



APPROVED 10/25/23

MINUTES
City of Tacoma
Public Utility Board Meeting
October 11, 2023
6:30 p.m.

Chair Watson called the Public Utility Board meeting to order at 6:30 p.m.

Present: Carlos Watson, William Bridges; Elly Claus-McGahan; John O'Loughlin, Anita Gallagher

Minutes of the Previous Meetings

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

Comments by the Public

There were no comments by the public.

Recognitions

Jenn Treece and Kelli Sullivan of Customer Services presented the Board with Chartwell's 2023 Bronze Award in Excellence in Digital Experience.

Kyle Coen of Rail presented the Board with the American Short Line Regional Railroad Association Jake Award for Safety.

Regular Agenda

D-1 Resolution U-11409– Award contracts and approve purchases:

1. Increase contract to TCF Architecture for a contract amendment to provide architecture and engineering services for approved capital projects (\$306,000, plus applicable taxes. Cumulative total \$806,000, plus applicable taxes) [Terry Coggins, Division Mgr for Fleet & Facilities].

Mr. Bridges moved to adopt the resolution; seconded by Ms. Claus-McGahan.

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

D-2 Resolution U-11410 – A resolution adopting an updated version of Public Utility Board Guiding Principle One on Equity and Inclusion, previously adopted by Resolution U-11099 on August 28, 2019, and renaming it Guiding Principle One on Diversity, Equity, Inclusion, and Belonging (GP1).

Mr. Bridges moved to adopt the resolution; seconded by Ms. Claus-McGahan.

Chair Watson remarked that he had the opportunity to work with the Director, the Office of Equity and Human Rights, and TPU's Equity Committees on this Guiding Principle (GP).

This updated GP is now aligned with the Racial Equity Action Plan and with City Council Resolution 40622. Also, the measurements have been refined so that they can be clearly monitored. Board Members made positive remarks about this resolution.

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

E. Unfinished Business

E-1 Substitute Resolution U-11403 – A resolution adopting an updated version of Public Utility Board Guiding Principal Seven (GP7) on Reliability and Resiliency, previously adopted by Resolution U-11168 on June 24, 2020.

Mr. Bridges moved to adopt the resolution; seconded by Ms. Claus-McGahan.

Board Member Bridges thanked staff for their work to update this Guiding Principle and mentioned the updates to measurements one, two, and five. Board Members made positive remarks about this resolution.

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

F. Overview of Impacts of the WestRock Mill Closure for Tacoma Water and Associated Rate Adjustments

Scott Dewhirst, Water Superintendent, summarized the need for a rate adjustment associated with the closure of the WestRock Mill closure. This is an unprecedented occurrence requiring a unique response. WestRock was Tacoma Water's largest customer and provided approximately 7.3 percent of water sales revenue in 2022. The total loss is about \$101M over the planning period. WestRock consumed 1/3 of total water used in 2022, or the equivalent of 100,000 households. This loss of demand will require changes and reconfiguration of the system to maintain water quality. Staff are analyzing what system improvements and changes may be needed due to this loss. Tacoma Water's costs won't change significantly; the whole system needs to be maintained to continue providing clean, reliable drinking water. The amount of water sold does not directly translate to the amount of costs Water has to pay, most expenses are fixed in the short term. The proposed rate increase is necessary to ensure clean, reliable drinking water service to customers. The use of cash reserves helps mitigate near-term impacts; Water must make up for on-going loss of income. Delaying a rate increase until 2025 results in higher bills for customers and would maintain financial stability and favorable credit ratings providing access to low-cost borrowing.

G. Public Hearing on Proposed Rate Adjustments for Tacoma Water

Yvonne McCarty of the northeast neighborhood council made public comments. Ms. McCarty made positive remarks about TPU staff member John Gaines who keeps her neighborhood association informed. Ms. McCarty then made comments in favor of Water scaling down with this decreased demand, in favor of hiring experts about system modifications, and in favor of budget cuts over rate adjustments.

Board Members then commented on Water's rate proposal. In summary:

Board Member Claus-McGahan: There are situations where costs remain the same, but revenue isn't there anymore. Water treatment takes infrastructure and people. Tacoma

Water is working on making things scalable. The pipes are shared with others in the tideflats who get water so the pipes must remain open. As a resident, I can understand why costs won't immediately go down; even changes to respond to the closure takes money. The future is unknown as far as rates, interest rates, new customers, bonds, etc. The economy is volatile, so I have concerns about an 8-percent increase, which is already on top of a built-in 4-percent increase. So, a more gradual approach is preferred. The increase to BCAP is essential and good, but there's the next tier of customers who struggle. With a gradual increase of 5 percent, followed by two 1.5 percent increases, it will be the same as 8 percent by 2026 and allows for customers to adapt.

Board Member Gallagher: Like a household budget, cuts will eventually get to cutting things that are essential. The loss of \$100M over the next 10 years is staggering and not one that can be solved by spending reserves and cutting. We're in a position to make a rate adjustment. A lot of utility costs are fixed. I would not be in favor of increases if it wasn't coupled with BCAP increase to help those most impacted. I'm concerned about impacts to public agencies who use a lot of water, i.e., parks, partner cities, schools, and the like.

Board Member Bridges: The Board vote will be a recommendation to the Council. The Council briefing, in the form of a GPFC meeting on 10/17, hasn't occurred yet. In order for the Board to have a recommendation supported by the Council, it may need to be gradual. I wouldn't want to recommend something that will be rejected and am leaning toward the gradual approach by 5 percent followed by two 1.5 percent adjustments.

Board Member O'Loughlin: I'm behind the gradual approach. Board Members are stewards of the long-term health of TPU and taking the long view that decisions made today put us in good position to provide services in the future. If we don't respond, that will negatively affect the bond rating. Rate adjustments are never a happy situation, but we need to look past that, talk to customers, and make a prudent decision. This may not be popular, but it's important to make the decision.

H. Reports of the Director

There were Director reports.

I. Final Comments by the Board

Board Member Gallagher made remarks in remembrance of Tacoma Water Employee, Greg Volkhardt, who recently passed and expressed appreciation for his service.

J. Adjournment

Chair Watson announced the Board will hold a workshop on budget and rates at a special meeting on October 13, 2023, and that a public meeting notice has been posted.

There being no further business or comments, the Public Utility Board meeting was adjourned at p.m. until Friday, October 13, 2023, for a special meeting at 8:00 a.m.

Approved:



Carlos Watson, Chair



William Bridges