



MEMO

To: City Manager's Office
From: Jason Anderson
Date: April 5, 2017
Re: Rail Revenue Sharing

Over the past 38 years the City of Rochelle and GREDCO have collaborated on dozens of industrial economic development projects. One development that has become a major industrial driver is the City of Rochelle Railroad (CIR), which was started by GREDCO in 1986. The CIR has directly been responsible for the creation of 15 industries, \$50M+ increase in EAV of industrial land development, more than 1,500 jobs and over \$5M of revenue. In order to guarantee the City would have the potential to expand the CIR, GREDCO has been purchasing rail right of way over the past 20 years resulting in more than 8 miles of lead track being built. Due to these rail expansions, CIR rail revenue now exceeds \$1.5M/year. Additionally GREDCO has purchased options for industrial properties that the CIR now serves and where over a dozen industries have been built.

In the past GREDCO derived its financial reserves through grants, loans and land sales. However, these resources are no longer available and therefore GREDCO's reserves have diminished to the point that ongoing support of the City's economic development efforts are in jeopardy. There is a need to identify financial resources so GREDCO can continue to provide economic development support to the City of Rochelle.

Recommendation: Staff recommends allocating a share of CIR revenue to GREDCO for the purpose of continuing to expand the industrial base and the CIR.

- A) 5% share of the gross CIR revenues payable quarterly
- B) Maintain a minimum share of \$50,000/year
- C) The term of the agreement: 10 years with an automatic renewal for 10 additional years