

Ordinance No. 122518

Council Bill No. 115999

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: _____

Richard Conlin

Councilmember

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

Committee Action:

^(E)
9/25/07 passed to substitute version 1
2-0 y/c Conlin, Clark

9/25/07 passed substitute version 1
2-0 y/c Conlin, Clark

10-1-07 Passed 8-0 (Excused: McIver)

CF No. _____

| | | |
|------------------------------|-------------------------|--|
| Date Introduced: | 9-4-07 | |
| Date 1st Referred: | To: (committee) | <i>Economic Development and Neighborhoods</i> |
| Date Re - Referred: | To: (committee) | |
| Date Re - Referred: | To: (committee) | |
| Date of Final Passage: | Full Council Vote: 8-0 | |
| Date Presented to Mayor: | Date Approved: 10-11-07 | |
| Date Returned to City Clerk: | Date Published: 5 | T.O. _____ F.T. <input checked="" type="checkbox"/> |
| Date Vetoed by Mayor: | Date Veto Published: | |
| Date Passed Over Veto: | Veto Sustained: | |

EEMU

This file is complete and ready for presentation to Full Council. Committee: RC 9/25/07
(initial/date)

LAW DEPARTMENT

Law Dept. Review

OMP Review

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ORDINANCE 122518

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

WHEREAS, the wastewater volume rate was last increased on January 1, 2007, as authorized by Ordinance 122292; and

WHEREAS, Seattle Public Utilities (SPU) has identified wastewater infrastructure needs requiring capital funding, including combined sewer overflow projects at Windermere and South Henderson and utility relocation and replacement work necessitated by the Alaskan Way Viaduct and Seawall Replacement Project; and

WHEREAS, SPU has completed a rate study showing that existing wastewater volume rates will not provide sufficient revenues to pay debt service and the costs of providing wastewater services; and

WHEREAS, proposed new drainage rates, consistent with Resolution 30886, fund a portion of the combined sanitary and storm sewer expenses, including some wastewater treatment expenses, which are currently funded entirely by wastewater rates revenue; and

WHEREAS, credits for qualified low-income customers not billed directly by SPU for water or wastewater services are based on typical residential bills, and credits for such customers need to be revised to reflect changes in the wastewater volume rate; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection 21.28.040 B of the Seattle Municipal Code is amended as follows:

21.28.040 Wastewater volume charge.

* * * * *

B. The wastewater volume rate shall be the sum of the treatment rate, the system rate and, where applicable, the MMRD surcharge, as follows:



1
2 1. Treatment rate: The "treatment rate" shall be the rate required to pay the wastewater share of
3 "treatment cost" which is the cost of wastewater treatment, interception and disposal services
4 ((provided by King County)) and any associated costs required to meet Drainage and Wastewater
5 Fund financial policies. ~~((("treatment cost"). Effective January 1, 2005, the treatment rate shall be~~
6 ~~\$4.72 per CCF. For rates effective January 1, 2007 and thereafter, Seattle Public Utilities shall~~
7 ~~calculate annually a new treatment rate.))~~ The ~~((new))~~ treatment rate shall be the amount obtained
8 when (a) the projected wastewater treatment cost is divided by (b) the projected billed
9 wastewater consumption, each for the next calendar year, and ~~((b))~~ the result is multiplied by
10 one hundred sixteen and seven-tenths percent (116.7%) to cover the costs of taxes and low
11 income rate assistance. The projected treatment cost shall be the treatment cost anticipated for
12 the upcoming calendar year, which ~~((projected treatment cost))~~ may include an adjustment to
13 reflect the difference, whether positive or negative, between the total expected treatment cost
14 ~~((expected to be paid by Seattle Public Utilities in))~~ for the current year and the total wastewater
15 volume charge revenues attributable to the treatment rate expected for the current year. ~~((No~~
16 ~~later than October 1 of each year, Seattle Public Utilities shall submit a written report of the~~
17 ~~proposed treatment rate for the following year and its effect on the total wastewater volume rate~~
18 ~~to the Chair of the Environment, Emergency Management and Utilities Committee. Such~~
19 ~~treatment rate shall be effective the following January 1, unless otherwise directed by~~
20 ~~ordinance.))~~ The treatment rate is designed to pass through cost changes driven by King County
21 and may be adjusted by ordinance at any time in response to such changes.

22
23 2. System rate: The "system rate" shall be the rate required to pay the cost of carrying and
24 discharging all wastewater and any wastewater funded-share of stormwater into the City
25 sewerage system, as presently maintained and operated and as may be added to, improved and
26 extended. ~~((The system rate shall be in accordance with the following schedule:~~



1 ~~Effective Date Rate per CCF~~
2 ~~((January 1, 2004 \$1.68))~~
3 ~~((January 1, 2005 \$1.86))~~
4 ~~January 1, 2006 \$2.04))~~
5

6 3. The wastewater volume rate shall be in accordance with the following schedule:

| | Effective Jan. 1, 2007 | Effective Jan. 1, 2008 | Effective Jan. 1, 2009 |
|--------------------------|---------------------------|---------------------------|---------------------------|
| 7 Treatment Rate | \$5.41 | \$5.22 | \$5.24 |
| 8 System Rate | \$2.04 | \$2.53 | \$2.86 |
| 9 Wastewater Volume Rate | \$7.45 | \$7.75 | \$8.10 |

10
11
12 ~~((3-))~~ 4. MMRD Surcharge: Master metered premises with an eligible project (as defined in
13 Seattle Municipal Code Section 21.04.280) that have received funding from Seattle Public
14 Utilities for sewer improvements under Seattle Municipal Code Section 21.16.270 B shall pay a
15 volume rate for sewer improvements of \$3.34 per CCF.

16
17 * * * * *

18 Section 2. Subsection 21.76.040 A of the Seattle Municipal Code is amended as follows:

19
20 **21.76.040 Utility low income rate assistance.**

21 A. Drainage, Wastewater, and Water. Persons qualified by the Human Services Department as
22 eligible recipients of low income utility credits provided for in Section 21.76.010 (eligible
23 recipients) shall be granted low income billing credits in the following amounts:
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1. Wastewater. Eligible recipients billed directly by Seattle Public Utilities for wastewater services and residing in single-family dwellings shall receive a credit equal to 0.5 times the total current wastewater volume charge~~((billing))~~. Eligible recipients not billed directly by Seattle Public Utilities for wastewater services shall receive the following credits based on dwelling type:

| Effective Date | Single-family and duplex | Multifamily dwelling |
|------------------------------|------------------------------|--------------------------------|
| ((January 1, 2005 | \$17.12 per month | \$11.52 per month)) |
| January 1, 2007 | \$19.37 per month | \$13.41 per month |
| <u>January 1, 2008</u> | <u>\$20.15 per month</u> | <u>\$13.95 per month</u> |
| <u>January 1, 2009</u> | <u>\$21.06 per month</u> | <u>\$14.58 per month</u> |

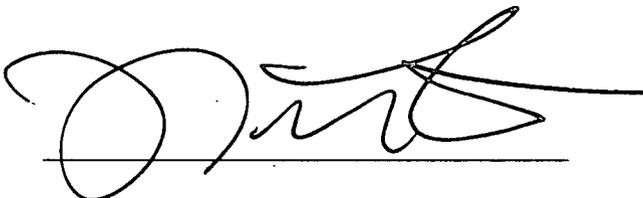
At the time of a change to the wastewater volume rate~~((charge))~~ described in SMC 21.28.040, the Director of Seattle Public Utilities shall calculate new credits based on dwelling type for eligible recipients not billed directly by Seattle Public Utilities. The credit for Single-family and duplex customers shall be 0.5 times the wastewater volume rate~~((charge))~~ multiplied by 5.2 CCF, which is typical single family residential sewer billed consumption. The credit for Multifamily dwelling customers shall be 0.5 times the wastewater volume rate~~((charge))~~ multiplied by 3.6 CCF, which is typical multifamily sewer billed consumption.



* * * * *

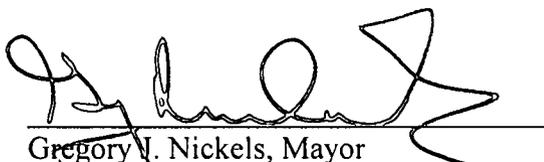
Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 1st day of October, 2007, and signed by me in open session in authentication of its passage this 1st day of October, 2007.



President _____ of the City Council

Approved by me this 11th day of October, 2007.



Gregory J. Nickels, Mayor

Filed by me this 11th day of October 2007



City Clerk

(Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

| Department: | Contact Person/Phone: | DOF Analyst/Phone: |
|--------------------------|------------------------------|---------------------------|
| Seattle Public Utilities | Leanne Galati 684-0455 | John McCoy 615-0768 |

Legislation Title:

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

• **Summary of the Legislation:**

This ordinance adopts 2008 and 2009 wastewater rates and adjusts the low-income assistance credits for wastewater customers.

- **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

Wastewater rates were last raised on January 1, 2007. The costs of wastewater services are supported by rates charged to wastewater customers. These rates are set in accordance with financial policies adopted by the City Council. The Utility has completed a rate study showing that existing rates will not provide sufficient revenues to fund planned infrastructure investment and new operating programs to be implemented during 2008 and 2009 including combined sewer overflow projects at Windermere and South Henderson and preliminary utility relocation and replacement work at the Alaskan Way Viaduct. Rate increases in 2008 and 2009 are required to pay these additional costs.

A complete description of the 2008-2009 rate proposal is contained in the 2008-2009 Drainage/Wastewater Rate Study.

- *Please check one of the following:*

This legislation does not have any financial implications. *(Stop here and delete the remainder of this document prior to saving and printing.)*

This legislation has financial implications. *(Please complete all relevant sections that follow.)*

Appropriations: *This table should reflect appropriations that are a direct result of this legislation. In the event that the project/ programs associated with this ordinance have*



appropriations that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below.

| Fund Name and Number | Department | Budget Control Level* | 2007 Appropriation | 2008 Anticipated Appropriation |
|-----------------------------|-------------------|------------------------------|---------------------------|---------------------------------------|
| | | | | |
| TOTAL | | | | |

**See budget book to obtain the appropriate Budget Control Level for your department.*

Notes: No appropriations required by this legislation.

Anticipated Revenue/Reimbursement: Resulting From This Legislation: *This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.*

| Fund Name and Number | Department | Revenue Source | 2007 Revenue | 2008 Revenue |
|------------------------------------|--------------------------|-----------------------------|---------------------|---------------------|
| Drainage and Wastewater Fund 44010 | Seattle Public Utilities | Wastewater Utility Services | \$0 | \$6,464,716 |
| TOTAL | | | \$0 | \$6,464,716 |

Notes: The 2008-2009 Drainage/Wastewater Rate Study also proposes new 2009 wastewater rates, which will increase 2009 revenues by an additional \$4,578,966.



Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE

Impact: *This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below the table.*

| Position Title and Department* | Fund Name | Fund Number | Part-Time/ Full Time | 2007 Positions | 2007 FTE | 2008 Positions** | 2008 FTE** |
|--------------------------------|-----------|-------------|----------------------|----------------|----------|------------------|------------|
| | | | | | | | |
| | | | | | | | |
| TOTAL | | | | | | | |

* List each position separately

** 2008 positions and FTE are total 2008 position changes resulting from this legislation, not incremental changes. Therefore, under 2008, please be sure to include any continuing positions from 2007.

Notes: *Not applicable to this legislation.*

- **Do positions sunset in the future?** *(If yes, identify sunset date):*

Spending/Cash Flow: *This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.*

| Fund Name and Number | Department | Budget Control Level* | 2007 Expenditures | 2008 Anticipated Expenditures |
|----------------------|------------|-----------------------|-------------------|-------------------------------|
| | | | | |
| TOTAL | | | | |

* See budget book to obtain the appropriate Budget Control Level for your department.

Notes: *Not applicable to this legislation.*

- **What is the financial cost of not implementing the legislation?** *(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)*
- The Drainage and Wastewater Fund would not fully recover the cost of its business operations.
- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** *(Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)*

Not raising the rates at this time would result in the Drainage and Wastewater Fund failing to recover the cost of its operations in accordance with its financial policies. Alternatively, the Fund could meet its financial policies without raising rates by cutting the cost of its operations by the amounts shown above; however, this would result in an inability to pay for basic operations or make important investments in the system.

- **Is the legislation subject to public hearing requirements:** *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)*

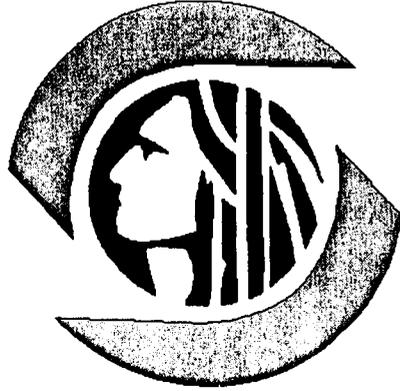
No.

- **Other Issues** *(including long-term implications of the legislation):*

None.

Please list attachments to the fiscal note below:

Attachment 1: Seattle Public Utilities 2008-2009 Drainage/Wastewater Rate Study.



**Seattle Public Utilities
2008-2009
Drainage/Wastewater Rate Study**

JULY 2007

Attachment 1 to Fiscal Note



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I. EXECUTIVE SUMMARY

The Drainage and Wastewater Utility provides wastewater and stormwater management services to residences and businesses in the City of Seattle. It is supported almost entirely by utility fee revenue. For drainage, Seattle Public Utilities ("SPU") charges City of Seattle property owners fees based on property characteristics contributing to stormwater runoff. The drainage fee appears as a line item on King County property tax bills. For wastewater, SPU collects charges based on metered water usage via the SPU combined utility bill. The wastewater rate consists of a system component, set to recover SPU expenses, and a treatment component, set to recover payments to King County and Southwest Suburban Sewer District, whose facilities treat the wastewater conveyed by SPU's system.

Drainage and wastewater rates were last increased on January 1, 2007, when drainage rates were increased by 5.7 percent and wastewater rates were increased by 10.2 percent. The wastewater rate increase was the result of an increase in the King County wastewater treatment rate for 2007.

Beginning in 2008, a percentage of the costs associated with the combined stormwater and wastewater system ("Combined System"), previously assigned solely to wastewater, will be recovered through drainage rates in order to recognize that a portion of these costs support the drainage system. This change results in drainage rates being split into a system rate and a treatment rate.

Rate increases for both drainage and wastewater will be necessary in 2008 *and* 2009 for the Drainage/Wastewater Fund (DWF) to fund increasing operating and capital expenses, which are required to address significant needs for both systems. Cash and debt financing of new capital projects is a major driver of rates for both drainage and wastewater. Some of the major capital programs proposed for 2008 and 2009 are:

- Madison Valley (Long Term Solution);
- South Park Storm Drainage/Water Quality Study;
- Thornton Creek Water Quality Channel;
- Windermere & South Henderson CSO;
- MLK/Norfolk Storm Improvement/Water Quality Study; and
- Utility relocation and replacement necessitated by the Alaskan Way Viaduct and Seawall Replacement Project.

Another major factor impacting both drainage and wastewater rates is the implementation of the new drainage rate design methodology, conceptually approved by Mayor and Council in 2006. The new rate design, which will increase equity among SPU drainage and wastewater customers, will affect expense and rates in two ways:

1. The Combined System cost shift will result in an increase to drainage expense and a decrease to wastewater expense.
2. Several changes to the drainage rate structure will impact the relative amount paid by different classes of drainage customers but will not increase overall drainage expense.

Further details on the components of the new rate design and their impact on rates are found in Section IV, Drainage Cost Allocation/Rate Design.



The total projected DWF direct service rate revenue requirement is \$218.2 million in 2008 and \$230.1 million in 2009. In order to satisfy these revenue requirements, the average monthly residential drainage bill will need to increase by \$2.09 in 2008 and \$2.01 in 2009. Also, the average monthly residential wastewater bill will require an increase of \$1.66 in 2008 and \$1.77 in 2009. See Appendix B for a comparison of nominal and real rates for drainage and wastewater from 1989 to 2007.

The proposed rate increases will result in DWF meeting or exceeding all DWF financial policy targets in 2008 and 2009. Table I-1 presents the annual revenue requirements and the monthly impact of the proposed fees for different drainage customers and the average residential wastewater customer.

**Table I-1
Proposed 2008/2009 Revenue Requirement and Impact on Typical Bills**

| | 2007 Projected | 2008 Proposed | | 2009 Proposed | |
|---------------------------------------|-------------------|---------------|---------------------|---------------|---------------------|
| | | | Change from 2007 | | Change from 2008 |
| Revenue Requirement | | | | | |
| Drainage | \$39,205,512 | \$51,378,688 | \$12,173,176 | \$58,805,945 | \$7,427,257 |
| Wastewater | \$159,976,874 | \$166,846,760 | \$6,869,886 | \$171,317,517 | \$4,470,757 |
| Total DWF | \$199,182,386 | \$218,225,448 | \$19,043,062 | \$230,123,462 | \$11,898,014 |
| Typical Monthly Drainage Bills | | | | | |
| Average Residential | \$11.83 | \$13.92 | \$2.09 | \$15.93 | \$2.01 |
| Convenience Store (8,700 sq. ft.) | \$26.42 | \$35.68 | \$9.26 | \$40.84 | \$5.16 |
| Supermarket (125,000 sq. ft) | \$379.06 | \$512.03 | \$132.97 | \$586.05 | \$74.02 |
| Wastewater | | | | | |
| Rate per CCF | | | | | |
| Treatment | \$5.41 | \$5.22 | (\$0.19) | \$5.24 | \$0.02 |
| System | \$2.04 | \$2.55 | \$0.51 | \$2.87 | \$0.32 |
| Total | \$7.45 | \$7.77 | \$0.32 | \$8.11 | \$0.34 |
| Average Monthly Residential Bill | \$38.74 | \$40.40 | \$1.66 | \$42.17 | \$1.77 |
| Percentage of MHI | | | | | |
| Median Drainage Bill | 0.28% | 0.34% | | 0.37% | |
| Median Wastewater Bill | 0.79% | 0.80% | | 0.81% | |

Table I-1 Notes:

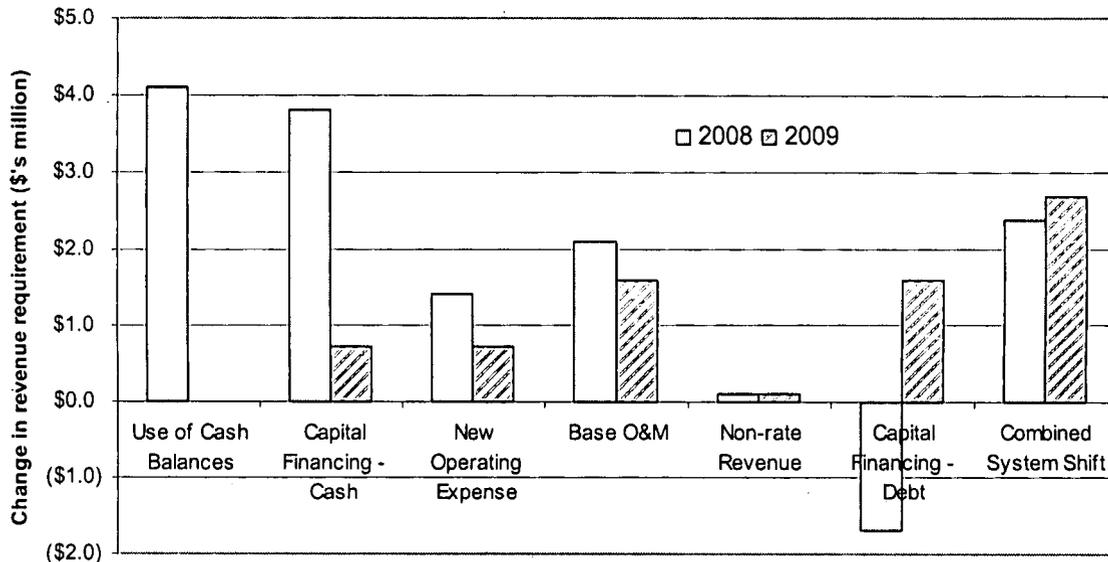
- 1) Wastewater and drainage revenue requirements, rates, and bill impacts assume no change in the King County treatment rate; however, King County is projecting an 18 percent increase in its 2009 treatment rate.
- 2) Wastewater revenue includes industrial surcharge.
- 3) The drainage treatment rate component represents 2.3 percent of the typical bill amounts in 2008 and 3.9 percent in 2009.
- 4) Average monthly Residential wastewater bill based on 5.2 ccf per month. Median wastewater bill based on 4.5 ccf per month.
- 5) Percentage of MHI represents the median annual Residential bill divided by the Seattle annual median household income. This represents a measure of affordability for residential customers.



DRAINAGE RATE DRIVERS

Figure I-1 summarizes the changes in 2008 and 2009 drainage revenue requirement by rate driver. The 2009 amounts represent incremental changes to 2008.

**Figure I-1
2008-2009 Drainage Rate Drivers**



The following is a brief description of the drainage rate drivers:

- Use of Cash Balances.** The proposed 2008 drainage rates produce higher net cash revenue in order to restore drainage cash balances, expected to be drawn down in 2007, to the targeted level in 2008¹. This results in an increase to the revenue requirement of \$4.1 million. The 2009 change in net cash revenue is zero.
- Capital Financing - Cash.** The proposed 2008 drainage rates assume a \$3.8 million increase in drainage cash financing of CIP from 2007 to 2008. This is being driven by an increase in the 2008 drainage CIP. In 2009 further increases in the CIP result in an increase in cash financing of CIP of \$0.7 million.
- New Operating Expense.** SPU is proposing a \$1.4 million increase in the 2008 drainage revenue requirement to fund expanded and/or new operations programs and meet regulatory requirements. An incremental \$0.7 million increase is projected for 2009. See Tables III-5 and III-6 for additional detail.
- Base Operations and Maintenance (O&M) Expense.** 2008 Operations and Maintenance expense for current programs increases by \$2.1 million with about \$0.9 million of this increase due to cost allocation updates which shift costs from wastewater to drainage. The remaining increase is largely due to additional baseline adjustments and inflation. In 2009, O&M for current programs increases by \$1.6

¹ Net cash revenue is equal to total cash revenue less total cash expense. Positive net cash revenue will increase year end cash balances. Negative net revenue will reduce cash balances. A change in net cash revenue from one rate period to the next will cause a corresponding change in the revenue requirement.

million, due primarily to inflation and the impact on DWF of dissolving the Engineering Services Fund.²

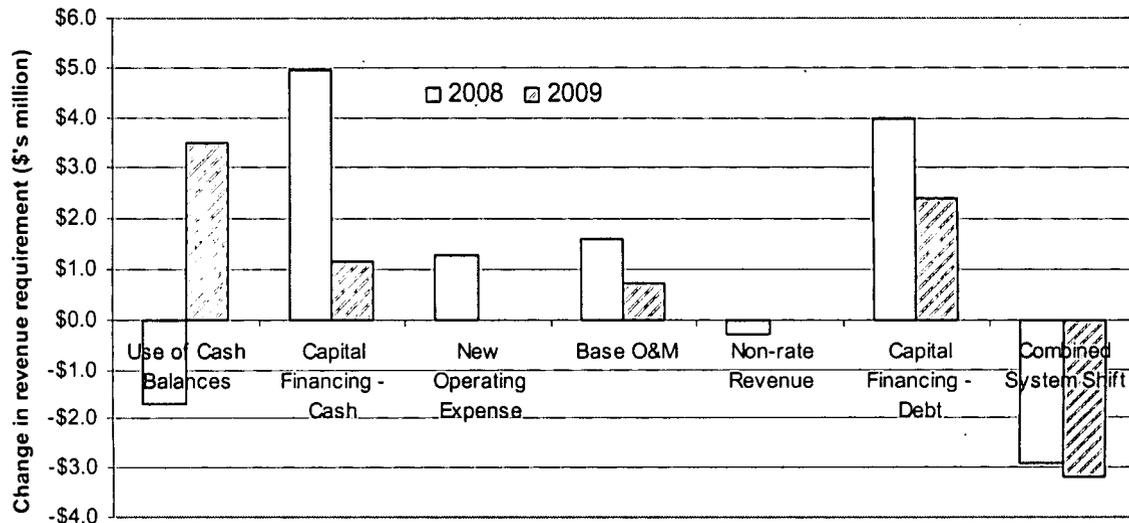
- **Non-Rates Revenue.** The net impact of non-rates revenue items is an increase of \$0.1 million in both 2008 and 2009.
- **Capital Financing – Debt.** Drainage debt service decreases by \$1.7 million in 2008 which is the net impact of a \$2.8 million decrease in the drainage share of existing DWF debt service and \$1.1 million increase in drainage debt service as a result of a projected April 2008 revenue bond issue. The decrease in the drainage share of existing DWF debt service is due to a change in methodology for assigning debt service between drainage and wastewater (see “Capital Financing Expense” in Section III of this study for details). Drainage debt service increases by \$1.6 million in 2009, primarily due to the projected 2008 and 2009 bond issues.
- **Combined System Cost Shift.** A portion of the combined system (combined sewer overflow structures and sewer pipes in combined areas) supports the drainage system. These costs, as well as treatment costs for wastewater/stormwater flows originating from the combined system, previously were assigned entirely to wastewater. This rate proposal initiates the sharing of Combined System costs (operation and maintenance, wastewater treatment, and capital) by phasing in one-sixth of the allocation of these costs in 2008. This shift from wastewater increases the 2008 drainage revenue requirement by \$2.4 million. The 2009 drainage revenue requirement continues the phase-in of Combined System cost allocation by assuming an additional one-sixth (for a total of two-sixths) shift from wastewater to drainage, increasing the 2009 revenue requirement by \$2.7 million.

² SPU is proposing to dissolve the Engineering Services Fund (ESF) within the next two years. ESF continues to carry a deficit, projected to be -\$2.5M at the end of 2007. DWF's estimated share of this deficit is about one-third. The 2009 revenue requirement includes DWF repaying its share of the ESF deficit.

WASTEWATER RATE DRIVERS

Figure I-2 summarizes the changes in 2008 and 2009 wastewater revenue requirement by rate driver. The 2009 amounts represent incremental changes to 2008.

Figure I-2
2008-2009 Wastewater Rate Drivers



The following is a brief description of the wastewater rate drivers:

- Use of Cash Balances.** The 2007 wastewater year-end cash balance is projected to be above the targeted cash balance. This excess cash will be used to fund 2008 expenses, thus decreasing required rates funding of the 2008 wastewater revenue requirement by \$1.7 million. In 2009, wastewater revenues must increase by \$3.5 million to generate net cash revenue sufficient to fund expenses and build cash balances back up to meet year-end cash targets³.
- Capital Financing - Cash.** As a result of a \$9.0 million increase in the wastewater CIP and an increase in the percentage of CIP cash financed from 34.0 to 36.5 percent, wastewater cash financing increases by \$5.0 million from 2007 to 2008. In 2009, additional CIP spending and a slightly higher percentage of CIP cash financing results in a \$1.1 million increase in the wastewater revenue requirement.
- New Operating Expense.** SPU is proposing a \$1.3 million increase in the 2008 wastewater revenue requirement to fund critical programs to address wastewater system maintenance and monitoring needs. In 2009 additional 2009 field resource needs are offset by lower I-SCADA system costs. See Tables III-5 and III-6 for more detail.
- Base Operations and Maintenance (O&M) Expense.** 2008 O&M for current programs increases due to inflation and baseline adjustments. These increases are partially offset by decrease in base O&M due to the cost allocation shift from wastewater to drainage. The net effect is an increase of \$1.6 million in revenue

³ Net cash revenue is equal to total cash revenue less total cash expense. Positive net cash revenue will increase year end cash balances. Negative net revenue will reduce cash balances. A change in net cash revenue from one rate period to the next will cause a corresponding change in the revenue requirement.

requirement. In 2009 the net change in revenue requirement is an increase of \$0.7 million. This increase is primarily due to inflation and the impact of dissolving the Engineering Services Fund⁴, offset partially by lower expensed CIP.

- **Non-Rates Revenue.** A one-time 2007 item decreases the rates revenue requirement by \$0.3 million in 2008. The 2009 net change in non-rates revenue is zero.
- **Capital Financing – Debt.** The wastewater revenue requirement increases by \$4.0 million due to the combined effect of a \$1.2 million increase in overall debt service (as a result of the April 2008 bond issue) and a \$2.8 million increase in the wastewater portion of debt service due to a revision in the methodology for assigning debt service between drainage and wastewater (see “Capital Financing Expense” in Section III of this study for details). In late 2009 SPU expects to issue new DWF revenue bonds, which combined with a full year impact of the 2008 bond issue, increases the 2009 wastewater revenue requirement by \$2.4 million.
- **Combined System Cost Shift.** Shifting one-sixth of the allocation of combined system costs to drainage decreases the 2008 wastewater revenue requirement by \$2.9 million. The 2009 wastewater revenue requirement continues the phase-in of combined system cost allocation by assuming a two-sixths shift from wastewater to drainage. The impact of an additional one-sixth shift in 2009 decreases the wastewater revenue requirement by \$3.2 million.

⁴ SPU is proposing to dissolve the Engineering Services Fund (ESF) within the next two years. ESF continues to carry a deficit, projected to be -\$2.5M at the end of 2007. DWF's estimated share of this deficit is about one-third. The 2009 revenue requirement includes DWF repaying its share of the ESF deficit.

Table I-2 shows projected DWF financial performance under this rate proposal. The financial policy objectives for DWF are discussed in Section II (Financial Policies).

**Table I-2
Drainage and Wastewater Fund Financial Summary**

| | 2006 Actual | 2007 Projected | 2008 Proposed | 2009 Proposed |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating Revenue | | | | |
| Wastewater Service | | | | |
| Wastewater Rate Revenue | \$146,354,067 | \$158,420,066 | \$165,303,459 | \$169,795,662 |
| High Strength Industrial Surcharge | \$1,177,532 | \$1,556,808 | \$1,543,300 | \$1,521,847 |
| Drainage Rate Revenue | \$36,988,217 | \$39,205,512 | \$51,378,689 | \$58,805,940 |
| Other Charges | | | | |
| Permit Fees | \$1,473,722 | \$1,547,408 | \$1,547,408 | \$1,547,408 |
| Other | \$838,874 | \$852,096 | \$883,624 | \$916,318 |
| Total Operating Revenue: | \$186,832,412 | \$201,581,890 | \$220,656,481 | \$232,587,176 |
| Operating Expenses | | | | |
| Operating and Maintenance Expenses | | | | |
| Wastewater Treatment | \$89,838,976 | \$98,565,065 | \$98,109,932 | \$97,834,654 |
| Other Operating Expenses | \$56,391,300 | \$50,290,800 | \$56,378,797 | \$59,221,351 |
| Taxes Other Than City Taxes | \$2,253,946 | \$2,398,302 | \$2,852,823 | \$3,107,130 |
| Other Expenses | | | | |
| City Taxes | \$21,918,828 | \$23,721,618 | \$25,946,503 | \$27,337,732 |
| Depreciation | \$16,140,687 | \$17,607,691 | \$18,507,691 | \$19,007,691 |
| Total Operating Expenses: | \$186,543,737 | \$192,583,476 | \$201,795,747 | \$206,508,558 |
| Net Operating Income: | \$288,675 | \$8,998,414 | \$18,860,733 | \$26,078,618 |
| Other Income (Expenses) | | | | |
| Investment and Interest Income | \$1,832,876 | \$2,241,673 | \$3,065,759 | \$2,069,278 |
| Interest Expenses and Amortization of Debt Issue Costs and Net Discount | (\$13,651,988) | (\$13,631,700) | (\$17,846,635) | (\$19,448,211) |
| Other Income, Net | \$64,810 | \$0 | \$0 | \$0 |
| Total Other Income (Expenses): | (\$11,754,302) | (\$11,390,027) | (\$14,780,876) | (\$17,378,933) |
| Capital and Operating fees, Contributions, and Grants | \$12,437,780 | \$3,752,579 | \$2,231,569 | \$2,231,569 |
| Net Income (Loss) | \$972,153 | \$1,360,966 | \$6,311,427 | \$10,931,254 |
| Revenue Available for Debt Service | \$44,966,071 | \$52,569,396 | \$66,380,687 | \$74,493,319 |
| Debt Service | \$18,843,059 | \$18,672,763 | \$23,681,023 | \$28,268,758 |
| Debt Service Coverage | 2.39 | 2.82 | 2.80 | 2.64 |



II. FINANCIAL POLICIES

The City of Seattle operates an integrated storm and sanitary sewerage system. Although funded through separate rate structures, the City's stormwater ("drainage") and sanitary sewer ("wastewater") systems share common infrastructure, administrative and maintenance services, debt financing, and financial budgeting and reporting systems.

SPU finances the acquisition, operation, and maintenance of Seattle's drainage and wastewater system through the Drainage and Wastewater Enterprise Fund (DWF). An enterprise fund functions like a self-supporting business which must generate operating revenues, predominantly through user charges (or "rates"), which are sufficient to cover all operating costs and meet financial policy targets. Separate drainage and wastewater service charges, or rates, are the source of most DWF revenues. Non-rate revenues include permit fee revenue, operating grants, capital grants, and contributions in aid of construction (CIAC). These non-rate revenues reduce the amount of revenue that must be recovered through rates.

Financial policies provide a guiding framework for DWF finances. The policies help determine how much revenue DWF must collect from its customers each year to remain financially healthy while meeting its financial obligations. In addition, financial policies:

- Shape the financial profile that DWF presents to lenders and other members of the financial community;
- Establish DWF's exposure to financial risk; and
- Allocate DWF's costs between current and future ratepayers.

DWF financial policies were adopted by City Council in 2003 by Resolution 30612. To mitigate the impact of these requirements on rates, the resolution provided for a gradual increase in the achievement of cash-related targets by identifying interim targets, with the expectation that all targets would be met by 2007. For purposes of this rate study, the interim targets no longer apply and the full financial policy targets are in effect.

Table II-1 summarizes DWF's financial policies, discusses their importance, and identifies the financial policy targets.

**Table II-1
Summary of DWF Financial Policies**

| Parameter | Importance | DWF Target |
|-----------------------|---|--|
| Debt Service Coverage | A higher debt service coverage ratio means that more "excess" revenue is available after debt payments are made. This reduces financial risk and provides more flexibility to respond to unanticipated needs or revenue shortfalls. | 1.80 times |
| Debt-to-Asset Ratio | This ratio provides an indicator of how reliant an organization is on debt in order to finance its infrastructure. A high ratio suggests less flexibility, as a greater portion of each year's revenues is used to repay debt. | No more than 70% |
| Cash-Financing of CIP | This policy 1) helps to prevent a rapid increase in debt levels, and 2) limits the escalation in the debt-to-assets ratio. | Minimum of 25% by 2007 (four year rolling average) |

| Parameter | Importance | DWF Target |
|-----------------------|---|--|
| Year-End Cash Balance | Cash reserves are important to ensure bills are paid on time, and they can be used to respond to unanticipated needs or revenue shortfalls. | One month wastewater treatment expense |
| Net Income | Positive net income is a contingency against projection errors and uncertainties regarding revenues. It is also a signal to bond rating agencies that the City is committed to establishing drainage fees that cover costs. | Generally Positive |
| Variable Rate Debt | A cap on variable rate debt balances the advantages of lower interest costs with the risk of unexpected increases in interest rates. | No more than 15% of total debt |

Table II-2 presents DWF actual and projected performance of financial policy targets from 2005 to 2009.

**Table II-2
DWF Financial Policy Performance 2005-2009**

| Policy | Target | 2005 Actual | 2006 Actual | 2007 Projected | 2008 Proposed | 2009 Proposed |
|-----------------------|--------------------|-------------|-------------|----------------|---------------|---------------|
| Net Income | Generally Positive | \$1.0 M | \$1.0 M | \$1.4 M | \$6.3 M | \$10.9 M |
| Debt Service Coverage | 1.8x | 2.71 x | 2.39 x | 2.82 x | 2.80 x | 2.64 x |
| Cash Balance Year End | 1 Month Treatment | \$8.9 M | \$16.6 M | \$11.3 M | \$8.2 M | \$8.2 M |
| Cash Financing of CIP | 25% | 24.6 % | 17.7 % | 25.0 % | 25.0 % | 25.0 % |
| Debt-to-Asset Ratio | <=70% | 54 % | 56 % | 56 % | 62 % | 65 % |
| Variable Rate Debt | <=15% | 0 % | 0 % | 0 % | 0 % | 0 % |

DWF met or exceeded all interim targets in 2005 and 2006 and expects to meet 2007-2009 adopted financial policy targets. The next DWF revenue bond issue is projected for April 2008.



Financial policy targets are directed toward overall DWF financial performance. No formal, separate policy targets have been adopted for the drainage program or for the wastewater program. In theory, each line of business would contribute equally to meeting the DWF financial targets. That is, both drainage and wastewater would: a) finance 25 percent (or the applicable interim target) of its respective CIP program with cash; and b) pay a share of the DWF year end cash balance target equal to its proportional share of total DWF operating expenses. In practice, however, SPU may meet financial targets by balancing revenue requirements and rate changes between wastewater and drainage. Table II-3 provides a look at each line of business' cash balance and cash financing of the CIP under the current rate proposal assumptions. 2007 wastewater cash in excess of the target is projected to be utilized in 2008 via an increase in the percent cash financing of CIP. Given the increased drainage CIP requirements, SPU has assumed different cash financing of CIP percents for drainage and wastewater in order to help mitigate overall drainage rate increases.

**Table II-3
DWF Cash Financing and Cash Balance Summary
By Line of Business**

| (in 1,000's) | 2006 Actual | 2007 Projected | 2008 Proposed | 2009 Proposed |
|--------------------------|----------------|-------------------|------------------|------------------|
| Drainage | | | | |
| Year End Cash Balance | \$4.6 | \$1.0 | \$1.0 | \$1.0 |
| Cash Financing of CIP \$ | \$3.7 | \$3.3 | \$6.8 | \$7.7 |
| % of Drainage CIP | 20% | 16% | 17% | 17% |
| Wastewater | | | | |
| Year End Cash Balance | \$11.9 | \$10.3 | \$7.2 | \$7.2 |
| Cash Financing of CIP \$ | \$3.3 | \$7.3 | \$11.1 | \$11.3 |
| % of WW CIP | 16% | 34% | 37% | 38% |
| Fund | | | | |
| Year End Cash Balance | \$16.6 | \$11.3 | \$8.2 | \$8.2 |
| Cash Financing of CIP \$ | \$7.0 | \$10.6 | \$17.9 | \$19.0 |
| DWF CIP | \$39.4 | \$42.3 | \$71.4 | \$76.1 |
| % of DWF CIP | 18% | 25% | 25% | 25% |

Table II-3 Notes:

- 1) Year End Cash balance is forecasted by line of business for financial planning purposes. The Drainage and Wastewater Operating Fund does not separate cash transactions by line of business. Therefore, line of business "actual" year-end cash is estimated based on service revenues and expense allocations.
- 2) Cash Financing of CIP amounts do not include associated taxes.
- 3) Percent of CIP includes financing from rate revenue, capital grants, and other contributions in aid of construction.



III. REVENUE REQUIREMENTS

The revenue requirement is the minimum amount of operating revenue required to simultaneously meet cash funding requirements and financial policy targets related to net income, cash balances, cash financing of the CIP, and debt service coverage. The component requiring the greatest amount of revenue generation (cash expenses or one of the financial policy requirements) is termed the "binding constraint." For this 2008 and 2009 rate proposal, the binding constraint was the sum of cash required to meet year-end cash balance and CIP cash financing targets. In addition, cash financing of CIP is projected to meet the DWF fund target of 25 percent in 2008 and 2009. The rates revenue requirement is equal to the total revenue requirement necessary to meet the binding constraint, less any non-rates revenues. Drainage and wastewater service fees (or "rates revenues") typically account for over 95 percent of drainage and wastewater revenues. Non-rate drainage revenues include permit fees, miscellaneous operating revenues, interest income, operating grants, capital grants, and contributions in aid of construction (CIAC). Assuming constant demand, rate increases are required to fund increases in the revenue requirement from one rate setting period to the next.

Tables III-1 and III-2 summarize the components of change in the drainage and wastewater revenue requirement from 2007 to 2009. The top sections of these tables present the components of expense which make up the total revenue requirement. The bottom section of the table presents other sources of funding which reduce the amount of expense which must be recovered through direct service rates.



**Table III-1
Components of the Change in the Drainage Revenue Requirement**

| (\$ millions) | 2007 Rev Req | 2008 Rev Req | 2008 \$ Change | 2009 Rev Req | 2009 \$ Change |
|---|-----------------|-----------------|-------------------|-----------------|-------------------|
| Expense | | | | | |
| O&M | | | | | |
| Base O&M | \$28.2 | \$30.3 | \$2.1 | \$31.9 | \$1.6 |
| New Operating Expense | \$0.0 | \$1.4 | \$1.4 | \$2.1 | \$0.7 |
| Total | \$28.2 | \$31.7 | \$3.5 | \$34.0 | \$2.3 |
| Capital Financing | | | | | |
| Cash | \$3.8 | \$7.6 | \$3.8 | \$8.3 | \$0.7 |
| Debt Service | \$13.9 | \$12.2 | (\$1.7) | \$13.8 | \$1.6 |
| Total | \$17.7 | \$19.8 | \$2.1 | \$22.1 | \$2.3 |
| Total Revenue Requirement | \$45.9 | \$51.5 | \$5.6 | \$56.1 | \$4.6 |
| Other Funding Sources | | | | | |
| Non-Rates Revenue | (\$2.6) | (\$2.5) | \$0.1 | (\$2.4) | \$0.1 |
| Cash Balance | (\$4.1) | \$0.0 | \$4.1 | \$0.0 | \$0.0 |
| Total | (\$6.7) | (\$2.5) | \$4.2 | (\$2.4) | \$0.1 |
| Net Rates Rev Req Before Combined System Shift | \$39.2 | \$49.0 | \$9.8 | \$53.7 | \$4.7 |
| Combined System | \$0.0 | \$2.4 | \$2.4 | \$5.1 | \$2.7 |
| Net Rates Rev Req After Combined System Shift | \$39.2 | \$51.4 | \$12.2 | \$58.8 | \$7.4 |

Table III-1 Notes:

All line items include the tax impact associated with increasing or reducing the revenue requirement. For example, the 2008 projected pre-tax change in new operating expense is \$1.2 million while the change in the new operating expense revenue requirement presented in the Table III-1 is \$1.4 million. The difference of \$0.2 million is equal to the revenue taxes which must be paid on the additional revenue required to fund an additional \$1.4 million in operating expense.



**Table III-2
Components of the Change in the Wastewater Revenue Requirement**

| (\$ millions) | 2007 Rev Req | 2008 Rev Req | 2008 \$ Change | 2009 Rev Req | 2009 \$ Change |
|---|-----------------|-----------------|-------------------|-----------------|-------------------|
| Expense | | | | | |
| O&M | | | | | |
| Base O&M | \$143.6 | \$145.2 | \$1.6 | \$145.9 | \$0.7 |
| New Operating Expense | \$0.0 | \$1.3 | \$1.3 | \$1.4 | \$0.0 |
| Total | \$143.6 | \$146.5 | \$2.9 | \$147.3 | \$0.7 |
| Capital Financing | | | | | |
| Cash | \$8.4 | \$13.4 | \$5.0 | \$14.5 | \$1.1 |
| Debt Service | \$14.0 | \$18.0 | \$4.0 | \$20.4 | \$2.4 |
| Total | \$22.4 | \$31.4 | \$9.0 | \$34.9 | \$3.5 |
| Total Revenue Requirement | \$166.0 | \$177.9 | \$11.9 | \$182.2 | \$4.2 |
| Other Funding Sources | | | | | |
| Non-Rates Revenue | (\$5.2) | (\$5.5) | (\$0.3) | (\$5.5) | \$0.0 |
| Cash Balance | (\$2.4) | (\$4.1) | (\$1.7) | (\$0.6) | \$3.5 |
| Total | (\$7.6) | (\$9.6) | (\$2.0) | (\$6.1) | \$3.5 |
| Net Rates Rev Req Before Combined System Shift | \$158.4 | \$168.3 | \$9.9 | \$176.1 | \$7.7 |
| Combined System | \$0.0 | (\$2.9) | (\$2.9) | (\$6.1) | (\$3.2) |
| Net Rates Rev Req After Combined System Shift | \$158.4 | \$165.4 | \$7.0 | \$170.0 | \$4.5 |

Table III-2 Notes:

- 1) All line items include the tax impact associated with increasing or reducing the revenue requirement. For example, the 2008 projected pre-tax change in new operating expense is \$1.1 million while the change in the new operating expense revenue requirement presented in the Table III-1 is \$1.3 million. The difference of \$0.2 million is equal to the revenue taxes which must be paid on the additional revenue required to fund an additional \$1.3 million in operating expense.
- 2) Total Net Rates revenue requirement does not include industrial surcharge.

The following is a more detailed description of the components of change in the revenue requirement.

OPERATIONS AND MAINTENANCE (O&M)

The drainage and wastewater O&M revenue requirement includes a portion of DWF shared administrative expense, as well as direct operating expense associated with managing sanitary sewer and stormwater programs (i.e., regulatory oversight, community outreach and education) and aggressive maintenance of system infrastructure. As operating expenses are budgeted for the DWF as a whole and not by line of business (drainage or wastewater), operating expenses must be assigned to each line of business in order to establish separate revenue requirements



for rate-setting purposes. The factors used to assign expense between the two lines of business are periodically updated which can result in changes in the share of expense paid by either drainage or wastewater.

Base O&M Expense

The base O&M for 2008 is assumed to equal the spending required to support operations and maintenance functions budgeted under the 2008 Endorsed Budget, including any adjustments identified to date. Base O&M does not include debt service which is discussed under capital financing.

Drainage

In this rate proposal, base drainage O&M increases in 2008 by \$2.1 million due to the following factors:

- An increase of \$0.9 million in drainage's allocation of shared drainage and wastewater expense due to changes made to cost allocation factors to more accurately reflect recent staff effort (see "Allocation Revision in Detail" below).
- An increase of \$0.9 million for general inflation.
- An increase in G&A credit of \$0.6 million (which decreases the revenue requirement).
- An increase of \$0.6 million for baseline adjustments and other costs. (See Table III-5).
- An increase of \$0.3 million in taxes associated with the overall change in base O&M.

The 2009 base drainage O&M increases by \$1.6 million, due primarily to inflation and the impact of dissolving the Engineering Services Fund.

Wastewater

The 2008 wastewater O&M expenses for current programs increases by \$1.6 million due to the following factors:

- A decrease of \$0.9 million due to the changes made to labor-based allocation factors (see "Allocation Revision in Detail" below).
- An increase of \$0.9 million for general inflation.
- An increase in G&A credit of \$0.2 million (which decreases the revenue requirement).
- An increase of \$1.0 million for baseline adjustments and other costs. (See Table III-5).
- An increase of \$0.4 million in taxes associated with the overall change in base O&M.

The 2009 base wastewater O&M increases \$0.7 million. This is primarily due to inflation increases and the impact of dissolving the Engineering Services Fund. These increases are partially offset by a decrease in expensed CIP.

Allocation Revision in Detail

Operating expenses are budgeted for the DWF as a whole and not by line of business (drainage or wastewater). Consequently, operating expenses must be assigned to each line of business in order to establish separate revenue requirements for rate-setting purposes.



SPU has developed a series of factors to assign cost, by budget activity, to drainage and to wastewater.

The DWF budgeted O&M expenses include both line-of-business-specific expenses (e.g., water quality monitoring or wastewater treatment), as well as shared administrative and business support expense. Shared expenses are assigned to each line of business based on prior period actual direct labor expense or on management estimate (where labor expense is not appropriate).

As part of the current rate study, SPU reviewed the existing labor-based cost assignment factors and adjusted them based on 2006 actual spending. While some branches saw increases in the drainage share, the net cost shift as a result of this update was from drainage to wastewater.

Table III-3 presents a summary of 2008 cost assignment changes by branch.

Table III-3
Change in Drainage Share of DWF Base O&M Spending
(\$1,000s)

| Program | Total DWF | 2008 Drainage | | Change |
|---------------------------------|-----------------|-----------------|-----------------|----------------|
| | | (2005 Base) | (2006 Base) | |
| Customer Service | \$7,132 | \$1,316 | \$1,329 | \$13 |
| Director's Office | \$1,531 | \$706 | \$677 | (\$29) |
| Engineering Services | \$2,707 | \$2,499 | \$2,254 | (\$245) |
| Field Operations | \$13,163 | \$5,856 | \$6,058 | \$202 |
| Finance & Administration | \$5,894 | \$2,708 | \$2,597 | (\$111) |
| G&A Credit | (\$4,372) | (\$2,227) | (\$2,364) | (\$137) |
| Science, Sustainability & Wshed | \$4,141 | \$3,594 | \$3,720 | \$126 |
| SPU General Expenses | \$8,999 | \$4,189 | \$3,907 | (\$282) |
| Utility Systems Mgmt | \$6,385 | \$2,715 | \$2,819 | \$104 |
| Total Drainage | \$45,582 | \$21,356 | \$20,997 | (\$359) |

The change in allocation based on 2006 actual data shifts \$0.4 million from drainage to wastewater.

In the 2007 drainage rate study, a similar update in allocation resulted in a \$2.3 million shift from wastewater to drainage. SPU policy caps intra-fund changes at \$1 million per fund per year. Any change in excess of this amount is carried forward to the next year(s). This policy assists in smoothing budgetary impacts of significant cost assignment shifts which may be the result of temporary spending anomalies. In the 2007 drainage rate study SPU applied this same policy to revisions in cost assignment between drainage and wastewater and assumed that \$1.0 million of the total \$2.3 million shift from wastewater to drainage was applied in 2007. The remaining \$1.3 million shift to drainage was targeted to be netted against other cost allocation revisions in 2008.

The net effect of the current allocation shift of \$0.4 million from drainage to wastewater and the 2007 \$1.3 million cost allocation carryover from wastewater to drainage is a \$0.9 million cost shift to drainage which is reflected in 2008 drainage and wastewater revenue requirements. As a result, the entire \$1.3 million carryover from the 2007 study has been accounted for in the development of the 2008 revenue requirements.



Appendix C provides more detailed information on the cost assignment process.

Table III-4 presents proposed 2008 and 2009 O&M spending increases by source.

**Table III-4
Proposed Changes in Base O&M Expenditures
(\$ in millions)**

| | 2008 Drainage Increase | 2008 WW Increase | 2009 Incremental Drainage Increase | 2009 Incremental WW Increase |
|--|------------------------------|------------------------|---|---------------------------------------|
| Base O&M | | | | |
| Drainage/Wastewater Allocation Revisions | \$0.9 | (\$0.9) | \$0.0 | \$0.0 |
| Inflation | \$0.9 | \$0.9 | \$1.0 | \$1.1 |
| Change in G&A Credit | (\$0.6) | \$0.2 | (\$0.2) | \$0.2 |
| Baseline Adjustments/Miscellaneous | \$0.6 | \$1.0 | \$0.6 | (\$0.8) |
| Taxes | \$0.3 | \$0.4 | \$0.2 | \$0.2 |
| Total Change in Revenue Requirement | \$2.1 | \$1.6 | \$1.6 | \$0.7 |

Table III-5 summarizes 2008 DWF O&M baseline adjustments.

**Table III-5
Proposed 2008 Baseline Adjustments
Operations and Maintenance Expense
(\$1,000s)**

| Item | Description | Total DWF |
|--|---|----------------|
| Customer Service | Additional funds consistent with the Memorandum of Agreement with Seattle City Light for CCSS. Also includes additional funds for 5.0 new FTEs in the Call Center and increased postage costs for customer bills. | \$234 |
| Diversity/RSJ/ Environmental Justice | Funds to provide Race & Social Justice training to all SPU employees, to support various diversity efforts in the department, and to support environmental justice activities in the community. | \$56 |
| Information Technology | Funds to cover increasing software compliance costs, maintenance of new applications, and after-hours support for critical IT infrastructure (network, servers) and critical applications (Maximo, GIS). | \$75 |
| Financial Audit | Additional funds for the increased contract amount with SPU's external auditor. On an annual basis, an outside firm conducts an audit of SPU's financial statements and purveyor statements. | \$16 |
| West Nile Virus | This funds SPU's Catch Basin Mosquito Control program, which is designed to reduce the risks of transmission of mosquito-borne diseases such as West Nile Virus. | \$955 |
| Total | | \$1,336 |



New Operations and Maintenance Expense

The proposed 2008 and 2009 drainage and wastewater O&M additions support several new programs, along with addressing current regulatory requirements.

SPU is proposing a \$2.4 million increase (plus \$0.3 for associated taxes) in the 2008 DWF revenue requirement to fund expanded and/or new operations programs, including National Pollutant Discharge Elimination System (NPDES) requirements, flow monitoring for capacity-deficient areas, transitioning to the Integrated Supervisory Control and Data Acquisition (I-SCADA) system, Maximo support staff and additional field resource needs.

For 2009, SPU is proposing an additional \$0.6 million increase (plus \$0.1 for associated taxes) in the 2009 DWF revenue requirement for expenses associated primarily with NPDES requirements, field resource needs, and drainage billing inspection.

Tables III-6 and III-7 summarize proposed new expenses by line item.



**Table III-6
Proposed 2008 New Drainage/Wastewater
Operations and Maintenance Expense
(\$1,000s)**

| Item | Description | Drainage | WW | Total |
|--|---|-----------------|----------------|----------------|
| Field Crews | Additional funds needed to meet field resource needs for O&M backlogs and new NPDES requirements (e.g. catch basin cleaning). | \$290 | \$290 | \$581 |
| Creek/ Ponds Maintenance | Additional costs for dredging and general creek maintenance work to address flooding concerns at creeks and detention ponds. | \$21 | \$0 | \$21 |
| Surface Water NPDES Program | Requirements per the new permit in the areas of source control, illicit connections, monitoring, inspections, and education and outreach. | \$669 | \$0 | \$669 |
| Nine Minimum Controls Compliance | Document compliance with the CSO NPDES permit, which requires that the utility comply with the Nine Minimum Controls. 3-year effort (2008-2010) of documenting O&M activities, identifying gaps in compliance, and implementing recommendations to fill gaps. | \$78 | \$78 | \$156 |
| Capacity Monitoring | Address capacity deficiencies in the wastewater conveyance system. Implement the recommendations of the Wastewater Systems Plan for 19 wastewater "capacity at-risk" priority areas. | \$0 | \$311 | \$311 |
| SW Suburban Sewer Area Capacity Analysis | Participation with SW Suburban Sewer District in an inflow and infiltration study to determine if there is excessive stormwater entering the sewer system from Seattle's portion of the system and determine the amount of treatment capacity that SPU is using relative to the amount purchased. | \$0 | \$104 | \$104 |
| I-SCADA Implementation | Transition to the I-SCADA system. New staffing to maintain SCADA equipment, monitor data, and perform data QA/QC. Additional funding will allow for staff training & development and a short period where the old and new systems will run in parallel. | \$62 | \$249 | \$311 |
| Maximo Support | Additional funds for Maximo, SPU's work management system, which will allow SPU to adequately schedule work for crews, analyze data, and prepare reports. | \$88 | \$88 | \$176 |
| DWW Education/Outreach | Provide information to customers, key business groups, and special interest groups regarding side sewers, FOG Abatement, source control, and stormwater management. | \$39 | \$39 | \$78 |
| High Point NDS Project | Reduction due to completion of grant and match for education and outreach required. | (\$43) | \$0 | (\$43) |
| TOTAL | | \$1,204 | \$1,159 | \$2,363 |

Table III-6 Notes: All amounts are before taxes.



**Table III-7
Proposed Incremental 2009 New Drainage/Wastewater
Operations and Maintenance Expense
(\$1,000s)**

| Item | Description | Drainage | WW | Total |
|------------------------------------|---|--------------|-------------|--------------|
| Field Crews | Additional funds needed to meet field resource needs for O&M backlogs and new NPDES requirements (e.g. catch basin cleaning). | \$151 | \$151 | \$301 |
| Surface Water NPDES Program | Requirements per the new permit in the areas of source control, illicit connections, monitoring, inspections, and education and outreach. | \$290 | \$0 | \$290 |
| I-SCADA Implementation | Transition to the I-SCADA system. New staffing to maintain SCADA equipment, monitor data, and perform data QA/QC. Additional funding will allow for staff training & development and a short period where the old and new systems will run in parallel. | (\$43) | (\$172) | (\$215) |
| Maximo Support | Additional funds for Maximo, SPU's work management system, which will allow SPU to adequately schedule work for crews, analyze data, and prepare reports. | \$45 | \$45 | \$90 |
| Drainage Billing System Inspection | Inspectors to verify pervious and impervious areas on parcels for drainage rate charges. Admin to support inspectors and handle documentation. | \$215 | \$0 | \$215 |
| TOTAL | | \$658 | \$24 | \$682 |

Table III-7 Notes: All amounts are before taxes.

CAPITAL FINANCING EXPENSE

DWF funds capital projects through a combination of cash (from direct service and non-rates revenue) and debt financing (revenue bonds). Major drainage capital programs to be funded in 2008 and 2009 include:

- Madison Valley (Long Term Solution);
- South Park Storm Drainage/Water Quality Study;
- Thornton Creek Water Quality Channel;
- Windermere & South Henderson CSO;
- MLK/Norfolk Storm Improvement/Water Quality Study; and
- Preliminary Alaska Way Viaduct Replacement Work.

Debt Service

SPU is projected to issue approximately \$83.3 million in new DWF revenue bonds in April 2008. These bonds are expected to fund a portion⁵ of drainage and wastewater capital improvements between April 2008 and November 2009. In November 2009 SPU projects another revenue bond issue in the amount of \$82.2 million.

⁵ Current revenues (cash) fund the balance of capital improvements.



This rate study implements a change in methodology on assigning debt service between drainage and wastewater. Prior to 2008, debt service was allocated between drainage and wastewater based on the projected use of revenue bond proceeds by each line of business ("cash basis"). Beginning in 2008, annual debt service is proportioned between drainage and wastewater based on the net book value of current fixed assets ("asset basis"). This revised methodology, which is similar to that used by SPU's Water and Solid Waste funds, provides a tighter correlation between financing expense and the assets actually financed. The change from a cash to asset based allocation methodology results in less debt service being assigned to drainage.

Drainage

The methodology change on assigning debt service between drainage and wastewater decreases the drainage revenue requirement by \$2.8 million. The 2008 revenue bonds will increase the drainage revenue requirement by \$1.1 million. The combined impact of these two factors is a net decrease of \$1.7 million in the drainage revenue requirement.

In 2009, a \$1.6 million increase in drainage revenue requirement is primarily due to increased debt service associated with the 2008 and 2009 bond issues.

Wastewater

The 2008 wastewater revenue requirement increases by \$4.0 million due to the combined effect of a \$1.2 million increase in overall debt service (as a result of the April 2008 bond issue) and a \$2.8 million increase in the wastewater portion of debt service due to the revision in debt service allocation methodology.

The 2009 wastewater revenue requirement will increase by a total of \$2.4 million as a result of the new bond issues.

CIP Cash Financing

In 2003 Council established, via resolution, a 25 percent minimum CIP cash financing target for the Drainage and Wastewater Fund beginning in 2007.

As previously discussed in "Section II - Financial Overview," financial policy targets are set at overall DWF financial performance. The drainage and wastewater programs do not have separate targets. SPU may meet these financial targets by balancing revenue requirements and rate changes between wastewater and drainage.

Specifically, in 2008 the drainage rates will finance 16.6 percent of Drainage CIP while wastewater rates will finance 36.5 percent of wastewater CIP. The combined result to the Drainage and Wastewater Fund (DWF) as a whole will be 25 percent, meeting the fund policy target.

Drainage

The proposed 2008 drainage rate increase assumes a \$3.8 million increase in drainage cash financing of the CIP from 2007 due primarily to a \$20 million increase in the 2008 CIP.

For 2009, the proposed drainage rates assume a \$0.7 million increase in the drainage cash financing of the CIP from 2008 to 2009 due to a higher CIP.



Wastewater

The proposed 2008 wastewater rate increase assumes a \$5.0 million increase in wastewater cash financing of the CIP from 2007 to 2008. This is due to an increase in wastewater CIP in 2008, plus a lesser impact of an increase in the cash finance CIP from 34.1 percent to 36.5 percent in 2008.

For 2009, the proposed wastewater rates assume a \$1.1 million increase in the wastewater cash financing of the CIP due to higher CIP and a slight increase in the cash financing of the CIP.

In order to help mitigate overall drainage rate increases, under this proposal wastewater relies on cash balances funding a higher percentage of CIP. The fund as a whole is projected to meet the financial target of 25 percent in both 2008 and 2009.

Table III-7 summarizes the drivers underlying these changes.

Table III-7
Change in Drainage/Wastewater Cash Financing of the CIP
(\$1,000s)

| | Drainage | | Wastewater | |
|---|----------------|--------------|----------------|----------------|
| | 2008 | 2009 | 2008 | 2009 |
| Change in Cash Financing due to: | | | | |
| Increase in CIP | \$3,109 | \$600 | \$3,779 | \$422 |
| Change in % Cash Contribution | \$174 | (\$20) | \$521 | \$572 |
| Revenue Taxes | \$490 | \$87 | \$665 | \$154 |
| Total Change from Previous Year | \$3,773 | \$667 | \$4,964 | \$1,149 |

Table III-7 Notes:

- 1) For 2008 and 2009 a 90 percent accomplishment of the DWF CIP is assumed.
- 2) The cash financing of CIP change due to the Combined System shift is incorporated under "Combined System Cost Allocation."

USE OF CASH BALANCES

Revenue generated by rates is used to fund current operating expenses, maintain a cash balance as a safeguard against unexpected expense, and to fund a portion of the current capital program. Net cash revenue is equal to total cash revenue less total cash expense and for a given year net cash revenue may be positive or negative. This differs from net income which includes non-cash items such as depreciation and amortization and excludes cash expenses such as debt service principal payments. A change in net cash revenue from one rate period to the next will impact the revenue requirement. An increase in total net cash revenue will drive a revenue requirement increase while a decrease will reduce the revenue requirement.



Drainage

Cash in excess of the 2006 target is projected to be utilized to fund 2007 operating expenses in excess of those projected when 2007 rates were set. In order to meet the 2008 year-end cash target, the proposed 2008 drainage rates are set to produce higher net cash revenue than 2007, which translates to a \$4.1 million increase to the 2008 revenue requirement.

The 2009 net cash revenue change from 2008 is zero, thus there is no impact on the 2009 revenue requirement.

Wastewater

Cash in excess of the 2007 target will be used to fund 2008 expenses, thus decreasing the amount that must be funded from a wastewater rate increase. As a result, 2008 net cash revenue is lower than in 2007, which decreases by \$1.7 million the amount that rates revenues must fund of the 2008 wastewater revenue requirement.

In 2009, wastewater revenues must increase by \$3.5 million to generate net cash revenue sufficient to fund expenses and build cash balances back up to meet year-end cash targets.

Table III-8 summarizes the revenue requirement impacts as a result of changes in cash balances.

Table III-8
Change in Net Cash Revenue
(\$1,000s)

Drainage

| | 2007 | 2008 | 2009 |
|--|-----------|---------|---------|
| Beginning Cash Balance | \$4,606 | \$1,000 | \$1,000 |
| Ending Cash Balance | \$1,000 | \$1,000 | \$1,000 |
| Net Cash Revenue minus Beginning Balance | (\$3,606) | \$0 | (\$0) |
| Change in Net Cash Revenue | | \$3,606 | (\$0) |
| Change in Revenue Taxes | | \$537 | \$0 |
| Net Change to Revenue Requirement | | \$4,143 | (\$0) |

Wastewater

| | 2007 | 2008 | 2009 |
|--|-----------|-----------|---------|
| Beginning Cash Balance | \$11,944 | \$10,314 | \$7,176 |
| Ending Cash Balance | \$10,314 | \$7,176 | \$7,153 |
| Net Cash Revenue minus Beginning Balance | (\$1,630) | (\$3,138) | (\$23) |
| Change in Net Cash Revenue | | (\$1,508) | \$3,115 |
| Change in Revenue Taxes | | (\$236) | \$427 |
| Net Change to Revenue Requirement | | (\$1,743) | \$3,542 |

The fund as a whole is projected to meet the financial year end cash balance target of one month of the wastewater treatment expense in both 2008 and 2009. Table III-9 compares the DWF year-ending cash balance to the fund target.



**Table III-9
DWF Cash Balance
(\$1,000s)**

| | 2007 | 2008 | 2009 |
|--|----------|---------|---------|
| Ending Cash Balance | \$11,314 | \$8,176 | \$8,153 |
| Financial Policy Target (1/12th of treatment expense) | \$8,214 | \$8,176 | \$8,153 |

Table III-9 Notes:

Projected and targeted cash balances assume no change in the King County treatment rate; however King County is projecting an 18 percent increase in its 2009 treatment rate.

NON-RATE REVENUES

Non-rate revenue includes permit fees, operating and capital grants, contributions in aid of construction (CIAC), interest income and other miscellaneous revenues and capital contributions. An increase in non-rate revenues has the effect of reducing the revenue requirement that must be recovered through rates.

Drainage

Changes in non-operating revenues result in revenue requirement increases of \$0.1 million for both 2008 and 2009.

Wastewater

An increase in other operating revenues primarily due to a one-time 2007 adjustment decreases the 2008 revenue requirement by \$0.3 million. The non-rate revenue change for 2009 is zero.

COMBINED SYSTEM COST ALLOCATION

The new drainage rate design methodology recommends that drainage rates fund a share of the expense associated with the combined portions of the drainage and wastewater system. Historically, these costs have been assigned entirely to the wastewater line of business. In reality, a portion of combined sewer pipes and combined sewer overflow (CSO) structures support the drainage system. In order to avoid the impact of a one-time significant cost shift to drainage, this rate study includes a phased-in sharing of combined system costs between wastewater and drainage beginning in 2008, when one-sixth of the appropriate share of Combined System costs will be allocated to drainage. In 2009, another one-sixth (for a total of two-sixths) will be allocated to drainage rates.

Drainage

Phasing in one-sixth of the allocation of combined system costs increases the 2008 drainage revenue requirement by \$2.4 million. This increase consists of drainage receiving a share of the following combined system costs: 1) cash financing of combined pipe and CSO structure capital expense; 2) wastewater treatment expense; 3) debt service related to combined system (pipes and CSOs) infrastructure; and 4) O&M expense related to the combined system such as combined pipe cleaning and maintenance. In 2009 the impact of an additional one-sixth cost shift increases the revenue requirement by an incremental \$2.7 million.



Wastewater

Phasing-in one-sixth of the allocation of combined system costs decreases the 2008 wastewater revenue requirement by \$2.9 million as these costs shift to the drainage revenue requirement. In 2009 the impact of an additional one-sixth cost shift decreases the wastewater revenue requirement by \$3.2 million.



IV. DRAINAGE COST ALLOCATION / RATE DESIGN

GENERAL

Once the revenue requirement is set, it must be apportioned between different customer classes. The process of determining the cost of service for each customer class is termed "cost allocation." The rate structure used to recover a rate class' cost of service from customers within that class is termed "rate design" This section of the rate study reviews the major changes proposed under the revised rate design and cost allocation methodology, describes the cost allocation process, and finally proposes 2008 and 2009 drainage rates by class under the new rate design.

CURRENT RATE DESIGN/COST ALLOCATION

All properties in Seattle, except city streets and state highways, are charged a drainage service fee. Docks and other similar properties, which rest over natural water bodies, are also exempt from drainage fees. Currently, all single-family homes and duplexes are assumed to be moderately impervious and pay a flat fee per parcel. All other properties are assigned to one of six rate groups and are charged based on percent impervious area and actual parcel size. The exception is the current Open Space rate category, which is reserved for parcels included on the Mayor's Open Space Map (primarily City greenbelts). Costs are assigned to different customer classes based on the percentage of total parcels and total stormwater flow for each class.

King County administers billing and collections of the drainage fee for the City of Seattle. The drainage fee appears as a line item ("SWM" or Surface Water Management fee) on semi-annual King County property tax statements.

REVISED RATE DESIGN/COST ALLOCATION

Resolution 30886, approved by the City Council in February 2007, provided policy direction for the development of the 2008-2009 drainage rates and this rate study implements the recommended rate design changes which are highlighted as follows:

- Implements revised stormwater flow factor methodology determining the allocation of costs between customer classes.
- Implements a new residential rate structure which creates four rate tiers for parcels less than 10,000 square feet based on parcel size:

| | |
|------------|-----------------------------|
| Sub-Tier A | Less than 3,000 SF |
| Sub-Tier B | 3,000 to less than 5,000 SF |
| Sub-Tier C | 5,000 to less than 7,000 SF |
| Sub-Tier D | 7,000 to 10,000 SF |
- Treats residential parcels at or above 10,000 square feet in the same manner as General Service parcels.
- Splits the three General Service rate tiers of Undeveloped, Light and Medium into "Low-Impact" and residual "Regular" sub-tiers based on calculated runoff rates for these parcels. A customer qualifies for a Low Impact rate if their parcel includes a significant amount of highly infiltrative pervious surface (good forest or unmanaged grass) which results in their average stormwater runoff being below the parcel runoff threshold for each tier.



- Eliminates General Service Tier 7 ("Open Space") and incorporate current parcels into the tier assignment rules for other General Service tiers.

DRAINAGE FLOW FACTORS

SPU's costs for constructing, maintaining and administering the drainage system consist of operations and maintenance (O&M) costs, capital and other costs, and taxes. The costs-of-service imposed on the system by a given customer (or parcel) are determined primarily by two factors: 1) an estimate of the total flow of stormwater that runs off into SPU's drainage system; and 2) the size of a customer's parcel. For the purposes of cost allocation, the amount of stormwater reaching SPU's system, for a customer class, is calculated by the following equation:

$$Total\ Flow_i = Flow\ Factor_i \times Area_i$$

A flow factor is an estimate of how much rainfall enters the storm drainage system for a given storm event. For purposes of this drainage rate study, flow factors are determined by two factors: 1) the type of surface; and 2) the intensity of the storm. Surface type characterizes how absorptive the cover type of a given surface is. Impervious surface absorbs less runoff than pervious, or porous surface, and therefore generates more stormwater runoff during a given storm event. Likewise, pervious surface with significant ground and tree cover will generate less runoff than highly managed pervious surface such as a lawn. The more intense the storm, the greater the runoff for all surface types.

Previously, SPU recognized only two surface types for cost allocation: impervious and pervious surfaces. The runoff factors for these two surface types were estimated to be 95 percent for impervious surfaces, such as asphalt, and 10 percent for pervious surfaces, such as vacant land or parks. Flow factors for each customer class were based on the proportion of pervious and impervious surface area for each class. This approach did not explicitly account for differences in runoff due to different storm events and differing pervious cover types.

Following an extensive review, SPU was able to update these runoff factors to more accurately reflect: 1) the stormwater runoff generated by storm events of differing intensities; and 2) runoff factors for four, rather than two, surface types. SPU's cost allocation now utilizes four different types of storm events, each with its own runoff factor for each of the four new surface types. The four types of storm events are:

- 25 Year;
- 2 Year;
- 6 Month; and
- Average Storm.

The new rate design also breaks pervious surfaces into three subtypes: managed grass, unmanaged grass and good forest. Each of these surface types has different runoff factors for the different storm events. The availability of new aerial photo and other data allows SPU to assign properties to the new pervious surface categories and therefore create more accurate flow estimates from individual properties and customer rate classes. The revised flow factors indicate that there is less runoff from impervious surfaces and more runoff from pervious surfaces than SPU's drainage rates have historically assumed, particularly during high intensity storm events.

Table IV-1 summarizes the revised flow factors by surface type and storm event.

**Table IV-1
Expanded Storm-Specific, Surface-Specific Flow Factors**

| Surface Type | Average storm | 6-month storm | 2-year storm | 25-year Storm |
|----------------------------|---------------|---------------|--------------|---------------|
| Impervious- All Types | 61.3% | 84.8% | 89.0% | 92.5% |
| Pervious – All Other | 2.2% | 31.4% | 43.3% | 56.4% |
| Pervious – Unmanaged Grass | 2.1% | 11.4% | 21.4% | 34.9% |
| Pervious – Good Forest | 2.0% | 4.8% | 12.7% | 24.9% |

These four factors, for each surface type, are reduced to a single runoff factor for a given surface type by weighting the storm events based on an analysis of drainage cost of service. The development of the weightings by storm event is described in the section, "Cost Classifications and Allocation Factors, with the weightings summarized in Table IV-5." Table IV-2 shows the results of the weighting by surface type:

**Table IV-2
Weighted Flow Factors by Surface Type**

| Surface Type | Weighted Flow Factor |
|----------------------------|----------------------|
| Impervious - All Types | 78.1% |
| Pervious - Managed Grass | 27.9% |
| Pervious - Unmanaged Grass | 15.0% |
| Pervious - Good Forest | 9.8% |

The weighted flow factors are applied to customer level data by surface type in order to estimate the total stormwater runoff, which determines if a parcel qualifies for a Low-Impact sub-tier.

COST CLASSIFICATIONS AND ALLOCATION FACTORS

Drainage costs are grouped into three cost classifications, along with a fourth category for certain credits and allowances:

- 1) Operations & Maintenance (O&M) Costs;
- 2) Capital & Other Costs;
- 3) Taxes; and
- 4) Low Income Credits / Non Payments / Drainage Rate Credits

The first three items above are allocated between customer classes based on parcel count or stormwater flow. Costs allocated based on flow are assigned to different storm events in order to determine a weighted cost of service by storm event. Most capital expense and O&M infrastructure maintenance expense are allocated to the storm event(s) which the associated infrastructure is designed to manage, with the exception of pipe expense which is allocated between storm events using an incremental cost approach. Flow allocated expenses not directly related to a specific type of infrastructure are typically assigned to the average storm event.



Operations & Maintenance (O&M) Costs

O&M costs are associated with managing stormwater runoff volumes and their impact on the aquatic environment. These costs include infrastructure maintenance and repair (pipes, culverts, detention systems, etc.), regulatory oversight, water quality monitoring, and support services. In addition, beginning in 2008 a portion of the sewer treatment expense is assigned to drainage as part of the Combined System cost shift. In 2008 proposed drainage O&M totals \$25.2 million, or 48 percent of total drainage rates revenue requirement. Total 2009 drainage O&M is \$29.1 million, or 49 percent of the total rates revenue requirement.

O&M costs are broken down into three cost groups:

- Billing;
- King County Treatment; and
- Other O&M.

Billing costs are assigned to a "Parcel" cost group and are eventually allocated to customer rate groups based on parcel counts. The drainage portion of King County Treatment costs is assigned 100 percent to a 2 Year storm event. "Other O&M" costs are allocated between four types of storm events based on an analysis of 2006 actual O&M and the types of assets these costs support. The storm events are:

- 25 Year;
- 2 Year;
- 6 Month; and
- Average Storm.

For example, cost associated with drainage cleaning and inspection are split 50/50 percent to 25-year storm events and 50 percent to six-month storms. This is an example of costs that would fall under the "Other O&M" cost group.

Table IV-3 shows a summary of the percents allocation of drainage O&M costs by storm event.

Table IV-3
Summary of O&M Allocation by Storm Event

| | 25 Year | 2 Year | 6 MO | Average Storm | Parcel | Total |
|--------------|---------|--------|-------|---------------|--------|--------|
| O&M-KC CSO's | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| O&M Billing | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% | 100.0% |
| Other O&M | 9.3% | 0.4% | 10.0% | 78.0% | 2.3% | 100.0% |

Capital & Other Costs

Capital & Other Costs includes debt service payments and any other cash requirements necessary to support current operations and financial policy targets, such as cash financing of the CIP. Capital & Other drainage expenses total \$19.6 million in 2008, or 38 percent of the total rates revenue requirement. Total Capital & Other drainage expenses for 2009 are \$21.9 million, or 37 percent of total rates revenue requirement. Capital & Other costs are



allocated to the following five asset groups based on an analysis of the net book value of existing drainage assets as of December 31, 2006:

- Pipe;
- CSO;
- Billing System;
- Water Quality Facility; and
- Other Assets.

Similar to O&M, each of the assets groups, except Billing System, are further allocated between four types of storm events based on the types of assets in each group and the types of storm events each is intended to support:

- 25 Year;
- 2 Year;
- 6 Month; and
- Average Storm.

For example, the net book value of a sewer pipe addition would be assigned to the "Pipe" asset group, which would further be split to assign 50 percent to the 25-year storm event and the other 50 percent to the 6-month storm event.

Table IV-4 summarizes the asset group allocations by storm event:

**Table IV-4
Summary of Asset Allocation by Storm Event**

| | 25 Year | 2 Year | 6 MO | Average Storm | Parcel | Total |
|--------------------|---------|--------|--------|---------------|--------|--------|
| CSO | 0.0% | 100.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| Pipe | 50.0% | 0.0% | 50.0% | 0.0% | 0.0% | 100.0% |
| WQ Facility | 0.0% | 0.0% | 100.0% | 0.0% | 0.0% | 100.0% |
| Total Other Assets | 46.2% | 12.9% | 13.2% | 27.7% | 0.0% | 100.0% |
| Billing System | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% | 100.0% |

Taxes

Assuming the proposed rate increases, taxes on drainage revenue (City B&O and State and other taxes) are projected to total \$6.6 million in 2008 and \$7.6 million in 2009. This represents approximately 13 percent of total drainage rate expenses. Taxes are allocated among the storm events based on each event's respective share of total O&M and Capital & Other cost.

Low Income Credits / Non Payments / Drainage Rate Credits

Drainage rates must be set at a sufficient level to allow for the fact that certain customers receive a low income credit equal to one-half of their drainage rates and SPU will not receive payment for a small portion of drainage bills. In addition, SPU plans to offer a



drainage rate credit program beginning in 2009. These allowances and rate credit impacts are incorporated in order that the total received drainage revenues will match the total drainage revenue requirement.

Once each of the cost categories are allocated to the four storm events, the total cost is summarized and used to develop an overall cost weighting by storm event, which is used to calculate the weighted flow factors by surface type in Table IV-2. Tables IV-5 summarizes the allocations by storm event.

**Table IV-5
Cost Weighting by Storm Event**

| | Avg Storm | 6 Month | 2 Year | 25 Year | Total |
|--------------------------|------------------|----------------|---------------|----------------|--------------|
| Weighting by Storm Event | 39.6% | 17.5% | 20.6% | 22.3% | 100.0% |

Table IV-5 Notes:

For purposes of developing the weightings by storm event, costs impacted by the Combined System cost shift assumed the complete cost allocation shift from wastewater to drainage.

LOW IMPACT THRESHOLD

General Service/Large Residential Customers in the Undeveloped, Light or Medium rate tiers may qualify for a Low Impact rate if their estimated stormwater runoff is below the parcel runoff threshold. Table IV-6 below illustrates how the threshold value for a parcel's runoff is calculated for each tier. For example, for the Light rate tier, the impervious flow factor (from Table IV-2) above receives a 16 percent weight in the calculation, while the Other Pervious Flow Factor receives a weighting of 84 percent. Consequently, the Light rate tier Low Impact threshold equals 35.9% ((78.1% * 16%) + (27.9% * 84%)).

**Table IV-6
Thresholds for Low Impact Rates**

| | Impervious Flow Factor | Weighting | Other Pervious Flow Factor | Weighting | Parcel Runoff Threshold for Low Impact |
|--------------------|-----------------------------------|------------------|---------------------------------------|------------------|---|
| Undeveloped | 78.1% | 0% | 27.9% | 100% | 27.9% |
| Light | 78.1% | 16% | 27.9% | 84% | 35.9% |
| Medium | 78.1% | 36% | 27.9% | 64% | 46.0% |

Table IV-6 Notes:

The weight for the impervious flow factor is the lower end of each tier's impervious range, which requires a parcel to have some Unmanaged Grass and/or Good Forest pervious surface to qualify for the Low Impact rate.

CUSTOMER CLASS ASSIGNMENT PROCESS

Residential parcels less than 10,000 square feet are assigned to one of four sub-tiers based on parcel size. General Service/Large Residential parcels are assigned to individual customer classes using the weighted flow factors and Low Impact thresholds. The following steps summarize the customer class assignment process for a General Service/Large Residential parcel:



1. Determine the percent impervious for a parcel based on its impervious area as a percent of its total billable area.
2. Assign the parcel to one of five General Service/Large Residential rate tiers based on its percent impervious.
3. If a parcel is in the Undeveloped, Light or Medium rate tier, calculate the parcel runoff by multiplying each of the weighted flow factors in Table IV-2 times each of the parcel's areas by surface type.
4. Total the calculated runoff by surface type to determine the total runoff for a parcel and divide by the total billable area to determine the percent runoff.
5. If the percent runoff for a parcel is less than its rate tier's Low Impact Threshold, then the parcel qualifies for the Low Impact rate.

Table IV-7 summarizes information for each customer class.

**Table IV-7
Drainage Customer Characteristics by Class**

| Customer Class | | Percent Impervious | Parcel Count | Acres | Total Flow in Acres | Avg Runoff Factor |
|---|--------------------|-----------------------|-----------------|---------------|------------------------|----------------------|
| <i>Small Residential</i> | | | | | | |
| Sub-Tier A | <3k sq. ft. | | 8,764 | 426 | 242 | 0.57 |
| Sub-Tier B | 3k to <5k sq. ft. | | 43,378 | 4,042 | 2,294 | 0.57 |
| Sub-Tier C | 5k to <7k sq. ft. | | 51,175 | 6,760 | 3,836 | 0.57 |
| Sub-Tier D | 7k to <10k sq. ft. | | 27,225 | 5,021 | 2,849 | 0.57 |
| | | | 130,542 | 16,249 | 9,221 | |
| <i>General Service/Large Residential</i> | | | | | | |
| Undeveloped | Low Impact | 0-15% | 1,968 | 2,520 | 455 | 0.18 |
| | Regular | 0-15% | 5,262 | 2,544 | 773 | 0.30 |
| Light | Low Impact | 16-35% | 474 | 681 | 205 | 0.30 |
| | Regular | 16-35% | 5,930 | 2,662 | 1,075 | 0.40 |
| Moderate | Low Impact | 36-65% | 360 | 580 | 254 | 0.44 |
| | Regular | 36-65% | 10,167 | 3,642 | 1,940 | 0.53 |
| Heavy | | 66-85% | 6,543 | 3,312 | 2,168 | 0.65 |
| Very Heavy | | 86-100% | 10,373 | 5,997 | 4,554 | 0.76 |
| | | | 41,077 | 21,937 | 11,425 | |
| Total | | | 171,619 | 38,186 | 20,646 | |

Table IV-7 Notes:

Parcel and acreage data is from drainage billing system records as of May 2007.



Percent Impervious: The percentage of the parcel area that is covered by impervious surface (any hard or impermeable surface that is not green, grassy, growing vegetation or landscaped). Examples of impervious surfaces are pavement, blacktop, rooftops, parking lots, or patios. Impervious surface is used to determine the customer class assignment for General Service/Large Residential parcels.

Parcel Count: The Number of Parcels is the number of King County tax parcels within Seattle city limits.

Acres: The total parcel area and is used in the calculation of the total flow by customer class.

Total Flow in Acres: Equal to total estimated runoff for each customer class. This calculation approximates stormwater runoff that flows off the property into the public drainage system. Total flow is used to allocate the majority of drainage costs among the customer classes.

Average Runoff Factor: The average percentage of precipitation falling on parcels within a customer class that is expected to enter the drainage system as runoff. The overall runoff factor is calculated based on the total flow by customer class divided by total square footage.

COST OF SERVICE BY CUSTOMER CLASS

The total drainage cost of service is assigned to customer classes based primarily on an estimate of the stormwater runoff for each customer class. The development of the cost of service for each customer class can be summarized by the following steps:

1. The flow factors from Table IV-2 are applied to total acreage by surface type to arrive at an estimate of total runoff by surface type for each storm event. These estimates are used to determine the weighted cost allocation by surface type.
2. The weighted allocation factor for each surface type is split among customer classes based on acreage for each class. An exception is the parcel component of the revenue requirement which is allocated among customer classes based on parcel units.
3. The allocations for each customer class are summed to determine total cost allocation factor by customer class.
4. The total drainage revenue requirement is allocated to each customer class using the total cost allocation factors.

Table IV-8 shows a summary of proposed 2008 and 2009 drainage costs by cost classification.

**Table IV-8
Drainage Cost of Service Summary**

| Customer Class | Total 2008 Cost | Percent of 2008 Cost | Total 2009 Cost | Percent of 2009 Cost |
|---|------------------------|-----------------------------|------------------------|-----------------------------|
| <i>Small Residential</i> | \$21,797,327 | 41.9% | \$24,948,334 | 41.9% |
| Sub-Tier A | \$788,386 | 1.5% | \$902,355 | 1.5% |
| Sub-Tier B | \$5,669,392 | 10.9% | \$6,488,955 | 10.9% |
| Sub-Tier C | \$9,040,363 | 17.4% | \$10,347,232 | 17.4% |
| Sub-Tier D | \$6,098,082 | 11.7% | \$6,979,617 | 11.7% |
| <i>General Service/Large Residential</i> | \$30,184,024 | 58.1% | \$34,547,407 | 58.1% |
| Undeveloped | | | | |
| Low Impact | \$975,806 | 1.9% | \$1,116,868 | 1.9% |
| Regular | \$1,628,291 | 3.1% | \$1,863,676 | 3.1% |
| Light | | | | |
| Low Impact | \$491,618 | 0.9% | \$562,686 | 0.9% |
| Regular | \$2,551,316 | 4.9% | \$2,920,132 | 4.9% |
| Moderate | | | | |
| Low Impact | \$655,792 | 1.3% | \$750,593 | 1.3% |
| Regular | \$5,074,482 | 9.8% | \$5,808,045 | 9.8% |
| Heavy | \$5,968,624 | 11.5% | \$6,831,444 | 11.5% |
| Very Heavy | \$12,838,096 | 24.7% | \$14,693,962 | 24.7% |
| Total | \$51,981,351 | 100.0% | \$59,495,741 | 100.0% |

Based on the above cost-of-service analysis, Residential rates will fund approximately 42 percent of the 2008 and 2009 revenue requirements, with General Service/Large Residential rates funding the remaining 58 percent.



PROPOSED DRAINAGE RATES

The cost of service by customer class and the billable units (parcels for Small Residential and thousand-square-foot units for General Service/Large Residential) are used to develop the proposed drainage rates. Table IV-9 presents proposed annual Small Residential drainage rates by sub-tier for 2008 and 2009.

**Table IV-9
2008-2009 Proposed Annual Drainage Rates
Small Residential Per Parcel**

| Class (% impervious) | 2007 Adopted | 2008 Proposed | | | | 2009 Proposed | | | |
|--------------------------------------|-----------------|---------------|-----------|----------|--------------------|---------------|-----------|----------|--------------------|
| | | System | Treatment | Total | Change from '07 | System | Treatment | Total | Change from '08 |
| Small Residential, per parcel | | | | | | | | | |
| Sub-Tier A <3k | \$142.00 | \$87.97 | \$1.99 | \$89.96 | -\$52.04 | \$98.98 | \$3.98 | \$102.96 | \$13.00 |
| Sub-Tier B 3k to <5k | \$142.00 | \$127.81 | \$2.89 | \$130.70 | -\$11.30 | \$143.81 | \$5.78 | \$149.59 | \$18.89 |
| Sub-Tier C 5k to <7k | \$142.00 | \$172.76 | \$3.90 | \$176.66 | \$34.66 | \$194.38 | \$7.81 | \$202.19 | \$25.53 |
| Sub-Tier D 7k to <10k | \$142.00 | \$219.04 | \$4.95 | \$223.99 | \$81.99 | \$246.47 | \$9.90 | \$256.37 | \$32.38 |

Table IV-9 Notes:

All rates represent annual charges. Actual billing is on a bi-annual cycle.

Table IV-10 presents proposed annual General Service/Large Residential drainage rates by customer class for 2008 and 2009.

**Table IV-10
2008-2009 Proposed Annual Drainage Rates
General Service/Large Residential Per 1,000 Square Feet**

| Class (% impervious) | 2007 Adopted | 2008 Proposed | | | | 2009 Proposed | | | | |
|---|-----------------|---------------|-----------|---------|--------------------|---------------|-----------|---------|--------------------|---------|
| | | System | Treatment | Total | Change from '07 | System | Treatment | Total | Change from '08 | |
| General Service/ Large Residential, per 1000 sq. ft. | | | | | | | | | | |
| Open Space (0-2%) | \$4.30 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | |
| Undeveloped (0-15%) | Low Impact | \$7.47 | \$8.69 | \$0.20 | \$8.89 | \$1.42 | \$9.78 | \$0.39 | \$10.17 | \$1.29 |
| | | Regular | \$7.47 | \$14.37 | \$0.32 | \$14.69 | \$7.22 | \$16.17 | \$0.65 | \$16.82 |
| Light (16-35%) | Low Impact | \$12.38 | \$16.21 | \$0.37 | \$16.58 | \$4.19 | \$18.24 | \$0.73 | \$18.97 | \$2.40 |
| | Regular | \$12.38 | \$21.51 | \$0.49 | \$22.00 | \$9.62 | \$24.21 | \$0.97 | \$25.18 | \$3.18 |
| Moderate (36-65%) | Low Impact | \$22.47 | \$25.38 | \$0.57 | \$25.95 | \$3.47 | \$28.56 | \$1.14 | \$29.70 | \$3.75 |
| | Regular | \$22.47 | \$31.27 | \$0.71 | \$31.98 | \$9.51 | \$35.20 | \$1.41 | \$36.61 | \$4.62 |
| Heavy (66-85%) | \$29.28 | \$40.47 | \$0.91 | \$41.38 | \$12.10 | \$45.54 | \$1.82 | \$47.36 | \$5.98 | |
| Very Heavy (86-100%) | \$36.38 | \$48.06 | \$1.09 | \$49.15 | \$12.76 | \$54.08 | \$2.17 | \$56.25 | \$7.10 | |

Table IV-10 Notes:

- 1) All rates represent annual charges. Actual billing is on a bi-annual cycle.
- 2) 2007 per-acre General Service rates have been converted to rates per-1,000 square feet for comparison purposes.



Table IV-11 presents sample bills for different types of drainage customers, using the proposed rates.

**Table IV-11
2007-2009 Monthly Drainage Bills**

| | 2007 | 2008 | 2009 |
|--|----------|---|---|
| Single Family Residence | \$11.83 | \$13.92 Avg Range (\$7.50 - \$18.67) | \$15.93 Avg Range (\$8.58 - \$21.36) |
| Convenience Store (8,700 sq. ft.) | \$26.42 | \$35.68 | \$40.84 |
| Supermarket (125,000 sq. ft.) | \$379.06 | \$512.03 | \$586.05 |

Table IV-11 Notes:

Monthly bill amounts include the drainage treatment rate, which represents 2.3 percent of the total bill in 2008 and 3.9 percent in 2009.

DRAINAGE FEE DISCOUNTS AND CREDITS

Rainwater Harvesting Discount

SPU offers a 10 percent reduction in the drainage rates for any new or remodeled commercial building that utilizes a qualifying rainwater harvesting system. The rainwater harvesting system must be sized to use or infiltrate the amount of rain that falls on the roof of the building during a one-year, 24-hour storm event in order to qualify for the 10 percent discount. Those systems that involve indoor uses of rainwater must be permitted by Seattle-King County Department of Health in order to qualify for the rate reduction. Systems that rely solely on the capture and indoor use of rainwater will qualify for the reduction provided the system is sized to meet the performance requirement. Qualifying for the 10 percent reduction does not relieve the property owner of having to meet the applicable stormwater and drainage code requirements for the building and site. SPU is not proposing to change this program.

Low Income Utility Credit

The City assists qualified low-income customers with their drainage bills by providing a 50 percent credit. Qualified low-income customers receive this credit on their combined utility bill or, when no combined utility bill is received, on their City Light Bill or as a credit voucher. The latter options are typically applicable to renters who pay drainage, wastewater, and water utility fees indirectly as part of their rental payment.

For 2008 and 2009, SPU is proposing to adjust the amount of the credit consistent with the change in the median small residential drainage fee. Table IV-12 summarized the Low Income Utility Credits.



**Table IV-12
Drainage Low Income Utility Credit (Monthly)**

| | 2007 Adopted | 2008 Proposed | 2009 Proposed |
|---------------|-----------------|------------------|------------------|
| Single Family | \$5.92 | \$7.36 | \$8.42 |
| Duplex | \$2.96 | \$3.68 | \$4.21 |
| Multifamily | \$0.64 | \$0.79 | \$0.90 |

Table IV-12 Notes:

Monthly credits include impacts of the drainage treatment rate, which represents 2.3 percent of the total bill in 2008 and 3.9 percent in 2009.

Drainage Fee and Cost Allocation Structure Alternatives

Resolution 30886, adopted by the Council on February 27, 2007, directed SPU to implement a drainage rate credit program and in 2007 deliver a report to Council that “evaluates options for making rate credits more easily accessible to all customer, including options and technologies that provide Residential customers with practicable access to credits.” The resolution also requested that SPU expand existing non-rate incentive programs.

Efforts are underway for SPU to rollout the rate credit program in late 2007 and be prepared to accept applications in the second quarter of 2008, with the credits to be effective January 1, 2009. The estimated 2009 impact of the rate credit program is \$200,000, which has been factored into the proposed drainage rates.



V. PROJECTED WASTEWATER RATE

OVERVIEW

City of Seattle residents pay a single fee per one hundred cubic feet (ccf) of wastewater based on water consumption. This single fee is composed of two components, a system rate and a treatment rate, which are adopted through two distinct processes. The combined system cost shift from wastewater to drainage impacts both of these rates.

PROPOSED 2008/2009 WASTEWATER RATES

Table V-1 presents the proposed 2008 and 2009 Wastewater rates.

**Table V-1
Proposed 2008/2009 Wastewater Rate (per CCF)**

| | 2007 Adopted | 2008 Proposed | 2009 Proposed |
|------------------------------|-----------------|------------------|------------------|
| System Rate (SPU) | \$2.04 | \$2.55 | \$2.87 |
| Treatment Rate | \$5.41 | \$5.22 | \$5.24 |
| Total Wastewater Rate | \$7.45 | \$7.77 | \$8.11 |

Table V-1 Notes:

Rates assume no change in the King County treatment rate; however King County is projecting an 18 percent increase in its 2009 treatment rate.

TREATMENT RATE

Payments to King County⁶ for wastewater treatment are the single largest component of both wastewater and total DWF operating expense. The inability to fully recover this expense through the wastewater rate can seriously impact DWF financial performance. To mitigate this risk the Council adopted Ordinance 122292, providing for an annual adjustment to the treatment rate when there is a change in the underlying cost drivers. The formula for this adjustment is defined in the ordinance, allowing for the treatment rate to be adopted outside of a normal rates process. The formula is as follows:

$$\text{Projected wastewater treatment expense} / \text{Projected annual wastewater volumes} \\ \times$$

A 16.7 percent multiplier (to recover revenue reductions and revenue taxes)

Projected treatment expense includes an adjustment for cash lags in the full recovery of treatment expense in years in which there is a rate increase.⁷ For the purposes of this calculation, treatment expense excludes the portion of budgeted treatment expense associated with King County's High Strength Industrial and Contaminated Stormwater Surcharges. These expenses are recovered directly from applicable customers and not through the wastewater direct service rate.

⁶ King County treats over 99 percent of the City's sewage. The Southwest Suburban Sewer District treats the remainder.

⁷ Revenues billed in December are typically collected in January. So, if we assume that wastewater rates increase on January 1, 2007, 2007 revenue will include 1 month of cash receipts at the 2006 rate (in January) and 11 months of cash receipts at the new 2007 rate. The adjustment increases revenue enough to account for this cash shortfall.



The City recovers wastewater expense exclusively through a volume based fee. However, the County charges a fixed rate per residential premise and a volume rate per unit of commercial sewage flow treated. Residential flows account for about 37 percent of total volumes (and therefore total City revenues). Charges for residential premises account for about 47 percent of total treatment expense paid to the County. Consequently, if the County treatment rate is held constant but Seattle wastewater volumes decline, the resulting decline in treatment expense will be less than the decrease in the City's wastewater revenues. Therefore, the annual pass-through mechanism provides for an increase in the treatment rate when volumes decline, even in the absence of a King County rate increase.

The 16.7 percent multiplier provides for the payment of revenue taxes on increased revenues generated to pay additional treatment expense. It also includes an allowance for customers paying less than the full rate (i.e. low income credits) and non payments/delinquencies.

This rate study assumes no change in the King County treatment rate for 2008 and 2009; however it is projected that the treatment rate will increase 18 percent in 2009 and any rate impact to wastewater rates will be accomplished via the pass-through mechanism. Wastewater volumes are projected to decrease 1.2 percent in 2008 and 1.6 percent in 2009. Therefore, even though no change in the King County treatment rate is assumed, the SPU treatment rate component is projected to change in both 2008 and 2009.

Table V-2 presents the inputs underlying the calculation of the 2008 and 2009 treatment rate.

Table V-2
2008/2009 SPU Treatment Rate Calculation
(\$1,000's)

| | 2008 | 2009 |
|--------------------------------------|-----------|-----------|
| Treatment Expense (rates based) (1) | \$95,577 | \$94,340 |
| Revenue lags/leads (2) | (3) | 16 |
| Net Cash Treatment Expense | \$95,575 | \$94,356 |
| Multiplier (3) | 16.7% | 16.7% |
| Total Treatment Expense | \$111,536 | \$110,114 |
| Projected Volumes (100 ccf in 000's) | \$21,360 | \$21,020 |
| Treatment Rate per ccf (4) | \$5.22 | \$5.24 |

Table V-2 Notes:

- 1) Excludes high strength industrial surcharge component of King County treatment expense. This expense is charged directly to the applicable customers and not recovered through rates. Also excludes portion of treatment expense shifted to drainage as a result of the combined system cost shift.
- 2) December revenues collected in January. When there is a rate increase, assumes one month cash at old rate, 11 months at new rate.
- 3) The treatment multiplier recovers taxes and revenue lost to credits/non payment. The projected SPU treatment rates assume no change in the treatment multiplier of 16.7 percent.
- 4) Per resolution, treatment rate equals treatment expense divided by projected volumes.



SPU SYSTEM RATE

The system component of the SPU wastewater rate is proposed by the Executive via rate studies and adopted through a normal Council process. The system rate recovers all other operating expense, including operations and maintenance expense, capital financing expense (debt service and cash), and related revenue taxes. This component of the rate is also set to ensure that financial policy targets are met in the case that the revenue required to meet the targets exceeds the revenue required to recover operating expense (see Section II of this proposal for more detail).

The current proposal assumes an increase in wastewater system expense of \$5.8 million in 2008 and a decrease of \$1.9 million in 2009. The components of these increases are presented in Table V-3.

Table V-3
2008/2009 Change in Wastewater System Expense
(\$1,000's)

| | 2008 | 2009 |
|-------------------------------|----------------|------------------|
| Base O&M (1) | \$1,638 | \$634 |
| Proposed Adds | \$1,159 | \$24 |
| Debt Service | \$2,708 | \$1,118 |
| Cash to CIP (2) | \$300 | (\$3,682) |
| Total Expense Increase | \$5,805 | (\$1,907) |

Table V-3 Notes:

- 1) \$0.9 million inflationary increase and reduction in G&A credit due to smaller CIP offset \$0.9 million expense decrease (cost allocation from wastewater to drainage).
- 2) Increase required to meet 25 percent cash financing target.

The 2008 system rate will require a 25 percent increase to fund the 2008 system expense and meet financial policy targets. Tables V-4 and V-5 present the 2008 and 2009 Sources and Uses of system and treatment revenue/expense, assuming proposed rates and spending.



Table V-4
2008 Change in Wastewater System Expense
(\$1,000's)

| | System | Treatment | Total Wastewater |
|---------------------------------|-----------------|------------------|---------------------|
| SOURCES | | | |
| <i>Direct Service</i> | | | |
| Gross Revenue | \$54,919 | \$112,323 | \$167,242 |
| Less: Credit/Non Payment | (\$637) | (\$1,302) | (\$1,939) |
| Net Revenue | \$54,283 | \$111,021 | \$165,303 |
| Less: leads/lags | (\$305) | \$3 | (\$303) |
| Net Direct Service Cash Revenue | \$53,977 | \$111,024 | \$165,001 |
| <i>Other Revenue</i> | | | |
| Other Operating | \$3,441 | | \$3,441 |
| Other Non-Operating | \$2,064 | | \$2,064 |
| SCL Reimbursement | \$1,180 | | \$1,180 |
| Total Sources | \$60,663 | \$111,024 | \$171,686 |
| USES | | | |
| O&M | \$28,180 | \$97,360 | \$125,540 |
| Taxes | \$7,269 | \$14,866 | \$22,135 |
| Debt Service | \$14,886 | | \$14,886 |
| Cash Financing of CIP (25%) | \$7,574 | | \$7,574 |
| Total Uses | \$57,909 | \$112,227 | \$170,136 |
| SOURCES NET OF USES | \$2,754 | (\$1,203) | \$1,551 |

Table V-4 Notes:

- 1) Assumes treatment rate of \$5.22 and system rate of \$2.55 in 2008 multiplied by projected volumes.
- 2) Cash financing represents 25 percent of wastewater CIP. In 2008 the wastewater contribution is projected to exceed 25 percent level.



Table V-5
2009 Change in Wastewater System Expense
(\$1,000's)

| | System | Treatment | Total Wastewater |
|---------------------------------|-----------------|------------------|---------------------|
| SOURCES | | | |
| <i>Direct Service</i> | | | |
| Gross Revenue | \$60,785 | \$110,987 | \$171,772 |
| Less: Credit/Non Payment | (\$699) | (\$1,277) | (\$1,976) |
| Net Revenue | \$60,086 | \$109,710 | \$169,796 |
| Less: leads/lags | (\$286) | (\$16) | (\$303) |
| Net Direct Service Cash Revenue | \$59,800 | \$109,693 | \$169,493 |
| <i>Other Revenue</i> | | | |
| Other Operating | \$3,452 | | \$3,452 |
| Other Non-Operating | \$1,810 | | \$1,810 |
| SCL Reimbursement | \$1,224 | | \$1,224 |
| Total Sources | \$66,285 | \$109,693 | \$175,978 |
| USES | | | |
| O&M | \$28,838 | \$96,098 | \$124,936 |
| Taxes | \$8,074 | \$14,742 | \$22,816 |
| Debt Service | \$16,004 | | \$16,004 |
| Cash Financing of CIP (25%) | \$7,383 | | \$7,383 |
| Total Uses | \$60,299 | \$110,840 | \$171,139 |
| SOURCES NET OF USES | \$5,986 | (\$1,147) | \$4,839 |

Table V-5 Notes:

- 1) Assumes treatment rate of \$5.24 and system rate of \$2.87 in 2009 multiplied by projected volumes.
- 2) Cash financing represents 25 percent of wastewater CIP. In 2009 the wastewater contribution is projected to exceed 25 percent level.



Wastewater cash in excess of the target as of the end of 2007 will be used for additional CIP financing resulting in a total wastewater cash contribution to CIP of 36.5 percent in 2007. The wastewater percent cash financing of the CIP is projected at 38.3 percent in 2009. The DWF as a whole is projected to cash finance 25 percent of the CIP in both 2008 and 2009.

**Table V-6
2008/2009 Wastewater Cash Balance
(\$1,000's)**

| | 2008 | 2009 |
|-------------------|-----------|-----------|
| Beginning | \$10,314 | \$7,176 |
| Source net of use | \$1,516 | \$6,358 |
| Other Adjustments | (\$1,163) | (\$829) |
| Cash Subtotal | \$10,667 | \$12,705 |
| Cash to CIP (1) | (\$3,492) | (\$5,352) |
| Ending Cash | \$7,176 | \$7,353 |

Table V-6 Notes:

(1) Use of excess cash (over targeted ending balance) used to provide additional financing to CIP. Total wastewater financing of CIP equals 36.5 percent in 2008 and 38.3 percent in 2009.

LOW INCOME UTILITY CREDIT

The City subsidizes qualified low-income customers by giving them discounts on their utility services.

Low income assistance customers may receive their discount in one of three ways: 1) as a credit to their SPU wastewater bill; or 2) where no wastewater bill is received, as a credit to the customer's City Light Bill; or 3) in the form of a credit voucher. The latter two options are typically applicable to renters who pay drainage, wastewater, and water utility fees indirectly as part of their rental payment.

For customers who do not receive a wastewater bill, a fixed credit is calculated which is equal to 50 percent of a typical residential bill for the class of customer receiving the credit⁸. The discounts are shown in Table V-7.

**Table V-7
Wastewater Low Income Utility Credit**

| Customer Type | 2008 | 2009 |
|-----------------------------|-------------------|-------------------|
| Receives SPU Bill | 50% discount | 50% discount |
| Does not receive sewer bill | | |
| Single family & duplex | \$20.20 per month | \$21.09 per month |
| Multi-family | \$13.99 per month | \$14.60 per month |

⁸ The typical residential bill is calculated by multiplying the rate per ccf by average monthly consumption. The discounts assume an average monthly usage of 5.2 ccf for a single family and 3.6 ccf for multi-family.

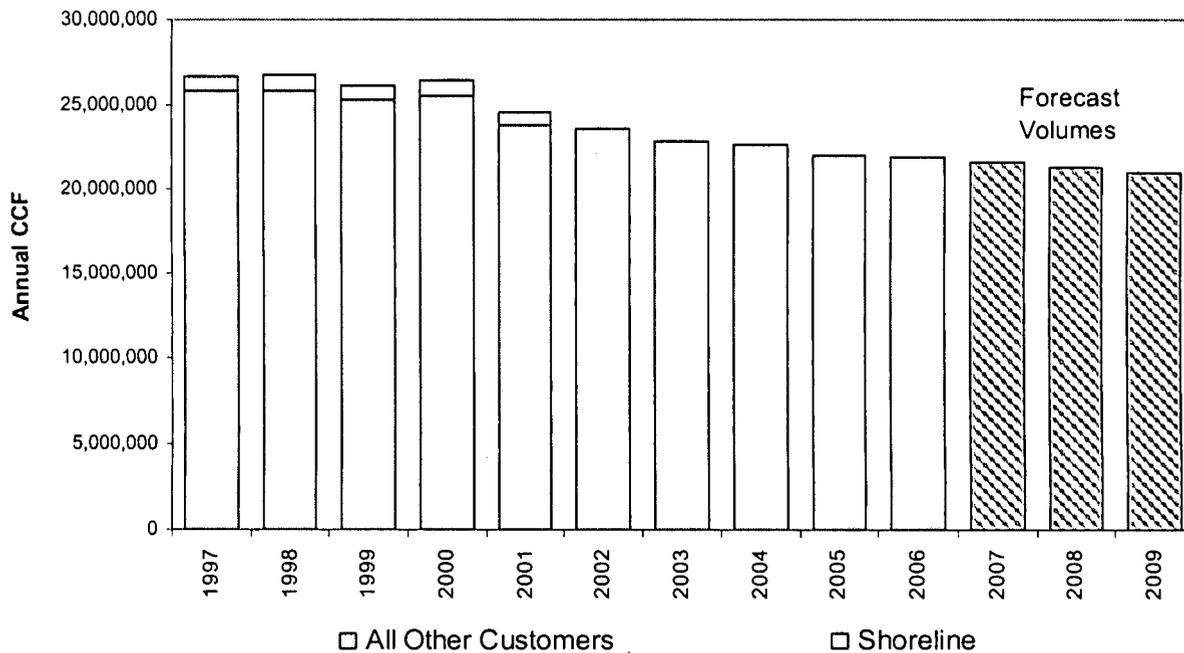


WASTEWATER DEMAND

The volume of wastewater conveyed from retail customers is expected to decline (year by year) by about 1.5 percent in 2007, 1.2 percent in 2008 and 1.6 percent in 2009. These declines continue a downward trend that started in the 1980s. Figure V-1 below presents total annual Seattle wastewater volumes (in ccf) between 1997 and 2009 (2007-2009 are the forecast values). During this period, total demand declined by approximately 15 percent. About 3 percent of this decline was due to the October 2001 transfer of approximately 8,100 Shoreline customers from Seattle to the Ronald Wastewater District.

Figure V-1

Historical and Forecast Wastewater Volumes (1997-2009)



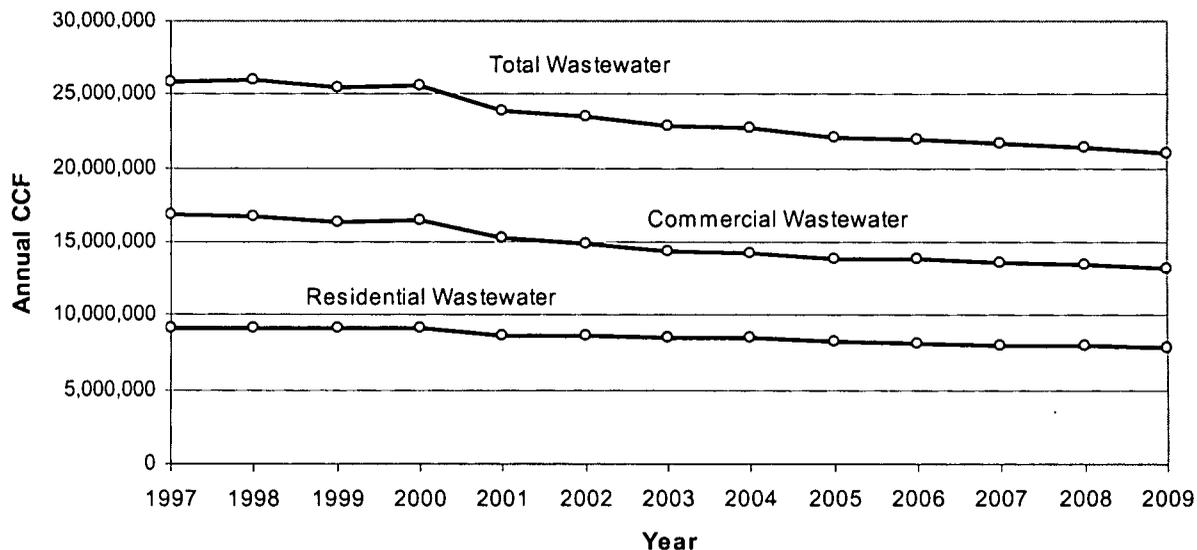
Prior to 2000, Residential wastewater volumes declined modestly (approximately 0.4 percent per year from 1989-2000) with little variation from year to year. Commercial wastewater volumes fell faster (by about 1.4 percent per year between 1989 and 2000). The total decline in demand averaged 1.0 percent per year during this period. Demand fell sharply in 2001 declining a total of 7.1 percent. About 3 percent of this change was due to the Shoreline customer transfer mentioned previously. The balance of the decline was due almost entirely to reductions in commercial volumes as a result of the regional recession. As the economy has rebounded, the decline in commercial volumes has slowed, averaging 2.0 percent per year between 2002 and 2006.

Wastewater volumes of commercial customers are generally declining faster (2.0 percent per year) than residential customer volumes which are declining about 1.6 percent per year (for 2002 through 2006). Figure V-2 below indicates wastewater volumes for both residential and commercial customers (along with total volumes).



Figure V-2

Historical and Forecast Wastewater Volumes (1997-2009)



The short-term residential forecasting model utilizes trend for forecasting volumes. The trend captures impacts of the drivers of residential wastewater volumes such as overall decreasing water use (which is used to calculate sewer volumes) and shifts between peak and off-peak period water use. The short-term commercial model utilizes employment to capture economic fluctuations and an underlying trend in consumption associated with increased efficiency in water use. From 2001 to 2003 the local economic climate was such that employment fell, magnifying the decline in commercial volumes. From 2004 to 2006, an increase in employment reduced the rate of decrease in commercial wastewater volumes.⁹

The demand model also takes into account expected water conservation impacts on peak-period wastewater volumes. Because a significant quantity of water is used for irrigation purposes during the summer, water volumes depend on summer weather. Although the effect on wastewater volumes is moderated by use of average winter sewer bills for determining residential volumes, there is some impact from early or late summer weather on commercial volumes since they are based on actual year-around water consumption. The model used to forecast demand for this rate study assumes the weather of a "normal" year in which summer weather is not particularly wet, dry, hot or cool. Actual demand will vary from forecast partly because summer weather varies.

⁹ The forecast used the March, 2007 economic forecast provided by Conway Pederson Economics, Inc.



The results of the short term wastewater demand model for residential and commercial customers are shown in Table V-7 below.

**Table V-7
Short Term Annual Forecast of Wastewater Volume**

| <u>Year</u> | <u>Residential</u> | | <u>Commercial</u> | | <u>Total</u> | |
|--|--------------------|-------------------|-------------------|-------------------|--------------|-------------------|
| | Volume (CCF) | Percentage Change | Volume (CCF) | Percentage Change | Volume (CCF) | Percentage Change |
| Actual | | | | | | |
| 2005 | 8,181,348 | | 13,821,098 | | 22,002,446 | |
| 2006 | 8,136,151 | | 13,829,782 | | 21,965,933 | |
| Short-Term Demand Model Results | | | | | | |
| 2007 | 8,020,000 | | 13,610,000 | | 21,630,000 | |
| 2008 | 7,920,000 | -1.2% | 13,440,000 | -1.2% | 21,360,000 | -1.2% |
| 2009 | 7,850,000 | -0.8% | 13,170,000 | -2.0% | 21,020,000 | -1.6% |

In order to obtain required revenues, sewer rates have to rise to offset this reduction in demand since many costs do not vary with volume. The impact of decreasing wastewater volumes on rates can be seen by analyzing past rate increases, with the greatest impact between 2000 and 2004 where it accounted for almost half of the average rate increase, and the smallest impact between 1990 and 1999, during the period of slowest decline. There is very little expense elasticity relative to changes in wastewater volumes for several reasons, including:

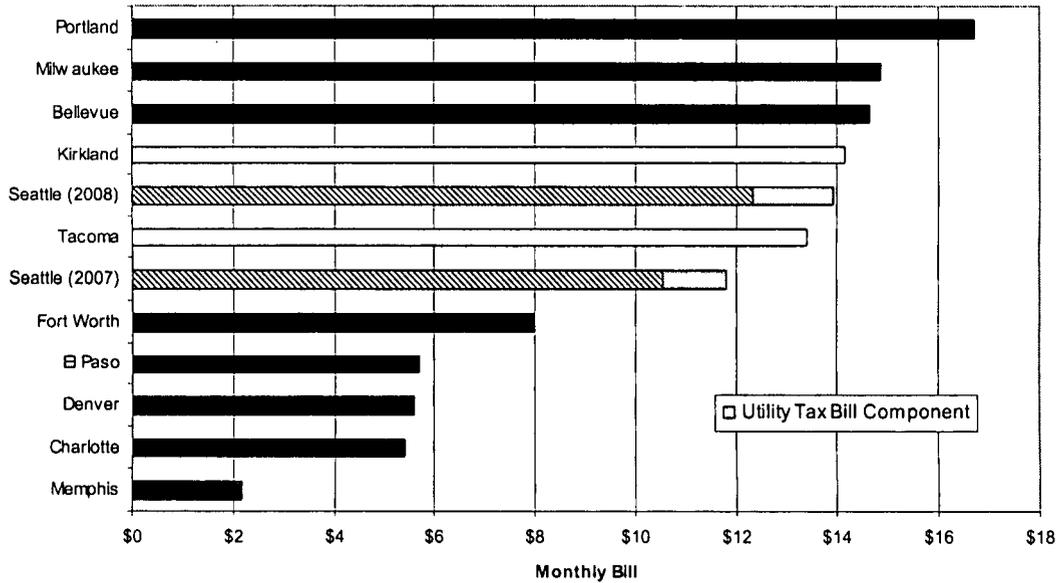
- SPU system operating expenses are typically not capacity-driven, with maintenance focused on the existing network;
- SPU customer service expense is account, not demand driven;
- A large component of the rate base, existing debt service, is entirely fixed (with the exception of re-financing opportunities);
- New capital investment are typically not capacity-driven, with the exception of combined sewer overall expense which is driven more by stormwater than wastewater volumes; and
- The King County treatment bill is volume based for commercial customers but premise based for residential customers. Therefore, only about 53 percent of the total treatment bill (commercial portion) is volume-based.



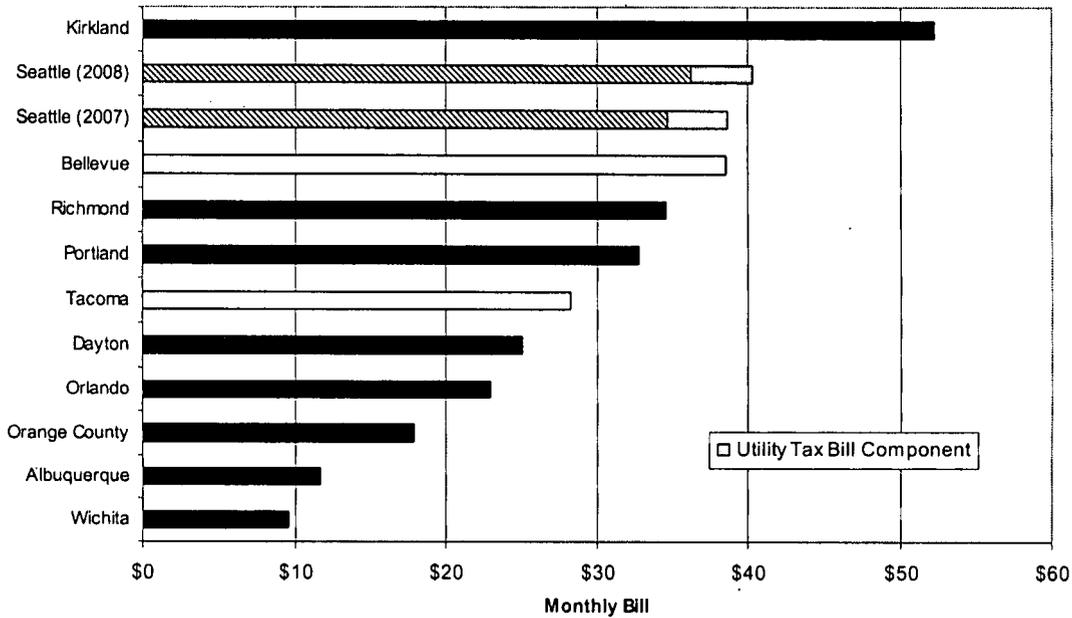
APPENDIX A — COMPARATIVE RATES

The following tables compare City of Seattle drainage and wastewater fees to those of other utilities. Select regional utilities are included as well as other utilities based on 1) populations similar to Seattle for drainage and 2) sewer volumes similar to Seattle for wastewater. Both 2007 and proposed 2008 bills are shown for Seattle, while estimated 2007 bills are shown for other utilities.

**Figure A-1
Monthly Drainage Bill Comparison
Single Family Residence**



**Figure A-2
Monthly Wastewater Bill Comparison
Single Family Residence**



Commercial drainage fees for the cities in this comparison are based on a one acre parcel that is 95% impervious. Commercial Wastewater fees assume monthly usage of 500 ccf.

Figure A-3
Monthly Drainage Bill Comparison
Heavy Industrial (1 acre parcel)

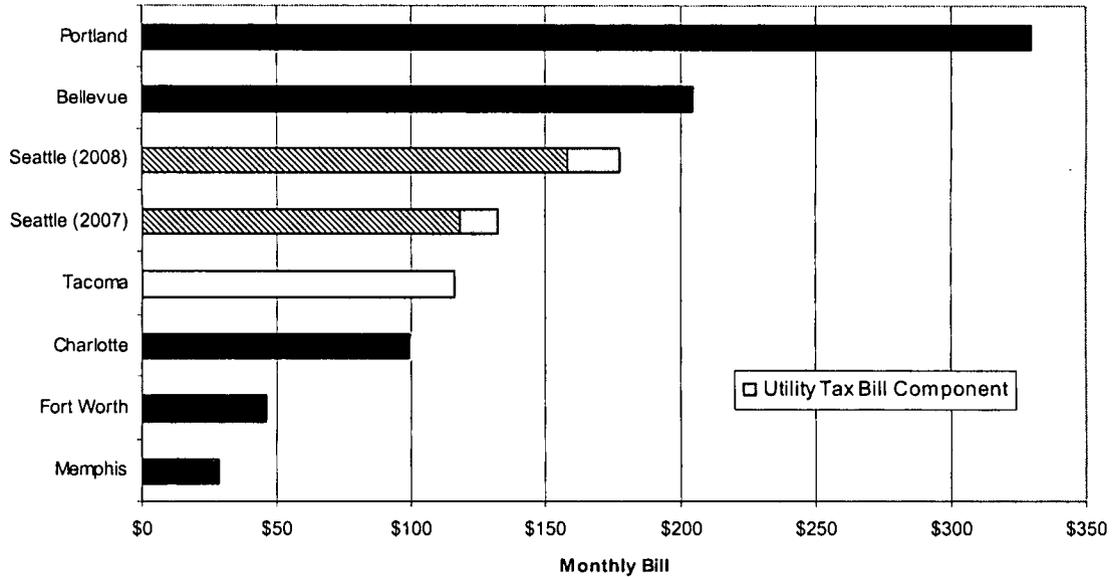
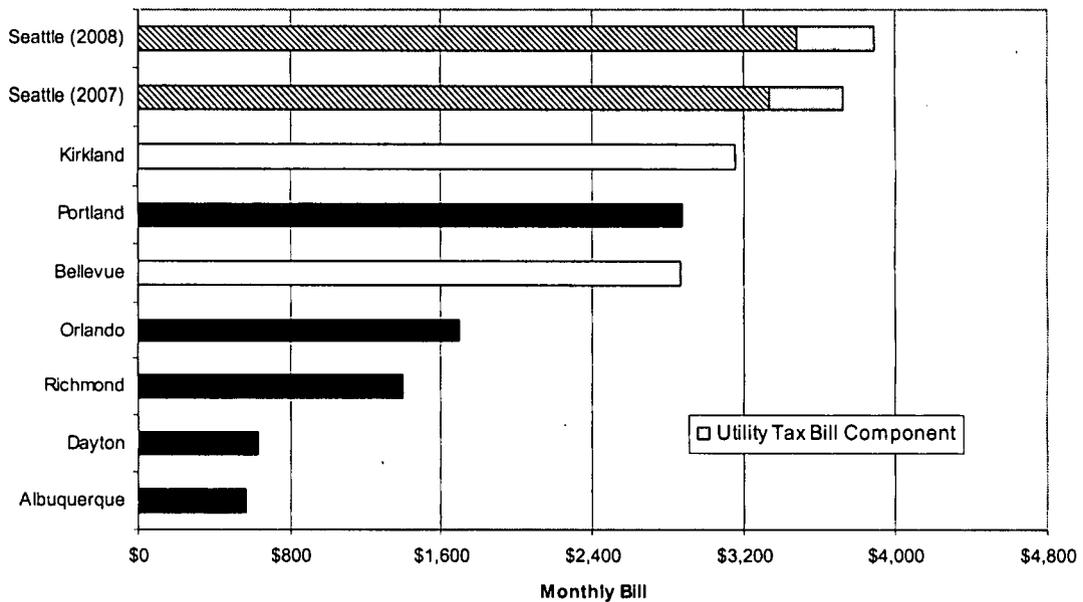


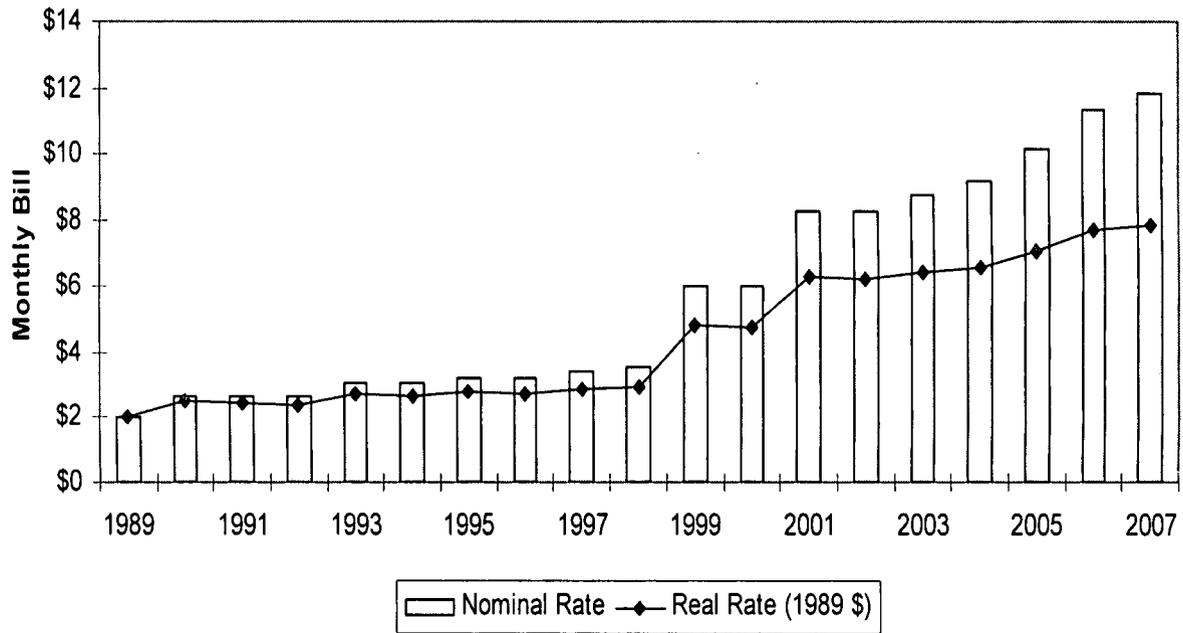
Figure A-4
Monthly Wastewater Bill Comparison
Based on Monthly Usage of 500 ccf



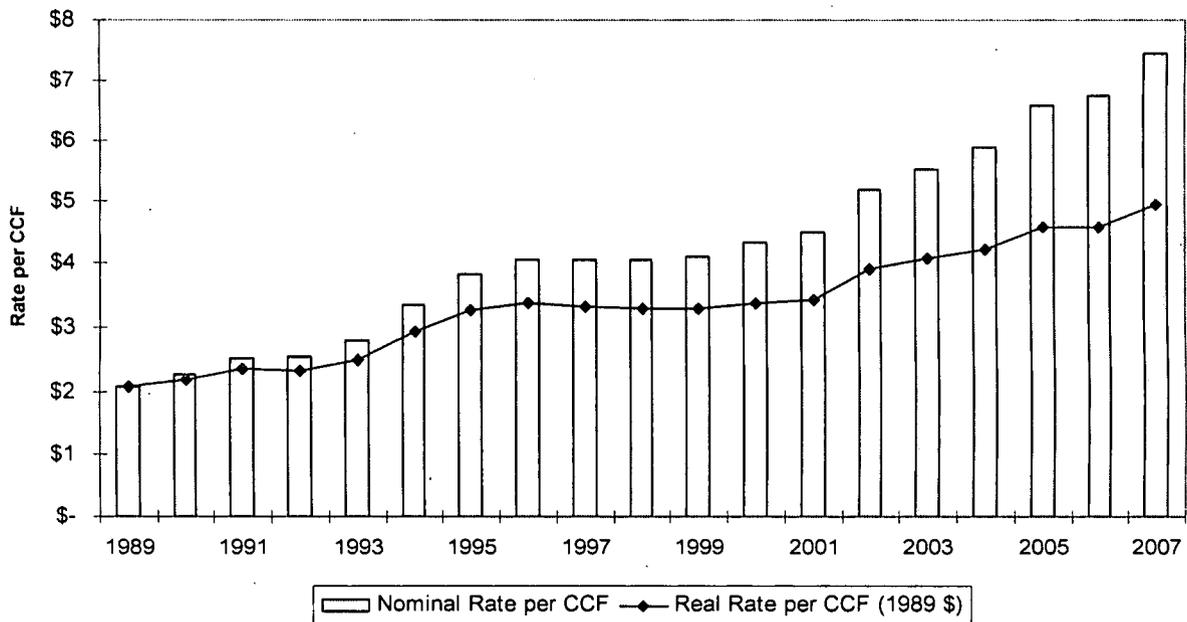
APPENDIX B — HISTORICAL RATES

The following tables show real and nominal rates for drainage and wastewater from 1989 to 2007.

**Monthly Drainage Rates
1989-2007**



**Wastewater Rates per CCF
1989-2007**



APPENDIX C — DATA TABLES

Table C-1
Drainage and Wastewater Fund
Historical and Forecast Revenues

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Forecast Revenue (1) | | | | | | |
| Capital/Operating Grants | \$50 | \$1,087 | \$2,550 | \$3,131 | \$2,232 | \$2,232 |
| Public Toilets Service Fee | | \$690 | \$711 | \$728 | \$747 | \$774 |
| Wastewater Service Rates | \$131,109 | \$144,307 | \$146,104 | \$159,642 | \$166,847 | \$171,318 |
| Drainage Service Rates | \$25,685 | \$30,139 | \$36,968 | \$39,551 | \$51,379 | \$58,806 |
| Side Sewer Permit Fees | \$373 | \$700 | \$446 | \$959 | \$1,033 | \$1,033 |
| Drainage Permit Fees | \$263 | \$400 | \$511 | \$536 | \$514 | \$514 |
| SCL Call Center Service | \$1,235 | \$1,061 | \$1,292 | \$1,239 | \$1,180 | \$1,224 |
| Interest Earnings | \$1,097 | \$996 | \$987 | \$1,586 | \$3,066 | \$2,069 |
| Other Misc. Revenues | \$150 | \$17 | \$126 | \$129 | \$137 | \$142 |
| Use of Bond Proceeds | \$37,040 | \$38,995 | \$32,426 | \$40,230 | \$53,487 | \$57,103 |
| Total | \$197,002 | \$218,393 | \$222,120 | \$247,733 | \$280,621 | \$295,214 |
| Actual Revenue | | | | | | |
| Capital/Operating Grants | \$1,212 | \$2,050 | \$2,051 | | | |
| Public Toilets Service Fee | | \$690 | \$710 | | | |
| Wastewater Service Rates | \$133,075 | \$142,883 | \$147,532 | | | |
| Drainage Service Rates | \$27,039 | \$31,361 | \$36,988 | | | |
| Side Sewer Permit Fees | \$446 | \$914 | \$984 | | | |
| Drainage Permit Fees | \$380 | \$511 | \$490 | | | |
| SCL Call Center Service | \$1,023 | \$1,051 | \$1,189 | | | |
| Interest Earnings | \$376 | \$1,899 | \$1,833 | | | |
| Use of Bond Proceeds | \$28,845 | \$32,419 | \$32,445 | | | |
| Total | \$194,570 | \$214,024 | \$224,350 | | | |

Table B1 Notes:

1) Historical Revenue Forecast = Adopted Revenue for years in which rates were proposed.



Table C-2
Drainage and Wastewater Fund
Historical and Forecast O&M

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Forecast O&M (1) | | | | | | |
| Drainage | \$15,399 | \$14,541 | \$16,692 | \$19,442 | \$29,020 | \$32,190 |
| Treatment | \$83,870 | \$90,212 | \$90,255 | \$100,084 | \$98,110 | \$97,835 |
| Wastewater | \$20,366 | \$21,581 | \$22,876 | \$24,359 | \$29,283 | \$29,975 |
| Total | \$119,635 | \$126,333 | \$129,824 | \$143,886 | \$156,414 | \$159,999 |
| Actual O&M | | | | | | |
| Drainage | \$15,662 | \$16,205 | \$18,733 | | | |
| Treatment | \$83,711 | \$90,491 | \$89,839 | | | |
| Wastewater | \$24,216 | \$23,146 | \$25,259 | | | |
| Total | \$123,588 | \$129,842 | \$133,831 | | | |

Table C-2 Notes:

- 1) 2008 and 2009 treatment amounts assume no change in the treatment rate; however King County is projecting an 18 percent increase in its 2009 treatment rate.
- 2) This forecast data was used as a basis for rate studies in the applicable years. Forecast O&M does not include revenue-based taxes (city and state utility) or debt service which are reported separately in the rates model. Non-revenue based taxes, such as property assessments, are included in forecast O&M figures. It does include certain non-cash expenses which are not included in the budget but are considered part of O&M expense on Financial Statements. The O&M data for and forward is net of the SCL revenue presented under forecast revenue above. For financial reporting purposes, this "revenue" is treated as an offset to expense. For budgeting purposes it is presented as revenue.
- 3) Non-treatment actual O&M is allocated between lines of business by the SPU rates group.



Table C-3

Drainage and Wastewater Fund
Financial Policy Data
(\$ in thousands)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------------------|-----------|----------|----------|-----------|----------|----------|
| | Actual | Actual | Actual | Projected | Proposed | Proposed |
| Net Income | (\$4,995) | \$1,283 | \$972 | \$1,361 | \$6,311 | \$10,931 |
| Debt Service Coverage | 2.19 | 2.73 | 2.39 | 2.82 | 2.80 | 2.64 |
| Debt-to-Assets | 52% | 51% | 56% | 56% | 62% | 65% |
| Operating Cash | \$7,737 | \$8,855 | \$16,550 | \$11,314 | \$8,176 | \$8,153 |
| Cash Contribution % | 14.8% | 24.6% | 17.7% | 25.0% | 25.0% | 25.0% |
| Cash Contribution \$ | \$5,025 | \$10,421 | \$6,996 | \$10,577 | \$17,874 | \$19,019 |

Table C-3 Notes:

Financial policy targets are set for the fund as a whole. No specific targets exist for each line of business (drainage and wastewater). See Table II-1 in Section II for DWF targets.



Table C-4
Drainage and Wastewater Fund
Operating Fund Cash Flow, 2005-2009

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | |
|------------------------------------|---------------|-----------|---------------|---------------|--------|---------------|--------|---------------|--------|---------------|
| | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected |
| Beginning Cash Balance | \$7,736,809 | | \$8,855,278 | \$16,550,310 | | \$11,314,000 | | \$8,176,000 | | |
| Sources of Funds | | | | | | | | | | |
| Interlocal Grants-Operating | \$570,829 | | \$186,908 | \$550,000 | | \$550,000 | | \$550,000 | | \$550,000 |
| Capital Contribution/Grant | \$1,478,791 | | \$1,681,569 | \$3,202,579 | | \$1,681,569 | | \$1,681,569 | | \$1,681,569 |
| Public Toilets Service Fee | \$690,000 | | \$710,000 | \$728,468 | | \$746,640 | | \$774,266 | | \$774,266 |
| Wastewater Utility Services | \$142,883,101 | | \$147,531,599 | \$159,642,172 | | \$166,846,760 | | \$171,317,509 | | \$171,317,509 |
| Drainage Utility Services | \$31,360,996 | | \$36,988,217 | \$39,550,795 | | \$51,378,689 | | \$58,805,940 | | \$58,805,940 |
| Side Sewer Permit Fees | \$913,764 | | \$984,058 | \$959,453 | | \$1,033,261 | | \$1,033,261 | | \$1,033,261 |
| Drainage Permit Fees | \$510,888 | | \$489,664 | \$536,432 | | \$514,147 | | \$514,147 | | \$514,147 |
| SCL Call Center Payments | \$1,050,501 | | \$1,188,840 | \$1,239,386 | | \$1,180,074 | | \$1,223,737 | | \$1,223,737 |
| Inv Earn-Residual Cash | \$675,111 | | \$1,832,876 | \$1,586,225 | | \$3,065,759 | | \$2,069,278 | | \$2,069,278 |
| Other Miscellaneous Revenues | \$123,333 | | \$128,874 | \$128,858 | | \$136,984 | | \$142,052 | | \$142,052 |
| Sources Subtotal: | \$180,257,313 | | \$191,722,606 | \$208,124,366 | | \$227,133,883 | | \$238,111,759 | | \$238,111,759 |
| Uses of Funds | | | | | | | | | | |
| Administration | \$7,603,238 | | \$24,172,774 | \$6,993,871 | | \$7,512,354 | | \$7,790,311 | | \$7,790,311 |
| Customer Service | \$6,225,730 | | \$5,157,376 | \$6,906,997 | | \$7,215,760 | | \$7,482,744 | | \$7,482,744 |
| General Expense | \$121,745,315 | | \$126,722,885 | \$134,493,470 | | \$147,987,978 | | \$159,304,473 | | \$159,304,473 |
| Engineering Services | \$2,629,317 | | \$2,613,088 | \$2,759,728 | | \$2,738,985 | | \$2,840,328 | | \$2,840,328 |
| Field Operations | \$10,975,662 | | \$12,428,221 | \$13,984,775 | | \$13,317,013 | | \$13,809,742 | | \$13,809,742 |
| Science,Sustainability & Wshed/USM | \$6,616,385 | | \$8,313,988 | \$9,119,266 | | \$10,649,182 | | \$11,043,202 | | \$11,043,202 |
| G&A Credits | -\$4,707,788 | | -\$4,879,233 | -\$4,849,027 | | -\$6,044,000 | | -\$5,300,000 | | -\$5,300,000 |
| Operations Subtotal: | \$151,087,859 | | \$174,529,099 | \$169,409,080 | | \$183,377,272 | | \$196,970,799 | | \$196,970,799 |
| Revenues Used for Capital Program | \$10,004,587 | | \$6,996,079 | \$10,576,936 | | \$17,874,065 | | \$19,018,638 | | \$19,018,638 |
| Debt Service | | | | | | | | | | |
| Interest | \$14,695,578 | | \$14,880,880 | \$18,154,713 | | \$20,089,835 | | \$24,146,898 | | \$24,146,898 |
| Principal | \$6,325,000 | | \$6,755,000 | \$8,070,000 | | \$9,589,639 | | \$11,177,188 | | \$11,177,188 |
| Total Sources Net Uses: | -\$1,855,711 | | -\$11,438,452 | \$1,913,638 | | -\$3,796,929 | | -\$13,201,764 | | -\$13,201,764 |
| Adjustments: | | | | | | | | | | |
| Lags and Leads in Revenue | \$0 | | -\$377,810 | -\$727,371 | | -\$366,787 | | -\$336,828 | | -\$336,828 |
| Other Assets and Liabilities | \$2,974,180 | | \$19,511,294 | -\$6,422,577 | | \$1,025,716 | | \$13,515,593 | | \$13,515,593 |
| Ending Cash Balance | \$8,855,278 | | \$16,550,310 | \$11,314,000 | | \$8,176,000 | | \$8,153,000 | | \$8,153,000 |

Table C-4 Notes: 2005 was prior to the SPU reorganization. General expense includes revised wastewater treatment and tax expense. Allocation of funds shown here is preliminary. The allocation will be finalized with the 2008 Budget.



Table C-5
Drainage and Wastewater Fund
Construction Fund Cash Flow, 2006-2009

| | 2006 | 2007 | 2008 | 2009 |
|--------------------------------------|---------------------|-----------------------|----------------------|----------------------|
| | Actual | Projected | Proposed | Proposed |
| Starting Cash Balance | \$21,639,751 | \$40,025,209 | \$12,793,251 | \$44,013,880 |
| Sources of Funds | | | | |
| 2006 Bond Issue | \$49,201,877 | | | |
| 2008 Bond Issue | | | \$83,274,686 | \$82,164,876 |
| 2009 Bond Issue | | | | |
| Other Loans | \$1,936,820 | \$3,500,000 | | |
| Bond Issuance Costs | (\$964,743) | | (\$1,632,837) | (\$1,611,076) |
| Contributions in Aid of Construction | \$1,727,899 | \$2,231,577 | \$2,231,569 | \$2,231,569 |
| Interest Earnings | \$656,908 | \$1,001,537 | \$3,065,759 | \$2,069,278 |
| Transfers from Operating Fund | \$5,268,180 | \$8,345,359 | \$15,642,496 | \$16,787,069 |
| Total Sources: | \$57,826,941 | \$15,078,473 | \$102,581,673 | \$101,641,717 |
| Uses of Funds | | | | |
| Combined Sewer Overflow | \$3,726,958 | \$6,472,800 | \$10,639,620 | \$14,130,349 |
| Flood Control and Local Drainage | \$5,696,598 | \$5,090,400 | \$12,621,060 | \$19,209,532 |
| Sewer Rehabilitation/Conveyance | \$11,793,097 | \$8,874,000 | \$13,260,326 | \$11,884,010 |
| Pumps | | | | |
| Capacity | \$0 | \$0 | \$0 | \$0 |
| Habitat and Sediments | \$2,720,196 | \$2,958,300 | \$2,759,059 | \$3,157,009 |
| Other CIP | \$1,823,439 | | | |
| Protection of Beneficial Uses | \$3,533,039 | \$2,961,000 | \$11,199,600 | \$10,256,039 |
| Low Impact Development | \$767,049 | \$2,044,350 | \$3,270,283 | \$2,661,635 |
| Public Asset Protection | \$1,328,004 | \$5,608,869 | \$4,377,177 | \$3,574,204 |
| Sewer Rehabilitation | | | | |
| Technology | \$2,786,699 | \$2,961,912 | \$2,972,012 | \$3,333,988 |
| Shared Projects | \$5,266,404 | \$9,678,600 | \$14,969,472 | \$12,293,052 |
| FAS/1 | | (\$4,339,800) | (\$4,707,565) | (\$4,378,472) |
| Total Uses: | \$39,441,483 | \$42,310,431 | \$71,361,044 | \$76,121,346 |
| Sources Net of Uses: | \$18,385,458 | (\$27,231,958) | \$31,220,630 | \$25,520,371 |
| Ending Cash Balance | \$40,025,209 | \$12,793,251 | \$44,013,880 | \$69,534,251 |

Table C-5 Notes: 2008 and 2009 Uses assumes 90% accomplishment of CIP Spending Plan at total CIP level (by BCL accomplishment may vary).



APPENDIX D— DWF COST ASSIGNMENT DETAIL

Drainage and Wastewater Cost Assignment Methodology

SPU conducted its last review of DWF cost assignment factors in 2006, using 2005 actual data. Those factors were used to determine the 2007 drainage and wastewater system cost of service.

The 2008-2009 rate study uses the methodology described below for assigning operating expenses between drainage and wastewater lines of business. The cost assignment methodology is consistent with that of the 2004 through 2007 rate studies. The current rate study uses 2006 actual labor expense as the basis for labor related cost splits. Consistent use of actual expense over time helps to minimize errors in cost assignment resulting from variations between actual and budgeted spending.

DWF Operating Expenses are grouped into three categories:

- 1) Direct Operating Expense;
- 2) Branch and Division Administration; and
- 3) General and Administrative Expense.

Direct Operating Expense

Some expenses are assigned 100 percent to the applicable line of business (e.g., drainage billing administration). The majority of shared direct operating expenses are assigned based on actual direct labor expenses of an identified proxy. For example, most regulatory direct operating expense is related to water quality and combined sewer overflow (CSO) issues. Therefore, these activities are assigned based on actual direct labor expense for a subset of water quality and CSO-related capital and operating activities. The use of a programmatic proxy is useful in capturing any shifts in the focus of regulatory support over time.

Management estimates are used to identify the cost assignment factors for a limited number of activities. The bulk of activities using management estimates is related to billing and customer service activities. SPU is responsible for wastewater billing and for drainage and wastewater customer service.¹ Management estimates are used to identify labor effort associated with the support of each line of business for a targeted subset of customer service budgeted activities.

Branch and Division Administration

With the exception of the Engineering Services Branch, the cost assignment of all division general management expense is based on the sum of actual direct labor expenses for direct operating activities which charge to the division budget. The assignment of branch management expense is based on the sum of actual direct labor charged to direct operating and division administration activities rolling up to the branch budget.

Administrative expense for the engineering division is assigned based on actual direct labor expense charged to capital projects by each division. Engineering branch management expense is assigned based on the sum of actual direct labor expense charged to capital projects by all engineering branch divisions.

¹ King County administers billing for drainage.

This methodology creates a direct link between administrative functions and the activities they support. In addition, this methodology provides a consistent mechanism for updating administration cost assignment from year to year in the event that the programmatic focus of a particular branch or division changes.

General and Administrative Expense

Finance and Administration Branch expense is assigned based on the sum of actual direct labor expense for all direct operating and branch/division administrative activities which charge to the DWF budget.

Cost Assignment Factor

The DWF total operating budget for each operating activity is divided between the wastewater and drainage lines of business using the cost assignment factors in Table C-1. These factors represent the typical amount of support provided to each line of business in carrying out a specific type of activity. For example, the "Field Ops OH" factor assumes that the general management of field operations is related to drainage services about 39 percent of the time and to wastewater services about 61 percent of the time. Therefore, drainage and wastewater each receive their proportional shares of the activities assigned this factor.

Table C-1 (on the following page) presents detail on the applicability, basis, and drainage expense share associated with each cost assignment factor. The fourth column in this table shows the percentages which were applied in prior rate studies. The final column presents revisions to these factors, where applicable, based on 2006 direct labor data.

In the 2007 drainage rate study the revised cost assignment factors increased the drainage share of O&M by \$2.3M. SPU policy regarding intra-fund (Solid Waste, Drainage and Wastewater, Water) expense assignment provides for a maximum annual change of \$1.0 million in assigned expense per fund in order to assist in the smoothing of budgetary impacts of significant cost assignment shifts which may result from temporary spending anomalies. Therefore, the 2007 drainage rate proposal assumed that \$1.0 million of the total \$2.3 million change would be applied in 2007. The remaining \$1.3 million was to be netted against other cost assignment revisions in 2008.

The application of the 2006 revised cost assignment factors increases the 2008 wastewater share of DWF pre-existing O&M by \$0.4 million, and reduces the drainage share by a corresponding amount. Netting this \$0.4 million shift to wastewater against the \$1.3 million cost allocation carryover from the 2007 drainage rate study results in a cumulative allocation impact of \$0.9 million from wastewater to drainage. Therefore, the \$1.0 million maximum annual change rule was applied once again with the entire \$0.9 million shift reflected in the 2008 rate study.

**Table D-1
DWF Cost Assignment Factors**

| Factor | Applicability | Basis | Drainage Share Baseline | Drainage Share Revised |
|-------------------------|---|---------------------------------------|-------------------------|------------------------|
| CS Branch OH | Customer Service Branch Administration | 2006 Division Direct O&M Labor | 3% | 8% |
| CS Business Support OH | Customer Service Business Support Division Administration | 2006 Branch/Division Direct O&M labor | 0% | 5% |
| CS Billing OH | Customer Service Billing Division Administration | 2006 Division Direct O&M Labor | 1% | 0% |
| CS Customer Programs OH | Customer Service Customer Programs & Contracts Management Division Administration | 2006 Division Direct O&M Labor | 92% | 100% |
| CS Customer Response OH | Customer Service Customer Response Division Administration | 2006 Division Direct O&M Labor | 5% | 5% |
| CS Utility Svs OH | Customer Services Utility Service Teams Division Administration | 2006 Division Direct O&M Labor | 7% | 4% |
| ES Branch OH | Engineering Services Branch Administration | 2006 Branch/Division Direct O&M labor | 88% | 57% |
| ES CM | Engineering Services Construction Management Division Administration | 2006 Division Direct O&M Labor | 65% | 62% |
| ES E | Engineering Services Engineering Division Administration | 2006 Division Direct O&M Labor | 93% | 94% |
| ES ES | Engineering Services Engineering Support Division Administration | 2006 Division Direct O&M Labor | 85% | 67% |
| Field Ops OH | Field Operations Branch Administration | 2006 Branch/Division Direct O&M labor | 45% | 39% |
| FO DWW | Field Operations Drainage and Wastewater Division Administration | 2006 Division Direct O&M Labor | 46% | 60% |
| FO SO | Field Operations Strategic Operations Division Administration (division no longer existed after reorganization) | 2006 Division Direct O&M Labor | 59% | n/a |
| FO Water | Field Operations Water (included because some Drainage & Wastewater work is done by this Division) | 2006 Division Direct O&M Labor | n/a | 17% |



Table D-1 (cont.)

| Factor | Applicability | Basis | Drainage Share Baseline | Drainage Share Revised |
|----------------------|---|---|-------------------------|------------------------|
| SSW Laboratory OH | Science Sustainability & Watersheds Laboratory Services Division Administration | 2006 Division Direct O&M Labor | n/a | 50% |
| SSW Scientific OH | Science Sustainability & Watersheds Scientific & Technical Services Division | 2006 Division Direct O&M Labor | n/a | 86% |
| SSW Branch OH | Science Sustainability & Watersheds Branch (new branch, and divisions, after reorganization) | 2006 Branch/Division Direct O&M labor | n/a | 78% |
| SSW Urban Sustain OH | Science Sustainability & Watersheds Urban Sustainability Division Administration | 2006 Division Direct O&M Labor | n/a | 97% |
| RM Branch OH | Resource Management Branch Administration (branch, and divisions, eliminated as part of reorganization) | 2005 Branch/Division Direct O&M labor | 74% | n/a |
| RM Plan OH | Resource Management Resource Planning Administration | 2006 Division Direct O&M Labor | 59% | n/a |
| USM SAM OH | Utility Systems Management Strategic Asset Management Administration | 2006 Division Direct O&M Labor | n/a | 58% |
| USM Branch OH | Utility Systems Management Branch Administration (new branch, and divisions, after reorganization) | 2006 Branch/Division Direct O&M labor | n/a | 41% |
| CIP | CIP management, G&A Credit, and Corps Design Permit Review | 2006 CIP Direct Labor | 51% | 54% |
| CSO | Combined System Overflows | Stormwater portion of the average annual flow | 0% | 55% |
| D | Direct drainage services such as drainage repair, storm water management, etc. | Utility Specific | 0% | 100% |



Table D-1 (cont.)

| Factor | Applicability | Basis | Drainage Share Baseline | Drainage Share Revised |
|--------------|---|---|-------------------------|------------------------|
| Labor | Finance, human resources, and information technology expenses. Labor refers to the basis for the factor (i.e. direct labor expense for activities that the finance and Administration functions support). | 2006 Actual non-Finance & Administration Direct O&M Labor (All) | 46% | 44% |
| Management | Activities with no alternate indicator. Factor based on management estimates of support required for each line of business. Used for all direct customer service activities, environmental justice and neighborhood planning, and limited environmental regional planning activities. | Management Estimate of labor required | 0% | 0% |
| Model | Debt service and taxes are calculated for each utility by the rates model based on forecast CIP spending requirements and operating revenues respectively. | Rates Model | 0% | 0% |
| Regulation | General environmental and scientific/technical support activities. | CIP and O&M regulatory activities | 59% | 75% |
| S | Direct wastewater services such as wastewater treatment, pumps station maintenance, etc. | Utility Specific | 0% | 0% |
| SewerPipe | Maintenance of sewer pipes | Drainage Portion of Combined pipe relative to all Sewer Pipe | 15% | 19% |
| SideSewer | DPD Side Sewer Contract and Side Sewer GIS Drafting | 2006 Permit Revenue | 47% | 33% |
| NetBookValue | SAM General CIP planning activities | 2006 Asset Schedule | n/a | 57% |



Tables D-2 and D-3 present the drainage and wastewater shares of proposed 2008 and 2009 DWF operating expense. Operating expense includes wastewater treatment expense, pre-existing non-treatment O&M (administrative, field maintenance, programmatic), proposed O&M additions (See Section III-Revenue Requirements), debt service and revenue tax expense.

The rate model calculates proposed wastewater treatment expense, taxes, debt service, and G&A credit (part of non-treatment O&M) for each line of business based on various inputs (CIP spending, wastewater volumes, total revenues, etc.). The sum of proposed O&M additions is assigned directly to the applicable line of business. All other non-treatment O&M expense is assumed to equal the 2008 Endorsed Budget, inflated by percent.

Table D-2 summarizes each line of business' share of expense by component.

Table D-2
DWF Proposed 2008/2009 Operating Expenditures

| (\$ in thousands) | 2008 | | | 2009 | | |
|----------------------|----------|-----------|-----------|----------|-----------|-----------|
| | D | WW | Total | D | WW | Total |
| Treatment | \$989 | \$97,121 | \$98,110 | \$1,973 | \$95,862 | \$97,835 |
| O&M | \$28,386 | \$28,097 | \$56,483 | \$29,714 | \$28,337 | \$58,050 |
| Taxes & Debt Service | \$18,003 | \$37,021 | \$55,024 | \$21,000 | \$39,043 | \$60,043 |
| Total | \$47,378 | \$162,239 | \$209,617 | \$52,686 | \$163,242 | \$215,928 |

Drainage-related expenses are expected to account for approximately 23 percent of total proposed expenditures in 2008 and 24 percent in 2009. Wastewater treatment payments are the single largest DWF operating expense, accounting for 47 percent of DWF's proposed expenditures in 2008 and 45 percent in 2009.

Table D3 provides 2008 cost assignment detail by activity.



**Table D-3
DWF Proposed 2007 Operating Expenditures by Activity**

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WW % | D\$08 | WW\$08 | 2008 Total |
|----------|--|--------------------------------|--------------------------------|------------------------|-----|------|-----------|-----------|------------|
| 1 | Branch Administration | | | | | | | | |
| 2 | N310194 DEPARTMENT SUPPORT | Customer Service | Branch Administration | CS Branch OH | 8% | 92% | 30 | 361 | 391 |
| 3 | N310195 GENERAL EXPENSE | Customer Service | Branch Administration | CS Branch OH | 8% | 92% | 5,156 | 63,084 | 68,240 |
| 4 | N310196 GENERAL MANAGEMENT | Customer Service | Branch Administration | CS Branch OH | 8% | 92% | 8,928 | 109,227 | 118,155 |
| 5 | N310197 TRAINING | Customer Service | Branch Administration | CS Branch OH | 8% | 92% | 500 | 6,114 | 6,614 |
| 6 | N310198 SAFETY | Customer Service | Branch Administration | CS Branch OH | 8% | 92% | 200 | 2,445 | 2,645 |
| 7 | N310199 PERSONNEL | Customer Service | Branch Administration | CS Branch OH | 8% | 92% | 455 | 5,566 | 6,021 |
| 8 | N310301 APPEALS | Customer Service | Branch Administration | CS Branch OH | 8% | 92% | 2,295 | 28,077 | 30,372 |
| 9 | N310401 COMMUNICATIONS | Customer Service | Branch Administration | CS Branch OH | 8% | 92% | 7,461 | 91,274 | 98,735 |
| 10 | N410194 DEPARTMENT SUPPORT | Engineering Services | Branch Administration | ES Branch OH | 57% | 43% | 7,487 | 13,087 | 13,087 |
| 11 | N410195 GENERAL EXPENSE | Engineering Services | Branch Administration | ES Branch OH | 57% | 43% | 25,755 | 19,248 | 45,01 |
| 12 | N410196 GENERAL MANAGEMENT | Engineering Services | Branch Administration | ES Branch OH | 57% | 43% | 64,871 | 48,480 | 113,351 |
| 13 | N410197 TRAINING | Engineering Services | Branch Administration | ES Branch OH | 57% | 43% | 1,600 | 1,96 | 2,796 |
| 14 | N410198 SAFETY | Engineering Services | Branch Administration | ES Branch OH | 57% | 43% | 1,447 | 1,081 | 2,528 |
| 15 | N410199 PERSONNEL | Engineering Services | Branch Administration | ES Branch OH | 57% | 43% | 456 | 340 | 796 |
| 16 | N510194 DEPARTMENT SUPPORT | Science,Sustainability & Wshed | SSW Branch Admin | SSW Branch OH | 78% | 22% | 0 | 0 | 0 |
| 17 | N510195 GENERAL EXPENSE | Science,Sustainability & Wshed | SSW Branch Admin | SSW Branch OH | 78% | 22% | 33,380 | 9,443 | 42,823 |
| 18 | N510196 GENERAL MANAGEMENT | Science,Sustainability & Wshed | SSW Branch Admin | SSW Branch OH | 78% | 22% | 79,890 | 22,603 | 102,493 |
| 19 | N510197 TRAINING | Science,Sustainability & Wshed | SSW Branch Admin | SSW Branch OH | 78% | 22% | 1,223 | 346 | 1,569 |
| 20 | N510198 SAFETY | Science,Sustainability & Wshed | SSW Branch Admin | SSW Branch OH | 78% | 22% | 524 | 149 | 673 |
| 21 | N510199 PERSONNEL | Science,Sustainability & Wshed | SSW Branch Admin | SSW Branch OH | 78% | 22% | 3,712 | 1,050 | 4,762 |
| 22 | N510289 CAPITAL PURCHASE | Science,Sustainability & Wshed | SSW Branch Admin | SSW Branch OH | 78% | 22% | 0 | 0 | 0 |
| 23 | N610194 DEPARTMENT SUPPORT | Field Operations | Branch Administration | Field Ops OH | 39% | 61% | 0 | 0 | 0 |
| 24 | N610195 GENERAL EXPENSE | Field Operations | Branch Administration | Field Ops OH | 39% | 61% | 14,758 | 22,610 | 37,368 |
| 25 | N610196 GENERAL MANAGEMENT | Field Operations | Branch Administration | Field Ops OH | 39% | 61% | 25,896 | 39,675 | 65,571 |
| 26 | N610197 TRAINING | Field Operations | Branch Administration | Field Ops OH | 39% | 61% | 2,709 | 4,150 | 6,859 |
| 27 | N610198 SAFETY | Field Operations | Branch Administration | Field Ops OH | 39% | 61% | 304 | 465 | 769 |
| 28 | N610199 PERSONNEL | Field Operations | Branch Administration | Field Ops OH | 39% | 61% | 3,712 | 5,687 | 9,399 |
| 29 | N653910 OCC FACILITY MAINTENANCE | Field Operations | Branch Administration | Field Ops OH | 39% | 61% | 7,222 | 11,066 | 18,288 |
| 30 | N656705 COMMUNICATIONS/DISPATCH | Field Operations | Water Operation | Field Ops OH | 39% | 61% | 73,991 | 113,358 | 187,349 |
| 31 | N656709 SECURITY | Field Operations | Water Operation | Field Ops OH | 39% | 61% | 4,282 | 21,645 | 25,927 |
| 32 | N710195 GENERAL EXPENSE | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 41% | 59% | 5,821 | 8,450 | 14,271 |
| 33 | N710196 GENERAL MANAGEMENT | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 41% | 59% | 50,311 | 73,034 | 123,345 |
| 34 | N710197 TRAINING | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 41% | 59% | 194 | 281 | 475 |
| 35 | N710198 SAFETY | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 41% | 59% | 346 | 502 | 848 |
| 36 | N710199 PERSONNEL | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 41% | 59% | 743 | 1,078 | 1,821 |
| 37 | N710301 SEC./EMERG.RESPONSE GRAL MGMT. | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 41% | 59% | 229,557 | 64,945 | 294,502 |
| 38 | N710302 PLAN, POLICIES, PROCEDURES | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 78% | 22% | 58,484 | 16,546 | 75,030 |
| 39 | N710303 TELECOMMUNICATIONS SPECIF. | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 78% | 22% | 10,406 | 2,944 | 13,350 |
| 40 | N710304 DISASTER & EMERGENCY PREP | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 78% | 22% | 83,672 | 23,672 | 107,344 |
| 41 | N710401 MIP'S GENERAL MGMT. | Utility Systems Mgmt | Utility System Mgmt Branch Adm | USM Branch OH | 78% | 22% | 136,255 | 38,549 | 174,804 |
| 42 | N910106 HEAVY EQUIP DEPREC OFFSET-DWW | G&A Credit | G&A Credit - Program | Field Ops OH | 34% | 66% | (252,960) | (491,040) | (744,000) |
| 43 | | | | | | | | | |
| 44 | Division Administration | | | | | | | | |
| 45 | N330194 DEPARTMENT SUPPORT | Customer Service | Customer Billing Svcs | CS Billing OH | 0% | 100% | 1 | 233 | 234 |
| 46 | N330195 GENERAL EXPENSE | Customer Service | Customer Billing Svcs | CS Billing OH | 0% | 100% | 117 | 26,602 | 26,719 |
| 47 | N330196 GENERAL MANAGEMENT | Customer Service | Customer Billing Svcs | CS Billing OH | 0% | 100% | 438 | 99,539 | 99,977 |
| 48 | N330197 TRAINING | Customer Service | Customer Billing Svcs | CS Billing OH | 0% | 100% | 14 | 3,290 | 3,304 |
| 49 | N330198 SAFETY | Customer Service | Customer Billing Svcs | CS Billing OH | 0% | 100% | 36 | 8,250 | 8,286 |
| 50 | N330199 PERSONNEL | Customer Service | Customer Billing Svcs | CS Billing OH | 0% | 100% | 62 | 14,176 | 14,238 |



Table D-3 (cont.)

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WW % | D\$08 | WW\$08 | 2008 Total |
|----------|----------------------|--------------------------------|--|--|------|------|---------|---------|------------|
| 51 | N340195 | GENERAL EXPENSE | Customer Service | CS Customer Response OH | 5% | 95% | 2,851 | 55,647 | 58,498 |
| 52 | N340196 | GENERAL MANAGEMENT | Customer Service | CS Customer Response OH | 5% | 95% | 19,880 | 388,097 | 407,977 |
| 53 | N340197 | TRAINING | Customer Service | CS Customer Response OH | 5% | 95% | 2,529 | 49,376 | 51,905 |
| 54 | N340198 | SAFETY | Customer Service | CS Customer Response OH | 5% | 95% | 2,615 | 51,040 | 53,655 |
| 55 | N340199 | PERSONNEL | Customer Service | CS Customer Response OH | 5% | 95% | 379 | 7,403 | 7,782 |
| 56 | N360194 | DEPARTMENT SUPPORT | Customer Service | CS Utility Svc Teams | 4% | 96% | 45 | 947 | 992 |
| 57 | N360195 | GENERAL EXPENSE | Customer Service | CS Utility Svc Teams | 4% | 96% | 2,400 | 50,946 | 53,346 |
| 58 | N360196 | GENERAL MANAGEMENT | Customer Service | CS Utility Svc Teams | 4% | 96% | 2,217 | 47,069 | 49,286 |
| 59 | N360197 | TRAINING | Customer Service | CS Utility Svc Teams | 4% | 96% | 355 | 7,535 | 7,890 |
| 60 | N360198 | SAFETY | Customer Service | CS Utility Svc Teams | 4% | 96% | 199 | 4,215 | 4,414 |
| 61 | N390194 | DEPARTMENT SUPPORT | Customer Service | Customer Progs & Contract Mgmt CS Customer Programs OH | 100% | 0% | 35,763 | 0 | 35,763 |
| 62 | N390195 | GENERAL EXPENSE | Customer Service | Customer Progs & Contract Mgmt CS Customer Programs OH | 100% | 0% | 36,461 | (0) | 36,461 |
| 63 | N390196 | GENERAL MANAGEMENT | Customer Service | Customer Progs & Contract Mgmt CS Customer Programs OH | 100% | 0% | 32,186 | 0 | 32,186 |
| 64 | N390197 | TRAINING | Customer Service | Customer Progs & Contract Mgmt CS Customer Programs OH | 100% | 0% | 4,689 | (0) | 4,689 |
| 65 | N390198 | SAFETY | Customer Service | Customer Progs & Contract Mgmt CS Customer Programs OH | 100% | 0% | 3,719 | 0 | 3,719 |
| 66 | N390199 | PERSONNEL | Customer Service | Customer Progs & Contract Mgmt CS Customer Programs OH | 100% | 0% | 4,426 | (0) | 4,426 |
| 67 | N430289 | CAPITAL PURCHASE | Engineering Services | Engineering Support | 67% | 33% | 10,975 | 5,415 | 16,390 |
| 68 | N480194 | DEPARTMENT SUPPORT | Engineering Services | Engineering | 94% | 6% | 3,407 | 218 | 3,625 |
| 69 | N480195 | GENERAL EXPENSE | Engineering Services | Engineering | 94% | 6% | 92,097 | 5,899 | 97,996 |
| 70 | N480196 | GENERAL MANAGEMENT | Engineering Services | Engineering | 94% | 6% | 719,312 | 46,075 | 765,387 |
| 71 | N480197 | TRAINING | Engineering Services | Engineering | 94% | 6% | 90,370 | 5,788 | 96,158 |
| 72 | N480198 | SAFETY | Engineering Services | Engineering | 94% | 6% | 39,391 | 2,523 | 41,914 |
| 73 | N480199 | PERSONNEL | Engineering Services | Engineering | 94% | 6% | 46,558 | 2,982 | 49,540 |
| 74 | N480305 | DPD ENGINEERING SUPPORT | Engineering Services | Engineering | 94% | 6% | 106,024 | 6,791 | 112,815 |
| 75 | N480306 | OTHER PLAN REVIEW | Engineering Services | Engineering | 94% | 6% | 88,727 | 5,683 | 94,410 |
| 76 | N480307 | GENERAL ENGINEERING | Engineering Services | Engineering | 94% | 6% | 114,883 | 7,359 | 122,242 |
| 77 | N570194 | DEPARTMENT SUPPORT | Science,Sustainability & Wshed Scientific & Technical Svcs | SSW Scientific OH | 86% | 14% | 43,367 | 7,324 | 50,691 |
| 78 | N570195 | GENERAL EXPENSE | Science,Sustainability & Wshed Scientific & Technical Svcs | SSW Scientific OH | 86% | 14% | 17,328 | 2,926 | 20,254 |
| 79 | N570196 | GENERAL MANAGEMENT | Science,Sustainability & Wshed Scientific & Technical Svcs | SSW Scientific OH | 86% | 14% | 74,223 | 12,536 | 86,759 |
| 80 | N570197 | TRAINING | Science,Sustainability & Wshed Scientific & Technical Svcs | SSW Scientific OH | 86% | 14% | 19,884 | 3,359 | 23,243 |
| 81 | N570198 | SAFETY | Science,Sustainability & Wshed Scientific & Technical Svcs | SSW Scientific OH | 86% | 14% | 14,518 | 2,452 | 16,970 |
| 82 | N570199 | PERSONNEL | Science,Sustainability & Wshed Scientific & Technical Svcs | SSW Scientific OH | 86% | 14% | 9,720 | 1,642 | 11,362 |
| 83 | N580194 | DEPARTMENT SUPPORT | Science,Sustainability & Wshed Urban Sustainability | SSW Urban Sustain OH | 97% | 3% | 420 | 15 | 435 |
| 84 | N580195 | GENERAL EXPENSE | Science,Sustainability & Wshed Urban Sustainability | SSW Urban Sustain OH | 97% | 3% | 24,170 | 863 | 25,033 |
| 85 | N580196 | GENERAL MANAGEMENT | Science,Sustainability & Wshed Urban Sustainability | SSW Urban Sustain OH | 97% | 3% | 46,503 | 1,661 | 48,164 |
| 86 | N580197 | TRAINING | Science,Sustainability & Wshed Urban Sustainability | SSW Urban Sustain OH | 97% | 3% | 7,718 | 276 | 7,994 |
| 87 | N580198 | SAFETY | Science,Sustainability & Wshed Urban Sustainability | SSW Urban Sustain OH | 97% | 3% | 3,045 | 109 | 3,154 |
| 88 | N580199 | PERSONNEL | Science,Sustainability & Wshed Urban Sustainability | SSW Urban Sustain OH | 97% | 3% | 294 | 11 | 305 |
| 89 | N580289 | CAPITAL PURCHASES | Science,Sustainability & Wshed Urban Sustainability | SSW Urban Sustain OH | 97% | 3% | 0 | 0 | 0 |
| 90 | N620194 | DEPARTMENT SUPPORT | Field Operations | Drainage & Wastewater | 60% | 40% | 172,889 | 113,694 | 286,583 |
| 91 | N620195 | GENERAL EXPENSE | Field Operations | Drainage & Wastewater | 60% | 40% | 269,407 | 177,166 | 446,573 |
| 92 | N620196 | GENERAL MANAGEMENT | Field Operations | Drainage & Wastewater | 60% | 40% | 429,117 | 282,194 | 711,311 |
| 93 | N620197 | TRAINING | Field Operations | Drainage & Wastewater | 60% | 40% | 219,990 | 144,669 | 364,659 |
| 94 | N620198 | SAFETY | Field Operations | Drainage & Wastewater | 60% | 40% | 226,325 | 148,835 | 375,160 |
| 95 | N620199 | PERSONNEL | Field Operations | Drainage & Wastewater | 60% | 40% | 30,992 | 20,381 | 51,373 |
| 96 | N620289 | CAPITAL PURCHASE | Field Operations | Drainage & Wastewater | 39% | 61% | 13,985 | 21,425 | 35,410 |
| 97 | N620601 | GENERAL FIELD SUPPORT | Field Operations | Field Ops OH | 39% | 61% | 461,850 | 707,579 | 1,169,429 |
| 98 | N632601 | BRANCH COMMUNICATIONS SERVICES | Field Operations | Field Ops OH | 39% | 61% | 10,767 | 16,495 | 27,262 |
| 99 | N632705 | BUDGET SVC-CREW SCHDL&PRJ DEVL | Field Operations | Field Ops OH | 39% | 61% | 55,435 | 84,929 | 140,364 |
| 100 | N632707 | BUDGET SVC-CREW SCHDL&PRJ DEVL | Field Operations | Field Ops OH | 39% | 61% | 0 | 0 | 0 |



Table D-3 (cont.)

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WW % | D\$08 | WW\$08 | 2008 Total |
|-----------------------|---------------------------------|--------------------------|--------------------------------|------------------------|------|------|---------|------------|------------|
| 101 N632708 | BUDGT SVC-MGMT SVC DIVISION | Field Operations | Mgmt Svcs | Field Ops OH | 39% | 61% | 2,393 | 3,667 | 6,060 |
| 102 N632802 | SAFETY - BRANCH TRAINING SVC | Field Operations | Mgmt Svcs | Field Ops OH | 39% | 61% | 249 | 382 | 631 |
| 103 N632804 | SAFETY SVC - DWW | Field Operations | Mgmt Svcs | Field Ops OH | 39% | 61% | 24,497 | 37,530 | 62,027 |
| 104 N632807 | SAFETY SVC-MGMT SVC DIVISION | Field Operations | Mgmt Svcs | Field Ops OH | 39% | 61% | 498 | 764 | 1,262 |
| 105 N632809 | EMPLOYEE RELATIONS | Field Operations | Mgmt Svcs | Field Ops OH | 39% | 61% | 10,332 | 15,829 | 26,161 |
| 106 N632810 | WORKFORCE TRAINING | Field Operations | Mgmt Svcs | Field Ops OH | 39% | 61% | 14,361 | 22,001 | 36,362 |
| 107 N680194 | DEPARTMENT SUPPORT | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 4,058 | 6,218 | 10,276 |
| 108 N680195 | GENERAL EXPENSE | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 7,197 | 11,026 | 18,223 |
| 109 N680196 | GENERAL MANAGEMENT | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 47,315 | 72,490 | 119,805 |
| 110 N680197 | TRAINING | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 4,175 | 6,395 | 10,570 |
| 111 N680198 | SAFETY | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 3,455 | 5,292 | 8,747 |
| 112 N680199 | PERSONNEL | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 3,763 | 5,765 | 9,528 |
| 113 N680302 | MAINT MGMT SYSTEM O&M - DWW | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 109,030 | 167,039 | 276,069 |
| 114 N680402 | CIP COORDIN, PLAN & SCHEDU-DWW | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 43,003 | 65,884 | 108,887 |
| 115 N680502 | CONSULTING & SUPPORT - DWW | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 9,929 | 15,211 | 25,140 |
| 116 N680602 | CREW SCHED/PROJ DELIV PLAN-DWF | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 23,882 | 36,588 | 60,470 |
| 117 N680701 | HAZMAT SPILL RESPONSE | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 3,676 | 5,632 | 9,308 |
| 118 N680801 | ENVIRONMENTAL TECHNICAL SUPPORT | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 7,945 | 12,171 | 20,116 |
| 119 N680901 | METHODS DEVELOPMENT & EVALUATI | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 3,613 | 5,535 | 9,148 |
| 120 N681001 | BENCHMARKING INITIATIVES | Field Operations | Crew Schedule & Proj Delivery | Field Ops OH | 39% | 61% | 6,333 | 9,703 | 16,036 |
| 121 N760194 | DEPARTMENT SUPPORT | Utility Systems Mgmt | Strategic Asset Management | USM SAM OH | 58% | 42% | 3,123 | 2,265 | 5,388 |
| 122 N760195 | GENERAL EXPENSE | Utility Systems Mgmt | Strategic Asset Management | USM SAM OH | 58% | 42% | 6,481 | 4,698 | 11,179 |
| 123 N760196 | GENERAL MANAGEMENT | Utility Systems Mgmt | Strategic Asset Management | USM SAM OH | 58% | 42% | 146,247 | 106,025 | 252,272 |
| 124 N760197 | TRAINING | Utility Systems Mgmt | Strategic Asset Management | USM SAM OH | 58% | 42% | 23,220 | 16,834 | 40,054 |
| 125 N760198 | SAFETY | Utility Systems Mgmt | Strategic Asset Management | USM SAM OH | 58% | 42% | 6,199 | 4,495 | 10,694 |
| 126 N760199 | PERSONNEL | Utility Systems Mgmt | Strategic Asset Management | USM SAM OH | 58% | 42% | 9,734 | 7,056 | 16,790 |
| 127 N760289 | CAPITAL PURCHASE | Utility Systems Mgmt | Strategic Asset Management | USM SAM OH | 58% | 42% | 1,466 | 1,063 | 2,529 |
| 128 | | | | | | | | | |
| 129 Direct Operations | | | | | | | | | |
| 130 N010410 | TUITION ASSISTANCE PROGRAM | SPU General Expenses | General Expense | Labor | 44% | 56% | 10,066 | 12,697 | 22,763 |
| 131 N050401 | APT CONTRACTOR PMT - WW | SPU General Expenses | Major Contract Svc - Contracts | S | 0% | 100% | 0 | 784,074 | 784,074 |
| 132 N060101 | METRO/KC/PORT PAYMENTS | SPU General Expenses | Major Contract Svc - Metro | KC CSO | 1% | 99% | 986,862 | 96,722,244 | 97,709,106 |
| 133 N060102 | PYMTS TO SW SUBURBAN SEWER DIS | SPU General Expenses | Major Contract Svc - Metro | KC CSO | 1% | 99% | 4,048 | 396,778 | 400,826 |
| 134 N060103 | DCLU SIDE SEWER CONTRACT - WW | SPU General Expenses | Major Contract Svc - Metro | SideSewer | 33% | 67% | 403,383 | 810,666 | 1,214,049 |
| 135 N060107 | DRAIN, STATE INCENT PROG - DPD | SPU General Expenses | Major Contract Svc - Metro | D | 100% | 0% | 52,609 | (0) | 52,609 |
| 136 N060108 | DRAINAGE ADMIN FEE | SPU General Expenses | Major Contract Svc - Metro | D | 100% | 0% | 601,966 | (0) | 601,966 |
| 137 N220901 | AUTOMATIC PUBLIC TOILETS PROG | Finance & Administration | Finance | S | 0% | 100% | 0 | 21,479 | 21,479 |
| 138 N320196 | GENERAL MANAGEMENT | Customer Service | Business Support Svcs | CS Business Support OH | 5% | 95% | 9,490 | 193,438 | 202,928 |
| 139 N320197 | TRAINING | Customer Service | Business Support Svcs | CS Business Support OH | 5% | 95% | 0 | 0 | 0 |
| 140 N320198 | SAFETY | Customer Service | Business Support Svcs | CS Business Support OH | 5% | 95% | 0 | 0 | 0 |
| 141 N320199 | PERSONNEL | Customer Service | Business Support Svcs | CS Business Support OH | 5% | 95% | 0 | 0 | 0 |
| 142 N320301 | CCSS TRAINING | OPERATIONS | Business Support Svcs | CS Business Support OH | 5% | 95% | 0 | 0 | 0 |
| 143 N320303 | RESIDENTIAL | OPERATIONS | Business Support Svcs | CS Business Support OH | 5% | 95% | 1,468 | 29,915 | 31,383 |
| 144 N330301 | NON-RESIDENTIAL | RESIDENTIAL | Customer Billing Svcs | S | 0% | 100% | 0 | 1,283,974 | 1,283,974 |
| 145 N330302 | UTILITY CREDIT | RESIDENTIAL | Customer Billing Svcs | S | 0% | 100% | 0 | 102,417 | 102,417 |
| 146 N330402 | CCSS ACCOUNTING | UTILITY CREDIT | Customer Billing Svcs | S | 0% | 100% | 0 | 156,488 | 156,488 |
| 147 N330403 | READ METERS | CCSS ACCOUNTING | Customer Billing Svcs | S | 18% | 82% | 4,120 | 18,767 | 22,887 |
| 148 N330503 | READ SEWER SUBMETERS | READ METERS | Customer Billing Svcs | S | 0% | 100% | 0 | 78,021 | 78,021 |
| 149 N330504 | CALL CENTER | READ SEWER SUBMETERS | Customer Billing Svcs | S | 0% | 100% | 0 | 552,496 | 552,496 |
| 150 N340301 | | CALL CENTER | Customer Response | S | 5% | 95% | 66,203 | 1,257,863 | 1,324,066 |



Table D-3 (cont.)

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB. PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WW % | D\$08 | WW\$08 | 2008 Total |
|-------------|--------------------------------|--------------------------------|--------------------------------|------------------------|------|------|---------|---------|------------|
| 151 N340302 | WALK-IN CENTER | Customer Service | Customer Response | Management | 5% | 95% | 4,246 | 80,674 | 84,920 |
| 152 N340303 | PROCESS IVR | Customer Service | Customer Response | S | 0% | 100% | 0 | 69,369 | 69,369 |
| 153 N340401 | PROCESS IVR & CORRESP | Customer Service | Customer Response | S | 0% | 100% | 0 | 100,986 | 100,986 |
| 154 N340501 | CALL MONITORING | Customer Service | Customer Response | S | 0% | 100% | 0 | 4,160 | 4,160 |
| 155 N360401 | RESIDENTIAL ACCT CUS | Customer Service | Utility SVC Teams | management | 2% | 98% | 4,750 | 232,746 | 237,496 |
| 156 N360402 | COMMERCIAL ACCT CUS | Customer Service | Utility SVC Teams | Management | 2% | 98% | 3,258 | 159,656 | 162,914 |
| 157 N360403 | KEY MAJOR ACCT CUS | Customer Service | Utility SVC Teams | Management | 2% | 98% | 4,146 | 203,130 | 207,276 |
| 158 N360411 | SIDE SEWER | Customer Service | Utility SVC Teams | S | 0% | 100% | 0 | 120,900 | 120,900 |
| 159 N360412 | DRAINAGE BILLING SYSTEM | Customer Service | Utility SVC Teams | D | 100% | 0% | 228,497 | (0) | 228,497 |
| 160 N390301 | WTR QUALITY EDUC PROGRAM | Customer Service | Customer Progs & Contract Mgmt | D | 100% | 0% | 301,763 | 0 | 301,763 |
| 161 N390410 | NATURAL L&G AND SB - DRAINAGE | Customer Service | Customer Progs & Contract Mgmt | D | 100% | 0% | 341,332 | 0 | 341,332 |
| 162 N420194 | DEPARTMENT SUPPORT | Engineering Services | Construction Management | ES CM | 62% | 38% | 94 | 57 | 1 |
| 163 N420195 | GENERAL EXPENSE | Engineering Services | Construction Management | ES CM | 62% | 38% | 56,299 | 33,987 | 90,286 |
| 164 N420196 | GENERAL MANAGEMENT | Engineering Services | Construction Management | ES CM | 62% | 38% | 77,309 | 46,671 | 123,980 |
| 165 N420197 | TRAINING | Engineering Services | Construction Management | ES CM | 62% | 38% | 17,850 | 10,777 | 28,627 |
| 166 N420198 | SAFETY | Engineering Services | Construction Management | ES CM | 62% | 38% | 25,272 | 15,256 | 40,528 |
| 167 N420199 | PERSONNEL | Engineering Services | Construction Management | ES CM | 62% | 38% | 10,729 | 6,477 | 17,206 |
| 168 N430194 | DEPARTMENT SUPPORT | Engineering Services | Engineering Support | ES ES | 67% | 33% | 2,042 | 1,007 | 3,049 |
| 169 N430195 | GENERAL EXPENSE | Engineering Services | Engineering Support | ES ES | 67% | 33% | 44,609 | 22,012 | 66,621 |
| 170 N430196 | GENERAL MANAGEMENT | Engineering Services | Engineering Support | ES ES | 67% | 33% | 202,983 | 100,157 | 303,140 |
| 171 N430197 | TRAINING | Engineering Services | Engineering Support | ES ES | 67% | 33% | 26,748 | 13,199 | 39,947 |
| 172 N430198 | SAFETY | Engineering Services | Engineering Support | ES ES | 67% | 33% | 8,998 | 4,440 | 13,438 |
| 173 N430199 | PERSONNEL | Engineering Services | Engineering Support | ES ES | 67% | 33% | 4,036 | 1,991 | 6,027 |
| 174 N430306 | ENGINEERING RECORDS/VAULT | Engineering Services | Engineering Support | ES ES | 67% | 33% | 8,134 | 4,013 | 12,147 |
| 175 N430307 | CADD STANDARD & ADMIN | Engineering Services | Engineering Support | ES ES | 67% | 33% | 3,530 | 1,742 | 5,272 |
| 176 N430308 | MONUMENTATION | Engineering Services | Engineering Support | ES ES | 67% | 33% | 14,398 | 7,104 | 21,502 |
| 177 N430312 | STANDARD PLANS | Engineering Services | Engineering Support | ES ES | 67% | 33% | 22,756 | 11,229 | 33,985 |
| 178 N430313 | STANDARD SPECS | Engineering Services | Engineering Support | ES ES | 67% | 33% | 28,010 | 13,820 | 41,830 |
| 179 N480301 | SPOT DRAINAGE PROGRAM | Engineering Services | Engineering Support | D | 100% | 0% | 77,538 | (0) | 77,538 |
| 180 N480302 | PUBLIC ASSET PROTECTION | Engineering Services | Engineering Support | D | 100% | 0% | 121,456 | (0) | 121,456 |
| 181 N570301 | EST GENERAL EXPENSE | Science,Sustainability & Wshed | Scientific & Technical Svcs | Management | 50% | 50% | 98,202 | 98,201 | 196,403 |
| 182 N570302 | CARTOGRAPHIC SERVICES | Science,Sustainability & Wshed | Scientific & Technical Svcs | Regulation | 75% | 25% | 36,883 | 12,295 | 49,178 |
| 183 N570303 | SCIENCE & TECHNICAL REQUESTS | Science,Sustainability & Wshed | Scientific & Technical Svcs | Regulation | 75% | 25% | 70,533 | 23,512 | 94,045 |
| 184 N570304 | SCIENTIFIC INFO MGMT (SIMS) | Science,Sustainability & Wshed | Scientific & Technical Svcs | Management | 50% | 50% | 33,294 | 33,293 | 66,587 |
| 185 N570305 | URBAN WATERSHED RESEARCH | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 102,380 | 0 | 102,380 |
| 186 N570306 | RESEARCH | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 63,779 | (0) | 63,779 |
| 187 N570307 | WRIA SUPPORT | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 27,466 | 27,467 | 54,933 |
| 188 N570308 | VEGETATION MANAGEMENT | Science,Sustainability & Wshed | Scientific & Technical Svcs | Management | 50% | 50% | 7,694 | 7,694 | 15,388 |
| 189 N570309 | DESIRED FUTURE CONDITIONS | Science,Sustainability & Wshed | Scientific & Technical Svcs | Management | 50% | 50% | 47,685 | 47,686 | 95,371 |
| 190 N570310 | IMPROVE USE/QUALITY OF SCIENCE | Science,Sustainability & Wshed | Scientific & Technical Svcs | Management | 50% | 50% | 7,754 | 7,754 | 15,508 |
| 191 N570312 | HYDROLOGY & FLOW STUDIES | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 9,501 | (0) | 9,501 |
| 192 N570313 | RESTORE OUR WATERS STRATEGY | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 26,886 | 0 | 26,886 |
| 193 N570322 | WEST NILE VIRUS | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 83,931 | (0) | 83,931 |
| 194 N570323 | RAIN GAGES | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 21,791 | (0) | 21,791 |
| 195 N570324 | WATER QUALITY | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 154,596 | 0 | 154,596 |
| 196 N570325 | SCIENTIFIC STNDRDS & PROTOCOLS | Science,Sustainability & Wshed | Scientific & Technical Svcs | Management | 50% | 50% | 9,608 | 9,609 | 19,217 |
| 197 N570326 | AMC SCIENCE REVIEW | Science,Sustainability & Wshed | Scientific & Technical Svcs | Management | 50% | 50% | 4,142 | 4,142 | 8,284 |
| 198 N570327 | INNOVATIVE STRATEGIC RESEARCH | Science,Sustainability & Wshed | Scientific & Technical Svcs | Management | 50% | 50% | 23,852 | 23,852 | 47,704 |
| 199 N570329 | GAS WORKS CLEANUP | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 969 | (0) | 969 |
| 200 N570401 | DUWAMISH SOURCE CONTROL | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 593,646 | 0 | 593,646 |



Table D-3 (cont.)

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WW % | D\$08 | WW\$08 | 2008 Total |
|-------------|---------------------------------|--------------------------------|-----------------------------|------------------------|------|------|-----------|---------|------------|
| 201 N570402 | NATURAL SYSTEMS INSPECTIONS | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 44,504 | 0 | 44,504 |
| 202 N570403 | SCIENTIFIC & ENVIRNMTL RESRCH | Science,Sustainability & Wshed | Scientific & Technical Svcs | Management | 50% | 50% | 39,324 | 39,324 | 78,648 |
| 203 N570502 | SURFACE WTR MONITORING & SAMPL | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 431,489 | 0 | 431,489 |
| 204 N570503 | SURFACE WTR QUALITY INSPECTION | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 291,686 | 0 | 291,686 |
| 205 N570504 | SURFACE WATER QUALITY | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 155,513 | (0) | 155,513 |
| 206 N570505 | FOG PROGRAM | Science,Sustainability & Wshed | Scientific & Technical Svcs | S | 0% | 100% | 0 | 12,545 | 12,545 |
| 207 N570506 | SOURCE TRACING/CONTROL | Science,Sustainability & Wshed | Scientific & Technical Svcs | D | 100% | 0% | 270,171 | (0) | 270,171 |
| 208 N580401 | URBAN CREEKS | Science,Sustainability & Wshed | Urban Sustainability | D | 100% | 0% | 274,075 | 0 | 274,075 |
| 209 N580501 | WRIA PLANNING | Science,Sustainability & Wshed | Urban Sustainability | Management | 50% | 50% | 9,687 | 9,688 | 19,375 |
| 210 N580502 | RESTORES OUR WATERS | Science,Sustainability & Wshed | Urban Sustainability | D | 100% | 0% | 188,875 | 0 | 188,875 |
| 211 N580602 | SUSTAINABLE INFRASTRUCTURE | Science,Sustainability & Wshed | Urban Sustainability | D | 100% | 0% | 160,394 | (0) | 160,394 |
| 212 N590503 | BUSINESS DEVELOPMENT | Science,Sustainability & Wshed | Laboratory Services | Management | 50% | 50% | 2,300 | 2,301 | 4,6 |
| 213 N620301 | MAINTAIN PUMP STATIONS | Field Operations | Drainage & Wastewater | sewerpipe | 0% | 100% | 0 | 784,465 | 784,465 |
| 214 N620401 | WASTEWATER INSPECTION | Field Operations | Drainage & Wastewater | sewerpipe | 0% | 100% | 0 | 925,510 | 925,510 |
| 215 N620402 | DRAINAGE INSPECTION | Field Operations | Drainage & Wastewater | D | 100% | 0% | 1,543,705 | (0) | 1,543,705 |
| 216 N620501 | WASTEWATER CLEANING | Field Operations | Drainage & Wastewater | D | 100% | 0% | 82,417 | (0) | 82,417 |
| 217 N620502 | DRAINAGE CLEANING | Field Operations | Drainage & Wastewater | D | 100% | 0% | 93,333 | 0 | 93,333 |
| 218 N620702 | DRAINAGE REPAIR | Field Operations | Drainage & Wastewater | D | 100% | 0% | 2,646 | (0) | 2,646 |
| 219 N620801 | DREDGING | Field Operations | Drainage & Wastewater | D | 100% | 0% | 0 | 42,780 | 42,780 |
| 220 N620802 | LANDSCAPE - SPU PROPERTY | Field Operations | Drainage & Wastewater | S | 0% | 100% | 0 | 225,791 | 225,791 |
| 221 N620901 | NON-CITY CUSTOMERS | Field Operations | Drainage & Wastewater | sewerpipe | 0% | 100% | 0 | 179,922 | 179,922 |
| 222 N653110 | DWW PROGRAM MAINTNNC-PUMPING | Field Operations | Water Operation | sewerpipe | 0% | 100% | 0 | 179,922 | 179,922 |
| 223 N653111 | DWW EVENT DRIVEN REPAIR-PUMPING | Field Operations | Water Operation | sewerpipe | 0% | 100% | 0 | 112,654 | 112,654 |
| 224 N653207 | TELEMETRY | Field Operations | Water Operation | sewerpipe | 0% | 100% | 0 | 60,400 | 60,400 |
| 225 N653208 | DWW EVENT DRIVEN REPR-TELEMETRY | Field Operations | Water Operation | sewerpipe | 0% | 100% | 0 | 176,382 | 176,382 |
| 226 N653307 | DWW EVENT DRIVEN REPR-ELECTRCL | Field Operations | Water Operation | sewerpipe | 0% | 100% | 0 | 50,370 | 50,370 |
| 227 N653308 | DWW EVENT DRIVEN REPR-ELECTRCL | Field Operations | Water Operation | D | 100% | 0% | 2,796 | (0) | 2,796 |
| 228 N653609 | PROG-DRN, DRDGE RELATE LANDSCP | Field Operations | Water Operation | D | 100% | 0% | 3,432 | (0) | 3,432 |
| 229 N653610 | EVNT-DRN, DRDGE RELATE LANDSCP | Field Operations | Water Operation | D | 100% | 0% | 0 | 46,471 | 46,471 |
| 230 N653611 | ST/CSOS | Field Operations | Water Operation | CSO | 0% | 100% | 0 | 5,281 | 5,281 |
| 231 N653612 | EVNT-LANDSCAPE/MW PUMP ST/CSOS | Field Operations | Water Operation | CSO | 0% | 100% | 0 | 58,992 | 58,992 |
| 232 N653613 | PROG-DRN/NATURAL SYSTEMS | Field Operations | Water Operation | D | 100% | 0% | 5,177 | 0 | 5,177 |
| 233 N653614 | EVNT-DRN/NATURAL SYSTEMS | Field Operations | Water Operation | D | 100% | 0% | 44,927 | 0 | 44,927 |
| 234 N653615 | PROG-DRN/LANDSCAPE CREEKS | Field Operations | Water Operation | D | 100% | 0% | 4,330 | (0) | 4,330 |
| 235 N653616 | EVNT-DRN/LANDSCAPE CREEKS | Field Operations | Water Operation | D | 100% | 0% | 82,351 | (0) | 82,351 |
| 236 N653617 | PROG-DRN/LANDSCAPE PONDS | Field Operations | Water Operation | D | 100% | 0% | 13,299 | 0 | 13,299 |
| 237 N653618 | EVNT-DRN/LANDSCAPE PONDS | Field Operations | Water Operation | D | 100% | 0% | 0 | 154,619 | 154,619 |
| 238 N655401 | METER TESTING | Field Operations | Water Operation | S | 0% | 100% | 0 | 149,491 | 149,491 |
| 239 N655402 | METER REPAIR | Field Operations | Water Operation | S | 0% | 100% | 0 | 8,844 | 8,844 |
| 240 N655403 | CUSTOMER REMOVES/RESETS | Field Operations | Water Operation | S | 0% | 100% | 0 | 29,868 | 29,868 |
| 241 N655404 | PROG-READING MAINTENANCE | Field Operations | Water Operation | S | 0% | 100% | 0 | 1,930 | 1,930 |
| 242 N655405 | EVENT-READING MAINTENANCE | Field Operations | Water Operation | S | 0% | 100% | 0 | 7,539 | 7,539 |
| 243 N656706 | EVENT-DWW/DISPATCH | Field Operations | Water Operation | Field Ops OH | 39% | 61% | 11,550 | 11,550 | 19,089 |
| 244 N720194 | DEPARTMENT SUPPORT | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 57,748 | 0 | 57,748 |
| 245 N720195 | GENERAL EXPENSE | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 49,656 | (0) | 49,656 |
| 246 N720196 | GENERAL MANAGEMENT | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 98,712 | 0 | 98,712 |
| 247 N720197 | TRAINING | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 25,230 | 0 | 25,230 |
| 248 N720198 | SAFETY | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 14,948 | (0) | 14,948 |
| 249 N720199 | PERSONNEL | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 14,057 | (0) | 14,057 |
| 250 N720301 | CAPEX & OPEX | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 46,614 | (0) | 46,614 |



Table D-3 (cont.)

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WM % | D\$08 | WW\$08 | 2008 Total |
|-------------|--------------------------------|----------------------|----------------------------|------------------------|------|------|---------|---------|------------|
| 251 N720302 | SYSTM PLANN & LOB PERFORM MGMT | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 129,223 | (0) | 129,223 |
| 252 N722201 | DRN INTERDEPT/IND RELATIONS | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 254,764 | 0 | 254,764 |
| 253 N722202 | STORMWATER CODE & MANUALS | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 1,937 | 0 | 1,937 |
| 254 N722203 | HARBOR ISLAND RESPONSE | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 3,444 | (0) | 3,444 |
| 255 N722301 | FLOOD CONTROL PLNG & PERFORM | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 20,017 | (0) | 20,017 |
| 256 N722302 | FLOOD CONTROL PROJ&PROG SPEC | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 9,686 | (0) | 9,686 |
| 257 N722401 | URBAN WRTSHEDS PLNG & PERFORM | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 7,072 | 0 | 7,072 |
| 258 N722402 | URBAN WRTSHEDS PROJ&PROG SPEC | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 10,706 | (0) | 10,706 |
| 259 N722403 | OVSGH | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 2,422 | (0) | 2,422 |
| 260 N722404 | URBAN WRTSHEDS FIELD SUPPORT | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 2,422 | (0) | 2,422 |
| 261 N722501 | WQ PLNG & PERFORM | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 2,422 | (0) | 2,422 |
| 262 N722502 | WQ PROJ & PROJ SPECIFYING | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 26,992 | 0 | 26,992 |
| 263 N722503 | WQ MONITORING | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 10,656 | 0 | 10,656 |
| 264 N722504 | WQ REGULATORY PROGRAM | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 26,643 | (0) | 26,643 |
| 265 N722601 | HABITAT PLNG & PERFORM | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 196,887 | 0 | 196,887 |
| 266 N722602 | HABITAT PROJ & PROJ SPECIFYING | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 29,799 | 0 | 29,799 |
| 267 N722701 | LOW IMPACT PLNG & PERFORM | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 26,457 | 0 | 26,457 |
| 268 N722702 | LOW IMPACT PROJ&PROG SPECIFYIN | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 16,306 | 0 | 16,306 |
| 269 N722801 | OUTFALLS PLNG & PERFORM | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 382,053 | (0) | 382,053 |
| 270 N722802 | OUTFALLS PROJ&PROG SPECIFYING | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 3,359 | 0 | 3,359 |
| 271 N730195 | GENERAL EXPENSE | Utility Systems Mgmt | Surface Water LOB | D | 100% | 0% | 8,435 | (0) | 8,435 |
| 272 N730196 | GENERAL MANAGEMENT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 30,250 | 30,250 |
| 273 N730197 | TRAINING | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 242,089 | 242,089 |
| 274 N730198 | SAFETY | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 76,463 | 76,463 |
| 275 N730199 | PERSONNEL | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 30,757 | 30,757 |
| 276 N730289 | CAPITAL PURCHASE | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 35,116 | 35,116 |
| 277 N730301 | CAPEX & OPEX | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 5,059 | 5,059 |
| 278 N730302 | SYSTM PLANN & LOB PERFORM MGMT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 59,238 | 59,238 |
| 279 N730303 | HYDRAULIC MODEL DEV & MAINT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 198,138 | 198,138 |
| 280 N730304 | CLAIMS | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 143,043 | 143,043 |
| 281 N730305 | INDUSTRY AND REG RELATIONS | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 17,235 | 17,235 |
| 282 N730401 | BA PLANNING & PERFORMANCE | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 34,066 | 34,066 |
| 283 N730402 | PROJECT & PROGRAM SPECIFYING | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 281,069 | 281,069 |
| 284 N730403 | EXTERNAL CONTRACTOR OVERSIGHT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 150,052 | 150,052 |
| 285 N730404 | FIELD SUPPORT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 14,178 | 14,178 |
| 286 N730406 | REG COMPLIANCE | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 48,232 | 48,232 |
| 287 N730407 | CIP PLANNING | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 6,215 | 6,215 |
| 288 N730408 | I&I REDUCTION | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 31,530 | 31,530 |
| 289 N730409 | MAINLINE INSPECTION & CLEANING | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 32,166 | 32,166 |
| 290 N730410 | MGMT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 242,845 | 242,845 |
| 291 N730501 | BA PLANNING & PERFORMANCE | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 29,321 | 29,321 |
| 292 N730502 | PROJECT & PROGRAM SPECIFYING | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 41,515 | 41,515 |
| 293 N730503 | EXTERNAL CONTRACTOR OVERSIGHT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 53,755 | 53,755 |
| 294 N730504 | FIELD SUPPORT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 9,368 | 9,368 |
| 295 N730506 | REG COMPLIANCE | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 1,309 | 1,309 |
| 296 N730507 | CIP PLANNING | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 822,675 | 822,675 |
| 297 N730508 | MGMT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 26,208 | 26,208 |
| 298 N760301 | STRATEGIC ASSET MANAGEMENT | Utility Systems Mgmt | Wastewater LOB | S | 0% | 100% | 0 | 99,771 | 99,771 |
| 299 N760302 | AMC COORDINATION | Utility Systems Mgmt | Wastewater LOB | S | 57% | 43% | 34,311 | 25,464 | 59,775 |
| 300 N760303 | AMC DOCUMENTS MGMT | Utility Systems Mgmt | Wastewater LOB | S | 57% | 43% | 16,773 | 12,448 | 29,221 |
| | | | Strategic Asset Management | NetBookValue | | | 16,773 | 12,448 | 29,221 |
| | | | Strategic Asset Management | NetBookValue | | | 16,773 | 12,448 | 29,221 |



Table D-3 (cont.)

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WW % | D\$08 | WW\$08 | 2008 Total |
|-------------|---------------------------------|--------------------------------|--------------------------------|------------------------|------|------|-------------|-------------|-------------|
| 301 N760401 | F&E - DRAINAGE FUND | Utility Systems Mgmt | Strategic Asset Management | D | 100% | 0% | 47,765 | 0 | 47,765 |
| 302 N760403 | F&E - WASTEWATER FUND | Utility Systems Mgmt | Strategic Asset Management | S | 0% | 100% | 0 | 15,763 | 15,763 |
| 303 N760405 | F&E - SHARED FUND | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 1,034 | 767 | 1,801 |
| 304 N760501 | AMC & MATERIALS REVIEW | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 28,663 | 21,272 | 49,935 |
| 305 N760502 | POP DEVELOPMENT | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 19,544 | 14,505 | 34,049 |
| 306 N760503 | AM RESEARCH, DEVELOPMENT, EDU | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 1,147 | 850 | 1,997 |
| 307 N760504 | AM INDUSTRY&EXTERNAL OUTREACH | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 1,147 | 850 | 1,997 |
| 308 N760505 | AM DECISION MODELS & SUPPORT | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 18,305 | 13,586 | 31,891 |
| 309 N760506 | BENCHMARKING | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 917 | 681 | 1,598 |
| 310 N760507 | MISC AM TECHNICAL SERVICES | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 21,448 | 15,918 | 37,366 |
| 311 N760601 | PLNG & PERF MGMT SUPPORT/QA | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 38,286 | 28,414 | 66,700 |
| 312 N760602 | CAPEX&OPEX MGMT SUPPORT/QA | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 37,171 | 27,586 | 64,7 |
| 313 N760603 | PROJ/PROG SPECIFYG SUPPORT/QA | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 30,729 | 22,805 | 53,535 |
| 314 N760701 | ASSET DATABASE SPEC & ADMIN | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 51,055 | 37,891 | 88,946 |
| 315 N760702 | WMS APP SPEC & ADMIN | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 30,560 | 22,680 | 53,240 |
| 316 N760703 | PERFORMANCE REPORTS & KPIS | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 8,170 | 6,063 | 14,233 |
| 317 N760803 | INTERDEPARTMENTAL PERMITTING | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 11,510 | 8,542 | 20,052 |
| 318 N760804 | CONTRACTING SYSTEMS | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 13,115 | 9,733 | 22,848 |
| 319 N760805 | PLAN REVIEW | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 21,673 | 16,084 | 37,757 |
| 320 N760806 | CROSS UTILITY SPECIFICATION | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 17,946 | 13,318 | 31,264 |
| 321 N760901 | FACILITY CAPEX&OPEN MGMT | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 1,288 | 955 | 2,243 |
| 322 N760902 | FACILITY PLNG&PERF-SURFACE WATR | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 5,037 | 3,737 | 8,774 |
| 323 N760904 | FACILITY PLNG&PERF-WASTEWATER | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 6,427 | 4,769 | 11,196 |
| 324 N760906 | FACILITY PLNG&PERF-SHARED | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 12,351 | 9,166 | 21,517 |
| 325 N760907 | FACILITY PROJ/PROG SPECIFICATN | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 5,117 | 3,798 | 8,915 |
| 326 N760908 | INTEGRATED FACILITY MANAGEMENT | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 5,117 | 3,798 | 8,915 |
| 327 N760909 | FACILITY RENEWAL & REHAB-DRN | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 2,169 | 1,609 | 3,778 |
| 328 N760911 | FACILITY RENEWAL & REHAB-WW | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 2,169 | 1,609 | 3,778 |
| 329 N760913 | FACILITY RENEWAL & REHAB-SHARED | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 2,199 | 1,632 | 3,831 |
| 330 N760914 | FACILITY MAINTENANCE | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 2,559 | 1,898 | 4,457 |
| 331 N760916 | FACILITY CONTRACTS MANAGEMENT | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 1,279 | 950 | 2,229 |
| 332 N760917 | FACILITY SPACE PLANNING | Utility Systems Mgmt | Strategic Asset Management | NetBook Value | 57% | 43% | 1,440 | 1,068 | 2,508 |
| 333 N910102 | G&A CREDIT | G&A Credit | G&A Credit - Program | CIP | 58% | 42% | (3,050,150) | (2,249,850) | (5,300,000) |
| 334 NN40021 | HIGH POINT NDS PROJECT | Science,Sustainability & Wshed | Urban Sustainability | D | 100% | 0% | 0 | 0 | 0 |
| 335 NN40025 | STREET SWEEPING | SPU General Expenses | General Expense | D | 100% | 0% | 70,820 | (0) | 70,820 |
| 336 NN50013 | AQUATIC HABITAT MATCHING GRANT | Science,Sustainability & Wshed | Urban Sustainability | D | 100% | 0% | 91,105 | (0) | 91,105 |
| 337 NN60013 | 5821 FIRST AVE S LEASE PYMT | SPU General Expenses | Major Contract Svc - Contracts | S | 0% | 100% | 0 | 16,440 | 16,440 |
| 338 NS30106 | HIGH POINT REDEVELOPMENT | Engineering Services | Engineering | D | 100% | 0% | 37,832 | 0 | 37,832 |
| 339 NS60111 | HIGH POINT REDEVELOPMENT PH. II | Engineering Services | Construction Management | D | 100% | 0% | 76,390 | (0) | 76,390 |
| 340 | 2008 PROPOSED ADDS/OTHER | Varies | Varies | Varies | | | 7,090,000 | 4,859,000 | 11,949,000 |
| 341 | | | | | | | | | |
| 342 | General Administration | | | | | | | | |
| 343 N010102 | CENTRAL COST ALLOCATION - DWF | SPU General Expenses | General Expense | Labor | 44% | 56% | 2,410,747 | 3,040,697 | 5,451,444 |
| 344 N010202 | CLAIMS-DWF | SPU General Expenses | General Expense | Labor | 44% | 56% | 232,886 | 293,741 | 526,627 |
| 345 N010401 | TRAINING CENTER PROJECT | SPU General Expenses | General Expense | Labor | 44% | 56% | 30,199 | 38,091 | 68,290 |
| 346 N010406 | COUNCIL UTILITIES OVERSIGHT | SPU General Expenses | General Expense | Management | 50% | 50% | 38,698 | 38,698 | 77,396 |
| 347 N010409 | PROPERTY INSURANCE PREMIUM | SPU General Expenses | General Expense | Labor | 44% | 56% | 54,806 | 69,128 | 123,934 |
| 348 N010411 | E_PAYMENTS | SPU General Expenses | General Expense | S | 100% | 100% | 0 | 8,347 | 8,347 |
| 349 N070102 | CITY B&O -DWF | SPU General Expenses | Taxes | Model | 23% | 77% | 5,910,608 | 20,035,873 | 25,946,481 |
| 350 N070202 | STATES TAXES - DWF | SPU General Expenses | Taxes | Model | 26% | 74% | 753,713 | 2,099,099 | 2,852,812 |



Table D-3 (cont.)

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WW % | D\$08 | WW\$08 | 2008 Total |
|-------------|-------------------------------|--------------------------|--------------------------------|------------------------|-----|------|---------|---------|------------|
| 351 N070303 | PROPERTY ASSESSMENTS - DWF | SPU General Expenses | Taxes | Model | 0% | 100% | 0 | 25,000 | 25,000 |
| 352 N110194 | DEPARTMENT SUPPORT | Director's Office | Director's Office Admin | Labor | 44% | 56% | 1,610 | 2,030 | 3,640 |
| 353 N110195 | GENERAL EXPENSE | Director's Office | Director's Office Admin | Labor | 44% | 56% | 34,742 | 43,820 | 78,562 |
| 354 N110196 | GENERAL MANAGEMENT | Director's Office | Director's Office Admin | Labor | 44% | 56% | 50,458 | 63,644 | 114,102 |
| 355 N110197 | TRAINING | Director's Office | Director's Office Admin | Labor | 44% | 56% | 1,755 | 2,214 | 3,969 |
| 356 N110198 | SAFETY | Director's Office | Director's Office Admin | Labor | 44% | 56% | 877 | 1,107 | 1,984 |
| 357 N110302 | DEVELOPMENT | Director's Office | Director's Office Admin | Labor | 44% | 56% | 33,614 | 42,399 | 76,013 |
| 358 N120195 | GENERAL EXPENSE | Director's Office | Communications | Labor | 44% | 56% | 5,871 | 7,404 | 13,275 |
| 359 N120196 | GENERAL MANAGEMENT | Director's Office | Communications | Labor | 44% | 56% | 19,728 | 24,882 | 44,610 |
| 360 N120199 | PERSONNEL | Director's Office | Communications | Labor | 44% | 56% | 48 | 60 | 108 |
| 361 N120301 | INTERNAL COMMUNICATIONS | Director's Office | Communications | Labor | 44% | 56% | 2,691 | 3,394 | 6,085 |
| 362 N120302 | STRATEGIC COMMUNICATIONS | Director's Office | Communications | Labor | 44% | 56% | 0 | 0 | 0 |
| 363 N120303 | MEDIA RELATIONS | Director's Office | Communications | Labor | 44% | 56% | 12,286 | 15,496 | 27,782 |
| 364 N120306 | EXTERNAL COMMUNICATIONS | Director's Office | Communications | Labor | 44% | 56% | 37,316 | 47,067 | 84,383 |
| 365 N120307 | STANDARDS AND GRAPHICS | Director's Office | Communications | Labor | 44% | 56% | 0 | 0 | 0 |
| 366 N130195 | GENERAL EXPENSE | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 12,520 | 15,792 | 28,312 |
| 367 N130196 | GENERAL MANAGEMENT | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 12,274 | 15,482 | 27,756 |
| 368 N130197 | TRAINING | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 10,543 | 13,299 | 23,842 |
| 369 N130198 | SAFETY | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 229 | 289 | 518 |
| 370 N130199 | PERSONNEL | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 193 | 244 | 437 |
| 371 N130501 | RISK MANAGEMENT | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 24,270 | 30,612 | 54,882 |
| 372 N130503 | BENCHMARKING | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 19,609 | 24,734 | 44,343 |
| 373 N130506 | CORPORATE AUDITING | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 19,048 | 24,026 | 43,074 |
| 374 N130601 | POLICY/EXTL RELATIONS - GEN | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 125,249 | 157,977 | 283,226 |
| 375 N130603 | POLICY/EXTL RELATIONS - DWW | Director's Office | Corporate Policy & Performance | Labor | 44% | 56% | 260,221 | 328,218 | 588,439 |
| 376 N210194 | DEPARTMENT SUPPORT | Finance & Administration | Branch Administration | Labor | 44% | 56% | 202 | 255 | 457 |
| 377 N210195 | GENERAL EXPENSE | Finance & Administration | Branch Administration | Labor | 44% | 56% | 37,667 | 47,510 | 85,177 |
| 378 N210196 | GENERAL MANAGEMENT | Finance & Administration | Branch Administration | Labor | 44% | 56% | 42,567 | 53,689 | 96,256 |
| 379 N210197 | TRAINING | Finance & Administration | Branch Administration | Labor | 44% | 56% | 814 | 1,028 | 1,842 |
| 380 N210198 | SAFETY | Finance & Administration | Branch Administration | Labor | 44% | 56% | 715 | 901 | 1,616 |
| 381 N210199 | PERSONNEL | Finance & Administration | Branch Administration | Labor | 44% | 56% | 1,496 | 1,886 | 3,382 |
| 382 N210301 | SAFETY PROGRAM ADMINISTRATION | Finance & Administration | Branch Administration | Labor | 44% | 56% | 61,010 | 76,953 | 137,963 |
| 383 N220194 | DEPARTMENT SUPPORT | Finance & Administration | Finance | Labor | 44% | 56% | 802 | 1,012 | 1,814 |
| 384 N220196 | GENERAL MANAGEMENT | Finance & Administration | Finance | Labor | 44% | 56% | 72,645 | 91,627 | 164,272 |
| 385 N220197 | TRAINING | Finance & Administration | Finance | Labor | 44% | 56% | 1,723 | 2,173 | 3,896 |
| 386 N220198 | SAFETY | Finance & Administration | Finance | Labor | 44% | 56% | 589 | 742 | 1,331 |
| 387 N220199 | PERSONNEL | Finance & Administration | Finance | Labor | 44% | 56% | 1,264 | 1,594 | 2,858 |
| 388 N220301 | RATES ANALYSIS | Finance & Administration | Finance | Labor | 44% | 56% | 9,204 | 11,608 | 20,812 |
| 389 N220302 | FINANCIAL ANALYSIS | Finance & Administration | Finance | Labor | 44% | 56% | 9,204 | 11,608 | 20,812 |
| 390 N220308 | SPECIAL PROJECTS - DWF | Finance & Administration | Finance | Labor | 44% | 56% | 87,811 | 110,757 | 198,568 |
| 391 N220401 | BUDGET PREPARATION | Finance & Administration | Finance | Labor | 44% | 56% | 0 | 0 | 0 |
| 392 N220402 | BUDGET MONITORING | Finance & Administration | Finance | Labor | 44% | 56% | 99,814 | 125,896 | 225,710 |
| 393 N220405 | BUDGET SYSTEMS SUPPORT | Finance & Administration | Finance | Labor | 44% | 56% | 13,432 | 16,942 | 30,374 |
| 394 N220502 | GRANTS - O&M | Finance & Administration | Finance | Labor | 44% | 56% | 11,653 | 14,698 | 26,351 |
| 395 N220503 | CONSULTANT CONTRACTS - O&M | Finance & Administration | Finance | Labor | 44% | 56% | 58,041 | 73,209 | 131,250 |
| 396 N220601 | ACCOUNTS RECEIVABLE | Finance & Administration | Finance | Labor | 44% | 56% | 69,125 | 87,188 | 156,313 |
| 397 N220602 | ACCOUNTS PAYABLE | Finance & Administration | Finance | Labor | 44% | 56% | 60,565 | 76,391 | 136,956 |
| 398 N220603 | COST ACCOUNTING | Finance & Administration | Finance | Labor | 44% | 56% | 40,273 | 50,796 | 91,069 |
| 399 N220604 | FINANCIAL SYSTEM SUPPORT | Finance & Administration | Finance | Labor | 44% | 56% | 93,920 | 118,462 | 212,382 |
| 400 N220605 | GENERAL ACCOUNTING | Finance & Administration | Finance | Labor | 44% | 56% | 160,543 | 202,494 | 363,037 |



Table D-3 (cont.)

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WW % | D\$08 | WW\$08 | 2008 Total |
|-------------|--------------------------------|--------------------------|----------------------------------|------------------------|------|------|---------|---------|------------|
| 401 N220707 | PROPERTY MANAGEMENT - DWF | Finance & Administration | Finance | Labor | 44% | 56% | 14,043 | 17,713 | 31,756 |
| 402 N220710 | MISC RECORDS/TITLE RESEARCH-DW | Finance & Administration | Finance | Labor | 44% | 56% | 6,419 | 8,097 | 14,516 |
| 403 N230195 | GENERAL EXPENSE | Finance & Administration | Human Resources | Labor | 44% | 56% | 24,938 | 31,454 | 56,392 |
| 404 N230196 | GENERAL MANAGEMENT | Finance & Administration | Human Resources | Labor | 44% | 56% | 13,789 | 17,393 | 31,182 |
| 405 N230197 | TRAINING | Finance & Administration | Human Resources | Labor | 44% | 56% | 877 | 1,106 | 1,983 |
| 406 N230301 | DATA MANAGEMENT | Finance & Administration | Human Resources | Labor | 44% | 56% | 65,934 | 83,162 | 149,096 |
| 407 N230302 | HR PLANNING & DEVELOPMENT | Finance & Administration | Human Resources | Labor | 44% | 56% | 14,524 | 18,320 | 32,844 |
| 408 N230303 | HIRING & EMPLOYMENT PROCESS | Finance & Administration | Human Resources | Labor | 44% | 56% | 59,923 | 75,581 | 135,504 |
| 409 N230501 | LABOR RELATIONS | Finance & Administration | Human Resources | Labor | 44% | 56% | 12,671 | 15,981 | 28,652 |
| 410 N230601 | EQUAL OPPORTUNITY PROGRAM | Finance & Administration | Human Resources | Labor | 44% | 56% | 19,532 | 24,636 | 44,168 |
| 411 N230602 | EMPLOYEE RECOGNITION | Finance & Administration | Human Resources | Labor | 44% | 56% | 2,279 | 2,875 | 5,154 |
| 412 N230701 | PAYROLL PROCESSING | Finance & Administration | Human Resources | Labor | 44% | 56% | 23,343 | 29,443 | 52,786 |
| 413 N230702 | BENEFITS ADMIN | Finance & Administration | Human Resources | Labor | 44% | 56% | 7,874 | 9,932 | 17,806 |
| 414 N230801 | TRAINING SERVICES | Finance & Administration | Human Resources | Labor | 44% | 56% | 47,307 | 59,668 | 106,975 |
| 415 N230802 | LEADERSHIP TRAINING | Finance & Administration | Human Resources | Labor | 44% | 56% | 1,013 | 1,278 | 2,291 |
| 416 N240194 | DEPARTMENT SUPPORT | Finance & Administration | Information Technology | Labor | 44% | 56% | 1,828 | 2,306 | 4,134 |
| 417 N240195 | GENERAL EXPENSE | Finance & Administration | Information Technology | Labor | 44% | 56% | 281,020 | 354,453 | 635,473 |
| 418 N240196 | GENERAL MANAGEMENT | Finance & Administration | Information Technology | Labor | 44% | 56% | 83,429 | 105,231 | 188,660 |
| 419 N240197 | TRAINING | Finance & Administration | Information Technology | Labor | 44% | 56% | 36,438 | 45,960 | 82,398 |
| 420 N240198 | SAFETY | Finance & Administration | Information Technology | Labor | 44% | 56% | 2,716 | 3,426 | 6,142 |
| 421 N240199 | PERSONNEL | Finance & Administration | Information Technology | Labor | 44% | 56% | 11,328 | 14,289 | 25,617 |
| 422 N240289 | CAPITAL PURCHASE | Finance & Administration | Information Technology | Labor | 44% | 56% | 1,620 | 2,044 | 3,664 |
| 423 N240801 | GIS QUARTER SECTION MAPPING | Finance & Administration | Information Technology | Labor | 44% | 56% | 2,228 | 2,828 | 5,056 |
| 424 N240802 | DRAINAGE & WASTEWATER GIS | Finance & Administration | Information Technology | Labor | 44% | 56% | 39,872 | 50,291 | 90,163 |
| 425 N241301 | PERFORMANCE PLANNING & MANAGE | Finance & Administration | Information Technology | Labor | 44% | 56% | 17,330 | 21,858 | 39,188 |
| 426 N241401 | SERVICE DESK | Finance & Administration | Information Technology | Labor | 44% | 56% | 59,335 | 74,839 | 134,174 |
| 427 N241402 | SERVER ADMINISTRATION | Finance & Administration | Information Technology | Labor | 44% | 56% | 67,909 | 85,653 | 153,562 |
| 428 N241403 | NETWORK ADMINISTRATION | Finance & Administration | Information Technology | Labor | 44% | 56% | 23,505 | 29,648 | 53,153 |
| 429 N241404 | PRODUCTION SUPPORT | Finance & Administration | Information Technology | Labor | 44% | 56% | 108,809 | 137,241 | 246,050 |
| 430 N241405 | DESKTOP SUPPORT | Finance & Administration | Information Technology | Labor | 44% | 56% | 62,014 | 78,218 | 140,232 |
| 431 N241407 | OPERATIONAL SERVICES | Finance & Administration | Information Technology | Labor | 44% | 56% | 148,072 | 186,764 | 334,836 |
| 432 N241501 | INTAKE/CUSTOMER LIAISON | Finance & Administration | Information Technology | Labor | 44% | 56% | 1,905 | 2,403 | 4,308 |
| 433 N241502 | IMPLEMENTATION/USER SUPPORT | Finance & Administration | Information Technology | Labor | 44% | 56% | 9,480 | 11,933 | 21,393 |
| 434 N241503 | WEB DESIGN/IMPLEMENTATION | Finance & Administration | Information Technology | Labor | 44% | 56% | 26,382 | 33,276 | 59,658 |
| 435 N241507 | SEWER & DRAINAGE IT STOREFRONT | Finance & Administration | Information Technology | Labor | 44% | 56% | 57,861 | 72,982 | 130,840 |
| 436 N241601 | SCOPING & CUSTOMER CONTACT | Finance & Administration | Information Technology | Labor | 44% | 56% | 28,187 | 35,554 | 63,741 |
| 437 N241602 | APPLICATION DEVELOPMENT | Finance & Administration | Information Technology | Labor | 44% | 56% | 12,778 | 16,118 | 28,896 |
| 438 N241604 | APPLICATION MAINTENANCE | Finance & Administration | Information Technology | Labor | 44% | 56% | 21,011 | 26,500 | 47,511 |
| 439 N241605 | SEWER-DRAINAGE GIS DEVELOPMENT | Finance & Administration | Information Technology | Labor | 44% | 56% | 19,552 | 24,661 | 44,213 |
| 440 N241701 | MAINTENANC | Finance & Administration | Information Technology | Labor | 44% | 56% | 214,347 | 270,358 | 484,705 |
| 441 N241703 | UTILITY DATA ADMINISTRATION | Finance & Administration | Information Technology | Labor | 44% | 56% | 16,405 | 20,691 | 37,096 |
| 442 N241901 | NON-BILLABLE PRODUCTS & SERVIC | Finance & Administration | Information Technology | Labor | 44% | 56% | 6,575 | 8,293 | 14,868 |
| 443 N380194 | DEPARTMENT SUPPORT | Customer Service | Environment Justice & Svc Equity | Labor | 44% | 56% | 1,163 | 1,466 | 2,629 |
| 444 N380195 | GENERAL EXPENSE | Customer Service | Environment Justice & Svc Equity | Labor | 44% | 56% | 8,493 | 10,712 | 19,205 |
| 445 N380196 | GENERAL MANAGEMENT | Customer Service | Environment Justice & Svc Equity | Labor | 44% | 56% | 41,159 | 51,915 | 93,074 |
| 446 N380197 | TRAINING | Customer Service | Environment Justice & Svc Equity | Labor | 44% | 56% | 4,461 | 5,626 | 10,087 |
| 447 N380198 | SAFETY | Customer Service | Environment Justice & Svc Equity | Labor | 44% | 56% | 1,041 | 1,312 | 2,353 |
| 448 N380199 | PERSONNEL | Customer Service | Environment Justice & Svc Equity | Labor | 44% | 56% | 0 | 0 | 0 |
| 449 N380301 | ENVIRONMENTAL JUSTICE | Customer Service | Environment Justice & Svc Equity | Management | 100% | 0% | 78,325 | (0) | 78,325 |
| 450 N380404 | NEIGHBORHOOD PLAN RESOURCES | Customer Service | Environment Justice & Svc Equity | Management | 80% | 20% | 64,659 | 16,165 | 80,824 |



Table D-3 (cont.)

| ACTIVITY | ACTIVITY DESCRIPTION | PROGRAM DESCRIPTION | SUB PROGRAM DESCRIPTION | COST ASSIGNMENT FACTOR | D % | WW % | D\$08 | WW\$08 | 2008 Total |
|-------------|---------------------------------|--------------------------|-------------------------|------------------------|-----|------|------------|-------------|-------------|
| 451 N770194 | DEPARTMENT SUPPORT | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 942 | 1,188 | 2,130 |
| 452 N770195 | GENERAL EXPENSE | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 5,177 | 6,531 | 11,708 |
| 453 N770196 | GENERAL MANAGEMENT | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 24,243 | 30,577 | 54,820 |
| 454 N770197 | TRAINING | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 3,964 | 4,999 | 8,963 |
| 455 N770198 | SAFETY | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 0 | 0 | 0 |
| 456 N770199 | PERSONNEL | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 855 | 1,079 | 1,934 |
| 457 N770301 | TECH CAPITAL & O&M BUDGET MGMT | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 16,530 | 20,850 | 37,380 |
| 458 N770302 | TECH PLANNING & PERFORM. MGMT | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 21,190 | 26,728 | 47,918 |
| 459 N770401 | PROJECT & PROGRAM SPECIFYING | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 10,425 | 13,148 | 23,573 |
| 460 N770402 | OUTSOURCING OVERSIGHT | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 1,578 | 1,990 | 3,568 |
| 461 N770403 | FIELD SUPPORT | Utility Systems Mgmt | Tech Syst | Labor | 44% | 56% | 3,083 | 3,888 | 6,971 |
| 462 N810102 | INTEREST PAYMENT - DWF | Debt Service | Interest | Model | 43% | 57% | 7,850,109 | 10,304,629 | 18,154,738 |
| 463 N810202 | OTHER BOND EXPENSES - DWF | Debt Service | Interest | Model | 43% | 57% | 6,486 | 8,514 | 15,000 |
| 464 N820102 | PRINCIPAL PAYMENT -DWF | Debt Service | Principal Payment | Model | 43% | 57% | 3,489,468 | 4,580,531 | 8,069,999 |
| 465 NS10198 | CORPS PERMIT REVIEWS | SPU General Expenses | General Expense | CIP | 54% | 46% | 46,504 | 39,491 | 85,995 |
| 466 NS40003 | DOCUMINT | Finance & Administration | Finance | Labor | 44% | 56% | 16,476 | 20,781 | 37,257 |
| 467 | | | | | | | | | |
| 468 | TOTAL WITH REVISED ALLOCATION | | | | | | 46,422,816 | 163,194,193 | 209,617,009 |
| 469 | (LESS NET ALLOCATION CARRYOVER) | | | | | | 955,000 | (955,000) | 0 |
| 470 | NET 2008 OPERATING EXPENSE | | | | | | 47,377,816 | 162,239,193 | 209,617,009 |

- (1) All activities with a "Model" factor are calculated by the rates model and not directly based on the 2008 Endorsed Budget.
- (2) The G&A Credit is estimated for 2008 based on proposed CIP spending and not directly based on the 2008 Endorsed Budget.
- (3) Proposed new 2008 O&M expense and other adjustments which have not been assigned activities are included as a single lump sum for each line of business under direct expense. Details on expense found in Revenue Requirements section of this proposal.
- (4) Expense for all other activities equals 2008 Endorsed Budget including 3.7% inflation.





City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

August 14, 2007

Honorable Nick Licata
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Licata:

I am transmitting the attached proposed Council Bill and supporting rate study that establish Seattle Public Utilities' (SPU's) wastewater rates for 2008 and 2009. These rate changes, which are necessary to cover SPU's cost of operations, would increase the average monthly residential wastewater bill by \$1.66 in 2008, and \$1.77 in 2009. To partially offset the impact of the rate increase, this legislation revises credits for qualifying low-income customers.

The proposed rate adjustments would benefit Seattle residents through continued improvements to the City's drainage and wastewater system, allowing the Drainage and Wastewater Fund to maintain strong financial performance and improving equity among ratepayers. A companion Bill that is being transmitted concurrently with this one establishes drainage rates.

Thank you for your consideration of this legislation. Should you have questions, please contact Craig Omoto (615-0025).

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Nickels".

GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, Email: mayors.office@seattle.gov

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FISCAL NOTE FOR NON-CAPITAL PROJECTS

| Department: | Contact Person/Phone: | DOF Analyst/Phone: |
|--------------------------|------------------------------|---------------------------|
| Seattle Public Utilities | Leanne Galati 684-0455 | John McCoy 615-0768 |

Legislation Title:

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

• **Summary of the Legislation:**

This ordinance adopts 2008 and 2009 wastewater rates and adjusts the low-income assistance credits for drainage customers.

• **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

Wastewater rates were last raised on January 1, 2007. The costs of wastewater services are supported by rates charged to wastewater customers. These rates are set in accordance with financial policies adopted by the City Council. The Utility has completed a rate study showing that existing rates will not provide sufficient revenues to fund planned infrastructure investment and new operating programs to be implemented during 2008 and 2009 including combined sewer overflow projects at Windermere and South Henderson and preliminary utility relocation and replacement work at the Alaskan Way Viaduct. Rate increases in 2008 and 2009 are required to pay these additional costs.

A complete description of the 2008-2009 rate proposal is contained in the 2008-2009 Drainage/Wastewater Rate Study.

• *Please check one of the following:*

This legislation does not have any financial implications. *(Stop here and delete the remainder of this document prior to saving and printing.)*

This legislation has financial implications. *(Please complete all relevant sections that follow.)*

Appropriations: *This table should reflect appropriations that are a direct result of this legislation. In the event that the project/ programs associated with this ordinance have*



appropriations that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below.

| Fund Name and Number | Department | Budget Control Level* | 2007 Appropriation | 2008 Anticipated Appropriation |
|----------------------|------------|-----------------------|--------------------|--------------------------------|
| | | | | |
| TOTAL | | | | |

**See budget book to obtain the appropriate Budget Control Level for your department.*

Notes: No appropriations required by this legislation.

Anticipated Revenue/Reimbursement: Resulting From This Legislation: *This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.*

| Fund Name and Number | Department | Revenue Source | 2007 Revenue | 2008 Revenue |
|------------------------------------|--------------------------|-----------------------------|--------------|--------------------|
| Drainage and Wastewater Fund 44010 | Seattle Public Utilities | Wastewater Utility Services | \$0 | \$6,869,886 |
| TOTAL | | | \$0 | \$6,869,886 |

Notes: The 2008-2009 Drainage/Wastewater Rate Study also proposes new 2009 wastewater rates, which will increase 2009 revenues by an additional \$4,470,757.



Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE

Impact: This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below the table.

| Position Title and Department* | Fund Name | Fund Number | Part-Time/Full Time | 2007 Positions | 2007 FTE | 2008 Positions** | 2008 FTE** |
|--------------------------------|-----------|-------------|---------------------|----------------|----------|------------------|------------|
| | | | | | | | |
| | | | | | | | |
| TOTAL | | | | | | | |

* List each position separately

** 2008 positions and FTE are total 2008 position changes resulting from this legislation, not incremental changes. Therefore, under 2008, please be sure to include any continuing positions from 2007.

Notes: Not applicable to this legislation.

- **Do positions sunset in the future?** (If yes, identify sunset date):

Spending/Cash Flow: This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.

| Fund Name and Number | Department | Budget Control Level* | 2007 Expenditures | 2008 Anticipated Expenditures |
|----------------------|------------|-----------------------|-------------------|-------------------------------|
| | | | | |
| TOTAL | | | | |

* See budget book to obtain the appropriate Budget Control Level for your department.

Notes: Not applicable to this legislation.



- **What is the financial cost of not implementing the legislation?** *(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)*

- The Drainage and Wastewater Fund would not fully recover the cost of its business operations.

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** *(Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)*

Not raising the rates at this time would result in the Drainage and Wastewater Fund failing to recover the cost of its operations in accordance with its financial policies. Alternatively, the Fund could meet its financial policies without raising rates by cutting the cost of its operations by the amounts shown above, however, this would result in an inability to pay for basic operations or make important investments in the system.

- **Is the legislation subject to public hearing requirements:** *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)*

No.

- **Other Issues** *(including long-term implications of the legislation):*

None.

Please list attachments to the fiscal note below:

Attachment 1: Seattle Public Utilities 2008-2009 Drainage/Wastewater Rate Study.

1
2 1. Treatment rate: The "treatment rate" shall be the rate required to pay the wastewater share of
3 "treatment cost" which is the cost of wastewater treatment, interception and disposal services
4 ((provided by King County)) and any associated costs required to meet Drainage and Wastewater
5 Fund financial policies. ((("treatment cost"). Effective January 1, 2005, the treatment rate shall be
6 \$4.72 per CCF. For rates effective January 1, 2007 and thereafter, Seattle Public Utilities shall
7 calculate annually a new treatment rate.)) The ((new)) treatment rate shall be the amount obtained
8 when (a) the projected wastewater treatment cost is divided by (b) the projected billed
9 wastewater consumption, each for the next calendar year, and ((b)) the result is multiplied by
10 one hundred sixteen and seven-tenths percent (116.7%) to cover the costs of taxes and low
11 income rate assistance. The projected treatment cost shall be the treatment cost anticipated for
12 the upcoming calendar year, which ((projected treatment cost)) may include an adjustment to
13 reflect the difference, whether positive or negative, between the total expected treatment cost
14 ((expected to be paid by Seattle Public Utilities in)) for the current year and the total wastewater
15 volume charge revenues attributable to the treatment rate expected for the current year. ((No
16 later than October 1 of each year, Seattle Public Utilities shall submit a written report of the
17 proposed treatment rate for the following year and its effect on the total wastewater volume rate
18 to the Chair of the Environment, Emergency Management and Utilities Committee. Such
19 treatment rate shall be effective the following January 1, unless otherwise directed by
20 ordinance.)) The treatment rate is designed to pass through cost changes driven by King County
21 and may be adjusted by ordinance at any time in response to such changes.

22
23 2. System rate: The "system rate" shall be the rate required to pay the cost of carrying and
24 discharging all wastewater and any wastewater funded-share of stormwater into the City
25 sewerage system, as presently maintained and operated and as may be added to, improved and
26 extended. ((The system rate shall be in accordance with the following schedule:
27
28

1 ~~Effective Date Rate per CCF~~
2 ~~((January 1, 2004 \$1.68))~~
3 ~~((January 1, 2005 \$1.86))~~
4 ~~January 1, 2006 \$2.04))~~
5

6 3. The wastewater volume rate shall be in accordance with the following schedule:

7

| | Effective Jan. 1, 2007 | Effective Jan. 1, 2008 | Effective Jan. 1, 2009 |
|---------------------------|---------------------------|---------------------------|---------------------------|
| 8 Treatment Rate | \$5.41 | \$5.22 | \$5.24 |
| 9 System Rate | \$2.04 | \$2.55 | \$2.87 |
| 10 Wastewater Volume Rate | \$7.45 | \$7.77 | \$8.11 |

11

12 ~~((3-)) 4. MMRD Surcharge: Master metered premises with an eligible project (as defined in~~
13 ~~Seattle Municipal Code Section 21.04.280) that have received funding from Seattle Public~~
14 ~~Utilities for sewer improvements under Seattle Municipal Code Section 21.16.270 B shall pay a~~
15 ~~volume rate for sewer improvements of \$3.34 per CCF.~~
16

17 * * * * *

18 Section 2. Subsection 21.76.040 A of the Seattle Municipal Code is amended as follows:

19
20 **21.76.040 Utility low income rate assistance.**

21 A. Drainage, Wastewater, and Water. Persons qualified by the Human Services Department as
22 eligible recipients of low income utility credits provided for in Section 21.76.010 (eligible
23 recipients) shall be granted low income billing credits in the following amounts:
24
25
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6 1. Wastewater. Eligible recipients billed directly by Seattle Public Utilities for wastewater
7 services and residing in single-family dwellings shall receive a credit equal to 0.5 times the total
8 current wastewater volume charge((~~billing~~)). Eligible recipients not billed directly by Seattle
9 Public Utilities for wastewater services shall receive the following credits based on dwelling
10 type:
11

| Effective Date | Single-family and duplex | Multifamily dwelling |
|------------------------------|------------------------------|--------------------------------|
| ((January 1, 2005 | \$17.12 per month | \$11.52 per month)) |
| January 1, 2007 | \$19.37 per month | \$13.41 per month |
| <u>January 1, 2008</u> | <u>\$20.20 per month</u> | <u>\$13.99 per month</u> |
| <u>January 1, 2009</u> | <u>\$21.09 per month</u> | <u>\$14.60 per month</u> |

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20 At the time of a change to the wastewater volume rate((~~charge~~)) described in SMC 21.28.040,
21 the Director of Seattle Public Utilities shall calculate new credits based on dwelling type for
22 eligible recipients not billed directly by Seattle Public Utilities. The credit for Single-family and
23 duplex customers shall be 0.5 times the wastewater volume rate((~~charge~~)) multiplied by 5.2 CCF,
24 which is typical single family residential sewer billed consumption. The credit for Multifamily
25 dwelling customers shall be 0.5 times the wastewater volume rate((~~charge~~)) multiplied by 3.6
26 CCF, which is typical multifamily sewer billed consumption.
27



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Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of _____, 2007, and signed by me in open session in authentication of its passage this ____ day of _____, 2007.

President _____ of the City Council

Approved by me this ____ day of _____, 2007.

Gregory J. Nickels, Mayor

Filed by me this ____ day of _____, 2007.

City Clerk

(Seal)



STATE OF WASHINGTON – KING COUNTY

--SS.

216495
CITY OF SEATTLE, CLERKS OFFICE

No.

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

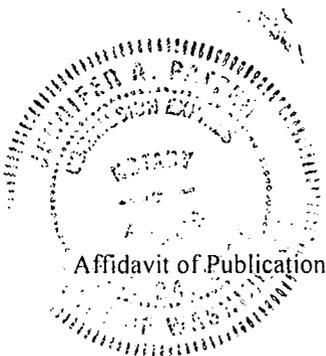
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT: 122518 ORDINANCE

was published on

10/17/07

The amount of the fee charged for the foregoing publication is the sum of \$ 265.05, which amount has been paid in full.



McDivaney

Subscribed and sworn to before me on
10/17/07 *James R. Pass*

Notary Public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

ORDINANCE 122518

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

WHEREAS, the wastewater volume rate was last increased on January 1, 2007, as authorized by Ordinance 122292; and

WHEREAS, Seattle Public Utilities (SPU) has identified wastewater infrastructure needs requiring capital funding, including combined sewer overflow projects at Windermere and South Henderson and utility relocation and replacement work necessitated by the Alaskan Way Viaduct and Seawall Replacement Project; and

WHEREAS, SPU has completed a rate study showing that existing wastewater volume rates will not provide sufficient revenues to pay debt service and the costs of providing wastewater services; and

WHEREAS, proposed new drainage rates, consistent with Resolution 30886, fund a portion of the combined sanitary and storm sewer expenses, including some wastewater treatment expenses, which are currently funded entirely by wastewater rates revenue; and

WHEREAS, credits for qualified low-income customers not billed directly by SPU for water or wastewater services are based on typical residential bills, and credits for such customers need to be revised to reflect changes in the wastewater volume rate; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1, Subsection 21.28.040 B of the Seattle Municipal Code is amended as follows:

21.28.040 Wastewater volume charge.

B. The wastewater volume rate shall be the sum of the treatment rate, the system rate and, where applicable, the MMRD surcharge, as follows:

1. Treatment rate: The "treatment rate" shall be the rate required to pay the wastewater share of "treatment cost" which is the cost of wastewater treatment, interception and disposal services ((provided by King County)) and any associated costs required to meet Drainage and Wastewater Fund financial policies. ((("treatment cost" - Effective January 1, 2006, the treatment rate shall be \$4.72 per GCF. For rates effective January 1, 2007 and thereafter, Seattle Public Utilities shall calculate annually a new treatment rate.)) The ((new)) treatment rate shall be the amount obtained when (a) the projected wastewater treatment cost is divided by (b) the projected billed wastewater consumption, each for the next calendar year, and ((b)) the result is multiplied by one hundred sixteen and seven-tenths percent (116.7%) to cover the costs of taxes and low income rate assistance. The projected treatment cost shall be the treatment cost anticipated for the upcoming calendar year, which ((projected treatment cost)) may include an adjustment to reflect the difference, whether positive or negative, between the total expected treatment cost ((expected to be paid by Seattle Public Utilities)) for the current year and the total wastewater volume charge revenues attributable to the treatment rate expected for the current year. ((No later than October 1 of each year, Seattle Public Utilities shall submit a written report of the proposed treatment rate for the following year and its effect on the total wastewater volume rate to the Chair of the Environment, Emergency Management and Utilities Committee. Such treatment rate shall be effective the following January 1, unless otherwise directed by ordinance.)) The treatment rate is designed to pass through cost changes driven by King County and may be adjusted by ordinance at any time in response to such changes.

2. System rate: The "system rate" shall be the rate required to pay the cost of carrying and discharging all wastewater and any wastewater funded share of stormwater into the City sewerage system, as presently maintained and operated and as may be added to, improved and extended. ((The system rate shall be in accordance with the following schedule:

Effective Date Rate per GCF

((January 1, 2004 \$1.68))

((January 1, 2005 \$1.86))

January 1, 2006 \$2.04))

3. The wastewater volume rate shall be in accordance with the following schedule:

Effective Jan. 1, 2007 --

Effective Jan. 1, 2008 -- Effective Jan. 1, 2009

Treatment Rate -- \$5.41 -- \$5.22 -- \$5.24

System Rate -- \$2.04 -- \$2.53 -- \$2.86

Wastewater Volume Rate -- \$7.45 -- \$7.75 -- \$8.10

((9)) 4. MMRD Surcharge: Master metered premises with an eligible project (as defined in Seattle Municipal Code Section 21.04.280) that have received funding from Seattle Public Utilities for sewer improvements under Seattle Municipal Code Section 21.16.270 B shall pay a volume rate for sewer improvements of \$3.34 per CCF.

Section 2, Subsection 21.76.040 A of the Seattle Municipal Code is amended as follows:

21.76.040 Utility low income rate assistance.

A. Drainage, Wastewater, and Water. Persons qualified by the Human Services Department as eligible recipients of low income utility credits provided for in Section 21.76.010 (eligible recipients) shall be granted low income billing credits in the following amounts:

1. Wastewater. Eligible recipients billed directly by Seattle Public Utilities for wastewater services and residing in single-family dwellings shall receive a credit equal to 0.5 times the total current wastewater volume charge ((billing)). Eligible recipients not billed directly by Seattle Public Utilities for wastewater services shall receive the following credits based on dwelling type:

Effective Date -- Single-family and duplex -- Multifamily dwelling

((January 1, 2006 -- \$17.12 per month -- \$11.52 per month))

January 1, 2007 -- \$19.37 per month -- \$13.41 per month

January 1, 2008 -- \$20.15 per month -- \$13.95 per month

January 1, 2009 -- \$21.06 per month -- \$14.58 per month

At the time of a change to the wastewater volume rate((charge)) described in SMC 21.28.040, the Director of Seattle Public Utilities shall calculate new credits based on dwelling type for eligible recipients not billed directly by Seattle Public Utilities. The credit for Single-family and duplex customers shall be 0.5 times the wastewater volume rate((charge)) multiplied by 5.2 CCF, which is typical single family residential sewer billed consumption. The credit for Multifamily dwelling customers shall be 0.5 times the wastewater volume rate((charge)) multiplied by 3.6 CCF, which is typical multifamily sewer billed consumption.

Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 1st day of October, 2007, and signed by me in open session in authentication of its passage this 1st day of October, 2007.

Nick Licata

President of the City Council

Approved by me this 11th day of October, 2007.

Gregory J. Nickels, Mayor

Filed by me this 11th day of October, 2007.

(Seal) Judith Pippin

City Clerk

Publication ordered by JUDITH PIPPIN, City Clerk

Date of publication in the Seattle Daily Journal of Commerce, October 17, 2007.

10/17(216495)

former losses in kWh -
+ .53285 x kW + .00002 x kW² + .00527
former investment -