

# Memorandum

To: Chairman and Commissioners

Date: October 12, 2004

From: Diane C. Eidam  
Executive Director

File No: Ref. Agenda # 4.17  
Information

Ref: **STATUS REPORT BY THE NORTH COAST RAILROAD AUTHORITY**

## **BACKGROUND:**

The Commission has requested that the North Coast Railroad Authority report periodically on its progress in meeting conditions established by the Commission. The periodic reporting is due, in part, to the NCRA's "high-risk grantee designation". The following items will be reported on by NCRA:

### A. Continuing Issues

- A funding plan that addresses how NCRA will secure funding to ameliorate the negative funding under the no rail and rail service alternatives for FY 04-05 thru 08-09.
- Progress in remediating the environmental hazards and achieving consensus with the state Environmental Consent Decree (ECD) agencies.
- Strategic plan for re-opening the entire line north of Willits. Address the impact on NCRA's ability to comply with the ECD, if the line is not re-opened north of Willits.
- Progress in hiring a short line operator and the revenues that would be generated by the service.
- Estimate of the revenues and number of clientele that would use the line south of Willits, as well as north of Willits when the line is entirely re-opened.

### B. Traffic Congestion Relief Program Application Amendment

- Presentation of the status of task order #4 clean-up.
- Presentation of amended TCRP application on project management for the environmental clean up and the ECD agencies' stance on the requested change.
- ECD agencies perspective on the overall clean up necessary beyond task order #4.

### C. Funding for NCRA

- Federal re-authorization of TEA-21 and its impact on the Q fund loan forgiveness.
- Eligible uses of the Q fund re-payment account, ECD agencies' perspective.
- Legislative action regarding the Q fund re-payment account
- Legislation to fund NCRA's administrative costs.



**A Report to the California Transportation Commission**

**The North Coast Railroad Authority**

**September 2004**

## **NCRA 2005 Strategic Plan (Goals)**

- To close the disaster grants by utilizing the remaining \$7.9 million in FEMA/OES funding to purchase equipment and materials.
- To negotiate an agreement with an operator for the South End and to utilize \$5.6 million in ISTEA funding to make the capital improvements necessary to reopen the NWP railroad line between Willits (mp 142) and the national rail interchange at Lombard (mp – 1).
- To utilize \$3.0 million in ISTEA funding to prepare a combined CEQA/NEPA document for the reopening of the NWP railroad line North of Willits (mp – 142).
- To complete the surface clean-up of 9 rail yards as ordered by the Environmental Consent Decree, utilizing \$1.146 million in TCRP funding, and to request the remaining \$3 million available under TCRP project 32.5 for the testing and clean-up of sub surface contamination, clean-up in sensitive areas, and the development of management plans to prevent future problems.

## **Strategic Plan Summary**

- **Closure of FEMA/OES Disaster Grant of \$7.9 million**
- **South End Reopening (Russian River Division)**
- **Environmental Impact Report (EIR) / Environmental Impact Statement (EIS) North of Willits**
- **Consent Decree Compliance**

### **South End Reopening**

In May of last year, the NCRA Board of Directors voted unanimously to apply for FEMA/OES Alternate Project funding so that approximately \$8 million in funds, originally allocated to address storm damage in the Eel River Canyon, could be reallocated to the South End of the Railroad, which is the 142 mile stretch from Willits to the national rail interchange in Lombard. This decision was made in the interest of resuming freight and excursion service as soon as possible on the South End, while we await sufficient funding to complete the EIR/EIS and initiate repairs North of Willits.

The pieces of this plan are finally coming together. After a lengthy Environmental Assessment, this spring, FEMA approved up to \$7.9 million for the South End Alternative Project. This approval includes a categorical exclusion for the purchase of \$6,411,202 in materials and equipment. Environmental clearance for the balance of the funding (\$1,493,610) will depend on a scope-of-work yet to be developed. These funds will be transferred to the State Office of Emergency Services (OES) and be available to NCRA after October 1, 2004.

Additionally, Congressman Mike Thompson successfully inserted language into the Transportation Equity Act legislation, HR 3550, (TEA-LU) which releases \$8.6 million to the NCRA to bring track conditions up to class II and III on the South End, and makes funding available for the required EIR/EIS work North of Willits. If HR 3550 emerges from the Conference Committee and is signed by the President, the remaining \$10.7 million Q-Fund loan to the NCRA for right-of-way acquisition will also be forgiven, thanks to Congressman Thompson's efforts. This could make \$5.5 million, set aside for repayment of the Q-Fund, available to the NCRA for Consent Decree compliance and Agency Budget needs.

With lots of help from our state Senator Wes Chesbro and Assemblymember Patty Berg, the CTC has provided the NCRA with funding in recent years to retire debt, set-up a trust fund to repay the FHWA (which may no longer be necessary if TEA-LU is approved), compile a detailed assessment of the capital needs for the entire 316 mile line, make repairs on the South End, and initiate work under the court-ordered Environmental Consent Decree. This commitment by the CTC, coupled with the FEMA/OES grant and Congressman Thompson's efforts should make it possible for freight and excursion service to finally be restored on the Russian River Division of the Railroad.

Discussions are currently underway with potential operators for the South End, including the new owner of the California Western Railroad, better known as the "Skunk" which intersects with NCRA at Willits. We think a partnership with the new owners of the Skunk could be potentially beneficial for all concerned.

As anyone who has followed the history of this railroad knows, trains have not operated on the North Coast, to speak of, since 1998. Thanks to FEMA/OES, the CTC, Sen. Chesbro and Assemblymember Berg, and Congressman Thompson we are finally on a schedule to bring the trains back on the South End, with service to the North following completion of the EIR/EIS process.

## **Environmental Impact Report (EIR) / Environmental Impact Statement (EIS)**

### ***North of Willits***

As mentioned, the federal Transportation Reauthorization legislation, HR 3550, names NCRA as the recipient agency for \$8.6 million in previously authorized ISTEA funding. NCRA plans to utilize \$5.6 million of these funds for railroad improvements South of Willits and the balance, \$3.0 million, to begin a combined EIR/EIS for the remaining 160 miles of track North of Willits.

## **Environmental Consent Decree Compliance**

Mendocino Superior Court ordered the NCRA in 1999 to clean up, among other things, nine rail yards from Hopland to Eureka. A \$696,000 task order, funded by the TCRP, was issued by NCRA in August 2002 to begin the compliance effort. The majority of the site characterization work, clean-up plans and specifications, and environmental clearances have been completed, under the watchful eye of the Department of Fish and Game, the North Coast Regional Water Quality Control Board, the Department of Toxic Substances Control, Caltrans, and the Attorney General's Office. This process has been complex and time consuming because virtually any action taken must be cleared by all of the Environmental Consent Decree (ECD) state agencies.

Despite this often-times unwieldy, complicated process worsened by delays caused by last winter's storms and state budget uncertainties, the contract to begin the surface clean-up has finally been awarded to PSC of Benicia, California. The \$345,126 contract is within the budget established under the TCRP allocation, and Notice to Proceed (NTP) was issued on July 12, 2004. The ECD agencies have requested "submittals" outlining disposal protocols prior to the initiation of work. As soon as those submittals are approved, work can begin and should be complete within 60 days. PSC will remove scrap metal, railroad ties, vehicles, steel drums, hazardous materials and other debris from the eight rail yards and one rail station identified in the Consent Decree (Eureka Yard, Scotia Yard, South Fork Yard, Fort Seward Yard, Alderpoint Yard, Island Mountain Yard, Dos Rios Yard, Willits Yard and Hopland Station).

This work was all made possible thanks to a \$1.146 million allocation by the Commission under NCRA's project 32.5 - Environmental Remediation. The PSC contract should finally bring the first phase of this project to a successful conclusion.

The next phase required by the Consent Decree involves the testing and clean-up of sub-surface contamination, clean-up in sensitive areas along the river bank and the development of management plans to prevent future problems. \$3 million is currently available for allocation in TCRP project 32.5 to address phase II of the Consent Decree clean-up.

## Strategic Plan

### **South End Reopening (Russian River Division)**

As explained by NCRA Chairman John Woolley at the April, 2004 CTC meeting, the NCRA Board unanimously agreed in May, 2003 to commit FEMA/OES funding to the reopening of the Russian River Division (Willits, mp 142 to Lombard, mp 1). The NCRA Board has also agreed to commit \$5.6 million of the \$8.6 million in ISTEA funds towards capital improvements South of Willits.

Accordingly, NCRA's Strategic Plan for the South End calls for approximately \$7.9 million in FEMA/OES funding for the purchase of equipment and materials. The materials and equipment purchased under the FEMA/OES grant, along with \$5.6 million in ISTEA funding that will be committed to the project, will be sufficient to bring the South End into conformity with FRA Class II standards (25 mph for freight). It should be noted that service will not resume between Willits and the national rail interchange until agreement is reached between NCRA and an Operator and ISTEA funding becomes available.

### Sources and Uses of Funds 2004-2006

	FEMA/OES Grant	ISTEA Grant
• <b>Track, Bridges &amp; Signals</b>	<b>\$2,716,430</b>	<b>\$5,600,000</b>
• <b>Equipment</b>	<b>\$3,050,250</b>	
• <b>"To Be Determined"</b> <i>(Primarily relates to signal needs and transport costs)</i>	<b>\$1,493,610</b>	
• <b>Engineering Services and Sales Tax</b>	<b>\$644,522</b>	
<b>TOTAL</b>	<b>\$7,904,812</b>	<b>\$5,600,000*</b>

\*This will bring track up to FRA Class I and II

### Construction Schedule

2004	October:	Award of \$7.9 million grant along with NEPA clearance to begin purchase and storage of materials and equipment.
2004	December	Complete procurement of equipment and materials and store at 4 sites along the railroad.
2005	March	Finalize agreement with South End Operator and begin repair of track, bridges and signals.
2005	May	Freight and excursion service resumes from Willits to Lombard.

## South End Reopening (Russian River Division)

### Business Plan Assumptions

There is a market for inbound freight from the national interchange in Lombard (mp 1) to Willits (mp 142). There is also a market for outbound lumber and aggregate materials from Mendocino County, and outbound lumber from Humboldt County that could be trucked to a rail transload facility in Willits. Likely shippers include forest products mills, feed mills, aggregate producers, and local governments exporting solid waste.

In addition, there is the potential for excursion service between Petaluma (mp 38) and Willits (mp 142). Excursion trains could be entirely compatible with freight service on the Russian River Division.

Recovery of historic traffic levels will take 24 months, with only 65% of the historic traffic base recovered by the end of the first 12 months of operations. New traffic will not begin to appear until the railroad has been in continuous operation for 12 months.

The return of the Skunk Train between Fort Bragg and Willits could create freight interchange opportunities at Willits and facilitate the return of excursion service from Willits to Healdsburg, and as far South as Petaluma.

### NCRA Freight Estimates for the Russian River Division: First 2.5 years of Operation

	July – Dec 2005	2006	2007
Gross Revenue	\$445,000	\$2,900,000	\$6,000,000
Operating Expenses	\$863,000	\$2,700,000	\$4,000,000
Net Operating Income	\$(418,000)	\$200,000	\$2,000,000
Depreciation	\$104,000	\$148,000	\$175,000
Other Exp and Interest	\$178,000	\$316,000	\$303,000
Net Pre-Tax Income	\$(700,000)	\$(264,000)	\$1,522,000

### Potential South-End Freight Customers (Representative Sample)

Adobe Lumber	Mead Clark Lumber
Dairyman's Co-op	Mendocino Forest Products
Dairyman's Milling	Redwood Empire Lumber
ECDC Waste Solutions	Santa Rosa Wholesale
Friedman Brothers	Shamrock Materials
Granite Construction (Parnum Paving)	Skip Gibbs Rail Bridges
Hunt and Behrens	Standard Structures
Kelleher Lumber	Ward-Way Lumber
Kendall Jackson	West Sonoma Disposal
McPhails	

The following portion of this report responds to specific questions asked of the NCRA at the April 2004 CTC meeting.

1. Completion of the amended TCRP application for project 32.5 – Environmental Remediation.

Response: See Exhibit 1. This amended application, which was mailed to CTC on July 28, reflects an agreement reached with the ECD agencies on June 1. This agreement allows a \$68,000 shift in site characterization funds and a \$26,000 shift in CEQA/NEPA compliance funds to cover \$94,000 in increased Project Management and Contract Management costs. This shift in funding made possible the award of a \$345,126 construction clean-up contract on July 12. The \$68,000 in reduced scope for site characterization (\$303,000 - \$235,000 = \$68,000) will be included in NCRA's request for funding for the next phase of the ECD clean-up i.e. subsurface, sensitive areas, and management plans. Please see p.4 of exhibit 1 for a more detailed explanation of the purpose for the amendment.

2. A funding Plan (FY 2002-03 through 2013-14) to address the negative funding for FY 2004-05 through 2008-09, for administrative function, outstanding debt, and other pertinent issues.

Response: See Exhibit 2. With respect to the administrative function 2004-05 through 2008-09, without a dedicated source of administrative funding commensurate with the mandated responsibilities contained in 93000 of the Gov't Code, NCRA has relied on its property revenues and the lease revenues rail service would generate as its only dedicated sources of Agency funding. Rail service would generate an estimated \$20,000 per month, hence the estimate of \$120,000 (for June 1 – June 30, 2005) for FY 04-05. It should be noted that it is unlikely any operator will agree to pay track rental fees until a profit is realized. I have attached NCRA's 04-05 agency budget as part of exhibit 2. As you can see, even with rail service for the last six months of 04-05, NCRA is showing an agency budget deficit of \$127,349 and a cash-flow shortfall that will hit in October or November 2004 (see spreadsheet as part of exhibit 2).

To address the shortfall, on September 9 the NCRA will request a \$200,000 bridge loan from the Humboldt Bay Harbor District. This loan will provide the agency funding needed to administer the Consent Decree and \$16.5 million in Capital funding provided by FEMA/OES (\$7.9 mil) and ISTEA (\$8.6 mil). The loan will be repaid in one of two ways:

- 1.) Funds generated from crossing leases from a major real estate development in Sonoma County;
- 2.) Funds generated by reallocation of the Q-Fund (LAIF), once HR 3550 is enacted. This reallocation may require legislation specifically authorizing the use of TCRP for administrative purposes.

NCRA will continue to seek local funds and the State Public Transportation Account (PTA) as a means to provide a dedicated source of Agency funding. The UP escrow account (\$293,627 in 03-04) and the signal crossing maintenance fund (\$171,000 in 01-02) will no longer be agency revenue sources in the near term for the NCRA. As such, we have estimated the need for \$464,000 in unrestricted revenues to cover the loss of these two sources. NCRA has also documented the need for two additional staff positions to address Caltrans/CTC capital funding requirements and auditing issues, as well as a project manager/project engineer to oversee the Consent Decree and other capital projects. Accordingly, NCRA estimates that it needs new state Public Transportation Account (PTA) funding of approximately \$615,000 per year to cover its agency budget deficit and retain the staff necessary to carry out the mandate embodied in Gov't code section 93000 and AB 2928 (Torlakson, 2000). Absent such a guaranteed amount of funding to be added to the approximately \$180,000 per year generated from property revenues, NCRA will continue to rely on emergency local and state funding requests to meet its on-going agency obligations. Once rail service resumes and the operator begins to realize a profit, the need will be reduced by approximately \$120,000 per year.

3. Progress in remediating the environmental hazards and achieving consensus with the ECD agencies to move forward with the clean-up. A joint written statement from the ECD agencies and NCRA is requested.

Response: See Exhibit 3 – Combined Quarterly Report  
See Page 3 - Consent Decree Compliance  
See Page 6 - Response to Question #1

Progress is being made as evidenced by:

- 1) Agreement to advertise contract was reached and contract was awarded in July;
- 2) Submittals have been approved by ECD agencies and work will begin on September 13, 2004.

As cited previously, the removal of scrap metal, railroad ties, abandoned vehicles, steel drums, hazardous materials, and other debris will begin on September 13<sup>th</sup> under a \$345,126 contract awarded to PSC of Benicia. This Phase 1 surface clean-up should be complete within 60 days at the nine yards.

The surface clean-up was made possible under a \$1.146 allocation from TCRP project 32.5 – Environmental Remediation. The only deviation from the surface clean-up plan under the approved Task Order 4, was that \$68,000 from budgeted site characterization funds, and \$26,000 from funds budgeted for CEQA/NEPA compliance were shifted to contract administration and project management tasks, since NCRA does not have the Agency budget to hire an in-house project manager to manage the project. NCRA will request these funds to complete site characterization when it applies for the remaining \$3 million in Project 32.5 to complete subsurface site characterization, clean-up in sensitive areas, and the development of management plans.

4. Progress in hiring a short-line operator and actual funding it would generate.

Response: NCRA's quarterly reports and previous operating agreements estimate \$20,000 per month (\$240,000 per year) in track lease payments to the NCRA once rail operations resume. As mentioned, these payments, in all likelihood, will not be realized until the operator begins to turn a profit.

The South-End Reopening plan assumes losses to the private sector operator of \$700,000 and \$264,000 respectively in the first 2 years of operations, with profits of \$1.5 million in the 3<sup>rd</sup> year of operations.

NCRA's Operating Committee has had several meetings over the last 6 months with potential operators of the Russian River Division (Willits-Lombard). Discussions center on use of the \$7.9 million FEMA/OES grant for acquisition of materials and equipment, with the restoration of freight service to the point of interchange when the ISTEA funds become available. The current owners of the Skunk Railroad, Sierra Northern, have expressed an interest in operating excursion and freight service South of Willits at the earliest opportunity. Implementation of the FEMA/OES grant is a key component of these discussions. Despite verbal assurances from FEMA, OES and our elected representatives that the grant award is imminent, NCRA has not gotten official notification from FEMA as of this writing. As soon as notice of award is given, acquisition of materials and equipment will begin.

5. Strategic plan for re-opening the entire line north of Willits. Address the impact on NCRA's ability to comply with the ECD, if the line is not reopened north of Willits.

Response: The August, 2002 Strategic Plan presented to the CTC assumed, among other things, \$31 million in TCRP funding (AB 2928) for bank stabilization north of Willits. The fundamental assumptions of the August 2002 Strategic Plan remain, but the suspension of at least \$31 million in expected TCRP funding changed the timing, for obvious reasons.

The August 2002 Strategic Plan envisioned a combined EIR/EIS for “the canyon” which is defined as from Willits north to South Fork with a more limited programmatic Environmental Assessment for the South – End (Willits – Lombard) and the North End (South Fork – Samoa). The August 2002 Strategic Plan also envisioned restoration of rail service in phases:

Willits – Lombard	(Summer of 2003)
South Fork – Samoa	(Winter of 2003)
Through the Canyon	(Winter 2006)

We have obviously not met the timeline, and the schedule for reopening the entire line north of Willits has changed with the suspension of TCRP.

In May 2003, when it became clear \$31 million in TCRP funds would not be available for the segment North of Willits, NCRA turned its attention to the South End, and hence the updated Strategic Plan which commits \$7.9 Million (FEMA/OES) for acquisition of equipment and materials, and \$5.6 million (ISTEA) for track repairs to the Willits to Lombard segment, as well as \$3 million for the combined EIR/EIS north of Willits.

Returning the entire line (Lombard – Samoa) to service remains NCRA’s number 1 priority. Capital funding availability is the only impediment to the achievement of this goal.

A delayed reopening north of Willits will not impact the ECD efforts. The surface clean-up of all nine sites was initiated September 13, the subsurface characterization will begin as soon as additional funding is allocated under project 32.5.

The funding sources for reopening north of Willits are:

\$3 million	ISTEA
\$31 million	TCRP

The timing of the reopening north of Willits is entirely dependent on the availability of TCRP or private sector funding to stabilize the banks and make other track improvements.

6. Estimates of the revenues and the number of clientele that would use the line south of Willits, as well as north when the entire line is open.

Response: I have provided a representative sample of clientele and revenue estimates with respect to the South End of the line. See Page 5.

With respect to Willits, North – I refer you to page 18 of the NCRA August, 2002 Strategic Update. It should be noted that two factors could greatly increase freight traffic originating North of Willits:

1. The development of a quarry operation at Island Mountain (mp 194).
2. A partnership between the Port of Oakland and the Port of Humboldt Bay that would greatly increase the need for freight movements South of Humboldt Bay (mp 284).

7. A final proposal to CTC and Department District staff regarding the repayment of the \$166K in disallowed Proposition 116 costs.

Response: See Exhibit 4 This Resolution was adopted at the August 18 NCRA Board meeting in Humboldt County with the assistance and approval of CTC staff. The Resolution was adopted by the CTC at its September 15 meeting.

8. Develop a proposal for use of the balance of funds in the Q-Fund account should forgiveness of the federal loan be included as part of the approved Federal reauthorization bill.

Response: See Exhibit 5. NCRA completed the proposal last July, and has engaged in several discussions with the ECD agencies regarding this proposed reallocation of Q-Fund repayment proceeds. NCRA has shared this proposal with its elected representatives and continues to believe it is an equitable distribution of Q-Fund repayment proceeds, should the Q-Fund loan be forgiven.

Finally, NCRA has explained in great detail through this letter and accompanying exhibits all the progress that has been made relative to ECD compliance. I suggested ECD sign off on the combined quarterly review document (see Exhibit 3) as a means to satisfy the request for a joint written statement demonstrating that the clean-up is moving forward.

It has been determined that this would not be sufficient to demonstrate that progress is being made. Rather than further documentation of progress from NCRA, I think it would be appropriate for the ECD agencies to draft a joint statement of progress for NCRA's review and approval.

I sincerely hope this information responds to all the issues cited in your letter of August 11, 2004.

**EXHIBIT # 1**

**North Coast Railroad Authority**

**Traffic Congestion Relief Program**

**Section I. Application Information**

- A. Specify the paragraph number, authorized dollar amount, and project description pursuant to Government Code section 14556.40 (a) (AB 2928, Chapter 91 of the Statutes of 2000) authorizing this project:

Paragraph Number: 32.5 Amount: \$ 60,000,000

Description: "North Coast Railroad; repair and upgrade track to meet Class II (freight) standards in Napa and Humboldt Counties. Sixty million dollars (\$60,000,000). The lead applicant is North Coast Railroad Authority."

Applicant Agency: North Coast Railroad Authority  
Address: 419 Talmage Road, Suite M  
Ukiah, CA 95482

Contact Person: Mitch Stogner, Executive Director

Phone #: 707.463-3280 FAX #: 707.463-3282  
Email:

- B. Implementing Agency: same as above

Address: \_\_\_\_\_  
\_\_\_\_\_

Contact Person: same as above

Phone #: \_\_\_\_\_ FAX #: \_\_\_\_\_  
Email: \_\_\_\_\_

- C. Caltrans District: 01, Eureka  
Address: P.O. Box 3700  
Eureka, CA 95502-3700

Project Manager/Coordinator: Cheryl Willis, Deputy Director-Planning

Phone #: 707.445.6413 FAX #: 707.441.5869  
Email: Cheryl\_willis@dot.ca.gov

E. Application Type:

Study Only (*Complete Sections II, IV, VI, & VIII*)

Non-Capital Phase(s)

(*Complete All Sections except VII. Detail for requested phase(s), estimate otherwise*)

Studies, environmental review, and permits

Preparation of project plans and specifications

Capital Phase(s) – **Must attach required environmental documents**

(*Complete All Sections except VII. Detail for requested phase(s), estimate otherwise*)

Right of Way Acquisition

Construction or Procurement

Complete Project (*Complete All Sections except VII*)

Alternative Project (*Complete All Sections*)

**Section II. General Project Information**

- A. Project Name: NCRA Environmental Remediation Project
- B. Project Purpose: Provide for environmental remediation as identified in Consent Decree and Stipulated Judgment ordered by the Mendocino County superior Court in People of the state of California v. North Coast Railroad Authority, Case No. CV80240 pursuant to Government Code Section 14556.50 (e).
- C. Project Location (*attach a map if applicable*) The entire Northwestern Pacific Railroad line, along with specific site locations as identified in The Consent Decree and Stipulated Judgment.
- D. Project Description: Conduct the studies, characterizations, investigations, monitoring and cleanup activities identified in the Consent Decree.
- E. Project Scope: Contract with consultants to complete all the identified actions in the Corrective actions and Compliance Monitoring sections of the Consent Decree. Specifically, this request is segmented into two subtasks as follows:

**Subtask 1: Waste and Debris Cleanup at Maintenance Facilities**

The Consent Decree (CD) requires immediate removal of hazardous wastes, rail ties, and regulated debris from the maintenance facilities and Hopland Station. The CD Assessment Report found that stored wastes at some locations may represent a direct and significant threat to human health and/or the environment. In addition, the State Agencies require that a Storm Water Pollution and Prevention Plan (SWPPP) implemented prior to the winter season at the Willits facility to mitigate existing storm water impacts. Subtask 1 consists of the following:

- Develops a Waste and Debris Cleanup Plan (WDCP) and bid specifications for the cleanup of non-sensitive areas (removal of waste and debris from environmentally sensitive areas will require further CEQA documentation, permitting, and special planning, and will be addressed in a future application). **Phase 2**
- Implements WDCP Project, conducts cleanup and quality assurance monitoring of non-sensitive areas. **Phase 4**
- Administers contract to implement the WDCP Project Phase 1 (i.e. management of cleanup contractor activities and contract documentation, etal.)
- Develops a SWPPP for Willits, and provides sampling and monitoring for a two-year period. **Phase 1**
- Document preparation and processing pertaining to the NCRA's environmental program including, but not limited to, the National Environmental Policy Act and the California Environmental Quality Act **Phase 1**

**Subtask 2: Site Characterization Plans**

The CD requires that soil and groundwater chemical impacts be immediately investigated and then remediated at the maintenance facilities and Hopland Station. The first step in the process is to perform site investigations and develop Site Characterization Plans (work plans for sampling and analysis of soil and groundwater). It is critical that this subtask be initiated immediately because the site assessment- site characterization- site investigation- remediation- monitoring path includes the highest cost and longest schedule of the CD items. In addition, the costs associated with this path have the highest uncertainty, which can be evaluated as more data is acquired. Subtask 2 consists of the following:

- Detailed review of historic and technical data at each site **Phase 1**
- Site inspections. **Phase 1**
- Mapping and Site Plans **Phase 1** ( Due to unforeseen delays and circumstances and additional costs, development of final Site Characterization Plans and detailed cost estimates to perform soil and groundwater sampling and analysis will be deferred and addressed in a future application)
- CEQA/NEPA document preparation, processing or assistance and including permit acquisition or clearances (Fish and Game, North Coast RWQCB, and Army Corps). **Phase 1**

In addition to the above scope of work, NCRA and the Environmental Consent Decree parties will work concurrently to develop an agreed upon detailed task order consistent with the above scope of work.

F. Total Estimated Cost of Project: \$4,115,000

G. Project Start Date: February 2002

H. Construction Start Date: July 2004

I. Project End Date: September 2006

J. Purpose of Amendment:

This Amendment has a twofold propose - to update the schedule and to modify the Scope of Work to reflect unanticipated cost increases associated with project management. In mid-2002 it was anticipated that the project could be accomplished in 9 months. However weather delays, cash flow issues to compensate the consultant team and changes in NCRA management have caused the schedule to be extended by 18 months. This extended time frame has substantially increased the project management costs. In addition, NCRA's Project Manager position is currently vacant; therefore NCRA has no staff available to administer the WDCP Project. Thus, with the consent of the CD State Agencies, NCRA has extended its contract with their Prime Consultant to also provide Contract Administration services for Construction Management. These budget adjustments have resulted in the need to modify the Scope of project and defer certain deliverables related to Site Characterization Plans to a future application for the next phase of the overall CD compliance work program.

### **Section III. Project Phase Information**

Phase of work	Scope	Schedule (month/year)		Cost
		Start	End	
1. Studies, environmental review, and permits	Review the Consent Decree and develop a scope of work.	02/02	08/02	\$100,000
	Envir / PE / Permits That leads to the future work required. (e.g., Site Characterization Plans)	07/02	/ 11/04	\$515,000
	ECD required: plans and programs (e.g., SWPPP)	07/02	10/03	\$26,000
	Bidding Assistance (Local Funds)	01/04	06/04	\$15,000
	Future work required		09/06	\$1,262,000
		12/04		
2. Preparation of project plans and specifications.	Cleanup plans and Bid specifications for the phase 4 waste and debris cleanup / site remediation	07/02	10/03	\$115,000
3. Right of Way acquisition				
4. Construction / procurement / cleanup	Waste and debris cleanup / site remediation (categorically exempt)	07/04	11/04	\$390,000
	Future work required	04/03	09/06	\$1,692,000
			Total:	\$4,115,000

**Section IV. Project Phases and TCRP Funds covered by this Application**

	Phase 1	Phase 2	Phase 3	Phase 4	Total
TCRP Funds	\$541,000	\$115,000		\$390,000	\$1,046,000
Estimated Allocation Date (month/year)	06/02	06/02		06/02	

- A. No new allocation is being requested with this amendment.
- B. . No new allocation or advance is being requested with this amendment
- C The Implementing Agency requests the following rate of reimbursement be considered in association with the requested allocation:  
\_\_\_\_\_ Proportionally spread across all funding sources.

Other, please explain and justify: Single funding source – 100%  
TCRP

**Section V. Funding Information for the Total Project**

Source	Type		Phase 1	Phase 2	Phase 3	Phase 4	Total
TCRP	State	Committed	\$641,000	\$115,000		\$390,000	\$1,146,000
		Proposed	\$1,262,000			\$1,692,000	\$2,954,000
Local	Admin. Fund	Committed	\$15,000 (est.)				\$15,000
		Proposed					
Total:		Committed					
		Proposed					
Project Totals:			\$1,918,000	\$115,000		\$2,082,000	\$4,115,000

**Section VI. Additional Information**

A. Will this project utilize Regional or Inter-Regional Transportation Improvement Program funding?

Yes (application must be co-signed by regional planning agency or Caltrans, whichever is applicable.)

No

B. For Projects with a Right of Way or Construction/Procurement Phase, the Lead Agency must demonstrate that it is part of, or in conformity with, the appropriate Regional Transportation Plan. Attach a copy of the relevant section(s) of the Regional Transportation Plan.

C. If this project will utilize other fund sources (i.e. STIP, local measure tax, demo funds, etc.), have they been programmed or committed? Please provide a narrative describing how they have been committed or a strategy that the Agency will undertake to commit necessary funds:

None. Only TCRP.

**Section VII. Justification for Alternative Project Application (N/A)**

**Section VIII. Signatures of Applicant Agencies**

By affixing the signature(s) below, the agency certifies it has provided complete and accurate information necessary for the California Transportation Commission to review and process this Project Application; that the agency will in good faith pursue this work for the public's benefit in a timely and diligent manner and comply with all existing and future Commission policies and rulings; and that the Regional Planning Agency or Caltrans has reviewed and approved this project

\_\_\_\_\_  
Mitch Stogner, Executive Director – NCRA

\_\_\_\_\_  
Date

## EXHIBIT # 2

Mitch Stogner

---

**From:** Dina [ncra\_dina@sbcglobal.net]  
**Sent:** Friday, September 03, 2004 8:56 AM  
**To:** Mitch Stogner  
**Subject:** FW: NCRA Qtrly Report for CTC

-----Original Message-----

**From:** Dina [mailto:ncra\_dina@sbcglobal.net]  
**Sent:** Friday, August 06, 2004 7:34 PM  
**To:** Lori Bodhiprasart  
**Cc:** Robert Chung; Cheryl Willis  
**Subject:** NCRA Qtrly Report for CTC

Ms. Bodhiprasart,

Attached is the NCRA Quarterly Report for the fourth quarter of FY 03-04. In addition, I've included the NCRA 04-05 Budget and a 04-05 budget summary/narrative.

Thank You,

D.P.

Dina Polkinghome  
Office Manager  
North Coast Railroad Authority  
707.463.3280 (phone) 707.463.3282 (fax)  
ncra\_dina@sbcglobal.net  
[www.northcoastrailroad.org](http://www.northcoastrailroad.org)



August 6, 2004

Ms. Lori Bodhiprasart, Office Chief  
Department of Transportation  
Governor's Traffic Congestion Relief Program  
1120 N Street Room 1115  
P.O. Box 942873 MS 49  
Sacramento, California 94273-0001

Re: North Coast Railroad Authority Quarterly Financial Report for the 4th Quarter Of  
Fiscal Year 03/04

Dear Ms. Bodhiprasart,

Enclosed is NCRA's Quarterly Financial Report for the 4th Quarter of Fiscal Year 03/04. The Report discusses the material changes since our last quarterly financial report for the third quarter 03/04 and it consists of a written narrative, a variance table, and Schedules A and B for both Operating (With Rail Service) and Non Operating (No Rail Service) scenarios.

Should you have questions or require additional information concerning our quarterly report or our reopening plan, please call me at your earliest convenience.

Sincerely,

Mitch Stogner  
Executive Director  
NCRA

Cc: Robert Chung, CTC  
Cheryl Willis, Caltrans

# NORTH COAST RAILROAD AUTHORITY

## Quarterly Financial Report to the CTC Fourth Quarter of FY 03/04

### **Introduction**

The North Coast Railroad Authority (NCRA) is required to submit a financial status update, including outstanding debts and repayment strategies, on a quarterly basis to the California Transportation Commission. This report is required to list the cash balance forward, annual revenues and expenditures, long term debt, and a ten (10) year projection. The financial schedules presented in this current report have been revised to reflect the current cost information reported by Sonoma County accounting staff and verified by the NCRA. Only those variances in revenue and expenses are explained in detail. Financial schedules have been provided for the "With Rail Service" and "No Rail Service" scenarios.

### **Revenue**

Traditionally, the majority of NCRA's annual reoccurring revenues are from property (lease revenue, encroachment applications, etc), signal crossing maintenance funds and interest earned on cash balances.

The property revenue bookkeeping has undergone major refinement in FY 03-04 -agency staff has internally reviewed each lease and built an accounts receivable list that will continue to be refined throughout the first quarter of FY 04-05. Within this process, staff has uncovered many leases with CPI increase adjustments that were never charged so the receivables total will increase annually based on the CPI factor alone. Also in this process, staff has determined that the projections for FY 03-04 for property revenue were overstated. The projection was initially based on previous years revenue, however, those revenues included many one time only, and somewhat large, amounts. The current projections now are more reflective of the annual leaseholders charges. It is important to note that the property lease revenue is a "porous" source of funds as leaseholders are continually selling their properties, reassigning to new owners, canceling leases, and/or applying to the agency for new agreements. NCRA staff is committed to bringing the receivables up to date by invoicing delinquent leaseholders back to 2001. The "revenue applicable to prior years" item will show increases throughout the remaining quarters reflecting revenue brought in from these delinquent payments.

Another major annual revenue source, upon which the funding of future agency expenses is dependent, are the lease payments paid to the Agency from the daily operation of freight trains. As a result of the cessation of operations in September 2001, no revenue has been received from the operator. Non-reoccurring opportunities (non-property) generating revenues are the sale of assets, reimbursement from past funding sources and other miscellaneous opportunities that may be available to the Agency. When the railroad resumes operation, approximately \$260,000 of unrestricted FEMA/OES retention funds will be provided to the Agency. Interest from an escrow account that was established at the time of the purchase of the Willits to Healdsburg segment from the Southern Pacific, began disbursement in FY 03-04 to the Agency and will continue on an annual basis until Southern Pacific completes the required environmental remediation at specific sites. The escrow account is referred to as the UP Escrow since Union Pacific acquired Southern Pacific.

**Expenses**

The NCRA budgeted to spend approximately \$653,000 in FY 03-04. Many budget items came in under budget and the actual expenditures for the year were \$616,000.

**Long Term Debt**

The only major change in the contingent liabilities is the removal of the Hardin settlement from this category, over to Long Term Debt. This debt was retired in FY 03-04.

**Contingent Liabilities**

See above.

# ***NCRA Variance Report***

(Variances only apply to "With Rail Service" Scenario)

Fourth Quarter of FY 03/04

March 31, 2004 vs. June 30, 2004

Revenue	3/31/04	6/30/04	Variance	Explanation
Property Revenue	<u>\$250,000</u>	<u>\$185,766</u>	<u>\$64,234</u>	Projection vs actual for 03-04
Sale of surplus equip	<u>\$139,704</u>	<u>\$0</u>	<u>\$139,704</u>	Projection vs actual for 03-04
Interest on pooled cash	<u>\$7,000</u>	<u>\$4,326</u>	<u>\$2,674</u>	Projection vs actual for 03-04
<b>Expense</b>				
Prop/Admin Budget	<u>\$658,627</u>	<u>\$616,032</u>	<u>-\$37,595</u>	Projection vs actual for 03-04
<b>Long Term Debt</b>				
Hardin	<u>\$0</u>	<u>\$10,000</u>	<u>\$10,000</u>	Board approved settlement - debt retired in 03-04.
<b>Contingent Liabilities</b>				
Hardin	<u>\$18,000</u>	<u>\$0</u>	<u>-\$18,000</u>	Board approved settlement - debt retired in 03-04 for \$10,000.

**Schedule A--Projected Revenue and Expenditure Summary - 6/30/04 - With Rail Service**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Balance Forward</b>	\$744,843 *	\$254,724 #	\$164,761 ##	-\$127,379	-\$298,220	-\$491,760	-\$676,288	-\$481,288	-\$231,288	-\$150,911	\$46,739	\$366,231
<b>Annual Revenue</b>												
Annual property revenue	\$145,896	\$185,766	\$180,000	\$230,000	\$235,000	\$240,000	\$245,000	\$250,000	\$255,000	\$260,000	\$265,000	\$275,000
EMA/OES retention				\$259,769								
Rail Operations Lease Payments			\$120,000	\$240,000	\$500,000	\$525,000	\$550,000	\$600,000	\$700,000	\$800,000	\$900,000	\$1,000,000
Sale of surplus equipment	\$15,000	\$0										
Signal crossing maintenance fund	\$0	\$0										
CR Admin	\$16,000											\$9,329,879
R-Fund	\$1,312,766											
Interest on pooled cash	\$16,874	\$4,326	\$3,000									
Revenue applicable to prior year	\$177,979											
CR/TCI Project Reimbursement	\$99,775	\$21,000										
P clean-up escrow interest	\$0	\$293,627	\$20,000	\$15,000	\$10,000				\$15,377	\$27,650	\$44,492	\$78,726
R-Fund Deficit Account Interest		\$75,350										
State Payment for track repair												
<b>Total Revenue Available</b>	\$1,784,290	\$580,069	\$323,000	\$744,769	\$745,000	\$765,000	\$795,000	\$850,000	\$970,377	\$1,087,650	\$1,209,492	\$10,683,605
<b>Annual Expense</b>												
Property Management	\$88,743											
Administration Budget	\$421,699											
Crossing Maintenance	\$23,916											
Consulting Services	\$87,415											
Elkiah Depot Grant Match					\$18,000							
Emergency Repairs	\$12,877											
Track repair					\$75,000							
Non-Reimbursed Project Mgmt.	\$81,500											
Combined Adm/Prop Budget (Agency Budget)		\$616,032	\$603,140	\$643,841	\$603,140	\$603,140	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
<b>Subtotal Annual Expenditures</b>	\$716,150	\$616,032	\$603,140	\$643,841	\$696,140	\$603,140	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
<b>Long-Term Debt</b>												
Hardin		Agency Budget							\$20,000			
Boyle Engineering					\$230,400							
ALCO notes												
Option B Interest	\$117,539	Agency Budget										
XL Capital	\$11,037	Agency Budget										
IREDC loan	\$100,749											
W/PRA loan	\$0											
Leecham Loan							\$216,388					
Caltrans Repayment	\$1,312,766											\$10,700,000
RS	\$0	\$24,000										
Leary	\$40,701	Agency Budget		Agency Budget	\$0							
R-Fund Deficit Repayment									\$290,000	\$290,000	\$290,000	\$280,000
Caltrans Prop 116 Audit Exception			\$12,000	\$12,000	\$12,000	\$130,000						
Satisfy potential judgements				\$259,769								
<b>Subtotal Long-Term Debt</b>	\$1,582,792	\$24,000	\$12,000	\$271,769	\$242,400	\$346,388	\$0	\$0	\$290,000	\$290,000	\$290,000	\$10,980,000
<b>TOTAL EXPENSE</b>	\$2,298,942	\$640,032	\$615,140	\$915,610	\$938,540	\$949,528	\$600,000	\$600,000	\$890,000	\$890,000	\$890,000	\$11,580,000
<b>Ending Balance</b>	\$230,191	\$194,761	-\$127,379	-\$298,220	-\$491,760	-\$676,288	-\$481,288	-\$231,288	-\$150,911	\$46,739	\$366,231	-\$530,164
<b>Contingent Liabilities</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(See Schedule B)												

**CASH BALANCE IN NCRA PROPERTY AND ADMINISTRATIVE ACCOUNTS AS REPORTED BY SONOMA COUNTY AUDITS ON 7/1/02**  
**CASH BALANCE IN NCRA PROPERTY AND ADMINISTRATIVE ACCOUNTS AS REPORTED BY SONOMA COUNTY AUDITORS ON 7/1/03.**

f (Includes passenger car revenue, which is held with Sonoma County as restricted cash per Prop 116. The \$15K listed as revenue in 02-03 is from a deposit made by the accepted bidder towards the purchase of passenger cars. The bidder later reneged on the purchase, with the understanding that their deposit was nonrefundable. The deposit is unrestricted cash.

g The difference in the beginning balance and the ending balance is restricted cash from sale of rail cars

**## CASH BALANCE IN NCRA PROPERTY AND ADMINISTRATIVE ACCOUNTS AS REPORTED BY SONOMA COUNTY AUDITORS ON 7/1/04.**  
 # The difference in the beginning balance and the ending balance is restricted cash from sale of rail cars of approx \$30K

**Schedule A--Revenue Only - 6/30/04 - With Rail Service**

	<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>
<b>Balance Forward</b>	<b>\$744,843</b>	<b>\$254,724</b>	<b>\$164,761</b>	<b>-\$127,379</b>	<b>-\$298,220</b>	<b>-\$481,760</b>	<b>-\$876,288</b>	<b>-\$481,288</b>	<b>-\$231,288</b>	<b>-\$150,911</b>	<b>\$46,739</b>	<b>\$366,231</b>
<b>Annual Revenue</b>												
(1) Annual property revenue	\$145,896	\$185,766	\$180,000	\$230,000	\$235,000	\$240,000	\$245,000	\$250,000	\$255,000	\$260,000	\$265,000	\$270,000
(2) FEMA/OES retention			\$259,769									
(3) Rail Operations Lease Payments			\$120,000	\$240,000	\$500,000	\$525,000	\$550,000	\$600,000	\$700,000	\$800,000	\$900,000	\$1,000,000
(4) Sale of surplus equipment	\$15,000	\$0										
(5) Signal crossing maintenance fund	\$0	\$0										
(6) TCR Admin	\$16,000											
(7) Q-Fund	\$1,312,766											\$9,329,879
(8) Interest on pooled cash	\$16,874	\$4,326	\$3,000									
(9) Revenue Applicable to prior year	\$177,979											
(10) TCR/TCI Reimbursement	\$99,775	\$21,000										
(11) UP Cleanup escrow interest	\$0	\$293,627	\$20,000	\$15,000	\$10,000							
(12) Q-Fund Deficit Account Interest									\$15,377	\$27,650	\$44,492	\$78,726
(13) Track damage at CT Route 162 Project		\$75,350										
<b>Total revenue available</b>	<b>\$1,784,290</b>	<b>\$580,069</b>	<b>\$323,000</b>	<b>\$505,000</b>	<b>\$760,000</b>	<b>\$800,000</b>	<b>\$850,000</b>	<b>\$900,000</b>	<b>\$1,015,377</b>	<b>\$1,087,650</b>	<b>\$1,209,492</b>	<b>\$10,678,605</b>

**NOTES**

Balance forward in 03-04 is actual cash as reported by Sonoma Co. and verified by NCRA staff

- (1) Lag in collections for 02/03. Invoiced \$284,000 and expect carry-over into 03/04 to yield \$250,000 for full fiscal year. Disciplined management control should enable increased collection for existing leases, along with collecting against illegal encroachments estimated at \$15,000 - \$20,000 on south end of railroad alone.
- (2) Remaining disaster 1203 retention from the Cotati to Willits portion of the railroad. Payment due upon resumption of rail service in 03/04.
- (3) Estimated lease payments from south end service. North end lease payments estimated to start 06/07.
- (4) Sale of passenger equipment. None of the remainder sold in 03/04. Restricted funds but looking into applying to the CTC to have restriction lifted because NCRA paid off the REDEC loan for \$100,000 out of its own funds to lift the lien on car so it could be sold.
- (5) A calculated reimbursement for maintenance of crossings from State sources. Current invoice for \$172,000. As of 7/16/03 reimbursement request has been denied. NCRA pursuing administrative appeal. If reimbursement is made, one half will go to private operator upon resumption of service 06/1/04 if NWPY passes a preaward audit and makes payment to the Department.
- (6) The balance of the \$500,000 TCR allocation for FY 2001-02.
- (7) Revenue from the Local Agency Investment Fund trust identified for Q-Fund repayment used to reimburse Caltrans for payment made to FHWA for NCRA audit exception.
- (8) Projected interest on funds held by Sonoma County on behalf of NCRA. Interest revenue included in both Property and Administrative Budgets. This figure does not contain interest on TCR funds which are being accounted for separately.
- (9) Revenue received in 02-03, but applicable to 01-02. Includes \$125,336 for crossing maintenance fund, \$16,461.45 reimbursement to administrative account from State, \$35,545.69 reimbursement to administrative account from state, and \$635.97 in misc revenue.
- (10) ECD Assessment \$99,775. Expect additional reimbursement of \$21,057 for a total of \$121,000.
- (11) Current interest on an escrow account established at time of 1996 Willits to Healdsburg purchase to guarantee environmental cleanup of specific sites by UP. Expect to continue to draw interest until sites cleaned in 3 years. Disbursement received on October 21st, 2003 and amount listed here is actual. 03-04 figure is cumulative for past years. The following years will have payments dispersed annually.
- (12) Interest generated with yearly payments to LAIF at 5.2% compounded quarterly with \$290,000 yearly installments with final payoff of \$280,000
- (13) Track damage to CT Route 162 Project - milepost 5.7. NCRA to repair track as part of rail rehabilitation project

**Schedule A--Annual Expenditures - 6/30/04 With Rail Service**

	<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>
<b>Annual Expense</b>												
(1) Property Management	\$88,743											
(2) Administration Budget	\$421,699											
(3) Crossing Maintenance	\$23,916											
(4) Consulting Services	\$87,415											
(5) Misc Expenses												
(6) Ukiah Depot Grant Match					\$18,000							
(7) Emergency Repairs	\$12,877	Agency Budget										
(8) Track Repair					\$75,000							
(9) Non-Reimbursed Project Mgr	\$81,500											
(10) Combined Adm/Prop Budget		\$616,032	\$603,140	\$643,140	\$603,140	\$603,140	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
Sub-Total	\$716,150	\$616,032	\$603,140	\$643,140	\$696,140	\$603,140	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000

**Notes**

- (1) Outside professional services as required
- (2) Actual Administration account as reflected in mid June expense reports.
- (3) Actual expenditure for utility and related crossing expenses included in future Property Budgets. Obligation will be assumed by freight operator upon resumption of service.
- (4) Consulting services included in Property and Administrative Budgets. Property Budget includes Willdans \$135,000 on-call contract and P B Ports & Marine \$10,000 updates to both Rail Feasibility and Economic Impact Study
- (5) One-time expenditures in 2001-02 not expected to repeat in subsequent years.
- (6) A one-time payment of the local match (\$18,000) to restore the Ukiah Depot. Future HQ location for the NCRA. Projected date for completion is 06-07.
- (7) Board authorized emergency contingency funding as needed. Included in final Agency Budget adopted on October 15, 2003.
- (8) Track damage to CT Route 162 Project HWY Mile Post 5.7 - NCRA to repair track as part of rail rehabilitation project
- (9) The total anticipated Project Manager cost is \$98,500. The admin budgeted includes \$17,000. The remaining \$81,500 is identified here as a material update to the budget.
- (10) Fiscal year 03/04 will have a single agency budget which will combine Administration, Property and all other expenses and revenue into one budget. It will not include any outside funding revenue or associated expense. Final budget adopted on October 15, 2004. The primary variance in the 03/04 budget vs 02/03 combined actual is \$100,000 less in consulting services. Future budgets reflect salary increases and inflationary business increases

**Schedule A--Long-Term Debt - With Rail Service 6/30/04**

	<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>
<b>Long-Term Debt</b>												
									\$20,000 plus interest			
(1) Boyle Engineering												
(2) PALCO Notes					<b>\$230,400</b>							
(3) Option B Interest	\$117,539	\$7,539	\$5,227	\$5,227	\$5,227	\$5,227	\$5,227	\$5,227	\$5,227	\$5,227		
(4) TXL Capital	<b>\$11,037</b>	<b>\$11,037</b>	<b>\$10,551</b>	<b>\$9,551</b>	<b>\$9,053</b>	<b>\$8,565</b>	<b>\$8,066</b>	<b>\$7,570</b>				
(5) RRDEC Loan	<b>\$100,749</b>	retired										
(6) NWPRA Loan	\$0	\$0	\$0									
7) Meecham Loan						<b>\$216,388</b>						\$10,700,000
8) Caltrans Repayment	\$1,312,766											
(9) IRS	<b>\$0</b>	\$24,000										
10) Neary	\$40,701	\$40,701		\$40,701								
(11) Q-Fund Deficit Repayment									\$290,000	\$290,000	\$290,000	\$280,000
(12) Caltrans Audit Exceptions			<b>\$12,000</b>	\$12,000	\$12,000	\$130,000						
(13) Satisfy potential judgements				\$259,769								
(14) Hardin		<b>\$10,000</b>										
Subtotal Long-Term Debt	<b>\$1,582,792</b>	<b>\$93,277</b>	<b>\$27,778</b>	<b>\$327,248</b>	<b>\$266,680</b>	<b>\$360,180</b>	<b>\$13,293</b>	<b>\$12,797</b>	<b>\$295,227</b>	<b>\$295,227</b>	<b>\$290,000</b>	<b>\$10,980,000</b>
Items 3, 4, & 10 part of Agency Budget, Schedule A		<b>-\$69,277</b>	<b>-\$15,778</b>	<b>-\$65,479</b>	<b>-\$54,981</b>	<b>-\$13,792</b>	<b>-\$13,293</b>	<b>-\$12,797</b>	<b>-\$7,539</b>	<b>-\$7,539</b>		
<b>Total Long Term Debt</b>		\$34,000	\$12,000	\$271,769	\$201,699	\$346,388	\$0	\$0	\$287,688	\$287,688		

**Notes**

- (1) Settlement amount for \$20,000 - Part of agreement is that amount can be deferred, with interest
- (2) Two notes, original amount was \$146,505 at 6%. Defer payment until 06/07 when due. Will increase future debt.
- (3) Remaining interest due those that chose to receive full interest over 11 years instead of an up front payment of reduced interest. Herzog settlement in 02/03
- (4) Judgement was for \$70,750 with interest at 7%. Liability was from locomotive leases. Make annual payments per stipulated judgement.
- (5) Loan paid in full to enable release of encumbered passenger cars to complete sale transaction to Orient Express. Initially made payments, and then paid in full. This is the total paid to REDEC, with interest, to close the loan.
- (6) Debt to NWPRA forgiven in dissolution agreement approved by the Board on January 21, 2004.
- (7) Originally \$124,000 at 7% on 6/30/01. Defer until 07/08 when due. Will increase future debt.
- (8) Repayment of Caltrans complete for their payment to FHWA of 1996 NCRA audit exception.
- (9) IRS accepted \$24,000 as settlement for back due payroll taxes. (Paid in October, 2003.)
- (10) Current Chris Neary agreement specifies payment for past services. Proposed payment in three annual installments without interest. The 04-05 payment has been deferred to 05-06
- (11) By withdrawing \$1,312,766 immediately from Q-Fund, at 5.2% interest rate, fund has deficit of \$1,370,121 when payable in full. Installment payments into LAIF at this level repays fund.
- (12) Caltrans audit exceptions related to Herzog and Rail-Ways Prop 116 activities. Defer until NCRA is ready to use these repaid Prop 116 funds as ISTEAs 20% match. Contingent upon Caltrans approval.
- (13) Unrestricted. FEMA retention money to be used to satisfy potential judgements. The board has authorized application of the Retention to Mass Electric in settlement of its litigation.
- (14) Hardin Cook Legal fees provided for FELA representation in the mid 90's. Settlement approved by the board for \$10,000. Moved to "Long Term Debt" 2003-2004.

**Schedule B--Contingent Liabilities - 6/30/04 With Rail Service**

	<u>2001-02</u>	<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>
<b>Liabilities not Considered Valid</b>													
(1) Mass electric claim	\$1,328,000	\$1,328,000	\$1,328,000	\$1,328,000									
(2) Caltrans Audit Exception		\$0	\$0	\$0									
(3) TCRP Debt Reduction	\$98,887	\$98,887	\$98,887	\$0									
(4) NWPRA Invoices	\$16,000	\$16,000	\$0	\$0									
(5) Hardin, Cook	\$18,000	\$18,000	\$0	\$0									
(6) Car Hire	\$1,462,128	\$1,462,128	\$1,462,128	\$1,462,128									
SUB TOTAL	\$2,923,015	\$2,923,015	\$2,889,015	\$2,790,128									
<b>Liabilities repayment under negotiation</b>													
(7) FEMA Community Disaster Loan	\$855,500	\$855,500	\$855,500	\$855,500									
(8) Fish and Game	\$113,319	\$113,319	\$113,319	\$113,319									
(9) Dept of Toxic Substance	\$50,000	\$50,000	\$50,000	\$50,000									
Sub-Total	\$1,018,819	\$1,018,819	\$1,018,819	\$1,018,819	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$3,941,834</b>	<b>\$3,941,834</b>	<b>\$3,907,834</b>	<b>\$3,808,947</b>									

**Notes**

- (1) In litigation.
- (2) Project closed out. Audit exception reversed. Balance now \$0.
- (3) 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). NCRA will begin the process to write-off these first three debts.
- (4) Relates to damage at Blackpoint Bridge from a barge collision. Debt forgiven in NWPRA dissolution agreement approved by the board on Jan. 21, 2004
- (5) Legal fees provided for FELA representation in the mid 90's. Settlement approved by the board for \$10,000. Moved to "Long Term Debt" 2003-2004.
- (6) Per Union Pacific response to single year audit 01/02. Under current negotiations.
- (7) Statutory relief pending. Initiated formal process with FEMA for forgiveness.
- (8) Per the Environmental Consent Decree. Under discussion with respective Consent Decree parties.
- (9) Per the Environmental Consent Decree. Under discussion with respective Consent Decree parties.

**Schedule A--Projected Revenue and Expenditure Summary - NO Rail Service - 07/01/04**

	<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>
<b>Balance Forward</b>	\$744,843 *	\$254,724 #	\$94,761 ##	-\$621,086	-\$1,031,927	-\$1,725,467	-\$2,434,995	-\$2,789,995	-\$3,139,995	-\$3,779,618	-\$4,381,968	-\$4,962,476
<b>Annual Revenue</b>												
Real property revenue	\$145,896	\$185,766	\$180,000	\$230,000	\$235,000	\$240,000	\$245,000	\$250,000	\$255,000	\$260,000	\$265,000	\$270,000
IA/OES retention												
Operations Lease Payments of surplus equipment	\$15,000		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real crossing maintenance fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Admin	\$16,000											\$9,329,879
Fund	\$1,312,766											
Invest	\$16,874	\$4,326	\$1,000									
Revenue applicable to prior year	\$177,979											
MTCA Project Reimbursement	\$99,775	\$21,000										
Clean-up escrow interest	\$0	\$293,627	\$20,000	\$15,000	\$10,000							
Payment for track repair		\$75,350										
Fund Deficit Account Interest									\$15,377	\$27,650	\$44,492	\$78,726
<b>Total revenue available</b>	\$1,784,290	\$580,069	\$201,000	\$245,000	\$245,000	\$240,000	\$245,000	\$250,000	\$270,377	\$287,650	\$309,492	\$9,678,605
<b>Annual Expense</b>												
Property Management	\$88,743											
Administration Budget	\$421,699											
Operating Maintenance	\$23,916											
Consulting Services	\$87,415											
High Depot Grant Match					\$18,000							
Emergency Repairs	\$12,877	agency budget										
Track Repair					\$75,000							
Reimbursed Project Mgmt.	\$81,500											
Combined Adm/Prop Budget		\$616,032	\$603,140	\$643,841	\$603,140	\$603,140	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
<b>total Annual Expenditures</b>	\$716,150	\$616,032	\$603,140	\$643,841	\$696,140	\$603,140	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
<b>Long-Term Debt</b>												
Lease Engineering					\$230,400				\$20,000			
CO notes												
Line B interest	\$117,539	Agency Budget										
Capital	\$11,037	Agency Budget										
EDC loan	\$100,749											
PRA loan	\$0	\$100,000	\$41,938									
Lease Loan						\$216,388						
Lease Repayment	\$1,312,766											\$10,700,000
Lease	\$0	\$24,000										
Lease	\$40,701	Agency Budget		Agency Budget								
Fund Deficit Repayment									\$290,000	\$290,000	\$290,000	\$280,000
Lease Audit Exceptions			\$12,000	\$12,000	\$12,000	\$130,000						
Lease potential judgements			\$259,769									
Lease		Agency Budget										
<b>total Long-Term Debt</b>	\$1,582,792	\$124,000	\$313,707	\$12,000	\$242,400	\$346,388	\$0	\$0	\$310,000	\$290,000	\$290,000	\$10,980,000
<b>Capital Expenses</b>	\$2,298,942	\$740,032	\$916,847	\$655,841	\$938,540	\$949,528	\$600,000	\$600,000	\$910,000	\$890,000	\$890,000	\$11,580,000
<b>Ending Balance</b>	\$230,191	\$94,761	-\$621,086	-\$1,031,927	-\$1,725,467	-\$2,434,995	-\$2,789,995	-\$3,139,995	-\$3,779,618	-\$4,381,968	-\$4,962,476	-\$6,863,871
<b>Contingent Liabilities (See Schedule B)</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**CASH BALANCE IN NCRA PROPERTY AND ADMINISTRATIVE ACCOUNTS AS REPORTED BY SONOMA COUNTY AUDITS ON 7/1/02**  
**CASH BALANCE IN NCRA PROPERTY AND ADMINISTRATIVE ACCOUNTS AS REPORTED BY SONOMA COUNTY AUDITORS ON 07/01/2003**  
 Includes passenger car revenue, which is held with Sonoma County as restricted cash per Prop 116. The \$15K listed as revenue 02-03 is from a deposit made by the accepted bidder towards the purchase of passenger cars. The bidder later reneged on the purchase, with the understanding that the deposit was nonrefundable. The deposit is unrestricted cash.)

The difference in the beginning balance and the ending balance is restricted cash from sale of rail cars

**CASH BALANCE IN NCRA ADMINISTRATIVE "AGENCY" ACCOUNT AS REPORTED BY SONOMA COUNTY ON 7/1/04**  
 The difference in the beginning balance and the ending balance is restricted cash from rail car sales of approx \$30K

**Schedule A--Revenue Only - No Rail Service - 6/30/04**

	<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>
<b>Balance Forward</b>	\$744,843	\$254,724	\$94,761	-\$621,086	-\$1,031,927	-\$1,726,467	-\$2,434,995	-\$2,789,995	-\$3,139,995	-\$3,779,618	-\$4,384,968	-\$4,962,476
<b>Annual Revenue</b>												
(1) Annual property revenue	\$145,896	\$185,766	\$180,000	\$230,000	\$235,000	\$240,000	\$245,000	\$250,000	\$255,000	\$260,000	\$265,000	\$270,000
(2) FEMA/OES retention												
(3) Rail Operations Lease Payments												
(4) Sale of surplus equipment	\$15,000											
(5) Crossing Maintenance Fund	\$0	\$0	\$0	\$0	\$0	\$0						
(6) TCR Admin	\$16,000											
(7) Q-Fund	\$1,312,766											\$9,329,879
(8) Interest	\$16,874	\$4,326	\$3,000									
(9) Revenue applicable to prior year	\$177,979											
(9) TCR/TCI Reimbursement	\$99,775	\$21,000										
(10) UP Cleanup escrow interest		\$293,750	\$20,000	\$15,000	\$10,000							
(11) Track Damage at CT Route 162 Project		\$75,350										
(12) Q-Fund Deficit Account Interest									\$15,377	\$27,650	\$44,492	\$78,726
<b>Total revenue available</b>	<b>\$1,784,290</b>	<b>\$580,192</b>	<b>\$203,000</b>	<b>\$245,000</b>	<b>\$245,000</b>	<b>\$240,000</b>	<b>\$245,000</b>	<b>\$250,000</b>	<b>\$270,377</b>	<b>\$287,650</b>	<b>\$309,492</b>	<b>\$9,678,606</b>

**NOTES**

- (1) Lag in collections for 02/03. Invoiced \$284,000 and expect carry-over into 03/04 to yield \$250,000 for full fiscal year. Disciplined management control should enable increased collection for existing leases, along with collecting against illegal encroachments estimated at \$15,000 - \$20,000 on south end of the railroad alone
- (2) The \$260,000 FEMA retention would not be released under a no rail service scenario.
- (3) No Rail Service scenario does not provide for lease payments for track from Operator
- (4) Sale of passenger equipment. None sold in 03-04. Restricted funds but looking into applying to the CTC to have restriction lifted because NCRA paid off the REDEC loan for \$100,000 out of its own funds to lift the lien on car so it could be sold.
- (5) Signal Crossing Maintenance fund unavailable if there is no rail service
- (6) The balance of the \$500,000 TCR allocation for FY 2001-02.
- (7) Revenue from the Local Agency Investment Fund trust identified for Q-Fund repayment used to reimburse Caltrans for payment made to FHWA.
- (8) Projected interest on funds held by Sonoma County on behalf of NCRA. Interest revenue included in both Property and Administrative Budgets. This figure does not contain interest on TCR funds which are being accounted for separately.
- (9) ECD Assessment \$99,775. Expect additional reimbursement of \$21,057 for a total of \$121,000.
- (10) Current interest on an escrow account established at time of 1996 Willits to Healdsburg purchase to guarantee environmental cleanup of specific sites by UP. Expect to continue to draw interest until sites cleaned in 3 years.
- (11) Track damage to CT Route 162 Project - milepost 5.7. NCRA to repair track as part of rail rehab project.
- (12) Interest generated with yearly payments to LAIF at 5.2% compounded quarterly with \$290,000 yearly installments with final payoff of \$280,000

**Schedule A--Annual Expenditures - No Rail Service - 6/30/04**

	<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>
<b>Annual Expense</b>												
1) Property Management	\$88,743											
2) Administration Budget	\$421,699											
3) Crossing Maintenance	\$23,946											
4) Consulting Services	\$87,415											
5) Misc Expenses												
3) Ukiah Depot Grant Match	\$0				\$18,000							
7) Emergency Repairs	\$12,877	agency budget										
8) Track damage					\$75,000							
9) Non-Reimbursed Project Mgmt.	\$81,500											
10) Combined Adm/Prop Budget		\$616,032	\$603,140	\$643,841	\$603,140	\$603,140	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
<b>Sub-Total</b>	<b>\$716,180</b>	<b>\$616,032</b>	<b>\$603,140</b>	<b>\$643,841</b>	<b>\$696,140</b>	<b>\$603,140</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>

**Notes**

- 1) Outside professional services as required
- 2) Administration Budget adopted by NCRA Board October 16, 2002.
- 3) Anticipated expenditure for utility and related crossing expenses included in future Property Budgets. Obligation will be assumed by freight operator upon resumption of service.
- 4) Consulting services included in Property and Administrative Budgets. Property Budget includes Willdams \$135,000 on-call contract and P B Ports & Marine \$10,000 updates to both Rail Feasibility and Economic Impact Study.
- 5) One-time expenditures in 2001-02 not expected to repeat in subsequent years.
- 6) A one-time payment of the local match (\$18,000) to restore the Ukiah Depot. Future HQ location for the NCRA. Construction now expected completion in 06-07
- 7) Board authorized emergency contingency funding as needed and included it in the final Agency Budget adopted on October 15, 2003.
- 8) Track damage to CT Route 162 Project HWY milepost 5.7. NCRA to repair track as part of rail rehab project.
- 9) The total anticipated Project Manager cost is \$98,500. The admin budgeted includes \$17,000. The remaining \$81,500 is identified here as a material update to the budget.
- 10) Fiscal year 03/04 will have a single agency budget which will combine Administration, Property and all other expenses and revenue into one budget. It will not include any outside funding revenue or associated expense. The primary variance in the 03/04 budget vs 02/03 combined actual is \$100,000 less in consulting services. Future budgets reflect salary increases and inflationary business increases. The offsetting expense of \$172,000 which matches the CPUC crossing maintenance reimbursement has been deleted for 03/04. NCRA can not maintain its crossings if it is denied reimbursement

**Schedule A--Long-Term Debt - No Rail Service - 6/30/04**

	<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>
<b>Long-Term Debt</b>												
(1) Boyle Engineering												20,000 plus interest
(2) PALCO Notes					<b>\$230,400</b>							
3) Option B Interest	\$117,539	\$7,539	\$5,227	\$5,227	\$5,227	\$5,227	\$5,227	\$5,227	\$5,227	\$5,227		
(4) TXL Capital	<b>\$11,037</b>	<b>\$11,037</b>	<b>\$10,551</b>	<b>\$9,551</b>	<b>\$9,053</b>	<b>\$8,565</b>	<b>\$8,066</b>	<b>\$7,570</b>				
(5) RRDEC Loan	<b>\$100,749</b>											
(6) NWPRA Loan	\$0	\$100,000	\$41,938									
7) Meecham Loan						<b>\$216,388</b>						\$10,700,000
(8) Caltrans Repayment	\$1,312,766											
(9) IRS	<b>\$0</b>	\$24,000										
(10) Neary	\$40,701	\$40,701	\$0	\$40,701								
(11) Q-Fund Deficit Repayment									\$290,000	\$290,000	\$290,000	\$280,000
(12) Caltrans Audit Exceptions			<b>\$12,000</b>	\$12,000	\$12,000	\$130,000						
(13) Satisfy potential judgements			<b>\$259,789</b>									
(14) Hardin Cook		<b>\$10,000</b>										
Subtotal Long-Term Debt	<b>\$1,582,792</b>	<b>\$193,277</b>	<b>\$329,485</b>	<b>\$67,479</b>	<b>\$256,680</b>	<b>\$360,180</b>	<b>\$13,293</b>	<b>\$12,797</b>	<b>\$295,227</b>	<b>\$295,227</b>	<b>\$290,000</b>	<b>\$10,980,000</b>
Items 3, 4 & 10 part of Agency Budget, Schedule A		-\$59,277	-\$58,791	-\$17,090	-\$16,592	-\$16,104	-\$15,605	-\$15,109	-\$7,539	-\$7,539		
<b>Total Long Term Debt</b>		<b>\$134,000</b>	<b>\$270,694</b>	<b>\$50,389</b>	<b>\$240,088</b>	<b>\$344,076</b>	<b>-\$2,312</b>	<b>-\$2,312</b>	<b>\$287,688</b>	<b>\$287,688</b>		

**Notes**

- (1) Settlement amount for \$20,000 - Part of agreement is that amount can be deferred, with interest
- (2) Two notes, original amount was \$146,505 at 6%. Defer payment until 06/07 when due. Will increase future debt.
- (3) Remaining interest due those that chose to receive full interest over 11 years instead of an up front payment of reduced interest. Herzog settlement in 02/03
- (4) Judgement was for \$70,750 with interest at 7%. Liability was from locomotive leases. Make annual payments per stipulated judgement.
- (5) Loan paid in full to enable release of encumbered passenger cars to complete sale transaction to Orient Express.
- (6) Repayment of funds loaned for repair of Haystack Landing Bridge. Original amount was \$176,000 with minimum annual payments of \$50,000 with interest at LAIF rates.
- (7) Originally \$124,000 at 7% on 6/30/01. Defer until 07/08 when due. Will increase future debt.
- (8) Repayment of Caltrans complete for their payment to FHWA of 1996 NCRA audit exception.
- (9) IRS accepted \$24,000 as settlement for back due payroll taxes. *(Paid in October, 2003.)*
- (10) Current Chris Neary agreement specifies payment for past services. Proposed payment in three annual installments without interest.
- (11) By withdrawing \$1,312,766 immediately from Q-Fund, at 5.2% interest rate, fund has deficit of \$1,370,121 when payable in full. Installment payments into LAIF at this level repays fund.
- (12) Caltrans audit exceptions related to Herzog and Rail-Ways Prop 116 activities. Defer until NCRA is ready to use these repaid Prop 116 funds as ISTE 20% match. Contingent upon Caltrans approval.
- (13) Mass Electric in settlement of its litigation. Source of funding to be determined.
- (14) Hardin Cook - Legal fees provided for FELA representation in the mid 90's. Settlement approved by board for \$10,000. Moved to Long Term Debt in 2003-2004.

**Schedule B--Contingent Liabilities - No Rail Service - 6/30/04**

	<u>2001-02</u>	<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>
<b>Liabilities not Considered Valid</b>													
(1) Mass electric claim	\$1,328,000	\$1,328,000	\$1,328,000	\$1,328,000									
2) Caltrans Audit Exceptions	\$500,000	\$0	\$0	\$0									
(3) TCRP Debt Reduction (\$98,887)	\$98,887	\$98,887	\$98,887	\$98,887									
4) NWPRA Invoices	\$16,000	\$16,000	\$16,000	\$16,000									
(5) Hardin, Cook	\$18,000	\$18,000	\$10,000	\$0									
6) Car Hire	\$1,462,128	\$1,462,128	\$1,462,128										
Sub Total	\$3,423,015	\$2,923,015	\$2,915,015										
<b>Liabilities repayment under negotiation</b>													
(7) FEMA Community Disaster Loan	\$8,555,000	\$8,555,000	\$8,555,000										
(8) Fish and Game	\$113,319	\$113,319	\$113,319										
(9) Dept of Toxic Substance	\$50,000	\$50,000	\$50,000										
<b>Sub-Total</b>	<b>\$1,018,819</b>	<b>\$1,018,819</b>	<b>\$1,018,819</b>	<b>\$1,328,000</b>	<b>\$0</b>								

**Notes**

- (1) In litigation.
- (2) Project closed out. Audit exception reversed. Balance now \$0.
- (3) Elek-Tec (\$2,804), PacBell (\$14,652) and Skyline Steel (\$31,431) no response to TCR debt reduction contact efforts. Omitted from original debt reduction (self-insured retention of \$50,000). NCRA will begin the process to write-off first 3 debts in 03-04.
- (4) Relates to damage at Blackpoint Bridge from a barge collision and counsel advises that it will be recovered
- (5) Legal fees provided for FELA representation in the mid 90's. Counsel advises that it is not a valid claim.
- (6) Per Union Pacific response to single year audit 01/02. Under current negotiations.
- (7) Statutory relief pending. Initiated formal process with FEMA for forgiveness.
- (8) Per the Environmental Consent Decree. Under discussion with respective Consent Decree parties.
- (9) Per the Environmental Consent Decree. Under discussion with respective Consent Decree parties.

**NORTH COAST RAILROAD AUTHORITY  
SOURCES AND USES OF UNRESTRICTED REVENUES  
JULY 2004 - JUNE 2005**

<b>Sources of Unrestricted Revenues</b>	<b>FY 2005</b>	
Union Pacific - Interest (Escrow Funds)	\$ 20,000	
Lease Revenue (Real Estate)	\$ 180,000	
Pooled Cash Interest (Sonoma County)	\$ 3,000	
Lease Revenue (Operator)	\$ 120,000	
<b>TOTAL SOURCES OF UNRESTRICTED REVENUES</b>		<b>\$ 323,000</b>
<b>Uses of Unrestricted Revenues</b>		
Existing Staff (Salaries, Benefits and Taxes)	\$ 238,163	
Utilities (Phone, Power, Water and Sewer)	\$ 30,000	
Office Rent (Talmage Road Office)	\$ 10,140	
Insurance (CGL, Auto and W/C)	\$ 29,000	
Office Expense	\$ 3,900	
Building Maintenance	\$ 3,000	
Board/Committee Meeting Expenses	\$ 1,500	
Staff Training	\$ 1,000	
Permits, Fees and Notices	\$ 14,700	
Accounting Fees (Sonoma County)	\$ 35,000	
Annual Audit Expense	\$ 20,000	
Legal Services	\$ 89,000	
Directors Fees	\$ 12,700	
Travel / Auto Reimbursement Expense	\$ 7,000	
Consultant Services	\$ 45,000	
FY 2005 Portion (Long Term Debt)	\$ 15,778	
Taxes / Assessments	\$ 1,000	
Propert Management Fee (Cyndee Logan Contract)	\$ 6,000	
Appropriations for Contingeny Expenses	\$ 45,259	
CTC Prop 116 Repayment	\$ 12,000	
<b>TOTAL USES OF UNRESTRICTED REVENUES</b>		<b>\$ 615,140</b>
		<b>\$ (292,140)</b>
<b>SOURCES MINUS USES</b>		
		<b>\$ 164,761</b>
<b>CASH RESERVES AT JUNE 30, 2004 (ANTICIPATED)</b>		
		<b>\$ (127,379)</b>
<b>FY 2005 DEFICIT (ANTICIPATED)</b>		

**NORTH COAST RAILROAD AUTHORITY  
SOURCES AND USES – UNRESTRICTED REVENUES  
FISCAL YEAR 04-05**

**SUMMARY**

The following illustrates the anticipated revenues (sources) and expenses (uses) of the North Coast Railroad Authority (NCRA) for the fiscal year 04-05 (July 1, 2004 – June 30, 2005).

Included in the cash flow calculation is the usage of the entire cash reserve remainder at June 30, 2004. The cash reserve will be completely depleted during the first half of FY 04-05 leaving NCRA with a deficit of \$127,379 by the end of this fiscal year. As shown in the accompanying cash flow analysis, it is projected that the agency will be out of funds during December 2004, without an infusion of additional funding.

There are many expense categories removed for this budget; that under normal budgeting circumstances would be included (e.g. janitorial services, cell phone expenses, adequate equipment, supplies and staff office space). Further, this budget does not address the following capital activities, requiring additional staff time and authority resources, anticipated to “come on line” in this fiscal year. These activities are: (1) the authority’s responsibility for administration of the FEMA/OES Alternative Project, (2) anticipated rail service operation commencing in the 3<sup>rd</sup> quarter of this fiscal year, and (3) required compliance with the Environmental Consent Decree (ECD) surface cleanup project.

The North Coast Railroad Authority is responsible for over 316 miles rail line that are assets of the State of California. The NCRA is under a legislative mandate to restore rail service to the North Coast and under court order to comply with the Environmental Consent Decree (ECD). As shown in the accompanying budget and cash flow documents, the NCRA does not have the necessary unencumbered financial resources to achieve the legislatively enacted responsibilities; without the essential funds being made available to cover the administrative needs of the agency.

**NARRATIVE**

**SOURCES OF UNRESTRICTED REVENUES**

Union Pacific Interest (Escrow Funds)

This source represents the anticipated revenue that will be generated during fiscal year 04-05 from the union pacific escrow account relating to the transfer of the Ukiah Depot property. Funds were held in escrow pending the environmental cleanup.

Lease Revenue (Real Estate)

NCRA has various lease and easement agreements. This category also includes application fees and temporary encroachment permits throughout the right of way. This revenue is currently the only constant annual source of funding for the authority. Note in the cash flow analysis that there is a larger than normal revenue amount in March 2005. This relates to the

Williams Communications agreement that calls for an annual payment of \$85,000. This amount equals 48.6% of the total \$175,000 annual lease revenue and is received in March of each year.

#### Pooled Cash Interest (Sonoma County)

All sources of revenue including restricted as well as unrestricted are on deposit with the Sonoma County Treasury. These accounts are interest-bearing (current rate is 3.25%) accounts. NCRA receives accrued interest on its unrestricted funds on a quarterly basis.

#### Lease Revenue (Operator)

This revenue anticipates that rail service will be re-established in January 2005 and that the authority will receive \$20,000 per month from the operator as lease payments for operating on the right of way.

### **USES OF UNRESTRICTED REVENUES**

#### Existing Staff (Salaries, Benefits and Taxes)

This category includes the annual salaries, employer taxes and retirement benefits for the Executive director, Office Manager and Administrative Assistant positions.

#### Utilities

This category includes the telephone (communications), Pacific Gas & Electric (power), water and sewer charges for the administrative office – currently located in Ukiah on Talmage Road.

#### Office Rent

This category is for the annual lease expense for the administrative office on Talmage Road in Ukiah.

#### Insurance

This category includes all insurance policy premiums for the commercial liability insurance on the right of way, worker's compensation and automobile insurance for the one vehicle owned by the authority.

#### Office Expense

This category includes general office expense, postage, data processing services/supplies, computer software, copy machine repairs and vehicle maintenance.

### Building Maintenance

This category includes all maintenance issues associated with the lease on the administrative office.

### Board/Committee Meeting Expense

This category includes refreshments for all board and committee meetings held throughout the year.

### Staff Training

This category provides for staff training on an as needed basis.

### Permits, Fees and Notices

This category includes permit fees (e.g. hazardous materials disposal fees), Public/Legal Notice fees, License fees (e.g. Pratt Mountain FCC fee).

### Accounting Fees (Sonoma County)

This category is exclusively for the contract charges incurred by the authority from the Sonoma County Auditor's office for accounting services provided to the authority.

### Annual Audit Expense

This category is for the annual audit conducted by an independent accounting firm. Procurement for auditing services is on a competitive RFP basis.

### Legal Services

This category includes all legal services incurred by the authority.

### Administrative Costs

This category includes meeting room fees and director stipends for board, committee and special meetings.

### Travel / Auto Reimbursement Expense

This category includes travel expenses and mileage reimbursement for staff and board members.

### Consulting Services

This category includes local, state and federal agency's compliance issues (e.g. capital planning issues, project engineer services and consent decree compliance).

### FY 04-05 Portion (Long Term Debt)

This category is for the current fiscal year (2004- 2005) portion that is due on the authority's long term debt relating to the interest election on past debts satisfied through the TCRP "debt repayment" category.

### Taxes / Assessments

This category includes annual taxes (real property and personal property) paid to the various county tax collectors.

### Property Management (Cyndee Logan Contract)

This category reflects the annual payment to Ms. Logan for her service in assisting the Authority in developing the right of way easement agreement with The William Communications Agreement. This fee is paid approximately 30 days after the NCRA receives the annual payment from Williams.

### Contingency Expense

This category covers track and real property maintenance expenses (e.g. property vandalism, right of way cleanup and hazard abatement) that occur throughout the year. Although not likely, a portion (\$18,000) of this fund could be allocated for matching funds on the Ukiah Depot rehabilitation project in cooperation with the City of Ukiah.

### CTC Prop 116 Repayment

This category has been included in recognition of the agreement between the CTC, Caltrans and NCRA for repayment of funds previously awarded to NCRA through Prop.116 subsequently determined to be ineligible and requiring repayment. It appears that the initial payment will be made in October 2004 following the anticipated approval of a resolution of the NCRA Board of Directors. Following the resolution approval, the necessary documents will be forwarded to the Sonoma County Auditor's office requesting disbursement from NCRA unrestricted funds.

**NORTH COAST RAILROAD AUTHORITY**  
**CASH FLOW ANALYSIS**  
**JULY 2004 - JUNE 2005**

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05
<b>REVENUE</b>											
All Sources (see budget)	\$ 9,833	\$ 9,833	\$ 9,833	\$ 9,833	\$ 9,833	\$ 9,833	\$ 29,833	\$ 29,833	\$ 114,833	\$ 29,833	\$ 29,833
<b>EXPENSES</b>											
Salaries, Benefits & Taxes	\$ 19,430	\$ 19,430	\$ 19,430	\$ 19,430	\$ 19,430	\$ 19,430	\$ 19,430	\$ 19,430	\$ 19,430	\$ 19,430	\$ 19,430
Utilities	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Office Rent	\$ 845	\$ 845	\$ 845	\$ 845	\$ 845	\$ 845	\$ 845	\$ 845	\$ 845	\$ 845	\$ 845
Insurance	\$ 2,417	\$ 2,417	\$ 2,417	\$ 2,417	\$ 2,417	\$ 2,417	\$ 2,417	\$ 2,417	\$ 2,417	\$ 2,417	\$ 2,417
Office Expense	\$ 367	\$ 367	\$ 367	\$ 367	\$ 367	\$ 367	\$ 367	\$ 367	\$ 367	\$ 367	\$ 367
Building Maintenance	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208	\$ 208
Board/Committee Meetings	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125	\$ 125
Staff Training	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83
Permits, Fees & Notices	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225	\$ 1,225
Accounting Fees (So. Cnty)	\$ 2,917	\$ 2,917	\$ 2,917	\$ 2,917	\$ 2,917	\$ 2,917	\$ 2,917	\$ 2,917	\$ 2,917	\$ 2,917	\$ 2,917
Audit Expense	\$ 1,667	\$ 1,667	\$ 1,667	\$ 1,667	\$ 1,667	\$ 1,667	\$ 1,667	\$ 1,667	\$ 1,667	\$ 1,667	\$ 1,667
Legal Services	\$ 7,417	\$ 7,417	\$ 7,417	\$ 7,417	\$ 7,417	\$ 7,417	\$ 7,417	\$ 7,417	\$ 7,417	\$ 7,417	\$ 7,417
Directors Fees	\$ 1,058	\$ 1,058	\$ 1,058	\$ 1,058	\$ 1,058	\$ 1,058	\$ 1,058	\$ 1,058	\$ 1,058	\$ 1,058	\$ 1,058
Travel/Auto Reimbursement	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583	\$ 583
Consultant Services	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750
FY2005 Portion - LTD	\$ 1,315	\$ 1,315	\$ 1,315	\$ 1,315	\$ 1,315	\$ 1,315	\$ 1,315	\$ 1,315	\$ 1,315	\$ 1,315	\$ 1,315
Taxes/Assessments	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83	\$ 83
Property Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000
Contingency Expenses	\$ 3,772	\$ 3,772	\$ 3,772	\$ 3,772	\$ 3,772	\$ 3,772	\$ 3,772	\$ 3,772	\$ 3,772	\$ 3,772	\$ 3,772
CTC Prop116 Repayment	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 49,762	\$ 49,762	\$ 49,762	\$ 61,762	\$ 49,762	\$ 49,762	\$ 49,762	\$ 49,762	\$ 49,762	\$ 55,762	\$ 49,762
	\$ (39,928)	\$ (39,928)	\$ (39,928)	\$ (51,928)	\$ (39,928)	\$ (39,928)	\$ (19,928)	\$ (19,928)	\$ 65,072	\$ (25,928)	\$ (19,928)
FY04 Cash Reserve Usage	\$ 39,928	\$ 39,928	\$ 39,928	\$ 44,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Monthly Overage / (Deficit)</b>	\$ (0)	\$ (0)	\$ (0)	\$ (6,951)	\$ (39,928)	\$ (39,928)	\$ (19,928)	\$ (19,928)	\$ 65,072	\$ (25,928)	\$ (19,928)

## EXHIBIT # 3



### North Coast Railroad Authority

419 Talmage Road, Suite M  
Ukiah, CA 95482

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August 6, 2004

Cheryl Willis  
Deputy Director, Planning  
Caltrans, Dist 1  
PO Box 3700  
Eureka Ca 95502

Dear Cheryl,

As requested at the July 28 Comprehensive Quarterly Review (CQR) enclosed is a Combined Quarterly Report for project 32.5, covering the period 11/01/03 – 6/30/04.

Please let me know if you have additional questions or require further information.

Sincerely,

A handwritten signature in black ink that reads "Mitch Stogner". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Mitch Stogner

Cc: Theda Hawkinson  
Michelle Fell  
Stephanie Coleman

*Mont August*

North Coast Railroad Authority

Program Supplement No. 01A0045-06

**Combined Quarterly Report**

To California Department of Transportation District 1

November 1, 2003 – June 30, 2004

Following is a listing of significant events, activities and accomplishments achieved by NCRA within the noted reporting period:

- Met with or participated in conference calls with ECD State Agencies on over 12 separate occasions to discuss various aspects of the project related to costs, schedule and scope.
- Met with or participated in conference calls with Caltrans/CTC staff on over 10 separate occasions.
- NCRA staff and the Prime Consultant and its subconsultants individually met with an audit team from Caltrans Headquarters over a several month period and provided requested materials and information related to the activities and work effort associated with Task Order 004. The findings of this audit have yet to be reported to NCRA.
- Provided Caltrans District 1 staff with consultant's invoices #10 thru 14 as well as follow-up information and documentation as requested by Caltrans. Also provided copies of all invoices to the ECD State Agencies.
- Issued Task Order 006 to HNTB in February 2004 for on-call services funded by NCRA Agency Funds (i.e. no TCRP or other State or Federal funds expended as part of this Task Order). This Task Order was issued to obtain the necessary consultant support to conduct the bid process and secure a contractor for the Waste and Debris Cleanup of Nine Railroad Yards (WDCP) as well as items unrelated to Program Supplement No. 01A0045-06.
- In February 2004 with the assistance of the Prime Consultant and its subconsultants, NCRA developed a detailed status report of expenditures on Task Order 4 and percent complete of the various subtasks as of October 31, 2004. This analysis also provided "guidance" on how the status of Task Order 4 "translated" to the status of the work plan to

implement the activities funded by the CTC application that provided funding for Task Order 4 and the "construction" of the WDCP Project. Consultant assistance with this effort was provided thru Task Order 006.

- NCRA staff and the Prime Consultant and its subconsultants provided CTC a status report in mid-March 2004 of the various programs as requested. Consultant assistance with this effort was provided thru Task Order 006.
- Subsequent to the completion of the WDCP Plans and Specifications at the end of October 2003, NCRA staff and the Prime Consultant Project Manager met with the ECD State Agencies and received additional modifications to the project specifications. These modifications were incorporated into the Project Specifications by Addendum #1 upon the release of the Bid Package. Consultant assistance with this effort was provided thru Task Order 006.
- Issued a Call for Bids on March 24, 2004, conducted a pre-bid on-site meeting at the Willits Yard on April 13, 2004 and received two competitive sealed bids on April 27, 2004. During the bid process two Addenda were issued to Bid Package holders. Consultant assistance with this effort was provided thru Task Order 006. Bid packages and Addenda were issued to all ECD State Agencies and Caltrans District 1.
- Provided an update to CTC at its April 8, 2004 meeting on the south End Alternative Project (FEMA) and status of efforts to gain compliance with the CD.
- NCRA staff and the Prime Consultant and its subconsultants met with the ECD State Agencies and Caltrans District 1 and Headquarters Audit Division staff in Ukiah on May 7, 2004 to discuss status of NCRA efforts to implement the WDCP Project and concurrence on a revision to Task Order 004 to resolve Project Management Budget expenditures and provide NCRA with ability to use Prime Consultant and its subconsultants to assist NCRA in administering the "construction" of the WDCP Project. General concurrence was reached with finalization to occur within a short time frame. Caltrans requested that a Task Order Amendment to reflect the agreements be executed by the ECD State Agencies and NCRA and that NCRA seek an approval of amended application from CTC and explain the change in scope and schedule. NCRA agreed to pursue this amendment at the August CTC meeting. Consultant assistance with this effort was provided thru Task Order 006.

- The NCRA Board at its May 19, 2004 meeting awarded a contract to Philip Services Corporation (PSC) of Benicia in the amount of \$345,126.36.
- NCRA staff and the Prime Consultant and its subconsultants prepared an amended Task Order 004 to resolve Project Management budget issues and provide Contract Administration while holding in abeyance completion of the Site Characterization work effort. This was the third amendment issued by NCRA to the Prime Consultants on Task Order 004; henceforth reference to the overall consultant effort funded by TCRP funds will be referred to as Task Order 004-003. The ECD State Agencies concurred with this revised Task Order as further modified on June 1, 2004 and subsequently all parties executed the amended Task Order 004-003. Consultant assistance with this effort was provided thru Task Order 006. For all intent and purposes Task Order 004-003 replaces in total the former Task Order 4. The amended Task Order 004 – 003 modified the budgets for the individual Subtasks as follows:

SUBTASK	Original AMOUNT	Revised AMOUNT
Subtask 1: Project Management	\$91,000	\$138,000
Subtask 2: Waste Cleanup and Storm Water Compliance at Maintenance Facilities	\$166,000	\$213,000
Subtask 3: Site Characterization Plans	\$303,000	\$235,000
Subtask 4: CEQA/NEPA Compliance And Permitting	\$136,000	\$110,000
TOTAL	\$696,000	\$696,000

The effect of this revision on the scope of each subtask is as follows:

- Subtask 1 - Project Management work effort remained unchanged; however no new Project Management is to occur post October 31, 2003 as, with the exception of the work effort added under Subtask 2, the Task Order work effort is essentially complete. Any Project Management required for the work effort added to Subtask 2 is included in Subtask 2. The budget modification is recognition of project management efforts already delivered above the original budget amount prior to November 1, 2003. Thus this Subtask is 100% complete.
- Subtask 2 – The original scope of services remains unchanged and contract administration of the WDCP Project was added. The contract administration scope of services includes but is not limited to:

- ❖ HNTB – project oversight and consultant team invoicing;
- ❖ Willdan – subconsultant coordination, WDCP contract management, document control, progress payment review, change order administration, NCRA point of contact;
- ❖ Kleinfelder – field observation, meetings, coordination with Compliance Monitor, overall compliance by Contractor with plans and specifications, interface with local public agencies and Health Departments, schedule review, monitoring of regulated material handling, transportation and disposal, submittal reviews
- ❖ Mad River Biologists – raptor/ bat survey, wetland /sensitive habitat delineation
- ❖ Oscar Larson & Associates – environmental compliance assistance

The budget was increased to provide these additional services. As of the June 1, 2004 execution date for Task Order 004-003 expenditures remain the same as they were on October 31, 2004 - \$126,000. Outstanding work effort consists of \$40,000 for "Monitoring" during construction and \$47,000 for "contract administration" during the construction. Thus as of June 1, 2004 this item was roughly 60% complete.

- Subtask 3 – The original scope of services was reduced by deleting the deliverable and related work effort to complete the Site Characterization mapping. The revised budget reflects expenditures for this item as of October 31, 2003 and no further work is required. Thus this subtask is 100% complete.
- Subtask 4 – The original scope of services remained unchanged. The revised budget reflects expenditures for this item as of October 31, 2003 and no further work is required. Thus this subtask is 100% complete.
- In addition to the above modifications the revised Task Order 004-003 extends the period of performance to October 31, 2004.
- NCRA issued Task Order 004-003 to the Prime Consultant in early June 2004 and Consultant Team began the coordination of pre-construction activities including a pre-construction meeting with PSC representatives,

ECD State Agencies and Caltrans staff on June 21, 2004. Consultant assistance with this effort was provided thru Task Order 004-003, Subtask 2.

- NCRA staff and the Prime Consultant and their subconsultants received and reviewed required Submittals from PSC and forwarded them onto the ECD State Agencies for review and comment on June 22, 2004. Received "informal" comments by email from DTSC as to the inadequacies of Submittal Package #1 and directed PSC to provide a new set of submittals. Consultant assistance with this effort was provided thru Task Order 004-003, Subtask 2.
- Consultant Team initiated required biological studies and completed a draft report indicating that there were no conditions that would interfere with proceeding on clean-up activities. Final report was completed during the next reporting period and forwarded to the ECD State Agencies and Caltrans District 1 staff. Consultant assistance with this effort was provided thru Task Order 004-003, Subtask 2.
- NCRA staff and the Prime Consultant and their subconsultants prepared a CTC amendment application to reflect the changes made in the work effort pursuant to Task Order 004-003 and submitted it, at Caltrans District 1 staff direction due to an impending deadline, directly to TCRP/CTC staff in mid-June 2004 for consideration at the August 2004 CTC meeting. Consultant assistance with this effort was provided thru Task Order 006. As stated in the amended application the purpose of this proposed amendment is twofold - to update the Schedule and to modify the Scope to bring it into conformance with the approved Allocation. In mid-2002 it was anticipated that the project could be accomplished in 9 months. However weather delays, cash flow issues to compensate the consultant team, changes in NCRA management, and a significantly increased work effort beyond what was originally programmed to coordinate and comply with the involved CD State Agencies have caused the schedule to be extended by 18 months. This extended time frame has substantially increased the project management costs. In addition, NCRA's Project Manager position is currently vacant; therefore NCRA has no staff available to administer the WDCP Project. Thus, with the consent of the CD State Agencies, NCRA has extended its contract with their Prime Consultant to also provide Contract Administration services. These budget adjustments have resulted in the need to modify the Scope of the project and defer certain deliverables related to Site Characterization Plans to a future application for the next phase of the overall CD compliance work program. In the next reporting period this application was returned by TCRP staff for additional information prior to scheduling before CTC.

- As of June 30, 2004 NCRA has received and processed for payment invoices from HNTB for Task Order 006 a total of \$20,5523.20 of which approximately 75% were for services related to Program Supplement No. 01A0045-06. As Task Order 004-003 was just issued in June 2004 no invoices were received from HNTB prior to the end of the reporting period.
- As of June 30, 2004 the overall status of work related to Program Supplement No. 01A0045-06 is as follows:

**Task Order 004-003 - TCRP Funds**

Subtask	Revised Contract Amount for subtask	% Task Complete - June 30, 2004	% Billed - June 30, 2004	Date of Completion (Projected)
1 - Project Management	\$138,000	100%	100%	10/31/03
2 - Waste Cleanup and Storm Water Compliance	\$213,000	60%	60%	(10/31/2004)
3 - Site Characterization	\$235,000	100%	100%	10/31/03
4 - CEQA/NEPA Compliance & Permitting	\$110,000	100%	100%	10/31/03
TOTAL CONTRACT	\$696,000	85%	87%	(10/31/2004)

Sub Task 2 Breakdown				
a. Willits SWPPP	\$26,000	100%	100%	10/31/03
b. Waste Cleanup Work Plan and PS&E	\$100,000	100%	100%	10/31/03
c. Monitoring during Construction	\$40,000	0%	0%	(10/31/2004)
d. WDCP Project Contract Administration	\$47,000	5%	0%	(10/31/2004)

**Task Order 006 - Local Agency Funds**

On call services	\$25,000	Ongoing	80%	(9/1/2004)

**PSC Clean up Contract - TCRP Funds**

Contract Services	\$345,126.36	5%	0%	(9/30/04)

- As of June 30, 2004 the overall status of expenditures on the various Application Phases related to Program Supplement No. 01A0045-06 is as follows:

Phase of work	Scope	Schedule (month/year)		Cost	Expenditures as of June 30, 2004
		Start	End		
1. Studies, environmental review, and permits	Envir / PE / Permits That leads to the future work required. (e.g., Site Characterization Plans)	07/02	09/04	\$515,000	\$468,000
	ECD required: plans and programs (e.g., SWPPP)	07/02	10/03	\$26,000	\$26,000
2. Preparation of project plans and specifications.	Cleanup plans and Bid specifications for the phase 4 waste and debris cleanup / site remediation	07/02	10/03	\$115,000	\$115,000
3. Right of Way acquisition					
4. Construction / procurement / cleanup	Waste and debris cleanup / site remediation (categorically exempt)	06/04	09/04	\$390,000	-0-
Total:				\$1,046,000	\$609,000

Submitted By

*Mitch Stogner*

*8/6/04*

Mitch Stogner  
Executive Director  
NCRA

Date

**EXHIBIT # 4**

**RESOLUTION**

**of the**

**BOARD OF DIRECTORS**

**of**

**NORTH COAST RAILROAD AUTHORITY**

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IN THE MATTER OF:  
A Resolution Approving Proposition 116  
Audit Exceptions.

Resolution No. 2004-06

WHEREAS, the California Transportation Commission ("CTC") asserted in 2001 that \$164,885.53 in Proposition 116 Rail Bond Funds granted to NORTH COAST RAILROAD AUTHORITY ("NCRA") were questioned and disallowed by the CTC;

WHEREAS, NCRA did not contest the assessment of the Audit disallowance, thereby incurring a repayment obligation (the "Repayment Obligation");

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NORTH COAST RAILROAD AUTHORITY as follows:

1. NCRA shall make payment to the CTC on the Repayment Obligation as follows:
  - a. \$12,000 in FY 04-05;
  - b. \$12,000 in FY 05-06;
  - c. \$12,000 in FY 06-07;
  - d. \$42,962 in FY 07-08;
  - e. \$42,962 in FY 08-09;
  - f. \$42,962 in FY 09-10;
  - g. NCRA will make payments in the fourth quarter of each Fiscal Year until sufficient cash-flow is available to make first quarter payments in each Fiscal Year as requested by the CTC.
2. In the event that HR3550 passes in its present form and NCRA's Q-Fund loan obligation is forgiven, NCRA shall cause \$90,000 of its unrestricted funds from the

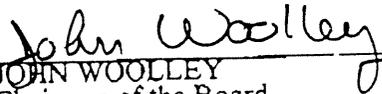
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Cloverdale Bypass Project on deposit in the Q-Fund Account to be applied to the Repayment Obligation, whereupon the Repayment Plan would be reduced as follows:

- a. \$12,000 in FY 04-05;
- b. \$12,000 in FY 05-06;
- c. \$12,000 in FY 06-07;
- d. \$12,962 in FY 07-08
- e. \$12,962 in FY 08-09
- f. \$12,962 in FY 09-10;
- g. NCRA will make payments in the fourth quarter of each Fiscal Year until sufficient cash-flow is available to make first quarter payments in each Fiscal Year as requested by the CTC.

Introduced and adopted this 18th day of August, 2004 at a regular meeting of the Board of Directors of North Coast Railroad Authority at Fortuna, California by the following vote:

AYES: Ripple, Hemphill, Ellinger, Simonson  
NOES: None  
ABSENT: None

  
JOHN WOOLLEY  
Chairman of the Board

ATTEST:  
  
MITCH STOGNER, Secretary

## EXHIBIT # 5

### DRAFT

#### NCRA Proposal Q-Fund Forgiveness

#### OVERVIEW:

- HR 3550 (TEA-LU) includes a provision forgiving a \$12 million loan from FHWA to the NCRA for acquisition of the railroad right of way between Willits and Lombard.
- The CTC has allocated \$5.48 million for repayment of this no-interest loan, which comes due in 2013.
- If TEA-LU is signed into law, the Q-Fund loan will be forgiven and approximately \$5.48 million in TCRP funds (currently on deposit in the Local Agency Investment Fund) will be available for reallocation by the CTC.
- NCRA proposes that \$5.48 million in TCRP funds (on deposit in the LAIF to repay the Q-Fund loan) be reallocated as follows:

\$3.0 million to fully fund TCRP Project 32.5,

\$0.48 million to cover additional Consent Decree costs as agreed to by NCRA.

\$2.0 million to the NCRA for agency budget and staff needs associated with Consent Decree compliance and the restoration of rail service between Eureka and Lombard.

#### FUNDING DETAIL:

##### TCRP Project 32.5 – Environmental Remediation/Consent Decree

\$4.10 million – Original amount available under TCRP

\$1.10 million – Allocated by CTC and expended by NCRA

\$3.00 million – Balance of TCRP available in future

##### TCRP Project 32.8 – Q-Fund Loan Repayment

\$5.48 million – Allocated by the CTC, on deposit in LAIF

If TEA-LU becomes law and the Q-Fund loan is forgiven, NCRA proposes that:

- \$3.48 million from TCRP Project 32.8 (Q-Fund Repayment) be used to fully fund TCRP Project 32.5. (Consent Decree Compliance).
- The remaining \$2 million will be used to fund NCRA agency budget needs for FY04-05 through FY07-08.

The NCRA proposal guarantees \$3.48 million be made available immediately for Environmental Consent Decree compliance. An additional \$3.0 for Consent Decree compliance will be made available pending future TCRP allocation.

There is presently insufficient revenue for the administrative needs of the NCRA. This has been cited by Caltrans and the CTC as a major problem that needs resolution. This proposal will enable NCRA to retain a Project Engineer and a Transportation Planner/Compliance Officer to accomplish Consent Decree Compliance and the restoration of rail service.

#### TCRP Project 32.5 – Environmental Remediation *Revised*

- \$1.10 million – Already expended
- \$3.48 million – Transferred from TCRP Project 32.8
- \$3.00 million – Balance of TCRP available under Project 32.5
- \$7.58 million – Total funding for Consent Decree Compliance

#### TCRP Project 32.8 – Q-Fund Loan Repayment *Revised*

- \$2.00 million – NCRA agency budget needs for FY04-05 to FY07-08

STATE AGENCY RESPONSE TO NCRA'S PROPOSAL REGARDING Q-FUND ALLOCATION (EXHIBIT #5 TO NCRA'S AMENDED TCRP APPLICATION )

The California Department of Toxic Substances Control, the California Department of Fish and Game, and the Regional Water Quality Control Board (North Coast Region) are the three state agencies that are parties to a 1999 Environmental Consent Decree (CD) with NCRA that requires NCRA to perform numerous environmental remediation projects by enumerated deadlines. All deadlines in the CD have long since passed and have not been met by NCRA, resulting in continuing harm to the environment. The state agencies have understood NCRA's financial predicament and have been willing to work with it. For the past five years, the state agencies have worked with NCRA to develop and implement a plan for CD compliance.

At the current time, NCRA has no certain funding for the implementation of the Consent Decree. Initially, \$4.1 million of TCRP funds were available for CD compliance, but due to the state budget crisis, any unallocated TCRP funds have been suspended. As a result, the state agencies and NCRA have discussed using TCRP Project Savings (if Q-fund loan is forgiven) for CD implementation and compliance. Unfortunately, the project savings are also uncertain as forgiveness of the loan depends on the passage of federal legislation. State legislation may be required to allow these project savings to be used for any purpose other than to repay the Q-fund loan. Because both the existing TCRP environmental remediation allocation and any project savings are very uncertain sources of funding for CD compliance, the state agencies disagree with NCRA's Exhibit 5 which appears to indicate that total available funding for CD compliance is \$7.58 million. In fact, there will be no money for CD compliance once NCRA expends the current TCRP allocation of \$1.046 million for the waste and debris cleanup of nine sites along its rail line. While the state agencies are pleased that the surface cleanup of the nine sites is underway, there remains much more to be done before CD compliance is achieved. Even under the very preliminary estimate by NCRA's consultants, the cost for CD compliance ranges from a low of \$4.37 million to a high of \$6.9 million. NCRA's consultant acknowledged that "these estimates were based on preliminary data and experience with similar scenarios rather than direct data...As a result, a significant degree of uncertainty may be associated with several of these estimates." The cost of CD compliance is uncertain as is the funding for it.

Since June of this year, the state agencies have been discussing with NCRA how to allocate the \$5.48 million in Q-fund loan TCR project savings if they become available. The state agencies and NCRA are basically in agreement that \$3.48 million should be spent on CD compliance, but have not been able to agree on the remaining \$2 million. NCRA wants to use the \$2 million for its administrative expenses for the next four years; the state agencies, in recognition of the fact, that NCRA has limited financial resources propose that \$500,000 be allocated to NCRA for administrative expenses for the first year if NCRA has no other source of income, and that the remaining \$1.5 million be uncommitted until a more accurate assessment of the cost of CD compliance can be made by site characterization studies. The state agencies propose that once a more precise estimate of the cost of CD compliance exists, the state agencies and NCRA discuss how the remaining \$1.5 million should be allocated taking into consideration the remaining costs of CD compliance, alternative sources of revenues for CD compliance and/or NCRA administrative expenses, and any deficit NCRA may have in its administrative budget.

In addition, the state agencies have offered to support NCRA in seeking other sources of revenue for CD compliance, including NCRA's application for any available TCRP funds and agree that if other sources of funds become available before TCR project savings are available, such funds can be exhausted before the project savings are used for CD compliance.

The state agencies have been waiting patiently since 1999 for CD compliance and have been and continue to be very accommodating of NCRA's financial circumstances. The state agencies' proposal balances the needs of NCRA with the obligation of NCRA to fulfill its obligations under the CD that has been approved by a court.