

Upon execution of the Separation Agreement, SPPR will work cooperatively with the RTC, the new operator, and the SCCR or its designee to allow for a smooth and timely transition of common carrier obligations over the Watsonville Branch Line and Santa Cruz Branch Rail Line. The transition process includes SPPR assigning all railway agreements to the RTC and providing the RTC all safety compliance documentation. SPPR must cooperate with the new operator and the SCCR or its designee in obtaining STB approval to acquire and operate on their respective portions of the freight easement. Following the new operator's receipt of authority or exemption from the STB and execution of the ACL agreement with RTC, SPPR will quitclaim all its right, title, and interest in the Watsonville Branch Line Freight Easement to the new operator as soon as the new operator is ready to begin operations, which is expected to be within 10 business days of STB approval of the new operator as common carrier for this portion of the line. SPPR will simultaneously file with the STB for discontinuance of the remainder of the Santa Cruz Branch Line north of MP 3.0 for a future transfer to the SCCR or its designee.

FISCAL IMPACT

The compensation to SPPR as outlined in the Separation Agreement is an eligible expenditure for the right of way component of the Coastal Rail Trail projects under development. The compensation will be funded by the County of Santa Cruz Coastal Rail Trail Segment 10 & 11 project right of way funds. The Coastal Rail Trail Project has sufficient funding allocated to the right of way component of the project to fund this agreement, ~~subject to a future Cooperative Agreement amendment between the County of Santa Cruz and the RTC.~~

The ACL agreement for the Watsonville Branch Line may generate moderate revenues that will be used for the operation and maintenance of the Watsonville and Santa Cruz Branch Rail Lines.

SUMMARY

The RTC is effectuating termination of the current ACL agreement with SPPR through a Separation Agreement and Mutual Release (Separation Agreement) between both parties. The Separation Agreement will allow for the transfer of operations and common carrier obligations for the active and non-active portions of the SCBRL to the new operator and the SCCR or its designee and require SPPR to file for discontinuance. Therefore, staff recommends approval and authorization to execute the Separation Agreement. Staff also recommends approval of a new 10-year term Administration, Coordination, and License Agreement with Chicago Rock

RESOLUTION NO.

Adopted by the Santa Cruz County Regional Transportation Commission
on the date of April 2, 2026
on the motion of Commissioner
duly seconded by Commissioner

AUTHORIZE A SEPARATION AGREEMENT AND MUTUAL RELEASE TO TERMINATE THE CURRENT ADMINISTRATION, COORDINATION, AND LICENSE AGREEMENT WITH ST. PAUL & PACIFIC RAILROAD, A SUBSIDIARY TO PROGRESSIVE RAIL, INC., WHICH REQUIRES, IN PART, SPPR TO TRANSFER OPERATIONS AND COMMON CARRIER OBLIGATIONS TO A NEW OPERATOR, FILE FOR DISCONTINUANCE FOR THE INOPERABLE PORTION OF THE LINE, AND CONVEY THE FREIGHT EASEMENT TO THE COMMISSION OR ITS DESIGNEE

WHEREAS, the Regional Transportation Commission (RTC) purchased the Santa Cruz Branch Line (SCBRL) in October 2012 to provide regional multimodal transportation options for the public, including passenger rail, and freight rail service as long as it is required by the Surface Transportation Board (STB);

WHEREAS, as part of the acquisition, Union Pacific retained the freight easement and common carrier status for the SCBRL, which has been conveyed to two operators since 2012 consistent with terms set forth in the Administration, Coordination and License Agreement (ACL);

WHEREAS, the current operator, St. Paul & Pacific Railroad, LLC, a Subsidiary of Progressive Rail Inc. (SPPR) entered into an ACL Agreement with the RTC in 2018 to serve current freight customers and allow for other rail uses on the SCBRL;

WHEREAS, after disputes regarding regular freight service and maintenance obligations, the RTC formally terminated the ACL Agreement in February 2026 and SPPR opposed the termination;

WHEREAS, the RTC and SPPR wish to effectuate termination of the ACL Agreement, transfer operations and common carrier obligations to a new operator, and file for discontinuance of the nonoperational portion of the SCBRL;

WHEREAS, the RTC, through its subsidiary, the Santa Cruz County Coastal Rail (SCCCR) is electing to become the common carrier for all or a portion of the SCBRL to advance priority regional projects and better manage the SCBRL;

WHEREAS, the anticipated compensation in the amount of \$450,000 will be funded by the County of Santa Cruz Parks Division through Coastal Rail Trail Segment 10 & 11 funding allocated to the right-of-way component of the project;

WHEREAS, the Separation Agreement and Mutual Release between the RTC

and SPPR will allow for a smooth transfer of operations and common carrier obligations to the new operator, transfer of the freight easement to the new operator and the SCCCR or its designee, the discontinuance of the non-operational portion of the line, compensation to SPPR for the concurrent transfer of operations and common carrier obligations and filing for discontinuance, and the mutual release of all claims arising from or related to the ACL agreement.

THEREFORE, BE IT RESOLVED BY THE SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION THAT:

1. The Executive Director is hereby authorized to formally enter into a Separation Agreement and Mutual Release to effectuate termination of the current Administration, Coordination, and License Agreement between RTC and St. Paul & Pacific Railroad, a subsidiary to Progressive, Rail, Inc. The Executive Director is authorized to make non substantiative revisions to the agreement subject to legal counsel review as to form **and;**
2. **Accepts revenue in the amount of \$450,000 from the County of Santa Cruz Parks Division and appropriates said funds to the right-of-way component of the Coastal Rail Trail Segment 10 & 11 project and implementation of the Separation Agreement.**

AYES: COMMISSIONERS

NOES: COMMISSIONERS

ABSTAIN: COMMISSIONERS

Eduardo Montesino, Chair

ATTEST:

Sarah Christensen, Secretary

Exhibits: Draft Separation Agreement and Mutual Release

2. Commission Grants Rights

2.1. Freight Service. Upon the later of the effective date of this Agreement or the date upon which Railway is approved as a common carrier for the Watsonville Branch Line Property, the Commission grants Railway the exclusive right and obligation to provide Freight Service on the Watsonville Branch Line Freight Easement Property. Railway's rights and obligations to provide Freight Service under this Agreement are limited to those set forth in the Watsonville Branch Line Freight Easement or in this Agreement. Railway may not, in performing such Freight Service, exceed the maximum speeds authorized by applicable law for the existing track conditions or transport rail cars exceeding the applicable track and bridge weight limits. Railway shall take and complete all reasonable actions necessary to file within ten (10) business days of the Effective Date of this Agreement all STB regulatory filings and complete all publication requirements to acquire and operate the Watsonville Branch Line Freight Easement as a Railway Operator/Common Carrier on the Watsonville Branch Line Freight Easement. Before filing with the STB, Railway shall provide the **Commission's counsel and the** current operator's designated regulatory counsel with drafts of all STB filings and shall afford the **Commission's counsel and the** former operator's counsel a reasonable opportunity to provide input. Railway shall incorporate any reasonable edits proposed by the **Commission's counsel or the** former operator's regulatory counsel into the STB filings, provided such comments are consistent with the intent of the terms set forth in the Separation Agreement and Mutual Release Agreement between the former operator and the Commission.

2.2. Trackage License. The Commission grants Railway an exclusive license to use, maintain, repair, and operate all of the Watsonville Branch Line Freight Easement Property and related Railroad Facilities for all Freight Service purposes. Notwithstanding their location on the Watsonville Branch Line Freight Easement Property, buildings and other fixtures which are not appurtenances associated with the tracks and related railroad property are not included as part of this license.