



City of Tacoma

City Council Action Memorandum

TO: Hyun Kim, Interim City Manager
FROM: Keri Burchard-Juarez, Tacoma Water Superintendent
Jackie Flowers, Director of Tacoma Public Utilities
COPY: Tacoma City Council and City Clerk
SUBJECT: Proposed Water System Development Charge Ordinance – Amend and revise TMC Chapter 12.10
DATE: November 25, 2025 Requested Council Date January 6, 2026.

SUMMARY AND PURPOSE:

Tacoma Water requests approval to amend and revise Chapter 10 (Water Regulations and Rate) in Title 12 (Utilities) of the Tacoma Municipal Code (TMC) section 12.10.310.

The requested changes are for System Development Charge (SDC) adjustments scheduled to become effective on February 1, 2026, followed by annual increases every January 1 through 2030.

BACKGROUND:

This Department's Recommendation is Based On:

Water periodically requests approval from the PUB and Tacoma City Council to update their System Development Charges (SDCs) to ensure new development pays an equitable share of the cost of water system capacity. Under RCW 35.92.025, the utility is authorized to impose connection charges so property owners “bear their equitable share of the cost of the system,” including an appropriate portion of both existing and future capacity investments. This statutory framework requires SDCs to be grounded in actual system costs and proportionate to the capacity required to serve new customers. As Tacoma Water continues to build, rehabilitate, and expand infrastructure, the underlying cost of system capacity changes, making regular fee updates necessary to maintain statutory compliance and cost-of-service equity.

Tacoma Water regularly evaluates capital plans over time in order to respond to growth projections, regulatory requirements, and asset conditions. Because SDCs may include a proportionate share of both existing facilities and planned improvements, updates ensure charges reflect the most current capital program and system capacity assumptions. Without periodic recalibration, SDCs can become outdated and shift a disproportionate share of growth-related costs onto existing ratepayers.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Community Engagement:

In preparation for this request, Tacoma Water presented to the PUB, the Tacoma City Council Government Performance and Finance Committee (GPFC), the Master Builders Association, the Tacoma Permit Advisory Group, and held a public hearing. Adoption of the proposal by the PUB is scheduled for December 10, 2025. The first reading by the City Council is scheduled for January 2026.

Customer Research:

As part of the development of the proposed charges, Tacoma Water reviewed similar rates of neighboring regional utilities. Current charges (approved in 2019) are firmly at the bottom of the 16-utility regional comparison. Once



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the charge has been fully phased in, Tacoma will remain in the bottom 3 assuming no other utility adjusts their charges by 2030.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

Updating the SDC schedule ensures growth pays an equitable share of system costs, helping to protect existing ratepayers—especially lower-income and historically under-represented communities—from subsidizing new development. The legislation promotes fairness in cost allocation without creating disparate impacts.

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. By ensuring that new connections to the water system are paying their equitable share of the system, the utility can continue to invest in improvements to meet level of service requirements without burdening existing ratepayers.

ALTERNATIVES:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. No SDC update	Tacoma Water's SDC will remain the lowest regionally against compared utilities	Significant portions of funding for expansion-related infrastructure will fall on existing ratepayers either through direct rate increases or through higher debt service payments
2.		
3.		

EVALUATION AND FOLLOW UP:

Tacoma Water will monitor SDC fund balances to ensure that charges collected are being used to pay for system improvements. Following the end of the phase-in period, Tacoma Water will re-evaluate model inputs to ensure that the SDC still reflects a proportional share of system costs.

STAFF/SPONSOR RECOMMENDATION:

Staff recommends adoption of the proposed five-year phase-in schedule for the updated System Development Charges. Phasing the increases over time allows the utility to move toward full cost recovery while avoiding a single large adjustment, consistent with the utility's commitment to rate and fee gradualism. Staff recommends an initial effective date of February 1, 2026, with annual step increases thereafter.



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FISCAL IMPACT:

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.4600-SDC	587600	6371105	\$2.5M by 2030
2.			
TOTAL			

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

SDC revenues for the 25/26 biennium were forecast based on then-current charges. If approved, forecasts for subsequent biennia will be based on the appropriate phase-in rate.

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 Redlined
- Proposed Rate Ordinance Clean