



November 2, 2017

Olympia City Council
PO Box 1967
Olympia, WA 98507-1967

Dear Mayor Selby and Council Members:

SUBJECT: UAC Recommendations

Thank you for the opportunity to comment on the proposed 2018 City of Olympia utility rates and the general facility charges (GFCs). The members of the Utility Advisory Committee (UAC) understand that this work is a fundamental responsibility of our committee.

We understand and support the important public health and safety work of the utilities. City utilities are well-managed and staff are professional, knowledgeable and customer-focused on performance and the reflection of our community's values. The UAC takes very seriously the impact that utility rate increases have on members of the community, and have worked to stem rate increases.

In context, Olympia's 2017 rates (\$130.25/month) are closely aligned with those of its sister cities—Tumwater (\$122.85/month) and Lacey (\$124.89), although unlike Olympia, Tumwater, and Lacey use contracted services for garbage and recycling.

Summary of Proposed Rates and GFCs Rates

For budgetary purposes, each of the utilities assume a revenue growth rate for 2018 of one-and-one-half percent above the revenue assumed for 2017; and a three percent cost of living increase for city employees. It is important to note that the GFCs are determined by State guidelines, which determine a value of existing and planned infrastructure and guide the distribution of cost among current and future customers.

GFC rates are a reflection of the financial value of the existing *Utility* infrastructure and comprise one-time charges collected from new development. GFC revenue is deposited in the *Capital Budget*.

Storm and Surface Water

Utility Rate: no increase

The Storm and Surface Water Utility is responsible for flood mitigation, water quality improvement and aquatic habitat enhancement. The utility anticipates total expense to increase by \$23,000, which can be accommodated within the assumed growth rate.

GFC rate: no increase

The City increased single-family GFCs in 2015, with minor increase again in 2016 (\$1,190 plus \$4.50 trip charge). Although an additional increase may be justified—until the *Storm and Surface Water Plan* has been finalized—rate adjustments should be deferred.

Wastewater

Utility Rate: no increase

The Wastewater utility is responsible for safe conveyance of wastewater from homes and business to the LOTT (Lacey, Olympia, Tumwater, and Thurston) Clean Water Alliance treatment facility in downtown Olympia. The Utility anticipates total expense to increase by \$80,000, which can be accommodated within the assumed growth rate.

GFC rate: no increase

The waste water rate was increased by three percent to \$3,442 in 2016.

Drinking Water

Utility Rate: 4.4 percent increase

The Drinking Water Utility is to provide and protect healthy drinking water for the community as part of a long-term vision that sustains present and future water supplies for our community while protecting the environment and with a commitment to sustainability.

The Drinking Water utility continues to require infrastructure upgrades. While rates increased appreciably in recent years (7.3 percent and 5.7 percent respectively, in 2016 and 2017), the recommendation for 2018 is more modest. The increase is entirely linked to capital project loan repayment of \$18 million associated with the Log Cabin Reservoir, Meridian Reservoir Corrosion Control Facility and the Fones Road Pump Station.

The proposed operating budget for 2018 estimates an increase of \$607,000 from 2017, \$440,000 of which is debt financing. It assumed the growth rate and a portion of the utility rate increase will satisfy the estimated increased expense.

With this increase, the charge for a typical single-family residence would increase by \$2.24 per bi-monthly billing period.

GFC rate: 6.7 percent increase

Substantial capital investments have been made during recent years. Drinking water GFCs were increased by 6.7 percent in both 2015 and 2016. Another 6.7 percent increase would raise the GFC to \$4,433 generating about \$50,000 annually.

Waste ReSources

Utility Rate: varying rate increases

Waste ReSources provides waste reduction, recycling and disposal services for residential, commercial, drop-box and organics customers. The proposed budget adds \$926,000 over the 2017. After including revenue growth and expense adjustments the budget is out of balance by \$221,000.

One purpose for the utility rate increase is the relocation of some functions currently housed at the City Maintenance Center at 1401 Eastside Street. Originally constructed in 1976, the Maintenance Center contains *Public Works* operations, utility, fleet, street signs and facility maintenance. The under-sized center houses more than 100 staff, is accessed 24 hours each day and contains key equipment that enables the Public Works division to provide vital services—including Waste ReSources—to Olympia citizens.

Initially, the relocation of part or all of the Maintenance Center functions will require a feasibility study in 2018 and the establishment of a debt reserve, if the relocation is authorized by the City Council.

The recommendation is for the following increased rates for 2018:

- Residential-- 6 percent increase (includes 4 % for debt reserve)
- Commercial-- 5 percent increase (includes 4% debt reserve + 1% organics subsidy)
- Drop Box-- 6 percent increases (includes 4 % for debt reserve)
- Organics—no increase

The Lacey, Olympia, Tumwater, Thurston Clean Water Alliance (LOTT)

LOTT Rate: 2 percent increase + 4.1 percent increase for capacity development charge

LOTT provides wastewater treatment services for the urban areas of Lacey, Olympia, and Tumwater. Most wastewater is treated at LOTT's centralized facility – the Budd Inlet Treatment Plant, located on the Port peninsula in downtown Olympia. LOTT treats

wastewater from homes and businesses in Lacey, Olympia, and Tumwater. Wastewater contains many pollutants and must be cleaned before it is released back to the environment.

With this increase, the charge for a typical single-family residence would increase by \$1.52 per bi-monthly billing period. The capital development increase of 4.1 percent equates to an increase of \$231 for a total of \$5,810.

Capital Facilities Plan 2018-2023

The UAC supports the proposed Capital Facilities Plan (CFP). In general, the CFP pertinent to the utilities anticipates current projects can be funded with the estimated revenue. However, the action plan--to contend with sea level rise and the threat to our downtown including the LOTT water treatment facilities-- and the budget requisite to give the plan life require thoughtful scientific consideration of data, respectful community engagement and the conviction of the entire community.

Thank you for the opportunity to comment and provide our recommendations. These proposals will support the important public health mandates of the four City utilities. The proposed utility rates reflect our responsibility to maintain and improve our essential public infrastructure.

On behalf of the members of the UAC, please let me know if you have any questions. I can be reached via email at rwilson1@ci.olympia.wa.us

Sincerely,



Roger Wilson
Chair Utility Advisory Committee

ec: UAC Members
Debbie Sullivan, Administrative Services Director
Dan Daniels, Waste ReSources Director
Andy Haub, Water Resources Director