



Water Rate Changes 2013-2017

Frequently Asked Questions

How are water rates determined in Lacey?

Rates are determined by balancing the Lacey Water Utility's anticipated costs for capital and operating needs with the expected number of customers and their usage. Anticipated costs include power, supplies, lab testing, salaries and benefits, as well as major projects like the construction of new water treatment facilities, wells, storage tanks, and upgrades to water infrastructure like pipes, valves and pump stations, all of which enable Lacey to reliably provide clean, high quality water to residents for decades to come.

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 water rates?

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

How and when will my water bill change?

The average monthly residential water bill in Lacey is currently \$25.95. The current proposal is to gradually increase rates over the next 5 years, starting January 1, 2013. For a typical City of Lacey residence using 900 cubic feet of water, the increase to the monthly bill would be \$1.68 in 2013.

Example

Changes expected to the average monthly in-city residential water portion of the utility bill over the next 5 years (using about 900 cubic feet):

	2012	2013	2014	2015	2016	2017
Total bill for water (includes utility taxes):	\$25.95	\$27.63	\$29.43	\$31.35	\$33.38	\$35.55
Total increase from previous year:		\$1.68	\$1.80	\$1.92	\$2.03	\$2.17

For more information about your bill or how the City of Lacey water rates are structured, visit 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 replace and maintain existing infrastructure. In Lacey, there are 390 miles of water pipe in the ground, 4 treatment facilities, 19 wells and 68,000 people served. These funds will replace and rebuild aging infrastructure that has reached the end of its useful life. The City plans to improve water quality, stabilize pressures, and increase reliability along the College Street corridor with a new treatment facility, storage tank, and pump station improvements. The utility will also be rebuilding its operating and capital reserves, which provide greater financial stability and provides a level of insurance against unforeseen events.

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

Yes, the City has applied for \$15 Million in Public Works Trust Fund loans which carry an interest rate of about 1%. The sale of Municipal Bonds will make up the remainder of the City's 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.

Why doesn't new development pay for capital improvements?

New development pays a connection fee based on the size of their water service to "buy in" to the existing system. For example, currently a new single-family home pays \$4,850 to connect to the water system. Funds collected from new development are used to reimburse the City for capital projects that increase the capacity of the water system, such as wells and storage tanks 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 water main is required to supply a new subdivision, the City does not pay for it out of capital improvement funds. The new development pays all of those costs.

Projects that replace existing infrastructure are funded entirely by customers' monthly rates. These projects commonly include replacement of leaky waterlines and upgrading aging and underperforming facilities. These projects benefit everyone by keeping the water 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 disinfection or treatment to existing wells to increase water quality, 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 during the 2010-2011 water rate study. If the City chooses not to raise water rates, the City would be forced to reduce our investment in necessary capital improvements in the distribution system and other areas. This would lead to more frequent infrastructure failures, water service interruptions, water loss, street damage, and 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?

- *Automated Meter Read (AMR) installations, completed in 2009, improved the accuracy of the meters and substantially reduced the time required to read meters.*
- *A state-of-the-art leak detection program was implemented in 2007 and continues today, which has reduced the amount of unaccounted for water by 20% since 2006.*
- *A proactive water line replacement program has been in place that replaces aging water line during non-water utility projects when appropriate, such as during a transportation project, to reduce the need to dig up the road a second time using water utility funds to fix or repair aging infrastructure.*

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

Average Monthly Residential Water Bill

Olympia	\$24.72*
Lacey	\$24.48*
Tumwater	\$23.65*

**Based on 900 cubic feet of consumption; does not include utility taxes.*

Are there any programs available to help me lower my water bill by using less water?

Yes! The City of Lacey has a robust water conservation program for both residential and commercial customers.

The programs include free upgrades and rebates for indoor and outdoor conservation. Visit

www.ci.lacey.wa.us/water-conservation or call Lacey Water Resources at 360-438-2687 to learn more.