



Utilities 2026 Rates And Operating Budget Review

October 2, 2025

Utility Advisory Committee

2026 Budget Process Timeline

Operating Budget

- Internal Department Budget Review August 20th
- September 4th UAC meeting briefing & deliberation
- **October 2nd UAC meeting – Operating Budget, GFC's & CFP recommendations to council**
- October 20th Council Finance Committee
- Council Public Hearing November 3rd and Nov 18th
Operating Budget, GFC's & CFP
- Deliberations at Council in Nov/Dec
- Council Budget Adoption in early December (***Date not set***)

Public Works Organizational Chart



Mark Russell
Public Works Director



Mike Vessey
Drinking Water Utility



Gary Franks
Water Resources



Ron Jones
Waste Resources



Thanh Jeffers
Deputy Director/
General Services



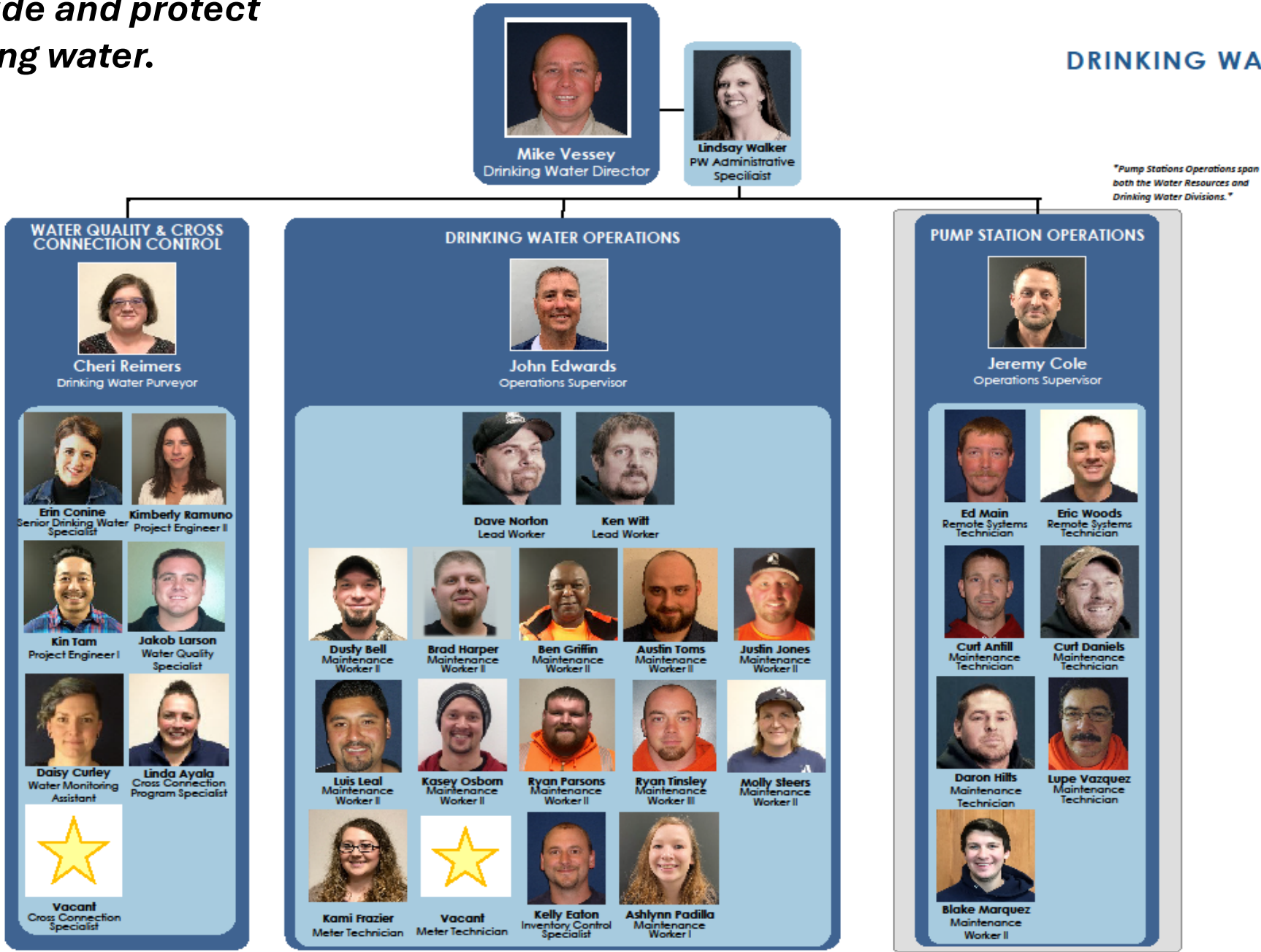
Jeff Johnstone
Engineering



Sophie Stimson
Transportation

Mission: To provide and protect Olympia's drinking water.

DRINKING WATER



Drinking Water Budget Drivers

Salary Increases and Dept of Health Certification Requirements

Indirect Cost Increases:

- Liability Insurance
- Property Insurance

Unique Operating Expenses:

- Irrigation use is unpredictable
- PSE electricity rate increase 5.8%
- Small reduction in transfers from the Operations budget to the Capital budget (CFP)

Drinking Water Expenditures and Revenue

- Expenditures are up 3%, for a total of \$18,225,505
- Customer growth forecast assumed to be flat
- Rate increase of 3% is needed to cover over the baseline projection
- No critical needs requests
- **Recommended rate increase of 3%**



Wastewater Mission: Is to collect and convey wastewater to treatment facilities in a manner that protects the health of both the public and the environment.

Stormwater Mission: Is to reduce flooding, improve water quality and protect and enhance aquatic habitat in Olympia.

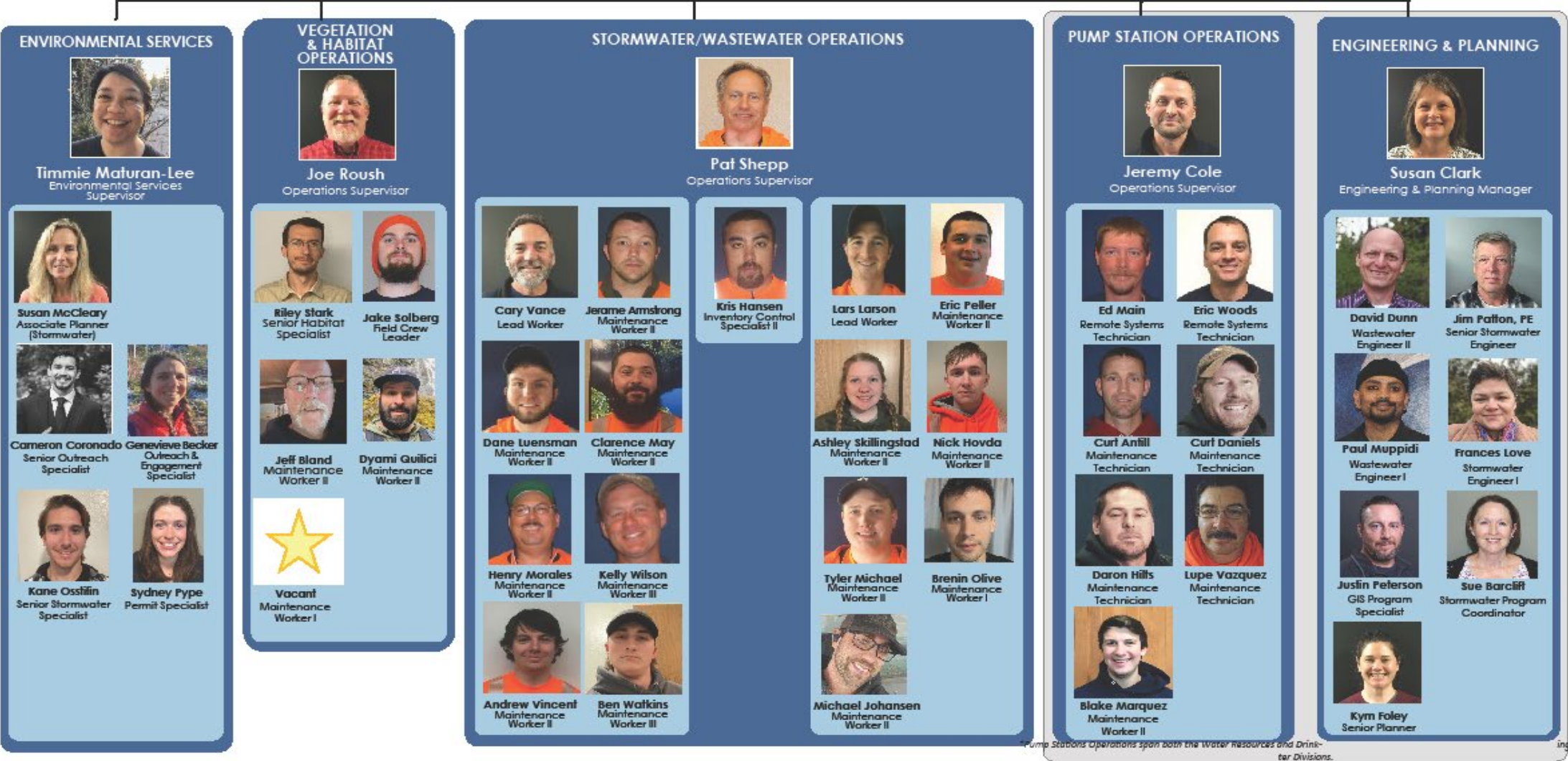
WATER RESOURCES



Gary Franks
Interim
Water Resources Director



Jeannine Stewart
PW Administrative
Specialist



*Pump Station Operations span both the Water Resources and Drinking Water Divisions.

Wastewater Budget Drivers

Reallocate two positions - Stormwater

Indirect, Liability, and Property Insurance
\$500K

Previous Rate Increases not pacing w/
Expenses

Wastewater Expenditures and Revenue

- Expenditures are up 5.6%, for a total of \$10,857,110
- Revenue needs to rise 3% to remain neutral
- LOTT Rate Increase 3%, for a total of \$17,334,106
- Customer growth assumed to be flat
- No critical needs requests
- **Recommended rate increase of 3%**



Stormwater Budget Drivers

Move 2 staff WW + Salary Survey = \$408K

Indirect Cost Model + Rent = \$200K

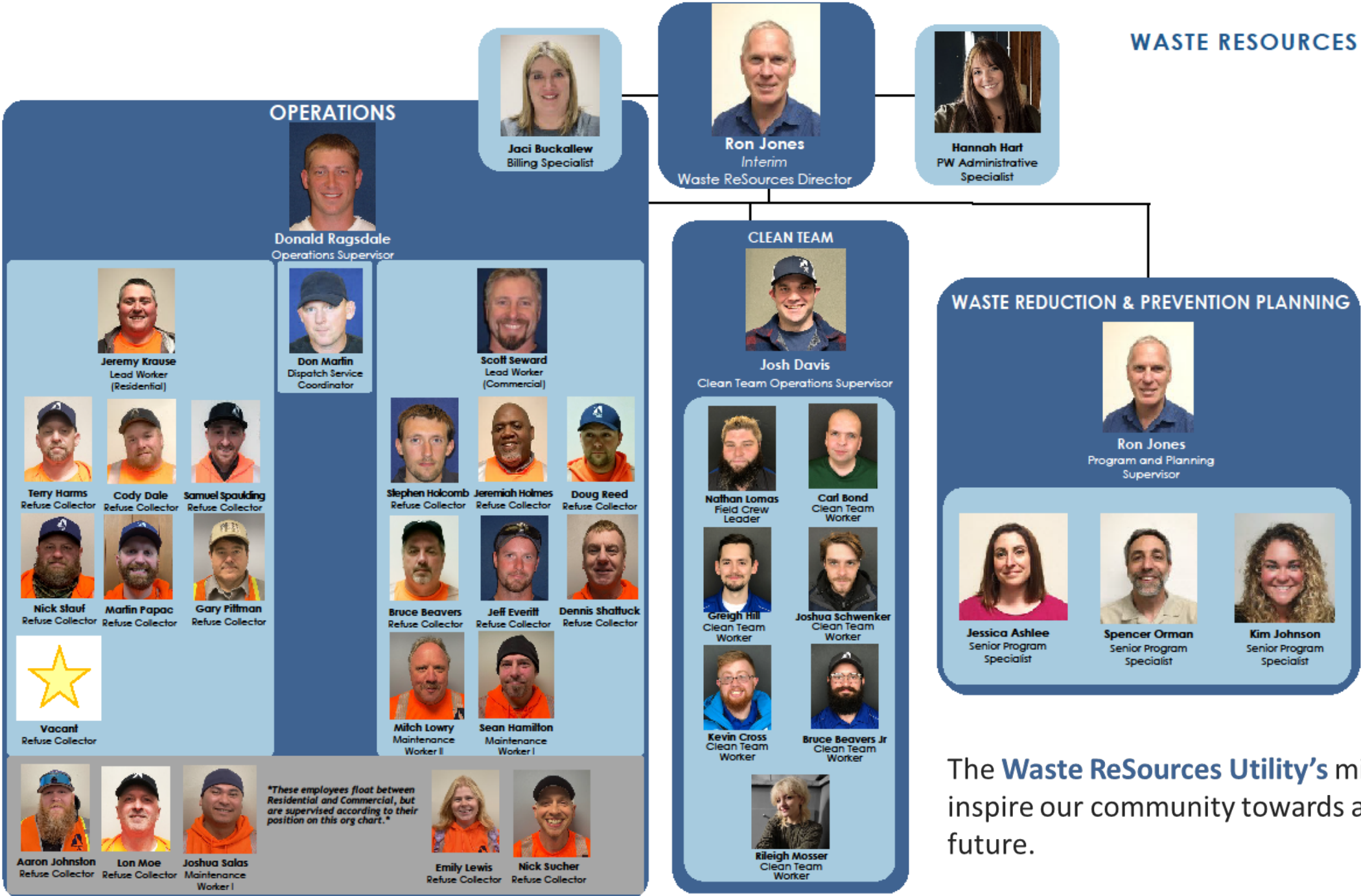
Slight Increase in Fleet Expense \$45K

Stormwater Expenditures and Revenue

- Expenditures are up 10.5%, for a total of \$9,328,595
- Revenue 7.5% Plus Use of fund balance \$172,031
- Customer growth forecast assumed to be flat
- No critical needs requests
- **Recommended rate increase of 7.5% + Apprx. \$170K Fund Balance**



WASTE RESOURCES



The **Waste ReSources Utility's** mission is to inspire our community towards a waste free future.

Waste ReSources Budget Drivers

Clean Team Transition = \$900,000 (10% Rate Increase)

Recommend Capital Funding Reduction \$600,000

Thurston County Recovery Center Rate Increase:

- Garbage Tipping up \$498,669 or 12.9%
- Organic Tipping up \$233,923 or 201%

Operating Budget Expenses:

- Salaries and Wages up \$175,000
- Fleet Rates up \$156,000
- Indirect Cost up \$214,921

Expenditures and Revenue

Waste Utility Operating Budget:

- Expenditures are up 4.9%, for a total of \$18,075,446
- Revenue flat total of \$17,591,210
 - Growth by waste sector varies 0.75% - 1.4%
 - No Annexations
- Revenue to Expense out of balance - 2.68% or -\$484,236
- Includes One Critical Enhancement Request for a **Refuse Collector**

Rate Recommendation = 4%



2026 Utility Rate Proposal Summary

<i>Utility</i>	<i>2023 Rate</i>	<i>2024 Rate</i>	<i>2025 Rate</i>	<i>2026 % Rate Increase</i>	<i>2026 Amount</i>
Waste ReSources	\$56.22	\$58.18	\$62.60	4%	\$65.10
Drinking Water	\$65.64	\$66.96	\$69.58	3%	\$71.68
Wastewater	\$51.58	\$53.62	\$56.46	3%	\$58.16
LOTT	\$89.60	\$92.28	\$95.04	3%	\$97.90
Storm & Surface Water	\$34.24	\$36.46	\$38.36	7.5%	\$41.24
TOTAL	\$297.28	\$307.50	\$322.04		\$334.08
Total % Increase	5.89%	3.45%	4.73%		3.74%
Total \$ Increase	\$16.54	\$10.22	\$14.54		\$12.04

Based on single-family bi-monthly bill.

Assumes 65 gal/bi-weekly garbage service with recycling.

Based on 160 gallons of water use per day.

PROPOSED 2026 Projected General Facility Charges (GFC) and LOTT Capacity Development Charges (CDC)

(Sample Based on Single-Family Residence)

Utility	2022	2023	2024	2025	% Increase	Total Increase	2026 Rate	Consultant Recommendation
Drinking Water	\$4,433	\$4,683	\$5,032	\$5,287	5%	\$264	\$5,551	\$5,639
Wastewater	\$3,754	\$4,003	\$4,338	\$4,425	5%	\$221	\$4,646	\$4,999
Storm & Surface Water	\$1,439 plus \$9.09 trip charge	\$1,619 plus \$11.08 trip charge	\$1,915 plus \$13.57 trip charge	\$1,953 plus \$13.83 trip charge	5%	\$98	\$2,051 plus \$14.52 trip charge	\$2,383 plus \$19.04 trip charge
LOTT CDC	\$6,610	\$6,841	\$7,081	\$7,435	5%	\$372	\$7,807	\$8,041.21
TOTAL	\$16,236	\$17,146	\$18,402	\$19,100	5%	\$955	\$20,055	\$21,062

* 50% low-income housing discount on City/LOTT charges.

* Lost revenue offset by 2% increase in GFCs began in 2025. To be re-evaluated for 2026.

Affordable Housing GF Charges Projects Approved Reductions

Applicant	Project	# of Units	Location	Type of Housing	Population Served	Status of Project
VB Lansdale Pointe, LLC (Southport Financial)	Lansdale Pointe	162	911 Burr Rd.	Multi-Family, Rental, Family sized units	Low-Income Families with incomes up to 60% Area Median Income	Approved for GFC exemption in May 2024. Project is permitted. As of beginning of this month building inspector reported possibly 2 of the 10 buildings are anticipated to be placed in service this fall.
505 Union Ave., LLC	The Gibson	64	505 Union Ave.	Multi-Family, Rental, Adaptive re-use from commercial office to residential, studios and 1-bds	Low-Income (small) households with incomes up to 80% Area Median Income.	Approved for GFC exemption in May 2025. Nearly through permitting. Redevelopment has not begun but is expected to begin soon.
Low Income Housing Institute	Franz Anderson Permanent Supportive Housing	70	519 Franz Anderson Rd. SE	Multi-Family, Rental, Permanent Supportive Housing	Single and couples households with incomes up to 30% Area Median Income who are homeless or residing in temporary shelter at time of entry.	Approved for GFC exemption in May 2025. Nearly through permitting. LIHI is navigating the recent news that the project will no longer have dedicated Housing Choice vouchers due to HATC's voucher budget. Project is anticipated to break ground by summer 2026.
DevCo, LLC	Harbor Pines	272	3909 9 th Ave. SW	Multi-Family, Rental, Family-Sized Units	Households with incomes up to 60% Area Median Income.	Project qualifies for the 50% exemption as well as other affordable housing development incentives. Staff is currently working to execute an agreement and restrictive covenant for the GFC and other exemptions. Project is in permitting.
South Puget Sound Habitat for Humanity	3900 Blvd. Rd	112	3900 Blvd. Rd. SE	Single-Family, Townhomes, Homeownership	Households with incomes up to 80% Area Median Income	Project qualifies for the 50% exemption as well as other affordable housing development incentives. Staff is currently working to execute an agreement and restrictive covenant for the GFC and other exemptions. Project is nearly fully permitted.

Total Units: 680

2026-2031 Capital Facilities Plan Summary

Plan Contents

- 2026 = Budget Request
- Detailed 6-year “plan” with project descriptions
- Revenue assumptions
- Year 7 to 20 list of projects

Revenue Assumptions

- Transfer from utility operating fund
- General facilities charges
- Capital fund “cash on-hand”
- Grants or loans



Capital Facilities Recommended verse Actual

[illegible]

Stormwater	2020	2021	2022	2023	2024	2025	2026	Budget Total
Recommended:	\$ 1,400,000	\$ 1,600,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,800,000	\$ 11,600,000
Budgeted:	\$ 812,690	\$ 436,000	\$ 395,200	\$ 430,698	\$ 428,500	\$ 486,000	\$ 536,000	\$ 3,525,088
Actual Tranfer In:	\$ 812,690	\$ 436,000	\$ 395,198	\$ 930,768	\$ 1,281,150	\$ 486,000	\$ 536,000	\$ 4,877,806
								\$ 6,722,194

Drinking Water	2020	2021	2022	2023	2024	2025	2026	Budget Total
Recommended:	\$ 1,966,346	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,900,000	\$ 2,600,000	\$ 12,066,346
Budgeted:	\$ 1,247,294	\$ 1,400,000	\$ 1,400,000	\$ 700,000	\$ 1,400,000	\$ 1,900,000	\$ 1,500,000	\$ 9,547,294
Actual Tranfer In:	\$ 1,247,294	\$ 483,304	\$ 1,400,002	\$ 700,000	\$ 1,400,000	\$ 1,900,000	\$ 1,500,000	\$ 8,630,600
								\$ 3,435,746

Water/Sewer Rate Affordability Metric

Community Financial Capacity to Support Utilities

Average Median Income (AMI) Based– (EPA)

Olympia - Lacey - Tumwater \$116,700 (HUD 2024)

Drinking Water 2% = \$194.50/mo | Proposed \$35.84/month (0.37%)

Drinking/Sewer Bill 4% = \$389.00/mo | Proposed \$113.87/month (1.17%)

Low Income Households

Hours at Minimum Wage - 8 hours at \$16.66/hour* = \$133.28

Olympia LOTT/Sewer/Water proposed = (\$113.87) – 6.8 hours

***WA State Minimum Wage beginning 2025.*

Affordability Initiatives

- **Lifeline Program & Helping Neighbors Program**
- **Infrastructure Affordability Fund – Policy Development**
 - Drinking Water \$55,000 annually
 - Waste Water \$85,000
- **General Facility Charges Fees 50% waived for low income:**
 - List of projects provided:
- **Septic to Sewer Conversion Program**
 - 80% Discount (Pay 20%) If the owner connects within 2 years of project completion or Connects within 2 years of property ownership transfer
 - 50% Discount if owner abandoning an OSS and not increase ERU's
- **Service Equity Analysis (REEP)**
 - City of Olympia
 - City of Tumwater
 - City of Lacey
 - City of Thurston County
 - University of Washington

Questions?

