



RESOLUTION NO. U-11214

1 A RESOLUTION related to updating the Rail Rate Policy of Tacoma Rail to
2 create a new Volume Investment Fund.

3 WHEREAS the City of Tacoma, Department of Public Utilities Belt Line
4 Division (d.b.a. "Tacoma Rail"), desires to update its Rail Rate Policy, to include
5 a Volume Investment Fund, and

6 WHEREAS the Rail Rate Policy was last updated January 1, 2016, and

7 WHEREAS due to the variability of the economy and shipping lanes,
8 railcar volumes have the potential to deviate significantly from the budgeted
9 volumes, and
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11 WHEREAS the proposed amendment to the Rail Rate Policy creates a
12 Volume Investment Fund, which would be a sub fund in SAP, to provide a
13 repository for operating revenue surpluses due to unanticipated rail volume
14 growth above budget, and
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16 WHEREAS the Volume Investment Fund will provide revenue
17 requirement flexibility during times of unanticipated economic downturns or
18 capital spending that may be used to offset the necessity of rate increases, and
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20 WHEREAS use of the fund will be limited to workforce stability during
21 unanticipated economic downturns, locomotive upgrades, rail infrastructure and
22 grant or debt matching opportunities, and

23 WHEREAS it is in the best public interest to approve the update to the
24 Rail Rate Policy as recommended; Now, Therefore,
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BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

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That the proposed update to Tacoma Rail's, Rail Rate Policy, to create a Volume Investment Fund, for the limited purposes of workforce stability during unanticipated economic downturns, locomotive upgrades, rail infrastructure and grant or debt matching opportunities, is approved and the City Council is requested to approve said revisions to the Rail Rate Policy in substantially the same form as on file with the Clerk of the Board.

Approved as to form:

/s/

Chief Deputy City Attorney

Clerk

Chair

Secretary

Adopted



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Dale W. King, Superintendent, Tacoma Rail
MEETING DATE: October 28, 2020
DATE: October 16, 2020

SUMMARY: Tacoma Rail requests authorization to update Tacoma Rail's Rate Policy to include a Volume Investment Fund.

BACKGROUND: Tacoma Rail's Rate Policy was last updated January 1, 2016. Due to the variability of the economy and shipping lanes, railcar volumes have the potential to deviate significantly from budgeted volumes. The proposed Rail Rate Policy creates a Volume Investment Fund, a sub fund in SAP, to provide a repository for operating revenue surpluses due to unanticipated rail volume growth above budget.

The Volume Investment Fund will provide revenue requirement flexibility during times of unanticipated economic downturns or capital spending that may be used to offset the necessity of rate increases. Use of the fund will be limited to workforce stability during unanticipated economic downturns, locomotive upgrades, rail infrastructure and grant or debt matching opportunities.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes.

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

N/A.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? No.

ATTACHMENTS: Rate Policy 2021 Redlined, Rate Policy 2021.

CONTACT:

Primary Contact: Daniel McCabe, Rail Chief Information/Finance Officer, 253-396-3040
Supervisor: Dale W. King, Superintendent, 253-502-8894



TO: Mayor and City Council
FROM: Jackie Flowers, Director of Utilities
COPY: Elizabeth Pauli, City Manager and Doris Sorum, City Clerk
SUBJECT: Ordinance – Update Rail Rate Policy – November 10, 2020
DATE: October 16, 2020

SUMMARY:

Tacoma Rail requests authorization to update Tacoma Rail’s Rate Policy to include a Volume Investment Fund.

STRATEGIC POLICY PRIORITY:

- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

Tacoma Rail’s Rate Policy was last updated January 1, 2016. Due to the variability of the economy and shipping lanes, railcar volumes have the potential to deviate significantly from budgeted volumes. The proposed Rail Rate Policy creates a Volume Investment Fund, a sub fund in SAP, to provide a repository for operating revenue surpluses due to unanticipated rail volume growth above budget.

The Volume Investment Fund will provide revenue requirement flexibility during times of unanticipated economic downturns or capital spending that may be used to offset the necessity of rate increases. Use of the fund will be limited to workforce stability during unanticipated economic downturns, locomotive upgrades, rail infrastructure and grant or debt matching opportunities.

ISSUE:

Operating revenue surpluses due to unanticipated revenue growth are not designated for specific uses.

ALTERNATIVES:

No change to the current Rail Rate Policy.

RECOMMENDATION:

Tacoma Rail recommends approval of the proposed update to the Tacoma Rail Rate Policy to include the Rail Volume Investment Fund.

FISCAL IMPACT:

There is no fiscal impact.

**TACOMA PUBLIC UTILITIES
TACOMA RAIL**

**RAIL RATE POLICY
AMENDED
January 2021**

Tacoma Public Utilities Tacoma Rail

- I. **Purpose:** The Tacoma Rail Rate Policy provides for rates adequate to ensure the operation, maintenance, and construction of the Department's railway system while providing safe, reliable, cost effective, and reliable service to customers within Tacoma Rail's service area.

- II. **Objective for Rail Rate Policy**
 - A. Rail rates should be cost based and adequate to recover Tacoma Rail's costs.
 - B. Rail rates should be stable.
 - C. Rail rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible.
 - D. Rail rates should have a customer involvement and review process.

- III. **Policies**
 - A. Rail rates should be cost based and adequate to recover Tacoma Rail's costs.
 1. Revenue requirements will be developed utilizing an average embedded cost-of-service methodology.
 2. Rates charged for each blended class of service will be set to reflect the cost of supplying that service. Any exceptions to cost-of-service principles will be explicitly noted in this policy.
 3. The limit of debt to total assets shall be set up to a maximum of 40%.
 4. The debt service coverage ratio shall be at least 1.5, or the ratio established by the Public Utility Board.
 5. The minimum working cash balance shall be sufficient enough to cover 60 days of current budgeted expenditures as outlined in Public Utility Board Policy 3.6, dated August 1992.
 6. Major capital projects will be financed primarily with debt or grant opportunities. The term of the debt financing will not be longer than the useful life of the capital project.
 7. Switch tariff fuel surcharges shall be based on actual costs over an established threshold rather than an industry index.

B. Rail rates should be stable.

1. Rates will be based on best estimates of rail volume. Operating surpluses due to unanticipated rail volume growth may be applied to the Volume Investment Fund.
2. To the extent possible, rate adjustments will not exceed general inflationary trends. Phased-in adjustments over a limited time may be used for projects requiring a considerable change in rate levels.
3. Rate classes may be established by blending customers, similar use and service characteristics.
4. A rate surcharge may be proposed under unusual conditions such as an unanticipated slowdown in rail activity.

C. Rail rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible.

1. Rail rates will be designed to meet the changing needs of the customer.
2. The character and volume of service will be factors in apportioning costs, developing rates, and tariff revisions.
3. A standard, currently one to one, will be used to determine the amount of staging rail relative to operating rail. The cost associated with providing that staging rail will be apportioned based upon class use.
4. Tacoma Rail maintains a Volume Investment Fund that provides revenue requirement flexibility during times of unanticipated economic downturns or capital spending that may be used to offset the necessity of rate increases. Use of the fund will be limited to:
 - a. Workforce stability to ensure adequate staffing for rail volume rebound after a downturn.
 - b. Locomotive upgrades to sustain Tacoma Rail's environmental leadership goals.
 - c. Timely acquisition, replacement and upgrade of infrastructure and capital assets.
 - a.d. Grant or debt matching opportunities.

D. Rail rates should have a customer involvement and review process.

1. At a minimum, rates will be reviewed every two years with a full revenue requirement study performed.
2. Rate presentations will be given to the Class I Carriers and customers of Tacoma Rail, including the Port of Tacoma as needed.
3. Tariff revision recommendations will be communicated to Tacoma Rail rate paying customers whose rates are affected at

least 20 days ahead of the proposed effective day and before City Council approval.

4. Meetings of the Tacoma Public Utility Board and City Council are open to the public and all interested parties.
5. Written public comment or inquiries from all customer classes concerning rail rate proposals and policies will be encouraged and will be responded to in a timely manner.
6. The timing and amount of any upcoming rate adjustment will be well publicized in advance of the implementation date.