

MEMORANDUM

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: December 2-3, 2020

From: STEVEN KECK, Chief Financial Officer

Reference Number: 4.11, Action Item

Prepared By: Kyle Grading, Chief
Division of Rail and Mass Transportation

Subject: **NORTH COAST RAILROAD AUTHORITY, STRATEGIC PLAN UPDATE AND
TRANSFER OF SOUTHERN SECTION, RAILBANKING OF NORTHERN
SECTION
RESOLUTION G-20-81**

ISSUE:

Should the California Transportation Commission (Commission) approve NCRA's plan to transfer its freight contract to a new freight operator, transfer its freight rights in the southern section to the new operator, and railbank a portion of its rail corridor in the north?

RECOMMENDATION:

The California Department of Transportation (Department) recommends the Commission adopt Resolution G-20-81 approving the transfer of NCRA's freight contract to Sonoma-Marín Area Rail Transit District (SMART), the transfer of all freight rights south of the Sonoma-Mendocino county line to SMART, the transfer of real property from Healdsburg to the Sonoma-Mendocino county line to SMART, and the railbanking of portions of its Right of Way north of Willits.

BACKGROUND:

NCRA is a statutorily created public entity, established by the California State Legislature in 1989 by Senate Bill 1663, the North Coast Railroad Authority Act. The intent of the Legislature was to maintain rail service in Humboldt and Mendocino Counties and to expand rail service, if feasible, into Del Norte, Sonoma, and Marin Counties. NCRA's Right of Way and freight easements were purchased with State funds (Prop 116 and Transit Capital Improvement) and a federal railroad loan in three separate purchases as follows:

*"Provide a safe, sustainable, integrated and efficient transportation system
to enhance California's economy and livability"*

- 1992 – North Western Pacific (NWP) mile post 142.5 at Outlet (near Willits) to Korbel (northern spur in Humboldt County). This purchase included real property in fee, real property in rail easement, and included three spur lines – Samoa, Carlotta, and Annie & Mary. It also included all railroad equipment from the previous owner.
- 1995 – NWP mile post 68.22 near Healdsburg to NWP mile post 142.5 at Outlet (near Willits). This purchase, known as the “Willits Segment,” resulted in real property owned in fee, real property owned in rail easement, and all railroad equipment from the previous owner being transferred to NCRA.
- 1996 – NWP mile post 25.57 at Ignacio to Southern Pacific Railroad mile post 63.4 at Lombard and NWP mile post 26.96 in Novato to NWP mile post 68.22 in Healdsburg. This purchase included the “Lombard” and “Healdsburg” segments and resulted in a freight easement only being transferred to NCRA; all real property was eventually transferred to SMART.

Funding for these purchases was approved by the Commission and administered by the Department. Additional state funding was provided to NCRA, through the Traffic Congestion Relief Program and expended between the years 2000 – 2013. Between 1990 and 2011, a total of \$124 million of state and federal funds were invested in the NCRA corridor to restore freight rail service. However, the economic and environmental challenges NCRA faced proved insurmountable for the resumption of freight rail service in this corridor and has led to the passage of SB 1029 (Chapter 934, Statutes of 2018) and NCRA’s current proposed change in use for portions of its Right of Way from a railroad to a railbanked multi-use path.

Table 1. Summary of Public Investment in NCRA Rail Corridor

Purpose	Amount
Right of Way and Equipment Acquisition (1992-1996)	\$44,800,000
Rail Rehab/Capital Projects (1996-2013)	\$48,744,364
Project & Environmental Studies (1996-2011)	\$12,677,000
Debt, Admin, Local Match (1996-2011)	\$17,310,550
SUBTOTAL	\$123,531,914
SB 1029 Assessment & Dissolution (2019-2020)	\$17,800,000
TOTAL PUBLIC INVESTMENT	\$141,331,914

State Oversight

When the Legislature created NCRA, it did not designate NCRA as a state or local agency and did not appropriate funding for its operations. Since its inception, NCRA has covered its expenses from rail revenues; state grant funding; public and private loans; loan forgiveness; proceeds from lease agreements; and leasing or sale of assets.

NCRA’s quasi-governmental status has complicated its relationship with state and local jurisdictions. As an independent special district, it has claimed to be a “state agency,” a “local agency,” and when it has been beneficial, a “railroad,” thereby qualifying itself periodically for a variety of different funding mechanisms and environmental exemptions. Aside from the

*“Provide a safe, sustainable, integrated and efficient transportation system
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California Public Utilities Commission, which exercises state jurisdiction over rail operations, NCRA has no formal state oversight built into its governance structure. The Department does not have prescriptive or enforcement jurisdiction over NCRA, and oversight activities have been limited to fiduciary responsibilities associated with grant funds allocated by the Commission and administered by the Department.

As a result, the Department has provided monitoring and auditing services for state-funded activities of NCRA. After a 1998 post-project audit conducted by the Department's Office of External Audits and Investigations¹, NCRA received the designation of "High-Risk Grantee" and the Commission began requiring 'special conditions' to be included with each subsequent release of funds. These conditions required enhanced oversight by the Department and more rigorous reporting by NCRA. Subsequent audits have not removed the "High-Risk Grantee" designation.

In November 1998, the Federal Railroad Administration shut down the entire line with Emergency Order 21 due to deferred maintenance and management problems. While the section from Lombard to Windsor was reopened for freight operations in 2011, the line from Windsor to Blue Lake has remained out of service.

SB 1029

In 2018, Senator McGuire sponsored Senate Bill 1029 (Chapter 934, Statutes of 2018) (SB 1029), the North Coast Railroad Authority Closure and Transition to Trails Act. Among other provisions, it revised Government Code Section 93020 to require the Commission to approve without exception, any sale, easement, or lease entered into by NCRA after August 1, 2018.

In addition, Section 17 of SB 1029 appropriates \$4 million to CalSTA to be used for the Sonoma-Marín Area Rail Transit's (SMART) acquisition of North West Pacific Company's freight contract; this transaction is currently in process. Item 0521- 101-0001 of the State Budget Act of 2019 appropriates \$8.8 million "for expenses related to dissolving the North Coast Rail Authority" and \$2 million "for Sonoma-Marín Area Rail Transit (SMART) for safety upgrades and maintenance upon acquisition of a freight contract as specified in Chapter 934 of the Statutes of 2018."

Proposed Action Plan

NCRA is sharing a Draft Strategic Plan Update with the Commission which is consistent with the intentions of the Legislature as described in SB 1029 and is consistent with the options presented in the SB 1029 required assessment report. The legislative report, *Assessment of the North Coast Railroad Authority and Viability of a Great Redwood Trail* can be found on the CalSTA website at: <https://calsta.ca.gov/subject-areas/reports>.

¹ With the passage of Senate Bill 1, The Road Repair and Accountability Act of 2017, Caltrans's Office of External Audits and Investigations was reorganized. The new Independent Office of Audits and Investigations is led by a Governor appointed Inspector General and is vested with the authority to maintain a full-scope, independent, and objective audit and investigation program.

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In May 2020 the NCRA Board of Directors and the SMART Board of Directors approved the transfer of the freight contract from NWPCo to SMART. In addition, SMART's Board approved the expansion of SMART owned Right of Way and scope of operations by adding freight service responsibility and executing related agreements. NCRA will bring the remaining transaction related agreements to its Board for approval in November 2020.

NCRA is seeking the following from the Commission:

1. Approval to transfer NCRA's freight contract from its current operator, North Western Pacific Railroad Company (NWPCo) to SMART.
2. Approval for a no-fee transfer, via quit claim deed, all freight easements and rights south of NWP mile post 89.0 at the Sonoma-Mendocino County line from NCRA to SMART.
3. Approval for a no-fee transfer, via quit claim deed, real property from NWP mile post 68.22 in Healdsburg to NWP mile post 89.0 at the Sonoma-Mendocino county line from NCRA to SMART.
4. Approval to railbank NCRA's rail corridor from NWP mile post 142.5 at Outlet Station, north of Willits, through the Eel River Canyon to the Port of Humboldt Bay, including three branch lines in Humboldt County.

RESOLUTION:

Be it Resolved, that Resolution G-20-81 is hereby approved to authorize NCRA to transfer its freight contract from NWPCo to SMART, to transfer all freight rights, real property, and rail easements south of NWP mile post 89.0 at the Sonoma-Mendocino county line from NCRA to SMART, and to railbank all rights of way from NWP mile post 142.5 at Outlet Station north of Willits, through the Eel River Canyon, and around Humboldt Bay including three spur lines in Humboldt County.

Attachments:

1. NCRA 2020-2025 Draft Strategic Plan Update
2. NCRA Board Minute Resolution, May 2020
3. SMART Board Minute Resolution, May 2020
4. SB 1029 Chaptered Legislation

NORTH COAST RAILROAD AUTHORITY

DRAFT STRATEGIC PLAN UPDATE

2020-2025



Mitch Stogner
10-21-2020

CURRENT MANDATE

The legislation that created the North Coast Railroad Authority (NCRA) was signed into law in 1989, Government Code Sections 93000, et seq. The Act was intended to ensure continuation of railroad service on the Northwestern Pacific (NWP) rail line, and envisioned the railroad playing a major role in the transportation infrastructure serving the North Coast. In creating the NCRA to restore and preserve rail service, the Legislature recognized that California's North Coast region suffers from restricted access and limited transport options.

REVISED MISSION (PROPOSED)

NCRA's revised mission is to work with local, state and federal agencies to transfer NCRA freight responsibilities to the Sonoma-Marín Area Rail Transit District (SMART), the rail agency currently offering commuter service in Sonoma and Marin Counties; and , secondly, to work with local, state and federal agencies to initiate the process of "railbanking" the rail line in Mendocino, Trinity and Humboldt Counties to enable preservation of the unbroken rail corridor for possible future rail use and for creation of the Great Redwood Trail.

STRATEGIC ISSUES

SB 1029 (McGuire), effective January 1, 2019, requires the California State Transportation Agency (CalSTA) to undertake an assessment of the North Coast Railroad Authority (NCRA) to determine the most appropriate way to dissolve the NCRA and dispense with its assets and liabilities. The primary goal of the legislation is to transfer freight responsibility on the south end of the line from NCRA to the local agency currently providing commuter service in Sonoma and Marin Counties, and to begin the process of "railbanking" the northern stretch of the line in Mendocino, Trinity and Humboldt Counties, through the Eel River Canyon, for creation of the Great Redwood Trail, a multi-use trail to be enjoyed by locals and visitors worldwide.

The measure requires CalSTA to report to the legislature on plans to transfer the southern portion of the rail corridor to SMART, and requires CalSTA, in consultation with the National Resources Agency, to assess the viability of developing a trail along the rail line including options for "railbanking" designated portions of the line.

With respect to SMART's acquisition of the southern portions of the line, SB 1029 (McGuire) appropriates state funds to SMART, the existing commuter rail operator in Sonoma and Marin Counties, for the purposes of acquiring the freight rights and equipment from NCRA's current freight operator, Northwestern

Pacific Railroad Company (NWPCo.), to ensure efficient provision of goods movement in the corridor.

CURRENT NCRA STRATEGIC PRIORITIES

1. Complete the transfer, per SB 1029, of all assets of Northwestern Pacific

Railroad Company (NWP Co.) to SMART. NCRA owns the freight easement on SMART's right-of-way from Healdsburg south to Novato and east from Ignacio to Lombard, near the Napa River. NCRA has contracted with NWP Co. for freight service, which operates several trains per week from Petaluma, south. Details of actions taken to support this priority are below. The proposed action will allow SMART to acquire, or buy-out, the existing contract between NCRA and its current freight operator, NWP Co.

Revenue Generated for NCRA	Estimated Costs for NCRA	Schedule
\$0.00	\$16,000.00	Before December 2020

2. Quit Claim NCRA right-of-way in the south to SMART.

NCRA proposes to transfer approximately 21 miles of right-of-way currently under NCRA ownership to SMART. The section of rail line to be transferred from NCRA to SMART begins at mile post 68.22, near Healdsburg, and extends north to mile post 89.0 at the Sonoma-Mendocino county line, near Cloverdale. There will be no revenue collected by NCRA from this transfer of ownership.

Revenue Generated for NCRA	Estimated Costs for NCRA	Schedule
\$0.00	\$19,000.00	2020-2021

3. Quit Claim NCRA freight easement in the south to SMART.

NCRA also proposes to transfer the freight easement owned by NCRA to SMART. This transfer of the freight easement includes all of the rail line south of Healdsburg, down to Ignacio Blvd., near Novato, and East to the national rail interchange, South of Napa (Lombard). There will be no revenue collected by NCRA from the transfer of this freight easement.

Revenue Generated for NCRA	Estimated Costs for NCRA	Schedule
\$0.00	\$5,000.00	2020-2021

- 4. Railbank NCRA's right-of-way in the north, in order to protect the corridor and preserve it for future railroad use.** Railbanking is a federal process regulated by the Surface Transportation Board (STB), whereby a railroad right-of-way owned in fee title or by easement, can be protected for all time, even if it is not currently in use for rail transport.

NCRA proposes to railbank the northern section of its railroad corridor, initially beginning in Willits (MP 139.5), and continuing north, through the Eel River Canyon all the way to the Port of Humboldt Bay, including the three branch lines in Humboldt County.

The railbanked portion of right-of-way will be available for future development as the Great Redwood Trail. Details on NCRA action to support this priority are below.

Revenue Generated for NCRA	Estimated Costs for NCRA	Schedule
\$0.00	\$132,000	2020 - 2021

- 5. Amend NCRA's legislative mandate to manage trails or transfer its holdings and management responsibility to a successor agency.** NCRA is a freight railroad management agency as described in its original legislative mandate outlined in Government Code Sections 93000 et. seq. If, and when, a separate trail management agency is designated by statute to manage and develop the Great Redwood Trail, NCRA will transfer its holdings with no revenue generated from the transfer. Alternatively, NCRA could assume the trail management responsibilities under a new legislative mandate yet to be defined.

Revenue Generated for NCRA	Estimated Costs to NCRA	Schedule
\$0.00	\$15,000	2020 - 2022

- 6. Develop the Great Redwood Trail in NCRA's railbanked corridor.** The intent of SB 1029 and NCRA's current Board of Directors is to develop the Great Redwood Trail within the NCRA rail corridor. The mile post limits of the project are not yet defined, and planning level cost estimates will be available with the release of the SB 1029 required assessment report.

Revenue Generated for NCRA	Estimated Costs for NCRA	Schedule
\$0.00	Unknown- Pending SB 1029 Report	2020 - 2025

STRATEGIC PLAN IMPLEMENTATION

What follows is a summary of NCRA actions to date that are intended to accomplish the goals and objectives set forth in SB 1029 (McGuire).

- NCRA has worked cooperatively with CalSTA, the Department of Natural Resources, the Department of Finance and other state agencies to effectuate the orderly dissolution of NCRA and the reallocation of the assets and liabilities accumulated since NCRA was created by the state in 1989. That process continues in preparation for a full report to the legislature prepared by CALSTA in consultation with SMART, NCRA, Department of Finance and other state agencies.
- The SMART and NCRA Boards both approved Action Items in May 2020 endorsing the concept of SMART assuming the Common Carrier and Freight service provider responsibility (directly or through contract) from the Mendocino-Sonoma County line (near Cloverdale) to the national freight interchange south of Napa (Brazos Junction). These SMART and NCRA Board actions lay the groundwork for execution of all of the agreements necessary to enable SMART to acquire the freight rights and equipment from NWP Co., making SMART the only public entity responsible for both commuter and freight service south of the Sonoma-Mendocino county line (near Cloverdale). This will eliminate redundancy and ensure efficient provision of goods movement in the corridor.
- NCRA has also retained experienced “railbanking” counsel with responsibility for the development of a railbanking plan for the north end of the line from Willits to Eureka/Arcata, including the 3 Branch lines in Humboldt County. The railbanking process will require several filings with the federal Surface Transportation Board (STB), including the development of an Environmental Report and Historical Report. Under the federal railbanking process, a line is preserved intact for possible future rail activation and may be used as a trail in the interim. Because it remains under STB jurisdiction for railbanking, state law easement- extinctions or base- fee reversions are preempted. NCRA is required to seek

abandonment authority from the STB to qualify for railbanking the north end of the line, which is the key filing to be submitted to the STB. Railbanking guarantees the preservation of the historic unbroken rail corridor from the national rail interchange south of Napa, west to US 101 near Novato, and then north along US 101, all the way to the Port of Humboldt Bay.

- NCRA has worked cooperatively on the shared objective of transferring freight operations on the south end of the line to SMART, and railbanking the north end of the line for creation of the Great Redwood Trail. NCRA will continue to work with the appropriate state agencies, SMART, and the local transportation authorities to implement the goals established through the enactment of SB 1029 (McGuire).

For more information please contact NCRA at:

419 Talmage Road, Suite M, Ukiah, CA 95482

Phone: (707) 463-3280

Fax: (707) 463-3282

<http://www.northcoastrailroad.org/>

Tyler asked if there is a possibility for SMART train to go on Highway 37. Mr. Mansourian responded that discussion on Agenda Item #7 will answer the question.

6. Consent
 - a. Approval of Monthly Financial Reports
 - b. Accept Monthly Ridership Report April 2020
 - c. Accept Clipper START Program Report

Chair Lucan asked for Board and public comments on the proposed Consent Agenda.

MOTION: Director Phillips moved approval of the Consent Agenda as presented. Director Rogers second. The motion carried 12-0.

7. Expansion of SMART Right-of-Way and Scope of Operations by Adding Freight Service Responsibility and Executing Related Agreement

General Manager Mansourian stated that it's a pleasure to bring this item for your Board's consideration. He displayed the vicinity map for illustration purposes. Mr. Bosco, owner of NWPCo and Mr. Liles (representing Senator McGuire) have joined our meeting to speak and answer any questions regarding the project.

Mr. Mansourian said the Freight and passenger rail service has existed in various forms through Marin and Sonoma counties since the late 1800's. In fact, mile post zero (MP 0) of the railroad is the Ferry Building in San Francisco. In addition to transporting people, it shipped lumber, eggs, wine and other goods.

In 1986, Congressman Bosco introduced and succeeded in passing House Resolution 2 which purchased Southern Pacific the right-of-way for \$24 million, with the vision of continue freight and passenger service. In 1989, the State of California created North Coast Railroad Authority (NCRA) to run freight. In 2006, NCRA selected Northwestern Pacific Company (NWPCo.) as their freight operator. Around the same time, the Golden Gate Bridge, Highway and Transportation District in conjunction with Marin and Sonoma Counties began purchasing southern portions of the railroad, with the vision to preserve the right-of-way. A transitional body called Sonoma-Marin Area Rail Transit Commission (SMART Commission) was made up of Marin and Sonoma County Supervisors, City representatives during the early phase. SMART Commission was staffed by Suzanne Wilford (now Smith) and Farhad Mansourian, the two Executive Directors of Sonoma and Marin Congestion Management Agencies.

In 2002, Assembly member Nation was able to approve Assembly Bill 2224 that created the Sonoma-Marin Area Rail Transit District (SMART) which will provide passenger and freight rail service. He gave a brief overview of the vicinity map.

In 2018, Senator McGuire introduced Senate Bill 1029 (SB 1029) and it was signed into law by Governor Brown on September 2018. The vision of the Bill was to create a single rail system over 300 miles from San Francisco Bay to Humboldt Bay. Senator McGuire and his staff worked closely with SMART staff on the Bill from the beginning. One big hurdle was what to do with NCRA and NWPCo. After months of negotiations, the Bill had the following priorities: 1) to preserve and protect 300 miles of a public transportation right-of-way ('the jewels'); 2) transition NCRA from rail to trails; 3) complete a financial study of NCRA; 4) the process of re-opening the North Coast transportation; and 5) SMART to acquire and take over freight contract from Northwestern Pacific Company to put back in public hands.

It's very important to note that Section 17 of SB 1029 states that the amount of \$4 million from the State of California will be used for the acquisition of freight rights, equipment and easements, from Northwestern Pacific Railroad Company. Senator McGuire was able to secure an additional \$2 million out of \$10 million needed for maintenance. The \$2 million expires at the end of June 2020 and must be incumbent in order not to lose the funds.

The State of California interest in this transaction is based upon the 2018 State Rail Plan and the connectivity between SMART's passenger service. SMART received a letter from Mr. Omishakin, Director of the California Department of Transportation. He read the following statements from the letter... The 2018 California State Rail Plan establishes the framework for investing in rail over the next 20 years and beyond. The Rail Plan identifies the SMART corridor as an important element of the State's interregional passenger rail system, providing reliable mobility along the congested highway 101 corridor. The State has invested over \$30 million through State Rail Assistance and the Transit and Intercity Rail Capital Program to fund significant improvements and expand the SMART system. He concludes saying that Caltrans is committed to partnering with SMART to pursue the expansion of the system as strategy for achieving the State's sustainability, mobility and equity goals. Therefore, they urged SMART to take the important step to accept the State's support for purchasing the freight rights. Also, the State funded an east-west passenger rail feasibility study and SMART is waiting to hear from the State on the next phase project.

Mr. Mansourian stated that Senator McGuire introduced Senate Bill 356 and was passed by the California Senate. This Bill lists the intent from NCRA, NWPCo and SMART. If your Board approves the concept of accepting freight service, SMART will assume maintenance responsibility for an additional 45 miles of right-of-way including bridges and crossings. As a freight operator, SMART will assume all "common carries" duties over the rail line. In addition, as a common carrier for freight, SMART must comply with the requirements and regulations of the Surface Transportation Board. One of the requirements is that SMART must continue to serve NWPCo current customers. A feasibility study to be approved by your Board will give us information on Business potential as well as options on how to provide freight service.

Lastly, if your Board approved the scope of service, there are nine action items that will take many months to work on. Again, Mr. Bosco and Mr. Liles are available to answer any

questions/comments.

Comments

Director Zane asked how much profit will be received to operate the freight? There are a lot of members of the community that are very excited. If SMART can get trucks off the highway and more product into freight is a good thing. She thanked Senator McGuire, Mr. Liles and Mr. Bosco. Mr. Mansourian defer the profit question to Mr. Bosco. Mr. Bosco responded that they receive \$2 million in revenue per year.

Director Fudge asked who owes the rail line east of Napa River. Mr. Mansourian responded Union Pacific Railroad.

Director Phillips voiced his concerns about not having enough financial analysis prior to this approval. He is not sure if this acquisition will yield enough revenue for SMART, which is needed. Also, he is not sure if SMART is equipped to fully take the responsibility of freight. He would like more financial information to review. He asked if there is additional financial information that can be reviewed now or prior to end of June. Mr. Mansourian responded that SMART does not have financial information, the State of California is purchasing the acquisition through SMART. The State of California Task Force have reviewed NCRA and NWPCo financial documents and are satisfied with the results. Once, SMART receives any additional financial correspondence he will provide it to the Board.

Director Rogers he asked if AB 2224 or SB 1029 gives SMART has the authority to own and operate freight service. District Counsel Tom Lyons responded that it is stated in SB 1029, which adds the option to operate freight and the decision-making today is for the Board to decide if SMART should become a freight operator. Director Rogers asked if Measure Q funds will be used to operate freight from Larkspur to Cloverdale. Mr. Lyons responded that the State is purchasing the acquisition and SMART is acting a pass through. Director Rogers asked to clarify for the public that Measure Q has a mandate that funds are used for passenger rail service. Mr. Mansourian responded that Measure Q and other sources of funds have been used to maintain the rail line between Ignacio Wye and Brazos Branch (Napa River) which is SMART property. Director Rogers asked is SMART had a staffing cost if the Board was to approve; also, can another entity run freight? Mr. Mansourian responded that the estimated \$10 million maintenance cost that we asked for includes staffing, maintenance, and capital needs. It will be the Board's decision if other entities can run freight.

Director Naujokas stated that the State strongly believes in the contributions that SMART can solve regional transportation problems and is willing to give the gift of the right-of-way and freight service. He asked what is the process of backing out if at any time during the freight service SMART is not receiving revenue or profit. Mr. Mansourian responded that Surface Transportation Board (STB) requires SMART to continue to service any reasonable customer and currently, NWPCo serves four customers that will require service by rail or other alternative transportation. Mr. Bosco confirmed Mr. Mansourian's response. They have endured two CEQA lawsuits and they have been dismissed. SMART can be much more

profitable than NCRA has been. Director Naujokas said that some of SMART's Engineers-Conductors have been freight operators and now have the ability to recruit and cross train into passenger service. He asked for clarification regarding Positive Train Control (PTC). Mr. Mansourian responded that any locomotive traveling on SMART's right-of-way must be equipped with PTC, NWPCo has met the requirements to operate.

Director Zane left the meeting at 2:26pm

Chair Lucan asked to clarify the reasonable request determination and confirm the cost to provide the service is a key factor. Mr. Mansourian responded with an example: Lagunitas Company approached SMART and spur was added for them to receive their shipment via freight, the cost of the spur was paid by NWPCo.

Director Rogers asked how many existing spurs. Mr. Mansourian responded that they are three spurs.

Public Comment

Walter Allen stated that Acumen fully supports of the expansion of SMART's right-of-way and scope of operations by adding Freight Service responsibility. This is an incredible opportunity for the region. He thanked the General Manager Mansourian and staff for putting the proposal together.

David Schonbrunn stated that Train Riders Association of California are advocates for passenger rail. As environmentalist they would like to see the maximum use of freight rail and few trucks. He submitted his written comments addressing their concerns of how SMART has placed numerous obstacles to a successful freight service (on file with Clerk). He concluded "rubberstamp your staff on your own payroll".

Doug Kerr addressed his concerns regarding freight. SMART has not completed the original mission to provide passenger service from Larkspur to Cloverdale. Taking freight service when the original project is not complete sends a message to the public of SMART going to Cloverdale.

Mike Pechner stated that a feasibility study should have been conducted and provided prior to the meeting for the Board to make a decision. He voiced concerns that SMART has not replaced any of the switches that were removed during construction from Larkspur to Airport Boulevard. Given the finances of SMART it is a bad time to acquire freight.

Allan Hemphill stated that there is "an elephant in the room" and no recognition of the existing agreements which calls and obligate service to Willits. Service is not provided due to not being able to repair the railroad due to lack of funds, NCRA has received a request from Mendocino Railways along with Mendocino Lumber and is pending response.

Bernard Meyers stated that he submitted his written comments and urged the Board to have



North Coast Railroad Authority

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www.northcoastrailroad.org

**NORTH COAST RAILROAD AUTHORITY (NCRA)
Special Board of Directors Meeting**

FINAL MINUTES

Tuesday, May 26, 2020 at 10:30 a.m.

Teleconference Only

Zoom videoconferencing link provided to Board members. Audio call-in option listed below.

Audio Call-in Option: 1 (408)638-0968 (in CA)

Meeting ID: 879 2234 2893

Password: 424260

NOTICE: During the declared local, state and national emergency, all meetings of the North Coast Railroad Authority will be conducted by teleconference (audio and/or video) and not available for in-person public participation, pursuant to the Governor's Executive Order N-29-20. To minimize the risk of exposure to COVID-19, the public may participate in lieu of personal attendance. Since opportunities during the meeting are limited, we encourage submitting comments in advance.

- In advance of the meeting: email comments to ncra.hiedy@sbcglobal.net to be read aloud into the public record.
- During the meeting: make oral comments on the conference call by phone when public comment is invited by the Chair. If you choose this option for public comment, please complete a public comment card, available at northcoastrailroad.org, and submit to ncra.hiedy@sbcglobal.net to be considered for public comment.
- DISABLED ACCOMMODATION: If you have a disability which requires an accommodation or an alternative format to assist you in observing and commenting on this meeting, please contact the Clerk of the Board at (707) 463-3280 or by email ncra.hiedy@sbcglobal.net prior to the meeting to ensure arrangements for accommodation.

Thanks to all for your interest and cooperation.

A. CALL TO ORDER

Chair Hagele called to meeting to order at 10:30am.

B. ROLL CALL

Directors Present: Marks, Haschak, Hart, Campbell, Connolly, Chair Hagele

Directors Absent: Gore, Madrone (joined at 10:33am), and McCowen (joined at 10:32am)

Other Present: Executive Director – Mitch Stogner, Legal Counsel – Elizabeth Coleman, and Recording Secretary – Hiedy Torres

C. AGENDA APPROVAL

Upon Motion by Director Marks, seconded by Director Hart the Agenda was Approved as presented.

Motion Carried:

AYES: 6 - Marks, Haschak, Hart, Campbell, Connolly, Chair Hagele

NOES: 0

ABSENT: 3- McCowen, Madrone, and Gore

D. PUBLIC COMMENT

No Public Comment

Director McCowen joined the meeting at 10:32am

Director Madrone joined the meeting at 10:33am

E. CONDUCT OF BUSINESS

1. Discussion and Possible Action Regarding Partial SMART Buyout of 2006 Freight Contract between NCRA and NWP Co. Including SMART Assumption of Exclusive Freight Easement from Sonoma/Mendocino County Line (MP 89) to Napa Junction and Executing Related Agreements

Upon Motion by Director Marks, seconded by Director Hart the Board Approved the NCRA Staff Recommendation as written in the memorandum for Agenda Item E.1.

Motion Carried:

AYES: 8 - Marks, Haschak, Hart, Campbell, Connolly, McCowen, Madrone, and Chair Hagele

NOES: 0

ABSENT: 1 -Gore

Public Comment:

Leishara Ward, SB 1029 Project Manager , CalSTA – Ms. Ward said that the State Transportation Agency is in favor of the staff recommendations and encouraged the Board to approve this proposal.

2. Discussion and Possible Action Regarding NCRA Executive Director Contract Renewal

Upon Motion by Director Marks, seconded by Director McCowen the Board Approved Executive Director Employment Contract Renewal.

Motion Carried:

AYES: 8 - Marks, Haschak, Hart, Campbell, Connolly, McCowen, Madrone, and Chair Hagele

NOES: 0

ABSENT: 1 -Gore

Public Comment:

Leishara Ward, CalSTA- Ms. Ward said that she supports this motion and Mitch's knowledge is extremely valuable to the SB 1029 Task Force. She also said that the state would like to see him carry through to the next step in this process.

F. ANNOUNCEMENT OF NEXT MEETING

Regular Board of Directors Meeting
Teleconference
Monday, June 8, 2020 - 10:30 am

G. ADJOURNMENT

Chair Hagele adjourned the meeting at 11:15 am

staff respond to the memo (on file with Clerk). He voiced his concern regarding SMART paying \$4 million to NWPCo. Also, how much profit did NWPCo received from LPG during the period of 2012-2019.

Aleta Dupre stated this is important and is the beginning of a process. Freight and passenger railroad have co-existed in some way for a century. This is a very worthy item and the beginning and supports approval of this item.

Steve Birdleough stated that freight service needs to be maintained as far north to Willits. He is disturbed by the perception of the Assembly Transportation Committee staff that once the acquisition is completed that freight service would be abandoned. Freight service needs to maintain long term contracts with users. He supports moving forward with this project.

Mike Arnold applauded Director Phillips comments and said he is not against freight service. He is concerned that the Board does not perform due diligence on a very complicated transaction. For example, the General Manager mentioned a \$10 million study and where is the study? He asked the Board to consider the meaning of being an owner of a business if the sales tax does not pass. He urged the Board to review the entire acquisition prior to approving.

Richard Brand voiced his concerns regarding the lack of reports provided. He suggested that the item be tabled and review all the data prior to approval.

Tyler asked what makes SMART a qualifying agency when it can barely provide passenger service? He said that by SMART pulling spurs freight lost business.

Duane Bellinger stated that there were a lot of questions raised. He has been a supporter of rail and pedestrian oriented communities. He asked who would take over the operation if SMART goes bankrupt. He also asked if SMART can receive an extension until additional information is received and reviewed.

Mr. Mansourian said that Mr. Liles and Mr. Bosco are available to respond to the questions and comments.

Mr. Liles apologized for Senator McGuire not being able to join the meeting, he is currently at the Capitol, staff less dealing with the budget. He confirmed that the deadline for \$2 million allocated to this acquisition cannot be extended. Freight service has been provided on SMART's right-of way for many years. This item has nothing to do with Freight service beyond Cloverdale.

Mr. Bosco stated that his business partner John Williams passed away last year and Mr. Williams's wife Linda is his current business partner. They have never placed the railroad for sale and they have been operating and been profitable. SB 1029 was not their idea; however, it makes perfect sense what SMART is considering. As for the public saying that SMART is

putting them out of business, there have been many times that General Manager Mansourian and himself have not agreed on many issues, but overall, they have operated the freight service over 10 years with SMART's cooperation and they also perform dispatching and signal work services.

Chair Lucan asked the Board if they would prefer to take one action at a time or the entire recommendation at once.

Director Arnold responded that the Board shall approve the entire item as a whole.

Director Fudge asked if there is an opportunity to extend freight service to Ukiah in the future. Is the Great Redwood Trail mostly along the Eel River corridor; will the trail start in Cloverdale or could start in Ukiah? Mr. Liles responded that priority for the State and NCRA has been to preserve the transportation corridor. Under STB regulations this will always be a railroad corridor and top priority.

Director Naujokas asked why do we only have until end of June. Mr. Liles responded that Senator McGuire has been very successful in securing funding for this process and the Great Redwood Trail. They received \$3 million to conduct studies, received \$10.8 million last year to pay NCRA debt, and \$2 million to SMART for the transfer of freight operation. SB 1029 was supported and passed unanimously. It has been a high priority at the State level to clean up the problems that have existed on the rail corridor for generations. He added, the \$2 million was appropriated for Fiscal Year 2019-20, two years from when it was signed by the Governor in 2018.

Director Phillips stated that it's very incomprehensible that the Board is facing to make a decision during difficult times with many unknowns. If Senator McGuire has put a lot of time and it's a significant project why can't it be extended. Now the Board has to make a decision and quite frankly "if the right decision is not made, we are going to look like fools". He does not understand why recommendation #7 will be conducted afterwards. He is not prepared to vote in favor today.

Director Connolly asked how was the \$4 million cost determined. In fact, the \$4 million is a State allocation based on State appropriations and approved by numerous state agencies including the State Department of Finance (DOF). As a former member of the Attorney of General Office who worked extensively with DOF, they do not apart any funds without conducting a full due diligence process. He asked what due diligence performed? Mr. Liles responded that the Department of Finance assisted with the acquisition funds and set up a process.

Director Arnold stated that this "watershed" moment. She thanked Senator McGuire for stepping in at the right time. The environmentalist at the Marin – Sonoma border will have a trail that they have always wanted. Businesses are going to have the opportunity to provide goods by freight service. She thanked Mr. Bosco for all his work.

Director Rabbitt stated that SMART is receiving funds from the State to provide freight service. He thanked Senator McGuire for working through a very complicated and complex transaction. Freight service is very important in Sonoma County and he heard from two current customers yesterday pertaining to this item. General Manager Mansourian was very supportive on how to serve the existing customers when problems arise. There is a future for freight in Sonoma and Marin County, simplifying ownership will make it easier to move forward. He looks forward to the economic and financial analysis and business plan.

Director Phillips appreciates Director Rabbitt's comments. He is concerned making a decision without the reports. He asked if analysis have been conducted, why are the reports not available prior to making a decision.

Director Connolly stated that he appreciates all the discussion, as tempting as it is to focus exclusively on a snapshot in time with the assumptions of the challenges that exist today, will always be with us. This is a generational opportunity to continue building a regional transportation system and this is the opportunity to purchase the right-of-way. He read statement from a letter by Mr. Omishakin, Director of Department of Transportation, dated May 18, 2020. The statement said that the Rail Plan identifies the SMART corridor as an important element of the State interregional passenger rail system, providing reliable mobility along the congested highway 101 corridor as well as key transit connections to rural communities in the north State. The letter continues; the SMART owned east-west corridor provides an opportunity to further expand interregional connections and improve reliability and resiliency along the highway 37 corridor and is a priority in the State rail vision. These are the bases for which the State is providing \$4 million for this acquisition. The scope of freight operating service will need to be determined; however, we have heard of many opportunities for SMART. He is ready to move forward to support the acquisition and General Manager Mansourian listed the recommendations on the staff report.

Director Garbarino stated that this is an opportunity not only for SMART but for the environment. She has trust Senator McGuire and SMART staff in all the preliminary analysis they provided to the Board. SMART is not spending any money on this transaction and it's a generational opportunity.

Director Fudge concurred with Director Arnold that this is a "watershed" moment. This bring painful memories when SMART was negotiating an Operating Agreement with NCRA, and NWPCo. We will now be able to operate freight service seamlessly. There will be an increase in safety with one entity operating plus most of the Engineer-Conductor came from freight operations. She has no doubt that freight service will be profitable and she will be meeting with potential customers. She stated that SMART's staff and the Board have never said they will seek abandonment of the freight line service. She added that the approval today is not just on a 2-hour discussion a lot of work has been performed. The State conducted due diligence to provide the funds for this acquisition. This is a watershed moment; a great opportunity and she is happy to vote today.

Director Zane rejoined the meeting at 3:43PM

Director Naujokas thanked everyone for their comments and said he had four key issues: 1) values – this initiative gives SMART the opportunity to reduce greenhouse gas in the community; 2) business – there is clear revenue implications and efficiency of operations, we have resources; 3) faith – the Department of Finance, Department of Transportation, SMART's staff, Mr. Liles and Senator McGuire and the professionalism of elected officials; and 4) risk – yes of course there is always risk and the Board will continue to monitor the operations of SMART.

Director Rogers stated he has three questions: 1) is this a good thing from an operational stand point for SMART – the most compelling aspect is the inability of SMART to prevent a different freight operator to take over; 2) is it good from an economic standpoint – there are various questions and documents that have not been shared, however the Department of Finance has performed due diligence and believes this is a good deal; and 3) timing – he would prefer to review all the document prior to making a decision but given that SMART is receiving funds from the State, this is an opportunity for SMART to provide freight service for the community.

Director Zane said she is glad that Director Fudge spoke about the history of freight. We have come so far in acknowledging freight service is important. In California, freight is not as busy as other states like North Carolina and South Carolina where freight is very active. We have the opportunity to bring revenue and this is a good business investment. There are businesses in the County that will invest in freight. Post pandemic everything is going to change. She thanked everyone who worked on this project especially Senator McGuire, Mr. Liles, Mr. Bosco, Director Fudge, and General Manager Mansourian for all their hard work.

Director Hillmer he expressed his appreciation with all the comments made today. SMART being a unique agency can provide a great value.

Chair Lucan thanked SMART's staff, Mr. Liles, Senator McGuire and Mr. Bosco. There was a lot of conversations about due diligence, purchase, and acquisition, the details are extremely important but moving forward in vision and long- term thinking is also important. In addition to the assets, equipment and right-of-way that SMART is receiving along with \$2 million for infrastructure improvements and additional \$8 million and SMART is not providing any funds for this transaction. He asked himself, what is the best available structure or governance to ensure that freight service continues and that the public has oversight and transparency to freight operations; and the answer is SMART. He is very excited to be supporting this transaction today.

MOTION: Director Arnold moved to approve the Expansion of SMART Right-of-Way and Scope of Operations by Adding Freight Service Responsibility and Executing Related Agreement as presented. Vice Chair Pahre second. The motion carried 11-0-1 (Director Phillips abstain)

Senate Bill No. 1029

CHAPTER 934

An act to amend Sections 93000, 93010, 93020, and 93021 of, to add and repeal Section 13978.9 of, to repeal Sections 93001, 93002, 93023, and 93024 of, and to repeal and add Sections 93003 and 93022 of, the Government Code, and to amend Section 105095 of the Public Utilities Code, relating to transportation, and making an appropriation therefor.

[Approved by Governor September 29, 2018. Filed with
Secretary of State September 29, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1029, McGuire. North Coast Railroad Authority.

(1) Existing law creates the North Coast Railroad Authority with various powers and duties relating to rail service in the north coast area of the state, including the authorization to acquire, own, operate, and lease real and personal property reasonably related to the operation and maintenance of railroads.

This bill would require the Transportation Agency, in consultation with the Natural Resources Agency, upon the appropriation of moneys by the Legislature for these purposes, to conduct an assessment of the North Coast Railroad Authority to provide information necessary to determine the most appropriate way to dissolve the authority and dispense with its assets and liabilities, and to report on the assessment to the Legislature before July 1, 2020. The bill would authorize those agencies to request the Department of General Services, the Department of Finance, or any department within their agencies, or contract with other entities, to perform the work the agencies deem necessary to carry out the assessment. The bill would require the Transportation Agency to prioritize the assessment of the southern portion of the rail corridor, and would authorize the Transportation Agency to separately report information related to the potential transfer of the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District.

This bill would repeal and revise various provisions relating to the authority. The bill would authorize the authority to acquire, own, operate, and lease real and personal property reasonably related to, instead, the furtherance of certain purposes, the planned transfer of all of its assets, and its dissolution. The bill would require the authority to cooperate with the assessment conducted by the Transportation Agency and Natural Resources Agency, and to provide access to all authority records, files documents, accounts, reports, correspondence, and financial affairs to the agencies, and any entity conducting the assessment for the agencies.

documents, accounts, reports, correspondence, and financial affairs to the agencies, and any entity conducting the assessment for the agencies, pursuant to Section 13978.9.

SEC. 13. Section 93023 of the Government Code is repealed.

SEC. 14. Section 93024 of the Government Code is repealed.

SEC. 15. Section 105095 of the Public Utilities Code is amended to read:

105095. The district may provide a rail transit system for the transportation of passengers and their incidental baggage by rail and provision of freight service by rail.

SEC. 16. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 17. The sum of four million dollars (\$4,000,000) is hereby appropriated to the State Transportation Agency from the Public Transportation Account for rail improvements on the corridor owned by the Sonoma-Marín Area Rail Transit District and the North Coast Railroad Authority. These moneys shall be allocated to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company to ensure efficient provision of goods movement requirements in the corridor in the context of growing passenger service. Following a signed baseline agreement between the State Transportation Agency and the Sonoma-Marín Area Rail Transit District that articulates deliverables, the anticipated expenditure schedule, and reporting requirements, the Secretary of Transportation may transfer these moneys to the Sonoma-Marín Area Rail Transit District pursuant to the provisions of the baseline agreement. These moneys shall not be transferred to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company unless the terms and conditions of the baseline agreement have been approved by both the Secretary of Transportation and the Director of Finance. If these moneys are not transferred to the Sonoma-Marín Area Rail Transit District within two years of the chaptering of this act, these moneys shall be returned to the Public Transportation Account.