



UTILITY BOARD STAFF REPORT

Item 4
October 13, 2026
Regular Business

AGENDA ITEM INFORMATION

TITLE:	2027 Storm Water Rate Discussion/Recommendation	☐ Discussion Only
RECOMMENDED ACTION:	Review and accept the recommendation to increase the utility rate 6.0% for storm water services for fiscal year 2027.	☒ Action Needed: ☒ Motion ☐ Ordinance ☐ Resolution

STAFF:	Matt Mornick, Finance Director Ben Schumacher, Financial Analyst II
COUNCIL LIAISON:	Wendy Weiker
EXHIBITS:	1. 2027-2032 Projected Storm Water Utility Cash Flow

BACKGROUND

As part of the 2027-2028 biennial budget process, staff seeks a recommendation from the Utility Board regarding the Storm Water Utility rate adjustment for the upcoming fiscal year. The operating and capital budgets presented in this memo include adopted and amended figures through May 5, 2026.

Staff from Public Works and Finance worked with an outside consultant team to update the smoothed rate model based on 2026 budget actuals through July, capital work already underway, and emerging reinvestment needs in the storm water system through the current biennium and beyond. As a result of this updated analysis, staff recommends a 6.0% increase to the Storm Water Utility rates for 2027 as proposed in the smoothed rate model.

2027-2028 OPERATING BUDGET

The operating budget for the Storm Water Utility is presented in Table 1.

Table 1

Operating Expenditures (\$ in thousands)	2025 Actual	2026 Forecasted	2027 Budget	2028 Budget	Percent Change	
					26-27	27-28
Salary & Benefits	\$1,037	\$1,202	\$1,367	\$1,415	13.8%	3.5%
Contractual Services	446	655	675	678	3.1%	0.4%
Other Services and Charges	660	881	1,065	862	20.9%	-19.1%
TOTAL	\$2,143	\$2,738	\$3,108	\$2,954	13.5%	-4.9%

Highlights from the Storm Water Utility operating budget include:

- The combined total for salary and benefit costs in 2027 are increasing 13.8% as compared to the 2026 budget. This increase is driven by the cost-of-living adjustment (COLA) of 4.1% for 2027, increasing benefit

costs, and a fully staffed department in 2027 versus forecasted savings in 2026 that were a result of vacancies in the first half of the fiscal year.

- Contractual services for 2027 reflect anticipated costs for Closed Circuit Television (CCTV) storm water pipe video inspections, catch basin cleaning & repairs, storm pipe replacement & slip lining repairs. This contracted work is critical to comply with National Pollutant Discharge Elimination System (NPDES) requirements.
- Other Services and Charges include all other costs of operations including supplies, insurance, and City administration costs. Administration costs include the Storm Water Fund's share of administrative support provided by the City Attorney's Office, City Manager's Office, Finance and Human Resources staff.

DISCUSSION

CAPITAL REINVESTMENT PROJECTS

Planned capital reinvestment work in 2027-2028 is shown in Table 2. Capital investment costs are the primary driver of the proposed Storm Water rate increases for 2027-2032.

Table 2

Storm Water Utility Capital Program 2027-2028			
<i>(\$ in thousands)</i>			
Project ID	Description	2027	2028
43903559	Capital Project Management	\$479	\$503
90.35.0001	Emergency SW Conveyance Replacement	60	62
90.35.0002	Street Related Storm Drainage Improvements	170	175
90.35.0003	Conveyance Condition Assessment	110	113
90.35.0004	Stormwater System Improvements	490	505
90.35.0005	SW Monitoring Instrumentation	35	36
90.35.0007	WMW Culvert Replacements		258
90.35.0008	Watercourse Condition Update	550	
90.35.0011	SB 22.1 & 25b.2 Watercourse Improvements		155
90.35.0012	SB 46a.3 Watercourse Improvements	110	433
90.35.0016	SB 29.3 and 34.1 WC Imp	550	
90.35.0017	SB 47.4 Watercourse Imp	75	515
90.35.0021	E Seattle Neighborhood Drainage Imp	345	
90.35.0022	WC Minor Repairs & Maintenance	50	206
Storm Water Utility CIP Total		\$3,024	\$2,959

STORM WATER RATE PROPOSAL

The proposed 6.0% storm water rate increase for 2027 is based on the City's updated rate model that reflects the 2027-2028 operating budget, the 2027-2032 Capital Improvement Program (CIP), and 2026 budget to actuals performance through July. Prepared jointly by Public Works, Finance, and outside consultants, the rate model indicates that no issuance of debt is required for the Storm Water Utility.

The proposed 6.0% rate adjustment for 2027 ensures that the Storm Water Fund has adequate resources to complete the critical capital project work detailed above and into the future, as well as meet long-established fiscal policy guidelines – specifically a 45-day operating reserve and a 1% capital reserve target established by the Utility Board in 2006 as a prudent measure to protect the City's multi-million-dollar investments in its

utility assets. This 1% capital reserve target enables the City to support future replacement needs without extraordinary rate increases, while recognizing the responsibility of new development, existing customers, and future customers to fund both current and future reinvestment needs.

Table 3 compares the 2027-2028 rate proposal against historical projections from 2021-2025.

Table 3

Rate Recommendations	2025	2026	2027	2028	2029	2030	2031	2032
2027-2028 Rate Proposal			6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
2025-2026 Rate Update	8.00%	6.00%	6.00%	6.00%	6.00%	6.00%		
2023-2024 Rate Update	8.00%	8.00%	8.00%	8.00%				
2021-2022 Rate Update	5.50%	5.50%						

NEXT STEPS

Staff seeks to answer the Utility Board's questions about the 2027 rate adjustment, address any questions related to the [09/22/2026 - 2027 Utility Rates Recorded Presentation](#) sent to the Utility Board, follow up with additional information as required, and assist the Utility Board with final review and adoption of the proposed utility rate adjustment for storm water service for fiscal year 2027.

The 2027 Storm Water Utility rate adjustment will be included in the City's fee schedule update at the December 1, 2026 City Council meeting. Staff will return during the 2027-2028 mid-biennial budget process with new information to inform potential annual rate adjustments for fiscal year 2028 and beyond.

RECOMMENDED ACTION

Review and accept Staff's recommendation of a 6.0% utility rate increase for storm water services for fiscal year 2027.