

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 drainage services of Seattle Public Utilities; adjusting drainage rates to pass through changes to treatment rates charged by King County; amending Section 21.33.030 of the Seattle Municipal Code to reflect the adjusted rates; and amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income drainage customers.

Summary and background of the Legislation: The Council in 2018 approved legislation increasing drainage rate by an average of 8.0% in 2019 and 2020, and 7.6% in 2021. This ordinance would reduce the 2021 approved rate increase to 7.4% because estimated expenses to treat wastewater and stormwater at King County treatment plans have been revised downward.

Two counteracting events prompted the lower forecast. First, King County last spring authorized a 4.5% increase to the treatment rate charged to customers of its wastewater treatment system, including SPU, effective January 1, 2021. Treatment expense is based on wastewater volumes as measured by sewer meters. SPU assigns 6.05% of this volume to the drainage utility, and the remainder to the wastewater utility, based on estimated stormwater flows from Combined Sewer Overflow basins to treatment plants. Of total drainage rate revenues, six percent goes to treatment expense, taxes incurred on treatment expense revenue, and a portion of low-income discounts and stormwater facility incentive credits allocated to treatment.

Second, the Covid-19 pandemic and measures enacted to combat it have reduced wastewater demand. This is particularly true for office buildings, retail, restaurants, industrial facilities, and other commercial enterprises, where demand has fallen 20% to 30% below forecast. The drop in commercial wastewater demand and a negative outlook on business activity recovery led to a reduced forecast for treatment utilization through at least the end of 2021.

Despite the increase to King County’s treatment rate, the magnitude of the demand reduction means the rates authorized by the SMC are estimated to over-recover treatment and related expenses. SPU is proposing to reduce the adopted rates, from a currently codified 7.6% average increase to 7.4%. This rate reduction proposal is also lower than previously estimated 2021 rate forecasts due strong financial performance and SPU cost efficiencies in 2019 and 2020, in addition to lower treatment expense. The proposed 2021 rates for a large single-family lot of 5,000 sq. ft. are 5% lower than the estimate from the 2018-2023 Strategic Business Plan (2017) and 1% lower than the 2019-2021 Drainage and Wastewater Rate Study (2018).

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___X_ Yes ___ No

| Appropriation change (\$): | General Fund \$ | | Other \$ | |
|--------------------------------|-------------------------|-------------|------------------------|-------------|
| | 2021 | 2022 | 2021 | 2022 |
| | | | | |
| Estimated revenue change (\$): | Revenue to General Fund | | Revenue to Other Funds | |
| | 2021 | 2022 | 2021 | 2022 |
| | (\$30,274) | (\$258,729) | (\$30,274) | (\$258,927) |
| Positions affected: | No. of Positions | | Total FTE Change | |
| | 2021 | 2022 | 2021 | 2022 |
| | | | | |

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?
 No.

Is there financial cost or other impacts of *not* implementing the legislation?
 SPU may over-collect from drainage customers.

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 |
|----------------------|---------|------------------------|--------------------|------------------------|
| 00100 | General | Utility Tax (Drainage) | (\$30,274) | (\$30,274) |
| 45010 | SPU | Drainage Revenues | (\$258,729) | (\$258,729) |
| TOTAL | | | (\$289,003) | (\$289,003) |

Is this change one-time or ongoing?
 One-time. SPU expects to submit drainage rates for 2022, 2023, and 2024 in mid-2021.

Revenue/Reimbursement Notes:

Legislation would reduce drainage revenues of the Drainage and Wastewater Fund by - \$258,729. Utility Tax in turn paid by the Drainage and Wastewater Fund to the General Fund on drainage revenues would drop -\$30,274.

4. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?**
Several City departments incur drainage fees on properties owned by the City, within City limits. The impacted departments include, but are not limited to: 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.
- b. Is a public hearing required for this legislation?**
No.
- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**
No.
- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.
- e. Does this legislation affect a piece of property?**
No.
- f. 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 lower rates currently adopted in the SMC and commensurately reduce Utility Discount Program rate assistance provided.
- 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).**
No.

List attachments/exhibits below: