COMMISSION
AGENDA MEMORANDUM **Item No.** 10d

ACTION ITEM **Date of Meeting** November 17, 2026

DATE: November 2, 2025

TO: Stephen P. Metruck, Executive Director

FROM: Stephanie Jones Stebbins, Maritime Managing Director: Director, Marine Stormwater Utility
Sandra Kilroy, Sr. Director Environment and Sustainability
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SUBJECT: Adoption of 2027 Marine Stormwater Utility Rate

Amount of this request:	$0
Total estimated project cost:	$0

ACTION REQUESTED

Request Commission authorization for the Executive Director to set 2027 Marine Stormwater Utility rates with an 8.0% increase from 2026.

EXECUTIVE SUMMARY

The requested authorization will provide a 2027 rate structure to be adopted by the Marine Stormwater Utility (Utility), in support of Utility obligations to protect water quality, rehabilitate Port of Seattle (Port) stormwater assets, and support property managers and tenants in compliance with stormwater permit conditions. The proposed rate is an 8.0% increase from 2026. This rate increase will help ensure the Utility is able to fund regulatory requirements, asset rehabilitation projects including some limited capital improvements over the next five years, and meet target reserve balance by 2031.

JUSTIFICATION

The Stormwater Utility is a self-funded program responsible for maintaining Port Maritime property stormwater assets and supporting compliance with relevant local, state, and federal stormwater regulations. Cost for these services continues to increase with regional inflation and the increasing complexity in Washington State stormwater regulations. A rate increase at the proposed level of 8.0% allows the Utility to maintain and improve stormwater conveyance and water quality to meet the Port's Century Agenda environmental goals by:

1. Meeting or exceeding stormwater regulatory requirements.
2. Investing in streamlining processes, such as GIS mapping and maintenance and inspection coordination, to improve efficiency and reduce costs of meeting regulatory obligations.

3. Maintaining significant level of investment to rehabilitate, expand and support the performance of the stormwater system to protect water quality in the Puget Sound.

DETAILS

The Utility was formed in 2014 to enable the Port to provide services, facilities, systems, programs for surface water, stormwater management, and pollution control. The Utility collects stormwater fees from all properties within the Port and reinvests that income into maintaining and upgrading the stormwater infrastructure. Ratepayers include the Port of Seattle, Northwest Seaport Alliance (NWSA), and tenants. Prior to creating the Utility, stormwater fees were paid by the Port and its tenants to the City of Seattle (City) and were primarily used to address City priorities and not necessarily the priority stormwater needs at Port facilities. With the establishment of a Port Utility, we have realized an increased investment and attention to Port property stormwater assets and management, including innovative stormwater treatment systems and aligning investments with sustainability and equity goals. Benefits of Utility work include water quality protection in the Puget Sound as well as stormwater infrastructure that better supports Port tenants' stormwater investments.

The Utility rates apply to all Port-owned maritime (non-aviation) property, which includes land managed by the NWSA. Tenants pay stormwater fees based on the area of their leaseholds and what percent of their area is hardscape (impervious) surface. The stormwater fees for the remaining unleased land at a facility are paid by the operating business. The operating business is either the NWSA or the specific Port business (Real Estate Portfolio, Maritime Operations, Cruise, etc.) that oversees the unleased property. Rates are set to recover the cost of Utility operation and maintenance and support future limited capital improvements. In addition to funding current operations, maintenance and capital projects, Port policy recommends that the Utility maintain a reserve fund equivalent to six months of operating expenses. In recent years due to budget constraints, the reserve fund has not been fully funded. Consequently, in addition, to this 2027 rate proposal, the Maritime Finance Department has developed a five-year plan for rebuilding the reserve fund and ultimately maintaining a positive balance in the fund.

The City's stormwater utility rates, reflected in the City 2025-2030 Strategic Plan Update (approved September 3, 2024), continue to be on average 15% to 18% higher than the Port's stormwater rates.

The Port's Stormwater Utility rates are approved annually by the Commission. The Utility's internal Rate Advisory Committee reviews rate recommendations prior to advancing recommendations for Commission consideration and approval. An 8.0% increase is recommended in 2027. This rate will ensure the Utility budget is sufficient to address stormwater regulatory obligations, some asset improvement projects and contribute towards the Utility's reserve fund.

The 2026 Utility rates and proposed 2027 rates with an 8.0% increase are shown in the table below.

Utility Rate Category	2026	Proposed 2027
(based on % impervious surface)	*($ per 1,000 square feet)*	
Undeveloped (0-15%)		
Regular	$55.34	*$59.76*
Low Impact	$32.40	*$34.99*
Light (16-35%)		
Regular	$85.57	*$92.41*
Low Impact	$67.30	*$72.69*
Medium (36-65%)		
Regular	$124.28	*$134.23*
Low Impact	$99.97	*$107.97*
Heavy (66-85%)	$166.75	*$180.09*
Very Heavy (86-100%)	$197.24	*$213.02*

Impact on Rate Payers

The forecasted Utility revenue for 2026 is approximately $9.1 million, and therefore every 1% rate change is about $91,000. The added revenue generated from an 8.0% increase is approximately $728,000, providing for an estimated total collection of $9.81 million for 2027. With an 8.0% rate increase, the impact on two hypothetical tenants is provided below:

- A commercial tenant would have a $2.16 monthly increase on a $27.00 bill, for $29.16 per month in 2027.
- An industrial tenant would have a $2,017.60 monthly increase on a $25,220 bill, for $27,237.60 per month in 2027.

Revenue Collection Distribution

Revenue is collected from all Port properties including leased areas, non-tenant areas used by Port business units and areas licensed to NWSA. In 2026, approximately 65% of Utility revenue was from tenant leased properties, both Port and NWSA; 17% from NWSA-licensed non-tenant properties; and the remaining 18% from Port non-tenant properties.

Utility History

The Utility completed a full system assessment to obtain baseline conditions of the existing stormwater infrastructure at the end of 2019. As of mid-2026, over 86 urgent repairs of stormwater infrastructure have been completed since 2016, reducing hazards including flooding and allowing the conveyance system to function properly, which benefits overall water quality. Twenty-eight tide gates have been installed, preventing the flow of tidal waters into the conveyance system and saltwater intrusion that could damage water quality treatment systems; this is both a safety and an infrastructure improvement.

In 2021, the Utility completed its first five-year strategic plan, which included feedback from Port, NWSA, and external tenant stakeholders. In early 2026, staff completed an updated strategic

plan for 2026 to 2030, with a focus on resilient infrastructure, exceptional value, sustainability, climate change and resiliency, and equity, diversity and inclusion.

Accomplishments in 2026

Other accomplishments this year include the following:

1) The Utility team, including Marine Maintenance staff, collaborated on the following accomplishments:
   a) Continued to exceed stormwater regulatory requirements, including increased frequency of sweeping roads and common areas, and installing and maintaining innovative stormwater treatment to reduce contaminated stormwater reaching state waterways.
   b) Met the 2035 Century Agenda goal of 75% stormwater system rehabilitation in 2025. Maintaining this level of asset condition into the future is a top priority that supports improved water quality for the region.
   c) Used asset condition data from CCTV inspections and GIS mapping to identify, prioritize, and phase asset repair and replacement projects.
   d) Initiated a study to develop a benchmark for the Utility, considering other regional Ports and municipalities, and to evaluate rate reductions and credit programs that may be implemented by the Utility.
   e) Collaborated with Port and regional climate change and resilience planning and research to provide expertise on stormwater infrastructure and forecast impacts.
   f) Continued to follow guidance from the Port's Executive Director for "resource conscious" budgeting, and plan for financial uncertainty associated with regional trade impacts, high regional inflation, and global conflict.
2) Utility funded and completed Capital Projects:
   a) Maritime Industrial Center Storm Drainage Improvements – completed 2025.
   b) Terminal 91 Berths 6&8 Water Quality Improvements – completed 2025.
   c) 100% design for the Terminal 106 S Nevada Street Storm Drainage Improvement project - slated for construction in Q4 2026.
   d) Shilshole Bay Marina Stormwater Vault Retrofits –construction completed in October 2026.
   e) Terminal 91 Elliott Bay Trail Storm Drainage Improvements – completed 90% design in 2026, slated for construction in Q1 2027.
3) Continued strong partnerships with Waterfront Development Office, Port Construction Services, Environmental Permitting, Engineering and Marine Maintenance to support comprehensive capital project review and asset rehabilitation, including detailed construction plan reviews and targeted training on stormwater regulations and assets.

Scope of Work

Stormwater Utility funds can only be used toward the Port's maritime stormwater infrastructure and regulatory programs. As an independent utility, it is critical to maintain a six-month reserve fund balance. For the last three years, the Utility fell short of maintaining the target six-month

reserve fund balance. The Utility cash balance as of September 30, 2026, was $2.158M with a projected end-of-year fund balance of $1.40M. The 2026 operating expenses exceeded revenue by $0.386M and the resulting shortfall will be covered by the reserve fund balance. The 2027 estimated budget of $10.334M will be allocated as follows: $5.019M for maintenance and expense work, $2.369M in SWU administration, $2.011M for other expenses, and $0.935M in capital. The projected 2027 revenue with the 8.0% rate change is approximately $9.813M. With this rate, the Utility will need to tap into reserve funds to cover expenses but has developed a plan for fully meeting the target reserve in 2031.

The 2027 projected expense and capital budget will fund necessary stormwater management items including:

1) Perform system assessments to monitor known conditions, maintain the 75% rehabilitation goal system-wide, and be proactive in asset management.
2) Support capital projects including completing green stormwater infrastructure retrofits at Shilshole Bay Marina, drainage improvements and removal of contaminated soil along Elliott Bay pedestrian and bike trail, and purchasing a new plumber van to replace one that is over 25 years old.
3) Repair damaged stormwater pipes and infrastructure, prioritizing high-use industrial properties.
4) Perform required regulatory stormwater management activities such as catch basin inspections and sweeping.
5) Perform additional stormwater management activities that enhance water quality protection, such as dock cleaning and plaza washing.
6) Evaluate and implement green and innovative stormwater treatment systems.
7) Apply scoring matrix including equity, diversity and inclusion considerations to prioritize infrastructure work.
8) Implement year two of the updated strategic plan.
9) Participate in Port-wide planning and research for in-depth climate change/resilience study that includes stormwater infrastructure.
10) Complete the current capital program portfolio including pipe rehabilitation and drainage improvements.
11) Cover operational and administrative expenses including staff costs, utility taxes and Port allocations.

Rate Criteria: The following criteria were used in considering the proposed 2027 rate:

1) Maintain adequate budget to meet or exceed stormwater regulatory requirements, the Port's Environmental Long-Range Plan, and Utility Charter responsibilities including rehabilitation of stormwater infrastructure.
2) Continue adequate funding to maintain and improve a high-functioning stormwater system at 75% level to benefit Puget Sound water quality.
3) Fund the six-month reserve for operating expenses, consistent with financial prudence based on Port policy and best practices.

4) Maintain a consistent rate increase over the five-year projection, striving for a smooth rate profile to avoid future steep rate hikes and maintain stable funding for the program.
5) Maintain stormwater utility rates below the City of Seattle stormwater rates.

Although continued economic pressures and uncertainties have forced a Utility rate increase for 2027, the preferred alternative at 8.0% is lower than the 2026 increase of 10.0%. The Utility fund balance has dropped below the six-month fund reserve for the past three years due to economic pressures and past depressed rate increases. The low fund balance conflicts with rate criteria the Utility has followed since 2016. These pressures, listed below, were accounted for when developing the rate proposal alternatives:

1) During the COVID-19 pandemic (2021-2023), the Utility adopted lower rates of 3.0% and 4.6% to reduce the financial burden to tenants, NWSA, and Port business units, which resulted in reduced revenue and rates below inflation.
2) As of August 2026, the consumer price index (CPI) for the Seattle area was an overall increase of 4.4% (12-month period). The Mortenson Construction index, a measure that tracks non-residential construction costs in Seattle, increased by 3.5% between Q3 2025 and Q3 2026.
3) City of Seattle Use Tax is 12% per the Utility interlocal agreement with the City, signed in November 2016. The Port of Seattle's Utility is the only utility to pay this tax.
4) The City of Seattle Business & Occupation tax increased from 1.8% to 2.1% in 2025 and a 0.5% surcharge when revenue is over $250 million. The Utility pays this tax to the City of Seattle.
5) Rising labor costs and adjustments for Port employees in 2025 and 2026 averaged 3.9% increase in cost-of-living and pay-for-performance for non-exempt staff. As part of the Port's Work History Compensation project, salaries for non-represented positions increased for approximately 50% of staff with an average increase of 9.6% to payroll expenses in 2024.
6) Federal Administration tariffs on imports initiated in 2025 continue to increase costs for construction materials, including petroleum fuels.

Reductions to Marine Maintenance budget in 2026 and continued for 2027, and Capital Program plan adjustments to delay or phase improvement projects, were made to meet Port Central Services Budget Guidelines and reflect other internal and external pressures on the Utility.

Schedule

The Utility Rate Advisory Committee reviewed and validated the rate recommendation in October 2026. If approved by the Commission, the 2027 rates will be adopted by the Utility effective January 1, 2027. The Utility notifies tenants in December of the upcoming rate change following adoption. Tenants can dispute billing fees by contacting Utility staff, and a decision will be made within 60 days of receipt of the dispute.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Increase rates by 8.0% during the 2027 to 2031 plan period

Cost Implications: Projected revenue in 2027 will be $9.813M

Pros:

1) Lower financial impact on tenants, NWSA and Port business units than the other alternatives.

Cons:

1) Funds fall below the six-month reserve balance beyond 2031.
2) To rectify low fund balance, a higher rate increase in future may be necessary to fund critical capital investments to meet Century Agenda goals and exceed regulatory requirements.
3) There is potential need to constrain essential maintenance functions and urgent repairs.

This is not the recommended alternative.

Alternative 2 – Increase rates by 9.0% during the 2027 to 2031 plan period

Cost Implications: Projected revenue in 2027 will be $9.903M

Pros:

1) Builds a greater fund balance to support unexpected repairs and future planned capital projects in next five years as compared to the recommended alternative.
2) Funds critical capital investments to meet Century Agenda goals and exceed regulatory requirements.
3) Achieves 111% of the six-month fund balance in 2031.

Cons:

1) Higher financial impact on tenants, NWSA and Port business units than alternative 1 and the preferred alternative.

This is not the recommended alternative.

Alternative 3 – Increase rates by 10.0% during the 2027 to 2031 plan period

Cost Implications: Projected revenue in 2027 will be $9.994M

Pros:

1) Builds a greater fund balance to support unexpected repairs and future planned capital projects in next five years as compared to the recommended alternative.
2) Funds critical capital investments to meet Century Agenda goals and exceed regulatory requirements.
3) Achieves 144% of the six-month reserve balance in 2031.

Cons:

1) Higher financial impact on tenants, NWSA and Port business units than all other alternatives.

This is not the recommended alternative.

Alternative 4 – Increase rates by 8.0% in 2027 and 9.0% between 2028 to 2031

Cost Implications: Projected revenue in 2027 will be $9.813M

Pros:

1) Builds a greater fund balance to support unexpected repairs and future planned capital projects in next five years as compared to alternative 1.
2) Funds critical capital investments to meet Century Agenda goals and exceed regulatory requirements.
3) Lower financial impact on tenants, NWSA and Port business units than the other alternatives except alternative 1.
4) Achieves 101% of the six-month reserve balance in 2031.

Cons:

1) Higher financial impact on tenants, NWSA and Port business units than alternative 1.
2) Raises less revenue for future capital program than alternatives 2 and 3.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

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

1) Maintain funding for critical stormwater infrastructure improvements,
2) Support a six-month fund reserve by 2031, following sound fiscal policy consistent with standard Port procedure, and
3) Reduce operating costs funded by Port business units and tenants by funding stormwater-related maintenance activities.

ADDITIONAL BACKGROUND

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

ATTACHMENTS TO THIS REQUEST

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

November 11, 2025 – The Commission approved Marine Stormwater Utility Rates for 2026
November 12, 2024 – The Commission approved Marine Stormwater Utility Rates for 2025
November 14, 2023 – The Commission approved Marine Stormwater Utility Rates for 2024
October 25, 2022 – The Commission approved Marine Stormwater Utility Rates for 2023
September 14, 2021 – The Commission approved Marine Stormwater Utility Rates for 2022
October 27, 2020 – The Commission approved Marine Stormwater Utility Rates for 2021
October 8, 2019 – The Commission approved Marine Stormwater Utility Rates for 2020
October 9, 2018 – The Commission approved Marine Stormwater Utility Rates for 2019
November 14, 2017 – The Commission approved Marine Stormwater Utility Rates for 2018
November 18, 2014 – Commission approved Resolution No. 3696, as amended, Authorizing Stormwater Utility Formation, included utility rates for 2015 through 2017