

# 2025-2030 Strategic Business Plan Seattle Public Utilities

Parks, Public Utilities & Technology Committee

June 26, 2024



City of Seattle

# SPU Mission and Vision

*Seattle Public Utilities fosters healthy people, environment, and economy by partnering with our community to equitably manage water and waste resources for today and for future generations.*



# About SPU's Strategic Business Plan (SBP)



- Our MVP: Mission, Vision, 'CARES' Principles
- 4 focus areas with goals and strategies
- 21 highlighted investments and initiatives
- 3-year rate + 3-year rate forecast
- Update every 3+ years: 2025–2030
- Engagement: outreach, residential survey
- Customer Review Panel (CRP): letter, performance monitoring

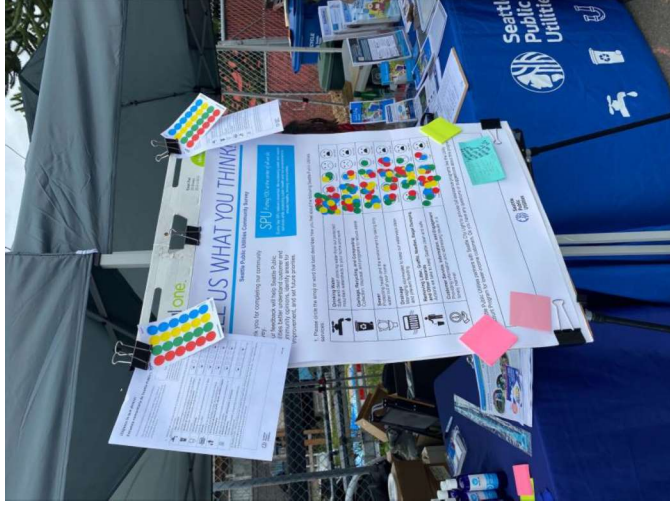


# Centering On Community Values

## Service | Sustainability | Equity | Affordability

Our SBP builds upon decades of industry leadership and is informed by:

- 20 CRP meetings
- Voice of the Community (VOC) research, surveying, and focus groups
- Summer/Fall 2023 outreach partnership with DON—in-community, in-language, online questions about SPU service, priorities, future
- Adoption process notification—website, digital, and ethnic media



# 21 Highlighted Initiatives and Investments

## DELIVERING EQUITABLE ESSENTIAL SERVICES

- North "One Water" Operations Facility
- In-House Water Quality Treatment
- Field Engineering Improvements Program
- SPU Support Services for the Unsheltered
- Duwamish Valley Resilience



### SERVICE

## STEWARDSHIP ENVIRONMENT AND HEALTH

- Shape Our Water—Citywide & Focus Area Drainage and Wastewater Planning
- Upstream Legislative Strategies to Reduce Pollution and Waste
- 2030 Carbon Neutrality and Sustainable Operations
- Water Supply Planning for next 50 years
- Cedar and Tolt Watershed Resilience
- Waste Prevention and Diversion



### SUSTAINABILITY

## EMPOWERING CUSTOMERS, COMMUNITY AND EMPLOYEES

- Customer Affordability Programs
- Side Sewer Assistance Program
- Advanced Metering Infrastructure Planning
- Seeds of Resilience Impact Investment Fund
- Equity in Contracting
- Employee Life Cycle Initiatives



### EQUITY

## STRENGTHENING OUR UTILITY'S BUSINESS PRACTICES

- Alternative Funding and Financing
- Drainage and Wastewater Asset Management Program
- Water Asset Management and Seismic Program
- Strategic Technology Plan



### AFFORDABILITY





# Critical Investments for Health and Environment

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**Addressing Climate Change** through investments in water supply planning for the next 50 years, Cedar and Tolt Watershed resilience, and carbon-neutral operations (\$2.7M).

**Reducing Pollution in our Waterways and Protecting Aquatic Habitats** through capital investments such as the Ship Canal Water Quality Project, Phase 2 (\$140M) and working with State legislators to reduce toxic chemicals and waste.

**Improving Employee Health, Safety, and Seismic Preparedness** by investing in a North One Water Operations facility (\$73M).

**Investing in Community Resilience** through Duwamish Valley water quality, flooding, and sea level rise investments (\$200M) and increasing help for low-income customers to repair and replace failing sewer lines (\$10.4M).

**Growing Circular Economy and Green Jobs** through waste prevention and diversion investments (\$9M) and Seeds of Resilience impact investments such as food waste recovery, building salvage, and water reuse.

# Proposed 3-Year Rate Path and 3-Year Forecast

	RATE PATH			RATE FORECAST			
	2025	2026	2027	2028	2029	2030	2025–30
<b>Water</b>	2.0%	2.0%	6.3%	3.3%	6.5%	3.8%	4.0%
<b>Wastewater*</b>	5.0%	5.0%	5.0%	6.2%	7.0%	5.1%	5.5%
<b>Drainage</b>	5.0%	5.0%	5.1%	6.6%	6.3%	7.2%	5.9%
<b>Solid Waste</b>	2.5%	3.1%	3.4%	3.4%	3.8%	2.5%	3.1%
<b>Combined</b>	3.7%	3.9%	4.9%	5.0%	6.0%	4.6%	4.7%

 Approved legislation that is currently in effect

\* Wastewater rate includes King County Treatment Rate increases in 2025–2030.



# Current Economic Environment

## Increasing operational expenses

- Inflation—particularly with healthcare and labor. **2023 Seattle Metro region inflation is 5.8%.**

## Increasing capital expense

- State and Federal regulatory compliance projects
- Maintenance of aging capital infrastructure
- Increased interest rates from historical lows

## Increasing contractual obligations

- King County Sewer Treatment rates are projected to increase annually from 5.75% to 8.25% by 2030.

**Inflation**  
**Regulatory**  
**Infrastructure**  
**Interest Rates**  
**Contracts**





# SPU Cost Savings Efforts

*We are working hard to keep rates as low as possible*



## Financial Management

- \$99 million savings on Ship Canal Water Quality Project WIFIA + SRF loans
- \$61 million savings from bond refinances
- High credit ratings: AAA Water Fund ratings

## Alternative Funding

- \$342 million Ship Canal Water Quality Project alternative funding
- \$42 million in grants (2021–2023) (including \$4 million in COVID funds)
- Approx \$50 million in in-coming grants, loans, appropriations
- Increased engagement with King County Flood Control District, state, funding collaborations with other City agencies

## Continuous Improvement

Saving 1000s of hours on small-scale projects and simplifying work: reduced new consultant contract intake from 3 to 0 days, removed steps for emergency street permitting, improving data and technology)

# Impact of KC Wastewater Treatment costs on SPU rates

Projected King County Treatment Rates						
2025	2026	2027	2028	2029	2030	2025–30
5.75%	5.75%	6.5%	6.5%	6.5%	7.00%	6.3%

2025–30	
SPU-only average annual rate change (excluding KC Costs)	3.15%
	↓
Proposed SPU Rate Path (incorporating KC costs)	<b>4.7%</b>



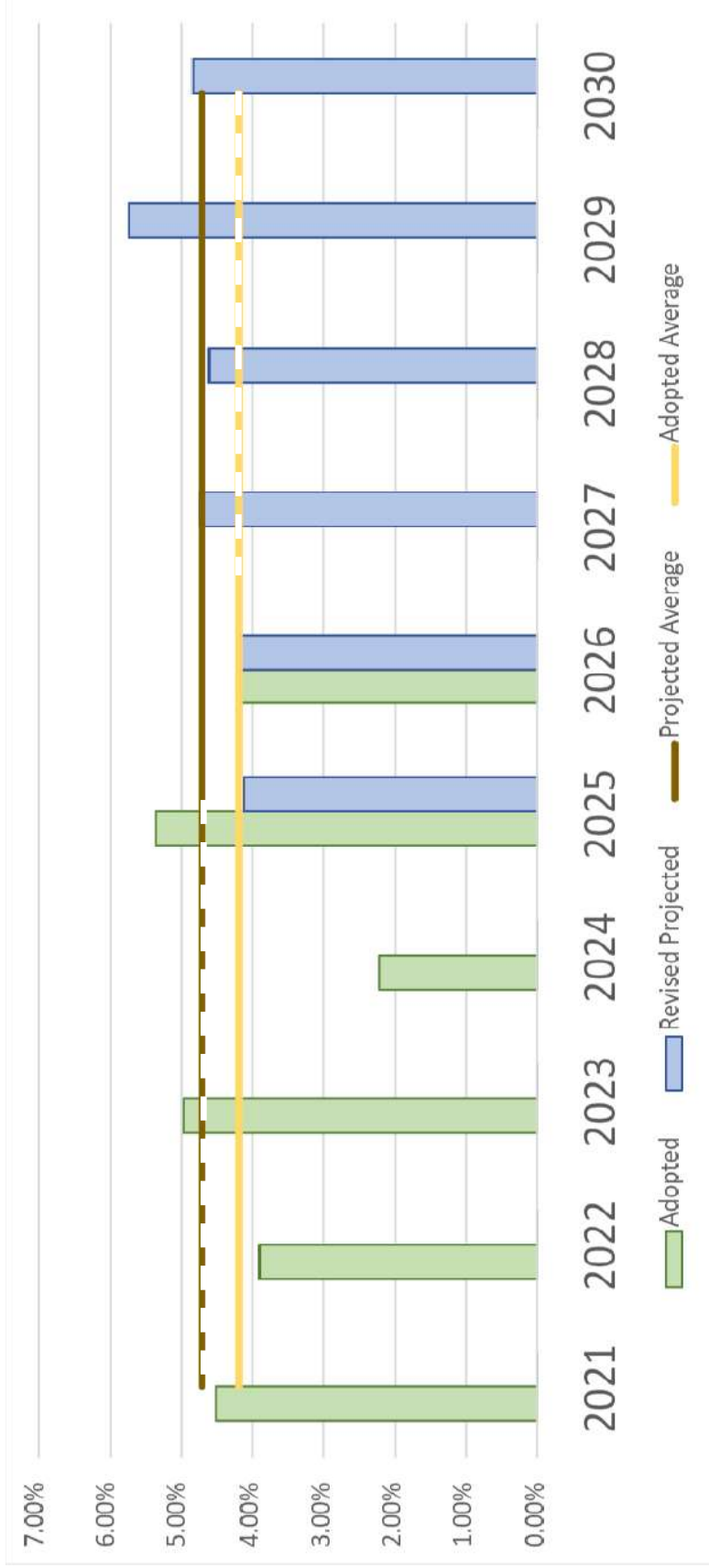
# State and Local Taxes Included in SPU Rates

Entity	Type	Water	Wastewater	Drainage	Solid Waste
City	Utility Tax	15.54%	11.50%	12.00%	14.20%
	B&O Tax	0.22%	--	--	--
	Tonnage Tax	--	--	--	\$13.27/ton
State	Utility Tax	5.03%	3.85%	--	--
	B&O Tax	1.50%	1.50%	1.50%	1.50%
	Solid Waste Tax	--	--	--	3.60%
<b>Combined Tax Impact</b>		<b>20.57%</b>	<b>13.20%</b>	<b>13%</b>	<b>15.30%</b>
<b>Typical SF Monthly Bill Impact*</b>		<b>\$9.40</b>	<b>\$9.54</b>	<b>\$6.49</b>	<b>\$8.38</b>

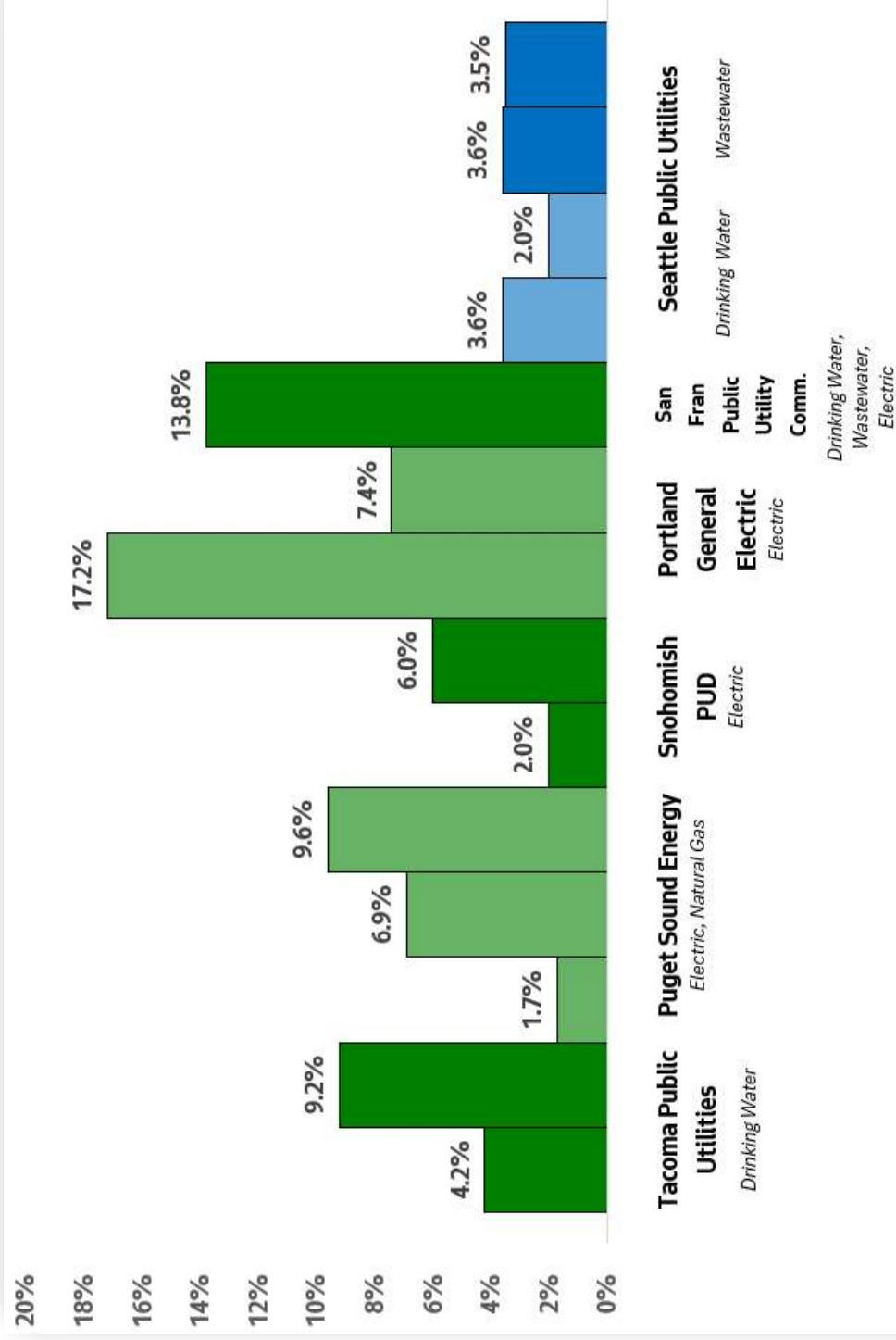
Current tax rates are not projected to change through the SBP period. In 2025, SPU is projected to pay \$140.3M in City taxes.



# SPU Rate Path Performance



# Rate Increases for Benchmark Utilities



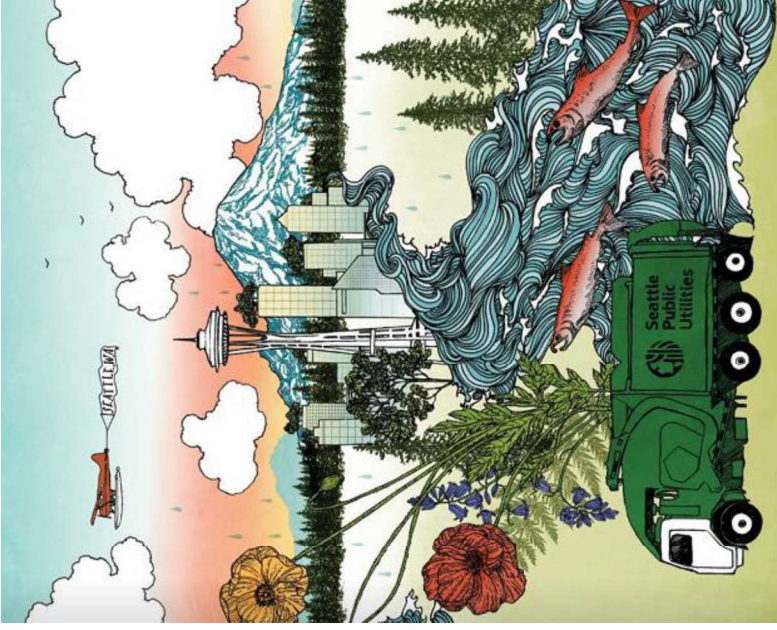
# Monthly Impact on typical Single-Family SPU Bill

	2024	2030	6-year Growth
Water Service	\$49	\$62	\$13
Sewer Service	\$33	\$37	\$4
Solid Waste Service	\$58	\$70	\$12
<b>*SPU costs</b>	<b>\$140</b>	<b>\$169</b>	<b>\$29</b>
**King County Treatment Cost	\$46	\$72	\$26
<b>***Total monthly cost billed by SPU</b>	<b>\$186</b>	<b>\$241</b>	<b>\$55</b>

\*Doesn't include Drainage costs billed through the King County Property Tax. The monthly drainage cost of \$60 is expected to grow by \$24 by 2030.

\*\* Added to SPU's Sewer Service bill

\*\*\* Billing takes place bi-monthly



# Where Your Money Goes



Customer Type	23% CAPITAL FINANCING	31% OPERATIONS & MAINTENANCE	15% TAXES & FEES	30% KING COUNTY TREATMENT/ SOLID WASTE COLLECTIONS
SF Residential	\$60.15	\$80.30	\$37.57	\$77.93
MF Residential	\$34.54	\$46.11	\$21.57	\$44.75

**For 2025: Typical cost breakout for a single-family home customer paying \$256 per month and a multi-family home customer paying \$147 per month through bi-monthly utility bills plus drainage assessment on annual property tax bill.**

# Utility Customer Financial Assistance

- **Emergency Assistance Program** – help for income-qualified customers facing financial hardship with past-due utility bill balances
- **Payment Plans** – payment flexibility to meet customer needs
- **Community Donation Fund** – voluntary contributions to help those in need
- **Side Sewer Assistance** – No-interest loans to low-income customers in need of urgent side-sewer repairs
- **Utility Discount Program** – 50% rate discount to income-qualified SPU customers or credit on SCL bill for income-qualified renters





# Financial Support - Utility Discount Program

- The total value of credits currently assumed is **\$30M** and growing to support the UDP.
- The proposed rate paths all assume enrollment growth of **2,500** participants per year (up from 2,000), which equates to approximately **\$2.8M** in new credits each year.

