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A Growing Need. A Unique Opportunity.

By: Cincinnati Southern Railway Board members Charlie Luken (former U.S. Congressman, Mayor and Councilmember) and Amy Murray (former Councilmember) (February 7, 2023)

We proudly serve as volunteers on the Cincinnati Southern Railway (CSR) Board of Trustees with our colleagues Paul Muething (President), Paul Sylvester (Treasurer) and Mark Mallory (former Cincinnati Mayor).

Most are not aware that Ohio law says the CSR Board must be bipartisan – no more than three members can be from the same political party. We serve five-year terms. We are all appointed by the Mayor with the consent of City Council. Our role is to ensure CSR provides the most value possible to the citizens of Cincinnati.

We love this City. We especially appreciate the long-term value of CSR. We also bring a shared experience to the Board: in every City budget we ever voted on, no matter how much we planned to spend to improve and maintain city parks and recreation facilities, streets, sidewalks, bridges, traffic signals and more, more was always needed.

These frustrating experiences, combined with this unique opportunity to sell CSR to Norfolk Southern (NS) for a lump sum of \$1.6 billion, are why the five of us unanimously agreed to execute the sale agreement with NS on November 21, 2022. Importantly, selling CSR will only occur under certain conditions.

The need to fix Cincinnati's core infrastructure has never been greater.

In a 2021 survey of Cincinnati residents, the maintenance of city streets, sidewalks and infrastructure was identified by 72.1% of respondents as the greatest need over police services (50.1%) and neighborhood services (43.7%).

In Cincinnati's most recent budget update for fiscal years 2023 through 2027, the unmet need for existing infrastructure improvements is \$525 million and growing. From deteriorating park and recreation centers to police and fire stations, health centers, streets, bridges and sidewalks, this unmet need impacts the quality of life of every citizen.

CSR has a unique opportunity to double its support for yearly infrastructure spending.

The idea to sell the railroad came from NS during lease negotiations. They made it clear they would pay substantially more to own the railroad than to lease it. As we explored this, it became clear that NS was serious.

Our current lease with NS runs from 1987 through 2026. In 1987, future railroad lease proceeds were restricted to rehabilitating City infrastructure by City Council. The lease payment in 2024 will be \$25.5 million.

If we sell the railroad for \$1.6 billion in cash and invest the sale proceeds in a professionally managed fund, 2024 earnings are projected to be \$57 million, more than double projected lease payments.

In 2066, under a hypothetical new lease, annual payments would be approximately \$59 million. Projected earnings from a professionally managed fund in that year would be more than \$131 million.

Importantly, in the case of a sale, only a portion of CSR fund earnings will be transferred to the City. The balance must be used to grow the fund in perpetuity.

The business case is as clear as it could be, but only if certain conditions are met.

The most important condition for selling the railroad is that the voters of Cincinnati must approve. That is a requirement in the state legislation enabling the railroad. It remains a condition today.

In addition, our sale agreement conditions the sale of the CSR on a change to state law meeting the Board's conditions, which are as follows:

- Enable CSR to create the managed fund in which we must place sale proceeds.
- Ensure that fund earnings could be used only to “rehabilitate, modernize, or replace existing infrastructure” and could not be used on new infrastructure.
- Require CSR to establish investment policies and engage financial experts to advise on fund management.
- Require CSR to invest and reinvest the fund in accordance with Ohio’s “prudent investor standard of care” law (ORC Section 5809.02).
- Establish that CSR can, only in extreme circumstances (if earnings are “less than the amount approved” by voters) make a minimal annual distribution of fund principal to the city to avoid disruption of spending on existing infrastructure improvements.

Selling the railroad will enable CSR to more than double the annual amount it provides for existing City infrastructure improvements.

We know that managing and running a city isn't easy. Deferred maintenance on core infrastructure hangs over the head of every city official and impacts every citizen in every neighborhood. Cincinnati has a unique opportunity to address this growing need. We should seize it.

We encourage you to learn all you can about this historic opportunity by [visiting our website](#). We also look forward to working with our legislators in Columbus, the Mayor, Members of City Council and the citizens of Cincinnati to increase the value of CSR to its citizens.

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