



APPROVED 6-9-21

MINUTES
City of Tacoma
Public Utility Special Board Meeting
May 26, 2021
3:00 p.m.

Chair Flint called the Public Utility Board meeting to order at 3:00 p.m.

Present via Zoom: Bryan Flint, Carlos Watson, Christine Cooley, Joe Bushnell
Excused: Mark Patterson

The meeting was quorate.

Minutes of the Previous Meetings

Ms. Cooley moved that the minutes of the previous meetings be adopted; seconded by Mr. Watson. Voice vote was taken and carried. The minutes were declared adopted.

Comments by the Public

Board Member Cooley moved to suspend the rules of Public Utility Board Government Process Eight (GP8) to allow all public comment for all topics, whether on or off the agenda, at one time; seconded by Board Member Watson. Voice vote was taken and carried.

There were no comments by the public.

Regular Agenda

- C-1 Resolution U-11253 - Award contracts and approve purchases:
1. Increase contract to Stantec Consulting Services, Inc., for additional Phase II Owner's Engineer services for the Alder Unit 11 Rebuild Design-Build Project (\$614,000; cumulative total \$1,172,540, plus applicable taxes) [David Wagner, Project Manager].

Ms. Cooley moved to adopt the resolution; seconded by Mr. Watson.

In response to a Board request, David Wagner, Project Manager, provided an overview of this project. Tacoma Power owns and operates the Alder Lake powerhouse and two hydro units that were installed in the 1940's. Unit 11's generator was last overhauled in 1973 and the turbine in the 1980's. This project will extend the life of the equipment for another 30 years. This contractor will help with the design and construction of the project. The project is on schedule for completion by the end of 2022. In response to a Board inquiry about TPU employee participation in this project, Mr. Wagner confirmed that employees will be participating and there will be collaboration in project execution.

This provides an opportunity for on-the-job training for employees; there will be much learning when the unit is disassembled. In response to a Board inquiry concerning the cost increase, Mr. Wagner explained it the cost wasn't anticipated to this extent. Some of the original estimates were low, in part because of the specialized expertise required. It has been a long time since a unit overhaul was undertaken; staff has learned to better project costs and have better data points for projects such as this.

Voice vote was taken and carried. The resolution was adopted.

C-2 Resolution U-11254 – Authorize execution of a collective bargaining agreement as negotiated with the International Brotherhood of Electrical Workers, Local 483, Clerical Unit, effective retroactive from January 1, 2021 through December 31, 2023.

Mr. Cooley moved to adopt the resolution; seconded by Mr. Watson.

Dylan Carlson, Sr. Labor Negotiations Mgr, summarized the resolution. This agreement covers approximately 181 positions (63 in TPU), and provides for the following retroactive to January 1, 2021: a general wage increase of 1 percent; effective January 1, 2022, a general wage increase of 1 percent; effective July 1, 2022, a general wage increase of 1 percent; effective January 1, 2023, a general wage increase equal to 100 percent of the increase in the Consumer Price Index for urban wage earners and clerical workers with all items, measured from June 2021 to June 2022, with a minimum increase of 2 percent and a maximum increase of 3 percent. In addition to the wage increases, the following market adjustments shall be applied: clarifying discipline timelines used in the investigation and discipline process; providing that Human Resources will provide notice to employees covered by the agreement when a new list is being created for their classification; and clarifying that should a dispute arise when employees are either bidding on work shifts or for vacation requests, the senior employee will have preference. In response to a Board inquiry, Mr. Carlson clarified that there are 29 collective bargaining agreements in the City and that the electrical works contract is still in negotiation.

Voice vote was taken and carried. The resolution was adopted.

C-3 Resolution U-11255 – Authorize a City of Tacoma Hearing Examiner date of June 28, 2021 relating to the formation of Local Improvement District No. 7732 for the conversion of existing overhead primary electrical distribution, utilities, telephone, and cable TV lines to underground.

Ms. Cooley moved to adopt the resolution; seconded by Mr. Watson.

John Martinson, Power Supervisor, summarized the resolution. Tacoma Power has requested that the Board recommend that the City Council set a hearing date for the Hearing Examiner to receive testimony from property owners concerning the formation of Local Improvement District (LID) No. 7732, for the conversion of existing overhead primary electrical distribution, utilities, telephone, and cable television lines to underground. Advisory Survey No. 8640, has been filed by property owners representing 67.01 percent of the estimated proposed LID assessments requesting formation of the LID for the conversion of overhead primary electrical distribution,

telephone and cable television systems to underground along: Cascade Avenue North from North 13th Street to the Cul-De-Sac north of North 17th Street; The alley between Cascade Avenue and Fir Street from North 13th Street to 1528 Cascade Avenue; Fir Street from North 15th Street to the Cul-De-Sac north of North 17th Street; North 13th Street from Cascade Avenue to the alley between Cascade Avenue and Fir Street; North 15th Street from Jackson Avenue to Fir Street; and North 17th Street from Jackson Avenue to Juniper Street. If the LID is approved, it will allow the project to meet eligibility requirements for 30 percent utility contribution towards underground conversion costs; in the amount of \$137,970, based upon costs of labor, materials, and civil work necessary for the movement and installation of Tacoma Power facilities only.

Board Members made positive remarks about this LID.

Voice vote was taken and carried. The resolution was adopted.

C-4 Resolution U-11256 – Authorize Tacoma Water to participate in the City of Tacoma, Public Works Department and Water Replacement Project called Street Initiative Package No. 14 to replace approximately 1,500 feet of four to six inch water main (\$447,745.25, plus a 15 percent contingency for a cumulative total of \$514,907.04, plus applicable taxes).

Ms. Cooley moved to adopt the resolution; seconded by Mr. Watson.

Troy Saghafi, Professional Engineer, summarized the resolution. Tacoma Water is requesting authorization to participate Public Works and Water Replacement Project called Street Initiative Package No. 14 to reconstruct existing roadways and water main. Tacoma Water proposes to replace approximately 1,500 feet of 4-inch to 6-inch water main, constructed circa 1908-1948, along North 16th Street, from North Alder Street to North Junett Street, North 17th Street, from North Cedar Street to North Junett Street, North Madison Street, from North 31st Street to North 32nd Street, and North 32nd Street, from North Madison Street to the end of North 32nd Street. The approximate total cost is \$447,745.25, including a partner administration cost in the amount of \$11,293.55, plus a fifteen percent contingency, for a cumulative total of \$514,907.04. This opportunity to participate in this contract allows Tacoma Water's water main work to be executed concurrently with Public Works' contract in the same area, resulting in reduced construction impacts and reduced overall project costs while improving project delivery.

Voice vote was taken and carried. The resolution was adopted.

C-5 Motion 21-05 – Approve the final settlement of property damage claim W-019-21 of Benjamin Dugan in the amount of \$42,221.90.

Ms. Cooley moved to approve the motion; seconded by Mr. Watson.

Tom Morrill, Chief Deputy City Attorney, summarized the motion. This motion is to settle the property damage claim of Benjamin Dugan (#W-019-21) resulting from water damage by a rupture of a cast iron water main, in the amount of \$42,221.90. This will be sent to the City Council for final approval.

Voice vote was taken and carried. The motion was approved.

D. Reports of the Director

Covid

Director Flowers reported that a more detailed update will be provided at the next Board meeting. Pierce County is now in Phase 3; with reopening scheduled for June 30 or earlier depending on vaccination status. There are no operational changes and staff is continuing to fine tune the reconstitution planning. The lobby will re-open the first Monday in August with phasing in of lobby staff into a hybrid model; these employees will be the first to re-enter the building. Other employees will transition in September and October. There are conversations with staff and the union taking place on the telework policy and there is active engagement with L&I on working protocols. There is a potential joint study session at the end of June to discuss the status of customer accounts during recovery and the legislative session.

Strategic Directive Two (SD2): Quarterly Financial Outlook with Performance Metrics

Tacoma Water: Jodi Collins, Water Assistant Division Manager, provided a summary of Tacoma Water's financial outlook and then shared graphical illustrations of aging accounts receivable and cash projections. The forecast for total revenue is less than \$500,000 over budget. Challenges are that the actual rate adjustment of 0.5 percent or \$471,000 lower than budget assumption for 2021, increased aging of accounts receivable and sluggish cash flow. Strengths include generally inelastic demand, revenue stability through rate design, strong cash balances, and increased federal utility assistance available to customers. Staff will continue to monitor impacts of the pandemic and large volume customer demand. The forecast for expenditures is \$325,000 under budget. Challenges are increases in bad debt expense, increased construction costs. Strengths include the new organizational structure and the ability to shift timing of certain expenditures. Staff will continue to monitor spending, projections, and potential new tax impacts.

Tacoma Power: Michelle Brown, Power Analyst, provided a summary of Tacoma Water's financial outlook and then shared graphical illustrations of aging accounts and projected liquidity balance. The forecast for total revenue is \$1.8M more than budget. Strengths include retail sales close to projections and above-average inflows in January and February. Challenges include below average inflows to the hydro projects in March and April. Current drought conditions will reduce hydro project inflows but should be offset by melting snowpack. Rollback of the phased pandemic reopening may reduce retail revenue. The forecast for total expenditures is \$6.5M under budget. Strengths include personnel and capital spending close to budget. Challenges include bad debt expenses that are \$700,000 over budget. Staff will continue spending close to budget and monitor the bad debt expenses.

Tacoma Rail: Dan McCabe, Rail CIO/CFO, provided a summary of Tacoma Rail's financial outlook and shared a graphical representation of cash projections. Rail's forecast for total revenue is \$2.8 M under budget. Challenges are that rail volumes are under budget by an estimated \$3.2M for the biennium. Strengths are that locomotive servicing and demurrage revenues are over budget due to actuals by \$434,000. Rail volumes have been increasing over Q1 volumes and look to get to budgeted volumes by 2022. The forecast for total expenditures is \$559,000 over budget. Challenges include forecasting biennium capital outlay increases over budget of \$3.8M due to estimated

cost increases and projects from the prior biennium. Strengths include budgeted FTEs left unfilled until volumes are picking up. Cost saving initiatives and deferment of operating expenditure activities. Filling budgeted FTEs as needed for rail volume growth and Rail continues to manage expenses relative to revenue.

Performance Metrics: Ebony Peebles, Sr. Financial Manager, detailed the established performance metrics for Q1 for each of the operating divisions. Financial performance: generally favorable with Rail experiencing lower revenues. Operational excellence: Power and Water O&M costs show minimal year-over-year change. Commitment to customers and employees: Safety efforts ongoing, Water technical complaints are down, and call center responsiveness are consistently above target. Board Members encouraged refreshing the metrics to more closely align with the Board's strategic directives going forward.

Strategic Directive Two (SD2) Update: Budget Performance Report for Q1 2021

Jim Sant, Deputy Director for Administration, provided a report on the first quarter 2021 budget performance reports for Power, Water, and Rail. Mr. Sant presented the key budget information, covering revenues and expenditures, for each of the operating divisions.

Strategic Directive Ten (SD10): 2021 Legislative Session Report

Logan Bahr, State Relations Manager, summarized the 2021 legislative session. This year's session was a long session of 105 days and was in virtual format. Major policies passed into law include climate, energy, fiscal and tax, and criminal justice. Mr. Bahr then highlighted priority issues for each of the operating divisions. Power: Low carbon fuel standard (HB 1091), which limits greenhouse gas emissions from transportation fuels, creates compliance obligations on fuels which exceed certain emission standards, and generates credits for residential electric vehicle fueling. Conservation target flexibility (HB1446), which adds new language to the energy independence act and allows a waiver penalties if a utility is unable to meet its conservation targets due to events beyond its control. Water: Public works trust fund; the fund can be used for loans and grants for public capital asset construction, preconstruction, and emergency purposes; it was funded at \$129M. Rail: Freight rail investment bank include Lincoln track upgrades; locomotive facility; and yard track upgrades. Other notable issues include climate commitment act (SD 5126), BPA B&O tax exemption (SB 5008), zero-emission vehicle forecasting (HB1287), assistance for utility customers, clean buildings act (HB1084), limiting municipal lien authority (HB1241), and transportation revenue package. Clark Mather, Community and Government Relations Manager, provided a federal update. TPU-wide: TPU is monitoring federal Covid relief implementation and is seeking comparable funding for consumer-owned utilities. Water: Secured initial approval for \$2M advanced meter grant; supporting infrastructure funding; Howard Hanson Dam additional water storage project. Rail: Growing support for short line capital grant program. Seeking funding for locomotive conversion. Power: reclaim carbon-free electricity and lower customer costs; analyze and engage in federal clean energy legislating, seeking funding for electrification of transportation. Mr. Mather concluded by reporting on infrastructure. President Biden unveiled an infrastructure outline that includes \$2.25T dollars in spending over eight years; increases corporate taxes and taxes on overseas profits and focuses on addressing historic inequities, environmental justice, climate change, and resilience. This includes \$100B for power

infrastructure, \$80B for passenger and freight rail; and \$45B to eliminate all lead pipes and service lines in drinking water systems.

E. Comments by the Board

There were no final comments by Board Members.

F. Adjournment

There being no further business or comments, the Public Utility Board meeting was adjourned at 5:16 p.m. until June 9, 2021 at 3:00 p.m.

Approved:



Bryan Flint, Chair



Christine Cooley, Secretary