



Information Item: ES Preliminary Budget, Rates, and Workshops

Matt Gsellmeier, Budget Manager

Environment Committee: May 13, 2025



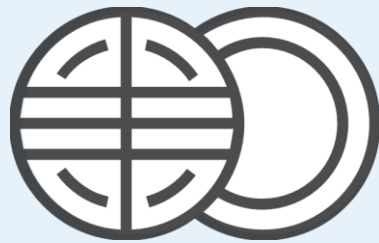
2026 executive summary (vs. 2025)

**Regional
Wastewater
Charge**



5.8%

**Sewer
Availability Unit
Charge**



0%

**Industrial Waste
Strength Charge**



8.1%

**Industrial Permit
Fee**



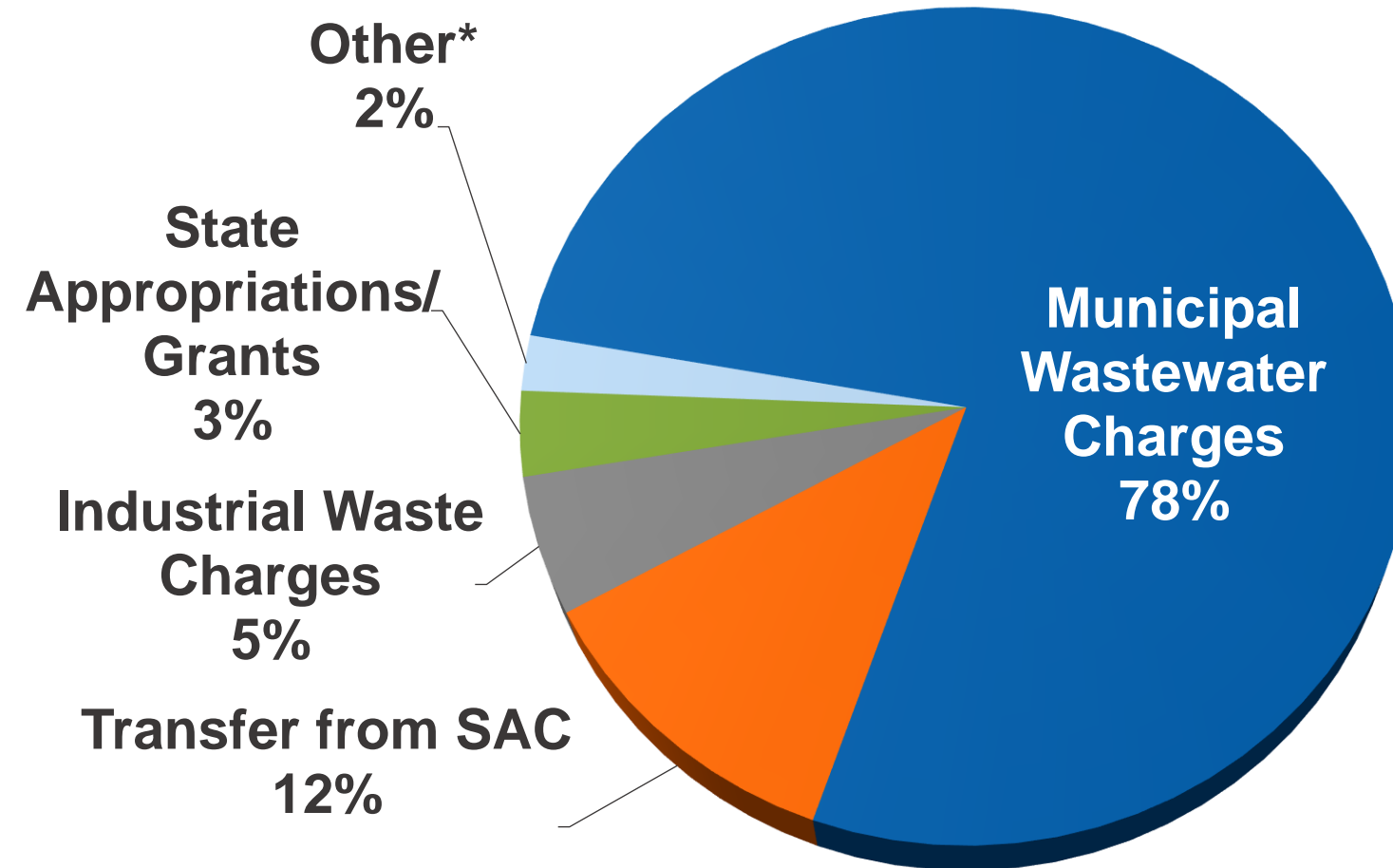
~5.8%

2026 preliminary regional municipal wastewater charge increase drivers

5.8% translates to \$17.3M

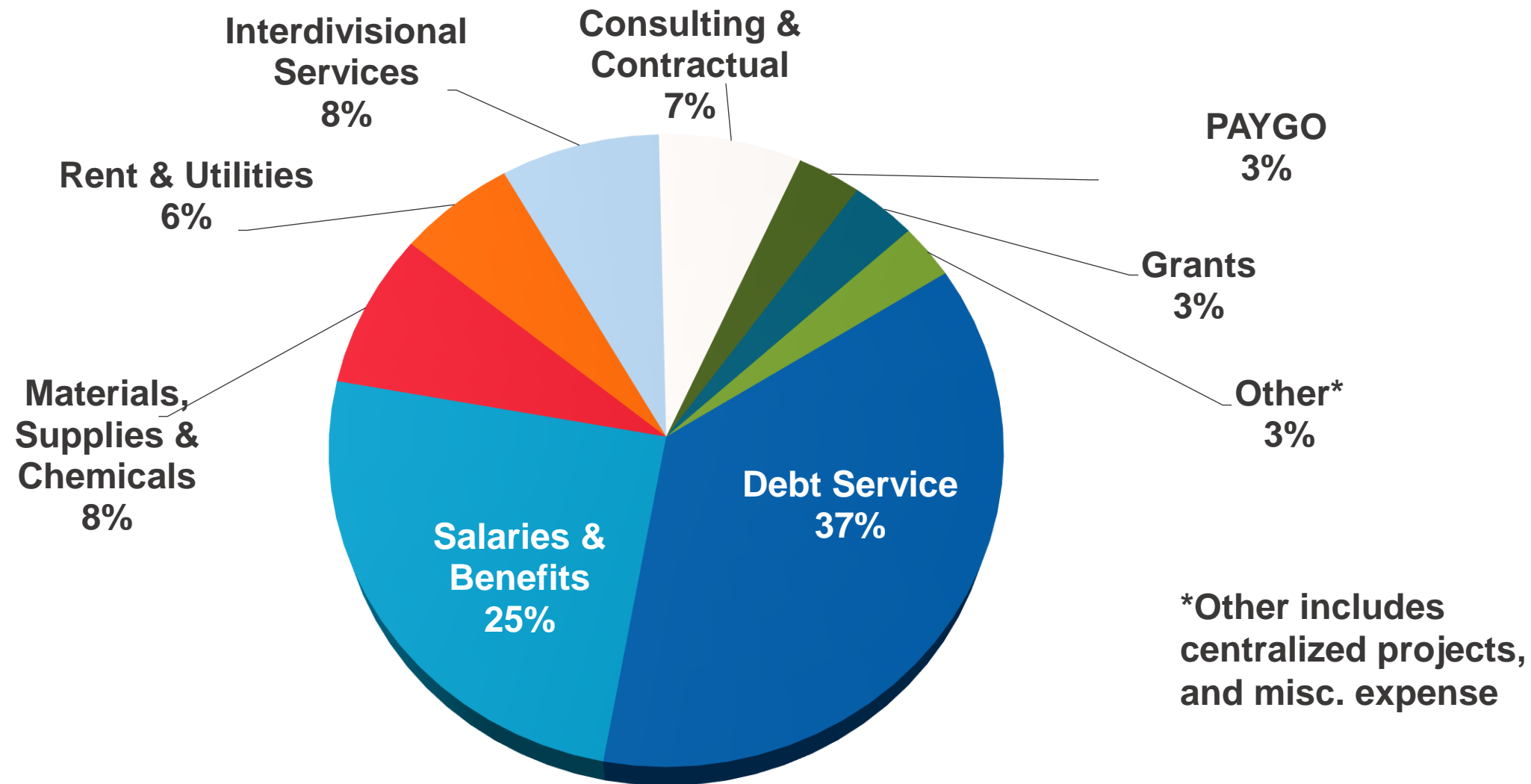
- Labor inflation accounts for 2.8% (\$8.4M)
- Interdivisional charges accounts for 1.5% (\$4.5M)
- Contract services accounts for 1.3% (\$3.8M)
- Other direct expenses accounts for 0.3% (\$.8M)
- Materials and supplies inflation accounts for 0.2% (\$.7M)
- Chemicals and other accounts for -0.3% (-.9M)

2026 revenue sources: \$405.5M

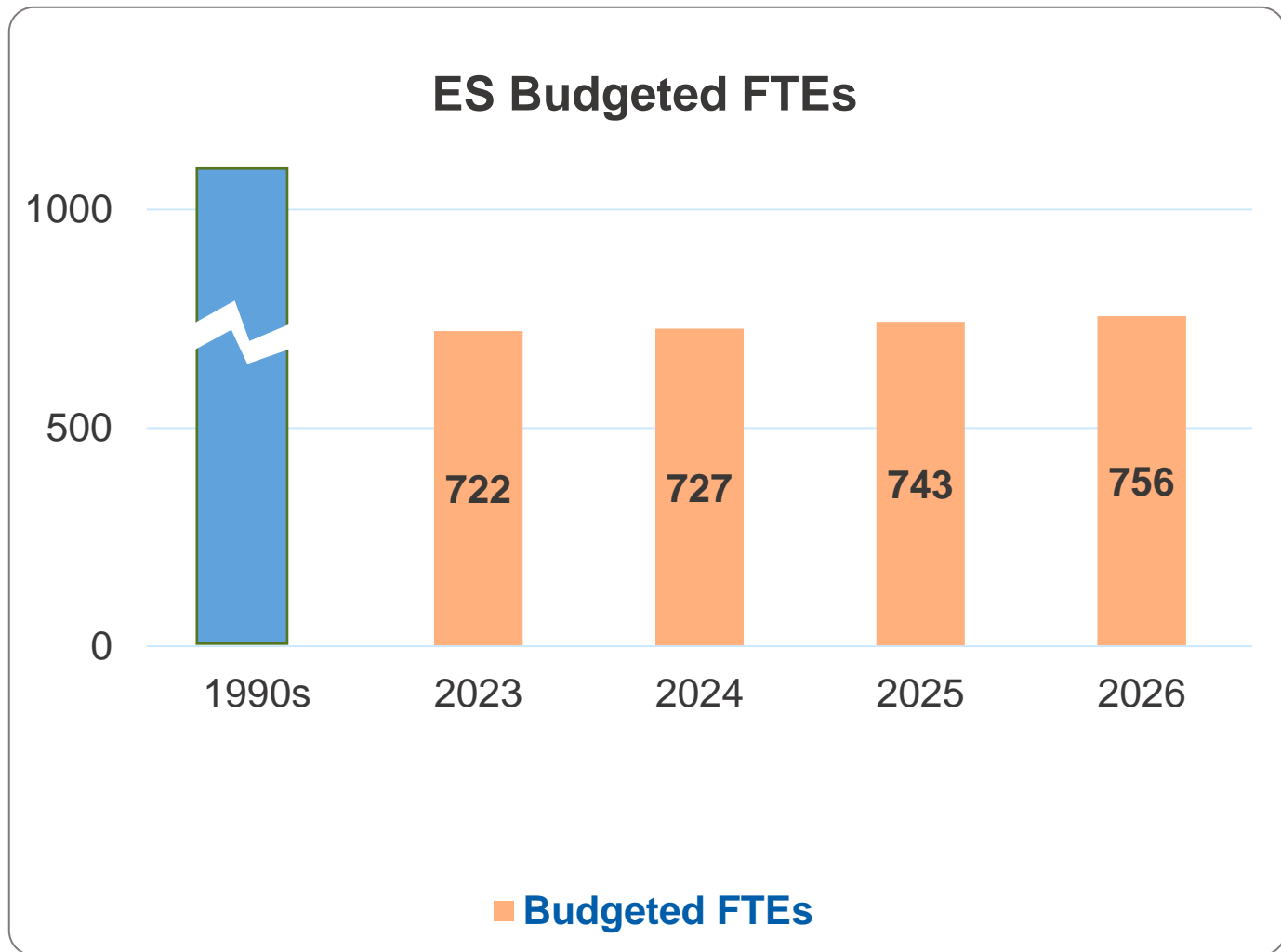


***Other includes \$4.6M use of Reserves**

2026 uses by category: \$405.5M



Proposed budget: labor



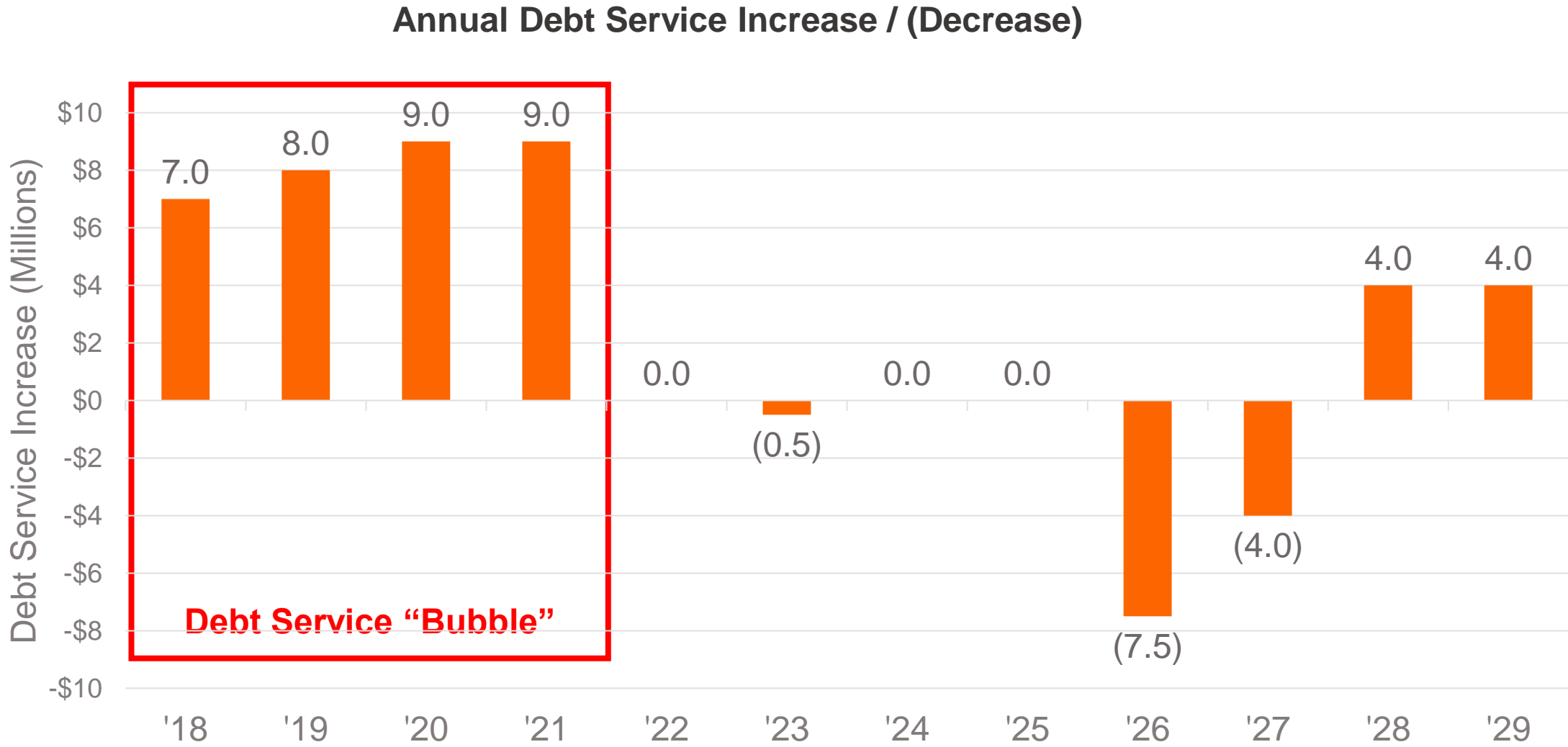
FTE Budget Count

732	Regular Fulltime Employees (FTEs)
756	FTEs including overtime
30	Budgeted vacant FTEs

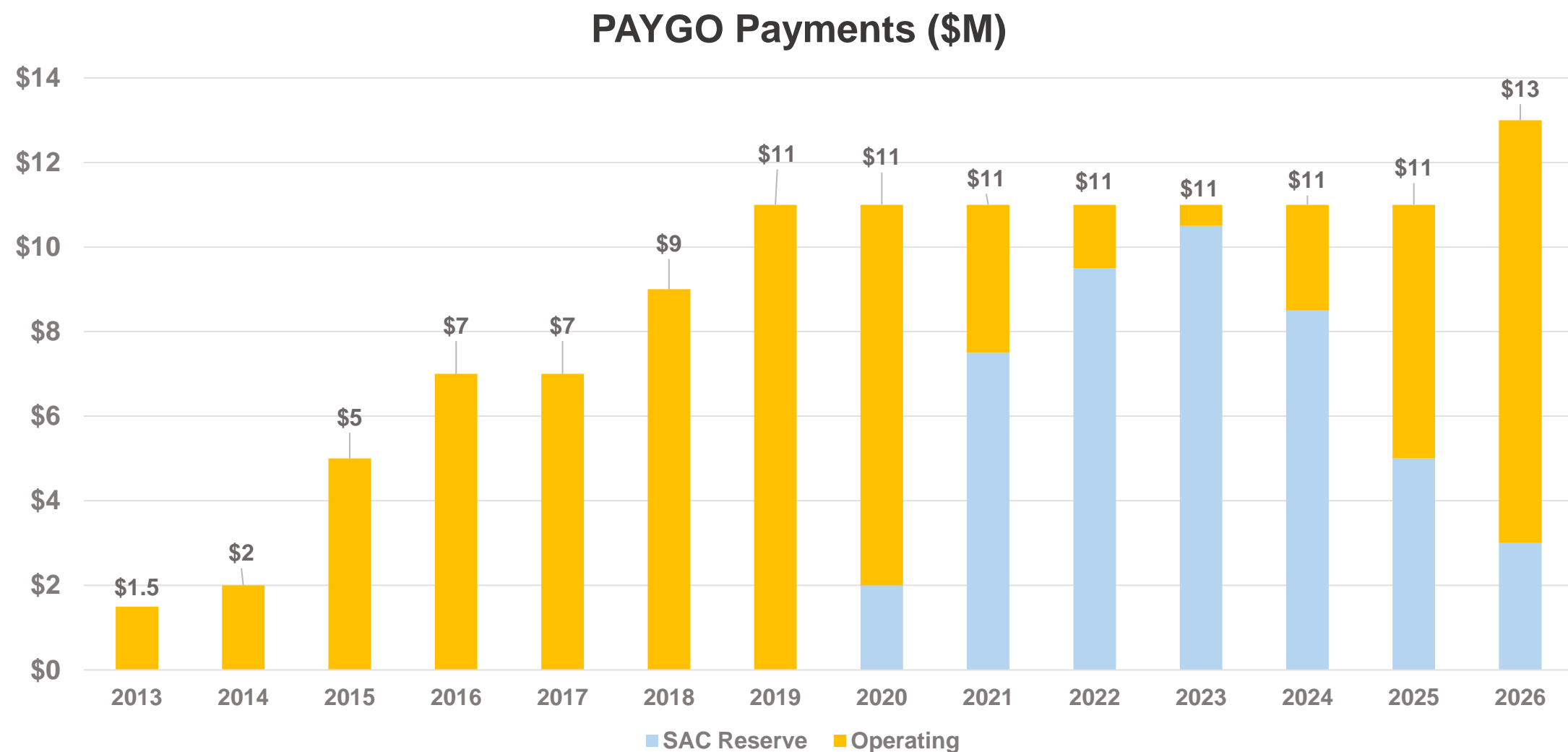
Risk Factors

- Rising wage pressure in response to rising inflation
- Potential for increased medical expenses
- Potential for higher attrition rates leading to higher than planned vacancies (drives overtime)

Projected debt service change



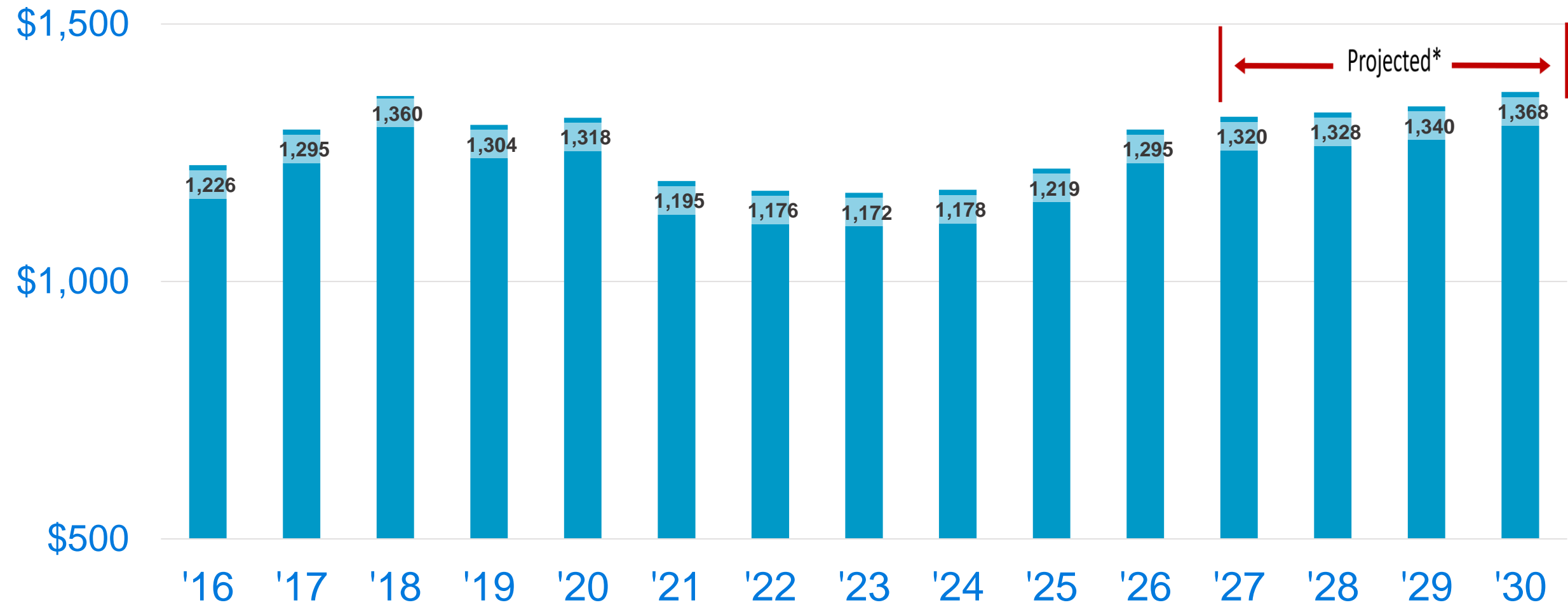
Pay-As-You-Go (PAYGO)



PAYGO is funded from the operating fund except for these amounts
funded from the SAC fund: \$7.5M in 2021, \$9.5M in 2022, \$10.5M in 2023, \$8.5M in 2024, \$5M in 2025, and \$3M in 2026.

Wastewater outstanding debt

(\$ in millions)



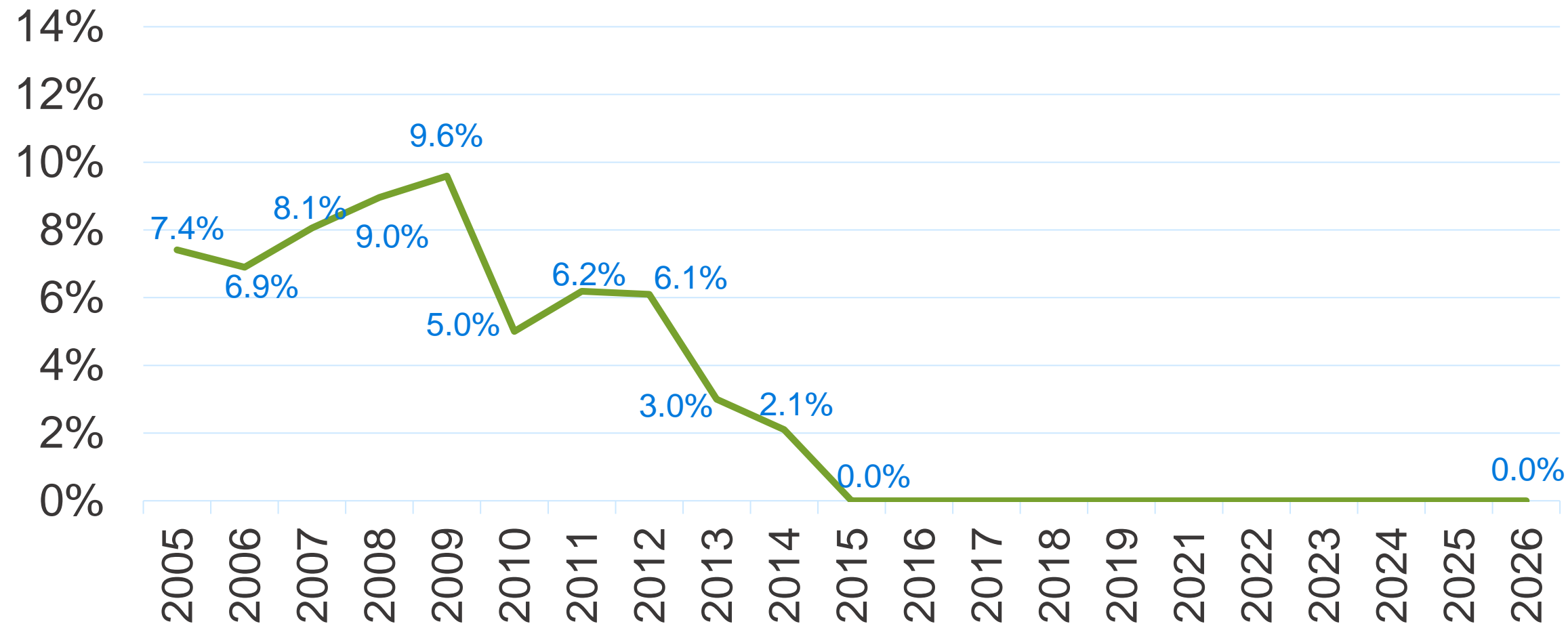
Upcoming May 2025 Bond Sale – AAA, \$75M, 20 year fixed, estimated 3.5% to 3.8%

Debt per capita*

Denver	\$271	Memphis	\$475	Seattle	\$1,699
Phoenix	\$274	Oakland	\$486	Chelsea	\$1,850
Orange County	\$281	Virginia Beach	\$545	Indianapolis	\$1,950
Greenville	\$311	Los Angeles	\$664	Cleveland	\$1,985
San Diego	\$348	San Antonio	\$783	Fort Wayne	\$2,193
Clark County	\$376	Baltimore	\$802	Honolulu	\$3,240
ES	\$406	Sacramento	\$1,297	Louisville	\$3,329
Chicago	\$463	St. Louis	\$1,347		

**Source is the 2024 NACWA triennial financial survey, which includes 2023 data.*

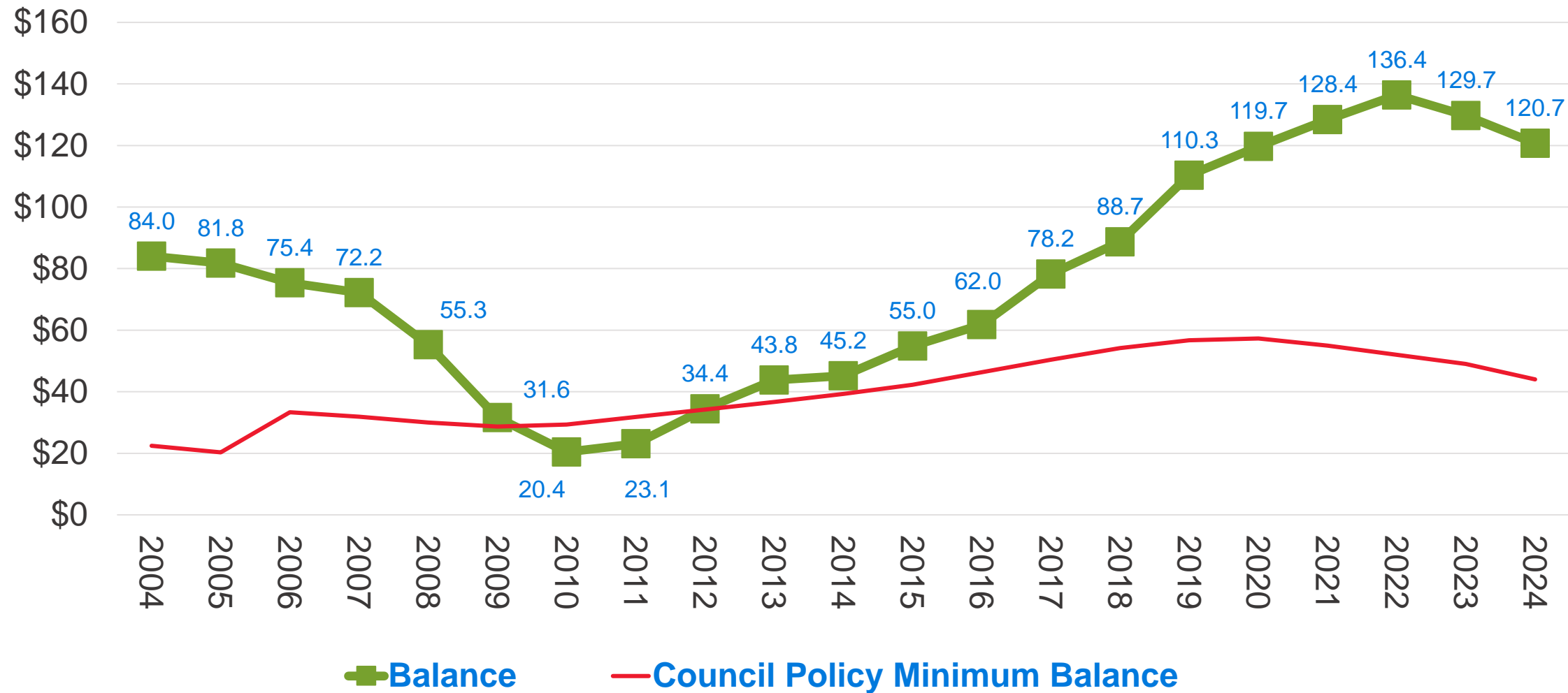
Historical SAC rate increases (%)



SAC units: development continues



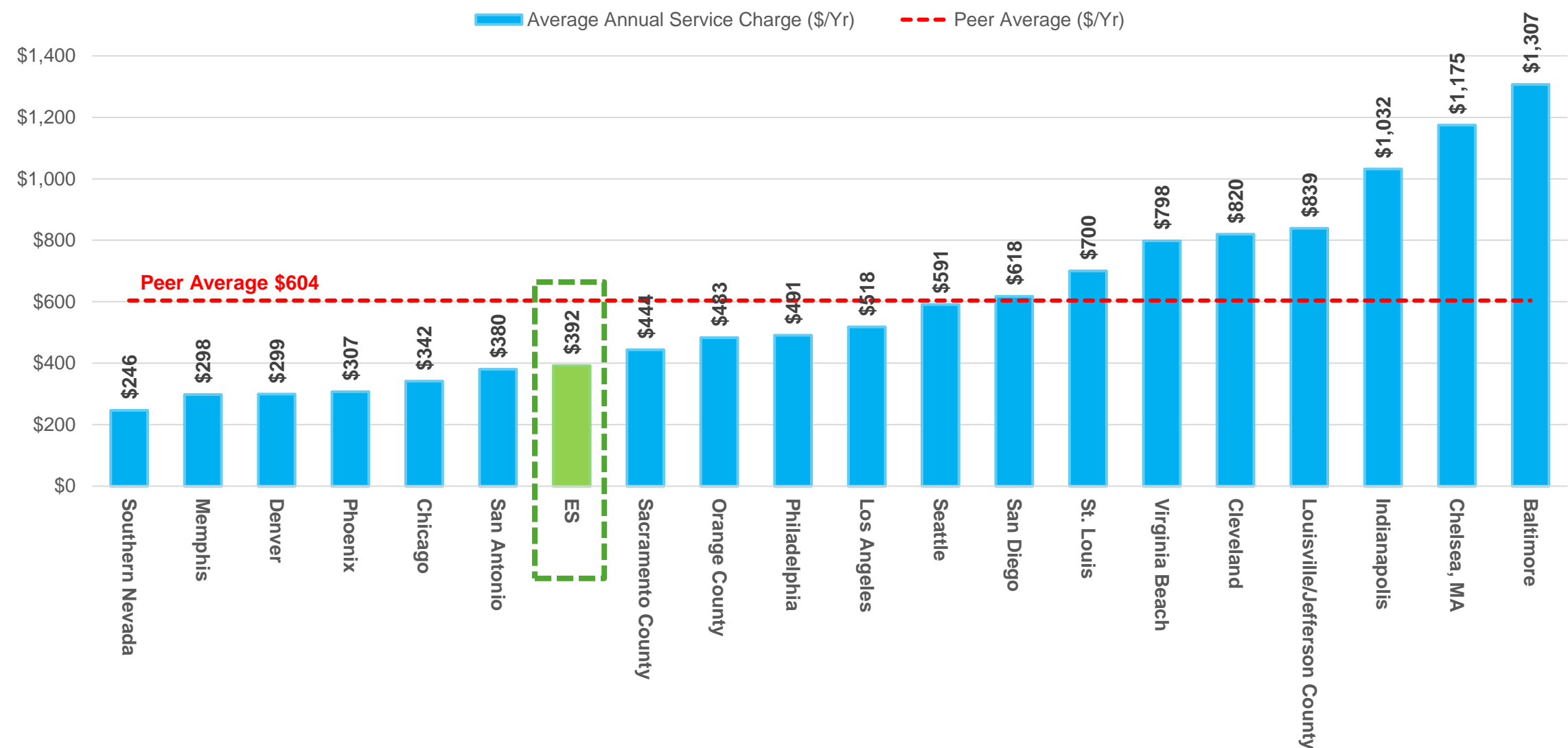
SAC reserve balance



Strong reserve balance will help ES manage future SAC rates

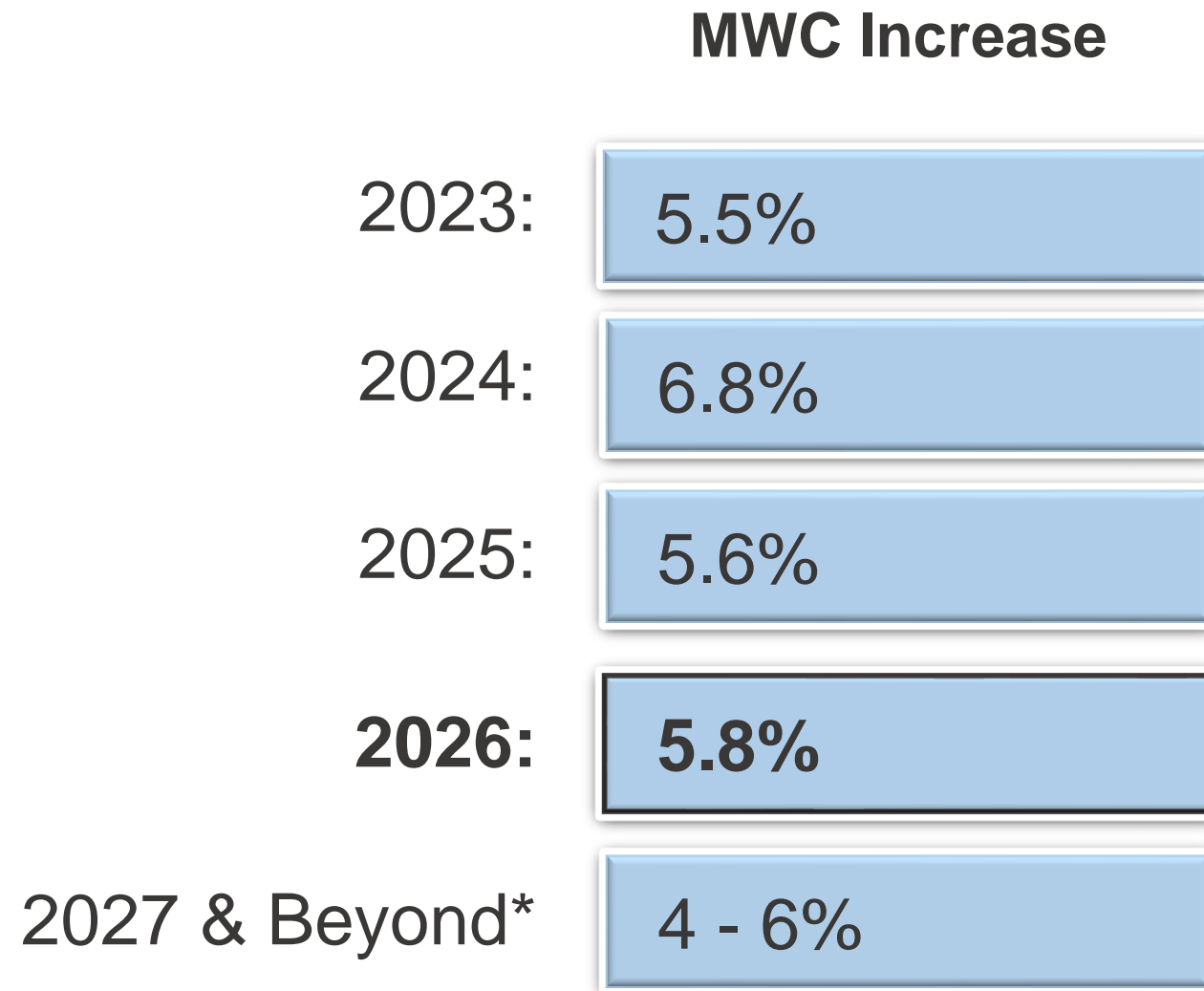
Comparative information

- Average retail sewer rates per household



* 2024 NACWA survey of 2023 rates

Municipal wastewater charges (MWC)



*Impacted by uncertainties

Increasing uncertainty

Future rates could be affected by:



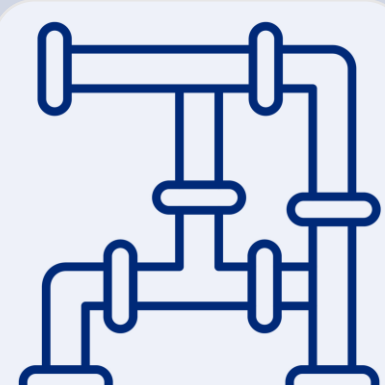
Regulatory compliance

- Nitrates
- PFAS
- Sulphates



Security risk

- Cyber security
- Reduced federal cyber support for critical infrastructure



Infrastructure

- Aging condition
- Climate change impacts



Labor

- Competition for shrinking skilled labor force



Tariff market volatility

- Chemicals
- Energy
- Materials
- Other

Proposed industrial rates

Rate Type	Prelim. 2026	% Change
Strength Charge (excess lb. TSS*)	\$0.359	8.1
Brewery Strength Charge (per barrel)	\$1.126	8.1
Standard Load Charge (per 1000 gal.)	\$67.27	4.0
Industrial Load Charge (excess lb TSS*)	\$0.440	6.5
Collar County Load Charge (per 1000 gal.)	\$82.27	3.3
Portable Toilet Load Charge (per 1000 gal.)	\$86.20	4.4
Holding Tank Load Charge (per 1000 gal.)	\$12.74	0.0
Standard Permit Fee	\$1,400-\$13,800	~5.8
General Permit Fee	\$550	4.8

**Total Suspended Solids (TSS)*

2026 Rate Setting Schedule

May 8 and
May 20

Industrial Workshops (May 8 in person, May 20 virtual)

May 13

Environment Committee Budget Workshops Preview

May 22 and
June 5

Municipal Customer Forums (May 22 in person, June 5 virtual)

July 8

Environment Committee Review of Customer Input and
2026 Rate Adoption Recommendation

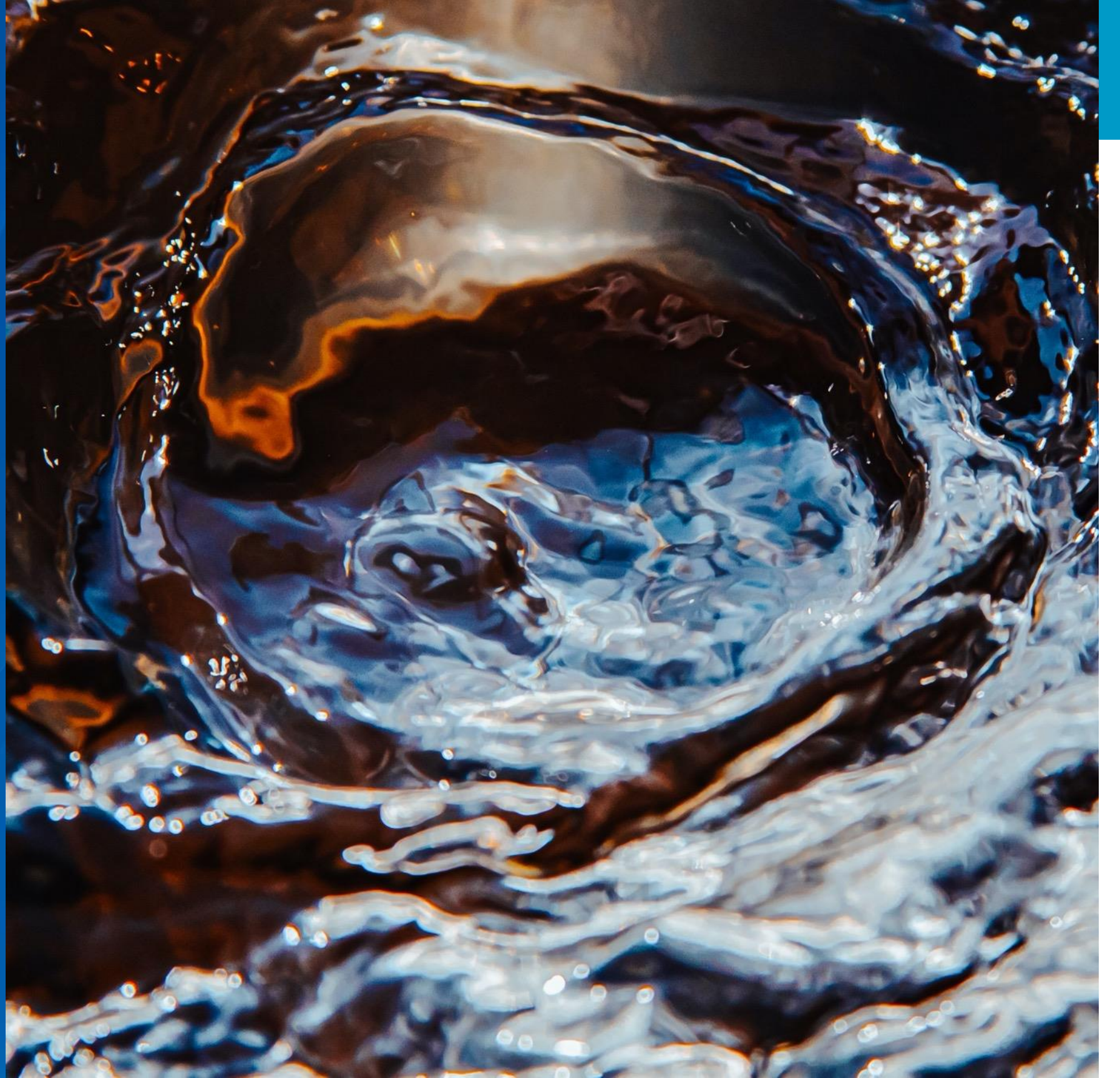
July 23

Council Rate Adoption

August 27

Council Preliminary Operating Budget Adoption

Questions?



Appendices

- A. ES proposed operating budget
- B. Municipal Wastewater Charge increases

Vision:

Clean water for future generations

Mission:

Environmental Services partners, plans, and provides services to protect our region's water.

A. ES proposed operating budget

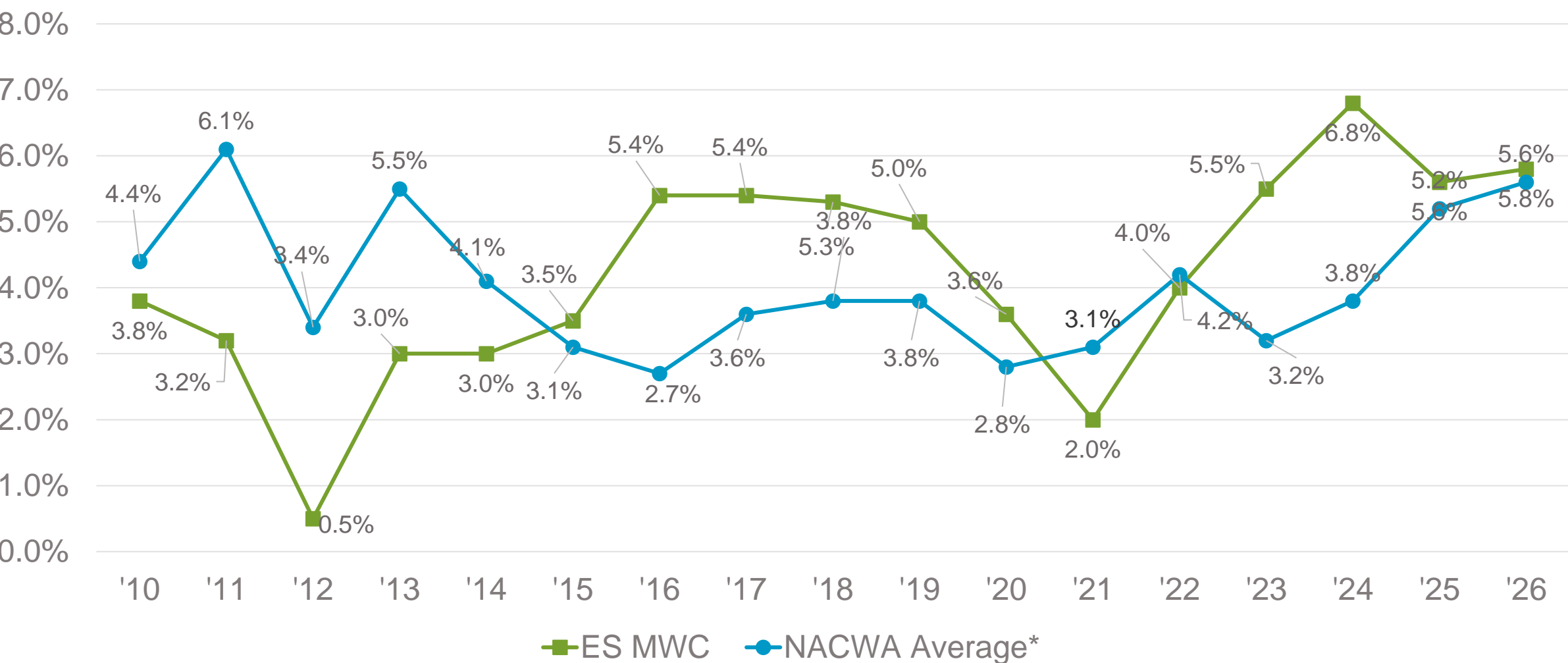
Category	2024*	2025	2026	% Change ('26 v. '25)
SOURCES (REV)				
Municipal Wastewater Charges	281.6	297.4	314.6	5.8%
Industrial Charges	18.5	19.6	21.6	10.2%
Transfer from SAC Fund	57.8	52.8	47.4	-10.2%
Other Sources ¹	4.0	9.5	21.9	130.5%
TOTAL	361.9	379.3	405.5	6.9%

- *2024 budget includes amendments to expense (Interdivisional cost allocation), offset by an increased use of reserves
- 1. Includes use of reserves (\$1.2M in 2024, \$4.8M in 2025, and \$4.5M in 2026) and \$13.3M in pass-through grants in 2026
- 2. \$1.5M in pass-through grants in 2025 and \$13.3M in 2026. Includes centralized project funds and training/travel.

Category	2024*	2025	2026	% Change ('26 v. '25)
USES (EXP)				
Labor	86.2	92.7	101.3	9.2%
Contracted Services	22.2	25.2	29.0	15.1%
Materials & Supplies	14.2	14.3	15.1	5.6%
Chemicals	17.7	17.1	17.2	0.6%
Utilities	25.1	24.7	23.8	-0.4%
Debt Service	156.5	156.5	149.0	-0.5%
Capital Outlay	2.4	2.4	3.4	41.7%
Central Services	23.9	27.8	32.3	16.2%
PAYGO (Capital Projects)	11.0	11.0	13.0	18.2%
Other Expenses ²	2.7	7.6	21.4	181.6%
TOTAL	361.9	379.3	405.5	6.9%

B. Municipal Wastewater Charge increases

Compared to NACWA Average



* Source is NACWA 2023 Cost of Clean Water Index