

PUBLIC WORKS COMMITTEE AGENDA

October 11, 2023

5:00 PM

Sedro-Woolley Municipal Building

Council Chambers

325 Metcalf Street

- a. Call to Order**
- b. Roll Call**
- c. Unfinished Business**
- d. New Business**
 - 1. 2024 Utility Rates
- e. Adjournment**

Next Meeting Public Works Committee Meeting - To Be Determined

The City of Sedro-Woolley complies with applicable Federal civil rights laws and does not discriminate on the basis of race, color, national origin, limited English proficiency, age, disability, or sex. The City of Sedro-Woolley doesn't exclude people or treat them differently because of race, color, national origin, limited English proficiency, age, disability, or sex.

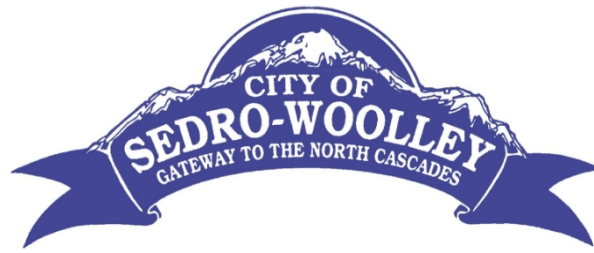
The City of Sedro-Woolley also complies with applicable state laws and doesn't discriminate on the basis of creed, gender, gender expression or identity, sexual orientation, marital status, religion, honorably discharged veteran or military status, or the use of a trained dog guide or service animal by a person with a disability.

Join Zoom Meeting:

<https://us06web.zoom.us/j/86138652295?pwd=N0A3HkNnWaacgCcAGqBwGMq6or0tkN.1>

or dial by location at:

- +1 253 215 8782 US (Tacoma)
- +1 669 900 6833 US (San Jose)
- +1 346 248 7799 US (Houston)
- +1 929 205 6099 US (New York)
- +1 301 715 8592 US (Washington DC)
- +1 312 626 6799 US (Chicago)



City Council Agenda Item

Agenda Item No.: d.1.

Date: October 11, 2023

From: Public Works Director - Mark Freiburger

Subject: 2024 Utility Rates

RECOMMENDED ACTION:

FIRST READING – NO ACTION REQUIRED

Information item only.

This will be a topic for the full council at the 11/1/23 Work Session, followed by Public Hearing and First Reading at the 11/8/23 council meeting and second reading and possible adoption at the 11/21/23.

The future action items are:

Adopt the following ordinances amending the Fees and Charges for use of the Sedro-Woolley Sewer, Solid Waste and Stormwater Utilities:

1. A motion to adopt Ordinance No. ____-23 increasing the 2024 Fees and Charges for the use of the City of Sedro-Woolley Sanitary Sewer System
2. A motion to adopt Ordinance No. ____-23 amending Section 8.04.075 of the Sedro-Woolley Municipal Code to Increase 2024 Solid Waste Utility Rates and Charges
3. A motion to adopt Ordinance No. ____-23 amending the 2024 Fees and Charges for the use of the City of Sedro-Woolley Storm and Surface Water Utility System

ISSUE:

To balance the 2024 utility budgets, to fund the City Council's priorities, and to meet the City's Capital Facilities Plan requirements, the City Council needs to consider the City's utility rates for Sewer, Solid Waste and Recycling, and for Storm Water services, effective January 1, 2024.

BACKGROUND/SUMMARY INFORMATION:

Staff annually review the Fund 401 Sanitary Sewer, Fund 412 Solid Waste and Recycling, and Fund 425 Storm Water Utility rates to determine the need for rate adjustments to reflect inflation, increased operation and maintenance costs and capital improvement costs. The ordinances amending the 2023 Fees and Charges for use of the Sedro-Woolley Sewer, Storm Water and Solid Waste Utilities each provide for annual adjustment of the charges and fees based on the Consumer Price Index – Urban for Seattle,-Tacoma-Bellevue. The rates were last amended under Ordinance 2026-22 Sanitary Sewer System (4% increase for rate and General Facilities Charge), 2028-22 Solid Waste (as recommended in

the 2023 Solid Waste Utility Rate Study averaging 8.2%), and Ordinance 2027-22 Storm and Surface Water Utility System (3% rate increase). All three ordinances were adopted on November 22, 2022, and were effective on January 1, 2023.

Following are general comments relative to all three funds, followed by specific notes on the individual utilities.

GENERAL COMMENTS

Consumer Price Index – Urban (CPI-U)

Annual rate adjustment in recent years have used the Consumer Price Index – Urban for Seattle/Tacoma/Bremerton as reference. The following is a breakdown of the past three years. A more detailed chart is also attached. Recent Covid-19 impacts to the supply chain have resulted in an ongoing spike in CPI-U (see BLS Data Viewer 10/24/2022 attached).

TIMELINE	CPI-U	SW Adopted
August 2019 - August 2020	1.6%	2.3%
August 2020 – August 2021	5.2%	2.3%
August 2021 – August 2022	9.0%	2.3%
August 2022 - August 2023	5.4%	4.0%

While the most recent rate is 5.4%, the previous year's actual was 9.0%. The two-year average is 7.2%, and the five-year average is 4.9%. The recent trend is lower but appears to be trending at 5% overall.

Note that previous years have used June-June for CPI. With the retirement of Katy Isaksen of Isaksen & Associates at the end of 2023, we have hired Karyn Johnson to take up the annual analytical review of sewer rates and connection fees. Karyn has prepared this year's review and employed August-August data for the CPI. This is slightly more up to date than the June-June data and is employed both in Karyn's analysis and in the proposed ordinances. Karyn will be presenting an overview of the sewer utility at the October 11, 2023, council Utility Committee meeting. She is available for the 11/1/23 work session as well.

What the Utility Rate Structure Supports

The utility rate structure is designed to support ongoing operations and maintenance (O&M) of each utility, support the Equipment Repair and Replacement Fund (ERR), and support for the city's planned Capital Improvements (CIP) related to each utility. Each of these functions is addressed in turn.

Operations and Maintenance. OM includes the annual increases in salaries and benefits. Salaries have increased on average 2% per year prior to 2021, 3.75% in 2022 and 4% in 2023, plus salary grid adjustments, driven by our current AFSCME collective bargaining agreement. The AFSCME agreement is currently under negotiation. Benefits have also increased 7-8% due to ongoing health care premium increases from our provider, and 4.1% for 2024. General operating expenses are also subject to ongoing price inflation for services, fuel, materials, and equipment to support the utility.

Equipment Repair and Replacement (ERR). Equipment replacement costs continue to increase at levels exceeding the CPI. Recent public safety apparatus orders were 26% higher than budgeted, and solid waste vehicle orders were 20.5% higher than budgeted. Staff adjusts the ERR on an annual basis to reflect the actual cost of new equipment and adjusts deposits from each fund to the fund 501 ERR account accordingly. It should be noted that the general fund departments are experiencing this same

level of inflation. The 2024 ERR includes increases to account for current pricing trends.

Capital Improvement Program. Utility rate revenue funds support required infrastructure improvements to maintain our existing Wastewater, Solid Waste and Storm Water infrastructure. Expansion of the system to support growth is handled primarily through the sewer General Facilities Charges (GFC) or Impact Fees paid by new development. The Sewer Fund includes GFC collection to address growth impacts to the system. The Stormwater and Solid Waste Utilities currently do not include a GFC or Impact Fee. The Sewer Utility GFC was last adjusted by 4.0% in conjunction with the 2023 rate adjustment.

City Council adopted Comprehensive Financial Management Policies (CFMP). Council has adopted the GFOA best practices recommendation for Ending Fund Balances at 16.67% of Cash Balance plus Revenues. This is reflected in the comments below.

FUND 401 SEWER UTILITY

Council adopted the 2023 rate and General Facilities Charge (GFC) adjustment on 11/22/2022 under Ordinance 2026-22 effective 1/1/ 2023. The 2023 adjustment was 4.0% for both monthly rates and GFC.

This utility is regulated under a WA Department of Ecology Wastewater Discharge Permit. The system includes the Wastewater Treatment Plant, 12 Pump Stations and 262,540 LF of collection piping. Eight Full Time Employees (FTE) maintain this system, including 5 Plant Operators, 2 Collections System operators and 1 Administrative position. An additional FTE Plant Operator was budgeted in 2023 but not filled due to lack of qualified applicants. We have elected to hire an additional Operator-In-Training (OIT) position in October 2023 and perform an accelerated training program to bring them up to at least a Operator I level by 2025. Unavailability of qualified operators puts a strain on WWTP staff to cover shift positions. To provide some cushion for future operator issues and planned retirement of the Lead Operator, we have budgeted in 2024 to add a third OIT for accelerated training. The 2024 Budget Amendment will include this new position.

The **General Sewer System Plan Update** was adopted by council on 12/9/2020 and approved by Ecology on 7/9/2021. The Plan reviews Capital Improvements (CIP) planned over the next ten years to maintain and improve the Wastewater Treatment Plant and the Sewer Collection System. These projects include an anticipated WWTP upgrade currently planned for the period 2026-2027 with an estimated cost of \$18.9 million. Planning for the plant upgrade will be the subject of a Facility plan. The timing of the Plan will be determined based on Department of Ecology Permit requirements for plant flow and treatment. Current projections call for the Facility Plan process to start in 2024 and be completed in 2025. Collection system rehabilitation projects average \$400,000 per year over the planning period.

As noted in the Sewer Comprehensive Plan and the related **2021 Sewer Outlook** incorporated in the Plan, annual adjustments to the Sewer utility rate are vital to the support of both OM and the CIP. The 2021 Sewer Outlook assumed growth in sewer services totaling 790 ERUs for the period 2019-2019.

The Plan recommended 2.3% annual rate increases for both rates and GFC throughout the planning horizon, with annual review and adjustment as needed. With this assumption, the Sewer Utility it appeared that the City would be able to construct CIP prior to the WWTP expansion without new debt and pay off the remaining PWTF loans used to reconstruct the trunk sewer system incurred between 2006 and 2009. New debt will be required when the WWTP expansion is built (estimated for 2026-2027); but with the assumption of continuing annual rate increases, and retirement of the PWTF loan,

major rate increases are avoided. Conversely a reduction in the recommended annual rate increases would result in significantly larger required increases in future years.

As noted above, the August 2022-August 2023 CPI-U for Seattle-Tacoma-Bellevue is estimated at approximately 5.4%, following the previous year's 9.0%. The 2024 Budget for Fund 401 presently assumes 3.0% increase in operation & maintenance costs, which turns out to be considerably under the actual CPI.

Karyn Johnson of KLJ financial Consulting (KLJ) has prepared the **2024 Sewer Rate Outlook** to update the 2023 version. The update reflects actual 2022 revenues and costs along with recent CPI-U impacts on the expenditure side of the utility. The 2024 Outlook retains the projection of a total of 736 new services for the period 2019-2029. The 2024 Outlook uses the 2023 Budget as the basis for future years and includes a new full-time OIT in 2024 as noted above. The 2024 Outlook looks at three increase levels; Scenario 1 with a 5% rate increase (\$3.32/month); Scenario 2 with a 4% rate increase (\$3.20/month); and Scenario 3 with a 3% rate increase (\$2.32/month). Benefits and risks of each scenario are included in the model summary.

Karyn will be present at the Public Works Committee session via videoconference to review the updated Model. Karyn is available for the full Council Work Session planned for 11/1/232.

With these factors considered, staff recommends a 4.0% Annual Rate Increase per year for 2024 for both the Sewer monthly charge and GFC. With this recommendation, Council adopted CFPM will be met and exceeded for both Fund 401 and 410 (see the attached 2024 Rate Outlook Scenario Summary).

As has been past practice, the Sewer Rate Outlook will be updated annually to verify that the utility is on track to support ongoing O&M costs and planned system upgrades.

FUND 412 SOLID WASTE UTILITY

The 2023 adjustment for Solid Waste was adopted by the council 11/22/22 under Ordinance 2028-22 effective 1/1/2023. The Solid Waste Can and Container rates were increased as recommended by the **2022 Solid Waste Study**. The 2023 increase averaged 8.2% and allowed for the hiring of a new Solid Waste Driver. The Study also recommended Can and Container rates for 2024. The 2024 rates if implemented will result in an average 5.1% increase over the 2023 rates.

Seven FTE currently operate this system. The utility added an FTE in 2023 to address growth and lower the overall workload on staff. A part-time Custodian is shared among the Solid Waste, Operations and Wastewater Divisions. The fleet consists of two front loading trucks, a side loader truck, a roll off vehicle and a Toter delivery vehicle. We maintain one surplus Side loader truck as backup. Due to ongoing growth, both the ERR and Utility fee structure will need to be updated to add an additional solid waste vehicle (estimated to be within the next 4 years). We plan to operate with the existing fleet and spare for the immediate future (2023/2024 budget cycle) and reassess in 2024 for possible implementation in 2025.

Comparison of Budget vs Estimate Actual Fund 412 Revenue/Expense

	2023 Budget	2023 Est Act	2024 Budget	2024 Budget Adjusted
Fund 412 Revenue	\$3,589,200	\$3,742,835	\$3,662,200	\$3,782,200
Fund 412 Expense	\$3,475,886	\$3,665,920	\$3,658,341	\$3,726,977

Surplus/(Deficit)	\$113,314	\$76,915	\$3,859	\$55,223
412 Ending Fund Bal	\$635,897	\$599,498	\$734,589	\$785,953
Over/(Under MFB)	(\$49,537)	(\$111,547)	\$2,228	\$33,648

The estimated actual 2023 Estimated Actual Revenue and Expense are greater than the 2023 Budget. Revenues from Garbage/Solid Waste Fees account for the bulk of the differences. This is likely due to the expected growth in services from 2022 (67 each) and 2023 (estimated 33 to date). The upcoming 2023 Budget Amendment will correct for the major differences.

Looking ahead to 2024, the 2022 SW Rate Study recommends increases in the Can and Container Fees that are estimated to add an additional \$133,000 in revenue. This is reflected in the 2024 Budget Adjusted column above. This additional revenue will result in an ending fund balance that meets Council adopted minimums.

Estimated significant Expenditure increases/(decreases) from 2023 to 2024:

- Anticipated County Tipping Fee Increases.....\$13,000 – See note below
- Curbside Recycle Disposal.....\$15,000
- ERR Deposit increase (vehicle cost inflation).....\$21,000
- Adjustment of Salaries & Benefits (decrease).....\$64,900
- Upgrade PT Custodian to FTE (split with WW & Ops)....\$19,000
- Adjustment of the ICA-Support Allocation.....\$90,751
- Miscellaneous minor adjustments.....\$46,440
- **Total Significant Increases 2024 vs 2023.....\$251,651 – 7.2% over 2023 Budget**

Staff recommends that the Fund 412 Solid Waste – Proposed 2023/2024 Rate Adjustments be implemented in 2024. This will result in an overall increase in fees of 5.1% as noted above.

With this recommendation, Council adopted CFPM for Ending Fund Balances will be met and exceeded for Funds 412 and 413 (see the attached 2024 Rate Outlook Scenario Summary).

Please note that Skagit County is proposing a significant Tipping Fee increase in mid-2024. Discussions at the Solid Waste Advisory Committee indicate an increase of approximately \$26/ton. This would potentially add 25% to the cost of solid waste disposal, or approximately \$170,000 per year (\$85,000 for 2024 if implemented in July). This is still under consideration and cannot be accurately quantified at this time. The 2024 Budget includes a 1.9% increase for Tipping Fees. Once the impact is known, a mid-year fee adjustment will likely be required.

FUND 425 STORMWATER UTILITY

The 2023 adjustment for Stormwater was adopted by council 11/22/22 under Ordinance 2027-22 effective 1/1/2023. Stormwater utility rates were increased by 3.0% with the 2023 adjustment.

This system is regulated under a WA Ecology Stormwater Permit similar to the Sewer system. The system includes two pump stations, 26 flow control or water quality systems and 216,820 LF of collection pipe and culverts, and 37,950 LF of ditch and 4.5 miles of Brickyard Creek. For comparison purposes, the Stormwater System has approximately the same footage of collection system piping as the Sanitary Sewer system. The Stormwater utility does not include a centralized treatment system like the

WWTP but relies rather on a system of regional treatment ponds, detention pipes and infiltration.

Two and one-half field FTE currently maintain the stormwater system out of Public Works Operations.

Comparison of Budget vs Estimate Actual Fund 425 Revenue/Expense

	2023 Budget	2023 Est Act	2024 Budget	2024 Budget Adjusted
Fund 425 Revenue	\$1,240,977	\$1,131,647	\$1,130,677	\$1,145,677
Fund 425 Expense	\$1,196,558	\$1,106,146	\$1,131,406	\$1,086,632
Surplus/(Deficit)	\$44,419	\$25,501	(\$729)	\$59,045
425 Ending Fund Bal	\$1,091,313	\$1,072,395	\$340,949	\$400,723
Over/(Under MFB)	\$709,925	\$709,232	\$95,507	\$152,781

The estimated 2023 Revenue and Expense are lower than the 2023 budget. This is due to deferral of the Stormwater Management Plan Update from 2023 to 2024. Adjustments to expected labor costs account for the remaining differences.

The 2024 Budget assumes a 3% rate increase. While this is lower than the current CPI of 5.4%, adjustments within the 2024 Budget will result in a slightly better Ending Fund Balance.

The 2023/2024 Draft Budget includes update of the 1997 Stormwater Management Plan Update, estimated at \$150,000. This plan update has been deferred for budget and staffing purposes over the past few years. It can be expected that the plan update will include a recommendation to add a General Facilities Charge to fund Capital Improvement Projects identified in the Plan. The GFC would provide funding for stormwater facility improvements that are needed to provide regional stormwater treatment and retention functions related to growth and infill. The current utility does not collect GFC charges.

Staff recommends that the Fund 425 rate adjustment be at 3% as currently budgeted. With this recommendation, Council adopted CFPM for Ending Fund Balances will be met and exceeded for Fund 425 and 426.

FISCAL IMPACT, IF APPROPRIATE:

Fund 401 Sanitary Sewer Est. Rate Revenue Increase	\$190,700	4.0%
Fund 412 Solid Waste Est. Rate Revenue Increase	\$133,000	4.8%
Fund 425 Stormwater Est Rate Revenue Increase	\$28,330	3.0%
Total	\$435,122	4.2%

ATTACHMENTS:

1. 2023-10-11 WORK SESSION - Possible 2024 Utility Rate Increases

City of Sedro-Woolley
Rate Outlook Scenario Summary

SCENARIO DESCRIPTIONS		COMMENTS			
Scenario 1 (*Recommended) Projects 2024 cost escalation and rate/conn fee increases at 5.0%; consistent with 5-year historical CPI; (YTD 2023 CPI = 6.8%) Future years assume 4.0% per year cost escalation and rate/fee increases; consistent with 10-year historical CPI		Scenario 1 vs. Scenario 2 -For < \$1.00 increase in rates above Scenario 2 (by 2030), Scenario 1 provides for: -Increases to total annual rate-funded CIP by \$308k (moves closer to best practice) -Improves combined 401/410 annual financial position by \$68k -Generates additional \$407k in combined operating and capital reserves			
Scenario 2 Assumes same cost escalation as Scenario 1: (5.0% 2024; 4.0% thereafter) Assumes rate/fee increases at 4.0% per year, consistent with 2023 increase (and 10-year historical CPI)		-Reduces risks compared to Scenario 3 -Feasible rate strategy			
Scenario 3 Assumes same cost escalation as Scenario 1 & 2: (5.0% 2024; 4.0% thereafter) Assumes same rate/fee increases as Scenario 1 (3.0% per year)		-Marginal results; leaves little room for contingencies and ongoing sustainability			
SCENARIO RESULTS		2023 Actual	Scenario 1 *	Scenario 2	Scenario 3
		Projected (2024 - 2030)			
Assumed Cost/Rate & Fee Increases					
Annual Rate/Fee Increases	4.0%	5.0%; 4.0%	4.0%	3.0%	
Annual Cost Escalation (CPI)	6.8%	5.0%; 4.0%	5.0%; 4.0%	5.0%; 4.0%	
Sewer Rate Impact					
Average Annual Monthly Rate Increase	\$ 2.72	\$ 3.32	\$ 3.20	\$ 2.32	
Sewer Rate at year 2030	\$ 70.83	\$ 94.10	\$ 93.20	\$ 87.10	
Use of Reserves to Reduce Future Debt (WWTP Upgrade (2027))					
Use of Operating Reserve (401)		\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	
Use of Capital Reserve (410)		500,000	500,000	500,000	
Total		\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	
New Deb for CIP					
Debt Issue Amount		\$ 13,237,336	\$ 13,237,336	\$ 13,237,336	
Debt Service Payment		\$ 931,000	\$ 931,000	\$ 931,000	
CIP Cash Funding					
Transfer from 410 to Help Pay "Other Improvement"		\$ 4,189,333	\$ 4,497,445	\$ 5,732,897	
Rate-Funded CIP, Net of 410 Transfer		3,292,002	2,983,890	1,748,438	
Total CIP Cash Funding		\$ 7,481,335	\$ 7,481,335	\$ 7,481,335	
Fund 410 % of Total		56%	60%	77%	
Fund 401 % of Total		44%	40%	23%	
Total		100%	100%	100%	
Combined Annual Additions to/(Use) of Reserves at Year 2030		\$ 527,093	\$ 459,179	\$ 5,858	
Ending Cash Balances at year 2030					
Sewer Fund 401		\$ 2,162,662	\$ 2,112,173	\$ 1,858,231	
Capital Fund 410		2,893,421	2,536,667	1,127,002	
Total		\$ 5,056,083	\$ 4,648,841	\$ 2,985,233	
Surplus Cash over Minimum Target at year 2030					
Sewer Fund 401		\$ 709,795	\$ 677,570	\$ 533,325	
Capital Fund 410		1,893,421	1,536,667	127,002	
Total		\$ 2,603,216	\$ 2,214,238	\$ 660,327	

-Monitor 401/410 cash balances over next few years to determine optimal strategy

Best practice would be to reduce reliance on conn fees / draw down of capital reserve; instead, increase amount of annual rate-funded capital (geared toward funding Repair/Replacement).

City of Sedro-Woolley

Sewer Financial/Rate Outlook (2023-2030)

Draft for 10/11/2023 Council Meeting (Based on Recommended Scenario 1)

1. SEWER RATE OUTLOOK SUMMARY

Based on the updated results, it appears that the historical plan of modest annual increases in rates / connection fees to keep up with cost escalation can be supported. Projections to be revisited annually and updated as necessary.

- 2024 cost escalation and proposed rate/fee increases are estimated at 5.0% consistent with the 5-year historical CPI.

- 2025+ cost escalation and proposed rate/fee increases are estimated at 4.0% per year consistent with the 10-year historical CPI.

*** With the higher trend of cost escalation, it is prudent to increase the escalation assumption and associated rate/fee increases to keep pace with those costs.**

- Sewer Fund 401 and Capital Reserve 410 revenues, expenses, and fund balances have been updated for 2022 actuals and 2023 budget with adjustments to reflect year-to-date performance. New Operator-in-Training position added in 2024.

- The CIP has been updated to reflect completed projects and the updated schedule of planned execution for years 2023-2030.

- New connections have been adjusted for 2022 actual of 67 ERUs compared to projection of 70 ERUs.

- Projections for future new connection were unchanged and assume 70 ERUs per year (2023-2024) and 50 ERUs per year (2025-2030).

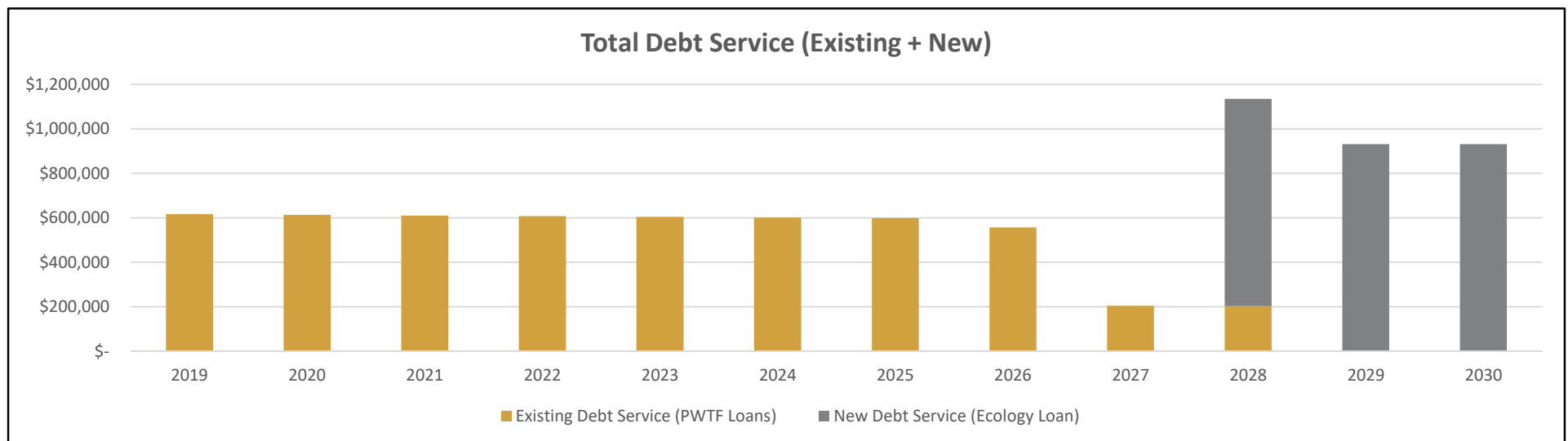
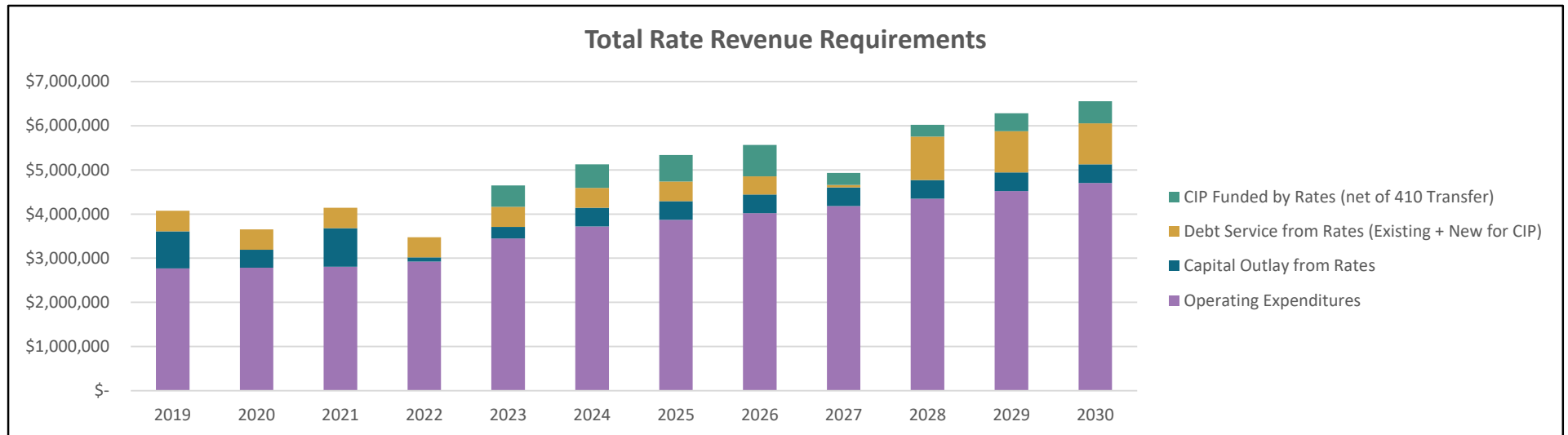
- Estimated annual cost escalation has been adjusted to reflect the recent increases in the Consumer Price Index (CPI) and expected trend of higher costs.

The prior analysis estimated 2022 cost escalation at 2.3%. This compares to the City's actual 2022 O&M cost increase of 4.3% and the actual CPI increase of 9.0%.

The prior analysis estimated 2023 cost escalation at 4.0%. This compares to the YTD (Aug) CPI increase of 6.8%.

FORECAST ASSUMPTIONS	2023	2024	2025	2026	2027	2028	2029	2030
New Connections (ERUs)	70	70	50	50	50	50	50	50
Cost Escalation								
Operating Cost Escalation	4.00%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Annual Rate and Fee Increases	4.00%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Single-Family Monthly Rate	\$ 70.83	\$ 74.37	\$ 77.34	\$ 80.43	\$ 83.65	\$ 87.00	\$ 90.48	\$ 94.10
Monthly Rate Increases - by year		\$ 3.54	\$ 2.97	\$ 3.09	\$ 3.22	\$ 3.35	\$ 3.48	\$ 3.62
Connection Fee (GFC)	\$ 9,256	\$ 9,719	\$ 10,108	\$ 10,512	\$ 10,932	\$ 11,369	\$ 11,824	\$ 12,297

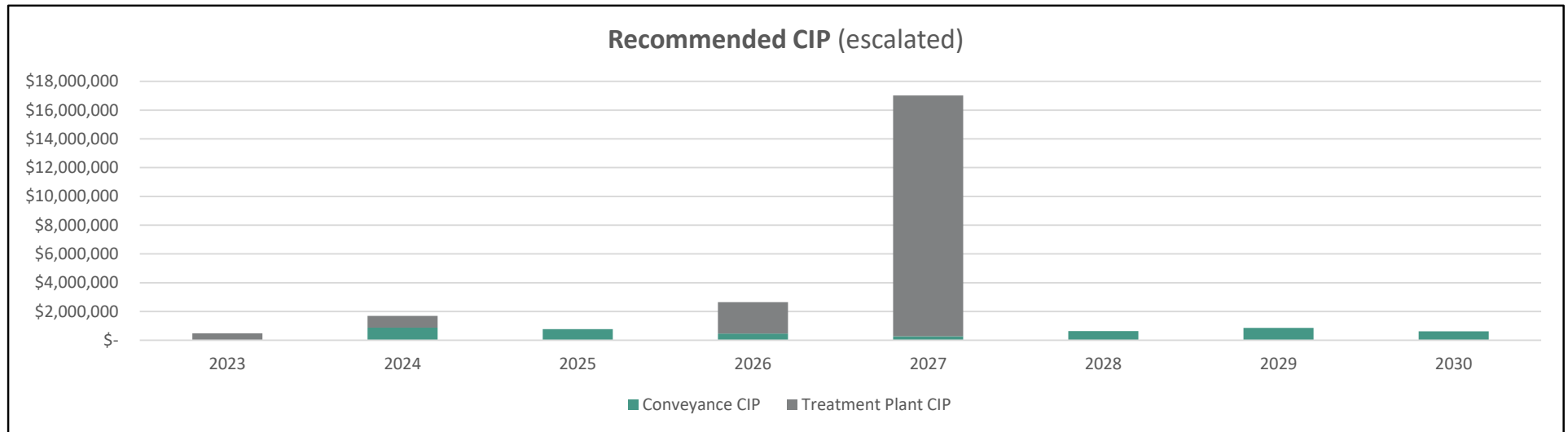
2. WHAT DO SEWER RATES PAY FOR?



- Existing debt service reduces in 2027; paid off 2028.
- Proposed new Ecology loan of \$13.2M for WWTP upgrade construction in 2027; new debt service of \$931k begins 2028 (20-year repayment).
- Assumes use of \$3.5M in cash reserves to reduce debt issuance.

3. CAPITAL IMPROVEMENT PROGRAM (CIP)

- The CIP has been updated to reflect completed projects and the updated schedule of planned execution for years 2023-2030.
- The CIP was based on 2019\$. Projects are escalated 4.0%/year from 2019 to the date of execution based on 5-year average ENR Construction Cost Increases.
- WWTP Upgrade design (2026) and Construction (2027). Total estimated project costs of \$18.9M.



4. CAPITAL FUNDING PLAN

- The capital funding strategy has been updated to reflect current financial performance and updated projections.
- The primary change for the current funding strategy is the assumed use of cash reserves to reduce debt financing for the WWTP upgrade in 2027.
The 2022 analysis assumed \$1.5M from capital reserves to reduce the amount of borrowing. The current plan assumes use of \$3.5M from a combination of operating and capital reserves to buy down the debt. This lowers the debt issuance and annual debt service from the prior analysis.
- Many of the capital projects for 2023 and forward have been delayed another year. Operating and capital cash balances will be monitored over the next few years to determine the optimal cash vs. debt strategy.

CAPITAL FUNDING PLAN	2023	2024	2025	2026	2027	2028	2029	2030
Capital Improvement Program (CIP)								
Conveyance CIP	\$ -	\$ 868,125	\$ 771,845	\$ 460,576	\$ 273,714	\$ 634,662	\$ 853,283	\$ 614,758
Treatment Plant CIP	480,552	821,241	-	2,183,131	16,737,336	-	-	-
Total Capital Program	\$ 480,552	\$ 1,689,366	\$ 771,845	\$ 2,643,707	\$ 17,011,050	\$ 634,662	\$ 853,283	\$ 614,758
Capital Funding Sources								
Annual Rates & Capital Fund 410	\$ 480,552	\$ 1,689,366	\$ 771,845	\$ 2,643,707	\$ 273,714	\$ 634,662	\$ 853,283	\$ 614,758
Use of Sewer Fund 401 Reserves	-	-	-	-	3,000,000	-	-	-
Use of Capital fund 410 Reserves	-	-	-	-	500,000	-	-	-
Total Funding from Cash Resources	\$ 480,552	\$ 1,689,366	\$ 771,845	\$ 2,643,707	\$ 3,773,714	\$ 634,662	\$ 853,283	\$ 614,758
New Debt Issuance	-	-	-	-	13,237,336	-	-	-
Total Capital Funding Sources	\$ 480,552	\$ 1,689,366	\$ 771,845	\$ 2,643,707	\$ 17,011,050	\$ 634,662	\$ 853,283	\$ 614,758
New Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 931,000	\$ 931,000	\$ 931,000

4. FINANCIAL PERFORMANCE SUMMARY

- As growth slows over time, less revenue will be generated from conn fees to support debt service and cash funding of capital.
- As the capital reserve declines, rates will need to increase over time to avoid over reliance on future debt, particularly for repair/replacement.

* Best practice would suggest increasing the amount of annual rate-funded capital to reduce reliance on capital reserves/conn fees for repair/replacements.

PROJECTED OPERATING + CAPITAL FUND PERFORMANCE	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Fund Balances	\$ 7,297,209	\$ 8,359,135	\$ 7,778,134	\$ 8,002,290	\$ 6,488,250	\$ 4,277,984	\$ 4,356,808	\$ 4,528,990
Cash Resources								
Rates & Utility Taxes Collected	\$ 4,805,551	\$ 5,060,894	\$ 5,274,330	\$ 5,498,256	\$ 5,733,505	\$ 5,980,279	\$ 6,238,779	\$ 6,509,872
Sewer Connection Fees	647,920	680,330	505,400	525,600	546,600	568,450	591,200	614,850
Interfund Loan Repayments	805,244	5,244	5,244	5,244	5,244	5,244	5,244	5,244
Other Revenue	94,272	104,891	99,081	101,323	86,183	64,080	64,868	66,590
Total Cash Resources	\$ 6,352,987	\$ 5,851,359	\$ 5,884,055	\$ 6,130,423	\$ 6,371,532	\$ 6,618,053	\$ 6,900,091	\$ 7,196,556
Cash Uses								
Operating Expenditures	\$ 3,706,508	\$ 4,141,950	\$ 4,289,961	\$ 4,443,893	\$ 4,603,982	\$ 4,770,474	\$ 4,943,626	\$ 5,123,705
Interfund Loans	500,000	-	-	-	-	-	-	-
Total Existing Debt Service	604,000	601,045	598,093	556,863	204,103	203,092	-	-
CIP Funding from Rates/Capital Fund 410	480,552	1,689,366	771,845	2,643,707	273,714	634,662	853,283	614,758
New Debt Service for CIP	-	-	-	-	-	931,000	931,000	931,000
Total Cash Uses	\$ 5,291,060	\$ 6,432,360	\$ 5,659,899	\$ 7,644,463	\$ 5,081,798	\$ 6,539,229	\$ 6,727,909	\$ 6,669,463
Net Revenue: Annual Additions to / (Use) of Reserves	\$ 1,061,926	\$ (581,001)	\$ 224,156	\$ (1,514,040)	\$ 1,289,734	\$ 78,824	\$ 172,182	\$ 527,093
Ending Funds Available	\$ 8,359,135	\$ 7,778,134	\$ 8,002,290	\$ 6,488,250	\$ 7,777,984	\$ 4,356,808	\$ 4,528,990	\$ 5,056,083
Use of Operating Reserve to Fund Capital	-	-	-	-	(3,000,000)	-	-	-
Use of Capital Reserves to Fund Capital	-	-	-	-	(500,000)	-	-	-
Ending Fund Balances	\$ 8,359,135	\$ 7,778,134	\$ 8,002,290	\$ 6,488,250	\$ 4,277,984	\$ 4,356,808	\$ 4,528,990	\$ 5,056,083
Operating Reserve Target	\$ 1,440,896	\$ 1,570,622	\$ 1,606,202	\$ 1,643,530	\$ 1,682,747	\$ 1,364,584	\$ 1,407,676	\$ 1,452,867
Capital Reserve Target	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Reserves Target	\$ 2,440,896	\$ 2,570,622	\$ 2,606,202	\$ 2,643,530	\$ 2,682,747	\$ 2,364,584	\$ 2,407,676	\$ 2,452,867
Surplus (Deficiency) Compared to Target	\$ 5,918,239	\$ 5,207,512	\$ 5,396,088	\$ 3,844,720	\$ 1,595,237	\$ 1,992,224	\$ 2,121,314	\$ 2,603,216

FUND 412 SOLID WASTE - PROPOSED 2023/2024 RATE ADJUSTMENTS					3,695	344	4,039		
11/4/2022	2022 MSW Rates	2022 Revenue projected	Recommended 2023 Rate	Recommended 2024 Rate	2022 Customer Count updated 11/4/22	Estimated Annual Additional Revenue 2023	Estimated Additional Revenue 2024	2023 vs 2022	2024 vs 2023
RESIDENTIAL RATES MSW									
20 Gal. Toter	\$12.54	\$105,035.04	\$13.80	\$15.20	698	10,554	11,726	10.0%	10.1%
32 Gal. Toter	\$23.11	\$427,350.12	\$24.20	\$25.20	1,541	20,156	18,492	4.7%	4.1%
68 Gal. Toter	\$33.50	\$449,436.00	\$34.50	\$35.35	1,118	13,416	11,404	3.0%	2.5%
96 Gal. Toter	\$44.73	\$74,072.88	\$45.00	\$45.50	138	447	828	0.6%	1.1%
Low Income - 20 Gal	\$10.04	\$11,445.60	\$11.04	\$12.16	95	1,140	1,277	10.0%	10.1%
Low Income - 32 Gal	\$18.49	\$18,859.80	\$19.36	\$20.16	85	887	816	4.7%	4.1%
Low Income - 32 Gal (Every Other Week pickup)	N/A	\$0.00	\$14.36	\$15.16	-		-		5.6%
Low Income - 68 Gal	\$26.80	\$5,145.60	\$27.60	\$28.28	16	154	131	3.0%	2.5%
Low Income - 96 Gal	\$35.79	\$1,717.92	No change	No change	4	-	-		
Curbside Recycling	\$5.02	\$233,972.16	\$8.00	\$9.00	3,884	138,892	46,608	59.4%	12.5%
Food & Yard Waste Service - optional	\$12.17	\$242,134.32	12.25	\$12.50	1,658	1,592	4,974	0.7%	2.0%
COMMERCIAL RATES (PERMANENT) MSW									
32 Gal. Toter	\$26.17	\$15,387.96	\$26.25	\$26.50	49	47	147	0.3%	1.0%
68 Gal. Toter	\$41.51	\$13,947.36	35.35	35.35	28	(2,070)	-	-14.8%	0.0%
96 Gal. Toter	\$56.56	\$27,148.80	47.55	47.55	40	(4,325)	-	-15.9%	0.0%
1 Yard Dumpster	\$114.60	\$72,885.60	No change	No change	53				
2 Yard Dumpster	\$151.50	\$101,808.00	No change	No change	56				
3 Yard Dumpster	\$225.65	\$70,402.80	No change	No change	26				
4 Yard Dumpster	\$297.15	\$153,329.40	No change	No change	43				
6 Yard Dumpster	\$438.43	\$226,229.88	No change	No change	43				
8 Yard Dumpster	\$586.12	\$42,200.64	No change	No change	6				
Haul Fee - all roll off 20, 30 & 40 Yd Dumpsters - permanent	\$230.78	\$52,617.84	No change	\$235.00	19	-	962		1.8%
		\$0.00			227				
Commercial Recycling Optional									
Mixed paper									
95 gallon container	\$20.38	\$7,092.24	\$35.00	\$70.00	29	5,088	12,180	71.7%	100.0%
2 yard container	\$33.95	\$814.80	\$50.00	\$80.00	2	385	720	47.3%	60.0%
3 yard container	\$47.52	\$0.00	\$70.00	\$110.00	-	-	-	47.3%	57.1%
4 yard container	\$88.25	\$0.00	\$90.00	\$130.00	-	-	-	2.0%	44.4%
6 yard container	\$115.40	\$0.00	\$100.00	\$163.00	-	-	-	-13.3%	63.0%
8 yard container	\$153.07	\$0.00	\$110.00	\$215.00	-	-	-	-28.1%	95.5%
Cardboard									
95 gallon container	Not available-		Not available-	Not available-					
2 yard container	\$27.17	\$6,520.80	\$30.00	\$40.00	20	679	2,400	10.4%	33.3%
3 yard container	\$33.95	\$2,444.40	\$35.00	\$45.00	6	76	720	3.1%	28.6%
4 yard container	\$47.52	\$4,561.92	\$50.00	\$50.00	8	238	-	5.2%	0.0%
6 yard container	\$61.10	\$5,132.40	\$60.00	\$55.00	7	(92)	(420)	-1.8%	-8.3%
8 yard container	\$74.67	\$1,792.08	\$75.00	\$60.00	2	8	(360)	0.4%	-20.0%
Mixed recycling									
95 gallon container (incl. multiple containers at some locations)	\$20.38	\$10,026.96	\$35.00	\$70.00	41	7,193	17,220	71.7%	100.0%
2 yard container	\$61.10	\$10,998.00	\$70.00	\$80.00	15	1,602	1,800	14.6%	14.3%
3 yard container	\$95.05	\$4,562.40	\$100.00	\$110.00	4	238	480	5.2%	10.0%
4 yard container	\$108.61	\$6,516.60	\$120.00	\$130.00	5	683	600	10.5%	8.3%
6 yard container	\$142.57	\$3,421.68	\$153.00	\$163.00	2	250	240	7.3%	6.5%
8 yard container	\$190.08	\$0.00	\$200.00	\$215.00	-	-	-	5.2%	7.5%
TOTALS									
% of 2022 Projected Final Revenue	MSW	2,345,128				197,238	132,945		
						8.2%	5.1%		



Western Information Office

- Western Home
- Western Geography
- Western Subjects
- Western Archives
- Contact Western

Consumer Price Index, Seattle area — August 2023

Area prices were up 0.8 percent over the past two months, up 5.4 percent from a year ago

Prices in the Seattle area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.8 percent for the two months ending in August 2023, the U.S. Bureau of Labor Statistics reported today. (See [table A](#).) Regional Commissioner Chris Rosenlund noted that the August increase was influenced by higher prices for medical care, shelter, and gasoline. (Data in this report are not seasonally adjusted. Accordingly, month-to-month changes may reflect seasonal influences.)

Over the last 12 months, the CPI-U advanced 5.4 percent. (See [chart 1](#) and [table A](#).) Food prices increased 4.0 percent. Energy prices increased 6.3 percent, largely the result of an increase in the price of natural gas service. The index for all items less food and energy rose 5.7 percent over the year. (See [table 1](#).)

News Release Information

23-2006-SAN
Wednesday, September 13, 2023

Contacts

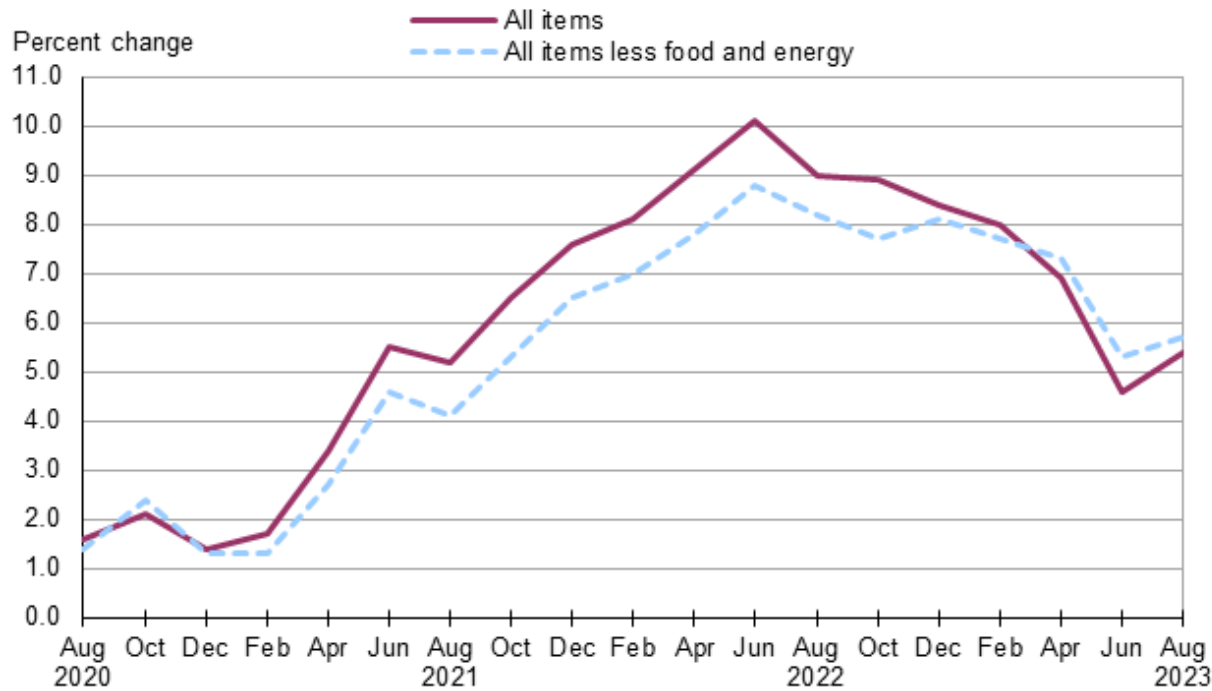
Technical information:
(415) 625-2270
BLInfoSF@bls.gov
www.bls.gov/regions/west

Media contact:
(415) 625-2270

Related Links

[CPI historical databases](#)

Chart 1. Over-the-year percent change in CPI-U, Seattle-Tacoma-Bellevue, WA, August 2020–August 2023



Source: U.S. Bureau of Labor Statistics.

[View Chart Data](#)

Food

Food prices increased 1.0 percent for the two months ending in August. (See [table 1](#).) Prices for food at home rose 0.7 percent, with higher prices in three of the six subcategories. Prices for food away from home increased 1.4 percent for the same period.

Over the year, food prices increased 4.0 percent. Prices for food at home rose 1.5 percent since a year ago, led by higher prices for cereals and bakery products (6.4 percent). Prices for food away from home advanced 7.7 percent.

Energy

The energy index advanced 2.8 percent for the two months ending in August. The increase was mainly due to higher prices for gasoline (4.4 percent). Prices for electricity and natural gas service were both unchanged for the same period.

Energy prices increased 6.3 percent over the year, largely due to higher prices for natural gas service (26.0 percent). Prices paid for electricity increased 7.4 percent, and prices for gasoline increased 4.3 percent during the past year.

All items less food and energy

The index for all items less food and energy advanced 0.7 percent in the latest two-month period. Higher prices for medical care (6.1 percent) and shelter (0.4 percent) were partially offset by lower prices for used cars and trucks (-0.7 percent) and recreation (-0.4 percent).

Over the year, the index for all items less food and energy rose 5.7 percent. Components contributing to the increase included recreation (8.4 percent) and shelter (8.0 percent). Partly offsetting the increases were price decreases in used cars and trucks (-6.2 percent) and household furnishings and operations (-1.2 percent).

Table A. Seattle-Tacoma-Bellevue, WA, CPI-U 2-month and 12-month percent changes, all items index, not seasonally adjusted

Month	2019		2020		2021		2022		2023	
	2-month	12-month	2-month	12-month	2-month	12-month	2-month	12-month	2-month	12-month
February	0.7	2.7	1.0	2.5	1.2	1.7	1.7	8.1	1.4	8.0
April	0.5	2.4	-0.6	1.3	1.1	3.4	2.1	9.1	1.0	6.9
June	0.7	2.3	0.2	0.9	2.2	5.5	3.2	10.1	1.0	4.6
August	0.6	3.2	1.4	1.6	1.1	5.2	0.0	9.0	0.8	5.4
October	-0.6	2.2	-0.1	2.1	1.1	6.5	1.0	8.9		
December	-0.3	2.2	-0.4	1.4	0.6	7.6	0.1	8.4		

The October 2023 Consumer Price Index for the Seattle area is scheduled to be released on November 14, 2023.

Technical Note

The Consumer Price Index (CPI) is a measures of the average change in prices over time in a fixed market basket of goods and services. The Bureau of Labor Statistics publishes CPIs for two population groups: (1) a CPI for All Urban Consumers (CPI-U) which covers approximately 93 percent of the total U.S. population and (2) a CPI for Urban Wage Earners and Clerical Workers (CPI-W) which covers approximately 29 percent of the total U.S. population. The CPI-U includes, in addition to wage earners and clerical workers, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Each month, prices are collected in 75 urban areas across the country from about 6,000 housing units and approximately 22,000 retail establishments—department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index.

The index measures price changes from a designated reference date; for most of the CPI-U the reference base is 1982-84 equals 100. An increase of 7 percent from the reference base, for example, is shown as 107.000. Alternatively, that relationship can also be expressed as the price of a base period market basket of goods and services rising from \$100 to \$107. For further details see the CPI home page on the internet at www.bls.gov/cpi and the CPI section of the BLS Handbook of Methods available on the internet at www.bls.gov/opub/hom/cpi/.

In calculating the index, price changes for the various items in each location are averaged together with weights that represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Because the sample size of a local area is smaller, the local area index is subject to substantially more sampling and other measurement error than the national index. In addition, local indexes are not adjusted for seasonal influences. As a result, local area indexes show greater volatility than the national index, although their long-term trends are quite similar. **NOTE: Area indexes do not measure differences in the level of prices between cities; they only measure the average change in prices for each area since the base period.**

The Seattle-Tacoma-Bellevue, WA. metropolitan area covered in this release is comprised of King, Pierce, and Snohomish Counties in the State of Washington.

Information in this release will be made available to individuals with sensory impairments upon request. Voice phone: 202-691-5200; Telecommunications Relay Service: 7-1-1.

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): Indexes and percent changes for selected periods

Seattle-Tacoma-Bellevue, WA (1982-84=100 unless otherwise noted)

Item and Group	Indexes				Percent change from-		
	Historical data	Jun. 2023	Jul. 2023	Aug. 2023	Aug. 2022	Jun. 2023	Jul. 2023
Expenditure category							
All items		341.734	-	344.449	5.4	0.8	-
All items (1967=100)		1,041.737	-	1,050.014	-	-	-
Food and beverages		354.681	-	357.635	4.2	0.8	-
Food		357.611	-	361.063	4.0	1.0	-
Food at home		320.164	316.375	322.417	1.5	0.7	1.9
Cereals and bakery products		381.218	366.178	375.601	6.4	-1.5	2.6
Meats, poultry, fish, and eggs		283.915	286.151	289.296	-2.2	1.9	1.1
Dairy and related products		284.430	282.867	294.995	5.7	3.7	4.3
Fruits and vegetables		490.926	488.925	488.998	0.0	-0.4	0.0
Nonalcoholic beverages and beverage materials(1)		416.516	399.480	410.339	3.4	-1.5	2.7
Other food at home		252.448	250.924	256.334	1.2	1.5	2.2
Food away from home		415.872	-	421.835	7.7	1.4	-
Alcoholic beverages		314.675	-	313.221	7.1	-0.5	-
Housing		408.248	-	409.535	6.8	0.3	-
Shelter		468.014	468.352	469.773	8.0	0.4	0.3
Rent of primary residence(2)		472.469	473.327	474.804	9.1	0.5	0.3
Owners' equiv. rent of residences(2)(3)		487.953	490.111	491.664	8.4	0.8	0.3
Owners' equiv. rent of primary residence(1)(2)		487.953	490.111	491.664	8.4	0.8	0.3
Fuels and utilities		330.003	-	330.401	7.8	0.1	-
Household energy		299.043	299.319	299.656	10.5	0.2	0.1
Energy services(2)		351.757	351.757	351.757	11.9	0.0	0.0
Electricity(2)		363.093	363.093	363.093	7.4	0.0	0.0
Utility (piped) gas service(2)		236.928	236.928	236.928	26.0	0.0	0.0
Household furnishings and operations		228.904	-	228.934	-1.2	0.0	-
Footnotes							
(1) Indexes on a November 1977=100 base.							
(2) This index series was calculated using a Laspeyres estimator. All other item stratum index series were calculated using a geometric means estimator.							
(3) Indexes on a December 1982=100 base.							
(4) Special index based on a substantially smaller sample.							
(5) Indexes on a December 1993=100 base.							
(6) Indexes on a December 1997=100 base.							
- Data not available							
NOTE: Index applies to a month as a whole, not to any specific date.							

Item and Group	Indexes				Percent change from-		
	Historical data	Jun. 2023	Jul. 2023	Aug. 2023	Aug. 2022	Jun. 2023	Jul. 2023
Apparel		133.053	-	133.219	2.4	0.1	-
Transportation		300.377	-	303.046	2.8	0.9	-
Private transportation		314.359	-	318.971	2.3	1.5	-
New and used motor vehicles(4)		128.069	-	127.657	-0.1	-0.3	-
New vehicles(1)		225.150	-	225.066	3.0	0.0	-
Used cars and trucks(1)		461.673	-	458.442	-6.2	-0.7	-
Motor fuel		540.728	554.015	564.165	3.8	4.3	1.8
Gasoline (all types)		551.912	565.930	576.075	4.3	4.4	1.8
Gasoline, unleaded regular(4)		599.220	614.384	625.128	4.3	4.3	1.7
Gasoline, unleaded midgrade(4)(5)		434.728	447.354	455.559	4.1	4.8	1.8
Gasoline, unleaded premium(4)		507.440	520.360	530.592	4.4	4.6	2.0
Medical care		428.080	-	454.355	4.6	6.1	-
Recreation(6)		121.981	-	121.434	8.4	-0.4	-
Education and communication(6)		147.136	-	147.978	-	0.6	-
Tuition, other school fees, and child care(1)		-	-	-	-	-	-
Other goods and services		509.841	-	519.521	-	1.9	-
Commodity and service group							
All items		341.734	-	344.449	5.4	0.8	-
Commodities		245.920	-	247.684	1.6	0.7	-
Commodities less food & beverages		194.193	-	195.458	-0.3	0.7	-
Nondurables less food & beverages		231.536	-	235.994	3.3	1.9	-
Durables		157.164	-	156.492	-3.1	-0.4	-
Services		430.180	-	433.822	7.7	0.8	-
Special aggregate indexes							
All items less medical care		338.085	-	339.783	5.5	0.5	-
All items less shelter		292.938	-	296.011	3.9	1.0	-
Commodities less food		198.873	-	200.057	0.0	0.6	-
Nondurables		291.031	-	294.870	4.0	1.3	-
Nondurables less food		238.565	-	242.567	3.5	1.7	-
Services less rent of shelter(3)		394.076	-	400.554	7.5	1.6	-
Services less medical care services		426.221	-	428.116	8.1	0.4	-
Energy		428.895	435.570	440.739	6.3	2.8	1.2
All items less energy		341.254	-	343.626	5.4	0.7	-
All items less food and energy		338.646	-	340.852	5.7	0.7	-
Footnotes (1) Indexes on a November 1977=100 base. (2) This index series was calculated using a Laspeyres estimator. All other item stratum index series were calculated using a geometric means estimator. (3) Indexes on a December 1982=100 base. (4) Special index based on a substantially smaller sample. (5) Indexes on a December 1993=100 base. (6) Indexes on a December 1997=100 base.							
- Data not available NOTE: Index applies to a month as a whole, not to any specific date.							

Last Modified Date: Wednesday, September 13, 2023

U.S. BUREAU OF LABOR STATISTICS Western Information Office Attn: EA & I, 90 Seventh Street Suite 14-100 San Francisco, CA 94103-6715

Telephone:1-415-625-2270_ www.bls.gov/regions/west [Contact Western Region](#)