



**TO:** T.C. Broadnax, City Manager  
**FROM:** William A. Gaines, Director of Utilities/CEO  
**COPY:** City Council and City Clerk  
**SUBJECT:** Proposed Rate Ordinance – Amend and revise TMC Chapters 12.10 – March 3, 2015  
**DATE:** February 13, 2015

**SUMMARY:**

Tacoma Water requests approval by the Public Utility Board and the City Council for two rate adjustments effective April 1, 2015 and January 1, 2016.

**STRATEGIC POLICY PRIORITY:**

Tacoma Water’s revenue requirements analysis for the twenty-four month Budget period (January 1, 2015 through December 31, 2016) indicates a revenue shortfall of approximately \$7.5 million at current rates.

- Strengthen and maintain a strong fiscal management position.

**BACKGROUND:**

In preparation for this request, Tacoma Water has sought public comment through presentations at Neighborhood Council and City Council meetings in communities served by Tacoma Water. A public hearing was held by the Public Utility Board on February 11, 2015 and the first reading by the City Council is scheduled for March 3, 2015.

**ISSUE:**

Tacoma Water looks to recover revenues of approximately \$7.5 million over the January 1, 2015 to December 31, 2016 Budget period. These revenue were included in the approved 2015/2016 Budget to be collected from adjustments in the water rates. System-wide average adjustments to water rates are two steps of 4% per year. This is broken out by class in the table below:

Proposed Increase in Revenue Requirement by Class		
Rate Class	Rate Increase (April 1, 2015)	Rate Increase (January 1, 2016)
Residential	4.1%	4.5%
Irrigation	5.0%	5.5%
Commercial General Service	4.7%	5.2%
Large Volume Commercial & Industrial	2.9%	3.1%
Wholesale	0.0%	0.0%
Private Fire Protection	0.0%	0.0%
Public Fire-Inside City of Tacoma	1.1%	1.3%
Public Fire-Outside City of Tacoma	0.0%	0.0%
RockTenn	8.3%	4.0%

**ALTERNATIVES:**

This rate adjustment was included in the 2015/2016 Budget for Tacoma Water, as approved by the Public Utility Board and City Council.

**RECOMMENDATION:**

Tacoma Water requests approval by the Public Utility Board and the City Council for two rate adjustments effective April 1, 2015 and January 1, 2016.



**FISCAL IMPACT:**

Tacoma Water’s revenue requirement analysis for the twenty-four month Budget period (January 1, 2015 through December 31, 2016) indicates a revenue shortfall of approximately \$7.5 million at current rates. Expense increases driving this shortfall are related to the operating and maintenance of the newly completed Green River Filtration Facility as well as hiring skilled labor to manage the filtration plant and improve data driven decision-making analytics.

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Residential	581100	Various	4,789,340
Commercial			2,378,020
Other			374,302
<b>TOTAL</b>			<b>7,541,662</b>

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$7.5 million**

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