



# 2018 Utility Budgets Background Information

Utility Advisory Committee  
June 1, 2017

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# UAC Responsibility

- Review proposed changes to:
  - Operating budgets, capital facilities, and general facility charges
  - Potential rates and charges
- Provide written recommendations to City Council and Olympia Planning Commission
- Identify concerns and emerging issues at your discretion

# City Budget Process

- July 12 City Council preliminary CFP review
- July 14 Operating budget submitted
- August 15 City Manager review of operating budget
- Aug – Sept Budget reconciliation
- Sept Council Finance Committee review
- October Oly Planning Commission CFP review
- October 24 Budgets and CFP presented to Council
- November Council Review
- December Council Adoption

# Timeline for UAC

- May 4
- June 1
- Sept 7
- Late Sept
- October

Review preliminary CFP

Review 2017 budget and  
introduce 2018 Budget

Detailed evaluation

Additional meeting?

Prepare  
recommendations/concerns

# Status of the Utilities

- Drinking Water...Capital program stabilizing
  - Recent big capital projects funded and being constructed
- Wastewater...Continued good shape
  - Mature program, proactive capital investments
- Storm and Surface Water...Challenging commitments
  - Evolving community environmental needs
  - Inadequate capital funding with limited financial ability
  - Relatively high rates already

# Waste ReSources

- ◉ Business continues to grow:
  - Commercial tonnages are up
  - Residential accounts are steady but growing
  - Drop box hauls are up over 12%
  - We are able to handle with current resources

# 2017 Budgets

| Utility                 | Annual Budget |
|-------------------------|---------------|
| Drinking Water          | \$13,312,000  |
| Wastewater              | \$6,955,000   |
| LOTT                    | \$13,043,000  |
| Storm and Surface Water | \$5,319,000   |
| Waste ReSources         | \$11,764,000  |

# 2017 Year-to-Date Revenues

Revenue compared to end of April, 2016

- Drinking Water 111%
- Wastewater 112%
- Storm and Surface Water 112%



# 2017 Year-to-Date Expenditures

## Percent of Budget Expended to Date

- Drinking Water 21%
- Wastewater 30%
- Storm and Surface Water 24%

# Waste ReSources

## 2017 First Quarter Revenues vs. Expenditures

| <b>Fund 403</b>    | <b>Revenues<br/>Expenditures</b> | <b>Met<br/>Actual</b> | <b>25.71%<br/>19.82%</b> |
|--------------------|----------------------------------|-----------------------|--------------------------|
| 8604 – Drop Box    | Revenue<br>Expenditures          | Met<br>Actual         | 24.07%<br>20.77%         |
| 8605 – Residential | Revenue<br>Expenditures          | Met<br>Actual         | 30.71%<br>25.04%         |
| 8606 – Commercial  | Revenue<br>Expenditures          | Met<br>Actual         | 26.91%<br>20.50%         |
| 8607 – Organics    | Revenue<br>Expenditures          | Met<br>Actual         | 25.04%<br>15.41%         |

# Capital Projects- 2017 Cash Flow

|                                    | <b>Drinking Water</b> | <b>Wastewater</b> | <b>Storm and<br/>Surface Water</b> |
|------------------------------------|-----------------------|-------------------|------------------------------------|
| Mandatory reserve                  | \$ 1,646,000          | \$ 386,000        | \$ 467,000                         |
| 2016 end of year balance           | 4,915,000             | 5,952,000         | 1,653,000                          |
| 2016 general facility charges      | 1,299,000             | 2,092,000         | 272,000                            |
| Loans/contributions                | 9,811,000             | 0                 | 813,000                            |
| Operating budget transfer to CFP   | 997,000               | 741,000           | 687,000                            |
| Anticipated CFP expenditures       | 13,800,000            | 2,385,000         | 3,303,000                          |
| Projected 2017 end of year balance | \$ 3,222,000          | \$ 6,400,000      | \$ 122,000                         |

# History of Utility Rates

City of Olympia

**PROPOSED 2017 Bi-Monthly Utility Bill – REVISED 11/20/16**

**September, 2016**

(Sample Based on Single-Family Residence)

|                                       | 2014     | 2015     | 2016                | 2017                       | % Increase  |
|---------------------------------------|----------|----------|---------------------|----------------------------|-------------|
| Drinking Water *                      | \$42.42  | \$44.97  | \$48.25             | <b>\$51.00</b>             | <b>5.7%</b> |
| Wastewater**                          | \$38.57  | \$39.33  | \$25.56 - \$41.30   | <b>\$26.58 - \$42.95</b>   | <b>4%</b>   |
| Waste ReSources ***                   | \$41.43  | \$43.90  | \$46.31             | <b>\$46.31</b>             | <b>0%</b>   |
| Storm and Surface Water               | \$22.89  | \$23.89  | \$25.16             | <b>\$26.74</b>             | <b>6.3%</b> |
| LOTT ****                             | \$70.02  | \$72.12  | \$74.28             | <b>\$75.76</b>             | <b>2%</b>   |
| <b>TOTAL:</b>                         | \$215.33 | \$224.21 | \$219.56 - \$235.30 | <b>\$226.39 - \$242.76</b> |             |
| % Overall Increase from Previous Year | 4.8%     | 4.1%     | -1.9% - 5.1%        | <b>3.2%</b>                |             |
| \$ Total Increase                     | \$9.82   | \$8.88   | -\$4.32 - \$11.42   | <b>\$6.83 - \$7.46</b>     |             |

Assumptions:

\* Average single family residential monthly water use.

\*\* Incorporates potential rate reductions associated with volume-based wastewater rates.

\*\*\* Assumes 65 gallon container picked-up bi-weekly without yard waste/organics. Yard waste/organics collection is an additional charge of \$19.25/bimonthly in 2016. The rate would increase 6.5% in 2017 to \$20.49/bi-monthly.

\*\*\*\* City of Olympia collects this rate for the LOTT Clean Water Alliance. Visit LOTT's website for more information ([lottcleanwater.org](http://lottcleanwater.org))

# Typical Annual Cost Increases

|                       | Drinking Water | Wastewater | Storm & Surface Water | Waste ReSources |
|-----------------------|----------------|------------|-----------------------|-----------------|
| Salaries and benefits | \$157,000      | \$80,000   | \$134,000             | \$212,000       |
| Overhead              | \$103,000      | \$80,000   | \$80,000              | \$67,000        |
| Supplies              | -\$66,000      | -\$26,000  | -\$37,000             | -\$23,000       |
| Services              | \$12,000       | \$2,000    | \$10,000              | \$165,000       |
| Total                 | \$206,000      | \$136,000  | \$187,000             | \$421,000       |
| Rate Increase, %      | 2.0%           | 2.4%       | 4.3%                  | 4.2%            |

# New Costs in 2018

## Non-discretionary

- Drinking Water
  - Log Cabin Reservoir debt service: \$240,000/yr or 2.5% or \$0.52/month
- Waste ReSources
  - New recycle contracts for hauling and processing

## Discretionary

- Drinking Water
  - Increased capital funding: \$210,000 in 2017 or 2.2%
- Storm and Surface Water
  - Low impact development maintenance staffing...0.5 FTE?
  - Decreasing State/federal grant funds...affects both CFP and staff
  - Increasing capital needs....difficult to generate funds through rates
- Waste ReSources
  - Anticipating County tipping fee increases
  - High potential costs of new facility
  - Cost of service study could recommend new rate structure

# Potential 2018 Rate Proposals

- Drinking Water 5 - 8% ?
- Wastewater 0% ?
- Storm and Surface Water 6 - 8% ?
- Waste ReSources 2 – 7% ?

# General Facility Charges

City of Olympia

PROPOSED 2017 Projected General Facility Charges (GFC) and LOTT Capacity  
Development Charges (CDC)

**September, 2016**

(Sample Based on Single-Family Residence)

|                            | 2014                                     | 2015                                     | 2016                                  | 2017            | \$ Increase | % Increase |
|----------------------------|--|--|---------------------------------------|-----------------|-------------|------------|
| Drinking Water             | \$3,456                                  | \$3,687                                  | \$3,918                               | \$4,180         | \$262       | 6.7%       |
| Wastewater                 | \$3,342                                  | \$3,342                                  | \$3,442                               | Same as<br>2016 | 0           | 0%         |
| Storm and<br>Surface Water | \$1,094<br>plus \$1.80<br>trip<br>charge | \$1,190<br>plus \$1.80<br>trip<br>charge | \$1,190<br>plus \$4.50<br>trip charge | Same as<br>2016 | 0           | 0%         |
| LOTT CDC                   | \$4,924                                  | \$5,136                                  | \$5,354                               | \$5,579         | \$225       | 4.2%       |
| <b>TOTAL:</b>              | \$12,816                                 | \$13,355                                 | \$13,904                              | \$14,391        | \$487       | 3.5%       |



# Trends and Challenges

- ◉ Drinking Water budgets will continue to be somewhat volatile....based on water consumption and State/federal mandates
- ◉ Storm and Surface Water faces increasing demands and reduced State/federal funding
- ◉ Wastewater can stay ahead of problems
- ◉ Waste ReSources continues to grow with annexations coming in November. Potential new facility for Waste ReSources.

# Next Steps

- Detailed budgets and potential rates in September
  - No UAC meetings in July and August
- Recommendations in late September/early October