

Rail Infrastructure Loan Program - Report for Fiscal Year 2014

This report on the rail infrastructure loan program is required under Section 15a (4) of Public Act 295 of 1976, as amended (MCL 474.65a(4)).

Originally established under appropriation boilerplate in 1997 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 created in statute in 2002. The loan program helps preserve and improve freight railroad infrastructure by making interest free loans to railroads, local governments, economic development corporations, 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. Through this revolving fund, loans can continue to be made for rail infrastructure improvements in perpetuity.

The program has made nearly \$15.3 million in loans since its inception. In all, thirty-seven loans have been awarded to twenty-six separate applicants throughout the state.

Rail Infrastructure Loan Fund

At the beginning of fiscal year (FY) 2014, the balance of the Rail Infrastructure Loan Fund was \$7,785,962.27. Interest earnings of \$5,299.62 increased the fund balance to \$7,791,261.89.

Status of Projects

No new call for projects was held during FY2014, and no new contracts awarded.

Information on all currently-outstanding loan contracts funded under the program, as well as all loans paid in full during FY2014, is provided on the attached chart entitled "Status of Rail Infrastructure Loan Agreements". All loans remain in good standing.

Loans Outstanding

At the beginning of FY2014, outstanding loans amounted to \$1,809,884.96. Loan repayments of \$465,180.41 reduced the amount of outstanding loans to \$1,344,704.55. No additional disbursements were made in FY2013.

Amount Available for New Loans

At fiscal year end 2014, the Rail Infrastructure Loan Fund had a balance of \$7,791,261.89. The fund has outstanding loans of \$1,344,704.55, leaving a balance of \$6,446,557.34 available for disbursement.

Office of Rail
Michigan Department of Transportation

Status of Active Rail Infrastructure Loan Agreements as of September 30, 2014*						
Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Repaid	Amount Outstanding
Monitor Sugar Company	2000-0292	2000	\$573,000.00	\$573,000.00	\$573,000.00	\$0.00
CSX Transportation Inc.	2002-0328	2002	\$672,603.00	\$672,603.00	\$672,603.00	\$0.00
Lapeer Industrial Railroad Company	2001-0368	2001	\$78,800.00	\$78,800.00	\$78,800.00	\$0.00
Great Lakes Central Railroad (Tuscola & Saginaw Bay Railway)	2003-0495	2003	\$280,163.77	\$280,163.77	\$280,163.77	\$0.00
Luce County Economic Developent Corporation	2003-0494	2003	\$198,000.00	\$198,000.00	\$183,150.00	\$14,850.00
Lake State Railway Company	2004-0236	2004	\$396,589.61	\$396,589.61	\$297,442.20	\$99,147.41
J. Rettenmaier USA LP	2004-0228	2004	\$450,552.88	\$450,552.88	\$371,712.00	\$78,840.88
Great Lakes Central Railroad (Tuscola & Saginaw Bay Railway)	2005-0142	2005	\$247,948.00	\$247,948.00	\$216,954.50	\$30,993.50
Adrian & Blissfield Rail Road	2005-0138	2005	\$171,000.00	\$171,000.00	\$81,225.00	\$89,775.00
National Standard, LLC	2006-0260	2006	\$625,136.62	\$619,676.91	\$397,228.94	\$222,447.97
Fresh Solution Farms, LLC (L. Walther & Sons, Inc.)	2006-0261	2006	\$1,000,000.00	\$1,000,000.00	\$550,000.00	\$450,000.00
Columbian Enterprises	2008-0200	2008	\$72,540.00	\$72,540.00	\$32,643.00	\$39,897.00
Tri-State Forest Products, Inc.	2009-0210	2009	\$554,352.73	\$554,352.73	\$235,599.94	\$318,752.79
			\$5,320,686.61	\$5,315,226.90	\$3,970,522.35	\$1,344,704.55
Total Loans Outstanding						\$1,344,704.55

*includes loans paid in full during FY2014

Rail Freight Fund – Report for Fiscal Year 2014

This report on the Rail Freight Fund (RFF) is required by MCL 474.65a(4). 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 is specified in MCL 474.67.

The amount of the fund at the beginning of FY 2014 was \$1,938,674.23. Revenues totaling \$3,292,305.57 increased the balance to \$5,230,979.80. No expenditures were made from the fund during the fiscal year, leaving the fund balance at the close of the fiscal year \$5,230,979.80.

The loan awarded to Marengo Enterprise, LLC through the Freight Economic Development Program (FEDP), and intended to assist in rehabilitating a rail spur into its new facility, was the only project funded from the RFF in FY 2014.

The above projects, as well as another FEDP project that previously received funding from the RFF and is still in repayment status, are detailed on the attached chart.

Office of Rail
Michigan Department of Transportation

Status of Active Freight Economic Development Program (FEDP) Loans that Received Funding from the Rail Freight Fund

Company	Contract No.	FY	Amount Funded from RFF	Total Amount Disbursed	Amount Paid Back
Global Engine Asset Co., LLC *	2004-0339	2004	\$339,252.61	\$529,711.00	\$244,553.17
Dearborn Steel Center	2011-0228	2011	\$92,775.60	\$92,775.60	\$0.00
Marengo Enterprise, LLC**	2014-0231	2014	\$157,076.20	\$0.00	\$0.00

* Global Engine Asset Co., LLC (2004-0339) received \$529,711.00 in FEDP loan funding; however, only \$339,252.61 was from the Rail Freight Fund; the balance of funding was from other sources. In FY 2010, \$423,768.80 was returned to MDOT from the existing Letter of Credit (LOC) when the company could not obtain a new LOC to secure the loan. Of this, \$211,884.40 remains held in escrow, with a final reconciliation in process.

**The proceeds of the loan awarded to Marengo Enterprise, LLC under contract 2014-0231 are being retained by MDOT and will be provided to Marengo, as appropriate, following an annual review of the company's performance relative to meeting its contractual shipping commitments.

These FEDP loans were active during FY2014 and funded, at least in part, from the RFF. The recipients are under contractual obligation to repay the loans unless they meet contractual rail usage commitments.