

COOS BAY RAIL LINE, INC.
Coos Bay, Oregon
BUDGET COMMITTEE MEETING
3:00 p.m., Wednesday, May 27, 2020
125 Central Avenue, Coos Bay, Oregon 97420
Zoom Webinar

ATTENDANCE

Board of Directors:

John Burns, President; David Kronsteiner, Chair; and Eric Farm, Treasurer/Secretary.

Budget Committee:

Maeora Mosieur; Ed Ellingsen; and Richard Dybevik.

Port Staff:

Lanelle Comstock, Chief Administrative Officer; Megan Richardson, Director of Finance and Accounting; Rich Lopez, Operations Manager; Mary Green, Fiscal Support Technician; Krystal Moffett, Administrative Assistant; and Mike Stebbins, Port Legal Counsel.

Media & Guests:

None Present.

1. CALL MEETING TO ORDER

Chair Kronsteiner called the meeting to order at 3:01 p.m.

2. INTRODUCTIONS

3. SELECTION OF BUDGET COMMITTEE CHAIR

Upon a motion by Chair Kronsteiner (second by Maeora Mosieur) the Budget Committee voted to appoint Maeora Mosieur as Budget Committee Chair. **Motion Passed.**

4. RECEIVE FY 2020/21 BUDGET MESSAGE BY JOHN BURNS, PRESIDENT

John Burns began the budget message by thanking all in attendance. Coos Bay Rail Line, Inc. has just completed the first full year of operations. It has been a year of great learning. CBRL has been fortunate to have dedicated staff who are familiar with the rail line. In this coming year, staff will continue to hone their skills and efficiencies. The biggest challenge faced in past year has been overcoming the poor track condition when CBRL took over operations. Much has been done to catch up with needed maintenance and repairs. This coming fiscal year budget includes the manpower and additional financial resources needed to replace some of the track, ties, and ballast, as well as ensure the track is maintained while operations continue. Other resources are being pursued to continue rebuilding the rail line.

Strategic goals for this fiscal year include:

1. Provide safe, reliable rail service and operations. It is imperative to keep all employees, customers and their cargo, and the surrounding communities safe.
2. Maintain CBRL trackage to protect existing operations and comply with all Federal, State, and Port regulations.
3. Identify and implement required training needs for CBRL staff.

Key performance indicators will include:

1. Sustain zero injuries, derailments or FRA/ODOT violations.
2. Provide the right sized service for customers and interchange with the UPRR.
3. Ensure locomotive availability and successful car asset management.
4. Record maintenance activities through weekly maintenance activity reports.
5. Manage expenses to reduce costs of labor overtime and car hire.

This will be a year of continued growth and learning. The current revenue stream does not support adding additional staff at this time, although current staff will plan for that in the years to come.

5. REVIEW THE PROPOSED BUDGET BY MEGAN RICHARDSON, DIRECTOR

Megan Richardson began by reviewing the CBRL fund, consisting of four departments. Total resources budgeted for this fiscal year are \$3,280,901.

Total projected revenue for Administration is \$2,824,745. Maintenance of Way has other revenues of \$46,500 which is earmarked if bridge inspections are added to the list of services. The Mechanical department provides car repair services with an estimated revenue of \$409,656. Total requirements for CBRL this budget year are \$3,280,901.

Expenses for the Administration department include personnel services which are consistent from last year, only adding a 3% cost of living adjustment. Expenses have increased for insurance premiums as well as car accounting and car hire. The ODOT annual revenue fee, which was not budgeted for previously, is a required fee that ODOT charges based on the previous calendar year's revenue. The Port administrative fee is reduced this year due to lower anticipated carloads. Last year, the budget was based on 7,000 carloads and this year it is anticipated only 5,000. The fee paid to the Port is 10% of the car movement revenue.

CBRL has no capital outlay or debt service. That is all contained within the Port budget.

The Maintenance of Way department has total requirements of \$739,687. Personnel services has been reduced from 8.0 FTE last year to 6.0 FTE this year. The reduction is due to a reallocation from Maintenance of Way to the new Mechanical department. Operational supplies for car repair have been moved from Maintenance of Way to the Mechanical department. Repairs and maintenance of vehicles has increased, due to the increased number of owned fleet vehicles. Repairs and maintenance of train cars has also been moved to the Mechanical department.

The Transportation department has total requirements of \$1,180,920. Personnel services has been reduced from 10.0 FTE last year to 8.0 FTE this year. The budgeted amount for fuel has been reduced

based on consumption this year. Repairs and maintenance of locomotives has been moved to the Mechanical department.

The Mechanical department is new this year and has no budget history. Personnel services includes the 2.0 FTE reallocated from the Maintenance of Way department. Materials and services includes the fuel expenses for staff, maintenance of equipment and car repair as needed. Locomotive repair and car repair are the largest expenses in the Mechanical department.

6. CONCLUDING COMMENTS BY JOHN BURNS, PRESIDENT

John Burns stated the two staff moved from the Maintenance of Way department to the Mechanical department have worked diligently. One staff member is responsible for car repair, which generates about \$400K in revenue. The other staff in the mechanical department is Tom Teeters, locomotive mechanic for CBRL. About one year ago, nearly all of the equipment was leased and CBRL had to pay for its maintenance, as it was not included in the lease agreement. Mr. Burns stated Mr. Teeters has worked very hard since joining the CBRL team to bring the equipment up to good working order. At this time, all locomotives being utilized are Port-owned.

Mr. Burns stated that not long after taking operations of the line, there was a significant derailment event. Now after more than a year, there have not been any other derailment events, thanks to a job well done by the Transportation department. The Maintenance of Way crews have been very consistent, out on the line every day working to replace ties and inspecting every inch of the line. The Administrative support staff have done a fabulous job of integrating rail operations with the Port staff to share a full understanding of day to day operations and needs.

Mr. Burns stated expenses have been pared down as much as possible. There is a revenue line item for bridge inspections, and the intention is to hire a bridge inspector. Though that position would not be utilized for the full year, there is an opportunity to hire that inspector out to other shortline railroads in Oregon and generate revenue. This will be researched further.

7. PUBLIC COMMENT

8. COMMITTEE COMMENT

9. PRESENT THE MOTION TO RECOMMEND THE BUDGET TO THE BOARD OF DIRECTORS FOR ADOPTION, OR SCHEDULE A FOLLOW UP MEETING

Upon a motion by Richard Dybevik (second by Eric Farm), the Budget Committee voted to recommend the budget to the CBRL Board of Directors for adoption. **Motion Passed.**

10. ADJOURN MEETING

Chair Kronsteiner adjourned the meeting at 3:21 p.m.