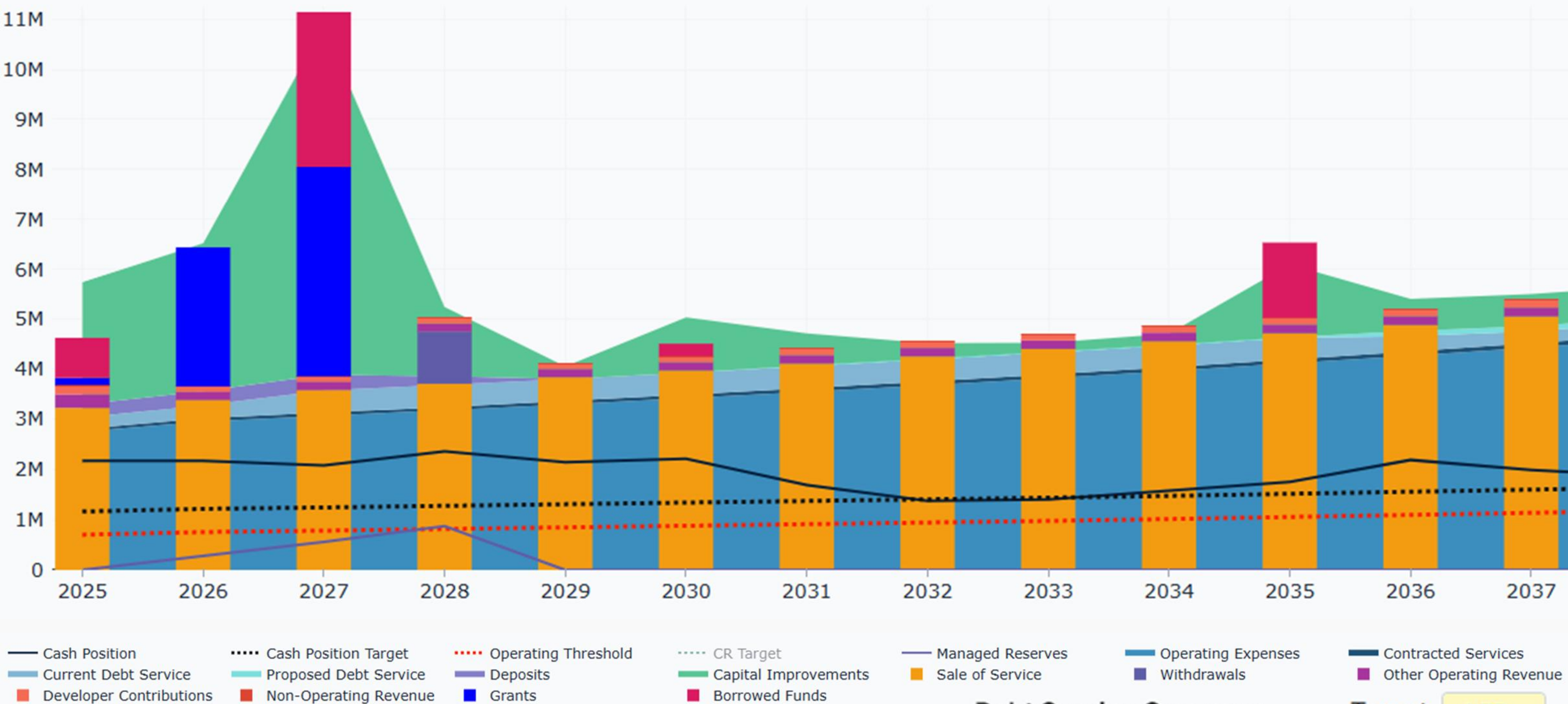
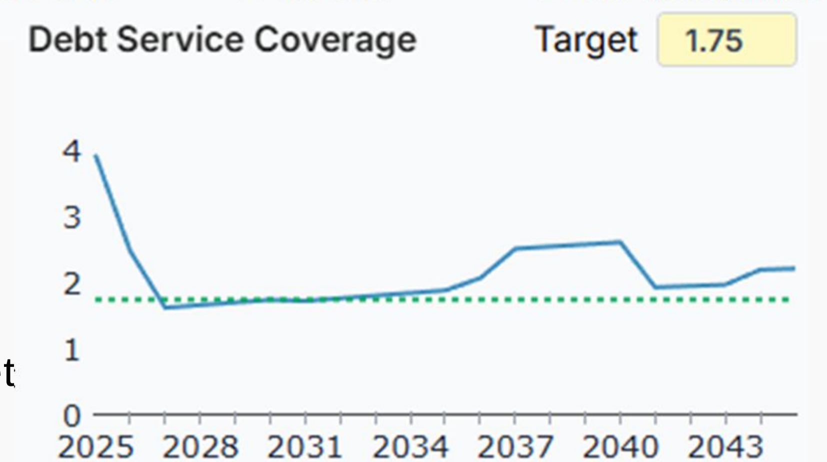
Water Utility Fund

No Change In Contingency

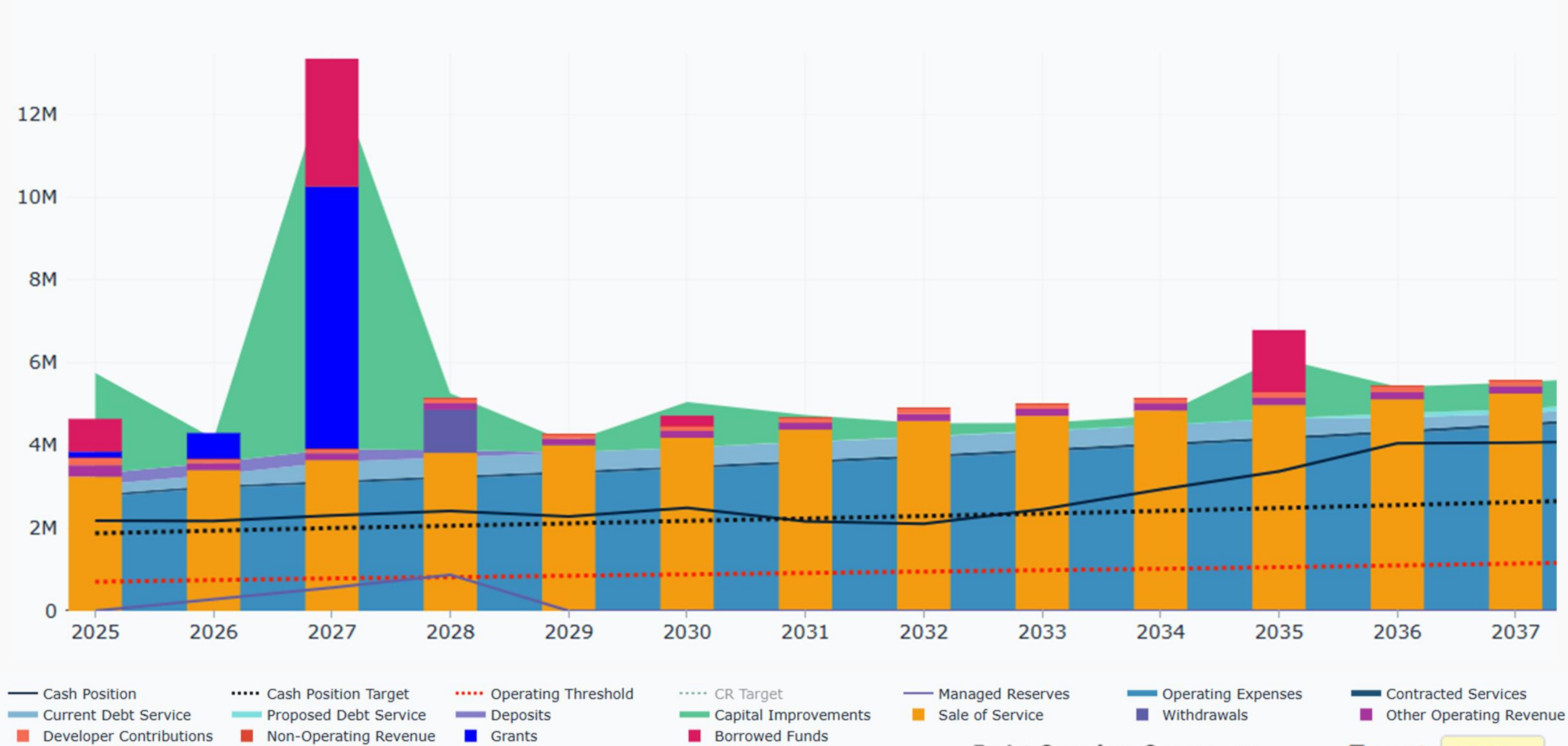


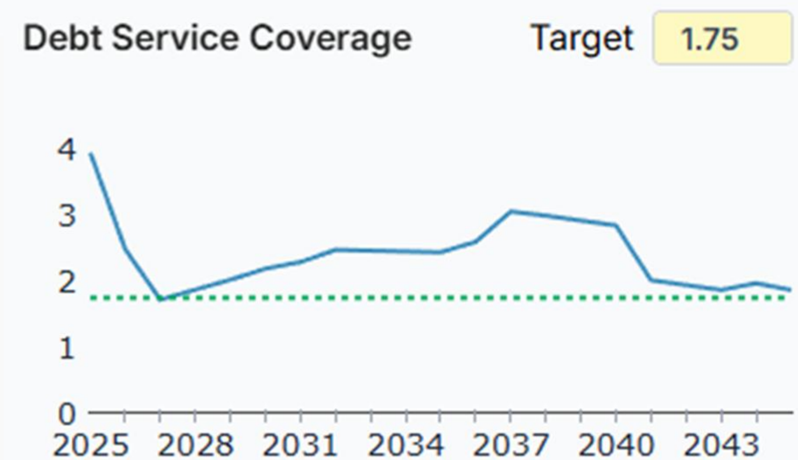
Key Points to Note:

- Maintain $460,000 Contingency (Black Dotted Line + Red Dotted Line)
- Discontinued Capital Surplus contributions in 2028
- 3.5% Rate Increases YOY
- 1.63 Debt Service Coverage in 2027
- 2027 Projected Revenue in Sales = $3,582,757
- Generates 5.8% more revenue in 2027 compared to current 2026 budget



Full Contingency

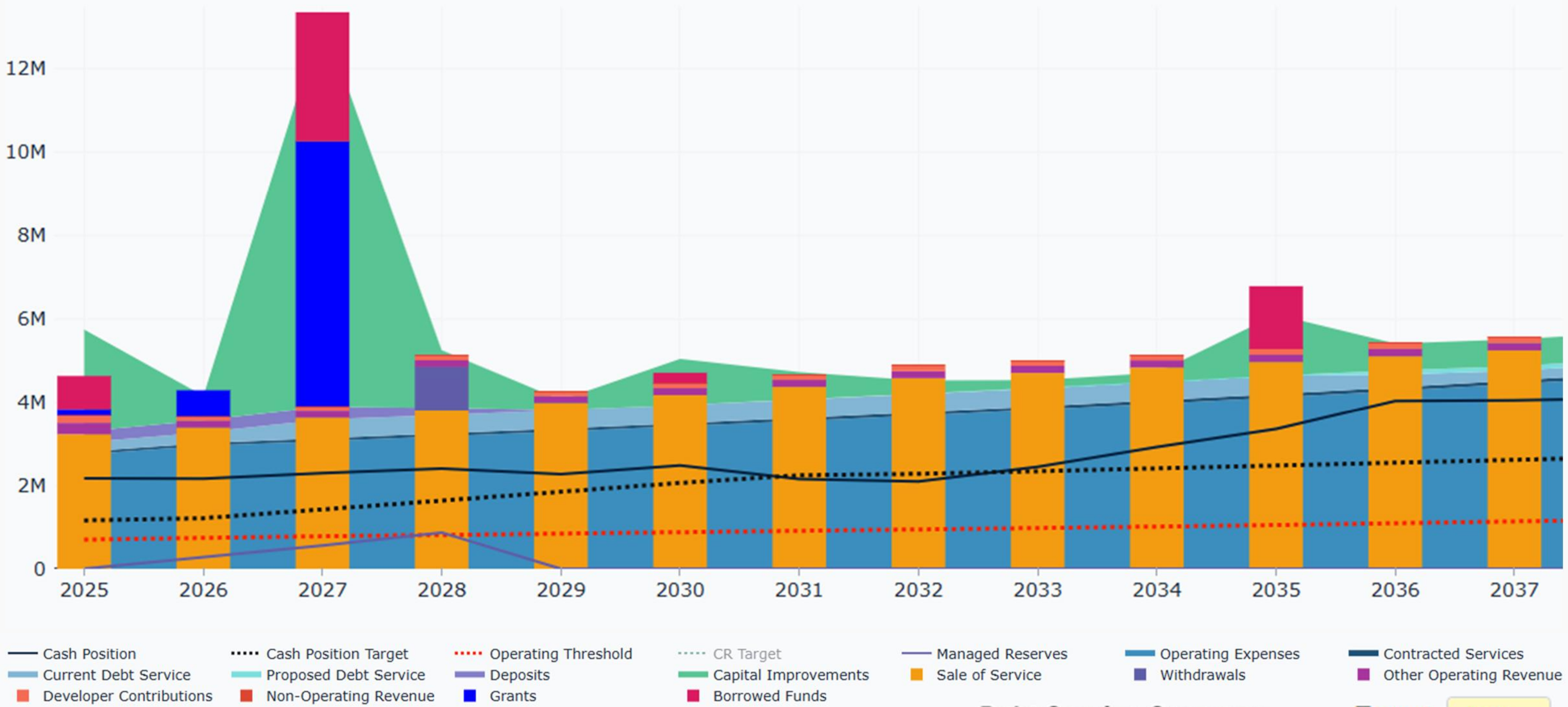




Key Points to Note:

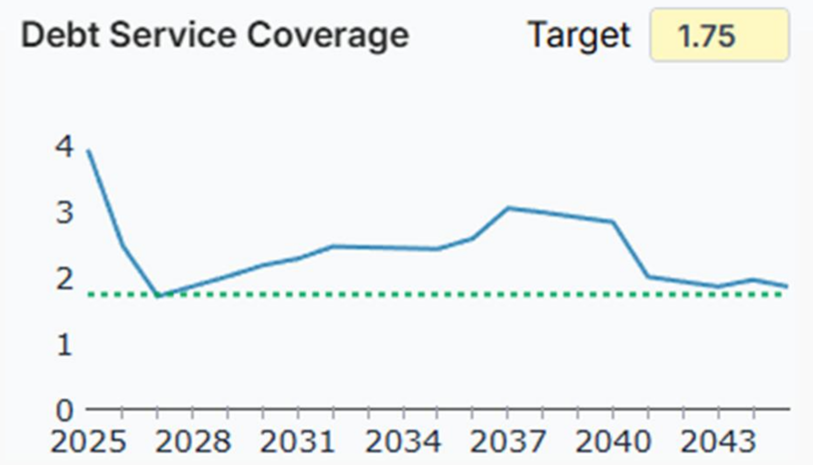
- Increased contingency to $1,163,474 in 2027; escalates YOY based on inflation
- Discontinued Capital Surplus contributions in 2028
- 4.75% Rate Increases YOY through 2032; Drops to 2.75 after
- Drop slightly below Cash Position Target in 2032
- 1.72 Debt Service Coverage in 2027
- 2027 Projected Revenue in Sales = $3,625,812

Gradually Increase Contingency



Key Points to Note:

- Increase contingency by $181,293 YOY through 2031 to arrive at 2032 contingency of $1,336,466; Increase by inflation thereafter
- Discontinued Capital Surplus contributions in 2028
- 4.75% Rate Increases YOY through 2032; Drops to 2.75 after
- Provides more unassigned cash in the early years
- Drop slightly below Cash Position Target in 2032
- 1.72 Debt Service Coverage in 2027
- 2027 Projected Revenue in Sales = $3,625,812



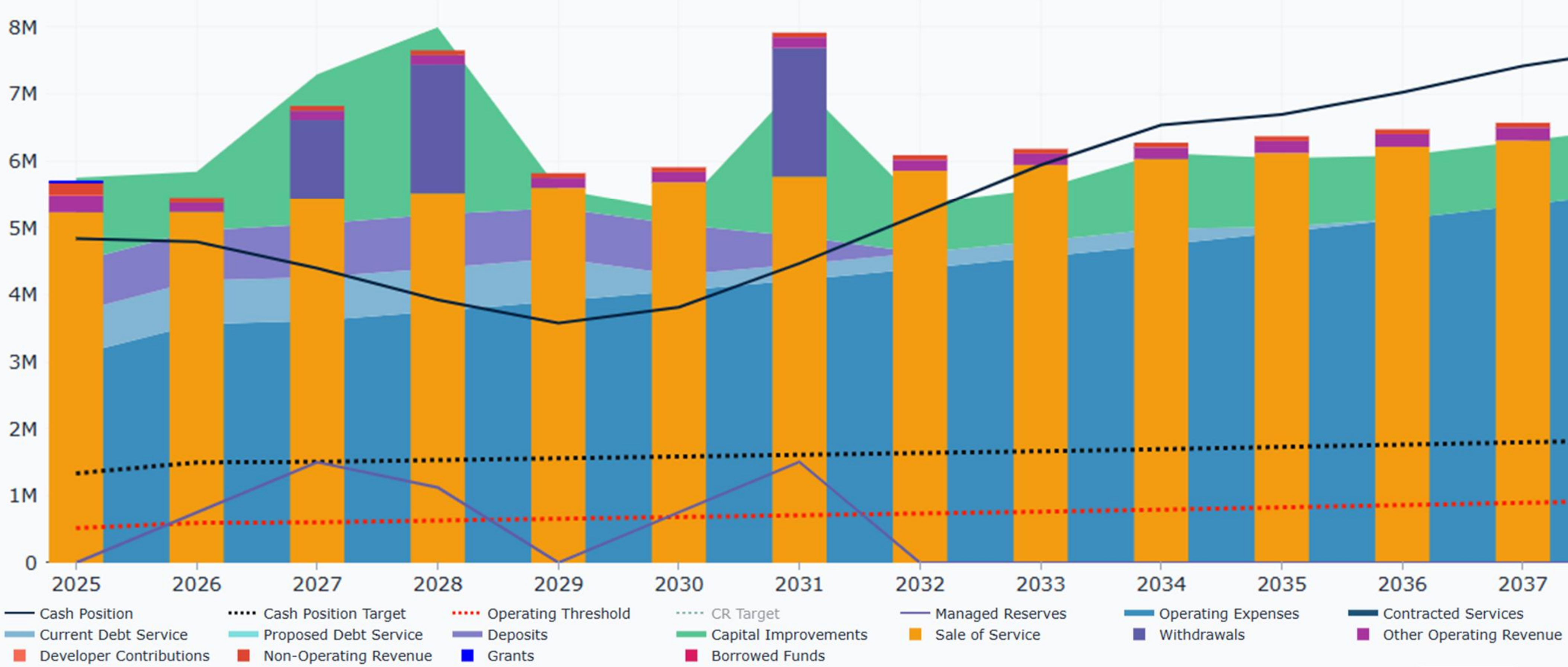
Comparisons

	Alternative 1 No Contingency Increase	Alternative 2 Fully Increase Contingency	Alternative 3 Gradually Increase Contingency
2027 Projected Revenue	$3,582,757	$3,625,812	$3,625,812
Debt Service Coverage (DSC) in 2027*	1.63	1.72	1.72
Proposed Rate Increase	3.5% YOY	4.75% YOY	4.75% YOY
Bimonthly 2027 Rates	Base $98.09 Tier 1 $13.91 Tier 2 $17.41	Base $99.24 Tier 1 $14.07 Tier 2 $17.62	Base $99.24 Tier 1 $14.07 Tier 2 $17.62
Key Differences	• More Unassigned Cash in Early Years • Lower Rate Increase Compared to Other Alternatives & Current Rate Structure • Lower DSC • Doesn’t Implement District Reserve Policy	• Little to No Unassigned Cash • Slightly Higher Rates than Alternative 1 • Improved DSC • Fully Implements District Reserve Policy	• More Unassigned Cash in Early Years • Same Rate Increase as Alternative 2 • Improved DSC • Works Toward Implementing District Reserve Policy

*Water Utility Fund & Sewer Utility Fund Debt Service Coverage policy is 1.75 (2.7 Combined in 2026)

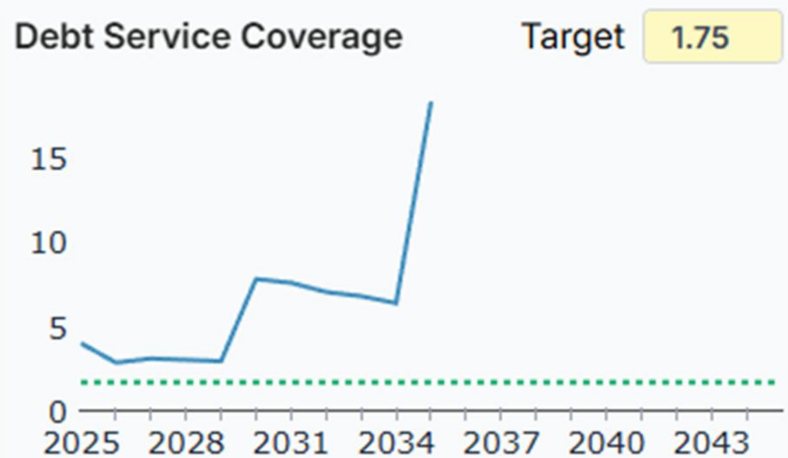
Sewer Utility Fund

Current Model

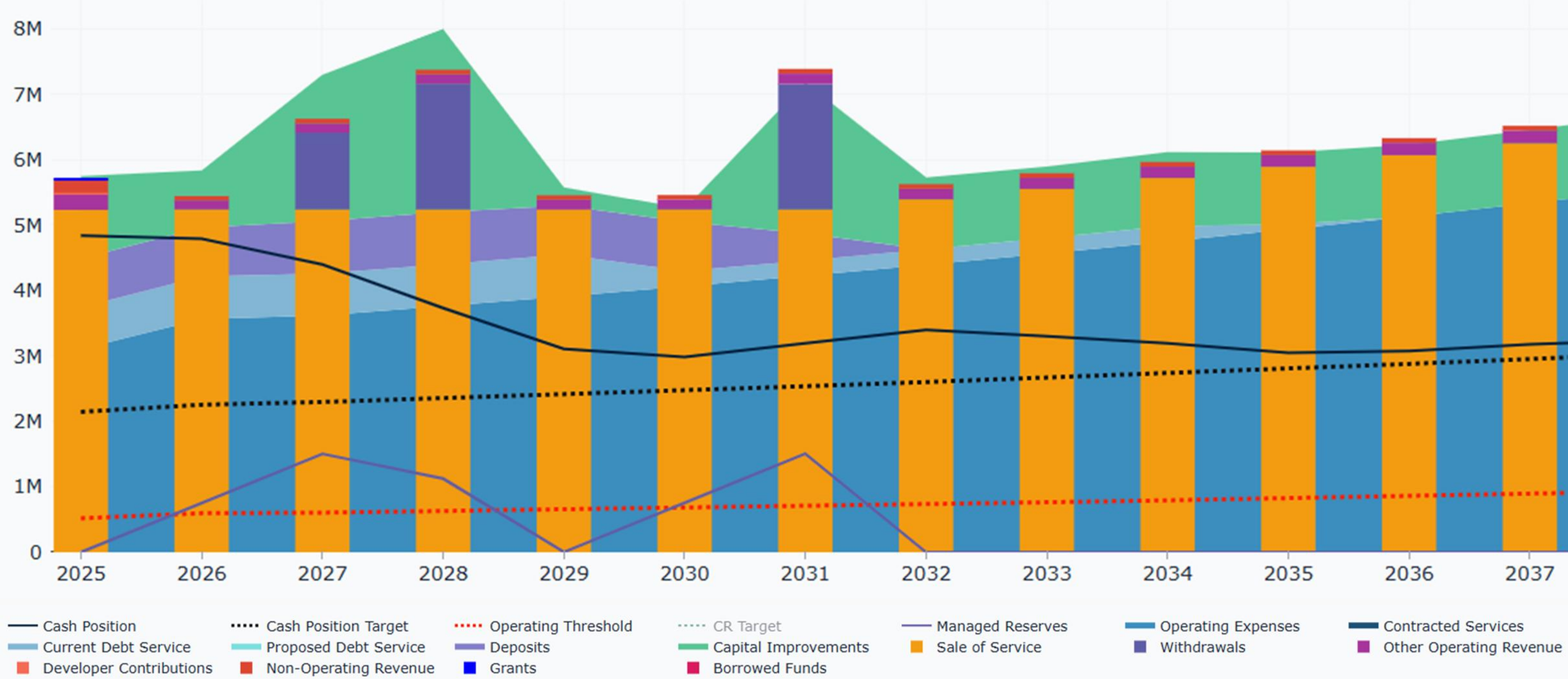


Key Points to Note:

- Maintains Current Contingency Reserve ($901,000)
- Cash flush due to past projected costs of the City of Bellingham's (COB) Post Point Wastewater Recovery Project
    - Planned for $11 million due in 2025-2026
    - Revised projections $1.2 M in 2027; $1.9 M in 2028; $1.9 M in 2031
- Suggested Rate Increases 3.75% in 2027, 1.5% YOY thereafter
- Debt Service Coverage in 2027 - 3.16
- Underfunded capital budget in outlier years
- Discontinues capital surplus contributions after last known COB Project in 2031

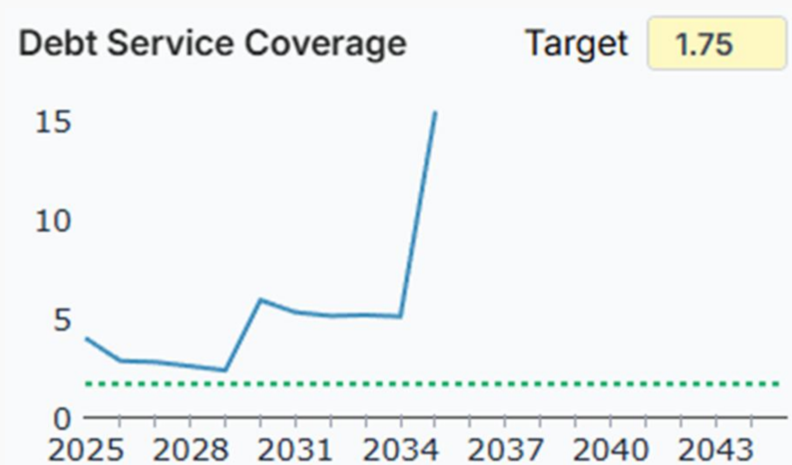


Proposed Model



Key Points to Note:

- Fully fund contingency reserve at $1.7 M in 2027 (Current $901,000) and $1.9M by 2032 to keep with inflation
- Increased capital budget in outlier years to $1.1M in 2036 increase at inflationary rate of 2% (Current $860,000 increase $10k each year)
- Suggested Rate Increases 0% 2027 – 2031; 3% YOY thereafter
- Debt Service Coverage Ratio in 2027 – 2.85
- Discontinues capital surplus contributions after last known COB Project in 2031



Comparisons

	Current Model	Proposed Model
2027 Projected Revenue	$5,433,238	$5,236,856
Debt Service Coverage (DSC) in 2027*	3.16	2.85
Proposed Rate Increase	3.75%	0%
Bimonthly 2027 Rates	$214.10	$206.36
Key Differences	• Underfunded Contingency • Underfunded Capital Budget in Outlier Years • Rate Increases YOY next 5 Years • Discontinues Capital Surplus Contributions after 2031	• Fully Funds Contingency • Fully Funds Capital Budget in Outlier Years • No Rate Increases Next Five Years (Unless a Major Change Occurs) 3% YOY thereafter • Discontinues Capital Surplus Contributions after 2031

*Water Utility Fund & Sewer Utility Fund Debt Service Coverage policy is 1.75 (2.7 Combined in 2026)