



## Utility Advisory Committee

### LOTT Clean Water Alliance: Financial Planning and Budget Overview

**Agenda Date:** 6/1/2017  
**Agenda Item Number:**  
**File Number:** 17-0570

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**Type:** report **Version:** 1 **Status:** Filed

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#### **Title**

LOTT Clean Water Alliance: Financial Planning and Budget Overview

#### **Report**

##### **UAC Deliverable:**

Briefing only

#### **Staff Contact:**

Andy Haub, Water Resources Director, 360.753.8475

Justin Long, Finance Director, LOTT Clean Water Alliance

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

#### **Background and Analysis:**

LOTT staff will brief the UAC on their approach to financial and capital project planning and provide an overview of the current 2017-2018 biennial budget.

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. The City of Olympia provided LOTT with approximately \$12 million in WSC revenue and \$3.5 million in CDC revenue in 2016.

LOTT operates on a biennial budget, but rates are enacted in the fall of each year by the LOTT Board of Directors. The adopted and projected rate increases for 2017 and 2018 are both two percent. The LOTT Board will begin a mid-year budget review in July and determine final rates for 2018 this fall. The UAC is free to provide input to Olympia City Council on LOTT finances and rates with the understanding that LOTT is a regional entity subject to decision-making by all four jurisdictions.

**Financial Impact:**

LOTT service charges are collected through City utility bills. LOTT's 2017 rates for a single family home in 2017 are \$37.88 per month. As Olympia employs a bimonthly billing system, this amounts to \$74.76 every two-month billing period. LOTT's CDCs are \$5,579 per residence. Rates for multifamily and commercial properties are based on wastewater flows relative to average single family residence flows.

**Attachments:**

None