

# Regional Freight Governance Case Studies

The United States is home to a vast freight system—over 4 million route-miles of public roads, almost 140,000 miles of rail, and some 11,000 miles of navigable channels.<sup>1</sup> This infrastructure serves as the lifeblood of the American economy, and the amount of freight moving on the national system is expected to increase by two thirds in the next 30 years as the country continues to grow and trade increases.<sup>2</sup>

While freight movement provides widespread national economic benefits, it also produces localized impacts such as congestion, pollution, or community disruption. These impacts are especially felt in a small number of metropolitan areas that play a critical role in managing goods movement. Institutional obstacles in these key nodes can make it difficult to support local freight movement and minimize negative externalities. For example, coordination among a number of private carriers within a competitive industry has proven to be a challenge. Likewise, freight movements are multi-jurisdictional in nature, requiring consensus building and agreement between local, regional, state, and even national agencies and jurisdictions.

In response to these institutional challenges, municipalities, regions, and states across the country have developed novel arrangements for managing, prioritizing, and financing freight infrastructure improvements. This section draws on three case studies exhibiting national best practices in freight governance. Like metropolitan Chicago, all three case studies come from key nodes in the national freight system. While the examples differ in mandate, structure, management, and selection, they share a common theme of bridging public agency and private business interest to raise freight's profile and bring freight capital projects to completion. The three case studies are the **Freight Mobility Strategic Investment Board** in Washington State, the **Alameda Corridor** in Los Angeles, and Kansas City's **KC SmartPort**. Each of the following case studies is explored in turn. Two additional case studies, the **Virginia Department of Rail and Public Transportation** and the **Sheffield Flyover/Argentine Connection**, are provided after the main discussion as further illustration of novel freight institutions.

## Freight Mobility Strategic Investment Board

The Pacific Northwest is one of the nation's major freight gateways. However, prior to the formation of the Freight Mobility Strategic Investment Board (FMSIB) in 1998, goods movement received relatively little attention in Washington State. Beginning in the mid-1990s, private freight representatives expressed concern that the State's transportation planning program lacked an adequate focus on freight. After studying the issue, the state legislature created the

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<sup>1</sup> U.S. Department of Transportation, Federal Highway Administration: Freight Management and Operations. Freight Facts and Figures. [http://www.ops.fhwa.dot.gov/freight/freight\\_analysis/nat\\_freight\\_stats/docs/12factsfigures/](http://www.ops.fhwa.dot.gov/freight/freight_analysis/nat_freight_stats/docs/12factsfigures/).

<sup>2</sup> CMAP, "Freight Cluster Drill-Down," 2012, p.2.

Freight Mobility Strategic Investment Board to prioritize freight projects and better leverage transportation dollars by brokering public-private partnerships.

### Governance Structure

FMSIB is an independent state agency focused exclusively on addressing freight mobility needs. Its creation required state legislative action, and the agency must follow statutory guidance. The FMSIB Board carries out the agency’s primary function of recommending freight improvement projects to the state legislature. The 12-member volunteer board includes representatives from Washington State DOT (WSDOT), the State Office of Financial Management, local and county governments, port districts, and private trucking, rail, and marine industries. This broad mix of members is meant to reflect the various freight funding sources as well as both public and private interest. The governor appoints all members of the board. In making these appointments, FMSIB’s enacting legislation tasks the governor to “ensure that each geographic region of the state is represented,” though does not provide a specific statutory breakdown.<sup>3</sup> FMSIB maintains a small staff of three positions to support the board.

Table 1. FMSIB Board Composition

Representing	Current Membership
Municipalities	Mayor of Cheney
Municipalities	Councilmember of Fife
Counties	Director Pierce County Public Works
Counties	Councilmember Snohomish County
State	Transportation Budget Analysts, Office of Financial Management
Port Districts	Commissioner Port of Seattle
Port Districts	Executive Director, Port of Vancouver
Railroads	Director of Governmental Affairs, BNSF
Washington State DOT	Secretary of Transportation
Marine Industry	Vice President, SSA Marine
Trucking	President, Hogland Transfer Company
Public (Chair of the Board)	Retired trucking executive

Source: FMSIB

### Project Selection and Management

Identifying and prioritizing freight projects are the primary functions of FMSIB, as set out in its enabling legislation. FMSIB may only fund projects and components related to freight movement. FMSIB’s enabling legislation defines such freight projects as those that meet the following three prerequisite requirements:

- Eligible freight projects must fall on one of the state’s defined strategic freight corridors
- Eligible freight projects must meet at least one of the following conditions:

<sup>3</sup> Revised Code of Washington, 47.06A.030.

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- Primarily aimed at reducing identified barriers or increasing capacity for freight movement with only incidental benefits to general or personal mobility
- Primarily aimed at mitigating the impact on communities of increasing freight movement
- Eligible freight projects must have a total public benefit/total public cost ratio greater than or equal to one
- Eligible freight projects must have a public-private component and provide a minimum 20 percent partnership contribution.<sup>4</sup>

FMSIB’s board issues a call for projects every other year and then uses further evaluation criteria to analyze those projects meeting the prerequisite requirements. A board selection team reviews each project application, as does a technical review team. The board selection team consists of one representative each from the cities, counties, ports, trucking industry, maritime industry, and railroad industry. The technical review team is composed of representatives from the County Road Administration Board, Washington Association of Cities, Washington Public Ports Association, Washington State Department of Transportation, BNSF Railway, Union Pacific Railroad, and the Washington Trucking Association. Part of the technical team’s review includes an analysis to verify numerical and engineering claims. Jointly, the two review teams compare scores to determine which projects should advance for final consideration. Sponsors of projects advancing to final consideration are invited to a face-to-face meeting with the board selection team to discuss freight benefits, anticipated partnerships, and any remaining questions.

In an open meeting, the full board reviews all applications and votes on which projects to prioritize along with the level of funding to award. A dollar amount and percentage amount are assigned to each project. If construction costs go up, the dollar amount is used; if project costs go down, the percentage amount is used. By legislative requirement, the board must allocate 55 percent of funds to the highest performing projects, while the remaining 45 percent must be divided equally among the state’s three regions (Puget Sound, western Washington, and eastern Washington). The board submits a list of its selected projects to the State Office of Financial Management and the legislature.

**Table 2. FMSIB Evaluation Criteria**

Evaluation Criteria	Scoring
Freight mobility for project area	35 possible points
<ul style="list-style-type: none"> <li>● Reduce truck, train or rail car delays</li> <li>● Increase capacity for peak hour truck or train movement</li> </ul>	<ul style="list-style-type: none"> <li>● 0-25 points</li> <li>● 0-10 points</li> </ul>
Freight mobility for the region, state, and nation	35 possible points
<ul style="list-style-type: none"> <li>● Importance to the regional freight system and regional economy</li> <li>● Importance to state freight system and state economy</li> <li>● Direct access to ports or international</li> </ul>	<ul style="list-style-type: none"> <li>● 0-10 points</li> <li>● 0-10 points</li> <li>● 0-10 points</li> </ul>

<sup>4</sup> Revised Code of Washington, 47.06A.020 and Washington Administrative Code Title 226, Chapter 20.

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<ul style="list-style-type: none"> <li>• Provide a corridor/system solution</li> </ul>	<ul style="list-style-type: none"> <li>• 0-5 points</li> </ul>
<b>General mobility</b>	<b>25 possible points</b>
<ul style="list-style-type: none"> <li>• Reduce vehicular traffic delay</li> <li>• Reduce queuing and backups</li> <li>• Reduce delay from use of alternative railroad crossing</li> <li>• Address urban principal arterials</li> </ul>	<ul style="list-style-type: none"> <li>• 0-10 points</li> <li>• 0-7 points</li> <li>• 0-5 points</li> <li>• 3 points for urban principal arterial, 0 points for all other</li> </ul>
<b>Partnerships</b>	<b>25 possible points</b>
<ul style="list-style-type: none"> <li>• Matching funds</li> <li>• Critical timing of partner investments</li> </ul>	<ul style="list-style-type: none"> <li>• 1 point for every 4% of public match, 1 point for every 2% of private match for maximum of 20 points</li> <li>• 0 to 5 points</li> </ul>
<b>Safety</b>	<b>20 possible points</b>
<ul style="list-style-type: none"> <li>• Reduce railroad crossing accidents</li> <li>• Reduce non-railroad crossing accidents</li> <li>• Provide emergency vehicle assess</li> <li>• Close additional related railroad crossings</li> </ul>	<ul style="list-style-type: none"> <li>• 0 to 5 points</li> <li>• 0 to 5 points</li> <li>• 5 points for essential access route, 0 points otherwise</li> <li>• 5 points for 2 or more crossing closures, 3 points for 1 closure, 0 points for no closure</li> </ul>
<b>Environment</b>	<b>20 possible points</b>
<ul style="list-style-type: none"> <li>• Reduce vehicle emissions</li> <li>• Reduce train whistle noise</li> <li>• Diesel emission reduction</li> <li>• Does sponsor have adopted policy to reduce greenhouse gas emissions?</li> </ul>	<ul style="list-style-type: none"> <li>• 0 to 5 points</li> <li>• 0 to 5 points</li> <li>• 0 to 5 points</li> <li>• 5 points if yes, 0 if no</li> </ul>
<b>Freight and economic value</b>	<b>15 possible points</b>
<ul style="list-style-type: none"> <li>• Benefit mainline rail operations</li> <li>• Access to key employment areas</li> <li>• Support faster train movements</li> </ul>	<ul style="list-style-type: none"> <li>• 0 to 5 points</li> <li>• 0 to 5 points</li> <li>• 0 to 5 points</li> </ul>
<b>Cost</b>	<b>10 possible points</b>
<ul style="list-style-type: none"> <li>• Cost effectiveness (reduced delay time/project cost)</li> <li>• Degree to which least-cost alternative are considered</li> </ul>	<ul style="list-style-type: none"> <li>• 0 to 7 points</li> <li>• 0 to 3 points</li> </ul>
<b>Special issues</b>	<b>8 possible points</b>
Address special or unique circumstances not otherwise addressed	<ul style="list-style-type: none"> <li>• 0 to 8 points</li> </ul>
<b>Consistency with regional and state plans</b>	<b>5 possible points</b>
<ul style="list-style-type: none"> <li>• Regional transportation plan</li> <li>• State transportation plan</li> </ul>	<ul style="list-style-type: none"> <li>• 0 to 3 points</li> <li>• 0 to 2 points</li> </ul>

Source: Joint Transportation Committee of the Washington State Legislature, "FMSIB Project Selection Process," June 20, 2012. <http://tinyurl.com/medox2t>

## Revenue Sources

FMSIB receives a biennial appropriation of \$12 million in gas tax, multimodal, and truck weight fees to be allocated by the board. Additionally, the board receives \$3.5 million from highway safety funds. FMSIB also administers legislative appropriations for specific projects. Whenever possible, FMSIB seeks to leverage state transportation investments with other public and private funding sources.<sup>5</sup> In addition to prioritizing projects, FMSIB acts as impartial broker, developing agreements and forming partnerships to help move projects forward. While FMSIB criteria require a 20 percent minimum match, in practice the board has not approved a match of less than 50 percent in the last three project rounds. As of April of 2013, FMSIB had invested \$112.7 million to move 41 projects to completion, and every FMSIB dollar has leveraged more than five additional dollars in other public and private investment.<sup>6</sup>

## Alameda Corridor Transportation Authority

The Alameda Corridor is a 20-mile grade separated rail corridor that runs directly from the Ports of Los Angeles and Long Beach to the rail mainlines near downtown Los Angeles. It was designed, financed, built, and is now operated by the Alameda Corridor Transportation Authority (ACTA), the special-purpose public entity. Before the construction of the Alameda Corridor, freight trains between the ports and downtown had to navigate a complex and tortuous system of nearly 100 miles of branch line with over 200 at-grade crossings. The completion of the project in 2002 consolidated harbor-related rail traffic onto a single corridor, substantially reducing travel times from 4 hours to 30 minutes.

Figure 1. Alameda Corridor project



Source: ACTA

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<sup>5</sup> Transportation Research Board, National Cooperative Freight Research Program Report 2: Institutional Arrangements for Freight Transportation Systems. [http://onlinepubs.trb.org/onlinepubs/ncfrp/ncfrp\\_rpt\\_002.pdf](http://onlinepubs.trb.org/onlinepubs/ncfrp/ncfrp_rpt_002.pdf)

<sup>6</sup> Move Forward Washington, "Freight Mobility Strategic Investment Board," April 29, 2013. <http://moveforwardwashington.org/blog/?tag=freight-mobility-strategic-investment-board>.

The Alameda Corridor is the result of almost 20 years of effort to move the initial planning concept to reality.<sup>7</sup> The Southern California Association of Governments (SCAG), CMAP's counterpart in the Los Angeles region, played an instrumental role in that process. The origin of the eventual ACTA stems from the work of SCAG's Ports Advisory Committee. Convened in 1981 to investigate growing congestion around the ports, the Committee issued two studies on highway and rail access to the ports based on extensive data collection by the agency. Building off this initial work, SCAG created the Alameda Corridor Task Force in 1985. This group consisted of representatives from the ports, railroads, trucking industry, each of the cities along the affected corridor, and the Los Angeles County Transportation Commission. The Task Force recommended a joint powers authority with design and construction capabilities, and the Alameda Corridor Transportation Authority (ACTA) was formed in 1989.

### **Governance Structure**

A joint powers authority is a legally independent entity created by a formal agreement between two or more public agencies. The authority helps manage common goals that transcend local boundaries. ACTA is a joint powers authority between the cities of Los Angeles and Long Beach with the sole purpose of delivering the Alameda Corridor project. It is governed by a board of seven members, including two representatives each from the Ports of Los Angeles and Long Beach, a member of each city council, and a representative from the Los Angeles County Metropolitan Transportation Authority.

While the two cities of Los Angeles and Long Beach are the sole signatories of the joint powers agreement, the corridor project runs through numerous additional municipalities in Southern California. These communities were originally represented on ACTA's governing board, but "the large size of the governing board led to repeated disagreements and disruption of meetings. ACTA could not make any significant decisions, and the project was more or less stalled."<sup>8</sup> In 1997, ACTA removed these mid-corridor cities from the governing board. This consolidation was legally challenged by the corridor cities, and ultimately resolved through a court decision in favor of the Ports. As part of the resolution, the Ports signed individual Memoranda of Understanding agreements with the corridor cities establishing the review, approval, and permitting process for changes taking place inland from the Ports. Individual MOUs also provided specific mitigation measures, such as pedestrian plazas, landscaping, and improved lighting in the City of Compton. ACTA also agreed to local hiring requirements, particularly that 30 percent of all work hours on the mid-corridor component of the project be performed by local workers as well as providing job training for 1,000 local residents.

The relationship between ACTA and the freight railroads is defined by the Use and Operating Agreement. Negotiated and signed in 1998, the Agreement creates a four-member Operating Committee deliberately balanced between the Ports (one member each for Los Angeles and Long Beach) and the railroads (one member each from Union Pacific and BNSF). The Operating

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<sup>7</sup> Ronald D. White, "Debt load weighs on Alameda Corridor," Los Angeles Times, September 05, 2010.

<sup>8</sup> Ajay Agarwal, Genevieve Giuliano, and Christian Redfean, "The Alameda Corridor: A White Paper." February 10, 2004.

Committee provides for the on-going upkeep of the facility by approving the maintenance and operating budget of the corridor and selecting maintenance and security contractors.

## **Project Selection and Management**

Created to construct a specific freight infrastructure improvement, ACTA is a bit unique among freight institutional arrangements. The concept of the Alameda Corridor was developed over many years through a series of studies, committees, and then a targeted task force, with the Southern California Association of Governments as lead coordinator of these efforts. These initial resources lent credibility and were foundational in the ultimate success of the project. In addition to constructing the Alameda Corridor on-time and on-budget, ACTA was tasked with servicing the project's debt and maintaining the corridor's right-of-way.

When the Alameda Corridor project was completed in 2002, ACTA's governing board expanded the agency's mission beyond its initial scope by allocating \$58 million in unspent bond proceeds to ten rail specific projects in the region. The governing board also expanded ACTA's role in data collection, feasibility studies, and exploration of future funding options.

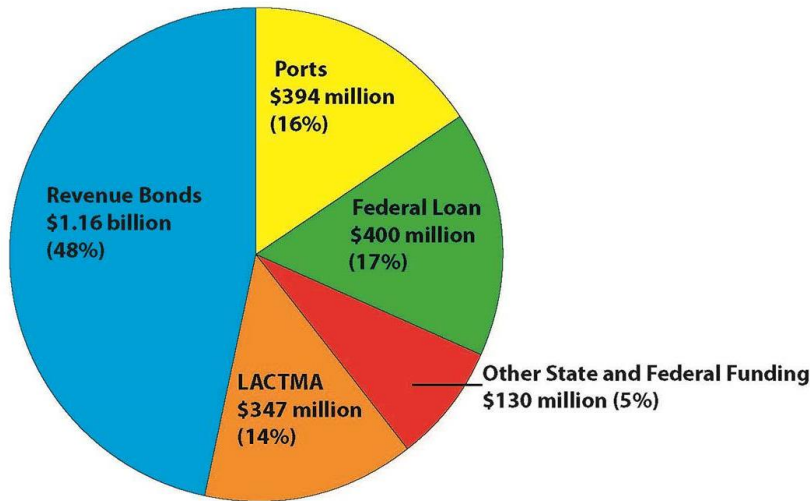
## **Revenue Sources**

Another feature that makes ACTA unique among freight infrastructure arrangements is its revenue stream. The initial Alameda Corridor project cost approximately \$2.4 billion. Of this total, \$400 million came from a federal loan,<sup>9</sup> the Ports of Los Angeles and Long Beach provided \$394 million, the Los Angeles County Metropolitan Transportation Authority provided \$347 million, and another \$130 million came from other federal and state sources. The remaining \$1.16 billion, or nearly half the cost of the entire project, came from a revenue bond sale in 1999. To pay the debt service on these bonds, ACTA charges the railroads a per-container fee to use the corridor.

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<sup>9</sup> The \$400 million federal loan was innovative at the time and served as a precursor to the Transportation Infrastructure Finance and Innovation Act of 1998, the federal credit program for transportation projects of national and regional significance.

Figure 2. Financing Sources for the Alameda Corridor



Source: NCFRP Report 2

The user fees were initially set at \$15 for a loaded twenty-foot equivalent (TEU) container, \$4 for an empty TEU container, and \$8 for other loaded rail cars. As set by the Use and Operating Agreement, the user fees are set to increase between 1.5 and 4.5 percent per year based on inflation over the 30-year servicing of the loans. As of January 1, 2013, the fees had risen to \$22.50 per loaded container, \$5.33 per empty container, and \$10.66 per other loaded railcar. In August of 2013, the corridor handled an average of 46.8 trains per day and 12,439 Twenty-foot Equivalent Units (TEUs) of containerized cargo per day. The Authority earned approximately \$99.4 million from use fees and container charges and about \$4.6 million in maintenance of way charges in FY 2013 ending June 30, 2013.<sup>10</sup>

The container fees are used to make debt service payments and will sunset when the debt is fully retired. Therefore, as traffic on the facility increases, the debt repayment schedule is accelerated. On the other hand, if traffic decreases or otherwise generates insufficient revenue, the Ports of Los Angeles and Long Beach are obligated to cover up to 40 percent of ACTA's debt.

The maintenance of the corridor is paid for by the railroads under the Use and Operating Agreement, although through an annual payment rather than the container fee. The Agreement allows for the payments to increase with inflation, and allocates costs among the railroads.

## KC SmartPort

Kansas City's unique freight institutional arrangement, KC SmartPort, is a business-led, non-profit economic development agency using a cooperative model to advance common strategies supporting freight in the region. Specifically, KC SmartPort seeks to attract investment and

<sup>10</sup> Alameda Corridor Transportation Authority, [www.acta.org](http://www.acta.org).  
[http://acta.org/revenue\\_finance/financial\\_reports/Basic\\_Financial\\_Statements\\_June\\_2013\\_2012.PDF](http://acta.org/revenue_finance/financial_reports/Basic_Financial_Statements_June_2013_2012.PDF)



bring additional freight services to the area. Established in 2001 by the Greater Kansas City Chamber of Commerce, the Kansas City Area Development Council, and the Mid-America Regional Council, KC SmartPort covers the two states, 18 counties, and 50 cities of the Kansas City region.

## **Governance Structure**

KC SmartPort is a nonprofit economic development organization supported by private business and public agencies. The agency's board consists of those dues-paying members contributing at the top investor level (\$10,000 or more in 2009).<sup>11</sup> On the public side, such donors include the Mid-America Regional Council (CMAP's counterpart in the region), along with the Missouri and Kansas Departments of Transportation. KC SmartPort is heavily business-led, and the remaining members of the board are representatives from private freight firms. Beyond board member investors, the agency has balanced representation in lower investor levels from the region's freight cluster including railroads, trucking firms, and river barge operators as well as warehousing companies, commercial real estate, and third-party logistics providers.

KC SmartPort's governance model illustrates how private firms can both compete in the marketplace but also come together to promote shared support strategies. The agency's board puts forward targeted strategies that are then operationalized by the member companies and institutions. These initiatives are described below.

## **Project Selection and Management**

KC SmartPort differs from other freight institutional arrangements in that it does not program or prioritize infrastructure improvements but instead champions strategies that advance the entire regional freight cluster. The agency's mission is to grow the Kansas City region's transportation industry by attracting new firms as well as to make the region a more competitive freight center. This mission is carried out through three objectives:

- Economic Development – The agency serves a classic economic development role by highlighting the region's assets and providing a site locator function for firms considering the region.
- Trade Data – KC SmartPort developed the Trade Data Exchange to provide real-time visibility of freight movement through the region. A trade data exchange is a form of automated logistics data clearinghouse; it improves the supply chain's visibility through inventory and shipment tracking, reporting, bill payment and invoicing. This type of initiative enables a more effective use of transportation and logistical assets in addition to strengthening linkages between regional firms.<sup>12</sup>
- Business Services – KC SmartPort provides additional support services to regional freight firms, such as establishing an office to facilitate the custom process of goods moving to Mexico, a key connection of the region.

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<sup>11</sup> NCFRP Report 2, "Institutional Arrangements for Freight Transportation," Appendix C.

<sup>12</sup> Jean-Paul Rodrigue, "Kansas City Smartport: The Regionalization of Logistics," Department of Global Studies and Geography, Hofstra University. [http://people.hofstra.edu/geotrans/eng/ch4en/appl4en/kc\\_smartport.html](http://people.hofstra.edu/geotrans/eng/ch4en/appl4en/kc_smartport.html).

## Revenue Sources

As an investor-based organization, KC SmartPort is funded by dues paid by its members. Dues are tiered to three levels—board, pinnacle, and gold—based on annual investment. Members contributing at least \$10,000 in 2009 met the threshold to qualify as board-level investors, while the threshold for pinnacle-level investors was \$5,000 and the minimum contribution for gold-level investors was \$2,500. In the same year, 85 percent of Kansas City SmartPort operating funds came from the annual contribution of private investors, with the remaining 15 percent from public sources.<sup>13</sup> Currently KC SmartPort has 15 board level investors, 14 pinnacle investors, and 32 gold investors.<sup>14</sup>

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<sup>13</sup> NCFRP Report 2, “Institutional Arrangements for Freight Transportation,” Appendix C.

<sup>14</sup> As of 8/21/2013. <http://www.kcsmartport.com/about/section/investors-board.php>.

# Additional Case Studies

## Virginia Department of Rail and Public Transportation

Similar to the Freight Mobility Strategic Investment Board in Washington State, the Virginia Department of Rail and Public Transportation illustrates the role of a state agency in long-term planning, the leveraging of additional investments with state funds, and raising the overall profile of freight needs. The Department has played an important role facilitating major initiatives such as the Heartland Corridor, Crescent Corridor, and National Gateway projects. The Department also plays an important role in supporting intercity passenger rail service, port-related improvements, transit improvements, and preserving short-line railroads.

### Governance Structure

The Virginia Department of Rail and Public Transportation (DRPT) is a state agency reporting to the Virginia Secretary of Transportation.<sup>15</sup> It is not a division of the Virginia Department of Transportation, although it works closely with VDOT and the state's other modal agencies. DRPT works in the freight rail, public transportation, and commuter services areas, providing funding, expertise, information, and advocacy to improve mobility in the Commonwealth. DRPT was established as a standalone agency in 1992.

### Project Selection and Management

The Department conducts strategic planning, having developed the Statewide Rail Plan in 2008<sup>16</sup> and the Statewide Rail Resource Allocation Plan, also in 2008.<sup>17</sup> The Rail Resource Allocation Plan identifies priority projects; estimates costs; identifies revenue sources; identifies public, private, or joint benefits for those projects; and estimates the Commonwealth's contribution to the projects' funding. The Rail Resource Allocation Plan informs the selection of projects from the Rail Enhancement Fund.

Project selection is driven by both quantitative and qualitative analyses. The quantitative analysis is driven by DRPT's public benefit model, which accounts for a project's anticipated public benefit across multiple dimensions (e.g., air quality improvements, congestion improvements, pavement condition improvements, etc.). Qualitative considerations include DRPT's ability to leverage private or other funding for a project, and the more holistic needs of the larger multimodal transportation corridor.

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<sup>15</sup> Virginia Department of Rail and Public Transportation, "About DRPT: background". Accessed October 22, 2013, <http://www.drpt.virginia.gov/about/default.aspx>.

DRPT, "Frequently Asked Questions", Accessed October 22, 2013, <http://www.drpt.virginia.gov/faq/default.aspx>.

<sup>16</sup> Virginia Department of Rail and Public Transportation, Statewide Rail Plan, 2008, [http://www.drpt.virginia.gov/activities/drptplanning\\_details.aspx](http://www.drpt.virginia.gov/activities/drptplanning_details.aspx).

<sup>17</sup> Virginia Department of Rail and Public Transportation, Statewide Rail Resource Allocation Plan, 2008, <http://tinyurl.com/kq378em>.

## **Revenue Sources**

DRPT awards funding to support freight projects through the Rail Enhancement Fund, the Rail Industrial Access Grant program, and the Rail Preservation Grant program. The Rail Enhancement Fund is focused on improvements to rail mobility in the Commonwealth, while the Rail Industrial Access and Rail Preservation Grant programs are focused on retaining existing short line service. DRPT is also responsible for the Intercity Passenger Rail Operating and Capital Fund. That fund was established in 2011 and received a dedicated 0.05 percent of the state sales tax as part of the 2013 transportation funding reform bill.<sup>18</sup>

The Rail Enhancement Fund is the Commonwealth's first dedicated program for rail improvements, and is funded through a 3 percent rental car tax established in 2005. It is the tool through which DRPT leverages additional private investment, providing gap funding to complete rail projects. Grants from the Rail Enhancement Fund require at least a 30 percent match from non-state or federal sources and cover capital expenditures. The 2008 Statewide Rail Resource Allocation Plan estimated that the Rail Enhancement Fund would receive \$761 million in revenue for the twenty-five year period from FY 2010 to FY 2035.

## **Sheffield Flyover and Argentine Connection, Kansas City Metropolitan Area, MO-KS**

Similar to the Alameda Corridor Transportation Authority, these two case studies illustrate project-specific institutional structures implemented in the Kansas City region, the nation's second-largest rail hub after Chicago. However, these two projects were largely delivered through the creation of quasi-governmental, non-profit transportation corporations, rather than a publicly-controlled joint powers authority.

Both the Sheffield Flyover and the Argentine Connection projects consist of grade separations designed to eliminate conflicts, and thus delays, where east-west and north-south lines cross.<sup>19,6</sup> Completed in 2000, the Sheffield Flyover is a three-mile project of double track railroad, including a 1.5-mile rail bridge. The Sheffield Junction was the third-busiest rail crossing in the country before the construction of the flyover, and the flyover is credited with reducing travel times from 40 minutes to 15 minutes. Completed in 2004, the Argentine Connection is a two-mile facility including a three-level flyover bridge that separates the Kansas City Terminal Railway's mainline tracks from the BNSF's Argentine Yard. It is credited with a 15-train/day increase in capacity to the north-south line and a 15-20 train/day increase in capacity to the east-west line.

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<sup>18</sup> Tax Foundation, "Virginia Legislators Approve Increases in Sales Tax, Car Tax, Regional Taxes", February 25, 2013. Available online: <http://taxfoundation.org/blog/virginia-legislators-approve-increases-sales-tax-car-tax-regional-taxes>.

<sup>19</sup> FHWA, Office of Freight Management and Operations and Office of Planning, "Financing Freight Improvements", January 2007, pp. 98-100. Available online:

<http://www.ops.fhwa.dot.gov/freight/publications/freightfinancing/freightfinancing.pdf>

## Governance Structure

The Sheffield Flyover was financed and constructed by a non-profit transportation corporation, the Kansas City Intermodal Transportation Corporation (KCITC), created under Missouri law by the Kansas City Terminal Railway in partnership with the Missouri Highways and Transportation Commission.<sup>20</sup> KCITC has the ability to issue tax-exempt industrial bonds and receive tax-exempt status for property taxation. Its board is comprised of representatives from the railroads that constitute the Kansas City Terminal Railway (see below); members serve 6-year terms, must be approved by the Missouri Highways and Transportation Commission, and also include an advisory member from the State of Missouri.

The Kansas City Terminal Railway was formed in 1906 and is jointly owned by the five trunk railroads serving the Kansas City area: BNSF, Canadian Pacific, Kansas City Southern, Norfolk Southern, and Union Pacific.<sup>21</sup> The Kansas City Terminal Railway operates 87 miles of track, including 25 miles in Kansas and 62 miles in Missouri. Under the “Facilities Use Agreement” for the Sheffield Flyover, the Kansas City Terminal Railway is responsible for maintaining and operating the facility, and for setting the wheelage charges required to provide debt service.

The Argentine Connection crosses the state line between Missouri and Kansas. The Missouri portion of the project was financed through a second non-profit transportation corporation, the Westside Intermodal Transportation Corporation, which was modeled after the KCITC. Again, board members serve 6-year terms and are selected from among the member railroads of the Kansas City Terminal Railway. The membership must be approved by public agencies and a government member sits on the board in an advisory capacity. The State of Kansas lacked the authority to enter into financing arrangements with the Argentine partnership. Rather, the Kansas portion of the project’s funding was provided by the Unified Government of Wyandotte County/Kansas City. The BNSF railroad owns the two levels of flyover track, while the UP railroad owns the at-grade High Line Bridge, a separate but related facility.

## Project Selection and Management

The need for grade separations at these rail bottlenecks was recognized as early as the 1980s, and rail congestion grew through the 1990s.<sup>22</sup> In 1995, the Kansas City Terminal Railway hired a private consultant to develop a solution to the congestion issues at the Sheffield Junction on the east side of Kansas City. After the opening of the Sheffield Flyover, the Kansas City Terminal Railway next focused on congestion issues on the west side of Kansas City at the Argentine Yard, which were in part exacerbated by the improvements at Sheffield. Additionally, in 1999 the existing High Line Bridge, a related project to the Argentine Connection, was recognized as facing significant structural and safety issues.

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<sup>20</sup> Pecor, Diane and Sarah Campbell, “Guidance to Foster Collaborative Multi-modal Decision Making: The Case for Freight”. Prepared for AASHTO Standing Committee on Planning as part of NCHRP Project 08-36. April 2006. Available online: [http://freight.transportation.org/Documents/case\\_freight.pdf](http://freight.transportation.org/Documents/case_freight.pdf)

<sup>21</sup> Stenzel, Charles J. and James A. Giblin, presentation to CMAP Freight Advisory Committee, January 24, 2011. Available online: <http://tinyurl.com/mj65d5u>.

<sup>22</sup> Pecor, Diane and Sarah Campbell, 2006.

## **Revenue Sources**

The Sheffield Flyover was funded by \$74 million in industrial revenue bonds issued by the Kansas City Intermodal Transportation Corporation, which will be repaid by a consortium of railroads (BNSF, UP, and Kansas City Southern) over a 20-year period. Revenues to cover debt service come from a wheelage charge levied by the Kansas City Terminal Railway.

The Argentine Connection is a bistate project and was paid for using two mechanisms. The Missouri portion was covered by \$46.3 million in industrial revenue bonds issued by the Westside Intermodal Transportation Corporation. Similar to the Sheffield Flyover, this debt service is covered by a wheelage charge. The Kansas portion was covered by \$13.5 million in bonds issued by the Unified Government of Wyandotte County/Kansas City. The Kansas City Railway Terminal will service the Kansas bonds.

For both projects, the private railroads pledged their own assets and guaranteed payment to cover debt service for their portions of the project should user fees fail to generate sufficient revenue.