



Utility Advisory Committee

LOTT Clean Water Alliance: Financial Planning Overview

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Title

LOTT Clean Water Alliance: Financial Planning Overview

Recommended Action/UAC Deliverable:

Review staff's briefing on LOTT's Capital Improvements Plan and related financial planning.

Report

Issue:

Briefing/information only.

Staff Contact:

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Justin Long, Finance Director, LOTT Clean Water Alliance

Lisa Dennis-Perez, Environmental Planning and Communications Director, LOTT Clean Water Alliance

Presenters:

Same as above

Background and Analysis:

LOTT staff will brief the UAC on development of the Capital Improvements Plan and related financial planning.

The LOTT Clean Water Alliance provides wastewater treatment services for the urban areas in north Thurston County, including Olympia, Lacey, and Tumwater. LOTT is governed by a Board of Directors comprised of one elected official from each of the three cities and Thurston County. LOTT owns and operates a large centralized treatment plant - the Budd Inlet Treatment Plant, along with a satellite reclaimed water plant, three major pump stations, sewer interceptor pipelines, and reclaimed water distribution pipelines. The cities own and operate extensive networks of sewer pipelines and pumps that feed into LOTT's interceptor trunk lines and carry flows to LOTT's treatment facilities.

LOTT is responsible for providing wastewater management services for our growing local communities, and is required by the state Department of Ecology (Ecology) to undertake annual planning to maintain the existing system and accommodate increasing capacity needs. To ensure

sustainability of the existing system, LOTT has developed a comprehensive Asset Management Program to inventory and assess all systems. The program allows LOTT to plan capital projects to repair or replace assets at the appropriate point in their life cycle to prevent equipment and system failures.

LOTT's Budd Inlet Plant is one of the most complex plants on Puget Sound because the treated effluent is discharged into Budd Inlet. Budd Inlet has been designated as a water quality impaired water body, and LOTT is held to extremely high standards by Ecology through our National Pollutant Discharge Elimination Permit (NPDES) to ensure adequate treatment and protection of receiving waters.

LOTT has two primary sources of revenue - monthly Wastewater Service Charges (WSCs) and one-time Capacity Development Charges (CDCs). WSCs are used to pay most of the cost for repairs or upgrades to the existing wastewater treatment system, loan payments for system-related capital costs, and operating costs. CDCs are collected when a property is connecting into the LOTT system and are used primarily to fund projects related to new capacity, such as reclaimed water treatment facilities, larger sewer lines, and other projects that increase LOTT's ability to serve new customers. LOTT charges, both monthly and connection fees, are based on equivalent residential units (ERUs) and collected by the cities, with the revenue passed through to LOTT.

LOTT operates on a biennial budget and rates are typically approved by the LOTT Board of Directors on a biennial basis. The LOTT Board reviewed preliminary 2021-2022 budget information and established anticipated rates in August 2020. Financial planning and rate setting included in-depth consideration of the pandemic's economic impacts for ratepayers and the utility, and various rate scenarios were considered. The LOTT Board will finalize rates for the biennium in October 2020.

Financial Impact:

LOTT service charges are collected through City utility bills. The anticipated LOTT monthly WSC is \$42.23 for 2021 and \$43.49 for 2022. These amounts reflect an annual 3% inflationary adjustment. As Olympia employs a bimonthly billing system, this amounts to \$84.46 for a single-family home every two-month billing period in 2021. LOTT's proposed CDC is \$6,417.61 for 2021 and \$6,610.13 for 2022 per ERU. Rates for commercial properties are based on wastewater flows in increments of 900 cubic feet.

Attachments:

None