



TO: Elizabeth Pauli, City Manager
FROM: Heather Pennington, Tacoma Water Superintendent
Chris Robinson, Acting Director of Tacoma Public Utilities
COPY: Tacoma City Council and City Clerk
SUBJECT: Approval of Cascade Water Alliance Wholesale Water Contracts
DATE: March 4, 2025

SUMMARY AND PURPOSE:

Tacoma Water staff request an ordinance authorizing the execution of two wholesale water agreements with the Cascade Water Alliance.

Under the agreements, Tacoma Water would deliver 12 million-gallons-per-day [MGD] (average day) on a permanent basis and an additional 12 MGD (average day) temporarily from 2041 to 2062.

Current estimates show an estimated \$1.5 billion in revenue to Tacoma Water from 2026-2075 associated with these agreements.

BACKGROUND:

With the closure of the pulp mill in 2023, Tacoma Water now has surplus water. These agreements would sell water to the Cascade Water Alliance, generate revenue for the utility, and position Tacoma Water to participate in major resiliency water projects in the future.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

TPU's Customer Experience and External Affairs group is engaging the community at monthly meetings to brief them on the agreements. Additionally, we have published a webpage describing the project and allows for the public to ask additional questions.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

These agreements would sell water to the Cascade Water Alliance, generate revenue for the utility, and help keep rates lower for residential, wholesale and business customers over time. These agreements would also position Tacoma Water to benefit from future regional water projects and shared investments in infrastructure.

These agreements support the Livability and Economy/Workforce initiatives through new revenue and decreasing rate pressure over the next 50 years and beyond. These agreements benefit all Tacoma Water customers regardless of geographic area. These agreements will also require new infrastructure projects supporting jobs.

Economy/Workforce: *Equity Index Score:* Moderate Opportunity

Increase the number of infrastructure projects and improvements that support existing and new business developments.

Livability: *Equity Index Score:* Moderate Opportunity

Decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs.



Explain how your legislation will affect the selected indicator(s).

These agreements would generate new revenue and reduce future rate pressure.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Not approving agreements		Tacoma Water would forego approximately \$1.5 Billion in revenue to Tacoma Water customers and future regional resilience opportunities.
2.		
3.		

EVALUATION AND FOLLOW UP:

Revenues and expenses related to these agreements will be tracked annually and monitored to ensure they are within projections.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Water Staff recommends executing these agreements.

FISCAL IMPACT:

Please provide a short summary of the fiscal impacts associated with the grant, agreement, policy action, or other action.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.Fund 4600	Various	Various	\$1.4 Billion
2.Fund 4600-SDC	Various	Various	\$50.8 Million
TOTAL			

What Funding is being used to support the expense?

Incremental expenses associated with serving Cascade will be more than offset by revenues paid by Cascade.

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

CHOOSE AN ITEM.NO, PLEASE EXPLAIN BELOW

No. Revenues are expected to start in 2026 but they were not incorporated into the 25/26 budget pending contract approval.

Are there financial costs or other impacts of not implementing the legislation?

YES

Will the legislation have an ongoing/recurring fiscal impact?

YES



City of Tacoma

City Council Action Memorandum

Will the legislation change the City's FTE/personnel counts?

YES, PLEASE EXPLAIN BELOW

It is not expected to increase FTEs in 25/26 but additional personnel will be needed as the project progresses.

ATTACHMENTS:

- Cascade Water Alliance Wholesale Water Supply Agreement
- Cascade Water Alliance Market-Priced Wholesale Water Supply Agreement