

SUMMARY and FISCAL NOTE*

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

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to Seattle Public Utilities; amending the title of Chapter 21.76 and Sections 21.76.010, 21.76.020, 21.76.030, 21.76.040, 21.76.050, and 21.76.060 of the Seattle Municipal Code to clarify eligibility rules for the Utility Discount Program to allow tenants of federally subsidized housing with utility allowances to participate in the program, to clarify the manner of providing rate credits for tenants that pay utility costs indirectly through rent, and to update and modify certain program provisions.

Summary and background of the Legislation: In early 2014, Mayor Murray assembled an Interdepartmental team involving Seattle Public Utilities, Seattle City Light and the Human Services Department. The mayor tasked the team with developing strategies for doubling enrollment in the Utility Discount Program (UDP) by the end of 2018. Under current law, customers in subsidized housing operated by the Seattle Housing Authority (SHA) or the King County Housing Authority (KCH) are expressly ineligible to receive City Light rate discounts pursuant to SMC.21.49.040. While there is no explicit exception in the Seattle Municipal Code related to SPU rate discounts, other language in the code has been interpreted to apply the same exception.

As a result, many potential income-eligible participants are denied the benefit of the UDP and can find themselves facing disconnection and seeking assistance through other programs such as the Low Income Heating Assistance Program, Emergency Low Income Assistance Program and Project Share. In fact these customers make up over 50% of those who are awarded help. This can be costly, stressful and over burdensome for a customer struggling with their utility bill.

This long-standing exclusion appears to stem from a concern that the financial benefit of the discount would essentially accrue to the public housing landlords if the public housing authorities do not reduce their rents commensurate with the utility rate savings. The Interdepartmental team and SHA reviewed federal and SHA policies and confirmed tenants of SHA programs would benefit from the UDP discount and their rents would not rise to offset the UDP benefit to customers.

Even though many of the housing programs offered by SHA and KCH have income guidelines more stringent than those of the UDP, inhabiting federally-subsidized housing with utility allowances is the second largest reason why applicants are found ineligible for the UDP. Projections indicate that in 2016 approximately 10,300 SHA households would be eligible to receive the benefit of the current discount rates for SPU utility services. SPU's projected revenues account for 1,600 of these customers. This fiscal note identifies the revenue impacts for

the 8,700 increment.

In addition, the Department is authorized and directed to administer the program, including promulgating administrative regulations and entering into cooperative agreements, in consultation with the City Light and Human Services Departments, where appropriate.

2. CAPITAL IMPROVEMENT PROGRAM

This legislation creates, funds, or amends a CIP Project.

3. SUMMARY OF FINANCIAL IMPLICATIONS

This legislation has direct financial implications.

Budget program(s) affected:				
Estimated \$ Appropriation change:	General Fund \$		Other \$	
	2016	2017	2016	2017
Estimated \$ Revenue change:	Revenue to General Fund		Revenue to Other Funds	
	2016	2017	2016	2017
	-\$251,000	-\$607,000	-\$1,948,000	-\$4,708,000
Positions affected:	No. of Positions		Total FTE Change	
	2016	2017	2016	2017
Other departments affected:	Seattle Public Utilities			

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	2016 Revenue	2017 Estimated Revenue	Utility Tax Rate
Water Fund (43000)	SPU	Retail Rate Revenue	-\$571,000	-\$1,378,000	15.54%
DWW Fund (44010)	SPU	Retail Rate Revenue	-\$949,000	-\$2,304,000	11.5% Drainage, 12% Wastewater
Solid Waste Fund (45010)	SPU	Retail Rate Revenue	-\$428,000	-\$1,026,000	11.5%
TOTAL			-\$1,948,000	-\$4,708,000	

Revenue/Reimbursement Notes:

SPU estimates Water Fund revenue reductions of \$571,000 in 2016 and \$1.378 million in 2017. Water Utility rates are set through 2017. Based on a Water Utility Tax Rate of 15.54%, this will yield revenue reductions to the General Fund of \$89,000 in 2016 and \$214,000 in 2017.

Drainage and Wastewater Fund revenue reductions of \$949,000 are estimated for this year and \$2.304 million for 2017. Drainage and Wastewater utility rates are set through 2018. Based on Utility Tax Rates of 11.5% for Drainage and 12.0% for Sewer, this will yield revenue reductions to the General Fund of \$113,000 in 2016 and \$275,000 in 2017.

SPU estimates Solid Waste Fund revenue reductions of \$428,000 in 2016 and \$1.026 million in 2017. Solid Waste utility rates are set through 2016, and the upcoming 2017-2019 Solid Waste Rate Study will fully contemplate all UDP expansion. Based on a Solid Waste Utility tax rate of 11.5%, this will yield revenue reductions to the General Fund of \$49,000 in 2016 and \$118,000 in 2017.

In total, revenue reductions to all funds are estimated at of \$1.948 million in 2016 and \$4.708 million in 2017. This would yield total subsequent revenue reductions to the General Fund of \$251,000 in 2016 and \$607,000 in 2017.

Until rates are adjusted, there is concern the fiscal effect of increasing enrollments of UDP may result in possible risk of ability to meeting financial plan targets. The utility will take steps to monitor and manage this risk in a manner consistent with current practices including continuing to implement efficiencies in operating and capital projects budgets.

Note that the next upcoming rate setting periods for each utility are as follows: 2018-2020 for Water, 2019-2021 for Drainage & Wastewater, and 2017-2019 for Solid Waste.

All above figures reflect an August 1, 2016 enrollment date for up to an additional 10,300 UDP customers that would be eligible for enrollment based on this legislation, however some growth in UDP enrollments had already been budgeted for 2016, so the revenue impacts are based on an estimate of 8,700 additional UDP enrollments over what has already been budgeted; these additional customers would receive 5 months of UDP credits in 2016, as well as a full 12 months of UDP credits in 2017.

3.c. Positions

_____ This legislation adds, changes, or deletes positions.

4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

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

No

- c) **Does this legislation affect any departments besides the originating department?**

Yes. The Human Services Department will assist in the auditing of the auto-enrollment and Seattle City Light who is introducing separate legislation.

- d) **Is a public hearing required for this legislation?**

No

- e) **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No

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

No

- g) **Does this legislation affect a piece of property?**

No

- h) **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

Yes. This expansion of the UDP will directly benefit vulnerable and historically disadvantaged low-income individuals. Those who have faced a variety of barriers to participation can now be auto-enrolled into the program.

- i) If this legislation includes a new initiative or a major programmatic expansion:
What are the long-term and measurable goals of the program? Please describe how
this legislation would help achieve the program’s desired goals.**

This effort will allow us to reach the Mayor’s “Strengthening the UDP” goal of enrolling 28,000 customers in the UDP 18 months ahead of schedule.

- j) Other Issues:**

List attachments/exhibits below: