

# Long Term Utility Finances



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UTILITY ADVISORY COMMITTEE

APRIL 5, 2018

# Current Status

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## Operating budgets

- Stable for 2018

## Capital budgets

- Wastewater – stable indefinitely
- Drinking Water - Better, but still difficult
- Storm and surface water – Water quality retrofits and sea rise challenging
- Waste ReSources – No capital budget, no debt

# Measures of Utility Financial Health

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Evaluated by independent financial consultant

- Operating and capital reserves (5% -25%)
- Cash flow test
- Bond coverage test
- O&M coverage ratio
- Net operating expense as a percent of operating revenue
- Current ratio
- Debt-to-net position ratio
- Debt-to-noncurrent capital asset ratio
- **Capital depreciation funding** (Cash funding for capital projects)

# Debt Funding – Bonds and Loans

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## Drinking Water

- McAllister wellfield
- General system improvements
- Log Cabin reservoir
- pH control
- Fones Road booster pump station
- Seismic retrofits

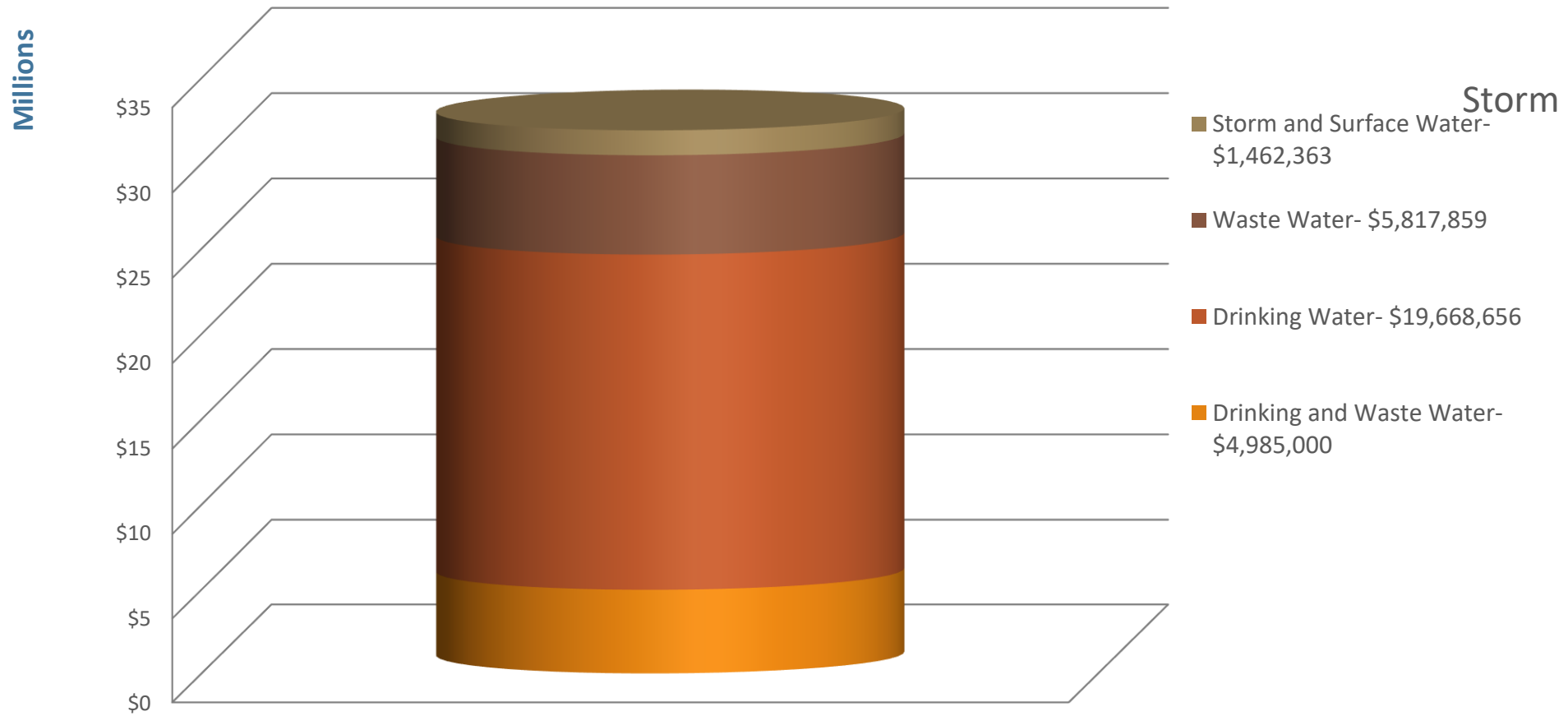
## Wastewater

- Transmission line extensions associated with arterial street retrofits

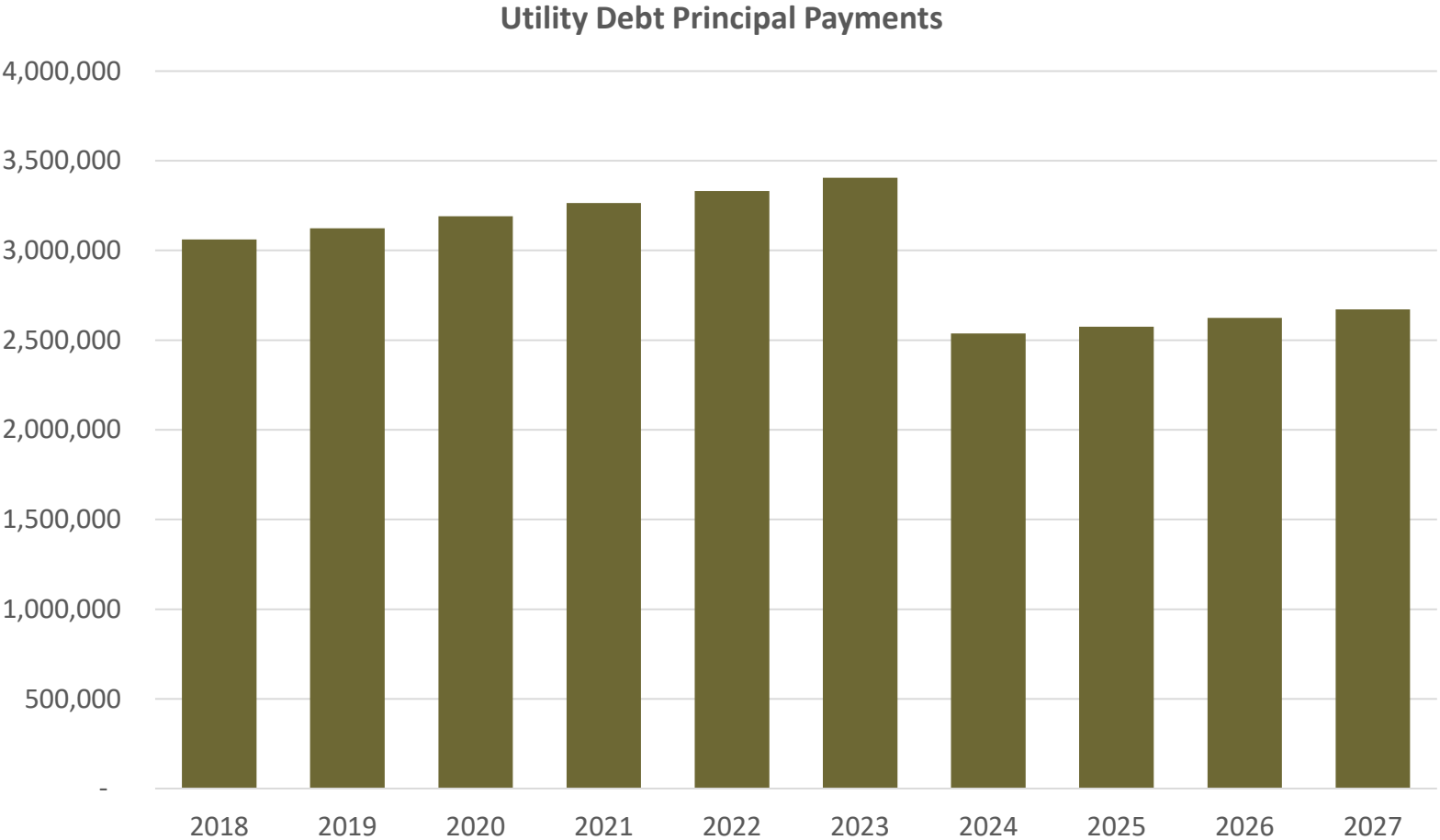
## Storm and Surface Water

- Yauger Park upgrade
- State Avenue water quality retrofit

# Utility Debt



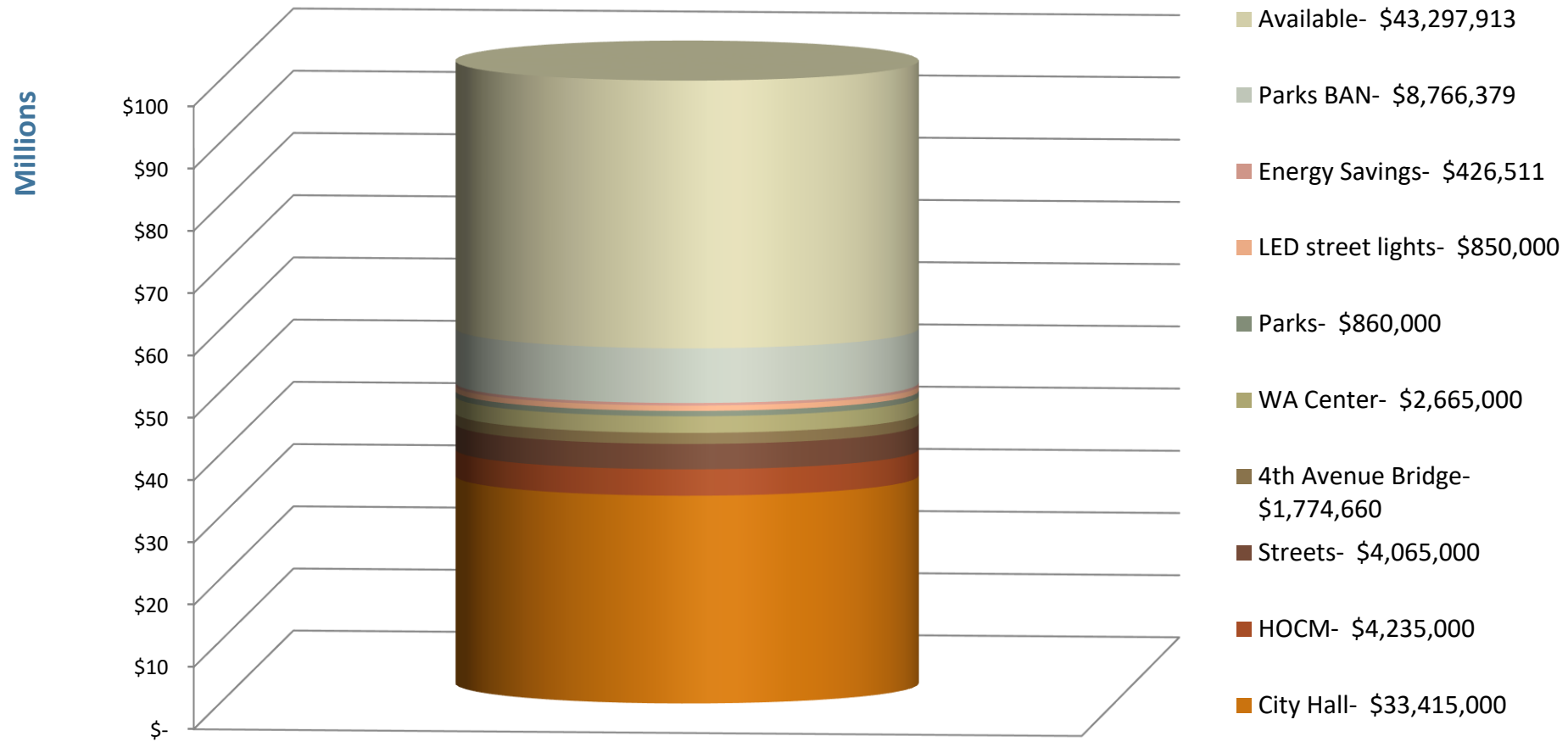
# Utility Debt Principal Payments



## Revenue Bonds:

Rate Impact (percentage of rate increase)	Per \$5 million issued	Per \$10 million issued
Drinking Water	3.24%	6.48%
Wastewater (collection)	6.25%	12.49%

# City Debt



# Long-term Financial Challenges

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## Drinking Water

- Ongoing replacement of pipe infrastructure – pressurized system
- Service meter replacements – 5,000 meters for now; 20,000 total
  - Old meters leak and tend to lose 0.3% – 0.5% accuracy/year
  - Additional staff
- Additional facility maintenance staff
- Maintenance Center reconstruction

## Wastewater

- Onsite septic conversions – potential Clean Water Act (TMDL) mandate
- Maintenance Center reconstruction



# Long-term Financial Challenges

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## Waste ReSources

- Increasingly volatile recycle and organics markets
- County landfill tipping fees will increase substantially one of these years
- New Carpenter Road facility
  - Debt service – 4% - 5% rate increases for 5 years?
- Otherwise, new staff and equipment needs typically offset by new revenue

# Long-term Financial Challenges

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## Storm and Surface Water

- Broad and expensive environmental initiatives- mandates
  - Clean Water Act – NPDES and TMDL
  - Budd Inlet
  - Sea level rise
  - Capitol Lake
  - West Bay shoreline enhancement
- Increasing staff
  - Low impact development and vegetation management
  - Water quality-oriented street sweeping
  - New Clean Water Act requirements
- Maintenance Center reconstruction

# Bottom Line

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Utilities are in good shape with modest legacy expenses

But infrastructure expenses and new environmental initiatives keep coming

- In particular, our drinking water pipes are aging
- Stormwater may not be able to carry broad environmental costs in the future

Debt financing is an option for the utilities in order to keep utility rates manageable

- Our debt load drops in 2024

Olympia can expect to see continued growth especially in the urban core

- Utility infrastructure costs are less than outlying areas

