

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>9B</u>
Date of Meeting	<u>July 6, 2022</u>

DATE: June 23, 2022

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Don Esterbrook, Deputy CEO

Project Manager: Michael Reilly, Sr. Manager, Business Development

SUBJECT: Second Amendment to the Pacific Rail Services (PRS) Amended and Restated Operating Contract

A. ACTION REQUESTED

Request the Managing Members of the Northwest Seaport Alliance (NWSA) authorize the Chief Executive Officer or delegate to execute a Second Amendment to the Pacific Rail Services (PRS) Amended and Restated Operating Contract to add Lot M (i.e., the proposed BNSF container storage yard) as a portion of the PRS operating area and to establish a new lift rate.

This request for action accompanies the related request for approval of a new lease and operating agreement with the BNSF Railway Company.

B. SYNOPSIS

Pacific Rail Services (PRS) is the operator at the Tacoma South Intermodal Yard (TACSIM or SIM Yard) and is also the operator for the current domestic intermodal business with the Union Pacific, whose container storage yard is adjacent to TACSIM. Subject to Managing Member approval, the new BNSF domestic

intermodal business will be using Lot M as its container storage yard and PRS will become the operator for the new BNSF domestic rail business.

This action extends PRS's operating area to Lot M. With the increase in domestic intermodal business, PRS has agreed to a new lift rate for lifts exceeding 8,000 units per month.

C. BACKGROUND

The existing PRS Operating Contract defines PRS' operating area to include the SIM Yard, the Union Pacific Container Yard, and the SIM Support Yard (see Operating Contract Section 1 and Exhibit A-1). The existing contract does not include Lot M. Staff requests approval to amend the PRS Operating Contract to add Lot M so that PRS can provide services at Lot M for the BNSF. Both PRS and BNSF support this request.

The current PRS Operating Contract has an initial lift rate charged to the NWSA for the first 6,000 lifts per month, and a second tier with a discounted rate for lifts over 6,000 per month. PRS has agreed to provide a third tier with a further discounted rate for lifts over 8,000 units per month effective when the first lifts are accomplished at the BNSF domestic rail facility, anticipated in August 2022.

PERIOD	TIER 1 LIFTS 1 - 6,000/MO	TIER 2 LIFTS 6,001 - 8,000/MO	TIER 3 LIFTS OVER 8,000/MO
08/01/22 - 12/31/22	\$58.11	\$49.87	\$30.00
01/01/23 - 12/31/23	\$59.11	\$50.87	\$31.00
01/01/24 - 12/31/24	\$60.11	\$51.87	\$32.00
01/01/25 - 08/31/25	\$61.11	\$52.87	\$33.00

D. FINANCIAL IMPLICATIONS

The new lease and operating agreement with the BNSF will result in a positive return as outlined in the accompanying BNSF Lease and Operating Agreement memorandum.

The new lift rate will reduce costs to the NWSA and contribute to the positive impact to the financial proforma. The addition of a third-tier discount will result in additional income for the NWSA estimated to be between \$100,000 and \$250,000 per year. The actual amount will depend on volumes.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

- **No Action Alternative:** Not recommended. Assuming Managing Member approval of the new BNSF Lease and Operating Agreement, expansion into adjacent areas is required to accommodate the overall volume growth.
- **Seek an Alternate Service Provider for the BNSF:** This alternative is considered impractical. There are inherent efficiencies with having a single operator. These efficiencies include improved equipment utilization, workforce and management continuity and seamless coordination of rail ramp operations. Adding a second and competing TACSIM operator with equivalent access would create significant operational challenges.
- **Recommended Action:** In order to maintain operational efficiencies and adequately support the BNSF Lease and Operating Agreement, staff recommends approval of the Second Amendment to the Pacific Rail Services (PRS) Amended and Restated Operating Contract.

F. ATTACHMENTS TO THIS REQUEST

- Slide presentation.
- Second Amendment to the Pacific Rail Services (PRS) Amended and Restated Operating Contract, the subject of this request.

G. PREVIOUS ACTIONS OR BRIEFINGS

- First Reading BNSF Railway Company Lease and Operating Agreement.