



2011-2012 DRAINAGE AND WASTEWATER FUND (DWF) RATE ISSUES

Seattle Public Utilities and Neighborhoods Committee (SPUNC) July 27, 2010

PROPOSED RATES, SERVICES, REVENUES, AND BILLS.

- Rates. A rate is the charge for each unit of service.
 - A 12.5% increase in drainage rate revenue is proposed for 2011. Due to allowances, credits and adjustments among customer categories, however, rate increases vary from 12.3% for a customer with a 3,000 to <5,000 sq.ft. residential property to 26.4% for a <3,000 sq.ft. residential property. Drainage rates for all customer groups are proposed to increase another 10.8% in 2012.
 - Average wastewater system rates are proposed to increase 4% in both 2011 and 2012.
 - Wastewater rates in the rate study do not include a recently adopted increase in 2011-2012 King County treatment rates. The King County increase will be part of a treatment rate pass-through ordinance to be considered later this year. The new treatment rate is estimated to increase wastewater rates an additional 9.4% above the 4% increase shown in the rate study (for a total increase of 13.4%).

- Rate Drivers. Rate increases would cover:
 - Increases in base costs for labor, Central City services, and state taxes.
 - An expanding capital program, largely focused on Clean Water Act compliance and flood control.
 - Increased operations and maintenance cost for a new water quality-focused street sweeping program, Clean Water Act compliance, flow monitoring in capacity-deficient areas, regional salmon planning dues, claims, and other activities.

- Rate Revenues.
 - Projected and proposed DWF rate revenue is:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
	\$242.8M	\$256.4M	\$268.2M

 - The proposed change in drainage rate revenue is:

	<u>2011</u>	<u>2012</u>
	\$7.4M	7.2M

 - The proposed change in wastewater rate revenue is:

	<u>2011</u>	<u>2012</u>
	\$6.2M	\$4.7M

- Bills. Bills are what customers pay based on the services they use. Effects on typical monthly bills vary for different types of customers, as shown in the example below:

		Adopted 2010	Proposed 2011	'10-'11 diff \$	'10-'11 diff %	Proposed 2012	'11-'12 diff \$	'11-'12 diff %
Single family	- drainage	\$17.17	\$19.37	\$2.20	12.8%	\$21.45	\$2.08	10.7%
	- wastewater	\$46.70	\$48.57	\$1.87	4%	\$50.49	\$1.92	4%
Convenience store	- drainage	\$41.56	\$47.94	\$6.38	15.4%	\$53.11	\$5.17	10.8%
	- wastewater	\$179.60	\$186.80	\$7.20	4%	\$194.20	\$7.40	4%
Supermarket	- drainage	\$597.08	\$688.75	\$91.67	15.4%	\$763.03	\$74.28	10.8%
	- wastewater	\$1,796	\$1,868	\$72.00	4%	\$1,942	\$74.00	4%

- **King County Treatment Rate and Bill Impacts.** Treatment rate increases are estimated to increase typical bills by 9.4% above the increases shown in the rate study. The effect on the typical single-family (SF) residential bill would be:

	Adopted 2010	SPU- Proposed 2011	2011 with KC increase	'11 diff with KC increase	SPU- Proposed 2012	2012 with KC increase	'12 diff with KC increase
Typical SF monthly bill							
wastewater	\$46.70	\$48.57	\$53.14	\$4.57	\$50.49	\$55.24	\$4.75
drainage	\$17.17	\$19.37	\$19.51	\$0.14	\$21.45	\$21.61	\$0.16

POTENTIAL ISSUES. The rate proposal incorporates many services that have been endorsed by past Council action. Given the continued effects of the recession, however, the Committee has expressed an interest in cost savings to reduce customer impacts. The Committee also has been interested in certain actions that would add cost, including new actions to improve General Subfund stability.

Issue 1. Reductions in proposed expenditures.

- CIP reductions:** Should certain capital projects that are not part of regulatory compliance (such as flooding projects) be delayed or eliminated to reduce costs?
- Performance audit staffing-related recommendations:** Could savings be achieved through reductions in overtime and other staffing costs, or accelerated Call Center efficiencies?
- Discretionary add-backs** Should certain activities (such as capacity planning) that were cut in response to revenue shortfalls be restored?

Issue 2. Change financial policies. Should a financial policy that requires the greatest revenue generation (cash to CIP, which is a “binding constraint”) be changed to moderate rate increases?

Issue 3. Low-income assistance. Does the rate proposal include the appropriate type and level of outreach to low-income customers?

Issue 4. Street sweeping. Should street sweeping for water quality be funded at this time?

Issue 5. Utility tax rate. Should a utility tax increase be considered to address General Subfund revenue shortfalls?

Issue 6. Mismatch of 2011-2012 rates and budget. During finalization of its 2011-2012 budget proposal, Seattle Public Utilities (SPU) identified significant increases in costs allocated the Drainage and Wastewater compared to the rate proposal. Should further cost reductions be made to align the budget with the rate proposal or should a higher rate increase be pursued to cover budgeted costs?

ITEMS FOR COMMITTEE ATTENTION.

Answers to initial Council rate questions were received too late to be fully incorporated into staff analysis. Topics addressed in those questions that deserve Committee discussion during this rate review, but may not drive a change in rates, include:

- Progress on key capital projects such as Madison Valley, the Alaskan Way Viaduct/ Seawall Replacement Project, Combined Sewer Overflow fixes, and South Park pumps.