



March 30, 2017

Olympia City Council
PO Box 1967
Olympia, WA 98507

Dear Mayor Selby and Councilmembers:

SUBJECT: Funding Downtown Toilets with Wastewater Utility Funds

At our most recent meeting on March 2, 2017, the Utility Advisory Committee (UAC) discussed the City Council's proposal to pay for downtown Portland Loos with Wastewater Utility funds. Councilmember Cooper was present for the discussion as well. The UAC members had a range of responses to this idea.

Council has already authorized spending \$70,000 this year from the utility's funds on a pilot program to put two portable toilets downtown. In addition, Council is considering the possibility of spending another \$26,000 this year as part of the funding for a permanent Portland Loo. No one on the committee objected to the one-time expenditure of these comparatively small amounts of the utility's money on downtown toilets. (In any case, the question of the \$70,000 was already moot.)

However, the proposal to construct an additional three or four Loos at roughly \$350,000 each from the utility's funds over the medium term raised a variety of questions and a number of concerns for committee members.

Some committee members expressed concerns about whether four or five Portland Loos will in fact do much to eliminate the main political problem that they're supposed to - urination and defecation on the streets downtown at night, apparently by homeless people sleeping on the streets and by drunks after the bars close. It isn't clear to us that people who are inclined relieve themselves on the street in the first place will in fact bother to walk several blocks in the middle of the night to do that.

There is, of course, a more general rationale for public toilets - as a provision for people spending a lot of time hanging out downtown. Since the two portable toilets are seeing some significant use, it seems clear that some people would use the Portland Loos as well, but it is not clear that means that the people who relieve themselves on the streets at night are using them. As far as we know, the City has not seen any significant reduction in what needs to be cleaned up in the morning as a result of installing and maintaining the portable toilets. If Portland or other cities using the Loos have any data about this, it might help Council better evaluate what can reasonably be expected from this investment. We think it's unlikely that people who are downtown to shop or eat or go to the theater will use the Loos very often; they'll use bathrooms that are available to them as customers, or they won't need them in the length of time that they're downtown.

Most of the committee was concerned about the size of the long-term transfer of funds being considered and about its effects on utility rates. The construction of three or four additional Loos at around \$350,000 each adds up to something between \$1,050,000 and \$1,400,000. Of course, this would be spread over a number of years, and Councilmember Cooper suggested that the construction costs for the additional Loos might be somewhat lower than the costs for the first one at the Artesian Commons, and that they might be spread out over a longer period through debt funding (though that would, of course, increase the total cost).

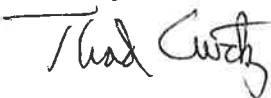
These uncertainties make it difficult to visualize the proposal's effects on rates, but if we assume that we installed and paid for an additional Loo every two years, the City would have an annual capital expense of around \$175,000 for six or eight years. Since generating \$100,000 in wastewater funds requires a 1.75% rate increase, this proposal would add an additional 3% to whatever other raises the City makes to the utility's rates during that six year period. In addition, the annual \$30,000 cost of maintaining and operating each Loo - something between \$120,000 and \$150,000 a year after they all are installed - might be funded by the Wastewater Utility. That would require an additional permanent rate hike of 2.1-2.6%, although there would a ramp up to the level as additional Loos are gradually installed. (By way of comparison, the Wastewater Utility raised overall rates 3.2% this year, and 5.1% last year.)

Since the committee and staff spend a lot of time and energy each year working to try to shave a percent or two off upcoming rate increases, and since we are already ending up postponing long-term capital construction projects year after year to help keep rate hikes manageable, we're reluctant to endorse a rate hike of that size. Depending on interest rates, and the term of the financing, there's probably a somewhat more palatable way to do this, but there are an infinite number of possible options, and without any actual financing proposal to consider, the committee really wasn't in position to make an informed judgement about whether we supported some plan like that.

Some UAC members also expressed concerns about the use of wastewater funds for this project in any case. Staff says that we're legally entitled to fund a project like this through rates. However, we think most people understand the rates they pay to this utility (as opposed to those for stormwater) as a charge which is supposed to be based on and cover the cost of supplying customers with a service. (The relevant RCW provides some basis for this understanding, too, since it says cities can create systems and "rates and charges for their use", then proceeds to a discussion of classes of "customers.") It seems to at least some members of the committee that the appropriate source for funding this project is the general fund. Alternatively, since it's basically intended to support downtown business owners and the value of downtown property, it might appropriately be funded through some mechanism like a local improvement district, PBIA funding, or even parking revenues.

Overall, then, UAC members were reluctant to simply support this idea. Committee members expressed a desire for more data to support the rationale for the project, including more data about the use of the current portable toilets and the actual effects of that \$70,000 pilot on the morning street cleanup problem; more information about the actual results of other cities' investments in Loos; more clarity about the proposal's potential financing and the effects of that plan on rates over time. They also expressed some concern about avoiding a single long-term commitment to the whole proposal, rather than building in some process for evaluating its results step by step as a way of avoiding unintended consequences and making further investments dependent of the actual results of each step.

Sincerely,



THAD CURTZ
Chair
Utility Advisory Committee