

MEMORANDUM

DEPARTMENT OF TRANSPORTATION

Division of Transit and Rail
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TO: Transportation Commission

FROM: Mark Imhoff, Division of Transit and Rail Director

DATE: August 8, 2011

SUBJECT: Towner Line Update

The State Rail Bank was established in 1998 and specifies that CDOT use these funds “for the acquisition, maintenance, improvement, or disposal of rail lines or railroad rights-of-way or any other purpose necessary” to promote rail operations . The State Rail Bank has been used on one occasion to purchase the Towner Line from Union Pacific to prevent abandonment. CDOT executed a lease-purchase agreement with Victoria and Southern (V&S) Railroad in 2005, and the agreement will be finalized later this year with the V&S taking ownership of the Towner Line for \$9,356,000.00. CDOT is anticipating receipt of the proceeds as early as August, and the funds will be deposited into the State Rail Bank.

The Division of Transit and Rail is exploring options to utilize the proceeds from the Towner Line sale to promote railroad operations in the State and leverage economic development. These options likely would require legislation to modify the use of the State Rail Bank. To this end, we are seeking support and direction from the Office of State Policy and Budget (OSPB), and if supported, preparing a draft Decision Item for the Joint Budget Committee consideration. We also recognize the State’s fiscal responsibilities and the efforts of the OSPB toward budget balancing.

We will keep you apprised of the situation as it progresses, and if appropriate present options for the use of the State Rail Bank funds.