



# 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

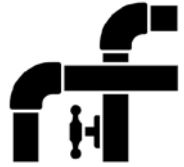
### City Council Meetings

- 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



Stubs

8



Meters

458



Meter, Yoke, & Box

109



Services

3



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

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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)

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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.*



## Fixed Charges

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Current revenue collection *does not* recover total expenses



## T&M

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Current revenue collection recovers total expenses, but it is a very manual process and time intensive for staff and developers



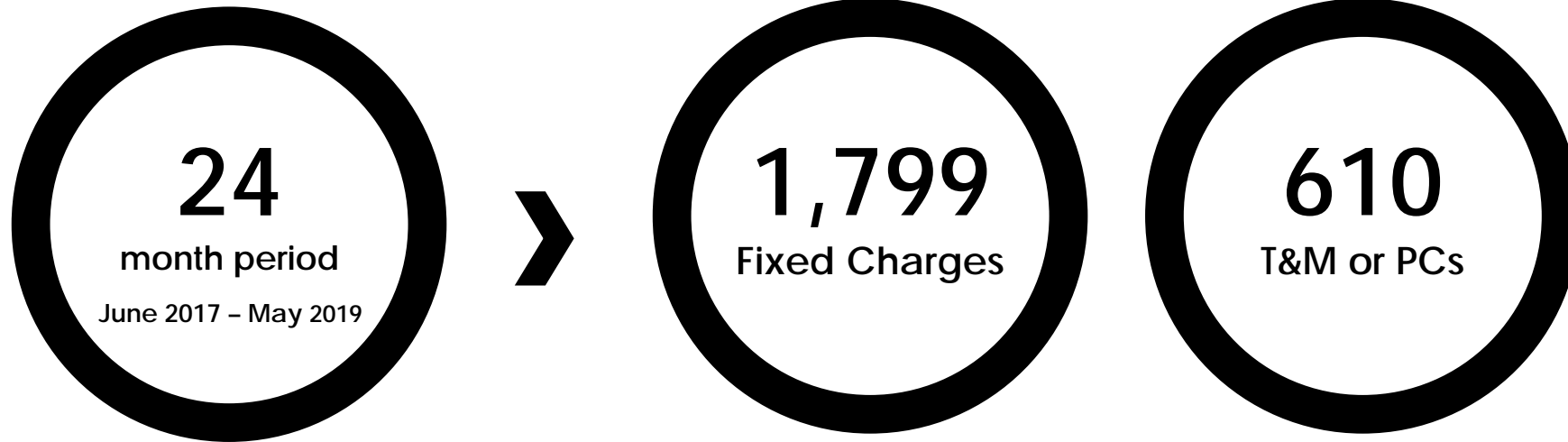
## Proposal

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Design fees to adequately recover expenses, reduce the manual process, and improve customer service

# What was the analysis?

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



**\$1.34M**

fixed fees revenue

**\$1.73M**

fixed fees expenses



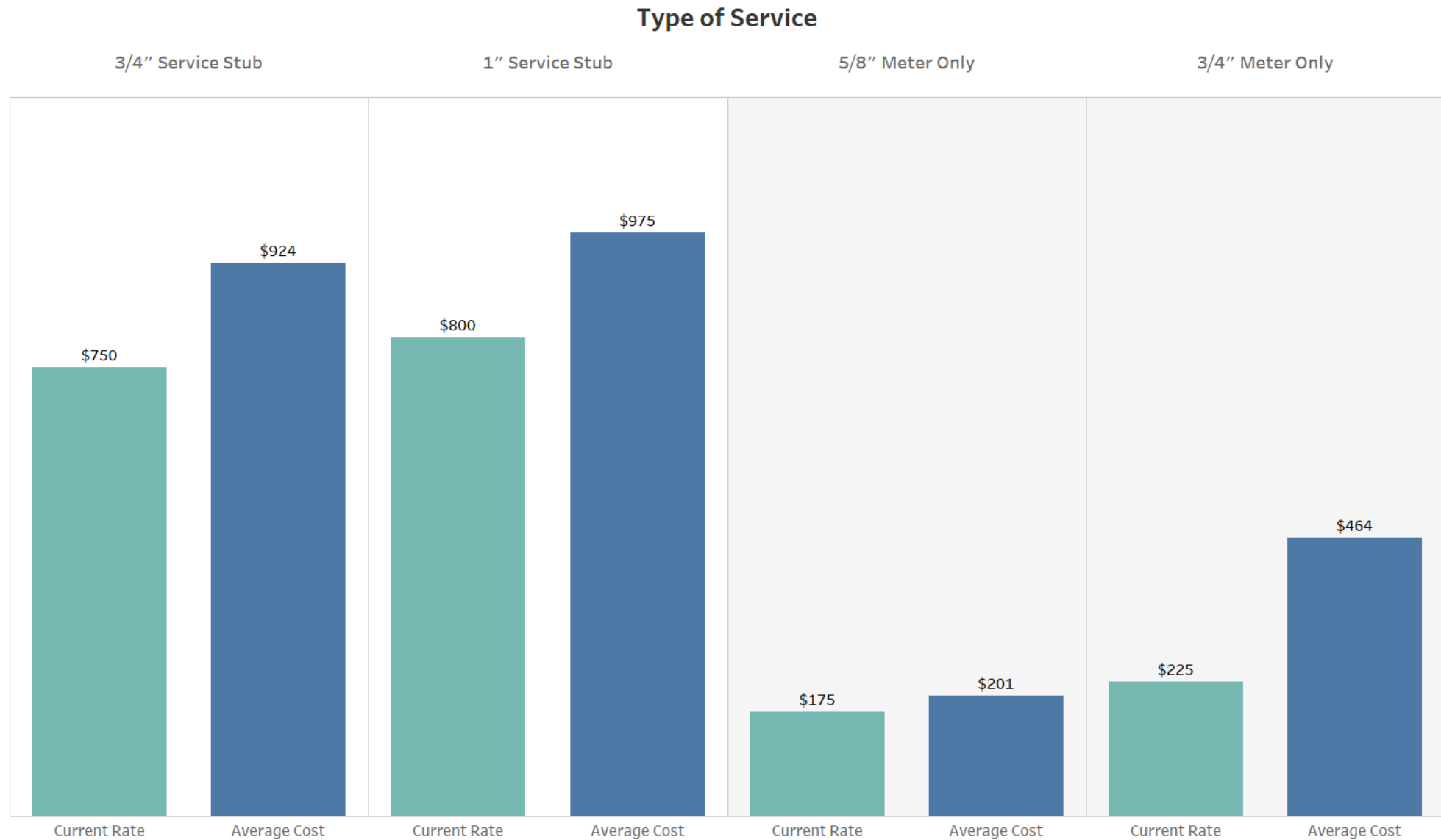
**\$385K**

under collection

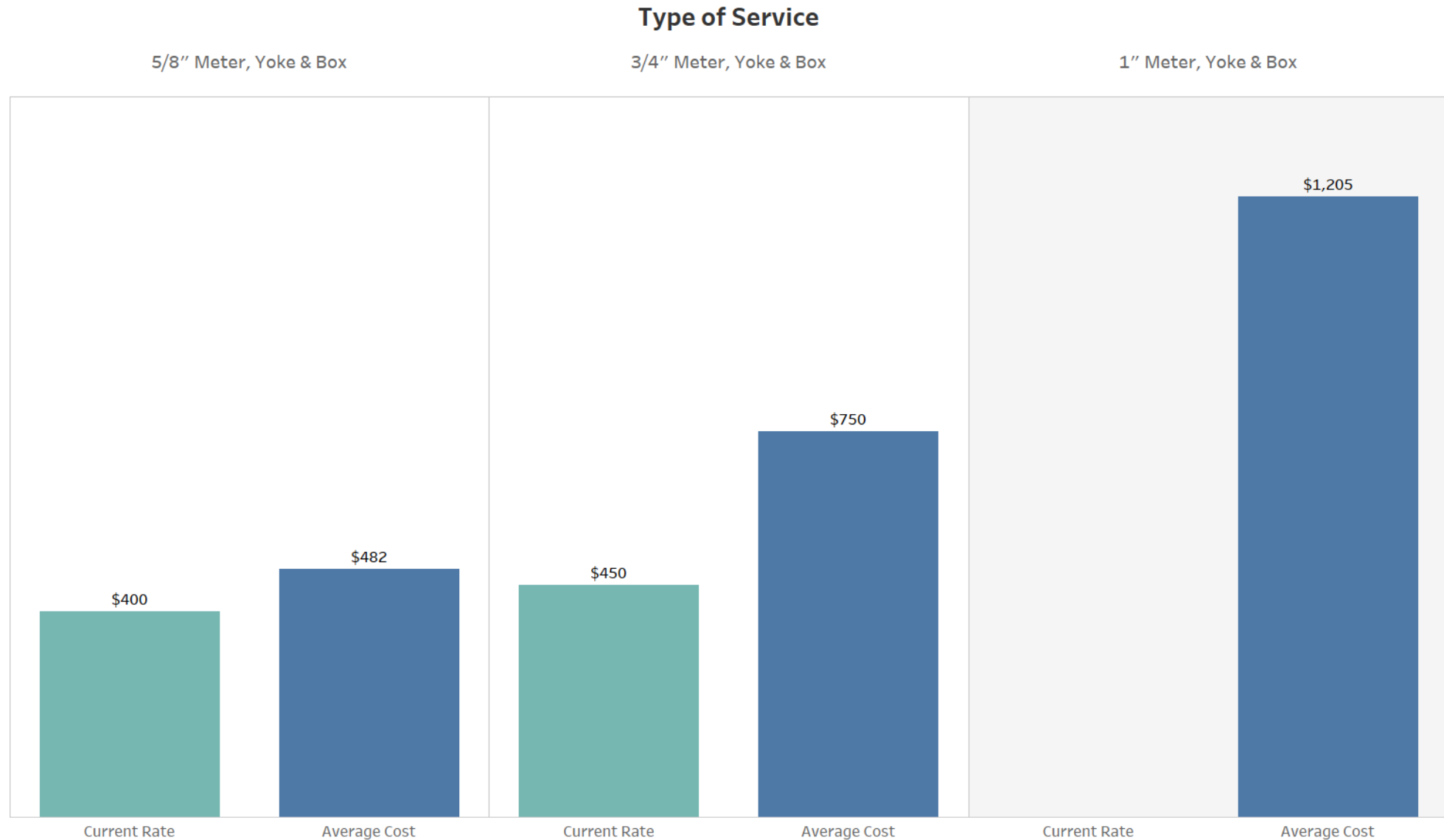
**22%**

revenue to expense

# What were the results?

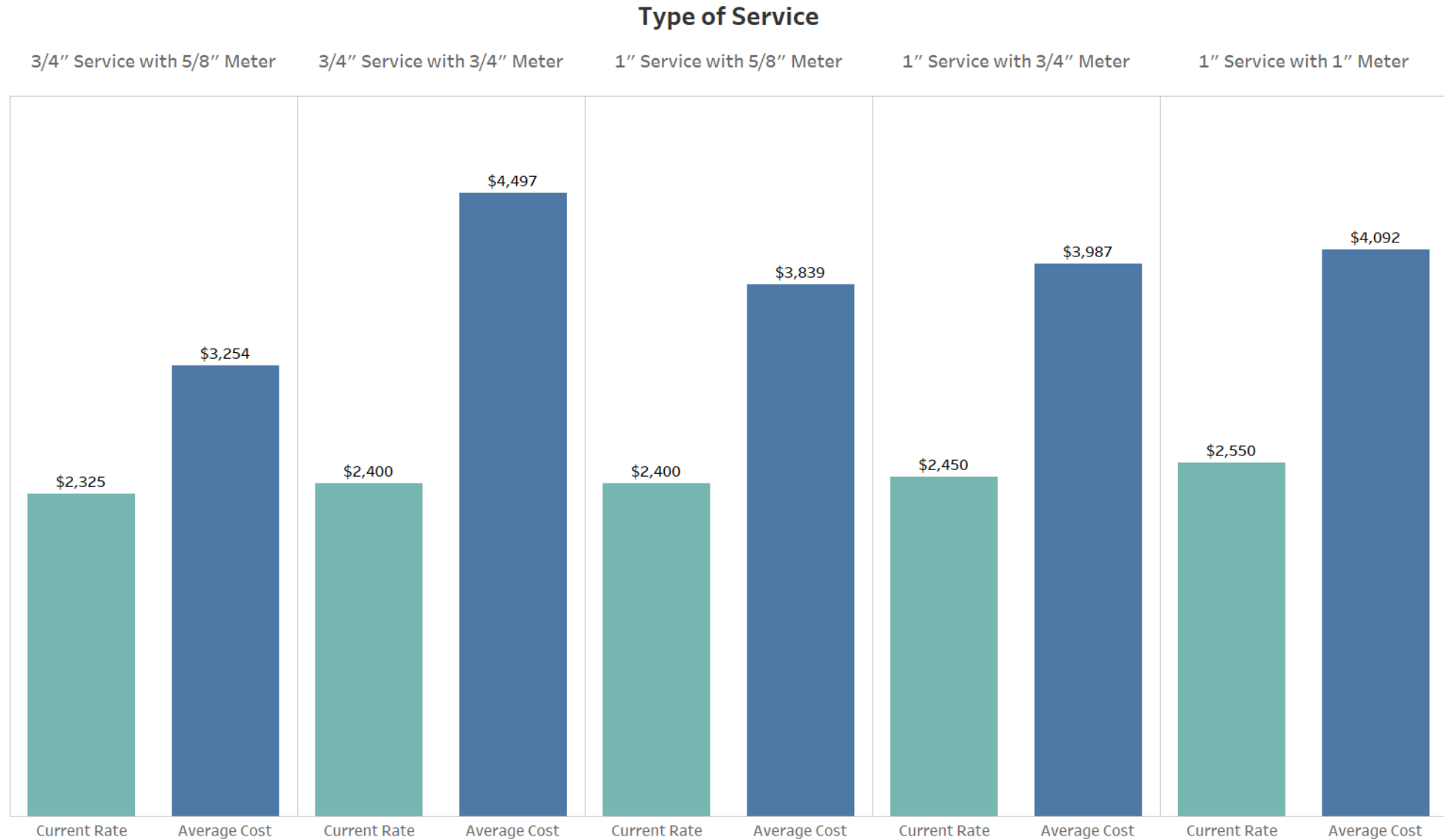


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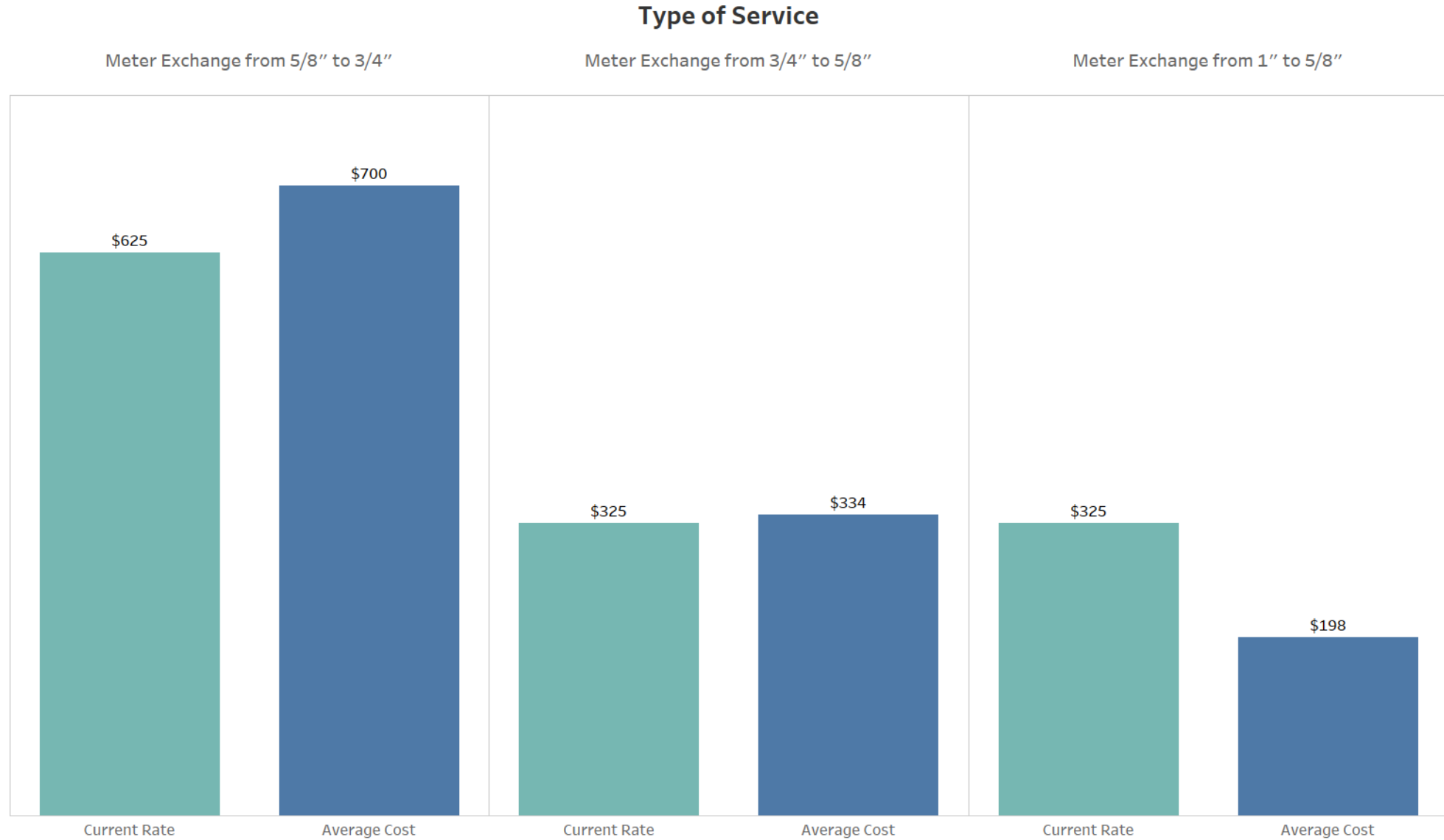




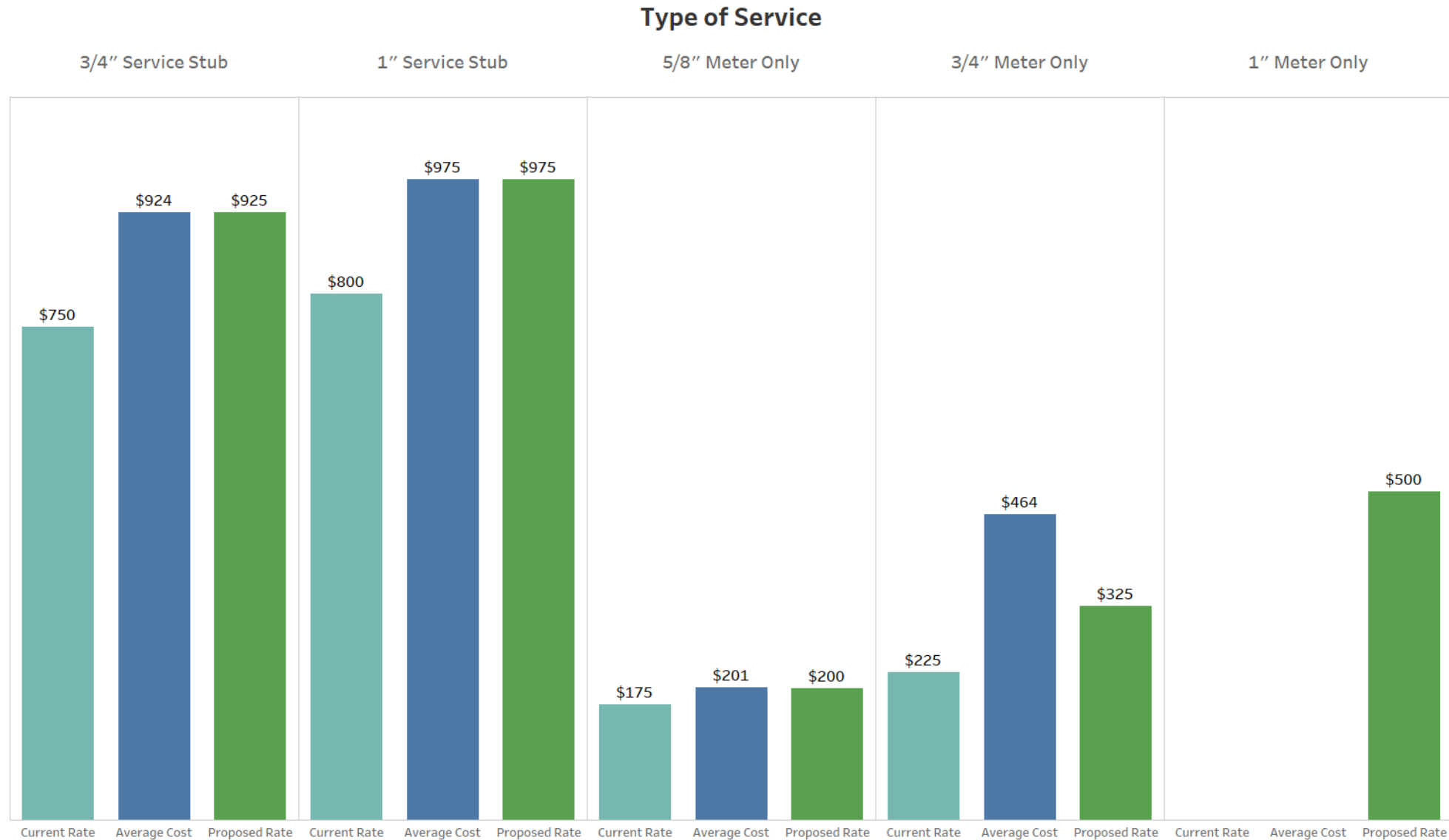
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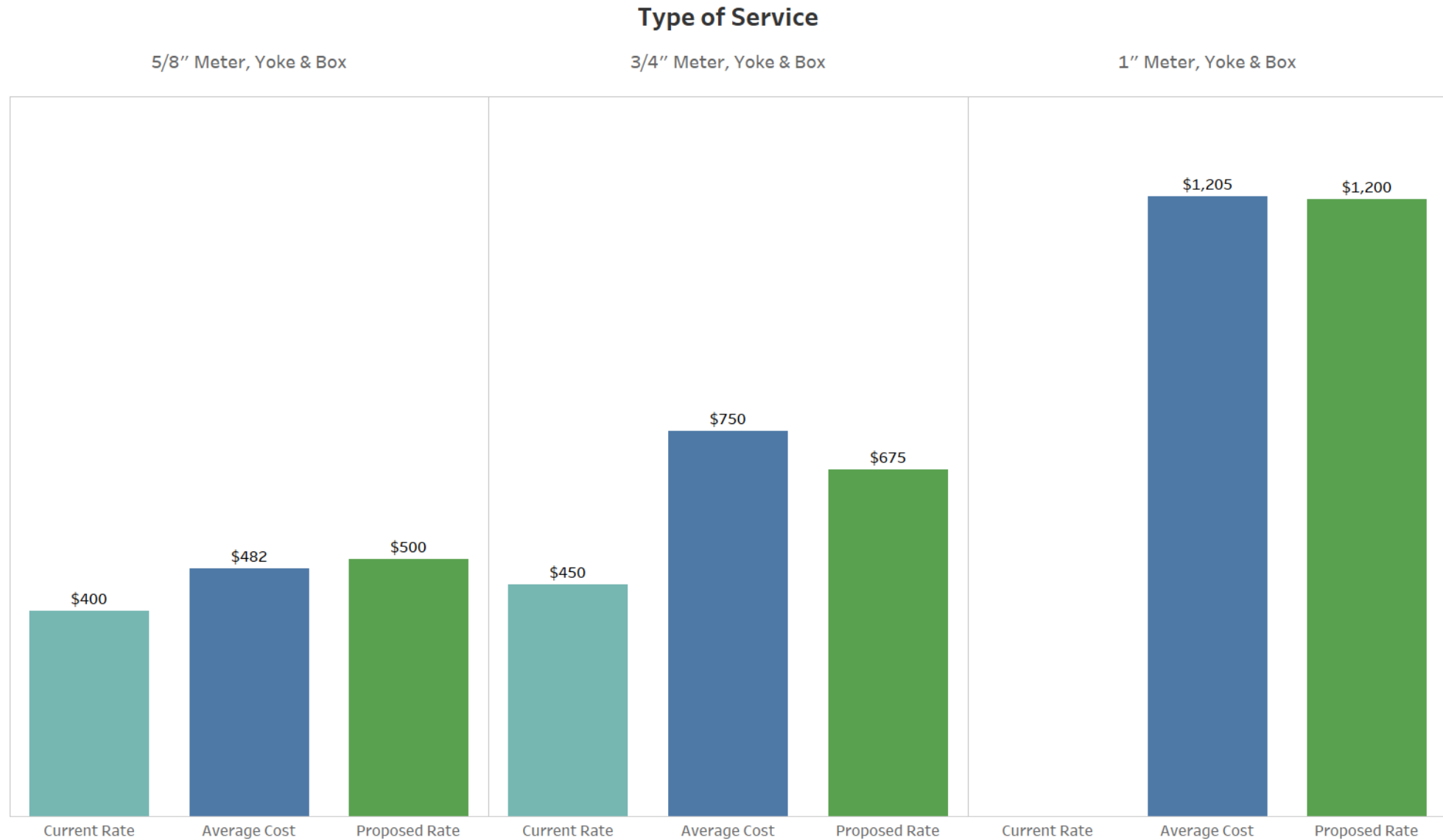
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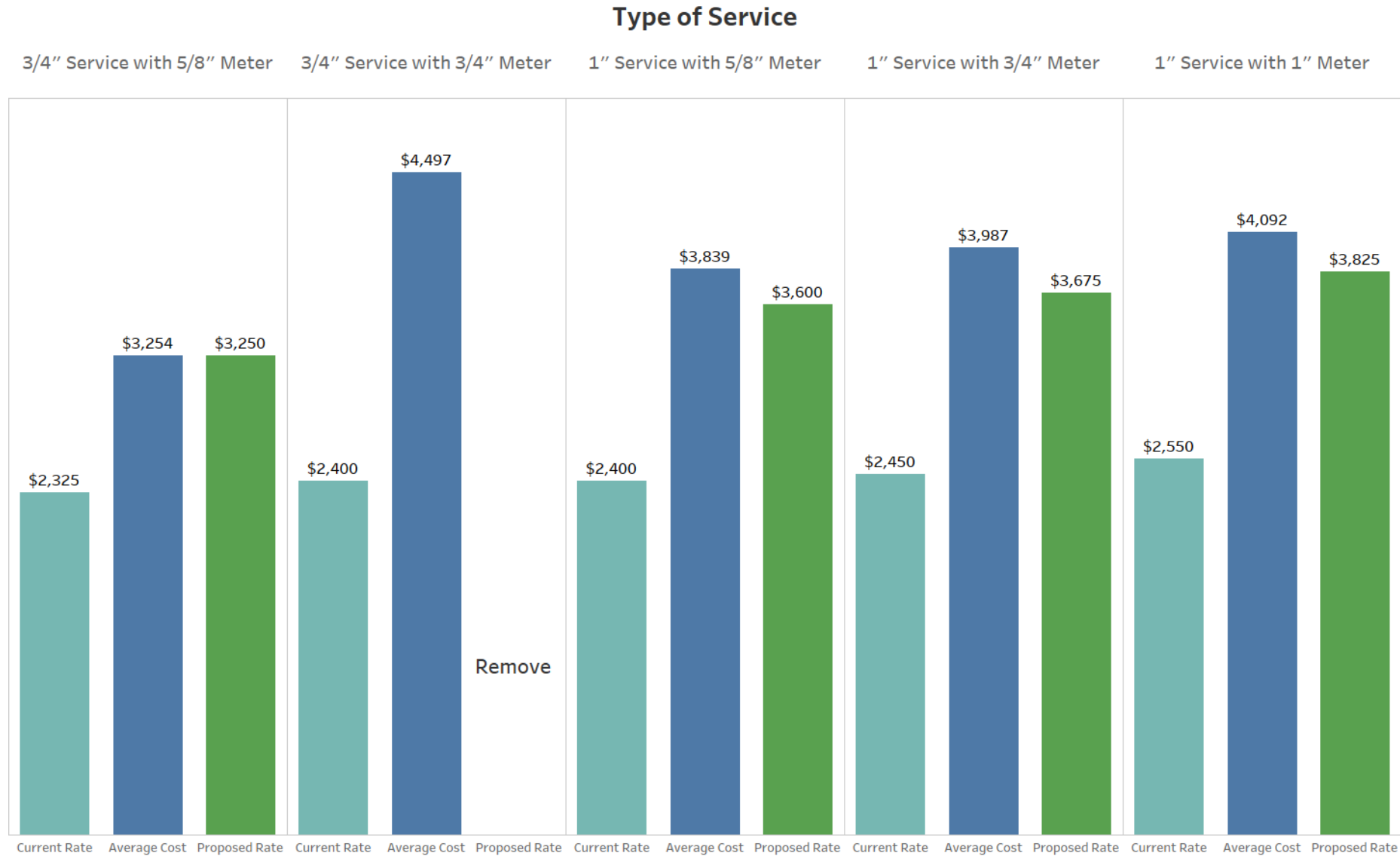
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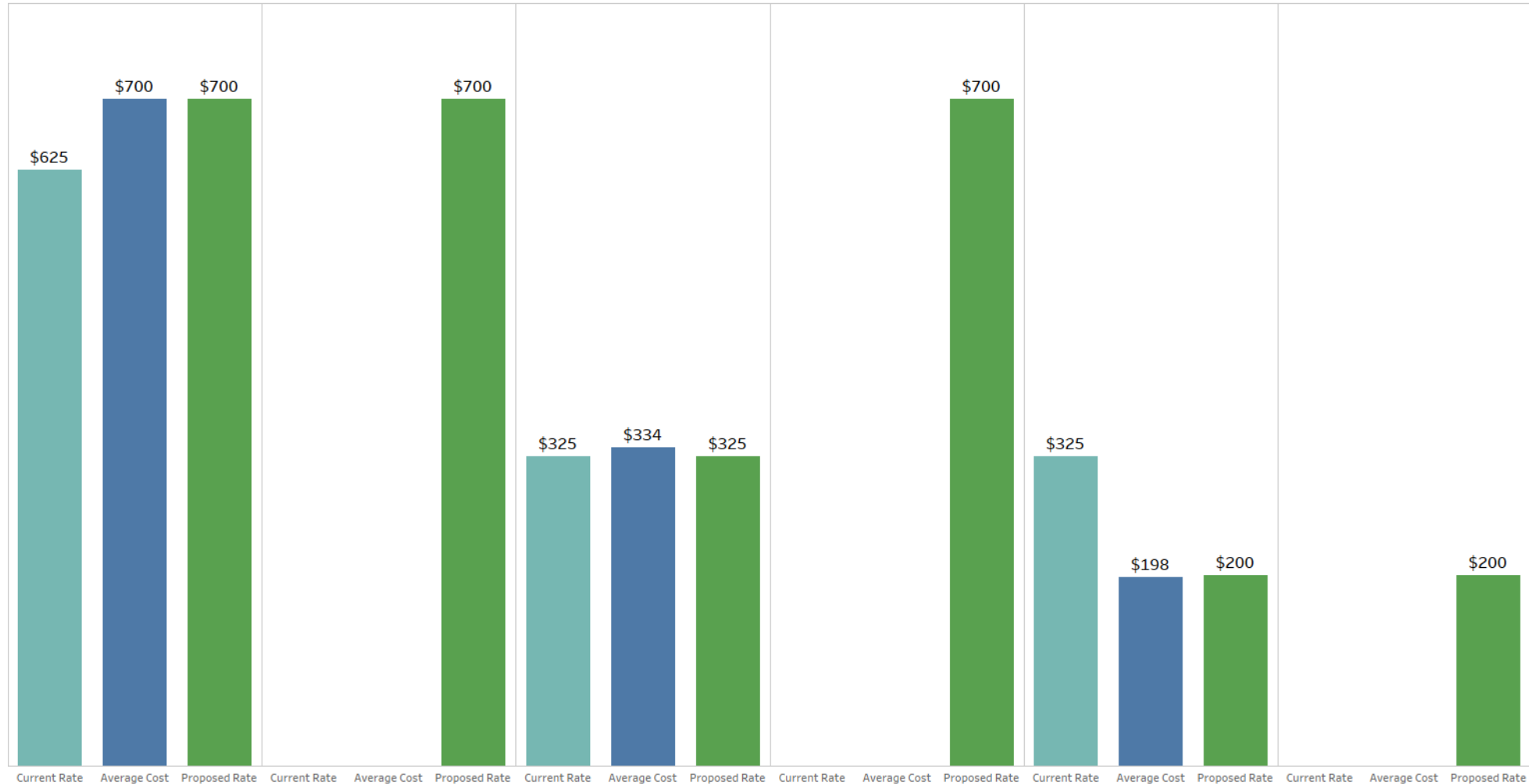
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## Type of Service

Meter Exchange from 5/8" to 3/4"   Meter Exchange from 5/8" to 1"   Meter Exchange from 3/4" to 5/8"   Meter Exchange from 3/4" to 1"   Meter Exchange from 1" to 5/8"   Meter Exchange from 1" to 3/4"



# What are the proposed charges?

Service	Type	2019	2020	2021	2022	2023	2024
3/4" Service Stub	Stub	750	925	950	980	1,010	1,040
1" Service Stub	Stub	800	975	1,000	1,030	1,070	1,100
5/8" Meter Only	Meter	175	200	210	210	220	230
<b>3/4" Meter Only</b>	<b>Meter</b>	<b>225</b>	<b>350</b>	410	480	560	660
<i>1" Meter Only</i>	<i>Meter</i>		500	520	530	550	560
5/8" Meter, Yoke & Box	MYB	400	475	490	500	520	530
<b>3/4" Meter, Yoke &amp; Box</b>	<b>MYB</b>	<b>450</b>	<b>675</b>	720	780	830	890
<i>1" Meter, Yoke &amp; Box</i>	<i>MYB</i>		1,200	1,240	1,280	1,320	1,360
3/4" Service with 5/8" Meter	Service	2,325	3,250	3,350	3,450	3,550	3,660
<b>3/4" Service with 3/4" Meter</b>	<b>Service</b>	<b>2,400</b>			<b>Remove</b>		
<b>1" Service with 5/8" Meter</b>	<b>Service</b>	<b>2,400</b>	<b>3,600</b>	3,800	4,010	4,230	4,460
<b>1" Service with 3/4" Meter</b>	<b>Service</b>	<b>2,450</b>	<b>3,675</b>	3,900	4,140	4,400	4,670
<b>1" Service with 1" Meter</b>	<b>Service</b>	<b>2,550</b>	<b>3,825</b>	4,040	4,270	4,510	4,760
Meter Exchange from 5/8" to 3/4"	Exchange	625	700	720	740	760	790
<i>Meter Exchange from 5/8" to 1"</i>	<i>Exchange</i>		700	720	740	760	790
Meter Exchange from 3/4" to 5/8"	Exchange	325	325	330	340	360	370
<i>Meter Exchange from 3/4" to 1"</i>	<i>Exchange</i>		700	720	740	760	790
Meter Exchange from 1" to 5/8"	Exchange	325	200	210	210	220	230
<i>Meter Exchange from 1" to 3/4"</i>	<i>Exchange</i>		200	210	210	220	230

# What is the impact?

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



## Fixed Charges

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Attempt to recover 100% of the cost of water service installations

More predictability with construction charges



## T&M

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Reduces 39% of smaller T&M water service installations by shifting to fixed charges

Reduces processing time by 1-2 weeks per service



## Proposal

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Cap increases to no more than 50% of existing rates and implement graduated step increases

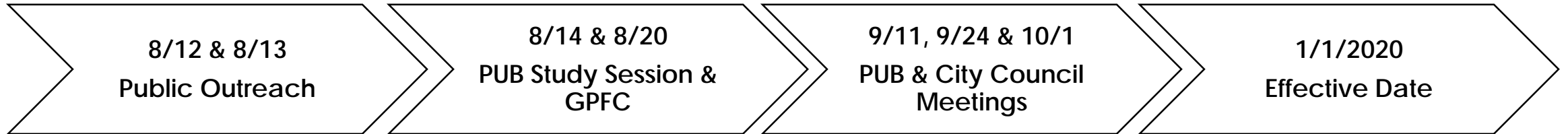
Design 5 year schedule indexed to an annual escalation of 3%\*

\* 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.*



## Contact

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## Phone

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