



**TO:** Elizabeth Pauli, Interim City Manager  
**FROM:** William A. Gaines, Director of Utilities, Tacoma Public Utilities  
**COPY:** City Council and City Clerk  
**SUBJECT:** Resolution Authorizing Execution of a Water System Acquisition Agreement with the Curran Road Mutual Water Association – June 6, 2017  
**DATE:** May 12, 2017

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**SUMMARY:**

Authorize Tacoma Water to execute a water system acquisition agreement with the Curran Road Mutual Water Association. The water system acquisition agreement establishes the terms and conditions under which Tacoma Water will acquire the Curran Road Mutual Water Association service area and provide direct retail water service to its members.

**STRATEGIC POLICY PRIORITY:**

- Strengthen and maintain a strong fiscal management position.

Expansion of the service area increases the Utility's revenue base, which in turn increases the gross earnings tax payment to the City's General Fund.

**BACKGROUND:**

The Curran Road Mutual Water Association (Curran Road) provides services to more than 620 customers, in the vicinity of 128<sup>th</sup> Street East and Canyon Road East in Pierce County. Curran Road receives all of its water from Tacoma Water through a wholesale connection.

As a requirement of the Washington State Department of Health, Curran Road is due to develop a new water system plan and make necessary system improvements. In-lieu of developing a water system plan and securing financing to make burdensome system improvements, Curran Road has requested Tacoma Water acquire the Curran Road service area and provide direct retail service to its members.

Over a period of 10-years, Tacoma Water proposes to replace more than 6-miles of asbestos cement water main and complete other system improvements. The estimated cost of this water system improvement work is \$12,000,000, which will be paid for by those customers within the boundaries of the Curran Road water system through a customer surcharge over an estimated 33-year period, in accordance with the City Council's Service Expansion Policy.

Tacoma Water has budgeted \$1,000,000 for the Curran Road water system improvement work to be completed during the 17/18 biennium, with the balance of the water system improvement costs planned for in Tacoma Water's 10-year Capital Improvement Plan.

**ISSUE:**

Tacoma Water and the Curran Road Mutual Water Association have developed a water system acquisition agreement that would allow Tacoma Water to acquire the Curran Road service area and provide direct retail service to Curran Road's customers. In accordance with the City Council's Service Expansion Policy, service area expansions larger than 10 acres require City Council and Public Utility Board approval.



On May 10, 2017, the Public Utility Board authorized execution of a water system acquisition agreement with the Curran Road Mutual Water Association under resolution U-10929.

**ALTERNATIVES:**

Tacoma Water proposes to replace portions of the Curran Road water system as part of acquisition of the service area. The cost of replacing the water system would be borne by the customers within the Curran Road service area through a customer surcharge over an estimated 33 year period. If the agreement is not executed, Curran Road will be required to develop a water system plan, secure financing and make the necessary system improvements.

**RECOMMENDATION:**

Tacoma Water recommends the City Council authorize execution of the water system acquisition agreement with the Curran Road Mutual Water Association.

**FISCAL IMPACT:**

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Water Capital Reserve Fund 4600-CAPTL	587501		\$1,000,000.00
<b>TOTAL</b>			<b>\$1,000,000.00</b>

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
<b>TOTAL</b>			

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$1,000,000.00**

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes**

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**