CITY OF MERCER ISLAND
UTILITY BOARD HYBRID MEETING
Tuesday, September 8, 2026, at 5:00 PM

BOARD MEMBERS:
Brian Thomas – Chair
Steve Milton – Vice Chair
Meredith Lehr, Joy Liechty,
Craig Olson, Debbie Bertlin and Geraldine Poor

LOCATION & CONTACT
Mercer Island Community & Event Center & Zoom
8236 SE 24th Street | Mercer Island, WA 98040
Phone: 206.275.7793 | www.mercerisland.gov

We strive to create an inclusive and accessible experience. Those requiring accommodation for meetings should notify the City Clerk's Office 3 days prior to the meeting at 206.275.7793 or by emailing cityclerk@mercerisland.gov.

The virtual meeting will be broadcast live on Zoom and recorded and saved on the City Council's YouTube Channel

Individuals wishing to speak live during Appearances will need to register their request with the City Clerk at cityclerk@mercerisland.gov before 4 PM on the day of the Utility Board meeting. Each speaker will be allowed three (3) minutes to speak.

Join the meeting at 5:00 PM by:
- **Telephone:** Call 253.215.8782 and enter Webinar ID 821 0509 6031 and Password 670394
- **Zoom:** Click this link (Webinar ID 821 0509 6031; Password 670394)
- **In Person:** Mercer Island Community & Event Center (8236 SE 24th Street, Mercer Island, WA 98040)

MEETING AGENDA

CALL TO ORDER & ROLL CALL

PUBLIC APPEARANCES

REGULAR BUSINESS

1. **Utility Board Hybrid Meeting Minutes June 09, 2026**

   Recommended Action: Approve the Utility Board Hybrid Meeting Minutes of June 9, 2026.

2. **2027 Water Rate Discussion/Recommendation**

   Recommended Action: Review the proposed 8.0% utility rate increase for water services for fiscal year 2027.

3. **2027 Sewer Rate Discussion/Recommendation**

   Recommended Action: Review the proposed 7.0% utility rate increase for sewer services for fiscal year 2027.

4. **2027 Storm Water Rate Discussion/Recommendation**

   Recommended Action: Review the proposed 6.0% utility rate increase for storm water services for fiscal year 2027.

5. **2027 EMS Rate Discussion/Recommendation**

   Recommended Action: Accept staff's recommendation to increase the EMS rate by 4.0% for fiscal year 2027.

6. **Department Work Plan Update**

OTHER BUSINESS

7. **Upcoming Meetings and Agenda Items**

ADJOURNMENT

Item 1.

UTILITY BOARD MINUTES
REGULAR HYBRID MEETING
June 9, 2026

CALL TO ORDER & ROLL CALL

The meeting was called to order at approximately 5:03pm from a remote location. Chief of Operations Jason Kintner conducted roll call.

Vice Chair Steve Milton and Board Members, Craig Olson, Meredith Lehr, Geraldine Poor, Joy Liechty and Councilmember Weiker participated remotely.

PUBLIC APPEARANCES
There were no public appearances.

REGULAR BUSINESS

Utility Board Special Hybrid Meeting Minutes of March 10, 2026

It was moved by Lehr seconded by Olson to:
Approve the Utility Board Regular Hybrid Meeting Minutes of March 10, 2026
Motion Passed 5-0

New Board Member Welcome/Introductions

Board Members and City Staff introduced themselves to the new Board Members present at the meeting.

Chair/Vice Chair Elections

Jason Kintner, Chief of Operations opened up the nominations for Chair.
Lehr nominates Thomas (absent but previously indicated his interest in continuing his term as Chair)
Olson seconds nomination for Thomas
There were no further nominations.
Vote
Thomas 5-0
Thomas elected Chair

In Chair Thomas' absence, Jason Kintner, Chief of Operations, opened the nominations for Vice Chair
Lehr nominates Milton
Liechty seconds nomination for Milton
There were no further nominations.
Vote
Milton 5-0
Milton elected Vice Chair

Water Supply Line Project Update

Jason Kintner, Chief of Operations, and Carson Hornsby, Management Analyst, presented an update of the water supply line project. The Board discussed the presentation and asked questions.

OTHER BUSINESS

Utility Board Tours will take place in late July or early August and will be coordinated by Public Works staff.

ADJOURNMENT

The meeting adjourned at 5:45pm.

UTILITY BOARD STAFF REPORT

Item 2
September 8, 2026
Regular Business

AGENDA ITEM INFORMATION

TITLE:	2027 Water Rate Discussion/Recommendation	☒ Discussion Only ☐ Action Needed: ☐ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Review the proposed 8.0% utility rate increase for water services for fiscal year 2027.	

STAFF:	Matt Mornick, Finance Director Ben Schumacher, Financial Analyst II
COUNCIL LIAISON:	Wendy Weiker
EXHIBITS:	1. 2027-2032 Projected Water Utility Cash Flow

BACKGROUND

As part of the 2027-2028 biennial budget process, staff seeks a recommendation from the Utility Board regarding the Water Utility rate adjustment for the upcoming fiscal year. Staff recommends an 8.0% increase to the Water Utility rates for 2027 as proposed in the rate model.

The operating and capital budgets presented in this memo include adopted and amended figures through May 5, 2026, as well as preliminary 2027 and 2028 budget figures, contingent on City Council budget approval in December 2026.

2027-2028 PRELIMINARY OPERATING BUDGET

The operating budget for the Water Utility is presented in Table 1.

Table 1

Operating Expenditures	**2025**	**2026**	**2027**	**2028**	**Percent Change**	
($ in thousands)	**Actual**	**Forecasted**	**Budget**	**Budget**	**26-27**	**27-28**
Salary & Benefits	$1,949	$1,942	$2,212	$2,289	13.9%	3.5%
Water Purchased for Resale	1,912	1,997	2,123	2,315	6.3%	9.0%
Other Services and Charges	2,941	3,704	3,349	3,386	-9.6%	1.1%
Debt Service	2,224	2,430	3,834	3,829	57.8%	-0.1%
Total	**$9,026**	**$10,073**	**$11,517**	**$11,818**	**14.3%**	**2.6%**

Highlights from the Water Utility operating budget include:

- Combined personnel costs for 2027 are projected to increase 13.9% over the 2026 budget. This increase is driven by a 4.10% cost-of-living adjustment (COLA) tied to the first half of 2026 CPI-W for Seattle-Tacoma-Bellevue WA, rising benefit costs, and a fully staffed department in 2027 versus forecasted savings in 2026 that were a result of vacancies in the first half of the fiscal year.

- Water purchases from Seattle Public Utilities (SPU) are projected to increase 6.3% in 2027 when compared to the 2026 rates. Note that SPU sets a higher rate for the period of Peak usage (May 15-Sept 15) than for non-peak period usage (Sept 16-May 14).

- Other Services and Charges include all other costs of operations including supplies, insurance, and City administration costs. Administration costs include the Water Fund's share of administrative support provided by the City Attorney's Office, City Manager's Office, Finance, and Human Resources staff.

- Debt service payments include two schedules. First, debt service on a $3.3 million public works trust fund loan for the Booster Chlorination System project. Second, debt service tied to a $26.6 million sale of limited tax general obligation (LTGO) bonds for a selection of qualifying projects.

- In Q1 2027, staff anticipate a third LTGO bond sale for the water utility, raising outside capital to help pay for the list of qualifying projects outlined in the discussion section of this memo. This bond sale is likely to result in an additional annual ongoing principal and interest payment of $1.5 million. The rate model assumes a potential final bond sale in 2030 to support routine capital reinvestment. Staff will closely track capital program needs over the next biennium and evaluate the feasibility of this final sale.

DISCUSSION

CAPITAL REINVESTMENT PROJECTS

Proposed capital reinvestments for 2027 and 2028 are detailed in Table 2. Modernizing the water distribution system – particularly the water supply line and pressure reducing valve stations that are reaching the end of their useful lives – is the primary driver behind the proposed rate increase.

Table 2

Water Utility Capital Program Budget 2027-2028 *($ in thousands)*			
Project ID	**Description**	**2027**	**2028**
41904059	Capital Project Management	$720	$749
90.40.0001	Emergency Water System Repairs	220	227
90.40.0002	Water System Components Replacement	54	56
90.40.0003	Modeling & Fire Flow Analysis	40	41
90.40.0004	Street Related Water System Improvement	160	165
90.40.0006	WS Reliability Action Plan Improvement	300	309
90.40.0010	Water System Instrumentation	80	82
90.40.0011	First Hill BPS Upgrades	1,860	2,060
90.40.0014	Forest Avenue Water System Improvement	520	
90.40.0015	Phase 3 PRV Replacement	400	2,318
90.40.0016	Lucas Heights AC Main Replacement	700	3,090
90.40.0017	SE 59th & 61st Water Sys Improvement	550	2,318
90.40.0018	Phase 4 PRV Replacement		309
90.40.0019	SE 40th (East) AC Main Replacement	5,100	
90.40.0020	Avalon Park Water Sys Improvement	600	2,472
90.40.0023	Baxter AC Main Replacement		700
90.40.0032	City Water Supply Line Construction	8,320	
90.40.0043	Water System Plan Amendment	50	77
90.40.0044	EMW Water System Improvements Constructic	2,000	
Water Utility CIP Total		**$21,674**	**$14,972**

WATER RATE PROPOSAL

The proposed 8.0% water rate increase for 2027 is based on the City's updated rate model that reflects the 2027-2028 operating budget, the 2027-2032 Capital Improvement Program (CIP), debt financing requirements, and 2026 budget to actuals performance through July of this year. Prepared jointly by Finance, Public Works, and outside consultants, the rate model incorporates a third and potential final bond sale in 2027 and 2030, to finance the remaining City Water Transmission project costs as well as other major capital project work that exceeds $2.5 million with useful lives over 20 years.

This strategy spreads major infrastructure costs incurred in a relatively short period over the useful life of updated infrastructure, thereby avoiding spikes in annual rate adjustments year-over-year while generations of rate payers who benefit from these investments help pay down the associated costs.

The proposed 8.0% rate adjustment for 2027 ensures that the Water Fund has adequate resources to complete the critical capital project work detailed below and into the future, as well as meet long-established fiscal policy guidelines – specifically a 90-day operating reserve and a 1% capital reserve target established by the Utility Board in 2006 as a prudent measure to protect the City's multi-million-dollar investments in its utility assets. This 1% capital reserve target enables the City to support future replacement needs without extraordinary rate increases, while recognizing the responsibility of new development, existing customers, and future customers to fund both current and future reinvestment needs.

As detailed in Exhibit 1, the 8.0% rate increase in 2027 supports a planned LTGO bond sale in the estimated amount of $18.5 million in 2027. Table 3 compares the 2027-2028 rate proposal against historical projections from 2021-2025.

Table 3

Rate Recommendations	2025	2026	2027	2028	2029	2030	2031	2032
2027-2028 Rate Proposal			**8.00%**	8.00%	6.00%	6.00%	6.00%	6.00%
2025-2026 Rate Update	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%		
2023-2024 Rate Update	8.00%	8.00%	8.00%	8.00%				
2021-2022 Rate Update	5.25%	5.25%						

WATER UTILITY BOND ISSUANCE - Q1 2027

The current Water Utility rate proposal assumes a portion of the scheduled capital projects will rely on outside funding to offset the more than $65.9 million in escalated capital spending between 2027-2032. Exhibit 1 includes two debt issuances, one in 2027 estimated at $18.5 million and a second in 2030 for an estimated $2.5 million.

For modeling purposes, timing when to seek outside funding is based on when qualifying infrastructure improvements are scheduled in the six-year capital improvement program (CIP). In practice, staff closely manage cash-flow needs for capital projects as they unfold with the requirement to spend down bond proceeds within three years of receipt.

Staff forecast the Water Fund balance will require additional funding from an estimated $18.5 million debt issuance in 2027 to provide vital support for the water utility, including the following projects and programs:

- **City Water Supply Line Replacement** (90.40.0032) involves the realignment of approximately 5,000 feet of the City's 24-inch supply line. The existing SPU transmission line alignment traverses' steep slopes, which has raised concerns necessitating the transmission line realignment to more stable terrain. Total project costs are estimated at $18.8 million from 2025-2027. Staff anticipate additional outside financing is required in Q1 2027 to finance the remaining construction costs through completion, estimated at $8.3 million in 2027.

- **Pressure Reducing Valve (PRV) Station Replacements** (90.40.0015, 90.40.0018) is an ongoing program to systematically replace PRV stations throughout the island. Most stations are below the City's current operational standards. There is a total of 85 PRV stations in the City's water distribution system. In general, the life span of a new PRV station is around 50 to 60 years, with routine maintenance. Total project costs are estimated at $3.0 million in 2027-2028. PRV replacements are being grouped in smaller scopes to maximize soft costs and minimize additional mobilization and construction costs.

- **Water System Improvements** (90.40.0014, 90.40.0017, 90.40.0020, 90.40.0044) aims to install over 6,500 linear feet of new 8-Inch ductile iron water main at four different locations on the northern and eastern portions of Mercer Island. Water services and fire hydrants in these areas will also be replaced. Total project costs are estimated at $8.5 million through 2027-2028.

- **Asbestos Cement (AC) Water Main Replacements** (90.40.0016, 90.40.0019, 90.40.0023, 90.40.0026) is an ongoing program to systematically replace antiquated AC water mains with ductile iron water mains. The replacement program reduces the potential for catastrophic system failure, unexpected service disruptions, and large damage claims to the City.

  Staggered capital reinvestment for aging water mains is being accelerated as AC water main breaks have increased relative to prior years. Over the 2027-2032 CIP planning period, total project costs are estimated at $16.3 million.

NEXT STEPS

Staff seeks to answer the Utility Board's questions about the 2027 rate adjustment, follow up with additional information as required, and return at the October 2026 Utility Board meeting for final review and adoption of the proposed utility rate adjustment for water service for fiscal year 2027.

The 2027 Water Utility rate adjustment will be included in the City's fee schedule update at the December 1, 2026 City Council meeting. Staff will return during the 2027-2028 mid-biennial budget process with new information to inform potential annual rate adjustments for fiscal year 2028 and beyond.

RECOMMENDED ACTION

Review the proposed 8.0% utility rate increase for water services for fiscal year 2027.

PROJECTED WATER UTILITY CASH FLOW 2027-2032

Revenue Requirement	2027	2028	2029	2030	2031	2032
Pre Rate Revenues						
Revenues						
Rate Revenues Under Existing Rates	$ 12,790,409	$ 13,164,007	$ 13,164,007	$ 13,164,007	$ 13,164,007	$ 13,164,007
Non-Rate Revenues	239,388	223,459	206,350	207,149	207,944	208,773
Total Revenues	**$ 13,029,797**	**$ 13,387,466**	**$ 13,370,356**	**$ 13,371,156**	**$ 13,371,951**	**$ 13,372,780**
Expenses						
Cash Operating Expenses	$ 7,354,197	$ 7,718,076	$ 7,983,581	$ 8,259,625	$ 8,546,650	$ 8,845,118
Existing Debt Service	2,334,605	2,329,822	2,327,789	2,328,257	2,220,974	2,221,192
New Debt Service	1,499,483	1,499,483	1,499,483	1,702,115	1,702,115	1,702,115
Total Expenses	**$ 11,188,284**	**$ 11,547,381**	**$ 11,810,853**	**$ 12,289,997**	**$ 12,469,740**	**$ 12,768,425**
Net Surplus (Deficiency)	**$ 1,841,513**	**$ 1,840,085**	**$ 1,559,504**	**$ 1,081,159**	**$ 902,211**	**$ 604,354**
Annual Rate Increase	**8.00%**	**8.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**
Cumulative Rate Increase	**8.00%**	**16.64%**	**23.64%**	**31.06%**	**38.92%**	**47.26%**
Post Rate Revenues						
Revenues After Rate Increases	$ 13,813,642	$ 15,354,497	$ 16,275,767	$ 17,252,313	$ 18,287,452	$ 19,384,699
Additional Taxes from Rate Increase	51,458	110,160	156,490	205,601	257,658	312,839
Net Cash Flow After Rate Increase	**$ 2,813,287**	**$ 3,920,416**	**$ 4,514,774**	**$ 4,963,864**	**$ 5,767,998**	**$ 6,512,208**
Sample Residential Bill	$76.96	$83.11	$88.10	$93.38	$98.99	$104.93
Monthly Increase ($)	$5.70	$6.16	$4.99	$5.29	$5.60	$5.94

Fund Balance	2027	2028	2029	2030	2031	2032
Operating Reserve						
Beginning Balance	$ 1,739,869	$ 1,813,364	$ 1,915,776	$ 1,995,717	$ 2,075,206	$ 2,158,089
plus: Net Cash Flow after Rate Increase	2,813,287	3,920,416	4,514,774	4,963,864	5,767,998	6,512,208
less: Transfer of Surplus to Capital Fund	(2,739,793)	(3,818,004)	(4,434,832)	(4,884,375)	(5,685,116)	(6,425,777)
Ending Balance	**$ 1,813,364**	**$ 1,915,776**	**$ 1,995,717**	**$ 2,075,206**	**$ 2,158,089**	**$ 2,244,520**
Actual Days of O&M	*90 days*	*90 days*	*90 days*	*90 days*	*90 days*	*90 days*
Capital Reserve						
Beginning Balance	$ 12,117,346	$ 14,061,114	$ 2,154,957	$ 1,346,533	$ 2,950,084	$ 1,769,507
plus: System Reinvestment Funding	-	-	-	-	-	-
plus: Transfers from Operating Fund	2,739,793	3,818,004	4,434,832	4,884,375	5,685,116	6,425,777
plus: Other Judgement/Settlements	-	-	-	-	-	-
plus: Revenue Bond Proceeds	18,500,000	-	-	2,500,000	-	-
plus: Interest Earnings	363,520	281,222	21,550	13,465	29,501	17,695
Total Funding Sources	**$ 33,720,659**	**$ 18,160,340**	**$ 6,611,339**	**$ 8,744,373**	**$ 8,664,701**	**$ 8,212,980**
less: Capital Expenditures	(19,659,545)	(16,005,383)	(5,264,806)	(5,794,289)	(6,895,193)	(6,247,162)
Ending Capital Fund Balance	**$ 14,061,114**	**$ 2,154,957**	**$ 1,346,533**	**$ 2,950,084**	**$ 1,769,507**	**$ 1,965,818**
Minimum Target Balance	*$ 1,101,417*	*$ 1,261,471*	*$ 1,314,119*	*$ 1,372,062*	*$ 1,441,014*	*$ 1,503,486*

UTILITY BOARD STAFF REPORT

Item 3
September 8, 2026
Regular Business

AGENDA ITEM INFORMATION

TITLE:	2027 Sewer Rate Discussion/Recommendation	☒ Discussion Only ☐ Action Needed: ☐ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Review the proposed 7.0% utility rate increase for sewer services for fiscal year 2027.	

STAFF:	Matt Mornick, Finance Director Ben Schumacher, Financial Analyst II
COUNCIL LIAISON:	Wendy Weiker
EXHIBITS:	1. 2027-2032 Projected Sewer Utility Cash Flow

BACKGROUND

As part of the 2027-2028 biennial budget process, staff seeks a recommendation from the Utility Board regarding the Sewer Utility rate adjustment for the upcoming fiscal year. The operating and capital budgets presented in this memo include amended budget figures through May 5, 2026.

Staff from Public Works and Finance worked with an outside consultant team to update the smoothed rate model based on 2026 budget actuals through July, capital work already underway, and emerging reinvestment needs for the sewer conveyance system through the current biennium and beyond. As a result of this updated analysis and the current state of the sewer system, staff recommends a 7.0% increase to the Sewer Utility rates for 2027.

2027-2028 OPERATING BUDGET

The operating budget for the Sewer Utility is presented in Table 1.

Table 1

Operating Expenditures *($ in thousands)*	2025 Actual	2026 Forecasted	2027 Budget	2028 Budget	Percent Change 26-27	27-28
Salary & Benefits	$1,495	$1,681	$1,737	$1,794	3.3%	3.3%
King County Sewer Treatment	6,043	6,653	7,501	8,457	12.8%	12.8%
Other Services and Charges	1,672	1,924	2,722	2,401	41.5%	-11.8%
Debt Service	1,021	1,030	2,371	2,734	130.3%	15.3%
TOTAL	**$10,231**	**$11,288**	**$14,331**	**$15,387**	**1.0%**	**6.9%**

Highlights from the Sewer Utility operating budget include:

- Combined personnel costs in 2027 are increasing 3.3% as compared to 2026. This increase is driven by a 4.10% cost-of-living adjustment (COLA) tied to the first half of 2026 CPI-W for Seattle-Tacoma-Bellevue WA and rising benefit costs.

- King County Sewage Treatment services are increasing service rates 12.75% in 2026. Increases are passed through to sewer customers and are identified separately on a customer's utility bill.

- Other Services and Charges include all other operating costs including supplies, contract services, insurance, and administrative costs. The latter includes the Sewer Fund's share of administrative support provided by the City Attorney's Office, City Manager's Office, Finance, and Human Resources staff. The 41.5% increase from 2026 to 2027 is primarily due to rising maintenance and replacement costs for the City's fleet of vehicles. Examples include the sewer jet truck and sewer pipe camera truck.

  In 2026, staff recognized that new vehicle replacement costs were outpacing expectations from past fleet rate models. This increase in fleet rates more accurately represents the costs to operate and maintain as well as replace the Sewer Utility fleet as vehicles and equipment reach the end of their useful life.

- Existing debt service is related to a Public Works Trust Fund loan (2005) for the Sewer Lake Line and Lake Line LTGO bond issuance (2017). Final repayment for the PWTF loan is anticipated in 2026, while final repayment for the Lake Line LTGO is anticipated in 2029.

- The sewer rate model assumes debt will be issued for a list of qualifying projects highlighted below in 2027, with a potential additional bond issuance anticipated in 2030. The debt issuance required to maintain the model's smoothed rate structure at 7.0% is estimated to be $26 million in 2027, and $5.5 million in 2030.

DISCUSSION

CAPITAL REINVESTMENT PROJECTS

Planned capital reinvestment work in 2027 and 2028 is shown in Table 2 below. Capital investment costs are the primary driver of the proposed sewer rate increases in the upcoming year as the sewer conveyance system is undergoing a period of significant reinvestment.

Table 2

Sewer Utility Capital Program 2027-2028
($ in thousands)

Project ID	Description	2027	2028
42903059	Capital Project Management	$336	$351
90.30.0001	Emergency Sewer System Repairs	55	56
90.30.0002	Backyard Sewer System Improvements	140	137
90.30.0003	Sewer System Components	55	56
90.30.0004	Pump Station Access Improvements	107	114
90.30.0006	Wet Well Cleaning	250	
90.30.0007	Lakeline Reach 1 Capacity Improvement	2,700	10,094
90.30.0013	General Sewer Plan Update	128	
90.30.0017	Pump Station Flow Monitoring	593	510
90.30.0026	Pump Station 19 & 21 Replacement	500	10,573
90.30.0028	PS 20 & 22 Generator Replacement	252	989
Sewer Utility CIP Total		**$5,114**	**$22,880**

SEWER RATE PROPOSAL

The proposed 7.0% sewer rate increase for 2027 is based on the City's updated rate model that reflects the 2027-2028 operating budget, the 2027-2032 Capital Improvement Program (CIP), debt financing requirements, and budget to actuals performance through July 2026. Prepared jointly by Finance, Public Works, and outside consultants, the rate model incorporates a third and fourth bond sale in 2027 and 2030, respectively, to finance qualifying capital project work that exceeds $2.5 million with useful lives over 20 years.

This strategy spreads major infrastructure costs incurred in a relatively short period over the useful life of updated infrastructure, thereby avoiding spikes in annual rate adjustments year-over-year while generations of rate payers who benefit from these investments help pay down the associated costs.

The proposed 7.0% rate adjustment for 2027 ensures that the Sewer Fund has adequate resources to complete the critical capital project work detailed below and into the future, as well as meet long-established fiscal policy guidelines – specifically a 30-day operating reserve and a 1% capital reserve target established by the Utility Board in 2006 as a prudent measure to protect the City's multi-million-dollar investments in its utility assets. This 1% capital reserve target enables the City to support future replacement needs without extraordinary rate increases, while recognizing the responsibility of new development, existing customers, and future customers to fund both current and future reinvestment needs.

As detailed in Exhibit 1, the 7.0% rate increase in 2027 supports a planned LTGO bond sale of $26 million in 2027, which Table 3 compares the 2027-2028 rate proposal against historical projections from 2021-2025.

Table 3

Rate Recommendations	2025	2026	2027	2028	2029	2030	2031	2032
2027-2028 Rate Proposal			**7.00%**	7.00%	7.00%	7.00%	7.00%	7.00%
2025-2026 Rate Update	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%		
2023-2024 Rate Update	4.50%	4.50%	4.50%	4.50%				
2021-2022 Rate Update	4.00%	4.00%						

SEWER UTILITY BOND ISSUANCE – Q3 2027

The current Sewer Utility rate proposal assumes a portion of the scheduled capital projects will rely on outside funding to offset the more than $42.2 million in escalated capital spending between 2027-2032. Exhibit 1 includes the projected LTGO debt issuance that amounts to $26 million in 2027 and $5.5 million in 2030.

For modeling purposes, timing when to seek outside funding is based on when qualifying infrastructure improvements are scheduled in the six-year capital improvement program (CIP). In practice, staff closely manage cash-flow needs for capital projects as they unfold with the requirement to spend down bond proceeds within three years of receipt.

Staff forecast the Sewer Fund balance will require additional funding from the planned $26 million issuance next year to remain positive through year-end 2027. This issuance will provide critical funding support for the sewer utility, including the following projects:

- **Lakeline Improvements** (90.30.0007) is an ongoing program to address identified capacity and access deficiencies in the lakeline component of the City's sewer conveyance system. Reach 1 (90.30.0007) of the Sewer Lakeline extends approximately 2.5 miles and serves pump stations 22-25. Funding in 2027-2028 will continue work from 2026 to address identified capacity and access deficiencies. The estimated construction scope assumes rehabilitation and/or replacement of approximately 25% of the Reach 1 lakeline (roughly the segment between PS 25 and PS 24), along with installation of three new access points. The design phase of the project is expected to be completed in Q4 2027. Total project costs are estimated at $12.7 million through 2027-2028.

- **Pump Station Replacements** (90.30.0026, 90.30.0028) aims to address the capacity concerns and component failures present across multiple pump stations in the City's sewer conveyance system. Pump stations are selected for rehabilitation work based on a comprehensive evaluation of high-risk stations completed in 2024. Work in 2027-2028 will include replacement of pumps, piping, mechanical systems, and associated electrical and control equipment; rehabilitation or replacement of existing concrete vault structures; and related utility reconfiguration, system modernization, and site improvements. The objective is to extend the service life of each station by approximately 50 years while minimizing impacts to nearby residents and the shoreline environment. Total project costs are estimated at $12.3 million through 2027-2028.

NEXT STEPS

Staff seeks to answer the Utility Board's questions about the 2027 rate adjustment, follow up with additional information as required, and return at the October 2026 Utility Board meeting for final review and adoption of the proposed utility rate adjustment for sewer service in fiscal year 2027.

The 2027 Sewer Utility rate adjustment will be included in the City's fee schedule update at the December 1, 2026 City Council meeting. Staff will return during the 2027-2028 mid-biennial budget process with new information to inform potential annual rate adjustments for fiscal year 2028 and beyond.

RECOMMENDED ACTION

Review the proposed 7.0% utility rate increase for sewer services for fiscal year 2027.

PROJECTED SEWER UTILITY CASH FLOW 2027-2032

Revenue Requirement	2027	2028	2029	2030	2031	2032
Pre Rate Revenues						
Revenues						
Rate Revenues Under Existing Rates	$ 6,549,326	$ 6,549,326	$ 6,549,326	$ 6,549,326	$ 6,549,326	$ 6,549,326
Non-Rate Revenues	7,595,756	8,544,510	9,624,092	10,841,795	12,079,789	13,460,070
Total Revenues	**$ 14,145,083**	**$ 15,093,836**	**$ 16,173,419**	**$ 17,391,121**	**$ 18,629,116**	**$ 20,009,397**
Expenses						
Cash Operating Expenses	$ 11,416,515	$ 12,512,507	$ 13,730,718	$ 15,093,608	$ 16,480,979	$ 18,017,614
Existing Debt Service	623,618	626,625	623,725	-	-	-
New Debt Service	2,107,381	2,107,381	2,107,381	2,553,173	2,553,173	2,553,173
Total Expenses	**$ 14,147,514**	**$ 15,246,513**	**$ 16,461,824**	**$ 17,646,782**	**$ 19,034,152**	**$ 20,570,787**
Net Surplus (Deficiency)	**$ (2,431)**	**$ (152,677)**	**$ (288,405)**	**$ (880,957)**	**$ (976,829)**	**$ (1,154,169)**
Annual Rate Increase	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**
Cumulative Rate Increase	**7.00%**	**14.49%**	**22.50%**	**31.08%**	**40.26%**	**50.07%**
Post Rate Revenues						
Revenues After Rate Increases	$ 7,007,779	$ 7,498,324	$ 8,023,206	$ 8,584,831	$ 9,185,769	$ 9,828,773
Additional Taxes from Rate Increase	14,144	29,278	45,472	62,799	81,340	101,177
Net Cash Flow After Rate Increase	**$ 441,877**	**$ 767,042**	**$ 1,140,003**	**$ 1,717,045**	**$ 2,150,067**	**$ 2,616,879**
Sample Monthly Residential Bill 6 ccf	$110.43	$122.22	$135.36	$150.01	$165.07	$181.71
Monthly Increase ($)	$10.59	$11.80	$13.14	$14.65	$15.06	$16.64

Fund Balance	2027	2028	2029	2030	2031	2032
Operating Reserve						
Beginning Balance	$ 860,320	$ 938,344	$ 1,029,588	$ 1,130,959	$ 1,244,308	$ 1,359,763
plus: Net Cash Flow after Rate Increase	441,877	767,042	1,140,003	1,717,045	2,150,067	2,616,879
less: Transfer of Surplus to Capital Fund	(363,853)	(675,798)	(1,038,632)	(1,603,696)	(2,034,612)	(2,489,056)
Ending Balance	**$ 938,344**	**$ 1,029,588**	**$ 1,130,959**	**$ 1,244,308**	**$ 1,359,763**	**$ 1,487,585**
Actual Days of O&M	*30 days*	*30 days*	*30 days*	*30 days*	*30 days*	*30 days*
Capital Reserve						
Beginning Balance	$ 1,745,586	$ 23,303,625	$ 1,644,212	$ 1,299,610	$ 6,650,097	$ 4,551,451
plus: Transfers from Operating Fund	363,853	675,798	1,038,632	1,603,696	2,034,612	2,489,056
plus: Revenue Bond Proceeds	26,000,000	-	-	5,500,000	-	-
plus: Interest Earnings	34,912	233,036	16,442	12,996	66,501	45,515
Total Funding Sources	**$ 28,144,351**	**$ 24,212,459**	**$ 2,699,285**	**$ 8,416,302**	**$ 8,751,210**	**$ 7,086,021**
less: Capital Expenditures	(4,840,726)	(22,568,247)	(1,399,675)	(1,766,205)	(4,199,759)	(5,699,869)
Ending Capital Fund Balance	**$ 23,303,625**	**$ 1,644,212**	**$ 1,299,610**	**$ 6,650,097**	**$ 4,551,451**	**$ 1,386,152**
Minimum Target Balance	*$ 639,599*	*$ 865,282*	*$ 879,278*	*$ 896,941*	*$ 938,938*	*$ 995,937*
Combined Beginning Balance	**$ 2,605,905**	**$ 24,241,968**	**$ 2,673,799**	**$ 2,430,569**	**$ 7,894,405**	**$ 5,911,213**
Combined Ending Balance	**$ 24,241,968**	**$ 2,673,799**	**$ 2,430,569**	**$ 7,894,405**	**$ 5,911,213**	**$ 2,873,737**

UTILITY BOARD STAFF REPORT

Item 4
September 8, 2026
Regular Business

AGENDA ITEM INFORMATION

TITLE:	2027 Storm Water Rate Discussion/Recommendation	☒ Discussion Only ☐ Action Needed: ☐ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Review the proposed 6.0% utility rate increase for storm water services for fiscal year 2027.	

STAFF:	Matt Mornick, Finance Director Ben Schumacher, Financial Analyst II
COUNCIL LIAISON:	Wendy Weiker
EXHIBITS:	1. 2027-2032 Projected Storm Water Utility Cash Flow

BACKGROUND

As part of the 2027-2028 biennial budget process, staff seeks a recommendation from the Utility Board regarding the Storm Water Utility rate adjustment for the upcoming fiscal year. The operating and capital budgets presented in this memo include adopted and amended figures through May 5, 2026.

Staff from Public Works and Finance worked with an outside consultant team to update the smoothed rate model based on 2026 budget actuals through July, capital work already underway, and emerging reinvestment needs in the storm water system through the current biennium and beyond. As a result of this updated analysis, staff recommends a 6.0% increase to the Storm Water Utility rates for 2027 as proposed in the smoothed rate model.

2027-2028 OPERATING BUDGET

The operating budget for the Storm Water Utility is presented in Table 1.

Table 1

Operating Expenditures *($ in thousands)*	**2025 Actual**	**2026 Forecasted**	**2027 Budget**	**2028 Budget**	**Percent Change 26-27**	**27-28**
Salary & Benefits	$1,037	$1,202	$1,367	$1,415	13.8%	3.5%
Contractual Services	446	655	675	678	3.1%	0.4%
Other Services and Charges	660	881	1,065	862	20.9%	-19.1%
TOTAL	**$2,143**	**$2,738**	**$3,108**	**$2,954**	**13.5%**	**-4.9%**

Highlights from the Storm Water Utility operating budget include:

- The combined total for salary and benefit costs in 2027 are increasing 13.8% as compared to the 2026 budget. This increase is driven by the cost-of-living adjustment (COLA) of 4.1% for 2027, increasing benefit costs, and a fully staffed department in 2027 versus forecasted savings in 2026 that were a result of vacancies in the first half of the fiscal year.

- Contractual services for 2027 reflect anticipated costs for Closed Circuit Television (CCTV) storm water pipe video inspections, catch basin cleaning & repairs, storm pipe replacement & slip lining repairs. This contracted work is critical to comply with National Pollutant Discharge Elimination System (NPDES) requirements.

- Other Services and Charges include all other costs of operations including supplies, insurance, and City administration costs. Administration costs include the Storm Water Fund's share of administrative support provided by the City Attorney's Office, City Manager's Office, Finance and Human Resources staff.

DISCUSSION

CAPITAL REINVESTMENT PROJECTS

Planned capital reinvestment work in 2027-2028 is shown in Table 2. Capital investment costs are the primary driver of the proposed Storm Water rate increases for 2027-2032.

Table 2

Storm Water Utility Capital Program 2027-2028 ($ in thousands)			
Project ID	**Description**	**2027**	**2028**
43903559	Capital Project Management	$479	$503
90.35.0001	Emergency SW Conveyance Replacement	60	62
90.35.0002	Street Related Storm Drainage Improvements	170	175
90.35.0003	Conveyence Condition Assessment	110	113
90.35.0004	Stormwater System Improvements	490	505
90.35.0005	SW Monitoring Instrumentation	35	36
90.35.0007	WMW Culvert Replacements		258
90.35.0008	Watercourse Condition Update	550	
90.35.0011	SB 22.1 & 25b.2 Watercourse Improvements		155
90.35.0012	SB 46a.3 Watercourse Improvements	110	433
90.35.0016	SB 29.3 and 34.1 WC Imp	550	
90.35.0017	SB 47.4 Watercourse Imp	75	515
90.35.0021	E Seattle Neighborhood Drainage Imp	345	
90.35.0022	WC Minor Repairs & Maintenance	50	206
Storm Water Utility CIP Total		**$3,024**	**$2,959**

STORM WATER RATE PROPOSAL

The proposed 6.0% storm water rate increase for 2027 is based on the City's updated rate model that reflects the 2027-2028 operating budget, the 2027-2032 Capital Improvement Program (CIP), and 2026 budget to actuals performance through July. Prepared jointly by Public Works, Finance, and outside consultants, the rate model indicates that no issuance of debt is required for the Storm Water Utility.

The proposed 6.0% rate adjustment for 2027 ensures that the Storm Water Fund has adequate resources to complete the critical capital project work detailed above and into the future, as well as meet long-established fiscal policy guidelines – specifically a 45-day operating reserve and a 1% capital reserve target established by the Utility Board in 2006 as a prudent measure to protect the City's multi-million-dollar investments in its utility assets. This 1% capital reserve target enables the City to support future replacement needs without extraordinary rate increases, while recognizing the responsibility of new development, existing customers, and future customers to fund both current and future reinvestment needs.

Table 3 compares the 2027-2028 rate proposal against historical projections from 2021-2025.

Table 3

Rate Recommendations	2025	2026	2027	2028	2029	2030	2031	2032
2027-2028 Rate Proposal			**6.00%**	6.00%	6.00%	6.00%	6.00%	6.00%
2025-2026 Rate Update	8.00%	6.00%	6.00%	6.00%	6.00%	6.00%		
2023-2024 Rate Update	8.00%	8.00%	8.00%	8.00%				
2021-2022 Rate Update	5.50%	5.50%						

NEXT STEPS

Staff seeks to answer the Utility Board's questions about the 2027 rate adjustment, follow up with additional information as required, and return at the October 2026 Utility Board meeting for final review and adoption of the proposed utility rate adjustment for storm water service for fiscal year 2027.

The 2027 Storm Water Utility rate adjustment will be included in the City's fee schedule update at the December 1, 2026 City Council meeting. Staff will return during the 2027-2028 mid-biennial budget process with new information to inform potential annual rate adjustments for fiscal year 2028 and beyond.

RECOMMENDED ACTION

Review the proposed 6.0% utility rate increase for storm water services for fiscal year 2027.

PROJECTED STORM WATER UTILITY CASH FLOW 2027-2032

Revenue Requirement	2027	2028	2029	2030	2031	2032
Pre Rate Revenues						
Revenues						
Rate Revenues Under Existing Rates	$ 3,048,142	$ 3,048,142	$ 3,048,142	$ 3,048,142	$ 3,048,142	$ 3,048,142
Non-Rate Revenues	56,173	53,197	53,305	53,410	53,519	53,631
Total Revenues	**$ 3,104,315**	**$ 3,101,339**	**$ 3,101,447**	**$ 3,101,552**	**$ 3,101,661**	**$ 3,101,773**
Expenses						
Cash Operating Expenses	$ 2,593,385	$ 2,676,570	$ 2,757,918	$ 2,841,819	$ 2,928,352	$ 3,017,602
Existing Debt Service	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-
System Reinvestment Funding	-	-	-	-	-	-
Total Expenses	**$ 2,593,385**	**$ 2,676,570**	**$ 2,757,918**	**$ 2,841,819**	**$ 2,928,352**	**$ 3,017,602**
Net Surplus (Deficiency)	**$ 510,930**	**$ 424,769**	**$ 343,528**	**$ 259,733**	**$ 173,308**	**$ 84,171**
Annual Rate Increase	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**
Cumulative Rate Increase	**6.00%**	**12.36%**	**19.10%**	**26.25%**	**33.82%**	**41.85%**
Post Rate Revenues						
Revenues After Rate Increases	$ 3,231,030	$ 3,424,892	$ 3,630,386	$ 3,848,209	$ 4,079,101	$ 4,323,848
Additional Taxes from Rate Increase	3,841	7,912	12,227	16,801	21,650	26,790
Net Cash Flow After Rate Increase	**$ 689,978**	**$ 793,608**	**$ 913,545**	**$ 1,042,999**	**$ 1,182,618**	**$ 1,333,086**
Sample Monthly Residential Bill	$28.17	$29.86	$31.65	$33.55	$35.57	$37.70
Monthly Increase ($)	$1.60	$1.69	$1.79	$1.90	$2.02	$2.14

Fund Balance	2027	2028	2029	2030	2031	2032
Operating Reserve						
Beginning Balance	$ 308,633	$ 319,732	$ 330,462	$ 340,993	$ 351,869	$ 363,101
plus: Net Cash Flow after Rate Increase	689,978	793,608	913,545	1,042,999	1,182,618	1,333,086
less: Transfer of Surplus to Capital Fund	(678,879)	(782,879)	(903,014)	(1,032,123)	(1,171,385)	(1,321,485)
Ending Balance	**$ 319,732**	**$ 330,462**	**$ 340,993**	**$ 351,869**	**$ 363,101**	**$ 374,702**
Actual Days of O&M	*45 days*	*45 days*	*45 days*	*45 days*	*45 days*	*45 days*
Capital Reserve						
Beginning Balance	$ 4,692,958	$ 2,716,565	$ 828,599	$ 216,700	$ 123,283	$ 306,566
plus: Transfers from Operating Fund	678,879	782,879	903,014	1,032,123	1,171,385	1,321,485
plus: Revenue Bond Proceeds	-	-	-	-	-	-
plus: Interest Earnings	93,859	27,166	8,286	2,167	1,233	3,066
Total Funding Sources	**$ 5,465,696**	**$ 3,526,609**	**$ 1,739,899**	**$ 1,250,989**	**$ 1,295,901**	**$ 1,631,116**
less: Capital Expenditures	(2,749,131)	(2,698,010)	(1,523,199)	(1,127,707)	(989,335)	(1,019,015)
Ending Capital Fund Balance	**$ 2,716,565**	**$ 828,599**	**$ 216,700**	**$ 123,283**	**$ 306,566**	**$ 612,101**
Minimum Target Balance	*$ 56,575*	*$ 83,555*	*$ 98,787*	*$ 110,064*	*$ 119,957*	*$ 130,147*
Combined Beginning Balance	**$ 5,001,592**	**$ 3,036,297**	**$ 1,159,061**	**$ 557,692**	**$ 475,151**	**$ 669,667**
Combined Ending Balance	**$ 3,036,297**	**$ 1,159,061**	**$ 557,692**	**$ 475,151**	**$ 669,667**	**$ 986,803**

UTILITY BOARD STAFF REPORT

Item 5
September 8, 2026
Regular Business

AGENDA ITEM INFORMATION

TITLE:	2027 EMS Rate Discussion/Recommendation	☐ Discussion Only ☒ Action Needed: ☒ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Accept staff's recommendation to increase the EMS rate by 4.0% for fiscal year 2027.	

STAFF:	Matt Mornick, Finance Director Ben Schumacher, Financial Analyst II
COUNCIL LIAISON:	Wendy Weiker
EXHIBITS:	None

BACKGROUND

The annual revenue requirement for the Emergency Medical Services (EMS) utility is directly tied to the average budgeted salary and benefit costs (excluding overtime) of four firefighter positions originally added in 1996 to handle high demand call periods. Revenue collected through EMS utility rates funds these position costs and is transferred to the General Fund.

During the 2011–2012 budget deliberations, the City Council instituted a Basic Life Support (BLS) ambulance transport fee to help balance the budget. Under Washington State Law, introducing this fee inadvertently replaced the City's variable EMS rate structure – which charged customer classes based on historical call volume – with a uniform flat rate per Equivalent Service Unit (ESU) across all customer classes. Customer account data measured in ESUs has been updated for the 2027 rate cycle, reflecting growth in the Single Family and Multi-Family Residential customer classes.

DISCUSSION

2027 REVENUE REQUIREMENT CALCULATION

The proposed 2027 EMS revenue requirement is $837,504, which reflects the 2026 average budgeted salary and benefit costs for four firefighter positions (excluding leadership positions: Fire Chief, Deputy Fire Chief, and Fire Marshal).

- **2026 Revenue Requirement:** $793,563
- **2027 Revenue Requirement:** $837,504
- **Net Increase:** $43,941 (or **5.5%**)

Historically, rate adjustments aligned with the Seattle-Tacoma-Bellevue first-half CPI-W cost-of-living adjustment (COLA) for firefighting staff. Following the transition to Eastside Fire & Rescue (EF&R) in January 2024, salary and benefit cost adjustments are now based on the June CPI-W measurement, which was 2.7% in 2026.

EMS RATE PROPOSAL

To generate the required $837,504 in revenue for 2027, rates must be adjusted accordingly. Table 1 outlines the proposed rate changes per ESU compared to the current 2026 rates.

Table 1

Customer Class	Bi-Monthly Charge		$ Change	% Change
	2026	2027		
Single Family Residential	$12.26	$12.75	$0.49	4.00%
Multi-Family Residential	$12.26	$12.75	$0.49	4.00%
Commercial	$12.26	$12.75	$0.49	4.00%
Public Schools	$12.26	$12.75	$0.49	4.00%
Public/Other	$12.26	$12.75	$0.49	4.00%
Residential Board & Care:				
Covenant Shores	$576.22	$599.25	$23.03	4.00%
Island House Retirement	$220.68	$229.50	$8.82	4.00%
SJV Mercer Island LLC	$613.00	$637.50	$24.50	4.00%
Aljoya House	$380.06	$395.25	$15.19	4.00%
Aegis	$894.98	$930.75	$35.77	4.00%
In-Home Care	$73.56	$76.50	$2.94	4.00%
24 Hour Nursing:				
Covenant Shores (Skilled Nursing)	$514.92	$535.50	$20.58	4.00%
Aegis (Memory Care)	$196.16	$204.00	$7.84	4.00%

Although the net increase to the 2027 revenue requirement is the 5.5% noted above, staff's recommendation is a 4.0% increase. This is due to the customer growth observed in the Single Family and Multi-Family Residential classes which allows the net cost increase to be spread over more customers paying the utility rate.

NEXT STEPS

Staff recommends the 2027 bi-monthly EMS rate be increased 4.0% relative to 2026 rates.

The 2027 EMS Utility rate adjustment will be included in the City's fee schedule update at the December 1, 2026 City Council meeting. Staff will return during the 2027-2028 mid-biennial budget process with new information to inform potential annual rate adjustments for fiscal year 2028 and beyond.

RECOMMENDED ACTION

Accept staff's recommendation to increase the EMS Utility rate by 4.0% for fiscal year 2027.