CITY OF MERCER ISLAND
UTILITY BOARD HYBRID MEETING
Tuesday, October 28, 2025, at 5:00 PM

BOARD MEMBERS:
Brian Thomas – Chair
Steve Milton – Vice Chair
Meredith Lehr, George Marshall,
Craig Olson, Geraldine Poor, and Todd White

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 206.275.7793 or email the City Clerk and leave a message 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: Join the meeting at 5:00 PM by:

- **Telephone:** Call 253.215.8782 and enter Webinar ID 811 8790 4196 and Password 260333
- **Zoom:** Click this link (Webinar ID 811 8790 4196; Password 260333)
- **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 Regular Hybrid Meeting Minutes September 9, 2025**

   Recommended Action: Approve the Utility Board Regular Hybrid Meeting Minutes of September 9, 2025.

2. **2026 EMS Rate Discussion/Recommendation**

   Recommended Action: Accept staff's recommendation to increase the EMS Utility rate by 4.97% for fiscal year 2026.

3. **2026 Water, Sewer, and Stormwater Rate Discussion/Recommendation**

   Recommended Action:

   1. Accept staff's recommendation to increase the water utility rates by 8% for fiscal year 2026.

   2. Accept staff's recommendation to increase the sewer utility rate by 4.0% for sewer services for fiscal year 2026.

   3. Accept staff's recommendation to increase the stormwater utility rate by 6% for fiscal year 2026.

OTHER BUSINESS

4. Chief of Operations Report

ADJOURNMENT

UTILITY BOARD MINUTES
REGULAR HYBRID MEETING
September 9, 2025

CALL TO ORDER & ROLL CALL

The meeting was called to order at approximately 5:06 pm from a remote location. Chief of Operations Jason Kintner conducted roll call.

Chair Brian Thomas, Vice Chair Steve Milton, and Board Members Meredith Lehr and Geraldine Poor, and Council Liaison Weiker participated remotely using a video teleconferencing platform by Zoom. Board Members George Marshall, Craig Olson and Todd White were absent.

PUBLIC APPEARANCES
There were no public appearances.

REGULAR BUSINESS

Utility Board Regular Hybrid Meeting Minutes of June 10, 2025

It was moved by Lehr; seconded by Milton to:
Approve the Utility Board Regular Hybrid Meeting Minutes of June 10, 2025
Motion Passed 4-0

2026 Water, Sewer and Stormwater Rate Discussion & Presentation

Chief of Operations Jason Kintner introduced Finance Director Matt Mornick, Financial Analyst Ben Schumacher and consultants Angie Virnoche and Chase Bozett from FCS Bowman to present the water, sewer and stormwater utilities rate memos.

2026 EMS Rate Discussion

It was moved by Lehr; seconded by Thomas to:
Continue 2026 EMS Rate Discussion at the October 28th Utility Board Meeting
Motion Passed 4-0

OTHER BUSINESS
There was no other business.

ADJOURNMENT

The meeting adjourned at 7:06pm.

UTILITY BOARD STAFF REPORT

Item 1
October 28, 2025
Regular Business

AGENDA ITEM INFORMATION

TITLE:	2026 EMS Rate Discussion/Recommendation	☐ Discussion Only ☒ Action Needed: ☒ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Accept staff's recommendation to increase the EMS rate by 4.97% for fiscal year 2026.	

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

BACKGROUND

Emergency Medical Service (EMS) revenues are directly tied to the average budgeted salary and benefit costs, excluding overtime, of four firefighters originally hired in 1996. The four firefighter positions increased the capacity to handle simultaneous EMS calls during high-call demand. This cost constitutes the annual revenue requirement to the General Fund.

The current EMS utility rate structure was impacted by the Council's decision – during its 2011-2012 budget deliberations – to institute a Basic Life Service (BLS) ambulance transport fee to help balance the budget. Per Washington State Law, this action unintentionally replaced the long-standing variable EMS rate structure (different rates for each customer class based on actual service calls) with the same flat rate (per equivalent service unit) for each customer class.

Customer account data (as measured by equivalent service units) has been updated for the proposed 2026 EMS rates. The City experienced slight growth in Single Family Residential customer classifications.

DISCUSSION

2026 REVENUE REQUIREMENT CALCULATION

The 2026 revenue requirement is based on the 2025 average, budgeted salary, and benefit costs for four firefighters, which equals $793,563 (excluding the Fire Chief, Deputy Fire Chief, and Fire Marshal). Compared to the prior fiscal year (2024) revenue requirement of $755,657, this represents an increase of 4.97%.

Historically, this revenue requirement increase ties to the first half CPI-W for the Seattle-Tacoma-Bellevue area cost-of-living adjustment (COLA) applied to firefighting personnel. With Eastside Fire & Rescue (EF&R) providing fire and emergency medical services as of January 2024, salary and benefit costs for four firefighter positions is now budgeted to increase by the June CPI-W measurement, which was 3.6% for 2025.

Note that 2025 increases are projections due to the EF&R's Collective Bargaining Agreement (CBA) with represented staff expiring on 12/31/2024 with no new CBA ratified as of 8/31/2025.

EMS RATE PROPOSAL

The proposed 2026 EMS rates, which are needed to generate the $793,563 revenue requirement in 2026, are compared to the 2025 rates in Table 1 below.

Customer Class	Bi-Monthly Charge		$	%
	2025	2026	Change	Change
Single Family Residential	$11.68	$12.26	$0.58	4.97%
Multi-Family Residential	$11.68	$12.26	$0.58	4.97%
Commercial	$11.68	$12.26	$0.58	4.97%
Public Schools	$11.68	$12.26	$0.58	4.97%
Public/Other	$11.68	$12.26	$0.58	4.97%
Residential Board & Care:				
Covenant Shores	$548.96	$576.22	$27.26	4.97%
Island House Retirement	$210.24	$220.68	$10.44	4.97%
SJV Mercer Island LLC	$584.00	$613.00	$29.00	4.97%
Aljoya House	$362.08	$380.06	$17.98	4.97%
Aegis	$852.64	$894.98	$42.34	4.97%
In-Home Care	$70.08	$73.56	$3.48	4.97%
24 Hour Nursing:				
Covenant Shores (Skilled Nursing)	$490.56	$514.92	$24.36	4.97%
Aegis (Memory Care)	$186.88	$196.16	$9.28	4.97%

Table 1

NEXT STEPS

Staff recommends the 2026 bi-monthly EMS rate be increased 4.97% relative to 2025 rates.

The 2026 EMS Utility rate adjustment will be included in the City's fee schedule update at the December 2, 2025 City Council meeting. Staff will return during the 2027-2028 budget process with new information to inform potential annual rate adjustments for fiscal year 2027 and beyond.

RECOMMENDED ACTION

Accept staff's recommendation to increase the EMS Utility rate by 4.97% for fiscal year 2026.

Utility Board Meeting

EMS Rate Updates

October 28, 2025

Agenda

1. 2026 EMS Rate Update
    - Background
    - Primary Drivers
2. Staff Recommendation
3. Questions

EMS Rate History

- **Originated in 1996**
  - Tied to the average budgeted salary and benefit costs of four Firefighters.
  - Additional hires increased the capacity to handle simultaneous Emergency Medical Service calls during high-call demand.
- **The current rate structure was implemented during the 2011-2012 biennium**
  - A flat rate structure with the same rate for each customer class.

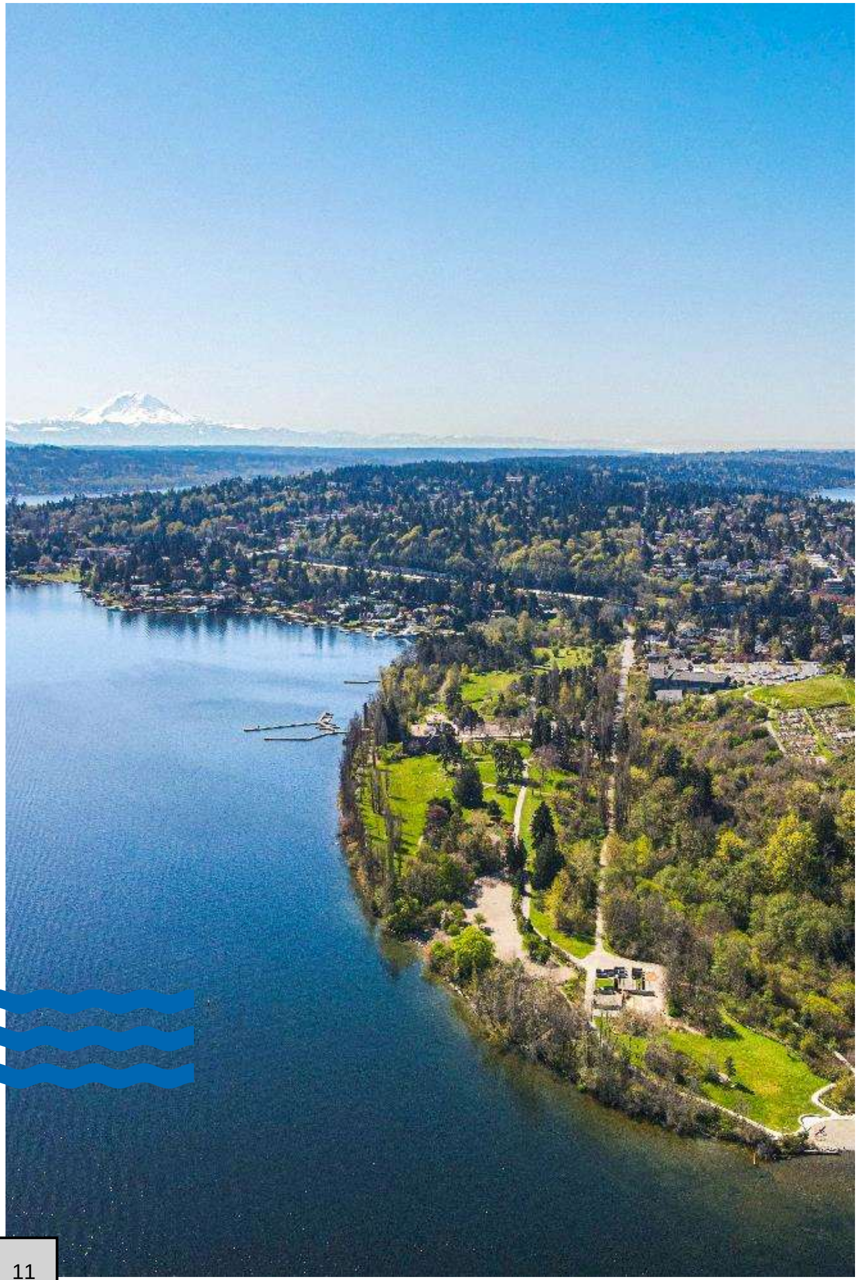
EMS Rate Update

- **Primary Driver**
  - Cost of Living Adjustments (COLA)
    - CPI-W Seattle-Tacoma-Bellevue June measurement.

2026 EMS Rate Recommendation

- **Staff recommends an increase of 4.97 percent from 2025 rates.**
  - Single-family bill impact: $0.58 every other month in 2026

Customer Class	Bi-Monthly Charge		$ Change	% Change
	2025	2026		
Single Family Residential	$11.68	$12.26	$0.58	4.97%
Multi-Family Residential	$11.68	$12.26	$0.58	4.97%



Questions

Prepared By

Ben Schumacher, Financial Analyst II

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CPI-W Historical Rate Increases

EMS Rate Increase*	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CPI-W First Half	0.50%	2.30%	3.20%	3.60%	2.20%	1.90%	3.30%	8.60%	6.50%	4.20%
CPI-W June	1.10%	2.00%	3.00%	3.60%	1.70%	1.00%	6.30%	9.50%	4.50%	3.60%

**CPI-W percentages are shown as the year they are applied to but are measurements of the prior year (i.e., 2016 = 2015's measurement).*

UTILITY BOARD STAFF REPORT

Item 2
October 28, 2025
Regular Business

AGENDA ITEM INFORMATION

TITLE:	2026 Water Rate Discussion/Recommendation	☐ Discussion Only ☒ Action Needed: ☒ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Review the proposed 8% utility rate increase for water services for fiscal year 2026.	

STAFF:	Ben Schumacher, Financial Analyst II Matt Mornick, Finance Director
COUNCIL LIAISON:	Wendy Weiker
EXHIBITS:	1. 2025-2030 Projected Water Utility Cash Flow

BACKGROUND

As part of the 2025-2026 mid-biennial budget process, staff seeks a recommendation from the Utility Board regarding the 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 20, 2025.

Staff from Public Works and Finance worked with an outside consultant team to update the smoothed rate model based on 2025 budget actuals through July, capital work already underway, and emerging reinvestment needs in the water distribution system through the current biennium and beyond. As a result of this updated analysis, staff recommends an 8% increase to the Water Utility rates for 2026 as proposed in the smoothed rate model.

2025-2026 OPERATING BUDGET

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

Operating Expenditures ($ in thousands)	2023 Actual	2024 Actual	2025 Budget	2026 Budget	Percent Change 24-25	Percent Change 25-26
Salary & Benefits	$2,637	$2,098	$2,512	$2,655	19.7%	5.7%
Water Purchased for Resale	2,134	1,958	2,255	2,335	15.2%	3.5%
Other Services and Charges	3,987	2,310	3,117	3,333	34.9%	6.9%
Debt Service	107	322	2,427	2,430	654.0%	0.1%
Total	**$8,865**	**$6,687**	**$10,311**	**$10,754**	**54.2%**	**4.3%**

Table 1

Highlights from the Water Utility operating budget include:

- The combined total for salary and benefit costs in 2026 are increasing 5.7% as compared to the 2025 budget. This increase is due to the 2.3% cost-of-living adjustment (COLA) for 2026 as well as increasing benefit costs. The increase is also due, in part, to the City Council's adoption of a new Compensation Plan (see AB 6491) in June of 2024. It established a new classification system and salary schedule for non-represented employees, who make up approximately half of the City's workforce.

- Water Purchases from Seattle Public Utilities (SPU) are projected to increase 3.5% in 2026 when compared to the 2025 budget. 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).

- In 2024, debt service payments were for limited tax general obligation (LTGO) bonds issued in 2011 for the First Hill Booster Pump Station upgrade and water system improvements projects.

- New debt service payments came online in 2025. A public works trust fund low-interest loan for the Booster Chlorination System project has an initial principal and interest payment of $309,870 in 2025. In October 2024, the City issued limited tax general obligation (LTGO) bonds to fund major capital reinvestments in the water distribution system. The initial annual principal and interest payment of $2,116,692 began in 2025 and will continue through 2044. This resource will help pay for critical capital work within the three-year eligibility window to meet federal obligations for tax-exempt bonds.

- Other Services and Charges include all other costs of operations including supplies, insurance, and City administrative overhead. 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.

  For context, on May 21, 2024, the City Council adopted a new overhead cost allocation model (see AB 6475) that was implemented citywide to allocate indirect or internal services for each allocable City program, external service, operating department, and/or fund, including the Water Utility.

DISCUSSION

CAPITAL REINVESTMENT PROJECTS

Planned capital reinvestments in 2025 and 2026 are outlined below in Table 2. Systemwide water distribution components – such as main transmission lines, water reservoirs, and pressure reducing valve stations, among others – are simultaneously reaching the end of their useful life. Capital investment costs are the primary driver of the proposed water rate increase as the water distribution system is undergoing a period of significant reinvestment. Table 2 outlines capital investments that are currently underway and scheduled in the 2025-2026 biennium.

Water Utility Capital Program Budget 2025-2026 ($ in thousands)			
Project ID	Description	2025	2026
90.40.0001	Emergency Water System Repairs	$200	$207
90.40.0002	Water System Components Replacement	50	52
90.40.0003	Modeling & Fire Flow Analysis	40	41
90.40.0004	Street Related Water System Improvements	150	156
90.40.0005	2024 PRV Station Construction	2,500	
90.40.0007	2025 WSI: Greenbrier Loop	400	
90.40.0008	WS Regulatory Compliance Plans	225	233
90.40.0009	Reservoir Security Improvements	50	156
90.40.0010	Water System Instrumentation	75	78
90.40.0011	First Hill VFD Replacement	50	270
90.40.0012	First Hill Generator Replacement	640	570
90.40.0013	2025 AC Main Replacement	1,067	4,633
90.40.0014	2026 Water System Improvements	117	516
90.40.0015	2026 PRV Station Replacements	395	2,100
90.40.0016	2026 AC Main Replacement		596
90.40.0017	2027 Water System Improvements		513
90.40.0018	2027 PRV Station Replacements		410
90.40.0031	2024 Water System Imp Construction	4,820	
90.40.0032	City Transmission Line Replacement	1,870	3,740
90.40.0033	Water Reservoir Improvements	2,675	
90.40.0034	Reservoir Pump Replacement	1,419	
90.40.0035	Water Meter Replacement Program	1,433	
90.40.0036	PRV Station Replacements	1,100	
90.40.0037	2023 Water System Improvement	15	
90.40.0038	Reservoir Standby Generator	503	
90.40.0039	2024 AC Main Replacement	3,881	
90.40.0040	SCADA System Replacement	75	
Water Utility CIP Total		**$23,750**	**$14,271**

Table 2

WATER RATE PROPOSAL

The 2026 Water rate proposal is based on the 2025-2026 operating budget, the 2025-2030 Capital Improvement Program (CIP), and the corresponding debt financing needs. Staff from Public Works and Finance worked with the outside consultant team to update the smoothed rate model based on 2025 budget actuals through July, capital work already underway, and emerging reinvestment needs in the water distribution system through the current biennium and beyond. As a result of this updated analysis, staff recommends an 8.0% increase to the water utility rates for 2026 as proposed in the smoothed rate model.

This year-over-year smoothed rate model is predicated on leveraging outside funding for investments that cost more than $2.5 M each and have a useful life greater than 20 years. Debt financing spreads 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 rate adjustment for FY 2026 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.

These include an operating reserve target of 90 days of operating and maintenance costs, and a baseline capital reserve target of 1% of capital assets. The 1% target was 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 1-2% 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.

The 8.0% rate increase in FY 2026 enables the Water Fund to achieve its target for both established guidelines, as detailed in Exhibit 1. Exhibit 1 details an additional LTGO debt issuance estimated to be $44.0 M in 2027.

Table 3 provides a summary comparing proposed rates from the most recent rate model updates (2020-2024) as compared to the "2025-2026 Rate Proposal" presented in the second row.

Rate Recommendations	2023	2024	2025	2026	2027	2028	2029	2030
2025-2026 Rate Proposal			8.00%	**8.00%**	8.00%	8.00%	8.00%	8.00%
2023-2024 Rate Update	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%		
2021-2022 Rate Update	5.25%	5.25%	5.25%	5.25%				
2020 Rate Update	6.50%	6.50%						

Table 3

NEXT STEPS

Staff seeks to answer the Utility Board's questions about the 2026 rate adjustment, follow up with additional information as required, and receive the Utility Board's recommendation for the adoption of the proposed utility rate adjustment for water service for fiscal year 2026.

The 2026 Water Utility rate adjustment will be included in the City's fee schedule update at the December 2, 2025 City Council meeting. Staff will return during the 2027-2028 budget process with new information to inform potential annual rate adjustments for fiscal year 2027 and beyond.

RECOMMENDED ACTION

Accept staff's recommendation of an 8% utility rate increase for water services for fiscal year 2026.

PROJECTED WATER UTILITY CASH FLOW 2025-2030

Revenue Requirement	2025	2026	2027	2028	2029	2030
Pre Rate Revenues						
Revenues						
Rate Revenues Under Existing Rates	$ 11,842,971	$ 11,842,971	$ 11,842,971	$ 11,842,971	$ 11,842,971	$ 11,842,971
Non-Rate Revenues	90,330	84,245	68,696	85,002	85,839	86,717
Total Revenues	**$ 11,933,301**	**$ 11,927,216**	**$ 11,911,667**	**$ 11,927,973**	**$ 11,928,810**	**$ 11,929,689**
Expenses						
Cash Operating Expenses	$ 7,066,386	$ 7,446,625	$ 7,682,271	$ 7,970,326	$ 8,270,914	$ 8,584,613
Existing Debt Service	2,422,066	2,428,037	2,428,255	2,420,972	2,421,439	2,419,157
New Debt Service	-	-	3,396,895	3,396,895	3,396,895	3,396,895
Total Expenses	**$ 9,488,452**	**$ 9,874,662**	**$ 13,507,421**	**$ 13,788,193**	**$ 14,089,248**	**$ 14,400,665**
Net Surplus (Deficiency)	**$ 2,444,849**	**$ 2,052,554**	**$ (1,595,753)**	**$ (1,860,220)**	**$ (2,160,438)**	**$ (2,470,976)**
Annual Rate Increase		**8.00%**	**8.00%**	**8.00%**	**8.00%**	**8.00%**
Cumulative Rate Increase		**8.00%**	**16.64%**	**25.97%**	**36.05%**	**46.93%**
Post Rate Revenues						
Revenues After Rate Increases	$ 11,842,971	$ 12,790,409	$ 13,813,642	$ 14,918,733	$ 16,112,232	$ 17,401,210
Additional Taxes from Rate Increase	-	47,647	99,105	154,680	214,701	279,524
Net Cash Flow After Rate Increase	**$ 2,444,849**	**$ 2,952,345**	**$ 275,812**	**$ 1,060,862**	**$ 1,894,121**	**$ 2,807,739**
Sample Residential Bill	$71.26	$76.96	$83.11	$89.76	$96.94	$104.70
Monthly Increase ($)		$5.70	$6.16	$6.65	$7.18	$7.76

Fund Balance	2025	2026	2027	2028	2029	2030
Operating Reserve						
Beginning Balance	$ 1,458,919	$ 1,742,397	$ 1,836,154	$ 1,906,007	$ 1,989,723	$ 2,077,544
plus: Net Cash Flow after Rate Increase	2,444,849	2,952,345	275,812	1,060,862	1,894,121	2,807,739
less: Transfer of Surplus to Capital Fund	(2,161,372)	(2,858,588)	(205,959)	(977,146)	(1,806,301)	(2,715,589)
Ending Balance	**$ 1,742,397**	**$ 1,836,154**	**$ 1,906,007**	**$ 1,989,723**	**$ 2,077,544**	**$ 2,169,694**
Actual Days of O&M	*90 days*	*90 days*	*90 days*	*90 days*	*90 days*	*90 days*
Capital Reserve						
Beginning Balance	$ 35,019,886	$ 14,683,731	$ 3,197,122	$ 25,016,462	$ 17,115,897	$ 10,184,808
plus: System Reinvestment Funding	-	-	-	-	-	-
plus: Transfers from Operating Fund	2,161,372	2,858,588	205,959	977,146	1,806,301	2,715,589
plus: New LTGO Proceeds	-	-	-	-	-	-
plus: Revenue Bond Proceeds	-	-	44,000,000	-	-	-
plus: Interest Earnings	1,400,795	440,512	63,942	250,165	171,159	101,848
Total Funding Sources	**$ 38,582,054**	**$ 17,982,830**	**$ 47,467,024**	**$ 26,243,773**	**$ 19,093,356**	**$ 13,002,245**
less: Capital Expenditures	(23,898,323)	(14,785,708)	(22,450,561)	(9,127,876)	(8,908,548)	(7,898,255)
Ending Capital Fund Balance	**$ 14,683,731**	**$ 3,197,122**	**$ 25,016,462**	**$ 17,115,897**	**$ 10,184,808**	**$ 5,103,991**
Minimum Target Balance	*$ 759,929*	*$ 907,786*	*$ 1,132,291*	*$ 1,223,570*	*$ 1,312,655*	*$ 1,391,638*
Combined Beginning Balance	**$ 36,478,806**	**$ 16,426,127**	**$ 5,033,276**	**$ 26,922,470**	**$ 19,105,619**	**$ 12,262,352**
Combined Ending Balance	**$ 16,426,127**	**$ 5,033,276**	**$ 26,922,470**	**$ 19,105,619**	**$ 12,262,352**	**$ 7,273,685**

UTILITY BOARD STAFF REPORT

Item 3
October 28, 2025
Regular Business

AGENDA ITEM INFORMATION

TITLE:	2026 Sewer Rate Discussion/Recommendation	☐ Discussion Only ☒ Action Needed:
RECOMMENDED ACTION:	Review the proposed 4.0% utility rate increase for sewer services for fiscal year 2026.	☒ Motion ☐ Ordinance ☐ Resolution

STAFF:	Ben Schumacher, Financial Analyst II Matt Mornick, Finance Director
COUNCIL LIAISON:	Wendy Weiker
EXHIBITS:	1. 2025-2030 Projected Sewer Utility Cash Flow

BACKGROUND

As part of the 2025-2026 mid-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 20, 2025.

Staff from Public Works and Finance worked with an outside consultant team to update the smoothed rate model based on 2025 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 4.0% increase to the Sewer Utility rates for 2026 as proposed in the smoothed rate model, down 0.5% from the projected 2026 rate adjustment as modeled during the fall of 2024.

2025-2026 OPERATING BUDGET

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

Operating Expenditures *($ in thousands)*	2023 Actual	2024 Actual	2025 Budget	2026 Budget	Percent Change 24-25	25-26
Salary & Benefits	$1,653	$1,714	$1,855	$1,952	8.2%	5.2%
King County Sewer Treatment	5,432	5,751	6,134	6,595	6.6%	7.5%
Debt Service	1,021	1,032	1,029	1,029	-0.3%	0.1%
Other Services and Charges	1,747	1,285	1,864	1,961	45.1%	5.2%
TOTAL	**$9,853**	**$9,782**	**$10,881**	**$11,537**	**1.0%**	**6.9%**

Table 1

Highlights from the Sewer Utility operating budget include:

- The combined total employee compensation costs in 2026 are increasing 5.2% as compared to 2025. The increase is a result of two factors, one being the estimated cost-of-living adjustment (COLA) per the City's collective bargaining agreement of 2.3% in 2026. The COLA applied in 2025 was 4.2%. Second, City staff observed higher than anticipated cost increases relating to benefits.

Additionally, in June 2024, the City Council adopted a Compensation Plan (see AB 6491) with a new classification system and established salary schedule for non-represented employees, who make up approximately half of the City's workforce.

- King County Sewage Treatment services are increasing service rates 7.5% in 2026. Increases are passed through to sewer customers and are identified separately on a customer's utility bill.

- Existing debt service is related to a Public Works Trust Fund loan (2005) for the Sewer Lake Line project. Final repayment for the PWTF loan is anticipated in July 2026.

- The sewer rate model assumes no new debt will be issued for capital projects in the current biennium, with a tentative bond issuance scheduled for 2027. The debt issuance required to maintain the model's smoothed rate structure at 4.0% is estimated to be $21 M in 2027, pending further analysis.

- 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.

  On May 21, 2024, the City Council adopted a new overhead cost allocation model (see AB 6475) was implemented citywide to allocate indirect or internal services for each allocable City program, external service, operating department, and/ or fund, including the Sewer Utility.

DISCUSSION

CAPITAL REINVESTMENT PROJECTS

Planned capital reinvestment work in 2025 and 2026 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.

Sewer Utility Capital Program 2025-2026 *($ in thousands)*			
Project ID	**Description**	**2025**	**2026**
90.30.0001	Emergency Sewer System Repairs	$50	$52
90.30.0002	Backyard Sewer System Improvements Program	130	124
90.30.0003	Sewer System Components	50	52
90.30.0004	Pump Station Access Improvements	30	31
90.30.0005	Pump Station Rehabilitation	2,635	2,732
90.30.0006	Wet Well Cleaning & Restoration	380	384
90.30.0007	Lake Line Reach 1 Capacity Improvements	350	674
90.30.0008	Sewer Pipe Replacements & Upsizing		250
90.30.0009	Comp Hydraulic Model Development	250	
90.30.0010	Comprehensive Inflow and Infiltration (I/I) Evaluation	100	104
90.30.0012	Sewer Easements and Right-Of-Way	150	156
90.30.0013	General Sewer Plan Update		135
90.30.0023	Sewer System Generator Replacement	1,368	
90.30.0024	SCADA System Replacement	1,070	
90.30.0025	Pump Station Replacement Design	910	
Sewer Utility CIP Total		**$7,473**	**$4,693**

Table 2

SEWER RATE PROPOSAL

In the fall of 2024, staff projected a 2026 local sewer rate adjustment of 4.5%. At the time, this projection was based on a partially completed year of 2024 expenditure actuals and a fully staffed project manager/ engineering team in the Public Works department.

Since then, staff from Public Works and Finance worked with the outside consultant team to update the smoothed rate model based on 2025 budget actuals through July, capital work already underway, and emerging reinvestment needs for the sewer conveyance system through the current biennium and beyond. Staff also incorporated a realization factor, which takes into account staffing levels in the current biennium and estimates expenditure actuals based on historical and current year actuals relative to the total authorized budget between 2025 through 2030.

As a result of this analysis, staff recommends a reduced 4.0% Sewer Utility rate adjustment for 2026.

This updated year-over-year smoothed rate model relies on outside funding beginning in 2027 for investments that cost more than $2.5 M each and have a useful life greater than 20 years. Debt financing spreads 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. No debt issuance is planned in the current biennium for the Sewer Utility.

The proposed rate adjustment for 2026 is part of a multiyear effort to ensure the Sewer Utility Fund has adequate resources to complete critical capital project work detailed below and into the future, as well as meet long-established fiscal policy guidelines.

These include funding an operating reserve target equal to 30 days of operating and maintenance costs, and a capital reserve target of 1.0% of capital assets. The 1% target was 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 1-2% 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.

The 4.0% rate increase in 2026 enables the Sewer Fund to achieve its target for both established guidelines, as detailed in Exhibit 1. Exhibit 1 also details an additional LTGO debt issuance estimated to be $21 M in 2027.

Table 3 provides a summary comparing proposed rates from the most recent rate model updates (2020-2024) as compared to the "2025-2026 Rate Proposal" presented in the second row.

Rate Recommendations	2023	2024	2025	2026	2027	2028	2029	2030
2025-2026 Rate Proposal			4.50%	**4.00%**	4.00%	4.00%	4.00%	4.00%
2023-2024 Rate Update	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%		
2021-2022 Rate Update	4.00%	4.00%	4.00%	4.00%				
2020 Rate Update	7.70%	7.70%						

Table 3

NEXT STEPS

Staff seeks to answer the Utility Board's questions about the 2026 rate adjustment, follow up with additional information as required, and receive the Utility Board's recommendation for the adoption of the proposed utility rate adjustment for sewer service for fiscal year 2026.

The 2026 Sewer Utility rate adjustment will be included in the City's fee schedule update at the December 2, 2025 City Council meeting. Staff will return during the 2027-2028 budget process with new information to inform potential annual rate adjustments for fiscal year 2027 and beyond.

RECOMMENDED ACTION

Accept staff's recommendation of a 4.0% utility rate increase for sewer services for fiscal year 2026.

PROJECTED SEWER UTILITY CASH FLOW 2025-2030

Revenue Requirement	2025	2026	2027	2028	2029	2030
Pre Rate Revenues						
Revenues						
Rate Revenues Under Existing Rates	$ 6,241,217	$ 6,241,217	$ 6,241,217	$ 6,241,217	$ 6,241,217	$ 6,241,217
Non-Rate Revenues	6,205,675	6,662,546	7,496,493	8,453,185	9,586,516	10,872,609
Total Revenues	**$ 12,446,891**	**$ 12,903,763**	**$ 13,737,710**	**$ 14,694,402**	**$ 15,827,733**	**$ 17,113,826**
Expenses						
Cash Operating Expenses	$ 9,782,232	$ 10,444,129	$ 11,428,594	$ 12,522,446	$ 13,808,686	$ 15,255,404
Existing Debt Service	1,028,615	1,029,601	623,618	626,625	623,725	-
New Debt Service	-	-	1,621,245	1,621,245	1,621,245	1,621,245
Total Expenses	**$ 10,810,847**	**$ 11,473,730**	**$ 13,673,457**	**$ 14,770,316**	**$ 16,053,657**	**$ 16,876,649**
Net Surplus (Deficiency)	**$ 1,636,045**	**$ 1,430,033**	**$ 64,253**	**$ (75,914)**	**$ (225,924)**	**$ (83,014)**
Annual Rate Increase		**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**
Cumulative Rate Increase		**4.00%**	**8.16%**	**12.49%**	**16.99%**	**21.67%**
Post Rate Revenues						
Revenues After Rate Increases	$ 6,241,217	$ 6,490,865	$ 6,750,500	$ 7,020,520	$ 7,301,341	$ 7,593,394
Additional Taxes from Rate Increase	-	7,702	15,712	24,043	32,707	41,717
Net Cash Flow After Rate Increase	**$ 1,636,045**	**$ 1,671,979**	**$ 557,824**	**$ 679,346**	**$ 801,493**	**$ 1,547,637**
Sample Monthly Residential Bill 6 ccf	$94.03	$99.84	$109.32	$119.88	$132.25	$146.13
Monthly Increase ($)		$5.81	$9.48	$10.56	$12.37	$13.89

Fund Balance	2025	2026	2027	2028	2029	2030
Operating Reserve						
Beginning Balance	$ 705,449	$ 804,019	$ 858,422	$ 939,970	$ 1,030,534	$ 1,136,937
plus: Net Cash Flow after Rate Increase	1,636,045	1,671,979	557,824	679,346	801,493	1,547,637
less: Transfer of Surplus to Capital Fund	(1,537,475)	(1,617,577)	(476,276)	(588,782)	(695,090)	(1,428,016)
Ending Balance	**$ 804,019**	**$ 858,422**	**$ 939,970**	**$ 1,030,534**	**$ 1,136,937**	**$ 1,256,557**
Actual Days of O&M	*30 days*	*30 days*	*30 days*	*30 days*	*30 days*	*30 days*
Capital Reserve						
Beginning Balance	$ 9,194,245	$ 6,046,395	$ 3,430,014	$ 18,312,064	$ 12,953,195	$ 8,512,065
plus: Transfers from Operating Fund	1,537,475	1,617,577	476,276	588,782	695,090	1,428,016
plus: Revenue Bond Proceeds	-	-	21,000,000	-	-	-
plus: Interest Earnings	367,770	181,392	68,600	183,121	129,532	85,121
Total Funding Sources	**$ 11,099,490**	**$ 7,845,364**	**$ 24,974,891**	**$ 19,083,967**	**$ 13,777,817**	**$ 10,025,202**
less: Capital Expenditures	(5,053,095)	(4,415,350)	(6,662,827)	(6,130,772)	(5,265,752)	(9,095,734)
Ending Capital Fund Balance	**$ 6,046,395**	**$ 3,430,014**	**$ 18,312,064**	**$ 12,953,195**	**$ 8,512,065**	**$ 929,468**
Minimum Target Balance	*$ 517,436*	*$ 561,589*	*$ 628,218*	*$ 689,525*	*$ 742,183*	*$ 833,140*
Combined Beginning Balance	**$ 9,899,695**	**$ 6,850,414**	**$ 4,288,436**	**$ 19,252,034**	**$ 13,983,729**	**$ 9,649,002**
Combined Ending Balance	**$ 6,850,414**	**$ 4,288,436**	**$ 19,252,034**	**$ 13,983,729**	**$ 9,649,002**	**$ 2,186,025**
Ending Total Days of Operating Expenditures	*256 days*	*150 days*	*614 days*	*407 days*	*254 days*	*52 days*
Combined Minimum Target Balance	*1,321,455*	*1,420,011*	*1,568,187*	*1,720,059*	*1,879,119*	*2,089,697*

UTILITY BOARD
STAFF REPORT

Item 4
October 28, 2025
Regular Business

AGENDA ITEM INFORMATION

TITLE:	2026 Storm Water Rate Discussion/Recommendation	☐ Discussion Only ☒ Action Needed: ☒ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Review the proposed 6% utility rate increase for storm water services for fiscal year 2026.	

STAFF:	Ben Schumacher, Financial Analyst II Matt Mornick, Finance Director
COUNCIL LIAISON:	Wendy Weiker
EXHIBITS:	1. 2025-2030 Projected Storm Water Utility Cash Flow

BACKGROUND

As part of the 2025-2026 mid-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 20, 2025.

Staff from Public Works and Finance worked with an outside consultant team to update the smoothed rate model based on 2025 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% increase to the Storm Water Utility rates for 2026 as proposed in the smoothed rate model, down 2% from the projected 2026 rate adjustment as modeled during the fall of 2024.

2025-2026 OPERATING BUDGET

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

Operating Expenditures	2023	2024	2025	2026	Percent Change	
($ in thousands)	Actual	Actual	Budget	Budget	24-25	25-26
Salary & Benefits	$1,212	$1,145	$1,339	$1,402	16.9%	4.8%
Contractual Services	$687	$354	$565	$532	59.7%	-5.8%
Other Services and Charges	$484	$568	$781	$890	37.5%	13.8%
TOTAL	**$2,383**	**$2,067**	**$2,685**	**$2,824**	**29.9%**	**5.2%**

Table 1

The combined total employee compensation costs in 2026 are increasing 4.8% as compared to 2025. The increase is a result of two factors: first, the cost-of-living adjustment (COLA) per the City's collective bargaining agreement of 2.3% in 2026. The COLA applied in 2025 was 4.2%. Second, City staff observed high cost increases for employee benefits.

Additionally, in June 2024, the City Council adopted a new Compensation Plan (see AB 6491) with a new classification system and established salary schedule for non-represented employees, who make up approximately half of the City's workforce.

Contractual services for 2026 reflect anticipated costs for Closed Circuit Television (CCTV) stormwater 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.

On May 21, 2024, the City Council adopted a new overhead cost allocation model (see AB 6475) that was implemented citywide to allocate indirect or internal services for each allocable City program, external service, operating department, and/ or fund, including the Storm Water Utility.

DISCUSSION

CAPITAL REINVESTMENT PROJECTS

Planned capital reinvestment work in 2025 and 2026 is shown in Table 2. Capital investment costs are the primary driver of the proposed Storm Water rate increases for 2025-2030.

Storm Water Utility Capital Program 2025-2026 ($ in thousands)			
Project ID	**Description**	**2025**	**2026**
90.35.0001	Emergency SW Conveyance Replacement	$50	$52
90.35.0002	Street Related Storm Drainage Improvements	150	156
90.35.0003	Conveyence Condition Assessment	100	104
90.35.0004	Stormwater System Improvements	400	415
90.35.0005	SW Monitoring Instrumentation	60	62
90.35.0006	WMW Culvert Replacements	100	467
90.35.0007	Watercourse Condition Update	250	
90.35.0008	SB 22.1 & 25b.2 Watercourse Improvements	380	
90.35.0009	SB 46a.3 Watercourse Improvements		544
90.35.0014	SB 23.2 Watercourse Improvements	300	
90.35.0015	SB 25b Neighborhood Drainage Improvements	425	
90.35.0016	SB 46a.3 Watercourse Stabilization	50	
90.35.0017	SB 29.3 Watercourse Stabilization	132	
90.35.0018	SB 18C Drainage Improvement	50	
Storm Water Utility CIP Total		**$2,447**	**$1,799**

Table 2

STORM WATER RATE PROPOSAL

In the fall of 2024, staff projected a 2026 local storm water rate adjustment of 8.0%. At the time, this projection was based on partially completed year of 2024 expenditure actuals and a fully staffed project manager/engineering team in the Public Works department.

Since then, staff from Public Works and Finance worked with the outside consultant team to update the smoothed rate model based on 2025 budget actuals through July, capital work already underway, and emerging reinvestment needs for the sewer conveyance system through the current biennium and beyond. Staff also incorporated a realization factor, which take into account staffing levels in the current biennium and estimates expenditure actuals based on historical and current year actuals relative to the total authorized budget between 2025 through 2030.

As a result of this analysis, staff recommends a reduced 6.0% Storm Water Utility rate adjustment for 2026.

The Storm Water fund has an operating reserve target of 45 days of operating and maintenance costs, and a capital reserve target of 1.0 percent of capital assets. The 1% target was 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 1-2% 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.

The 6.0% rate increase in 2026 will ensure 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 established guidelines, as highlighted in Exhibit 1. Exhibit 1 also details an additional LTGO debt issuance estimated to be $2 M in 2027.

Table 3 provides a summary comparing proposed rates from the most recent rate model updates (2020-2024) as compared to the "2025-2026 Rate Proposal" presented in the second row.

Rate Recommendations	2023	2024	2025	2026	2027	2028	2029	2030
2025-2026 Rate Proposal			8.00%	**6.00%**	6.00%	6.00%	6.00%	6.00%
2023-2024 Rate Update	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%		
2021-2022 Rate Update	5.50%	5.50%	5.50%	5.50%				
2020 Rate Update	3.20%	3.20%						

Table 3

NEXT STEPS

Staff seeks to answer the Utility Board's questions about the 2026 rate adjustment, follow up with additional information as required, and receive the Utility Board's recommendation for the adoption of the proposed utility rate adjustment for storm water service for fiscal year 2026.

The 2026 Storm Water Utility rate adjustment will be included in the City's fee schedule update at the December 2, 2025 City Council meeting. Staff will return during the 2027-2028 budget process with new information to inform potential annual rate adjustments for fiscal year 2027 and beyond.

RECOMMENDED ACTION

Accept staff's recommendation of a 6.0% utility rate increase for storm water services for fiscal year 2026.

PROJECTED STORM WATER UTILITY CASH FLOW 2025-2030

Revenue Requirement	2025	2026	2027	2028	2029	2030
Pre Rate Revenues						
Revenues						
Rate Revenues Under Existing Rates	$ 2,874,702	$ 2,874,702	$ 2,874,702	$ 2,874,702	$ 2,874,702	$ 2,874,702
Non-Rate Revenues	85,031	84,598	6,357	4,737	4,846	4,959
Total Revenues	**$ 2,959,733**	**$ 2,959,300**	**$ 2,881,059**	**$ 2,879,439**	**$ 2,879,548**	**$ 2,879,661**
Expenses						
Cash Operating Expenses	$ 2,594,981	$ 2,578,274	$ 2,587,179	$ 2,672,211	$ 2,760,306	$ 2,851,584
Existing Debt Service	-	-	-	-	-	-
New Debt Service	-	-	154,404	154,404	154,404	154,404
System Reinvestment Funding	-	-	-	-	-	-
Total Expenses	**$ 2,594,981**	**$ 2,578,274**	**$ 2,741,584**	**$ 2,826,615**	**$ 2,914,710**	**$ 3,005,988**
Net Surplus (Deficiency)	**$ 364,751**	**$ 381,026**	**$ 139,476**	**$ 48,460**	**$ (49,596)**	**$ (150,263)**
Annual Rate Increase		**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**
Cumulative Rate Increase		**6.00%**	**12.36%**	**19.10%**	**26.25%**	**33.82%**
Post Rate Revenues						
Revenues After Rate Increases	$ 2,874,702	$ 3,047,184	$ 3,230,015	$ 3,423,816	$ 3,629,245	$ 3,846,999
Additional Taxes from Rate Increase	-	3,018	6,218	9,609	13,205	17,015
Net Cash Flow After Rate Increase	**$ 364,751**	**$ 550,490**	**$ 488,571**	**$ 592,328**	**$ 706,176**	**$ 828,955**
Sample Monthly Residential Bill	$25.07	$26.58	$28.17	$29.86	$31.65	$33.55
Monthly Increase ($)	$1.86	$1.51	$1.60	$1.69	$1.79	$1.90

Fund Balance	2025	2026	2027	2028	2029	2030
Operating Reserve						
Beginning Balance	$ 250,772	$ 319,929	$ 317,869	$ 319,339	$ 330,217	$ 341,496
plus: Net Cash Flow after Rate Increase	364,751	550,490	488,571	592,328	706,176	828,955
less: Transfer of Surplus to Capital Fund	(295,594)	(552,549)	(487,101)	(581,450)	(694,897)	(817,258)
Ending Balance	**$ 319,929**	**$ 317,869**	**$ 319,339**	**$ 330,217**	**$ 341,496**	**$ 353,193**
Actual Days of O&M	*45 days*	*45 days*	*45 days*	*45 days*	*45 days*	*45 days*
Capital Reserve						
Beginning Balance	$ 4,669,110	$ 3,375,001	$ 2,816,432	$ 3,423,744	$ 2,416,751	$ 1,466,589
plus: Transfers from Operating Fund	295,594	552,549	487,101	581,450	694,897	817,258
plus: Revenue Bond Proceeds	-	-	2,000,000	-	-	-
plus: Interest Earnings	186,764	101,250	56,329	34,237	24,168	14,666
Total Funding Sources	**$ 5,151,468**	**$ 4,028,800**	**$ 5,359,862**	**$ 4,039,432**	**$ 3,135,815**	**$ 2,298,513**
less: Capital Expenditures	(1,776,467)	(1,212,368)	(1,936,117)	(1,622,681)	(1,669,227)	(2,140,535)
Ending Capital Fund Balance	**$ 3,375,001**	**$ 2,816,432**	**$ 3,423,744**	**$ 2,416,751**	**$ 1,466,589**	**$ 157,978**
Minimum Target Balance	*$ 142,738*	*$ 154,862*	*$ 174,223*	*$ 190,450*	*$ 207,142*	*$ 228,548*
Combined Beginning Balance	**$ 4,919,882**	**$ 3,694,930**	**$ 3,134,302**	**$ 3,743,084**	**$ 2,746,968**	**$ 1,808,085**
Combined Ending Balance	**$ 3,694,930**	**$ 3,134,302**	**$ 3,743,084**	**$ 2,746,968**	**$ 1,808,085**	**$ 511,171**
Ending Total Days of Operating Expenditures	*520 days*	*443 days*	*527 days*	*374 days*	*238 days*	*65 days*
Combined Minimum Target Balance	*462,668*	*472,731*	*493,563*	*520,667*	*548,639*	*581,741*

Monthly Estimates	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Water Bill	$30.92	$32.25	$34.83	$39.29	$43.57	$46.18	$48.63	$51.79	$55.15	$58.05	$61.09	$65.98	$71.26	$76.96	$83.11	$89.76	$96.94	$104.70	$113.07
$ Increase		$1.33	$2.58	$4.46	$4.28	$2.62	$2.45	$3.16	$3.37	$2.90	$3.05	$4.88	$5.28	$5.70	$6.16	$6.65	$7.18	$7.76	$8.38
% Increase		4.30%	8.00%	12.80%	10.90%	6.00%	5.30%	6.50%	6.50%	5.25%	5.25%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Local Sewer Bill	$30.41	$31.62	$34.31	$37.15	$39.75	$42.54	$45.86	$49.39	$53.19	$55.32	$57.53	$60.12	$62.83	$65.65	$68.28	$71.01	$73.85	$76.80	$79.87
$ Increase		$1.22	$2.69	$2.85	$2.60	$2.79	$3.32	$3.53	$3.81	$2.13	$2.22	$2.59	$2.71	$2.83	$2.63	$2.73	$2.84	$2.96	$3.07
% Increase		4.00%	8.50%	8.30%	7.00%	7.00%	7.80%	7.70%	7.70%	4.00%	4.00%	4.50%	4.50%	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%
Metro Sewer Bill	$36.10	$39.79	$39.79	$42.03	$42.03	$44.22	$44.22	$45.33	$45.33	$47.37	$49.27	$52.11	$55.11	$58.28	$62.66	$70.65	$79.66	$90.42	$102.63
$ Increase		$3.69	$0.00	$2.24	$0.00	$2.19	$0.00	$1.11	$0.00	$2.04	$1.90	$2.84	$3.00	$3.17	$4.38	$7.99	$9.01	$10.76	$12.21
% Increase		10.20%	0.00%	5.65%	0.00%	5.20%	0.00%	2.50%	0.00%	4.50%	4.00%	5.75%	5.75%	5.75%	7.50%	12.75%	12.75%	13.50%	13.50%
Stormwater Bill	$14.93	$15.11	$15.29	$15.70	$15.91	$16.54	$16.79	$17.33	$17.88	$18.87	$19.91	$21.50	$23.22	$25.07	$26.58	$28.17	$29.86	$31.65	$33.55
$ Increase		$0.18	$0.18	$0.41	$0.21	$0.64	$0.25	$0.54	$0.56	$0.98	$1.04	$1.59	$1.72	$1.86	$1.51	$1.60	$1.69	$1.79	$1.90
% Increase		1.20%	1.20%	2.70%	1.30%	4.00%	1.50%	3.20%	3.20%	5.50%	5.50%	8.00%	8.00%	8.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total Bill	**$112.35**	**$118.76**	**$124.21**	**$134.17**	**$141.25**	**$149.48**	**$155.49**	**$163.83**	**$171.55**	**$179.60**	**$187.80**	**$199.70**	**$212.41**	**$225.96**	**$240.62**	**$259.59**	**$280.31**	**$303.57**	**$329.12**
$ Increase		**$6.41**	**$5.45**	**$9.96**	**$7.09**	**$8.22**	**$6.02**	**$8.33**	**$7.72**	**$8.05**	**$8.20**	**$11.91**	**$12.71**	**$13.55**	**$14.67**	**$18.97**	**$20.72**	**$23.26**	**$25.56**
% Increase		**5.71%**	**4.58%**	**8.02%**	**5.28%**	**5.82%**	**4.02%**	**5.36%**	**4.72%**	**4.69%**	**4.57%**	**6.34%**	**6.36%**	**6.38%**	**6.49%**	**7.88%**	**7.98%**	**8.30%**	**8.42%**

CPI-W Historical Rate Increases

EMS Rate Increase*	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CPI-W First Half	0.50%	2.30%	3.20%	3.60%	2.20%	1.90%	3.30%	8.60%	6.50%	4.20%
CPI-W June	1.10%	2.00%	3.00%	3.60%	1.70%	1.00%	6.30%	9.50%	4.50%	3.60%

**CPI-W percentages are shown as the year they are applied to but are measurements of the prior year (i.e., 2016 = 2015's measurement).*

Question & Answer Matrix
October 28th – Utility Board Meeting

Log #	Received From	Question	Staff Response
1	Brian Thomas	This question pertains to the capital improvement plans for the water and general sewer utilities. Can you provide a brief written description of council actions over the past year or so pertaining to the adoption of the Water System Plan, the General Sewer Plan and the "Once-In-A-Generation" investment goal that was adopted sometime in 2025. I am trying to understand the extent to which the Council has already embraced/approved the plans and goal. The staff proposed rates reflect the most recent capital improvement plans, correct? Have those plans been vetted yet by Council?	The City Council adopted the City Work Plan and Council priorities at the March 1, 2025 Council Planning Session, including the current Council priority to "make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities and parks." Each biennium, the City Council reviews and approves the 6-year Capital Improvement Program which focuses on capital reinvestment and specific projects within that 6-year planning effort. For this biennium, the Council has approved the City's CIP at $105.5million. Staff presented an update on the current projects at Tuesday's City Council meeting. The packet and presentations can be found here: AB 6790 – 2025-2026 Capital Improvement Program Update Ab 6790 Presentation Additionally, reinvestment needs are outlined as part of the City's Water System Plan, General Sewer Plan and Comprehensive Basin plan (all adopted by Council) which looks at a 20-year planning horizon. Currently, staff are working on updates to the Water System Plan and General Sewer Plan which will be presented to the Utility Board and City Council in 2026.
2	Brian Thomas	Regarding the increased pass-through costs from King County for sewer treatment, can you provide a brief written summary of the timing of the previous vs. Most recent forecast of rates to be applied prospectively beginning in 2026? I am trying to gauge the extent to which the county has been transparent and/or active in communicating with Mercer Island about sewer rates that are passed through to Mercer Island ratepayers. Does MI utility staff feel that King County has been forthcoming or was the most recent KC rate forecast an unexpected surprise? How was the revised forecast specifically communicated to the MI utility staff?	King County has projected significant rate increases in the past couple of years. Last year's rate increase was modified upon feedback from other local jurisdictions. While the rates were not known for this year, the County used the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC) to discuss rate increases. The City, along with other jurisdictions, participate in this committee. https://kingcounty.gov/en/dept/dnrp/about-king-county/about-dnrp/committees/mwpaac/rate-and-finance

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3	Brian Thomas	I believe there was a request by Meredith Lehr for additional information from the staff, pertaining to comparable utility rates from other nearby jurisdictions. Can we please make sure that information is available for her review at the meeting on 10/28? ensure that the information is available for her review at the meeting on October 28	Historical rate increases for all three utilities and the CPI-W Seattle-Tacoma-Bellevue used for EMS rates were sent out with the agenda packet for the October 28 meeting to be used as reference.