



City Council

Approval of Ordinance Adopting the 2016 Utility Rates and General Facilities Charges

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Title

Approval of Ordinance Adopting the 2016 Utility Rates and General Facilities Charges

Recommended Action

Committee Recommendation:

The Finance Committee reviewed and discussed the proposed 2016 Utility rates and general facility charges (GFCs) on October 23, 2015, and the City Council held a public hearing on November 17, 2015. The review considered recommendations forwarded to Council by the Utility Advisory Committee (see attached letter). The proposed rates and charges reflect recommendations from the City Council and the Utility Advisory Committee.

City Manager Recommendation:

Move to approve the ordinance adopting the 2016 utility rates and general facilities charges on second reading.

Report

Issue:

Whether to approve an ordinance adopting the 2016 utility rates and general facility charges (GFC). Increases in LOTT Clean Water Alliance rates and capacity development charges are included in budget discussions of the ordinance.

Staff Contact:

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Presenter(s):

None. Consent calendar Item.

Background and Analysis:

Background and analysis have not changed from first to second reading.

The proposed 2016 utility rates and general facility charges (GFCs) are consistent with the Council-adopted utility master plans and the City of Olympia's Comprehensive Plan. The Utilities provide key public and environmental health services for our community.

For 2016, rate increases are proposed for the utilities of Drinking Water, Wastewater, Storm and Surface Water, and Waste ReSources. GFCs are proposed for the Drinking Water, Wastewater and Storm and Surface Water utilities. GFCs are charged to new development and recover the costs of customers that connect to the system.

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

If approved, the overall impact of the proposed rates to a typical residential customer for 2016 will be 4.5 percent or an \$10.06 increase in their bi-monthly bills (\$5.03/month). City GFCs and LOTT capacity development charges will increase \$549 for a new single family home.

Summaries of proposed rates for each utility and GFCs are as follows:

Drinking Water

7.3 Percent Increase Proposed. Increase GFCs by 6.7 percent.

The rate proposal is consistent with the *2015-2020 Water System Plan* that was adopted by City Council on October 6, 2015.

The proposed rate will result in an average single family residential charge increasing by \$1.64/month. Bi-monthly charges for a typical single family residence will be approximately \$48.25. Each customer class (residential, non-residential and irrigation) will see the increase, although actual increases on customer bills will vary depending on water usage.

Reclaimed water rates were modified in 2014 and remain appropriate for 2016. Reclaimed water revenues closely mimic costs.

A 6.7 percent increase in general facility charges for drinking water is also proposed. The new GFC will be \$3,687.

Wastewater

No Rate Increase Proposed. However, implementing volume-based wastewater rates will result in a rate decrease for some customers and an increase for others. Increase GFCs by 3 percent.

The Wastewater utility safely conveys wastewater from our homes and businesses to the LOTT Clean Water Alliance treatment facility in downtown Olympia.

An inflationary increase of 3 percent (\$100) is proposed for the wastewater general facility charge. The new GFC will be \$3,442 per single family home.

Volume-based Wastewater Rates

Under the proposed new rate structure, wastewater rates will be based on drinking water consumption. The volume-based rate is a recommendation of the City's Utility Advisory Committee as well as the *2013-2018 Wastewater Management Plan*.

On July 21, 2015, staff presented a three-tier rate structure to City Council. As proposed, approximately 17 percent of single family wastewater customers will receive a 35 percent rate reduction. Approximately 70 percent of all customers, including multifamily and commercial, will pay five percent more. The other 13 percent of customers will see little or no change.

Wastewater Treatment Services - LOTT Clean Water Alliance

LOTT Clean Water Alliance rates and capacity development charges are set by the LOTT Board of Directors. Capacity development charges (CDCs) are similar to City GFCs.

LOTT is proposing a 3 percent inflationary adjustment to monthly rates for 2016. With the rate increase, LOTT charges will increase by \$1.08 per month for a single family residence. The current LOTT charge of \$72.12 bi-monthly for single family residences will increase to \$74.28. The LOTT CDC is proposed to increase 4.3 percent, to \$5,354, for a new single family home.

Storm and Surface Water

6.7 Percent Increase Proposed. Increase trip-generation component of GFCs from \$3.15 to \$4.50.

The proposed 2016 Storm and Surface Water utility budget maintains current levels of service for flood mitigation, water quality improvement, and aquatic habitat enhancement.

With the rate increase, single family residences will see a \$1.60 bi-monthly (\$0.80 monthly) increase in their storm and surface water rates. Single family and duplex and surface rates in 2016 will be \$25.49 bi-monthly.

The base general facility charge for stormwater GFCs will stay at \$1,190 for a new single family home. Consistent with last year's decision to phase-in increases to the trip-generation component of the stormwater GFC, this component will increase from \$3.15 to \$4.50 per daily vehicle trip. The trip-generation component of the GFC recognizes the water quality implications of vehicle use. Land uses with high vehicle use (e.g. convenience mart) pay a higher charge than land uses with modest vehicle use (e.g. single family residences). For example, industry standards document that single family residences generate approximately 9.7 vehicle trips/day.

Waste ReSources

Variable Rate Increases Proposed

The Waste ReSources utility provides a wide range of waste reduction, recycling and disposal services. It implements programs for residential, commercial, drop box, and organics customers. Policy direction is set by the *Towards Zero Waste: Olympia's Waste ReSources Plan 2015-2020*.

Proposed rate increases for 2016 include the following:

- Drop box 3 percent
- Residential 5.5 percent
- Commercial 4 percent
- Organics 9 percent

Neighborhood/Community Interests (if known):

City utilities provide vital public health services for Olympia residents. Utility rates are set to ensure

reliable, uninterrupted levels of service.

Options:

Option 1: Move to approve the ordinance approving utility rates and charges for 2016.

Implications:

- Supports essential City public and environmental health services.
- Increases rates for customers and charges for new development.

Option 2: Modify or decline the proposed 2016 increases.

Implications:

- Avoids, or lessens, additional customer costs.
- Risk failures in fulfilling City public and environmental health responsibilities.

Financial Impact:

The proposed rate and GFC increases will generate revenue to implement Council-adopted utility master plans and ensure financially responsible management of City Utilities.

Attachment(s):

2016 Utility Rates Ordinance

Signed UAC 2016 Rate and WW Volume Bases Rate Recommendation Letter