



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: City Council and City Clerk
SUBJECT: Proposed Rate Ordinance – Amend and revise TMC Chapter 12.10; Council first reading November 13, 2018
DATE: October 2, 2018

SUMMARY:

Tacoma Water requests approval by the Public Utility Board and the City Council for two rate adjustments that would become effective on January 1, 2019, and January 1, 2020.

BACKGROUND:

Tacoma Water’s revenue requirement analysis for the twenty-four month budget period (January 1, 2019 through December 31, 2020) indicates a revenue shortfall of approximately \$6.4 million at current rates. The main drivers for this shortfall include general inflationary increases for expenses such as personnel, as well as increases for assessments including additional support for the low-income program. The proposed rate increases are designed to generate additional revenue required to pay forecasted expenses.

In preparation for this request, Tacoma Water has sought public input through public presentations at Neighborhood Council and City Council meetings in communities served by Tacoma Water. A public hearing will be held by the Public Utility Board on October 10, 2018 and the first reading by the City Council is scheduled for November 13, 2018.

ISSUE:

Tacoma Water needs to recover additional rate revenues of approximately \$6.4 million between the January 1, 2019 and December 31, 2020 in order to support the proposed 2019-2020 biennial budget. System-wide average adjustments to water rates are two steps of 2.5% per year. This is broken out by class in the table below:

Proposed Increase in Revenue Requirement by Class		
Rate Class	Rate Increase (January 1, 2019)	Rate Increase (January 1, 2020)
Residential	2.9%	2.9%
Irrigation	1.0%	1.0%
Commercial General Service	2.2%	2.2%
Large Volume Commercial & Industrial	0.1%	0.1%
Wholesale	-3.0%	-3.0%
Private Fire Protection	5.1%	5.1%
Pulp Mill	2.5%	2.5%

ALTERNATIVES:

These rate adjustments are included in the proposed 2019/2020 Budget for Tacoma Water, as under review by the Public Utility Board and City Council.

RECOMMENDATION:

Tacoma Power requests approval by the Public Utility Board and the City Council for two rate adjustments effective January 1, 2019 and January 1, 2020.



FISCAL IMPACT:

Tacoma Water’s revenue requirement analysis for the twenty-four month budget period (January 1, 2019 through December 31, 2020) indicates a revenue shortfall of approximately \$6.4 million at current rates. The main drivers for this shortfall include general inflationary increases for expenses such as personnel, as well as increases for assessments including additional support for the low-income program.

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT (\$ MILLIONS)
Residential			\$4.8
Irrigation			\$0.1
Commercial/Large Volume			\$0.8
Wholesale			- \$0.2
Private Fire Protection			\$0.4
Pulp Mill			\$0.5
TOTAL			\$6.4

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$6.4 million

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

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