



TO: T.C. Broadnax, City Manager
FROM: William A. Gaines, Director of Utilities/CEO *WAG*
Linda A. McCrea, Superintendent, Tacoma Water *LM*
COPY: City Council, Public Utility Board, and City Clerk
SUBJECT: Resolution for a Water System Acquisition Agreement with the Andrain Road Water Association – February 24, 2015
DATE: January 26, 2015

SUMMARY:

Authorize the execution of a water system acquisition agreement with the Andrain Road Water Association. The water acquisition agreement establishes the terms and conditions under which Tacoma Water will acquire the Andrain Road 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 Andrain Road Water Association (Andrain) provides services to 59 residences, in the vicinity of 128th Street East and 70th Avenue East in Pierce County. Andrain receives all of its water from Tacoma Water through a wholesale connection.

Due to the condition and limited capacity of their water system, Andrain has not allowed new water service connections within its service area. As a result the Washington State Department of Health has required Andrain to develop a water system plan that would provide service for up to 150 connections. In-lieu of developing a water system plan and making system improvements, Andrain has requested Tacoma Water acquire the Andrain service area and provide direct retail service to its members.

Tacoma Water proposes to replace the Andrain water system as part of acquisition of the service area. The cost of replacing the water system would be borne by the members of the Andrain water system through a customer surcharge over an estimated 30 year period, in accordance with the City Council's Service Expansion Policy.

ISSUE:

Tacoma Water and the Andrain Road Water Association have developed a water system acquisition agreement that would allow Tacoma Water to acquire the Andrain service area and provide direct retail service to Andrain's members. 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.

ALTERNATIVES:

Tacoma Water proposes to replace the Andrain water system as part of acquisition of the service area. The cost of replacing the water system would be borne by the members of the Andrain water system through a customer surcharge over an estimated 30-year period. If the



agreement is not executed, Andrain will be required to develop a water system plan and make the system improvements necessary to provide service for up to 150 connections.

RECOMMENDATION:

Tacoma Water recommends the City Council and Public Utility Board authorize execution of the water system acquisition agreement with the Andrain Road Water Association.

FISCAL IMPACT:**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Tacoma Water – 4600	582101		\$700,000.00
TOTAL			\$700,000.00

* General Fund: Include Department

REVENUES:

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

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$700,000.00

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

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