

Utilities Early Outlook Rates Forecast

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Scott Pickard, Acting Fiscal Manager

Utilities
June 6, 2024



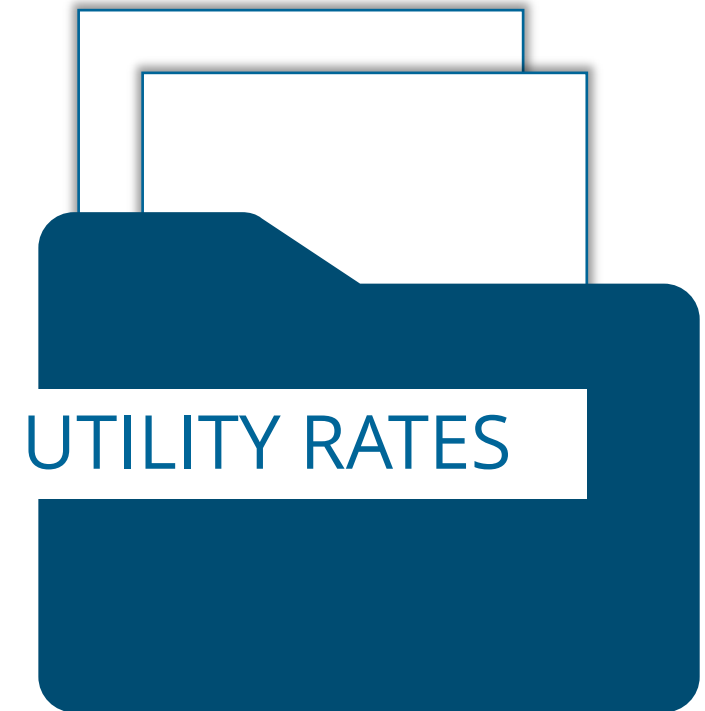
Information

No action is required by the Commission at this time.

Staff will brief the Commission on the Early Outlook Rates Forecast for 2025-2030.

Agenda

1. ESC role and responsibilities
2. Key rate-related financial policies
3. Rates forecast
4. Budget schedule and next steps



Roles – Budget & Rates



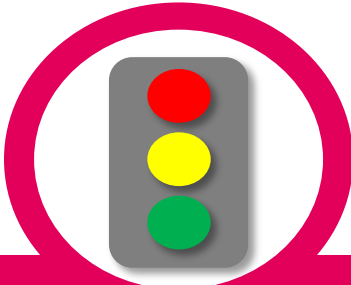
Staff

- 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 Financial Policies

1. Rate Management
2. Capital Investments

Financial Policies: Rate Management

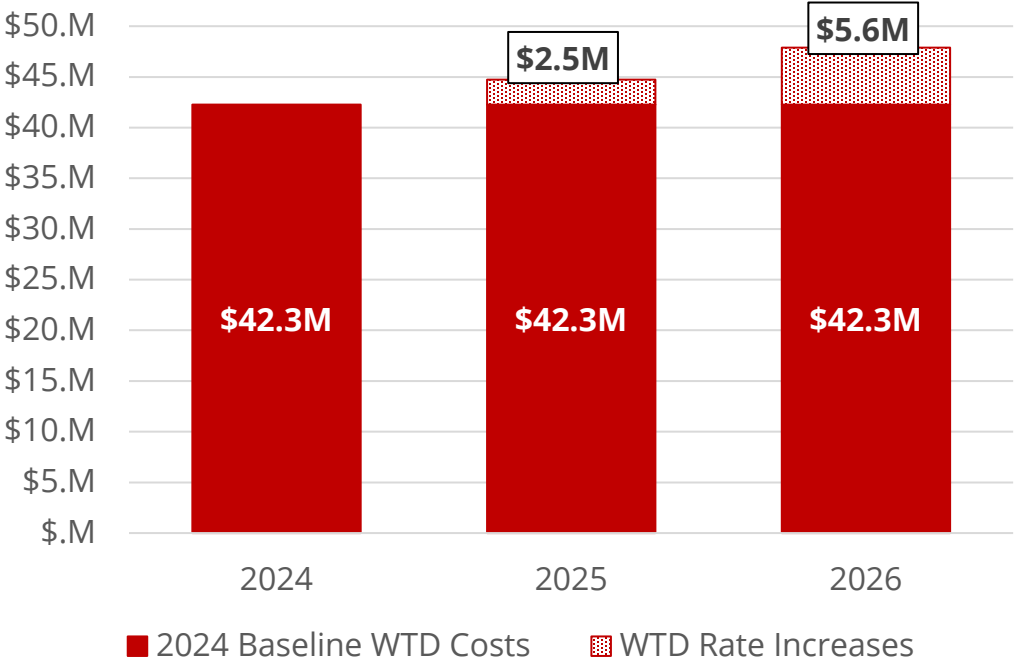
Governing Policies for Rates & Rate Levels

Waterworks Financial Policies IV. A:

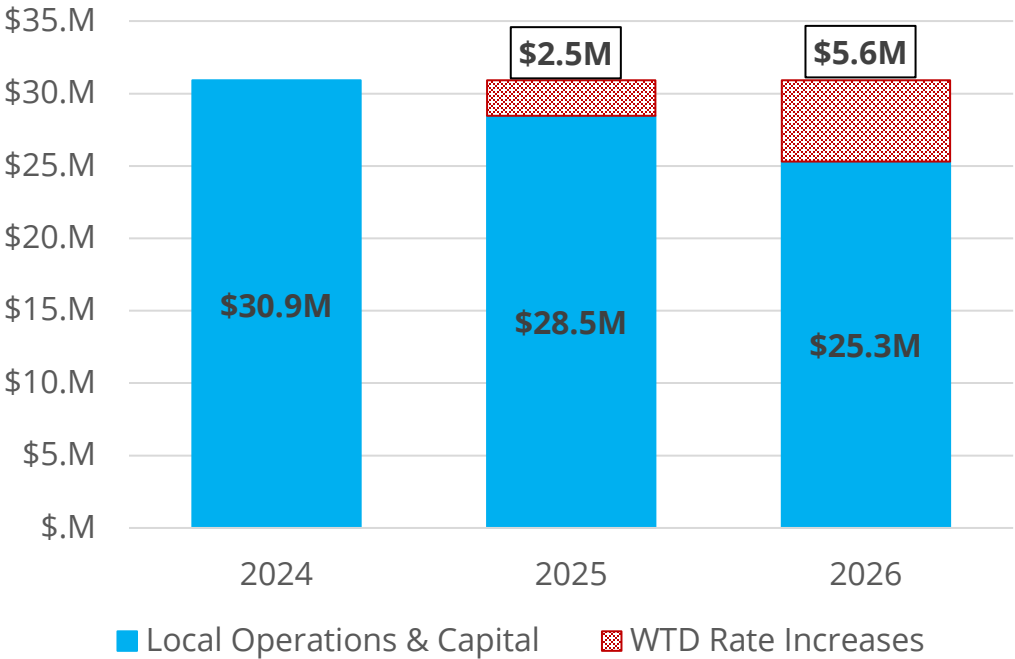
- *Rates shall be set at a level sufficient to cover current and future expenses*
- *Changes in rate levels should be gradual and uniform*
- *Cost increases or decreases for wholesale services shall be passed directly through to Bellevue customers*

Pass Through Wholesale Costs

Forecasted WTD Wholesale Cost



Eroded Rate Capacity for Local Services



Local programs cut by 18% if wholesale costs are absorbed



Bellevue's Local Sewer System

Bellevue's Sewer System

- 500+ miles of pipe
- 13,000+ maintenance access holes
- 46 pump stations
- 34 major connections to King County sewer system

Local Operational Activities

- Pipeline and maintenance access hole repairs
- Condition assessments
- Pump station operations, maintenance, and repairs
- Mainline preventive maintenance
- Customer service and billing
- Technology systems
- Asset management initiatives
- System modeling, planning, and analysis
- Financial management

Financial Policies: Capital Investments

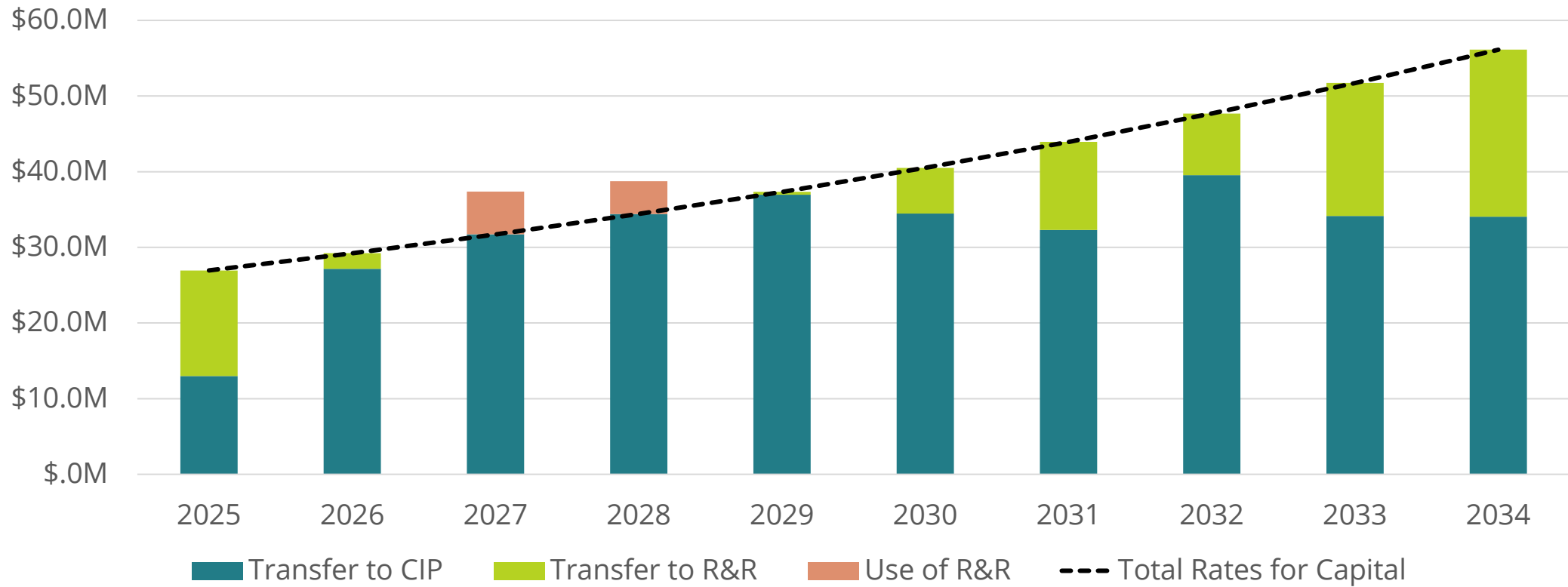
Governing Policies for Capital Investments

Waterworks Financial Policies II. B:

- *Funding for capital investments shall be sustained at a level sufficient to meet long-term capital program costs*
- *Funding from rates shall fund current construction and engineering costs and contributions to the R&R Account*
- *Inter-generational equity will be ensured by making contributions to and withdrawals from the R&R Account in a manner which produces smooth rates*

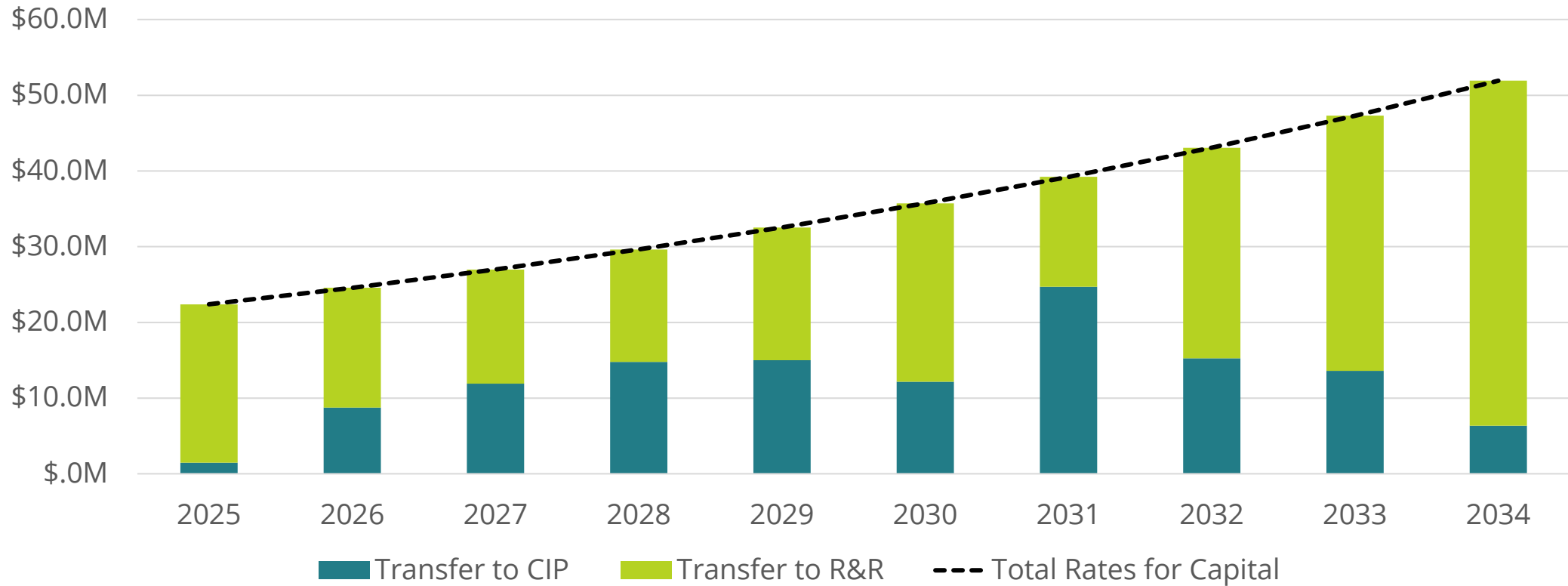
Capital Investments - Water

Water Utility CIP / R&R Transfer



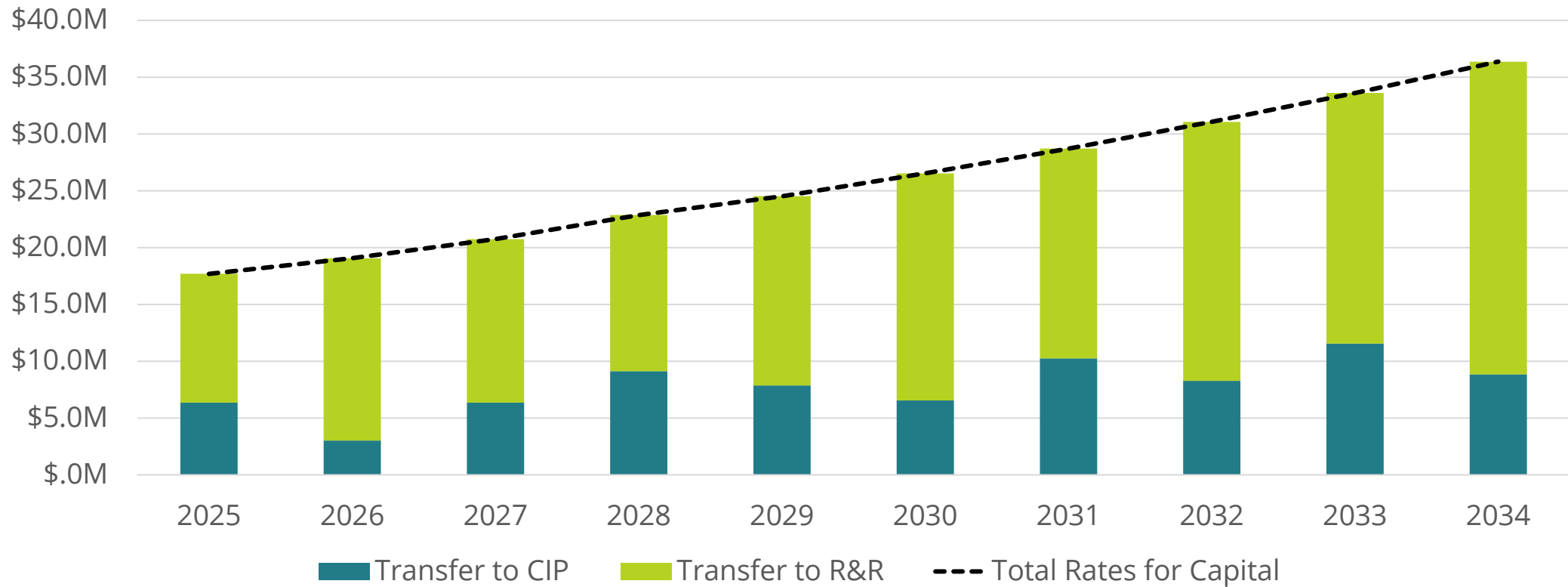
Capital Investments - Sewer

Sewer Utility CIP / R&R Transfer



Capital Investments - Stormwater

Storm Utility CIP / R&R Transfer



2025-2030 Early Outlook Rates Forecast

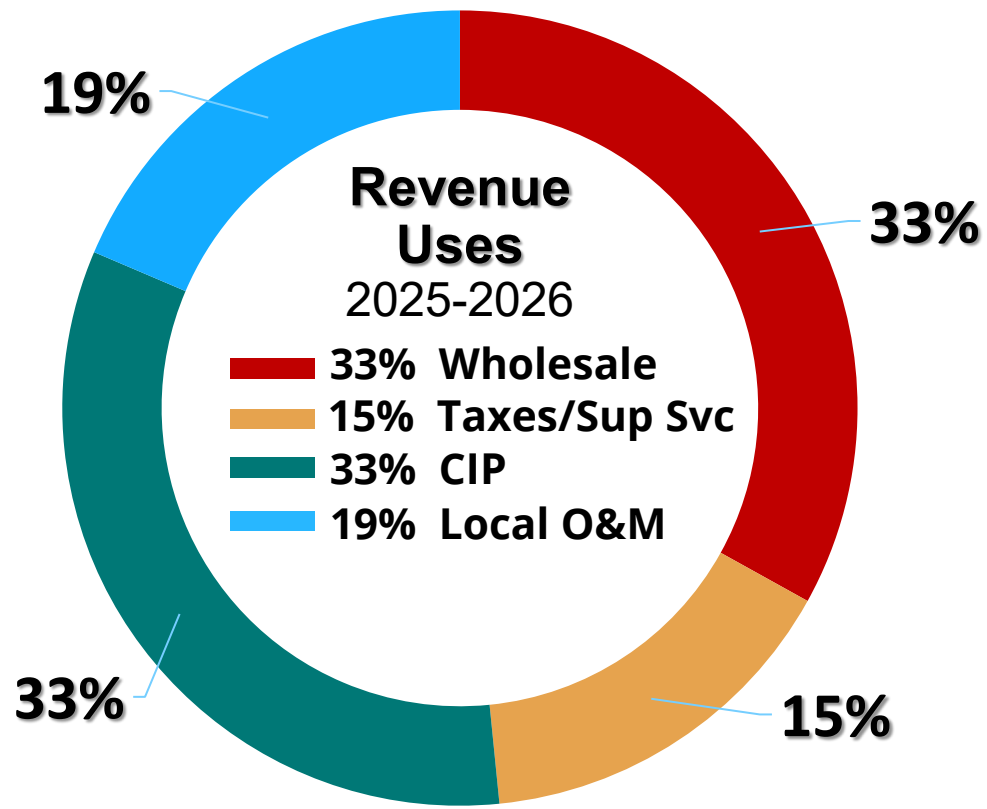


Council Strategic Direction

- Vibrant Economy
- High-Quality Built and Natural Environment
- Community Safety and Health
- High Performance Government
 - Maintain long term view
 - Leverage innovation and technology
 - Minimize impact to the customers
 - Preserve Utilities financial sustainability

What Rates Pay For

Uses Driven by Wholesale & CIP Costs



Cost Drivers

External Financial Obligations

- Wholesale costs increases
- Taxes/Intergovernmental Support

Local Costs

- CIP - Aging Infrastructure
- Operations & Maintenance

Key Budget Challenges

Wholesale Costs

- 33% of Water Budget
Outlook: Capital costs for the anticipated Tacoma Supply Pipeline
- 51% of Sewer Budget
Outlook: Significant regulatory compliance costs on the horizon

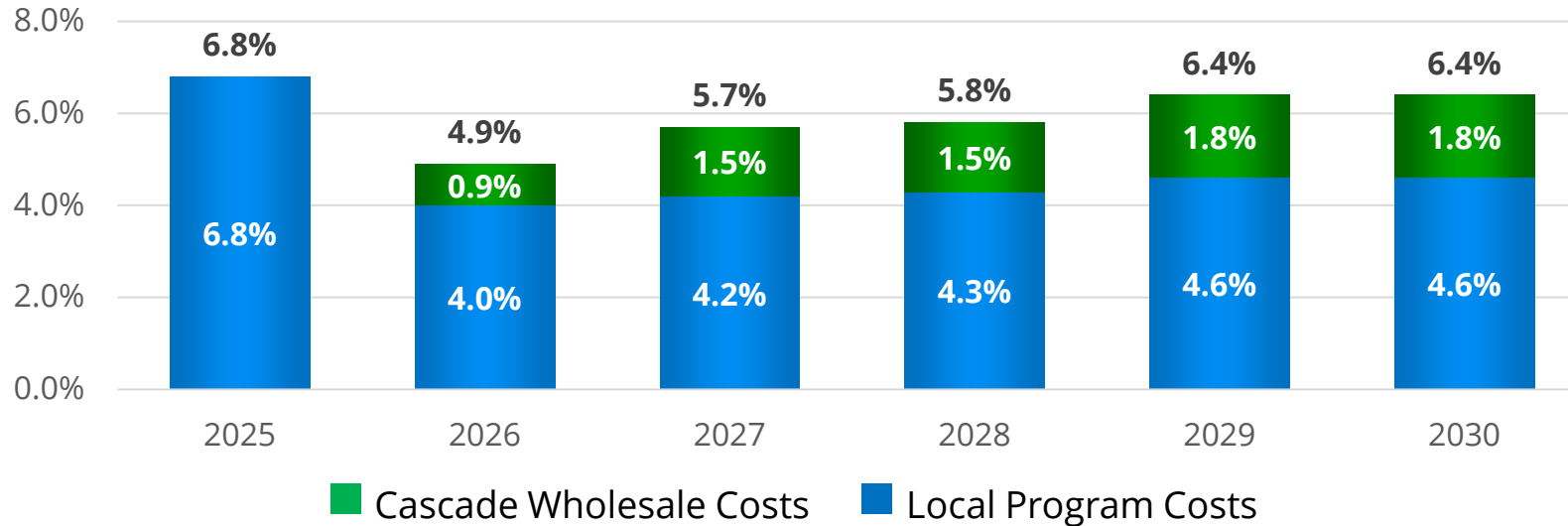
Aging Infrastructure

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

Inflationary Pressures

- Operating and Capital Impacts

Water Utility Early Outlook Forecast



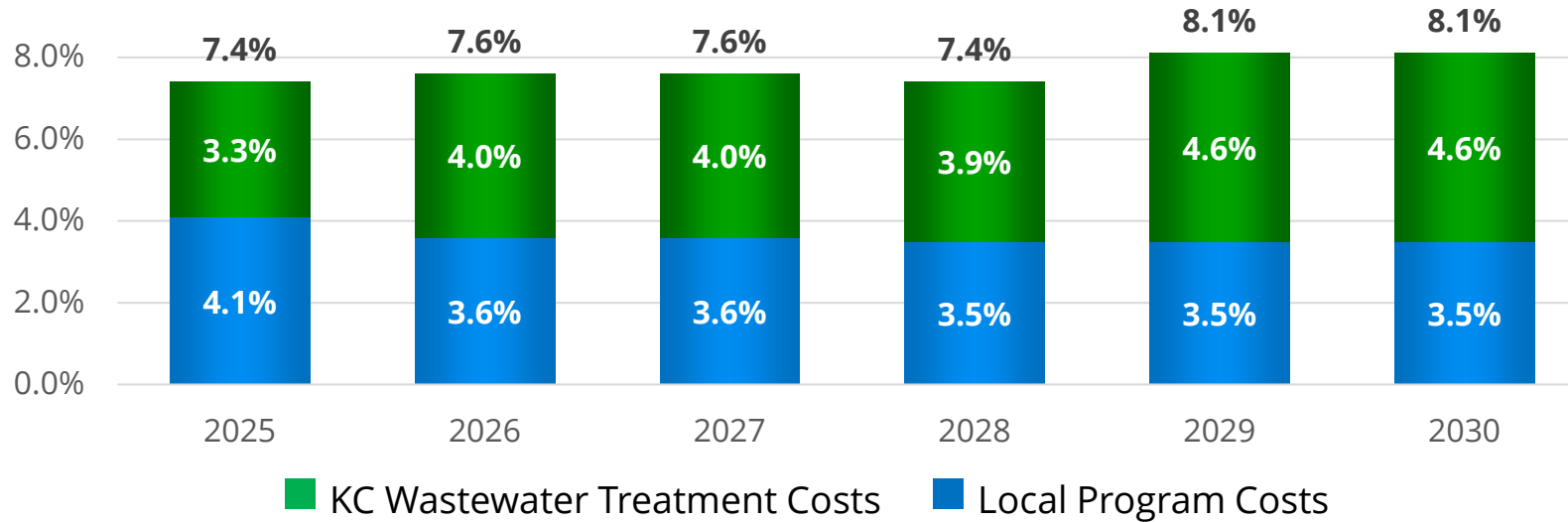
Wholesale
<ul style="list-style-type: none"> • 2025: -0.2% • 2026: 0.9% • 27-30: 1.7%

Capital
<ul style="list-style-type: none"> • 2025: 1.9% • 2026: 3.3% • 27-30: 2.7%

Taxes/Supp. Svcs
<ul style="list-style-type: none"> • 2025: 4.0% • 2026: 0.0% • 27-30: 1.0%

Local Operations
<ul style="list-style-type: none"> • 2025: 1.1% • 2026: 0.7% • 27-30: 0.8%

Sewer Utility Early Outlook Forecast



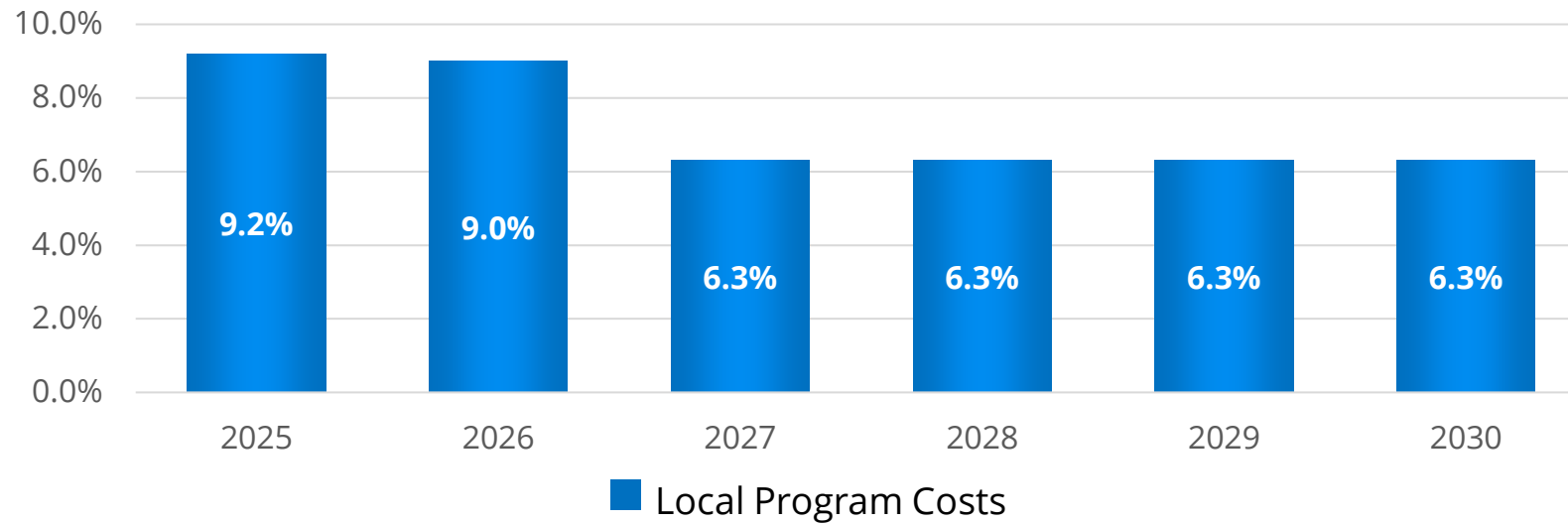
Wholesale
<ul style="list-style-type: none"> • 2025: 3.3% • 2026: 4.0% • 27-30: 4.3%

Capital
<ul style="list-style-type: none"> • 2025: 1.7% • 2026: 2.5% • 27-30: 2.4%

Taxes/Supp. Svcs
<ul style="list-style-type: none"> • 2025: 1.4% • 2026: 0.5% • 27-30: 0.6%

Local Operations
<ul style="list-style-type: none"> • 2025: 1.0% • 2026: 0.6% • 27-30: 0.6%

Storm & Surface Water Utility Early Outlook Forecast



Wholesale

- n/a

Capital

- 2025: 2.7%
- 2026: 5.8%
- 27-30: 4.2%

Taxes/Supp. Svcs

- 2025: 2.9%
- 2026: 1.2%
- 27-30: 0.7%

Local Operations

- 2025: 3.6%
- 2026: 2.0%
- 27-30: 1.4%

Typical Residential Combined Bill Impact

	2025		2026	
Prior Year Monthly Bill		\$220.05		\$236.43
Rate Drivers				
Wholesale	1.5%	\$3.28	2.2%	\$5.28
Local				
<i>CIP/R&R</i>	1.9%	\$4.24	3.3%	\$7.80
<i>Taxes/Interfunds</i>	2.6%	\$5.72	0.4%	\$0.99
<i>Operations</i>	1.4%	\$3.14	0.9%	\$2.01
Local	5.9%	\$13.10	4.6%	\$10.80
Total Increase		\$16.38		\$16.08
Proposed Monthly Bill	7.4%	\$236.43	6.8%	\$252.51

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

1. Rates forecast is developed following Financial Policies and Industry best practice.

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

2. Current Challenges

- Wholesale costs continue to increase
- Continuing need for replacement of aging infrastructure
- Ongoing inflationary pressures

3. Bellevue Utility rates are competitive in the region

Proposed Utility Rates

Utility	2025	2026
Water	6.8%	4.9%
Sewer	7.4%	7.6%
Storm	9.2%	9.0%
Combined	7.4%	6.8%



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
June 20	<ul style="list-style-type: none"> 2025-2026 Operating Budget Proposals
July 11	<ul style="list-style-type: none"> Comprehensive Financial Policies Review Budget & Rates Recommendation to the City Manager
September 5	<ul style="list-style-type: none"> Preliminary Budget & Rates Forecast Budget & Rates Public Hearing
September 19	<ul style="list-style-type: none"> Budget & Rates Recommendation to Council
October (TBD)	<ul style="list-style-type: none"> ESC Chair Presents Recommendation to Council



Information

No action by the Commission at this time.

