



ASLRRA RRIF Survey

Survey Monkey to ASLRRA Railroad Members
Conducted December '17 – January '18



ASLRRA RRIF Survey

Survey was designed to determine:

- 1) if there were aspects of the current RRIF program that discouraged short lines from applying
- 2) which elements, if changed, would generate more interest/applications from short lines.



Results

87% of respondents were from Class IIIs

78% were privately owned

Evenly distributed between Line Haul & Switching Ops

25% had applied for a RRIF Loan in the past

\$5M - \$10M was the anticipated request

Loans would be primarily used for Track and Bridge Repair

Clear barriers identified

Identified changes to program that would enable more interest

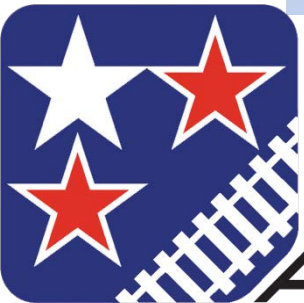


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Short Line Barriers to RRIF

Significant Barriers

- Application Processing Time – 54%
- Unclear Process or Requirements – 53%
- Credit Risk Premium Uncertainty – 51%



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Short Line Barriers to RRIF

Moderate - Significant

- Application Processing Time – 85%
- Cost for Independent Appraisals – 80%
- Fees Charged to Railroad for Independent DOT Advisors – 80%
- Unclear Process or Requirements – 80%
- Credit Risk Premium Uncertainty – 66%
- Unencumbered Collateral – 60%



What Changes Would Move the Dial?

Much More Likely to Apply

- Reduced Length of Processing Time – 63%
- Clarity and Certainty of Processing Time – 58%
- Reduced Credit Risk Premium Costs – 45%



What Changes Would Move the Dial?

Slightly - Much More Likely to Apply

- Reduced Length of Processing Time – 93%
- Clarity and Certainty of Processing Time – 93%
- Reduced Credit Risk Premium Costs – 93%
- Estimated CRP Cost early in process – 93%
- Reduced (Fees for DOT Consultants) – 90%
- Regular Communication on Process – 78%
- Standardized Loan Agreements – 83%



Summary

Short line railroads want transparency.

Costs
Time
Process

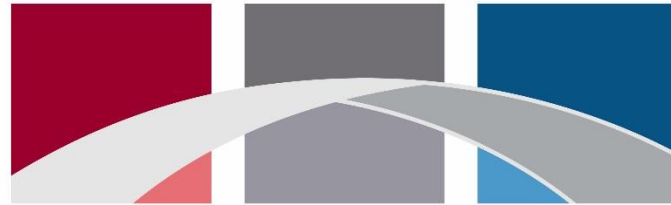
Short line railroads need costs that align with small businesses.

Credit risk premiums
Specialized consultants
Appraisers



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 U.S. DEPARTMENT OF TRANSPORTATION

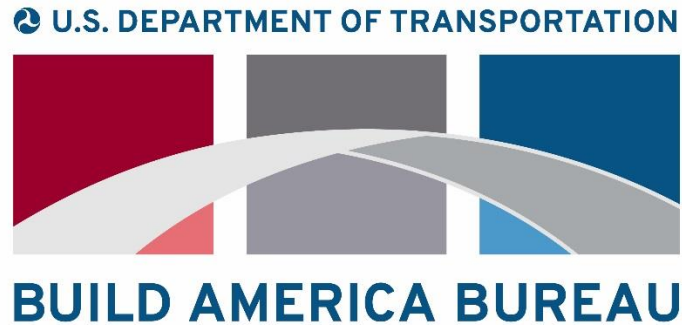


BUILD AMERICA BUREAU

Federal Financing for Short Line Rail Projects

February 20, 2018

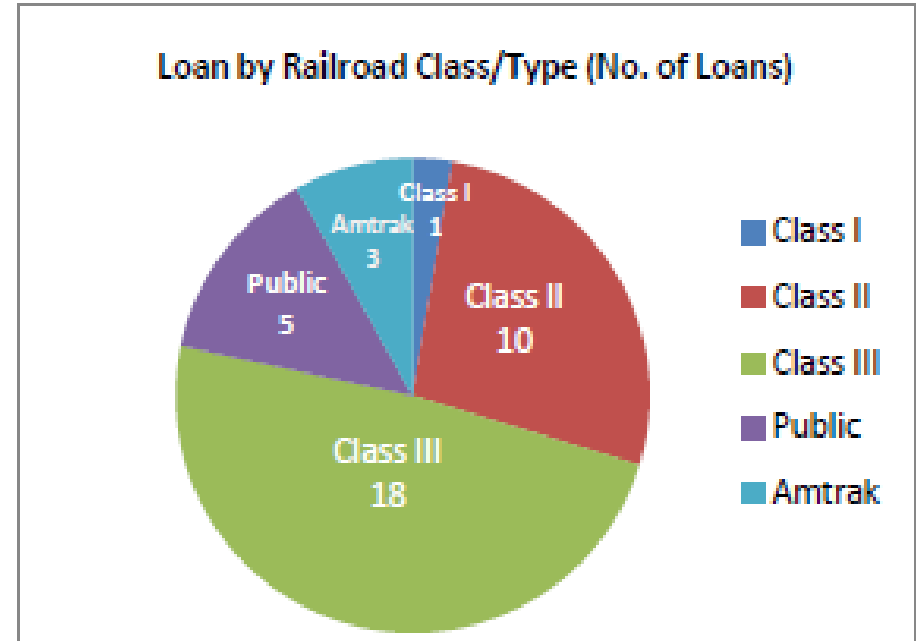
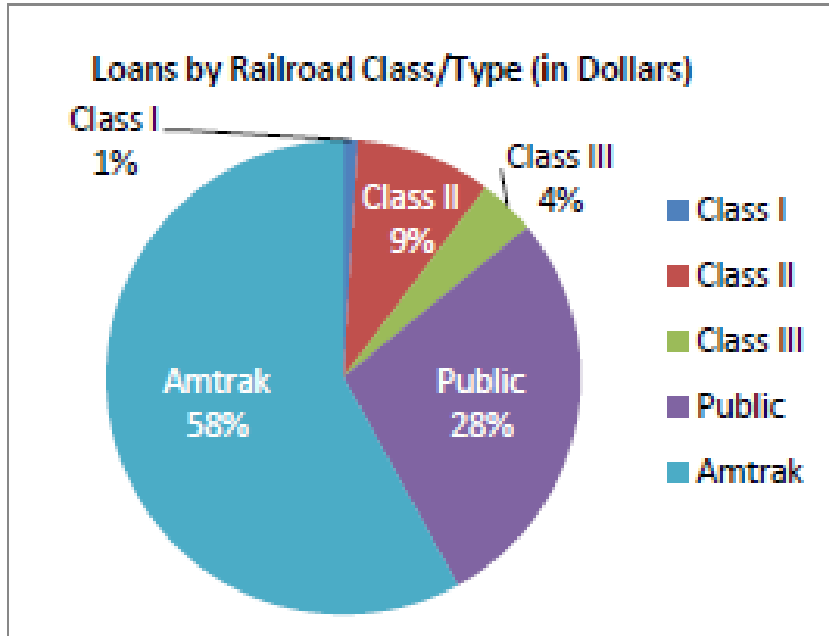




The U.S. Department of Transportation established the Build America Bureau to drive transportation infrastructure development projects in the United States.

RRIF Portfolio Statistics

Since program inception, RRIF has approved 36 loans to finance \$5.36 billion towards infrastructure investments in 27 states.

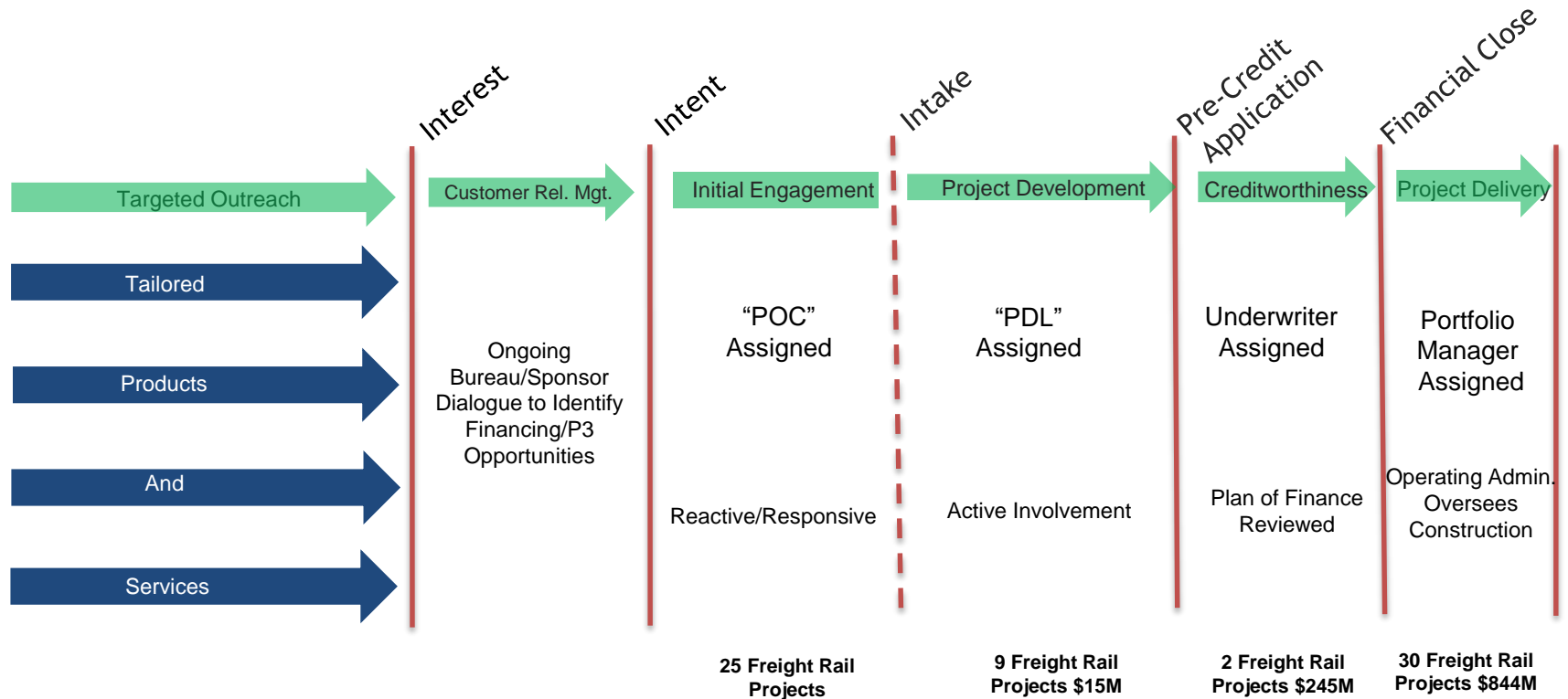


RRIF Program Benefits

- ❖ Long term, fixed cost, permanent, up-front financing
- ❖ Borrower/Revenue source may be minimum investment grade
- ❖ Non recourse financing—project cash flow supported
- ❖ Funds drawn as needed
- ❖ Flexible amortization
- ❖ No pre-payment penalty
- ❖ Low interest rates

**Low Interest Rate -
Interest rate on 2/14/2018
was 3.14% for
a 35-year loan**

Bureau Business Model Framework



Challenges & Opportunities to Consider for Optimizing RRIF

- Credit Risk Premium (CRP)
- NEPA and regulatory review
- Advisor fees and other costs
- Timeliness and communication between the Bureau/USDOT and the borrower
- Buy America
- Paperwork and application process

Bureau Activities Going Forward

- Increase diversity of projects in the pipeline by:
 - Geographic distribution
 - Rural/Urban
 - New borrowers
 - Project type
 - Innovation/transformational
- Improve access to RRIF credit – especially for short line and regional railroads.
- Streamline the application process for all credit programs.

President's Infrastructure Initiative and Short Line and Regional Railroads

- RRIF subsidy for Credit Risk Premium
- Expand State Infrastructure Banks capabilities and support, loosen federal requirements
- Achieve two year timetable for permitting approval process
- 25% of total funding (\$50 billion) dedicated to Rural Infrastructure Initiative



Questions?

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Build America Bureau Website:

<http://www.transportation.gov/buildamerica>



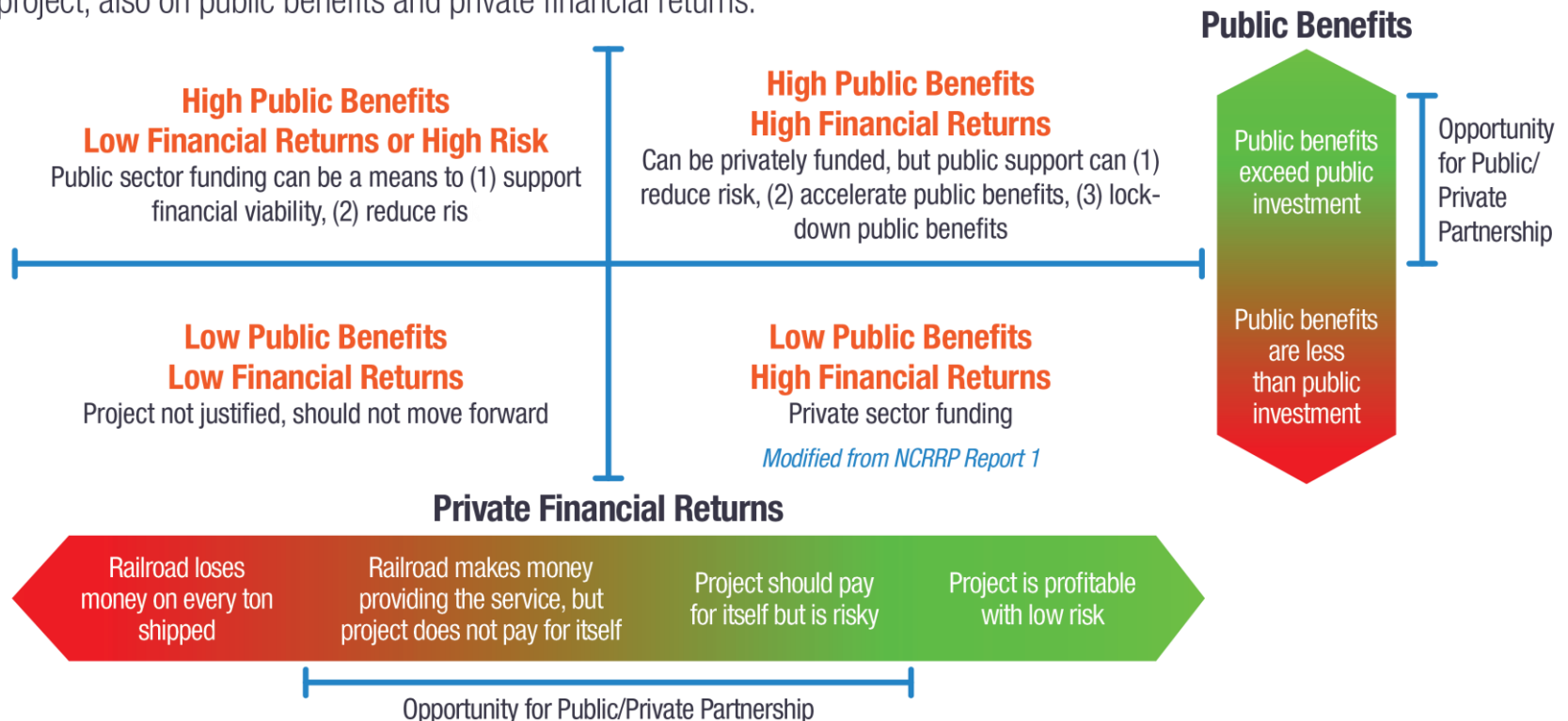
BATIC INSTITUTE ROUNDTABLE ON FUNDING & FINANCING

PUBLIC FUNDING CHALLENGES & STRATEGIES



Role of Public Investment Depends Upon Public Benefits and Private Financial Returns

Whether public sector involvement in a freight rail project is justified depends not only on the type of railroad and the type of project, also on public benefits and private financial returns.



Challenges with Railroad Partners

- Rail Infrastructure Privately Owned & Operated
- Railroads are market driven.
 - Must respond quickly to economic opportunities
 - Greatly impacted by market forces
- Railroad Planning has a much shorter time horizon than traditional public transportation projects



Challenges w/ Federal Funding

- Federal Funds are PROCESS Driven
- Processes are agency specific
- Rail Funding spread out among federal agencies
 - FHWA = Freight, Section 130, CMAQ
 - FRA = Grants (not consistent)
 - FTA, MARAD, EDA, ARC, ETC.

Can't really advance multimodal projects until and unless funding is identified.



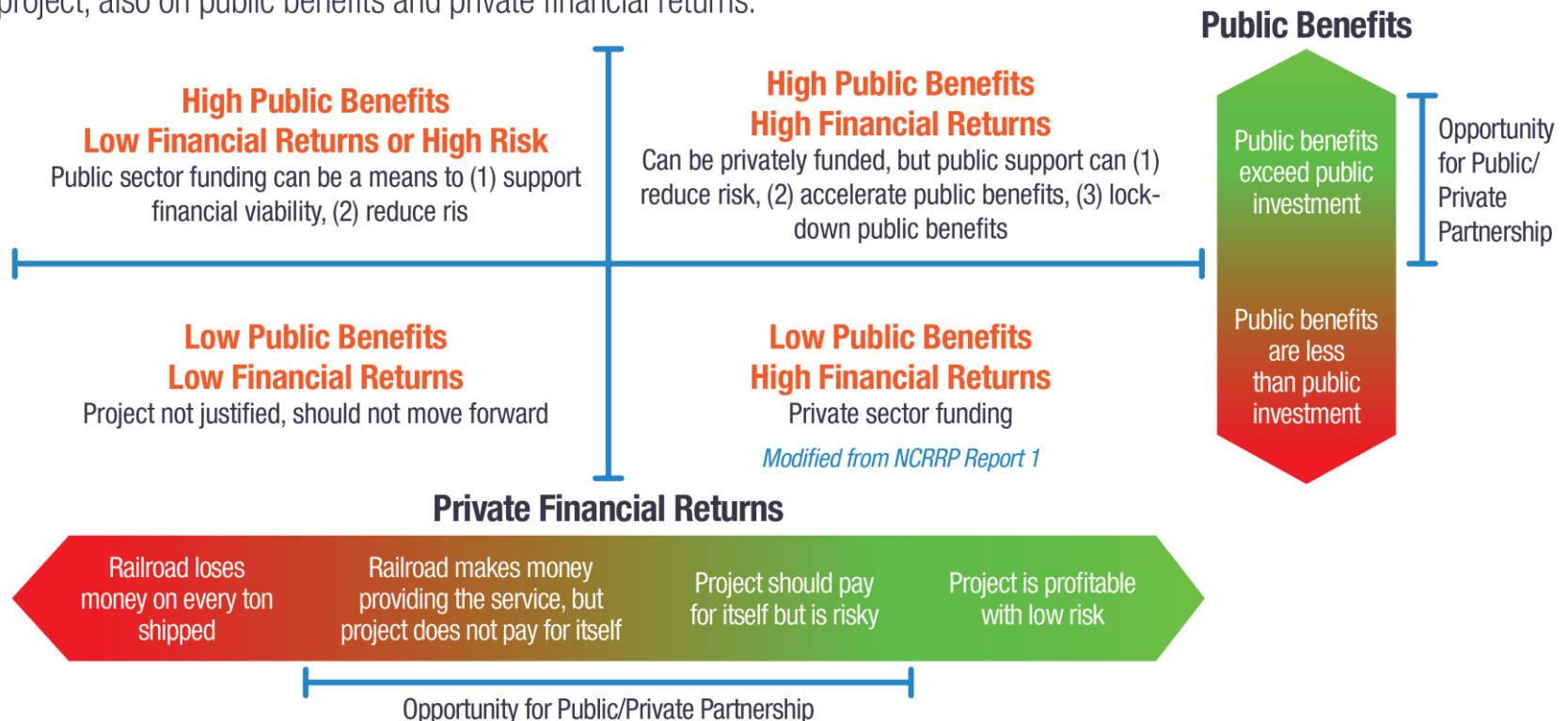
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