

Agenda Item 8: Planning for the Future - Freight

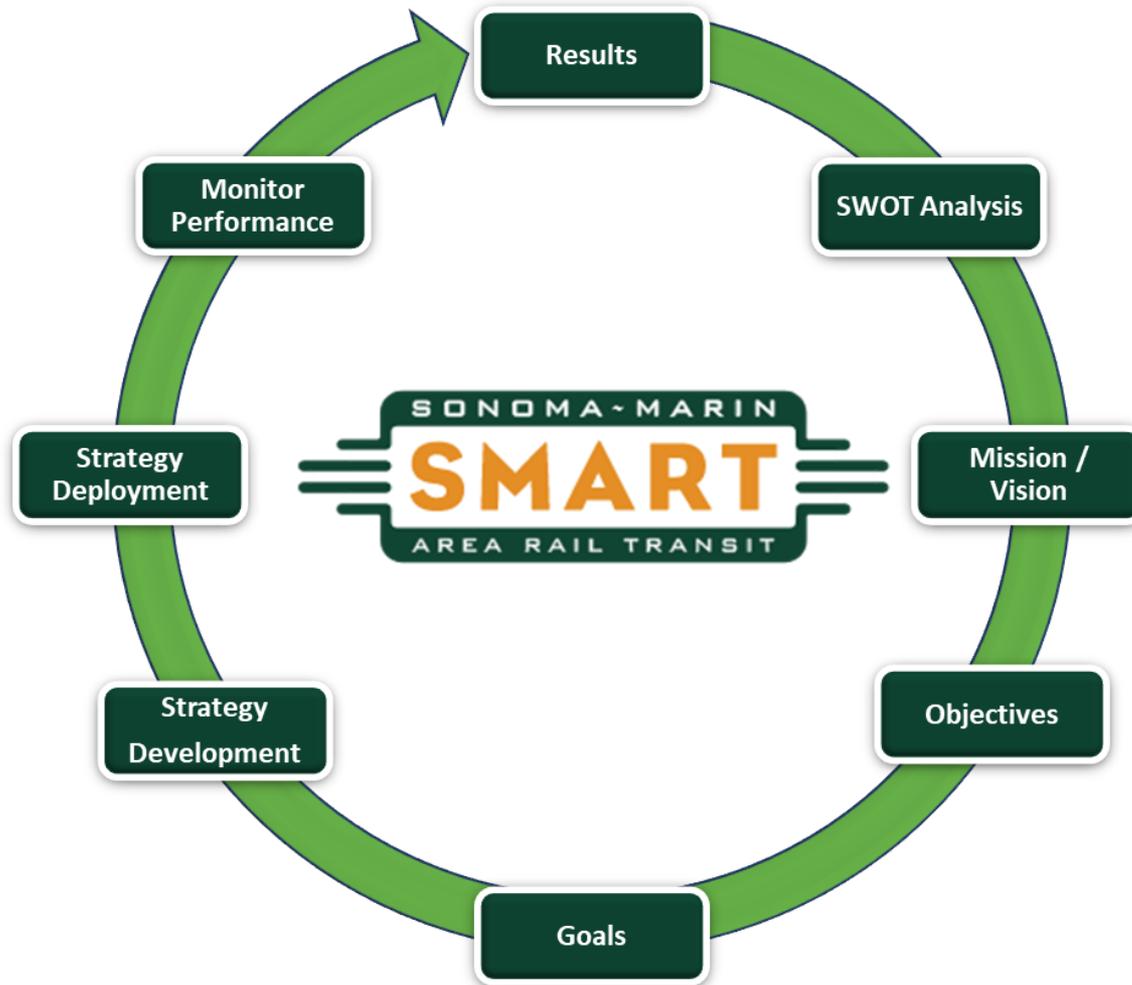


March 15, 2023

Overview

- Planning Model/SMART House
- Listening Session Themes
- Freight Service Operation
- Challenges
- Accomplishments
- Financials
- Potential Goals/Strategies
- Discussion

Planning for the Future



SMART House

Vision:

Smarter Transportation for a Smarter Future

SMART envisions an innovative transportation system that provides integrated mobility solutions, promotes sustainable growth, and enhances quality of life.

Mission: We Connect Communities

SMART provides safe, reliable, and environmentally responsible transportation options.

Ridership

Pathways

Extensions

Freight

Values: * Safety * Integrity * Stewardship * Continuous Improvement



Listening Sessions

Completed

- **Ridership (April 6th)**
 - 45 participants (excluding SMART Staff)
 - 553 survey responses
 - 35 emails
- **Pathways (April 13th)**
 - 60 participants (excluding SMART Staff)
 - 183 survey responses
 - 11 emails
- **Extensions (April 20th)**
 - 54 participants (excluding SMART Staff)
 - 203 surveys
 - 13 emails
- **Freight (April 27th)**
 - 34 participants (excluding SMART Staff)
 - 65 survey responses
 - 1 email

Listening Sessions – Top 5 Themes

- Build new sidings to industrial sites focusing on lumber, beer, wine, cement, and aggregates.
 - Make costs of freight spurs affordable, the process for creating spurs reasonable and hassle free.
- Expand SMART's freight service territory in the following ways:
 - Restore freight service to Cloverdale and Willits
 - Leverage the region's large shipping hubs located in Oakland and San Francisco
 - Partner with the Port of Richmond to offer an alternative to freeway and Oakland
 - Offer intermodal service to one or more freight spurs in the North Bay

Listening Sessions – Top 5 Themes

- Market the advantages of shipping by rail
 - Reduce greenhouse gas emissions
 - Reduce semi-truck impacts to highways
 - Utilize digital and print media, comprehensive social media, publicity and direct mail campaign(s) including video to communicate the environmental benefits of shipping freight by rail
 - Use graphics to show benefits:
 - Fuel efficiency of freight rail over trucking
 - Greenhouse gas reductions by rail over road
 - Congestion relief when freight travels over the railroad vs. highway
- Create (public/private) partnerships with business, including partnerships with local large bulk producers like wineries and farmers to help ship goods faster.
 - These partnerships would show the need for freight is viable and thus would develop more freight rail connections and business.
- Upgrade the existing line to Cloverdale and Willits

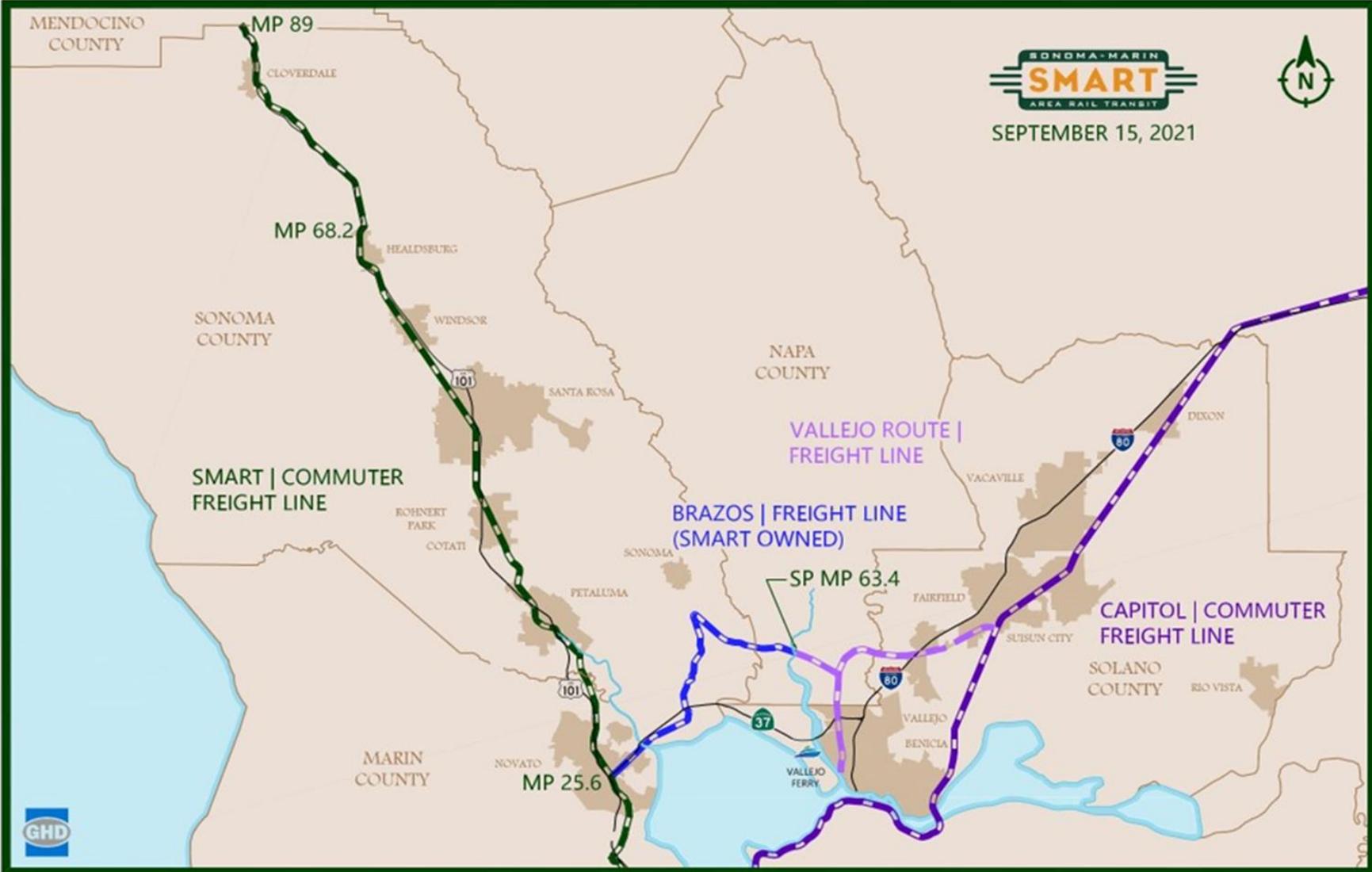


Listening Sessions

Freight Opposition:

- SMART should not run freight at all. SMART should shut it down and get rid of it quickly. Taxpayers should not be subsidizing freight service.
- The interconnection between spurs was taken out by former SMART management. SMART needs to get into the weeds on cost/benefit financial analysis as construction costs are not trivial. And the opportunity for shippers is questionable. SMART needs to provide straight talk about this - SMART freight has poor optics.
- The costs just do not support the benefits... The vast majority of comments on these listening forums support SMART.
- SMART needs to hear from people who oppose SMART.

SMART Freight Service MAP



Operation of Freight Service

- Two round trips to Petaluma customers after revenue passenger service
- Two round trips to California Northern RR to receive and deliver rail cars to and from the interchange
- Weekly track inspection to comply with FRA requirements
- Weekly locomotive servicing (fueling & sanding)
- Weekly track repairs and maintenance
- Monthly on-track equipment servicing & repairs

Freight Challenges

- State of Good Repair (SGR)
 - Bridges
 - Deferred Track Maintenance
 - Park Siding Rehabilitation
 - Track Surfacing / Tie Replacement
 - Grade Crossing Repairs
- Locomotives
 - Only one of three currently in service
 - 1501 locomotive operational (leased)
 - 2611 awaiting electrical parts
 - 2009 requires complete engine overhaul
 - Future Tier 4 / Zero Emission requirements



Freight Challenges

- Flooding
 - Significant flooding at Schellville and Novato
- Budget
 - Operating revenue vs operating expenditure deficit
 - \$500K+ annually
 - Capital Requirements
 - Bridge and Track Repairs



Freight Accomplishments

- Trained and certified all freight employees per CFR 49 Guidelines
- Cleaned up the Schellville Depot storage area
- Repaired and serviced all equipment
- Completed track rehabilitation
 - Hunt Behrens - installed 60 ties and resurfaced lead and storage tracks
 - Lagunitas - installed 10 ties to repair wide gauge
 - Victory Station Trans load track (2-loads of lumber, 1-High Wide Transformer, 2-covered hoppers)

Freight Accomplishments

- Surfaced 2 miles of track
- Cleared 23 miles of brush on Brazos Jct. Subdivision
- Repaired bridge at MP-B43.99
- Rebuilt 100 feet of track in front on the Schellville Depot
- Repaired all January storm related damages
- Repaired Railroad Slough Bridge (Contract)
- Completed one year of freight service on March 1, 2023

Freight Financials

FY23 Freight Budget	
Beginning Balance + Revenue	\$6,922,892
Capital & SGR Expenditures	(\$3,183,398)
Operations Expenditures	(\$2,297,245)
FY24 Beginning Balance	\$1,442,249

Freight Financials

FY24 Operations Revenue	
Freight Movements	\$1,100,000
Leases	\$252,350
Storage	\$25,750
45(g) Tax Credit	\$239,120
TOTAL	\$1,617,290

FY24 Operations Expenditures	
Salaries	\$825,363
Service & Supplies	1,365,000
TOTAL	\$2,190,363



Freight Financials

FY24 Operations Budget	
Operations Revenue	\$1,617,290
Operations Expenses	\$2,190.363
TOTAL	(\$573,073)

Freight Financials

Future Capital/SGR Requirements	
Bridge Repairs	\$787,500
Park Siding Rehabilitation	\$126,000
Track Surfacing	\$1,050,000
Tie Replacement	\$2,131,500
Grade Crossing Repairs	\$539,317
Equipment	\$52,500
Locomotive Replacement	\$2,703,750
Facilities	\$787,500
TOTAL	\$8,178,067

Freight Financials

	FY 23	FY 24	FY 25	FY 26	FY 27	Comments
Beginning Fund Balance	\$ 1,107,702	\$ 1,442,249	\$ (3,194,324)	\$ (7,772,240)	\$ (8,628,861)	
Revenues						
State Grant (42341)	\$ 4,000,000	\$ -	\$ -	\$ -	\$ -	
State Grant (Blackpoint)	\$ 206,000	\$ -	\$ -	\$ -	\$ -	
Freight Movement Fees	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	
Leases	\$ 245,000	\$ 252,350	\$ 259,921	\$ 267,718	\$ 275,750	
Storage	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	
45(g) Tax Credit	\$ 239,190	\$ 239,190	\$ 239,190	\$ 239,190	\$ 239,190	
Total Revenues	\$ 5,815,190	\$ 1,617,290	\$ 1,625,633	\$ 1,634,226	\$ 1,643,077	
Total Revenues + Fund Balance	\$ 6,922,892	\$ 3,059,539	\$ (1,568,691)	\$ (6,138,014)	\$ (6,985,784)	

	FY 23	FY 24	FY 25	FY 26	FY 27	Comments
Salaries	\$ 786,060	\$ 825,363	\$ 850,124	\$ 875,628	\$ 919,409	
Service & Supplies	\$ 1,511,185	\$ 1,365,000	\$ 1,405,950	\$ 1,448,129	\$ 1,491,572	
Total Salaries, Benefits, Service, & Supplies	\$ 2,297,245	\$ 2,190,363	\$ 2,256,074	\$ 2,323,756	\$ 2,410,981	
Balance	\$ 4,625,647	\$ 869,176	\$ (3,824,765)	\$ (8,461,770)	\$ (9,396,765)	

	FY 23	FY 24	FY 25	FY 26	FY 27	Comments
Blackpoint Bridge	\$ 725,741					
Highway 37 Grade Crossing Reconstruction	\$ 498,694					
Brazos Branch - Bridge Repairs (Phase I)	\$ 1,815,963					
Brazos Branch - Bridge Repairs (Phase II)		\$ 787,500				
New York Air Brake	\$ 68,000					
PTC	\$ 75,000					
Park Siding Rehabilitation		\$ 126,000				
Track Surfacing		\$ 1,050,000				
Tie Replacement		\$ 1,050,000	\$ 1,081,500			
Grade Crossing Repair		\$ 210,000	\$ 162,225	\$ 167,092		
Equipment		\$ 52,500				
Locomotives			\$ 2,703,750			Replace one by FY 26 need one additional one. Need to schedule prior to FY 30
Facilities		\$ 787,500				Building is uninhabitable - No running water or power
Total Capital & SOGR	\$ 3,183,398	\$ 4,063,500	\$ 3,947,475	\$ 167,092	\$ -	
Balance	\$ 1,442,249	\$ (3,194,324)	\$ (7,772,240)	\$ (8,628,861)	\$ (9,396,765)	



Freight Financials

	FY 23	FY 24	FY 25	FY 26	FY 27	Comments
Beginning Fund Balance	\$ 1,107,702	\$ 1,442,249	\$ 366,676	\$ (313,764)	\$ (1,003,294)	
Revenues						
State Grant (42341)	\$ 4,000,000	\$ -	\$ -	\$ -	\$ -	
State Grant (Blackpoint)	\$ 206,000	\$ -	\$ -	\$ -	\$ -	
Freight Movement Fees	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	
Leases	\$ 245,000	\$ 252,350	\$ 259,921	\$ 267,718	\$ 275,750	
Storage	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	
45(g) Tax Credit	\$ 239,190	\$ 239,190	\$ 239,190	\$ 239,190	\$ 239,190	
Total Revenues	\$ 5,815,190	\$ 1,617,290	\$ 1,625,634	\$ 1,634,226	\$ 1,643,078	
Total Revenues + Fund Balance	\$ 6,922,892	\$ 3,059,539	\$ 1,992,310	\$ 1,320,462	\$ 639,783	
	FY 23	FY 24	FY 25	FY 26	FY 27	Comments
Salaries	\$ 786,060	\$ 825,363	\$ 850,124	\$ 875,628	\$ 919,409	
Service & Supplies	\$ 1,511,185	\$ 1,365,000	\$ 1,405,950	\$ 1,448,129	\$ 1,491,572	
Total Salaries, Benefits, Service, & Supplies	\$ 2,297,245	\$ 2,190,363	\$ 2,256,074	\$ 2,323,756	\$ 2,410,981	
Balance	\$ 4,625,647	\$ 869,176	\$ (263,764)	\$ (1,003,294)	\$ (1,771,198)	
	FY 23	FY 24	FY 25	FY 26	FY 27	Comments
Blackpoint Bridge	\$ 725,741					
Highway 37 Grade Crossing Reconstruction	\$ 498,694					
Brazos Branch - Bridge Repairs (Phase I)	\$ 1,815,963					
Brazos Branch - Bridge Repairs (Phase II)		\$ 300,000				
New York Air Brake	\$ 68,000					
PTC	\$ 75,000					
Park Siding Rehabilitation						
Track Surfacing						
Tie Replacement		\$ 50,000	\$ 50,000			
Grade Crossing Repair		\$ 100,000				
Equipment		\$ 52,500				
Locomotives						Replace one by FY 26 need one additional one. Need to schedule prior to FY 30
Facilities						
Total Capital & SOGR	\$ 3,183,398	\$ 502,500	\$ 50,000	\$ -	\$ -	
Balance	\$ 1,442,249	\$ 366,676	\$ (313,764)	\$ (1,003,294)	\$ (1,771,198)	



Potential Goals/Strategies

Goals

- Increase annual revenue by \$500K+
- Decrease expenditures by \$100K
- Secure funding for capital/SGR improvements (\$8.2M)

Operations Budget	
Revenue	↑ \$1,617,290
Expenditures	\$2,190,363 ↓
TOTAL	(\$5,073)

Future Capital Requirements	
Bridge Repairs	\$787,500
Park Siding Rehabilitation	\$126,000
Track Surfacing	\$1,050,000
Tie Replacement	\$2,131,500
Grade Crossing Repairs	\$539,317
Equipment	\$52,500
Locomotive Replacement	2,703,750
Facilities	\$787,500
TOTAL	\$8,178,067



Potential Goals/Strategies

- Market freight and storage opportunities at SMART
- Leverage storage track at Schellville and Burdell
 - Actively promote rail car storage (200 car capacity)
 - (\$250K - \$400K potential)
- Promote transload opportunities at Victory Station (Schellville)
 - Utilized location three times this year
 - Lumber
 - Transformer
 - Two covered hoppers during emergency bridge repair



Potential Goals/Strategies

- Acquire new business
 - Expand service to existing customers
 - Current customers also using truck freight
 - Currently in discussion with potential customer (\$250K/year)
 - New potential customers north of Airport Station
 - Public/private partnership
 - Rail spurs
 - Transload sites
 - Likely requires additional staffing and resources
- Examine freight tariffs and consider increasing fees
- Reduce car hire fees (\$62K in FY23)
 - Improve process to return cars to interchange
 - \$0.30 - \$0.75 per hour after 5 days
- Manage maintenance requirements
 - Bridges, tracks, crossings, equipment, etc.
 - Ensure assets are safe & serviceable
 - Seek funding sources (State/Federal Appropriations & Grants)

Discussion

Connect with us:

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