

City of Shoreline Proposition No. 1



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FAQs

Will my property tax go up as a result of the acquisition?

No. The cost of acquiring, maintaining and operating the utility will be paid entirely through rates charged to the City water utility's customers. Property taxes will not be impacted by the acquisition.

Will my water bill go up?

No. The City Council has agreed to purchase the system only if the City can acquire, operate, and maintain the system with rates equal to or less than SPU's projected rates. The financial analysis, reviewed by the citizen advisory committee, demonstrates that this can be achieved.

Will my water bill go down?

With acquisition, ratepayers will no longer pay the 14% surcharge and 15% utility tax to Seattle. Instead, those funds will be reinvested into Shoreline's water system to replace water mains and make system improvements. The financial analysis shows that over time the City will be able to make these investments with water rates that are less than those projected by SPU.

Why is Seattle willing to sell the water system to Shoreline?

Seattle elected officials and staff have said they recognize Shoreline can benefit from the ability to make local investment decisions. They appreciate the importance for Shoreline to control its own utilities in an effort to meet regional planning and long-term economic development goals.

Shoreline Proposition No. 1

Local control for Shoreline's water

Acquiring the Seattle Public Utility (SPU) water system in Shoreline has been a community and Council goal for many years. After more than ten years of discussions and negotiations, residents west of I-5 will finally have a voice in how their water utility rates and taxes are determined and have their money invested in Shoreline instead of in Seattle.

Voter approval in November will authorize Shoreline to acquire the SPU water system in Shoreline without increasing projected rates. The \$26.6 million acquisition in 2020 and \$14.2 million in pre-acquisition improvements (without adjustment for inflation) will be financed by future water rates in Shoreline's new service area.

Ownership of the SPU water system in Shoreline will allow the residents of Shoreline to take control of decision making and put fees towards their own water infrastructure.



Why Purchase SPU?

Local control for Shoreline ratepayers

- Shoreline ratepayers have no representation in how rates, charges and taxes are determined and spent.
- Voter approval of acquisition allows local decisions and reinvestment in Shoreline.

No impact to property taxes or projected water charges

- No property taxes will be used to acquire or operate the system.
- Water rates will be equal to or less than SPU's forecasted rates for Shoreline customers.

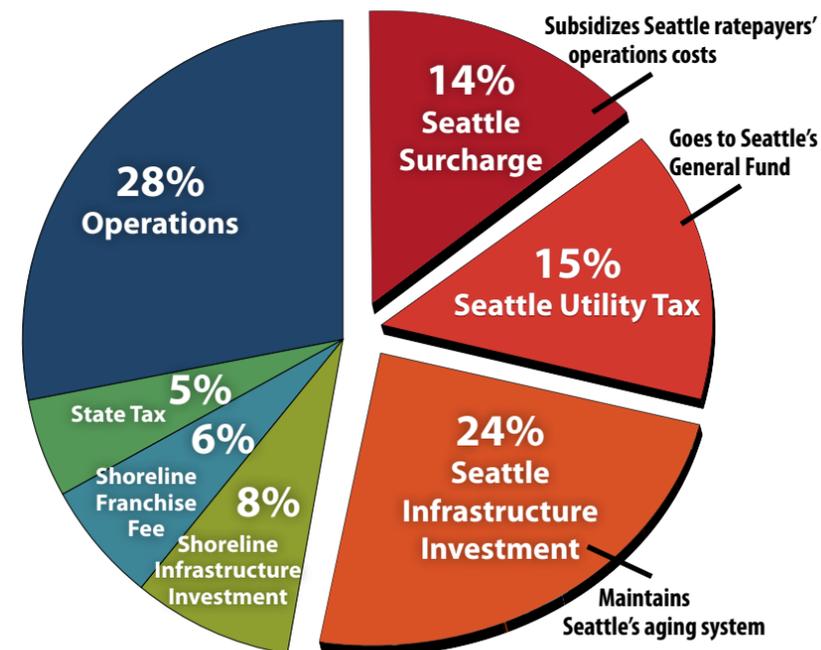
No more taxation without representation

- Shoreline ratepayers are charged a 14% surcharge for living outside Seattle.
- Shoreline ratepayers pay a 15% Seattle utility tax that funds Seattle's police, fire and parks.

Local investment

- Currently, the majority of Shoreline ratepayers' money for infrastructure and maintenance goes to projects outside Shoreline.

Average annual Shoreline ratepayer bill with SPU - where the money goes



53% of a Shoreline customer's bill supports Seattle ratepayers, programs, and infrastructure.

Sources: SPU and Shoreline Water System Financial Analysis

For more information, including the City's financial and engineering evaluation
shorelinewa.gov/spu



Shoreline Proposition No. 1

A unique opportunity formed after a decade of negotiation

In 1995, residents incorporated Shoreline as a City so they could receive better, even exceptional, services for their tax dollar.

Soon after the City incorporated, residents started talking about how to improve water service on the City's west side. In particular, residents wanted local control over their utility just as Shoreline residents on the east side of the City have with Shoreline Water District.

After years of discussion with SPU on how best to address Shoreline's desired levels of service, the Shoreline City Council determined that the most effective way to meet the community's needs was to acquire the SPU water system in Shoreline. In 2009 it became a stated Council goal.

Following 18 months of evaluation, the City Council voted unanimously to place the SPU acquisition on the November 2012 ballot.



Richmond Highlands Water Storage Tank

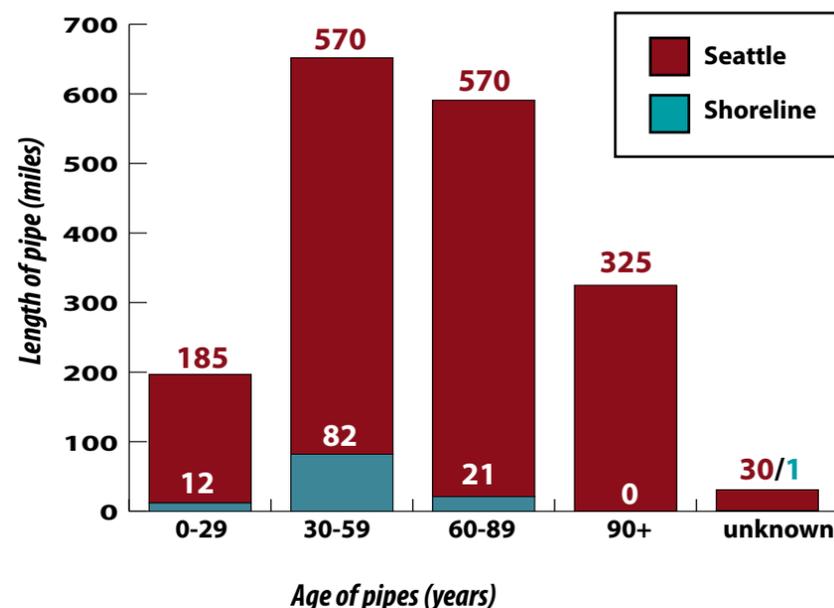
Investing in Shoreline's water system

SPU operates a very large system and meeting Shoreline's desired level of service is not their priority. Almost half of Seattle's water pipes are over 70 years old, with hundreds of miles of pipe over 100 years old. In Shoreline, approximately 75% of the SPU water system is over 40 years old, but only 5% is over 70 years old. It is a much younger part of the system as a whole. When looking at infrastructure investments, SPU's emphasis will be on Seattle, not Shoreline.

With acquisition the City will begin a water main replacement program. Investing ratepayers' infrastructure and maintenance dollars in Shoreline will allow for the replacement of nearly a quarter of the system's water mains in the first 20 years of operation.

The City will replace small pipes that can impede water flow to fire hydrants. Replacing water mains will increase fire fighting capabilities. Upgrading mains in Shoreline's commercial districts will encourage more economic investment.

Pipes in the SPU water system



Sources: SPU 2013 Water System Plan and Shoreline Water System Engineering Review

Financial and engineering evaluation

The City spent over 18 months analyzing the financial and engineering feasibility of acquiring the SPU system. The City contracted with a firm that specializes in utility operations and assessment to conduct the analysis. The analysis included: over 13 different financial and operating scenarios; an engineering review of the system's condition; recommendations for system maintenance and improvements; and a water system performance model with SPU.

A 23 member citizen advisory committee spent six months reviewing the financial and engineering analysis. During the citizen committee process, a third-party engineering firm performed a review of the engineering analysis, acquisition costs and system performance modeling. This review confirmed that the analysis and estimates were sound.

The engineering and financial analysis reports are available on the City's website at shorelinewa.gov/spu.

Utility tax

Shoreline's SPU customers pay a 15% utility tax to the City of Seattle that goes into Seattle's general fund for Seattle parks, police and fire. Currently, Shoreline ratepayers have no direct say in how the Seattle utility tax rate is determined or how the money collected is spent. Ownership changes that.

There is no legal limit on the utility tax rate that a city can charge a water or stormwater utility. This means there is no limit on how much the City of Seattle may impose on Shoreline ratepayers.

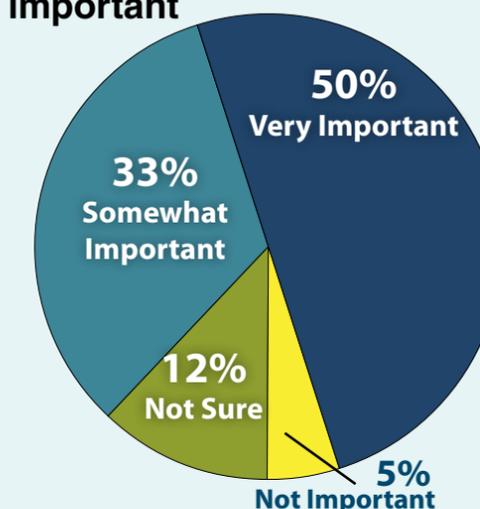
The City of Shoreline has been in the public utilities business for many years, operating and setting rates for two utilities – solid waste and stormwater. The current utility tax rate on these utilities is 6% and has remained at 6% since it was first imposed on solid waste in 2000 and stormwater in 2005. If the City acquires the water utility, the 6% franchise fee it currently charges SPU will be replaced with a 6% utility tax.

What happens if Proposition 1 does not pass in November?

The City is asking voters to approve the acquisition and local control of Seattle water services in Shoreline. If the measure does not pass, the City will not be authorized to acquire the SPU system and will need to continue to work with SPU to address Shoreline's needs. SPU states that in order to provide a higher level of system investment in Shoreline they would need to increase the current 14% Seattle surcharge.

If Proposition 1 does not pass, Shoreline ratepayers will continue to pay Seattle a 14% surcharge and a 15% utility tax which funds Seattle services.

83% of residents believe capital investment is important



Source: 2012 Citizen Satisfaction Survey