



# 2025-2026 Revenue Requirement

City of Tacoma | Environmental Services

Government Performance & Finance Committee  
August 20, 2024



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## OVERVIEW



- 2025-2026 Budget and Rates
  - Rate-Making Principles
  - Rate-Making Process
  - 2025-2026 Baseline Budget
    - Cost Drivers
  - 2025-2026 Budget Strategy
  - Proposed Revenue Increases
    - Peer Bill Comparison
    - Average Bill Impacts

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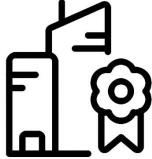
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# ● ● ● RATE PRINCIPLES



**Legal**

- Fair
- Just
- Reasonable
- Non-Discriminatory



**Industry-Standard**

- Revenue Stability
- Cost Recovery
- Equity
- Economic Efficiency
- Bill Stability



**City of Tacoma Principles**


- Affordability
- Equity
- Environment
- Public Involvement
- Life-Cycle Cost Utility

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# ● ● ● RATE-MAKING PROCESS

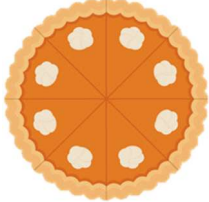
**How Big is the Pie?**



**1. Revenue Requirement**

Identifies revenues needed to sustain operations, according to financial plan (i.e. budget)


**How to Slice the Pie?**



**2. Cost of Service Analysis**

Divides revenue into total amount to be paid by each customer class (seeks equity)

**How to Eat Each Slice?**

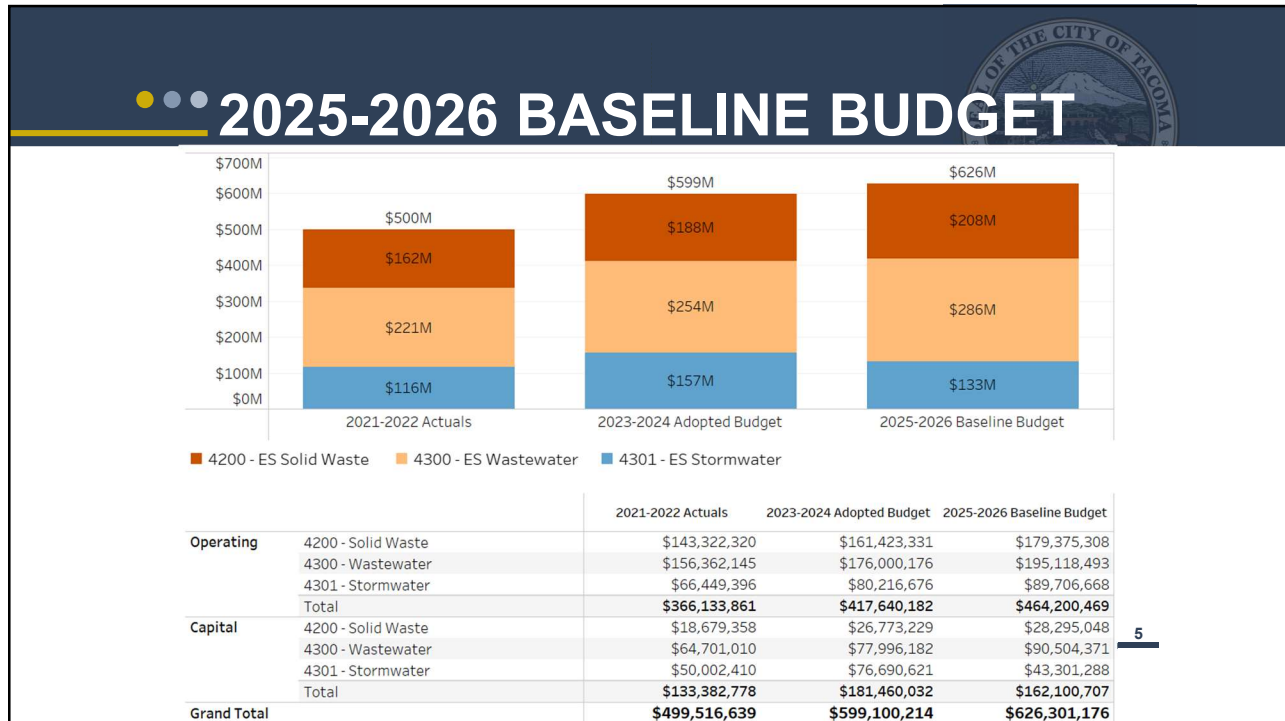


**3. Rate Design**

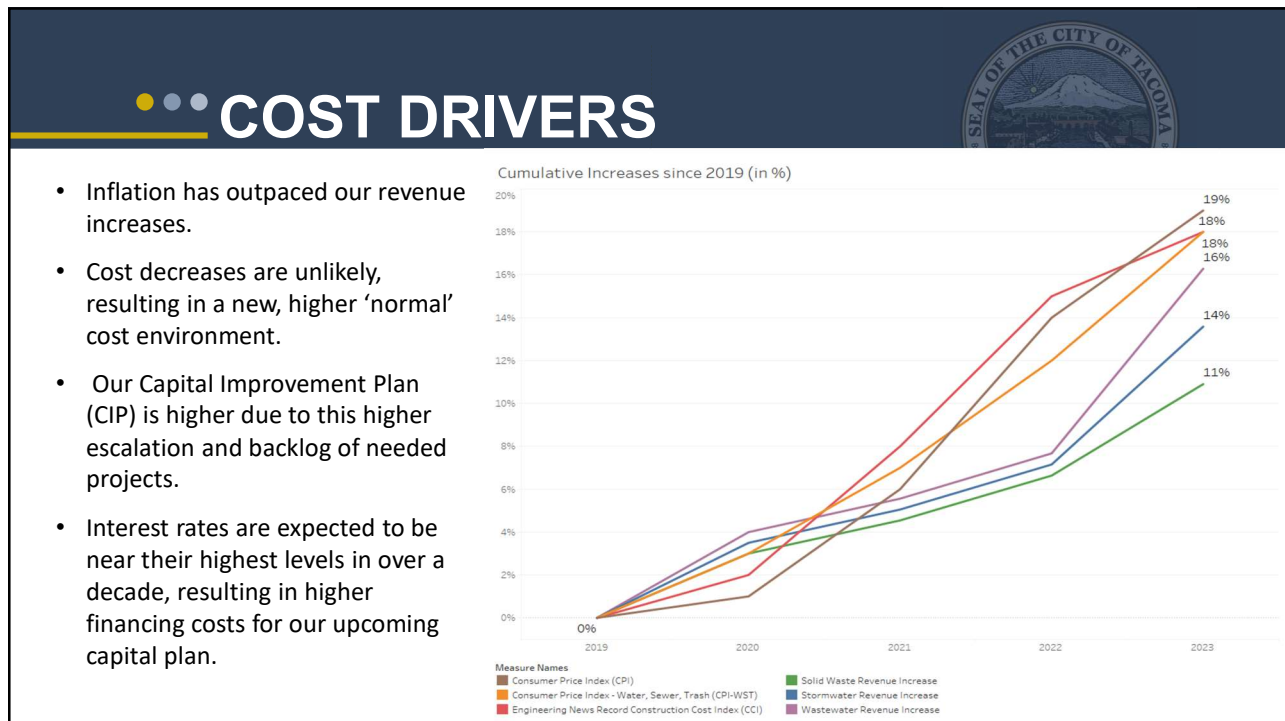
Sets rate structure to collect revenue from each customer in each class

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## CAPITAL COST DRIVERS



- Better data
  - Better understanding of current backlog and associated risk
  - Better understanding of assets and needs
- Increased costs
  - Inflation
  - More complex street restoration
  - Regulatory and design requirements
- Timing (system is aging)
- Growth



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*Planning for and addressing these increased costs will continue to be a focus in upcoming rate cycles*

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## 2025-2026 BUDGET STRATEGY



- **Maintain effective and efficient service** levels and operations
  - Understand baseline costs and current organizational needs
  - Seek improvements to the customer experience
  - Address requirements and critical business needs (growth, regulations, safety)
- **Advance strategic priorities** with limited targeted investments or enhanced services
  - Equity • Climate and Environmental Health • Council Policy Priorities
- **Long-range planning** for organization, staffing, and asset needs
  - Ensure financial sustainability
    - Consider affordability and support for vulnerable customers
  - Plan for capital backlog and next bond issuance
  - Long-term asset management planning with funding strategy
- Consider **new revenue** opportunities

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## 2024 SIX YEAR REVENUE PLAN

Year	Solid Waste	Wastewater	Stormwater
2025	5.5%	7%	8%
2026	5.5%	7%	8%
2027	5%	6%	7.5%
2028	5%	6%	7.5%
2029	4.5%	6%	7%
2030	4.5%	6%	7%

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## 2024 RESIDENTIAL BILL COMPARISON

City	Wastewater	Stormwater	Solid Waste	Total	% Change
Portland	\$78	\$44	\$44	\$166	2.5%
Seattle	\$110	\$75	\$58	\$243	2.5%
Bellevue	\$104	\$37	\$33	\$174	1.4%
Olympia	\$73	\$18	\$51	\$142	2.3%
Puyallup	\$70	\$20	\$65	\$155	2.1%
Spokane	\$55	\$5	\$48	\$108	2.1%
Vancouver	\$55	\$15	\$64	\$134	2.1%
Tacoma - 2024	\$69	\$31	\$56	\$156	2.3%
Tacoma - 2025	\$73	\$34	\$59	\$166	2.5%
Tacoma - 2026	\$78	\$36	\$62	\$176	2.6%

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*Based on theoretical residential customer: 7,000 SF residential lot for surface water, 6 CCF water for wastewater, and for solid waste a 60 gallon garbage container, two 90 gallon recycling containers, and two 90 gallon yard/food waste containers picked up every other week (or a weekly equivalent)*

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## ● ● ● AVG RESIDENTIAL CUSTOMER BILL

	2024 Monthly	2025 Monthly	2026 Monthly	\$ Difference		% Difference	
Wastewater	\$68.80	\$73.37	\$78.08	\$4.57	\$4.71	6.7%	6.4%
Stormwater	\$31.23	\$33.72	\$36.42	\$2.49	\$2.70	7.7%	8.0%
Solid Waste	\$55.79	\$58.95	\$62.30	\$3.16	\$3.35	5.7%	5.7%
ES Total	\$155.91	\$166.04	\$176.80	\$10.13	\$10.76	6.5%	6.5%

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## ● ● ● AVG RESIDENTIAL CUSTOMER BILL

**BCAP Plus Full Credit (Automatic & Earned) Applied (20% Discount)**

	2025 Monthly	2025 Monthly BCAP	2026 Monthly	2026 Monthly BCAP	\$ Difference	
Wastewater	\$73.37	\$58.37	\$78.08	\$63.08	(\$15)	(\$15)
Stormwater	\$33.72	\$26.72	\$36.42	\$29.42	(\$7)	(\$7)
Solid Waste	\$58.95	\$41.63	\$62.30	\$44.98	(\$17.32)	(\$17.32)
ES Total	\$166.04	\$126.72	\$176.80	\$137.48	(\$39.32)	(\$39.32)

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## NEXT STEPS

- **September 12** – ESC Draft Letter
- **October 1** – City Manager presents proposed budget
- **October 8** – ES Budget and Rates Overview at Study Session
- **September to November** – Community Outreach
- **November 12 and 19** – Rates ordinances first and second reading (*tentative*)

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## AVG RESIDENTIAL CUSTOMER BILL

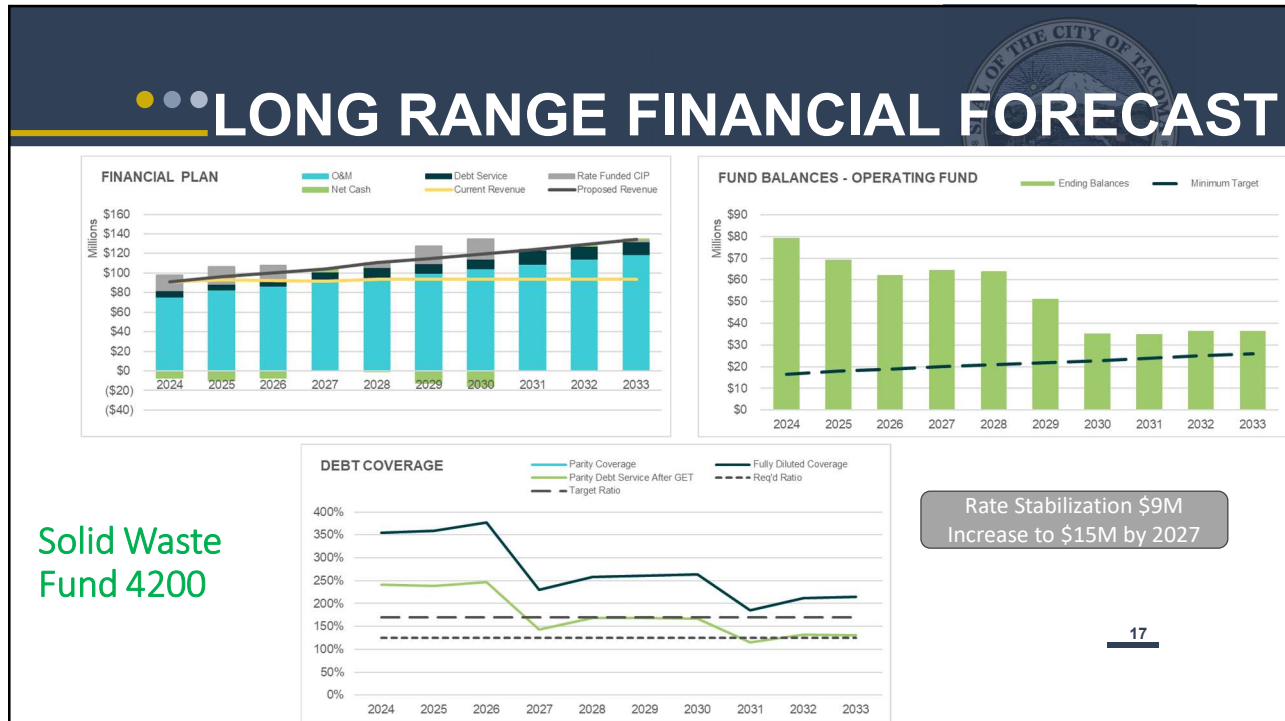
**BCAP Plus Full Credit (Automatic & Earned) Applied (20% Discount)**

	2024 Monthly	2025 Monthly	2026 Monthly	\$ Difference		% Difference	
Wastewater	\$54.08	\$58.37	\$63.08	\$4.29	\$4.71	7.9%	8.1%
Stormwater	\$25.23	\$26.72	\$29.42	\$1.49	\$2.70	6.0%	10.1%
Solid Waste	\$39.47	\$41.63	\$44.98	\$2.16	\$3.35	5.5%	8.0%
<b>ES Total</b>	<b>\$118.78</b>	<b>\$126.72</b>	<b>\$137.48</b>	<b>\$7.94</b>	<b>\$10.76</b>	<b>6.7%</b>	<b>8.5%</b>

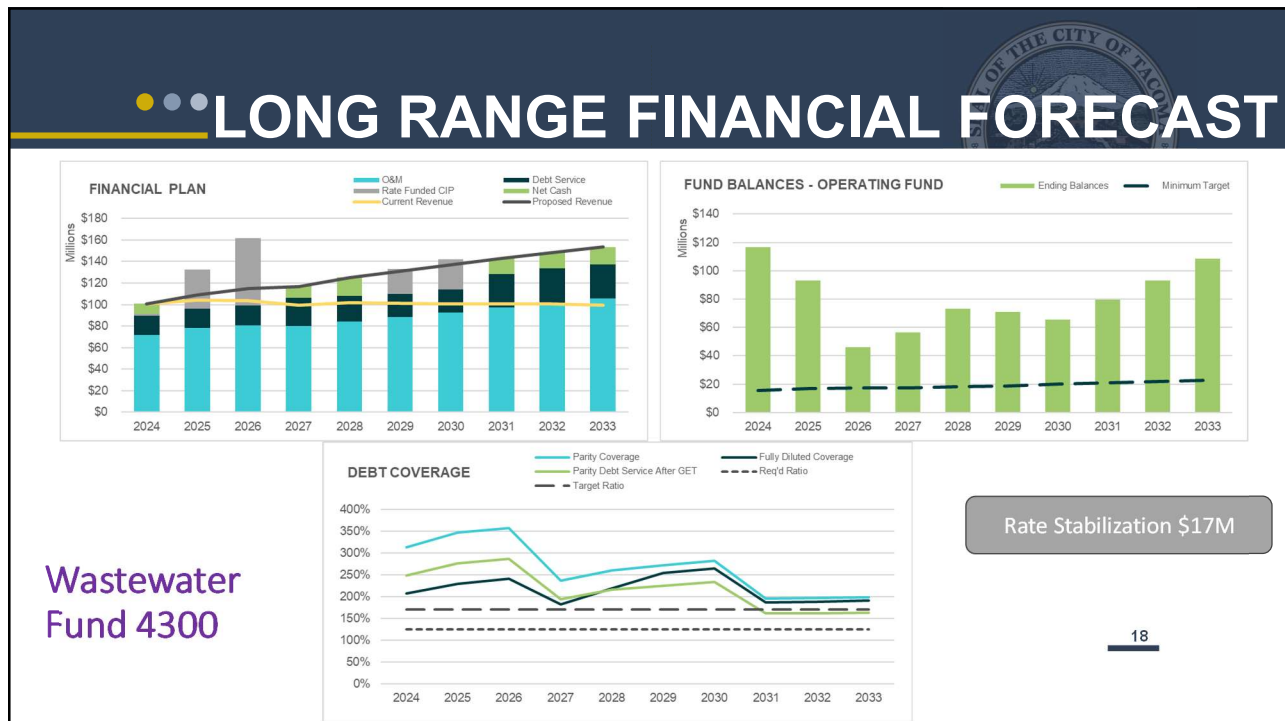
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