

GEORGIA PASSENGER RAIL PROGRAM

April 10, 2006

STRATEGY FOR IMPLEMENTATION,
OPERATIONAL AND CAPITAL
FUNDING

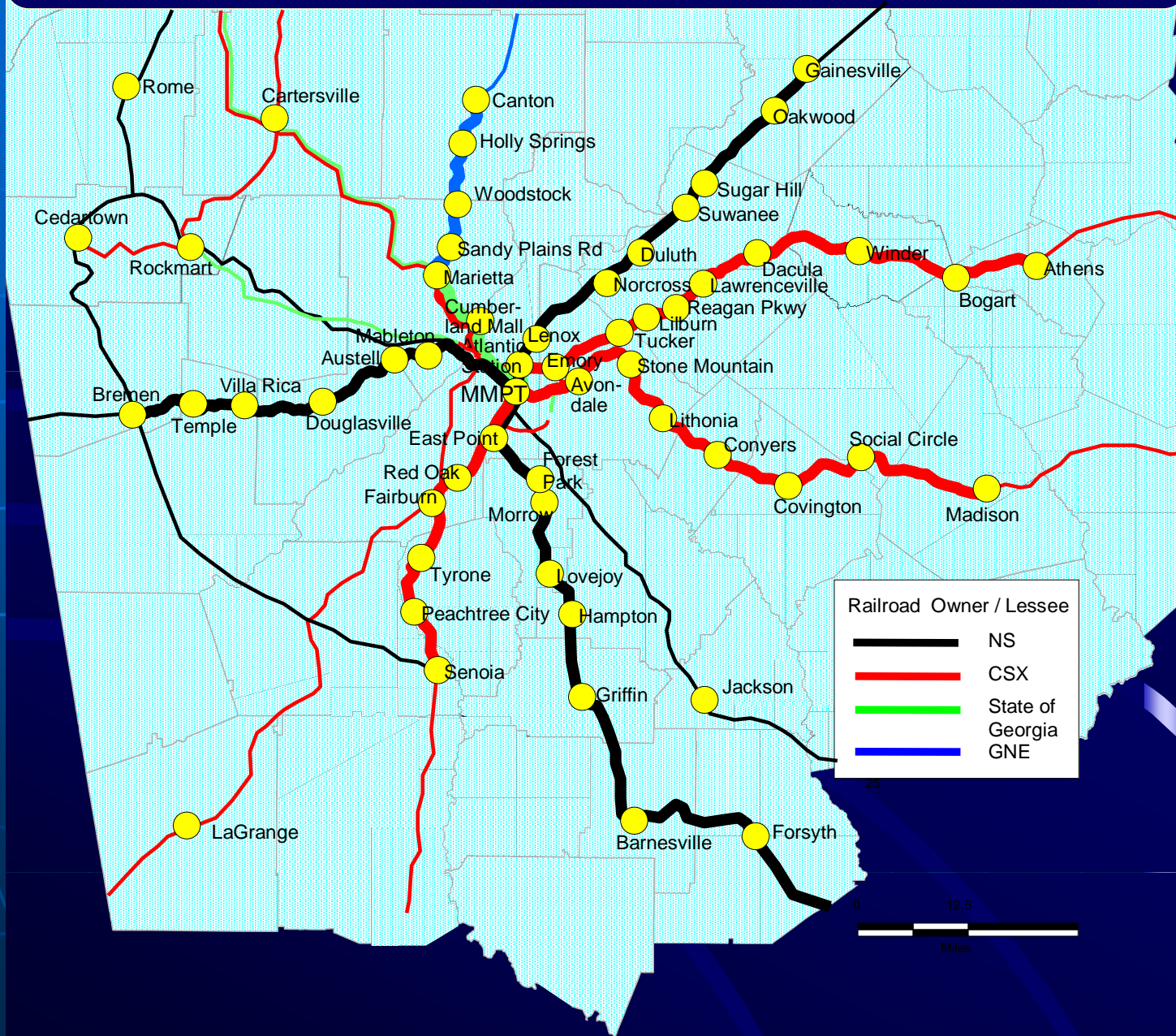
I. THE OBJECTIVE

UNITE THE STATE

- TO CREATE A COMMUTER PASSENGER RAIL SYSTEM TO SERVE:
 - METROPOLITAN ATLANTA
 - LOVEJOY/GRIFFIN
 - TUCKER/ATHENS (BRAIN TRAIN)

- AND TO PROVIDE THE FOUNDATION FOR A COMMUTER RAIL BACKBONE TO SERVE:
 - MACON
 - MARIETTA/CARTERSVILLE
 - CANTON AND OTHERS

North Georgia Commuter Rail Plan



FEASIBILITY

(From R.L Banks Study– 2007)

- Based upon a comparison with *actual daily boardings* on new start commuter rail service *in peer cities*, commuter rail *is feasible* on all seven corridors.
- The plan *confirms compelling ridership numbers for the corridor running north from Macon through Lovejoy to Atlanta.*
- Ridership will grow as highway congestion continues. It provides a *means of congestion relief* as commuters opt for trains over automobiles.

CONGESTION MITIGATION BENEFITS

(From RL Banks Study – 2007)

Corridor	Total Daily work trips	Daily Share in RR Trips	% Trip Reduction
South Line (Lovejoy/Griffin Macon)	475,256	110,283	23%
Northwest Line (Marietta/Cartersville Canton)	564,891	98,347	18%
East Line (Brain Train) (Tucker/Athens)	926,550	135,756	13%

II. THE STRATEGY

- *INITIATE SERVICE TO LOVEJOY -2009*

- *Use W&A RR revenues to jump start service to:*
 - **GRIFFIN** -2010*
 - **TUCKER** (*"Brain Train"*) -2012**
 - **ATHENS** (*"Brain Train"*) -2013**
 - **MARIETTA-CARTERSVILLE** -2014***
 - **MACON** -2018**
 - **HOUSTON COUNTY** -2020**
 - **CANTON** -2020**

* Can be fully funded with W&A RR lease extension

** Design cost funded with W&A RR lease extension


*** Fully fund if capital funding for Tucker-Athens not obtained

Georgia Rail Passenger Program Proposed Initial Implementation



2009 Lovejoy
2010 Griffin
2012 Tucker
2013 Athens
2014 Cartersville
2018 Macon
2020 Houston Co
Canton

 Original Commuter Lines

 Extended Passenger Lines

III. FUNDING SOURCES

- CURRENTLY AVAILABLE FUNDS(\$114M)
- W&A RR LEASE REVENUES (\$42 - \$250M)
- FAREBOX REVENUES
- VENDOR/SERVICES REVENUES

GOAL: ELIMINATE NEED TO HAVE LOCAL GOVERNMENTS AT RISK FOR OPERATIONAL FUNDING BY USING W&A RR REVENUES

WESTERN & ATLANTIC RR AS A FUNDING SOURCE

- The W&A annually produces \$6-7 million* from CSXT
- Current lease term ends in 2019
- Current lease requires CSX negotiate passenger rail access
- Current lease revenues can fully fund operations for 20 or more years if placed in a revolving fund
- The lease value is produced from tariffs paid by shippers
- The current lease revenues and the right to extend after 2019 can be sold or auctioned immediately, or at 2019 lease renewal, to obtain an up-front lease payment
- Infrastructure Funds are currently placing a significant premium on lease ownership of infrastructure assets
- These Funds provide sizable up-front payments for a long-term lease.

* Existing Lease Revenues - State Properties Commission

PRELIMINARY W&A LEASE VALUATION

- **Immediate Upfront Funding Option:** For an immediate sale of current lease and revenues with the right to extend the lease*
- **Preliminary Valuation:** Based on operational projections from Cambridge Systematics, Goldman, Sachs & Co. has performed a preliminary valuation
- **50 Year Lease Term:**
 - Indicative Up-Front Lease Payment \$115-200 Million**
 - **Projected Probable Value: \$ 184 Million**
- **99 Year Lease Term:**
 - Indicative Up-Front Lease Payment: up to \$250 Million**

* Not the best case scenario, it would be better to delay until lease renewal in 2019 to maximize return by not requiring the new lessee to absorb the present less-than-market rate rents for the first 11 years. A middle range option would be to negotiate with CSXT and an infrastructure partner, or do a hybrid upfront payment – smaller up front, increased in 2019. There are a variety of ways to structure the lease.

** Based on projected CSXT operations over W&A RR from Cambridge Systematics published in the 2005-2035 Georgia Statewide Freight Plan. The analysis assumes lessee acquires current annual revenues and that annual revenues increase with current 2.5% inflator through 2019. Thereafter, lessee is assumed to be able to establish rates based on market demand. A complete market study is required for a more accurate, robust valuation analysis. Results are preliminary, indicative and provided courtesy of Goldman, Sachs & Co.

EXAMPLES OF W&A RR LEASE REVENUE OPTIONS

- Using Current Lease Revenues – to 2019
 - Total Revenues through 2019 **\$42.7 Million***
 - Operations Revolving Fund: (\$4 Million)
 - Capital Fund (over 10 years): (\$38.7 Million)
 - Create a revolving fund or
 - Utilize \$1.25-2.5M for \$12-25M 15-yr revenue bond financing
- Lease Extensions
 - Anticipated 50-year Extension: **\$184 Million****
 - Operations Revolving Fund \$ 4 Million
 - Capital Fund (at inception) \$ 180 Million
 - Anticipated 99-year Extension: **\$250+ Million****

* Existing Lease Revenues - State Properties Commission

** Projected CSXT operations over W&A RR - courtesy Goldman Sachs

W&A RR LEASE OPTIONS:

- **OPTION 1: Utilize current lease revenues to get:**
 - 20+ yrs operations w/o any local funds needed
 - Fund Griffin Extension including trainsets/stations
 - By using revenue bond financing as capital funding vehicle
 - Complete MMPT for full commuter operations
- **OPTION 2: Offer a new lease with upfront payment and, for example, a 50-year extension, to get:**
 - 20+ yrs operations w/o any local funds needed
 - Fund Griffin Extension including trainsets/stations, **AND:**
 - Provide design funds for Athens, Macon, Cartersville & Canton
 - Provide substantial revolving capital fund with balance

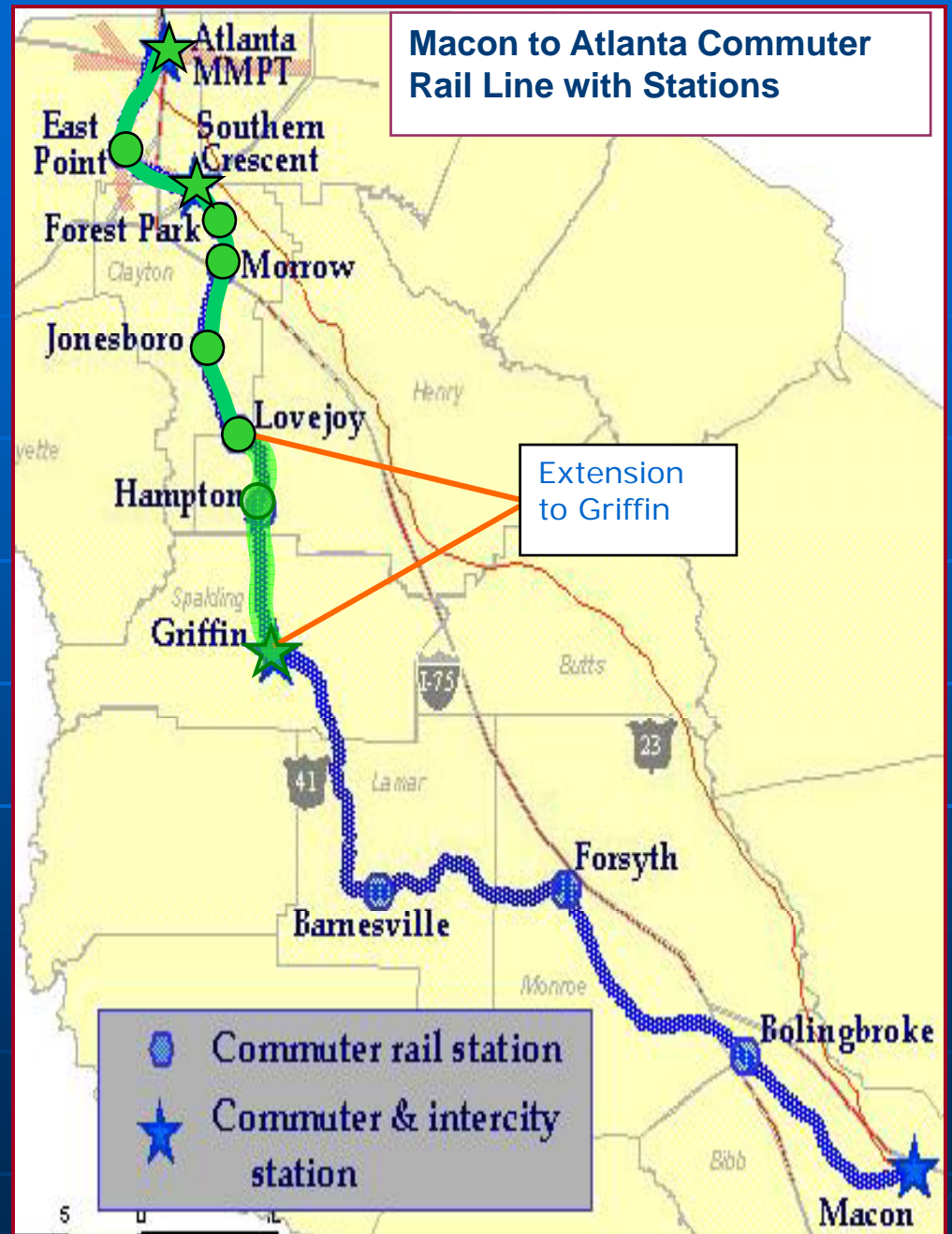
SOUTH LINE ATLANTA - MACON

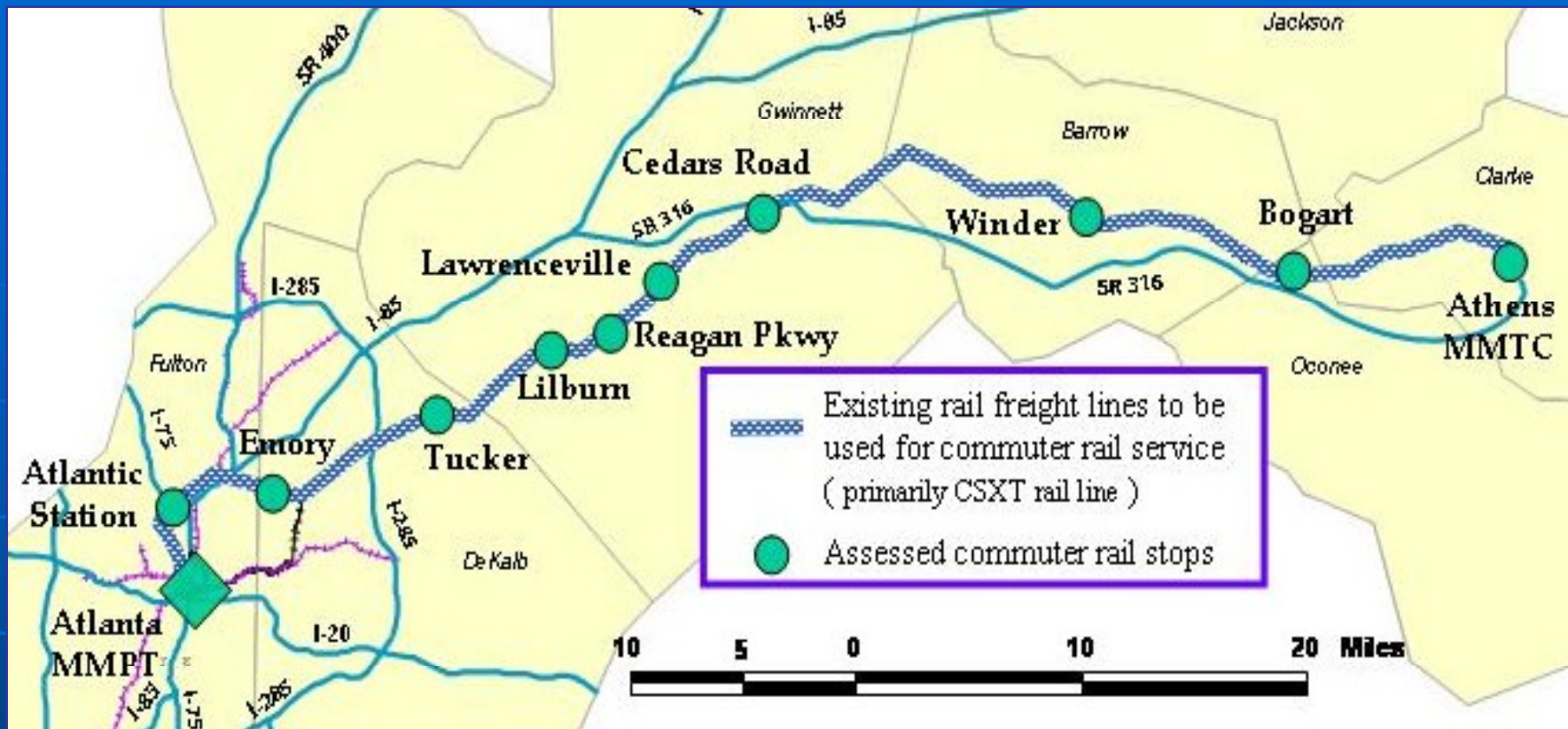
- Atlanta (MMPT) to:
 - Lovejoy 26 miles
 - Griffin 18 miles
 - Macon 35 miles
- Capital Costs:
 - MMPT -\$20.2M*
 - Lovejoy - \$87M*
 - Griffin - \$37M**
 - Macon - \$14M*** (design only)

* Currently Funded

** 2004 Estimates

*** RL Banks Study 2007





EAST LINE

(Brain Train)

Atlanta to Tucker – Capital Costs: \$ 400 M* (\$24M design)

Tucker to Athens – Capital Costs: \$ 300 M* (\$18M design)

* For Recommended improvements – RL Banks Study (2007)

NORTHWEST LINE

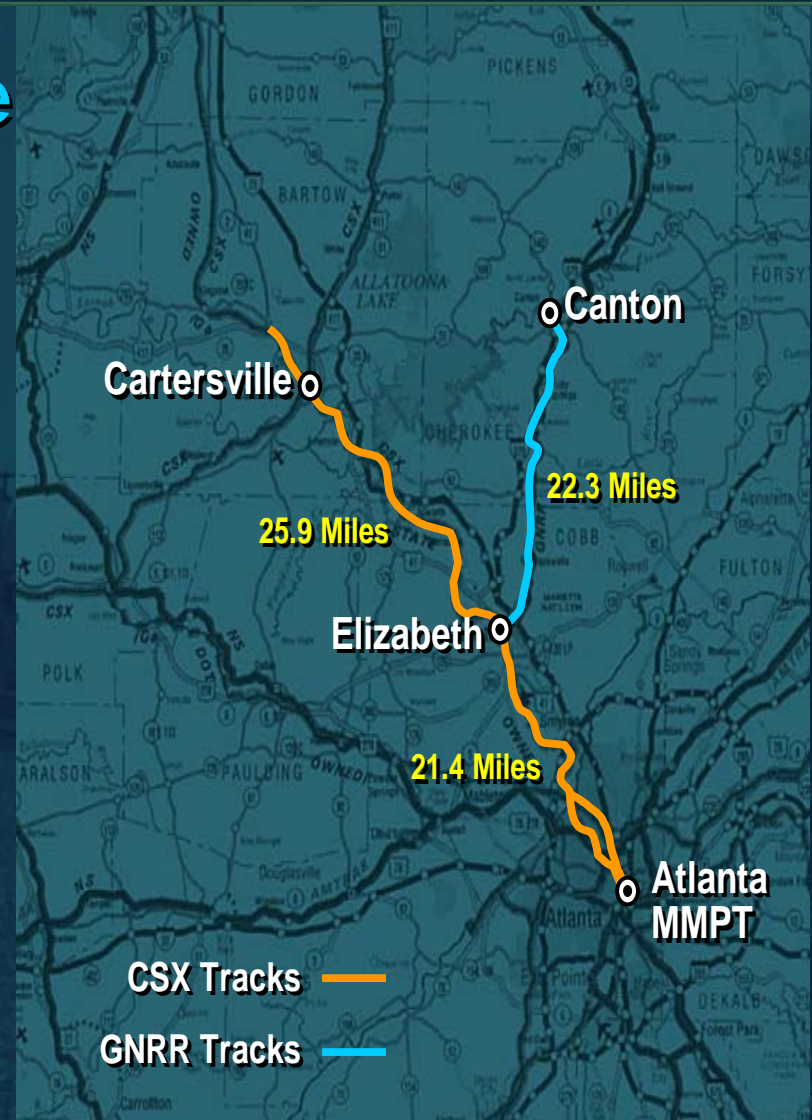
- Atlanta to:
 - Marietta/Elizabeth
 - Cartersville
 - Canton
- Capital Costs (min):
 - Marietta/Elizabeth - \$27.8 M*
 - Cartersville – \$14.6M*
 - Canton - \$2.8M**
(design only)

* 2001 costs x 200%

** 2001 costs

CARTERSVILLE / CANTON - ATLANTA - Corridor Capacity and Speed Evaluation Study

Mileage Map



ESTIMATED CAPITAL COSTS- I

(Commuter Track and Stations)

- South Commuter Line
 - To Lovejoy (currently funded) \$57 M*
 - To Griffin **\$37.0 M****
- MMPT (Atlanta Terminal)
 - MMPT (currently funded) \$20.2*
 - MMPT (Northwest/Athens platforms) **\$16.5 M****
- East Line ("Brain Train")
 - To Tucker (\$400M) (design only) **\$24.0 M****
 - To Athens (\$300M) (design only) **\$18.0 M****

* Currently available Federal and State Commuter Rail Program funding

** To be funded with W&A upfront lease revenues

ESTIMATED CAPITAL COSTS - I

(Commuter Track and Stations - Continued)

- South Line*
 - To Macon (\$234M) (design only) \$14.4 M*
 - To Houston County (design only) \$ 7.0 M*

- Northwest Commuter Line*
 - To Canton (design only) \$ 2.8 M*

■ Subtotal Fixed Asset costs: **\$ 119.7 M**

* To be funded with W&A upfront lease revenues

ESTIMATED CAPITAL COSTS - II

(Train sets – Coaches and Locomotives)

- South Commuter Line
 - To Lovejoy (currently funded) \$7.78 M*
 - To Griffin (two additional sets)** **\$5.0 M**

- East Commuter Line**
 - To Tucker **\$5.0 M**
 - To Athens **\$7.8 M**

- Subtotal Trainset costs: *** **\$ 17.8 M**

* Refurbished equipment (In current Atlanta Lovejoy Funding)

** Refurbished equipment to be funded with W&A upfront lease revenues

*** To be funded with W&A upfront lease revenues

SUMMARY CAPITAL COSTS – I & II

(Based upon 50-year Extension)

• Anticipated Upfront Payment:	\$184 M
▪ Less Operations Revolving Fund	\$ 4 M
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▪ Available Balance	\$180 M
• Estimated Capital Costs:	
▪ Fixed Assets	\$119.7 M
▪ Train Sets	\$ 17.8 M
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▪ Estimated Costs	\$137.5 M
• Capital Reserve:	\$42.5M

Capital Reserve may be used to partially fund cost's to Tucker provided approximately \$350 M is committed from other sources by 2010, or dedicated to additional service.

CONTINGENCY USE OF CAPITAL- III

(Implementation of Northwest Line)

- Northwest Commuter Line
 - To Marietta/Elizabeth **\$27.8 M**
 - To Cartersville **\$14.6 M**
- Northwest Commuter Trainsets
 - To Marietta \$7.8 M*
 - To Cartersville \$5.0 M*
- Total of Contingency Use **\$42.4M**

* To be funded by transfer of Tucker/Athens Train set budget

OPTIONS MATCHING ESTIMATED CAPITAL COSTS AGAINST ANTICIPATED AVAILABLE FUNDING

■ Option 1 – Use existing W&A Revenues

- Total costs to Griffin: **\$37 M**
- Available W&A Revenues: * **\$38.7 M**

■ Option 2 – Upfront rebid of Lease

- Total Estimated Capital Costs: **\$179.9 M**
- Anticipated Funds (50-year Ext): * **\$180 M***

* (Less \$4M to operational revolving fund)

Note: Estimated Funds from 99-year re bid: **\$250 M**
would yield a capital revolving fund of: **\$ 70M**

COST COMPARISON WITH OTHER COMMUTER PROGRAMS

- Commuter Rail – Griffin – Cartersville **\$293 M**
 - 91.3 miles – Cost per mile **\$3.2 million** (abt 1/8 cost)
 - 20 plus stations
- Northwest Corridor BRT* **\$650M**
 - 26 Miles – Cost per mile **\$25 million**
 - 5 Stations – Marietta Town Center to Cobb Galleria
 - Use HOV lanes to Arts Center Station
- Peachtree Street Trolley** **\$445M**
 - 16.1 Miles – Cost per mile **\$27 million**
 - Stops – Buckhead to Southside

* NW Corridor Proposal (Georgia Transportation Partners- Updated 2007)

** City of Atlanta Final Report – Peachtree Corridor Finance Subcommittee 2007, page 7 (Streetcar improvements only)

IV. GEORGIA RAIL PASSENGER AUTHORITY

- 15-MEMBER STATEWIDE BOARD
- SINGLE PURPOSE OPERATIONAL AUTHORITY
- COVERS ALL PASSENGER OPERATIONS:
 - Commuter Rail
 - Transit
 - Intercity/Interstate – Multistate Compact
 - Can operate federal high-speed rail corridors
- RAILROAD LABOR ACT—ABLE TO ACCOMMODATE UNIONIZATION
- POWER OF EMINENT DOMAIN
- FULL REVENUE FINANCING POWERS

V. NEXT STEPS

- RECONSTITUTE GRPA BOARD
- EXECUTE LOVEJOY AGREEMENTS
- EXTEND/RFP RAIL CONSULTANT CONTRACT
- TRANSFER W&A LEASE TO GRPA
- ENGAGE PEER REVIEW OPERATIONS ENGINEER
- ENGAGE INVESTMENT BANKING FIRM
- ISSUE RFPS FOR STATIONS AND DESIGNATED OPERATOR

GRPA BOARD OPEN POSITIONS

- District 2
- District 5
- District 6
- District 7
- District 9
- District 12
- District 13

EXECUTE LOVEJOY AGREEMENTS

- DOT-GRPA Intergovernmental Agreement
- NSRR Construction Agreement
- NSRR Services Agreement
- Atlanta MMPT Land Conveyance Agmt
- Issue RFP for Rail Consultant Contract
- Engage Local Gov'ts on Station Amenities

Commit all \$114M available funds in Budget

TRANSFER W&A LEASE TO GRPA

AMEND O.C.G.A. §50-16-100 TO DESIGNATE THE FIRST PARAGRAPH AS SUBSECTION (a) AND TO ADD A NEW SUBSECTION (B) AS FOLLOWS, EFFECTIVE JULY 1, 2009:

- (b) The power to hold the lease as Lessor, including, but not limited to, the rights to receive the proceeds of the existing lease of the Western and Atlantic Railroad property made March 4, 1968, as amended, is assigned to the Georgia Rail Passenger Authority, with all powers to manage, lease, or in its discretion, to itself operate the Western and Atlantic Railroad, and to use all proceeds for its statutory purposes, provided, however, that upon any decision of GRPA to cease such leases or operations, the provisions of code section 50-16 -107 shall take effect.

FOLLOW-ON STEPS

- Engage Peer-Review Operations Engineer to provide operations modeling for design of proposed track improvements after Lovejoy
- Engage Investment Banking firm
- Issue RFP for Station and MMPT construction
- Issue RFP for Designated Operator (If NSRR does not elect to be Operator)