



ORDINANCE NO. 29091

1 AN ORDINANCE relating to the Department of Public Utilities, Water
2 Division; amending Chapter 12.10 of the Municipal Code, relating to
3 Water - Regulations and Rates, by amending Section 12.10.310,
4 entitled "System development charge", for charge adjustments and
5 annual increases, effective February 1, 2026.

6 WHEREAS the Department of Public Utilities, Water Division (d.b.a.
7 "Tacoma Water") periodically requests approval from the Public Utility Board and
8 City Council to update their system development charges ("SDCs") to ensure new
9 development pays an equitable share of the cost of water system capacity, and

10 WHEREAS under the Revised Code of Washington 35.92.025, the
11 Department of Public Utilities is authorized to impose connection charges so
12 property owners "bear their equitable share of the cost of such system" including
13 an appropriate portion of both existing and future capacity investments, and

14 WHEREAS this statutory framework requires SDCs to be grounded in actual
15 system costs and proportionate to the capacity required to serve new customers,
16 and as Tacoma Water continues to build, rehabilitate, and expand infrastructure,
17 the underlying cost of system capacity changes, making regular fee updates
18 necessary to maintain statutory compliance and cost-of-service equity, and

19 WHEREAS Tacoma Water regularly evaluates capital plans over time to
20 respond to growth projections, regulatory requirements, and asset conditions, and
21 because SDCs may include a proportionate share of both existing facilities and
22 planned improvements, updates ensure charges reflect the most current capital
23 program and system capacity assumptions, and
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1 WHEREAS without periodic recalibration, SDCs can become outdated and
2 shift a disproportionate share of growth-related costs onto existing ratepayers, and

3 WHEREAS as part of the development of the proposed charges, Tacoma
4 Water reviewed similar rates of neighboring regional utilities, and current charges
5 (approved in 2019) are firmly at the bottom of the 16-utility regional comparison, and
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7 WHEREAS once the charge has been fully phased in, the City will remain in
8 the bottom three, assuming no other utility adjusts their charges by 2030; Now,
9 Therefore,
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11 BE IT ORDAINED BY THE CITY OF TACOMA:

12 Section 1. That the City Council hereby adopts the Recitals of this
13 Ordinance as its formal legislative findings.

14 Section 2. That Chapter 12.10 of the Municipal Code is hereby amended,
15 by amending Section 12.10.310, entitled "System development charge", for
16 charge adjustments and annual increases, effective February 1, 2026, as set forth
17 in the attached Exhibit "A."
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Section 3. That the City Clerk, in consultation with the City Attorney, is authorized to make necessary corrections to this ordinance and its attachment, including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers, and any references thereto.

Passed _____

Mayor

Attest:

City Clerk

Approved as to form:

Chief Deputy City Attorney

EXHIBIT “A”

CHAPTER 12.10 WATER – REGULATIONS AND RATES

* * *

12.10.310 System development charge (“SDC”).

A. A system development charge (“SDC”) shall be levied for each new water service connection to the City water system, for a service upgrade requiring a larger meter, or for any existing service with 3-inch and larger meters that exceeds 150 percent of their highest maximum annual daily average water use. The SDC fee is based on an equitable share of the cost of the entire existing water system and future facilities ~~necessary to accommodate projected growth~~. This fee is established pursuant to RCW 35.92.025, the City Charter, and this chapter. SDCs are considered contributions for or in aid to construction, and shall be accounted for accordingly. The charges shall be subject to all applicable taxes, including taxes incurred by the Division. Customer water consumption amounts on and after May 9, 1999, the original effective date of Ordinance No. 26408, will be examined to determine whether additional SDC amount is owed to the Department.

B. For retail meters 5/8-inch through 2-inches, the charge will be based on customer class and meter size.

System Development Charges—2” Meter Size or Smaller				
Meter Size (Inches)	Residential		Commercial & Other	
	Inside City	Outside City	Inside City	Outside City
	Effective Date			
	1/1/2020	1/1/2020	1/1/2020	1/1/2020
5/8	\$809	\$970	\$1,061	\$1,273
3/4	\$1,213	\$1,456	\$1,592	\$1,910
1	\$2,022	\$2,426	\$2,653	\$3,183
1.5	\$4,043	\$4,852	\$5,306	\$6,367
2	\$6,469	\$7,763	\$8,489	\$10,187

System Development Charges - 2" Meter Size or Smaller					
Meter Size (Inches)	Residential				
	Effective Date				
	2/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
5/8	\$ 1,204	\$ 1,599	\$ 1,995	\$ 2,390	\$ 2,785
3/4	\$ 1,793	\$ 2,373	\$ 2,954	\$ 3,534	\$ 4,114
1	\$ 2,972	\$ 3,922	\$ 4,873	\$ 5,823	\$ 6,773
1.5	\$ 5,918	\$ 7,794	\$ 9,669	\$ 11,545	\$ 13,420
2	\$ 9,455	\$ 12,440	\$ 15,426	\$ 18,411	\$ 21,397

System Development Charges - 2" Meter Size or Smaller					
Meter Size (Inches)	Commercial				
	Effective Date				
	2/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
5/8	\$ 1,678	\$ 2,295	\$ 2,912	\$ 3,529	\$ 4,146
3/4	\$ 2,419	\$ 3,245	\$ 4,072	\$ 4,898	\$ 5,725
1	\$ 3,899	\$ 5,146	\$ 6,392	\$ 7,639	\$ 8,885
1.5	\$ 7,602	\$ 9,897	\$ 12,193	\$ 14,488	\$ 16,784
2	\$ 12,044	\$ 15,599	\$ 19,153	\$ 22,708	\$ 26,263

System Development Charges - 2" Meter Size or Smaller					
Meter Size (Inches)	Irrigation				
	Effective Date				
	2/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
<u>5/8</u>	<u>\$ 2,306</u>	<u>\$ 3,552</u>	<u>\$ 4,797</u>	<u>\$ 6,043</u>	<u>\$ 7,288</u>
<u>3/4</u>	<u>\$ 3,460</u>	<u>\$ 5,328</u>	<u>\$ 7,196</u>	<u>\$ 9,064</u>	<u>\$ 10,932</u>
<u>1</u>	<u>\$ 5,767</u>	<u>\$ 8,880</u>	<u>\$ 11,994</u>	<u>\$ 15,107</u>	<u>\$ 18,221</u>
<u>1.5</u>	<u>\$ 11,533</u>	<u>\$ 17,760</u>	<u>\$ 23,987</u>	<u>\$ 30,214</u>	<u>\$ 36,441</u>
<u>2</u>	<u>\$ 18,452</u>	<u>\$ 28,416</u>	<u>\$ 38,379</u>	<u>\$ 48,343</u>	<u>\$ 58,306</u>

The SDC for a multiple family dwelling unit arrangement to be served by a single meter shall be calculated by taking the number of units in the premise and multiplying by ~~60~~44 percent of the SDC for a single-family dwelling (5/8-inch meter). If said premise chooses in the future to separately meter each premise the additional ~~40~~56 percent of the SDC for a single-family dwelling (5/8-inch meter) shall be due and payable at the time of application for services.

For meters 3-inches and larger, estimates of anticipated average day and peak day water use will be determined by the Division. Peak day is defined as the maximum 24-hour use during summer months of June through, and including, September.

System Development Charges — 3" Meter Size or Larger		
Cost per Gallon	Inside City of Tacoma	Outside City of Tacoma
	Effective Date	
	1/1/2020	1/1/2020
Average Day	\$2.09	\$2.51
Peak Day	\$2.09	\$2.51

System Development Charges - 3" Meter Size or Larger					
Cost per Gallon	Effective Date				
	2/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
Average Day	\$ 3.44	\$ 4.79	\$ 6.15	\$ 7.50	\$ 8.85
Peak Day	\$ 2.72	\$ 3.35	\$ 3.99	\$ 4.62	\$ 5.25

The SDC will be the sum of the average day use multiplied by the average day cost/gallon, and the peak day use minus average day use multiplied by the peak day cost/gallon.

As of April 23, 2001, the SDC paid for meters 3-inches and larger will be adjusted annually based on actual usage. If usage is greater than 110 percent of the anticipated average or peak day use during a 12-month period of time, an additional SDC will be charged, using the same methodology for calculating average day and peak day water use and multiplying by the respective SDC cost per gallon in effect at the time of adjustment. This requirement for an additional SDC may be waived upon satisfactory demonstration by the customer that the increased water use was temporary in nature and will return to the originally anticipated level.

C. SDC Exemptions:

1. New water service connections dedicated exclusively for fire protection purposes shall be exempt from payment of the SDC. The conversion of a dedicated fire service to a service for use other than exclusively for fire protection shall require the payment of the SDC as provided for in subsection B above.
2. The Division requires that all new single family dwelling residential combination domestic/fire sprinkler service and meters be served by a 1-inch service and 3/4-inch meter. If a larger size meter is required for fire protection the customer must install separate fire service and domestic services. The customer is required to pay all fees to construct said 1-inch service and 3/4-inch meter and all applicable main charges. When such use is documented through the plan review process, the SDC for a 5/8-inch meter will apply. The monthly customer charge will be at the standard charge for a 3/4-inch meter as set forth in TMC 12.10.400.
3. If a residential customer has an existing 3/4-inch x 5/8-inch service and meter an exchange to a 3/4-inch meter will be allowed if the customer's fire protection engineer determines it will provide adequate flow. All applicable fees will apply. If flow tests

after the meter exchange show inadequate flow the customer will be required to pay the additional fees to retire the ¾" service and install a new 1" service. Residential customers requesting an upgrade to an existing meter to a ¾-inch meter for a combination domestic/fire sprinkler service will be exempt from payment of the additional SDC when such use is approved through the plan review process. The monthly customer charge will be at the standard charge for a ¾-inch meter as set forth in TMC 12.10.400.

4. Customers who are requesting a separate water service connection and are being provided with water service by way of another Division customer (i.e., multi-premises connection), shall be exempt from payment of the SDC if:

Billing record exists showing multi-premise rate for each premise on meter.

All premises served by meter of record were constructed prior to October 7, 1991.

D. Existing Facilities:

1. Multiple dwelling unit arrangements currently being served by a single meter shall be exempt from payment of the SDC when changing to separate water service connections for each unit if the original meter was installed prior to October 7, 1991. If the existing meter was installed after October 7, 1991, the customer will be required to pay the ~~56~~40 percent differential for each individual meter installed as noted in B above.

E. Credit policy for retail customers previously or currently metered:

1. When a request or requirement for a larger meter is made, an SDC credit for the existing meter will be made. The credit for meters up to 2-inches will be the current published SDC amount using the rate in place prior to the requested or required up-sizing. For meters 3-inches and larger, the credit would be calculated based on 150 percent of the highest maximum annual daily average water use derived from billing records. If billing records are not available for a specific meter, the SDC credit calculation will be based on a system-wide use data for that size meter.

2. For situations where meters 3-inches or larger exist and water use will increase, but no change in the meter is required, an SDC will not be required unless the projected use is more than 150 percent of historical use. If the projected use exceeds the 150 percent historical use quantity, an SDC will be calculated for the quantity of water in excess of the 150 percent figure. Prior written commitments to deliver a specific quantity of water, if greater than 150 percent of historical use, will be honored.

3. Credit shall be given for inactive or previously removed meters that can be verified by Division records. The credit will be determined as stated in subsection E.1 above.

Multiple dwelling unit arrangements – Credit for existing multiple dwelling unit meters shall be calculated at ~~60~~44 percent of the applicable 5/8-inch meter rate per unit and applied to the required SDC if previously served by a single meter.

4. Credits as computed will be subtracted from the determined SDC amount. If an available credit exceeds the SDC amount, the balance shall remain with the parcel previously receiving water service. No refunds shall be allowed for the amount of this credit.

5. All SDC credits are non-transferable unless parcels are combined to facilitate redevelopment.

6. This section is not applicable to the Pulp Mill's existing services.

F. For wholesale meters, as sized by the Division, the SDC will be determined based on the customer's anticipated water use.

1. Estimates of anticipated average day use and peak day water use will be submitted to and approved by the Division. Peak day is defined as the maximum 24-hour use during summer months of June through, and including, September. The average and peak day SDC costs are determined by the charges set forth in the ~~Outside City of Tacoma column of the~~ System Development Charges table for 3" meter size or larger of this section.

The SDC will be the sum of the average day use multiplied by the average day cost/gallon and the peak day use minus average day multiplied by the peak day cost/gallon.

The SDC, as of the effective date of this ordinance, will be adjusted annually based on actual usage. If usage is greater than 110 percent of the anticipated average or peak day use during a 12-month period of time, an additional SDC may be charged using the same methodology for calculating average day and peak day water use and multiplying by the respective SDC cost per gallon in effect at the time of adjustment. This requirement for an additional SDC may be waived upon satisfactory demonstration by the customer that the increased water use was temporary in nature and that water use will return to the originally anticipated level.

2. For situations where an existing wholesale customer is increasing its purchase of water, SDC credit for existing service will be based on either maximum historic use or prior written commitments to deliver a specific quantity of water, whichever is greater.

G. SDCs for meters 2-inches and smaller are payable in full at the time the meter installation is requested. Time payments will be allowed for SDCs for meters 3-inches and larger, for up to ten years, at the discretion of the customer, as follows:

1. When a down payment of 20 percent or more is initially paid, the Division will accept annual payments, with interest, on the unpaid balance calculated using the then current prime rate of interest less 2 percent.
2. When a down payment of at least 10 percent, but less than 20 percent, is initially paid, the Division will accept annual payments, with interest, on the unpaid balance calculated using the then current prime rate of interest.
3. The time payment agreements shall provide that this obligation constitutes a lien on the benefited premises and that the City has the right to terminate water service for any nonpayment of the amounts due on the outstanding balance. In addition, unless the customer is a financially stable public entity, the customer shall be required to provide security such as a financial guarantee bond to guarantee payment of the SDC or make incremental prepayments of the SDC plus interest on the balance of the outstanding total amount of the SDC.

H. Rate Adder to Recover Capital Costs Not Covered by the SDC. In addition to paying the SDC set forth in this section, a customer who proposes to use water for a new or enlarged power plant, and who does not use best available water conservation technology (BAWCT), shall be required to pay, in addition to the applicable water rate, an adder to such rate in accordance with the Division's Customer Service Policy for New Power Plants. The adder shall be calculated to recover over a period of 20 years a portion of the capital costs that are not covered by the SDC for such customer. This present value of the adder (spread over 20 years) will be equivalent to an SDC on that portion of the customer's water consumption that is in excess of the amount of water the customer would have consumed had BAWCT been used. Said customers shall also be required to enter into a water service agreement with the Division, and such agreement shall be submitted to the Public Utility Board for approval.

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