



**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:** February 16, 2021

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**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 University Place water rate adjustments effective April 1, 2021; January 1, 2022; and April 1, 2022, by amending sections of previously passed Ordinance No. 28711 related to water rates for University Place customers. The proposed rate adjustments were presented to the Government Performance and Finance Committee at its meeting of February 16, 2021, and the Committee has recommended the amendments for consideration by the City Council.

**BACKGROUND:**

**This Department’s Recommendation is Based On:**

Tacoma Water serves roughly 9,500 University Place customers. In 2020, we delivered approximately 3 million gallons a day, generated about \$9 million in water sales, and provided approximately \$16,000 in assistance to 109 customers, as well as about \$9,920 in COVID assistance.

On November 2020, the City of University Place approved a utility tax on gross revenue from Tacoma Water customers in that jurisdiction. The tax is 3% effective April 1, 2021 to March 31, 2022, and 6% effective April 1, 2022 and thereafter. Tacoma Water will remit the value of this tax to the City of University Place. To ensure that the additional tax is passed through to University Place customers as a cost of service, Tacoma Water is requesting an increase in water rates for University Place customers. The requested increase in rates for University Place customers is calculated to cover the increase in the taxes resulting from the new tax imposed by the City of University Place.

In order to effectively recover our cost to serve this area and align with core rate-making principles, we are proposing rate adjustments to University Place customers to coincide with our annual system average rate adjustments and utility tax implementation dates.

Ordinance No. 28711 was adopted on November 24, 2020 for a system average rate adjustment of 1.5% effective January 1, 2021, and system average rate adjustment of 2.0% effective January 1, 2022. However, these rates were set prior to the City of University Place’s approved utility tax. This request amends the previously passed Ordinance No. 28711, Exhibit A, by changing rates applicable within the City of University Place.

**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

**Community Engagement**

Tacoma Water is distributing communication to University Place customers concerning the utility tax increase and rate increase through bill inserts, targeted mailings, TPU website, and social media.

**Customer Research**

Tacoma Water conducted an audit of University Place accounts to ensure correct rate categorizations.



**2025 STRATEGIC PRIORITIES:**

**Equity and Accessibility: (Mandatory)**

The 2021-2022 budget and rates package included increased customer assistance amounts and expanded eligibility in Tacoma Water’s assistance programs to help reach areas identified as having lower opportunities in the City’s Equity Index.

**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 adjustment	None	<ul style="list-style-type: none"> <li>• <b>\$865,520</b> cost of service shortfall in University Place taxes being improperly applied to all customers</li> <li>• Violates rate-making principles and legal guidance regarding passing tax through</li> </ul>

**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 University Place water rate adjustments effective April 1, 2021; January 1, 2022; and April 1, 2022.

**FISCAL IMPACT:**

The additional tax expense will be passed through to the University Place ratepayers and the additional revenue will offset the expense.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. Fund 4600	581100	Various Operating Revenue	\$865,520
2. Fund 4600	581100	Various Tax Expense	<b>-\$865,520</b>
<b>TOTAL</b>			<b>\$0</b>



**City of Tacoma**

**City Council Action Memorandum**

**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**

The additional tax expense will be passed through to the University Place ratepayers and the additional revenue will offset the expense.

**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 (Amended Exhibit A)