



October 24, 2025

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

Dear Mayor Payne and Council Members:

SUBJECT: UAC Recommendations – 2026 Utility Rates, General Facility Charges, and Capital Facilities Plan

At its October 2, 2025 meeting, the Utility Advisory Committee (UAC) reviewed and unanimously recommended approval of the proposed 2026 utility rates, General Facility Charges (GFCs), operating budgets, and the 2026–2031 Capital Facilities Plan (CFP). The Committee’s review focused on affordability, equity, capital reinvestment, and financial balance across all four utility funds.

Summary of 2026 Utility Rates

The UAC supports the following rate increases for 2026:

- Waste ReSources 4.0%
- Drinking Water 3.0%
- Wastewater 3.0%
- Storm and Surface Water 7.5%
- LOTT Clean Water Alliance 3.0% and Capacity Development Charge 5.0% (Approved by LOTT Board)

When combined, the City and LOTT rate increases result in a 3.74% average utility rate increase for Olympia utility customers for a typical single-family household. This equates to an increase of \$12.04/bi-monthly compared to the 2025 rates. The 2026 rates remain within local and federal affordability benchmarks. The UAC notes that these rate increases generally address increases in the costs to do business rather than increasing services or capital programs.

General Facilities Charges

The General Facilities Charges (GFC) for 2026 will increase by 5.0% for each utility of Drinking Water, Wastewater and Storm and Surface Water. The GFC increases are adequate; however, they still remain below a consultant’s recommendation to increase GFC levels. At that time, the City chose to phase in the GFC increases over several years in order to smooth rate impacts and minimize sudden increases.

The UAC supports the following GFC increases for 2026 (per single family residence):

- Drinking Water: +\$264 to \$5,551 (2022 consultant financial study recommended \$5,639)
- Wastewater: +\$221 to \$4,646 (2019 recommended level \$4,999)
- Storm and Surface Water: +\$98 to \$2,051 per equivalent residential unit (ERU) (2016 consultant financial study recommends \$2,383 per ERU and \$19.04 per vehicle trip)

2026–2031 Capital Facilities Plan

The UAC reviewed the 6-year CFP during the September 4, 2025 meeting and unanimously approved it at the meeting on October 2nd. The CFP aligns with City’s Comprehensive Plan goals and utility management plan

strategies. Current revenue projections appear sufficient for planned projects. However, the UAC remains concerned that continued deferments of CFP projects, year-after-year to balance the utility budgets, will result in deferred capital projects being more expensive due to inflation and the need for more expensive emergency repairs.

Support for Utility Financial Study

City Utility staff informed the UAC that a consultant has been retained to conduct a utility financial study. The UAC fully supports this financial study, as it is essential to evaluate the City's rate models, including a review of affordability benchmarks, the City utility rate assistance programs, an update to the recommended levels for GFCs, and a review of the rate impacts of the 50% discount on GFCs for low-income housing that was established in 2024. As noted above, the current level of GFCs do not yet meet the consultant's recommended amounts. The UAC strongly recommends that the financial study evaluate the financial impact of further capital project deferments.

Closing

The UAC believes these recommendations responsibly address the City's needs to provide high-quality and reliable utility services to our community. The UAC would like to extend our appreciation to Utilities staff for their preparation, expertise, and commitment to fiscal responsibility throughout this review process.

Please contact me at klamson@ci.olympia.wa.us with any questions.

Sincerely,



KRISTIN LAMSON

Chair, Utility Advisory Committee

KL/lw

cc: UAC Members
Michael Githens, Finance Director
Mark Russell, Public Works Director
Gary Franks, Interim Water Resources Director
Mike Vessey, Drinking Water Utility Director
Ron Jones, Interim Waste ReSources Director
Susan Clark, Water Resources Engineering & Planning Manager
Olympia Planning Commission