

Olympia Utilities: 2020 Budgets and Proposed Rates



Utility Advisory Committee
September 5, 2019



Tonight's Agenda

- Budget schedule – updated
- UAC roll in budget process
- Operating Budgets
 - Water Resources
 - Waste ReSources
- Customer Implications
- Capital Budgets
- GFCs
- Next Steps



UAC Responsibility

- Review proposed changes to:
 - Operating budgets
 - Capital Facilities Plan (CFP)
 - General Facility Charges (GFCs)
 - Potential rates and charges
- Provide written recommendations to City Council and Olympia Planning Commission
- Identify concerns and emerging issues as needed



City Budget Timeline

- . July 31 Operating budget submitted
- . August 13 City Council preliminary CFP review
- . August 13 City Manager reviews utility budgets
- . August Budget reconciliation
- . Sept 9 Planning Commission CFP review
- ~~. Sept 18 Council Finance Committee review~~
- . October 16 Finance Committee utility rates review
(UAC representative to attend)
- . October 29 Budgets and CFP presented to Council
- . November 19 Council Review and public hearing
- . December 10 Council Adoption of budgets



Timeline for UAC

- May 4 Review preliminary CFP
- June 7 Review 2018 finances and introduce 2019 budget drivers
- August 22 Review preliminary budgets submitted to Budget Committee
- Sept 5 Further Budget Evaluations
- October 3 Final budget review and recommendation
- October 16 Finance Committee utility rates review

Water Resources

*Passionate caretakers of
tomorrow's water*



Wastewater



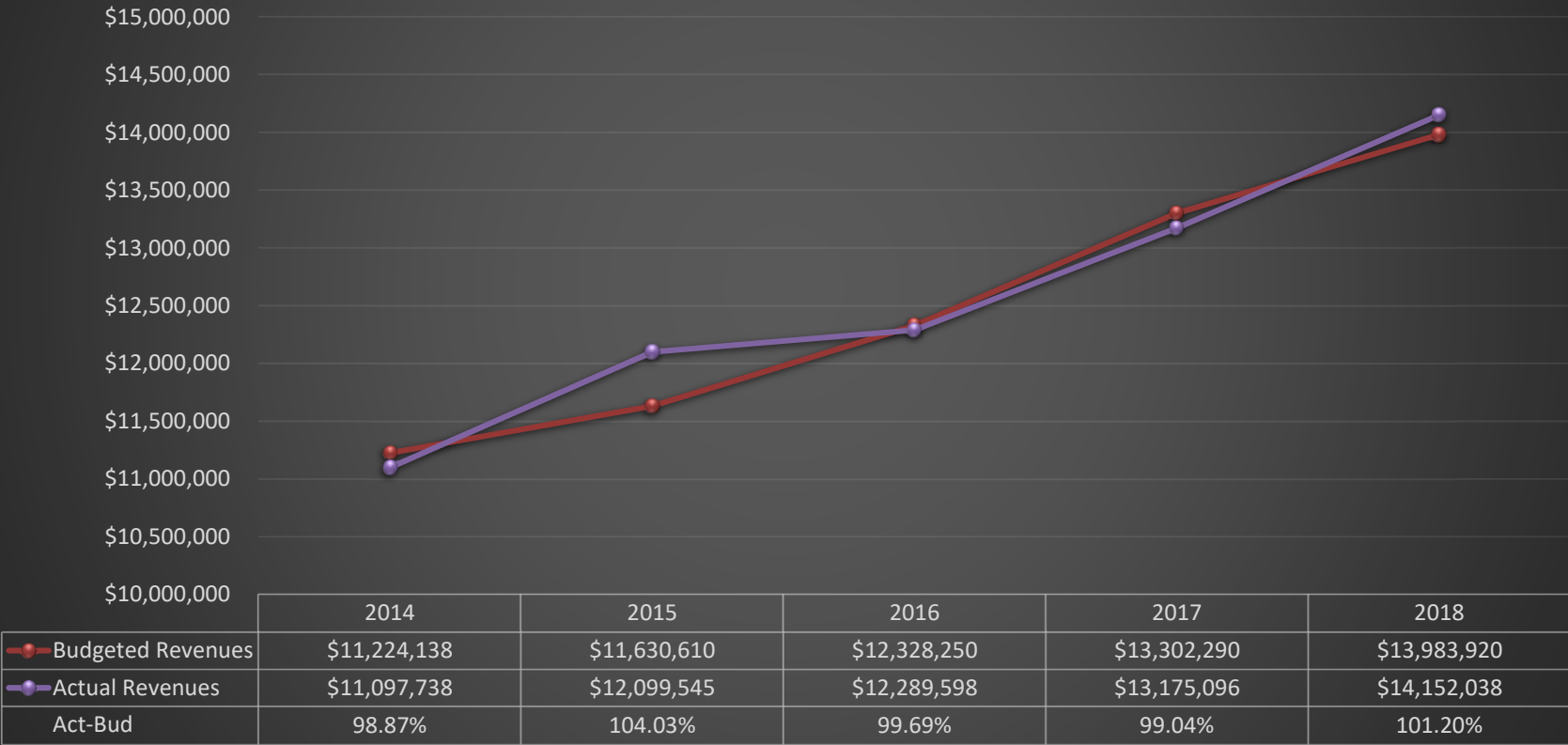
Drinking Water



Storm and Surface
Water



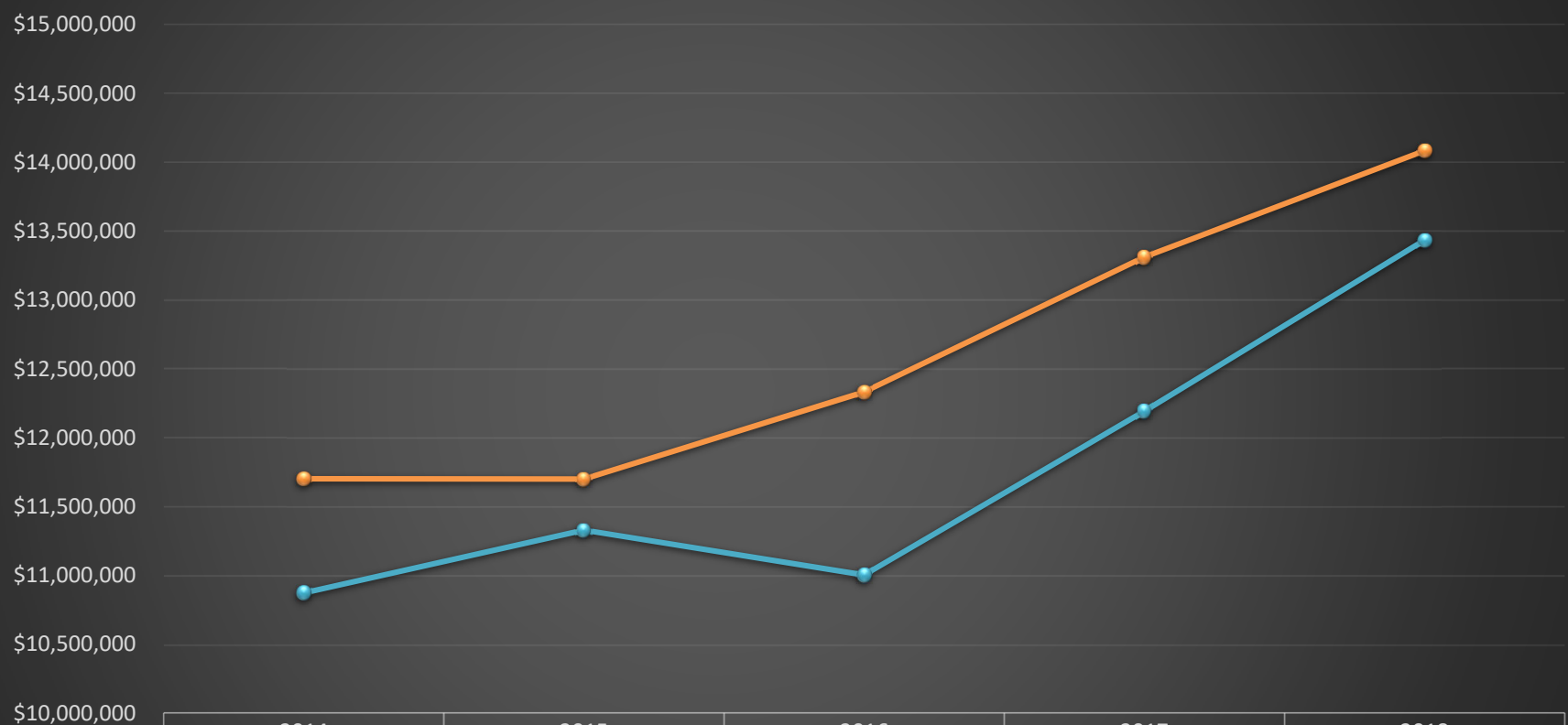
Budgeted vs. Actual





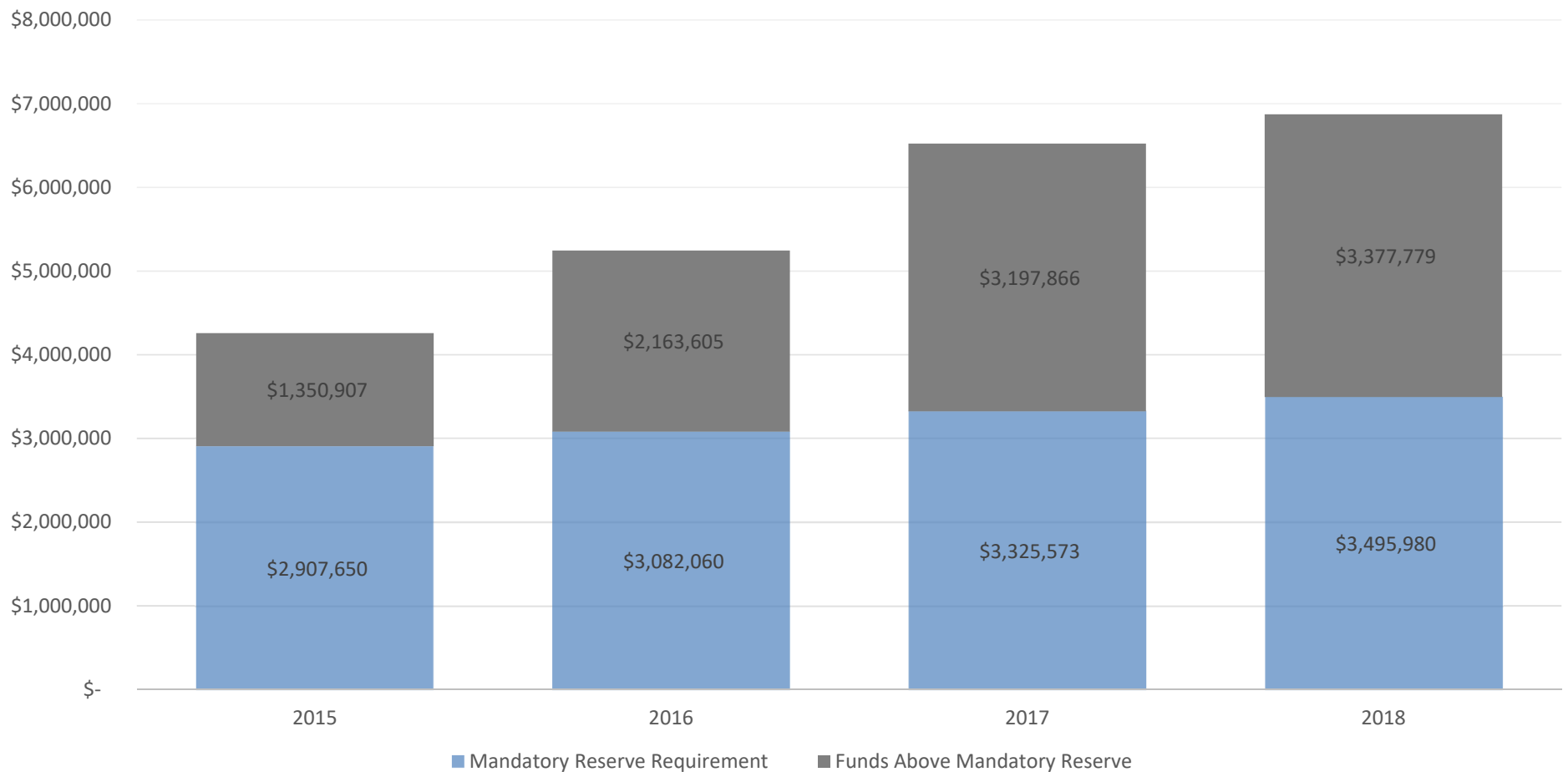
Drinking Water Expenditures

Budgeted vs. Actual



	2014	2015	2016	2017	2018
Budgeted Expenditures	\$11,703,750	\$11,700,924	\$12,333,085	\$13,312,934	\$14,084,680
Actual Expenditures	\$10,874,609	\$11,330,318	\$11,004,353	\$12,193,725	\$13,435,033
Act-Bud	92.92%	96.83%	89.23%	91.59%	95.39%

FUNDS ABOVE MANDATORY RESERVE





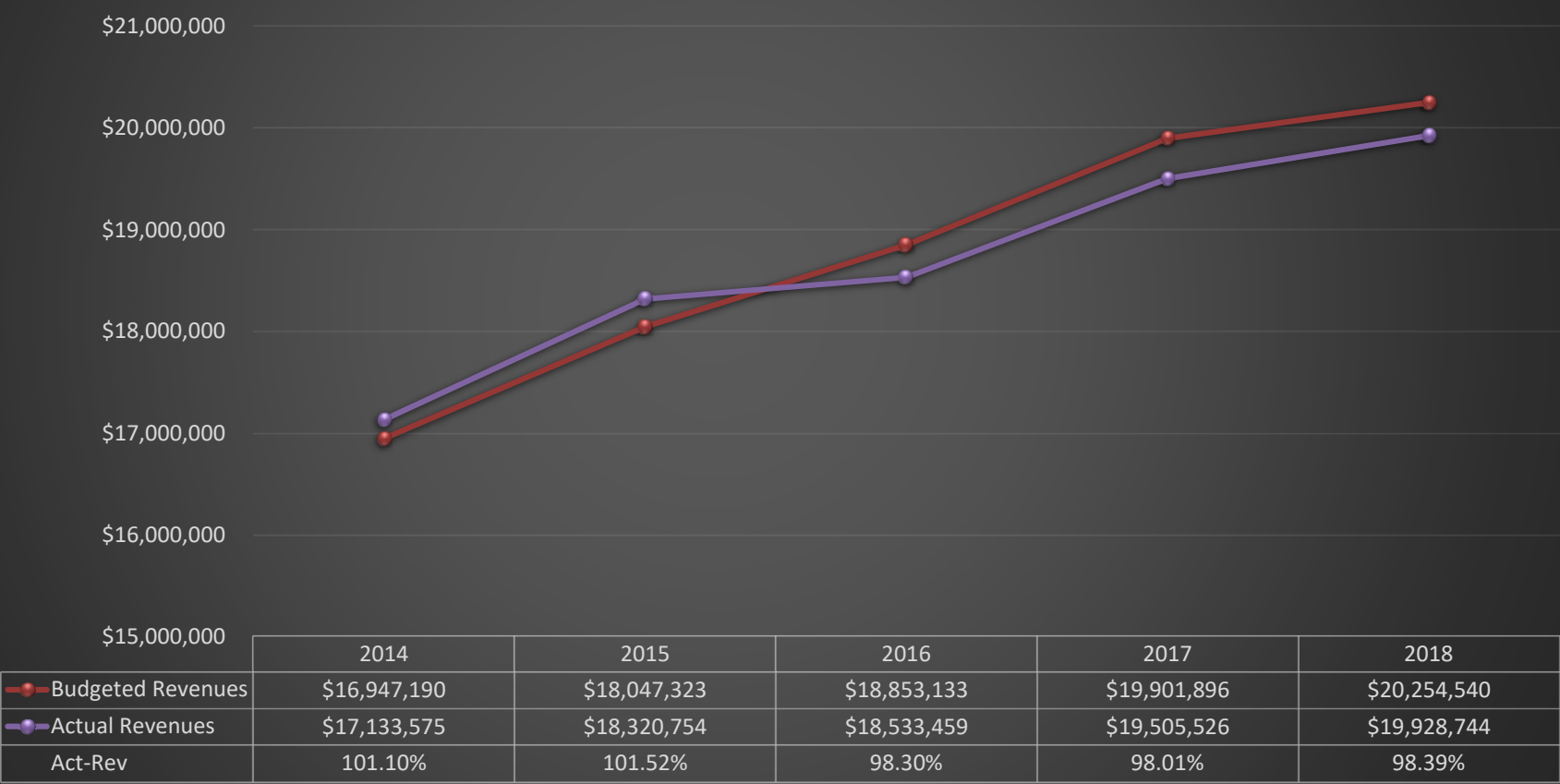
Drinking Water Overview

	2019 Budget	2020 Budget	Change (\$)	Change (%)
Adjusted Budget	\$ 14,751,872	\$ 14,833,873	\$ 82,001	0.56%
Enhancements			\$ 167,222	1.13%
Budget w/ enhancements		\$ 15,001,095	\$ 249,223	1.69%
2% COLA			\$ 43,418	0.29%
Budget w/ 2% COLA + enhance		\$ 15,044,513	\$ 292,641	1.98%
Utility & Excise Taxes			\$ 35,117	0.24%
Budget w/ COLA, enhance, taxes		\$ 15,079,630	\$ 327,758	2.22%
Base Revenue	\$ 14,186,171	\$ 15,079,630	\$ 893,459	6.30%
Account Growth (1%)			\$ 141,862	1.00%
Adjusted Revenue	\$ 14,328,033	\$ 15,079,630	\$ 751,597	5.25%



Wastewater Revenues

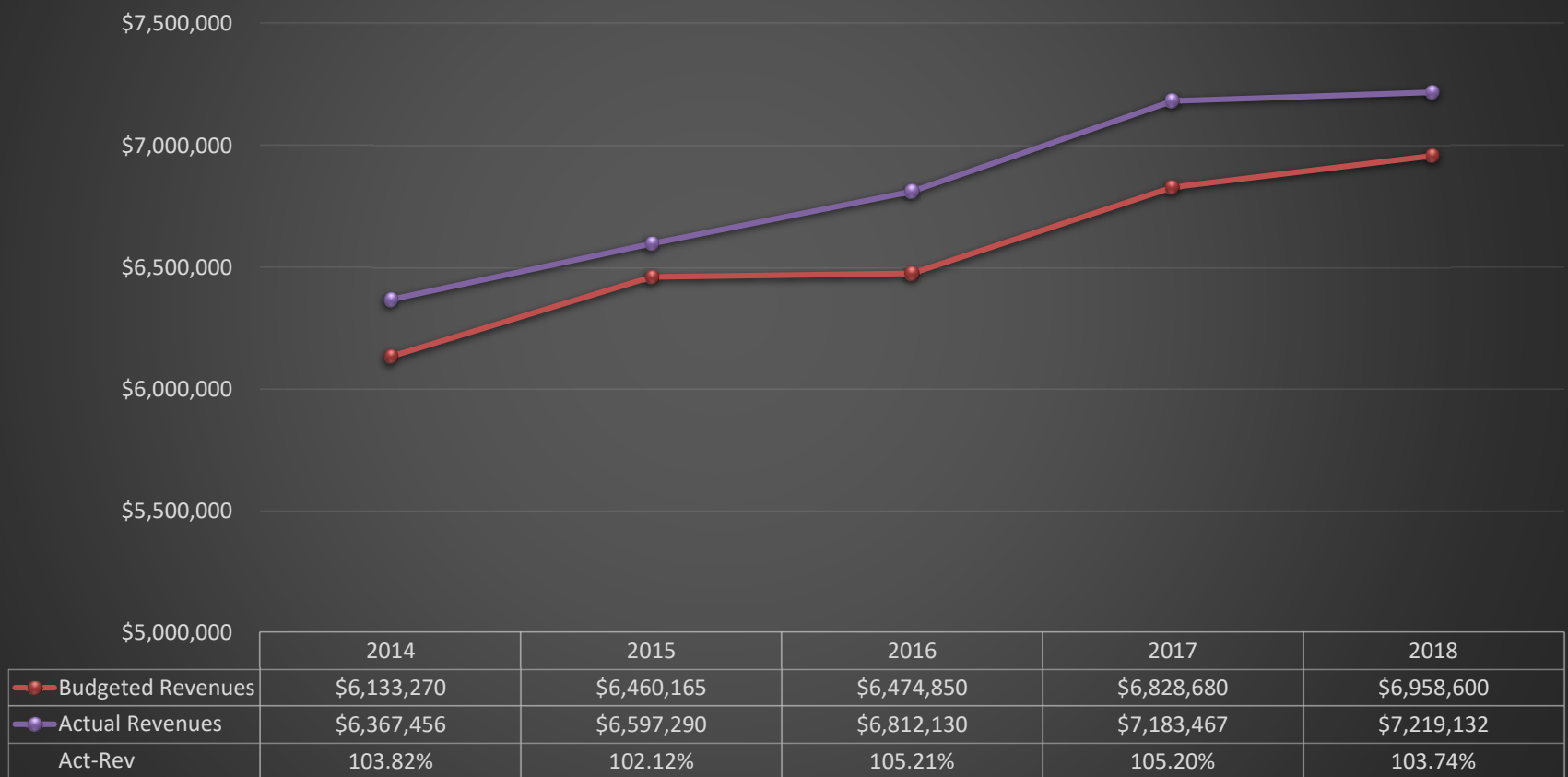
Total w/ LOTT
Budgeted vs. Actual



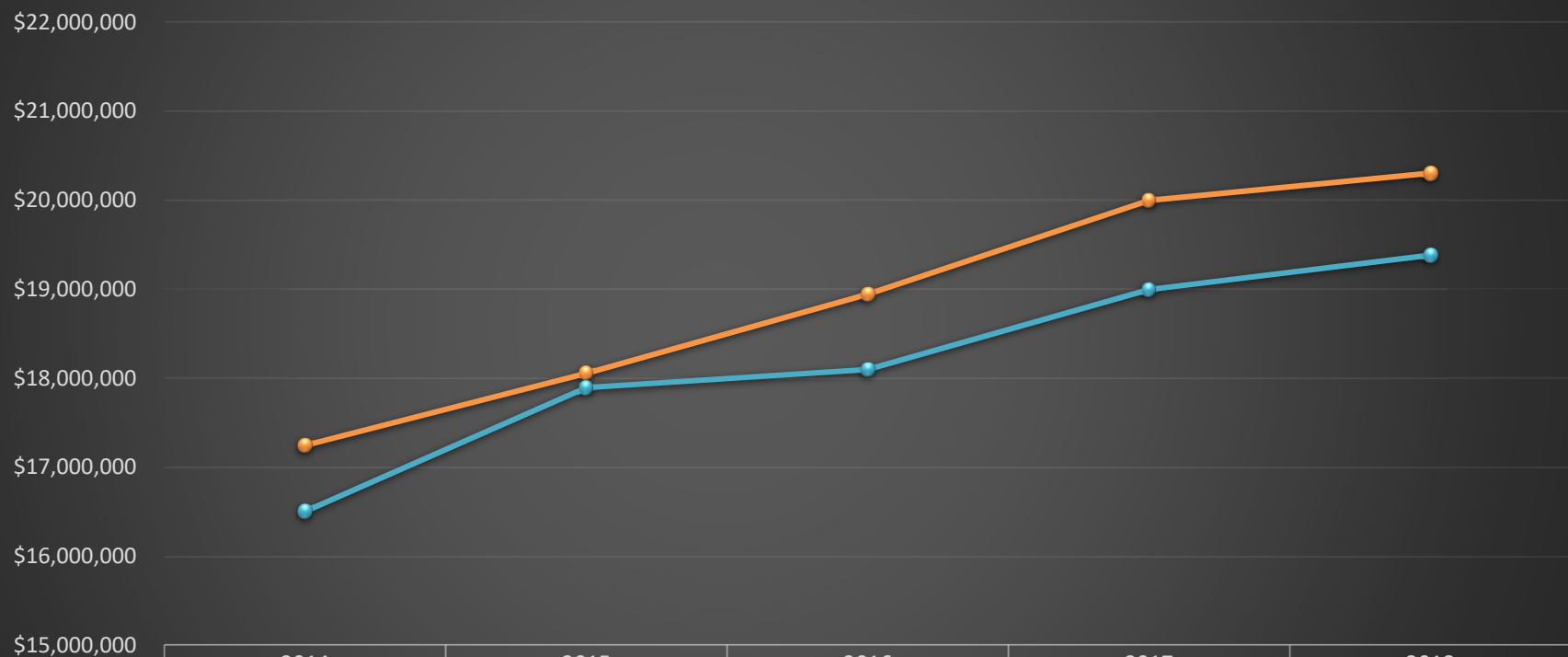


Wastewater Revenues

City Only Budgeted vs. Actual



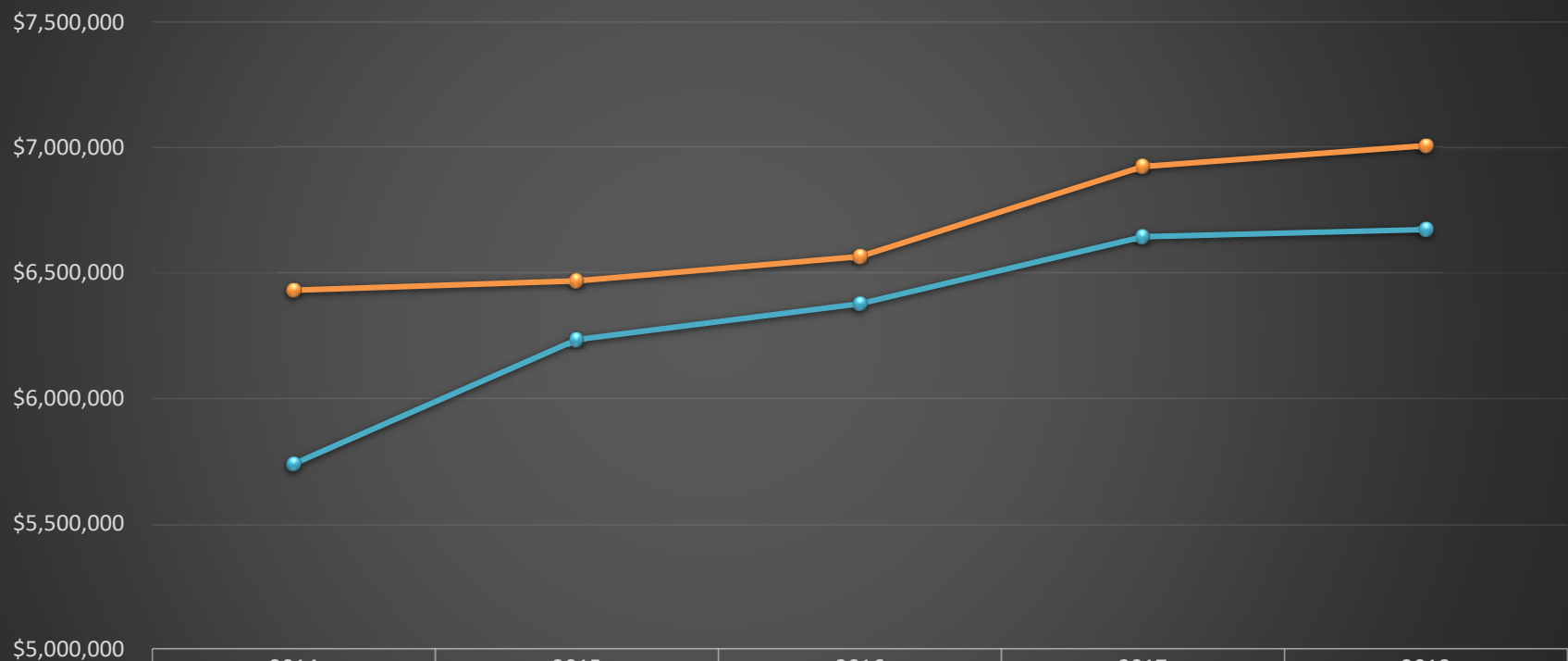
Total w/ LOTT Budgeted vs. Actual



	2014	2015	2016	2017	2018
Budgeted Expenditures	\$17,245,728	\$18,056,079	\$18,944,350	\$19,998,535	\$20,304,210
Actual Expenditures	\$16,504,085	\$17,895,024	\$18,099,358	\$18,996,862	\$19,383,380
Act-Rev	95.70%	99.11%	95.54%	94.99%	95.46%

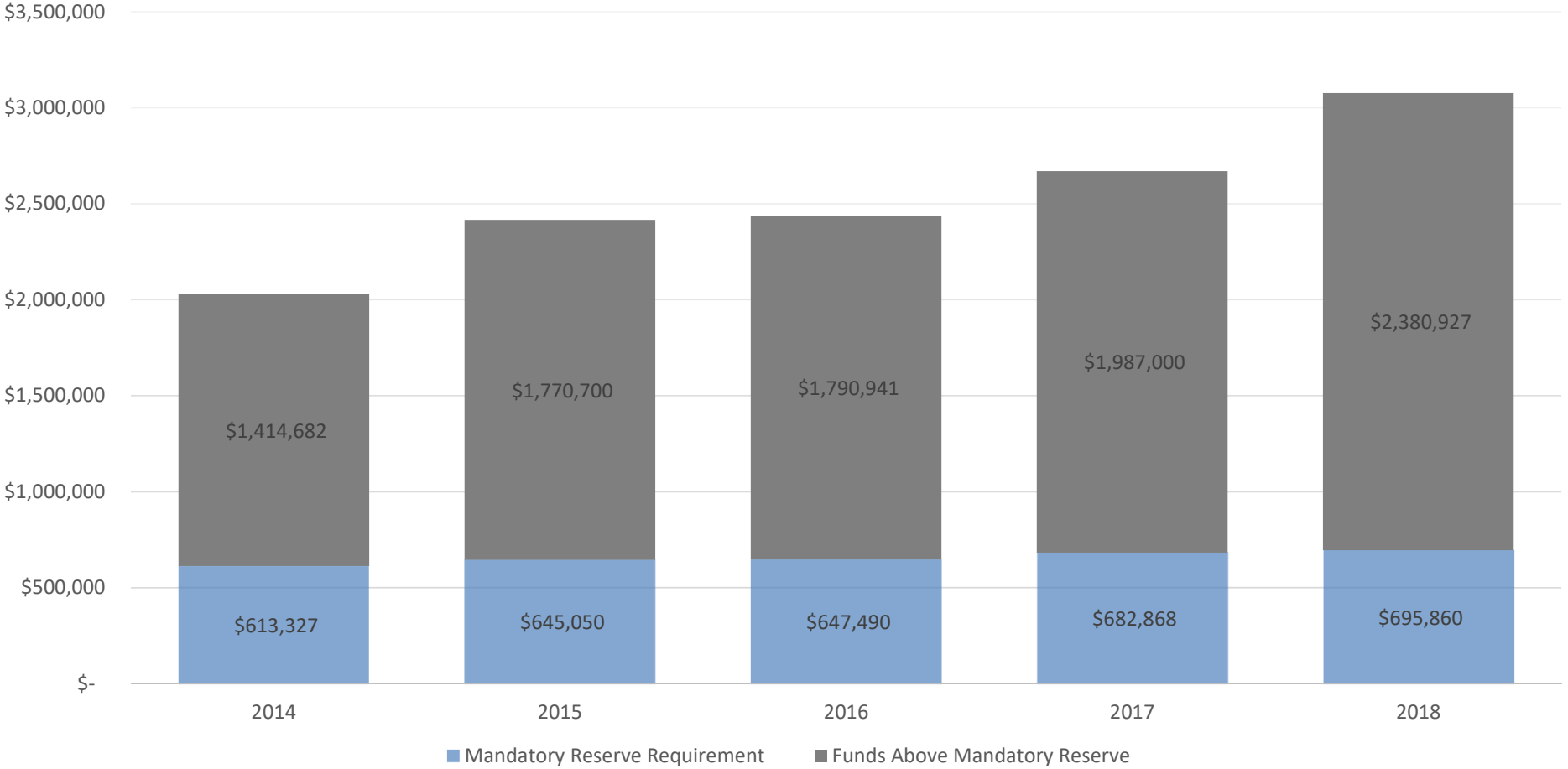
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City Only Budgeted vs. Actual



	2014	2015	2016	2017	2018
Budgeted Expenditures	\$6,431,808	\$6,468,921	\$6,566,067	\$6,925,319	\$7,008,270
Actual Expenditures	\$5,739,966	\$6,234,960	\$6,378,029	\$6,644,803	\$6,673,767
Act-Rev	89.24%	96.38%	97.14%	95.95%	95.23%

FUNDS ABOVE MANDATORY RESERVE

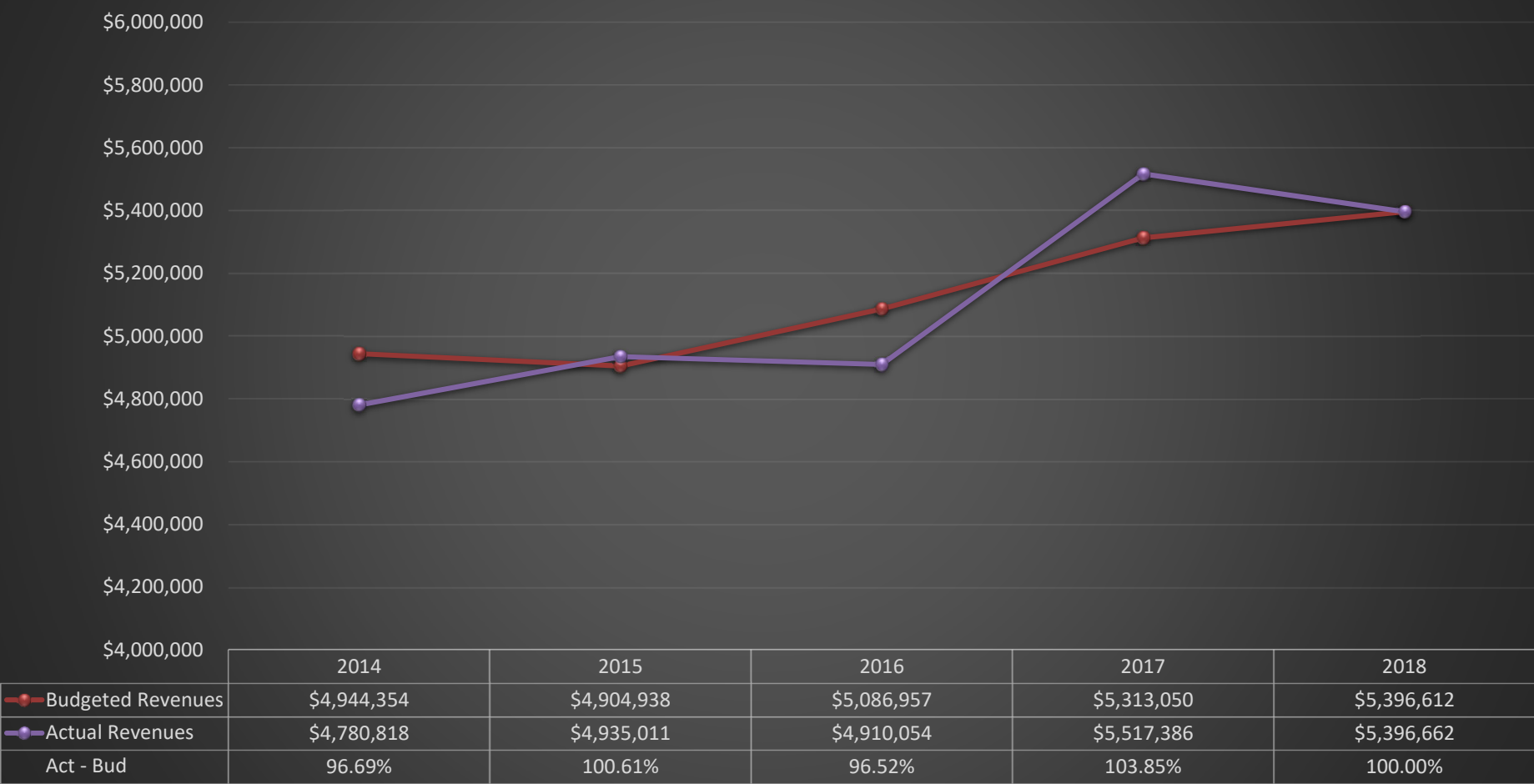




Wastewater Overview

	2019 Budget		2020 Budget		Change (\$)	Change (%)
Adjusted Budget	\$	7,195,051	\$	7,016,973	\$ (178,078)	-2.48%
Enhancements					\$ 144,679	2.01%
Budget w/ enhancements			\$	7,161,652	\$ (33,399)	-0.46%
2% COLA					\$ 25,894	0.36%
Budget w/ 2% COLA + enhance			\$	7,187,545	\$ (7,506)	-0.10%
Utility & Excise Taxes					\$ 48,281	0.67%
Budget w/ COLA, enhance, taxes			\$	7,235,826	\$ 40,775	0.57%
Base Revenue	\$	7,062,477	\$	7,235,826	\$ 173,349	2.45%
Account Growth (1%)					\$ 70,625	1.00%
Revenue Adjustment					\$ 300,000	4.25%
Adjusted Revenue	\$	7,433,102	\$	7,235,826	\$ (197,275)	-2.65%

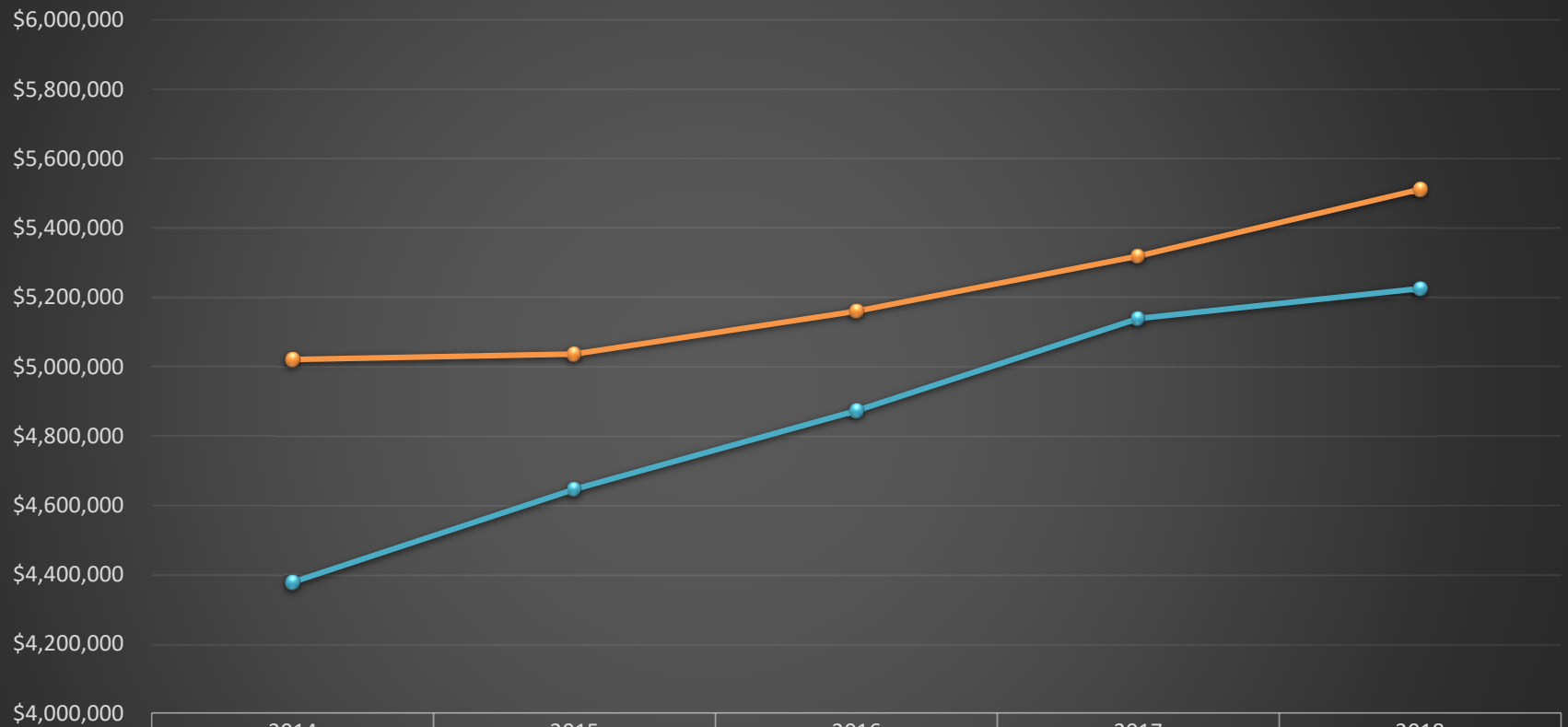
Budgeted vs. Actual





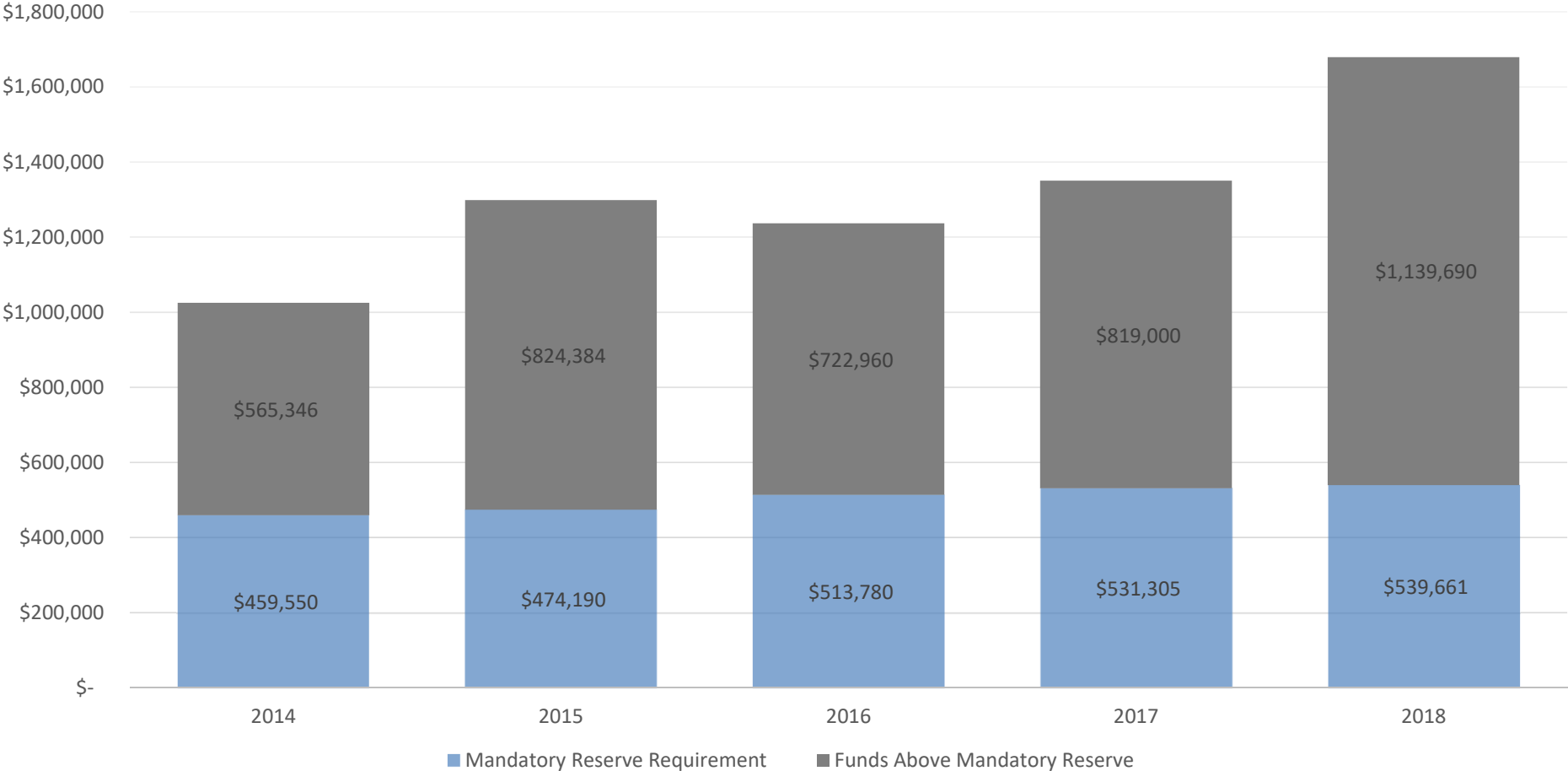
Storm & Surface Water Expenditures

Budgeted vs. Actual



	2014	2015	2016	2017	2018
Budgeted Expenditures	\$5,020,961	\$5,036,697	\$5,160,337	\$5,319,507	\$5,511,939
Actual Expenditures	\$4,378,763	\$4,646,867	\$4,873,124	\$5,139,364	\$5,225,708
Act - Bud	87.21%	92.26%	94.43%	96.61%	94.81%

FUNDS ABOVE MANDATORY RESERVE





Storm & Surface Water Overview

	2019 Budget	2020 Budget	Change (\$)	Change (%)
Adjusted Budget	\$ 5,595,703	\$ 5,870,533	\$ 274,830	4.91%
Enhancements			\$ (20,739)	-0.37%
Budget w/ enhancements		\$ 5,849,794	\$ 254,091	4.54%
2% COLA			\$ 34,626	0.36%
Budget w/ 2% COLA + enhance		\$ 5,884,420	\$ 288,717	5.16%
Utility & Excise Taxes			\$ 34,646	0.62%
Budget w/ COLA, enhance, taxes		\$ 5,919,066	\$ 323,363	5.78%
Base Revenue	\$ 5,716,809	\$ 5,919,066	\$ 202,257	3.54%
Account Growth (1%)			\$ 57,168	1.00%
Adjusted Revenue	\$ 5,773,977	\$ 5,919,066	\$ 145,089	2.51%



Waste ReSources

We lead and inspire our
community toward a waste-free future.

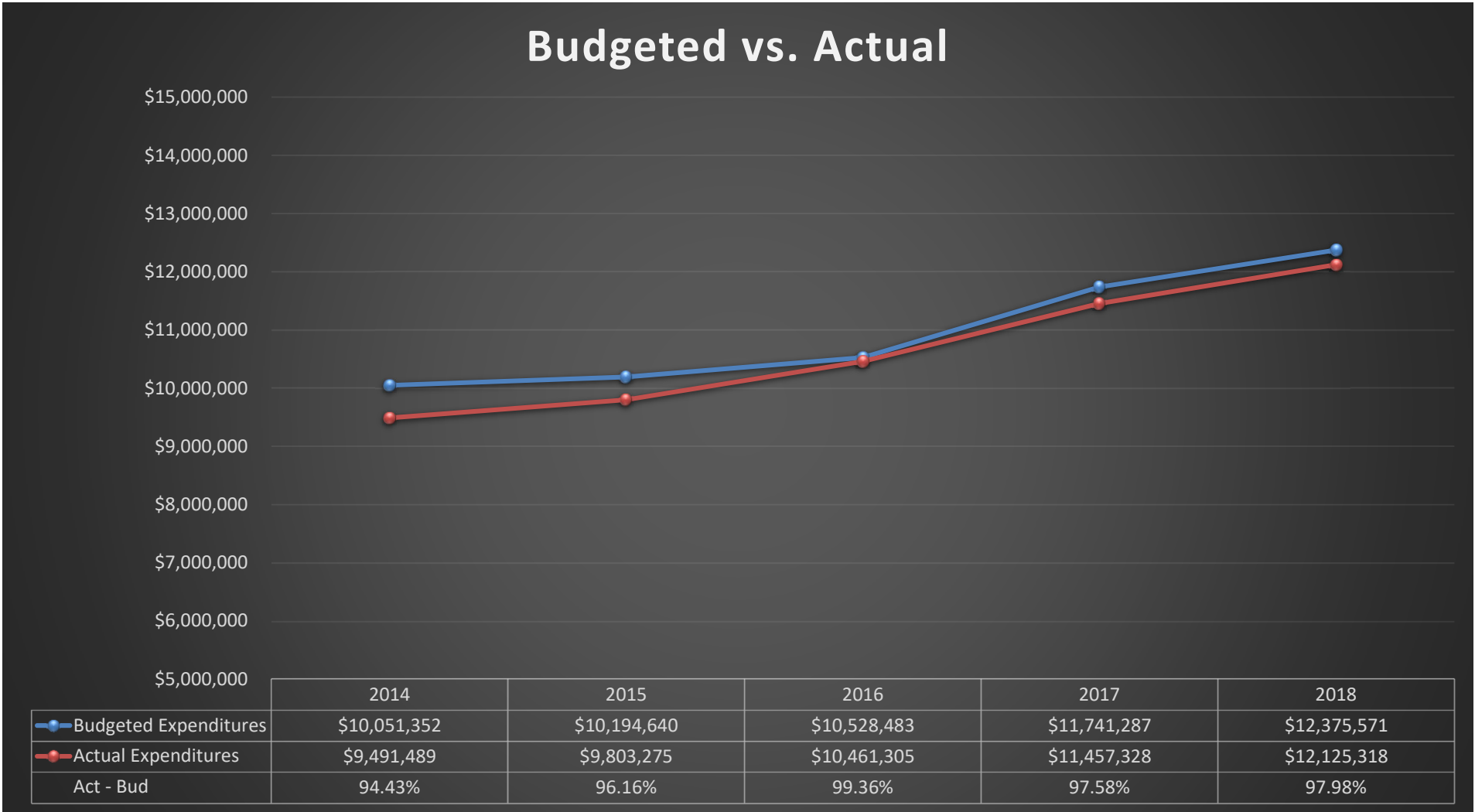


Waste ReSources Revenues

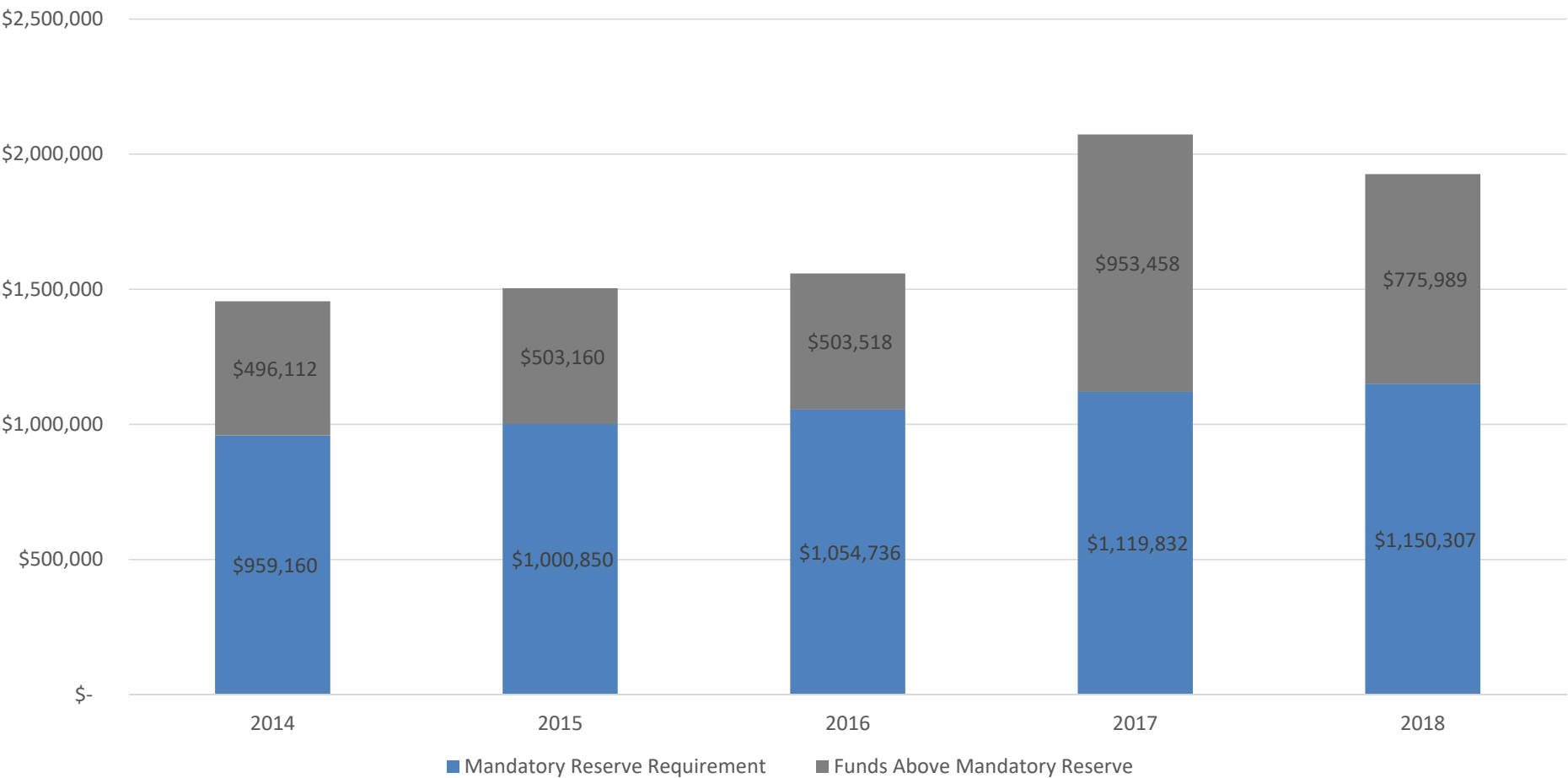
Budgeted vs. Actual

\$15,000,000
\$14,000,000
\$13,000,000
\$12,000,000
\$11,000,000
\$10,000,000
\$9,000,000
\$8,000,000
\$7,000,000
\$6,000,000
\$5,000,000

	2014	2015	2016	2017	2018
Budgeted Revenues	\$9,645,923	\$10,008,528	\$10,547,363	\$11,764,820	\$12,159,668
Actual Revenues	\$9,532,697	\$10,139,835	\$10,752,796	\$11,852,574	\$12,417,126
Act - Bud	98.83%	101.31%	101.95%	100.75%	102.12%



FUNDS ABOVE MANDATORY RESERVE





Waste ReSources Budget

	2019 Budget	2020 Budget	Difference	%	Revenue	Net Position	%
Expenditure Request	\$12,939,938	\$13,217,961	\$278,023	2.1%	\$12,867,007	(\$350,954)	-2.73%
Drop Box (8604)	\$2,783,346	\$2,781,116	-\$2,230	-0.1%	\$2,637,859	(\$143,257)	-5.43%
Residential (8605)	\$4,619,217	\$4,868,391	\$249,174	5.4%	\$4,368,450	(\$499,941)	-11.44%
Commercial (8606)	\$4,269,697	\$4,281,367	\$11,670	0.3%	\$4,573,611	\$292,244	6.39%
Organics (8607)	\$1,267,678	\$1,287,087	\$19,409	1.5%	\$1,287,087	\$0	0.00%





Revenue & Rates

Revenue	2019
• 10% Reserve Requirement 2019	\$1,246,855
• Cash Above Reserve Estimate	\$88,000
• 2019 Revenue Shortfall before Adjustments	-\$350,954



Revenue & Rates

Proposed Rate Increase Option1:

- Drop Box 6.6% = \$145,838
- Residential 5.7% = \$207,697
- Commercial 0% = No Increase (\$292,244 used to buy down rate)
- Organics 0% = No Increase



Residential Service Option 1

- Revenue Shortfall: -\$499,941
- 5.7% Rate Increase = \$207,697
- Commercial Revenue = \$292,244



Impact on Customer, Bi-Monthly W/Recycle			
	2019	2020	Difference
20-gallon	\$21.96	\$23.21	\$1.25
35-gallon	\$37.94	\$40.10	\$2.16
65-gallon	\$51.80	\$54.75	\$2.95
95-gallon	\$89.76	\$94.88	\$5.12



Revenue & Rates

Proposed Rate Increase Option 2:

- Drop Box 6.6% = \$145,838
- Residential 2.3% = \$97,658
- Commercial 2.3% = \$405,689 - proposed to buy down Res. Rate
- Organics 2.3% = \$26,231



Residential Service Option 2

Revenue Shortfall:	-\$499,941
2.3% Rate Increase Res.	= \$97,658
2.3% Commercial Revenue	=\$405,689
2.3% Rate Increase Org.	=\$26,231



Impact on Customer, Bi-Monthly W/Recycle & Organics						
Residential	2019	2020	Difference	2019 Opt. YW	2020 Opt. YW	Difference
20-gallon	\$21.96	\$22.47	\$0.51			
35-gallon	\$37.94	\$38.81	\$0.87	\$20.50	\$20.97	\$0.47
65-gallon	\$51.80	\$52.99	\$1.19			
95-gallon	\$89.76	\$91.82	\$2.06	\$20.50	\$20.97	\$0.47



Drop Box Service

Revenue Shortfall: -\$146,170

Rate Proposal: 6.6% = \$145,838

	2019	2020	Difference
Delivery Fee	\$71.18	\$75.97	\$4.79
Hauling Fee	\$216.79	\$231.31	\$14.52
Rental Fee	Vary by Size \$2.45 - \$4.37	\$4.66 *of higher rate	\$0.29





Budget Summaries

	2019 Expenditures	Proposed 2020 Expenditures	Projected 2020 Revenue	Revenue Shortfall	Proposed Rate Change
Drinking Water	\$14,751,872	\$15,079,630	\$15,079,630	\$751,597	5.25%
Wastewater	\$7,195,051	\$7,235,826	\$7,235,826	(\$197,275)	-2.00%
Storm & Surface Water*	\$5,595,703	\$5,919,066	\$5,919,066	\$145,089	2.51%
Waste ReSources	\$12,939,938	\$13,217,961	\$12,867,007	\$350,954	2.30%
LOTT**	\$13,661,578	\$13,188,229	\$13,188,229	\$381,289	3.00%

* The Storm & Surface Water 2019 expenditures budget did not reflect all enhancements

** The LOTT Clean Water Alliance budgets are simply placeholders in Olympia's budget

Summary of Key 2020 Financial Drivers

- **Waste ReSources**
 - Collapsed recycle markets
- **Drinking Water**
 - Capital depreciation - \$100K
 - Cash to buy down 2019 rate – \$565K
 - No new employees
- **Wastewater**
 - Shift 1.25 FTE from SSW - \$114K
- **Stormwater**
 - Shift 1.25 FTE to WW - \$114K
 - 0.5 FTE sweeper operator - \$47K
 - New vehicle - \$5K
- **All – Assumed 2% COLA**



Revenue Trends

- 1% growth in accounts for all utilities
- Safe revenue projection increases (Actual vs. Budget)
 - Drinking Water – \$0K
 - Wastewater - \$300K
 - Storm & Surface Water - \$0K
 - Waste ReSources - \$0K
- No change to Utility Tax at this time
- No change to LifeLine program



Wastewater Option #1

	2018 Rate	2018 % Increase	2019 Rate	2019 % Increase	Proposed 2020	2020 % Increase
Drinking Water*	\$56.75	4.4%	\$56.75	0.0%	\$59.73	5.25%
Wastewater - (Min.)	\$26.58	0.0%	\$26.58	0.0%	\$26.05	-2.00%
Wastewater - (Max.)	\$42.94	0.0%	\$42.94	0.0%	\$42.08	-2.00%
Waste ReSources	\$49.10	6.0%	\$51.80	5.5%	\$54.75	5.70%
Storm and Surface Water	\$26.74	0.0%	\$28.10	5.1%	\$28.81	2.51%
LOTT	\$77.28	2.0%	\$79.60	3.0%	\$82.00	3.00%
TOTAL (Min.):	\$236.45	2.9%	\$242.83	2.7%	\$251.33	3.50%
TOTAL (Max.):	\$252.81	2.7%	\$259.19	2.5%	\$267.37	3.15%
Total Increase (Min.)	\$6.69	2.9%	\$6.38	2.7%	\$8.50	3.50%
Total Increase (Max.)	\$6.69	2.7%	\$6.38	2.5%	\$8.18	3.15%

* Drinking Water rates assume 650 cubic feet use per month



Residential Bi-Monthly Rates

Wastewater Option #2

	2018 Rate	2018 % Increase	2019 Rate	2019 % Increase	Proposed 2020	2020 % Increase
Drinking Water*	\$56.75	4.4%	\$56.75	0.0%	\$59.73	5.25%
Wastewater - (Min.)	\$26.58	0.0%	\$26.58	0.0%	\$26.05	-2.00%
Wastewater - (Max.)	\$42.94	0.0%	\$42.94	0.0%	\$42.08	-2.00%
Waste ReSources	\$49.10	6.0%	\$51.80	5.5%	\$52.99	2.30%
Storm and Surface Water	\$26.74	0.0%	\$28.10	5.1%	\$28.81	2.51%
LOTT	\$77.28	2.0%	\$79.60	3.0%	\$82.00	3.00%
TOTAL (Min.):	\$236.45	2.9%	\$242.83	2.7%	\$249.57	2.78%
TOTAL (Max.):	\$252.81	2.7%	\$259.19	2.5%	\$265.61	2.48%
Total Increase (Min.)	\$6.69	2.9%	\$6.38	2.7%	\$6.74	2.78%
Total Increase (Max.)	\$6.69	2.7%	\$6.38	2.5%	\$6.42	2.48%

* Drinking Water rates assume 650 cubic feet use per month

	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)
- All rates include utility taxes
- Lacey and Tumwater do not provide waste collection.



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
Additional O&M Transfer (one time)	\$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)



Capital Budgets

Utility	2020 Budget	2021-2025 Budget	Depreciation Funding	GFCs*
Drinking Water	\$7,773,000	\$18,480,000	\$1,147,294	\$1,000,000
Wastewater	\$4,448,000	\$14,613,000	\$741,301	\$1,500,000
Storm & Surface Water	\$2,753,000	\$19,620,000	\$687,690	\$250,000
Waste ReSources	\$736,000	\$1,840,000		

*Based on 3-year average – typically less - never guaranteed

olympiawa.gov/city-government/budget-financial-reports

	Current	Potential
Drinking Water	\$4,433	\$4,433
Wastewater	\$3,442	\$4,999*
Storm and Surface Water	\$1,190 plus \$4.50/vehicle trip	\$2,383 plus \$19.04/vehicle trip

*Based on draft rate analysis

	2015	2016	2017	2018	2019	2020 (Proposed)	\$ Increase	% Increase
Drinking Water	\$3,687	\$3,918	\$4,180	\$4,433	Same as 2018	Same as 2018	\$0	0%
Wastewater	\$3,342	\$3,442	Same as 2016	Same as 2016	Same as 2016	Same as 2016	\$0	0%
Storm and Surface Water	\$1,190 plus \$1.80 trip charge	\$1,190 plus \$4.50 trip charge	Same as 2016	Same as 2016	Same as 2016	\$1,428 plus \$5.40 trip charge	\$328	20%
LOTT CDC	\$5,136	\$5,354	\$5,579	\$5,810	\$6,049	\$6,231	\$181	3.00%
TOTAL:	\$13,355	\$13,904	\$14,391	\$14,875	\$15,078	\$15,588	\$509	3.38%

General Facilities Charges	Olympia	Lacey	Tumwater
Drinking Water - Meter Size			
3/4" meter size	\$4,433.00	\$3,842.00	\$4,512.12
1" meter*	\$4,433.00	\$7,698.00	\$7,670.87
Wastewater	\$3,442.00	\$3,722.00	\$2,629.28
Storm and Surface Water**	\$1,351.48		
LOTT Capacity Development Charge	\$6,049.21	\$6,049.21	\$6,049.21

*To accommodate fire sprinkler systems, Olympia charges the same for 3/4" and 1" meters

**In Lacey and Tumwater, Storm and Surface Water GFCs vary based on location.

	2016 Actual	2017 Actual	2018 Actual	2019 YTD 07/19
Drinking Water	\$ 1,299,872	\$ 1,005,430	\$ 856,185	\$ 283,047
Wastewater	\$ 2,092,931	\$ 1,932,475	\$ 729,852	\$ 304,370
Storm & Surface Water	\$ 272,058	\$ 283,265	\$ 198,864	\$ 160,549



Process

- Planning Commission discussion of CFP
 - September 9th – Staff attending
- Next UAC meeting – October 3rd
 - CFP cash reserves and cash flow
 - Any additional requests?
 - Need to draft letter with recommendations/concerns
- Written Recommendations to Council
 - October 16th Finance Committee Meeting
 - UAC chair requested to attend
 - October 7th staff report submittal



2020 Utility Rate Recommendations

Gary Franks, Waste ReSources Director, 360.753.8780,
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Eric Christensen, Water Resources Director, 360.570.3741,
echriste@ci.olympia.wa.us



Projected Year-End Balances

Operating Budgets (above mandatory reserves)

	2018	2019
Drinking Water	\$2,119,000	\$561,606
Wastewater	\$1,987,000	\$591,513
Storm and Surface Water	\$819,000	\$351,433
Waste ReSources	\$558,000	\$88,654

Decreases in the Water Resources year-end cash are a result of transfers to the Capital Budget