



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

SUMMARY AND PURPOSE:

Tacoma Rail requests authorization to reissue the TMBL 8807 series freight switching and TMBL 6004 series demurrage tariffs for an effective date of January 1, 2023 and a switching tariff supplement with an effective date of January 1, 2024.

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 2022; miscellaneous switching rates were last updated in 2021.

Tacoma Rail’s rates encapsulate cost of service practices. Line haul rates are charged to the BNSF or Union Pacific railroads unless the industry served or shipper elects to pay the fees themselves. The switching tariff rate adjustments for 2023 include a system average rate increase of 4.3% over current rates a special switch rate increase of \$85 to \$600 and a 3% increase to all miscellaneous switching rates. The 2024 tariff supplement increases line haul traffic rates by a system average of 4.3%.

Tacoma Rail’s demurrage tariff was last updated in 2018. Demurrage is a federal requirement for railroads to charge for the undo detention of railcars. The proposed tariff increases the rate by \$5 per day, for a total of \$65 and add Juneteenth as a holiday.

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 tariff 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:* Moderate 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:

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	\$4.7 million revenue shortfall will cause severe disruption in services and deferment of infrastructure maintenance, infrastructure improvements and locomotive replacements.

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-K and TMBL 6004-D with an effective date of January 1, 2023 and tariff supplement with an effective date of January 1, 2024 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 \$4,700,000.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 4500		Rail Revenues	\$4,700,000
2.			
TOTAL			\$4,700,000

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?

YES

Budgeted for the 2023/2024 biennium.

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

YES

The \$4.7 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, 2023 and January 1, 2024.

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

NO

The proposed tariffs support the proposed 2023/2024 budget which includes 114 FTE's/personnel.

ATTACHMENTS:

- TMBL 8807-K Switching Tariff Changes
- TMBL 8807-K Switching Tariff
- TMBL 8807-K Switching Tariff Supplement 1 Changes
- TMBL 8807-K Switching Tariff Supplement 1
- TMBL 6004-D Demurrage Tariff Changes
- TMBL 6004-D Demurrage Tariff