Tacoma Rail Budget Strategy & Overview

Dale W. King, Superintendent
State of the Utility: Customers

- **Primary Rate Payers**
  - BNSF
  - Union Pacific
  - U.S. Oil Refining

- **Top 8 line haul revenue customers in 2023**
  - Represent 91% of total
  - Green heatmap
  - Values in millions

<table>
<thead>
<tr>
<th>Customer</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Oil Refining Co.</td>
<td>$6.73</td>
<td>$6.91</td>
<td>$7.72</td>
</tr>
<tr>
<td>Auto Warehousing</td>
<td>$3.27</td>
<td>$3.13</td>
<td>$4.24</td>
</tr>
<tr>
<td>Washington United Terminals</td>
<td>$3.48</td>
<td>$2.70</td>
<td>$4.18</td>
</tr>
<tr>
<td>Wallenius Wilhelmsen Solutions</td>
<td>$0.54</td>
<td>$0.65</td>
<td>$4.03</td>
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<tr>
<td>North Intermodal</td>
<td>$4.15</td>
<td>$2.44</td>
<td>$3.37</td>
</tr>
<tr>
<td>South Intermodal Yard</td>
<td>$0.20</td>
<td>$0.17</td>
<td>$2.27</td>
</tr>
<tr>
<td>Seaport Sound Terminal</td>
<td>$1.36</td>
<td>$1.90</td>
<td>$1.86</td>
</tr>
<tr>
<td>Pierce County Terminal</td>
<td>$0.72</td>
<td>$0.87</td>
<td>$1.21</td>
</tr>
</tbody>
</table>

Total $20.45 $18.77 $28.87
State of the Utility

• Financial
  • Managing expenses
  • Large capital projects
  • Increases in rail traffic

• Budget Performance
  • 2023 budget performance
    • Revenue $5.7M over
    • Expense $3.0M over
  • 2021/2022 budget performance
    • Revenue $19.3M under
    • Expense $6.3M under
Primary Budget Strategy & Drivers

Strategy

• Rail’s Strategic Plan
  • Equity, Inclusion, Diversity, & Employee Relations
  • Stakeholder Engagement
  • Customer Service
  • Resource Planning
  • Reliability & Resiliency
  • Innovation
  • Financial Stability
  • Growth & Economic Opportunities
  • Environmental Leadership

Drivers

• Railcar volumes
  • Projections are difficult
• Labor costs
• Inflation
  • 3.5% in March
• Assessments
  • SAP
Challenges & Opportunities

Challenges
• Supply chain interruptions
• Railcar volume consistency
• Car hire costs
• Mandates

Opportunities
• Grants & zero interest loans
• Line haul volume growth
• Demurrage tariff adjustments
• Active participation in legislation
• Locomotive assets
  • Battery electric
• South Intermodal Yard
South Intermodal Yard (SIM)
Brief History

• 1984 - Original lease agreement
  • 31 years with 2 five-year extensions
  • Rental adjustment every 5 years based on appraised value

• 2017 - UP outbound trains

• 2020 Amendment - Rental options
  • Normal rate based on appraised value
  • Lower rate for savings to be used to incentivize cargo & extend operating agreement

• 2022 - BNSF traffic

• Railcar volumes through Tacoma Rail
Flow of Charges & Fees

Tacoma Rail

Union Pacific

Port of Tacoma NWSA

Off-site

Pacific Rail Services (PRS)

BNSF

Off-site

Line Haul
Intermodal Fees
Property Lease
Operating Agreement
Mitigation & Managing Expenses

Managing Expenses

• Right sized staffing levels

• Capital program next biennium
  • Battery electric locomotives
  • Track projects
  • Current biennium projects

• Fuel costs

Mitigation

• Monitor Railcar Traffic Trends
  • Intermodal
    • Northwest Seaport Alliance
      • NIM, SIM, WUT, PCT
      • Inland Point Intermodal (IPI) vs domestic
  • Tank cars
    • US Oil, Seaport Sound
  • Autoracks
    • AWC, WWS

• Fuel surcharge
Questions?