



A photograph of a construction site. In the foreground, there are several rectangular concrete slabs being poured or finished. Workers in orange safety vests and hard hats are visible. In the background, there are trees, a building with a 'Wells Fargo' sign, and a large crane. The sky is clear and blue.



2023 Draft Rates and Operating Budgets

October 6, 2022

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Budget Process Schedule

- August 4th – UAC Meeting - discussion of key drivers
- August 17th - Budget Review Committee
- September 1st – UAC Meeting – operating budgets, utility rates and general facility charges
- October 5th - City Council's Finance Committee
- October 6th - UAC Meeting – final recommendation
- October 18th – City Council Public Hearing
- December - City Council Deliberations

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A lightbulb with a grey base and a grey filament. Inside the bulb, several interlocking gears are visible. The gears are in shades of blue and teal. Some gears contain a white dollar sign (\$), and one gear contains a white bar chart with an upward arrow.

2023 Budget Development Approach

- * Hold the line
- * Minimal inflationary increases
- * Keep utility rate increases at minimum
- * Limited enhancement requests

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Line of Business Budget Reviews



Four vertical bars of increasing height from left to right, each with a circular icon at the top and text below. The bars are colored dark blue, medium blue, light blue, and teal.

-  Waste ReSources
-  Drinking Water
-  Wastewater
-  Storm & Surface Water

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Waste ReSources




Gary Franks
Waste ReSources Director

- Operations
- Waste Reduction and Prevention Planning

Mission:
To lead and inspire our community towards a waste-free future.

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Budget Overview

- Expense up 10.6% or \$1,460,440
- Revenue up 7% or \$922,173
- Rev – Exp = Negative -4.05% or \$(595,224)
- Other Assumptions:
 - Assumes 5% COLA
 - Includes \$613K transfer to Capital Fund (Carpenter Road)
 - 2023 Annexations – only projecting 21 new homes (Division St.)
 - *Note: Current CPI 12-month average = 10.1%*
- Recommended rates increase 4% w/ use of \$265K (8604, 8605, 8606)

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Key Budget Drivers

01

Residential Program – since the recycling crisis the program has not rebounded from recycling revenue loss. Program is out of balance by 13%

02

Indirect charges are up 44% or \$419,500

03

Rising Fleet Costs – Fleet rent increased by 37.1% or \$220,182

Fuel increase 87.8% or \$257,947

04

Garbage disposal fees in commercial and drop program increase by 6.2% or \$231,753

- 1% Growth Rate Overall

- One enhancement submitted

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Net Position (Revenue to Expense)

	2022 Budget	2023 Budget	Difference	%	2023 Revenue	Net Position	%
Expenditure Request	\$13,820,978	\$15,281,418	\$1,460,440	10.6%	\$14,686,194	(\$595,224)	-4.05%
Drop Box (8604)	\$2,751,422	\$3,007,747	\$256,325	9.3%	\$3,092,392	\$84,645	2.74%
Residential (8605)	\$5,292,579	\$5,780,946	\$488,367	9.2%	\$5,101,340	(\$679,606)	-13.32%
Commercial (8606)	\$4,541,718	\$5,114,477	\$572,759	12.6%	\$5,202,428	\$87,951	1.69%
Organics (8607)	\$1,235,259	\$1,378,248	\$142,989	11.6%	\$1,290,034	(\$88,214)	-6.84%

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Fund 403 – Waste ReSources Budget

	2022
• 10% Reserve Requirement 2022	\$1,349,628
• Estimated Cash by Year End 2022	\$1,733,394
• Carpenter Road Cash Transfer	-\$1,128,157
• Cash to buy down rate	-\$265,000
• Cash Above Reserve Estimate	\$340,237


Proposed Rate Increases by Service Classes

- Drop Box 4%
- Residential 4%
- Commercial 4%
- Organics 0%

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Drinking Water Utility

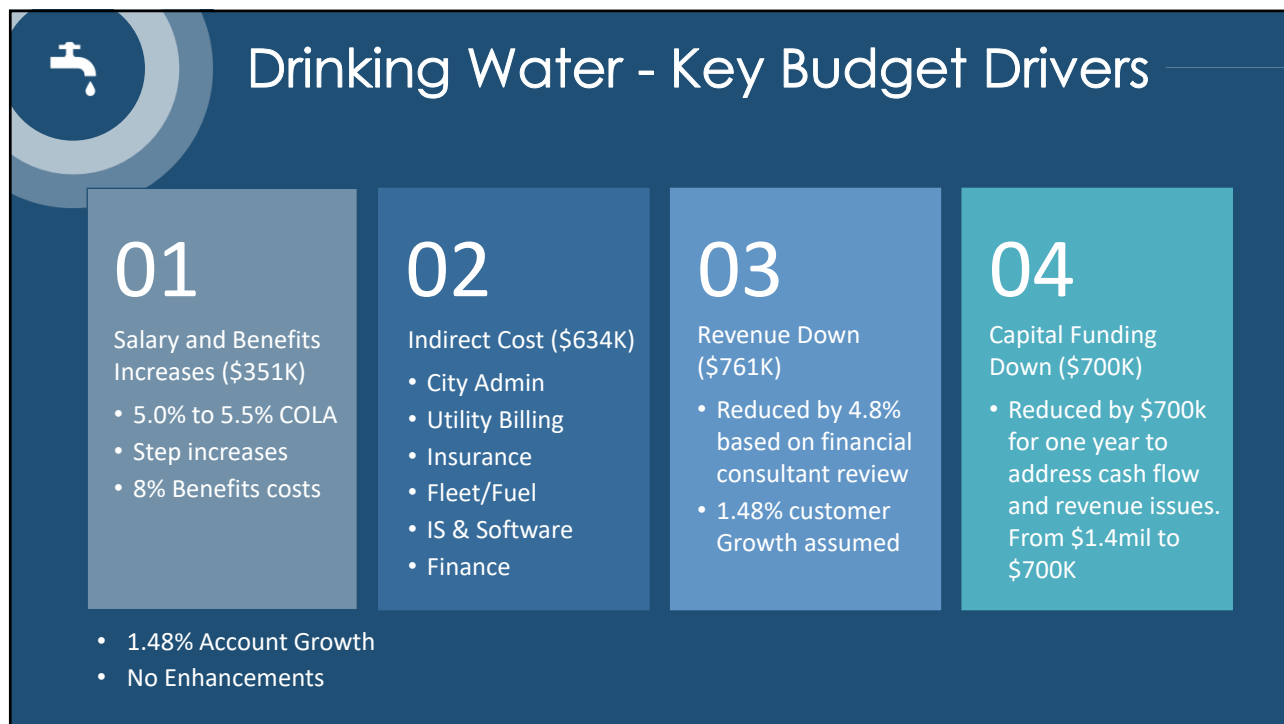


Mike Vessey
Interim Drinking Water
Utility Director

- Water Quality, Cross Connection Control and Water Conservation
- Drinking Water Operations
- Pump Station Operations
- Water Resources Engineering and Planning

Mission: Provide and protect healthy drinking water for the community, with a long-term vision that Olympia's Drinking Water Utility sustains present and future water supplies for our community while protecting the environment.

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Drinking Water - Program Expenditures

Expense	2020 Actual	2021 Actual	2022 Original Budget	2022 Actual YTD	2023 Budget	Variance	
10 - Salaries and Wages	2,333,219	2,657,661	2,787,187	1,787,404	3,023,537	236,350	8.48%
20 - Personal Benefits	991,059	1,115,196	1,156,927	728,722	1,272,105	115,178	9.96%
30 - Supplies	715,362	949,738	1,096,081	372,709	1,121,954	25,873	2.36%
40 - Other Services and Charges	918,852	1,005,748	1,303,101	624,249	1,248,368	-54,733	-4.20%
50 - Intergovernmental Services and Payment	3,115,593	2,966,982	3,972,401	1,925,415	3,272,401	-700,000	-17.62%
60 - Capital Outlays							0.00%
70 - Debt Service: Principal	1,290,031	1,400,235	2,716,733	12,988	2,858,225	141,492	5.21%
80 - Debt Service: Interest and Related Costs	311,405	348,046	432,506	69,811	364,582	-67,924	-15.70%
90 - Interfund Payments for Services	2,466,438	2,385,136	2,460,854	1,640,841	3,095,240	634,386	25.78%
99 - Non-Expenses							0.00%
Total	\$12,141,959	\$12,828,742	\$15,925,790	\$7,162,139	\$16,256,411	\$330,621	2.08%

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 <h2>Drinking Water - Program Revenues</h2>							
Revenues	2020 Actual	2021 Actual	2022 Original Budget	2022 Actual YTD	2023 Budget	Variance	
Charges for Service	13,595,237	14,622,762	14,981,207	6,974,187	15,970,411	989,204	6.60%
Intergovernmental Revenues	11,680	-	-	-	-	-	-
Miscellaneous Revenue	335,627	724,909	290,470	353,587	286,000	-4,470	-1.54%
Other Resources	-	2,414,069	-	-	-	-	-
Proprietary/Trust Fund	162,250	-	-	-	-	-	-
Total	\$ 14,104,794	\$ 17,761,740	\$ 15,271,677	\$ 7,327,774	\$ 16,256,411	\$ 984,734	6.45%

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Drinking Water – Staff Recommendation

- Proposing 6.6% rate increase
- Utility programs and core services will remain essentially unchanged in 2023
- No enhancements proposed. Just FTEs to move within Drinking Water and Water Resources Line of Businesses
- A \$250 increase to the GFC (new amount would be \$4,683)
- Establish a discounted irrigation rate for Urban Agriculture



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Drinking Water Utility CFP

Capital Projects – Budget Lowered

- Small Diameter Water Main – Reduced - Increased again to \$522K in 2026
- Aging Water Main – Reduced – Increased again to \$1M in 2026
- Wellhead Protection Area Monitoring Wells

Capital Projects – Pushed Out from 2022/2023

- Cardinal Drive Watermain (2031)
- Zone 417 to 347 PRV Station Installation (2024/2025)
- Indian Summer Chlorination System (2029)

Capital Project - Eliminated

- PRV Telemetry Installation

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Wastewater




Eric Christensen
Water Resources Director

- Wastewater Operations
- Pump Station Operations
- Water Resources Engineering and Planning

Mission: Collect and convey wastewater, also known as sewage, to treatment facilities in a manner that protects the health of both the public and the environment.

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Wastewater Key Budget Drivers

01

Indirect Cost (\$404K)

- City Administration
- Utility Billing
- Insurance
- Fleet/Fuel
- IS and Software
- Finance

02

Salaries & Benefits Increases (\$239K)

- 5% to 5.5% COLA
- 14% Benefit Costs

03

Capital Funding Up (\$67K)

- 9% inflation
- Supplies and Services not inflated


04

Excise & Municipal Taxes Up (\$199K)

- Covers City and LOTT (3%) revenue increases

- 1.5% Account Growth
- Two Enhancements

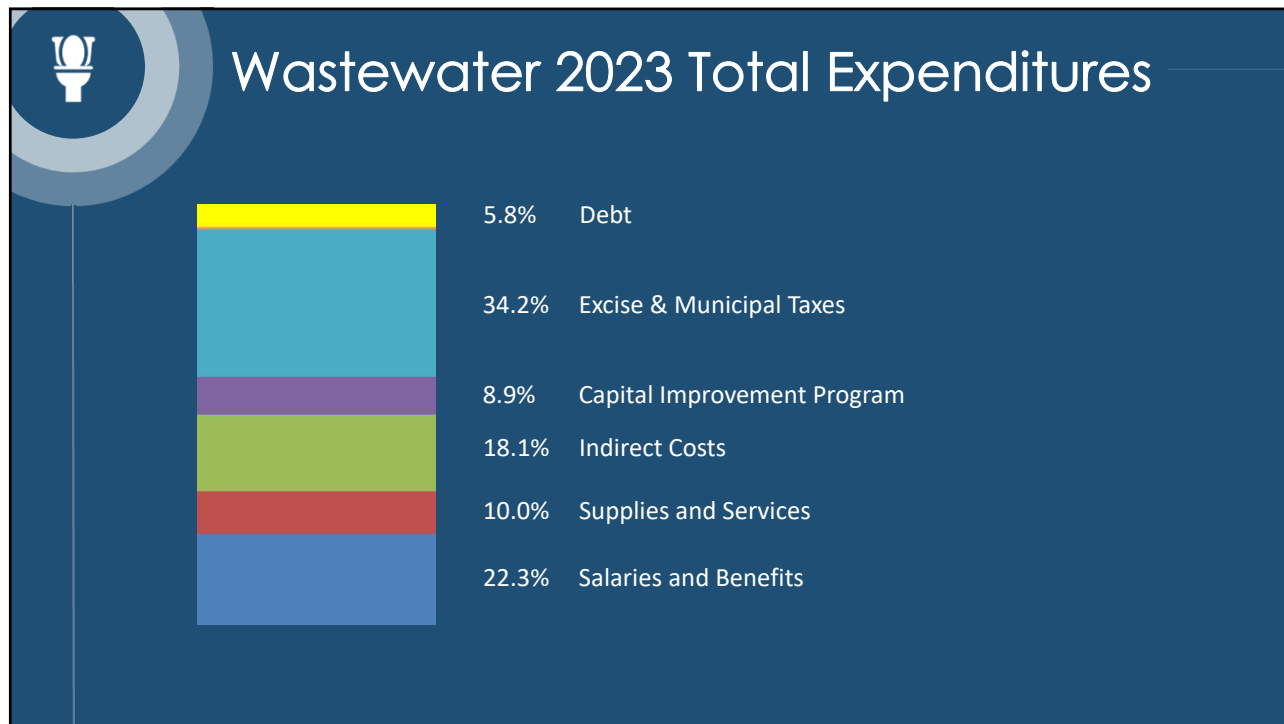
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Wastewater - Program Expenditures City & LOTT

Expense	2020 Actual	2021 Actual	2022 Original Budget	2022 Actual YTD	2023 Budget	Variance	
10 Salaries and Wages	1,171,983	1,277,727	1,338,969	747,907	1,509,283	170,314	12.72%
20 Personnel Benefits	314,056	477,591	469,503	469,503	538,091	65,827	14.02%
30 Supplies	166,044	350,046	307,703	87,269	307,703	0	0.00%
40 Other Services and Charges	340,768	480,715	502,356	502,356	504,097	1,741	0.35%
50 Intergovernmental Services and Payment	16,456,836	18,465,482	18,715,491	10,262,169	19,433,688	718,197	3.84%
60 Capital Outlays	14,785	-	0	0	0	0	9.00%
70 Debt Service: Principal	96,758	96,910	507,282	282,063	483,357	-23,925	-4.72%
80 Debt Service: Interest and Related Costs	7,349	5,746	43,993	24,461	41,933	-2,060	-4.68%
90 Interfund Payments for Services	1,181,891	1,255,385	1,285,881	1,285,881	1,690,289	404,408	31.45%
99 Non-Expenses	1,545,690	-	-	-	-	-	-
Total	\$21,296,160	\$22,409,602	\$23,171,178	\$13,661,609	\$24,508,441	\$1,334,503	5.76%

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Wastewater - Program Revenues City & LOTT

Revenues	2020 Actual	2021 Actual	2022 Original Budget	2022 Actual YTD	2023 Budget	Variance	
Charges for Service City	6,363,013	7,105,956	8,043,840	6,913,337	8,954,431	910,591	11.32%
Charges for Service LOTT	13,140,082	14,331,999	15,073,311	7,799,314	15,525,510	452,199	3.00%
Intergovernmental Revenues	0	288	0	0	0	0	0.00%
Misc Revenue	7,049	-12,505	28,500	10,637	28,500	0	0.00%
Proprietary/Trust Fund	220,781	0	0	0	0	0	0.00%
Total	\$19,730,925	\$21,425,738	\$23,145,651	\$14,723,288	\$24,508,441	\$1,362,790	5.89%

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Wastewater Proposed Enhancements

- Inventory Control Specialist (0.125 FTE)
 - Necessary for management of work orders, inventory, sediment and street waste

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Wastewater – Staff Recommendation


- 9.82% City rate increase in 2023
- 3% LOTT rate increase
- Increase GFC to \$4,003/ERU (6.6%)
- Anticipate CIP funding increases in future years
- One enhancement



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Storm and Surface Water




Eric Christensen
Water Resources Director

- Stormwater/Sweeper Operations
- Water Resources Engineering and Planning
- Environmental Services
- Vegetation Management

Mission: Reduce flooding, improve water quality, and protect and enhance aquatic habitat in Olympia.

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Stormwater Key Budget Drivers

01

Indirect Costs (\$351K)

- City Administration
- Utility Billing
- Insurance
- Fleet/Fuel
- IS & Software
- Finance

02

Salaries & Benefits Increase (\$377K)

- 5% to 5.5% COLA
- 1.5% Benefit Costs

03

Supplies & Services

- No inflationary increase except PSE
- \$83K increase in street waste transport & disposal


04

Capital Funding Up (\$36K)

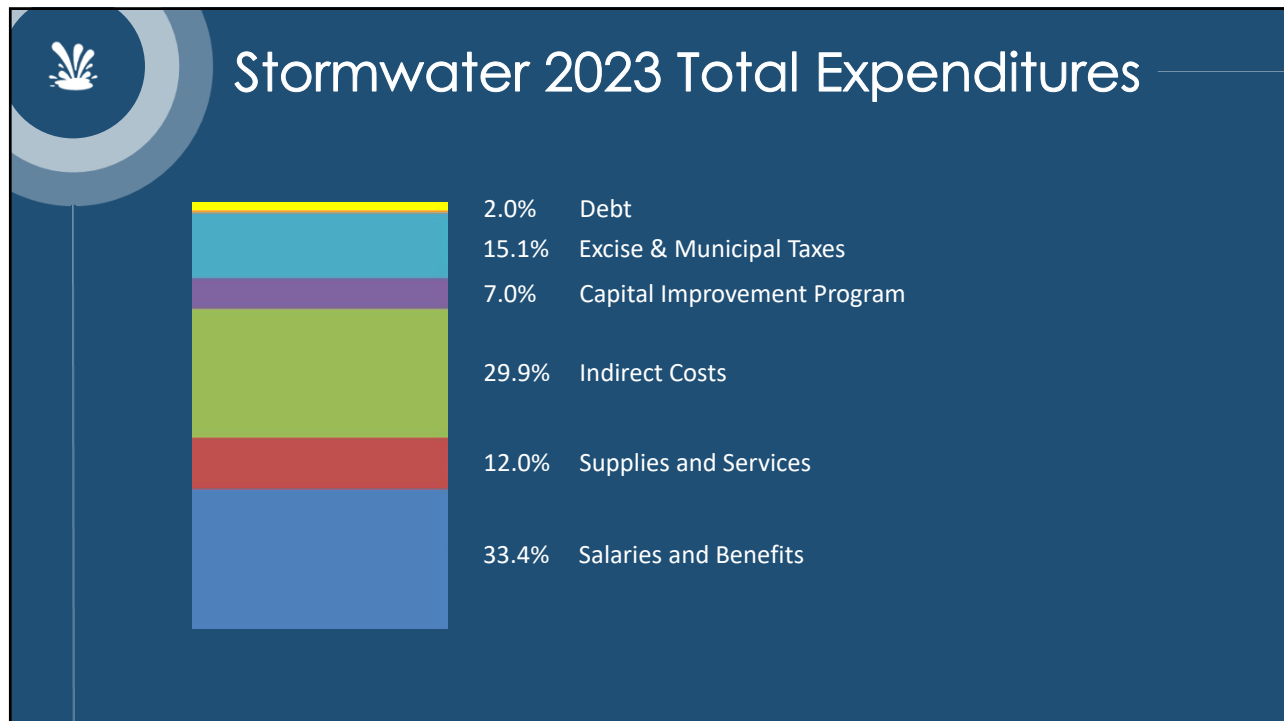
- 9% inflation

- 1% Account Growth
- Three Proposed Enhancements


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 <h1>Storm and Surface Water - Program Expenditures</h1>							
Expense	2020 Actual	2021 Actual	2022 Original Budget	2022 Actual YTD	2023 Budget	Variance	
10 - Salaries and Wages	1,504,058	1,895,832	2,036,891	1,266,883	2,311,363	274,472	13.48%
20 - Personal Benefits	438,477	23,181	706,287	442,079	808,575	102,288	14.48%
30 - Supplies	169,038	164,327	209,897	151,919	264,905	55,008	26.21%
40 - Other Services and Charges	266,565	395,157	474,510	185,683	466,759	-7,751	-1.63%
50 - Intergovernmental Services and Payment	1,939,176	1,753,289	1,484,613	881,542	1,589,547	104,934	7.07%
60 - Capital Outlays	11,679	-	-	-	-	-	0.00%
90 - Interfund Payments for Services	1,281,426	1,356,344	1,565,668	1,084,157	1,916,219	350,551	22.39%
99 - Non-Expenses	783,164	795,386	-49,185	-1,272	-	-	0.00%
Total	\$6,393,582	\$6,383,514	\$6,428,681	\$4,010,990	\$7,357,368	\$879,502	13.68%

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Storm and Surface Water - Program Revenues

Revenues	2020 Actual	2021 Actual	2022 Original Budget	2022 Actual YTD	2023 Budget	Variance	
Charges for Service	5,840,892	6,346,298	6,465,472	4,108,374	7,168,879	703,407	10.88%
Intergovernmental Revenues	91,654	65,414	0	16,072	11,000	11,000	
Miscellaneous Revenue	745	3,011	12,500	10,320	1,500	(11,000)	
Other Resources	-	694,095	49,595	43,934	49,595	-	
Proprietary/Trust Fund	152,800	63,250	0	0	0	0	
Total	\$ 6,086,091	\$ 7,172,068	\$ 6,527,567	\$ 4,178,700	\$ 7,230,974	\$ 703,407	10.78%

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Stormwater Proposed Enhancements

- **Inventory Control Specialist (0.125 FTE)**
Necessary for management of work orders, inventory, sediment and street waste
- **Intern**
Necessary to assist with pollution source control inspections
- **Stormwater Engineer (1.0 FTE)**
Necessary for increased development review workload
20% utility-funded, 80% review fee funded

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Storm and Surface Water – Staff Recommendation

- 9.88% rate increase proposed for 2023
- Increase GFC to \$1,619/ERU and \$11.08/trip (13.6%)
- Anticipate CIP funding increases in future years
- \$83K fixed increase in street waste disposal
- Three enhancements

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LOTT Clean Water Alliance

- 3.0% rate increase proposed for 2023
- Increase CDC to \$6,841 (3.5%)
 - Accounts for low-income housing pilot program

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Residential Rates - Preliminary

	2020	2020 % Increase	2021	2021 % Increase	2022	2022 % Increase	Proposed 2023	2023 % Increase
Drinking Water	\$ 60.32	6.30%	\$ 60.32	0.00%	\$ 61.54	2.01%	\$ 65.60	6.60%
Wastewater - Min.	\$ 26.64	0.21%	\$ 26.64	0.00%	\$ 28.77	8.00%	\$ 31.59	9.82%
Wastewater - Max.	\$ 43.03	0.21%	\$ 43.03	0.00%	\$ 46.47	8.00%	\$ 51.04	9.82%
Waste ReSources	\$ 53.52	3.33%	\$ 53.52	0.00%	\$ 54.06	1.00%	\$ 56.22	4.00%
Storm and Surface Water	\$ 29.09	3.54%	\$ 31.28	7.50%	\$ 31.16	-0.38%	\$ 34.24	9.88%
LOTT	\$ 82.00	3.00%	\$ 84.46	3.00%	\$ 86.99	3.00%	\$ 89.60	3.00%
TOTAL (Min.):	\$ 251.58	3.60%	\$ 256.22	1.85%	\$ 261.98	2.25%	\$ 276.70	5.62%
TOTAL (Max.):	\$ 267.97	3.39%	\$ 272.62	1.73%	\$ 279.69	2.59%	\$ 296.14	5.88%
Total Increase (Min.)	\$ 15.13	6.4%	\$ 4.65	1.85%	\$ 5.76	2.25%	\$ 14.77	5.62%
Total Increase (Max.)	\$ 15.16	6.0%	\$ 4.65	1.73%	\$ 7.07	2.59%	\$ 16.53	5.89%

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General Facilities Charges

	2018	2019	2020	2021	2022	Proposed 2023	\$ Increase	% Increase
Drinking Water	\$4,180	\$4,433	\$4,433	\$4,433	\$4,433	\$4,683	\$250	5.6%
Wastewater	\$3,442	\$3,442	\$3,680	\$3,680	\$3,754	\$4,003	\$249	6.6%
Storm and Surface Water	\$1,190 plus \$4.50 trip charge	\$1,190 plus \$4.50 trip charge	\$1,190 plus \$4.50 trip charge	\$1,190 plus \$4.50 trip charge	\$1,439 plus \$9.09 trip charge	\$1,619 plus \$11.08 trip charge	\$211	13.6%
LOTT CDC	\$5,579	\$6,049	\$6,231	\$6,418	\$6,610	\$6,841	\$231	3.5%
TOTAL:	\$14,436	\$15,159	\$15,579	\$15,766	\$16,316	\$17,257	\$930	5.7%

No low-income housing GFC discount proposed – rely on State HOME Rental Development program

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Recommendations Letter

- Accept draft letter
- Revise draft letter
- Defer and request additional information

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Questions?



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