



2022 Operating Budget Overview

Department:	Line of Business/Program:
Public Works	Water Resources - Drinking Water

Program Revenue Summary Chart

Revenue	2019 Actual	2020 Actual	2021 Original Budget	2021 Actual YTD	2022 Budget	Variance	
Charges for Service	13,185,924	13,595,237	15,515,602	6,473,073	15,738,530	222,928	1.44%
Intergovernmental Revenues	0	11,680	0	0	0	0	0.00%
Misc Revenue	529,578	335,627	290,470	201,651	290,470	0	0.00%
Other Resources	4,524,673	0	0	11,065	0	0	0.00%
Proprietary/Trust Fund	353,150	162,250	0	0	0	0	0.00%
Total	18,593,325	14,104,794	15,806,072	6,685,789	16,029,000	222,928	1.41%

Program Expenditure Summary Chart

Expense	2019 Actual	2020 Actual	2021 Original Budget	2021 Actual YTD	2022 Budget	Variance	
10 Salaries and Wages	2,433,387	2,561,993	2,641,450	1,564,841	2,789,476	148,026.00	5.60%
20 Personnel Benefits	962,905	706,811	1,171,424	669,329	1,155,578	(15,846.00)	-1.35%
30 Supplies	558,573	741,678	903,380	349,737	1,096,438	193,058	21.37%
40 Other Services and Charges	960,537	1,021,756	1,223,246	494,124	1,307,417	84,171	6.88%
50 Intergovernmental Services and Payments	8,013,280	4,891,651	5,399,755	2,214,993	7,121,633	1,721,878	31.89%
60 Capital Outlays	34,013	0	0	0	0	0	0.00%
70 Debt Service: Principal	1,279,331	1,290,031	1,454,332	7,923	0	(1,454,332)	-100.00%
80 Debt Service: Interest and Related Costs	328,696	312,683	318,622	1,269	0	(318,622)	-100.00%
90 Interfund Payments for Services	2,215,652	2,362,425	2,387,970	1,333,834	2,464,880	76,910	3.22%
99 Non-Expenses	2,087,846	2,148,185	0	-6,903	0	0	0.00%
Total	18,874,220	16,037,213	15,500,179	6,629,147	15,935,422	435,243	2.81%



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Baseline Adjustment Summary Chart

Exp Type	Description/Expenditure #	Costs On-Going One-Time		Mandatory or Non- Discretionary
Salaries	Salary Reserve (4% COLA) All Fund 401 - 11.99	\$88.1K		Mandatory
Benefits				
Supplies/Equipment	Misc. Fund 401 – 30s (10% Inflation)	\$75.6K		Discretionary
Services	Misc. Fund 401 – 40s (10% Inflation)	\$17.1K		Discretionary
	Power and Light (6% PSE Green Power rate increase) 401-8402-622-47.02	\$34.1K		Mandatory
	Water System Plan update (one-time transfer from CIP Funding) 401-8431-615-41.01		\$32.5K	Mandatory
	Printing/Binding (5 Things) 401-8431-620-49.09	\$9K		Discretionary
Capital Equipment				
Other	Maintenance Center Rent Misc. Fund 401 – 95.96	\$38.6K		Mandatory
	Liability Insurance Misc. Fund 401 – 96.01	\$14.8K		Mandatory
Total		\$309.8		



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Budget Narrative Information

Mission

What is your mission?

To provide and protect healthy drinking water for the community, with a long-term vision that Olympia's Drinking Water Utility sustains present and future water supplies for our community while protecting the environment.

Budget Overview

What are the major cost drivers to the changes in your budget?

Utility programs and core services will remain essentially unchanged in 2022.

This year we anticipate a rate increase of **1%** for 2022. This may be further informed by FCS Group's anticipated revenue model for the new normal.

Key expense drivers are described below:

- An anticipated 1.0% growth in accounts and revenue helps offset increasing expenditures (\$153.1K).
- No new positions (FTEs) are proposed for the Utility.
- A 4% COLA for staff is factored in based on the union contract. The net increase is approximately \$88,100.
- 10% inflation adjustment for materials and services +\$92.7K
- Benefit costs are flat.
- Power rates were adjusted for PSE's 6% rate increase for Green Power.
- City Administration costs increased approximately \$29,000.
- Liability insurance went up \$14,800.
- Computer rental costs will return in 2022 adding approximately \$16,000.
- Maintenance Center Rent increased approximately \$38,600 to fund capital planning.
- There will be a one-time transfer from CIP Funding of \$32,500 to fund completion of the Water System Plan update. This is an exercise that has historically been funded through the CFP.



2022 Operating Budget Overview

Trends, Challenges and Opportunities

What is on the horizon that may affect future budgets?

- Revenues throughout the public health emergency have been diminished and unstable. We have seen greater revenue from our residential accounts and diminished revenue from our commercial accounts. This can be attributed to business and office closures and people (including commuters from outside the city) working from home. Our financial consultant, FCS Group, will be preparing a revenue model to help us prepare for the new normal.
- We will need to monitor utility bill arrearages associated with the public health emergency and anticipate payment plans to help our customers. To date arrearages have been covered by reserves.
- Depreciation funding will continue to be an increasing need and challenge for the utility. We have maintained CIP funding at \$1.4 million. FCS Group is preparing a rate and general facilities charge analysis to inform the Water System Plan update. Based on the CIP program needs, we anticipate a recommendation to increase CIP funding in 2023.
- Federal infrastructure stimulus funding has the potential to help defray capital costs. In anticipation, the Utility has positioned itself to benefit from the funding.
- The Utility anticipates expanding the number of small Public Works projects to be constructed in house. In-house construction is far more cost-effective than contracted work. We anticipate this will help CIP funding, but may have potential budgetary implications (additional seasonal staff) in future years.
- Our reliance on debt financing for projects impacts operating budgets and subsequently the capital program.
- The US EPA's 2021 revised lead and copper rule will require additional testing in schools and childcare facilities. This may require increased staffing. The rule will also require the City to identify the materials of construction for both public and private water service lines to verify they are not lead. This will require substantial records research and then excavation of service lines for which there is no record.
- The Utility has increased its reliance on software and technology to help build efficiencies. IS's ability to support our needs is being challenged. Additional funding for IS support is anticipated.



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Continuous Improvement

What actions did you implement to improve the customer experience, reduce cost, increase efficiency, or improve quality?

- The Drinking Water Operations section is finding better ways to do their work in multiple arenas. Staff continue to improve their technical abilities and efficiencies. Use of the CityWorks work order software and ESRI's Collector application has streamlined inspections and exercising of valves and hydrants, replacement of meters, and the ability to evaluate data for asset management.
- Throughout the coronavirus public health emergency, office staff have become adept at teleworking allowing the utility to maintain workflow. Field staff have managed to maintain 100 percent work capacity.
- The water system infrastructure continues to increase without the need for commensurate increases in staffing.
- Condition rating of the water distribution system is helping us move to more effective data- driven decision-making. We are evaluating the structural integrity of our water pipes. When water pipes are exposed for service installations or repairs, the condition of the pipe is documented. Information is linked to asset management and the capital facility planning process. Implementation of CityWorks software is improving our asset management abilities.
- Automatic meter reading Itron software and hardware have been upgraded to a 4G network to improve reliability.
- Completion of seismic upgrades to the Fir Street and Elliott reservoirs has improved the reservoirs' reliability in the event of an earthquake.
- The Helping Neighbors voluntary charitable fund was established to help customers in need that don't qualify for the existing LifeLine rate program.



2022 Operating Budget Overview

Accomplishments and Celebrations

Share your proud moments.

- Staff completed an Emergency Response Plan for the drinking water system to comply with EPA regulations.
- Staff is on track to have the draft Water System Plan, a DOH regulatory requirement, completed this year.
- Staff estimated renewal and replacement costs for the complete water system to help inform future capital needs.
- Staff have streamlined the maintenance of valves, hydrants and meters, exceeding maintenance goals for the first time in many years.
- Maintenance of pressure reducing valves has very successfully been brought in-house, improving reliability and response times.
- After 20+ years of planning, completion of seismic upgrades to the Fir Street and Elliott reservoirs has improved the reservoirs' reliability in the event of an earthquake.
- During a shortage of chlorine, Pump Stations staff expediently responded to insure all source wells could remain operational.
- With IS assistance, Pump Stations staff is working to replace computer servers used for supervisory control and data acquisition (SCADA) and upgrade the software to reduce security risks and prevent cyberattacks.
- Water Quality staff accomplished all DOH water quality sampling and reporting requirements throughout the public health emergency.
- A pilot production well will be installed at the Log Cabin Tank to evaluate feasibility of relocating the Shana Park and Hoffman wells water rights.