



City of Bellevue

# Budget Update: Utilities 2023-2024 Budget

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Vanja Knezevic, Chair | Environmental Services Commission

October 10, 2022

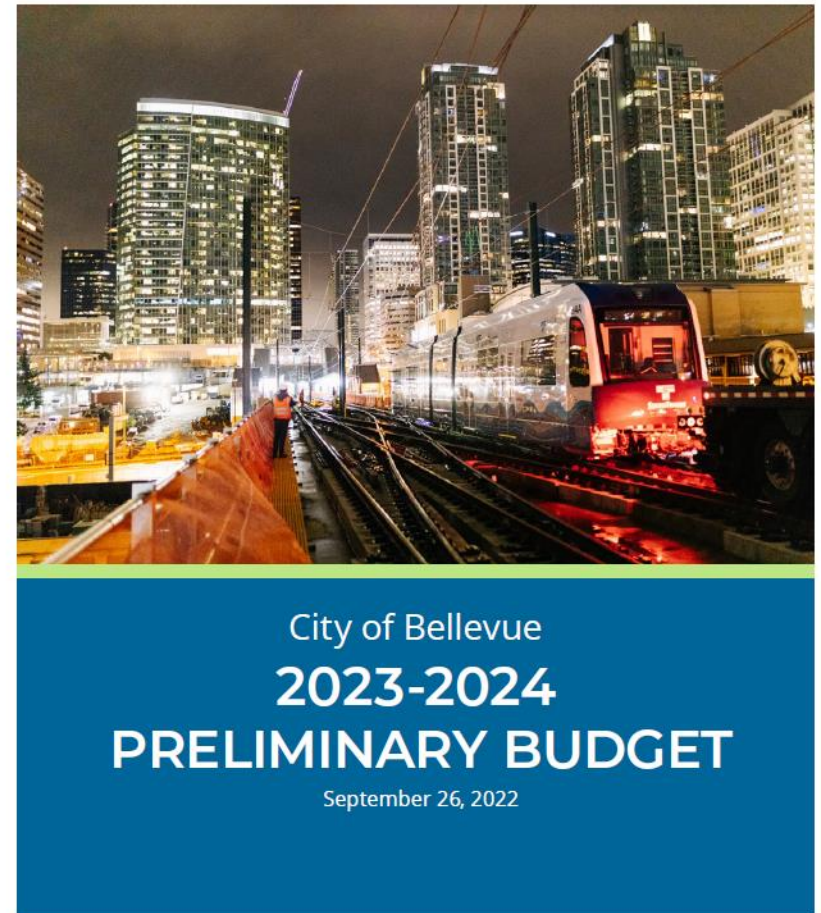


# Information Only

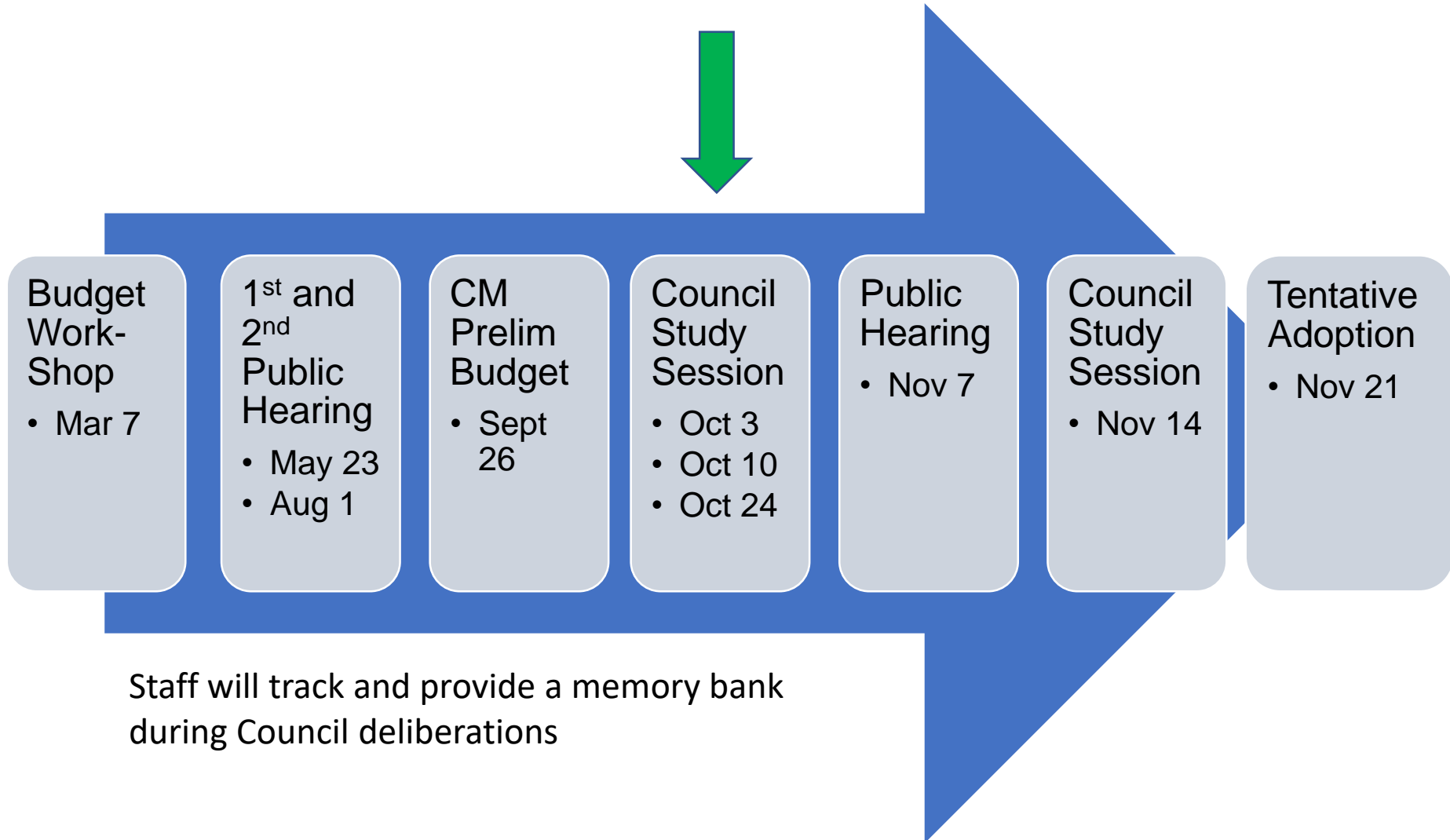
Staff is seeking feedback regarding the Utilities Department's proposed 2023-2024 operating budget and rates, and 2023-2029 Capital Investment Program (CIP).

# Agenda

1. Calendar and Actions for Final Adoption
2. Utilities Background
3. 2023-2024 Operating Budget
4. 2023-2024 CIP Budget
5. 2023-2024 Utility Rates
6. Environmental Services Commission (ESC) Recommendation
7. Upcoming Calendar



# Budget Milestone Calendar



# October Study Sessions

## October 3

- ARPA – Human Services, Small Business
- Public Safety
- Homelessness
- Safe, Clean, Vibrant City

## *Tonight*

- Utility Rates

## October 24

- Development Services Rates
- Human Svc Commission and CDBG
- ESI
- Equity, Diversity and Access

# Council Actions to Adopt

- 2023 Development Services Fee Ordinance
- 2023-2024 Utility Rates Ordinances
- Human Services Commission & Block Grant Ordinances
- 2023 Business & Occupation Tax Ordinance
- 2023 Property Tax Banked Capacity Resolution
- 2023 Property Tax Levy Ordinance
- 2023-2024 Biennial Budget Ordinance
  
- Note: Fire Inspection Fees are not proposed to change, therefore no action is needed this biennium



# **Utilities Proposed Budget**

# Invisible Systems, Visible Benefits

*We deliver daily essential services*



## **Water**

A Critical Resource



## **Wastewater**

Protecting Public  
Health



## **Storm & Surface Water**

Protecting the Environment



## **Solid Waste**

Encouraging Sustainability

*in a manner that is environmentally responsible and  
cost-competitive*



# Invisible Systems – Visible Benefits

## Utilities Business

- Utilities are enterprise funds
- Rate supported
- Capital intensive
- Services are not scalable
- Long-term planning

## Key Challenges

- External Costs
- Aging infrastructure
- Highly regulated
- Unprecedented growth
- Extraordinary inflation

# 2022 Monthly Bill Comparison

## Residential

|                 |                 |
|-----------------|-----------------|
| \$289.89        | Seattle         |
| \$230.27        | Mercer Island   |
| <b>\$197.44</b> | <b>Bellevue</b> |
| \$181.24        | Kirkland        |
| \$162.46        | Issaquah        |
| \$141.57        | Renton          |
| \$119.27        | Redmond         |

## Multi-Family

|                |                 |
|----------------|-----------------|
| \$3,415        | Seattle         |
| \$2,977        | Mercer Island   |
| \$2,465        | Issaquah        |
| \$2,296        | Kirkland        |
| <b>\$2,291</b> | <b>Bellevue</b> |
| \$2,163        | Redmond         |
| \$1,732        | Renton          |

## Commercial

|                 |                 |
|-----------------|-----------------|
| \$28,616        | Seattle         |
| \$26,455        | Mercer Island   |
| <b>\$21,435</b> | <b>Bellevue</b> |
| \$20,648        | Issaquah        |
| \$20,022        | Kirkland        |
| \$16,794        | Redmond         |
| \$15,650        | Renton          |

# Aligning Top Priorities

The Utilities Department proposed operating and capital budgets support Council priorities in the following strategic target areas:



**Economic Development**



**High Quality Built & Natural Environment**







**High-Performance Government**



**Achieving Human Potential**

# Strong Financial Policies

*High quality, sustainable services through long-range planning*

-  Funding for current and future expenses
-  Pass wholesale costs through to customers
-  Predictable, gradual and uniform rates
-  Long-range capital investment (R&R)

# Proposed 2023-2024 Operating Budget

**\$378.1M Total Budget**

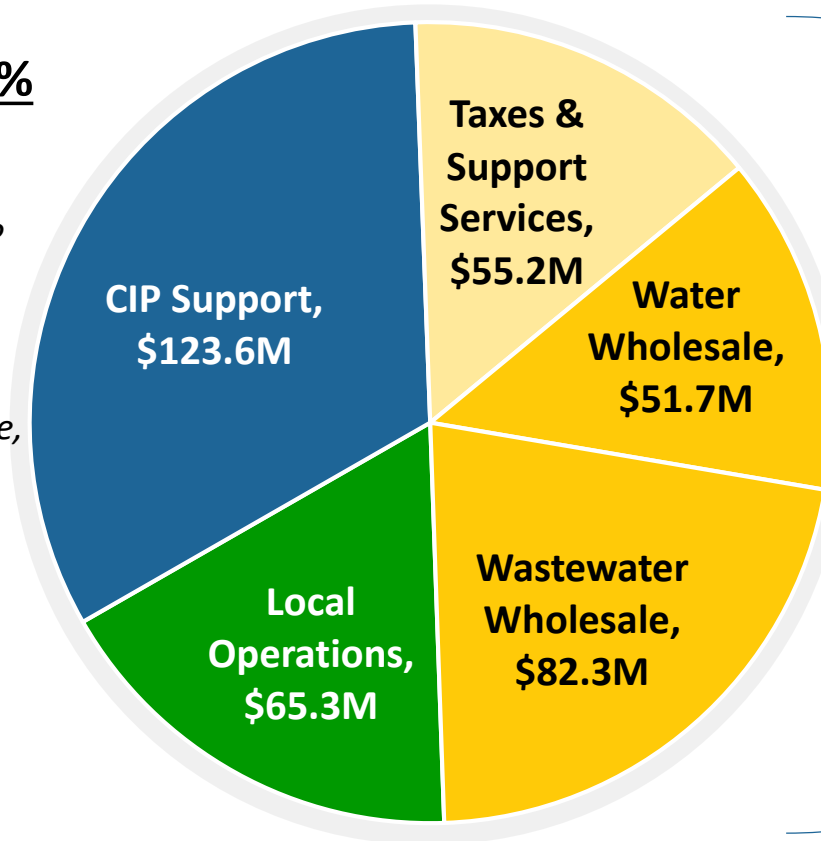
## Internal Drivers – 50%

### ***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 – 15%***

### ***Wholesale – 35%***

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

Excludes operating reserves  
Dollars presented in millions



# 2023-2029 Utilities Capital Investment Program (CIP): \$318M



**Aging Infrastructure**  
\$262M



**Environmental Preservation**  
\$41M



**Operational Efficiency**  
\$11M



**Capacity for Growth**  
\$4M



# 2023-2029 Utilities CIP (\$318M)

| <b>Aging Infrastructure</b><br><b>\$262M   83%</b>  | <b>Environmental Preservation</b><br><b>\$41M   13%</b>   |
|---|---|
| <ul style="list-style-type: none"><li>• Water Main Replacement (\$112M)</li><li>• Reservoir Rehab (\$12M)</li><li>• Water Pump Station Rehab (\$10M)</li><li>• Pressure Reducing Valves (\$9M)</li><li>• Groundwater Well Improvements (\$13M)</li><li>• Sewer System Trunk Rehab (\$27M)</li><li>• Sewer Pump Station Improvements (\$23M)</li><li>• Sewer Lake Line Replacement (\$4M)</li><li>• Storm Infrastructure Rehab (\$20M)</li><li>• SCADA System Upgrade (\$7M)</li></ul> | <ul style="list-style-type: none"><li>• Flood Control Program (\$12M)</li><li>• Stream Channel Modification (\$11M)</li><li>• Factoria Blvd Conveyance Improvements (\$7M)</li><li>• Storm Water Quality Retrofit Program (\$5M)</li><li>• Fish Passage Improvements (\$3M)</li></ul> |
| <b>Capacity for Growth</b><br><b>\$4M   1%</b>  | <b>Operational Efficiencies</b><br><b>\$11M   3%</b>  |
| <ul style="list-style-type: none"><li>• West Operating Area Storage (\$4M)</li></ul>  | <ul style="list-style-type: none"><li>• Maintenance and Operations Yard (\$10M)</li></ul>   |

# 2023-2028 Utility Rates Forecast

| Utility Rates Forecast | <i>Proposed</i> |      | <i>Projected</i> |      |      |      |
|------------------------|-----------------|------|------------------|------|------|------|
|                        | 2023            | 2024 | 2025             | 2026 | 2027 | 2028 |
| Wholesale              | 2.4%            | 2.1% | 2.1%             | 2.3% | 2.3% | 3.2% |
| Local                  | 4.3%            | 3.7% | 3.8%             | 3.8% | 3.7% | 3.6% |
| Combined               | 6.7%            | 5.8% | 5.9%             | 6.1% | 6.0% | 6.8% |

*Variability in our long-range rates is driven by Wholesale costs*



# Typical Residential Bill

## Combined Bill Impact – Proposed Rates

|                          | 2023 Bill |          | 2024 Bill |          |
|--------------------------|-----------|----------|-----------|----------|
| 2022 Monthly Bill        |           | \$197.44 |           | \$210.62 |
| Rate Drivers             |           |          |           |          |
| Wholesale                | 2.4%      | \$4.71   | 2.1%      | \$4.48   |
| Local                    |           |          |           |          |
| <i>CIP / R&amp;R</i>     | 2.4%      | \$4.82   | 2.2%      | \$4.69   |
| <i>Taxes/Support Svc</i> | 1.3%      | 2.58     | 0.8%      | 1.65     |
| <i>Operations</i>        | 0.6%      | 1.07     | 0.7%      | 1.37     |
| Local                    | 4.3%      | \$8.47   | 3.7%      | \$7.71   |
| Total Increase           |           | \$13.18  |           | \$12.19  |
| Typical Monthly Bill     | 6.7%      | \$210.62 | 5.8%      | \$222.81 |

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# Serving All Our Residents

*Programs to support residents with financial need (\$2.4M)*

## Emergency Assistance Program

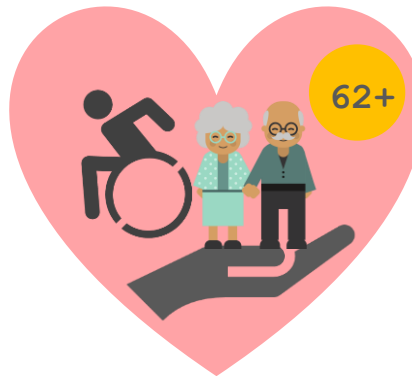
Experiencing Temporary Financial Shock



Waive up to **4** Months Utility Bills

## Utility Rate Relief

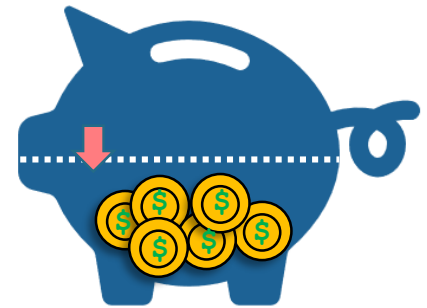
Low Income Seniors  
Disabled Residents



**70%** Utility Bill Discount

## Utility Tax Relief

Low Income Households



 Utility Tax Rebate



# Upcoming Policy Topics

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1. Transition to Monthly Billing
2. Recovery for Credit Card Costs



# **Environmental Services Commission Recommendation**

# Commission's Charge

The Commission advises City Council on water, sewer, storm and surface water, and solid waste programs including:



- Planning
- Budget and rates
- Capital financing
- Policies

# Commission's Budget Review



**JAN 6**

- 2023-2029 CIP Budget Development



**FEB 3**

- 2023-2024 Budget Planning



**MAR 3**

- Utility Finances Overview
- Proposed 2023-2029 CIP



**APR 7**

- 2021 Financial Performance
- CIP Open House Results
- Early Outlook Forecast



**JUN 2**

- 2023-2024 Operating Proposals
- 2023-2029 CIP Proposals



**JUN 16**

- 2023-2028 Rates Forecast
- Monthly Billing Policy Discussion



**JUL 7**

- ESC Recommendation to City Manager



**SEP 1**

- Credit Card Fee Policy Discussion
- Financial Policy Update
- Budget & Rates Update and Public Hearing



**SEP 15**

- ESC Recommendation to Council

# Budget Recommendation to Council

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*The Environmental Services Commission  
unanimously supports the proposed 2023-2024  
Utilities operating budget and rates, and  
2023-2029 Utilities CIP.*





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