



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: November 17, 2020

SUMMARY AND PURPOSE:

Tacoma Water requests approval by the Tacoma City Council to amend and revise sections of Chapter 10 (Water Regulations and Rates) in Title 12 (Utilities) of the Tacoma Municipal Code (TMC). The requested changes are for water rate adjustments effective January 1, 2021 and January 1, 2022.

BACKGROUND:

This Department's Recommendation is Based On:

Tacoma Water serves over 300,000 customers in the greater Tacoma metropolitan area. In 2019, we delivered approximately 50 million gallons a day and generated about \$90 million in water sales. While overall water consumption has remained steady, ongoing costs to maintain our utility have increased. Tacoma Water is proposing annual system average rate adjustments of 1.5% effective January 1, 2021 and 2.0% effective January 1, 2022 in order to meet these ongoing needs. The rate adjustments will be implemented equally across all rate classes, and distributed proportionately to fixed and variable rate elements where applicable or consistent with policy and contractual provisions.

In the development of this proposal, Tacoma Water conducted a revenue requirement and rate-design that incorporates the 2021-2022 budget request. This proposal is in alignment with industry ratemaking standards and best practices, as well as the PUB's Strategic Directives of Financial Sustainability (SD-2) and Rates (SD-3), and supports Tacoma Water's Long-Range Financial Plan.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Community Engagement

In preparation for this request, Tacoma Water sought input from customers and members of the public through various meetings such as: franchise city council meetings, neighborhood council meetings, PUB study sessions, Government Performance & Finance Committee meeting, City Council and PUB joint study session, and a public hearing. Communication has also been distributed through bill inserts, mailings, website, and social media.

Customer Research

Based on customer research on affordability, many of Tacoma Water's customers are able to afford low, stable rate adjustments. However, there are customers that are more negatively impacted by rate increases. Therefore, this proposal also includes increases to Tacoma Water's assistance programs, providing larger bill credits and discounts to customers currently in the program, as well as expanding eligibility.



2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

Increasing customer assistance amounts and expanding eligibility in Tacoma Water’s assistance programs will help Tacoma Water reach areas identified as having lower opportunities in the City’s Equity Index.

Identify which Tacoma 2025 strategic goals your legislation most relates to, and then identify the [Equity Index Score](#) for those goals in the geography your proposal will affect. Select the indicator(s) this legislation is most related to, then briefly explain how this legislation will impact the selected indicator(s) and/or improve the Equity Index Score. *Use the dropdowns below and refer to guide for more information.*

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).

Tacoma Water’s mission is to provide clean, reliable water. Reasonable, stable rate adjustments ensure Tacoma Water can continue to meet its mission for the long-term and ensure safety and quality of life for the community it serves.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. No rate adjustments		\$4.8 million shortfall in 2021-2022 biennium with ongoing cumulative impacts
2.		
3.		

EVALUATION AND FOLLOW UP:

Tacoma Water monitors monthly budget-to-actual performance, develops forecasts for the remainder of the biennium, and prepares and presents Quarterly Outlook reports and monthly Cash Projections to the Public Utility Board.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Water recommends annual system average rate adjustment of 1.5% effective January 1, 2021 and 2.0% effective January 1, 2022. The rate adjustments will be implemented equally across all rate classes, and distributed proportionately to fixed and variable rate elements where applicable or consistent with policy and contractual provisions.



FISCAL IMPACT:

Tacoma Water’s revenue requirement analysis for the twenty-four month budget period (January 1, 2021 - December 31, 2022) indicates a revenue shortfall of approximately \$4.8 million at current rates. The main drivers for this shortfall include general inflationary increases for expenses such as personnel, as well as increases for assessments including additional support for low-income programs.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. Fund 4600	581100	Various	\$4.8 million
2.			

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

Revenues are planned and budgeted in the following 2021-2022 biennium.

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