Olympia

City of Olympia | Capital of Washington State
P.O. Box 1967, Olympia, WA 98507-1967
olympiawa.gov

November 1, 2018

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

Dear Mayor Selby and Council Members:

SUBJECT: UAC 2019 Utility Rates, GFCs, and 2019-2024 CFP Recommendations

Thank you for the opportunity to provide citizen committee recommendations on 2019 City of Olympia utility rates, general facility charges (GFCs) and the 2019-2024 Capital Facilities Plan (CFP). The members of the Utility Advisory Committee (UAC) understand that this work is a fundamental responsibility of our committee. The UAC understands and supports the important public and environmental health work of the City's four utilities. The UAC believes that City staff work hard to use resources wisely thereby minimizing customer costs. However, we also understand that rate increases must occur to maintain a level of service demanded by the community. When considering rate increase, the UAC seriously considers the impact these increases may have on community members.

The UAC considered City policy, regulatory requirements, changes in revenue and changes in costs beyond the utilities' control. The UAC also considered changes to both usage rates for the utilities and General Facility Charges (GFCs). GFCs are a reflection of the financial value of the existing utility infrastructure and the benefits of the infrastructure to new development. The charges are imposed at the time of initial development. GFC revenues are dedicated to capital budgets.

Summary of Proposed Rates and GFCs
For budgetary purposes, the three water-related utilities assume revenue growth for 2019 of 1.5 percent. Waste ReSources assumes a one-percent revenue growth. These revenue growth assumptions are consistent with growth rates experienced in recent years. Ongoing growth-related revenue increases help offset rate changes. The proposed rates are expected to cover 2019 expenditures, including a City staff cost-of-living allowance. The rates also included funding for a 0.5 percent increase in the municipal utility tax, as suggested by City staff. The tax increase will cost ratepayers approximately $260,000 annually.

The UAC recommends the following utility rate increases in 2019:

- Storm and Surface Water 5.1%
- Wastewater 0%
- Drinking Water 0%
- Waste ReSources 5.5%

We understand that City staff also support these specific increases. As approved by the LOTT Board of Directors, LOTT rates and capacity development charges (CDCs) will increase 3 and 4 percent, respectively.

Including the LOTT rate increase, the combined, weighted rate increase would be approximately 2.6 percent for a typical single-family residence ($6.40/bi-monthly bill).

MAYOR: CHERYL SELBY **MAYOR PRO TEM:** NATHANIEL JONES **CITY MANAGER:** STEVEN R. HALL
COUNCILMEMBERS: JESSICA BATEMAN, JIM COOPER, CLARK GILMAN, LISA PARSHLEY, RENATA ROLLINS

Storm and Surface Water
Utility Rate: 5.1% increase

The Storm and Surface Water utility is responsible for flood mitigation, water quality improvement and aquatic habitat enhancement. The utility anticipates total expenses to increase by about $110,000 above estimated revenue. Additionally, the UAC supports increasing sea level rise funding by $125,000 annually. We understand that these funds will help begin implementation of the Sea Level Rise Response Plan.

GFC rate: 10% increase
The UAC supports an incremental increase the Storm and Surface Water GFC. Further increases are financially justified and could be considered in future years.

Wastewater
Utility Rate: No increase

The Wastewater utility is responsible for safe conveyance of sewage from homes and business to the LOTT (Lacey, Olympia, Tumwater, and Thurston) Clean Water Alliance treatment facility in downtown Olympia. Based on UAC and staff analysis, the utility can meet 2019 expenses without a rate increase.

GFC rate: No increase
The wastewater GFC was increased by three percent to $3,442 in 2016.

Drinking Water
Utility Rate: No increase

The Drinking Water utility provides and protects healthy drinking water for the community as part of a long-term vision that sustains present and future water supplies for our community while protecting the environment.

The Drinking Water rates have increased appreciably in recent years due to formidable infrastructure needs. In 2019, we expect available funds to cover expenditures.

GFC rate: No increase
Substantial capital investments have been made during recent years. Drinking water GFCs have been increasing since 2015. An increase is not warranted in 2019.

Waste ReSources
Utility Rate: Varying rate increases

Waste ReSources provides waste reduction, recycling and disposal services for residential, commercial, drop-box and organics customers.

While revenues continue to be strong, especially in commercial accounts, the collapse of the recycle commodity market has impacted the utility. The UAC supports staff proposals to manage the resultant

financial challenge as a short-term dynamic. However, a rate increase for residential and drop box activities is necessary. The UAC recommends the following increased rates for 2019:

- Residential 5.5 %
- Commercial 0%
- Drop Box 5.5 %
- Organics 0%

Capital Facilities Plan 2019-2024

The UAC supports the proposed 2019 – 2024 Capital Facilities Plan (CFP). In general, the CFP (pertinent to the utilities) anticipates that current projects can be funded with the estimated revenues.

However, the UAC is well aware of the capital project challenges faced by the Storm and Surface Water utility in its role as a manager of many environmental legacy problems. While City staff have the necessary expertise, the modest utility finances are inadequate. Sea level rise response is but one example of the discrepancy between need and resourcing.

Thank you for the opportunity to provide our recommendations. These proposals will support the important public health mandates of the four City utilities. The proposed utility rates reflect our responsibility to maintain and improve our essential public infrastructure while remaining cognizant on the impact rate increases may have upon community members.

On behalf of the members of the UAC, please let me know if you have any questions. I can be reached via email at dhaffner@ci.olympia.wa.us

Sincerely,

Dever Haffner-Ratliffe
Chair, Utility Advisory Committee

ec: UAC Members
Debbie Sullivan, Administrative Services Director
Gary Franks, Waste ReSources Director
Andy Haub, Water Resources Director