



# Rate Study Update

SNOQUALMIE CITY HALL

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# Presentation Overview

- Background
- Rate setting overview
- Revenue requirement summary
- Cost of service summary
- Question / discussion



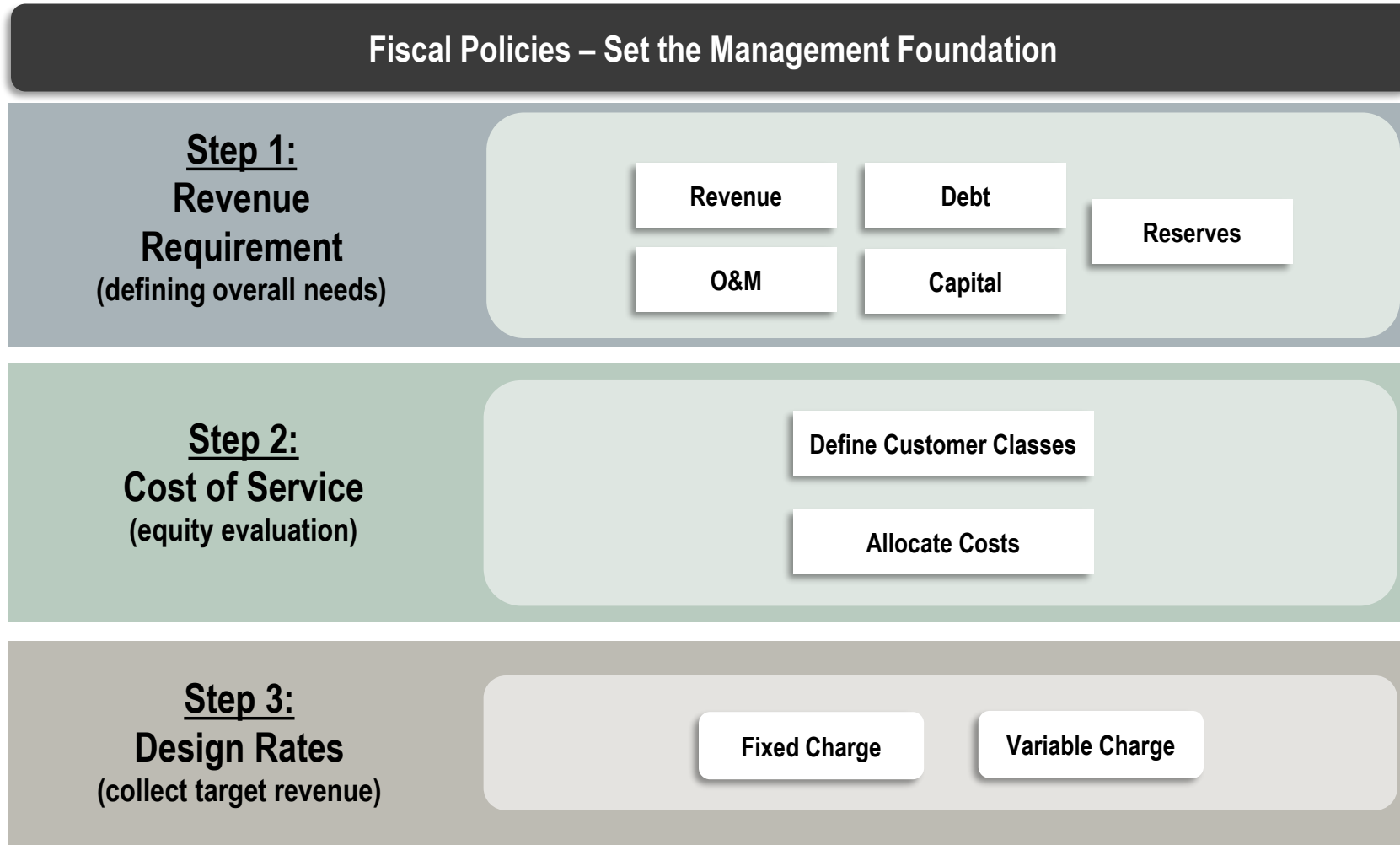


# Background

- Performed fiscal health review November 2023
  - » Modified 2024 rate implementation due to higher than anticipated inflation
- Comprehensive rate study commenced in 2024
  - » June 24<sup>th</sup>, 2024: City Council presentation – Rate Setting Fundamentals
  - » July 2<sup>nd</sup>, 2024: Parks & Public Works Council Committee – Revenue Requirement
  - » July 8<sup>th</sup>, 2024: City Council presentation – Revenue Requirement
  - » October 22<sup>nd</sup>, 2024: Parks & Public Works Council Committee – Cost of Service
  - » November 5<sup>th</sup>, 2024: Parks & Public Works Council Committee – Cost of Service Update
- Today's focus
  - » Updated revenue requirement scenario
  - » Cost-of-service summary
  - » Customer impacts



# Overview of Rate Setting Process





# Updated Revenue Requirement

Balance Sheet

Assets

Current Assets  
Cash  
Accounts Receivable

80,642  
\$1,332,750



# Revenue Requirement Summary

- Presented three scenarios to Council on July 8<sup>th</sup>

## 100% Cash

Scenario 1	Existing	2025	2026	2027	2028	2029	2030	Total
Avg. Residential Monthly Bill	\$ 177.46	\$ 322.01	\$ 335.19	\$ 350.05	\$ 366.81	\$ 378.59	\$ 391.75	
\$ Monthly Difference		\$ 144.55	\$ 13.18	\$ 14.86	\$ 16.76	\$ 11.78	\$ 13.16	
Overall Increase		81.45%	4.09%	4.43%	4.79%	3.21%	3.48%	
New Debt Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: Water bill is based on a 3/4" meter and 7ccf of usage

## Max Debt (52% of CIP)

Scenario 2	Existing	2025	2026	2027	2028	2029	2030	Total
Avg. Residential Monthly Bill	\$ 177.46	\$ 195.55	\$ 204.98	\$ 211.21	\$ 217.62	\$ 224.23	\$ 231.04	
\$ Monthly Difference		\$ 18.09	\$ 9.43	\$ 6.23	\$ 6.41	\$ 6.61	\$ 6.81	
Overall Increase		10.19%	4.82%	3.04%	3.04%	3.04%	3.04%	
New Debt Proceeds	\$ 11,110,000	\$ -	\$ 12,500,000	\$ -	\$ 14,800,000	\$ -	\$ -	\$ 38,410,000

Note: Water bill is based on a 3/4" meter and 7ccf of usage

## Hybrid (28% of CIP)

Scenario 3	Existing	2025	2026	2027	2028	2029	2030	Total
Avg. Residential Monthly Bill	\$ 177.46	\$ 202.01	\$ 230.80	\$ 264.63	\$ 273.02	\$ 282.03	\$ 288.34	
\$ Monthly Difference		\$ 24.55	\$ 28.78	\$ 33.83	\$ 8.39	\$ 9.01	\$ 6.31	
Overall Increase		13.84%	14.25%	14.66%	3.17%	3.30%	2.24%	
New Debt Proceeds	\$ 9,060,000	\$ -	\$ 3,150,000	\$ -	\$ 8,900,000	\$ -	\$ -	\$ 21,110,000

Note: Water bill is based on a 3/4" meter and 7ccf of usage



# Revenue Requirement Summary

- Council direction
  - » Continue forward with maximum debt scenario for sewer
  - » Develop one additional scenario for water / stormwater targeting debt levels between hybrid & max debt scenarios

(46% of CIP)

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



# Cost of Service







# What is Cost of Service?

- An equitable distribution of cost share that considers utility specific data
  - » Measures of usage and demand
  - » Planning, engineering and design criteria
  - » Facility requirements
- Cost of Service analysis determines
  - » Total cost by class (equity)
  - » Unit costs (\$/usage; \$/customer)
- Fundamental question: Do cost differences exist to serve different customer classes of service?



# Cost of Service Results

- Analysis determined the cost to serve some customer classes does not align with how revenue is currently collected
- Water
  - » Multi-family is paying more than its cost to serve
  - » Irrigation is paying less than its cost to serve
- Sewer
  - » Residential is paying a little more than its cost to serve
  - » Multi-family is paying more than its cost to serve
  - » High strength commercial is paying less than its cost to serve
- Other customer classes within cost of service range of reasonableness



# Cost of Service Phase-In Proposal

- Phase-in customer classes towards cost of service over time

Class	WATER - Annual Rate Adjustments					
	2025	2026	2027	2028	2029	2030
Residential	5.75%	5.75%	5.75%	5.75%	5.00%	5.00%
Multi Family	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Commercial	6.95%	6.67%	6.40%	6.14%	4.96%	4.77%
Irrigation	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>5.00%</b>	<b>5.00%</b>

Class	SEWER - Annual Rate Adjustments					
	2025	2026	2027	2028	2029	2030
Residential	18.50%	6.00%	2.50%	2.50%	2.50%	2.50%
Multi Family	7.00%	2.00%	0.00%	0.00%	0.00%	0.00%
Commercial Low	20.96%	6.52%	2.50%	2.50%	2.50%	2.50%
Commercial High	27.00%	10.74%	6.65%	6.49%	6.34%	6.21%
Reclaimed Water	21.96%	7.52%	3.50%	3.50%	3.50%	3.50%
<b>System Total</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>



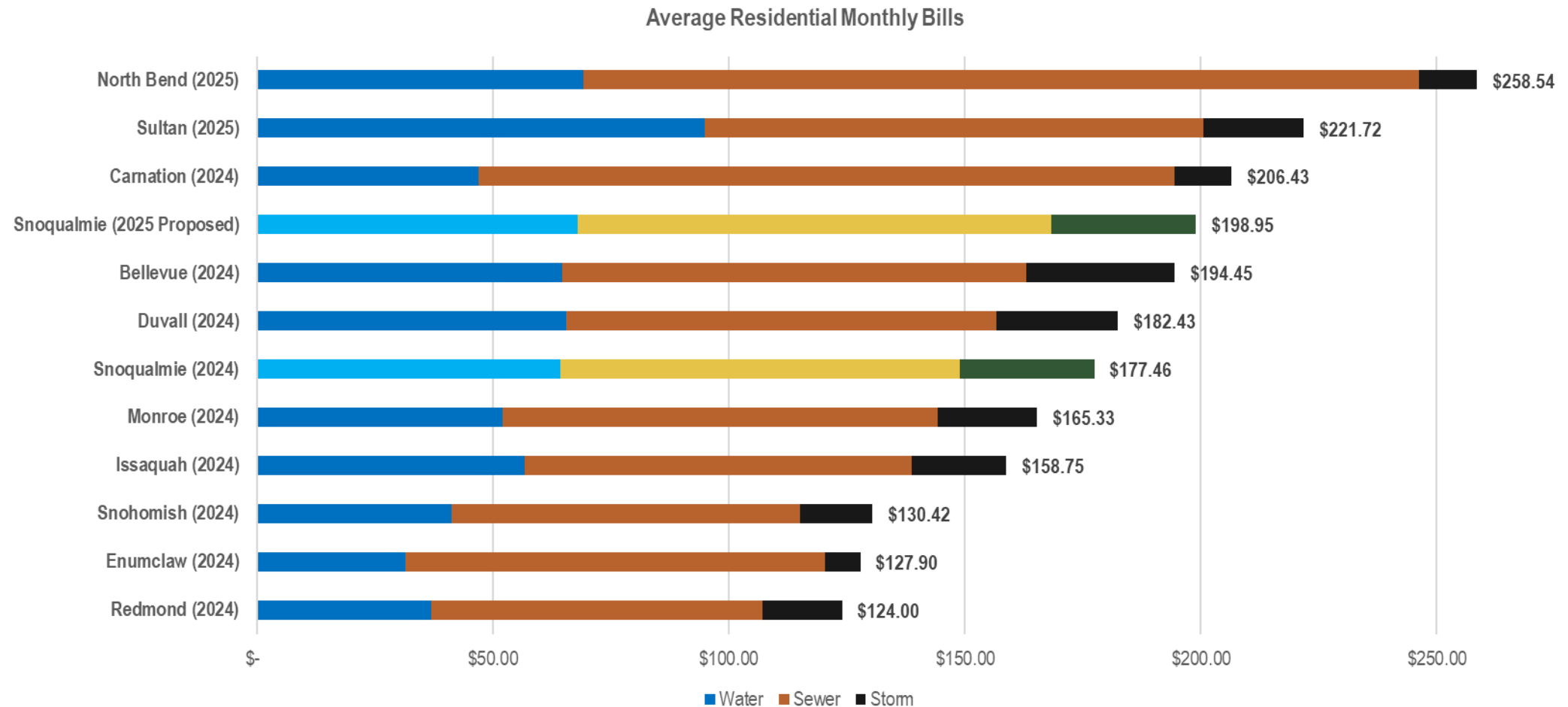
# Bill Impacts

Combined Utilities	Existing	2025	2026	2027	2028	2029	2030
<b>Avg. Residential Monthly Bill</b>	<b>\$ 177.46</b>	<b>\$ 198.95</b>	<b>\$ 211.18</b>	<b>\$ 220.45</b>	<b>\$ 230.20</b>	<b>\$ 239.88</b>	<b>\$ 250.03</b>
<b>\$ Change</b>		<b>21.49</b>	<b>12.23</b>	<b>9.27</b>	<b>9.76</b>	<b>9.67</b>	<b>10.16</b>
<i>Overall Increase</i>		12.11%	6.15%	4.39%	4.43%	4.20%	4.23%
<b>Avg. Multi-Family Monthly Bill</b>	<b>\$ 719.19</b>	<b>\$ 752.16</b>	<b>\$ 767.18</b>	<b>\$ 774.61</b>	<b>\$ 782.60</b>	<b>\$ 791.18</b>	<b>\$ 800.41</b>
<b>\$ Change</b>		<b>32.97</b>	<b>15.02</b>	<b>7.43</b>	<b>7.99</b>	<b>8.58</b>	<b>9.23</b>
<i>Overall Increase</i>		4.58%	2.00%	0.97%	1.03%	1.10%	1.17%
<b>Avg. Commercial Low Monthly Bill</b>	<b>\$ 438.21</b>	<b>\$ 493.71</b>	<b>\$ 527.59</b>	<b>\$ 554.47</b>	<b>\$ 582.60</b>	<b>\$ 610.58</b>	<b>\$ 639.84</b>
<b>\$ Change</b>		<b>55.50</b>	<b>33.88</b>	<b>26.88</b>	<b>28.13</b>	<b>27.97</b>	<b>29.26</b>
<i>Overall Increase</i>		12.67%	6.86%	5.09%	5.07%	4.80%	4.79%
<b>Avg. Commercial High Monthly Bill</b>	<b>\$ 2,643.56</b>	<b>\$ 3,137.95</b>	<b>\$ 3,429.51</b>	<b>\$ 3,657.93</b>	<b>\$ 3,895.40</b>	<b>\$ 4,132.31</b>	<b>\$ 4,378.17</b>
<b>\$ Change</b>		<b>494.39</b>	<b>291.56</b>	<b>228.42</b>	<b>237.46</b>	<b>236.91</b>	<b>245.86</b>
<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
  - » Revenue requirement – implement proposed increases
  - » Cost-of-service
    - Postpone making cost of service adjustments?
    - Make cost of service adjustments all at once?
    - Phase-in cost of service adjustments?
- Rates effective January 1<sup>st</sup>, 2025
- Next steps: General Facilities Charges (GFCs)

# Thank you! Questions?

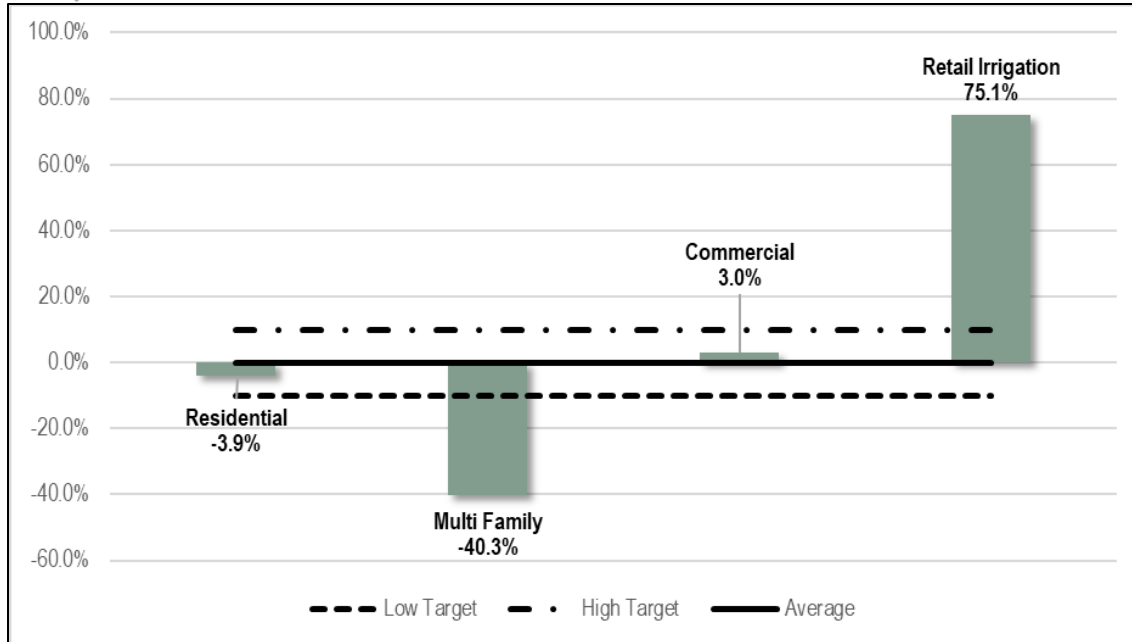
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# Cost of Service Results: Water



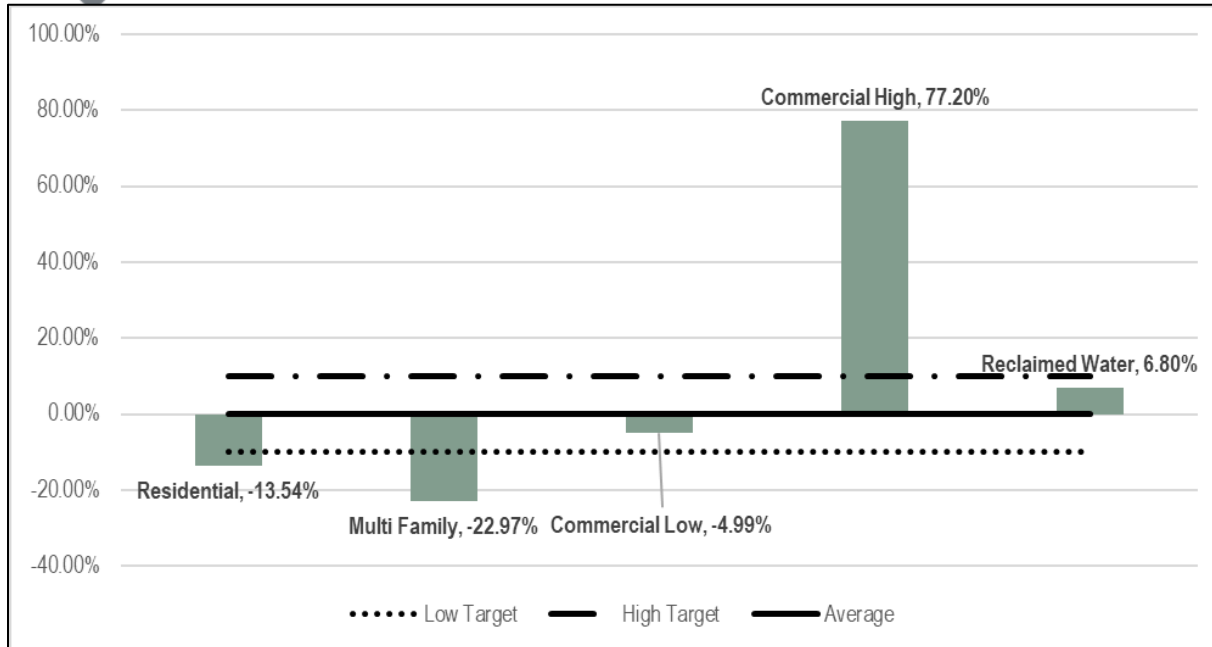
- Class results of  $\pm 10.0\%$  of average are considered to be within COSA
  - » Residential & Commercial within COSA range
  - » Multi-family & irrigation outside of COSA range
    - Multi-family is paying more than COSA
    - Retail irrigation is paying below COSA
- Findings are consistent with prior study

Class	FY2025 COSA				
	Existing	COSA	\$		%
Residential	\$ 4,208,491	\$ 4,046,166	\$ (162,325)		-3.9%
Multi Family	400,656	239,244	(161,412)		-40.3%
Commercial	653,449	673,294	19,845		3.0%
Retail Irrigation	404,865	708,758	303,893		75.1%
Total	\$ 5,667,462	\$ 5,667,462	\$ (0)		0.00%





# Cost of Service Results: Sewer



- Class results of  $\pm 10.0\%$  of average are considered to be within COSA
  - » Residential & multi family are paying more than COSA
  - » Commercial low & reclaimed water within COSA
  - » Commercial high is paying below COSA
- Findings are consistent with prior study

Class	FY2025 COSA				
	Existing	COSA	\$	%	
Residential	\$ 4,914,776	\$ 4,249,385	\$ (665,391)	-13.54%	
Multi Family	671,159	517,017	(154,142)	-22.97%	
Commercial Low	508,179	482,835	(25,343)	-4.99%	
Commercial High	1,064,358	1,886,054	821,696	77.20%	
Reclaimed Water	340,642	363,822	23,180	6.80%	
<b>Total</b>	<b>\$ 7,499,114</b>	<b>\$ 7,499,114</b>	<b>\$ 0</b>	<b>0.00%</b>	