SEATTLE CITY COUNCIL

Parks, Public Utilities, and Technology Committee

Agenda

Wednesday, July 24, 2024

2:00 PM

Council Chamber, City Hall
600 4th Avenue
Seattle, WA 98104

Joy Hollingsworth, Chair
Sara Nelson, Vice-Chair
Robert Kettle, Member
Maritza Rivera, Member
Dan Strauss, Member

Chair Info: 206-684-8803; Joy.Hollingsworth@seattle.gov

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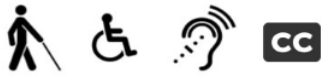


SEATTLE CITY COUNCIL

Parks, Public Utilities, and Technology Committee
Agenda
July 24, 2024 - 2:00 PM

Meeting Location:
Council Chamber, City Hall , 600 4th Avenue , Seattle, WA 98104

Committee Website:
https://www.seattle.gov/council/committees/parks-public-utilities-and-technology-x154106

This meeting also constitutes a meeting of the City Council, provided that the meeting shall be conducted as a committee meeting under the Council Rules and Procedures, and Council action shall be limited to committee business.

Members of the public may register for remote or in-person Public Comment to address the Council. Details on how to provide Public Comment are listed below:

Remote Public Comment - Register online to speak during the Public Comment period at the meeting at https://www.seattle.gov/council/committees/public-comment
Online registration to speak will begin one hour before the meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

In-Person Public Comment - Register to speak on the Public Comment sign-up sheet located inside Council Chambers at least 15 minutes prior to the meeting start time. Registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

Pursuant to Council Rule VI.C.10, members of the public providing public comment in Chambers will be broadcast via Seattle Channel.

Submit written comments to Councilmembers at Council@seattle.gov

Please Note: Times listed are estimated

A. Call To Order

B. Approval of the Agenda

C. Public Comment

D. Items of Business

1. Res 32140 **A RESOLUTION relating to Seattle Parks and Recreation; authorizing the Superintendent of Parks and Recreation to act as the authorized representative/agent on behalf of The City of Seattle and to legally bind The City of Seattle with respect to certain projects for which the City seeks grant funding assistance managed through the Washington State Recreation and Conservation Office.**

Supporting Documents:

Summary and Fiscal Note
Summary Att A - Park Boundary Maps
Presentation

Briefing, Discussion, and Possible Vote (30 minutes)

Presenters: Moshe Hecht and Christopher Williams, Seattle Parks and Recreation

2. CB 120810 **AN ORDINANCE relating to Seattle Public Utilities; authorizing the General Manager and Chief Executive Officer of Seattle Public Utilities to submit for approval to the U.S. District Court for the Western District of Washington a First Material Modification to the 2013 Consent Decree entered into by the United States Environmental Protection Agency, the State of Washington Department of Ecology, and The City of Seattle in Civil Action No. 2:13-cv-00678, and to fulfill the obligations set forth therein.**

Attachments: Att 1 - First Material Modification to Consent Decree

Supporting Documents: Summary and Fiscal Note
Presentation

Briefing, Discussion, and Possible Vote (20 minutes)

Presenters: Leslie Webster and Melissa Ivancevich, Seattle Public Utilities

3. CB 120819 **AN ORDINANCE relating to drainage services of Seattle Public Utilities; adjusting drainage rates; and amending Sections 21.33.010, 21.33.030, 21.33.040, 21.33.050, and 21.33.090 of the Seattle Municipal Code to reflect adjusted rates.**

Supporting Documents: Summary and Fiscal Note
Summary Ex A – Drainage and Wastewater Rate Study
Presentation

Briefing and Discussion (20 minutes)

Presenters: Paula Laschober and Karl Stickel Seattle Public Utilities

4. CB 120820 **AN ORDINANCE relating to wastewater services of Seattle Public Utilities; adjusting wastewater rates; and amending Section 21.28.040 of the Seattle Municipal Code to reflect adjusted rates.**

Supporting Documents:
Summary and Fiscal Note
Summary Ex A – 2025-2027 Drainage and Wastewater Rate Study
Presentation

Briefing and Discussion (20 minutes)

Presenters: Paula Laschober and Karl Stickel, Seattle Public Utilities

E. Adjournment

File #: Res 32140, **Version:** 1

CITY OF SEATTLE

RESOLUTION _____

A RESOLUTION relating to Seattle Parks and Recreation; authorizing the Superintendent of Parks and Recreation to act as the authorized representative/agent on behalf of The City of Seattle and to legally bind The City of Seattle with respect to certain projects for which the City seeks grant funding assistance managed through the Washington State Recreation and Conservation Office.

WHEREAS, State grant assistance is requested by The City of Seattle ("City") to aid in financing the cost of the following projects to be administered by Seattle Parks and Recreation:

Smith Cove Playfield Conversion;

Walt Hundley Playfield Replacement and ADA;

Dr. Jose Rizal Park Renovation;

Hutchinson Playground Renovation; and

Lake City Floodplain Park Development; and

WHEREAS, on May 1, 2024, the Seattle City Council passed Resolution 32135 adopting the City's 2024 Parks and Open Space Plan; and

WHEREAS, the projects are included in Seattle Parks and Recreation's Asset Management Plan, the 2024 Parks and Open Space Plan, the 2022-2028 Capital Improvement Program, and/or the Seattle Park District Major Maintenance Plan; and

WHEREAS, State grant assistance is requested by Seattle Parks and Recreation to aid in financing the cost of the projects referenced above; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. The City of Seattle (for the purposes of this resolution, "we/us/our" or "the City") has applied for or intends to apply to the State of Washington for funding assistance managed by the State Recreation and Conservation Office (Office) for the following projects:

Smith Cove Playfield Conversion;

Walt Hundley Playfield Replacement and ADA;

Dr. Jose Rizal Park Renovation;

Hutchinson Playground Renovation; and

Lake City Floodplain Park Development.

Section 2. The City of Seattle authorizes the following person or persons holding specified titles/positions (and subsequent holders of those titles/positions) to execute the following documents binding the City regarding the projects in Section 1 of this resolution:

Grant document	**Name of signatory or title of person authorized to sign**
Grant application (submission thereof)	Moshe Hecht / Sr. Funds and Contracts Coordinator, Seattle Parks and Recreation
Project contact (day-to-day administering of the grant and communicating with the RCO)	Moshe Hecht / Sr. Funds and Contracts Coordinator, Seattle Parks and Recreation
RCO Grant Agreement (Agreement)	Anthony Paul Diaz / Superintendent, Seattle Parks and Recreation. Alternate signers include the Deputy Superintendent\Chief of Staff and the Deputy Superintendent of Planning and Capital Development.
Agreement amendments	Anthony Paul Diaz / Superintendent, Seattle Parks and Recreation. Alternate signers include the Deputy Superintendent\Chief of Staff and the Deputy Superintendent of Planning and Capital Development.
Authorizing property and real estate documents (Notice of Grant, Deed of Right or Assignment of Rights if applicable). These are items that are typically recorded on the property with the county.	Anthony Paul Diaz / Superintendent, Seattle Parks and Recreation. Alternate signers include the Deputy Superintendent\Chief of Staff and the Deputy Superintendent of Planning and Capital Development.

The above persons are considered an "authorized representative(s)/agent(s)" for purposes of the documents indicated. The City of Seattle shall comply with a request from the Office to provide documentation of persons who may be authorized to execute documents related to the grant.

Section 3. The City has reviewed the sample Grant Agreement on the Recreation and Conservation Office's website at: https://rco.wa.gov/wp-content/uploads/2019/06/SampleProjAgreement.pdf. We understand and acknowledge that if offered an agreement to sign in the future, it will contain an indemnification and legal venue stipulation and other terms and conditions substantially in the form contained in the sample Agreement and that such terms and conditions of any signed Agreement shall be legally binding on the sponsor if our representative/agent enters into an Agreement on our behalf. The Office reserves the right to revise the Agreement prior to execution.

Section 4. The City of Seattle acknowledges and warrants, after conferring with its legal counsel, that its authorized representative(s)/agent(s) have full legal authority to act and sign on behalf of the organization for their assigned role/document.

Section 5. Grant assistance is contingent on a signed Agreement. Entering into any Agreement with the Office is purely voluntary on our part.

Section 6. The City understands that grant policies and requirements vary depending on the grant program applied to, the grant program and source of funding in the Agreement, the characteristics of the project, and the characteristics of the City.

Section 7. The City further understands that prior to our authorized representative(s)/agent(s) executing any of the documents listed above, the Office may make revisions to its sample Agreement and that such revisions could include the indemnification and the legal venue stipulation. The City accepts the legal obligation that we shall, prior to execution of the Agreement(s), confer with our authorized representative (s)/agent(s) as to any revisions to the project Agreement from that of the sample Agreement. We also

acknowledge and accept that if our authorized representative(s)/agent(s) executes the Agreement(s) with any such revisions, all terms and conditions of the executed Agreement shall be conclusively deemed to be executed with our authorization.

Section 8. Any grant assistance received will be used for only direct eligible and allowable costs that are reasonable and necessary to implement the projects referenced above.

Section 9. If match is required for the grant, we understand the City must certify the availability of match at least one month before funding approval. In addition, the City understands it is responsible for supporting all non-cash matching share commitments to these projects should they not materialize.

Section 10. The City of Seattle acknowledges that if it receives grant funds managed by the Office, the Office will pay us on a reimbursement basis. We understand reimbursement basis means that we will only request payment from the Office after we incur grant eligible and allowable costs and pay them. The Office may also determine an amount of retainage and hold that amount until all project deliverables, grant reports, or other responsibilities are completed.

Section 11. The City of Seattle acknowledges that any property owned by the City that is developed, renovated, enhanced, or restored with grant assistance must be dedicated for the purpose of the grant in perpetuity unless otherwise allowed by grant program policy, or the Office in writing and per the Agreement or an amendment thereto.

Section 12. The City of Seattle acknowledges that any property not owned by the City that is developed, renovated, enhanced, or restored with grant assistance must be dedicated for the purpose of the grant as required by grant program policies unless otherwise provided for per the Agreement or an amendment thereto.

Section 13. The City certifies that the projects do not conflict with the Puget Sound Action Agenda developed by the Puget Sound Partnership under RCW 90.71.310.

Section 14. This resolution/authorization is deemed to be part of the formal grant application to the Office.

Section 15. The City warrants and certifies that this resolution/authorization was properly and lawfully adopted following the requirements of the City and applicable laws and policies and that the City has full legal authority to commit the City to the warranties, certifications, promises and obligations set forth in this resolution.

Adopted by the City Council the _____ day of _____, 2024, and signed by me in open session in authentication of its adoption this _____ day of _____, 2024.

_____

President _____ of the City Council

The Mayor concurred the _____ day of _____, 2024.

_____

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2024.

_____

Scheereen Dedman, City Clerk

(Seal)

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
Parks and Recreation	Moshe Hecht	Alex Rouse

1. BILL SUMMARY

Legislation Title: A RESOLUTION relating to Seattle Parks and Recreation; authorizing the Superintendent of Parks and Recreation to act as the authorized representative/agent on behalf of Seattle Parks and Recreation and to legally bind The City of Seattle with respect to certain projects for which the City seeks grant funding assistance managed through the Washington State Recreation and Conservation Office.

Summary and Background of the Legislation: This proposed legislation authorizes Seattle Parks and Recreation (SPR) to submit grant applications to the State of Washington Recreation and Conservation Office (RCO) for State funding assistance for the projects and amounts listed in the table below. This resolution is required as part of the formal RCO grant application process.

Improvements potentially funded by the RCO grant and City or other match sources are listed in the table below.

Project Name / Brief Description	RCO Program Category	Grant Request	Local Match	Total*
Smith Cove Playfield – Playfield conversion project grass to synthetic and ADA and accessibility improvements.	Youth Athletic Facilities (YAF)	$634,081	$1,177,579	$1,811,660
Walt Hundley Playfield – Playfield replacement and ADA and accessibility improvements.	Youth Athletic Facilities (YAF)	$1,400,448	$1,468,780	$2,869,228
Dr. Jose Rizal - Renovate the upper section enhancing its amenities and overall experience for visitors including ADA and accessibility improvements.	Land & Water Conservation Fund (LWCF)	$1,873,546	$1,375,000	$3,748,546
	WA Wildlife & Recreation Program (WWRP)	$500,000		
Hutchinson Park - A complete park renovation project that includes a new play area for ages two and up, resurfaced sport courts, basketball court reconstruction, playfield repair,	Community Outdoor Athletic Facilities (COAF)	$1,200,000	$231,866	$4,900,081
	Land & Water Conservation Fund (LWCF)	$2,000,000		

enhanced natural areas, and pathway, entrance, and other related improvements to meet accessibility standards and improve safety.	WA Wildlife & Recreation Program (WWRP)	$500,000		
	Youth Athletic Facilities (YAF)	$968,215		
Lake City Floodplain Park – The project will develop a floodplain reconnection benefiting water quality, in-stream, and riparian habitat, manage on-site stormwater, and create an accessible natural area for the Lake City community	Land & Water Conservation Fund (LWCF)	$1,100,000	$600,000	$2,200,000
	WA Wildlife & Recreation Program (WWRP)	$500,000		
	Total	$10,676,290	$4,853,225	$15,529,515

* *May not reflect total project cost.*

The RCO grants require a local match and will only fund projects that are included in an adopted plan. The recommended projects meet both criteria, as they are either included in the 2017 and 2024 Parks and Open Space Plans, the 2016-2021 Capital Improvement Program and/or the Seattle Park District Major Maintenance Plan. SPR's required matching funds for the projects are appropriated in SPR's 2023-2028 Capital Improvement Program.

RCO will announce the grant award recommendations in Q1 2025, but the actual grant awards will not be contracted until Q4 2025. RCO funding will support currently unfunded project elements.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ **Yes** ☒ **No**

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☐ **Yes** ☒ **No**

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.
No

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.
N/A

Please describe any financial costs or other impacts of *not* implementing the legislation.
This legislation allows SPR to seek grant funding. SPR has historically been successful in securing grant funding from RCO. The implications of not seeking this grant funding means there are fewer resources to complete CIP projects, putting greater pressure on existing City funding.

4. OTHER IMPLICATIONS

a. Please describe how this legislation may affect any departments besides the originating department.
N/A

b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.
Yes. As a condition of the grant agreements, the properties must be maintained in perpetuity for the purposes for which the funding was sought. A notice of grant will be placed on title of all successful LWCF grants.

c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.
All these projects, with the exception of Smith Cove, are in diverse and historically under-served communities. All projects serve communities beyond their immediate vicinity and completion of these projects will ensure that these parks are open and accessible to all. SPR has conducted robust outreach efforts with affected communities to solicit input on design.

ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.
Not applicable. See above.

iii. What is the Language Access Plan for any communications to the public?
Not applicable. See above.

d. Climate Change Implications

i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.
There are no anticipated changes in carbon emissions.

ii. 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.
The legislation will allow SPR to seek grants to fully fund projects as designed. As designed currently, Fred Hutchinson Park redevelopment project includes plans to increase tree canopy to mitigate urban heat island effects. Lake City Floodplain Park project will remove creek armoring by removing hardscapes allowing water to seep back into the soil and prevent flooding, along a stretch of Thornton Creek and reconnect the river to its natural floodplain.

e. 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)? What mechanisms will be used to measure progress towards meeting those goals?
N/A

5. CHECKLIST

☐ **Is a public hearing required?** No.

☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?** No.

☐ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?** N/A

☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?** N/A

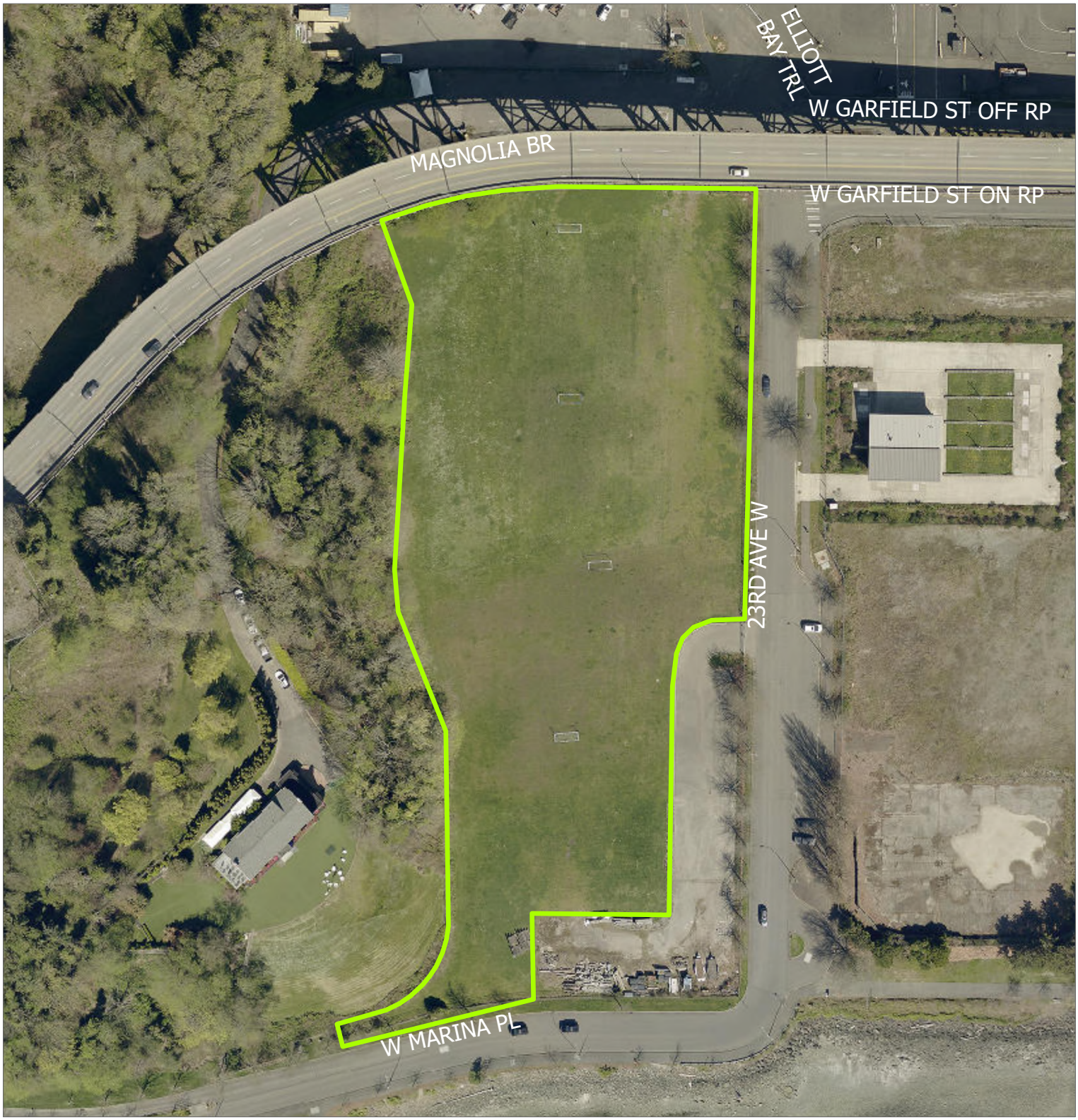
6. ATTACHMENTS

Summary Attachments:
Summary Attachment A – Park Boundary Maps

Seattle Parks & Recreation

Smith Cove Park Playfield Conversion

1450 23rd Ave W, Seattle, WA 98199



DRAFT BOUNDARY MAP

Project Boundary (3.38 Acres)

N

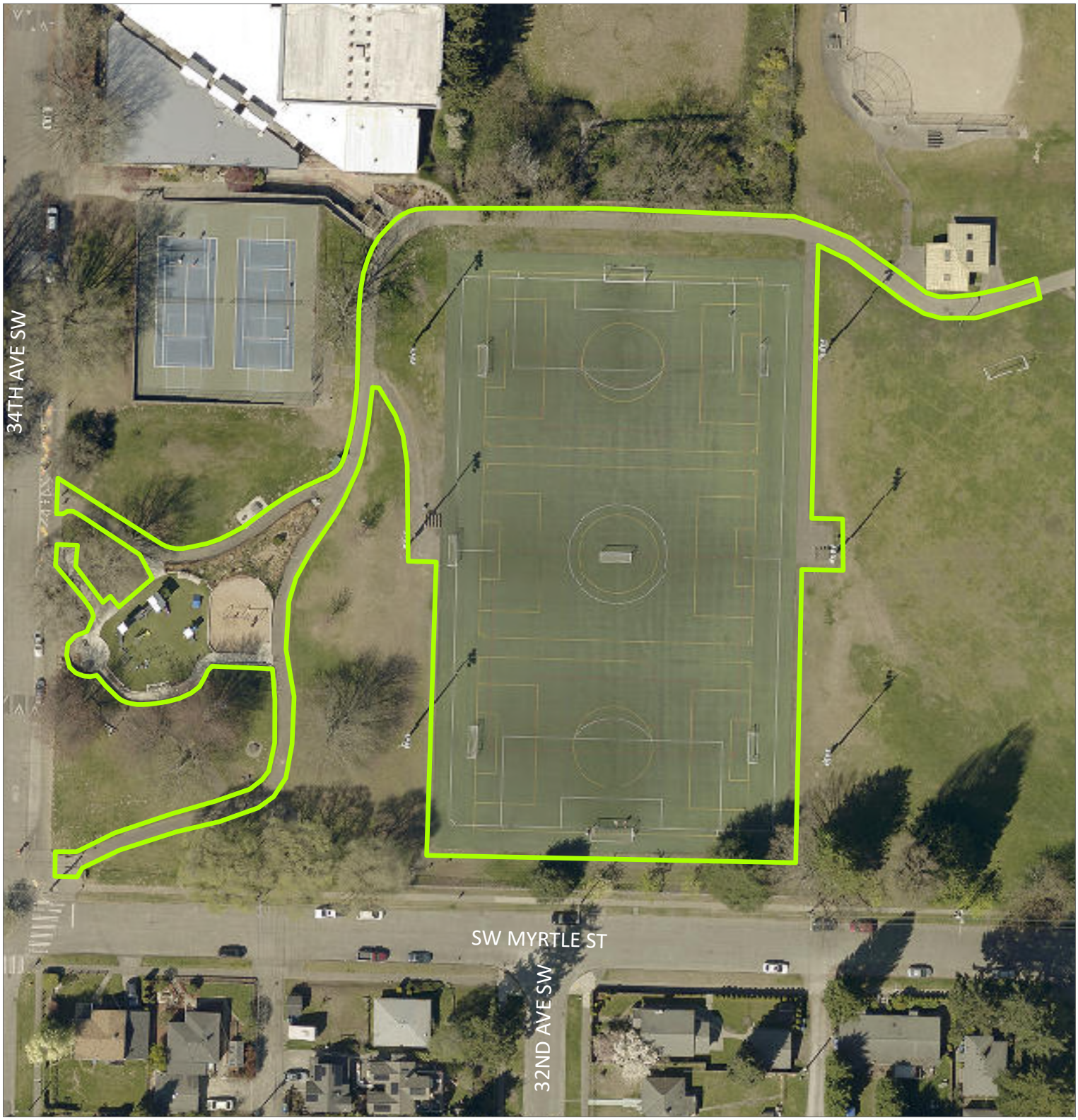
0 90 180 US Feet

Basemap source: City of Seattle, 2021
Map date: Apr 01, 20

Seattle Parks & Recreation

Walt Hundley Playfield

6920 34th Ave SW, Seattle, WA 98126



DRAFT BOUNDARY MAP

Project Boundary (2.57 Acres)

N

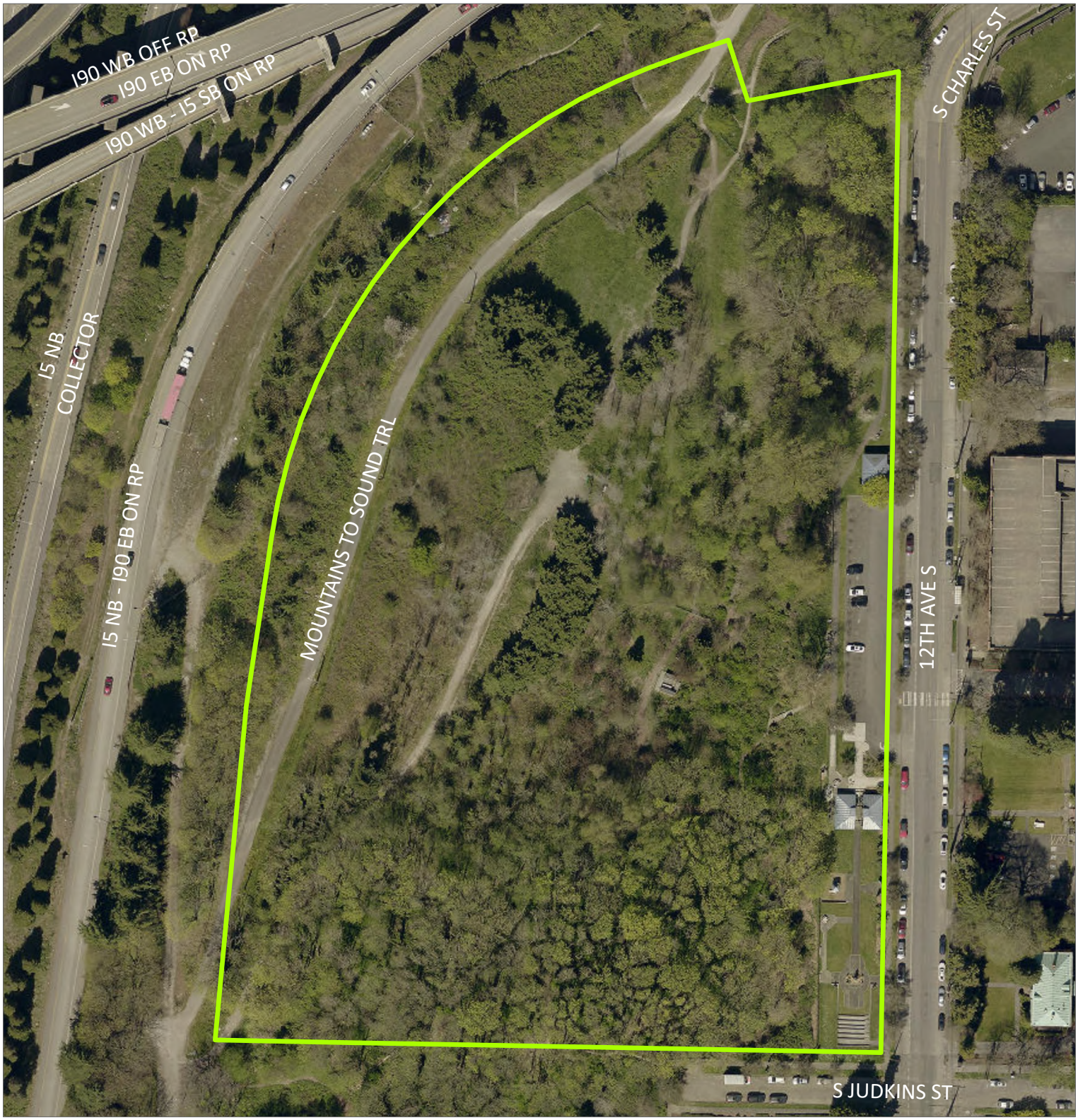
0 35 70 140 US Feet

Basemap source: City of Seattle, 2021
Map date: Apr 01, 20

Seattle Parks & Recreation

Dr. Jose Rizal Park

1007 12th Ave S, Seattle, WA 98144



DRAFT BOUNDARY MAP

LWCF Boundary (9.57 Acres)

N

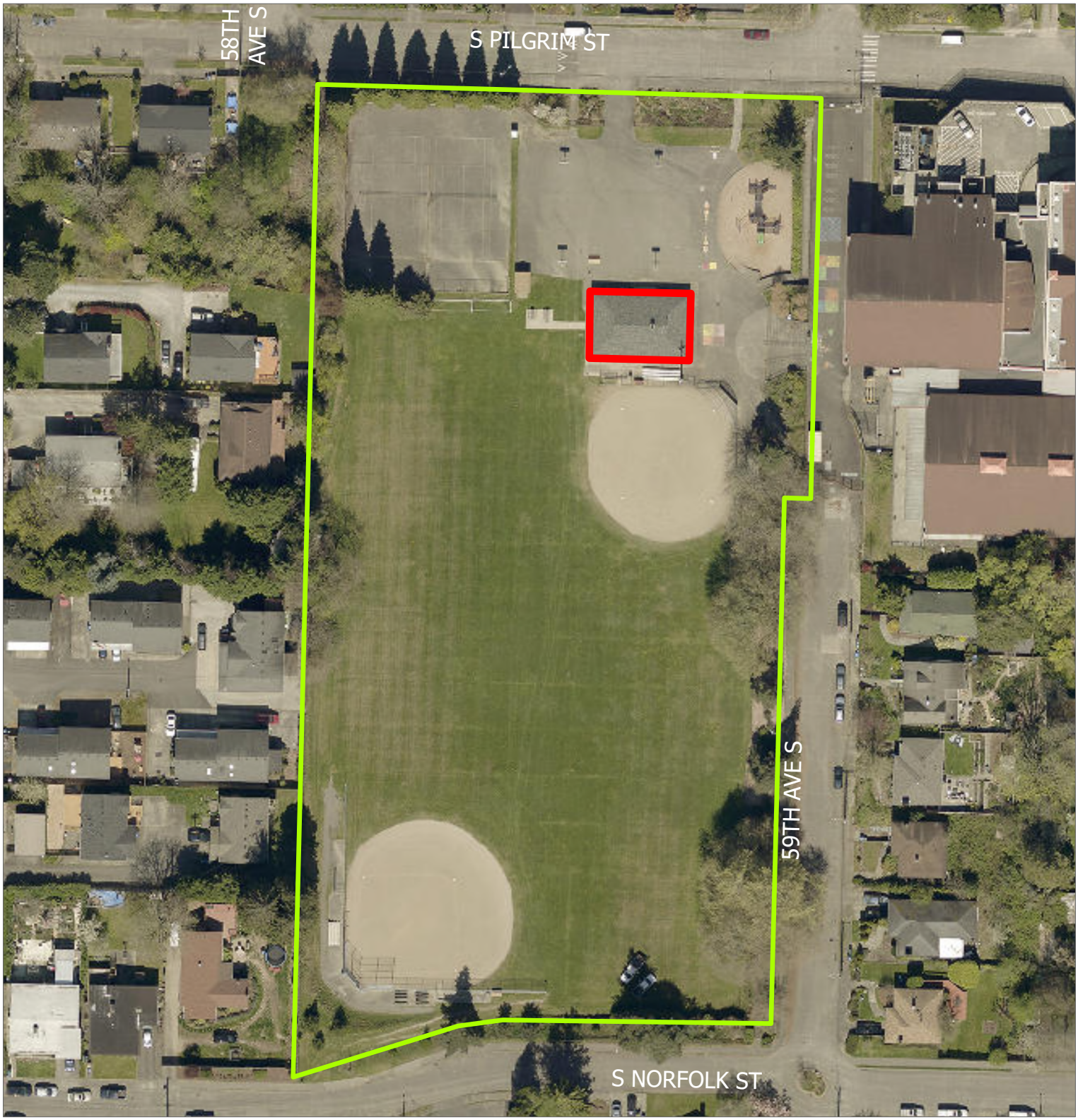
0 50 100 200 US Feet

Basemap source: City of Seattle, 2021
Map date: Apr 01, 20

Seattle Parks & Recreation

Fred Hutchinson Playfield Renovation

5801 S Pilgrim St, Seattle, WA 98118



DRAFT BOUNDARY MAP

Project Boundary (4.38 Acres)

Compatible Use Recreation Facility*

*area of compatible use recreation facility total 0.06 acres and are included within the Project Boundary 4.38 acres.

N

0 75 150 US Feet

Basemap source: City of Seattle, 2021
Map date: Apr 01, 20

Seattle Parks & Recreation

Lake City Floodplain Park Development

NE 125th ST and 24th Ave NE, Seattle, WA 98125

DRAFT BOUNDARY MAP

Project Boundary (1.06 Acres)

N

0 40 80 US Feet

Basemap source: City of Seattle, 2021
Map date: Apr 01, 20

Seattle Parks and Recreation
State Recreation and Conservation Office (RCO)
2024 Grant Applications

City Council Parks, Public Utilities and Technology Committee

State Recreation & Conservation Office (RCO) Grant Program Overview

Hutchinson Park community outreach

- RCO administers a competitive grant process
- Typical awards are between $350,000 & $2M
- Projects must be operated and maintained in perpetuity for the purposes for which funding is sought
- RCO requires applicants to submit an adopted resolution authorizing the agency to apply
- This year, the resolution is due by September 6th

RCO Grants (Historical)

Rainier Beach Skate Park community outreach

2022-2023 Awards:

• Rainier Beach Skate Park	$1,500,000
• Little Brook Park Renovation	$1,300,000
• Carkeek Park Rail Overpass	$2,300,000
• Soundview Playfield	$350,000
• Colman Pool	$350,000
• South Leschi Transient Moorage	$1,000,000
• Stan Sayres Boat Launch	$820,000
Total Awards	**$7,620,000**

Since 1966, Seattle Parks and Recreation (SPR) has received over $191M (in 2024 dollars) for 139 projects from RCO.

2024 RCO Grant Applications

Lake City Floodplain Park community outreach

SPR would like to apply for $10,676,290 in funding for 5 projects through RCO grant programs, representing 10 applications:

- 3 - Land Water Conservation Fund (LWCF)
- 3 - Washington Wildlife and Recreation Program (WWRP)
- 3 - Youth Athletic Facilities (YAF)
- 1 - Community Outdoor Athletic Facilities (COAF)

Project Selection Process

Hutchinson Park community outreach

SPR staff selected projects with the greatest gaps in funding and that best align with RCO's scoring criteria:

- Need-Local Priorities
- Project Scope
- Project Design
- Project Engagement
- Sustainability
- Cost Efficiencies
- Need-Statewide Priorities

2024 Project Summaries

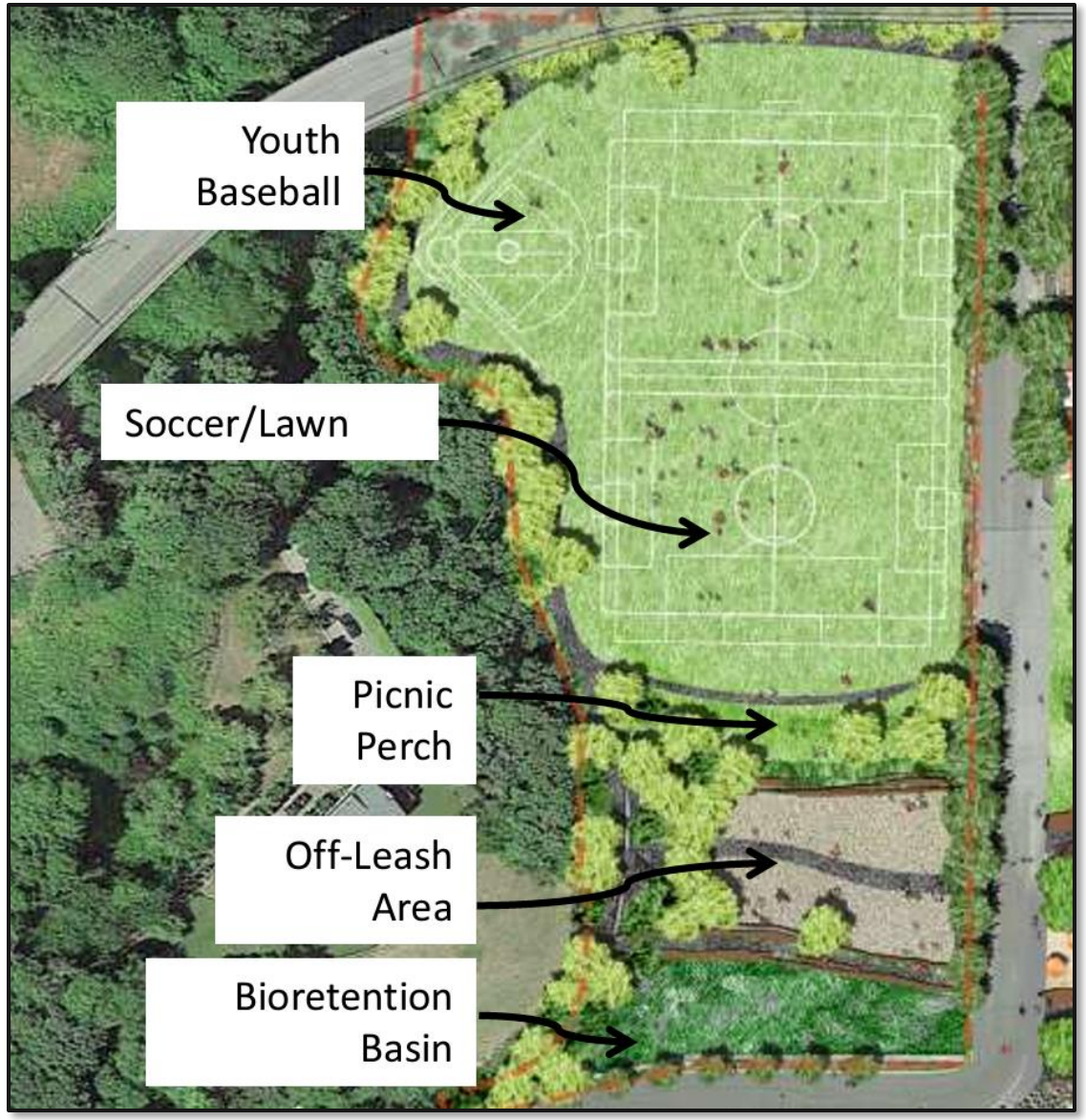
Smith Cove

Magnolia - 1450 23rd Ave W, Seattle, WA 98199

Funding will likely pay for:

- Expansion of the youth baseball/softball field & possible diamond
- ADA & accessibility improvements
- Enhanced picnic area

RCO-YAF Request:	$634,081
Local Match:	$1,177,579
Project Start:	2026



Walt Hundley Playfield

West Seattle - 6920 34th Ave SW, Seattle, WA 98126

Funding will pay for:

- Playfield synthetic turf replacement
- ADA accessibility improvements

RCO-YAF Request:	$1,400,448
Local Match:	$1,468,780
Project Start:	2026

Dr. Jose Rizal Park

Beacon Hill - 1007 12th Ave S, Seattle, WA 98144

Funding will pay for:

- ADA accessibility improvements
- Shelter
- Event Space
- Lookout
- Larger Play Area

RCO-WWRP Request:	$500,000
RCO-LWCF Request:	$1,873,546
Local Match:	$1,375,000
Project Start:	2026

Hutchinson Park

Rainier Beach - 5801 S Pilgrim St, Seattle, WA 98118

Funding will pay for:

- New play areas 2-5 & 5-12yr/old
- New courts, basketball, pickleball & tennis
- ADA accessibility improvements
- New U10 soccer field
- Significant softball improvements

RCO-COAF Request:	$1,200,000
RCO-WWRP Request:	$500,000
RCO-YAF Request:	$968,215
RCO-LWCF Request	$2,000,000
Local Match:	$231,866
Project Start:	2026

Lake City Floodplain Park

Lake City - 12510 33rd Ave NE, Seattle, WA 98125

Funding will pay for:

- New park development
- Pathways
- Picnic areas
- Nature viewing

RCO-WWRP Request:	$500,000
RCO-LWCF Request:	$1,100,000
Local Match:	$600,000
Project Start:	2026

Summary of SPR 2024 RCO Grant Projects

Project Name	# of Applications	Grant Request	Local Match
Smith Cove Playfield	1	$634,081	$1,177,579
Walt Hundley Playfield	1	$1,400,448	$1,468,780
Dr. Jose Rizal Park	2	$2,373,546	$1,375,000
Hutchinson Park	4	$4,668,215	$231,866
Lake City Floodplain Park	2	$1,600,000	$600,000
TOTALS	**10**	**$10,676,290**	**$4,853,225**

Summary of RCO Grant Requests (by Category)

RCO Grant Category	Amount
Community Outdoor Athletic Facilities (COAF)	$1,200,000
Washington Wildlife & Recreation Program (WWRP)	$1,500,000
Youth Athletic Facilities (YAF)	$ 3,002,744
Land Water Conservation Fund (LWCF)	$ 4,973,546
Total	**$10,676,290**

RCO Grant and Funding Timeline

Description	Date
Council consideration	July 24, 2024
Project presentations to RCO Selection Committees	August 19 - 23, 2024
Legislation due to RCO	September 6, 2024
Board approves preliminary ranked lists	October 19, 2024
Board awards grants	June 30, 2025 (estimated)
Contracts issued for execution	Q4 2025

Questions?

File #: CB 120810, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to Seattle Public Utilities; authorizing the General Manager and Chief Executive Officer of Seattle Public Utilities to submit for approval to the U.S. District Court for the Western District of Washington a First Material Modification to the 2013 Consent Decree entered into by the United States Environmental Protection Agency, the State of Washington Department of Ecology, and The City of Seattle in Civil Action No. 2:13-cv-00678, and to fulfill the obligations set forth therein.

WHEREAS, The City of Seattle ("City") owns, maintains, and operates a combined wastewater collection system that collects residential and industrial wastewaters, as well as stormwater, as part of Seattle Public Utilities' drainage and wastewater system; and

WHEREAS, in 2010 the City was issued Permit No. WA0031682 under the National Pollutant Discharge Elimination System ("NPDES Permit"), which specifies the conditions under which the City is authorized to discharge combined sewer overflows from more than 80 permitted combined sewer overflow ("CSO") outfalls; and

WHEREAS, the United States of America, on behalf of the United States Environmental Protection Agency ("EPA"), the State of Washington, by and through the State of Washington Department of Ecology ("Ecology"), and The City of Seattle are parties to the Consent Decree entered by the United States District Court for the Western District of Washington on July 3, 2013 (Civil Action No. 2:13-cv-00678) ("CSO Consent Decree"); and

WHEREAS, on August 6, 2019, the City formally requested to begin conversations with EPA and Ecology, describing its interests in modifying the CSO Consent Decree; and

WHEREAS, the City, EPA, and Ecology have negotiated a First Material Modification to Consent Decree

("First Material Modification") in good faith, and the First Material Modification is fair, reasonable, and in the public interest; and

WHEREAS, the First Material Modification requires the City to implement key parts of its CSO reduction program by December 31, 2037; and

WHEREAS, the First Material Modification calls for coordination and optimization between the City and King County on their current and future wastewater system operation; and

WHEREAS, the City desires to fulfill its obligations under the First Material Modification; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The General Manager and Chief Executive Officer ("GM/CEO") of Seattle Public Utilities is authorized to submit for approval to the U.S. District Court for the Western District of Washington the First Material Modification to Consent Decree, substantially in the form of Attachment 1 to this ordinance, and to fulfill the City's obligations set forth therein.

Section 2. It is possible that before submitting the First Material Modification to Consent Decree to the court, amendments that are not material changes to Attachment 1 to this ordinance may be agreed by the United States Environmental Protection Agency, the United States Department of Justice, the State of Washington Department of Ecology, and The City of Seattle. If all parties agree to such amended language, then the GM/CEO of Seattle Public Utilities is authorized to submit the First Material Modification to Consent Decree with the amended language and to implement it upon approval by the court.

Section 3. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2024, and signed by me in open session in authentication of its passage this _____ day of _____, 2024.

_____

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2024.

_____

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2024.

_____

Scheereen Dedman, City Clerk

(Seal)

Attachments:
Attachment 1 - First Material Modification to Consent Decree

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON

UNITED STATES OF AMERICA **and** **THE STATE OF WASHINGTON,** **Plaintiffs,** **v.** **THE CITY OF SEATTLE, WASHINGTON** **Defendant.**	**Civil Action No. 2:13-cv-678**

FIRST MATERIAL MODIFICATION TO CONSENT DECREE

WHEREAS, the United States of America ("United States"), the State of Washington ("the State"), and the City of Seattle, Washington ("the City") are Parties to the Consent Decree entered by this Court on July 3, 2013 (ECF No. 6);

WHEREAS, on May 29, 2015, the City submitted its Final Long Term Control Plan ("LTCP") specifying, among other things, all combined sewer overflow ("CSO") Control Measures that the City must implement, and an implementation schedule, in accordance with the Consent Decree to ensure compliance with the Clean Water Act and State regulations;

WHEREAS, on August 26, 2015, the U.S. Environmental Protection Agency ("EPA") and the Washington Department of Ecology ("Ecology") approved the Final LTCP;

WHEREAS, the City has completed construction of all Early Action Projects required by the 2013 Consent Decree and construction of LTCP-required control projects affecting more than 28 Outfalls to date. The City has also commenced construction on the largest CSO control project

required by the 2013 Consent Decree. The City reports that this project, when complete, combined with those already completed, will reduce CSO discharge frequency by 88% and CSO discharge volume by 89% from the amounts contemplated when the Parties entered into the Consent Decree;

WHEREAS, on August 6, 2019, the City formally requested that EPA and Ecology agree to modify the Consent Decree because of unexpected increases in CSO volumes requiring control due, in part, to climate change and variability of location, duration, and intensity of weather events;

WHEREAS, EPA and Ecology agreed to entertain specific modification requests from the City, and the Parties began informal negotiations to clarify the scope and content of potential modifications;

WHEREAS, EPA and Ecology requested additional supporting documentation on March 15, 2022, which the City provided on December 7, 2022;

WHEREAS, on December 7, 2022, the City submitted its specific modification requests and supporting documentation. The City sought Material Modifications to the descriptions, control measures, and critical milestone dates of several CSO control projects due to significantly greater CSO volumes requiring control than the Parties anticipated when they entered into the Consent Decree. The modifications clarify certain terms and allow for adaptive management of planned CSO control projects due in part, to the impact of climate change and variability of weather events, and in particular, the need to manage larger volumes of stormwater run-off than anticipated;

WHEREAS, the Parties resumed negotiations to reach agreement on modifications to the Consent Decree based on the City's request;

WHEREAS, the Parties entered into a Non-Material Modification to the Consent Decree on July 10, 2023 not filed with the Court, authorizing the City to provide notifications,

submissions, or other communications required by the Consent Decree by email or mail, with a preference for email;

WHEREAS, the Parties have agreed, pursuant to Paragraph 104 of the Consent Decree, to the material modifications to the Consent Decree detailed herein;

WHEREAS, this First Material Modification made herein constitutes a material change to the Consent Decree, requiring Court approval under Paragraph 104 of the Consent Decree; and

WHEREAS, the Parties recognize, and the Court by entering this First Material Modification finds, that this Modification has been negotiated by the Parties in good faith and that this Modification is fair, reasonable, and in the public interest.

NOW THEREFORE, with the consent of the Parties, IT IS HEREBY ADJUDGED, ORDERED, AND DECREED as follows:

1. Except as specifically modified herein, all provisions of the Consent Decree entered by this Court on July 3, 2013 (ECF No. 6) shall remain unchanged and in full force and effect.

2. The deadline to obtain Construction Completion of all CSO Control Measures shall be modified to December 31, 2037.

3. Paragraph 9(x) shall be replaced with the following:

> "Performance Criteria" or "performance criteria" shall mean achieving Controlled status for each CSO Outfall.

4. Paragraph 9(ee) shall be replaced with the following:

ee) "Twenty-Year Moving Average" or "20-Year Moving Average" shall mean the average number of untreated discharge events per CSO Outfall over a twenty-year period and is the averaging period used to assess compliance with the State's CSO "control" standard of "greatest reasonable reduction" defined in WAC 173-245-020(22). The Twenty-Year Moving Average will be calculated at least annually and reported in the City's Annual Report. The number of discharge events per year shall be based on representative monitoring records. For years where monitored data do not exist (e.g., during CSO control project design) or are not representative (e.g., due to the completion of CSO reduction projects; non-capital modifications; operational adjustments), the number of discharge events per year shall use the predicted discharge frequency as calculated through modeling. The model for each CSO Outfall shall be established by the LTCP or approved engineering report for CSO control project design and be based on historical rainfall data, hydraulic information (including climate change projections), and the control project design expected efficacy.

5. The following definition shall be added as new Paragraph 9(hh):

hh) "Optimization" shall mean the application of adjustable controls, operational improvements, or capacity modifications to achieve improved flow management with limited capital modifications to the system. Examples include but are not limited to: installing or adjusting controls for gates or pump stations; using additional monitoring locations to refine control settings; modifying weir elevations; and adding conveyance capacity to resolve a localized capacity limitation. The primary objective is to maximize the use of available storage and conveyance capacities more rapidly and effectively than typical capital projects.

6. The following definition shall be added as new Paragraph 9(ii):

ii) "Programmatic CSO Control Measure" shall mean the distributed application of CSO Control Measures that the City can scale over time in a CSO Basin. Examples include but are not limited to: Green Infrastructure; infiltration and inflow reduction measures such as mainline or side sewer replacement, repair, or lining and downspout disconnection; stormwater control measures; and separation. Programmatic CSO Control Measures may be located on public or private property and may result from approaches such as capital improvement, redevelopment, or incentives.

7. The following definition shall be added as new Paragraph (jj):

jj) "Completion of Bidding" shall mean the City has (1) appropriately allocated funds for a specific CSO Control Measure (or portion thereto); (2) accepted and awarded the bid for construction of the specific CSO Control Measure; (3) issued a

notice to proceed with construction that remains in effect for the specific CSO Control Measure.

8. The following definition shall be added as a new Paragraph (kk):

kk) "Control Volume" shall mean the volume of combined sewage determined through modeling that a CSO control project or combination of projects must reduce, contain, or treat to ensure a CSO Outfall is Controlled.

9. Paragraph 11 shall be replaced with the following:

11. The City shall document the control status of CSO Outfalls that are subject to control by CSO Control Measures after two complete wet seasons (each spanning the period October 1 – April 30) following Construction Completion of each CSO Control Measure. The first complete wet season shall begin October 1 after Construction Completion. The City shall report whether the CSO is Controlled in the next Annual Report submitted pursuant to Section VIII. If the CSO Outfall is not Controlled within this timeframe, the City shall submit to EPA and the State for their review and approval a Supplemental Compliance Plan as set forth in Paragraph 18 below. This Supplemental Compliance Plan shall be submitted by January 30 of the year following the year in which the second wet season concludes.

10. The title of Section V.B shall be replaced with the following:

Implementation of Long Term Control Plan and Post-Construction Monitoring Plan

11. Paragraph 12 shall be replaced with the following:

12. In accordance with the schedules in Appendix B, Appendix G, and Section V.B. of this Consent Decree, the City shall complete an update of its Long Term Control Plan ("LTCP") as set forth in Appendix C. No later than December 31, 2026, the City shall submit an update to the LTCP (the "LTCP Update") for review and approval (in accordance with the review procedures detailed within Section VI) by EPA and Ecology, that proposes which Control Measures will be selected that satisfy the applicable Control Volume and meet the applicable critical milestones for each CSO control project identified in Appendix G.

12. The first sentence of Paragraph 13 shall be replaced with the following:

EPA and Ecology shall approve or decline to approve with written comments the LTCP Update and any updates to the plan.

13. Paragraph 14 shall be replaced with the following:

14. <u>LTCP Update.</u> The LTCP Update shall specify (a) all CSO Control Measures that the City must implement to ensure compliance with the provisions of the CWA and its implementing regulations that apply to CSOs, any applicable

state law and regulations that apply to CSOs, those portions of the City's NPDES Permit that apply to CSOs, and EPA's CSO Control Policy; (b) all Control Volumes developed for each CSO Control Measure; and (c) a schedule of critical milestones that is no less stringent than that set forth in Appendix G, including, at a minimum, the dates for submission of draft and final engineering reports and draft and final plans and specifications, Completion of Bidding, Construction Start, Construction Completion, and achievement of Controlled status, for each CSO Control Measure. The LTCP Update may include proposed modifications to the approved integrated plan and any Supplemental Compliance Plans, necessary to comply with this Consent Decree, provided that any such modifications are in accordance with Section XIX of this Consent Decree. The schedule in the LTCP Update shall achieve Construction Completion of all CSO Control Measures as soon as possible, but in no event later than December 31, 2037, unless this deadline is extended pursuant to Section XI (Force Majeure), Paragraph 20(c), or Paragraph 23(c). Nothing in this Decree affects the City's obligation to amend its LTCP as required, and to the extent allowed, by the NPDES Permit.

14. Paragraph 15 shall be replaced with the following:

15. The City shall implement the CSO Control Measures in accordance with the descriptions, Control Volume, and critical milestones for each CSO Control Measure as set forth in Appendix G. The City shall design and operate all CSO Control Measures in accordance with sound engineering practices and to achieve Performance Criteria. With the exception of Force Majeure, a delay in the bidding process of the CSO Control Measures shall not extend the date for Construction Completion.

15. Paragraph 18 shall be modified to add the following to the end of the paragraph:

CSO Outfall Corrective Actions Report(s) submitted in accordance with NPDES Waste Discharge Permit No. WA0031682 shall satisfy the requirements for Supplemental Compliance Plan described in this Paragraph.

16. Paragraph 19 shall be replaced with the following:

19. <u>Proposed Modifications to Critical Milestones, Control Volumes, and CSO Control Measures:</u> The City may request modifications of the critical milestones, Control Volumes, or CSO Control Measures in accordance with this Paragraph.

a) <u>Modifications to Critical Milestones.</u> In addition to a modification pursuant to Paragraph 23, the City may request a modification of the critical milestones set forth in Appendix G for the sole purpose of revising the priority and sequencing of CSO Control Measures if the City demonstrates that the requested modification (1) reflects good engineering practice; (2) is required to coordinate with King County's CSO infrastructure projects; (3) is necessary to attain cost effective and technically sound CSO Control Measures; and (4) will not change, modify, or extend in any way the City's

final Construction Completion of December 31, 2037 as provided in Paragraph 14. Any request by the City for modification of critical milestones pursuant to this subparagraph (a) shall be made in writing to EPA and the State, and include all documentation necessary to support the request for modification, including all information relevant to the four criteria set forth above. The City shall provide such additional information requested by the United States or the State as is necessary to assist in evaluating the City's modification request.

b) Control Volumes. Control Volumes listed within Appendix G shall be enforceable requirements of this Consent Decree provided that Seattle's engineering report submitted for the relevant Outfall (submitted in accordance with WAC 173-240-060 or Appendix C, Section C.5.a) demonstrates that the Control Volume for the associated CSO Control Measure will ensure the relevant Outfall is Controlled. Alternatively, the City may propose a different Control Volume for the associated CSO Control Measure in accordance with subparagraph (c) of this Paragraph.

c) Modifications to Control Volumes and CSO Control Measures. The City may propose a revision to Control Volumes and/or CSO Control Measures listed in Appendix G by submitting a proposal to EPA and Ecology for review and approval (in accordance with the review procedures detailed within Section VI) by no later than the date of submission of the Engineering Report for that CSO control project. Each proposal for revised and/or alternative Control Volumes and/or CSO Control Measures pursuant to this subparagraph (c) shall be made in writing to EPA and the State, and include all documentation necessary to support the request for modification, including all information relevant to the five criteria set forth below. The City shall provide such additional information requested by the United States or the State as is necessary to assist in evaluating the City's modification request. Any such proposal shall also include:

i) Detailed project information, such as the size and length of new sewer lines, sewer infrastructure rehabilitation, inflow source reduction or storage capacity; the volume of storage, or scope of sewer separation activities; and the anticipated discharge volume reduction;

ii) An implementation schedule for completion of the revised and/or alternative CSO Control Measure, or for the CSO Control Measure with revised and/or alternative Control Volume, by the same Construction Completion date for the CSO control project set forth in Appendix G;

iii) A demonstration that the revised and/or alternative Control Volume or CSO Control Measure will meet or exceed the Performance Criteria;

iv) A description of the public engagement process concerning the revised and/or alternative Control Volume or CSO Control Measure; and

v) A demonstration that the proposed revision of or change in Control Volume or CSO Control Measure will not cause any adverse impacts to sensitive water bodies or beneficial uses of affected waters, or any disproportionate impact on any one or more geographic areas.

d) EPA and State approval of proposed revised and/or alternative Design Criteria or CSO Control Measures consistent with subparagraph (c) above shall be considered a non-material modification for the purposes of Section XIX of this Consent Decree; provided, however, that, if EPA and the State approve a change to the type of CSO Control Measure that is not already included as an option for that CSO control project in Appendix G (e.g., using treatment instead of storage when treatment is not listed as an option in Appendix G), this shall be considered a material modification and shall not be effective until it is approved by the Court in accordance with Paragraph 104 of this Consent Decree. Any such proposed material modification of this Consent Decree shall, furthermore, be subject to public notice and comment pursuant to 28 C.F.R. § 50.7. The United States and the State reserve their rights to withdraw or withhold their consent to any such proposed modification of this Consent Decree if public comments received disclose facts or considerations that indicate that the modification would be inappropriate, improper, or inadequate.

e) If EPA and the State disapprove the City's request for modification of the critical milestones, Control Volumes, or CSO Control Measures, the City may invoke Informal Dispute Resolution in accordance with Paragraph 76. The Formal Dispute Resolution and judicial review procedure set forth in Paragraphs 77 to 81 shall not apply to this Paragraph. If the dispute is not resolved by Informal Dispute Resolution, then the position advanced by the United States shall be considered binding; provided that the City may, within thirty (30) days after the conclusion of the Informal Dispute Resolution Period, appeal the decision to the Director of the Enforcement and Compliance Assurance Division, EPA Region 10. The Director may approve or disapprove, or approve upon conditions or in a revised form, the proposed modification. The determination of the Director shall be in her/his discretion and shall be final. The City reserves the right to file a motion seeking relief in accordance with Federal Rule of Civil Procedure 60(b). Such a motion by the City shall not relieve the City of its obligations pursuant to Section V, unless the Court orders otherwise, and the City shall continue with timely implementation of the CSO Control Measures until the Court rules on any motion described in this Paragraph in a manner that modifies the City's obligations under this Consent Decree.

17. In Paragraph 33, the period for the City, in coordination with King County, to review the Joint Plan shall be modified from every three years to every five years. Furthermore, Paragraph 33 shall be modified to add the following to the end of the paragraph:

> The City and King County shall engage in a Coordinated Optimization Evaluation ("COE") as part of the next update of the Joint Plan. The COE is a significant effort that will identify and evaluate optimization opportunities that reduce CSOs by taking advantage of potential capacities through improving system-wide or basin specific controls and/or by installing new minor system components. The COE will also inform development of the County's and City's LTCP Update and project engineering report.

18. Paragraph 43(a) shall add the following as new item (x) in the list of the items to be included in the City's Annual Report:

> (x) the Twenty-Year Moving Average for each CSO Outfall, as required by Paragraph 9(ee).

19. Paragraph 117 shall be modified to include the following two descriptions for appendices:

> "Appendix F" is the Joint Operations and System Optimization Plan and Coordinated Optimization Evaluation Between the City of Seattle and King County.
>
> "Appendix G" is the CSO Control Measures, Control Volumes, and Critical Milestones.

20. The "Status" column in Appendix A shall be changed to "2012 Status." The following language shall be added to the footnote to "2012 Status":

> Outfall status (Controlled or not Controlled) is reported annually in the City's CSO Annual Report.

21. Appendix B shall be replaced with the following:

APPENDIX B: Schedule for LTCP Implementation

DELIVERABLE	DUE DATE
Submit Draft LTCP	May 30, 2014 [Completed]
Submit Financial Analysis	December 31, 2014 [Completed]

Submit CSO Alternative Analysis	December 31, 2014 [Completed]
Submit LTCP Implementation Schedule	December 31, 2014 [Completed]
Submit Final LTCP and PCMP for approval	May 30, 2015 [Completed]
Submit Draft LTCP Update	December 31, 2026
Construction Completion of all CSO Control Measures in the approved LTCP Update	December 31, 2037
Complete Post-Construction Monitoring for all CSO Outfalls	December 31, 2040
Submit Final Post-Construction Monitoring Report for all CSO Outfalls	April 15, 2041

22. Appendix C, Section C.5.a. shall be replaced with the following:

C. Long Term Control Plan

. . .

5. Assessment of CSO Control Measures:

. . .

a. Programmatic CSO Control Measures: The City may utilize Programmatic CSO Control Measures as appropriate to reduce or replace gray CSO Control Measures included in the LTCP, provided that any Programmatic CSO Control Measures proposed, together with gray measures proposed, provide substantially the same or greater level of control as alternative gray CSO Control Measures alone. If the City relies on other entities to implement Programmatic CSO Control Measures, the City must have agreements in place to ensure proper operation and maintenance of the technologies.

i. For Programmatic CSO Control Measures submitted as part of the LTCP, consistent with the second footnote to Appendix G of this Consent Decree for proposals to use Programmatic CSO Control Measures to reduce or replace gray CSO Control Measures, the City shall submit an engineering report to EPA and Ecology for approval subject to Section VI of this Consent Decree. The engineering report shall at a minimum include the following for each program:

1. Data on location, sizing, design, program participation, and the performance levels expected to be achieved with the implementation of the program, utilizing the information and models that the City used in developing the LTCP, as well as any monitoring information used in formulating the proposal, along with an assessment of the long term effectiveness and performance expected to be achieved with implementation of the program;
2. A description of the work required to implement the program and a schedule for completion of this work that includes a proposed rate of implementation of the program that is consistent with this Consent

Decree, its Appendices, and the deadline of December 31, 2037 for Construction Completion of all CSO Control Measures, unless this deadline is extended pursuant to Section XI (Force Majeure), Paragraph 20(c), or Paragraph 23(c) of this Consent Decree;

3. If applicable, a description of the proposed ownership and access agreements, and where the City relies on other entities to implement the program, the City must explain the agreements necessary to ensure proper operation and maintenance of assets, as well as how these agreements will be enforced;
4. A description of any post-construction monitoring and modeling to be performed to determine whether the Performance Criteria will be met upon completion and implementation of the program; and
5. An alternative gray CSO Control Measure to be implemented if the program is unsuccessful. The proposal shall include a description of the proposed gray CSO Control Measure, as well as a schedule for completion and implementation of the project that is consistent with this Consent Decree, its Appendices, and the deadline of December 31, 2037 for Construction Completion of all CSO Control Measures, unless this deadline is extended pursuant to Section XI (Force Majeure), Paragraph 20(c), or Paragraph 23(c) of this Consent Decree.

ii. Upon review of the City's Programmatic CSO Control Measure project proposals, EPA and Ecology will comment, approve, disapprove, or approve in part, the proposal. The City shall implement each Programmatic CSO Control Measure project approved by EPA and Ecology, in accordance with the provisions and schedule in the approved proposal.

23. Appendix C, Section D shall be replaced with the following:

D. LTCP Update

The City will update the approved 2015 LTCP as required by Appendix B. The update must identify changes necessary to bring the LTCP into compliance with this Consent Decree. The LTCP Update will include:

1. An updated Participation Program that provides opportunity for participation by the public and the Plaintiffs;
2. Evaluation of a range of CSO Control Measures, including Optimization, optimizing King County's and the City's interdependent combined sewer systems, and/or Programmatic CSO Control Measures; and
3. An implementation schedule that will achieve construction completion of all CSO Control Measures no later than December 31, 2037, and the critical milestones identified in Appendix G.

24. The following section shall be added as new Appendix C, Section E:

E. Post-Construction Monitoring Program

1. After two complete wet seasons (each spanning the period October 1 – April 30) following Construction Completion of each CSO Control Measure, the City shall document that the associated CSO Outfall has been Controlled. The first complete wet season shall begin October 1 after Construction Completion.
2. The City shall implement the requirements in the conditionally approved Post-Construction Monitoring Plan, dated May 29, 2015, as modified by all approved updates and amendments. The City shall update or amend the conditionally approved Post-Construction Monitoring Plan as necessary to account for changes to Critical Milestones since May 29, 2015, provided that any update or amendment that would modify a requirement of this Consent Decree shall be subject to the Modification provisions of Section XIX of this Consent Decree.

25. Appendix F shall be replaced with the following:

APPENDIX F: Joint Operations and System Optimization Plan and Coordinated Optimization Evaluation Between the City of Seattle and King County

A. Paragraph 1's references to the preparation of the Joint Operations and System Optimization Plan shall be in the past tense, such that the fourth through sixth sentences of Paragraph 1 shall read:

> The City worked with King County in jointly preparing a Joint Operations and System Optimization Plan ("Joint Plan") for the City's Wastewater Collection System and those interdependent portions of King County's regional wastewater conveyance and treatment system that are hydraulically connected to the City's system. The result of this effort has been development of a Joint Plan that is consistent with both entities' operational objectives, ensures the optimal level of coordination and information sharing is maintained, and optimizes system and joint operations between both entities. The Joint Plan describes a procedure for operating their existing systems and includes a process for incorporating the Joint Plan into the design of new capital projects for the combined systems.

B. A new Paragraph 2 shall be added as follows:

> The City and the County continue to work together to ensure both systems are utilized to their full potential without adversely affecting the other. Prior work includes installing real time data sharing between facilities, wet season preparedness meetings, gate optimizations, and a live shared overflow tracking website. These

efforts are in part a result of the commitments made by each agency in the Joint Plan.

C. The first sentence of what will now be Paragraph 3 shall read: The Joint Plan shall continue to include, but not be limited to, the following items:

D. Item 3(k) is changed to reflect that updates the Joint Plan must be made every five years instead of every three years.

E. A new Paragraph 4 shall be added as follows:

4. The next update to the Joint Plan will be submitted to EPA and the State by March 1, 2027. The Update will include the results of the Coordinated Optimization Evaluation, which began in 2023, and any optimization actions implemented as of March 1, 2027. The Coordinated Optimization Evaluation will include the following elements:

a. Opportunities to strategically remove stormwater and infiltration and inflow from the County's and City's collection systems;
b. Opportunities to optimize the use of available capacity to maximize use of existing collection system transport, storage, and treatment infrastructure for wastewater flows, including wet weather flows;
c. Opportunities for coordinated operation of the County and City's combined systems, including the potential use of real time controls that can react and/or anticipate wet weather conditions and assessing controls for greater capacity through operational changes and minor system improvements; and
d. Definition of planning parameters for future Long Term Control Plan Updates and project engineering report.

26. The following language shall be added as new Appendix G:

APPENDIX G: CSO Control Measures, Control Volume, and Critical Milestones

CSO Control Project and Outfall Number [1, 2]	CSO Control Measure(s)	Control Volume	Critical Milestones [3, 4]
Ship Canal Water Quality Project (147/ 151/ 152/ 174)	Joint City-County Storage Tunnel	147: 2.9 MG 151: 1.8 MG 152: 5.8 MG 174: 1.6 MG	• Construction Completion by December 31, 2027

CSO Control Project and Outfall Number [1, 2]	CSO Control Measure(s)	Control Volume	Critical Milestones [3, 4]
Central Waterfront (71)	Installation of additional piping to provide interconnection	<0.1 MG	• Construction Completion by December 31, 2024
Vine St. (69)	Joint City-County Project *and/or* Optimization *and/or* Programmatic CSO Control Measure *and/or* Storage	0.2 MG	• Submission of Engineering Report by June 30, 2025 • Completion of Bidding by May 30, 2028 • Construction Completion by December 31, 2031
Duwamish Area (99/ 107/ 111)	Joint City-County Project *and/or* Optimization *and/or* Programmatic CSO Control Measure *and/or* Storage	99: 0.4 MG 107: <0.1 MG 111: 0.1 MG	• Submission of Engineering Report by December 31, 2026 • Completion of Bidding by July 31, 2029 • Construction Completion by December 31, 2034
University Area (13/ 15/ 18)	Joint City-County Project *and/or* Optimization *and/or* Programmatic CSO Control Measure *and/or* Storage	13: 1.0 MG 15: <0.1 MG 18: 0.5 MG	• Submission of Engineering Report by December 31, 2029 • Completion of Bidding by December 31, 2032 • Construction Completion by December 31, 2037

CSO Control Project and Outfall Number [1, 2]	CSO Control Measure(s)	Control Volume	Critical Milestones [3, 4]
Montlake Area (28/ 30/ 31/ 32/ 34/ 138/ 139/ 140)	Joint City-County Project *and/or* Optimization *and/or* Programmatic CSO Control Measure *and/or* Storage	28: <0.1 MG 30: <0.1 MG 31: 0.4 MG 32: <0.1 MG 34: <0.1 MG 138: 0.2 MG 139: 0.1 MG 140: 0.1 MG	• Submission of Engineering Report by December 31, 2029 • Completion of Bidding by December 31, 2032 • Construction Completion by December 31, 2037
All remaining Outfalls, unless controlled	Optimization *and/or* Programmatic CSO Control Measure *and/or* Storage	38: 0.1 MG 40: 0.4 MG 41: 0.4 MG 42: 0.1 MG 43: 0.5 MG 44: <0.1 MG 47: 0.5 MG 49: 0.7 MG 68: <0.1 MG 95: <0.1 MG 165: <0.1 MG 168: 1.5 MG 169: 1.0 MG 171: 0.5 MG	• Submission of Engineering Report by December 31, 2029 • Construction Start by December 31, 2032 • Construction Completion by December 31, 2037
Natural Drainage System Partnering Program	N/A – Integrated Plan Stormwater Projects	N/A	• Construction Completion by December 31, 2028
South Park Water Quality Facility	N/A – Integrated Plan Stormwater Project	N/A	• Construction Completion by December 31, 2030

Footnote	Description
1	Outfalls are grouped by currently expected control project(s). Outfalls may be controlled by an alternative project(s) if approved pursuant to Paragraph 19 (Proposed Modifications to Critical Milestones, Control Volumes, and CSO Control Measures) of this Consent Decree. Any alternative project(s) must comply with the critical milestones for the currently expected control project(s).
2	The City and County shall submit concurrent modification requests for changes to critical milestones on projects that are intended to control both City and County Outfalls.
3	All engineering reports submitted for wastewater facilities must comply with the requirements of WAC 173-240-060. All engineering reports submitted for Programmatic CSO Control Measures must comply with the requirements of amended Appendix C, Section C.5.a.

4	"Completion of Bidding" for these CSO Control Projects shall be achieved when the City (or the County, for County-managed joint projects) has accepted and awarded the bid for the first project component.

27. The effective date of this Modification shall be the date upon which this Modification is entered by the Court or the motion to enter this Modification is granted, whichever occurs first, as recorded on the Court's docket.

28. This Modification shall be lodged with this Court for a period of at least thirty (30) days for public notice and comment in accordance with 28 C.F.R. § 50.7. The United States reserves the right to withdraw or withhold its consent if the comments regarding this Modification disclose facts or considerations indicating that this Modification is inappropriate, improper, or inadequate. The City consents to entry of this Modification as proposed without further notice and agrees not to withdraw from or oppose entry of this Modification by the Court or to challenge any provision of this Modification, unless the United States or the State has notified the City in writing that the United States or the State no longer supports entry of this Modification.

29. Each undersigned representative of the City, the State, and the Assistant Attorney General for the Environment and Natural Resources Division of the United States Department of Justice, on behalf of the United States, certifies that he or she is fully authorized to enter into the terms and conditions of this Modification and to execute and legally bind the Party he or she represents to this Modification.

30. This Modification to the Consent Decree constitutes the final, complete, and exclusive agreement and understanding among the Parties with respect to this Modification to the Consent Decree, and this Modification supersedes all prior agreements and understandings, whether oral or written, concerning the Modification embodied herein.

31. This Modification may be executed in counterparts, and its validity shall not be challenged on that basis.

Dated and entered this ___ day of _____, 2024.

_____
THE HON. JOHN C. COUGHENOUR
SENIOR UNITED STATES DISTRICT JUDGE

The undersigned hereby consents and certifies that he or she is authorized to consent to the terms and conditions of this First Material Modification to the Consent Decree in the matter of *United States of America and the State of Washington v. the City of Seattle, Washington*, No. 2:13-cv-678 (W.D. Wash.).

FOR PLAINTIFF UNITED STATES OF AMERICA:

TODD KIM
Assistant Attorney General
United States Department of Justice
Environment and Natural Resources Division

/s/ Eric D. Albert
ERIC D. ALBERT, Senior Attorney
Charles Fletcher, Trial Attorney
United States Department of Justice
Environment and Natural Resources Division
Environmental Enforcement Section
P.O. Box 7611
Washington, DC 20044

Date: June 11, 2024

TESSA M. GORMAN
United States Attorney
Western District of Washington

By: /s/ Brian C. Kipnis
BRIAN C. KIPNIS
Assistant United States Attorney
Office of the United States Attorney
Western District of Washington
700 Stewart Street, Suite 5220
Seattle, WA 98101-1271

Date: June 11, 2024

The undersigned hereby consents and certifies that he or she is authorized to consent to the terms and conditions of this First Material Modification to the Consent Decree in the matter of *United States of America and the State of Washington v. the City of Seattle, Washington*, No. 2:13-cv-678 (W.D. Wash.).

FOR THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY:

_____ Date:_____

BENJAMIN BAHK
Director, Water Enforcement Division
Office of Civil Enforcement
Office of Enforcement and Compliance Assurance
United States Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

_____ Date:_____

HANNAH ANDERSON
Attorney, Water Enforcement Division
Office of Civil Enforcement
Office of Enforcement and Compliance Assurance
United States Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

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FOR THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, REGION 10:

_____ Date:_____
EDWARD J. KOWALSKI
Director, Enforcement and Compliance Assurance Division
United States Environmental Protection Agency
Region 10
1200 Sixth Avenue, Suite 155
Seattle, WA 98101

_____ Date:_____
BEVERLY F. LI
Regional Counsel
United States Environmental Protection Agency
Region 10
1200 Sixth Avenue
Seattle, WA 98101

_____ Date:_____
TED YACKULIC
Assistant Regional Counsel
United States Environmental Protection Agency
Region 10
1200 Sixth Avenue, Suite 900
Seattle, WA 98101

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FOR THE STATE OF WASHINGTON:

ROBERT W. FERGUSON
Attorney General

By: _____ Date:_____

RONALD L. LAVIGNE, WSBA #18550
Senior Counsel
Attorneys for State of Washington
Washington Department of Ecology
2425 Bristol Ct., SW
Olympia, WA 98504

_____ Date:_____

LAURA WATSON
Director
Washington Department of Ecology
P.O. Box 47600
Olympia, WA 98504-7600

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FOR THE CITY OF SEATTLE, WASHINGTON:

_____ Date:_____

BRUCE HARRELL
Mayor
City of Seattle
600 Fourth Avenue
P.O. Box 94749
Seattle, WA 98124-4749

_____ Date:_____

ANN DAVISON
City Attorney
City of Seattle
701 Fifth Avenue, Suite 2050
Seattle, WA 98104-7095

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
Seattle Public Utilities	Melissa Ivancevich	Akshay Iyengar

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to Seattle Public Utilities; authorizing the General Manager and Chief Executive Officer of Seattle Public Utilities to submit for approval to the U.S. District Court for the Western District of Washington a First Material Modification to the 2013 Consent Decree entered into by the United States Environmental Protection Agency, the State of Washington Department of Ecology, and The City of Seattle in Civil Action No. 2:13-cv-00678, and to fulfill the obligations set forth therein.

Summary and Background of the Legislation:
The City owns, maintains, and operates a system of sanitary sewers and storm and surface water drainage as part of Seattle Public Utilities' drainage and wastewater system. The EPA determined sewage discharges from Seattle's combined sewers violate the federal Clean Water Act and the conditions and limitations of the National Pollutant Discharge Elimination System (NPDES) permit issued to the City by Ecology in 2010. To resolve the matter, the City, EPA, and Ecology entered into a CSO Consent Decree approved by the court on July 3, 2013.

As part of its CSO Consent Decree commitments, the City agreed to reduce sanitary sewer overflows (SSOs) by implementing an adaptive performance-based Capacity, Management, Operations, and Maintenance (CMOM) program, and to control CSOs to the state standard of one overflow per year per outfall by implementing large capital projects and other CSO control projects.

This proposed ordinance would authorize the General Manager and Chief Executive Officer of Seattle Public Utilities (SPU) to sign and implement the First Material Modification to Consent Decree (First Material Modification) for the 2013 CSO Consent Decree entered into between the United States Environmental Protection Agency (EPA), the Washington Department of Ecology (Ecology), and the City of Seattle (City) to reduce overflows from the City's 82 Combined Sewer Overflow (CSO) outfalls.

The City has made significant progress since entering the CSO Consent Decree in 2013. The City's adaptive, performance-based CMOM program has reduced SSOs. Through implementation of more than 50 CSO capital projects and programs, CSOs will be significantly reduced by 2027 when the largest capital project, the Ship Canal Water Quality Project, is completed.

However, when implementing the CMOM program and CSO control projects, SPU learned that conditions have changed. Updated planning and an extension of the overall deadline are needed to account for changing rainfall patterns and sea level rise, increasing costs and rate affordability

challenges, and opportunities to partner with King County on additional projects. The City, therefore, requested on August 6, 2019, to begin conversations with EPA and Ecology, describing its interests in modifying the CSO Consent Decree. As requested by EPA and Ecology, the City submitted its specific modification requests and supporting documentation on December 7, 2022.

The City, EPA, and Ecology subsequently negotiated the First Material Modification, which requires the City to complete key milestones for its CSO reduction projects by December 31, 2037. The First Material Modification also calls for continued and additional coordination and optimization between the City and King County on their current and future wastewater system operations. Finally, the First Material Modification allows for additional planning and ongoing adaptive management to account for changing rainfall patterns and sea level rise that can affect CSO control projects.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ **Yes** ☒ **No**
Projects will be included in proposed budgets through 2027, the expected completion date. Projects occurring in 2024 and 2025 are included in the adopted and proposed budget. Total anticipated project costs through 2027 are $74M.

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☐ **Yes** ☒ **No**

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.
No

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.
NA

Please describe any financial costs or other impacts of *not* implementing the legislation.
The alternative to signing the First Material Modification is judicial enforcement action initiated by EPA or Ecology. A resulting court order, or revised court order, could impose more significant and costly requirements. The nature of such requirements is unpredictable and could make it difficult for the City to plan and implement its projects. Clean Water Act enforcement can carry heavy penalties, including Criminal prosecution.

4. OTHER IMPLICATIONS

a. Please describe how this legislation may affect any departments besides the originating department.

This legislation primarily impacts SPU. However, the types of projects implemented to comply with the First Material Modification (e.g., pipelines, pump stations, small retrofits, green stormwater infrastructure, and underground storage structures) may have impacts on the Office of Planning and Community Development, the Department of Parks and Recreation, the Seattle Department of Transportation, and other City departments. Coordination with other City departments will be necessary to implement the First Material Modification requirements.

b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.

This legislation does not have an immediate impact on a particular piece of property. However, the types of projects that will be implemented to comply with the First Material Modification (e.g., pipelines, pump stations, small retrofits, green stormwater infrastructure, and underground storage structures) will have impacts on both private and public property. These projects will be constructed in the public right-of-way, on City-owned lands, and/or on private property.

c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.

This legislation allows the City to align or partner with King County CSO control projects, which prioritize the Duwamish area. The First Material Modification delays the timeline for SPU's South Park Water Quality Facility, thereby giving the City more time to partner and leverage investments to support South Park community goals.

ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.

A Racial Equity Toolkit or other racial equity analyses was not utilized in the development of this legislation.

iii. What is the Language Access Plan for any communications to the public?

SPU has a language access plan that outlines expectations for each CSO consent decree program to develop language access strategies as part of their outreach, engagement, and communications efforts.

d. Climate Change Implications

i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.

This legislation would not increase or decrease carbon emissions.

ii. 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.

Climate change and climate variability have a significant impact on the sizing of CSO control measures, which is highlighted by the fact that multiple projects that have been completed now require modifications, even though climate change was considered in their sizing. Precipitation conditions (intensity and magnitude) over the last decade are not as anticipated in earlier planning efforts. Future projects need to be re-evaluated based on a climate framework adjusted for updated information and enhances compliance. Future projects will need to account for greater variability and magnitude of wet weather events. This may result in changes in the type of project required.

e. 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)? What mechanisms will be used to measure progress towards meeting those goals?

The overall goal of the CSO program remains the same as when SPU entered its existing CSO Consent Decree in 2013, to control all permitted CSO outfalls and sanitary sewer overflows to the state standard and per state and federal law.

5. CHECKLIST

☐ **Is a public hearing required?**

☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**

☐ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**

☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

6. ATTACHMENTS

Summary Attachments:

Combined Sewer Overflow Consent Decree Modification

Protecting Public Health and Reducing Pollution

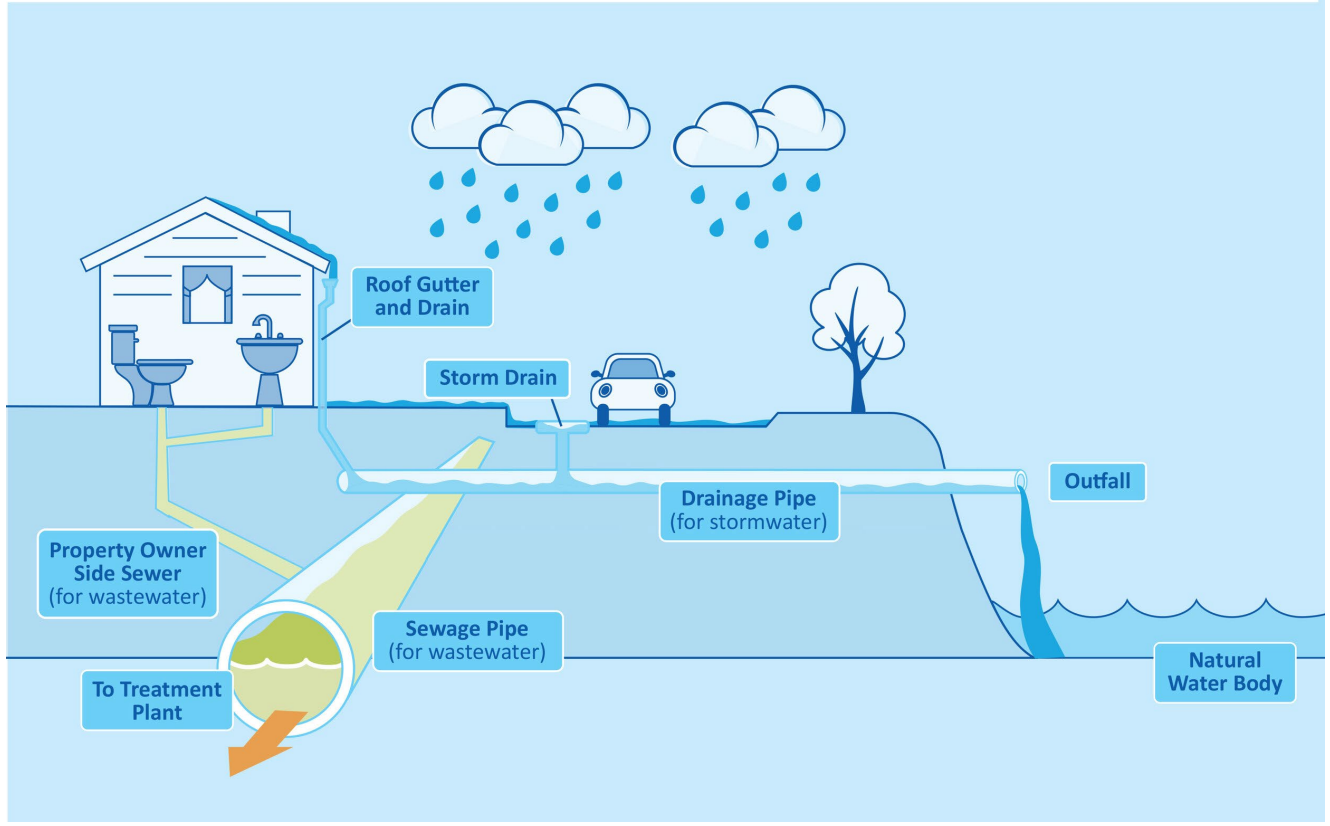
July 24, 2024

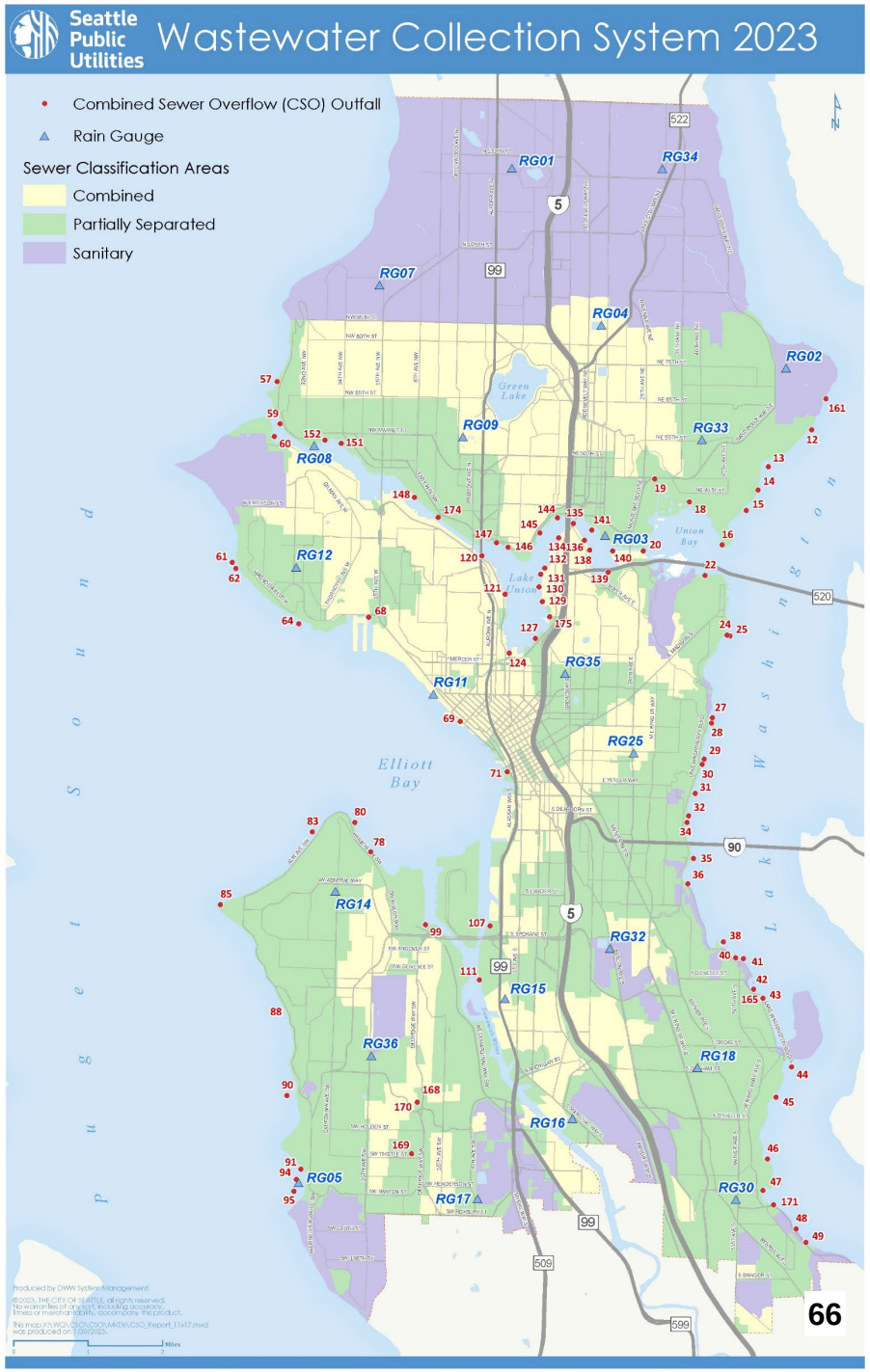
Purpose of Legislation

- To authorize Seattle Public Utilities to enter into a modification of its 2013 Consent Decree to control Combined Sewer Overflows.

Seattle's Sewer System

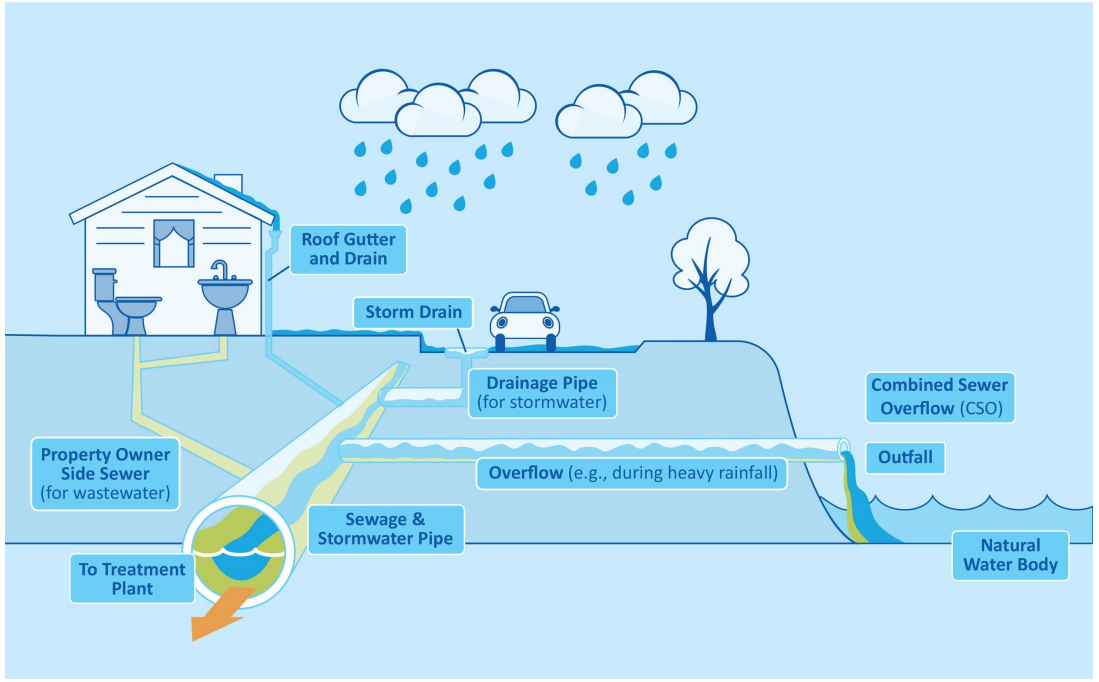
SEPARATED SYSTEM



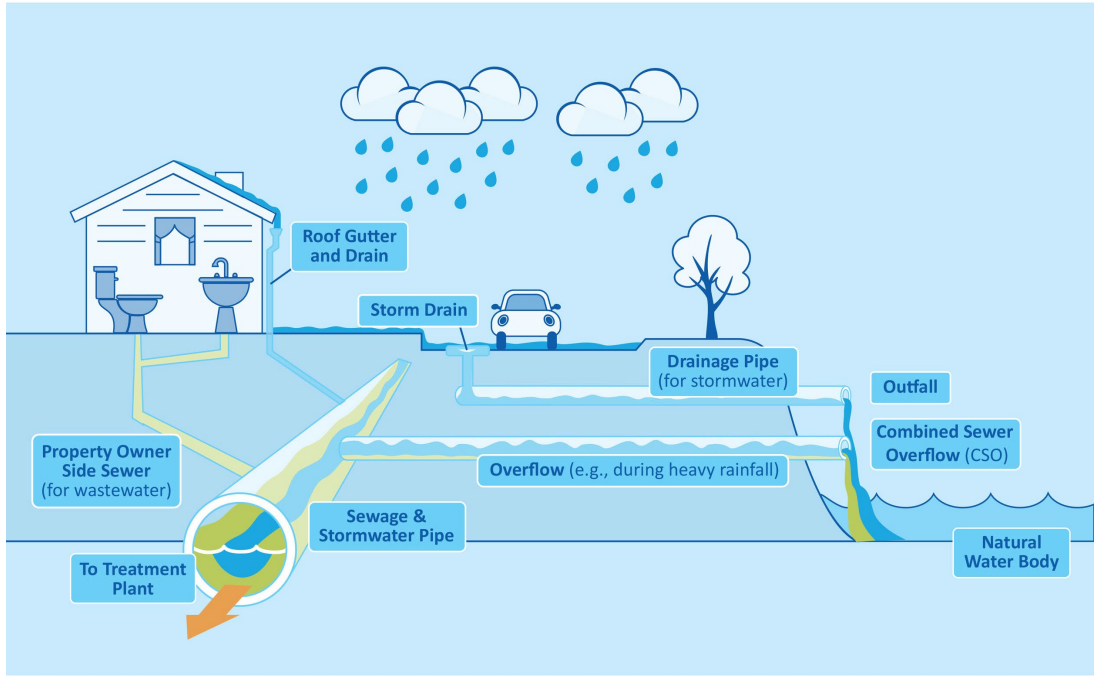


Seattle's Sewer System

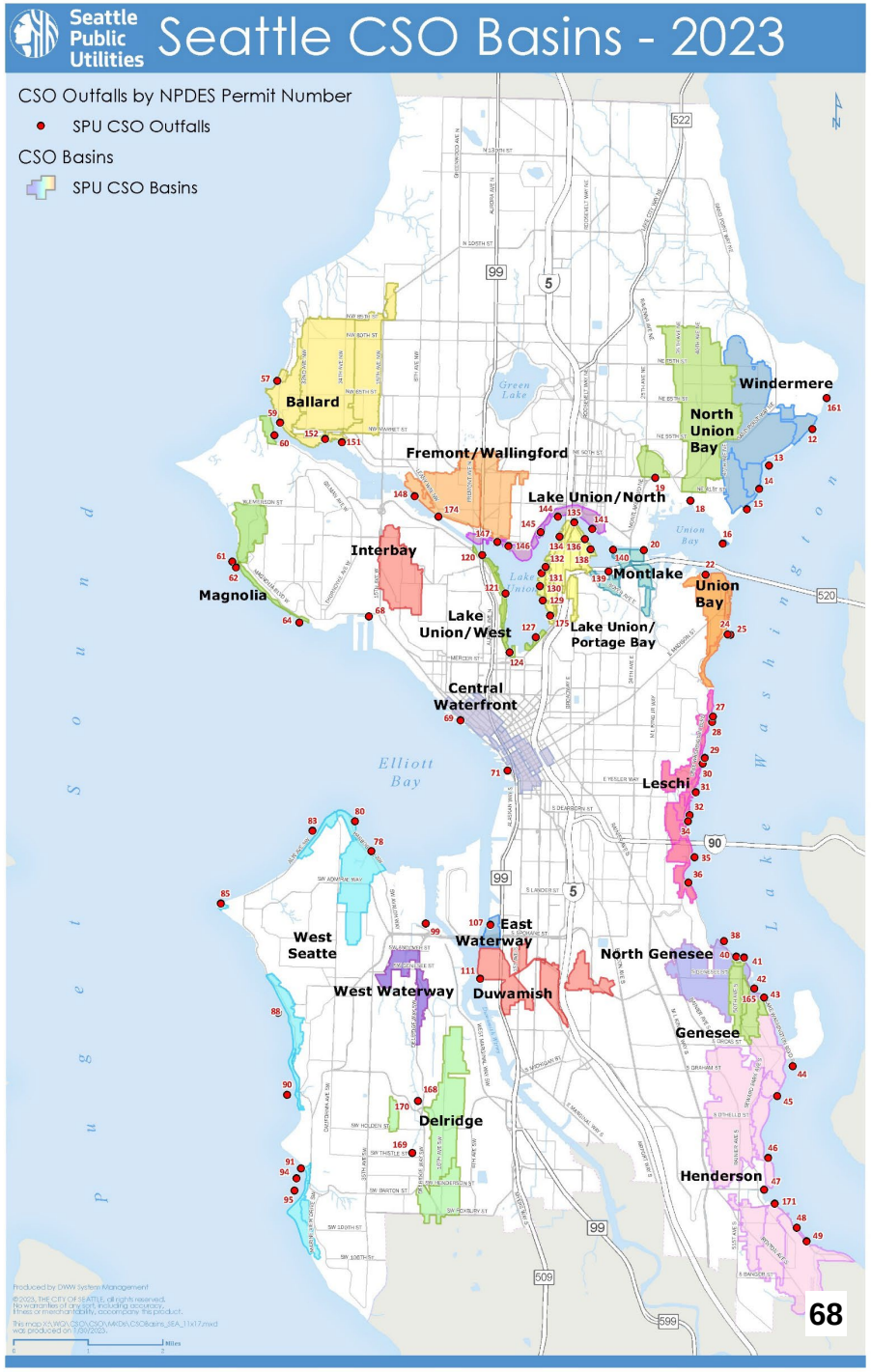
COMBINED SYSTEM



PARTIALLY SEPARATED SYSTEM



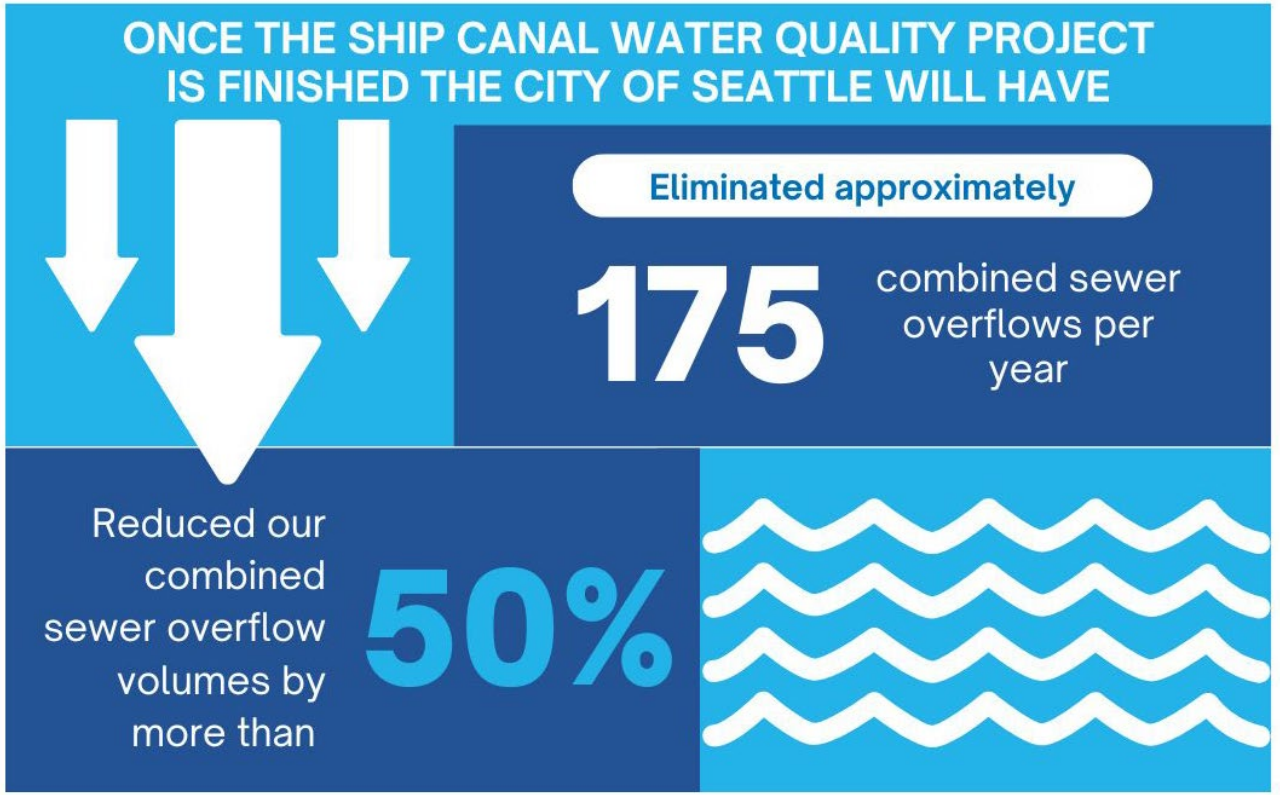
Consent Decree Overview



Progress

Combined Sewer Overflow (CSO) Reductions

The City of Seattle protects public health and reduces pollution in our local waters.



Investments

CSO and pollution reduction

Investments

CSO and pollution reduction

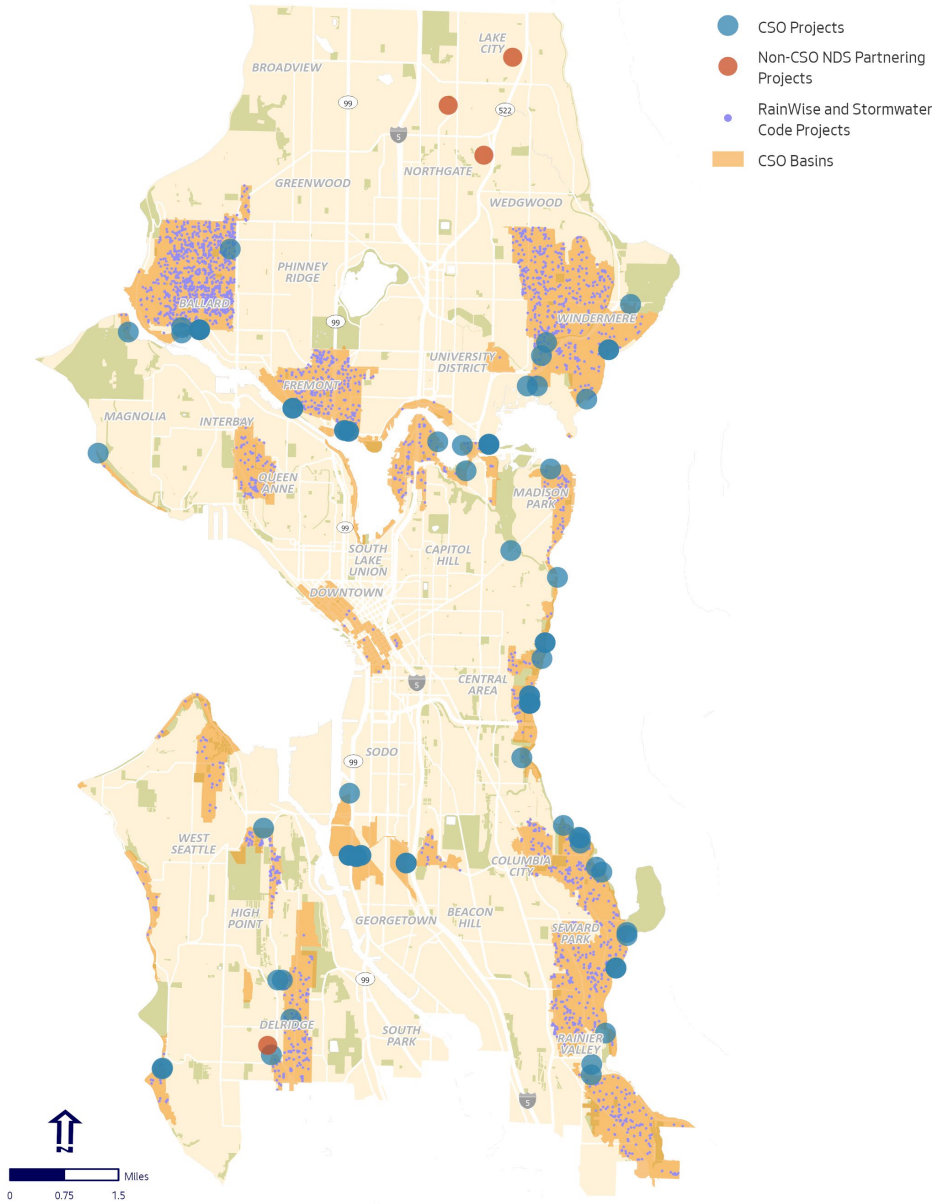
Street Sweeping

RainWise

Investments

CSO and pollution reduction

Ship Canal Water Quality Project – under construction



Investments

Ship Canal Water Quality Project

MudHoney, the 18-ft diameter tunnel boring machine, completed its journey from Ballard to Wallingford in June 2023

Why a modification?

- Enable adaptive management for costs and conditions
- Align with King County-led projects
- Prioritize projects in historically underserved areas

Our Continued Work

- Long Term Control Plan Update – December 2026
  - Projects in 14 basins
- Coordinate on King County-led projects
- Complete the Ship Canal Water Quality Project
- Ongoing: stormwater pollution and flow reductions (street sweeping, GSI)

Questions?

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Melissa Ivancevich
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File #: CB 120819, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to drainage services of Seattle Public Utilities; adjusting drainage rates; and amending Sections 21.33.010, 21.33.030, 21.33.040, 21.33.050, and 21.33.090 of the Seattle Municipal Code to reflect adjusted rates.

WHEREAS, Seattle Public Utilities has been able to utilize new technologies in drainage billing to enable automatic identification of hard and infiltrative surfaces; and

WHEREAS, the classifications of hard, infiltrative, pervious, impervious, and similar terminologies regarding surface types require explicit definitions or redefinitions in light of these new technologies; and

WHEREAS, Seattle Public Utilities recently completed a rate study incorporating guidance for its adopted 2025-2030 Strategic Business Plan Update; and

WHEREAS, the 2025-2030 Strategic Business Plan Update included increases in the capital and operating requirements of the Drainage and Wastewater Fund in response to federal and state regulatory requirements, as well as environmental and infrastructure concerns, with a resulting increase in revenue requirements; and

WHEREAS, drainage and wastewater rates are calculated in accordance with the financial policies adopted by Resolution 30612 and Statement of Legislative Intent 13-1-A-1; and

WHEREAS, Seattle Public Utilities' drainage rates are designed to pass through all expenses in maintaining and operating the drainage system, and any related taxes or discounts incurred; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 21.33.010 of the Seattle Municipal Code, last amended by Ordinance 125292, is

amended as follows:

21.33.010 Definitions

For purposes of this chapter, the words or phrases below shall have the following meanings:

A. "Approved stormwater management facility" means a drainage control facility or improvement installed and properly maintained on a parcel in the City that reduces or controls flow or improves water quality, or both, of stormwater flowing from all or part of the ((~~impervious~~)) hard surfaces on a parcel subject to a drainage service charge ((~~to the City's stormwater system,~~)) and which meets the technical design requirements ((~~for the drainage discharge point~~)) applicable to the parcel being billed as more particularly described in the Stormwater Code, Chapters 22.800 through 22.808, and associated Director's Rules.

B. "Billable area" means the total parcel area less any portion of the parcel which is exempt from drainage service charges pursuant to ((~~Subsection 21.33.030 A of the Seattle Municipal Code~~)) subsection 21.33.030.A.

C. "Billing year" means the calendar year that bills are sent. The first billing year shall be from January 1, 1989, through December 31, 1989.

D. "City" means The City of Seattle.

E. "Condominiums" or "townhouses" means properties which contain two or more residential dwelling units which are individually owned and are billed separately for property taxes.

F. "Drainage discharge point" means the end or receiving point ((~~of the City's stormwater system~~)) that a parcel's stormwater flows to, which may include a combined or sanitary sewer treatment facility, a large body of surface water, or a major creek basin, which dictates the type of stormwater performance goals and management facilities that may be required or accepted to manage the flow or quality, or both, of stormwater from that parcel.

G. "Drainage service charge" means the fee for surface and stormwater management services imposed by the City upon all parcels of real property, except exempted properties, located within the boundaries of the

City. The drainage service charge shall be calculated in accordance with Section ((~~33.030 of this Chapter~~)) 21.33.030.

H. "Drainage rate" means the dollar charge assigned to each rate category, which shall be used in the calculation of the drainage service charge.

I. "General service properties or parcels" means properties or parcels with no existing single-family or duplex dwelling unit, including vacant properties, condominium complexes, apartment buildings, and institutional, commercial, or industrial properties.

J. "Hard surface" means "hard surface" as defined in Chapter 22.801, as may be amended from time to time.

((~~J~~)) K. "Highly infiltrative pervious surface" means vegetated surface of specific types such as forests or non-forested land ((~~that is in the natural progression back to a forested state, or athletic fields~~)) that have been designed to substantially meet the same Seattle Public Utilities-defined performance characteristics for infiltrating stormwater.

((~~K~~)) L. "Houseboats" and "piers" ((~~means~~)) mean property or parcels that rest on or over natural bodies of water.

((~~L. "Impervious surface" or "impervious ground cover" means "Impervious surface" as defined in Section 22.801 of the Seattle Municipal Code, as may be amended from time to time.~~))

M. "Large residential property or parcel" means any single-family residential property or townhouse whose billable area is 10,000 square feet or greater.

N. "Open space properties or parcels" means any ((~~General Service~~)) general service or ((~~Large Residential~~)) large residential properties, parcels, or portions thereof classified for current use taxation under King County Code (K.C.C.) chapter 20.36 and chapter 84.34 RCW. This definition includes lands which have been classified as open space, agricultural, or timber lands under criteria contained in K.C.C. chapter 20.36 and chapter 84.34 RCW.

O. “Parcel” means the smallest separately segregated unit or plot of land having an identified owner(s), boundaries, and area as defined by the King County Assessor and recorded in the King County Assessor Real Property File or in the King County Assessor maps.

P. “Property owner of record,” ((,)) also referred to as “owner” or “property owner,” means the person or persons recorded by the King County Assessor to be the owner(s) of property and to whom property tax statements are directed.

Q. “Rate category” means the classification of properties into groups based on their common characteristics (such as percentage of ((~~impervious~~)) hard surface), for purposes of establishing drainage service charges.

R. “Residence” means a building or structure, or portion of a structure, designed to be used as a place of abode for human beings and not used for any other purpose. The term “residence” includes the term “residential,” “residential unit,” and “dwelling unit” as referring to the type of or intended use of a building or structure.

S. “Riparian corridors” means the riparian watercourse and riparian management area as defined in subsection 25.09.012.D.5.a.

T. “Single-family residential property or parcel” means any property or parcel which contains one or two residential dwelling units, including townhouses.

U. “Small residential property or parcel” means any single-family residential property or townhouse whose billable area is less than 10,000 square feet.

V. “Stormwater facility credit” means a percentage credit, up to the allowable maximum, in accordance with Section 21.33.040, which reduces the drainage service charge for a particular parcel because one or more approved stormwater management facilities are installed and maintained on the parcel. ((~~that relieve some of the burden on the City’s stormwater system.~~))

W. “Stormwater performance goals” means minimum requirements for flow control and treatment as

appropriate for the drainage discharge point and thresholds as more particularly described in the Stormwater Code, Chapters 22.800 through 22.808.

X. "Stormwater management system" means the entire system of flood protection, ((~~and~~)) stormwater drainage, ((~~and~~)) surface water runoff facilities, and stormwater treatment facilities owned or leased by the City or over which the City has right of use for the movement and control of storm drainage and surface water runoff, including both naturally occurring and ((~~man-made~~)) constructed facilities, and any combined sanitary and stormwater system.

Y. "Submerged" means that portion of a parcel that extends beyond the shoreline, as delineated by Geographic Information System (GIS).

Z. "Utility" means Seattle Public Utilities.

AA. "Wetlands" means "wetlands" as defined in Section ((~~25.09.020~~)) 25.09.012, as may be amended from time to time.

Section 2. Section 21.33.030 of the Seattle Municipal Code, last amended by Ordinance 126690, is amended as follows:

21.33.030 Drainage service charges and drainage rates-Schedule-Exemptions

A. A drainage service charge is imposed on every parcel within the City, and the owner(s) thereof, except for the following exempted property(ies):

1. The portion of a parcel that contains houseboats or piers that extend beyond the shoreline, as delineated by Geographic Information Systems (GIS) data;

2. That portion of a parcel that is submerged. If the parcel is entirely submerged, the entire parcel is exempt. If a portion of the parcel is submerged, only the submerged part will be exempt and the remainder of the parcel shall be billed as all other properties;

3. City streets;

4. State of Washington highways, so long as the State of Washington shall agree to maintain,

construct, and improve all drainage facilities associated with State highways as required by the Utility in conformance with all Utility standards for maintenance, construction, and improvement hereafter established by the Utility and so far as such maintenance, construction, and improvements shall be achieved at no cost to the Utility or to the City; and

5. All other streets, so long as such streets provide drainage services in the same manner as City streets and the owner(s) shall agree to maintain, construct, and improve all drainage facilities associated with such streets as required by the Utility in conformance with all Utility standards for maintenance, construction, and improvement hereafter established by the Utility and so far as such maintenance, construction, and improvements shall be achieved at no cost to the Utility or to the City.

6. Effective January 1, 2013, that portion of a parcel containing a riparian corridor that contains highly infiltrative pervious surface and meeting all qualification criteria established by the Utility by Director's Rule under Section 3.32.020. ((~~of the Seattle Municipal Code.~~)) The Utility may consider Geographic Information System data and any other information determined necessary in identifying qualifying riparian corridors.

7. Effective January 1, 2013, that portion of a parcel containing an island that contains highly infiltrative pervious surface and less than ten percent ((~~impervious~~)) hard surface area. The Utility may consider Geographic Information System data and any other information determined necessary in identifying qualifying islands.

8. Effective upon the date set by ((~~Directors~~)) Director's Rule, but no later than January 1, 2014, that portion of a parcel containing a wetland that meets all qualification criteria as established by the Utility by Director's Rule under Section 3.32.020. ((~~of the Seattle Municipal Code.~~)) The Director's Rule shall also establish administrative schedules and procedures for demonstrating initial and ongoing compliance with exemption criteria. For the 2014 billing year only, the Utility will accept applications and supporting exemption qualification documentation specified in the Director's Rule through May 15, 2014, as a basis for an adjustment

to the 2014 drainage service charge for a particular parcel. Applications and supporting qualification documentation submitted after May 15, 2014, will be considered for future billing years under ((~~SMC~~)) subsection 21.33.070.A. The Utility may consider Geographic Information System data and any other necessary information in identifying qualifying wetlands.

B. The drainage service charge shall be based upon a parcel's estimated contribution to City-wide surface and storm water runoff. A parcel's ((~~run-off~~)) runoff is estimated based on its size and surface characteristics, including the amount and type of ((~~impervious~~)) hard and pervious surface it contains.

C. Drainage service charges shall be determined as follows:

1. Small single-family residential properties shall be assigned to ((~~one of five~~)) a flat rate ((~~categories~~)) category based on a billable area. Within each category, properties will be charged a uniform annual drainage rate per parcel, which is calculated based on an estimated average contribution of surface and storm water runoff for the category. The applicable drainage rate shall equal the drainage service charge.

2. General service and large residential properties shall be assigned to a rate category based on the estimated percent of ((~~impervious~~)) hard surface contained within the parcel. For rate category assignment purposes, percent of ((~~impervious~~)) hard surface shall be based on the parcel's total non-submerged area for parcels qualifying for exemptions under subsections 21.33.030.A.6, 21.33.030.A.7, and 21.33.030.A.8. For rate class assignment for all other parcels, percent of ((~~impervious~~)) hard surface shall be based on the parcel's total billable area.

Subsequently, through December 31, 2024, properties assigned to the "undeveloped," "light," and "moderate" rate categories that also contain sufficient quantities of highly infiltrative pervious surface cover to meet Utility-defined performance requirements shall be assigned to a "low impact" rate category. A separate drainage rate shall apply to each general service and large residential rate category. Effective January 1, 2025, properties with sufficient quantities of highly infiltrative surface areas may qualify for low-impact discounts with discount percentages and surface area qualifications as determined by the Director of Seattle

Public Utilities.

The drainage service charge shall be calculated by multiplying the drainage rate, as determined by the parcel's rate category assignment, by the parcel's billable area (rounded to the nearest whole number of a square foot and divided by one thousand). For condominiums, the drainage service charge shall be determined for the entire parcel and then divided evenly among the owners. Present use code, site visits, planimetric maps based on aerial photography, and other information shall be used to estimate the percentage of ((~~impervious~~)) hard area.

D. Drainage rates used in the calculation of drainage service charges shall be ((~~the sum of the treatment rate and the system rate,~~)) as follows:

((~~1. Treatment rate. The "treatment rate" shall be the rate required to pay the drainage share of "treatment cost" which is the cost of wastewater treatment, interception and disposal service as paid to external treatment providers by the Department, and any taxes incurred on treatment rate revenue, and any other associated costs necessary to meet Drainage and Wastewater Fund policies. The treatment rate shall be adjusted for utility discount program credits or any other revenue-reducing credits. The treatment rate may be adjusted at any time in response to such charges.~~

~~If an external treatment provider implements new rates for wastewater treatment or related services, the updated treatment contract cost under the new rates for the subsequent 12-month period shall be compared with the Department's cost assumption used in the adopted revenue requirement for the same time period. If the calculated difference for the rate year is $500,000 greater than what was adopted, then it will be deemed material and passed through in rates. Treatment rates in all rate schedules will be adjusted upwards or downwards by a consistent amount such that the identified material cost difference, including taxes and Utility Discount Program expense, is collected from or credited to customers over the subsequent 12-month period from the onset of the rate adjustment.~~

~~2. System rate. The "system rate" shall be the rate required to fund the expense associated with~~

~~operating, maintaining, and constructing the City's surface and stormwater management system, including any share of combined sanitary and stormwater system expense assigned to drainage.~~

~~3. Annual drainage treatment rates and dates effective are as follows:~~

~~For small residential parcels, per parcel:~~

Small Residential Parcels	**Jan 1, 2021**	**Jan 1, 2022**
Under 2,000 sq. ft.	$10.97	$12.83
2,000-2,999 sq. ft.	$21.36	$22.45
3,000-4,999 sq. ft	$30.16	$31.47
5,000-7,999 sq. ft	$41.00	$43.00
8,000-9,999 sq. ft.	$52.09	$54.43

~~For general service and large residential parcels, per 1,000 sq. ft.:~~

	Jan 1, 2021	**Jan 1, 2022**
Undeveloped (0% to 15% impervious)	$3.44	$3.65
Undeveloped (Low Impact)	$2.02	$2.09
Light (16% to 35% impervious)	$5.19	$5.44
Light (Low Impact)	$4.02	$4.22
Moderate (36% to 65% impervious)	$7.34	$7.74
Moderate (Low Impact)	$5.82	$6.24
Heavy (66% to 85% impervious)	$9.75	$10.25
Very Heavy (86% to 100% impervious)	$11.62	$12.23

~~4. Annual drainage system rates are as follows:~~

~~For small residential parcels, per parcel:~~

	Jan 1, 2021	**Jan 1, 2022**	**Jan 1, 2023**	**Jan 1, 2024**
Under 2,000 sq. ft.	$184.60	$191.38	$202.85	$215.11
2,000-2,999 sq. ft.	$299.22	$314.68	$333.50	$353.65
3,000-4,999 sq. ft	$415.09	$434.44	$460.41	$488.24
5,000-7,999 sq. ft	$558.94	$589.67	$624.92	$662.69
8,000-9,999 sq. ft.	$705.60	$743.56	$788.00	$835.63

~~For general service and large residential parcels, per 1,000 sq. ft.:~~

	Jan 1, 2021	**Jan 1, 2022**	**Jan 1, 2023**	**Jan 1, 2024**
Undeveloped (0% to 15% impervious)	$46.05	$50.03	$53.03	$56.23
Undeveloped (Low Impact)	$27.43	$29.02	$30.75	$32.61

~~Light (16% to 35% impervious)~~	~~$68.73~~	~~$74.22~~	~~$78.65~~	~~$83.40~~
~~Light (Low Impact)~~	~~$53.85~~	~~$57.70~~	~~$61.15~~	~~$64.85~~
~~Moderate (36% to 65% impervious)~~	~~$97.81~~	~~$105.13~~	~~$111.41~~	~~$118.14~~
~~Moderate (Low Impact)~~	~~$79.18~~	~~$84.96~~	~~$90.03~~	~~$95.47~~
~~Heavy (66% to 85% impervious)~~	~~$129.42~~	~~$138.87~~	~~$147.17~~	~~$156.07~~
~~Very Heavy (86% to 100% impervious)~~	~~$154.49~~	~~$165.60~~	~~$175.49~~	~~$186.10~~

~~5. SPU shall provide a ten percent reduction in the drainage service charge for parcels containing new or remodeled commercial buildings that, after July 27, 2003, install and utilize rainwater harvesting systems that meet the performance requirement that the systems are sized to use the amount of rain that falls on the roofs of such buildings during a one year, 24-hour storm event. A system that involves indoor uses of rainwater must be permitted by Seattle-King County Department of Health to qualify for the rate reduction. A system that relies solely on the capture and indoor use of rainwater shall qualify for the drainage service charge reduction only if the system is sized to meet the performance requirement stated above. Qualifying for the drainage service charge reduction does not relieve the property owner from the obligation to comply with applicable stormwater and drainage code requirements for the buildings and site.))~~

((~~6~~)) 1. Effective November 7, 2008, open space properties or parcels shall be charged only for the area of ((~~impervious~~)) hard surface and at the rate under which the parcel is classified using the total parcel acreage.

2. For small residential parcels:

Small Residential Parcels	**Effective Jan 1, 2024**
Under 2,000 sq. ft.	$229.93
2,000-2,999 sq. ft.	$379.58
3,000-4,999 sq. ft.	$524.59
5,000-7,999 sq. ft.	$712.36
8,000-9,999 sq. ft.	$898.51

Small Residential Parcels	**Effective Jan 1, 2025**	**Effective Jan 1, 2026**	**Effective Jan 1, 2027**
Under 2,000 sq. ft.	$235.28	$247.09	$259.54

2,000-3,499 sq. ft.	$447.08	$469.52	$493.18
3,500-4,499 sq. ft.	$572.64	$601.39	$631.68
4,500-5,499 sq. ft.	$672.93	$706.71	$742.31
5,500-6,499 sq. ft.	$764.98	$803.38	$843.85
6,500-9,999 sq. ft	$929.48	$976.13	$1,025.31

3. For general service and residential parcels 10,000 square feet or greater:

	Effective Jan 1, 2024
Undeveloped (0% to 15% hard surface)	$60.44
Undeveloped (Low Impact)	$35.02
Light (16% to 35% hard surface)	$89.69
Light (Low Impact)	$69.72
Moderate (36% to 65% hard surface)	$127.08
Moderate (Low Impact)	$102.68
Heavy (66% to 85% hard surface)	$167.91
Very Heavy (86% to 100% hard surface)	$200.23

	Effective Jan 1, 2025	**Effective Jan 1, 2026**	**Effective Jan 1, 2027**
Undeveloped (0% to 10% hard surface)	$59.82	$54.23	$53.34
Very Light (11% to 20% hard surface)	$65.11	$70.91	$74.48
Light (21% to 35% hard surface)	$94.46	$97.01	$101.90
Moderate (36% to 50% hard surface)	$123.19	$129.37	$135.89
Heavy (51% to 64% hard surface)	$138.77	$152.60	$166.88
Very Heavy (65% to 84% hard surface)	$183.25	$192.45	$202.15
Impervious (85% to 100% hard surface)	$216.17	$232.15	$243.84

E. Each bill shall be rounded to the nearest cent. The minimum annual drainage service charge shall be $5 per parcel.

Section 3. Section 21.33.040 of the Seattle Municipal Code, last amended by Ordinance 124801, is amended as follows:

21.33.040 Stormwater facility credit program

A. The Utility may apply a stormwater facility credit to be effective beginning January 1 of the 2009

billing year, in accordance with this Section 21.33.040, to reduce the annual drainage service charge for a particular parcel within the City if the stormwater originating from the parcel being billed is managed by one or more approved stormwater management facilities that are installed on the parcel being billed; or that are installed on a parcel different than the parcel being billed, subject to the following conditions:

1. The applicant must be able to demonstrate that the approved stormwater management facility located on a different parcel is designed to manage the stormwater originating on the parcel being billed; and

2. If the owner of the parcel being billed does not own the parcel on which the approved stormwater management facility is installed, the applicant must be able to provide adequate documentation confirming that the Utility will have the right to inspect the facility for the applicable purposes under subsection 21.33.040.C; and

3. The approved stormwater management facility managing the stormwater from the parcel being billed must not be owned by the Utility, except where the applicant for the credit is the Utility.

B. Property owners must complete a stormwater facility credit application and submit it to the Utility by November 1st of any calendar year for credit against the subsequent year's drainage service charge. The stormwater facility credit will not be applied until the Utility has approved the application in writing.

C. Prior to approving a stormwater facility credit, and annually after a facility credit is approved, the Utility shall have the right to inspect the approved stormwater management facility(ies) and parcel being billed to confirm application information and continued eligibility for the credit. Inspection may include confirmation of parcel characteristics, such as ((~~impervious~~)) hard surface area, and determination that the facility meets the technical design requirements and is being inspected and maintained in accordance with Stormwater Code Chapters 22.800 through 22.808 and associated Director's Rules.

D. The Utility will calculate a stormwater facility credit for each eligible parcel that has applied for such credit based on the following:

1. The type and size of the approved stormwater management facility(ies). The Utility will

assign a uniform rate credit to each type of approved stormwater management facility based on a weighting of the stormwater performance goals the facility satisfies and that are applicable to the appropriate drainage discharge point for the parcel being billed;

2. The percentage of ((~~impervious~~)) hard surface on the parcel that is managed by the approved stormwater management facility(ies); and

3. The percentage of the parcel's drainage service charge which is based on runoff from ((~~impervious~~)) hard surfaces, as determined using flow calculation data for the applicable drainage service charge rate category.

E. To assign the uniform rate credit by facility type under ((~~Section~~)) subsection 21.33.040.D.1 and calculate the stormwater facility credit only, the Utility will use the stormwater performance goals under the Stormwater, Grading and Drainage Code adopted by Ordinance No. 119965, effective July 5, 2000, for any approved stormwater management facility installed prior to July 5, 2000. The Utility will use the stormwater performance goals under the Stormwater Code in effect at the time the approved stormwater management facility is installed for any such facility installed after July 5, 2000.

F. The allowable maximum credit to the drainage service charge per parcel, including the stormwater facility credit and the reduction for rainwater harvesting systems under ((~~Section~~)) subsection 21.33.030.D.4, may not exceed 50 percent of the drainage service charge for the parcel. The stormwater facility credit and reduction for rainwater harvesting systems may not reduce the drainage service charge per parcel below the minimum drainage service charge under ((~~Section~~)) subsection 21.33.030.E.

G. The Utility may terminate the stormwater facility credit for any parcel, upon written notice, for the following reasons:

1. The property owner does not maintain the approved stormwater management facility in a clean and properly functioning manner and does not take corrective action within the time specified by a Utility inspector;

2. ((~~the~~)) The parcel changes ownership;

3. ((~~the~~)) The parcel is re-developed or the parcel boundaries change.

Section 4. Section 21.33.050 of the Seattle Municipal Code, last amended by Ordinance 125191, is amended as follows:

21.33.050 Drainage service charges-Adjustments.

A. Any person receiving a drainage service charge may apply in writing to the Utility for a bill adjustment. Filing such a request does not extend the period for payment of the charge. Requests for adjustments on delinquent accounts will not be acted upon until paid in full.

B. A request for a bill adjustment may be based on one or more of the following:

1. The billable area of the parcel is incorrect;

2. The percent of ((~~impervious~~)) hard surface on a large residential or general service parcel places the parcel in a different rate category than the category assigned by the Utility;

3. The parcel is a large residential or general service parcel which contains highly infiltrative pervious surface and meets all Utility requirements for low-impact rate category designation but has not been properly assigned to such a category by the Utility;

4. The parcel meets the definition of exempted property and fulfills any qualification criteria established in ((~~SMC~~)) Section 21.33.030 or any Director's Rule referred to therein;

5. The parcel is wholly or partially outside City of Seattle limits; or

6. The parcel's stormwater facility credit was calculated with inaccurate data related to the parcel or to the approved stormwater management facility.

7. The drainage service charge is otherwise erroneous in applying the terms of this ((~~chapter~~)) Chapter 21.33.

C. Applications for adjustments may be made to the Utility. The burden of proof shall be on the applicant to show that the adjustment sought should be granted. All decisions of the Utility shall be final.

D. If the Utility grants an adjustment which reduces the charge, the applicant shall receive an adjusted bill or be refunded the amount overpaid. If the Utility determines that an adjustment should be made which increases the charge due for the current year, the applicant shall receive a supplemental bill that will be due within 45 days of the date of issue. Applicants for rate adjustments shall be notified in writing of the Utility's decision.

Section 5. Section 21.33.090 of the Seattle Municipal Code, last amended by Ordinance 122682, is amended as follows:

21.33.090 Revenue disposition and expenditure conditions ((.))

All moneys obtained pursuant to this ((~~chapter~~)) Chapter 21.33 shall be credited and deposited in the Drainage and Wastewater Fund. Moneys deposited in the Drainage and Wastewater Fund from drainage service charges shall be expended for administering, operating, maintaining, or improving the Utility's stormwater management system, including all or any part of the cost of planning, designing, acquiring, constructing, repairing, replacing, improving, regulating, educating the public, or operating present or future stormwater management facilities owned by the Utility, or to pay or secure the payment of all or any portion of any debt issued for such purpose and the related reserve and coverage requirements. Moneys shall not be transferred to any other funds of the City except to pay for expenses attributable to the stormwater system.

Section 6. This ordinance does not affect any existing right acquired or liability or obligation incurred under the sections amended or repealed in this ordinance or under any rule or order adopted under those sections, nor does it affect any proceeding instituted under those sections.

Section 7. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, then such provision or provisions shall be null and severed from the rest of this ordinance with respect to the particular person or circumstance. The offending provision with respect to all other persons and all other circumstances, as well as

all other provisions of this ordinance, shall remain valid and enforceable.

Section 8. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2024, and signed by me in open session in authentication of its passage this _____ day of _____, 2024.

_____

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2024.

_____

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2024.

_____

Scheereen Dedman, City Clerk

(Seal)

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
Seattle Public Utilities	Vas Duggirala	Akshay Iyengar

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to drainage services of Seattle Public Utilities; adjusting drainage rates; and amending Sections 21.33.010, 21.33.030, 21.33.040, 21.33.050, and 21.33.090 of the Seattle Municipal Code to reflect adjusted rates.

Summary and Background of the Legislation:
This ordinance would revise drainage rates with effective dates of January 1, 2025, 2026, and 2027 to provide the financial resources necessary to achieve the objectives laid out in Seattle Public Utilities' 2025-2030 Strategic Business Plan (SBP), regulatory requirements imposed upon the City by State and Federal entities, and financial policy target requirements laid out by City Council Resolution 30612 and Statement of Legislative Intent 13-1-A-1. This legislation proposes three years of rate increases and assistance credit updates. The rate path proposed by this legislation is unchanged from that in the proposed SBP.

2025-2027 Proposed Drainage Rate Increases

	2025	2026	2027
Drainage	5.0%	5.0%	5.1%

Incorporated in this legislation is a shift of treatment expense allocation from a split between drainage and wastewater rates to a sole allocation to wastewater, and a partial reverse shift of some capital expense to drainage rates. This legislation increases the drainage system rate. Please see Exhibit A – 2025-2027 Drainage and Wastewater Rate Study for more information.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ **Yes** ☒ **No**

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☒ **Yes** ☐ **No**

Expenditure Change ($); General Fund	2024	2025 est.	2026 est.	2027 est.	2028 est.
	-	-	-	-	-
Expenditure Change ($); Other Funds	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
	-	-	-	-	-

Revenue Change ($); General Fund	2024	2025 est.	2026 est.	2027 est.	2028 est.
	0	$1,167,837	$1,231,384	$1,301,414	N/A
Revenue Change ($); Other Funds	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
	0	$9,864,696	$10,402,954	$10,965,129	N/A

Number of Positions	2024	2025 est.	2026 est.	2027 est.	2028 est.
	-	-	-	-	-
Total FTE Change	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
	-	-	-	-	-

3.a. Appropriations

☐ **This legislation adds, changes, or deletes appropriations.**

3.b. Revenues/Reimbursements

☒ **This legislation adds, changes, or deletes revenues or reimbursements.**

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2024 Revenue	2025 Estimated Revenue
General Fund		Drainage Utility Tax	No change	1,167,837
DWF 45010	SPU	Rates	No change	9,864,696
		TOTAL		

Revenue/Reimbursement Notes: 2025 revenues are estimates. Revenues are anticipated changes due to legislation.

3.c. Positions

☐ **This legislation adds, changes, or deletes positions.**

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

Drainage fees incurred by City departments are estimated to increase a total average of $683,000 each year. Departments affected include, by order of magnitude, Department of Parks & Recreation, Seattle Public Utilities, Seattle City Light, Department of Finance and Administrative Services, Seattle Center, Seattle Department of Transportation, Seattle Public

Libraries, Seattle Fire Department, Seatle Police Department, Department of Neighborhoods, and others.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.
N/A

Please describe any financial costs or other impacts of *not* implementing the legislation.
Not implementing this legislation would hamper SPU's ability to provide drainage and wastewater services to residents, would deny SPU the financial resources necessary to comply with State and Federal regulatory requirements, and may result in a ratings downgrade, which would increase the cost of borrowing.

4. OTHER IMPLICATIONS

a. Please describe how this legislation may affect any departments besides the originating department.
Several City departments incur drainage costs. Drainage fees for these departments will increase commensurate with the rate increases proposed in this legislation. The impacted departments include Seattle Center, 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.

b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.
No

c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.
This legislation impacts all residential and general service wastewater customers and will increase the cost of living for residents and increase operating expenses for businesses in the retail service area.

Through the rates, this legislation will provide funding assistance for low-income customers to repair and replace failing side sewer lines throughout the city.

This legislation also adjusts low-income credits for residents that are not direct customers of SPU and pay utilities through rent. These customers will continue to receive a 50% credit.

ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.

iii. What is the Language Access Plan for any communications to the public?
SPU does extensive outreach for the Strategic Business Plan. The rates in this legislation are consistent with the rates outlined in the SBP. SBP outreach includes a significant Ethnic Media component with in-language advertising targeting Spanish, Chinese, Korean, and Somali speakers.

d. Climate Change Implications

i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.
N/A

ii. 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.
The rates proposal supports the financing of SPU's Strategic Business Plan (SBP). For example, given uncertainty related to climate change, growth, and increasingly stringent regulations, SPU is developing an integrated system plan called 'Shape Our Water.' A part of the SBP, the plan includes a long-term vision and a short-term implementation plan and will guide investments, policies, programs, and projects that will improve the performance and resilience of our drainage and wastewater systems while optimizing social and environmental benefits for the city.

The Ship Canal Water Quality Project (SCWQP) is a partnership with King County that will improve regional water quality by keeping more than 75 million gallons of polluted stormwater and sewage from flowing into the Lake Washington Ship Canal, Salmon Bay, and Lake Union on average each year. The proposed rates provide resources for this important and required project.

5. CHECKLIST

☐ **Is a public hearing required?**

☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**

☒ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**
Yes

☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

6. ATTACHMENTS

Summary Attachments:
Summary Exhibit A – Seattle Public Utilities 2025-2027 Drainage and Wastewater Rate Study

EXHIBIT A

Seattle Public Utilities

2025-2027

Drainage and Wastewater

Rate Study

Table of Contents

1. EXECUTIVE SUMMARY

The Drainage and Wastewater Utility (DWF) provides wastewater and stormwater management services to Seattle residences and businesses. The fund is supported by utility fee revenue, enumerated for wastewater customers on SPU combined utility bills based on metered water usage, and for drainage customers on King County property tax bills, reflecting an estimate of each parcel's contribution to stormwater runoff. DWF revenues fund SPU operations and maintenance (O&M) and capital expense required to operate the separated storm drain and sanitary sewer systems as well as the combined stormwater and wastewater system ("Combined System"). The Combined System collects both stormwater and sewer flows and conveys them to SPU's two contracted treatment providers, King County Wastewater Treatment Division (KC WTD) and Southwest Suburban Sewer District (SWSSD).

A significant aspect of the combined system is management of Combined Sewer Overflows (CSOs) which can occur during heavy rains when the volume of stormwater and wastewater exceeds the capacity of the transmission and treatment systems and overflows raw sewage and stormwater into the Puget Sound, Lake Washington, Lake Union, and other nearby water bodies. Management of CSOs is regulated under the City's NPDES Waste Discharge permit with the Washington State Department of Ecology and is a significant component of the DWF Capital Program. Since 2008, a percentage of the costs associated with the Combined System, previously assigned solely to wastewater rates, have been recovered through drainage rates as this is an integral part of the stormwater conveyance system.

SPU has utilized new GIS and AI technologies, and updated stormwater modeling assumptions and methodology to refine the existing drainage rate structure to increase equity and transparency of drainage rates. This rate study recommends updates to how combined sewer system expenses are shared between drainage and sewer customers to increase equity and better reflect the impacts of climate change and the increasing amount of hard surface on system costs.

Wastewater and drainage rates were last increased January 1, 2024. Wastewater revenues increased by 3.8 percent and drainage revenues increased by 6.4 percent. This rate study proposes annual average revenue increases of 5 percent from 2025 to 2027 for both wastewater and drainage.

Drainage and wastewater rates are currently the sum of two components: a system component, which recovers SPU O&M and capital expense, and a treatment component to recover payments for treatment to KC WTD and SWSSD. This rate study removes the drainage treatment component as KC WTD and SWSSD only assess fees on sewer flow volume (based on metered water usage) with no fee on stormwater flow volumes.

The ordinance supported by this document is limited to drainage and wastewater system rates. Treatment rate increases anticipated for 2026 and 2027 are included in the overall 5 percent wastewater rate increase noted above but will be adjusted only as necessary by the automatic passthrough mechanism in SMC 21.28.040 and published on SPU's website. Treatment rate increases for 2025 are incorporated into the 2025 rate increase and the treatment rate portion will be enacted through SMC 21.28.040. More detail on the treatment increases is found in the Wastewater Rates section.

Table 1-1 below summarizes proposed revenue requirements and rates. Wastewater rates for 2026 and 2027 include projected treatment rate increases.

Table 1-1: Proposed DWF Retail Rate Revenue Requirement and Monthly Bill Impacts

	2024	2025		2026		2027	
Revenue Requirement *($m)*							
Wastewater	$369.8	$388.3	+$18.5	$408.1	+$19.8	$428.4	+$20.3
Drainage	$197.9	$207.7	+$9.9	$218.1	+$10.4	$229.1	+$11.00
Total DWF	**$567.7**	**$596.1**	**+$28.4**	**$626.2**	**+$30.1**	**$657.4**	**+$31.3**
Wastewater ($)							
Wastewater Rate per CCF*	$18.30	$19.21	+$0.91	$20.18	+$0.97	$21.19	+$1.01
Residential (4.3 CCF)	$78.69	$82.60	+$3.91	$86.77	+$4.17	$91.12	+$4.34
Drainage ($)							
Townhome (<2,000 sqft)	$19.16	$19.61	+$0.45	$20.59	+$0.98	$21.63	+$1.04
Single-Family (0.15 acres)	$59.36	$56.08	-$3.29	$58.89	+$2.81	$61.86	+$2.97
Park (2.8 acres)	$621	$430	-$191	$384	-$46	$382	-$1
Supermarket (2.5 acres)	$1,801	$1,945	-$143	$2,088	+$144	$2,194	+$105
High School (32 acres)	$9,377	$10,851	+$1,474	$11,228	+$376	$11,795	+$567

2. FINANCIAL POLICY OVERVIEW

SPU is directed through a set of Seattle City Council-adopted[1] financial policies to adopt rates sufficient to satisfy a comprehensive, inter-connected framework of rules for sound financial management in rate setting. These financial policies:

- Shape the financial profile of the Fund to lenders and the financial community.
- Manage exposure to financial risk.
- Provide intergenerational equity.

Each financial policy sets a financial metric target which results, on a planning basis, in a minimum revenue requirement, the highest of which sets a binding constraint on rate setting. SPU may adhere to a more stringent internal planning target when tracking market conditions and peer utility performance expose any financial risk or weakness. The policies are:

1. **Minimum year-end operating cash balance of one month of treatment contract expenses**
   One-month of treatment expense translates to roughly two weeks of operating liquidity. In conversations with financial advisors and bond rating agencies, and comparisons with peer utilizes, SPU is instead holding a target of 100 days of operating expense. The DWF is currently holding more than 300 days of operating expense which SPU aims to reduce to 100 days by the end of the SBP period in 2030. The reduction in accumulated cash balances will be used to increase cash contributions to CIP (capital investments) and to smooth rate increases over the medium term through 2030. See Section 3.4.
2. **Cash finance at least 25% of the capital improvement plan over a four-year average**
   A minimum 'down-payment' on capital expenditures with operating cash prevents a rapid increase in debt service and debt burden. SPU intends to divert the existing surplus of operating cash to the capital program, with cash contribution ratios of 40 percent in 2025 and 2026 and 33 percent in 2027. See Section 3.3.
3. **A debt service coverage ratio of at least 1.5**
   The debt service coverage ratio is the ratio between the operating margin on a cash basis, with taxes paid to the City of Seattle removed, and the debt service obligation. Per the ordinances which authorize the Fund to issue revenue bonds and the covenants between the Fund and bond holders, City taxes are subordinate priority to the debt service obligation. Following a review of peer utilities' financial performance and credit rating practices that indicated the guarantee of priority to bond holders would be insufficient, SPU implemented a target of 2.0 using the existing metric and 1.5 using a more stringent metric that does not provide credit for City taxes. SPU has balanced the spend down in operating cash, rate smoothing, and projected debt service coverage to reduce the ratio from roughly 3.0 currently to the financial policy target of 1.5 in 2027.

[1] Council Resolution 30612, 2003; SLI 13-1-A-1 2012

4. **Net income should be generally positive**
   Net income is projected to be positive in each year. Due to large amounts of capital investment, net income is not a binding constraint.
5. **Debt-to-asset ratio should not exceed 70 percent.**
   The ratio of debt to assets is a metric of debt burden and an indicator of inflexibility to handle financial stress. The ratio is projected to hover around 60 percent.
6. **No more than 15 percent of total debt should be variable rate**
   A cap on variable rate debt limits the Fund's exposure to interest rate volatility. The Fund does not have and does not plan to issue any variable rate debt.

Table 2-1: Projected Drainage & Wastewater Fund Financial Policy Results

Policy (Target)	2023	2024	2025	2026	2027
1. Operating Cash Balance (100 days Op Expense)	$346.9	$345.4	$310.0	$258.8	$216.9
2. Cash Financing of CIP (25% over 4 years)	25%	25%	40%	41%	33%
3. Debt Service Coverage (>2.0)	3.5	3.0	2.6	2.5	2.4
Without Credit for Taxes Paid (>1.5)	2.5	2.0	1.6	1.6	1.5
4. Net Income (generally positive)	$36.6	$53.4	$39.4	$41.6	$40.8
5. Debt-to-Asset Ratio (<70%)	63%	60%	60%	59%	60%
6. Variable Rate Debt (<15%)	0%	0%	0%	0%	0%

3. REVENUE REQUIREMENT

The binding constraint on creating a financial plan and setting rates is satisfying the revenue requirement that the most stringent financial policy requires. The binding constraint is determined by optimizing the capital financing portfolio and the utilization of operating cash to achieve a rate path equitable to all rate payers, current and future. For the rate period, optimization was dictated by the financing needs of the large upcoming capital program in SPU's 2025-2030 Strategic Business Plan. An expansion of capital investment requires the Fund to take on more debt, though because the expansion is temporary, in this case to complete the bulk of the EPA mandated CSO program, SPU intends to utilize the prudent option of a one-time drawdown of operating cash to pay for a one-time expenditure. The drawdown will reduce operating cash to the extent that maintaining the financial policy minimum will be the binding constraint through 2030.

The table below summarizes the revenue requirement for the DWF over the rate period. Tables enumerating the breakdown to wastewater and drainage individually are available in Tables 4-1 and 5-1. Each category, in millions of dollars, is followed by that component's contribution to the change in the revenue requirement. For example, DWF O&M is projected to grow from $164.2 million in 2024 to $187.1 million in 2025, which requires a 2.4 percent increase in revenue to cover the added O&M expense. The sum of percent impacts across categories is the total required revenue increase. Details about each component and how they are allocated to wastewater and drainage rates separately are in the following sections.

Table 3-1: Components of the Revenue Requirement

DWF Rev Req Components ($m)	2024	2025		2026		2027	
Operating							
O&M	$ 164.2	$ 187.1	+3.9%	$ 195.9	+1.4%	$ 206.1	+1.6%
Treatment	202.5	215.0	+2.1%	228.0	+2.1%	243.9	+2.5%
Taxes	77.2	80.5	+0.6%	84.5	+0.7%	88.7	+0.6%
Capital		-		-		-	
Cash Contribution	$ 51.7	$ 71.1	+3.3%	$ 81.9	+1.8%	$ 66.6	-2.4%
Debt Service	74.7	84.8	+1.7%	94.2	+1.5%	101.8	+1.2%
Subtotal Expenditures	**$ 570.2**	**$ 638.5**	**+11.6%**	**$ 684.6**	**+7.5%**	**$ 707.0**	**+3.5%**
Less Non-Rates Revenue	(13.0)	(7.0)	+1.0%	(7.3)	-0.0%	(7.7)	-0.1%
Less Decrease in Cash Balance	10.5	(35.5)	-7.8%	(51.1)	-2.6%	(41.9)	+1.4%
Base Revenue Requirement	**$ 567.7**	**$ 596.1**	**+4.8%**	**$ 626.2**	**+4.9%**	**$ 657.4**	**+4.9%**
UDP	19.0	17.2	-0.3%	18.3	+0.2%	19.4	+0.2%
Rate Revenue Requirement	**$ 586.7**	**$ 613.3**	**+4.5%**	**$ 644.4**	**+5.1%**	**$ 676.8**	**+5.0%**
Wastewater Share (See Table 4-1)	385.6	402.1	4.3%	422.7	5.1%	443.9	5.0%
Drainage Share (See Table 5-1)	201.1	211.2	5.0%	221.8	5.0%	232.9	5.0%

3.1. Operations and Maintenance

SPU projects expenditures for the ongoing operations and maintenance of the Drainage and Wastewater System, including indirect administrative and City central support activities, of $164.2 million in 2024 rising to $206.1 million in 2027.

Total Fund expenditures are allocated between Wastewater and Drainage based on a direct allocation of each project, the most granular programmatic level of the City Budget. Budgetary expense is allocated between drainage and wastewater based on which system it is directed at (drainage, sanitary sewer, Combined System, or the overall DWW system). Table 3-2 presents the final percent allocation share to each LOB for the 2025-2027 rate period, rolled up by BCL.

Table 3-2: DWF O&M Allocation

BCL	To Wastewater	To Drainage	BCL Share of Total O&M
Indirect Costs	48%	52%	48%
N201B-Customer Service	73%	27%	6%
N202B-Drainage System	0%	100%	5%
N203B-DWW Facilities & Equip	44%	56%	1%
N204B-DWW System Operations	37%	63%	21%
N205B-Emergency Response	44%	56%	3%
N206B-Engineering	44%	56%	5%
N207B-Pre-Capital Planning	42%	58%	3%
N210B-Wastewater System	69%	31%	8%
N214B-Water System	42%	58%	0%
Total DWF	**46%**	**54%**	**100%**

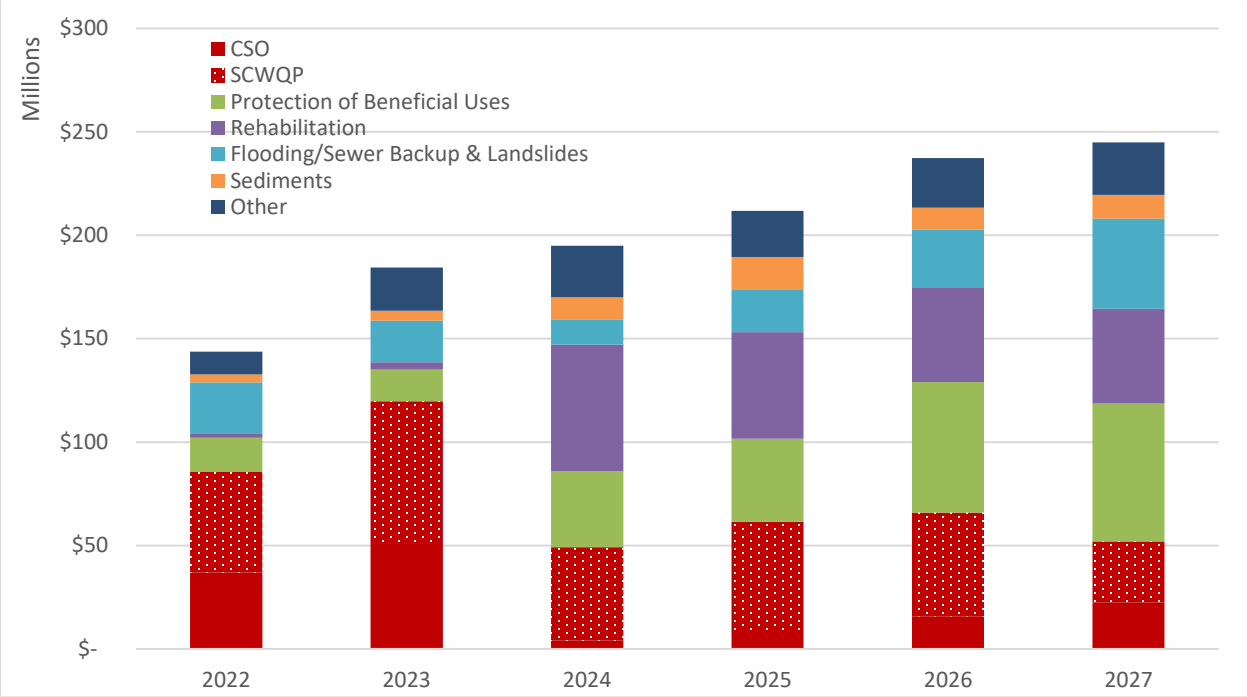
3.2. Treatment

Treatment expenses incurred by Seattle based on metered water flows to treatment providers are projected to increase from $215.0 million in 2025 to $243.9 million in 2027. This increase is driven by projected treatment rate increases necessary to finance KC WTD's capital needs. Seattle residents' and businesses' demand for wastewater services is not expected to change over the rate study period. See Section 4.4 Wastewater Demand.

3.3. Capital Financing Expense

The DWF is planning on completing $693 million of CIP for the upcoming rate period, $170 million more than the current rate period. Spending over the upcoming rate period includes a shift from CSO related projects including the SCWQP ($75 million reduction in CSO spending compared to the current 2022-24 rate period) to Rehabilitation ($76 million increase, purple) and Projection of Beneficial Uses ($102 million, green).

Figure 3-1: Planned CIP Expenditures



SPU plans to finance the DWF CIP portfolio through a combination of operating cash contributions, low-interest loans, revenue bonds, and grants. Per financial policies, a minimum of 25 percent of CIP should be financed by operating cash contributions. SPU is proposing cash funding 38 percent of CIP over the rate period.

Table 3-3: Projected CIP Financing

	2025	2026	2027	Rate Period	Share
Cash and Grants	$71.1	$81.9	$66.6	**$219.7**	38%
Revenue Bonds	$55.7	$67.9	$105.8	**$229.3**	39%
Loans	$53.2	$50.1	$29.5	**$132.8**	23%
Total CIP	**$180.0**	**$199.9**	**$201.8**	**$581.7**	
Cash-Funded %	*40%*	*41%*	*33%*	***38%***	*38%*

A further 23 percent will be financed through a combination of $113 million available through an existing WIFIA loan and $20 million from an anticipated future State SRF loan. Proceeds from both loans will be used for the Ship Canal Water Quality Project. SPU will pursue any additional loans which become available as the interest rate on State and Federally underwritten loans is typically lower than the bond market.

The remaining 38 percent of CIP will be financed through revenue bonds. This rate study assumes bond issues of $65.7 to $133.3 million in each year of the rate period. These three bond issues plus WIFIA and SRF loans will increase debt service to $101.8 million in 2027, up from $70 million in 2024.

Table 3-4: Projected CIP Financing

New Debt	2025	2026	2027
Revenue Bonds	$ 65.7	$ 82.5	$ 133.3
Loans	53.2	50.1	29.5
Cumulative	**$ 118.9**	**$ 251.4**	**$ 414.2**

Debt Service	2025	2026	2027
Existing Debt	$ 78.2	$ 78.0	$ 77.9
New Bonds	1.6	6.3	9.6
New Loan	5.0	9.9	14.3
Total	**84.8**	**94.2**	**101.8**
Wastewater	*32.3*	*36.2*	*39.4*
Drainage	*52.5*	*58.0*	*62.4*

The annual cost of capital financing funded with rates revenues is the sum of annual debt service payments (on revenue bonds and loans) and operating cash (cash financed CIP). The share of capital financing expense allocated to wastewater and drainage respectively is presented in Tables 4-1 and 5-1. For 2025-2027, debt service is assigned 62 percent to drainage and 38 percent to wastewater. This is based on drainage's share of total asset Net Book Value less any differences in estimated historic cash contributions to CIP from wastewater and drainage rates respectively. Appendix B provides more detail on allocators used to assign DWF asset value to each LOB. SPU will true this allocation up with the next and each subsequent rate study based on actual CIP and wastewater and drainage rates' actual individual cash contributions.

This rate study includes updates to the allocation basis for Combined Sewer capital expense (CSO and combined pipe related) based on updated stormwater modeling assumptions, updated land cover data, and other GIS system updates which permit the identification of specific wastewater and stormwater accounts that are directed to CSOs and combined pipes. This new allocation basis shifts additional cost to drainage, primarily due to greater increases in stormwater entering the system as a result of densification and the increase in hard surface in combined areas of the city. The increase in drainage capital financing is offset by the decrease in drainage treatment expense associated with the new allocation recommendations (see Table 5-1). The combination of the treatment and CSO/Combined pipe allocation changes increase equity in the sharing of combined system expense between drainage and wastewater.

3.4. Use of Cash Balances

As of the end of 2023, the DWF had $340 million in operating cash, and is expected to end 2024 with a similar amount. SPU is planning on spending this cash balance down to 100 days of operating expense by the end of the current SBP period in 2030. By 2027, when the proposed rate period ends, this balance is expected to be spent down to 144 days. The reduction in cash will be used to fund cash contributions to capital to reduce future debt burden and to smooth wastewater and drainage rates for consistency and predictability.

Table 3-5: Operating Cash Balance Financial Policy

Cash Balance Target	2025	2026	2027
Financial Policy Minimum	$17.9	$19.0	$20.3
Projected Balance	$310.0	$258.8	$216.9
Days of Operating Expense	230	181	144

($ millions)

3.5. Non-Rate Revenue

Non-rate revenue includes permit fees, operating and capital grants, contributions in aid of construction, interest income, other miscellaneous revenues, and capital contributions. An increase in non-rate revenues has the effect of reducing the revenue requirement that must be recovered through rates. Grants, contributions, miscellaneous revenues, and permit fees are conservatively held flat with a small 2.5 percent annual increase for inflation in this proposal as it is not fiscally prudent to pattern rates on unsecured revenue. Non-rate revenues are mostly split equally between wastewater and drainage.

4. WASTEWATER RATES

4.1. Overview and Proposed Wastewater Rates

The wastewater rate is set to collect enough revenue to cover planned O&M, treatment, taxes, and capital investment. These expenditures are offset by non-rate revenues including permit fees and standard charges among others. Any non-rate revenue collected reduces the amount required to be collected through rate revenues. See Table 4-1 for an enumeration of each of these components. Columns for each year show the total dollar requirement for each component and each component's contribution to the years' rate increase. For example, the increase in O&M expense from 2025 to 2026 will require a 0.8% rate increase on top of 2025 rates.

Table 4-1: Wastewater Rate Revenue Requirement and Rate Components

Wastewater Components ($m)	2024	2025		2026		2027	
Operations							
O&M	$ 78.6	$ 86.1	+ 1.9%	$ 90.1	+ 1.0%	$ 94.8	+ 1.1%
Taxes	23.4	21.5	- 0.5%	22.2	+ 0.2%	22.6	+ 0.1%
Treatment Rate Components							
Treatment	$ 190.4	$ 215.0	+ 6.4%	$ 228.0	+ 3.2%	$ 243.9	+ 3.8%
Taxes	26.2	29.8	+ 0.9%	31.6	+ 0.4%	33.8	+ 0.5%
Capital							
Cash Contribution	$ 24.9	$ 23.5	- 0.4%	$ 29.7	+ 1.5%	$ 20.4	- 2.2%
Debt Service	29.3	32.3	+ 0.8%	36.2	+ 1.0%	39.4	+ 0.7%
Subtotal Expenditures	**$ 372.7**	**$ 408.1**	**+ 9.2%**	**$ 437.8**	**+ 7.4%**	**$ 455.0**	**+ 4.1%**
Less Non-Rates Revenue	(8.2)	(2.0)	+ 1.6%	(2.2)	- 0.0%	(2.4)	- 0.1%
Less Decrease in Cash Balance	5.3	(17.7)	- 6.0%	(27.6)	- 2.4%	(24.2)	+ 0.8%
Base Revenue Requirement	**$ 369.8**	**$ 388.3**	**+ 4.8%**	**$ 408.0**	**+ 4.9%**	**$ 428.4**	**+ 4.8%**
UDP	15.8	13.8	- 0.5%	14.6	+ 0.2%	15.5	+ 0.2%
Final Revenue Requirement	**$ 385.6**	**$ 402.1**	**+ 4.3%**	**$ 422.7**	**+ 5.1%**	**$ 443.9**	**+ 5.0%**
Change in Demand			+ 0.6%		- 0.1%		+ 0.0%
Effective Change in Rate			+ 5.0%		+ 5.0%		+ 5.0%
Projected Demand (CCF)	20.8	20.9		20.9		21.0	

Wastewater Rate	**$ 19.21**	**$ 20.18**	**$ 21.18**

Wastewater customers are charged a flat rate per 100 cubic feet (CCF) of water usage, with a minimum of one CCF per month. This rate includes both a system rate, which covers SPU's internal costs and taxes, and a treatment rate, which covers payments for wastewater treatment and associated taxes. The system rate is updated every three years through a rate study and Council adopted legislation, while the treatment rate is updated through an automatic passthrough mechanism established in SMC 21.48.040 when King County Council adopts new treatment rates. Table 4-2 shows the current system and treatment rates, system rate changes proposed with this rate study, and projected future treatment rates based on assumed increases in KC WTD's treatment rate. Rates for 2024 are as enacted through the 2022-2024 Rate Study and the 2024 automatic treatment passthrough.

This rate study includes a large treatment increase in 2025. Existing rates include a treatment component for both wastewater and drainage rates. As discussed in Section 3.2, this rate study assumes that all treatment expense is funded with wastewater rates starting in 2025. While the wastewater treatment rate increases substantially, there is a moderate decline in the system rate in 2025 due to a lower allocation of system expense.

Table 4-2: Proposed Wastewater Rates (per CCF)

	Enacted* 2024	Proposed 2025	Proposed 2026	Proposed 2027
System Rate	$7.67	$7.10	$7.34	$7.45
Treatment Rate	$10.63	$12.11	$12.11	$12.11
Future Treatment Rate Adjustment			$0.73	$1.63
Total Wastewater Rate	**$18.30**	**$19.21**	**$20.18**	**$21.19**
Rate Increase %		5.0%	5.0%	5.0%

4.2. Wastewater System Rate

The system rate is set to collect enough revenue to cover planned operations, maintenance, and investment expenditures. These expenditures are offset by non-rate revenues including permit fees and standard charges among others. Any non-rate revenue collected reduces the amount required to be collected through rate revenues. Most of these components (operations, maintenance, debt service, and non-rates revenues) tend to be stable, increasing at a rate that is either controlled (debt service) or inflationary (operations and maintenance, treatment, taxes).

Table 4-3: Wastewater System Rate Components

Component of the System Rate ($m)	2024	2025	2026	2027
Operations				
O&M	$78.6	$86.1	$90.1	$94.8
Taxes	23.4	21.5	22.2	22.6
Capital				
Cash Contribution	$24.9	$23.5	$29.7	$20.4
Debt Service	29.3	32.3	36.2	39.4
Subtotal Expenditures	**$156.1**	**$163.3**	**$178.2**	**$177.2**
Less Non-Rates Revenue	(8.2)	(2.0)	(2.2)	(2.4)
Less Decrease in Cash Balance	5.3	(17.7)	(27.6)	(24.2)
Base System Revenue Requirement	**$153.3**	**$143.6**	**$148.5**	**$150.6**
UDP Enrollment	-4.1%	-3.5%	-3.5%	-3.5%
UDP ($)	6.5	5.1	5.3	5.5
Final System Revenue Requirement	**$159.8**	**$148.7**	**$153.8**	**$156.1**
Demand (CCF)	20.8	20.9	20.9	21.0
System Rate ($)	**$7.68**	**$7.10**	**$7.34**	**$7.45**
Rate Increase		-8%	3%	1%

Once the rates revenue requirement has been calculated, required revenue needs to be adjusted upward for any discounts that will be provided through the Utility Discount Program (UDP). In 2023 the DWF rebated $12.3 million to UDP wastewater customers (system and treatment rate revenues combined), or 3.4 percent of gross revenue. This rate study plans for a slight increase to 3.5 percent by 2027. This is lower than the 4.1 percent previously assumed.

4.3. Treatment Rate

The largest component of the wastewater revenue requirement is payments for wastewater treatment. Almost all this expense is paid to KC WTD with less than one percent going to SWSSD. The treatment rate was last updated by the 2024 automatic treatment passthrough. See Table 4-3 for components and derivation of the treatment rate.

Table 4-4: Wastewater Treatment Rate Components

Component of the Treatment Rate ($m)	2024	2025	2026	2027
King County	$203.4	$217.6	$230.8	$246.9
Southwest Suburban	0.9	0.9	1.0	1.1
less Industrial Surcharge*	(1.8)	(3.6)	(3.8)	(4.0)
Total Treatment Expense	**$202.5**	**$215.0**	**$228.0**	**$243.9**
less expense paid by Drainage	(12.2)	-	-	-
Wastewater Treatment Expense	**$190.4**	**$215.0**	**$228.0**	**$243.9**
City Taxes	26.2	29.8	31.6	33.8
State Taxes	-	-	-	-
Subtotal Taxes	**$26.2**	**$29.80**	**$31.60**	**$33.81**
Base Treatment Revenue Requirement	**$216.6**	**$244.8**	**$259.6**	**$277.7**
UDP Enrollment	3.4%	3.4%	3.5%	3.5%
UDP Enrollment ($M)	$9.3	$8.7	$9.3	$10.1
Final Treatment Rate Revenue Requirement	**225.8**	**253.5**	**268.9**	**287.8**
Volume (CCF, Millions)	21.2	20.9	20.9	21.0
Treatment Rate ($)	**$10.63**	**$12.11**	**$12.84**	**$13.74**

Industrial surcharge is a passthrough assessed by WTD on SPU combined utility bills. The revenue passed through to WTD is included in the WTD line while the revenue collected is reduced from expense on the Industrial Surcharge line, as this portion of treatment expense does not need to be collected from metered sewer volumes.

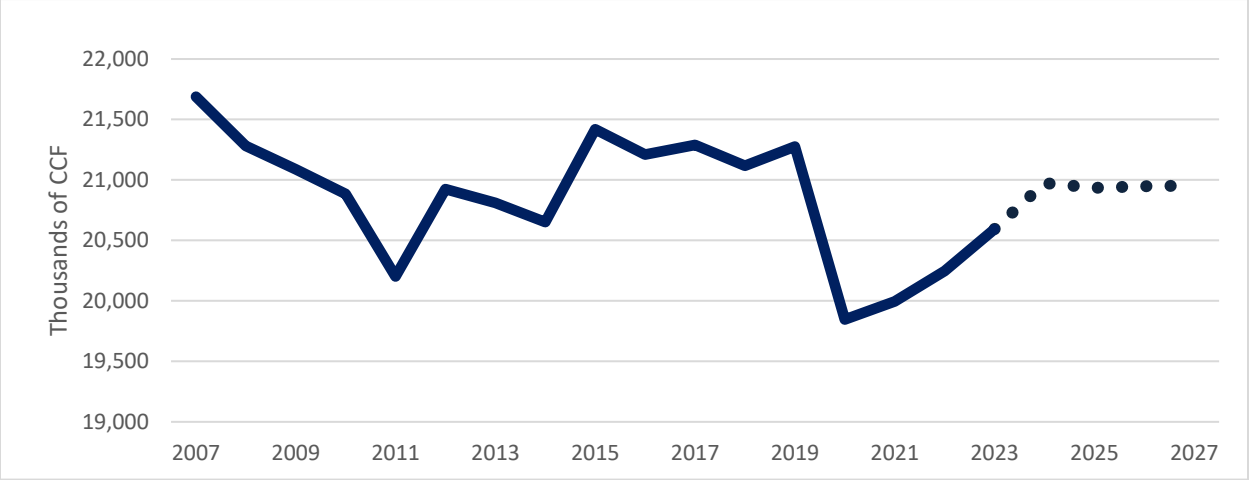
City taxes are assessed on all wastewater revenue, including treatment revenues, at a rate of 12 percent. The State of Washington does not assess taxes on passthrough revenues to other governmental entities including treatment rate revenues.

The final treatment rate is calculated by adding up all these components, grossing up for UDP discounts, and dividing by projected volumes. Projected treatment rates for 2026 and 2027 will be recalculated in Q4 of the preceding year based on updated volume projections and actual adopted WTD rates.

4.4. Wastewater Demand

The fee for wastewater services is assessed on a volumetric basis measured in 100 cubic foot (CCF) units. The rate is derived by dividing the gross revenue requirement of the system by projected billed volumes. The numerator, the revenue requirement, is largely a fixed cost in any given year. The cost to maintain and replace pipe and other utility infrastructure assets that serve customers, whether they have any demand or not, is a function of the size of the system and depreciation over time. The variable portion of expense to serve higher volumes is relatively negligible. With costs being largely fixed, decreases in wastewater demand do not result in compensatory decreases in cost and require instead an increase in rates to cover the predetermined amount of revenue required. Higher wastewater volumes in turn lead to lower rates.

Figure 4-1: Wastewater Demand Forecast



Demand for wastewater services has been in long term slow decline since 2001. This trend has slowed in the recent past, with wastewater volumes hovering around 21 million CCF with a slight downward trend. In 2020 demand dropped 7% due to the pandemic but has been recovering with a one percent annual growth rate since. Demand is projected to recover at the same pace, and level off at 21 million CCF through 2027. Because demand is projected to remain stable, demand is not expected to have any significant impact on wastewater rates.

5. DRAINAGE RATES

The City's stormwater system is financed through drainage rates assessed on property parcels and enumerated as a line item on County property tax bills. Drainage rates are set to recover the Drainage Revenue Requirement presented in Table 5-1. The rate study proposes allocating all wastewater treatment expenses to wastewater rates. Consequently, beginning in 2025 there will no longer be a treatment rate component of the drainage rate.

Table 5-1: Drainage Revenue Requirement and Rate Components

Drainage ($m)	2024	2025		2026		2027	
Operations							
O&M	$ 85.6	$ 101.0	+7.7%	$ 105.8	+2.3%	$ 111.3	+2.5%
Taxes	26.0	29.3	+1.6%	30.7	+0.7%	32.3	+0.7%
Treatment Rate Components							
Treatment	$ 12.2	-	-6.0%	-	+0.0%	-	+0.0%
Taxes	1.6	-	-0.8%	-	+0.0%	-	+0.0%
Capital							
Cash Contribution	$ 26.8	$ 47.6	+10.4%	$ 52.3	+2.2%	$ 46.2	-2.8%
Debt Service	45.4	52.5	+3.5%	58.0	+2.6%	62.4	+2.0%
Subtotal Expenditures	**$ 197.6**	**$ 230.4**	**+16.3%**	**$ 246.8**	**+7.7%**	**$ 252.1**	**+2.4%**
Less Non-Rates Revenue	(4.8)	(5.0)	-0.1%	(5.1)	-0.1%	(5.2)	-0.1%
Less Decrease in Cash Balance	5.1	(17.7)	-11.4%	(23.6)	-2.8%	(17.8)	+2.6%
Base Revenue Requirement	**$ 197.9**	**$ 207.7**	**+4.9%**	**$ 218.1**	**+4.9%**	**$ 229.1**	**+4.9%**
UDP	3.3	3.4	+0.1%	3.6	+0.1%	3.8	+0.1%
Interim Rate Revenue Requirement	**$ 201.1**	**$ 211.2**	**+5.0%**	**$ 221.8**	**+5.0%**	**$ 232.9**	**+5.0%**
Low Impact Discount Programs	4.4	4.6		4.8		5.1	
Final Drainage Revenue Requirement	**$ 205.5**	**$ 215.7**		**$ 226.6**		**$ 238.0**	
Account Based Revenue Requirement	2.0	*2.1*	*+5.0%*	*2.2*	*+5.0%*	*2.3*	*+5.0%*
Flow Based Revenue Requirement	203.5	*213.6*	*+5.0%*	*224.4*	*+5.0%*	*235.7*	*+5.0%*

While wastewater fees are applied to metered water usage, there is no stormwater meter that measures run-off from a land parcel. SPU charges drainage fees based on the estimated stormwater run-off from pervious and hard surface area land cover on a property, which is widely accepted as an appropriate measure of a property's stormwater runoff .

Hard surface includes impervious surface types such as rooftops and pavement. Pervious surface includes other surface types such as lawns, shrubs, forests, and grasslands.

SPU uses aerial photo derived data of land cover surface types to determine the amount of hard and pervious area on a parcel. Parcels are assigned to rate tiers composed of parcels with similar land cover

characteristics and therefore similar run-off. All customers within a given rate tier pay a rate based on the average run-off for the tier.

For rate setting purposes, drainage customer parcels are divided into two broad classifications, each with its own tier structure and rates:

- **General Service (and Large Residential)**
    - Consists of all commercial and industrial parcels and large residential parcels over 10,000 sqft
    - Tier rates are based on specific hard and pervious landcover composition. The rates are per 1,000 square feet of parcel area
- **Small Residential**
    - Consists of residential parcels under 10,000 sqft
    - Tier rates are based on parcel size, with the same flat rate charged to parcels within a tier.

Section 5.1 explains the basis of the calculation that determines the rate for each tier across all customer types. Sections 5.2 (General Service) and 5.3 (Small Residential) provide additional detail on the rate tier basis and proposed rates for 2025 through 2027.

This rate study proposes certain changes to the rate design and cost allocation technical assumptions. Details on the changes are available in Appendix D.

5.1 Drainage Rate Calculation Basis

Drainage rates for all customers are determined using the same basic methodology. Drainage rates are set to recover two types of cost:

Surface Type Rates. These rates are set to recover drainage related expenses and are based on the runoff characteristics of parcel. These rates are set to recover drainage related expenses and are based on the runoff characteristics of any given parcel. Rates are based on two surface types: hard surface and pervious surface.) This rate study, and associated legislation, uses the term “hard surface” in place of “impervious surface". This broader term includes surface types with similar run-off characteristics (as defined in SMC 22.801.090.H and 22.801.100.I) and is consistent with city stormwater code nomenclature.

Account rates. These rates are set to recover customer service and billing expenses and are based on the number of parcels in a tier. Account rates are assigned using the applicable billing units, per parcel for Small Residential and per 1,000 sq ft for General Service.

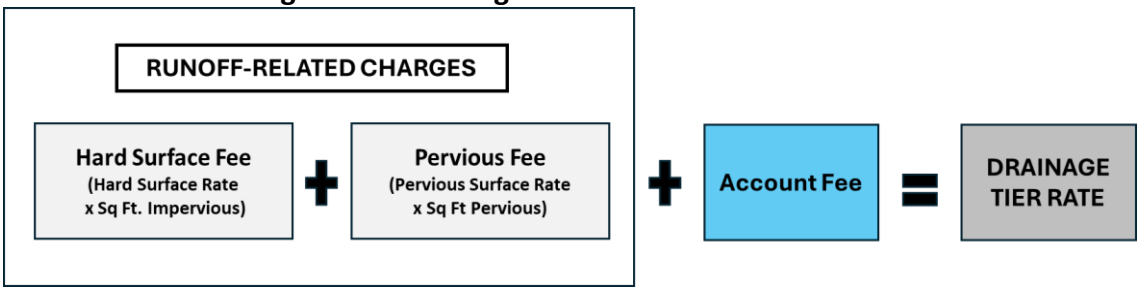
Table 5-2 presents the surface type and account rates used in the calculation of tier rates for 2025. Appendix C provides calculation details.

Table 5-2: Drainage 2025 Base Component Rates

Subcomponent	2025	Units
Surface Area Type Rates		
Hard	$229.83	kSqft
Pervious	$39.75	kSqft
Account Rates		
General Service	$0.48	kSqft
Small Residential	$11.35	Parcel

Figure 5-1 graphically presents the rate tier calculation basis using the surface type and account fees. Sections 5.2 and 5.3 detail examples of rate tier calculations for specific tiers. See Appendix E for additional detail of the data underlying the tier rate calculations for General Service/Large Residential and Small Residential tiers.

Figure 5-1: Drainage Tier Rate Calculation Basis



5.2 Proposed General Service Rates

General service parcels are assigned rate tiers based on a parcel's specific hard and pervious landcover composition as derived from aerial photo data. Each tier's rate is calculated based on the runoff for the tier's average percent hard surface and charged per 1,000 square feet of actual parcel area to account for significant variances in the size of parcels assigned to each tier.

The updates to the rate structure and underlying runoff calculation assumptions described in Appendix D will require a one-time reset of rates. Parcels will be assigned a rate that more closely aligns with their property specific calculated runoff which may be higher or lower than the rate assumed under the prior structure.

SPU has capped the rate increase for any given cohort at 10 percent to prevent undue burden caused from an immediate transition. Consequently, while rates are set to recover an increase of five percent in revenue in each year, customers will see varying increases or decreases in their bills in the 2025 to 2027 rate period. Rates are fully re-aligned under new assumptions by 2027.

Table 5-3 presents 2025-2027 proposed general service rates. The proposed tier structure overlaps the existing tier structure, resulting in varying rate increases both between and across tiers, resulting in

offset rows for 2025. Calculations and a further description of transitioning rates are outlined in Appendix E. Rates for 2024 in Tables 5-3 do not include low impact rates, see Appendix D.

Table 5-3: Proposed General Service Rates

Tier	Impervious Range	2024	2025		2026		2027	
T1	0-10%	60.44	$59.82	-1%	$54.23	-9%	$53.34	-2%
T2	11-20%		$65.11	8%	$70.91	9%	$74.48	5%
T3	21-35%	89.69	$65.11	-27%				
T4	36-50%		$94.46	5%	$97.01	3%	$101.90	5%
T5	51-64%	127.08	$123.19	-3%	$129.37	5%	$135.89	5%
T6	65-85%	167.91	$138.77	9%	$152.60	10%	$166.88	9%
T7	86-100%	200.23	$183.25	9%	$192.45	5%	$202.15	5%
			$216.17	8%	$232.15	7%	$243.84	5%

5.3 Proposed Small Residential Rates

Small residential customers with billable areas less than 10,000 square feet are generally homogenous in terms of landcover types and pay a flat rate which varies depending on the size of the parcel. This approach simplifies billing for the City's 150,000 small residential parcels, offering a clear rate structure.

Like General Service parcels, Small Residential parcels are assigned a rate calculated based on the average surface type cover for parcels assigned to the tier. However, while General Service tiers are based on hard surface percent, Small Residential tiers billed based on parcel sizes, with the land cover composition and resultant runoff calculated based on the average size and runoff characteristics for all parcels within a tier.

See Appendix D for additional details on the small residential rate structure revisions.

Table 5-9 presents proposed 2025-2027 rates by tier.

Table 5-4: Small Residential Rates 2025-2027

Tier Name	Max Parcel Area	2025	2026	2027
S1	1,999	$235.28	$247.09	$259.54
S2	3,499	$447.08	$469.52	$493.18
S3	4,499	$572.64	$601.39	$631.68
S4	5,499	$672.93	$706.71	$742.31
S5	6,499	$764.98	$803.38	$843.85
S6	9,999	$929.48	$976.13	$1,025.31
Increase			5%	5%

5.4 Other Drainage Rate Credits and Discounts

Drainage bill discounts are available for property owners that help reduce the impact of stormwater on the downstream system. Billing exemptions (which reduce the overall drainage bill) are also available for large natural areas that offer systemic benefits greater than those offered by other types of undeveloped lands which do not benefit from or impact the stormwater system.

A. Low Impact Discounts

Low impact discounts are available for General Service parcels with limited hard surface area (T1 and T2) and significant amounts of tree canopy or undeveloped grassland cover (50% or greater). These discounts are applied to the parcel's gross drainage bill and reflect the stormwater reduction benefits associated with these land characteristics. Based on a parcel's hard surface type and tree canopy or undeveloped grassland composition, the following discounts are available:

Table 5-5: Low Impact Discounts

Rate Tier	Tier Hard Surface %	Tree Canopy + Undeveloped Grass %	Bill Discount
T1 (0%-10%)		65% +	55%
		50% - 64%	35%
T2 (11%-20%)		65% +	45%
		50% - 64%	30%

B. Stormwater Facility Credit Program (SFCP)

This program offers credits of up to fifty percent for privately-owned systems that slow down stormwater flow and/or provide water quality treatment for run-off from hard surface areas, thus lessening the impact to the City's stormwater system, creeks, lakes, or the Puget Sound.

Stormwater systems are structures such as vaults, rain gardens, permeable pavements, and filtration systems. SPU offers a 10 percent discount for any new or remodeled commercial building that utilizes a rainwater harvesting system meeting credit requirements. Those systems that involve indoor uses of rainwater must be permitted by Seattle-King County Department of Health to qualify for the rate reduction. Systems must meet the applicable stormwater code requirements for the building and site.

C. Undeveloped Riparian Corridor Exemption

Developed riparian corridors[2] with small buffers and bank armoring increase the risk of flooding and downstream property damage. In contrast, undeveloped riparian corridors with a sufficient buffer act as floodplains which allow creeks to expand during peak periods, mitigating downstream flood damage.

The discount assumes exemption of the entire 100-foot qualifying creek buffer from the parcel's billable area. Qualifying criteria for this exemption are found in SPU Director's Rule FIN-211.2.

D. Wetlands Exemption

Wetlands are natural drainage systems, protecting and improving water quality and storing floodwaters which are slowly released over time. Wetlands also serve as an important habitat

[2] Riparian corridor is defined in SMC 25.09.020.B.5.A.

for fish and wildlife. Only wetlands of at least 1,000 square feet in area and with no development within the wetland area will be considered for this exemption.

An application is required to qualify for this exemption, including the provision of supporting documentation demonstrating that the wetland meets all required criteria, as defined in SPU Director's Rule FIN-211.3

E. Undeveloped Islands Exemption
This credit applies to undeveloped islands with less than 10 percent hard surface area. These islands do not benefit from, nor do they impact, the drainage system or surrounding receiving waters.

6. UTILITY DISCOUNT PROGRAM

The City provides discounted utility services to qualified residential utility customers through the Utility Discount Program (UDP). SPU customers receive a 50 percent credit on their combined SPU utility bill, plus a credit for drainage services billed through property tax statements. Customers who do not receive an SPU bill but pay for water, wastewater, drainage, and solid waste services indirectly through rent may receive either a credit on their SCL bill or baring that, a credit voucher.

For customers who do not receive a wastewater bill, a fixed credit is calculated which is equal to 50 percent of an estimated typical residential bill for the class of customer receiving the credit. See Table 6-1 for proposed discounts. Proposed credits do not include projected changes in the King County treatment rate. Increases in the treatment rate will result in increases to credits through the pass-through mechanism established by SMC 21.28.040.

Table 6-1: Wastewater Utility Discount Program Credit Calculation

	Basis	2025
Wastewater Rate		**$19.21**
Single-Family	50% of 4.3CCF	$41.30
Multi-Family	50% of 3.0CCF	$28.82

Wastewater UDP credits for 2026 and 2027 will be calculated and updated through the pass-through mechanism if and when any treatment rate adjustments need to be made.

Table 6-2: Drainage Utility Discount Program Credits Calculation

		Basis	2025	2026	2027
Drainage	Drainage Rate	5,000 sqft parcel	$672.93	$706.71	$742.31
	Monthly Rate		56.08	58.89	61.86
	Multi-Family	50% of 1/9th	3.12	3.27	3.44
	Single-Family	50%	28.04	29.45	30.93
	Duplex	50% of 1/2	14.02	14.72	15.46

APPENDIX A: FINANCIAL SUMMARY

Table A-1: Drainage and Wastewater Fund Financial Summary

	Actual	Projected	Proposed		
	2023	**2024**	**2025**	**2026**	**2027**
Operating Revenue					
Wastewater	$348.4	$370.8	$388.3	$408.1	$428.4
Drainage	187.8	197.9	207.7	218.1	229.1
Other	6.9	6.7	7.0	7.3	7.7
Total Operating Revenue	**$542.9**	**$575.3**	**$603.1**	**$633.5**	**$665.1**
Operating Expenses					
Treatment	$189.4	$201.0	$215.0	$228.0	$243.9
O&M	157.4	166.4	187.1	195.9	206.1
City Taxes	64.2	68.8	72.6	76.2	80.0
State Taxes	7.5	7.7	8.0	8.3	8.6
Depreciation	45	38.3	43.0	41.3	41.3
Total Operating Expenses	**$463.0**	**$482.2**	**$525.5**	**$549.7**	**$579.9**
Net Operating Income	**$79.9**	**$93.1**	**$77.5**	**$83.7**	**$85.2**
Other Income (Expenses)					
Net Interest Expense	$(13.3)	$(36.3)	$(38.1)	$(42.2)	$(44.3)
Other Non-Operating	(42.5)	-	-	-	-
Total Other Income (Expenses)	**$(55.7)**	**$(36.3)**	**$(38.1)**	**$(42.2)**	**$(44.3)**
Grants and Contributions	$12.3	$-	$-	$-	$-
Net Income (Loss)	**$42.4**	**$56.8**	**$39.4**	**$41.6**	**$40.8**

($ millions)

APPENDIX B: ALLOCATION DETAIL

O&M allocation results shown in Table 3-2 are calculated based on assigning each O&M Project one of the allocators in Table B-1.

Table B-1: O&M Allocators

Allocator	Description	Sample Projects	Allocation to		Share of Total Expenses
			Wastewater	Drainage	
Drainage	Focus on stormwater	Street sweeping, GSI, flooding, habitats	0%	100%	11%
Wastewater	Focus on sewer	Customer sewer billing, sewer capacity	100%	0%	5%
Sewer [& Drainage] Pipe	Drainage vs wastewater share of total pipe	Pump stations, pipe maintenance	28%	72%	8%
Combined	Estimated drainage vs wastewater share of flows in combined system areas	CSOs, NPDES	58%	42%	6%
System Direct	Other utility services and operations that are not specific to drainage or wastewater	Decant, CMOM, indirect costs such as PTO for utility services and operations projects	56%	44%	35%
Indirect	Remaining costs	City central costs, departmental indirect costs	50%	50%	34%

Debt service allocation results shown in Section 3-1 are calculated based on assigning each asset one of the allocators in Table B-2.

Table B-2: Capital Allocators

Allocator	Description	Sample Assets	Allocation to		Share of Total Net Book Value
			Wastewater	Drainage	
Combined	CSOs and combined system assets	Windermere, Genesse, Delridge CSO facilities; combined system pump stations	42%	58%	25%
Drainage	Drainage only assets	NDS, flood control, landslide, stormwater pipes	0%	100%	31%
Wastewater	Sewer only assets	Sewer pumps, customer billing system, wastewater pipe	100%	0%	21%
Combined Pipe	Combined system pipe; allocated based on estimate flow		38%	62%	9%
Pre-2008 Pipe	System uses for pipe assets prior to 2008 are not specifically identified in the asset schedule. A split was developed based on estimated flows.		58%	41%	9%
SPU	Remainder	Capitalized planning, land, misc. buildings, and equipment	42%	58%	5%

APPENDIX C: ACCOUNT AND SURFACE RATE SUBCOMPONENT CALCULATIONS

There are no allocations within the rate study period, so subsequent years' fee is increased with the revenue requirement, see 'Account-Based Revenue Requirement' in Table 5-1.

Account Rate Calculation

The account related revenue requirement covers all costs that are universal across all parcels regardless of size or runoff. These costs are largely billing expenses and are allocated across all parcels. Because small residential parcels are charged on a per parcel basis, each parcel will receive this unit rate. General service parcels are charged on a per square foot basis, so the account related costs assigned to general service parcels is converted to a square foot rate based on each parcel's total number of accounts and total square footage.

Table C-1: Account Rate Calculation

	2025 Revenue Requirement	Units	Account Rate 2025
Single-Family	$1,695,086	149,363 Parcels	$11.35
General Service	$416,523	878,238 kSQFT	$0.47
Account Total	**$2,111,609**		

Surface Area Type Rate Calculation

SPU determines surface area type rates by estimating the total runoff from each respective surface area type. Each surface area type's share of total runoff determines its share of the flow-based revenue requirement. Runoff is determined using flow factors developed through hydrological modeling, which represent the relative difference in stormwater runoff between hard and previous area.

Table C-2 below shows the calculation for the square foot rate. Hard surfaces are assigned 85% of the total revenue requirement (column E) based on area (A) multiplied by flow factor (B). Even though the City's hard surface area is less than half the total (A), its inability to allow for infiltration, represented by flow factor in column B, results in the City's total hard surface area being assigned 85% of total cost.

Table C-2: Surface Area Type Rate Calculation

Surface Area Type	(A) Area (SQFT)	(B) Flow Factor (cfs / SQMI)	(C) Estimated Flow Contribution	(D) Flow Share	(E) Flow Based Rev Req ($m)	kSQFT Rate 2025	2026	2027
Hard	788,284,311	278	219,284,141,434	85%	$181.2	$229.83	$241.37	$253.53
Pervious	816,511,236	48	39,288,071,160	15%	$32.5	$39.75	$41.75	$43.83
Total CIP	**1,604,795,548**		**258,572,212,594**		**$213.6**			

Table C-2: Surface Area Type Rate Calculation

Surface Area Type	(A) Area (SQFT)	(B) Runoff Discharge (cfs / 1,000 SQFT)	(C) Estimated Runoff Contribution *(Unit-less)*	(D) Runoff Share	(E) Flow Based Rev Req ($ millions)	kSQFT Rate 2025	2026	2027
Hard	788,284,311	0.009963	7,853,889	85%	$181.2	$229.83	$241.37	$253.53
Pervious	816,511,236	0.00172	1,405,839	15%	$32.5	$39.75	$41.75	$43.83
Total CIP	**1,604,795,548**		**9,259,728**		**$213.6**			

APPENDIX D: DRAINAGE RATE DESIGN AND TECHNICAL ASSUMPTION UPDATES

This rate study introduces three updates to the existing rate structure to increase equity, transparency, and billing efficiency:

1. **Updates to technical assumptions** for run-off from hard and pervious surface which have not been reviewed since 2008 and included single-event modeling. New assumptions are consistent with current hydrological continuous modeling.
2. **The introduction of additional rate tiers** for all customer types increases equity by billing customer parcels based on a narrower range of land characteristics.
3. **A revised qualification structure for low impact discounts** expands the availability of discounts to a broader range of parcels citywide while focusing eligibility on parcel characteristics (forest and unmanaged grass) that mitigate stormwater more effectively.

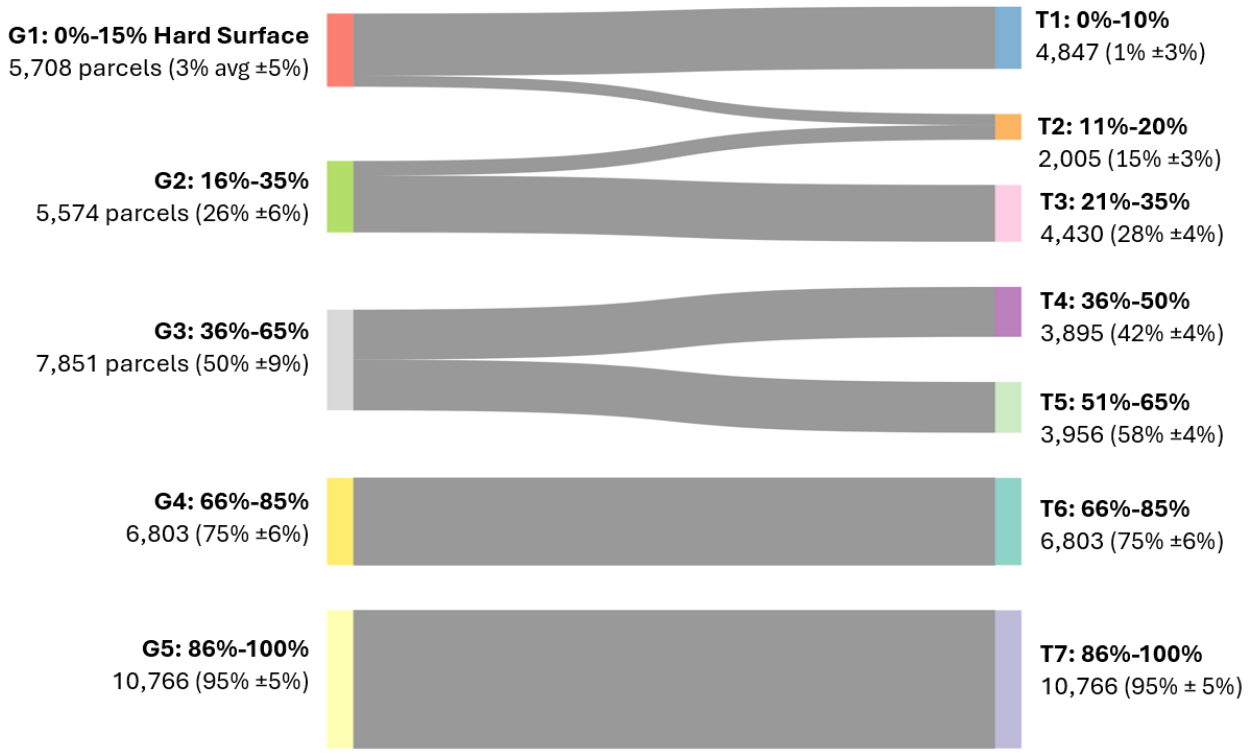
The proposed updates rely on two new data sets procured in 2023, both derived from high resolution aerial photos. This is the first comprehensive update to drainage customer billing data since 2012 and includes:

- **Citywide GIS map of different hard and pervious surface types** which is the basis for rate tier assignment. This data set is derived using Artificial-Intelligence (AI) technology, allowing for a cost-effective and timely method for updating drainage customer billing data on a more frequent basis moving forward. This will allow drainage billing to periodically incorporate citywide development trends such as densification and zoning changes, a process which is exorbitantly costly with prior manual methods.
- **A citywide map of tree canopy area which**, combined with surface type data, is the basis for low impact discount qualification. This data is derived using Light Detection and Ranging (LiDAR) technology.

This rate study also incorporates updates to the run-off assumptions for each surface type used to calculate the hard and pervious surface type rates. The new run-off factors, which include refinements to the methodology as well as updated rainfall inputs, show a larger run off differential between hard and pervious surface area than calculated in prior rate studies. This approach, which shifts additional cost to parcels with higher hard surface percentages, more equitably considers downstream impacts based on parcel-specific characteristics.

Figure D-1 presents the existing (left) and proposed (right) tiers along with the distribution of parcels and how this distribution is changing. Each tier label includes the hard surface percentage ranges for each tier, the number of parcels, and the actual average hard surface percentage and standard deviation. The proposed tier changes attempt to reduce the standard deviation within each tier.

Figure D-1: Change in Parcel Distribution from Existing to Proposed General Service Tiers



Expansion of Tiers

Tiers for parcels up to 65 percent hard surface area are increased from three to five, with no recommend changes to the current two tiers for parcels with more than 65 percent hard surface. This narrowing of tiers results in a tighter nexus between tier average rates and property specific characteristics as can be noted in comparing the average hard surface by tier under current and updated assumptions.

Figure D-2 shows the percent of parcels under the current and updated rate tier structures that are paying an average tier rate within 10 or 15 percent of their property specific calculated impact based on estimated runoff from each parcel's hard and pervious surface area. The ranges show combined impacts for more than one tier to retain an equitable comparison. The 0-35 percent band includes current Tiers 1 and 2 and updated Tiers 1,2, and 3. The 36-65 percent band includes current tier 3 and updated tiers 4 and 5.

Figure D-2: Parcel Specific Bills within 10 percent and 15 percent of Tier Average Bill under Current and Updated Tiers

One of the greatest improvements in rate equity are produced by reducing tier band ranges for lower hard surface tiers to between 10 and 15 percent where small increases in a parcel's hard surface area composition can result in a significant percentage increase in total runoff from that parcel. As noted in the graphics above, there is a marked increase in equity under the updated tiers for parcels up to 65 percent hard surface area with respect to how close tier average rates are in alignment with property specific impacts. There are no recommended changes to the tiers for parcels with 66 percent and greater hard surface area as there is minimal variance between tier averages and property specific impacts.

While surface area data derived from aerial photos is relatively accurate, data resolution is limited by complications such as shadows and the algorithm's estimated five percent margin of error. Therefore, any further reduction in band ranges is hampered by the resolution of available data.

Low Impact Structure Revision

SPU developed low-impact rate tiers in 2008 to more equitably account for the reduced runoff from forested areas and undeveloped grasslands relative to other pervious areas such as managed grass. Assignment to these tiers involved a complex run-off calculation based on Parks GIS data set developed in the late 1990s and early 2000s.

With this rate study SPU re-visited the rate structure of low impact parcels with three key goals in mind:

- Program eligibility should be based on property characteristics and relative stormwater runoff.
- Program criteria should be transparent, understandable, and easily administrable.
- Program assignment should be based on data with a known periodically updatable source.

The new low impact discount structure addresses those three goals as follows:

1. Eligibility requirements. Similar to 2008, technical staff identified two key parcel characteristics that minimize stormwater impacts: low hard surface coverage combined with significant tree canopy and/or undeveloped grassland coverage.
2. Transparency and Administration: The benefits of lower hard surface and tree cover are understandable to most customers. Parcels receiving low impact discounts will no longer be

assigned to separate rate tiers. All properties are assigned to tiers based on their hard surface area composition. Low impact eligible parcels will receive a discount off their gross drainage bill.

3. Data source: There was no ongoing source for the detailed attribute information associated with the data previously used for low impact assignment (referred to as "good forest" and "unmanaged grass"). Due to the reduced cost of AI generated data, SPU expects to update the surface type data set with each rate study. LiDAR tree canopy data is typically updated periodically, although less frequently. However, updates to the standard hard/pervious data set will capture when tree canopy area is developed.

This eligibility criteria are patterned on King County's natural areas discount which requires 65 percent tree canopy coverage and no more than 10 percent hard surface area, or up to 20 percent if certain best management practices are in place.

Table 5-4 compares the current and updated low impact structures.

Table 5-4: Low Impact Parcel Treatment Under Current and Updated Rates

Tier	Percent Hard Surface	Low Impact vs Regular Rate	Tier	Percent Hard Surface	Discount Levels
1	0-15%	42% less	1	0-10%	55% or 35%
2	16-35%	22% less	2	11-20%	45% or 30%
3	36-65%	19% less	3	21-35%	Not eligible
4	66-85%	Not eligible	4	36-50%	
5	86-100%		5	51-65%	
			6	66-85%	
			7	86-100%	

The new tree canopy and hard surface is still under review but based on preliminary analysis, SPU expects an increase in overall parcel eligibility to be about 5,000 parcels citywide. There are 4,258 parcels enrolled in the current program. Some existing low impact customers with over 20 percent hard surface area or insufficient tree coverage will no longer be eligible. However more parcels will be newly eligible for the discount, reflecting an increased City-wide emphasis on tree cover, and across a wider expanse of the City than those losing eligibility.

Small Residential Rate Structure Revisions

For the 2025-27 rate period, SPU has developed a six-tier rate structure that replaces the existing five-tier rate structure. The addition of a new tier aims to minimize the difference between any given parcel's size from its tier average. The new tier boundaries position the most common parcel sizes closer to the mean of their respective tiers, aiming for a more statistically normal distribution within each tier. In contrast, the existing tier structure uses the most common parcel sizes as the start of each tier boundary, resulting in a right skewed distribution within each tier. Figure D-2 presents the existing (left) and proposed (right) tiers along with the distribution of parcels and how this distribution is changing. Each tier label includes the maximum parcel area each tier, the number of parcels, and the average hard surface percentage and standard deviation.

Figure D-2: Change in Parcel Distribution from Existing to Proposed Small Residential Tiers

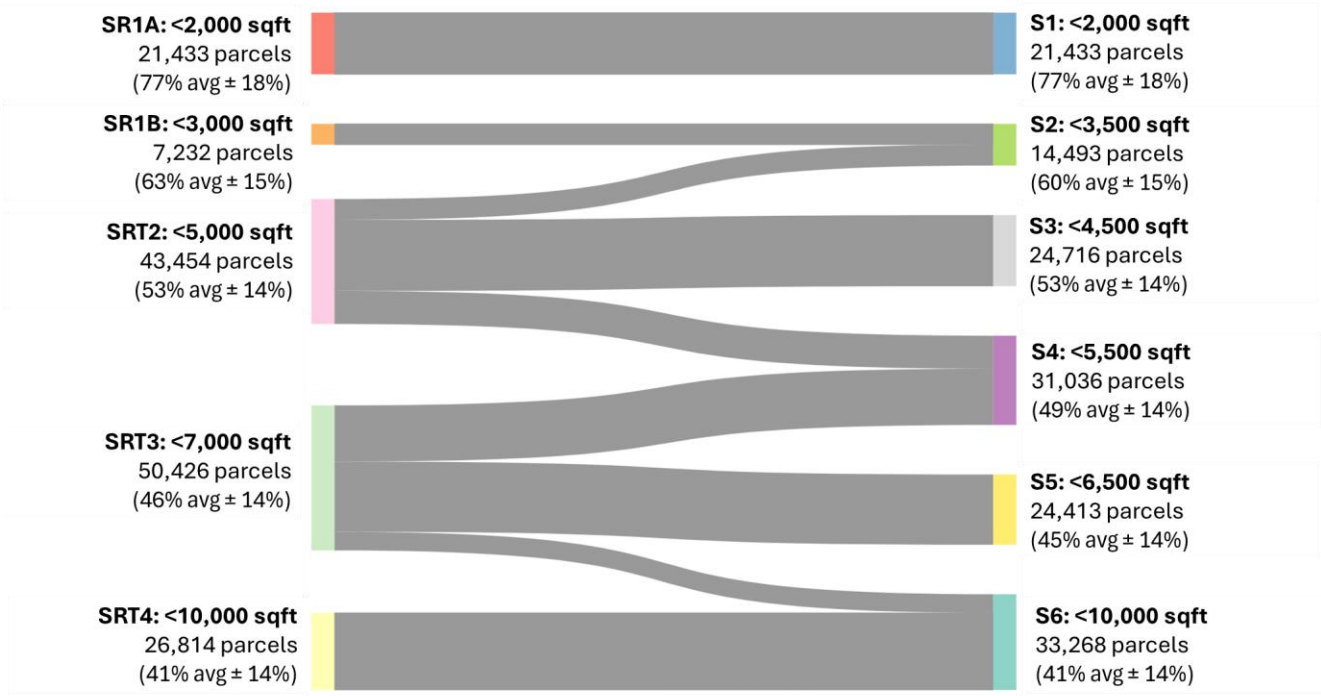


Figure 5-3 shows the current five tier distribution and Figure 5-4 the proposed six tier distribution. The proposed rate tiers aim to achieve a closer to normal distribution within each tier. Colors in each chart correspond to the existing tiers.

Figure 5-3: Distribution of Parcels Divided by Existing Tiers

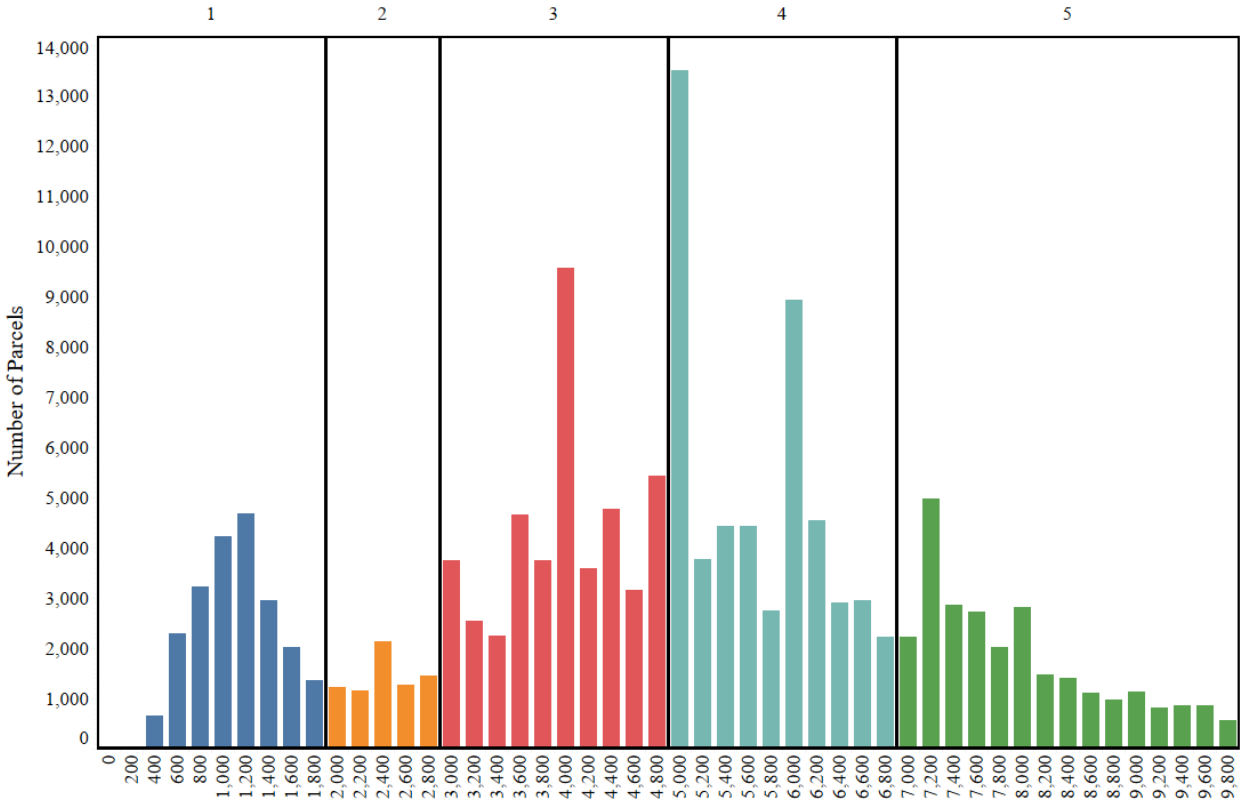
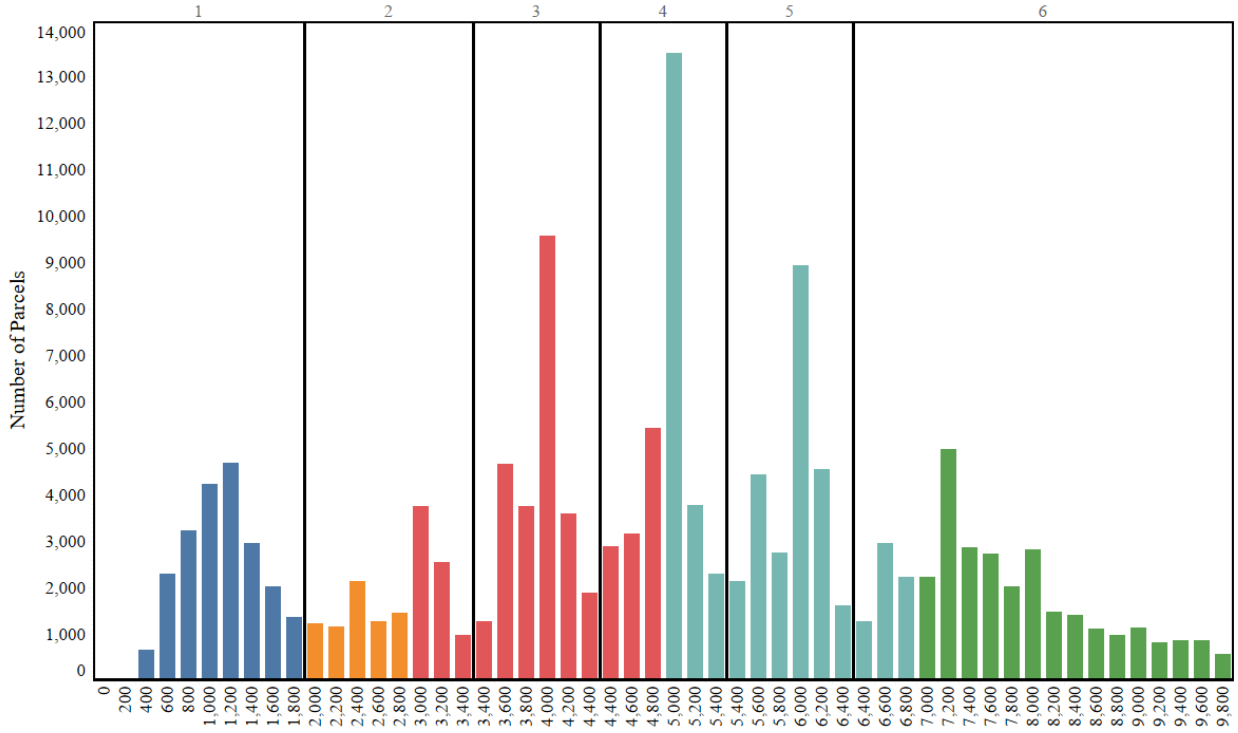


Figure 5-4: Distribution of Parcels Divided by Proposed Tiers



APPENDIX E — GENERAL SERVICE AND SMALL RESIDENTIAL RATE CALCULATIONS

General Service Rate Calculations

Section 5.1 presented the conceptual basis for calculating the rate assigned to each rate tier which includes a charge related to managing the run-off for the average percentage of hard and pervious surface for each tier and a billing related account fee:

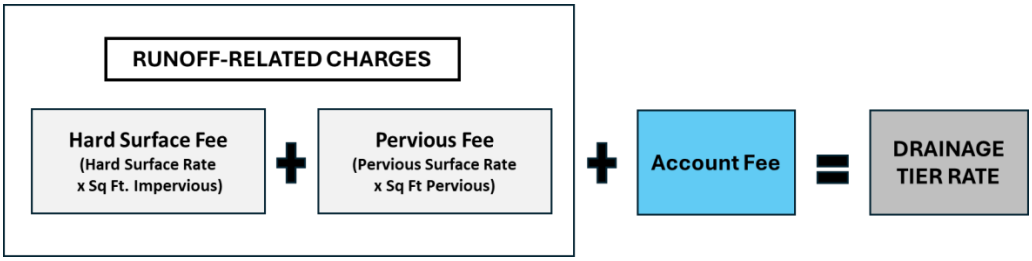


Table E-1 shows the calculation of the 2025 baseline tier rate based on the average hard and pervious areas per 1,000 square feet profile for a single parcel. The average parcel area is multiplied by the hard surface ($230/ksqft) and pervious ($40/ksqft) rates and added to the account fee to determine the tier rate. For example, all parcels in Tier 1 are charged the rate of the average of parcels assigned to that tier, in this case based on 4 percent of hard surface and 96 percent pervious surface.

Table E-1: 2025 Tier Rate Baseline Calculation Based on Parcel Average Land Composition

			Avg Area (per ksqft)		Flow and Account Based Fees			Total
Tier Name	Hard Surface Range	Parcels	Hard	Pervious	Hard	Pervious	Account	kSQFT Rate
T1	0%-10%	4,847	43	957	$9.83	$38.05	$0.47	$48.36
T2	11%-20%	2,005	144	856	$33.00	$34.05	$0.47	$67.52
T3	21%-35%	4,430	274	726	$63.05	$28.85	$0.47	$92.37
T4	36%-50%	3,895	436	564	$100.31	$22.40	$0.47	$123.19
T5	51%-65%	3,956	584	416	$134.28	$16.53	$0.47	$151.28
T6	66%-85%	6,803	752	248	$172.94	$9.84	$0.47	$183.25
T7	86%-100%	10,766	951	49	$218.64	$1.94	$0.47	$221.05

Table E-2 shows the calculation of the tier rate based on the aggregate square feet of each surface type in each tier (for the run-off component) and the aggregate number of parcels in each tier (for the account fee). The final tier rate based on aggregate data is equal to the tier rate build-up in Table E-1 using single parcel data.

The hard and pervious area composition of each tier is multiplied by the surface area type rates and the total area is multiplied by the account fee (surface are type and account rates are calculated in Appendix C). The sum of surface area revenue and account fee revenue is divided by the total square footage to calculate each tier's area rate per 1,000 sqft.

Table E-2: –2025 Tier Rate Baseline Calculation Based on Aggregate Tier Surface Area

		Area (ksqft)			Flow Based Revenue					
Tier	Parcels	Hard	Pervious	Total	Hard Surface ($230/ksqft)	Pervious ($40/ksqft)	Subtotal	Account Fee ($0.47/ksqft)	Total	kSQFT Rate
T1	4,847	7,462	166,991	174,453	$1,715	$6,639	$8,354	$83	$8,436	$48.36
T2	2,005	11,886	70,887	82,772	$2,732	$2,818	$5,550	$39	$5,589	$67.52
T3	4,430	26,330	69,649	95,979	$6,051	$2,769	$8,820	$46	$8,866	$92.37
T4	3,895	41,711	53,861	95,572	$9,587	$2,141	$11,728	$45	$11,773	$123.19
T5	3,956	42,012	29,894	71,906	$9,656	$1,188	$10,844	$34	$10,878	$151.28
T6	6,803	99,499	32,733	132,232	$22,868	$1,301	$24,169	$63	$24,232	$183.25
T7	10,766	214,354	10,971	225,325	$49,266	$436	$49,702	$107	$49,809	$221.05
Total	**36,702**	**443,253**	**434,985**	**878,238**	**$101,874**	**$17,293**	**$119,167**	**$417**	**$119,583**	
					Revenue Requirement Previously Covered by Small Residential		**$94,467**	**$1,695**	**$96,162**	
					Total Revenue Requirement		**$213,633**	**$2,112**	**$215,745**	

Impacts of Transition to New Rate Design and Technical Assumptions on Tier Rates

The 2025 baseline rates presented in the tables above assume the new rate structure parameters presented in Appendix D. The change in these parameters results in a realignment of how parcels are charged, and thus an initial reset of rates with differing levels of increase.

Proposed rates for 2025-2027 are set to mitigate impacts of this change by capping the rate increase applied to any group of parcels at 10 percent in any given year while still fully recovering the five percent annual revenue requirement increase. Therefore, the tier rates presented above do not match the proposed 2025 tier rates.

By 2027, the rates for each tier are fully in alignment with the new calculation assumptions. Table E-3 below shows the impact of applying five percent annual increases, starting with the baseline 2025 rates shown in the table above as compared to the proposed transitioned rates in Section 5.2.

Table E-3: Baseline vs Proposed (Transitioned) General Service Rates

Tier	% Hard Surface	2025		2026		2027	
		Base	Transitioned	Based	Transitioned	Based	Transitioned
T1	0-10%	$48.36	$59.82	$50.79	$54.23	$53.34	$53.34
T3	21-35%	$92.37	$94.46	$97.01	$97.01	$101.90	$101.90
T4	36-50%	$123.19	$123.19	$129.37	$129.37	$135.89	$135.89
T5	51-65%	$151.28	$138.77	$158.88	$152.60	$166.88	$166.88
T6	66-85%	$183.25	$183.25	$192.45	$192.45	$202.15	$202.15
T7	86-100%	$221.05	$216.17	$232.15	$232.15	$243.84	$243.84

Small Residential Rate Calculations

Small residential rates are calculated the same as general service rates. Each tier's total surface area profile is multiplied by the surface area type rates calculated in Appendix C and divided by total area to

derive the total flow-based rate. The account fee calculated in Appendix C is added on for each parcel arriving at the final tier rate. Each subsequent years' rate is increased with the revenue requirement.

Table E-4 outlines the calculation for each tier based on the average hard and pervious surface area compositions for each tier, similar to Table E-1 for General Service tiers.

Table E-4: 2025 Small Residential Rates Based on Parcel Average Land Composition

			Avg Area (per ksqft)		Flow and Account Fees			Equals
Tier	Max Size	Parcels	Hard	Pervious	Hard Surface	Pervious Surface	Account	Parcel Rate
S1	1,999	21,433	760	240	$212.32	11.62	$11.35	$235.28
S2	3,499	14,493	593	407	$389.49	46.25	$11.35	$447.08
S3	4,499	24,716	530	470	$486.74	74.55	$11.35	$572.64
S4	5,499	31,036	488	512	$559.97	101.61	$11.35	$672.93
S5	5,499	24,413	452	548	$622.78	130.86	$11.35	$764.98
S6	9,999	33,272	412	588	$736.07	182.06	$11.35	$929.48

Table E-5 outlines the same calculations but based on aggregate tier composition similar to Table E-2 for General Service. Table E-5 also includes 2026 and 2027 rates, inflated at the revenue requirement increase of five percent annually.

Table E-5: Small Residential Rates 2025-2027

		Area (ksqft)		Flow Based Revenue			Flow Rate	Plus	Equals	Inflated	
Tier	Parcels	Hard	Pervious	Hard ($230/ksqft)	Pervious ($40/ksqft)	Subtotal	Per Parcel	Account Fee	Parcel Rate	2026 Parcel Rate	2027 Parcel Rate
S1	21,433	19,799	6,262	$4,551	$249	$4,800	$223.93	$11.35	$235.28	$247.09	$259.54
S2	14,493	24,561	16,859	$5,645	$670	$6,315	$435.73	$11.35	$447.08	$469.52	$493.18
S3	24,716	52,344	46,351	$12,030	$1,843	$13,873	$561.30	$11.35	$572.64	$601.39	$631.68
S4	31,036	75,617	79,324	$17,379	$3,153	$20,533	$661.58	$11.35	$672.93	$706.71	$742.31
S5	24,413	66,152	80,359	$15,204	$3,195	$18,398	$753.63	$11.35	$764.98	$803.38	$843.85
S6	33,272	106,558	152,370	$24,491	$6,057	$30,548	$918.13	$11.35	$929.48	$976.13	$1,025.31
Total	**149,913**	**345,031**	**381,526**	**$79,300**	**$15,167**	**$94,467**		**$1,695**	**$96,162**		
		Remaining Revenue Requirement for General Service				**$119,167**		**$417**	**$119,583**		
				Total Revenue Requirement		**$213,633**		**$2,112**	**$215,745**		

Seattle Public Utilities
2025-2027 Drainage & Wastewater Rates

Parks, Public Utilities & Technology Committee

July 24, 2024

City of Seattle

Agenda

- Background
- Proposed 2025 – 2027 Rate Path
- Rates & Bills
- DWW Rate Assumptions
- Next Steps

Background: Wastewater Rates

Wastewater (relatively simple)

- Based on water CCF use / month / customer
- Increased use → Increased charges

Background: Drainage Rates

Drainage (relatively complex)

- Based on parcel size and run-off contribution
- Increased impervious → Increased run-off → Increased charges

Proposed 3-Year Rate Path and 3-Year Forecast

	RATE PATH			RATE FORECAST			
	2025	2026	2027	2028	2029	2030	2025-30
Water	2.0%	2.0%	6.3%	3.3%	6.5%	3.8%	4.0%
Wastewater*	5.0%	5.0%	5.0%	6.2%	7.0%	5.1%	5.5%
Drainage	5.0%	5.0%	5.1%	6.6%	6.3%	7.2%	5.9%
Solid Waste	2.5%	3.1%	3.4%	3.4%	3.8%	2.5%	3.1%
Combined	3.7%	3.9%	4.9%	5.0%	6.0%	4.6%	**4.7%**

Approved legislation that is currently in effect

* Wastewater rate includes King County Treatment Rate increases in 2025 - 2030.

DWW Rates Comparison (via SBP)

2021-26 Adopted SBP		
	2025	2026
Wastewater	7.8%	3.6%
Drainage	6.5%	6.7%

2025-2030 Proposed SBP			
	2025	2026	2027
Wastewater	5.0%	5.0%	5.0%
Drainage	5.0%	5.0%	5.1%

2025-2027 Rate Smoothing

- Rates were smoothed for the rate setting period using cash on hand.
  - Cash in excess of financial policy targets from underspending and bond refinancing.
- Looking forward, future rates will be smoothed using any excess cash on hand at time of rate development for 2028-2030 rates

2025-2027 Rate Smoothing

- Rates were smoothed for the rate setting period using cash on hand.
  - Cash in excess of financial policy targets from underspending and bond refinancing.
- Looking forward, future rates will be smoothed using any excess cash on hand at time of rate development for 2028-2030 rates

Current Economic Environment

Increasing operational expenses

- Inflation – particularly with healthcare and labor

Increasing capital expense

- State and Federal regulatory compliance projects
- Maintenance of aging capital infrastructure
- Increased interest rates from historical lows

Increasing contractual obligations

- King County Sewer Treatment rates are projected to increase annually from 5.75% to 8.25% by 2030.

Inflation
Regulatory
Infrastructure
Interest Rates
Contracts

Wastewater Rates

	Adopted 2024	Proposed 2025	Proposed 2026	Proposed 2027
System Rate	$7.67	$7.10	$7.34	$7.45
Treatment Rate	$10.63	$12.11	$12.11	$12.11
Future King County Treatment Rate Adjustment			$0.73	$1.63
Total Wastewater Rate	**$18.30**	**$19.21**	**$20.18**	**$21.19**
Rate Increase %		*5.0%*	*5.0%*	*5.0%*
Average Bills				
Single-Family	$79	$83	$87	$92
Multi-Family	$73	$77	$81	$85
Convenience Store	$366	$384	$404	$424

Drainage Rates

<table>
<tr><th></th><th colspan="2">Residential</th><th>Multi-Family</th><th>Commercial</th></tr>
<tr><td rowspan="2">Drainage

(Billed by KC on behalf of SPU)</td><td rowspan="2"><u>Lot < 10k sq. ft.</u>
Rate groups with flat rate per parcel</td><td>Lot > 10k sq. ft.</td><td colspan="2">General Service</td></tr>
<tr><td colspan="3">Rate classes based on percent impervious.
Billed on actual parcel size.</td></tr>
</table>

	Adopted 2024	Proposed 2025	Proposed 2026	Proposed 2027
Rate Increase %		*5.0%*	*5.0%*	*5.1%*
Average Bills				
Single-Family	$59	$63	$66	$69
Multi-Family	$11	$12	$12	$13
Convenience Store	$145	$152	$160	$168

Drainage Fee – Small Residential (< 10,000 sqft) Annual Bill/Rate per Parcel

Tier Name	Max Parcel Area SqFt	2025	2026	2027
S1	1,999	$235.28	$247.09	$259.54
S2	3,499	$447.08	$469.52	$493.18
S3	4,499	$572.64	$601.39	$631.68
S4	5,499	$672.93	$706.71	$742.31
S5	6,499	$764.98	$803.38	$843.85
S6	9,999	$929.48	$976.13	$1,025.31

Assumptions

- Interest rate: 5%
- CIP Accomplishment Rate: 80%
- O&M Inflation: 4%
- King County Treatment Rate Growth
- No change to tax rates
- No debt refunding or alternative financing
- “Middle housing” is within small residential drainage

Questions?

File #: CB 120820, **Version:** 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; adjusting wastewater rates; and amending Section 21.28.040 of the Seattle Municipal Code to reflect adjusted rates.

WHEREAS, Seattle Public Utilities has recently completed a rate study incorporating guidance of its adopted 2025-2030 Strategic Business Plan Update; and

WHEREAS, the 2025-2030 Strategic Business Plan Update included increases in the capital and operating requirements of the Drainage and Wastewater Fund in response to federal and state regulatory requirements, as well as environmental and infrastructure concerns, with a resulting increase in revenue requirements; and

WHEREAS, drainage and wastewater rates are calculated in accordance with the financial policies adopted by Resolution 30612 and Statement of Legislative Intent 13-1-A-1; and

WHEREAS, Seattle Public Utilities' wastewater system rates are designed to pass through all expenses in maintaining and operating the wastewater system, and any related taxes or discounts incurred; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection 21.28.040.B of the Seattle Municipal Code, which section was last amended by Ordinance 126688, is amended as follows:

21.28.040 Wastewater volume charge

* * *

B. The wastewater volume rate shall be the sum of the treatment rate and the system rate, as follows:

1. Treatment rate. The "treatment rate" shall be the rate required to pay the wastewater share of "treatment cost," which is the cost of wastewater treatment, interception, and disposal services as paid to external treatment providers by the Department, any taxes incurred on treatment rate revenue, and any other associated costs required to meet Drainage and Wastewater Fund financial policies. The treatment rate shall be adjusted for utility discount program credits or any other revenue-reducing credits. The treatment rate may be adjusted at any time in response to changes in the rates charged by external treatment providers.

If an external treatment provider implements new rates for wastewater treatment or related services, the updated treatment contract cost under the new rates for the subsequent 12-month period shall be compared with the Department's cost assumption used in the adopted revenue requirement for the same time period. If the calculated difference for the rate year is $500,000 greater than what was adopted, then it will be deemed material and passed through in rates. Treatment rates in all rate schedules will be adjusted upwards or downwards by a consistent amount such that the identified material cost difference, including taxes and Utility Discount Program expense, is collected from or credited to customers over the subsequent 12-month period from the onset of the rate adjustment.

2. System rate. The "system rate" shall be the rate required to pay the cost of carrying and discharging all wastewater and any wastewater-funded share of stormwater into the City sewerage system, as presently maintained and operated and as may be added to, improved, and extended.

3. The wastewater system volume rate per CCF shall be in accordance with the following schedule: $7.67 effective through December 31, 2024; $7.10 effective January 1, 2025; $7.34 effective January 1, 2026; and $7.45 effective January 1, 2027.

	~~((~~**~~Effective Jan 1, 2021~~**	**~~Effective Jan 1, 2022~~**	**~~Effective Jan 1, 2023~~**	**~~Effective Jan 1, 2024~~**
~~System Rate~~	~~$7.42~~	~~$7.67~~	~~$7.67~~	~~$7.67~~))

* * *

Section 2. This ordinance does not affect any existing right acquired or liability or obligation incurred under the sections amended or repealed in this ordinance or under any rule or order adopted under those sections, nor does it affect any proceeding instituted under those sections.

Section 3. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, then such provision or provisions shall be null and severed from the rest of this ordinance with respect to the particular person or circumstance. The offending provision with respect to all other persons and all other circumstances, as well as all other provisions of this ordinance, shall remain valid and enforceable.

Section 4. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2024, and signed by me in open session in authentication of its passage this _____ day of _____, 2024.

_____

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2024.

_____

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2024.

_____

Scheereen Dedman, City Clerk

(Seal)

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
Seattle Public Utilities	Vas Duggirala	Akshay Iyengar

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to wastewater services of Seattle Public Utilities; adjusting wastewater rates; and amending Section 21.28.040 of the Seattle Municipal Code to reflect adjusted rates.

Summary and Background of the Legislation:
This ordinance would revise wastewater rates with effective dates of January 1, 2025, 2026, and 2027 to provide the financial resources necessary to achieve objectives laid out in Seattle Public Utilities' 2025-2030 Strategic Business Plan (SBP), regulatory requirements imposed upon the City by State and Federal entities, and financial policy target requirements laid out by City Council Resolution 30612 and Statement of Legislative Intent 13-1-A-1. This legislation proposes three years of rate increases and assistance credit updates. The rate path proposed by this legislation is unchanged from that in the proposed SBP.

2025-2027 Proposed Wastewater Rate Increases

	2025	2026	2027
Wastewater	5.0%	5.0%	5.0%

This legislation does not include rate increases to collect additional revenue as necessitated by treatment rate increases imposed by King County, as these increases are established through a non-legislative process as authorized by SMC 23.33.030. Financial estimates below include only the system rate changes proposed and enacted through this legislation. Full revenue estimates including both system and treatment components are included in Exhibit A.

Incorporated in this legislation is a shift of treatment expense allocation from a split between drainage and wastewater rates to a sole allocation to wastewater, and a partial reverse shift of some capital expense to drainage rates. Because this ordinance only changes the wastewater system rate, revenue and tax estimates below show a projected reduction in revenues for 2025, and only a partial of total estimated increases in 2026 and 2027. Actual total increases to SPU and the General Fund are enumerated in Exhibit A. For a complete projected income statement with projected revenues by line of business, see Table A-1 in Exhibit A – 2025-2027 Drainage and Wastewater Rate Study.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ **Yes** ☒ **No**

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☒ **Yes** ☐ **No**

Expenditure Change ($); General Fund	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
	-	-	-	-	-
Expenditure Change ($); Other Funds	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
	-	-	-	-	-

Revenue Change ($); General Fund	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
	0	(1,928,207)	741,227	359,853	N/A
Revenue Change ($); Other Funds	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
	0	(12,045,229)	4,986,923	2,241,267	N/A

Number of Positions	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
	-	-	-	-	-
Total FTE Change	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
	-	-	-	-	-

3.a. Appropriations

☐ **This legislation adds, changes, or deletes appropriations.**

3.b. Revenues/Reimbursements

☒ **This legislation adds, changes, or deletes revenues or reimbursements.**

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	**Dept**	**Revenue Source**	**2024 Revenue**	**2025 Estimated Revenue**
General Fund 00100		Sewer Utility Tax	No change	(1,928,207)
DWF 45010	SPU	Rates	No change	(12,045,229)
		TOTAL		

Revenue/Reimbursement Notes: Revenues are anticipated changes due to legislation.

3.c. Positions

☐ **This legislation adds, changes, or deletes positions.**

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.
This legislation will increase wastewater expenses to various City departments, primarily Parks, but also FAS, Seattle Center, SCL, SPU and other departments which pay stormwater fees through property tax bills. The total estimated expense increases are $250,000 in 2025 and $265,000 in 2026, and $278,000 in 2027. These costs include departments funded by General Funded revenues and those funded by separate revenue sources. Increased costs can be fully absorbed by utility tax revenues included in this legislation.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.
NA

Please describe any financial costs or other impacts of *not* implementing the legislation.
Not implementing this legislation would hamper SPU's ability to provide drainage and wastewater services to residents, would deny SPU the financial resources necessary to comply with State and Federal regulatory requirements, and may result in a ratings downgrade, which would increase the cost of borrowing.

4. OTHER IMPLICATIONS

a. Please describe how this legislation may affect any departments besides the originating department.
Several City departments incur wastewater costs. Wastewater 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.

b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.
No

c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.

This legislation impacts all residential and general service wastewater customers and will increase the cost of living for residents and increase operating expenses for businesses in the retail service area.

Through the rates, this legislation will provide funding assistance for low-income customers to repair and replace failing side sewer lines throughout the city.

This legislation also adjusts low-income credits for residents that are not direct customers of SPU and pay utilities through rent. These customers will continue to receive a 50% credit.

ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.

iii. What is the Language Access Plan for any communications to the public?

SPU does extensive outreach for the Strategic Business Plan. The rates in this legislation are consistent with the rates outlined in the SBP. SBP outreach includes a significant Ethnic Media component with in-language advertising targeting Spanish, Chinese, Korean, and Somali speakers.

d. Climate Change Implications

i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.

NA

ii. 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.

The rates proposal supports the financing of SPU's Strategic Business Plan (SBP). For example, given uncertainty related to climate change, growth, and increasingly stringent regulations, SPU is developing an integrated system plan called 'Shape Our Water.' A part of the SBP, the plan includes a long-term vision and a short-term implementation plan and will guide investments, policies, programs, and projects that will improve the performance and resilience of our drainage and wastewater systems while optimizing social and environmental benefits for the city.

The Ship Canal Water Quality Project (SCWQP) is a partnership with King County that will improve regional water quality by keeping more than 75 million gallons of polluted stormwater and sewage from flowing into the Lake Washington Ship Canal,

Salmon Bay, and Lake Union on average each year. The proposed rates provide resources for this important and required project.

5. CHECKLIST

☐ **Is a public hearing required?**

☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**

☒ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**
Yes

☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

6. ATTACHMENTS

Summary Attachments:
Summary Exhibit A – Seattle Public Utilities 2025-2027 Drainage and Wastewater Rate Study

EXHIBIT A

Seattle Public Utilities

2025-2027

Drainage and Wastewater

Rate Study

Table of Contents

1. EXECUTIVE SUMMARY

The Drainage and Wastewater Utility (DWF) provides wastewater and stormwater management services to Seattle residences and businesses. The fund is supported by utility fee revenue, enumerated for wastewater customers on SPU combined utility bills based on metered water usage, and for drainage customers on King County property tax bills, reflecting an estimate of each parcel's contribution to stormwater runoff. DWF revenues fund SPU operations and maintenance (O&M) and capital expense required to operate the separated storm drain and sanitary sewer systems as well as the combined stormwater and wastewater system ("Combined System"). The Combined System collects both stormwater and sewer flows and conveys them to SPU's two contracted treatment providers, King County Wastewater Treatment Division (KC WTD) and Southwest Suburban Sewer District (SWSSD).

A significant aspect of the combined system is management of Combined Sewer Overflows (CSOs) which can occur during heavy rains when the volume of stormwater and wastewater exceeds the capacity of the transmission and treatment systems and overflows raw sewage and stormwater into the Puget Sound, Lake Washington, Lake Union, and other nearby water bodies. Management of CSOs is regulated under the City's NPDES Waste Discharge permit with the Washington State Department of Ecology and is a significant component of the DWF Capital Program. Since 2008, a percentage of the costs associated with the Combined System, previously assigned solely to wastewater rates, have been recovered through drainage rates as this is an integral part of the stormwater conveyance system.

SPU has utilized new GIS and AI technologies, and updated stormwater modeling assumptions and methodology to refine the existing drainage rate structure to increase equity and transparency of drainage rates. This rate study recommends updates to how combined sewer system expenses are shared between drainage and sewer customers to increase equity and better reflect the impacts of climate change and the increasing amount of hard surface on system costs.

Wastewater and drainage rates were last increased January 1, 2024. Wastewater revenues increased by 3.8 percent and drainage revenues increased by 6.4 percent. This rate study proposes annual average revenue increases of 5 percent from 2025 to 2027 for both wastewater and drainage.

Drainage and wastewater rates are currently the sum of two components: a system component, which recovers SPU O&M and capital expense, and a treatment component to recover payments for treatment to KC WTD and SWSSD. This rate study removes the drainage treatment component as KC WTD and SWSSD only assess fees on sewer flow volume (based on metered water usage) with no fee on stormwater flow volumes.

The ordinance supported by this document is limited to drainage and wastewater system rates. Treatment rate increases anticipated for 2026 and 2027 are included in the overall 5 percent wastewater rate increase noted above but will be adjusted only as necessary by the automatic passthrough mechanism in SMC 21.28.040 and published on SPU's website. Treatment rate increases for 2025 are incorporated into the 2025 rate increase and the treatment rate portion will be enacted through SMC 21.28.040. More detail on the treatment increases is found in the Wastewater Rates section.

Table 1-1 below summarizes proposed revenue requirements and rates. Wastewater rates for 2026 and 2027 include projected treatment rate increases.

Table 1-1: Proposed DWF Retail Rate Revenue Requirement and Monthly Bill Impacts

	2024	2025		2026		2027	
Revenue Requirement *($m)*							
Wastewater	$369.8	$388.3	+$18.5	$408.1	+$19.8	$428.4	+$20.3
Drainage	$197.9	$207.7	+$9.9	$218.1	+$10.4	$229.1	+$11.00
Total DWF	**$567.7**	**$596.1**	**+$28.4**	**$626.2**	**+$30.1**	**$657.4**	**+$31.3**
Wastewater ($)							
Wastewater Rate per CCF*	$18.30	$19.21	+$0.91	$20.18	+$0.97	$21.19	+$1.01
Residential (4.3 CCF)	$78.69	$82.60	+$3.91	$86.77	+$4.17	$91.12	+$4.34
Drainage ($)							
Townhome (<2,000 sqft)	$19.16	$19.61	+$0.45	$20.59	+$0.98	$21.63	+$1.04
Single-Family (0.15 acres)	$59.36	$56.08	-$3.29	$58.89	+$2.81	$61.86	+$2.97
Park (2.8 acres)	$621	$430	-$191	$384	-$46	$382	-$1
Supermarket (2.5 acres)	$1,801	$1,945	-$143	$2,088	+$144	$2,194	+$105
High School (32 acres)	$9,377	$10,851	+$1,474	$11,228	+$376	$11,795	+$567

2. FINANCIAL POLICY OVERVIEW

SPU is directed through a set of Seattle City Council-adopted[1] financial policies to adopt rates sufficient to satisfy a comprehensive, inter-connected framework of rules for sound financial management in rate setting. These financial policies:

- Shape the financial profile of the Fund to lenders and the financial community.
- Manage exposure to financial risk.
- Provide intergenerational equity.

Each financial policy sets a financial metric target which results, on a planning basis, in a minimum revenue requirement, the highest of which sets a binding constraint on rate setting. SPU may adhere to a more stringent internal planning target when tracking market conditions and peer utility performance expose any financial risk or weakness. The policies are:

1. **Minimum year-end operating cash balance of one month of treatment contract expenses**
   One-month of treatment expense translates to roughly two weeks of operating liquidity. In conversations with financial advisors and bond rating agencies, and comparisons with peer utilizes, SPU is instead holding a target of 100 days of operating expense. The DWF is currently holding more than 300 days of operating expense which SPU aims to reduce to 100 days by the end of the SBP period in 2030. The reduction in accumulated cash balances will be used to increase cash contributions to CIP (capital investments) and to smooth rate increases over the medium term through 2030. See Section 3.4.
2. **Cash finance at least 25% of the capital improvement plan over a four-year average**
   A minimum 'down-payment' on capital expenditures with operating cash prevents a rapid increase in debt service and debt burden. SPU intends to divert the existing surplus of operating cash to the capital program, with cash contribution ratios of 40 percent in 2025 and 2026 and 33 percent in 2027. See Section 3.3.
3. **A debt service coverage ratio of at least 1.5**
   The debt service coverage ratio is the ratio between the operating margin on a cash basis, with taxes paid to the City of Seattle removed, and the debt service obligation. Per the ordinances which authorize the Fund to issue revenue bonds and the covenants between the Fund and bond holders, City taxes are subordinate priority to the debt service obligation. Following a review of peer utilities' financial performance and credit rating practices that indicated the guarantee of priority to bond holders would be insufficient, SPU implemented a target of 2.0 using the existing metric and 1.5 using a more stringent metric that does not provide credit for City taxes. SPU has balanced the spend down in operating cash, rate smoothing, and projected debt service coverage to reduce the ratio from roughly 3.0 currently to the financial policy target of 1.5 in 2027.

[1] Council Resolution 30612, 2003; SLI 13-1-A-1 2012

4. **Net income should be generally positive**
   Net income is projected to be positive in each year. Due to large amounts of capital investment, net income is not a binding constraint.
5. **Debt-to-asset ratio should not exceed 70 percent.**
   The ratio of debt to assets is a metric of debt burden and an indicator of inflexibility to handle financial stress. The ratio is projected to hover around 60 percent.
6. **No more than 15 percent of total debt should be variable rate**
   A cap on variable rate debt limits the Fund's exposure to interest rate volatility. The Fund does not have and does not plan to issue any variable rate debt.

Table 2-1: Projected Drainage & Wastewater Fund Financial Policy Results

Policy (Target)	2023	2024	2025	2026	2027
1. Operating Cash Balance (100 days Op Expense)	$346.9	$345.4	$310.0	$258.8	$216.9
2. Cash Financing of CIP (25% over 4 years)	25%	25%	40%	41%	33%
3. Debt Service Coverage (>2.0)	3.5	3.0	2.6	2.5	2.4
Without Credit for Taxes Paid (>1.5)	2.5	2.0	1.6	1.6	1.5
4. Net Income (generally positive)	$36.6	$53.4	$39.4	$41.6	$40.8
5. Debt-to-Asset Ratio (<70%)	63%	60%	60%	59%	60%
6. Variable Rate Debt (<15%)	0%	0%	0%	0%	0%

3. REVENUE REQUIREMENT

The binding constraint on creating a financial plan and setting rates is satisfying the revenue requirement that the most stringent financial policy requires. The binding constraint is determined by optimizing the capital financing portfolio and the utilization of operating cash to achieve a rate path equitable to all rate payers, current and future. For the rate period, optimization was dictated by the financing needs of the large upcoming capital program in SPU's 2025-2030 Strategic Business Plan. An expansion of capital investment requires the Fund to take on more debt, though because the expansion is temporary, in this case to complete the bulk of the EPA mandated CSO program, SPU intends to utilize the prudent option of a one-time drawdown of operating cash to pay for a one-time expenditure. The drawdown will reduce operating cash to the extent that maintaining the financial policy minimum will be the binding constraint through 2030.

The table below summarizes the revenue requirement for the DWF over the rate period. Tables enumerating the breakdown to wastewater and drainage individually are available in Tables 4-1 and 5-1. Each category, in millions of dollars, is followed by that component's contribution to the change in the revenue requirement. For example, DWF O&M is projected to grow from $164.2 million in 2024 to $187.1 million in 2025, which requires a 2.4 percent increase in revenue to cover the added O&M expense. The sum of percent impacts across categories is the total required revenue increase. Details about each component and how they are allocated to wastewater and drainage rates separately are in the following sections.

Table 3-1: Components of the Revenue Requirement

DWF Rev Req Components ($m)	2024	2025		2026		2027	
Operating							
O&M	$ 164.2	$ 187.1	+3.9%	$ 195.9	+1.4%	$ 206.1	+1.6%
Treatment	202.5	215.0	+2.1%	228.0	+2.1%	243.9	+2.5%
Taxes	77.2	80.5	+0.6%	84.5	+0.7%	88.7	+0.6%
Capital		-		-		-	
Cash Contribution	$ 51.7	$ 71.1	+3.3%	$ 81.9	+1.8%	$ 66.6	-2.4%
Debt Service	74.7	84.8	+1.7%	94.2	+1.5%	101.8	+1.2%
Subtotal Expenditures	**$ 570.2**	**$ 638.5**	**+11.6%**	**$ 684.6**	**+7.5%**	**$ 707.0**	**+3.5%**
Less Non-Rates Revenue	(13.0)	(7.0)	+1.0%	(7.3)	-0.0%	(7.7)	-0.1%
Less Decrease in Cash Balance	10.5	(35.5)	-7.8%	(51.1)	-2.6%	(41.9)	+1.4%
Base Revenue Requirement	**$ 567.7**	**$ 596.1**	**+4.8%**	**$ 626.2**	**+4.9%**	**$ 657.4**	**+4.9%**
UDP	19.0	17.2	-0.3%	18.3	+0.2%	19.4	+0.2%
Rate Revenue Requirement	**$ 586.7**	**$ 613.3**	**+4.5%**	**$ 644.4**	**+5.1%**	**$ 676.8**	**+5.0%**
Wastewater Share (See Table 4-1)	385.6	402.1	4.3%	422.7	5.1%	443.9	5.0%
Drainage Share (See Table 5-1)	201.1	211.2	5.0%	221.8	5.0%	232.9	5.0%

3.1. Operations and Maintenance

SPU projects expenditures for the ongoing operations and maintenance of the Drainage and Wastewater System, including indirect administrative and City central support activities, of $164.2 million in 2024 rising to $206.1 million in 2027.

Total Fund expenditures are allocated between Wastewater and Drainage based on a direct allocation of each project, the most granular programmatic level of the City Budget. Budgetary expense is allocated between drainage and wastewater based on which system it is directed at (drainage, sanitary sewer, Combined System, or the overall DWW system). Table 3-2 presents the final percent allocation share to each LOB for the 2025-2027 rate period, rolled up by BCL.

Table 3-2: DWF O&M Allocation

BCL	To Wastewater	To Drainage	BCL Share of Total O&M
Indirect Costs	48%	52%	48%
N201B-Customer Service	73%	27%	6%
N202B-Drainage System	0%	100%	5%
N203B-DWW Facilities & Equip	44%	56%	1%
N204B-DWW System Operations	37%	63%	21%
N205B-Emergency Response	44%	56%	3%
N206B-Engineering	44%	56%	5%
N207B-Pre-Capital Planning	42%	58%	3%
N210B-Wastewater System	69%	31%	8%
N214B-Water System	42%	58%	0%
Total DWF	**46%**	**54%**	**100%**

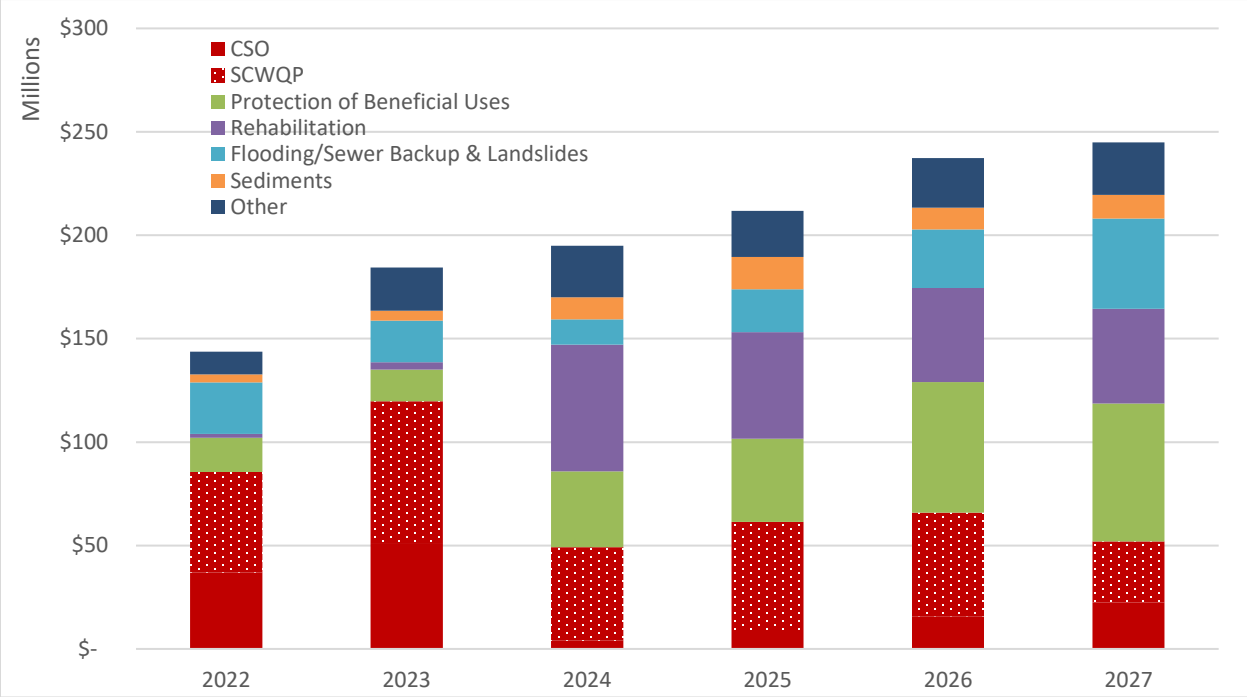
3.2. Treatment

Treatment expenses incurred by Seattle based on metered water flows to treatment providers are projected to increase from $215.0 million in 2025 to $243.9 million in 2027. This increase is driven by projected treatment rate increases necessary to finance KC WTD's capital needs. Seattle residents' and businesses' demand for wastewater services is not expected to change over the rate study period. See Section 4.4 Wastewater Demand.

3.3. Capital Financing Expense

The DWF is planning on completing $693 million of CIP for the upcoming rate period, $170 million more than the current rate period. Spending over the upcoming rate period includes a shift from CSO related projects including the SCWQP ($75 million reduction in CSO spending compared to the current 2022-24 rate period) to Rehabilitation ($76 million increase, purple) and Projection of Beneficial Uses ($102 million, green).

Figure 3-1: Planned CIP Expenditures



SPU plans to finance the DWF CIP portfolio through a combination of operating cash contributions, low-interest loans, revenue bonds, and grants. Per financial policies, a minimum of 25 percent of CIP should be financed by operating cash contributions. SPU is proposing cash funding 38 percent of CIP over the rate period.

Table 3-3: Projected CIP Financing

	2025	2026	2027	Rate Period	Share
Cash and Grants	$71.1	$81.9	$66.6	**$219.7**	38%
Revenue Bonds	$55.7	$67.9	$105.8	**$229.3**	39%
Loans	$53.2	$50.1	$29.5	**$132.8**	23%
Total CIP	**$180.0**	**$199.9**	**$201.8**	**$581.7**	
Cash-Funded %	*40%*	*41%*	*33%*	***38%***	*38%*

A further 23 percent will be financed through a combination of $113 million available through an existing WIFIA loan and $20 million from an anticipated future State SRF loan. Proceeds from both loans will be used for the Ship Canal Water Quality Project. SPU will pursue any additional loans which become available as the interest rate on State and Federally underwritten loans is typically lower than the bond market.

The remaining 38 percent of CIP will be financed through revenue bonds. This rate study assumes bond issues of $65.7 to $133.3 million in each year of the rate period. These three bond issues plus WIFIA and SRF loans will increase debt service to $101.8 million in 2027, up from $70 million in 2024.

Table 3-4: Projected CIP Financing

New Debt	2025	2026	2027
Revenue Bonds	$ 65.7	$ 82.5	$ 133.3
Loans	53.2	50.1	29.5
Cumulative	**$ 118.9**	**$ 251.4**	**$ 414.2**

Debt Service	2025	2026	2027
Existing Debt	$ 78.2	$ 78.0	$ 77.9
New Bonds	1.6	6.3	9.6
New Loan	5.0	9.9	14.3
Total	**84.8**	**94.2**	**101.8**
Wastewater	*32.3*	*36.2*	*39.4*
Drainage	*52.5*	*58.0*	*62.4*

The annual cost of capital financing funded with rates revenues is the sum of annual debt service payments (on revenue bonds and loans) and operating cash (cash financed CIP). The share of capital financing expense allocated to wastewater and drainage respectively is presented in Tables 4-1 and 5-1. For 2025-2027, debt service is assigned 62 percent to drainage and 38 percent to wastewater. This is based on drainage's share of total asset Net Book Value less any differences in estimated historic cash contributions to CIP from wastewater and drainage rates respectively. Appendix B provides more detail on allocators used to assign DWF asset value to each LOB. SPU will true this allocation up with the next and each subsequent rate study based on actual CIP and wastewater and drainage rates' actual individual cash contributions.

This rate study includes updates to the allocation basis for Combined Sewer capital expense (CSO and combined pipe related) based on updated stormwater modeling assumptions, updated land cover data, and other GIS system updates which permit the identification of specific wastewater and stormwater accounts that are directed to CSOs and combined pipes. This new allocation basis shifts additional cost to drainage, primarily due to greater increases in stormwater entering the system as a result of densification and the increase in hard surface in combined areas of the city. The increase in drainage capital financing is offset by the decrease in drainage treatment expense associated with the new allocation recommendations (see Table 5-1). The combination of the treatment and CSO/Combined pipe allocation changes increase equity in the sharing of combined system expense between drainage and wastewater.

3.4. Use of Cash Balances

As of the end of 2023, the DWF had $340 million in operating cash, and is expected to end 2024 with a similar amount. SPU is planning on spending this cash balance down to 100 days of operating expense by the end of the current SBP period in 2030. By 2027, when the proposed rate period ends, this balance is expected to be spent down to 144 days. The reduction in cash will be used to fund cash contributions to capital to reduce future debt burden and to smooth wastewater and drainage rates for consistency and predictability.

Table 3-5: Operating Cash Balance Financial Policy

Cash Balance Target	2025	2026	2027
Financial Policy Minimum	$17.9	$19.0	$20.3
Projected Balance	$310.0	$258.8	$216.9
Days of Operating Expense	230	181	144

($ millions)

3.5. Non-Rate Revenue

Non-rate revenue includes permit fees, operating and capital grants, contributions in aid of construction, interest income, other miscellaneous revenues, and capital contributions. An increase in non-rate revenues has the effect of reducing the revenue requirement that must be recovered through rates. Grants, contributions, miscellaneous revenues, and permit fees are conservatively held flat with a small 2.5 percent annual increase for inflation in this proposal as it is not fiscally prudent to pattern rates on unsecured revenue. Non-rate revenues are mostly split equally between wastewater and drainage.

4. WASTEWATER RATES

4.1. Overview and Proposed Wastewater Rates

The wastewater rate is set to collect enough revenue to cover planned O&M, treatment, taxes, and capital investment. These expenditures are offset by non-rate revenues including permit fees and standard charges among others. Any non-rate revenue collected reduces the amount required to be collected through rate revenues. See Table 4-1 for an enumeration of each of these components. Columns for each year show the total dollar requirement for each component and each component's contribution to the years' rate increase. For example, the increase in O&M expense from 2025 to 2026 will require a 0.8% rate increase on top of 2025 rates.

Table 4-1: Wastewater Rate Revenue Requirement and Rate Components

Wastewater Components ($m)	2024	2025		2026		2027	
Operations							
O&M	$ 78.6	$ 86.1	+ 1.9%	$ 90.1	+ 1.0%	$ 94.8	+ 1.1%
Taxes	23.4	21.5	- 0.5%	22.2	+ 0.2%	22.6	+ 0.1%
Treatment Rate Components							
Treatment	$ 190.4	$ 215.0	+ 6.4%	$ 228.0	+ 3.2%	$ 243.9	+ 3.8%
Taxes	26.2	29.8	+ 0.9%	31.6	+ 0.4%	33.8	+ 0.5%
Capital							
Cash Contribution	$ 24.9	$ 23.5	- 0.4%	$ 29.7	+ 1.5%	$ 20.4	- 2.2%
Debt Service	29.3	32.3	+ 0.8%	36.2	+ 1.0%	39.4	+ 0.7%
Subtotal Expenditures	**$ 372.7**	**$ 408.1**	**+ 9.2%**	**$ 437.8**	**+ 7.4%**	**$ 455.0**	**+ 4.1%**
Less Non-Rates Revenue	(8.2)	(2.0)	+ 1.6%	(2.2)	- 0.0%	(2.4)	- 0.1%
Less Decrease in Cash Balance	5.3	(17.7)	- 6.0%	(27.6)	- 2.4%	(24.2)	+ 0.8%
Base Revenue Requirement	**$ 369.8**	**$ 388.3**	**+ 4.8%**	**$ 408.0**	**+ 4.9%**	**$ 428.4**	**+ 4.8%**
UDP	15.8	13.8	- 0.5%	14.6	+ 0.2%	15.5	+ 0.2%
Final Revenue Requirement	**$ 385.6**	**$ 402.1**	**+ 4.3%**	**$ 422.7**	**+ 5.1%**	**$ 443.9**	**+ 5.0%**
Change in Demand			+ 0.6%		- 0.1%		+ 0.0%
Effective Change in Rate			+ 5.0%		+ 5.0%		+ 5.0%
Projected Demand (CCF)	20.8	20.9		20.9		21.0	

Wastewater Rate	**$ 19.21**	**$ 20.18**	**$ 21.18**

Wastewater customers are charged a flat rate per 100 cubic feet (CCF) of water usage, with a minimum of one CCF per month. This rate includes both a system rate, which covers SPU's internal costs and taxes, and a treatment rate, which covers payments for wastewater treatment and associated taxes. The system rate is updated every three years through a rate study and Council adopted legislation, while the treatment rate is updated through an automatic passthrough mechanism established in SMC 21.48.040 when King County Council adopts new treatment rates. Table 4-2 shows the current system and treatment rates, system rate changes proposed with this rate study, and projected future treatment rates based on assumed increases in KC WTD's treatment rate. Rates for 2024 are as enacted through the 2022-2024 Rate Study and the 2024 automatic treatment passthrough.

This rate study includes a large treatment increase in 2025. Existing rates include a treatment component for both wastewater and drainage rates. As discussed in Section 3.2, this rate study assumes that all treatment expense is funded with wastewater rates starting in 2025. While the wastewater treatment rate increases substantially, there is a moderate decline in the system rate in 2025 due to a lower allocation of system expense.

Table 4-2: Proposed Wastewater Rates (per CCF)

	Enacted* 2024	Proposed 2025	Proposed 2026	Proposed 2027
System Rate	$7.67	$7.10	$7.34	$7.45
Treatment Rate	$10.63	$12.11	$12.11	$12.11
Future Treatment Rate Adjustment			$0.73	$1.63
Total Wastewater Rate	**$18.30**	**$19.21**	**$20.18**	**$21.19**
Rate Increase %		5.0%	5.0%	5.0%

4.2. Wastewater System Rate

The system rate is set to collect enough revenue to cover planned operations, maintenance, and investment expenditures. These expenditures are offset by non-rate revenues including permit fees and standard charges among others. Any non-rate revenue collected reduces the amount required to be collected through rate revenues. Most of these components (operations, maintenance, debt service, and non-rates revenues) tend to be stable, increasing at a rate that is either controlled (debt service) or inflationary (operations and maintenance, treatment, taxes).

Table 4-3: Wastewater System Rate Components

Component of the System Rate ($m)	2024	2025	2026	2027
Operations				
O&M	$78.6	$86.1	$90.1	$94.8
Taxes	23.4	21.5	22.2	22.6
Capital				
Cash Contribution	$24.9	$23.5	$29.7	$20.4
Debt Service	29.3	32.3	36.2	39.4
Subtotal Expenditures	**$156.1**	**$163.3**	**$178.2**	**$177.2**
Less Non-Rates Revenue	(8.2)	(2.0)	(2.2)	(2.4)
Less Decrease in Cash Balance	5.3	(17.7)	(27.6)	(24.2)
Base System Revenue Requirement	**$153.3**	**$143.6**	**$148.5**	**$150.6**
UDP Enrollment	-4.1%	-3.5%	-3.5%	-3.5%
UDP ($)	6.5	5.1	5.3	5.5
Final System Revenue Requirement	**$159.8**	**$148.7**	**$153.8**	**$156.1**
Demand (CCF)	20.8	20.9	20.9	21.0
System Rate ($)	**$7.68**	**$7.10**	**$7.34**	**$7.45**
Rate Increase		-8%	3%	1%

Once the rates revenue requirement has been calculated, required revenue needs to be adjusted upward for any discounts that will be provided through the Utility Discount Program (UDP). In 2023 the DWF rebated $12.3 million to UDP wastewater customers (system and treatment rate revenues combined), or 3.4 percent of gross revenue. This rate study plans for a slight increase to 3.5 percent by 2027. This is lower than the 4.1 percent previously assumed.

4.3. Treatment Rate

The largest component of the wastewater revenue requirement is payments for wastewater treatment. Almost all this expense is paid to KC WTD with less than one percent going to SWSSD. The treatment rate was last updated by the 2024 automatic treatment passthrough. See Table 4-3 for components and derivation of the treatment rate.

Table 4-4: Wastewater Treatment Rate Components

Component of the Treatment Rate ($m)	2024	2025	2026	2027
King County	$203.4	$217.6	$230.8	$246.9
Southwest Suburban	0.9	0.9	1.0	1.1
less Industrial Surcharge*	(1.8)	(3.6)	(3.8)	(4.0)
Total Treatment Expense	**$202.5**	**$215.0**	**$228.0**	**$243.9**
less expense paid by Drainage	(12.2)	-	-	-
Wastewater Treatment Expense	**$190.4**	**$215.0**	**$228.0**	**$243.9**
City Taxes	26.2	29.8	31.6	33.8
State Taxes	-	-	-	-
Subtotal Taxes	**$26.2**	**$29.80**	**$31.60**	**$33.81**
Base Treatment Revenue Requirement	**$216.6**	**$244.8**	**$259.6**	**$277.7**
UDP Enrollment	3.4%	3.4%	3.5%	3.5%
UDP Enrollment ($M)	$9.3	$8.7	$9.3	$10.1
Final Treatment Rate Revenue Requirement	**225.8**	**253.5**	**268.9**	**287.8**
Volume (CCF, Millions)	21.2	20.9	20.9	21.0
Treatment Rate ($)	**$10.63**	**$12.11**	**$12.84**	**$13.74**

Industrial surcharge is a passthrough assessed by WTD on SPU combined utility bills. The revenue passed through to WTD is included in the WTD line while the revenue collected is reduced from expense on the Industrial Surcharge line, as this portion of treatment expense does not need to be collected from metered sewer volumes.

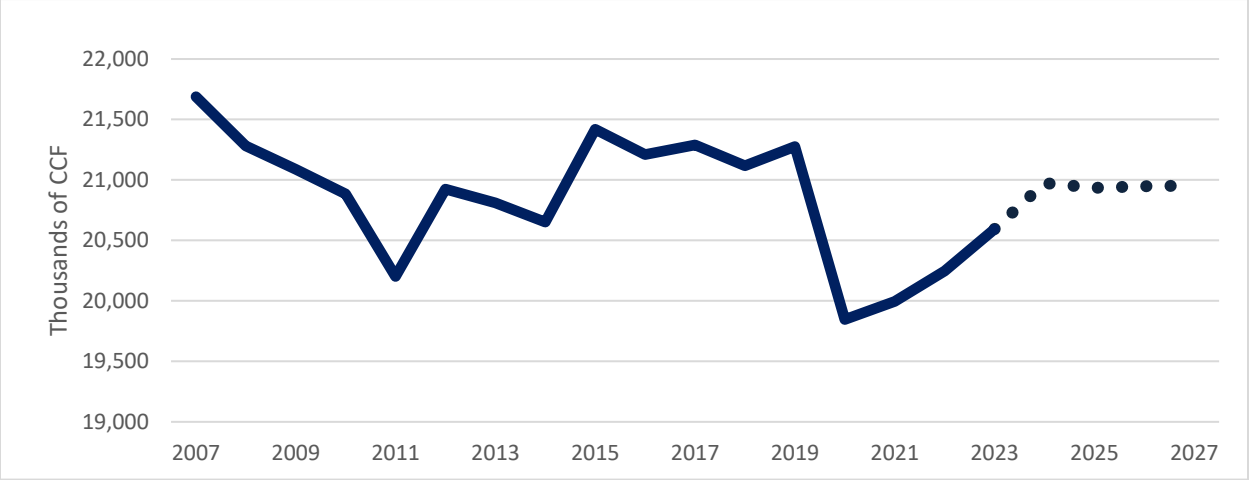
City taxes are assessed on all wastewater revenue, including treatment revenues, at a rate of 12 percent. The State of Washington does not assess taxes on passthrough revenues to other governmental entities including treatment rate revenues.

The final treatment rate is calculated by adding up all these components, grossing up for UDP discounts, and dividing by projected volumes. Projected treatment rates for 2026 and 2027 will be recalculated in Q4 of the preceding year based on updated volume projections and actual adopted WTD rates.

4.4. Wastewater Demand

The fee for wastewater services is assessed on a volumetric basis measured in 100 cubic foot (CCF) units. The rate is derived by dividing the gross revenue requirement of the system by projected billed volumes. The numerator, the revenue requirement, is largely a fixed cost in any given year. The cost to maintain and replace pipe and other utility infrastructure assets that serve customers, whether they have any demand or not, is a function of the size of the system and depreciation over time. The variable portion of expense to serve higher volumes is relatively negligible. With costs being largely fixed, decreases in wastewater demand do not result in compensatory decreases in cost and require instead an increase in rates to cover the predetermined amount of revenue required. Higher wastewater volumes in turn lead to lower rates.

Figure 4-1: Wastewater Demand Forecast



Demand for wastewater services has been in long term slow decline since 2001. This trend has slowed in the recent past, with wastewater volumes hovering around 21 million CCF with a slight downward trend. In 2020 demand dropped 7% due to the pandemic but has been recovering with a one percent annual growth rate since. Demand is projected to recover at the same pace, and level off at 21 million CCF through 2027. Because demand is projected to remain stable, demand is not expected to have any significant impact on wastewater rates.

5. DRAINAGE RATES

The City's stormwater system is financed through drainage rates assessed on property parcels and enumerated as a line item on County property tax bills. Drainage rates are set to recover the Drainage Revenue Requirement presented in Table 5-1. The rate study proposes allocating all wastewater treatment expenses to wastewater rates. Consequently, beginning in 2025 there will no longer be a treatment rate component of the drainage rate.

Table 5-1: Drainage Revenue Requirement and Rate Components

Drainage ($m)	2024	2025		2026		2027	
Operations							
O&M	$ 85.6	$ 101.0	+7.7%	$ 105.8	+2.3%	$ 111.3	+2.5%
Taxes	26.0	29.3	+1.6%	30.7	+0.7%	32.3	+0.7%
Treatment Rate Components							
Treatment	$ 12.2	-	-6.0%	-	+0.0%	-	+0.0%
Taxes	1.6	-	-0.8%	-	+0.0%	-	+0.0%
Capital							
Cash Contribution	$ 26.8	$ 47.6	+10.4%	$ 52.3	+2.2%	$ 46.2	-2.8%
Debt Service	45.4	52.5	+3.5%	58.0	+2.6%	62.4	+2.0%
Subtotal Expenditures	**$ 197.6**	**$ 230.4**	**+16.3%**	**$ 246.8**	**+7.7%**	**$ 252.1**	**+2.4%**
Less Non-Rates Revenue	(4.8)	(5.0)	-0.1%	(5.1)	-0.1%	(5.2)	-0.1%
Less Decrease in Cash Balance	5.1	(17.7)	-11.4%	(23.6)	-2.8%	(17.8)	+2.6%
Base Revenue Requirement	**$ 197.9**	**$ 207.7**	**+4.9%**	**$ 218.1**	**+4.9%**	**$ 229.1**	**+4.9%**
UDP	3.3	3.4	+0.1%	3.6	+0.1%	3.8	+0.1%
Interim Rate Revenue Requirement	**$ 201.1**	**$ 211.2**	**+5.0%**	**$ 221.8**	**+5.0%**	**$ 232.9**	**+5.0%**
Low Impact Discount Programs	4.4	4.6		4.8		5.1	
Final Drainage Revenue Requirement	**$ 205.5**	**$ 215.7**		**$ 226.6**		**$ 238.0**	
Account Based Revenue Requirement	2.0	*2.1*	*+5.0%*	*2.2*	*+5.0%*	*2.3*	*+5.0%*
Flow Based Revenue Requirement	203.5	*213.6*	*+5.0%*	*224.4*	*+5.0%*	*235.7*	*+5.0%*

While wastewater fees are applied to metered water usage, there is no stormwater meter that measures run-off from a land parcel. SPU charges drainage fees based on the estimated stormwater run-off from pervious and hard surface area land cover on a property, which is widely accepted as an appropriate measure of a property's stormwater runoff .

Hard surface includes impervious surface types such as rooftops and pavement. Pervious surface includes other surface types such as lawns, shrubs, forests, and grasslands.

SPU uses aerial photo derived data of land cover surface types to determine the amount of hard and pervious area on a parcel. Parcels are assigned to rate tiers composed of parcels with similar land cover

characteristics and therefore similar run-off. All customers within a given rate tier pay a rate based on the average run-off for the tier.

For rate setting purposes, drainage customer parcels are divided into two broad classifications, each with its own tier structure and rates:

- **General Service (and Large Residential)**
    - Consists of all commercial and industrial parcels and large residential parcels over 10,000 sqft
    - Tier rates are based on specific hard and pervious landcover composition. The rates are per 1,000 square feet of parcel area
- **Small Residential**
    - Consists of residential parcels under 10,000 sqft
    - Tier rates are based on parcel size, with the same flat rate charged to parcels within a tier.

Section 5.1 explains the basis of the calculation that determines the rate for each tier across all customer types. Sections 5.2 (General Service) and 5.3 (Small Residential) provide additional detail on the rate tier basis and proposed rates for 2025 through 2027.

This rate study proposes certain changes to the rate design and cost allocation technical assumptions. Details on the changes are available in Appendix D.

5.1 Drainage Rate Calculation Basis

Drainage rates for all customers are determined using the same basic methodology. Drainage rates are set to recover two types of cost:

Surface Type Rates. These rates are set to recover drainage related expenses and are based on the runoff characteristics of parcel. These rates are set to recover drainage related expenses and are based on the runoff characteristics of any given parcel. Rates are based on two surface types: hard surface and pervious surface.) This rate study, and associated legislation, uses the term “hard surface” in place of “impervious surface". This broader term includes surface types with similar run-off characteristics (as defined in SMC 22.801.090.H and 22.801.100.I) and is consistent with city stormwater code nomenclature.

Account rates. These rates are set to recover customer service and billing expenses and are based on the number of parcels in a tier. Account rates are assigned using the applicable billing units, per parcel for Small Residential and per 1,000 sq ft for General Service.

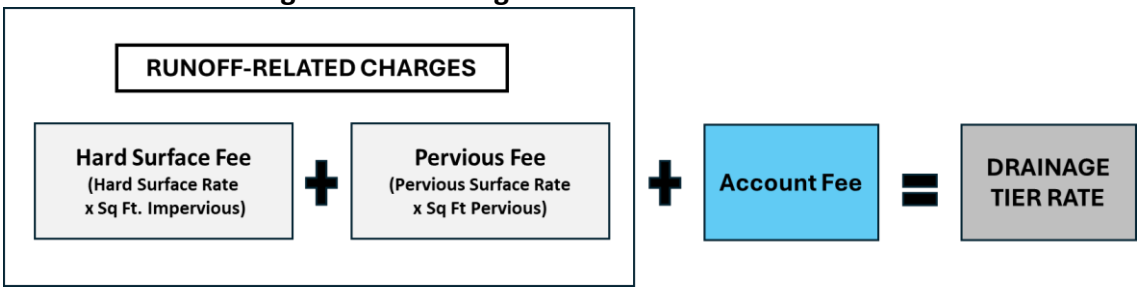
Table 5-2 presents the surface type and account rates used in the calculation of tier rates for 2025. Appendix C provides calculation details.

Table 5-2: Drainage 2025 Base Component Rates

Subcomponent	2025	Units
Surface Area Type Rates		
Hard	$229.83	kSqft
Pervious	$39.75	kSqft
Account Rates		
General Service	$0.48	kSqft
Small Residential	$11.35	Parcel

Figure 5-1 graphically presents the rate tier calculation basis using the surface type and account fees. Sections 5.2 and 5.3 detail examples of rate tier calculations for specific tiers. See Appendix E for additional detail of the data underlying the tier rate calculations for General Service/Large Residential and Small Residential tiers.

Figure 5-1: Drainage Tier Rate Calculation Basis



5.2 Proposed General Service Rates

General service parcels are assigned rate tiers based on a parcel's specific hard and pervious landcover composition as derived from aerial photo data. Each tier's rate is calculated based on the runoff for the tier's average percent hard surface and charged per 1,000 square feet of actual parcel area to account for significant variances in the size of parcels assigned to each tier.

The updates to the rate structure and underlying runoff calculation assumptions described in Appendix D will require a one-time reset of rates. Parcels will be assigned a rate that more closely aligns with their property specific calculated runoff which may be higher or lower than the rate assumed under the prior structure.

SPU has capped the rate increase for any given cohort at 10 percent to prevent undue burden caused from an immediate transition. Consequently, while rates are set to recover an increase of five percent in revenue in each year, customers will see varying increases or decreases in their bills in the 2025 to 2027 rate period. Rates are fully re-aligned under new assumptions by 2027.

Table 5-3 presents 2025-2027 proposed general service rates. The proposed tier structure overlaps the existing tier structure, resulting in varying rate increases both between and across tiers, resulting in

offset rows for 2025. Calculations and a further description of transitioning rates are outlined in Appendix E. Rates for 2024 in Tables 5-3 do not include low impact rates, see Appendix D.

Table 5-3: Proposed General Service Rates

Tier	Impervious Range	2024	2025		2026		2027	
T1	0-10%	60.44	$59.82	-1%	$54.23	-9%	$53.34	-2%
T2	11-20%		$65.11	8%	$70.91	9%	$74.48	5%
T3	21-35%	89.69	$65.11	-27%				
T4	36-50%		$94.46	5%	$97.01	3%	$101.90	5%
T5	51-64%	127.08	$123.19	-3%	$129.37	5%	$135.89	5%
T6	65-85%	167.91	$138.77	9%	$152.60	10%	$166.88	9%
T7	86-100%	200.23	$183.25	9%	$192.45	5%	$202.15	5%
			$216.17	8%	$232.15	7%	$243.84	5%

5.3 Proposed Small Residential Rates

Small residential customers with billable areas less than 10,000 square feet are generally homogenous in terms of landcover types and pay a flat rate which varies depending on the size of the parcel. This approach simplifies billing for the City's 150,000 small residential parcels, offering a clear rate structure.

Like General Service parcels, Small Residential parcels are assigned a rate calculated based on the average surface type cover for parcels assigned to the tier. However, while General Service tiers are based on hard surface percent, Small Residential tiers billed based on parcel sizes, with the land cover composition and resultant runoff calculated based on the average size and runoff characteristics for all parcels within a tier.

See Appendix D for additional details on the small residential rate structure revisions.

Table 5-9 presents proposed 2025-2027 rates by tier.

Table 5-4: Small Residential Rates 2025-2027

Tier Name	Max Parcel Area	2025	2026	2027
S1	1,999	$235.28	$247.09	$259.54
S2	3,499	$447.08	$469.52	$493.18
S3	4,499	$572.64	$601.39	$631.68
S4	5,499	$672.93	$706.71	$742.31
S5	6,499	$764.98	$803.38	$843.85
S6	9,999	$929.48	$976.13	$1,025.31
Increase			5%	5%

5.4 Other Drainage Rate Credits and Discounts

Drainage bill discounts are available for property owners that help reduce the impact of stormwater on the downstream system. Billing exemptions (which reduce the overall drainage bill) are also available for large natural areas that offer systemic benefits greater than those offered by other types of undeveloped lands which do not benefit from or impact the stormwater system.

A. Low Impact Discounts

Low impact discounts are available for General Service parcels with limited hard surface area (T1 and T2) and significant amounts of tree canopy or undeveloped grassland cover (50% or greater). These discounts are applied to the parcel's gross drainage bill and reflect the stormwater reduction benefits associated with these land characteristics. Based on a parcel's hard surface type and tree canopy or undeveloped grassland composition, the following discounts are available:

Table 5-5: Low Impact Discounts

Rate Tier	Tier Hard Surface %	Tree Canopy + Undeveloped Grass %	Bill Discount
T1 (0%-10%)		65% +	55%
		50% - 64%	35%
T2 (11%-20%)		65% +	45%
		50% - 64%	30%

B. Stormwater Facility Credit Program (SFCP)

This program offers credits of up to fifty percent for privately-owned systems that slow down stormwater flow and/or provide water quality treatment for run-off from hard surface areas, thus lessening the impact to the City's stormwater system, creeks, lakes, or the Puget Sound.

Stormwater systems are structures such as vaults, rain gardens, permeable pavements, and filtration systems. SPU offers a 10 percent discount for any new or remodeled commercial building that utilizes a rainwater harvesting system meeting credit requirements. Those systems that involve indoor uses of rainwater must be permitted by Seattle-King County Department of Health to qualify for the rate reduction. Systems must meet the applicable stormwater code requirements for the building and site.

C. Undeveloped Riparian Corridor Exemption

Developed riparian corridors[2] with small buffers and bank armoring increase the risk of flooding and downstream property damage. In contrast, undeveloped riparian corridors with a sufficient buffer act as floodplains which allow creeks to expand during peak periods, mitigating downstream flood damage.

The discount assumes exemption of the entire 100-foot qualifying creek buffer from the parcel's billable area. Qualifying criteria for this exemption are found in SPU Director's Rule FIN-211.2.

D. Wetlands Exemption

Wetlands are natural drainage systems, protecting and improving water quality and storing floodwaters which are slowly released over time. Wetlands also serve as an important habitat

[2] Riparian corridor is defined in SMC 25.09.020.B.5.A.

for fish and wildlife. Only wetlands of at least 1,000 square feet in area and with no development within the wetland area will be considered for this exemption.

An application is required to qualify for this exemption, including the provision of supporting documentation demonstrating that the wetland meets all required criteria, as defined in SPU Director's Rule FIN-211.3

E. Undeveloped Islands Exemption
This credit applies to undeveloped islands with less than 10 percent hard surface area. These islands do not benefit from, nor do they impact, the drainage system or surrounding receiving waters.

6. UTILITY DISCOUNT PROGRAM

The City provides discounted utility services to qualified residential utility customers through the Utility Discount Program (UDP). SPU customers receive a 50 percent credit on their combined SPU utility bill, plus a credit for drainage services billed through property tax statements. Customers who do not receive an SPU bill but pay for water, wastewater, drainage, and solid waste services indirectly through rent may receive either a credit on their SCL bill or baring that, a credit voucher.

For customers who do not receive a wastewater bill, a fixed credit is calculated which is equal to 50 percent of an estimated typical residential bill for the class of customer receiving the credit. See Table 6-1 for proposed discounts. Proposed credits do not include projected changes in the King County treatment rate. Increases in the treatment rate will result in increases to credits through the pass-through mechanism established by SMC 21.28.040.

Table 6-1: Wastewater Utility Discount Program Credit Calculation

	Basis	2025
Wastewater Rate		**$19.21**
Single-Family	50% of 4.3CCF	$41.30
Multi-Family	50% of 3.0CCF	$28.82

Wastewater UDP credits for 2026 and 2027 will be calculated and updated through the pass-through mechanism if and when any treatment rate adjustments need to be made.

Table 6-2: Drainage Utility Discount Program Credits Calculation

		Basis	2025	2026	2027
Drainage	Drainage Rate	5,000 sqft parcel	$672.93	$706.71	$742.31
	Monthly Rate		56.08	58.89	61.86
	Multi-Family	50% of 1/9th	3.12	3.27	3.44
	Single-Family	50%	28.04	29.45	30.93
	Duplex	50% of 1/2	14.02	14.72	15.46

APPENDIX A: FINANCIAL SUMMARY

Table A-1: Drainage and Wastewater Fund Financial Summary

	Actual	Projected	Proposed		
	2023	**2024**	**2025**	**2026**	**2027**
Operating Revenue					
Wastewater	$348.4	$370.8	$388.3	$408.1	$428.4
Drainage	187.8	197.9	207.7	218.1	229.1
Other	6.9	6.7	7.0	7.3	7.7
Total Operating Revenue	**$542.9**	**$575.3**	**$603.1**	**$633.5**	**$665.1**
Operating Expenses					
Treatment	$189.4	$201.0	$215.0	$228.0	$243.9
O&M	157.4	166.4	187.1	195.9	206.1
City Taxes	64.2	68.8	72.6	76.2	80.0
State Taxes	7.5	7.7	8.0	8.3	8.6
Depreciation	45	38.3	43.0	41.3	41.3
Total Operating Expenses	**$463.0**	**$482.2**	**$525.5**	**$549.7**	**$579.9**
Net Operating Income	**$79.9**	**$93.1**	**$77.5**	**$83.7**	**$85.2**
Other Income (Expenses)					
Net Interest Expense	$(13.3)	$(36.3)	$(38.1)	$(42.2)	$(44.3)
Other Non-Operating	(42.5)	-	-	-	-
Total Other Income (Expenses)	**$(55.7)**	**$(36.3)**	**$(38.1)**	**$(42.2)**	**$(44.3)**
Grants and Contributions	$12.3	$-	$-	$-	$-
Net Income (Loss)	**$42.4**	**$56.8**	**$39.4**	**$41.6**	**$40.8**

($ millions)

APPENDIX B: ALLOCATION DETAIL

O&M allocation results shown in Table 3-2 are calculated based on assigning each O&M Project one of the allocators in Table B-1.

Table B-1: O&M Allocators

Allocator	Description	Sample Projects	Allocation to		Share of Total Expenses
			Wastewater	Drainage	
Drainage	Focus on stormwater	Street sweeping, GSI, flooding, habitats	0%	100%	11%
Wastewater	Focus on sewer	Customer sewer billing, sewer capacity	100%	0%	5%
Sewer [& Drainage] Pipe	Drainage vs wastewater share of total pipe	Pump stations, pipe maintenance	28%	72%	8%
Combined	Estimated drainage vs wastewater share of flows in combined system areas	CSOs, NPDES	58%	42%	6%
System Direct	Other utility services and operations that are not specific to drainage or wastewater	Decant, CMOM, indirect costs such as PTO for utility services and operations projects	56%	44%	35%
Indirect	Remaining costs	City central costs, departmental indirect costs	50%	50%	34%

Debt service allocation results shown in Section 3-1 are calculated based on assigning each asset one of the allocators in Table B-2.

Table B-2: Capital Allocators

Allocator	Description	Sample Assets	Allocation to		Share of Total Net Book Value
			Wastewater	Drainage	
Combined	CSOs and combined system assets	Windermere, Genesse, Delridge CSO facilities; combined system pump stations	42%	58%	25%
Drainage	Drainage only assets	NDS, flood control, landslide, stormwater pipes	0%	100%	31%
Wastewater	Sewer only assets	Sewer pumps, customer billing system, wastewater pipe	100%	0%	21%
Combined Pipe	Combined system pipe; allocated based on estimate flow		38%	62%	9%
Pre-2008 Pipe	System uses for pipe assets prior to 2008 are not specifically identified in the asset schedule. A split was developed based on estimated flows.		58%	41%	9%
SPU	Remainder	Capitalized planning, land, misc. buildings, and equipment	42%	58%	5%

APPENDIX C: ACCOUNT AND SURFACE RATE SUBCOMPONENT CALCULATIONS

There are no allocations within the rate study period, so subsequent years' fee is increased with the revenue requirement, see 'Account-Based Revenue Requirement' in Table 5-1.

Account Rate Calculation

The account related revenue requirement covers all costs that are universal across all parcels regardless of size or runoff. These costs are largely billing expenses and are allocated across all parcels. Because small residential parcels are charged on a per parcel basis, each parcel will receive this unit rate. General service parcels are charged on a per square foot basis, so the account related costs assigned to general service parcels is converted to a square foot rate based on each parcel's total number of accounts and total square footage.

Table C-1: Account Rate Calculation

	2025 Revenue Requirement	Units	Account Rate 2025
Single-Family	$1,695,086	149,363 Parcels	$11.35
General Service	$416,523	878,238 kSQFT	$0.47
Account Total	**$2,111,609**		

Surface Area Type Rate Calculation

SPU determines surface area type rates by estimating the total runoff from each respective surface area type. Each surface area type's share of total runoff determines its share of the flow-based revenue requirement. Runoff is determined using flow factors developed through hydrological modeling, which represent the relative difference in stormwater runoff between hard and previous area.

Table C-2 below shows the calculation for the square foot rate. Hard surfaces are assigned 85% of the total revenue requirement (column E) based on area (A) multiplied by flow factor (B). Even though the City's hard surface area is less than half the total (A), its inability to allow for infiltration, represented by flow factor in column B, results in the City's total hard surface area being assigned 85% of total cost.

Table C-2: Surface Area Type Rate Calculation

Surface Area Type	(A) Area (SQFT)	(B) Flow Factor (cfs / SQMI)	(C) Estimated Flow Contribution	(D) Flow Share	(E) Flow Based Rev Req ($m)	kSQFT Rate 2025	2026	2027
Hard	788,284,311	278	219,284,141,434	85%	$181.2	$229.83	$241.37	$253.53
Pervious	816,511,236	48	39,288,071,160	15%	$32.5	$39.75	$41.75	$43.83
Total CIP	**1,604,795,548**		**258,572,212,594**		**$213.6**			

Table C-2: Surface Area Type Rate Calculation

Surface Area Type	(A) Area (SQFT)	(B) Runoff Discharge (cfs / 1,000 SQFT)	(C) Estimated Runoff Contribution *(Unit-less)*	(D) Runoff Share	(E) Flow Based Rev Req ($ millions)	kSQFT Rate 2025	2026	2027
Hard	788,284,311	0.009963	7,853,889	85%	$181.2	$229.83	$241.37	$253.53
Pervious	816,511,236	0.00172	1,405,839	15%	$32.5	$39.75	$41.75	$43.83
Total CIP	**1,604,795,548**		**9,259,728**		**$213.6**			

APPENDIX D: DRAINAGE RATE DESIGN AND TECHNICAL ASSUMPTION UPDATES

This rate study introduces three updates to the existing rate structure to increase equity, transparency, and billing efficiency:

1. **Updates to technical assumptions** for run-off from hard and pervious surface which have not been reviewed since 2008 and included single-event modeling. New assumptions are consistent with current hydrological continuous modeling.
2. **The introduction of additional rate tiers** for all customer types increases equity by billing customer parcels based on a narrower range of land characteristics.
3. **A revised qualification structure for low impact discounts** expands the availability of discounts to a broader range of parcels citywide while focusing eligibility on parcel characteristics (forest and unmanaged grass) that mitigate stormwater more effectively.

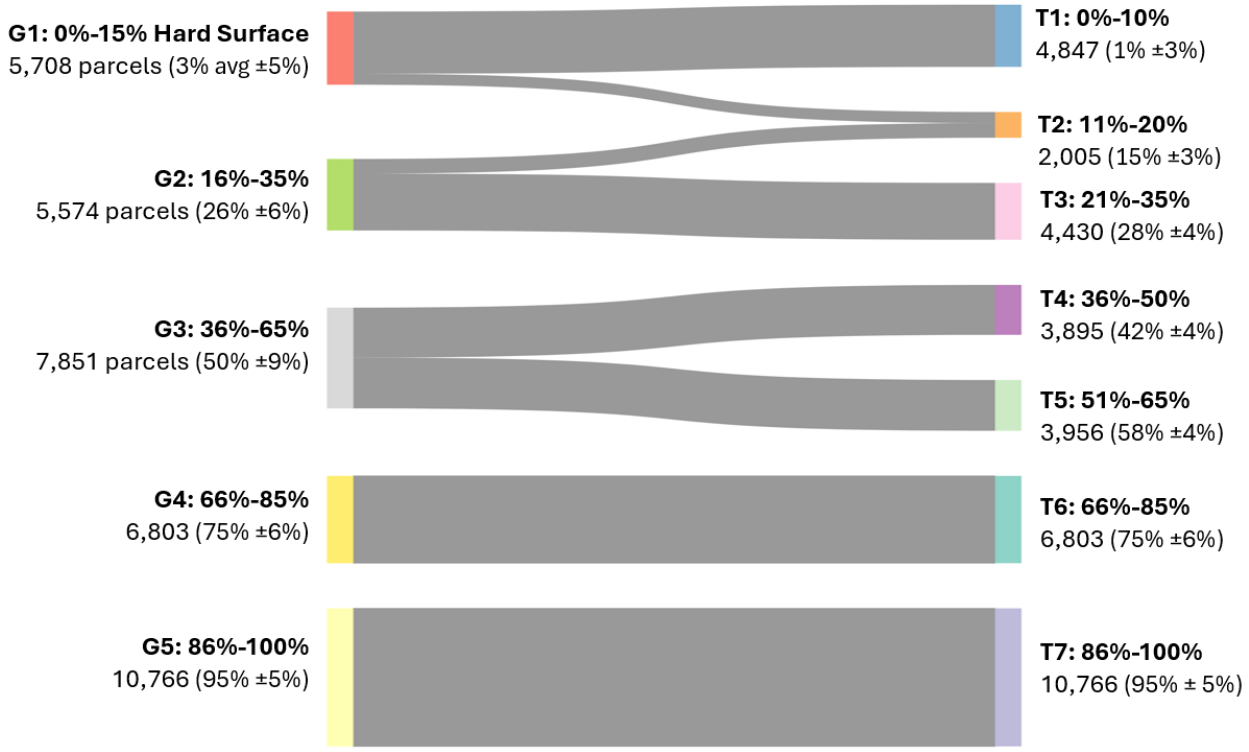
The proposed updates rely on two new data sets procured in 2023, both derived from high resolution aerial photos. This is the first comprehensive update to drainage customer billing data since 2012 and includes:

- **Citywide GIS map of different hard and pervious surface types** which is the basis for rate tier assignment. This data set is derived using Artificial-Intelligence (AI) technology, allowing for a cost-effective and timely method for updating drainage customer billing data on a more frequent basis moving forward. This will allow drainage billing to periodically incorporate citywide development trends such as densification and zoning changes, a process which is exorbitantly costly with prior manual methods.
- **A citywide map of tree canopy area which**, combined with surface type data, is the basis for low impact discount qualification. This data is derived using Light Detection and Ranging (LiDAR) technology.

This rate study also incorporates updates to the run-off assumptions for each surface type used to calculate the hard and pervious surface type rates. The new run-off factors, which include refinements to the methodology as well as updated rainfall inputs, show a larger run off differential between hard and pervious surface area than calculated in prior rate studies. This approach, which shifts additional cost to parcels with higher hard surface percentages, more equitably considers downstream impacts based on parcel-specific characteristics.

Figure D-1 presents the existing (left) and proposed (right) tiers along with the distribution of parcels and how this distribution is changing. Each tier label includes the hard surface percentage ranges for each tier, the number of parcels, and the actual average hard surface percentage and standard deviation. The proposed tier changes attempt to reduce the standard deviation within each tier.

Figure D-1: Change in Parcel Distribution from Existing to Proposed General Service Tiers



Expansion of Tiers

Tiers for parcels up to 65 percent hard surface area are increased from three to five, with no recommend changes to the current two tiers for parcels with more than 65 percent hard surface. This narrowing of tiers results in a tighter nexus between tier average rates and property specific characteristics as can be noted in comparing the average hard surface by tier under current and updated assumptions.

Figure D-2 shows the percent of parcels under the current and updated rate tier structures that are paying an average tier rate within 10 or 15 percent of their property specific calculated impact based on estimated runoff from each parcel's hard and pervious surface area. The ranges show combined impacts for more than one tier to retain an equitable comparison. The 0-35 percent band includes current Tiers 1 and 2 and updated Tiers 1,2, and 3. The 36-65 percent band includes current tier 3 and updated tiers 4 and 5.

Figure D-2: Parcel Specific Bills within 10 percent and 15 percent of Tier Average Bill under Current and Updated Tiers

One of the greatest improvements in rate equity are produced by reducing tier band ranges for lower hard surface tiers to between 10 and 15 percent where small increases in a parcel's hard surface area composition can result in a significant percentage increase in total runoff from that parcel. As noted in the graphics above, there is a marked increase in equity under the updated tiers for parcels up to 65 percent hard surface area with respect to how close tier average rates are in alignment with property specific impacts. There are no recommended changes to the tiers for parcels with 66 percent and greater hard surface area as there is minimal variance between tier averages and property specific impacts.

While surface area data derived from aerial photos is relatively accurate, data resolution is limited by complications such as shadows and the algorithm's estimated five percent margin of error. Therefore, any further reduction in band ranges is hampered by the resolution of available data.

Low Impact Structure Revision

SPU developed low-impact rate tiers in 2008 to more equitably account for the reduced runoff from forested areas and undeveloped grasslands relative to other pervious areas such as managed grass. Assignment to these tiers involved a complex run-off calculation based on Parks GIS data set developed in the late 1990s and early 2000s.

With this rate study SPU re-visited the rate structure of low impact parcels with three key goals in mind:

- Program eligibility should be based on property characteristics and relative stormwater runoff.
- Program criteria should be transparent, understandable, and easily administrable.
- Program assignment should be based on data with a known periodically updatable source.

The new low impact discount structure addresses those three goals as follows:

1. Eligibility requirements. Similar to 2008, technical staff identified two key parcel characteristics that minimize stormwater impacts: low hard surface coverage combined with significant tree canopy and/or undeveloped grassland coverage.
2. Transparency and Administration: The benefits of lower hard surface and tree cover are understandable to most customers. Parcels receiving low impact discounts will no longer be

assigned to separate rate tiers. All properties are assigned to tiers based on their hard surface area composition. Low impact eligible parcels will receive a discount off their gross drainage bill.

3. Data source: There was no ongoing source for the detailed attribute information associated with the data previously used for low impact assignment (referred to as "good forest" and "unmanaged grass"). Due to the reduced cost of AI generated data, SPU expects to update the surface type data set with each rate study. LiDAR tree canopy data is typically updated periodically, although less frequently. However, updates to the standard hard/pervious data set will capture when tree canopy area is developed.

This eligibility criteria are patterned on King County's natural areas discount which requires 65 percent tree canopy coverage and no more than 10 percent hard surface area, or up to 20 percent if certain best management practices are in place.

Table 5-4 compares the current and updated low impact structures.

Table 5-4: Low Impact Parcel Treatment Under Current and Updated Rates

Tier	Percent Hard Surface	Low Impact vs Regular Rate	Tier	Percent Hard Surface	Discount Levels
1	0-15%	42% less	1	0-10%	55% or 35%
2	16-35%	22% less	2	11-20%	45% or 30%
3	36-65%	19% less	3	21-35%	Not eligible
4	66-85%	Not eligible	4	36-50%	
5	86-100%		5	51-65%	
			6	66-85%	
			7	86-100%	

The new tree canopy and hard surface is still under review but based on preliminary analysis, SPU expects an increase in overall parcel eligibility to be about 5,000 parcels citywide. There are 4,258 parcels enrolled in the current program. Some existing low impact customers with over 20 percent hard surface area or insufficient tree coverage will no longer be eligible. However more parcels will be newly eligible for the discount, reflecting an increased City-wide emphasis on tree cover, and across a wider expanse of the City than those losing eligibility.

Small Residential Rate Structure Revisions

For the 2025-27 rate period, SPU has developed a six-tier rate structure that replaces the existing five-tier rate structure. The addition of a new tier aims to minimize the difference between any given parcel's size from its tier average. The new tier boundaries position the most common parcel sizes closer to the mean of their respective tiers, aiming for a more statistically normal distribution within each tier. In contrast, the existing tier structure uses the most common parcel sizes as the start of each tier boundary, resulting in a right skewed distribution within each tier. Figure D-2 presents the existing (left) and proposed (right) tiers along with the distribution of parcels and how this distribution is changing. Each tier label includes the maximum parcel area each tier, the number of parcels, and the average hard surface percentage and standard deviation.

Figure D-2: Change in Parcel Distribution from Existing to Proposed Small Residential Tiers

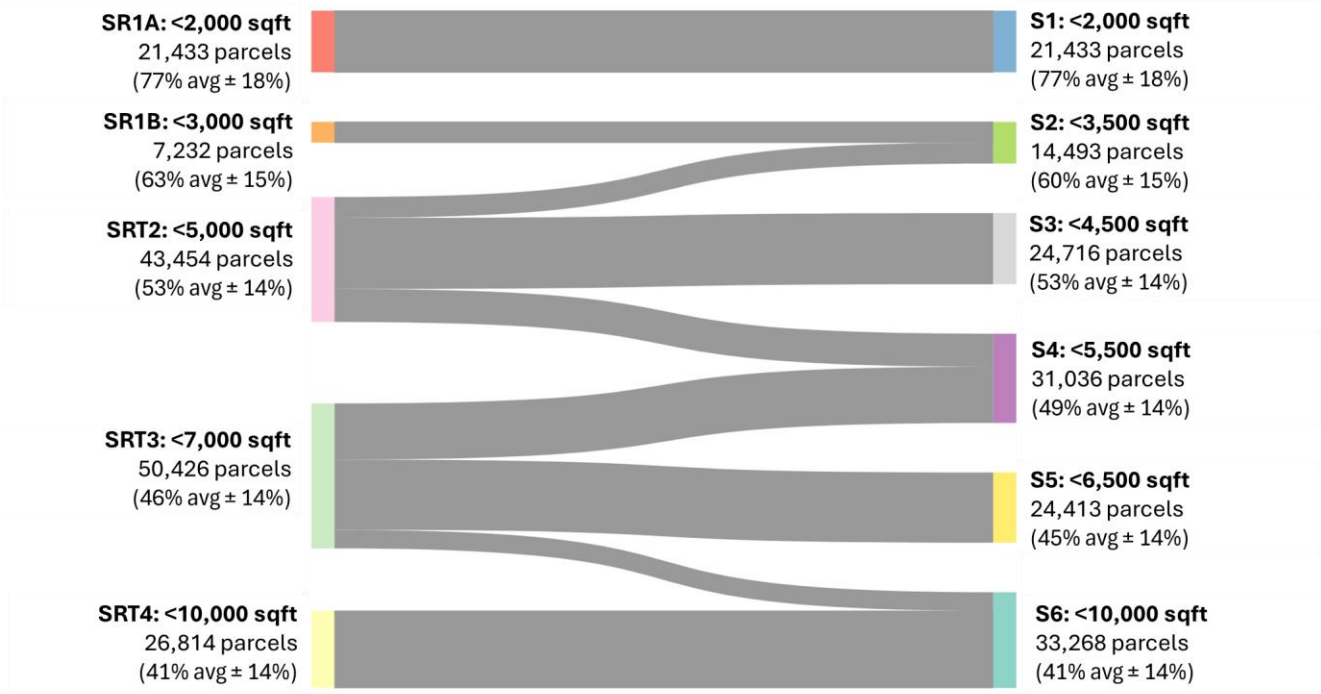


Figure 5-3 shows the current five tier distribution and Figure 5-4 the proposed six tier distribution. The proposed rate tiers aim to achieve a closer to normal distribution within each tier. Colors in each chart correspond to the existing tiers.

Figure 5-3: Distribution of Parcels Divided by Existing Tiers

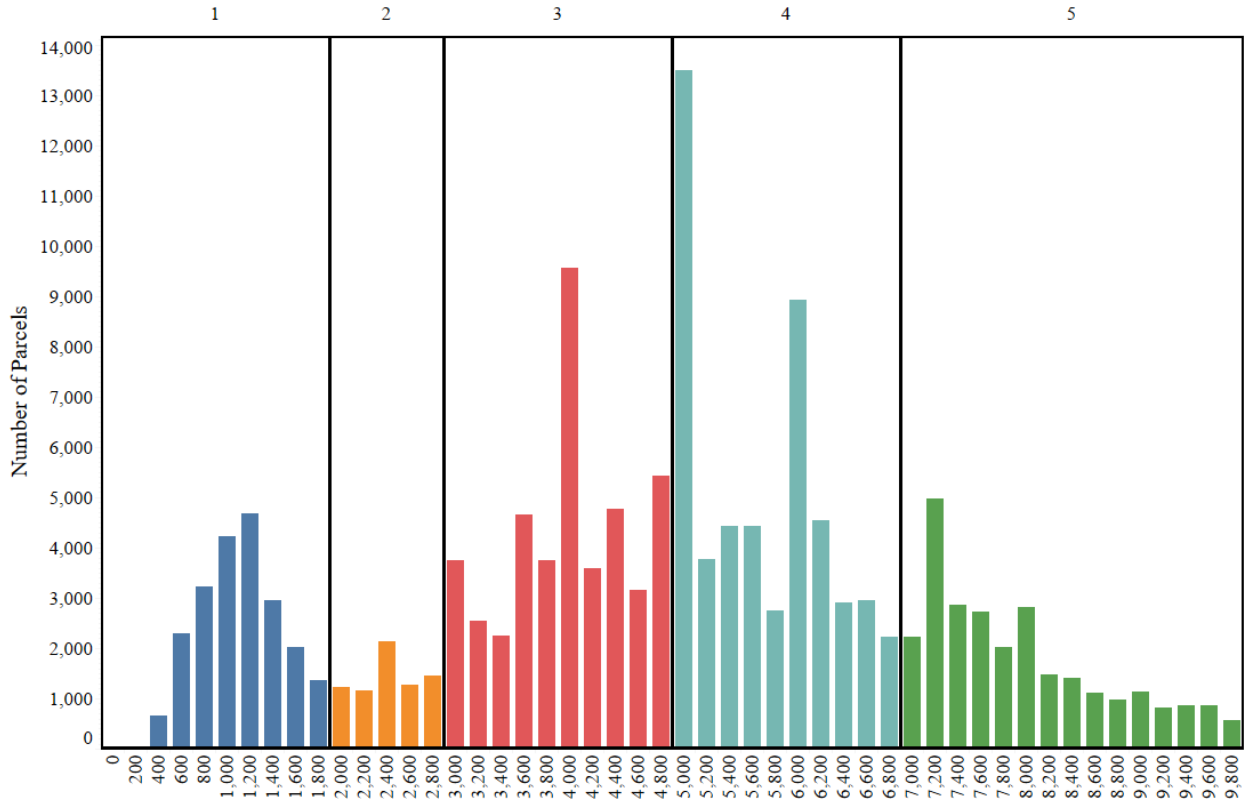
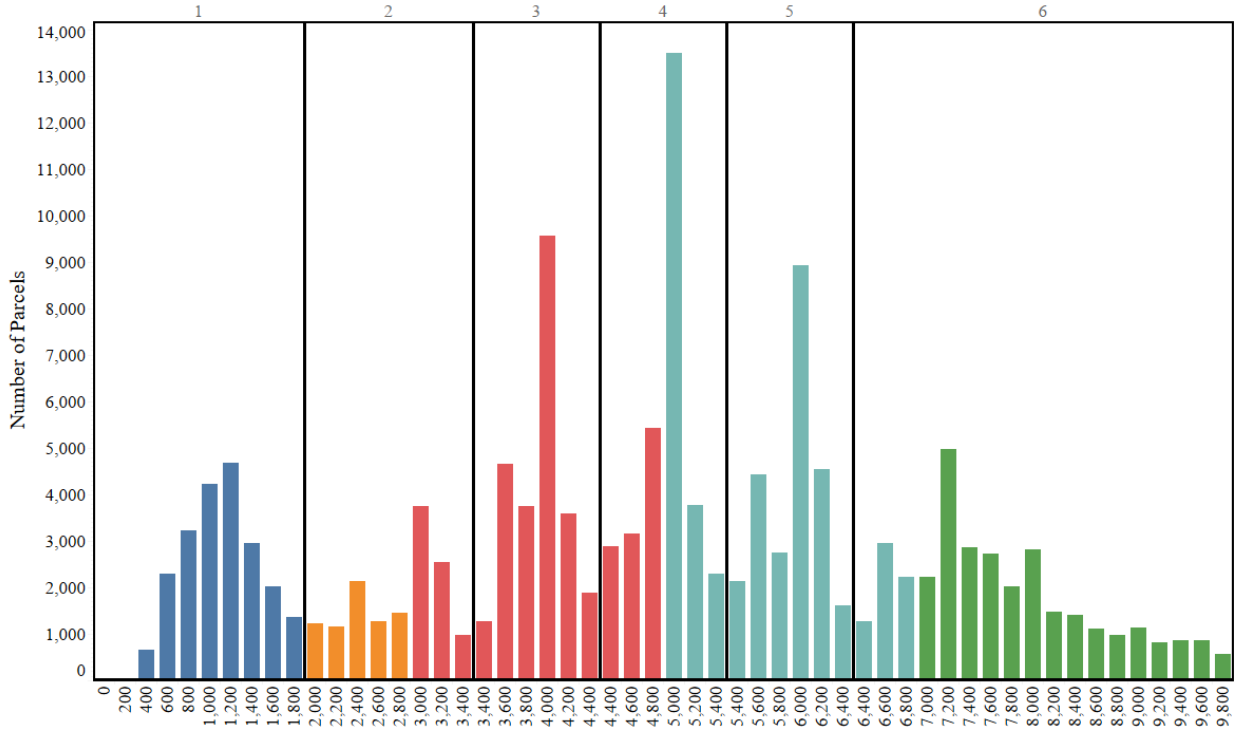


Figure 5-4: Distribution of Parcels Divided by Proposed Tiers



APPENDIX E — GENERAL SERVICE AND SMALL RESIDENTIAL RATE CALCULATIONS

General Service Rate Calculations

Section 5.1 presented the conceptual basis for calculating the rate assigned to each rate tier which includes a charge related to managing the run-off for the average percentage of hard and pervious surface for each tier and a billing related account fee:

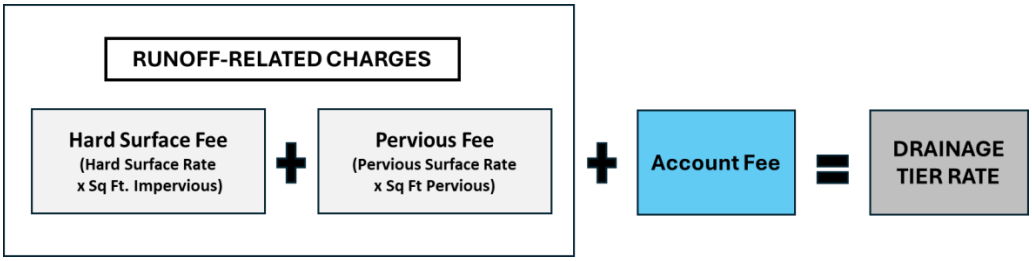


Table E-1 shows the calculation of the 2025 baseline tier rate based on the average hard and pervious areas per 1,000 square feet profile for a single parcel. The average parcel area is multiplied by the hard surface ($230/ksqft) and pervious ($40/ksqft) rates and added to the account fee to determine the tier rate. For example, all parcels in Tier 1 are charged the rate of the average of parcels assigned to that tier, in this case based on 4 percent of hard surface and 96 percent pervious surface.

Table E-1: 2025 Tier Rate Baseline Calculation Based on Parcel Average Land Composition

			Avg Area (per ksqft)		Flow and Account Based Fees			Total
Tier Name	Hard Surface Range	Parcels	Hard	Pervious	Hard	Pervious	Account	kSQFT Rate
T1	0%-10%	4,847	43	957	$9.83	$38.05	$0.47	$48.36
T2	11%-20%	2,005	144	856	$33.00	$34.05	$0.47	$67.52
T3	21%-35%	4,430	274	726	$63.05	$28.85	$0.47	$92.37
T4	36%-50%	3,895	436	564	$100.31	$22.40	$0.47	$123.19
T5	51%-65%	3,956	584	416	$134.28	$16.53	$0.47	$151.28
T6	66%-85%	6,803	752	248	$172.94	$9.84	$0.47	$183.25
T7	86%-100%	10,766	951	49	$218.64	$1.94	$0.47	$221.05

Table E-2 shows the calculation of the tier rate based on the aggregate square feet of each surface type in each tier (for the run-off component) and the aggregate number of parcels in each tier (for the account fee). The final tier rate based on aggregate data is equal to the tier rate build-up in Table E-1 using single parcel data.

The hard and pervious area composition of each tier is multiplied by the surface area type rates and the total area is multiplied by the account fee (surface are type and account rates are calculated in Appendix C). The sum of surface area revenue and account fee revenue is divided by the total square footage to calculate each tier's area rate per 1,000 sqft.

Table E-2: –2025 Tier Rate Baseline Calculation Based on Aggregate Tier Surface Area

		Area (ksqft)			Flow Based Revenue					
Tier	Parcels	Hard	Pervious	Total	Hard Surface ($230/ksqft)	Pervious ($40/ksqft)	Subtotal	Account Fee ($0.47/ksqft)	Total	kSQFT Rate
T1	4,847	7,462	166,991	174,453	$1,715	$6,639	$8,354	$83	$8,436	$48.36
T2	2,005	11,886	70,887	82,772	$2,732	$2,818	$5,550	$39	$5,589	$67.52
T3	4,430	26,330	69,649	95,979	$6,051	$2,769	$8,820	$46	$8,866	$92.37
T4	3,895	41,711	53,861	95,572	$9,587	$2,141	$11,728	$45	$11,773	$123.19
T5	3,956	42,012	29,894	71,906	$9,656	$1,188	$10,844	$34	$10,878	$151.28
T6	6,803	99,499	32,733	132,232	$22,868	$1,301	$24,169	$63	$24,232	$183.25
T7	10,766	214,354	10,971	225,325	$49,266	$436	$49,702	$107	$49,809	$221.05
Total	**36,702**	**443,253**	**434,985**	**878,238**	**$101,874**	**$17,293**	**$119,167**	**$417**	**$119,583**	
					Revenue Requirement Previously Covered by Small Residential		**$94,467**	**$1,695**	**$96,162**	
					Total Revenue Requirement		**$213,633**	**$2,112**	**$215,745**	

Impacts of Transition to New Rate Design and Technical Assumptions on Tier Rates

The 2025 baseline rates presented in the tables above assume the new rate structure parameters presented in Appendix D. The change in these parameters results in a realignment of how parcels are charged, and thus an initial reset of rates with differing levels of increase.

Proposed rates for 2025-2027 are set to mitigate impacts of this change by capping the rate increase applied to any group of parcels at 10 percent in any given year while still fully recovering the five percent annual revenue requirement increase. Therefore, the tier rates presented above do not match the proposed 2025 tier rates.

By 2027, the rates for each tier are fully in alignment with the new calculation assumptions. Table E-3 below shows the impact of applying five percent annual increases, starting with the baseline 2025 rates shown in the table above as compared to the proposed transitioned rates in Section 5.2.

Table E-3: Baseline vs Proposed (Transitioned) General Service Rates

Tier	% Hard Surface	2025		2026		2027	
		Base	Transitioned	Based	Transitioned	Based	Transitioned
T1	0-10%	$48.36	$59.82	$50.79	$54.23	$53.34	$53.34
T3	21-35%	$92.37	$94.46	$97.01	$97.01	$101.90	$101.90
T4	36-50%	$123.19	$123.19	$129.37	$129.37	$135.89	$135.89
T5	51-65%	$151.28	$138.77	$158.88	$152.60	$166.88	$166.88
T6	66-85%	$183.25	$183.25	$192.45	$192.45	$202.15	$202.15
T7	86-100%	$221.05	$216.17	$232.15	$232.15	$243.84	$243.84

Small Residential Rate Calculations

Small residential rates are calculated the same as general service rates. Each tier's total surface area profile is multiplied by the surface area type rates calculated in Appendix C and divided by total area to

derive the total flow-based rate. The account fee calculated in Appendix C is added on for each parcel arriving at the final tier rate. Each subsequent years' rate is increased with the revenue requirement.

Table E-4 outlines the calculation for each tier based on the average hard and pervious surface area compositions for each tier, similar to Table E-1 for General Service tiers.

Table E-4: 2025 Small Residential Rates Based on Parcel Average Land Composition

			Avg Area (per ksqft)		Flow and Account Fees			Equals
Tier	Max Size	Parcels	Hard	Pervious	Hard Surface	Pervious Surface	Account	Parcel Rate
S1	1,999	21,433	760	240	$212.32	11.62	$11.35	$235.28
S2	3,499	14,493	593	407	$389.49	46.25	$11.35	$447.08
S3	4,499	24,716	530	470	$486.74	74.55	$11.35	$572.64
S4	5,499	31,036	488	512	$559.97	101.61	$11.35	$672.93
S5	5,499	24,413	452	548	$622.78	130.86	$11.35	$764.98
S6	9,999	33,272	412	588	$736.07	182.06	$11.35	$929.48

Table E-5 outlines the same calculations but based on aggregate tier composition similar to Table E-2 for General Service. Table E-5 also includes 2026 and 2027 rates, inflated at the revenue requirement increase of five percent annually.

Table E-5: Small Residential Rates 2025-2027

		Area (ksqft)		Flow Based Revenue			Flow Rate	Plus	Equals	Inflated	
Tier	Parcels	Hard	Pervious	Hard ($230/ksqft)	Pervious ($40/ksqft)	Subtotal	Per Parcel	Account Fee	Parcel Rate	2026 Parcel Rate	2027 Parcel Rate
S1	21,433	19,799	6,262	$4,551	$249	$4,800	$223.93	$11.35	$235.28	$247.09	$259.54
S2	14,493	24,561	16,859	$5,645	$670	$6,315	$435.73	$11.35	$447.08	$469.52	$493.18
S3	24,716	52,344	46,351	$12,030	$1,843	$13,873	$561.30	$11.35	$572.64	$601.39	$631.68
S4	31,036	75,617	79,324	$17,379	$3,153	$20,533	$661.58	$11.35	$672.93	$706.71	$742.31
S5	24,413	66,152	80,359	$15,204	$3,195	$18,398	$753.63	$11.35	$764.98	$803.38	$843.85
S6	33,272	106,558	152,370	$24,491	$6,057	$30,548	$918.13	$11.35	$929.48	$976.13	$1,025.31
Total	**149,913**	**345,031**	**381,526**	**$79,300**	**$15,167**	**$94,467**		**$1,695**	**$96,162**		
		Remaining Revenue Requirement for General Service				**$119,167**		**$417**	**$119,583**		
				Total Revenue Requirement		**$213,633**		**$2,112**	**$215,745**		

Seattle Public Utilities
2025-2027 Drainage & Wastewater Rates

Parks, Public Utilities & Technology Committee

July 24, 2024

City of Seattle

Agenda

- Background
- Proposed 2025 – 2027 Rate Path
- Rates & Bills
- DWW Rate Assumptions
- Next Steps

Background: Wastewater Rates

Wastewater (relatively simple)

- Based on water CCF use / month / customer
- Increased use → Increased charges

Background: Drainage Rates

Drainage (relatively complex)

- Based on parcel size and run-off contribution
- Increased impervious → Increased run-off → Increased charges

Proposed 3-Year Rate Path and 3-Year Forecast

	RATE PATH			RATE FORECAST			
	2025	2026	2027	2028	2029	2030	2025-30
Water	2.0%	2.0%	6.3%	3.3%	6.5%	3.8%	4.0%
Wastewater*	5.0%	5.0%	5.0%	6.2%	7.0%	5.1%	5.5%
Drainage	5.0%	5.0%	5.1%	6.6%	6.3%	7.2%	5.9%
Solid Waste	2.5%	3.1%	3.4%	3.4%	3.8%	2.5%	3.1%
Combined	3.7%	3.9%	4.9%	5.0%	6.0%	4.6%	**4.7%**

Approved legislation that is currently in effect

* Wastewater rate includes King County Treatment Rate increases in 2025 - 2030.

DWW Rates Comparison (via SBP)

2021-26 Adopted SBP		
	2025	2026
Wastewater	7.8%	3.6%
Drainage	6.5%	6.7%

2025-2030 Proposed SBP			
	2025	2026	2027
Wastewater	5.0%	5.0%	5.0%
Drainage	5.0%	5.0%	5.1%

2025-2027 Rate Smoothing

- Rates were smoothed for the rate setting period using cash on hand.
  - Cash in excess of financial policy targets from underspending and bond refinancing.
- Looking forward, future rates will be smoothed using any excess cash on hand at time of rate development for 2028-2030 rates

2025-2027 Rate Smoothing

- Rates were smoothed for the rate setting period using cash on hand.
  - Cash in excess of financial policy targets from underspending and bond refinancing.
- Looking forward, future rates will be smoothed using any excess cash on hand at time of rate development for 2028-2030 rates

Current Economic Environment

Increasing operational expenses

- Inflation – particularly with healthcare and labor

Increasing capital expense

- State and Federal regulatory compliance projects
- Maintenance of aging capital infrastructure
- Increased interest rates from historical lows

Increasing contractual obligations

- King County Sewer Treatment rates are projected to increase annually from 5.75% to 8.25% by 2030.

Inflation
Regulatory
Infrastructure
Interest Rates
Contracts

Wastewater Rates

	Adopted 2024	Proposed 2025	Proposed 2026	Proposed 2027
System Rate	$7.67	$7.10	$7.34	$7.45
Treatment Rate	$10.63	$12.11	$12.11	$12.11
Future King County Treatment Rate Adjustment			$0.73	$1.63
Total Wastewater Rate	**$18.30**	**$19.21**	**$20.18**	**$21.19**
Rate Increase %		*5.0%*	*5.0%*	*5.0%*
Average Bills				
Single-Family	$79	$83	$87	$92
Multi-Family	$73	$77	$81	$85
Convenience Store	$366	$384	$404	$424

Drainage Rates

<table>
<tr><th></th><th colspan="2">Residential</th><th>Multi-Family</th><th>Commercial</th></tr>
<tr><td rowspan="2">Drainage

(Billed by KC on behalf of SPU)</td><td rowspan="2"><u>Lot < 10k sq. ft.</u>
Rate groups with flat rate per parcel</td><td>Lot > 10k sq. ft.</td><td colspan="2">General Service</td></tr>
<tr><td colspan="3">Rate classes based on percent impervious.
Billed on actual parcel size.</td></tr>
</table>

	Adopted 2024	Proposed 2025	Proposed 2026	Proposed 2027
Rate Increase %		*5.0%*	*5.0%*	*5.1%*
Average Bills				
Single-Family	$59	$63	$66	$69
Multi-Family	$11	$12	$12	$13
Convenience Store	$145	$152	$160	$168

Drainage Fee – Small Residential (< 10,000 sqft) Annual Bill/Rate per Parcel

Tier Name	Max Parcel Area SqFt	2025	2026	2027
S1	1,999	$235.28	$247.09	$259.54
S2	3,499	$447.08	$469.52	$493.18
S3	4,499	$572.64	$601.39	$631.68
S4	5,499	$672.93	$706.71	$742.31
S5	6,499	$764.98	$803.38	$843.85
S6	9,999	$929.48	$976.13	$1,025.31

Assumptions

- Interest rate: 5%
- CIP Accomplishment Rate: 80%
- O&M Inflation: 4%
- King County Treatment Rate Growth
- No change to tax rates
- No debt refunding or alternative financing
- “Middle housing” is within small residential drainage

Questions?