

# VCTC AGREEMENTS FOR THE SANTA PAULA BRANCH

May 9, 2013

Presented by Egan Consulting Group

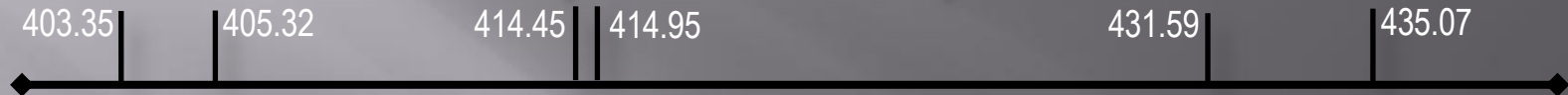
# The Task

- ▣ To advise VCTC about general rail industry agreements and practices
- ▣ To review VCTC agreements
- ▣ To provide advice and direction

# General Observations

- ▣ An “impressive” body of work
- ▣ Extremely complicated
- ▣ Cries out for simplification

# RESPONSIBILITY FOR SANTA PAULA BRANCH (BY MILEPOST)



## OWNERSHIP

Ventura County Transportation Commission (VCTC)

## PROPERTY MANAGEMENT

VCTC

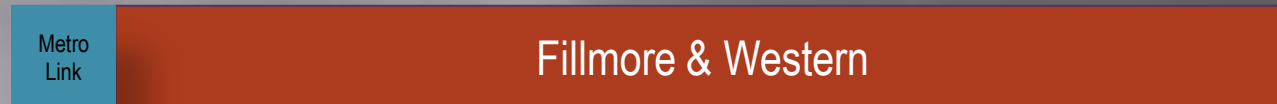
## IN SERVICE TRACK

VCTC

# RESPONSIBILITY FOR SANTA PAULA BRANCH (BY MILEPOST)



## MAINTENANCE



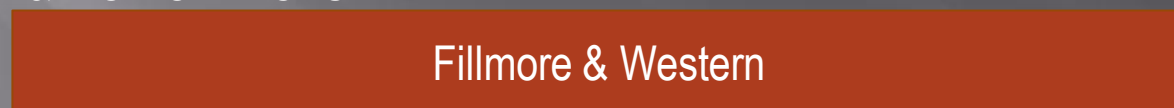
## COMMON CARRIAGE



## PUBLIC/TOURIST/EXCURSION



## STILL & MOTION PICTURE



## MAIL & EXPRESS



# Comparisons

- ▣ Term
  - Range from 5-35 year terms
    - ▣ 10 years is preferred minimum
- ▣ Lease Amount
  - Range from \$1-\$100,000+ per year
    - ▣ Generally a function of business and potential
    - ▣ Ongoing concerns with significant volumes fetch higher lease payments

# Franchise: A Quid Pro Quo

- ▣ VCTC has an asset and needs an operator or property manager
- ▣ FWRR has an on-going concern and needs a rail line
- ▣ The agreements should be designed to meet the needs of both parties.
- ▣ Reciprocity is the coin of the realm.

# To Find Financial Balance

- ▣ Increase revenues
- ▣ Reduce costs



# Specific Areas for Discussion

- ▣ Maintenance
- ▣ Property Management
- ▣ Rail Freight Business
- ▣ Common Carriage Obligation

# Maintenance and Cost Allocation

- ▣ Generally, normalized maintenance is part of the short line's responsibility
- ▣ Capital work is generally handled as Owner's responsibility
- ▣ Other corridor maintenance (graffiti removal, trash removal, brush, etc.) is open to negotiation
- ▣ Parties normally work closely together to identify and seek grants

# 45G

- ▣ Federal Tax Credit for Short Line Railroads
- ▣ Credit is based on track maintained
- ▣ Like an energy credit on ones home taxes
- ▣ \$3500 of Tax Credit for each mile maintained

# Property Management

- ▣ Need to manage leases, occupancies and encroachers
- ▣ Generally this area is an opportunity for increased revenues
- ▣ There are companies that provide these services to the rail industry
- ▣ Terms vary, but these companies generally charge a small fixed fee and a percentage of the 'found' revenue.

# Freight Operations

- ▣ Another obvious way to increase revenues on the line is to develop freight customers
- ▣ Would require
  - Commercial Agreement (“Handling Line Agreement”) between FWRR and UP
  - Construction of appropriate Interchange tracks and establishment of operating protocols
  - Addressing Common Carrier Issues
  - Site development (generally provided by the customer)

# Rail Freight Business

- ▣ Rule of thumb- you need 100 carloads per mile to have a profitable freight short line
  - Freight and passenger is a more complex formula
- ▣ Rail freight development projects have a long gestation period, and many moving parts
- ▣ Successful freight development will require local government support

# Common Carriage

- ▣ Currently both UP and FWRR have common carriage on portions of this line
- ▣ Need to “clean this up”
- ▣ This ties back to various agreements
- ▣ VCTC, as the property owner, is intrinsically tied into this discussion
- ▣ There are options as to how to address this issue

# Common Carriage

- ▣ STB provides Authority
- ▣ Authority is conditioned on Right
- ▣ Right is provided by Agreement with Property Owner
- ▣ Resolving the Common Carriage issue requires re-opening several current agreements;
  - 10/31/95      Useage Agreement (as amended)
  - 6/25/01      Lease for Railroad Service
  - May involve others



# Conclusions

- ▣ Most complex set of agreements I've seen
- ▣ It doesn't have to be this complex
- ▣ Need to clarify and simplify roles
- ▣ The financial picture seems up-side down
- ▣ Need to identify more revenue for line

THANK YOU