

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact:	CBO Contact:
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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 rates and charges for water services of Seattle Public Utilities; revising water rates and charges, and credits to low-income customers; and amending Sections 21.04.430, 21.04.440, and 21.76.040 of the Seattle Municipal Code.

Summary and Background of the Legislation:

This ordinance would revise retail water rates for residential, general service, and public fire customers and adjust low-income assistance credits for water customers. It would adjust rates to meet policy targets and fund spending decisions. This legislation proposes three years of rate increases and assistance credit updates.

In April 2021, the City Council adopted Resolution 32000, which approved SPU’s 2021-2026 Strategic Business Plan (SBP). As part of the SBP, SPU estimates the rate path for each line of business and follows up with legislation to adopt rates. This legislation formally adopts the Water Fund rates. The rates proposed in this legislation compared to those in the adopted SBP are depicted below.

Retail Rate Adjustment Summary

	2021	2022	2023	2024	2025	2026	AVG
SBP RATE PATH	0.0%	2.7%	4.7%	3.6%	4.2%	5.5%	3.4%
RATE STUDY PROPOSAL	0.0%	2.6%	3.6%	2.0%	2.0%	2.0%	2.0%

The rate study proposal is lower for 2024-26 and the 6-year average than the SBP estimated rate path because of updates to a variety of items, but particularly a better starting financial position due to a reduced debt burden. This proposal meets all financial targets and maintains the Water Rate Stabilization Fund at the current level.

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 X No

Appropriation change (\$):	General Fund \$		Other \$	
	2023	2024	2023	2024
	\$0	\$0	\$0	\$0
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2023	2024	2023	2024
	\$0	\$0	\$0	\$4,370,745
Positions affected:	No. of Positions		Total FTE Change	
	2023	2024	2023	2024
	\$0	\$0	\$0	\$0

Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
 The proposed rate revisions would change rates in 2024, 2025, and 2026. The increase to SPU revenue, in addition to the above, is \$4,844,424 in 2025, and \$5,023,516 in 2026.

Are there financial costs or other impacts of *not* implementing the legislation?
 The Water Fund would not receive sufficient revenue to meet policy goals. In addition, in May 2021, Moody’s upgraded the Water Fund bond rating to ‘Aaa.’ Not implementing this legislation could result in that upgrade being revoked. Revoking the Aaa rating, or other rating downgrades, would increase the cost of borrowing.

3.b. Revenues/Reimbursements

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

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2023 Revenue	2024 Estimated Revenue
43000 – Water Fund	SPU	Water Sales	\$0	\$4,370,745
TOTAL				

Revenue/Reimbursement Notes:

This legislation is part of ongoing revenue updates. This legislation is part of the process for reviewing and updating retail water rates. This legislation proposes three years of increases, and the next proposal is planned in three years.

4. OTHER IMPLICATIONS

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

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

In addition, the City's General Fund receives a bill for public fire service, which is sometimes called 'hydrant' service. This bill will increase from \$11,967,355 in 2023 to \$12,148,349 in 2024, and estimates of \$12,541,576 in 2025, and \$12,804,200 in 2026.

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 impacts all residential and general service water customers and will increase the cost of living for residents and increase operating expenses for businesses in the retail service area. Cost of living increases disproportionately affect low-income residents. 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 an 50% credit.

SPU does extensive outreach for the Strategic Business Plan, which includes higher rate increases. SBP outreach includes 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

Summary Attachments:

Summary Exhibit A - 2024-2026 Water Rate Study