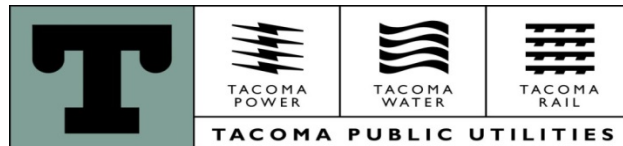


# TPU and TACOMA RAIL 2019 - 2020 BUDGET PREVIEW

**April 2018**



# AGENDA

- 1. Budget Timeline – Linda McCrea**
- 2. TPU Budget Preview– Linda McCrea**
- 3. Tacoma Rail Budget Preview– Dale King**

# BUDGET TIMELINES

## **PUB Budget Preview Sessions**

**April 11 – TPU and Rail**

**April 25 – Tacoma Water**

**May 09 – Customer Service**

**May 23 – Tacoma Power**

## **PUB Budget Reviews**

**August 22 – Service Divisions**

**September 12 – Water & Rail**

**September 26 - Power**

# BUDGET TIMELINES

## **Joint Study Sessions, Readings, Votes and Delivery**

**October 16 – Joint study session - Preliminary Biennial Budget & Rates**

**October 24 – Public Utility Board vote on Preliminary Budget & Rates**

**October 31 – Preliminary Budget to City Clerk**

**November 13 and 20 – City Council 1<sup>st</sup> and 2<sup>nd</sup> Readings and City Council Vote**

# UNDERLYING BUDGET PRINCIPLES

- **Maintain a long-term outlook and a customer focus**
- **Minimize rate increases while pursuing rate stability, financial health and operational priorities**
- **Continue to enhance the customer experience**
- **Be strategically aligned with the communities we serve**
- **Focus on safety and reliability**
- **Meet regulatory requirements**
- **Seek innovative solutions**
- **Recognize the vital role of employees in our success**

# CONSIDERATIONS FOR NEXT BIENNIUM

## –Customer attentiveness

- Low Income assistance programs
- Increased community engagement
- Communication and transparency

## –Our people

- Leadership development
- Safety and Culture

## –Technology

- AMI and other upgrades
- Cyber security

# CONSIDERATIONS FOR NEXT BIENNIUM

- **Regulatory requirements**
- **Aging infrastructure and asset management**
- **Challenges and opportunities lie ahead**
- **Anticipate low to moderate rate increases**

# **TACOMA RAIL BUDGET PREVIEW**

**Dale King, Superintendent**

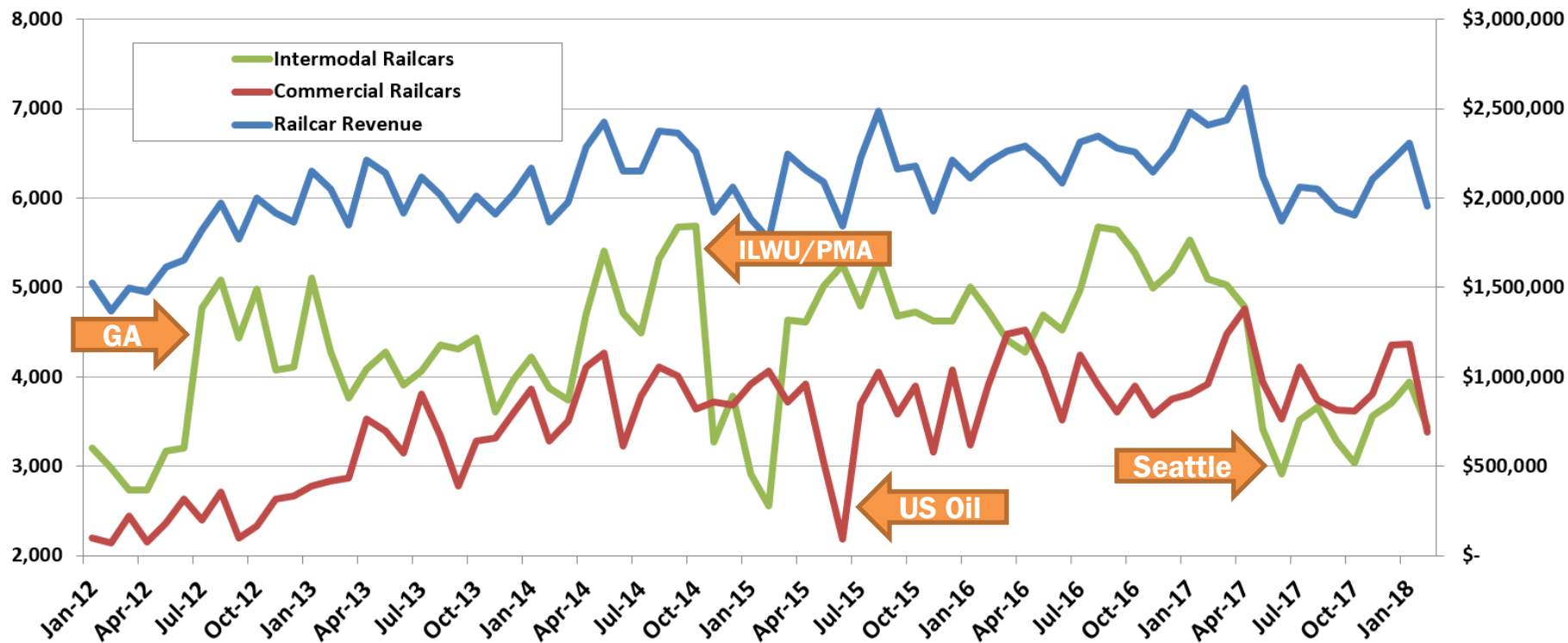
**TACOMA  RAIL**  
TACOMA PUBLIC UTILITIES



# TODAY'S DISCUSSION

- **State of the Utility**
- **Strategy**
- **Primary Budget Drivers**
- **Budget/Rate Impacts**
- **Next Steps**

# STATE OF THE UTILITY: DEMAND



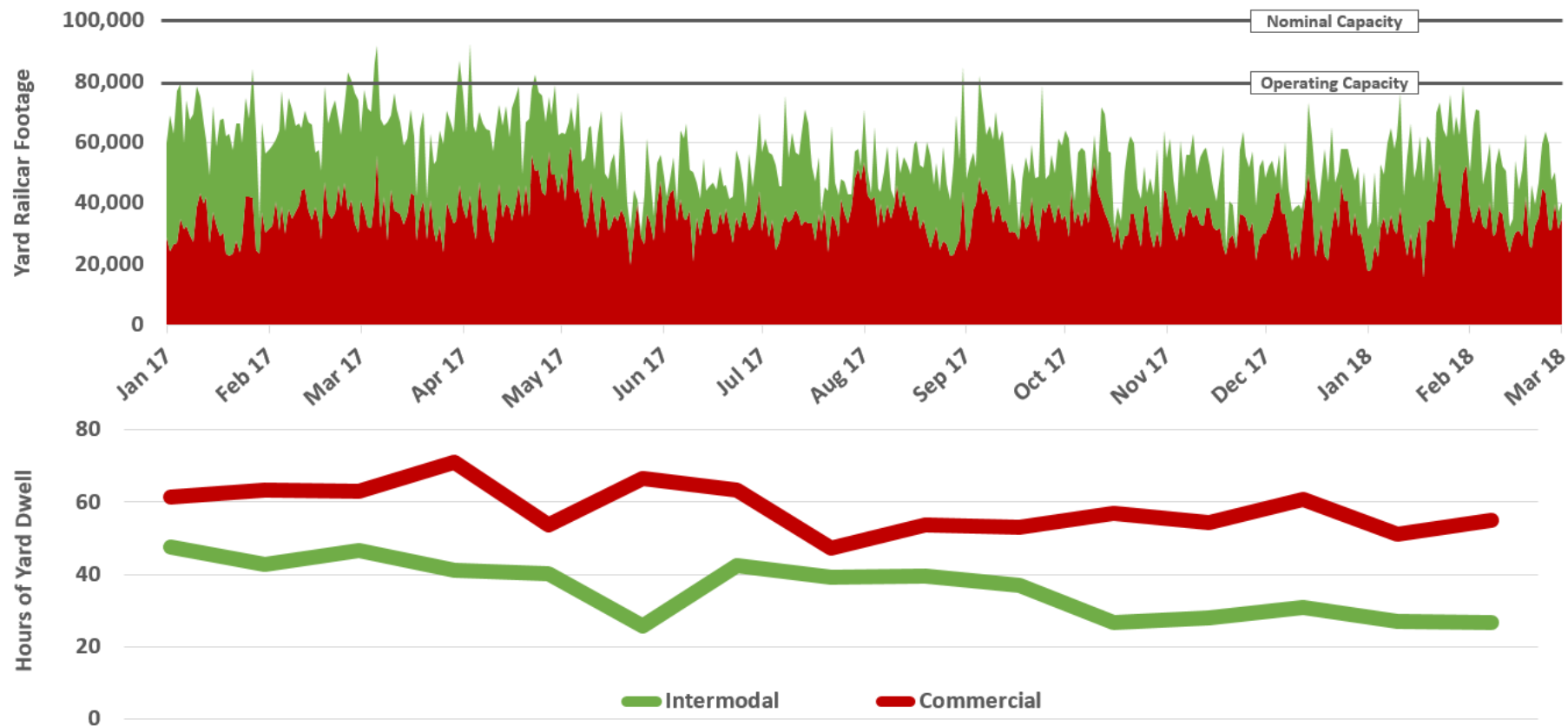
# STATE OF THE UTILITY: CUSTOMERS

CUSTOMER	LINE HAULS	REVENUE (\$)
North Intermodal	28,992	4,679,950
U.S. Oil Refining	18,084	4,331,870
Auto Warehousing	9,748	3,033,000
Washington United Terminals	15,142	2,687,850
Pierce County Terminal	10,310	1,882,150
Targa Sound	5,765	1,818,050
Northwest Container	5,255	1,070,552
MacMillan Piper	2,703	810,900
<b>TOTALS</b>	<b>96,894</b>	<b>20,582,822</b>

**Top 8 line haul revenue customers in 2017**  
**Contributed 85% of total line haul revenue**

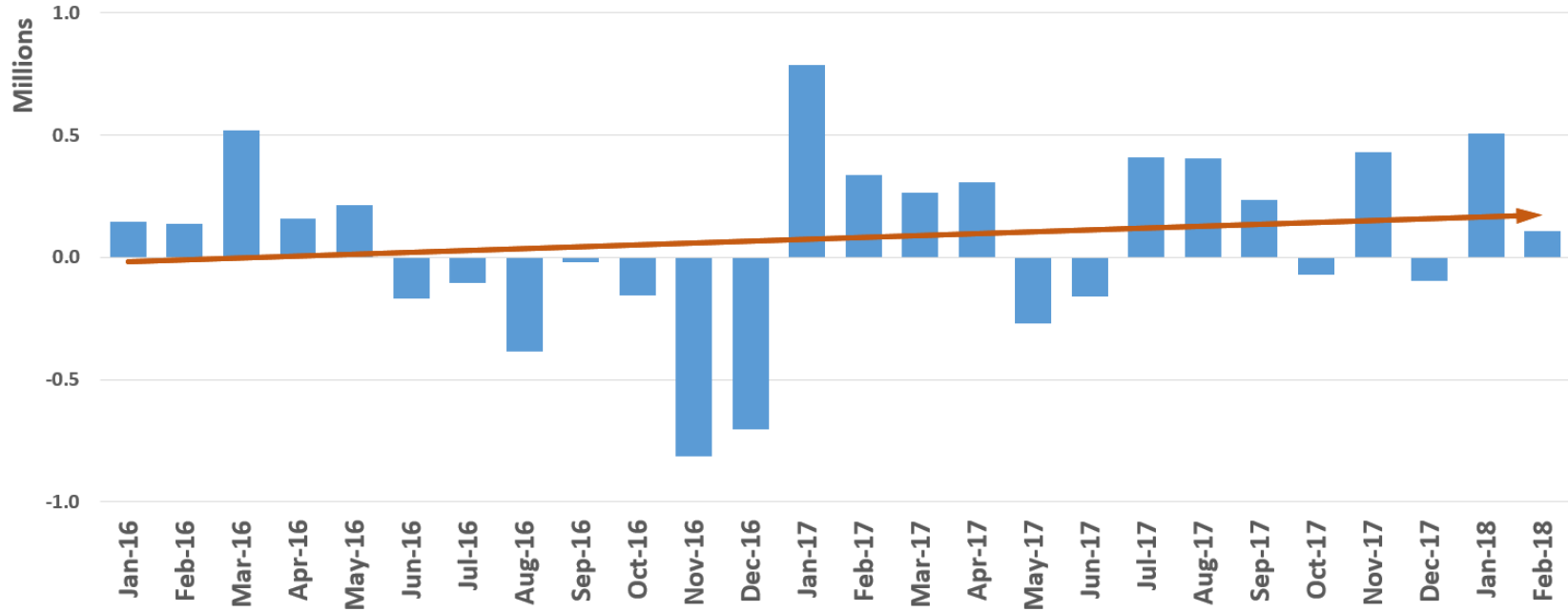
Intermodal   Commercial

# STATE OF THE UTILITY: CAPACITY

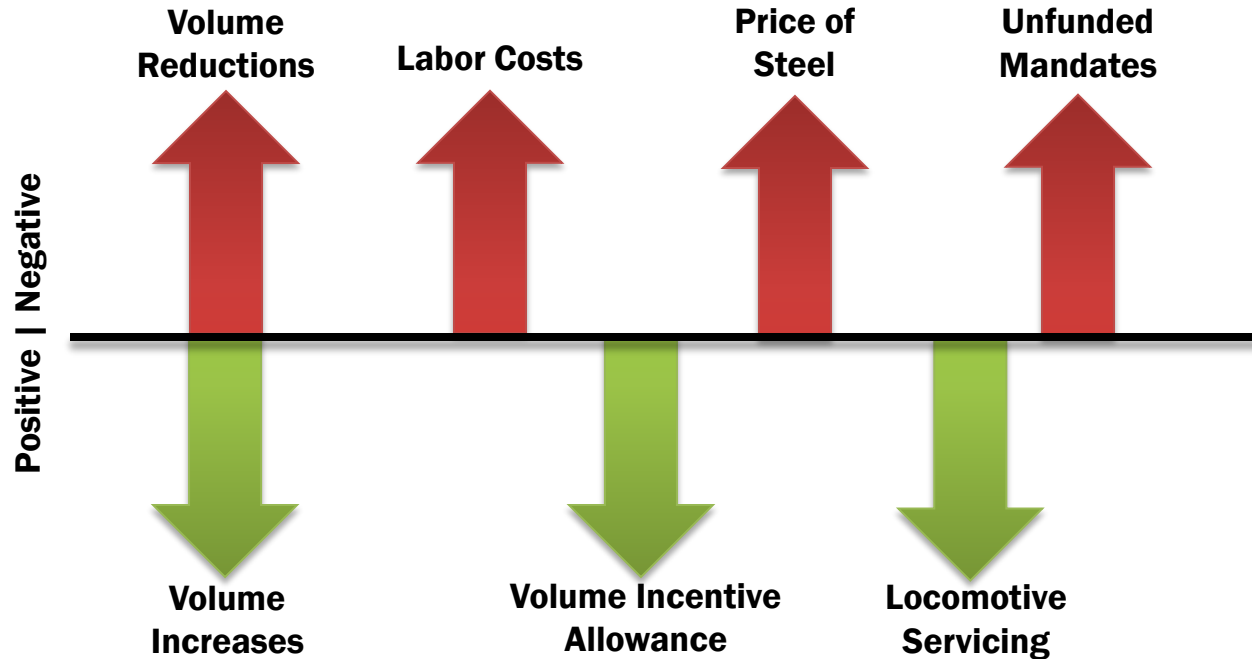


# STATE OF THE UTILITY: FINANCIAL

Revenues Less Expenditures w/ Trendline



# STATE OF THE UTILITY: RATE PRESSURE & RELIEF



# TACOMA RAIL STRATEGY

- **Safety**
  - **Positive Train Control**
  - **Reinvigorated Safety Committee**
- **Strategic Partnerships**
  - **Customers: Port of Tacoma, U.S. Oil Refining**
  - **Railroads & Industry Organizations: BNSF, UP, ASLRRRA**
- **Strengthen Financial Position**
  - **Control costs & prioritize projects**
  - **Rates & fuel surcharge**
- **Employee, Leadership & Organizational Development**
  - **Safety training**
  - **Leadership training**
  - **Training & succession planning**
  - **Right sizing**
- **Environmental Responsibility**
  - **Locomotive modernization**

# PRIMARY BUDGET DRIVERS

- **Railcar Traffic**
  - **Northwest Seaport Alliance**
  - **Commercial Customers**
    - US Oil
    - AWC
    - Targa Sound
    - Parcel 77
- **Infrastructure**
  - **Parcel 77**
  - **Marine View Drive grade crossing protection**
- **Locomotive Assets**
  - **Engine replacements & modernization**
  - **Leased locomotives**
- **Compliance & Other**
  - **Oil Spill Contingency Plan drills**
    - Includes worst case scenario
  - **Replenish Self Insurance Fund**



# PROJECTED RATE IMPACTS

- **Primary Rate Payers**

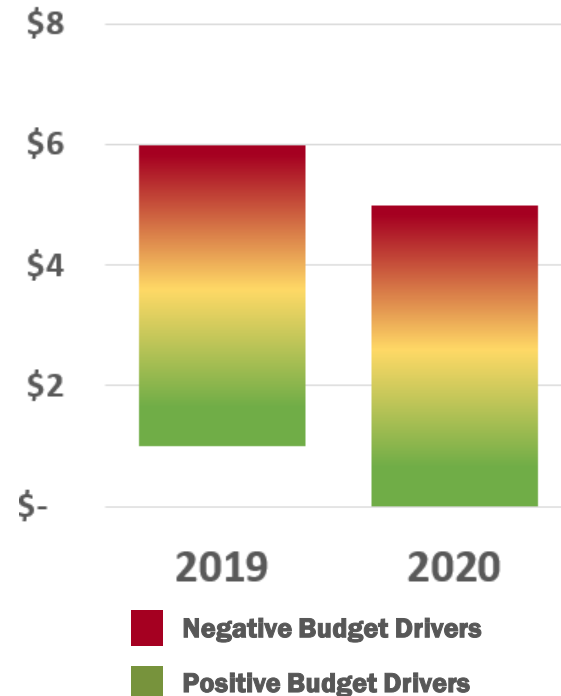
- **BNSF**
- **Union Pacific**
- **U.S. Oil Refining**

- **Rate Policy**

- **Rates should be cost based and adequate to recover Tacoma Rail's costs.**
- **Rates should be stable.**
- **Rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible.**
- **Rates should have a customer involvement and review process.**

# Budget Drivers & Projected Rate Impacts

- **Current Tariff Rates**
  - **Intermodal Platforms**
    - \$50
  - **Commercial Railcars**
    - \$300
    - \$350 Hazmat
  - **Unit Trains**
    - \$220 full train facility
    - \$295 partial train facility



# NEXT STEPS

- **Budget Development**
  - **Revenue requirements**
  - **Volume forecasts**
  - **Capital program**
- **September 12<sup>th</sup>**
  - **TPU Board Study Session Budget Presentation**
- **October 16<sup>th</sup>**
  - **Joint Study Session Budget Presentation**
- **October 24<sup>th</sup>**
  - **Consideration of preliminary budget**