



APPROVED 9-28-16

MINUTES
City of Tacoma
Public Utility Board Study Session
September 14, 2016
3:00 p.m.

Mr. Patterson called the Public Utility Board study session to order at 3:00 p.m. at the Public Utilities Administration Building.

Present: Mark Patterson, Bryan Flint, Monique Trudnowski, Karen Larkin, Woody Jones

Tacoma Rail: 2017/2018 Preliminary Budget Review

Dale King, Rail Superintendent, outlined Rail's budget goals which are safety, cost control, right-sized staff, railroad infrastructure investment, locomotive repowers, and financial health and stability. Superintendent King shared a graphical representation of the current and proposed budget comparisons. Budget drivers and assumptions include flat line haul growth, personnel costs, and regulatory requirements. Budget risks include line haul volumes and new mandates. Mitigation efforts will include a tiered volume incentive allowance. Graphs illustrating revenues, line haul volumes, expenses, staffing levels, assessments, taxes, capital budget, and debt service were detailed. Expected rate impacts for line haul rates are \$3 for intermodal and \$5 for commercial. These were last changed in 2012. Miscellaneous tariff rates were last changed in 2007 and an increase of three percent is the staff recommendation. A unit train rate evaluation will take place in 2017. Rate driver comparisons and short line tariff rates were reviewed. In summary, FTEs are down from 122 to 118; line volumes are flat; regulations (positive train control and WA Ecology spill response plan); and capital investment reduction.

Tacoma Water: 2017/2018 Preliminary Budget Review

Linda McCrea, Water Superintendent, outlined Water's budget drivers which are to management projects and performance, development of the Integrated Resource Plan, conducting a risk assessment, AML, engaging customers and employees, and management of assets. Budget assumptions include an updated short-term demand forecast, lower wholesale and large volume revenues, capital funded with existing bond funds, and commodity rates remaining steady. Budget risks include weather and assumptions around projects of opportunity (collaborative projects with other jurisdictions). Mitigation efforts will include continued work with other utilities in the

region and market surplus capacity, draw down built up reserves, and stakeholder engagement. Graphs illustrating revenue, expenses, staffing levels, O&M, assessments, taxes, capital budget, debt service, financial planning, and rate driver comparisons were detailed. In summary, the proposed 2017/2018 budget supports long-term strategic transformation in key focus areas of supply security, asset management, technology, and employee performance and development. It also minimizes rate impacts while preserving strong financial performance. The projected 2017/2018 rate impact is approximately \$1.50 per month each year for an average residential bill (inside the city).

Tacoma Power: Discussion on the resolution of Click! Network

The Board discussed how best to format the public hearing and discussion on Click! Resolution U-10874 at the evening meeting with a focus on being inclusive and fair to all those making comments and to address questions.

The Board then discussed how to best minimize the number of different resolutions for the September 28 Board meeting. The Board agreed to submit proposed language by close of business on September 20 to Board Members Patterson and Larkin, who will act as the drafting committee with Chief Deputy City Attorney, Bill Fosbre. The resolutions for the September 28 Board meeting will be published on Thursday, September 22, 2016.

Board Members shared their individual points of view on the issues surrounding Click!. These included TPU funding, General Fund contributions, continued subsidies, and public benefit of the network.

Board Members requested to see information on: what it would cost if all Click! costs were borne by Click! customers only; union engagement language added to the resolution(s); a cover letter to accompany the resolution; moderating the language in Section 9 to encourage timely Council consideration without the deadline for action; and the ability to see all comments written public comments on the TPU website.

Adjournment

The study session was adjourned at 5:46 p.m. until the next regularly scheduled study session on Wednesday, September 28, 2016 at 3:00 p.m.

Approved:

Approved:

Mark Patterson, Chair

Woodrow E. Jones, Jr., Secretary