M e m o r a n d u m

To: CHAIR AND COMMISSIONERS

CTC Meeting: May 7, 2013

Reference No.: 4.18
Action

From: ANDRE BOUTROS
Executive Director

Subject: **TRADE CORRIDORS IMPROVEMENT FUND (TCIF) PROGRAM AMENDMENT - TEHACHAPI TRADE CORRIDOR IMPROVEMENT PROJECT RESOLUTION TCIF-P-1213-60**

ISSUE:
Should the California Transportation Commission (Commission) approve the proposed Trade Corridors Improvement Fund (TCIF) Program amendment to reduce the scope and associated TCIF funds to TCIF Project 6, the Tehachapi Trade Corridor Rail Improvement Project?

RECOMMENDATION:
Commission staff recommends that the Commission approve the proposed TCIF Program Amendment to amend the scope and decrease the TCIF funds by $41.730 million to the *Tehachapi Trade Corridor Rail Improvement Project.*

BACKGROUND:
This project was programmed in the original TCIF program in April 2008. The original scope of the project consists of 6 segments: 1 - Connect Walong and Mercel siding to create a 2.8 miles of double track; 2 - Extend cliff siding to accommodate prevailing system train lengths; 3 - Connect Rowen and Woodford sidings to create a segment of 4.2 miles of double track; 4 - Connect two segments of double track at Caliente and Bealville to create a segment of 10.3 miles of double track; 5 - Connect Caliente to Bealville double track project at Ilmon to Bena with existing double track into Bakersfield; and 6 - Upgrade train management system for 21 miles of double track controlled by Automatic Block Signal System. The total cost of the project was estimated at $112.7 million, with TCIF funds programmed at $54 million.

As reported at the March 5, 2013 Commission meeting, due to its environmental challenges, the project as programmed is unable to meet the begin construction date of December 2013 as prescribed in the TCIF Program Guidelines. The Department of Transportation (Department) and BNSF Railway (BNSF) propose to amend the TCIF Program by deleting scope and associated costs from the project. The total TCIF funds programmed to this project will decrease from $54 million to $12.270 million. The total cost of the revised project is estimated at $26.040 million with BNSF funds contributing the required match.

BNSF is proposing to construct only Segments 1 and 2 of the project, connect Walong and Mercel siding to create a 2.8 miles of double track and extend cliff siding to accommodate prevailing system train lengths. The benefit analysis performed on the downscaled project has determined that the project will improve goods movement throughput by more than 63 percent; the expected value of

benefit for the project is estimated at $414 million (2013 US$); it will create 94.1 job-years across the State's economy, including 44.7 job-years direct jobs; and business sales attributable to the project are expected to amount to $36.59 million over the entire construction period.

The completion of the environmental process with this smaller project can be completed by October 2013. As BNSF has its own construction forces, the traditional advertise, bid and award will not be necessary as they can start construction immediately upon allocation by December 2013 and thus meeting the December 2013 start of construction deadline.

With this action the $25.423 million over programming in the Northern California Trade Corridor Region of the TCIF Program will be eliminated.

The Department and the Northern California Trade Corridor Coalition supports the proposed amendment to the TCIF program (see attached letters).

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May 1, 2013

Mr. Andre Boutros
Executive Director
California Transportation Commission
1120 N Street, Room 2221 (MS-52)
Sacramento, CA 95814

Dear Mr. Boutros:

The California Department of Transportation (Caltrans) would like to express its strong support of the Trade Corridor Improvement Funds (TCIF) Baseline Agreement for the revised two-segment Tehachapi Trade Corridor Rail Improvement Project.

This project is important for goods movement by adding capacity to a critical bottleneck in the Tehachapi Trade Corridor with specific improvements on the Union Pacific Railroad's Mohave Subdivision. Delivery of the original project has been impacted due to challenges with the Environmental Impact Report and the project as programmed is unable to meet the TCIF Program Guidelines requiring all projects to begin construction by December 2013.

In order to meet this deadline, Caltrans and BNSF Railway Company propose to amend the project by reducing scope and associated costs from the project. The reduced scope project will construct improvements at two of the original six segments. The reduced scope project will still provide significant improvements in freight capacity along with substantial public benefits by achieving 63 percent of the freight capacity increase that would have been derived from the original project.

Additionally, the TCIF Baseline Amendment is supported by the Northern California Trade Corridors Coalition and eliminates over programming in the Northern California Trade Corridor Region.

Sincerely,

MALCOLM DOUGHERTY
Director

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April 25, 2013

Mr. Andre Boutros, Executive Director
California Transportation Commission
1120 N Street, MS-52
Sacramento, CA 95814

Dear Mr. Boutros:

The Northern California Trade Corridors Coalition (Coalition) is in support of the California Department of Transportation's (Caltrans') Trade Corridor Improvement Fund (TCIF) baseline agreement amendment for the Tehachapi Rail Improvements project.

Tehachapi Rail Improvements Project ("Project"):
Caltrans requests amending the baseline to reflect reduced scope, updated project schedule, and updated funding plan. As a result of unanticipated environmental issues with the original project, Caltrans, working with the BNSF Railway, proposes downscoping the project to only segments 1 and 2 of the original 6 segments of the project. The reduced scope would still deliver over 60 percent of the original project benefits, according to the updated cost-benefit analysis completed in March 2013.

Caltrans also requests revising the total project cost from $107,000,000 to $26,040,000, with TCIF's proposed contribution revised from $54,000,000 to $12,270,000. The proposed start construction date would also be moved to December 2013, which is consistent with the TCIF Guidelines.

The Coalition supports the proposed baseline agreement amendments to update the project scope, funding plan, and project schedule. The Coalition also supports allowing Caltrans to allocate the TCIF funds at the October 2013 meeting, since construction will be done through BNSF Railway's own forces. We understand Caltrans has requested this proposed amendment to be placed on the May 2013 CTC meeting agenda for consideration.

Should you have any questions or comments, please contact Kenneth Kao of my staff at (510) 817-5768 or kkao@mtc.ca.gov.

Sincerely,

Ross McKeown
Principal, Programming and Allocations

cc: Northern California Coalition agencies
Stephen Maller, CTC
Dawn Cheser, Caltrans HQ

RJM:KK
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