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COMMISSION

AGENDA MEMORANDUM Item No. 8o

ACTION ITEM Date of Meeting November 14, 2023

DATE: October 18, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Stephanie Jones Stebbins, Maritime Managing Director; Director, Marine Stormwater Utility

Sarah Ogier, Director, Maritime Environment & Sustainability

Jane Dewell, Sr. Manager Environmental Programs/Marine Stormwater Utility

SUBJECT: Adoption of 2024 Marine Stormwater Utility Rate Increase

Amount of this request: \$0

Total estimated project cost: \$0

ACTION REQUESTED

Request Commission authorization for the Executive Director to set 2024 Marine Stormwater Utility rates with an 8.0% increase from 2023.

EXECUTIVE SUMMARY

The requested authorization will provide a 2024 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 an 8.0% increase from 2023 as advised by the Utility Rate Advisory Committee. This rate increase will help ensure the Utility is able to fund regulatory requirements and rehabilitation projects, including projected capital improvements, over the next 5 years.

JUSTIFICATION

The Stormwater Utility is a self-funded program responsible for maintaining all Port of Seattle Maritime property stormwater assets and ensuring properties comply with all relevant stormwater regulations. Cost for these services continue to increase with regional inflation and also due to the increasing complexity in stormwater regulations in Washington State. Additionally, a few substantial capital improvements are on the immediate horizon increasing demand on this limited utility revenue stream. A rate increase at the proposed level of 8.0% allows the Utility to improve water quality to meet the Port's Century Agenda environmental goals by:

1. Meeting or exceeding stormwater regulatory requirements;

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2. Investing in streamlining processes to improve efficiency and reduce costs of meeting regulatory obligations; and
3. Maintaining significant level of investment to rehabilitate and increase the performance of the stormwater 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 that 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 priority stormwater needs at Port facilities. Benefits of Utility work include water quality protection in the Puget Sound as well as 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 Utility operation and maintenance and support future capital improvements. The City's utility rates, reflected in City Resolution 32000 (signed May 13, 2021), continue to be on average 21% higher than the Port's stormwater rates.

The Port's Stormwater Utility rates are approved annually by the Commission. The Utility's internal Rate Advisory Committee reviews and validates rate recommendations for Commission consideration and approval. The advisory committee has recommended an 8.0% increase in 2024. This would ensure the Utility budget is sufficient to address stormwater regulatory obligations and asset improvement projects.

The 2023 stormwater utility rates and proposed rates with 8.0% increase are shown in the table, below.

Utility Rate Category	2023	Proposed 2024
Undeveloped (0-15%)		
Regular	\$43.13	\$46.58
Low Impact	\$25.25	\$27.27
Light (16-35%)		
Regular	\$66.69	\$72.03
Low Impact	\$52.46	\$56.65

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Utility Rate Category 2023 Proposed 2024

Medium (36-65%)

Regular \$96.87 \$104.61

Low Impact \$77.92 \$84.15

Heavy (66-85%) \$129.97 \$140.37

Very Heavy (86-100%) \$153.73 \$166.03

Scope of Work

The Utility completed a full system assessment to obtain baseline conditions of the existing stormwater infrastructure at the end of 2019. As of mid-2023, over 75 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-eight 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 to update policies that guide Utility work, refine the billing system, and provide support to tenants and Port business units to comply with stormwater regulations. Several capital projects were completed to replace poorly functioning stormwater infrastructure and to purchase large equipment (e.g., closed-circuit television truck, vacuum truck, grout truck) that support this work. In 2021, the Utility completed its first strategic plan, which included feedback from Port, NWSA, and external tenant stakeholders. The Strategic Plan memorializes a vision and mission for the Utility to prioritize our work for five years (2021-2025). This plan is intended to help better serve customers and ensure a resilient Utility while supporting the Maritime industry. There are six goals with strategies and specific tasks to support the guiding principles defined in the mission and vision statements.

The projected expense and capital budgets in 2024 total approximately \$8.6M, which will be necessary to:

- Perform system assessments to monitor known conditions and be proactive in asset management;
- 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 two to three green or innovative stormwater treatment systems;
- Use on-line technology to support and document field inspections;
- Refine dashboard for real-time data reports of Stormwater Infrastructure Asset Management System;
- Apply scoring matrix including equity, diversity and inclusion considerations to prioritize infrastructure work;
- Implement year 4 of the strategic plan;

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- Participate in Port-wide planning and research for in-depth climate change/resilience study that includes stormwater infrastructure;
- 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 2024 rate:

1. Maintain adequate budget to meet or exceed stormwater regulatory requirements, 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 6-month fund reserve for financial prudence consistent with Port policy and best practices.
4. Maintain a consistent rate increase over the 5-year projection, striving for a smooth rate profile to avoid future steep rate hikes and maintain stable funding for the program.

Schedule

The Utility Rate Advisory Committee reviewed and validated the rate recommendation in October 2023. This committee consists of Port and NWSA operations, real estate, property management and finance leaders. The Utility does not explicitly seek external input, consistent with other public drainage utilities, but relies on the committee's expertise to reflect customer needs and priorities. The public notice for Commission approval seeks public input similar to the Seattle City Council approval process for municipal utilities. If approved by the Commission, the 2024 rates will be adopted by the Utility effective January 1, 2024. The Utility notifies tenants in December of the upcoming rate change following adoption. Tenants can dispute billing fees by contacting Utility staff, and a decision would be made within 60 days of receipt of the dispute.

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

Alternative 1 – Increase rates by 9.5%

Cost Implications: Projected revenue in 2024 will be \$7.8M

Pros:

- (1) Builds greater fund balance to support unexpected repairs and future planned capital projects in next 5 years as compared to the recommended alternative.
- (2) Funds critical capital investments to meet Century Agenda goals and exceed regulatory requirements.

Cons:

- (1) Higher 2024 financial impact to tenants, NWSA and Port business units than recommended alternative, with average of 9.5% increase over next 5 years.

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(2) Higher fees for customers in 2024 than were enacted during the COVID-19 pandemic (2021-2023).

(3) Falls below the 6-month reserve balance for a less than a week in 2024.

This is not the recommended alternative.

Alternative 2 – Increase rates by 8.0%

Cost Implications: Projected revenue in 2024 will be \$7.6M

Pros:

- (1) Enables lower average rate change over the next 5 years, projecting an average of 8.0% through 2028 to conduct project stormwater work and maintain recommended fund reserve balance.
- (2) Lower financial impact in 2024 to tenants, NWSA and Port business units.
- (3) Steady projected rate change of 8.0% over the next five years allows customers to better plan for budget changes.
- (4) Funds critical capital investments to meet Century Agenda goals and exceed regulatory requirements.

Cons:

- (1) Builds a lower fund balance for future planned capital projects than Alternative 1.
- (2) Higher fees for customers in 2024 than were enacted during the COVID-19 pandemic (2021-2023).
- (3) Falls below the 6-month reserve balance for less than a week in 2024.

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 program. The proposed rate increase has several positive implications including:

- Maintain funding for critical stormwater infrastructure improvements,
- Support a 6-month fund reserve as sound fiscal policy consistent with standard Port procedure (except for a short period in 2024), and
- Reduce operating costs funded by Port business units and tenants by funding stormwater related maintenance activities.

**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.

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**ATTACHMENTS TO THIS REQUEST**

(1) Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- October 25, 2022 – The Commission approved Marine Stormwater Utility Rates for 2023.
- September 14, 2021 – The Commission approved Marine Stormwater Utility Rates for 2022.
- 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.

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