

# 2021-2026 Strategic Business Plan Seattle Public Utilities

Seattle City Council  
Transportation and Utilities Committee

April 7, 2021



City of Seattle

# Centering On Our Community's Values

**Service** | **Sustainability** | **Equity** | **Affordability**

Building upon our city's legacy of water and waste leadership + informed by:

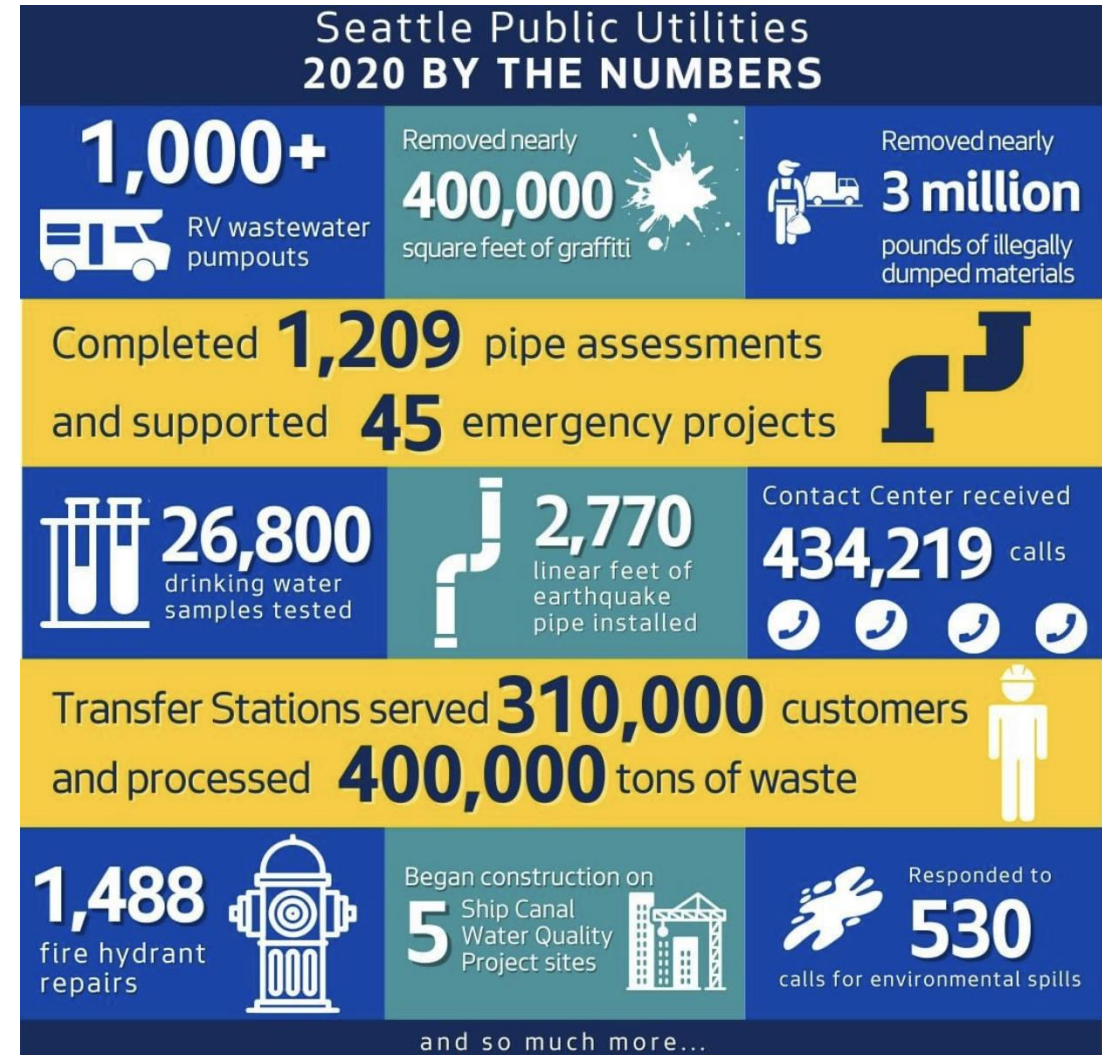
- 21 meetings of the Customer Review Panel over 2 ¼ years
- Shaping the Future employee leadership forums
- Voice of the Community research - 28 relevant surveys
- Community and employee outreach
- Business interviews



# SPU's PLAN: DELIVERS ESSENTIAL SERVICE

## Highlights:

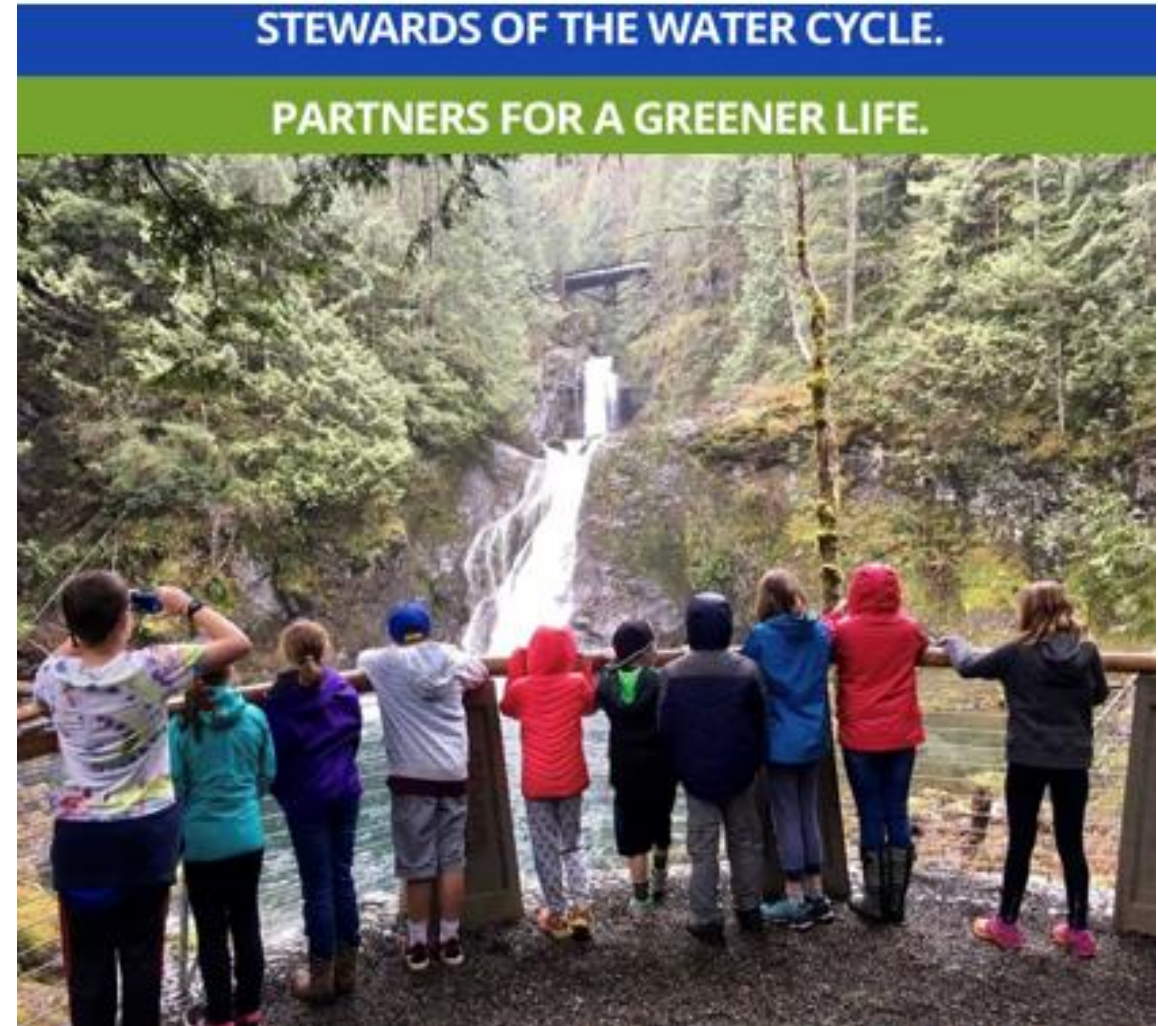
1. Best in-class customer assistance programs
2. Reliable utility service experience
3. Meet regulatory requirements



# SPU's PLAN: GROWS SUSTAINABILITY

## Highlights:

1. Blue-green infrastructure + restoration
2. Water climate adaptation + environmental justice
3. Waste prevention + carbon mitigation



# SPU's PLAN: PRIORITIZES EQUITY

## Highlights:

1. Side sewer assistance pilot
2. SPU support services for the unsheltered
3. Apprenticeship + workforce development



EARN WHILE YOU LEARN

**DRAINAGE & WASTEWATER  
COLLECTION WORKER  
APPRENTICESHIP**

APPLY BY MARCH 31, 2021

 Seattle  
Public  
Utilities



# SPU's PLAN: MANAGES AFFORDABILITY

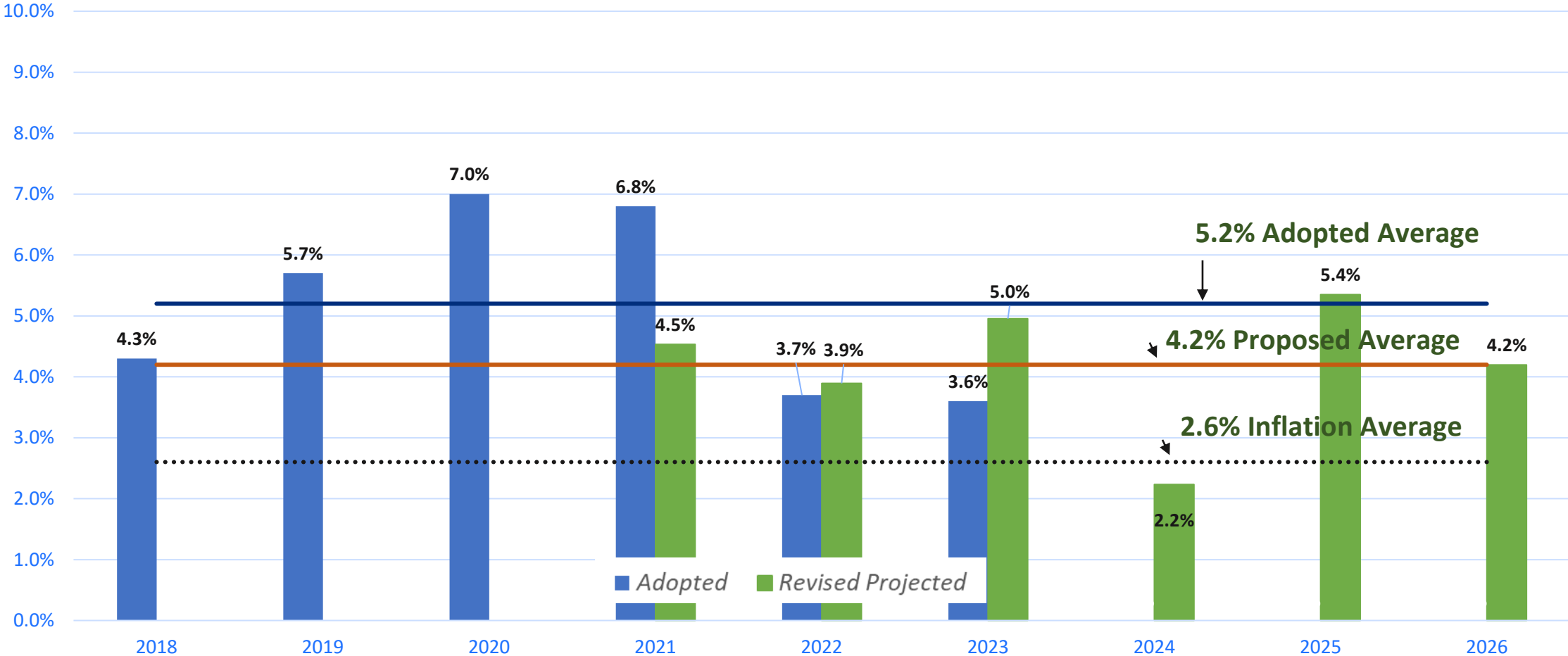
## Highlights:

1. Project budgeting and delivery improvements
2. Seismic and infrastructure risk management
3. Building community partnership



# Lowering Our Overall Rate Path by 20%

2021-2026 Growth rate is projected at 4.2% - 20% lower than the previously planned growth rate of 5.2%



# 3-Year Rate Path and Additional 3-Year Forecast

	Rate Path			Rate Forecast			Average
	2021	2022	2023	2024	2025	2026	
Water	0.0%	2.7%	4.7%	3.6%	4.2%	5.5%	<b>3.4%</b>
Wastewater	7.3%	3.1%	5.9%	0.5%	7.8%	3.6%	<b>4.7%</b>
Drainage	7.4%	8.6%	7.2%	3.9%	6.5%	6.7%	<b>6.7%</b>
Solid Waste	2.9%	2.9%	2.2%	2.3%	2.1%	2.1%	<b>2.4%</b>
<b>Combined</b>	<b>4.5%</b>	<b>3.9%</b>	<b>5.0%</b>	<b>2.2%</b>	<b>5.4%</b>	<b>4.2%</b>	<b>4.2%</b>

- Key Factors Impacting Rates**
- Inflation
  - Taxes
  - Regulation
  - Contracts - KC
  - Aging Infrastructure

 Approved rate legislation that is currently in effect

Note: Sewer rate increases include King County Treatment Rate Increases in 2021, 2022, 2023, 2025. Drainage and Wastewater rate volatility is driven by timing related to a combination of capital spending, sewer treatment rate increases, and financial policy constraints. Rates assume average inflation of 2.6% over the Plan period.



# Rate Drivers

## Increasing operational expenses

- Some cost pools have higher inflation than the benchmark 2.6%. Examples include labor and healthcare costs.

## Increasing capital expense

- State and Federal regulatory compliance projects
- Maintenance of aging capital infrastructure

## Increasing contractual obligations

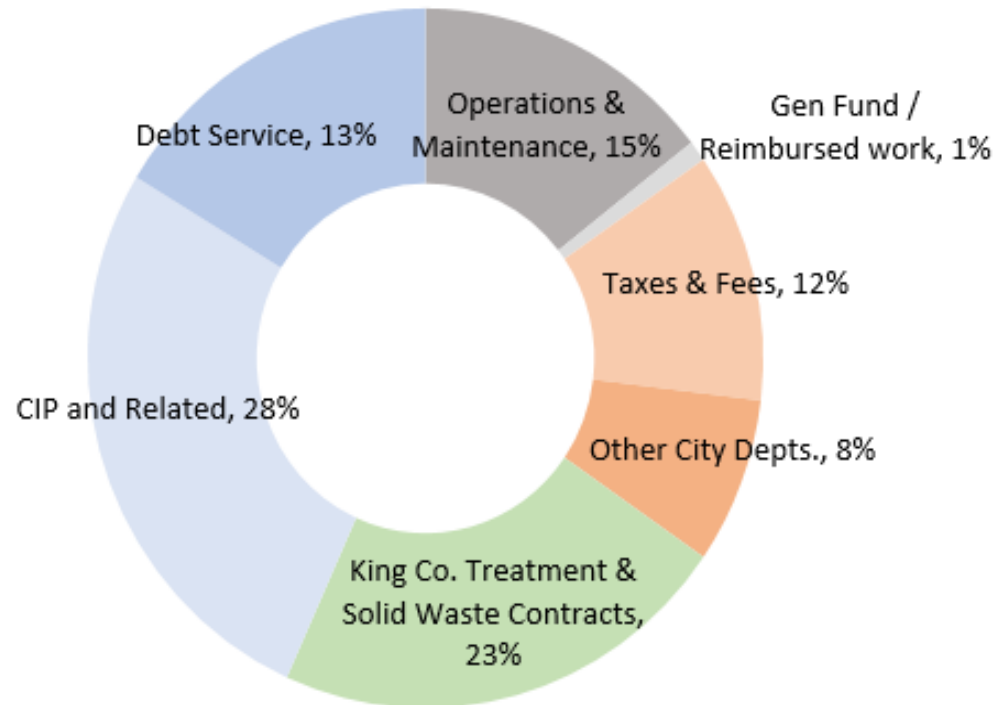
- King County sewer treatment expense



# 2021-2023 Expenses by Category

## Costs Summary

Capital/Debt Service: 41%  
Major Service Contracts: 23%  
Taxes/Fees/Other City Depts.: 20%  
Operations & Maintenance: 16%



SPU costs are still largely fixed or with little discretionary control. Factors that are increasing costs include:

- Higher than expected increases in King County wastewater treatment charges to cities
- Funding for large capital projects required for state and federal regulatory compliance
- Targeted funding increases to address deferred maintenance of aging capital assets
- Increased commitment to keep pollutants out of our natural waters

# State and Local Taxes Included in Rates

Entity	Type	Water	Wastewater	Drainage	Solid Waste
City	Utility Tax	15.54%	11.50%	12.00%	14.20%
	B&O Tax	0.22%	--	--	--
	Tonnage Tax	--	--	--	\$13.27/ton
State	Utility Tax	5.03%	3.85%	--	--
	B&O Tax	1.50%	1.50%	1.50%	1.50%
	Solid Waste Tax	--	--	--	3.60%
<b>Combined Tax Impact</b>		<b>20.57%</b>	<b>13.20%</b>	<b>13%</b>	<b>15.30%</b>
<b>Typical SF Monthly Bill Impact*</b>		<b>\$9.40</b>	<b>\$9.54</b>	<b>\$6.49</b>	<b>\$8.38</b>

\*Current tax rates are not projected to change through the SBP period. In 2021, SPU is projected to pay \$123M in City taxes.

# Customer Bill - Combined Impact

Typical monthly bill for several types of customers in 2021:

- single family home – change of \$15
- multi-family unit – change of \$4
- convenience store property – change of \$38

**Typical Monthly Bill for a Single-Family House**

	2021	2022	2023	2024	2025	2026
Water	\$46	\$47	\$49	\$51	\$53	\$56
Wastewater	\$72	\$75	\$79	\$79	\$85	\$89
Drainage	\$50	\$54	\$58	\$60	\$64	\$69
Solid Waste	\$55	\$56	\$58	\$59	\$60	\$61
<b>Combined</b>	<b>\$223</b>	<b>\$232</b>	<b>\$244</b>	<b>\$250</b>	<b>\$263</b>	<b>\$275</b>
<b>Monthly Change</b>	<b>\$15</b>	<b>\$9</b>	<b>\$12</b>	<b>\$6</b>	<b>\$13</b>	<b>\$12</b>

**Typical Monthly Bill for a Multifamily Unit (Apartment Building)**

	2021	2022	2023	2024	2025	2026
Water	\$25	\$26	\$27	\$28	\$29	\$31
Wastewater	\$65	\$67	\$71	\$71	\$77	\$80
Drainage	\$9	\$10	\$11	\$11	\$12	\$13
Solid Waste	\$28	\$29	\$30	\$30	\$31	\$32
<b>Combined</b>	<b>\$127</b>	<b>\$132</b>	<b>\$138</b>	<b>\$141</b>	<b>\$149</b>	<b>\$155</b>
<b>Monthly Change</b>	<b>\$4</b>	<b>\$4</b>	<b>\$7</b>	<b>\$2</b>	<b>\$8</b>	<b>\$6</b>

**Typical Monthly Bill for a Convenience Store**

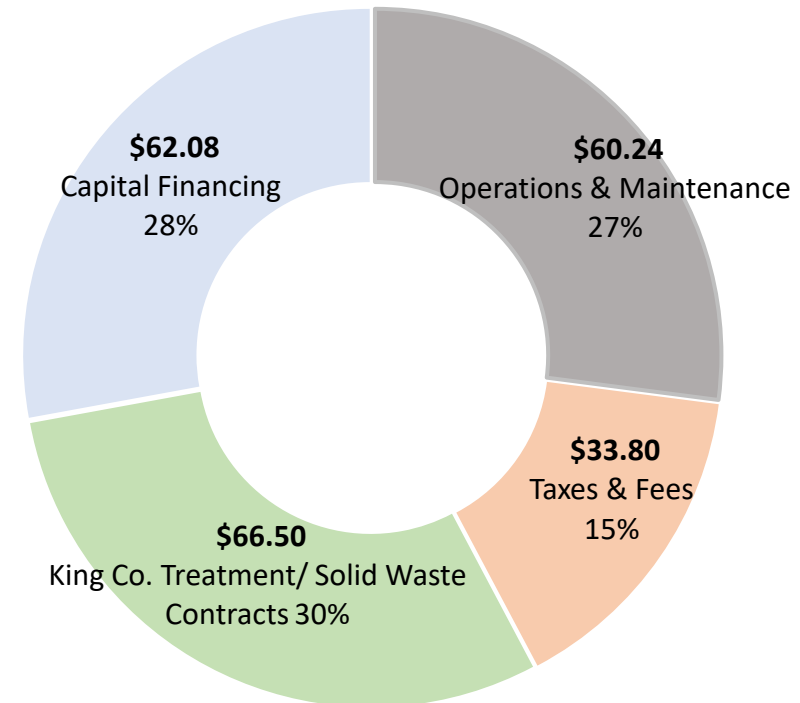
	2021	2022	2023	2024	2025	2026
Water	\$107	\$110	\$115	\$120	\$125	\$131
Wastewater	\$325	\$335	\$355	\$357	\$385	\$399
Drainage	\$121	\$131	\$140	\$146	\$155	\$166
Solid Waste	\$556	\$573	\$585	\$599	\$611	\$623
<b>Combined</b>	<b>\$1,109</b>	<b>\$1,149</b>	<b>\$1,196</b>	<b>\$1,221</b>	<b>\$1,275</b>	<b>\$1,319</b>
<b>Monthly Change</b>	<b>\$38</b>	<b>\$40</b>	<b>\$47</b>	<b>\$25</b>	<b>\$55</b>	<b>\$44</b>



# Where the Money Goes

## Typical Customer Bill Breakout

Single Family home  
monthly Bill: \$222.62



# Lower CIP Accomplishment Rates

- The accomplishment rate reflects assumed CIP underspending and is applied to the rate assumptions so that the Utility does not over collect from ratepayers.
- The 2018-2023 SBP included a 97.5% accomplishment rate assumption.
- Over the next six years, the Utility would assume approximately \$222M less for its rate studies and bonding capacity, a savings to ratepayers.

Fund	2018-2023 CIP Accomp. Rate	2021-2026 CIP Accomp. Rate	Rates Reduction Impact
Water Fund	97.5%	85%	\$93M
Drainage and Wastewater Fund	97.5%	85% 95% for Ship Canal	\$120M
Solid Waste Fund	97.5%	90%	\$9M



# Promoting Affordability Assistance

- Utility Discount Program enrollment – self certification/audit
- Emergency Assistance Program
- Conservation assistance
- Community donation program
- Leak adjustment policy changes
- COVID – payment plan flexibility, shut-off moratorium



# Questions?