

Rail Infrastructure Loan Program - Report for Fiscal Year 2007

This report on the rail infrastructure loan program is required under Section 15a (4) of Public Act 295 of 1976.

Originally established in the FY96 Transportation Appropriations (PA 341 of 1996) to help finance capital improvements on Michigan's freight railroad infrastructure, the rail infrastructure loan program, also known as the Michigan Rail Loan Assistance Program (MiRLAP), was placed in statute through the enactment of Public Act 747 of 2002 which amended 1976 P.A. 295 by adding Section 15a. The loan program helps preserve and improve freight railroad infrastructure by making interest free loans to local governments, economic development corporations, railroads, and current or potential users of freight railroad services for qualifying projects. Money received as repayment for loans made under this program, together with interest earned and any penalties assessed and received for failure to repay loans on time are credited to the fund to be allocated for the purposes of the program. Therefore, the fund is structured as a "revolving" loan fund so that loans can continue to be made for rail infrastructure improvements in perpetuity.

Fund Balance

The fund balance is a calculated balance and refers to all funds dedicated for the purposes of the Rail Infrastructure Loan Program including funds obligated by contract, but not yet drawn down. The fund balance at the beginning of fiscal year (FY) 2007 was \$5,603,219.31. After adding the appropriation of \$600,000.00¹ for FY 2007, the fund balance increased to \$6,203,219.31. Loan repayments totaled \$1,371,664.93, which together with accrued interest revenue of \$216,966.10, increased the fund balance to \$7,791,850.34. During FY 2007, \$1,169,883.30 was reimbursed to loan recipients for rail freight infrastructure improvements. Therefore, the fund balance at the end of FY 2007 was \$6,621,967.04.

Amount Available for New Loans (Available Balance)

The amount available for new loans at the beginning of FY 2007 was \$1,097,403.31. After adding the FY 2007 appropriation of \$600,000.00, this amount increased to \$1,697,403.31. Interest revenue of \$216,966.10, together with loan repayments received in the amount of \$1,371,664.93, totaled \$1,588,631.03. The amount obligated under loan contracts was reduced by \$694,996.49 due to project adjustments. Two projects were awarded funding in fiscal year 2007; however, both loan requests were withdrawn by the applicants. Therefore, the amount available for new loans at the end of FY 2007 was \$3,981,030.83.

Information on all loan contracts funded under the loan program since its inception, are listed on the attached chart entitled "Status of Rail Infrastructure Loan Agreements". All loans remain in good standing.

Freight Services & Safety Division
Bureau of Aeronautics and Freight Services
Michigan Department of Transportation

¹ \$1,100,000 was appropriated (Public Act 345 of 2006). The appropriation was later reduced by \$500,000 as a result of Executive Order 2007-3.

Status of Freight Economic Development Program (FEDP) Loans/Grants - Funded from the Rail Freight Fund

Company	Contract No.	FY	Total Cost of Project	Amount Funded from RFF	Amount Disbursed	Amount Paid Back
Victor Fiber & Supply Inc.	2002-0125	2002	\$70,000.00	\$25,408.90	\$25,408.90	\$7,195.18
Depot Enterprise, LLC	2002-0129	2002	\$128,500.00	\$64,250.00	\$64,250.00	\$36,586.51
Luce County EDC	2003-0493	2003	\$647,000.00	\$126,000.00	\$126,000.00	\$3,990.67
D&K Investments LLC	2003-0633	2003	\$20,733.00	\$10,366.50	\$10,366.50	\$0.00
*J. Rettenmaier USA, LP	2004-0227	2004	\$707,212.00	\$85,188.00	\$88,771.70	\$0.00
*Global Engine Asset Co., LLC	2004-0339	2004	\$1,059,422.00	\$339,252.61	\$529,711.00	\$0.00
*Lake State Railway Co. - A&L Iron	2004-0237	2005	\$4,500,000.00	\$161,855.00	\$971,609.95	\$0.00
<i>Total FEDP Loans/Grants - Funded from the RFF**</i>			\$7,132,867.00	\$812,321.01	\$1,816,118.05	\$47,772.36

*Note 1: J. Rettenmaier USA, LP (2004-0227) received \$88,771.70 in FEDP Loan/Grant funding; however, only \$85,188.00 was funded from the Rail Freight Fund.

*Note 2: Global Engine Asset Co., LLC (2004-0339) received \$529,711.00 in FEDP Loan/Grant funding; however, only \$339,252.61 was funded from the Rail Freight Fund.

*Note 3: Lake State Railway Co. (2004-0237) received \$971,609.95 in FEDP Loan/Grant funding; however, only \$161,855.00 was funded from the Rail Freight Fund.

**These are all FEDP loans/grants funded from the RFF which remain under contractual obligation to meet certain car loading requirements.

Rail Freight Fund – Report for Fiscal Year 2007

This report on the Rail Freight Fund (RFF) is required by Section 15a (4) of Public Act 747 of 2002 which amended 1976 Public Act 295 by adding Section 15a. The Department's authority to deposit funds in the Rail Freight Fund and to provide financial assistance for facilities of rail freight and marine freight transportation are specified in Section 17 of this Public Act.

The fund balance at the beginning of FY 2007 was \$212,399.96. Revenues received total \$473,408.19. Expenditures were \$336,789.95 and outstanding encumbrances total \$178,427.10. The fund balance at the end of FY 2007 was \$170,591.10.

Two projects received funding from the RFF during Fiscal Year 2007:

(1) The Iron Mountain Crossing Rehabilitation Project rebuilt ten grade crossings on a segment of a state-owned line in the City of Iron Mountain. The project was partially funded using RFF funds; specifically, \$11,157.33 came from the RFF. (The total cost of the project was \$879,264.33.)

(2) The Great Lakes Central Track Rehabilitation Project restored track and road crossings near Bannister (1.2 miles) and between Ashley and North Star (3 miles). All work was performed on state-owned line segments. The total cost of the project was \$2,094,433.00; of that, \$503,826.21 came from the RFF.

There were no Freight Economic Development Program (FEDP) projects funded from the RFF in FY 2007. All FEDP projects that received funding from the RFF and that are still under contractual obligation to meet certain car loading requirements are listed on the attached chart entitled, "Status of Freight Economic Development Loans/Grants - Funded from the Rail Freight Fund".

Freight Services & Safety Division
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Michigan Department of Transportation

**Status of Rail Infrastructure Loan Agreements
FY 2007**

Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Paid Back	Amount Outstanding
Luce County Economic Development Corporation	1997-0585	1997	\$62,896.00	\$62,896.00	\$62,896.00	\$0.00
Central Michigan Railway Company	1997-0588	1997	\$1,000,000.00	\$1,000,000.00	\$775,000.29	\$224,999.71
Indiana & Ohio Railway	1998-0629	1998	\$271,776.00	\$271,776.00	\$271,776.00	\$0.00
Lake State Railway Company	1998-0632	1998	\$450,000.00	\$450,000.00	\$450,000.00	\$0.00
Norfolk Southern Corporation	1999-0317	1999	\$424,804.59	\$424,804.59	\$244,262.53	\$180,542.06
Middleton Investment Group	2000-0010	1999	\$500,000.00	\$500,000.00	\$362,500.56	\$137,499.44
Central Michigan Railway Company	2000-0291	2000	\$607,500.00	\$607,500.00	\$318,937.50	\$288,562.50
Monitor Sugar Company	2000-0292	2000	\$573,000.00	\$573,000.00	\$186,225.00	\$386,775.00
Conrad Yelvington (3rd Coast)	2000-0293	2000	\$751,500.00	\$751,500.00	\$751,500.00	\$0.00
The Anderson's, Inc.	2000-0294	2000	\$410,602.63	\$410,602.63	\$277,156.52	\$133,446.11
Charlotte Southern Railway Company	2000-0740	2000	\$135,000.00	\$135,000.00	\$62,505.00	\$72,495.00
Detroit Connecting Railroad Company	2000-0741	2000	\$49,593.54	\$49,593.54	\$22,317.12	\$27,276.42
Lapeer Industrial Railroad Company	2000-0742	2000	\$40,000.00	\$40,000.00	\$18,000.00	\$22,000.00
Lake State Railway Company	2001-0938	2001	\$898,750.25	\$898,750.25	\$359,500.16	\$539,250.09
Depot Enterprise	2002-0352	2002	\$666,803.87	\$666,803.87	\$331,175.84	\$335,628.03

**Status of Rail Infrastructure Loan Agreements
FY 2007**

Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Paid Back	Amount Outstanding
Kerry Steel Pickling (Kasle)	2002-0554	2002	\$633,960.00	\$633,960.00	\$269,433.00	\$364,527.00
CSX Transportation Inc.	2002-0328	2002	\$672,603.00	\$672,603.00	\$218,608.00	\$453,995.00
Central Michigan Railway Company	2002-0552	2002	\$135,037.62	\$135,037.62	\$57,390.98	\$77,646.64
Lapeer Industrial Railroad Company	2001-0368	2001	\$78,800.00	\$78,800.00	\$27,580.00	\$51,220.00
Tuscola & Saginaw Bay Railway	2003-0495	2003	\$280,163.77	\$280,163.77	\$88,502.90	\$191,660.87
Luce County Economic Development Corporation	2003-0494	2003	\$198,000.00	\$198,000.00	\$54,450.00	\$143,550.00
Wayne Industries, Inc.	2003-0496	2003	\$74,947.00	\$74,947.00	\$26,236.00	\$48,711.00
Indiana Northeastern Railroad	2004-0233	2004	\$360,000.00	\$360,000.00	\$99,000.00	\$261,000.00
Lake State Railway Company	2004-0236	2004	\$396,589.61	\$396,589.61	\$19,829.48	\$376,760.13
J. Rettenmaier USA LP	2004-0228	2004	\$450,552.88	\$450,552.88	\$67,584.00	\$382,968.88
Lake State Railway Company	2005-0155	2005	\$458,069.54	\$458,069.54	\$91,613.92	\$366,455.62
Tuscola & Saginaw Bay Railway	2005-0142	2005	\$247,948.00	\$247,948.00	\$43,390.90	\$204,557.10
US Bio Woodbury, LLC	2005-0143	2005	\$478,355.90	\$478,355.90	\$0.00	\$478,355.90
Detroit Connecting Railroad Company (ACTIVE)	2005-0140	2005	\$90,000.00	\$0.00	\$0.00	\$0.00
Adrian & Blissfield Rail Road	2005-0138	2005	\$171,000.00	\$0.00	\$0.00	\$0.00

**Status of Rail Infrastructure Loan Agreements
FY 2007**

Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Paid Back	Amount Outstanding
National Standard, LLC (ACTIVE)	2006-0260	2006	\$674,874.00	\$294,937.79	\$0.00	\$294,937.79
L. Walther & Sons, Inc. (ACTIVE)	2006-0261	2006	\$1,000,000.00	\$0.00	\$0.00	\$0.00
Dearborn Steel Center, Inc. (ACTIVE)	2006-0259	2006	\$1,000,000.00	\$0.00	\$0.00	\$0.00
Total MiRLAP Loans			\$14,243,128.20	\$11,602,191.99	\$5,557,371.70	\$6,044,820.29