

Surface Water Utility Rate Study -Update-

City Council Study Session
October 17, 2017

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Discussion Topics

- ✓ Project Background
- ✓ Town Center Regional Stormwater Project
 - Scenarios and Proposed Rate Impacts
 - Next Steps

Council Direction to Date

- ✓ Maintain Cash Reserves (Operating, Capital, Debt, and Debt Service Coverage)
- ✓ New rate structure
 - Based on equivalent service units
 - Award 35% credit for qualifying non-residential customers
- ✓ Continue surface water funding of surface water-related transportation CIP components
- ✓ Include 2018-2023 Surface Water CIP in rate study

Council Direction to Date (cont)

- ✓ Remove from Town Center from capital forecast until TC Implementation Plan is developed
 - Removed capital funds
 - Replaced with planning funds (Regionals Stormwater Implementation Plan: \$350k in 2018)

- ✓ Update rate study based on Implementation Plan (\$25k in 2019)

Key Assumptions

- **Annual Cost Inflation**

- General: 2.5% (Consumer Price Index)
- Labor: 3.0% (Employment Cost Index - Wages)
- Benefits: 5.8% (City)
- Construction: 3.0% (Engineering News Record Construction Cost Index)

- **Annual Customer Growth Rates**

- 1.5% based on comprehensive plan growth forecast

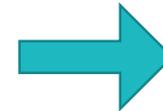
- **Operating Forecast**

- Generally based on 2017/2018 Biennial Budget
- Rate revenues include projected growth
- Taxes calculated on projected revenues
- Incorporate Stormwater Comprehensive Plan Enhanced Levels of Service

Two No-Town-Center “Finalist” Scenarios

Scenario A:

- \$350k in 2018 for TC Implementation Plan
- \$25k in 2019 to update rate study



15% increase in 2018, 2019, & 2020; 2% in following years

Scenario B:

- \$350k in 2018 for TC Implementation Plan
- \$25k in 2019 to update rate study
- Increase capital fund balance by \$1 million by 2020
 - 2018: \$0
 - 2019: \$450,000
 - 2020: \$625,000



19% increase in 2018, 2019, & 2020; 2% in following years

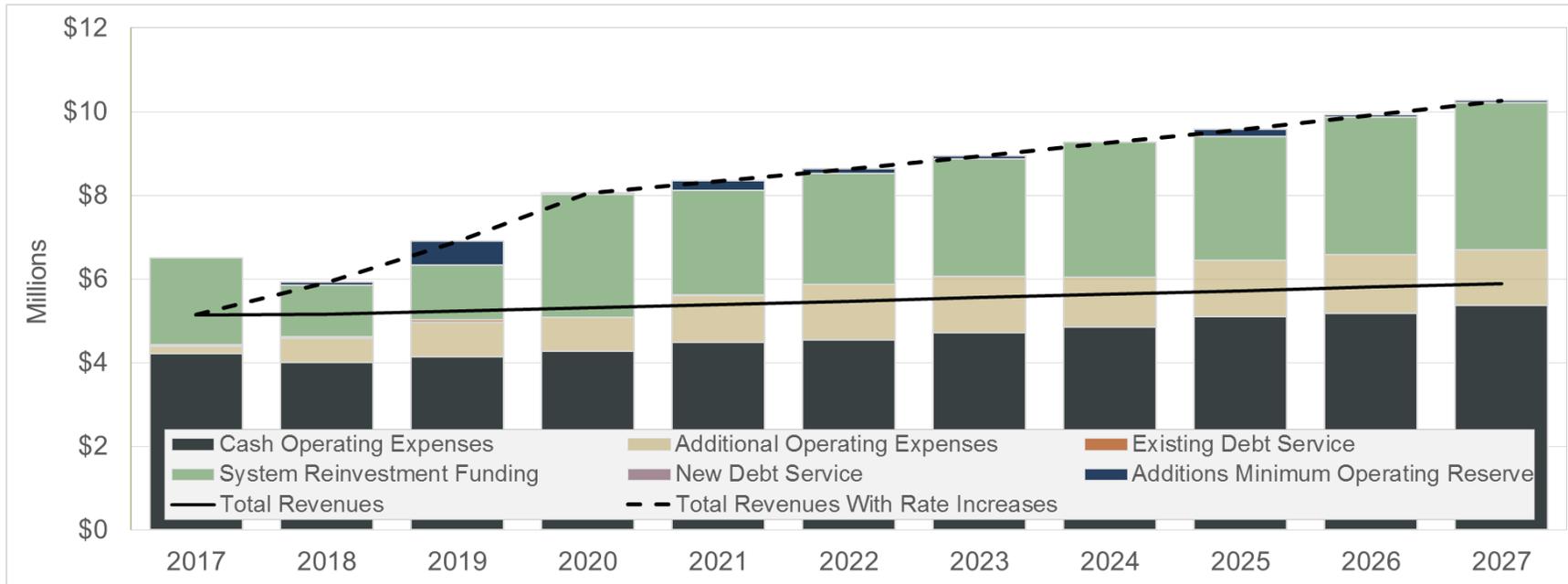
Next Steps

- **City Council**
 - Select preferred scenario
 - Adopt proposed rate model and rate increase: October 17
- **Staff**
 - Notify King County by December 1, 2017 for rate increases to existing structure effective January 2018
 - Notify King County by March 1, 2018 for rate structure changes effective January 2019
 - 2018 - Develop Town Center Regional Stormwater Implementation Plan
- **FCS Group**
 - Complete System Development Charge analysis
 - Winter 2018 - Revise rate study to incorporate Town Center

Thank you

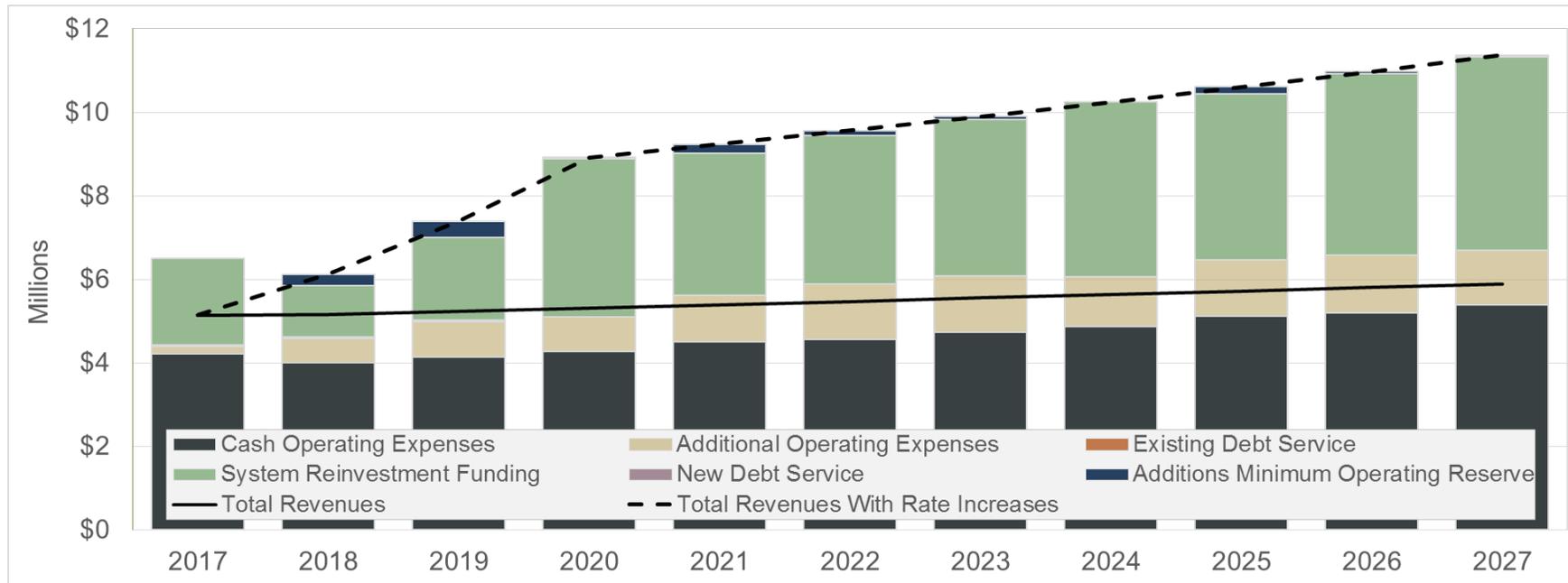
Questions?

Scenario A: No Add'l Capital Reserves



Monthly SFR Rate	\$18.75	\$21.56	\$24.80	\$28.52	\$29.30	\$30.11	\$30.93	\$31.78	\$32.66	\$33.56	\$34.48
Annual SFR Rate	\$225	\$259	\$298	\$342	\$352	\$361	\$371	\$381	\$392	\$403	\$414
Annual Increase		15%	15%	15%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Scenario B: Build Add'1 \$1M in Capital Reserves



Monthly SFR Rate	\$18.75	\$22.59	\$26.89	\$32.00	\$32.64	\$33.29	\$33.95	\$34.63	\$35.33	\$36.03	\$36.75
Annual SFR Rate	\$225	\$271	\$323	\$384	\$392	\$399	\$407	\$416	\$424	\$432	\$441
Annual Increase		19%	19%	19%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%