

2014 Utility Rate Recommendations

Olympia Public Works

- A healthy environment
- A thriving economy
- A vibrant community



Water Resources

Provide and protect nature's water for a healthy community

The Water Resources Line of Business includes Olympia's Drinking Water, Wastewater, and Storm and Surface Water Utilities.



Overview of the Rate Setting Process

- **Revenue Requirement**

Compare the revenue of the utility to its expenses

- **Cost of Service**

Equitably allocate the revenue requirements between the various customer classes

- **Rate Design**

Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives



Fund 404 – Storm and Surface Water

- Maintaining and improving water quality
- Protecting local aquatic habitat
- Minimizing flooding





Fund 404 – Storm and Surface Water

General Services

- Diverse responsibilities...flooding, water quality, aquatic habitat
 - Educators, operators, planners, biologists, engineers, GIS analysts, regulators, enforcers, data managers, vegetation specialists
 - Pipes to New Zealand snails to climate change to pond maintenance to shoreline restoration to regional planning
- Condition Rating and Asset Management
- Help with City-wide environmental management

Storm and Surface Water Trends

- Needing detailed infrastructure management, condition rating
- Increasing State and federal regulation
 - NPDES, LID, watershed grants
 - Illicit discharge inspections, catch basin cleaning
- Developing long-term strategies
 - Land acquisition and stewardship
 - Water quality retrofits
 - Sea rise and downtown





Fund 404 – Storm and Surface Water

Budget

| <u>2013</u> | <u>2014</u> | <u>Diff.</u> | <u>%</u> |
|-------------|-------------|--------------|----------|
| \$4,658,563 | \$4,662,227 | \$3,664 | .08% |

- The proposed 2014 budget incorporates various inflationary increases, but no major new initiatives or costs.
- Utility savings (\$~90,000) from this year's retirement of the North Percival Stormwater Facility PWTF loan
- Continued funding of 50% of the cost for street sweeping



Fund 404 – Storm and Surface Water

Revenue

- Slight revenue decline in recent years, but overall fairly steady.

| | 2012 Budget | 2012 Actual | 2014 Estimate |
|----------------------------|-------------|----------------------------|---------------|
| Stormwater Utility Revenue | \$4,279,000 | \$4,170,443 | \$ 4,468,000 |
| | 2013 Budget | 2013 Actual (thru July) | |
| Stormwater Utility Revenue | \$4,658,563 | \$2,068,572 | |

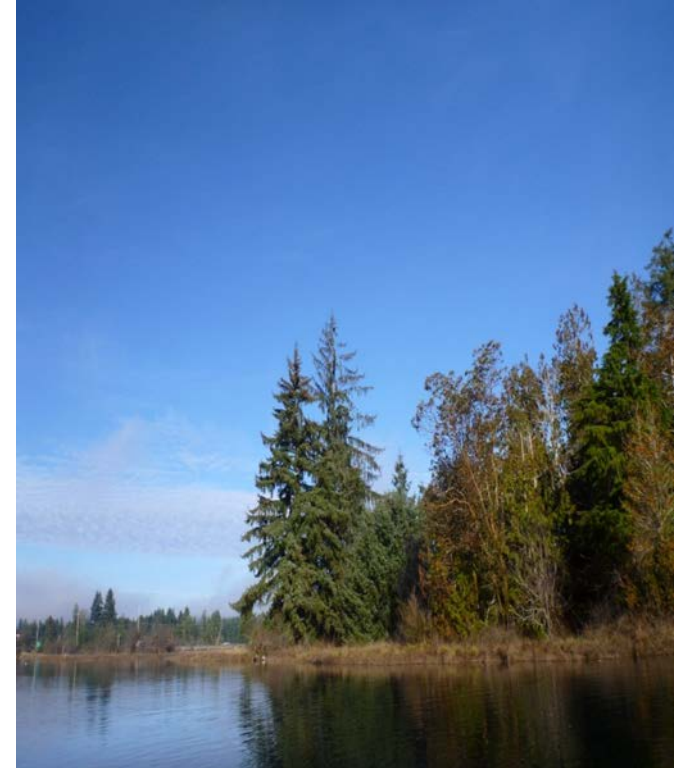


Fund 404 – Storm and Surface Water

Currently out of balance by ~
\$190,000 or about 4-5%
percent of billed revenue

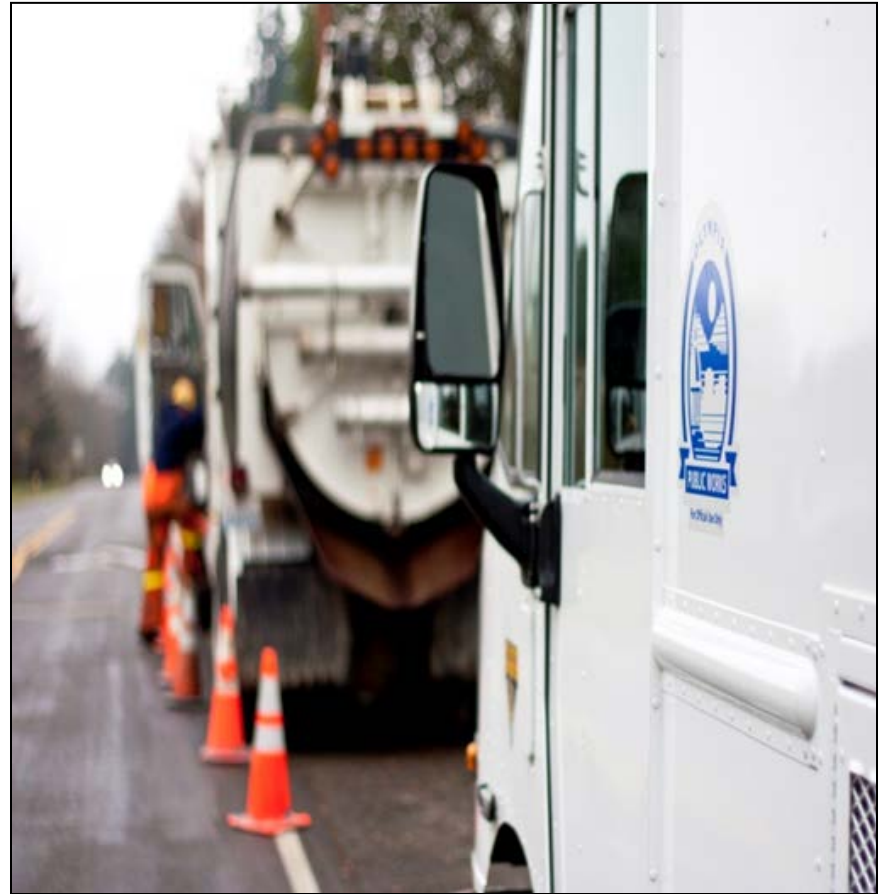
Use Ecology grant and
projected fund balance above
reserves to cover \$115,000.
Helps “buy down” the rate.

**Rate recommendation
increase by 2%**



Goal:

Keep it in the Pipe!





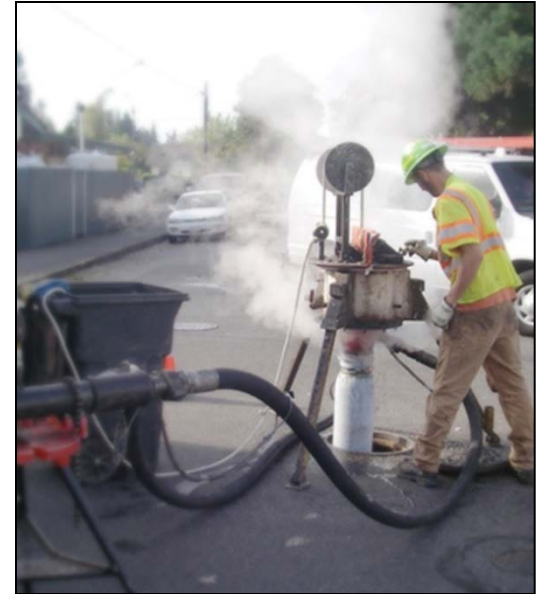
Fund 402 – Wastewater Utility

General Services

- Policy
- Planning
- Education
- Capital Facility Development
- Technical Assistance
- Operations and Maintenance
- Construction
- Asset Management
- Septic System Oversight
- Odor Control

Wastewater Trends

- More integration with other City programs
- More complex in-house construction project
- Improving infrastructure condition
- Finishing up six year project list
- Shifting to proactive retrofits/upgrades
- Using new technologies
- Need for cost effective service for infill and outlying development





Fund 402 – Wastewater Utility

| | 2013 | 2014 | Diff. | % |
|--------|--------------|--------------|--------------|----------|
| - LOTT | \$10,492,900 | \$10,813,912 | \$321,012 | 3.0% |
| - City | \$ 6,174,818 | \$ 6,432,300 | \$257,482 | 4.2% |

Overall, the City Utility budget is proposed to increase approximately 4.2%

- Inflationary increases
- Taxes line item increased due to proposed rate adjustments and contingency – approx. \$180K
- Other increases include fleet rental rates (\$18,950), Maintenance Center rent (\$2,518) and liability insurance (\$4,400).
- LOTT increase of 3% (\$1.02/ERU)



Fund 402 – Wastewater Utility

Revenue

- Revenue is anticipated to hold relatively constant in 2014.
- No grant funding or other appreciably revenues are anticipated for the operating budget.

| | 2012 Budget | 2012 Actual | 2014 Estimate |
|----------------------------|-------------|----------------------------|---------------|
| Wastewater Utility Revenue | \$5,757,600 | \$5,751,808 | \$5,815,000 |
| | 2013 Budget | 2013 Actual (thru July) | |
| Wastewater Utility Revenue | \$5,757,600 | \$3,360,700 | |



Fund 402 – Wastewater Utility

- Currently out of balance by approximately \$445,520, or about 9% percent of billed revenue

Rate recommendation to reduce to 4%

- Use fund balance above reserves in the amount of (\$240,000).
- Projected balance of \$425,260 in the reserve at the end of 2013.



Fund 401 – Drinking Water Utility

Provide safe and reliable water in perpetuity while protecting our environment





Fund 401 – Drinking Water Utility

General Services

- Policy
- Planning
- Education
- Source of Supply
- Mitigation
- Water Conservation
- Water Quality
- Water supply protection
- Cross connection control
- Reclaimed Water
- Operations and Maintenance
- Emergency Response



Trends

Secured water supply for the next 20 years

New dynamic with partnerships and regional coordination

Heavy period of capital investment

Rules and Regulations continue to change

- Coliform Rule

- Contaminates of emerging concern

- Arsenic rule

- Laboratory Rule

Focus on condition rating and asset management

Rates will go up



Fund 401 – Drinking Water Utility

Budget

| 2013 | 2014 | Diff. | % |
|--------------|--------------|--------------|----------|
| \$10,319,270 | \$11,320,966 | \$1,001,696 | 9.7% |

- New debt service costs
- Increase in taxes (\$115,000)
- Addition of \$14K in DOH annual operating permit costs (21K – 35K)
- Reduced Staffing Levels



Fund 401 – Drinking Water Utility

Revenue

Revenue is trending slightly upward in 2013. Thus far, we are 11% higher than we were in 2012.

- Approximately \$160,000 in scrap metal revenue expected from replaced meters.(2013)
- Anticipated \$250,000 annually in previously unaccounted water sales.
- 2014 budget does NOT include \$366,450 payment from General Fund for fire system.

| | 2012 Budget | 2012 Actual | 2014 Estimate |
|--------------------------------|--------------|----------------------------|---------------|
| Drinking Water Utility Revenue | \$9,128,570 | \$9,151,179 | 10,614,000 |
| | 2013 Budget | 2013 Actual (thru July) | |
| Drinking Water Utility Revenue | \$10,326,650 | \$3,619,508 | |



Fund 401 – Drinking Water Utility

Reclaimed Water

- Amending Ordinance
- Adds indoor use rates to existing irrigation (outdoor) use rate
- Engineering Fees – modeled after the DW fees
 - Extend mains; service connections; tests
- Rates – 70% of water consumption rates



Fund 401 – Drinking Water Utility

Estimated that account will be out of balance by 798,703, or about ~8% of service revenue

Rate Recommendation increase of 7%

- Smoothed rate increases of 7% annually planned 2012-2014
- Defer non-essential capital spending, particularly growth-related capital projects
- Recommend a reduction of the City Utility Tax Rate for Drinking Water to 10% to match other Utilities.

Waste ReSources



We lead and inspire our community
toward a waste-free future.



Waste ReSources Budget

- Proposed Rate Increases Across All Service Classes
- Budget Drivers:
 - COLA
 - Benefits
 - Vehicle Rent, Repair, and Maintenance
 - Taxes (State and City)
 - Liability Insurance
 - Decrease in Recycle Commodity Values
- Cash Above Reserves Will Be Used To Soften Rate Increase

Drop Box Service

Preliminary Shortfall \$(53,685) 2.7%



Rate Proposal

| | |
|---|-----|
| Delivery/Set up Fee Temporary Box | 15% |
| Rental Fee/Maintenance-Repair/Replacement | 3% |
| Haul Fee | 3% |
| Service Fee | 1% |

Rate Increase Impact on Revenue

| | |
|--|-----------------|
| Delivery fee based on average of 140 deliveries/year | \$1,100 |
| Rental fee based on 120, 20-yard customers, 365 DPY | \$3,504 |
| Haul fee based on 3,000 hauls per year | \$16,000 |
| Service fee based on 10,700 tons per year | \$12,733 |
| | \$33,337 |

Residential Service

Preliminary Shortfall \$(386,775) 14.9%



Rate Proposal

Residential Curbside Collection Service 8%

Rate Increase Impact on EOW Customer, Bi-Monthly

| | 2013 | 2014 | Difference |
|-----------|---------|---------|------------|
| 20 Gallon | \$16.26 | \$17.56 | \$1.30 |
| 35 Gallon | \$28.10 | \$30.34 | \$2.24 |
| 65 Gallon | \$38.36 | \$41.43 | \$3.06 |
| 95 Gallon | \$66.46 | \$71.78 | \$5.32 |

1% rate increase = \$25,000 in revenue

Commercial Service



Preliminary Shortfall \$(69,963) 2.4%

Rate Proposal

Commercial Collection Service 5%

Rate Increase Impact on Revenue

Every 1% - \$29,000 in Revenue

Commercial rates will subsidize organics program

Organics Service



Preliminary Shortfall \$(236,354) 36.7%

Rate Proposal

Yard Waste/Organics Curbside Service 6%

Rate Increase Impact EOW Customer, Bi-Monthly

| | 2013 | 2014 | Difference |
|------------------|-------------|-------------|-------------------|
| 35 and 95 Gallon | \$15.44 | \$16.36 | \$0.92 |

1% Rate increase = \$6,600 in Revenue

1% Customer Growth = \$6,600 in Revenue

2014 Utility Rate Recommendations

Questions?

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