



DATE: November 7, 2024

TO: Environmental Services Commission

FROM: Scott Edwards, Deputy Director
Matt Thurber, Assistant Director – Resource Management and Customer Service
Matt Hobson, Fiscal Manager

SUBJECT: **Utilities 2025-2026 Proposed Budget and Rates Update**

ACTION REQUIRED

Staff is providing an update to the 2025-2026 proposed budget and rates. No action is requested of the Commission.

BACKGROUND / ANALYSIS

This is a continuation of a series of briefings to the Commission regarding the proposed Utilities Department 2025-2026 operating budget and rates, and 2025-2030 CIP budget.

The Commission previously reviewed:

- November 2: Utilities Budget Planning and Development Process
- January 4: Asset Renewal Forecast Update
- February 1: Utilities Financial Policies
- April 4: 2023 Financial Performance and Review of Preliminary 2025-2034 CIP
- May 2: Operations and Maintenance/CIP Tour
- June 6: 2025-2030 Early Outlook Rate Forecast and CIP Budget Proposals
- June 20: 2025-2026 Operating Budget Proposals
- July 11: Comprehensive Financial Policies Review and Budget and Rates Recommendation to City Manager
- September 5: Budget and Rates Public Hearing
- September 12: Commission's recommendation to City Council regarding the Utilities Department proposed 2025-2025 operating budget, 2025-2030 CIP budget, and 2025-2026 rates

On November 7, staff will:

- Summarize the 2025-2026 proposed budget presented to City Council on October 8.
- Brief the Commission on minor revisions to the 2027-2030 rate outlook.

2025-2030 Preliminary Financial Forecast

As a final step in the 2025-2026 proposed budget process, Utilities developed the Preliminary Financial Forecast (see Attachment A) to summarize the key cost drivers and rate outlook for the 2025 to 2030 time period, as presented to City Council on October 8. The budget and rates presented to City Council were consistent with the Commission's recommendation for the 2025-2026 time period. However, minor adjustments were necessary in the rate outlook for 2027 to 2030 to reflect refined estimates for interfund expenditures Utilities must pay for internal services (e.g., liability insurance, facilities maintenance).

The below table outlines the difference between the 2025 to 2030 rate strategy, as presented to the Commission in the Early Outlook Forecast, and the rate strategy included in the Preliminary Financial Forecast, as presented to City Council on October 8.

Difference in 2025-2030 Combined Utilities Rate Strategy

DESCRIPTION	PROPOSED		PROJECTED			
	2025	2026	2027	2028	2029	2030
Early Outlook Forecast	7.4%	6.8%	6.8%	6.7%	7.2%	7.2%
Rate Strategy Presented to City Council on October 8	7.4%	6.8%	7.2%	7.0%	7.5%	7.4%
<i>Difference</i>	<i>0.0%</i>	<i>0.0%</i>	<i>+0.4%</i>	<i>+0.3%</i>	<i>+0.3%</i>	<i>+0.2%</i>

2025-2026 Budget Adoption Calendar

Looking forward, a public hearing for the City’s 2025-2026 proposed budget is scheduled for the City Council meeting on November 12. Utilities Preliminary Financial Forecast will be included in the agenda materials for the hearing. City Council will consider adopting the proposed budget on November 19.

Attachments:

- A. Utilities 2025-2026 Preliminary Financial Forecast