



Metro

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TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY *by [signature]*
CHIEF EXECUTIVE OFFICER

FROM: MARTHA WELBORNE, FAIA *MW*
EXECUTIVE DIRECTOR, COUNTYWIDE PLANNING

**SUBJECT: RAILROAD REHABILITATION & IMPROVEMENT FINANCING (RRIF)
LOAN PROGRAM**

ISSUE

The Railroad Rehabilitation & Improvement Financing (RRIF) Loan Program provides direct loans and loan guarantees to railroads, rail shippers, and public entities for rail-related capital investment. The RRIF program is similar to the Transportation Infrastructure Finance and Innovation Act (TIFIA) program and could also potentially offer benefits to LACMTA compared to traditional tax-exempt bond financing.

DISCUSSION

RRIF was established by Congress in 1998 to help support development of the US rail system. Under the RRIF program the Administrator of the Federal Railroad Administration (FRA) of the U.S. Department of Transportation (USDOT) is authorized to provide direct loans and loan guarantees out of a \$35 billion pool of revolving credit. To date over \$1.7 billion has been lent from the RRIF program to both public and private entities with 33 loans granted ranging from as small as \$60,000 up to \$563 million. The loans have primarily funded track rehabilitation, track upgrades and purchase of locomotives and rail cars. A list of these loans is provided in Attachment A.

The RRIF program does not appear to be a financing mechanism that could be used for LACMTA's transit capital projects. These projects can receive similar credit assistance through the TIFIA program and do not fit within the eligibility criteria that are targeted for railroads. However, RRIF loans may be beneficial for the Union Station Master Plan improvements. In 2010, the Denver Union Station Project Authority received a loan for \$155 million for similar improvements to an intermodal station.

RRIF direct loans may fund up to 100% of a railroad project, with repayment periods of up to 35 years at interest rates equal to the equivalent term US Treasury securities. The program permits deferment of principal repayment up to six years.

The funding may be used to:

- Acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of track, bridges, yards, buildings and shops;
- Refinance outstanding debt incurred for the purposes listed above; and
- Develop or establish new intermodal or railroad facilities

Eligible borrowers include railroads, state and local governments, government-sponsored authorities and corporations, joint ventures that include at least one railroad, and limited option freight shippers who intend to construct a new rail connection.

USDOT scores loan applications based on the project's alignment with RRIF's priorities: enhancing public safety, promoting economic development, enhancing international competitiveness of U.S. companies, preserving or enhancing rail service to small communities or rural areas, increasing rail traffic, reducing operating costs, and permitting use of higher load rail cars.

Loans under the RRIF program have become attractive relative to tax-exempt municipal bonds due to current market conditions. RRIF loans bear an interest rate which tracks long-term treasury rates. Traditionally RRIF loans were more costly than our highly rated municipal bonds, but recently the relationship has reversed. Current RRIF rates are under 3.00% for 35-year debt while rates for 30-year LACMTA tax-exempt bonds are over 3.00%.

LACMTA staff previously evaluated the RRIF program as an option to refinance the \$75 million purchase of the Union Station property. However, it was determined that it would be difficult to obtain an award based on the criteria used by USDOT to evaluate loan applications.

NEXT STEPS

Staff will monitor LACMTA borrowing to identify potential uses for RRIF loans in connection with the Union Station Master Plan.

ATTACHMENT

A. List of RRIF Loans

Railroad Rehabilitation & Improvement Financing (RRIF) Loans

	Year	Borrower	Purpose	Amount
1	2012	Alameda Corridor Transportation Authority	Refinance Debt	\$ 83,710,000
2	2012	Kansas City Southern Railway Company	Purchase Locomotives	\$ 54,648,000
3	2011	Northwestern Pacific Railroad Company and North Coast Railroad Authority	Track Rehabilitation	\$ 3,180,000
4	2011	Amtrak	Purchase Locomotives	\$ 562,900,000
5	2011	C&J Railroad	Loading Equipment	\$ 56,204
6	2010	Denver Union Station Project Authority	Station Redevelopment	\$ 155,000,000
7	2010	Great Lakes Central Railroad	Purchase Locomotives & Track Rehabilitation	\$ 17,000,000
8	2009	Georgia & Florida Railways	Track and Bridge Rehabilitation	\$ 8,100,000
9	2009	Permian Basin Railways, Inc	Track Rehabilitation & Refinance Debt	\$ 64,400,000
10	2009	Iowa Interstate Railroad	Purchase Locomotives	\$ 31,000,000
11	2007	Nashville and Eastern Railroad	Purchase Rail Cars & Locomotives	\$ 4,000,000
12	2007	Nashville and Eastern Railroad	Purchase Rail Cars & Locomotives	\$ 600,000
13	2007	Columbia Basin Railroad	Purchase Track	\$ 3,000,000
14	2007	Great Western Railway	Track Construction & Repair	\$ 4,030,000
15	2007	Dakota Minnesota & Eastern Railroad	Track Upgrades	\$ 48,320,000
16	2007	Iowa Northern Railroad	Track Upgrades & Improve Facilities	\$ 25,500,000
17	2006	Virginia Railway Express	Purchase Railcars	\$ 72,500,000
18	2006	RJ Corman Railway	Purchase Vehicles & Locomotive Rehab	\$ 11,768,274
19	2006	RJ Corman Railway	Purchase Vehicles & Locomotive Rehab	\$ 47,131,726
20	2006	Wheeling & Lake Erie Railway	Purchase Railcars & Locomotives	\$ 14,000,000
21	2006	Iowa Interstate Railroad	Purchase Locomotives	\$ 9,350,000
22	2005	Great Smoky Mountains Railroad	Refinance Debt & Track Upgrades	\$ 7,500,000
23	2005	Riverport Railroad	Track Upgrades & Construct Facilities	\$ 5,514,774
24	2005	The Montreal Maine & Atlantic Railway	Track Rehabilitation & Refinance Debt	\$ 34,000,000
25	2005	Tex-Mex Railroad	Track Upgrades & Rehab Bridges	\$ 50,000,000
26	2005	Iowa Interstate Railroad	Track Upgrades	\$ 32,732,533
27	2004	Stillwater Central Railroad	Purchase Vehicles & Refinance Debt	\$ 4,675,250
28	2004	Wheeling & Lake Erie Railway	Track Rehabilitation	\$ 25,000,000
29	2004	Dakota Minnesota & Eastern Railroad	Refinance Debt & Track Upgrades	\$ 233,601,000
30	2003	Arkansas & Missouri Railroad	Purchase Track & Track Rehabilitation	\$ 11,000,000
31	2003	Nashville and Western Railroad	Track and Bridge Rehabilitation	\$ 2,300,000
32	2002	Amtrak	Operating Subsidy	\$ 100,000,000
33	2002	Mount Hood Railroad	Refinance Debt, Purchase Equipment & Track Rehabilitation	\$ 2,070,000

TOTAL

\$ 1,728,587,761