

Railroad Industries Incorporated

Full Service Transportation Consulting

1575 Delucchi Lane, Suite #210, Reno, NV 89502 Phone 775-329-4855 Fax 775-329-4844 www.railroadindustries.com

April 20th, 2011

Fresno County Council of Governments
Public Works and Planning
2220 Tulare St, 6th Floor
Fresno, CA 93721
Via Email: clarkt@fresnocog.org



Proposal for Business Plan on Fresno West Side Portion of the SJVR

Dear Fresno County:

Railroad Industries Incorporated (RII) is pleased to submit this proposal to Fresno County Council of Governments (FCCG) to develop the feasibility of acquiring and operating the West Side portion of the San Joaquin Valley Railroad (SJVR) line in Fresno County. This project will follow the same format as the previously completed study conducted for the same line on the East Side within Fresno and Tulare Counties.

Scope of Work

RII recommends the following tasks to be completed for this project.

1. **Physical Inspection** - RII will perform a physical inspection of the 50 miles of rail line within Fresno County. This inspection will determine condition of the asset, rail components for determination of the value of the line, and any problems areas for the County will be identified. The inspection will be conducted through a physical spot inspection at random intervals since a hi-rail vehicle will not be available for this inspection. Based on the condition and traffic levels for this line, RII will also determine an annual track maintenance budget for the line. If any rehabilitation is necessary, RII will develop the basic rehabilitation costs for any portions of the line needing serious repair or upgrades to efficiently or safely handle the expected traffic. Inspection results will be presented in the final report with photos, description of the line and any problem areas. An inventory of the track components and condition will be presented in the Net Liquidation Valuation section.

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2. Customer Interviews - RII understands that there are 7 existing customers on this portion of the line. These customers will be interviewed to verify the amount of traffic on the line, projections for future traffic or expansions, determine what service is needed to maximize traffic and look at other traffic opportunities. RII will focus on existing customers and can perform these interviews during the same field trip as the inspection in order to save costs. Traffic results will be utilized in the feasibility economics for operations, and customer service history may be used in future negotiations or STB filings.
3. Net Liquidation Value - Based on the inspection, a Net Liquidation Value (NLV) will be developed for the line to account for the condition of track components and the inventory of such assets. This NLV is the basis for an acquisition price for the line. In addition, an annual maintenance budget for operations of the line based on existing condition will be developed. This number will be used in the operational economics, as well as any future negotiations and feeder line process.
4. Operating Plan - Based on the maintenance of way required, service needed and traffic developed through the interviews, RII will develop the necessary operating plan for this segment and run the economic feasibility for the operations. RII uses a proprietary short line model that captures all costs of operating a short line railroad, including labor, transportation and fuel, locomotives and equipment maintenance, maintenance of way, and general/administrative costs. This analysis will include full pro forma financial statements for the prospective operation for the next 10 years. This portion of the feasibility study/business plan will assist with seeking funding options for acquisition and startup of the line.
5. Final Report - RII will develop all findings into an illustrated comprehensive report including all research, interview and inspection results, valuations and economics, analysis, recommendations and next steps.
6. Presentations - RII will develop the formal report into a presentation to be given to the Fresno County rail committee or other governing body as directed. This task will allow for 2 presentation trips in order to allow all committee members to participate.

Optional Task - If upon review of the final report and presentation for the West Side study FCCG would like a combined report for a complete review of the rail system in the county, RII can combine the analysis of both studies into a single report. This would be estimated separately if needed.

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Fees and Schedule

RII has estimated the following hours and cost for Tasks 1-6 in this proposal:

Tasks and SubTasks	Personnel	Est. Hours	Billing Rate	Budget
I. Physical Inspection	Gary V. Hunter	12	\$ 204.52	\$ 2,454.24
	Anastacia Sullivan	2	\$ 180.92	\$ 361.84
II. Customer Interviews	Gary V. Hunter	8	\$ 204.52	\$ 1,636.16
	Anastacia Sullivan	4	\$ 180.92	\$ 723.68
	Todd A. Howell	4	\$ 170.43	\$ 681.72
III. NLV/MoW Budget	Gary V. Hunter	8	\$ 204.52	\$ 1,636.16
	Anastacia Sullivan	3	\$ 180.92	\$ 542.76
	Lola Wei	10	\$ 170.43	\$ 1,704.30
IV. Operating Plan/Economics	Gary V. Hunter	8	\$ 204.52	\$ 1,636.16
	Anastacia Sullivan	3	\$ 180.92	\$ 542.76
	Lola Wei	5	\$ 170.43	\$ 852.15
V. Final Report	Gary V. Hunter	10	\$ 204.52	\$ 2,045.20
	Anastacia Sullivan	15	\$ 180.92	\$ 2,713.80
	Todd A. Howell	5	\$ 170.43	\$ 852.15
VI. Presentations	Gary V. Hunter	24	\$ 204.52	\$ 4,908.48
	Anastacia Sullivan	12	\$ 180.92	\$ 2,171.04
	Todd A. Howell	6	\$ 170.43	\$ 1,022.58
Administrative Support		15	\$ 65.55	\$ 983.25
Totals:		154		\$ 27,468.43

Total estimated expenses would be:	\$2,000 – \$2,200
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Total Project Estimate would be:	\$29,500 - \$30,000
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If Optional Tasks are selected, please let us know and they can be included in a formal proposal.

The total estimated fees for this proposal are not to exceed \$30,000, including expenses. RII will submit an itemized invoice at the end of any month in which services are provided, to be paid by FCCG on Net 30 terms.

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Schedule

The final report for this project can be completed within 60 days of acceptance by Fresno County and notice to proceed. The presentations are planned tentatively for the first half of September 2011.

Tasks	July		August		Sept.
	1-15	16-31	1-15	16-30	1-15
II. Physical Inspection					
III. Customer Interviews					
VI. NLV/MoW Budget					
VII. Operating Plan/Economics					
VIII. Final Report					
IX. Presentations					

If you have any questions, please feel free to contact me. We look forward to working with Fresno County on this project.

Sincerely,

Gary V. Hunter
Chairman and CEO
Railroad Industries Incorporated