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Development Services Forecast (2021-2027)

Executive Summary:

- The Development Services Fund supports delivery of development review, inspections, land use, and code enforcement services.
- The Development Services Fund 2021-2027 forecast reflects a high level of development activity in the early years as several major projects are in review and construction phases of the development cycle. In response to the workload for development activity, Development Services added 6.0 FTE positions in the 2021-2022 budget and they have been hired as the workload demands.
- In subsequent years, development activity is anticipated to return to a more moderate level, however, potential impacts to development from the COVID-19 pandemic create added uncertainty. This forecast assumes that while development may be impacted by economic uncertainty, projects currently in the review/inspection phase will be completed and development interest in Bellevue will continue.

Background

In the early forecast years, development activity continues at a high level with construction projects for office, retail and housing. However, activity is expected to remain at a moderately high level through the forecast period. During the Covid-19 virus pandemic shutdown, permit activity declined due to construction restrictions, but has since returned to pre-pandemic levels. While other areas of the economy struggle to re-open, interest in projects in Bellevue has remained. Significant investments are being made in projects throughout the City's growth areas. Several large office and mixed-use developments currently in the plan review phase will move to construction with office development as the most active segment driven by Amazon's plans to bring 25,000 employees to Bellevue by 2025.

Sound Transit's East Link light rail project is under construction along the entire alignment generating demand for inspection services. The light rail project is anticipated to spur long-term commercial and residential Transit Oriented Development near light rails stations.

Single family applications are anticipated to remain steady in the early forecast period spurred on by continued low interest rates, low inventory, and high demand for housing. Although tenant improvement projects slowed down due to the pandemic, permit activity has returned to pre-pandemic levels. The number and value of projects represented by the applications is anticipated to increase slightly in the near future as several major projects are nearing completion.

The timing of construction for these projects will play a role in the staffing level needed in Development Services to support the development activity. Staffing levels for review, inspection, and support services increased in prior budgets to meet the growing demand for permit review



and inspection services, particularly in anticipation of the East Link construction and an increasing number of major large development projects. In the 2021-2022 budget, an additional 6FTE were added in anticipation of continued demand for review/inspection work and several new staff have been hired to fill the positions. No additional FTE were requested during the mid- bi budget process, however, demand for permit services will continue to be monitored and additional staff will be hired as necessary to fill vacant positions.

2021-2027 Outlook

Office vacancy rates in Downtown Bellevue are a key indicator to developers interested in developing new office space. The downtown vacancy rate in Q3 2021 was 11.7%, up from the 4.3% reported in Q3 2020. Construction of additional office buildings during this development cycle were in response to historically low availability of office space. Vacancy is expected to continue dropping as leasing activity and absorption improve. However, uncertainty around future demands for office space remains as companies evaluate more expansive and long-term teleworking options for their employees.

The construction valuation for issued permits, considered a key barometer of development activity, is anticipated to be high through 2023 as construction investment for major projects continues at a high level. Strong demand also continues for single family and multi-family housing, and single-family alterations.

The number of land use design review application activity remains consistent with prior years indicating interest in future development in Bellevue, and the pace of development is anticipated to continue in the latter years of the forecast as Bellevue continues in an unprecedented high development cycle.

Because of the variables, the early forecast years reflect development activity for several new major projects, and is anticipated to continue through the latter years.



**2021-2027 Financial Forecasts: Development Services,
Parks Enterprise & Utilities Funds**

Attachment B

**Development Services Fund 2021-
2027 Financial Forecast (in \$000)**

	2021	2022	2023	2024	2025	2026	2027
Beginning Fund Balance	\$41,503	\$44,141	\$45,661	\$46,714	\$47,203	\$47,218	\$46,577
Resources:							
Building Fees	\$16,699	\$17,003	\$17,173	\$17,259	\$17,432	\$17,519	\$17,607
Land Use Fees	\$2,176	\$2,141	\$2,184	\$2,195	\$2,217	\$2,228	\$2,239
Fire, Transp. & Utilities Fees	<u>\$8,274</u>	<u>\$7,952</u>	<u>\$8,151</u>	<u>\$8,192</u>	<u>\$8,274</u>	<u>\$8,315</u>	<u>\$8,357</u>
sub: Dev Svcs Fees	\$27,148	\$27,096	\$27,508	\$27,646	\$27,922	\$28,062	\$28,202
Gen Fund Subsidy	\$5,008	\$5,139	\$5,191	\$5,243	\$5,295	\$5,348	\$5,402
Other Revenue/Interest	\$379	\$515	\$530	\$544	\$558	\$573	\$589
Total Resources	\$32,535	\$32,751	\$33,229	\$33,432	\$33,776	\$33,983	\$34,193
Expenditures:							
Building	\$11,542	\$12,210	\$12,580	\$12,879	\$13,199	\$13,537	\$13,883
Land Use	\$3,195	\$3,503	\$3,610	\$3,696	\$3,787	\$3,884	\$3,984
Fire, Transp. & Utilities	\$6,809	\$6,936	\$7,146	\$7,317	\$7,498	\$7,690	\$7,887
Policy & Code Compliance	\$2,284	\$2,373	\$2,445	\$2,503	\$2,565	\$2,631	\$2,699
Administrative/Shared Costs	\$5,146	\$5,330	\$5,491	\$5,622	\$5,761	\$5,909	\$6,060
Technology/Facility Initiatives	\$921	\$878	\$905	\$926	\$949	\$974	\$998
Total Expenditures	\$29,896	\$31,231	\$32,177	\$32,943	\$33,760	\$34,624	\$35,511
Ending Fund Balance	\$44,141	\$45,661	\$46,714	\$47,203	\$47,218	\$46,577	\$45,259

Forecast Drivers and Assumptions

1. The recent announcement by Amazon to move up to 25,000 employees into the downtown is a significant driver for new office development and additional amenities in the downtown.
2. Several major mixed-use development projects (1001 Office Towers, Bellevue Plaza, and Avenue Bellevue) are under construction in the early years of the forecast. Residential and senior housing development continues with construction of several apartment, townhome and senior living projects including Holden of Bellevue and Aegis at Lake Hills.



**2021-2027 Financial Forecasts: Development Services,
Parks Enterprise & Utilities Funds**

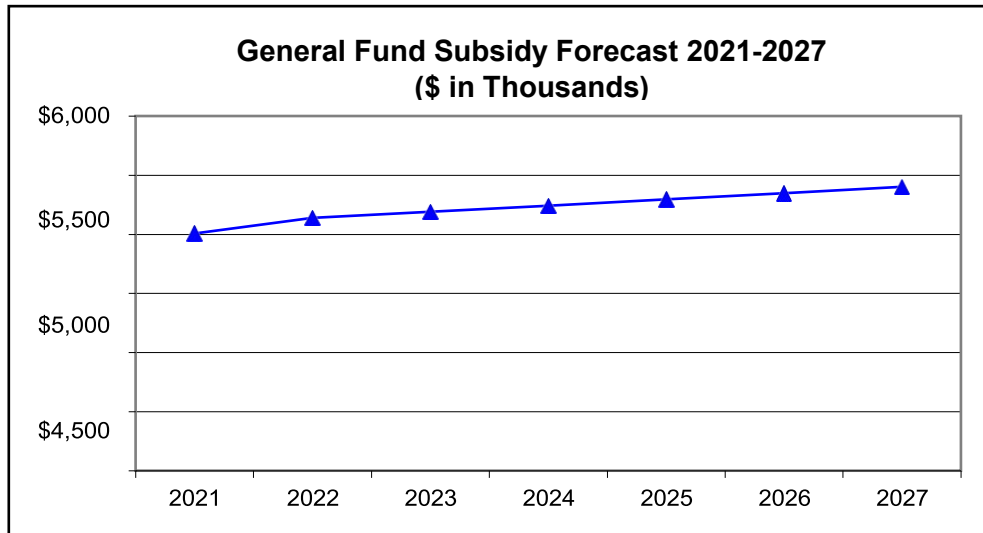
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3. Major project activity continues as several currently in the review process (Summer Hill Bel-Red, Bellevue 600, The Artise, and NE 8th) are expected to begin additional phases of construction in early forecast years. Tenant improvements of new office buildings will also continue, however, in later forecast years, growth is anticipated at a more moderate rate.
4. The forecast reflects current FTE levels with vacant positions to be filled as workload demand warrants. Consistent with the long-range financial planning effort, changes in resource levels are continually assessed and modified to accommodate workload and maintain service levels, and to maintain budget alignment.
5. Development fees are reviewed annually and may be adjusted to assure they are set accordingly to meet cost recovery objectives endorsed by the Council. This forecast assumes that rates will grow at levels near the average rate of inflation.
6. Council continues to review land use codes that are pertinent to the future growth in Bellevue, including areas around the Downtown such as East Main. Affordable housing continues to be an area of focus and priority for the Council as well.



General Fund Subsidy

The General Fund contribution to the Development Services Fund supports personnel and M&O costs for programs that have been designated as general funded activities. These programs include Code Compliance and a portion of Land Use. Development Services activities supported by the General Fund include public information, code and policy development, and approximately 50% of Land Use discretionary review.



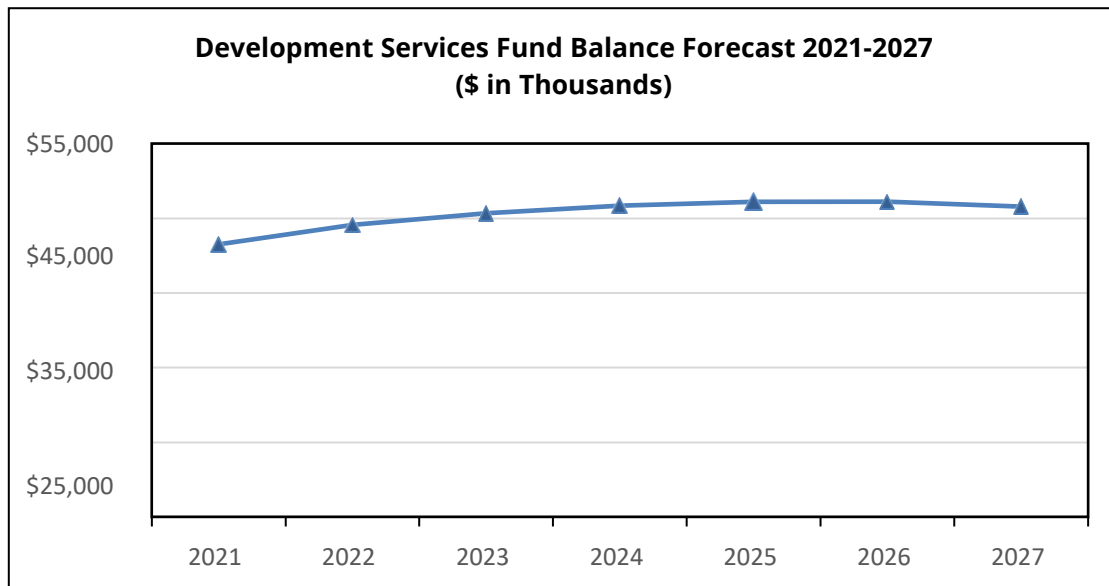
The General Fund contribution to the Development Services Fund is expected to grow in the early forecast period for code and policy development, and land use permit review. In later years, the contribution grows by inflation factors, consistent with projections for staff and operating costs.

Development Services Fund Reserves

The Development Services Fund includes prepaid fees and reserves to assure that core staffing levels are balanced with cyclical needs, thus mitigating the effects of downturns or rapid increases in development activity. Reserves also ensure the Permit Center, capital equipment, and technology systems are adequately funded when they need replacement or renovation.

Development Services Fund level is forecast at approximately \$44 million through 2021, reflecting the most recent rapid development growth in Bellevue and staffing costs to meet the demand. Revenue from development activity is anticipated to remain high through the forecast years which will result in a slight increase to the fund balance through the forecast years. During a downturn when revenues decline, the fund balance will enable development services to maintain enough staff to complete the review and inspection of projects in construction and continue process improvement work.

Development activity and the Development Services fund levels will be closely monitored over the next biennium. Corrective measures will be taken during the forecast period if market conditions warrant doing so.



Parks Enterprise Forecast (2021-2027)

Executive Summary:

- The Parks Enterprise Fund financial forecast reflects the anticipated loss of program revenue due to the COVID pandemic thru December 2021. While Bellevue Golf Course revenues have remained near historic levels, program revenues from Aquatics, Tennis, and Facility Rentals are forecasted to return to budgeted levels starting in 2022.
- The Parks Enterprise Fund reserves are estimated to decline to approximately \$0.4M at the end of 2021, and then gradually recover over the remainder of the forecast period. Transfers for golf course capital improvements are expected to be paused from 2020-2022 due to lower than targeted reserve levels in the Parks Enterprise Fund.

Background

The Parks Enterprise Fund accounts for the services provided by the Enterprise Program within the Parks & Community Services Department. These services include golf, tennis, aquatics, adult sports, and facility rentals. Enterprise Programs are fully supported through user fees but attempt to serve all residents regardless of ability to pay through the use of scholarships.

Parks Enterprise Fund Reserves

Parks Enterprise Fund reserves are projected to decline to \$0.4M at the end of 2021 due to the anticipated revenue loss from the COVID pandemic. Reserve levels gradually recover during the remainder of the forecast period and return to the targeted reserve policy of 2-months operating expenses or \$1.3M by 2027. This reserve helps ensure the fund meets cash flow needs during the winter months when golf course revenues are low.

Enterprise Capital Improvements

The Parks Enterprise program funds the Enterprise Facility Improvements Project (CIP project P-R-2), including capital projects at the Bellevue Golf Course to enhance player services and the financial performance of the course. The annual capital transfer of approximately \$0.1M to the CIP is expected to be paused from 2020-2022 due to lower than targeted reserve levels in the Parks Enterprise Fund.



**2021-2027 Financial Forecasts: Development Services,
Parks Enterprise & Utilities Funds**

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**Parks Enterprise Fund
2022-2027 Financial Forecast
(In \$000)**

	2021	2022	2023	2024	2025	2026	2027
	Projection	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Resources:							
Beginning Fund Balance	\$807	\$423	\$554	\$701	\$854	\$1,003	\$1,154
Program Revenue	5,858	6,926	7,237	7,418	7,604	7,794	7,989
General Fund Subsidy	0	0	0	0	0	0	0
Total Resources	\$6,666	\$7,349	\$7,792	\$8,119	\$8,458	\$8,797	\$9,142

	2021	2022	2023	2024	2025	2026	2027
	Projection	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Expenditures:							
Personnel	\$1,988	\$2,098	\$2,161	\$2,213	\$2,268	\$2,324	\$2,382
M&O	2,841	3,244	3,328	3,410	3,501	3,588	3,678
Interfund Transfer	1,413	1,453	1,497	1,532	1,570	1,610	1,650
Capital Transfer	0	0	105	110	116	122	128
Total Expenditures	\$6,243	\$6,794	\$7,091	\$7,265	\$7,454	\$7,644	\$7,838

Reserves:							
Ending Fund Balance	\$423	\$554	\$701	\$854	\$1,003	\$1,154	\$1,305

Note: Columns may not foot due to rounding.

Water, Sewer, and Storm & Surface Water Funds Forecast (2021-2027)

Executive Summary:

The Utilities Department operates as an enterprise within the City structure and functions much like a private business entity.

- This forecast supports a prudent, balanced, and responsible budget to sustain high-quality utility services to the community through continued responsible management of infrastructure assets, leveraging efficiencies, and cost containment.
- Rates are the primary source of funding for utility functions. The rates presented herein are designed to generate sufficient revenues to fund the Utilities through the 2022-2027 forecast period, including funding for operations, asset replacements (e.g., vehicles), capital investment programs (CIP), and the long-term infrastructure Renewal and Replacement (R&R) requirements.
- COVID-19 is anticipated to continue to impact utility revenues in 2022. The Department's goal is to address these impacts by containing costs that are within its control and using R&R reserves to fund a portion of CIP needs. To mitigate customer impacts, no rate increases were adopted for local operations in 2022. The 2022 utility rates adopted as part of the 2021-2022 biennial budget remain unchanged despite higher than previously anticipated inflationary cost increases.
- Key drivers for projected rate increases for the 2023-2027 forecast period are regional cost increases for water supply and wastewater treatment, and rising inflationary costs affecting operations and investments in the City's critical utility infrastructure.

The Utilities Department faces the following key challenges and constraints in the 2022-2027 forecast period:

1. Key Challenges

- a. COVID-19 Financial Impact. COVID-19 is anticipated to continue to impact utility revenues in 2022. Recognizing that COVID-19 is a dynamic situation, the Utilities Department's goal is to address these impacts by containing costs that are within its control and using available reserves. To mitigate customer impacts, the Department did not propose rate increases for local operations and have lowered planned contributions to the capital infrastructure R&R account in the 2021-2022 biennium.
- b. Changing Economic Outlook. Inflationary pressures and supply chain issues are expected to impact expenditures both operationally and in our capital investment programs.
- c. Aging Capital Infrastructure. Utilities operates a highly capital-intensive business, and the Department's ability to deliver quality services to its customers is dependent on the ability of each system to function on demand, every day of the year.
- d. Supporting Economic Growth. Additional utility infrastructure is needed to support development and economic growth.
- e. Operational Efficiency: We are mindful of the need to operate efficiently and continually evaluate business processes to seek opportunities to effectively deliver services in the most cost-effective manner.

2. Constraints

- a. External Financial Obligations. Half of Utilities' operating costs represent legal and contractual financial obligations, including wholesale costs for water supply and wastewater treatment, tax payments to the State and cities, and support service charges from the General Fund.
- b. Legal Mandates. Utilities must comply with State and Federal mandates, such as the National Pollution Discharge Elimination System (NPDES) Municipal Stormwater Permit, to protect drinking water and surface water quality.

Within this context, the 2022 Utilities budget as adopted by Council was prepared with the following guiding principles to support City Council strategic direction by:

1. Supporting the City's economic development;
2. Protecting the built and natural environment; and
3. Being a high performance government by:
 - a. Complying with Council-adopted financial policies;
 - b. Maintaining a long-term view;
 - c. Leveraging innovation and technology to achieve efficiencies;
 - d. Minimizing impacts to customers;
 - e. Preserving Utilities' financial sustainability; and
 - f. Addressing COVID-19 financial impacts in a manner that minimizes impacts to Utilities' customers and service delivery.



ADOPTED 2022 UTILITY RATES

The following table summarizes the rate adjustments necessary to support the 2022 budget for the water, sewer, and storm and surface water utilities by rate drivers.

	<u>WATER</u>	<u>SEWER</u>	<u>STORM</u>	<u>TOTAL</u>
Wholesale	0.9%	3.0%	0.0%	1.8%
Local				
CIP/R&R	2.1%	1.3%	2.9%	1.7%
Taxes/Interfunds	0.5%	0.2%	0.4%	0.4%
Operations	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Local subtotal	2.6%	1.5%	3.3%	2.1%
Total Rate Increase	<u>3.5%</u>	<u>4.5%</u>	<u>3.3%</u>	<u>3.9%</u>

Minor differences may exist due to rounding

The total monthly utility bill for the typical single-family residential customer for water, sewer, and storm and surface water services is \$189.96 in 2021. With the above proposed rate increases, the total monthly utility bill for the typical single-family resident would increase by 3.9% or \$7.49 in 2022.

The following section provides further detail on the key rate drivers for the 2022 Utilities budget.

Payments to External Service Providers

Wholesale Costs

The single largest cost center for the Utilities Department is wholesale costs, which include payments to the Cascade Water Alliance (Cascade) for water supply and regional capital facility charges, and payments to King County for wastewater treatment. Combined, these expenses total \$123.2 million for the 2021-2022 biennium, or approximately 38% of the total Utilities Department budget.

Payments to Cascade for water supply are projected to increase from \$22.0 million in 2021 to \$22.4 million in 2022. This translates into rate increases of 0.9% for Bellevue customers in 2022.

Payments to King County for wastewater treatment are projected to increase from \$36.1 million in 2021 to \$37.8 million 2022. This translates into rate increases of 3.0% for Bellevue customers in 2022.



To ensure local operations and the CIP are not degraded, consistent with Council-adopted financial policy, wholesale cost increases are passed through to the customer.

Local Costs

CIP / R&R

Outside of wholesale costs, the next largest cost driver for the Utilities Department is the CIP and the cost to renew and replace infrastructure in the future. These investments total approximately \$95.2 million for the 2021-2022 biennium, or 30% of the total Utilities Department budget. Utilities infrastructure has a replacement value of over \$3.5 billion, and most of the systems are well past mid-life. As a result, the systems used to deliver water, convey wastewater, and manage stormwater runoff are experiencing more failures, and the cost to maintain, operate, rehabilitate, and replace this infrastructure is increasing. To minimize costs and optimize system integrity, the Utilities Department has a strategic 75-year asset management plan to systematically fund the renewal and replacement of these assets. Consistent with Council-adopted financial policy, this long-term funding strategy is designed to smooth future rate increases and achieve intergenerational equity.

The adopted Utilities 2021-2027 CIP includes the following investments:

- **Aging infrastructure:** \$192.9 million, or 82% of the proposed CIP, is for investments to renew and replace aged infrastructure such as pipes, reservoirs, and pump stations. Examples of projects include small diameter water main replacements (\$81.3 million), water reservoir rehabilitation (\$23.4 million), sewer system pipeline major repairs (\$25.7 million), sewer pump station improvements (\$15.3 million), sewer pipeline replacements (\$5.7 million), and storm system conveyance repairs and replacements (\$13.1 million).
- **Environmental preservation:** \$27.7 million, or 12% of the proposed CIP, is for environmental preservation and flood protection projects. Example projects include the storm system flood control program (\$9.5 million), and Factoria Blvd. stormwater conveyance improvement project (\$9.3 million).
- **Capacity for growth:** \$7.0 million, or 3% of the proposed CIP, is to increase utility system capacity to accommodate growth. Example projects include water storage availability for downtown (\$4.1 million), and new water facilities for the NE Spring Blvd. Corridor (\$2.9 million).
- **Maintain service delivery:** \$8.0 million, or 3% of the proposed CIP, is funding to build an additional operational facility to maintain service delivery to the community.

Total funding for current and future capital infrastructure needs will require rate increases of 2.1%, 1.3% and 2.9% in 2022 for the water, sewer, and storm utilities, respectively.



Inflationary pressures in the construction sector along with reduced availability of materials due to manufacturing and supply chain issues will cause an increase in future capital expenditures that will be addressed in the development of the 2023-2029 CIP Plan.

Taxes/Internal Service Provider Payments

As an enterprise fund, Bellevue Utilities pays state and city taxes, and pays the general fund for support services. Taxes and interfund payments for support services total approximately \$49.4 million for the 2021-2022 biennium, or 15% of the total Utilities Department budget. Tax payments are based upon the amount of revenue collected and the tax rates assessed by the state and cities. No changes to the state and city tax rates were assumed in the adopted budget, except for an increase in the state B&O tax rate. Cost increases in taxes and interfund payments will require rate increases of 0.5%, 0.2% and 0.5% in 2022 for the water, sewer, and storm utilities, respectively.

Operations

Operating costs include personnel, supplies, professional services, and other costs necessary to carry out the daily functions of maintaining and operating the water, sewer, and storm and surface water utilities. Operating costs total approximately \$54.0 million for the 2021-2022 biennium, or 17% of the total Utilities Department budget. Fiscal stewardship through operational efficiency and prudent management of utility financial resources is a high priority for Utilities leadership. As a result, there were no rate increases in the adopted budget in this biennium to support local operations in each utility.

There has been a significant increase to projected personnel costs in 2022 due to a greater than anticipated cost of living adjustment (COLA), and increased benefit costs associated with pensions and medical self-insurance. The Department is making no changes to the adopted rate increases for 2022. However, these cost increases will need to be addressed in future years to ensure utility operations will not be degraded.

2022-2027 Rates Forecast

The following pages provide a more in-depth discussion of the individual rate drivers and forecasted rate adjustments through the year 2027 for the water, sewer, and stormwater utilities.

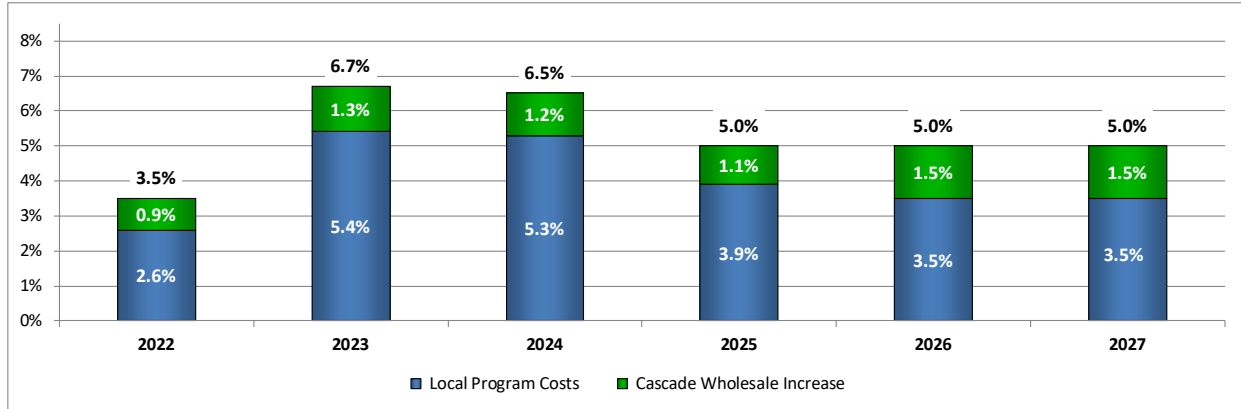


**2021-2027 Financial Forecasts: Development Services,
Parks Enterprise & Utilities Funds**

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**WATER UTILITY FUND
2022 - 2027 Utilities Rates Forecast**

PROJECTED RATE INCREASES



Impact to Monthly Bill for a Typical Residential Customer						
	2022	2023	2024	2025	2026	2027
Prior Year Bill	\$72.21	\$74.74	\$79.76	\$84.96	\$89.19	\$93.65
Increase:						
Cascade Wholesale						
Purchased Water	0.65	0.97	0.96	0.93	1.34	1.40
Local	1.88	4.05	4.24	3.30	3.12	3.28
Total	<u>\$2.53</u>	<u>\$5.02</u>	<u>\$5.20</u>	<u>\$4.23</u>	<u>\$4.46</u>	<u>\$4.68</u>
Projected Bill	\$74.74	\$79.76	\$84.96	\$89.19	\$93.65	\$98.33

Minor differences may exist due to rounding

Key Rate Drivers

● **Wholesale Costs**

Drinking water for Bellevue is purchased from the Cascade Water Alliance (Cascade). The cost for water supply is established by Cascade. Cascade’s wholesale costs to the City of Bellevue is projected to increase by 1.6% in 2022. This translates into a rate increases of 0.9% for Bellevue customers in 2022. The monthly bill for a typical residential customer will increase by \$0.65 in 2022 to pay for water supply costs from Cascade. Per council-adopted policy, increases in the cost of purchased water are passed directly through to the ratepayer. Beyond 2022, the rate impact to Bellevue customers will average 1.3% per year for 2023 through 2027.

● **Capital Program**

The projected 2021-2027 water CIP includes \$135.1M to proactively construct, maintain, and replace system assets. The water utility is in active system replacement and the majority of the projected capital program (\$125.5M) will be invested to replace existing aging infrastructure. Key CIP projects include water main replacement and reservoir rehabilitations. An increase of 2.1% is required in 2022 to maintain steady investments in critical water infrastructure. The monthly bill for a typical residential customer will increase by \$1.52 in 2022 to pay for capital investment needs. Beyond 2022, the rate impact to Bellevue customers will average 2.3% per year for 2023 through 2027 due to increased inflation.

● **Taxes/Interfunds**

As an enterprise fund, Bellevue Utilities pays city and state taxes, and pays the general fund for support services. A rate increase of 0.5% in 2022 is needed to fund these costs. The monthly bill for a typical residential customer will increase by \$0.36 in 2022 to pay for taxes and support services. Beyond 2022, the rate impact to Bellevue customers will average 1.2% per year for 2023 through 2027.

● **Operations**

Operating costs include personnel, supplies, professional services, and other costs necessary to operate and maintain the utility. Due to cost containment measures, there will be no rate increase for local operations in 2022. Beyond 2022, rate increases of approximately 0.8% per year are needed to fund local operations for 2023 through 2027 due to higher personnel costs.

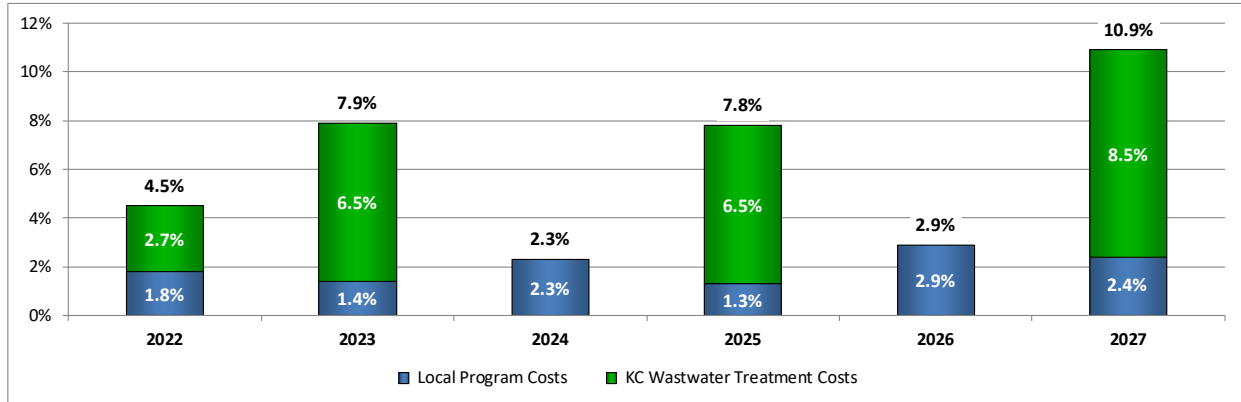


**2021-2027 Financial Forecasts: Development Services,
Parks Enterprise & Utilities Funds**

Attachment B

**SEWER UTILITY FUND
2022 - 2027 Utilities Rates Forecast**

PROJECTED RATE INCREASES



	2022	2023	2024	2025	2026	2027
Prior Year Bill	\$88.97	\$92.97	\$100.31	\$102.62	\$110.61	\$113.83
Increase:						
KC Wastewater Treatment	2.40	6.04	0.00	6.67	0.00	9.68
Local	1.60	1.30	2.31	1.32	3.22	2.73
Total	<u>\$4.00</u>	<u>\$7.34</u>	<u>\$2.31</u>	<u>\$7.99</u>	<u>\$3.22</u>	<u>\$12.41</u>
Projected Bill	\$92.97	\$100.31	\$102.62	\$110.61	\$113.83	\$126.24

Minor differences may exist due to rounding

Key Rate Drivers

● **Wholesale Costs**

Wastewater treatment services for Bellevue are purchased from King County. The wholesale wastewater treatment rate is established by the County. King County wholesale costs to the City of Bellevue is increasing by 4.0% in 2022. This translates into a rate increase of 2.7% for Bellevue customers in 2022. The monthly bill for a typical residential customer will increase by \$2.40 in 2022 to pay for wastewater treatment costs from King County. Per council-adopted policy, increases in the cost of wastewater treatment are passed directly through to the ratepayer. Beyond 2022, the rate impact to Bellevue customers will average 4.3% per year for 2023 through 2027.

● **Capital Program**

The projected 2021-2027 sewer CIP includes \$58.0M in investments. Unlike the water utility, the sewer utility is just beginning systematic asset replacement. Most of the projected capital program (\$52.6M) will be invested to replace existing aging infrastructure. Key CIP projects include sewer pipeline major repairs and replacements, and sewer pump station improvements. A rate increase of 1.6% is required in 2022 to maintain steady investments in critical sewer infrastructure. The monthly bill for a typical residential customer will increase by \$1.42 in 2022 to pay for capital investment needs. Beyond 2022, the rate impact to Bellevue customers will average 1.3% per year for 2023 through 2027.

● **Taxes/Interfunds**

As an enterprise fund, Bellevue Utilities pays city and state taxes, and pays the general fund for support services. A rate increase of 0.2% in 2022 is needed to fund these costs. The monthly bill for a typical residential customer will increase by \$0.18 in 2022 to pay for taxes and support services. Beyond 2022, the rate impact to Bellevue customers will average 0.4% per year for 2023 through 2027.

● **Operations**

Operating costs include personnel, supplies, professional services, and other costs necessary to operate and maintain the utility. Due to cost containment measures, there will be no rate increase for local operations in 2022. Beyond 2022, rate increases of approximately 0.4% per year are needed to fund local operations for 2023 through 2027.

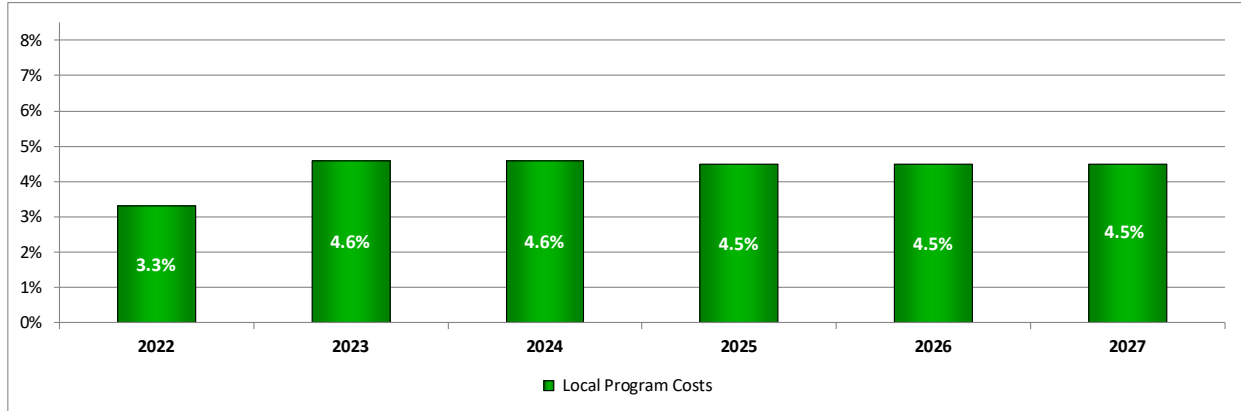


**2021-2027 Financial Forecasts: Development Services,
Parks Enterprise & Utilities Funds**

Attachment B

**STORM AND SURFACE WATER UTILITY FUND
2022 - 2027 Utilities Rates Forecast**

PROJECTED RATE INCREASES



Impact to Monthly Bill for a Typical Residential Customer						
	2022	2023	2024	2025	2026	2027
Prior Year Bill	\$28.78	\$29.73	\$31.10	\$32.53	\$33.99	\$35.52
Increase	<u>\$0.95</u>	<u>\$1.37</u>	<u>\$1.43</u>	<u>\$1.46</u>	<u>\$1.53</u>	<u>\$1.60</u>
Projected Bill	\$29.73	\$31.10	\$32.53	\$33.99	\$35.52	\$37.12

Minor differences may exist due to rounding

Key Rate Drivers

● **Wholesale Costs**

The storm and surface water fund does not have a wholesale component. All functions of storm and surface water management are performed locally by the City of Bellevue.

● **Capital Program**

The projected 2021-2027 stormwater CIP includes \$42.4M in investments. Of this amount, \$27.7M is for environmental preservation, including projects to mitigate flood hazards, provide fish passage, and improve streams. The remaining stormwater CIP is for aging infrastructure needs. A rate increase of 2.9% is required in 2022 to maintain steady investments in critical stormwater infrastructure. The monthly bill for a typical residential customer will increase by \$0.83 in 2022 to pay for capital investment needs. Beyond 2022, the rate impact to Bellevue customers will average 2.5% per year for 2023 through 2027 due to increased inflation.

● **Taxes/Interfunds**

As an enterprise fund, Bellevue Utilities pays city and state taxes, and pays the general fund for support services. A rate increase of 0.4% in 2022 is needed to fund these costs. The monthly bill for a typical residential customer will increase by \$0.12 in 2022 to pay for taxes and support services. Beyond 2022, the rate impact to Bellevue customers will average 0.6% per year for 2023 through 2027.

● **Operations**

Operating costs include personnel, supplies, professional services, and other costs necessary to operate and maintain the utility. Due to cost containment measures, there will be no rate increase for local operations in 2022. Beyond 2022, rate increases of approximately 1.4% per year are needed to fund local operations for 2023 through 2027.