



# Wastewater Rate Changes 2015-2019

## Frequently Asked Questions

### How are wastewater rates determined in Lacey?

Rates are determined by balancing the Lacey Wastewater Utility's anticipated costs for capital and operating needs with the expected number of customers and their wastewater production. Anticipated costs include power, supplies, salaries and benefits, as well as major projects like the construction of new wastewater lines, and upgrades to wastewater infrastructure like pipes, valves and pump stations, all of which enable Lacey to safely collect and deliver wastewater to a nearby LOTT Clean Water Alliance Wastewater Treatment Plant, and maintain a safe community.

Rate adjustments are then leveled out over several years to avoid large annual fluctuations and to provide customers with consistent adjustments that they can more readily incorporate into their own budgets. Before any rate increase is adopted, the Council solicits public comment and holds public hearings as part of the annual budget process.

### Who will be affected by the changes in wastewater rates?

All City of Lacey wastewater customers will experience the same proportionate rate changes.

### How and when will my wastewater bill change?

The average monthly residential wastewater bill in Lacey is currently \$17.30. The current proposal is to gradually increase rates over the next 5 years, starting January 1, 2015. The increase to the monthly bill would be \$0.74 in 2015.

#### Example

Changes expected to the average monthly in-city residential wastewater portion of the utility bill over the next 5 years:

	2014	2015	2016	2017	2018	2019
Total bill for wastewater:	\$17.30	\$18.04	\$18.81	\$19.61	\$20.44	\$21.31
<b>Total increase from previous year:</b>		<b>\$0.74</b>	<b>\$0.77</b>	<b>\$0.80</b>	<b>\$0.83</b>	<b>\$0.87</b>

For more information about your bill or how the City of Lacey wastewater rates are structured, visit [www.ci.lacey.wa.us/water-rates](http://www.ci.lacey.wa.us/water-rates) or call Lacey Utility Billing at 360-491-5616.

### What will this rate change help fund?

The money collected by the City through customers' monthly bills is used to maintain, repair, and replace existing infrastructure. In Lacey, there are 210 miles of sewer line, 48 sewer pump stations, 8 odor control facilities and 16,400 service connections. The utility will be rebuilding its system reinvestment fund, which provides funding to replace and rebuild aging infrastructure that has reached the end of its useful life. This will help ensure the long-term reliability of the City's existing infrastructure and reduce the potential for emergency repairs. These changes are also needed to offset general inflation of day-to-day operating expenses.

### Can the City finance some of its capital projects to reduce the impact to rates?

Yes, the City plans to utilize Municipal Bonds to cover a portion of the City's wastewater financing. Current bond rates are about 5%.

There are Pro's and Con's to financing large capital projects. Financing allows the costs to be spread out over

15-20 years, reducing the immediate impact to rates; but these projects cost more as a result of interest charges and the annual payments reduce the amount of cash available for the following years' projects. The City has balanced the levels of financing and rate adjustments to provide for moderate rate increases, while keeping debt at a manageable level.

**Does new development pay for capital improvements?**

New development pays a connection fee based on their anticipated sewer flows to "buy in" to the existing system. For example, currently a new single-family home pays \$3,218 to connect to the wastewater system. Funds collected from new development are used to reimburse the City for capital projects that increase the capacity of the collection system, such as upgrades to pump stations and sewer trunk lines that typically serve much more than any one development. New development is required to pay for and install infrastructure required to serve their specific project. For example, if a new or larger sewer main is required to serve a new subdivision or a new pump station is needed, the City does not pay for it out of capital improvement funds. The new development pays all of those costs.

Projects that replace aging infrastructure are funded entirely by customers' monthly rates. These projects commonly include replacement of deteriorated sewer lines and upgrading obsolete or underperforming facilities. These projects benefit everyone by keeping the wastewater system in good repair and increases system reliability and efficiency.

Some projects that do not replace an existing facility or directly increase the system's capacity to take on additional customers are considered upgrades. These types of projects include the addition of odor control, the reduction of maintenance effort, or adding backup power to existing pump stations to increase reliability. These projects are funded by a blend of customer rates and connections fees.

**What would have happened if we didn't raise rates?**

Many options were considered while developing the proposed rate changes. If the City chooses not to raise wastewater rates, the City would be forced to reduce our investment in necessary capital improvements and infrastructure repair/replacement. Over time this would lead to a less reliable sewer collection system with more frequent infrastructure failures, reductions in preventative maintenance, street damage, and an increased possibility for spills or violation of regulations. The end result would be higher operating costs and increased emergency or unanticipated expenditures in the long run, thereby reducing the funds now slated for infrastructure investments.

**What has been done to lower operating costs and keep rate increases to a minimum?**

- On-site STEP system maintenance protocols have been revised to reduce the level of effort and frequency of site visits without impacting the customers' level of service.
- Several pump stations have been identified for consolidation to reduce long-term operation and maintenance costs.
- Trenchless sewer line rehabilitation techniques have been used to prolong the life of existing infrastructure, avoiding the need for expensive replacement projects.

**How do Lacey's rates compare to other nearby Cities?**

2014 Average Monthly Residential Wastewater Bill

Jurisdiction	City Sewer Charge	LOTT Charge*	Utility Tax	Total Charge
Olympia	\$21.21	\$35.01	10%	\$61.84
Lacey	\$17.30	\$35.01	6%	\$55.45
Tumwater	\$15.03	\$35.01	6%	\$53.04

\*Questions about LOTT charges should be directed to LOTT Clean Water Alliance, (360)664-2333.