

# MEMORANDUM



City of Bellevue

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DATE: April 28, 2026

TO: Mayor Malakoutian and Councilmembers

FROM: Ken Wan, Chair, Environmental Services Commission *Keneth Wan*

SUBJECT: Environmental Services Commission Recommendation on Preserving Equitable Sewer Rates

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The Environmental Services Commission's (ESC) received the results of the sewer financial equity analysis (i.e., cost-of-service study) at three meetings, including October 2, 2025, November 6, 2025, and January 8, 2026. As part of our role, the ESC has confirmed the analysis was conducted according to best practice in the public utility industry and was used to set cost-based rates that promote equity across the three customer classes. The results of the analysis indicate rate adjustments are necessary to ensure customer equity and to improve alignment with the city's comprehensive financial policies and state requirements.

After thoughtful discussion over the three meetings, the ESC supports the following recommendations in response to the sewer financial equity analysis.

- Adjust the Single-Family Residential, Multi-Family Residential, and Non-Residential sewer rates to achieve full cost equity for each customer class, which should be phased in over a five-year period (2027-2031).
- Establish a uniform volumetric rate for the Single-Family Residential customer class.
- Align the Multi-Family Residential rate structure to the Single-Family Residential rate structure, which should be adjusted gradually over the five-year phase-in period to reduce the range of bill impacts.
- Lower the minimum charge for the Non-Residential (i.e., Commercial) customer class, aligning it with the King County Wastewater Treatment Division's rate assessed to Single-Family Residential customers.

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The ESC is aware that implementing these recommendations and corresponding rate impacts coincide with anticipated wholesale sewer treatment cost increases from King County. Achieving equity between the three customer classes remains a priority as the department works to balance the rising cost of Bellevue's utility services.

While the Commission believes the recommendations will help to achieve this balance, the ESC offers the following for consideration.

- Phase-In Strategy: A five-year phase-in strategy will help mitigate the annual rate increases to Single-Family Residential and Non-Residential customers. However, it does require Multi-Family Residential customers continue to pay more than their fair share of utility costs for the next five years. For this reason, the ESC considered a more accelerated three-year phase-in period.
- Monitor Progress: To help mitigate the rate impacts to customers of future financial equity analyses, the Commission recommends that the city provide periodic updates on progress towards full cost equity over the next five years. Additionally, the city should conduct a full sewer equity analysis at the end of the five-year phase-in period in 2031.

The ESC appreciates the opportunity to provide this recommendation to City Council concerning the financial equity analysis, which promotes cost equity and affordability for Bellevue's sewer utility customers.