



Business Plan

Chicago to Iowa City Intercity Passenger Rail Route

Presented to the Honorable Governor Terry E. Branstad on March 21, 2011



Section 1 - Introduction

This business plan describes the methods by which the Iowa Department of Transportation (DOT) will partner with Iowa counties and cities to fund Iowa's share of the operating and maintenance cost for the Chicago-Iowa City passenger-rail service, an average of \$3 million per year.

This business plan meets the following criteria:

- Requires no Iowa General Fund or Rebuild Iowa's Infrastructure Fund (RIIF) appropriations
- Assures funding for the first 10 years
- Demonstrates local cash commitments to passenger rail
- Conservatively forecasts operating costs and revenues

Sections 2 and 3 of this business plan demonstrate that the plan meets these criteria.

The passenger service's forecasted revenue is insufficient to cover its operating and maintenance costs. Accordingly, this plan considers three ways to make up the shortfall.

1. Increase revenue
2. Decrease costs
3. Apply federal, state and local contributions to the difference between operating costs and revenues.

Section 3 of this business plan also details other methods the Iowa DOT is investigating to increase revenue, decrease costs, and use federal, state and local funds to make up any difference. Those methods that have immediate utility and are part of the funding plan are identified in Section 2. Other methods that may be fruitful in the future are listed in Section 3. The Iowa DOT will continue to investigate these alternative methods, and throughout the life of the passenger rail service it will seek new opportunities to reduce costs and/or increase revenues in order to decrease the need for operating cost contributions.

Assumptions used throughout this business plan are:

- Iowa and Illinois will share in operating costs based on the mileage within each state – Illinois will bear 73% of the costs and Iowa 27%
- Ridership growth will be forecast at 1.5% annually
- Costs will be forecast using a 4.5% inflation rate
- Operating costs will be rounded to \$3,000,000 annually

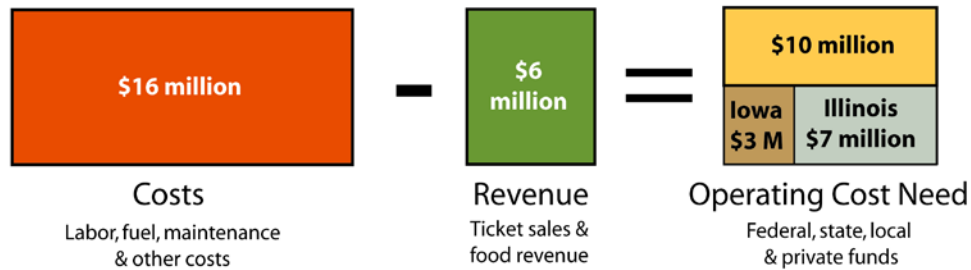
The appendices provide background and additional information in support of this plan. Included are:

- Appendix I - Letters of financial support
- Appendix II - Letters of support
- Appendix III - Background
- Appendix IV - Chicago - Iowa City Passenger Rail Service Fact Sheet
- Appendix V - Chicago - Iowa City Passenger Rail Service Project Summary
- Appendix VI - Partnership Development
- Appendix VII - Operating and Maintenance Costs Background

Section 2: Iowa Passenger Service Funding Plan

The Iowa DOT forecasts an average annual need of \$3 million per year for Iowa’s share of the operation and maintenance costs of the Chicago-Iowa City passenger rail service. The annual operating cost need, which must be met by contributions, is the difference between expenses and revenue as shown in Figure 1:

Figure 1: Chicago-Iowa City Passenger Rail Operating Cost Need



Notes: (1) Iowa’s share of the operating cost is 27%, based on the mileage within Iowa
 (2) Dollars are rounded to the nearest million

The Iowa DOT is confident the operating and maintenance cost estimates and revenue forecasts are conservative and reliable, and do not understate the amount of needed contributions to make up the difference between costs and revenues. Section 3 details how the Iowa DOT reached this conclusion. Appendix VII provides additional operating cost and revenue detail, and breaks down by year the forecasts of costs, revenues and the annual operating cost contribution requirement.

Method for Funding Operating Cost Contribution

The Iowa DOT plans to utilize its Passenger Rail Revolving Fund (Fund) to receive and disburse contributions for passenger rail operating costs. Use of the Fund reduces risk that economic fluctuations or unusual events create temporary funding shortfalls. A summary of contributions and disbursements from the Fund for the first 10 years of the passenger service is shown in Table 1. Federal funds administered by the Iowa DOT and programmed by the Iowa Transportation Commission fully fund the operation cost need of the passenger service for the first three years of operation, and, in conjunction with local sources, eliminates the need for other federal funding or Iowa DOT contributions until the 6th year of operation.

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.

Cities and counties have committed to an operating cost support partnership. Potential local partners suggested these concepts at a February 24, 2011, workshop, attended by cities, counties, and metropolitan planning organizations in and adjacent to Iowa’s proposed passenger-rail corridors:

- Operating cost need to be allocated 50:50 between Iowa DOT and local sources.
- Operating cost need to be allocated based on the population of counties and the proximity of the counties to passenger rail services. The allocation formula and how it was developed are described in Appendix VI.

In the case of Linn and Polk counties, integrated bus service would provide direct bus/rail passenger service between Cedar Rapids and Iowa City and Des Moines, Newton and Grinnell and Iowa City. Local contributions for the first 10 years of operation of the service are shown below (Table 2) and supported by letters of commitment from local governmental entities (Appendix I.)

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.

Contributors to the Fund will utilize several sources and methods to meet their commitments. Iowa DOT contributions will be drawn from the federal CMAQ receipts. Beginning with the sixth year of operation the Iowa DOT will identify other federal and state transportation funds for this purpose. Potential sources, details, and rationale for Iowa DOT contributions are listed in Table 3; Table 4 lists the same for local contributions.

There are several potential federal funding sources shown in Table 3 that can be drawn upon to provide the state match in years 6 to 10. These include expanded flexibility of federal transportation funds, Federal Highway Administration (FHWA) traffic mitigation funding, and the Federal Railroad Administration’s (FRA) proposed passenger rail operating cost support program. This latter program is based on legislation requested by the Administration that would authorize and appropriate federal transportation funds for operation and maintenance of new passenger-rail services, paying 75% in the first year declining to 25% in the third year, then ending.

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

Section 3: Revenue Increase, Cost Reduction, and Cost Contribution Opportunities

The Iowa DOT has confidence in the reliability of cost and revenue forecasts, and has identified other ways in which the operating cost needs can be reduced. It is organized into three sections:

- Reliability of revenue stream, and opportunities for increasing revenues
- Reliability of operating costs and opportunities for decreasing costs
- Opportunities for additional contributions to operating costs

The method for preparing and assessing forecasts utilizes expertise drawn from passenger rail systems currently in operation in the U.S. in the areas of rail engineering, operating, cost calculations, ridership estimating, and maintenance. These forecasts were compared to actual results of similar U.S. passenger-rail services in operation. The Iowa DOT intentionally structured its operating and maintenance costs and revenue forecasts to be conservative, to minimize risk that actual financial performance is less than anticipated. These forecasts were included in the Iowa DOT's capital funding application to the Federal Railroad Administration (FRA), and checked by the FRA during the application review process for reliability and realism.

Additional revenue-enhancement, cost-reduction, and operating cost support opportunities are possibilities for Iowa. Some of these opportunities have been recently adopted in other states such as Maine, Washington and Virginia. Others were suggested by the Iowa DOT's local partners, USDOT, and others. The Iowa DOT is screening these suggestions for those that appear to have potential for Iowa. These opportunities require further analysis to determine their applicability, benefit-cost ratio, and compatibility with Iowa statutes and the characteristics of the Chicago-Iowa City passenger rail service. When any is found to have merit, it will be incorporated into future plans.

A. Reliability of Revenue Stream, and Opportunities for Increasing Revenues

Revenue is based upon ridership (ticket sales) and on-board food sales. Ridership and revenue forecasts for the Chicago-Iowa City service were prepared both by Amtrak and an independent consultant with lengthy experience in intercity passenger rail corridor ridership and revenue forecasting. In order to assess the reliability of the forecasts, the Iowa DOT measured them against the long-term actual results of similar state-owned passenger rail services in the Midwest, such as services that connect Chicago to the university cities of Champaign-Urbana, Normal, and Carbondale. Similar services are those that are short-haul (less than 400 miles), do not require overnight travel, and have at least one morning and one afternoon departure per day. These comparisons are shown in Table 5 below.

The Iowa DOT found that similar corridors have experienced significantly greater ridership growth rates during the last five years than the 1.5% growth rate the Iowa DOT forecast for the Chicago-Iowa City service. Also, ridership for the Chicago-Iowa City service, as a percentage of the population served, was forecast at a lower percentage than is occurring in the similar corridors. This comparison shows that ridership and revenue forecasts for the Chicago-Iowa City service are likely to be understated. Thus, the operating cost need is likely to be lower than anticipated in this business plan. However, in order to make its business plan conservative and reduce the risk that the Iowa DOT would need additional operating cost support, the Iowa DOT opted to continue to use only the 1.5% growth rate, and a more conservative ridership forecast than might be expected based on existing ridership on similar corridors.

Table 5
Ridership and Revenue Estimates with Comparables, Illustrating Conservative Assumptions

Route	Chicago to Carbondale (Illini/Saluki)		Chicago to Quincy (Illinois Zephyr/Carl Sandberg)		Chicago to Iowa City	
Status	Existing		Existing		Planned	
Ridership (Annual)	264,934 (FY 2010)		209,466 (FY 2010)		246,800 (Projected Opening Day)	
Average Annual Ridership Growth	3.7% (actual last 4 years)		5.5% (actual last 4 years)		1.5% (projected)	
Roundtrips per Day	2		2		2	
Universities and Colleges Served	University of Illinois at Champaign-Urbana, Southern Illinois		Western Illinois		University of Iowa, Augustana College, St. Ambrose University, Palmer College of Chiropractic	
Major Station Stops	<i>Champaign/Urbana</i>	<i>Carbondale</i>	<i>Galesburg</i>	<i>Quincy</i>	<i>Quad Cities</i>	<i>Iowa City</i>
Distance from Chicago (miles)	129	309	162	258	174	221
Destination Cities Population Estimate (2009)	226,000	58,000	69,000	77,000	379,000	152,000

The revenue forecast used in this business plan is also likely to be better in actual performance because it is based on a slower passenger train travel time between Iowa City and Chicago than the likely travel time. The ridership forecast is based on a 5-hour travel time. This travel time originally was calculated by Amtrak in 2008 under an assumption that capital funds would be extremely limited, and track capacity and quality

would be relatively low. However, the federal capital funds awarded to Iowa in 2010 enable a substantial improvement in track capacity and quality compared to the Amtrak assumption, enabling travel time to decrease from 5 hours to 4 hours, 15 minutes. Accordingly, the Iowa DOT re-estimated ridership and revenue incorporating the faster travel time. The Iowa DOT now forecasts that ridership will increase from the ridership and revenue estimates used to construct this business plan by 23,000 to 43,000 riders annually, and revenue by \$0.6 to \$1.0 million annually. This would result ***in an annual reduction of \$160,000 to \$270,000 in Iowa's share*** of the operating cost contribution. However, this business plan does not reflect this likely increase in revenue and corresponding reduction in operating cost support in order for this business plan to remain as conservative as possible.

Intercity passenger rail services throughout the Amtrak system, as well as most state-supported trains, are coordinated with feeder bus routes to cities not directly served by passenger trains. In most cases, these coordinated services cover both the direct costs of bus operation and significantly increase passenger train ridership and revenue. Amtrak and state operators guarantee to passengers the value of this coordinated service by providing through ticketing, and ensuring that buses do not leave a station until trains arrive at the station, and vice versa. Passengers also benefit from the extra security and luggage transfer service that is included. In the Chicago-Iowa City corridor, feeder bus service to Iowa City from Des Moines (with stops at Newton, Grinnell, and potentially an extension to Ames) and Cedar Rapids is likely to be cost-effective, according to preliminary discussions with Amtrak and other states operating passenger rail. Other potential methods to increase revenue are listed below. The Iowa DOT is committed to investigating all of these opportunities, but some of those listed below are less likely to deliver substantial and immediate results.

- **Advertising Revenue** - Display advertising is sold by many surface transportation services, notably transit systems. Opportunities include selling the naming rights to the service, displaying advertising inside the train (to passengers) and outside the train (to motorists and others), and on walls or on kiosks at passenger stations. The Iowa DOT will evaluate the various opportunities identified to generate advertising revenue. The Iowa DOT is optimistic that some additional revenue will be generated which will offset the operating cost contribution. However, the revenue is not likely to be high.
- **Game-Day and Other Special Trains** – Passenger rail services frequently offer game-day and special weekend and holiday trains. The Iowa DOT will evaluate the capability to offer additional trains dependent upon the availability of train sets it can trip-lease from other operators such as Amtrak or Illinois, and the ability of the operator to provide extra personnel and management support. The Iowa DOT will consider the benefits and costs of special trains in its process for choosing an operator for the service.
- **Student Discounts** – Student discounts are frequently used by universities and colleges to encourage use of public transportation and reduce the university's or college's requirement to provide parking for private autos. A discounted student ticket price could conceivably increase ridership and revenue, improve student safety through reduced reliance on personal vehicles, and provide a contribution toward operating costs. Over 5,000 students attending the University of Iowa at present are from the Chicago area.
- **Ticket Surcharges** - Ticket surcharges are often used to improve the financial performance of a transportation service, but are often not invisible to passengers when they price transportation services. Accordingly, the Iowa DOT has conducted a sensitivity analysis of revenue to ticket prices using a consultant specializing in ridership and revenue forecasts. This analysis showed that the Amtrak revenue forecast has optimized revenue. The sensitivity analysis showed that as ticket prices rose, ridership declined while total revenues rose marginally. As the service is initiated and matures, the Iowa DOT, working with the operator of the service, will continuously seek the optimal balance

between ridership, revenues, and expenses. For the purposes of this business plan, the Iowa DOT believes that the conservative approach is to continue to use the total ticket price on which the ridership and revenue forecasts in this business plan are based.

- **Mail and Express Services** – In general, passenger rail service operators have found that mail and express services do not cover their costs of operation due to low volumes and high labor costs for railroad labor. In addition, there may be other restrictions on providing this service; however, the Iowa DOT will further investigate this option.

B. Reliability of Operating Costs and Opportunities for Decreasing Costs

Cost controls increase assurance that operating cost contributions will not increase, and cost reductions reduce operating cost contributions. Iowa's share of any reductions will be 27%, just as its share of the overall operating cost contribution is 27%.

The operation and maintenance cost estimate (operating cost) for the new service was developed by Amtrak in July 2010 for inclusion in the Iowa DOT's application for capital funding to the FRA. The operating cost estimate anticipates that Amtrak would be the operator of the service under contract to the states of Iowa and Illinois, and Amtrak would apply to the service its standard labor rates, overhead rates, and fuel and materials purchasing power. Amtrak derives its cost estimates from its experience with similar short-haul intercity passenger train services, its national cost structure, and its anticipated escalations in labor, fuel, and materials costs. The cost estimate assumes the service would operate on the schedule and frequency proposed in the grant application; that new equipment (locomotives and passenger cars) would be procured for the service; and that access fees to the host railroads (BNSF Railway and Iowa Interstate Railroad), which include track maintenance costs, would be similar to those paid by Amtrak under its current national agreements with BNSF and other host railroads.

The Iowa DOT evaluated Amtrak's operating cost estimate, assumptions, and calculations by comparing it with similar services in the Midwest. It was also reviewed by the Iowa DOT's consulting engineers and compared to operating costs of similar passenger services in Illinois, Washington, and New York State. The Iowa DOT believes that Amtrak's forecasts reflect what Amtrak is likely to charge for the service when it is initiated, and that it provides a reasonable basis for determining the potential operating cost contribution from local and Iowa DOT sources.

The Iowa DOT is committed to identifying and implementing opportunities to control and reduce operating costs, and in turn the required local and Iowa DOT cost contributions. During its workshop on February 24th with Iowa cities, counties, and MPOs, several ideas for reducing and controlling costs were discussed by meeting participants. The Iowa DOT is in the process of fully investigating and evaluating each of these ideas, as well as others that it has generated internally and through its consultants. Measures that have significant potential will be pursued.

The following are areas that the Iowa DOT will investigate to control and reduce operating costs:

- **Competitive Passenger-Service Operator Selection** – Several states and regional transportation authorities have elected through competitive solicitation to contract with operators other than Amtrak to provide intercity and long-distance commuter rail hosted on tracks owned by freight railroads. These contract operators include third-party companies specializing in contract passenger rail operation and the host railroads themselves. For example, BNSF Railway and Union Pacific Railroad operate commuter rail service in Chicago, and BNSF in Washington State. The Iowa DOT will

explore the legal and technical feasibility to employ an operator other than Amtrak, through discussions with other states and agencies that have chosen or are contemplating this path. This work includes review of Iowa state statutes to determine if changes in liability limitations by the state could make it possible to improve the competitiveness for operation of the service. Minnesota and Colorado have each recently adopted statutes that limit liability of a non-Amtrak operator to the same limits that Amtrak currently has under federal statute.

- **Operational Efficiencies** – The operating plan and capital cost estimate submitted to the FRA in the Iowa/Illinois grant application was intentionally made conservative in order to not underestimate the capital requirements and operating costs. Because the Iowa DOT had no assurance that the service would not be stand-alone with no opportunity for pooled equipment with connecting services, the operating plan assumed the service would require a complete set of spare equipment (locomotives and passenger cars); assumed no efficiencies through pooling of equipment, maintenance costs, or purchasing power with other corridors operated by Illinois; and assumed no ability to reduce labor costs through scheduling changes. In reality, the Chicago-Iowa City service has significant potential to cost-share with Illinois and other states in the Midwest Regional Rail Initiative, to lease the spare equipment set to other corridors when not needed, and to capitalize on Illinois’ purchasing power. Each of these measures may significantly reduce operating costs.
- **Reduced Food Service Cost** - Providing on-board food service on the train is a convenience to the traveler and increases the incentive to use the new passenger service. However, the cost for providing the food service may not be offset by the revenue generated through food sales. On-board food service as proposed in the FRA application consists of a dedicated staffed café car (which may have some revenue-generating seating). Similar services have substituted a food cart, thereby eliminating the need for a café car and its capital and maintenance cost, and have substituted independent food-service providers instead of a dedicated operator provided employee. The Iowa DOT will evaluate the relationship of the food service to the ridership and overall revenue generation and explore other less costly approaches for food service.
- **Life Cycle Cost Analysis** - During final design and construction, the Iowa DOT will conduct life-cycle cost analysis and value engineering to identify and evaluate those opportunities to control operations and maintenance costs through design and capital improvements. For example, it may be able to reduce future maintenance costs by working with host railroads to optimize track construction design for local conditions and the host railroad’s expertise and equipment.
- **Transparency and Accountability** – The Iowa DOT will establish a transparent and accountable process for calculating and reporting operating and maintenance costs. The service agreement with the operator, a host railroad, or a third-party contractor, will include specific measurements, records, and reports so that costs for the service are easy to identify and understand. The Iowa DOT will make this information available to Iowa communities and the public so that they can better understand the costs for the service and will be in a position to offer suggestions and recommendations for future cost-control actions.

The Iowa DOT believes that the measures above have potential to make a meaningful reduction in Iowa’s operating cost contribution by controlling or reducing the operating cost.

C. Opportunities for Additional Contributions to Operating Costs

The discussions with local partners, other states operating passenger trains, and the federal government identified several opportunities for developing additional cost contributions.

The following are options the Iowa DOT believes have potential as additional contributors to reducing Iowa's operating cost Need.

- **Regional Transit Authorities** – To provide local partners more flexibility for their contribution to operating costs, several cities and counties have proposed utilizing a Regional Transit Authority to impose a property tax levy for intercity passenger rail. Iowa law currently allows regional transit authorities in Polk and Linn counties this capability. Statutory authority would be required to extend this option into other counties, where it could possibly match MPO boundaries.
- **State Lottery Funds** – The Iowa DOT has discussed with the state lottery the creation of a rail-themed lottery ticket with a portion of the profits dedicated to the passenger rail program. This option is in use in the State of Washington.

Appendix I - Letters of Financial Support

Contents:

- Iowa Transportation Commission
- Des Moines Metropolitan Planning Organization
- City of Grinnell
- Corridor Metropolitan Planning Organization
- Johnson County, Iowa City and Coralville (joint letter)
- Scott County Board of Supervisors



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March 17, 2011

The Honorable Terry E. Branstad
Governor of Iowa
State Capitol
1007 East Grand Avenue
Des Moines, IA 50319

Dear Governor Branstad:

The Iowa Transportation Commission (Commission) writes this letter to you to document our support for passenger rail and to discuss transportation funding for a statewide share of ongoing operational costs for new inter-city passenger rail service.

Through our planning and policy directives to the Iowa Department of Transportation (DOT) we have supported the expansion of passenger rail in Iowa as we believe it will improve mobility options for Iowans and increase Iowa's economic development opportunities. We have been following the rapid progress Iowa DOT has made in securing federal funding for the Chicago to Iowa City service and now are excited for this once-in-a-lifetime opportunity for new service that will come at a minimal cost to the state of Iowa.

We understand your concern with the ongoing operational cost for new inter-city passenger rail service in Iowa and appreciate your direction to develop a funding business plan for ongoing operating costs prior to initiating full-scale project development. As the body that makes transportation investment decisions for the Iowa DOT, the Commission is committed to a state-local partnership for the ongoing service support. At our March 8 Commission workshop, Iowa DOT staff briefed us on their efforts to secure funding commitments for ongoing operational support and we believe the business plan being developed to document funding sources for the operational costs will demonstrate a strong commitment from both local governments and the Commission.

At that Commission workshop meeting, we discussed funding options for which we make investment decisions that could be utilized as a statewide share of ongoing operational costs for passenger rail service. One of the federal transportation funding categories the Commission is responsible for programming is the federal Congestion Mitigation and Air Quality (CMAQ) fund. The state of Iowa currently receives approximately \$9 million per year in CMAQ funding and we have directed that \$4.7 million of that be used for a program called Iowa's Clean Air Attainment Program and the remaining funding be utilized for statewide Intelligent Transportation Systems.

The Honorable Terry E. Branstad
March 17, 2011
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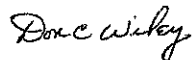
CMAQ funding can be used to cover up to 80 percent of passenger rail operational costs for the first three years of new service. The use of CMAQ to cover the statewide share of new passenger rail service is a very appropriate use and would be a priority for this Commission. While we cannot program these funds at this time because the service is not scheduled to begin until 2015, we have no reason to doubt that it would be a priority for future commissioners just as it is a priority for us today.

Recognizing that CMAQ funds are only eligible for the first three years of new service, we understand that we must continue to work to identify other sources of funding to cover the statewide share of operational costs for passenger rail. We will work closely with Iowa DOT staff to evaluate options including:

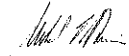
- Other new and existing federal transportation programs.
- New and existing state transportation programs.
- Other funding sources.

Thank you again for your foresight in recognizing that funding for operational costs needs to be addressed early in the process. We are confident that the business plan submitted by the Iowa DOT will adequately define a methodology and commitment to support ongoing operational costs for new inter-city passenger rail service. Please consider this letter to be the Commission's commitment that the existing CMAQ program can more than cover the statewide share of ongoing operational costs for the first three years and that the use of CMAQ funds would be a priority for this Commission.

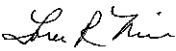
Sincerely,
Iowa Transportation Commission



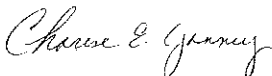
Don C. Wiley, Chair



Michael Blouin



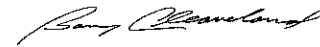
Loree R. Miles



Charese Yanney



Amy Reasner, Vice Chair



Barry A. Cleaveland



Wayne Sawtelle

Merle Hay Centre
6200 Aurora Avenue, Suite 300W
Urbandale, IA 50322-2868
Phone: 515.334.0075

March 16, 2011

Nancy J. Richardson
Director
Iowa Department of Transportation
800 Lincoln Way
Ames, IA 50010

Dear Director Richardson:

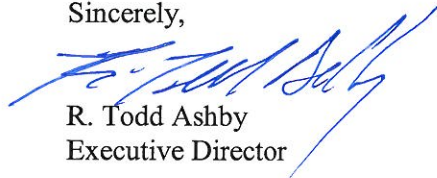
On behalf of Des Moines Area Metropolitan Planning Organization's (MPO) Executive Committee, I am writing to express MPO's support for the Chicago to Iowa City passenger rail service. Des Moines Area MPO is excited to see the initiation of the passenger rail service in our region to benefit our citizens and encourage a more vibrant business community. We believe this is the first step in providing rail service between the Des Moines area and Chicago, with service ultimately reaching Omaha and points west.

The growth and vitality of our state and region at this time is critical. The passenger rail service will create jobs in the initial construction, as well as additional jobs during operations. With a convenient, cost-effective transportation option to the Chicago metropolitan area, our area will be more attractive to businesses as they locate and recruit workers. It will also provide local residents a convenient, all-weather option for travel and connect them with multiple other transportation options in the Chicago area. Tourism will be boosted by opening up our great state to new opportunities for Chicago area travelers to spend time and money in Iowa.

Des Moines Area Metropolitan Planning Organization understands that alternative funding sources are being sought from state, city, county and other sources for the on-going operating support.

Because the passenger rail service will provide regional benefits to the Des Moines Metropolitan area the MPO pledges to provide \$387,000 in support of the service.

Sincerely,



R. Todd Ashby
Executive Director



CITY OF GRINNELL
927 4th Avenue
Grinnell, IA 50112-2043
Phone: 641-236-2600
Fax: 641-236-2626

MAYOR

GORDON R.
CANFIELD
mayor@grinnelliowa.gov

CITY COUNCIL

BYRON HUEFTLE-WORLEY
At—Large

JIM WHITE
At—Large

OLIVA WRIGHT
1st Ward

JO WRAY
2nd Ward

RACHEL BLY
3rd Ward

Sondra Burnell
4th Ward

ADMINISTRATION

RUSSELL L.
BEHRENS
City Manager
citymanager@
grinnelliowa.gov

WILLIAM J.
SUEPPEL
City Attorney
billjs@mearndonlaw.com

P. KAY CMELIK
City Clerk/Finance Officer
cityclerk@grinnelliowa.gov

Visit us at
www.grinnelliowa.gov

March 15, 2011

Ms. Nancy J. Richardson
Director, Iowa Department of Transportation
800 Lincoln Way
Ames, Iowa 50010

Dear Ms. Richardson:

At their regular meeting on March 7, 2011, the Grinnell City Council unanimously approved providing \$17,023 annually for the next three years to support the operation of passenger rail service via Amtrak from Chicago to Iowa City. The City of Grinnell will work with Poweshiek County and the other cities in Poweshiek County to support this service.

Although we are hopeful and anticipate that eventually there will be a train depot here in Grinnell, service to Iowa City is significant for all residents of Poweshiek County. This transportation option seems more appropriate now as fuel prices continue to climb, costly road repairs continue to be necessary, and Interstate 80 become more congested. Even if only modestly, passenger rail service will help reduce reliance on personal automobiles.

The terms and timing of this support will need to be discussed in more detail; however the city of Grinnell is supportive and encourages the State of Iowa to continue to work on the advancement of passenger rail service for its residents.

If you have any questions, please contact me at your convenience.

Sincerely,


Mayor Gordon R. Canfield



Smarter Transportation, Better Community

3851 RIVER RIDGE DRIVE NE
CEDAR RAPIDS, IOWA 52402-7531
319-286-5041 PH
319-286-5130 FAX
CORRIDORMPO@CEDAR-RAPIDS.ORG E-MAIL
WWW.CORRIDORMPO.COM

March 16, 2011

Nancy Richardson
Iowa Department of Transportation
800 Lincoln Way
Ames, IA 50010

Re: Iowa City/Chicago Passenger Rail Participation

Dear Ms. Richardson,

The Corridor Metropolitan Planning Organization (MPO) is supportive of the efforts of the Iowa and Illinois Departments of Transportation to construct a passenger rail service between Iowa City and Chicago with a Federal Railroad Administration grant. The Corridor MPO believes this 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.

The Corridor MPO was recently informed of the operating shortfall of the service and the Governor's request for a business plan that is not only sustainable but that shows a local financial commitment. Under a local annual cost allocation proposal, Linn County would contribute \$190,103 a year towards the operating costs of the Iowa City to Chicago route. The Corridor MPO, of which Linn County is a member, is willing to pursue funding options for this amount. One such option might be to direct State Transit Assistance (STA) funds, normally allocated to CR Transit (regional transit provider), to the Iowa DOT for the operating expense. From 2006 through 2010, CR Transit has received an average of \$385,471 a year in STA funds. The Corridor MPO would then allocate an equal amount of Surface Transportation Program (STP) funds to CR Transit.

Our recommendation and commitment is contingent upon the inclusion of some type of passenger connection (bus or rail) between Cedar Rapids and Iowa City in the Iowa City to Davenport plan. We understand from the Iowa DOT that inclusion of feeder bus routes to surrounding cities not directly served by the passenger rail trains is part of the implementation strategy for the service and we support this critical aspect of the plan.

As stated in a letter to the Iowa DOT dated January 21, 2011, the Corridor MPO recommends inclusion of a passenger rail connection between Cedar Rapids and Iowa City in the DOT's 10-Year Strategic Passenger Rail Plan. This inclusion may be the recommendation to continue to monitor the feasibility of a rail connection. The Cedar Rapids metropolitan area contains the second largest city and economic generator in the state and would provide an estimated 256,324 persons (U.S. Census Bureau Cedar Rapids



Smarter Transportation, Better Community

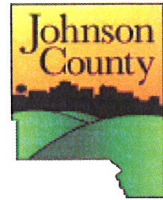
3851 RIVER RIDGE DRIVE NE
CEDAR RAPIDS, IOWA 52402-7531
319-286-5041 PH
319-286-5130 FAX
CORRIDORMPO@CEDAR-RAPIDS.ORG E-MAIL
WWW.CORRIDORMPO.COM

MSA estimate for 2009) with passenger rail access, increasing the economic benefits of the Iowa City/Chicago connection.

Please contact Adam Lindenlaub at 319-286-5064 or at a.lindenlaub@cedar-rapids.org with any questions.

Sincerely,

Linda Langston, Chair
Corridor Metropolitan Planning Organization



March 11, 2011

Nancy Richardson, Director
The Iowa Department of Transportation
800 Lincoln Way
Ames, Iowa 50010

Re: Commitment for Amtrak operating funds

Dear Ms. Richardson:

On behalf of the City of Iowa City, the City of Coralville, and the Johnson County Board of Supervisors, please accept this letter as our commitment to the operating funding needed for the proposed Chicago to Iowa City Passenger Rail Project.

We are aware the Iowa Department of Transportation, in conjunction with the Illinois Department of Transportation, has received \$230 million from the Federal Railroad Administration (FRA) to initiate intercity passenger rail service from Chicago to Iowa City via the Quad Cities. The local governments in Johnson County have provided many letters of support over the past year for this project as it will have a great impact on the Iowa City/Johnson County area and, we believe, the State. This project will allow Iowa to fulfill its vision for expanded passenger rail service as documented in the State's Rail Plan, the State Transportation Plan, and the Midwest Regional Rail Initiative.

It is our understanding that Governor Branstad has requested there be a local financial commitment to the ongoing operation costs for the passenger rail service project in order for the project to proceed. This letter, signed by the representatives below, establishes our commitment to the financing proposal that was outlined by the Iowa Department of Transportation at our meeting on March 4, 2011. We are prepared to pursue this financial commitment through methods such as the use of a Tax Increment Financing (TIF) district surrounding the depot location, parking fee surcharges, local option sales tax and possibly hotel/motel tax funds. This commitment is being made many years before the actual passenger rail service will be implemented but we are certain that the local support will continue.

We government entities of Johnson County are prepared to invest in the development and operation of the passenger rail project and we also enthusiastically support the future expansion of the service to Des Moines and western Iowa. Expansion of the service will be crucial to the success of passenger rail service in our state.

We appreciate the opportunity to voice our support for this project.

Sincerely,



Matthew J. Hayek
Mayor, City of Iowa City



Jim Fausett
Mayor, City of Coralville

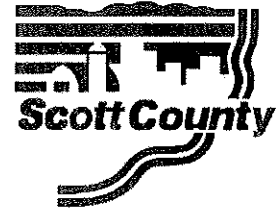


Pat Harney
Chairperson, Johnson County Board of
Supervisors

BOARD OF SUPERVISORS

600 West Fourth Street
Davenport, Iowa 52801-1030

Office: (563) 326-8749
Fax: (563) 328-3285
E-Mail: board@scottcountyiowa.com



TOM SUNDERBRUCH, Chair
JIM HANCOCK, Vice-Chair
WILLIAM P. CUSACK
CAROL EARNHARDT
LARRY MINARD

March 11, 2011

Dear Governor,

The Scott County Board of Supervisors on behalf of our county residents wants to convey our strong support for passenger rail from Chicago to Iowa City. This investment of over \$230 million in rail infrastructure is important to all Iowans. We are willing to meet the challenge of support at the local level in three ways. The first way is through an investment in marketing to the Chicago region rail access to the Quad Cities and on to Iowa City by our Quad City marketing agencies that we support directly. Secondly, through local education of the benefits of rail transportation done by our area planning commission and all of the local governments in the Quad Cities. Finally, through the potential of increased visitors that would bring additional dollars to our county.

The Quad Cities extensively advertises in the Chicago region through the Quad Cities Convention and Visitors Bureau and the Quad Cities First economic development marketing plan. All local governments give ongoing support to these two organizations and are represented on their governing boards. These organizations are positioned to market passenger rail opportunities. Their yearly marketing budgets for the Chicago region exceed \$200,000 per year. The passenger line can truly be show cased in their ongoing materials.

We see it our local role to educate our region on the benefits of rail. Currently many of our higher education institutions are directly supporting their student rides on transit. This support logically will expand to fund the connection to the Moline Illinois rail stop. The Scott County institutions reimburse each local system for student trips. Also we are active in our metropolitan planning agency air quality programs and see passenger rail benefiting from those education dollars.

Finally, to capitalize on visitors to our area, the county is willing to pledge future hotel motel tax receipts to offset the start up subsidies that are needed by the State. By allowing counties the option of receiving a percent of tax on every hotel room in the county, monies could be generated to offset operational cost in the startup years. One percent tax increase in Scott County can raise \$286,768 based on 2009-10 hotel motel tax receipts. The Board supports legislation that would allow Scott County to commit this funding source to the rail initiative.

The Board of Supervisors continues to stand committed to the Chicago-Quad Cities-Iowa City passenger rail project and hope our willingness to take the lead and participate in the on-going support is recognized by you and other state leaders. We urge you to support the project and share in the economic growth that it will provide to Scott County and Eastern Iowa. We look forward to your positive response.

Sincerely,

A handwritten signature in cursive script that reads "Tom Sunderbruch".

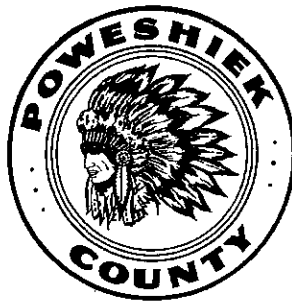
Tom Sunderbruch
Chairman

Appendix II

Appendix II - Letters of Support

Contents:

- Poweshiek County Board of Supervisors
- Iowa City Area Chamber of Commerce
- East Central Iowa Council of Governments
- Muscatine County Board of Supervisors
- Cedar County Board of Supervisors
- City of Davenport
- Quad Cities Chamber
- Eastern Iowa Community College
- Quad Cities Convention and Visitors Bureau
- St. Ambrose University



BOARD OF SUPERVISORS

Larry Wilson
Member

Doug Shutts
Board Chairman

Ellie Snook
Vice-chairman

March 9, 2011

Marty Wymore
Region 6 Planning Commission
903 E Main Street
Marshalltown, Ia 50158

Dear Marty,


The Poweshiek County Board of Supervisors are in support of the proposed passenger rail line from Chicago to Iowa City, then hopefully running from Iowa City to Des Moines. This line would run thru the City of Grinnell and would bring revenue, and and an increase in our local option sales tax paid to the Counties and Cities in Poweshiek County.

We are also in support of this project because we feel it could bring more tourist to our County. Each town in Poweshiek County has something different to offer as far as sites, goods and services to offer.


Again, we support the rail project, and hope to hear more about the project in the future.

Thank you for your time and consideration in this matter.

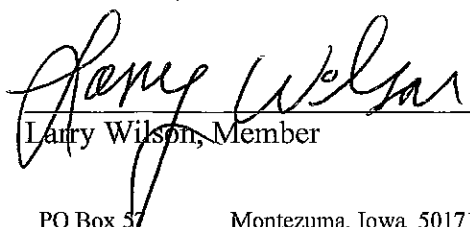
Poweshiek County Board of Supervisors



Doug Shutts, Chairman



Ellie Snook, Vice-chairman



Larry Wilson, Member



March 18, 2011

Nancy Richardson, Director
The Iowa Department of Transportation
800 Lincoln Way
Ames, IA 50010

Dear Director Richardson,

We sincerely appreciate your leadership on passenger rail service in Iowa. We offer this letter as evidence of our commitment to operational funding for the Chicago to Iowa City Passenger Rail Project.

The Iowa City Area Chamber of Commerce is prepared to establish a commission to secure private funding to augment funds pledged by local governments in Johnson County and other jurisdictions. The provision of jobs and commercial activity generated by passenger rail service will economically enhance the local and state economy.

We fully support the future expansion of this service to Des Moines and western Iowa. The recently awarded \$230 million Federal Railroad Administration (FRA) grant provides an exceptional opportunity for Iowa to progressively adopt this integral component of the country's transportation system.

Sincerely,

A handwritten signature in cursive script that reads "Patricia Heiden". The signature is written in black ink and includes a stylized flourish at the end.

Patricia Heiden
Board Chairperson



EAST CENTRAL IOWA
COUNCIL OF GOVERNMENTS
YOUR REGIONAL PLANNING AGENCY

March 16, 2011

Ms. Nancy Richardson, Director
Iowa Department of Transportation
800 Lincoln Way
Ames, Iowa 50010

Re: Letter of Support for Iowa Passenger Rail - Chicago to Iowa City Route

Dear Ms. Richardson:

On behalf of the Region 10 Regional Planning Affiliation (RPA), I am writing to express the region's support for the planned passenger rail route from Chicago to Iowa City. The region is anxious to see the resumption of passenger rail to benefit our citizens and local businesses.

The East Central Iowa Council of Governments is in the process of preparing a *Comprehensive Regional Development Strategy* that will serve as a unified Long Range Transportation Plan and Comprehensive Economic Development Strategy for our seven-county area, including the counties of Benton, Cedar, Iowa, Johnson, Jones, Linn and Washington. A portion of this process has included preliminary public input meetings throughout the region, where passenger rail has been consistently identified as a development "opportunity" for the region. Meeting attendees have discussed the benefits passenger rail will provide to our transportation network, workforce, and businesses. The public input process will continue with a Regional Economic Development Summit, scheduled for April 7, 2011, and priority setting sessions scheduled for May 2011.

While the RPA is not in the position to provide a financial commitment for ongoing operating support, we can offer our commitment to continue to work with local governments within our region to identify and research funding sources for the necessary local operating subsidy.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary Rump', is written over a light blue horizontal line.

Mary Rump
Transportation Director



MUSCATINE COUNTY BOARD OF SUPERVISORS

Robert Howard, District One

Thomas Furlong, District Two

Dave Watkins, District Three

Kas Kelly, District Four

Jeff Sorensen, District Five

March 14, 2011

Nancy J. Richardson
Director
Iowa Department of Transportation
800 Lincoln Way
Ames, IA 50010

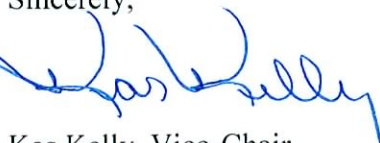
Dear Director Richardson:

On behalf of Muscatine County, the Board of Supervisors is writing to express our support for the Chicago to Iowa City passenger rail service. We are anxious to see the initiation of the passenger rail service in our region to benefit our citizens and encourage a more vibrant business community.

The growth and vitality of our state and region at this time is critical. The passenger rail service will create jobs in the initial construction. With a convenient, cost-effective transportation option to the Chicago metropolitan area, our area will be more attractive to businesses as they locate and recruit workers. It will provide local residents a convenient, all-weather option for travel and connect them with multiple other transportation options in the Chicago area. Tourism will be boosted by opening up our great state to new opportunities for Chicago area travelers to spend time and money in Iowa.

We understand that alternative funding is being sought from state, city, county and other sources for the on-going operating support. At this point in time, we cannot financially commit to on-going operating support for the project, but we strongly support the passenger rail service and recognize the significant benefits it will bring to Iowa.

Sincerely,



Kas Kelly, Vice-Chair
Muscatine County Board of Supervisors

CEDAR COUNTY BOARD OF SUPERVISORS

Cedar County Courthouse

400 Cedar Street

Tipton, Iowa 52772-1750

Telephone: 563-886-3168

Fax: 563-886-3339

E-Mail: bos@cedarcountry.org

RECEIVED
MAR 21 2011

March 17, 2011

Nancy J. Richardson
Director
Iowa Department of Transportation
800 Lincoln Way
Ames, IA 50010

Dear Director Richardson:

On behalf of Cedar County, the Board of Supervisors is writing to express our support for the Chicago to Iowa City passenger rail service. We are anxious to see the initiation of the passenger rail service in our region to benefit our citizens and encourage a more vibrant business community.

The growth and vitality of our state and region at this time is critical. The passenger rail service will create jobs in the initial construction. With a convenient, cost-effective transportation option to the Chicago metropolitan area, our area should benefit and will be more attractive to businesses as they locate and recruit workers. It will provide local residents a convenient, all-weather option for travel and connect them with multiple other transportation options in the Chicago area. Tourism will be boosted by opening up our great state to new opportunities for Chicago area travelers to spend time and money in Eastern Iowa.

We understand that alternative funding sources are being sought from state, city, county and other sources for the on-going operating support. At this point in time, we cannot financially commit to on-going operating support for the project, but we strongly support the passenger rail service and recognize the significant benefits it will bring to Iowa. With more information, and consulting with other counties in our region, we may determine that a specific share would be appropriate. However, at this point we cannot commit future elected Boards to share in the funding.

Sincerely,



Wayne Deerberg
Chairman of the Board of Supervisors

March 17, 2011



Bill Gluba, **MAYOR**

Nancy Richardson
Director, IDOT
800 Lincoln Way Ames
IA 50010

Dear Director Richardson:

Please express to the Governor that the City of Davenport strongly supports the improvement of passenger and freight rail service in Iowa. Rail transport, both passenger and freight, is an increasingly important element of transportation infrastructure critical in a highly competitive, global economy.

The investment in Quad Cities passenger rail service alone would immediately create construction jobs, while also having a long term positive economic impact by creating new jobs and stimulating the Quad Cities economy. Studies show that Quad Cities passenger rail service will create between 550 - 825 jobs, increase household income by \$11-16 million, and boost property values by \$52 - 75 million. The state should see similar positive economic benefits along the entire route.

Davenport will be connected to Chicago through a passenger rail station across the river in Moline. We certainly hope that Davenport residents will have easy access to rail passenger service westward to Iowa City, Des Moines and Council Bluffs as well.

Passenger rail will support increased tourism and spur economic development in Davenport and other Iowa cities, and thus will increase revenue to all levels of government – state and local.

The City of Davenport strongly supports the unique rail opportunity now before it.

Sincerely,

A handwritten signature in blue ink that reads "Bill Gluba".

Bill Gluba
Mayor





March 18, 2011

The Honorable Terry Branstad, Governor
State Capitol
1007 East Grand Ave.
Des Moines, Iowa 50319

Dear Governor Branstad:

I write in support of the Chicago-Quad Cities-Iowa City passenger rail corridor, which continues to be a top priority for the Quad Cities Chamber of Commerce.

Since 2007, the Quad Cities Chamber has led a broad-based Quad Cities Passenger Rail Coalition (QC Rail) to advocate for restored passenger rail service to/from Chicago. Through QC Rail, over 10,000 Quad Cities area residents and over 150 businesses, elected officials, labor groups, and community organizations have expressed their support for passenger rail to local, state, and federal officials.

The Chicago-Quad Cities-Iowa City passenger rail corridor received \$230 million in federal funding from the U.S. Department of Transportation through one of the most competitive merit-based grant programs in recent history. The route's solid return on investment, high ridership, broad-based support, and economic impact were some of the attributes that helped distinguish our route.

The Quad Cities Chamber fully supports the State of Iowa's \$20.6 million one-time investment to match a federal investment of \$86.8 million for the capital costs and track improvements needed between the Quad Cities and Iowa City. The Quad Cities Chamber also fully supports Iowa's expected \$3 million annual investment required to operate and maintain reliable passenger rail service. This type of investment will have a transformational impact on the our region's passenger and freight transportation system while also generating positive economic growth, adding new jobs, and improving quality of life and public safety throughout the State of Iowa.

The Quad Cities Chamber understands the need for Iowa to develop a business plan to support the ongoing passenger rail operation and maintenance needs, and we appreciate the opportunity to participate in these discussions. While we support the use of other federal and state transportation funds for passenger rail, we also want to highlight our support for the following predictable, equitable, and creative funding sources:

- 1) **Congestion Mitigation and Air Quality Improvement Program**, which is a federal program that provides states funding for surface transportation and other related projects that contribute to air quality improvements and congestion mitigation.

- 2) **Advertising**, which could include naming rights, train-wraps similar to local transit buses, and other on-board advertisements.

- 3) **Rail-Designated Iowa Lottery Ticket**, with proceeds dedicated to the annual operations and maintenance of Iowa's passenger rail routes. Any additional funding could be used to support Iowa's freight rail infrastructure, which is critical to maintain Iowa's economy.

- 4) We commit to joining with our local governments and other partners to identify how local revenue could be generated to support Iowa's annual passenger rail operations.

The Quad Cities' business community maintains its longstanding commitment to realize passenger rail service and we look forward to its success. The Quad Cities Chamber will advocate for local residents and businesses to utilize passenger rail service as aggressively as we advocated for implementing passenger rail service over the past years.

Additionally, the Quad Cities Convention & Visitors Bureau (QCCVB) plans to promote passenger rail in its advertising campaigns in the Chicago/Chicago suburbs markets. Currently, the QCCVB spends approximately 75% of their ad budget on advertising in the Chicago region because of the large number of tourists that come to the area from that market area.

The Quad Cities Chamber asks for the continued financial support from the State of Iowa to make passenger rail service, and its associated economic growth, a reality. I look forward to working with you and your administration to make Iowa an even better place to live and work.

Sincerely,



Tara Barney
Chief Executive Officer
Quad Cities Chamber of Commerce

CLINTON COMMUNITY COLLEGE • MUSCATINE COMMUNITY COLLEGE • SCOTT COMMUNITY COLLEGE

EASTERN IOWA COMMUNITY COLLEGE DISTRICT

306 West River Drive • Davenport, Iowa 52801-1221 • 563-336-3300 • FAX 563-336-3350 • www.eicc.edu

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Trustee Emeritus

CHANCELLOR

Patricia A. Keir, Ed.D.

March 16, 2011

The Honorable Terry Branstad
Governor
State Capitol
1007 East Grand Avenue
Des Moines, IA 50319

Dear Governor Branstad:

I write in support of the Chicago-Quad Cities-Iowa City passenger rail funding, which continues to be a top priority for the Quad Cities region.

I join with others in the broad-based Quad Cities Passenger Rail Coalition (QC Rail) to advocate for restored passenger rail service to Chicago. Through QC Rail, over 10,000 Quad Cities area residents, elected officials, businesses, labor groups, and community organizations have expressed their support for passenger rail to local, state, and federal officials.

As Chancellor of the Eastern Iowa Community College District, I also believe that passenger rail through the Quad Cities will assist us in recruiting students from the Chicago suburbs to our campuses for their first two years of college as many of them finish their degrees at the University of Iowa.

The Chicago-Quad Cities-Iowa City passenger rail corridor received \$230 million in federal funding from the U.S. Department of Transportation through one of the most competitive merit-based grant programs in recent history. The route's solid return on investment, high ridership, broad-based support, and economic impact were some of the attributes that helped distinguish our route.



The Honorable Terry Branstad

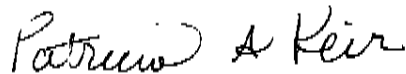
March 16, 2011

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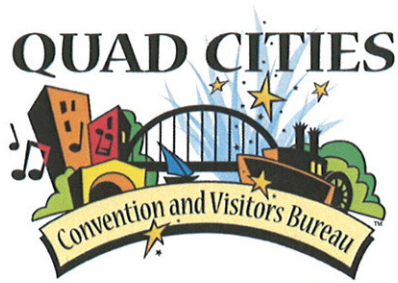
I fully support the State of Iowa's \$20.6 million one-time investment to match the federal grant for capital costs and track improvements needed between the Quad Cities and Iowa City. I also fully support Iowa's expected \$3 million annual investment required to operate and maintain reliable passenger rail service. This type of investment will have a transformational impact on our region's passenger and freight transportation system while also generating positive economic growth, adding new jobs, and improving quality of life and public safety. Passenger rail service will play an important role in attracting and retaining residents, skilled workers, businesses, and tourists to the Quad Cities and Iowa.

I ask for the State of Iowa's continued support to make the Chicago-Quad Cities-Iowa City passenger rail service and its associated positive economic impact, a reality.

Sincerely,



Patricia A. Keir



The Honorable Terry Branstad, Governor
State Capitol
1007 East Grand Ave.
Des Moines, Iowa 50319

Dear Governor Branstad:

I write in support of Chicago-Quad Cities-Iowa City passenger rail funding, which continues to be a top priority for the Quad Cities region.

I join with others in the broad-based Quad Cities Passenger Rail Coalition (QC Rail) to advocate for restored passenger rail service to Chicago. Through QC Rail, over 10,000 Quad Cities area residents, elected officials, businesses, labor groups, and community organizations have expressed their support for passenger rail to local, state, and federal officials.

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I fully support the State of Iowa's \$20.6 million one-time investment to match the federal grant for capital costs and track improvements needed between the Quad Cities and Iowa City. I also fully support Iowa's expected \$3 million annual investment required to operate and maintain reliable passenger rail service. This type of investment will have a transformational impact on our region's passenger and freight transportation system while also generating positive economic growth, adding new jobs, increased tourism, and improving quality of life and public safety. Passenger rail service will play an important role in attracting and retaining residents, skilled workers, businesses, and tourists to the Quad Cities and Iowa.

I ask for the State of Iowa's continued support to make Chicago-Quad Cities-Iowa City passenger rail service, and its associated positive economic impact, a reality.

Sincerely,

A handwritten signature in black ink that reads "Joe Taylor".

Joe Taylor
President/CEO
Quad Cities Convention & Visitors Bureau
102 South Harrison Street
Davenport, IA. 52801

StAmbrose University

OFFICE OF THE PRESIDENT

March 15, 2011

The Honorable Terry Branstad, Governor
State Capitol
1007 East Grand Ave.
Des Moines, Iowa 50319

Dear Governor Branstad:

I write in support of Chicago-Quad Cities-Iowa City passenger rail funding, which continues to be a top priority for the Quad Cities region.

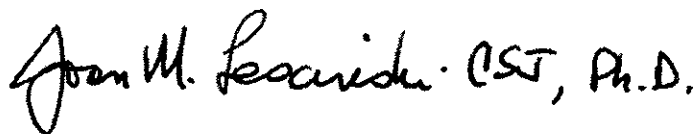
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I ask for the State of Iowa's continued support to make Chicago-Quad Cities-Iowa City passenger rail service, and its associated positive economic impact, a reality.

Sincerely,



Joan M. Lescinski, CSJ
President, St. Ambrose University
518 West Locust Street
Davenport, Iowa 52803

Appendix III - Background

Contents:

- History
- Project Grant
- Chicago to Iowa City Passenger Rail Service

Background

History

Passenger rail service to Chicago from Iowa has been included in the long range transportation plans of the Iowa Department of Transportation (DOT) for many years, with the first study produced in 1981. The Iowa DOT is a charter member of the Midwest Regional Rail Initiative (MWRRI), joining in 1996. The MWRRI, a consortium of nine states, developed a plan for expanded passenger rail in the Midwest based on a “hub and spoke” model, with Chicago as the hub. The MWRRI has sponsored numerous studies and evaluations that demonstrate the economic and social value of passenger rail services to Iowa and the Midwest as a whole.

The passage of the Passenger Rail Investment Improvement Act (PRIIA) of 2008 created a federal program for passenger rail and the framework for investments in intercity passenger rail to meet the future transportation needs of the United States. In 2009, the introduction of the Federal Railroad Administration’s (FRA) High Speed and Intercity Passenger Rail (HSIPR) program marked the first time that significant federal funds for capital costs became available to states for the development of passenger rail corridors. With this opportunity, the Iowa DOT worked to further develop a plan to incrementally bring the vision of the MWRRI to fruition.

The HSIPR program is an extremely competitive program with a high standard for applicants. To compete for a grant, applicants must demonstrate solid, long-range planning; completion of initial environmental studies and preliminary engineering, broker agreements with the host railroads as well as the communities hosting new stations and the application *must* document a high positive level of benefits in relation to costs.

In the first round of HSIPR funding, the Iowa DOT, as the lead state, submitted a joint Iowa/Illinois application for the Chicago to Iowa City service but did not receive a grant award. However, the FRA encouraged the Iowa DOT to reapply, which it did on Aug. 6, 2010, with an application seeking \$248 million in federal funding.

Project Grant

On October 28, 2010, a \$230 million grant award was announced for the joint Iowa/Illinois application for passenger rail service from Chicago to Iowa City. The grant provided 80% federal funds to be matched by 20% state and local funds, similar to other modal funding programs. Project elements funded by the award include track, train cars, locomotives, stations, advanced train signaling, and highway-railroad grade crossing safety improvements. The award was reduced by \$18 million from the application’s request for elements in Illinois. Under the terms of the HSIPR program, passenger rail operations must be “freight neutral” – neither harming the freight rail system, nor providing any *direct* benefit from improvements made for passenger rail. The grant award was reduced by the estimated cost of the freight rail benefit associated with a new rail connection at Eola Yard in Illinois.

Chicago to Iowa City Passenger Rail Service

The new intercity passenger rail service between Chicago and Iowa City will provide two daily round trips, timed to accommodate day-trips for travelers to Chicago. Each train will carry approximately 230

passengers and reach a maximum speed of 79 mph. Total trip length is 219.5 miles, with seven intermediary stops, resulting in travel time of less than five hours. New stations will be established at Iowa City, the Quad Cities and Geneseo, Illinois. The ridership for the entire corridor is estimated at 246,800, with a very conservative 1.5% annual growth.

Capital Costs

Rail infrastructure improvements to accommodate higher speeds, safety improvements at highway/railroad crossings, equipment, and other capital costs for the entire route total \$310.3 million. Costs are allocated between Iowa and Illinois, calculated on the mileage within each state, and are formalized in a Memorandum of Understanding signed in July 2009. Figure 1 details the cost distribution.

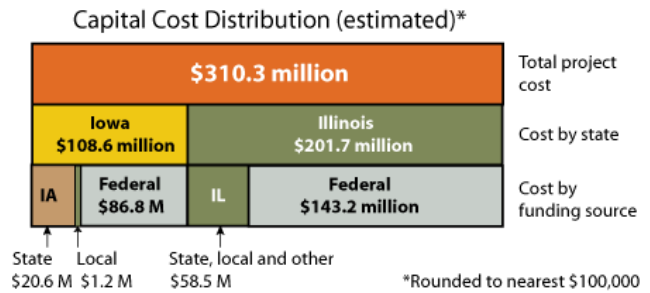
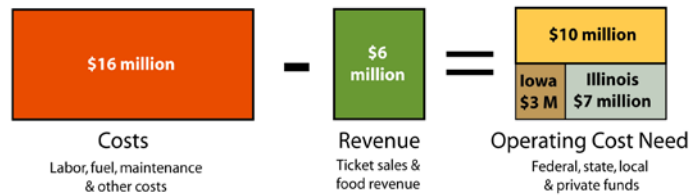


Fig. 1

Operating and Maintenance Costs

Worldwide, very few transportation systems are solely supported by user fees, as is the case with Iowa’s highways, aviation, transit, and now passenger rail. The gap between costs and revenues for the passenger rail service must be bridged, with the expected costs shared between Illinois and Iowa. Iowa’s share of the operating cost need averages \$3 million annually. Figure 2 details the cost allocation.



Notes: (1) Iowa’s share of the operating cost is 27%, based on the mileage within Iowa
 (2) Dollars are rounded to the nearest million

Fig. 2

Service is scheduled to begin in mid-2015. The operating cost funding would be needed beginning in 2015 when service begins.

**Appendix IV - Chicago - Iowa City Passenger Rail
Service Fact Sheet**



The Chicago-Iowa City passenger rail program

fact sheet



Route and train characteristics

- Two daily round trips
- Travel time under five hours one way
- Initial maximum speed of 79 mph
- Each train can accommodate 230 passengers; and will offer coach seating and food service
- Total route of 219.5 miles
- Trains operate on Amtrak at Chicago's Union Station, 0.8 miles; BNSF Railway from Chicago to Wyanet, Ill., 116.2 miles; and Iowa Interstate Railroad from Wyanet to Iowa City, Iowa, 102.5 miles
- New stations at Geneseo and Moline, Ill.; and Iowa City

Service outcomes

- On-time performance will be 90 percent or higher
- Projected annual ridership is 246,800 for 2015
- Ridership includes passengers diverted from other modes annually: 60 percent of passengers from automobiles; 24 percent from air travel; 9 percent from buses; and 7 percent are new riders who otherwise would not have made the trip

Project costs

- Overall cost: \$310 million
- Costs allocated between Iowa and Illinois
- Iowa and Illinois submitted a joint application for \$248 million (up to 80 percent of the project cost) from the High-Speed Intercity Passenger Rail (HSIPR) program through the Federal Railroad Administration (FRA).
- The FRA awarded \$230 million under the HSIPR program to the Chicago to Iowa City route, and the U.S. DOT awarded a \$10 million TIGER II grant to Moline, IL for the passenger rail station.

Collaboration

- Iowa and Illinois departments of transportation have a strong partnership to initiate Chicago to Iowa City passenger rail service.
- The Midwest High-Speed Rail Steering Group, representing nine Midwestern states, executed a memorandum of understanding in 2009 supporting Midwest routes connecting to the Chicago hub.
- Agreements in principle with Iowa Interstate Railroad, BNSF Railway and Amtrak.
- Agreements in principle were established with the cities of Iowa City, Moline, and Geneseo for station development, demonstrating local support.

Cost Distribution (estimated)*

\$310.3 million				Total project cost
Iowa \$108.6 million		Illinois \$201.7 million		Cost by state
IA	Federal \$86.8 M	IL	Federal \$143.2 million	Cost by funding source
State \$20.6 M	Local \$1.2 M	State, local and other \$58.5 M		

*Rounded to nearest \$100,000

Public and political support

- The route has broad enthusiasm and support from community organizations and the public.
- State and local politicians have endorsed the program with numerous letters of support.
- A variety of local, regional and state economic development and business organizations have endorsed the route.

"Continue to expand the rail infrastructure for transporting people, commodities and commercial goods."

- Iowa Chamber Alliance 2011 legislative agenda

Legislative support

- Iowa's share of the match will come from a combination of state appropriations and local funding. In FY 11, Iowa lawmakers approved intent language to provide up to \$20 million over four years to help fund Iowa's commitment for matching federal passenger rail funding. To date, the legislature has appropriated \$10 million to be used for the match.
- Illinois announced in January 2010 that it would use \$45 million from its state capital plan for construction of the route.

Public and economic benefits

- Helps create jobs, improve our nation's transportation infrastructure and assist in providing transportation alternatives to the citizens of Iowa and the Midwest
- Improves the state's rail infrastructure, which is used for both freight and passenger transportation.
- Returns for every public dollar of investment (including all long-term costs of operation and maintenance), by delivering \$1.70 back to the public in reduced costs for transportation, fuel and pollution.
- Attains \$7.4 million in highway safety benefits during the first 30 years.
- Creates job growth estimated at 588 per year over the first four years during design and construction
- Increases business activity estimated at \$25 million per year following service initiation
- Encourages transit-oriented development
- Upgrades over 70 highway-railroad crossings in Iowa, and over 60 in Illinois, by adding warning systems to improve motorist and train safety.

Environmental benefits

- Reduces greenhouse gas emissions by 89,943 tons in the first 30 years of operation
- Fuel savings of 10,791,109 gallons during the first 30 years.
- Reduces vehicle miles of travel by 25,611,484 in the corridor annually
- Reduces congestion. Saves \$16.3 million in highway user costs during the first 30 years.
- Incorporates Iowa and Illinois DOTs' "GreenLine" vision – a program advancing innovative, sustainable practices

Competition for the federal High-Speed Intercity Passenger Rail program

- In 2009, the grant program received many more requests than the amount of funding available. For the 2010 funding cycle, 20 corridor development applications from 10 states totaling \$7.8 billion competed for \$2.1 billion in funding.
- Federal Railroad Administration feedback on Iowa's 2009 application was positive; since fall 2009, Iowa and Illinois have worked to strengthen the project through building strong partnerships with communities and host railroads, and in refining the project engineering and environmental documentation.

Long-term vision

- Scheduled frequency can be expanded to offer more than two daily round trip trains
- Initial planning under way to potentially extend the route incrementally to Des Moines, Iowa, and Omaha, Neb.
- Speeds may be increased from 79 mph to 90 mph, or 110 mph with additional infrastructure investments.

More information is available on the Iowa DOT's Web site:
www.iowadot.gov/iowarail



02/23/2011
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**Appendix V - Chicago-Iowa City Passenger Rail Service
Project Summary**



The Chicago-Iowa City passenger rail service

project summary

Iowa's investment in the Chicago to Iowa City passenger rail service will produce more ongoing benefits than costs for Iowa residents and taxpayers over the next 30 years.

An Iowa investment of \$20.6 million will match a federal investment of \$86.8 million for the capital costs of the Iowa segment of the Chicago to Iowa City service. Iowa's share of the expected gap between revenues and operating and maintenance expense is estimated at \$3 million annually.

The economic analysis included in this document demonstrates the cost-effectiveness of the Iowa investments in the Chicago to Iowa City service and details the benefits that Iowa can expect from Iowa's expenditures.

Financial Outcomes

Economic Outcomes for the State of Iowa

By leveraging Federal and Illinois state funding, the Chicago to Iowa City passenger rail project generates the following financial outcomes over the next 30 years.

- Iowa will receive **\$2.77 in transportation economic benefits for every \$1.00 invested**, according to economic estimates prepared by the State of Iowa in accordance with methodology and standardized values issued by the U.S. Department of Transportation.
- Federal funds will pay 80% of the capital costs, and Illinois will pay 20% of the portion of the capital costs of the system within its state. Iowa's investment of \$20.6 million will design, build, and equip a fully functioning \$310 million new transportation service.
- Illinois will pay the majority of the operational costs for a route that will benefit Iowans with an annual Illinois contribution for operation and maintenance costs of \$7.0 million.

Job Creation

The project will generate new Iowa jobs during construction, and permanent jobs required for operation and maintenance of the passenger-rail service.

- **Creates 209 jobs each lasting four years** during the design and construction period.
 - Includes 117 high-skill, high-wage construction and engineering jobs.
 - The typical construction workforce consists of heavy equipment operators, journeymen electricians, carpenters, machinists, and ironworkers, and laborers, and truck drivers.
 - Some of the construction jobs, such as railroad signaling, will endure through the winter, a time when construction is traditionally slow.
- **Creates 31 new operations and maintenance jobs.**
 - One-third would be high-skill, high-wage jobs, such as locomotive engineers, conductors, and maintenance workers.
 - One-third would be indirect jobs related to the production and distribution chain of goods & materials.
 - One-third would be jobs created by the expenditures of these wages.
 - Other jobs, not quantified, could include jobs in the hospitality and tourism industry or jobs related to new economic activity or development.

Business Activity Created by the Project

Construction activity and subsequent operation and maintenance will generate business revenues within Iowa. These include the supply of materials such as steel, communication equipment, and fuel to the project, and services such as housing, food, and utilities to construction employees and subsequent operations and maintenance employees.

- **\$125 million (2010 dollars) of new business revenues** in Iowa during the first 4 years of construction.
- **\$6.76 million (2010 dollars) of ongoing new business revenues** in Iowa per year for the next 30 years as a result of operation and maintenance of the service.
- Iowa's businesses will have a proximity advantage for major construction and supply contracts.
- Other business activity, not quantified, would include an increase in land values around rail stations, spending on goods and services by rail passengers during their train trip and at their Iowa destination, and other business activity that occurs as a result of the new service.

Travel Cost Savings

The Chicago to Iowa City passenger rail service will reduce the cost of travel for Iowa residents and visitors that use it, as well as costs that would otherwise be spread among all Iowa transportation users and taxpayers.

- Individual travelers will **save \$142.7 million in out-of-pocket transportation costs** during the first 30 years of the service, compared to the cost of using other transportation modes.
- Iowa, its residents, and visitors, will **save \$6 million over 30 years** on avoided lost time in roadway congestion and on highway accident costs.

Passenger Travel Time, Cost, and Convenience Comparison

Transportation Options: Comparison of Time & Cost - Chicago to Iowa City and Iowa City to Chicago

Mode	Travel Time (One-Way)	Walk-Up Out-Of-Pocket User Cost (Round Trip)	Same Day Business Roundtrip Possible?	Ability to Work En Route (use laptop, cell phone)	All Weather Reliability	On-Time Performance
Automobile	3 hours 46 minutes	\$193	Yes	Low	Low	Unknown
Bus	4 hours 55 minutes	\$46	No	Moderate	Low	Unknown
Rail	4 hours 20 minutes	\$62*	Yes	High	High	90%+
Air	3 hours 42 minutes	\$925**	Yes	Low	Low	79%

*Estimated fare

**Fare based on weekday, 15-day advance ticketing as of January 9, 2011.

Transportation Options: Comparison of Convenience - Chicago to Iowa City

Mode	Restroom Facilities	Hot Water	Beverage Service	Food Service	Uninterrupted Wi-Fi
Automobile					
Bus	x				
Rail	x	x	x	x	x
Air	x	x	x		

Freight Railroad Outcomes

The project brings specific benefits to Iowa's freight rail system and its shippers:

- Enables the Iowa Interstate Railroad to increase its reliability, efficiency, and safety of service through construction of signaling and communications systems that are necessary for passenger service, but also of substantial utility to the freight services on the same tracks.
- Increases Iowa shippers' guarantee of long-term access to lower-cost railroad freight transportation services.
- Increases the ability of the Iowa Interstate Railroad to attract new manufacturers, agricultural processors, and consumer goods distributors to Iowa.
- Enables the Iowa Interstate to increase traffic volumes at a lower cost, benefitting both existing and potential new Iowa shippers and receivers.

Other Benefits

The Chicago to Iowa City passenger rail route has a number of positive economic impacts that cannot be directly quantified in an economic analysis and are not included in the cost-benefit ratios described above. These effects may benefit Iowa's ability to retain existing economic activity or attract new activity, retain or improve the attractiveness of its universities and medical centers, and maintain or improve Iowa property values.

Transportation Connectivity and Access

- Connections to the Chicago hub provide Iowans access to multiple national and global transportation options – air, regional and national passenger rail, and intercity transit options within Chicago.
- The service helps ensure that decisions to attend college in Iowa, reside in Iowa, or do business in Iowa, are not influenced by travel time lost in freeway congestion in Chicago.
- The service helps ensure that Iowa residents and visitors are able to travel regardless of winter weather.
- The service helps ensure that Iowa's elderly residents have access to comfortable and accessible transportation.

Business

- Provides convenient, stress-free transportation for business day trips to the Chicago area.
- Business travelers can make full productive use of the travel time, including the full, uninterrupted use of laptop computers and cell phones from departure to arrival.
- Passenger rail access may assist employee recruitment and client attractiveness.
- Provides opportunities to increase tourism.

Education

- Convenient transportation for the many students attending Iowa colleges and universities that have Illinois ties, particularly those who do not own automobiles.
- Increases competitiveness and enhances recruitment for Iowa's educational institutions.

Quality of Life

- Access to travel for those who do not or cannot drive.
- A comfortable, safe and convenient travel option for all segments of the population – students, elderly, families, disabled, economically disadvantaged, as well as business travelers.
- Provides another transportation option for patients to receive treatment at some of Iowa's largest medical facilities.
- Provides a safe transportation service with on-board personnel directly responsible for passenger safety and convenience and arrives and departs from secured stations with safe indoor waiting areas.

Energy & Environment

- Fuel efficient transportation option reduces Iowa's vulnerability to fuel cost escalation.
- Energy efficiency promotes U.S. energy independence.
- Fewer greenhouse gas emissions reduce Iowa's exposure to potential federal limits on transportation emissions and carbon taxes.

Public Safety Outcomes

Iowa was among the top 10 states with the highest highway-railroad at-grade crossing crashes at public and private crossings during 2006, 2007, and 2008. Passenger rail will be accompanied by extensive upgrades for the at-grade highway-railroad crossings on Iowa Interstate Railroad. The improvements will result in a substantial reduction in the potential for vehicle and train collisions in the Bettendorf-Iowa City corridor.

- Improvements include upgrades to 71 at-grade crossings, including adding gates and flashing lights at 48 crossings. In total, over \$14M is being invested for at-grade crossing improvements, nearly 4 times the current annual federal expenditure for at-grade crossing improvements statewide.
- New railroad safety systems will be implemented on Iowa Interstate with passenger rail service increasing safety:
 - Centralized Traffic Control (a train signaling system) detects broken rails, vandalized switches, and many other common causes of derailments.
 - Positive Train Control system enforces train spacing and speed limits, virtually eliminating the potential for train to train accidents.

Public Costs of Transportation

In one form or another, all modes of transportation require public support not paid with user fees. Below is a summary by mode of how it has been supported with public funds not paid with user fees.

- **Highways**
 - Nationally, highway user revenue collected at all levels of government in 2007 (\$98 billion) only accounted for 57% of total highway disbursement.
 - Since 2008, approximately \$34.5 billion has been transferred from the General Fund to the Highway Trust Fund in order to keep the fund solvent.
 - City and county governments in Iowa utilize property tax and, in many cases, local option sales tax to support road improvements and maintenance.
- **Aviation**
 - General Fund revenue supports the aviation system by funding the nation's air traffic control system and other Federal Aviation Administration operations.
 - The federal Essential Air Service program provides federal operation subsidies directly to private airlines in exchange for providing commercial service to airports that would not otherwise have service. This program is utilized to support service to Mason City, Fort Dodge and Burlington.
- **Public Transit**
 - Iowa's public transit systems require approximately \$100 million per year to operate. Approximately \$13 million comes from fare box revenue but the remainder comes from the federal government (approximately \$25 million), local government (approximately \$31 million), state of Iowa (approximately \$11 million), contract revenue (approximately \$16 million from federal, state and private sources), and other sources (approximately \$4 million).
 - Transit funding from the federal government is primarily funded through the federal fuel tax; however, the transit account within the Highway Trust Fund recently required a \$4.8 billion transfer of General Fund revenue in order to remain solvent.
- **Passenger Rail – Chicago to Iowa City corridor**
 - In the first year of operation (2015), the Chicago to Iowa City corridor is expected to generate \$6.4 million in revenues from fares and food service (which is a 40.3% recovery of operating and maintenance costs). Amtrak's revenue projections are based on Amtrak's experience with similar routes in Illinois and the Midwest. Revenue estimates do not assume the route will initially fill to capacity and assume growth rate in ridership of 1.5%.
 - Annual operating and maintenance cost is \$15.9 million.
 - Operation and maintenance costs are allocated 27% Iowa, 73% Illinois.
 - The estimated annual operating and maintenance cost to the state of Iowa is estimated to be on average, approximately \$3 million. Options to fund this cost are under consideration and include:
 - Utilizing existing federal transportation funding programs to cover up to 80 percent of the cost for the first three years of the new service.
 - Working with other states to encourage the creation of a federal program to provide on-going operating cost assistance similar to existing federal programs for public transit.
 - Identifying existing state funding programs that could provide funding support.

Ridership and Revenue Projections

- Ridership includes the number of riders that get on and get off the train on *any segment* of the corridor. A rider could get on and off at any of the nine stations on the route (e.g., someone who gets on at Iowa City and off in Chicago would be considered a rider; someone who gets on at Geneseo, Illinois, and off in the Quad Cities would also be considered a rider.)
- The ridership estimate and the revenue projections were provided by Amtrak using the Amtrak Corridor Passenger Rail Demand Forecasting Model developed by AECOM.¹
- The ridership is forecast to be 246,800 (when service is initiated in 2015).
- The expected revenue of \$6.4 million includes projected revenue from ticket sales and food service sales at the forecast ridership level. Revenue estimates assume that coaches on average are filled to 70% capacity daily, which will accommodate peak demand periods and growth.
- The estimated annual ridership growth for the Chicago to Iowa City corridor is conservatively estimated at 1.5%. Ridership growth on Amtrak's state-sponsored routes in 2010 was 6.5%.
- Fare is based on the level that would optimize revenue collections, taking into consideration the variables in the model.¹

Similar Midwestern Route Comparison

Comparison with Comparable State Sponsored Routes

Route	Chicago to Carbondale (Illini/Saluki)		Chicago to Quincy (Illinois Zephyr/Carl Sandberg)		Chicago to Iowa City	
Status	Existing		Existing		Planned	
Ridership (Annual)	264,934 (FY 2010)		209,466 (FY 2010)		246,800 (Projected Opening Day)	
Average Annual Ridership Growth	3.7% (actual last 4 years)		5.5% (actual last 4 years)		1.5% (projected)	
Roundtrips per Day	2		2		2	
Universities and Colleges Served	University of Illinois at Urbana-Champaign, Southern Illinois		Western Illinois		University of Iowa, Augustana College, St. Ambrose University, Palmer College of Chiropractic	
Major Station Stops	<i>Champaign/Urbana</i>	<i>Carbondale</i>	<i>Galesburg</i>	<i>Quincy</i>	<i>Quad Cities</i>	<i>Iowa City</i>
Distance from Chicago (miles)	129	309	162	258	174	221
Destination Cities Population Estimate (2009)	226,000	58,000	69,000	77,000	379,000	152,000

¹ The Amtrak Corridor Passenger Rail Demand Forecasting Model uses a number of variables which, over time, have proven to be important determinants of ridership demand. Those variables include total market size, station locations, mode share, service characteristics of competing modes, passenger rail timetable (taking into consideration travel time, frequency, schedule and schedule attractiveness) and average fares (based on observed average yields per mile in existing Amtrak markets within the Midwest.)

Notes:

This updated economic analysis compares the expenditures made solely by the state of Iowa to the economic outcomes that would accrue to State of Iowa. This differs from the economic analysis that accompanied the grant application which compared the total expenditure to the outcomes that would accrue to the States of Iowa and Illinois.

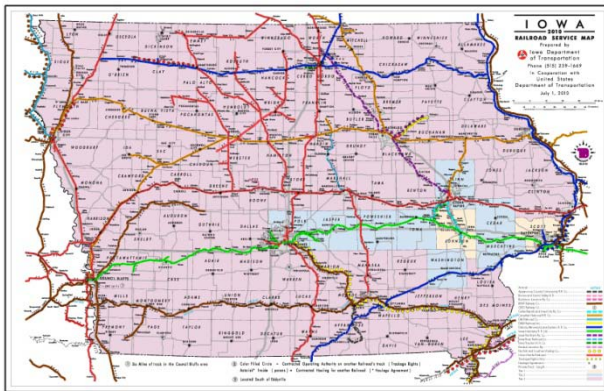
The economic effects are based on the estimated expenditures to implement the Chicago-Iowa City passenger-rail service (as determined by the Federal Railroad Administration), the estimated expenditures to operate and maintain the service (as determined by the Federal Railroad Administration and Amtrak), and the anticipated passenger ridership and revenue (as estimated by Amtrak.) Some of these quantities are estimates, while others are based on the most recent actual performance of similar passenger-rail services and other transportation services.

Appendix VI - Partnership Development

Partnership Development

Most state-supported intercity services in the United States rely on general funds, a set-aside from road user fees, and/or smaller contributions from other sources (niche taxes, local contributions, gambling proceeds, etc.) When faced with the challenge to identify alternative funding sources, the Iowa DOT took the following actions:

- Researched ways in which other states supported operating expenses for passenger rail
- Examined sources of revenue available to the Iowa DOT with a goal of identifying one-half of the operating cost need from these sources.
- Investigated possible cost reduction and revenue generating strategies
- Met with stakeholders to brainstorm possible funding alternatives on February 24, 2011
- Developed a rationale that identified the potential contributors as a result of local input received at the February 24 meeting. Localities with stations were identified as Tier 1 contributors; cities and counties with proximity to the route but no stations were asked to contribute a lesser amount as Tier 2 locations. The remainder of the state is identified as Tier 3, recognizing that the state as a whole will see benefits from increased transportation options.



- Developed a cost allocation model that distributed the operating costs. One half of the estimated operating cost need was allocated to the Iowa DOT with funds other than General Fund or RIIF sources. The remaining \$1.5 million was distributed among Tier 1 & 2 contributors, based on population. Tier 2 counties were asked to contribute one-third of the amount per person as Tier 1 counties. The cities, counties and regional and metropolitan transportation planning agencies were asked to work together to fund the local contribution.

**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

- Prepared a toolkit of potential sources of revenue to spark discussion and creative alternatives from localities
- Met or called stakeholders to further discuss potential revenue sources. Those consulted included the Quad Cities, Iowa City, Coralville, Cedar Rapids, Newton, Des Moines and the counties of Linn, Cedar, Iowa, and Muscatine
- Requested a commitment or statement of intent from local governments, planning organizations and other contributors for their support toward operating expenses. Commitments were provided with the understanding that service is not scheduled to begin until 2015. Throughout the process, the Iowa DOT and local entities recognized that binding financial commitments for future councils and boards would be difficult; however, local entities were encouraged to provide a letter of intent or policy positions in order to show their commitment for the local share of funding.

Appendix VII - Operating and Maintenance Costs Background

- Estimated Operations and Maintenance Costs Summary
- Estimated Ten-Year Summary of Operations and Maintenance Costs (assuming 4.5% inflation)

Operating and Maintenance Costs Background

Operating and maintenance costs were estimated on a conservative basis. Certain aspects of the operating costs are subject to negotiations with the host railroads (Amtrak, BNSF, and IAIS), the operating railroad and potential third-party maintenance contractors.

Operating and maintenance costs were developed using a base year of 2015, and assuming a passenger ridership increase of 1.5% per year.

As conversations have occurred with decision-makers and the media, and for the purposes of discussions related to this business plan, the operating and maintenance costs have been averaged at \$3 million annually. The tables below provide further background on what makes up the revenue and expenses, and how those are expected to vary over a ten year period.

Table 1 summarizes the estimated revenue and expenses for the Chicago to Iowa City service, expressed in Year 1 (2015 dollars).

Table 1
Estimated Operations and Maintenance Costs Summary – Year 1
(in 2015 dollars)

Revenue	
Passenger Revenue	\$6,000,000
Food & Beverage Revenue	\$400,000
Total Revenue - Year 1	\$6,400,000
Expenses	
Host Railroad	\$1,900,000
Fuel	\$1,700,000
T & E Labor	\$2,300,000
Onboard Services	\$900,000
Mechanical	\$3,300,000
Stations	\$1,200,000
Remaining Direct Costs (Including Yard Operations and Maintenance)	\$4,600,000
Total Expenses - Year 1	\$15,900,000
Required Operating Cost Support Needed, Year 1 (YOE)	\$9,500,000
Iowa Share of Operating Cost Support (27% of total)	\$2,565,000
Additional Statistics	
Fare Box Recovery - Year 1	40.3%
Total Projected Ridership - Year 1	246,800
Passenger Miles - Year 1	36,060,000
Average One Way Ticket Price – Chicago to Iowa City – Year 1	\$31.00

Table 2 details the estimated annual costs over a ten-year period, assuming a 4.5% inflation rate

Table 3
Estimated Ten-Year Summary of Operations and Maintenance Costs
(assuming 4.5% inflation rate)

Year	Revenue ⁽¹⁾	Expenses ⁽²⁾	Operating Cost Support Needed	Iowa Share
2015	\$6,400,000	\$15,900,000	\$9,500,000	\$2,565,000
2016	\$6,788,000	\$16,616,000	\$9,828,000	\$2,654,000
2017	\$7,200,000	\$17,364,000	\$10,164,000	\$2,744,000
2018	\$7,637,000	\$18,145,000	\$10,508,000	\$2,837,000
2019	\$8,100,000	\$18,962,000	\$10,862,000	\$2,933,000
2020	\$8,591,000	\$19,815,000	\$11,224,000	\$3,030,000
2021	\$9,112,000	\$20,707,000	\$11,595,000	\$3,131,000
2022	\$9,665,000	\$21,639,000	\$11,974,000	\$3,233,000
2023	\$10,251,000	\$22,613,000	\$12,362,000	\$3,338,000
2024	\$10,873,000	\$23,631,000	\$12,758,000	\$3,445,000
Ten year average				\$2,991,000

⁽¹⁾ Revenue costs assume a 1.5% annual ridership growth and a 4.5% annual inflation

⁽²⁾ Expenses assume a 4.5% annual inflation

