

December 5, 2016

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Ordinance revising adopted sewerage service charges effective January 1, 2017, establishing charges for 2017 and 2018, and repealing Ordinance No. 6203.

FISCAL IMPACT

Changes to the existing sewerage service charges in 2017 and 2018 are needed to provide sufficient resources to support the annual operating and CIP funding needs of the Sewer 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 sewer service charges are shown below:

		<u>Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
Single Family (7.5 ccf per mo.)	2016	\$ 75.35	n/a	n/a
	2017	78.68	\$ 3.33	4.4%
	2018	80.38	1.70	2.2%
		<u>Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
Multi-family (100 ccf per mo.)	2016	\$ 861.84	n/a	n/a
	2017	899.98	\$ 38.14	4.4%
	2018	919.44	19.46	2.2%
		<u>Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
Commercial (1,000 ccf per mo.)	2016	\$ 9,673.03	n/a	n/a
	2017	10,105.52	\$ 432.49	4.5%
	2018	10,327.04	221.52	2.2%

STAFF CONTACTS

Nav Otal, 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, sewer rate increases are needed to maintain, operate, and invest in utility infrastructure to ensure reliable service delivery to sewer customers. The requested charges meet Council-approved rate guidelines which provide for passing through wholesale

regional wastewater treatment cost increases and for providing sufficient funds to fulfill Council policy regarding infrastructure replacement reserves.

BACKGROUND

The key budget drivers for the Sewer Utility include increases in wholesale wastewater treatment 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 sewer utility accounts, and inflationary increases to operating costs. This Ordinance will revise the charges to include adopted increases in King County charges for wholesale sewage treatment in 2017 and 2018, 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 sewage treatment rate increases and implement a balanced Sewer Utility budget, including local programs and projects proposed in the 2017-2018 budget process. Under the existing sewer charge structure, residential customers pay a fixed monthly charge equal to the charge used by King County to bill the City for monthly sewer treatment charges for each residential equivalent unit plus a volume charge for local program costs.

WHOLESALE

This ordinance will revise the charges to include adopted increases in King County charges for wholesale sewage treatment in 2017 and 2018.

The King County Council adopted a two-year monthly wholesale sewage treatment charge per residential equivalent unit of \$44.22 per unit, representing an increase from the 2016 rate of \$42.03 per unit. This change is included in the 2017 and 2018 sewer charges. Consistent with Council-adopted policies, the impact of these changes will be passed through to Bellevue customers, resulting in a rate increase of 3.1% in 2017. No rate increase for wholesale costs is anticipated 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 1.3% in 2017 and 2.2% 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 sewerage service charges; repealing Ordinance No. 6203; providing for severability; and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff regarding future sewer charge increases.

RECOMMENDATION

Option 1.

MOTION

Move to adopt Ordinance No. 6330 establishing revised sewerage service charges; repealing Ordinance No. 6203; providing for severability; and establishing an effective date.

ATTACHMENTS

Ordinance No. 6203 (existing charges)

Proposed Ordinance No. 6330

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A