

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; authorizing the Director of Seattle Public Utilities to enter into a Joint Project Agreement with King County to design, construct, operate, and maintain the Ship Canal Water Quality Project, in partial fulfillment of the objectives of the Consent Decree authorized under Ordinances 123908 and 124129, and the “Plan to Protect Seattle’s Waterways” authorized under Ordinance 124766, to reduce combined sewer overflows; and ratifying and confirming certain prior acts.

Summary and background of the Legislation: This ordinance authorizes the Director of Seattle Public Utilities (SPU) to enter into a Joint Project Agreement with King County for the Ship Canal Water Quality (WQ) Project. This project will provide offline storage of Combined Sewer Overflow (CSO) flows from five SPU and two King County CSO basins to meet regulatory control standards.

Last August, SPU received U.S. Environmental Protection Agency and Washington Department of Ecology approval of the “Plan to Protect Seattle’s Waterways,” authorized by Ordinance 124766. The plan identifies the Shared West Ship Canal Tunnel Option (AKA The Ship Canal WQ Project) as the preferred option to control SPU’s Ballard, Fremont and Wallingford CSO outfalls and King County’s 3rd Avenue W. and 11th Avenue NW CSO outfalls. Construction of the project is to be completed by December 31, 2025.

The \$423 million project will provide approximately 15 million gallons of CSO storage with a 14,000 foot-long deep tunnel. The tunnel will be constructed between the Ballard and Wallingford CSO areas, on the north side of the Lake Washington Ship Canal. Cost shares for the project are calculated based on the ratio of costs of each agency’s independent CSO project costs that are avoided by selecting this joint project solution. Those avoided costs are storage facilities and portions of conveyance facilities that are not being constructed because of the joint project. However, the conveyance facilities that would have been constructed under either a joint or independent solution are excluded from the costs share and are the responsibility of the respective agency. SPU will fund a 65% cost share of the project costs, 65% of the capitalized post construction costs, and 100% of the excluded SPU costs per the table below. King County is funding the remaining 35% of project costs. The Ship Canal Water Quality Project will control City CSO basins in Ballard, Fremont, Wallingford, and King County’s 3rd Avenue W. and 11th Avenue NW CSO basins.

SPU will be the lead agency, will own the completed Ship Canal WQ Project facilities, and will be responsible for planning, design, permitting, construction, delivery, operation, maintenance,

repair, alteration, monitoring, improvement and support of the project. King County will assist SPU with review and provide its technical expertise in delivering the project.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

 x This legislation has direct financial implications.

3.a. Appropriations

Appropriations Notes:

No additional appropriation is being sought by this legislation. SPU’s share of project costs (capital and operations & maintenance) is incorporated into the current CIP spending plan, Strategic Business Plan, and rates set from 2016-2018. The Council in 2015 approved Seattle’s Plan to Protect Seattle’s Waterways, which includes the proposed spending for this project through 2025. The costs associated with this project are included in the City’s 2016-2021 approved Capital Improvement Program. Future costs will continue to be appropriated through the budget and rate setting process.

SPU will fund 65% of the project costs and 65% of the capitalized post construction costs, and 100% of the excluded SPU costs per the table below. King County is funding the remaining 35% of project costs. The table below outlines the expected costs and their allocation between SPU and King County.

There are components of the Project that are associated with SPU’s CSO control solution in the Ballard and Wallingford basins that are being constructed by SPU and that, consistent with a 2012 agreement with King County (attached Exhibit A), are to be funded in their entirety by SPU. No costs associated with these components will be borne by King County. The shared portion of the Ship Canal WQ Project, as defined herein, does not include the components excluded from cost sharing consistent with those described in CSO Initiative Work Plan Item 4 (Exhibit A attached) and the SPU purchase of parcel numbers 046700-0423 and 046700-0431 (former Yankee Grill site) in Ballard.

Description	Total Cost	KC	KC %	SPU	SPU%
Joint Ship Canal WQ Project Cost Share	\$381.8	\$133.7	35.0%	\$248.2	65.0%
Excluded 100% SPU cost	\$31.4	\$ -	0.0%	\$31.40	100.0%
Capitalized Post Construction Cost	\$10.2	\$3.6	35.0%	\$6.6	65.0%
Total*	\$423.4	\$137.3	32.4%	\$286.2	67.6%

*Note: Total costs based on 2014 dollars escalated to the mid-point of construction assuming 2% escalation. Numbers may not total due to rounding.

The budget estimate for completing SPU's Council-approved Plan to Protect Seattle's Waterways is \$600 million. Supporting appropriations will be proposed to Council for consideration during the development of future CIPs.

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?

This legislation has long-term financial implications. It is an important step for SPU to meet Consent Decree and regulatory requirements. In addition, wastewater flows that would otherwise not have been contained by this project will require treatment by King County. Treatment costs for this additional amount of wastewater will impact ratepayers in 2025 and beyond. SPU anticipates the impacts to be about \$25,000 per year for this project. Flows will be conveyed to the West Point treatment facility and charges will be determined based on the Joint King County/Seattle Initiatives Item 7 (attached Exhibit B). Operations and maintenance are being established for Seattle's CSO projects to establish budgets to operate and maintain them after construction. These budgets will include the incremental flow charges, which are expected to be minor. Operation and maintenance costs for the Ship Canal WQ project are estimated to be approximately \$870,000 per year.

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

Under the Consent Decree, SPU is required to address combined sewer overflows in this basin. Lacking a Joint Project Agreement, SPU and King County would construct their respective independent projects which are similar in cost to each Agency's cost shares as shown in the cost table in Section 3, above. If the Joint Project is not implemented there would be significant impacts to Seattle communities since four independent projects would have to be constructed. Impacts of those projects would include: 1) increased truck traffic in more communities; 2) additional privately-owned land being consumed for project purposes and displacement of private businesses and residents; 3) decreased operational flexibility and more operational impacts for SPU and King County. Building independent projects instead of a joint project is contrary to both parties' Consent Decrees, which requires the City and County cooperatively work together.

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

No.

d) Is a public hearing required for this legislation?

No. The project team conducted numerous public meetings throughout the development of the Plan to Protect Seattle's Waterways and ongoing communications with the community and property owners are planned throughout the project.

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

No.

f) Does this legislation affect a piece of property?

This legislation does not have an immediate impact on a particular piece of property. Acquisition of certain properties for this project was authorized by Ordinances 124718 and 124719. However, the Joint Project Agreement authorized by this legislation will require SPU to acquire additional property rights for project construction and completion. Acquisition of such future property rights will be subject to Council legislative approval.

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

SPU's Plan to Protect Seattle's Waterways, approved by Ordinance 124766, indicates the following for construction and operational impacts for the West Ship Canal Tunnel Option (AKA The Ship Canal WQ Project): The neighborhoods that have the highest potential to be affected include Ballard and Fremont/Wallingford. Disproportionate impacts to minority or low income populations are not expected. The operational effects would be minor to moderately beneficial associated with improved water quality in area receiving waters, and there would be no adverse operational effects that would be predominantly borne by minority or low-income populations and underserved communities.

h) 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.

The Joint Project Agreement authorized by this legislation will allow construction of a project to construct storage of CSO flows from SPU and King County CSO basins to meet federal and state regulatory control standards and requirements. Construction completion must be achieved by December 31, 2025 and must achieve "Controlled Status" by meeting a performance standard of no more than one overflow per year per outfall on a 20-year moving average. The facility must also meet water quality standards and protection of designated uses, and must be verified by post construction monitoring (frequency of overflow and sediment sampling/analysis to meet sediment standards).

i) Other Issues:

None.

List attachments/exhibits below

Exhibit A – Joint King County/Seattle CSO Initiative Work Plan Item 4: Cost-Sharing Method for Joint Capital Projects

Exhibit B – Joint King County/Seattle Initiatives Item 7

Attachment 1 – Incremental Costs Excel Workbook