City of Tacoma **City Council Action Memorandum**

TO: **Elizabeth Pauli, City Manager**
FROM: **Scott Dewhirst, Tacoma Water Superintendent**
Jackie Flowers, Director of Tacoma Public Utilities
COPY: **Tacoma City Council and City Clerk**
SUBJECT: **Proposed Rate Ordinance – Amend and revise TMC Chapter 12.10**
DATE: **April 30, 2024**

SUMMARY AND PURPOSE:

Tacoma Water requests approval to amend and revise sections of Chapter 10 (Water Regulations and Rates) in Title 12 (Utilities) of the Tacoma Municipal Code (TMC) Section 12.10.400.

The requested changes are for additions to the domestic ready-to-serve rate schedule and would become effective prior to July 31, 2024.

BACKGROUND:

This Department's Recommendation is Based On:

Beginning 2019, Tacoma Water and WestRock began a one-year renewal cycle for contracted water service, which was a departure from the previous agreement of five-year terms.

On August 1, 2023, WestRock Company announced the closure of the Tacoma paper mill, beginning September 30 of the same year. As a result of the announced closure, Tacoma Water and WestRock did not pursue contract negotiations with the understanding that the existing contract would expire on July 31, 2024.

As the WestRock wind-down and closure has progressed, it is becoming increasingly likely that the pulp mill site will continue to have an active meter with a need for domestic water service beyond the expiration of the existing contract. There is currently no mechanism by which Tacoma Water can bill for the 20" meter that the site utilizes after July 31, 2024.

The proposed additions to TMC 12.10 would ensure continuity of billing if WestRock does not pursue the installation of a smaller meter.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Tacoma Water has maintained regular contact with remaining staff at the WestRock Tacoma paper mill throughout the shutdown process. Tacoma staff have been on site to explore the feasibility of the installation of a smaller meter.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: ***(Mandatory)***

This ordinance would support equity in billing as it ensures that a customer who is not under special contract will be subject to the same water service rates that all other customers have available to them. It would also impose a minimum flow rate to ensure that a customer using a sufficiently large meter does not receive water at no cost.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)

1. No TMC changes		Tacoma Water is unable to bill WestRock for water service.
2. Renewed contract negotiations		Limited time and resources. Lack of equity in rate enforcement. Unlikely to have a contract in place by August 1, 2024.

EVALUATION AND FOLLOW UP:
This ordinance change will be considered successful if there is a seamless transition of billing following the expiration of WestRock's contract on July 31, 2024.

STAFF/SPONSOR RECOMMENDATION:
Tacoma Water recommends the adoption of the proposed ordinance as it will codify the rate schedule that WestRock would be subject to if they continue to utilize a 20" meter to serve the pulp mill site. It is recommended that the ordinance would become effective prior to July 31, 2024 and would be applicable to WestRock beginning August 1, 2024.

FISCAL IMPACT:
If the outlined TMC changes are adopted, Tacoma Water could expect to receive approximately $40,000 per month in water sales revenue, presuming that a smaller meter is not installed, for the duration of their closure activities until the sale of the site. This proposed rate is subject to future rate adjustments.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.Fund 4600	581100	4343319	$40,000 per month
TOTAL			

What Funding is being used to support the expense?
N/A

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

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

ATTACHMENTS:
- Proposed Rate Ordinance Redlined
- Proposed Rate Ordinance Clean