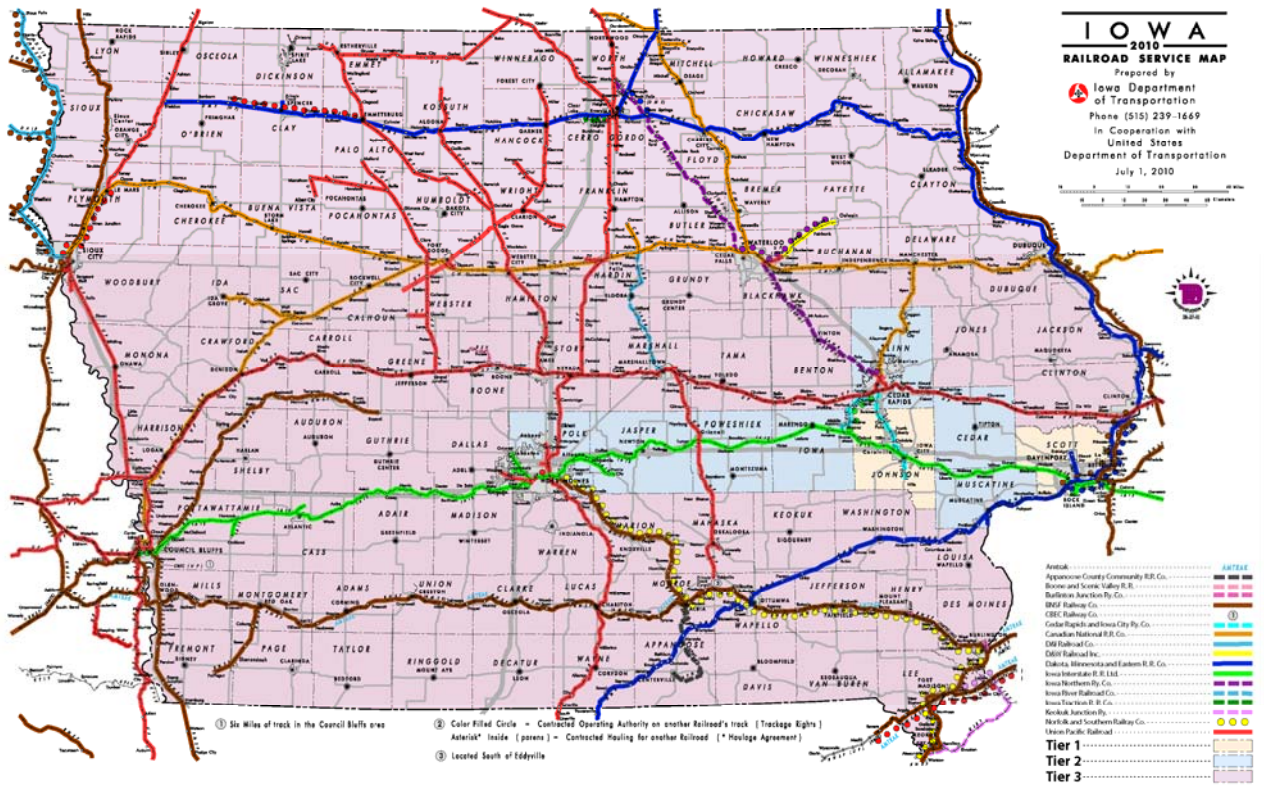


Table 1

Passenger Rail Operating Cost Revolving Fund Summary

Fiscal Year	State General Fund/ RIIF Appropriations	Transportation Funds		Local ⁽³⁾	Total	Average Operating Cost Need	Passenger Rail Revolving Fund Balance
		US DOT	Iowa DOT				
2016	\$0	\$3,000,000 ⁽¹⁾	\$0	\$1,235,584	\$4,235,584	\$3,000,000	\$1,235,584
2017	\$0	\$3,000,000 ⁽¹⁾	\$0	\$1,235,584	\$4,235,584	\$3,000,000	\$2,471,168
2018	\$0	\$3,000,000 ⁽¹⁾	\$0	\$1,235,584	\$4,235,584	\$3,000,000	\$3,706,752
2019	\$0	⁽¹⁾	\$0	\$1,500,000	\$1,500,000	\$3,000,000	\$2,206,752
2020	\$0	⁽¹⁾	\$0	\$1,500,000	\$1,500,000	\$3,000,000	\$706,752
2021	\$0	\$1,000,000 ^{(1),(2)}		\$1,500,000	\$2,500,000	\$3,000,000	\$206,752
2022	\$0	\$1,500,000 ⁽²⁾		\$1,500,000	\$3,000,000	\$3,000,000	\$206,752
2023	\$0	\$1,500,000 ⁽²⁾		\$1,500,000	\$3,000,000	\$3,000,000	\$206,752
2024	\$0	\$1,500,000 ⁽²⁾		\$1,500,000	\$3,000,000	\$3,000,000	\$206,752
2025	\$0	\$1,500,000 ⁽²⁾		\$1,500,000	\$3,000,000	\$3,000,000	\$206,752

Notes:

- ⁽¹⁾ The Iowa Transportation Commission intends to utilize US DOT funding from the Congestion Mitigation and Air Quality (CMAQ) program. It is envisioned that this funding will be paid over three years and cover over five years of the Iowa DOT funding share.
- ⁽²⁾ Other funding sources to be considered include the following:
- USDOT (assuming expanded flexibility of federal transportation funds)
 - Federal Highway Administration (FHWA) Traffic Mitigation funding
 - Federal Railroad Administration (FRA) proposed passenger rail operating cost support program
 - Statutory Allocations Fund
 - Underground Storage Tank Fund
- ⁽³⁾ Additional local funds are anticipated in Year 4 of the service to bring the total local share up to 50% of the operating cost need.

Table 2**Sources of Local Contributions to the Passenger Rail Revolving Fund**

Fiscal Year	Des Moines Area Metropolitan Planning Organization (MPO)	Poweshiek County (includes Grinnell)	Corridor Metropolitan Planning Organization (MPO) (includes Linn County)	Johnson County (includes Iowa City and Coralville)	Scott County	Other Local Funds ⁽¹⁾	Total
2016	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768		\$1,235,584
2017	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768		\$1,235,584
2018	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768		\$1,235,584
2019	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768	\$264,416	\$1,500,000
2020	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768	\$264,416	\$1,500,000
2021	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768	\$264,416	\$1,500,000
2022	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768	\$264,416	\$1,500,000
2023	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768	\$264,416	\$1,500,000
2024	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768	\$264,416	\$1,500,000
2025	\$387,000	\$17,023	\$190,103	\$354,690	\$286,768	\$264,416	\$1,500,000

⁽¹⁾ Additional local funds are anticipated in Year 4 of the service to bring the total local share up to 50% of the operating cost need.

Table 3

Sources of Federal and Iowa DOT Contributions to the Passenger Rail Revolving Fund

Funding Source	Description, Eligibility of Iowa, and Certainty	Rationale
Federal Highway Administration (FHWA) - Congestion Mitigation and Air Quality Management program (CMAQ) - Committed	CMAQ funds are applicable to passenger-rail service operating costs for up to 3 years. The Iowa Transportation Commission (which programs CMAQ funds in Iowa) has committed to utilize CMAQ funds for operating cost support. CMAQ funds have been used to support passenger rail costs in Wisconsin and Maine.	Passenger rail reduces traffic congestion and motor vehicle air emissions.
USDOT - Expanded Flexibility of Federal Transportation Funds – Potential	USDOT is developing programs designed to improve energy and environmental sustainability and community livability through greater use of alternatives to motor vehicles, including passenger rail.	Passenger rail reduces energy use, air emissions, noise emissions, and community impacts of vehicular traffic.
Federal Highway Administration (FHWA) - Traffic Mitigation Funding - Potential	FHWA traffic mitigation funds are eligible for passenger-rail operating costs. Funding is used in coordination with a Corridor Transportation Management Plan for a roadway reconstruction project. Federal operating support can be up to 90 percent (depending on whether the project is interstate-related). This program has been used in Wisconsin.	Passenger rail reduces highway traffic congestion.
Federal Railroad Administration (FRA) - Potential Future Passenger Rail Operating Support - Potential	The President's proposed budget includes funding for operation and maintenance of new passenger rail services.	Accelerates adoption of passenger rail.
Statutory Allocations Fund (SAF) - Potential	The SAF consists of transportation funds that are not constitutionally limited to roadway investments. The SAF is funded by rental car fees, trailer fees, driver license fees, and other miscellaneous fees. The SAF currently funds the Underground Storage Tank Fund, state transit assistance, special plate fees, and motorcycle rider education. The balance of the SAF after off-the-top allocations is transferred to the Road Use Tax Fund.	Passenger rail improves transportation safety, and increases public transportation access.
Underground Storage Tank Fund - Potential	In most years, there is a balance of Underground Storage Tank Fund revenue that remains unencumbered. At various times, the legislature has appropriated some of this unencumbered balance to support other activities. The FY 2011 appropriation to the Passenger Rail Revolving Fund came from an appropriation of Underground Storage Tank Fund revenue.	Passenger rail reduces air emissions and reliance on foreign fuel.

Table 4

Detail of Contributions to the Passenger Rail Revolving Fund

Locality	Annual Funding Commitment	Description	Rationale	Enabling Legislation Required
Iowa	\$1,500,000	The Iowa Transportation Commission provided a letter of support, noting the Commission's commitment to using USDOT Congestion Mitigation and Air Quality (CMAQ) funds for the ongoing support costs. Additionally, the commission will work closely with Iowa DOT staff to evaluate other funding options, including other new or existing federal and state transportation programs as well as other funding sources.	Statewide benefits include improving mobility options and increasing economic development opportunities.	None
Des Moines Area Metropolitan Planning Organization (MPO)	\$387,000	The Des Moines Area MPO understands that the Chicago to Iowa City passenger rail service will provide regional benefits to the Des Moines Metropolitan area, and pledges to provide \$387,000 of annual support for the service. The MPO is considering options to reprioritize their funding to provide the ongoing operating support.	The MPO noted the importance of the passenger rail service to support the growth and vitality of the region and the State by providing a cost effective transportation option to Chicago. The MPO noted the service will attract businesses as they locate and recruit workers and provide new opportunities for Chicago area travelers to spend time and money in Iowa.	None
Poweshiek County (including Grinnell)	\$17,023	The Grinnell City Council unanimously approved providing \$17,023 annually to support passenger rail service from Chicago to Iowa City. The City is in the process of evaluating the source of the funding support and is considering additional funding options to provide support beyond the first three years. Poweshiek County also provided a letter of support.	The City noted that the service to Iowa City is significant for all residents of Poweshiek County. It believes that Passenger Service is more appropriate now as fuel prices continue to climb, costly road repairs continue to be necessary, and Interstate 80 becomes more congested.	None
Corridor Metropolitan Planning Organization (MPO) (includes Linn County)	\$190,103	The Corridor Metropolitan Planning Organization (MPO), of which Linn County is a member, has committed to contributing \$190,103 annually toward the operating costs of the Chicago to Iowa City service. The Corridor MPO is considering several funding options including allocating federal Surface Transportation Program funds to transit and then utilizing comparable transit funds to allocate to passenger rail operations.	The Corridor MPO noted that the new passenger rail service will be an excellent economic benefit to eastern Iowa and the state in general, as well as providing an alternate mode of transportation for both work and leisure.	None

Table 4 continued on the next page

Locality	Annual Funding Commitment	Description	Rationale	Enabling Legislation Required
Johnson County (including Iowa City and Coralville)	\$354,690	Johnson County and the Cities of Iowa City and Coralville have committed to providing their full allocated local contribution to the Passenger Rail Revolving Fund. Methods they are evaluating include Tax Increment Financing (for the district surrounding the Iowa City depot), parking fee surcharges, and local option sales tax.	Tax Increment Financing captures the increased business activity and property values that accrue to areas surrounding passenger rail stations.	None
Scott County	\$286,768	The Scott County Board of Supervisors has committed expanded hotel/motel tax specifically to the Passenger Rail Revolving Fund. In addition, Scott County and the Quad Cities will assist in marketing the passenger rail service.	Passenger rail service will result in increased visitors to the Quad Cities with many staying overnight in hotels/motels. Therefore, hotel/motel taxes capture the tourism and travel benefits of passenger rail.	Raise statewide hotel / motel tax cap