

COOS BAY RAIL LINE, INC.
Coos Bay, Oregon
BUDGET COMMITTEE MEETING
2:00 p.m., Wednesday, May 25, 2022

Port Commission Chambers, 125 Central Avenue, Suite 230, Coos Bay, Oregon 97420

MINUTES

ATTENDANCE

Board of Directors:

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

Budget Committee:

Maeora Mosieur; Elise Hamner; and Shane McGowne.

Port Staff:

Lanelle Comstock, Chief Administrative Officer; Megan Richardson, Director of Finance and Accounting; Rich Lopez, General Manager; Mary Green, Fiscal Support Technician; and Krystal Karcher, Administrative Assistant.

Media & Guests:

Nick Edwards; and Kyle Viksnehill.

1. CALL MEETING TO ORDER

Treasurer/Secretary Farm called the meeting to order at 2:02 p.m.

2. INTRODUCTIONS

3. SELECTION OF BUDGET COMMITTEE CHAIR

Upon a motion by Treasurer/Secretary Farm (second by Maeora Mosieur) the Budget Committee members voted to appoint Eric Farm as Budget Committee Chair. **Motion Passed.**

4. RECEIVE FY 2022/23 BUDGET MESSAGE BY MEGAN RICHARDSON, DIRECTOR OF FINANCE & ACCOUNTING

Coos Bay Rail Line, Inc. is a wholly owned subsidiary of the Port of Coos Bay. Due to the nature of ownership, CBRL is required to propose and seek adoption of the annual budget in order to operate each year. This year, the CBRL will focus on four key operating principals. The first will be to provide reliable, safe, and efficient rail services to customers with interchanges with the Union Pacific Railroad (UPRR) and Portland & Western Railroad (PNWR). The second will be to deliver railroad operations on plan and on budget. Third, provide timely customer service and communications to

customers and stakeholders. Fourth area of focus will be a commitment to serve both internal and external customers.

Operations of the railroad are supported by revenues generated from customer's freight movement in the form of carloads, demurrage, and car repair. The proposed budget includes a total of 16,422 car movements, which is double the projected carloads from the prior year. The priority to provide safe and reliable rail service is balanced with crews, locomotives, and resources to meet customer demand and optimize service and growth opportunities while reducing dwell on equipment. To meet this goal, additional staff will be required, as well as additional locomotive power and resources for fuel and other operating supplies. These additional needs are addressed in the proposed budget.

Revenues are budgeted at a total of \$9,586,449. Of that, \$9,037,104 comes from freight movement, \$500,000 comes from car repair, and the remaining \$49,345 is assessorial which includes demurrage and other fees imposed by the rail line.

For expenses, Personnel Services total \$2,422,810 with an FTE of 27.0 employees. Materials and Services are budgeted at \$7,163,640 and this includes the fees paid back to the Port.

There is a projected net-zero balance at fiscal year end. The CBRL budgets a fully appropriated net-zero budget for two reasons; the first being that stature requires a balanced budget and second, CBRL is a non-profit organization and any revenues over expenditures are paid back to the Port to reserve for future capital needs of the rail line.

5. REVIEW THE PROPOSED DEPARTMENT BUDGETS BY RICH LOPEZ, GENERAL MANAGER

The Coos Bay rail line is 134 miles spanning from Eugene to Coquille, including 121 bridges and nine tunnels. The CBRL interchanges with Union Pacific at the UP yard in Eugene. Operations by Coos Bay Rail Line, Inc. began on November 1, 2018. The CBRL is the only rail line from the south coast region to the Central Willamette Valley, connecting to the national railway network. CBRL's primary commodity is forest products while also servicing other commodities such as garnet, sand, steel, and grain.

Projected carloads are at 16,422 for this fiscal year. The increase in carloads is due to the great work the Port has done in collaboration with the Railroad, proving to the customers and community that the rail line is a viable transportation option. Port Staff work to find new customers and to promote new growth for existing customers. The train crews have proven to the customers that CBRL can provide great service. The Maintenance of Way crews work hard to keep the line clear and the rail maintained for safe operations.

CBRL supports the economic growth and development of rural Lane, Douglas, and Coos Counties. There are currently 18 full time employees and this fiscal year CBRL is projected to bring that number up to 27 employees. There are an additional 1,000 employees directly supported by the rail line in the three county region. The shippers served contribute an annual \$500 million to the economic activity of the region. CBRL operations provide local and regional businesses with safe, direct, efficient, and cost-effective access to the global market. The primary emphasis will always be to provide safe and reliable service, while delivering rail operations on plan and on budget.

The CBRL Fund consists of four departments: Administration, Maintenance of Way, Transportation, and Mechanical.

Administration Personnel Services is budgeted at \$365,175 and includes two current full-time employees, while looking to bring on an Operations Manager. Materials and Services are budgeted at \$3.9 million which includes the revenue overage being returned to the Port, with \$1 million of that going into the Port's Reserve Fund for future infrastructure expenditures and debt service.

Maintenance of Way Personnel Services are budgeted at \$492,668 which includes six full-time employees. Materials and Services for this department is \$554,450 and includes tools and track material such as new rail, ties, tie plates, spikes, gage rods, and other track materials.

Transportation department budget includes Personnel Services of \$1.2 million for 14 full-time engineers and conductors. This will include four new positions (two on the south end and two on the north end). This will help with hours of service and providing more reliable switching services to customers. Materials and Services are budgeted at \$1.7 million. This includes fuel and oil for the locomotives (which has increased in cost and is accounted for in this budget), as well as bringing on an additional leased locomotive to accommodate the increase in carloads.

Mechanical Department budget includes Personnel Services at \$325,438 for three current employees including the Locomotive Electrician and two carmen with an additional position for a Locomotive Mechanic. Materials and Services are budgeted at \$866,628. CBRL will look to acquire a roundhouse this year, either through lease or purchase, to accommodate maintenance needs that had been taking place in the field and will help with the maintenance and inspection of the locomotives.

Maeora Mosieur stated the growth is phenomenal to see and asked how much of that growth is from existing customers and how much is projected but not secured. Rich Lopez stated the current fiscal year will be completed with around 7,700 carloads. Projections for next fiscal year are coming from current customers and plans they have in place. Many of these moves will be interline moves from the Eugene area to the North Spit and North Bend. The current carload projections come from communications with current customers. Budget Chair Farm asked if the estimates include any of the projects at Terminal One. Mr. Lopez stated they do not.

Budget Chair Farm asked if there were any additional questions from the Committee.

6. CONCLUDING COMMENTS BY MEGAN RICHARDSON, DIRECTOR OF FINANCE & ACCOUNTING

Megan Richardson thanked budget committee members for taking their time to support the budget process, and thanked staff for their work putting this budget together. CBRL is preparing for a year of growth to meet the needs of the customers and the community. CBRL's focus will be on the key operating principles to keep safety, budget, communication, and commitment at the core to provide the best service possible.

7. PUBLIC COMMENT

Nick Edwards stated it is impressive to see what the future will hold for the growth of the rail line.

8. COMMITTEE COMMENT

Budget Chair Farm asked if any of the committee members had additional comments or questions.

John Burns thanked staff for working hard to pull this budget together. There will be a significant number of jobs increasing from the additional carloads. It is important to note that one of the critical jobs projected is that of the Operations Manager. As the railroad has grown, Rich Lopez has been working diligently day in and day out. The additional staff to be brought on will ensure that current staff do not become overworked and under-rested. This includes the train crews on the locomotives and maintenance of way. It is important to have sufficient horsepower and manpower to achieve the numbers projected.

Mr. Burns stated back in 2018 there were a number of people who had sincere reservations about the Port's ability to operate a railroad. CBRL made a commitment that staff would work everyday to improve operations and have delivered on that promise. Now the carload projections are doubling in one year because the customers believe in the service that CBRL offers. Mr. Burns thanked staff for their hard work.

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 Maeora Mosieur (second by Elise Hamner), the Budget Committee voted to approve the budget for fiscal year 2022/23 and recommend to the CBRL Board of Directors for adoption. **Motion Passed.**

10. ADJOURN MEETING

Budget Chair Farm adjourned the meeting at 2:25 p.m.