

Olympia Utilities: 2019 Budgets and Proposed Rates



Utility Advisory Committee
September 6, 2018



Potential UAC Considerations

- All Utilities
 - Lifeline program
 - Municipal tax increase
- Drinking Water
 - Capital construction funding - \$150,000
 - New employee, 0.5 FTE (Tentatively approved)
- Wastewater
 - New employee, 0.5 FTE
- Storm and Surface Water
 - Sea rise funding - \$125,000
 - General facility charges
- Waste ReSources
 - Managing recycling costs – rates, cash, commercial accounts
- Other potential issues or concerns



Update on the Lifeline Program

- **Current Proposal**
 - Maintain criteria and structure of existing program
 - More aggressively seek participants
 - Expect to increase participants from 250 to 300-325
 - Keep historical level of funding
 - Supplement with year-end funding as needed
 - Evaluate potential changes for 2020
- **Proposal will be shared with Finance Committee September 19**
 - UAC can provide input





Proposed Utility Budgets

• Drinking Water	\$14,718,000
• Wastewater	\$7,257,000
• Storm and Surface Water	\$5,712,000
• LOTT	\$13,695,000
• Waste ReSources	<u>\$12,814,000</u>
TOTAL	\$54,196,000
Proposed 2019 Increase	\$1,790,000



Projected Year-End Balances

Operating Budgets (above mandatory reserves)

	2017	2018
Drinking Water	\$2,119,000	\$2,446,000
Wastewater	\$1,987,000	\$2,815,000
Storm and Surface Water	\$819,000	\$578,000
Waste ReSources	\$558,000	\$1,028,000

Capital Budgets (above mandatory reserves)

	2017	2018
Drinking Water	\$2,510,000	\$2,502,000
Wastewater	\$7,144,000	\$7,080,000
Storm and Surface Water	\$611,000	\$532,000



General Facility Charges – 2017 and 2018

Utility	Collected in 2017	2018 Budgeted	2018 To-Date
Drinking Water	\$1,005,000	\$753,000	\$600,000
Wastewater	\$1,932,000	\$631,000	\$417,000
Storm and Surface Water	\$283,000	\$144,000	\$103,000

Summary of Key 2019 Financial Drivers

- **All Utilities**
 - Proposal to increase municipal tax
 - COLA increase
- **Waste ReSources**
 - Collapsed recycle markets
- **Drinking Water**
 - Capital construction funding
 - Employee benefits
 - 0.5 FTE employee
- **Wastewater**
 - Municipal tax increase
 - 0.5 FTE employee
- **Stormwater**
 - Sea level rise funding





2019 Assumptions and Inputs

- Revenue Growth
 - Water Utilities 1.5%
 - Waste ReSources 1.0%
- Expenditures
 - Overhead cost increases modest this year
 - Assume 3% COLA
 - LOTT 3% rate increase
- Council Initiatives
 - Municipal tax increase 0.5%
 - No Lifeline program increase



Summary of Proposed Utility Rates

Single Family Residences

Drinking Water	4.3%
Wastewater	3.1%
LOTT	3.0%
Storm and Surface Water	5.1%
Waste ReSources	5.5%
Combined Increase	3.9% or \$4.96/month

Water Resources

Passionate caretakers of tomorrow's water



Wastewater



Drinking Water



Storm and Surface Water





Drinking Water

Expenditures and Revenue	2018 Expenditures	Proposed 2019 Expenditures	Projected 2019 Revenue	Revenue Shortfall
Drinking Water	\$14,085,000	\$14,718,000	\$14,186,000	\$532,000

Proposed Rate Increase	Utility Bill Increase
4.3%	\$2.29/month/residence

Main Budget Drivers
<ul style="list-style-type: none">• Increase in benefits: \$134,000• COLA: \$73,000• Half of a new operations and maintenance employee: \$35,000• Increase in capital funding: \$150,000• Municipal tax increase: \$68,000



Wastewater

Expenditure and Revenue	2018 Expenditures	Proposed 2019 Expenditures	Projected 2019 Revenue	Revenue Shortfall
Wastewater	\$6,962,000	\$7,257,000	\$7,062,000	\$195,000

Proposed Rate Increase	Utility Bill Increase
3.1%	\$0.67/month/residence

Main Budget Drivers
• Municipal tax increase: \$104,000 (Includes LOTT cost)
• Tax cost on rate increases: \$43,000 (Includes LOTT cost)
• Half of new O/M employee: \$35,000 (Shared with Drinking Water)
• COLA: \$34,000



Storm and Surface Water

Expenditure Request	2018 Expenditures	Proposed 2019 Expenditures	Projected 2017 Revenue	Revenue Shortfall
Storm and Surface Water	\$5,407,000	\$5,712,000	\$5,474,000	\$238,000

Proposed Rate Increase	Utility Bill Increase
5.1%	\$0.68/month/residence

Main Budget Drivers

- 3% COLA: \$46,000
- Sea level rise funding: \$125,000 (CFP)



LOTT Clean Water Alliance

Expenditure Request	2018 Expenditures	Proposed 2019 Expenditures	Projected 2019 Revenue	Revenue Shortfall
LOTT	\$13,296,000	\$13,695,000		\$400,000

Proposed Rate Increase	Utility Bill Increase
3.0%	\$1.16/month/residence

Main Budget Drivers

- Various operational and capital costs



Waste ReSources

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



Waste ReSources Budget

	2018 Budget	2019 Budget	Difference	%	Revenue	Net Position
Expenditure Request	\$12,476,571	\$12,814,200	\$337,629	2.7%	\$12,388,419	(\$425,781)
Drop Box (8604)	\$2,572,166	\$2,655,317	\$83,151	3.2%	\$2,536,222	(\$119,095)
Residential (8605)	\$4,583,036	\$4,663,010	\$79,974	1.7%	\$4,202,953	(\$460,057)
Commercial (8606)	\$4,030,965	\$4,236,176	\$205,211	5.1%	\$4,525,544	\$289,368
Organics (8607)	\$1,290,404	\$1,259,697	-\$30,707	-2.4%	\$1,123,700	(\$135,997)





Revenue & Rates

Revenue	2019
• 10% Reserve Requirement 2018	\$1,150,307
• Estimated Cash by Year End 2018	\$1,028,469
• Future Facility	-\$368,000
• Shared Compactor #2	-\$266,000
• Recycling Revenue Loss	TBD
• Cash Above Reserve Estimate	\$394,469
• 2019 Revenue Shortfall before Adjustments	-\$425,781

Proposed Rate Increases:

- Drop Box 5.5%
- Residential 5.5%
- Commercial 0%
- Organics 0%

Drop Box Service

Revenue Shortfall: -\$119,095

Rate Proposal: 5.5% = \$118,503

- Delivery Fees
- Rental Fees
- Hauling Fees





Recyclables Update

- China was the world's largest buyer of recyclables – Roughly 50% globally.
- July 2017: Import restriction announced in letter to WTO.
- January 1, 2018:
 - Imposed a 0.5% contamination limit for acceptable recyclable imports.
 - Banned the import of at least 24 varieties of solid waste and recyclables
 - China expected to stop all waste imports by 2020, if not sooner
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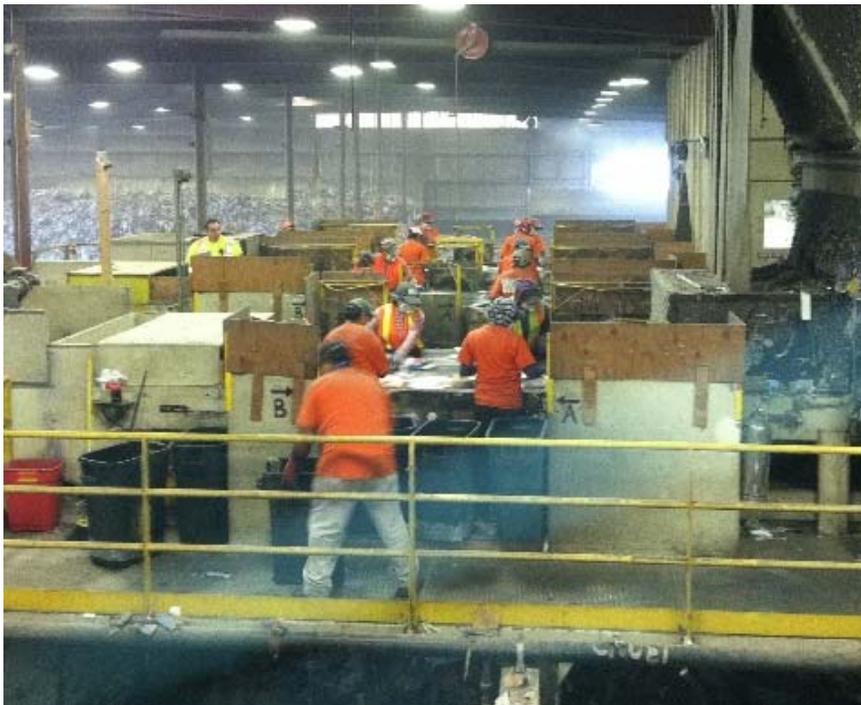
Other Global Markets

- Early 2018: Recyclables shipped to other markets including Indonesia, Vietnam, Thailand, etc.
- May / June 2018: Vietnam and Thailand temporarily ban import of scrap plastics. Indonesia requires pre-inspection.



Financial Implications

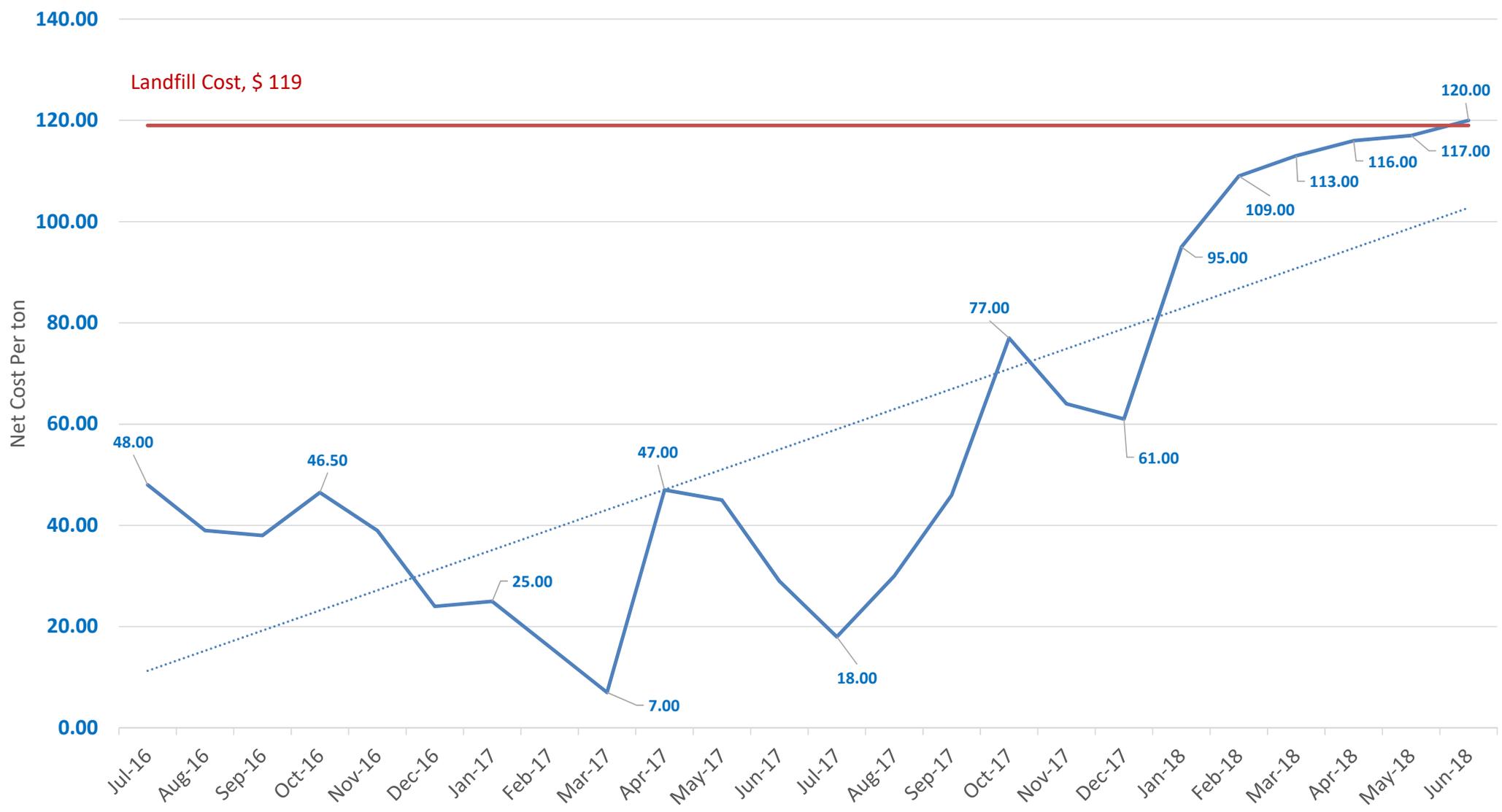
- Processor still finding markets but increasingly difficult.
- Processor has needed to slow throughput.



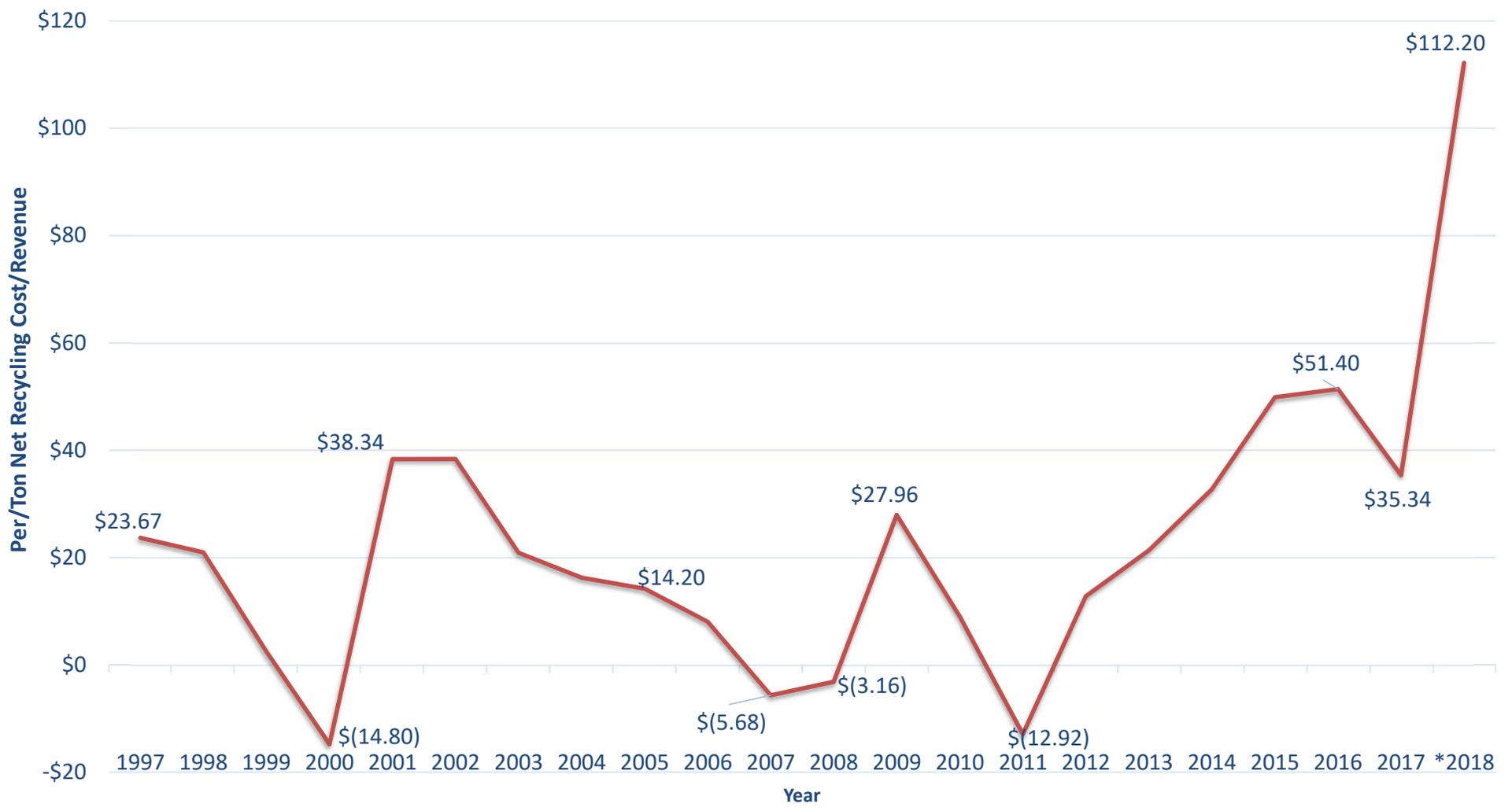
- Commodity values at historic low.
Example:
Mixed paper value before +\$100/ton, today **-\$20/ton**
- Previously, processing & hauling costs mostly offset by revenue generated from selling material.



Net Cost/Ton Recycling After Commodity Values Offset Transload/Hauling/Processing



Annual Per/Ton Net Recycling Cost '97 - Current





Residential Service

- Revenue Shortfall: -\$460,148
- 5.5% Rate Increase = \$195,000
- Commercial Revenue = \$153,000
 - Rely on Cash = \$140,000



Impact on Customer, Bi-Monthly W/Recycle			
	2018	2019	Difference
20-gallon	\$20.82	\$21.17	\$1.14
35-gallon	\$35.96	\$37.93	\$1.97
65-gallon	\$49.10	\$51.80	\$2.70
95-gallon	\$85.08	\$89.75	\$4.67





Typical Utility Bill

Single Family Residence	2015	2016	2017	2018	Proposed 2019	% Increase
Drinking Water	\$44.97	\$48.25	\$51.00	\$53.24	\$55.53	4.3%
Wastewater	\$39.33	\$25.56 - \$41.30	\$26.58 - \$42.95	Same	\$27.40 - \$44.28	3.1%
Waste ReSources	\$43.90	\$46.32	\$46.32	\$49.10	\$51.80	5.5%
Storm and Surface Water	\$23.89	\$25.16	\$26.74	Same	\$28.10	5.1%
LOTT	\$72.12	\$74.28	\$75.76	\$77.28	\$79.60	3%
TOTAL:	\$224.21	\$219.56 - \$235.30	\$226.39 - \$242.76	\$232.93 - \$249.30	\$242.33 - \$259.21	3.9%
\$ Total Increase	\$8.88	-\$4.32 - \$11.42	\$6.83 - \$7.46	\$6.54	\$9.91	



Regional Utility Bill Comparisons

2018	Water Base Fee	Water Consumption Fee (650 cubic feet of water use)	Sewer	Storm & Surface Water	LOTT	Waste ReSources		Utility Tax	TOTALS EXCLUDING WASTE
						Refuse (65 gallon container)	Organics/yard waste (optional)		
Olympia	\$12.98	\$15.35	\$21.47	\$13.37	\$38.64	\$24.55	\$10.25	N/A	\$101.81
Lacey	\$15.67	\$9.33	\$20.43	\$10.72	\$38.64	\$25.41	\$7.60	N/A	\$94.79
Tumwater	\$8.00	\$15.40	\$17.11	\$10.83	\$38.64	\$25.41	\$7.60	\$5.60	\$95.58



Proposed General Facility Charges

Single Family Residential	2015	2016	2017	2018	Proposed 2019	\$ Increase	% Increase
Drinking Water	\$3,687	\$3,918	\$4,180	\$4,433	Same as 2018	0	0
Wastewater	\$3,342	\$3,442	Same as 2016	Same as 2016	Same as 2016	0	0
Storm and Surface Water	\$1,190 plus \$1.80 trip charge	\$1,190 plus \$4.50 trip charge	Same as 2016	Same as 2016/2017	\$1,309 plus \$6.00 trip charge	\$119 plus approx. \$12 total trip charge	10%
LOTT CDC	\$5,136	\$5,354	\$5,579	\$5,810	\$5,985	\$175	3%
TOTAL:	\$13,355	\$13,904	\$14,391	\$14,875	\$15,169	\$306	2%



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- Written Recommendations to Council
 - October 17th meeting
 - October 8th staff report submittal
 - Next UAC meeting – October 4th
- Planning Commission discussion of CFP
 - September 10th – Staff attending
- Lifeline program
 - Finance Committee, September 19th
 - UAC perspective for staff report (tomorrow)?
 - Staff attending



2019 Utility Rate Recommendations

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