



Utility Advisory Committee

Proposed 2020 Utility Budgets, Rates, and CFP

Agenda Date: 6/6/2019
Agenda Item Number:
File Number: 19-0488

Type: discussion **Version:** 1 **Status:** Filed

Title

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Report

UAC Deliverable:

Briefing only. Recommendations to City Council in September.

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Previous Utility Rate Items Before the UAC:

The Utility Advisory Committee reviews City Utility finances, capital investments, and rates annually. The evaluation typically begins with review of the Capital Facility Plan (CFP) and concludes with Utility rate and general facility charges (GFCs) recommendations in September or October. UAC recommendations are important to City Council decision-making.

Background and Analysis:

The City Utilities provide vital public health services for our community - safe drinking water, sanitary sewers, waste reduction and disposal, flood management, and environmental protection. Utility staff focus on effectiveness and efficiency in the delivery of these services.

The City Utilities are municipal enterprise funds. They are financially self-supporting without the input of general tax funds. Conversely, Utility revenue does not support tax-based City programs. However, the Utilities pay a fair share of various City overhead costs (e.g., building mortgage, legal and executive services). Annual savings remain in the Utilities and carry-over to the following year.

Utility rate increases over the past decade have been substantial. The combined and weighted rate increase for 2019 was 2.5 percent or approximately \$6.38/bimonthly, broken down as follows:

- Drinking Water 0 percent
- Wastewater 0 percent
- Waste ReSources 5.5 percent
- Storm and Surface Water 5.1 percent
- LOTT 3 percent

Single-family residential accounts are commonly billed \$238 - \$255 every two months. Commercial and multifamily accounts are charged based on water and solid waste usage. For storm and surface water, charges are based on the amount of onsite impervious surface and level of onsite stormwater management.

Also in 2019, general facility charges (GFCs) were increased 2.3 percent or \$354 per single-family residence. GFCs are a one-time charge collected from new development. The charges reflect the financial value of the existing Utility infrastructure and the benefits the system provides to new development. Each of the water-related Utilities collects a unique GFC. The LOTT Clean Water Alliance collects a similar fee called a capacity development charge (CDC).

GFCs are determined by a State-guided set of calculations that define the value of the existing and planned infrastructure and the distribution of costs among current and future users. Every few years, City staff hires independent financial consultants to evaluate the GFCs. Combined GFCs and CDCs are \$15,230 for a single-family residence.

Potential 2020 Rate Increases

Staff is likely to propose modest rate increases for 2020; expected to be between 1 and 4 percent. Consistent with community expectations, the proposed rate increases ensure that Utility services continue reliably and without interruption. Fortunately, the City utility programs, infrastructure and finances continue to be in good shape. Local, state, and federal public and environmental health mandates are either met or being addressed.

Key budget drivers include:

- Potential increases in cash funding for capital projects in the Storm and Surface Water, Wastewater (capacity projects) and Drinking Water Utilities (tank seismic upgrades).
- The addition of one data control specialist shared by drinking water and wastewater.
- Cost of living adjustments - typically 90% of Seattle Consumer Price Index for All Urban Consumers (CPI-U).
- Changes in the regional Construction Cost Index (CCI) affecting material costs and hired labor.
- Incrementally increase Drinking Water meter replacement program \$15,000 per year for three years.
- Costs associated with subsidizing increased Lifeline rate enrollments.
- Continued funding for the design and construction of a new solid waste facility on the City's Carpenter Road property.
- Continue to respond to declining revenue in our residential recycling program due to volatile international commodity markets.
- Replacement of a "ghost" rear load garbage truck creates a rise in cost
- Correction to the Waste ReSources FTE compliment resulting from three employee job reclassifications.
- Waste ReSources cost of service study may identify or recommend additional rate increases so that individual service classes remain cost neutral.

As a placeholder, we are considering a 0.3 percent rate increase to offset the revenue loss

associated with potentially expanding the customer assistance program (Lifeline rates). The rate increase would accommodate doubling participation in the program.

At the June 6th UAC meeting, Waste ReSources and Water Resources staff will provide an overview of our budget dynamics:

- The draft 2019-2024 CFP
- Projected 2019 year-end finances
- 2019 status to date
- Emerging trends and concerns
- Potential magnitude of 2020 rates and GFCs

The June 6th discussion with the UAC will set the stage for more detailed discussion and ultimately recommendations to City Council in September or October.

Financial Impact:

None at this time. However, utility rates are substantial and impact our community.

Attachments:

2019 revenues to date

Bi-Monthly Utility Bills, GFCs and CDCs 2016 - 2020

Water Resources CFP tables