

Question & Answer Matrix
October 13, 2026 – Utility Board Meeting

- Reminders:
- This form is for Utility Board questions in preparation for the October 13, 2026, meeting.
 - Please submit Utility Board questions by **Monday, October 5 at 9:00 am.**
 - Include the agenda item or rate topic and your name. Enter each question on a separate line.
 - As a reminder, to follow OPMA rules, we ask that you keep your submissions to questions only—no commentary, discussion, or policy opinions, please. Also, avoid including any confidential information.
 - Staff will prepare responses and provide the Utility Board with the matrix document and **agenda packet by Friday, October 9, 2026.**
 - The Q&A matrix, the *2027 Utility Rates Recorded Presentation* and the slide deck, will be included in the Utility Board Agenda packet for the October 13th meeting.

Log #	Agenda Item	Received From	Question	Staff Response
1.	2	Brian Thomas	Can you provide greater insight into the four categories of major capital investments for the water system in 27-28? \$35.1 million is a big number. I think it would help the Board if there was more detail available to understand the magnitude of these investments relative to the current water system’s plan (recognizing that it is currently being updated) anticipated needs over the next six years.	AC Main Replacements – The City is taking a programmatic approach to eliminate the remaining Asbestos Cement (AC) water mains within the City’s water distribution system. Five miles of AC main have been identified – approximately 4% of the City’s water system. This program seeks to remove and replace the remaining AC pipe by 2030. Water Supply Line Construction – This project includes the construction and new alignment of a new locally controlled and seismically resilient water supply line (90.40.0032). PRV Replacements – An ongoing program to replace pressure reducing valve (PRV) stations Citywide in two-year increments. The City operates 85 PRV stations, and multiple stations are planned for replacement during each biennium. Many of these stations do not meet current City standards and this program ensures that replacements are planned and constructed to minimize service impacts and potential damages that can be detrimental to the water system and surrounding neighborhoods. Water System Improvements – these water main replacement projects are a proactive approach to renew critical components that strengthen the system’s reliability in providing service. Water System Improvements are prioritized utilizing several components including age and type of

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				pipe, fire flow considerations, maintenance and break history, water quality, and coordination with other capital projects. More information on these projects and other Utility CIP projects can be found online.
2.	3	Brian Thomas	For the pump station rehabilitation projects, can you provide more detail? How many stations are included in the 27-28 biennium? What is the nature/scope of the work (more detail)? Please describe the remaining work beyond 28 to address the remaining pump stations that require upgrading.	Two sewer pump stations, PS 19 and 21 are scheduled for rehabilitation in the 27-28 biennium. The project will replace and upgrade pumps, piping, mechanical systems, instrumentation, electrical and control equipment, and will convert both stations from wet-well/dry-well to submersible configurations. Equipment upgraded through the 2025 SCADA Replacement Project will be salvaged and reused. New manholes or vaults will be added to provide maintenance access to the existing Lakeline. Additional priorities include improving odor control, enhancing site access, and restoring ecological function within the shoreline areas where the stations are located. Staff is planning to rehabilitate two pump stations in the 27–28 biennium to take advantage of economies of scale in both the design and construction phases. The replacement of PS 19 and PS 21 follows directly after the PS 20 Replacement project, which is scheduled to enter construction in Q2 2027 and is funded through the 25–26 biennial budget. These three stations receive the highest flows on the Island and are in the poorest condition, making them the current priority. Once completed, Stations 19, 20, and 21 will join Stations 4, 14, and 11, rebuilt in 2010, 2014, and 2026, as upgraded facilities, leaving eleven stations still in their original 1960’s condition. Although assessments in

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				2015 and 2024 identified Stations 22 and 23 as the next rehabilitation priorities, their replacement will be reconsidered through the Lakeline Reach 1 project to determine whether addressing Stations 24 and 25 should take precedence to help prevent overflows at the top of Reach 1.
3.	2	Meredith Lehr	Of the 85 PRV stations in the water system, how many have been replaced, and how many will be replaced in the next 2 years? Same question for the AC mains.	The PRV Replacement Program includes seven phases and targets replacement of at least the 20 PRVs in the worst condition by 2032. Phase 1 replaced four PRVs in 2024. Phase 2 will replace five PRVs, with construction scheduled for Q1 2027, funded from the 2025-2026 budget. Phase 3 and the design of Phase 4 are planned for the 2027-2028 biennium, replacing four and three PRVs, respectively. The AC Main Replacement Program aims to remove more than five miles of asbestos cement pipe from the water system by 2030. To date, 5,100 feet has been replaced, with another 5,700 feet approved to begin construction in Q1 2027, funded from the 2025-2026 budget. In the 2027-2028 biennium, construction of two projects and design of a third are scheduled, which will remove an additional 5,000, 4,000, and 4,000 feet, respectively.
4.	2	Meredith Lehr	I would like to see prior years’ rates along with proposed rate recommendations. Can Table 3 start with 2021? Same for Sewer & Storm water versions.	Please find the historical and proposed rates below for the respective utility, with current rates proposed for 2027.

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				<table><tr><th>Utility</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th><th>2025</th><th>2026</th><th>2027</th></tr><tr><td>Water</td><td>5.25%</td><td>5.25%</td><td>8.0%</td><td>8.0%</td><td>8.0%</td><td>8.0%</td><td>8.0%</td></tr><tr><td>Sewer (local)</td><td>4.0%</td><td>4.0%</td><td>4.5%</td><td>4.5%</td><td>4.5%</td><td>4.0%</td><td>7.0%</td></tr><tr><td>Sewer (KC)</td><td>4.5%</td><td>4.0%</td><td>5.75%</td><td>5.75%</td><td>5.75%</td><td>7.5%</td><td>12.75%</td></tr><tr><td>Storm</td><td>5.5%</td><td>5.5%</td><td>8.0%</td><td>8.0%</td><td>8.0%</td><td>6.0%</td><td>6.0%</td></tr></table>								Utility	2021	2022	2023	2024	2025	2026	2027	Water	5.25%	5.25%	8.0%	8.0%	8.0%	8.0%	8.0%	Sewer (local)	4.0%	4.0%	4.5%	4.5%	4.5%	4.0%	7.0%	Sewer (KC)	4.5%	4.0%	5.75%	5.75%	5.75%	7.5%	12.75%	Storm	5.5%	5.5%	8.0%	8.0%	8.0%	6.0%	6.0%
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5.	2,3,4	Meredith Lehr	Can we have a fuller explanation of the RFSR concept. For how long has this been part of the rate-setting for the 3 areas?	The concept behind Rate Funded System Reinvestment (RFSR) is the intentional set aside of a portion of rate revenue for the repair and replacement of capital assets. This practice requires the utility to set rates to cover not just operations, maintenance, and debt service costs, but also the cost to fund a portion of each utility system’s capital replacement expenses. RFSR acknowledges that infrastructure ages overtime and there will be an eventual need to replace existing assets. The concept is a key practice in supporting decisions to help lessen the reliance on debt in the future as it is intended to help fund repair and replacement projects. There are many metrics used within the industry to set an RFSR policy. Examples include setting a dollar amount based on annual asset depreciation, or a percentage of annual capital needs. The City’s current rate funded system reinvestment targets for the Water, Sewer, and Stormwater Utility are \$3.9M, \$2.0M, and \$1.2M, as set in the 2019-2020 budget cycle. As costs and replacement needs have changed over time, staff aim to revisit the RFSR funding targets for each																																															

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				utility upon the completion of the long-term plans (e.g., General Sewer, Water System, and the Comprehensive Basin Plan, scheduled for completion in Q4 2027).
6.	General	Meredith Lehr	Are there increasing costs in the current environment for the bond issuances in the future? Is that already captured in this data?	Future years account for assumed inflation for both maintenance and capital costs. The bond issuances anticipated in future years are based on these numbers and therefore consider these increases.
7.	General	Meredith Lehr	I would prefer to have the increases to the bills displayed and discussed in bi-monthly amounts and percentages, since that is how our community sees and pays them.	Staff will make this adjustment.
8.	2	Brian Thomas	For the operations and maintenance costs for the water and sewer utilities on slides 12 and 17, what is the breakdown of direct costs incurred by the water utility vs. common costs being allocated to it by the city for overhead and/or joint and common costs?	Overhead allocations in the Water utility amount to \$1.0 million in 2027 and \$1.1 million in 2028, or 14.6% and 14.3% of total maintenance and operations budgets respectively. Overhead allocations in the Sewer utility amount to \$0.89 million in 2027 and \$0.92 million in 2028, or 7.8% and 7.4% of total maintenance and operations budgets respectively.
9.	2, 3, 4	Brian Thomas	What annualized growth rate is predicted for operations and maintenance costs over the 27- 32-year period?	There are multiple cost escalation assumptions that feed into the overall maintenance and operations costs over the 6-year planning period of 2027-2032. Some examples would include salary increases, benefit increases, and supply cost increases. The average expenditure growth rate per year from 2027-2032 for each utility is listed below: • Water: 3.8% • Sewer: 3.4% (Excludes KC Metro costs) • Storm Water: 3.2%
10.	2,3,4	Brian Thomas	Now that rate-funded system reinvestment has begun in the city utility ratemaking process, is there a definitive policy or practice for determining which projects (size, service life, cost, etc.) will be debt-funded vs. those to be captured/included in RFSR?	Section 10 of the City’s Financial Management Policies (Resolution No. 1667) guides eligible uses of long-term debt.

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				In practice, projects that are ideal for debt funding are those with a useful life that exceeds 20 years and cost more than \$2.5 million, at minimum. This internal policy was developed using best practices and feedback from the City’s consultant FCS.
11.	3	Brian Thomas	For the King County Treatment costs on slide 17, I would like an overview of the City’s and other affected regional partners’ engagement with King County regarding the scope of the dramatic increases in treatment costs. The pass-through estimates are substantial and greatly affect projected rates. Have the City and its regional partners explored ways to push back on the increases and/or smooth them out over a longer time period?	The City has been working with the Sound Cities Association and Metropolitan Pollution Abatement Advisory Committee (MWPAAC) and Regional Water Quality Committee to support policy solutions that maintain regional sewer infrastructure, protect the environment, and address affordability for rate payers. More information on the drafted response letter and action taken by the City Council can be found in AB 6922.
12.	3	Brian Thomas	I would like a detailed explanation on how King County allocates sewer system costs, including the recent Interbay and North Mercer projects. For the North Mercer Project, can you provide an initial and current timeline on the project from start to finish, as well as a history of the estimated cost of the project?	King County’s Wastewater Treatment Division (WTD) operates as a regional, self-supporting utility funded entirely through wholesale wastewater rates and capacity charges. The wholesale rate is charged per Residential Customer Equivalent (RCE) or equivalent volume metrics. For example, the established wholesale monthly sewer rate is \$62.66 per RCE in 2026. There are no “area specific” rates tied to needs in capital infrastructure projects or other differentiations. The North Mercer Island/Enatai Sewer Upgrade Project design began in 2016 and was completed in 2021. Construction began in 2022 and is expected to conclude in 2027. More information about the project can be found https://kingcounty.gov/en/dept/dnrp/waste-services/wastewater-treatment/capital-projects/north-merc-island-enatai-sewer-upgrade.

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13.	2,3,4	Brian Thomas	In years past, we have seen data for rate and average bills compared to nearby communities (i.e., Bellevue, Kirkland, Issaquah, and others). Can you prepare and share a similar analysis for this rate cycle?	Staff is unable to provide this analysis by the October 13 th meeting due to the time required to solicit and confirm preliminary rate information with neighboring jurisdictions. Attached to the Q&A matrix is the regional assessment completed in 2025, which remains a relevant reference point.
14.	General	Debbie Bertlin	Can you please provide greater clarity in “user growth” for the 6 year period? A “Key Assumption” in the intro states no customer growth is assumed however in the EMS section growth in single and multi-family is assumed.	Due to the late-stage development state of the Island’s utility systems, staff typically anticipates no growth when projecting forward how many customers pay into the EMS rate’s revenue requirement. Growth in the single-family class as measured via overall Equivalent Living-Unit (ELU) count, represented an increase of 0.1%. New multi-family customers were recognized in this EMS rate study due to the opening of a mixed-use development in the town center area. Work is currently underway to update long range planning documents in the Water and Sewer utilities, the Water System Plan and General Sewer Plan, slated to finish in Q4 2027. A component of this work is a 20-year outlook on development on the Island, with a focus in the Town Center (Phase 1) area and the impact on capacity for both these utilities island-wide (Phase 2). Staff anticipates that growth assumptions in future years will be influenced by the results of these updates, scheduled for completion next year.
15.		Debbie Bertlin	Echo’ing Meredith’s request for more background on the RFSR-when was this budging principle adopted? Contextual background would be appreciated.	See Question #5.
16.	General	Debbie Bertlin	I would like to better understand the underlying factors driving rate increases from both SPU and KCT. Do we share the same assumed rate of inflation with them for the 6 year budgeting timeframe?	For SPU, staff assume a level of water purchased based on many years of historical actual water purchase data, forecast that forward with a 0% growth assumption, and apply a level on anticipated rate adjustments

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				from SPU. In the absence of known rate increases, staff assume 5% annual adjustments. King County Metro is based on a 10-year rate plan that is presented and adopted annually by the end of June. The website highlights five key reasons to support the increases: 1. Operations: workers operate facilities and machinery to treat more than 180 million gallons per day. 2. Maintenance: much of the equipment is 60+ years old. 3. Modernization: Much of the aging equipment can be replaced with more energy-efficient systems. 4. Capacity: As more customers join, there is a greater need to upsize the infrastructure to accommodate growth. 5. Regulatory Requirements: Over half of the costs in the next decade (I believe this to mean half of the CIP) work towards addressing regulatory requirements.
17.		Debbie Bertlin	SPU costs increase from \$2.0M to \$2.8M in 2032. Please provide key factors behind the increase, in particular whether or not there is assumed growth in consumption per customer and/or growth in the overall customer base.	The answer to #16 addresses some of this but the increase year to year is largely based on the assumed increases in the SPU purchased water rates of 5% per year.



Rate Comparison Study Background

- Requested by Utility Board during 2024 rate discussions
- 8 comparable cities chosen with staff consideration
 - » Bellevue
 - » Kirkland
 - » Bothell
 - » Redmond
 - » Edmonds
 - » Renton
 - » Issaquah
 - » Shoreline



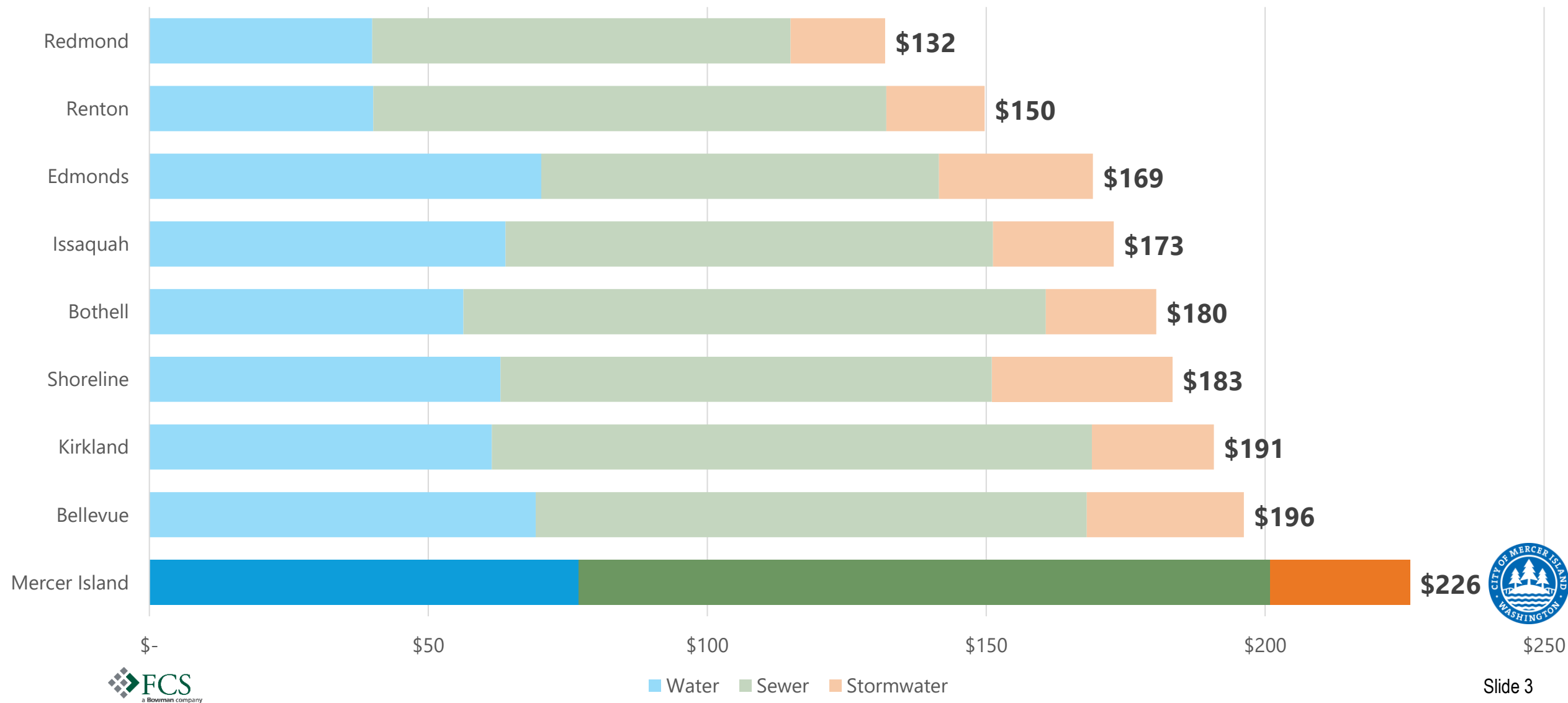
Rate Comparison Parameters and Goals

- Values based on average consumption rates
 - » Water: 14 ccf with Annual Average
 - » Sewer: 12 ccf with Winter Average
 - » Storm Water: Fixed Rates
- Primary goal to provide overall bill comparisons between cities





2025 Monthly Comparative Rate Survey



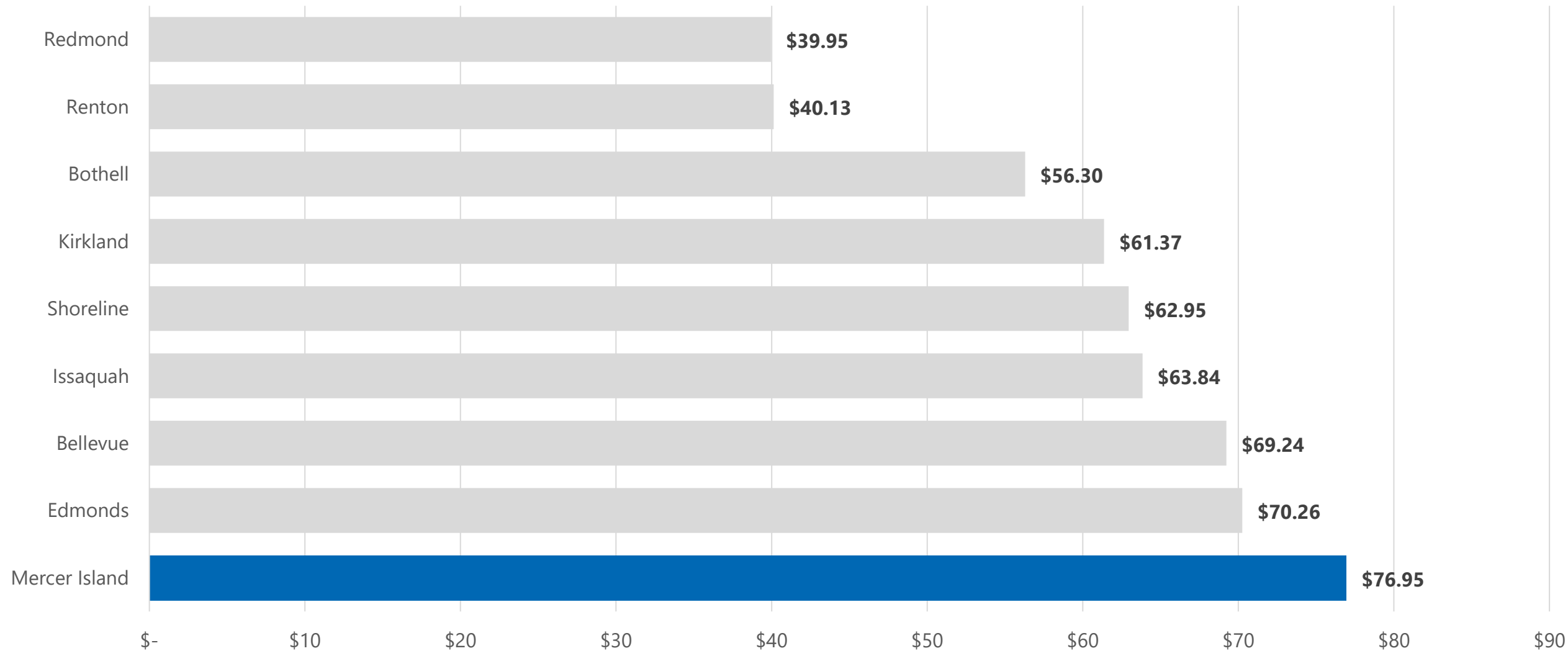


Rate Comparison Observations

- Utility systems in cities are rarely “apples to apples” for comparisons
- Mercer Island underground utilities face multiple complexities
 - » Large sections of water distribution pipes are past their useful life, requiring significant reinvestment
 - » Sewer system consists of 17 pump stations to operate an underwater lakeline

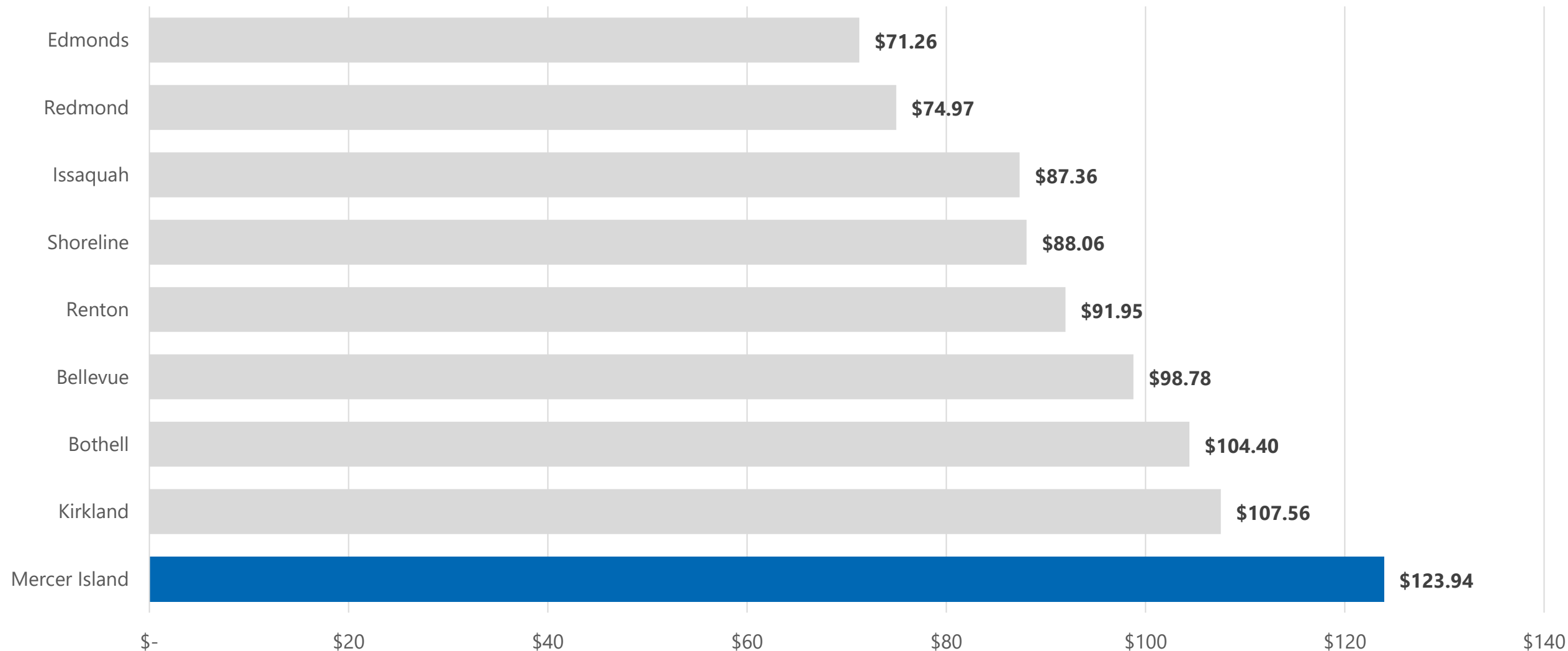


2025 Monthly Water Comparative Rate Survey





2025 Monthly Sewer Comparative Rate Survey





2025 Monthly Stormwater Comparative Rate Survey

