

Rail Industrial Access (RIA) Fund

**Follow up to October 2014
Program Update**

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Key Points From DRPT's October 2014 Update

- Program overview
 - Public benefit: applications must score ≥ 50 points to be recommended
 - Up to \$450,000 per jurisdiction per year
 - Performance requirement: grantees must achieve carload commitments within 5 years
- Repayment policy for grantees who fail to achieve full carload commitments
- Two-year extensions were granted to 8 grantees in 2012 who had not met performance requirements
- 11 grantees, including the 8 previously given extensions, are not meeting performance requirements in 2014 and are subject to repayment under current policy

October 2014 CTB Resolution

2 Step Review Requested

1. DPRT was asked to review the current program and report back in 90 days, specifically looking at:
 - RIA repayment and/or grant extension policies and procedures
 - Reasons why the 11 grantees are not meeting their performance requirements
 - DRPT recommendation(s) for how to handle the 11 grantees not meeting performance requirements
2. DRPT was also asked to conduct a more detailed review and develop recommendations for improving RIA to better function as an incentive program and report back within 180 days.

90-Day Review – What We Did

- Researched grantees whose performance period has ended in 2014.
- Analyzed performance levels achieved vs. performance commitments in grant agreements
- Analyzed if grantees would have received positive funding recommendations based on actual performance achieved
- Met with VDOT and VEDP regarding their program policies
- Reached out to grantees to better understand the reasons for not achieving performance commitments

90-Day Review - Findings

- 6 grantees would have received a positive recommendation based on their actual carloads achieved.
- 4 grantees would not have received a positive recommendation based on actual carloads achieved, however:
 - These grantees pursued program goals in good faith
 - Most identified the recession as a primary factor
- 1 grantee has ceased business operations in Virginia and the rail built with RIA funds is not being used.
- DRPT and VDOT policies are different for post-construction utilization resulting in higher repayment rates under RIA.

Scores Recalculated Based On Actual Carloads Achieved

	Grantee	Grant Amount	Number of Carloads		Score (Points)		Would Grantee have received ≥ 50 points based on actual carloads?	2 Year Extension Granted in 2012?
			Application	Achieved	Application	Achieved		
1	James Hardie Building Products	\$450,000	2964	1102	76	76	Yes	Yes
2	Toll Integrated Systems	\$450,000	960	96	80	65	Yes	Yes
3	Pounding Mill Quarry	\$450,000	3120	2677	60	60	Yes	Yes
4	New Millenium	\$450,000	960	745	60	60	Yes	No
5	Gerdau Ameristeel	\$450,000	520	296	61	52	Yes	Yes
6	Best Eastern Transfer & Storage	\$450,000	315	116	56	50	Yes	Yes
7	Bellwood Investments	\$300,000	250	60	51	45	No	Yes
8	Total Distribution of Va.	\$68,520	405	37	55	43	No	Yes
9	Kraft Foods Global	\$450,000	250	192	51	48	No	No
10	Lane Enterprises	\$380,000	230	43	52	46	No	No
11	Quality Culvert*	\$425,000	200	11	57	57	Yes*	--

*Quality Culvert stopped using this track and therefore according to their agreement must repay.

90-Day Review: Four Grantees Under 50 Points Based on Actual Carloads

- Bellwood received a two-year extension
 - Lumber business dropped 70% during the recession.
- Total Distribution received a two-year extension
 - Supplier to the auto industry, which contracted during the recession
- Lane Enterprises has not had a two-year extension
 - Demand for PVC dropped off during the recession
- Kraft Foods has not had a two-year extension
 - Performance in previous years had almost attained carload target

90-Day Review: Repayment & Extension Policy

- Due to severe recession during period of performance, two-year extensions were granted to a block of grantees not meeting performance in 2012.
- Additional extensions may benefit several of the Grantees qualifying for repayment in 2014
- Comprehensive Policy and Procedures
Recommendations will be presented in the 180 Day report to the CTB.

Recommendation

1. Forgive the six grantees who would have received a positive funding recommendation based on carloads actually achieved.
2. Forgive the two grantees who completed a two-year extension, have not met performance goals due to severe economic factors, but have sought to achieve program goals in good faith.
3. Give a two-year extension to the two grantees who continue to use the rail and pursue program goals in good faith but have not yet met performance goals and have not been previously granted an extension.
4. Pursue repayment from the grantee who has ceased business operation in Virginia and is not utilizing the rail built with RIA funds.

Recommended Resolution

Grantee	Forgive Repayment	Give Two-Year Extension	Pursue Repayment
James Hardie Building Products	X		
Toll Integrated Systems	X		
Pounding Mill Quarry	X		
New Millenium	X		
Gerdau Ameristeel	X		
Best Eastern Transfer & Storage	X		
Bellwood Investments	X		
Total Distribution of Virginia	X		
Kraft Foods Global		X	
Lane Enterprises		X	
Quality Culvert			X

Looking Forward

- DRPT is continuing to review the policies and procedures of the Rail Industrial Access program.
- We are working with VDOT and Economic Development to align economic incentive policies.
- DRPT's 180 Day report will discuss recommendations and policy changes to the Rail Industrial Access Fund Program.



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