



City of Tacoma

City Council Action Memorandum

**TO:** Elizabeth A. Pauli, City Manager  
**FROM:** Michael P. Slevin III, P.E., Director, Environmental Services DS  
MPS  
**COPY:** City Council and City Clerk  
**SUBJECT:** Request for Ordinance to Amend Chapter 12.08 of the Municipal Code related to Wastewater and Surface Water rates for the years 2021 and 2022 – November 17, 2020  
**DATE:** November 3, 2020

**SUMMARY AND PURPOSE:**

An ordinance amending Chapter 12.08 of the Tacoma Municipal Code (TMC), related to Wastewater and Surface Water Management – Regulation and Rates, to adjust 2021 and 2022 rates and charges. If approved, 1.5 percent in 2021 and 2 percent in 2022 rate increases 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 minimum cost of service rate increases for financial sustainability while being responsive to the financial impacts of Covid-19. Overall revenue increases of 1.5 and 2 percent each year are less than the previously projected revenue increases of 3 percent for Surface Water and 3.5 percent for Wastewater. Financial concerns include the burden placed on customers and impacts on the revenue forecasts for the utilities. Financial assistance for residential customers include increasing both the breadth and strength of the safety nets. Included in this legislation is an increase to 35 percent from a 30 percent discount for low income elderly and low income disabled residential customers. This legislation is expected to reduce operating revenues by \$12M for the 2021-2022 biennium compared with the previous approved budget rate model.

**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 we address operational and capital plans and resulting supporting rates. The ESC letter to the Council in support of the recommendation is attached.

Outreach to City Neighborhood Councils and other community groups has been coordinated with TPU Utility outreach and communications activities. Due to Covid-19, meeting participation occurred virtually. Other efforts included bill inserts, website information including feedback tools, mailings, and distributions of materials.

**2025 STRATEGIC PRIORITIES:****Equity and Accessibility:**

Financial assistance programs target areas identified as having lower opportunities as measured on the City's customers.x. Financial assistance changes expand eligibility to ALICE (Asset Limited, Income Constrained, Employed)

**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.



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**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 surface water 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 surface water 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>• Up to a \$6.3M revenue shortfall for the biennium</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:**

Environmental Services management and staff with the support of the ESC recommends two annual 2 percent revenue adjustments effective January 1, 2021 and January 1, 2022.

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 Surface Water utility systems, to meet its service obligations to wastewater and surface water 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 Surface Water 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.



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**FISCAL IMPACT:**

If approved by City Council, these rate adjustments will increase revenues for the utility by 2 percent in 2021 and 2022 to cover expenses in the 2021-2022 proposed budget. In Wastewater, Residential rates will increase by 1.5 percent and Commercial rates will increase by 3 percent. Surface Water rate increases range from 1.2 percent to 3.5 percent depending on development type and parcel location.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Element	Total Amount for Calendar Year 2021-2022
4300 Wastewater	Various	Operating Revenues	\$4,200,000
4301 Surface Water	Various	Operating Revenues	\$2,100,000
<b>TOTAL</b>			<b>\$6,300,000</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 2021/2022 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.

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

**YES**

Retail rates are on ongoing revenue.

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

**No**

No additional personnel needed.

**ATTACHMENTS:**

- Proposed Amendments to TMC 12.08 - EXHIBIT "A"
- Letter of Recommendation by the Environmental Services Commission - EXHIBIT "B"
- Rate Models are on file in the Environmental Services Department.