

# Tacoma Public Utilities

## Budget & Rate Planning Supplemental Briefings

April 13, 2022

# Supplemental Briefings Purpose

- “Walk with us” in budget development – *analysis is ongoing*
- Provide PUB additional insight during Budget and Rate-making development
- Provides transparent look at specific challenges we are facing
- Topics that may be discussed explore:
  - Labor needs and related challenges
  - Budget to actual historic trends (request from retreat)
  - Inflation, supply chain, and related impacts
  - Asset management and capital planning
  - Growth impacts – pole attachments and development

# Supplemental Briefings Framework

## Utility Director Role

- Job Classification: Prepare and submit to the Public Utility Board the proposed departmental budget and monitor its administration after adoption.
- BL-1 Prepare and submit the TPU operating divisions strategic plans to the Board for review and approval and ensure all TPU expenditures are within the authorized biennial budget.

# Supplemental Briefings Framework

## Board Role

- Duties of Board: Oversee development of and vote on policies, rates, budgets, and debt issues presented to the Board for consideration.
- GP-1 & City Charter Section 4.12 – The Board shall submit an annual budget to the Council for approval, in the manner prescribed by state law.

# Today's Briefing: Board Request

- Power Differential: staff wants to be responsive even if they do not have capacity to respond.
- Return to BL-1 protocols: For purposes of inquiry, seek information from staff consistent with section 4.19 of the City Charter and should funnel such requests through the Director of Utilities or members of the senior leadership team.
  - Director/Senior Leaders to determine preferred response (study session, memo, 1:1 meeting) and assess priority if work (such as modeling) is required to provide response.
  - Coordinate response through Clerk's office.

# Today's Briefing: Key Takeaways

- Frame the realities and challenges the utilities are facing around the resourcing of people and workload for Tacoma Power and Tacoma Water.
- Resource constraints are affecting morale and effectiveness.
- Inflection point: either add resources or adjust expectations and workload.
- Conversations will continue around policy priority areas for the PUB leading to final budget development.

# Tacoma Power Current Staffing and New FTE Request Overview

April 13, 2022

# State of the Utility



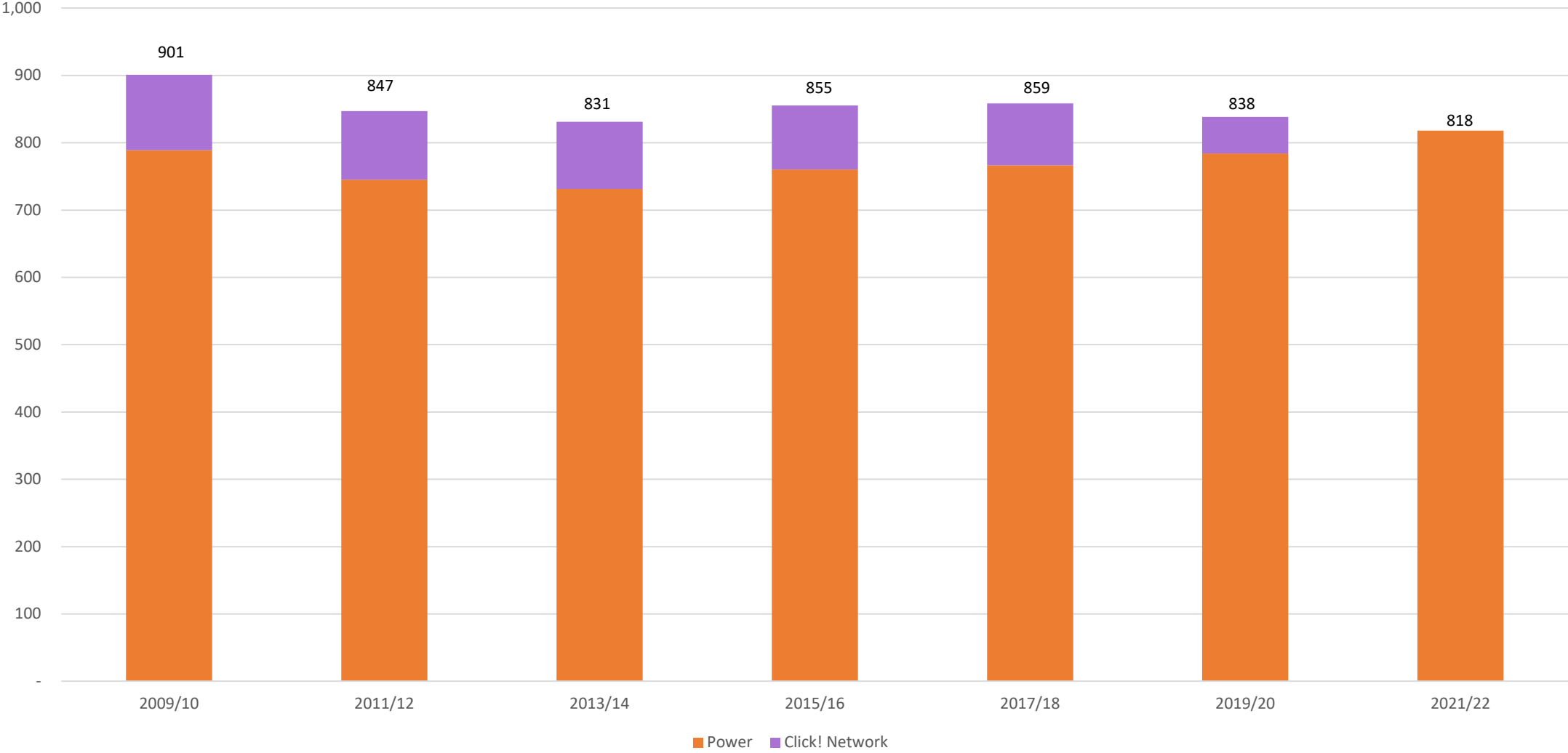
- Industry has become much more complex
- Increased regulatory requirements
- Increased technology requirements
- Large bodies of new work added over the last 15 years or so
- FTE count increases not nearly to the level of new work
- Current staffing is inadequate



# Budgeted FTEs



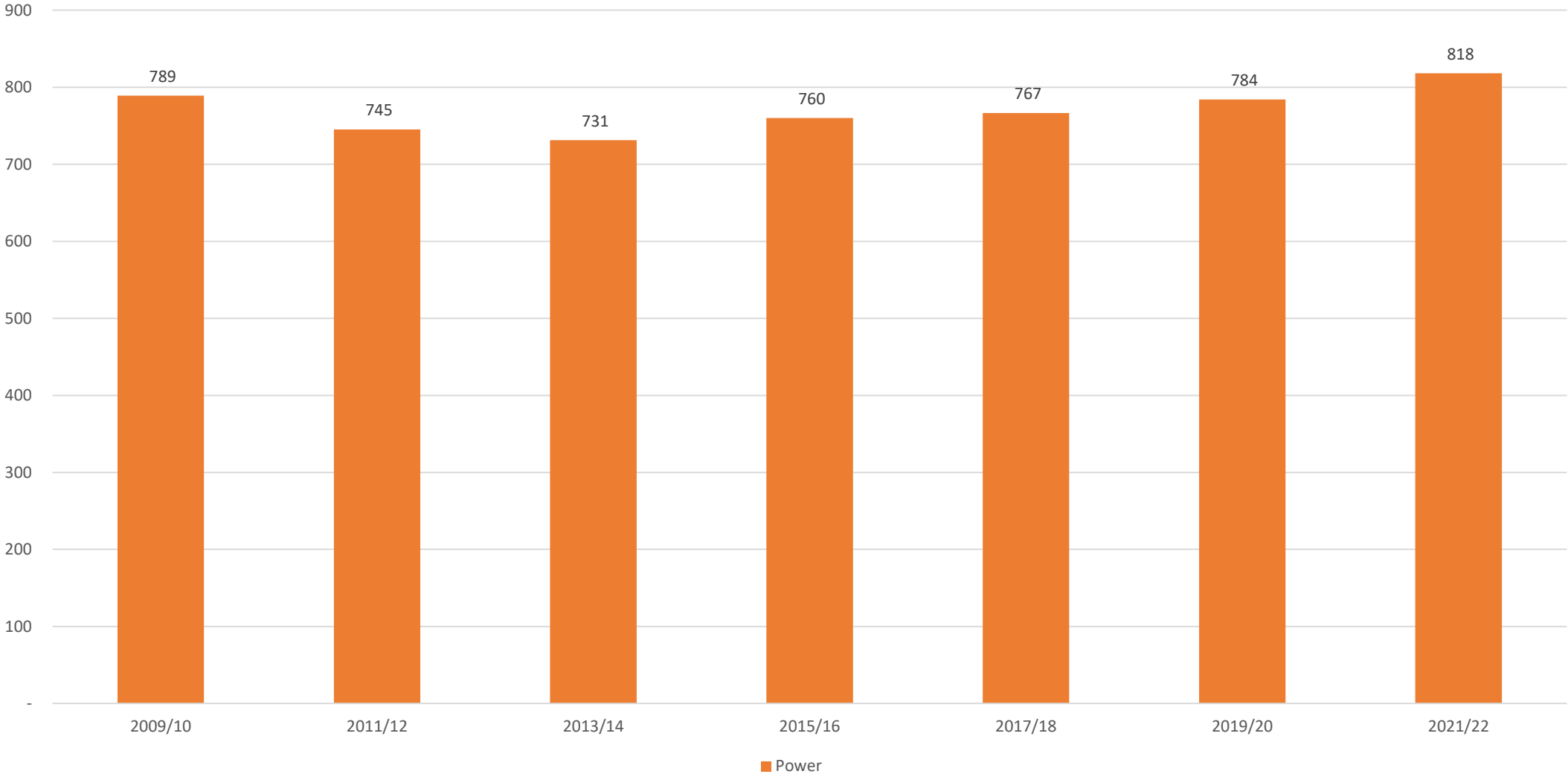
With Click! Network



# Budgeted FTEs



Without Click! Network



# What's Changed between 2009 and 2022



## REGULATORY REQUIREMENTS

- NERC/WECC Compliance
- I-937, CETA, CCA, CBA and CLFS regulatory reporting and legislation
- Hydro Project License Implementation
- FERC Dam Safety

## TECHNOLOGY

- Cybersecurity
- Network Security Operating Center
- Data Analytics
- Service Desk
- Desktop Support
- IT Project Management
- Service Management
- Operational Info Systems
- Operational Application Support
- Network & Comm Systems

## INNOVATION

- AMI
- EIM

## EMPLOYEE SUPPORT & DEVELOPMENT

- Safety Program
- Emergency Management
- Power Internal Communications
- Training

## CAPITAL PLANNING & PRIORITIZATION

- Asset Management
- Project Management

## INCREASED CUSTOMER DEMAND

- Joint Use Program and IRU
- New Services

Corporate Strategy and Data Analytics

EV and Electrofuel efforts

IRP Modeling

New Wholesale Products

# What's Changed between 2009 and 2022



## REGULATORY REQUIREMENTS

- NERC/WECC Compliance +18
- I-937, CETA, CCA, CBA and CLFS regulatory reporting and legislation +4
- Hydro Project License Implementation +20
- FERC Dam Safety +4

## TECHNOLOGY

- Cybersecurity +10
- Network Security Operating Center +4
- Data Analytics +5
- Service Desk +3
- Desktop Support +1
- IT Project Management +5
- Service Management +6
- Operational Info Systems +3.25
- Operational Application Support +5.25
- Network & Comm Systems +7

## INNOVATION

- AMI +14
- EIM +10

## EMPLOYEE SUPPORT & DEVELOPMENT

- Safety Program +4
- Emergency Management +2
- Power Internal Communications +2
- Training +1

## CAPITAL PLANNING & PRIORITIZATION

- Asset Management +8
- Project Management +3

## INCREASED CUSTOMER DEMAND

- Joint Use Program and IRU +8
- New Services +2

Corporate Strategy and Data Analytics +5

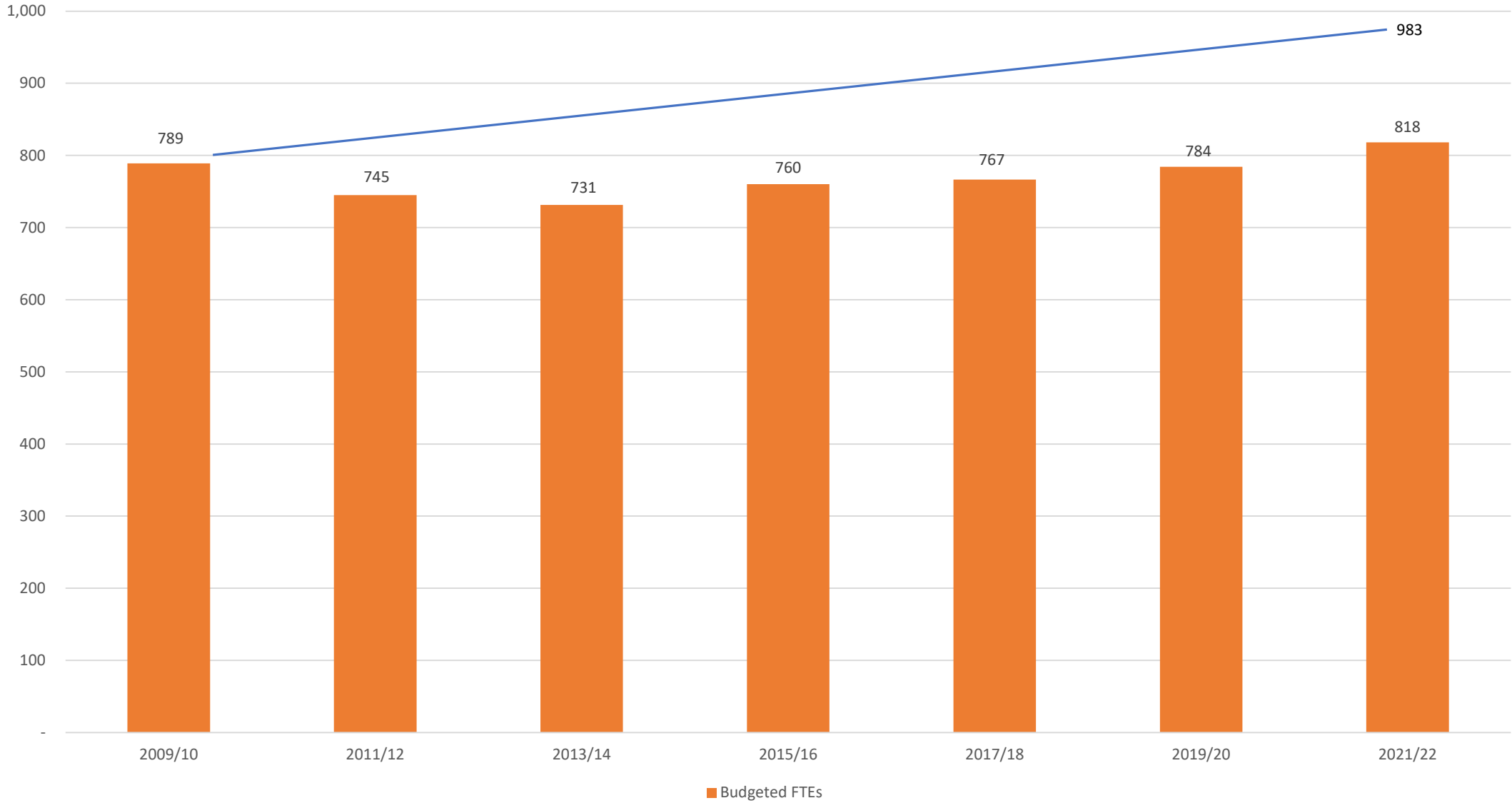
EV and Electrofuel efforts +5

IRP Modeling +3

New Wholesale Products +2

**Workload added is equivalent to 164.5 FTEs with only 29 FTEs added over the same period**

# If we had fully staffed the work...



# How has Tacoma Power absorbed this work?

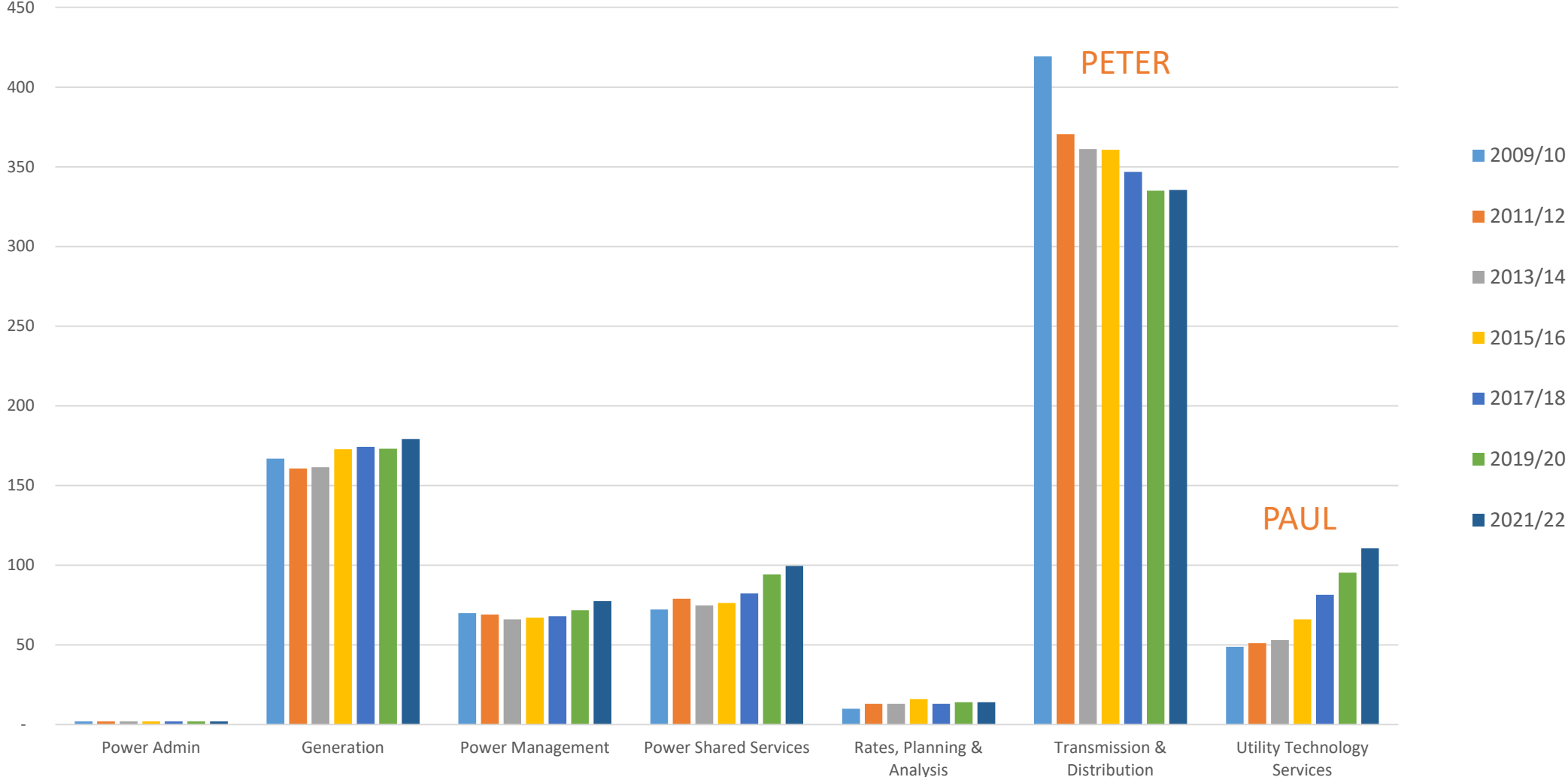


- Robbed Peter to pay Paul
- Relied heavily on consultants and contractors
- Thinned workgroups
- Reduced Bench Strength
- We've required more of our employees
- Some things not getting done

# Robbed Peter to pay Paul



Budgeted FTEs by Power Section



# One example of Paul



## Utility Technology Services

2011/2012

52



2015/2016

65



2017/2018

77.38



2019/2020

94.25



2021/2022

110.5



2023/2024

134=118+16

**UTS Consisted of:**

- Network Communications and Systems
- Energy Management System Support
- Outage Management System Support
- Business Process and Solutions
- Desktop Support

**Drivers of UTS Head Count:**

- Service Desk – Initiation
- Technology PMO – Initiation
- System Admin, after deploying first converged infrastructure, backup control center, and first private cloud – Addition
- First dedicated Cybersecurity Engineer and Supervisor – Addition
- Expanded application support for Power – Addition

**Drivers of UTS Head Count:**

- Formalized Cybersecurity Group (mostly internal staff) – Addition
- Initial Advanced Meter Program Staff – Initiation
- Service Desk Support – Addition
- Dedicated technicians for cabling and associated communications infrastructure – Addition

**Drivers of UTS Head Count:**

- Service Management Office – Initiation
- NSOC within Cybersecurity – Initiation
- Advanced Program Meter Staff – Addition

**Drivers of UTS Head Count:**

- Advanced Meter Program Staff – Addition
- Data Integration & Engineering – Initiation
- Addition of support due to (mostly partial FTEs for 21/22):
  - GIS Modernization Project
  - Customer Engagement Portal Project
  - PCS Upgrade Project
  - WAN Modernization Project

**Drivers of UTS Head Count:**

- Partial FTEs becoming full
- Security Systems and A/V Support – Addition
- NSOC (Event Growth and Cloud) Support – Addition
- Project Manager conversion from contractors to FTEs
- CIP Program Support – Addition
- OMS Support – Addition
- Supervisory Support in BIDS – Addition



# Contractors & Professional Services



# Impact on Organization and Employees



- Work is not getting done
- Customers not getting best service
- Inadequate bench strength
- Limited ability to pursue PUB strategic directives
- Employee Burnout
- Growing Turnover
- Decrease in Morale

# Example of Work Not Getting Done



Violation Risk	Assessment	Compliance Best Practices Maturity Model					
		Environmental Compliance	Full Compliance	Substantial Compliance	Partial Compliance	Developing Compliance	Non-Compliance
	Program Elements	Controls and procedures exist, are documented and are being followed consistently.	Controls and procedures exist and are documented but are not being followed consistently.	Some controls and procedures exist and/or are documented, but are not completely being followed.	Controls and procedures exist but are not documented, or controls and procedures are documented but are not completely implemented.	Controls and procedures have not been started or established.	
Strong Regulatory Program	Low Violation Risk	Air Operating Permits			✓		
		Wastewater Permit			✓		
		Biosolids Permit			✓		
		Community Right to Know				✓	
		Hazardous Waste			✓		
		Construction Stormwater Permits				✓	
		NPDES Discharge Permits			✓		
		Groundwater Protection District				✓	
		Spill Prevention Control and Countermeasure			✓		
		Factor Decant Waste Water				✓	
Weak/Partial Regulatory Program	Medium Violation Risk	Factor Decant Solid Waste			✓		
		New Air Permitting				✓	
		Soils Management			✓		
		Training			✓		
		Contract Management/support				✓	
		Legacy/Contaminated Site Remediation				✓	
		Real Estate/Environmental Site Assessments				✓	
		Emergency Spill Response			✓		
No Regulatory Program	High violation Risk	Underground Storage Tanks				✓	
		Greenhouse Gas				✓	
		Asbestos				✓	
		Fleet Fuel Troughput Reporting				✓	
		City Stormwater Permit				✓	
		Internal Facility Compliance Audits				✓	
		Regional Road Maintenance Program				✓	
Regulatory Updates					✓		

# Customers not getting best service



Joint Use Program has seen a significant increase in pole attachment requests since 2018

Impact on average time for customer to receive permit due to increase in volume of work

Overall Average days to Issuance



# 2023/24 Initial Proposed FTE increases



- 14 Natural Resources contractors transitioning to 14 FTEs
- 10.59 FTEs re-introduced from 2021/22 budget cuts
- 70 New FTEs

**Total FTE increase of 94.59 initially proposed for 2023/24**

# 2023/24 70 Initial New FTE Requests



### Reliability & Resiliency

24 FTEs

- Construction & Maintenance (4.5)
- Capital Planning & Prioritization (3)
- Security/ Compliance: Cyber and Physical (11)
- Outage and Distribution Mgmt (3.5)
- Energy Risk Mgmt (2)



### Environmental Leadership

7.5 FTEs

- Environmental Compliance system development (3.5)
- Conservation Program Mgmt (2)
- Regulatory Compliance (2)
- Increased Regulatory Reporting requirements



### Decarbonization/ Electric Vehicles

4 FTEs

- Transportation Electrification Program Mgmt & Coordination (3)
- Engineering Support (1)



### Resource Planning

2 FTEs

- Quantitative Analyst (1)
- Legal/Financial Analyst (1)
- Increased Regulatory Complexity
- Large retail contract management



### Economic Development

3 FTEs

- New Services support (1)
- Electrical Permitting support (1)
- Joint Use Program (1)
- Increased Customer Demand

# 2023/24 70 Initial New FTE Requests



### Innovation

10 FTEs

- EIM management and support (3)
- IT Project Management (4)
- Digital Engagement (2)
- Data Analytics Services (1)



### Equity & Inclusion

4.5 FTEs

- Educational & Community Outreach (3.5)
- Process Analyst (1)
- Workforce & Program Development
- Pre-Apprentice Program Management



### Employee Relations

12.5 FTEs

- Employee Development & Support (8)
- Facilities Planning (1)
- Safety (1.5)
- Technology support (2)



### Financial Sustainability

2 FTEs

- Long-Range Financial Planner (1)
- Data Scientist (1)
- Debt portfolio management
- Financial modeling
- Enhanced budget performance reporting and analytics



### Customer Service

.5 FTE

- Tacoma Parks supervision (.5)

# 2023/24 FTE Discussions



## Process to date

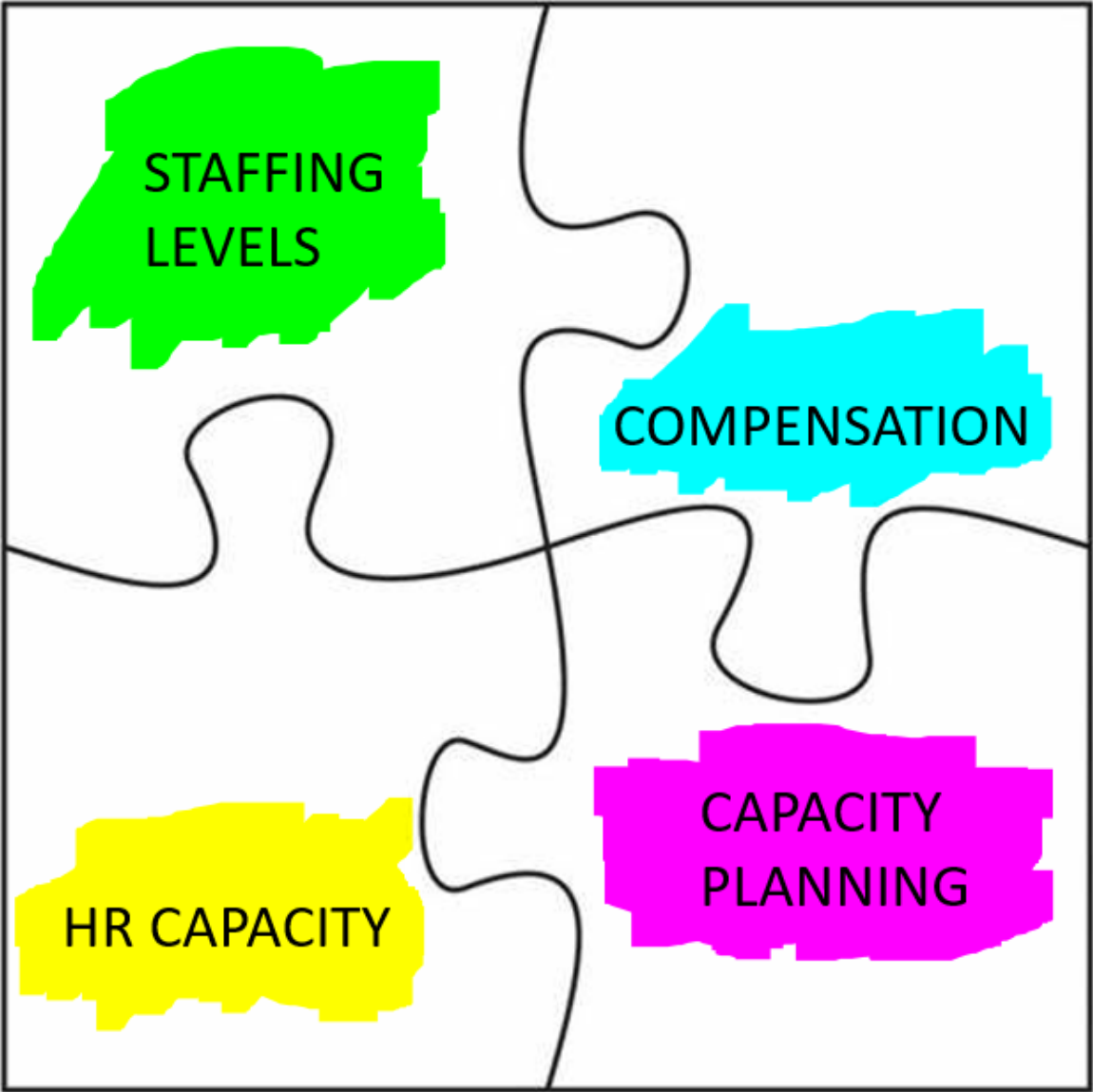
- Section Manager presentations on department's need
- Prioritized requests on an organizational basis
- Discussed risks associated with not adding FTEs
- Modeled financial impact on rates

## Next Steps

- Feedback from PUB needed
- SLT to determine overall priorities
- Director to review proposed additions
- Result factored into Revenue Requirement
- Final budget proposal presented to PUB for approval in September



# Staffing Challenges



# Tacoma Water FTE Overview

April 13, 2022

# State of the Utility



- Growth and Evolution of the Utility
- Industry and Regulatory Impacts
- Employee Expectations are Changing
- Balancing the Workforce
- Deferred Resource Requests from 2021/2022
- Responding to Economic Development
- Focus on Modernization and Efficiencies
  - Innovation and Technology
  - Advanced Analytics
  - Project and Portfolio Management

SD-1  
Equity &  
Inclusion

SD-4  
Stakeholder  
Engagement

SD-5  
Environmental  
Leadership

SD-6  
Innovation

# Budgeted FTEs

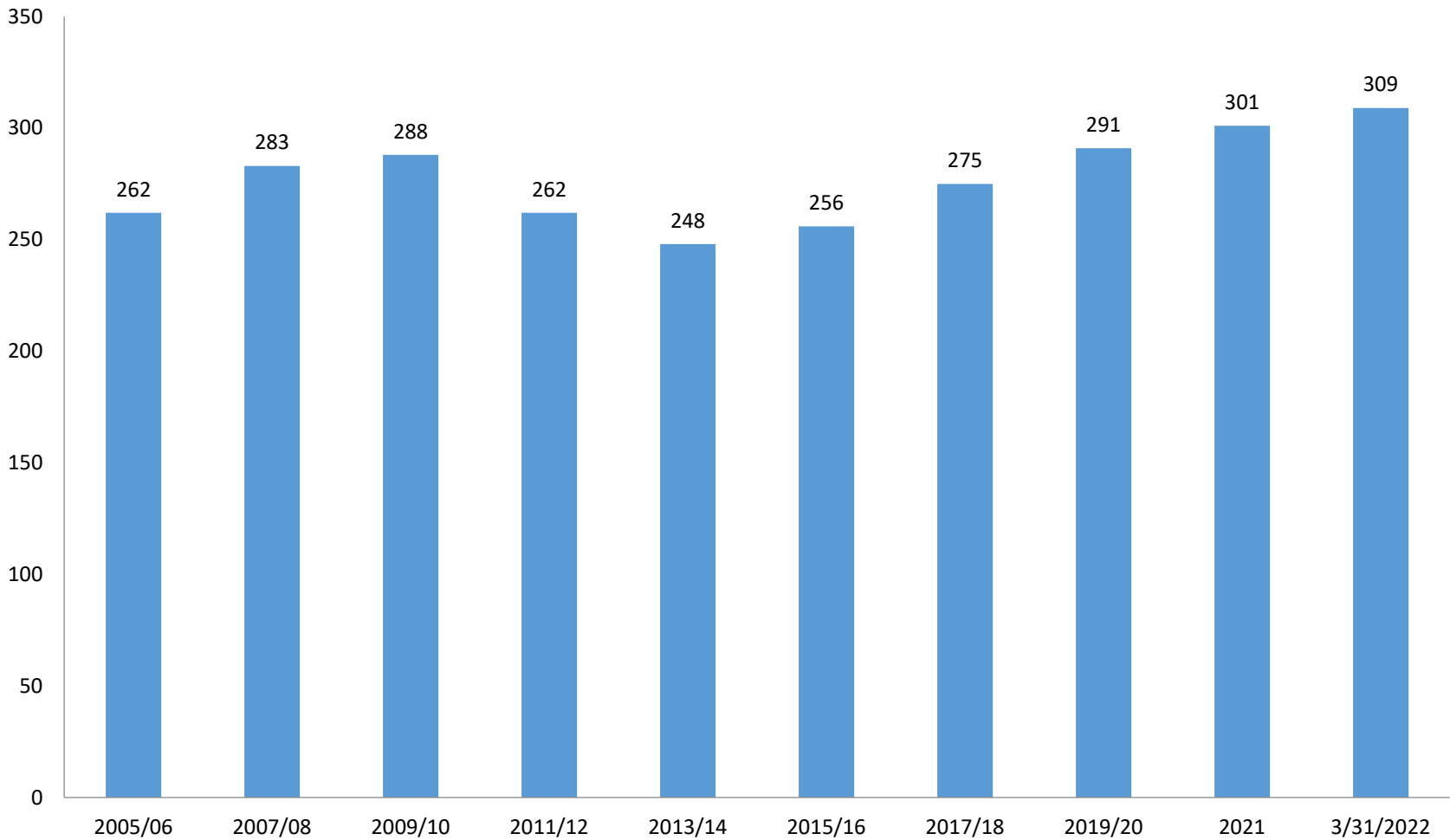


SD-1  
Equity & Inclusion

SD-4  
Stakeholder Engagement

SD-5  
Environmental Leadership

SD-6  
Innovation



*2022 includes 8 additional positions approved for 2021/22 mid-biennium adjustment*

# What has Changed



## Growth and Evolution of the Utility

### Reorganization in 2020

- Held things down in 2021/22
- Role alignment and clarity
- Highlighted areas lacking resources
- Enable progress for enterprise initiatives

### Green River Filtration Facility

- O&M staff
- Better understanding of O&M required

### Industry and regulatory changes

- More sampling
- DOH requirements for large systems
- Focus on maintenance

### Tacoma Water has Grown Since 2004 . . .

Our Original Cost Plant Assets have gone  
**from \$429 million to nearly \$1.2 billion**

Our Biennial Budget has gone  
**from \$91 million to \$282 million**

- Budgeted FTEs have grown less than 18% or 47 positions over this time period
- At the same time, our assets have grown nearly 180%
- We've added a lot of infrastructure to our system, including the Second Supply Pipeline and the Filtration Facility
- We need resources to care for the system, ensure water quality, comply with regulatory mandates and responsibly provide financial, project, asset and data management

SD-1  
Equity &  
Inclusion

SD-4  
Stakeholder  
Engagement

SD-5  
Environmental  
Leadership

SD-6  
Innovation

# What has Changed



## Employee Expectations are Changing

- Hybrid and remote work opportunities
  - Engagement, connectedness and culture
  - Technology and space planning
- Increased professional development
  - Leadership training
  - Career paths and advancement
- Enhanced support from leadership
  - Balanced span of control
  - Health and wellness programs
  - Fairness, equity and inclusion
  - Work-life balance – less overtime
  - Role clarity and alignment
  - Employee recognition

- Retirements and reduced average tenure
  - Less experienced workforce
  - Invest in business process development

	Total Number of Employees	Employees Eligible for Retirement	% Employees Eligible for Retirement	Average Tenure
2017	236	97	41.1%	14.8
2019	242	44	18.1%	12.6
2021	260	42	16.1%	11.9

- Additional work force challenges
  - Hiring takes time, effort and resources
  - Uncertainty with class and comp study
  - Retention and turnover – burnout

SD-1  
Equity & Inclusion

SD-4  
Stakeholder Engagement

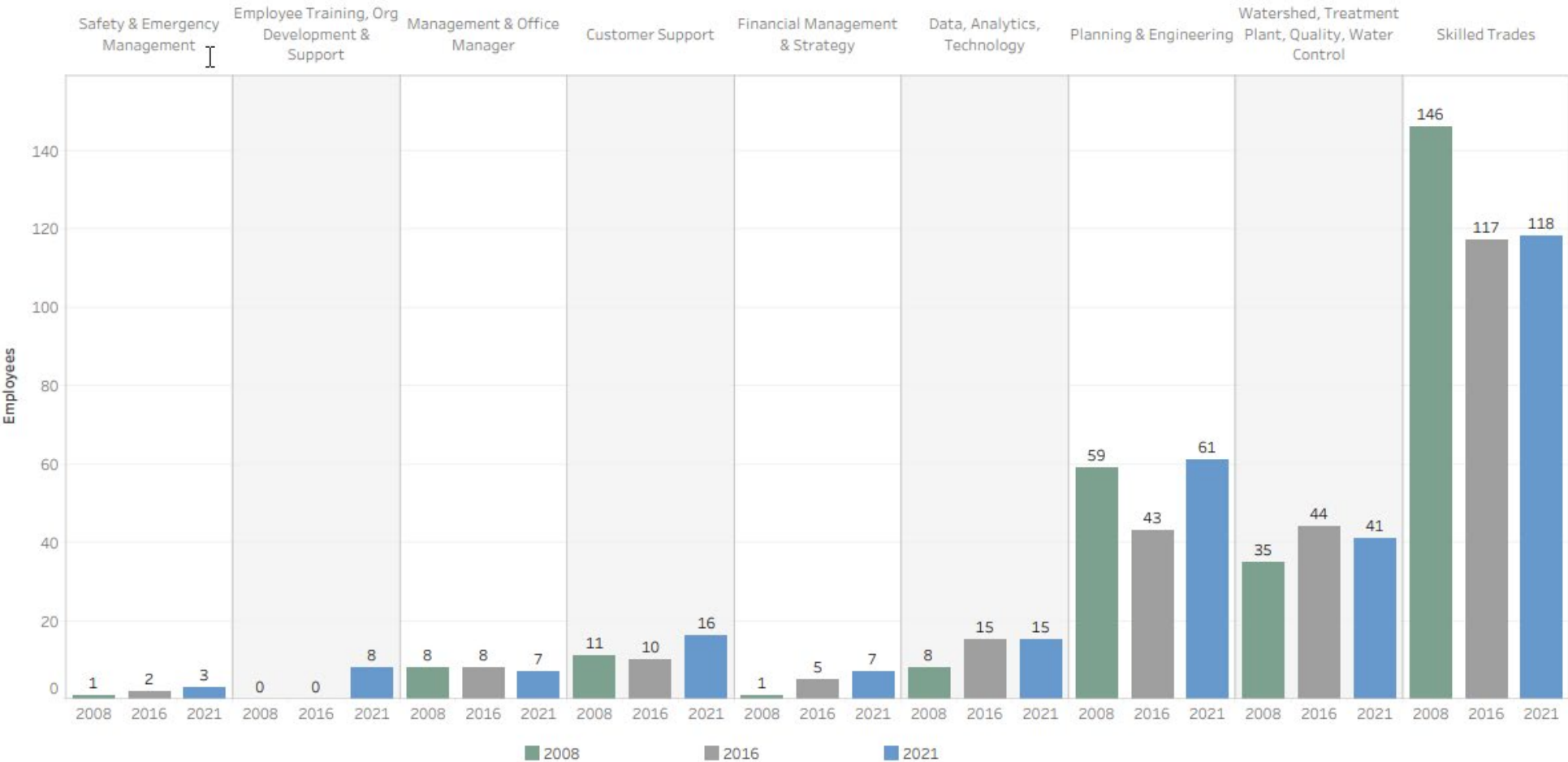
SD-5  
Environmental Leadership

SD-6  
Innovation

# Shifts in the Workforce Over Time



*Balancing the workforce to support changing needs*



*Chart shows filled positions at each year-end*

SD-1  
Equity & Inclusion

SD-4  
Stakeholder Engagement

SD-5  
Environmental Leadership

SD-6  
Innovation

# Economic Development Growth



*We are in a major development cycle and don't have enough resources to respond quickly*

SD-1  
Equity & Inclusion

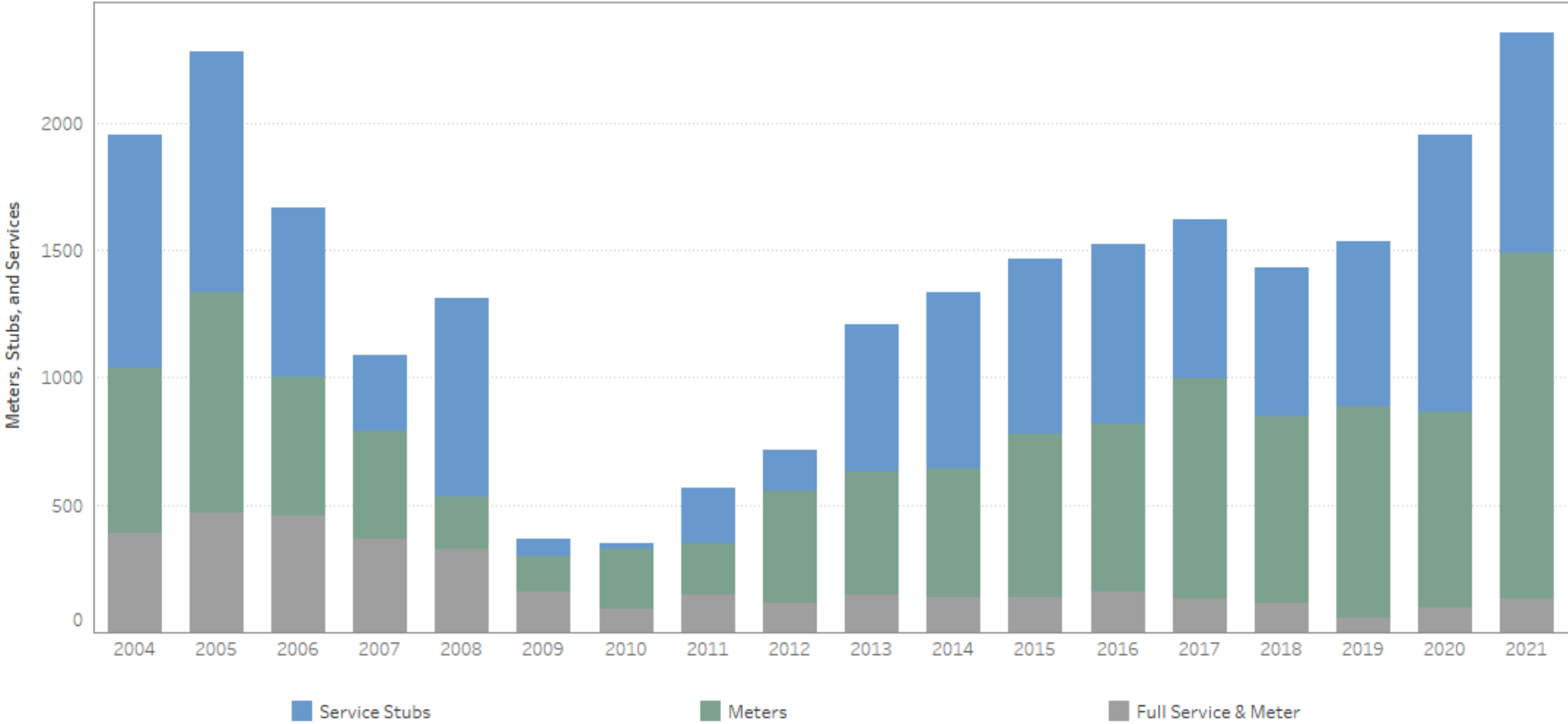
SD-4  
Stakeholder Engagement

SD-5  
Environmental Leadership

SD-6  
Innovation



New services and meter installations are key indicators of growth in our service territory





# What has Changed



## Modernization and Efficiencies

### Innovation and technology investments

- Significant list of prioritized projects
- Focus on sustainment

### Enterprise Resource Planning (ERP) replacement

- SAP replacement plan uncertain
- Resources needed at Water level

### Focus on advanced analytics

- Example: Customer Arrearages dashboard
  - Real-time decision support for crews
- Improved access to data

### Project and portfolio management

- Portfolio health visibility
- Prioritization support
- Enterprise resource management

## Other Activities

### Activity in the Watershed at an all-time high

- More logging activity (year-round)
- Need to protect the resource

### Safety Focus

- Caring for employees
- Improving morale

### Support from Internal Service Groups

- Increased cost – less service received
- Support is uneven, hard to predict

SD-1  
Equity &  
Inclusion

SD-4  
Stakeholder  
Engagement

SD-5  
Environmental  
Leadership

SD-6  
Innovation

# 2021/2022 FTE Additions



## Proposals and final budget request

Only 6 new FTEs requested for 2021/2022

- Identified additional needs during the reorganization
- Kept the proposal lean to minimize rate impacts during the pandemic
- Additional 5 positions were identified as resource needs and discussed, not brought forward for the proposal to the Board

## Mid-biennium request

- Water reorganization provided additional insight to areas in need of resourcing
- Additional 8 FTEs with budget appropriation of \$1.23 million, this will impact our LRFP base case
- We noted that there would be additional resources requested for 2023/2024

SD-1  
Equity &  
Inclusion

SD-4  
Stakeholder  
Engagement

SD-5  
Environmental  
Leadership

SD-6  
Innovation



# 2023/2024 Initial FTE Discussions



## Reliability and Resiliency

- 18 positions
- Construction & Maintenance
- Capital project support



## Equity and Inclusion

- 1 position
- Outreach coordinator
- Bring awareness to careers at Water



## Innovation

- 6 positions
- Business Solutions Implementation
- Project Management



## Customer Service

- 3 positions
- Developer support
- Respond to customer requests



## Economic Development

- 3 positions
- Private Contract Support
- Development Coordination



## Financial Sustainability

- 1 position
- Support financial management
- Balance workload



## Environmental Leadership

- 1 position
- Grant and loan program
- Conservation program



## Resource Planning

- 3 positions
- Asset Management Analyst
- Project Planning Support



## Employee Relations

- 5 positions
- Apprentice and training support
- Knowledge Capture and Documentation

## Process so far

- Staff submitted hiring action forms
- 41 initial requested FTEs for 2023/2024
- Section org visions and prioritized requests
  - What are the problems we are trying to solve?
  - What can't we do without these positions?
  - Is the position dependent on other resources to be in place?
  - Is the organization ready to support this position?
  - Is there a connection to our Strategic Plan?
- Superintendent to determine positions to include in budget request

## Next steps

- Incorporate feedback from Director Flowers and the PUB
- Finalize priorities for Tacoma Water
- Include updates in revenue requirement
- Update long-range financial planning
- Include new FTEs in budget and rate request

# Today's Briefing: Board Request

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