

Agenda: September 2, 2004

To: Regional Transportation Commission/Rail/Trail Authority
From: Linda Wilshusen, Executive Director
RE: Release of Draft *Santa Cruz Branch Line Business Plan*

RECOMMENDATION

This item is for information only. Presentation and discussion of the draft *Santa Cruz Branch Line Business Plan* is scheduled for the September 16th Regional Transportation Commission Policy Workshop.

BACKGROUND

In 2001, the Commission distributed a request for proposals for services in connection with acquisition of the Santa Cruz Branch Rail Line (Branch Line). The scope of work for these services included production of a business plan for public ownership and oversight of the Branch Line. The Commission hired the firm of Miller, Owen and Trost to provide the acquisition services needed by the Commission. Miller, Owen and Trost hired Systra Consulting as a subconsultant to produce the business plan.

DISCUSSION

Over a number of months, Miller, Owen and Trost has been working with Systra Consulting to produce the *Santa Cruz Branch Line Business Plan*. At its August 5, 2004 meeting, the Commission received an administrative draft (Review Draft 4.0) of the *Business Plan* in closed session for a two week review period.

At its August 19, 2004, Policy Workshop meeting in closed session, the Commission determined that the general public is best served by having the opportunity to review and provide comment on information contained in the draft *Business Plan*. The Commission decided to include the draft *Business Plan* along with an errata sheet as an information item in the agenda for today's meeting; this draft, **Review Draft 4.0, is enclosed separately as Attachment 1**. The RTC also directed staff to issue a press release on the Commission's decision (Attachment 2). In addition, the Commission scheduled a presentation on the draft *Business Plan* at its September 16, 2004 Transportation Policy Workshop, to be held at 9 am in the County Government Center, 5th Floor, 701 Ocean Street, Santa Cruz. The presentation will be made by Systra Consulting and will be televised by Community Television.

Written or emailed comments and questions on the draft *Business Plan* will be compiled and provided to the Commission for its September 16th meeting, and thereafter as information items

in regular agenda packets, consistent with all public communications with the RTC.

Overview of Information Contained in Draft *Business Plan*

The draft *Business Plan* will serve as a guide for future public oversight and management of the right of way and activities associated with the Santa Cruz Branch Line, and will be updated periodically as new information becomes available. The draft *Plan* assumes that the current Santa Cruz Branch Line acquisition financial plan will be implemented. As noted in the press release, unlike most RTC documents, this draft Business Plan is not a policy, programming, or environmental document to be formally adopted by the Commission. It will be used by the Commission to inform decision-making on acquisition and other activities associated with public ownership of the Branch Line.

The draft *Business Plan* includes

- Proposed goals and objectives for public ownership
- Substantive analyses of
 - continued freight operations on the line
 - the addition of recreational passenger rail operations
 - oversight and management requirements and costs
 - insurance considerations and costs
 - track condition
 - necessary as well as possible future capital improvements
- Forecasts of projected revenues and costs for the above
- Next steps

According to the draft *Business Plan*, sufficient revenues can be derived from operations and leases to cover the full cost of public ownership and of freight and recreational rail operations. In order to better ensure self sufficiency of the Branch Line operations, the draft *Business Plan* recommends that the Rail/Trail Authority contract with one rail operator to provide both freight and recreational rail services. The report also recommends that the current operating plan for recreational rail service (proposed in the September 2003 *Preliminary Project Report*) be modified to reduce operations costs and to allow for operation on Class 1 track.

Updates to the Draft *Business Plan*

The draft *Business Plan* was produced without the benefit of Union Pacific's revenue and cost information on the Branch Line because Union Pacific has a policy of refusing to provide such information until a tentative price agreement is reached with a potential buyer. Once a tentative price agreement is reached, Union Pacific will be required to disclose all of the information relevant to the potential purchase which the potential buyer requires to determine whether it wants to complete the purchase. The draft *Business Plan* will be updated periodically as the Commission obtains information from Union Pacific and from other sources, including RMC Pacific Materials, Inc. and members of the public. If the Commission decides to purchase the Santa Cruz Branch Rail Line and issue requests for proposals for freight and recreational rail service, the information submitted within those proposals may also be used to update the draft

Business Plan.

SUMMARY

The draft *Santa Cruz Branch Line Business Plan* has been completed. The Commission has reviewed the draft *Business Plan* and decided to make it public. The draft *Business Plan* analyzes the ownership of the Santa Cruz Branch Rail Line and concludes that public ownership and oversight can be accomplished within projected revenues. A televised presentation by Systra Consulting has been scheduled for the September 16, 2004 Transportation Policy Workshop at 9:00 am at the County Government Center. The draft *Business Plan* will be updated as information is provided by Union Pacific and other sources.

Attachments:

1. Review Draft 4.0 - *Santa Cruz Branch Line Business Plan* (enclosed separately)
2. August 19, 2004 SCCRTC News Release

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