

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to rates and charges for water services of Seattle Public Utilities; revising water rates and charges for master metered residential developments outside the City of Seattle and amending Seattle Municipal Code Chapter 21.04.440.D in connection therewith.

Summary of the Legislation: This legislation would add an additional rate category and rates for Master Metered Residential Developments (MMRD) in the City of Shoreline for customers that pay State Public Utility Tax (PUT) directly to the Department of Revenue. The existing category and rates for MMRD customers include recovery of costs for SPU to pay the PUT to DOR.

Background:

The Highlands is an existing MMRD retail customer, located in the City of Shoreline. Customers in this community pay residential rates under SMC 21.04.440.D. The Highlands is a nonprofit corporation and residential neighborhood with 154 houses and several common facilities that are billed as one entity. The Highlands maintains and owns the water distribution infrastructure within the MMRD and bills each of the 154 residences, its customers, separately. In April 2013, The Highlands resolved an audit by the Department of Revenue resulting in a finding that the Highlands was responsible for paying PUT on its water system revenues directly to the Department retroactively to 2009 (the “audit period”) and going forward.

Existing MMRD rates are structured to collect revenues for SPU to pay PUT directly to the Department of Revenue, i.e. SPU had also paid PUT to the Department on revenues it received from The Highlands for the same audit period. Following The Highland’s resolution with the Revenue Department, SPU received confirmation from the Department it could deduct revenues it receives from The Highlands from revenues on which it pays PUT to the Department. Based on the Revenue Department’s confirmation, SPU initiated a refund request with the Department for overpayments of PUT on revenue received from The Highlands. SPU also began deducting revenues received from The Highlands from the revenues on which it pays PUT in September 2013. The Department refunded PUT payments totaling \$68,332 to SPU in December 2013, covering SPU overpayments and interest from January 2009 through August 2013 relating to revenue it received from The Highlands.

Based on the above, it is necessary for SPU to establish a new rate category and rates to correct the amount of revenues it collects from MMRD customers that pay PUT directly to the Revenue Department. The attached legislation establishes these new rates, which are designed to collect the same amount of revenue as with the existing rates after all taxes are applied.

SPU will refund to The Highlands the amount of rates it has collected through rates to pay PUT to the State from January 2009 through the effective date of this ordinance. The total of all refunds to The Highlands is expected to be less than \$100,000.

X **This legislation has financial implications.**

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2014 Appropriation	2015 Anticipated Appropriation
TOTAL				

**See budget book to obtain the appropriate Budget Control Level for your department.*

Appropriations Notes:

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2014 Revenue	2015 Revenue
Water Fund 43000	SPU	Water Rates	-\$8,500	-\$16,000
TOTAL				

Revenue/Reimbursement Notes:

This legislation will reduce the water rates paid by The Highlands by the amount of PUT embedded into their current rates. The lower revenue associated with these rates will be offset by lower taxes paid, leaving SPU without harm.

There is no reimbursement in this legislation; however, this legislation is related to a tax status change of one of our customers, which results in a refund due to overpayment. The total refund amount will cover from January 2009 up to the effective date of the new rates plus interest, and is expected to total less than \$100,000.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
 No.

- b) What is the financial cost of not implementing the legislation?**
Without implementation SPU would be forced to track The Highlands revenue separately and continually refund overpayment. The dollar amount would be minimal but the administrative effort would be high.
- c) Does this legislation affect any departments besides the originating department?**
No.
- d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.
- e) Is a public hearing required for this legislation?**
No.
- f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.
- g) Does this legislation affect a piece of property?**
No.
- h) Other Issues:**

List attachments to the fiscal note below: