



# 2021-2022 Budget & Rate Revenues

City of Tacoma | Environmental Services Department

City Council Study Session  
October 6, 2020



## Agenda



- Budget Challenges
- Environmental Services Commission
- 2021-2026 revenue model
- Projected rate increases
- Residential monthly bill comparison
- Affordability



## Challenges



- Predicting and planning for impacts of Covid-19
- Assuming system risk through reduced Capital Improvement Plan and increased debt
  - Balance capital spend with staff capacity
- Utility revenue needs are projected to be greater than Consumer Price Index
  - Solid Waste (3%); Wastewater (4%); Surface Water (3%)
- Cost Drivers
  - Construction inflation is 5%
  - Wages and benefits growth
  - Assessments / Internal Services increases

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## Environmental Services Commission (ESC)



- **Purpose:** Provide feedback from customers' perspective on rates, programs, and policies for the three Environmental Services utilities
- **Membership:** 15 members representing the City's business, residential, governmental, and regulatory concerns
- **Recommendation:** ESC supports proposed 2021-2022 rate increases and expansion of ratepayer assistance programs

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# ESC Recommendation Letter



## Environmental Services Commission Memorandum

TO: Elizabeth A. Paul, City Manager, and Tacoma City Council  
FROM: Environmental Services Commission  
SUBJECT: 2021-2022 Environmental Services Revenue Adjustments Recommendation  
DATE: September 10, 2020

The Environmental Services Commission (the Commission) is comprised of 15 members representing the City's business, residential, governmental, and regulatory concerns. The City Manager appoints members for three-year terms. Our purpose is to provide feedback from the customers' perspective on rates, programs, and policies for the three Environmental Services utilities. The Commission began meeting to discuss the development of rates early in 2020, carefully reviewing policies, programs, and rate projections for the six-year plan for each utility. At this time we are reporting to the City Manager and Tacoma City Council our findings and recommendations.

Due to recent extraordinary circumstances resulting from the COVID-19 crisis, the Commission is recommending a deviation from the six-year revenue plan for the first time in almost a decade. We understand the financial impacts of the pandemic and believe the deviation is necessary to accommodate the economic hardships impacting our community. The Commission recognizes that these are difficult times for Environmental Services' customers and, with that in mind, we support the expansion of the ratepayer assistance programs as presented at a recent City Council Study Session.

### Wastewater

The Commission supports adoption of Wastewater revenue increases of 2.0% in 2021 and 2022. These increases are 1.0% less each year than projected in the previous revenue plan. This plan includes capital spending of \$76 million and operating spending (including debt service) of \$156 million. The Commission feels this is an appropriate budget and funding level to maintain compliance with the National Pollutant Discharge Elimination System (NPDES) permit and to support the long-term life-cycle health of the utility.

### Surface Water

The Commission supports adoption of Surface Water revenue increases of 2.0% in 2021 and 2022. These increases are 1.0% less each year than projected in the previous revenue plan. This plan includes capital spending of \$52 million and operating spending (including debt service) of \$63 million. We support the development of programs that manage the quality and quantity of surface water and prevent violation of the NPDES MS4 permit. The Commission feels this is an appropriate budget and funding level to maintain compliance with the NPDES permit and to support the long-term life-cycle health of the utility.

Environmental Services Commission Revenue Adjustments Recommendation  
September 10, 2020  
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### Solid Waste

The Commission supports adoption of Solid Waste revenue increases of 2.0% in 2021 and 2022. These increases are 1.0% less each year than projected in the previous revenue plan. This plan allocates \$24 million for capital spending and operating spending (including debt service) of \$135 million. The Commission feels this is an appropriate budget and funding level to maintain compliance with Solid Waste permit regulations and to support the long-term life-cycle health of the utility.

The Commission supports the City's continued objective to reduce the volume of waste entering the City of Tacoma's Recovery & Transfer Center while supporting efforts to provide cost-effective services to the residents of Tacoma.

Thank you,

The Environmental Services Commission

<i>Frankie Johnson</i> Frankie Johnson, Chair	<i>Deanna Seaman</i> Deanna Seaman, Vice Chair
<i>Jessica Alvestad</i> Jessica Alvestad, Commissioner	<i>Esther Beaumier</i> Esther Beaumier, Commissioner
<i>Marina Becker</i> Marina Becker, Commissioner	<i>Marty Campbell</i> Marty Campbell, Commissioner
<i>Phil Coughlan</i> Phil Coughlan, Commissioner	<i>Richard Doenges</i> Richard Doenges, Commissioner
<i>Emily Hall</i> Emily Hall, Commissioner	<i>Ken Howes</i> Ken Howes, Commissioner
<i>Grant Middleton</i> Grant Middleton, Commissioner	<i>Nate Mozzer</i> Nate Mozzer, Commissioner
<i>Mike Runion</i> Mike Runion, Commissioner	<i>Wayne Wooster</i> Wayne Wooster, Commissioner

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# Prior Six Year Revenue Plan



Year	Solid Waste	Wastewater	Surface Water
2019	3.0%	4.0%	3.5%
2020	3.0%	4.0%	3.5%
2021	3.0%	3.5%	3.0%
2022	3.0%	3.5%	3.0%
2023	3.0%	3.0%	2.5%
2024	3.0%	3.0%	2.5%

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## 2021 – 2024 Revenue Differences



Year	Solid Waste	Wastewater	Surface Water
2021	-1.0%	-1.5%	-1.0%
2022	-1.0%	-1.5%	-1.0%
2023	1.0%	1.0%	0.5%
2024	1.0%	1.0%	0.5%

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## 2021 Six Year Revenue Plan



Year	Solid Waste	Wastewater	Surface Water
2021	2.0%	2.0%	2.0%
2022	2.0%	2.0%	2.0%
2023	4.0%	4.0%	3.0%
2024	4.0%	4.0%	3.0%
2025	3.0%	4.0%	3.0%
2026	3.0%	4.0%	3.0%

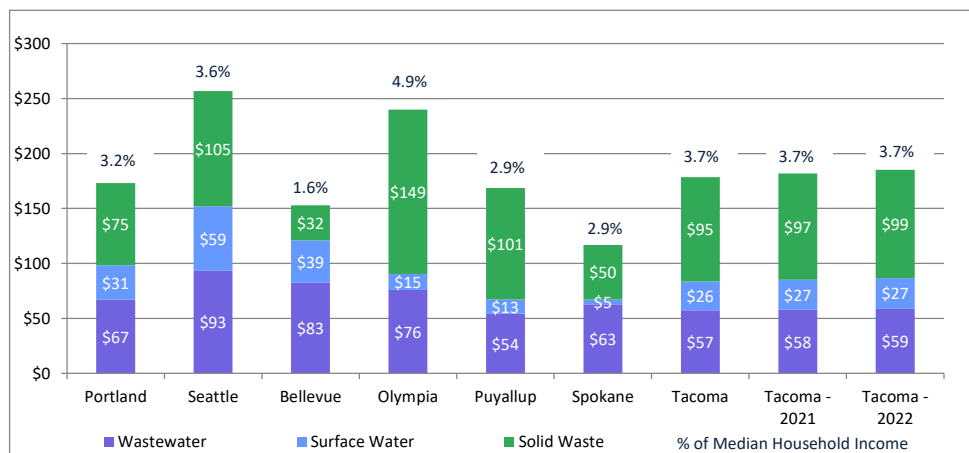
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## Average Residential Customer Bill

	2020 Monthly	2021 Monthly	2022 Monthly	\$ Difference		% Difference	
Wastewater	\$49.97	\$50.44	\$51.21	\$0.47	\$0.77	0.9%	1.5%
Surface Water	\$25.66	\$26.21	\$26.74	\$0.55	\$0.52	2.1%	2.0%
Solid Waste	\$45.71	\$46.55	\$47.49	\$0.85	\$0.94	1.9%	2.0%

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## 2020 Residential Bill Comparison



Based on theoretical residential customer: 7,000 SF residential lot for surface water, 6 CCF water for wastewater, and for solid waste a 60 gallon garbage container, two 90 gallon recycling containers, and two 90 gallon yard/food waste containers picked up every other week (or a weekly equivalent)

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## Average Residential Bill Impact – All Utilities



UTILITY	SYSTEM AVG. INCREASE	2021 Monthly	2022 Monthly
Wastewater	2.0%	+\$0.47	+\$0.77
Surface Water	2.0%	+\$0.55	+\$0.52
Solid Waste	2.0%	+\$0.85	+\$0.94
Tacoma Power*	2.0%	+\$1.84	+\$1.88
Tacoma Water	2.0%	+\$0.81	+\$0.83
<b>Grand Total</b>		<b>+\$4.52</b>	<b>+\$4.94</b>

\*Power proposed rate increases go into effect April 1<sup>st</sup> after high electricity usage season

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## Bill Payment Assistance



Recommendations by Utility	Power	Water	Solid Waste	Surface Water	Wastewater
<b>Reset Monthly BCAP</b>	\$21 → \$21*	\$7 → \$9	\$7 → \$10	\$4 → \$5	\$8 → \$11
<b>Expand BCAP Eligibility</b>	150% federal poverty level → 60% of area median income				
<b>Increase Discount Rate</b>	30% discount on bill → 35% discount on bill				

\*BCAP is the Bill Credit Assistance Program

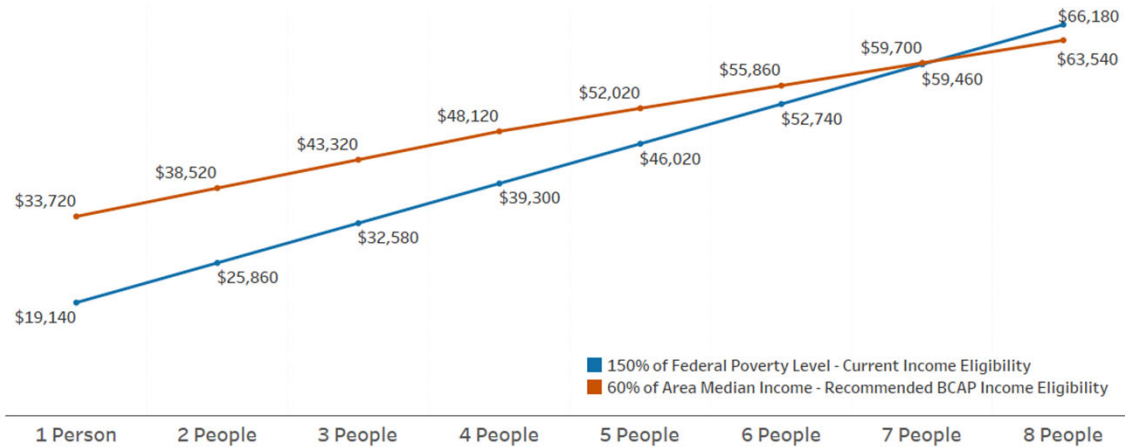
\*\*Discount Rate is part of the Low Income Elderly/Disabled (LIE/D) Program

\*\*Environmental Services is increasing the BCAP credit from 15% to 20% of the average bill, consistent with TPU

## Poverty Thresholds



Scaling Differences in Federal Poverty and Area Median Income Metrics



## Emergency Assistance Program



Budget as of 09/29/2020 – All utilities (ES and TPU partnership)

Utility Service	Original FY19/20 BCAP Budget	Original BCAP Budget Allocated to EAP	Increased Emergency Assistance Program Budget	Emergency Assistance Program Expenditures (9/8/2020)	Remaining Emergency Assistance Program Budget	Number of Households Assisted
Power	\$2,500,000	\$1,000,000	\$1,700,000	\$1,470,357	\$229,643	10,912
Water	\$325,000	\$238,248	\$300,000	\$199,174	\$100,826	4,979
Wastewater	\$156,000	\$72,784	\$160,000	\$125,280	\$34,720	4,176
Surface Water	\$73,000	\$33,400	\$45,000	\$40,100	\$4,900	4,010
Solid Waste	\$197,000	\$122,052	\$195,000	\$172,041	\$22,959	4,301
<b>TOTALS</b>	<b>\$3,251,000</b>	<b>\$1,466,484</b>	<b>\$2,400,000</b>	<b>\$2,006,952</b>	<b>\$393,048</b>	<b><u>14</u></b>



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