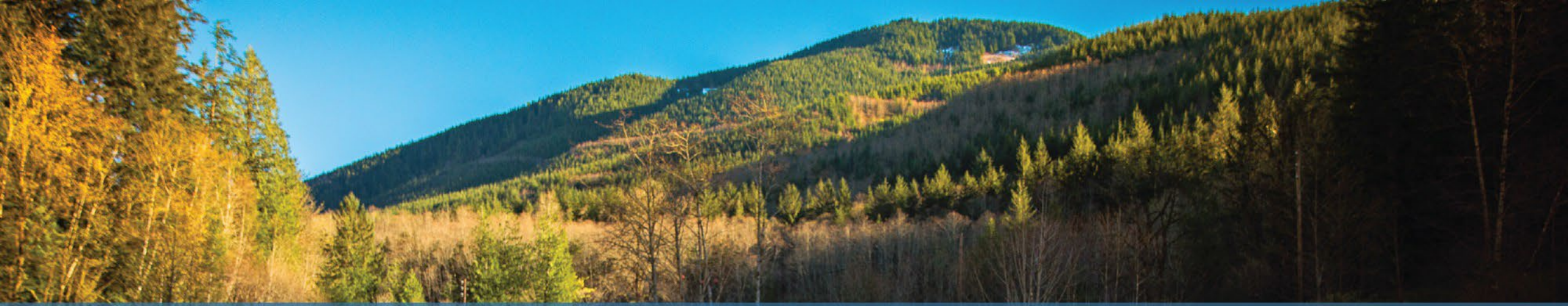


System Development Charge Update

Presented by Andrew Zaremba and Ryan Cox
Public Utility Board
October 22, 2025

TACOMA WATER
TACOMA PUBLIC UTILITIES

Purpose and Agenda

TACOMA WATER
TACOMA PUBLIC UTILITIES

- Share background of System Development Charges (SDCs) and their role in funding utility infrastructure.
- Outline reasons for reviewing and updating rates.
- Review model methodology and summarize results.
- Present staff recommendation for updated fee schedule.
- Compare proposed SDCs to equivalent charges by peer utilities.
- Provide opportunity for Board questions and feedback ahead of formal adoption request and Council consideration.

Background

- One-time fees to cover the cost of system upgrades or expansion to accommodate new users.
- Largely governed by RCW 35.92.025 - Authority to make charges for connection to water or sewerage system.
- Due at time of meter purchase.
- Represents equitable share of existing and future capacity.
- Updated and approved in 2019, effective 2020.

System Development Charges - 2" Meter Size or Smaller				
Meter Size (Inches)	Residential		Commercial & Other	
	Inside City	Outside City	Inside City	Outside City
	Effective Date			
	1/1/2020	1/1/2020	1/1/2020	1/1/2020
5/8	$809	$970	$1,061	$1,273
3/4	$1,213	$1,456	$1,592	$1,910
1	$2,022	$2,426	$2,653	$3,183
1.5	$4,043	$4,852	$5,306	$6,367
2	$6,469	$7,763	$8,489	$10,187

System Development Charges - 3" Meter Size or Larger		
Cost per Gallon	Inside City of Tacoma	Outside City of Tacoma
	Effective Date	
	1/1/2020	1/1/2020
Average Day	$2.09	$2.51
Peak Day	$2.09	$2.51

Why Now?

TACOMA WATER
TACOMA PUBLIC UTILITIES

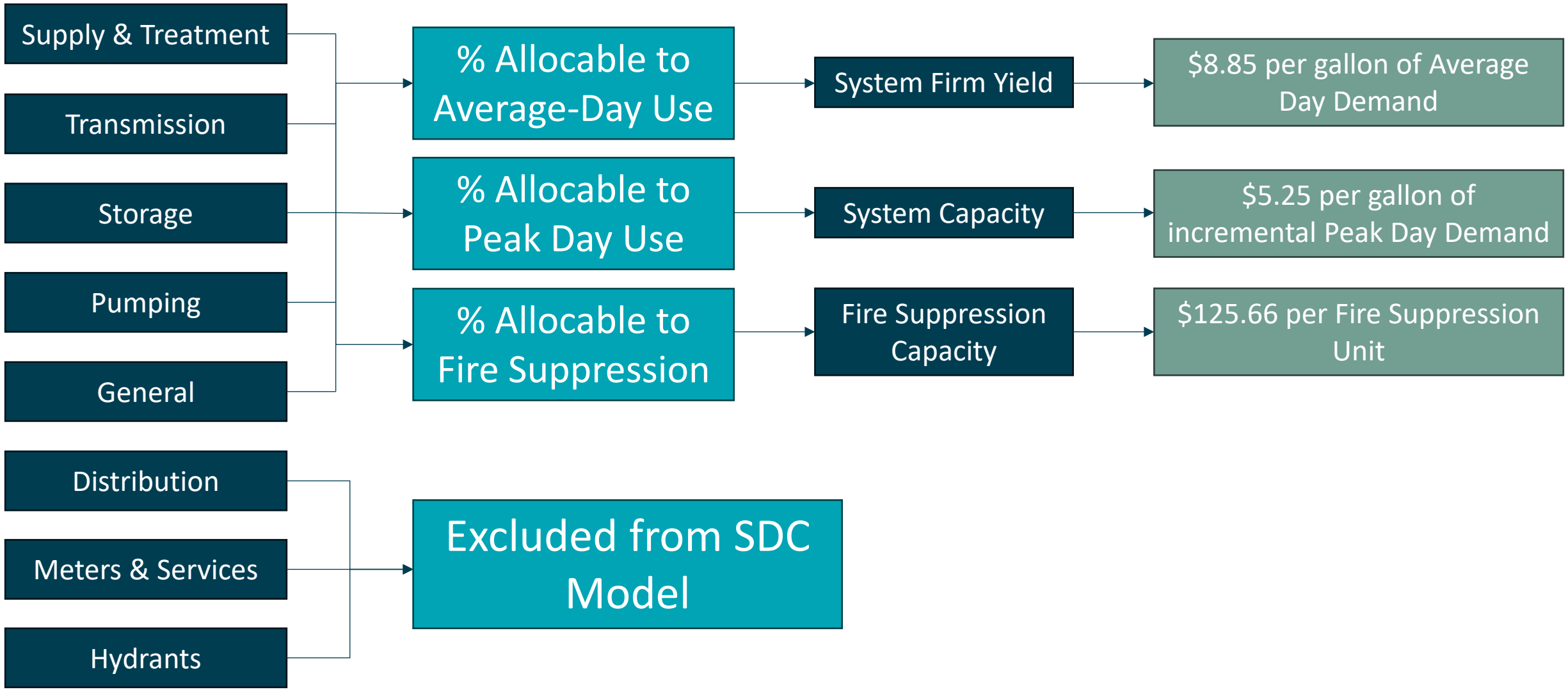
- **Six years since last update.**
- **Advanced Metering (AM) provides new consumption data insights that were not available with previous billing data.**
- **SDC study aligned with system needs through 2030.**
- **Address infrastructure changes and future needs.**
- **Update SDC charge to reflect new capital investments.**
  - Allocable costs of existing facilities and future projects ($304.4 million increase from 2019 calculation.)
  - Increased net investment of $72.0 million in allocable assets from 2020-2024.
  - $109.5 million in interest accrued on allocable infrastructure added after 2019.
- **Recover an equitable share of capital system costs from growth over time.**

SDC Revenue and Use of Funds

- **Total SDC revenue for the five-year period was $12.2 million.**
- **Average Annual SDC Revenue from 2020-2024 was $2.4 million.**
- **$34.5 million spent on capital projects since 2020.**
- **Fund balance decreased from $73.3 million to $57.5 million from 2020-2024 (reduction of $15.8 million.)**

- **Highlights:**
  - $12 million spent on Pinnacle Ridge Tank & Pump Station (WTR-00625.)
  - $5.4 million spent on Service Upgrades & Renewals (WTR-00693.)
  - $4.1 million on main upgrades (WTR-00604.)

Methodology



SDC Example (Residential)

Cost Component	Cost per Unit	Number of Units	Scaling Factor	SDC Component
Average-Day Capacity	$8.85	178 gpd of average day demand	1.00 (5/8” meter)	$1,575.30
Peak-Day Capacity	$5.25	(384 – 178) = 206 gpd of incremental peak	1.00 (5/8” meter)	$1,081.50
Fire Suppression (Pumping)	$12.24	1 meter	1.00 (Flow requirement)	$12.24
Fire Suppression (Storage)	$113.42	1 meter	1.00 (Storage requirement)	$113.42
Total SDC*				$2,782.46

*For visual simplicity, this example rounds all unit costs before calculating the total SDC. The model maintains all decimal positions until the final figure is rounded to the nearest dollar.

SDC Study Results

An accurate multi-family scaling factor has been made possible by AM data and the accessibility of SAP data over the past several years.

Meter Size	Residential*	Commercial	Irrigation
5/8”	$2,785	$4,146	$7,288
3/4"	$4,114	$5,725	$10,932
1”	$6,773	$8,885	$18,221
1 1/2"	$13,420	$16,784	$36,441
2”	$21,397	$26,263	$58,306
3” or Greater	Based on Consumption		

Consumption	Per GPD
Average Day	$8.85
Peak Day	$5.25

*Multi-Family SDC equal to Number of Dwelling Units multiplied by 44% of 5/8” Residential Meter SDC regardless of actual meter size

Fee Schedule Recommendation

TACOMA WATER
TACOMA PUBLIC UTILITIES

- **Phase into SDC study results over 5 years beginning January 1, 2026.**
- **Reevaluate SDC inputs and methodology in 2030.**

Meter Size	Residential					
	1/1/2020	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
5/8"	$ 809	$ 1,204	$ 1,599	$ 1,995	$ 2,390	$ 2,785
3/4"	$ 1,213	$ 1,793	$ 2,373	$ 2,954	$ 3,534	$ 4,114
1"	$ 2,022	$ 2,972	$ 3,922	$ 4,873	$ 5,823	$ 6,773
1 1/2"	$ 4,043	$ 5,918	$ 7,794	$ 9,669	$ 11,545	$ 13,420
2"	$ 6,469	$ 9,455	$ 12,440	$ 15,426	$ 18,411	$ 21,397

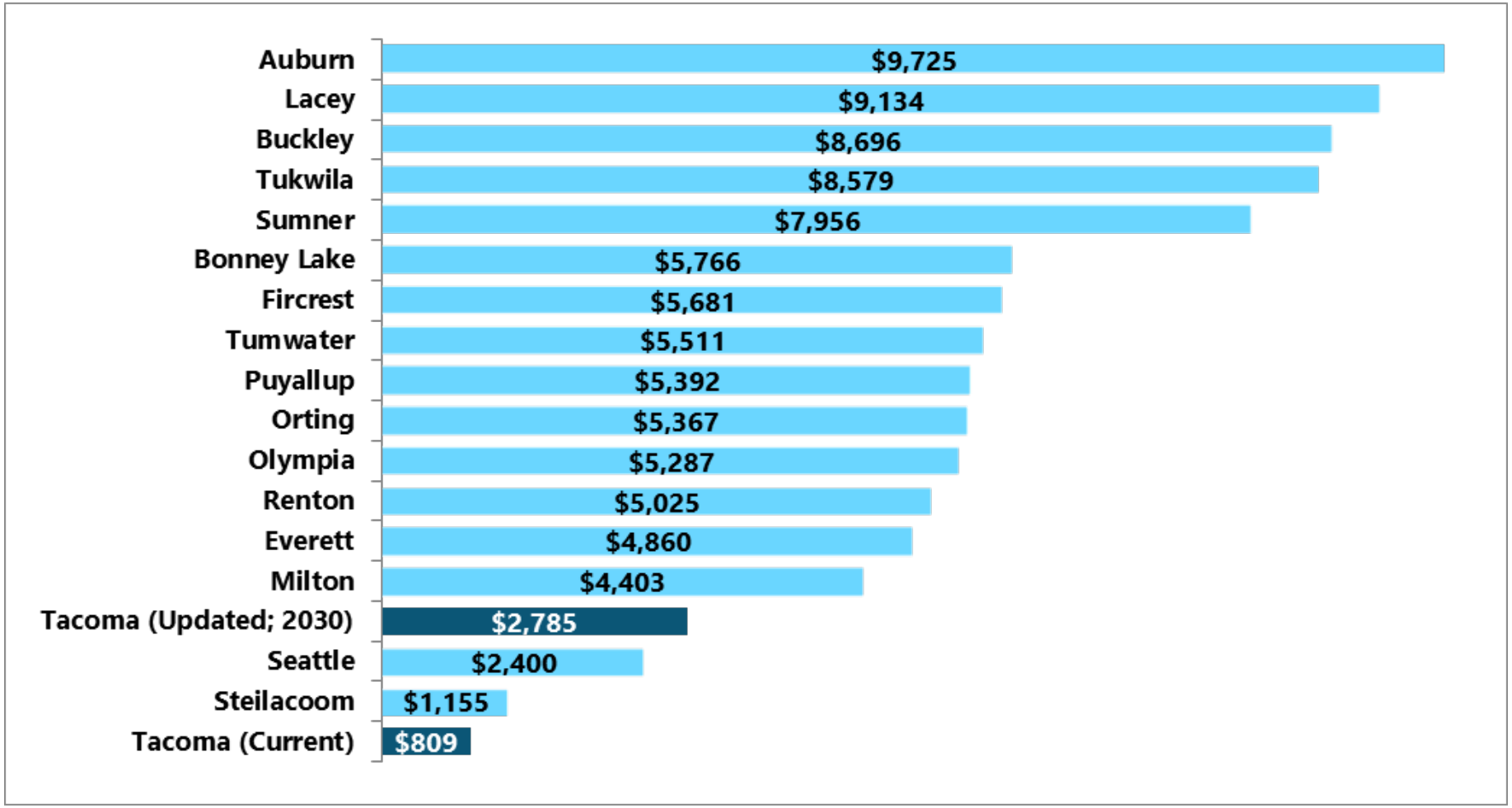
Meter Size	Irrigation					
	1/1/2020	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
5/8"	$ 1,061	$ 2,306	$ 3,552	$ 4,797	$ 6,043	$ 7,288
3/4"	$ 1,592	$ 3,460	$ 5,328	$ 7,196	$ 9,064	$ 10,932
1"	$ 2,653	$ 5,767	$ 8,880	$ 11,994	$ 15,107	$ 18,221
1 1/2"	$ 5,306	$ 11,533	$ 17,760	$ 23,987	$ 30,214	$ 36,441
2"	$ 8,489	$ 18,452	$ 28,416	$ 38,379	$ 48,343	$ 58,306

Meter Size	Commercial					
	1/1/2020	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
5/8"	$ 1,061	$ 1,678	$ 2,295	$ 2,912	$ 3,529	$ 4,146
3/4"	$ 1,592	$ 2,419	$ 3,245	$ 4,072	$ 4,898	$ 5,725
1"	$ 2,653	$ 3,899	$ 5,146	$ 6,392	$ 7,639	$ 8,885
1 1/2"	$ 5,306	$ 7,602	$ 9,897	$ 12,193	$ 14,488	$ 16,784
2"	$ 8,489	$ 12,044	$ 15,599	$ 19,153	$ 22,708	$ 26,263

Consumption	1/1/2020	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
Average Day	$ 2.09	$ 3.44	$ 4.79	$ 6.15	$ 7.50	$ 8.85
Peak Day	$ 2.09	$ 2.72	$ 3.35	$ 3.99	$ 4.62	$ 5.25

Peer Utilities

Comparison of residential water SDC per equivalent unit.

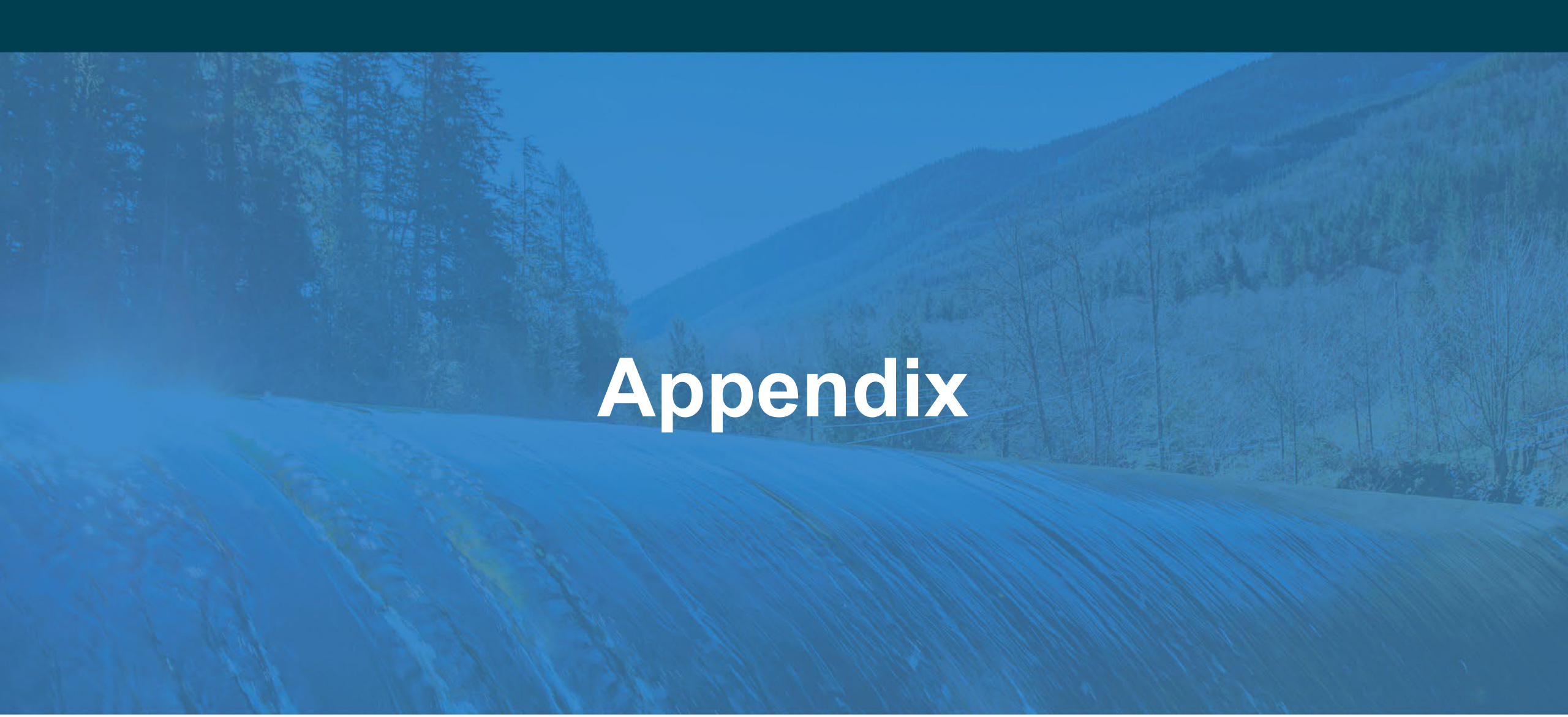


Next Steps

Partner Group	Intended Presentation Date
Master Builder's Association	October 16
PUB Study Session	October 22
GPFC Presentation	November 4
PUB Evening Meeting	November 12
Permit Advisory Group	November 19
Council	TBD; December/January

Questions

TACOMA WATER
TACOMA PUBLIC UTILITIES



Appendix

TACOMA WATER
TACOMA PUBLIC UTILITIES

SDC Example (Commercial)

Cost Component	Cost per Unit	Number of Units	Scaling Factor	SDC Component
Average-Day Capacity	$8.85	279 gpd of average day demand	1.50 (3/4” meter)	$3,703.73
Peak-Day Capacity	$5.25	(411 – 279) = 132 gpd of incremental peak	1.50 (3/4” meter)	$1,039.50
Fire Suppression (Pumping)	$12.24	1 meter	3.33 (Flow requirement)	$40.76
Fire Suppression (Storage)	$113.42	1 meter	8.33 (Storage requirement)	$944.79
Total SDC*				$5,728.78

*For visual simplicity, this example rounds all unit costs before calculating the total SDC. The model maintains all decimal positions until the final figure is rounded to the nearest dollar.

Meter and Fire Suppression Equivalents

Meter Size	Meter Equivalents*
5/8”	1.00
3/4"	1.50
1”	2.50
1 1/2"	5.00
2”	8.00

	Residential	Multi-Family	Commercial	Irrigation
Fire Flow Requirement	1,500 gpm	3,500 gpm	5,000 gpm	0 gpm
Flow Factor	1.00	2.33	3.33	0.00
Required Duration	2 hours	4 hours	5 hours	0 hours
Storage Requirement	180,000 gal	840,000 gal	1,500,000 gal	0 gal
Storage Factor	1.00	4.67	8.33	0.00

**Based on maximum safe operating flow according to the American Water Works Association*