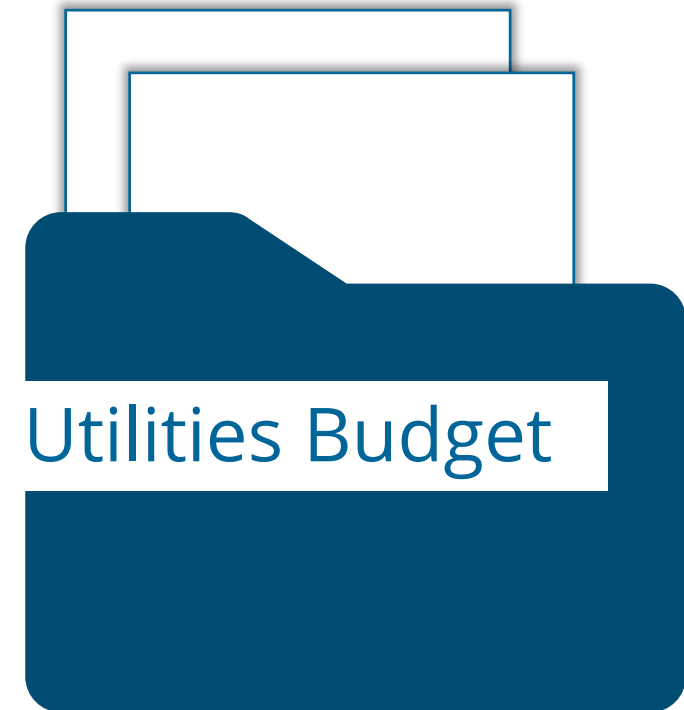


Direction

Staff is seeking the Commission's recommendation to the City Manager regarding the Utilities 2025-2026 operating budget, 2025-2034 CIP budget, and 2025-2026 rates.

Agenda

1. ESC role and responsibilities
2. Budget Development Principles
3. Proposed Budget Recap
 - Operating
 - Capital
 - Rates
4. Discussion & Recommendation



ESC 2025-2026 Budget Review Calendar

Date	Topic
January 4	<ul style="list-style-type: none"> Asset Renewal Forecast Update
February 1	<ul style="list-style-type: none"> Utilities Financial Policies
April 4	<ul style="list-style-type: none"> 2023 Financial Performance Review of Preliminary 2025-2034 CIP
May 2	<ul style="list-style-type: none"> Operations and Maintenance/CIP Tour
June 6	<ul style="list-style-type: none"> 2025-2030 Early Outlook Rate Forecast CIP Budget Proposals
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September 24	<ul style="list-style-type: none"> ESC Chair Presents Recommendation to Council



Roles – Budget & Rates



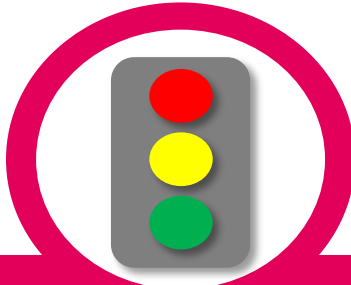
Staff

- Develop and implement City policies
- Develop proposed CIP, budget and rates
- Implement adopted CIP, budget and rates



ESC

- Review City policies
- Review proposed CIP, budget and rates
- Ask questions and provide feedback
- Hold public hearing
- Budget and rates recommendation to Council



Council

- Adopt City policies
- Provide strategic direction
- Review and adopt CIP, budget and rates

Key Budget Principles

1. Budget developed to align with Council strategic direction
2. Cost adjustments for wholesale services shall be passed directly through to customers
3. Rates shall be set at a level sufficient to cover current and future expenses
4. Changes in rate levels should be gradual and uniform
5. Funding for capital investments shall be sufficient to meet long-term capital program costs

Key Budget Challenges

Wholesale Costs

- 31% of Water Budget
Outlook: Capital costs for the anticipated Tacoma Supply Pipeline
- 51% of Sewer Budget
Outlook: Significant regulatory compliance costs on the horizon

Aging Infrastructure

- Infrastructure well past mid-life
- Transition from building reserves to active replacement

Inflationary Pressures

- Operating and Capital Impacts

2025-2026 Utilities Budget

Total Operating Budget: \$426.1M

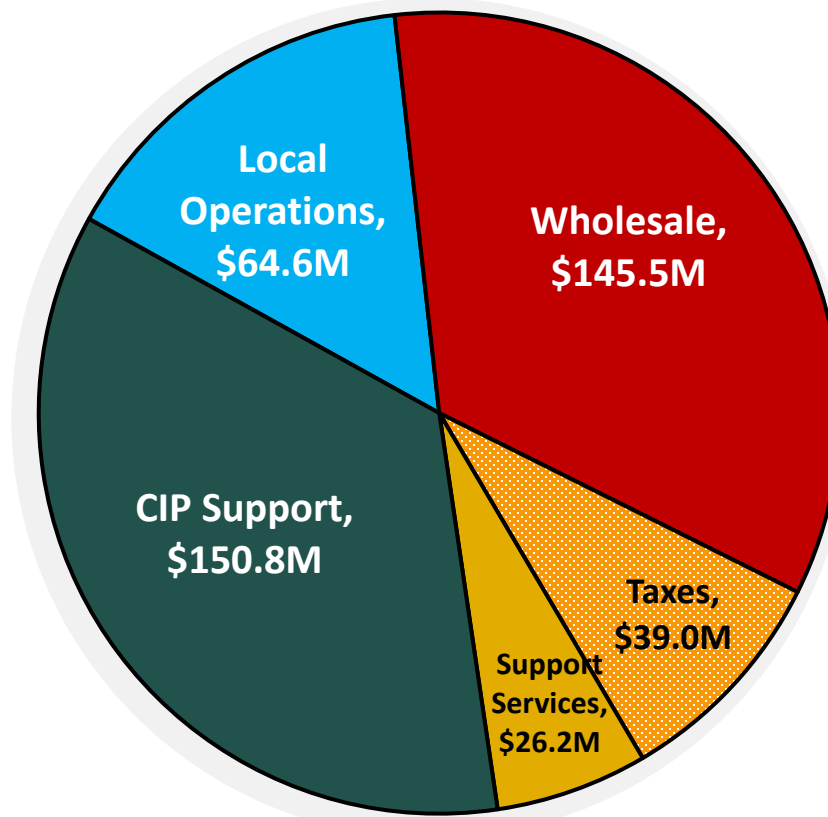
Internal Drivers – 51%

Local Operations – 15%

- Operations & Maintenance
- Customer Service & Outreach
- Engineering
- System Planning
- Development Services
- Support Systems/Assets
- Management
- Regulatory

CIP Support – 36%

- Transfers to CIP / R&R
- CIP Delivery & Asset Management



External Drivers – 49%

Wholesale Costs – 34%

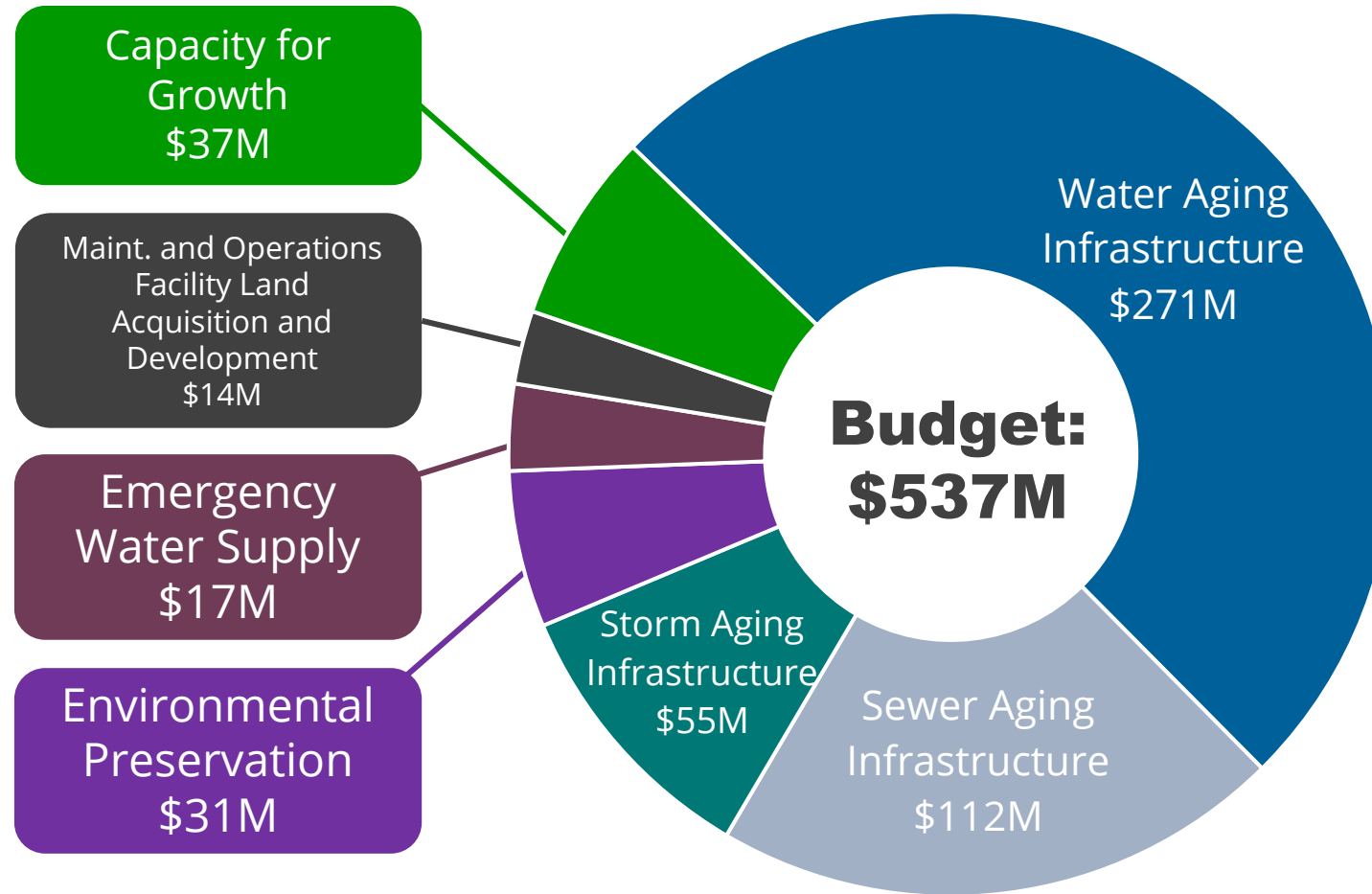
- Drinking water supply
- RCFC Payments
- Wastewater Treatment

Taxes & Support Svcs – 15%

- Taxes
- Interfunds

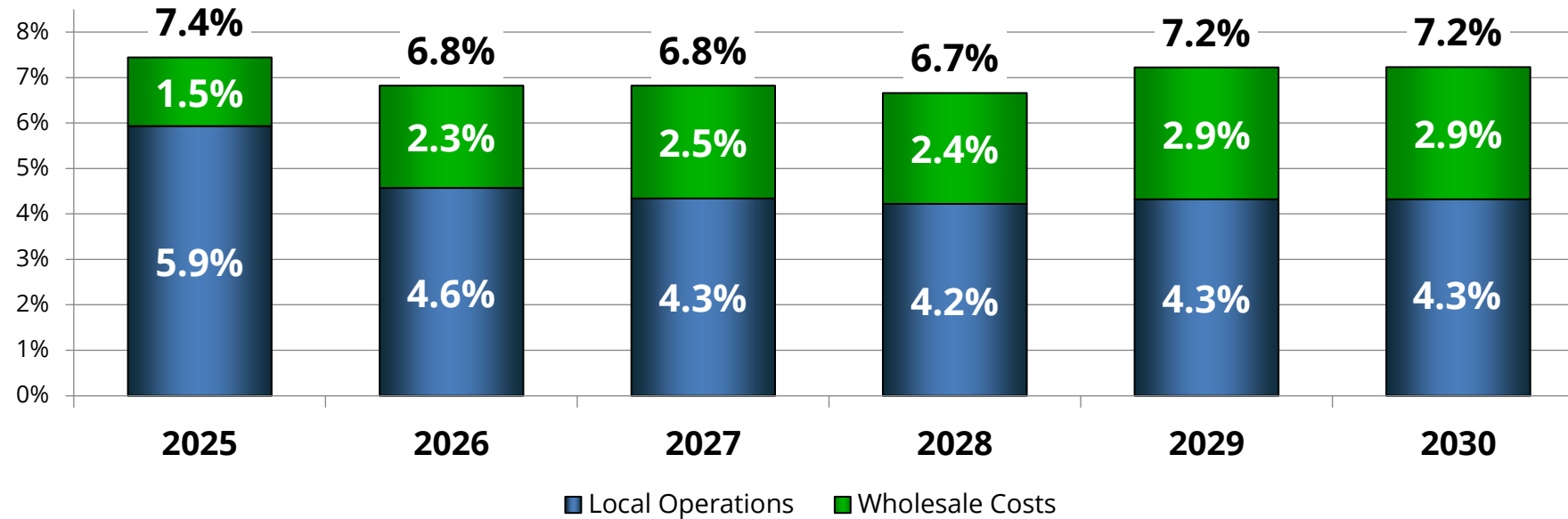
Excludes operating reserves
Dollars presented in millions

2025-2034 Utilities CIP Budget



Early Outlook Rates Forecast – Water, Sewer, Storm

Combined Utilities Rate Increases
2025 - 2030 Early Outlook Rate Forecast



Proposed Typical Residential Combined Monthly Bill Impact

	2025		2026	
Prior Year Monthly Bill		\$222.82		\$239.40
Rate Drivers				
Wholesale	1.5%	\$3.36	2.2%	\$5.39
Local				
<i>CIP/R&R</i>	1.9%	\$4.28	3.3%	\$7.89
<i>Taxes/Interfunds</i>	2.6%	\$5.77	0.4%	\$1.00
<i>Operations</i>	1.4%	\$3.17	0.9%	\$2.03
Local	5.9%	\$13.22	4.6%	\$10.92
Total Increase		\$16.58		\$16.31
Proposed Monthly Bill	7.4%	\$239.40	6.8%	\$255.71

Competitive Utility Rates

Water, Sewer,
and Storm &
Surface Water
Utilities

2024 Combined
Monthly Bill
Comparison

Residential

\$313.80	Seattle
\$260.36	Mercer Island
\$222.82	Bellevue
\$201.66	Kirkland
\$182.68	Issaquah
\$150.62	Renton
\$130.32	Redmond

Multi-Family

\$3,727	Seattle
\$3,366	Mercer Island
\$2,769	Issaquah
\$2,584	Bellevue
\$2,554	Kirkland
\$2,324	Redmond
\$1,856	Renton

Commercial

\$31,033	Seattle
\$29,807	Mercer Island
\$24,263	Bellevue
\$23,245	Issaquah
\$22,305	Kirkland
\$18,283	Redmond
\$16,768	Renton

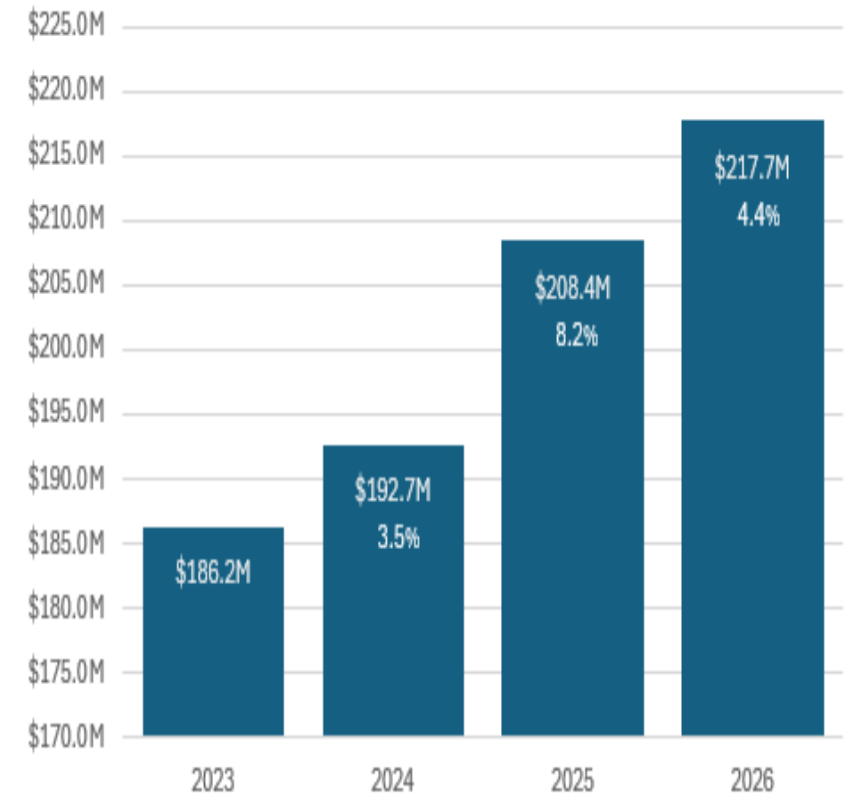
Key Takeaways

2025 – 2026 Operating Budget \$426.1M

- 49% attributable to External Drivers (Wholesale Costs)
- 36% investing in aging infrastructure (10-Year CIP and long-term R&R)
- 15% committed to Local Operations
- Aligned with Council Direction and City Financial Policies
- Promotes regulatory compliance and business sustainability

Maintains Existing Services, with Strategic Enhancements

- Aging and obsolete equipment replacement
- Staffing to support CIP delivery, an increased storm workload, and GIS services
- Solid Waste contract competitive solicitation
- Solid Waste and Water Quality outreach
- Process improvements to drive service enhancements
- Utility billing practices promote service equity



Excludes operating reserves
Dollars presented in millions

Direction

Staff is seeking the Commission's recommendation to the City Manager regarding the 2025-2026 operating budget, 2025-2034 CIP budget, and 2025-2026 rates.

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