

NCRA Strategic Plan Update

February 15, 2007

This document serves as the first refinement (update) of the NCRA Strategic Plan dated September 15, 2006.

I. Northwestern Pacific Railroad Reopening

NCRA has adopted a policy of reopening the entire Northwestern Pacific Railroad Line from Lombard to Arcata/Samoa. Reopening the entire line is currently estimated to cost between \$151 million and \$500 million depending on the volume of traffic and the level and timing of repair.

The first phase of construction has been identified as the Russian River Division Phase 1 from Lombard to Windsor based on the market demand for rail service, the existing condition of the line, the ability to team with SMART, and the ability to work within NCRA's right-of-way to restore a prior-existing service.

Future construction phasing will be based on several factors including market demand for rail, environmental clearance, and availability of funding. However, the current plan, once the Russian River Division Phase 1 is completed, is to move forward with the Russian River Division Phase 2, then the Canyon, and finally the North-End. Exhibit A provides a map of the NWP line, and Exhibit B includes an estimated schedule for completing rehabilitation.

The following table shows the funding sources anticipated for the project:

Source	Type	Description
TCRP 32.9	State	\$31 million was programmed 11-9-06 for the Russian River Division (RRD) Lombard to Windsor PA&ED, PS&E and construction, and for the Canyon EIR/EIS. The CTC allocated the RRD PA&ED and PS&E and all of the Canyon EIR funds at that same meeting. A request was submitted for \$1.53 million in construction funds for the March 15th CTC meeting, and the balance of construction funds is planned to be requested by Fall 2007 and spent by Spring 2008.
TCRP 32.3	State	\$0.6 million was programmed and allocated 11-9-06 for work associated with the Canyon EIR/EIS. The activity is underway.
TCRP 32.4	State	\$4.9 million was programmed 4-27-06 for urgent repairs, and the PA&ED and PS&E were allocated at the same meeting. The first construction package was allocated and awarded in October 2006, and is expected to be complete in March 2007. The second construction package is nearing completion, and allocation is being requested at the 3-15-07 CTC meeting. The third construction package is expected to be complete in June, with an allocation request in May or June 2007.
TCRP 32.7	State	\$1.8 million intended as matching funds to the Demonstration Funds (below).
Measure M	Local	\$3.0 million (less issuance/financing costs) is anticipated to be used at the signals specifically called out in Sonoma County Transportation Authority Measure M text.
Demonstration Funds/ISTEA	Federal	\$8.6 million designated for NCRA repairs, currently not committed.
FEMA 1203-DR-CA	Federal	Funds from the FEMA Alternate Project were used to purchase signal equipment to be used in the Russian River Division construction.
Operator	Private	The Operator has committed to contributing \$100,000 toward the Canyon EIR/EIS, and plans to pursue other financing alternatives as appropriate.
Other - Future	Misc.	Future sources include Railroad Rehabilitation and Improvement Funding through the FRA, Proposition 1B Trade Corridor Mobility Funds, and future grant opportunities for Goods Movement projects.

II. Russian River Division Phase 1 (Lombard to Windsor)

NCRA proposes to use TCRP funds to open Phase 1 of the Russian River Division, Lombard to Windsor, to class 3. This would allow NCRA's operator the ability to serve several shippers that have expressed interest in using rail and provide Sonoma County with an economical out-haul alternative for their waste.

The items listed below summarize the major work elements required for the Lombard to Windsor Project. These items are further described in the 2005 Capital Assessment Report and rehabilitation plans.

- Replacement or repair of railroad grade crossing warning systems between Mileposts 1 and 62.9. This work is specifically required to address FRA's Emergency Order 21.
- Repair of timber bridges, steel bridges, and concrete bridges. All of these repairs consist of replacement of in-kind members like the replacement of cap beams, stringers, and walkway and railing planks.
- Rehabilitation of three movable bridges including structural, mechanical, and electrical repairs.
- Replacement of approximately 50,000 ties to upgrade the line to Class 3.
- Placement of approximately 62,000 tons of ballast.
- Repair and surfacing of 62 miles of track.

All of the proposed work can be characterized as repair or replacement and will be completed within the railroad's right-of-way. In the case of the signal work, several of the signals will be upgraded to meet both freight and future SMART passenger service. Part of the cost associated with the signal upgrades would be offset by SCTA Measure M funds. The improvements to the Lombard to Windsor phase are estimated to cost approximately \$25 million.

It is currently proposed that the Russian River Division Lombard to Windsor Reopening be completed through the letting of separate construction contracts to complete signal crossings, bridge structures and trackwork. The intent is to complete signal work and structural repairs to provide for the safe use of track equipment and work trains to complete subsequent track and bridge repairs.

With respect to environmental clearance for repairs on the Russian River Division Lombard to Willits, NCRA will be issuing a categorical exemption under CEQA for this in-kind repair work which will all take place within the existing right-of-way. In addition, NCRA will begin an EIR under CEQA to review the impacts of freight operations on this section of the line. In addition, it is anticipated that the following agencies will be contacted for permits:

- Bay Conservation and Development Commission (BCDC)
- US Army Corp of Engineers
- California Department of Fish and Game
- Regional Water Quality Control Board
- Local Cities and Counties

The Russian River Division Phase 1 plans have been reviewed with NWP Co. who has provided recommendations for: the reopening sequence, the phase termini, the rehabilitation scope, and rehabilitation costs.

III. Canyon EIR/EIS

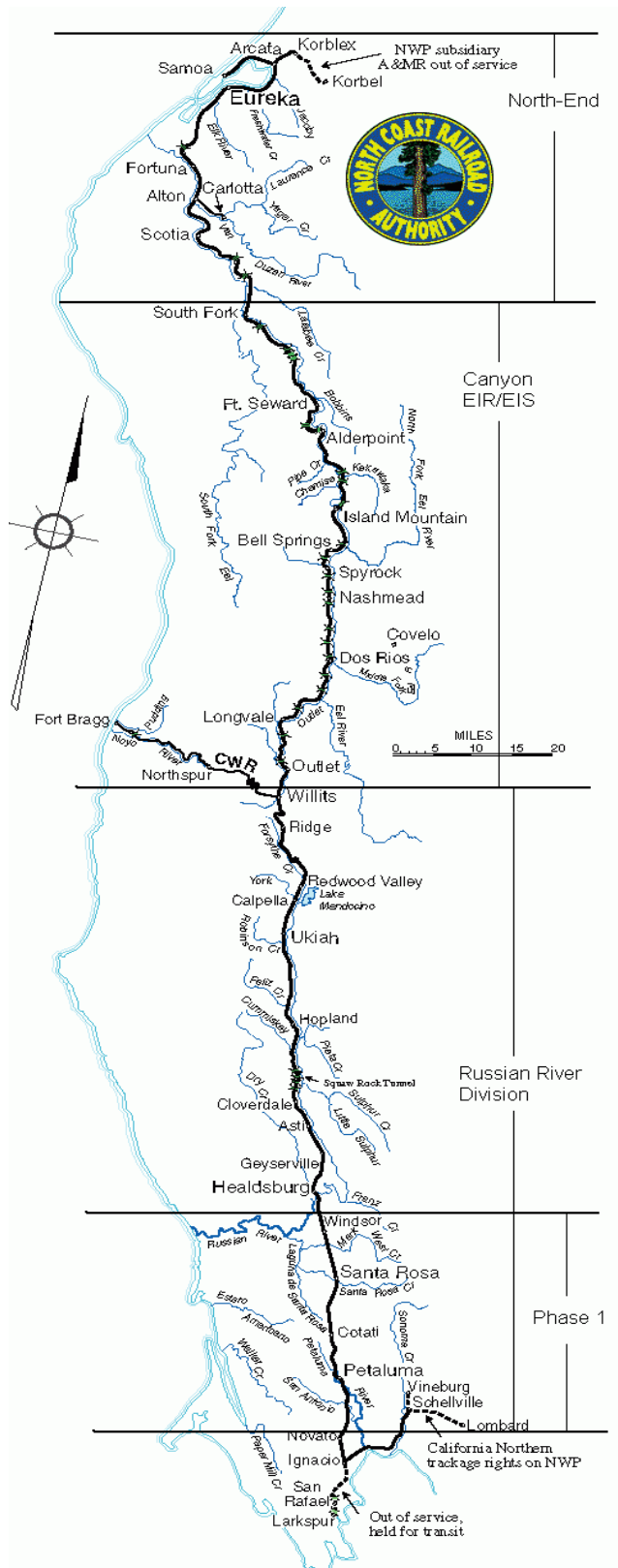
The processing of the EIR/EIS document and associated preliminary engineering is the critical path to reopening NCRA's rail line from Willits north. Due primarily to the nature of the project, the complexities of the processes, and the extent of public disagreements as to the physical effects of the proposed project, NCRA, as lead agency, proposes to prepare and process a combined document (CEQA/NEPA) that involves facility upgrades, landslide stabilization and reopening of the line from Willits to South Fork. In order to prepare an EIR/EIS, several items must be defined: project scope, design features, and costs including mitigation. Therefore, NCRA proposes to begin this work immediately to allow ample time to address issues, yet be consistent with its obligation to rehabilitate the line in a timely manner for its Operator.

IV. Operator Lease Status

The NCRA Board approved the Lease Agreement with its new operator, NWP Company, at its September 13, 2006 Board meeting contingent on obtaining necessary consents from Sonoma Marin Rail Transit (SMART) together with other relevant actions, NCRA and NWP executing an equipment lease for equipment being transferred to NWP, NCRA compliance with CEQA, and obtaining necessary approvals or making appropriate notifications concerning the Private Activity Tax Rules related to property acquired with Proposition 116 Bond funds.

NWP Co. supports the NCRA's decision to reopen the Phase 1 of the Russian River Division, and believes a modest profit will result with or without the Sonoma County waste haul. Both NWP Co. and NCRA agree that the \$25 million plan will provide a fully operational and dependable freight railroad to Windsor, and that this initial reopening will be a stepping stone to successfully and profitably reopening the full Russian River Division and the entire line once the cumulative affects are investigated and the Canyon is environmentally cleared.

EXHIBIT A



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EXHIBIT B PROJECT SCHEDULE

