



City Council

Approval of an Ordinance Relating to Utility Fees and Charges and Amending Sections 4.24.010, 13.16.010 and 13.16.090 of the Olympia Municipal Code

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Title

Approval of an Ordinance Relating to Utility Fees and Charges and Amending Sections 4.24.010, 13.16.010 and 13.16.090 of the Olympia Municipal Code

Recommended Action

Committee Recommendation:

The proposed rates and charges reflect recommendations from the Finance Committee and the Utility Advisory Committee.

City Manager Recommendation:

Move to approve the ordinance adopting the 2022 utility rates, revised Storm and Surface Water rate structure and general facilities charges on second reading.

Report

Issue:

Whether to approve an ordinance adopting the 2022 utility rates, general facility charges (GFC), and a revised Storm and Surface Water rate structure. Also included in the ordinance are increases to LOTT Clean Water Alliance rates and capacity development charges.

Staff Contacts:

Gary Franks, Waste ReSources Director, Public Works Department, 360.753.8780
Eric Christensen, Water Resources Director, Public Works Department, 360.570.3741

Presenter(s):

None - Consent Calendar Item.

Background and Analysis:

Background and Analysis did not change from first to second readings.

City of Olympia provides vital utility services to our community. For 2022, staff is proposing revenue increases (rounded) as follows:

- Drinking Water 2.0%
- Storm and Surface Water 6.0%
- Wastewater 9.1%
- Waste ReSources 1.0%
- LOTT 3.0%
- Combined 2.97% or \$8.10 bi-monthly/single family account

Key financial drivers for the proposed 2022 rate increase include:

- A 1.0% increase in the Municipal Utility Tax.
- A 10% inflationary increase in materials and services.
- A 6% increase in Puget Sound Energy Green Energy rates.
- A 4% cost of living adjustment.
- Fixed interfund transfers (administration, rent, insurance, computers, etc.).
- Use of cash reserves to buy down Wastewater rates.

Storm and Surface Water (SSW) revised rate structure

Restructuring of the SSW rate structure was guided by recommendations made in the 2018 SSW Plan. The rate structure has been essentially unchanged in the past 30 years. Better mapping of impervious surfaces, property lines and stormwater infrastructure has allowed us to analyze impacts on a site-by-site basis. The proposed rates are designed to be revenue neutral, but take into account proposed increases in revenues.

Storm and Surface water rates are based on an equivalent residential unit (ERU) which is the average amount of impervious surface found on a single family residential parcel. The current ERU is defined as 2,528 square feet of impervious surface and has not been changed since 1990. An analysis of impervious surfaces determined that the average amount of impervious surface now found on a single family residential parcel is 2,882 square feet. The definition of an ERU is therefore being revised to 2,882 square feet of impervious surface.

Residential customers will continue to be charged a flat monthly rate. Revenues collected from residential customers will be adjusted to be proportional to the impervious surfaces associated with residential properties citywide. To be more equitable, the residential rate will thus decrease. Because City code requires that all stormwater facilities be maintained regardless of an agreement, the residential discount for a maintenance agreement is being eliminated. Residential parcels without structural impervious areas will no longer be charged a monthly rate.

For commercial customers, the existing rate structure assumes that the year a site was developed determined the level of stormwater management provided on a site. This has been problematic in that the date of development often does not accurately correspond with the level of stormwater management provided. Therefore, new rate categories based on the actual infrastructure mapped for a site have been created as follows:

- Category 1 - Those sites that have fully implemented low impact development (LID) and eliminate any offsite stormwater runoff.
- Category 2 - Those sites that have implemented stormwater management (treatment and/or

flow control) other than LID.

- Category 3 - Those sites that have not implemented stormwater management (treatment and/or flow control).

Additionally, the administrative fee for commercial customers has been eliminated.

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 (23%) 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.

LOTT Clean Water Alliance Rate

Lacey, Olympia, Tumwater, Thurston County (LOTT) Clean Water Alliance Board of Directors approved increases for both monthly wastewater treatment rates and their capacity development charge (CDC). The CDC is similar to the City's GFC. The City collects monthly rates and CDCs for LOTT through the utility billing and development permitting processes.

- The LOTT Clean Water Alliance capacity development charge (CDC) is proposed to increase 3% (\$192) to \$6,610.23.

Neighborhood/Community Interests (if known):

City utilities provide important public health services for Olympia residents. Utility rates are set to ensure reliable, uninterrupted levels of service. City Council held a public hearing regarding utility rates on November 16, 2021.

Options:

1. Approve the ordinance adopting the 2022 utility rates, revised Storm and Surface Water rate structure and general facilities charges on first reading and forward to second reading.
Implications: Supports essential City public and environmental health services; Increases rates for customers and charges for new development.
2. Modify or decline the proposed 2022 revenue increases, general facility charges, and revised Storm and Surface Water rate structure.
Implications: Avoids or lessens additional customer costs; Risk failures in fulfilling City public and environmental health responsibilities.

Financial Impact:

The proposed rates and GFCs will generate revenue to implement Council-adopted utility master plans and ensure financially responsible management of City utilities.

Attachment:

Ordinance