

# **TACOMA RAIL 2019/2020 BUDGET**

**Dale King, Superintendent**

**September 12, 2018**

**TACOMA  RAIL**  
TACOMA PUBLIC UTILITIES

# BUDGET OVERVIEW

- **Mission**
  - Tacoma Rail provides services that are vital to the economic well-being of our customers.
- **Budget Goals**
  - Safety
  - Cost control
  - Right size staff
  - Railroad infrastructure investment
  - Locomotive repowers
  - Financial health & stability

# BUDGET DRIVERS & ASSUMPTIONS

- **Flat line haul growth from actuals**
  - **Intermodal**
    - No intermodal volume incentive
  - **Commercial**
    - Only traffic increase due to Parcel 77 (new auto facility)
- **Personnel Costs**
  - **Cost of living adjustments**
  - **New positions**
- **Regulatory requirements**
  - **Positive Train Control**
  - **Oil spill response plan & drills**

# BUDGET RISKS & MITIGATION

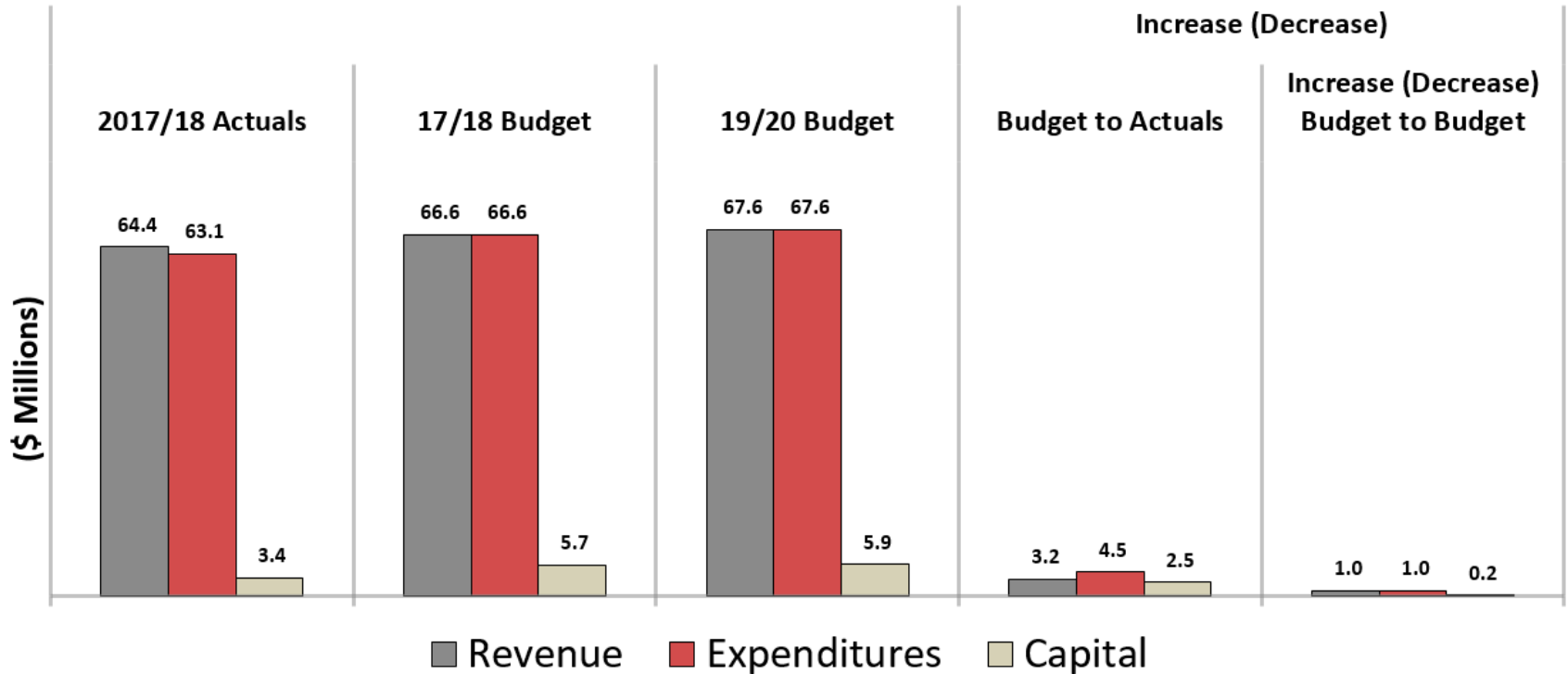
- **Risks**

- **Line haul volumes**
- **New & existing mandates**

- **Mitigation**

- **Furlough process**
- **Budgeted more than \$600K**
  - **Positive Train Control**
  - **WA Ecology Oil Spill Response Plan drills**

# BUDGET COMPARISONS



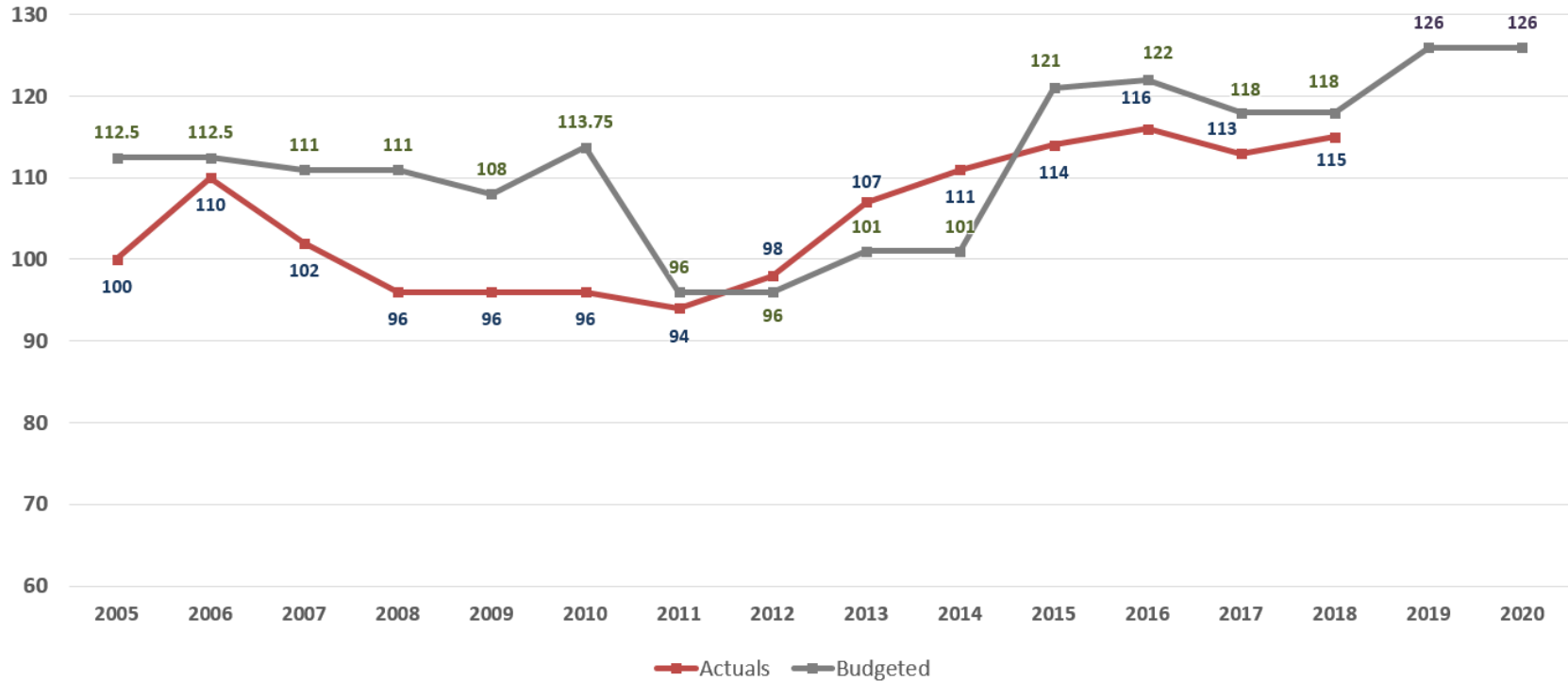
# REVENUE

(\$ millions)	Current		Proposed	Increase (Decrease)		Increase (Decrease)	
	17/18 Actual	17/18 Budget	19/20 Budget	Budget to Actual		Budget to Budget	
<b>Operating Revenue</b>							
Line Hauls & Local	\$53.5	\$56.3	\$56.0	\$2.5	4.7%	\$(0.3)	(0.5)%
Demurrage	2.8	2.3	2.3	(0.5)	(17.9)%	0.0	0.0%
Locomotive Servicing	5.6	3.7	4.8	(0.8)	(14.3)%	1.1	29.7%
Miscellaneous Revenues	0.5	0.5	0.7	0.2	40.0%	0.2	40.0%
Anticipated Rate Adjustment	-	1.4	1.2	-	-	(0.2)	(12.7)%
<b>Total Operating Revenue</b>	<b>62.1</b>	<b>64.3</b>	<b>65.0</b>	<b>2.9</b>	<b>4.7%</b>	<b>0.7</b>	<b>1.1%</b>
<b>Non-Operating Revenue</b>							
Rent Income	2.1	2.1	2.2	0.1	4.8%	0.1	4.8%
Interest Income	0.2	0.2	0.2	0.0	0.0%	0.0	0.0%
<b>Total Non-Operating Revenue</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>0.1</b>	<b>4.3%</b>	<b>0.1</b>	<b>4.3%</b>
Current Fund Appropriation	-	-	0.2	-	-	0.2	100%
<b>Total Revenue &amp; Available Funds</b>	<b>\$64.4</b>	<b>\$66.6</b>	<b>\$67.6</b>	<b>\$3.2</b>	<b>5.0%</b>	<b>\$1.0</b>	<b>1.5%</b>

# EXPENSES

(\$ millions)	Current		Proposed	Increase(Decrease)		Increase (Decrease)	
	17/18 Actual	17/18 Budget	19/20 Budget	Budget to Actual		Budget to Budget	
<b>Expenditures</b>							
Personnel Costs	\$30.7	\$31.5	\$34.0	\$3.3	10.7%	\$2.5	7.9%
Supplies, Other Services & Charges	20.4	22.7	21.1	0.7	3.4%	(1.6)	(7.1)%
Taxes	6.0	6.3	6.4	0.4	6.7%	0.1	1.4%
Debt Service	1.7	1.8	1.6	(0.1)	(5.9)%	(0.2)	(8.9)%
Capital Outlay	2.6	4.3	4.5	1.9	73.1%	0.2	3.9%
<b>Total Expenditures</b>	<b>63.1</b>	<b>66.6</b>	<b>67.6</b>	<b>4.5</b>	<b>7.1%</b>	<b>1.0</b>	<b>1.5%</b>
<b>Capital Outlay</b>							
Anticipated Loan/Grants	0.8	1.4	1.5	0.7	87.5%	0.1	6.9%
Revenue Financed Capital	2.6	4.3	4.5	1.9	73.1%	0.2	3.9%
<b>Total Capital</b>	<b>\$3.4</b>	<b>\$5.7</b>	<b>\$5.9</b>	<b>\$2.5</b>	<b>73.5%</b>	<b>\$0.2</b>	<b>3.5%</b>

# STAFFING LEVELS





# PROMINENT O&M CHANGES

- **Administration**

- \$5.0M Intermodal Volume Incentive Allowance**

- +**\$1.0M Self Insurance Fund contributions**

- +**\$100K Oil Spill Contingency Plan drills**

- **Maintenance of Equipment**

- +**\$2.3M fuel in support of Locomotive Servicing & price**

# ASSESSMENTS

	Current	Proposed	Increase (Decrease)	
(\$ millions)	17/18 Budget	19/20 Budget	Budget to Budget	
<b>GG Assessments</b>				
Information Technology	\$0.6	\$1.1	\$0.5	89.9%
Human Resources	0.4	0.6	0.2	57.3%
Legal	0.2	0.3	0.1	7.0%
Finance	0.9	0.6	(0.3)	(25.4)%
Other	0.2	0.3	0.1	64.9%
<b>Total General Government</b>	<b>2.3</b>	<b>2.9</b>	<b>0.6</b>	<b>28.4%</b>
<b>TPU Assessments</b>	<b>1.1</b>	<b>1.1</b>	<b>&lt;0.1</b>	<b>5.2%</b>
<b>Total Assessments</b>	<b>\$3.4</b>	<b>\$4.0</b>	<b>\$0.6</b>	<b>17.0%</b>

Note: Assessments are not finalized at this time

# TAXES

- **Taxes to General Fund**

Current		Proposed	Increase (Decrease)		Increase (Decrease)	
17/18 Actuals	17/18 Budget	19/20 Budget	Budget to Actuals		Budget to Budget	
\$5.1	\$5.3	\$5.4	\$0.3	5.0%	\$0.1	1.5%

- **State taxes**

Current		Proposed	Increase (Decrease)		Increase (Decrease)	
17/18 Actuals	17/18 Budget	19/20 Budget	Budget to Actuals		Budget to Budget	
\$0.9	\$1.0	\$1.0	\$0.1	10.0%	<\$0.1	0.7%

(\$ millions)

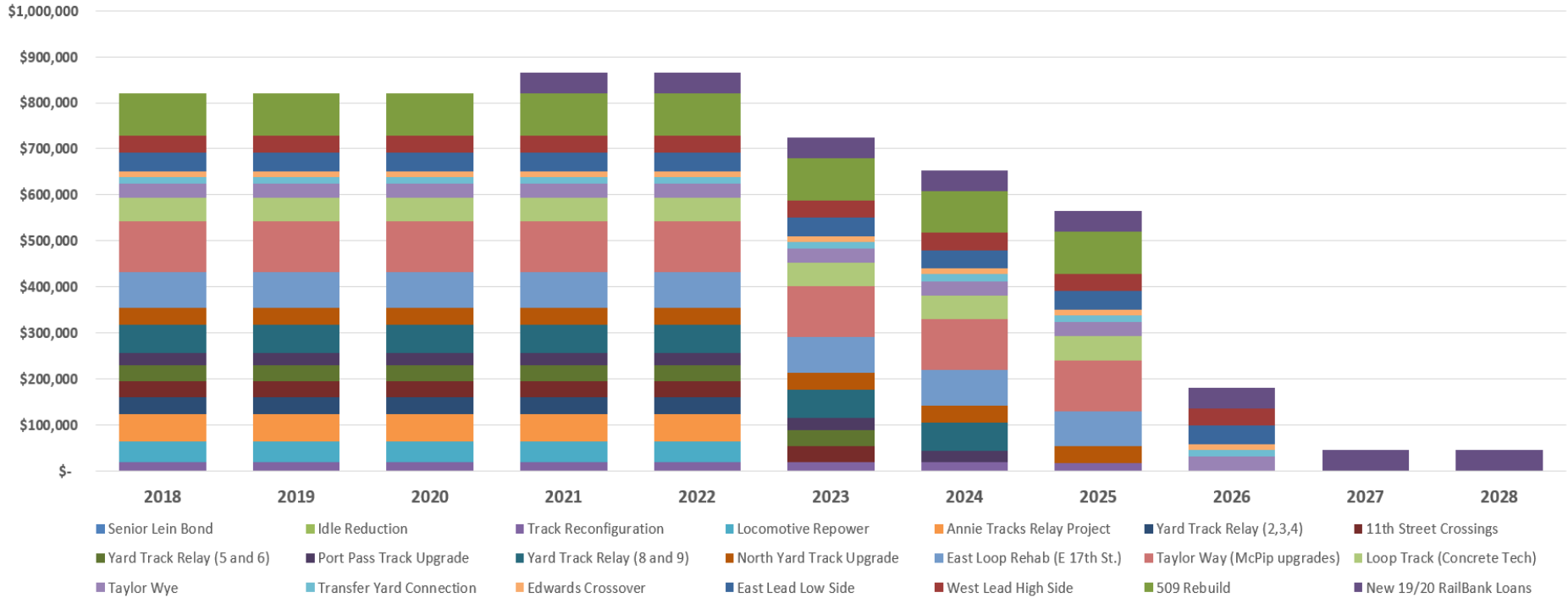
# CAPITAL BUDGET

<i>(\$ millions)</i>	2017/18 Budget	2019/20 Budget	Budget to Budget	
<b>Capital Projects</b>				
General Plant	\$0.0	<0.1	\$0.0	100%
Communications	0.2	0.2	<0.1	(36.2)%
Facility Upgrades	1.1	2.3	1.2	124.4%
Rail Equipment	1.0	1.2	0.2	17.5%
Track Improvement Projects	3.4	2.3	(1.1)	(33.8)%
<b>Total Capital Projects</b>	<b>\$5.7</b>	<b>\$5.9</b>	<b>\$0.2</b>	<b>4.5%</b>
<b>Capital Funding Sources</b>				
Current Fund	\$4.3	\$4.5	\$0.2	3.9%
New Debt/Grants	1.4	1.5	0.1	6.5%
<b>Total Sources of Funds</b>	<b>\$5.7</b>	<b>\$5.9</b>	<b>\$0.2</b>	<b>3.9%</b>

# BUDGET REDUCTIONS

- **\$5M for the reinstatement of the Taylor Way Wye**
  - **Operational efficiencies don't overcome cost of installation**
- **\$3.8M for locomotive acquisitions**
  - **Lease extension alternative**
- **\$800K TPU Fleet contributions**
  - **Utilize Rail's current TPU Fleet fund balance**
- **\$50K storm water treatment & filtration**
  - **Environmental partnership with Port of Tacoma**
  - **Low cost, off the shelf filtration making significant reductions in zinc & turbidity**

# DEBT SERVICE & COVERAGE RATIO



- **All 0% WA State Rail Bank loans**

# 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**

# EXPECTED RATE IMPACT

- **Line haul rates**
  - **Last changed in 2017**
  - **Intermodal +\$1 per platform to \$51**
  - **Commercial +\$6 per railcar to \$306**
  - **Unit train single spot +\$4 per railcar to \$224**
  - **Unit train multiple spot +\$5 per railcar to \$300**
- **Rate evaluation in 2019 for 2020 rate adjustments**



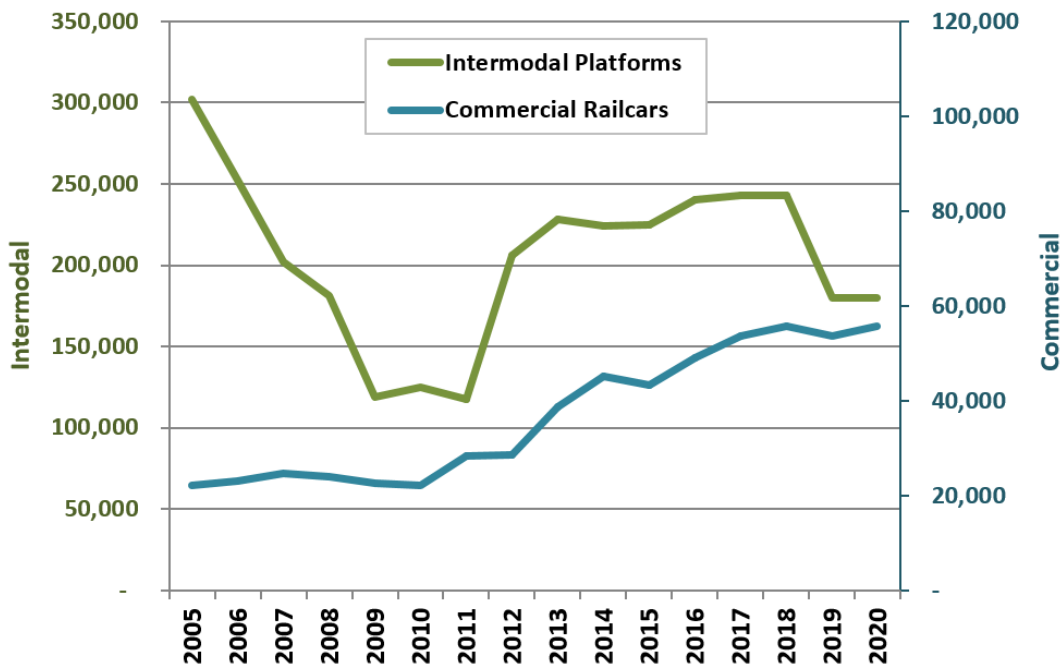
# LINE HAUL VOLUMES

Budget to Proposed Budget Analysis

Commercial	Count	\$ Millions
17/18 Budget	103,432	\$ 28.6
*19/20 Budget	109,432	\$ 31.2
<b>Budget to Budget</b>	<b>6,000</b>	<b>\$ 2.6</b>

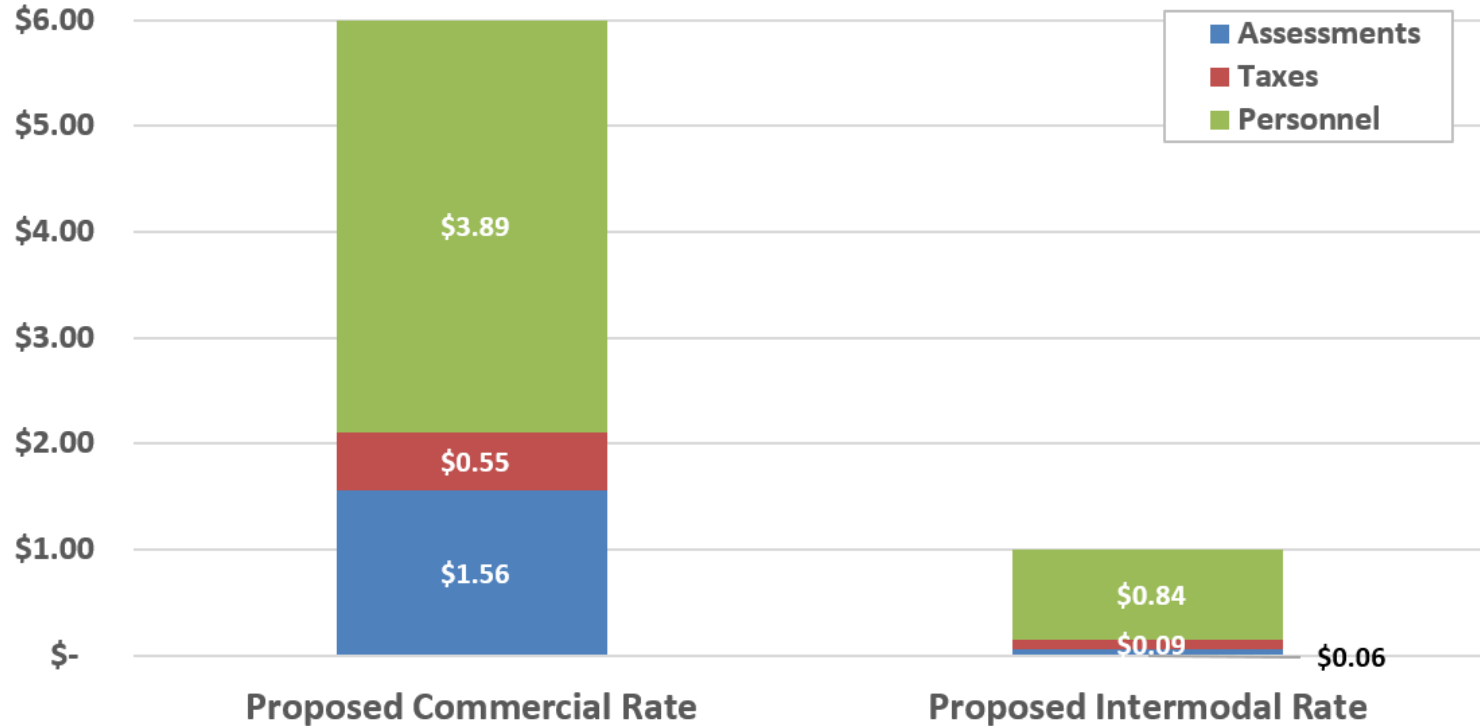
Intermodal	Count	\$ Millions
17/18 Budget	485,600	\$ 24.3
*19/20 Budget	360,000	\$ 18.5
<b>Budget to Budget</b>	<b>(125,600)</b>	<b>\$ (5.8)</b>

Actuals to Proposed Budget Analysis



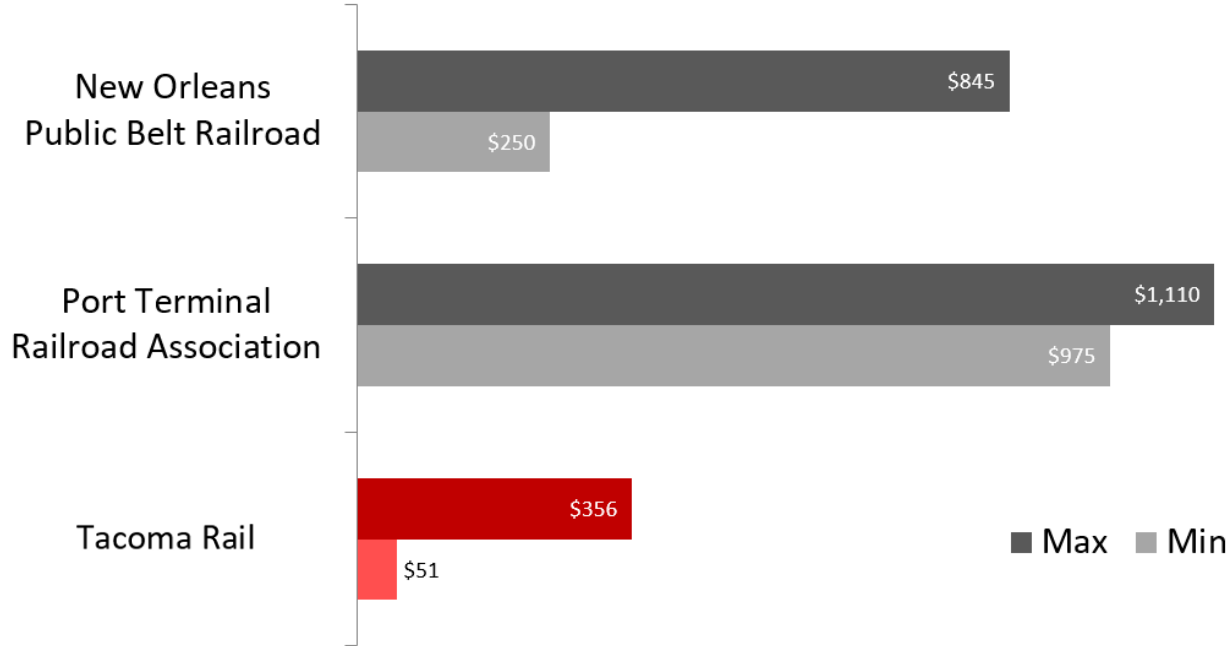
\*With proposed rate adjustment

# RATE DRIVER COMPARISON



# SHORTLINE TARIFF RATES

## Tacoma Interchange



# RATES OUTREACH & COMMUNICATIONS

- **August – September**
  - **BNSF, Union Pacific, Port of Tacoma & US Oil**
- **October – November**
  - **All other customers**
- **December**
  - **Tariff published on the website**

# BUDGET SUMMARY

- **FTE's up from 118 to 126**
- **Line haul volumes flat**
- **Regulations have an impact**
  - **Positive Train Control**
  - **WA Ecology Spill Response Plan**
- **Rates below benchmark short lines**
  - **Major rate payers: BNSF, Union Pacific & US Oil**

# NEXT STEPS

- **October 2<sup>nd</sup>**
  - **GPFC Rates Presentation**
- **October 10<sup>th</sup>**
  - **Public Utility Board meeting presentation of Preliminary Budget & Rates**
- **October 16<sup>th</sup>**
  - **Joint Council/PUB Study Session Presentation**
- **October 24<sup>th</sup>**
  - **Public Utility Board consideration of Preliminary Budget & Rates**
- **November 13<sup>th</sup> & November 20<sup>th</sup>**
  - **1<sup>st</sup> and 2<sup>nd</sup> Council Readings**

**TACOMA PUBLIC UTILITY BOARD**

**2019 - 2020 BUDGET  
TACOMA RAIL**

**Wednesday September 12, 2018  
3:00 p.m.  
TPU Conference Room Lt1**

**Tacoma Rail**

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

<b>Tacoma Rail Recapitulation of Biennial Budget</b>	<b>2017-2018 Budget</b>	<b>2019-2020 Proposed Budget</b>	<b>2017-18 to 2019-20 Budget Comparison</b>	
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### **REVENUE**

Switching Revenue	\$ 60,027,884	\$ 59,490,512	\$ (537,372)	-0.9%
Miscellaneous Revenue	4,251,312	5,498,000	1,246,688	29.3%
<b>Total Operating Revenue</b>	<b>64,279,196</b>	<b>64,988,512</b>	<b>709,316</b>	<b>1.1%</b>

Other Income	2,364,000	2,615,966	251,966	10.7%
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<b>Total Revenue &amp; Available Funds</b>	<b>\$ 66,643,196</b>	<b>\$ 67,604,478</b>	<b>\$ 961,282</b>	<b>1.4%</b>
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### **EXPENDITURES**

Personnel Costs	\$ 31,543,815	\$ 34,031,673	\$ 2,487,858	7.9%
Supplies, Other Services & Charges	22,705,310	21,083,920	(1,621,390)	-7.1%
Taxes	6,295,643	6,382,314	86,671	1.4%
Debt Service	1,799,885	1,640,486	(159,399)	-8.9%
Capital Outlay	4,298,543	4,466,084	167,541	3.9%

<b>Total Expenditures</b>	<b>\$ 66,643,196</b>	<b>\$ 67,604,478</b>	<b>\$ 961,282</b>	<b>1.4%</b>
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### **CAPITAL OUTLAY FINANCING DETAIL**

Anticipated Bank Loan Proceeds/Grants	\$ 1,361,457	\$ 1,450,000	\$ 88,543	6.5%
Funded from Operating Fund	4,298,543	4,466,084	167,541	3.9%

<b>Total Capital Outlay</b>	<b>\$ 5,660,000</b>	<b>\$ 5,916,084</b>	<b>\$ 256,084</b>	<b>4.5%</b>
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<b>PERSONNEL - Budgeted FTE</b>	<b>118.0 / 118.0</b>	<b>126.0 / 126.0</b>
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Tacoma Rail Revenue	2017-2018 Budget	2019-2020 Proposed Budget	2017-18 to 2019-20 Budget Comparison	
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### REVENUE SUMMARY

Switching Revenue	\$ 60,027,884	\$ 59,490,512	\$ (537,372)	-0.9%
Miscellaneous Revenue	4,251,312	5,498,000	1,246,688	29.3%

<b>Total Operating Revenue</b>	<b>64,279,196</b>	<b>64,988,512</b>	<b>709,316</b>	<b>1.1%</b>
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Other Income	2,364,000	2,615,966	251,966	10.7%
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<b>Total Revenue &amp; Available Funds</b>	<b>\$ 66,643,196</b>	<b>\$ 67,604,478</b>	<b>\$ 961,282</b>	<b>1.4%</b>
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### REVENUE DETAIL

#### Switching Revenue

Line Hauls and Local	\$ 57,727,884	\$ 57,190,512	\$ (537,372)	-0.9%
Demurrage	2,300,000	2,300,000	0	0.0%

<b>Total Switching Revenue</b>	<b>60,027,884</b>	<b>59,490,512</b>	<b>(537,372)</b>	<b>-0.9%</b>
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Locomotive Servicing	3,729,312	4,800,000	1,070,688	28.7%
Miscellaneous Revenue	522,000	698,000	176,000	33.7%

<b>Total Miscellaneous Revenue</b>	<b>4,251,312</b>	<b>5,498,000</b>	<b>1,246,688</b>	<b>29.3%</b>
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<b>Total Operating Revenue</b>	<b>64,279,196</b>	<b>64,988,512</b>	<b>709,316</b>	<b>1.1%</b>
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#### Other Income

Rent Income	\$ 2,160,000	\$ 2,220,000	\$ 60,000	2.8%
Interest Income	204,000	225,000	21,000	10.3%

<b>Total Non-Operating Revenue</b>	<b>2,364,000</b>	<b>2,445,000</b>	<b>81,000</b>	<b>3.4%</b>
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Appropriation from Fund Balance	0	170,966	170,966	-100.0%
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<b>Total Revenue &amp; Available Funds</b>	<b>\$ 66,643,196</b>	<b>\$ 67,604,478</b>	<b>\$ 961,282</b>	<b>1.4%</b>
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Tacoma Rail	2017-2018 Budget	2019-2020 Proposed Budget	2017-18 to 2019-20 Budget Comparison	
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**SUMMARY - Operation & Maintenance by Section**

Rail Administration	\$ 21,662,977	\$ 19,165,964	\$ (2,497,013)	-11.5%
Rail Operations	23,091,658	24,496,954	1,405,296	6.1%
Rail Mechanical	10,349,435	12,747,301	2,397,866	23.2%
Rail Construction	5,440,698	5,087,688	(353,010)	-6.5%

<b>Total for Division</b>	<b>\$ 60,544,768</b>	<b>\$ 61,497,908</b>	<b>\$ 953,140</b>	<b>1.6%</b>
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**SUMMARY - Operation & Maintenance by Category**

Salaries & Wages	\$ 23,205,388	\$ 25,728,734	\$ 2,523,346	10.9%
Employee Benefits	9,692,927	9,905,940	213,013	2.2%
Capital Credit & Labor To/From Others	(1,354,500)	(1,603,000)	(248,500)	-18.3%
<b>Total Personnel Costs</b>	<b>31,543,815</b>	<b>34,031,673</b>	<b>2,487,858</b>	<b>7.9%</b>

Supplies	2,873,441	2,899,812	26,371	0.9%
Services	7,748,242	9,547,202	1,798,960	23.2%
Other Charges	3,705,421	4,683,836	978,415	26.4%
Volume Incentive	5,000,000	0	(5,000,000)	-100.0%
Total Assessments	3,378,206	3,953,070	574,864	17.0%
Taxes	6,295,643	6,382,314	86,671	1.4%
<b>Total Supplies &amp; Other Charges</b>	<b>29,000,953</b>	<b>27,466,234</b>	<b>(1,534,719)</b>	<b>-5.3%</b>

<b>Total for Division</b>	<b>\$ 60,544,768</b>	<b>\$ 61,497,908</b>	<b>\$ 953,140</b>	<b>1.6%</b>
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<b>Tacoma Rail Taxes</b>	<b>2017-2018 Budget</b>	<b>2019-2020 Proposed Budget</b>	<b>2017-18 to 2019-20 Budget Comparison</b>	
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**TAX PAYMENTS**

City of Tacoma:				
Gross Earnings Tax (8.0%)	\$ 5,331,455	\$ 5,410,000	\$ 78,545	1.5%
State of Washington:				
Utility & Business Tax	964,188	971,000	6,812	0.7%
Other Taxes	0	1,314	1,314	0.0%
Subtotal	<b>6,295,643</b>	<b>6,382,314</b>	<b>86,671</b>	<b>1.4%</b>
Federal Railroad Taxes	4,051,175	4,438,438	387,263	9.6%
<b>Total Tacoma Rail Taxes</b>	<b>\$ 10,346,818</b>	<b>\$ 10,820,752</b>	<b>\$ 473,934</b>	<b>4.6%</b>

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 personnel services.

Tacoma Rail Debt Service	2017-2018 Budget	2019-2020 Proposed Budget	2017-18 to 2019-20 Budget Comparison	
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**DEBT SERVICE SUMMARY**

Interest	\$ 866	\$ 0	\$ (866)	-100.0%
Principal	1,799,019	1,640,486	(158,533)	-8.8%

<b>Total Debt Service</b>	<b>\$ 1,799,885</b>	<b>\$ 1,640,486</b>	<b>\$ (159,399)</b>	<b>-8.9%</b>
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**DEBT SERVICE DETAIL**

Revenue Bond - \$2,000,000				
- Interest	\$ 866	\$ 0	\$ (866)	-100.0%
- Principal	64,238	0	(64,238)	-100.0%
Rail Bank Loans - \$9,137,895, 0% Interest				
- Principal	1,734,781	1,640,486	(94,295)	-5.4%

<b>Total Debt Service</b>	<b>\$ 1,799,885</b>	<b>\$ 1,640,486</b>	<b>\$ (159,399)</b>	<b>-8.9%</b>
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Tacoma Rail Capital Outlay	2017-2018 Budget	2019-2020 Budget
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**SUMMARY**

General Plant	\$0	\$41,084
Communications	235,000	150,000
Facility Upgrades	1,025,000	2,300,000
Rail Equipment/Vehicles	1,000,000	1,175,000
Track Improvements	3,400,000	2,250,000

<b>Sub-Total</b>	<b>\$5,660,000</b>	<b>\$5,916,084</b>
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Projects Funded from Grants	(\$400,000)	(\$1,000,000)
Projects Funded from Rail Bank Loan Proceeds	(311,457)	(450,000)
Projects Funded from Anticipated Bank Loan	(650,000)	0

<b>Total Operating Fund Capital Outlay</b>	<b>\$4,298,543</b>	<b>\$4,466,084</b>
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**General Plant**

TPU Auditorium TV Update	\$0	\$41,084
<b>General Plant Total</b>	<b>\$0</b>	<b>\$41,084</b>

**Communications**

Radio Repeater/Upgrades	\$150,000	\$150,000
Locomotive Health & Location Monitoring	85,000	0
<b>Communications Total</b>	<b>\$235,000</b>	<b>\$150,000</b>

**Facility Upgrades**

Locomotive Load Box	\$0	\$50,000
ITS Project	300,000	300,000
Stormwater Treatment and Filtration	100,000	50,000
Secondary Fueling Upgrades	500,000	1,900,000
Admin Building Window Replacement	25,000	0
West End Track Pan Replacement	100,000	0
<b>Facility Upgrades Total</b>	<b>\$1,025,000</b>	<b>\$2,300,000</b>

**Rail Equipment/Vehicles**

Locomotive Repower	\$1,000,000	\$1,000,000
Lift Truck (Fork Lift)	0	25,000
Trucks	0	150,000
<b>Rail Equipment/Vehicles Total</b>	<b>\$1,000,000</b>	<b>\$1,175,000</b>

<b>Tacoma Rail Capital Outlay</b>	<b>2017-2018 Budget</b>	<b>2019-2020 Budget</b>
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**Track Improvement Projects**

Tidelands Infrastructure Improvements	\$1,000,000	\$1,000,000
Marine View Drive Crossing Signals	0	1,000,000
Taylor Way Crossings	0	250,000
Taylor Wye and Hylebos Creek Bridge Relay	525,000	0
Port Road Main Rail Relay	505,000	0
South Lead Rail Relay	200,000	0
Kia Siding Rail Relay	270,000	0
Buffelen Curve Rehabilitation	420,000	0
Switch Replacements	480,000	0
<b>Track Improvement Projects Total</b>	<b>\$3,400,000</b>	<b>\$2,250,000</b>

<b>TOTAL CAPITAL OUTLAY</b>	<b>\$5,660,000</b>	<b>\$5,916,084</b>
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