



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 10b

**ACTION ITEM**

**Date of Meeting** September 14, 2021

**DATE:** August 27, 2021

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

**FROM:** Jon Sloan, Interim Director, Maritime Environment & Sustainability  
Jane Dewell, Senior Manager, Marine Stormwater Utility  
Srini Pendikatla, Program Manager, Marine Stormwater Utility

**SUBJECT:** Adoption of 2022 Marine Stormwater Utility Rates

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to set 2022 Marine Stormwater Utility rates with an increase of 4.6 percent.

**EXECUTIVE SUMMARY**

The requested authorization will provide a 2022 rate structure to be adopted by the Marine Stormwater Utility (Utility), in support of Utility obligations to protect water quality, rehabilitate Port of Seattle (Port) stormwater assets, and support property managers and tenants in compliance with stormwater permit conditions. The proposed rate is a 4.6 percent increase from 2021. This rate is in line with the previous forecast presented to commission on October 27, 2020.

**JUSTIFICATION**

A rate increase at the proposed level of 4.6 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 regulatory obligations; and
3. maintaining significant level of investment to rehabilitate the stormwater system and increase 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 (City) were used to address City priorities and not stormwater needs at

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Port facilities. Benefits of Utility work include water quality protection in the Puget Sound as well as providing stormwater infrastructure that better supports Port 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 Utility rates continue to be on average 20-25 percent lower than the City stormwater rates pending final adoption of City rates by the City Council later this year.

The Utility rates are approved annually by the Commission. The Utility advisory committee reviews and approves rate recommendations before final Commission approval. Projections last year showed a need for a 4.6 percent increase in 2022 which is the recommended change.

### ***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-five 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 (e.g., closed-circuit television 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 Utility completed the strategic plan in 2021 that is the culmination of effort by staff, stakeholders and customers to establish a vision and mission for the Utility to prioritize our work for the next five years. This plan is intended to help better serve customers and ensure a resilient Utility while supporting the Maritime industry. There are six goals with 17 strategies each with specific tasks to support the guiding principles defined in the mission and vision statements.

The projected expense and capital budgets in 2022 total approximately \$7 million, which will be used to:

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- 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;
- Implement technology to support mobile field inspection solutions;
- Create dashboard for real-time data analysis of Stormwater Infrastructure Asset Management System (SIAMS)
- Create scoring matrix including equity, diversity and inclusion considerations to prioritize infrastructure work
- Implement year 2 of the strategic plan;
- Complete the current capital program portfolio including pipe rehabilitation and drainage improvements; 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 2022 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. Maintain a six-month operations and maintenance expense reserve for financial prudence consistent with Port policy and best practices.
4. Maintain consistent rate over the 5-year projection

***Schedule***

The Utility advisory committee reviewed and approved the rate recommendation in early August 2021. This committee consists of Port and NWSA operations leaders, real estate/property management leaders and Port finance leaders. The Utility does not explicitly seek external input, consistent with other public drainage utilities, but relies on the committee's expertise. The public notice for Commission approval effectively seeks public input similar to the City Council approval process for municipal utilities. If approved by the Commission, the 2022 rates will be adopted by the Utility effective January 1, 2022. The Utility will notify tenants of the upcoming rate change following adoption. Tenants can dispute billing

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fees at any time by contacting Utility staff. A decision will be made within 60 days of receipt of the dispute.

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Increase rates by 3 percent, the same rate change as for 2021

Cost Implications: Projected revenue in 2022 will be \$6.67M

Pros:

- (1) Lowest impact to tenants, NWSA and Port business units in 2022 than preferred alternative.
- (2) Continue lower rate to support economic recovery.

Cons:

- (1) Higher average rate change path over the next five years compared to preferred alternative, projecting an average of 5.2 percent, estimated at 6.5 percent between 2023 and 2025 and 3.5 percent in 2026 to meet increased capital spending in 2025.
- (2) Not a consistent annual change which may make it more difficult for customers to budget.

This is not the recommended alternative.

**Alternative 2** – Increase rates by 4.6 percent per 2020 forecast to Commission

Cost Implications: Project revenue in 2022 will be \$6.77M

Pros:

- (1) Lowest average rate change path over the next five years, projecting an average of 4.6 percent, estimated at 4.6 percent annually through 2026.
- (2) Steady projected rate change over the next five years, consistent with 2020 forecast, allows customers to better plan for budget changes.

Cons:

- (1) Slightly higher fees for tenants, NWSA and Port business units in 2022 than alternative.

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

**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.

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**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) Marine Stormwater Utility Strategic Plan 2021-2025
- (2) Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS** [\*\[For information and examples, follow this link.\]\*](#)

- October 27, 2020 – The Commission approved Marine Stormwater Utility Rates for 2021.
- 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.