



## Utility Advisory Committee

### 2019 Utility Rate and General Facility Charge (GFC) Recommendations

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**Title**

2019 Utility Rate and General Facility Charge (GFC) Recommendations

**Recommended Action/UAC Deliverable:**

Continue review of staff's recommended rates and GFCs for 2019.

**Issue:**

Forward budget and rate recommendations to City Council for review during their budget deliberations. Council's Finance Committee plans to review Utility rates on October 17, 2018.

**Staff Contact:**

Gary Franks, Public Works Waste ReSources Director, 360.753.8780  
Andy Haub, Public Works Water Resources Director, 360.753.8475

**Presenters:**

Same as above

**Previous Utility Rate Work Items Before the UAC:**

The Utility Advisory Committee reviews City Utility finances, capital investments, and rates annually. UAC recommendations are important to subsequent City Council decision-making. The UAC reviewed proposed 2019 budgets and rates on June 7, 2018 and September 6, 2018.

**Background and Analysis:**

As discussed in September, the proposed budgets generate 2019 rate increases for single family residences as follows:

|                   |  |
|-------------------|--|
| Drinking Water    | 4.3%                                       |
| Wastewater        | 3.1%                                       |
| Storm and Surface | 5.1%                                       |
| Waste ReSources   | 5.5%                                       |
| LOTT              | 3%   |
| Combined          | 3.9% or \$4.96/month/single family account |

Rates for non-single family accounts would be raised proportional to their current bills.

Key discretionary financial drivers for the proposed rate increase include:

- Increased municipal utility tax (All four City utilities)
- Increased funding for capital project construction (Drinking Water)
- Increased funding for sea level rise response (Storm and Surface Water)
- Decreasing commodity values for recycled material (Waste ReSources)
- One new employee (Drinking Water and Wastewater)

Additionally, general facility charges (GFCs) are proposed to increase roughly 10 percent or \$131 per new single family residence.

### **Budget and Rate Revisions**

Preliminary City Council direction on several budget components have been received since September 6<sup>th</sup>:

- Council is tentatively planning to proceed with the 0.5% municipal tax increase.
- Council Finance Committee supports the UAC and staff recommendation for the Lifeline customer assistance program. We plan to maintain the current program thresholds and modestly expand participation through increased public outreach. No rate increase will be needed.

Neither of these tentative decisions from Council affect the rate increases we proposed in September. They were already incorporated into the budget.

However, following up on the UAC's comments during the September meeting, staff recommend eliminating the proposed 3.1 percent rate increase for the Wastewater Utility. Increasing wastewater expenditures in 2019 will be covered by steadily increasing revenues and modest capital expenditures over the past several years. Eliminating the wastewater increase would generate a combined rate increase of 3.5 percent or \$4.45 /month/single family account.

Attached for UAC consideration are the five year trends in utility revenue, expenditures, and available year-end resources are. The trends demonstrate:

- With the exception of Storm and Surface Water, budgeted and actual revenues track well with each other. This trend is appreciable in drinking water and leads to increasing cash above mandatory reserves.
- Actual expenditures are consistently below budgeted expenditures.
- Available funding (cash) above mandatory serves are increasing. A portion of these funds can be transferred to the capital projects programs.

Staff will brief the Finance Committee on utility budgets and proposed rates on October 17<sup>th</sup>. If feasible, staff need to forward the UAC's written or verbal recommendations at that time.

### **Options:**

1. Support staff proposals for the 2019 GFC's and utility rates as follows:

|                   |      |
|-------------------|------|
| Drinking Water    | 4.3% |
| Wastewater        | 0%   |
| Storm and Surface | 5.1% |

|                 |  |
|-----------------|--|
| Waste ReSources | 5.5%                                       |
| LOTT            | 3%   |
| Combined        | 3.5% or \$4.45/month/single family account |

2. Propose alternative rate recommendations.

**Financial Impact:**

Under Option 1, the typical single-family residential customers will experience a 3.5 percent increase in their 2019 utility bill. This proposed increase is preliminary and could change.

**Staff Recommendation:**

Proceed with Option 1.

**Attachment:**

Trend Graphs