



DATE: June 18, 2026

TO: Environmental Services Commission

FROM: Dave Baisch, Utilities Engineering Assistant Director
Matt Hobson, Utilities Fiscal Manager

SUBJECT: ESC Recommendation on Proposed Changes to Utility Connection Charges

ACTION REQUIRED

Staff is seeking the Environmental Services Commission's (ESC, Commission) concurrence on the recommended amendments to Bellevue City Code for the water, sewer, and storm and surface water utilities related to connection charges.

BACKGROUND / ANALYSIS

On May 7, Utilities staff provided an overview of connection charges and proposed revisions to the Capital Recovery Charge (CRC) and Direct Facility Connection Charge (DFCC) ([May 7 Memo](#) | [May 7 Presentation](#)).

The following provides a brief recap of each connection charge type; challenges with the current methodology; three proposed revisions to the methodology; feedback from community engagement; and feedback received from the Commission.

Capital Recovery Charge:

A CRC is a utility connection fee paid by development, ensuring each new connecting property is assessed its equitable share of the cost of water, sewer, and storm and surface water system demand. As a capacity charge, CRC covers the cost of building utility infrastructure that must be sized to serve forecasted growth consistent with the city's system plans.

For example, when a 50-unit apartment building is developed, the infrastructure (e.g., water and sewer pipes, pumps) must be built large enough to handle the maximum demand of 50 units from day one. Even if only 10 units are occupied at first, the utility must build the larger system capacity upfront, and the CRC is how each new connecting property pays for its share of that capacity.

Direct Facility Connection Charge:

A DFCC is a type of connection charge that may be assessed to a customer in addition to CRCs. A DFCC is a type of local facility charge that is designed to equitably charge new customers for the cost of growth-related localized capital projects required to support them connecting to the utility systems.

Challenges with the current methodology for connection charges include:

- Big upfront DFCC costs creating an affordability barrier with connecting to localized capital project (e.g., sewer extension).
- Calculation complexity of the Single-Family Equivalent (SFE) method to calculate CRCs, which has its limitations when applied to a diverse utility customer base comprised of single family, multi-family and commercial development.

- Confusion stemming from the timing of collecting the CRC via the utility bill over 10-years which is not only an unexpected charge but also inconsistent with how the city assesses other fees assessed on the condition of development.

Revisions to how CRCs and DFCCs could be calculated and collected in the future:

Proposal #1 – No More DFCCs

Discontinue the future use of DFCCs as a type of connection charge in Bellevue and consolidate the unrecovered cost portion of existing DFCCs into the city’s water, sewer, and storm and surface water CRCs. This change will improve affordability of connecting to a localized capital project and will continue to be aligned to the equitable policy of growth paying for growth.

Proposal #2 – Simpler Calculation

Replace the SFE methodology used to assess water and sewer CRCs with a Meter Capacity Equivalent ratio or “MCE”. This will increase transparency of the charge and will preserve equity as the property continues to pay its equitable share of the existing utility system.

Proposal #3 Pay Once Upfront

Shift the timing of when CRCs are collected so that they are a one-time charge assessed at permitting similar to all other city connection charges, development and impact fees. This shift would increase transparency and prevent customers from being surprised by the CRC appearing on their utility bill. The shift in timing and removal of the default ten-year repayment term would resolve a key resident pain point. Since full utilities-related project costs are known upfront for the property developer, the costs can be included in any financing they procure or grant applications (for low-income housing).

These revisions are meant to align Bellevue with industry best practices and regional common practices while improving affordability, increasing transparency, and preserving equity to homeowners and property developers.

Feedback received through Customer Service and Billing Team

As of June 1, there are 1,012 accounts in the midst of their 10-year cycle of paying CRCs via the utility bill. Approximately 76% of those accounts are single family residential. Over time, our customer service and billing team has received customer feedback regarding current practices. Customers are surprised by connection charges appearing on bi-monthly utility bills and are trying to understand the charge. Customers often have a negative perception because they either perceive it as something that they are paying for twice, or something that should have been paid at the time of construction. Nearly all calls about this topic end up as an escalation to the Billing Services manager.

Feedback received through continued Community Engagement

We have continued to update the [public facing webpage](#), which also houses the [community engagement report](#), with FAQs based upon questions received from the community. Primarily, the questions have been about Proposal #3 with requests to consider delaying the collection of the charge during the permitting phase – closer to certificate of occupancy where possible. Full details of the feedback received at the time of this memo are included as Attachment A.

Feedback from the Commission

The following reflects the Commission’s questions and staff responses from the ESC meeting held on May 7.

How might these proposed policy revisions impact the shape of development in Bellevue? What behaviors do these revisions encourage or discourage?

The retirement of DFCCs will improve affordability and encourage additional properties to connect to localized growth projects (e.g., Sewer Extensions) that have already been constructed by the city.

The modified CRC calculation that relies on the size of the water meter means that the charge will not scale up based on factors such as number of units or fixture counts. For some multi-family projects, the charge based on MCE will be lower than if based on SFE. Additionally, it could encourage water conservation designs for developers looking to keep the CRC amounts lower. To avoid any un-intended under sizing of the water meter, domestic “combination” meters sized to serve both domestic use and fire protection through installed fire sprinkler systems will be charged based on the meter size required for domestic demand alone, excluding fire protection needs. For CRC calculation purposes, the meter will be assumed to be one size increment smaller than the installed meter, and any additional capacity required solely for fire flow will not be subject to CRCs.

Collecting CRCs at permitting instead of via the utility bill is an operational practice update that will align connection charges with how the city assesses other fees assessed on the condition of development. It also aligns Bellevue to regional common practices that developers are likely familiar with. Going forward, the utility bill will include only usage-related amounts and no charges related to development.

If DFCCs are retired, would that mean existing rate payers pick up the cost of those projects instead?

DFCCs are designed to reimburse the city and its ratepayers for the cost incurred to construct these localized capital projects. However, customers are not required to pay the charge until they decide to develop or redevelop their property, which may be decades after the city incurs the cost to construct the project. Until the time these costs are fully recovered, rate payers incur the investment cost. Since 1976, the city has recovered approximately \$22.5M of the \$42.5M in project costs.

By retiring DFCCs and collecting via new CRCs we expedite cost recovery – lowering the impact on existing ratepayers.

How will the calculation of connection charges be kept up so that they can adequately fund future development?

Following the completion of the updates to the water and sewer utility comprehensive system plans, Bellevue Utilities is planning to contract for an independent third-party study to recommend policy options to the CRC methodology. The study would ensure our methodology complies with the City of Bellevue’s “growth-pays-for-growth” financial policy and achieves higher cost recovery rates relative to the historical cost recovery results of DFCCs. These policy options will likely be presented to the ESC in 2029.

Could we consider providing greater flexibility to charge the CRC later in the permitting process, closer to certificate of occupancy?

Upon implementation, we will continue exploring administrative procedures that provide flexible options for paying the CRC during the permitting phase. While there are some operational templates to rely on, such as the Transportation Department’s process of granting a deferral of impact fees by way of a lien on the property, we intend to first monitor and quantify the percentage of new projects requesting such flexibility. Otherwise, the CRC amount will be due at permit issuance.

FISCAL IMPACT

Utility connection charges represent a relatively small revenue source for Bellevue Utilities. The city generated approximately \$5 million in 2025 from CRC and DFCC revenue. By comparison, water, sewer, and storm and surface water rate revenue totaled \$205 million in 2025. Staff anticipate the fiscal impact of these proposed changes will be managed within available resources and will not have an adverse impact to utility rates.

POLICY ISSUES

For properties that apply for a new permit prior to revisions to the municipal code being adopted; the DFCC and CRC will be calculated and administered using the code in place at the time of permit application.

NEXT STEPS

City staff are requesting the Commission's concurrence on the recommended amendments to Bellevue City Code for the water, sewer, and storm and surface water utilities related to connection charges. With the Commission's concurrence, the recommended amendments will be presented to City Council in Q3, 2026. If approved by the City Council, the amendments would take effect in Q1, 2027.

ATTACHMENTS & AVAILABLE DOCUMENTS

1. Attachment A: Feedback received from the community via e-mail sent to UTConnectionCharges@bellevuewa.gov