

CTB Rail Subcommittee Meeting Minutes
VDOT Central Office Training Room
April 18, 2018
1221 East Broad Street
Richmond, Virginia 23219

The Meeting began at 8:04 am

CTB Rail Subcommittee Members Present: Secretary Shannon Valentine, Jennifer Mitchell, Scott Kasprowicz, Court Rosen, Mary Hughes-Hynes, and Stephen Johnsen.

CTB Member John Malbon was present in the audience.

1. Director's Update-DRPT Director Jennifer Mitchell opened up the meeting and said that the major agenda item would be to review the Rail Industrial Access (RIA) program. She said that DRPT is not expecting any decisions on program policy today, just thoughts on the program. She also said that the Rail SYIP recommendations would be reviewed in more detail at this meeting. The high level summary was given at the previous day's workshop meeting.
2. Updates to Rail Industrial Access Resolution-Jeremy Latimer told the group that he understood from their feedback that receiving the policies without context was confusing, so the proposals would be presented with two scenarios to show how they affect a larger and a smaller project. As Jeremy gave his presentation, the following discussion points were made.
 - a. Scott Kasprowicz asked if the rail siding was still there for the 3 RIA projects that went out of business. Jeremy Latimer confirmed they were but said that the state no longer had an interest. Scott Kasprowicz pointed out that since they are still there they could attract a business.
 - b. Jennifer Mitchell confirmed that the benefit number does not include employment numbers and that those are kept by the Virginia Economic Development Partnership (VEDP).
 - c. John Malbon asked how the health impact number was calculated. Mike Todd from DRPT said that the number is monetizing the health impacts from CO2 exposure that is avoided by taking trucks off the road.
 - d. Mary Hynes asked if the state should strategically look to rehab sites in congested areas.

- e. DRPT Director Jennifer Mitchell explained the funding for the program. She said that DRPT's apportionment is part of a VDOT fund. DRPT never gets the funds directly, just gets reimbursed from VDOT. The funding is shared with the economic access fund. Jeremy Latimer said it is possible that some of the RIA funding that wasn't used was allocated elsewhere.
- f. Secretary Shannon Valentine asked if DRPT could take the extra step and contact VEDP to get the economic impact numbers of employment so that can be added into the calculation. She said that those numbers are ones that people understand.
- g. Court Rosen said that there will have to be a distinction made as to whether or not the jobs would still exist with or without rail. Scott Kasprovicz said a company may not have located to a particular place if there wasn't a spur. Court Rosen said that he thought that the economic impact number should be the delta that allowed them to expand.
- h. Secretary Shannon Valentine said some companies were interested in spurs but did not know Norfolk Southern (Class I Railroads) could be involved in the decision process.
- i. Scott Kasprovicz asked if any Class 1 Railroads participated in the program. Jeremy Latimer said no because they want larger number of carloads, although they are involved in making the decision to serve the site. "Class 1 Railroads do not often want driveways on their interstate."
- j. Stephen Johnsen asked about lessons learned from the 3 companies that went out of business. Jeremy Latimer said they were companies with very rosy pro formas whose numbers didn't pan out. The program was modified to encourage more conservative numbers and to change the minimum threshold. Macroeconomic events can have an effect on a company's performance.
- k. DRPT Director Jennifer Mitchell echoed what Jeremy said about the requirements that were revised in 2015. Jeremy Latimer pointed out that several of the companies who had to pay back money had to do so because of the recession.
- l. Jeremy Latimer said that the program would be beneficial for smaller projects and asked how changes to the requirements could help attract those.
- m. Jennifer Mitchell said you have to think about how much skin you want the company to have in the game.
- n. Stephen Johnsen asked if DRPT had applied the options DRPT presented to recent applications to see if the program would have been more successful. Jeremy Latimer said that they had.
- o. Mary Hynes suggested either removing the capital expenditure or the claw back provision. She said that the claw back provision is a huge deterrent to small projects.
- p. Court Rosen pointed out that this program is primarily beneficial to branch lines. The capital expenditure provision should be eliminated so they can take advantage of it. He asked what skin in the game they had to provide in option A and asked if it was just the delta.

- q. Secretary Valentine asked if there was a demand for the program. DRPT Director Jennifer Mitchell said that there was but that the state could make better marketing efforts.
- r. Mary Hynes suggested either removing the capital expenditure requirement or leaving the claw back or vice versa.
- s. Stephen Johnsen asked the number of small and large projects in the past and the number of small and large projects now.
- t. Court Rosen suggested a dollar threshold for the claw back so that projects under a certain dollar amount are not eligible for claw back. DRPT Director Jennifer Mitchell said that not a huge amount of the program is subject to claw back but that it is a deterrent. Jennifer also said that DRPT had to recoup money from economically depressed areas and that is not the intention of the program.
- u. Mary Hynes asked if there was a rolling application period. Jeremy Latimer confirmed that it was.
- v. Scott Kasprovicz asked how many miles of mainline would be effected if mainline switches were allowed as eligible project costs.
- w. Court Rosen asked what DRPT suggested should be done to modify the program. DRPT Director Jennifer Mitchell said that she would like to see a program with a 70-30 matching rate. She said she was neutral on the claw back and that it is hard to tell if it is actually a deterrent. She said that she liked Mary's idea of keeping either the capital expenditure requirement or the claw back provision, but not both.

3. Review of Rail SYIP Applications

The Rail SYIP Applications were reviewed by DRPT Chief of Rail Michael McLaughlin. Mike said that the port is a big area for our grants. The following discussion points were made during his presentation.

- a. Scott Kasprovicz asked if the state looks at places where they may want to make strategic purposes. Jennifer said that the Rail Preservation program was more application driven and that DRPT works collaboratively with applicants but isn't targeting them.
- b. Mike McLaughlin said that ANTDC is marketing to neighboring states. He also said that the short line association is working to see if there is any interest.
- c. Jeremy Latimer said there is track in the northwestern part of the state where service has been discontinued where another company is looking at that track.
- d. Scott Kasprovicz asked for a future discussion on the value of strategic assets so that the state can maintain as much as possible. Jeremy Latimer said that if an Eastern Shore deal can be reached there will likely be more strategic opportunities.
- e. Jeremy Latimer told CTB members that the agency generally makes merit based recommendations on applications and then goes to finance to see how much can actually get funded. This year everything was funded.

- f. Mike McLaughlin asked if there were any questions. Scott Kasprowicz asked if there were right of way issues with any of the major construction projects. Mike McLaughlin said that there were slivers here and there but that the majority of the construction is within CSX right of ways.
4. Public Comment-No one was signed up for public comment. The meeting adjourned at 8:55.