



2017-2018 Operating Budget and 2017-2023 Capital Investment Program Plan

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October 24, 2016



Tonight's Purpose

- Second of several briefings
 - Reminder on Calendar and Actions
 - Memory Bank – Attachment B
 - Utilities Presentation
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- Full Budget can be found on line at:
<http://www.bellevuewa.gov/budgets.htm>



Calendar

Date	Agenda	Status
October 17	Study Session: Preliminary budget presentation	Complete
October 24	Study Session: Response to areas of interest from October 17 and Utilities early review	Tonight
November 7	Study Session: Deeper dive in CIP and Operating; respond to areas of Council interest	
November 14	Study Session: Utilities and DS fee discussions	
November 21	Study Session: Respond to areas of Council interest Regular session: Public Hearing	
November 28	Study Session: Respond to areas of Council interest	
December 5	Regular Session: Tentative Adoption	



Council Actions to Adopt

Action	Brief Explanation
2017 Property Tax Levy	Required annually by RCW
2017 Property Tax Banked Capacity Resolution	Staff recommends banking unused capacity
2017 Substantial Need Ordinance	IPD for 2017 is 0.953%, less than the allowable 1%. Staff recommends adopting a substantial need ordinance to bank the 1% capacity
Utility Rate Ordinance	Utility rates for 2017 and 2018
Development Services Fee Ordinance	Development Services Fee schedule for 2017
2017-2018 Budget Ordinance	This is the “umbrella” ordinance, which includes appropriation approval by fund, 2017 pay plans, and summarizations of grants and donations accepted that are less than \$90,000



City of Bellevue Utilities Department 2017-2018 Proposed Budget

Presentation to Bellevue City Council

*October 24, 2016
Nav Otal, Director*

Agenda

- Respond to Council questions
- Utilities budget and rates overview



2017-2022 Combined 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%

Combined Monthly Bill – 2016 v. 2017

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

Assumptions:

Water: ¾ inch water meter; 8.5ccf consumption/month

Sewer: 7.5ccf wastewater flow/month

Storm: 10,000sft lot at moderate development level

All calculations are presented including City utility taxes

Typical Residential Combined Utility Monthly Bill

Rate Drivers

	2017 Bill Change		2018 Bill Change	
Prior Year Monthly Bill		\$156.74		\$163.04
Water Supply /Wastewater Treatment →	1.8%	2.82	0.7%	1.17
Local				
CIP →	1.4%	2.10	2.7%	4.43
R&R →	0.0%	0.03	(0.6)%	(1.10)
Taxes and Interfunds	0.1%	0.12	0.7%	1.20
Operations →	0.2%	0.37	0.5%	0.81
Issaquah Assumption →	0.5%	0.86	-	-
Total Local	2.2%	3.48	3.3%	5.34
Total Increase →	4.0%	6.30	4.0%	6.51
New Monthly Bill		\$163.04		\$169.55

2017-2018 Utilities Budget Review

January 21

- ✓ Introduce 2017-2023 CIP Update and Review Adopted 2015-2021 Utilities CIP

February 4

- ✓ Review Proposed Changes and Additions to Utilities CIP

March 3

- ✓ Summarize proposed changes to Utilities CIP
- ✓ 2017-2018 Budget One Process Overview
- ✓ Review Waterworks Financial Policies

March 15- April 1

- ✓ On-line CIP Open House

April 7

- ✓ Summarize CIP Public Comments; Request ESC CIP concurrence
- ✓ 2015 year-end budget financial report
- ✓ Early Outlook Forecast

May 5

- ✓ Review Preliminary Utilities CIP and Operating budget proposals

May 19

- ✓ Complete review of Utilities Budget Proposals

June 2

- ✓ Final ESC comments on budget proposals
- ✓ ESC budget proposal recommendations to RTs/LTs

July 7

- ✓ CIP tour

October 4

- ✓ Presentation to BOMA

October 6

- ✓ Proposed Budget Recap
- ✓ Preliminary Rates Forecast

October 13

- ✓ Presentation to Bellevue Chamber of Commerce

October 20

- ✓ ESC Public Hearing on proposed Utilities budget

October 27

- ☐ Business Customer Forum

November 3

- ☐ Develop budget/rate recommendation to Council

November 14

- ☐ Present budget/rate recommendation to Council

Council Adopted Policies

Rate Management

- Current and future expenses
- Gradual and uniform
- Wholesale pass-through
- Use of savings/one-time revenues



Council Adopted Policies

Capital Investments

- Take care of what we have – aging infrastructure is a future liability
- Financial planning for long-term capital investment
- Renewal and Replacement (R&R) account - established 1995
- Intergenerational equity
- Debt reserved for significant changed circumstances



Proposed 2017-2018 Utilities Budget

\$282.8 Million

28%

Protecting Our Infrastructure

CIP Support
\$79.3M
28%

Taxes/Interfunds
\$38.0M
14%

53%

Financial Obligations

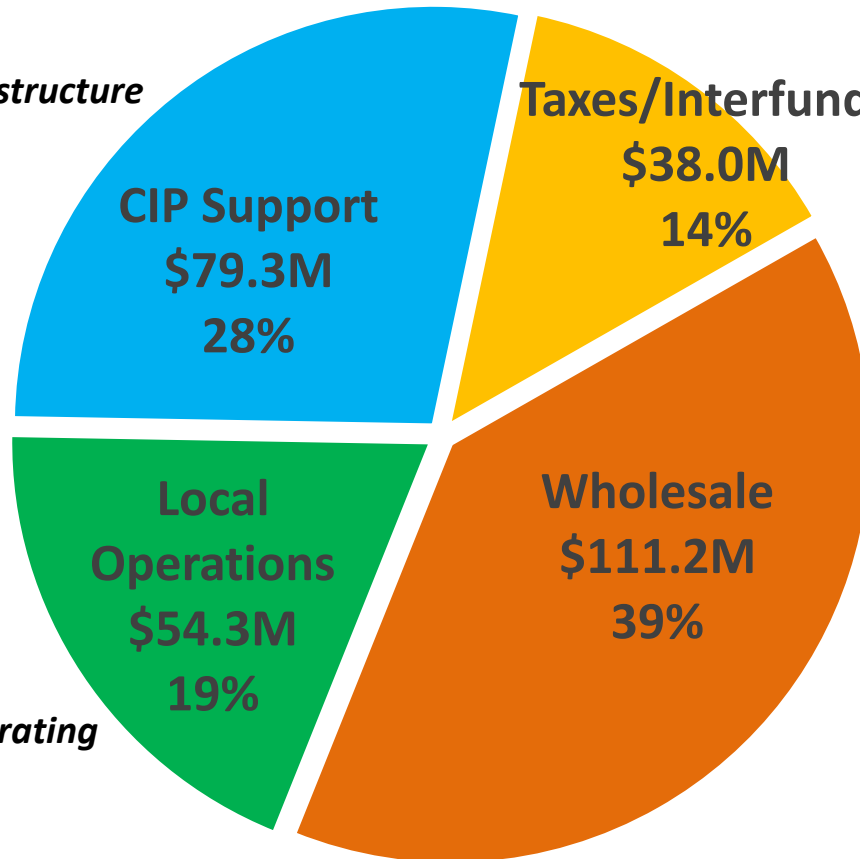
- Taxes/Support Services
- Purchased Water
- Wastewater Treatment

Wholesale
\$111.2M
39%

Local Operations
\$54.3M
19%

19%

Maintaining and Operating the Utility



Rate Increases - Wholesale Costs

	2017	2018
Water Supply	\$300K	\$800K
Wastewater Treatment	\$1.6M	-
Total	\$1.9M	\$800K
% Increase to Total Utility Bill	1.8%	0.7%
\$ Impact to Total Utility Bill	\$2.82	\$1.17

Proposed 2017 – 2023 Utilities CIP (\$220.6M)

- Aging infrastructure (72%)
- Capacity to accommodate growth (5%)
- Environmental preservation & regulatory (13%)
- Customer service enhancements (10%)

Aging Infrastructure \$159.6M	Capacity for Growth \$10.1M	Environmental Preservation \$27.8M	Service Enhancements \$23.1M
<ul style="list-style-type: none"> • Small diameter water main replacement (\$70.3M) • Water pump station and reservoir repair / rehabilitation (\$15.3M) • Sewer pipeline major system repairs (\$14.2M) • Storm system conveyance repairs (\$10.4M) 	<ul style="list-style-type: none"> • New water inlet station (\$5.2M) • Water Facilities NE Spring Blvd Multi-Modal (\$2.3M) • Drinking water storage for West Operating Area (\$1.6M) • Wilburton sewer capacity upgrade (\$0.6M) 	<ul style="list-style-type: none"> • Flood control program (\$8.4M) • Lower Coal Creek flood hazard reduction (\$7.3M) • Stream restoration for Bel-Red (\$5M) 	<ul style="list-style-type: none"> • AMI (\$23.1M)

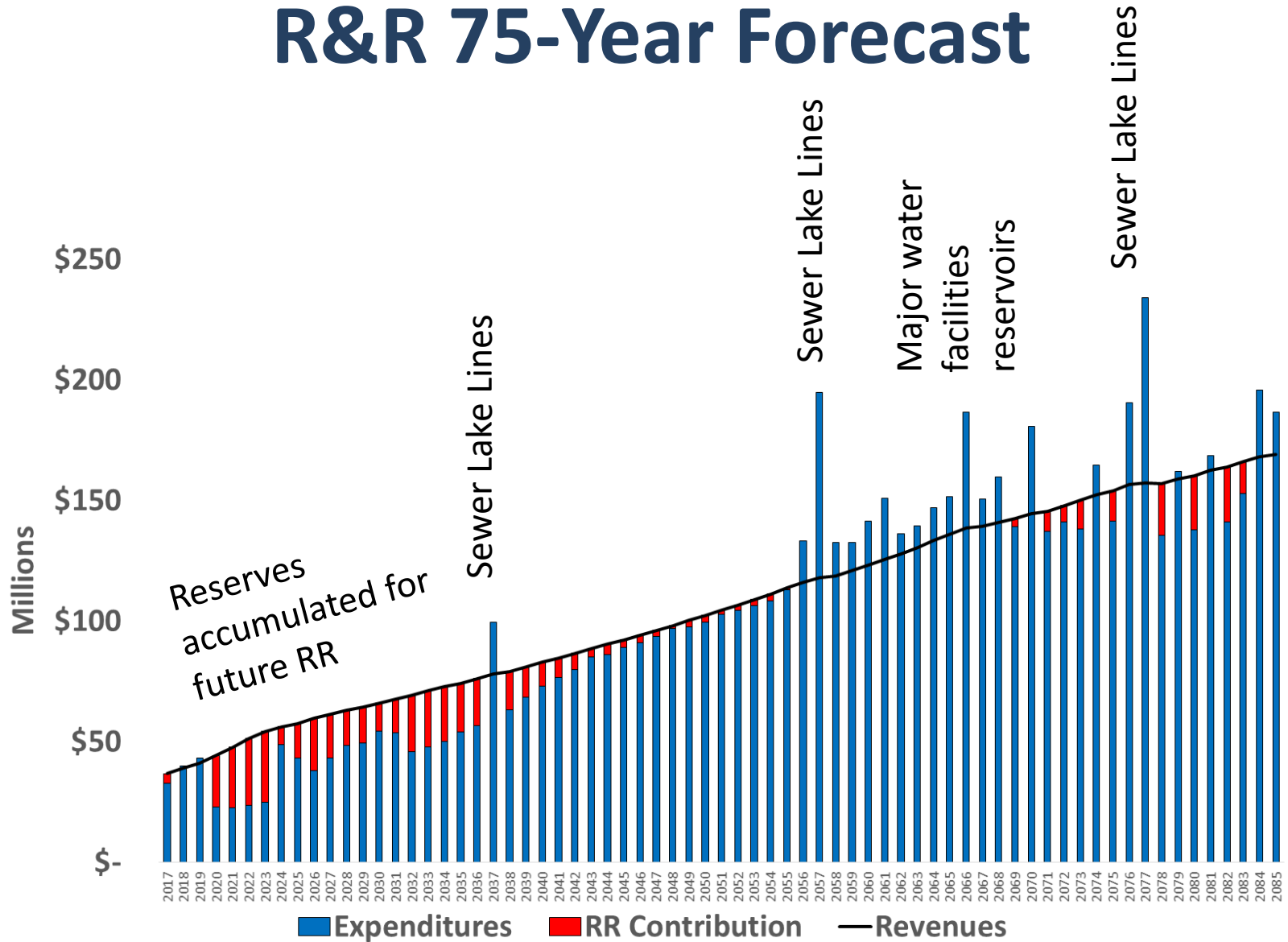


Rate Increases - CIP

	2017	2018
% Increase to Total Utility Bill	1.4%	2.7%
\$ Impact to Total Utility Bill	\$2.10	\$4.43

R&R Funding Strategy

R&R 75-Year Forecast



Rate Increases – R&R

	2017	2018
% Increase to Total Utility Bill	0%	(0.6%)
\$ Impact to Total Utility Bill	\$0.03	(\$1.10)

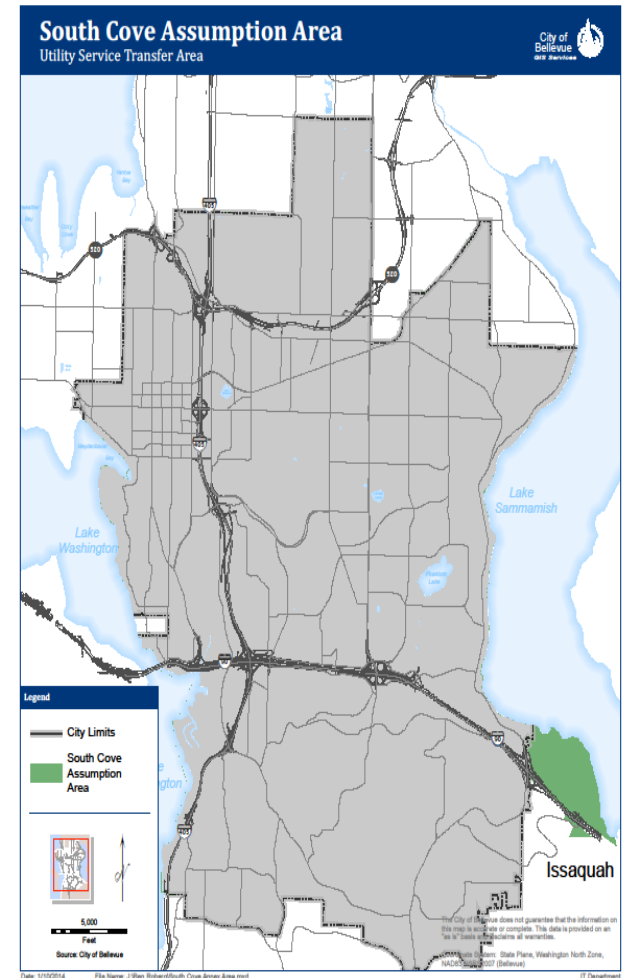
Customer Service Enhancement - AMI

- Benefits:
 - Customer access to real-time water usage
 - Proactive, “real-time” leak detection
 - Promotes conservation
 - Reduces meter reading labor and vehicle costs
 - Improves meter accuracy; equitable payments
 - Promotes Bellevue’s Smart City efforts
- Cost: \$23.1 million
- **Net benefit: \$2.3 million over 20 years**
- **No rate impact**



Issaquah Assumption

- Bellevue and Issaquah signed Assumption Agreement in 2015
- Services will transfer on 1/1/17
- Assumption Area:
 - 1,000 accounts
 - 2.5% Utilities' customers
- Annual Financial Impact:
 - Revenue loss: \$1.5 million
 - Savings: \$950k
 - Net Income Impact: \$540k
- Rate Impact:
 - Water Rate: 0.7% increase
 - Sewer Rate: 0.6% increase



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Attributes of a Well-Managed Utility

- **High Customer Satisfaction Rating**
 - 93% Customer Satisfaction
- **Solid Financial Management**
 - High Bond Rating – Aa1
 - No Debt
- **National Standards of Excellence**
 - APWA Accreditation
 - AMWA Platinum Award
 - AMWA Sustainable Water Utility Management Award

2017-2022 Utility Rates Forecast

	2017	2018	2019	2020	2021	2022
Water						
Wholesale	0.8%	1.9%	1.4%	1.4%	1.4%	1.4%
Local	<u>2.6%</u>	<u>4.2%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.5%</u>
Total	3.4%	6.1%	4.4%	4.4%	4.4%	3.9%
Sewer						
Wholesale	3.1%	0.0%	3.1%	0.0%	1.6%	1.6%
Local	1.3%	2.2%	1.3%	1.1%	1.3%	1.3%
Total	4.4%	2.2%	4.4%	1.1%	2.9%	2.9%
Storm						
Wholesale	-	-	-	-	-	-
Local	<u>4.3%</u>	<u>4.6%</u>	<u>3.5%</u>	<u>3.4%</u>	<u>3.4%</u>	<u>3.4%</u>
Total	4.3%	4.6%	3.5%	3.4%	3.4%	3.4%
Combined Proposed	4.0%	4.0%	4.3%	2.7%	3.5%	3.4%