



DATE: September 13, 2018

TO: Governing Board, Intermodal Container Transfer Facility Joint Powers Authority

FROM: Richard D. Cameron, Executive Director

SUBJECT: Net Facility Revenue Report for Annual Period Ending November 1, 2017

Macias, Gini & O'Connell LLP (MGO) has completed their review of Intermodal Container Transfer Facility Joint Powers Authority (ICTF JPA) net revenue for the year ended November 1, 2017. During the year, there were 302,724 gross container movements, generating \$9,081,720 in gross revenue. This is a 5% decrease from 2016. Gate fees collected at the Intermodal Container Transfer Facility (ICTF), less allowable deductions, resulted in net facility revenue of \$8,783,760 to be equally shared by the ICTF JPA and Union Pacific Railroad. Union Pacific transfers a 50% share of the facility's net revenues on an ongoing quarterly basis.

The final draft of the net facility revenue report is attached. The auditors and ICTF JPA staff are in full agreement on all issues.

It is recommended that the Governing Board receive and file the draft net facility revenue report for the year ended November 1, 2017.

It is also recommended that the Board make the following finding:

"The Board finds the activity is administrative activity that will not result in direct or indirect physical changes in the environment, and, as such, is not a "project" as defined by CEQA Guidelines section 15378."


FOR

Richard D. Cameron
Executive Director

**INTERMODAL CONTAINER TRANSFER
FACILITY JOINT POWERS AUTHORITY
Agreed-Upon Procedures with Respect to
Calculation of Net Facility Revenues
Year Ended November 1, 2017
(with Independent Accountant's Report on
Applying Agreed-Upon Procedures)**



Certified
Public
Accountants



Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors
Intermodal Container Transfer Facility Joint Powers Authority:

We have performed the procedures enumerated below, which were agreed to by management of the Intermodal Container Transfer Facility Joint Powers Authority (the Authority) (specified and responsible party) and Union Pacific Corporation (UPC), as successor to Southern Pacific Transportation Company (SPTC), solely to assist the Authority with respect to the determination of and evaluation of the reasonableness of Net Facility Revenues, as defined in the second amendment to the Sublease Agreement dated February 1, 1985 of the Intermodal Container Transfer Facility (the Facility), as reported by UPC for the year ended November 1, 2017. The Sublease Agreement, as amended, dated September 14, 1984 between the Authority and UPC, as successor in interest to SPTC (the Agreement), provides for certain rental payments, which are based on Net Facility Revenues generated by the operations of the Facility, to be made by UPC to the Authority. The Authority's management is responsible for the Exhibit, *Calculation of Net Facility Revenues Using Amounts Determined Based on the Agreed-Upon Procedures and Comparison to Net Facility Revenues Reported by UPC*. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. We obtained the Monthly Statement of Operations prepared by UPC accounting personnel listing net revenues from the operations of the Facility, including amounts that had been billed and not yet collected, for the year ended November 1, 2017. We recalculated the arithmetical accuracy of the schedules received. We agreed the total net revenues for the year ended November 1, 2017 to the Net Facility Revenues on the accompanying Exhibit.

Finding: No exceptions were noted as a result of applying these procedures.

2. In conjunction with the calculation of Net Facility Revenues in the Exhibit, we performed the following procedures:
 - A. We obtained monthly reports on gross container movements from UPC for the year ended November 1, 2017. We totaled the monthly amounts from such reports and determined that 302,724 gross container movements had been reported at the Facility during the year ended November 1, 2017. We multiplied the number of reported containers transferred by \$30 (the amount charged for each container transfer). From this calculation, we recalculated Total Facility Revenues Generated of \$9,081,720 and agreed such amounts to the Total Facility Revenues generated, based on gross gate movements on the Exhibit for the year ended November 1, 2017.

Finding: No exceptions were noted as a result of applying these procedures.

- B. We reconciled the Total Facility Revenues generated, based on gross container movements for the year ended November 1, 2017, as determined in paragraph 2A above, to the sum of Facility Revenues collected by UPC per the Monthly Statement of Operations for container transfers generated by UPC accounting personnel for the year ended November 1, 2017.

Calculation of Net Facility Revenues is based on cash received; therefore, adjustments are required to reconcile the difference between gate charges generated and collected. The adjustment of \$297,960 represents the difference between Facility Revenues generated based on gross gate movements and Facility Revenues collected for the year ended November 1, 2017. We totaled the gross container movements for which gate charges were collected from the Monthly Statement of Operations prepared by UPC accounting personnel and determined that 292,792 gross container movements for which gate charges were collected at the Facility during the year ended November 1, 2017.

We multiplied the number of gross containers movements for which gate charges were collected by \$30 (the amount charged for each container transfer). From this calculation, we recalculated Facility Revenues collected by UPC of \$8,783,760. Such amounts agreed to the accompanying Exhibit.

Finding: No exceptions were noted as a result of applying these procedures.

- C. We reconciled a payment to the Authority for reimbursement of its operating expenses on the Exhibit of \$20,100 for the year ended November 1, 2017, to the Authority's invoice and the check received from UPC.

Finding: No exceptions were noted as a result of applying these procedures.

- D. We agreed payments to the City of Carson for maintenance fees on the Exhibit aggregating \$113,213 for such fees for the year ended November 1, 2017, to checks and paid invoices.

Finding: No exceptions were noted as a result of applying these procedures.

- E. The Agreement also allows for deduction of amounts paid to the bond rating agencies such as Moody's or Standard & Poor's for their analytical services.

Finding: We noted no deduction of amounts paid to the bond rating agencies for the year ended November 1, 2017.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the reported Net Facility Revenues for the year ended November 1, 2017. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of the Authority and UPC, and is not intended to be, and should not be, used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Los Angeles, California
February 26, 2018

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Calculation of Net Facility Revenues Using Amounts Determined
Based on the Agreed-Upon Procedures and
Comparison to Net Facility Revenues Reported by UPC

Year Ended November 1, 2017

Facility revenue collected:

Total facility revenues generated, based on gross gate movements	\$ 9,081,720
Amounts not billed, adjustments to billing, and change in facility revenue receivable, net	<u>(297,960)</u>
Net Facility revenues collected by UPC	<u>8,783,760</u>

Less allowable deductions:

Payment to Authority for reimbursement of its operating expenses	20,100
Payment to the City of Carson on behalf of the Authority for maintenance fees	<u>113,213</u>
Total allowable deductions	<u>133,313</u>
Net Facility Revenues using amounts determined based on the agreed-upon procedures	<u>\$ 8,650,447</u>