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Utility Advisory Committee

2022 Preliminary Utility Rates, Operating Budgets and General Facility Charges

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Title

2022 Preliminary Utility Rates, Operating Budgets and General Facility Charges

Recommended Action/UAC Deliverable:

Review staff's briefing on preliminary utility rates and budget for 2022.

Issue:

Review 2022 preliminary utility rates (including LOTT), operating budgets and General Facility Charges (GFC, including LOTT). Forward UAC recommendations to City Council's Finance Committee for review on September 15, 2020. UAC will also forward their recommendations to the City Council for review during their budget deliberations.

Staff Contact:

Gary Franks, Public Works Waste ReSources Director, 360.753.8780

Eric Christensen, Public Works Water Resources Director, 360.570.3741

Presenters:

Same as above

Background and Analysis:

The Utility Advisory Committee reviews City utility finances, rates, and general facilities charges annually. Staff will brief the UAC on the preliminary 2022 budgets, proposed rates, and general facility charges the Drinking Water, Wastewater, Storm and Surface Water, and Waste ReSources utilities. The attached utility budget overviews provide information on key budget drivers, and utility trends, challenges and proposed enhancements.

City Utilities are expected to provide uninterrupted public health services for our community. Our responsibilities include ensuring that drinking water is healthy, sewer infrastructure safely conveys wastewater to the LOTT treatment facility, solid waste is managed for reuse or disposed of, flooding is minimized, and our urban natural resources are protected. As municipal utilities, we must meet the needs of our community while maintaining and upgrading our increasingly aging infrastructure. Utility staff focus on effectiveness and efficiency in the delivery of these services.

The City Utilities are municipal enterprise funds. They are financially self-supporting without the input

of general tax funds. Conversely, Utility revenue does not support tax-based City programs. However, the Utilities pay a fair share of various City overhead costs (e.g., building mortgage, legal and executive services). Annual savings remain in the Utilities and carry-over to the following year or are diverted to the capital budget.

Potential 2022 Rate Increases

As outlined in the attached budget overviews, staff is proposing modest rate increases for 2022 broken down as follows:

- Drinking Water 1.0%
- Wastewater 6.0%
- Waste ReSources 0.0%
- Storm and Surface Water 5.0%
- LOTT Clean Water Alliance 3.0%
- Total 1.96% to 2.21%

A summary of historical and proposed bi-monthly residential utility rates is attached.

General Facilities Charges

Consistent with rate consultant financial analyses, staff is proposing increases in general facility charges (GFCs) for Wastewater (2%) and Storm and Surface Water (20%) in 2022. GFCs are a one-time charge collected from new development. The charges reflect the financial value of the existing Utility infrastructure and the benefits the system provides to new development. Each of the water-related Utilities collects a unique GFC. The LOTT Clean Water Alliance (LOTT) collects a similar fee called a capacity development charge (CDC). LOTT proposes a 3.0% increase in the CDC for 2022. A summary historical and proposed residential GFCs and CDCs is attached.

Neighborhood/Community Interests:

City utilities provide essential public health services to Olympia residents.

Financial Impact:

None at this time. However, utility rates impact our community by the utility rates that customers pay.

Attachments:

- Budget overviews for Drinking Water, Wastewater, Storm and Surface Water and Waste Resources
- Proposed enhancements for Storm and Surface Water
- Summary/history of Bi-Monthly Utility Rates
- GFCs and CDCs 2017 - 2022