



CITY OF MERCER ISLAND

UTILITY BOARD SPECIAL VIDEO MEETING

Wednesday, October 14, 2020 at 5:00 PM

BOARD MEMBERS:

Chair Tim O'Connell, Vice Chair Tom DeBoer
Board Members: Stephen Majewski
George Marshall, Stephen Milton,
William Pokorny, and Brian Thomas

LOCATION & CONTACT

Mercer Island City Hall – Zoom Meeting
9611 SE 36th Street | Mercer Island, WA 98040
Phone: 206.275.7706 | www.mercerisland.gov

In compliance with the Americans with Disabilities Act, those requiring accommodation for meetings should notify the Staff Liaison at least 24 hours prior to the meeting at 206.275.7706.

Virtual Meeting Notice

The virtual meeting will be broadcast live on Zoom and recorded and saved on the City's [YouTube Channel](#)

Join by Telephone at 5:00 PM: To listen to the meeting via telephone, please call **253.215.8782** and enter Webinar ID **862 3441 6906** and Password **851646** when prompted.

Join by Internet at 5:00 PM: To watch the meeting over the internet via your computer, follow these steps:

- 1) Click [this link](#)
- 2) If the Zoom app is not installed on your computer, you will be prompted to download it.
- 3) If prompted for Webinar ID, enter **862 3441 6906**; Enter Password **851646**

For the safety and wellbeing of the public and staff, the City strongly recommends that community members attend the meeting by viewing the live feed of the video conference on the City's [YouTube Channel](#), or on [MI-TV Channel 21](#).

CALL TO ORDER & ROLL CALL, 5:00 PM

REGULAR BUSINESS

1. Review and consider approving the September 23, 2020 Minutes
2. Preliminary 2021 Water and Sewer Rate Discussion
Provide recommendation on 2021-2022 proposed EMS, Stormwater, Water and Sewer Rates
3. Review Utility Board Work Plan

NEXT MEETING

ADJOURNMENT



UTILITY BOARD MINUTES SPECIAL VIDEO MEETING SEPTEMBER 23, 2020

Item 1.

CALL TO ORDER & ROLL CALL

Chair O'Connell called the meeting to order at 5:00 pm from a remote location.

Vice Chair DeBoer and Board Members Stephen Majewski, George Marshall, Stephen Milton, William Pokorny, and Brian Thomas participated remotely using a video teleconferencing platform by Zoom.

Council Liaison Lisa Anderl was absent.

Public Works Director Jason Kintner, City Clerk Deborah Estrada, and several staff members participated remotely.

Chair O'Connell asked that new Board Members George Marshall and Stephen Majewski introduce themselves.

PUBLIC WORKS DIRECTOR MEMO

There was no board discussion regarding the Public Works Director memo.

REGULAR BUSINESS

King County Sewer Interpreter Project Update

City staff, in coordination with King County's project team, provided an update on the King County North Mercer Island Interceptor and Enatai Interceptor Upgrade project. They provided a project overview and discussed the proposed work zone, which utilizes two lanes for construction and reserves sidewalk for pedestrians until work is near the intersection of Island Crest Way and SE 26th Street. Staff also reviewed existing site constraints. Project timing included:

- City and King County Interlocal Agreement – Q4 2020/Q1 2021
- Notice to proceed – September 2021
- Construction – Q3 2021-2025

Other City Related Improvements were outlined as follows:

- Sewer Repair/Replacement
 - Line 400 feet of 10" sewer force main
 - Replace 280 feet of 8" sewer main
 - County will replace and take ownership of ~500 feet of 16" sewer main under I-90 near City Hall
- Water Replacement
 - Replace 250 feet of 6" water main
- Stormwater Drainage Improvements
 - Convert shallow roadside ditch on 90th Place SE to a piped drainage system
- Roadways and Trails Pavement
- City Fiber Option
 - Link Critical Facilities (City Hall, MICEC, Station 91, Reservoir, Public Works Building)
 - Redundant Fiber ring (Communications SCADA and Control & Data Center SCADA)

Chair & Vice-Chair Elections

It was moved by Thomas; seconded by Majewski to:

Elect Tim O'Connell to serve as Chair through May 31, 2021

A roll call vote was conducted, and the results were as follows:

Passed 7-0

FOR: 7 (DeBoer, Majewski, Marshall, Milton, O'Connell, Pokorny, and Thomas)

It was moved by Milton; seconded by Marshall to:

Elect Tom DeBoer to serve as Vice Chair through May 31, 2021

A roll call vote was conducted, and the results were as follows:

Passed 7-0

FOR: 7 (DeBoer, Majewski, Marshall, Milton, O'Connell, Pokorny, and Thomas)

Review and consider approving the November 12, 2019 Minutes

The minutes were revised to reflect that the Board made a motion to ask King County to revisit the proposed timeline and reduce its impact.

It was moved by DeBoer; seconded by Pokorny to:

Approve the minutes as amended.

A roll call vote was conducted, and the results were as follows:

Passed 7-0

FOR: 7 (DeBoer, Majewski, Marshall, Milton, O'Connell, Pokorny, and Thomas)

City Update

Public Works Director Jason Kintner explained that the City of Mercer Island is an organization in transition. He provided an update to the 2021-2022 proposed Preliminary budget and organizational structure as it pertains to Public Works and introduced new staff to the Utility Board.

Introduction to 2021-2022 proposed Stormwater and EMS Rates

Director Kintner introduced Angie Sanchez, Vice President, and Chase Bozett, Senior Analyst, of FCS Group, noting that the last external rate study was completed in 2010 and FCS Group was retained to prepare the rate recommendations for the 2021-2022 Preliminary Budget as it related to water, sewer, and stormwater.

Sanchez outlined the following items in her presentation:

- Rate Update Overview – evaluate sufficiency of current rates, develop rate plan to balance financial needs, and identify a multi-year rate plan
- Key Data Inputs/Assumptions:
 - Study period 2021-2026
 - 2021-2022 biennial budget used as a baseline for expenses, noting that the City tax increase to 8% for 2021 and 2022 would return 5.3% in 2023
- Financial Policies
- 2021-2026 Capital Plan
- Revenue Requirement Summary

Next Steps were identified as follows:

- Utility Board input and feedback will be incorporated to finalize stormwater recommendations
- Preliminary results of water and sewer rates will be presented at the October Utility Board Meeting
- Utility Rates are scheduled for City Council adoption November 17
- Rates will take effect January 1, 2021

Director Kintner explained that stormwater utility rates support the costs of providing the utility service, including the operations and maintenance budget and the six-year plan for the Stormwater Capital Program. EMS utility revenues are directly tied to the average, budgeted salary and benefit costs, excluding overtime, of four firefighters, who were hired in 1996 to provide capacity to handle simultaneous EMS calls.

It was moved by Pokorny; seconded by Milton to:

Recommend approval of the 1.78% increase in the EMS Rates

A roll call vote was conducted, and the results were as follows:

Passed 7-0

FOR: 7 (DeBoer, Majewski, Marshall, Milton, O'Connell, Pokorny, and Thomas)

CIP Preview

Public Works Director Jason Kintner and Interim Water Utility Manager Allen Hunter reviewed the 2021-2020 CIP Preview and Project Update, explaining that due to staff turnover and impacts from the COVID-19 pandemic, some significant capital projects were delayed. The project update summarized the followings and identified which projects need improvement, which projects partially meet current needs, and which projects meet current needs:

- SCADA System
- Meter Replacement Project
- Booster C12 Station
- Risk & Resiliency & ERP Update

Review Workplan

Director Kintner reported that due to the Council schedule and upcoming 2021-2022 Preliminary Budget discussions, the regular Utility Board for October was canceled and a special meeting was scheduled in its place on October 14.

NEXT MEETING

There was Board consensus to schedule a special video meeting on Wednesday, October 14 at 5 pm.

ADJOURNMENT

There being no additional business, the Special Video Meeting adjourned at 7:06 pm.

Attest:

Tim O'Connell, Chair

Deborah A. Estrada, City Clerk



Memorandum

CITY OF MERCER ISLAND, FINANCE DEPARTMENT

9611 S.E. 36th St. • Mercer Island, WA 98040-3732
www.mercerisland.gov

Date: October 5, 2020
To: Utility Board
From: LaJuan Tuttle, Deputy Finance Director
Re: October 2020 Utility Board Meeting - Storm Water Rate

At the October 14th Utility Board meeting the Utility Board is being asked to make a Storm Water rate recommendation for the 2021-2022 biennial budget. The operating and capital budgets presented in this memo have been incorporated into the City Manager's Preliminary Budget Document, which was delivered to the City Council on October 1st. Changes to the proposed budget and rate proposals may result as further refinements are incorporated or as Council reviews the Preliminary Budget on October 13, 2020 (Operating Budget) and October 20, 2020 (Capital Budget).

2021-2022 Preliminary Operating Budget

The proposed operating budget for the Storm Water Utility presented in the table below. There are no significant changes to the level of operation and maintenance of the storm water system proposed.

Description	2019	2020	2021	2022	Percent Change	
	Actual	Forecast	Budget	Budget	20-21	21-22
Operating Expenditures						
Budgeted						
Salary & Benefits	\$ 734,561	\$ 693,866	\$ 694,479	\$ 727,113	0.1%	4.7%
Supplies	20,075	36,765	36,565	36,565	-0.5%	0.0%
Contractual Services	223,970	436,790	319,940	323,440	-26.8%	1.1%
Internal Service Charges	114,259	118,123	124,013	124,738	5.0%	0.6%
Insurance	13,635	14,248	10,800	11,740	-24.2%	8.7%
City Administration/Overhead	104,235	116,466	88,091	89,567	-24.4%	1.7%
Other Services and Charges	65,490	98,781	80,305	84,080	-18.7%	4.7%
Total Operating Expenditures	\$ 1,276,225	\$ 1,515,039	\$ 1,354,193	\$ 1,397,243	-10.6%	3.2%

Some highlights from the operating budget:

- The combined total for **salary and benefit** costs are increasing 0.1% as compared to the 2020 budget. The increase results in part from changes to the percentage splits in how staff are budgeted across utility funds as well as between operating and capital budgets. The salaries budget includes two new positions, a Public Works Deputy Director and a Cityworks Coordinator position, in addition to existing staffing. Existing staffing of the Storm Water utility includes three Full Time Equivalents (FTE) in Public Works dedicated to the operation

and maintenance of the storm water system, as well as administrative oversight, utility billing and customer service, utility inspections of private development, and GIS (geographic information system) support. The total dollar impact to the Storm Water Utility for the two new positions is \$86,519 in 2021 and \$88,575 in 2022 which represents 25% of the full cost of each position. Other impacts include a cost of living adjustment (COLA) of 1.71% in 2021 and estimated at 1.98% in 2022.

- **Contractual services** are forecasted to be 26.8% lower in 2021 as compared to the 2020 budget. The 2020 budget includes one-time costs associated with emergency repairs that are not re-budgeted in 2021. The contract service budget for 2021-2022 reflects anticipated costs for Closed Circuit Television (CCTV) stormwater pipe video inspections, catch basin cleaning & repairs, storm pipe replacement & slip lining repairs.
- **City Administration** costs are 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. A variable basis overhead allocation model is used to determine the Storm Water Utility's proportionate share of these internal service functions.

Summary Capital Reinvestment Projects

Planned capital reinvestment work in 2021 and 2022 is shown in the table below. A summary of projects for the six-year plan covering 2021-2026 is included as appendix A. Capital investment costs are the primary driver of the proposed Storm Water rate increases for 2021-2026.

Water Utility Capital Program 2021-2022		
Description	2021	2022
Sub Basin 42.1 and 42.1a Watercourse Stabilization	389,657	
Sub basin 23.2 Watercourse Stabilization	202,157	
Sub basin 45b.1 Watercourse Stabilization	36,157	188,500
Sub basin 27a.10 Watercourse Stabilization	22,157	79,000
Sub basin 22.1 Watercourse Stabilization		24,157
Sub basin 50b.4 (a & e) Watercourse Stabilization		17,657
Sub basin 25b.2 Watercourse Stabilization		46,657
Conveyance System Assessments	112,000	50,000
East Mercer Way Trenchless Culvert Replacements	112,657	503,500
Emergency Stormwater Conveyance Repairs	50,000	50,000
Street & Other Storm Water Improvements	261,000	404,000
STORM WATER UTILITY TOTAL	\$ 1,185,785	\$ 1,363,471

Storm Water Rate Proposal

A Storm Water rate proposal was presented by the City's consultant, FCS Group, for the Utility Board's consideration on September 23rd. The rate proposal is based on the preliminary operating budget, six-year Capital Plan, and debt financing needs. The rate model proposes a smoothed rate increase of 5.50% for 2021-2026.

Revenue Requirement	2020	2021	2022	2023	2024	2025	2026
Revenues							
Rate Revenues Under Existing Rates	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485
Non-Rate Revenues	111,847	110,174	108,410	105,901	104,267	101,063	99,882
Total Revenues	\$ 2,127,332	\$ 2,125,659	\$ 2,123,895	\$ 2,121,386	\$ 2,119,752	\$ 2,116,548	\$ 2,115,367
Expenses							
Cash Operating Expenses	\$ 1,517,159	\$ 1,359,189	\$ 1,382,392	\$ 1,430,152	\$ 1,480,966	\$ 1,533,940	\$ 1,589,242
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-	-
Rate Funded Capital	500,000	700,000	800,000	900,000	1,000,000	1,100,000	1,200,000
Total Expenses	\$ 2,017,159	\$ 2,059,189	\$ 2,182,392	\$ 2,330,152	\$ 2,480,966	\$ 2,633,940	\$ 2,789,242
Net Surplus (Deficiency)	\$ 110,173	\$ 66,471	\$ (58,497)	\$ (208,766)	\$ (361,214)	\$ (517,392)	\$ (673,875)
Additions to Meet Coverage	-	-	-	-	-	-	-
Total Surplus (Deficiency)	\$ 110,173	\$ 66,471	\$ (58,497)	\$ (208,766)	\$ (361,214)	\$ (517,392)	\$ (673,875)
% of Rate Revenue	0.00%	0.00%	2.90%	10.36%	17.92%	25.67%	33.43%
Annual Rate Adjustment	0.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Cumulative Annual Rate Adjustment	0.00%	5.50%	11.30%	17.42%	23.88%	30.70%	37.88%
Rate Revenues After Rate Increase	\$ 2,015,485	\$ 2,126,337	\$ 2,243,285	\$ 2,366,666	\$ 2,496,833	\$ 2,634,158	\$ 2,779,037
Additional Taxes from Rate Increase	\$ -	\$ 10,963	\$ 22,529	\$ 25,084	\$ 34,381	\$ 44,190	\$ 54,539
Net Cash Flow After Rate Increase	\$ 110,173	\$ 166,359	\$ 146,774	\$ 117,330	\$ 85,752	\$ 57,091	\$ 35,138
Coverage After Rate Increases	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average Residential Bi-Monthly Bill	\$ 35.77	\$ 37.74	\$ 39.81	\$ 42.00	\$ 44.31	\$ 46.75	\$ 49.32
\$ Bi-Monthly Difference		1.97	2.08	2.19	2.31	2.44	2.57

Fund Balance	2020	2021	2022	2023	2024	2025	2026
OPERATING FUND							
Beginning Balance	\$ 82,908	\$ 124,698	\$ 111,714	\$ 113,621	\$ 117,547	\$ 121,723	\$ 126,077
plus: Net Cash Flow after Rate Increase	110,173	166,359	146,774	117,330	85,752	57,091	35,138
less: Transfer of Surplus to Capital Fund	(68,383)	(179,343)	(144,867)	(113,405)	(81,575)	(52,737)	(30,593)
Ending Balance	\$ 124,698	\$ 111,714	\$ 113,621	\$ 117,547	\$ 121,723	\$ 126,077	\$ 130,623
<i>O&M Target Balance</i>	\$ 124,698	\$ 111,714	\$ 113,621	\$ 117,547	\$ 121,723	\$ 126,077	\$ 130,623
<i>Days</i>	30	30	30	30	30	30	30
CAPITAL							
Beginning Balance	\$ 4,286,435	\$ 3,910,157	\$ 3,570,320	\$ 3,066,578	\$ 2,735,896	\$ 2,090,850	\$ 1,850,338
plus: Rate Funded Capital	500,000	700,000	800,000	900,000	1,000,000	1,100,000	1,200,000
plus: Transfers from Operating Fund	68,383	179,343	144,867	113,405	81,575	52,737	30,593
plus: Grants/ Donations/ CIAC	50,000	-	-	-	-	-	-
plus: Interest Earnings	-	-	-	-	-	-	-
Total Funding Sources	\$ 4,904,818	\$ 4,789,499	\$ 4,515,187	\$ 4,079,983	\$ 3,817,472	\$ 3,243,587	\$ 3,080,931
less: Capital Expenditures	(994,661)	(1,219,180)	(1,448,609)	(1,344,087)	(1,726,622)	(1,393,249)	(1,390,898)
Ending Working Capital Balance	\$ 3,910,157	\$ 3,570,320	\$ 3,066,578	\$ 2,735,896	\$ 2,090,850	\$ 1,850,338	\$ 1,690,033
<i>Minimum Target Balance</i>	\$ 118,968	\$ 131,160	\$ 145,646	\$ 159,087	\$ 176,353	\$ 190,286	\$ 204,195
COMBINED BEGINNING FUND BALANCE	\$ 4,369,343	\$ 4,034,855	\$ 3,682,034	\$ 3,180,199	\$ 2,853,443	\$ 2,212,573	\$ 1,976,415
COMBINED ENDING FUND BALANCE	\$ 4,034,855	\$ 3,682,034	\$ 3,180,199	\$ 2,853,443	\$ 2,212,573	\$ 1,976,415	\$ 1,820,656

A summary table comparing the proposed rates from the most recent rate model updates (2018-2020) as compared to the current rate recommendation is presented below.

Rate Update	2019	2020	2021	2022	2023	2024	2025	2026
2018 Rate Update	1.50%	1.50%	1.50%	1.50%				
2019-2020 Rate Update	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%		
2021-2022 Rate Proposal			5.50%	5.50%	5.50%	5.50%	5.50%	5.50%

Staff and representatives from FCS group will be available at the Utility Board meeting to answer questions regarding the proposed operating and capital budgets, as well as the proposed 2021-2022 storm water utility rate increases.

The 2021 Storm Water Utility rate resolution is on the Council planning schedule for review and adoption on November 17, 2020.



Memorandum

CITY OF MERCER ISLAND, FINANCE DEPARTMENT

9611 S.E. 36th St. • Mercer Island, WA 98040-3732
www.mercerisland.gov

Date: October 9, 2020
To: Utility Board
From: LaJuan Tuttle, Deputy Finance Director
Re: October 2020 Utility Board Meeting – Water Rate

At the October 14th Utility Board meeting the Utility Board is being asked to make a Water Utility rate recommendation for the 2021-2022 Biennial Budget. The operating and capital budgets presented in this memo have been incorporated into the City Manager's Preliminary Budget Document, which was delivered to the City Council on October 1st. Changes to the proposed budget and rate proposals may result as further refinements are incorporated or when Council reviews the Preliminary Budget on October 13, 2020 (Operating Budget) and October 20, 2020 (Capital Budget).

2021-2022 Preliminary Operating Budget

The proposed operating budget for the Water Utility is status quo, in that there are no significant changes planned to the level of operation and maintenance of the Water system.

Description	2019	2020	2021	2022	Percent Change	
	Actual	Forecast	Budget	Budget	20-21	21-22
Operating Expenditures						
Budgeted						
Salary & Benefits	\$ 1,284,188	\$ 1,411,215	\$ 1,390,816	\$ 1,458,519	-1.4%	4.9%
Water Purchased for Resale	1,922,076	2,110,162	2,300,000	2,415,000	9.0%	5.0%
Supplies	210,160	207,230	200,430	200,430	-3.3%	0.0%
Contractual Services	181,088	500,795	297,795	351,795	-40.5%	18.1%
Internal Service Charges	179,383	188,420	185,329	186,569	-1.6%	0.7%
Insurance	124,077	129,551	148,300	155,640	14.5%	4.9%
Debt Service	108,195	107,150	109,875	415,958	2.5%	278.6%
City Administration/Overhead	176,732	196,059	245,616	250,261	25.3%	1.9%
Other Services and Charges	574,305	532,586	561,255	585,480	5.4%	4.3%
Total Operating Expenditures	\$ 4,760,203	\$ 5,383,168	\$ 5,439,416	\$ 6,019,652	1.0%	10.7%

Some highlights from the operating budget:

- The combined total for **salary and benefit** costs are decreasing 1.4% as compared to the 2020 budget. The decrease results from changes to the percentage splits in how staff are budgeted across operating funds. The salaries budget includes two new positions, a Public Works Deputy Director and a Cityworks Coordinator position, in addition to existing staffing. Existing staffing of the Water Utility includes seven Public Works team members dedicated to the operation and maintenance of the water system, as well as administrative oversight, utility billing and customer service, utility inspections of private development, and GIS (geographic information system) support. The total dollar impact to the Water Utility for the two new positions is \$86,519 in 2021 and \$88,575 in 2022 which represents 25% of the full cost of each position. Other impacts include a cost of living adjustment (COLA) of 1.71% in 2021 and estimated at 1.98% in 2022.

- **Contractual services** are forecasted to be 40.5% lower in 2021 as compared to the 2020 budget. The decrease reflects removal of one-time maintenance costs to “catch up” on deferred maintenance in 2019-2020 for utilities valve exercising/operations, asphalt repair, and hydrant maintenance contracts (\$91,000 decrease from 2020 to 2021). Increases in contract services in 2022 reflect the staff proposal that a comprehensive Water Rate Study be conducted after the meter replacement project is complete (\$25,500).
- **Water Purchases** from Seattle Public Utilities (SPU) are projected to increase 9.0% in 2021 as compared to the 2020 budget and 5.0% in 2020. Note that SPU sets a higher rate for the period of Peak usage (May 15-Sept 15) than for the period of Non-Peak usage (Sept 16-May 15). The cost of water purchases makes up about 40% of all Water Utility operating expenses.
- Existing **debt service** costs are related to repayment of the debt issued in 2011 on the First Hill Booster Pump Station upgrade and water system improvements projects. The preliminary Water rates include the issuance of \$3.5 million in additional debt in 2022 to fund the SCADA and Meter Replacement projects planned for 2021-2022. The new debt will result in additional annual debt payment estimated at \$308,708 beginning in 2022.
- **City Administration** costs are the Water Fund’s share of administrative support provided by the City Attorney’s Office, City Manager’s Office, Finance, and Human Resources staff. An overhead variable basis allocation model is used to determine the Water Utility’s proportionate share of these internal service functions.

Summary Capital Reinvestment Projects

Planned capital reinvestment work in 2021 and 2022 is shown in the table below. A summary of projects for the six-year plan covering 2021-2026 is included as appendix A. Capital investment costs are the primary driver of the proposed water rate increases for 2021-2026.

Water Utility Capital Program 2021-2022		
Description	2021	2022
Emergency Water System Repairs	150,000	150,000
Booster Chlorination Station	995,000	2,510,000
SCADA System Replacement (Water)	675,000	975,000
Water Reservoir Improvements	375,000	1,735,000
Madrona Crest East Addition Water System Improvements	350,000	2,448,000
60 Ave SE, btw SE 27 and SE 32, and 62 Ave Water System Improv.		229,000
82nd Ave SE, N of SE 24th St Water System Improv - Construction	1,087,000	
Water System Components (valve, air vac, blow off, and etc.)	35,000	35,000
Water Model Updates/Fire Flow Analysis	15,000	50,000
RRA, ERP Updates, and Water System Plan Updates	200,000	100,000
Meter Replacement Implementation	2,050,000	2,050,000
Reservoir Generator Replacement	240,000	120,000
Solutions for Water System Deficiencies - Consultant Services	120,000	
Street & Other Water Improvements	395,250	260,500
Project Management - Water Utility	186,096	192,192
WATER UTILITY TOTAL	\$ 6,873,346	\$ 10,854,692

Water Rate Proposal

A water rate proposal will be presented by the City's consultant, FCS Group, for the Utility Board's consideration. The rate proposal is based on the preliminary operating budget, six-year Capital Plan, and debt financing needs. The rate model proposes a smoothed rate increase of 5.25% for 2021-2026.

Revenue Requirement	2020	2021	2022	2023	2024	2025	2026
Revenues							
Rate Revenues Under Existing Rates	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471
Non-Rate Revenues	94,913	84,781	66,590	44,532	29,029	29,947	37,893
Total Revenues	\$ 8,367,384	\$ 8,357,252	\$ 8,339,061	\$ 8,317,003	\$ 8,301,500	\$ 8,302,418	\$ 8,310,364
Expenses							
Cash Operating Expenses	\$ 3,197,783	\$ 3,081,773	\$ 3,178,762	\$ 3,257,831	\$ 3,361,547	\$ 3,470,062	\$ 3,583,431
Purchased Water	2,190,480	2,300,004	2,415,004	2,535,755	2,662,542	2,795,669	2,935,453
Existing Debt Service	107,150	109,875	107,250	109,531	111,631	108,550	110,150
New Debt Service	-	-	308,708	308,708	308,708	308,708	308,708
Rate Funded Capital	2,300,000	2,750,000	3,000,000	3,250,000	3,500,000	3,700,000	3,900,000
Total Expenses	\$ 7,795,414	\$ 8,241,652	\$ 9,009,724	\$ 9,461,824	\$ 9,944,428	\$ 10,382,989	\$ 10,837,742
Net Surplus (Deficiency)	\$ 571,971	\$ 115,600	\$ (670,662)	\$ (1,144,821)	\$ (1,642,928)	\$ (2,080,570)	\$ (2,527,378)
Additions to Meet Coverage	-	-	-	-	-	-	-
Total Surplus (Deficiency)	\$ 571,971	\$ 115,600	\$ (670,662)	\$ (1,144,821)	\$ (1,642,928)	\$ (2,080,570)	\$ (2,527,378)
% of Rate Revenue	0.00%	0.00%	8.11%	13.84%	19.86%	25.15%	30.55%
Annual Rate Adjustment	0.00%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Cumulative Annual Rate Adjustment	0.00%	5.25%	10.78%	16.59%	22.71%	29.15%	35.94%
Rate Revenues After Rate Increase	\$ 8,272,471	\$ 8,706,776	\$ 9,163,881	\$ 9,644,985	\$ 10,151,347	\$ 10,684,293	\$ 11,245,218
Additional Taxes from Rate Increase	\$ -	\$ 58,333	\$ 119,728	\$ 145,425	\$ 199,077	\$ 255,545	\$ 314,979
Net Cash Flow After Rate Increase	\$ 571,971	\$ 491,572	\$ 101,020	\$ 82,268	\$ 36,871	\$ 75,706	\$ 130,391
Coverage After Rate Increases	n/a	n/a	11.39	12.15	12.82	13.58	14.41
Average Residential Bi-Monthly Bill (14 ccf usage)	\$ 110.29	\$ 116.08	\$ 122.17	\$ 128.59	\$ 135.34	\$ 142.44	\$ 149.92
\$ Bi-Monthly Difference		5.79	6.09	6.41	6.75	7.11	7.48

Fund Balance	2020	2021	2022	2023	2024	2025	2026
OPERATING FUND							
Beginning Balance	\$ 1,412,783	\$ 788,495	\$ 759,889	\$ 783,804	\$ 803,301	\$ 828,875	\$ 855,632
plus: Net Cash Flow after Rate Increase	571,971	491,572	101,020	82,268	36,871	75,706	130,391
less: Transfer of Surplus to Capital Fund	(1,196,259)	(520,177)	(77,105)	(62,771)	(11,297)	(48,949)	(102,437)
Ending Balance	\$ 788,495	\$ 759,889	\$ 783,804	\$ 803,301	\$ 828,875	\$ 855,632	\$ 883,586
O&M Target Balance	\$ 788,495	\$ 759,889	\$ 783,804	\$ 803,301	\$ 828,875	\$ 855,632	\$ 883,586
Days	90	90	90	90	90	90	90
CAPITAL							
Beginning Balance	\$13,866,439	\$12,464,380	\$ 8,854,797	\$ 4,110,454	\$ 990,407	\$ 1,148,492	\$ 2,710,868
plus: Rate Funded Capital	2,300,000	2,750,000	3,000,000	3,250,000	3,500,000	3,700,000	3,900,000
plus: Transfers from Operating Fund	1,196,259	520,177	77,105	62,771	11,297	48,949	102,437
plus: General Facilities Charge Revenue	130,000	-	-	-	-	-	-
plus: Net Debt Proceeds Available for Projects	-	-	3,500,000	-	-	-	-
plus: Interest Earnings	-	-	-	-	-	-	-
Total Funding Sources	\$17,492,698	\$15,734,557	\$15,431,902	\$ 7,423,225	\$ 4,501,704	\$ 4,897,441	\$ 6,713,305
less: Capital Expenditures	(5,028,318)	(6,879,760)	(11,321,448)	(6,432,818)	(3,353,212)	(2,186,573)	(2,921,073)
Ending Working Capital Balance	\$12,464,380	\$ 8,854,797	\$ 4,110,454	\$ 990,407	\$ 1,148,492	\$ 2,710,868	\$ 3,792,232
Minimum Target Balance	\$ 402,957	\$ 471,754	\$ 584,969	\$ 649,297	\$ 682,829	\$ 704,695	\$ 733,906
COMBINED BEGINNING FUND BALANCE	\$15,279,222	\$13,252,875	\$ 9,614,687	\$ 4,894,258	\$ 1,793,708	\$ 1,977,367	\$ 3,566,500
COMBINED ENDING FUND BALANCE	\$13,252,875	\$ 9,614,687	\$ 4,894,258	\$ 1,793,708	\$ 1,977,367	\$ 3,566,500	\$ 4,675,817

A summary table comparing the proposed rates from the most recent rate model updates (2018-2020) as compared to the current rate recommendation is presented below.

Rate Update	2019	2020	2021	2022	2023	2024	2025	2026
2018 Rate Update	5.30%	5.30%	5.30%	5.30%				
2019-2020 Rate Update	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%		
2021-2022 Rate Proposal			5.25%	5.25%	5.25%	5.25%	5.25%	5.25%

Staff and representatives from FCS group will be available at the Utility Board meeting to answer questions regarding the proposed operating and capital budgets, as well as the proposed 2021-2022 water utility rate increases.

The 2021 Water Utility rate resolution is on the Council planning schedule for review and adoption on November 17, 2020.



Memorandum

CITY OF MERCER ISLAND, FINANCE DEPARTMENT

9611 S.E. 36th St. • Mercer Island, WA 98040-3732
www.mercerisland.gov

Date: October 5, 2020
To: Utility Board
From: LaJuan Tuttle, Deputy Finance Director
Re: October 2020 Utility Board Meeting – Sewer Rate

At the October 14th Utility Board meeting the Utility Board is being asked to make a Sewer Utility rate recommendation for the 2021-2022 biennial budget. The operating and capital budgets presented in this memo have been incorporated into the City Manager's Preliminary Budget Document, which was delivered to the City Council on October 1st. Changes to the proposed budget and rate proposals may result as further refinements are incorporated or as Council reviews the Preliminary Budget on October 13, 2020 (Operating Budget) and October 20, 2020 (Capital Budget).

2021-2022 Preliminary Operating Budget

The proposed operating budget for the Sewer Utility is presented in the table below. There are no significant changes to the level of operation and maintenance of the sewer system proposed.

Description	2019	2020	2021	2022	Percent Change	
	Actual	Forecast	Budget	Budget	20-21	21-22
Operating Expenditures						
Budgeted						
Salary & Benefits	\$ 1,059,902	\$ 1,255,127	\$ 1,282,391	\$ 1,343,912	2.2%	4.8%
King County Sewer Treatment	4,797,727	4,828,462	5,083,506	5,312,086	5.3%	4.5%
Supplies	93,426	92,630	69,030	78,030	-25.5%	13.0%
Contractual Services	135,977	252,130	200,180	229,180	-20.6%	14.5%
Internal Service Charges	122,328	131,365	188,509	190,185	43.5%	0.9%
Insurance	63,993	66,649	54,000	56,900	-19.0%	5.4%
Debt Service	1,036,539	1,337,720	1,047,070	1,256,361	-21.7%	20.0%
City Administration/Overhead	137,983	154,254	241,192	245,858	56.4%	1.9%
Other Services and Charges	544,602	543,365	364,520	374,245	-32.9%	2.7%
Total Operating Expenditures	\$ 7,992,477	\$ 8,661,702	\$ 8,530,398	\$ 9,086,757	-1.5%	6.5%

Some highlights from the operating budget:

- The combined total for **salary and benefit** costs are increasing 2.2% as compared to the 2020 budget. The increase results in part from changes to the percentage splits in how staff are budgeted across operating funds. The salaries budget includes two new positions, a Public Works Deputy Director and a Cityworks Coordinator position, in addition to existing staffing. Existing staffing of the Sewer Utility includes six Public Works team members dedicated to the operation and maintenance of the sewer system, as well as administrative oversight, utility billing and customer service, utility inspections of private development, and GIS (geographic information system) support. The total dollar impact to the Sewer Utility for the two new positions is \$86,519 in 2021 and \$88,575 in 2022 which represents 25% of the full cost for each position. Other impacts include a cost of living adjustment (COLA) of 1.71% in 2021 and estimated at 1.98% in 2022.

- **Contractual services** are forecasted to be 20.6% lower in 2021 as compared to the 2020 budget. The decrease reflects the anticipated savings in contract services by bringing Closed Circuit Television (CCTV) video pipe and manhole inspections in-house. Increases in contract services in 2022 reflect staff's proposal to conduct a comprehensive Rate Study after the meter replacement project is complete (\$25,500).
- **King County Sewer Treatment** services are projected to increase 5.30% in 2021 as compared to the 2020 budget and 4.5% in 2022. Increases are passed through to sewer customers and are identified separately on a customer's utility bill.
- Existing **debt service** costs are related to repayment of the debt on the Sewer Lake Line project and include a Public Works Trust Fund Loan and LTGO bonds. The preliminary sewer rates include the issuance of \$2.5 million in additional debt in 2022 to fund the SCADA project planned for 2021-2022. The new debt will result in additional annual debt payment estimated at \$220,505 beginning in 2022.
- **City Administration** costs are the Sewer Fund's share of administrative support provided by the City Attorney's Office, City Manager's Office, Finance and Human Resources staff. A variable basis allocation overhead model is used to determine the Sewer Utility's proportionate share of these internal service functions.

Summary Capital Reinvestment Projects

Planned capital reinvestment work in 2021 and 2022 is shown in the table below. A summary of projects for the six-year plan covering 2021-2026 is included as appendix A. Capital investment costs are the primary driver of the proposed sewer rate increases for 2021-2026.

Sewer Utility Capital Program 2021-2022		
Description	2021	2022
Emergency Sewer Repairs	300,000	300,000
Pump Station R&R Improvements	200,000	
Easement, Access Codes and Standards Review	150,000	150,000
Comprehensive Pipeline R&R Program	500,000	500,000
Sewer System Generator Replacement	150,000	150,000
Pump Station Accessibility Improvements	100,000	100,000
SCADA System Replacement (Sewer)	675,000	975,000
Street & Other Sewer Projects	155,000	51,000
Project Management - Sewer Utility	141,759	146,651
SEWER UTILITY TOTAL	\$ 2,371,759	\$ 2,372,651

Sewer Rate Proposal

A sewer rate proposal will be presented by the City's consultant, FCS Group, for the Utility Board's consideration. The rate proposal is based on the preliminary operating budget, six-year Capital Plan, and debt financing needs. The rate model proposes a smoothed rate increase of 4.0% for 2021-2026.

Revenue Requirement	2020	2021	2022	2023	2024	2025	2026
Revenues							
Rate Revenues Under Existing Rates	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081
King County Metro Revenue	4,813,463	5,030,539	5,257,191	5,797,752	5,797,752	6,392,582	6,392,582
Non-Rate Revenues	30,608	26,809	25,049	35,970	21,506	17,445	11,458
Total Revenues	\$10,082,152	\$10,295,429	\$10,520,321	\$11,071,803	\$11,057,339	\$11,648,108	\$11,642,121
Expenses							
Cash Operating Expenses	\$ 2,496,133	\$ 2,408,651	\$ 2,502,106	\$ 2,579,631	\$ 2,665,750	\$ 2,755,819	\$ 2,849,812
King County Treatment Costs	4,864,583	5,083,506	5,312,086	5,857,246	5,857,246	6,457,136	6,457,136
Existing Debt Service	1,042,284	1,047,070	1,035,856	1,034,242	1,031,829	1,028,615	1,029,601
New Debt Service	-	-	220,505	220,505	220,505	485,112	485,112
Rate Funded Capital	1,400,000	1,500,000	1,600,000	1,700,000	1,800,000	1,900,000	2,000,000
Total Expenses	\$ 9,803,000	\$10,039,226	\$10,670,554	\$11,391,625	\$11,575,330	\$12,626,682	\$12,821,661
Net Surplus (Deficiency)	\$ 279,152	\$ 256,202	\$ (150,233)	\$ (319,821)	\$ (517,990)	\$ (978,574)	\$ (1,179,541)
Additions to Meet Coverage	-	-	-	-	-	-	-
Total Surplus (Deficiency)	\$ 279,152	\$ 256,202	\$ (150,233)	\$ (319,821)	\$ (517,990)	\$ (978,574)	\$ (1,179,541)
% of Rate Revenue	0.00%	0.00%	2.87%	6.11%	9.89%	18.68%	22.52%
Annual Rate Adjustment	0.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Cumulative Annual Rate Adjustment	0.00%	4.00%	8.16%	12.49%	16.99%	21.67%	26.53%
Rate Revenues After Rate Increase	\$ 5,238,081	\$ 5,447,604	\$ 5,665,508	\$ 5,892,129	\$ 6,127,814	\$ 6,372,926	\$ 6,627,844
Additional Taxes from Rate Increase	-	\$ 25,478	\$ 51,976	\$ 61,194	\$ 83,245	\$ 106,178	\$ 130,028
Net Cash Flow After Rate Increase	\$ 279,152	\$ 440,247	\$ 225,219	\$ 273,033	\$ 288,498	\$ 50,093	\$ 80,194
Coverage After Rate Increases	n/a	n/a	13.98	14.64	15.15	7.14	7.41
Local Average Residential Bi-Monthly Bill (10 ccf winter usage)	\$ 90.26	\$ 93.87	\$ 97.63	\$ 101.53	\$ 105.59	\$ 109.82	\$ 114.21
\$ Bi-Monthly Difference (Local)		3.61	3.75	3.91	4.06	4.22	4.39
King County Metro Residential Bi-Monthly Bill	\$ 90.66	\$ 94.74	\$ 99.00	\$ 109.16	\$ 109.16	\$ 120.34	\$ 120.34
\$ Bi-Monthly Difference (Metro)		4.08	4.26	10.16	-	11.18	-
Total Residential Bi-Monthly Bill (10 ccf winter usage)	\$ 180.92	\$ 188.61	\$ 196.63	\$ 210.69	\$ 214.75	\$ 230.16	\$ 234.55
\$ Bi-Monthly Difference (Total)		7.69	8.01	14.07	4.06	15.40	4.39

Fund Balance	2020	2021	2022	2023	2024	2025	2026
OPERATING FUND							
Beginning Balance	\$ 651,231	\$ 205,162	\$ 197,971	\$ 205,653	\$ 212,024	\$ 219,103	\$ 226,506
plus: Net Cash Flow after Rate Increase	279,152	440,247	225,219	273,033	288,498	50,093	80,194
less: Transfer of Surplus to Capital Fund	(725,222)	(447,437)	(217,538)	(266,661)	(281,419)	(42,690)	(72,468)
Ending Balance	\$ 205,162	\$ 197,971	\$ 205,653	\$ 212,024	\$ 219,103	\$ 226,506	\$ 234,231
CAPITAL							
Beginning Balance	\$ 5,366,058	\$ 5,052,243	\$ 4,707,440	\$ 6,663,463	\$ 3,764,277	\$ 2,944,939	\$ 1,475,502
plus: Rate Funded Capital	1,400,000	1,500,000	1,600,000	1,700,000	1,800,000	1,900,000	2,000,000
plus: Transfers from Operating Fund	725,222	447,437	217,538	266,661	281,419	42,690	72,468
plus: General Facilities Charge Revenue	17,925	-	-	-	-	-	-
plus: Net Debt Proceeds Available for Projects	-	-	2,500,000	-	-	3,000,000	-
plus: Interest Earnings	-	-	-	-	-	-	-
Total Funding Sources	\$ 7,509,205	\$ 6,999,680	\$ 9,024,978	\$ 8,630,124	\$ 5,845,696	\$ 7,887,629	\$ 3,547,970
less: Capital Expenditures	(2,456,962)	(2,292,240)	(2,361,514)	(4,865,848)	(2,900,757)	(6,412,127)	(1,790,305)
Ending Working Capital Balance	\$ 5,052,243	\$ 4,707,440	\$ 6,663,463	\$ 3,764,277	\$ 2,944,939	\$ 1,475,502	\$ 1,757,665
Minimum Target Balance	\$ 1,050,670	\$ 1,096,515	\$ 1,143,745	\$ 1,241,062	\$ 1,299,077	\$ 1,427,320	\$ 1,463,126
COMBINED BEGINNING FUND BALANCE	\$ 6,017,289	\$ 5,257,404	\$ 4,905,412	\$ 6,869,116	\$ 3,976,301	\$ 3,164,041	\$ 1,702,008
COMBINED ENDING FUND BALANCE	\$ 5,257,404	\$ 4,905,412	\$ 6,869,116	\$ 3,976,301	\$ 3,164,041	\$ 1,702,008	\$ 1,991,896

A summary table comparing the proposed rates from the most recent rate model updates (2018-2020) as compared to the current rate recommendation is presented below.

Rate Update	2019	2020	2021	2022	2023	2024	2025	2026
2018 Rate Update	7.80%	7.80%	7.80%	7.80%				
2019-2020 Rate Update	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%		
2021-2022 Rate Proposal			4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Staff and representatives from FCS group will be available at the Utility Board meeting to answer questions regarding the proposed operating and capital budgets, as well as the proposed 2021-2022 sewer utility rate increases.

The 2021 Sewer Utility rate resolution is on the Council planning schedule for review and adoption on November 17, 2020.

CAPITAL PROJECTS BY FUND 2021-2026 (IN THOUSANDS)	2021	2022	2023	2024	2025	2026
402-WATER FUND	\$6,689	\$10,663	\$4,778	\$374	\$327	\$363
GB0101-PUBLIC WORKS BUILDING REPAIRS	79	20	25	32	20	21
GB0107-HONEYWELL SITE REMEDIATION	12	9	0	0	0	0
GB0108-FS91 SITE CHARACTERIZATION & FUEL TANK EVALUATION	12		0	0	0	0
SP0100-RESIDENTIAL STREET RESURFACING	105	105	105	105	105	105
SP0101-ARTERIAL PRESERVATION PROGRAM	2	2	2	2	2	2
SP0102-EAST MERCER WAY OVERLAY (SE 53RD PLACE TO SE 68TH STREET)	175	0	0	0	0	0
SP0103-SE 68TH STREET AND SE 70TH PLACE OVERLAY (ICW TO EMW)	0	50	0	0	0	0
SP0114-ROADSIDE SHOULDER IMPROVEMENTS - WMW PHASE 3 (SE 70TH TO SE 65TH STREETS)	0	75	0	0	0	0
SP0121-MID-BLOCK CROSSWALK 76TH AVE SE BETWEEN SE 24TH AND SE 27TH	12	0	0	0	0	0
WU0100-EMERGENCY WATER SYSTEM REPAIRS	150	150	150	150	150	150
WU0101-BOOSTER CHLORINATION STATION	995	2,510	0	0	0	0
WU0102-SCADA SYSTEM REPLACEMENT (WATER)	675	975	1,275	0	0	0
WU0103-WATER RESERVOIR IMPROVEMENTS	375	1,735	1,715	0	0	0
WU0106-MADRONA CREST EAST ADDITION WATER SYSTEM IMPROVEMENTS	350	2,448	0	0	0	0
WU0109-WATER SYSTEM IMPROVEMENTS - 60 AVE SE, BETWEEN SE 27, SE 32, AND 62 AVE	0	229	1,456	0	0	0
WU0110-WATER SYSTEM CONSTRUCTION IMPROVEMENTS - 82 AVE SE, N OF SE 24TH ST	1,087		0	0	0	0
WU0112-WATER SYSTEM COMPONENTS REPLACEMENTS	35	35	35	35	35	35
WU0115-WATER MODEL UPDATES/FIRE FLOW ANALYSIS	15	50	15	50	15	50
WU0116-RRA, ERP UPDATES, AND WATER SYSTEM PLAN UPDATES	200	100	0	0	0	0
WU0117-METER REPLACEMENT IMPLEMENTATION	2,050	2,050	0	0	0	0
WU0119-RESERVOIR GENERATOR REPLACEMENT	240	120	0	0	0	0
WU0124-SOLUTIONS FOR WATER SYSTEM DEFICIENCIES - CONSULTANT SERVICES	120		0	0	0	0
426-SEWER FUND	\$2,226	\$2,226	\$2,870	\$952	\$1,590	\$941
GB0101-PUBLIC WORKS BUILDING REPAIRS	79	20	25	32	20	21
GB0107-HONEYWELL SITE REMEDIATION	6	5	0	0	0	0
GB0108-FS91 SITE CHARACTERIZATION & FUEL TANK EVALUATION	6		0	0	0	0
SP0100-RESIDENTIAL STREET RESURFACING	15	15	15	15	15	15
SP0101-ARTERIAL PRESERVATION PROGRAM	5	5	5	5	5	5
SP0102-EAST MERCER WAY OVERLAY (SE 53RD PLACE TO SE 68TH STREET)	40	0	0	0	0	0
SP0103-SE 68TH STREET AND SE 70TH PLACE OVERLAY (ICW TO EMW)	0	5	0	0	0	0
SP0114-ROADSIDE SHOULDER IMPROVEMENTS - WMW PHASE 3 (SE 70TH TO SE 65TH STREETS)	0	2	0	0	0	0
SU0100-EMERGENCY SEWER REPAIRS	300	300	300	300	300	300
SU0102-PUMP STATION R&R IMPROVEMENTS	200	0	750	0	750	0
SU0103-EASEMENT, ACCESS CODES AND STANDARDS REVIEW	150	150	0	0	0	0
SU0108-COMPREHENSIVE PIPELINE R&R PROGRAM	500	500	500	500	500	500
SU0109-SEWER SYSTEM GENERATOR REPLACEMENT	150	150	0	0	0	0
SU0110-PUMP STATION ACCESSIBILITY IMPROVEMENTS	100	100	0	100	0	100
SU0113-SCADA SYSTEM REPLACEMENT (SEWER)	675	975	1,275	0	0	0
432-STORM & SURFACE WATER FUND	\$1,186	\$1,363	\$568	\$179	\$235	\$174
GB0101-PUBLIC WORKS BUILDING REPAIRS	39	10	12	16	10	11
GB0107-HONEYWELL SITE REMEDIATION	8	6	0	0	0	0
GB0108-FS91 SITE CHARACTERIZATION & FUEL TANK EVALUATION	8		0	0	0	0
SP0100-RESIDENTIAL STREET RESURFACING	110	110	110	110	110	110
SP0101-ARTERIAL PRESERVATION PROGRAM	3	3	3	3	3	3
SP0102-EAST MERCER WAY OVERLAY (SE 53RD PLACE TO SE 68TH STREET)	90	0	0	0	0	0
SP0103-SE 68TH STREET AND SE 70TH PLACE OVERLAY (ICW TO EMW)	0	100	0	0	0	0
SP0114-ROADSIDE SHOULDER IMPROVEMENTS - WMW PHASE 3 (SE 70TH TO SE 65TH STREETS)	0	175	0	0	0	0
SP0121-MID-BLOCK CROSSWALK 76TH AVE SE BETWEEN SE 24TH AND SE 27TH	3	0	0	0	0	0
SW0100-SUB BASIN 42.1 AND 42.1A WATERCOURSE STABILIZATION	390	0	0	0	0	0
SW0101-SUB BASIN 23.2 WATERCOURSE STABILIZATION	202	0	0	0	0	0
SW0102-SUB BASIN 45B.1 WATERCOURSE STABILIZATION	36	189	0	0	0	0
SW0103-SUB BASIN 27A.10 WATERCOURSE STABILIZATION	22	79	0	0	0	0
SW0104-SUB BASIN 22.1 WATERCOURSE STABILIZATION	0	24	139	0	0	0
SW0105-SUB BASIN 50B.4 (A & E) WATERCOURSE STABILIZATION	0	18	46	0	0	0
SW0106-SUB BASIN 25B.2 WATERCOURSE STABILIZATION	0	47	145	0	0	0
SW0119-CONVEYANCE SYSTEM ASSESSMENTS	112	50	112	50	112	50
SW0120-EAST & WEST MERCER WAY TRENCHLESS CULVERT REPLACEMENTS	113	504	0	0	0	0
SW0126-EMERGENCY STORMWATER CONVEYANCE REPAIRS	50	50	0	0	0	0
PROJECTS NOT PROPOSED IN 2021-2022 (in thousands)						
SU0104-PUMP STATION & HGMH FLOW MONITORING	0	0	300	300	1,000	0
SU0105-PIPE FLOW MONITORING	0	0	280	280	0	150
SU0106-LAKE LINE LOCATING AND MARKING	0	0	950	1,025	925	0
SU0107-LAKE LINE CONDITION ASSESSMENT	0	0	0	0	2,000	0
SU0111-COMPREHENSIVE HYDRAULIC MODEL DEVELOPMENT	0	0	0	0	0	250
SU0112-COMPREHENSIVE I/I EVALUATION	0	0	0	0	0	150
SW0107-SUB BASIN 47.4 AND SUB BASIN 10.4 WATERCOURSE STABILIZATION	0	0	56	293	0	0
SW0109-SUB BASIN 24A.1 WATERCOURSE STABILIZATION	0	0	17	57	0	0
SW0110-SUB BASIN 39A.2 WATERCOURSE STABILIZATION	0	0	16	40	0	0
SW0111-SUB BASIN 46A.3 WATERCOURSE STABILIZATION	0	0	49	372	0	0
SW0112-WATERCOURSE STABILIZATION - SUB BASIN 34.1	0	0	0	24	92	0

CAPITAL PROJECTS BY FUND 2021-2026 (IN THOUSANDS)	2021	2022	2023	2024	2025	2026
SW0113-WATERCOURSE STABILIZATION - SUB BASIN 45B.4	0	0	0	28	84	0
SW0114-WATERCOURSE STABILIZATION - SUB BASIN 29.3	0	0	0	45	117	0
SW0115-WATERCOURSE STABILIZATION - SUB-BASIN 42.2, 42.3, 42.8, 42.8A	0	0	0	0	87	334
SW0116-WATERCOURSE STABILIZATION - SUB BASIN 44B.3	0	0	0	0	29	68
SW0117-WATERCOURSE STABILIZATION - SUB-BASIN 32B.1 AND 32.2	0	0	0	0	48	150
SW0118-WATERCOURSE MINOR REPAIRS AND MAINTENANCE	0	0	0	0	100	0
SW0121-CONVEYANCE SYSTEM IMPROVEMENT - DRAINAGE REPAIR, EXTENSION, AND REPLACEMENT	0	0	300	300	300	300
WU0104-WATER SYSTEM CONSTRUCTION IMPROVEMENTS - 82 AVE AND FOREST AVE, WEST OF WEST MERCER WAY	0	0	145	810	0	0
WU0105-WATER SYSTEM DESIGN IMPROVEMENTS - 74 AVE, SE 29 ST, AND 73 AVE	0	0	0	0	0	188
WU0107-TOWN CENTER WATER SYSTEM IMPROVEMENTS - 77 & 78 AVE SE (SE 27 - SE 29 ST)	0	0	0	204	950	0
WU0108-WATER SYSTEM IMPROVEMENTS - AVALON DRIVE AND BENOTHO PLACE NEIGHBORHOODS	0	0	0	0	279	1,775
WU0111-HYDRANT REPLACEMENT CONTRACT WORK	0	0	250	0	250	0
WU0114-ABANDON 1955 12" CAST IRON WATER MAIN (RESERVOIR TO FIRST HILL)	0	0	320	0	0	0
WU0120-MERCERWOOD - 94TH AVE SE AND CRESTWOOD PL WATER SYSTEM IMPROVEMENTS	0	0	229	1,456	0	0
	0	0	2,911	5,233	6,261	3,364

Appendix A - Six Year CIP Plan

Item 2.

ID	Description	Plan	Target Completion Date	2021	2022	2023	2024	2025	2026	TOTAL	General Fund	Street Fund	Capital Imp Fund	Tech & Equip Fund	Water Fund	Sewer Fund	Storm Water Fund	Grant	King County Levy	Dept Fees	Other
SU0100	Emergency Sewer Repairs	CRP	Q4 2022	300,000	300,000	300,000	300,000	300,000	300,000	1,800,000						1,800,000					
SU0102	Pump Station R&R Improvements	CRP	ONGOING	200,000		750,000		750,000		1,700,000						1,700,000					
SU0103	Easement, Access Codes and Standards Review	CRP	2023	150,000	150,000					300,000						300,000					
SU0104	Pump Station & HGMH Flow Monitoring	CRP	2025			300,000	300,000	1,000,000		1,600,000						1,600,000					
SU0105	Pipe Flow Monitoring	CRP	ONGOING			280,000	280,000		150,000	710,000						710,000					
SU0106	Lake Line Locating and Marking	CRP	2025			950,000	1,025,000	925,000		2,900,000						2,900,000					
SU0107	Lake Line Condition Assessment	CRP	2026					2,000,000		2,000,000						2,000,000					
SU0108	Comprehensive Pipeline R&R Program	CRP	ONGOING	500,000	500,000	500,000	500,000	500,000	500,000	3,000,000						3,000,000					
SU0109	Sewer System Generator Replacement	CRP	ONGOING	150,000	150,000					300,000						300,000					
SU0110	Pump Station Accessibility Improvements	CRP	ONGOING	100,000	100,000		100,000		100,000	400,000						400,000					
SU0111	Comprehensive Hydraulic Model Development	CRP	2026						250,000	250,000						250,000					
SU0112	Comprehensive I/I Evaluation	CRP	2026						150,000	150,000						150,000					
SU0113	SCADA System Replacement (Sewer)	CRP	2023	675,000	975,000	1,275,000				2,925,000						2,925,000					
13	SEWER UTILITY TOTAL			2,075,000	2,175,000	4,355,000	2,505,000	5,475,000	1,450,000	18,035,000	-	-	-	-	-	18,035,000	-	-	-	-	-
SW0100	Sub Basin 42.1 and 42.1a Watercourse Stabilization	CRP	Q3 2021	389,657						389,657							389,657				
SW0101	Sub basin 23.2 Watercourse Stabilization	CRP	Q3 2021	202,157						202,157							202,157				
SW0102	Sub basin 45b.1 Watercourse Stabilization	CRP	Q3 2022	36,157	188,500					224,657							224,657				
SW0103	Sub basin 27a.10 Watercourse Stabilization	CRP	Q3 2022	22,157	79,000					101,157							101,157				
SW0104	Sub basin 22.1 Watercourse Stabilization	CRP	2023		24,157	139,100				163,257							163,257				
SW0105	Sub basin 50b.4 (a & e) Watercourse Stabilization	CRP	2023		17,657	46,000				63,657							63,657				
SW0106	Sub basin 25b.2 Watercourse Stabilization	CRP	2023		46,657	145,000				191,657							191,657				
SW0107	Sub basin 47.4 and Sub basin 10.4 Watercourse Stabilization	CRP	2023			55,514	292,500			348,014							348,014				
SW0109	Sub basin 24a.1 Watercourse Stabilization	CRP	2024			17,157	56,500			73,657							73,657				
SW0110	Sub basin 39a.2 Watercourse Stabilization	CRP	2024			16,157	40,000			56,157							56,157				
SW0111	Sub basin 46a.3 Watercourse Stabilization	CRP	2024			48,657	371,500			420,157							420,157				
SW0112	Sub basin 34.1 Watercourse Stabilization	CRP	2025				24,157	92,200		116,357							116,357				
SW0113	Sub basin 45b.4 Watercourse Stabilization	CRP	2025				28,157	83,600		111,757							111,757				
SW0114	Sub basin 29.3 Watercourse Stabilization	CRP	2025				45,157	116,500		161,657							161,657				
SW0115	Sub-Basin 42.2, 42.3, 42.8, 42.8a	CRP	2026					87,157	333,500	420,657							420,657				
SW0116	Sub basin 44b.3 Watercourse Stabilization	CRP	2026					29,157	67,700	96,857							96,857				
SW0117	Sub-Basin 32b.1 & 32.2 Watercourse Stabilization	CRP	2026					48,157	150,000	198,157							198,157				
SW0118	Watercourse Minor Repairs/Maintenance	CRP	2025					100,000		100,000							100,000				
SW0119	Conveyance System Assessments	CRP	2026	112,000	50,000	112,000	50,000	112,000	50,000	486,000							486,000				
SW0120	East Mercer Way Trenchless Culvert Replacements	CRP	Q4 2022	112,657	503,500					616,157							616,157				
SW0121	Conveyance System Improvement - Drainage Repair and Replacement	CRP	ONGOING			300,000	300,000	300,000	300,000	1,200,000							1,200,000				
SW0126	Emergency Stormwater Conveyance Repairs	CRP	Q4 2022	50,000	50,000					100,000							100,000				
22	STORM WATER UTILITY TOTAL			924,785	959,471	879,585	1,207,971	968,771	901,200	5,841,783	-	-	-	-	-	-	5,841,783	-	-	-	-
WU0100	Emergency Water System Repairs	CRP	Q4 2022	150,000	150,000	150,000	150,000	150,000	150,000	900,000					900,000						
WU0101	Booster Chlorination Station	CRP	Q4 2022	995,000	2,510,000					3,505,000					3,505,000						
WU0102	SCADA System Replacement (Water)	CRP	2023	675,000	975,000	1,275,000				2,925,000					2,925,000						
WU0103	Water Reservoir Improvements	CRP	2023	375,000	1,735,000	1,715,000				3,825,000					3,825,000						
WU0104	82nd Ave and Forest Ave Water System Improvements - Construction	CRP	2024			145,000	810,000			955,000					955,000						
WU0105	74th Ave, SE 29th, & 73rd Ave Water System Improvements - Design	CRP	2026						188,000	188,000					188,000						
WU0106	Madrona Crest East Addition Water System Improvements	CRP	Q4 2022	350,000	2,448,000					2,798,000					2,798,000						
WU0107	77th & 78th Ave SE (SE 27 - SE 29) Water System Improv (Town Center)	CRP	2025				204,000	950,000		1,154,000					1,154,000						
WU0108	Avalon Dr and Benotho Pl Neighborhoods Water System Improvements	CRP	2026					279,000	1,775,000	2,054,000					2,054,000						
WU0109	60 Ave SE, btw SE 27 and SE 32, and 62 Ave Water System Improv.	CRP	2023		229,000	1,456,000				1,685,000					1,685,000						
WU0110	82nd Ave SE, N of SE 24th St Water System Improv - Construction	CRP	Q4 2021	1,087,000						1,087,000					1,087,000						
WU0111	Hydrant Replacement (contract work)	CRP	2023			250,000		250,000		500,000					500,000						
WU0112	Water System Components (valve, air vac, blow off, and etc.)	CRP	Q4 2022	35,000	35,000	35,000	35,000	35,000	35,000	210,000					210,000						
WU0114	Abandonment of 1955 12" water main (Reservoir to First Hill)	CRP	2023			320,000				320,000					320,000						
WU0115	Water Model Updates/Fire Flow Analysis	CRP	ONGOING	15,000	50,000	15,000	50,000	15,000	50,000	195,000					195,000						
WU0116	RRA, ERP Updates, and Water System Plan Updates	CRP	Q4 2022	200,000	100,000					300,000					300,000						
WU0117	Meter Replacement Implementation	CRP	Q4 2022	2,050,000	2,050,000					4,100,000					4,100,000						
WU0119	Reservoir Generator Replacement	CRP	2024	240,000	120,000					360,000					360,000						
WU0120	Mercerwood - Water System Improvements	CRP	2024			229,000	1,456,000			1,685,000					1,685,000						
WU0124	Solutions for Water System Deficiencies - Consultant Services	CRP	Q4 2021	120,000						120,000					120,000						
20	WATER UTILITY TOTAL			6,292,000	10,402,000	5,590,000	2,705,000	1,679,000	2,198,000	27,966,000	-	-	-	-	27,966,000	-	-	-	-	-	-



Utility Board Workshop

Water and Sewer Rate Update

October 14, 2020

Presented by:

Angie Sanchez, Vice President / Principal
Chase Bozett, Senior Analyst





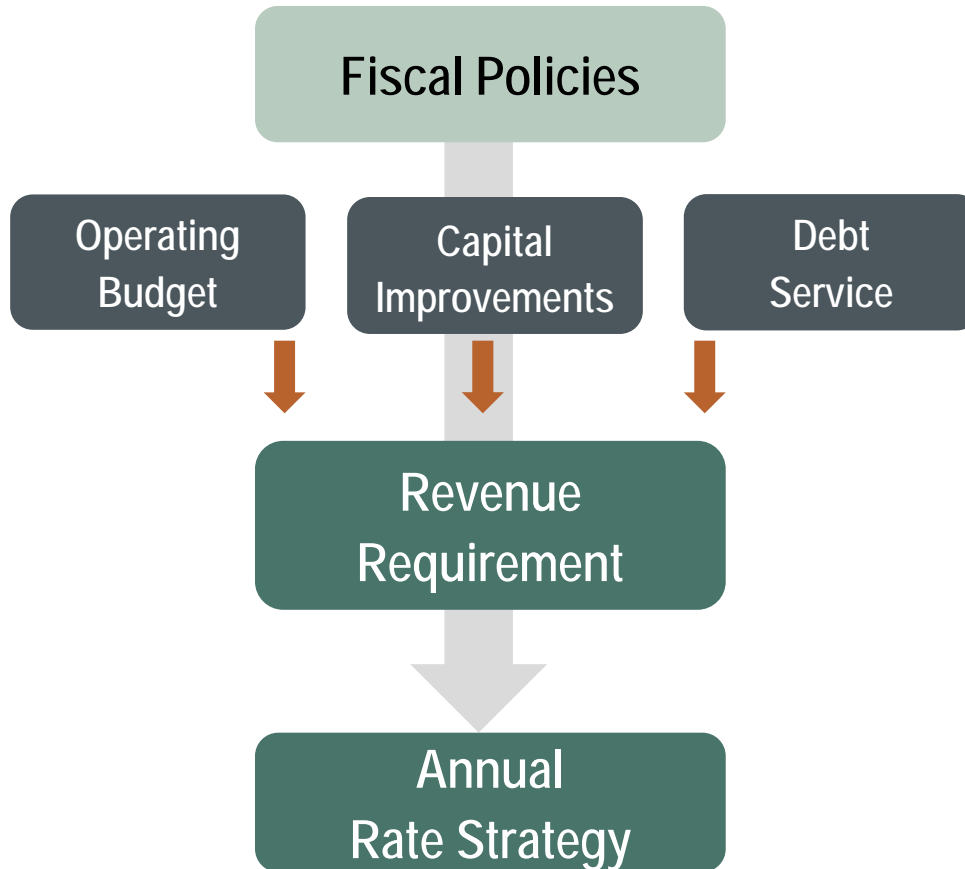
Overview

Item 2.

- ◆ FCS GROUP retained to complete a water, sewer and stormwater rate update
- ◆ Presented Stormwater preliminary findings at September 23 workshop
- ◆ Focus for today's workshop – Water and Sewer
 - Overview
 - Present key data inputs and assumptions
 - Summary of preliminary water and sewer findings
- ◆ Review of previous Stormwater findings
- ◆ Next steps
- ◆ Questions



Rate Update Overview



- ◆ Evaluates sufficiency of current rates to meet all utility financial obligations on a stand-alone basis
- ◆ Develop rate plan to balance financial needs and minimize customer impacts
- ◆ Multi-year rate plan with rate focus on 2021-2022
- ◆ Last external rate study completed in 2010



Financial Policies

- ◆ Help guide the financial management of the City

Policy	Purpose	Target
Operating Reserve	To provide sufficient cash flow to meet daily operating expenses (short-term, annual revenue cycles)	Water: 90 Days (\$760k - \$880k) Sewer: 30 Days (\$200k - \$235k)
Capital Reserve	To provide a source of funding for emergency repairs, unanticipated capital, and project cost overruns.	Water: 1% of Capital Assets (\$400k - \$730k) Sewer: 2% of Capital Assets (\$1.1m - \$1.5m)
System Reinvestment Funding	To ensure ongoing system integrity through reinvestment in the system.	Water: Phased to \$3.9m in 2026 Sewer: Phased to \$2.0m in 2026



Financial Policies (Continued)

- ◆ Help guide the financial management of the City

Policy	Purpose	Target
Capital Funding Decisions	To provide a basis of determining how capital projects should be funded by the utility	Cash fund projects under \$2m Seek alternative funding methods for projects > \$2m to mitigate rate impacts
Debt Service Coverage	To ensure compliance with existing loan/debt covenants and maintain credit worthiness for future debt issuance.	Minimum Bond Covenant Requirement 1.25
Rate Equity	To establish rates and charges, which equitably recover the cost of service from each utility's customers.	Each utility meets all utility financial obligations on a stand-alone basis



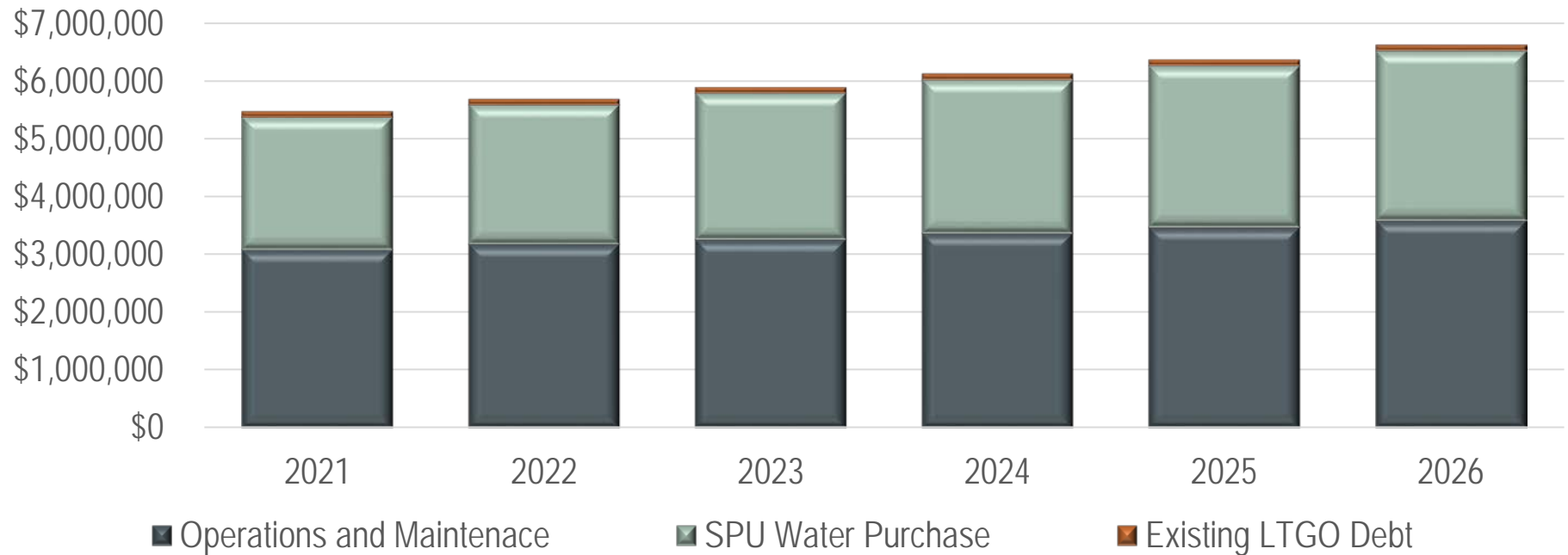
Key Data Inputs/Assumptions

- ◆ **Study period: 2021-2026**
 - Focus on 2021-2022 for rate-setting
- ◆ **Rate revenue**
 - Water: 2019 revenue levels based on historical usage and COVID considerations
 - Sewer: 2020 budget maintained as revenue more stable
- ◆ **Preliminary 2021/2022 biennial budget used as baseline for expenses**
 - City tax increase to 8% in 2021 and 2022 back to 5.3% in 2023
 - Applied on top of customer bill
- ◆ **Incorporated City provided capital improvement plan**
 - Focus is on prioritizing critical infrastructure maintenance

Water Revenue Requirement



Water: 2021 – 2026 Operational Costs

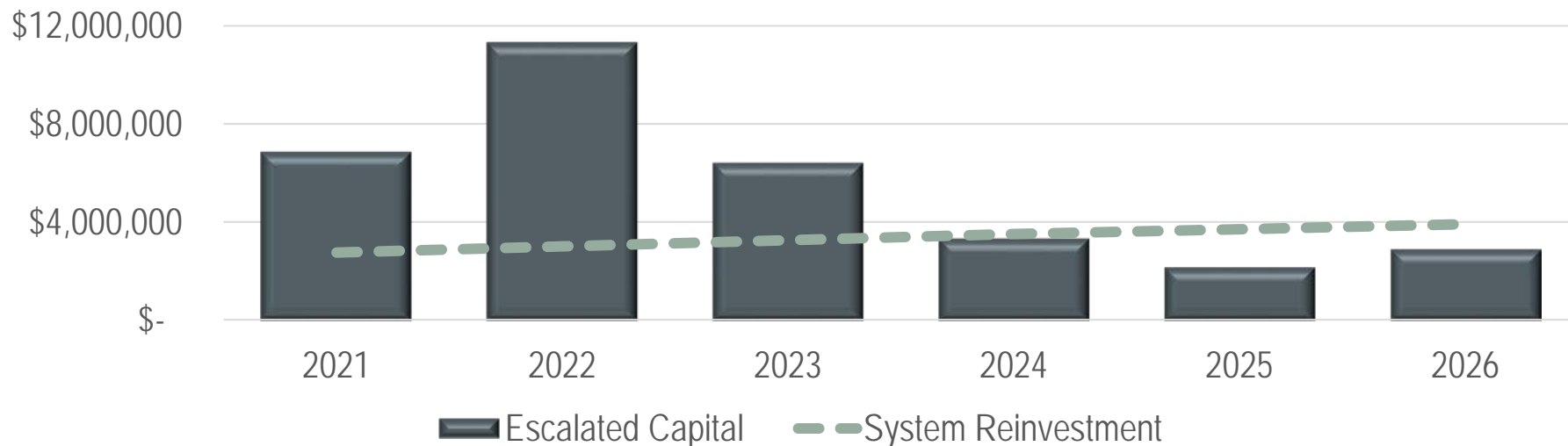


- ◆ **Total operational costs: \$5.5 to \$6.6 million**
 - Operating and Maintenance: \$3.1 to \$3.6 million
 - SPU Water Purchases: \$2.3 to \$2.9 million
 - Existing Debt Service: \$110,000



Water: 2021 – 2026 Capital Plan

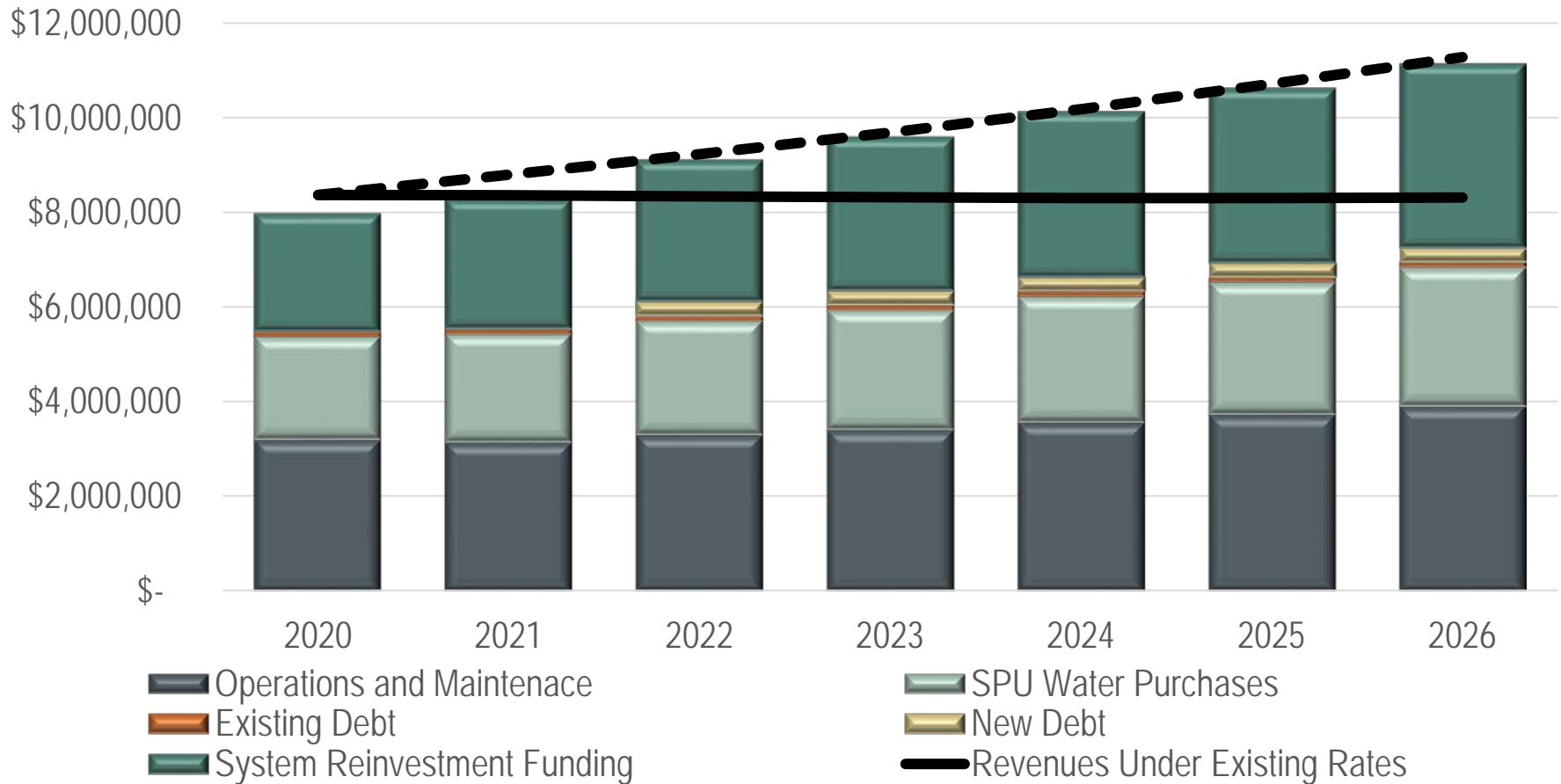
Item 2.



- ◆ **\$33.1 million in total escalated spending from 2021-2026**
 - Booster chlorination station (\$3.7 million)
 - SCADA system improvement (\$3.1 million)
 - Water reservoir improvements (\$4.1 million)
 - Meter replacement implementation (\$4.3 million)
- ◆ **Outside funding projected to assist 2022 capital completion**
 - \$3.5 million debt proceeds



Water: Revenue Requirement Summary



- ◆ Existing rates are sufficient to cover all operational costs through the forecast
- ◆ Rate increases target system reinvestment funding and capital needs



Water: Sample Single Family Bill

Item 2.

	Existing 2020	2021	2022	2023	2024	2025	2026
Sample Bimonthly Bill	\$110.29	\$116.08	\$122.17	\$128.59	\$135.34	\$142.44	\$149.92
<u>Bimonthly</u> Increase		\$5.79	\$6.09	\$6.42	\$6.75	\$7.10	\$7.48
Percent Increase		5.25%	5.25%	5.25%	5.25%	5.25%	5.25%

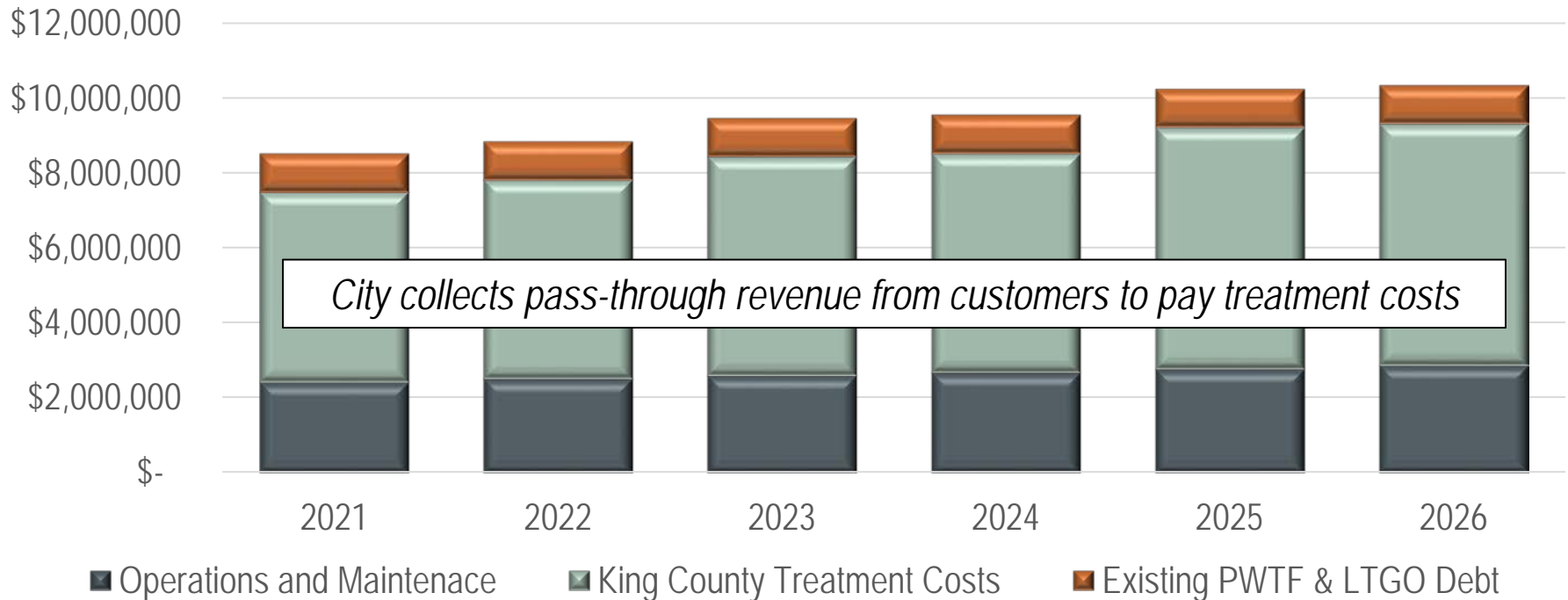
Note: Assumes 3/4" meter and 14 ccf bimonthly usage

	Existing 2020	2021	2022	2023	2024	2025	2026
Sample Monthly Bill	\$55.15	\$58.04	\$61.09	\$64.30	\$67.67	\$71.22	\$74.96
<u>Monthly</u> Increase		\$2.89	\$3.05	\$3.21	\$3.37	\$3.55	\$3.74
Percent Increase		5.25%	5.25%	5.25%	5.25%	5.25%	5.25%

Sewer Revenue Requirement



Sewer: 2021 – 2026 Operational Costs

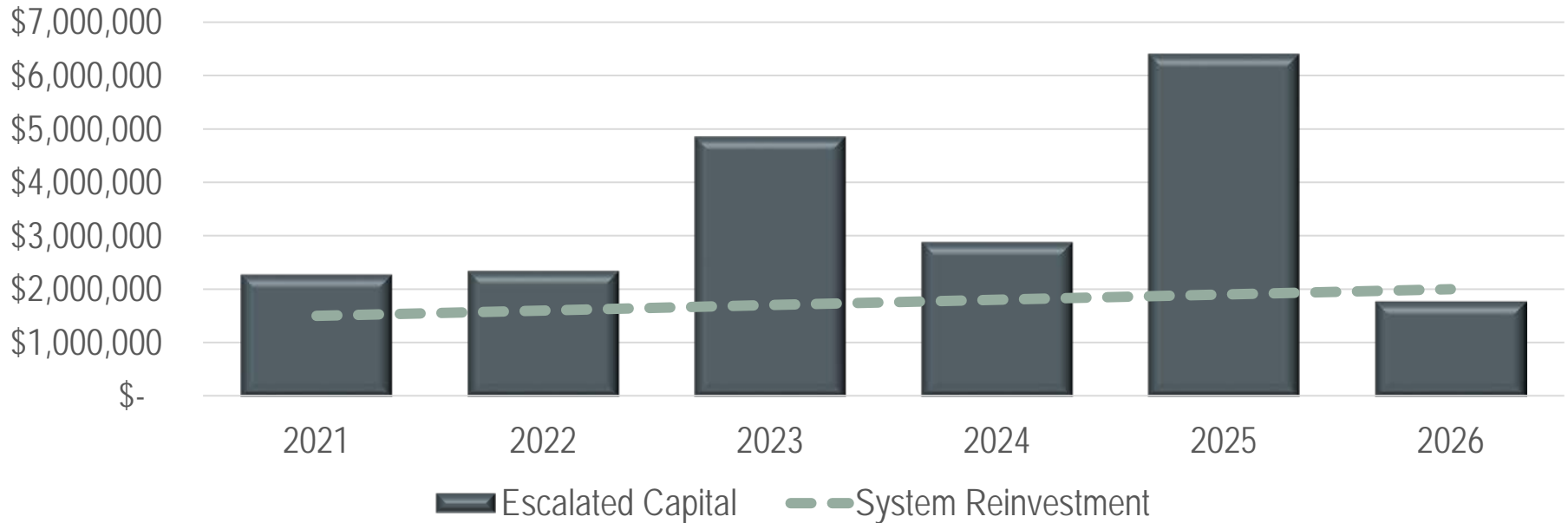


- ◆ **Total operational costs: \$8.5 to \$10.3 million**
 - Operating and Maintenance: \$2.4 to \$2.8 million
 - King County Treatment: \$5.1 to \$6.5 million
 - Existing Debt Service: \$1 million



Sewer: 2021 – 2026 Capital Plan

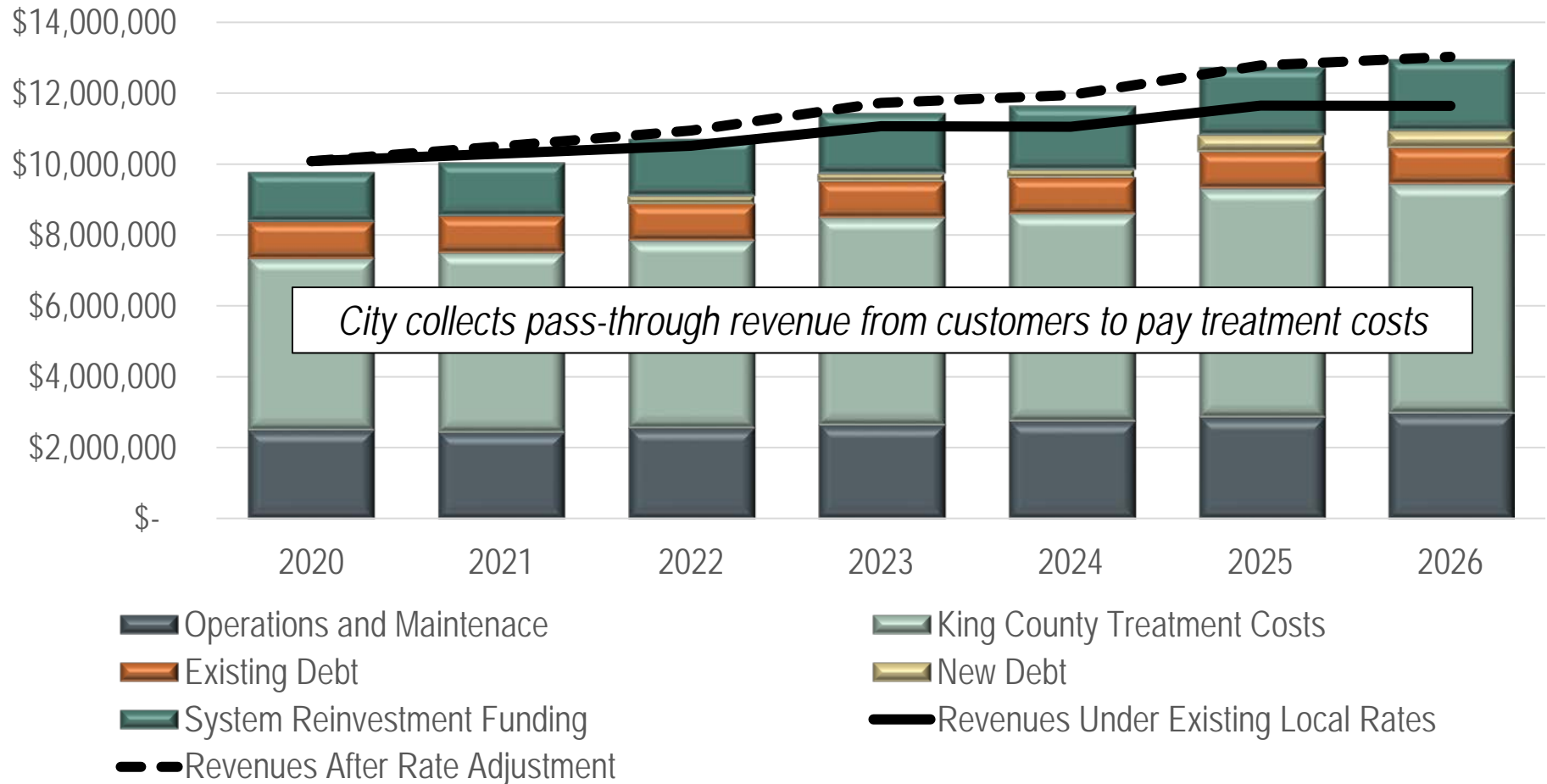
Item 2.



- ◆ **\$20.6 million in total escalated spending from 2021-2026**
 - SCADA system improvements (\$3.1 million)
 - Lake line locating and marking (\$3.3 million)
 - Lake line condition assessment (\$2.3 million)
- ◆ **Outside funding projected to assist capital completion**
 - \$2.5 million debt proceeds in 2022 and \$3 million in 2025



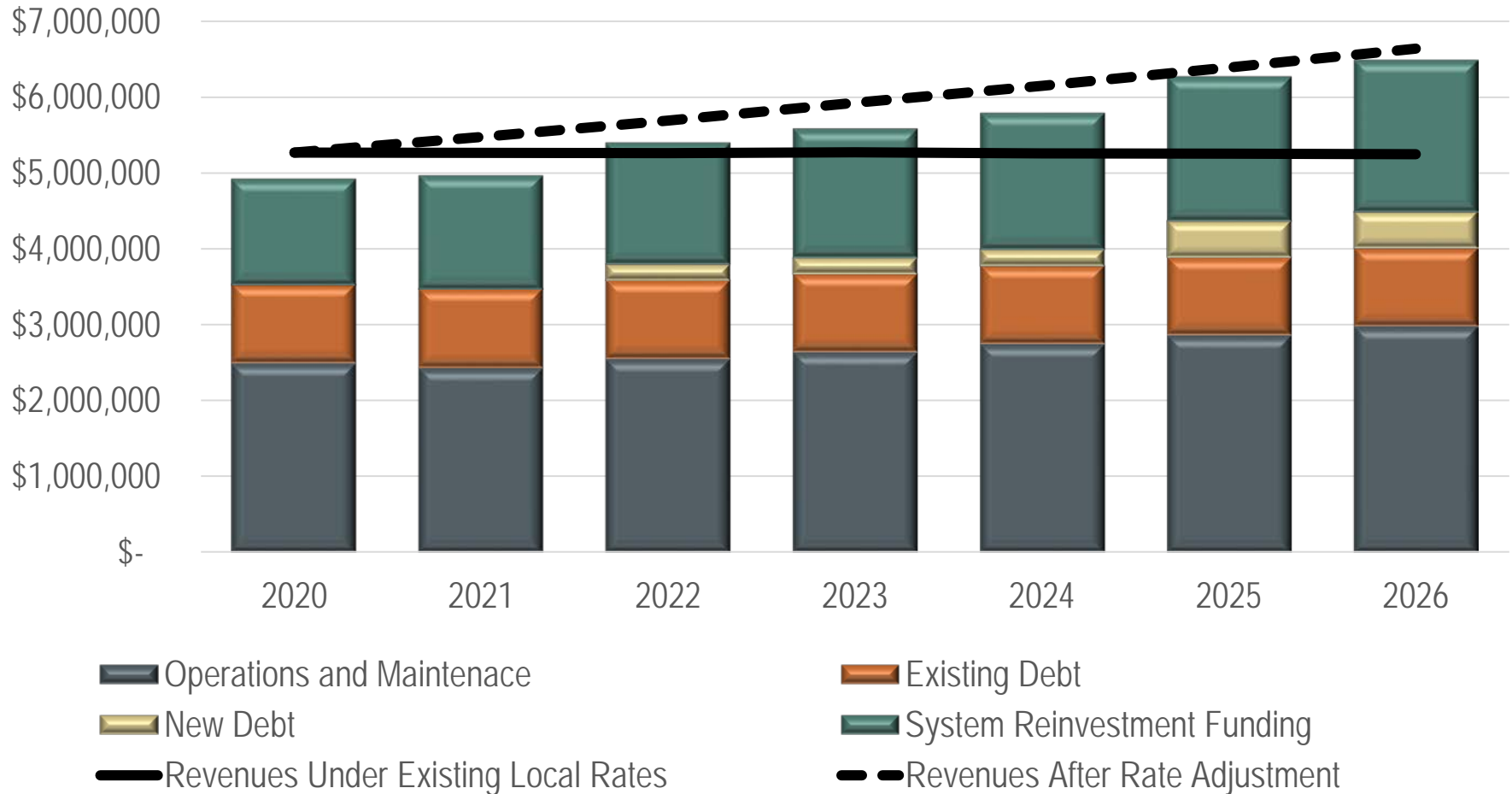
Sewer: Revenue Requirement Summary



- ◆ Existing rates are sufficient to cover all operational costs through the forecast
- ◆ Rate increases target system reinvestment funding and capital needs



Sewer: Revenue Requirement Summary – Local Portion Only



- ◆ Existing rates are sufficient to cover all operational costs through the forecast
- ◆ Rate increases target system reinvestment funding and capital needs



Sewer: Sample Single Family Bill

Item 2.

Bi-Monthly Bill

	Existing 2020	2021	2022	2023	2024	2025	2026
Local Bill	\$90.26	\$93.87	\$97.63	\$101.53	\$105.59	\$109.82	\$114.21
King County Metro Bill	\$90.66	\$94.74	\$99.00	\$109.16	\$109.16	\$120.34	\$120.34
Total Bill	\$180.92	\$188.61	\$196.63	\$210.69	\$214.75	\$230.16	\$234.55
Local Increase		\$3.61	\$3.76	\$3.90	\$4.06	\$4.23	\$4.39
King County Increase		\$4.08	\$4.26	\$10.16	\$ -	\$11.18	\$ -
Total Increase		\$7.69	\$8.02	\$14.07	\$4.06	\$15.40	\$4.39
Local Percent Increase		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
King County Percent Increase		4.50%	4.50%	10.25%	0.00%	10.24%	0.00%
Total Percent Increase		4.25%	4.25%	7.15%	1.93%	7.17%	1.91%

Note: Assumes 10 ccf bimonthly winter usage



Sewer: Sample Single Family Bill

Item 2.

Monthly Bill

	Existing 2020	2021	2022	2023	2024	2025	2026
Local Bill	\$45.13	\$46.94	\$48.82	\$50.77	\$52.80	\$54.91	\$57.11
King County Metro Bill	\$45.33	\$47.37	\$49.50	\$54.58	\$54.58	\$60.17	\$60.17
Total Bill	\$90.46	\$94.31	\$98.32	\$105.35	\$107.38	\$115.08	\$117.28
Local Increase		\$1.81	\$1.88	\$1.95	\$2.03	\$2.11	\$2.20
King County Increase		\$2.04	\$2.13	\$5.08	\$ -	\$5.59	\$ -
Total Increase		\$3.85	\$4.01	\$7.03	\$2.03	\$7.70	\$2.20
Local Percent Increase		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
King County Percent Increase		4.50%	4.50%	10.25%	0.00%	10.24%	0.00%
Total Percent Increase		4.25%	4.25%	7.15%	1.93%	7.17%	1.91%

Stormwater Revenue Requirement



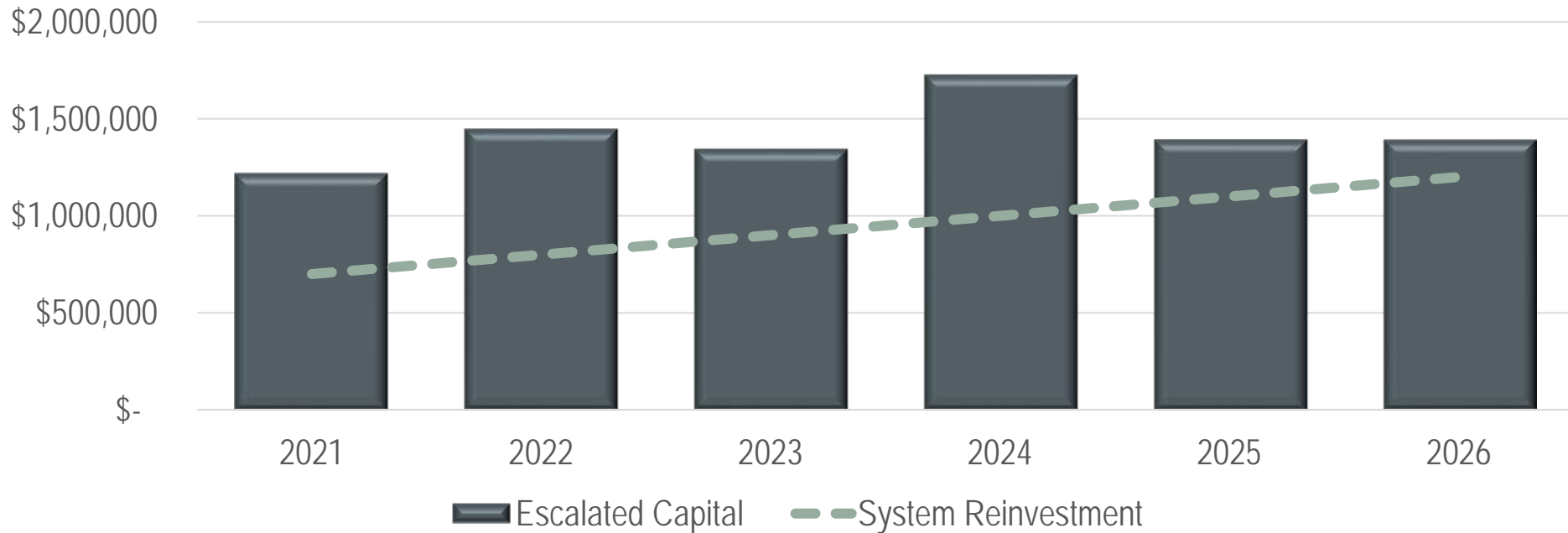
Stormwater: Financial Policies

- ◆ Help guide the financial management of the City

Policy	Purpose	Target
Operating Reserve	To provide sufficient cash flow to meet daily operating expenses (short-term, annual revenue cycles)	30 Days O&M (\$110k - \$130k)
Capital Reserve	To provide a source of funding for emergency repairs, unanticipated capital, and project cost overruns.	2% of Capital Assets (\$120k-\$205k)
System Reinvestment Funding	To ensure ongoing system integrity through reinvestment in the system.	Phased in to \$1.2m in 2026
Debt Service Coverage	To ensure compliance with existing loan/debt covenants and maintain credit worthiness for future debt issuance.	Minimum Bond Covenant Requirement 1.25



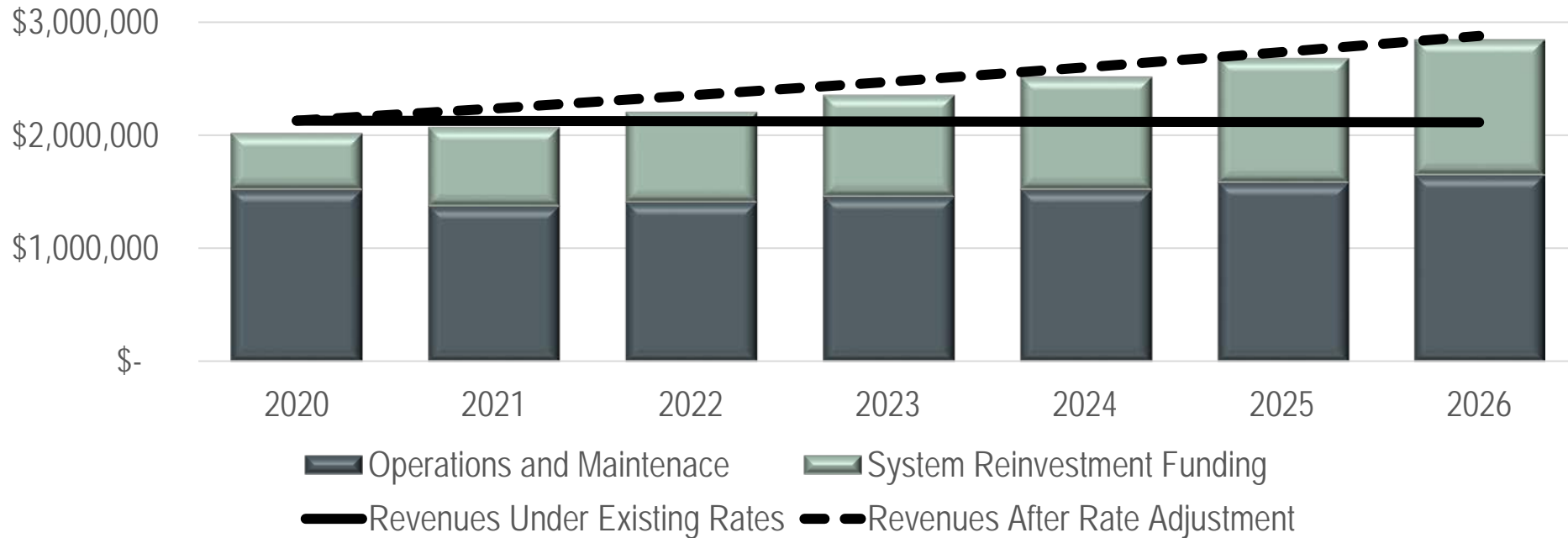
Stormwater: 2021 – 2026 Capital Plan



- ◆ **Total escalated CIP of \$8.5 million through 2026**
 - Sub Basin watercourse stabilization projects
 - East Mercer Way culvert replacement
 - Conveyance System assessments/improvements
- ◆ **Capital funding met through available revenue resources**
 - No new debt funding anticipated



Stormwater: Revenue Requirement Summary



Sample Bi-monthly Bill	Existing 2020	2021	2022	2023	2024	2025	2026
Charge per Equivalent Service Unit	\$35.77	\$37.74	\$39.81	\$42.00	\$44.31	\$46.75	\$49.32
Bi-monthly Increase		\$1.97	\$2.07	\$2.19	\$2.31	\$2.44	\$2.57
Percent Increase		5.50%	5.50%	5.50%	5.50%	5.50%	5.50%



Next Steps

- ◆ Utility Board recommendations
- ◆ November 17th bring utility rates to Council for Adoption
- ◆ Rates effective January 1, 2021

Item 2.



Questions/Discussion



Rate and Fee
Consulting



Asset
Management



Utility
Management

Angie Sanchez, Vice President
425.336.4157
AngieS@fcsgroup.com

Chase Bozett, Senior Analyst
425.615.6235
ChaseB@fcsgroup.com

www.fcsgroup.com



Financial Planning
and Analysis



Economic
Services



Agencies
and Partners



Key Data Assumptions

Forecast Assumptions

General Cost Inflation	4.00%	Staff input
Construction Cost Inflation	3.00%	5-year historical construction cost index
Labor Cost Inflation	2.00%	5-year historical employment cost index – wages
Benefit Cost Inflation	6.50%	5-year historical employment cost index – benefits
SPU Purchased Water Cost	5.00%	Historic and recent trends in SPU
King County Treatment Cost	0.00%-10.25%	King County Metro rate forecast
Investment Interest	0.50%	Staff input
Customer Growth	0.00%	No growth projected



Water: Summary

Item 2.

Revenue Requirement	2020	2021	2022	2023	2024	2025	2026
Revenues							
Rate Revenues Under Existing Rates	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471	\$ 8,272,471
Non-Rate Revenues	94,913	84,781	66,590	44,532	29,029	29,947	37,893
Total Revenues	\$ 8,367,384	\$ 8,357,252	\$ 8,339,061	\$ 8,317,003	\$ 8,301,500	\$ 8,302,418	\$ 8,310,364
Expenses							
Cash Operating Expenses	\$ 3,197,783	\$ 3,081,773	\$ 3,178,762	\$ 3,257,831	\$ 3,361,547	\$ 3,470,062	\$ 3,583,431
Purchased Water	2,190,480	2,300,004	2,415,004	2,535,755	2,662,542	2,795,669	2,935,453
Existing Debt Service	107,150	109,875	107,250	109,531	111,631	108,550	110,150
New Debt Service	-	-	308,708	308,708	308,708	308,708	308,708
Rate Funded Capital	2,500,000	2,750,000	3,000,000	3,250,000	3,500,000	3,700,000	3,900,000
Total Expenses	\$ 7,995,414	\$ 8,241,652	\$ 9,009,724	\$ 9,461,824	\$ 9,944,428	\$ 10,382,989	\$ 10,837,742
Net Surplus (Deficiency)	\$ 371,971	\$ 115,600	\$ (670,662)	\$ (1,144,821)	\$ (1,642,928)	\$ (2,080,570)	\$ (2,527,378)
Additions to Meet Coverage	-	-	-	-	-	-	-
Total Surplus (Deficiency)	\$ 371,971	\$ 115,600	\$ (670,662)	\$ (1,144,821)	\$ (1,642,928)	\$ (2,080,570)	\$ (2,527,378)
% of Rate Revenue	0.00%	0.00%	8.11%	13.84%	19.86%	25.15%	30.55%
Annual Rate Adjustment	0.00%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Cumulative Annual Rate Adjustment	0.00%	5.25%	10.78%	16.59%	22.71%	29.15%	35.94%
Rate Revenues After Rate Increase	\$ 8,272,471	\$ 8,706,776	\$ 9,163,881	\$ 9,644,985	\$ 10,151,347	\$ 10,684,293	\$ 11,245,218
Additional Taxes from Rate Increase	\$ -	\$ 58,333	\$ 119,728	\$ 145,425	\$ 199,077	\$ 255,545	\$ 314,979
Net Cash Flow After Rate Increase	\$ 371,971	\$ 491,572	\$ 101,020	\$ 82,268	\$ 36,871	\$ 75,706	\$ 130,391
Coverage After Rate Increases	n/a	n/a	11.39	12.15	12.82	13.58	14.41
Average Residential Bi-Monthly Bill (14 ccf usage)	\$ 110.29	\$ 116.08	\$ 122.17	\$ 128.59	\$ 135.34	\$ 142.44	\$ 149.92
\$ Bi-Monthly Difference		5.79	6.09	6.41	6.75	7.11	7.48



Water: Unescalated Capital Plan

Item 2.

Project Description	2021	2022	2023	2024	2025	2026
Emergency Water System Repairs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Booster Chlorination Station	995,000	2,510,000	-	-	-	-
SCADA System Replacement (Water)	675,000	975,000	1,275,000	-	-	-
Water Reservoir Improvements	375,000	1,735,000	1,715,000	-	-	-
82nd Ave and Forest Ave, W of WMW Water System Improvements - Construction	-	-	145,000	810,000	-	-
74TH Ave, SE 29th, & 73rd Ave Water System Improvements - Design	-	-	-	-	-	188,000
Madrona Crest East Addition Water System Improvements	350,000	2,448,000	-	-	-	-
77th & 78th Ave SE (SE 27th - SE 29th) Water System Improv. (Town Center)	-	-	-	204,000	950,000	-
Avalon Dr and Benotho PI Neighborhoods Water System Improvements	-	-	-	-	279,000	1,775,000
60th Ave SE, btw SE 27th and SE 32nd, and 62nd Ave Water System Improvements	-	229,000	1,456,000	-	-	-
82nd Ave SE, N of SE 24th St Water System Improvements - Construction	1,087,000	-	-	-	-	-
Hydrant Replacement (contract work)	-	-	250,000	-	250,000	-
Water System Components (valve, air vac, blow off, and etc.)	35,000	35,000	35,000	35,000	35,000	35,000
Abandonment of 1955 12" Cast Iron water main (Reservoir to First Hill)	-	-	320,000	-	-	-
Water Model Updates/Fire Flow Analysis	15,000	50,000	15,000	50,000	15,000	50,000
RRA, ERP UPDATES, AND WATER SYSTEM PLAN UPDATES	200,000	100,000	-	-	-	-
Meter Replacement Implementation	2,050,000	2,050,000	-	-	-	-
Reservoir Generator Replacement	240,000	120,000	-	-	-	-
Mercerwood - 94th Ave SE and Crestwood PI Water System Improvements	-	-	229,000	1,456,000	-	-
Solutions for Water System Deficiencies - Consultant Services	120,000	-	-	-	-	-
Utility Funded Street Projects	387,378	269,551	296,940	274,285	207,157	248,353
TOTAL	\$ 6,679,378	\$ 10,671,551	\$ 5,886,940	\$ 2,979,285	\$ 1,886,157	\$ 2,446,353

- ◆ Projects are escalated at 3% annual based on historical Engineering News Record Construction Cost Index 20 City Average



Water: Current Rate Schedule

Residential Bimonthly Water Rates					
Class	Fixed Charge	Volume Charge			
	Per Meter Equivalent*	Block 1 (0-10 ccf)	Block 2 (11-20 ccf)	Block 3 (21-30 ccf)	Block 4 (31+ ccf)
Single Family Residential	\$36.89	\$4.38	\$7.40	\$8.89	\$11.96
Low-Income Residential	\$36.89	\$1.10	\$1.85	\$2.22	\$2.99
Conservation Surcharge**				\$0.10	\$0.30
Class	Fixed Charge	Volume Charge			
	Per Meter Equivalent*	All Use (0-99+ ccf)			
Multi-Family Residential	\$36.89	\$6.49			

Non-Residential Bimonthly Water Rates			
Class	Fixed Charge	Volume Charge	
	Per Meter Equivalent*	Winter** (All Usage)	Summer** (All Usage)
Commercial/Public	\$ 36.89	\$ 4.03	\$ 10.01
Irrigation	\$ 36.89	\$ 6.03	\$ 12.67



Sewer: Summary

Revenue Requirement	2020	2021	2022	2023	2024	2025	2026
Revenues							
Rate Revenues Under Existing Rates	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081	\$ 5,238,081
King County Metro Revenue	4,813,463	5,030,539	5,257,191	5,797,752	5,797,752	6,392,582	6,392,582
Non-Rate Revenues	30,608	26,809	25,049	35,970	21,506	17,445	11,458
Total Revenues	\$ 10,082,152	\$ 10,295,429	\$ 10,520,321	\$ 11,071,803	\$ 11,057,339	\$ 11,648,108	\$ 11,642,121
Expenses							
Cash Operating Expenses	\$ 2,496,133	\$ 2,408,651	\$ 2,502,106	\$ 2,579,631	\$ 2,665,750	\$ 2,755,819	\$ 2,849,812
King County Treatment Costs	4,864,583	5,083,506	5,312,086	5,857,246	5,857,246	6,457,136	6,457,136
Existing Debt Service	1,042,284	1,047,070	1,035,856	1,034,242	1,031,829	1,028,615	1,029,601
New Debt Service	-	-	220,505	220,505	220,505	485,112	485,112
Rate Funded Capital	1,400,000	1,500,000	1,600,000	1,700,000	1,800,000	1,900,000	2,000,000
Total Expenses	\$ 9,803,000	\$ 10,039,226	\$ 10,670,554	\$ 11,391,625	\$ 11,575,330	\$ 12,626,682	\$ 12,821,661
Net Surplus (Deficiency)	\$ 279,152	\$ 256,202	\$ (150,233)	\$ (319,821)	\$ (517,990)	\$ (978,574)	\$ (1,179,541)
Additions to Meet Coverage	-	-	-	-	-	-	-
Total Surplus (Deficiency)	\$ 279,152	\$ 256,202	\$ (150,233)	\$ (319,821)	\$ (517,990)	\$ (978,574)	\$ (1,179,541)
% of Rate Revenue	0.00%	0.00%	2.87%	6.11%	9.89%	18.68%	22.52%
Annual Rate Adjustment	0.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Cumulative Annual Rate Adjustment	0.00%	4.00%	8.16%	12.49%	16.99%	21.67%	26.53%
Rate Revenues After Rate Increase	\$ 5,238,081	\$ 5,447,604	\$ 5,665,508	\$ 5,892,129	\$ 6,127,814	\$ 6,372,926	\$ 6,627,844
Additional Taxes from Rate Increase	\$ -	\$ 25,478	\$ 51,976	\$ 61,194	\$ 83,245	\$ 106,178	\$ 130,028
Net Cash Flow After Rate Increase	\$ 279,152	\$ 440,247	\$ 225,219	\$ 273,033	\$ 288,498	\$ 50,093	\$ 80,194
Coverage After Rate Increases	n/a	n/a	13.98	14.64	15.15	7.14	7.41
Local Average Residential Bi-Monthly Bill (10 ccf winter usage)	\$ 90.26	\$ 93.87	\$ 97.63	\$ 101.53	\$ 105.59	\$ 109.82	\$ 114.21
\$ Bi-Monthly Difference (Local)		3.61	3.75	3.91	4.06	4.22	4.39
King County Metro Residential Bi-Monthly Bill	\$ 90.66	\$ 94.74	\$ 99.00	\$ 109.16	\$ 109.16	\$ 120.34	\$ 120.34
\$ Bi-Monthly Difference (Metro)		4.08	4.26	10.16	-	11.18	-
Total Residential Bi-Monthly Bill (10 ccf winter usage)	\$ 180.92	\$ 188.61	\$ 196.63	\$ 210.69	\$ 214.75	\$ 230.16	\$ 234.55
\$ Bi-Monthly Difference (Total)		7.69	8.01	14.07	4.06	15.40	4.39



Sewer: Unescalated Capital Plan

Project Description	2021	2022	2023	2024	2025	2026
Emergency Sewer Repairs	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Pump Station R&R Improvements	200,000	-	750,000	-	750,000	-
Easement, Access Codes and Standards Review	150,000	150,000	-	-	-	-
Pump Station & HGMH Flow Monitoring	-	-	300,000	300,000	1,000,000	-
Pipe Flow Monitoring	-	-	280,000	280,000	-	150,000
Lake Line Locating and Marking	-	-	950,000	1,025,000	925,000	-
Lake Line Condition Assessment	-	-	-	-	2,000,000	-
Comprehensive Pipeline R&R Program	500,000	500,000	500,000	500,000	500,000	500,000
Sewer System Generator Replacement	150,000	150,000	-	-	-	-
Pump Station Accessibility Improvements	100,000	100,000	-	100,000	-	100,000
Comprehensive Hydraulic Model Development	-	-	-	-	-	250,000
Comprehensive I/I Evaluation	-	-	-	-	-	150,000
SCADA System Replacement (Sewer)	675,000	975,000	1,275,000	-	-	-
Utility Funded Street Projects	150,476	50,954	97,940	72,285	56,157	49,353
TOTAL	\$ 2,225,476	\$ 2,225,954	\$ 4,452,940	\$ 2,577,285	\$ 5,531,157	\$ 1,499,353

- ◆ Projects are escalated at 3% annual based on historical Engineering News Record Construction Cost Index 20 City Average



Sewer: Current Rate Schedule

Single Family Bimonthly Sewer Rates				
Class	King County	City Sewer Line Maintenance		
	Fixed Charge	Fixed Charges		Volume Charge
	King County Sewage Treatment	Billing Cost	Base Charge (For first 600 cf of AVERAGE Winter Water Use ¹)	Per 100 cf of AVERAGE Winter Water Use ¹ beyond first 600 cf
Single Family Residential	\$90.66	\$9.46	\$48.48	\$8.08
Low-Income Residential ²	\$90.66	\$9.46	\$12.12	\$2.02

Multi-Family and Commercial Bimonthly Sewer Rates			
Class	King County	City Sewer Line Maintenance	
	Sewage Treatment (Per 100 cf of ACTUAL Water Use ²)	Billing Cost	Volume Charge Per 100 cf of ACTUAL Water Use
Multi-Family Residential	\$6.04	\$9.46	\$8.08
Commercial / Public	\$6.04	\$9.46	\$8.08



Stormwater: Summary

Item 2.

Revenue Requirement	2020	2021	2022	2023	2024	2025	2026
Revenues							
Rate Revenues Under Existing Rates	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485	\$ 2,015,485
Non-Rate Revenues	111,847	110,174	108,410	105,901	104,267	101,063	99,882
Total Revenues	\$ 2,127,332	\$ 2,125,659	\$ 2,123,895	\$ 2,121,386	\$ 2,119,752	\$ 2,116,548	\$ 2,115,367
Expenses							
Cash Operating Expenses	\$ 1,517,159	\$ 1,359,189	\$ 1,382,392	\$ 1,430,152	\$ 1,480,966	\$ 1,533,940	\$ 1,589,242
Existing Debt Service	-	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-	-
Rate Funded Capital	500,000	700,000	800,000	900,000	1,000,000	1,100,000	1,200,000
Total Expenses	\$ 2,017,159	\$ 2,059,189	\$ 2,182,392	\$ 2,330,152	\$ 2,480,966	\$ 2,633,940	\$ 2,789,242
Net Surplus (Deficiency)	\$ 110,173	\$ 66,471	\$ (58,497)	\$ (208,766)	\$ (361,214)	\$ (517,392)	\$ (673,875)
Additions to Meet Coverage	-	-	-	-	-	-	-
Total Surplus (Deficiency)	\$ 110,173	\$ 66,471	\$ (58,497)	\$ (208,766)	\$ (361,214)	\$ (517,392)	\$ (673,875)
% of Rate Revenue	0.00%	0.00%	2.90%	10.36%	17.92%	25.67%	33.43%
Annual Rate Adjustment	0.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Cumulative Annual Rate Adjustment	0.00%	5.50%	11.30%	17.42%	23.88%	30.70%	37.88%
Rate Revenues After Rate Increase	\$ 2,015,485	\$ 2,126,337	\$ 2,243,285	\$ 2,366,666	\$ 2,496,833	\$ 2,634,158	\$ 2,779,037
Additional Taxes from Rate Increase	\$ -	\$ 10,963	\$ 22,529	\$ 25,084	\$ 34,381	\$ 44,190	\$ 54,539
Net Cash Flow After Rate Increase	\$ 110,173	\$ 166,359	\$ 146,774	\$ 117,330	\$ 85,752	\$ 57,091	\$ 35,138
Coverage After Rate Increases	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average Residential Bi-Monthly Bill	\$ 35.77	\$ 37.74	\$ 39.81	\$ 42.00	\$ 44.31	\$ 46.75	\$ 49.32
\$ Bi-Monthly Difference		1.97	2.08	2.19	2.31	2.44	2.57



Stormwater: Unescalated Capital Plan

Item 2.

Project Description	2021	2022	2023	2024	2025	2026
Sub Basin 42.1 and 42.1a Watercourse Stabilization	\$ 389,657	\$ -	\$ -	\$ -	\$ -	\$ -
Sub basin 23.2 Watercourse Stabilization	202,157	-	-	-	-	-
Sub basin 45b.1 Watercourse Stabilization	36,157	188,500	-	-	-	-
Sub basin 27a.10 Watercourse Stabilization	22,157	79,000	-	-	-	-
Sub basin 22.1 Watercourse Stabilization	-	24,157	139,100	-	-	-
Sub basin 50b.4 (a & e) Watercourse Stabilization	-	17,657	46,000	-	-	-
Sub basin 25b.2 Watercourse Stabilization	-	46,657	145,000	-	-	-
Sub basin 47.4 and Sub basin 10.4 Watercourse Stabilization	-	-	55,514	292,500	-	-
Sub basin 24a.1 Watercourse Stabilization	-	-	17,157	56,500	-	-
Sub basin 39a.2 Watercourse Stabilization	-	-	16,157	40,000	-	-
Sub basin 46a.3 Watercourse Stabilization	-	-	48,657	371,500	-	-
Sub basin 34.1 Watercourse Stabilization	-	-	-	24,157	92,200	-
Sub basin 45b.4 Watercourse Stabilization	-	-	-	28,157	83,600	-
Sub basin 29.3 Watercourse Stabilization	-	-	-	45,157	116,500	-
Sub-Basin 42.2, 42.3, 42.8, 42.8a	-	-	-	-	87,157	333,500
Sub basin 44b.3 Watercourse Stabilization	-	-	-	-	29,157	67,700
Sub-Basin 32b.1 & 32.2 Watercourse Stabilization	-	-	-	-	48,157	150,000
Watercourse Minor Repairs/Maintenance	-	-	-	-	100,000	-
Conveyance System Assessments	112,000	50,000	112,000	50,000	112,000	50,000
East Mercer Way Trenchless Culvert replacements	112,657	503,500	-	-	-	-
Conveyance system Improvement - Drainage repair, extension, replacement	-	-	300,000	300,000	300,000	300,000
Emergency Stormwater conveyance repairs	50,000	50,000	-	-	-	-
Utility Funded Street Projects	258,885	405,982	350,445	326,110	233,058	263,655
TOTAL	\$ 1,183,670	\$ 1,365,453	\$ 1,230,030	\$ 1,534,081	\$ 1,201,829	\$ 1,164,855

- ◆ Projects are escalated at 3% annual based on historical Engineering News Record Construction Cost Index 20 City Average



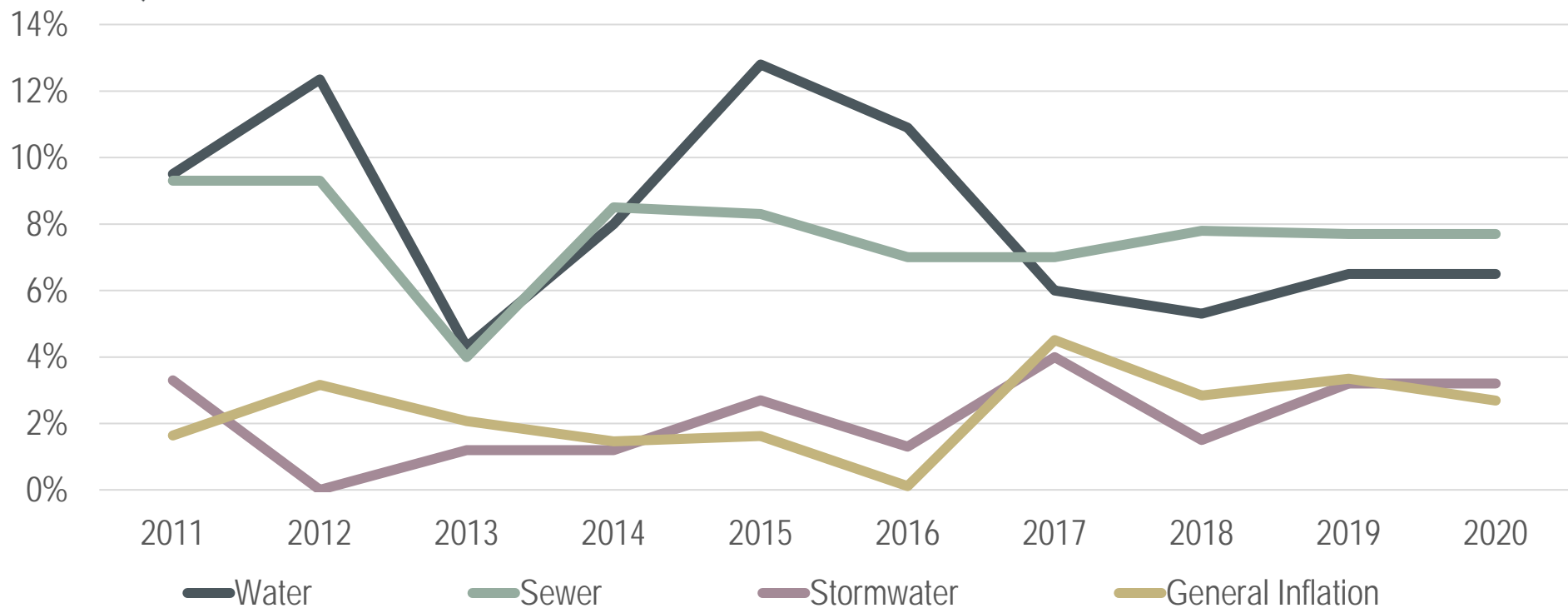
Stormwater: Current Rate Schedule

Bimonthly Storm and Surface Water Rates	
Classification of User	Rate
Single Family Residential	\$35.77
Low Income Residential	\$8.94
Multi-Family Residential*	\$35.77
Commercial/Public*	\$35.77

* For Multi-Family Residential, Commercial or Public property in the City, the number of equivalent service units is determined by dividing the total square feet of impervious surface for each account (which includes roof tops, pavement, and trafficked gravel) by the average square footage of impervious surface for single family residential accounts (3,471 square feet is the average).



Historical Rate Increases



◆ Average Increase

- Water: 8.2%
- Sewer: 7.7%
- Stormwater: 2.2%
- Inflation: 2.3%

Utility Board 2020 Work Plan

Meeting Date	Agenda Item
January 14	Cancelled
February 11	Canceled due to COVID
March 10	Canceled due to COVID
April 14	Canceled due to COVID
May 12	Canceled due to COVID
June 9	Canceled due to COVID
July 14	Canceled due to COVID
August 11	Recess
September 23	King County North Mercer Island/Enatai Sewer Interceptor Project Update Board Elections City Update Introduction to Stormwater & EMS Rate 2021-2022 CUO Preview Revised UB Workplan
October 14	Water Rate Discussion Sewer Rate Discussion EMS, Stormwater, Water & Sewer Rate Recommendation
November 10	Recology Solid Waste Annual Report SCADA Project Update Booster Station & Water Vulnerability/Risk Assessment Project Updates

To Be Scheduled:

Utility Board 2012 Work Plan

Meeting Date
10-Jan
14-Feb
13-Mar
10-Apr
8-May
12-Jun
10-Jul
14-Aug
11-Sep
9-Oct
13-Nov

To Be Scheduled:

Project Field Trips (Proje

Agenda Item

No meeting

Review Utility Billing Policies (Francie) Possibly could be ready for March.

EMS Cost of Service (Francie)

Utility CIP Preview (Staff)

Sewer Budget and Rates (Francie)

Storm Water Budget and Rates (Francie)
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Water Budget and Rates (Francie)

EMS Rates (Francie)

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