



Town of Friday Harbor

60 Second St ~ PO Box 219, Friday Harbor, WA 98250

P: (360) 378-2810 | Fax: (360) 378-2380 | www.fridayharbor.org

MEMORANDUM

TO: Town Council
FROM: Bethany Berry, Finance Director
RE: Budget Work Session: 2025 Utility Rates & Connection Fees
DATE: 11/18/2024 – Presented at 11/21/2024 Council Meeting
ATTACHMENTS: 2025 Utility Rates *Draft*
2025 Utility Connections *Draft*

Purpose

The purpose of this budget work session is to continue the discussion of the 2025 Utility Rates and Connection Fees. A discussion concerning the proposed rates will occur as outlined below. Direction by Council to staff will be needed at the end of the discussion for the preparation of rate ordinances to be provided at the December 5, 2024, meeting for Council approval. This will affect the following Friday Harbor Municipal Code (FHMC) Sections:

- 13.05 – Water Rates and Charges
- 13.21 – Sewer Rates and Charges
- 13.31 – Stormwater Rates and Charges

2025 Utility Rates

Proposed Rate Structure Changes

In-Town vs. Out-of-Town Rates: Currently, the Town has a 50% surcharge for out-of-town customers on base charges for water and sewer consumption. The surcharge was not applied to consumption charges.

Based on the utility rate discussion between Council and staff from the October 17, 2024, the possibility of applying the 50% surcharge to both the base fees and consumption charges became known as a main concern with setting rates due to the higher costs associated with providing services outside of Town limits.

After further legal consult with Mike Kenyon of Kenyon Disend, it was determined that pursuant to RCW 35.92.010, the Town has the authority to "...regulate and control the use, distribution, and price thereof: PROVIDED, That the rates charged must be uniform for the same class of customers or service." This further supports the Town's position to classify customers based on location for operation and maintenance of services provided.



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Due to the findings, Town staff is recommending applying the 50% surcharge to out-of-town customers on both the base fees and consumption charges for water and sewer services.

Water Consumption Charges – Single Family Residential: The Town believes that water is a precious resource where water conservation is key to the success of providing water to its residents. In an effort to encourage water conservation, staff are recommending additional tiers for water consumption in 3,500-gallon increments. This would change our current 4-tiered rate structure to a 6-tiered rate structure.

Tiers	2024		In Town		Out of Town		In Town Increase	Out of Town Increase
			2025		2025			
Block 1: 0 - 3,500	\$ 10.30	\$ 11.65	\$ 17.45	\$ 1.35	\$ 7.15			
Block 2: 3,501 - 7,000	\$ 12.75	\$ 14.60	\$ 21.85	\$ 1.85	\$ 9.10			
Block 3: 7,001 - 10,500	\$ 17.20	\$ 19.65	\$ 29.50	\$ 2.45	\$ 12.30			
Block 4: 10,501 - 14,000	\$ 21.20	\$ 28.50	\$ 42.70	\$ 7.30	\$ 21.50			
Block 5: 14,001 - 17,000	N/A	\$ 44.15	\$ 66.20	\$ 22.95	\$ 45.00			
Block 6: 17,001+	N/A	\$ 72.85	\$ 109.25	\$ 51.65	\$ 88.05			

In addition, the current tiered rate structure does not have a methodological percentage increase for each tier. With moving to a 6-tiered structure, staff are recommending a standard percentage increase, starting with 25% and increasing by 10% with each tier.

Tiers	2024	2025
Block 1: 0 - 3,500		
Block 2: 3,501 - 7,000	24%	25%
Block 3: 7,001 - 10,500	35%	35%
Block 4: 10,501 - 14,000	23%	45%
Block 5: 14,001 - 17,000	N/A	55%
Block 6: 17,001+	N/A	65%

Proposed Rate Increases

Proposed utility rate increases are for water, sewer, and stormwater charges. No rate increases are proposed for refuse currently.

Water & Sewer Rates: There are no changes to the previously proposed water & sewer rates that were discussed in the October 17, 2024, council meeting. Staff are still recommending a 13% rate increase for water and a 3% rate increase for sewer based on the current Utility Rate Study adopted on June 6, 2024, by Resolution No. 2855 and developed by Financial Consulting Solutions Group Inc (FCS Group).

Stormwater Rates: At the October 17, 2024, council meeting, a 4.9% rate increase for stormwater charges was recommended based on staff review of historical rate increases from 2009-2024 and the 2008 Utility Rate Study adopted on August 21, 2008, by Ordinance No. 1667, developed by Financial Consulting Solutions Group Inc (FCS Group).



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Following the meeting, Public Works Director, Jesse Douglas-Seitz requested a re-evaluation of the proposed increase to be higher to support future projects within the stormwater system.

The following rate increases are possibilities with the intention to make up the \$349,152 in lost revenue from not following the 2008 rate study recommendations.

Percentage Increase	New Rate	Rate Increase Amt	Monthly Revenue	Annual Revenue	Increase in Revenue	Yrs to Make Up
	\$ 14.30	\$ -	\$ 46,682.35	\$ 560,188.20	\$ -	-
4.9%	\$ 15.00	\$ 0.70	\$ 48,967.50	\$ 587,610.00	\$ 27,421.80	12.73
6.0%	\$ 15.15	\$ 0.85	\$ 49,457.18	\$ 593,486.10	\$ 33,297.90	10.49
7.0%	\$ 15.30	\$ 1.00	\$ 49,946.85	\$ 599,362.20	\$ 39,174.00	8.91
8.0%	\$ 15.45	\$ 1.15	\$ 50,436.53	\$ 605,238.30	\$ 45,050.10	7.75
9.0%	\$ 15.60	\$ 1.30	\$ 50,926.20	\$ 611,114.40	\$ 50,926.20	6.86
10.0%	\$ 15.75	\$ 1.45	\$ 51,415.88	\$ 616,990.50	\$ 56,802.30	6.15
11.0%	\$ 15.85	\$ 1.55	\$ 51,742.33	\$ 620,907.90	\$ 60,719.70	5.75
12.0%	\$ 16.00	\$ 1.70	\$ 52,232.00	\$ 626,784.00	\$ 66,595.80	5.24
13.0%	\$ 16.15	\$ 1.85	\$ 52,721.68	\$ 632,660.10	\$ 72,471.90	4.82
14.0%	\$ 16.30	\$ 2.00	\$ 53,211.35	\$ 638,536.20	\$ 78,348.00	4.46
15.0%	\$ 16.45	\$ 2.15	\$ 53,701.03	\$ 644,412.30	\$ 84,224.10	4.15
16.0%	\$ 16.60	\$ 2.30	\$ 54,190.70	\$ 650,288.40	\$ 90,100.20	3.88
17.0%	\$ 16.75	\$ 2.45	\$ 54,680.38	\$ 656,164.50	\$ 95,976.30	3.64
18.0%	\$ 16.85	\$ 2.55	\$ 55,006.83	\$ 660,081.90	\$ 99,893.70	3.50
19.0%	\$ 17.00	\$ 2.70	\$ 55,496.50	\$ 665,958.00	\$ 105,769.80	3.30
20.0%	\$ 17.15	\$ 2.85	\$ 55,986.18	\$ 671,834.10	\$ 111,645.90	3.13
25.0%	\$ 17.90	\$ 3.60	\$ 58,434.55	\$ 701,214.60	\$ 141,026.40	2.48
30.0%	\$ 18.60	\$ 4.30	\$ 60,719.70	\$ 728,636.40	\$ 168,448.20	2.07
35.0%	\$ 19.30	\$ 5.00	\$ 63,004.85	\$ 756,058.20	\$ 195,870.00	1.78
40.0%	\$ 20.00	\$ 5.70	\$ 65,290.00	\$ 783,480.00	\$ 223,291.80	1.56
45.0%	\$ 20.75	\$ 6.45	\$ 67,738.38	\$ 812,860.50	\$ 252,672.30	1.38
50.0%	\$ 21.45	\$ 7.15	\$ 70,023.53	\$ 840,282.30	\$ 280,094.10	1.25
55.0%	\$ 22.15	\$ 7.85	\$ 72,308.68	\$ 867,704.10	\$ 307,515.90	1.14
60.0%	\$ 22.90	\$ 8.60	\$ 74,757.05	\$ 897,084.60	\$ 336,896.40	1.04
65.0%	\$ 23.60	\$ 9.30	\$ 77,042.20	\$ 924,506.40	\$ 364,318.20	-
70.0%	\$ 24.30	\$ 10.00	\$ 79,327.35	\$ 951,928.20	\$ 391,740.00	-
75.0%	\$ 25.05	\$ 10.75	\$ 81,775.73	\$ 981,308.70	\$ 421,120.50	-
80.0%	\$ 25.75	\$ 11.45	\$ 84,060.88	\$ 1,008,730.50	\$ 448,542.30	-
85.0%	\$ 26.45	\$ 12.15	\$ 86,346.03	\$ 1,036,152.30	\$ 475,964.10	-
90.0%	\$ 27.15	\$ 12.85	\$ 88,631.18	\$ 1,063,574.10	\$ 503,385.90	-
95.0%	\$ 27.90	\$ 13.60	\$ 91,079.55	\$ 1,092,954.60	\$ 532,766.40	-
100.0%	\$ 28.60	\$ 14.30	\$ 93,364.70	\$ 1,120,376.40	\$ 560,188.20	-
109.8%	\$ 30.00	\$ 15.70	\$ 97,935.00	\$ 1,175,220.00	\$ 615,031.80	-

Staff are asking Council for direction of the 2025 stormwater rate increase.



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Impacts to Customers

Single Family Residences – Base Fees & Water Consumption

Single Family - 5/8" In Town				Single Family - 5/8" Out of Town			
Charge	2024	2025	Increase	Charge	2024	2025	Increase
Water Base Fee	\$ 60.75	\$ 68.65	\$ 7.90	Water Base Fee	\$ 90.00	\$ 116.35	\$ 26.35
Sewer Base Fee	\$ 136.30	\$ 140.40	\$ 4.10	Sewer Base Fee	\$ -	\$ -	\$ -
Refuse Base Fee	\$ 4.50	\$ 4.50	\$ -	Refuse Base Fee	\$ -	\$ -	\$ -
Stormwater	\$ 14.30	TBD	TBD	Stormwater	\$ -	\$ -	\$ -
Total Base Fees	\$ 215.85	\$ 213.55	\$ 12.00	Total Base Fees	\$ 90.00	\$ 116.35	\$ 26.35

Water Consumption for Single Family Users							
Gallons Used	2024		2025		In Town		Out of Town
	Increase	Town	Increase	Town	Increase	Town	Increase
500	\$ 5.15	\$ 5.83	\$ 0.68	\$ 8.73	\$ 3.58		
1,000	\$ 10.30	\$ 11.65	\$ 1.35	\$ 17.45	\$ 7.15		
2,000	\$ 20.60	\$ 23.30	\$ 2.70	\$ 34.90	\$ 14.30		
2,500	\$ 25.75	\$ 29.13	\$ 3.38	\$ 43.63	\$ 17.88		
3,000	\$ 30.90	\$ 34.95	\$ 4.05	\$ 52.35	\$ 21.45		
3,500	\$ 36.05	\$ 40.78	\$ 4.73	\$ 61.08	\$ 25.03		
4,000	\$ 42.13	\$ 48.08	\$ 5.95	\$ 72.00	\$ 29.87		
4,500	\$ 48.80	\$ 55.38	\$ 6.58	\$ 82.93	\$ 34.13		
5,000	\$ 55.18	\$ 62.68	\$ 7.50	\$ 93.85	\$ 38.67		
6,000	\$ 67.93	\$ 77.28	\$ 9.35	\$ 115.70	\$ 47.77		
7,000	\$ 80.68	\$ 91.88	\$ 11.20	\$ 137.55	\$ 56.87		
8,000	\$ 97.88	\$ 111.53	\$ 13.65	\$ 167.05	\$ 69.17		
9,000	\$ 115.08	\$ 131.18	\$ 16.10	\$ 196.55	\$ 81.47		

Multi-Family Residences / Commercial / Public Authority – Base Fees (*ERU Variable)

MFR / Commercial / Public Authority - 5/8" In Town				MFR / Commercial / Public Authority - 1" In Town			
Charge	2024	2025	Increase	Charge	2024	2025	Increase
Water Base Fee	\$ 60.75	\$ 68.65	\$ 7.90	Water Base Fee	\$ 137.95	\$ 155.90	\$ 17.95
Sewer Base Fee	\$ 136.30	\$ 140.40	\$ 4.10	Sewer Base Fee	\$ 136.30	\$ 140.40	\$ 4.10
Refuse Base Fee	\$ 4.50	\$ 4.50	\$ -	Refuse Base Fee	\$ 4.50	\$ 4.50	\$ -
Stormwater - 2 ERU*	\$ 28.60	TBD	TBD	Stormwater - 2 ERU*	\$ 28.60	TBD	TBD
Total Base Fees	\$ 230.15	\$ 213.55	\$ 12.00	Total Base Fees	\$ 307.35	\$ 300.80	\$ 22.05

MFR / Commercial / Public Authority - 1.5" In Town				MFR / Commercial / Public Authority - 2" In Town			
Charge	2024	2025	Increase	Charge	2024	2025	Increase
Water Base Fee	\$ 266.90	\$ 301.60	\$ 34.70	Water Base Fee	\$ 421.40	\$ 476.20	\$ 54.80
Sewer Base Fee	\$ 136.30	\$ 140.40	\$ 4.10	Sewer Base Fee	\$ 136.30	\$ 140.40	\$ 4.10
Refuse Base Fee	\$ 4.50	\$ 4.50	\$ -	Refuse Base Fee	\$ 4.50	\$ 4.50	\$ -
Stormwater - 2 ERU*	\$ 28.60	TBD	TBD	Stormwater - 2 ERU*	\$ 28.60	TBD	TBD
Total Base Fees	\$ 436.30	\$ 446.50	\$ 38.80	Total Base Fees	\$ 590.80	\$ 621.10	\$ 58.90



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Industrial / Light-Manufacturing – Base Fees (*ERU Variable)

Industrial / Light-Manufacturing - 5/8" In Town				Industrial / Light-Manufacturing - 1" In Town			
Charge	2024	2025	Increase	Charge	2024	2025	Increase
Water Base Fee	\$ 67.55	\$ 76.35	\$ 8.80	Water Base Fee	\$ 157.65	\$ 178.15	\$ 20.50
Sewer Base Fee	\$ 136.30	\$ 140.40	\$ 4.10	Sewer Base Fee	\$ 136.30	\$ 140.40	\$ 4.10
Refuse Base Fee	\$ 4.50	\$ 4.50	\$ -	Refuse Base Fee	\$ 4.50	\$ 4.50	\$ -
Stormwater - 2 ERU*	\$ 28.60	TBD	TBD	Stormwater - 2 ERU*	\$ 28.60	TBD	TBD
Total Base Fees	\$ 236.95	\$ 221.25	\$ 12.90	Total Base Fees	\$ 327.05	\$ 323.05	\$ 24.60

Industrial / Light-Manufacturing - 1.5" In Town				Industrial / Light-Manufacturing - 2" In Town			
Charge	2024	2025	Increase	Charge	2024	2025	Increase
Water Base Fee	\$ 305.20	\$ 344.90	\$ 39.70	Water Base Fee	\$ 483.35	\$ 546.20	\$ 62.85
Sewer Base Fee	\$ 136.30	\$ 140.40	\$ 4.10	Sewer Base Fee	\$ 136.30	\$ 140.40	\$ 4.10
Refuse Base Fee	\$ 4.50	\$ 4.50	\$ -	Refuse Base Fee	\$ 4.50	\$ 4.50	\$ -
Stormwater - 2 ERU*	\$ 28.60	TBD	TBD	Stormwater - 2 ERU*	\$ 28.60	TBD	TBD
Total Base Fees	\$ 474.60	\$ 489.80	\$ 43.80	Total Base Fees	\$ 652.75	\$ 691.10	\$ 66.95

Multi-Family / Commercial / Public Authority / Industrial / LMF – Consumption

Water Consumption & Sewer Overage (Over 4,100) Winter Rates (Oct-May) / Low Sewer Strength				Water Consumption & Sewer Overage (Over 4,100) Winter Rates (Oct-May) / High Sewer Strength			
Gallons Used	2024	2025	Increase	Gallons Used	2024	2025	Increase
500	\$ 5.15	\$ 5.83	\$ 0.68	500	\$ 5.15	\$ 5.83	\$ 0.68
1,000	\$ 10.30	\$ 11.65	\$ 1.35	1,000	\$ 10.30	\$ 11.65	\$ 1.35
2,000	\$ 20.60	\$ 23.30	\$ 2.70	2,000	\$ 20.60	\$ 23.30	\$ 2.70
2,500	\$ 25.75	\$ 29.13	\$ 3.38	2,500	\$ 25.75	\$ 29.13	\$ 3.38
3,000	\$ 30.90	\$ 34.95	\$ 4.05	3,000	\$ 30.90	\$ 34.95	\$ 4.05
3,500	\$ 36.05	\$ 40.78	\$ 4.73	3,500	\$ 36.05	\$ 40.78	\$ 4.73
4,000	\$ 41.20	\$ 46.60	\$ 5.40	4,000	\$ 41.20	\$ 46.60	\$ 5.40
4,500	\$ 58.47	\$ 64.91	\$ 6.44	4,500	\$ 62.07	\$ 68.63	\$ 6.56
5,000	\$ 78.77	\$ 86.33	\$ 7.56	5,000	\$ 86.87	\$ 94.70	\$ 7.83
6,000	\$ 119.37	\$ 129.18	\$ 9.81	6,000	\$ 136.47	\$ 146.85	\$ 10.38
7,000	\$ 159.97	\$ 172.03	\$ 12.06	7,000	\$ 186.07	\$ 199.00	\$ 12.93
8,000	\$ 200.57	\$ 214.88	\$ 14.31	8,000	\$ 235.67	\$ 251.15	\$ 15.48
9,000	\$ 241.17	\$ 257.73	\$ 16.56	9,000	\$ 285.27	\$ 303.30	\$ 18.03

Water Consumption & Sewer Overage (Over 4,100) Summer Rates (Jun-Sep) / Low Sewer Strength				Water Consumption & Sewer Overage (Over 4,100) Summer Rates (Jun-Sep) / High Sewer Strength			
Gallons Used	2024	2025	Increase	Gallons Used	2024	2025	Increase
500	\$ 6.38	\$ 7.20	\$ 0.82	500	\$ 6.38	\$ 7.20	\$ 0.82
1,000	\$ 12.75	\$ 14.40	\$ 1.65	1,000	\$ 12.75	\$ 14.40	\$ 1.65
2,000	\$ 25.50	\$ 28.80	\$ 3.30	2,000	\$ 25.50	\$ 28.80	\$ 3.30
2,500	\$ 31.88	\$ 36.00	\$ 4.12	2,500	\$ 31.88	\$ 36.00	\$ 4.12
3,000	\$ 38.25	\$ 43.20	\$ 4.95	3,000	\$ 38.25	\$ 43.20	\$ 4.95
3,500	\$ 44.63	\$ 50.40	\$ 5.77	3,500	\$ 44.63	\$ 50.40	\$ 5.77
4,000	\$ 51.00	\$ 57.60	\$ 6.60	4,000	\$ 51.00	\$ 57.60	\$ 6.60
4,500	\$ 69.50	\$ 77.28	\$ 7.78	4,500	\$ 73.10	\$ 81.00	\$ 7.90
5,000	\$ 91.02	\$ 100.08	\$ 9.06	5,000	\$ 99.12	\$ 108.45	\$ 9.33
6,000	\$ 134.07	\$ 145.68	\$ 11.61	6,000	\$ 151.17	\$ 163.35	\$ 12.18
7,000	\$ 177.12	\$ 191.28	\$ 14.16	7,000	\$ 203.22	\$ 218.25	\$ 15.03
8,000	\$ 220.17	\$ 236.88	\$ 16.71	8,000	\$ 255.27	\$ 273.15	\$ 17.88
9,000	\$ 263.22	\$ 282.48	\$ 19.26	9,000	\$ 307.32	\$ 328.05	\$ 20.73



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Rate Increase History

Water Utility Rates				Sewer Utility Rates			
Ordinance	Effective	Increase	Proposed	Ordinance	Effective	Increase	Proposed
ORD #1784	1/1/2024	13.0%	13.0%	ORD #1785	1/1/2024	3.0%	3.0%
ORD #1759	1/1/2023	5.0%	13.0%	ORD #1760	1/1/2023	3.0%	3.0%
ORD #1741	1/1/2022	5.0%	0.0%	ORD #1743	1/1/2022	3.0%	3.0%
	1/1/2021	0.0%	0.0%	ORD #1700	1/1/2021	2.0%	0.0%
ORD #1675	1/1/2020	2.5%	None	ORD #1677	1/1/2020	4.5%	None
	1/1/2019	0.0%	None	ORD #1653	1/1/2019	4.5%	None
ORD #1629	1/1/2018	3.0%	None	ORD #1631	1/1/2018	4.5%	None
ORD #1605	4/1/2017	8.7%	None	ORD #1607	4/1/2017	4.5%	None
	1/1/2016	0.0%	None	ORD #1583	1/1/2016	3.0%	None
ORD #1550	1/1/2015	0.0%	3.0%	ORD #1551	1/1/2015	2.0%	3.0%
ORD #1522	1/1/2014	5.0%	3.0%		1/1/2014	0.0%	3.0%
	1/1/2013	0.0%	3.0%		1/1/2013	0.0%	3.0%
ORD #1471	1/1/2012	2.5%	3.0%	ORD #1472	1/1/2012	5.5%	3.0%
	1/1/2011	0.0%	3.0%		1/1/2011	0.0%	3.0%
ORD #1410	1/1/2010	2.5%	5.0%	ORD #1411	1/1/2010	5.5%	11.1%
ORD #1377	1/1/2009	9.0%	9.0%	ORD #1379	1/1/2009	11.1%	11.1%
ORD #1348	1/1/2008	7.2%	0.0%	ORD #1349	1/1/2008	3.9%	0.0%
ORD #1323	1/1/2007	8.5%		ORD #1324	1/1/2007	5.0%	

Stormwater Utility Rates			
Ordinance	Effective	Increase	Proposed
ORD #1786	1/1/2024	2.1%	None
ORD #1761	1/1/2023	1.8%	None
ORD #1745	1/1/2022	1.9%	None
	1/1/2021	0.0%	None
	1/1/2020	0.0%	None
	1/1/2019	0.0%	None
	1/1/2018	0.0%	None
ORD #1609	4/1/2017	6.3%	None
	1/1/2016	0.0%	None
	1/1/2015	0.0%	3.00%
	1/1/2014	0.0%	3.00%
	1/1/2013	0.0%	3.00%
ORD #1473	1/1/2012	4.1%	8.18%
	1/1/2011	0.0%	8.18%
ORD #1412	1/1/2010	4.3%	8.18%
ORD #1381	1/1/2009	14.1%	14.30%
ORD #1351	1/1/2008	13.9%	0.00%
ORD #1326	1/1/2007	9.0%	

Note: Proposed rates listed as none are from years that do not have a current rate study.



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2025 Connection Fees

Pursuant to Friday Harbor Municipal Code, connection fees shall be adjusted annually. Increases may be adjusted by either of the following conditions:

- Option #1: By the percentage increase or decrease of the Seattle-Bremerton Consumer Price Index (CPI-U) as reported for the previous June to June period.
 - The June-to-June period of 2024 was 3.8.
- Option #2: By separate council action after review of the current adopted rate study.
 - The current Utility Rate Study adopted on June 6, 2024, by Resolution No. 2855 and developed by Financial Consulting Solutions Group Inc (FCS Group) recommended a 13% increase for water, 3% increase for sewer, and did not assess the stormwater utility.

Based on the utility rate discussion between Council and staff from the October 17, 2024, council meeting it was determined that the CPI-U option was not enough to support the current and future expansion needs in comparison to the rising costs to operate the utility systems. As a result, Staff will prepare connection fee increases based on the same percentages as utility rates.

Staff is requesting direction from Council on how to proceed with increases.

Proposed Utility Rate Increases & Connection Charge Increases

- Water: 13%
- Sewer: 3%
- Stormwater: **TBD**

Does Council agree with the water and sewer rate increases as proposed for utility rates and connection charges? If not, are there other options staff should prepare for review?

What percentage increase does Council want staff to proceed with for stormwater utility rates and connection charge increases?

Does Council agree with the additional tiers added to the SFR water consumption charges, including the percentage increase between tiers?

Next steps

If rate increase percentages are settled with this discussion, rate ordinances will be on the December 5, 2024, council meeting consent agenda for approval.

If rate increase percentages are not settled with this discussion, the discussion will continue at the December 5, 2024, council meeting budget work session.