



DATE: November 8, 2012

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

FROM: Douglas A. Thiessen, Executive Director

SUBJECT: Net Facility Revenue Report for Annual Period Ending November 1, 2011

KPMG LLC has completed their review of ICTF net revenue for the year ended November 1, 2011. During the year, there were 409,448 gross container movements, generating \$12,283,440 in gross revenue. This is a 1.2% decrease from 2010. Gate fees collected at the ICTF, less allowable deductions, resulted in net facility revenue of \$7,950,476 to be equally shared by the Authority and Union Pacific Railroad. On November 1, 2011, Union Pacific transferred \$ 3,975,238 to the ICTF investment account, representing the 50% share of 2010 net revenues.

The final draft of the net facility revenue report is attached. The auditors and 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, 2011.

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."

A handwritten signature in blue ink, appearing to read 'D. Thiessen'.

Douglas A. Thiessen
Executive Director



**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Agreed-Upon Procedures with Respect to Determination
of Net Facility Revenues

Year ended November 1, 2011

(With Independent Accountants' Report on Applying Agreed-Upon Procedures Thereon)



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Independent Accountants' Report on Applying Agreed-Up Upon Procedures

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), Union Pacific Corporation (UPC), as successor to Southern Pacific Transportation Company (SPTC), and First Trust New York/U.S. Bank (Bond Trustee), solely to assist the Authority with respect to 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 (Facility), as reported by UPC for the year ended November 1, 2011. 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-Up Upon Procedures and Comparison to Net Facility Revenues Reported by UPC*. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described 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 schedules prepared by UPC accounting personnel listing revenues from the operations of the Facility, including amounts that had been billed and not yet collected, as of November 1, 2011. We recalculated the arithmetical accuracy of the schedules received and noted no exceptions. We agreed the total of these schedules to Net Facility Revenues reported by UPC on the accompanying Exhibit.
- 2 In conjunction with the calculation of Net Facility Revenues reported by UPC 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, 2011. We totaled the monthly amounts from such reports and noted that 409,448 gross container movements had been reported at the Facility during the year ended November 1, 2011. 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 \$12,283,440 and agreed such amounts to total facility revenues generated, based on gross gate movements on the Exhibit for the year ended November 1, 2011.



- B. We reconciled the gross container movements at the Facility for the year ended November 1, 2011, as reflected in paragraph 2A above, to billings for container transfers generated by UPC accounting personnel.

Calculation of Net Facility Revenues reported by UPC is based on cash received; therefore, adjustments are required to reconcile the difference between gate charges billed and collected were noted. The net total billing adjustments and change in receivables, representing the difference between facility revenues generated based on gross gate movements and facility revenues billed, equaled \$358,170 for the year ended November 1, 2011, according to records generated by UPC. Such amounts agree to the accompanying Exhibit.

- C. We were informed by UPC personnel that cash collections are transmitted to the revenue account maintained by the Bond Trustee on a monthly basis, two weeks after each month-end (e.g., cash collected by UPC in June is transferred to the Bond Trustee on or about July 14). We obtained the monthly revenue account statements of transactions and noted that all monthly collections were transmitted within this time lag to the Bond Trustee for the year ended November 1, 2011, except for those items noted in paragraph B above.
- D. The Agreement states that Net Facility Revenues reported by UPC include excess investment earnings on funds maintained by the Bond Trustee earned for the year ended November 1, 2011. Excess investment earnings from Bond Trustee on the Exhibit aggregated \$280,881 for the year ended November 1, 2011. We agreed such amounts to the statements of transactions of the accounts maintained by the Bond Trustee related to the Agreement, noting no exceptions.
- E. We read the October 2011 trustee statements to determine if there was uninvested cash for the year ended November 1, 2011, noting none.
- F. We agreed total debt service payments on the Exhibit to the statements of transactions of the applicable accounts maintained by the Bond Trustee. These statements indicate that \$4,135,400 was paid for principal and interest payments on the bonds for the year ended November 1, 2011.
- G. The Agreement allows for deduction of letter of credit fees paid by UPC for the letter of credit necessitated by the bond offering. We noted no such fees in the accounting records of UPC during the year ended November 1, 2011.
- H. We reconciled payment to Authority for reimbursement of its operating expenses on the Exhibit of \$24,100 for November 1, 2011 to the Authority's accounting records. No exceptions were found as a result of applying the procedure.
- I. We agreed payments to City of Carson for maintenance fees on the Exhibit aggregating \$119,838 for such fees for the year ended November 1, 2011 to checks and paid invoices. No exceptions were found as a result of applying the procedure.
- J. 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. We noted no deduction of amounts paid to the bond rating agencies for the year ended November 1, 2011.
- K. We agreed Bond Trustee fees and expenses on the Exhibit of \$5,900 for the year ended November 1, 2011 to invoices issued by the Bond Trustee. No exceptions were found as a result of applying the procedure.



- L. We agreed the arbitrage transfer of funds on the Exhibit totaling \$86,988 to Union Bank's August 31, 2011 bank statement. No exceptions were found as a result of applying the procedure.
- M. We noted no payment to Bond Logistix LLC for preparation of arbitrage rebate report on the Exhibit for the year ended November 1, 2011. No exceptions were found as a result of applying the procedure.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on reported Net Facility Revenues for the year ended November 1, 2011 in the Exhibit. 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 Authority, UPC, and the Bond Trustee, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 1, 2012

**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, 2011

Facility revenues collected:		
Total facility revenues generated, based on gross gate movements	\$	12,283,440
Amounts not billed, adjustments to billing, and change in facility revenue receivable, net		<u>(358,170)</u>
Facility revenues billed by UPC		<u>11,925,270</u>
Cash collections, month prior to beginning of year		1,037,730
Cash collections, last month of year		<u>921,180</u>
Adjustment to cash collections for transmittal of cash collections to Bond Trustee one month in arrears		<u>116,550</u>
Facility revenues collected		12,041,820
Excess net investment earnings from Bond Trustee		<u>280,881</u>
Net revenues received		<u>12,322,701</u>
Less allowable deductions:		
Payments made for bond principal and interest:		
Principal:		
November		3,370,000
Interest:		
November		382,700
May		<u>382,700</u>
Total debt service payments		<u>4,135,400</u>
Other deductions:		
Arbitrage payment to U.S. Treasury		86,988
Payment to Bond Logistix LLC for preparation of arbitrage rebate report		—
Payment to Authority for reimbursement of its operating expenses		24,100
Payment to the City of Carson on behalf of the Authority for maintenance fees		119,838
Bond Trustee fees and expenses		<u>5,900</u>
Total other deductions		<u>236,826</u>
Total allowable deductions		<u>4,372,226</u>
Net Facility Revenues using amounts determined based on the agreed-upon procedures	\$	<u><u>7,950,475</u></u>