



APPROVED 4-25-18

MINUTES  
City of Tacoma  
Public Utility Board Study Session  
April 11, 2018  
3:00 p.m.

Chair Trudnowski called the Public Utility Board study session to order at 3:01 p.m. at the Public Utilities Administration Building.

Present: Monique Trudnowski; Woodrow E. Jones, Jr., Mark Patterson, Karen Larkin, Bryan Flint

**Executive Session**

Board Member Jones moved to convene an executive session at 3:01 p.m. to discuss pending litigation per RCW 42.30.110(1)(i) for 15 minutes; seconded by Ms. Larkin. Voice vote was taken and carried. Tom Morrill, Chief Deputy City Attorney, was present. The executive session was adjourned at 3:15 p.m.

**Budget Preview for TPU and Rail**

Linda McCrea, Interim Director of Utilities, provided an overview of the budget timelines and schedule for all operating and support divisions. The preliminary budget has to be submitted to the City Clerk by October 31 and Council consideration of the budget is scheduled for November 13 and 20, 2018. Director McCrea summarized the underlying budget principles which are to: maintain a long-term outlook and a customer focus; minimize rate increases while pursuing rate stability, financial health and operational priorities; continue to enhance the customer experience; be strategically aligned with the communities we serve; focus on safety and reliability; meet regulatory requirements; seek innovative solutions; and recognize the vital role of employees in our success.

Dale King, Rail Superintendent, reviewed graphical illustrations of railcar demand and revenue, customer line hauls and revenue, capacity, financial trends, and rate pressure and relief. Superintendent King summarized the underlying rail strategy principles: safety; strategic partnerships; strengthening financial position; employee leadership and organizational development; and environmental responsibility. The following budget drivers were then outlined: railcar traffic; infrastructure; locomotive assets, and compliance. Budget drivers and projected rate impacts were then summarized. Staff will continue to develop the budget and there will be a detailed budget presentation to the Board at the September 12, 2018 study session.

### **Customer Service: Low Income Program Update**

Francine Artis, Assistant Customer Service Manager, began by providing a history of TPU's bill assistance programs. Project Need was implemented in 1983; assistance for Water and Environmental Services began in 2006; and Power Aid was implemented in 2009. The goal of TPU's assistance programs is to provide education and resources to empower customers seeking assistance so they can successfully manage their utility services. Ms. Artis then summarized the education programs relating to the discount rate program, bill credit assistance plan, as well as the financial education credit. How TPU's low income assistance program connects with the Tacoma 2025 strategic plan and community resources was detailed. Community demographics for program participation were then reviewed. Marketing and communication methods to advertise low-income program offerings were then shared. This also included methods to work with partner agencies to increase awareness and coordination. The next steps are for staff to present this information to the Council's Committee of the Whole meeting on May 1; launch the financial education credit component; create a strategic plan that improves utility programs, identifies resources and develops priorities within Tacoma Public Utilities' service territory; and reorganize the Customer Solutions office to optimize outreach and engagement with the low-income community. Staff will conduct program evaluations at the end of each calendar year and report findings to the Board and Council.

### **Tacoma Power: Draft Long Range Financial Plan and Financial Policies**

Bill Berry, Power Rates, Planning, and Analysis Manager, reviewed the rates and budget timeline and reminded the Board that the information presented is a snapshot in time and the amount of revenue received and amount of power consumed each year is uncertain. Actual rate adjustments may or may not be in the predicted ranges and are dependent upon market conditions and financial performance. The range for the projected rate adjustments in the next biennium are two to four percent. Mr. Berry then detailed the new base case financial metrics, which include debt service coverage ratio and liquidity ratio. Methodology and assumptions, including revenue requirements calculations, were detailed. Graphical representations of Power's load forecast, wholesale revenue, purchased power, historical spending on personnel and O&M were detailed. Mr. Berry then addressed debt management and capital funding and recommended that a drawdown direct purchase agreement, which allows Power to fund capital projects on an interim basis, be executed with Wells Fargo. This is a policy decision and will come before the Board for consideration at a future regular meeting. Mr. Berry then discussed an element of managing risk, the recovery of fixed costs. Most of the total Tacoma Power system costs are fixed. At the same time, most of the total Tacoma Power revenues are variable. This is a policy decision needed by May 23, 2018 and will be brought before the Board. Discussion on the use of the rate stabilization fund, restricted/non-restricted funds, liquidity ratio, wholesale price projections, and cost reductions, ensued but was truncated due to time constraints. Staff will follow up and complete this presentation at the next Board study session.

### **Miscellaneous**

Shelby Fritz, Assistant Human Resources Director, provided an update on the recruitment for the Director of Utilities. The Board reviewed a draft confirmation message Ms. Fritz plans to send to each interviewing candidate. The Board discussed the practice of sending selected interview questions to the candidates in advance and decided not to engage in that practice. Staff is working on a communication for Board review.

Chair Trudnowski adjourned the public portion of the study session at 5:55 p.m.

**Closed Session**

Board Member Flint moved to convene a closed session at 5:55 p.m. to discuss a collective bargaining agreement per RCW 42.30.140(4)(b) for ten minutes; seconded by Board Member Patterson. Voice vote was taken and carried. The closed session was adjourned at 6:05 p.m.

**Adjournment**

The study session was adjourned at 6:05 p.m. until the next regularly scheduled study session on Wednesday, April 25, 2018 at 3:00 p.m.

Approved:

Approved:

\_\_\_\_\_  
Monique Trudnowski, Chair

\_\_\_\_\_  
Karen Larkin, Secretary