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## Northern New England Passenger Rail Authority

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OPEGA completed the initial phase of its review of Northern New England Passenger Rail Authority (NNEPRA), the quasi-State agency that operates the Downeaster passenger rail service. This initial phase of OPEGA's review focused on gaining a sound understanding of NNEPRA and its functions and assessing areas of risk or concern, particularly with regard to use of resources, planning, financial policies and processes, oversight and governance, and management effectiveness. The scope of work included reviewing citizen complaints; interviewing NNEPRA management and other stakeholders; and reviewing various documents including NNEPRA policies and procedures, past federal reviews and independent financial audits, and Maine Department of Transportation (MaineDOT) and NNEPRA's plans for passenger rail. OPEGA also analyzed NNEPRA's financial and performance information. In July 2016, the GOC agreed with OPEGA's recommendation to report the results of the work to date in an Information Brief before deciding whether any areas warranted more in-depth review.

OPEGA reported several observations about NNEPRA's operations, finances and oversight in the Information Brief:

- As is typical of passenger rail services across the country, the Downeaster's operating revenues are not sufficient to cover its operating expenses. However, with the exception of FY15, NNEPRA's cost recovery rate exceeded 50% annually and was consistently two to four percentage points better than the composite comparison group of commuter rail lines. We noted several functions NNEPRA performs that appear key to maximizing ridership and, thus, operating revenues. These include scheduling, fare setting, and marketing.
- NNEPRA has established strong written policies and procedures to ensure economic purchasing; to reduce the risk of inappropriate, unnecessary, or excessive expenditures; and to ensure budgets are reasonable and aligned with established priorities.
- NNEPRA is subject to oversight and governance from a number of entities. The Legislature's Joint Standing Committee on Transportation reviews and confirms the Governor's appointments to the NNEPRA Board and reviews and considers any proposed legislation related to NNEPRA. NNEPRA is also subject to review by the Legislature by way of statutorily required reports. The Federal Railroad Administration (FRA) promotes and enforces rail safety regulations and conducts a yearly audit of one of the FRA-funded projects that NNEPRA has underway. The Federal Transit Administration (FTA) provides financial assistance to NNEPRA through grants and reviews NNEPRA every three years to ensure it is following federal mandates as well as statutory and administrative requirements.
- MaineDOT plays a significant role in the oversight of NNEPRA. In addition to having a seat on the Board, statute requires the MaineDOT Commissioner's approval of NNEPRA's annual operating budget. MaineDOT is responsible for long-term planning for Maine's transportation infrastructure including both freight and passenger rail. Although NNEPRA collaborates with MaineDOT in the planning related to passenger rail, the Authority's role is primarily to implement current passenger rail policy choices and plans as laid out by MaineDOT.

Overall, OPEGA also observed that NNEPRA and the State face particular challenges in implementing passenger rail service in Maine that create inherent risk in achieving desired outcomes for passenger rail service. These challenges are important considerations in establishing realistic expectations for NNEPRA and Downeaster performance, as well as realistic expectations for the societal benefits that passenger rail will generate. The constraints associated with the reliance on operating partners for equipment and infrastructure, and the demographics and needs of riders and potential riders, are among the realities that should be well considered during the evaluation and vetting of proposed expansions and capital improvement projects requiring substantial funding. OPEGA made several suggestions on improvement opportunities for NNEPRA and the State to consider toward ensuring that the realities and challenges identified, as well as public input, are fully considered in future policy-setting and planning for passenger rail in Maine.

The GOC held a public comment period on the Information Brief during which concerned citizens encouraged the GOC to continue with a more in-depth review of NNEPRA. A number of the concerns expressed, however, were outside the scope of the current NNEPRA review. The GOC ultimately voted, on a split vote, to direct OPEGA to continue the current review with a focus on effectiveness of the NNEPRA Board in its various roles, accuracy and transparency of performance metrics for the Downeaster service, and NNEPRA's administration and oversight of contractual arrangements with key partners for operating the Downeaster service. Also on split votes, the GOC put two other NNEPRA-related topics on the Committee's On Deck List for further consideration by a future GOC.