



TO: Elizabeth Pauli, City Manager
FROM: Dylan Harrison, Sr. Real Estate Officer, Real Property Services
Dale King, Superintendent, Tacoma Rail
COPY: City Council and City Clerk
SUBJECT: Amendment to Lease of Rail Operations and Real and Personal Property September 20, 2022
DATE: September 8, 2022

SUMMARY AND PURPOSE:

Tacoma Rail seeks approval to extend the term of a Mountain Division Lease Agreement for Rail Operations and a segment of railroad track near McKenna, WA, including service to a single freight rail customer. Amendment No. 1 will extend the term of the Agreement beyond the initial termination date of September 29, 2022, all other terms of the Agreement remain unchanged.

BACKGROUND:

Tacoma Rail's recommendation is based on a cost avoidance strategy. Specifically, given the customer base for the Mountain Division rail line is in Frederickson this arrangement allows Tacoma Rail to suspend maintenance and operation activities on the 12.8 miles of track between Frederickson and McKenna.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

The single freight rail customer in McKenna is satisfied with the current level of service they receive from the common carrier railroad associated with this Lease Agreement.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

This Lease Amendment involves railroad operations on approximately 0.8 miles of track in rural Pierce County and does not directly reduce racial and other inequities, disparities, or discrimination to under-represented communities, nor does it provide positive impacts on equity, equality, diversity or inclusion objectives adopted by the City.

Economy/Workforce: *Equity Index Score:* Select Index Score.
Increase the number of diverse livable wage jobs.

Explain how your legislation will affect the selected indicator(s).

Execution of this Amendment will not result in the elimination of any FTE positions within the Rail Division.



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. Reject the recommendation | None. | Interruption of service to customer, costs associated with maintaining 12.8 miles of track. |
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EVALUATION AND FOLLOW UP:

Should the Lease Agreement continue beyond its fourth year, another Amendment will be necessary to implement annual price increases as required by the City Charter.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Rail recommends the Amendment be approved to ensure uninterrupted service to the single TRMW customer in McKenna, and continue ongoing savings realized through the suspension of railroad maintenance activities between Frederickson and McKenna, WA.

FISCAL IMPACT:

Please provide a short summary of the fiscal impacts associated with the grant, agreement, policy action, or other action.

| Fund Number & Name | COST OBJECT (CC/WBS/ORDER) | Cost Element | Total Amount |
|--------------------|-------------------------------|--------------|--------------|
| 1. FUND 4120 | 633000 | | \$0 |
| | | | |
| TOTAL | | | \$0 |

What Funding is being used to support the expense?

Revenues from Lease Agreement payments total \$1,200 per year.



City of Tacoma

City Council Action Memorandum

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

YES

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

YES

Will the legislation have an ongoing/recurring fiscal impact?

NO

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

NO

ATTACHMENTS:

1. Lease Agreement No. L186, Project No. 2021-112
2. Amendment No. 1 to Lease Agreement No. L186.