NEW MEXICO DEPARTMENT OF TRANSPORTATION (NMDOT)

HM 127 of 2015, "Study of Long-Term Operational and Maintenance costs of Rail Runner to Local and State Governments and the Benefits and Feasibility of Selling the State's Ownership of Rail Runner Infrastructure"

REPORT TO THE NEW MEXICO STATE LEGISLATURE INTERIM TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

NOVEMBER 4, 2015

HM 127

During the 2015 regular session of the New Mexico Legislature, the House of Representatives passed a memorial (HM 127 by Representative Rehm) "...requesting the NMDOT to conduct a study of the long-term operational and maintenance costs of the Rail Runner to state and local governments and the benefits and feasibility of selling the state's ownership of Rail Runner infrastructure..." and "... to provide a report on the study to the appropriate interim legislative committee prior to November 15, 2015." This study was completed in response to HM 127.

Background

The NMDOT owns 133 miles of right-of-way in Valencia, Bernalillo, Sandoval, and Santa Fe counties which was purchased or newly constructed during the 2005-2008 period to facilitate the development of the New Mexico Rail Runner Express (NMRX). The NMDOT-owned rail alignment is shown in the map on page 4. NMDOT also purchased and owns the NMRX rolling stock, consisting of 22 passenger cars and nine locomotives as well as 14 NMRX stations.

NMDOT does not operate NMRX rail service directly, but provides for NMRX operation and maintenance through a Memorandum of Agreement (MOA) with Rio Metro Regional Transit District (RMRTD). RMRTD contracts with Herzog Transit Services, Inc. for the operation and maintenance of the NMRX trains and the Albuquerque and Santa Fe subdivisions, the two NMDOT-owned subdivisions on which NMRX operates. RMRTD includes the counties of Sandoval, Bernalillo and Valencia.

In November 2008, voters in those three counties approved a 0.125 percent increase in the gross receipts tax to fund transit operations, with revenues divided equally between bus and NMRX. The GRT tax for transit began July 1, 2009. A 0.125 percent GRT tax for transit service was also approved by the voters in the North Central Regional Transit District (NCRTD) in November 2008. NCRTD includes Santa Fe, Los Alamos, Taos and Rio Arriba Counties. One half of the NCRTD's GRT proceeds generated in Santa Fe County is provided to RMRTD for NMRX service.

The NMDOT-owned railroad consists of all or part of three separate subdivisions that are shown on the map on page 4 and described below:

Albuquerque Subdivision

The Albuquerque Subdivision is a 98.5-mile right-of-way extending from Belen to Lamy that NMDOT purchased from BNSF in two stages completed in 2005 and 2007. The Albuquerque Subdivision is single-tracked except for a 4.7-mile segment within Albuquerque that is double-tracked. RMRTD dispatches and maintains the Albuquerque Subdivision under the MOA with NMDOT.

Three railroads operate on the Albuquerque Subdivision. BNSF retains exclusive and perpetual freight rights on the entire Albuquerque Subdivision as a condition of selling the line to NMDOT, although BNSF trains operate only occasionally north of the City of Albuquerque. NMRX operates between Belen Station and CP Madrid (where the Santa Fe Subdivision joins the Albuquerque Subdivision), a distance of 74 miles. Amtrak's Southwest Chief operates between Lamy and Isleta Junction, a distance of 81 miles.

Santa Fe Subdivision

The Santa Fe Subdivision is a 22.4-mile right-of-way extending from the Albuquerque Subdivision at CP Madrid to the end of the tracks in the Santa Fe Railyard. NMDOT owns 21.7 miles of the Santa Fe Subdivision, while 0.7 miles within the Santa Fe Railyard at the northern end of the line are owned by the City of Santa Fe. RMRTD dispatches and maintains the Santa Fe Subdivision under the MOA with NMDOT.

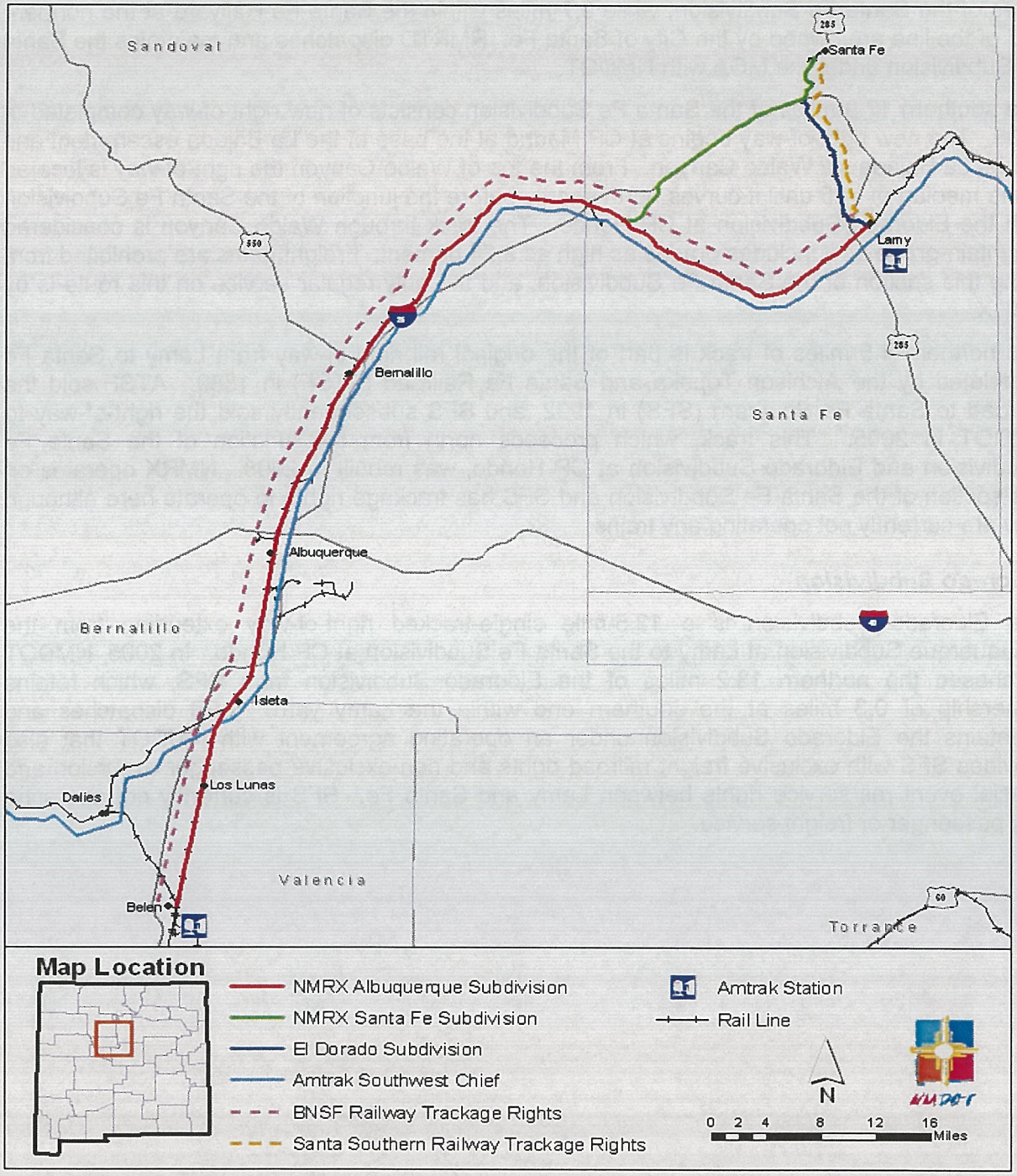
The southern 17.9 miles of the Santa Fe Subdivision consists of new right-of-way completed in 2008. The new right-of-way begins at CP Madrid at the base of the La Bajada escarpment and climbs La Bajada via Waldo Canyon. From the top of Waldo Canyon the right-of-way is located in the median of I-25 until it curves north shortly before the junction of the Santa Fe Subdivision with the Eldorado Subdivision at CP Hondo. The track through Waldo Canyon is considered mountain-grade as it includes grades as high as 3.24 percent. Freight trains are prohibited from using this section of the Santa Fe Subdivision, and the only regular service on this route is by NMRX.

The northern 4.5 miles of track is part of the original rail right-of-way from Lamy to Santa Fe completed by the Atchison Topeka and Santa Fe Railroad (ATSF) in 1880. ATSF sold the railroad to Santa Fe Southern (SFS) in 1992, and SFS subsequently sold the right-of-way to NMDOT in 2005. This track, which proceeds north from the junction of the Santa Fe Subdivision and Eldorado Subdivision at CP Hondo, was rebuilt in 2008. NMRX operates on this section of the Santa Fe Subdivision and SFS has trackage rights to operate here although they are currently not operating any trains.

Eldorado Subdivision

The Eldorado Subdivision is a 13.5-mile single-tracked right-of-way extending from the Albuquerque Subdivision at Lamy to the Santa Fe Subdivision at CP Hondo. In 2005, NMDOT purchased the northern 13.2 miles of the Eldorado Subdivision from SFS, which retains ownership of 0.3 miles at the southern end within the Lamy yard. SFS dispatches and maintains the Eldorado Subdivision under an operating agreement with NMDOT that also provides SFS with exclusive freight railroad rights and non-exclusive passenger excursion and special event rail service rights between Lamy and Santa Fe. SFS is currently not operating any passenger or freight service.

NMDOT-Owned Rail Alignment



I. Costs to the state and to local governments of maintaining and operating the Rail Runner over the next twenty years.

Rail Runner operations and maintenance costs are paid by RMRTD not by the State of New Mexico or local governments. Under the terms of the NMDOT-RMRTD MOA, RMRTD manages and funds Rail Runner operations and maintenance. RMRTD utilizes the following revenue sources to fund Rail Runner operations and maintenance:

1. A 1/8% gross receipts tax approved by the voters in the Rio Metro Counties of Valencia, Sandoval and Bernalillo and Santa Fe County in the North Central Regional Transit District
2. Federal Transit Administration Grant Funds
3. Passenger fare revenue
4. Payments made by BNSF and Amtrak for maintenance of the rail line provided through NMDOT.

RMRTD contracts with Herzog Transit Services, Inc. for Rail Runner operations and maintenance. The attached table illustrates Rail Runner operations, maintenance and capital costs and revenues for the next 20 years, with the FY 2016 cost budgeted at $26.76 million.

NMDOT expenditures for Rail Runner are limited to payment of the debt service that was incurred for acquisition and construction of Rail Runner infrastructure, property and train equipment. NMDOT has a total Rail Runner debt service of $693 million. All bonds have a final maturity of 2027. A significant issue NMDOT faces with the outstanding debt is addressing two "cliff" payments in FY 2025 and FY 2026. These "cliff" payments are $110 million in each year. The annual debt service payments are illustrated in the table on the following page. The future annual payment amounts are subject to change based on financial market conditions.

The revenue stream that supports the Rail Runner bonds is the State Road Fund (Road Fund). No federal funding revenue can be used for payment of this debt. NMDOT has been reviewing the possibility of restructuring the debt and determined it would cost upwards of $109 million in termination payments and an increase in Road Fund contribution each year which would reduce funds available for work on the state highway system. NMDOT has also considered creating a reserve fund to help offset the "cliff" payments, but due to no projected Road Fund revenue growth, this is not possible without forgoing selected state highway system projects.

Rail Runner Debt Service

Fiscal Year	Principal	Interest	Total
FY06	-	12,206,605	12,206,605
FY07	-	16,576,034	16,576,034
FY08	-	27,730,162	27,730,162
FY09	-	25,282,919	25,282,919
FY10	-	22,811,994	22,811,994
FY11	2,100,000	20,326,005	22,426,005
FY12	1,225,000	21,683,510	22,908,510
FY13	1,270,000	18,715,836	19,985,836
FY14	3,643,200	18,050,452	21,693,652
FY15	8,731,600	18,131,086	26,862,686
FY16	6,785,000	18,353,780	25,138,780
FY17	9,701,471	18,178,966	27,880,437
FY18	10,859,000	16,758,756	27,617,756
FY19	11,446,200	16,218,056	27,664,256
FY20	12,017,400	15,700,834	27,718,234
FY21	12,666,800	15,093,459	27,760,259
FY22	13,570,000	14,461,186	28,031,186
FY23	16,209,800	13,782,686	29,992,486
FY24	4,272,800	12,910,830	17,183,630
FY25	97,715,000	12,665,381	110,380,381
FY26	102,820,000	7,197,865	110,017,865
FY27	14,625,000	894,662	15,519,662
	329,658,271	**363,731,061**	**693,389,332**

**Amounts are subject to change based on market conditions.

II. Feasibility of selling the track, rolling stock and other Rail Runner assets currently owned by the state

The use of the NMDOT-owned railroad, property and train equipment is governed by a series of agreements between NMDOT and the other railroads that use the NMDOT-owned railroad, RMRTD and tribal governments. The terms and conditions of these agreements impact the potential use, maintenance, modification or disposition of the railroad by any party that might purchase the NMDOT-owned railroad and thus the likelihood of such a purchase.

BNSF-NMDOT Purchase and Sale Agreement and Joint Use Agreement provisions

The NMDOT-BNSF Joint Use Agreement (JUA) provides BNSF a permanent, exclusive freight railroad easement on the railroad that NMDOT owns between Belen and Lamy. BNSF's approval would be required in order for any other railroad to operate freight rail service on the NMDOT-owned railroad. BNSF's easement would need to be honored by any party that would acquire the NMDOT-owned railroad. Under the terms of the JUA, NMDOT is required to maintain the NMDOT-owned railroad in a state of good repair that meets Federal Railroad Administration Class 4 track safety standards where passenger rail service is operated.

BNSF freight train operations on the NMDOT-owned railroad are concentrated on the segment between Belen and Albuquerque. BNSF freight rail shipments to local customers on the NMDOT-owned railroad are routed via Belen to the Abajo yard in Albuquerque, and local freight rail service operates seven days per week from Abajo yard to customers in the Albuquerque area. BNSF also interchanges freight cars with Santa Fe Southern Railway at Lamy, although Santa Fe Southern Railways has not operated freight service out of Lamy for the past few years. BNSF owns an intermodal yard for Trailer/Container-on-flat car shipments on Woodward Avenue in Albuquerque that operates seven days per week. BNSF also owns an adjacent automobile distribution facility. Freight rail shipments to the Woodward yard come directly from Belen.

BNSF pays NMDOT a monthly fee for their use of the NMDOT-owned railroad, based on their use of the line in terms of gross ton miles of freight they haul on the line. BNSF payments to NMDOT are currently estimated at $1.7 million annually. The JUA provides that BNSF will not be required to pay or reimburse NMDOT for any capital improvement or replacement item without BNSF's specific prior approval. Therefore, NMDOT is responsible for capital projects required to continue the use of the railroad unless BNSF agrees to pay for part or all of the cost for such projects.

The JUA is assignable by BNSF in whole or in part as corresponds to a given segment of the Rail Corridor. NMDOT has the right to approve or disapprove the proposed assignee. NMDOT may not assign its rights in the JUA. Any successor will be required to accede in writing to all of the terms, conditions and requirements of the JUA. The JUA is in effect as long as any commuter rail service and/or Amtrak service and freight service continue to operate and are not permanently abandoned under federal law. The BNSF-NMDOT Purchase and Sale Agreement stipulate that NMDOT may not assign its interest in this agreement without BNSF's prior written approval.

BNSF owns the rail line on the northern/Lamy terminus and southern/Belen terminus of the NMDOT-owned railroad, with no connection to any other railroad. A purchaser of the NMDOT-owned railroad would need to reach agreement with BNSF, and pay BNSF fees for use of the BNSF line, in order to use the BNSF track north of Lamy and south of Belen.

The JUA also addresses insurance requirements for railroad operations. NMDOT has an ongoing and essentially perpetual obligation to fully insure BNSF for all liability arising from any accident or incident related in any way to the presence of commuter rail service. NMDOT procures insurance through the New Mexico General Services Department (GSD). The Rail Runner insurance premiums are paid by RMRTD as part of the Rail Runner annual operating budget. The FY 2016 combined insurance premiums are expected to be approximately $2.5 million. The primary liability insurance obligations of NMDOT to BNSF are:

1. NMDOT must purchase and maintain general liability insurance covering both BNSF and NMDOT for each single accident or incident equal to the higher of $200,000,000 or the maximum liability as enacted in statute by Congress (presently $200,000,000);
2. NMDOT must provide first dollar coverage to BNSF from this insurance, and any and all BNSF liabilities would be covered by NMDOT in the event that self-insured retention or deductibles preclude coverage of those liabilities under the liability insurance policies;
3. The liability insurance must insure all covered parties against all risks, including negligence, gross negligence, recklessness, and willful and wanton misconduct, and also include coverage for punitive damages;
4. NMDOT must immediately cease all commuter rail service in the event that a level of liability insurance as specified in the JUA and acceptable to BNSF is not maintained;
5. BNSF may purchase liability insurance acceptable to BNSF in the event NMDOT fails to do so, and to recoup the cost of that insurance from the line of credit established and maintained in accordance with the JUA; and
6. The conditions that must all be met in order for the NMDOT obligation to insure BNSF for all liability arising from any accident or incident resulting from commuter rail operations to expire are:

    a. BNSF has not operated freight trains on or across the rail corridor for at least five years;
    b. BNSF has not dispatched trains on or across the rail corridor for at least five years;
    c. BNSF has not maintained any segment of the rail corridor on which commuter rail service operates for at least five years; and
    d. There have been no claims or accidents involving potential claims for at least five years.

The JUA also requires that NMDOT establish and maintain a $50 million escrow line of credit in order to operate commuter rail service. Funds from the escrow line of credit are intended to pay BNSF for any costs incurred in defending a claim relating in any way to the operation of commuter rail service, or any loss or damage assessed to BNSF from any insurance claim that

is not covered by an insurer. The escrow line of credit may only be closed if the conditions for NMDOT's obligation to cover BNSF liability described in the section above are met. BNSF may not transfer its interest in the escrow account.

The JUA also requires that, for any major capital maintenance or replacement project on the railroad (defined as a project exceeding 130% of the annual maintenance budget), NMDOT, RMRTD, or the contractor that performs this work must procure and maintain the following forms of insurance:

1. Commercial general liability insurance with a minimum limit of $5,000,000 per occurrence, $10,000,000 aggregate, naming BNSF as an additional named insured;
2. Business automobile insurance with a combined single limit of at least $5,000,000 per occurrence naming BNSF as an additional named insured;
3. Workers compensation insurance with limits of at least $2,000,000 per accident, including Federal Employers Liability Act (FELA) coverage naming BNSF as an alternate employer with coverage under FELA;
4. Railroad protective liability insurance with a minimum limit of $5,000,000 per occurrence, $10,000,000 aggregate naming BNSF as the insured entity; and
5. Contractor's pollution legal liability insurance with a minimum limit of $5,000,000 per occurrence, $10,000,000 aggregate.

These insurance costs would ultimately be borne by whatever entity or agency is funding the capital projects. In practice, NMDOT requires all contractors performing work within the right of way, capital or otherwise, to carry insurance that protects NMDOT, RMRTD, Herzog, and either BNSF or Santa Fe Southern (depending on which railroad has the rail freight rights on that portion of the line). This insurance is required whether this work is on behalf of Rail Runner or on behalf of other companies, utilities or government entities whose work must interact with the railroad.

NMDOT-Amtrak Joint Use Agreement

NMDOT's March 2006 Joint Use Agreement with Amtrak provides Amtrak trackage rights for the operation of two daily Amtrak Southwest Chief trains on the NMDOT-owned railroad from Lamy to Isleta. If NMDOT sold its railroad, the purchaser would be required to honor Amtrak's right to use the tracks for its train service. Amtrak pays NMDOT a monthly fee for the use of the NMDOT-owned railroad based on their use of the track. The current estimate of Amtrak's payment is approximately $300,000 per year.

The NMDOT-Amtrak Agreement also stipulates that NMDOT may not dispose of or abandon its rail lines used in the operation of Amtrak's intercity rail passenger service without Amtrak's prior written approval, which shall not unreasonably be withheld, for as long as such use continues or for the term of this agreement, whichever period is the shorter. The agreement with Amtrak is in effect for at least 15 years and thereafter until terminated by either party with 12 months' prior written notice to the other party.

The Amtrak agreement provides that all the obligations of the parties in the NMDOT-Amtrak Agreement shall bind their successors and assigns whether or not expressly assumed by such successors and assigns. The Agreement also stipulates that the rights and obligations pursuant to this Agreement shall not be assigned, in whole or in part, by either party without the prior approval of the other party.

NMDOT-Santa Fe Southern Railway Joint Use Agreement

NMDOT executed a January 2005 Joint Use Agreement with the Santa Fe Southern Railway (SFS) which governs the joint use of the NMDOT-owned rail line between Lamy and Santa Fe. This Agreement provides SFS with the exclusive freight railroad rights and non-exclusive passenger excursion and special event rail service rights on this rail line. SFS is currently not operating any passenger or freight service.

This Agreement is in effect so long as SFS operates on the Lamy line or NMDOT operates on the Lamy line. NMDOT may terminate this agreement for any material breach by SFS, provided NMDOT affords SFS at least 30 days to cure the breach. The Agreement is binding on successors of SFS and NMDOT and any successor must accede, in writing to all the terms and conditions of the agreement.

NMDOT-RMRTD Memorandum Of Agreement (MOA).

The August 2013 MOA provides that NMDOT shall make available to RMRTD the property, equipment, and facilities necessary to operate and maintain Rail Runner in a safe, clean and efficient operating condition. The MOA stipulates that RMRTD is responsible for Rail Runner operations and maintenance costs, including payment of Rail Runner insurance premiums as described earlier in this report.

The MOA is binding on RMRTD, NMDOT and their assigns, any subsidiaries or other entity created or contracted with any party to carry out the provisions of the MOA. Neither party shall assign or transfer any interest in the MOA or any claims for money due under the MOA without prior written approval of the other party. The MOA is in effect in perpetuity, but can be terminated by either party with twelve months' notice.

The MOA contains a provision indicating that RMRTD and NMDOT will work toward Rio Metro taking ownership of Rail Runner ("WHEREAS, NMDOT and Rio Metro RTD acknowledge that there is a mutual desire to eventually transfer NMRX ownership from NMDOT to Rio Metro RTD over the next five to ten years and intend to develop a plan for the transfer of the NMRX assets during the term of this MOA.")

Tribal Agreements

At the Sandia, Kewa/Santo Domingo and Isleta Rail Runner stations, NMDOT owns only the passenger boarding platforms and canopies and leases the passenger parking areas from the respective Pueblos under agreements with each of these Pueblos. The Pueblos' agreements with NMDOT stipulate that NMDOT may assign its rights or obligations under the agreement to another political subdivision of the state, without consent of the Pueblo, provided that such

political subdivision will be required to immediately adopt the terms of the agreement. Prior to assigning its rights or obligations under the agreement to a private third party, NMDOT must obtain consent from the Pueblo, which consent shall not be unreasonably withheld and obtain approval of the US Department of the Interior Bureau of Indian Affairs Southern Pueblos Agency Superintendent.

Federal Approvals.

The 10.5 miles of the Rail Runner line in the median of I-25 in Santa Fe County could not be sold to a private entity without the USDOT Federal Highway Administration (FHWA) approval of the use of the property. NMDOT expects that the FHWA would oppose non-transportation uses of this property in the median of I-25.

Railroad Encroachment into the US 285 Right of Way within Santa Fe City Limits.

After purchasing the railroad line from Lamy to Santa Fe from SFS but prior to commencing construction of Rail Runner Phase 2 to Santa Fe, NMDOT entered into an agreement with SF Brown Inc. that would realign the railroad right of way on both sides of Zia Road. Ownership of the existing railroad right of way along Galisteo Road was transferred to SF Brown and in return SF Brown transferred ownership of a portion of its property along St. Francis Drive (US 285) to NMDOT. The subsequent construction of Rail Runner Phase 2 resulted in the railroad alignment encroaching on the NMDOT-owned US 285 right of way on both sides of Zia Road. In two locations, the highway right of way extends essentially to the nearest rail.

Sale of the railroad would require legally defining the railroad right of way where it encroaches into the US 285 right of way. It is expected that, as with the railroad property in the I-25 median, FHWA would need to approve the sale of this portion of the railroad right of way to any private entity and that FHWA would oppose any non-transportation use of this portion of the railroad property.

NMDOT Debt Service

As noted in Section I of this report, NMDOT has incurred $693 million of debt to construct Rail Runner infrastructure and purchase train equipment. NMDOT has paid $218.4 million of the debt service from FY 2006-2015, with an estimated $474.9 million of remaining debt payments to be made for FY 2016-2027. NMDOT's obligation to pay the debt service exists whether or not Rail Runner service is operated. NMDOT's obligation to pay the debt service exists even if NMDOT sells its railroad assets unless the debt is retired as part of the sale.

If NMDOT continues to hold the lien, it is presumed that any future sale of the Rail Runner asset would only be made for a price that would at least allow NMDOT to retire most, if not all of the remaining debt service of $474.9 million. Alternatively, a purchaser could take over the obligation of paying off the remaining principal of $312.7 million and finance it with new debt instruments, ending NMDOT's debt obligation.

III. Cost of replacing the Rail Runner with a reestablished commuter bus service

This analysis was prepared by NMDOT using 2014 Rail Runner annual ridership data provided by RMRTD. The analysis assumes that the replacement bus service would be contracted to a private bus operator through a competitive procurement process, and operated in a similar manner to the NMDOT Park and Ride intercity bus service. Under this approach, the contractor provides the buses, employees and facilities, and is responsible for all elements of service operations and maintenance.

Currently, Rail Runner operates 22 train trips on weekdays, 11 train trips on Saturdays and six train trips on Sundays. NMDOT analyzed RMRTD's 2014 average daily boarding and alighting ridership information for each of the 39 Rail Runner train trips, and evaluated the boardings and alightings by station and the net passenger load per train to determine the motorcoach bus fleet requirements. Over-the-road style motorcoaches typically have a seated passenger capacity of 57-riders. These data enabled NMDOT to determine how many buses would be required to transport the Rail Runner customers from each of its stations. Thus, the vehicle hours of revenue service required of the motorcoach bus fleet to replicate the NM Rail Runner Express service could be determined, with the cost based on the number of bus service hours that would be operated.

The bus trips developed in this analysis mimic the train trips' schedules and service patterns, with the exception of the Kewa Station in Santo Domingo Pueblo. Servicing the Kewa Station would require an additional 20 minutes to the overall bus trip between Albuquerque and Santa Fe, making the trip uncompetitive against automobile trips between the two cities. For this reason, an additional separate bus trip was created to service Kewa for each train trip that currently serves Kewa.

To ensure sufficient ridership capacity on the motorcoach buses and taking into account ridership fluctuations, a capacity model with a target of 65% occupancy was used. Because each train trip can carry a different number of passengers, there is a fairly large range of ridership and seat occupancy served. Some train trips would require only one bus to replicate the train trip, while other trains require up to 14 buses to simulate the train service. Because of the large train ridership variations, the 65% occupancy goal on motorcoach buses from Monday through Friday ranges from 82% to 1%, with an average of 55% of seat capacity used. On Saturdays, the seat occupancy ranges from 71% to 5%, with an average seating occupancy of 45%. On Sundays, the seat occupancy ranges from 65% to 12%, with an average occupancy of 54%. The overall, average seating occupancy achieved on the bus service is roughly 52%. The Kewa buses average 46% seating occupancy Monday through Sunday.

In summary, the 22 weekday Rail Runner train trips with average weekday boardings of 3,596 could be replicated with 89 bus trips. The 11 Saturday train trips with average boardings of 1,703 could be replicated with 42 bus trips. The six Sunday train trips with average boardings of 1,170 could be replicated with 30 bus trips.

The total number of annual revenue hours required of a motorcoach bus fleet to replicate Rail Runner service is 80,213 hours. Kewa service comprises 18%, or 14,505 hours, of the annual total.

Under this scenario, an estimated 50 motorcoaches would be needed to replicate Rail Runner service. This includes a 10% spare bus ratio (five buses) for when buses are taken out of service for preventive maintenance and mechanical breakdowns. Additionally, two bus

maintenance and storage facilities would be needed, one in Albuquerque and one Santa Fe, to store, service and maintain the buses.

Hours of bus service was the primary factor determining annual costs. Distance and the price of fuel were the primary factors determining the overall fuel costs. Adding these costs determined the estimated price of running motorcoach buses in place of Rail Runner.

The current hourly rate for NMDOT Park and Ride intercity motorcoach bus service is $166.57 per revenue service hour, not including fuel. This figure was utilized as a comparable rate for replacement motorcoach bus service for Rail Runner.

Fuel prices were calculated and added to the cost of operations. As of July 2015, the average price for diesel fuel experienced by NMDOT Park and Ride was $2.80 per gallon. NMDOT Park and Ride over-the-road motorcoaches average about 5.5 miles per gallon. The average speed of an NMDOT Park and Ride bus is about 40 miles per hour, when taking into account stops for passengers.

With approximately 80,213 bus service hours required annually to replace Rail Runner service, the operational service cost for replacement motorcoach bus service would total $13,361,080. At $2.80 per gallon, diesel fuel adds an additional $1,633,428, or 10.9% of the total cost, for a grand total of $14,994,508 annually. The table below illustrates these data.

	Annual Total (Belen-ABQ-Santa Fe)							
	Annual Service Days	**Annual Service Hours**	**Cost per Hour**	**Annual Service Cost**	**Gallons per Year**	**Cost per Gallon**	**Annual Fuel Cost**	**Annual Service and Fuel Cost**
	355	65,708	$166.57	$10,944,982	477,876	$ 2.80	$1,338,053	$12,283,035
	Annual Total (Belen-ABQ-Kewa-Santa Fe)							
	Annual Service Days	**Annual Service Hours**	**Cost per Hour**	**Annual Service Cost**	**Gallons per Year**	**Cost per Gallon**	**Annual Fuel Cost**	**Annual Service and Fuel Cost**
	355	14,505	$166.57	$2,416,098	105,491	$ 2.80	$ 295,375	$2,711,473
Grand Total	355	80,213	$166.57	$13,361,080	583,367	$ 2.80	$1,633,428	$ 14,994,508

If NMDOT were to suspend Rail Runner train service and replace it with bus service, but continue to own the Rail Runner railroad infrastructure, NMDOT would continue to be responsible for the maintenance of the railroad infrastructure used by BNSF, Amtrak and SFS, which is estimated at $5.8 million in FY 2016. In addition, RMRTD would continue to be required to provide train dispatching on the NMRX at an annual cost of approximately $600,000 and pay NMRX insurance premiums of $2.5 million annually.

Conclusion

It is unlikely that a party would be willing to pay the sum of money needed to retire the NMDOT Rail Runner debt service in order to purchase the NMRX railroad facilities, and NMDOT has not been approached by any parties who have proposed to purchase NMRX. Any purchaser's use of the railroad would be severely restricted by the several existing NMDOT agreements (e.g. BNSF, Amtrak and SFS Joint Use Agreements) that require providing permanent track access for continuation of the current Amtrak passenger and BNSF freight rail operations on the railroad and prohibiting any additional freight operations unless approved by BNSF.

Any purchaser would also be required to comply with the significant insurance requirements associated with continued railroad operations, and would be prohibited from the alternative use or disposition of the railroad property. Approval of the purchase would also need to be acquired from Amtrak and the FHWA (for the segments noted in the previous sections of the report) and the assignment of NMDOT rights to operate train service on tribal lands would be subject to approval of the Pueblos on which NMRX stations are located. Lastly, it is unlikely that a private party could operate passenger rail service on the NMRX line at a profit due to the costs of operating commuter rail service and limited demand for service.

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036
'98	9,994	10,193	10,397	10,605	10,817	11,034	11,254	11,479	11,709	11,943	12,182	12,426	12,674	12,928
155	155	155	155	155	155	155	155	155	155	155	155	155	155	155
286	6,380	6,476	6,573	6,672	6,772	6,873	6,976	7,081	7,187	7,295	7,405	7,516	7,628	7,743
950	950	950	950	950	950	950	950	950	950	950	950	950	950	950
100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
415	14,703	14,997	15,297	15,603	15,915	16,233	16,558	16,889	17,227	17,572	17,923	18,282	18,647	19,020
185	3,216	3,249	3,281	3,314	3,347	3,380	3,414	3,448	3,483	3,518	3,553	3,588	3,624	3,661
25	25	26	27	28	29	29	30	31	32	33	34	35	36	37
901	7,669	6,032	3,972	1,472	0	0	0	0	0	0	0	0	0	0
813	**45,192**	**44,178**	**42,752**	**40,898**	**40,084**	**40,755**	**41,438**	**42,134**	**42,843**	**43,565**	**44,301**	**45,051**	**45,815**	**46,593**

2	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036
,672	1,722	1,773	1,827	1,881	1,938	1,996	2,056	2,118	2,181	2,247	2,314	2,383	2,455	2,529
30	31	32	33	34	35	36	37	38	39	40	41	43	44	45
30	31	32	33	34	35	36	37	38	39	40	41	43	44	45
642	662	682	702	723	745	767	790	814	838	863	889	916	943	972
412	424	437	450	464	478	492	507	522	537	554	570	587	605	623
7	7	8	8	8	8	9	9	9	9	10	10	10	11	11
478	492	507	522	538	554	570	587	605	623	642	661	681	701	722
30	31	32	33	34	35	36	37	38	39	40	41	43	44	45
,420	2,492	2,567	2,644	2,724	2,805	2,889	2,976	3,065	3,157	3,252	3,350	3,450	3,554	3,660
,299	4,428	4,560	4,697	4,838	4,983	5,133	5,287	5,445	5,609	5,777	5,950	6,129	6,313	6,502
19	20	20	21	22	22	23	23	24	25	26	26	27	28	29
,941	20,539	21,155	21,790	21,748	21,445	21,889	22,343	22,808	23,284	23,771	24,269	24,779	25,300	25,834
319	328	338	348	359	369	380	392	404	416	428	441	454	468	482
257	264	272	281	289	298	307	316	325	335	345	355	366	377	388
),554	**31,471**	**32,415**	**33,387**	**33,693**	**33,749**	**34,562**	**35,396**	**36,253**	**37,132**	**38,034**	**38,960**	**39,910**	**40,886**	**41,888**

2	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036
,286	6,380	6,476	6,573	5,976	5,101	4,952	4,795	4,629	4,453	4,267	4,071	3,863	3,645	3,415
950	950	950	950	950	950	950	950	950	950	950	950	950	950	950
134	136	139	142	145	147	150	153	157	160	163	166	169	173	176
124	127	129	132	134	137	140	143	146	148	151	154	158	161	164
7,494	7,593	7,694	7,797	7,205	6,335	6,193	6,042	5,881	5,711	5,531	5,341	5,140	4,929	4,705
8,048	**39,064**	**40,109**	**41,184**	**40,898**	**40,084**	**40,755**	**41,438**	**42,134**	**42,843**	**43,565**	**44,301**	**45,051**	**45,815**	**46,593**