

October 24, 2016

CITY COUNCIL STUDY SESSION ITEM**SUBJECT**

Utilities Department Proposed 2017-2018 Budget and Rates

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*Utilities Department***POLICY ISSUES**

In accordance with Council adopted financial policies, utility rate increases are needed to maintain, operate and invest in utility infrastructure to ensure reliable service delivery to water, sewer, and storm and surface water customers.

DIRECTION NEEDED FROM COUNCIL**ACTION****DIRECTION****INFORMATION ONLY**

Staff is seeking feedback and direction regarding the Utilities Department proposed budget and rates for 2017-2018.

BACKGROUND/ANALYSIS**SUMMARY**

The 2017-2018 Utilities Department proposed budget is a representation of the strategies and policies that the Department is recommending to address key financial and operational challenges over the next biennium. As a reminder, the Utilities Department operates as a business enterprise within the City structure. As a business, Utilities does not receive any City General Fund revenues for utility functions and relies primarily on rates to fund operations and capital programs. With this as context, the proposed 2017-2018 budget was prepared to capitalize on opportunities to improve business processes and leverage efficiencies where possible to ensure competitive rates and value to the rate-payer. See Attachments A and B for a summary of the proposed 2017 – 2018 Utilities operating and capital budgets.

PROCESS

The Utilities Department proposed budget has been reviewed in detail by the Environmental Services Commission over the course of the year. The Commission has held 9 meetings regarding the budget, including holding a public hearing on the proposed budget and rates on October 20, 2016. In addition, the Commission was briefed regarding public input received through the on-line capital improvement

program (CIP) open house and took a Utilities CIP tour in July. The Commission is scheduled to make a recommendation on the proposed budget and rates on November 3, 2016.

In addition to the budget and rates process with the Commission, the Department conducted several outreach efforts on the proposed budget and rates with the Bellevue community. This included presentations and discussions with the Building Owners Management Association and the Bellevue Chamber of Commerce. The Department has also scheduled a business customer forum on October 27, and over 300 Bellevue businesses have been invited to attend.

KEY COUNCIL-APPROVED FINANCIAL POLICIES GUIDING BUDGET DEVELOPMENT

The 2017-2018 Utilities Department proposed budget is a consequence of longer-term financial forecasts that, according to Council-approved financial policies, are based on the full costs of providing utility services now and in the future. The Waterworks Utility Financial Policies were first adopted by Council in 1995 and updated in subsequent budgets. Key financial policies affecting the budget and rates development process are summarized below:

- *Rate Levels.* Rates should be set at a level sufficient to cover current and future expenses, maintain reserves consistent with Utility financial policies and the long-term financial plans, and to pass through wholesale cost increases directly to Utility customers. Changes in rate levels should be gradual and uniform to the extent that costs can be forecasted. Inflationary indices should be used as a basis for evaluating proposed rate increases.
- *Reserves.* Each Utility shall maintain a reserve to protect the solvency of the funds. Additionally, to provide rate stabilization, reserves will be managed to target levels. The reserve policy was updated in 1997-1998 to stipulate all unanticipated reserves (ending fund balances) greater than planned levels will be transferred to the Renewal and Replacement (R&R) Account in a manner consistent with the long range Utility financial plan. The reserve criteria were updated in 2004 for the impact of the new water arrangement with the Cascade Water Alliance (Cascade).
- *Capital Investment/Reinvestment.* Investment in capital infrastructure and/or deposit of funds in an R&R account are to be made to ensure that current and future customers pay an equitable amount for the long-term integrity of utility systems.

KEY BUDGET COMPONENTS

The following are the key components in the Department's budget:

Wholesale Costs

The single largest cost center for the Utilities Department is wholesale costs. Wholesale costs include payments to the Cascade Water Alliance for the cost of purchasing water supply and regional capital facility charges and payments to King County Metro for wastewater treatment. Consistent with Council adopted financial policies, the proposed budget fully funds wholesale cost increases, thereby ensuring funding for local programs are not degraded. Wholesale costs for 2017-2018 total \$111.2 million and represent approximately 39 percent of the Utilities Department's proposed 2017-2018 budget.

Taxes and Interfunds

Taxes and interfund payments represent approximately 14 percent of the total budget for the Utilities Department, or approximately \$38 million for the 2017-2018 biennium. The amount of taxes paid is based upon the amount of revenue collected and the tax rates assessed by the State and cities. No changes to the current State and city tax rates are assumed in the proposed budget. Interfund payments represent costs that Utilities pays to the City for support services. The portion of the rate increase attributable to taxes and interfund payments is less than 1 percent for the combined utility bill.

Operations

Operating costs include personnel, supplies, and professional service expenses that are necessary to carry out the daily function of the Department. This cost category totals \$54.3 million or about 19 percent of the budget. The portion of the rate increase attributable to local operating costs is less than 1 percent for the combined utility bill.

The Utilities Department continues to focus on operational efficiencies. For example, during the previous biennium the City Council approved funding for the mobile workforce initiative to improve the operational efficiency of field staff. Implementation of this initiative will conclude in late 2016 and includes deployment of technology hardware and software to enable mobile workflow solutions so that field staff are able to operate more efficiently and effectively. This deployment is expected to result in immediate tangible benefits starting in late 2016 and continuing into 2017 and beyond. These benefits include real-time data access and uploads of information such as utility maps, remote work order dispatching and documentation and immediate data entry from the field.

The proposed budget includes minimal new programs. New staffing is proposed to implement CIP support, to address increased workload demands to meet regulatory compliance requirements, and to support service enhancements (Advanced Metering Infrastructure or AMI). The following table summarizes the proposed new FTEs included in the 2017-2018 budget.

Table 1: Proposed New FTEs

	FTEs
Project Manager (AMI)	1.0
Skilled Worker (Stormwater NPDES Compliance)	1.0
Skilled Worker (Water Maintenance & CIP support)	1.0
Senior Engineer (CIP Support)	1.0
Total	4.0

Preparing Utilities to minimize service disruptions to customers in the event of natural disasters is also critical and included in operations. The proposed 2017-2018 budget includes resiliency investments to prepare Bellevue Utilities for emergency events, such as a major earthquake. The proposed budget includes funding to evaluate the development of Bellevue's wells as a source of emergency water supply. Additionally, funding is proposed to assess the seismic vulnerability of Bellevue's water pipes. Findings from these evaluations will inform future resiliency funding needs.

Capital Improvement Program (CIP)

The City's utility infrastructure is aging and increased maintenance and capital investments are inevitable. System failures are on the rise. The future capital program will focus largely on renewal and replacement of this aging infrastructure. Over the 2017-2023 planning period, the City's investment in the proposed Utilities CIP totals \$220.6 million. Proposed 2017-2018 operating expenses in support of the CIP total \$79.3 million and 30FTEs.

The following table provides a summary of projected CIP expenditures by year and utility for the 7-year CIP period. See **Attachment B** for additional detail on the proposed 2017-2023 CIP.

Table 2: 2017-2023 CIP Expenditures (\$000's)

	2017	2018	2019	2020	2021	2022	2023	Total
Water	\$15,196	\$21,369	\$29,014	\$14,932	\$15,417	\$16,284	\$16,520	\$128,732
Sewer	\$10,169	\$7,311	\$10,856	\$5,386	\$4,529	\$4,414	\$5,259	\$47,924
Storm	\$9,347	\$14,525	\$6,190	\$3,329	\$3,306	\$3,397	\$3,815	\$43,909
Total	\$34,712	\$43,205	\$46,060	\$23,647	\$23,252	\$24,095	\$25,594	\$220,565

Major areas of capital investment over the 2017-2023 planning period include:

- ***Aging infrastructure:*** \$159.6 million, or 72 percent of the total CIP, is proposed to address aging infrastructure needs.
 - \$103.4 million is proposed to address aging water infrastructure needs. Major projects include \$70.3 million for small diameter water main replacements and \$15.3 million for water pump station rehabilitation or replacement. The water utility is in active system replacement and the majority of water utility CIP expenditures will be used to support replacement of existing aging infrastructure.
 - \$39.1 million to address aging sewer infrastructure needs. Major projects include \$14.2 million for sewer system pipeline repairs, \$11.7 million for sewer system pipeline replacements, and \$7.4 million for sewer pump station improvements. The sewer utility is beginning systematic asset replacement.
 - \$17.1 million to address aging storm infrastructure needs. Major projects include \$10.4 million for storm system conveyance repairs and replacement, \$3.6 million for replacement of the NE 8th Street Culvert at Kelsey Creek, and \$1.7 million to fund a video inspection and condition assessment of the storm utility pipelines. The storm utility is in the early stages of determining asset replacement needs.
- ***Environmental preservation:*** \$27.8 million, or 13 percent of the total CIP, is proposed for environmental preservation. Significant investments include funding for stream restoration for the Mobility and Infrastructure Initiative (\$5.0 million), storm flood control (\$8.4 million) and lower Coal Creek flood hazard reduction (\$7.3 million).
- ***Capacity for Growth:*** \$10.1 million, or 5 percent of the total CIP, is proposed to address Utilities' capacity to meet growth in the City. Significant projects include construction of a new water inlet station (\$5.2 million).
- ***Customer service enhancement:*** \$23.1 million, or 10percent of the total CIP, will support implementation of the AMI project. The AMI system will enable customers to access drinking water consumption information real-time through their computer or mobile device. In addition,

the AMI system will enable real-time notification of leaks on customer premises, promote conservation activities, and enhance water system modeling. This project will be implemented over a three year period starting in 2017 the cost of which will be shared 70 percent by the Water Utility and 30percent by the Sewer Utility. This project will be fully funded with existing resources and will not require an increase to rates. The following table summarizes the sources of funds for the AMI project.

Table 3: Proposed AMI Funding Sources (\$ Millions)

	Water	Sewer	Total
2016 Excess Operating Reserves	\$ 6.0		\$ 6.0
Infrastructure R&R Reserves	\$10.2	\$6.9	\$17.1
Total	\$16.2	\$6.9	\$23.1

The R&R reserves will be replenished over time by anticipated cost savings and net revenue gains from the AMI investment.

Long Range Infrastructure Renewal and Replacement (R&R) Planning

Bellevue Utilities is better prepared than most utilities to meet increasing infrastructure resource requirements due to the R&R Account and the use of long-term infrastructure financial planning to accumulate funds necessary to replace Utilities infrastructure as it ages. This allows Utilities to amortize major asset replacement needs over a long time span, while maintaining current service levels, keeping rate increases gradual and uniform, and maintaining intergenerational equity. The following table provides a summary of the projected R&R reserves for the 7-year CIP period.

Table 4: Renewal/Replacement Account Ending Fund Balance (\$000's)

	2017	2018	2019	2020	2021	2022	2023
Water	\$46,066	\$38,627	\$24,484	\$25,400	\$26,998	\$28,785	\$31,611
Sewer	\$64,052	\$68,966	\$70,739	\$78,399	\$87,346	\$96,852	\$105,973
Storm	\$56,158	\$56,396	\$65,108	\$75,152	\$85,793	\$96,934	\$108,284
Total	\$166,276	\$163,989	\$160,331	\$178,951	\$200,137	\$222,571	\$245,868

Each of the utilities are currently in different stages of asset replacement. For example, the Water Utility is currently in active asset replacement, and as a result, the Water CIP is reaching a pay-as-you-go status with the Water R&R Account being periodically drawn upon and replenished during the 2017-2023 timeframe. As such, the overall Water R&R Account balance is relatively low compared to the other funds. In contrast, the Sewer and Storm Utilities are preparing for active asset replacement in future years. Consequently, the Sewer and Storm R&R Account balances are in a growth phase between 2017-2023, in preparation for active asset replacement in future years.

UTILITY RATES

The Utilities Department developed an early outlook forecast for Utilities rates in April. Through refined capital and AMI funding strategies, the Department has reduced the rates that were originally projected in the early outlook forecast. The following table shows the early outlook forecast and the new proposed rates for the combined utilities.

Table 5: 2017-2022 Combined Water, Sewer, Storm Utility Rates Forecast

	2017	2018	2019	2020	2021	2022
Early Outlook	5.7%	4.9%	5.8%	3.9%	4.3%	4.1%
Proposed	4.0%	4.0%	4.3%	2.7%	3.5%	3.4%

The following table summarizes the rate adjustments in 2017 and 2018 that are necessary to support the Utility Department's proposed budget as well as forecasted annual rate adjustments for the period 2019 to 2022.

Table 6: Proposed and Projected Utility Rate Increases 2017-2022

	Water	Sewer	Storm	Combined
2017 Proposed	3.4%	4.4%	4.3%	4.0%
2018 Proposed	6.1%	2.2%	4.6%	4.0%
2019 Projected	4.4%	4.4%	3.5%	4.3%
2020 Projected	4.4%	1.1%	3.3%	2.7%
2021 Projected	4.4%	2.9%	3.4%	3.5%
2022 Projected	3.9%	2.9%	3.4%	3.4%

Significant rate drivers in proposed 2017-2018 Budget:

As with any business enterprise, changes in the cost to deliver services must be evaluated and incorporated into the budget. For the 2017-2018 biennium, the Utilities proposed rates reflect the following cost drivers:

Water:

- The cost of purchased water is the single largest cost center for the Water Utility, accounting for approximately 37 percent of annual expenditures. The City is a member of the Cascade Water Alliance, which serves to provide water supply for Alliance members. Other member jurisdictions include the cities of Issaquah, Kirkland, Redmond, Tukwila, Sammamish Plateau Water and Sewer District, and the Skyway Water and Sewer District. Payments to Cascade Water Alliance for purchased water totaled \$19.1 million in 2016 and is expected to increase to \$19.4 million in 2017 and \$20.2 million in 2018. This will result in retail rate increases to City of Bellevue customers of 0.8 percent in 2017 and 1.9 percent in 2018 for wholesale water purchases.
- Additional increases of 1.9 percent in 2017 and 4.2 percent in 2018 are needed to continue providing existing levels of service through investment in new infrastructure and funding local operations and maintenance activities and programs. More than half of this increase is attributable to funding to support the proposed CIP.
- The City of Issaquah will assume delivery of water and sewer services to about 1,000 customer accounts in the South Cove/Greenwood Pointe area effective January 1, 2017. The assumption is estimated to result in an annual net revenue loss to the water utility of \$260,000. This will result in a rate increase of 0.7 percent in 2017.

The following table summarizes the water utility rate drivers for 2017 and 2018.

Table 7: Water Utility Rate Drivers

Category	2017	2018
Wholesale Rate Driver	0.8%	1.9%
Local Rate Drivers		
CIP	2.0%	5.3%
R&R	-0.5%	-2.2%
Taxes / Interfunds	0.2%	0.8%
Operations	0.2%	0.3%
Issaquah assumption	<u>0.7%</u>	<u>0.0%</u>
Total Local Rate Drivers	2.6%	4.2%
Total Increase	3.4%	6.1%

Sewer:

- The cost of wastewater treatment services is the single largest cost center for the Sewer Utility, accounting for approximately 55 percent of annual expenditures. King County-METRO provides wastewater treatment services to 34 local cities and sewer utilities in the King, Snohomish and Pierce County region. Bellevue contracts with King County Metro for waste water treatment. Payments to King County-METRO are expected to increase from \$32.0 million in 2016 to \$33.6 million in 2017 and remain at that level through 2018. The resulting pass-through rate increases to Bellevue customers are estimated to be 3.1 percent in 2017 and 0.0 percent in 2018.
- Additional increases of 0.7 percent in 2017 and 2.2 percent in 2018 are needed to continue providing existing levels of service through investment in new infrastructure and funding local operations and maintenance activities and programs.
- As discussed above, the City of Issaquah will assume delivery of water and sewer services to about 1,000 customer accounts in the South Cove/Greenwood Pointe area effective January 1, 2017. The assumption is estimated to result in an annual net revenue loss to the sewer utility of \$280,000. This will result in a rate increase of 0.6 percent in 2017.

The following table summarizes the sewer utility rate drivers for 2017 and 2018.

Table 8: Sewer Utility Rate Drivers

Category	2017	2018
Wholesale Rate Driver	3.1%	0.0%
Local Rate Drivers		
CIP	0.6%	0.4%
R&R	0.1%	0.3%
Taxes / Interfunds	0.0%	0.8%
Operations	0.0%	0.7%
Issaquah assumption	<u>0.6%</u>	<u>0.0%</u>
Total Local Rate Drivers	1.3%	2.2%
Total Increase	4.4%	2.2%

Storm & Surface Water:

- Annual rate increases of 4.3 percent in 2017 and 4.6 percent in 2018 are necessary to maintain current service levels as well as provide funding for capital needs. There is no wholesale component to Storm rates since all services are provided by the Storm Utility. The following table summarizes the storm utility rate drivers for 2017 and 2018.

Table 9: Storm Utility Rate Drivers

Category	2017	2018
Local Rate Drivers		
CIP	2.0%	3.7%
R&R	1.2%	0.1%
Taxes / Interfunds	0.0%	0.4%
Operations	<u>1.1%</u>	<u>0.4%</u>
Total Local Rate Drivers	4.3%	4.6%
Total Increase	4.3%	4.6%

Total Utilities Rate Impact to Customer

The monthly utility bill for the typical single-family residential customer for water, sewer, and storm and surface water services is \$156.74 in 2016. With the above proposed rate increases, the total monthly bill for the typical single-family resident would increase by 4.0 percent or \$6.30 in 2017 and 4.0 percent or \$6.51 in 2018. See Table 10 and **Attachment C** for the 2017-2018 typical monthly utility bill rate drivers.

The following table summarizes the combined water, sewer, and storm and surface water utility rate drivers for 2017 and 2018.

Table 10: Combined Utility Bill Rate Drivers

Category	2017	2018
Wholesale Rate Driver	1.8%	0.7%
Local Rate Drivers		
CIP	1.4%	2.7%
R&R	0.0%	-0.6%
Taxes / Interfunds	0.1%	0.7%
Operations	0.2%	0.5%
Issaquah assumption	<u>0.5%</u>	<u>0.0%</u>
Total Local Rate Drivers	2.2%	3.3%
Total Increase	4.0%	4.0%

Even with a cash funded \$220 million proposed capital investment program and a robust funding strategy for future infrastructure renewal and replacement, Bellevue's utility rates are competitive with neighboring jurisdictions. In addition, Bellevue's rates will be even more competitive in the future as other jurisdictions move into active replacement cycles. See **Attachment D** for a rate comparison with neighboring jurisdictions.

Solid Waste:

Bellevue outsources garbage, recycling and organics collection through a contract with Republic Services. The contract is valued at approximately \$23 million per year, and the seven year contract term extends through 2021, with an option to renew for an additional seven years. The city's primary functions include management of the contract, recycling and waste prevention outreach and education.

The contract with Republic Services includes an annual adjustment based upon changes in the consumer price index as applied to the service portion of customer rates to reflect the normal cost increase of doing business. In addition, the contract includes an adjustment for the disposal portion of customer rates to accommodate increases in the King County solid waste disposal rate. Effective January 1, 2017, the rate for a typical single family residential customer¹ will increase by 4.1 percent, or \$0.88, consistent with the provisions of Republic Services' contract with the City.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

ATTACHMENT(S)

Attachment A – Utilities Proposed 2017-2018 Operating Budget

Attachment B – Utilities Proposed 2017-2023 CIP

Attachment C – 2017-2018 Typical Residential Monthly Utility Bill Rate Drivers

Attachment D - Combined Monthly Bill Comparison

¹ Assumes 32 gallon size.

Attachment A
Utilities Proposed 2017-2018 Operating Budget

The following tables provide a summary of operating expenses and personnel requirement by fund for 2017 and 2018, respectively, broken down by major category.

Table 1: Proposed 2017 Budget

Cost Element	Water	Sewer	Stormwater	Solid Waste	Total
Wholesale	\$21,577,875	\$33,638,851	\$ 0	\$ 0	\$ 55,216,726
Capital Program	12,770,357	13,326,347	12,172,558	0	38,269,262
Taxes / Intergovernmental	7,960,803	6,325,367	3,931,813	425,853	18,643,836
Operations	<u>10,640,040</u>	<u>7,471,549</u>	<u>7,554,474</u>	<u>720,778</u>	<u>26,386,841</u>
Subtotal	\$52,949,075	\$60,762,114	\$23,658,845	\$1,146,631	\$138,516,665
Reserves					
Ending Fund Balance	\$10,135,948	\$ 4,327,130	\$ 1,683,196	\$1,144,266	\$ 17,290,540
Asset Repl. Resv	<u>3,719,746</u>	<u>3,013,601</u>	<u>3,462,417</u>	<u>0</u>	<u>10,195,764</u>
Subtotal	\$13,855,694	\$ 7,340,731	\$ 5,145,613	\$1,144,266	\$ 27,486,304
Total	\$66,804,769	\$68,102,845	\$28,804,458	\$2,290,897	\$166,002,969
FTEs	70.75	52.00	50.00	1.00	173.75
LTEs	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2.00</u>
Total FTEs/LTEs	71.75	53.00	50.00	1.00	175.75

Table 2: Proposed 2018 Budget

Cost Element	Water	Sewer	Stormwater	Solid Waste	Total
Wholesale	\$22,356,650	\$33,662,398	\$ 0	\$ 0	\$56,019,048
Capital Program	14,286,085	13,691,857	13,032,277	0	41,010,219
Taxes / Intergovernmental	8,343,525	6,489,877	4,077,845	443,061	19,354,308
Operations	<u>10,572,754</u>	<u>8,335,395</u>	<u>8,288,601</u>	<u>738,196</u>	<u>27,934,946</u>
Subtotal	\$55,559,014	\$62,179,527	\$25,398,723	\$1,181,257	\$144,318,521
Reserves					
Ending Fund Balance	\$10,298,331	\$4,145,999	\$1,991,941	\$1,046,590	\$17,482,861
Asset Repl. Resv	<u>4,170,072</u>	<u>2,894,532</u>	<u>3,408,474</u>	<u>0</u>	<u>10,473,078</u>
Subtotal	\$14,468,403	\$7,040,531	\$5,400,415	\$1,046,590	\$27,955,939
Total	\$70,027,417	\$69,220,058	\$30,799,138	\$2,227,847	\$172,274,460
FTEs	70.75	52.00	50.00	1.00	173.75
LTEs	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2.00</u>
Total LTEs/FTEs	71.75	53.00	50.00	1.00	175.75

Note: Capital program expenditures include capital project delivery operating expenditures and transfers to CIP/Renewal and Replacement program.

Attachment B
Utilities Proposed 2017-2023 CIP

The following tables summarizes the projected CIP expenditures by utility for the 7-year CIP period.

Table 1: 2017-2023 CIP Expenditures by Utility (\$000's)

Investment Category	2017	2018	2019	2020	2021	2022	2023	Total
Water CIP								
Replace Aging Infrastructure	\$13,388	\$12,574	\$15,369	\$14,599	\$15,167	\$16,029	\$16,260	\$103,386
Capacity for Growth	1,598	3,150	3,337	333	250	255	260	9,183
Service Enhancement (AMI)	210	5,645	10,308	--	--	--	--	16,163
Subtotal – Water CIP	\$15,196	\$21,369	\$29,014	\$14,932	\$15,417	\$16,284	\$16,520	\$128,732
Sewer CIP								
Replace Aging Infrastructure	\$ 9,208	\$4,804	\$ 5,840	\$5,105	\$4,518	\$4,402	\$5,259	\$39,136
Capacity for Growth	870	11	11	11	11	12	--	926
Environmental Preservation	1	77	587	270	--	--	--	935
Service Enhancement (AMI)	90	2,419	4,418	--	--	--	--	6,927
Subtotal – Sewer CIP	\$10,169	\$7,311	\$10,856	\$5,386	\$4,529	\$4,414	\$5,259	\$47,924
Storm CIP								
Replace Aging Infrastructure	\$3,595	\$4,844	\$1,734	\$1,575	\$1,674	\$1,778	\$1,892	\$17,092
Environmental Preservation	5,752	9,681	4,456	1,754	1,632	1,619	1,923	26,817
Subtotal – Storm CIP	\$9,347	\$14,525	\$6,190	\$3,329	\$3,306	\$3,397	\$3,815	\$43,909
Total – Utility CIP	\$34,712	\$43,205	\$46,060	\$23,647	\$23,252	\$24,095	\$25,594	\$220,565

Attachment C
2017-2018 Utilities Department Preliminary Budget
Typical Residential Monthly Utility Bill Rate Drivers

	WATER		SEWER		STORM		TOTAL	
2016 Monthly Bill	\$	58.44	\$	75.35	\$	22.95	\$	156.74
2017 Rate Drivers								
Wholesale	0.8%	\$ 0.47	3.1%	\$ 2.35	0.0%	\$ -	1.8%	\$ 2.82
Local								
CIP	2.0%	\$ 1.17	0.6%	\$ 0.46	2.0%	\$ 0.47	1.4%	\$ 2.10
R&R / (Use of RR)	-0.5%	\$ (0.31)	0.1%	\$ 0.07	1.2%	\$ 0.27	0.0%	\$ 0.03
CIP / RR Subtotal	1.5%	\$ 0.86	0.7%	\$ 0.53	3.2%	\$ 0.74	1.4%	\$ 2.13
Taxes/Interfunds	0.2%	\$ 0.12	0.0%	\$ -	0.0%	\$ -	0.1%	\$ 0.12
Operations	0.2%	\$ 0.12	0.0%	\$ -	1.1%	\$ 0.25	0.2%	\$ 0.37
Issaquah Assumption	0.7%	\$ 0.41	0.6%	\$ 0.45	0.0%	\$ -	0.5%	\$ 0.86
Local	2.6%	\$ 1.51	1.3%	\$ 0.98	4.3%	\$ 0.99	2.2%	\$ 3.48
Total Increase		\$ 1.98		\$ 3.33		\$ 0.99		\$ 6.30
2017 Monthly Bill	3.4%	\$ 60.42	4.4%	\$ 78.68	4.3%	\$ 23.94	4.0%	\$ 163.04
2018 Rate Drivers								
Wholesale	1.9%	\$ 1.17	0.0%	\$ -	0.0%	\$ -	0.7%	\$ 1.17
Local								
CIP	5.3%	\$ 3.22	0.4%	\$ 0.32	3.7%	\$ 0.89	2.7%	\$ 4.43
R&R / (Use of RR)	-2.2%	\$ (1.34)	0.3%	\$ 0.22	0.1%	\$ 0.02	-0.6%	\$ (1.10)
CIP / RR Subtotal	3.1%	\$ 1.88	0.7%	\$ 0.54	3.8%	\$ 0.91	2.1%	\$ 3.33
Taxes/Interfunds	0.8%	\$ 0.49	0.8%	\$ 0.62	0.4%	\$ 0.09	0.7%	\$ 1.20
Operations	0.3%	\$ 0.17	0.7%	\$ 0.54	0.4%	\$ 0.10	0.5%	\$ 0.81
AMI	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -
Local	4.2%	\$ 2.54	2.2%	\$ 1.70	4.6%	\$ 1.10	3.3%	\$ 5.34
Total Increase		\$ 3.71		\$ 1.70		\$ 1.10		\$ 6.51
2018 Monthly Bill	6.1%	\$ 64.13	2.2%	\$ 80.38	4.6%	\$ 25.04	4.0%	\$ 169.55
2018 Bill (EO Forecast)		\$ 66.59		\$ 82.10		\$ 25.11		\$ 173.80
Change		\$ (2.46)		\$ (1.72)		\$ (0.07)		\$ (4.25)

Minor differences may exist due to rounding

J:\BUD\2017-2018 Budget Development\Rate Drivers - 2017-18

Oct 19, 2016; Prepared by SEP/MHC

Attachment D

**WATER, SEWER AND STORM & SURFACE WATER UTILITIES
2016 COMBINED MONTHLY BILL COMPARISON**

Residential

\$209.91	Seattle
\$165.40	Mercer Island
\$163.04	Bellevue (2017)
\$158.81	Kirkland
\$156.74	Bellevue
\$126.48	Issaquah
\$126.23	Renton
\$109.74	Redmond

Multi-Family

\$2,479	Seattle
\$2,152	Mercer Island
\$2,145	Kirkland
\$1,993	Redmond
\$1,992	Issaquah
\$1,891	Bellevue (2017)
\$1,817	Bellevue
\$1,511	Renton

Commercial

\$21,309	Seattle
\$19,078	Mercer Island
\$18,799	Kirkland
\$17,764	Bellevue (2017)
\$17,071	Bellevue
\$16,751	Issaquah
\$15,148	Redmond
\$13,861	Renton

Source: All rate information was obtained from municipality websites