



RESOLUTION NO. U-11488

1 A RESOLUTION relating to Tacoma Rail; approving changes to the Tacoma
2 Rail Rate Policy and requesting that the Council of the City of Tacoma
also approve such changes.

3 WHEREAS the City of Tacoma, Department of Utilities, Beltline Division
4 ("Tacoma Rail"), is proposing an update to its Rail Rate ("Policy"), to include a
5 ceiling on its working cash balance, and
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7 WHEREAS the Policy was last updated January 1, 2023, and

8 WHEREAS historically, the Rate Policy has had a minimum cash
9 balance of 60 days of current budgeted expenditures as initiated in Public Utility
10 Board Policy 3.3, dated August 1992, and

11 WHEREAS a minimum cash balance has been established to protect
12 against the loss or delay in the receipt of revenues, and

13 WHEREAS a healthy cash balance allows for the timely payment of
14 obligations incurred, flexibility when actual revenues are less than budgeted
15 revenues, and provides a buffer to alleviate cash flow patterns inherent in
16 operating a railroad, and

17 WHEREAS while a minimum cash balance has been established, a
18 maximum has not, and

19 WHEREAS to recognize the responsibility Tacoma Rail has in its Rate
20 Policy to be cost-effective and rates should ensure sufficient resource planning
21 and acquisition for reliable service while being as competitive as possible, a
22 working cash balance to not exceed 180 days of current budgeted expenditures
23 is recommended, and
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WHEREAS it now appears in the best interest of the City that the updates to Tacoma Rail's Rate Policy, which will be effective in 2025, be approved; Now, therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the proposed 2025 updates to Tacoma Rail's Rate Policy set forth in Exhibit A and on file with the Clerk of the Board are approved, and the Council of the City of Tacoma is requested to also approve such updates in Exhibit A in a final form approved by the City Attorney's Office.

Approved as to form:

	Chair
/s/	
_____	_____
Chief Deputy City Attorney	Secretary
_____	Adopted _____
Clerk	



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Alan Matheson, Superintendent, Tacoma Rail
MEETING DATE: October 23, 2024
DATE: October 11, 2024

SUMMARY: The Rail Division requests authorization to update Tacoma Rail's Rate Policy to include a ceiling on the working cash balance.

BACKGROUND: Tacoma Rail's Rate Policy was last updated January 1, 2023. Historically, the Rate Policy has had a minimum cash balance of 60 days of current budgeted expenditures as initiated in Public Utility Board Policy 3.6, dated August 1992.

A minimum cash balance has been established to protect against the loss or delay in the receipt of revenues. A healthy cash balance allows for the timely payment of obligations incurred, flexibility when actual revenues are less than budgeted revenues, and provides a buffer to alleviate cash flow patterns inherent in operating a railroad.

While a minimum has been established, a maximum has not. To recognize the responsibility Tacoma Rail has in its Rate Policy to be cost effective and rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible, a working cash balance to not exceed 180 days of current budgeted expenditures is recommended.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes.

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

N/A.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? No.

ATTACHMENTS: Rail Rate Policy 2025 Changes, Rail Rate Policy 2025.

CONTACT:

Primary Contact: Daniel McCabe, Rail Chief Information/Finance Officer, 253-396-3040
Supervisor: Alan Matheson, Superintendent, 253-502-8934



TO: Elizabeth Pauli, City Manager
FROM: Daniel McCabe, Division Manager, Tacoma Rail
Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: City Council and City Clerk
SUBJECT: Ordinance – Update Rail Rate Policy – November 5, 2024
DATE: October 11, 2024

SUMMARY AND PURPOSE:

TPU Rail requests authorization to update Tacoma Rail’s Rate Policy to include a ceiling on the working cash balance.

BACKGROUND:

This Department’s Recommendation is Based On: Tacoma Rail’s Rate Policy was last updated January 1, 2023. Historically, the Rate Policy has had a minimum cash balance of 60 days of current budgeted expenditures as initiated in Public Utility Board Policy 3.6, dated August 1992.

A minimum cash balance has been established to protect against the loss or delay in the receipt of revenues. A healthy cash balance allows for the timely payment of obligations incurred, flexibility when actual revenues are less than budgeted revenues, and provides a buffer to alleviate cash flow patterns inherent in operating a railroad.

While a minimum has been established, a maximum has not. To recognize the responsibility Tacoma Rail has in its Rate Policy to be cost effective and rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible, a working cash balance to not exceed 180 days of current budgeted expenditures is recommended.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Tacoma Rail’s primary rate payers are BNSF Railway Co. and Union Pacific Railroad. Tacoma Rail provides railroad services to customers primarily in the Port of Tacoma area. The proposed rate policy changes have been communicated through public meetings.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

No direct positive or negative impacts on equity, equality, diversity, or inclusion are anticipated to result from enacting this legislation.

Economy/Workforce: Equity Index Score: Select Index Score.

Increase positive public perception related to the Tacoma economy.

Explain how your legislation will affect the selected indicator(s).

Mission: Tacoma Rail’s employees work safely to provide reliable and environmentally sound services that are vital to our customers and community. Tacoma Rail supports new and existing business developments that utilize rail transportation. Rail infrastructure improvements and assets contribute to providing rail service for economic



growth and stability.

ALTERNATIVES:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. No Rail Rate Policy changes	None	A working cash balance exceedance limit threshold will not be established.
2.		
3.		

EVALUATION AND FOLLOW UP:

The working cash balance will be tracked and reported to the Tacoma Public Utility Board on a quarterly basis.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Rail recommends approval of the proposed update to the Tacoma Rail Rate Policy to include the working cash balance exceedance limit threshold.

FISCAL IMPACT:

No fiscal impacts associated with the action.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. Fund 4500			\$0
2.			
TOTAL			\$0

What Funding is being used to support the expense?

N/A

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

NO, PLEASE EXPLAIN BELOW

The change in the Rail Rate Policy has no associated expenditures or revenues.

Are there financial costs or other impacts of not implementing the legislation?

No

Will the legislation have an ongoing/recurring fiscal impact?

No

Will the legislation change the City's FTE/personnel counts?

No



City of Tacoma

City Council Action Memorandum

ATTACHMENTS:

- Rail Rate Policy 2023 Changes
- Rail Rate Policy 2023

TACOMA PUBLIC UTILITIES
TACOMA RAIL

RAIL RATE POLICY
AMENDED
January 2025~~3~~

Tacoma Public Utilities Tacoma Rail

- I. **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, cost effective, and reliable service to customers within Tacoma Rail's service area.

- II. **Objective for Rail Rate Policy**
 - A. Rail rates should be cost based and adequate to recover Tacoma Rail's costs.
 - B. Rail rates should be stable.
 - C. Rail rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible.
 - D. Rail rates should have a customer involvement and review process.

- III. **Policies**
 - A. Rail rates should be cost based and adequate to recover Tacoma Rail's costs.
 1. Revenue requirements will be developed utilizing an average embedded cost-of-service methodology.
 2. Rates charged for each blended class of service will be set to reflect the cost of supplying that service. Any exceptions to cost-of-service principles will be explicitly noted in this policy.
 3. The limit of debt to total assets shall be set up to a maximum of 40%.
 4. The debt service coverage ratio shall be at least 1.5, or the ratio established by the Public Utility Board.
 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. Working cash balance shall not exceed 180 days of current budgeted expenditures.
 6. Major capital projects will be financed primarily with debt or grant opportunities. The term of the debt financing will not be longer than the useful life of the capital project.
 7. Switch tariff fuel surcharges shall be based on actual costs over an established threshold rather than an industry index.

 - B. Rail rates should be stable.
 1. Rates will be based on best estimates of rail volume. Operating revenue surpluses due to unanticipated rail volume growth may be applied to the Volume Investment Fund, a sub-fund of Tacoma Rail's enterprise fund. To establish a balance to the fund, an initial \$500,000 will be transferred to the sub-fund when created.
 2. To the extent possible, rate adjustments will not exceed general inflationary trends. Phased-in adjustments over a limited time may be used for projects requiring a considerable change in rate levels.

3. Rate classes may be established by blending customers, similar use and service characteristics.
 4. A rate surcharge may be proposed under unusual conditions such as an unanticipated slowdown in rail activity.
- C. Rail rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible.
1. Rail rates will be designed to meet the changing needs of the customer.
 2. The character and volume of service will be factors in apportioning costs, developing rates, and tariff revisions.
 3. A standard, currently one to one, will be used to determine the amount of staging rail relative to operating rail. The cost associated with providing that staging rail will be apportioned based upon class use.
 4. Tacoma Rail maintains a Volume Investment Fund, a sub-fund of Tacoma Rail's enterprise fund, that provides revenue requirement flexibility during times of unanticipated economic downturns or capital spending that may be used to offset the necessity of rate increases. Use of the fund will be limited to:
 - a. Workforce stability to ensure staffing retention for service reliability and resiliency when rail volumes rebound after a downturn.
 - b. Locomotive upgrades to sustain Tacoma Rail's environmental leadership goals.
 - c. Timely acquisition, replacement and upgrade of infrastructure and capital assets.
 - d. Grant or debt matching opportunities.
- D. Rail rates should have a customer involvement and review process.
1. At a minimum, rates will be reviewed every two years with a full revenue requirement study performed.
 2. Rate presentations will be given to the Class I Carriers and customers of Tacoma Rail, including the Port of Tacoma as needed.
 3. Tariff revision recommendations will be communicated to Tacoma Rail rate paying customers whose rates are affected at least 20 days ahead of the proposed effective day and before City Council approval.
 4. Meetings of the Tacoma Public Utility Board and City Council are open to the public and all interested parties.
 5. Written public comment or inquiries from all customer classes concerning rail rate proposals and policies will be encouraged and will be responded to in a timely manner.
 6. The timing and amount of any upcoming rate adjustment will be well publicized in advance of the implementation date.