



APPROVED 5/22/24

MINUTES
City of Tacoma
Public Utility Board Study Session
May 8, 2024
3:00 p.m.

Chair Watson called the Public Utility Board study session to order at 3:00 p.m. in the third-floor conference room (LT1) of the Public Utilities Administration Building.

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

2024 Q1 Quarterly Financial Outlook for Operating Divisions; Performance Metrics; and Status Update on Current Capital Projects

Tacoma Water: Jodi Collins, Water Financial Stewardship Manager, presented the current biennium summary of financial outlook. The forecast for total revenue is three percent over budget and the forecast for operating expenditures is two percent under budget. Ms. Collins detailed graphical representations of billed water sales (revenue), an unprecedented reduction in water demand, and the 2023/2024 biennium forecast v. budget. Ms. Collins then reviewed the capital budget spending summary and concluded with the projected liquidity and cash balance as of the end of Q1.

Tacoma Power: Michelle Brown, Power Sr. Financial Planning Manager, presented the current biennium summary of financial outlook. The forecast for total revenue is \$45M more than budget and the forecast for total expenditures is \$67.1M less than budget. Ms. Brown detailed graphical illustrations of 2023/2024 electric retail revenues and gross wholesale revenue. The forecast for revenue is 4.2 percent more than budget. The forecast for expenditures is 6.2 percent less than budget. Michelle Rhubright, Power Budget and Financial Planning Manager, then reviewed the capital budget spending summary and capital projects by phase and concluded with the projected liquidity balance as of the end of Q1.

Tacoma Rail: Dan McCabe, Rail CIO/CFO, presented the summary of financial outlook. The forecast for total revenues is eleven percent above budget and the forecast for total expenditures is zero percent under budget. Mr. McCabe detailed graphical illustrations of rail volumes (both intermodal and commercial). Railcar volumes are above budget and railcar dwell is above budgeted demurrage revenue. Mr. McCabe concluded his presentation by providing an overview of the large capital projects and biennium cash projections.

Ebony Peebles, Business Services Manager, provided an overview of the Q1 2024 performance metrics for each of the operating divisions. Performance metrics highlights include: Q1 performance is favorable across all metrics; Water O&M expenses are higher in the prior 12 months, combined with a lower benchmark; safety metrics reviews are to occur as part of the Director's work plan; and call center response times continue to be impacted by staffing shortages (new hires are scheduled for May). There are two new operational excellence metrics: Power supply (added as a complement to distribution O&M) and distribution O&M (benchmark projections below actuals).

Tacoma Rail: Budget Overview, Strategy, and Capital

Dale King, Rail Superintendent, detailed a graphical illustration of demand for intermodal railcars, commercial railcars, and railcar revenue. Rail's primary customers are the BNSF, Union Pacific, and U. S. Oil. Budget performance in 2023: Revenue was \$5.7M over budget with expenses \$3M over budget. In contrast 2021/2022 budget performance was Revenue \$19.3M under budget and expenses \$6.3M under budget. Rail's strategic plan pillars: DEI/employee relations; stakeholder engagement; customer service; resource planning; reliability/resiliency; innovation; financial stability; economic opportunities; and environmental leadership. Budget drivers: Railcar volumes, labor costs, inflation, and assessments. Challenges include supply chain interruptions, railcar volume consistency, car hire costs, and mandates. There are opportunities with grants/zero interest loans, line haul volume growth, demurrage tariff adjustments, legislation, battery-electric locomotive assets. Mr. King the provided background on the South Intermodal Yard (SIM) and shared graphical representations of charge flows/fees and rail switching access. Mr. King concluded by summarizing mitigation and expense management strategies, which includes right-sized staffing levels and a fuel surcharge.

Washington Families Clean Energy Credits Grant Program Update

Logan Bahr, State Relations Manager, provided a program overview of the Washington Families Clean Energy Credits Grant program, which provides a \$200 bill credit to low and moderate-income customers to help with the clean energy transition using \$150M of Climate Commitment Act (CCA) funds. Approximately \$7M has been set aside for TPU, which would cover approximately 36,000 households. Eligibility is determined by income with priority given to 80 percent of area median income. Customers are eligible to up to 150 of area median income. This will be self-attested and pre-qualifying customers (BCAP, LIHEAP, discount rates) are eligible. Staff will engage with nonprofit and local government partners for engagement. Outreach methods include media, advertisements, bill inserts, and customer events.

General Board Comments/Discussion and Director's Reports

Director Flowers shared that Scott Dewhirst is leaving Tacoma Water; his last day with the City is June 3. Mr. Dewhirst expressed his appreciation for being part of the TPU organization. Board Members expressed their appreciation to Mr. Dewhirst for all he contributed as Water Superintendent.

Director Flowers announced that Charter Review will be discussed at the joint study session with the Council on May 21.

Director Flowers announced that during construction of Council Chambers, the City Council will utilize the TPU auditorium for their meetings during the month of June.

Board Member Claus-McGahan made positive remarks about her attendance at TPU's educational outreach program on May 3 and her attendance at the green jobs summit.

Board Member Gallagher provided an update on the Charter Review Committee activities.

Executive Session

Chair Watson moved to convene an executive session to discuss pending litigation (RCW 42.30.110(1)(i) for up to 60 minutes; seconded by Mr. O'Loughlin. Voice vote taken and carried. Chair Watson announced after the conclusion of the executive session, the Board will not take further action and the study session would be adjourned. Chair Watson moved that the Clerk of the Board is authorized to adjourn the meeting; seconded by Mr. O'Loughlin. Voice vote taken and carried. Attorneys present was Engel Lee, Chief Deputy City Attorney and Csilla Muhl, City Attorney. The executive session was adjourned at 6:18 p.m.

Adjournment

The study session was adjourned at 6:18 p.m.

Approved:



Carlos Watson, Chair



William Bridges