



Rate Study Update



CITY OF SNOQUALMIE

DECEMBER 9, 2024

Rate Design
Sergey Tarasov





Presentation Overview

- Background
- Rate setting overview
- Rate design
- Question / discussion

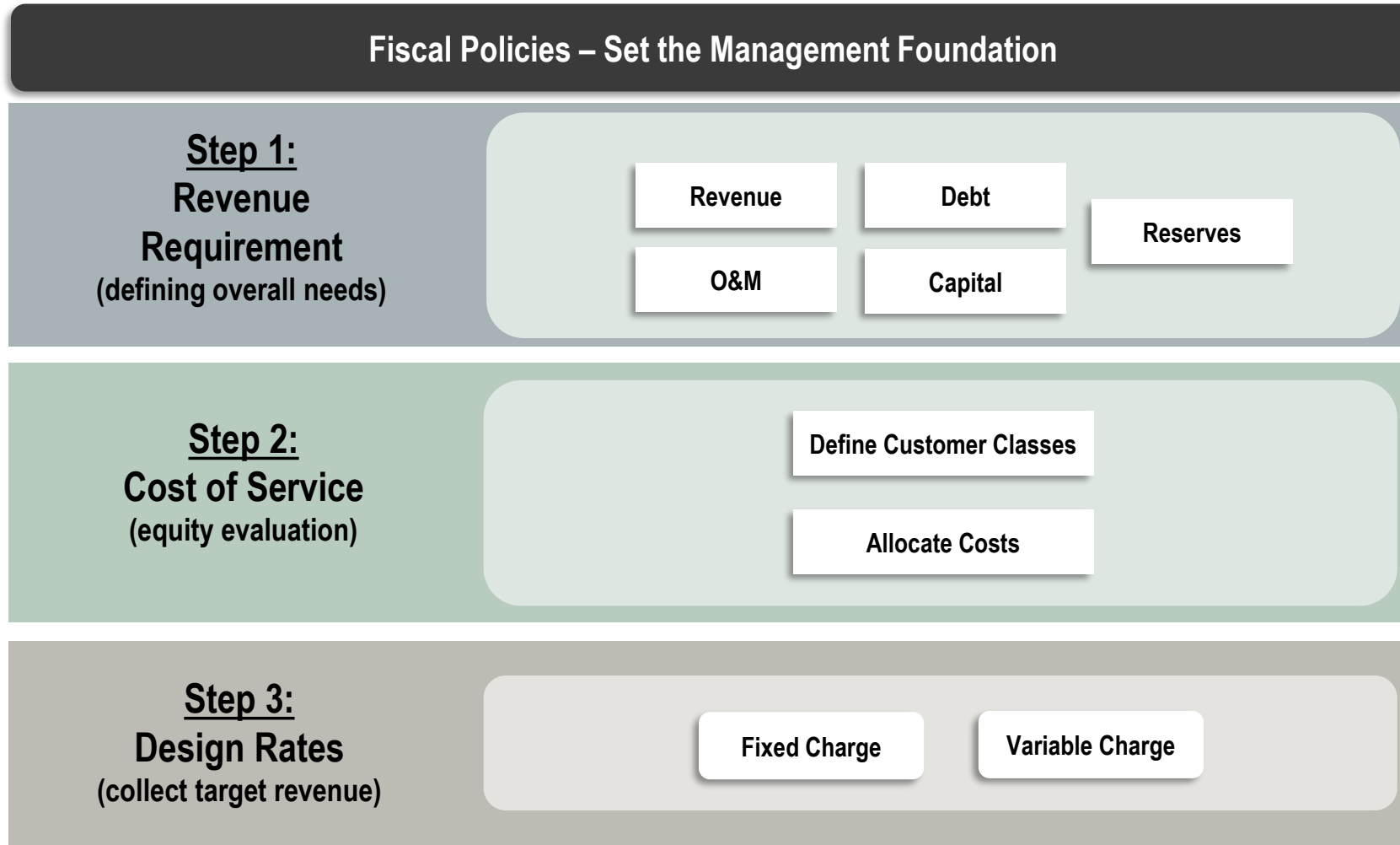


Background

- Performed fiscal health review November 2023
 - » Modified 2024 rate implementation due to higher than anticipated inflation
- Comprehensive rate study commenced in 2024
 - » June 24th, 2024: City Council – Rate Setting Fundamentals
 - » July 2nd, 2024: P&PW Committee – Revenue Requirement
 - » July 8th, 2024: City Council – Revenue Requirement
 - » October 22nd, 2024: P&PW Committee – Cost of Service
 - » November 5th, 2024: P&PW Committee – Cost of Service Update
 - » November 12th, 2024: City Council – Cost of Service
 - » November 19th, 2024: P&PW Committee – Introduction to Rate Design
 - » December 3rd, 2024: P&PW Committee – Rate Design
- Today's focus
 - » Finalize rate design



Overview of Rate Setting Process





Revenue Requirement Summary

- Revenue requirement analysis identified rates at current levels are not sufficient to cover existing obligations
 - » Primary driver associated with capital improvement program
- Met with P&PW Committee and Council during 2 dedicated meetings to review findings and alternatives
 - » Presented 3 scenarios for consideration
 - S1: 100% Cash financed capital
 - S2: Maximized debt – 52% of CIP funded through debt
 - S3: Hybrid debt & cash – 28% of CIP funded through debt
 - » Council directed to develop 1 additional scenario between S2 & S3



Revenue Requirement Summary

- Since last full Council meeting on November 12, 2024, removed sewer 2028 FTE additions
 - » Allows for lower debt in 2027, no changes to implementation strategy

| Combined Utilites | Existing | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | Total |
|-------------------------------|-----------|---------------|-----------|---------------|-----------|---------------|-----------|---------------|
| Avg. Residential Monthly Bill | \$ 177.46 | \$ 199.38 | \$ 212.13 | \$ 221.96 | \$ 232.31 | \$ 242.60 | \$ 253.41 | |
| \$ Monthly Difference | | 21.92 | 12.76 | 9.83 | 10.35 | 10.29 | 10.81 | |
| Overall Increase | | 12.35% | 6.40% | 4.63% | 4.66% | 4.43% | 4.46% | |
| New Debt Proceeds | | \$ 10,960,000 | \$ - | \$ 10,200,000 | \$ - | \$ 12,700,000 | \$ - | \$ 33,860,000 |

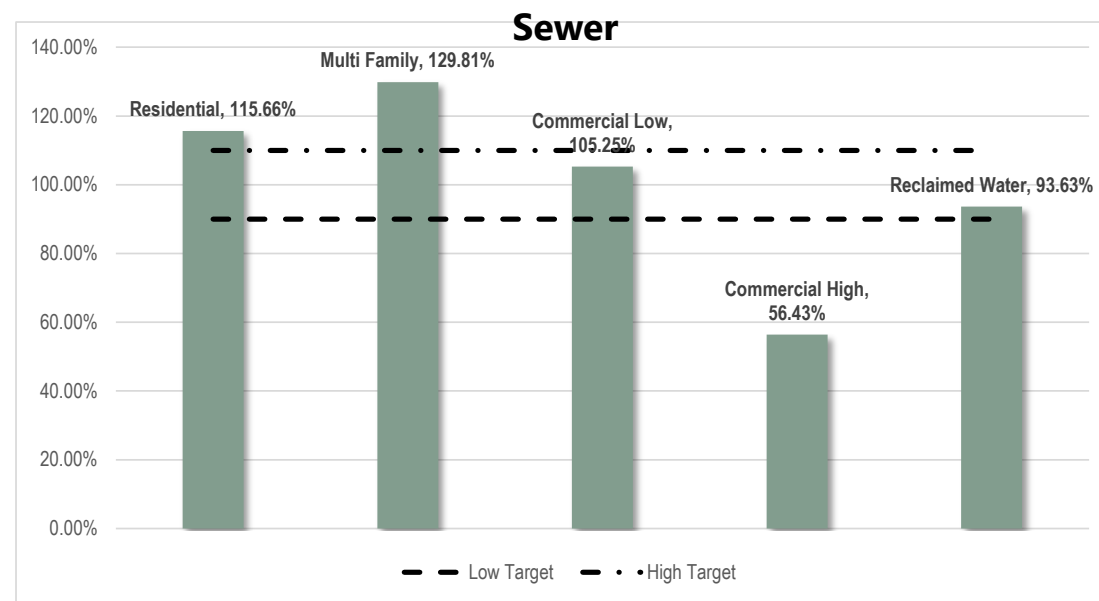
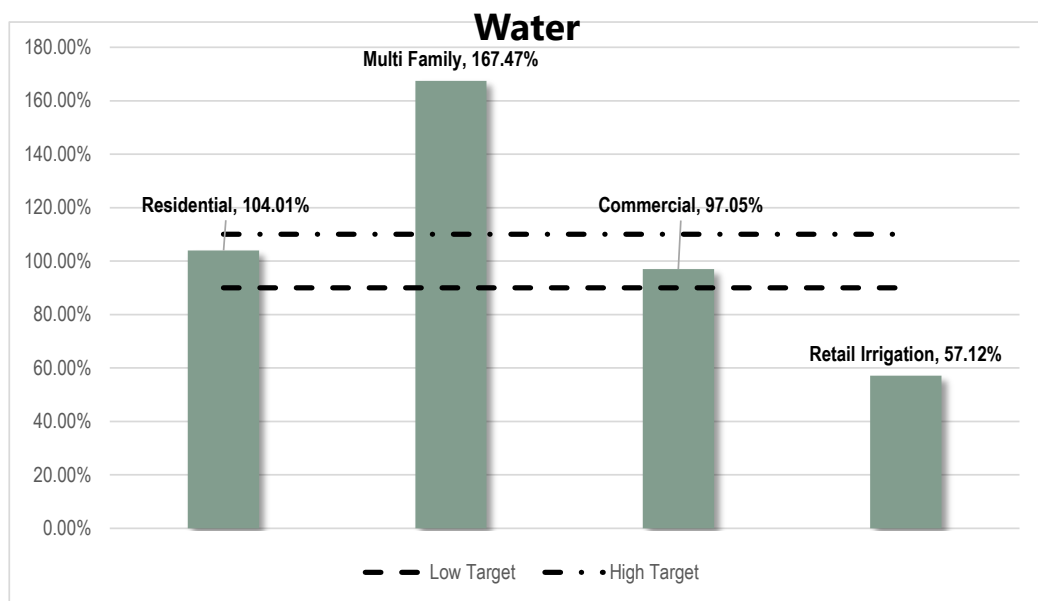


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| Overall Increase | | 12.35% | 6.40% | 4.63% | 4.66% | 4.43% | 4.46% | |
| New Debt Proceeds | | \$ 10,960,000 | \$ - | \$ 9,800,000 | \$ - | \$ 12,700,000 | \$ - | \$ 33,460,000 |



Cost of Service Summary

- Cost of service analysis indicated interclass allocation differences outside of range of reasonableness for water and sewer utilities
 - » Class results of $\pm 10.0\%$ of average are considered to be within COSA
 - Water: MF paying more than COSA | retail irrigation paying less than COSA
 - Sewer: Res. & MF paying more than COSA | Comm. High paying less than COSA





Cost of Service Summary

- Met with P&PW Committee over 2 dedicated meetings and Council over 1 dedicated meeting to review findings and alternatives
 - » Discussed implementation options including
 - Postponing making any COSA adjustments
 - Making COSA adjustments all at once
 - Phasing-in results over time
 - » Committee preferred phasing in COSA over time and requested 2 alternatives
 - Alternatives focused on reducing impacts to the Multifamily class of service



Cost of Service Summary

- Council provided consensus for the Committee recommended phase-in alternative

| Class | Full 2025 | WATER - Phase-In | | | | | |
|---------------------|--------------|------------------|--------------|--------------|--------------|--------------|--------------|
| | COSA | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Residential | 1.67% | 5.75% | 5.75% | 5.75% | 5.75% | 5.00% | 5.00% |
| Multi Family | -36.85% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Commercial | 8.96% | 6.95% | 6.67% | 6.40% | 6.14% | 4.96% | 4.77% |
| Irrigation | 85.13% | 9.50% | 9.50% | 9.50% | 9.50% | 8.50% | 8.50% |
| System Total | 5.75% | 5.75% | 5.75% | 5.75% | 5.75% | 5.00% | 5.00% |

| Class | Full 2025 | SEWER - Phase-In | | | | | |
|---------------------|---------------|------------------|--------------|--------------|--------------|--------------|--------------|
| | COSA | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Residential | 2.89% | 18.50% | 6.00% | 2.50% | 2.50% | 2.50% | 2.50% |
| Multi Family | -8.33% | 7.00% | 2.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Commercial Low | 13.07% | 20.96% | 6.52% | 2.50% | 2.50% | 2.50% | 2.50% |
| Commercial High | 110.87% | 27.00% | 10.74% | 6.65% | 6.49% | 6.34% | 6.21% |
| Reclaimed Water | 27.10% | 21.96% | 7.52% | 3.50% | 3.50% | 3.50% | 3.50% |
| System Total | 19.00% | 19.00% | 6.50% | 3.00% | 3.00% | 3.00% | 3.00% |



Overview of Rate Design

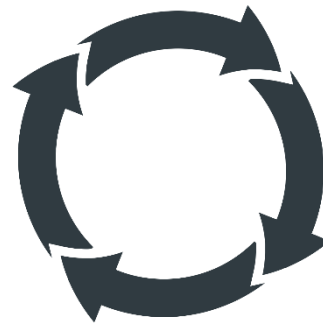
- Development of fixed and variable charges assessed to customers



Aligns fixed and variable costs with fixed and variable revenue sources



Generates sufficient revenue to meet utility requirements



Meet goals and objectives of the utility (e.g., conservation)

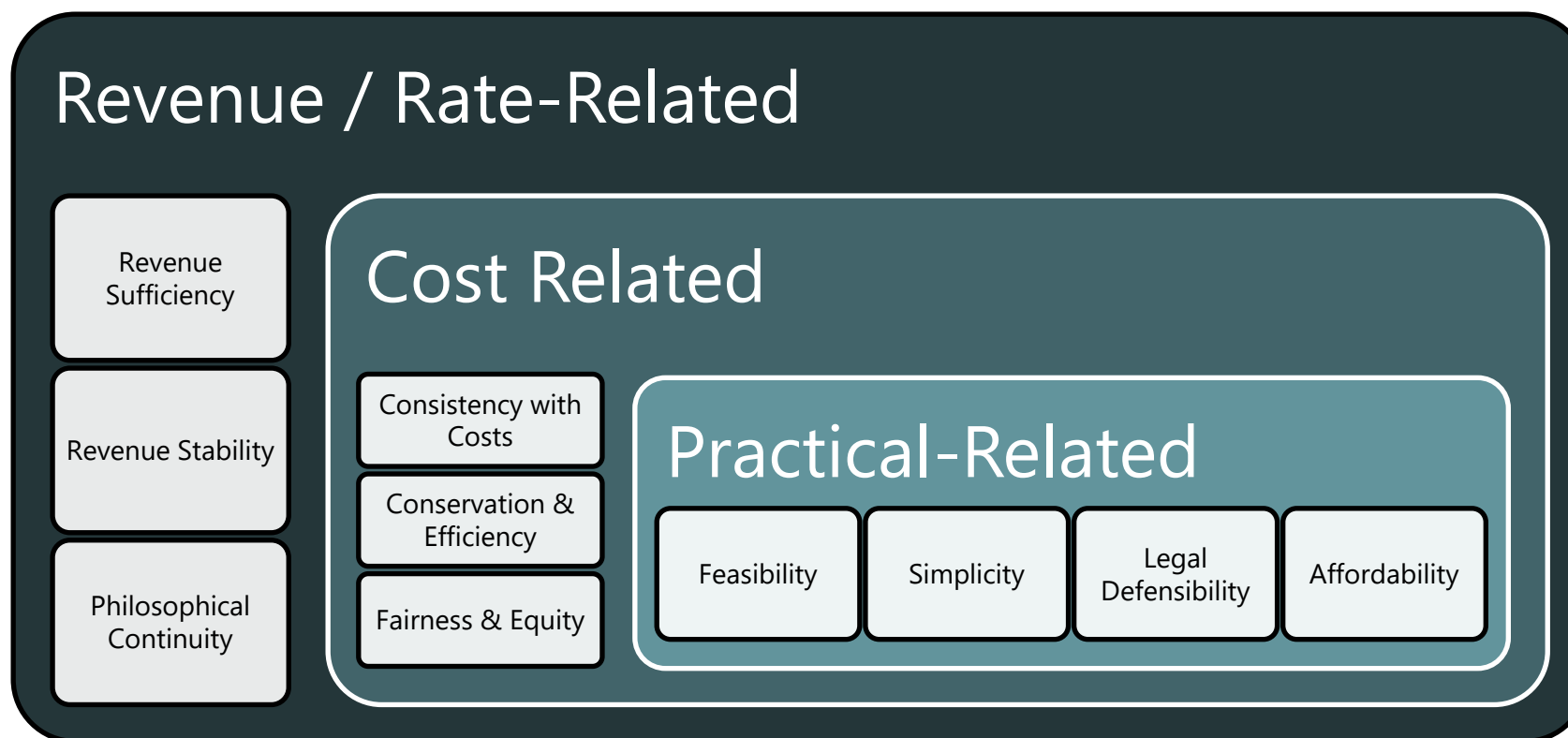


Evaluate monthly rate impact for different levels of use



Rate Design Goals

- No structure can completely achieve all the objectives – it's a balancing act





Rate Design Summary

- Met with P&PW Committee over 2 dedicated meetings to discuss findings and alternatives
 - » Discussed structure modification options including
 - No changes – across the board adjustments based on COSA for each class
 - Weighted fixed and variable adjustments
 - Increased conservation
 - Volume based sewer rates for single family residential customers
 - » Committee preferred no changes to structures and apply increases across the board based on COSA phase-in by utility
 - Primary focus on overall revenue collection and COSA phase-in
 - Any alternative structure changes may impact customers disproportionately within individual classes of service
 - Consistent with prior Councils' direction



Water Rate Design – Considerations

| Meter | 2024 | | |
|---------------------|-------------|------------|------------|
| | Residential | Commercial | Irrigation |
| Monthly Fixed | | | |
| 3/4" | \$ 39.17 | \$ 48.55 | \$ 51.63 |
| 1" | 49.18 | 60.94 | 64.81 |
| 1.5" | 81.50 | 101.00 | 107.40 |
| 2" | 135.99 | 168.51 | 179.21 |
| 3" | 204.19 | 253.00 | 269.06 |
| 4" | 272.22 | 337.31 | 358.73 |
| 6" | 408.07 | 505.63 | 537.73 |
| 8" | 544.13 | 674.22 | 717.04 |
| MF per Unit | | 31.19 | |
| Volume (per ccf) | | | |
| Residential | | | |
| Block 1 (0-300cf) | | \$2.58 | |
| Block 2 (301-800cf) | | 4.34 | |
| Block 3 (801+cf) | | 5.42 | |
| Multifamily | | 2.80 | |
| Commercial | | 4.08 | |
| Irrigation | | 4.33 | |

Notes:

Outside City rates are 1.5 times the inside City rates.

Low income senior/disable rate available.

- Increases applied on an across-the-board basis
 - » No changes to structures
 - » Tied to cost-of-service phase-in
 - » Impacts all customers within each class proportionately



Water Rate Design – Residential & Multifamily

| Meter | Existing | | Proposed | | | | | | | | | | | |
|---------------------|----------|--------|----------|--------|------|--------|------|--------|----|--------|----|--------|----|--------|
| | | | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | | | | | |
| Monthly Fixed | | | | | | | | | | | | | | |
| 3/4" | \$ | 39.17 | \$ | 41.42 | \$ | 43.80 | \$ | 46.32 | \$ | 48.98 | \$ | 51.43 | \$ | 54.00 |
| 1" | | 49.18 | | 52.01 | | 55.00 | | 58.16 | | 61.50 | | 64.58 | | 67.81 |
| 1.5" | | 81.50 | | 86.19 | | 91.15 | | 96.39 | | 101.93 | | 107.03 | | 112.38 |
| 2" | | 135.99 | | 143.81 | | 152.08 | | 160.82 | | 170.07 | | 178.57 | | 187.50 |
| 3" | | 204.19 | | 215.93 | | 228.35 | | 241.48 | | 255.37 | | 268.14 | | 281.55 |
| 4" | | 272.22 | | 287.87 | | 304.42 | | 321.92 | | 340.43 | | 357.45 | | 375.32 |
| 6" | | 408.07 | | 431.53 | | 456.34 | | 482.58 | | 510.33 | | 535.85 | | 562.64 |
| 8" | | 544.13 | | 575.42 | | 608.51 | | 643.50 | | 680.50 | | 714.53 | | 750.26 |
| MF per Unit | \$ | 31.19 | \$ | 31.19 | \$ | 31.19 | \$ | 31.19 | \$ | 31.19 | \$ | 31.19 | \$ | 31.19 |
| Volume (per ccf) | | | | | | | | | | | | | | |
| Residential | | | | | | | | | | | | | | |
| Block 1 (0-300cf) | \$ | 2.58 | \$ | 2.73 | \$ | 2.89 | \$ | 3.06 | \$ | 3.24 | \$ | 3.40 | \$ | 3.57 |
| Block 2 (301-800cf) | | 4.34 | | 4.59 | | 4.85 | | 5.13 | | 5.42 | | 5.69 | | 5.97 |
| Block 3 (801+cf) | | 5.42 | | 5.73 | | 6.06 | | 6.41 | | 6.78 | | 7.12 | | 7.48 |
| Multifamily | \$ | 2.80 | \$ | 2.80 | \$ | 2.80 | \$ | 2.80 | \$ | 2.80 | \$ | 2.80 | \$ | 2.80 |

Notes:

Outside City rates are 1.5 times the inside City rates.

Low income senior/disable rate available.



Water Rate Design – Commercial

| Meter | Existing Commercial | | Proposed - Commercial | | | | | | | |
|-------------------------|---------------------|--------|-----------------------|----------|----------|----------|----------|----------|--|--|
| | | | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | |
| Monthly Fixed | | | | | | | | | | |
| 3/4" | \$ | 48.55 | \$ 51.93 | \$ 55.39 | \$ 58.93 | \$ 62.55 | \$ 65.65 | \$ 68.78 | | |
| 1" | | 60.94 | 65.18 | 69.53 | 73.98 | 78.52 | 82.41 | 86.34 | | |
| 1.5" | | 101.00 | 108.02 | 115.22 | 122.59 | 130.12 | 136.57 | 143.08 | | |
| 2" | | 168.51 | 180.23 | 192.25 | 204.55 | 217.11 | 227.88 | 238.74 | | |
| 3" | | 253.00 | 270.59 | 288.63 | 307.10 | 325.96 | 342.13 | 358.43 | | |
| 4" | | 337.31 | 360.76 | 384.81 | 409.43 | 434.57 | 456.12 | 477.86 | | |
| 6" | | 505.63 | 540.78 | 576.84 | 613.75 | 651.44 | 683.75 | 716.34 | | |
| 8" | | 674.22 | 721.09 | 769.17 | 818.38 | 868.64 | 911.72 | 955.17 | | |
| Volume (per ccf) | | | | | | | | | | |
| All Volume - \$ / ccf | \$ | 4.08 | \$ 4.36 | \$ 4.65 | \$ 4.95 | \$ 5.25 | \$ 5.51 | \$ 5.77 | | |

Notes:

Outside City rates are 1.5 times the inside City rates.



Water Rate Design – Irrigation

| Meter | Existing Irrigation | Proposed - Irrigation | | | | | |
|-----------------------|------------------------|-----------------------|----------|----------|----------|---------|----------|
| | | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Monthly Fixed Charge | | | | | | | |
| 3/4" | \$ 51.63 | \$ 56.53 | \$ 61.90 | \$ 67.78 | \$ 74.22 | 80.53 | \$ 87.38 |
| 1" | 64.81 | 70.97 | 77.71 | 85.09 | 93.17 | 101.09 | 109.68 |
| 1.5" | 107.40 | 117.60 | 128.77 | 141.00 | 154.40 | 167.52 | 181.76 |
| 2" | 179.21 | 196.23 | 214.87 | 235.28 | 257.63 | 279.53 | 303.29 |
| 3" | 269.06 | 294.62 | 322.61 | 353.26 | 386.82 | 419.7 | 455.37 |
| 4" | 358.73 | 392.81 | 430.13 | 470.99 | 515.73 | 559.57 | 607.13 |
| 6" | 537.73 | 588.81 | 644.75 | 706.00 | 773.07 | 838.78 | 910.08 |
| 8" | 717.04 | 785.16 | 859.75 | 941.43 | 1,030.87 | 1118.49 | 1,213.56 |
| Monthly Fixed Charge | | | | | | | |
| All Volume - \$ / ccf | \$ 4.33 | \$ 4.74 | \$ 5.19 | \$ 5.68 | \$ 6.22 | \$ 6.75 | \$ 7.32 |

Notes:

Outside City rates are 1.5 times the inside City rates.



Sewer Rate Design - Considerations

| Class | | 2024 |
|---------------------------------|----|--------|
| Monthly fixed | | |
| Residential | \$ | 84.62 |
| Multi Family | | 63.19 |
| Commercial | | |
| Low Commercial | | 104.91 |
| High Commercial | | 134.70 |
| Volume per ccf > 6ccf per month | | |
| Commercial | | |
| Low Commercial | \$ | 7.59 |
| High Commercial | | 10.66 |

Notes:

Low income senior/disable rate available.

Outside City rates are 1.5 times the inside City rates.

- Increases applied on an across-the-board basis
 - » No changes to structures
 - » Tied to cost-of-service phase-in
 - » Impacts all customers within each class proportionately



Sewer Rate Design

| Class | Existing | | Proposed | | | | | | | | | | | |
|---|----------|--------|----------|--------|------|--------|------|--------|----|--------|----|--------|----|--------|
| | | | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | | | | | |
| Monthly fixed | | | | | | | | | | | | | | |
| Residential | \$ | 84.62 | \$ | 100.27 | \$ | 106.29 | \$ | 108.95 | \$ | 111.67 | \$ | 114.46 | \$ | 117.32 |
| Multi Family | | 63.19 | | 67.61 | | 68.96 | | 68.96 | | 68.96 | | 68.96 | | 68.96 |
| Commercial | | | | | | | | | | | | | | |
| Low Commercial | | 104.91 | | 126.89 | | 135.16 | | 138.54 | | 142.00 | | 145.55 | | 149.19 |
| High Commercial | | 134.70 | | 171.06 | | 189.43 | | 202.02 | | 215.13 | | 228.77 | | 242.97 |
| Volume per ccf > 6ccf per month (Commercial only) | | | | | | | | | | | | | | |
| Commercial | | | | | | | | | | | | | | |
| Low Commercial | \$ | 7.59 | \$ | 9.18 | \$ | 9.78 | \$ | 10.02 | \$ | 10.27 | \$ | 10.53 | \$ | 10.79 |
| High Commercial | | 10.66 | | 13.54 | | 14.99 | | 15.99 | | 17.03 | | 18.11 | | 19.23 |

Notes:

Low income senior/disable rate available.

Outside City rates are 1.5 times the inside City rates.



Stormwater Rate Design

- Apply increases across the board
 - » No changes to structure; impacts all customers proportionately

| Description | Proposed | | | | | | | | | | | |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|--|--|--|--|--|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | | | | | |
| Monthly Charge - (per ESU) | \$ 28.57 | \$ 30.71 | \$ 33.01 | \$ 35.49 | \$ 38.15 | \$ 41.01 | \$ 44.09 | | | | | |

Notes:

Low income senior/disable rate available.

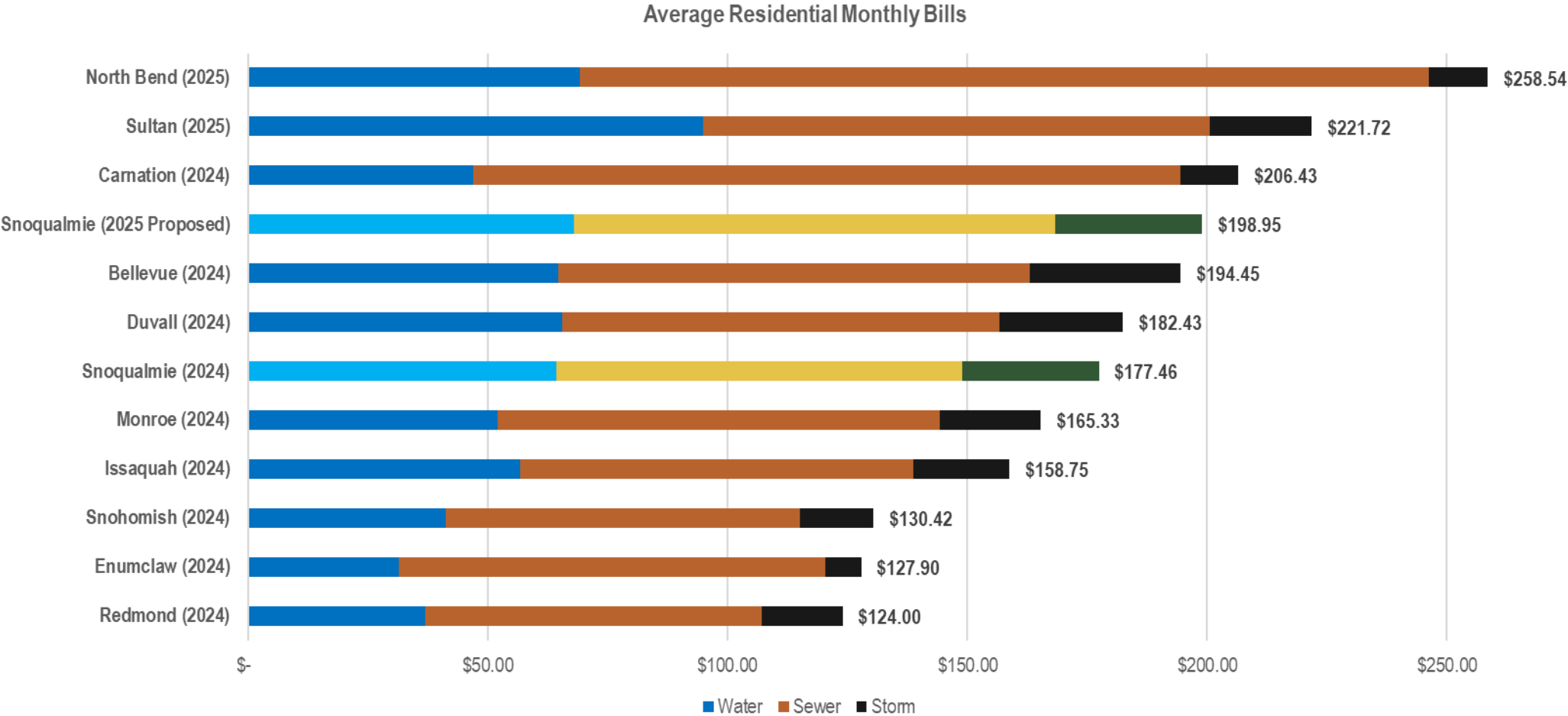


Rate Design – Impacts

| Combined Utilities | Existing | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Avg. Residential Monthly Bill | \$ 177.46 | \$ 198.95 | \$ 211.18 | \$ 220.45 | \$ 230.20 | \$ 239.88 | \$ 250.03 |
| \$ Change | | 21.49 | 12.23 | 9.27 | 9.76 | 9.67 | 10.16 |
| <i>Overall Increase</i> | | 12.11% | 6.15% | 4.39% | 4.43% | 4.20% | 4.23% |
| Avg. Multi-Family Monthly Bill | \$ 719.19 | \$ 752.16 | \$ 767.18 | \$ 774.61 | \$ 782.60 | \$ 791.18 | \$ 800.41 |
| \$ Change | | 32.97 | 15.02 | 7.43 | 7.99 | 8.58 | 9.23 |
| <i>Overall Increase</i> | | 4.58% | 2.00% | 0.97% | 1.03% | 1.10% | 1.17% |
| Avg. Commercial Low Monthly Bill | \$ 438.21 | \$ 493.71 | \$ 527.59 | \$ 554.47 | \$ 582.60 | \$ 610.58 | \$ 639.84 |
| \$ Change | | 55.50 | 33.88 | 26.88 | 28.13 | 27.97 | 29.26 |
| <i>Overall Increase</i> | | 12.67% | 6.86% | 5.09% | 5.07% | 4.80% | 4.79% |
| Avg. Commercial High Monthly Bill | \$ 2,643.56 | \$ 3,137.95 | \$ 3,429.51 | \$ 3,657.93 | \$ 3,895.40 | \$ 4,132.31 | \$ 4,378.17 |
| \$ Change | | 494.39 | 291.56 | 228.42 | 237.46 | 236.91 | 245.86 |
| <i>Overall Increase</i> | | 18.70% | 9.29% | 6.66% | 6.49% | 6.08% | 5.95% |



Combined Rate Survey



Notes: assumes 7ccf for water & sewer bills where applicable | some jurisdictions assess utility taxes on-top of customer bill | Bellevue excludes capital recovery charge



Next Steps

- Direction / feedback
 - » Rate design alternatives
- Rates effective as early as February 1st, 2025
- Next steps
 - » Finalize rate study
 - » Update General Facilities Charges (GFCs)

Thank you!
Questions?

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