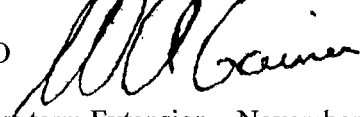




**TO:** Mayor Strickland and Council Members  
**FROM:** William A. Gaines, Director Tacoma Public Utilities / CEO  
**COPY:** T. C. Broadnax, City Manager, and City Clerk  
**SUBJECT:** BNSF Railway Company Operating Lease Agreement Short-term Extension – November 17, 2015  
**DATE:** October 22, 2015



**SUMMARY:**

Tacoma Rail requests approval to extend the agreements with BNSF Railway Company for shortline freight service on the Quadlock and Belmore Lines near Olympia, Washington.

**STRATEGIC POLICY PRIORITY:**

- Strengthen and maintain a strong fiscal management position.

This final short term extension of four-months is intended to ensure a smooth transition in freight rail service to customers as BNSF Railway Company completes their internal selection process for another third party operator of the Quadlock and Belmore lines.

**BACKGROUND:**

Subsequent to a Request for Proposals by the BNSF Railway Company in 2004, Tacoma Rail was selected as the preferred operator to assume shortline freight service operations between Nisqually, St. Clair and Quadlock, and Olympia and Belmore, Washington, under the terms of a ten-year lease set to expire on November 16, 2014.

Tacoma Rail received authorization to execute the lease agreements through Board Resolution U-9915 and City Council Resolution 36301 in the fall of 2004. A one-year term extension was approved by Board Resolution U-10732 and City Council Resolution 39045 in the fall of 2014.

**ISSUE:**

Tacoma Rail has been unsuccessful in attempting to renegotiate more equitable terms in the existing operational lease agreements with the BNSF Railway Company, and does not foresee a scenario in which traffic volumes would increase substantially in the future. Consequently, Tacoma Rail has concluded it prudent to allow the agreements to terminate. The final four-month extension is intended to ensure a smooth transition in service from Tacoma Rail to another third party operator.

**ALTERNATIVES:**

No practical long term alternatives.

**RECOMMENDATION:**

Tacoma Rail recommends City Council authorize the approval of a four-month operating lease agreement extension with the BNSF Railway Company.



**FISCAL IMPACT:**

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4500 – TPU Tacoma Rail	592302		\$250,000.00
<b>TOTAL</b>			<b>\$250,000.00</b>

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
<b>TOTAL</b>			

**POTENTIAL POSITION IMPACT: N/A**

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
<b>TOTAL</b>			

*This section should only be completed if a subsequent request will be made to increase or decrease the current position count.*

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$250,000.00**

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes.**