

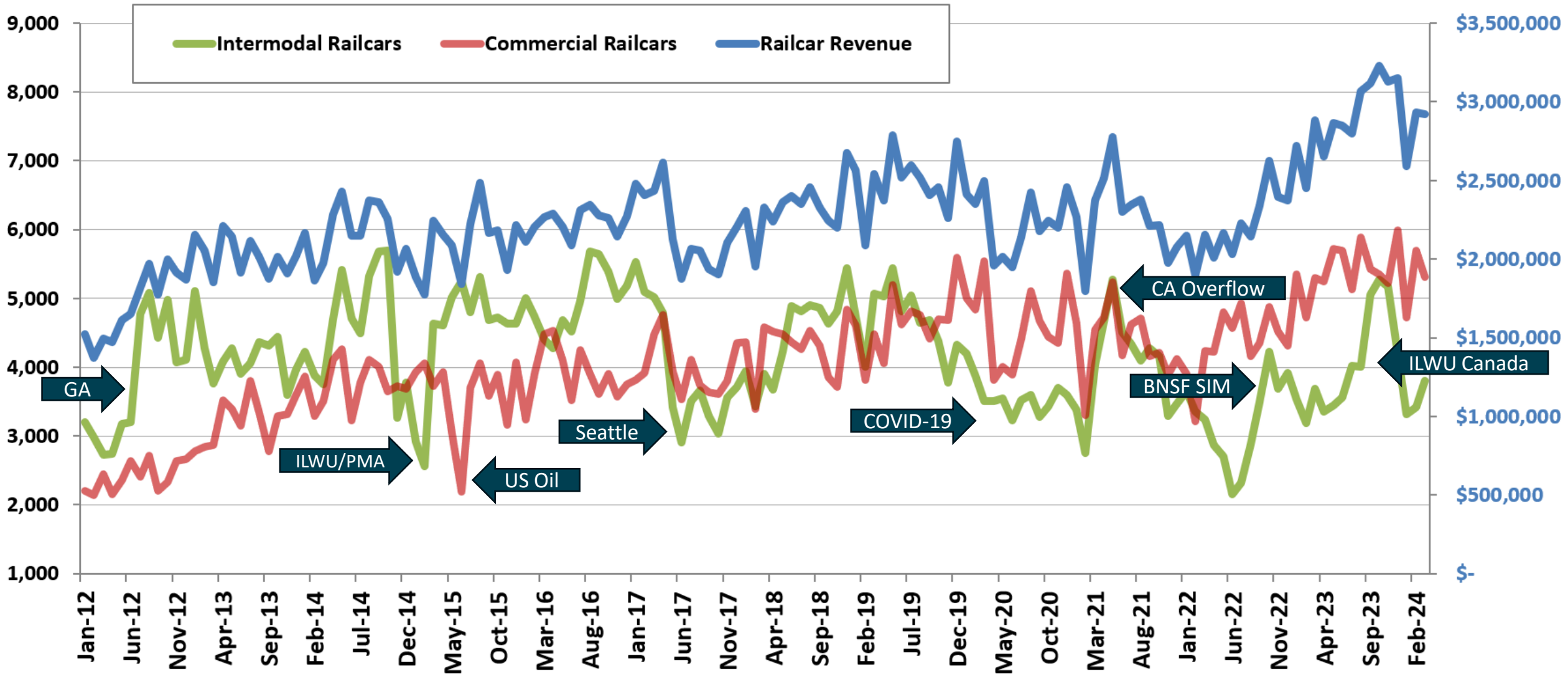


Tacoma Rail Budget Strategy & Overview

Dale W. King, Superintendent

TACOMA RAIL
TACOMA PUBLIC UTILITIES

State of the Utility: Demand



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

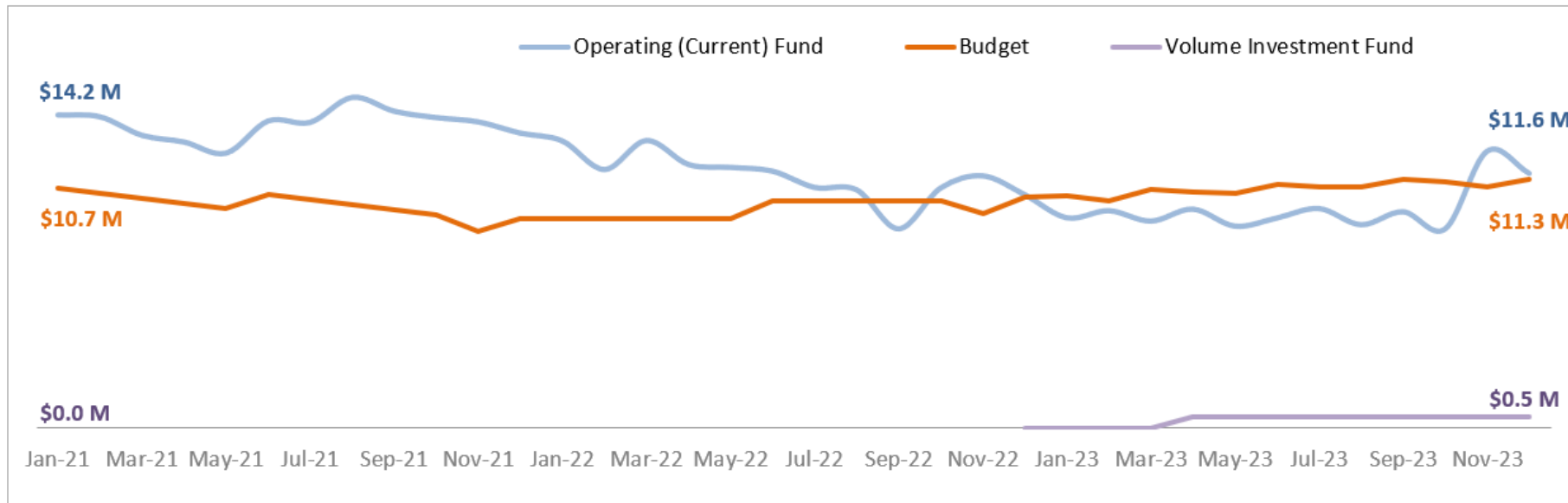
Customer	2021	2022	2023
US Oil Refining Co.	\$ 6.73	\$ 6.91	\$ 7.72
Auto Warehousing	\$ 3.27	\$ 3.13	\$ 4.24
Washington United Terminals	\$ 3.48	\$ 2.70	\$ 4.18
Wallenius Wilhelmsen Solutions	\$ 0.54	\$ 0.65	\$ 4.03
North Intermodal	\$ 4.15	\$ 2.44	\$ 3.37
South Intermodal Yard	\$ 0.20	\$ 0.17	\$ 2.27
Seaport Sound Terminal	\$ 1.36	\$ 1.90	\$ 1.86
Pierce County Terminal	\$ 0.72	\$ 0.87	\$ 1.21
Total	\$ 20.45	\$ 18.77	\$ 28.87

- **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**

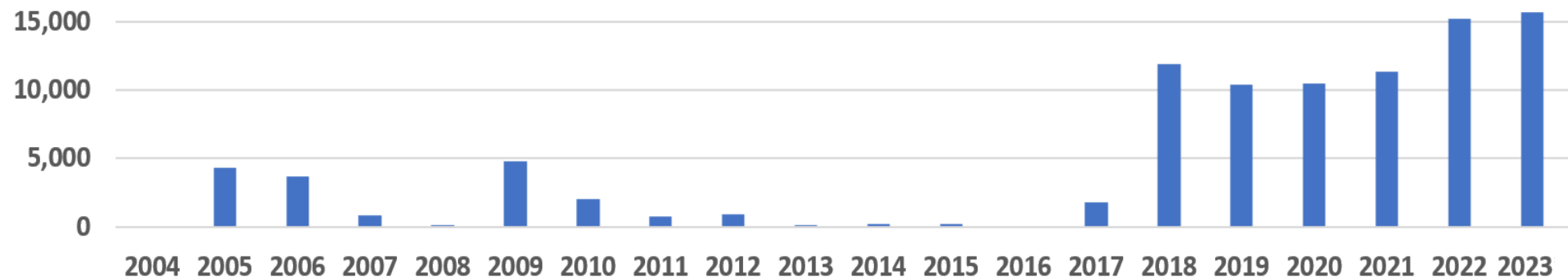
South Intermodal Yard (SIM)



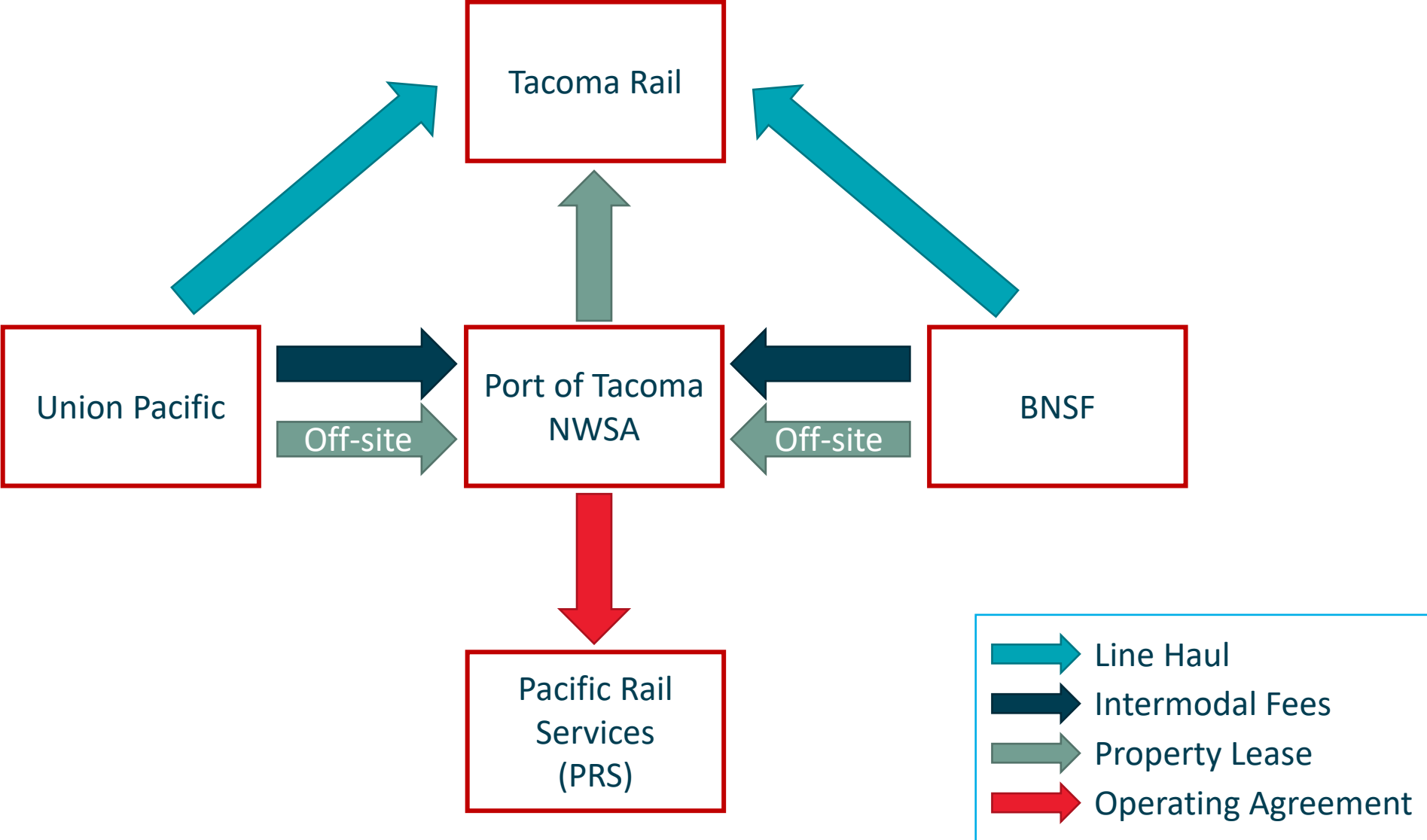
Brief History



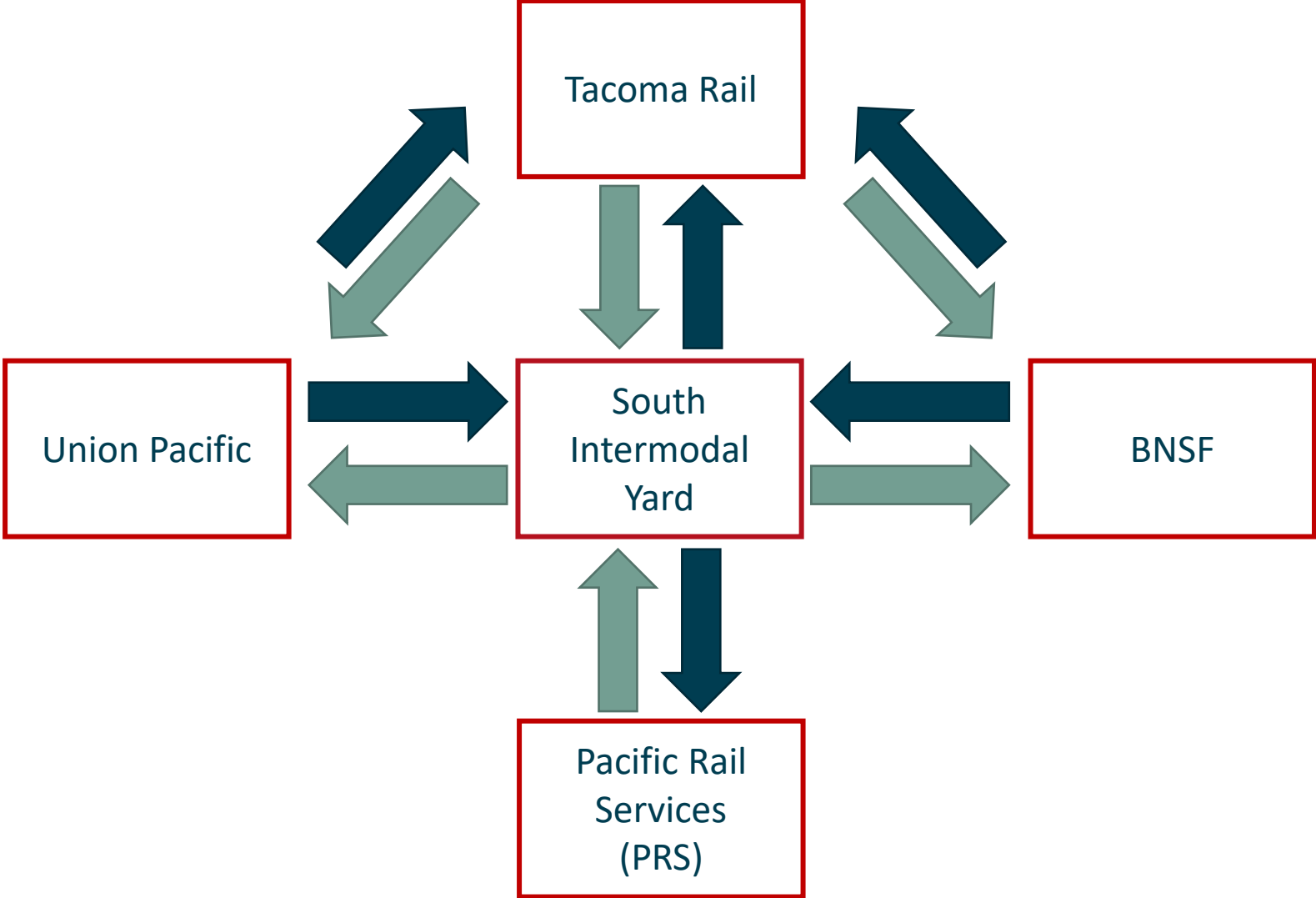
- **1984 - Original lease agreement**
 - 31 years with 2 five-year extensions
 - Rental adjustment every 5 years based on appraised value
- **2017 - UP outbound trains**
- **2020 Amendment - Rental options**
 - Normal rate based on appraised value
 - Lower rate for savings to be used to incentivize cargo & extend operating agreement
- **2022 - BNSF traffic**
- **Railcar volumes through Tacoma Rail**



Flow of Charges & Fees



Rail Switching Access



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?