

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Seattle Public Utilities	Paul Hanna / 4-7752	

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title:

AN ORDINANCE relating to rates and charges for water services of Seattle Public Utilities; revising water rates and charges, and credits to low-income customers; and amending Sections 21.04.430, 21.04.440, and 21.76.040 of the Seattle Municipal Code.

Summary and background of the Legislation:

This ordinance would revise retail water rates for residential, general service, and public fire customers and adjust low-income assistance credits for water customers. This ordinance would also add new rate schedules for customers in Burien and Mercer Island to reflect new utility taxes in those jurisdictions. It would adjust rates to meet financial policy targets and requirements driven by spending decisions.

Water Fund rate studies typically occur on a 3-year review cycle. SPU held water rates at the 2020 level (no change for 2021) due to the coronavirus pandemic. As a result, this legislation is out of schedule with the proposal cycle as the Fund delayed rate revisions to 2022. This legislation proposes two years of increases, and the next proposal is planned to be on the regular 3-year schedule. This proposal revises rates for 2022 and 2023.

In April 2021, the City Council reviewed and adopted Resolution 32000, which approved SPU’s 2021-2026 Strategic Business Plan (SBP). As part of the SBP, SPU estimates the rate path for each line of business and follows up with legislation to formally adopt the rates. This legislation formally adopts the Water Fund rates. As a comparison to the SBP, please see the following table:

Retail Rate Adjustment Summary

	2021	2022	2023	2024	2025	2026	AVG
SBP RATE PATH	0.0%	2.7%	4.7%	3.6%	4.2%	5.5%	3.4%
RATE STUDY PROPOSAL	0.0%	2.6%	3.6%	4.0%	4.7%	3.6%	3.1%

The rate study proposal is slightly lower for 2022-23 and the 6-year average than the SBP estimated rate path because of updates to a variety of items, e.g., wholesale revenue, consumption, UDP participation, and capital spending.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes X No

Appropriation change (\$):	General Fund \$		Other \$	
	2021	2022	2021	2022
	\$0	\$0	\$0	\$0
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2021	2022	2021	2022
	\$0	\$0	\$0	\$6,988,668
Positions affected:	No. of Positions		Total FTE Change	
	2021	2022	2021	2022
	0	0	0	0

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

The proposed rate revisions will change rates in 2022 and 2023. The increase to SPU revenue, in addition to the above, is approximately \$9,088,810 in 2023.

Is there financial cost or other impacts of *not* implementing the legislation?

The Water Fund would not fully recover the cost of its business operations and meet financial policy targets. In May 2021, Moody’s upgraded the Water Fund bond rating to ‘Aaa.’ Not implementing this legislation may result in that upgrade being revoked, and a possible further downgrade. Revoking the new Aaa rating, or other rating downgrades, would increase the cost of borrowing.

3.b. Revenues/Reimbursements

X This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2021 Revenue	2022 Estimated Revenue
43000 – Water Fund	SPU	Water Sales	\$0	\$6,988,668
TOTAL				

Is this change one-time or ongoing?

Ongoing. This legislation is part of the process for reviewing and updating retail water rates. This is typically completed every three years. This legislation is out of schedule as the Fund delayed rate increases from 2021 to 2022 in response to the coronavirus pandemic. This legislation proposes two years of increases, and the next proposal is planned to be on the regular 3-year schedule.

Revenue/Reimbursement Notes:

Under Seattle Municipal Code, SPU's Water Fund must pay the City a 15.54% tax on retail water rates revenue. This means that of the additional estimated \$7.0 million this legislation generates for SPU, approximately \$1.1 million would be paid to the City's General Fund through utility taxes.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

Several City departments incur water costs. Water fees for these departments will increase commensurate with the rate increases proposed in this legislation. The impacted departments include: Seattle Center, the City Budget Office, Seattle City Light, Department of Neighborhoods, Seattle Department of Transportation, Seattle Fire Department, Department of Finance and Administrative Services, Department of Parks and Recreation, Seattle Police Department, Seattle Public Utilities, and Seattle Library.

In addition, the City's General Fund receives a bill for public fire service, which is sometimes called 'hydrant' service. This bill will increase from \$9,966,312 in 2021 to \$11,604,216 in 2022, and to \$12,012,801 in 2023.

b. Is a public hearing required for this legislation?

No.

c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

d. Does this legislation affect a piece of property?

No.

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?

This legislation will increase the cost of living for residents and increase operating expenses for businesses in the retail service area. These increases will have a disproportionate impact on customers that use more water, low-income customers, and small businesses. SPU has initiated a long-term project to address affordability issues through the Accountability and Affordability Strategic Plan and the Strategic Business Plan.

This legislation also adjusts low-income credits for residents that are not direct customers of SPU and pay utilities through rent.

SPU did extensive outreach for the Strategic Business Plan, which included similar rate increases. SBP outreach included a significant Ethnic Media component with in-language

advertising targeting Spanish, Chinese, Korean, and Somali speakers.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

No.

2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

No.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).

N/A

List attachments/exhibits below:

Summary Exhibit A – 2022-23 Retail Water Rate Study