SEATTLE CITY COUNCIL
CENTRAL STAFF

2027–2029 Retail Water Rates Ordinance

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GOVERNANCE AND UTILITIES COMMITTEE
JULY 29, 2026

Background

- SPU operates 3 utilities:
  - Drainage and Wastewater
  - Solid Waste
  - Water
- Council typically considers rate-setting legislation for one of the utilities each year, with rates being set for a three-year period
  - Water Rates last approved in September 2023
  - Covering calendar years 2024–2026
- Council also adopts an SPU Strategic Business Plan (SBP) every three years, most recently in September 2024, which includes:
  - Three-year rate path: 2025–2027
  - Three-year rate forecast: 2028–2030

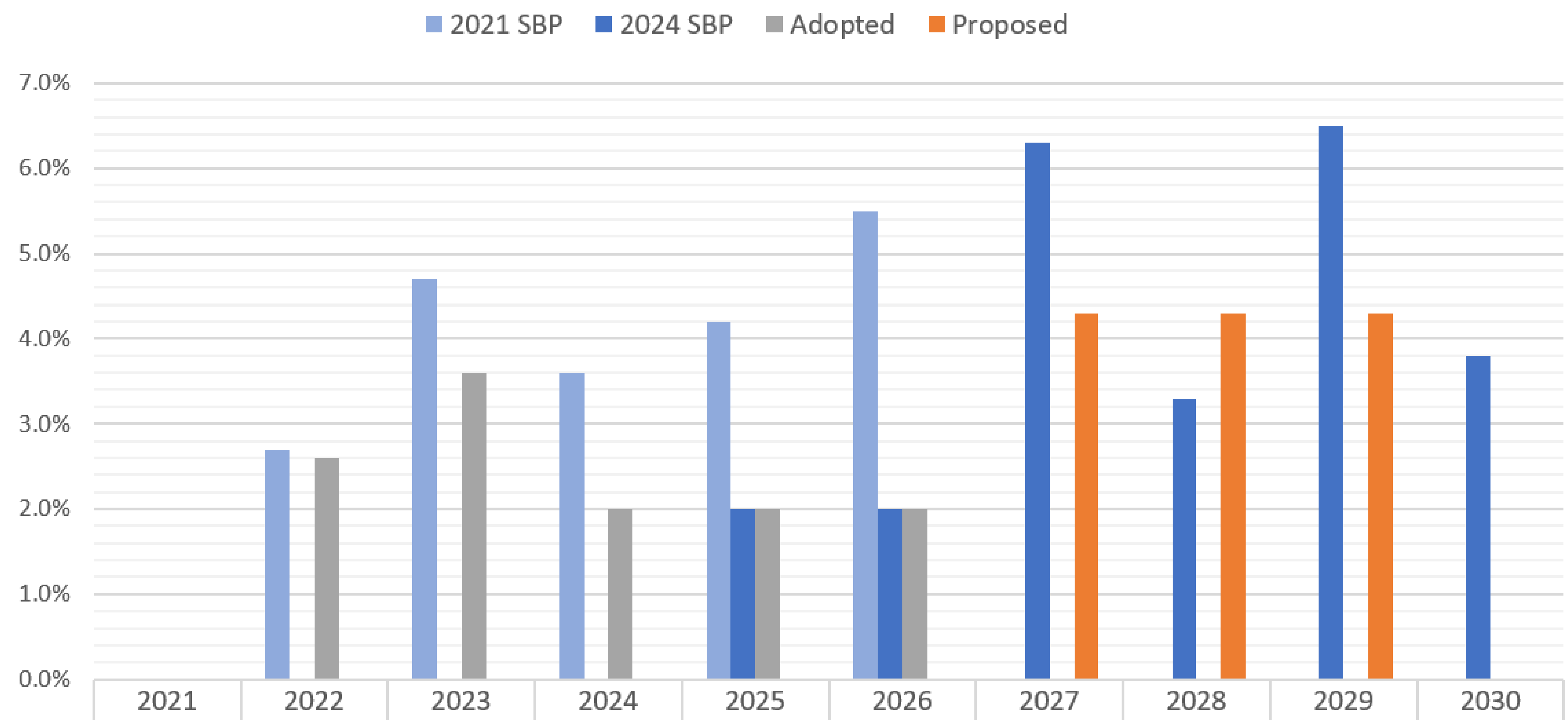
Background (cont’d)

- SPU’s water system supplies drinking water to customers inside and outside of city boundaries
- Revenue sources:
  - Retail water rates (subject of this ordinance)
  - Wholesale contracts
  - Other non-rate revenues
- Retail customer classes:
  - Residential – 88% of accounts, 39% of water usage
  - General Service – 11% of accounts, 60% of water usage
  - Private Fire
  - Public Fire

Council Bill 121245 Summary

1. Establishes retail water rates for 2027–2029
2. Revises eligibility requirements for the Utility Discount Program
3. Authorizes withdrawals from the Water Fund Revenue Stabilization Subfund

Proposed Rate Increases



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2021 SBP	0.0%	2.7%	4.7%	3.6%	4.2%	5.5%				
2024 SBP					2.0%	2.0%	6.3%	3.3%	6.5%	3.8%
Adopted	0.0%	2.6%	3.6%	2.0%	2.0%	2.0%				
Proposed							4.3%	4.3%	4.3%	

Bill Highlights (1/5)

A. Utility Discount Program (UDP)

- Consistent with response to Council Statement of Legislative Intent SPU-012S-A, proposed rates assume UDP eligibility change
- Estimated increase in UDP participation increases rates by approx. 1.1 percentage points in 2027
- On July 14, Council passed ORD 127468 changing UDP eligibility threshold, in addition to signaling future changes and requesting reporting
- Amendment 1 would remove duplicative code changes

Bill Highlights (2/5)

B. Revenue Stabilization Subfund (RSF) Withdrawal Authorization

- Section 5 of the bill authorizes withdrawals from the RSF up to $19.8 million
- Contingent upon the RSF balance staying above $17.1 million
- Current balance is about $38 million
- SPU expects to use the authority to fund possible capital expenses, and would request appropriation authority in the future, if needed
- Amendment 1 would amend the bill title to call out this authorization

Bill Highlights (3/5)

C. Rate Smoothing

- Retail water rates are typically set to generate enough revenue to cover the system's costs and satisfy financial policies
- Proposed rates are designed to smooth water rates over the three-year period
- Rates in the first two years are proposed to generate a cash balance
- Cash balance would be used in 2029 to handle a larger capital program

Bill Highlights (4/5)

D. Focus on Fixed Revenues

- Proposed rates emphasize increasing the share of “fixed revenue”
- Water rates are a combination of:
  - Base service charges – meter size
  - Commodity charges – water usage
- Proposed rates increase base service charges at a faster rate than commodity charges
- Fixed revenues
  - SPU – about 28%
  - Regional average – about 40%
- Revenue stability for SPU; bill predictability for customers

Bill Highlights (5/5)

E. Annual Fire Hydrant Inspections

- At July 9 Committee meeting, SPU staff indicated that annual fire hydrant inspections would be transferring from Seattle Fire Department (SFD) to SPU
- SFD’s hydrant inspection work is funded entirely by the General Fund
- Executive is considering options for transferring work to SPU
- Exploring whether the Water utility benefits from the work, and whether Water Fund could fund some of the work
- For the purposes of the proposed water rates, SPU assumed a preliminary cost for the Water Fund of approx. $273,000 per year

Amendment 1 Sponsor: CM Strauss

1. Removes duplicative proposed changes related to Utility Discount Program eligibility
   - Revises title
   - Amends recital
   - Removes Sections 3 and 7
2. Adds language to the title regarding Revenue Stabilization Subfund withdrawal authorization

Questions?