Water Service Construction Charges

Purpose: To refresh fixed charges related to water service construction.

Lyna Vo & Marc Powell
Public Outreach | August 12 & 13, 2019
## Executive Summary

### Background

**Water Service Installations**
- Stub
- Meter
- Meter, yoke & box
- Service
- Meter exchange

**Types of Charges**
- Fixed charges
- Time and materials (T&M)

### Analysis

**Objective**
- To refresh fixed charges related to water service installations

**Goals**
- Analyze revenue and expenses
- Draft proposed changes
- Ensure internal alignment
- Communicate proposal
- Implement revisions

### Proposed Revisions

**Fixed Charges**
- Adjust charges by water service installation to reflect actual costs
- Cap increases to no more than 50% of existing rates and implemented graduated step increases where applicable
- Develop a 5 year schedule indexed to an annual escalation factor of 3%

**Time & Materials (T&M)**
- In circumstances where fixed charges are not adequate to cover the actual costs, T&M may still apply

### Projected Timeline

**Public Information Sessions**
- August 12 & 13
- Informational briefing

**PUB Study Session**
- August 14
- Informational briefing

**GPFC**
- August 20
- Request formal recommendation

**PUB Meeting**
- September 11 (tentative)
- Request for approval

**City Council Meetings**
- September 24 (tentative)
- October 1 (tentative)
- Request for approval
What is water service construction?

Water service construction is a water service installation on new or existing mains constructed by Tacoma Water.

623
8
458
109
3

Stubs  Meters  Meter, Yoke, & Box  Services  Meter Exchanges

Average number of completed water service installations per year.
What are the charge(s)?

Water service construction charges are typically categorized as: (1) fixed charge or (2) time and materials (T&M).

**Fixed Charges**

Fixed charges, also commonly referred to as fixed fees, are published rates set in the Tacoma Municipal Code (TMC).

These rates are set prices determined by type of water service.

Last updated in 2009.

**Time and Materials (T&M)**

In circumstances where fixed fees are not adequate to cover the actual costs, water service construction charges are based upon actual costs, which are commonly referred to as T&M.

In recent years, the number of T&M charges have gone up in lieu of fixed charges.
Why are the charges being updated?

Closing the gap between fixed fees and T&M by designing fees that closely mirror total expenses.

<table>
<thead>
<tr>
<th>Fixed Charges</th>
<th>T&amp;M</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current revenue collection does not recover total expenses</td>
<td>Current revenue collection recovers total expenses, but it is a very manual process and time intensive for staff and developers</td>
<td>Design fees to adequately recover expenses, reduce the manual process, and improve customer service</td>
</tr>
</tbody>
</table>
What was the analysis?

Reviewing all water service installations in order to draft a new proposal.

24 month period
June 2017 - May 2019

1,799
Fixed Charges

610
T&M or PCs

$1.34M
fixed fees revenue

$1.73M
fixed fees expenses

$385K
under collection

22%
revenue to expense
What were the results?

Type of Service

- **3/4” Service Stub**
  - Current Rate: $750
  - Average Cost: $924

- **1” Service Stub**
  - Current Rate: $800
  - Average Cost: $975

- **5/8” Meter Only**
  - Current Rate: $175
  - Average Cost: $201

- **3/4” Meter Only**
  - Current Rate: $225
  - Average Cost: $464
What were the results?

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Current Rate</th>
<th>Average Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8” Meter, Yoke &amp; Box</td>
<td>$400</td>
<td>$482</td>
</tr>
<tr>
<td>3/4” Meter, Yoke &amp; Box</td>
<td>$450</td>
<td>$750</td>
</tr>
<tr>
<td>1” Meter, Yoke &amp; Box</td>
<td>$1,205</td>
<td></td>
</tr>
</tbody>
</table>
### What were the results?

#### Type of Service

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Current Rate</th>
<th>Average Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/4&quot; Service with 5/8&quot; Meter</td>
<td>$2,325</td>
<td>$3,254</td>
</tr>
<tr>
<td>3/4&quot; Service with 3/4&quot; Meter</td>
<td>$2,400</td>
<td>$4,497</td>
</tr>
<tr>
<td>1&quot; Service with 5/8&quot; Meter</td>
<td>$2,400</td>
<td>$3,839</td>
</tr>
<tr>
<td>1&quot; Service with 3/4&quot; Meter</td>
<td>$2,450</td>
<td>$3,987</td>
</tr>
<tr>
<td>1&quot; Service with 1&quot; Meter</td>
<td>$2,550</td>
<td>$4,092</td>
</tr>
</tbody>
</table>
What were the results?

Type of Service

- Meter Exchange from 5/8” to 3/4”
  - Current Rate: $625
  - Average Cost: $700

- Meter Exchange from 3/4” to 5/8”
  - Current Rate: $325
  - Average Cost: $334

- Meter Exchange from 1” to 5/8”
  - Current Rate: $325
  - Average Cost: $198
What are the proposed charges?

The proposed charges for various types of service are as follows:

- **3/4” Service Stub**:
  - Current Rate: $750
  - Average Cost: $924
  - Proposed Rate: $925

- **1” Service Stub**:
  - Current Rate: $800
  - Average Cost: $975
  - Proposed Rate: $975

- **5/8” Meter Only**:
  - Current Rate: $175
  - Average Cost: $201
  - Proposed Rate: $200

- **3/4” Meter Only**:
  - Current Rate: $225
  - Average Cost: $464
  - Proposed Rate: $464

- **1” Meter Only**:
  - Current Rate: $325
  - Average Cost: $500
  - Proposed Rate: $500
What are the proposed charges?

<table>
<thead>
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<th>Current Rate</th>
<th>Average Cost</th>
<th>Proposed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot; Meter, Yoke &amp; Box</td>
<td>$400</td>
<td>$482</td>
<td>$500</td>
</tr>
<tr>
<td>3/4&quot; Meter, Yoke &amp; Box</td>
<td>$450</td>
<td>$750</td>
<td>$675</td>
</tr>
<tr>
<td>1&quot; Meter, Yoke &amp; Box</td>
<td>$1,205</td>
<td>$1,200</td>
<td>$1,200</td>
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</table>
What are the proposed charges?
What are the proposed charges?
What are the proposed charges?

<table>
<thead>
<tr>
<th>Service</th>
<th>Type</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
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</thead>
<tbody>
<tr>
<td>3/4&quot; Service Stub</td>
<td>Stub</td>
<td>750</td>
<td>925</td>
<td>950</td>
<td>980</td>
<td>1,010</td>
<td>1,040</td>
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<tr>
<td>1&quot; Service Stub</td>
<td>Stub</td>
<td>800</td>
<td>975</td>
<td>1,000</td>
<td>1,030</td>
<td>1,070</td>
<td>1,100</td>
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<tr>
<td>5/8&quot; Meter Only</td>
<td>Meter</td>
<td>175</td>
<td>200</td>
<td>210</td>
<td>210</td>
<td>220</td>
<td>230</td>
</tr>
<tr>
<td>3/4&quot; Meter Only</td>
<td>Meter</td>
<td>225</td>
<td>350</td>
<td>410</td>
<td>480</td>
<td>560</td>
<td>660</td>
</tr>
<tr>
<td>1&quot; Meter Only</td>
<td>Meter</td>
<td>500</td>
<td>520</td>
<td>530</td>
<td>550</td>
<td>560</td>
<td></td>
</tr>
<tr>
<td>5/8&quot; Meter, Yoke &amp; Box</td>
<td>MYB</td>
<td>400</td>
<td>475</td>
<td>490</td>
<td>500</td>
<td>520</td>
<td>530</td>
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<tr>
<td>3/4&quot; Meter, Yoke &amp; Box</td>
<td>MYB</td>
<td>450</td>
<td>675</td>
<td>720</td>
<td>780</td>
<td>830</td>
<td>890</td>
</tr>
<tr>
<td>1&quot; Meter, Yoke &amp; Box</td>
<td>MYB</td>
<td>1,200</td>
<td>1,240</td>
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<td>1,320</td>
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<tr>
<td>3/4&quot; Service with 3/4&quot; Meter</td>
<td>Service</td>
<td>2,400</td>
<td></td>
<td></td>
<td></td>
<td>Remove</td>
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<tr>
<td>1&quot; Service with 5/8&quot; Meter</td>
<td>Service</td>
<td>2,400</td>
<td>3,600</td>
<td>3,800</td>
<td>4,010</td>
<td>4,230</td>
<td>4,460</td>
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<tr>
<td>1&quot; Service with 3/4&quot; Meter</td>
<td>Service</td>
<td>2,450</td>
<td>3,675</td>
<td>3,900</td>
<td>4,140</td>
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<td>4,670</td>
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<tr>
<td>1&quot; Service with 1&quot; Meter</td>
<td>Service</td>
<td>2,550</td>
<td>3,825</td>
<td>4,040</td>
<td>4,270</td>
<td>4,510</td>
<td>4,760</td>
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<tr>
<td>Meter Exchange from 5/8&quot; to 3/4&quot;</td>
<td>Exchange</td>
<td>625</td>
<td>700</td>
<td>720</td>
<td>740</td>
<td>760</td>
<td>790</td>
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<td>Meter Exchange from 5/8&quot; to 1&quot;</td>
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<td>700</td>
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<tr>
<td>Meter Exchange from 3/4&quot; to 5/8&quot;</td>
<td>Exchange</td>
<td>325</td>
<td>325</td>
<td>330</td>
<td>340</td>
<td>360</td>
<td>370</td>
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<tr>
<td>Meter Exchange from 3/4&quot; to 1&quot;</td>
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<td></td>
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What is the impact?

Understanding how the proposed charges will affect future water service installations.

**Fixed Charges**

- Attempt to recover 100% of the cost of water service installations
- More predictability with construction charges

**T&M**

- Reduces 39% of smaller T&M water service installations by shifting to fixed charges
- Reduces processing time by 1-2 weeks per service

**Proposal**

- Cap increases to no more than 50% of existing rates and implement graduated step increases
- Design 5 year schedule indexed to an annual escalation of 3%*

* The annual adjustment of 3% is the average ENR CCI rate over the last 5 years.
What's next?

Formal approval will be requested of the PUB and City Council with a target implementation date of 01/01/2020.

8/12 & 8/13
Public Outreach

8/14 & 8/20
PUB Study Session & GPFC

9/11, 9/24 & 10/1
PUB & City Council Meetings

1/1/2020
Effective Date

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