

# Olympia Utilities: 2017 Budgets and Proposed Rates

Utility Advisory Committee  
September 1, 2016



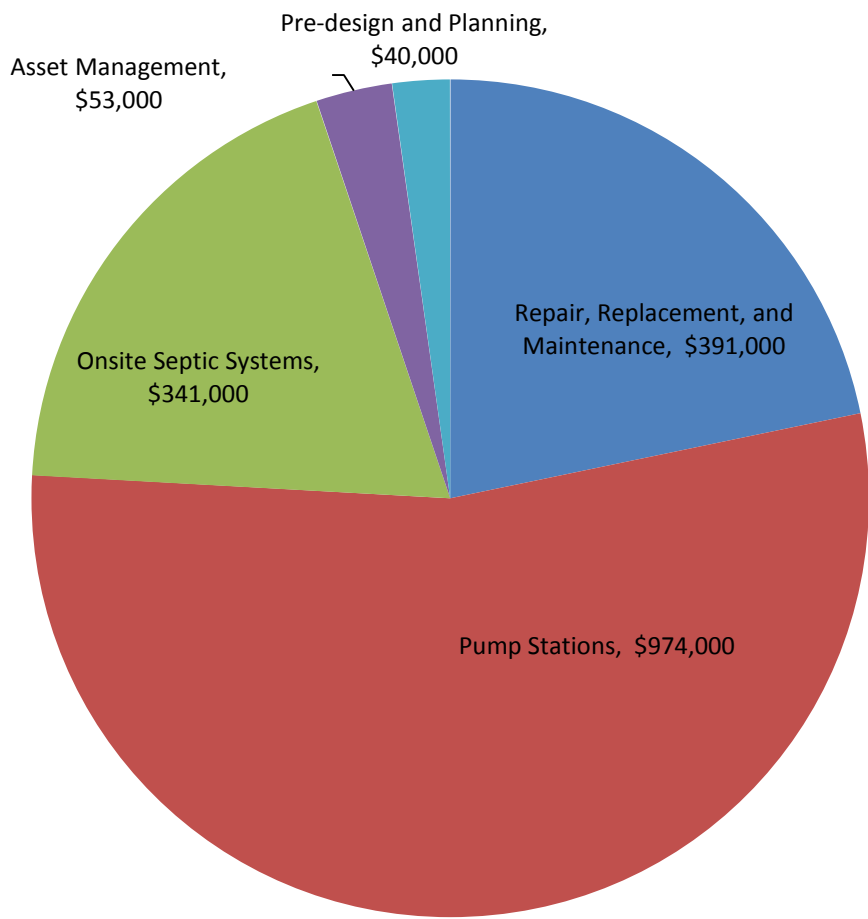
# Wastewater

## Main Budget Drivers

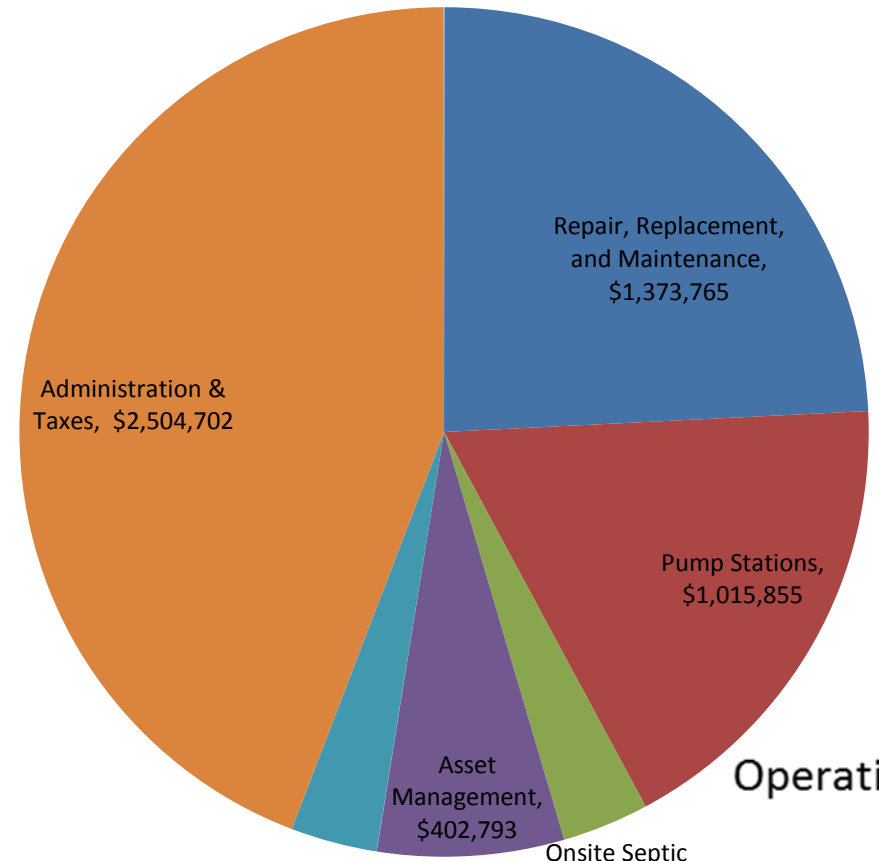
	2016	Proposed Increase	Change
Salaries/Benefits (Incl. COLA)	\$1,457,227	\$80,954	5.5%
Supplies	\$357,105	-\$26,532	-7.3%
Services	\$415,010	\$2,500	1%
Overhead/Administration	\$1,501,010	\$80,802	2.5%
Taxes	\$1,941,219	\$158,901	8.1%
Monthly Billing		\$75,000	-

Revenue Shortfall	Proposed Rate Increase
\$260,000	4.5%

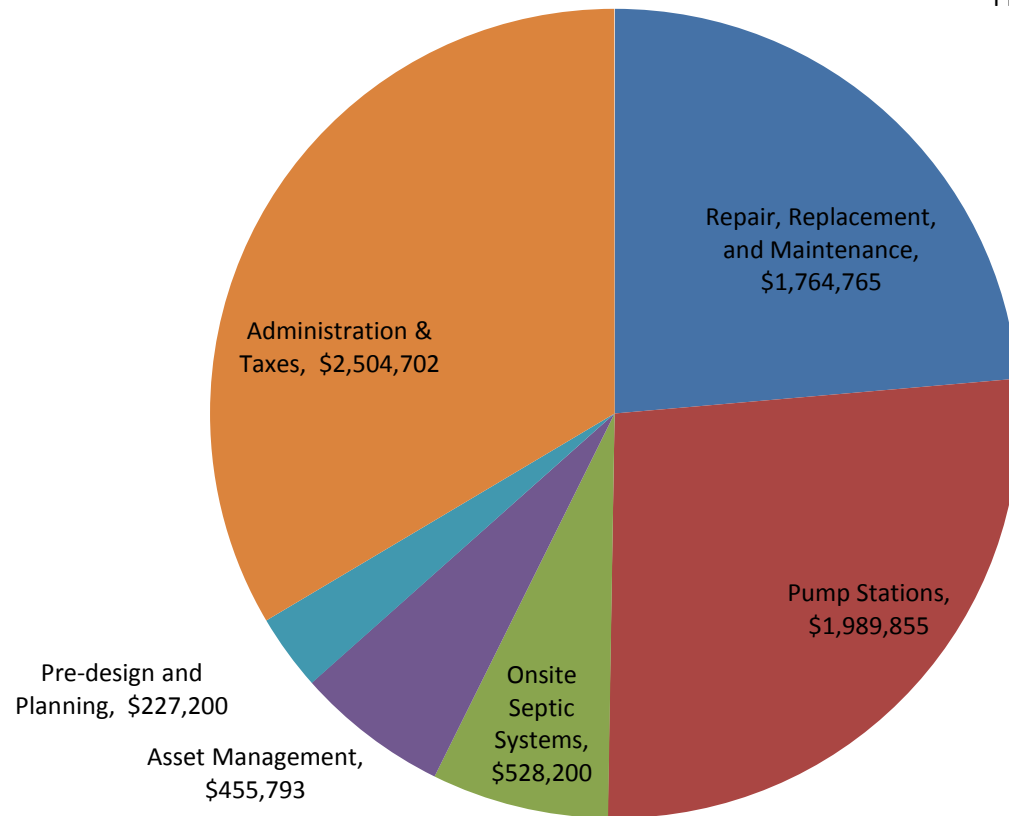
# 2017 Wastewater



CFP



Operating Budget



TOTAL  
CFP and Operating Budget



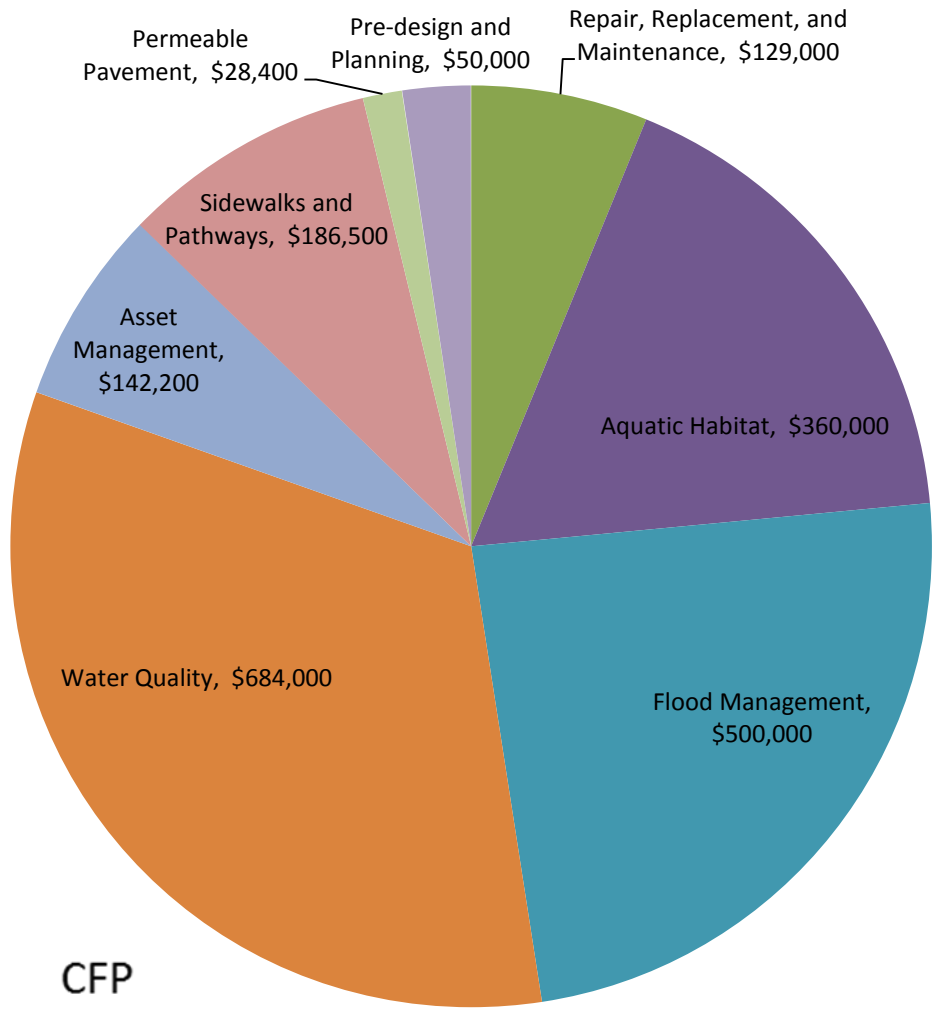
# Storm and Surface Water

## Main Budget Drivers

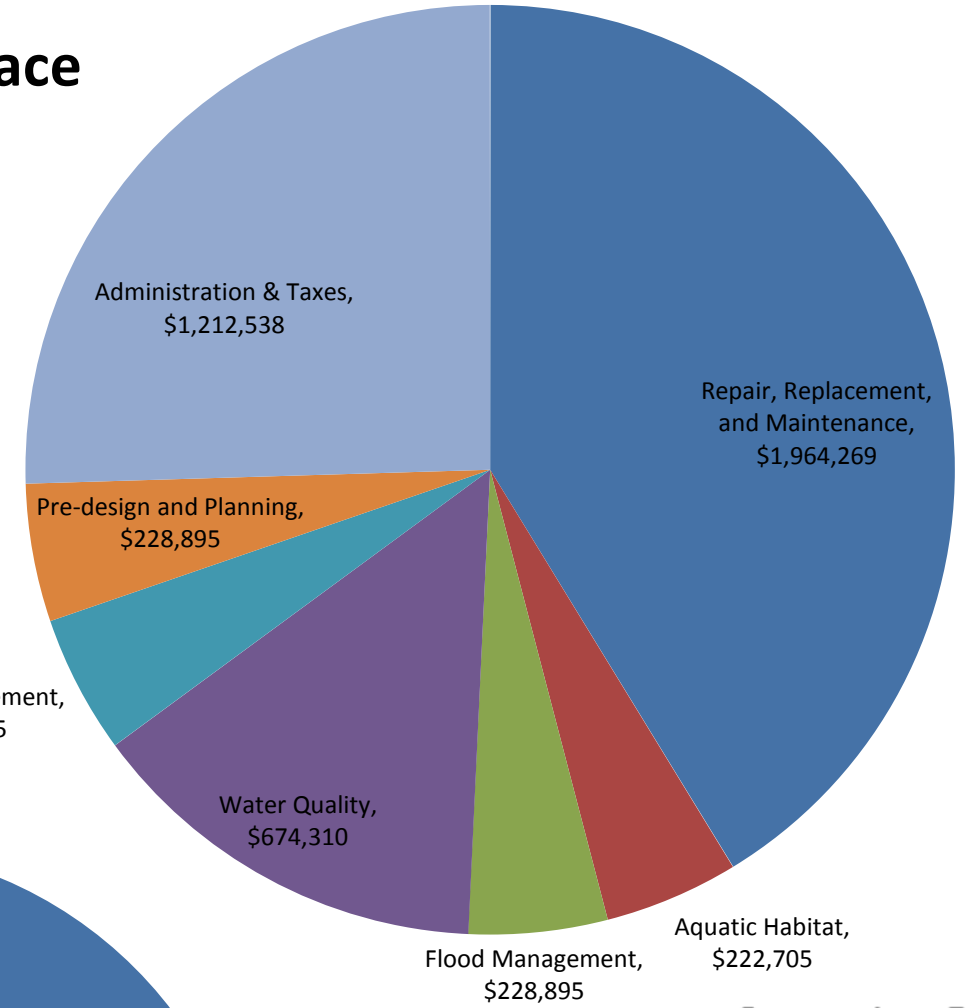
	2016	Proposed Increase	Change
Salaries/Benefits (Incl. COLA)	\$1,448,888	\$134,444	9.3%
Supplies	\$248,220	-\$37,350	-1.5%
Services	\$406,807	\$10,389	2.4%
Overhead/Administration	\$1,468,628	\$80,802	5.4%
Taxes	\$610,935	\$12,065	2%
Monthly Billing		\$75,000	-
Low Impact Dev. (Vegetation Mgmt.)		\$16,000	-

Revenue Shortfall	Proposed Rate Increase
\$301,000	6.9%

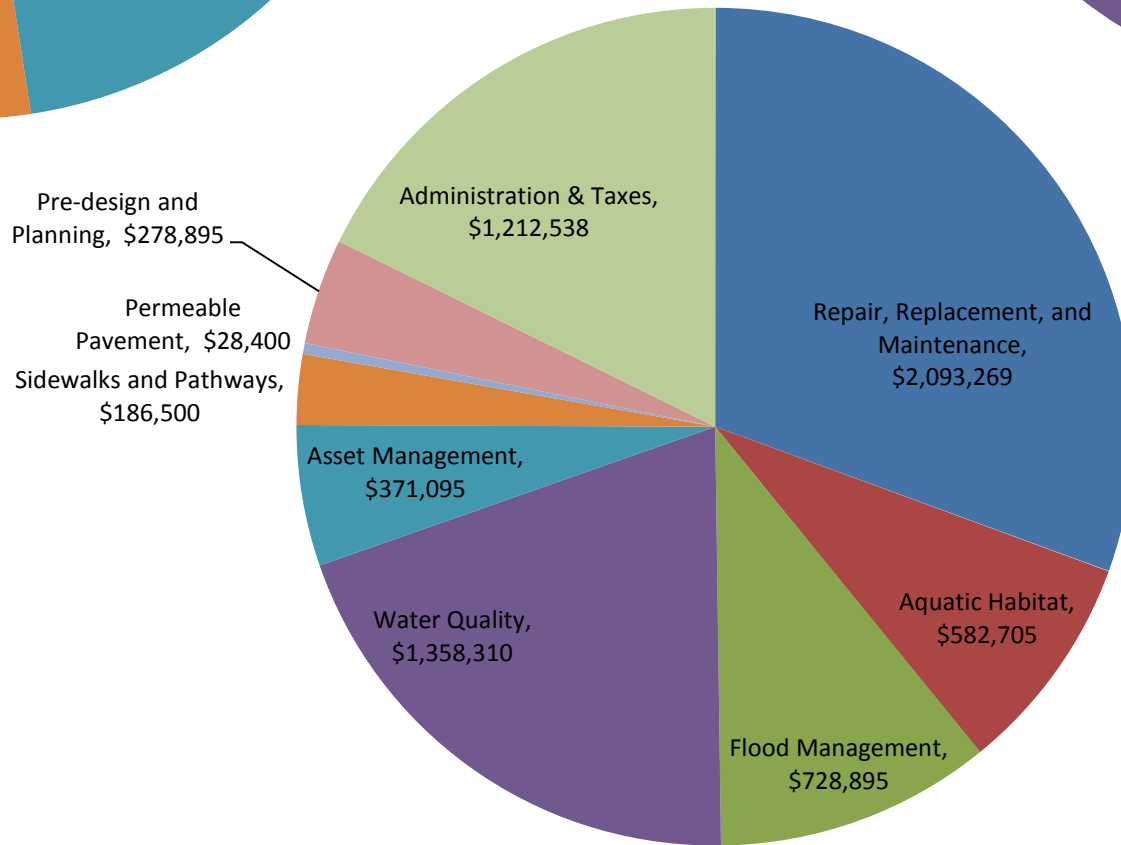
# 2017 Storm and Surface Water



CFP



Operating Budget



TOTAL

CFP and Operating Budget

# General Facility Charges

- Drinking Water: 6.7% increase (\$262)
- Wastewater: No increase
- Storm and Surface Water: No increase

	2016	2017
Drinking Water	\$3,918	\$4,180
Wastewater	\$3,442	Same
Storm and Surface Water	\$1,190	Same





# LOTT Clean Water Alliance

- Proposed Rates: 3% Increase (\$1.11/month)
- Proposed Capacity Development Charge: \$224 increase

	2016	Proposed 2017
Rates	\$37.14	\$38.26
CDC	\$5,354	\$5,579



# Utility Bill Implications

	8/2 Monthly Increase	8/30 Monthly Increase w/ Added Revenue & w/ Monthly Billing	8/30 Monthly Increase w/ Added Revenue & w/o Monthly Billing
Waste Resources			
• With recycle	\$0.23 (1%)	\$0 (0%)	\$0 (0%)
• With organics/ yard waste	\$0.85 (3.7%)	\$0.62 (2.7%)	\$0.62 (2.7%)
Water-related Utilities	\$3.46 (6%)	\$3.80 (6.6%)	\$2.99 (5.2%)
LOTT	\$1.11 (3%)	\$1.11 (3%)	\$1.11 (3%)
TOTAL RATE INCREASE	\$4.80 - \$5.42 (4.1% - 4.6%)	\$4.91 - \$5.53 (4.2% - 4.7%)	\$4.10 - \$4.72 (3.5% - 4.0%)
TYPICAL TOTAL BILL	\$122.46/month	\$122.57/month	\$121.76/month



# 2017 Utility Rate Recommendations

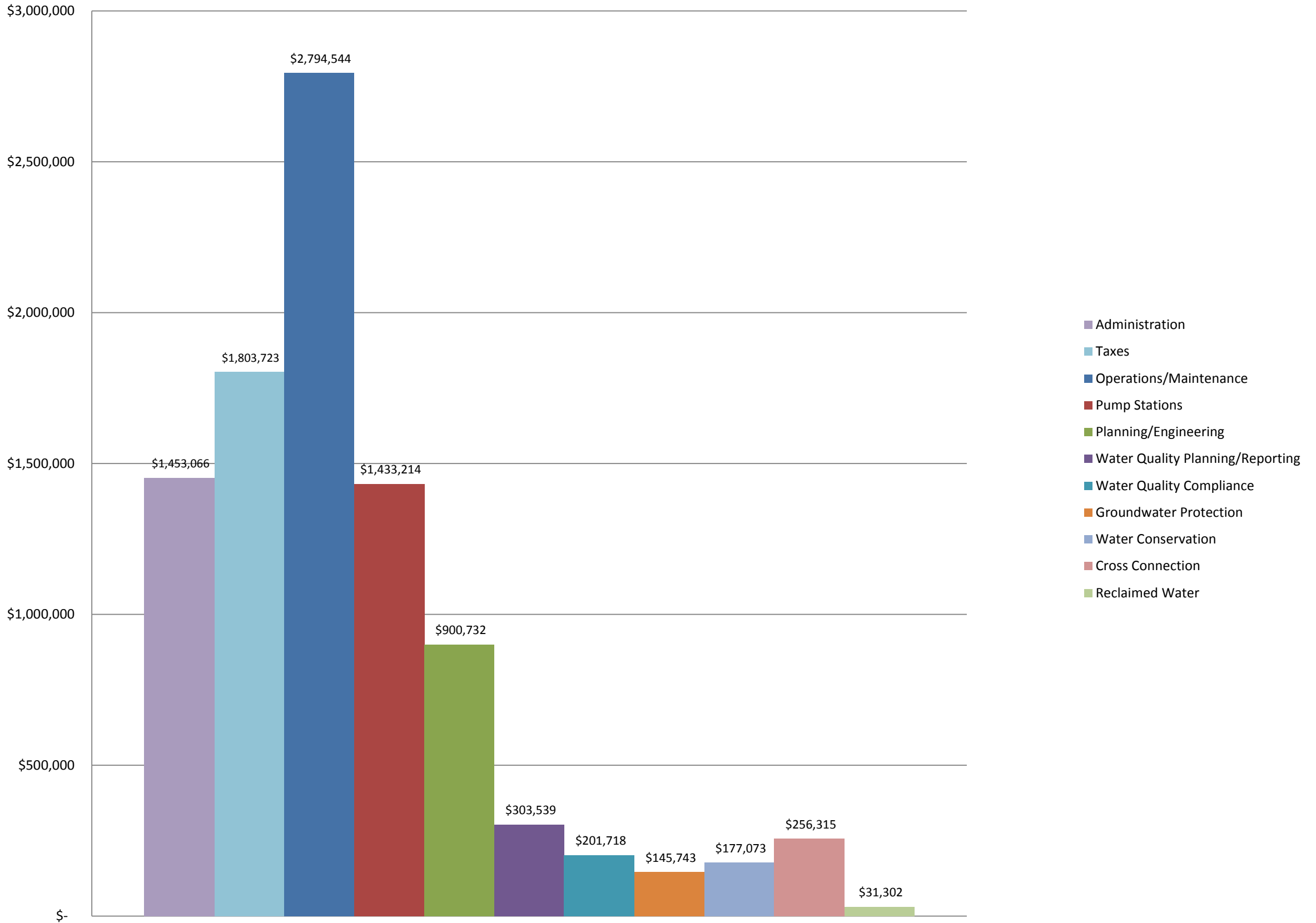
## Follow-up?

**Dan Daniels**, Waste ReSources Director, 753-8780,  
[ddaniels@ci.olympia.wa.us](mailto:ddaniels@ci.olympia.wa.us)

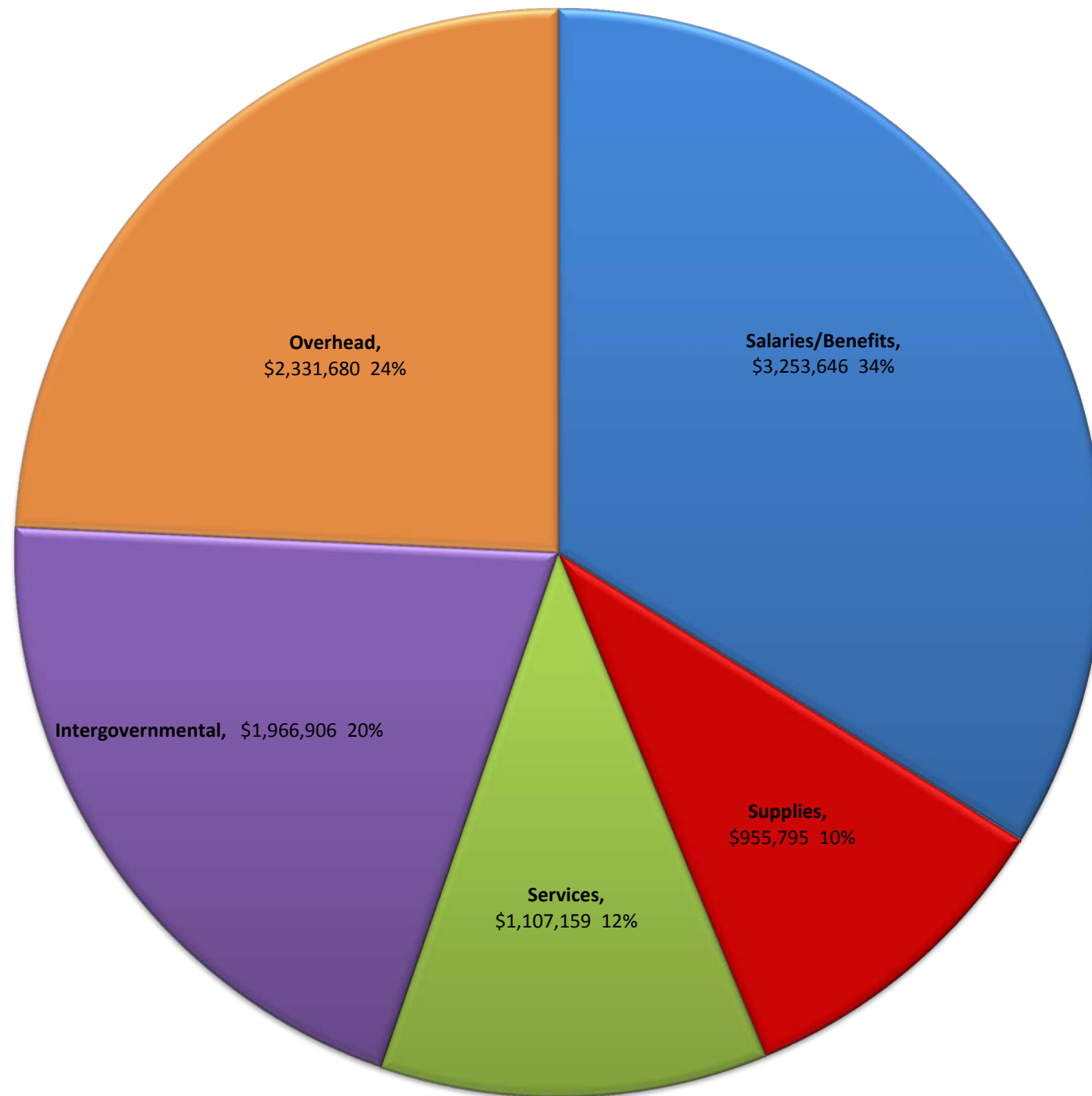
**Andy Haub**, Water Resources Director, 753-8475,  
[ahaub@ci.olympia.wa.us](mailto:ahaub@ci.olympia.wa.us)

# Extra Slides

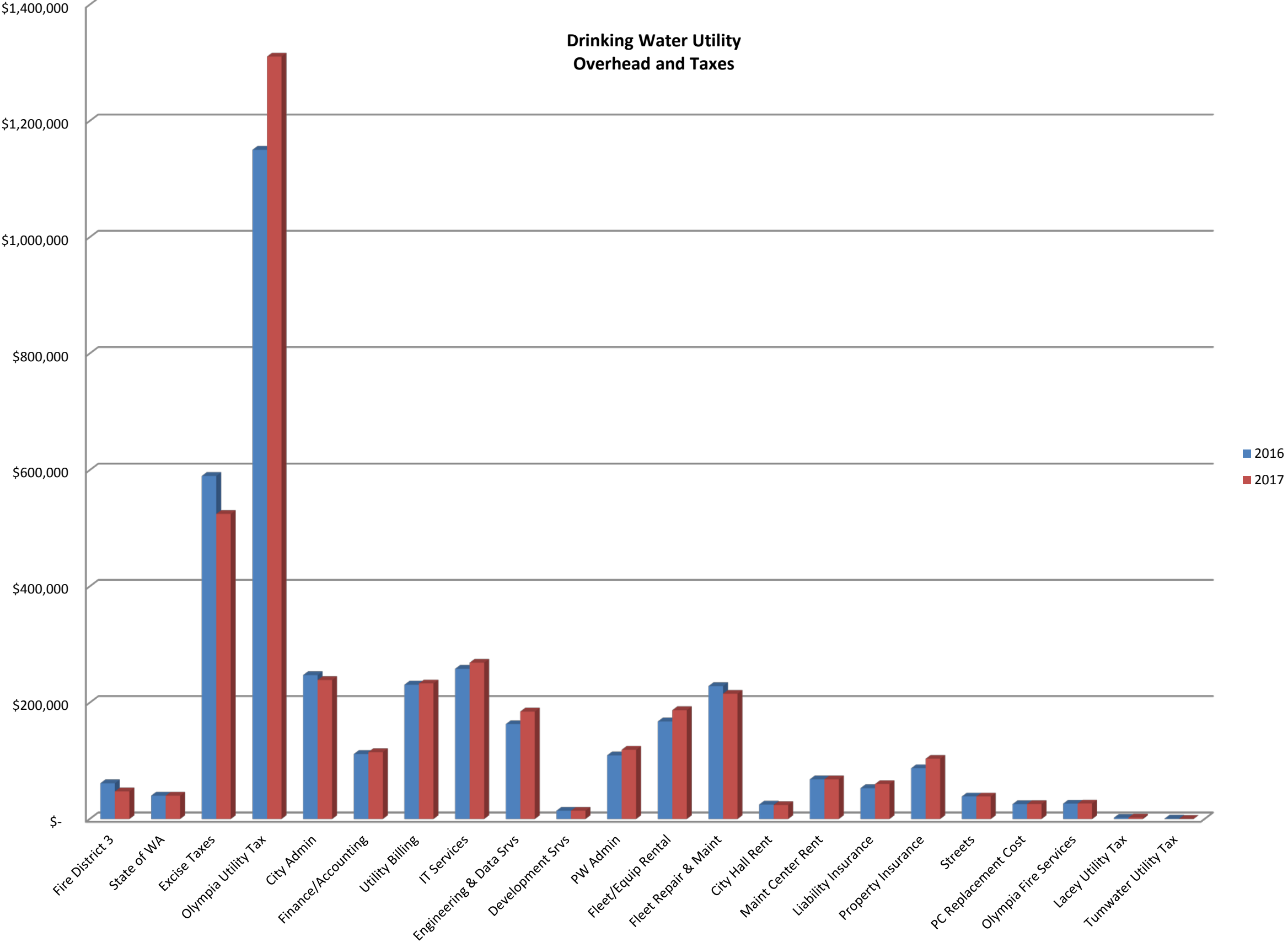
# 2016 Drinking Water Costs by Program



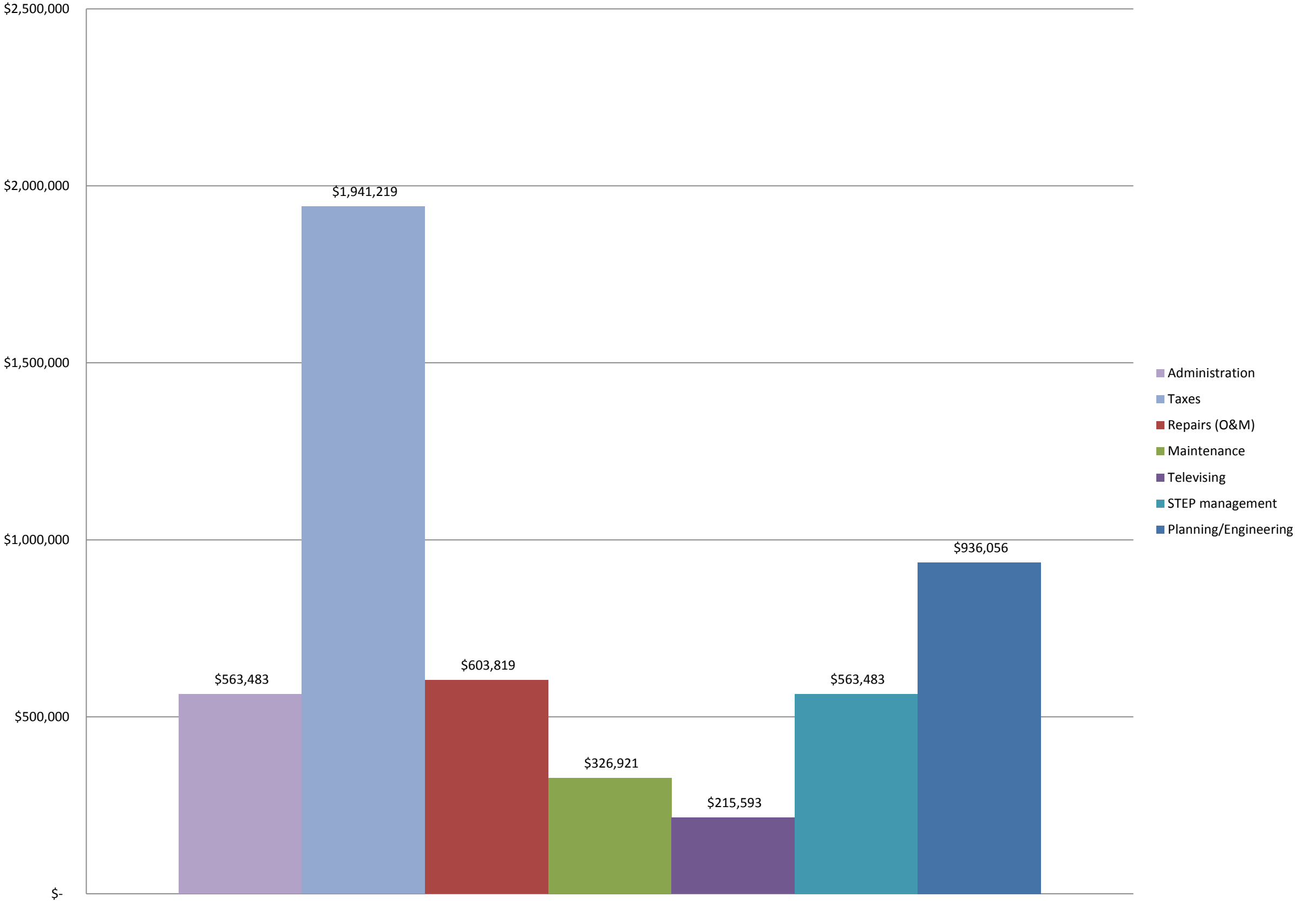
## 2016 Drinking Water Budget Items



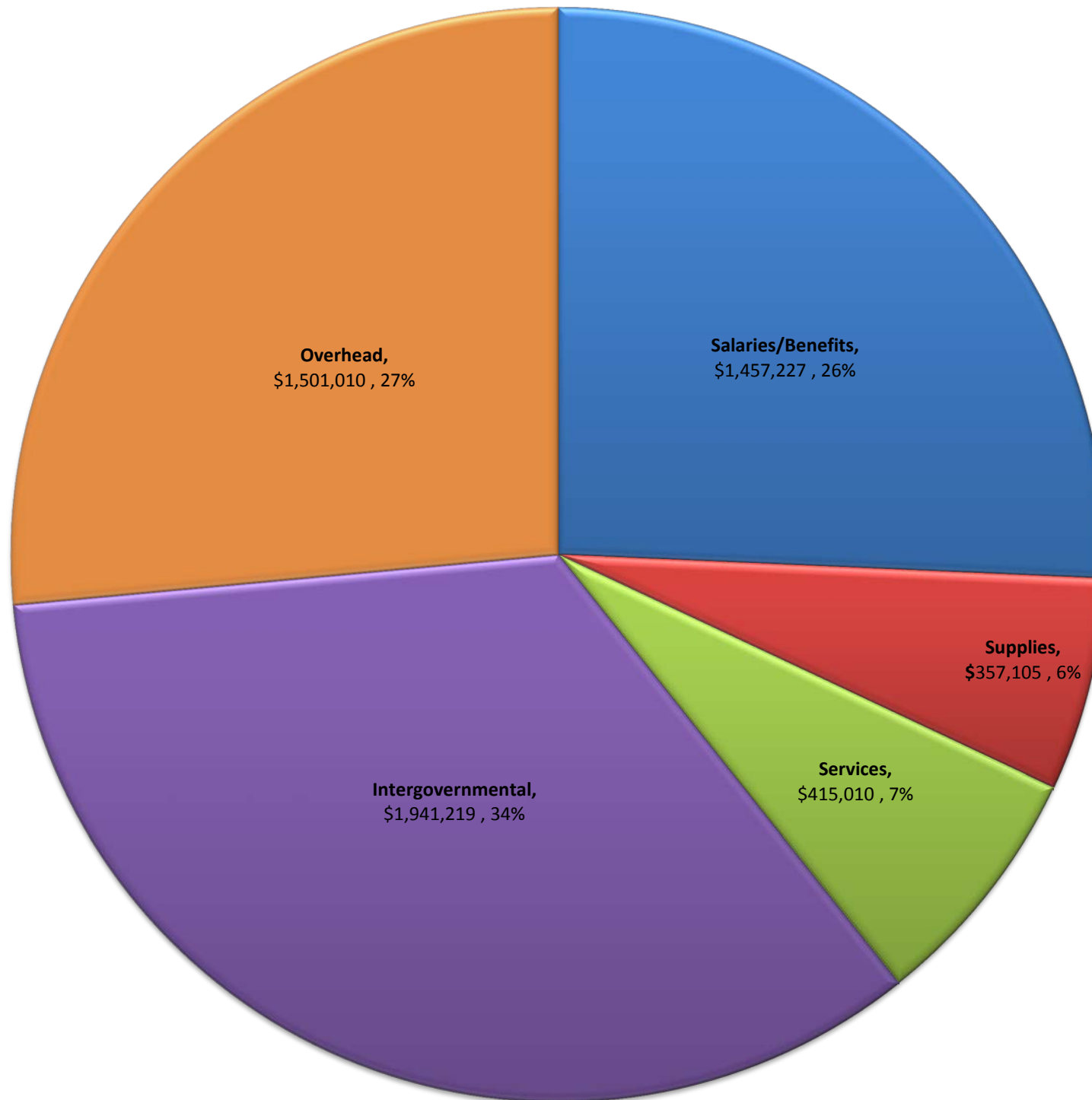
**Drinking Water Utility  
Overhead and Taxes**



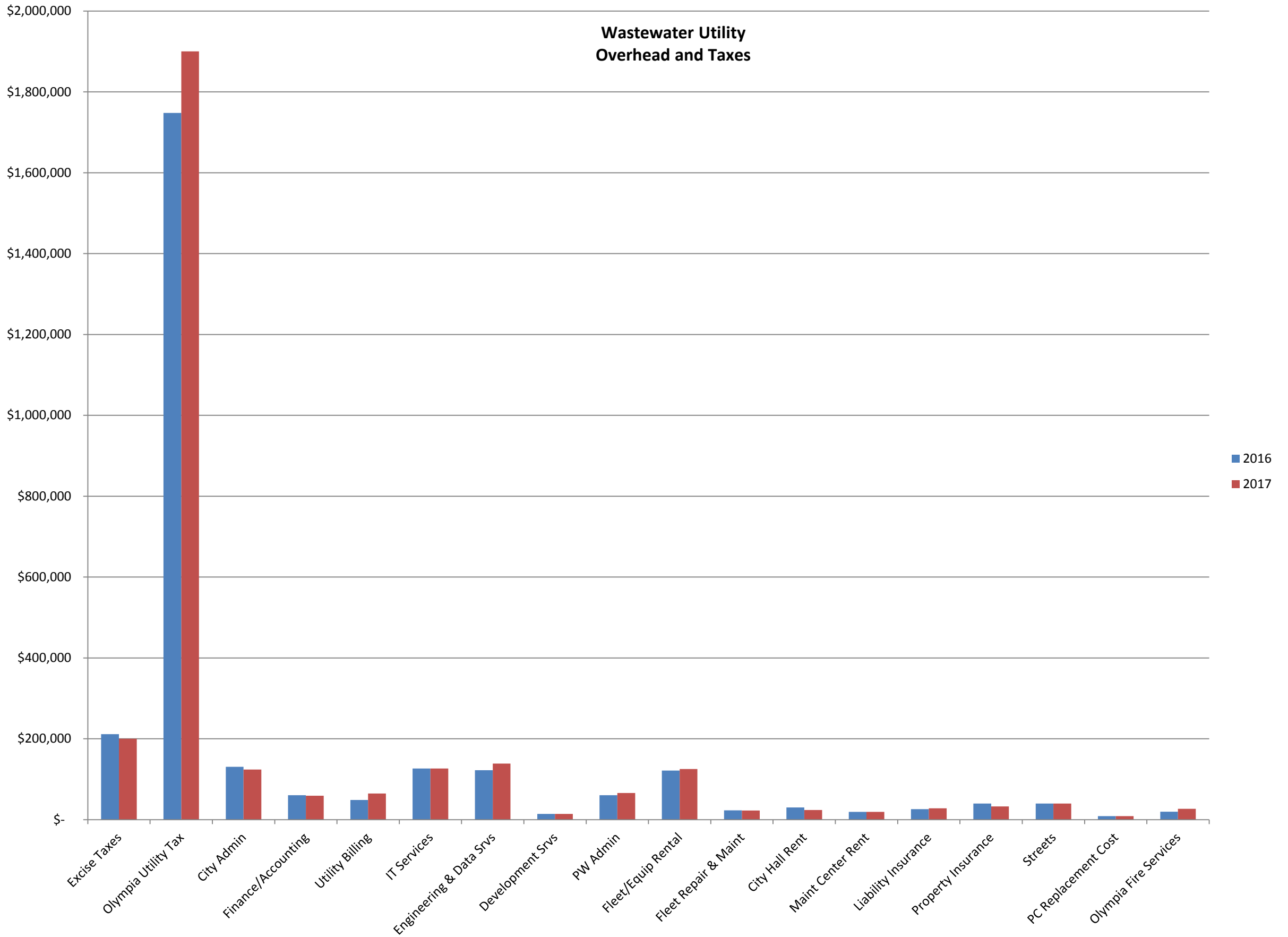
# 2016 Wastewater Costs by Program



## 2016 Wastewater Budget Items

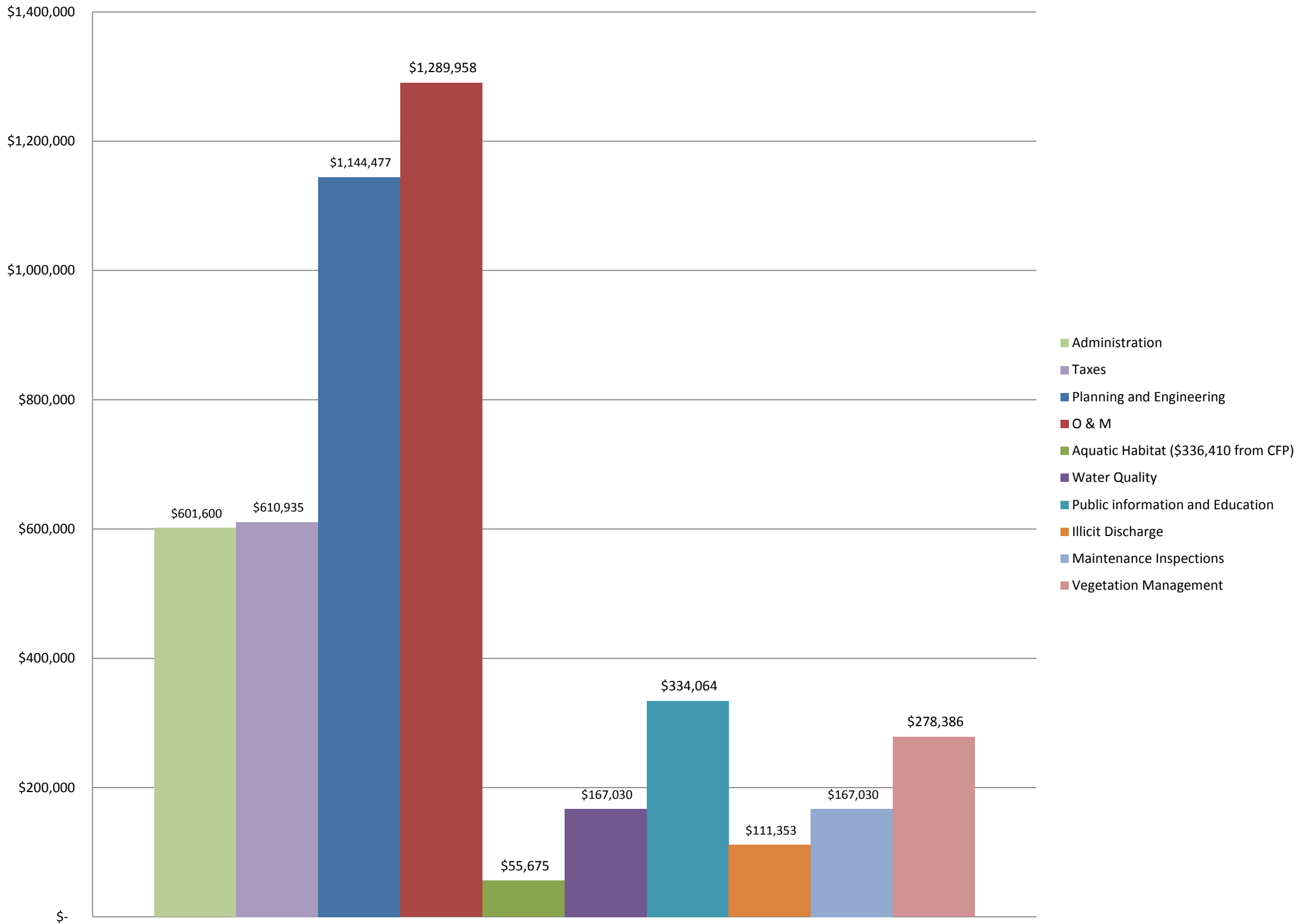


### Wastewater Utility Overhead and Taxes

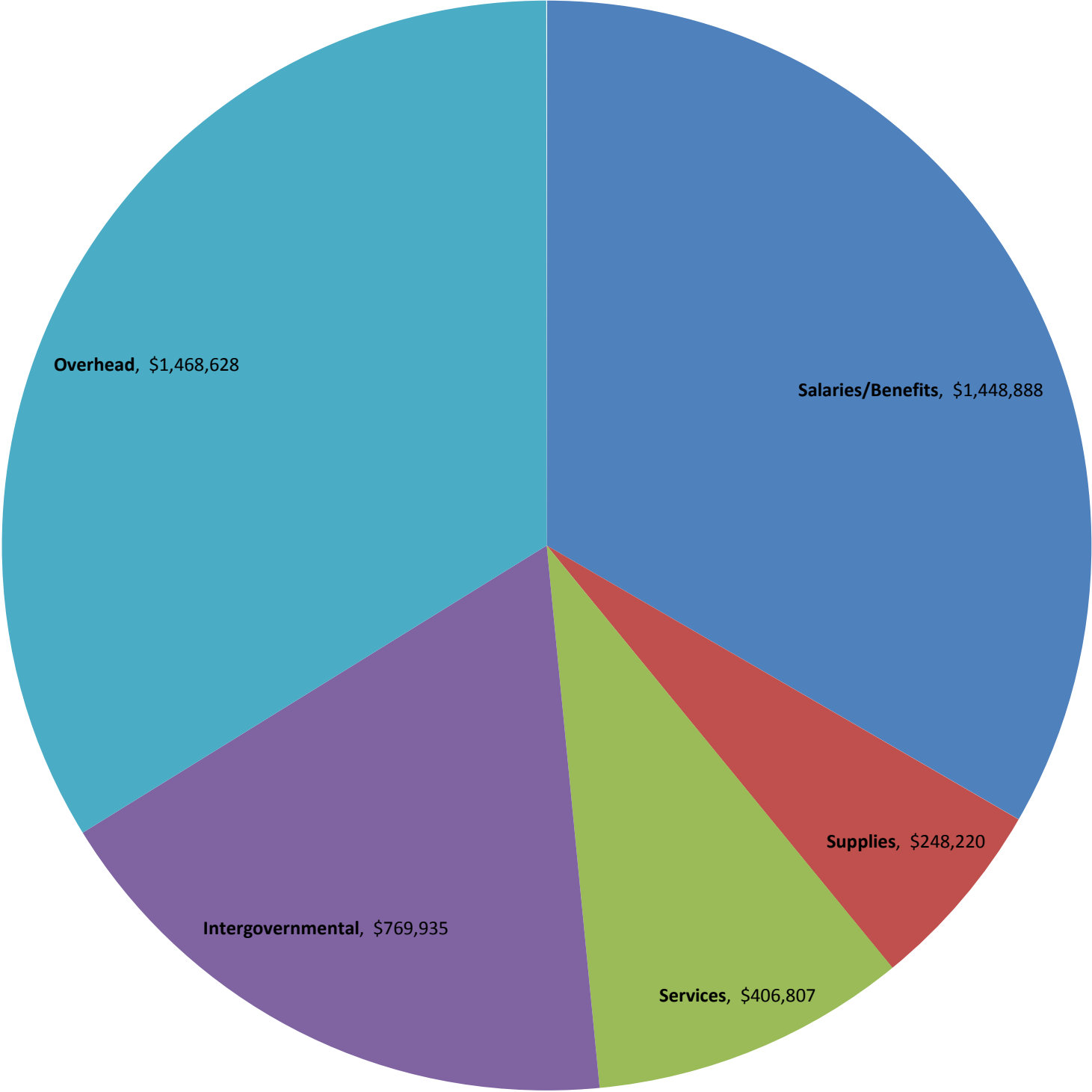




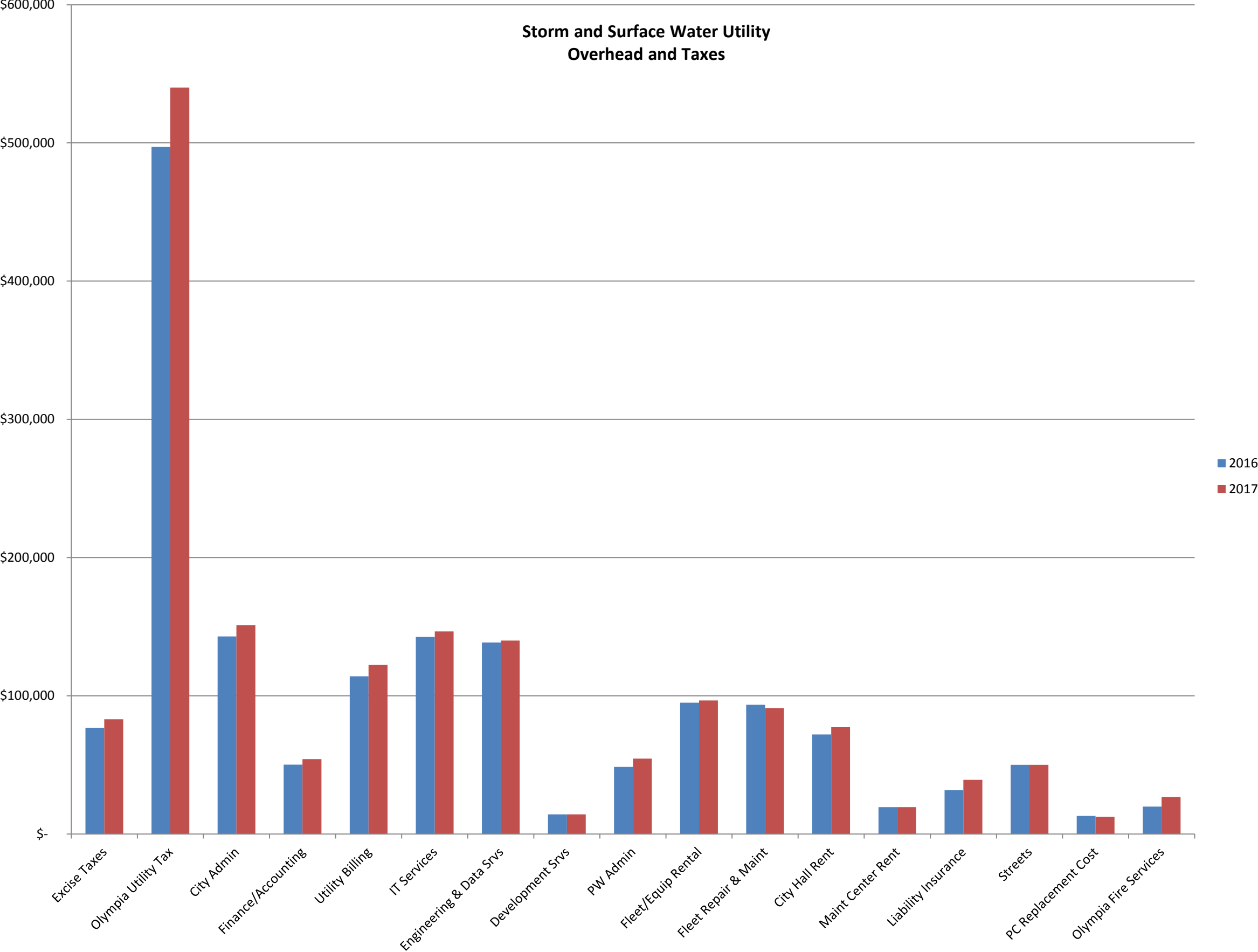
## 2016 Storm & Surface Water Costs by Program



2016  
Storm and Surface Water Budget Items



### Storm and Surface Water Utility Overhead and Taxes



**ATTACHMENT 4: OPERATING BUDGET and CAPITAL PROGRAM CASH FLOWS, 2017**

**City of Olympia, Water Resources**



**Wastewater**

OPERATING BUDGET	\$ 5,288,199	Operating Expenses Incl Taxes
	\$ 574,110	Debt Service
	\$ 741,301	Capital Projects Funded from Rates
	<b>\$ 6,603,610</b>	<b>Proposed 2017 Wastewater Budget</b>

CAPITAL CASH FLOW	\$ 2,874,500	Cumulative 2017 Cash Flow Needed
	\$ 3,335,084	Beginning of 2017 Capital Cash Balance
	\$ -	Revenue Bonds/Grants
	\$ 741,301	Capital Projects Funded from Rates
	\$ 631,000	General Facility Charges (GFCs)
	<b>\$ 1,832,885</b>	<b>End of 2017 Carryover to 2018</b>

<b>Drinking Water</b>		
OPERATING BUDGET	\$ 9,627,690	Operating Expenses Incl Taxes
	\$ 2,239,210	Debt Service
	\$ 780,000	Capital Projects Funded from Rates
	<b>\$ 12,646,900</b>	<b>Proposed 2017 Drinking Water Budget</b>
CAPITAL CASH FLOW	\$ 17,566,000	Cumulative 2017 Cash Flow Needed
	\$ 4,882,360	Beginning of 2017 Capital Cash Balance
	\$ 11,196,000	Revenue Bonds/Grants
	\$ 780,000	Capital Projects Funded from Rates
	\$ 753,000	General Facility Charges (GFCs)
	\$ 260,000	Proposed increases in GFC/Capital funds
	<b>\$ 305,360</b>	<b>End of 2017 Carryover to 2018</b>

<b>Stormwater</b>		
OPERATING BUDGET	\$ 4,465,432	Operating Expenses Incl Taxes
	\$ 123,359	Debt Service
	\$ 687,000	Capital Projects Funded from Rates
	<b>\$ 5,275,791</b>	<b>Proposed 2017 Stormwater Budget</b>
CAPITAL CASH FLOW	\$ 2,803,733	Cumulative 2017 Cash Flow Needed
	\$ 782,771	Beginning of 2017 Capital Cash Balance
	\$ 513,000	Revenue Bonds/Grants
	\$ 687,000	Capital Projects Funded from Rates
	\$ 144,000	General Facility Charges (GFCs)
	<b>\$ (676,962)</b>	<b>End of 2017 Deficiency</b>

<b>ATTACHMENT 5: SUMMARY OF WATER-RELATED UTILITY DEBT</b>					
City of Olympia, Water Resources					
<b>Drinking Water</b>			<b>Storm &amp; Surface Water</b>		
<b>2017</b>			<b>2017</b>		
Current Debt	Annual Payments		Current Debt	Annual Payment	
\$ 26,651,640	\$ 2,332,580		\$ 8,538,375	\$ 584,091	
<b>2018</b>			<b>2018</b>		
New Debt	Annual Payments		New Debt	Annual Payments	
\$ 17,883,650	\$ 1,120,404		\$ -	\$ -	
<b>\$ 44,535,290</b>	<b>\$ 3,452,984</b>		<b>\$ 8,538,375</b>	<b>\$ 584,091</b>	
<b>Wastewater</b>			<b>SUMMARY</b>		
<b>2017</b>			Total Utility Debt		
Current Debt	Annual Payment				\$ 54,912,906
\$ 1,839,241	\$ 123,359		Total Utility Payments in 2017		\$ 3,040,030
<b>2018</b>			"" "" 2018		\$ 4,160,434
New Debt	Annual Payments				
\$ -	\$ -				
<b>\$ 1,839,241</b>	<b>\$ 123,359</b>				

ATTACHMENT 6: SUMMARY OF FINANCIAL PARAMETERS - WATER RESOURCES UTILITIES

Financial Parameter	Definition	Industry Benchmark	Drinking Water	Wastewater	Storm and Surface Water	Implication
<b>Capital reserves</b>	Set aside funds to cover active construction projects	5%	5%	5%	5%	Liquid resources are available to balance unexpected operating costs.
<b>Operating reserves</b>	Set-aside funds to cover operating expense	10 – 25%	25%	10%	10%	Liquid resources are available to balance unexpected operating costs.
<b>Capital Depreciation Funding</b>	<b>Cash contributions to the capital program</b>	<b>75% of calculated annual capital depreciation</b>	<b>45%</b>	62%	N/A	<b>Funding for repair and replacement of aging infrastructure is inadequate.</b>
<b>Cash Flow Test</b>	Revenue relative to cash needs	Does not necessary need to be positive. Short-term decisions can lead to negative cash flow	N/A	Mostly positive, but rate “smoothing” over several years has generated negative cash flows	N/A	Resources and rates need to be actively managed and balanced.
<b>Bond Coverage Test</b>	Net revenue relative to debt service. Net revenue is operating revenues net of cash operating expenses.	1.25	+/- 2.0	1.90 – 2.91	N/A	Revenue bond covenants are met. Adequate resources are available to service debt.


Financial Parameter	Definition	Industry Benchmark	Drinking Water	Wastewater	Storm and Surface Water	Implication
<b>O&amp;M Coverage Ratio</b>	Total operating revenue divided by operating expenses	100% or greater	113.6	N/A	N/A	Revenues successfully cover expenses
<b>Net Operating Expense as a Percent of Operating Revenue</b>	Operating income relative to expense	Positive values	12%	N/A	N/A	Operating revenues are covering operating expenses
<b>Current Ratio</b>	Unrestricted current assets divided by current liabilities	2.0 or above	8.6	N/A	N/A	Short-term obligations can be met
<b>Debt to Net Position Ratio</b>	Total debt compared to current assets less liabilities	50- 60% (or less)	0.28	N/A	N/A	Rate impacts can be normalized
<b>Debt to Noncurrent Capital Asset Ratio</b>	Total debt compared to noncurrent capital assets	60% debt/40% equity (or less debt)	\$5.8 M debt/\$18.9 equity (or 0.34)	N/A	N/A	Debt service is modest

ATTACHMENT 7:  
2016 City Rate Comparisons  
Monthly Utility Bill

**Wastewater**

City	Monthly Sewer Charge
Lacey	\$18.81
Olympia	\$20.65*
Tumwater	\$15.88

\*Based on the standard rate, not the volume based rate.

 **Storm and Surface Water**

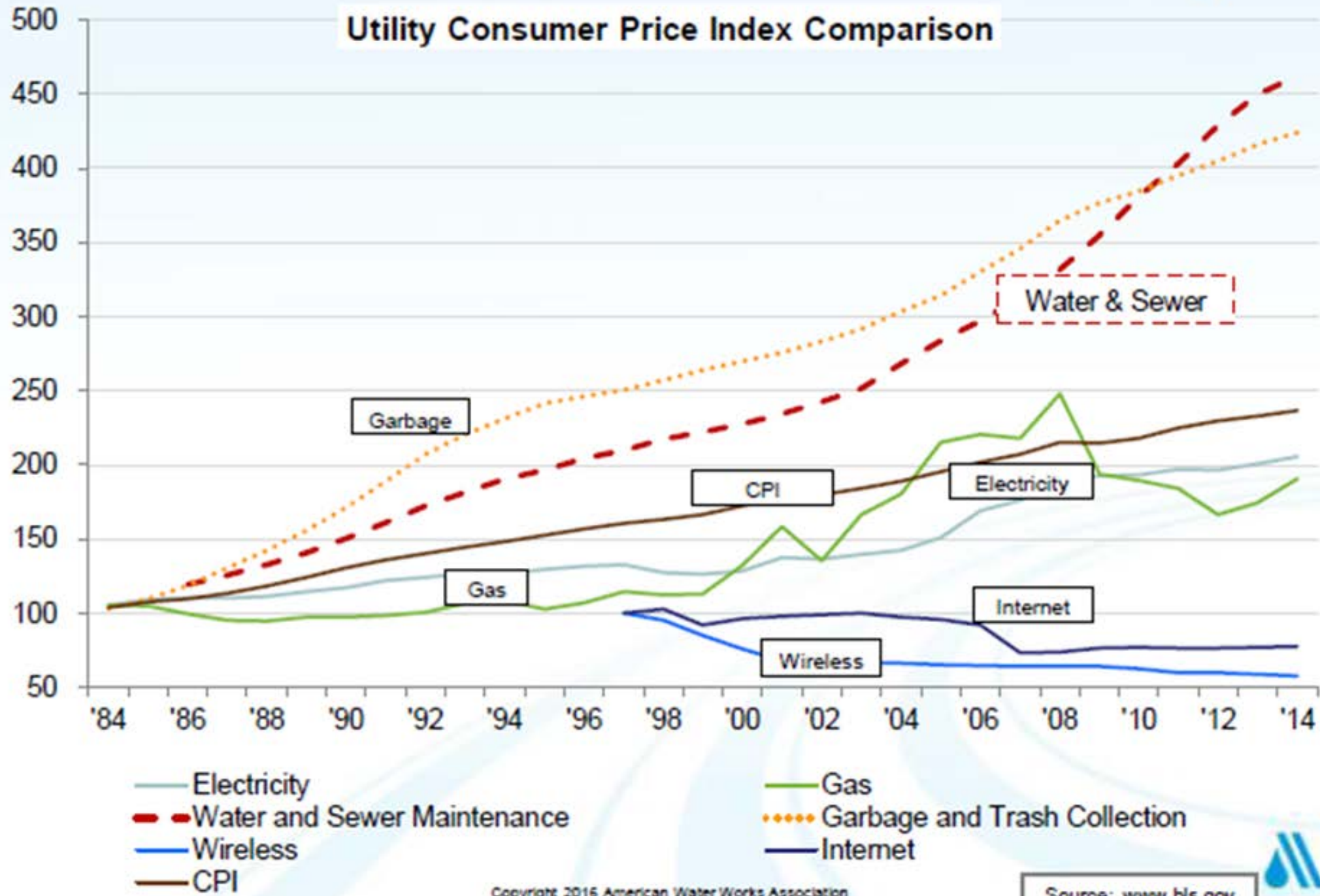
City	Monthly Stormwater Charge
Lacey	\$9.54
Olympia	\$12.58
Tumwater	\$9.28

**Drinking Water**

City	Ready to Serve Fee	Water Consumption Fees (400 - 1,000 CF)	TOTALS (Range)
Lacey	\$14.28	\$7.13 to \$18.29	\$21.41 to \$32.57
Olympia	\$11.76	\$12.68 to \$25.82	\$24.44 to \$37.58
Tumwater	\$7.54	\$13.26 to \$23.06	\$20.80 to \$30.60



# Consumer Water Costs are Increasing





# Waste ReSources

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



# Fund 403 – Waste ReSources Budget

## Requested Budget:

		2016	2017	Difference	%
<b>Expenditure Request</b>		<b>\$10,528,483</b>	<b>\$11,057,040</b>	<b>\$528,557</b>	<b>5.0%</b>
• Drop Box	8604	\$2,429,111	\$2,392,180	-\$36,931	-1.5%
• Residential	8605	\$3,469,836	\$3,685,922	\$216,086	6.2%
• Commercial	8606	\$3,540,352	\$3,799,518	\$259,166	7.3%
• Organics	8607	\$1,089,184	\$1,179,420	\$90,236	8.3%





# Fund 403 – Waste ReSources Budget

## Budget Summary:

	2016	2017	Difference	%
• Main Budget Drivers	\$10,119,255	\$10,632,799	\$513,544	5.1%
• Remaining funds for supplies, safety, uniforms, misc. repairs, carts, containers, communication, and professional services	\$409,228	\$424,241	\$15,013	3.7%
• Requested Budget	<b>\$10,528,483</b>	<b>\$11,057,040</b>	<b>\$528,557</b>	<b>5.0%</b>





# Fund 403 – Waste ReSources Budget

## Main Budget Drivers:

	2016	2017	Difference	%
Salaries	\$1,893,143	\$2,055,483	\$162,340	8.6%
Benefits	\$941,001	\$1,001,332	\$60,331	6.4%
Fuel	\$289,867	\$236,077	-\$53,790	-18.6%
Vehicle Rent	\$490,614	\$514,252	\$23,638	4.8%
Vehicle Repair and Maintenance	\$565,513	\$572,334	\$6,821	1.2%
Taxes	\$1,243,653	\$1,318,500	\$74,847	6.0%
Interfund Overhead	\$699,654	\$766,681	\$67,027	9.6%
Facility Rent (City Hall/Maintenance Center)	\$62,110	\$62,110	\$0	0.0%
Garbage Tip Fees	\$3,397,450	\$3,534,300	\$136,850	4.0%
Recycle Process Fees	\$232,000	\$254,000	\$22,000	9.5%
Organic Tip Fees	\$259,000	\$266,400	\$7,400	2.9%
Liability Insurance	\$45,250	\$51,330	\$6,080	13.4%
<b>Total</b>	<b>\$10,119,255</b>	<b>\$10,632,799</b>	<b>\$513,544</b>	<b>5.1%</b>



# Fund 403 – Waste ReSources Budget

## Revenue:

	2017
• Revenue Shortfall before Adjustments	-\$266,496
• Estimated Reserve by Year End 2016	\$1,283,750
• 10% Reserve Requirement 2017	\$1,105,704
• Above Requirement Estimate	\$178,046

## Proposed Rate Increases to all four Service Classes

- Drop Box 3%
- Residential 1%
- Commercial 2%
- Organics 6.5%





# Fund 403 – Drop Box Service

Before Adjustments Shortfall: -\$63,140

Rate Proposal                      3%

- Delivery Fees
- Rental Fees
- Hauling Fees
  
- 3% rate increase = \$68,970





# Fund 403 – Residential Service

Before Adjustments Shortfall:  $-\$41,422$

Rate Proposal            1%

1% rate increase =  $\$31,752$

1% customer growth =  $\$36,000$

$\$3,000$  per month for 3 months =  $\$9,000$



Impact on Customer, Bi-Monthly W/Recycle			
	2016	2017	Difference
20-gallon	\$19.63	\$19.83	\$.20
35-gallon	\$33.93	\$34.27	\$.34
65-gallon	\$46.33	\$46.79	\$.46
95-gallon	\$80.27	\$81.07	\$.80





# Fund 403 –Commercial Service

Before Adjustment with Organics Subsidy -\$81,914

Rate Proposal            2%

2% rate increase = \$69,484

1% customer increase = \$39,390

Commercial rates will continue to subsidize organics.

2017 Subsidy = \$100,000





# Fund 403 – Organics Service

Before Adjustments Shortfall:  $-\$80,020$

Rate Proposal 6.5%

6.5% rate increase =  $\$63,733$

2% customer increase =  $\$19,610$   
 $\$83,343$

Impact on Customer, Bi-Monthly			
	2016	2017	Difference
35- and 95-gallon	\$19.25	\$20.49	\$1.24



# Water Resources



*Passionate caretakers of  
tomorrow's water*



# Water Resources Utility Budgets

Expenditure Request	2016	2017	Projected 2017 Revenue	Revenue Shortfall
• Drinking Water	\$12,328,000	\$13,352,000	\$12,647,000	\$705,000
• Wastewater	\$6,499,000	\$6,785,000	\$6,600,000	\$260,000
• LOTT	\$11,768,000	\$12,809,000	\$12,809,000	N/A
• Storm and Surface Water	\$5,192,000	\$5,367,000	\$5,065,000	\$301,000

## Included Discretionary Requests:

- Each Utility
  - Monthly billing (\$75,000/each)
- Drinking Water
  - Ramp up for debt payments (\$420,000)
  - Increased capital funding (\$210,000)
- Storm and Surface Water
  - Low impact development (\$16,000)





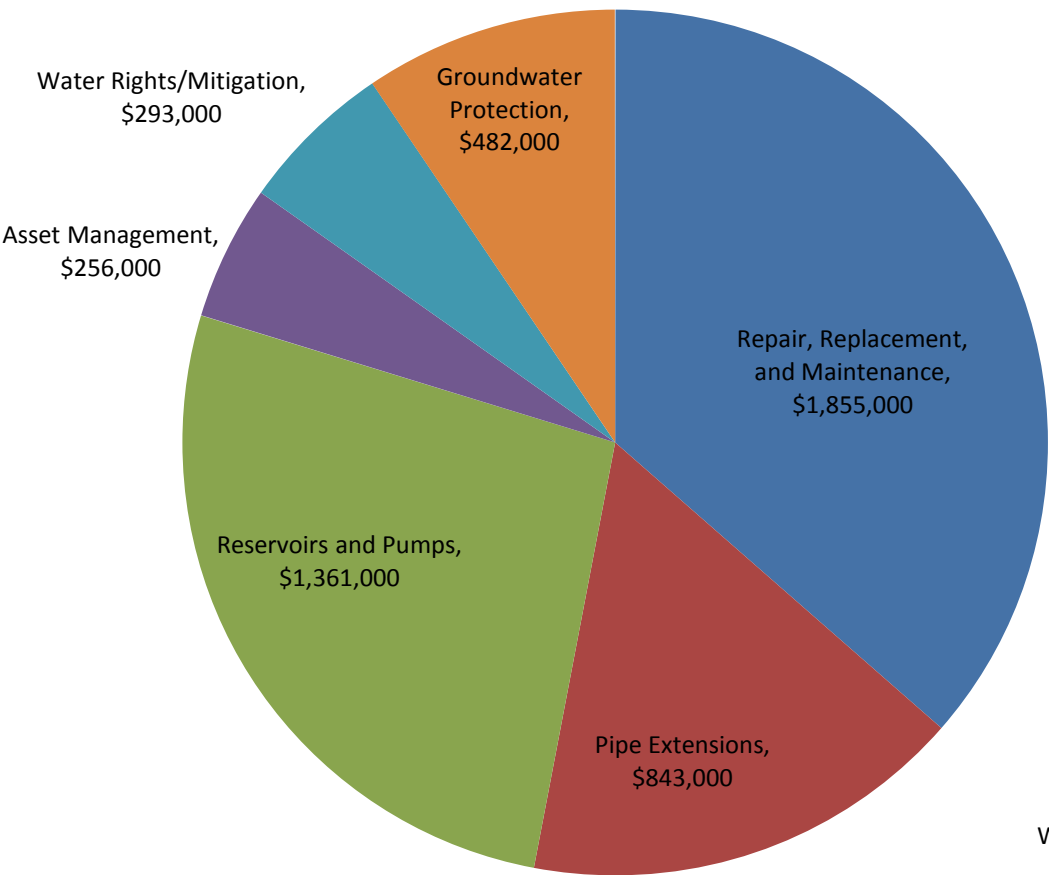
# Drinking Water

## Main Budget Drivers

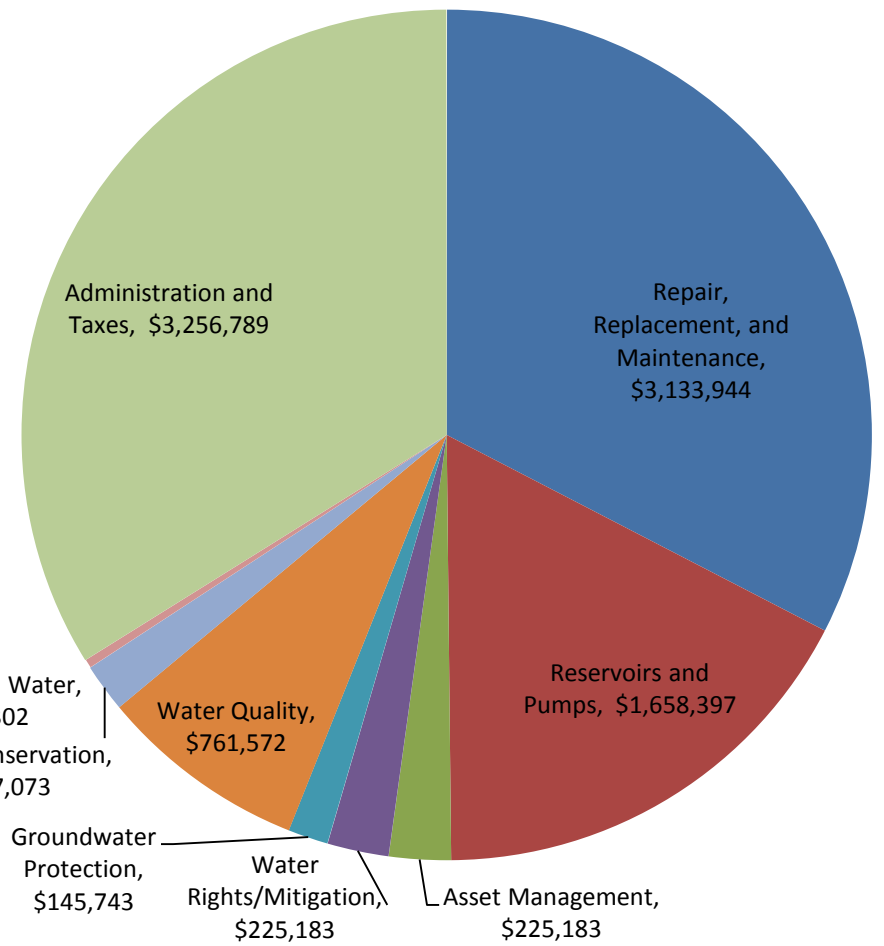
	2016	Proposed Increase	Change
Salaries/Benefits (Incl. COLA)	\$3,253,646	\$156,974	4.8%
Supplies	\$955,795	-\$62,888	-6.6%
Services	\$1,107,159	\$12,172	1%
Intergovernmental	\$163,183	-\$14,000	-8.6%
Overhead/Administration	\$2,331,680	\$117,604	5%
Taxes	\$1,803,723	\$99,577	5.5%
Capital Fund Transfer	\$784,534	\$210,000	27%
Debt Payment	2,332,580	\$420,000	18%
Monthly Billing		\$75,000	-

Revenue Shortfall	Proposed Rate Increase
\$705,000	6.9% (Reduced from 7.3%)

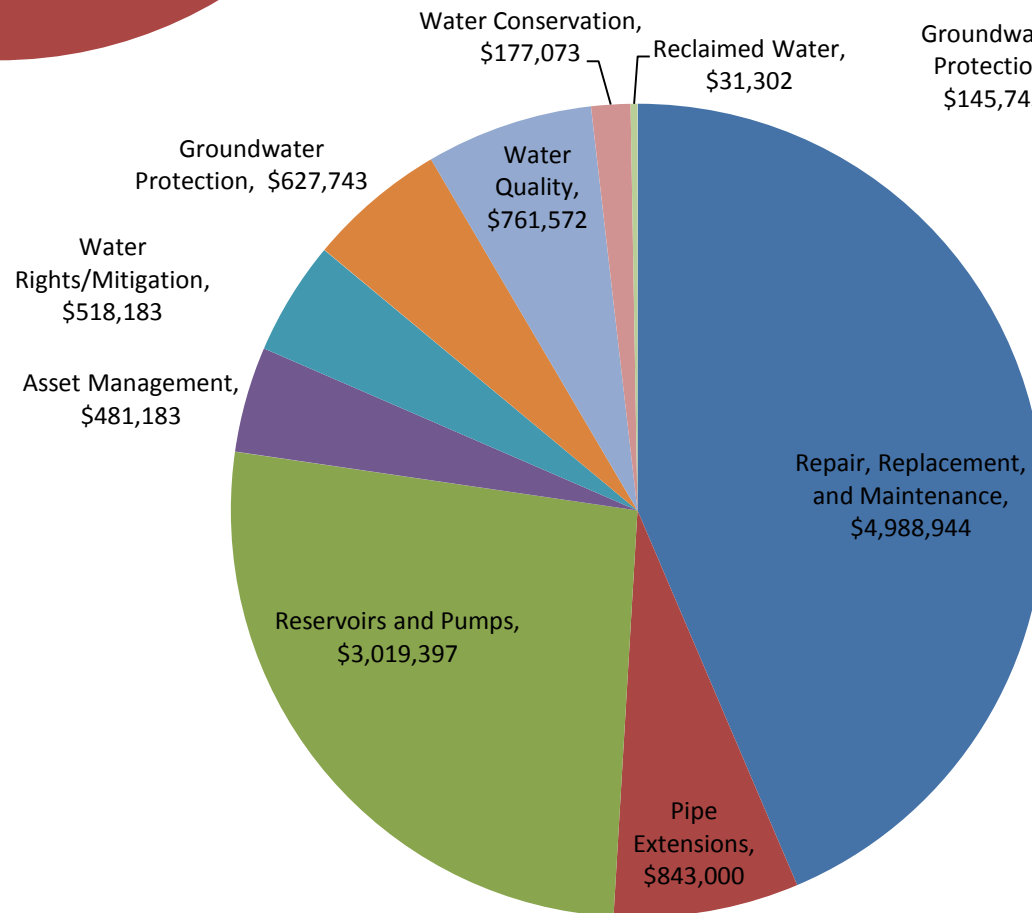
# 2017 Drinking Water



CFP



Operating Budget



TOTAL  
CFP and Operating Budget