



**BUSINESS OF THE CITY COUNCIL
CITY OF SNOQUALMIE**

**AB25-003
March 24, 2025
Public Hearing**

AGENDA BILL INFORMATION

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| TITLE: | AB25-003: 2025-2030 Utility Rate Adjustment | <input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution |
| | PROPOSED ACTION: | |

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|----------------|---------------------|----------------|-----------|
| REVIEW: | Department Director | Jeff Hamlin | 3/13/2025 |
| | Finance | Drew Bouta | 3/10/2025 |
| | Legal | Dena Burke | 3/6/2025 |
| | City Administrator | Mike Chambless | 3/10/2025 |

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|--------------------|---------------------------|---------------------------------------|--|
| DEPARTMENT: | Parks & Public Works | | |
| STAFF: | Dylan Gamble, CIP Manager | | |
| COMMITTEE: | Parks & Public Works | COMMITTEE DATE: March 18, 2025 | |
| EXHIBITS: | 1. Draft Ordinance 1303 | | |

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|--------------------------------|--------|
| AMOUNT OF EXPENDITURE | \$ n/a |
| AMOUNT BUDGETED | \$ n/a |
| APPROPRIATION REQUESTED | \$ n/a |

SUMMARY

INTRODUCTION

Ordinance 1303 will amend the Utility Rates for the years of 2025-2030. The recommended rate changes are designed to match rate revenue requirements, cost of services balance, and rate design for the City’s combined utility. The recommended rate changes are based on a 2025-2030 Utility Rate Study conducted by FCS Group.

LEGISLATIVE HISTORY

In June of 2020, City of Snoqualmie Council approved an agreement with Financial Consulting Solutions (FCS) Group to conduct a Utility Rate Study and General Facilities Charges Update for the City’s combined utility. Since the adoption of Ordinance 1248, the product of the 2021 Rate study effort, the City has maintained the Utility Rates increases with minor adjustments in the year 2021 (to reduce rates to 0%) and in 2024 (with increases associated with the 2024 fiscal Health Review).

A Fiscal Health Review of the utility rates was conducted in 2023 to study the recent impact that high levels of inflation have had on the revenue requirements of the combined utility. The study indicated that the City would need to increase rates to account for significant inflation. City Council implemented a single year rate adjustment (for the year 2024 only) through Ordinance 1284, adopted on December 11th, 2023.

City Council and the Parks and Public works Committee began review of the Utility rate revenue requirements in June of 2024. Parks and Public Works Committee initiated the study and made recommendations to the Council as to the revenue needed to achieve the Six-Year Utility CIP and projected six years of maintenance and operations expenses. This was brought to City Council for review and consideration on June 24th and July 8th, 2024.

Following the review of Council's rate revenue direction the Parks and Public Works Committee began the cost of services requirement utility rate review step. The cost of services review requires direction to the proper balancing of customer classes (Residential, multi-family, etc.) and their associated contribution to each Utility. Parks and Public Works Committee produced a recommendation that balanced customer class over a six-year time horizon. This was done to ensure each customer class is charged for the appropriate share of each utility expense, maintain equity, as well as careful consideration to correct any customer class imbalances. The Parks and Public Works committee recommendations were presented and reviewed at the November 12th, 2024 City Council Meeting.

The final utility rate element consideration, called 'rate design', is review of the balance between fixed rate and variable rate charges for all utility and customer classes. The City has in past utility rate designs made efforts to produce a balanced combination of fixed vs variable charges. This effort is done to smooth the monthly charge, and associated revenue generation, by including a monthly service charge in conjunction with a usage charge. Thus, allowing the City to collect the required revenue for the utilities across an entire year rather than in peak months of usage. In addition, maintaining the past Council rate design emphasizes the efforts to achieve water efficiency goals and minimize misuse or overuse of potable water. The Parks and Public Works committee recommendation(s) for rate design structures were presented and reviewed at the December 9th, 2024 City Council Meeting.

Following the direction of the December 9th, 2024 Council meeting a proposed Ordinance was produced that reflected the combined rate study efforts. The first version of Ordinance 1303 was first presented to the Parks and Public Works Committee on January 7th, 2025 and at the subsequent City Council Meeting on January 13th, 2025. Further direction was given to staff for additional review of rate revenue requirements and additional consideration to Utility CIP's project timing and criticality. Staff returned to the Public Works Committee on January 22nd, February 4th, and February 19th, 2025 presenting several rate designs/models. In addition, a complete review of the Utility CIP for project timing, criticality, and expense was conducted as part of the Council directive(s). Following this review, the Parks and Public Works Committee recommended a refined rate design to City Council on February 24th, 2025. After review, direction was given to return this rate design as an Ordinance (Version 2 of ORD. 1303) at the next possible Council meeting following all requirements of public noticing and public hearing.

BACKGROUND

FCS Group, in collaboration with the Administration, has worked to define the overall revenue needs of the combined utility, evaluate the cost to provide service to each customer class, and developed rates reflecting the fiscal sustainability and equity goals of Council. A periodic review of the of rates is planned for every four years to maintain the fiscal stability of the combined utility.

The process for updating and reviewing the utility rates is a multi-step effort. As part of this review, City Council often reviewed the impacts to potential rate changes as impacts to a hypothetical 'average customer'.

Staff reviewed customer data to produce an average customer based on usage and meter size and an average usage for all customer classes. Using this average customer class allows Council to directly compare different rate structures as well as changes to customer's monthly bills. The presentation that reflects this 'average customer' review as a format can be found at the [February 19th, 2025 Parks and Public Works Committee meeting](#). The materials from this presentation are generated from the modeling of the utility rates. Once codified by this ordinance, these rates will be used to calculate customer bills.

NEXT STEPS

The proposed utility rates will go into effect May 1st, 2025. Following any decision made as part of the 2025-2030 Utility Rate Study, staff will bring associated General Facility Charges (GFC) ordinance and charges. Updating of the GFC charges will complete the review of the utility rates maintained by the City's Utilities.

PROPOSED ACTION

March 24, 2025: Public Hearing and First Reading of Ordinance 1303.

April 14, 2025: Second Reading of Ordinance 1303. MOVE to approve Ordinance 1303 amending City of Snoqualmie Utility Rates for the years of 2025-2030.