

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Ordinance establishing revised charges for water service, water consumption, and water standby capacity; repealing Ordinance No. 6201; providing for severability; and establishing an effective date.

FISCAL IMPACT

Changes to the existing water service, water consumption, and water standby capacity charges in 2017 and 2018 are needed to provide sufficient resources to support the annual operating and CIP funding needs of the Water Utility, consistent with the proposed 2017-2018 Utilities Department budget and the Utility's Six-Year Financial Forecast.

The impacts on typical customer monthly bills in 2017 and 2018 from the proposed water service and consumption charge increases are shown below:

		<u>Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
Single Family (8.5 ccf per mo.)	2016	\$ 58.44	n/a	n/a
	2017	60.42	\$ 1.98	3.4%
	2018	64.13	3.71	6.1%
		<u>Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
Multi-family (100 ccf per mo.)	2016	\$596.50	n/a	n/a
	2017	616.50	\$ 20.00	3.4%
	2018	653.91	37.41	6.1%
		<u>Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
Commercial (1,000 ccf per mo.)	2016	\$ 5,632.00	n/a	n/a
	2017	5,819.84	\$ 187.84	3.3%
	2018	6,171.34	351.50	6.0%

STAFF CONTACTS

Nav Ota, Director, 452-2041

Lucy Liu, Assistant Director, 452-4445

Utilities Department

POLICY CONSIDERATION

State law:

State law requires approval of a balanced budget.

City financial policies:

In accordance with Council-adopted financial policies, water rate increases are needed to maintain, operate, and invest in utility infrastructure to ensure reliable service delivery to water customers. The requested charges meet Council-approved rate guidelines which provide for passing through wholesale regional water supply cost increases.

BACKGROUND

The key budget drivers for the Water Utility include increases in wholesale regional drinking water costs, investments to address infrastructure needs, loss of service revenue as a result of the City of Issaquah's assumption of the South Cove/Greenwood Pointe water utility accounts, and inflationary increases to operating costs.

This ordinance will revise the charges to include anticipated increases in Cascade Water Alliance (Cascade) charges for wholesale drinking water supply, as well as updated assumptions for local program operating and capital expenditures to address the key budget drivers. Consistent with Council-adopted policy, the increased charges in 2017 and 2018 will pass through impacts of the wholesale water purchase rate increases and implement a balanced Water Utility budget, including local programs and projects proposed in the 2017-2018 budget process.

WHOLESALE

This ordinance will revise the charges to include anticipated increases in Cascade charges for wholesale water supply in 2017 and 2018. Payments to Cascade for purchased water totaled \$19.1 million in 2016 and are expected to increase to \$19.4 million in 2017 and \$20.2 million in 2018. Consistent with Council-adopted policies, the impact of these changes will be passed through to Bellevue customers, resulting in retail rate increases of 0.8% in 2017 and 1.9% in 2018.

LOCAL PROGRAMS

This ordinance will revise the charges to include updated assumptions for local program operating and capital expenditures, and will establish charges needed to finance the 2017 and 2018 budgets, resulting in rate increases of 2.6% in 2017 and 4.2% in 2018.

The Environmental Services Commission reviewed the proposed Utilities Department operating and capital budget in detail between January 2016 and October 2016 and recommended approval of the proposed rate increases to Council on November 8, 2016. The City Council reviewed the proposed Utilities Department budget and rate increases during council study sessions on October 24 and November 14, 2016.

EFFECTIVE DATE

If adopted by Council, this Ordinance becomes effective on January 1, 2017.

OPTIONS

1. Adopt Ordinance establishing revised charges for water service, water consumption, and water standby capacity; repealing Ordinance No. 6201; providing for severability; and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff regarding future water charge increases.

RECOMMENDATION

Option 1.

MOTION

Move to adopt Ordinance No. 6329 establishing revised charges for water service, water consumption, and water standby capacity; repealing Ordinance No. 6201; providing for severability; and establishing an effective date.

ATTACHMENTS

Ordinance No. 6201 (existing charges)

Proposed Ordinance No. 6329

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A