



TO: Mayor and City Council
FROM: Jackie Flowers, Director of Utilities
COPY: Elizabeth Pauli, City Manager and Doris Sorum, City Clerk
SUBJECT: Ordinance – Update Rail Rate Policy – November 10, 2020
DATE: October 16, 2020

SUMMARY:

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

STRATEGIC POLICY PRIORITY:

- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

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.

ISSUE:

Operating revenue surpluses due to unanticipated revenue growth are not designated for specific uses.

ALTERNATIVES:

No change to the current Rail Rate Policy.

RECOMMENDATION:

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

FISCAL IMPACT:

There is no fiscal impact.