

Olympia Utilities: 2020 Budgets and Proposed Rates



Utility Advisory Committee

August 22, 2019



Tonight's Agenda

- Budget schedule – where we are at
- UAC roll in budget process
- Operating and Capital Budgets - Overview
- Capital Budgets – comparisons with depreciation funding
- Cash above reserve
- Revenues – Projections vs. Actual
- Individual Utility Budgets – proposed enhancements
- Rate comparison with Lacey and Tumwater
- Combined 2020 Budgets
- GFC revenues
- Next Steps



UAC Responsibility

- Review proposed changes to:
 - Operating budgets
 - Capital Facilities Plan (CFP)
 - General Facility Charges (GFCs)
 - Potential rates and charges
- Provide written recommendations to City Council and Olympia Planning Commission
- Identify concerns and emerging issues as needed



City Budget Timeline

- . July 31 Operating budget submitted
- . August 13 City Council preliminary CFP review
- . August 13 City Manager reviews utility budgets
- . August Budget reconciliation
- . Sept 9 Planning Commission CFP review
- . Sept 18 Council Finance Committee review
- . October 16 Finance Committee utility rates review
- . October 29 Budgets and CFP presented to Council
- . November 19 Council Review and public hearing
- . December 10 Council Adoption of budgets



Timeline for UAC

- May 4 Review preliminary CFP
- June 7 Review 2018 finances and introduce 2019 budget drivers
- August 22 Review preliminary budgets submitted to Budget Committee
- Sept 5 Detailed Budget Evaluations
- October 3 Final budget review and recommendation
- October 16 Finance Committee utility rates review



Operating Budgets

- Operating Budgets – Salaries, Benefits, Supplies, Services, Interfund Payments
 - Fund 401 Drinking Water
 - Fund 402 Wastewater
 - Fund 403 Waste ReSources
 - Fund 404 Storm and Surface Water
- Capital depreciation funding – dedicated interfund transfers to the Capital Budgets



Capital Budgets

- Capital Budgets – Construction and Repair of Facilities/Infrastructure
 - Fund 461 Drinking Water
 - Fund 462 Wastewater
 - Fund 463 Waste ReSources
 - Fund 434 Storm and Surface Water
- Funded by
 - Dedicated capital depreciation funding from Operating Budget
 - General Facilities Charges revenue
 - End of year savings in Operating Budgets
 - Debt – Loans and Bonds
 - Grants





Revenues

	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 YTD 07/19
Drinking Water	\$12,328,250	\$12,289,598	\$13,302,290	\$13,175,096	\$13,983,920	\$14,152,038	\$14,186,171	\$5,321,482
Wastewater	\$ 6,474,850	\$ 6,812,130	\$ 6,828,680	\$ 7,183,467	\$ 6,958,600	\$ 7,219,132	\$ 7,062,477	\$3,557,099
Waste Resources	\$10,547,363	\$10,742,796	\$11,764,820	\$11,852,574	\$12,159,668	\$12,417,127	\$12,717,152	\$6,288,602
Storm & Surface Water	\$ 5,066,310	\$ 4,889,407	\$ 5,313,050	\$ 5,510,220	\$ 5,396,612	\$ 5,396,662	\$ 5,716,809	\$2,919,703



Revenue Trends

- 1% growth in accounts for all utilities
- Safe revenue projection increases
(Actual vs. Budget)
 - Drinking Water – \$0K
 - Wastewater - \$300K
 - Storm & Surface Water - \$0K
 - Waste ReSources - \$0K



Projected Year-End Balances

Operating Budgets (above mandatory reserves)

	2018	2019
Drinking Water	\$2,119,000	\$561,606
Wastewater	\$1,987,000	\$591,513
Storm and Surface Water	\$819,000	\$351,433
Waste ReSources	\$558,000	\$88,654

Capital Budgets

	2018	2019
Drinking Water	\$2,510,000	TBD
Wastewater	\$7,144,000	TBD
Storm and Surface Water	\$611,000	TBD



Capital Projects - 2019 Cash

	Drinking Water Fund 461	Wastewater Fund 462	Storm & Surface Water Fund 434
Resources Available (12/31/2018)	\$5,147,831	\$7,919,444	\$1,679,351
Annual Utility O&M Transfer	\$1,147,924	\$741,301	\$687,690
Additional O&M Transfer (one time)	\$2,800,000	\$1,700,000	\$700,000
GFC Revenues (year to date)	\$219,089	\$224,481	\$104,481
Budgeted 2019 Expenses (Does not include 2018 Carryover)	(\$3,500,000)	(\$2,294,000)	(\$2,514,000)



Capital Budgets

Utility	2020 Budget	2021-2025 Budget	Depreciation Funding	GFCs*
Drinking Water	\$7,773,000	\$18,480,000	\$1,147,294	\$1,000,000
Wastewater	\$4,448,000	\$14,613,000	\$741,301	\$1,500,000
Storm & Surface Water	\$2,753,000	\$19,620,000	\$687,690	\$250,000
Waste ReSources	\$736,000			

*Based on 3-year average – typically less - never guaranteed

olympiawa.gov/city-government/budget-financial-reports



Update on the Lifeline Program

- No Proposed Changes
 - Maintain existing program with more aggressive outreach
 - Increased number of participants from 240 to 369 over past year
 - \$64,000 spread across all utilities
 - Not factored into rates at this time

Water Resources

*Passionate caretakers of
tomorrow's water*



Wastewater



Drinking Water



Storm and Surface
Water





Drinking Water

Expenditures and Revenue	2019 Expenditures	Proposed 2020 Expenditures	Projected 2020 Revenue	Revenue Shortfall
Drinking Water	\$14,751,872	\$15,175,481	\$14,328,033	\$847,448

Proposed Rate Increase	Utility Bill Increase
5.0 – 5.9%	\$1.29 - \$1.51/month/residence

Main Budget Drivers
<ul style="list-style-type: none"> • Discretionary Funding <ul style="list-style-type: none"> • Make up for cash funding last year’s rate increase - \$565K • Capital Depreciation Funding - \$100K • Fixed Increases <ul style="list-style-type: none"> • Salaries and Benefits - minus \$65K • In-house (rent, fleet, services, etc.) - \$152K • COLA - \$25K - \$74K • Paving - \$21K • Debt Service – minus \$31K – go figure



Wastewater

Expenditure and Revenue	2019 Expenditures	Proposed 2020 Expenditures	Projected 2020 Revenue	Revenue Shortfall
Wastewater	\$7,195,051	\$7,466,190	\$7,433,102	\$33,088

Proposed Rate Increase	Utility Bill Increase
0 - 0.5%	\$0 – \$0.11/month/residence

Main Budget Drivers
<p>Discretionary Funding</p> <ul style="list-style-type: none"> Shift of 1.25 employees from Storm & Surface Water - \$114K
<p>Fixed Increases</p> <ul style="list-style-type: none"> Salaries and Benefits - \$69K In-house (rent, fleet, services, etc.) - \$84K COLA - \$20K - \$60K Utility Taxes – increase enhancements ~30% (LOTT \$43,000)



Storm and Surface Water

Expenditure Request	2019 Expenditures	Proposed 2020 Expenditures	Projected 2020 Revenue	Revenue Shortfall
Storm and Surface Water	\$5,716,809	\$5,946,733	\$5,773,977	\$172,756

Proposed Rate Increase	Utility Bill Increase
2.1% - 3.0%	\$0.53 - \$0.76/month/residence

Main Budget Drivers
<p>Discretionary Funding</p> <ul style="list-style-type: none"> • Shift of 1.25 employees to Wastewater- minus \$114K • Add 1.0 employee (half-funded) for grant-funded sweeper - \$47K • Environmental Services Vehicle - \$5K
<p>Fixed Increases</p> <ul style="list-style-type: none"> Salaries and Benefits - \$72K In-house (rent, fleet, services, etc.) - \$116K COLA - \$20K to \$60K



LOTT Clean Water Alliance

Expenditure Request	2019 Expenditures	Proposed 2020 Expenditures	Projected 2020 Revenue	Revenue Shortfall
LOTT	\$13,661,578	\$14,071,425	\$13,661,578	\$409,847

Proposed Rate Increase	Utility Bill Increase
3.0%	\$1.20/month/residence

Main Budget Drivers

- Various operational and capital costs
- Fixed 2-year budget



Waste ReSources

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



Waste ReSources Budget

	2019 Budget	2020 Budget	Difference	%	Revenue	Net Position	%
Expenditure Request	\$12,939,938	\$13,218,922	\$278,984	2.2%	\$12,677,938	(\$540,984)	-4.27%
Drop Box (8604)	\$2,783,346	\$2,784,029	\$683	0.0%	\$2,637,859	(\$146,170)	-5.54%
Residential (8605)	\$4,619,217	\$4,869,959	\$250,742	5.4%	\$4,325,990	(\$543,969)	-12.57%
Commercial (8606)	\$4,269,697	\$4,276,154	\$6,457	0.2%	\$4,573,611	\$297,457	6.50%
Organics (8607)	\$1,267,678	\$1,288,780	\$21,102	1.7%	\$1,140,478	(\$148,302)	-13.00%





Revenue & Rates

Revenue	2019
• 10% Reserve Requirement 2019	\$1,246,855
• Cash Above Reserve Estimate	\$88,000
• 2019 Revenue Shortfall before Adjustments	-\$540,984

Proposed Rate Increases:

- Drop Box 6.7%
- Residential 7%
- Commercial 0%
- Organics 0%



Drop Box Service

Revenue Shortfall: -\$146,170

Rate Proposal: 6.7% = \$145,838

	2019	2020	Difference
Delivery Fee	\$71.18	\$75.97	\$4.79
Hauling Fee	\$216.79	\$231.31	\$14.52
Rental Fee	Vary by Size \$2.45 - \$4.37	\$4.66 *of higher rate	\$0.29



Residential Service

- Revenue Shortfall: -\$543,969
- 7% Rate Increase = \$306,814
- Commercial Revenue = \$149,155
 - Rely on Cash = \$88,000



Impact on Customer, Bi-Monthly W/Recycle			
	2019	2020	Difference
20-gallon	\$21.96	\$23.49	\$1.53
35-gallon	\$37.94	\$40.59	\$2.65
65-gallon	\$51.80	\$55.42	\$3.62
95-gallon	\$89.76	\$96.04	\$6.28

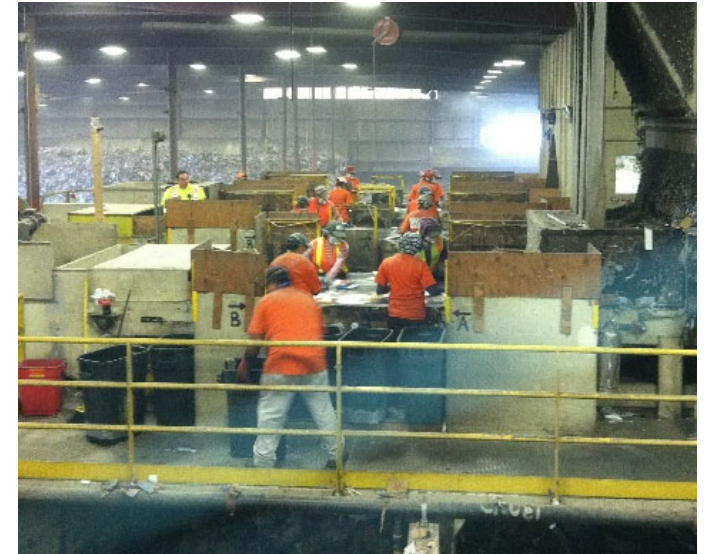


China National Sword Recap

- 4th quarter 2017: City's processor shipped 60% of its material to China. **Now, it is zero!**
- 2018: Recyclables shipped to other markets including Indonesia, Vietnam, Thailand, etc.
- April 2018: China increases formal list of banned materials.
- May / June 2018: Vietnam and Thailand temporarily ban import of scrap plastics. Indonesia requires pre-inspection.
- 2019 Indonesia requires pre-inspection of loads
- Markets overseas are drying up

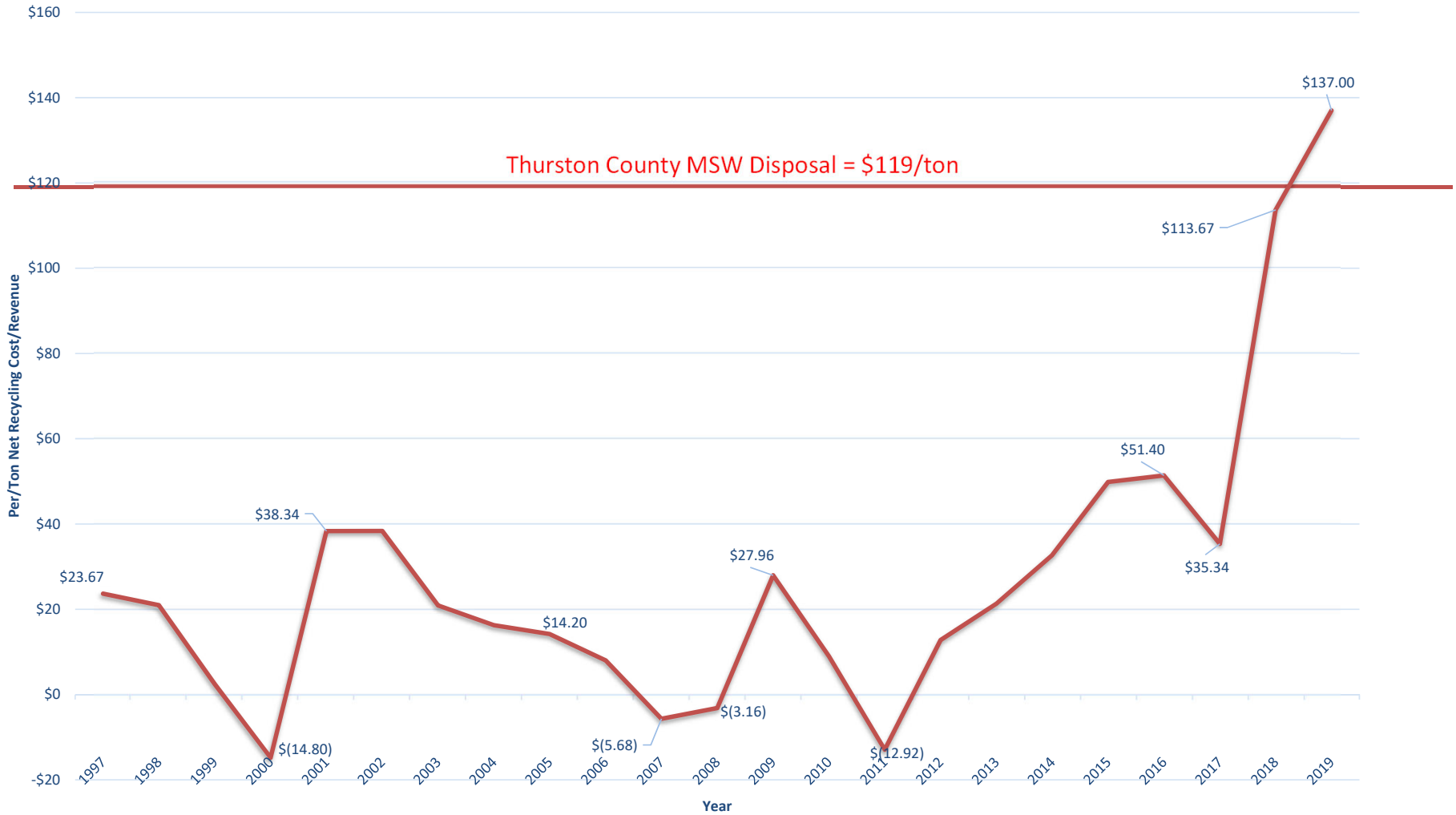
Financial Impacts

- Mixed paper...
 - ✓ About 70% of commingled stream
 - ✓ Value before China Sword ~\$150/ton
 - ✓ Value today – \$22 per ton
- Processor...
 - ✓ Slowed throughput
 - ✓ System upgrades
 - ✓ Finding markets is difficult
 - ✓ Need for quality is important as ever
- Before China Sword, revenue from sale of material mostly offset processing & transportation cost.



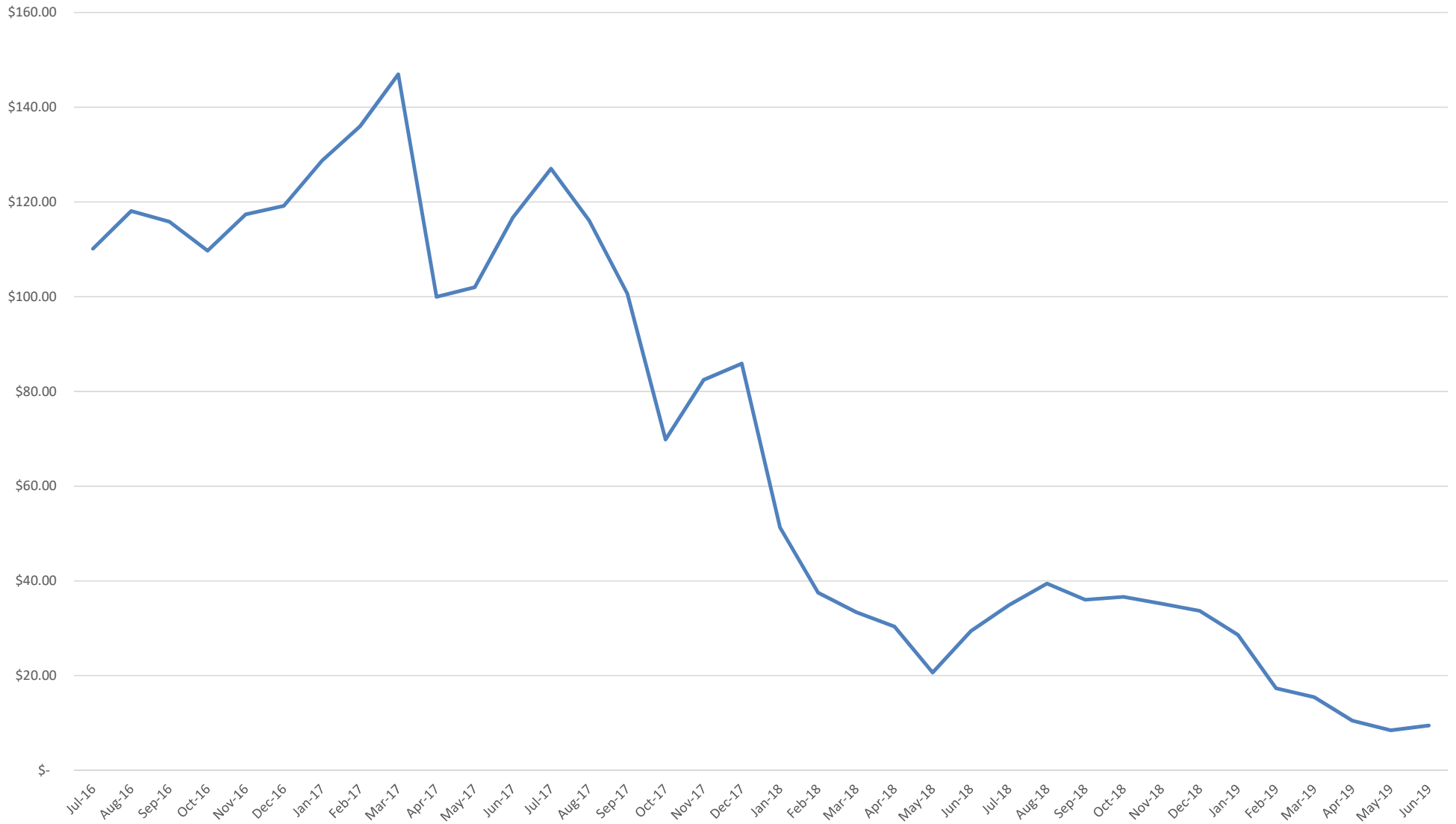
Annual Per/Ton Net Recycling Cost '97 - Current

(Processing Cost + Transport to MRF) - Aggregate Commodity Value = Net



Monthly Revenue Per Ton of Recyclables

2016-July through 2019-June



What We're Doing to Respond

- Ongoing communication with recycle processor
- Avoid reacting too quickly
- Evaluating problem materials
 - Glass and poly-coated paper (cartons, frozen food boxes)
- Engage advisory committee and city council
- Education/Outreach
 - Mailers/Utility Inserts
 - Lid lifts, cart tagging – Grant
 - Intern to help with tagging
 - NHA Meetings
 - Recycle Coach
- Adapting financially
 - + \$1.35/month (2019)





Future Outlook

- Investment in North American paper mills.
 - 16 as of May 2019 (Source, presentation by Dave Claugus at 2019 WSRA Conference.)
- NORPAC Paper Mill in Longview expanding capacity for mixed paper grade fibers.
- MRF's responding with capital investments to improve quality.
- Attention to contamination and wish-cycling.





2019 Local Utility Rates

	Olympia	Lacey	Tumwater
Drinking Water	\$51.00	\$50.13	\$47.32
Wastewater	\$26.58 - \$42.95	\$45.16	\$38.01
Storm and Surface Water	\$28.10	\$24.08	\$22.54
LOTT	\$79.60	\$79.60	\$79.60
TOTAL:	\$185.28 - \$201.65	\$198.97	\$187.47
Waste ReSources	\$51.08	NA	NA

Drinking Water rates are based on 560 cubic feet per month (Olympia average)

All rates include utility taxes

Lacey and Tumwater do not provide waste collection.



Summary of Proposed Rate Increases

Single Family Residences

Drinking Water	5.0 to 5.9%
Wastewater	0 to 0.5%
LOTT	3.0%
Storm and Surface Water	2.1% to 3.0%
Waste ReSources	7%
Combined Increase	6.0% or \$7.46/month

Summary of Key 2020 Financial Drivers

- **Waste ReSources**
 - Collapsed recycle markets
- **Drinking Water**
 - Capital depreciation - \$100K
 - Cash to buy down 2019 rate – \$565K
 - No new employees
- **Wastewater**
 - Shift 1.25 FTE from SSW - \$114K
- **Stormwater**
 - Shift 1.25 FTE to WW - \$114K
 - 0.5 FTE sweeper operator - \$47K
 - New vehicle - \$5K





Proposed Utility Budgets

• Drinking Water	\$15,175,481
• Wastewater	\$7,466,190
• Storm and Surface Water	\$5,946,733
• LOTT	\$14,071,425
• Waste ReSources	<u>\$13,218,922</u>
TOTAL	\$55,878,751
Proposed 2020 Increase	\$3,352,000



Typical Bi-Monthly Utility Bill

Single Family Residence	2016	2017	2018	2019	Proposed 2020	% Increase
Drinking Water	\$44.97	\$48.25	\$51.00	\$51.00	\$54.02	5.9%
Wastewater	\$39.33	\$25.56 - \$41.30	\$26.58 - \$42.95	\$26.58 - \$42.95	\$26.80 - \$43.17	0.5%
Waste ReSources	\$43.90	\$46.32	\$46.32	\$51.80	\$55.43	7%
Storm and Surface Water	\$23.89	\$25.16	\$26.74	\$28.10	\$29.62	3.0%
LOTT	\$72.12	\$74.28	\$75.76	\$79.60	\$82.00	3%
TOTAL:	\$224.21	\$219.56 - \$235.30	\$226.39 - \$242.76	\$232.93 - \$249.30	\$247.85 - \$264.22	3.9%
\$ Total Increase	\$8.88	-\$4.32 - \$11.42	\$6.83 - \$7.46	\$6.54	\$14.92	6.0%



Justifiable GFCs

	Current	Potential
Drinking Water	\$4,433	\$4,433
Wastewater	\$3,442	\$4,631*
Storm and Surface Water	\$1,190 plus \$4.50/vehicle trip	\$2,383 plus \$19.04/vehicle trip

*Based on draft rate analysis



GFC History

	2015	2016	2017	2018	2019	2020 (Proposed)	\$ Increase	% Increase
Drinking Water	\$3,687	\$3,918	\$4,180	\$4,433	Same as 2018	Same as 2018	\$0	0%
Wastewater	\$3,342	\$3,442	Same as 2016	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	Same as 2016	\$1,428 plus \$5.40 trip charge	\$328	20%
LOTT CDC	\$5,136	\$5,354	\$5,579	\$5,810	\$6,049	\$6,231	\$181	3.00%
TOTAL:	\$13,355	\$13,904	\$14,391	\$14,875	\$15,078	\$15,588	\$509	3.38%



GFC Revenues

	2016 Actual	2017 Actual	2018 Actual	2019 YTD 07/19
Drinking Water	\$ 1,299,872	\$ 1,005,430	\$ 856,185	\$ 283,047
Wastewater	\$ 2,092,931	\$ 1,932,475	\$ 729,852	\$ 304,370
Storm & Surface Water	\$ 272,058	\$ 283,265	\$ 198,864	\$ 160,549

- Next UAC meeting – September 5th
 - Greater detail
 - Budget committee’s recommendations
 - CFP cash reserves and cash flow
- Written Recommendations to Council
 - October 16th Finance Committee Meeting
 - UAC chair requested to attend
 - October 7th staff report submittal
- Planning Commission discussion of CFP
 - September 9th – Staff attending



2020 Utility Rate Recommendations

Gary Franks, Waste ReSources Director, 753-8780,
gfranks@ci.olympia.wa.us

Eric Christensen, Water Resources Director, 570-3741,
echriste@ci.olympia.wa.us

**Fund 403
Waste ReSources
2020 Budget**

	2019 Budget	2020 Budget	Difference	%	Revenue	Net Position	%
Expenditure Request	\$12,939,938	\$13,218,922	\$278,984	2.2%	\$12,677,938	(\$540,984)	-4.27%
Drop Box (8604)	\$2,783,346	\$2,784,029	\$683	0.0%	\$2,637,859	(\$146,170)	-5.54%
Residential (8605)	\$4,619,217	\$4,869,959	\$250,742	5.4%	\$4,325,990	(\$543,969)	-12.57%
Commercial (8606)	\$4,269,697	\$4,276,154	\$6,457	0.2%	\$4,573,611	\$297,457	6.50%
Organics (8607)	\$1,267,678	\$1,288,780	\$21,102	1.7%	\$1,140,478	(\$148,302)	-13.00%

Main Budget Drivers:

Salaries	\$2,193,746	\$2,230,813	\$37,067	1.7%
Benefits	\$1,033,719	\$960,110	-\$73,609	-7.1%
Fuel	\$278,847	\$325,041	\$46,194	16.6%
Vehicle Rent	\$582,917	\$651,865	\$68,948	11.8%
Vehicle Repair and Maintenance	\$511,298	\$567,685	\$56,387	11.0%
Taxes	\$2,027,886	\$2,027,889	\$3	0.0%
Interfund Overhead	\$820,094	\$892,066	\$71,972	8.8%
Facility Rent (CH/MC)	\$82,224	\$87,000	\$4,776	5.8%
Garbage Tip Fees	\$3,790,150	\$3,860,156	\$70,006	1.8%
Recycle Process Fees	\$477,900	\$477,900	\$0	0.0%
Recycle Hauling/transload	\$338,300	\$338,300	\$0	0.0%
Organic Tip Fees	\$255,300	\$255,300	\$0	0.0%
Liability Insurance	\$61,053	\$56,620	-\$4,433	-7.3%
Transfer to Cap. Fund (Future Site)	\$368,000	\$368,000	\$0	0%
Remaining funds for supplies	\$118,504	\$120,177	\$1,673	1.4%
Total Budget Request	\$12,939,938	\$13,218,922	\$278,984	2.2%

DROP BOX RATE USING 1 TON OF MATERIAL:			
Drop Box Rate For 30 Yard:	Current Rate	6.7% Rate Increase	% Difference
Haul Fee	\$ 71.18	\$ 75.95	\$ 4.77
Delivery	\$ 216.79	\$ 231.31	\$ 14.52
3 Day Rental	\$ 13.11	\$ 13.99	\$ 0.88
Subtotal:	\$ 301.08	\$ 321.25	\$ 20.17
Pass Thru Disposal Fee \$119 per ton	\$ 119.00	\$ 119.00	
Total:	\$ 420.08	\$ 440.25	4.80%

DROP BOX RATE USING 3 TON OF MATERIAL:			
Drop Box Rate For 30 Yard:	Current Rate	6.7% Rate Increase	% Difference
Haul Fee	\$ 71.18	\$ 75.95	\$ 4.77
Delivery	\$ 216.79	\$ 231.31	\$ 14.52
3 Day Rental	\$ 13.11	\$ 13.99	\$ 0.88
Subtotal:	\$ 301.08	\$ 321.25	\$ 20.17
Pass Thru Disposal Fee \$119 per ton	\$ 357.00	\$ 357.00	
Total:	\$ 658.08	\$ 678.25	3%

SHARED COMPACTOR RATE USING 3.5 TON OF MATERIAL:			
Drop Box Rate Compactor	Current Rate	6.7% Rate Increase	% Difference
Haul Fee	\$ -	\$ -	\$ -
Delivery	\$ 216.79	\$ 231.31	\$ 14.52
3 Day Rental	\$ -	\$ -	\$ -
Subtotal:	\$ 216.79	\$ 231.31	\$ 14.52
Pass Thru Disposal Fee \$119 per ton	\$ 1,053.78	\$ 1,053.78	
Total:	\$ 1,270.57	\$ 1,285.09	1%

Eric Christensen

From: Joanne Lind <JoanneLind@lottcleanwater.org>
Sent: Thursday, August 22, 2019 2:45 PM
To: Eric Christensen
Subject: An Invitation for Partner Staff to Tour LOTT

External Email Alert!

This email originated from a source outside of the City's network. Use caution before clicking on links or opening attachments.

Dear Directors and Managers:

We are once again inviting partner staff to a presentation and tour to learn more about the LOTT Clean Water Alliance and the treatment process at the Budd Inlet Treatment Plant in downtown Olympia. The presentation and tour are scheduled for **Thursday, September 26, 10:00 a.m. to noon.**

This is our third year offering these "field trips", which have been well attended and received positive feedback from your staff. This invitation is open to any of your interested staff, particularly those who are new, those that missed the opportunity last year, or any who would enjoy a refresher course. Information gained on the field trip can be helpful background for partner staff, especially those who work in Utility Billing and receive questions about LOTT and associated rates.

The presentation will include a brief overview about LOTT and time for questions and discussion. We will also cover frequently asked questions, particularly about rates. During the tour of the Budd Inlet Treatment Plant, your staff will see how wastewater is cleaned and learn how Class A Reclaimed Water is produced and used.

If you have interested staff, please reply with their names, titles, and email addresses. We will then send a confirmation email to them with details about their upcoming visit.

We look forward to hosting your staff! Please don't hesitate to contact me if you have questions.

Thank you!

Joanne Lind | Public Communications Manager

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[LOTT Website](#) | [Facebook](#) | [WET Science Center Website](#) | [Facebook](#)