



Utility Advisory Committee

2021 Preliminary Utility Rates and Operating Budgets

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Title

Review and Provide Recommendations for the 2021 Utility Rates, Operating Budgets, General Facility Charges and Capital Facilities Plan

Recommended Action/UAC Deliverable:

Continue review of staff's recommendations for 2021 Capital Facilities Plan (CFP), rates and General Facilities Charges (GFCs).

Recommend Chair Buffo write a letter with budget and rate recommendations and concerns to the City Council on behalf of the Utility Advisory Committee. Council's Finance Committee reviewed Utility rates on September 16, 2020 without comment. City Council will review rate and GFC recommendations and hold a public hearing on the CFP on October 13th.

Issue:

Review 2021 preliminary utility rates and operating budget, including CFP and GFCs. UAC will draft a recommendation letter to City Council.

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, capital investments, and rates annually. Staff presented the draft CFP and reviewed proposed 2021 budgets and rates on September 3rd. City staff will continue the briefing on the 2021 budget and rate analysis at the UAC meeting on October 1, 2020.

As discussed in September, the proposed 2021 budgets generate rate changes for single family residences as follows:

Drinking Water	0.0%
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Wastewater	0.0%
Storm and Surface	7.5%
Waste ReSources	0.0%
LOTT	3.0%
Combined	1.85% or \$4.64/month/single family account

Rates for non-single-family accounts would be raised proportional to their current bills. These proposed rate changes are preliminary and could be changed by the City Council.

Key financial drivers for the Utilities:

Common to all utilities' budgets:

- Assumed 1% COLA
- 0.5% growth in accounts
- No increase to Municipal Utility Tax rate (currently at 11.5%)
- Benefits based on actual historical values
- Cash-funding vehicles
- Adjustments in interfund transfers generally upward with a few exceptions (e.g. PW Administration and property insurance)

Drinking Water:

- Meter Technician made permanent position
- Municipal and excise taxes: \$404K reduction
- Bond refinancing: \$65K savings
- Capital funding: \$245K increase

Wastewater

- Bond refinancing: \$59K savings
- Municipal and excise taxes: \$72K reduction
- No staff changes
- \$119K cash buy down of rates

Storm & Surface Water

- Habitat Salary and Benefits: \$213K reduction in CIP funding not realized
- Dropped roadway fees \$244K revenue reduction
- Transportation CIP funding \$150K reduction in CIP funding not realized
- Transfer of sweeper from Transportation +\$87K net increase

- Municipal and excise taxes: \$98K reduction
- CIP Funding: \$312.7K reduction

Waste ReSources

- Residential revenue has not recovered from faltering recycling markets
- Aging residential cart inventories are nearing the end of the useful life.
- Rising Fleet Costs: Capital replacement fund is not recouping full replacement costs for garbage trucks by the end of their useful life causing adjustments in lifecycle frequencies. Inflation rate has not paced with purchases of new vehicles.
- Covid-19 has disrupted revenue streams in Commercial and Drop Box Sectors in 2020 and the utility will be monitoring revenue levels in 2021.

Additionally, utility-related development charges are proposed to increase \$185 (1.2%) per new single-family residence attributable solely to a 3.0% increase in the LOTT Clean Water Alliance capacity development charge (CDC). No increase in the City's GFCs is proposed for 2021.

Options:

1. Support staff recommendations for the 2021 CFP, GFCs and utility rates as proposed above and draft a letter of recommendation to the City Council.
2. Propose alternative rate recommendations.

This meeting will be the UAC's final review the 2021 utility rates and operating budget before making a recommendation. The UAC will draft a letter with their recommendations to the City Council. Council's Finance Committee reviewed Utility rates on September 16, 2020 without comment. City Council will review rate and GFC recommendations. City Council will hold a public hearing on the capital budgets on October 13th and on the operating budgets on November 10th. Budget deliberations will continue until the budgets are adopted on December 8th.

Staff is providing attachments as requested by the UAC at the September 3rd meeting.

Neighborhood/Community Interests:

City utilities provide essential public health services to Olympia residents.

Attachments:

Committee Roles & Expectations

Utility financial information for:

- Water Resources CFP tables
- Budget overviews for Drinking Water, Wastewater, Storm and Surface Water, and Waste ReSources
- Proposed enhancements for Drinking Water and Storm and Surface Water
- Summary/history of Bi-Monthly Utility Bills

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- GFCs and CDCs 2017 - 2021
- Preliminary 2021 Utility Rates