



# Rate Study Update



CITY OF SNOQUALMIE

FEBRUARY 24, 2025

**Updated Analysis**  
Sergey Tarasov





# Presentation Overview

- Background
- Rate setting overview
- Scenario review
- 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
  - » Introduction and revenue requirement meetings
    - June 24th, 2024: City Council – Rate Setting Fundamentals
    - July 2nd, 2024: P&PW Committee – Revenue Requirement
    - July 8th, 2024: City Council – Revenue Requirement
  - » Cost of service meetings
    - 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



## Background (continued)

- » Rate design meetings
  - November 19<sup>th</sup>, 2024: P&PW Committee – Introduction to Rate Design
  - December 3<sup>rd</sup>, 2024: P&PW Committee – Rate Design
  - December 9<sup>th</sup>, 2024: City Council – Rate Design
- » Direction / discussion meetings
  - January 7<sup>th</sup>, 2025: P&PW – Rate Study Summary
  - January 13<sup>th</sup>, 2025: City Council – Rate Study Summary
  - January 22<sup>nd</sup>, 2025: P&PW – Updated Revenue Requirement
  - February 4<sup>th</sup>, 2025: P&PW – CIP Discussion
  - February 19<sup>th</sup>, 2025: City Council – Rate Study Summary
- Today's focus – review updated scenarios



# Overview of Rate Setting Process

## Fiscal Policies – Set the Management Foundation

**Step 1:**  
**Revenue Requirement**  
(defining overall needs)

Revenue

Debt

Reserves

O&M

Capital

**Step 2:**  
**Cost of Service**  
(equity evaluation)

Define Customer Classes

Allocate Costs

**Step 3:**  
**Design Rates**  
(collect target revenue)

Fixed Charge

Variable Charge



# Updated Analysis

- Changes based on direction from Jan 7<sup>th</sup> P&PW & Jan 13<sup>th</sup> Council meetings
  - » Revisit the capital improvement program and identify high priority projects
    - Adjust revised timing of moderate to low priority projects
  - » Maximize assumed debt borrowing to reduce rate pressure
    - Individual utilities may fall below 1.50x total debt coverage target
    - Combined utilities projected to remain above target



# Scenario Summary

- Ordinance scenario represents baseline scenario
- Two additional scenarios prepared

Description	Scenarios		
	Ordinance	Reduced Coverage	Aggressive Rate Reduction
Capital Deferrals (\$M)	\$-	\$-	\$3.9
New Debt Proceeds (\$M)	\$33.5	\$34.2	\$40.9
Sewer Loan Terms	20-yrs	20-yrs	30-yrs
Debt Interest & Issuance Costs	\$18.9	\$19.4	\$24.8
2025 Combined Debt Coverage	1.75x	1.64x	1.53x
Sewer Coverage	1.59x	1.39x	1.31x



# Revenue Requirement Summary

## Ordinance Scenario

Combined Utilities	Existing	2025	2026	2027	2028	2029	2030	Total
Avg. Residential Monthly Bill	\$ 177.46	\$ 199.38	\$ 212.14	\$ 221.97	\$ 232.31	\$ 242.60	\$ 253.42	
\$ Monthly Difference		21.92	12.76	9.83	10.34	10.29	10.82	
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
Interest & Issuance Costs		3,687,370	-	6,623,246	-	8,583,186	-	18,893,802

## Reduced Coverage Scenario

Combined Utilities	Existing	2025	2026	2027	2028	2029	2030	Total
Avg. Residential Monthly Bill	\$ 177.46	\$ 195.57	\$ 208.08	\$ 217.79	\$ 228.01	\$ 238.17	\$ 248.85	
\$ Monthly Difference		18.11	12.51	9.71	10.22	10.16	10.68	
Overall Increase		10.21%	6.40%	4.67%	4.69%	4.46%	4.48%	
New Debt Proceeds		\$ 11,260,000	\$ -	\$ 10,200,000	\$ -	\$ 12,700,000	\$ -	\$ 34,160,000
Interest & Issuance Costs		3,890,122	-	6,893,583	-	8,583,186	-	19,366,891

## Aggressive Rate Reduction Scenario

Combined Utilities	Existing	2025	2026	2027	2028	2029	2030	Total
Avg. Residential Monthly Bill	\$ 177.46	\$ 189.92	\$ 196.88	\$ 204.12	\$ 211.62	\$ 219.42	\$ 227.51	
\$ Monthly Difference		12.46	6.96	7.24	7.50	7.80	8.09	
Overall Increase		7.02%	3.66%	3.68%	3.67%	3.69%	3.69%	
New Debt Proceeds		\$ 11,160,000	\$ -	\$ 14,900,000	\$ -	\$ 14,800,000	\$ -	\$ 40,860,000
Interest & Issuance Costs		4,759,214	-	10,070,037	-	10,002,453	-	24,831,704





# Cost of Service Summary

- Phase-in under aggressive rate reduction scenario
  - » Similar proportional impacts as discussed with Council under ordinance scenario

Class	Full 2025 COSA	WATER - Annual Rate Adjustments					
		2025	2026	2027	2028	2029	2030
Residential	-0.01%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Multi Family	-37.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Commercial	7.14%	4.75%	4.60%	4.47%	4.33%	4.20%	4.07%
Irrigation	82.06%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
<b>System Total</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>

Class	Full 2025 COSA	SEWER - Annual Rate Adjustments					
		2025	2026	2027	2028	2029	2030
Residential	-4.80%	9.50%	2.25%	2.25%	2.25%	2.25%	2.25%
Multi Family	-15.29%	2.00%	1.00%	0.00%	0.00%	0.00%	0.00%
Commercial Low	4.51%	11.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Commercial High	94.79%	16.24%	7.08%	7.43%	7.20%	6.99%	6.81%
Reclaimed Water	16.64%	12.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>System Total</b>	<b>10.00%</b>	<b>10.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>



# Rate Design – Residential Impacts

Residential	Existing	2025	2026	2027	2028	2029	2030
Ordinance							
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
Overall Increase		12.11%	6.15%	4.39%	4.43%	4.20%	4.23%
Reduced Coverage							
Avg. Residential Monthly Bill	\$ 177.46	\$ 195.15	\$ 207.14	\$ 216.33	\$ 225.97	\$ 235.53	\$ 245.56
\$ Change		17.69	11.99	9.19	9.64	9.56	10.03
Overall Increase		9.97%	6.14%	4.44%	4.46%	4.23%	4.26%
Aggressive Rate Reduction							
Avg. Residential Monthly Bill	\$ 177.46	\$ 189.48	\$ 195.74	\$ 202.23	\$ 208.98	\$ 215.94	\$ 223.18
\$ Change		12.02	6.26	6.49	6.75	6.96	7.24
Overall Increase		6.77%	3.30%	3.32%	3.34%	3.33%	3.35%

**Note:** 7 ccf per month of water use.



# Rate Design – Multi-Family Impacts

Multi-Family	Existing	2025	2026	2027	2028	2029	2030
Ordinance							
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
Overall Increase		4.58%	2.00%	0.97%	1.03%	1.10%	1.17%
Reduced Coverage							
Avg. Multi-Family Monthly Bill	\$ 719.19	\$ 743.61	\$ 758.43	\$ 765.87	\$ 773.85	\$ 782.43	\$ 791.67
\$ Change		24.42	14.82	7.44	7.98	8.58	9.24
Overall Increase		3.40%	1.99%	0.98%	1.04%	1.11%	1.18%
Aggressive Rate Reduction							
Avg. Multi-Family Monthly Bill	\$ 719.19	\$ 731.04	\$ 739.38	\$ 744.12	\$ 749.07	\$ 754.29	\$ 759.75
\$ Change		11.85	8.34	4.74	4.95	5.22	5.46
Overall Increase		1.65%	1.14%	0.64%	0.67%	0.70%	0.72%

**Note:** 6 units | 24 ccf per month of water use | 3 ESUs.



# Rate Design – Commercial Low Impacts

Commercial Low	Existing	2025	2026	2027	2028	2029	2030
Ordinance							
Avg. Com. 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
Overall Increase		12.67%	6.86%	5.09%	5.07%	4.80%	4.79%
Reduced Coverage							
Avg. Com. Low Monthly Bill	\$ 438.21	\$ 485.03	\$ 518.27	\$ 544.93	\$ 572.75	\$ 600.49	\$ 629.46
\$ Change		46.82	33.24	26.66	27.82	27.74	28.97
Overall Increase		10.68%	6.85%	5.14%	5.11%	4.84%	4.82%
Aggressive Rate Reduction							
Avg. Com. Low Monthly Bill	\$ 438.21	\$ 470.11	\$ 489.29	\$ 509.11	\$ 529.52	\$ 550.62	\$ 572.41
\$ Change		31.90	19.18	19.82	20.41	21.10	21.79
Overall Increase		7.28%	4.08%	4.05%	4.01%	3.98%	3.96%

**Note:** 1" meter | 15 ccf per month of water / sewer use | 5 ESUs.



# Rate Design – Commercial High Impacts

Commercial High	Existing	2025	2026	2027	2028	2029	2030
Ordinance							
Avg. Com. 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
Overall Increase		18.70%	9.29%	6.66%	6.49%	6.08%	5.95%
Reduced Coverage							
Avg. Com. High Monthly Bill	\$ 2,643.56	\$ 3,052.35	\$ 3,335.91	\$ 3,559.43	\$ 3,790.91	\$ 4,021.98	\$ 4,261.20
\$ Change		408.79	283.56	223.52	231.48	231.07	239.22
Overall Increase		15.46%	9.29%	6.70%	6.50%	6.10%	5.95%
Aggressive Rate Reduction							
Avg. Com. High Monthly Bill	\$ 2,643.56	\$ 2,946.32	\$ 3,128.36	\$ 3,327.27	\$ 3,532.84	\$ 3,745.27	\$ 3,965.85
\$ Change		302.76	182.04	198.91	205.57	212.43	220.58
Overall Increase		11.45%	6.18%	6.36%	6.18%	6.01%	5.89%

**Note:** 3" meter | 138 ccf per month of water / sewer use | 10 ESUs.



## Next Steps

- Direction / feedback
  - » Select scenario
    - Aggressive rate reduction
    - Reduced coverage
    - Ordinance
    - Alternative?
- Next steps
  - » Bring rate ordinance to full Council
  - » Update General Facilities Charges (GFCs)

**Thank you!**  
**Questions?**

**Sergey Tarasov, Principal**  
**(425) 502-6452**  
**[sergeyt@fcsgroup.com](mailto:sergeyt@fcsgroup.com)**

**[www.fcsgroup.com](http://www.fcsgroup.com)**





# Cost of Service Summary

- Phase-in under ordinance scenario

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%
<b>System Total</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.00%</b>	<b>5.00%</b>

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%
<b>System Total</b>	<b>19.00%</b>	<b>19.00%</b>	<b>6.50%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>





# Cost of Service Summary

- Phase-in under reduced coverage scenario
  - » Similar proportional impacts as discussed with Council under ordinance scenario

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%
<b>System Total</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.00%</b>	<b>5.00%</b>

Class	Full 2025	SEWER - Phase-In					
	COSA	2025	2026	2027	2028	2029	2030
Residential	-0.96%	14.00%	6.00%	2.50%	2.50%	2.50%	2.50%
Multi Family	-11.81%	4.75%	2.00%	0.00%	0.00%	0.00%	0.00%
Commercial Low	8.79%	16.00%	6.50%	2.50%	2.50%	2.50%	2.50%
Commercial High	102.83%	21.44%	10.82%	6.69%	6.53%	6.38%	6.24%
Reclaimed Water	21.88%	17.00%	7.50%	3.50%	3.50%	3.50%	3.50%
<b>System Total</b>	<b>14.50%</b>	<b>14.50%</b>	<b>6.50%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>



# Past Avg. Rate Increases – Residential & Multi-Family

Residential - Avg. Mo. Bill	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water	\$ 38.90	\$ 38.90	\$ 40.70	\$ 43.47	\$ 46.37	\$ 48.69	\$ 51.12	\$ 53.66	\$ 56.34	\$ 56.34	\$ 58.41	\$ 60.60	\$ 64.27
Sewer	39.60	39.60	42.16	45.20	48.51	56.22	65.16	75.52	78.99	78.99	80.57	82.16	84.62
Storm	11.85	11.85	13.96	16.44	19.36	20.45	21.61	22.83	24.12	24.12	25.35	26.64	28.57
<b>Total</b>	<b>\$ 90.35</b>	<b>\$ 90.35</b>	<b>\$ 96.82</b>	<b>\$ 105.11</b>	<b>\$ 114.24</b>	<b>\$ 125.36</b>	<b>\$ 137.89</b>	<b>\$ 152.01</b>	<b>\$ 159.45</b>	<b>\$ 159.45</b>	<b>\$ 164.33</b>	<b>\$ 169.40</b>	<b>\$ 177.46</b>

Residential - Avg. Mo. Bill % Difference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water		0.00%	4.63%	6.81%	6.67%	5.00%	4.99%	4.97%	4.99%	0.00%	3.67%	3.75%	6.06%
Sewer		0.00%	6.46%	7.21%	7.32%	15.89%	15.90%	15.90%	4.59%	0.00%	2.00%	1.97%	2.99%
Storm		0.00%	17.81%	17.77%	17.76%	5.63%	5.67%	5.65%	5.65%	0.00%	5.10%	5.09%	7.24%
<b>Total</b>		<b>0.00%</b>	<b>7.16%</b>	<b>8.56%</b>	<b>8.69%</b>	<b>9.73%</b>	<b>10.00%</b>	<b>10.24%</b>	<b>4.89%</b>	<b>0.00%</b>	<b>3.06%</b>	<b>3.09%</b>	<b>4.76%</b>

Multifamily - Avg. Mo. Bill	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water	\$ 213.80	\$ 213.80	\$ 195.66	\$ 208.86	\$ 202.14	\$ 212.22	\$ 222.90	\$ 234.00	\$ 245.76	\$ 245.76	\$ 242.88	\$ 239.88	\$ 254.34
Sewer	237.60	237.60	231.66	231.66	231.66	268.50	311.16	360.66	377.22	377.22	372.78	368.10	379.14
Storm	35.55	35.55	41.88	49.32	58.08	61.35	64.83	68.49	72.36	72.36	76.05	79.92	85.71
<b>Total</b>	<b>\$ 486.95</b>	<b>\$ 486.95</b>	<b>\$ 469.20</b>	<b>\$ 489.84</b>	<b>\$ 491.88</b>	<b>\$ 542.07</b>	<b>\$ 598.89</b>	<b>\$ 663.15</b>	<b>\$ 695.34</b>	<b>\$ 695.34</b>	<b>\$ 691.71</b>	<b>\$ 687.90</b>	<b>\$ 719.19</b>

Multifamily - Avg. Mo. Bill % Difference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water		0.00%	-8.48%	6.75%	-3.22%	4.99%	5.03%	4.98%	5.03%	0.00%	-1.17%	-1.24%	6.03%
Sewer		0.00%	-2.50%	0.00%	0.00%	15.90%	15.89%	15.91%	4.59%	0.00%	-1.18%	-1.26%	3.00%
Storm		0.00%	17.81%	17.77%	17.76%	5.63%	5.67%	5.65%	5.65%	0.00%	5.10%	5.09%	7.24%
<b>Total</b>		<b>0.00%</b>	<b>-3.65%</b>	<b>4.40%</b>	<b>0.42%</b>	<b>10.20%</b>	<b>10.48%</b>	<b>10.73%</b>	<b>4.85%</b>	<b>0.00%</b>	<b>-0.52%</b>	<b>-0.55%</b>	<b>4.55%</b>



# Past Avg. Rate Increases – Commercial Low & High

Commercial Low - Avg. Mo. Bill	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water	\$ 65.00	\$ 65.00	\$ 75.46	\$ 80.55	\$ 85.97	\$ 90.22	\$ 94.72	\$ 99.49	\$ 104.52	\$ 104.52	\$ 109.86	\$ 115.24	\$ 122.14
Sewer	65.25	65.25	74.73	85.92	98.76	114.47	132.69	153.74	161.73	161.73	164.95	168.18	173.22
Storm	59.25	59.25	69.80	82.20	96.80	102.25	108.05	114.15	120.60	120.60	126.75	133.20	142.85
<b>Total</b>	<b>\$ 189.50</b>	<b>\$ 189.50</b>	<b>\$ 219.99</b>	<b>\$ 248.67</b>	<b>\$ 281.53</b>	<b>\$ 306.94</b>	<b>\$ 335.46</b>	<b>\$ 367.38</b>	<b>\$ 386.85</b>	<b>\$ 386.85</b>	<b>\$ 401.56</b>	<b>\$ 416.62</b>	<b>\$ 438.21</b>

Commercial Low - Avg. Mo. Bill % Difference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water		0.00%	16.09%	6.75%	6.73%	4.94%	4.99%	5.04%	5.06%	0.00%	5.11%	4.90%	5.99%
Sewer		0.00%	14.53%	14.97%	14.94%	15.91%	15.92%	15.86%	5.20%	0.00%	1.99%	1.96%	3.00%
Storm		0.00%	17.81%	17.77%	17.76%	5.63%	5.67%	5.65%	5.65%	0.00%	5.10%	5.09%	7.24%
<b>Total</b>		<b>0.00%</b>	<b>16.09%</b>	<b>13.04%</b>	<b>13.21%</b>	<b>9.03%</b>	<b>9.29%</b>	<b>9.52%</b>	<b>5.30%</b>	<b>0.00%</b>	<b>3.80%</b>	<b>3.75%</b>	<b>5.18%</b>

Commercial High - Avg. Mo. Bill	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water	\$ 467.05	\$ 467.05	\$ 504.13	\$ 538.14	\$ 574.25	\$ 602.48	\$ 632.53	\$ 664.44	\$ 698.21	\$ 698.21	\$ 734.01	\$ 769.98	\$ 816.04
Sewer	415.80	415.80	478.17	549.63	631.35	798.06	1,003.04	1,253.46	1,394.20	1,394.20	1,444.87	1,496.98	1,541.82
Storm	118.50	118.50	139.60	164.40	193.60	204.50	216.10	228.30	241.20	241.20	253.50	266.40	285.70
<b>Total</b>	<b>\$ 1,001.35</b>	<b>\$ 1,001.35</b>	<b>\$ 1,121.90</b>	<b>\$ 1,252.17</b>	<b>\$ 1,399.20</b>	<b>\$ 1,605.04</b>	<b>\$ 1,851.67</b>	<b>\$ 2,146.20</b>	<b>\$ 2,333.61</b>	<b>\$ 2,333.61</b>	<b>\$ 2,432.38</b>	<b>\$ 2,533.36</b>	<b>\$ 2,643.56</b>

Commercial High - Avg. Mo. Bill % Difference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water		0.00%	7.94%	6.75%	6.71%	4.92%	4.99%	5.04%	5.08%	0.00%	5.13%	4.90%	5.98%
Sewer		0.00%	15.00%	14.94%	14.87%	26.41%	25.68%	24.97%	11.23%	0.00%	3.63%	3.61%	3.00%
Storm		0.00%	17.81%	17.77%	17.76%	5.63%	5.67%	5.65%	5.65%	0.00%	5.10%	5.09%	7.24%
<b>Total</b>		<b>0.00%</b>	<b>12.04%</b>	<b>11.61%</b>	<b>11.74%</b>	<b>14.71%</b>	<b>15.37%</b>	<b>15.91%</b>	<b>8.73%</b>	<b>0.00%</b>	<b>4.23%</b>	<b>4.15%</b>	<b>4.35%</b>