



TO: Elizabeth Pauli, Interim City Manager
FROM: William Gaines, Director of Utilities, Tacoma Public Utilities
COPY: City Council and City Clerk
SUBJECT: Amend and revise Chapter 12.10 and Tacoma Water Rates and Financial Policy.
DATE: February 13, 2017

SUMMARY:

Tacoma Water requests approval by the Public Utility Board and the City Council for two rate adjustments effective April 1, 2017 and January 1, 2018 and approve policy changes for Tacoma Water’s Rates and Financial Policy and Tacoma Municipal Code effective April 1, 2017.

STRATEGIC POLICY PRIORITY:

Tacoma Water’s revenue requirements analysis for the twenty-four month Budget period (January 1, 2017 through December 31, 2018) indicates a revenue shortfall of approximately \$7.94 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 Tacoma Neighborhood Council and City Council meetings in communities served by Tacoma Water. A public hearing was held by the Public Utility Board on February 8, 2017 and the first reading by the City Council is scheduled for March 7, 2017.

ISSUE:

Tacoma Water needs to recover additional rate revenues of approximately \$7.94 million between the January 1, 2017 and December 31, 2018 in order to support the adopted 2017-2018 biennial budget. 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, 2017)	Rate Increase (January 1, 2018)
Residential	4.0%	4.0%
Irrigation	4.9%	4.9%
Commercial General Service	4.3%	4.3%
Large Volume Commercial & Industrial	6.9%	6.9%
Wholesale	0.2%	0.2%
Private Fire Protection	1.4%	1.4%
Public Fire-Inside City of Tacoma	6.4%	6.4%
Public Fire-Outside City of Tacoma	5.5%	5.5%
WestRock	4.0%	4.0%

ALTERNATIVES:

This rate adjustment was assumed in the 2017/2018 Budget for Tacoma Water, as approved by the Public Utility Board and City Council. If this legislation were not implemented by the planned effective date of April 1, 2017, Tacoma Water would lack sufficient projected rate revenue to support its adopted budget.



RECOMMENDATION:

Tacoma Water requests approval by the Public Utility Board and the City Council for two rate adjustments effective April 1, 2017 and January 1, 2018 and approve policy changes for Tacoma Water’s Rates and Financial Policy and Tacoma Municipal Code effective April 1, 2017.

FISCAL IMPACT:

Tacoma Water’s revenue requirement analysis for the twenty-four month Budget period (January 1, 2017 through December 31, 2018) indicates a revenue shortfall of approximately \$7.94 million at current rates. Expense increases driving this shortfall are related to declining wholesale and retail revenues, increasing assessments and taxes, debt service payments, and personnel costs.

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Residential	581100	Various	\$5,208,585
Commercial			\$2,188,952
Other			\$547,438
TOTAL			\$7,944,975

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$7.94 million

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes