

2023/2024 Budget & Rates

Dale King, Superintendent

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August 24th, 2022

Budget Overview

- Strategic Plan
- Mission
 - Tacoma Rail's employees work safely to provide reliable and environmentally sound services that are vital to our customers and community.
- Budget Goals
 - Safety
 - Cost control
 - Right-size staff
 - Locomotive fleet modernization
 - Railroad infrastructure investments
 - Financial health & stability



Budget Drivers and Assumptions



- Railcar Traffic
 - 2022 railcar volumes an anomaly
 - Intermodal volumes increase due to larger ships & additional South Intermodal Yard traffic
 - Commercial volumes increase over 2022
 - Ethanol unit trains, import automobiles
- Personnel Costs
 - Increase in cost of benefits
 - Cost of living adjustments
 - Classification and compensation adjustments
- Other
 - Increase in assessments
 - Increase in insurance
 - Worst case scenario drill for Oil Spill Contingency Plan

Budget Risks & Mitigation



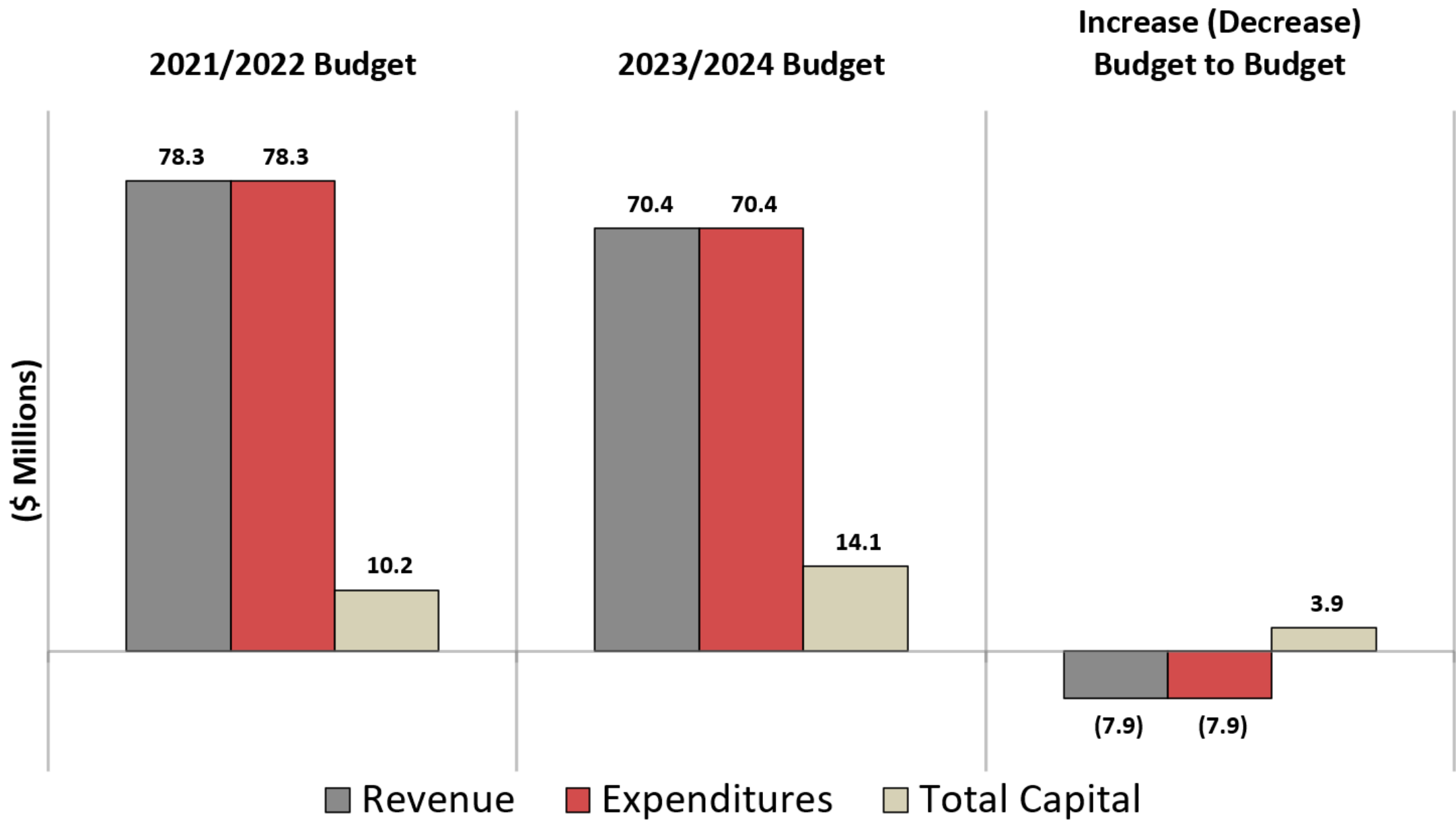
• Risks

- Line haul volumes
- Classification and compensation study uncertainty
- Assessments
- Fuel expense
- New & existing mandates

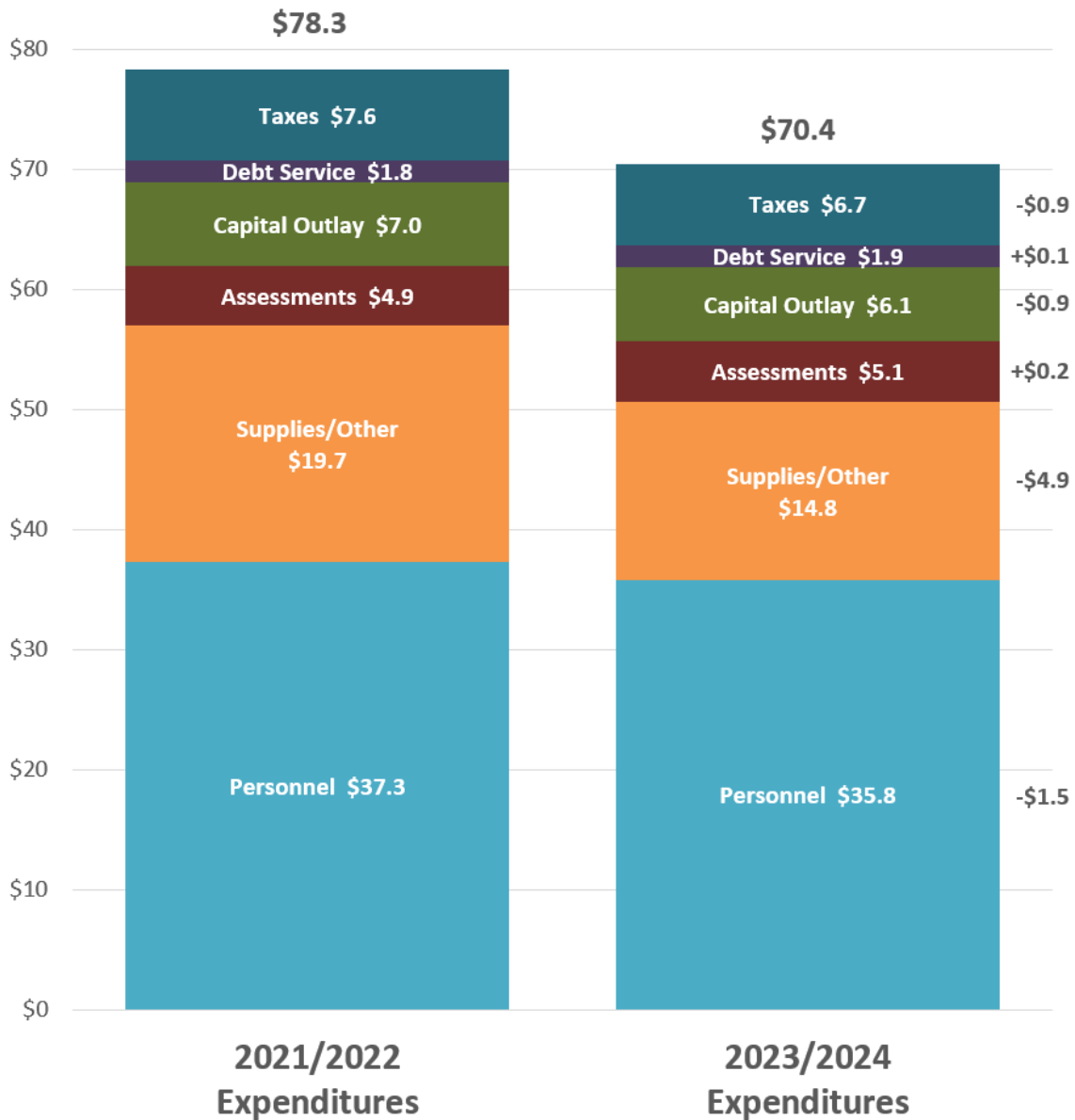
• Mitigation

- Rail Volume Investment Fund
 - Furlough process
- Defer projects and/or seek additional grant funding or financing
- Fuel surcharge
- Ongoing experience with existing mandates
 - Positive Train Control
 - Oil spill response plan & drills

Budget Comparison

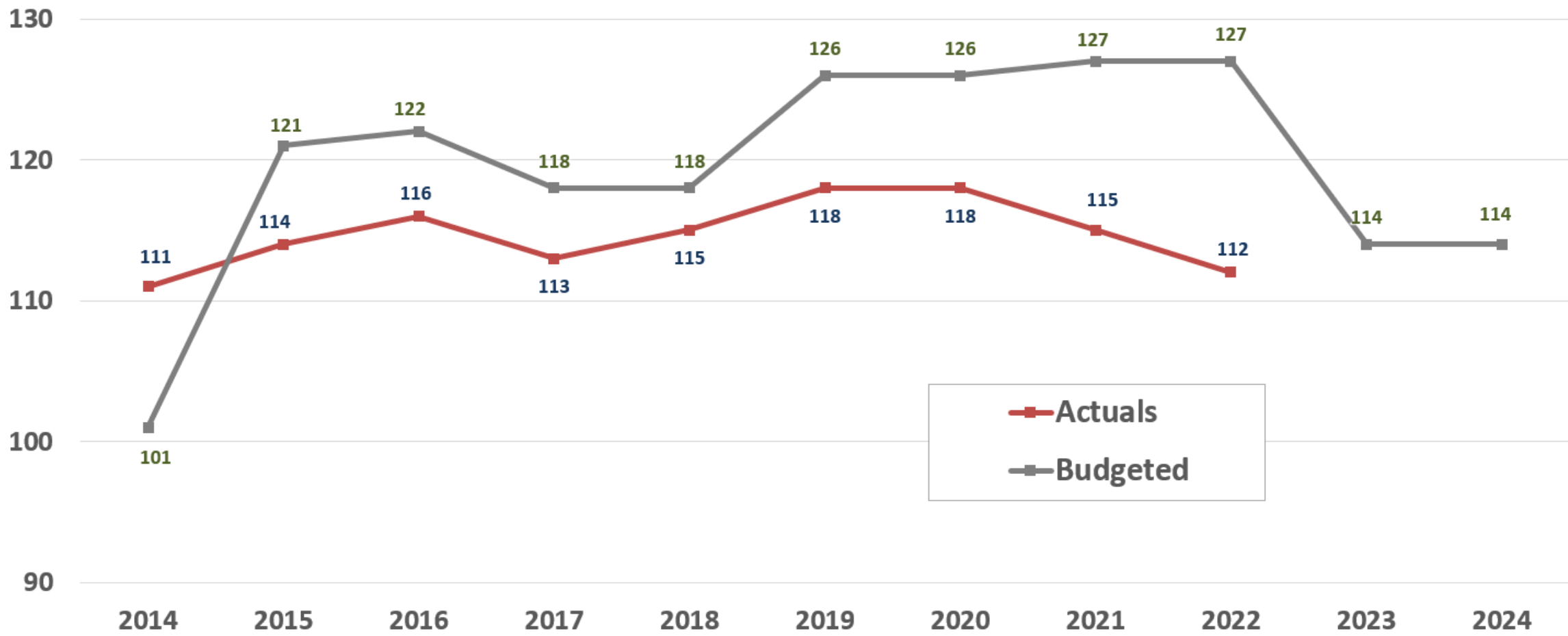


Budget Expenditures



- **Gross Earnings Tax**
 - \$5.7 million
 - \$619K decrease due to revenues
- **Assessments**
 - \$258K increase in assessments
- **Supplies/Other**
 - Fuel expense decreases
 - Budgeted at tariff rate of \$2.50
 - Decrease in fuel consumption
 - Decrease in mainline locomotive servicing fueling
- **Personnel**
 - \$6.8K increase health benefits per FTE

Staffing Levels

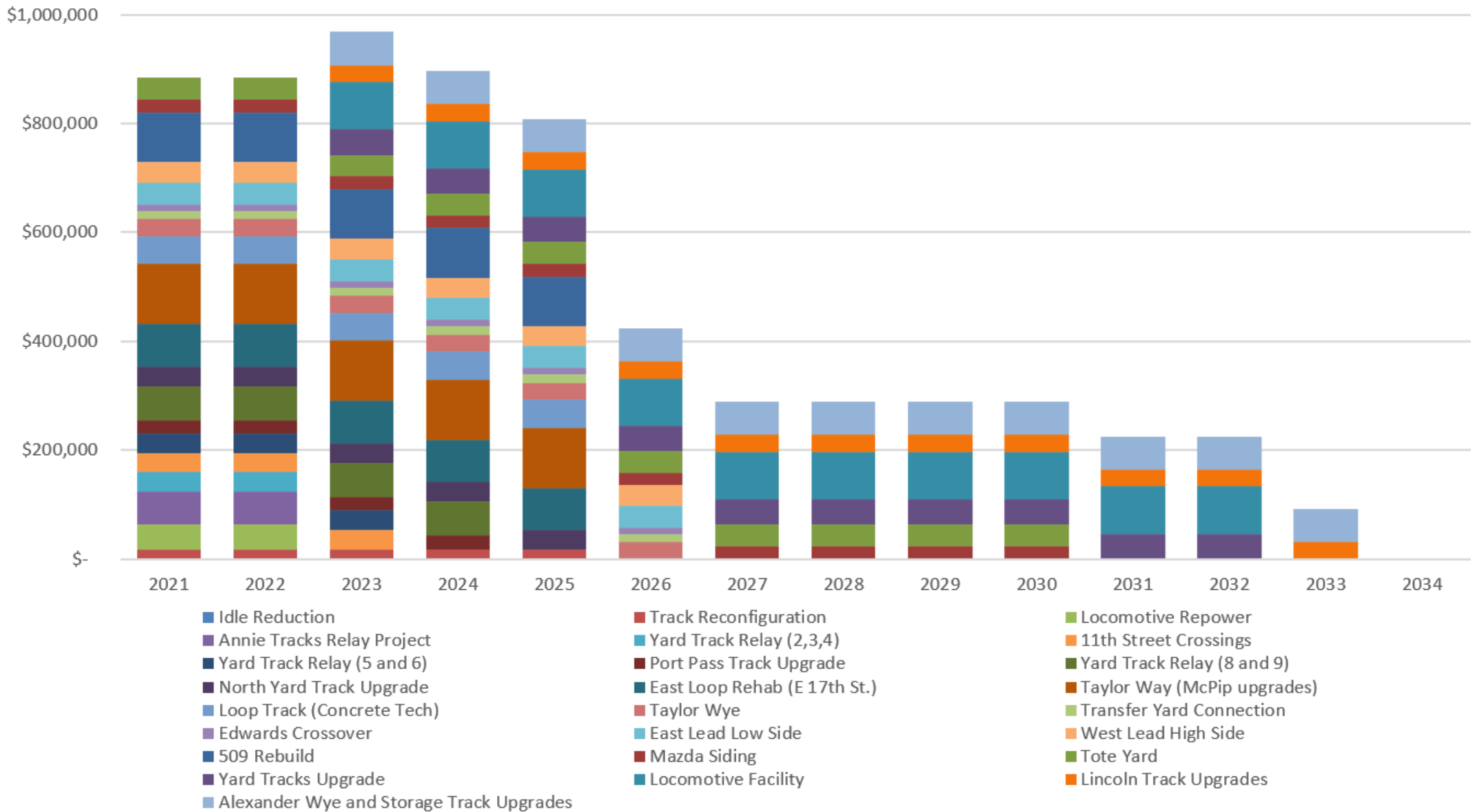


Capital Investments & Funding

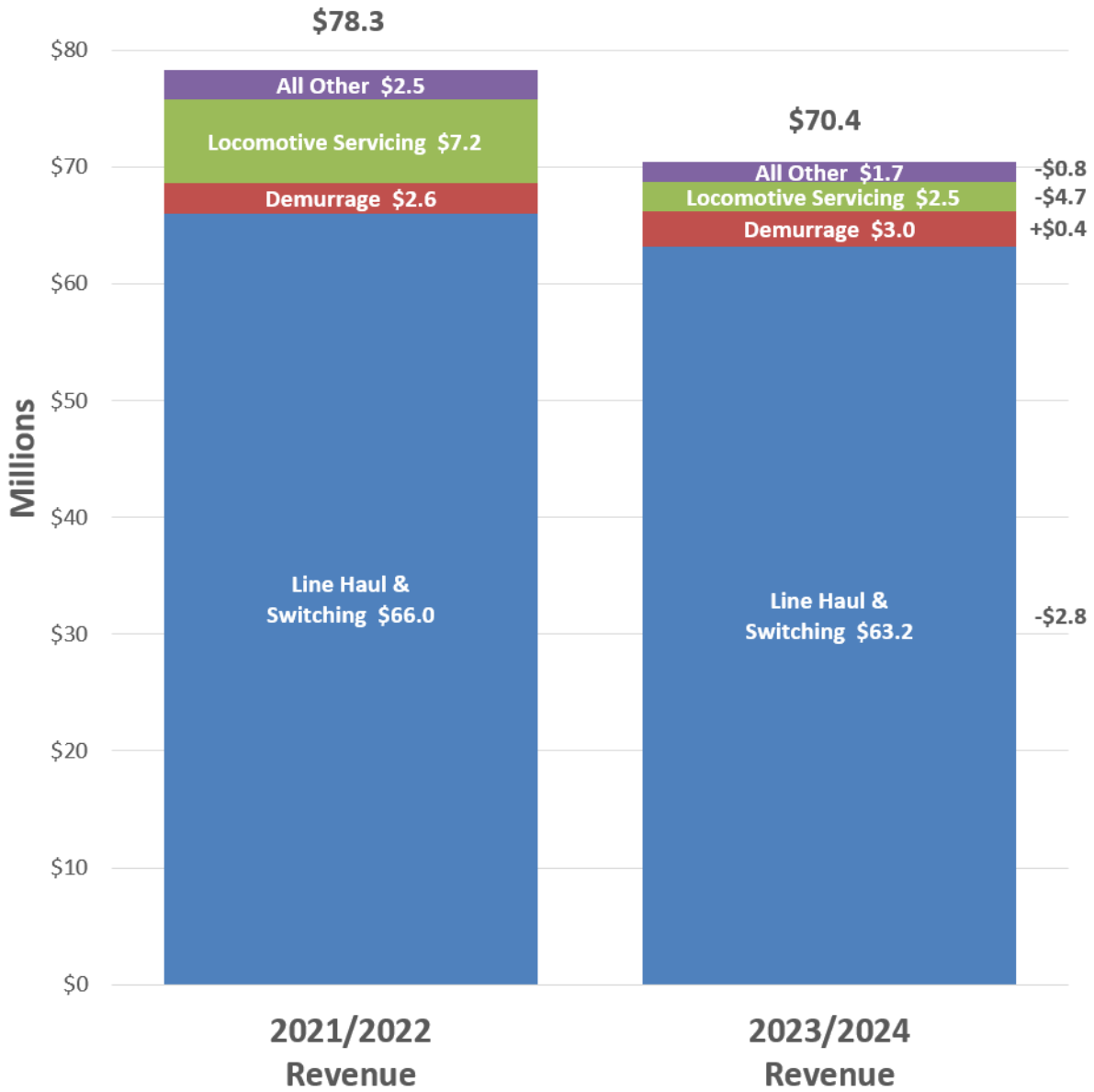


- Facility
 - East Locomotive Servicing Facility
 - Locomotive charging infrastructure
- Communications
 - Locomotive health & location monitoring
- Equipment
 - Battery Electric Locomotive
 - Vehicles
- Track Improvement
 - Track upgrades & improvements
 - Switch replacements
 - Crossing signalization
 - Port of Tacoma Road
 - Lincoln Avenue
- Washington State Funding
 - Freight Rail Investment Bank
 - 0% loan program
 - Limited to public sector
 - Freight Rail Assistance Program
 - Grant program
 - Section 130 Railway-Highway Crossings Program
 - Railroad crossing grant program
- Federal Funding
 - Diesel Emission Reduction Act (DERA)
 - Consolidated Rail Infrastructure and Safety Improvements (CRISI)
 - Congestion Mitigation and Air Quality (CMAQ)
- Contributions in Aid of Construction (CIAC)
 - Port of Tacoma Operating Agreement

Debt Service



Budget Revenues



- All Other
 - Appropriation from current fund reduction
 - Interest income reduction
- Locomotive Servicing
 - Decrease in mainline locomotive servicing fueling
 - Mainline locomotive decreases relative to line haul traffic
- Line Haul & Switching
 - Decrease in line haul volumes
 - Rate proposal



Line Haul Rate Analysis



- Intermodal

- Less labor intensive
- More volume
- Yard management
- Higher track wear
- Service windows
- Fewer destinations
- Do not incur demurrage

- Commercial

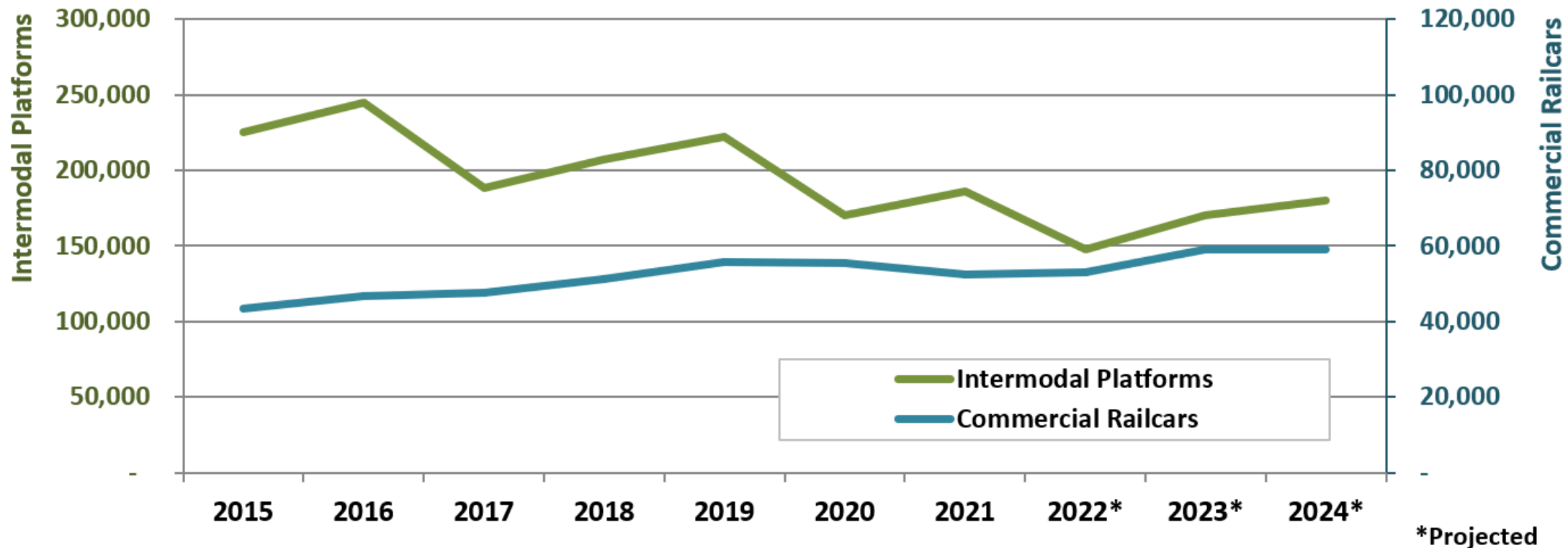
- Labor intensive
- Lower volume
- Less track utilization
- Lower track wear
- Daily service
- More destinations
- Subject to demurrage

- Unit Trains

- Hybrid of Intermodal & Commercial
- Oil spill response plan & drills

Line Haul Volumes

- 2022 railcar volumes an anomaly
- Intermodal volumes increase due to larger ships & additional South Intermodal Yard traffic
- Commercial volumes increase over 2022
 - Ethanol unit trains, import automobiles



Expected Rate Impact

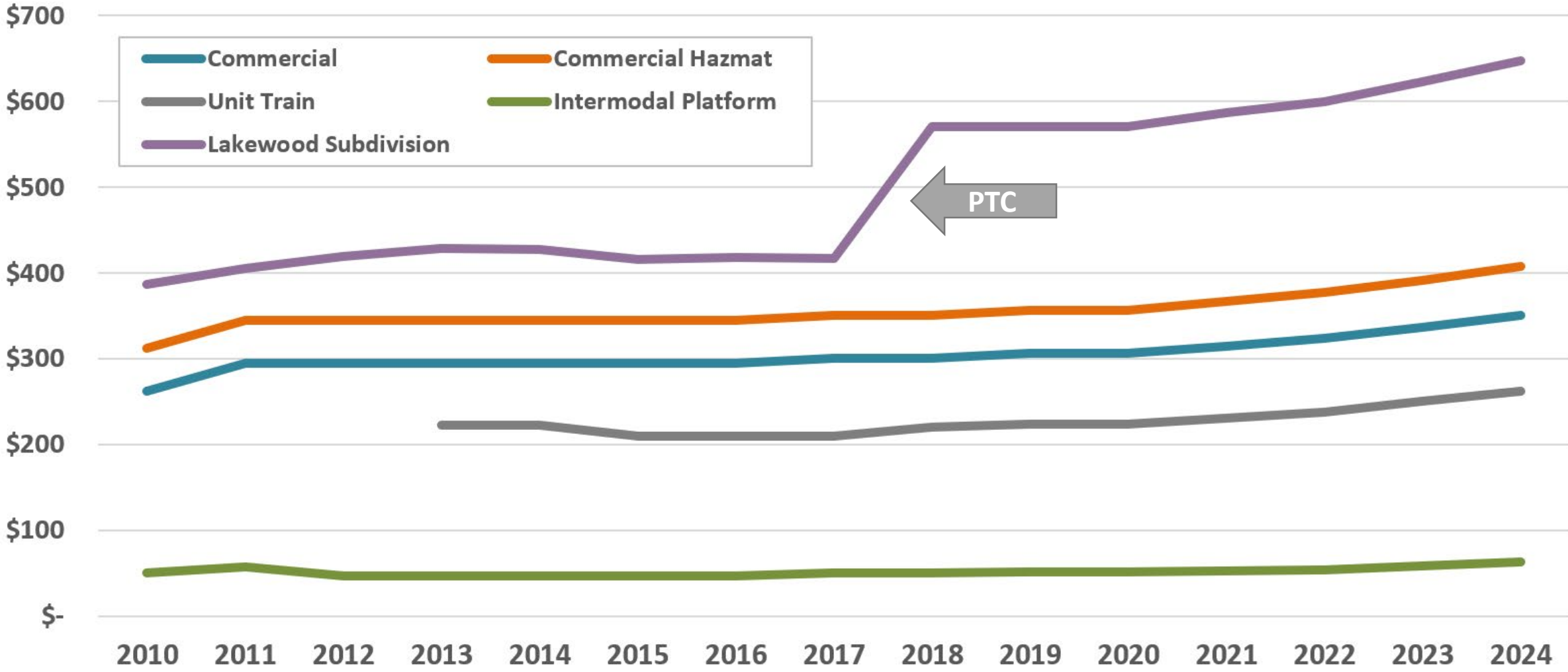
- Demurrage tariff
 - Last adjusted in 2018
 - Add Juneteenth as a holiday
 - Rate change from \$60 to \$65 per day
- Line haul rates
 - Last adjusted in 2022
 - Rate adjustments per year (see chart)
- Miscellaneous switching tariff rates
 - Last adjusted in 2021
 - Special switch
 - \$600 per hour
 - All other
 - Inter-terminal, intra-terminal, intra-plant
 - Rate adjustment of 3% for 2023



Proposed Line Haul Rates

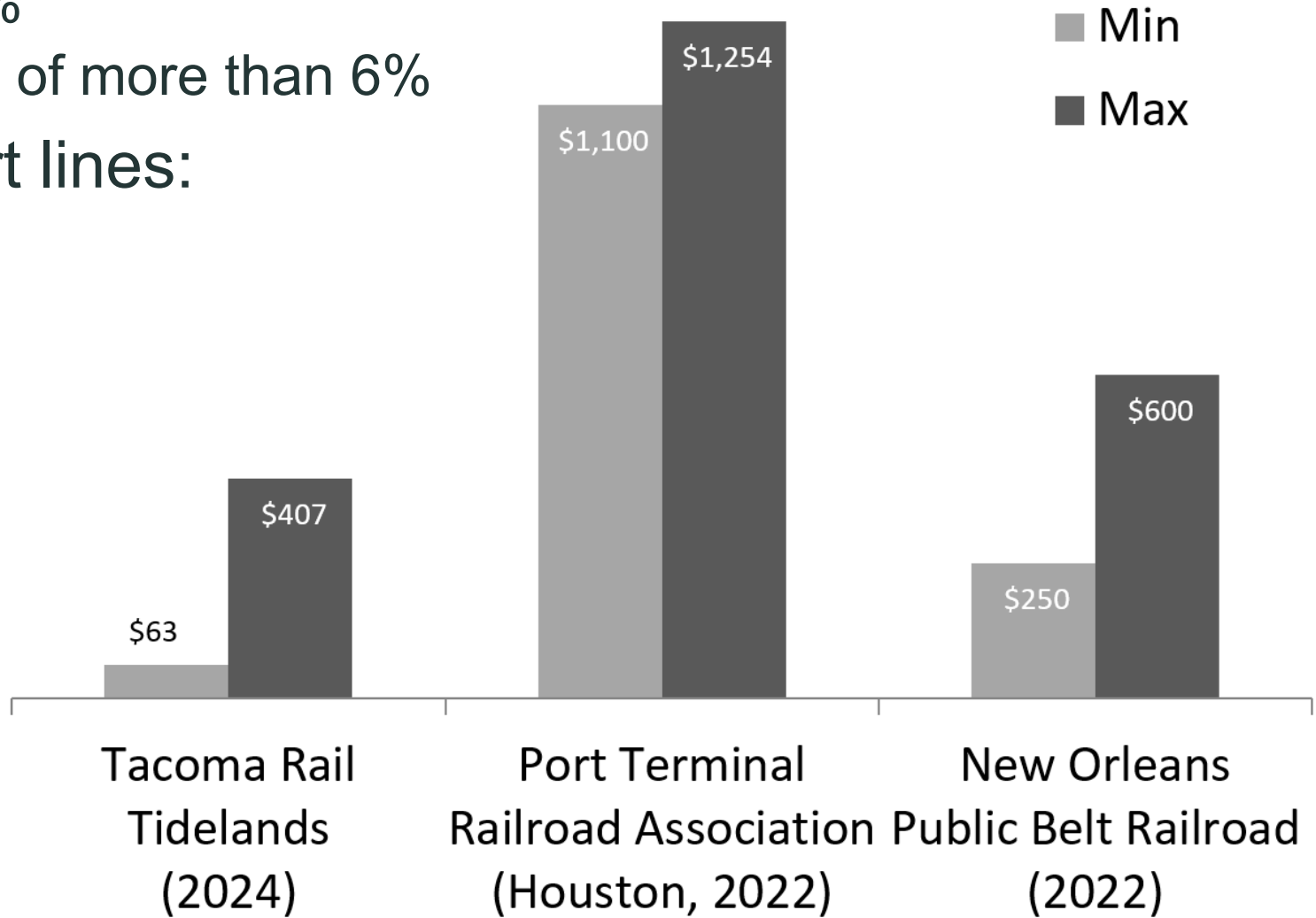
	2022	Proposed Rates	
		2023	2024
Intermodal	\$ 54.00	\$ 58.50	\$ 63.00
Commercial			
Tidelands Division	324.00	337.00	350.00
Tidelands Division Hazardous	377.00	384.00	400.00
Capital Division	600.00	623.00	647.00
Unit Train			
Single Spot	238.00	250.00	262.00
Multiple Spot	318.00	334.00	350.00

Rates Over Time



Other Tariff Rates

- Northwest Seaport Alliance (NWSA)
 - July 1st, 2022
 - General increase of 6%
 - Specific rate increases of more than 6%
- Other tariff based short lines:



Budget Summary

- FTE's down from 127 to 114
- Line haul volume increases anticipated
- Expenses
 - Increases
 - Employee wages and health benefits
 - Assessments
 - Decreases
 - Locomotive fuel
 - Taxes
- Capital
 - Active participation in grants and low finance loan programs
- Rates below benchmark short lines
 - Last rate adjustment in 2022
 - Proposed rate adjustments vary by traffic base



Next Steps

- October
 - Ongoing customer communications
 - 4th – GPFC rates presentation
 - 11th – Joint Council/PUB Study Session presentation
 - 12th – Public Utility Board meeting presentation of preliminary budget & rates
 - 26th – Public Utility Board consideration of preliminary budget & rates
- November
 - Ongoing customer communications
 - 15th – 1st Council reading
 - 22nd – 2nd Council reading
- December
 - 1st – Tariff publication and notifications
- January
 - 1st – Tariff effective

Appendix

Revenue

(\$ millions)	Current	Proposed	Increase (Decrease)	
	21/22 Budget	23/24 Budget	Budget to Budget	
Operating Revenue				
Line Hauls & Local	\$ 66.0	\$ 63.2	\$ (2.8)	(4.3)%
Demurrage	2.6	3.0	0.4	13.6%
Locomotive Servicing	7.2	2.5	(4.7)	(65.9)%
Miscellaneous Revenues	0.5	0.4	(0.1)	(18.3)%
Total Operating Revenue	76.3	69.0	(7.3)	(9.6)%
Non-Operating Revenue				
Rent Income	1.0	1.0	0.0	0.0%
Interest Income	0.4	0.2	(0.2)	(39.6)%
Total Non-Operating Revenue	1.4	1.2	(0.2)	(11.4)%
Current Fund Appropriation	0.6	0.2	0.5	(72.4)%
Total Revenue & Available Funds	\$ 78.3	\$ 70.4	\$ (7.9)	(10.1)%

*Note: Rounded values creates some anomalies.

Expenses

(\$ millions)	Current	Proposed	Increase (Decrease)	
	21/22 Budget	23/24 Budget	Budget to Budget	
Expenditures				
Personnel Costs	\$ 37.3	\$ 36.0	\$ (1.3)	(3.4)%
Supplies, Other Services & Charges	24.6	19.7	5.0	20.2%
Taxes	7.6	6.7	(0.9)	(11.8)%
Debt Service	1.8	1.9	0.1	5.5%
Capital Outlay	7.0	6.1	(0.9)	(12.3)%
Total Expenditures	78.7	70.4	(7.9)	(10.1)%
Capital Outlay				
Anticipated Loan/Grants	3.2	8.0	4.7	143.9%
Revenue Financed Capital	7.0	6.1	(0.9)	(12.3)%
Total Capital	\$ 10.2	\$ 14.1	\$ 3.8	37.4%

*Notes:

- Personnel costs and assessments are not finalized at this time.
- Rounded values creates some anomalies.

Assessments

(\$ millions)	Current	Proposed	Increase (Decrease)	
	21/22 Budget	23/24 Budget	Budget to Budget	
GG Assessments				
Information Technology	\$ 1.6	\$ 1.6	\$ 0.0	0.0%
Human Resources	0.6	0.5	0.1	(11.3)%
Legal	0.4	0.4	0.0	13.4%
Finance	0.8	0.9	0.0	6.3%
Other	0.5	0.6	0.1	21.5%
Total General Government	3.8	4.0	0.1	3.4%
TPU Assessments	1.1	1.2	0.1	12.2%
Total Assessments	\$ 4.9	\$ 5.1	\$ 1.1	5.3%

- *Notes:
- Assessments are not finalized at this time.
 - Rounded values creates some anomalies.

- Taxes to General Fund**

Current	Proposed	Increase (Decrease)	
21/22 Budget	23/24 Budget	Budget to Budget	
\$6.3	\$5.7	\$0.6	(9.8)%

- State taxes**

Current	Proposed	Increase (Decrease)	
21/22 Budget	23/24 Budget	Budget to Budget	
\$1.3	\$1.0	\$(0.3)	(20.8)%

*Note: Rounded values creates some anomalies.

Capital

(\$ millions)	Current	Proposed	Increase (Decrease)	
	21/22 Budget	23/24 Budget	Budget to Budget	
Capital Projects				
General Plant	\$ 0.0	\$ 0.0	\$ 0.0	0.0%
Communications	0.0	0.0	0.0	0.0%
Facility Upgrades	4.1	1.8	(2.3)	(55.9)%
Rail Equipment	1.5	5.4	3.8	254.3%
Track Improvement	4.6	6.9	2.2	47.9%
Total Capital Projects	10.2	14.1	3.8	37.4%
Capital Funding Sources				
Current Fund	7.0	6.1	(0.9)	(12.3)%
New Debt/Grants	3.3	8.0	4.7	143.9%
Total Funding Sources	\$ 10.2	\$ 14.1	\$ 3.8	37.4%

*Note: Rounded values creates some anomalies.

TACOMA PUBLIC UTILITY BOARD

**2023 - 2024 PROPOSED BUDGET
TACOMA RAIL**

**Wednesday August 24, 2022
3:00 p.m.**

Tacoma Rail

Recap of Biennial Budget	1
Revenue	2
Division Consolidation	3
Taxes	4
Debt Service	5
Capital Outlay	6-7

Tacoma Rail Recapitulation of Biennial Budget	2021-2022 Adopted Budget	2023-2024 Proposed Budget	2021-22 to 2023-24 Budget Comparison	
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REVENUE

Switching Revenue	\$ 68,627,032	\$ 66,159,188	\$ (2,467,844)	(3.6%)
Miscellaneous Revenue	7,722,000	2,880,600	(4,841,400)	(62.7%)
Total Operating Revenue	\$ 76,349,032	\$ 69,039,788	\$ (7,309,244)	(9.6%)
Other Income	1,982,626	1,371,742	(610,884)	(30.8%)

Total Revenue & Available Funds	\$ 78,331,658	\$ 70,411,530	\$ (7,920,128)	(10.1%)
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EXPENDITURES

Personnel Costs	\$ 37,305,788	\$ 36,025,500	\$ (1,280,288)	(3.4%)
Supplies, Other Services & Charges	24,638,372	19,659,766	(4,978,606)	(20.2%)
Taxes	7,639,000	6,740,999	(898,001)	(11.8%)
Debt Service	1,768,498	1,865,264	96,766	5.5%
Capital Outlay	6,980,000	6,120,000	(860,000)	(12.3%)

Total Expenditures	\$ 78,331,658	\$ 70,411,530	\$ (7,920,128)	(10.1%)
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CAPITAL OUTLAY FINANCING DETAIL

Anticipated Bank Loan Proceeds/Grants	\$ 3,260,000	\$ 7,950,000	\$ 4,690,000	143.9%
Funded from Operating Fund	6,980,000	6,120,000	(860,000)	(12.3%)

Total Capital Outlay	\$ 10,240,000	\$ 14,070,000	\$ 3,830,000	37.4%
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PERSONNEL - Budgeted FTE	127.0 / 127.0	114.0 / 114.0
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Tacoma Rail Revenue	2021-2022 Adopted Budget	2023-2024 Proposed Budget	2021-22 to 2023-24 Budget Comparison	
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REVENUE SUMMARY

Switching Revenue	\$ 68,627,032	\$ 66,159,188	\$ (2,467,844)	(3.6%)
Miscellaneous Revenue	7,722,000	2,880,600	(4,841,400)	(62.7%)

Total Operating Revenue	76,349,032	69,039,788	(7,309,244)	(9.6%)
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Other Income	1,982,626	1,371,742	(610,884)	(30.8%)
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Total Revenue & Available Funds	\$ 78,331,658	\$ 70,411,530	\$ (7,920,128)	(10.1%)
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REVENUE DETAIL

Switching Revenue

Line Hauls	\$ 62,976,072	\$ 60,666,588	\$ (2,309,484)	(3.7%)
Local & Miscellaneous	3,010,960	2,492,600	(518,360)	(17.2%)
Demurrage	2,640,000	3,000,000	360,000	13.6%

Total Switching Revenue	68,627,032	66,159,188	(2,467,844)	(3.6%)
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Locomotive Servicing	7,200,000	2,454,000	(4,746,000)	(65.9%)
Miscellaneous Revenue	522,000	426,600	(95,400)	(18.3%)

Total Miscellaneous Revenue	7,722,000	2,880,600	(4,841,400)	(62.7%)
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Total Operating Revenue	76,349,032	69,039,788	(7,309,244)	(9.6%)
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Other Income

Rent Income	962,400	962,400	0	0.0%
Interest Income	390,000	235,400	(154,600)	(39.6%)

Total Non-Operating Revenue	1,352,400	1,197,800	(154,600)	(11.4%)
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Appropriation from Fund Balance	630,226	173,942	(456,284)	(72.4%)
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Total Revenue & Available Funds	\$ 78,331,658	\$ 70,411,530	\$ (7,920,128)	(10.1%)
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Tacoma Rail Division Consolidation	2021-2022 Adopted Budget	2023-2024 Proposed Budget	2021-22 to 2023-24 Budget Comparison	
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SUMMARY - Operation & Maintenance by Section

Rail Administration	\$ 21,325,796	\$ 22,174,350	\$ 848,554	4.0%
Rail Operations	26,589,274	23,982,247	(2,607,027)	(9.8%)
Rail Mechanical	16,013,329	10,292,784	(5,720,545)	(35.7%)
Rail Construction	5,654,760	5,976,884	322,125	5.7%

Total for Division	\$ 69,583,160	\$ 62,426,265	\$ (7,156,894)	(10.3%)
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SUMMARY - Operation & Maintenance by Category

Salaries & Wages	\$ 26,559,347	\$ 25,165,180	\$ (1,394,167)	(5.2%)
Employee Benefits	11,366,441	10,685,913	(680,529)	(6.0%)
Capital Credit & Labor To/From Others	(620,000)	174,408	794,408	128.1%
Total Personnel Costs	37,305,788	36,025,500	(1,280,288)	(3.4%)
Supplies	\$ 2,767,091	\$ 2,444,634	\$ (322,457)	(11.7%)
Services	13,215,254	7,615,820	(5,599,434)	(42.4%)
Other Charges	3,766,653	4,451,564	684,912	18.2%
Total Assessments	4,889,375	5,147,748	258,373	5.3%
Taxes	7,639,000	6,740,999	(898,001)	(11.8%)
Total Supplies & Other Charges	32,277,372	26,400,765	(5,876,607)	(18.2%)

Total for Division	\$ 69,583,160	\$ 62,426,265	\$ (7,156,894)	(10.3%)
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Tacoma Rail Taxes	2021-2022 Adopted Budget	2023-2024 Proposed Budget	2021-22 to 2023-24 Budget Comparison	
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TAX PAYMENTS

City of Tacoma:				
Gross Earnings Tax (8.0%)	\$ 6,319,000	\$ 5,700,000	\$ (619,000)	(9.8%)
State of Washington:				
Utility & Business Tax	1,315,000	1,040,999	(274,001)	(20.8%)
Other Taxes	5,000	0	(5,000)	(100.0%)
Subtotal	7,639,000	6,740,999	(898,001)	(11.8%)
Federal Railroad Taxes	4,649,046	4,432,414	(216,632)	(4.7%)
Total Tacoma Rail Taxes	\$ 12,288,046	\$ 11,173,413	\$ (1,114,633)	(9.1%)

Note: State Sales Tax is included in O&M budget line items for Materials

Federal Railroad Taxes are paid in lieu of FICA and Retirement and are included in O&M category Personnel Services.

Tacoma Rail Debt Service	2021-2022 Adopted Budget	2023-2024 Proposed Budget	2021-22 to 2023-24 Budget Comparison	
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DEBT SERVICE SUMMARY

Interest	\$ -	\$ -	\$ -	0.0%
Principal	1,768,498	1,865,264	96,766	5.5%

Total Debt Service	\$ 1,768,498	\$ 1,865,264	\$ 96,766	5.5%
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DEBT SERVICE DETAIL

Rail Bank Loans - \$9,773,897, 0% Interest				
- Principal	1,768,498	1,865,264	96,766	5.5%

Total Debt Service	\$ 1,768,498	\$ 1,865,264	\$ 96,766	5.5%
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Tacoma Rail Capital Outlay	2021-2022 Adopted Budget	2023-2024 Proposed Budget
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SUMMARY

General Plant	\$ 0	\$ 0
Communications	0	50,000
Facility Upgrades	4,085,000	1,800,000
Rail Equipment/Vehicles	1,510,000	5,350,000
Track Improvements	4,645,000	6,870,000

Sub-Total	\$ 10,240,000	\$ 14,070,000
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Projects Funded from Rail Bank Loan	\$ (600,000)	\$ (1,590,000)
Projects Funded from CIAC	0	(1,400,000)
Projects Funded from Grants	(2,660,000)	(4,960,000)

Total Current Fund Capital Outlay	\$ 6,980,000	\$ 6,120,000
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General Plant

N/A	\$ 0	\$ 0
General Plant Total	\$ 0	\$ 0

Communications

Locomotive Health & Location Monitoring	\$ 0	\$ 50,000
Communications Total	\$ 0	\$ 50,000

Facility Upgrades

Cameras	\$ 190,000	\$ 0
Installation of BEL Charging Station	0	1,300,000
West Barn Roof	195,000	200,000
West Shop Floors	500,000	0
ITS Project	300,000	0
Secondary Fueling Upgrades	2,900,000	300,000
Facility Upgrades Total	\$ 4,085,000	\$ 1,800,000

Tacoma Rail Capital Outlay	2021-2022 Adopted Budget	2023-2024 Proposed Budget
Rail Equipment/Vehicles		
Locomotive Repower	\$ 750,000	\$ 5,000,000
Track Ballast Tamper Vehicles	400,000	0
	360,000	350,000
Rail Equipment/Vehicles Total	\$ 1,510,000	\$ 5,350,000
Track Improvement Projects		
Tidelands Infrastructure Improvements	\$ 1,000,000	\$ 1,000,000
Yard Track Upgrades	1,100,000	0
Bootjack/Transfer Lead Upgrades	245,000	0
Taylor Way Wye Curve Relay	125,000	0
Lincoln Track Upgrades (Blair)	675,000	0
Port Road - Lianga Curve Signalization	700,000	550,000
Port Road - HITW Stub Signalization	100,000	100,000
Alexander Wye and Storage Track Upgrades	0	860,000
Annie Tracks Switch and Curve Upgrade	0	2,600,000
US Oil Crossings Signalization	700,000	850,000
Switch Replacements - Blair Peninsula	0	910,000
Track Improvement Projects Total	\$ 4,645,000	\$ 6,870,000
TOTAL CAPITAL OUTLAY	\$ 10,240,000	\$ 14,070,000