2027-2028
Preliminary Budget & Rates

TACOMA RAIL
TACOMA PUBLIC UTILITIES

2026 Budget & Rates Timeline

JAN
Start

FEB
Data Cleanup

MAR
Shared Services

Allocation Models

- 3/11:
  - Rate and Financial Policies
  - Reserves
  - Financing Updates (if needed)

APR
Initial Estimates

- 4/22:
  - TPU Shared Services (Proposed Major Changes)

MAY
Military Protocol

- 5/13: Operating Divisions (Proposed Major Changes)
- 5/27:
  - LRFP (Long-Range Financial Plan)
  - Cost Recovery Revenues
  - System Average Rates

JUN
- 6/10:
  - Utility Assistance Update

JUL
Revised Estimates

- 7/08:
  - Draft Expenditure Budgets
- 7/22:
  - Draft Revenues and Rates
  - GG Shared Services

AUG
Near Final Estimates

- 8/12: Follow-up Topics
- 8/18: GPFC
  - Utilities (TPU, ES) Budget & Rates

We are here

SEP
Outreach Begins

Balanced Budget

- 9/09: Budget & Rate Recommendations (Customer Services, Tacoma Rail)
- 9/23: Budget & Rate Recommendations (Tacoma Power, Tacoma Water)

OCT
Utility Board Approval

- 10/14:
  - CC/PUB Joint Study Session
  - Public Hearing
  - PUB 1st Reading
- 10/28: PUB 2nd Reading

NOV - DEC
City Council Approval

- 11/03: CC 1st Reading
- 11/17: CC 2nd Reading

Risks, Challenges & Cost Drivers

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Challenges

- Fuel expense
- Inflation
- Labor market adjustments
- Personnel benefits
- Aggressive locomotive modernization

Risks

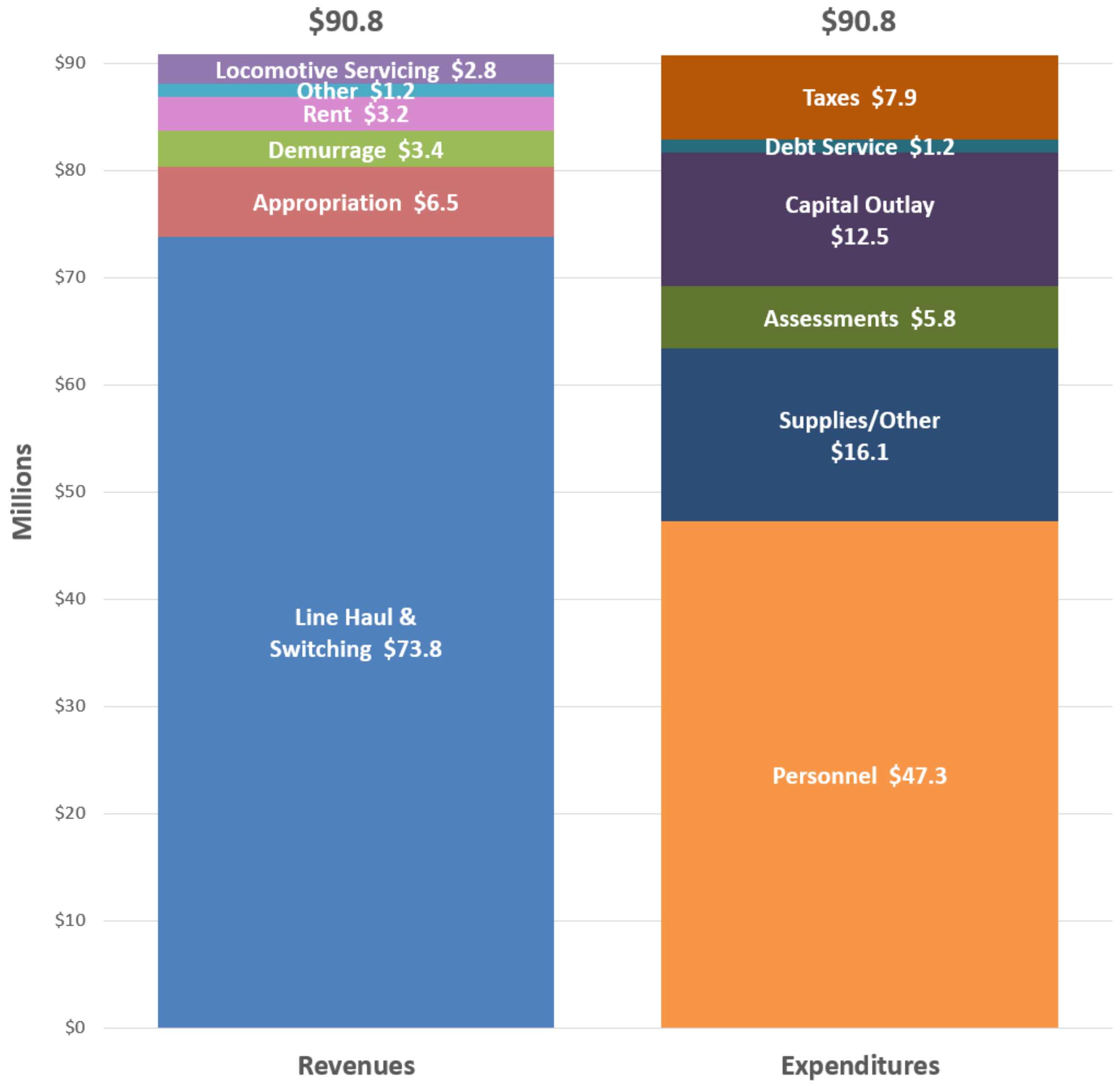
- Economic cycles and Inflation
- Line haul volumes
- Policy or regulatory changes

Mitigation Strategies

- Net-zero FTE target
- Start/Stop/Continue Initiative
- Rail Volume Investment Fund
- Grants, loans, capital deferment
- Fuel surcharge
- Ongoing experience with regulatory changes
- Fiscal accountability

Preliminary Revenue & Expenditures

- **Total Budget: $91.3M**
- **Revenues**
  - Increases to all revenues
  - Line Haul & Switching due to proposed rates
  - Demurrage & Locomotive Servicing due to trends
  - Rent due to South Intermodal Yard (SIM)
  - Large Appropriation from Current Fund
- **Expenditures**
  - Personnel cost increases
  - Large Capital Outlay



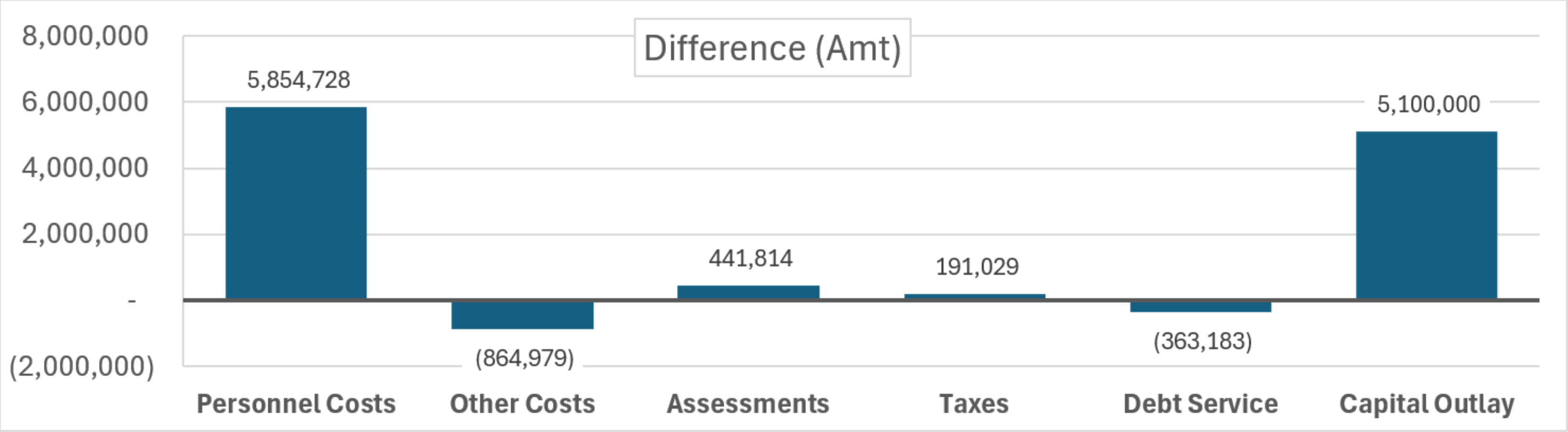
Preliminary Expenditure Summary

Budget Comparison

		2025-2026 (Current)	2027-2028 (Preliminary)	Difference (Amt)	Difference (%)
FUND 4500	Personnel Costs	41,417,459	47,272,187	5,854,728	14%
	Other Costs	17,010,329	16,145,350	(864,979)	(5%)
	Assessments	5,376,561	5,818,375	441,814	8%
	Taxes	7,718,971	7,910,000	191,029	2%
	Debt Service	1,568,763	1,205,580	(363,183)	(23%)
	Capital Outlay	7,395,000	12,495,000	5,100,000	69%
	Total	80,487,083	90,846,492	10,359,409	13%
	Budgeted FTE	120.00	120.00	-	-

Budget Highlights

- Net zero FTE's
- Benefits increases beyond COLA's
- Assessment increases
- Debt service decrease
- Large Capital Outlay increase due to locomotive projects



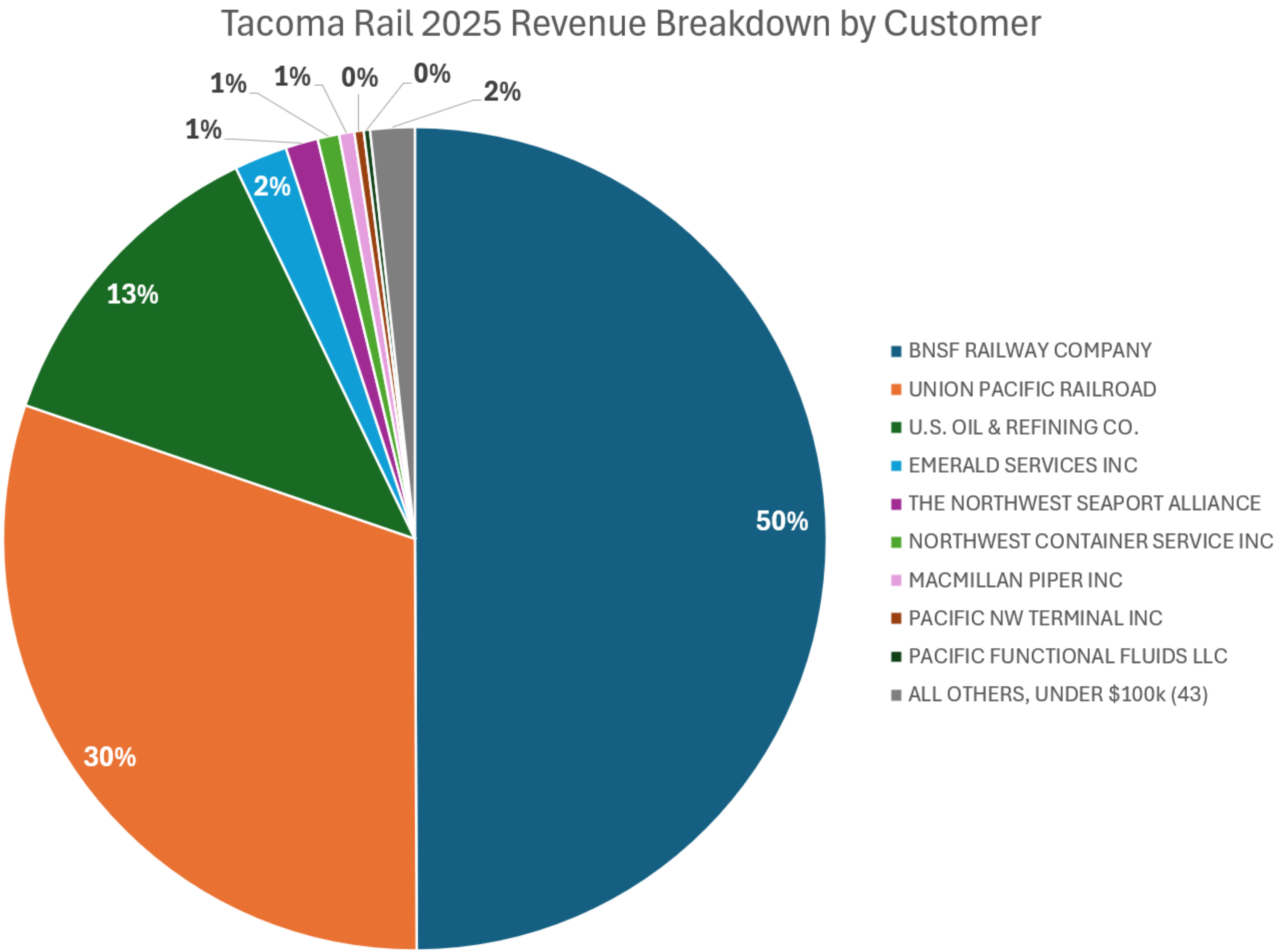
Capital Outlay

- **Facility Upgrades: $1.7M**
  - BEL Charging Stations
  - Camera System Enhancement
  - Admin Building Retrofits
  - DEF Tank
- **Equipment/Vehicles: $32.3M**
  - Locomotive Repowers
  - Dump Truck Bed Upfit
  - Vehicles
- **Track Improvements: $4.8M**
  - Tidelands Infrastructure
  - Milwaukee Crossover, Port Main, Port Pass & Signal Upgrade
  - AEI Reader

- **Total Capital: $37.8**
- **Grants/Loans: $25.3**
- **Current Fund: $12.5**

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 & intermodal railcar traffic



Proposed 2027-2028 Rates

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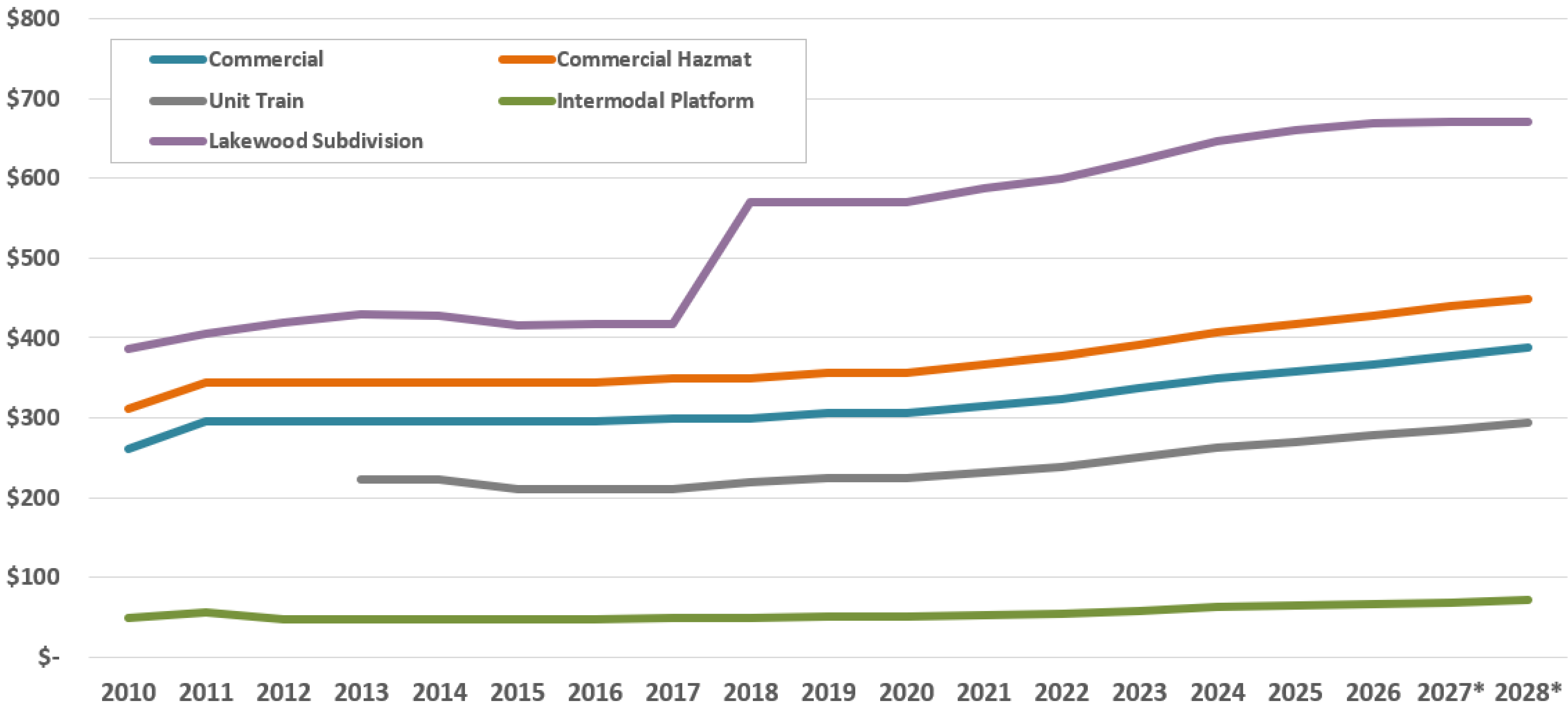
- **Demurrage tariff**
  - Last adjusted in 2025
  - No proposed changes
- **Line haul rates**
  - Last adjusted in 2026
  - 3% Rate adjustments per year (see chart)
    - Intermodal
    - Tidelands commercial
    - Single spot unit trains
    - Multiple spot unit trains
  - 2% average system rate adjustment
- **Miscellaneous switching tariff rates**
  - Last adjusted in 2025
  - Inter-terminal, intra-terminal, intra-plant, special switches
  - Rate adjustment of 3% for 2027

Line Haul Rates

		Proposed Rates	
	2026	**2027**	**2028**
Intermodal	$ 67.00	$ 69.00	$ 71.00
Commercial			
Tidelands Division	367.00	378.00	388.00
Tidelands Division Hazardous	428.00	439.00	449.00
Lakewood Subdivision	669.00	670.00	670.00
Unit Train			
Single Spot	278.00	286.00	294.00
Multiple Spot	367.00	378.00	388.00

Historical Rate Comparison



*proposed

Preliminary Revenue Summary

	2025-2026 (Current)	2027-2028 (Preliminary)	Difference (Amt)	Difference (%)
Switching Revenues				
Line Hauls	67,526,600	70,153,000	2,626,400	4%
Line Hauls Capital Division	903,720	911,200	7,480	1%
Local & Miscellaneous	2,958,216	2,769,876	(188,340)	(6%)
Demurrage	3,240,000	3,360,000	120,000	4%
Total Switching Revenues	**74,628,536**	**77,194,076**	**2,565,540**	**3%**
Locomotive Servicing	2,547,420	2,773,200	225,780	9%
Miscellaneous Revenues	426,600	426,600	-	-
Total Operating Revenues	**77,602,556**	**80,393,876**	**2,791,320**	**4%**
Other Income				
Rent Income	2,300,000	3,192,000	892,000	39%
Interest Income	480,000	768,000	288,000	60%
Appropriation from Current Fund	104,527	6,492,616	6,388,089	6111%
Total Revenue & Available Funds	**80,487,083**	**90,846,492**	**10,359,410**	**13%**

Next Steps

Oct

- Joint Study Session (City Council/Public Utility Board)
- TPU Budget & Rates
  - Public Hearing
  - Consideration – 1st PUB Reading
  - Approval – 2nd PUB Reading

Nov

- City Council – 1st Reading
- City Council – 2nd Reading

Questions?

TACOMA PUBLIC UTILITIES