



TO: Elizabeth Pauli, City Manager
FROM: Daniel McCabe, Division Manager, Tacoma Rail
Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: City Council and City Clerk
SUBJECT: Ordinance – Reissue Tacoma Rail Freight Tariff – November 5, 2024
DATE: October 11, 2024

SUMMARY AND PURPOSE:

TPU Rail requests authorization to reissue the TMBL 8807 series freight switching and TMBL 6004 series demurrage tariffs for an effective date of January 1, 2025 and a switching tariff supplement with an effective date of January 1, 2026.

BACKGROUND:

This Department’s Recommendation is Based On: Tacoma Rail’s customers consist of local industries and other railroads. The switching tariffs define the line haul and miscellaneous switching charges allocated to the movement of railcars. Tacoma Rail’s TMBL tariff rates associated with unit train and other Tacoma interchanged line haul traffic were last updated in 2024; miscellaneous switching rates were last updated in 2023.

Tacoma Rail’s rates encapsulate cost of service practices. Line haul rates are charged to the BNSF Railway Co. or the Union Pacific Railroad unless the industry served or shipper elects to pay the fees themselves. The switching tariff rate adjustments for 2025 include a system average rate increase of 2.3% over current rates and a 3% increase to all miscellaneous switching rates. The 2026 tariff supplement increases line haul traffic rates by a system average of 2.3%.

Tacoma Rail’s demurrage tariff was last updated in 2023. Demurrage is a federal requirement for railroads to charge for the undue detention of railcars. The proposed tariff increases the rate by \$5 per day, for a total of \$70.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Tacoma Rail’s primary rate payers are BNSF Railway Co. 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.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

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: Select Index Score.

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:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. No rate adjustment	Lower rates in the short-term for mainline railroads and rail served business	\$2.8 million revenue shortfall will cause disruption in services and deferment of infrastructure maintenance, infrastructure improvements and locomotive replacements.
2.		
3.		

EVALUATION AND FOLLOW UP:

New Tacoma Rail tariffs will be published on its website and sent to all applicable railroads and customers per federal railroad requirements.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Rail recommends approval of the proposed Tacoma Rail tariffs TMBL 8807-L and TMBL 6004-E with an effective date of January 1, 2025 and tariff supplement with an effective date of January 1, 2026 to ensure reliable rail services at cost of service rates.

FISCAL IMPACT:

Rates herein are anticipated to increase the revenues of Tacoma Rail over the next biennium by approximately \$2,763,800.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.Fund 4500	591004	Rail Revenues	\$2,763,800
2.			
TOTAL			\$2,763,800

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

Budgeted for the 2025/2026 biennium.

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

YES



City of Tacoma

City Council Action Memorandum

The \$2.8 million revenue shortfall will cause severe disruption in railroad services and deferment of infrastructure maintenance, infrastructure improvements and locomotive replacements.

Will the legislation have an ongoing/recurring fiscal impact?

YES

There are proposed tariff changes on January 1, 2025 and January 1, 2026.

Will the legislation change the City's FTE/personnel counts?

No

The proposed tariffs support the proposed 2025/2026 biennium budget which includes 120 FTE's/personnel.

ATTACHMENTS:

- TMBL 8807-L Switching Tariff Changes
- TMBL 8807-L Switching Tariff
- TMBL 8807-L Switching Tariff Supplement 1 Changes
- TMBL 8807-L Switching Tariff Supplement 1
- TMBL 6004-E Demurrage Tariff Changes
- TMBL 6004-E Demurrage Tariff