

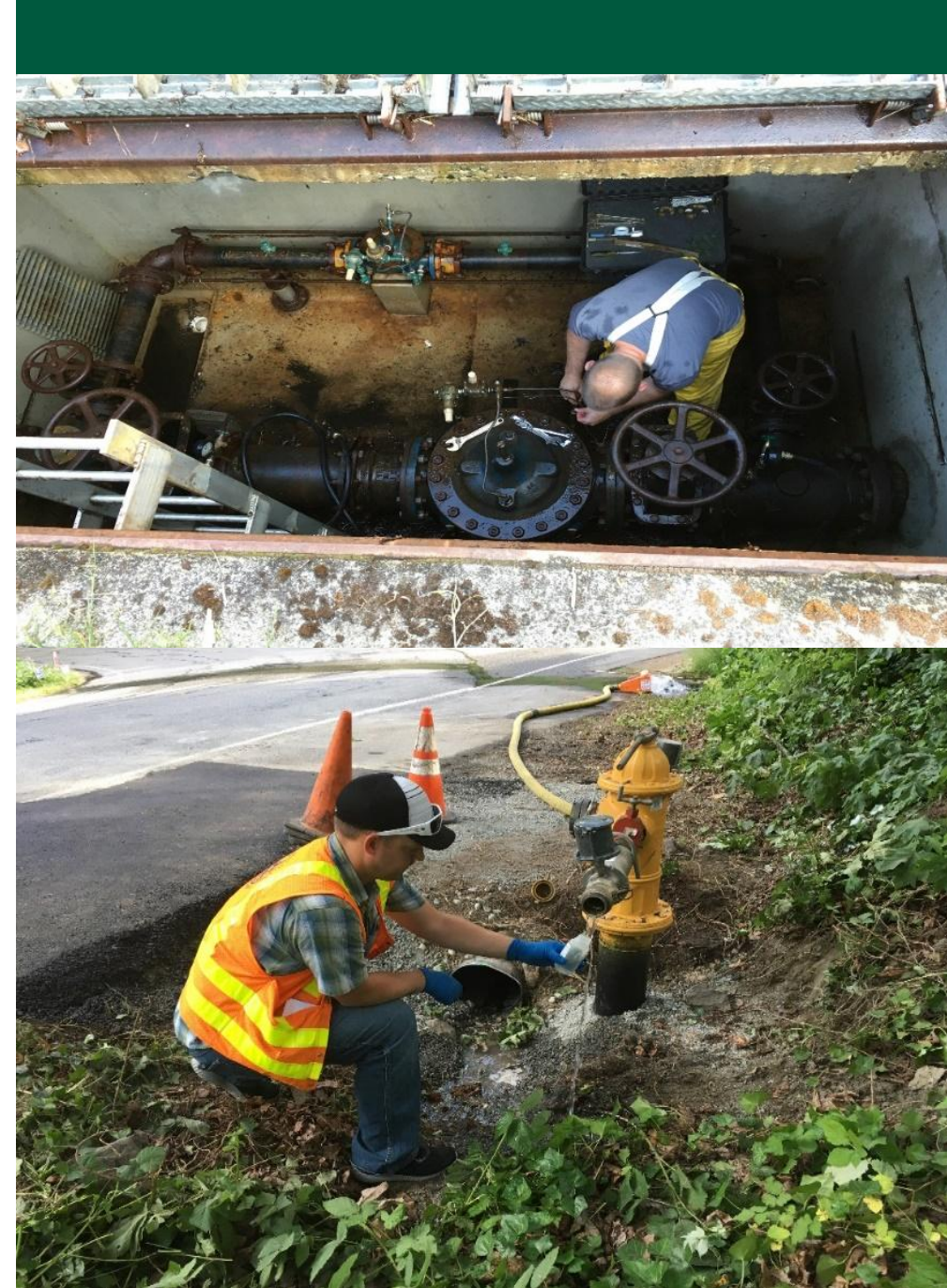


CITY OF MERCER ISLAND

2025 Rate Study Update

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October 28, 2025





Overview

- FCS & staff presented initial water, sewer, and stormwater rate recommendations Sept 9, 2025.
- Focus today is to continue rate adjustment discussion and finalize a recommendation for 2026.
- Next Steps.



Financial Forecast Key Assumptions



Forecast Basis

Study Period: 2025-2030
2025 YTD & 2026 budget
used as baseline



Operating Reserve Target

30-90 days of OpEx
Based on revenue collection
variability



Customer Growth

Conservatively no growth
assumed in 2026



Expense Inflation

3.5% to 6.0% for City costs
SPU water and KC Metro based
on provided forecast



Existing Debt Service

Water: \$2.4M annually
Sewer: \$1.0M annually



Capital Plan

2024 Actuals
2025 Expected
2026-2030: Adjusted City CIP



Proposed Water Rates



Water: Sample Single Family Bill

Monthly Estimates							Proposed
	2021	2022	2023	2024	2025	2026	
Water Bill	\$58.05	\$61.09	\$65.98	\$71.26	\$76.96	\$83.11	
\$ Increase	\$2.90	\$3.05	\$4.88	\$5.28	\$5.70	\$6.16	
% Increase		5.25%	8.00%	8.00%	8.00%	8.00%	

*Assumes ¾" meter and 7 ccf monthly usage

- Proposed 8% rate increase
- Key drivers:
 - » Near term capital reinvestment needs and associated debt repayment
 - » SPU water purchases approximately 19% of total annual utility cost
 - » Phasing towards RFSR target

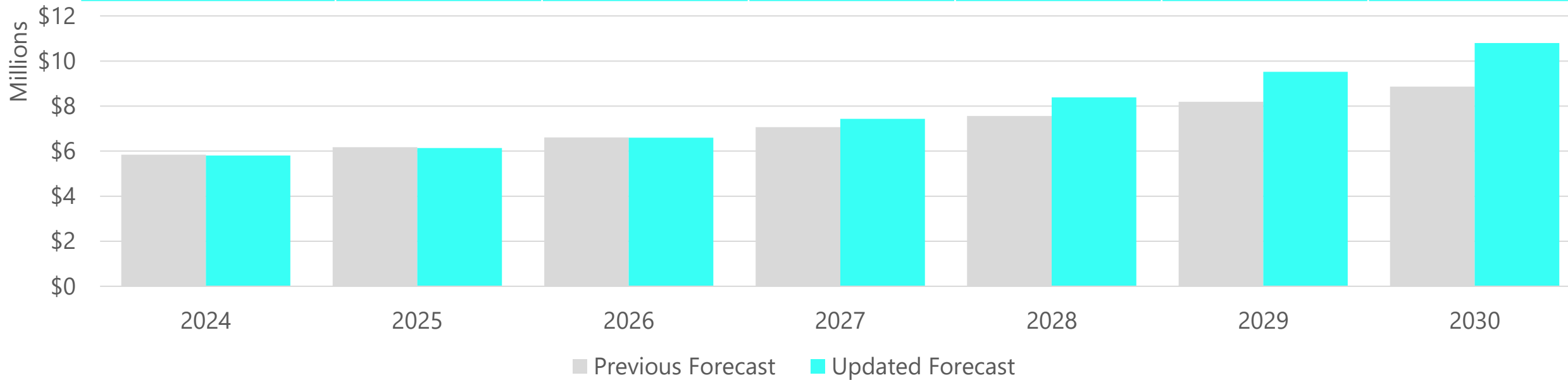


Proposed Sewer Rates



Updated King County Metro Cost Forecast

Annual Increase	2025	2026	2027	2028	2029	2030
Previous	5.75%	7.00%	7.00%	7.00%	8.25%	8.25%
Updated	5.75%	7.50%	12.75%	12.75%	13.50%	13.50%



- King County Treatment costs passed on to customers
 - » Does not impact local rate forecast
- 2030 cost to customer now 23% higher than previously forecasted



Sewer: Sample Single Family Bill

Proposed

Monthly Estimates	2021	2022	2023	2024	2025	2026
Local Sewer Bill	\$55.32	\$57.53	\$60.12	\$62.83	\$65.65	\$68.28
\$ Increase	\$2.13	\$2.22	\$2.59	\$2.71	\$2.83	\$2.63
% Increase		4.00%	4.50%	4.50%	4.50%	4.00%
Metro Sewer Bill	\$47.37	\$49.27	\$52.11	\$55.11	\$58.28	\$62.66
\$ Increase	\$2.04	\$1.90	\$2.84	\$3.00	\$3.17	\$4.38
% Increase		4.00%	5.75%	5.75%	5.75%	7.50%
Total Bill	\$102.69	\$106.80	\$112.23	\$117.94	\$123.93	\$130.94
\$ Increase	\$4.17	\$4.12	\$5.43	\$5.71	\$6.00	\$7.01
% Increase		4.01%	5.08%	5.08%	5.08%	5.65%

Assumes 6ccf monthly winter water usage

- Proposed 4% rate increase
 - » Down from initial proposal of 4.5% from Fall 2024
- Key drivers:
 - » Phasing towards the rate funded system reinvestment (RFSR) target.
 - » King County portion is ~48% of overall sewer bill.



Proposed Stormwater Rates



Stormwater: Sample Single Family Bill

						<i>Proposed</i>
Monthly Estimates	2021	2022	2023	2024	2025	2026
Stormwater Bill	\$18.87	\$19.91	\$21.50	\$23.22	\$25.07	\$26.58
\$ Increase	\$0.98	\$1.04	\$1.59	\$1.72	\$1.86	\$1.51
% Increase		5.50%	8.00%	8.00%	8.00%	6.00%

- Proposed 6% rate increase
 - » Down from initial proposal of 8% from Fall 2024
- Key drivers:
 - » Refined capital completion assumption
 - » Continue to work towards RFSR target by 2030



Summary



Water/Sewer/Stormwater Combined Monthly Bill Impact

Proposed

Monthly Estimates	2021	2022	2023	2024	2025	2026
Water Bill	\$58.05	\$61.09	\$65.98	\$71.26	\$76.96	\$83.11
\$ Increase	\$2.90	\$3.05	\$4.88	\$5.28	\$5.70	\$6.16
% Increase		5.25%	8.00%	8.00%	8.00%	8.00%
Local Sewer Bill	\$55.32	\$57.53	\$60.12	\$62.83	\$65.65	\$68.28
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\$ Increase	\$0.98	\$1.04	\$1.59	\$1.72	\$1.86	\$1.51
% Increase		5.50%	8.00%	8.00%	8.00%	6.00%
Total Bill	\$179.60	\$187.80	\$199.70	\$212.41	\$225.96	\$240.63
\$ Increase	\$8.05	\$8.20	\$11.91	\$12.71	\$13.55	\$14.68
% Increase		4.57%	6.34%	6.36%	6.38%	6.49%



Water/Sewer/Stormwater Monthly Bill By Ownership

Sample Bill Allocation 2026	Local	SPU/KC	Total
Water*	\$ 67.76	\$ 15.35	\$ 83.11
Sewer (Local)	68.28	-	68.28
Sewer (Metro)	-	62.66	62.66
Stormwater	26.58	-	26.58
Total	\$ 162.61	\$ 78.01	\$ 240.62
<i>Total % of Bill</i>	67.6%	32.4%	100.0%
<i>\$ Increase from prior year</i>	\$ 9.55	\$ 5.11	\$ 14.67

*Water bill allocation based on 2025 SPU purchases representing 19% of overall need.



Next Steps

- Deliberate and present Utility Board recommendation for 2026 water, sewer, and stormwater rate adjustments.
- Set recommendation for Council review and adoption in the City's fee schedule update tentatively set for the December 2, 2025 City Council meeting.

Thank you!

Questions?

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