

Attachment **I**

RAILMOVE

NORTHWEST INC.

P. O. Box 404, Gig Harbor, Washington, USA 98335. emb@railmove.com - Fax (253)-265-1824
— Phone 253-383-2626 or 888-232-7245 —

January 21, 2004

Ms. Linda Wilshusen, Executive Director
Santa Cruz County Regional Transportation Commission
1523 Pacific Ave.
Santa Cruz, California 95060

Dear Ms. Wilshusen:

This letter is a consulting services proposal in regard to your Commission's proposed Recreational Rail Service demonstration project, which you are planning for March 2003 and which would utilize one or two self-propelled Budd Rail Diesel Car (RDC) passenger coaches borrowed or leased from the Oregon Department of Transportation.

There are several components to this project with which Railmove Northwest Inc. can assist you in assembling necessary documents and information for your decision and implementation processes. These include:

1. Negotiating a suitable agreement with Oregon DOT for use of the cars.
2. Preparing a draft letter for your agency to the Federal Railroad Administration requesting waiver of window glazing requirements and certain other components on the cars to permit operation for your demonstration project. This letter would be similar to the waiver previously requested by and granted to Oregon DOT for their successful operation of these cars in excursion passenger service between Portland and Astoria, Oregon, from May 24 to Sept 15, 2003. This letter is probably the longest lead-time item required, and should be progressed as soon as possible. Requesting the waiver does not itself commit your agency to actual operation of the cars but obtaining the waiver would permit you to do so if desired.
3. Identify reasonable estimates of the various cost items involved and assemble a draft expense budget for the proposed March demonstration project in the Santa Cruz area. We understand you would need such a draft expense budget by January 27 for inclusion in a proposal to your Commissioners.
4. Assist you by reviewing and/or negotiating a proposed operating agreement with the Santa Cruz, Big Trees, and Pacific Railroad for the demonstration project, or such other rail line as you desire.
5. Arranging and coordinating round trip rail transportation of the Oregon RDC cars between Portland, Oregon, and Santa Cruz. This is primarily expected to be on Union Pacific freight trains.
6. Furnishing qualified mechanical and operating instruction personnel on hand to assist in the mechanical maintenance, preparation and actual operation of the cars for the demonstration project, and to instruct the handling railroad (Big Trees, etc) in the

30-21 8-2

special capabilities and requirements for safe and reliable operation of these cars. Our company provided similar services to Oregon DOT for the entire operation in Summer 2003.

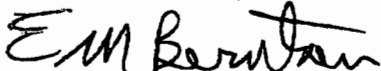
7. Assisting your agency in obtaining the necessary rolling stock insurance and other insurance that may be required for the project.
8. Provide other consulting services as you may require to assist with the proposed demonstration project.

Railmove Northwest Inc. proposes to undertake an initial effort on these many components, focusing first on the proposed project expense budget and the FRA waiver request letter in items 3 and 2 above, or in such other priority as you may direct, for an initial commitment of 10 hours at our public-agency reduced rate of \$75.00 per hour, for a total not to exceed \$750.00. We can then expand our involvement as later mutually agreed when you have determined that you have the necessary budget and other approvals to proceed with the entire project.

We look forward to assisting you in the demonstration project. Please call me if you have any questions, or require additional information.

Sincerely,

RAILMOVE NORTHWEST INC.
(A Washington corporation)



By Edward M. Berntsen,
General Manager

253-383-2626
emb@railmove.com

APPROVED
Jan 21, 2004
[Signature]

8-3

~~30-22~~

**SCCRTC Recreational Rail Service Project
Oregon RDC Demo Operating Expense Budget
Draft 2 - January 27, 2004**

(One or two RDC cars operating two days in Santa Cruz, Calif.)

Proposal to operate one or two self-propelled Rail Diesel Cars (RDC) owned by Oregon DOT Rail Division, with crews and trackage furnished by Santa Cruz Big Trees & Pacific Railway in and near Santa Cruz, California, on a Saturday and Sunday to be selected in March or April 2004 for public demonstration purposes.

Item	Description	Quantity	Unit Cost	1 st RDC	Addtl for 2 nd RDC	Subtotal two cars
1	ODOT RDC Rental	2 "use days"	\$500/car/day	\$1000	\$1000	\$ 2000
2.	PNWR Rail freight Linnton-Portland	1 RT per car	\$190.00 OW	\$380	\$ 380	\$ 760
3	UP rail freight Portland-Santa Cruz	1 RT per car	\$1004.00 OW (See Note 1)	\$2008	\$2008	\$ 4016
4	SCBG Crew & Track Use Fees – 3 days	No charge	0	0	0	0
5	SCBG Railroad Liability Insurance Endorsement	Certificate Adding ODOT & SCCRTC	(Note 2)		0	
6	SCCRTC Rolling Stock damage insurance @\$500K /car	2 cars, (Note 2)	(Note 2)	\$3820	\$3820	\$7640
7	RNW Project Coordinator	24 Hours	\$75.00/hr	\$1800	0	\$ 1800
8	RNW RDC Mech. Supervisor	40 Hours	\$52.50/hr	\$2100	0	\$ 2100
9	RNW Supvr lodging Santa Cruz	4 nights	\$80.00/day	\$320	0	\$ 320
10	RNW Supvr – meals	5 days	\$42.00/day	\$210	0	\$ 210
11	RNW Supvr Rental auto – Santa Cruz	5 days	\$37.00/day	\$185	0	\$ 185
12	RNW Supvr. – Air tkt Portland-San Jose	1 RT coach	\$180.00	\$180	0	\$ 180
13	ODOT Repr. – Air tkt Portland-San Jose	1 RT coach	\$180.00	\$180	0	\$ 180
14	ODOT Repr.- meals	5 days	\$42.00/day	\$210	0	\$ 210
15	ODOT Repr.- Lodging Santa Cruz	4 days	\$80.00/day	\$320	0	\$ 320
16	RDC fuel, lube & supplies	3 days (1-test, 2-demo)	\$200/car/day	\$600	\$600	\$ 1200
17	RDC Toilet holding tank disposal	2 days	\$200/car/day	\$400	\$400	\$ 800
	SUBTOTAL			\$13,713	\$ 8,208	\$21,921
18	Contingencies	10%		\$ 1,371	\$ 821	\$ 2,192
	TOTAL			\$15,084	\$ 9,029	\$24,113
				1 st RDC	2 nd RDC	2-RDC's

~~30-24~~
8-5

Legend:

ODOT = Oregon Dept. of Transportation, Rail Division

PNWR = Portland & Western Railroad Inc.

UP = Union Pacific Railroad Co.

SCBG = Santa Cruz Big Trees & Pacific Railway

STCC = Standard Transportation Commodity Code

RNW = Railmove Northwest Inc.

MOOW = Moving On Own Wheels

Note 1: Self-propelled Rail Diesel Cars have been routinely classified for rail freight rate purposes as Railway Coaches, (MOOW) Moving On Own Wheels, STCC 37-421-36, creating the UP rate of \$1004.00 per car each way between Portland, Oregon, and Santa Cruz, Calif. RNW believes this to be a valid classification for freight rating purposes. However, the Federal Railroad Administration classifies self-propelled RDC cars as "locomotives" for federal safety regulation purposes. It is possible that Union Pacific will also choose to classify these RDC cars as "locomotives, dead-in-tow, moving on own wheels," STCC 37-411-10 instead of coaches. In that event, the one-way UP freight charge would be \$3420.00 per RDC car instead of \$1004 per car as a "coach," increasing the round trip rail freight charges by an additional \$4,832.00 per car.

Note 2: When information is received from SCBG's insurance broker, the additional premium cost to add Oregon DOT and SCCRTC to SCBG's passenger operations liability and rolling stock insurance may revised the figures in items 5 and 6 herein. Railroad Rolling Stock insurance (sometimes known as "Inland Marine" coverage) is commercially available to protect the replacement value of the RDC cars, valued by ODOT at \$500,000 per car. This cost item 6 may be reduced from the \$3820 *annual* premium quote shown herein, or eliminated if SCCRTC chooses to self-insure this risk, or can obtain less costly coverage through SCBG or elsewhere.

ODOT Rail Division RDC Cars currently available for short-term rental are:

ORRX 11 – Budd RDC-1 - Has 62 seats, two rest rooms, and food-serving galley.

ORRX 31 – Budd RDC-3 - Has 38 seats plus 2 wheelchair tie-down positions, two rest rooms including one with wheelchair accessibility, and food-serving galley.

ODOT Rail Division rental of cars to SCCRTC is subject to approval of Federal Railroad Administration. Return of car(s) to Portland, Oregon not later than early May 2004, is required in order to prepare cars for scheduled resumption of "*Lewis & Clark Explorer*" passenger excursion service between Portland and Astoria, Oregon, May 28 – September 12, 2004.

**Draft 2 – RDC Demo Operating Expense Budget
Prepared for Santa Cruz County Regional Transportation Commission**

By Edward M. Berntsen
Railmove Northwest Inc.

Gig Harbor, Wash.

253-383-2626

emb@railmove.com

January 27, 2004

8-6
~~30-25~~