



**TO:** Elizabeth A. Pauli, City Manager  
**FROM:** Michael P. Slevin III, P.E., Director, Environmental Services  
**COPY:** City Council and City Clerk  
**SUBJECT:** Ordinance - Amending Wastewater and Stormwater Schedule of Rates and Fees for 2023 and 2024 - November 15, 2022  
**DATE:** October 17, 2022

<sup>DS</sup> GMS <sup>DS</sup> MPS

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**SUMMARY AND PURPOSE:**

An ordinance amending the schedule of rates and fees, related to Wastewater and Stormwater to adjust 2023 and 2024 rates and charges by approximately 8 percent in both years for Wastewater and approximately 6 percent for both years in Stormwater. If approved, rate and fee changes for 2023 and 2024 would become effective January 1 of each year.

**BACKGROUND:**

**This Department's Recommendation is Based On:** The guiding strategy for these rate adjustments is to maintain the lowest responsible cost increase for customers, while maintaining long-term financial sustainability of the utilities. The proper operation and adequate funding of the Wastewater and Stormwater utilities produces direct benefits in cleaner water discharges to Commencement Bay. The utilities provide infrastructure and services to manage wastewater and stormwater for the protection of health, property, and quality of life for all residents; promote the growth and development of a vibrant economy; and help sustain a healthy environment.

The proposed rate increases are driven by the continuing impacts of the COVID-19 pandemic, resulting in lower than historical revenues, as well as operating expenses and construction inflation. Proposed overall revenue increases are 8 percent for Wastewater and 6 percent for Stormwater. Included in the proposed revenue plan is increased financial assistance for income-qualifying residential customers. The Department's revenue proposal is supported by the Environmental Services Commission.

**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

The Environmental Services Commission (ESC) represents a cross section of interests in the City and provides input to the rate making process for the Environmental Services utilities. Through presentations and discussions, the ESC members share their insights and concerns as staff address operational and capital plans and the resulting supporting rates. The ESC letter to the Council in support of the recommendation for the proposed revenue increases in each year 2023 and 2024 is attached.

Outreach to City Neighborhood Councils and other community groups has been coordinated with TPU Utility outreach and communications activities. Staff engaged with several community organizations, neighborhood councils and local governments. Overall, the engagements have been productive. The Department has not received significant feedback on rates proposals; however, Environmental Services has received valuable feedback, comments, and questions on a wide range of utility-related topics.



**2025 STRATEGIC PRIORITIES:**

**Equity and Accessibility:**

Financial assistance programs target areas identified as having lower opportunities as measured on the City’s Equity Index. Proposed financial assistance changes provide increased support for income-eligible customers.

**Economy/Workforce:** *Equity Index Score:* Moderate Opportunity

Increase the number of infrastructure projects and improvements that support existing and new business developments.

Increase the percentage of people relocating to the city and affordability of housing compared to neighboring jurisdictions.

**Livability:** *Equity Index Score:* Moderate Opportunity

Improve health outcomes and reduce disparities, in alignment with the community health needs assessment and CHIP, for all Tacoma residents

**Explain how your legislation will affect the selected indicator(s).**

The purpose of this legislation supports the Department’s vision: We believe everything we do supports healthy neighborhoods and a thriving Puget Sound, leaving a better Tacoma for all. Updating and extending wastewater and stormwater infrastructure supports existing businesses and economic growth. Lower rates in comparisons to Seattle and other surrounding neighborhoods contribute to affordable housing opportunities. The collection and treatment of wastewater and stormwater maintains the environmental health of the community by preventing overflows of sewerage and flooding. Treatment of sewerage, flood management, and open space conditions all contribute to clean air and water for healthy neighborhoods and a vibrant Puget Sound.

**ALTERNATIVES:**

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Several lower rate alternatives were considered	Lower rates in the short-term for Tacoma residents	<ul style="list-style-type: none"> <li>• Higher rates in subsequent years</li> <li>• Discontinuation of programs / staff layoffs</li> <li>• Increased failures of capital assets</li> </ul>

**EVALUATION AND FOLLOW UP:**

Budget-to-actual performance is reviewed monthly along with current versus original forecasts for the six-year financial planning window. Quarterly, six-year capital plans are updated and budget information is prepared for the City Council’s quarterly report.

**STAFF/SPONSOR RECOMMENDATION:**

Staff recommend adopting an ordinance amending the schedule of rates and fees, related to Wastewater and Stormwater to adjust 2023 and 2024 rates and charges by approximately 8 percent in both years for Wastewater and approximately 6 percent for both years in Stormwater, effective January 1 in both years.

Proposed rate adjustments are necessary to meet the City’s obligation to adequately fund the ongoing maintenance, operational, and capital costs of the Wastewater and Stormwater utility systems, to meet its service obligations to



wastewater and stormwater sewer utility systems customers, and to protect the public health, safety, and welfare. Cost drivers for annual rate adjustments include increases in labor and materials, increased costs for improvements to aging infrastructure and new infrastructure investments, and additional environmental regulations and requirements.

The Wastewater and Stormwater rate models are on file in the Environmental Services Department and provide the rate calculations and required revenue to the utilities consistent with Financial Policies and Bond Covenants.

**FISCAL IMPACT:**

If approved by City Council, these rate adjustments will increase rates by 8 percent for the Wastewater utility and 6 percent for Stormwater utility in 2023 and 2024. The table below shows the increased revenue amount compared to 2021-2022.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Element	Total Amount for Calendar Year 2023-2024
4300 Wastewater	Various	Operating Revenues	\$17,400,000
4301 Surface Water	Various	Operating Revenues	\$6,500,000
<b>TOTAL</b>			<b>\$23,900,000</b>

**What Funding is being used to support the expense?**

The expenses will be funded by adjustments to rates as outlined in the attached exhibit.

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

**YES**  
These rate adjustments are included in the 2023/2024 Budget currently under consideration by the City Council.

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

**YES**  
Layoffs and reductions to services or levels of service and delayed asset maintenance.

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

**YES**  
Rates are on ongoing revenue.

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

**NO**  
No additional personnel needed.

**ATTACHMENTS:**

- Proposed Amendments to the Wastewater schedule of rates and fees - EXHIBIT “A”
- Proposed Amendments to the Stormwater schedule of rates and fees - EXHIBIT “B”
- Letter of Recommendation by the Environmental Services Commission - EXHIBIT “C”
- Rate Models are on file in the Environmental Services Department.