

1 June 29, 2022

MOTION

I hereby move that the following motion be approved:

22-12. The Department of Public Utilities, Beltline Division's 2022-2026 Strategic Plan, as submitted and filed with the Clerk of the Board, be accepted and approved.

2022-2026 Strategic Plan



TACOMA RAIL
TACOMA PUBLIC UTILITIES

Our Mission

Tacoma Rail's employees work safely to provide reliable and environmentally sound services that are vital to our customers and community.



TACOMA RAIL
TACOMA PUBLIC UTILITIES

Introduction

I am pleased to present our Tacoma Rail 2022 – 2026 Strategic Plan. This Plan is the culmination of months of work among employees, customers, stakeholders, and input from the Port of Tacoma, Northwest Seaport Alliance, Public Utility Board, and local elected officials. Engaging these parties in the development of the proposal allowed every stakeholder an opportunity to offer useful information and ideas. The result is a program that recognizes the strengths, challenges, and opportunities for Tacoma Rail over the next five years and a path to achieving the short and long-term goals we identify in it. Our focus has always been to provide safe, responsive service to our customers and that focus will continue through this project, enabling us to prepare for the future.

Thank you to all who helped us develop this document. Everyone plays an important role in assisting us fulfill our mission and realize our vision to capitalize on the opportunities in this Strategic Plan.

Dale King
Superintendent



TACOMA RAIL
TACOMA PUBLIC UTILITIES

Quick Facts

- Operates as the Belt Line Division of Tacoma Public Utilities since 1914.
- Regulatory oversight under the jurisdiction of the federal Surface Transportation Board (STB) and Federal Railroad Administration (FRA) as a Class III common carrier short line railroad.
- Supported by ratepayers like the BNSF Railway, Union Pacific Railroad, and other commercial customers.
- Operates as a cost-of-service business with service rates covering operating expenses.
- Employs approximately 115 people.
- Maintains about 120 miles of railroad tracks owned by the City of Tacoma.
- Provides freight rail switching services using 18 locomotives to 52 industrial customers.
- Railroads are the most environmentally-friendly method to transport freight. Our industry average is the ability to move one ton of freight about 475 miles on a single gallon of fuel.



An aerial view of the Tacoma Tideflats and Port of Tacoma depicting rail lines.

Areas of strategic focus and objectives



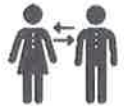
- **Diversity, Equity, Inclusion, and Employee Relations**

- Develop and implement opportunities to further diversify our workforce.
- Institute measures for a safe and productive work environment where everyone feels valued.



- **Stakeholder Engagement, Customer Service, Reliability and Resiliency**

- Remain engaged with community activities and organizations.
- Strengthen our partnership with the Puyallup Tribe.
- Cultivate relationships with customers to ensure their needs are met.
- Engage in long-term planning to anticipate and mitigate risks to operational readiness and rebound from service interruptions.



- **Financial Stability and Rates**

- Maintain adequate resources to provide safe and reliable freight rail services.
- Ensure rates are competitive and reasonable.
- Establish a volume investment fund as a buffer against volatility in the global economy and interruptions in the multimodal supply chain.





- **Growth and Economic Development**

- Coordinate with the Port of Tacoma and NWSA to attract industries that use our services and increase freight volumes through Tacoma's gateway.
- Work with local and regional economic development organizations to identify ways to grow our business.



- **Environmental Leadership**

- Identify ways to accelerate emission reductions from our locomotives.
- Coordinate with Class I railroad partners to develop our service offerings to support their deployment of alternate fuel locomotives.
- Align with the Northwest Ports Clean Air Strategy — 2020, and Tacoma Community Climate Action Plan and VISION 2050 objectives.
- Maintain our Oil Spill Contingency Plan and other emergency response programs in collaboration with stakeholders.
- Collaborate with the Western Clean Rail Collaborative, Puget Sound Clean Air Agency, and other agencies on climate change initiatives.



- **Government Relations**

- Maintain effective relationships with federal, state, and local officials and agencies.
- Build and strengthen our partnership with the Puyallup Tribe.
- Work with industry trade groups and help enhance safety, environmental leadership, and economic vitality.

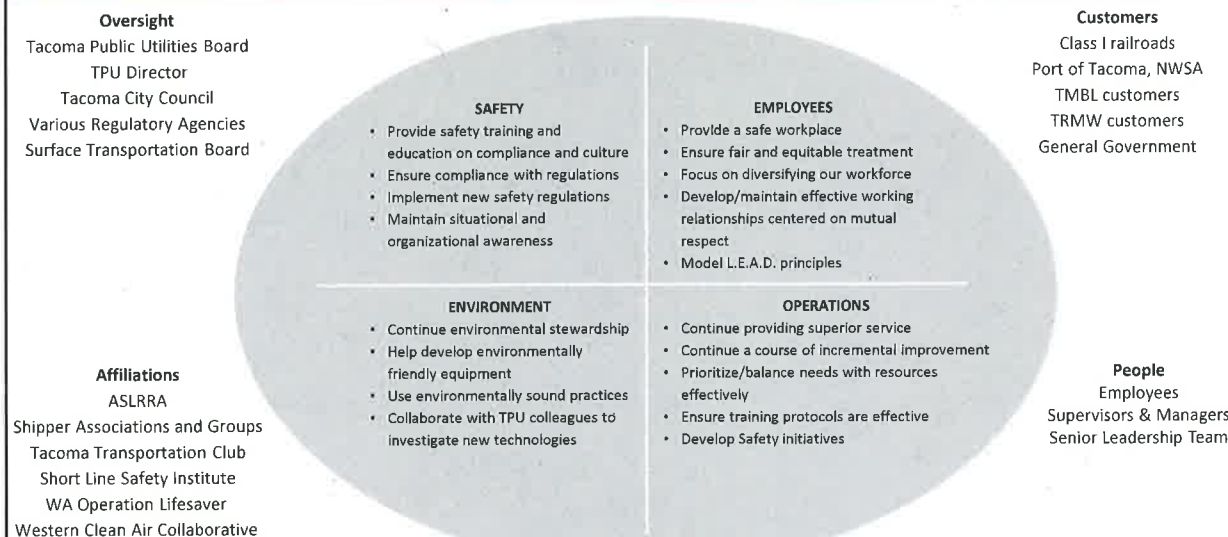


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Tacoma Rail's employees work safely to provide reliable and environmentally sound services that are vital to our customers and community.

Our Relationship to Stakeholders



Plan Development



Stakeholder Interviews

- Customers
- Port of Tacoma
- Northwest Seaport Alliance
- Puyallup Tribe
- Mayor Woodards
- TPU Board leadership



Employee Interviews

- Senior leadership team
- Front line managers
- Union leaders
- Other employees

SWOT Analysis



Strengths

- Employees
- Customer service satisfaction
- Class I railroad partners
- Fiscally responsible performance
- Sustained investment

Opportunities

- Continue improvements in safety
- Reduce costs imposed by others to enhance competitiveness
- Partner with Puyallup Tribe
- Grow domestic intermodal business (SIM Yard)
- Show environmental leadership
- Grow locomotive servicing business
- Investigate opportunities to operate UP Fife Yard
- Establish Volume Investment Fund

Weaknesses

- Inconsistent communication and lack of internal trust
- Reliance on others for property and business development opportunities/volumes
- Inaccurate perception that our rates are a barrier to competition

Threats

- Failure to improve internal relationships
- Inconsistent coordination with Port and NWSA
- Lack of developable land
- Port of Vancouver/Port of Prince Rupert
- West Coast Ports/U. S.

Areas of Strategic Focus



- Diversity, Equity, and Inclusion
 - Employee relations
- Stakeholder engagement
 - Customer service and resource planning
 - Reliability and resiliency
- Financial stability and rates
- Growth and economic opportunities
- Environmental leadership
 - Innovation
- Government relations



Diversity, Equity, & Inclusion and Employee Relations



Our objectives

SD1
Equity and
Inclusion



SD12
Employee
Relations



- Ensure a safe, productive work environment for all employees
- Find ways to further diversify our workforce to more closely mirror Tacoma's demographics
- Foster an environment of mutual respect
- Address employees' concerns regarding unfair treatment, lack of respect or that their frustrations are not heard or acknowledged.



Stakeholder Engagement



SD4
Stakeholder
Engagement



- Regularly engage with TPU, City of Tacoma, and enhance engagement with the Puyallup Tribe, and other stakeholders.
- Enhance community understanding of our operations, programs, and services.
- Interact with local, state, and federal governments and regulatory agencies.
- Remain involved with community activities and organizations.



Customer Service & Resource Planning



SD13
Customer
Service



SD14
Resource
Planning



Maintain active engagement:

- Regularly communicate with customers to ensure we provide the highest level of customer service.
- Conduct customer surveys and track trends to determine their views on service and provide the results to TPU leadership, railroad employees, and customers.
- Implement improvements to service offerings in areas where customers have identified deficiencies.
- Anticipate long-term planning of rail services that meet or exceed customer needs.



Reliability & Resiliency



SD7
Reliability and
Resiliency



- Provide safe, reliable services.
- Deliver intermodal trains at least 95% on-time and commercial cars at least 85% on-time.
- Ensure compliance with applicable safety regulations.
- Maintain Oil Spill Contingency Plan and other emergency response procedures, in collaboration with stakeholders.
- Develop and implement programs and protocols emphasizing safety culture among all employees.



Financial Stability & Rates



SD2 Financial Stability



SD3 Rates



- Continue to provide safe and reliable rail services by maintaining a sustainable budget, financial and asset management practices.
- Ensure rates are adequate, competitive, and reasonable.
- Establish rates based on cost-of-service analysis.
- Provide fair treatment to all customers on rates and services.
- Meet budget projections and goals.
- Maintain required amount of cash on hand.
- Show that some costs are added and not within our control.
- Establish a Volume Investment Fund.

Growth & Economic Opportunities



SD9 Economic Development/ Undergrounding



- Coordinate with TPU partners on economic development opportunities.
- Coordinate with the Port and NWSA to attract industries that use rail services.
- Work with regional economic development organizations
- Grow our domestic and international intermodal business
- Provide additional service to Auto Warehousing Company
- Pursue domestic automotive intermodal traffic
- Anticipate ways to evolve our locomotive servicing offerings to our Class I partners



Environmental Leadership/Innovation



SD11
Decarbonization/
Electric Vehicles



- Tacoma Climate Action Plan Objectives
 - Identify ways to accelerate the decarbonization of Rail's locomotive fleet.
 - Work with TPU Fleet to modernize passenger vehicles.
- Align environmental objectives with & participate in:
 - Tacoma 2025 Shared Vision/Shared Future Environmental Sustainability Program.
 - TPU environmental leadership activities and programs.
 - Northwest Ports Clean Air Strategy – 2020.
 - Western Clean Rail Collaborative

Environmental Leadership / Innovation Narrative



SD5
Environmental
Leadership



SD11
Decarbonization/
Electric Vehicles



Ensure Rail remains a vigilant steward of the environment.

- Develop and implement strategies to reduce emissions, advance sustainability practices, engage in environmental preservation & protection, and promote climate resilience through these initiatives:
 - Achieve annual goals in the Resource Conservation & Climate Plans (RCCP).
 - Coordinate with the BNSF and UP to understand their research and plans to deploy alternate fuel locomotives; use the information to anticipate necessary facility adaptations and evolve/expand service offerings.
- Mitigate environmental impacts by engaging with the U.S. EPA and Washington State Department of Ecology.
- Adjust and refine our Oil Spill Contingency Plan to match regulatory requirements and business patterns. Drill to enhance skills and responses to real-world scenarios.

Innovation



SD6
Innovation



- Identify barriers to innovation and develop strategies to overcome challenges.
 - Seek grants from federal and state sources to fund new technologies.
- Improve processes, services and communication tools.
- Adopt new technologies and equipment to serve customers and manage assets.

Government Relations



SD10
Government
Relations



- Maintain effective working relationships with federal, state and local officials and agencies.
- Build and strengthen respectful and mutually-productive relationships with the Puyallup Tribe.
- Coordinate with TPU government relations to ensure consistent reports to government entities.
- Report significant policy or regulatory initiatives that could affect Tacoma Rail at the federal, state, and local levels to TPU leadership (e.g. crew size mandate).

Mountain Division: TRMW



- We operate on behalf of Public Works pursuant to an Operating Agreement approved in 2011.
- Revenues and expenditures accrue on a separate ledger tied to the Dept. of Public Works (Fund 4120).
- Rail wouldn't support a proposal that ownership be transferred to TPU.
- Any further divestment would not impact Rail's operations on the South Tacoma line or result in a reduction of staff.

Implementation Plan



Implementation Plan

- ✓ Get buy-in/guidance from the Tacoma Public Utility Board.
- ✓ Ensure alignment with our employees.
- Present for TPU Board comments and approval.
- Share with stakeholders.
- Develop action plan with prioritized opportunities.
 - Consistent with Director's work plan.
 - Incorporate into Business Unit Goals.
- Adjust as needed over initial five years.
- Report on outcomes of each element.
 - Strategic Directives updates.
 - Business Unit Goals performance.