



Division of Finance & Management

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TO: South Dakota Railroad Board
 FROM: Jack Dokken, Office of Air, Rail and Transit
 DATE: May 24, 2023
 SUBJECT: Ringneck and Western STC 2020 Grant Adjustment

Background

The Railroad Board approved a Special Transportation Circumstance (STC) grant application on May 20, 2020 for a 10,000-foot meet and pass siding on the Mitchel-Rapid City (MRC) rail line. The application was submitted and approved by the Federal Railroad Administration (FRA) before the MRC rail line was sold to WATCO. The purchase agreement for the MRC rail line sale includes a clause that requires upon completion of this project, WATCO will pay the State of South Dakota \$500,000 as well as two additional annual payments of \$500,000 on the annual anniversary of the completion of the project.

During the project's environmental review, seven wetlands were determined to be in the project area resulting in approximately \$186,400 in wetland banking expenses. In an effort to reduce the wetland disturbances, a proposal to reduce the length of the siding to 7,900 feet was approved by the FRA. The reduction reduced the wetland disturbance from 7 wetlands to 3 and required the federal portion of the grant funding be reduced by 21%.

| | Federal 62.4% | State | WATCO | Total Project |
|-------------------------|----------------------|--------------|--------------|----------------------|
| Original Funding | \$1,560,000.00 | \$640,000.00 | \$300,000.00 | \$2,500,000.00 |
| Reduced Funding | \$1,232,400.00 | \$640,000.00 | \$102,600.00 | \$1,975,000.00 |

Due to inflation, costs have increased making the current project estimate higher than the original estimate. Preliminary engineering and the environmental review requirements are not included in this grant budget, WATCO is funding those requirements independently.

Request

Action is required by the Railroad Board to amend the original project as approved. SDDOT recommends the Board approve the reduced length of the siding to 7,900 feet and that the state portion of the funding remain at \$640,000.