



City of Tacoma

City Council Action Memorandum

TO: Elizabeth Pauli, City Manager
FROM: Heather Pennington, Tacoma Water Superintendent
Jackie Flowers, Director of Tacoma Public Utilities
COPY: Tacoma City Council and City Clerk
SUBJECT: Proposed Water Service Construction Charge Ordinance – Amend and revise TMC Chapter 12.10
DATE: November 19, 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) sections 12.10.250 and 12.10.315.

The requested changes are for water service construction charge adjustments effective January 1 of each year beginning 2025 and ending 2029.

BACKGROUND:

This Department's Recommendation is Based On:

Tacoma Water regularly reviews its water service construction charges schedule, also referred to as 'fixed fees', in order to ensure that fees charged to customers remain in line with actual utility costs. The last update to this fee schedule was approved in 2019 and included annual escalations through 2024.

In addition to revising charges, the proposed changes to the fee schedule include an annual escalator of 3% through 2029 to align with the long-run average of the Engineering News Record (ENR) Construction Cost Index (CCI) in an attempt to keep fees in line with costs.

Along with the proposed fee schedule, Tacoma Water is recommending the following modifications:

- Increase the number of services available via the fixed fee schedule.
- Remove embedded flagging and paving costs from fixed fees to ensure only those that need those services will pay for them.
- Reduce the minimum width of the residential service main charge defined in TMC 12.10.315.A to align with the Home in Tacoma minimum lot width.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Community Engagement

Tacoma Water engages with the Master Builders Association of Pierce County on an ongoing basis. From these meetings, the utility received feedback to review and revise policies that may be causing unnecessary delay.

Customer Research

Through discussions with developers and staff, Tacoma Water has identified a number of new water service construction charges that, if adopted, would provide price certainty for developers, reduce administrative burden on utility staff, and minimize the time of quote delivery to customers.



2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

By working to keep service construction charges in line with actual utility costs, Tacoma Water ensures cost-of-service principles are equitably maintained across customer types.

Livability: Equity Index Score: Moderate Opportunity

Increase positive public perception of safety and overall quality of life.

Improve access and proximity by residents to diverse income levels and race/ethnicity to community facilities, services, infrastructure, and employment.

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

By maintaining coordination with the development community, this legislation can support construction of low-income or high-density housing in alignment with the goals of Home in Tacoma.

ALTERNATIVES:

| Alternative(s) | Positive Impact(s) | Negative Impact(s) |
|-----------------------|--------------------|--|
| 1. No fee adjustments | | Tacoma Water will under-recover the cost to perform specific types of work. Any under-recovery would have to be collected from retail rates. |
| 2. | | |
| 3. | | |

EVALUATION AND FOLLOW UP:

Tacoma Water will evaluate the actual costs and compare to charged fees on a biannual basis in order to ensure appropriate cost recovery and propose adjustments as needed.

STAFF/SPONSOR RECOMMENDATION:

Staff recommends the adoption of the proposed water service construction charge schedule.

FISCAL IMPACT:

Adoption of the proposed schedule attempts to achieve full cost recovery.

| Fund Number & Name | COST OBJECT (CC/WBS/ORDER) | Cost Element | Total Amount |
|--------------------|----------------------------|--------------|--------------|
| 1. | | | |
| 2. | | | |
| TOTAL | | | |



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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?

NO, PLEASE EXPLAIN BELOW

N/A

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

No

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