Summary and Fiscal Note

1. Legislation Summary

Department: Seattle Public Utilities

Title: An ordinance relating to rates and charges for water services of Seattle Public Utilities; revising water rates and charges; revising qualification requirements for the utility discount program; revising credits to low-income customers; and amending Sections 21.04.430, 21.04.440, and 21.76.040 of the Seattle Municipal Code.

Background:

This ordinance would revise retail water rates for residential, general service, and public fire customers, adjust low-income assistance credits for water customers, expand eligibility requirements for SPU's low-income assistance program for all SPU utilities in April 2027, and allow a withdrawal from the Revenue Stabilization Account. It would adjust rates to meet policy targets and fund spending decisions. This legislation proposes three years of rates and assistance credit updates.

In September 2024, the City Council adopted Resolution 32136, which approved SPU's 2025-2030 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.

SPU Retail Water Rates 2027-2029 SUM
Paul Hanna
D1

Retail Rate Adjustment Summary

	2025	2026	2028	2028	2029	2030	AVG
SBP RATE PATH	2.0%	2.0%	6.3%	3.3%	6.5%	3.8%	4.0%
RATE STUDY PROPOSAL	**2.0%**	**2.0%**	**4.3%**	**4.3%**	**4.3%**	**3.7%**	**3.4%**

The rate study proposal is lower for 2027-29 and the 6-year average than the SBP-estimated rate path. In part, reduced debt burdens result in a better starting financial position. This proposal meets all financial policy targets and maintains the Water Rate Stabilization Fund at $17.1 million, which is above the minimum required. This ordinance would also allow SPU Water to withdraw up to $19 million from the Revenue Stabilization Account to use for capital projects, thereby reducing the debt burden, and indirectly, Water Fund rates.

This ordinance also expands eligibility for the Utility Discount Program (UDP) for all SPU rates, raising eligibility from 70 percent of State Median Income to 60 percent of Area Media Income, as computed by the US Department of Housing and Urban Development. SPU customers enrolled in UDP receive a 50% discount on their SPU bill. This change will increase eligibility by 31,000 customers, 24,000 of which are served directly or indirectly by SPU. This change will increase the overall average SBP increases by 0.1% per year. Seattle City Light (SCL) also participates in the UDP and concurrent SCL rate legislation makes the same change in eligibility.

Summary Attachments:

Summary Exhibit A – 2027-2029 Water Rate Study

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2. Capital Improvement Program (CIP)

Does this legislation create, fund, or amend a CIP Project?

☐ Yes

☒ No

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3. Summary of Financial Implications

Does this legislation have financial impacts to the City?

☒ Yes

☐ No

a. Revenue Change to Other Funds

2026	2027 est.	2028 est.	2029 est.	2030 est.
	$11,322,723	$11,259,249	$11,826,869	$0

3b. Revenues/Reimbursements

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

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	**Dept.**	**Revenue Source**	**2026 Revenue**	**2027 Estimated Revenue**
43000 – Water Fund	SPU	Water Sales	$0	$11,322,723

TOTAL 2026 Revenue	**TOTAL 2027 Estimated Revenue**
$0	$11,322,723

Revenue/Reimbursement Notes:

3d. Other Financial Impacts

a. Does this legislation create any other financial impacts for The City of Seattle, such as direct or indirect costs, one-time or ongoing, that aren't mentioned above? If yes, please explain these impacts.

The Water Fund pays City taxes on all retail water sold. The rate proposal in this ordinance would increase the amount of City taxes paid by SPU by about $1.8 million each year for the three years covered by the rate study.

b. If the legislation has costs that can be covered within the current budget, explain how. Does the department have extra resources in its budget to handle these costs? Or does the department need to shift resources away from other work to handle these costs?

N/A

c. What financial costs or other impacts might happen if this legislation is not implemented?

The Water Fund would not receive sufficient revenue to meet financial policy goals or would be forced to cut or delay operational and capital spending. In addition, in May 2026, Moody's affirmed the Water Fund bond rating of '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, thereby increasing rates paid by customers.

d. How might this legislation affect other City departments besides the one that proposed it?

Several City departments incur water costs. Water fees for these departments will change commensurately with the rates proposed in this legislation. The impacted departments include: Seattle Center, City Budget Office, Seattle City Light, Department of Neighborhoods, Seattle Department of Transportation, 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 $12,849,118 in 2026 to $16,473,414 in 2027 and estimates of $17,193,872 and $17,950,651 in 2028 and 2029, respectively.

4. Other Impacts

a. Does this legislation require a public hearing?

☐ Yes

☒ No

b. Does this legislation require a notice to be published in The Daily Journal of Commerce and/or The Seattle Times?

☐ Yes

☒ No

c. Does this legislation affect a piece of property?

No.

d. Race and Social Justice Initiative impacts:

1. How does this legislation affect vulnerable or historically disadvantaged communities? How did you come to this conclusion? Please consider both impacts within City government (like employees and internal programs) and in the broader community.

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 a 50% credit.

To mitigate the increased costs for some customers, utility discount program income limits are increased in this legislation. It is expected that an additional 10,000 households will be eligible for discounted utility bills through this expansion.

2. Please attach any Racial Equity Toolkits or other racial equity analyses used to develop or assess this legislation.

3. What is the Language Access Plan for communicating with the public about this legislation?

There is no Language Access Plan for this legislation.

e. Climate change impacts:

1. Emissions: Will this legislation significantly increase or decrease carbon emissions? Attach any studies or materials that inform your answer.

No.

2. Resiliency: Will this legislation make Seattle more or less able to adapt to climate change? If it reduces resiliency, explain what can be done to lessen the impact.

No.

f. If this legislation creates a new program or expands an existing one, what are the long-term, measurable goals? How will this legislation help achieve those goals? What methods will be used to track progress?

N/A.

g. Does this legislation create a non-utility CIP that involves shared funding with a non-City partner or organization?

No.