

2020 UTILITY BUDGETS BACKGROUND INFORMATION

UTILITY ADVISORY COMMITTEE

JUNE 6, 2019



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 as needed

CITY BUDGET PROCESS

- July 15 Operating budget submitted
- July 17 City Council preliminary CFP review
- August 15 City Manager review utility budgets
- August Budget reconciliation
- September 18 Council Finance Committee review
- October Oly Planning Commission CFP review
- October 16 Finance Committee utility rates review
- October Budgets and CFP presented to Council
- November Council Review
- December Council Adoption

TIMELINE FOR UAC

- June 6 Review 2019 finances and introduce 2020 budget drivers
- Aug 22 *Possibly review CFP and Operating Budgets*
- Sept 5 Review CFP and Operating Budgets
- October Prepare recommendations/concerns

STATUS OF THE UTILITIES

Water Resources Utilities

- Drinking Water - Stabilizing programs, many capital projects
 - Recent big capital projects near completion
 - Variable revenues based on water consumption
 - Water System Plan to kickoff in 2019
- Wastewater - All-around good shape
 - Mature program, proactive capital investments
 - Strong revenues and modest needs
 - Wastewater Management Plan underway
- Storm and Surface Water - Implementing new management plan
 - Refining programs with goals of remaining revenue neutral
 - Increased capital funding is justified
 - Anticipate need to staff up for low impact development/vegetation management
 - Relatively high rates already – but much higher level of service



WATER UTILITY

2020 BUDGET DRIVERS

- Potential increases in cash funding for capital projects in the Storm and Surface Water, Wastewater (capacity projects) and Drinking Water Utilities (tank seismic upgrades).
- The addition of one data control specialist shared by drinking water and wastewater.
- Cost of living adjustments – typically 90% of Seattle Consumer Price Index for All Urban Consumers (CPI-U).
- Changes in the regional Construction Cost Index (CCI) affecting material costs and hired labor.
- Incrementally increase Drinking Water meter replacement program \$15,000 per year for three years to eliminate capital funding.
- Costs associated with subsidizing increased Lifeline rate enrollments.

STATUS OF THE UTILITIES

Waste ReSources

■ 2019 Revenue Comparison to 2018

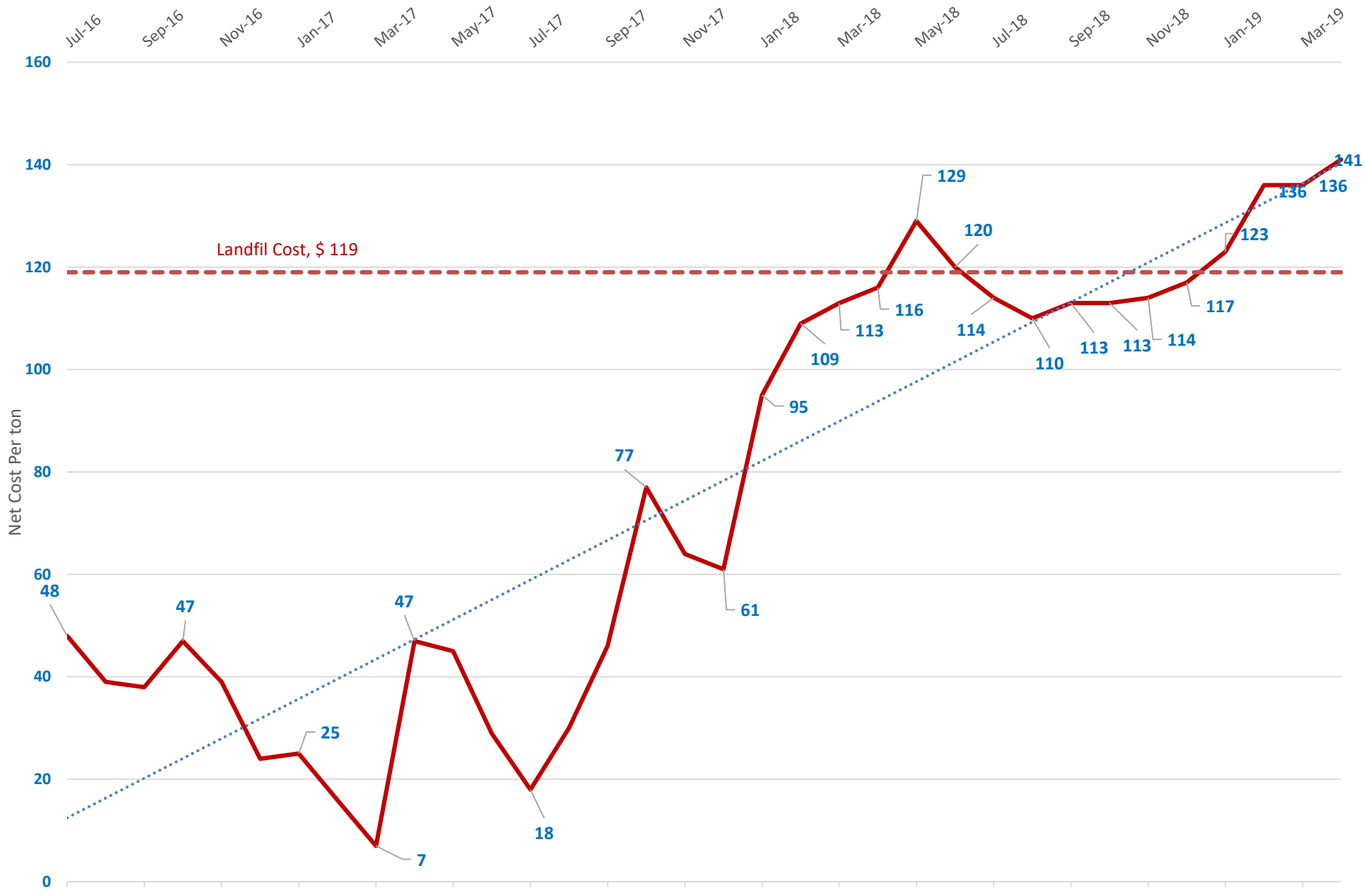
- Drop box revenue up 5.3%
- Commercial revenue up 2%
- Residential accounts only up .8%
- Organics is down 5% (\$26K)

■ 2019 Cost Factors

- Fleet/Fuel costs up \$85K
- Employee job reclassifications
- Challenging recycle markets – loss of revenue



Net Cost/Ton Recycling After Commodity Values Offset Transload/Hauling/Processing



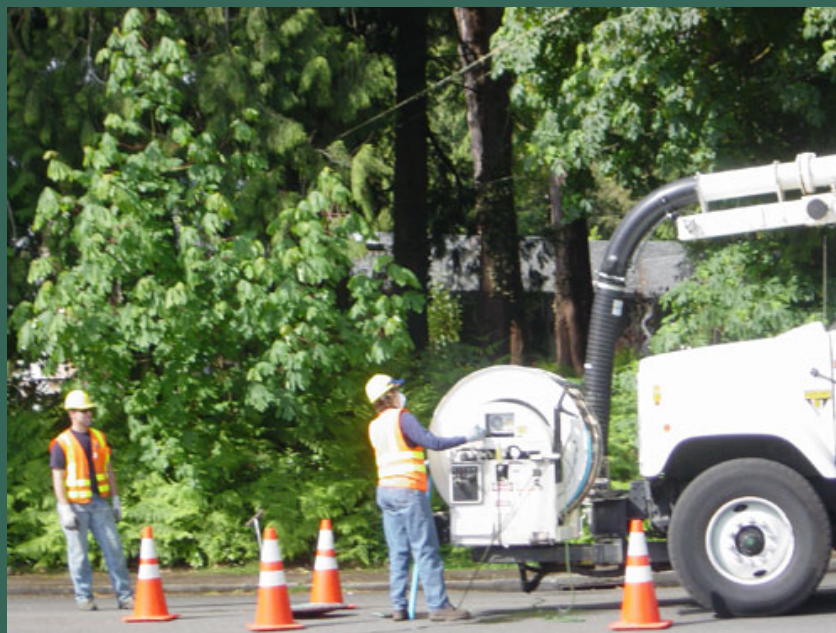
WASTE RESOURCES

2020 BUDGET DRIVERS

- Declining revenue in Residential Recycling
- Increased fleet/fuel rates + budget request of new rear load truck
- Personnel Reclassifications will need factored
- Lifeline rate enrollments will need factored
- Cost of service study may recommend rate increases so that service classes remain cost neutral
- Carpenter Road – RFP will get 30% design review will result in better understanding of long term rate implications
 - (May or may not have any recommendations on 2020 budget)



2019 FINANCES



2019 BUDGETS

Utility	Annual Budget
Drinking Water	\$14,751,872
Wastewater	\$7,195,051
LOTT	\$13,661,578
Storm and Surface Water	\$5,716,809
Waste ReSources	\$12,939,938

2019 OPERATING BUDGET RESOURCES

	Drinking Water Fund 401	Wastewater Fund 402	Storm & Surface Water Fund 404
Resources Available (as of 12/31/2018)	\$6,835,281	\$2,994,911	\$1,621,864
Reserve Requirement	(\$3,473,675)	(\$703,398)	(\$570,431)
Resources Available above Reserve Requirement	\$3,361,606	\$2,291,513	\$1,051,433
One-time Transfer to Capital Fund	(\$2,800,000)	(\$1,700,000)	(\$700,000)
Remaining Resources Available, Not Reserved	\$561,606	\$591,513	\$351,433

2019 YEAR-TO-DATE REVENUES

Revenue compared to end of May 2018

- Drinking Water 98.3%
- Wastewater 98.4%
- Storm and Surface Water 107.1%
- Waste ReSources 101.7%

WASTE RESOURCES REVENUES

2019 First Quarter Revenues vs. Expenditures

Service Class	Revenues and Expenditures	1 st Q Percentage Target 25%	5th Mo. Target 42%
Drop Box	Revenues	23.20%	40.19%
	Expenditures	18.23%	31.97%
Residential	Revenues	24.70%	41.02%
	Expenditures	26.50%	34.75%
Commercial	Revenues	26.24%	43.05%
	Expenditures	21.06%	35.41%
Organics	Revenues	26.47%	43.91%
	Expenditures	19.75%	33.38%

ANNUAL DEBT SERVICE

- Drinking Water \$3,176,428
 - Includes LBA reservoir and corrosion control
- Wastewater \$582,562
- Storm and Surface Water \$123,649
- Waste ReSources \$0

HISTORY OF UTILITY RATES

Average bi-monthly, single family utility bill

	2016	2017	2018	2019	Proposed 2020 % Increase
Drinking Water	\$44.97	\$48.25	\$51.00	\$51.00	0% - 4%
Wastewater	\$39.33	\$25.56 - \$41.30	\$26.58 - \$42.95	\$26.58 - \$42.95	0% - 4%
Waste ReSources	\$43.90	\$46.31	\$46.31	\$51.80	4% - 7%
Storm and Surface Water	\$23.89	\$25.16	\$26.74	\$28.10	0% - 4%
LOTT	\$72.12	\$74.28	\$75.76	\$79.60	3% (\$82.00)
TOTAL:	\$224.21	\$219.56 - \$235.30	\$226.39 - \$242.76	\$237.08 - \$253.45	\$241.54 - \$264.35
% Overall Increase from Previous Year	4.1%	-1.9% - 5.1%	3.2%	4.4%	0% - 4%
\$ Total Increase	\$8.88	-\$4.32 - \$11.42	\$6.83 - \$7.46	\$11.00 - \$11.45	\$4.46 - \$10.90

The LOTT Clean Water Alliance 2020 rate was established with the 2019-2020 biennial budget

LOCAL UTILITY RATES

	Olympia	Lacey	Tumwater
Drinking Water	\$51.00	\$50.13	\$47.32
Wastewater	\$26.58 - \$42.95	\$45.16	\$38.01
Storm and Surface Water	\$28.10	\$24.08	\$22.54
LOTT	\$79.60	\$79.60	\$79.60
TOTAL:	\$185.28 - \$201.65	\$198.97	\$187.47
Waste ReSources	\$51.08	NA	NA

Drinking Water rates are based on 560 cubic feet per month (Olympia average)
Lacey and Tumwater do not provide waste collection.

CAPITAL PROJECT FUNDING



CAPITAL DEPRECIATION FUNDING

- Rate funding for capital projects
 - Annual transfer from operating budget to capital budget
- Industry benchmark – 75% of annual capital depreciation
- Olympia utilities – 40% - 60%

2019 Budget	
Drinking Water	\$1,121,770
Wastewater	\$741,301
Storm and Surface Water	\$687,690
Waste ReSources	\$390,300

2018 GFC REVENUE

	2018	2018	2019	2019 vs. 2018
	Total	May YTD	May YTD	YTD
Drinking Water	\$856,185	\$435,149	\$219,089	50.4%
Wastewater	\$729,852	\$320,450	\$224,481	70.0%
Storm & Surface Water	\$198,164	\$87,316	\$104,481	119.7%

CAPITAL PROJECTS - 2019 CASH

	Drinking Water Fund 461	Wastewater Fund 462	Storm & Surface Water Fund 434
Resources Available (12/31/2018)	\$5,147,831	\$7,919,444	\$1,679,351
Annual Utility O&M Transfer	\$1,147,924	\$741,301	\$687,690
Proposed Additional O&M Transfer	\$2,800,000	\$1,700,000	\$700,000
GFC Revenues (year to date)	\$219,089	\$224,481	\$104,481
Budgeted 2019 Expenses (Does not include 2018 Carryover)	(\$3,500,000)	(\$2,294,000)	(\$2,514,000)

2020 CAPITAL PROJECTS - WATER

Description	Project Years	2020	2021	2022	2023	2024	2025
Asphalt Overlay Adjustments							
Asphalt Overlay Adjustments	2020-2025	14,000	14,000	14,000	14,000	14,000	14,000
Small Diameter Water Pipe Replacement		--	--	--	--	--	--
Small Diameter Water Pipe Replacement	2020-2025	667,000	667,000	667,000	667,000	667,000	667,000
Transmission and Distribution		--	--	--	--	--	--
Aging Pipe Replacement	2020-2025	667,000	667,000	667,000	667,000	667,000	667,000
Asset Management Program	2020-2025	68,000	68,000	68,000	68,000	68,000	68,000
Corrosion Control Aeration Tower Condition Assessment & Upgrade	2020-2025	35,000	35,000	35,000	35,000	35,000	35,000
Cross Country Mains	2020-2025	35,000	35,000	35,000	35,000	35,000	35,000
Distribution and Transmission Main Condition Assessment	2020-2025	219,000	219,000	219,000	219,000	219,000	219,000
Distribution System Oversizing	2020-2025	37,000	37,000	37,000	37,000	37,000	37,000
Security and Remote Systems Plan	2020-2025	64,000	64,000	64,000	64,000	64,000	64,000
Water Meter Replacement Program	2020-2025	312,000	312,000	312,000	312,000	312,000	312,000
Fones Road Water Main Construction	2020	2,819,000					
Eastside St and Henderson Blvd Water Main Extension Design	2022			347,000			
Eastside St and Henderson Blvd Water Main Extension Construction	2023				1,383,000		
PRV Telemetry	2021		74,000				
Park Drive Booster Pump Station Construction	2020	978,000					
Percival Creek Water Main	2020-2021	115,000	628,000				
Water Storage Systems		--	--	--	--	--	--
Elliot Reservoir Seismic Retrofit Construction	2020	4963,000					
Fir Street #1 and #2 Reservoirs Seismic Retrofit Construction	2020	4798,000					
Hoffman Court Reservoir Rehabilitation Construction	2021		TBD				
Boulevard Road Reservoir Rehabilitation Construction	2020	1,923,000					
Reservoir Cleaning, Inspection and Evaluation	2020-2025	50,000	50,000	50,000	50,000	50,000	50,000
Water Source Development & Protection		--	--	--	--	--	--
McAllister Wellfield Mitigation (Smith Property Restoration)	2020 - 2025	36,000	36,000	36,000	36,000	36,000	36,000
McAllister Wellfield Mitigation (Woodland Creek Infiltration Facility)	2020 - 2025	13,000	13,000	13,000	13,000	13,000	13,000
Hoffman Well Treatment Design	2022			720,000			
Hoffman Well Treatment Construction	2023				2,880,000		
Briggs Well Design	2023				720,000		
Briggs Well Construction	2024					2,980,000	
Olympia Brewery Wellfield Activities	2020	400,000					
Groundwater Protection		--	--	--	--	--	--
Groundwater Protection (Eastments, Appraisels, etc.)	2020 - 2024						
Reclaimed Water		--	--	--	--	--	--
Reclaimed Water Filling Stations	2020	134,000					
Infrastructure Pre-Design and Planning		--	--	--	--	--	--
Pre-Design and Planning	2020 - 2025	250,000	250,000	250,000	250,000	250,000	250,000
Water System Planning		--	--	--	--	--	--
Update of six-year Water System Plan	2020	400,000					
TOTAL		\$ 10,997,000	\$ 3,169,000	\$ 3,534,000	\$ 7,450,000	\$ 5,347,000	\$ 2,467,000

2020 CAPITAL PROJECTS - WASTEWATER

Description	Project Years	% GFC Funded	2020	2021	2022	2023	2024	2025
Asphalt Overlay Adjustments		--						
Asphalt Overlay Adjustments	2022 & 2025				14,000			14,000
Replacements and Repairs		--						
Prioritized Repairs	2020 - 2025		593,000	593,000	593,000	593,000	593,000	593,000
Spot Repairs	2020 - 2025		134,000	134,000	134,000	134,000	134,000	134,000
Manhole Repair and Replacement	2021 & 2024			134,000			134,000	
Side Sewer Repairs	2020 - 2025		30,000	30,000	30,000	30,000	30,000	30,000
STEP Rehabilitation	2020 - 2025		233,000	233,000	233,000	233,000	233,000	233,000
Asphalt for Sewer Repairs	2020 - 2025		29,000	29,000	29,000	29,000	29,000	29,000
Lift Stations		--						
Old Port 1 Lift Station Construction	2020		1,607,000					
Miller and Central Lift Station Upgrade Construction	2020	50%	940,000					
Miller and Ann Lift Station Upgrade Design	2020	50%	110,000					
Miller and Ann Lift Station Upgrade Construction	2021	50%		455,000				
Rossmor Lift Station Upgrade Design	2021	50%		228,000				
Rossmor Lift Station Upgrade Construction	2022	50%			948,000			
Old Port II Lift Station Upgrade Design	2023	75%				354,000		
Old Port II Lift Station Upgrade Construction	2024	75%					1,475,000	
Roosevelt & Yew Lift Station Upgrade Design	2025	75%						292,000
Pipe Extensions								
Gravity Sewer Extensions	2020 & 2025	100%	575,000					575,000
AC Force Main Upgrades, Phase 1	2024	0%					1,035,000	
Sewer System Planning		--						
Sewer System Televising and Condition Rating Program	2020 - 2025		29,000	29,000	29,000	29,000	29,000	29,000
Sewer Force Main Condition Assessment Program	2020 - 2025		38,000	38,000	38,000	38,000	38,000	38,000
Asset Management Implementation & Maintenance	2020 - 2025		29,000	29,000	29,000	29,000	29,000	29,000
Onsite Sewage System Conversions		--						
Neighborhood Sewer Extensions	2020 - 2025	100%	426,000	426,000	426,000	426,000	426,000	426,000
Infrastructure Pre-Design and Planning		--						
Pre-Design and Planning	2020 - 2025		250,000	250,000	250,000	250,000	250,000	250,000
TOTAL			\$ 5,023,000	\$ 2,608,000	\$ 2,753,000	\$ 2,145,000	\$ 4,435,000	\$ 2,672,000

2020 CAPITAL PROJECTS – STORM & SURFACE WATER

Description	Project Years	% GFC Funded	2020	2021	2022	2023	2024	2025
Asphalt Overlay Adjustments								
Asphalt Overlay Adjustments	2020-2025		\$ 201,718	\$ 201,718	\$ 201,718	\$ 201,718	\$ 201,718	\$ 201,718
Aquatic Habitat Improvements								
Habitat Improvement/Stewardship	2020-2025		\$ 273,000	\$ 273,000	\$ 273,000	\$ 273,000	\$ 273,000	\$ 273,000
Ellis Creek Fish Passage *#	2023-2025		\$ -	\$ -	\$ -	\$ 405,600	\$ 811,200	\$ 811,200
Mission Creek Fish Passage - Feasibility Study and Concept Design	2023		\$ -	\$ -	\$ -	\$ 108,160	\$ -	\$ -
Schneider Creek Fish Passage - Design	2020		\$ 64,896	\$ 248,768	\$ -	\$ -	\$ -	\$ -
Indian Creek Fish Passage - 1400 Block of Frederick Street	2024-2025		\$ -	\$ -	\$ -	\$ -	\$ 37,856	\$ 151,424
# = Funded 50% by Grants								
Yearly Program Funding Total			\$ 337,896	\$ 521,768	\$ 273,000	\$ 273,000	\$ 786,760	\$ 1,122,056
Water Quality Improvements								
Neighborhood LID Design Grant	2020		\$ 37,856	\$ 124,384	\$ -	\$ -	\$ -	\$ -
Harrison Water Quality Retrofit	2020		\$ 143,853	\$ 434,803	\$ -	\$ -	\$ -	\$ -
Brawne Avenue Retrofit (West Bay #5)	2020-2021		\$ -	\$ 216,320	\$ 648,960	\$ -	\$ -	\$ -
Capitol Way Water Quality Retrofit	2020-2022		\$ -	\$ 86,528	\$ 519,168	\$ -	\$ -	\$ -
Martin Way at Mary Elder Water Quality Retrofit	2021		\$ -	\$ 594,880	\$ -	\$ -	\$ -	\$ -
Plum Street Water Quality Retrofit	2022		\$ -	\$ -	\$ 865,280	\$ -	\$ -	\$ -
Evergreen Park Drive Treatment Facility Construction	2023		\$ -	\$ -	\$ -	\$ 595,421	\$ -	\$ -
East Bay Drive	2024		\$ -	\$ -	\$ -	\$ -	\$ 648,960	\$ -
South Capitol Combined Sewer/Storm Separation w/ LID	2024-2025		\$ -	\$ -	\$ -	\$ -	\$ 216,320	\$ 216,320
Downtown Outfall Consolidation	2025		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 324,480
West Bay Drive Retrofit (West Bay #17)	2024-2025		\$ -	\$ -	\$ -	\$ -	\$ 49,754	\$ 200,096
All Water Quality Improvement Projects funded 75% by Grants								
Yearly Program Funding Total			\$ 181,709	\$ 862,035	\$ 1,330,368	\$ 1,384,448	\$ 595,421	\$ 915,034
Flood Mitigation and Collection								
Conveyance Spot Repairs (Pipe Replacement)	2020-2025		\$ 85,446	\$ 85,446	\$ 85,446	\$ 85,446	\$ 85,446	\$ 85,446
Condition Rating Existing Conveyance	2020-2025		\$ 153,804	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Public Pond Rehabilitation ("City Owned Stormwater Pond Rehab")	2020-2025		\$ 54,080	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Downtown Flood Mitigation	2020-2022		\$ 132,496	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
Sea Level Rise Adaptation	2020-2024		\$ -	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Ascension and 4th Avenue Facility	2020-2021	25%	\$ 32,448	\$ 64,896	\$ 202,259	\$ -	\$ -	\$ -
Cooper Point and Black Lake Conveyance	2020-2024	50%	\$ 54,080	\$ 32,448	\$ 183,872	\$ -	\$ 4,596,800	\$ -
Ken Lake Flood Conveyance	2021-2022	50%	\$ -	\$ -	\$ 199,014	\$ 529,984	\$ -	\$ -
Wiggins Road Ditch Reconstruction	2020-2023	50%	\$ -	\$ 65,978	\$ 270,400	\$ 270,400	\$ 270,400	\$ -
Pacific Avenue at Chambers - Pipe Replacement	2024-2025	25%	\$ -	\$ -	\$ -	\$ -	\$ 129,792	\$ 335,296
Yearly Program Funding Total			\$ 512,354	\$ 723,768	\$ 1,415,992	\$ 1,360,830	\$ 830,846	\$ 5,287,038
Infrastructure Predesign and Planning								
Infrastructure Predesign and Planning	2020-2025		\$ 54,080	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
Pervious Pavement Contingency Fund	2020-2025		\$ 27,040	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000
Storm and Surface Water Utility Master Plan Update	2023		\$ -	\$ -	\$ -	\$ 162,240	\$ -	\$ -
Drainage Design and Erosion Control Manual Updates	2021		\$ -	\$ 64,896	\$ -	\$ -	\$ -	\$ -
Asset Management Program	2020-2025		\$ 75,712	\$ 75,712	\$ 75,712	\$ 75,712	\$ 75,712	\$ 75,712
Yearly Program Funding Total			\$ 156,832	\$ 157,712	\$ 222,608	\$ 157,712	\$ 157,712	\$ 157,712
Total Funding			\$ 1,390,509	\$ 2,467,002	\$ 3,443,686	\$ 3,377,709	\$ 2,734,698	\$ 7,683,558
								\$ 3,231,693

GENERAL FACILITY CHARGES



GFC HISTORY

	2016	2017	2018	2019	Proposed 2020	\$ Increase	% Increase
Drinking Water	\$3,687	\$3,918	\$4,180	\$4,433	\$4,433	\$0	0%
Wastewater	\$3,342	\$3,442	\$3,442	\$3,442	\$3,680	\$238	6.9%
Storm and Surface Water	\$1,190 plus \$1.80 trip charge	\$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	\$0	0%
LOTT CDC	\$5,136	\$5,354	\$5,579	\$6,049	\$6,231	\$181	3.0%
TOTAL:	\$13,355	\$13,904	\$14,391	\$15,230	\$15,650	\$420	2.8%

JUSTIFIABLE GFCS

	Current	Potential
Drinking Water	\$4,433	\$4,433
Wastewater	\$3,442	\$4,631*
Storm and Surface Water	\$1,190 plus \$4.50/vehicle trip	\$2,383 plus \$19.04/vehicle trip

*Based on draft rate analysis



POTENTIAL 2020 RATES AND GFCS



POTENTIAL 2019 RATE PROPOSALS

- Drinking Water 0 - 4%
- Wastewater 0 - 4%
- Storm and Surface Water 0 - 4%
- Waste ReSources 4 –7%
- LOTT 3%

POTENTIAL STAFF RATE AND GFC RECOMMENDATIONS

Non-discretionary

- All Utilities
 - Salaries, benefits, energy, interdepartment transfers
 - Expand lifeline assistance program - 0.1% rate increase
- Waste ReSources
 - Recycle charges and landfill tipping fees
- All Utilities – Expand lifeline assistance program - 0.35 % rate increase?

Discretionary

- Increase capital funding – \$100,000 annually – <1.0% DW, 1.4% WW, 1.8% SSW
- Data control specialist – shared Drinking Water/Wastewater - City Manager decision - TBD
- Increase Wastewater GFC 6.9% per rate study
- Waste ReSources - Ramp up funding for new facility

NEXT STEPS



NEXT STEPS TIMELINE

- Draft budgets entered by July 15th
- Draft budgets presented to City Manager August 15th
- Propose additional UAC meeting August 22nd
- Detailed budgets and potential rates - September 5th
- Recommendations to Council - Early October