



TO: Mayor Strickland and Members of the City Council
FROM: William A. Gaines, Director/CEO, Tacoma Public Utilities *WAG*
Dale W. King, Superintendent/COO, Tacoma Rail
COPY: TC Broadnax, City Manager and City Clerk
SUBJECT: Northwest Container Services Switch Rate Agreement – December 1, 2015
DATE: November 6, 2105

SUMMARY:

Tacoma Rail requests authorization to enter into a railroad switching fee agreement with Northwest Container Services, Inc.

STRATEGIC POLICY PRIORITY:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

The Northwest Container Services agreement supports rail served customers at a rate that is fiscally sustainable for the Tacoma Rail services provided.

BACKGROUND:

Northwest Container Services is a Portland, OR, based customer of Tacoma Rail that specializes in containerized logistics transportation services. Tacoma Rail handles their container traffic on intermodal railcars to and from the Union Pacific railroad and between one of several designated container terminals in the Port of Tacoma area.

Tacoma Rail requests approval to enter into a railroad switching fee agreement with Northwest Container Services, Inc. to establish a cost of service rate of \$20.00 per container interchanged to a Class I railroad, with an escalation rate of \$1.00 per year starting January 1, 2016. The agreement will be for 3 years unless mutually cancelled or extended in writing.

ISSUE:

Tacoma Rail's freight tariff doesn't encapsulate the cost of service associated with Northwest Container Services traffic base. Northwest Container Services traffic is unique in that it is intermodal traffic, but it is handled as non-intermodal traffic by the Union Pacific. It is a separate service that parallels Tacoma Rail's intermodal traffic referenced in the freight tariff.

ALTERNATIVES:

One alternative is no change, which is not viewed as the most fiscally responsible approach.

RECOMMENDATION:

Tacoma Rail requests City Council authorization to enter into a Northwest Container Services railroad switching fee agreement with an effective date of January 1, 2016 to provide cost of service rates.



FISCAL IMPACT:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
TOTAL			

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Line haul switching rates			\$190,000
TOTAL			

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
TOTAL			

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$190,000 in projected 2016 revenues

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

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

N/A