

Rail Infrastructure Loan Program - Report for Fiscal Year 2015

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) 2015, the balance of the Rail Infrastructure Loan Fund was \$7,791,261.89. Interest earnings of \$6,867.21 increased the fund balance to \$7,798,129.10.

Status of Projects

No new call for projects was held during FY2015, 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 FY2015, is provided on the attached chart entitled "Status of Rail Infrastructure Loan Agreements".

Loans Outstanding

At the beginning of FY2015, outstanding loans amounted to \$1,344,704.55. Loan repayments of \$472,065.02 reduced the amount of outstanding loans to \$888,530.62. No additional disbursements were made in FY2015.

Amount Available for New Loans

At fiscal year-end 2015, the Rail Infrastructure Loan Fund had a balance of \$7,798,129.10. The fund has outstanding loans of \$888,530.62, leaving a balance of \$6,909,598.48 available for disbursement.

Office of Rail
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Status of Active Rail Infrastructure Loan Agreements as of September 30, 2015*						
Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Repaid	Amount Outstanding
Luce County Economic Developent Corporation	2003-0494	2003	\$198,000.00	\$198,000.00	\$198,000.00	\$0.00
Lake State Railway Company	2004-0236	2004	\$396,589.61	\$396,589.61	\$396,589.61	\$0.00
J. Rettenmaier USA LP	2004-0228	2004	\$450,552.88	\$450,552.88	\$450,552.88	\$0.00
Great Lakes Central Railroad (Tuscola & Saginaw Bay Railway)	2005-0142	2005	\$247,948.00	\$247,948.00	\$247,948.00	\$0.00
Adrian & Blissfield Rail Road	2005-0138	2005	\$171,000.00	\$171,000.00	\$85,500.00	\$85,500.00
National Standard, LLC	2006-0260	2006	\$625,136.62	\$619,676.91	\$460,793.30	\$158,883.61
Fresh Solution Farms, LLC (L. Walther & Sons, Inc.)	2006-0261	2006	\$1,000,000.00	\$1,000,000.00	\$650,000.00	\$350,000.00
Columbian Enterprises	2008-0200	2008	\$72,540.00	\$72,540.00	\$41,710.50	\$30,829.50
Tri-State Forest Products, Inc.	2009-0210	2009	\$554,352.73	\$554,352.73	\$291,035.22	\$263,317.51
			\$3,716,119.84	\$3,710,660.13	\$2,822,129.51	\$888,530.62
Total Loans Outstanding						\$888,530.62

*includes loans paid in full during FY2015

Rail Freight Fund – Report for Fiscal Year 2015

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 2015 was \$5,073,903.80. Revenues totaling \$1,965,279.25 increased the balance to \$7,039,183.05. Expenditures and encumbrances totaled \$4,417,842.71, leaving the fund balance at the close of the fiscal year \$2,621,340.34.

During FY2015, the RFF was primarily used to fund maintenance activities on the state-owned Kalamazoo-Dearborn rail corridor, with other expenditures covering drainage assessments and fiber-optic line installation and related leases.

Details of loans made under the Freight Economic Development Program (FEDP) that previously received funding from the RFF, and are still in repayment status, are detailed on the attached chart.

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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
Dearborn Steel Center	2011-0228	2011	\$92,775.60	\$92,775.60	\$0.00
Marengo Enterprise, LLC*	2014-0231	2014	\$157,076.20	\$31,415.25	\$0.00

*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 FY2015 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.