



## Utility Advisory Committee

### Wastewater Master Plan

**Agenda Date:** 5/2/2013  
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#### Wastewater Master Plan

**Issue:**

The draft 2013 Wastewater Management Plan suggests policy and financial changes for the City's Wastewater Utility. The draft Plan is scheduled for review by City Council in late July. Based on its review of the draft Plan, the UAC could choose to provide a comment letter to Council.

**UAC Deliverable:** Recommendation to City Council

**Issue:** The draft 2013 Wastewater Management Plan suggests policy and financial changes for the City's Wastewater Utility. The draft Plan is scheduled for review by City Council in late July. Based on its review of the draft Plan, the UAC could choose to provide a comment letter to Council.

**Staff Contact:**

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**Background and Analysis:**

The Utility Advisory Committee reviewed key policy proposals of the draft Plan during its April 4, 2013 meeting. The draft policies focused on the use and conversion of onsite septic systems, the use of alternative technologies including grinder pumps and STEP systems, and residential volume-based utility rates.

The May 2 meeting will focus on financial issues facing the Utility. FCS Group, our financial consultant, has completed a draft financial analysis for the Utility and the Plan. Not surprisingly, the analysis confirms that the Utility is in solid financial condition and is able to meet projected operational and capital needs outlined in the draft Wastewater Plan while maintaining affordable rates.

Current financial policies and practices relating to reserve funds, capital investments and debt can be maintained. New capital project expenditures are not expected to require issuance of new debt. The analysis suggests that utility revenue and expenses can be balanced with inflationary

rate increases of zero to four percent a year for the next six years. Given our long-term assumptions, a 20-year planning horizon can also be accommodated.

When potential City rate increases are combined with planned LOTT rate increases, the overall across-the-board cost increase would be approximately 1.9% to 2.8% annually for the next six years.

The analysis also indicates that a general facility charge increase of approximately 5.5% could be justified in the near term.

The bigger issue of instituting a volume-based Utility rate is being refined by the consultant and staff. Accurate relationships between drinking water use and wastewater revenues are needed in order to fully understand the financial implications of a modified rate structure. The key question for the UAC and staff will be the volume threshold for the lower and higher rate. We will be prepared to facilitate the discussion at the May 2 meeting.

During the meeting, the UAC may consider forwarding initial recommendations regarding the policies and finances of the draft Plan to City Council. Staff is scheduled to meet with the Council Land Use and Environmental Committee on May 27 and the full Council on July 23.

**Neighborhood/Community Interests (if known):**

The 2013 Wastewater Plan will affect current and future residents of Olympia. Key interested parties include residents likely to pursue infill development as well as septic owners. Wastewater rates are a driver of the City's overall utility charges.

**Options:**

1. Forwarding a comment letter to City Council for their consideration on July 23. Support scheduling a public hearing and potential Plan adoption before the end of the year. Additionally UAC input can also be provided in the autumn of 2013 as the draft Plan moves through the anticipated public review process.
2. Wait until September to communicate with Council.

**Financial Impact:**

None at this time. The draft Plan does not implement changes in wastewater rates or regulations. Additional analysis and public review would be completed in 2014 as a separate process prior to adoption of new rates and charges.

**Staff Recommendation:**

Option 1 - Prepare a comment letter to City Council.

**Attachments:**

1. Draft Wastewater Management Plan Financial Analysis, April 2013