2021-2022 University Place Rates

GOVERNMENT PERFORMANCE & FINANCE COMMITTEE
FEBRUARY 16, 2021
University Place Utility Tax
The City of University Place approved a utility tax on gross revenue from Tacoma Power and Water customers in that jurisdiction.

Effective Date
The tax is 3% effective April 1, 2021 to March 31, 2022, and 6% effective April 1, 2022 and thereafter.

Request
Rate adjustment to pass through the additional tax to University Place customers as a cost of service.

If No Action
The cost of the University Place taxes will be borne by all Tacoma Power and Tacoma Water customers, instead of only customers in the University Place.
**CASE LAW & LEGAL CONSIDERATIONS**

- **Lakehaven Water & Sewer District v. City of Federal Way**
  Rejected a challenge to a City’s authority to impose water utility taxes on Public Utility Districts

- **Tacoma Public Utility Board | Resolution No. U-11237**
  Costs associated with utility tax increases should be passed on as rate increases to customers of the relevant jurisdiction (aligns with cost-of-service principles)

- **City of University Place | Ordinance No. 737**
  Imposes a utility tax on electrical services, sewerage and water services within University Place

- **TPU Request**
  Approval of revised 2021-2022 University Place power and water rates
Cost-of-service utilities set rates based on cost causation:

- **Tax on Tax Impact**
  - Tax is on *gross* revenues, which include revenues that will be used to pay taxes.
  - All taxes are applied concurrently, so if revenue is increased to pay one tax (UP), additional tax liability will be incurred for other revenue taxes (GET, State Utility Tax)

- **Effective Tax Rates**
  - **Power**: UP rates must increase by **3.50%** to make up for a **3.0%** additional tax, and by **7.26%** to make up for a **6.0%** additional tax.
  - **Water**: UP rates must increase by **3.6%** to make up for a **3.0%** additional tax, and by **7.4%** to make up for a **6.0%** additional tax.
Comparing System Average to University Place Rate Adjustments

<table>
<thead>
<tr>
<th>Year</th>
<th>Base</th>
<th>University Place</th>
<th>Base</th>
<th>University Place</th>
<th>Base</th>
<th>University Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$141.21</td>
<td>$141.21</td>
<td>$143.32</td>
<td>$147.95</td>
<td>$146.19</td>
<td>$156.42</td>
</tr>
</tbody>
</table>

The lighter shades at the bottom represent the monthly impact of new rates by year end after all rate changes have been implemented. These projections assume an average family consumes 928.5 kWh of power and 6 CCF in winter months and 9 CCF in summer months of water. Actual bills may vary based on consumption.
NEXT STEPS

Outreach
Billing messages, letters, website

Informational Briefing
GPFC

First Reading
City Council Meeting

Second Reading
City Council Meeting
2021-2022 University Place Rates

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