



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Scott Dewhirst, Tacoma Water Superintendent  
Jackie Flowers, Director of Tacoma Public Utilities  
**COPY:** Tacoma City Council and City Clerk  
**SUBJECT:** Proposed Rate Ordinance – Amend and revise TMC Chapter 12.10  
**DATE:** November 21, 2023

---

**SUMMARY AND PURPOSE:**

Tacoma Water requests approval by City Council to amend and revise sections of Chapter 10 (Water Regulations and Rates) in Title 12 (Utilities) of the Tacoma Municipal Code (TMC) sections 12.10.301 and 12.10.400.

The requested changes will implement gradual water rate adjustments to make up for the loss of revenue and cash reserves resulting from the WestRock closure effective January 1, 2024.

**BACKGROUND:**

**This Department’s Recommendation is Based On:**

On August 1, 2023, WestRock announced it will permanently cease operating its paper mill effective September 30, 2023. The mill produced kraft and white top liner and bleached pulp. WestRock has operated in Tacoma for more than 90 years, and most recently employed around 400 people.

WestRock was Tacoma Water’s largest customer and their operations provided a significant source of income. In 2022, WestRock paid approximately \$7.5 million for water, or about 7.3 percent of our sales revenue. The pipes and water system used to provide that amount of water are a part of our overall system. The whole system needs to be maintained in order to continue providing the same supply of clean and reliable drinking water. WestRock consumed about 1/3 of total water use in 2022, or about the same amount used by 100,000 homes in Tacoma. As a municipal utility that is owned by the City of Tacoma, we charge only what is needed to cover our costs. While Tacoma Water is using cash reserves to mitigate the loss of revenue in the near term, we must make up for this ongoing loss of income to maintain our system and service.

Tacoma Water is proposing an annual system average rate adjustment of 5.0% effective January 1, 2024 in order to make up for part of the cash reserves and revenue loss from the WestRock closure. The rate adjustments will be implemented across all rate classes and distributed to fixed and variable rate elements where applicable or consistent with policy and contractual provisions. This rate increase is in addition to the planned rate increase for 2024 that was approved by the PUB and City Council in 2022. An updated revenue requirement, long-range financial plan, and Cost of Service Analysis will be used to develop the rate proposal for 2025-2026 and will include adjustments to mitigate any remaining revenue losses from the closure of WestRock.

**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

**Community Engagement**



Tacoma Water and the TPU Public Affairs and Communication team conducted extensive outreach and engagement with customers and stakeholders including with the Puyallup Tribe, neighborhood councils, franchise cities, large commercial customers, and various community groups. Communication has also been distributed through the press, newsletters, bill inserts, website, and social media.

Tacoma Water has presented the impacts of the WestRock closure to the Board at several Study Sessions and Board meetings, as well as to the Government Performance Finance Committee since the announcement on August 1, 2023.

**Customer Research**

This proposal also includes an increase to the amount available through our Bill Credit Assistance Program for income-eligible households to mitigate the impacts of the proposed rate increase for our most vulnerable customers. The proposed rate increase will result in about a \$2.28 increase to the average monthly bill for a residential customer inside the City of Tacoma, Tacoma Water will also increase the Bill Credit Assistance Program credit available by \$3.00 per month to offset the impact of the rate increase.

**2025 STRATEGIC PRIORITIES:**

**Equity and Accessibility: *(Mandatory)***

Tacoma Water’s assistance programs will help Tacoma Water reach areas identified as having lower opportunities in the City’s Equity Index. Adjustments to BCAP will provide immediate assistance to those customers who have struggled to maintain current on their utility bills.

**Livability: *Equity Index Score: Moderate Opportunity***

Increase positive public perception of safety and overall quality of life.

Improve access and proximity by residents to diverse income levels and race/ethnicity to community facilities, services, infrastructure, and employment.

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

Tacoma Water’s mission is to provide clean, reliable water. Reasonable, stable rate adjustments ensure Tacoma Water can continue to meet its mission for the long-term and ensure safety and quality of life for the community it serves.

**ALTERNATIVES:**

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. No rate adjustments		\$8.0 million shortfall in 2023-2024 biennium with ongoing cumulative impacts
2.		
3.		



City of Tacoma

City Council Action Memorandum

**EVALUATION AND FOLLOW UP:**

Tacoma Water monitors monthly budget-to-actual performance, develops forecasts for the remainder of the biennium, and prepares and presents Quarterly Outlook reports and monthly Cash Projections to the Public Utility Board.

**STAFF/SPONSOR RECOMMENDATION:**

Tacoma Water is proposing an annual system average rate adjustment of 5.0% effective January 1, 2024 in order to make up for part of the cash reserves and revenue loss from the WestRock closure. The rate adjustments will be implemented across all rate classes and distributed to fixed and variable rate elements where applicable or consistent with policy and contractual provisions. This rate increase is in addition to the planned rate increase for 2024 that was approved by the PUB and City Council in 2022. An updated revenue requirement, long-range financial plan, and Cost of Service Analysis will be used to develop the rate proposal for 2025-2026 and will include adjustments to mitigate any remaining revenue losses from the closure of WestRock.



**FISCAL IMPACT:**

The loss of revenue from the closure of WestRock is estimated to be nearly \$8 million between 9/6/2023 and 12/31/2024. This ongoing loss is about \$101 million over the 10-year planning period.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. Fund 4600	581100	Various	\$4.7 million
2.			
<b>TOTAL</b>			

**What Funding is being used to support the expense?**

N/A

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

**NO, PLEASE EXPLAIN BELOW**

**PROPOSED REVENUE WOULD REPLACE PARTIAL LOST REVENUES FROM WESTROCK.**

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

No

**Will the legislation have an ongoing/recurring fiscal impact?**

YES

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

No

**ATTACHMENTS:**

- Proposed Rate Ordinance Redlined
- Proposed Rate Ordinance Clean