

TO: Regional Transportation Commission/Transportation Policy Workshop
FROM: Luis Mendez, Deputy Director
RE: Santa Cruz Branch Rail Line Acquisition Project

RECOMMENDATIONS

Staff recommends that the Regional Transportation Commission (RTC) accept this status report on acquisition of the Santa Cruz Branch Rail Line (Branch Line) along with the timeline for completion of the project in December 2008.

BACKGROUND

The Regional Transportation Commission (RTC) has been working on the acquisition of the Santa Cruz Branch Rail Line (Branch Line) since 2001. Although the RTC has done much of the work necessary in connection with the acquisition of the Branch Line, a number of due diligence investigations still must be completed before the RTC can make a final decision. The RTC has kept Union Pacific (UP) informed of the due diligence work as it progresses and is negotiating various issues that have arisen as a result of the work. At times it has been necessary to halt due diligence work as issues are negotiated and resolved. Completion of the Branch Line purchase is also contingent on obtaining the necessary approvals from funding and regulatory agencies such as the California Transportation Commission (CTC), Caltrans Division of Right-of-Way (ROW) and the Surface Transportation Board (STB).

DISCUSSION

As announced after the August 7, 2008 RTC meeting, the RTC and UP have reached an agreement in principle to purchase the Branch Line for \$14.2 million (Attachment 1). UP and the RTC would like to complete the Branch Line purchase by the end of December 2008. This means that the RTC must complete the remaining due diligence work and make a final decision on purchasing the Branch Line by November 2008. Attachment 2 shows the work already completed, as well as, a proposed schedule for the work yet to be completed. Attachment 3 is a list of the due diligence work along with a summary of the work and its status. Staff recommends that the RTC accept this status report on acquisition of the Branch Line along with the timeline for completion of the project in December 2008.

Shortline Freight Service

The RTC plans to contract with a shortline freight operator to ensure continuation of the freight service on the Branch Line. In 2005, the RTC approved the release of a request for proposals (RFP) for a shortline operator. The RFP was not released due to issues uncovered by some of the

due diligence work, some of which are now resolved. That RFP with minor revisions made by the Rail Acquisition Committee in 2006 and an updated schedule is included as Attachment 4. Staff and the RTC's negotiating consultant will interview potential freight service consultants on August 22nd. The freight service consultants can assist with the final language of the RFP for a shortline operator, analyze the freight service and potential for the Branch Line, produce a comprehensive business and management plan, and assist with all matters regarding a freight operation and management of the Branch Line. Staff anticipates bringing a freight railroad consultant recommendation to the RTC at its September 4th meeting. The timeline shows the RTC considering release of the RFP for a shortline operator on September 18 so that the selected freight service consultant can review the RFP and make any necessary recommendations to the RTC.

SUMMARY

The RTC has an agreement in principle to purchase the Branch Line from UP for \$14.2 million. The RTC will ensure continuation of freight rail service through a contract with a shortline operator. This report provides a timeline for completing the project by December 2008 along with a summary and status of the due diligence work.

- Attachment 1: August 7, 2008 News Release on Acquisition of the Santa Cruz Branch Rail Line
- Attachment 2: Timeline for Acquisition of the Santa Cruz Branch Rail Line
- Attachment 3: Santa Cruz Branch Rail Line Acquisition Due Diligence Work
- Attachment 4: Draft RFP for Freight Rail Service