

Utilities Proposed 2023-2024 Operating & 2023-2029 CIP Budget Follow-up

Presentation to Environmental Services Commission

Nav Otal, Utilities Director
Utilities Department

July 7, 2022



Direction

Staff is seeking the Commission's recommendation to the City Manager regarding the 2023-2024 operating budget, 2023-2029 CIP budget, and 2023-2024 rates.



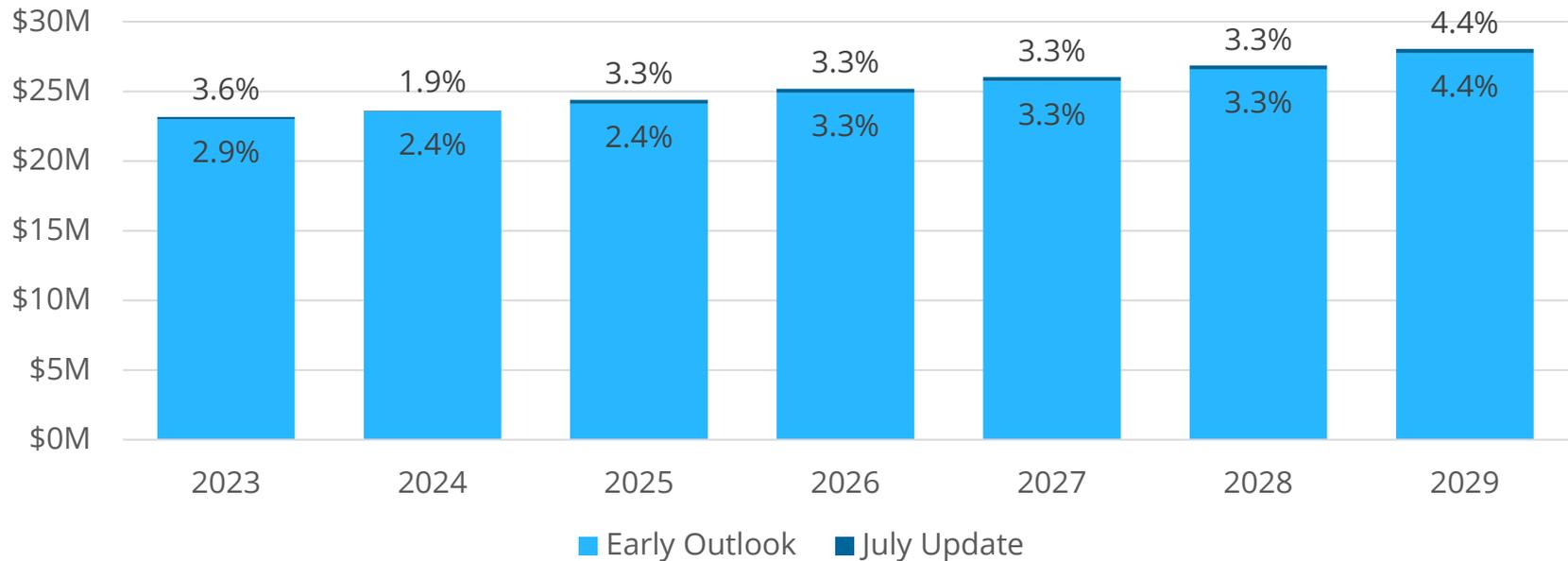
Agenda

1. Cascade Update
2. Operating Budget Recap
3. CIP Budget Recap
4. Rates Recap
5. Discussion & Recommendation



Regional Cost Update – Cascade

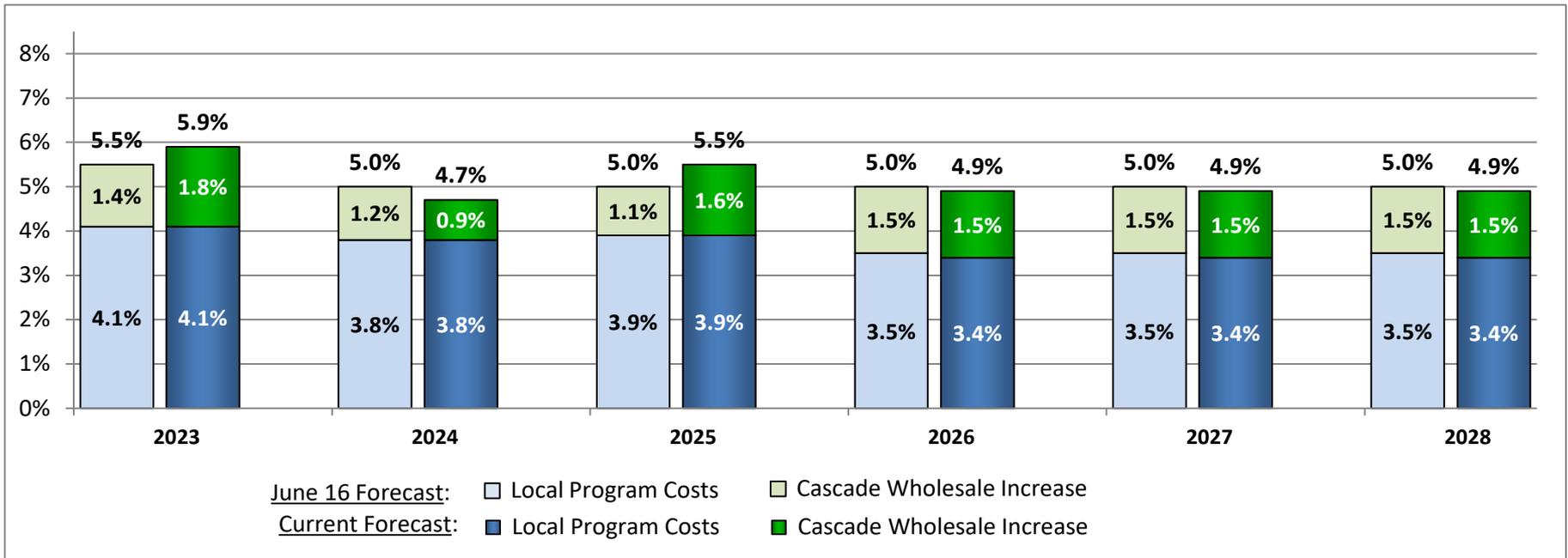
Cascade Water Supply Cost: Budgeted & Projected



July Update reflects a higher rate increase for Cascade Water Alliance costs in 2023 and 2025.



Rate Impact of Cascade Update



Increase in 2023 and reduction in 2024 passed through directly, per Utilities fiscal policies

2023-2024 Operating Budget

\$378.4M Total Budget

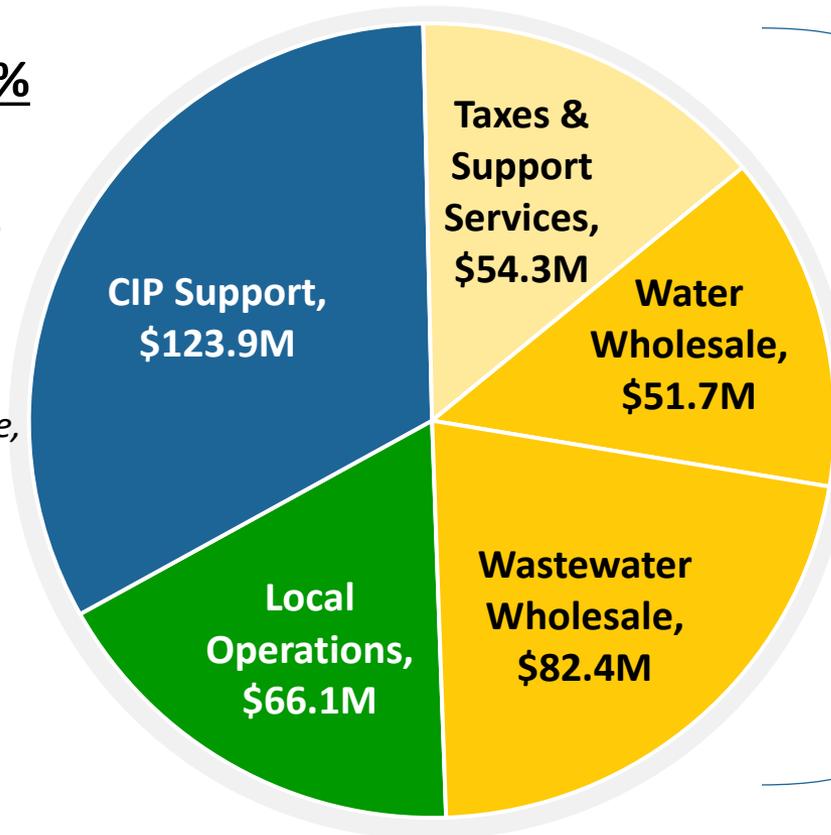
Internal Drivers – 50%

CIP Support – 33%

- *Transfers to CIP / R&R, CIP Design and Management*

Local Operations – 17%

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



External Drivers – 50%

Taxes & Support Svc – 14%

- *Interfund and taxes*

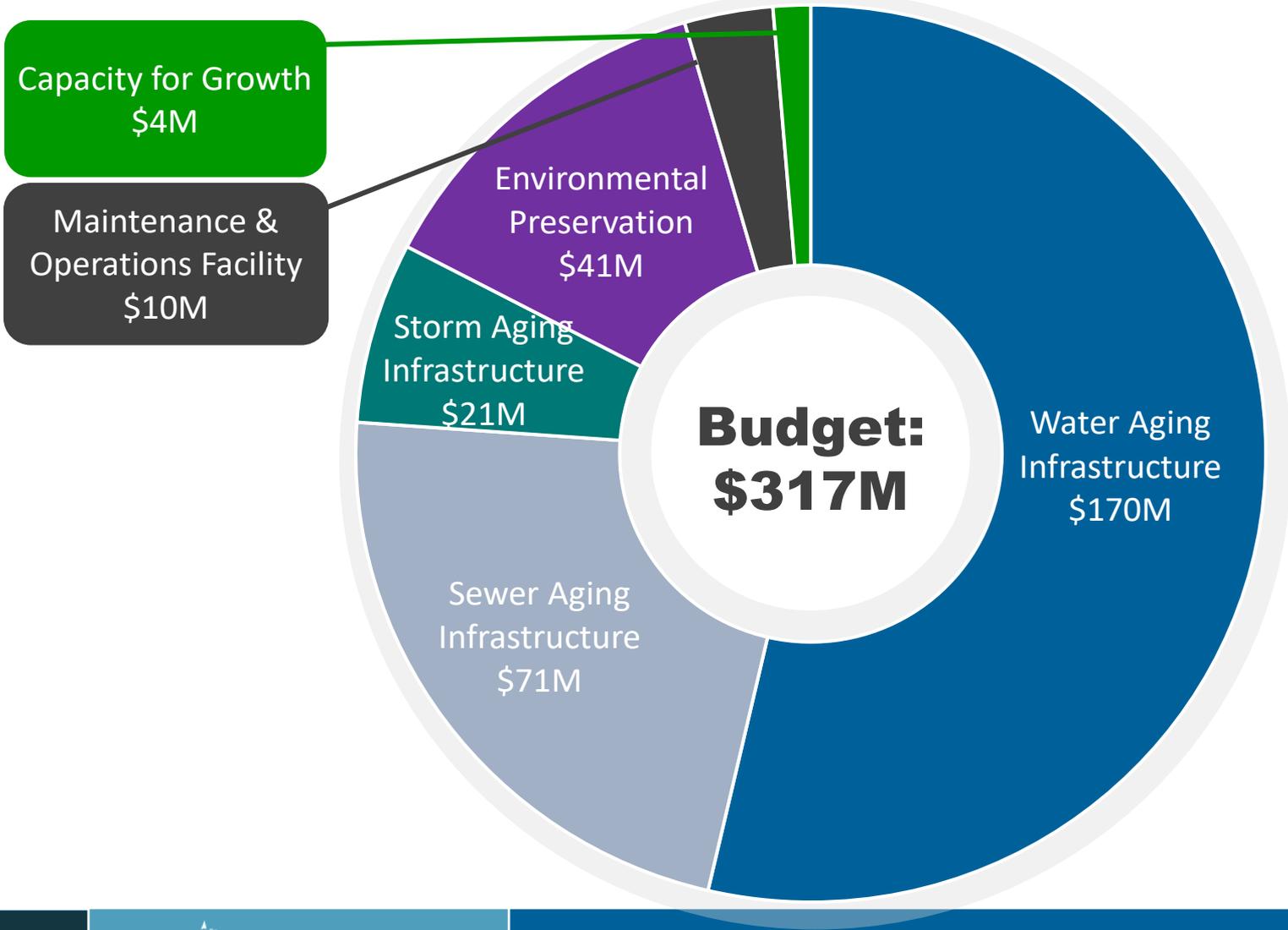
Wholesale – 36%

- *Drinking water supply, RCFC Payments, Wastewater Treatment*

Excludes operating reserves
Dollars presented in millions



2023-2029 CIP Budget



Rate Scenarios – Impact of Deferring R&R

	Proposed	Deferred	Impact
2023			
Prior Year Monthly Bill	\$197.44	\$197.44	
Increase	12.93	10.51	(\$2.42)
2023 Monthly Bill	\$210.37	\$207.95	
2024			
Prior Year Monthly Bill	\$210.37	\$207.95	
Increase	12.15	10.75	(\$1.40)
2024 Monthly Bill	\$222.52	\$218.70	(\$3.82)

Impacts:

- Lower rate increases in 2023-2024.
- Higher rate increases in 2025-2029.
- \$11.8M less in R&R reserves + future interest
- Deferring current liability to future generations
- Deviates from long-range financial plan

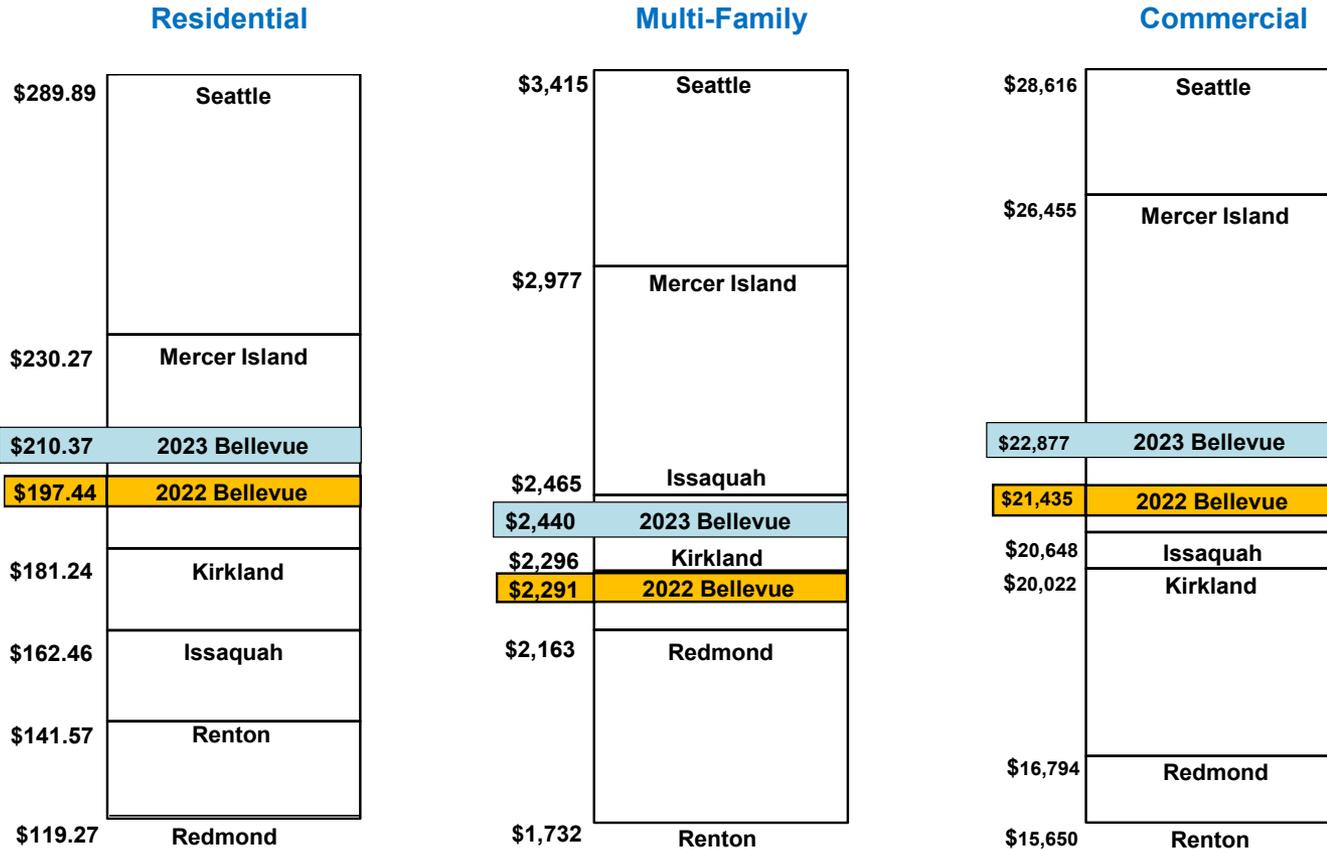
Typical Residential Combined Bill Impact – Proposed

	2023 Bill		2024 Bill	
2022 Monthly Bill		\$197.44		\$210.37
Rate Drivers				
Wholesale	2.4%	\$4.79	2.1%	\$4.31
Local				
<i>CIP</i>	1.2%	\$2.35	1.3%	\$2.87
<i>R&R</i>	1.4%	2.82	0.8%	1.69
<i>Taxes/Interfunds</i>	0.7%	1.46	0.8%	1.62
<i>Operations</i>	0.8%	1.51	0.8%	1.66
Local	4.1%	\$8.14	3.7%	\$7.84
Total Increase		\$12.93		\$12.15
Typical Monthly Bill	6.5%	\$210.37	5.8%	\$222.52



Competitive Utility Rates with our Neighbors

WATER, SEWER & SURFACE WATER UTILITIES 2022 MONTHLY BILL COMPARISON



Source: All rate information was obtained from municipality websites

ESC Budget Recommendation to City Manager

Direction

Staff is seeking the Commission's recommendation to the City Manager regarding the 2023-2024 operating budget, 2023-2029 CIP budget, and 2023-2024 rates.



Next Steps

- July 12: Utilities Leadership presents Budget (including ESC Recommendation) to City Manager
- July & August: City Manager finalizes his Proposed Budget
- Sept 1: ESC holds Public Hearing
- Sept 15: ESC recommendation on Proposed Budget to City Council
- Late Sept: City Manager presents his budget to Council
- Oct 17: Utilities presentation to City Council



