

# 2013-2014 Biennial Budget



## **SECTION F**

### Utility Funds Summary

*Final Budget*

# UTILITY FUNDS SUMMARY

The following pages contain important information about the utilities as a whole. This section identifies the emerging issues for each utility, followed by a brief discussion of their operation, maintenance and capital reinvestment programs. The proposed utility rates for 2013 and 2014 and the underlying cost drivers are discussed. Finally, income statements are presented for the Water, Sewer, and Storm Water Utilities.



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## Emerging Issues for the Utilities

During the 2013-2014 biennium, Mercer Island's utilities will experience fiscal impacts caused by developments elsewhere in the region and new state and federal regulations. Continuing development, albeit at a slower pace than the last decade, in the greater Puget Sound area is driving local governments to plan and develop new utility infrastructure, manage endangered natural resources, and find ways to make our resources more sustainable. Each of the City's utilities will be affected differently. A major focus for the City's utilities will be ramping up efforts to meet the City's evolving sustainability goals. The Storm and Surface Water Utility, for example, will be looking closely at how to reduce the amount of dissolved copper and zinc in the runoff that reaches Lake Washington. The following summarizes the emerging issues on the horizon for each utility.

### Sanitary Sewer

King County completed a Regional Wastewater Services Plan (RWSP) in 1999, describing the need for extra capacity to meet the demands of rapid population growth. The Plan addresses how to meet these demands while protecting public health and our valuable water resources. The RWSP outlines a number of important projects and programs that King County will implement over the next 30 years and work that is already well underway. King County started construction of the new Brightwater Treatment Plant in 2006. The new facilities include a treatment plant, conveyance (pipes and pumps taking wastewater to and from the plant), and a marine outfall, which will improve the conveyance system in the north end of the County. Treatment plant operations began in September 2011, and the conveyance system and outfall will begin full operations in fall 2012. Final completion is expected in late 2013. The operation and maintenance of the King County Wastewater collection and treatment facility, as well as new projects to increase system capacity, drive the King County Sewage Treatment rates paid by City of Mercer Island utility customers.

King County is attempting to control the growing demand for sewage treatment capacity in the region through a new Regional Inflow/Infiltration (I/I) Control Program that was included in the 1999 Regional Wastewater Services Plan (RWSP). I/I is a term used to describe clean storm runoff and/or groundwater that enters the sewer system through cracked pipes, leaky manholes, or improperly connected roof drains, storm drains, and parking lot connections. Most inflow comes from storm water and most infiltration comes from groundwater. I/I has a major effect on the size of King County's conveyance and treatment systems and, ultimately, the rates businesses and residents pay to operate and maintain them.

This I/I Control Program is designed to determine where I/I comes from, establish that it is cost-effective to remove I/I, and recommend actions to actively control I/I in the future. The program is based on a cooperative partnership between King County and 34 local component agencies including Mercer Island.

Ten pilot projects were completed within King County's service area at a cost of approximately \$13.2 million funded by King County through sewer rates. Mercer Island was the recipient of one such project in 2003. About 16,000 linear feet of leaky mains were lined at a cost of \$1.2 million in the East Seattle neighborhood on Mercer Island. The purpose of the pilot projects was to evaluate the effectiveness of various rehabilitation techniques and to document the effectiveness of specific pilot projects in reducing excessive I/I flows in the King County conveyance and treatment system. Successes can be used as models for future projects. In 2007-2008, King County conducted an I/I reduction feasibility analysis in four candidate project areas (Bellevue, Issaquah, Renton, and Skyway). In 2011 King County began construction of an I/I reduction project in the Skyway Water and Sewer District service area (unincorporated King County), to test the cost-effectiveness of I/I reduction on a scale large

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enough to potentially offset the need for larger conveyance or storage facilities. I/I projects were also planned in Bellevue and Issaquah; however, in 2010 King County budget limitations led to a decision not to implement these projects.

An update of the City's General Sewer Plan was completed in 2002. The Plan has been used as a guide for capital budget planning including this budget. In anticipation of the 2013-2018 Budget development, staff prepared a more detailed capital spending plan than provided in the General Sewer Plan. The Plan is relevant and current and is not expected to require a major update for years to come. Unlike the Department of Health's requirement to update Water System Plans every six years, the Sewer Plan must be updated only when it is no longer considered current due to changes in regulations, system needs, growth patterns, or other factors. However, a project is included in the 2013-2014 CIP to update just the Capital Improvement chapter (a 20 year spending plan) of the General Sewer Plan.

The long-anticipated Sewer Lake Line Replacement Project was substantially complete in December 2010. The feasibility study for the project was completed in 2002. Design and permitting continued throughout the following two biennia at a cost of \$2.1 million. Permitting for this work in Lake Washington was a challenge as a result of the recent listing of the Puget Sound Chinook salmon as a threatened species under the Endangered Species Act and the issuance of the 4d rule. In 2007, after receiving high bids for the Sewer Lake Line project, City Council rejected all bids and directed staff to proceed with a peer review and project re-assessment. The peer review, reassessment, and redesign work completed in 2007-2008 cost an additional \$393,320. On May 19, 2008, the Council reviewed project re-assessment work and directed staff to proceed with re-designing and re-packaging the Sewer Lake Line project with a goal of going to bid in October 2008. The project included Reach 3 and Pump Station 4. Reach 4 was deleted for future construction. The City awarded construction contracts on December 1, 2008 for the Lake Line for \$14.8 million and for Pump Station 4 for \$4.3 million. Adding costs for contingency, construction management, project management, and mitigation, the total construction budget was set at \$24.2million in February 2009. The Lake Line project was completed for \$22.0 million, making it the Island's most expensive sewer capital project.

A sewer rate analysis was conducted in 2003 and has been reviewed annually since then. The analysis looked at the rate impacts of the capital projects identified in the General Sewer Plan, particularly the Lake Line Replacement Project, as well as operation and maintenance costs associated with the utility. This was the first formal rate analysis and rate increase in a decade. Annual rate increases between 9% and 18.1% were implemented between 2004 and 2010 to provide funding for the Sewer Lake Line project.

For the 6 years from 2004 to 2010, capital funding was focused on the Sewer Lake Line, with a minimum amount of funding dedicated to reinvestment in the rest of the system. Starting in 2011, the City began to increase funding for more routine reinvestment in lining or repairing sewer lines, upgrading pump stations and replacing obsolete pump station generators. Another driver to increase the level of capital reinvestment is the reduction of sewer back-ups into homes. Reducing backup claims will continue to require greater reinvestment in the sewer collection system.

Also, in recent years backups in the Sewer Lake Line have started occurring at a greater frequency. In response, an action plan has been developed that addresses both capital improvements and operational changes that should act to reduce backups. A project is proposed in 2015 and 2017 to add clean-out access points to the Sewer Lake Line. Capital reinvestment levels are expected to increase from close to \$600,000 in 2011 to slightly over \$1million in 2015.

## **Solid Waste**

The King County Solid Waste Division remains the primary provider of waste transfer and landfill services for suburban cities. Collection services, including garbage recycling and yard waste, on the Island are provided under the City's contract with Allied Waste. A new long-term contract with Allied was negotiated and approved in 2009. The County provides grant funding that provides the two special recycling events held each year on Mercer Island.

King County's 2001 Comprehensive Solid Waste Management Plan is in the process of being updated. A preliminary draft of the Comprehensive Plan was ready for review at the end of 2009. A final draft of the policy was released in 2011, and is expected to be approved by the Department of Ecology in late 2012. The plan will reflect major policy decisions being made as part of the development of the Transfer and Waste Export System Plan in 2006. The Export Plan provides a blueprint for the future of the County's solid waste system as the County prepares to begin exporting waste when the Cedar Hills Regional Landfill closes in several years. The plan was developed in collaboration with cities served by the County system through the Metropolitan Solid Waste Management Advisory Committee.

The update of the Comprehensive Plan is expected to call for the expansion and modernization of several Transfer Stations, including the Factoria Transfer Station in the next 5 years. This upgrade will allow additional services to be provided that will benefit Island residents, such as expanded collection of bulky yard debris. A relatively new service benefiting Island residents, the collection of household hazardous waste, became available at the Factoria Transfer Station in September 2002 and continues to be a highly popular feature of the transfer station. The Plan update process has analyzed whether to change the County's waste reduction and recycling goals. With growing interest in sustainability, it is anticipated that more aggressive goals ultimately will be established.

## **Storm Water**

Municipal storm and surface water utilities throughout the region are working to comply with new requirements evolving from the listing of the Puget Sound Chinook salmon and other species as threatened under the Endangered Species Act (ESA). At the same time, they also are facing the implementation of new Phase II National Pollution Discharge Elimination System (NPDES) permit requirements. Approximately 100 small to medium jurisdictions, including Mercer Island, fall under the requirements of the permit.

NPDES is an ongoing program to protect and improve surface water quality. NPDES requires cities to implement six "minimum control measures," including public education and involvement about the impacts of stormwater, detection and elimination of polluting discharges, post-construction management of stormwater in redevelopment and new development, and "good housekeeping" efforts for municipal operations. NPDES is implemented through permits for 5 year terms with specific requirements for compliance. For example, the City updated its storm water regulations in late 2009 to comply with the permit.

The Lake Washington/Cedar/Sammamish Watershed Chinook Salmon Conservation Plan was completed in 2005. The plan, which is based on best available science, provides a long-term strategy for bringing salmon off the list of threatened species, and is based on adaptive management principles. This planning effort was funded by jurisdictions throughout Water Resource Inventory Area (WRIA) 8, which is the state-designated planning area that encompasses parts of King and Snohomish counties along with Mercer Island and 23 other cities. During the 2007-2008 biennium, implementation of the plan hit full stride and continued in the following two biennia.

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The City's first ever Comprehensive Basin Review was completed in 2006. It identifies and prioritizes capital projects for years to come. The CIP section is updated in even numbered years to support the development of the capital program in the budget. The Basin Review is the City's "road map" for the utility to ensure continued reliable operation while addressing ongoing erosion problems in ravines, replacing or rehabilitating aging pipes, and protecting water quality in Lake Washington.

Since 1999, King County has provided the City with technical assistance to evaluate water quality conditions in several sub-basins on the Island. This effort involves sampling and analysis of stormwater in these basins. In general, the results indicate that pollutants found in the samples are typical of built-out urban cities, and capital improvements focused on erosion in watercourses correlate to an improvement to water quality. In the 2013-2014 biennium, King County's efforts will be focused on performing a systematic investigation in the town center and south Mercer Island shopping center areas to identify any significant sources of dissolved copper and zinc. These chemicals can affect salmon. A subsequent phase of work will involve source control and treatment of storm water from the sources identified through the investigation.

During 2013-2014, a major focus for the City's Storm Water Utility will be ramping up efforts to meet the City's evolving sustainability goals. For the storm basins, this includes continuing efforts to reduce silt entering Lake Washington through drainage basin improvements, improving water quality (zinc and copper) entering Lake Washington through enhanced monitoring, measurement, and potential pre-treatment projects. For the piped system, this includes conversion of ditches into bio-swales, and stepping up street sweeping. It also may include adopting best management practices and low impact development.

## **Water**

The Cascade Water Alliance (Cascade) formed in 1998 with Mercer Island becoming its second member to join. Cascade's formation followed years of work by elected officials in the greater King County region to develop independent water supplies for suburban cities and water districts. Seattle initially supported the formation of a "new entity" to provide water supply outside its city limits. In 1999, a water supply contract negotiated by Seattle and the group that became Cascade failed to gain enough support (75% of Seattle's 27 wholesale purveyors) to be accepted by Seattle. Today, Seattle's policy is that they will continue to own, operate, and control the Seattle water supply system. They offered new wholesale contracts to individual or groups of water utilities for either full or partial water supply requirements.

In late 2002, Cascade adopted a new interlocal agreement for its members that heightened the potential for near-term water shortages and large capital expenditures for development of new supply. In January 2003, the Utility Board and City staff recommended that Mercer Island withdraw from the Cascade Water Alliance on the belief that Seattle's water system is a more certain supply for the City of Mercer Island's low-growth needs at lower long-term cost increases for our utility customers.

The City Council agreed and in June 2003 approved a new supply contract with the City of Seattle. Nineteen wholesale water customers including Mercer Island, now have new 60-year water service agreements with Seattle. Mercer Island has a seat on the Seattle Public Utilities Operating Board that oversees the new wholesale contract.

For water utilities throughout the region, the growing pressure on limited storage capacity has meant a continuing focus on conservation. Mercer Island's "Be Responsible" conservation campaign kicked off in 2001, and has been very effective. "Be Responsible" was designed to complement the Seattle Public Utilities' conservation programs, which are more regional in nature, by targeting residential usage during

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the summer when consumption is at its peak. In general, with behavior changes and the installation of lower flow toilets and appliances, Mercer Island's overall water use is declining.

In 2004, the City completed the Utility Vulnerability Assessment and Emergency Response Plan required by the Bioterrorism Preparedness and Response Act of 2002. This work highlighted the importance of creating more drinking water storage on the Island. In 2005, the City Council, Utility Board, and staff agreed that a small well would be the most cost-effective and reliable way to provide an emergency supply of drinking water for Island residents. Feasibility work for the well was completed in 2005, and design work was completed in 2006. Early in 2007, a test well was drilled to a depth of 570 feet, producing water of both the quality and quantity to serve as a short-term source in the event of an interruption in the Island's supply from Seattle Public Utilities. During testing, the test well produced 300 gallons per minute (gpm) for 24 hours, enough to provide about 5 gallons per person on a daily basis for up to seven days. In 2007-2008, a Temporary Use Plan for the test well and conceptual designs of the permanent well facility were developed. Feasibility, Test Well Construction, Temporary Use Planning, and Conceptual Design were completed at a cost of \$525,000. In April 2008, Council reviewed the well project and directed staff to move forward with the design of the permanent well facility, allocating \$135,000 for final design. The City awarded the construction contract on June 15, 2009 for \$812,000. Construction was complete, and the project close-out accepted by Council on July 19, 2010. Construction and a portion of the design costs for the well were funded with a short-term loan for \$1,015,000, with repayment to come from the anticipated sale of the First Hill property. In June 2010, the bond terms were amended, extending the terms of the loan to June 2013, with a true interest cost of 2.72%. In addition, \$40,000 was paid on the principal balance using project savings from construction of the well, thereby reducing the principal balance to \$975,000. The proceeds from the future sale of the First Hill property will be used to pay this principal balance.

In July 2008, the updated Comprehensive Water System Plan was adopted by the City Council. State law requires an update at least every six years. The Plan looks at future demands on the system and how storage and other system requirements may change. Compliance with future water quality regulations and capital requirements also are examined. The plan was used as a guide for capital budget planning during the development of the 2013-2014 biennial budget. In compliance with Washington State Department of Health (DOH) guidelines, the Water System Plan will be updated in the 2013-2014 biennium.

In April of 2009 the Washington State Department of Health (DOH) performed a sanitary survey of the City's water system. DOH Group A drinking water regulation, WAC 246-290-416, requires routine sanitary surveys of all Group A systems once every five years. The purpose of the survey was to assess the overall operation, maintenance and management of the water system towards ensuring the distribution of safe and reliable drinking water. DOH reported to the City of Mercer Island that their water system appears to be in great condition; a result of a functional operations and maintenance program that continues to evolve based on education and experience. The survey also noted that the City's facilities appeared to be well maintained.



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## Operation and Maintenance of the Utilities

Water is delivered to the head works by Seattle Public Utilities' 16" and 24" water supply lines. The water is stored in two 4-million gallon reservoirs for domestic use and fire protection. On average, about 800 million gallons of water are purchased annually. A majority of water used is distributed through 115 miles of 4" to 30" waterlines and is delivered to customers through approximately 7,674 water meters. To control high water pressure in the lower elevations in the system, 87 pressure reducing stations (PRV's) are necessary. There are approximately 1,800 in-line valves installed for control and isolation purposes. There are also 1,067 fire hydrants in the system.

Sewer collection and transmission services are provided to 7,120 single-family residences, 77 multi-family complexes (about 2,280 units), and 175 businesses and schools connected to the sanitary sewer collection system. Sewage is pumped through 104 miles of pipe and through 17 sewage pump stations to the two King County Wastewater pumping stations (located at the North end and on the Southeast side of the Island), which then pump the sewage over to the King County Wastewater Treatment Facility in Renton. The City's goal is to perform all work in accordance with City, State, and Federal rules and regulations, including the City's Sewer Comprehensive Plan and the Growth Management Act.

The City's Storm Water system is made up of close to 4,827 catch basins, 81.55 miles of storm lines, 16.23 miles of water courses, and 20.59 miles of ditches. The City's goal is to comply with State and Federal regulations affecting storm water quality by performing maintenance using our established standards. Operations and Maintenance (O&M) programs are necessary to protect property from flooding and to prevent pollutants and sediments that have been captured by storm water facilities from being washed into the lake during storm events. The Storm Water Utility relies heavily on contracted services to perform many of these operations.

The budget for the Operation and Maintenance of the City's three Utilities is discussed in detail in Section G (Operating Budget by Department) of the Budget (see Maintenance Department).

## Capital Reinvestment in the Utilities

Capital Reinvestment in the three City Utilities is guided by the City's Comprehensive Water System Plan, General Sewer Plan, and Comprehensive Basin Review. Due to the impact of capital costs on rates and the variation in funding levels needed over time, each utility establishes and maintains a capital projects schedule of at least six years in duration. The schedule includes project description, scheduled year of construction, and total estimated cost. Each project is identified as an improvement project or a replacement project (including repair and rehabilitation). Details of the capital replacement projects proposed for each utility for the 2013-2014 biennium are included in Section H (Capital Improvement Program) of the Budget.

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## Historical Utility Rate Increases

Rate increases have varied significantly over time. For each of the City's utilities, there have been years when no rate increase was taken. For example, there was no increase in Sewer rates for the 10 year period from 1994 to 2003. A summary of the 20 year rate history for the City's Water and Sewer utilities are presented in the tables below:

### Water Rate History

Year	Incr/Decr	Year	Incr/Decr
2012	12.35%	2002	2.50%
2011	9.50%	2001	0.25%
2010	8.40%	2000	5.30%
2009	9.50%	1999	9.50%
2008	8.30%	1998	6.70%
2007	9.15%	1997	0.00%
2006	6.50%	1996	0.00%
2005	2.35%	1995	0.00%
2004	3.50%	1994	0.00%
2003	10.00%	1993	0.85%
<b>10 Yr Avg</b>	<b>7.96%</b>	<b>20 Yr Avg</b>	<b>5.23%</b>

### Sewer Rate History

Year	Incr/Decr	Year	Incr/Decr
2012	9.30%	2002	0.00%
2011	9.30%	2001	0.00%
2010	9.75%	2000	0.00%
2009	8.00%	1999	0.00%
2008	18.10%	1998	0.00%
2007	12.00%	1997	0.00%
2006	9.00%	1996	0.00%
2005	9.00%	1995	0.00%
2004	9.40%	1994	0.00%
2003	0.00%	1993	49.20%
<b>10 Yr Avg</b>	<b>9.39%</b>	<b>20 Yr Avg</b>	<b>7.15%</b>

The Storm Water Utility was formed late in 1995. A summary of the 17 year rate history for the City's Storm Water utility is presented in the following table:

### Storm Water Rate History

Year	Incr/Decr	Year	Incr/Decr
2012	0.00%	2002	0.00%
2011	3.30%	2001	0.00%
2010	5.50%	2000	7.25%
2009	5.50%	1999	2.40%
2008	0.00%	1998	14.00%
2007	5.70%	1997	40.00%
2006	5.10%	1996	15.50%
2005	5.40%	1995	N/A
2004	0.00%	1994	N/A
2003	0.00%	1993	N/A
<b>10 Yr Avg</b>	<b>3.05%</b>	<b>17 Yr Avg</b>	<b>6.45%</b>

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## Utility Funding and Rate Setting

In 1993, the Utility Board and City staff worked closely to establish financial policies to guide future rate and budget decisions. One of the guiding policies is “*Each utility will establish rates sufficient on an annual basis to meet all utility cash requirements including operating expenses, debt service, additions to reserves and rate-funded capital costs.*” The fiscal policies are detailed in Section C (Budget Policies) of the Budget (see Utility Fiscal Policies).

The Utility Board reviews the proposed biennial budget for each of the City’s three utilities and makes rate recommendations on an annual basis. During 2006 and again in 2009, an in-depth study of the City’s Water Rates was conducted by Financial Consulting Solutions Group (FCSG) with review and key decisions made by the Utility Board. The 2006 study included a review of the fiscal policies for the Water Utility, an analysis of the revenue requirement and customer cost allocations of the Water Utility, rate design incorporating cost of service adjustments, and a review of non-rate charges and miscellaneous fees charged by the Water Utility. The 2009 study reviewed the overall water use (consumption) on which rates are based, customer cost allocations, capital needs, and identified fire protection costs to be recovered through a utility tax instead of rates.

The preliminary 2013-2014 biennial budget was based on rate increases (in both 2013 and 2014) of 8.0% for water, 9.5% for sewer, and 5.1% for storm water, as unanimously recommended by the Utility Board. During their budget review, the City Council eliminated one major capital project from each Utility in 2013-2014, as follows: Island Crest Way & 85<sup>th</sup> Ave Water System Improvements (\$1,596,000), East Mercer Way Sewer Replacement (\$500,000), and First Hill Drainage Improvements (\$425,000), thereby reducing rates.

The 2013-2014 biennial budget is based on the following rate increases:

**Water** – 4.3% increase in 2013 and 3.5% increase in 2014 across all customer classes. This rate increase is largely driven by the cost of purchased water and planned capital improvement needs. Seattle Public Utilities sets rates in 3 year periods. The effective rate increase for Mercer Island in 2012 was 34.7%, and will be 0.8% in 2013 and 0.2% in 2014. Moderate increases of about 5% per year are forecast for 2015 and beyond. The Utility Board recommends increasing the annual capital funding level to \$1.4 million during the 6 year planning period, as recommended in the Water System Plan, to fund projected capital reinvestment projects for mains and hydrants. Staff plans to sell the First Hill Water property in early 2013 in order to pay off the debt on the Emergency Water Well, which will come due on June 1, 2013. For a single family customer, the 2013 rate translates into a \$3.07 increase in the bi-monthly bill, assuming an average water usage of 16 ccf per bi-monthly billing period and a ¾” meter.

**Sanitary Sewer** – 4.0% increase in 2013 and 6.0% increase in 2014. This covers the City’s portion of operating and maintaining the sanitary sewer system and equals about 50% of the total bi-monthly sewer bill paid by the average single family customer. The other 50% is the Sewage Treatment charge discussed below. The rate increase is largely driven by the capital reinvestment needs of the system, which were held to a minimum during construction of a segment of Sewer Lake Line in 2009-2011. This represents a \$2.50 increase to the average single family customer’s bi-monthly sewer bill in 2013, with a bi-monthly winter use of 12 ccf.

**Sewage Treatment** – Sewage Treatment rates charged by King County Wastewater Treatment, which represents a “pass through” charge, will increase in 2013 by 10.2%, which represents a \$7.38 increase in the bi-monthly bill for an average single family residential customer.

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**Storm Water** – 1.2% increase in 2013 and 2014. This translates into a 36 cent increase in the 2013 bi-monthly bill of a single family residential customer. The increase in storm water rates will pay for ongoing capital and operating activities related to the drainage system. In addition, the proposed Sustainability Coordinator (0.5 FTE) will be split 50/50 between the General Fund and the Storm Water Fund. Water quality improvements continue to be a major thrust of the Storm Water Utility.

**Emergency Medical Service (EMS)** – 12.7% increase in 2013 and 4.3% increase in 2014. Emergency Medical Service rates are adjusted each biennium based on the actual costs of the four firefighter positions supported by this rate and a review of the past 2 years of EMS call history. Starting in 2011, the demand portion of the rate was adjusted based on revenue expected to be collected from ambulance transport fees, resulting in a flat rate per equivalent service unit (ESU). In 2013, the average single family residential customer’s bi-monthly bill will increase by \$0.91 per ESU per bi-monthly bill.

Taken together, the total (i.e. water, sewer, storm water, and EMS) bi-monthly utility bill for the average single family residential customer will go up by 5.9% in 2013 and 2.8% in 2014, which equates to a \$14.22 increase and a \$7.10 increase respectively, as noted in the table below.

Utility Rate Component	2012 Adopted	2013 Adopted	2014 Proposed	\$ Change		% Change	
				2013	2014	2013	2014
Water	\$70.40	\$73.47	\$76.04	\$3.07	\$2.57	4.3%	3.5%
Sewer Treatment (King County)	\$72.20	\$79.58	\$79.58	\$7.38	\$0.00	10.2%	0.0%
Sewer Maintenance	\$61.51	\$64.01	\$67.83	\$2.50	\$3.82	4.0%	6.0%
Storm Water	\$29.92	\$30.28	\$30.64	\$0.36	\$0.36	1.2%	1.2%
EMS	\$7.16	\$8.07	\$8.42	\$0.91	\$0.35	12.7%	4.3%
<b>Total</b>	<b>\$241.19</b>	<b>\$255.41</b>	<b>\$262.51</b>	<b>\$14.22</b>	<b>\$7.10</b>	<b>5.9%</b>	<b>2.8%</b>

### 2012 Comparison of Mercer Island to King County Average\*

In order to provide some context for the 2013-2014 rate increases for the City of Mercer Island, a comparison of 2012 water, sewer, and storm water utility rates between Mercer Island and the King County average is presented in the table below.

Description	Water	Sewer Maintenance	Sewage Treatment (King County)	Storm	Total
Mercer Island	\$70.40	\$61.51	\$72.20	\$29.92	\$234.03
King County average	\$95.10	\$77.55	\$72.20	\$25.64	\$270.49

\* Based on preliminary data from the 2012 AWC (Association of Washington Cities) Tax and User Fee Survey.

Relative to the King County average, Mercer Island’s bi-monthly utility bill, excluding the EMS utility (which most cities don’t have), is 13.5% less in 2012 for a typical single family residential customer.

Income statements for the Water Fund, Sewer Fund, and Storm Water Fund are presented on the following three pages.

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## Water Fund Income Statement

Description	2011 Actual	2012 Estimate	2013 Budget	2014 Budget
<b>Revenues:</b>				
Sales/Service	\$ 4,233,998	\$ 4,702,688	\$ 4,855,080	\$ 4,975,836
Conservation Surcharge	24,428	20,000	20,000	20,000
Cell Tower Lease / Utility Tax	95,497	81,170	86,787	92,793
Meter Installations / Misc	130,046	100,000	100,000	100,000
<b>Total Revenues</b>	<b>\$ 4,483,969</b>	<b>\$ 4,903,858</b>	<b>\$ 5,061,867</b>	<b>\$ 5,188,629</b>
<b>Operating Expenses:</b>				
Salaries and Benefits	\$ 1,079,312	\$ 1,218,312	\$ 1,270,680	\$ 1,317,637
Supplies	273,935	207,950	182,500	182,750
SPU Purchased Water	1,418,172	1,968,501	1,882,578	1,867,561
Contractual Services	336,938	372,858	300,922	377,630
Equipment Rental	125,427	125,319	140,222	140,506
Other Services and Charges	111,961	242,988	139,214	162,082
Insurance	78,674	83,926	95,747	100,534
Taxes	216,966	239,277	256,453	274,817
City Administration	197,273	205,637	213,363	222,224
<b>Total Operating Expenses</b>	<b>\$ 3,838,657</b>	<b>\$ 4,664,768</b>	<b>\$ 4,481,679</b>	<b>\$ 4,645,741</b>
<b>Net Income</b>	<b>\$ 645,312</b>	<b>\$ 239,090</b>	<b>\$ 580,188</b>	<b>\$ 542,888</b>
<b>Other Financial Sources (Uses) :</b>				
Connection Charges	\$ 238,116	\$ 30,000	\$ 60,000	\$ 90,000
Interest	10,705	6,432	7,636	8,394
Interfund Trsf - Sewer Lk Line	400,000	(100,000)	-	-
FH Debt Proceeds/Prop Sale	1,519,771	-	1,275,000	-
Debt Service	(102,197)	(137,856)	(1,097,987)	(108,263)
Capital Projects	(706,521)	(1,089,378)	(777,000)	(940,000)
<b>Total Sources (Uses)</b>	<b>\$ 1,359,873</b>	<b>\$ (1,290,802)</b>	<b>\$ (532,351)</b>	<b>\$ (949,869)</b>
<b>Net Increase (Decrease) in Working Capital</b>				
<b>Working Capital</b>	<b>\$ 2,005,185</b>	<b>\$ (1,051,712)</b>	<b>\$ 47,837</b>	<b>\$ (406,981)</b>
<b>Working Capital:</b>				
Beginning Working Capital	\$ 2,401,001	\$ 4,406,186	\$ 3,354,474	\$ 3,402,312
Net Increase (Decrease)	2,005,185	(1,051,712)	47,837	(406,981)
<b>Ending Working Capital</b>	<b>\$ 4,406,186</b>	<b>\$ 3,354,474</b>	<b>\$ 3,402,312</b>	<b>\$ 2,995,331</b>
Less: Fiscal Policy Reserves	\$ (959,664)	\$ (993,025)	\$ (983,425)	\$ (996,352)
Less: Capital Funding Reserve	(300,000)	(315,452)	(327,990)	(343,091)
Less: Water Purchases Reserve	-	(300,000)	(300,000)	(300,000)
<b>Working Capital Available</b>	<b>\$ 3,146,522</b>	<b>\$ 1,745,997</b>	<b>\$ 1,790,897</b>	<b>\$ 1,355,888</b>

# Utility Funds Summary

## Sewer Fund Income Statement

Description	2011 Actual	2012 Estimate	2013 Budget	2014 Budget
<b>Revenues:</b>				
Sales/Service	\$ 2,967,702	\$ 3,167,386	\$ 3,294,080	\$ 3,491,725
Charges for KC Treatment	3,805,854	3,805,855	4,188,146	4,188,146
Miscellaneous	30,387	-	-	-
<b>Total Revenues</b>	<b>\$ 6,803,943</b>	<b>\$ 6,973,241</b>	<b>\$ 7,482,226</b>	<b>\$ 7,679,871</b>
<b>Operating Expenses:</b>				
Salaries and Benefits	\$ 772,138	\$ 818,255	\$ 853,466	\$ 873,700
Supplies	67,650	52,450	53,000	53,250
Contractual Services	614,844	375,846	470,462	375,045
KC Sewage Treatment Charges	3,819,741	3,812,747	4,202,471	4,202,471
Equipment Rental	72,297	69,289	73,588	73,872
Other Services and Charges	2,089,901	407,005	113,014	132,227
Insurance	96,859	104,123	56,103	58,908
Taxes	114,408	125,619	133,702	146,398
City Administration	197,273	205,637	213,363	222,224
<b>Total Operating Expenses</b>	<b>\$ 7,845,111</b>	<b>\$ 5,970,971</b>	<b>\$ 6,169,169</b>	<b>\$ 6,138,095</b>
<b>Net Income</b>	<b>\$ (1,041,168)</b>	<b>\$ 1,002,270</b>	<b>\$ 1,313,057</b>	<b>\$ 1,541,776</b>
<b>Other Financial Sources (Uses) :</b>				
Interest Earnings	\$ 10,635	\$ 4,741	\$ 2,255	\$ 2,622
Connection Charges	5,457	200,620	5,766	5,939
Federal STAG Grant	44,908	-	-	-
Debt Service - Sewer Lk Line	(1,135,237)	(1,130,581)	(1,108,063)	(1,108,349)
Other Capital Projects	(354,750)	(1,071,515)	(758,000)	(157,000)
<b>Total Sources (Uses)</b>	<b>\$ (1,428,987)</b>	<b>\$ (1,996,735)</b>	<b>\$ (1,858,042)</b>	<b>\$ (1,256,788)</b>
<b>Net Increase (Decrease) in</b>				
<b>Working Capital</b>	<b>\$ (2,470,155)</b>	<b>\$ (994,465)</b>	<b>\$ (544,985)</b>	<b>\$ 284,988</b>
<b>Working Capital:</b>				
Beginning Working Capital	\$ 4,366,658	\$ 1,896,503	\$ 902,038	\$ 357,054
Net Increase (Decrease)	(2,470,155)	(994,465)	(544,985)	284,988
<b>Ending Working Capital</b>	<b>\$ 1,896,503</b>	<b>\$ 902,038</b>	<b>\$ 357,054</b>	<b>\$ 642,042</b>
Less: Fiscal Policy Reserves	\$ (450,000)	\$ (454,331)	\$ (489,247)	\$ (493,231)
Less: Capital Funding Reserve	-	(173,026)	(182,727)	(185,509)
<b>Working Capital Available</b>	<b>\$ 1,446,503</b>	<b>\$ 274,681</b>	<b>\$ (314,920)</b>	<b>\$ (36,698)</b>

# Utility Funds Summary

## Storm Water Fund Income Statement

Description	2011 Actual	2012 Estimate	2013 Budget	2014 Budget
<b>Revenues:</b>				
Sales/Service	\$ 1,683,523	\$ 1,731,705	\$ 1,752,485	\$ 1,773,515
Grants - FEMA, NPDES	34,954	115,741	80,000	-
<b>Total Revenues</b>	<b>\$ 1,718,477</b>	<b>\$ 1,847,446</b>	<b>\$ 1,832,485</b>	<b>\$ 1,773,515</b>
<b>Operating Expenses:</b>				
Salaries and Benefits	\$ 528,973	\$ 707,576	\$ 660,539	\$ 750,680
Supplies	47,376	22,250	22,350	22,600
Contractual Services	345,036	551,245	547,630	429,910
Other Services and Charges	34,040	48,259	42,034	66,131
Equipment Rental	67,599	69,599	69,815	70,064
Insurance	48,074	51,889	27,611	28,992
Utilities	21,586	28,000	28,000	28,000
Intergovernmental	3,790	13,100	13,100	13,100
Taxes	12,131	30,324	31,110	32,075
City Administration	60,127	62,570	103,282	107,290
<b>Total Operating Expenses</b>	<b>\$ 1,168,731</b>	<b>\$ 1,584,812</b>	<b>\$ 1,545,471</b>	<b>\$ 1,548,843</b>
<b>Net Income</b>	<b>\$ 549,746</b>	<b>\$ 262,634</b>	<b>\$ 287,014</b>	<b>\$ 224,673</b>
<b>Other Financial Sources (Uses) :</b>				
Fee-in-Lieu	\$ 250,688	\$ 35,000	\$ 60,000	\$ 70,000
Interest	7,157	5,765	4,195	4,800
Grant - LID Project	-	225,000	-	-
Capital Projects	(491,637)	(1,051,060)	(576,000)	(952,000)
<b>Total Sources (Uses)</b>	<b>\$ (233,792)</b>	<b>\$ (785,295)</b>	<b>\$ (511,805)</b>	<b>\$ (877,200)</b>
<b>Net Increase (Decrease) in</b>				
<b>Working Capital</b>	<b>\$ 315,954</b>	<b>\$ (522,660)</b>	<b>\$ (224,791)</b>	<b>\$ (652,528)</b>
<b>Working Capital:</b>				
Beginning Working Capital	\$ 2,251,747	\$ 2,567,701	\$ 2,045,042	\$ 1,820,251
Net Increase (Decrease)	315,954	(522,660)	(224,791)	(652,528)
<b>Ending Working Capital</b>	<b>\$ 2,567,701</b>	<b>\$ 2,045,042</b>	<b>\$ 1,820,251</b>	<b>\$ 1,167,723</b>
Less: Fiscal Policy Reserves	\$ (89,163)	\$ (92,730)	\$ (90,842)	\$ (86,924)
<b>Working Capital Available</b>	<b>\$ 2,478,538</b>	<b>\$ 1,952,312</b>	<b>\$ 1,729,409</b>	<b>\$ 1,080,799</b>