**AGENDA BILL Item 6.A**

# 2027-2031 Utility Rate Structure—Final Report

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| DATE SUBMITTED: | July 22, 2026 | MEETING DATE: | July 29, 2026 |
| TO: BOARD OF COMMISSIONERS | | FROM: Jenny Signs, Finance Manager | |
| GENERAL MANAGER APPROVAL | | | |
| ATTACHED DOCUMENTS | | 1. 2027-2031 Utility Rate Study and Cash Forecasting Model | |
| TYPE OF ACTION REQUESTED | RESOLUTION ☐ | FORMAL ACTION/ MOTION ☐ | INFORMATIONAL/ OTHER ☒ |

## BACKGROUND / EXPLANATION OF IMPACT

The Lake Whatcom Water and Sewer District (District) is a special purpose District authorized under Title 57 Revised Code of Washington (RCW). Consistent with its statutory authority to establish utility rates and charges, the District periodically evaluates the financial needs of its water and sewer utilities to ensure rates are sufficient to support reliable utility operations, infrastructure investment, debt obligations, and long-term financial sustainability. Following policy direction provided by the Board of Commissioners during its June 24, 2026, meeting, staff completed the 2027-2031 Utility Rate Study and Cash Forecasting Model.

The study uses a revenue driven financial planning approach that evaluates projected operating costs, capital improvement needs, debt service requirements, reserve funding objectives, and anticipated revenues over a twenty-year planning horizon while establishing rates for 2027-2031. The report also incorporates asset management information, revised capital investment targets, current economic assumptions, and previously adopted financial policies. Consistent with prior Board direction, the recommended financial plan includes:

- Annual 4.75% Water Utility rate increases during 2027-2031.
- No Sewer Utility rate increases during 2027-2031.
- A revised water rate structure maintaining a 600 cubic foot base allowance while adjusting Tier 1 usage to 601-1,800 cubic feet and Tier 2 usage to greater than 1,800 cubic feet.
- Continued investment in utility infrastructure through increased system reinvestment funding supported by updated asset management information.
- Financial policies that maintain operating reserves, capital contingency reserves, debt service coverage, and long-term cash position targets while

continuing to pursue grant funding and low-interest financing opportunities for major capital projects.

The attached report provides the assumptions, financial forecasts, and supporting analysis used to develop the recommended rate strategy and demonstrates that the proposed financial plan maintains the District's financial sustainability.

## FISCAL IMPACT

The proposed financial plan supports anticipated long-term utility operations, capital investment, debt obligations, and reserve funding objectives while maintaining compliance with District financial policies. Combined water and sewer service revenues are projected to total approximately $8.9 million in 2027.

## APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)

Financial Viability
Customer Satisfaction

## RECOMMENDED BOARD ACTION

None.

## PROPOSED MOTION

Not applicable.