

North Coast Railroad Authority

Update

California Transportation

Commission

January 23, 2003

Summary

- **Financial Update**
- **Activity Update**
- **Funding Update**

FINANCIAL UPDATE

The NCRA can remain cash positive into fiscal year 2004/2005.

- Revenue
- Expenses
- Q-Fund

Financial Update

REVENUE

Revenue has increased \$286,000 during this quarter.

- \$384,000 UP Capitals Escrow Account
- \$125,000 TCR/TCI Reimbursement
- Continued Increase in Property Receipts

EXPENSES

Expenses have increased \$270,000 during this quarter.

- Forecasted to retire \$472,000 in high interest debt
- Must absorb \$82,000 of non-reimbursable Project Manager salary
- Contingent liabilities could increase future debt

Q-FUND REPAYMENT

Caltrans repaid FHWA \$1.3M on behalf of NCRA for a 1996 audit exception. NCRA needs to pay back Caltrans.

- Withdraw \$1.3M immediately from the Q-Fund and repay Caltrans
- Repay the 2013/2014 deficit with projected revenues in excess of administrative needs

ACTIVITY UPDATE

The following activities continue to move forward:

- NWPY Standstill Agreement
- Environmental Consent Decree
- Environmental Strategy
- Recent Storm damage

NWPY Standstill Agreement

The NCRA and NWPY agreed to standstill from their past disputes while NWPY restructures company by attracting outside investors.

- Agreement extended by Board action until 3/31/03 because of significant progress
- Business plan presented to Counsel
- Formal letter of interest received by Counsel

Activity Update

ENVIRONMENTAL CONSENT DECREE

The NCRA is legally required to clean up, remediate, and develop best management practices to comply with every provision of the Environmental Consent Decree.

- Assessment completed in July 2002
- \$1.05M (Task #4) allocated from TCR to start specific site surface clean-up and characterization

Activity Update

ENVIRONMENTAL CONSENT DECREE

The NCRA is legally required to clean up, remediate, and develop best management practices to comply with every provision of the Environmental Consent Decree.

- Over \$200,00 spent of \$331,000 advance on Task #4
- Task #4 completion, along with subsequent clean-up tasks, dependent upon current and future TCRP allocations
- FEMA/OES may fund these activities

ENVIRONMENTAL STRATEGY

Funded by FEMA/OES, FHWA will serve as lead agency.

- MOU to be established between all parties
- Initial step is Preliminary Environmental Assessment Report (PEAR)
- EIR/EIS to be final document
- Project description “to reopen rail line” requires existing funding

RECENT STORM DAMAGE

December record rainfall over entire NWP geographic line segment.

- South of Willits suffered no significant damage
- North of Willits still being assessed

FUNDING

The loss of the existing \$41M TCRP funds could have a direct impact on the following initiatives:

- State and local economies
- Federal and local funds
- Public/Private Partnership
- SMART II Passenger Initiative
- California Western Railroad (CWR)
Bankruptcy

Funding

STATE AND LOCAL ECONOMIES

PB Ports & Marine completed a draft study quantifying the impact of a “no railroad scenario”, and from low to high rail revenue projection, yielded the following annual results:

- Loss of State Revenue: \$3M - \$37M
- Loss of Regional Revenue: \$2M - \$29M
- Loss of State Jobs: 93 - 1,069
- Loss of Regional Jobs: 90 - 856
- Highway Impact Costs: \$0.5M - \$0.8M

Funding

FEDERAL AND LOCAL FUNDS

Without the TCRP commitment, Federal and Local funds may be in jeopardy.

- \$8.3M in FEMA/OES funds
- \$8.6M in ISTEA demonstration funds requiring a 17% Local match
- \$1.6M in Humboldt and Mendocino STIP funds
- \$275,000 Harbor Demonstration Funds

PUBLIC/ PRIVATE PARTNERSHIP

Private sector investment will require public support.

- Major private sector capital contribution under negotiations
- NWPY restructuring not requiring operating subsidy
- Provides future income source for NCRA

Funding

SMART II PASSENGER INITIATIVE

SMART's passenger trains will operate over 60 miles of track that NCRA holds an exclusive freight easement.

- Existing TCR legislation calls for SMART and NCRA coordination on the segment of track common to both freight and passenger
- Economies of scale when a freight and passenger operation share trackage

Funding

CALIFORNIA WESTERN RAILROAD (CWR) BANKRUPTCY

The CWR is dependent upon the NWP for future freight and excursion revenue.

- A non-operational NWP since 1998 has had a negative financial impact on the CWR
- Existing legislation calls for the preservation of rail and passenger service in this corridor which includes the CWR
- Both the NWP and CWR gain additional freight and passenger revenue through the common interchange point in Willits

Funding

NO PROJECT ALTERNATIVE

A “No Project Alternative” could result in a decommissioning of the line.

- Environmental Consent Decree still applies
- Other environmental issues remain
- 3rd party liability issues for NCRA
- Cost to decommission could exceed current and future TCRP funding needs to rehabilitate the rail line

OPTIONS

- To be developed during NCRA Board Meeting January 14, 2003 and refined with FEMA/OES, Caltrans and CTC staff.
- Will be presented at January 23, 2003 CTC Meeting.

Schedule B--Contingent Liabilities - 1/10/03

| | <u>2002-03</u> | <u>2003-04</u> | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Liabilities not Considered Valid | | | | | | | | | | | | |
| (1) Boyle engineering (\$47,000) | | | | | | | | | | | | |
| (2) Rail-Ways bankruptcy (\$2,000,000) | | | | | | | | | | | | |
| (3) Mass electric claim (\$1,328,000) | | | | | | | | | | | | |
| (4) Rail-Ways/NWPY/Norcare (\$3,546,826) | | | | | | | | | | | | |
| (5) Caltrans Audit Exceptions (\$500,000) | | | | | | | | | | | | |
| (6) TCRP Debt Reduction (\$98,887) | | | | | | | | | | | | |
| (7) NWPRA Invoices (\$12,067) | | | | | | | | | | | | |
| (8) Hardin, Cook (\$18,000) | | | | | | | | | | | | |
| (9) Car Hire (\$821,796) | | | | | | | | | | | | |
| (10) FEMA Community Disaster Loan (\$837,330) | | | | | | | | | | | | |
| Sub-Total | \$0 |

Notes

- (1) For work that was to be provided without cost to NCRA
- (2) Has not been supported by bankruptcy proceedings
- (3) In litigation
- (4) Claim denied by Board and statute of limitations has passed for initiation of litigation.
- (5) Caltrans preparing final report to HQ. Field inspection scheduled for January 2003.
- (6) Elek-Tec (\$2,804), PacBell (\$14,652) and Skyline Steel (\$31,431) did not respond to TCR debt reduction contact efforts. Omitted from original debt reduction (self-insured retention of \$50,000).
- (7) Relates to damage at Blackpoint Bridge from a barge collision and counsel advises that it will be recovered
- (8) Legal fees provided for FELA representation in the mid 90's. Counsel advises that it is not a valid claim.
- (9) Per Union Pacific letter of 4/02. Under current negotiations.
- (10) Statutory relief pending. Congressional staff assisting to forgive loan.