

2019 UTILITY BUDGETS BACKGROUND INFORMATION

UTILITY ADVISORY COMMITTEE

JUNE 7, 2018



UAC RESPONSIBILITY

- Review proposed changes to:
 - Operating budgets, capital facilities, and general facility charges
 - Potential rates and charges
- Provide written recommendations to City Council and Olympia Planning Commission
- Identify concerns and emerging issues as needed

CITY BUDGET PROCESS

- July 13 Operating budget submitted
- July 24 City Council preliminary CFP review
- August 14 City Manager review utility budgets
- August Budget reconciliation
- Sept 19 Council Finance Committee review
- October Oly Planning Commission CFP review
- October 17 Finance Committee utility rates review
- October 23 Budgets and CFP presented to Council
- November Council Review
- December Council Adoption

TIMELINE FOR UAC

- May 4 Review preliminary CFP
- June 7 Review 2018 finances and introduce 2019 budget drivers
- Sept 7 Detailed evaluation
- Sept/October Prepare recommendations/concerns

STATUS OF THE UTILITIES

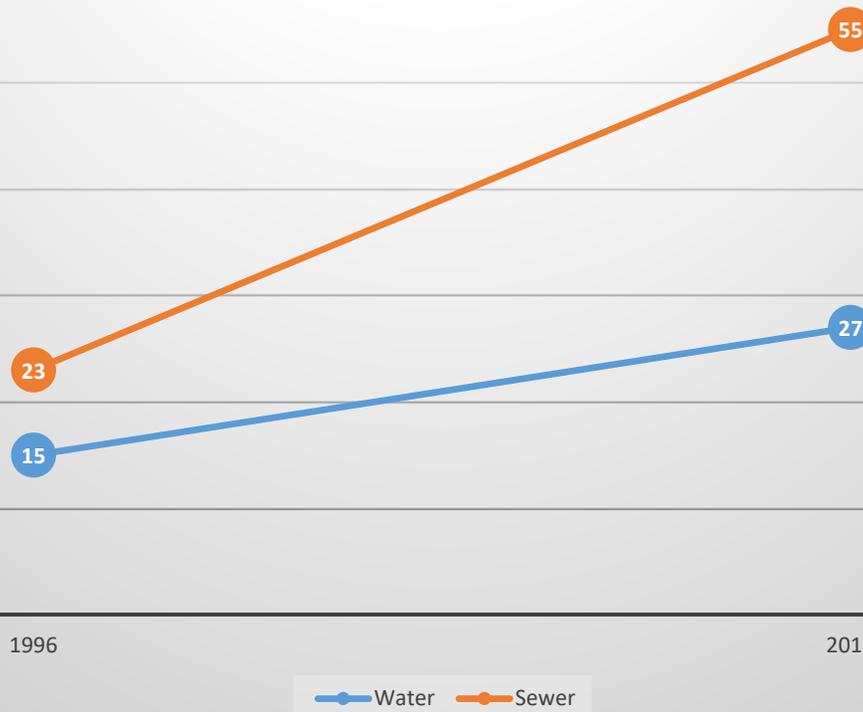
Water Resources Utilities

- Drinking Water - Stabilizing programs, many capital projects
 - Recent big capital projects near completion
 - Variable revenues based on water consumption
- Wastewater - All-around good shape
 - Mature program, proactive capital investments
 - Strong revenues and modest needs
- Storm and Surface Water - Implementing new master plan
 - Refining programs at little or no additional cost
 - Inadequate capital funding with limited financial ability
 - Need to staff up for low impact development/vegetation mgmt in the next few years
 - Fairly high rates already



PUMP STATIONS: INCREASING NUMBER OF FACILITIES

Number of Facilities Managed



STATUS OF THE UTILITIES

Waste ReSources

- Revenues
 - Commercial accounts up 2.5%
 - Residential accounts are steady but growing
 - Drop box hauls are up 6%
 - We are able to handle with current resources
- Costs are also increasing
 - Challenging recycle markets, tipping fees





2018 FINANCES



2018 BUDGETS

Utility	Annual Budget
Drinking Water	\$14,084,000
Wastewater	\$6,962,000
LOTT	\$13,295,000
Storm and Surface Water	\$5,407,000
Waste ReSources	\$12,108,000

2018 YEAR-TO-DATE REVENUES

Revenue compared to end of May, 2017

- Drinking Water 107.3%
- Wastewater 102%
- Storm and Surface Water 101.5%
- Waste ReSources 103.7%

WASTE RESOURCES

2018 First Quarter Revenues vs. Expenditures

Service Class	Revenues and Expenditures	1 st Q Percentage
Drop Box	Revenues	23.97%
	Expenditures	17.41%
Residential	Revenues	23.27%
	Expenditures	19.14%
Commercial	Revenues	27.71%
	Expenditures	19.19%
Organics	Revenues	28.45%
	Expenditures	17.83%

ANNUAL DEBT SERVICE

- Drinking Water \$3,316,635
 - Will increase further in 2019
- Wastewater \$577,851
- Storm and Surface Water \$123,648
- Waste ReSources \$0

HISTORY OF UTILITY RATES

Average bi-monthly, single family utility bill

	2014	2015	2016	2017	2018	% Increase from 2017 to 2018
Drinking Water	\$42.42	\$44.97	\$48.25	\$51.00	\$53.24	4.4%
Wastewater	\$38.57	\$39.33	\$25.56 - \$41.30	\$26.58 - \$42.95	Same	0%
Waste ReSources	\$41.43	\$43.90	\$46.31	\$46.31	\$49.10	6%
Storm and Surface Water	\$22.89	\$23.89	\$25.16	\$26.74	Same	0%
LOTT ****	\$70.02	\$72.12	\$74.28	\$75.76	\$77.28	2%
TOTAL:	\$215.33	\$224.21	\$219.56 - \$235.30	\$226.39 - \$242.76	\$232.94- \$249.31	-
% Overall Increase from Previous Year	4.8%	4.1%	-1.9% - 5.1%	3.2%	2.7%	-
\$ Total Increase	\$9.82	\$8.88	-\$4.32 - \$11.42	\$6.83 - \$7.46	\$6.55	-

LOCAL STORMWATER RATES

- Olympia \$13.37/month
- Lacey \$10.72/month
- Tumwater \$10.83/month



CAPITAL PROJECT FUNDING



CAPITAL DEPRECIATION FUNDING

- Rate funding for capital projects
 - Annual transfer from operating budget to capital budget
- Industry benchmark – 75% of annual capital depreciation
- Olympia utilities – 40% - 60%

2018 Budget	
Drinking Water	\$1,022,000
Wastewater	\$741,000
Storm and Surface Water	\$687,000

2017 GFC REVENUE

- Drinking Water \$1,005,000
- Wastewater \$1,932,000
- Storm and Surface Water \$283,000

CAPITAL PROJECTS - 2018 CASH FLOW

	Drinking Water	Wastewater	Storm and Surface Water
Mandatory reserve (-)	\$847,000	\$445,000	\$463,000
2017 end of year balance (+)	\$3,357,000	\$7,589,000	\$1,074,000
2017 general facility charges (+)	\$1,005,000	\$1,932,000	\$283,000
Loans/contributions (+)	\$5,484,000	0	\$68,000
Operating budget transfer to CFP (+)	\$1,022,000	\$741,000	\$687,000
Anticipated CFP expenditures (-)	\$7,519,000	\$2,737,000	\$1,117,000
Projected 2018 end of year balance	\$2,502,000	\$7,080,000	\$532,000



GENERAL FACILITY CHARGES



GFC HISTORY

	2014	2015	2016	2017	2018	\$ Increase	% Increase
Drinking Water	\$3,456	\$3,687	\$3,918	\$4,180	\$4,433	\$253	6%
Wastewater	\$3,342	\$3,342	\$3,442	Same as 2016	Same as 2016	\$0	0%
Storm and Surface Water	\$1,094 plus \$1.80 trip charge	\$1,190 plus \$1.80 trip charge	\$1,190 plus \$4.50 trip charge	Same as 2016	Same as 2016	\$0	0%
LOTT CDC	\$4,924	\$5,136	\$5,354	\$5,579	\$5,810	\$231	4.1%
TOTAL:	\$12,816	\$13,355	\$13,904	\$14,391	\$14,875	\$484	3.7%

JUSTIFIABLE GFCS

	Current	Potential
Drinking Water	\$4,433	\$4,433
Wastewater	\$3,442	Could be little higher
Storm and Surface Water	\$1,190 plus \$4.50/vehicle trip	\$2,383 plus \$19.04/vehicle trip



POTENTIAL 2019 RATES AND GFCS



POTENTIAL 2019 RATE PROPOSALS

- Drinking Water 2 - 4%
- Wastewater 0 - 1%
- Storm and Surface Water 3 - 6%
- Waste ReSources 4 - 7%

Assuming 1.5% growth rate in accounts

POTENTIAL STAFF RATE AND GFC RECOMMENDATIONS

Non-discretionary

- All Utilities
 - Salaries, benefits, energy, interdepartment transfers
- Waste ReSources
 - Recycle charges and landfill tipping fees

Discretionary

- All Utilities – Expand lifeline assistance program - 0.35 % rate increase?
- Drinking Water
 - Increase capital funding – \$100,000 or \$200,000 annually – 1.0 – 2.0% rate increase
 - Another maintenance worker – 0.65 % - City Manager decision
- Storm and Surface Water
 - Increase capital funding – \$100,000 or \$200,000 annually – 2.3 – 4.6%
 - Increase general facility charge – \$200/new single family residence
 - Move aquatic habitat staff funding out of the capital program - budget neutral
- Waste ReSources
 - Ramp up funding for new facility



CUSTOMER ASSISTANCE PROGRAM



RATE IMPLICATIONS

Currently

- 240 participants: \$1.05/two month subsidy from other customers

Potential

- 480 participants: 0.35% rate increase, add \$1.05/two months
- 1,000 participants: 1.05% rate increase, add \$3.15/two months

Or could lower subsidy (<50%) or use a tiered subsidy

- Increasingly difficult to administer

POTENTIAL DECISIONS

Financial

- Level of subsidy
- Potential number of participants
- Multifamily or single family households
 - Multifamily difficult to reach
- Rate impact to traditional ratepayers
- Participation of LOTT
 - Currently use the same thresholds as Olympia
 - Would need to revisit interlocal agreement with other jurisdictions



Administration

- Potential role for housing authority
- Simplicity, effectiveness, cost

STAFF PROPOSAL TO FINANCE COMMITTEE

Implement in 2019 as a pilot program

- Remove disability and age thresholds – use only income
 - May need to change income threshold
- Seek to double those receiving assistance to 480 households
- Budget for 480 households and cap assistance at this level
- Involve Housing Authority and others in targeting most in need
 - Accept limitations to enrolling hard to reach renters
- Revisit and refine in 2019 with potential improvements in 2020
- Support continued UAC evaluation and incorporate proposal in 2019 budget and rate recommendations to Council



NEXT STEPS



NEXT STEPS TIMELINE

- Detailed budgets and potential rates - September 6
- Recommendation on customer assistance program to Finance Committee – September 19
- Recommendations to Council - Late September/early October