Port of Seattle

COMMISSION
AGENDA MEMORANDUM

ACTION ITEM

Item No. 6c

Date of Meeting November 14, 2017

DATE: October 27, 2017

TO: Dave Soike, Interim Executive Director

FROM: Stephanie Jones Stebbins, Managing Director, Maritime Division and Director, Marine Stormwater Utility
Srini Pendikatla, Stormwater Utility Program Manager

SUBJECT: 2018 Marine Stormwater Utility Rates

ACTION REQUESTED

Request Commission authorization for the Executive Director to increase the Marine Stormwater Utility 2018 rates by 7.75 percent.

EXECUTIVE SUMMARY

The requested authorization will provide a 2018 rate structure to be adopted by the Marine Stormwater Utility, in support of utility obligations to protect stormwater and rehabilitate Port assets.

JUSTIFICATION

A rate increase at the proposed level of 7.75% allows for our capital program to move forward. This allows us to stay on track with our assessment of the overall system, maintain capital investments on our infrastructure and pursue green stormwater infrastructure pilot projects. Our rates will continue to be 12 to 15% below City rates.

DETAILS

The Marine Stormwater Utility was formed in 2014 to enable the Port to provide services, facilities, systems, and programs for surface water and stormwater management and pollution control. A benefit of Utility work is water quality protection in the Puget Sound. The Utility collects stormwater fees from the Port, Northwest Seaport Alliance (NWSA) and their tenants and reinvests the income into maintaining and upgrading the stormwater infrastructure. Prior to creating the utility, most of the stormwater fees paid by the Port and its tenants were diverted from the properties of the Port and its tenants to address City of Seattle priorities.

The Utility Charter included rates for 2015 through 2017. The rates apply to all Port-owned maritime property, which includes land managed by the NWSA. Tenants pay stormwater fees based on the area of their leaseholds. The stormwater fees for the remaining unleased land in a facility are paid by the operating business. The operating business is either the NWSA or the specific Port business (Economic Development, Maritime Operations, Cruise, etc.) that oversees the unleased property.

Scope of Work

All money collected by the Utility must be spent on stormwater expenses. To date, $1.7 million has been committed/spent on capital for equipment to get the Utility up and running. Additionally, approximately $5.7 million has been spent on expense activities, primarily performing the assessments to obtain baseline data, urgent repairs, and administrative costs in operating the Utility. Other efforts include billing and policy creation, and working with the City on the interlocal agreement. There is an additional $6 million committed for capital works through 2021, and about $7.5 million projected to complete the assessments by 2019, as well as additional administrative costs.

Four rate scenarios were considered for 2018 with the following criteria:

(1) Maintain adequate spending levels to meet the Port's Environmental Long Range Plan and Utility Charter responsibilities including rehabilitation of infrastructure and funding stormwater compliance program by 2020.
(2) Continue progress on Century Agenda Goal to complete Port-wide stormwater line assessments by end of 2019.
(3) Maintain 45 days of operations and maintenance expense cash reserve for financial prudency.

Schedule

Once approved by Commission, the 2018 rates will be adopted by the Utility effective January 1, 2018.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Increase rates by 4% consistent with the last 3 years and cut capital an average of 36.6% from the Capital Planning forecast annually through 2021.

Cost Implications: Projected revenue in 2018 will be $5,153,456 with a cash balance of $305,290 by 2021.

Pros:

(1) Full system assessments will be completed by the goal date of end of 2019.
(2) Increase at this level is expected by tenants and will likely result in minimal feedback.
(3) Port rates will be 16-20% lower than City drainage rates in 2018.

Cons:

(1) The current capital program will be funded at the bare minimum to complete current committed projects. The funding will be cut an average of 36.6% annually from current Capital Planning forecast through 2021.

(2) Stormwater compliance costs will deplete funds below the desired minimum cash reserve level and may need to be postponed past 2020.

This is not the recommended alternative.

Alternative 2 – Increase rates by 6% and cut capital an average of 32.5% from the Capital Planning forecast annually through 2021.

Cost Implications: Projected revenue in 2018 will be $5,252,561 with a cash balance of $437,310 by 2021.

Pros:

(1) Full system assessments will be completed by the goal date of end of 2019.

(2) Stormwater compliance costs will be fully funded by 2020.

(3) Port rates will be 15-17% lower than City drainage rates in 2018.

Cons:

(1) Funding for the current capital program will be cut by an average of 32.5% annually from current Capital Planning forecast allowing for $308,000 additional funding towards rehabilitation over the amount for current committed projects.

(2) Increase at this level will likely result in feedback from tenants.

This is not the recommended alternative.

Alternative 3 – Increase rates by 9.25% and cut capital an average of 22.8% from the Capital Planning forecast annually through 2021.

Cost Implications: Projected revenue in 2018 will be $5,413,606 with a positive cash balance of $442,343 by 2021.

Pros:

(1) Full system assessments will be completed by the goal date of end of 2019.

(2) Port rates will be 10-12% lower than City drainage rates in 2018.

(3) Stormwater compliance costs will be fully funded by 2020.

(4) Provides positive cash flow in 2021.

Cons:

(1) Funding for the current capital program will be cut by an average of 22.8% annually from current Capital Planning forecast allowing for $1.018 million additional funding towards rehabilitation over the amount for current committed projects.

(2) Increase at this level will likely result in feedback from tenants.

This is not the recommended alternative.

Alternative 4 – Increase rates by 7.75% and cut capital an average of 26.9%% from the Capital Planning forecast annually through 2021.

Cost Implications: Projected revenue in 2018 will be $5,339,278 with a positive cash flow of $442,328 by 2021.

Pros:

(1) Full system assessments will be completed by the goal date of end of 2019.
(2) Stormwater compliance costs will be fully funded by 2020.
(3) Port rates will be 12-15% lower than City drainage rates in 2018.

Cons:

(1) Funding for the current capital program will be cut by an average of 26.9% annually from current Capital Planning forecast allowing for $688,000 additional funding towards rehabilitation over the amount for current committed projects.
(2) Increase at this level will likely result in feedback from tenants.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Future rate adjustments will be determined from the maintenance and capital project portfolios to be created using the assessment data.

ATTACHMENTS TO THIS REQUEST

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None