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OF **LACEY**

**LACEY CITY COUNCIL  
WORKSESSION  
THURSDAY, MAY 27, 2021  
4:00 – 5:45 P.M.  
REMOTE ATTENDANCE**

To comply with Governor Inslee's Proclamation 20-28, the City Council Worksession will be conducted remotely, not in-person. However, you may view the meeting by watching live through Zoom:

Link: <https://us02web.zoom.us/j/89772069625>

The public may also listen to the meeting via telephone by dialing toll-free:

**(888) 788-0099** or **(877) 853-5247** - when prompted enter Webinar ID **897 7206 9625**

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**AGENDA**

- 4:00** **UTILITY RATE DISCUSSION**  
*SCOTT EGGER, PUBLIC WORKS DIRECTOR*  
*(PRESENTATION)*
- 5:00** **2021 STATE LEGISLATIVE SESSION RECAP**  
*BRIAN ENSLOW, STATE LOBBYIST*  
*(PRESENTATION)*
- 5:30** **3<sup>RD</sup> OF JULY EVENT UPDATE**  
*JEN BURBIDGE, PARKS, CULTURE & RECREATION DIRECTOR*  
*(BRIEFING)*
- 5:45** **ADJOURN**



## LACEY CITY COUNCIL WORKSESSION May 27, 2021

**SUBJECT:** Multi-Year Utility Rate Presentation

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**RECOMMENDATION:** Direct staff to draft an ordinance for a mid-year utility rate increase to be considered at the next Council meeting.

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**STAFF CONTACT:** Scott Spence, City Manager <sup>SS</sup>  
Troy Woo, Finance Director <sup>TW</sup>  
Scott Egger, Public Works Director <sup>SE</sup>  
Peter Brooks, Water Resources Manager <sup>PB</sup>  
Roger Dickinson, Interim Operations Manager  
Ed Andrews, Water Utility Supervisor <sup>EA</sup>  
Brandon McAllister <sup>BM</sup>

**ORIGINATED BY:** Public Works and Finance Departments

**PRIOR REVIEW:** 2021 Budget Workshop on October 1, 2020  
2021 Revenue Hearing on November 5, 2020

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### BACKGROUND:

The City Council will be provided information on three interrelated topics. The topics are:

1. Multi-Year Plan for Water and Waste Water Rates. (Information Only)
2. Tolmie Park HOA Community Septic System and potential Septic Conversion Project. (Direction Required)
3. Mid-Year Utility Rate Increase. (Direction Required)

**Topic 1:** Lacey is currently in the process of finalizing its Water Service Plan Update (Comprehensive Plan Element Amendment) as required by Chapter 246-290 of the Washington Administrative Code. The purpose of the Water Service Plan Update is to develop a long-term planning strategy for the City's water service area. The Plan evaluates the existing system and its ability to meet the anticipated requirements for water source, quality, transmission, storage, and distribution over a twenty-year planning period. Water System improvement projects have been developed to meet the changing demands of regulatory impacts, and population growth, as well as infrastructure repair and replacement. A critical element of this plan is the Capital Facilities Plan and associated financial plan for funding the projects.

Given Lacey's commitment to funding a septic conversion program and the connection between septic conversion and preservation of valuable water sources, multi-year rate plans were developed for both the water and wastewater utilities as both utilities contribute to the funding of the conversion program.

**Topic 2:** Tolmie Park Estates HOA recently reached out to Lacey staff to ask for assistance to connect their homes to sewer. Tolmie Park Estates currently has 47 homes connected to an aging community septic system which has significant issues with water intrusion. Tolmie Park Estates is located adjacent to Eagle Dr NE in the UGA. More significantly, it is located near the headwaters to Eagle Creek. Connecting this neighborhood to sewer will positively influence the water quality in Eagle Creek. Staff needs direction from Council on whether the City is willing to provide financial assistance for a septic conversion project. The formation of a Local Improvement District would most likely be required to move this project forward.

**Topic 3:** In November 2020, the City Council decided not to raise utility rates for the first half of 2021 in an effort to provide financial relief to utility customers who may have been financially impacted by COVID. At that time, the City Council decided that they would have a follow up discussion in May 2021 to consider whether to raise utility rates for the second half of 2021. The City Council will consider whether to raise Water and Wastewater rates by 3.0 percent and Stormwater Utility rates by 4.5 percent for the second half of 2021.

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#### **ADVANTAGES:**

1. Maintaining inflationary rate increases provides customers consistent and predictable rate increases for planning purposes.
2. Deferring capital improvements or maintenance, and ignoring operational and maintenance costs can occur when rates are kept artificially low. This can result, however, in rate spikes to adjust future rates to the correct levels.

#### **DISADVANTAGES:**

1. Increasing sewer rates can be challenging to customers regardless of the economic conditions. However, this modest increase will help offset future rate increases and allows the City of Lacey to maintain service levels and the protection of its environment.
2. The July 1, 2021, effective date for the increase in water rates coincides with the high water use of the irrigation season.