



**COMMISSION**  
**AGENDA MEMORANDUM**

**Item No.** 8a

**ACTION ITEM**

**Date of Meeting** October 27, 2020

**DATE:** September 24, 2020

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Sandra Kilroy, Director, Maritime Environment & Sustainability; Director, Marine Stormwater Utility  
Srini Pendikatla, Program Manager, Marine Stormwater Utility

**SUBJECT: Adoption of 2021 Marine Stormwater Utility Rates**

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to set 2021 Marine Stormwater Utility rates with an increase of 3 percent.

**EXECUTIVE SUMMARY**

The requested authorization will provide a 2021 rate structure to be adopted by the Marine Stormwater Utility, in support of utility obligations to protect water quality, rehabilitate Port of Seattle stormwater assets, and support property managers and tenants in compliance with stormwater permit conditions. The proposed rate is a 3 percent increase from 2020. This rate is lower than previously forecasted due to the impact of COVID-19 and adjustments to capital project work.

**JUSTIFICATION**

A rate increase at the proposed level of 3 percent allows the utility to improve water quality to meet the Port's Century Agenda environmental goals by:

1. meeting all regulatory requirements;
2. investing in streamlining processes to improve efficiency and reduce costs of meeting obligations; and
3. maintaining significant level of investment to rehabilitate the stormwater system and increasing the performance of the system to protect water quality in the Puget Sound.

**DETAILS**

The 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. The utility collects stormwater fees from the Port of Seattle, Northwest Seaport Alliance (NWSA), and tenants and reinvests the income into maintaining and upgrading the stormwater infrastructure. Prior to creating the utility, the stormwater fees paid by the Port and its tenants to the City of Seattle were used to address city priorities and not stormwater needs at Port

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facilities. , Benefits of utility work include water quality protection in the Puget Sound as well as providing stormwater infrastructure that better supports our tenants stormwater investments.

The utility rates apply to all Port-owned maritime (non-aviation) 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 at 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. Rates are set to recover the cost of operation and maintenance.

The Port marine stormwater utility rates continue to be on average 16% lower than the City stormwater rates.

By statute, utility rates need to be approved annually by the Commission. Last year we projected a need for an 8.2% increase in 2021. Because of work deferred due to COVID-19 and a capital project delay pending the tenant need, the utility has more in assets than anticipated and is able to carry out its work with a smaller rate increase than previously anticipated. The recommendation is for a 3% increase.

### ***Scope of Work***

The utility completed a full system assessment to obtain baseline conditions of the existing stormwater infrastructure at the end of 2019. Over 60 urgent repairs of stormwater infrastructure have been completed since 2016, reducing hazards and allowing the conveyance system to function properly, which benefits overall water quality. Twenty-one tide gates have been installed preventing the flow of tidal waters into the conveyance system, which is both a safety and an infrastructure improvement. Other completed work includes administrative efforts for policy creation, billing, and assisting tenants and Port business units to comply with stormwater regulations.

Several capital projects have been completed to replace poorly functioning stormwater infrastructure and to purchase large equipment (CCTV truck, vacuum truck) that supports this work. In 2020, the utility began work on a strategic plan, soliciting feedback from internal Port and external tenant stakeholders, and hosting a two-day workshop with 20 Port participants. The strategic plan, to be completed in 2021, will establish a vision and mission for the utility while guiding the work of the utility over the next five years.

All revenue collected by the utility is separate from the Port's general funds and must be spent on or for the benefit of the Port stormwater system. The utility does not generate a profit and operates on a cost recovery model from the utility fees. To respond to impacts of the COVID-19 pandemic, the utility reduced expense work to the minimum regulatory requirements. In addition, a change in tenant need for a capital project postponed \$2 million in capital work. These actions increased the cash reserve in 2020 from an original forecast of \$700,000 to a

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revised forecast of \$2.5 million. The original forecast provided to Commission in 2019 called for an annual 8.2% increase through 2023. With these savings, the utility is able to propose a smaller rate change (as provided in the alternatives section below) while performing a similar level of work in 2021 as in the original 2020 budget.

The projected expense and capital budgets in 2021 total approximately \$7 million, which will be used to:

- Perform system assessments to monitor known conditions and be proactive in asset management, i.e. monitor and repair before failure;
- Repair damaged stormwater pipes and infrastructure;
- Perform required regulatory stormwater management activities such as catch basin inspections and sweeping;
- Perform additional stormwater management activities, that enhance water quality protection, such as dock cleaning and plaza washing;
- Evaluate and implement innovations such as green stormwater infrastructure;
- Conduct analysis for and develop climate change/stormwater adaptation and resilience plans;
- Implement technology to support mobile field inspection solutions;
- Implement funding for Illicit Discharge Detection and Elimination investigations, spill cleanup and reporting, and streamline current procedures;
- Complete the current capital program portfolio including the Terminal 18 outfall renewal and replacement project (delayed due to COVID-19 and tenant schedule); and
- Cover operational and administrative expenses including staff costs, utility taxes and Port allocations.

### ***Rate Criteria***

The following criteria were used in considering the proposed 2021 rate:

- (1) Maintain adequate budget to meet all stormwater regulatory requirements and the Port's Environmental Long-Range Plan and Utility Charter responsibilities including rehabilitation of stormwater infrastructure.
- (2) Continue adequate funding to maintain and improve a high functioning stormwater system to benefit the water quality of the Puget Sound.
- (3) Build toward a six-month operations and maintenance expense reserve by 2023 for financial prudence consistent with Port policy and best practices.

### ***Schedule***

Once approved by the Commission, the 2021 rates will be adopted by the utility effective January 1, 2021. The utility will notify tenants of the upcoming rate change following adoption. Tenants can dispute billing fees at any time by contacting utility staff. A decision will be made within 60 days of receipt of the dispute.

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**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Increase rates by 0%

Cost Implications: Projected revenue in 2021 will be \$6.3 million.

Pros:

- (1) No increased impact to tenants in 2021 alleviating some burden with an uncertain economic future.

Cons:

- (1) Highest average projected rate change path over the next five years, estimated at an overall rate increase average of 4.88%, with an estimated flat rate 6.1% increase between 2022 and 2025.
- (2) Increased impact to tenants, NWSA and Port business units in future years than preferred alternative due to anticipated higher rate changes of 6.1% starting in 2022.

***This is not the recommended alternative.***

**Alternative 2** – Increase rates by 4.1%

Cost Implications: Projected revenue in 2021 will be \$6.56 million.

Pros:

- (1) Lowest average projected rate change path over the next five years, projecting an average of 4.1% increase, estimated at a flat 4.1% change through 2025.
- (2) Consistent projected rate change over the next five years allows customers to better plan for budget changes.

Cons:

- (1) Higher fees in 2021 that can burden tenants, NWSA and Port business units as they grapple with economic impacts associated with COVID-19 and uncertain recovery.

***This is not the recommended alternative.***

**Alternative 3** – Increase rates by 3%

Cost Implications: Projected revenue in 2021 will be \$6.5 million.

Pros:

- (1) Limits impact to tenants, NWSA and Port business units in 2021 with modest increase in rates.
- (2) Consistent projected rate change of 4.6% from 2022 to 2025 allows customers to better plan for budget changes.

Cons:

- (1) Second highest average projected rate change path over the next five years, projecting an average of 4.28%, estimated at a flat 4.6% change between 2022 and 2025.

***This is the recommended alternative.***

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**FINANCIAL IMPLICATIONS**

All revenue collected by the utility is separate from the Port’s general funds and must be spent on or for the benefit of the Port stormwater system. The proposed rate increase has several positive implications including:

- Maintain funding for critical stormwater infrastructure improvements,
- Build a six-month reserve as sound fiscal policy consistent with standard Port procedure,
- Reduce operating costs funded by the Port by funding all stormwater related maintenance activities from business units and select tenants, and
- Keep stormwater utility rates lower than the City of Seattle.

**ADDITIONAL BACKGROUND**

The utility maintains a separate accounting fund, known as the stormwater utility fund, to conduct all business. This fund is separate from the Port general funds and cannot be used for any purpose other than administering, operating, maintaining, and improving the Port’s stormwater system. The utility may borrow money from the Port funds as needed, provided that such funds are paid back in full to the originating funds.

**ATTACHMENTS TO THIS REQUEST**

- (1) Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

October 8, 2019 – The Commission approved Marine Stormwater Utility Rates for 2020.

October 9, 2018 – The Commission approved Marine Stormwater Utility Rates for 2019.

November 14, 2017 – The Commission approved Marine Stormwater Utility Rates for 2018.

November 18, 2014 – Commission approved Resolution No. 3696, as amended, Authorizing Stormwater Utility Formation, included utility rates for 2015 through 2017.