

**CITY COUNCIL REGULAR SESSION**

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

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*Utilities Department*

**EXECUTIVE SUMMARY**

This Ordinance will revise the water service, water consumption, and water standby capacity charges to provide sufficient resources to support the annual operating and CIP funding needs of the Water Utility, consistent with the proposed 2019-2020 Utilities Department budget.

**RECOMMENDATION**

Move to adopt Ordinance No. 6440.

If approved, effective date: 12/13/2018

**BACKGROUND/ANALYSIS**

The key budget drivers for the Water Utility include increases in wholesale regional drinking water costs, investments to address infrastructure needs, and inflationary increases to operating costs.

This Ordinance will revise the charges to include adopted increases in Cascade Water Alliance (Cascade) costs 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 water charges in 2019 and 2020 will pass through impacts of the wholesale water purchase cost increases and implement a balanced Water Utility budget, including funding for local programs and projects proposed in the 2019-2020 Utilities Department budget.

**Wholesale**

This Ordinance will revise the charges to include adopted increases in Cascade charges for wholesale water supply in 2019 and 2020. Payments to Cascade for purchased water totaled \$19.8 million in 2018 and are expected to increase to \$20.6 million in 2019 and \$21.4 million in 2020. Consistent with Council-adopted policies, the impact of these changes will be passed through to Bellevue customers, resulting in retail rate increases of 1.4 percent in 2019 and 2.0 percent in 2020.

**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 2019 and 2020 budgets, resulting in rate increases of 2.3 percent in 2019 and 3.0 percent in 2020.

The total rate increase is 3.7 percent in 2019 and 5.0 percent in 2020.

The Environmental Services Commission reviewed the proposed Utilities Department operating and capital budget in detail between January 2018 and October 2018 and recommended approval of the proposed rate increases to Council on November 8. The City Council reviewed the proposed Utilities Department budget and rate increases during Council study session on November 19.

## POLICY & FISCAL IMPACTS

### State Law

State law requires approval of a balanced budget.

### City Financial Policies

In accordance with Council-adopted financial policies, water service 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.

### Fiscal Impact

Changes to the existing water service, water consumption, and water standby capacity charges in 2019 and 2020 are needed to provide sufficient resources to support the annual operating and CIP funding needs of the Water Utility, consistent with the proposed 2019-2020 Utilities Department budget and the Utility's Six-Year Financial Forecast.

The impacts on typical customer monthly bills in 2019 and 2020 from the proposed water service and consumption charge increases are shown below:

		<u>Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
<b>Single Family</b> ¾" Meter (8.5 ccf per mo.)	2018	\$64.08	n/a	n/a
	2019	\$66.45	\$2.37	3.7%
	2020	\$69.78	\$3.33	5.0%
		<u>Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
<b>Multi-family</b> 1 ½" Meter (100 ccf per mo.)	2018	\$653.91	n/a	n/a
	2019	\$678.29	\$24.38	3.7%
	2020	\$712.28	\$33.99	5.0%
		<u>Bill</u>	<u>\$ Increase</u>	<u>% Increase</u>
<b>Commercial</b> 4" Meter (1,000 ccf per mo.)	2018	\$6,171.34	n/a	n/a
	2019	\$6,400.45	\$229.11	3.7%
	2020	\$6,723.65	\$323.20	5.0%

## **OPTIONS**

1. Adopt the Ordinance establishing revised charges for water service, water consumption, and water standby capacity; repealing Ordinance No. 6329; providing for severability; and establishing an effective date.
2. Do not adopt the Ordinance and provide alternative direction to staff.

## **ATTACHMENTS & AVAILABLE DOCUMENTS**

Proposed Ordinance No. 6440

## **AVAILABLE IN COUNCIL LIBRARY**

N/A