



APPROVED 5/13/20

MINUTES
City of Tacoma
Public Utility Special Board Meeting
April 22, 2020
3:00 p.m.

Chair Larkin called the Public Utility Board meeting to order at 3:00 p.m. in the auditorium at Tacoma Public Utilities.

Present: Karen Larkin. Via Zoom: Bryan Flint, Christine Cooley, Carlos Watson, Mark Patterson

The meeting was quorate.

D-1 Resolution U-11157 – Authorize Tacoma Water to participate in the City of Tacoma, Department of Public Works, Fawcett Avenue/South 21st Street Project to replace approximately 1,000 feet of 6-inch to 24-inch water main and install approximately 800 feet of water main along Fawcett Avenue and South 21st Street (\$546,718.00, plus a partner contribution of \$199,652.00, plus a 15 percent contingency. Cumulative total of \$839,349.00)

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Ali Poldo, Interim Assistant Division Manager, summarized the resolution. Tacoma Water is partnering with the Public Works Department to reconstruct the existing roadway and replace approximately 1,000 feet of existing water main, constructed circa 1891, along Fawcett Avenue, between South 21st Street and South 19th Street. Approximately 800 feet of water main is proposed for installation along South 21st Street, between Jefferson and Tacoma Avenues, which is an area that is already served, but the installation will facilitate service to development within the downtown corridor. The overall project will minimize long-term road maintenance by improving roadway surface with concrete panels and asphaltic sections, add a new HAWK signal and median refuge island to support bicycle and pedestrian movement, upgrade underground utilities, install traffic calming measures, and construct new illumination and sidewalks with ADA improvements. Project partner contributions are summarized in the Tacoma Water-Public Works Joint Agreement. The existing water main is over 100 years old, with sections near the end of its operational life. There is no water main along South 21st Street, water service cannot be provided to prospective developers without significant costs. Rehabilitating the existing water main is cost prohibitive. It is more cost effective to mitigate the risk of future water main breaks under a new roadway by replacing the water main. Installing a new water main along South 21st Street provides water distribution to

adjacent properties. Tacoma Water believes it is in the best interest of the utility and its customers to include the water main work in the Public Works project. Project partnership will improve project delivery, reduce project costs, improve system availability, and consolidate construction disturbance to businesses.

In response to a Board inquiry about the length of operational life and the role of project contribution, Mr. Polda answered that the pipes are approximately 100 years old and at the end of life. The project contribution costs are for project costs that are equally shared with Public Works and Environmental Services, such as signal mobilization or traffic control costs.

In response to a Board inquiry relating to this project being essential during the emergency declaration period, Mr. Polda answered that the project has been deemed essential. There is grant funding that needs to be obligated within a certain timeframe. There is a 1.5 year construction schedule with the project scheduled to be finished by next summer.

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

D-2 Resolution U-11158 - Authorize Tacoma Water to participate in the City of Tacoma, Department of Public Works Taylor Way Rehabilitation Project to install a new intertie with the City of Fife and replace approximately 6,600 feet of water main along Taylor Way, from 1,400 feet west of State Route 509 to Lincoln Avenue (\$2,712,787.00, plus a partner contribution of \$891,236.00, plus a 10 percent contingency. Cumulative total of \$3,964,425.30)

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Ali Polda, Interim Assistant Division Manager, summarized the resolution. Taylor Way is a major arterial within the Port of Tacoma, the main corridor on the Blair-Hylebos Peninsula carrying 4-10 million tons of freight annually, and an essential emergency access route. Tacoma Water is partnering with the Public Works Department to reconstruct the existing roadway and replace approximately 6,600 feet of the existing water main and appurtenances constructed circa 1929 and 1957. In addition, a new 16-inch intertie to Fife, located at the intersection of SR 509 and Taylor Way, will be constructed. The existing 8-inch intertie is hydraulically restrictive for the future water demands of Fife. Costs for the intertie are being reimbursed by Fife and a new Wholesale Agreement to purchase additional water supply is in negotiation. The overall project will minimize long-term road maintenance by improving the roadway surface with concrete panels, add sidewalk and replace curb ramps/crossings to meet ADA standards, replace underground utilities, reduce congestion along SR 509, improve travel to northeast Tacoma, and improve emergency access to the Blair-Hylebos Peninsula by adding traffic cameras and blank-out signs along the corridor. Project partner contributions are summarized in the Tacoma Water-Public Works Joint Agreement. The existing water main is upwards of 90 years old with a history of costly breaks. Sections of the water main are near the end of its operational life. The existing Fife intertie is hydraulically restrictive. Rehabilitating the existing water main is cost prohibitive. It is more cost effective to mitigate the risk of future water main breaks under a new concrete roadway by replacing the water main. Increasing the size of the Fife intertie will increase the water flowrates. These improvements would be difficult to construct if not included in this project. Tacoma Water believes it is in the best interest

of the utility and its customers to include the water main work and Fife Intertie in the Public Works project. Project partnership will improve project delivery, reduce project costs, mitigate future risks, consolidate construction disturbance to businesses, and provide additional water supply to Fife.

In response to a Board inquiry relating proximity to the Puyallup Reservation and collaboration with the Tribe, Mr. Polda stated that this project is in the City and Washington State Department of Transportation right of way. Staff worked with the Tribes on the parcels owned by them and worked with the Tribes to provide connections to their services in case they want to develop them in the future. In response to a Board inquiry, Mr. Polda stated that this project is not Green Roads certified.

In response to a Board inquiry about project length, Mr. Polda stated the schedule is two years.

In response to a Board inquiry related to the Fife intertie and other interties that will require attention if TPU increases Fife's wholesale contract, Mr. Polda stated that this is the only intertie and there has been close collaboration with the City of Fife. This intertie would be more costly if it wasn't replaced as a part of this project.

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

D-3 Resolution U-11159 – Authorize an increase in funding for the Emergency Assistance Program during the period of the state of emergency declared by the City of Tacoma in response to COVID-19 in order to allow more households to qualify for assistance.

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Francine Artis, Assistant Customer Services Manager, summarized the resolution with a presentation. This resolution allows an increase in up to one million dollars in the Emergency Assistance Program (EAP) which was authorized on March 17, 2020, by the Board through Second Amended Resolution No. U-11149 and by the City Council through Res. No. 40575. The Board authorized the Director of Utilities to develop the EAP using up to one million dollars from the fund used for Power low income assistance and the fund used for Water Utility operations with broader eligibility criteria than used for Bill Credit Assistance Program (BCAP). Due to the number of requests for assistance, the original amount of one million dollars used to establish the EAP needs to be increased and staff is requesting an increase of an additional one million dollars. Environmental Services will also be requesting that the City Council add to the EAP by approving the use of up to four hundred thousand dollars of Environmental Services Department funds. Staff recommends that the Board request that the City Council approve the use of Environmental Services funds. The combined total increase in the EAP funds with the use of Environmental Services funds would be one million four hundred thousand dollars (\$1,400,000). As background: effective December 22, 1982, the City of Tacoma, Department of Public Utilities, pursuant to Board Resolution U-6645 created the Project Need Program which would encourage Tacoma Power customers to donate to a special fund to be used and applied for the benefit of assisting eligible low income customers with Power bill payments. The City Council also appropriated funding for the administration of the Project Need Program. The Project Need Program was renamed the Family Need Program and, ultimately, renamed the BCAP. Subsequent to,

and in addition to the funding appropriated by the City Council and the ongoing donations from customers, the TPU budgets have consistently funded the program now known as BCAP through moneys in the Family Assistance Fund. The program is available to eligible electricity, drinking water, solid waste, recycling and surface water customers, and provides assistance in the form of a utility credit up to \$564 annually, which is applied to the utility account. In light of the state of emergency that has been declared in response to COVID-19, a new EAP was created to expand assistance options for customers beyond what was available through BCAP. The EAP was established with up to one million dollars of the fund used for low income assistance and the fund used for Water Utility operations. The criteria for the new program was expanded to increase significantly the number of additional households that would be eligible to receive assistance during the state of emergency. The intent of the EAP was reached and the requests for assistance have demonstrated a need for additional funding of the EAP. In addition to moneys from the two funds that were used to create the EAP, TPU is requesting that the Board recommend that the City Council approve the use of moneys from Environmental Services funds and give the Director and the City Manager authority to determine the appropriate allocation of moneys from the funds.

Ms. Artis shared that over 9,000 applications for assistance have been received. In response to a Board inquiry about how Environmental Services is allocating funds, Director Flowers stated there has been coordination with Environmental Services. Mr. Slevin, Director of Environmental Services, shared that he would move funds from the rate stabilization fund. In response to a Board inquiry about expanding qualifications for BCAP, Ms. Artis explained that the program has grown so much that an assessment would have to be re-conducted before implementing any changes on qualifications. Board Members expressed appreciation to staff for the work on this project.

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

Chair Larkin announced that the agenda would be taken out of order and Motion 20-03 would be heard next; followed by Reports of the Director.

D-5 Motion 20-03 – A motion to allow Human Resources to modify the existing competencies in the evaluation for the Director of Utilities.

Mr. Flint moved to approve the motion; seconded by Mr. Patterson.

Chair Larkin explained that this is the year that the City Council will confirm the Director's reappointment. One of the cost-saving measures the City has put into place is to reevaluate consultant agreements. Korn Ferry was assisting with the development of the Director's competencies and that contract will not be renewed. Human Resources has edited the competencies so that the City is no longer using Korn Ferry's intellectual properties.

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

Reports of the Director

Earth Day Report

Director Flowers provided a sustainability report for the 50th anniversary of Earth Day by highlighting some of TPU's accomplishments. Tacoma Rail is part of a national network that moves one ton of freight more than 450 miles on one gallon of fuel; Tacoma Power generates clean, renewable, and reliable hydropower while producing millions of salmon from our hatcheries every year; Tacoma Water ensures the availability of clean drinking water by protecting habitat and wildlife throughout our watershed. TPU remains committed to helping our customers conserve through our water and power conservation programs. At the TPU campus we reduced energy use by 13 percent by fine-tuning the building HVAC systems and adjusting schedules as one of seven community partners in the Commercial Strategic Energy Management Program; this equates to an approximate cost savings of \$65,000 annually. Also at the TPU campus, energy efficient LED lighting was installed for enhancing outdoor safety and indoor environment resulting in over \$10,000 energy savings which will continue annually. As part of the City's Environmental Action Plan efforts, Tacoma Power committed to a 15 percent reduction in fossil fuel use on traditional vehicles as well as electric vehicle usage goals for our fleet. TPU was proud to partner with the Franklin Pierce School District, TransAlta and many others on an event attended by Governor Inslee and lawmakers to celebrate the first electric school bus in Washington State. TPU collaborated across the City and with other partners on the Shade Tree Discount program, providing more than 2,000 coupons, contributing to the City's efforts to increase tree canopy cover by 30 percent by 2030. Tacoma Power's residential and commercial conservation projects saved a total of 33,000 MWh of electricity. Tacoma Water is on track to achieve targets in our water conservation plan, which aims to reduce peak consumption by more than 6 percent over a decade. TPU protected wildlife by providing and maintaining 60 wood duck nest boxes and 17 bat boxes on Nisqually and Cushman wildlife lands and completed an approximately 70-mile habitat monitoring project survey in the upper Green River Watershed that totaled 180 acres of aquatic habitat. TPU finished the Deep Creek Pipeline Protection Project that both protected Pipeline 1 from further erosion and enhanced in-stream habitat conditions. In partnership with the Muckleshoot Tribe, fish are captured at the Green River trap and sort facility in order to produce more resilient hatchery fish.

Update on the status and impact of the COVID-19 virus and TPU's response to the emergency declaration.

TPU remains active in the City of Tacoma emergency response related to COVID-19, including staffing the City's EEC and alternating coverage. Currently, the primary focus of that group continues to be procurement of PPE (namely masks) with a transitioning focus to developing the framework for community recovery and business reconstitution, as restrictions are dialed back by the Governor. Joint virtual town halls with the City Manager and Director have been held.

While the City's work is essential per the Governor's proclamation, the "stay home, stay healthy" measures continue requiring teleworking where possible and implementing other CDC guidelines where teleworking is not possible. The City is offering a voluntary retirement incentive for employees who separate from the City no later than June 30,

2020. It was modeled off of the Click! early retirement incentive with a \$15,000 one-time non-taxable contribution into HRA VEBA.

Work has started to envision a Customer Transition Team whose primary focus will be on transitioning customers from this emergency response phase, wherein customer disconnects are postponed, toward a recovery period that will involve extending payment plans and assisting customers as they work to become current with their utility bills. Staff will also continue to work to identify resources to alleviate bill payment concerns, particularly for low income. TPU web traffic has nearly doubled since we have been active in responding to COVID-19. The pages getting the most clicks include our COVID response page and our emergency assistant program page.

There was an equipment failure with our phone system that caused call drops. The replacement equipment has been ordered and UTS has implemented a work around. Customer service representatives have been transferred to home agent status since the last meeting so we now have a number of customer service representatives who are now taking calls in telework status. Water and Power crews continue on the training v. field rotation schedule. Wellness checks have been implemented in key areas where critical continuity staff is required to occupy their in-building work spaces. In accordance with CDC guidelines, we continue to provide masks for field crews who cannot complete their work while meeting social distancing. We are piloting a potential business reconstitution wellness check station with customer services and will use that outcome to guide us in our business reconstitution planning.

TPU operating and support divisions are undertaking additional due diligence in their revenue, budget, and rates forecasting related to projecting impacts of COVID-19 and prioritizing vacancies hiring and identify spending cuts that could be pursued for the remainder of this year.

TPU-wide budget preview and situation update, including reports from staff.

Jim Sant, Deputy Director for Administration provided an overview of the budget presentations and budget timelines. The Council's final considerations are scheduled for November 17 and 24. Underlying budget principles are financial sustainability, rate sensitivity, reliability and resiliency, regulatory compliance, stakeholder engagement, customer service, innovation, and employee relations and safety. Emerging priorities are the impacts of the Covid-19 pandemic, employee and community safety, continuity of service priority, and cost saving measures.

Dale King, Rail Superintendent, provided an overview of Rail traffic variations from the last recession to date. Mr. King outlined Covid-19 impacts to Rail operations. There are revenue increases for railcar storage and demurrage and revenue decreases due to decreases in intermodal, auto, commercial, and unit trains traffic. Expense increases include extra cleaning and sanitizing and expense decreases are due to locomotive fuel and travel decreases. Mr. King outlined how capital projects, revenue, expenses, and the emergency declaration's effect on employees are being managed. Rail will continue with its budget and rate development based on revenue requirements, volume forecasts, and the capital program. Expenses and revenues will be monitored and there will be a delay in capital projects as necessary and able.

Scott Dewhirst, Water Superintendent, provided an overview of Tacoma Water's cash position, reserves, revenue stability and the recent reorganization. Covid-19's impacts

on the delivery of water and projections were summarized. Currently, Water is not seeing significant changes to delivery of total water to the system compared to 2019. Water is projecting increased residential demand and decreased commercial demand during the emergency declaration followed by a recession. Covid-19 measures are to be customer focused, employee safety and equity, emergency preparedness, and communication. Next steps are monitoring metrics, prioritizing current work and expenditures, developing the 2021-2022 budget, and long-range financial planning.

Chris Robinson, Power Superintendent, reviewed the long range financial plan from June 30, 2019. Since then, there has been critical water, increased O&M spending, higher personnel costs, a rate delay (emergency declaration), and a new wholesale price/sales forecast all of which result in a 45M worse off for 2021-2022 before Covid-19 impacts. Retail demand is lower and there are inadequate cash reserves. Measures to mitigate are underway, including expense reductions and increased bond financing.

Steve Hatcher, Customer Services Manager, outlined CS's priorities for 2020. These include dealing with the economic impacts of Covid-19 by developing a policy and logistics planning for work re-entry. Also to plan for an unprecedented level of limited income customers and businesses having payment challenges. Cost saving measures will take place by reducing future training requiring travel and reevaluation the budget. Continuity of service considerations, such as implementation of a pre-pay program and monthly in support of AMI, and implementation of a robust online application for income-eligible households. Employee safety is a priority with plans to implement a lobby design with protective barriers and continuing with home agents and remote operations. Staff will also evaluate additional technology requirements for field personnel. Staff will continue to increase community engagement and work to meet purchase card industry requirements without negatively impacting service options for customers.

In response to a Board inquiry regarding the underlying budget principles, Mr. Sant stated that the Board's strategic directives served as a base.

In response to a Board inquiry regarding the capacity to move grants and funding for some Rail capital projects, Mr. King stated that it isn't a simple process, but has been done in the past and the State is understanding in situations like these.

In response to a Board request for additional information on Customer Service home agents, Mr. Hatcher clarified that home agents are elective and needed for social distancing as there is not enough space in the call center. Employees are being monitored as if in the call center and it is the plan to continue with home agents past the emergency declaration period.

In response to a Board inquiry regarding staff having enough personal protection equipment (PPE), Director Flowers answered that the emergency response team is coordinating all PPE needs with state emergency management, the city, and county.

In response to a Board inquiry about navigating staff issues with childcare; Mr. Hatcher answered that some have opted to take the authorized emergency leave in order to sort through these issues.

Board Members thanked staff for taking these measures on behalf of ratepayers during this trying season.

Director Flowers expressed appreciation for the Board's due diligence and staff's work to be adaptable. Director Flowers shared that staff will establish a budget page on the website as in previous years, which will include links to televised PUB meetings.

D-4 Resolution U-11160 – A resolution relating to Tacoma Power; approving a supplemental ordinance; and authorizing the issuance of an electric system subordinate revenue note, series 2020 (taxable), in the principal amount of not to exceed \$100,000,000, the execution of a note purchase agreement, and other matters related thereto.

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Bill Berry, Rates, Planning and Analysis Manager, summarized the resolution. The Note Purchase Agreement (NPA) with KeyBank provides general liquidity for any purpose deemed necessary. Entering into the liquidity agreement will help maintain financial flexibility and limit rate increases over the next biennium. It is viewed by two of the three rating agencies as enhanced liquidity to meet our Electric Rate and Financial Policy goal of maintaining financial metrics of an AA-level utility. Additionally, utilization of the agreement would only be for emergency purposes, and thus the NPA is a low-cost option to achieve those metrics and keep rates low. In October 2014, Tacoma Power solicited proposals from qualified firms for short-term funding products and reviewed responses from eleven financial firms. From that pool of respondents, Wells Fargo and KeyBank offered the lowest cost and most flexible options for interim capital financing and general liquidity financing, respectively. On May 1, 2015, Tacoma Power executed an NPA with KeyBank providing a three-year commitment for a revolving line of credit for \$25 million, with the option to increase the amount to \$50 million. In connection with the execution of the 2015 NPA with KeyBank, the City issued its Electric System Subordinate Revenue Note, Series 2015B to evidence the line of credit. However, Tacoma Power did not need to use the agreement to improve liquidity financial metrics or finance operations and let the agreement lapse in May 2018. Tacoma Power is beginning 2020 with lower revenues, increased expenses, and a lower cash position from a near-critical water year in 2019. In addition, the COVID-19 pandemic will result in an economic downturn that is expected to reduce Tacoma Power's revenues and liquidity. At the request of Tacoma Power, their municipal advisor, Montague DeRose LLC (MDA), recently solicited pricing from several banks for a new short-term agreement to meet liquidity financial metrics and assist with operational expenses. MDA determined that a new KeyBank agreement allows for the more cost effective and efficient management of liquidity needs after evaluating numerous financing options.

Tacoma Power and MDA note the following considerations concerning a two-year agreement with KeyBank, with a possible extension for another year: The KeyBank NPA will supplement Tacoma Power's liquidity in order to meet financial metrics of an AA level utility, consistent with the goals of the Tacoma Power Electric Rates and Financial Policy. While we anticipate that this agreement will only be used to supplement liquidity or in an emergency situation, the facility can be utilized for any purpose deemed necessary. The primary purpose of the NPA is to provide liquidity and Tacoma Power does not expect to draw on the NPA. The unutilized fee is 35 basis points, or \$350,000 annually for a \$100 million bank line. The London Interbank Offered Rate (LIBOR), which is a borrowing benchmark used globally, will phase out at the end of 2021. This benchmark is commonly used to calculate interest rates paid on amounts borrowed in

bank lending agreements. The market has not settled on an alternative benchmark, so the pricing of another potential benchmark, will be part of the negotiation process.

In response to Board inquiries, Mr. Berry made clarifying remarks. This resolution enables Power to put in place \$100M worth of liquidity. The rating agencies consider that \$100M as part of the required liquidity under the bond. If this was not put into place, Power would need to move to adjust rates to put cash in reserves to get the liquidity rate as an AA rated utility. The rating agencies expect Power to have a certain amount of liquidity. Rating agencies are paying attention during this unprecedented time and have put entire industries on credit watch/negative outlook and have downgraded sectors. They have put utilities in general on watch. Staff feels having this liquidity available to us is needed before the agencies look at Tacoma Power specifically. The intent is to shore up liquidity, but the funds can be used for operating and capital expenses if needed.

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

Board Comments

Board Member Flinted made positive remarks about TPU being well managed with dedicated staff to help through the Covid-19 crisis. Services are being delivered and it is because of hard work and adapting to change to serve the public.

Chair Larkin expressed appreciation to TV Tacoma staff for successfully implementing Zoom into the TV Tacoma broadcast and streaming. Chair Larkin also acknowledged the 50th anniversary of Earth Day and stated that TPU prides itself on all it does to enhance the environment we rely on for power, water, and rail resources.

Adjournment

There being no further business or comments, the Public Utility Board was adjourned at 5:40 pm. until Wednesday, May 13, 2020 for a meeting at a time to be determined.

Approved:



Karen Larkin, Chair



Mark Patterson, Secretary