

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Seattle Public Utilities	Vas Duggirala/3-7153	Akshay Iyengar/4-0716

* 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 wastewater services of Seattle Public Utilities; adjusting wastewater rates to pass through changes to treatment rates charged by King County; amending Section 21.28.040 of the Seattle Municipal Code to reflect adjusted rates; and amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income customers.

Summary and background of the Legislation:

This ordinance would revise wastewater rates and wastewater Utility Discount Program credits. It would revise rates to meet increasing financial policy target requirements set by City Council Resolution 30612 and Statement of Legislative Intent 13-1-A-1. The revision is driven by capital financing needs and King County treatment rate increases. O&M is a negligible contributor. Capital financing is guided by SPU’s Strategic Business Plan (SBP), adopted by Resolution 32000. The SBP included a projected rate path, this ordinance implements an updated rate path:

Wastewater Rate Increases

	2021	2022	2023	2024	2025	2026	AVG
SBP RATE PATH	7.3%	3.1%	5.9%	0.5%	7.8%	3.6%	4.7%
RATE STUDY PROPOSAL	7.3%	2.0%	3.9%	2.9%	4.5%	4.5%	4.2%

The proposed rate path is slightly lower than the SBP due to several factors most notably the low interest rate environment.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? Yes No

Appropriation change (\$):	General Fund \$		Other \$	
	2021	2022	2021	2022
	\$0	\$0	\$0	\$0

Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2021	2022	2021	2022
	\$0	\$0	\$0	\$24,400,377
Positions affected:	No. of Positions		Total FTE Change	
	2021	2022	2021	2022
	0	0	0	0

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

Rate increases are also proposed for 2023 and 2024. Revenue in 2023 and 2024 estimated to be, respectively, \$18,843,681 and \$12,863,401 higher than the prior year.

Revenues also fluctuate due to demand. This is particularly important in 2022 where demand, pushed upwards by the recovery from COVID-19, is projected to increase revenue \$17,474,027 over 2021. The remainder of the 2022 revenue increase is due to the rate increase.

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

Not implementing this legislation potentially places SPU at increased risk for not meeting certain goals under its current SBP. Not implementing this legislation would likely necessitate much larger future rate increases to meet capital financing needs.

3.b. Revenues/Reimbursements

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

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2021 Revenue	2022 Estimated Revenue
44010 – Drainage and Wastewater Fund	SPU	Wastewater rates	\$0	\$24,400,377
TOTAL				

Is this change one-time or ongoing?

Ongoing. This legislation proposes drainage rates effective January 1 of 2022, 2023, and 2024 without an end date. Rate increases beyond 2024 will likely be proposed in mid-2024.

Revenue/Reimbursement Notes:

The City of Seattle assesses a 12% tax on wastewater revenues. Tax payments are estimated to increase \$3,506,910 in 2022, \$2,118,318 in 2023, \$1,527,181 in 2024.

4. OTHER IMPLICATIONS

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

Several City departments incur wastewater fees including the Department of Parks & Recreation, Seattle Public Utilities, Office of the Waterfront and Civic Projects, Department of Finance and Administrative Services, Seattle Fire Department, Seattle City Light, Seattle Public Libraries, Seattle Police Department, and the Seattle Department of Transportation. Wastewater fees incurred by City departments are estimated to increase \$50,000 in 2022, \$100,000 in 2023, and \$50,000 in 2024.

b. Is a public hearing required for this legislation?

No.

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

No.

d. Does this legislation affect a piece of property?

No.

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

This legislation will increase the sewer costs for residents and increase operating expenses for businesses in the retail service area. These increases will have a disproportionate impact on customers that use more water, low-income customers, and small businesses. SPU has initiated a long-term project to address affordability issues through the Accountability and Affordability Strategic Plan and the 2021-2026 Strategic Business Plan.

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

SPU conducted extensive outreach for the 2021-2026 Strategic Business Plan, which guides the rate path and included similar rate increases. SBP outreach included a significant ethnic media component with in-language advertising targeting Spanish, Chinese, Korean, and Somali speakers.

f. Climate Change Implications

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

No.

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

No.

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

N/A

List attachments/exhibits below:

Summary Exhibit A – 2022-2024 Drainage and Wastewater Rate Study