

**Memphis Regional Intermodal Facility Project  
Initial Financial Plan**

**LETTER OF CERTIFICATION**

The Federal Highway Administration Eastern Federal Lands Highway Division (FHWA-EFLHD) in partnership with Norfolk Southern Railway Company (Railway) has developed a comprehensive Financial Plan for the construction of the Memphis Regional Intermodal Facility (MRIMF) project in Rossville (Fayette County), Tennessee in accordance with the requirements of Section 106, Title 23, and the Financial Plan Guidance issued by the Federal Highway Administration. The plan provides detailed cost estimates to complete the project and the estimates of financial resources to be utilized to fully finance the project.

The cost data in the Financial Plan provides an accurate accounting of costs incurred to date and includes a realistic estimate of future costs based on engineer's estimates and expected construction cost escalation factors. While the estimates of financial resources rely upon assumptions regarding future economic conditions, they represent realistic estimates of available resources to fully fund the project.

FHWA-EFLHD and Railway believe it provides an accurate basis upon which to schedule and fund the MRIMF project. FHWA-EFLHD and Railway will review and update the Financial Plan on an annual basis.

To the best of our knowledge, the Financial Plan as herein submitted, fairly and accurately presents the financial position of the MRIMF project. The financial forecasts in the Financial Plan are based on FHWA-EFLHD's and Railway's judgment of the expected project conditions and the expected course of action. FHWA-EFLHD and Railway believe that the assumptions which underlie the Financial Plan are reasonable and appropriate. Further, the FHWA-EFLHD and Railway have made available all significant information relevant to the Financial Plan. To the best of our knowledge, the documents and records supporting the assumptions are appropriate.



Division Engineer  
Eastern Federal Lands Highway Division

12 Apr 11  
Date



Vice President  
Norfolk Southern Railway Company

4/8/11  
Date

**FEDERAL HIGHWAY ADMINISTRATION**  
**FEDERAL LANDS HIGHWAY** **EASTERN FE**  
**DIVISION**

**and**

**K SOUTHERN RAILWAY**  
**COMPANY**

**NORFOLK**

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**REGIONAL INTERMODAL**  
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# FEDERAL HIGHWAY ADMINISTRATION

and

## NORFOLK SOUTHERN RAILWAY COMPANY

### PROJECT FINANCIAL PLAN

#### MEMPHIS REGIONAL INTERMODAL FACILITY PROJECT

#### TABLE OF CONTENTS

Background	4
Introduction	4
Project Description and Scope of Work.	6
Grants and Project Expense	9
Implementation Plan	11
Project Funding	12
Cash Flow	13
Termination of Project	13
Cost Increase Mitigation Options and Strategies	14
Schedule for Annual Updates	14

#### LISTING OF EXHIBITS, FIGURES, AND TABLES

Exhibit 1: MRIMF development schedule (by calendar year)	11
Figure 1: Crescent Corridor trackage and Interstate routes	5
Figure 2: Concept plan for Memphis Regional Intermodal Facility (MRIMF)	7
Figure 3: Total of project costs by source and on a calendar year basis	9
Figure 4: Project funding by source	12
Table 1: MRIMF Overall Cost Estimate	8
Table 2: Funding estimate - Memphis Regional Intermodal Facility (MRIMF)	10
Table 3: Project expenditure timing - MRIMF	13

## **BACKGROUND**

The American Recovery and Reinvestment Act (ARRA) was signed into law on February 17, 2009 and appropriated \$1.5 billion, available through September 30, 2011, for Supplementary Discretionary Grants for a National Surface Transportation System. The U.S. Department of Transportation (USDOT) launched the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program on June 17, 2009 and solicited applications for innovative, multi-modal and multi-jurisdictional transportation projects that provide significant economic and environmental benefits. Applications were due to USDOT on September 15, 2009.

## **INTRODUCTION**

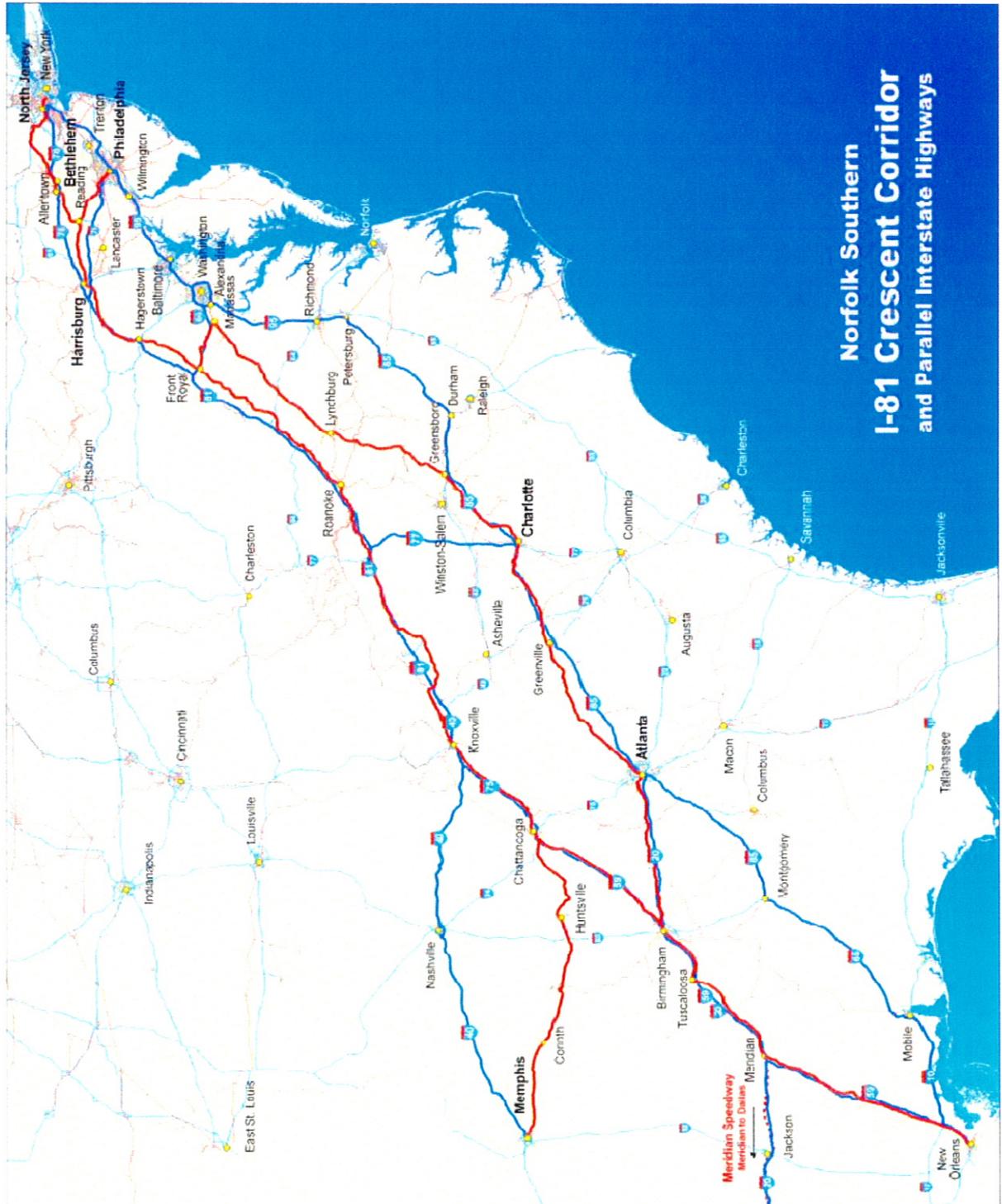
Norfolk Southern Railway Company (Railway) has initiated the Crescent Corridor Intermodal Freight Program of projects as the development of a fast, efficient rail intermodal route from the Gulf Coast to the mid-Atlantic. When fully developed, this program of projects will provide new and improved domestic rail intermodal service across a projected 64 lanes between the Northeast and Southeast for the intermodal freight facility host cities of Memphis, Birmingham, Atlanta, Charlotte, Knoxville, Greencastle, Harrisburg, Bethlehem, Philadelphia, and Northern New Jersey. The finished program of independent projects contemplates more than 300 miles of new rail double-track and more than 500 independent speed and capacity improvements on existing rights of way. Connecting this 2,500-mile network of existing rail lines with regional intermodal freight distribution centers will strengthen domestic and international distribution in the Southeast, Gulf Coast, and mid-Atlantic markets, resulting in the diversion to rail intermodal of more than 1.3 million domestic long-haul trucks annually by 2021.

The full development of the Crescent Corridor will produce substantial public benefits, including job creation, improved economic competitiveness and energy efficiency, safer roads, and an enhanced quality of life. In addition, public highways will experience less congestion.

Rail route enhancements and intermodal terminal development are required to provide the service necessary to create these public benefits. The initial projects in the Crescent Corridor Intermodal Freight Program include the construction or improvement of intermodal terminals, including the construction of one in the Memphis region.

On February 17, 2010, Railway's Crescent Corridor Intermodal Freight Program was awarded a TIGER grant in the amount of \$105 million. \$52.5 million of that amount will be applied toward construction of an intermodal facility in Rossville (Fayette County), Tennessee. Memphis Regional Intermodal Facility (MRIMF) is a public-private partnership, consisting of a \$105.1 million project to construct the facility with adjacent infrastructure improvements that will contribute toward the creation of a highly efficient freight rail transportation link between the Northeast and the South.

Figure 1: Crescent Corridor trackage and Interstate routes



While MRIMF construction has been planned as scalable, this Financial Plan only covers construction of the initial facility, built to accommodate approximately 200,000 annual lifts. Railway has acquired sufficient property rights to expand the facility if additional public funding sources are identified or if market conditions warrant a privately financed expansion. While construction permits will only include the initial phase of construction, Railway has obtained environmental documents (NEPA) for a facility with a 327,000-lift capacity.

The Federal Highway Administration Eastern Federal Lands Highway Division (FHWA-EFLHD), the Tennessee Department of Transportation (TDOT), and Railway signed a Memorandum of Agreement (MOA) on December 30, 2010 which outlines the roles and responsibilities for each of the Parties during MRIMF's initial phase of construction. FHWA-EFLHD is responsible for the coordination and facilitation of the overall schedule during this initial phase, as well as for the management of the TIGER funding. The design and construction of the facility will be completed by Railway. TDOT will be responsible for Route 57 grade separation and will utilize CMAQ funds for that portion of the project, as described in the MOA.

## **PROJECT DESCRIPTION AND SCOPE OF WORK**

The Memphis Regional Intermodal Facility (MRIMF) will be built immediately west of Rossville, in Fayette County, TN, approximately 27 miles east of downtown Memphis on Railway's mainline running between Memphis and Chattanooga, TN. It will occupy 380 acres of secured right-of-way. General components of the initial phase of the expandable facility capable of handling 200,000 container lifts from or to a railcar will include (subject to the completion of detailed engineering plans):

- Three pad tracks, each 4,050 ft. long,
- Four support tracks totaling approximately 17,000 ft
- 1,000 paved trailer parking spaces
- A double lead track connecting MRIMF to Railway's main line
- A loop track to allow trains to reverse direction after entering the facility
- Ancillary modular buildings and operating equipment
- An automated gate system (AGS), including hardware, software, building and other structures, and related appurtenances
- TDOT's installation of a grade separation overpass for State Route 57.

A Concept Plan and Estimate of Expense follow on the next two pages.





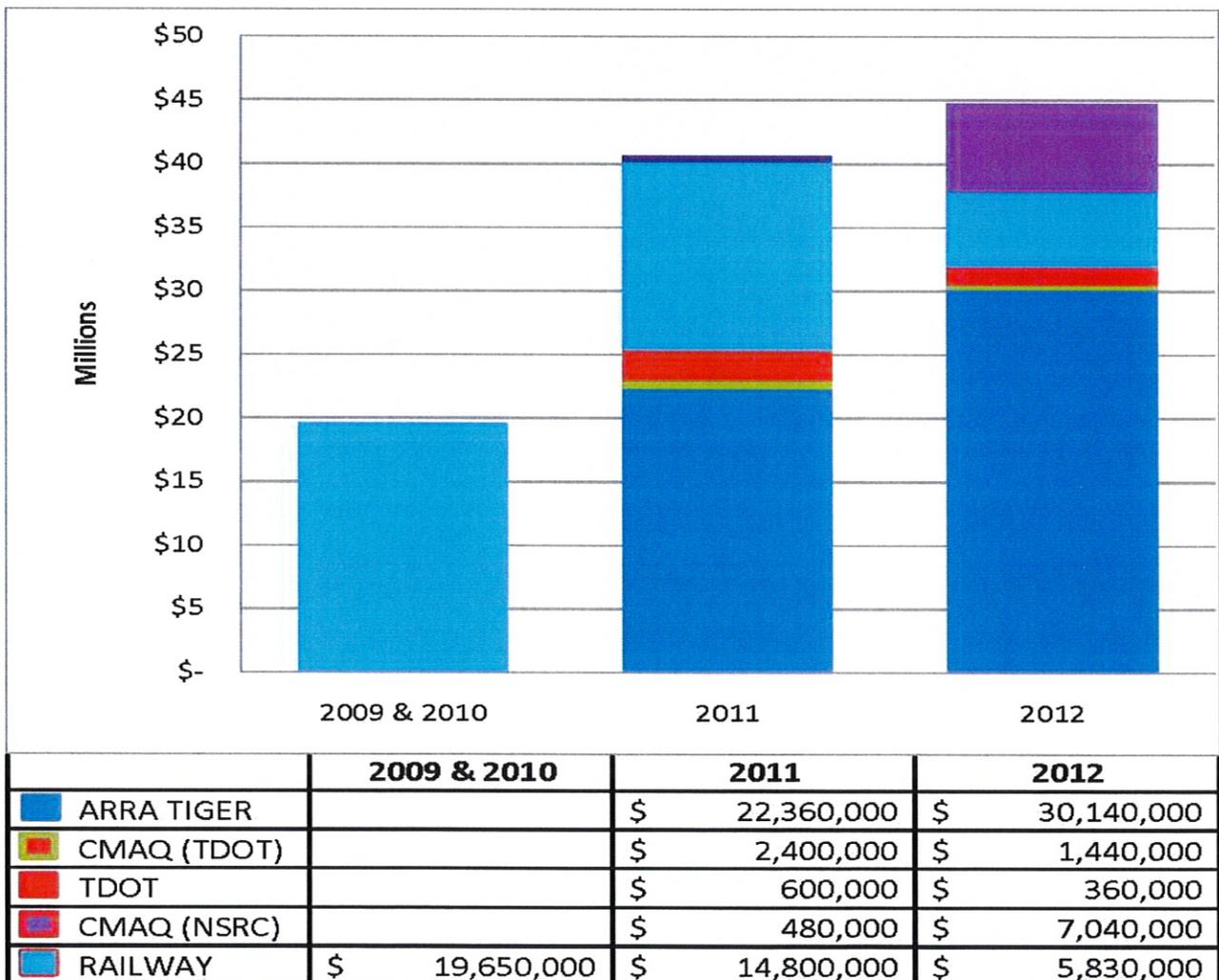
## GRANTS AND PROJECT EXPENSE

In following Figure 3 and Table 2, the current cost estimate for construction is broken down by Federal and state participation, activity and time period. In this estimate, it is anticipated that the \$52.5 million in TIGER funding may be used for any of the sub-projects included within the initial construction as listed. The \$52.5 million in TIGER funding will be coupled with \$11.36 million in Federal CMAQ funding, and the Railway's commitment of \$40.28 million, including the acquisition of property (already completed), in order to fully construct the initial phase and cover any funding gaps as necessary.

Of the \$40.28 million, Railway has expended (in 2009 and 2010) \$19.65M on:

- Acquisition of property including grading and site work (\$15.65 million)
- Engineering and permitting (\$4.00 million)

**Figure 3: Total of project costs by source and on a calendar year basis**



**Table 2: Funding estimate - Memphis Regional Intermodal Facility (MRIMF)**  
 (Note amounts shown by calendar year quarters)

**TIGER-funded work (in millions)**

Description	Expense	Percent	CY2011				CY2012			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Track installation	\$10.60	20%			\$1.00	\$4.00	\$2.00	\$3.60		
Sub-Ballast for Track Bed	\$2.20	4%		\$1.10	\$1.10					
Drainage (Facility)	\$2.90	6%		\$0.80	\$1.30	\$0.80				
Bridge for Entrance Road	\$1.50	3%		\$0.75	\$0.75					
Track Bridges	\$3.50	7%		\$1.00	\$2.50					
Utilities (Water & Sewer)	\$0.40	1%		\$0.10	\$0.30					
Fencing & Security	\$1.75	3%						\$1.00	\$0.75	
Fuel Tanks & Equipment Maintenance Pad	\$0.55	1%						\$0.55		
Oil Water Separator	\$0.30	1%			\$0.30					
Retaining Wall	\$0.40	1%		\$0.40						
Pavement	\$15.13	29%						\$1.53	\$3.60	
NS Mechanical Dept Cost	\$0.50	1%						\$0.50		
Air System	\$0.25	0%			\$0.25					
Train signaling	\$4.25	8%				\$1.80		\$1.20	\$1.25	
Modular buildings	\$0.40	1%						\$0.40		
Electrical Distribution & Lights	\$3.80	7%			\$0.75	\$1.40		\$1.45	\$0.20	
Performance & Payment Bond	\$0.40	1%		\$0.40						
Construction Supervision	\$2.50	5%		\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.40	
Communication Facilities	\$0.67	2%						\$0.36	\$0.51	
Landscaping	\$0.30	1%		\$0.30						
<b>TOTAL</b>	<b>\$52.50</b>	<b>100%</b>	<b>\$0.00</b>	<b>\$5.27</b>	<b>\$0.67</b>	<b>\$0.42</b>	<b>\$2.42</b>	<b>\$20.51</b>	<b>\$7.21</b>	<b>\$0.00</b>

**CMAQ-funded work (in millions)**

Description	Expense	Percent	CY2011				CY2012			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
AGS building (NSRC)	\$0.96	8%			\$0.24	\$0.24	\$0.24	\$0.24		
Automatic Gate System (NSRC)	\$1.84	16%						\$0.92	\$0.92	
Lift Machines (NSRC)	\$4.72	42%							\$4.72	
S.R. 57 overpass/grade separation (TDOT)	\$3.84	34%			\$0.80	\$1.60	\$0.40	\$1.04		
<b>TOTAL</b>	<b>\$11.36</b>	<b>100%</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$1.04</b>	<b>\$1.84</b>	<b>\$0.64</b>	<b>\$2.20</b>	<b>\$5.64</b>	<b>\$0.00</b>

## IMPLEMENTATION PLAN

Preliminary engineering (PE) for MRIMF was started in April, 2009. Compliance efforts with the National Environmental Policy Act (NEPA) requirements for the project were started in March, 2009. Railway has been working with the Federal Railroad Administration (FRA) and the Federal Highway Administration (FHWA) to complete an Environmental Assessment (EA) and this has resulted in issuance of a Finding of No Significant Impact (FONSI) on December 21, 2010, clearing the way for the Railway to complete final design. Final design has been completed by the Railroad and the Final Plan Approval was issued by FHWA-EFLHD. The Railroad advertised the construction contract in February 2011, with award of the construction contract including work to be funded by the \$52.5 million ARRA grant anticipated for April, 2011. Construction utilizing TIGER funds is expected to commence during May, 2011 and be completed by October 31, 2012. Exhibit 1 below shows the projected timeline for construction activities.

**Exhibit 1: MRIMF development schedule (by calendar year)**

TASKS	MEMPHIS REGIONAL INTERMODAL FACILITY (MRIMF)																																															
	DEVELOPMENT SCHEDULE																																															
	2009												2010												2011												2012											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
NEPA																																																
Environmental Permits																																																
Design																																																
Construction Bid Process																																																
Contract Awarded																																																
Mobilization																																																
Site Work																																																
Install Initial Erosion Control BMP's																																																
Clearing																																																
Drainage Installation																																																
Grading																																																
TDOT Construction of SR 57 Overpass																																																
Utilities																																																
Track Work																																																
Paving																																																
Buildings - Admin, Maint, Trans, Mech																																																
Yard and Parking Lot Lighting																																																
Landscaping																																																
Fencing																																																
Signal Work																																																

## PROJECT FUNDING

The initial phase of MRIMF is a public-private partnership. The work will be financed through a combination of federal and Railway's funds.

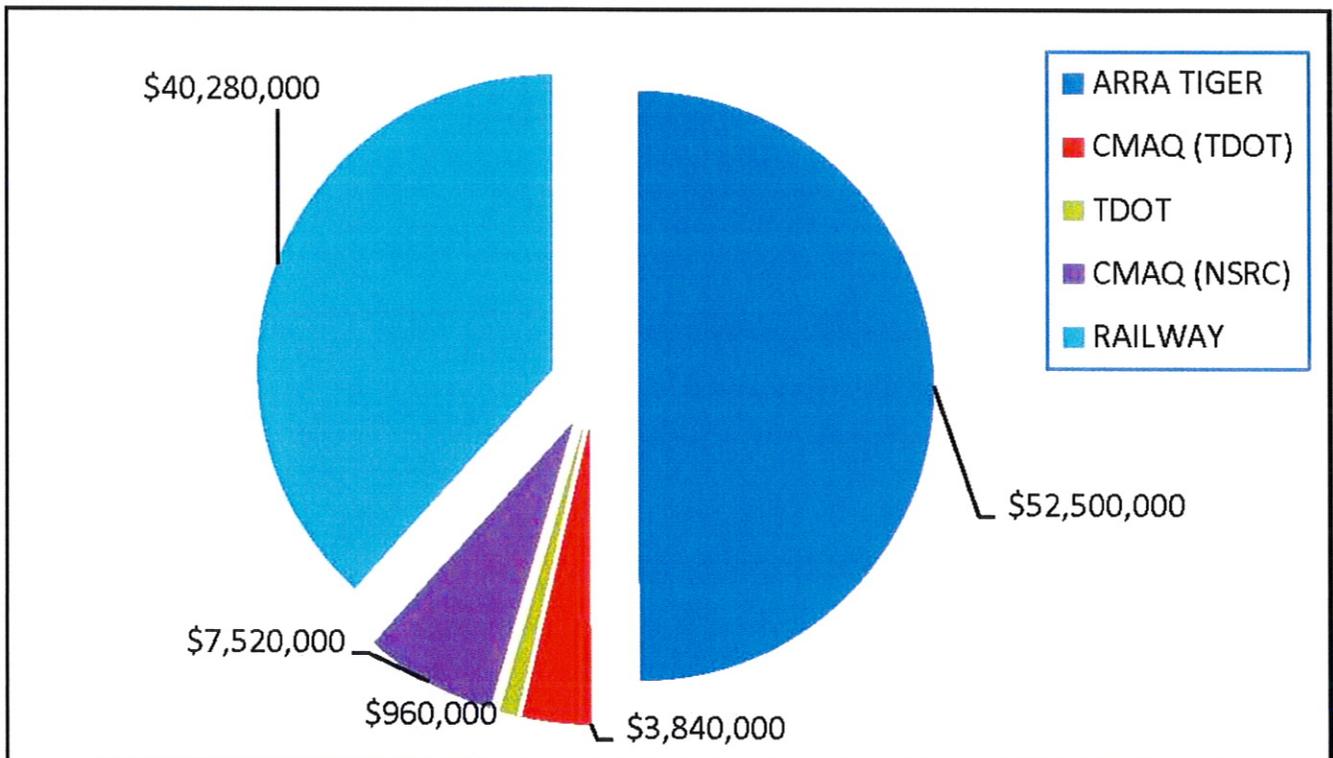
### Funding Sources

**TIGER Grant Amount:** On February 17, 2010, USDOT awarded \$105 million from the TIGER program to fund the Crescent Corridor Intermodal Freight Program. \$52.5 million of that amount will be applied toward the MRIMF.

**Other Funding:** The projected cost of MRIMF is \$105.1 million. Railway will own the facility and has committed \$40.28 million toward project costs. \$52.5 million of the \$105 million TIGER Grant awarded to the Crescent Corridor Program has been allocated to the facility. In addition, \$11.36 million in federal CMAQ funding will be made available toward the MRIMF. The CMAQ state funding will be applied towards the SR-57 grade separation (\$4.8 million), BRIMF's AGS and building (\$3.5 million) and BRIMF's lift machines (\$5.9 million), all on a 80%/20% basis (i.e., CMAQ will pay 80% of eligible expenses and TDOT and Railway will provide the 20% non-Federal match for their respective projects).

The specific funding components for the project are provided in Table 2 and depicted by Figure 4.

**Figure 4: Project funding by source**



## CASH FLOW

Railway expects to have sufficient revenues available from other portions of its operations for purposes of the initial facility construction, as no revenues will accrue from the facility until it is placed into service in 2012. During the construction phase, and as invoices are received from contractors performing the services listed in Table 2, Railway will seek reimbursement from the funding authority as per the agreed schedules associated with the obligated funds. In the specific case of TIGER funding, invoices will be forwarded for reimbursement up to the allowed amount of \$52.5 million. In the case of CMAQ-funded portions, invoices will be submitted for 80% reimbursement of the cost of eligible project components.

**Table 3: Project expenditure timing -MRIMF**

(Note amounts shown in millions)

	CY2011			CY2012		
	TIGER	CMAQ/NS	CMAQ/TDOT	TIGER	CMAQ/NS	CMAQ/TDOT
Jan				\$0.50		
Feb				\$0.50	\$0.12	
Mar				\$1.42	\$0.12	\$0.40
Apr				\$5.50	\$0.38	\$0.30
May	\$2.00			\$6.50	\$0.38	\$0.30
Jun	\$3.27			\$8.51	\$0.38	\$0.44
Jul	\$2.67			\$3.00	\$0.30	
Aug	\$3.00	\$0.12	\$0.40	\$3.00	\$0.30	
Sep	\$3.00	\$0.12	\$0.40	\$1.21	\$5.06	
Oct	\$3.00	\$0.12	\$0.80			
Nov	\$2.42	\$0.12	\$0.80			
Dec	\$3.00					
<b>TOTALS</b>	<b>\$22.36</b>	<b>\$0.48</b>	<b>\$2.40</b>	<b>\$30.14</b>	<b>\$7.04</b>	<b>\$1.44</b>

## OTHER FACTORS

### Termination of Project

While it is the intention of the FHWA-EFLHD and Railway to complete the construction of MRIMF, it is recognized that not all future events can be anticipated. If upon receipt of construction bids for the majority of the cost to complete MRIMF but before the awarding of that work it is determined by TDOT and Railway that the total construction cost of MRIMF, excluding acquisition of property and lift machines, will exceed \$55.35 million by more than 5%,

Railway shall have the option to redesign and re-bid. If after such redesign and re-bid the estimated cost still exceeds \$55.35 million by more than 5%, or if any of the expected TIGER funding or CMAQ funding is not available on or before March 31, 2011, TDOT shall have the right to terminate this Agreement. If TDOT exercises this termination right, Railway shall refund to the FHWA-EFLHD any of the Federal funds received by Railway less any payments to the FHWA-EFLHD, and Railway shall refund to TDOT any expenses TDOT has incurred toward the project, including without limitation right-of-way acquisition, utility relocation, construction, and/or construction inspection costs related to the SR-57 improvements, and no party shall have any further responsibility.

### **Cost Increase Mitigation Options and Strategy**

Railway's Board of Directors has approved Railway's share of the funding for MRIMF construction, and funding will be budgeted by Railway on an annual basis. To ensure that the total cost of the initial phase of MRIMF construction is less than the amount of actual Federal reimbursement and within Railway's capital improvement budget authority, Railway reserves the right to not accept proposals and re-advertise the project or portions thereof as appropriate, re-design the project or portions thereof as appropriate, or take other reasonable measures as may be appropriate under the circumstances.

### **Schedule for Annual Updates**

Railway's records for the initial phase of MRIMF construction are kept on a calendar year basis. The annual updates for the project Financial Plan will be completed between January and March of each year with updated information through December of the previous year.