AGENDA BILL Item 6.C

Utility Rate Structure Overview

DATE SUBMITTED:	March 30, 2026	MEETING DATE:	April 8, 2026
TO: BOARD OF COMMISSIONERS		FROM: Jenny Signs, Finance Manager/Treasurer	
GENERAL MANAGER APPROVAL			
ATTACHED DOCUMENTS		Designing & Setting Utility Rates Presentation	
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 of the Revised Code of Washington. While not required by statute, the District has a long-standing practice of projecting operational, capital, and debt service needs multiple years into the future and establishing rates at levels necessary to ensure ongoing financial viability. For additional background on the analysis that set the District's current (2022-2026) rate structure, please refer to the rate study report available on the Financial Information page of the District's website.

With the final increase of the current multi-year rate program now in effect, the District will begin a comprehensive rate study to develop its next five-year rate program. This process is intended to be transparent, deliberate, and grounded in industry best practices, while remaining tailored to the District's size, system characteristics, and long-term needs.

Utility rates are the primary mechanism by which the District secures the financial resources necessary to operate, maintain, and sustain critical water and sewer infrastructure. As a public utility, the District does not set rates to generate profit. Rather, rates are established to ensure:

- Reliable delivery of safe water and sewer services
- Ongoing maintenance and preservation of infrastructure
- Timely replacement of aging assets
- Compliance with regulatory requirements
- Financial resilience through appropriate reserves

The District uses a **revenue-driven rate framework**, which focuses on determining the total funding required to responsibly operate and sustain each utility fund to then set rates that are predictable and carefully balanced with consideration of customer impacts. This proven approach has consistently enabled the District to meet system needs and provides the following key advantages:

- **Financial Stability:** Supports consistent and predictable revenue, even as usage fluctuates
- **Simplicity and Transparency:** Provides a clear and understandable structure for both the Board and customers
- **Practical Application:** Recognized by industry organizations such as the American Water Works Association as appropriate for small to mid-sized utilities
- **Defensibility:** Aligns with legal requirements that rates be reasonable, equitable, and based on sound methodology

While the District evaluates system costs to inform overall revenue needs, the focus remains on ensuring sufficient and stable revenue, not on detailed cost allocation. The attached presentation outlines how revenue needs are determined and the key considerations evaluated throughout the rate study process.

A central objective of this framework is to support long-term asset management, infrastructure sustainability, and reliable operations. A revenue-driven approach ensures that:

- Infrastructure is replaced in a planned and timely manner
- Deferred maintenance is minimized
- Financial responsibility is balanced across current and future customers
- Sudden and significant rate increases are avoided

Stable and adequate revenue today directly reduces financial and operational risks in the future. Rates must provide sufficient, stable, and predictable revenue to support reliable service today and sustainable infrastructure for years to come. This framework positions the District to meet its obligations, plan responsibly, and continue serving the community with transparency and fiscal discipline.

FISCAL IMPACT

Dependent upon the ultimate direction provided by the Board at the time of rate adoption.

APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)

The rate structure affects all Effective Utility Management Attributes.

RECOMMENDED BOARD ACTION

None.

PROPOSED MOTION

None.