

# 2020 Budget Overview

<b>Department:</b>	<b>Line of Business/Program:</b>
Water Resources	Storm and Surface Water
<b>Funds 404-8409 and 404-8431</b>	

	2019	2020	Change (\$ or %)
<b>Revenue</b>	\$5,716,809*	\$5,785,651,	\$68,842
<b>Expenses</b>	\$5,716,809	\$5,744,974**	\$28,165
Operations	\$1,393,798	\$1,441,474	\$47,676
Environmental Services	\$1,370,879	\$1,386,912	\$212,033
Engineering & Planning	\$376,877	\$418,933	\$40,274
Administration	\$1,720,158	\$1,791,394	\$89,658
Debt Service	\$123,648	\$123,650	\$2
CIP	\$487,690	\$487,690	\$0
Other	\$121,106	\$0	-\$121,106
<b>FTE Staffing</b>	19.63	18.8	-0.75

\*Projected revenue. Actual revenue was \$223,000 less than projected in 2018.

\*\* Does not include COLA and enhancements

## What are your primary budget drivers?

- The Storm and Surface Water Utility remains financial stable with few programmatic changes. Much of our work is proactive in nature.
- Key in-house expenses include:
  - Staff salary and benefit adjustments.
  - In-house (rent, fleet, services, etc.) increases (\$116,000, 2.0% rate implication).
- Additional potential cost increases associated with higher expenses include:
  - Projected 3% COLA for staff (\$46,000).
  - No additional municipal utility tax rate increase is anticipated.
  - No increase in Lifeline customer assistance is anticipated.
- New funding requests include:
  - The greatest budget driver in Storm and Surface Water is an increase in capital depreciation funding equivalent to the salaries and benefits (\$200,000, 3.5% rate implication) for 2.0 FTEs (Jesse Barham and Kate Hartman in Environmental Services). The two FTEs were moved from capital funding to the operating budget last year. At the same time an increase in the capital depreciation funding of \$200,000 to offset the salaries and benefits was requested, but rejected.
  - The shift of 1.25 FTE from the Storm and Surface Water Utility to the Wastewater complement accounts for a reduction of \$114,000 (-2.0% rate implication). This enhancement corrects an inequity in funding. Construction crews are shared between the Wastewater and Storm and Surface Water utilities. The construction workload distribution is nearly equal between the utilities. This request will split funding evenly so each utility funds 2.5 MWII FTEs and 1.0 MWI FTE.
  - We also propose to add 0.5 FTE (Maintenance Worker II) to operate a new grant-funded sweeper (\$47,000, 0.82% rate implication). Holding this position will make our grant application stronger.
  - Funding for an additional vehicle for Environmental Services is requested. The annual cost would

be approximately \$5,000 annually. A vehicle would allow staff to support vegetation crews in the field at locations throughout the City. Staff currently uses a pool vehicle requiring the daily transfer of equipment in and out of pool vehicle.

- Debt service remains essentially unchanged for 2020 and probably the next few years as well. Several large flood reduction projects are likely to be debt-funded.

### What is new or different about your budget? (Narrative - Budget Overview)

- Additional fixed in-house (rent, fleet, services, etc.) increases (\$116,000, 2.0% rate implication).
- As discussed above, the greatest budget driver in Storm and Surface Water is capital depreciation funding to offset salaries for the 2.0 FTEs previously funded by the capital budget.
- A shift of 1.25 FTE from the Storm and Surface Water Utility to the Wastewater complement will reduce funding needs.
- Adding 0.5 FTE to operate a new grant-funded street sweeper will increase funding needs.
- The additional costs contributing to a potential rate increase include:
  - As described above, new capital depreciation funding equivalent to 2.0 FTE (\$200,000, 3.5% increase).
  - A shift of 1.25 FTE from the Storm and Surface Water Utility to the Wastewater complement accounts for a reduction of \$114,000 (-2.0% rate implication). This enhancement corrects an inequity in funding.
  - An additional (\$47,000, 0.82% rate implication) is requested to add 0.5 FTE (Maintenance Worker II) to operate a new grant-funded sweeper.
  - An \$18,422 (0.12% rate implication) increase is proposed to fund the Cityworks software license.
  - A \$12,500 (0.08% rate implication) increase is needed in the interfund transfer to support city-wide IS projects.
  - A \$9,964 (0.17% rate implication) increase in the interfund transfer to support the existing aging sweeper is also needed.
  - Funding for an additional vehicle for Environmental Services is requested (\$5,000)
  - No change to the municipal utility tax.
  - No change to the Lifeline customer assistance program.
  - Debt service remains unchanged for 2020 and probably the next few years as well.
- To account for the base budget, an additional \$69,000 (1.2% rate implication) is necessary.
- To account for the base budget and enhancements, an additional \$253,500 (4.4% rate implication) is necessary
- To account for the base budget, enhancements and a 3% COLA, an additional \$317,000 (5.5% rate implication) is necessary
- Taking into consideration, a 1% account growth decreases the above-stated rate increases. Therefore, to account for enhancements and a 3% COLA, a rate increase of 4.5% is recommended.
- We are proposing a worst-case 4.5% rate increase for 2019.
- The 4.5% rate increase would show up as approximately \$1.26 on a typical single family residential bimonthly bill (\$0.63 monthly). The residential storm and surface water charge in 2019 is \$14.05..

### Trends, Challenges, & Opportunities (Narrative – Trends and Challenges)

- We expect the Storm and Surface Water Utility to remain stable and predictable in the years to come. Its needs are and will likely stay modest.
- The Utility anticipates restructuring rates in 2020.
- Operations staff are prepared and anxiously await implementation of the Cityworks software.

- State and federal mandates through the new 2019 NPDES Municipal Permit for storm and surface water management continue to increase. Additional funding will not be necessary in 2020, but required studies and educational outreach may have funding implications in future years. The utility also regularly takes on new and emerging environmental issues for the City. We are lending natural resource technical assistance to various other departments including CP&D, Parks, and Executive.
- Pipe and maintenance hole condition rating of the stormwater pipe system indicates that many minor structural repairs are needed, but the overall integrity of the system is good. Approximately 80% of the publically-owned system has been televised.
- Storm and Surface Water is evaluating playing a greater role in vegetation management throughout the City. Budget implications will be kept neutral in 2020, but funding may be sought in 2021.
- Storm and Surface Water GFC revenue (not factored in the operating budget) has diminished in the past 3 years. The GFCs are based on new impervious surface and the reduction is likely as a result of the lack of new impervious surface associated with redevelopment.
- The State legislature recently increased the value for public works projects that City staff can construct from \$65,000 to \$116,155. This will greatly expand our ability to cost-effectively construct small projects. 2020 will be a transition year with potential budgetary implications (additional seasonal staff) happening in 2021. This may effect some work requests with Engineering and Procurement..

## Revenues and Cost of Service

### Revenue

- Our revenue projections assume a 1.0% growth rate in customer accounts and associated revenue (\$57,000). This growth will not be enough to even cover growing basic in house expenses (\$110,000).
- Revenues through July 2019 suggest a 1.5% growth in revenues in 2019.

### General Facility Charges

- A financial analysis indicates a near doubling of the stormwater GFCs is justified. We propose a 20% GFC increase for consideration.

### Cost of Service

- The Storm and Surface Water Utility is stable and generally predictable. The City has long supported a comprehensive storm and surface water program meeting our community expectations. Compared to other small cities our program is costly (greater than both Lacey and Tumwater). However, we have always understood that the City's program both provides more services and manages more natural resources than others. A statistical analysis of 15 Puget Sound communities of similar size to Olympia correlated utility rates with the natural resources and infrastructure managed (e.g., length of streams, miles of marine shoreline, wetland acres, conveyance system length). On a per unit basis, our management costs are less than almost all other jurisdictions. Additionally, our programs are considered high-quality by our peers.

Comparative Utility Rates  
Monthly Bill for a Single-Family  
Residence (2019)

City	Average Monthly Water Fees *
Lacey	\$12.04
Olympia	\$14.05
Tumwater	\$11.27

\* All rates include utility taxes.

**Base Budget Changes**  
**Storm & Surface Water Utility (Fund 404)**

	<b>2018</b>	<b>2019</b>	<b>Variance</b>	<b>Variance %</b>
<b>Salaries and Wages</b>	\$ 1,704,591	\$ 1,734,957	\$ 30,366	1.78%
<b>Benefits</b>	\$ 559,621	\$ 601,919	\$ 42,298	7.56%
<b>Supplies</b>	\$ 152,231	\$ 156,900	\$ 4,669	3.07%
<b>Services</b>	\$ 369,847	\$ 353,718	\$ (16,129)	-4.36%
<b>Intergov Payments</b>	\$ 392,856	\$ 434,829	\$ 41,973	10.68%
<b>Interfund Payments</b>	\$ 1,348,642	\$ 1,464,754	\$ 116,112	8.61%
<b>Debt Service</b>	\$ 123,648	\$ 123,650	\$ 2	0.00%
<b>CIP</b>	\$ 487,690	\$ 487,690	\$ -	0.00%
<b>Utility Taxes*</b>	\$ 736,639	\$ 736,639	\$ -	0.00%
<b>Total</b>	\$ 5,875,765	\$ 6,095,056	\$ 219,291	3.73%

\*Utility Taxes Have not been updated