

Preliminary 2025/2026 Budget & Rates

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September 25th, 2024

Budget Overview

- Strategic Plan
- Mission
 - Tacoma Rail's employees work safely to provide reliable and environmentally sound services that are vital to our customers and community.
- Budget Goals
 - Safety
 - Cost control
 - Right-size staff
 - Locomotive fleet modernization
 - Railroad infrastructure investments
 - Financial health & stability



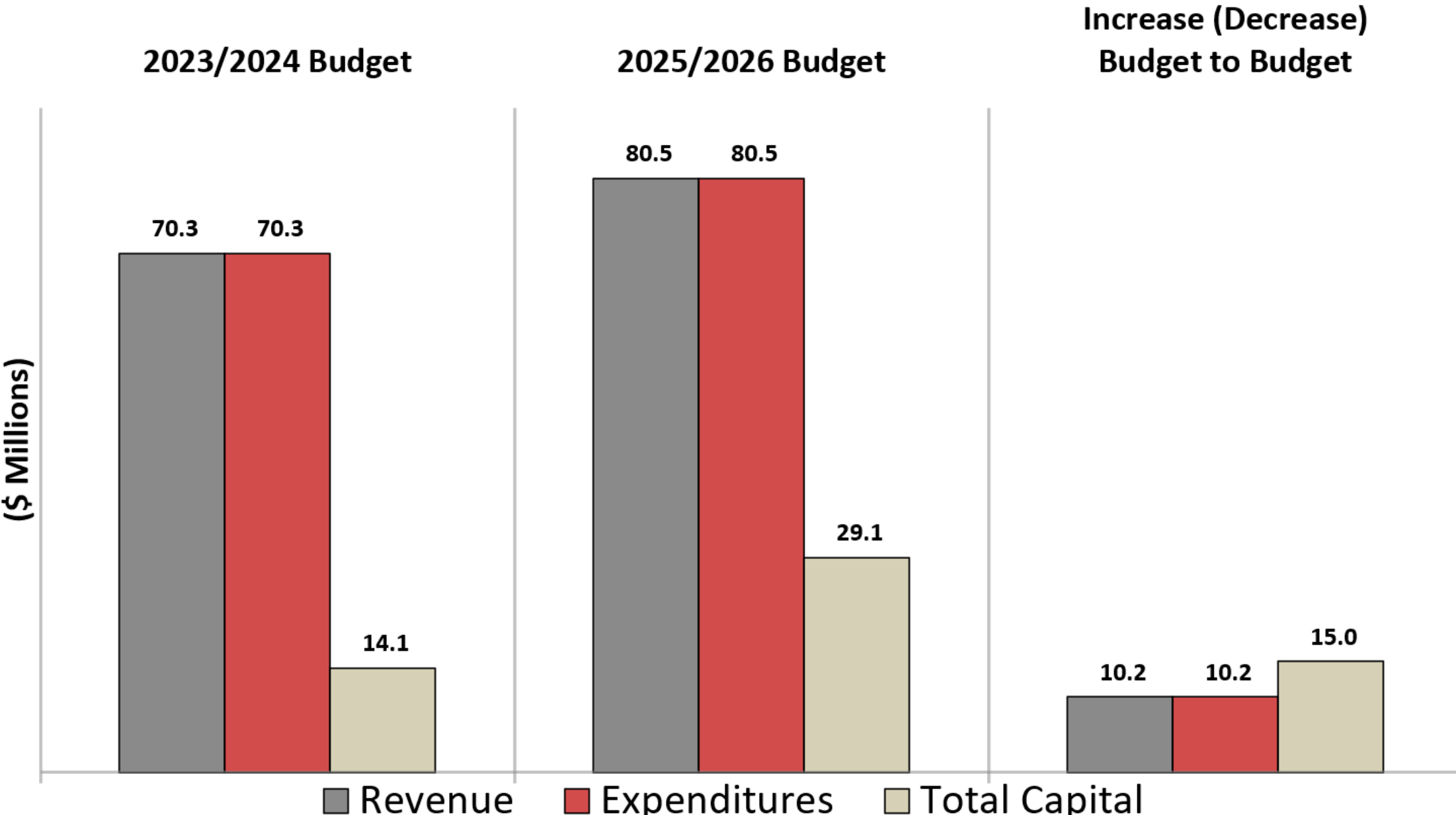
Budget Drivers and Assumptions

- Railcar Traffic
 - Summer 2024 intermodal railcar volumes will not continue through next biennium
 - Commercial volumes flat from 2024
- Personnel Costs
 - Increase in cost of benefits
 - Cost of living adjustments
 - Six new positions
 - 4 Railway conductors
 - 1 Locomotive Mechanic
 - 1 Railway Yard Clerk
- Other
 - Increase in assessments
 - Increase in insurance
 - Potential change in CIAC and grant GET exemptions

Rate Risks & Mitigation

- Risks
 - Line haul volumes
 - Hard vs soft landing economy
 - Assessments
 - Fuel expense
 - Inflation
 - New & existing mandates
- Mitigation
 - Rail Volume Investment Fund
 - Grants & Loans
 - Defer projects and/or seek additional grant funding or financing
 - Fuel surcharge
 - Ongoing experience with existing mandates
 - Positive Train Control
 - Oil spill response plan & drills
 - Transportation Security Administration

Budget Comparison

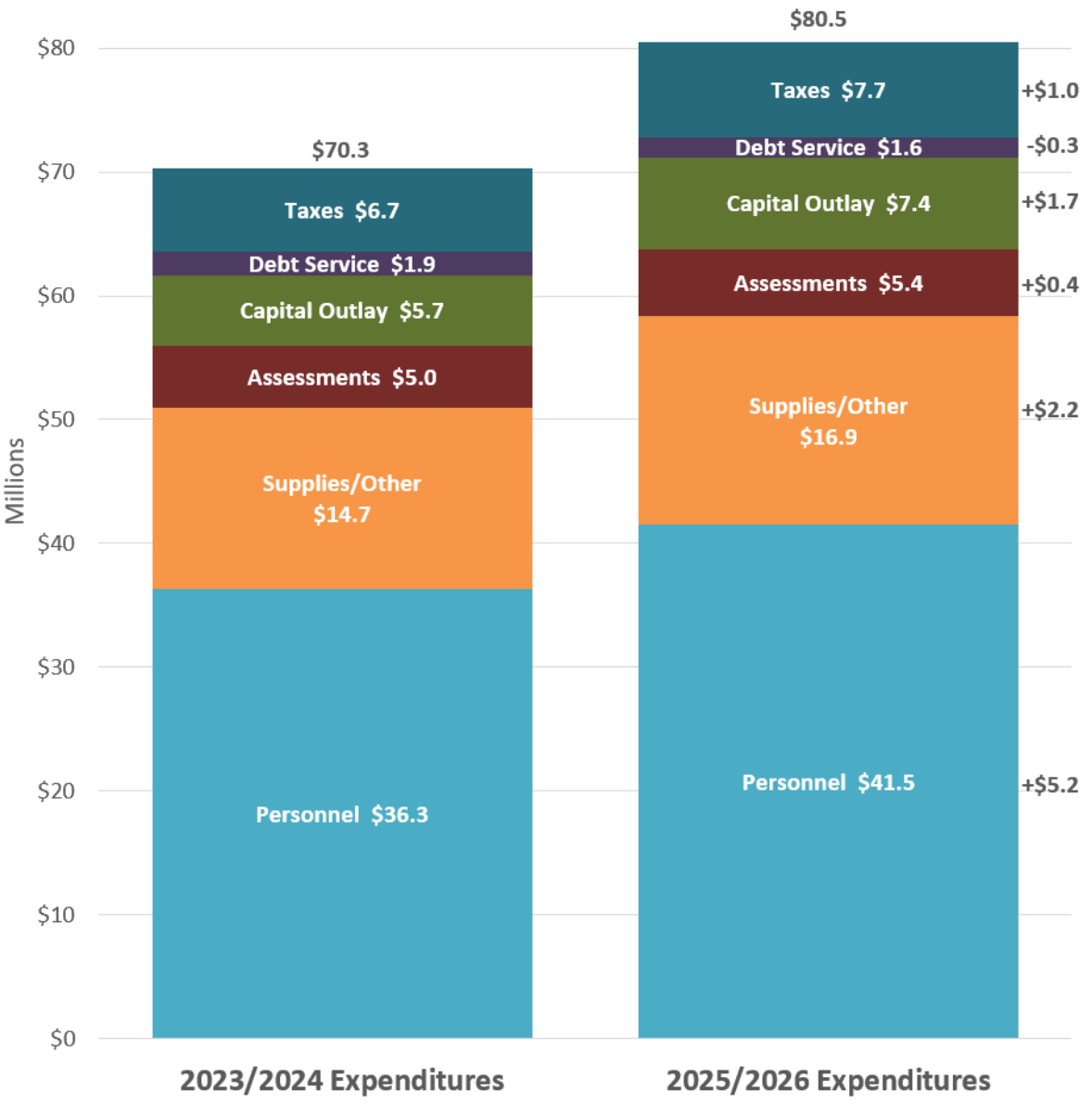


Cost Savings

- Efficiencies, reductions, funding and value examples to reduce the rate impact
- Total: \$28,720,000

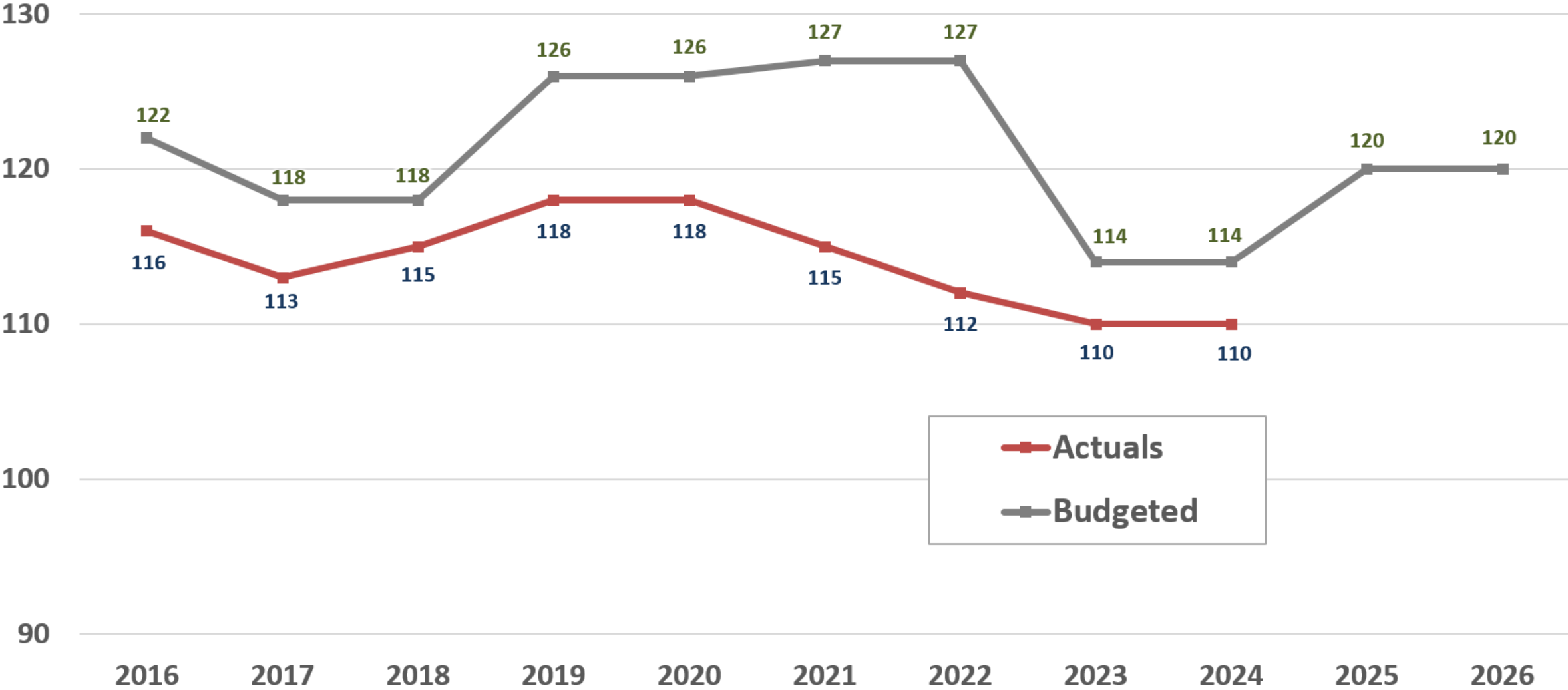
Description	Category	2025/2026 Budget
Railroad Management System	Innovation	\$ 480,000
Locomotive Fleet Rationalization	Operations Optimization	\$ 320,000
Locomotive Lease Cancellation	Operations Optimization	\$ 1,100,000
Battery Electric Locomotives	Grants	\$ 16,000,000
Finance Fees Savings Through WSDOT Rail Loans	Low-interest loans	\$ 80,000
Signal Inspections	Maintenance of Way	\$ 240,000
Tier 4 Locomotives	Consent Decrees	\$ 7,500,000
Crossing Upgrades & Removal	Grants	\$ 3,000,000

2025/2026 Preliminary Budget



- Preliminary budget is \$10.1M higher in 2025/2026 than in 2023/2024
- Debt Service reduction in 2025/2026
- Capital Outlay increases \$1.7M
 - \$29.1M total capital outlay
 - \$21.7M in grants, loans and CIAC
- Supplies, Services & Other Charges increase \$2.2M due to multiple factors
- Assessments increases \$0.4M
- Tax increases are a function of revenues
- Personnel costs are higher by \$5.2M or 14% with 6 additional FTEs, benefit cost increases and cost of living adjustments

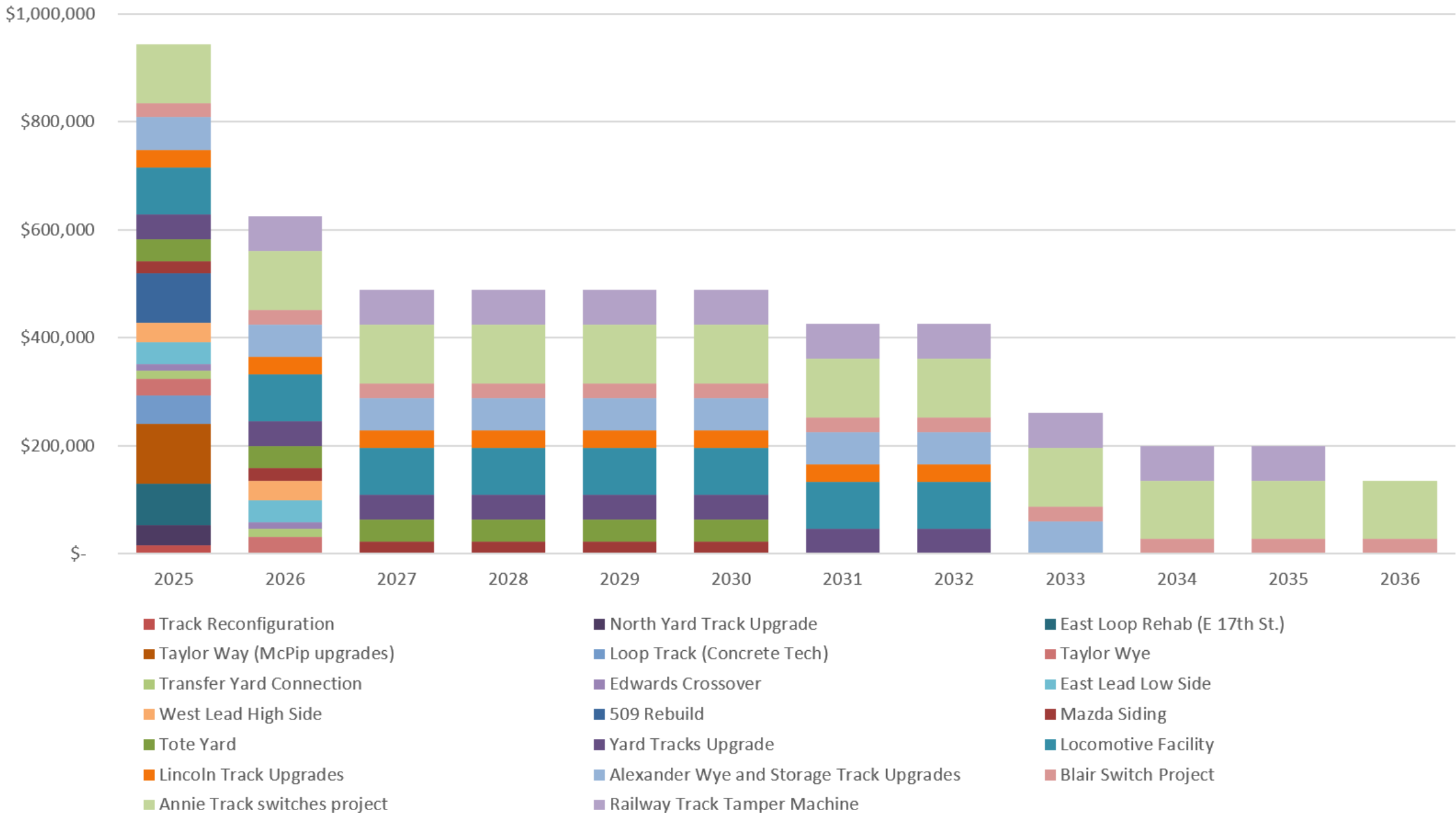
Staffing Levels



Capital Investments & Funding

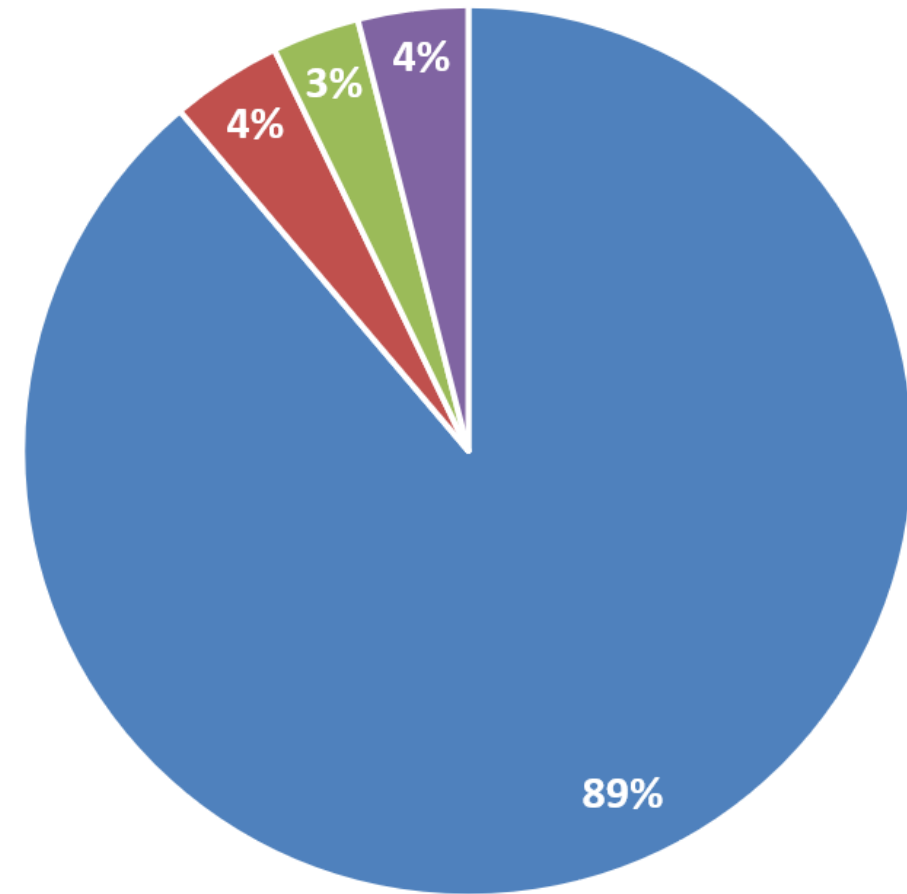
- Facility
 - Locomotive charging infrastructure
 - Locomotive Jacks
- Equipment
 - Battery Electric Locomotives
 - Locomotive Upgrades
 - Track Ballast Tamper
 - Vehicles
- Track Improvement
 - Track upgrades & improvements
 - Crossing improvements
 - Crossing signalization
 - Port of Tacoma Road
 - Lincoln Avenue
- Washington State Funding
 - Freight Rail Investment Bank
 - 0% loan program
 - Limited to public sector
 - Freight Rail Assistance Program
 - Grant program
 - Climate Commitment Act
 - Section 130 Railway-Highway Crossings Program
 - Railroad crossing grant program
- Federal Funding
 - Diesel Emission Reduction Act (DERA)
 - Consolidated Rail Infrastructure and Safety Improvements (CRISI)
 - Congestion Mitigation and Air Quality (CMAQ)
- Contributions in Aid of Construction (CIAC)
 - Port of Tacoma Operating Agreement

Debt Service



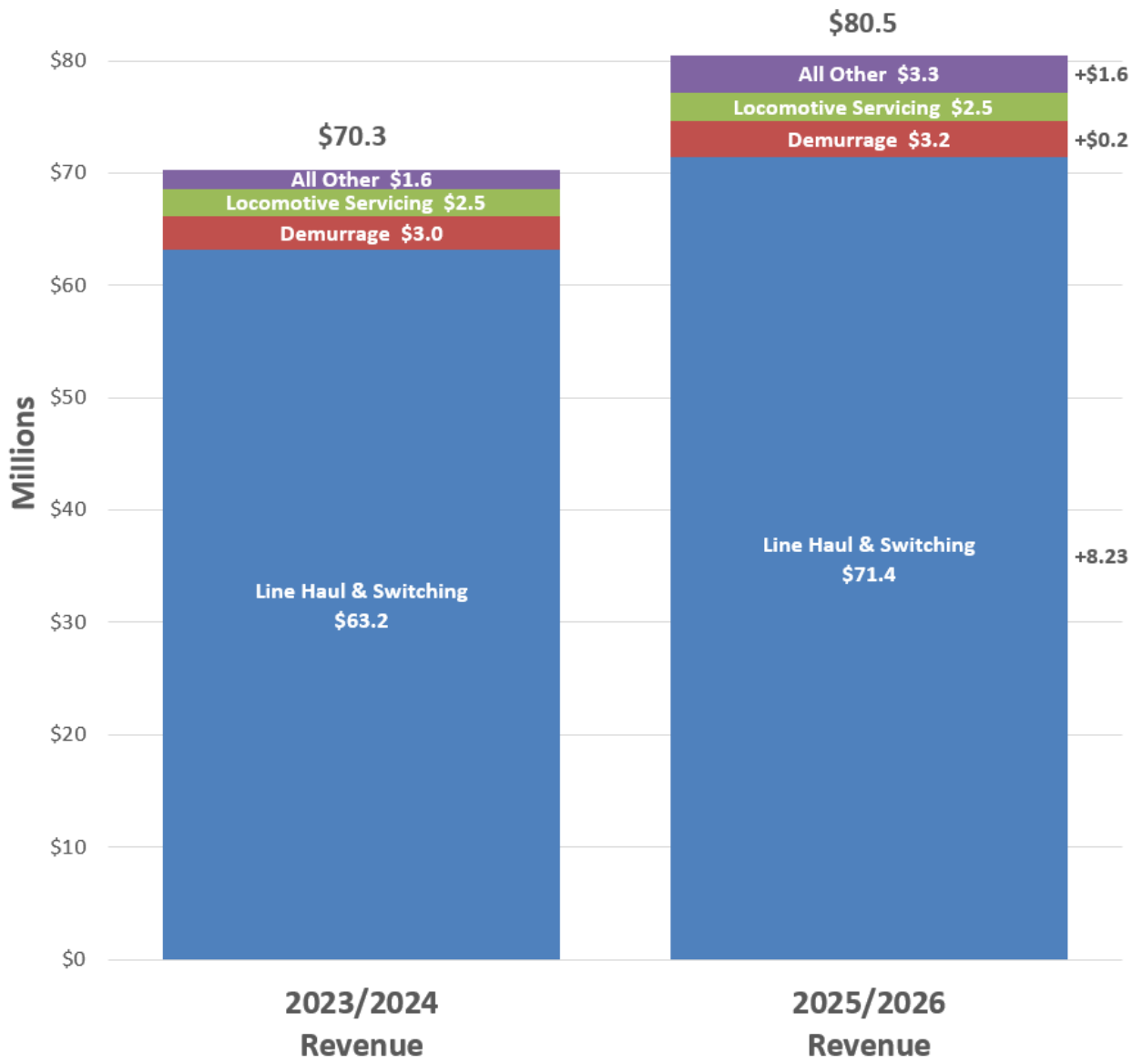
Budget Sources of Revenue

- Tariff based
 - Line haul
 - Local & miscellaneous switching
 - Demurrage
- Agreement based
 - Locomotive servicing
 - Miscellaneous switching & other
 - Rent income
- Interest income
 - Treasury
- Other miscellaneous
 - 45G tax credit



■ Line Haul & Switching ■ Demurrage
■ Locomotive Servicing ■ All Other

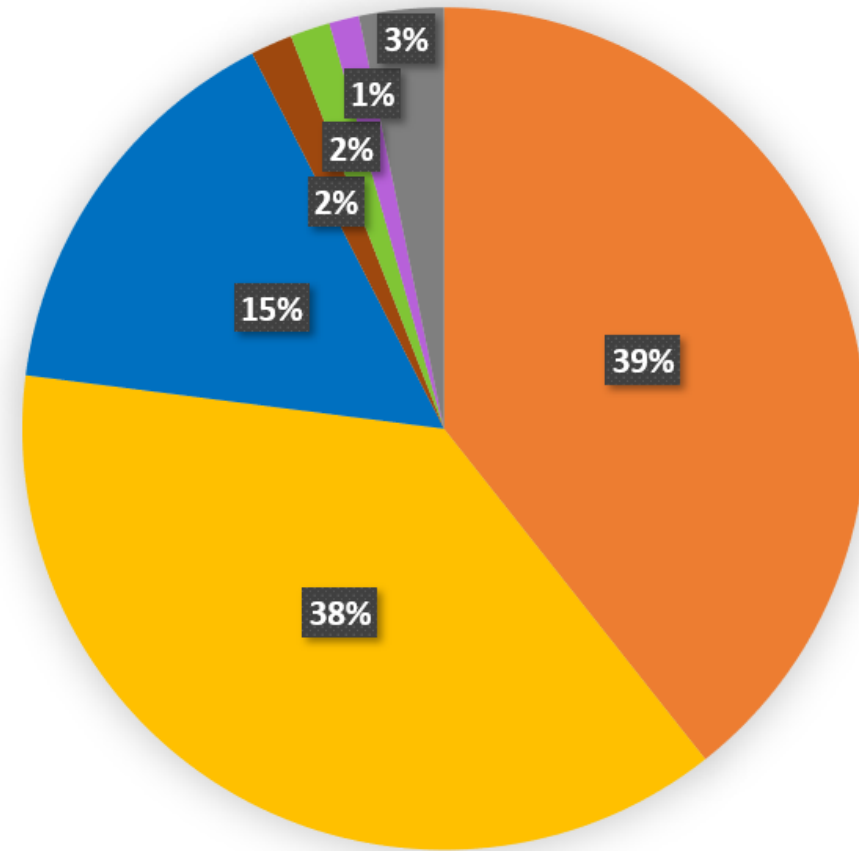
Budget Revenues



- All Other
 - New South Intermodal Yard lease agreement
 - Interest income increase
- Demurrage
 - Rate proposal
- Line Haul & Switching
 - Increase in line haul volumes
 - Rate proposal

Primary Rate Payers

- Line haul traffic
 - BNSF Railway
 - Union Pacific Railroad
 - U.S. Oil Refining
- Miscellaneous switching
 - Local customers requesting additional service
- Locomotive servicing
 - BNSF Railway
 - Union Pacific Railroad
- Demurrage
 - Undo detention of a railcar
 - Local commercial customers
 - Excludes autorack railcar traffic



- BNSF Railway Company
- Union Pacific Railroad
- U.S. Oil & Refining Co.
- Emerald Services Inc.
- MacMillan Piper Inc.
- Northwest Container Service Inc.
- All Others <\$200K Each

Rate Policy

Purpose

The Tacoma Rail Rate Policy provides for rates adequate to ensure the operation, maintenance, and construction of the Department's railway system while providing safe, reliable, cost effective, and reliable service to customers within Tacoma Rail's service area.

Guiding Objectives

Rail rates should:

- a. Be cost based and adequate to recover costs
- b. Be stable
- c. Ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible
- d. Have a customer involvement and review process

TACOMA PUBLIC UTILITIES
TACOMA RAIL

RAIL RATE POLICY
AMENDED
January 2023

Recommended Changes

A. Rail rates should be cost based and adequate to recover Tacoma Rail's costs.

Recommendation

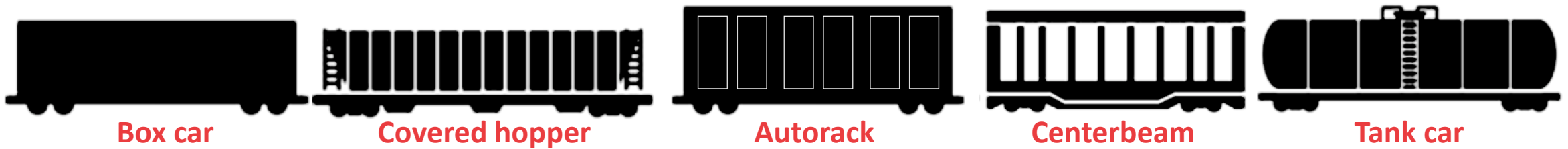
Minor language changes to enhance policy

Proposed Revised Subsection A.5.

The minimum working cash balance shall be sufficient enough to cover **[more than]** 60 days of current budgeted expenditures as outlined in Public Utility Board Policy 3.6, dated August 1992.

Line Haul Railcars vs Platforms

- Railcars can have multiple platforms
- A platform is a location within a railcar that is separated by articulations
 - Mostly limited to intermodal railcars
- Examples of single platform railcars:



- Examples of multiple platform railcars:



Line Haul Rate Analysis

• Intermodal

- Less labor intensive
- More volume
- Yard management
- Higher track wear
- Service windows
- Fewer destinations
- Do not incur demurrage
- Loaded & empty rate

• Commercial

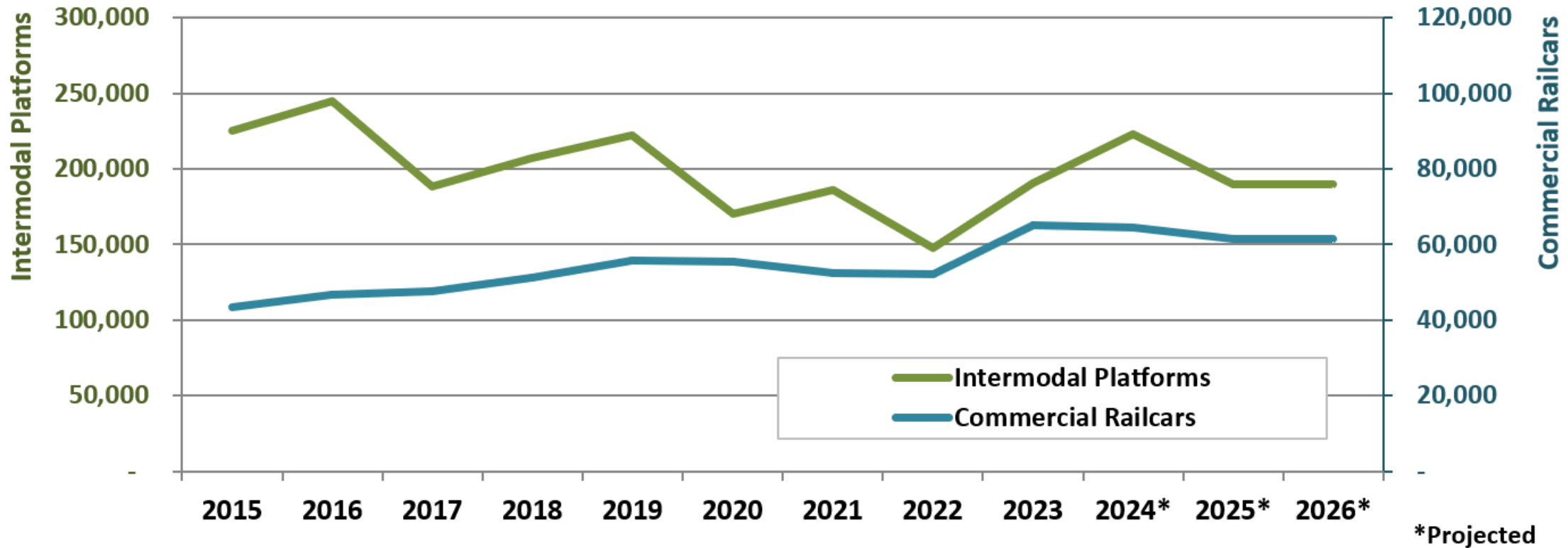
- Labor intensive
- Lower volume
- Less track utilization
- Lower track wear
- Daily service
- More destinations
- Subject to demurrage
- Loaded rate

• Unit Trains

- Hybrid of intermodal & commercial
- Oil spill response plan & drills
- Loaded rate

Line Haul Volumes

- Intermodal volumes increases
- Commercial volumes increases
 - Import automobiles



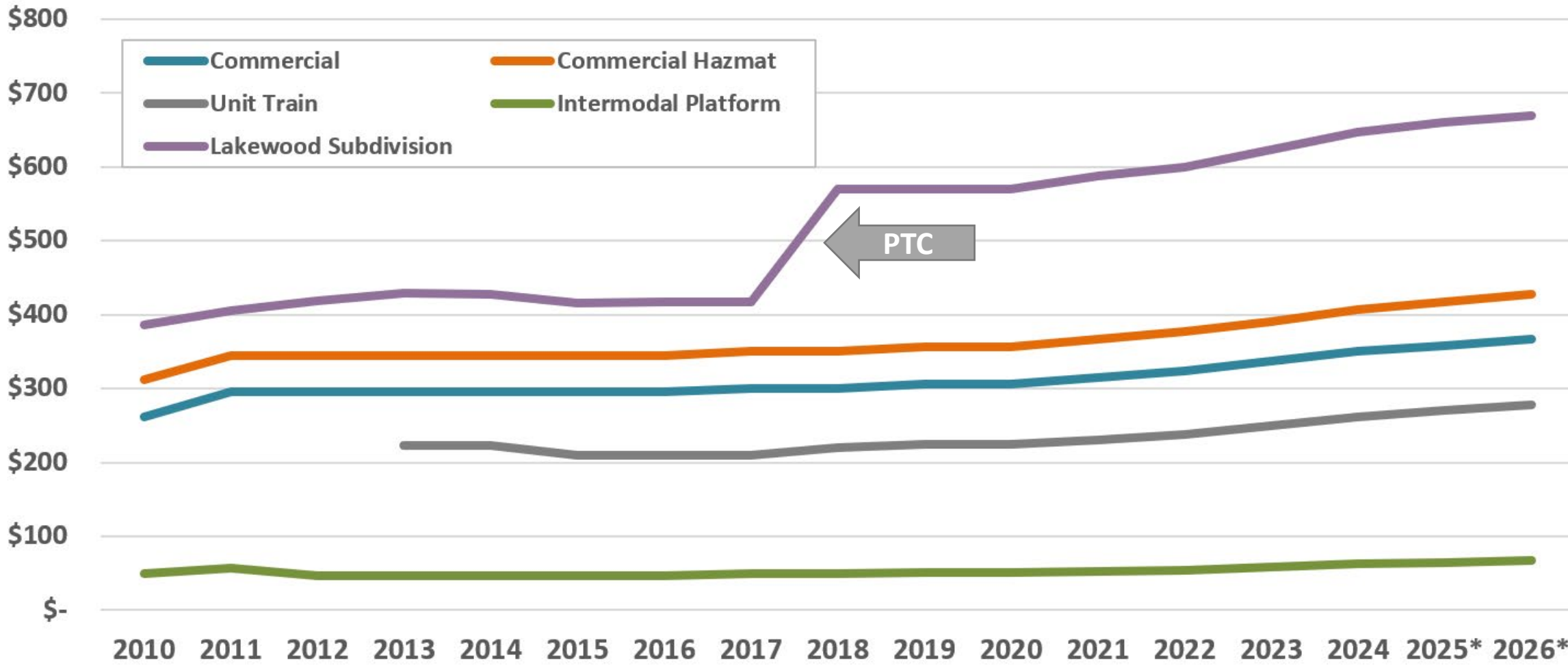
Expected Rate Impact

- Demurrage tariff
 - Last adjusted in 2023
 - Rate change from \$65 to \$70 per day
- Line haul rates
 - Last adjusted in 2024
 - Rate adjustments per year (see chart)
 - 3% intermodal
 - 3% single spot unit trains
 - 2.5%
 - Tidelands commercial
 - Multiple spot unit trains
 - 2% Lakewood Subdivision
- Miscellaneous switching tariff rates
 - Last adjusted in 2023
 - Inter-terminal, intra-terminal, intra-plant
 - Rate adjustment of 3% for 2025

Proposed Line Haul Rates

	2024	Proposed Rates	
		2025	2026
Intermodal	\$ 63.00	\$ 65.00	\$ 67.00
Commercial			
Tidelands Division	350.00	358.00	367.00
Tidelands Division Hazardous	407.00	417.00	428.00
Lakewood Subdivision	647.00	660.00	669.00
Unit Train			
Single Spot	262.00	270.00	278.00
Multiple Spot	350.00	358.00	367.00

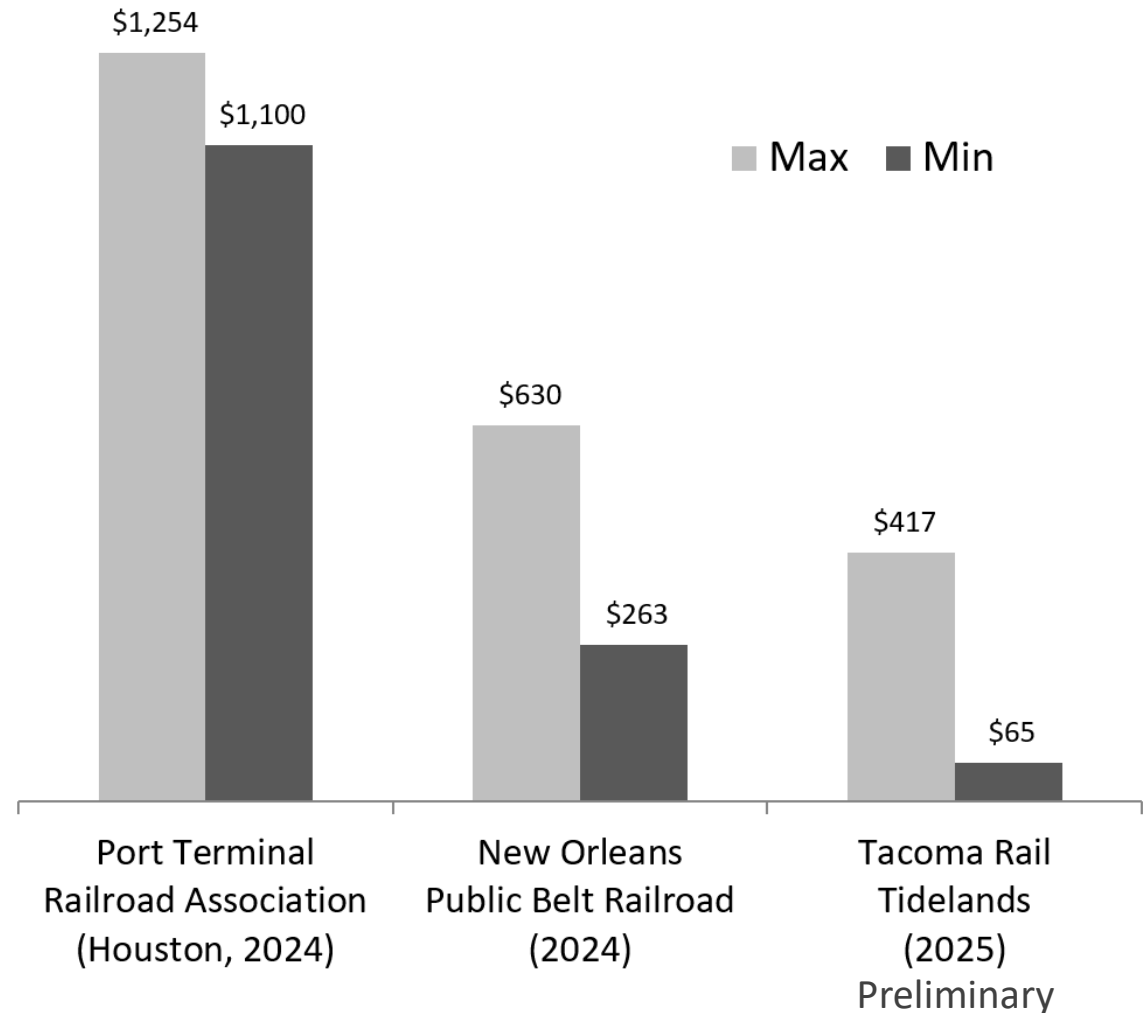
Rates Over Time



*Preliminary

Other Tariff Rates

- Northwest Seaport Alliance (NWSA)
 - July 10th, 2024
 - Rate increases of 5% - 12%
- Other tariff based short lines:



Budget Summary

- FTE's up from 114 to 120
- Line haul volume increases anticipated
- Expenses
 - Employee wages and health benefits
 - Assessments
- Capital
 - Active participation in grants and low finance loan programs
- Rates below benchmark short lines
 - Last rate adjustment in 2024
 - Proposed rate adjustments vary by traffic base

Next Steps

- October
 - Ongoing customer communications
 - 1st – GPFC budget & rates presentation
 - 8th – Joint Council/PUB Study Session presentation
 - 9th – Public Utility Board meeting presentation of preliminary budget & rates
 - 23rd – Public Utility Board consideration of preliminary budget & rates
- November
 - Ongoing customer communications
 - 19th – 1st Council reading
- December
 - 1st – Tariff publication and notifications
 - 3rd – 2nd Council reading
- January
 - 1st – Tariff & Rate Policy effective

Appendix

Revenue

(\$ millions)	Current	Proposed	Increase (Decrease)	
	23/24 Budget	25/26 Budget	Budget to Budget	
Operating Revenue				
Line Hauls & Local	\$ 63.2	\$ 71.4	\$ 8.2	13.0%
Demurrage	3.0	3.2	0.2	6.7%
Locomotive Servicing	2.5	2.6	0.1	4.0%
Miscellaneous Revenues	0.4	0.4	0.0	0.0%
Total Operating Revenue	69.0	77.6	8.6	12.5%
Non-Operating Revenue				
Rent Income	1.0	2.3	1.3	130.0%
Interest Income	0.2	0.5	0.3	150.0%
Total Non-Operating Revenue	1.2	2.8	1.6	133.3%
Current Fund Appropriation	0.2	0.1	(0.1)	(50.0)%
Total Revenue & Available Funds	\$ 70.4	\$ 80.5	\$ 10.1	14.3%

*Note: Rounded values creates some anomalies.

Expenses

(\$ millions)	Current	Proposed	Increase (Decrease)	
	23/24 Budget	25/26 Budget	Budget to Budget	
Expenditures				
Personnel Costs	\$ 36.0	\$ 41.6	\$ 5.6	13.5%
Supplies, Other Services & Charges	19.7	22.2	2.5	11.3%
Taxes	6.7	6.6	(0.1)	-1.5%
Debt Service	1.9	2.7	0.8	29.6%
Capital Outlay	6.1	7.4	1.3	17.6%
Total Expenditures	70.4	80.5	10.1	12.5%
Capital Outlay				
Anticipated Loan/Grants	8.4	21.7	13.4	159.5%
Revenue Financed Capital	5.7	7.4	1.7	29.8%
Total Capital	\$ 14.1	\$ 29.1	\$ 15.1	107.1%

*Notes: Rounded values creates some anomalies.

Assessments

	Current	Proposed	Increase (Decrease)	
	23/24 Budget	25/26 Budget	Budget to Budget	
<i>(\$ millions)</i>				
GG Assessments				
Information Technology	\$ 1.6	\$ 1.9	\$ 0.3	18.8%
Human Resources	0.5	0.6	0.1	20.0%
Legal	0.4	0.4	0.0	0.0%
Finance	0.7	0.6	(0.1)	(14.3)%
Other	0.6	0.5	(0.1)	(16.7)%
Total General Government	3.8	4.0	0.2	5.3%
TPU Assessments	1.2	1.4	0.2	16.7%
Total Assessments	\$ 5.0	\$ 5.4	\$ 0.4	8.0%

*Notes: Rounded values creates some anomalies.

- **Taxes to General Fund**

Current	Proposed	Increase (Decrease)	
23/24 Budget	25/26 Budget	Budget to Budget	
\$5.7	\$6.6	\$0.9	13.6%

- **State taxes**

Current	Proposed	Increase (Decrease)	
23/24 Budget	25/26 Budget	Budget to Budget	
\$1.0	\$1.2	\$0.2	16.7%

*Note: Rounded values creates some anomalies.

Capital

(\$ millions)	Current	Proposed	Increase (Decrease)	
	23/24 Budget	25/26 Budget	Budget to Budget	
Capital Projects				
General Plant	\$ 0.0	\$ 0.0	\$ 0.0	0.0%
Communications	0.0	0.0	0.0	0.0%
Facility Upgrades	1.8	1.9	0.1	2.8%
Rail Equipment	5.4	19.8	14.5	270.1%
Track Improvement	6.9	7.5	0.6	8.9%
Total Capital Projects	14.1	29.1	15.1	107.0%
Capital Funding Sources				
Current Fund	5.7	7.4	1.7	29.3%
New Debt/Grants	8.4	21.7	13.4	160.3%
Total Funding Sources	\$ 14.1	\$ 29.1	15.1	107.0%

*Note: Rounded values creates some anomalies.