

# WATER UTILITY RATES AND RATE STRUCTURE

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*June 13, 2016*

# Bellevue Water Rates

Tonight's Objective - To Review:

- Rate structure
- Rate drivers
- Comparison to neighboring utilities

*Water rates are determined by Council-adopted policies and based on operating and capital budget needs*

# Council-Adopted Rate Policies

- Maintain current service levels
- Pass through wholesale costs
- Debt reserved for unforeseen circumstances/emergencies
- Renewal & Replacement (R&R) savings for long-term capital needs
- Sufficient operating reserves
- Rate assistance for specific low-income customers as permitted by state law

# Water Utility Budget Development Process

- Operating and capital budgets developed to maintain current service levels
- Budgets reviewed by:
  - Department management
  - Results Teams / Leadership Team / City Manager
  - Environmental Services Commission (ESC)
  - City Council
- Utilities budget and rates public hearing
- Budget and rates recommended by ESC
- Budget and rates adopted by City Council

# Water Rate Design Process

- Rate design guided by Council-adopted policies
- Rate consultant conducted rate study
- ESC held 3 meetings to review new rate structure
- Outreach to customer groups including BOMA, BDA, and Chamber
- ESC endorsed new rate structure
- New rate structure reviewed with Council

*Council adopted the new rate structure as part of 2015–2016 budget and rates and the new rate structure was implemented 1/1/2015*

# Water Rate Structure Guided by Financial Policies

## Policy Drivers/Study Objectives

- Periodic cost-of-service studies to assure continued rate equity between customer classes
- Sustainable revenues
- Water rate structure shall support water conservation and wise use of water resources

# 2014 Water Cost-of-Service Study

## Results

### Findings

- Rate structure out of alignment with usage demographics
- Single-family customer paid more than fair share
- Commercial customers paid less than fair share
- Multifamily customer paid slightly less than fair share

### Recommendations

- Update rate structure to meet these objectives:
  - Ratepayer equity
  - Revenue stability
  - Responsible water use
  - Simplify rate design where possible

# New Structure Adopted in 2015

## Rate Design Changes

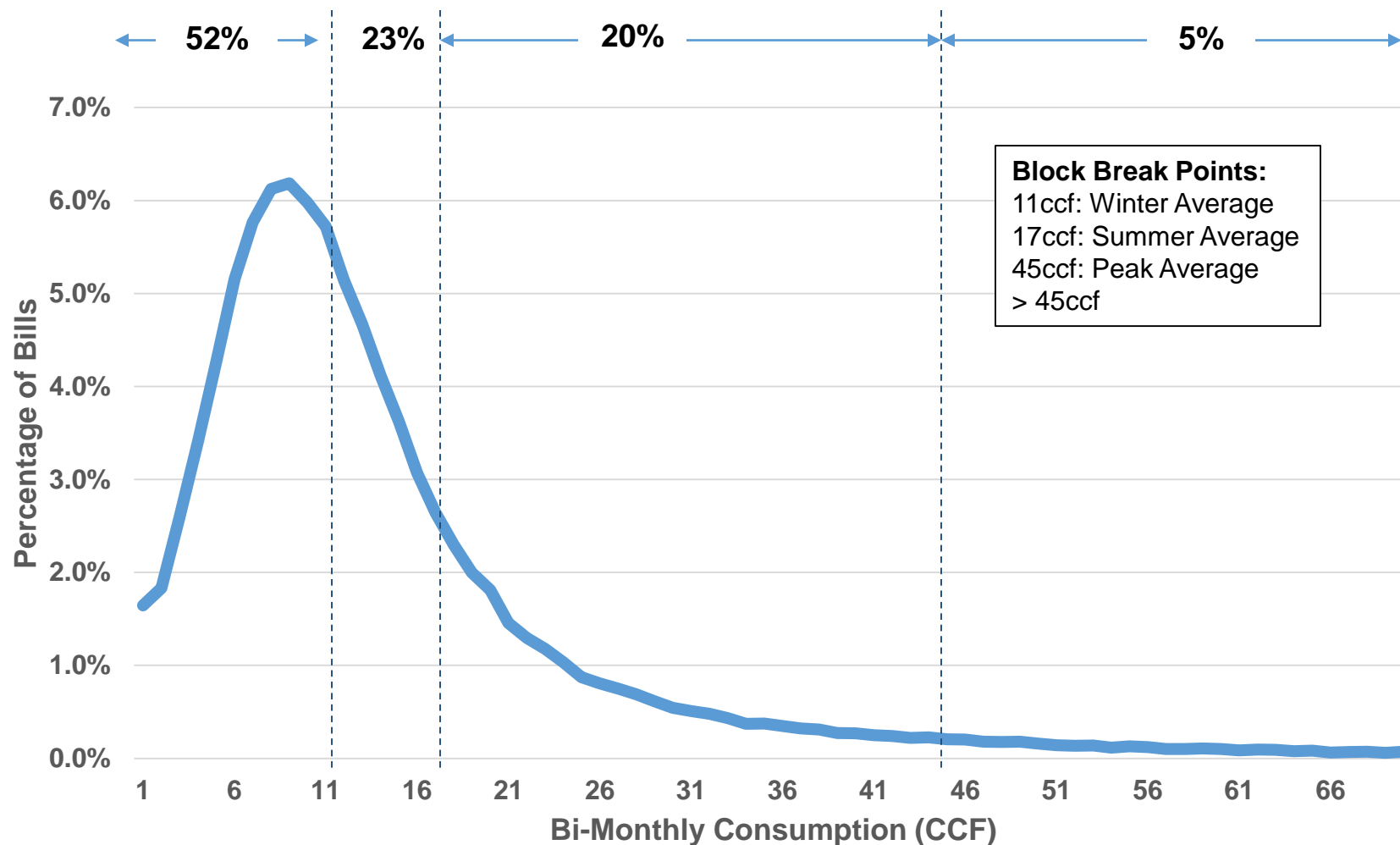
- All customer classes: Increase meter charge to better reflect fixed nature of utility expenses to enhance revenue stability
- Single-family: Update block sizes to realign with consumption patterns
- Commercial: Maintain current seasonal (winter/summer) structure
- Multifamily: Simplify structure to mirror commercial

## Results

- No change in total water revenue collections
- Shifted \$510K (1.2%) in 2015 revenues from SFR to commercial and multifamily to maintain equity
- Shifted \$780K (2%) in 2015 revenues from variable to fixed
- **Impact to typical S.F.:** A reduction of \$1.36 per month

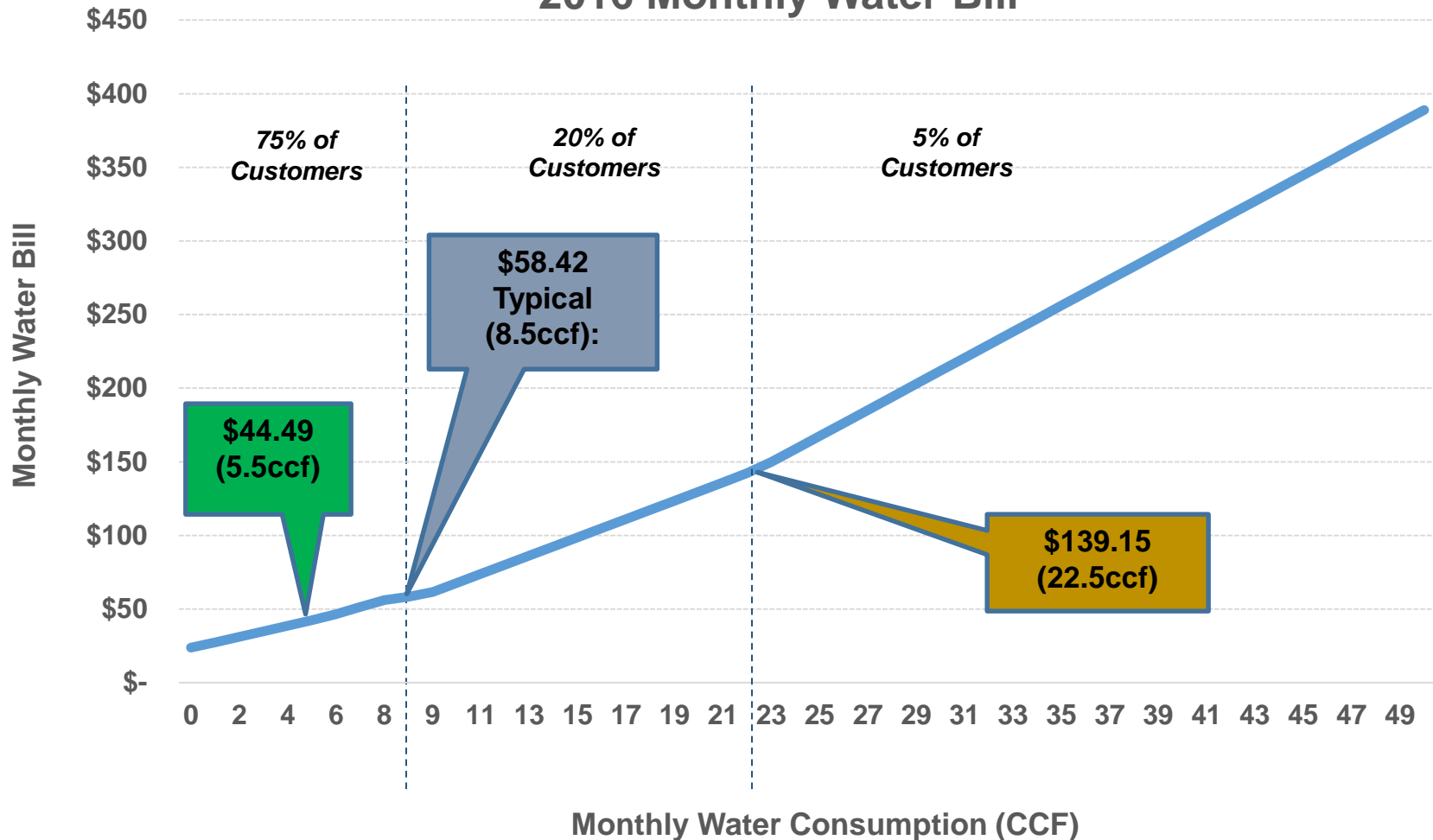


# Single Family Structure - Usage Blocks



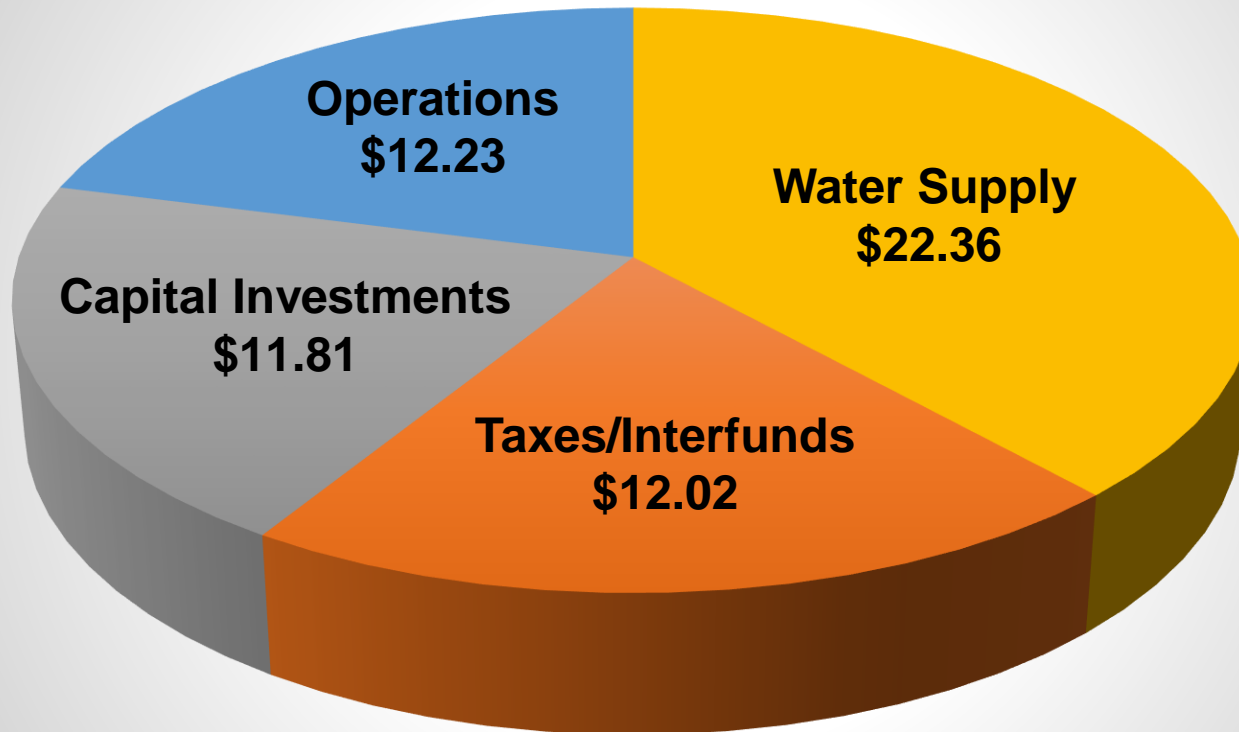
# Single-Family Customer Consumption

## 2016 Monthly Water Bill



# What Your Water Bill Pays For

**2016 Typical SFR Monthly Bill: \$58.42**

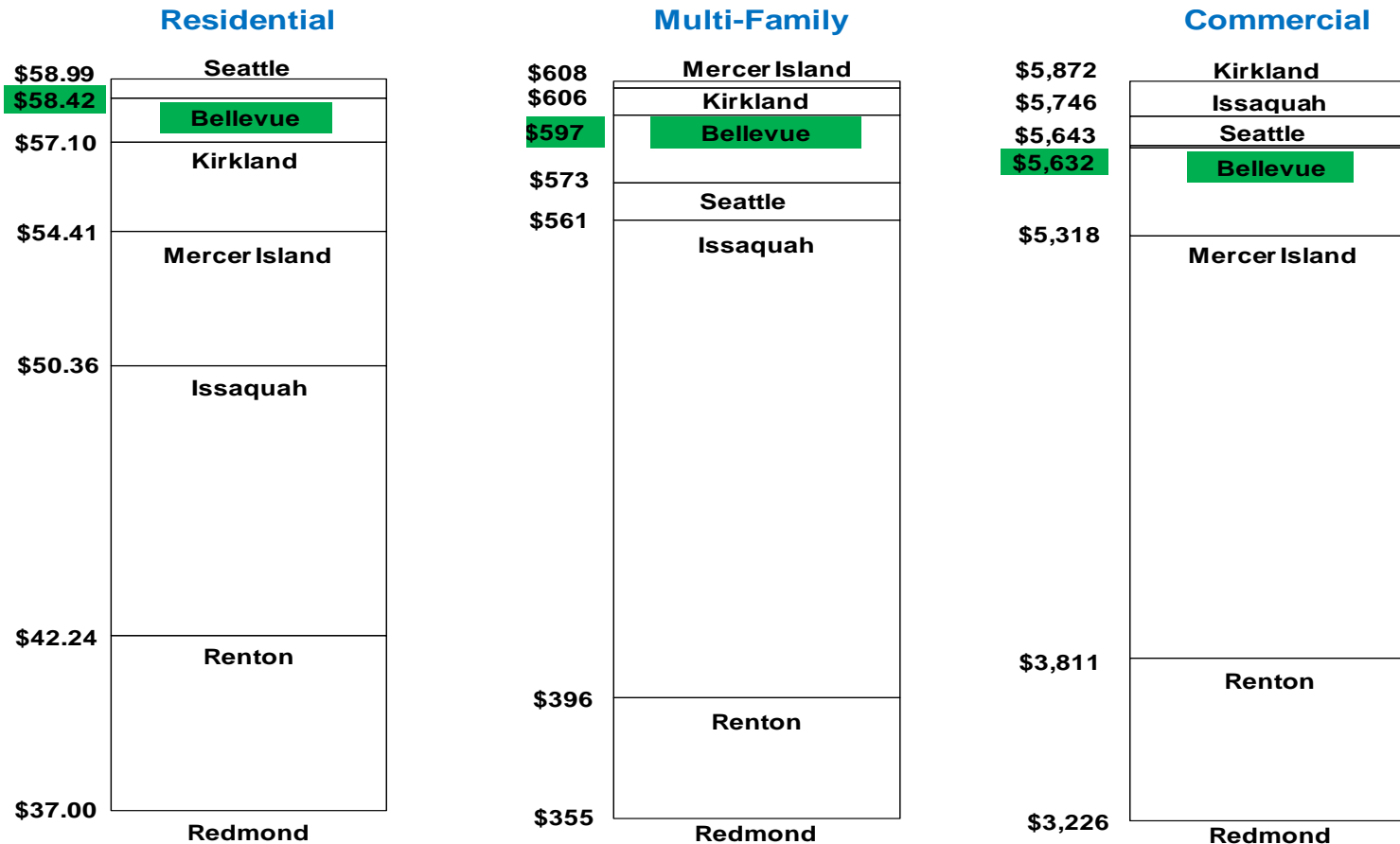


# What Your Water Rates Buy

- **Reliable, Safe Water**
  - No drinking water violations
  - Minimal unplanned water service interruptions
- **High Satisfaction**
  - Customer satisfaction – 93%
- **Industry Standards & Best Practices**
  - APWA accreditation
  - AMWA Platinum Award
  - AMWA Sustainable Water Utility Management Award
- **Poised to Meet Future Challenges**
  - Proactive v. reactive system maintenance
  - Asset management
  - Infrastructure R&R

# Bellevue's Water Rates

## WATER UTILITY 2016 MONTHLY BILL COMPARISON



Comparisons based on the following criteria established by City Engineers Association of Washington.

1. Residential: A single-family dwelling with 3/4-inch meter and monthly consumption of 850 cubic feet.
2. Multi-family: A 12 unit multi-family building with a single 1 1/2-inch meter and monthly consumption of 10,000 cubic feet.
3. Commercial: A commercial/industrial user with a 4-inch meter and monthly consumption of 100,000 cubic feet.

# What Differentiates Bellevue's Water Rates

- **Strong Financial Position**

- Aa1 bond rating
- No debt
- Infrastructure R&R reserves

- **Active Infrastructure Replacement**

- 40% of water main is AC pipe
- Ramping up small diameter main replacement to 5 miles/yr by 2018

- **Source of Water Supply**

- Bellevue has no independent water supply
- Neighboring cities have independent water supply

# High Quality Drinking Water for \$1.90/Day

## Retail

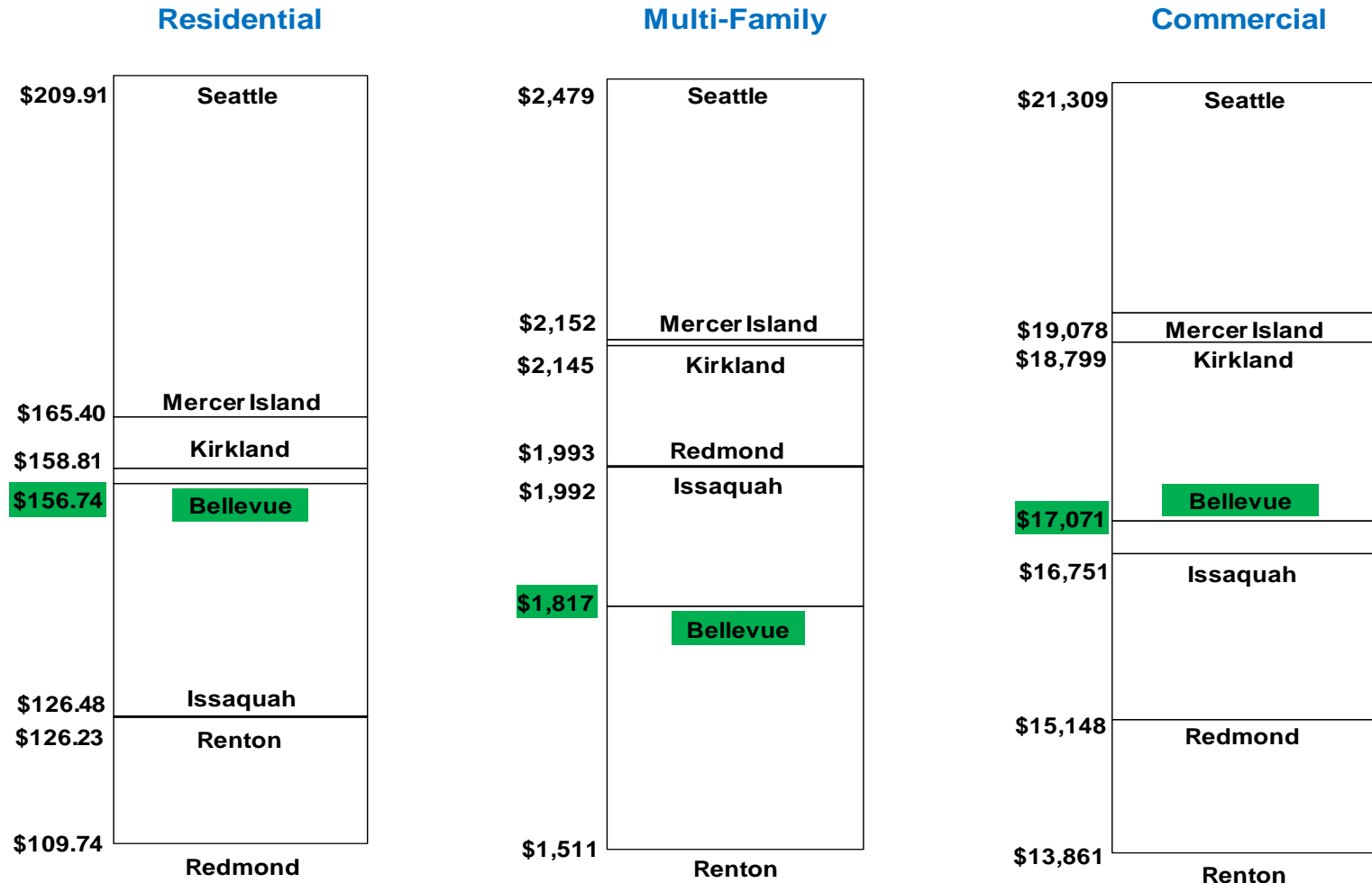


## Bellevue Utilities



# Bellevue's Utility Rates Are Competitive

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





# Rate Increases

- Rates are Utilities primary source of funding
- Projected annual rate increases to support operational and capital needs
  - 1.5% wholesale
  - 2.5% capital infrastructure investment
  - 1.0% maintenance & operations

# Affordability for Low-Income Citizens

- **Utility Rate Relief Program**

- Available to qualified low income seniors and permanently disabled customers
- 40% or 75% reduction to total utility bill based on income
- \$900K in annual relief provided to about 1,200 citizens

- **Utility Tax Relief Program**

- Available to all persons living in the Bellevue Utilities service area who meet low-income guidelines
- Rebate of portion of utility taxes paid to City
- \$130K in annual rebates provided to about 1,200 citizens