



**TO:** Board of Contracts and Awards  
**FROM:** Dale W. King, Superintendent/COO, Tacoma Rail  
Timothy Flood, Terminal Superintendent, Tacoma Rail  
**COPY:** City Council, City Manager, and City Clerk  
**SUBJECT:** Extension of Leased Rail Operations and Real and Personal Property comprising the Quadlok-St. Clair, and Belmore-Olympia, WA. Rail Lines by Tacoma Rail from the Burlington Northern Santa Fe Railroad – November 4, 2014  
**DATE:** October 23, 2014

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**SUMMARY:**

Tacoma Rail requests approval for a one-year extension of the lease and operating agreements with the Burlington Northern Santa Fe Railroad to continue as the shortline operator of freight service between South Tacoma and Nisqually, St. Clair and Quadlok and Olympia and Belmore, Washington.

The Burlington Northern and Santa Fe Railroad selected Tacoma Rail as its preferred operator to assume shortline freight rail services between South Tacoma and Nisqually (the Lakewood Subdivision), St. Clair and Quadlok and Olympia and Belmore, Washington, in 2004. Service and maintenance responsibilities over these segments were conveyed to Tacoma Rail by means of a ten-year lease. The agreements and territory expansion of Tacoma Rail were authorized in 2004 by Public Utility Board Resolution U-9915 and City Council Resolution 36301.

**STRATEGIC POLICY PRIORITY:**

- Strengthen and maintain a strong fiscal management position.

The one-year extension of these agreements with the Burlington Northern Santa Fe Railroad will preserve continuity of service to nineteen existing freight rail customers.

**BACKGROUND:** The Burlington Northern and Santa Fe Railroad selected Tacoma Rail as its preferred operator to assume shortline freight rail services between South Tacoma and Nisqually (the Lakewood Subdivision), St. Clair and Quadlok and Olympia and Belmore, Washington, in 2004. Service and maintenance responsibilities over these segments were conveyed to Tacoma Rail by means of a ten-year lease. The agreements and territory expansion of Tacoma Rail were authorized in 2004 by Public Utility Board Resolution U-9915 and City Council Resolution 36301.

**ISSUE:** Tacoma Rail seeks to continue as the shortline operator for the Burlington Northern Santa Fe Railroad on the segments described above.

**ALTERNATIVES:** One alternative would be to allow the agreements to expire, although to do so would cause an undue burden on the existing freight rail customers and potentially cause severe damage in the partnership between Tacoma Rail and the BNSF Railroad. Tacoma Rail has elected to seek a one-year extension to allow for additional time to consider the benefits/risks of another long term agreement.

**CONTRACT HISTORY:** Tacoma Rail responded to a Request for Proposals issued by the Burlington Northern & Santa Fe Railway Company in 2004, and was selected as the preferred shortline operator of the segments of railroad tracks between South Tacoma and Nisqually, St. Clair and Quadlok, and Olympia and Belmore, Washington.



**RECOMMENDATION:**

Tacoma Rail recommends approval of this one-year extension necessary to continue freight rail service activities for Capital Division freight rail customers.

**FISCAL IMPACT:**

**EXPENDITURES:**

| FUND NUMBER & FUND NAME * | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT   |
|---------------------------|----------------------------|--------------|----------------|
| 4500                      | Multiple CC                | Multiple CE  | 863,868        |
|                           |                            |              |                |
|                           |                            |              |                |
| <b>TOTAL</b>              |                            |              | <b>863,868</b> |

\* General Fund: Include Department

**REVENUES:**

| FUNDING SOURCE | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT     |
|----------------|----------------------------|--------------|------------------|
| 4500           | 591004                     | 4343260      | 1,102,670        |
|                |                            |              |                  |
|                |                            |              |                  |
| <b>TOTAL</b>   |                            |              | <b>1,102,670</b> |

**POTENTIAL POSITION IMPACT:**

| POSITION TITLE | PERMANENT/<br>PROJECT<br>TEMPORARY<br>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:**

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

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

Expenditures in future biennial cycles will be planned and budgeted.