



**TO:** Elizabeth Pauli, City Manager  
Jackie Flowers, Director of Utilities

**FROM:** Scott Dewhirst, Water Superintendent

**COPY:** Charleen Jacobs, Director and Board Offices

**SUBJECT:** Approval of 2022 WestRock Water Supply Agreement to extend water rates through July 31, 2025.  
Resolution No. U- 11345

**DATE:** October 18, 2022

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**SUMMARY AND PURPOSE:**

Seeking an Ordinance approving a 2022 Water Supply Agreement with WestRock that will be the basis of WestRock’s contract water rates from January 1, 2023 through July 31, 2025.

The proposed Water Supply Agreement has the same terms and conditions as a previous agreement approved by the Board and the City Council in July 2020. (**Resolution No U-11176 and Ordinance No. 28683**)

**BACKGROUND:**

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

On January 1, 2006, Simpson Tacoma Kraft Company, LLC, a limited liability company organized under the laws of the state of Washington (“STKC”) and Tacoma entered into a Water Supply Agreement, wherein Tacoma agreed to sell and STKC agreed to purchase a water supply from Tacoma for certain STKC industrial operations. The 2006 Agreement was amended on July 22, 2015, and July 30, 2020 (the “2006 Amended Agreement”). WestRock is STKC’s successor in interest in and under the 2006 Amended Agreement and has guaranteed the payment obligations under the 2006 Amended Agreement. In July of 2020, the final five-year optional extension period was amended to a one-year extension with up to four additional one-year extensions through Public Utility Board (**Resolution No. U- 11176**) and the Tacoma City Council (**Ordinance No. 28683**) with the one-year extension running through July 31, 2021, and with options to extend for up to four additional one-year periods going out to a maximum duration of July 31, 2025.

The expectation was that WestRock and Tacoma would extend the 2006 Amended Agreement for each of the four additional one-year extensions upon mutual agreement of the Parties. WestRock has continued its use of water as provided for in the 2006 Amended Agreement and has paid the bills it has received from Tacoma which has billed WestRock at the rate set forth in TMC 12.10.400(E) for the Pulp Mill Contract. Through an administrative oversight the extension of the 2006 Amended Agreement was not completed by August 1, 2021, and, therefore, the proposal is to confirm and reestablish the terms and conditions of the 2006 Amended Agreement in the proposed 2022 Water Supply Agreement, and to have the proposed Agreement in place before the City’s 2023-2024 biannual



budget and rates are adopted. The 2006 Amended Agreement can be found as Attachment A to the proposed 2022 Water Supply Agreement.

The term of the proposed 2022 Water Supply Agreement would be from the Effective Date to July 31, 2023, with an option for two one-year extensions which would allow the proposed Agreement to go to a potential ending date of July 31, 2025, which is the same potential ending date as was in the 2006 Amended Agreement.

**ALTERNATIVES:**

In lieu of the recommended action, not amending and extending the agreement is an option. This would result in a substantial rate increase and resulting higher water sales revenue; however given the potential immediate financial impacts, it is possible adjustments to mill operations up to and including shutdown could occur having significant negative economic impacts to the City, mill employees, and other businesses supporting mill operations.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Amend and Extend Existing Agreement	Retain water sales revenue Likely sustain mill operations	Does not address longer tem
2. Do not extend Agreement	Higher water sales revenue possible	Difficult to predict, but likely would affect mill operations including possible closure.

**STAFF/SPONSOR RECOMMENDATION:**

Approval of the amendment and extension is recommended to allow for additional time for the City and WestRock to evaluate alternative water sources, including reclaimed water from Tacoma's Central Treatment Plant, for their operations and/or longer-term rate structure adjustments.

**FISCAL IMPACT:**

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 4600 Water (Operating Fund)	581100	4343320	Approximately (\$7,000,000)
<b>TOTAL</b>			<b>(\$7,000,000 )</b>



City of Tacoma

City Council Action Memorandum

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

**YES**

Tacoma Water has included the anticipated revenue from WestRock in its revenue budget for 2022 and will be included in the 2023/2024 budget proposal.

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

**YES**

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

**YES**

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

**No**

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**ATTACHMENTS:**

- Public Utility Board Resolution No. U-11176
- Council Ordinance No. 28683
- Proposed 2022 Water Supply Agreement with attachment
- Board Action Memo dated September 28, 2022 requesting extension of contract from 1/1/2023 through 7/31/2025.