

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 drainage and wastewater services of Seattle Public Utilities; adjusting wastewater and drainage rates to pass through increased treatment costs charged by King County; amending Sections 21.28.040 and 21.33.030 of the Seattle Municipal Code to reflect the adjusted rates; amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income drainage and wastewater customers; and amending Section 21.33.050 of the Seattle Municipal Code to revise drainage service charge adjustment procedures.

Summary and background of the Legislation: This ordinance would revise the 2017 and 2018 wastewater treatment rate from \$7.69 per CCF (hundred cubic feet) to \$8.34 per CCF and revise the 2017 and 2018 drainage treatment rates. The proposed increases are due to an increase in the rate King County charges the City for treating Seattle's wastewater. This change will result in an increase to the typical monthly residential wastewater bill of \$1.72 per month and \$0.62 per month for the typical monthly residential drainage bill. The ordinance would also increase the applicable wastewater and drainage credits for low-income customers.

The wastewater rate Seattle Public Utilities (SPU) charges its customers is the sum of the treatment rate, the system rate and, where applicable, the Master Metered Residential Development surcharge, as established in Ordinance 121327. The treatment rate is the projected cost of treatment, including cash adjustments, divided by the projected billed consumption and adjusted to account for taxes and low-income credits. The system rate is the rate required to pay all other costs of the wastewater system. A more complete analysis of King County's wastewater treatment rate increase is contained in Exhibit A, attached hereto.

The drainage rate Seattle Public Utilities charges its customers is the sum of the treatment rate and the system rate. The drainage treatment rate is a portion of the projected cost of treatment divided by the projected billing units, adjusted to account for taxes and low-income credits. The system rate is the rate required to pay all other drainage costs.

In November 2015, the City Council approved Ordinances 124800 and 124801, setting the wastewater and drainage rates for 2017-18. Under this structure, the wastewater and drainage treatment rates may be adjusted by ordinance at any time to pass through rate changes adopted by King County.

In June 2016, the King County Council adopted a 2017 wastewater treatment rate of \$44.22 per residential customer equivalent per month, an increase from the 2015 rate of \$42.03. The

wastewater treatment rate would not be increased in 2018. The new 2017 wastewater treatment rate established in this ordinance is based on a projected treatment cost of \$151,665,552, a multiplier of 117.8% to cover the costs of taxes and low-income rate assistance, and projected billed wastewater consumption of 21,429,078 CCF. The 2017 drainage treatment rates proposed in this ordinance are based on a projected treatment cost of \$9,782,487, a multiplier of 118% to cover the costs of taxes and low income rate assistance, and projected drainage billing units. With this treatment rate increase, the applicable wastewater and drainage credits to low-income customers are also increased.

3. SUMMARY OF FINANCIAL IMPLICATIONS

 x This legislation has direct financial implications.

3.a. Appropriations

 x This legislation adds, changes, or deletes appropriations.

Appropriations Notes: Appropriations consistent with the rate legislation are being considered in the 2017-2018 Proposed Budget.

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	2017 Estimated Revenue
Drainage and Wastewater Fund 44010	SPU	Wastewater Utility Services	\$13,872,407
Drainage and Wastewater Fund 44010	SPU	Drainage Utility Services	\$2,083,122
TOTAL			\$15,955,529

Revenue/Reimbursement Notes:

The 2017 revenues are the additional wastewater and drainage revenues resulting from the increase in SPU's treatment rates. These revenues are used to pay the additional tax and rate credit expenses.

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?

No.

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

The Drainage & Wastewater Fund would not fully recover the cost of its business operations and meet its financial policy targets. This could result in a downgrade in the Fund's bond ratings and increase the cost of borrowing.

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

Several City departments incur drainage and wastewater fees. The fees for these departments will increase commensurate with the rate increases proposed in this legislation. The impacts will be included in the 2017-2018 Proposed Budget. The impacted departments include: Seattle Center, the City Budget Office, Seattle City Light, the Department of Neighborhoods, the Seattle Department of Transportation, the Seattle Fire Department, the Department of Finance and Administrative Services, the Department of Parks and Recreation, the Seattle Police Department, Seattle Public Utilities, and the Seattle Public Library.

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?

This legislation impacts all residential and general service drainage customers, and at the same time adjusts credits for residential customers who qualify for the Utility Discount 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.

n/a

j) Other Issues:

None

List attachments/exhibits below: Summary Exhibit A – SPU Analysis of King County Passthrough Rates