



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Jackie Flowers, Director of Utilities, Tacoma Public Utilities  
**COPY:** City Council and City Clerk  
**SUBJECT:** Ordinance – Update Rail Rate Policy – November 15, 2022  
**DATE:** November 15, 2022

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**SUMMARY AND PURPOSE:**

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

**BACKGROUND:**

**This Department’s Recommendation is Based On:** 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.

**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

Tacoma Rail’s primary rate payers are BNSF Railway and Union Pacific Railroad. Tacoma Rail provides railroad services to customers primarily in the Port of Tacoma area. The proposed rate policy changes have been communicated through public meetings and individual communications with customers.

**2025 STRATEGIC PRIORITIES:**

**Equity and Accessibility:**

No direct positive or negative impacts on equity, equality, diversity or inclusion are anticipated to result from enacting this legislation.

**Economy/Workforce:** *Equity Index Score: Low Opportunity*

Increase the number of infrastructure projects and improvements that support existing and new business developments.

Increase positive public perception related to the Tacoma economy.

**Explain how your legislation will affect the selected indicator(s).**

Mission: Tacoma Rail’s employees work safely to provide reliable and environmentally sound services that are vital to our customers and community.

Tacoma Rail supports new and existing business developments that utilize rail transportation. Rail infrastructure improvements and assets contribute to providing rail service for economic growth and stability.



**ALTERNATIVES:**

<b>Alternative(s)</b>	<b>Positive Impact(s)</b>	<b>Negative Impact(s)</b>
1. No Rail Rate Policy changes	None	Impede Tacoma Rail from recovering from unanticipated downturns in the economy or railcar volumes.

**EVALUATION AND FOLLOW UP:**

To establish a balance to the sub-fund, an initial \$500,000 will be transferred to the sub-fund from Tacoma Rail's 4500 enterprise fund when created. The sub-fund will be tracked and reported to the Tacoma Public Utility Board on a quarterly basis.

**STAFF/SPONSOR RECOMMENDATION:**

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



**FISCAL IMPACT:**

The proposed Rail Rate Policy creates a Volume Investment Fund, a sub-fund of Tacoma Rail’s enterprise 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 staffing retention for service reliability and resiliency when rail volumes 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.
- d. Grant or debt matching opportunities.

**What Funding is being used to support the expense?**

N/A

**Are the expenditures and revenues planned and budgeted in this biennium’s current budget?**

**NO, PLEASE EXPLAIN BELOW**

The proposed Rail Rate Policy changes are for unanticipated downturns in the economy.

**Are there financial costs or other impacts of not implementing the legislation?**

**YES**

Not implementing the proposed Rail Rate Policy will impede Tacoma Rail from recovering successfully from unanticipated downturns in the economy or railcar volumes.

**Will the legislation have an ongoing/recurring fiscal impact?**

**No**

**Will the legislation change the City’s FTE/personnel counts?**

**No**

**ATTACHMENTS:**

- Rail Rate Policy 2023 Changes
- Rail Rate Policy 2023